VIABILITY GAP FINANCE: LESSONS FROM CAMBODIA

1 in 7 Cambodians have access to piped water

300 private companies currently supply water to 1.4 million Cambodians. They could supply millions more, but are constrained by capital investment.

4:1 investing in water supplies an average 4:1 return on investment from higher productivity and reduced health care costs.

WHAT IS VIABILITY GAP FINANCE?
Viability Gap Finance (VGF) is a subsidy tool that governments use to incentivise private investment in infrastructure projects that are economically and socially viable but are not financially viable in the short term.

INVESTING IN INFRASTRUCTURE PROGRAM
Investing in Infrastructure (3I) is an Australian bilateral aid program supporting infrastructure development in Cambodia. It offers viability gap finance to private water and electricity companies to expand into less commercially viable areas.

RESULTS TO DATE
$15.6M Private investment has been leveraged for expansion of water services
53 Water companies have expanded to less viable areas
24,264 More Cambodians have access to piped, treated water

LESSONS FOR ELSEWHERE
Although the political economy of Cambodia’s water sector has contributed to the success of the viability gap financing to date, many countries share similar characteristics to Cambodia: low levels of coverage, a weak domestic resource allocation, some existence of private operators, and a post-conflict history.

Public agencies and donors operating in countries with such characteristics may benefit from considering viability gap financing in their portfolios.

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