

Access to Financing:

Achieving and Maintaining Financial Sustainability of Water Utilities

Make It Rain: DWP KnowNow Webinar

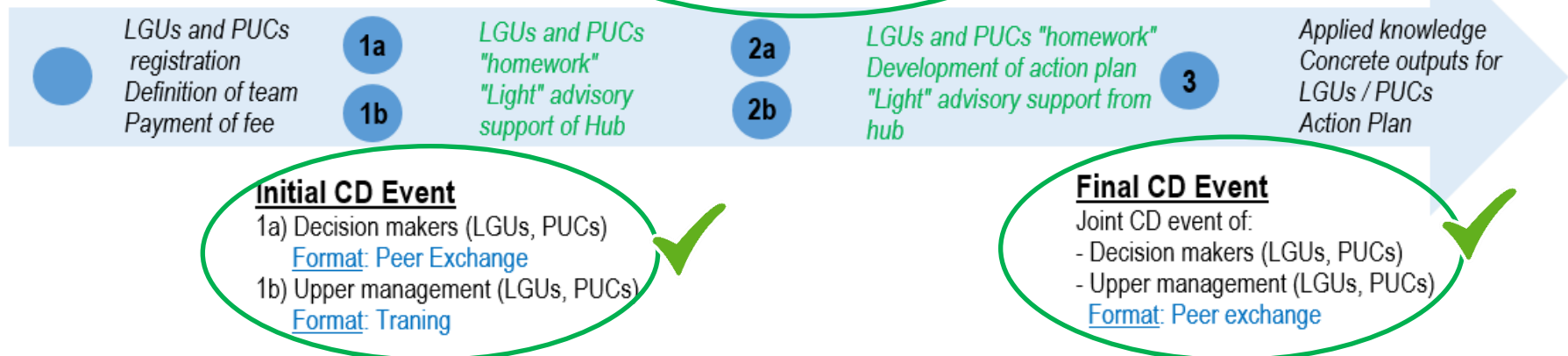


13 February, 2024

Approach & Methodology

- Delivery follows the standard three-workshop D-LeaP cycle with homework and trainers' support in-between
- Two target groups: decision makers and upper management
- Events (workshops) formatted as training and peer exchange

Call for registration



Overall Objective



Create instrument for cooperation with IFIs

- **Education of Employees** (individual capacities)
- **Action Plan** (organizational capacities)
- **Collaboration of LGUs and PUCs** (institutional capacities)



Contribute to creating a reliable partner for IFIs



Achieve a better understanding on how to prepare and implement capital infrastructure investments

First Homework

Self-assessment of
operational and financial indicators



Second Homework

Development of
Action Plan for Achieving Financial Sustainability



First Homework: Operational Performance

| INDICATORS | | 2018 | 2019 | 2020 | AVERAGE |
|---------------------------------|--|--------|--------|--------|---------|
| Access to services | Coverage by the public water supply service (%) | 86.81% | 86.85% | 87.49% | 87.05% |
| | Coverage by the wastewater collection (%) | 39.93% | 40.32% | 44.54% | 41.60% |
| | Coverage by the wastewater treatment service (%) | 39.93% | 40.32% | 44.54% | 41.60% |
| | Produced water (litters / persons / day) | 729.2 | 540.7 | 505 | 591.63 |
| Quality of services | Continuity of service (hours / day) | 23.86 | 23.87 | 23.85 | 23.86 |
| | Water pressure in the distribution network (bars) | 4 | 4 | 4 | 4 |
| Water quality | Residual chlorine (% of samples tested) | 100% | 100% | 100% | 100% |
| | Bacteriological quality of water (% samples that passed the test) | 98.50% | 99.10% | 98.80% | 98.80% |
| | Chemical quality of water (% samples that passed the test) | 97.30% | 99.40% | 97.30% | 98.00% |
| Measurement | Level of measurement | 97.64% | 94.61% | 92.90% | 95.05% |
| Non-revenue water | Non-revenue water (%) | 72.51% | 62.33% | 58.01% | 64.28% |
| Network status | Number of failures on pipes (number of failures per kilometre of pipeline) | 1.87 | 2.43 | 2.26 | 2.19 |
| | Sewer system blockages (number of blockages per kilometre of sewer pipes) | 2.27 | 2.34 | 2.13 | 2.25 |
| | Number of illegal connections detected by PUCs / PUCs during the year | 1 | 2 | 1 | 1.33 |
| Employees | Number of employees in PUC per 1,000 inhabitants - service users | 3.19 | 3.25 | 3.18 | 3.21 |
| | Number of JVP / JKP employees per 1,000 connections | 11.85 | 11 | 10.36 | 11.07 |
| Asset management | Assets recorded in the business books(%) | 100% | 100% | 100% | 100% |
| Affordability of tariffs | Affordability of water service tariffs (%) | 2.09% | 2.03% | 2.19% | 2.10% |

First Homework: Financial Performance

| INDICATORS | | 2018 | 2019 | 2020 | AVERAGE |
|-------------------------------|--|-----------|-----------|-----------|-----------|
| Liquidity indicators | Accelerated liquidity indicators | 4.54 | 4.43 | 4.04 | 4.33 |
| | Working capital | 1,682,566 | 1,731,612 | 1,914,002 | 1,776,060 |
| | Current liquidity ratios | 6.32 | 6.5 | 5.55 | 6.12 |
| Coverage ratios | Debt coverage indicator | 1.43 | 1.54 | 0.87 | 1.26 |
| | Cash flow coverage indicator | | | 22.33 | |
| | Debt-to-equity ratio | 0.04 | 0.04 | 0.09 | 0.06 |
| Efficiency ratios | Collection efficiency | 86.15% | 85.65% | 81.64% | 84.48% |
| | No of days for collection | 65.70 | 75.95 | 85.51 | 74.06 |
| Productivity ratios | Average cost per employee | 62% | 62% | 64% | 63% |
| | Share of employee cost in operating revenues | 62.08% | 62.44% | 63.73% | 62.75% |
| Profitability ratios | EBIT margin | 0.29% | 0.54% | 0.96% | 0.6% |
| | Net profit margin | 0.00% | 0.27% | 0.59% | 0.3% |
| | ROE | 0.00% | 0.14% | 0.33% | 0.2% |
| | ROA | 0.00% | 0.14% | 0.32% | 0.2% |
| | EBITDA margin | 13.46% | 13.73% | 13.70% | 13.6% |
| Cost-effectiveness indicators | Relationship between operating income and operating expenses | 0.93 | 0.98 | 0.98 | 0.96 |
| | The cost of electricity as % OPEX | 10.75% | 9.02% | 8.01% | 9.3% |
| | Employee costs as % OPEX | 57.82% | 61.17% | 62.59% | 60.5% |

In Conclusion

- Linking technical and financial performance is a must;
- Putting LGUs and PUCs to work together is beneficial for both parties;
- Having two different target groups – decision makers and upper management enables tailored-made approach responding to specific needs of each group;
- It is recognised that business performance and cost-effectiveness analysis need to be conducted and Action Plan developed as a requirement for creating conditions to attract, absorb and make capital investments sustainable;
- The Program could be used as a “pre-assessment exercise” for those LGUs and PUCs that are looking for a loan;
- Applicable for the implementation in other South-East Europe countries.

Thank You!



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