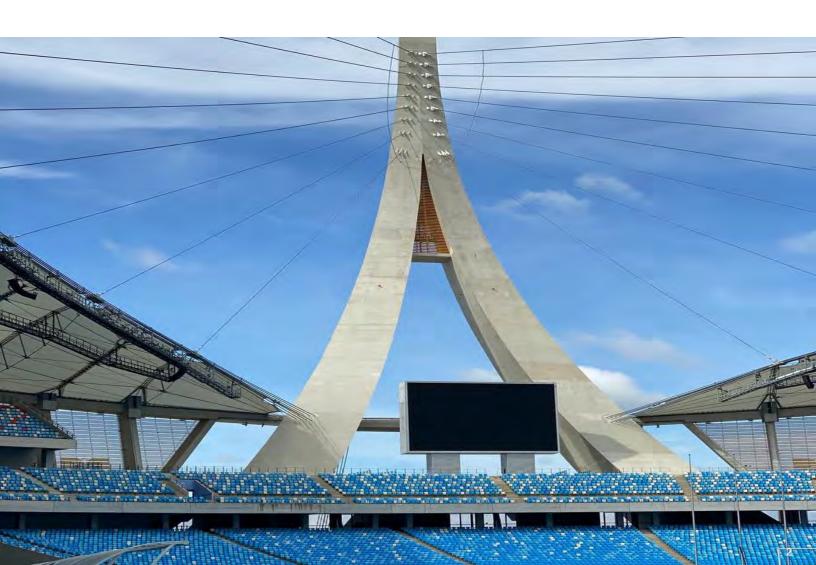


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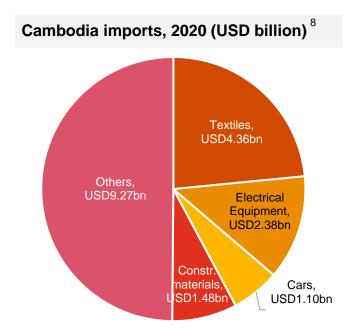
Cambodia's macroeconomic outlook

Cambodia is poised for growth and remains attractive to foreign investors as a frontier economy in Southeast Asia

Cambodia's gross domestic product (GDP) was USD26.96bn in 2021¹ (USD72bn on PPP terms)², registering an average GDP growth rate of 7.1% from 1994 to 2021.³ This makes it one of the fastest-growing economies in the ASEAN region. In 2021, Cambodia attracted USD4.35bn of fixed asset investment, of which China accounted for more than 50% of it.⁴ China's USD2.32bn investment was a 67% increase from 2020, driven by bilateral partnerships and free-trade agreements. Despite the recent growth, Cambodia still ranks poorly – a low 106 out of 140 countries – in the 2019 Global Competitiveness Index by the World Economic Forum.

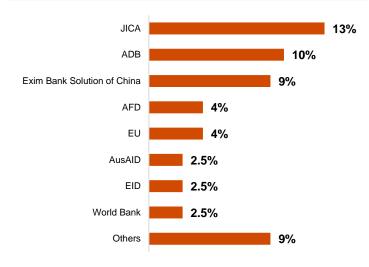
Increasingly, Cambodia has been shifting from an agriculture-based economy towards an industrial and service-based economy. The industrial sector made up 34.8% of GDP in 2020.⁵ A major driver of growth within the industrial sector is construction and real estate, which accounted for 11.5% of GDP in 2018.⁶ Services and agriculture constitute 36.6% and 22.4% of the economy respectively.⁷

Cambodia's international trade totalled USD35.8bn in 2020, a 2.5% increase from the USD34.9bn in 2019 despite a slowdown in global trade during the pandemic. The main trading partners in 2020 were ASEAN countries, China and the European Union. Cambodia's imports, valued at USD18.6bn in 2020 represented a fall of 7.8% year-on-year. While exports increased by 16.7% to USD17.2bn. This double-digit percentage year-on-year growth in trade has been the main driver for the RGC to focus on investing in infrastructure.



Overall, Cambodia still has some headroom to raise debt to fund infrastructure needs. Its overall government debt to GDP of 36.4% gives it ample room to borrow from multilateral development banks, international financing institutions and other bilateral fora.

Share in Cambodian infrastructure projects by financiers, 2022⁹



(9) Fitch Solutions Report, (10) IMF Debt Sustainability Report 2021

Government debt-to-GDP, 2022¹⁰

36.4% of GDP

Public debt: USD9.81bn, as of Q1 2022

In 2022, Cambodia's total public debt was USD9.81bn and was assessed to be manageable, based on its sustainability and risk threshold. Among Asia's developing economies, it has the lowest debt-to-GDP ratio. Of the multilateral investors, Japanese International Cooperation Agency (JICA) and ADB are the largest financiers of Cambodian infrastructure projects in 2022.



RGC's infrastructure development plan

Rectangular Strategy – Phase IV (2018–2023) prioritises infrastructure development to improve connectivity and regional integration

As a member of the ASEAN Economic Community and a signatory of the Free Trade Agreement between ASEAN and partner countries or regions, the RGC has prioritised development in physical and non-physical infrastructure connectivity to enhance integration into the regional and global economy. The Rectangular Strategy – Phase IV prioritises the enhancement of transport connectivity and internal integration and the expansion of energy coverage and digital connectivity. This aims to build a vibrant logistics system that will link economic poles and contribute to its competitiveness and economic diversification. Examples of these activities include 1) rehabilitating, building and developing roads, bridges, railways, waterways, airways and expressways, 2) lowering electricity prices, expanding supply coverage and constructing additional substations, and 3) strengthening and expanding fibre optic cable distribution networks, fibre optic infrastructure, and modernising the mobile telephone network.

Physical infrastructure for socio-economic development under NSDP 2019–2023

The five-year National Strategic Development Plan (NSDP) lays out the government's vision on key policy areas including economic development, education, health, agriculture and land planning. The aim is to achieve political and socio-economic development in Cambodia. NSDP 2019–2023 focuses on addressing bottlenecks in productivity and competitiveness, maintaining the growth momentum, taking advantage of its strategic geographic location in Southeast Asia, and guarding against regional and global economic uncertainties. The NSDP includes preparation of a Masterplan for Multimodal Transport and Logistics to accelerate integration, increase the investment budget and mobilise financing to rehabilitate, build and develop physical infrastructure, including roads and expressways, bridges, railways, waterways and airways.

Total investment under NSDP 2019–2023

USD59.9bn

2023 projected annual investment under NSDP

USD15.1bn





Upcoming transport and logistics master plan 2022¹¹

Aligned with the NSDP 2019–2023, the Minister of Public Work and Transport (MPWT) is preparing for the Transport and Logistics Master Plan 2022–2030, based on an intermodal transport master plan supported by the Chinese development partners. The upcoming transport and logistics master plan is reported to encompass investments pegged at USD50bn in capital asset formation for about 330 identified infrastructure projects. These activities would include the development of logistics centres, modernising high-speed rail, road construction, rehabilitation and upgrades, road network improvements, and the facilitation of supporting infrastructure at international border checkpoints, among others.

Major projects mentioned in the master plan include:

- phase I of a new container terminal at the Sihanoukville Port, to be completed by 2025;
- development of a Phnom Penh Logistics Centre; and
- improvements in waterway transport, including a link from the capital to the Kep Coastal Port via the Tonle Bassac River.

PPP Law of 202112

The PPP Law was enacted in 2021 to replace the 2007 Law on Concession. The PPP Law applies to all qualified projects dealing with the development of infrastructure in transportation, digital and telecommunications and energy. Under the PPP Law, the government can provide support in the form of subsidised packages through financial fulfilment for viability gaps, availability payments, state debt obligations, contributions of property, a favourable tax regime, security rights over properties and certain government guarantees. Adopting some good features from international cases, the PPP Law enables the choice of a private party to perform the work itself or to assign a third-party contractor. The dispute resolution mechanisms are also open to international arbitration centres. With the enactment of the PPP Law, many bottlenecks in the infrastructure project pipelines could be eased by using an incentive mechanism. While project pipelines under the PPP mechanism haven't yet been clearly drawn as at the date of this paper, the law will give a boost to the investment climate in Cambodia, especially to foreign investors, can't be emphasised enough.



Ports sector overview

Cambodia has a vast coastline and waterways of 443 and 3,700km respectively, connected by 78 river ports and 27 seaports. The busiest international ports in Cambodia are the ports of Phnom Penh and Sihanoukville, which are autonomous ports which serve as the national gateways and operate at almost full capacity.

Sihanoukville Autonomous Port (PAS) is the only port in Cambodia that was listed on the Container Port Performance Index (CPPI) in 2021.¹³ It ranked in the top 230 of 370 global container ports, based on the actual number, type, waiting and operating time of ships, weighted by multiple factors, such as the port's own infrastructure.

CPPI, 2021

SAP ranked 230 of 370 globally

Twenty container ports in ASEAN outperformed PAS in the index, eight of which were ranked in the global top 100, including Vietnam's Cai Mep International Terminal, Vung Tau Port and Haiphong Port, Malaysia's Tanjung Pelepas, Port Klang and Johor Port, the Port of Singapore and Thailand's Siam Seaport.

Relevant regulations related to maritime sector¹⁴

Existing legislation

- National Port Policy and Administration System
- Sub-decree No. 40 on Ship and Port Facility Security
- Prakas of an Act for the Registration of Merchant Vessels
- Instruction No. 006 on Sea Shipping Management
- Instruction No. 003 on Ship Management in Inland Waterways

Legislation in the approval process

- Law on Inland Waterway Transport (IWT)
- Port Act
- Declaration on Formality and Procedure for Foreign Vessel's Entry Permit Legislation in the drafting process
- Draft National Policy and Law on Maritime Transport (under discussion)

(13) World Bank, (14) General Department of Waterway-Maritime Transport and Port (GDWMP) (2019)



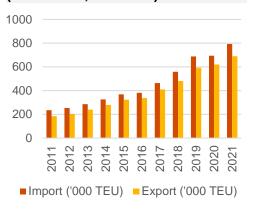


Cambodia's cargo volume and major ports' financial performance¹⁵

PAS registered strong growth in container volume with a 9.8% compounded annual growth rate (CAGR) from 459,819 twenty-foot equivalent (TEU) in 2017 to 732,387 TEU in 2021. Similarly, Phnom Penh Autonomous Port (PPAP) grew at 10.8% CAGR from 205,000 TEU in 2017 to 341,876 TEU in 2021. PAS captured about half of the total container market in Cambodia. Together with PPAP, the two ports captured 70% of the total market share. Cambodia's international trade volume is expected to grow exponentially with greater diversity of imports and exports and higher value-added products on the back of a more diversified economy, improving national income levels and gradual population growth. As a result, logistical needs will become more diversified as the economy develops, fostering the need for multimodal transport and logistic systems in the country.

In terms of financial results, PAS posted a 252.2% year-on-year increase in net profit at KHR993.7 billion (USD243.9 million) in 2021 on an increase in container throughput post COVID-recovery. Revenue increased by 9.8% year-on-year to KHR342.3 trillion (USD84.0 billion) on the back of higher revenue from stevedoring and lift-on, and lift-off (LOLO). In 2021, PPAP's total revenue gained 13.5% year-on-year to KHR125.2tn (USD30.8m), while net profit soared 28.6% to KHR51.7tn (USD12.7m), driven by an increase in container throughput by 20%. In the latest disclosure, PPAP's revenue rose by 27% to USD23.3m for the first seven months in 2022, driven by port operations, port authorities and other income.

Cambodia container throughput¹⁵ (2011–2021, '000 TEU)



International ports' revenue, 2021

USD85.5m PAS(↑9.79%) USD30.9m PPAP(↑14%) In the following sections, we discuss some of the ongoing port projects, including major port expansions and the construction of Kampot Port.

PAS expansion project^{16, 17, 18}

PAS is undergoing an expansion with the construction of a new container terminal of 350 metres in length and 14.5 metres in depth to accommodate container ships with a capacity of 4,000 TEU or 60,000 deadweight tonne (DWT) by 2025. This will mean SAP can provide better facilities with its existing shipping networks with ASEAN and East Asia countries. Several mainliners, like COSCO, RCL, SITC and TSL, provide services linking SAP with major ports in the region including Bangkok Port and Laem Chabang Port of Thailand, as well as Haiphong Port and Ho Chi Minh Port in Vietnam.

PAS will build two additional berths with the length of 400 and 430 meters, and depth dimensions of 16.5 and 430 by 17.5 metres providing for vessels of 10,000 TEU and 15,000 TEU respectively by 2028 and 2030. With an additional three berths, the capacity of the port is likely to triple to handle 3.7m TEU by 2050. Superstructures will also be added to the seaport by 2025 including units of post-Panamax cranes, rubber-tyred gantry cranes, reach stackers, tractors and trailers, a CCTV system, back-up generator and terminal operating system.

(16) Bensley, B. New Sihanoukville Deep Sea Port Terminal Inaugurated. Construction & Property News; (17) JICA 2017 Report Preparatory Survey for Sihanoukville Port New Container Terminal Development Project; (18) Cambodia, Japan to work for Sihanoukville Port development. (2022, March 22). Khmer Times.





Construction of a third major deep-water port in Kampot¹⁹

The Kampot Multipurpose Port project is the first private port and third deep-water port in Cambodia which is being developed by Kampot Logistics and Port at an estimated cost of USD1.5bn. Based on an industry article, work is underway on the construction of this greenfield port at Kampot, near the Vietnam border. The first phase of the project is projected to cost about USD200m to build a container with an initial annual capacity of 300,000 TEU. The multi-purpose port will have a water depth of nearly 15 metres and will be able to accommodate ships up to 100,000 DWTs. It's also planned to connect it by expressway to the nearby capital of Phnom Penh. During the second phase of the project, the container capacity is expected to double to 600,000 TEU by 2030. The port complex is expected to include a special economic zone (SEZ), free trade zone, warehousing, manufacturing and oil refinery.

Outlook

Cambodia has historically underinvested in port and maritime infrastructure. A lack of resources means they have failed to realise the deep-water port development plans or tap the potential of the coastal and waterways and waterfront. A WB study recommended improving the Cambodian port, maritime and the inland waterway sector by accelerating the development, adoption and implementation of legislation by investing in human resources using the existing budget and ensuring it complies with international regulations.

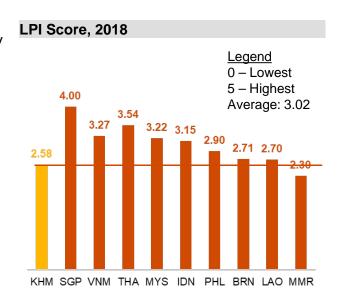
Favourable laws and a regulatory regime should help improve the investment climate, matching its development needs. So, this sector is poised to attract more international terminal operators and investors. Some of the pipeline projects in the next few years hold a lot of promise for the investors such as the expansion of PPAP and PAS, development of Kampot Multipurpose Port project, proposed Bassac River-Kep Sea waterway linkages and the proposed tourist port in Kep City. The ongoing regional plans and projects to enhance connectivity between Cambodia and ASEAN will also improve the sector's prospects for foreign investment and boost the nation's economic development.

Logistics sector overview

Like the Ports sector, logistics sector in Cambodia has been traditionally been underinvested and is fragmented with many local players offering basic logistics solutions to the end customers.

Currently, logistics facilities such as dry ports, inland container depots, and warehouses have limited capacity and are spread throughout Cambodia. The supply chain lacks efficient intermodal transportation (mostly road freight) which results in high logistics costs, frequent delays, and congestion in the transport of goods. Logistics costs were estimated to be KHR27.9tn (USD6.7bn) in 2021 and were 26% of GDP in 2020.²⁰

Cambodia underperforms regionally in terms of logistics quality and as reflected in the Logistics Performance Index (LPI) Score in 2018.²¹ The country scored below average on all 6 indicators of the LPI scoring, namely efficiency of customs and border management clearance, quality of trade and transport infrastructure, international shipments, logistics quality and competence, tracking and tracing, and timeliness.



(20) Amarthalingam, S. (2022, July 14). What ails Cambodia's logistics sector?. Phnom Penh Post (21) World Bank





Logistics hubs in Cambodia are underdeveloped with narrow gateways and inefficient operations. Goods movements in Phnom Penh are slow and costly due to truck regulations in the urban areas, e.g. trucks are not allowed to drive into the city during daytime which add to costs. The existing dry ports offer basic services and are often not competitive, but they usually have specific niche routes and customers for their trucking businesses. The available logistics services are either limited or fragmented, e.g. less-than-container load (LCL) services are only available for certain destinations (China and the USA), cold-chain vendor managed inventory (VMI), and last miles transport often are not available with the lack of truck terminals. Also, the dry port services including warehouse operations, container freight station (CFS) services, and container storage are expensive compared to neighbouring countries. This is mainly attributable to the lack of integration of the entire supply chain in Cambodia.

The RGC is striving to improve the logistics sector in Cambodia. As reflected in the Rectangular Strategy, the RGC aims to increase its investment budget and mobilise financing to develop physical infrastructure including roads, bridges, railways, waterways, and airways along with improving interinstitutional coordination mechanisms, Also, according to industry articles, the upcoming **Transportation and Logistics Master Plan for 2022–2030** captures the following major projects as part of an effective logistics system for development until 2030:

- Phnom Penh Logistics Center (PPLC) project
- Sihanoukville Logistics Center project
- Tonle Bassac navigation project
- High-speed rail modernisation study
- Phnom Penh-Bavet Expressway project
- Kampong Thom-Kampong Chhnang, Battambang-Siem Reap Expressway

Incentives are provided to investors in the logistics sector which includes CIT exemption or special depreciation options. Also, certain other special incentives are available on a case-by-case basis for these investments qualifying under the Chapter 6 of Law of Investments – logistics being one.

Selected international logistics companies in Cambodia

- DB Schenker
- UPS
- DHL
- CEVA Logistics
- XPO Logistics
- Naniwa Transport
- Sinotrans

Relevant master plans and regulations

- Royal decree on the establishment of the Logistics National Council in 2017 laid out the framework for the creation of an inter-ministerial team to improve the logistics sector and promote an efficient flow of exports
- Cambodia Industrial Development Policy (IDP) 2015– 2025 includes the planning and implementation of the Transport and Logistics Master Plan, unveiled in 2022
- Investment incentives under Chapter 6 of Law on investments

To address the need for better physical and non-physical infrastructure, MPWT signed a framework agreement with Singapore-based YCH Group (YCH) in 2021 to design, develop and operate the proposed PPLC, with a smart facilities to enhance Cambodia's connectivity to intra-regional trade flows.

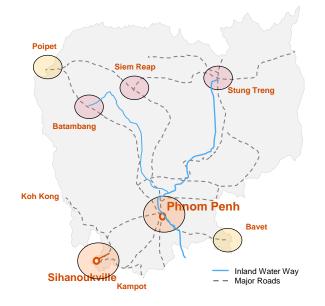
Proposed development of PPLC

YCH will develop the proposed PPLC project, which is currently at the feasibility study stage, in collaboration with Cambodia-based World Bridge Group. The proposal is to build a superport, a one-stop solution provider with logistics services encompassing the core and value-added services below.

- International freight forwarding LCL (less-than-container) container services
- Cold chain logistics services
- Multi-modal logistics services, including land, sea, and air logistics services for door-to-door services
- JIT distribution and vendor-managed inventory
- Cargo packing and unstuffing services
- Long-term warehouse leasing services
- Container repairs and maintenance services
- Container parking yard for small trucking companies
- Collective customs clearance services
- Deferred import duty payments for imported goods

PPLC is expected to deploy its latest logistics technologies to improve the resiliency and visibility of regional logistics by managing the throughput for logistics and supply chain activities for Cambodia.

It's expected that the proposed PPLC will cater to the market in the hinterlands of the PPAP and Sihanoukville Autonomous Port (PAS). These hinterlands constitute up to 60% of the cargo generated in Cambodia and are at a major intersection of maritime and land-based routes.



Some of the major industries located in these hinterlands – garments and leather, manufacturing and light engineering –will be the major consumers of the services provided by this proposed complex.

Outlook

Cambodia has announced its vision to be a sub-regional logistics hub in its intermodal Transport Connectivity and Logistics System Master Plan. The proposed logistic centres, currently under planning, are expected to play a vital role as nodes in Cambodia's connectivity with the broader intra-regional trade flows, particularly with the Mekong countries in the ASEAN region. Among the various categories of infrastructure projects, projects that strengthen the country's logistic capability and resilience are being prioritised in Cambodia, as reflected in the Rectangular Strategy – Phase IV. As the economy is dependent on the import and export of goods, the RGC is prioritising logistics as a means for Cambodia to achieve its target to become a high-income country by 2050. The RGC also aims to enhance the efficiency of the logistics sector and to bring down costs, increase competitiveness and revolutionise the domestic supply chain for regional and international businesses.

With impressive growth in international trade, and wider geopolitical compulsions to diversify manufacturing out of China, the Cambodia logistics sector presents a good opportunity for investors. The Council for the Development of Cambodia (CDC) accords logistics sector investments as a priority category, which is helping to attract international players to the country.

Road sector overview

Road transport is the largest sub-sector of transport in Cambodia, accounting for more than 90% of passengers and freight movement. Yet, the quality of roads in Cambodia underperforms regionally, based on World Economic Forum's (WEF) 2019 competitiveness ranking. Cambodia has a scoring of 3.6 out of 7.0 on road quality, second lowest in the region (Vietnam: 3.4, Laos: 3.7, Thailand: 4.4, Malaysia: 5.3, and Singapore: 6.5).

The primary road network has 2,254km of national paved road (one-digit roads) that connect the country with its borders, the Greater Mekong Sub-region (GMS), and the ASEAN network, 5,007km of inland national roads (two-digit roads), of which 72% are paved, and 9.031km of provincial roads (three and four-digit roads), of which 30% are paved.

The RGC has undertaken several major road construction projects in Siem Reap, Sihanoukville, Koh Kong and other provinces, including the Phnom-Penh-Sihanoukville Expressway, Phnom-Penh-Bavet Expressway, National Road 1 and 5, and World Bank's rural roads improvement programme, among others.²³

Total road length (km), 2020

66,045

National road (1 digit): 2,254 National road (2 digits): 5,007 National road (3, 4 digits): 9,031

Rural: 47,920

Road conditions (paved*), 2019²²

100% National roads (1 digit)

72% National roads (2 digits)

30% National roads (3, 4 digits)

5% Rural

*Paved with DBST, asphalt concrete or cement concrete

MPWT believes it can enhance Cambodia's transport connectivity by addressing the biggest road transport challenges, such as inadequate physical infrastructure, insufficient road maintenance, poor traffic safety and overloading, underdeveloped and inefficient urban transport, and low climate resilience.

(22) ADB Cambodia: Transport Sector Assessment, Strategy and Road map (2019), (23) Various news articles



Road development under NSDP 2019–2023²⁴

The NSDP outlined the government's priorities to enhance transport connectivity by increasing its own investment budget and attracting investment from the private sector.

National and provincial road infrastructure improvement

- Improving quality by upgrading selected roads to National Roads Grade 1 and asphalt concretecovered four-lane roads
- Expanding the network, including construction of national and provincial roads linking to the new development zones (industry, agriculture and tourism)
- Constructing highways and major bridges with development partners, including Phnom Penh-Bavet and Phnom Penh-Poipet-Siem Reap.

Road sector performance targets in the NSDP 2019–2023

- A four-pronged approach was undertaken, with targets to rehabilitate rural roads totalling 45,000km, pave 248km of the rural roads with double bituminous surface treatment (DBST) or concrete, ensure periodic maintenance of rural roads, and support elements such as rural road maps and traffic signs by 2023.
- The NSDP 2019–2023 is a continuation of the government's commitment to expand and improve the road network set out in the NSDP 2014–2018. At the end of 2018, three out of four of the targets in the NSDP were significantly under-achieved, apart from the preparation of inventory of roads, rural road maps and installation of traffic signs.

Main EPC players²⁵

- China Road and Bridge Corporation (CRBC)
- Overseas Cambodia Investment Corporation (OCIC)
- Royal Group
- China Railway Corporation

Law and regulations

- Law on Road Traffic, amended and published in 2017.
- Master Plan on Intermodal Transport Connectivity and Logistics, 2022.

(24) Government of Cambodia. 2019. National Strategic Development Plan, 2019–2023, (25) Fitch Solutions Cambodia Infrastructure Report Q3 2022



The RGC has focused its efforts in enhancing connectivity between cities, as well as facilitating cross-border linkages, through the construction and rehabilitation of new and major roads. Some of the interesting road projects are detailed below.

Proposed Phnom Penh – Sihanoukville Expressway

Due for completion at the end of 2022, the 190km Phnom Penh – Sihanoukville Expressway will be the first and largest expressway in Cambodia. The MPWT contracted China Road and Bridge Corporation (CRBC) for its construction, which is meant to create an efficient link between Phnom Penh and the coastal city of Sihanoukville. The new expressway is expected to cut travel time between Phnom Penh and Sihanoukville by more than half – from five to 2 hours²⁶ – as well as divert traffic from existing roads, particularly National Road 4. Likewise, there would be a significant improvement in logistics efficiency by reducing the time and costs involved in the transportation of goods.



(26) Phnom Penh-Sihanoukville Expressway Now 95% Complete (July 2022) Khmer Times





Rehabilitation of NR23 and PR31227

The proposed rehabilitation of National Road 23 (NR23) and Provincial Road 312 (PR312) was pushed forward with the support of the MPWT and ADB with the intention of enhancing connectivity within the Greater Mekong Subregion Southern Economic Corridors. The project seeks to improve the NR23 (20km) and PR312 (28km) using cement or asphaltic concrete and based on a disaster-resilient bioengineering design.

NR23 and PR312 are located in the Kandal and Prey Veng Provinces respectively, which are rapidly evolving rural economic centres in need of cross-border connectivity to the regional market. Kandal province serves as an economic belt of the capital Phnom Penh, with farming and fishing as Kandal's main economic activities. Prey Veng Province is part of the "great green belt" of Cambodia, and the main crop grown is rice which contributes about 10% to the national crop. The rehabilitation project is expected to cost USD90 million and expected to be funded mainly by a concessional loan from the ADB.

Sector outlook

Road transport is an important part of the logistics ecosystem in Cambodia and regionally between countries in the Greater Mekong Subregion (GMS). As such, a significant part of the infrastructure master plan focuses on strengthening and expanding road infrastructure and connecting major thoroughfares – especially international border checkpoints -to increase Cambodia's competitiveness, attract foreign investment, and reduce logistics and transport costs. The rehabilitation of National Road 4 started in 2022 with expansion of lanes and road length, due for completion in 2026.²⁸ Other improvements projects include National Roads 31, 33 and 41.29 The Rectangular Strategy - Phase IV also calls for improvement in traffic safety and public order and alleviation of illegal checkpoints and trucks that fail technical standards.

The road sector is expected to grow with further support from international development partners, private sector's participations under the PPP law of 2021.

(27) ADB Proposed Loan Kingdom of Cambodia: Road Network Improvement Project (Phase 2) (2022), (28) Samean, L. (28 February 2022). Renovation of National Road 4 Now Underway: Ministry, Phnom Penh Post. (29) Improvement Projects of Three National Roads Expected to be Launched This Year (3 March 2022) Khmer Times. Photo from "Phnom Penh - Sihanouk Ville Express way" fb page.

Rail sector

The development of Cambodia's rail sector relies on the rehabilitation of its legacy railway network. Cambodia's long-distance railways remain largely underdeveloped despite an estimated increase of 40% in traffic in 2022.

Currently, Cambodia has two main railway lines totalling 650km: the Northern Line from Phnom Penh to Poipet, and the Southern Line from Phnom Penh to Sihanoukville, the nation's deepsea port.³⁰ Royal Railways Cambodia is the current owner and operator of these two lines.

There are also various small rail links to the main lines such as a 6.5km branch line linking Phnom Penh railway station with petroleum depot facilities along the Tonle Sap River.³¹

Previously, ADB provided over USD140m of funding through the Rehabilitation of the Railway in Cambodia Project³² which funded the rebuild of the northern and southern sections of the national railway. Cambodia also completed a 2014 Master Plan for Railway Development partnership, with the support of Korea International Cooperation Agency (KOICA).

The **NSDP 2019–2023**³⁴ highlighted the RGC's aim to:

- Rehabilitate railway lines and stations from Phnom Phnom Penh to Poipet;
- Build new railways or extend existing railways to connect the new Phnom Penh Autonomous Port, factories, SEZs and other new developments, such as from Veal Rinh station to Keo Phos Port; and
- Improve cross-border connectivity, such as the Cambodian-Thai Railways to the Singapore-Kunming Railway network.



Train service in 2022³³

Increased by 40% from the previous year, 2021

Typical days: 80 to 100 passengers Weekends and holidays: up to 1,000 passengers

Key players

- Royal Railway Cambodia is currently operating both the northern and southern railway lines.
- China Railway Construction
 Corporation (CRCC) recently
 collaborated on the feasibility study of
 the Monorail Way and Subway Project
 for the city of Phnom Penh. CRCC was
 also tasked with conducting a
 feasibility study for a new railway line
 between Siem Reap and Serey
 Sophoan district.

Many of these initiatives are currently in the planning or feasibility stage, and in need of funding from the private sector.

The RGC is prioritising the expansion of the railway system to enhance connectivity across the country, as well as improve the public transport system within the capital.

Phnom Penh City railway system

MPWT is considering three possible urban railway projects in Phnom Penh city to reduce traffic congestion on roads and reduce accidents. These three railway projects are 1) the Phnom Penh City railway automated system, estimated at USD1.4 billion caters to the city's rapid development and growing middle-class; 2) Monorail Way; and 3) Subway Project for Phnom Penh. These projects aim to benefit both commuters using public transport as well as boost commercial and residential property value for buildings near the expected stations. In June 2022, MPWT held a review of the feasibility study for these projects, which requested further in-depth studies to plan for a more comprehensive public transport system. 35,36

Phnom Penh-Bavet railway

The RGC has announced the possibility of building a railway connecting Phnom Penh to Bavet town. A Chinese firm conducted its feasibility study in 2020.³⁷ As Bavet is situated at the international border between Cambodia and Vietnam, the railway would help to boost international trade connectivity. In 2021, the MPWT confirmed that the Phnom Penh-Bavet railway would be a priority infrastructure construction project for the future.³⁸

In June 2022, the WB recommended that the MEF and MPWT work together with the private sector to develop a tenyear plan for the railway sector so the railways could improve service quality to the rising customer demand. The government also recently announced that it was drafting a railway development strategy targeted at improving the connectivity and efficiency of the railway system.³⁹

Relevant master plan

A draft of the Railway Development Strategy, part of the National Logistics Master Plan, seeks to enhance the efficiency of the country's railway system

(35) Cano, I. F. (2021, June 23). MPWT Completes Feasibility Study on Phnom Penh Monorail and Subway Project, Khmer Times, (36) Ministry of Transport Reviews Monorail Project for Phnom Penh (2022, June 27). MPWT; (37) Feasibility Study on Phnom Penh-Bavet railway finished. (2020, October 7). Khmer Times.; (38) MPWT: Phnom Penh-Bavet Railway Remains Prioritised Infrastructure. (2021, February 27). Construction & Property News.; (39) Vanyuth, C. (2021, August 23). Cambodia drafting railway development strategy. Khmer Times.





Sector outlook

In recent years, infrastructure development in the railway sector has been nascent, with most projects in the feasibility study stage. Moving forward, the MPWT has highlighted its plans to expand the rail network in Cambodia to improve connectivity and efficiency within the country, including conducting a feasibility study for a new railway from Siem Reap to Serey Sophoan district in Banteay Meanchey Province.⁴⁰ The Prime Minister of Cambodia has also suggested seeking a development partner to enhance the existing railway network into high-speed railways to improve efficiency, particularly the railways connecting Phnom Penh to Preah Sihanouk province, as well as Poipet.⁴¹

The RGC has also focused on interconnectedness within the region, including a potential rail link to Laos⁴², which would also be beneficial for ties to China. Additionally, large projects such as the Kunming– Singapore⁴³ railway will further improve Cambodia's cross-border connectivity with a planned rail expansion between Ho Chi Minh, Vietnam and Phnom Penh City. The feasibility studies have been completed and they're now in the funding stage.

The development of the rail sector in Cambodia is expected to enhance transportation within the country and with the region.

(40) Home. (2019, May 10). Chinese team to begin study on Cambodia rail revamp. Bangkok Post. (41) Cambodia to examine possibility of developing and expanding existing railways into high-speed railways. (2021, December 17). Khmer Times. (42) Phanet, H. (2022, June 24). Cambodia exploring effective railway line to 'land-linked' Laos. Asia News Network. (43) Singapore-Kunming Rail Link (SKRL) Project. (2019, December 18). Railway Technology.

Aviation sector

Cambodia's growing economy and increasing influence in Southeast Asia are reflected in the annual air passenger numbers, which exceeded 10m in 2018. The three existing international airports of Phnom Penh International Airport (PNH), Siem Reap International Airport (REP) and Sihanoukville International Airport (KOS) were operating close to their designed capacity before the COVID-19 pandemic hit. PNH is the biggest and busiest airport. Its current annual passenger handling capacity stands at 7m, since the completion of expansion in 2017⁴⁴, and has handled over 6m passengers and managed over 56,018 aircraft movements in 2019⁴⁵. After completing expansion in 2015, REP doubled its capacity to 5 million passengers⁴⁶, while KOS was upgraded in 2018 to accommodate up to 500,000 passengers a year⁴⁷.

Air cargo traffic

PNH accounts for the majority of air freight in Cambodia, with KOS handling the rest. Air transport gradually resumed in mid-2021 as the COVID-19 vaccine rollout helped the country to transition from lockdowns and reopen. The number of cargo flights notably took off during the peak season when the pressure was on to move goods quickly. The State Secretariat of Civil Aviation (SSCA) revealed that nationwide, air cargo volume dropped 4.4% year-on-year to 34,547 tonnes during the first seven months of 2022.⁴⁸

Passenger traffic⁴⁹

As a major pillar in the local economy, tourism is very important to the aviation sector in Cambodia. SSCA revealed that in the first seven months of 2022, Cambodia registered 908,059 air travellers, up by nearly 5x year-on-year. This is attributable to the borders opening to all travellers without the need for quarantine in November 2021. SSCA predicts that the airline industry will return to the pre-pandemic levels in late 2023 or early 2024.

(44) Phnom Penh International Airport Expansion (2018) Airport Technology, (45) Cambodia Airports, (46) Vinci Airports (2015, July 6), (47) Sihanouk International Airport (2018) Airport Technology, (48) Air cargo volume up 14% in January-June (49) HuaXia (9 August 2022) Cambodia records nearly 500% rise in air passengers in first 7 months: spokesman. Xinhua



To meet rising passenger demand, Cambodia has published a few masterplans for airport development, including: 1) New Phnom Penh International Airport (NPPIA) 2) Siem Reap Angkor International Airport 3) Dara-Sakor International Airport and 4) Poipet Airport (currently in the feasibility study stage). Also, the RGC is continuing its efforts to strengthen international cooperation and flight connections to develop the civil aviation sector in the sub-region, the region and globally. Some of the efforts include coordinating with the International Civil Aviation Organisation to determine the standards and recommendations to carry out the Security and Safety Audit Program, prepare drafts of regulations and provisions on the national and international civil aviation sector, and establishing memorandums of understanding, agreements and legal documents on air transport services. Recently, the RGC announced the completion of the Protocol to Implement the 12th Agreement on Air Transport Services under the ASEAN Framework Agreement, and establish the completion of ASEAN-EU Comprehensive Air Transport Agreement negotiations.

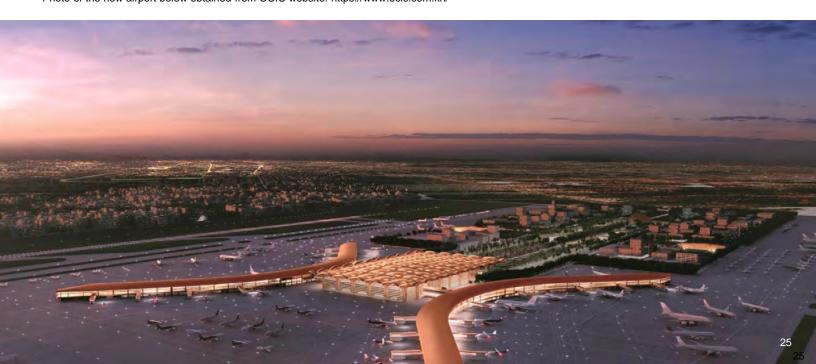
Regulations

The Law on Civil Aviation of the Kingdom of Cambodia (2014) governs the operations of civil aviation industry and lists certificates required for aviation-related activities.

Current key players

- The Société Concessionnaire de l'Aéroport (SCA) (Vinci: 70%, Muhibbah Masteron Cambodia: 30%) is under a 45-year concession to operate PNH, REP and KOS
- OCIC, under a joint venture with the State Secretariat of Civil Aviation (SSCA), is developing the New Phnom Penh International Airport
- Angkor International Airport Investment (Cambodia) (AIAI) is the developer of Siem Reap-Angkor International Airport
- Tianjin Union Development Group is the developer of Dara-Sakor International Airport

(50) Government of Cambodia, 2019, National Strategic Development Plan, 2019–2023 Photo of the new airport below obtained from OCIC website: https://www.ocic.com.kh/



One of the few major aviation projects in Cambodia is the development of New Phnom Penh

International Airport (NPPIA).

NPPIA51

NPPIA is being jointly developed by Société Concessionaire de l'Aeroport (SCA) and OCIC, with an estimated cost of about USD1.5bn. The airport is designed to be one of the largest in the region – covering more than 2,600ha of land in Kandal Steung and Sa'ang districts in Kandal province and a smaller part of Takeo province.

The project site is about 18.9 km to the south of Province Penh.

The total land area is 2,600 hectares, located in the Stung and Sa ang districts of Kandal Province, Cambodia.

Three planned stages of construction include: 1) stage one, from 2018 to 2023 2) stage two, up to 2030 and 3) the final stage up to 2050. It's expected the airport will handle 30m passengers a year by 2030 and up to 50m passengers a year by 2050.

Additional to the plans for airport facilities, the site will include hotels, a convention centre, a museum, an ecological park and private housing. The airport is linked to Phnom Penh Centre with a 21km flyover in phases – 10km to pass through Hun Sen Boulevard and Street 271, from Kbal Thnal junction to National Road 2, and the second phase stretching 11km connecting National Road 2 to the new airport.⁵²

In June 2022, SSCA reported that the construction is more than 33% complete with the three main construction works, the terminal hall, airfield and control centre, already in place. The airport is due for completion in 2024 and scheduled to commence operations by early 2025.⁵³

Sector outlook

Besides NPPIA, two other international airports are under construction: 1) Siem Reap Angkor International Airport which is 40% done and is expected to begin operations in 2023.⁵⁴ It aims for annual passengers of 10 million by 2030, and 2) Dara-Sakor International Airport in Koh Kong Province, which is at the flight trial stage having already tested that the equipment meets technical and safety requirements. After this stage, it needs to complete the technical testing procedures and obtain its licence to begin operating in 2023.⁵⁵ Domestically, the government is looking to restore and upgrade the previously closed Battambang Airport from 3C to 4C category⁵⁶ by repairing and expanding the runway. In Mondulkiri⁵⁷, there's also a plan to develop an airport and nearby industrial park, similar to Sihanoukville province after seeing a strong surge in tourism, commerce, investment and transport volume.⁵⁷

Given the impetus for building greenfield airports in the country, the sector offers multiple opportunities for players in the aviation ecosystem for the near future.

(51) Centre for Aviation (CAPA), (52) Chan, S. (29 December 2020) Expressway announced linking city centre to new Phnom Penh International Airport, Khmer Times, (53) Chea, V. (15 June 2022) Techo International Airport over 33 percent work completed. Khmer Times, (54) Siem Reap's new airport rapidly taking shape, 40% completed (13 May 2021) Khmer Times., (55) Chea, V. (1 November 2021) Dara Sakor International Airport set for flight trials early next year, Khmer Times, (56) Sok, S. (28 March 2022) Battambang airport to be upgraded into 4C category. Khmer Times, (57) Thou, V. (31 March 2021) Mondulkiri airport project still on track, Khmer Times

Construction sector

The construction sector is one of the four major pillars of Cambodia's economy and accounts for about 11.5% of its GDP. Based on research by Fitch Solutions, Cambodia's construction industry experienced a marked slowdown in 2020, registering a 1.8% contraction in value after expanding by nearly 19% in 2019. This was obviously due to COVID-19 restrictions slowing down large construction projects, especially those owned by foreign investors, and dissuading investment in new developments. Yet, the sector is expected to grow by 7.8% in 2022 before averaging 9.8% per annum between 2023 and 2031 as the domestic economy rebounds, global demand recovers and regulation improves.

Number of building construction projects nationwide approved as of May 2022⁵⁸

1,679 (-8.2% YOY) USD952m

new construction projects approved for residential: 1,524 or 90.77%

Traditionally, construction activities have predominantly taken place in special economic zones (SEZs) – including building factories for solar panels and components, beverages, electronic parts, garments, shoes, rubber, furniture, packaging materials and fertiliser and car assemblies. These SEZ projects span Sihanoukville province, Phnom Penh, Kandal and Neang Kok Koh Kong in Koh Kong, and Kampong Speu. Tourism is also expected to drive the construction sector, particularly in coastal areas around Sihanoukville and Kok Kong, and tourism sites in Siam Reap. For example, Union Development Group reportedly has a project covering 45,000ha of Kiri Sakor district and Botum Sakor in Koh Kong province. The project includes tourism resorts and complexes, a port and an airport. The investment is reportedly USD4bn. According to the Council for the Development of Cambodia (CDC), as of the first half of 2022, Phnom Penh had attracted around 1,000 new investment projects, especially high-rise buildings and new townships, covering a construction area of 4.63m sqm, and with over USD2.26bn of investment capital.

Regulations

The construction law promulgated by the Royal Kram No. NS/RKM/1119/019, dated 2 November 2019, came into force on 3 November 2019. The highlights of the law include:

- Project owners are required to obtain permits for construction, demolition, and construction site opening and closing;
- Building owners must apply for an occupancy certificate within two years of the date of entry;
- A mandatory inspection every five years for commercial buildings and ten years for residential buildings;
- Construction contractors, with approval from construction owners, must submit a report on the progress of construction work;
- All buildings must include a fire-fighting plan in the building design documents; and
- All buildings must obtain a Certificate on Quality, Effectiveness of Fire Prevention and Firefighting, which must be renewed every two years.

Regulatory framework

The Law on Construction, which was promulgated by a Royal Kram (No. NS/RKM/1119/019) in November 2019, addresses issues relating to the principles, building technical regulations, and rules and procedures to control the construction sector in Cambodia.

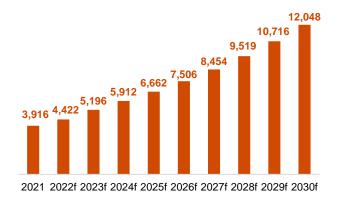
SEZ development is one of the development priorities for Cambodia as it continues to attract foreign direct investment and generate local employment opportunities. In NSDP 2019–2023, the government aims to link factories in SEZ with enterprise by railways, such as linking cement factories from Touk Meas station to Chakrey Ting cement factory, and from the Veal Rinh station to the Keo Phos Port.

Sihanoukville special economic zone (SSEZ) 59

The SSEZ is jointly developed and constructed by private companies from both Cambodia and China. It aligns with the RCG's plan to transform the 11.13km development zone into a multi-purpose SEZ.² It's expected that the SSEZ infrastructure will be able to support 300 enterprises, and provide employment for 80,000 to 100,000 industrial workers, as laid out in the Cambodia Industrial Development Policy 2015–2025. A total of USD5.8bn was approved for construction projects in 2019–2020 in the Sihanouk province. The first phase of the industry focuses on textiles and garments, luggage and leather goods, and wood products, and the second phase on hardware machinery, building materials, home furnishings, auto parts and tyres, new photovoltaic materials, and fine chemicals. SSEZ became operational in March 2020, with 174 factories established in the zone, dominated by Chinese companies, which makes SSEZ the largest export base.⁶⁰

Outlook

Construction industry value projections (USD'm)⁶¹



Cambodia's construction market is expected to achieve robust growth

As Cambodia aims to become a regional transport and manufacturing hub, the sector outlook is positive based on the broad project pipeline. It's strongest in the transport sector (with numerous large-scale port, road and airport projects in the active stage of construction) rail sector (in the development planning stages) and SEZ. The value of the construction industry is expected to grow exponentially over the next decade, reaching USD12bn by 2030 with investments in all sectors, according to Fitch Solutions. Cambodia's strong economic growth, high development needs, strategic geographic location and improved investment climate are major factors influencing an increase in investment interest in industrial and commercial development.

The Cambodia Industrial Development Policy 2015–2025 recognises the construction sector as an important driver of economic growth in Cambodia. It highlights the focus on expanding the production base in the construction sector to hedge risks stemming from the sector's reliance on the imports of construction materials, such as iron and steel.

According to research by Fitch Solutions, there's a lack of established domestic construction and engineering companies in Cambodia. This makes the country largely reliant on foreign investment, primarily from mainland China (50% of market share) under the Belt and Road Initiative. Other key pipeline projects include the improvement of urban infrastructure in three cities – Bavet, Kampot and Poipet, with ADB's USD180m loan to upgrade urban stormwater and drainage systems in order to reduce flooding, and to improve wastewater and solid waste management services.



Projects	Details	Developer / financier	Status	USD'm	
Other key ports an	Other key ports and logistics projects				
Expansion of PPAP	Upgrade of container terminal to handle 500,000 TEU per year	-	Under planning and construction	-	
New Deep-sea Port in Kampot Province	New port to accommodate large vessels of up to 30,000 DWT	Try Pheap Group and Guangxi Beibu Gulf International Port Group	Under construction	1,500	
Bassac River-Kep Sea Waterway Link	Alternative waterway for passenger and freight traffic to enter Phnom Peng without passing through Vietnam	-	Under planning. Study was completed in Apr 2022		
Other key road pro	jects				
Road Network Improvement Project (phase 2)	Upgrade national and provincial road on NR21 (Kandal province) and PR312 (Prey Veng province)	ADB (financier)	The project is likely to be completed by 30 June 2029	-	
Road Network Improvement Project	Upgradation of NR5 (50km) and NR1 (97km) which are high priority roads connecting Cambodia with Thailand and Vietnam	ADB (financier)	Civil work commenced in Jan 2019	-	
Southern Siem Reap Bypass Road	Bypass to Siem Reap city, along the Southern Economic Corridor towards the border with Vietnam	The Republic of Korea Economic Development Cooperation Fund (Financier)	-	-	
Ring Road 3 Project	The Ring Road 3 will connect National Road (NR) 4 to NR1 at a length of 53km. The project also connects to NR4, NR3, NR2, and NR21 through Bassac River and Anlong Chin Island, and finish at NR1 at kilometre 24+840	Shanghai Construction Group (Developer) Co-financed by China and Cambodian government.	Advanced stages. The entire project is expected to be completed by Sep 2022	-	
Link road between NR5 and NR6 near Kampong Tralach, north of Phnom Penh	Construction of a new 21km road, including 1km bridge across Tonle Sap Lake, to shorten the distance between NR5 and NR6 from 64km to 22km	-	At planning stage	-	

Projects	Details	Developer / financier	Status	USD'm
Other key roads pr	ojects (cont'd)			
Upgrading NR 5	The 340km four-lane upgrade of NR5 running from Thlea Ma'am in Pursat province's Krakor district to Banteay Meanchey province's Sisophon and Poipet towns through Battambang province	Construction Corporation No.1 Joint Stock Company (CC1) and Civil Engineering Construction Corporation No 6 Joint Stock Company (road construction contractors) JICA (Financier)	The first 84.74km Battambang- Sisophon segment completed in Aug 2022	500
Kratie-Kampong Thom Bridge	Construction of a 1.76km long new bridge across the Mekong River linking Kratie and Kampong Thom provinces.	A concessional loan from the People's Republic of China	Feasibility study. Expected to break ground in 2023	-
Siem Reap – Battambang Road	72km new road, expected to pass through three provinces including Battambang, Banteay Meanchey, and Siem Reap, and help shorten the travelling distance between Siem Reap and Battambang by up to 69km.	China Road and Bridge Corporation	Completed feasibility study. Construction is expected to be completed by 2025	-
Other key rail proje	ects			
Preah Vihear - New Koh Kong Port Railway Line Project	The north-south railway almost 405km from Rovieng District of Preah Vihear province to Koh Kong province on the southwest coast, linking the planned steel works in Preah Vihear to a newly constructed seaport in Koh Kong.	China Railway Group, Cambodia Iron and Steel Mining Industry Group	At planning stage	9,600
Phnom Penh - Morodok Techo National Stadium Aerial Train Project	The 19km sky train link in Phnom Penh helps provide a comfortable ride and reduce traffic jams, road accident risks, and travel time.	JICA	At planning stage	1,843
Rail linking new PPAP to the Southern Line	Railway link from Phnom Penh to the new PPAP container terminal 35km to the north	-	At planning stage	250
Railway access to the new Phnom Penh Port (53km)	53km project is expected to provide the following benefits: (1) connecting two international ports, (2) enhancing multimodal transport, (3) reducing road accidents and traffic congestion, and (4) reducing the cost and time of mass transit modes for containers	-	At planning stage	-

Projects	Details	Developer / Financier	Status	USD'm
Other key port and	logistics projects			
Expansion of PPAP	Upgradation of container terminal to handle 500,000 TEU per year	-	Under planning and construction	16.4
New deep-sea port in Kampot Province	New port to accommodate large vessels of up to 30,000 DWT	Try Pheap Group and Guangxi Beibu Gulf International Port Group	Under Construction	1,500 (1 st phase: 200)
Bassac River-Kep Sea Waterway Link	Alternative waterway for passenger and freight traffic to enter Phnom Peng without passing through Vietnam	_	Under planning, study has been completed in Apr- 22.	-
Other key road pro	jects			
Road Network improvem ent Project (phase 2)	Upgrade national and provincial road on NR21 (Kandal Province) and PR312 (Prey Veng Province)	ADB (Financier)	The project is to be completed 30 June 2029.	90
Road network improvem ent project	Upgradation of NR5 (50km) and NR1 (97km) which are high priority roads connecting Cambodia with Thailand and Vietnam.	ADB (Financier)	Civil work commenced since Jan-19.	76.94
Southern Siem Reap bypass road	Bypass to Siem Reap city, along the Southern Economic Corridor toward the border with Vietnam.	The Republic of Korea Economic Development Cooperation Fund (Financier)	-	-
Ring Road 3 project	The Ring Road 3 will connect National Road (NR) 4 to NR 1 at a length of 53km. The project also connects to NR 4, 3, 2, and 21 through Bassac River and Anlong Chin Island, and finish at NR1 at kilometre 24+840.	Shanghai Construction Group Co Ltd (Developer) Co-financed by China and Cambodian government.	Advanced stages. The entire project is expected to be completed in Sep-22.	267.67

Projects	Details	Developer / financier	Status	USD'm
Other key roads pr	ojects			
Link road between NR5 and NR6 near Kampong Tralach, north of Phnom Penh	Construction of a new 21km road, including 1km bridge across Tonle Sap Lake, to shorten the distance between NR5 and NR6 from 64 km to 22km.	-	Under planning stage	
Upgrading NR 5	The 340km 4-lane upgrade of NR 5 running from Thlea Ma'am in Pursat province's Krakor district to Banteay Meanchey province's Sisophon and Poipet towns through Battambang province.	Construction Corporation No.1 Joint Stock Company (CC1) and Civil Engineering Construction Corporation No 6 Joint Stock Company (road construction contractors) JICA (Financier)	The first 84.74km Battambang- Sisophon segment is completed in Aug-22	500
Kratie-Kampong Thom bridge	Construction of a 1.76 km long new bridge across the Mekong River linking Kratie and Kampong Thom provinces.	A concessional loan from the People's Republic of China.	Feasibility Study. Expected to break ground in 2023.	-
Siem Reap – Battambang Road	72km new road, expected to pass through three provinces including Battambang, Banteay Meanchey, and Siem Reap, and help shorten the travelling distance between Siem Reap and Battambang by up to 69 km.	China Road and Bridge Corporation	Completed feasibility study. Construction is expected to complete by 2025	-
Other key rail proje	ects			
Preah Vihear - New Koh Kong Port Railway Line Project	The north-south railway almost 405 km from Rovieng District of Preah Vihear province to Koh Kong province on the southwest coast, linking the planned steel works in Preah Vihear to a newly constructed sea port in Koh Kong.	China Railway Group, Cambodia Iron & Steel Mining Industry Group	At planning stage	9,600
Phnom Penh - Morodok Techo N ational Stadium Ae rial Train Project	The 19km sky train link in Phnom Penh aims to provide a comfortable ride that cuts down on travelling time, as well as help to reduce traffic jams and the risk of road accidents.	JICA (Financier)	At planning stage	1,843

Projects	Details	Developer / financier	Status	USD'm	
Other key rail proje	ects (cont'd)				
Rail Linking of new Phnom Penh Autonomous Port (PPAP) to the Southern Line	Railway link from Phnom Penh to the new PPAP container terminal 35 km to the north.	-	At planning stage	250	
Railway access to the new Phnom Penh Port (53km)	53 KM project is expected to provide the following benefits: (1) connecting two international ports; (2) enhancing multimodal transport; (3) reducing road accidents and traffic congestion, and (4) reducing the cost and time of mass transit modes for containers		At planning stage	-	
Other key aviation	projects				
Siem Reap Angkor International Airport	55-year build-operate-transfer (BOT) model - five years for construction and 50 years for operations, to accommodate up to 20m passengers	Developer: Angkor International Airport Investment (Cambodia) - an affiliate of Yunnan Construction and Investment Holding Group	Under construction (expected completion date: Mar 2023)	880	
New Mondulkiri Airport	The new domestic airport is to replace the old Mondulkiri Airport., to be built on a 300ha of land in Sen Monorom town.	Powerchina International Group (PIG)	Government approved in principle	80	
Dara Sakor International Airport	The new airport is to accommodate up to 12 large aircrafts (Boeing 777 and Airbus A340 and A350 aircraft) at the same time, and up to 10m passengers a year.	Tianjin Union Development Group (TUDG)*	Flight testing from 19 to 26 April 2022 but experiencing operational delays	350 (1st phase: 200)	
Other key construction projects					
FTB Tower	FTB Tower is located on Lot A, Sangkat Monorom, Khan 7 Makara along Russian Boulevard with total gross floor area of 77,593 sqm.	China Construction Midland, Cambodian subsidiary of China State Construction Engineering (CSCEC)	Under construction	112	
University of Health Sciences Hospital	The University of Health Sciences Hospital will be built on an area of more than 2ha, totalling eight floors with a capacity of 200 beds.	Inje Joint Venture	Pre-construction	80	

^{*}TUDG was granted a 99-year exclusive concession in 2008 of a 600-hectare plot for the development of Cambodia-Chinese Investment of Development Zone (including a seaside resort, free trade zone, shipping port and the international airport).

Epilogue

Cambodia is on a trajectory of high growth and aims to reach a middle income country status by 2050. Notwithstanding the contraction due to the COVID, It is expected the country is to grow at a CAGR of around 6% in the medium term. Cambodia remains one of the fastest growing economy in the ASEAN region, which means it has seen a lot of capital movement from elsewhere in the region to itself. This is likely fuel its growth sustainably, should it follow the path of reforms and capital asset formation.

A large part of such capital is development capital which is still required to sustain its march towards middle income status. The Council for Development of Cambodia identifies six priority development sectors in agri-food, automotive, electronics, textile and apparel, bike and parts and furniture and plywood; as the driver for future growth which is an optimal mix of Cambodia's traditional strength areas and the potential future leaders.

Investment in infrastructure is an imperative to fuel such future growth. A few defining considerations, hold good promise for existing players and future entrants in this market, namely -

- 1. PPP Law of 2021 Though it took time to promulgate the PPP enabling law, it is a step in right direction. As the country seeks greater private capital and efficiencies in infrastructure creation, PPPs in infrastructure space will be essential and a space to look out for.
- 2. Joint ventures with local players As is won't in emerging markets, ability to find the right local partner is very important to navigate the bureaucracy and other local factors. Cambodia has seen a good growth in asset portfolio of such local players who have been ably to join hands and also diversify to new sectors, as the growing economy offers such opportunities.
- 3. Cheap and long term financing The ability to raise affordable long-term capital to finance infrastructure projects remains a challenge. The combination of an increasingly competitive financial sector, larger play by multilateral financing institutions, willingness of local players to access capital markets, availability of guarantee products will enable supply to meet the expected growing demand.

With larger geopolitical movements in the region altering the capital flows within, Cambodia sits in a good spot to capitalise on the potential opportunities flowing from it. As long as the RGC remains committed to reforms and growth, the capital flows would expectedly continue to sustain its growth.



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Thank you

Cambodia's Infrastructure Market Update and Outlook Capital Projects and Infrastructure, PwC Cambodia and PwC Singapore



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