



## CASE STUDY

# Cambodia: Sharing the Reform Process Learning from the Phnom Penh Water Supply Authority



## Summary

Cambodia's Phnom Penh Water Supply Authority (PPWSA) plagued with maladies of inefficient service, poor coverage and financial losses leading to inefficient water usage, water loss and degradation of water quality, which in turn had affected the environment. PPWSA undertook major reforms and transformed a war-ravaged water utility into a commendable model which had made it one of the more successful water service providers.

## Background

Phnom Penh, the capital of the Kingdom of Cambodia, lies on the confluence of the Mekong and the Tonle and Bassac rivers. These rivers are the main source of freshwater for the city's population of about 1.3 million. Many of the Asian cities' publicly managed water utilities perform below their potential. It was also a case of Cambodia's Phnom Penh Water Supply Authority (PPWSA); the service was plagued with maladies of inefficient service, poor coverage and financial losses. The utility managed to produce only 65,000 m<sup>3</sup>/day, which was 45% of its initial capacity. The lack of electricity, chemicals, funds, and qualified personnel to undertake proper operational and maintenances prevented the utility from carrying out its services to full capacity. The problem was further compounded when the public took matters into its own hands and made thousands of illegal connections by building underground tanks.

The PPWSA was made operational again in 1979 after the change in the political situation. In 1986, the water utility company was authorized to bill consumers for water supplied within its network. It was revealed that about 26,880 customers were registered, but only about 40% actually paid their water bills. Non-revenue water (NRW) exceeded 70%, and the total revenue covered only about 50%

of operational expenditure. The distribution network was also very old. Staff were under-qualified, underpaid, unmotivated and lacked efficiency. Nepotism was widely practiced, and discipline among the workers was low. The billing system was also improperly documented and highly inaccurate.

## **Actions taken**

PPWSA undertook major reforms and transformed a war-ravaged water utility into a commendable model that stands for other cities to emulate. Since 1993 with a long series of transformations that started within PPWSA's top management, based on a culture of change and donor support led to a significant turnaround. Over a period of 15 years, PPWSA went through major changes that catapulted the water utility into one of the more successful water service providers in the region. Political support for the reform process came with the Prime Minister giving full support. The top management was restructured, and dynamic younger personnel with more advanced qualifications were promoted to senior posts with more responsibilities. The water authority was granted autonomous status with

independent management.

The factors that contributed to this turnaround included investing in staff and providing incentives, promoting transparency, involving civil society, and investing in modern management procedures and technology. Other improvements included establishing a complete consumer database, reducing NRW to less than 6%, improving collections, metering all of the utility's water supply coverage, and introducing 24/7 water supply. Operations were also made more efficient by overhauling the old infrastructure, and streamlining the billing process, among a slew of new measures. Because of these reforms, the PPWSA has widened its distribution network from serving 40% of Phnom Penh in 1993 to over 90% in 2009 with clean, affordable water.

## **Outcomes**

This case study shares the reform process undertaken in Phnom Penh that has catapulted a war-torn

dilapidated water utility into an efficient and profit making utility. This positive transformation has been possible due to enabling policies and political support, granting autonomy to the water utility, appointing a visionary leader and motivated workforce which brings in the efficiency within the system and involving various multi stakeholders dialogues in the process.

The PPWSA has shown that it is possible for reforms to become successful if the governance framework is supportive and public utilities can make profits or at least break-even, with affordable tariffs and timely supply of water.

## **Lessons Learned**

The PPWSA has shown that reforms become successful if the governance framework is supportive and public utilities can make profits or at least break even. The reform does not happen overnight, changes in institutional arrangements and management practices took over 15 years.

The success of PPWSA is a result of several factors including sufficient vision and leadership to push through a culture of change, a desire for change at the local political level , and sufficient autonomy to shared objectives.

This case illustrates that a public sector utility can implement a management approach more akin to that of a private sector company based on results and incentives.

Risks which were identified during the transformation including financial viability of PPWSA, security situation within the country, and government's inability to carry out reforms. Changes on annual tariffs, finance of connections, flexibility in policy formulation and institutional proposal proved successful.

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**Related IWRM Tools**

Preparation of a National Water Resources Policy, Public sector water utilities, Training Water Professionals , Integrated National Financing Frameworks

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