



Lessons Learned Series

COMBATTING COVID-19 IN AFRICA

[USAID's Water for Africa through Leadership and Institutional Support \(WALIS\)](#) program and [the African Ministers' Council on Water \(AMCOW\)](#) have developed the Lessons Learned Series to identify individual country solutions that others can replicate, with a focus on COVID-19 response mechanisms.

Access to safe water and sanitation is always important during a public health crisis, and the COVID-19 pandemic is no different. The pandemic has demonstrated the critical importance of sanitation, hygiene and adequate access to clean water for preventing and containing diseases. But in 2020, more than [766 million people across sub-Saharan Africa did not have access to safely managed water and nearly 865 million did not have access to safely managed sanitation](#). While access to safely managed water and sanitation has increased steadily over the past twenty years, African nations continue to work to achieve the UN's Sustainable Development Goal 6, which advocates for access to clean water and sanitation for all, so that public health crises like the COVID-19 pandemic can be mitigated in the future.

IMPACTS OF COVID-19 ON AFRICA'S WATER UTILITIES

The financial impacts of the COVID-19 pandemic crisis have impacted water utilities in Africa, including drastically reducing revenues in the short-term and slowing investments in the long-term, increasing operational costs, and dramatically impacting the ability of front-line water utility staff to stay safe and productive.

During the pandemic, several countries in Africa have announced crisis measures that had an immediate impact on water utility revenues. These took the form of unfunded and national directives to provide water free of charge, moratoriums on water cut-offs, suspension of invoicing, and closure of schools, businesses, and other large water users which resulted in less demand for treated water and in turn less revenue for water utilities. Water utilities in emerging markets were already experiencing immense financial and operational challenges prior to the pandemic; those challenges have increased exponentially during the pandemic, specifically impacting their revenue. These utilities cannot remain financially viable under these circumstances, which could have dramatic impacts on the continuity of safe water provision and sanitation services to entire cities, but especially to Africa's poorest and most vulnerable populations.

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LESSON LEARNED #5: DIAGNOSING COVID-19's IMPACT ON WATER UTILITIES

Diagnosing the financial impact of a crisis like COVID-19 on a water utility's operations is critical to the continuity of service for many of Africa's water service providers (WSPs). While some WSPs have this capability in their administration and finance teams, if others do not there are simplified financial planning tools available to assess the impact of the measures taken to address crises like the COVID-19 pandemic. The [World Bank's COVID-19 Financial Impact Assessment Tool for Water and Sanitation Providers](#) can be utilized by WSPs to measure how the various actions taken by their local and national governments, the reduction in demand for services, and increases in late or no payments by customers have affected these companies financially. With this information in hand, WSPs can make evidence-based decisions to mitigate losses and justify external support to ensure that the company is viable as the pandemic continues and into the future. To better illustrate the use of this tool, we present here two case studies supported by USAID's Water for Africa through Leadership and Institutional Support (WALIS) and Water, Sanitation, and Hygiene Finance (WASH-FIN) programs.

ZAMBIA

As the COVID-19 pandemic spread, Zambia was identified as one of the 20 African countries most vulnerable to the impact of the pandemic. Lukanga Water Supply and Sanitation Company (LgWSC), one of Zambia's WSPs, has seen an increase in both accounts receivable and payable as the economic impacts are felt by government and consumers alike, thereby causing a financial stress on the company. LgWSC worked with WALIS to utilize the financial planning tool to quantify the impact of both crisis measures taken by the government and revenue decreases by customers less able to pay their water bills. The financial impact assessment report and recovery plan recommended LgWSC improve billing efficiency, identify solutions to billing and water supply issues like implementing water kiosks or pre-paid meters, and improve finance department efficiency by following up with late-paying customers, developing billing policies, and working with customers to develop payment plans for late bills. LgWSC management will also take these findings to their partners in the government and other external support agencies to advocate for assistance.

KENYA

In Kenya, the government directed WSPs to provide free water in informal settlements and public places, reconnect any disconnected customers, and cease disconnections for nonpayment of bills during the pandemic. While these directives serve important public health needs, they also amplify the economic effects of the COVID-19 pandemic on water utilities. WASH-FIN conducted financial stress testing of three WSPs in Kenya- two large, relatively financially stable WSPs that were expected to be better positioned to weather the financial impact and one smaller WSP representative of WSPs that prior to COVID-19 had been able to procure commercial loans and were therefore expected to experience significant financial impact related to the pandemic.

The results of the analyses were stark. The three WSPs would require around KES 155 million (US\$1.4 million) to sustain their operations through the next six months. To continue to serve the public, the WSPs would, at a minimum, need enough cash to cover their most basic operational and maintenance costs. Given that they were unable to fully collect revenue from most of their customers, additional financial resources would be required to ensure they could continue to provide essential services and support the government's public health objectives. To help mitigate financial stress, USAID through its WASH-FIN program supported the Water Services Regulatory Board to review grant applications for liquidity support to finance operation and maintenance costs (electricity, chemicals, staff costs, and statutory obligations) as well as "quick start-quick finish" emergency works. The grants were funded by the World Bank through the Conditional Liquidity Support Grant program and administered by the Water Sector Trust Fund. This collaboration has resulted in 55 WSPs receiving US\$24.5 million in grants. A second phase of the collaboration is focused on the development of WSP financial recovery plans aimed at identifying and implementing a mix of actions, such as increasing in collection efficiency, internal cash preservation, liquidation of assets, and debt restructuring to move the WSPs towards financial recovery.