



ROCKBlue

COVID-19 Emergency Planning and Financial Liquidity

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COVID 19 Reduces Cash Flow to Utilities

(-) Utilities will be even more strapped for cash than usual

(-) Governments will be less able to finance water projects than usual

(-) Donors will lend more in total but priorities for financing are unclear

(=) *Utilities urgently need a source of finance*



Two Viable Options

Option 1: Financing facility

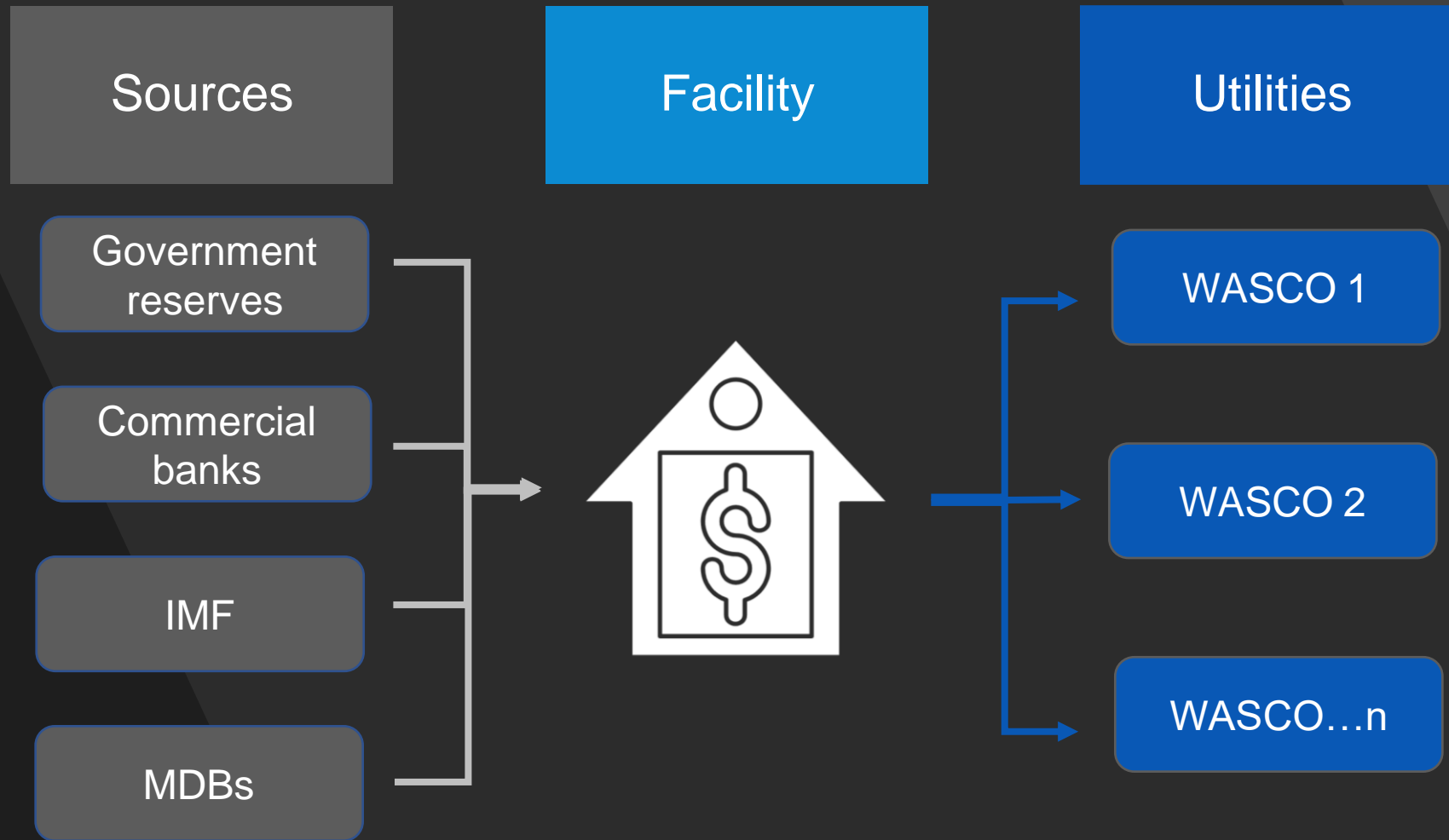
- Rapid disbursement can help utilities stay afloat
- Locally-designed solution

Option 2: Non-revenue water (NRW) performance-based contracts (PBC)

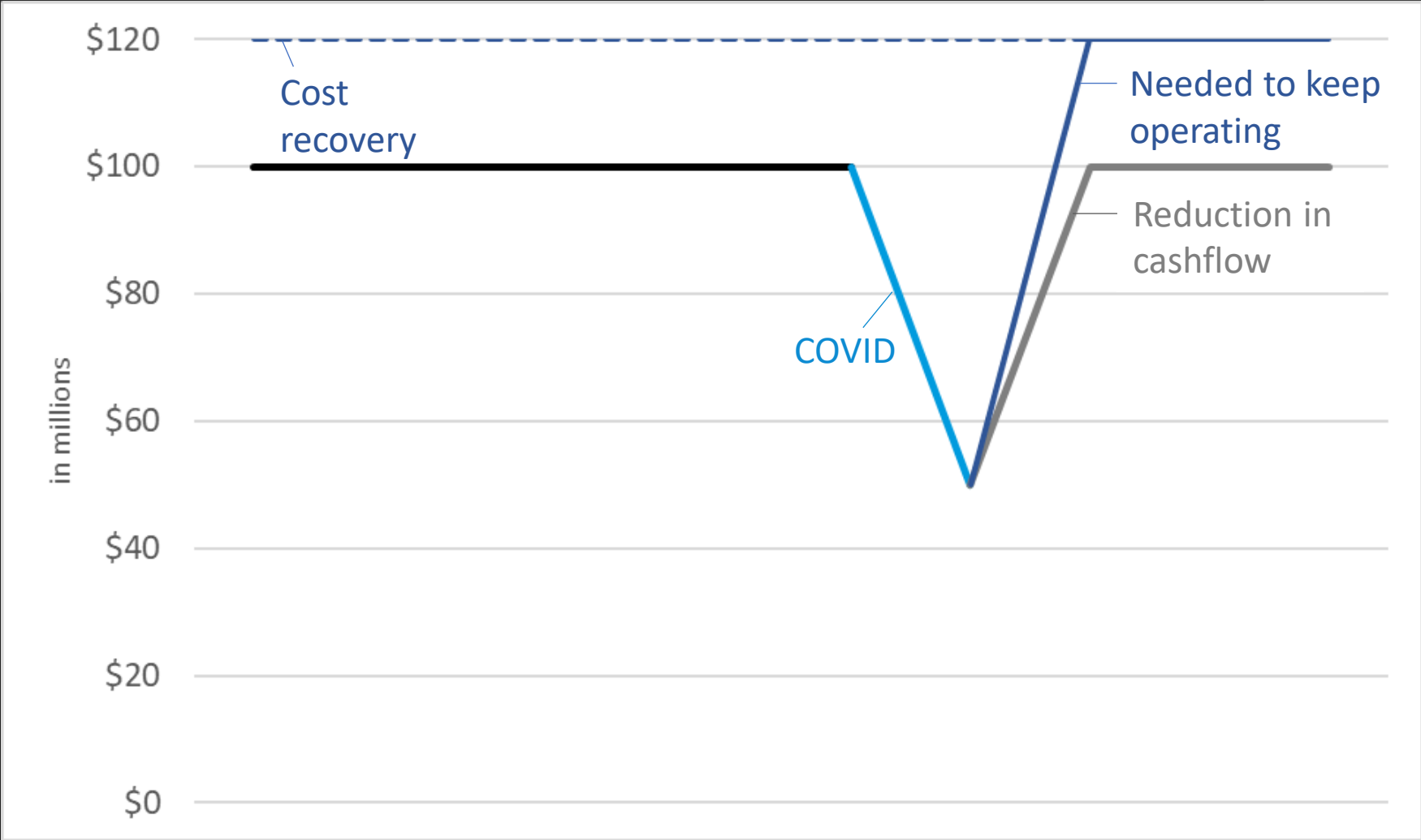
- Helps water supply situation
- Provides economic stimulus



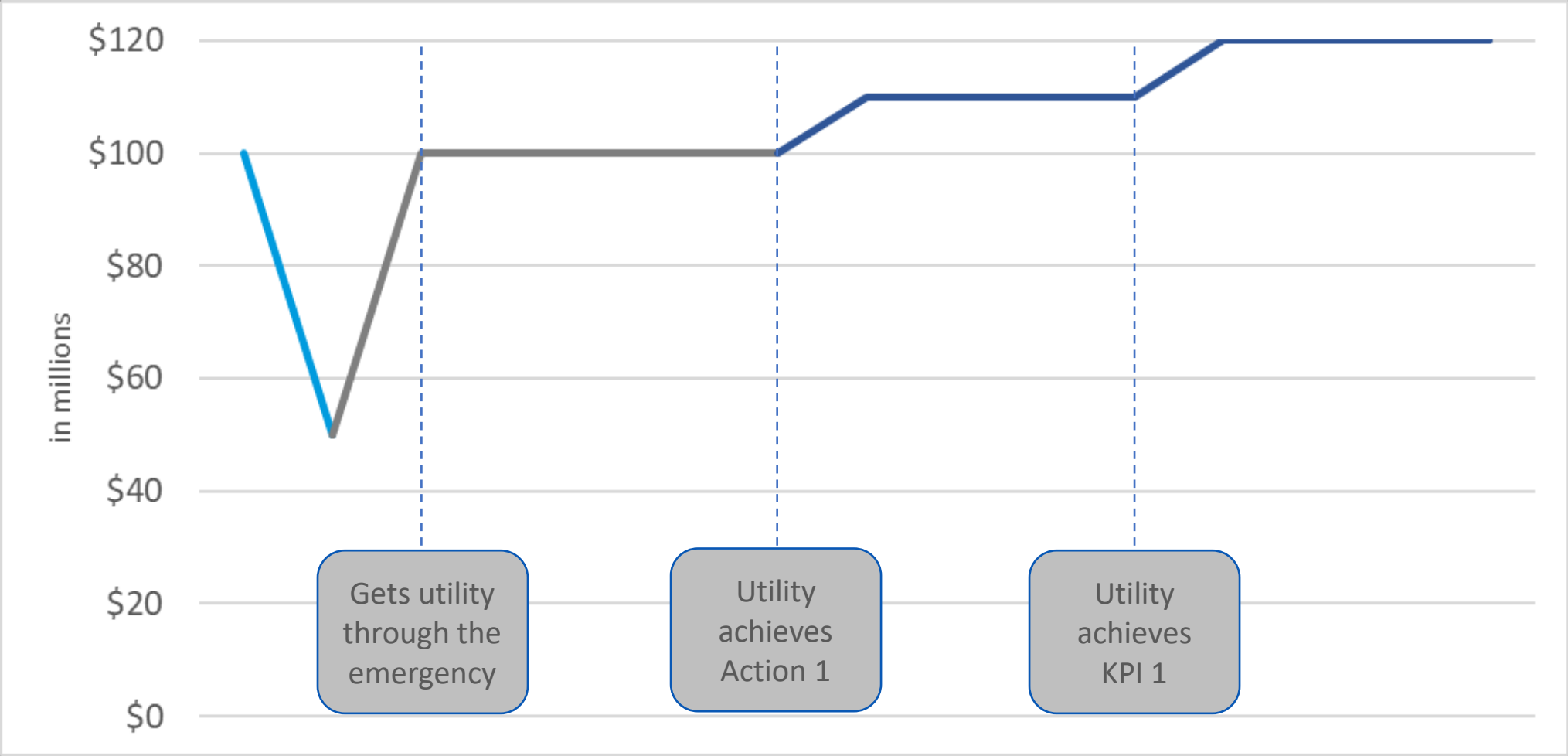
Option 1: Financing Facility



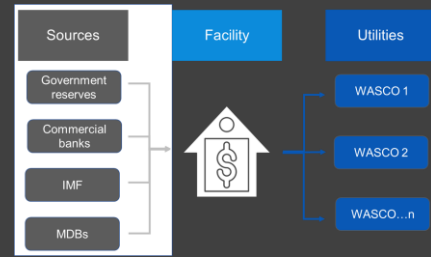
Estimating the Scale of Support Required



Estimating Scale of Support with Reforms



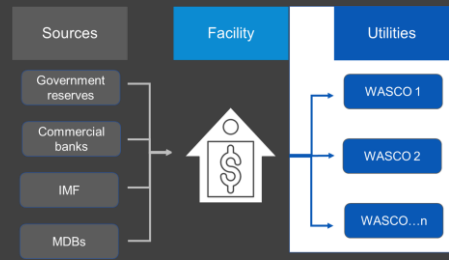
Sources of Finance



Source	Advantages	Disadvantages
Government reserves or tax receipts	<ul style="list-style-type: none"> Quick Entirely in government's control 	<ul style="list-style-type: none"> Cannot use it on other priority areas Tax receipts going down because of the pandemic
National government commercial borrowing	<ul style="list-style-type: none"> Quick Entirely in government's control 	<ul style="list-style-type: none"> Carries a fiscal impact National government must be creditworthy
Commercial borrowing by the facility with sovereign guarantee	<ul style="list-style-type: none"> Can allow for finance in local currency Can enable access to commercial finance that would not otherwise be possible 	<ul style="list-style-type: none"> National government must be creditworthy Local financial institutions must be liquid
IMF	<ul style="list-style-type: none"> Can be quick 	<ul style="list-style-type: none"> Decision may not be in the control of the Ministry responsible for water
Multi-lateral resources to national government	<ul style="list-style-type: none"> May come with technical assistance 	<ul style="list-style-type: none"> Takes longer than other options
Concessional finance of national government	<ul style="list-style-type: none"> No fiscal impact for the national government 	<ul style="list-style-type: none"> Only limited quantity available



Modality of Disbursement

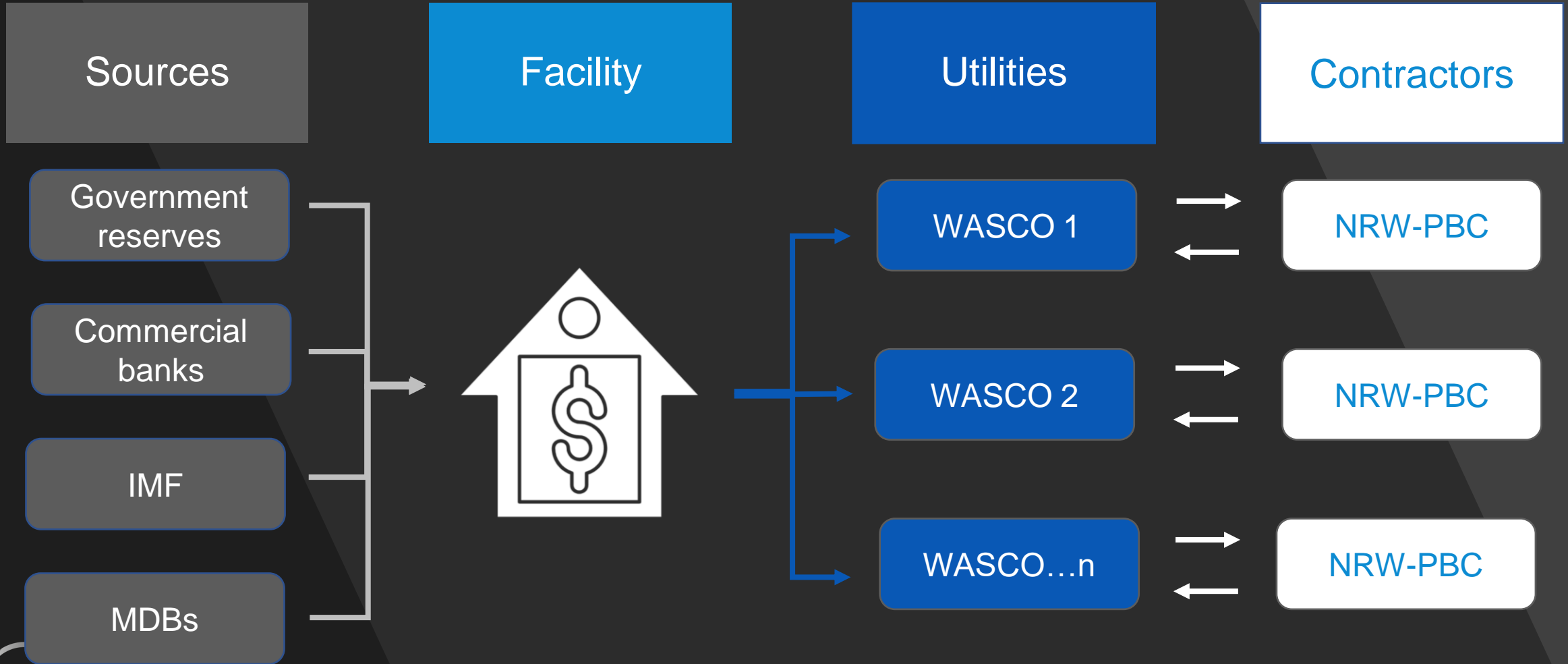


Modality	Advantages	Disadvantages
Grant	<ul style="list-style-type: none"> ▪ Rapid disbursement ▪ Financial burden not placed on the utility 	<ul style="list-style-type: none"> ▪ Fiscal impact
Loan	<ul style="list-style-type: none"> ▪ Lower fiscal impact for the national government 	<ul style="list-style-type: none"> ▪ Financial burden placed on the utility ▪ Takes time to design, document, and come to terms of agreement
Guarantee	<ul style="list-style-type: none"> ▪ Risk is shared between the national government and the financiers (e.g. commercial banks) 	<ul style="list-style-type: none"> ▪ Requires utilities to already have access to commercial loans
Equity	<ul style="list-style-type: none"> ▪ Utility never has to return the money, or to pay any set interest rate ▪ Facility may be able to recover some or all of its investment 	<ul style="list-style-type: none"> ▪ Not appropriate if utilities are wholly publicly-owned
Hybrid models (includes elements of the above)	<ul style="list-style-type: none"> ▪ Some mixes (e.g. loan paired with a grant) can help utilities gain experience with loan conditions and establish a repayment track record 	<ul style="list-style-type: none"> ▪ Increased complexity in structuring and managing the hybrid model

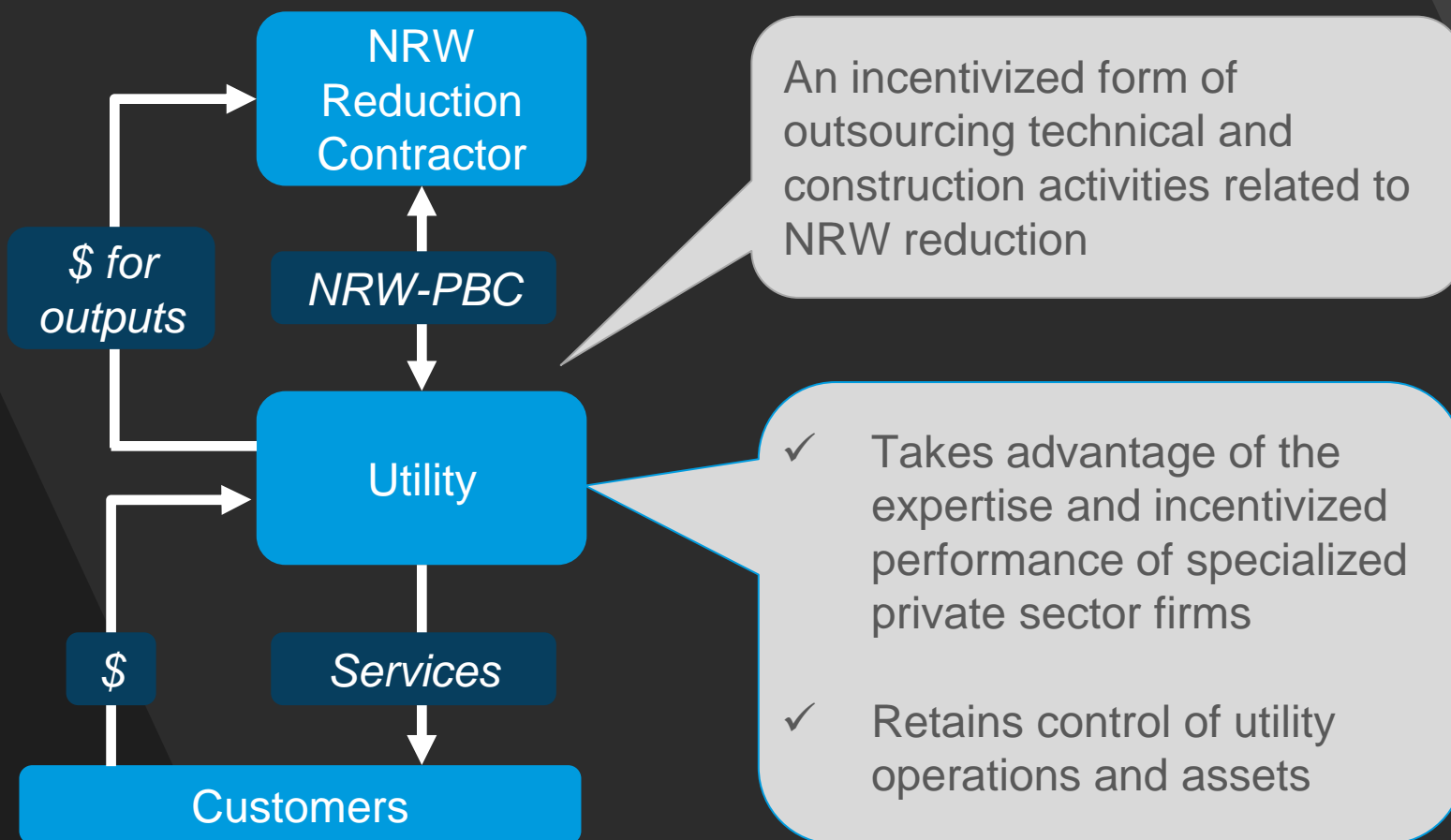


Option 1

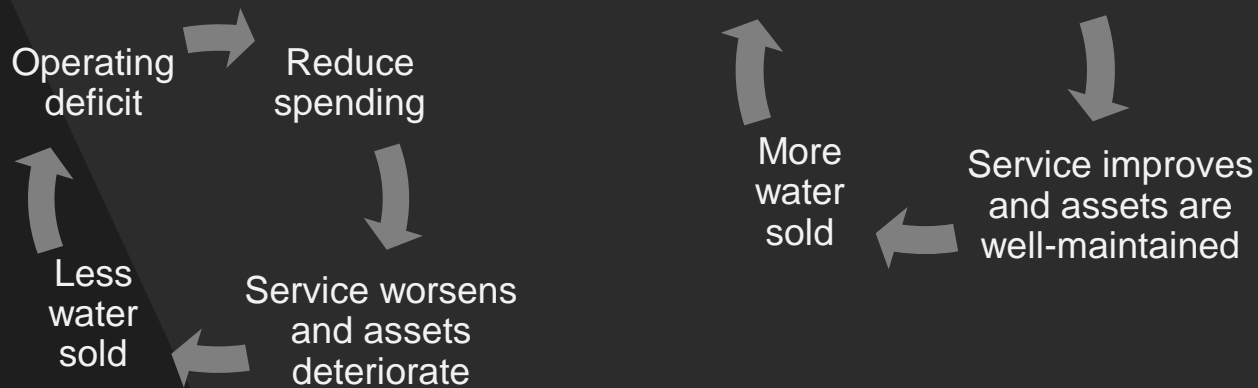
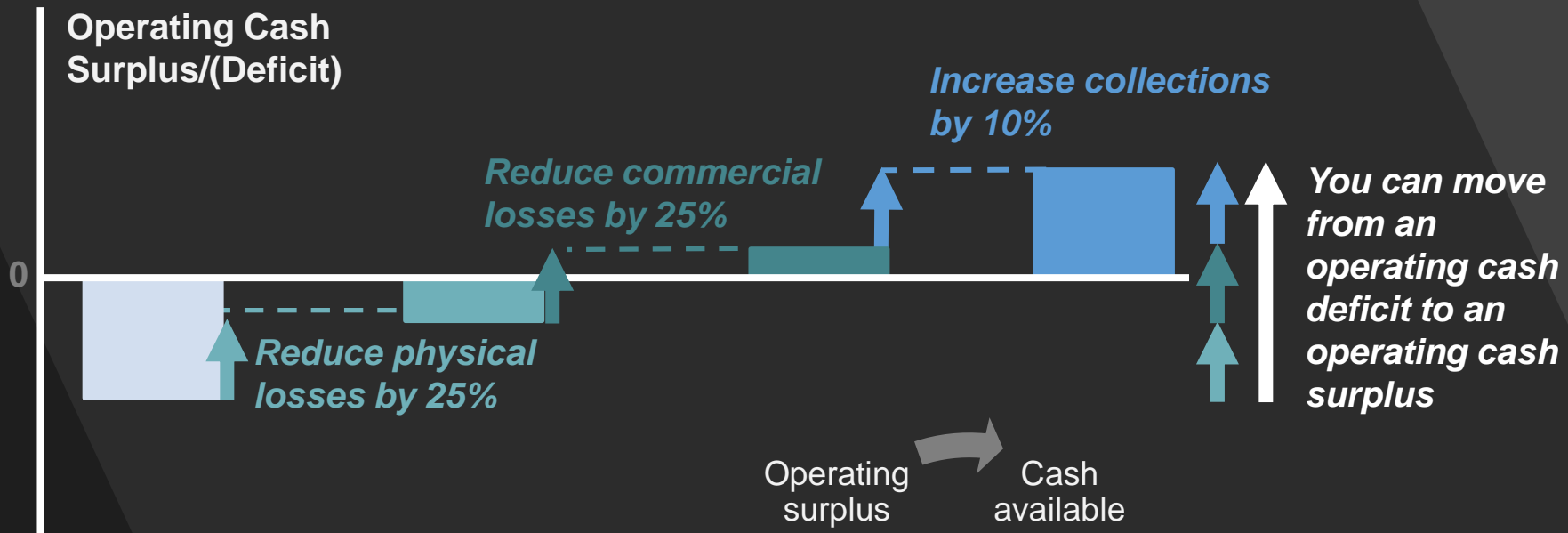
Option 2



Option 2: NRW-PBC



Results in Better Cash Flow

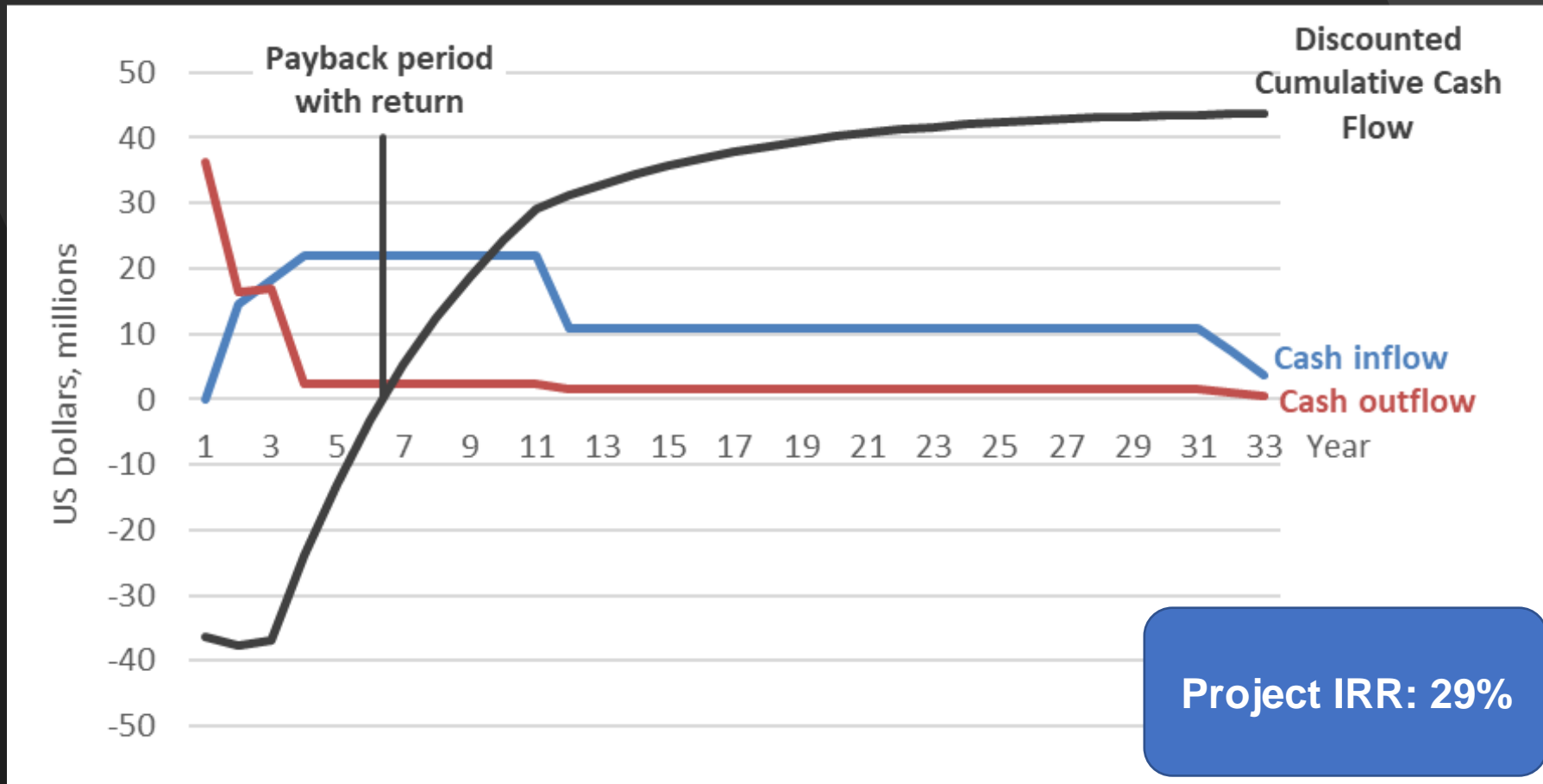


Examples of Successful NRW-PBCs

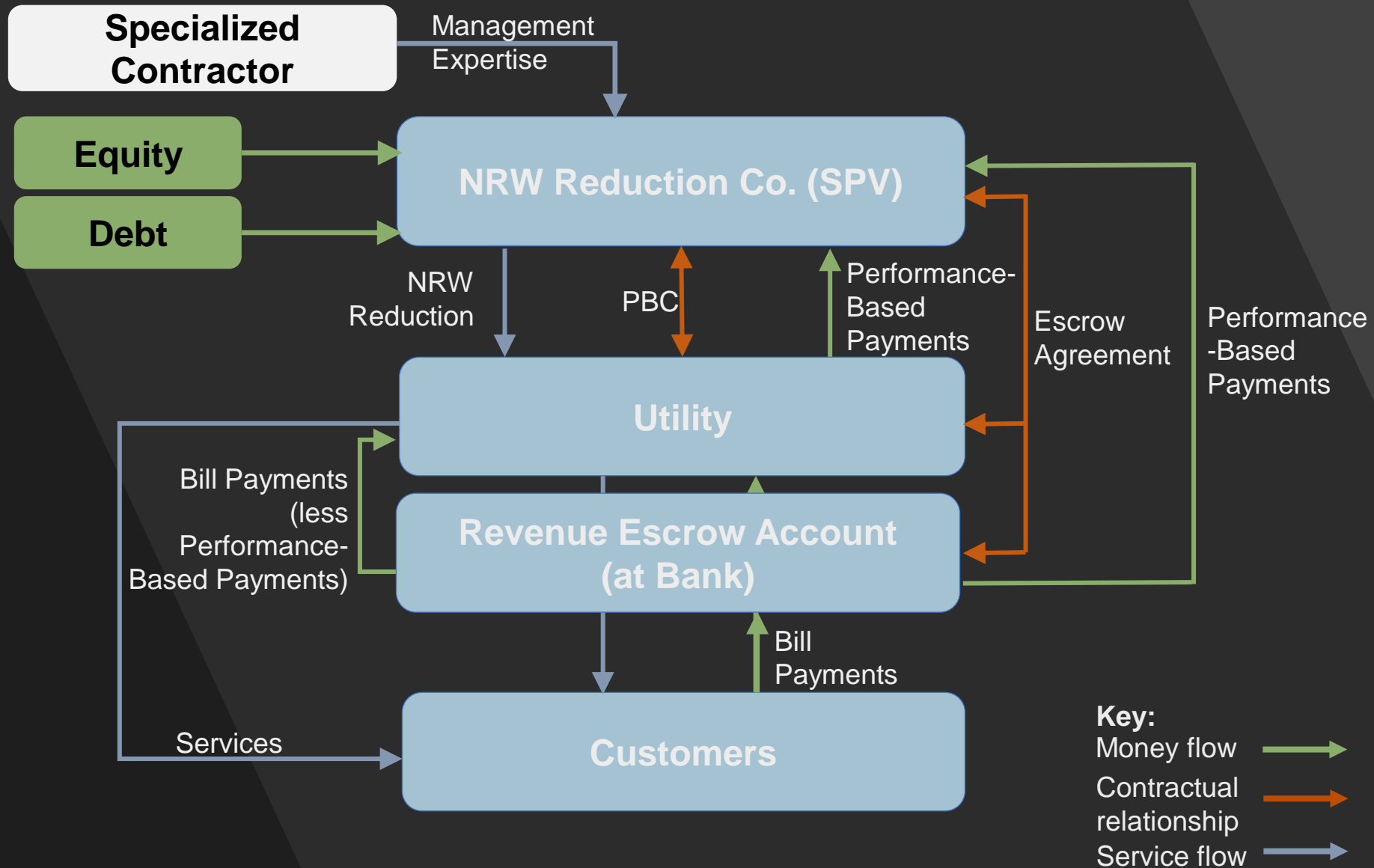
Location	Results Achieved	Emergency Catalyst
Kuala Lumpur, Malaysia	<ul style="list-style-type: none"> ▪ Saved 117 MLD of water ▪ Avoided capital expenditure on alternative water supply sources 	<ul style="list-style-type: none"> ▪ City was running out of water ▪ Emergency water rationing was entering its 5th month
Bangkok, Thailand	<ul style="list-style-type: none"> ▪ Saved 165 MLD of water ▪ Increased water supply in a large city 	<ul style="list-style-type: none"> ▪ City was losing about 40% of water produced
Sao Paulo, Brazil	<ul style="list-style-type: none"> ▪ Increased revenue by US\$72 million over 3 years (of which 75% was kept by the utility) ▪ Reduced under-reporting of consumption by 41 MLD, through meter replacement ▪ Collected an additional US\$43 million 	<ul style="list-style-type: none"> ▪ Estimated that the utility was losing revenues for 1,000 MLD
New Providence, The Bahamas	<ul style="list-style-type: none"> ▪ Reduced the utility's EBITDA loss by over 50 percent (US\$10 million), contributing to reduced subsidies from the Government ▪ Saved 30% of production (17 MLD) 	<ul style="list-style-type: none"> ▪ Utility was running an operating deficit for 7 years



Cashflows from a Stylized NRW-PBC



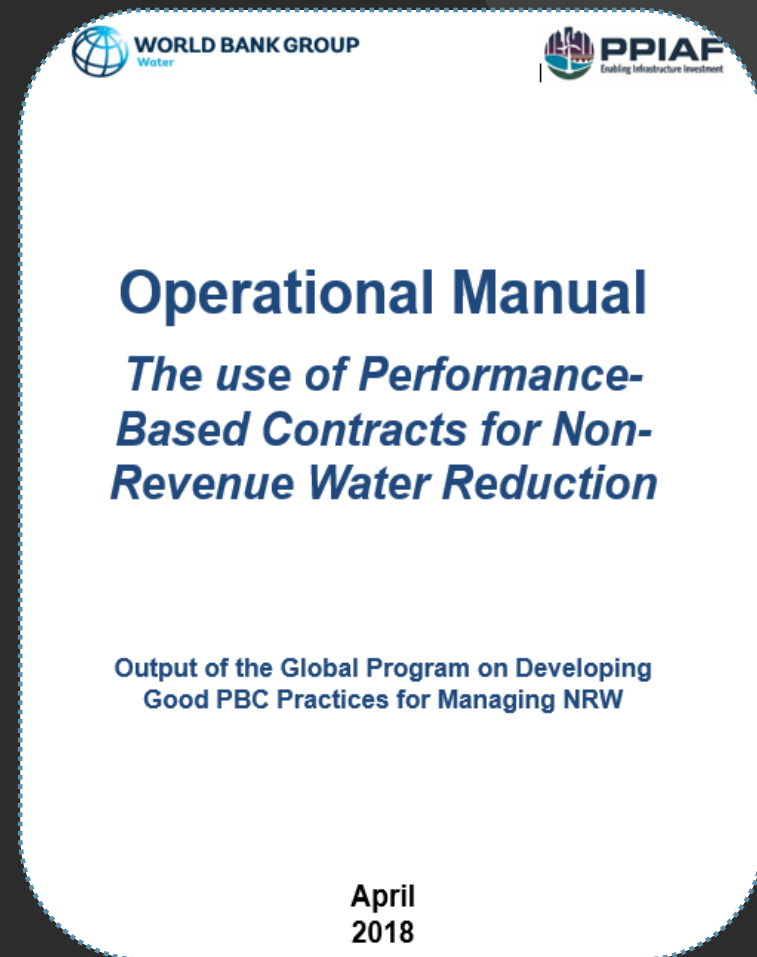
Structure for Privately Financed NRW-PBC



Templates and Resources Already Exist



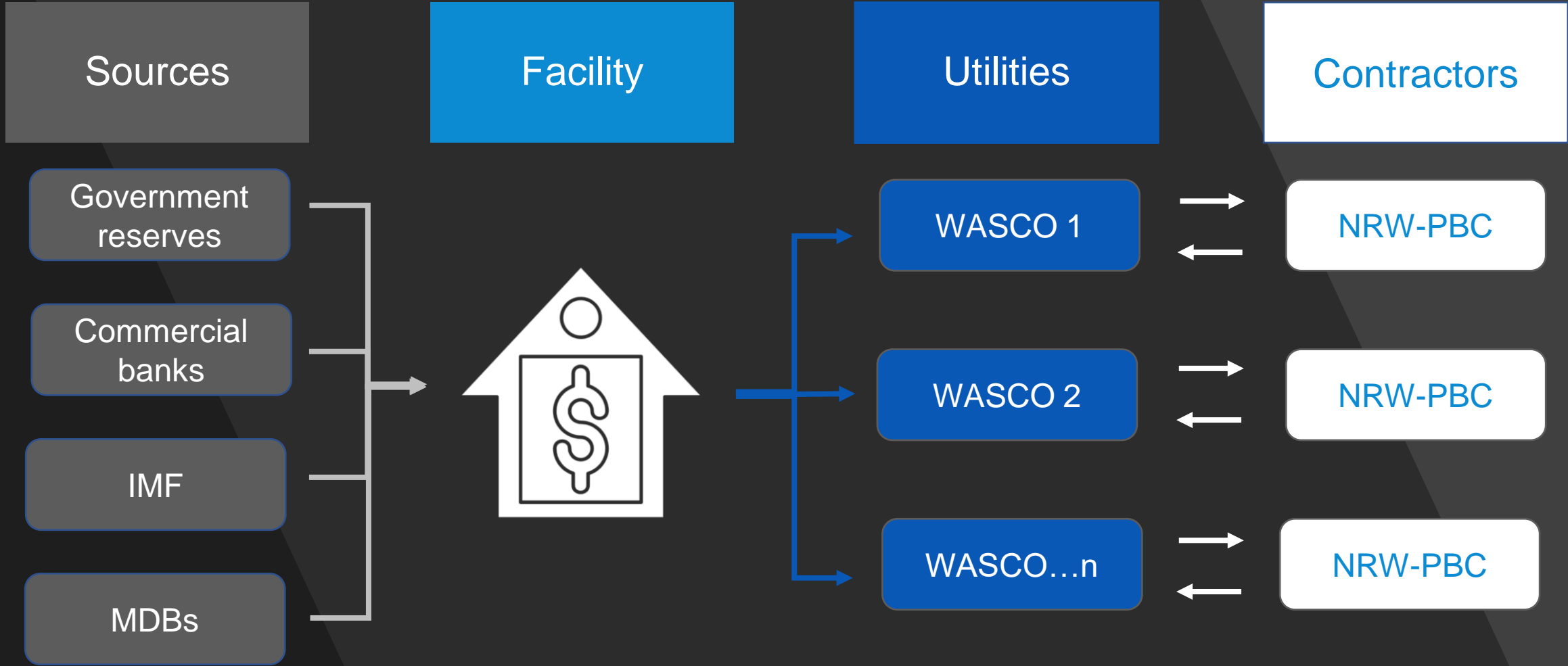
- *Water balance*
- *Number of connections*
- *Hydraulic boundaries*



Competitive Market of Service Providers

Name	Home country	Countries of experience implementing NRW-PBCs
JOAT	South Africa	Botswana, Honduras, Malawi, Mozambique, Nicaragua, Nigeria, South Africa, Suriname, Swaziland, Tanzania, Zambia, Zimbabwe
MIYA	Spain	Bahamas, Botswana, Jamaica, South Africa, The Philippines
SEURECA (part of Veolia)	France	Guinea-Bissau, Cameroon, Ecuador, Mexico, Peru, Trinidad & Tobago, Venezuela, Zambia
SUEZ	France	Jamaica, Colombia
VINCI-WMI	France	Algeria, Barbados, Benin, Cameroon, Colombia, Djibouti, Dominican Republic, Jamaica, Morocco, Tanzania, Vietnam
VITENS-EVIDES INTERNATIONAL	The Netherlands	Curaçao, Haiti, Kenya, Malawi, Rwanda, Tanzania
WRP Engineers	South Africa	Botswana, South Africa





Q&A

