

Cambodia's new corporate darling

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PHNOM PENH: When the Khmer Rouge were driven out of Phnom Penh in 1979 they left behind a city that had been laid bare. Its infrastructure was in ruins and utilities like the colonial-era water supply were in a state of filthy disrepair.

The ideology of the ultra-Maoists also left 1.7 million people dead and obliterated Khmer culture. Even money was abandoned as an agrarian utopia based on self-reliance was attempted.

It failed and 33 years later the historical ironies of Cambodia's past are becoming all too evident.

Industries such as tourism and garment production are booming. Mining is taking off and the Cambodian Stock Exchange (CSX) is finally up and running after a 10-month delay with Phnom Penh Water Supply (PPWS) its first listing.

"PPWS is considered one of the best managed state enterprises in Cambodia. Phnom Penh is one of the only cities in Asia where it is safe to drink water out of the tap," said Doug Clayton, CEO of the frontier investment fund Leopard Capital.

That reputation was hard earned in a country renowned for corruption (164th on Transparency International's perceptions of corruption index last year).

What changed PPWS was the appointment of Ek Sonn Chan as director back in 1993. Given the mission to provide the city with clean, affordable drinking water, he began by building a performance-based corporate culture.

Practices that allowed jobs for life, along with jobs for friends and relatives, were ditched. Staffing levels were cut by 80%. Those who remained were paid high salaries but told they would be dismissed if they failed to measure up.

Two factors contributed to the company's success. First Sonn Chan obtained the implicit backing of Prime Minister Hun Sen who supported his plan to run PPWS as an autonomous body. Second, he tugged on the emotional heartstrings of donors who had begun entering the country as part of a UN bid to rebuild it.

Sonn Chan's entire family had been killed by the Khmer Rouge and with missionary zeal he told his story, then the stories of millions of Cambodians who were still suffering because they had been denied access to clean water.

Waterborne diseases like cholera, dysentery and typhoid were common.

His pleas were heeded and a US\$110-million package involving loans and grants was put together by the World Bank, the Asian Development Bank, French and Japanese governments.

Old pipes were replaced and the network extended by more than 1,000 kilometres. Treatment plants were upgraded and a metering system introduced with payments enforced.

Unpaid bills resulted in disconnections. Subsidies allowed access to clean water for the poor. Illegal connections that once sold for \$1,000 each are now unheard of and lost water or non-revenue water (NRW) is now around 5% compared with 75% in past years.

The company calculates that one percent of its annual water supply costs \$50,000 to produce. This means a 10% reduction in NRW can generate a surplus of \$500,000. The average NRW in Southeast Asia is 25% while in Cambodia it's among the lowest in the world.

According to scientific data and independent tests by authorities in Singapore, Phnom Penh's water supply has been safe to drink out of the tap since 2003.

Sonn Chan says the stock market listing has taught him and his staff a lot.

"We never knew what a stock market was. We started from zero. Our employees who were tasked with this job had to work and study hard," he said. "It was really difficult for us and we are really happy with what we have achieved."

In 2004 the ADB awarded Sonn Chan its Water Prize, two years later he won a prestigious Ramon Magsaysay Award for government service and he has been declared a "water hero" by Hun Sen.

And there was a vote of Western confidence. The Cambodia Beverage Company (CBC) _ the exclusive bottling partner of the Coca-Cola Company _ conducted its own tests, declared the water fit and substantially expanded its operations in 2004.

"There must be transparency and we must take that responsibility," Sonn Chan said, adding that water systems outside Phnom Penh remain in very bad shape, particularly in the remote provinces.

Money raised from the share float will be used to expand the water distribution network.

On the first day of trade PPWS stock surged almost 50% after the government floated a 15% stake at \$1.57 each. Mr Clayton said the sharp rise was largely due to the excitement associated with the new market and he cautioned that "although PPWS is a well-managed company it is still just a regulated utility business, not a high-growth stock".