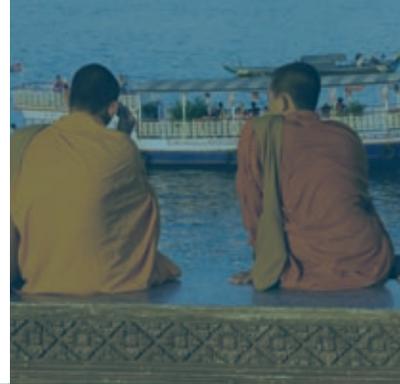


Rehabilitating the Urban Water Sector in Cambodia

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Between 1998 and 2004, the Urban Water Supply Project supported the turnaround of two water utilities of Cambodia. The Phnom Penh Water Supply Authority (PPWSA) became a financially viable public enterprise operation under commercial law. 750,000 people gained access to water supply services in Phnom Penh. The Sihanoukville Water Supply Authority (SWSA) became more autonomous in its operations and extended water supply services to 18,000 people in its poor service area. By 2004, both utilities improved their operational and financial performance substantially. The project also assisted in developing a national water supply and sanitation policy to foster sustainable well-performing and autonomous public utilities.

STARTING THE INSTITUTIONAL REFORM

After the 1991 peace accord in Cambodia, the donor community started substantial support to the government in the form of physical rehabilitation of infrastructure, technical assistance, and capacity building.

The government, with assistance of the World Bank, took its initial steps to reform the institutional framework of the water supply sector in Cambodia. The government enacted a law to provide greater autonomy for PPWSA, created a Coordinating Committee for the Water and Sanitation Sector, and restructured water supply tariffs.

In 1997, after three years of policy dialogue with the government of Cambodia, the World Bank provided a US\$30.96 million IDA credit to support

the Urban Water Supply Project. The project focused on two cities: Phnom Penh and Sihanoukville.

BOOSTING WATER SUPPLY IN PHNOM PENH

In 1997, PPWSA was established as a public enterprise operating according to commercial practices. PPWSA introduced and implemented fully automated systems for accounting, management and billing. The new billing system replaced often corrupt bill collectors and introduced public offices where customers would pay their bills instead. PPWSA incorporated a profit sharing system that monitors corruption practices by all the employees. PPWSA installed meters for all connections, enforced heavy fines for illegal connections, and built in innovative technology to reduce leakage in the distribution system. Moreover, PPWSA established a revolving fund to finance domestic connections to help the poor connect to the network.

By 2004, PPWSA's number of connections had increased almost 9-fold from 10,777 to more than 105,777. This translates into approximately 750,000 people gaining access to piped water 24 hours a day. Water quality meets international standards. The utility itself was transformed into a financially viable and strong organization. Unaccounted for water declined from 57% in 1998 to 17% in 2003.

The revolving fund financed 6,708 water connections targeted to the poor. The program has proved popular among the low-income groups and has not resulted in a deterioration of the overall financial health of the utility.



CAMBODIA AT A GLANCE

Population: 13.6 million – urban 18%, rural 82%;
1.7% annual growth rate
Surface area: 181,000 km²
Life expectancy: 54 years
GNI per capita: US\$ 320

Human Development Index ranking:
130 out of 177
% below the basic needs poverty line: 36%
% with improved water access: 34%
% with improved sanitation access: 16%

MORE INFORMATION

Implementation Completion Report, Cambodia – Urban Water Supply Project, World Bank, January 2004.
Project Appraisal Document, Provincial and Peri-Urban Water and Sanitation Project, World Bank, March 2003
Output-based aid in Cambodia: Private operators and local communities help deliver water to the poor, Yogita Mumssen, GPOBA, 2004.

AN ALTERNATIVE APPROACH IN SIHANOUKVILLE

Sihanoukville is a provincial city with many low-income residents. Reforming the Sihanoukville Water Supply Authority (SWSA) took into account these specific circumstances. The reform did take a different approach than that in Phnom Penh.

The IDA credit was channelled through the Ministry of Industry, Mines and Energy (MIME). However, SWSA started to maintain its own 'ringfenced' accounts separately from those of MIME. This gave the authority more autonomy and made it accountable for the appropriate costs of rehabilitation and expansion of its system.

During the project period, SWSA increased the number of connections from 886 in 1997 to 1,318 in 2003.

This meant an additional 18,000 people got access to water supply services. Water sales have increased correspondingly during the same period from 550 thousand m³ to over one million m³. The operating capacity increased as a result of the training provided to the staff. Collection efficiency remained well over 90%. Unaccounted for water kept fluctuating between 25 and 30 percent, due to technical losses in the ancient distribution system.

TECHNICAL ASSISTANCE

Throughout the reform process, PPWSA, SWSA and other relevant governmental agencies benefited from significant technical assistance (TA) and capacity building. This included training, workshops and funded post graduate studies for the utilities' staff.

The World Bank's assistance was complemented by a US\$250,000 grant from the Australian Government that financed a twinning arrangement between two Australian water utilities and PPWSA. The experience improved the institutional effectiveness.

NATIONAL ACCOMPLISHMENTS

The TA component of the Urban Water Supply Project also supported the Coordinating Committee

for the Water and Sanitation Sector in drafting and approving a long-term national strategy for the sustainable and cost effective urban water supply and sanitation sector as well as a new policy framework of the sector. This framework consisted of two national policies: The National Policy on Water Supply, and the National Policy for Urban Sanitation. Both policies fostered demand-based approaches to system planning and investment, private sector participation, and cost recovery tariffs.

GOING FORWARD

In continuation of this project, the World Bank approved another IDA fund of US\$19.9 million in assistance to the Government of Cambodia and PPWSA. The *Provincial and Peri-Urban Water and Sanitation Project* started in 2003. It supports water supply and sanitation investments targeting provincial towns and peri-urban communities. The project is assisting the government to extend innovative financing mechanisms through which low-income communities can participate as full-fledged paying customers of piped water supply systems—building on the success of the PPWSA revolving fund.

The government is seeking ways to bring the benefits of privately run water services to unserved areas and especially to poor people in secondary towns across the country. Expected service providers are local, private, small-scale operators. In six pilot towns, Output Based Aid (OBA) approach contracts have been awarded to expand access of basic water and sanitation services. An additional two contracts are under evaluation and eight new contracts are to bid out by March 2006. The first system will start to operate by May 2006. The second phase of the pilot projects will scale up the program to new towns, and then possibly nationwide

RELEVANT PROJECTS

Urban Water Supply Project

Project ID P045629

Provincial and Peri-Urban Water and Sanitation Project

Project ID P073311

