

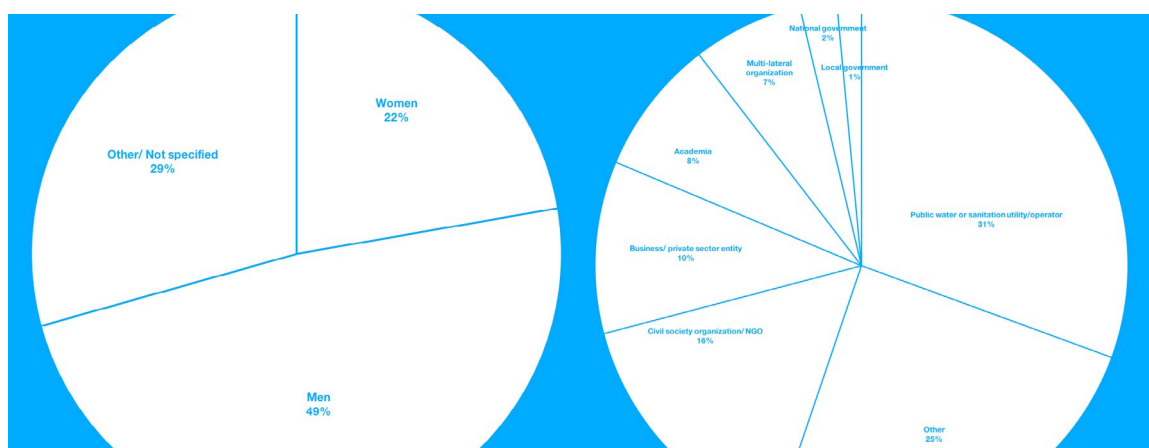
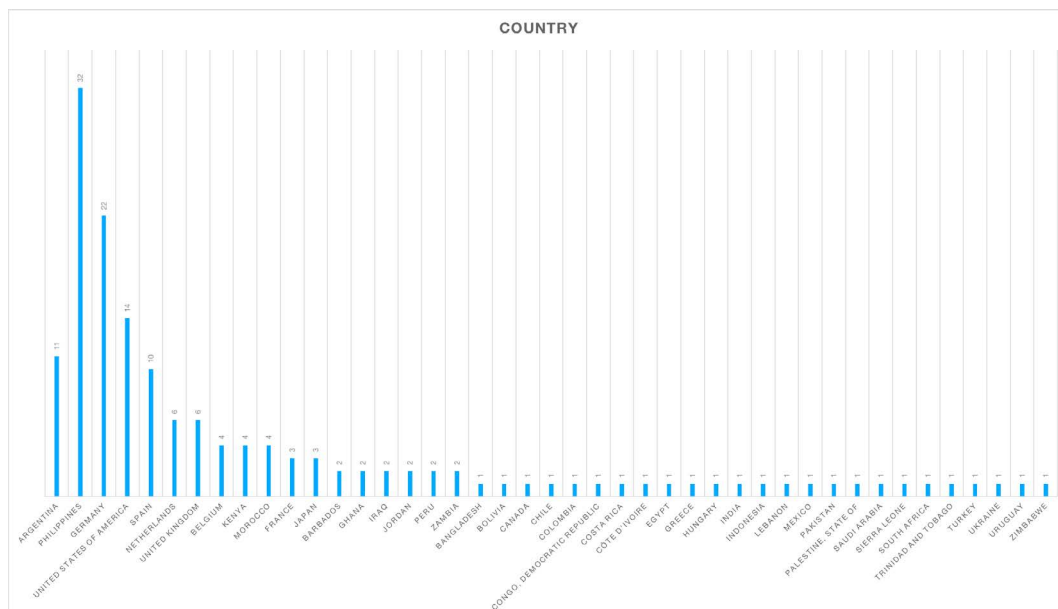
There's a Hole in my Bucket!

Addressing water utilities' growing liquidity challenges to ensure inclusive service continuity through the coronavirus pandemic

Outcome Brief

11 August 2020, 13:30 – 15:30 CEST

150 Participants



Introduction

Water and sanitation services are a cornerstone in efforts to manage the pandemic. Unfortunately, despite this, some measures taken to ensure that water and sanitation services are widely available are putting a financial burden on water utilities that may compromise their ability to deliver essential public services throughout the pandemic and beyond.

The growing liquidity crisis of public utilities under COVID-19 is caused by a twofold burden of (1) increasing costs and (2) decreasing revenues. Costs for service provision have increased due to mounting operational expenses, such as additional safety and hygiene measures to protect the health of personnel. Moreover, given their critical role in maintaining public health, many utilities have expanded service provision to stall the spread of the virus by way of public hand-washing facilities and standpipes, among other measures.

At the same time, revenue streams have fallen due to a pandemic-induced economic slowdown that is seeing decreased demand from industrial actors and the inability of household customers to pay their bills on time. Many governments have mandated that utilities freeze payment compliance measures during the pandemic, e.g. not to disconnect households with water bills in arrears. This leaves water operators without enough cash flow to operate sustainably.

Having no or limited cash reserves, many utilities already struggle to maintain a service that provides safely managed water and sanitation for all. The economic downturn in low- to middle-income countries, which is leading to increasingly high public debt levels, means that scarce public resources for water supply and sanitation may decline even further.

The webinar, convened by GWOPA/UN-Habitat and GIZ, on behalf of BMZ, brought together experts in the water service provision field with water/wastewater utilities from different regions to hear about their challenges, potential solutions, and outlooks on financial solvency. Key questions that were explored included: How can utilities continue to provide everyone with lifesaving water and sanitation services, without a sustainable cash flow? How big is the shortfall, and who is paying for it?

In addition, the World Bank presented recent findings around utility solvency and introduced its novel [Covid19 Financial Impact Assessment Tool for Water and Sanitation Providers](#).

Quantifying the Impact of COVID-19: Financial Assessment Tools to support Water and Sanitation Providers

The webinar opened with a keynote by Ms. Midori Makino, Lead Water Supply and Sanitation Specialist at the World Bank. She provided a contextual overview of the Bank's support to water utilities during the pandemic, highlighting the additional pressure on service providers to ensure continuity of services despite cashflow problems. Based on estimates by the World Bank, many utilities lost 20-40% of their revenues (sometimes up to 80%) in the months following the outbreak. In response to this growing pressure, two demand-driven tools developed by the World Bank Water Global Practice, with funding support from the Global Water Security and Sanitation Partnership (GWSP), were developed and presented to the webinar audience.

Tool 1: COVID-19 Financial Impact Assessment Tool

The objective of this tool is to help utilities quantify their financial gap associated with COVID-19 and to support them in justifying requests for additional resources in order to continue serving their customers. The Excel-based tool walks utilities through a three-step process to develop (1) a baseline financial projection, (2) a financial impact assessment, and (3) an emergency response plan. The intent of the tool is not to replace any existing financial models that some WSPs are already using, but to provide an open-source tool that responds to the current issue. Access the tool [here](#).

Tool 2: Working Paper Considerations for Financial Facilities to Support Water Utilities in the COVID-19 Crisis

The objective of this World Bank working paper is to lay out options and considerations in the design of financial facilities to provide emergency support to water utilities in response to the COVID-19 pandemic. The working paper, which targets government policymakers, speaks to the urgency in addressing significantly affected cash-flows to ensure the short- to medium-term sustainability of water and sanitation service providers.

In it, three key areas of consideration in setting up financial facilities are presented: (1) sourcing of finance for the facility; (2) institutional arrangements; (3) modalities and conditions for disbursement to utilities. Access the working paper [here](#).

Utilities' Experiences from Around the World

The webinar was facilitated by:



Mr. Dieter Rothenberger

Head of Sector Programme Water Policy – Innovation for Resilience
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH

The panel brought together water and sanitation utility representatives from four regions:



Mr. Salaheddine Mountassir

Director General
RADEEMA, Morocco



Mr. Milo Fiasconaro

Executive Director
Aqua Publica Europea, Europe



Ms. Valeria Suárez

Secretariat
WOP-LAC, Latin America



Mr. Jonathan Kampata

Managing Director
Lusaka Water Supply and Sanitation Company Limited, Africa

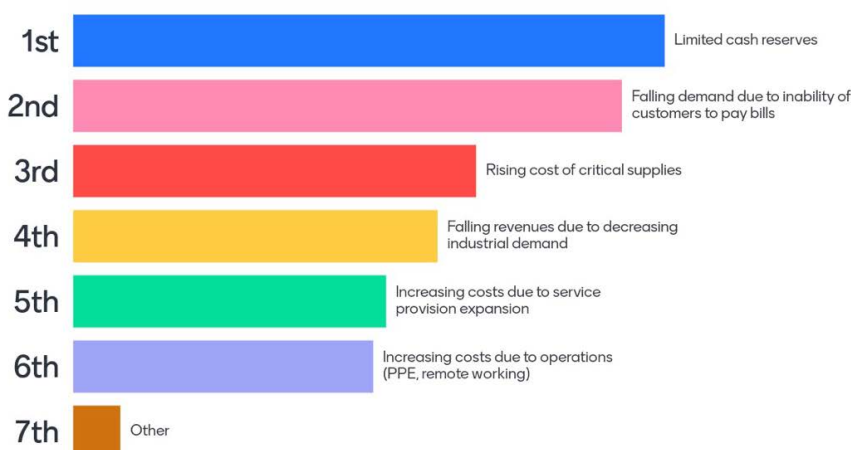
Key Challenges and Recommendations

The COVID-19 crisis is exacerbating existing financial challenges and likely to lead to severe medium- and long-term consequences for many utilities. Investments are being delayed or cancelled as the number of infections and deaths continues to increase, and the economic situation is likely to worsen, putting further stress on utilities' finances. Utilities' financial shortfalls due to the crisis need to be quantified and discussed in order to find solutions that allow them to continue delivering lifesaving services. A number of recommendations to help soften the financial impact of the COVID-19 crisis and to build greater resilience to financial setbacks in the future emerged from the discussion:

- To minimize the impact of reduced incomes, utilities may be able to reduce certain costs, such as unnecessary transport, the purchase of certain materials, or non-essential maintenance work. However, cost-saving decisions should always be made in consultation with relevant departments and employees.
- Utility management must ensure risk management/business continuity plans are in place and well-integrated into day-to-day operations in order to support resilience and cost-effective responses to future crises.
- Effective digitalization, in particular to facilitate the payment of bills, should be pursued to help minimize disruptions to cash-flows.
- Utilities should invest in renewable energy to power facilities, thus reducing their dependence on a single energy source, as this is considered high-risk.
- Stakeholders should take advantage of the financial challenges raised by COVID-19 to engage in political dialogue and knowledge exchange on financial sustainability of water and sanitation operators. The aforementioned World Bank tools can support this dialogue.
- Income from non-residential customers as well as government subsidies should be taken into account in assessing the financial health of utilities.

The question below was put forward to participants with the following responses:

2. Biggest financial challenges for water and sanitation operators?



Cases of Utilities' Crisis Management

RADEEMA, Morocco

Key challenges and actions:

- Since the beginning of the crisis, the priority for RADEEMA has been to both ensure the quality and the continuity of services as well as to take all precautionary measures to stall the spread of the virus. The health of employees, partners, and customers has been a priority.
- Revenues have dropped due to non-payment by customers, notably those who are unable to do so because of the economic downturn in the country (e.g. decline in tourism).
- The Kingdom of Morocco is encouraging government administrations to pay on time to ensure utilities' financial balance.
- RADEEMA is allowing its customers to make payments digitally, thus minimizing the risk of infection. In general, digital operations have been expanded through RADEEMA's communications with clients using applications and other measures.
- Measures are being taken to optimize investments and reduce costs, allowing the utility to maintain cash-flow.
- An emergency plan is in place, with access to credit in case of need.

Aqua Publica Europea, Europe

Key challenges and actions:

- As a utility association, APE supports the members of its network in facing the challenges posed by the pandemic.
- At the European level, there is low impact on short-term liquidity. The concern is mostly on medium-term, structural problems.
- Many European operators have frozen or postponed part of their investments.
- The economic impact varies between countries, depending on whether operators are covering: 1) urban or rural areas, or 2) industrial or touristic areas. In short, the impact is higher in cities and touristic areas than in rural or industrial ones.

WOP-LAC, Latin America

Key challenges and actions:

- The increased need to provide safe water and sanitation to vulnerable communities is increasing the utilities' costs, while revenues are dropping significantly.
- Utilities need to incorporate (digital) technologies to ensure the continuity of services, improved supply management, and access to chemical products.
- Many customers are now unable to pay bills due to their own loss of income. However, utilities' drop in payments in Latin America is also explained by a culture of physically going to offices to pay bills. In response, several WOP-LAC utilities have multiplied their payment channels, and alternative payment methods are in place.
- Operators in LAC will require support post-pandemic, such as introduction of new technologies and boosting cooperation between operators to share information on the impact of the pandemic and how to overcome challenges (e.g. by helping each other ask for grants).

Lusaka Water Supply and Sanitation Company Limited, Zambia

Key challenges and actions:

- Lusaka Water Supply's revenue has declined by between 40% and 60% in recent months, despite encouraging customers to pay, and providing digital channels to do so.
- Due to the liquidity challenges posed by the pandemic, the utility is no longer able to buy chemicals and has limited resources for infrastructure and maintenance costs. Additionally, its supply chain is facing disruptions.
- Following negotiations, banks in Zambia have relaxed utilities' repayments during COVID-19.
- Lusaka Water Supply is actively engaging with partners such as UNICEF, GIZ, Bill and Melinda Gates Foundation, and the World Bank.

Resources

Session Resources

[GWOPA COVID-19 webinar series](#)

[GWOPA YouTube channel](#)

Further resources

[GWOPA COVID-19 Updates](#)

[UN-Habitat COVID-19](#)

Let the discussion continue!

Webinars often raise more questions than they can answer. To facilitate further discussion, exchange and learning among webinar participants and the audience, GWOPA/UN-Habitat has opened a Workplace group. If you would like to be invited to this group to exchange questions, ideas and resources with others about water utilities and COVID-19 challenges, please kindly send an email to info@gwopa.org

The background of the entire page is a photograph of four workers in a large, circular tunnel. They are wearing hard hats and work clothes. One worker is on a wooden ladder, while others are on the ground. The tunnel walls are concrete and have some red markings. The lighting is somewhat dim, creating a sense of depth and scale.

GWOPA

Global Water Operators' Partnerships Alliance

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