

Activity Update

Partnering with the Private Sector to Expand Access to Safe and Clean Water

The USAID Cambodia MSME Project partners with water service providers to improve technology and the business environment to expand access to safe water for more Cambodians



Temple Pond



Gathering water for the house



Safe drinking water is available to the rural household

Until very recently, most Cambodians living outside of major cities relied on temple ponds, rivers, wells, and rainwater to meet their daily needs. These waters were often polluted with human and animal wastes or agriculture and industrial chemicals. It is estimated that unsafe water cost Cambodia hundreds of millions of dollars due to sickness, diarrheal disease and premature death. It particularly impacts women and girls who shoulder most responsibility for gathering water and caring for sick household members.

To address this challenge the USAID Cambodia MSME Project employed an innovative value chain approach to leverage the energy and capital of the private sector and expand safe, piped water to households in more than 17 towns and villages. The program encourages investors to construct or upgrade water treatment facilities and expand piped networks, particularly to poor families. The approach will help more than 60,000 persons access safe, piped drinking water.

USAID challenged the MSME team to achieve significant results quickly. In response, the team developed a unique three-step approach for working with Cambodian private water service providers.

Step 1. Identify towns and villages where considerable demand exists and where private water service providers already have operations.

Step 2. Sign contracts with the water service providers to upgrade water treatment facilities, expand networks and connect additional customers.

Step 3. Reimburse the service providers as they achieve targets and connect new households to the safe, piped water.

This innovative approach combines output-based-aid incentives with the MSME Project's value chain strengthening methods. Water service companies meet construction and environmental standards, and purchase local engineering and construction services and materials to meet the contract objectives and receive timely reimbursement as they connect set numbers of household on schedule.

So far, this method has mobilized about \$2.18 for every \$1.00 invested by the USAID project and has reduced the cost of connection fees in most cases by at least 50 percent, making it more affordable for many poor households to connect to piped water systems. Private water service providers have expand their businesses and improved their profitability, allowing further expansion using improved cash flows, even after the USAID project is finished. And most importantly, relationships between water service providers and other members of their value chain, including engineering and construction companies are stronger.

Households in Prey Veng, Kampong Cham and Kratie commented that they used to pay more than 10,000 riels per cubic meter for water of questionable quality. Ms. Seng Navy said *"I am happy to connect and use this clean water. I and my 13 family members can now get water any time. I can save my time and money from hiring a man to pump water from river. I also can prevent my grandchildren from drowning in river"*. Several companies commented that the Project provided the needed incentive to expand their businesses. The cash reimbursements provided by the USAID Project gave them the confidence to expand their systems and the ability to lower connection fees, enabling many companies to expand their customers by 100 to 500 percent.