Session 8: Impact of Covid19 on Water & Sanitation Utility Services

June 15, 2022 | 09:00 AM – 10:00 EDT
About the Webinars

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A series of webinars focusing on GRiF and its innovative projects.

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QUESTION & ANSWERS
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Structure of Webinars

1. Introduction & Opening Remarks
2. Lightning Presentations
3. Technical Conversation & Interview
4. Question & Answer (use chat box)
Opening Remarks

Luise Richter Alladayè

Senior Advisor, German Federal Ministry of Economic Cooperation and Development (BMZ)
Opening Remarks

David Michaud
Practice Manager, Water Global Practice
World Bank Group
Lightening Presentation


Midori Makino
Lead Water Supply and Sanitation Specialist, Water Global Practice, WBG

Berenice Flores
Water Specialist, Water Global Practice, WBG
A Regional Activity: Advisory Services and Analytics Co-Financed by GRiF

OBJECTIVE

To prepare the analytical basis to support policymakers and water and sanitation (WSS) utilities in responding to shocks and crisis. This work was also designed to contribute to the post-crisis recovery for sustainable and resilient service delivery in the medium and long term.

Activity 1
Monitoring of policies and measures in response to COVID-19 and systematization of collected information.

Activity 2
Analysis of the financial impact of COVID-19 on WSS utilities in the region.

Activity 3
Technical assistance to strengthen wastewater epidemiological monitoring capabilities for early detection of the presence of COVID-19.
Measures Introduced in Response to COVID-19 to Secure Continuation of WSS

- Defer Water Bills
- Forbid Service Suspension
- Waive Payments for Special Groups
- Freeze Tariffs Adjustments
- Remote Bill Pay and Customer services

Map showing the distribution of these measures across different countries.
## Sector Response Measures to COVID-19

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<th>Country</th>
<th>Defer Water Bills</th>
<th>Forbid Service Suspension</th>
<th>Waive Payments for Special Groups</th>
<th>Freeze Tariffs Adjustments</th>
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Methodology

The roll-out of the financial impact assessment was based on the Excel-based tool "COVID 19 Financial Impact Assessment Tool for Water and Sanitation Service Providers", developed by the World Bank’s Water Global Practice.

1. Development of a **baseline cash flow projection** assuming normal operational and financial circumstances without the COVID contagion.

2. Development of a **financial impact assessment** assuming the likelihood of COVID affecting certain operations and finances during the first year.

3. Results were used to develop an **action plan** to improve the utility’s operational performance, resilience, and financial sustainability.
Residential consumption increased while non-residential consumption decreased

• Increases in residential water consumption (when compared to consumption levels reported in 2019).

• Non-residential water consumption decreased significantly.

• These changes offset each other, resulting in slight increases in total water consumption.

The graph shows the maximum and minimum percent change between the monthly values reported for 2020 and the monthly values reported for 2019 between March and May. These changes are the top and bottom values shown in each bar. The average change reported for the selected utilities between March and May is shown in the middle value of each bar.
Changes in Consumption Patterns Led to Lower Average Tariffs

- These changes had an impact on the average water tariffs of utilities.
- Reductions in non-residential water consumption translate into lower average tariffs (-2.7% on average).
- Reductions in average tariffs increased as strict quarantines were extended.

The graph shows the percentage difference between the reported or projected average monthly rate for 2020 and the average monthly rate that would have been expected in 2020 without the pandemic (non-COVID scenarios).
Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) Margins and Net Income Decreased

- Total losses in a sample of 20 utilities were estimated at US$ 120 million in 2020; representing 4.4% of the projected revenues of these utilities.
- EBITDA declines averaged 31.4%.
- The average monthly contraction in net income was estimated at 39.2%.
- Some companies in Brazil, Costa Rica and Honduras reported monthly reductions in EBITDA and net income of more than 100%.
Collection Rates Decreased, Reducing Cash Flows and Delaying Capital Expenditures

• COVID-19 had a stark effect on the utilities’ bill collection rate and, therefore, on their cash flows. On average, collections and cash flows fell by 12.3 percent between March and December 2020.

• Changes in collection rates had an impact on the utilities' liquidity. On average, cash flows decreased by 48.4%, with April being the worst month in 2020 for the sample of utilities studied.

• Many of the utilities included in this study have acknowledged they deferred some of their capital investments to prioritize resources for day-to-day operations and ensure continuity of services during the pandemic.

The bar graphs show the percentage difference between monthly collections and reported or projected monthly cash flow for 2020, and the monthly collections and monthly cash flow that would have been expected for 2020 without the pandemic (non-COVID scenarios). Line graphs show the average percent difference for each month.
Key Messages

The water utilities in the region prioritized operations to secure service provision during the emergency; however, maintenance and capital investments were compromised.

Water utilities with sound financial planning were able to better withstand the financial impact of the pandemic.

Disaster risk financing mechanisms were not used to help water utilities deal with the unexpected shock of the pandemic.

Study findings highlight the need to support water utilities to become financially resilient to better absorb shocks and mitigate future liquidity risks.
Recommendations

WSS Utility Level
- Accurate and reliable financial planning
- Creation of internal emergency funds
- Adoption of operational technologies
- Implementation of risk management plans

Government Level
Creation of an appropriate policy and regulatory framework to promote good governance of water companies.

Short-term
- Liquidity facility
- Credit lines

Long-term
- Parametric insurance
- Access to commercial financing
Timely Financing

Speed matters, but not all resources are needed at once.
Technical Conversation & Interview

Guest Speakers

Patricia Lopez
Senior Water Specialist, Water Global Practice, World Bank Group

Hector Alexander Serrano
Senior Water Resource Management Specialist, Water Global Practice, World Bank Group

Host

Sumati Rajput
Financial Sector Specialist, Crisis and Disaster Risk Finance, World Bank Group
Q&A

Please share your questions in the chat box.

If possible, please indicate to which speaker(s) you would like to address your question(s).

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Thank you for attending!