

# Final Examination



**WORLD BANK GROUP**

Water



**GWSP**

GLOBAL WATER  
SECURITY & SANITATION  
PARTNERSHIP

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Water



water and  
sanitation program

# Question

Answer all questions True or False

The pillars of good corporate governance are:

1. Transparency
2. Accountability
3. Cost recovery
4. Responsibility
5. Participation

# Question

The following present some critical dimensions of a well-run water utility.

1. Accountability – being answerable for decisions
2. Customer orientation
3. Privately owned and operated
4. Autonomy
5. Market orientation

# Question

What the factors that influence effective autonomy of a water utility?

1. Legal authority
2. Private ownership
3. Access to financial resources
4. Policy formulation
5. Customer-orientation

# Question

Regulation is:

- System of rules / checks and balances
  - Introduced by commercial financiers to ensure loans will be repaid
  - A method to monitor public and private utilities
  - Usually administered by an agency (the “Regulator”) (possibly a number of agencies), often with powers delegated from government

# Question

What is the rationale for governments to provide financial support to water utilities?

1. Government created and owned utilities need to be capitalized like private companies.
2. To assist utilities to become creditworthy.
3. To demonstrate interest by elected officials in the well-being of the community.
4. To help implement projects that are economically viable but not financially viable

# Question

Utility assets are unsuitable for bank loans because:

1. Most are underground
2. Difficult to maintain so the useful life is shorter than it should be
3. Financiers want borrowers to be in heavy industries
4. Bank loans are generally short-term (5 to 7 years) while utility assets are long-term

# Question

Questions the commercial financiers will ask

1. What are the risks?
2. Is the cost structure efficient?
3. Where do the revenues come from?
4. Is there existing debt?



# Question

A capital investment plan is an attempt to:

1. Articulates realistic project costs and timelines
2. Identify the appropriate sequencing/prioritization of projects
3. Promote projects supported by key stakeholders
4. Allocate financial resources to fund the projects

# Question

Credit enhancements are used to:

1. Reduce the cost to the borrower and extend the maturities
2. Reduce the risks of financing a project and the number of debt covenants
3. Expand the list of potential financiers
4. To make the transaction less complex

## Question

The benefits of government contributing more equity to the utility

1. It strengthens the financial position of the utility
2. It provides a liquidity buffer
3. It can be a source of income if invested well
4. It tends to increase the level of independence and autonomy

# Question

## Non-Revenue Water:

1. Is a term used to describe leakage in the water production system
2. Is the sum of physical (real) losses and commercial (apparent) losses
3. Can be calculated precisely using a water audit and developing the water balance calculation
4. Unbilled authorized consumption is not included in the calculation of NRW

# Question

Government should take the following actions to make an economically viable project financially viable.

1. Provide operating subsidies to reduce the cost to supply water to all consumers
2. Increase government equity to partially fund the project
3. Make use of public funding to combine with commercial loans
4. Work with lenders to reduce their risks with focused credit enhancements

## Question

The following key performance indicators inform you about the creditworthiness of the Utility.

1. Operating cost coverage ratio
2. Non-revenue water
3. Debt service coverage ratio
4. Revenue collection ratio
5. Return on fixed assets

# Question

The two-part tariff:

1. Is a more sophisticated form of unit cost tariff
2. It comprises fixed and variable costs
3. The fixed charge should equal the costs to service connections (meter reading, billing and collections) regardless of consumption
4. The variable costs are proportionate to consumption

# Question

Effective financial management is important to creditworthiness because:

1. A strong integrated financial management system gives stakeholders the confidence that the utility's financial statements reflect the actual results
2. Provides reliable information to stakeholders
3. Ensure that loans will be repaid on-time and in-full
4. It provides the information needed by financiers to evaluate the level of risks