

Supporting Water Utilities during COVID19

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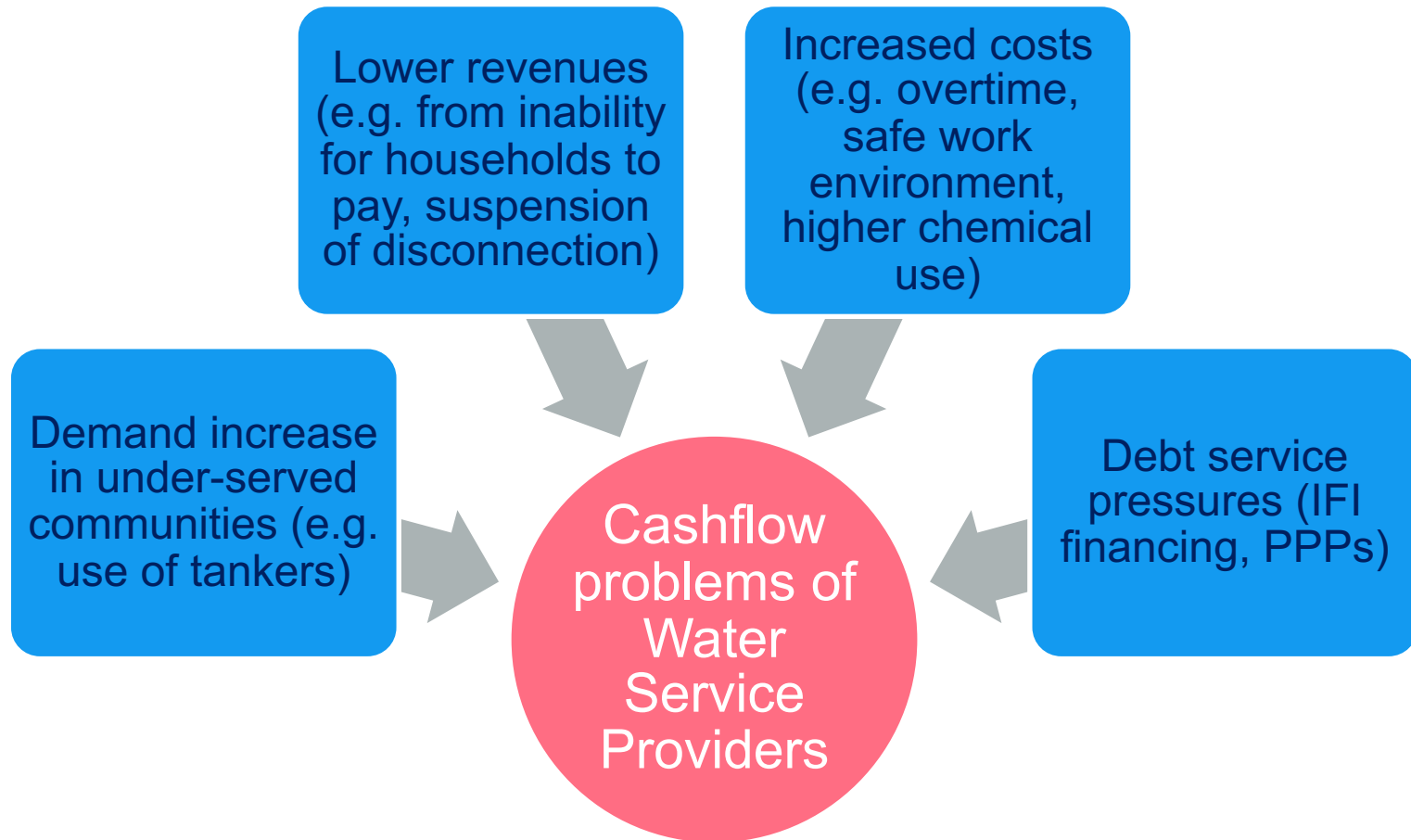
Water

Agenda

- Context and Overview of World Bank Support to Water Utilities during COVID 19
- COVID 19 Financial Impact Assessment Tool for Water and Sanitation Service Providers
- Considerations for Financial Facilities to Support Water Utilities in the COVI 19 Crisis

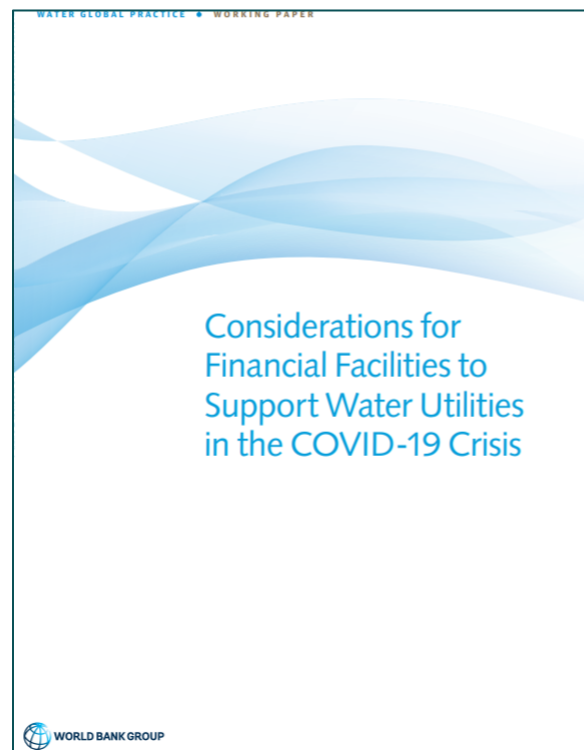
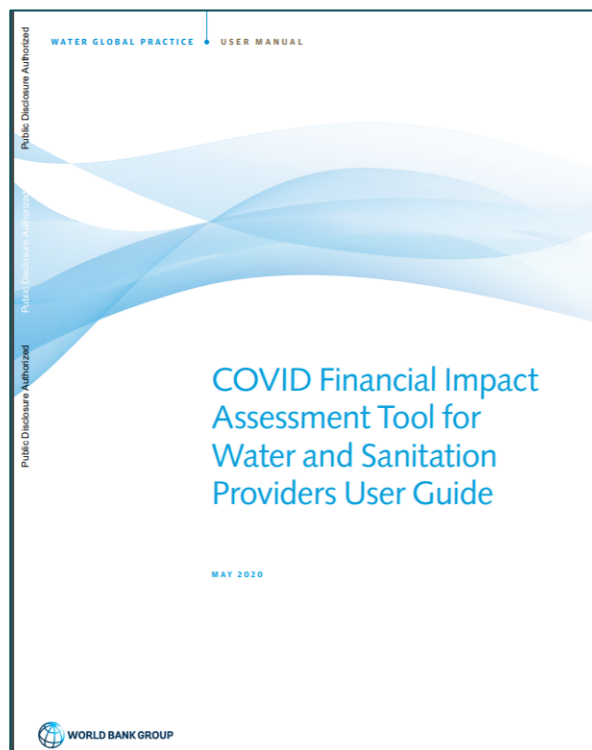
Context and Overview of World Bank Support

Context: COVID has posed additional pressure on water service providers to ensure continuity of services



World Bank's Water Global Practice has developed tools to support clients respond to COVID 19 crisis

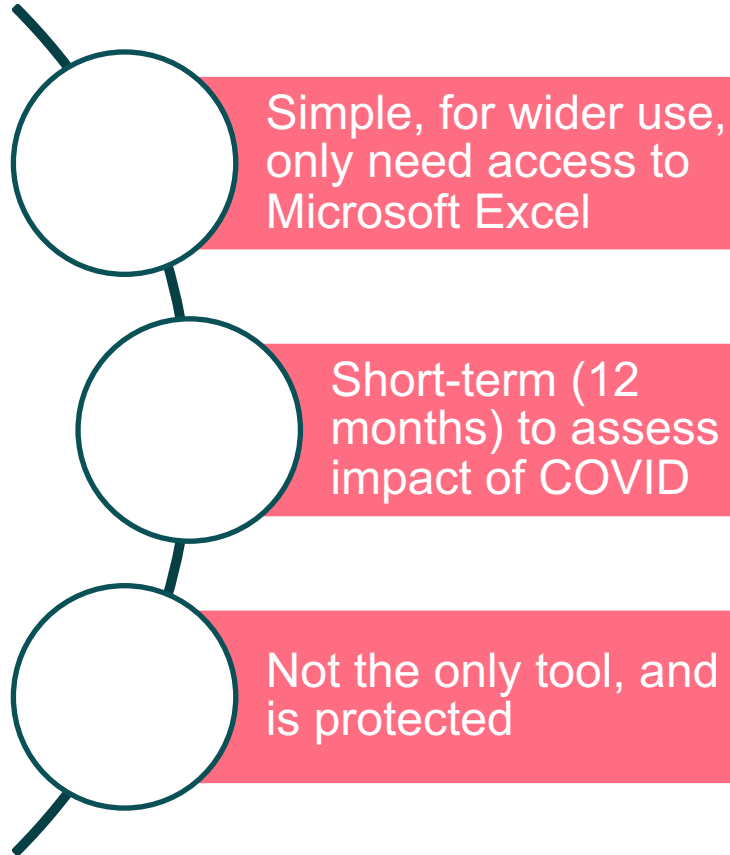
These tools were developed with funding support from **Global Water Security and Sanitation Partnership (GWSP)**



There are other ongoing World Bank initiatives (Utility of the Future, Policy, Institutions, and Regulation, City Wide Inclusive Sanitation, Circular Economy and Resilience etc.)

COVID Financial Impact Assessment Tool

Objective: Demonstrate the financial gap associated with COVID in justifying claim for resources to serve customers



Financial Tool and User Guide in English

In French, Portuguese (ongoing)
In Spanish (done)

Simplified Financial Tool and User Guide in English

Color Codes For Numbers and Cells:

Light Blue Cells and Nos. = Input Areas

Black Nos. = Formula Cells. Do not input

Principles applied to the tool

- ✓ **Revenues** are sourced from water sales, sewerage sales, connection revenue, and other revenues
- ✓ **Operating costs** consist of salaries, water extraction, electricity, chemicals, maintenance, pension, administration, and other costs
- ✓ **Working capital** requirements and debt service obligations are fulfilled from internally generated funds before new investments or loan obligations are considered.
- ✓ **Accrual accounting**, and includes the income statement, balance sheet, and cash flow statement.

Process of using COVID 19 Financial Impact Assessment Tool includes three steps

Step 1

Develop a **baseline projection** assuming normal operational and financial circumstances without the COVID contagion.

Step 2

Develop a **financial impact assessment** assuming the likelihood of COVID affecting certain operations and finances.

Step 3

Use the results to develop an **emergency response plan** designed to minimize the cash flow gap.

Structure of the Regular Version

1. Baseline
Projection

2. COVID
Financial Impact

1-4 are input sheets

Five Worksheets each for (i) Baseline and (ii) COVID Financial Impact

- 1. Dashboard:** opening data, key financial indicators
- 2. Assumptions:** opening balance sheet position and financial management parameters
- 3. Connections and operating expenses:** key operating indicators for revenue and expense projection
- 4. Project and Financing:** new investment program, financing for new loan, amortization of outstanding loans, and depreciation of existing and new assets
- 5. Output Statements:** three financial statements, investments, and borrowing

**Summary Sheet: Results of COVID
financial impact assessment**

Structure of the Simplified Version

COVID Impact Assessment Worksheet

1 Revenue Section of the Income Statement

- Starting month is actual average
- Billed and collected revenue
- Local government transfers

2 Cost Section of the Income Statement

- Starting month is actual average
- Water and wastewater operating costs
- Depreciation and interest

3 Cash Flow Statement

- Profit after taxes
- Operating cash flow, debt payments
- COVID related capex

4 COVID CAPEX Response Program

- Additional capex requirements

Revenue and Cost Build Up Worksheet

1 Production & Connection Program for Households and Commercial Customers

- Non-revenue water
- Tariff increase
- New connections
- Production capacity

2 Sewerage Treatment, Connection Program & Other Revenue

- Sewerage tariff
- New connections

3 Water Supply Service Operating Costs

- Water extraction costs, production, chemical, maintenance, repair, salaries, and pension costs

4 Wastewater Service Operating Costs

- Salaries, electricity, maintenance, repair costs

Snapshot of the Results: Regular Version

Sample WSP COVID Cash Flow Impact From Baseline Millions Peso

Projection Month	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Cumulative
Baseline Ending Cash Flow	(0.348)	0.016	0.047	0.066	0.085	0.052	0.053	0.053	0.052	0.051	0.051	0.051	0.228
Covid Financial Impact	(0.358)	(0.438)	(0.584)	(0.796)	(0.795)	(0.812)	(0.812)	(0.806)	(0.828)	(0.482)	(0.490)	(0.495)	(7.695)
Ending Cash Flow Difference	(0.010)	(0.454)	(0.630)	(0.861)	(0.880)	(0.864)	(0.865)	(0.859)	(0.880)	(0.534)	(0.541)	(0.545)	(7.923)

INCOME STATEMENT	Baseline	Post Covid	Financial
	Pre Covid	Total	Impact
	Total	Total	Total
REVENUES			
Water Billed Revenue	10.910	11.169	0.259
Sewerage Revenue	9.934	10.498	0.564
Other Revenue	1.673	1.673	0.000
OPERATING REVENUES	20.844	21.667	0.823
OTHER INCOME	0.000	0.000	0.000
Interest on Time Deposits	0.046	0.008	0.038
Installation Charges	0.300	0.228	0.072
Non Operating Income	0.346	0.236	0.110
TOTAL INCOME	21.190	21.903	0.713
WATER OPERATING COSTS	0.000	0.000	0.000
Electricity	0.337	0.345	0.008
Water Extraction Costs	0.250	0.256	0.006
Commercial Operations	0.357	0.365	0.008
Repairs & Maintenance	4.213	4.213	0.000
Salaries & Wages	2.469	2.469	0.000
Allowances and Overtime Expense	1.110	1.110	0.000
Total	8.735	8.757	0.022
WASTEWATER OPERATING COSTS	0.000	0.000	0.000
Salaries & Wages, Allowances and Overtim	1.627	1.627	0.000
Wastewater Electricity Costs	0.362	0.383	0.021
Maintenance & Repairs	1.020	1.020	0.000
Domestic Average Factor	1.324	1.324	0.000
Total Wastewater Costs	4.333	4.354	0.021
Total Operating Costs	13.068	13.111	0.043
NET OPERATING PROFIT	8.121	8.792	0.670
Administration	4.172	4.172	0.000
Pension Expense	0.000	0.000	0.000
Depreciation	1.205	1.205	0.000
Interest	0.196	0.196	0.000
Total	5.572	5.572	0.000
INCOME BEFORE TAXES	2.549	3.219	0.670
Income Taxes	0.765	0.966	0.201
NET PROFIT/(LOSS)	1.784	2.254	0.469

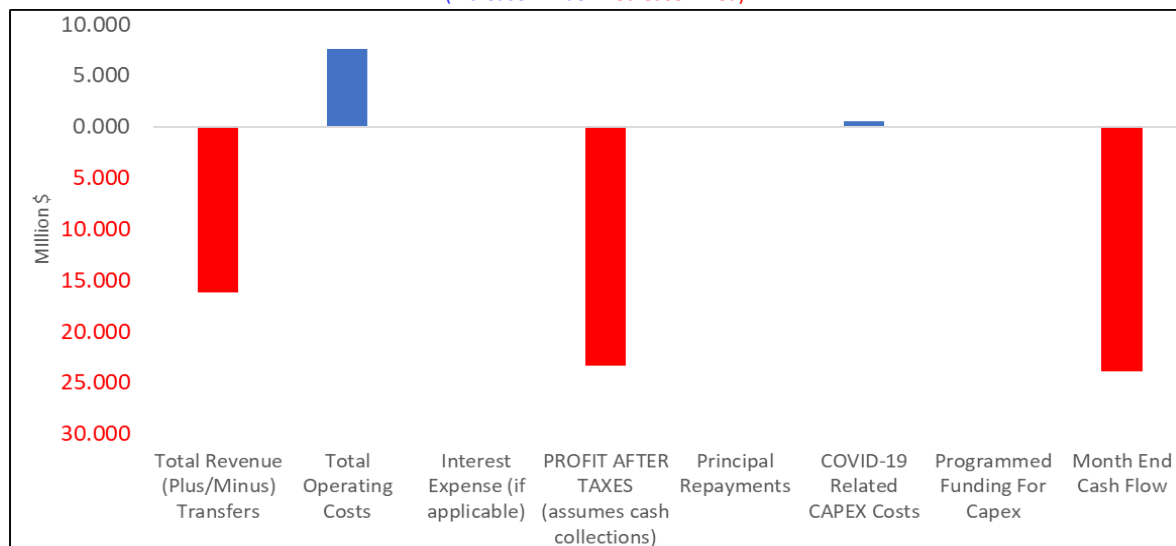
CASH FLOW STATEMENT	Baseline	Post Covid	Financial
	Pre Covid	Total	Impact
	Total	Total	Total
INTERNAL CASH GENERATION			
Net Income	1.784	2.254	0.469
Add: Interest Expense	0.196	0.196	0.000
Add: Depreciation Exp	1.205	1.205	0.000
Operating Cash Flow	3.185	3.654	0.469
Add: Beginning Cash Position	5.092	5.107	0.015
Working Cap Inc/(Dec)	3.888	12.282	8.394
CASH BEFORE DEBT SERVICE	4.389	3.522	7.910
DEBT SERVICE	0.000	0.000	0.000
Net Interest Payments	0.196	0.196	0.000
Principal Payments	0.144	0.144	0.000
Total Debt Service	0.340	0.340	0.000
CASH AFTER DEBT SERVICE	4.049	3.861	7.910
CAPITAL INVESTMENT REQUIREMENTS	0.000	0.000	0.000
Annual Capital Investment	0.300	0.300	0.000
Add: Cash Ending Balance	3.920	3.933	0.013
FINANCING REQUIREMENTS	0.172	8.095	7.923
FUNDS FROM LOANS & GRANTS	0.000	0.000	0.000
Grants and Other Funds	0.600	0.600	0.000
Loan 1	0.300	0.300	0.000
Outstanding Loans	0.000	0.000	0.000
Funds From Loans & Grants	0.900	0.900	0.000
Funds Distributed to City Government	0.500	0.500	0.000
CASH SURPLUS/(DEFECIT)	0.228	7.695	7.923
If Cash Surplus:			
Add to Savings Account	0.576	0.000	0.576
If Cash Deficit:			
Use Savings Account	0.348	1.000	0.652

Snapshot of the Results: Simplified version

CASH FLOW STATEMENT	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Pre Covid Total	Post Covid Total	Financial Total
PROFIT AFTER TAXES (assumes	1.774	0.808	0.519	0.593	0.337	0.336	0.583	0.122	0.159	0.355	0.355	0.355	0.355	21.288	2.035	23.323
Add: Depreciation Expense	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.012	0.144	0.144	0.000
Operating Cash Flow	1.786	0.796	0.507	0.581	0.325	0.324	0.571	0.110	0.147	0.367	0.367	0.367	0.367	21.432	1.891	23.323
Principal Repayments	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	0.100	1.200	1.200	0.000
Cash Flow After Debt Service	1.686	0.896	0.607	0.681	0.425	0.424	0.671	0.210	0.247	0.267	0.267	0.267	0.267	20.232	3.091	23.323
COVID-19 Related CAPEX Costs	0.000	0.050	0.200	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.300	0.000	0.000	0.000	0.550	0.550
Programmed Funding For Capex	0.000													0.000	0.000	0.000
Month End Cash Flow	1.686	0.946	0.807	0.681	0.425	0.424	0.671	0.210	0.247	0.267	0.033	0.267	0.267	20.232	3.641	23.873

COVID Income and Cash Flow Financial Impact

(Increase = Blue Decrease = Red)



Considerations for Financial Facilities to Support Water Utilities in the COVID 19 Crisis

COVID 19 Emergency response plan could include establishment of a “Financial Facility”

Objective: Lay out options and considerations in designing the Facilities to provide emergency financial support to water utilities in response to the COVID-19 pandemic

Urgency: Utilities’ cashflows already badly hit and short- to medium term sustainability of water and sanitation services become questionable.

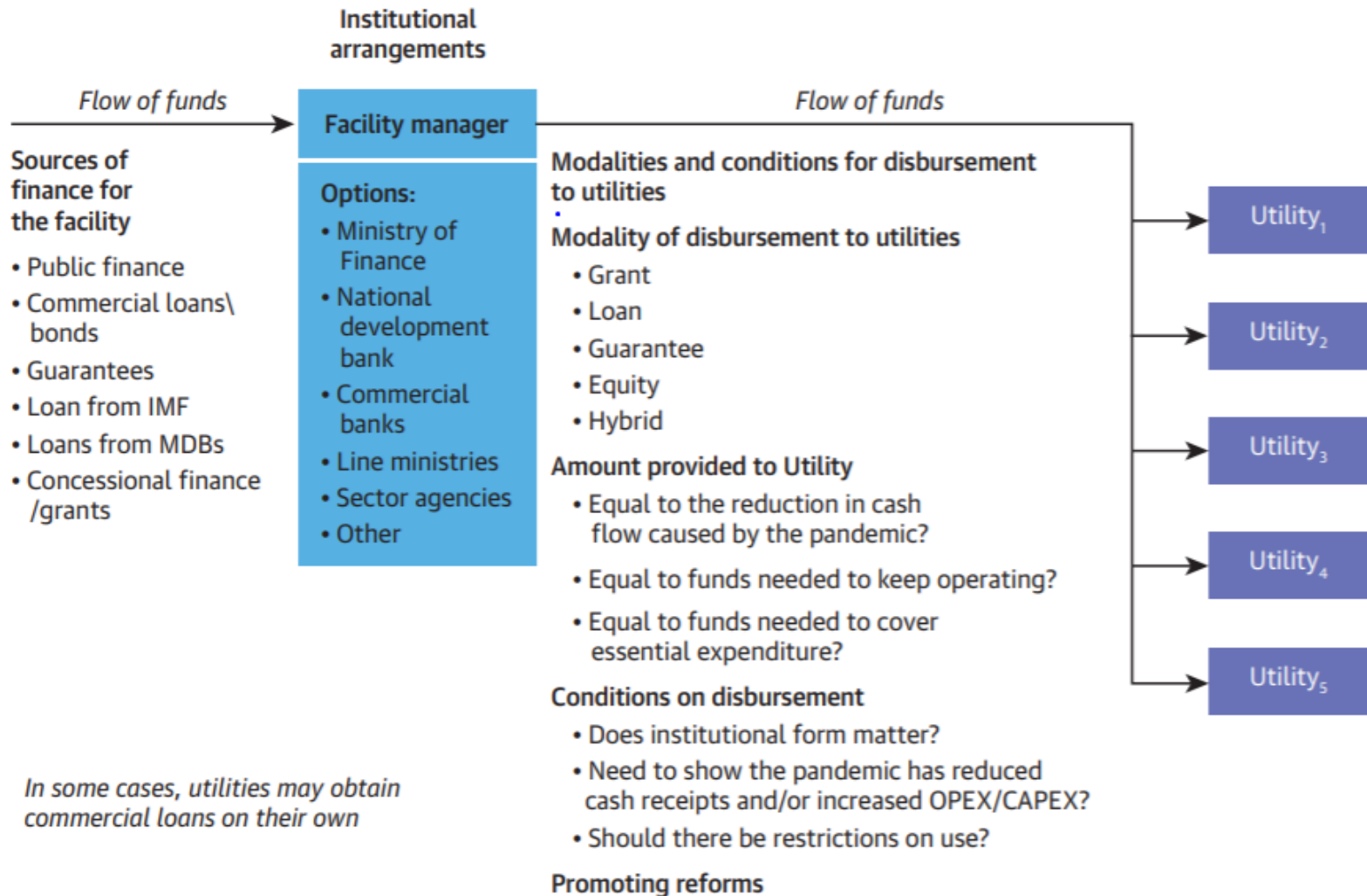
Audience: Government policy makers considering to develop financial responses to ensure utilities continue to function during the crisis, and the World Bank teams assisting them

Focus on options, not recommendations: Concrete recommendations depend on local context (e.g. scale of the pandemic, the state of local finances, institutional arrangements, and capacity)

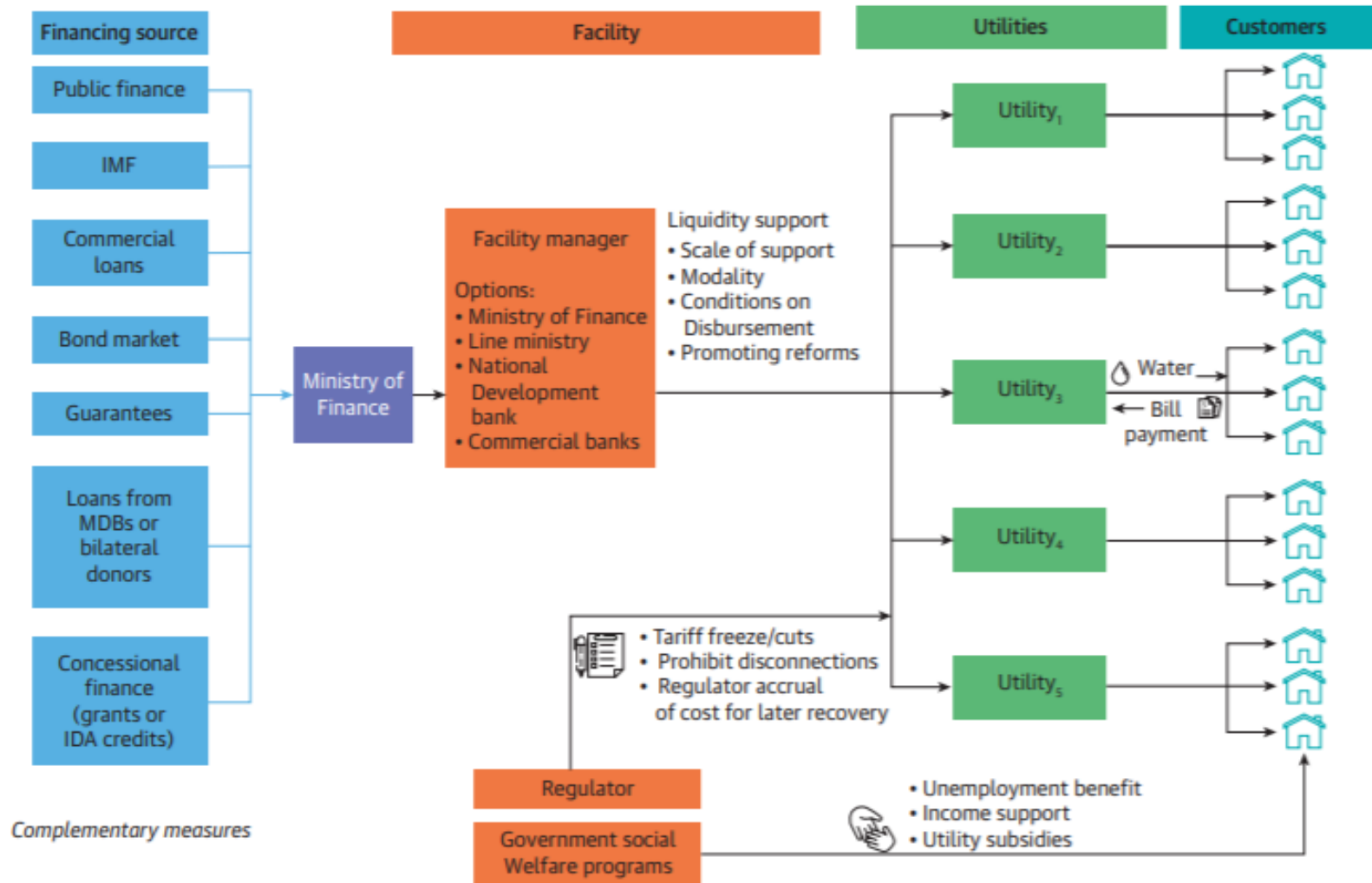


Next step: Policy makers to apply these options to the local context

Summary of Key Considerations in setting up a Financial Facility

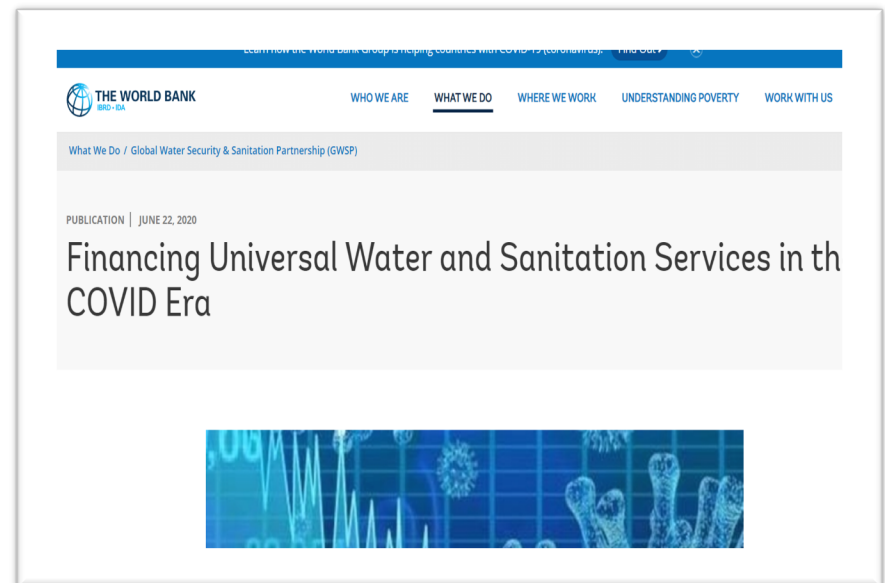
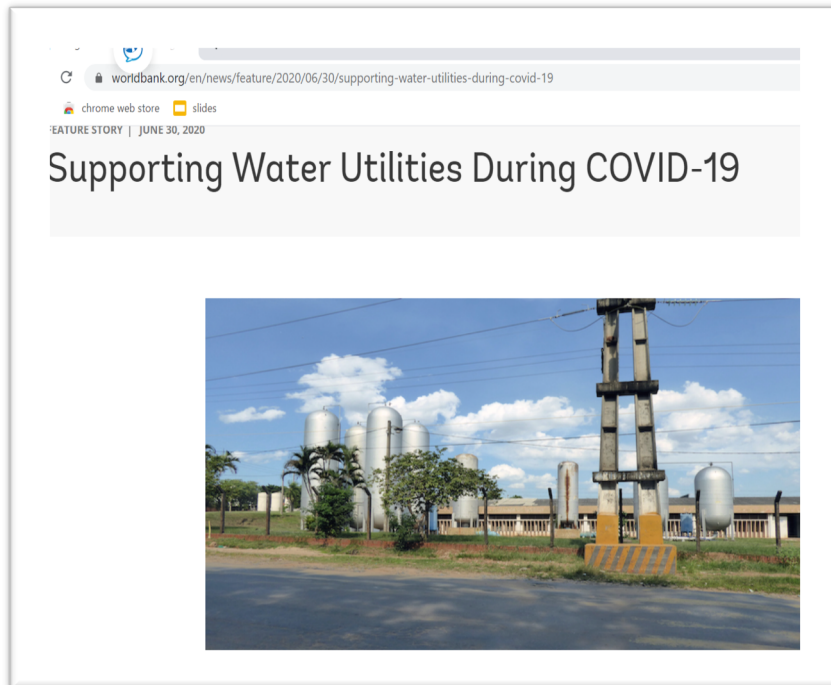


Overview of the Flow of Funds



Access the Tools on World Bank Website

<https://www.worldbank.org/en/programs/global-water-security-sanitation-partnership>



Thank you



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Water

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