

# WATER SECTOR TRUST FUND BRIEF



## I. Introduction

Water Sector Trust Fund (WaterFund) is the Kenyan State Corporation mandated to assist in financing water, sanitation and water resources management projects to the underserved and marginalized rural and urban areas. In the Water Act 2016, The Mandate / Object of the Fund is to provide conditional and unconditional grants to the Counties and to assist in financing the development of and management of water services in the marginalized and underserved areas including:

- a) Community level initiatives for the sustainable management of water resources
- b) Development of water services in rural areas considered not to be commercially viable for provision of water services by licensees; and
- c) Development of water services in the under-served poor urban areas
- d) Research activities in the area of water resource management and water services, sewerage and sanitation WaterFund was first established under the Water Act 2002 as the Water Services Trust Fund with the mandate to provide financing assistance towards water and sanitation projects to underserved and low income rural and urban areas.

### A. Vision

To be the institution of choice in financing the improvement of access to water and sanitation for the underserved in Kenya

### B. Mission

To finance the development of sustainable water and sanitation services and water resources management

### C. Strategic Objectives

1. To mobilize Ksh. 23 Billion to finance the development and management of water services by 2022.
2. To enhance Water Services and Sanitation access to reach an additional 4.7 Million People (Urban Poor and Underserved Rural) by 2022
3. Bolster water sector research and innovation initiatives through financing 200 research projects by 2022.
4. Institutional development and systems strengthening of WaterFund to enhance its capacity to deliver on its mandate

## D. Achievements

The Water Sector Trust Fund has since inception, mobilized resources and entered into funding agreements totaling approx.Ksh.30 Billion (USD 300 million) with over ten (10) Development Partners. Out of this, WaterFund has so far cumulatively received Ksh.22 Billion (USD 220 million) for water supply, sanitation and water resources management projects. The projects financed and implemented have increased access to water and sanitation for over 5 million underserved Kenyans, and contributed to conservation and rehabilitation of about 372 water sub-catchment areas.

The table below shows projects funded and population reached through the financed investments programmes since inception to date:

The table below shows projects and schemes funded and population reached through the financed investments programmes since inception to date:

Investment Programme	Total No. of projects	Total Number of Beneficiaries (Million)	Development Partners
Urban Investment	305	1.8	KfW, EU, Gates Foundation
Rural Investment	1,699	3.0	Sweden, Finland, Danida, EU
Water Resources Investment	372	Conservation of 372 Water sub-catchment areas	IFAD, Danida, Sweden, Finland, EU
Result Based Financing	11	0.7	World Bank, KfW
<b>TOTAL</b>	<b>2,387</b>	<b>5.5</b>	

### The success of WaterFund can be attributed to the following factors:

**1. Developed and documented systems:** The Fund has developed four main mechanisms of financing and operations as follows:

**a) Rural Investment:** Support towards implementation of water supply and sanitation projects for underserved rural communities. The programme is implemented through water utilities serving rural areas.

**b) Urban Investment:** Support towards water supply and sanitation projects for low income urban areas. This programme is implemented through the Water Services Providers (WSPs).

**c) Water Resources Investment:** Support to communities to

effectively manage and conserve their water resources within their sub-catchments. The programme is implemented through the Water Resources Users Associations.

**d) Result Based Financing:** Support towards water and sanitation projects in urban low income areas, financed through loans from Kenyan commercial banks which are then subsidized by WaterFund on achievement of agreed outcomes. The programme is financed through the Water Services Providers (WSPs).

**2. Accountability and transparency:** WaterFund handles its activities and the resources entrusted to it with integrity, and in a transparent, accountable manner. The Fund's activities are audited annually by independent and internationally reputed firms such as Deloitte and Price Water House Coopers. This ensures that resources are used as they ought to be, and audit queries are keenly followed up.

The process of applying for Funds from WaterFund, and the manner in which funds are disbursed to and utilized by implementing agents, is clearly documented.

WaterFund holds quarterly Steering Committee Meetings for the Development Partners where the quarterly and annual progress of Programmes / projects is discussed and emerging issues addressed. This continuous feedback and reporting to Development Partners plays a big role in accountability.

## II. Government of Kenya (GoK) and Development Partners Support to WaterFund

GOK has supported WaterFund through policy, systems, and financial and other resources. WaterFund was first established in 2004 with the drawing up of the Trust Deed and the appointment of the first Board of Trustees by the then Minister for Water & Irrigation. The Fund became fully operational in March 2005. The Trust's mandate which is found in section 83 of the Water Act, 2002, is provision of financial services towards the improvement of water services to areas of Kenya that are underserved, giving priority to poor and disadvantaged communities. WaterFund was formed as part of the water sector reforms in Kenya.

GOK has over the years supported WaterFund through budget allocations for both recurrent and development expenditure. Development budget often includes counterpart funds for financing agreements with Development Partners.

The GOK facilitates the signing of financing agreements for pro-poor programmes out of which WaterFund signs

memorandums of understanding (MOUs) with Development Partners.

The Government has provided much support to the Water Sector Trust Fund as well as the other Sector Institutions in the Transition from Water Act 2002 to Water Act 2016.

## III. WaterFund's Development Partners

The development partners of WaterFund focus on either rural or urban programmes as follows

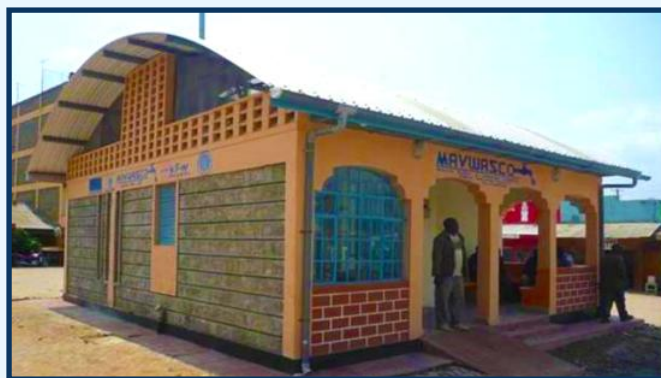
### A. Urban Programme

**1. KfW (German Development Bank) –** The support is for provision of water supply and basic sanitation for the urban low income areas across the country. Phases I to III programmes have already been implemented across the Country, while Phase IV programme is just beginning.

- » GIZ is the technical arm of Germany's support and assists WaterFund in technical issues for the three phase
- » Aid on Delivery (Results-Based Financing): KfW funds include a component for subsidizing commercial loans obtained by viable Water Service Providers (WSPs) from Kenyan commercial banks to improve service delivery. The subsidy is up to 40% of the total investment.

**2. European Union –** The EU support to Urban Programmes in water and sanitation ended in June 2014. EU is now funding Rural water and sanitation programmes through the concluded Danida MTAP II and EU Ending Drought Emergencies Programme.

**3. Bill and Melinda Gates Foundation (BMGF) –** The Programme supports Upscaling of Basic Sanitation for the Urban Poor (UBSUP) through subsidized provision of plot and household sanitation and Decentralized Treatment Facilities. BMGF Programme is implemented in partnership with the KfW support.



Public Sanitation Facility



*Community Water Storage Tank*

**4. World Bank** – The Programme (Output Based Aid) works through providing subsidy for loans obtained by Water Services Providers (WSPs) from Kenyan commercial banks with the aim of increasing water and sewerage connections to urban low income areas. WaterFund is the funding instrument for the subsidies which are capped at 60% of the total investment to the poor. World Bank has also financed the National Performance Based Financing Programme aimed at enhancing the liquidity of WSPs and improving their business efficiency, in response to Covid-19 Pandemic.

## **B. Rural Programme**

**1. Sweden** – Sweden has supported WaterFund from inception. The first Programme, Kenya Water and Sanitation Programme (KWSP) has already been completed. The second Programme was the Bridging Phase and ended in June 2014. The support is for water supply, sanitation and water resources management.

The current programme is being implemented jointly with Finland in 6 target Counties for water services and water resources management (Tharaka Nithi, Kwale, Migori, Nandi, Laikipia, Narok).

**2. Finland** – The first Programme ended in June 2013. The current programme is being implemented jointly with Sweden in 6 target Counties for water services and water resources management. Finland is providing technical expertise to WaterFund through Orgut.

### **3. Denmark through DANIDA**

**a)** The Medium Term ASAL (Arid and Semi-Arid Lands) Programme (MTAP) was implemented in six (6) counties through the Directorate of Arid and Semi-Arid Lands, Ministry of Devolution and Planning, and the first phase ended in Dec 2014 (Garissa, Wajir, Marsabit, Tana River, Lamu, Isiolo). DANIDA was also part of the completed KWSP Programme alongside SIDA. the MTAP II Programme was funded jointly by DANIDA and EU.

- b)** The ongoing Green Growth and Employment Programme targets eight (8) Counties including the six (6) MTAP Counties plus Mandera and Turkana. An addendum to the Programme also supports Turkana West for Water and Sanitation for refugees, IDP and other vulnerable communities.
- c)** Sustainable Management and Access to Water and Sanitation in the ASALs, 2021 - 2025. The Programme will support water supply, sanitation and water resources management in an integrated manner to six (6) Counties, Turkana, Garissa, Marsabit, Lamu, Isiolo and Tana River.

**4. IFAD** – This is a Programme under International Fund for Agricultural Development (IFAD). The Upper Tana Natural Resources Management Project (UTaNRMP) is targeting six (6) counties in the Upper Tana region (Embu, Muranga, Kirinyaga, Nyeri, Tharaka Nithi, Meru). Under the Programme WaterFund is the Funding Instrument for grants to communities (Water Resource Users Associations and Community Forest Organizations) for Sustainable Resource Management activities.

**5. European Union** – The new Rural Programme, Climate Proofed Infrastructure for Improved Water Supply and Sanitation in Arid and Semi-Arid Lands (ASALs), was signed in December 2017 to be implemented in eight (8) ASAL counties namely Baringo, Kajiado, Kilifi, Kitui, Mandera, Samburu Taita-Taveta, and West Pokot.

## **C. Programmes implemented and completed in the past**

- 1. UNICEF WASH** – The Programme ended in Dec 2015. It implemented Community Water and WASH activities in 20 target ASAL and flood prone districts.
- 2. World Bank Output Based Aid for Rural projects** which was done in collaboration with K-Rep Bank.
- 3. UN Habitat** funding towards the mapping exercise for urban low income areas in Kenya resulting in the MajiData and the website [www.majidata.go.ke](http://www.majidata.go.ke)

## **IV. WaterFund's Stakeholders**

WaterFund works with other stakeholders in the sector and beyond in implementation of its programmes as follows:

- 1. County Governments** as key stakeholders under devolved structures
- 2. Water Resources Management Authority** who assists WRUAs in developing sub-catchment management plans (SCMPs) and provides oversight for water resources management.

3. **Water Services Boards** who in the past have been overseeing the community organizations in Rural Programmes, and Water Services Providers in the Urban Programmes
4. **Water Services Providers** who implement and provide water and sanitation services in urban and now also rural areas where relevant
5. **Community groups (WRUAs and CBOs)** who participate in implementation of their own projects in rural areas.
6. **Civil Society Organizations** in areas of community participation and mobilization, and capacity enhancement
7. **Other Government, Private Sector and Civil Society institutions** e.g. in health, education, NGOs etc.

## V. Impact of WaterFund Support

WaterFund support has resulted in many positive aspects to communities served and implementing agents as follows:

- » Access to water of quality and quantity
- » Less time spent fetching water therefore more time for education and economic activities
- » Improved health and hygiene
- » Improved environment through rehabilitated water catchment areas
- » Reduced water related conflicts
- » Development of leadership and governance skills in communities
- » Improved livelihoods due to access to water for economic activities
- » Increased Programme Management skills for water utilities
- » Increased revenue collection for WSPs
- » A culture of cooperation through stakeholder collaboration.



*Catchment and Water resources protection in Kibuezi*



*Water Kiosk in Laikipia County*



*Handwashing facility at School in Antuanduru Luthie in Meru County*





### CONTACT US

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