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Water Services Trust Fund, Kenya

NEWSLETTER

Improving lives in low-income areas



INTRODUCTION

Water Services Trust Fund (WSTF) is the Kenyan State Corporation mandated to finance water and sanitation services for the poor and underserved communities in rural and urban areas.

In the Water Bill 2014, The Mandate 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:

- Community level initiatives for the sustainable management of water resources
- Development of water services in rural areas considered not to be commercially viable for provision of water services by licensees; and
- Development of water services in the under-served poor urban areas

Vision

To be the institution of choice in financing the improvement of

access to water and sanitation for the underserved in Kenya

Mission

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

Achievements

The Water Services Trust Fund had raised Ksh.9.7 billion by June 2015 for water resource, supply and sanitation services to the underserved areas in Kenya.



CEO'S MESSAGE FOR NEWSLETTER PUBLICATION 2015

ISMAIL FAHMY. M. SHAIYE ; CEO Water Services Trust Fund (WSTF).

This year has seen significant changes and milestones for Water Services Trust Found (WSTF). In April of 2015, the Fund received a new Chairman, Hon. Musikari Kombo, and a new Member of Trustee, Mr. Geoffrey Ruku. At the same time, the term of existing Board Members expired in November 2015 and the Cabinet Secretary, Ministry of Water and Irrigation appointed a new Board which has now assumed office.

The Organizational Structure of WSTF has also changed with increased growth and portfolio. As a result, WSTF has recruited new members of staff, thus expanding and increasing capacity. County Resident Monitors have been contracted to oversee WSTF programmes at the Counties, and to liaise with the Counties and Water Companies on implementation issues.

WSTF continues to strengthen its relationships with County Governments. In July 2015, the Fund signed six (6) Memorandums of Understanding with six (6) County Governors to define their collaboration in programme implementation. Currently the Fund is

implementing six (6) programmes worth Ksh. 6.4 billion across all the Counties in the country, both rural and urban.

With increased growth of WSTF and the implementing institutions, namely the Water Services Providers, we are pursuing the shift from Aid to Trade and encouraging commercially viable Water Companies to access commercial financing in order to implement bigger, profitable projects and allow the less viable institutions to access grant financing.

To this end, WSTF is exploring more and more the options provided by blended finance to graduate our implementing agents and enable them operate on a business model. The current Result Based Financing programme where we provide subsidy grants for projects implemented through commercial loans is a transitional model bringing us a step closer towards more advanced blended finance models.

Innovation remains critical to the operations of WSTF and we expect to move closer towards innovation challenges that bring together expertise and skills to find solutions

to problems plaguing the water and sanitation sector. The Safisan (plot and household sanitation) programme now being implemented in 20 Counties is one example of WSTF's innovation bringing a solution to the sanitation challenge in Kenya's low income urban areas. Together we can apply more innovation and find more solutions to local challenges.

WSTF will continue to work relentlessly to improve access to water and sanitation, and improve the state of our water resources through financing protection of sub-catchments.

We value our customers and stakeholders; we appreciate our Ministry of Water and Irrigation and the entire National Government; we appreciate the support of the County Governments; and last but not least, we appreciate the Development Partners who have continued to invest in the programmes of WSTF for the betterment of the Kenyan populace.

I appreciate in a special way the Board, Management and Staff of the Water Services Trust Fund, without whom the impact achieved by the Fund would not be possible.

Government of Kenya (GOK) and development partners support to WSTF

GOK has supported WSTF through policy, systems, and financial and other resources.

WSTF was 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. WSTF was formed as part of the water sector reforms in Kenya.

GOK has over the years supported WSTF 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 WSTF signs memorandums of understanding (MOUs) with Development Partners.

Stakeholders of WSTF

WSTF 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. Other government and private sector institutions e.g in health, education, NGOs etc.



IMPROVING LIVES IN LOW-INCOME AREAS



1. What is the Urban Programme?

The Urban Programme comprises of the UPC, UBSUP and Commercial Financing.

- Urban Projects Concept (UPC) was developed in 2007 to respond to the water and public sanitation challenges of urban low income areas.
- UBSUP (Upscaling Basic Sanitation for the Urban Poor) was initiated in 2011 to respond to household/ Plot level sanitation challenges
- Commercial Financing-Aid on Delivery (AOD) and Output Based Aid (OBA) initiated in 2013 to provide subsidy for commercial loans to WSPs for water and sanitation projects.

The Urban Programme works with licensed Water Service Providers (WSPs) to bring formalised services to unserved and underserved settlements by financing projects that incorporate simple, cost effective and sustainable technologies.

2. Objectives

Urban Programme's objective is to provide technical and financial support for water and sanitation projects in low income urban areas. In addition it focuses on

- Improving public health
- Contributing to the improvement of urban livelihoods
- Reducing unaccounted-for water
- Building capacity at water service provider level

3. How the Urban Programme works

The Water Services Trust Fund channels funding from different donor agencies to licensed water service providers through calls for proposals (CfP)(Figure1).

Urban WSPs are invited to submit proposals for the improvement of water supply and sanitation in the lowincome areas within their service area. The CfP approach encourages competition and an efficient allocation of funds.

4. Implementing the Urban Programme

Figure 2 shows the Project Implementation timeframe. The Programme monitors the implementation of projects by the WSPs. Each project is supported by a monitor who keep track of the project's implementation and operation and report back to the WSTF. They also support WSPs in procurement, site selection, ensuring quality of work and consumer engagement.

UPC has so far awarded 238 projects countrywide. The current set of technologies ranges from water kiosks and yard taps to water meters (pre-paid and post-paid), network extensions and public sanitation facilities. The Urban Programme is continuously working on extending

the technical options. UBSUP has developed a set of household/plot level sanitation options and onsite wastewater treatment facilities. UBSUP has piloted 3 projects and is initiating the 1st call for proposals. Commercial financing under the Aid on Delivery has so far initiated 2 projects and more projects are under evaluation for financing.

5. Impact

Since 2007, Kshs 2.7 billion have been invested by the Urban Programme. The impact of these investments are manifold: Besides obvious outputs such as 492 kiosks constructed and 1699 km of pipeline laid during the Six Calls for Proposals, subsidy provision for household sanitation and commercial loans, additional impacts such as capacity building of WSPs, the launch of Maji Data and the development of new technologies have been achieved. The following matrix highlights the major achievements of the Urban Programme.

6. The beneficiaries

For the people living in urban low-income settlements, the Urban Programme interventions have brought better health for children and adults, and improved living standards. A survey carried out to assess the impact of water kiosks financed by the WSTF's UPC arm showed overwhelming acceptance by the residents, who reported lower household spending on water, a drop in waterborne diseases, improved household hygiene, improved security when fetching water, and an increase in productive and leisure time thanks to less time spent on water duties.

7. The key elements in UPC's success

- Transparent procedures and funding criteria
- Competitive allocation of funds



through calls ("value for money")

- Embedment in sector framework: alignment to sector strategies; use of local institutions for implementation (only registered utilities); plus long-term vision
- Comprehensive approach: financing + supervision + capacity building of local implementers
- "Going the last mile" with innovative low-cost water and sanitation solutions
- Measuring impact through tailor-made baseline survey and information systems, and performance monitoring of utilities

8. Who finances the Urban Programme?

Since 2008, the UPC has been financed by the European Union together with the German Development Bank (KfW).

The German Gesellschaft für Internationale Zusammenarbeit (GIZ) started its cooperation with the WSTF through the Water Sector Reform Programme in 2007. Their main role at the WSTF is the provision of technical support for the UPC and UBSUP.

In July 2011, the Bill & Melinda Gates Foundation (BMGF) partnered with the WSTF, KfW and GIZ to roll out a five-year Urban Sanitation Programme that aims to provide sustainable sanitation services to an additional 600,000 people in Kenya's urban low income areas. The programme will specifically target the populations in the "sanitation hotspots" - the informal and formal, unplanned and planned, low-income urban settlements where child mortality is twice the national average.

In 2013, KfW supported WSTF to implement Aid on Delivery (AOD) which will provide 40% subsidy for commercial loans to WSPs for water and sanitation projects. The World Bank-GPOBA has partnered with WSTF to implement Output Based Aid(OBA) which will be providing 60% subsidy for commercial loans to WSPs who in turn will increase connections to low income areas.

Up to now the UPC has received financial support amounting to 3 billion Kshs (and an additional commitment of 2.1 billion Kshs from the World Bank GPOBA, BMGF and KfW). The Kenyan government (GOK) covers the operational costs of WSTF and provides counterpart funding for projects.



UP-SCALING BASIC SANITATION FOR THE URBAN POOR (UBSUP)

INTRODUCTION

Safisan Project (Safi Sanitation) is a project funded by Bill and Melinda Gates foundation. Embu was chosen as a pilot for the rest of the country together with Nakuru and Ololaiser Water Service Providers.

The basic objectives of UBSUP are four fold:

- to provide sustainable sanitation for over 800,000 people and safe water for 200,000 in the urban low income-areas in Kenya;
- to develop a monitoring system for tracking access to safe water and basic sanitation facilities of urban low income area dwellers is in place and accessible to the public (i.e. an online database);
- to build capacity as to provide sector institutions, civil society organizations and small-scale private entrepreneurs the capacity to actively participate in the provision of basic sanitation to the urban low income areas and cooperation with research institutes results in improved sanitation options;
- to develop a sanitation up-scaling concept in line with the sector reforms ensures sustainable use of facilities and is used for the further development of the sub-sector.

Implementation Principles

The financing of sanitation facility at both the household and plot level will entirely be influenced by demand for the sanitation facilities by the beneficiaries. The household/ landlord has to cover more than 50% of the cost of investment, emptying of sanitation facilities and depositing of sludge. Best practices and lessons learnt shall be jointly publicized under WSTF, the Ministry (MEWNR) and other sector operators including the Ministry of Public Health and Sanitation. The project subscribes to the principle of

the full value chain for sanitation (sustainable sanitation services approach). The project is not therefore exclusively concentrate on construction of sanitation facilities but also concentrate on improving emptying, dumping services and treatment of sludge. Sanitation, including sludge management, will be treated as a business (opportunity) and the necessary procedures and incentives aimed at structuring and streamlining the value chain developed.

Overview of the Embu Pilot

EWASCO was given the challenging task of constructing a target 200 toilets within a span of six months. We comfortably took the lead and achieved the 200 toilet mark (first among the peers).

The pilot project has been funded to a tune of KES 11,668,419.00 for the first phase. Safisan toilets came threefold –

- 1.UDDT – Urine diversion dry toilet;
- 2.Pour flush toilets
- 3.Cistern flush toilets

The project is about 'improving and giving sanitation dignity'. In Embu, the pilot area – Dallas, identified using among others Maji-data is an estate housing the majority urban poor. Embu Water being the mandated Water and Sanitation Services provider in the area was chosen to implement the project.

EWASCO used the community approach. It involved creating demand, overseeing and maintaining quality standards during construction and feedback evaluation from the beneficiaries. First began with internal training for the project team, involvement of the Public Health Office, community leaders in the area and

the area Chief. Toilets were marketed door to door using Social Marketers, pamphlets, open day clinics, barazas, and a major road show.

Pilot implementation

- a) A beneficiary is identified, a toilet constructed by the beneficiary and a subsidy of KES 20,000 given for every toilet built under supervision of the project. A Total of Kes7.6 million has been paid as subsidy.
- b) Each toilet built benefits at 10 people.
- c) The first phase of 200 toilets has translated to 2,000 people benefiting from better sanitation and sanitation facilities.
- d) Decentralized Treatment Facility (DTFs) costing Kes.3 million is to be constructed. A DTF has a drying bed, a bio digester, a baffle reactor and a soak pit to cater for the target area although it will expand to other areas.
- e) The community around the Decentralized Treatment Facility will also benefit from biogas which will be harvested.
- f) An incinerator will also be set up to cater for including but not limited to sanitary towels and baby diapers.
- g) Manual emptiers will be trained to provide emptying services in the project areas

Being a pilot project various stakeholders have benefited. The experiences that the EWASCO Project Team, WSTF, GIZ representative gained, has been used to draft and modify the manual to be used for the roll out of the project in the whole country.

EWASCO can proudly say the challenge has been surmounted as we are already moving into the second phase and appreciate the recognition given to the WSP carry out the pilot project in the whole country. It is a privilege that EWASCO take very seriously and hope to be considered for other projects.

EMBU WATER AND SANITATION COMPANY COMMISSIONING OF AID ON DELIVERY PROJECT Pipeline Network Extension



OVERVIEW

Embu County -in Eastern Kenya-constitutes encompasses 4 constituencies (Manyatta, Runyenjes, Gachoka and Siakago). The county has a population of over 516,000 people, with a total area of 2,818 Km2. In the past, Embu faced severe challenges to supply water to a rapidly growing population characterised with urbanisation resulting in water shortages until recently. The Embu Water and Sanitation Company (EWASCO), through a grant from Japan International Cooperation Agency (JICA), undertook a project in 2005 to 2009 to increase the capacity of the Mukanga water treatment from 14,000 m3 to 28,000 m3 per day. The increased capacity was enough to cover the demand for water, but could not be distributed to some areas. To

address this challenge EWASCO obtained a loan from Housing Finance to construct 29 km distribution main pipelines from Kiamuringa to Muchonoke and Don Bosco to Meka to supply some 58,000 people along and beyond the pipelines between these settlements.

Project Cost and Financing

The project cost was estimated at KShs 111 million, to be financed through a loan of KShs 79 million and KShs 32 from EWASCO. A loan up to KShs 82 million was offered by Housing Finance at 17% interest per annum subject to a 6 month grace period and 5 years repayment. 50% of the loan was secured by a guarantee provided by the United States Agency for International Development (USAID).

During implementation the direct project costs could be reduced to KShs 107 million, reducing the loan drawdown to 67 million.

Aid on Delivery

Parallel to signing the loan agreement EWASCO approached the Water Services Trust Fund (WSTF) for financial support under the Aid on Delivery facility. Following an assessment of the project and negotiations of expected realistic project targets a financing agreement between WSTF and EWASCO was signed including the agreed output and outcome targets:

- 1.OUTPUT: To ensure minimum volumes of water delivered at the end-points of Siakago tanks (900 m3/d), Meka tanks (850 m3/d) and Kanothi (1,700 m3/d);
- 2.OUTCOME: minimum volume billed for the project area of 45,000 m3/ month;
- 3.OUTCOME: To reduce non-revenue water by 20%

From measurements since completion of the project, all targets have been achieved and EWASCO qualified for the financial support of 40% of the actual direct project cost, i.e. KShs 43 million to be used to offset the principal loan and therefore the interest payable. The AoD funds are provided by KfW on behalf of the German Government.

FINANCING THE UNDERSERVED TARGET COMMUNITIES IN RURAL KENYA



The Rural Investment Programme (RIP) has been financing rural water and sanitation projects from mid-2007. It's the pioneer window in the Fund.

RIP TARGETS:

- Fund 244 projects by 2019
- To reach for 839,000 people in rural areas

CPC aims at enhancing the capacity of communities to apply for, manage, implement and maintain their own water and sanitation facilities in a sustainable manner. This system relies upon supportive services being outsourced to the private and NGO sectors, allowing the WSBs to concentrate on the key elements of coordination, facilitation and capacity development. For example, Support Organisations (SOs) assists the communities to go through the various modules to submit project proposals to WSTF for financing and support in implementation of projects.

Objectives

CPC aims at enhancing the capacity of communities;

- To initiate and apply for financial support for rural water and sanitation projects
- To manage and implement community water and sanitation projects
- To maintain their own water and sanitation facilities in a sustainable manner

Highlights

- RIP is only implemented in underserved areas across Kenya.
- RIP will be implemented in selected counties.
- RIP started in 2004
- The first projects were approved in September, 2007.
- A total of 300 water and sanitation projects have been funded so far

Target Counties

In order to ensure RIP is confined to pro-poor guidelines, WSTF is working in selected target counties with the 3 Development Partners: Garissa, Lamu, Isiolo, Tana River, Marsabit, Nandi, Narok, Migori, Kwale, Laikipia and Tharaka Nithi Counties.

The criteria used to select the areas included: (i) the Poverty Index; (ii) level of investment in water and sanitation infrastructure; (iii) access to quality water services; and (iv) sanitation coverage levels. Prior to the rolling out of the CPC, 107 projects had been funded in what was known as non-CPC projects and the lessons learnt have been used to improve the CPC window. From experience gained in implementing CPC projects WSTF anticipates funding of CPC projects to increase steadily over the strategic planned period.

The RIP is a simple step by step process that:

- Ensures transparent selection of communities based on need, targeting the poorest communities in Kenya.



- Encourages all men and women within the community, including those marginalised or vulnerable, to participate in mobilisation, planning, implementation and management of water and sanitation projects.
- Promotes self-reliance and poverty alleviation, not only through support to improved water services provision, but also through environmental sanitation in schools and communities, improved hygiene practices, improvement and protection of water sources.

Supports community capacity development in the management and operations of water and sanitation facilities, clearly delineates roles and responsibilities of different public and private sector stakeholders for improved governance and provides independent oversight in the financing and monitoring of water and sanitation projects.

Impact

RIP was fully rolled out in July 2008 and to date has initiated projects worth Kshs. 2.2 billion reaching a population of approximately 1.2 million people. 300 water and sanitation projects have been funded since 2004.

Cross-Cutting Issues

HIV/AIDS: In the CPC process, HIV/AIDS awareness within the boards and at community level was

given priority. The CPC process has internalized the HIV/AIDS topic to be part of the process and a manual of how to sensitize the WSBs staff and community also has been produced. Studies conducted across the Water Services Boards has revealed that the WSBs have implemented the National AIDS Policy and key staff had been trained on handling staff that had been affected by AIDS and the right of the affected staff to access Anti-retrovirals. The CBOs have also been trained on HIV/AIDS awareness.

Gender mainstreaming

All the WSBs have developed a Gender Mainstreaming Strategy and they have set activities that have brought about proper mainstreaming of gender at community level and at the board level. At the board level statements like, "we are an equal opportunity employer" have made the balance of genders at work easy. At community level 50% representation has been encouraged and favourable results on mainstreaming seen i.e more women are now involved in the management of the CBOs. In training of the community and school children, the boards adopted participatory approaches like CHAST for children and PHAST for community members. The approaches have created more awareness at community level and at schools. At community level awareness of hygiene has improved through provision of racks for dish washing, clean compounds and hand washing facilities at schools.

Lesson learnt in the RIP projects

1. Continuous participatory capacity building enhances project implementation and sustainability.
2. Democratic elected management committees and participatory approaches to project implementation are key ingredients towards successful projects.
3. Good working relationship between all the stakeholders is crucial factor in project implementation
4. All committee members should play their role and have a good working relationship for ease in implementation.
5. Commitment by SOs enhances project implementation and ensures good workmanship.

Our development partners

The RIP has received financial support from Governments of Sweden, Finland, and Denmark. The Kenyan government covers operational costs of WSTF while other funds do support development of projects depending on the funding agreements of specific partner.



MERTI COMMUNITY WATER USERS ASSOCIATION

The unique and picturesque location of Merti town surrounded by the beautiful Merti plateau in the County of Isiolo is a sight to behold. Over the last few years, the town has experienced rapid growth, with its population rising to over twenty five thousand people.

Although it is situated in a semi-arid area, Merti town through the Merti Community Water Users Association is changing the face of the town by working towards ensuring that the community in Merti is getting sufficient and clean supply of water to each household.

"This project has literally brought us development and has helped us a great deal" says Abdullahi Duba a resident of Merti Town.

But the situation in Merti has not always been like this. A decade ago, the community here entirely depended on the nearby seasonal Ewaso Nyiro River for all its water needs and when it dried up, the people had nowhere to get water for their animals and domestic use.

This scarcity often led to constant water use conflicts at points of extraction and placed a huge burden on women and girls who had to travel long distances to fetch water.

Habida Racho a resident of the town says before the project was implemented the community was faced with a lot of water related issues and conflicts for they sometimes drew water from the seasonal river Ewaso Nyiro or boreholes and the quality of the water was not good.

Faced with a harsh and uncertain future but determined to take charge of their destiny, the community in Merti town came together in 2001 and formed Merti Community Water Users Association with

the sole aim of ensuring that the Merti community gets access to adequate clean water and improved sanitation.

"We strongly felt that we should start the Merti Community water project. So as a community, we came together elected our officials and started work to provide water to our community. We started by constructing water kiosks until 2012 when we applied for and received funding from Water Services Trust Fund" says Roba Halkhano the secretary of Merti Water Users Association.

Impressed by this ambitious vision

kilometers away and inhabited by more than 3,000 people.

The funding also facilitated the construction of modern toilets and bathrooms at Mulanda Nur, something that had never been done in this village.

Today, Merti Community Water User's Project is a proud, well-managed communal initiative, serving more than twenty thousand people through one thousand meter connections with a staff of nine. Every month, the project charges each user a minimum of two hundred shillings per connection. This amount ensures the smooth running of the project operations including repair works, payment of electricity bills and employee salaries.

Among the institutions in Merti town that the project supplies water to include schools, hospitals, churches, business establishments, police stations and mosques.

Although Merti still remains a harsh semi-arid area, the community's big water dream that is slowly but surely being turned into a reality, is a great communal pride and a story that is inspiring and shaping the future of this resilient community.



NGUMI WATER AND SANITATION PROJECT

Ngumi water and sanitation project is located about 35 kilometres from Nairobi in Kikuyu location of the County of Kiambu. The area has no surface water and the nearest river is more than 8 kilometres away. The story of this community based project started in 1994, when the community came together and formed the organization with the main aim of providing water to the community.

Karanja Mungai the chairman of Ngumi Water and Sanitation Project says it was very cumbersome for the community at Ngumi to access adequate clean water and they often spent the whole day trying to fetch one jerrican of water. As a community we needed a project within the community that could get us water.

In 2010, Ngumi water and Sanitation Project approached Water Services Trust Fund for a partnership they believed would enable them access adequate and safe drinking water and improved sanitation facilities.

This dream soon became a reality when Water Services Trust Fund impressed by the residents plan and approach to solving their persistent water problem partnered with them through its Rural Investment Programme.

"WSTF funded our project in 2 phases, the first phase is where we put up the structures and sunk the borehole and it was to the tune of Kshs: 8 million. The Ngumi community contributed 15 percent of that amount through labour and construction materials. The second phase was also funded by WSTF to the tune of Kshs: 4 million" explains Karanja Mungai, the Chairman of Ngumi Water and Sanitation Project.

The Water Services Trust Fund's Rural Investment Programme is developed to enhance the capacity of communities to apply for, manage, implement and maintain their own water and sanitation facilities, and Ngumi Water and Sanitation Project is a shining example. The project is availing adequate piped and clean water to its members and a host

of other beneficiaries including schools, hospitals, churches and even farmers who are practicing green house farming.

The project has also invested in the construction of modern toilets and sanitation facilities that are located in carefully selected public places to improve hygiene and reduce disease burden amongst the community

Ngumi Water and Sanitation Project has so far connected and serves 170 households, which translates to over three thousand residents, with piped clean water and remains a big success and example of what a community can achieve by working together.

Indeed the efforts of the community living in Ngumi, is a shining example of what we can achieve as communities, if we work together for goals that can transform our lives.



FINANCING WATER RESOURCES MANAGEMENT IN KENYA

The Water Resources Management Initiative has been financing Water Resources Users Association projects from December 2008. The investment has a mandate to monitor, conserve and manage the water resources and catchment areas for sustainable economic development in Kenya.

Water Resources Investment Targets:

- Fund 260 projects by 2019
- To reach 6 No. Catchment areas.

The Water Resources Investment Mission is to prudently manage, regulate and conserve all water resources in an effective and efficient manner by involving the stakeholders', guaranteeing sustained access to water and equitable allocation of water while ensuring environmental sustainability. This will be achieved through:

- Rehabilitation and protection of Water Towers
- Forest conservation and management
- Review of six catchment management strategies; preparation of 200 subcatchment development plans; construction of 50 sand dams and/sub-surface dams along seasonal rivers especially in ASALs; up-grading of 100 gauging stations to telemetric stations complete with dataloggers; rehabilitation or establishment of 100 water quality monitoring stations; and development of a national water allocation plan.



Objectives

- To improve the quantity and quality of water resources for enhanced livelihoods
- To improve the ability of the catchment and riparian areas to provide hydrological services.
- To provide the governance of water resources by promoting stakeholder participation in WRM
- To improve compliance to water resources by promoting stakeholder participation in WRM.
- To develop well governed and self-reliant WRUAs.

Target subcatchments in specified counties.

In order to ensure Water Resources Investment is confined to working in water stressed sub catchments in selected target counties with the 4 Development Partners:

Garissa, Lamu, Isiolo, Tana River, Marsabit, Wajir, Nandi, Narok, Migori, Kwale, Laikipia, Meru, Muranga, Nyeri, Embu, Kirinyaga and Tharaka Nithi Counties.

The criteria used to select the areas included:

- (i) Classification of sub catchment area as Alarm, Alert or satisfactory
- (ii) the Poverty Index; (ii) level of previous WSTF investment in water and sanitation infrastructure;
- (iii) access to quality water services; and (iv) Sanitation coverage levels. Prior to the current phase of Water Resources investments, 312 Water Resources User Association contract projects had been funded and the lessons learnt have been used to improve the Water Resources investment.

The Water Resources Investment Financing process that:

- The investment is through Water Resources User Associations (WRUAS).

- A WRUA is a voluntary community group focused on management and conservation of water resources in a given area, river or aquifer in Kenya.
- In terms of geographical coverage, a WRUA is expected not to cover less than 100 Kilometre squared.
- A WRUA is comprised of water users and stakeholders aimed at achieving a common objective of improving water resources management. WRMA, NGOs, CBOs and any other party may help in formation of a WRUA.
- A WRUA may register a self help group but for proper legal standing WRUA are encouraged to register with the Attorney General's chambers as associations.
- Membership of the WRUA is defined by the group's constitution but generally is comprised of individuals and institutions.

WRUA Registration and MOU signing with WRMA and WSTF

A specified WRUA can apply to WRMA for registration as the WRUA in a certain area, river or aquifer. This is to improve collaboration, set roles and responsibilities of the two parties involved. WRUAs that have identified relevant water resource management issues, can plan and come up with proposals for funding from WSTF. Any funding from WSTF is preceded by signing an MOU with WSTF . This agreement governs the manner in which the grant is managed by the WRUA and clearly stipulated the roles and responsibilities of WSTF and the WRUA.

Financing

The WRUA needs to develop a sub- catchment management plan (SCMP). The Water Resources Investment is specifically aimed at



supporting the activity costs which have been set out in the SCMP. The financing of WRUAs through WSTF happens at various categories:

1. Level 1 costs Kshs. 1.5 Million
2. Level 2 costs Kshs. 5 Million
3. Level 3 costs Kshs. 10 Million
4. Level 4 costs Kshs. 30 Million

WSTF-WRUA FUNDING STATUS.

Cross cutting issues

Environmental sustainability: The Water Resources Investment puts considerable emphasis on the aspect of environmental concerns when addressing critical water and sanitation access challenges. All WRUA and WSTF projects are now being encouraged to conform to National environmental laws and NEMA regulations prior to their establishment and later during their operations. Some of the efforts to mainstream environmental sustainability include carrying out Environmental Impact Assesments (EIA) before commencing.

HIV/AIDS: In the Water Resources investment, HIV/AIDS is a key factor since we recognize that a population that is affected or infected by HIV is unlikely to provide human capital

for consrvation of their catchments. Awareness within the WRUAs s therefore a priority.

Gender mainstreaming

All the WRUAs have a Gender Mainstreaming Strategy and they have set activities that have brought about proper mainstreaming of gender at management committees and community levels . Gender parity is essential in water resources management because it takes the entire community concerted effort to watch ove and conserve a water resource. As affirmative action women and youth are specifically encouraged to be part of the key decision making structures in WRUAs since their involvement has remained low over time.Participation of women as custodians of water resources aligns well with the traditional role they play of searching for water and pasture in any rural set up in Kenya.

Our development partners

The Water Resources Investment has received financial support from Governments of Sweden, Finland, International Fund on Agricultural Development (IFAD) and Denmark (DANIDA) The Kenyan government covers operational costs of WSTF while other funds do support development of projects depending on the funding agreements of specific partner.

SIRGOI WATER RESOURCES USERS ASSOCIATION

The beautiful Mount Elgon district sceneries that are characterized by steep slopes, human settlements and farming activities are a sight to behold but beyond the trees and crops, the district is blessed with a number of water springs.

One of these springs is Sirgoi water spring, which has for many decades been the only source of water for the residents of Kaptama location but over the last few years, the residents have noticed that the quality of water from the spring was deteriorating fast due to soil erosion, siltation and increasing numbers of residents drawing water from the spring.

Alarmed by these developments, the community at Sirgoi came together in 2009 and formed Sirgoi Water Resources Users Association (WRUA) with the main aim of implementing a Sub-Catchment Management Plan to protect and conserve the Sirgoi springs.

As a voluntary membership association made up of water users and riparian owners interested in conservation, sharing and proper management of their resources, the Sirgoi initiative soon took shape and the members then applied for funding from the Water Services Trust Fund's, Water Resources Investment Programme, that aims to enhance the capacity of communities to apply for, manage, implement, maintain and safeguard their own water and sanitation facilities.

"Sirgoi WRUA first signed a contract with WSTF on 9th December 2009 following which a cheque of Kshs: 584,060 was released on 12th January 2010.

The contract for level two funding amounting to Kshs: 1,735,810 was signed in May 2011" says Bernard Malinga, chairman, Sirgoi WRUA

This funding enabled Sirgoi WRUA to implement activities that are geared towards rehabilitation, expansion and conservation of the sub-catchment area and greatly impacted on lives of especially women and girls who travelled long distances to fetch water for domestic use.

Esther Kiprotich a member of Sirgoi WRUA and beneficiary of the project says the project has simply transformed their lives as women because they can now get water literally at their doorsteps and are using the free time to engage in income generating projects.

Thanks to the vision of the members of Sirgoi Water Resources Users Association, today, the quality and quantity of water from Sirgoi springs has improved greatly, soil erosion around the spring has been reduced and water related conflicts are a thing of the past. The association has also extended the piping of water from Sirgoi springs to public institutions including Kaptama Health Centre and Kaptama Primary School.

has since then greatly improved its performance, reduced water borne diseases and because clean water is available within the school they are utilizing the free time to study.

To improve the livelihoods of its members, Sirgoi Water Resources Users Association has embraced an innovative initiative that it trusts will ensure their objectives are achieved and sustained. Over the last three years, the association has invested in income generating projects that have enhanced the sustainability of their WRUA activities. These initiatives include introduction of dairy cows to their members, promoting planting of coffee and tea for conservation of the environment and generation of income, fish farming at the nearby Sirgoi dam and poultry projects for its members.

The WRUA has also established a tree seedlings nursery, embraced bee-keeping and is also actively promoting among its members the cultivation of tissue culture bananas that are not only thriving in this area but are also promoting conservation of the environment.

Today, Sirgoi Water Resources Users Association has a membership of one hundred and fifty, is categorized as a best practice WRUA, has managed to rehabilitate, conserve and protect six water springs in Kaptama division that are benefiting more than six thousand residents by providing them with a regular supply of adequate clean water and ultimately transformed the way of life for a community, the community of Sirgoi.

Evelyne Kimutai,
Deputy Head
Teacher at
Kaptama
Primary
School
observes
that the
school



Result-Based Financing for Water and Sanitation

The Water Services Trust Fund of Kenya (WSTF) is running a results-based financing (RBF) program that provides financial incentives to water services providers (WSPs) to invest in rehabilitation and expansion of water and sanitation infrastructure. The objective of the program is to improve the operating efficiency and financial performance of WSPs, and to extend access to unserved consumers. The program is supported by the World Bank, with

funds from the Swedish International Development Agency (Sida), and the German Development Bank KfW.

To qualify for financial incentives, WSPs need to finance their investments with commercial loans. Domestic lenders, primarily commercial banks operating in Kenya, will appraise and finance WSP investment projects. WSTF will pay a subsidy to WSPs that successfully implement projects that achieve pre-agreed results. The subsidy is a non-repayable grant to reimburse

the WSPs for part of the capital investment cost.

There are two projects under the RBF program:

Kenya OBA Fund for Low-income Areas. This project provides output-based aid (OBA) subsidies to WSP projects financed with commercial loans that achieve a mix of the following outputs: new individual water and sewer connections, water kiosks and public water supply points, and public toilets.

The maximum OBA subsidy is 60 percent of the amount borrowed for investment.

Aid on Delivery (AoD). This project provides subsidies to WSP projects financed with commercial loans that achieve pre-agreed outputs / outcomes that result in improvements in the volume of water reaching final consumers, higher volume water billed and sold, and non-revenue water (NRW) reduction. The maximum AoD subsidy is 40 percent of the project cost pre-financed with a 20 percent contribution from the WSP and 80 percent loan from a commercial lender.

Kenya OBA Fund for Low-Income Areas

OBA is a performance-based subsidy, meaning that most of it is paid only after the services or outputs have been delivered and verified by an independent agent. The subsidy targets the poor by focusing on areas in which poor people live.

Under the OBA Fund, WSP sub-projects will be pre-financed with commercial loans from domestic

'low income' based on an index of quality-of-life indicators. Note that areas not mapped in Majidata may be eligible for financing if they meet the Majidata criteria.

Eligibility Criteria

The minimum criteria for a WSP to be considered for financial support under the Kenya OBA Fund are listed below.

- WSPs in compliance with WASREB and WRMA guidelines and has the support of the county government to develop the project.
- WSP may either be county owned or a private operator or community licensed to provide water and sanitation services.



lenders on market terms. While the WSP is free to select any financial institution, Housing Finance, K-Rep Bank, and Kenya Commercial Bank have access to a 50% guarantee provided by USAID.

A WSP is eligible to receive technical assistance funding for hiring a consultant to assist with project preparation and supervision, to ensure that a bankable project proposal is prepared for evaluation by commercial lenders, and that the project is effectively supervised during implementation. WSPs must

- Proposed subproject is demonstrated to be technically feasible and commercially viable as shown in the project proposal.
- WSP has secured a loan offer to finance the project from a commercial lender in Kenya, and is able to demonstrate its capability to repay the non-subsidized portion of the loan.
- Proposed subproject is situated in a low-income area that meets the Majidata criteria. In cases where partial project is based in a Majidata area, the portion of the project attributable to the low-income area is eligible for subsidy.
- WSP has WASREB approved

contribute at least 10% towards the total cost of technical assistance.

The loans will fund investments that provide household water and sewer connections, public water kiosks, and public toilets to low-income households. The OBA grant will pay for 60 percent of the sub-project cost financed by domestic lenders, subject to a cap of \$115 per beneficiary. Areas eligible for subsidies will be identified through WSTF's poverty database, Majidata, which has mapped over 1,880 urban settlements, considered

tariff and will charge appropriate connection and consumption fees to cover operating and maintenance costs and the non-subsidized investment cost of the subproject.

- WSP connects consumers that can pay at least 40 percent of the approved connection fee (up to 60 percent of consumer connection fees may be subsidized, and fees may be payable in instalments to increase affordability and uptake by low-income consumers).

Bringing water closer to the poor through 'Individual Water Connections'



individual water connections. The project which began in September, 2014 was fully completed in July, 2015.

From the Ksh.17.58 million, MUSWASCO received a total of Ksh. 11.93 million from WSTF, as 60 per cent subsidy under the OBA program towards the repayment of its loan. This reduced the principal loan facility to Ksh. 5.65 million.

"Despite accessing the loan at a high interest rate of 17 per cent per annum, the subsidy is making it very easy for the company to repay the balance of the loan over the next 60 months" says Mary Ng'ang'a.

Esther Nyambura Muiruri, a resident of Sabasaba area in Muranga South Town in Tana County, is a proud owner a household that was recently connected to tap water, thanks to the output based aid (OBA) program under the Water Services Trust Fund (WSTF).

longer have to walk long distances to fetch water to wash my dishes. I can simply open my tap in my kitchen" says a happy Muiruri.

MUSWASCO was pre-financed by K-Rep Bank through a commercial loan facility for Ksh. 17.58 million to put up infrastructure in the three areas of Kenol, Sabasaba and Kabati with a target to provide 1,500

The OBA facility, which is running from December 2014 to June 2018, is targeting WSPs that are implementing water and sanitation subprojects targeting the urban low income areas in Kenya.

The OBA program is contributing to the 'sustainable development goal' of providing every Kenyan with access to water and sanitation services by 2030.

Muranga South Water and Sanitation Company (MUSWASCO) a water services provider (WSP) in Tana County became the first WSP in Kenya to access an OBA subsidy facility under WSTF. "We were much honored to be the first WSP in Kenya to receive a subsidy under the OBA program", says Mary Ng'ang'a, the managing director of MUSWASCO.

The OBA subsidy facility is offered under the Results Based Financing (RBF) program administered under the WSTF. A total of USD11.835 million was extended to the Government of Kenya as a grant by the Swedish International for Development Cooperation (SIDA) through the World Bank GPOBA program, for a period of three and a half years.

"I am honored to be among the first beneficiaries of an individual water connection in Sabasaba under the MUSWASCO, OBA program. I no



The Water Services Trust Fund has initiated an active County Engagement process taking cognisance of the Devolution of Water Services to County Governments. WSTF in its mandate to financing development of water services in Kenya, has seen the County Governments as Key partners in ensuring that the Water sector investments are in line with the county development plans and the Human Rights obligation of provision of adequate water and basic sanitation to the people of Kenya. WSTF embarked on this process in the year 2015, as outlined in its Strategic Plan 2014-2019 which had identified collaboration with the Counties as a critical success factor with the possibility of county co-financing support, enhancing management practices, creating a higher degree of ownership and sustainability of the projects.

The Rural Programme has received financial support from the Governments of Kenya, Sweden and Finland in support of equitable access to quality water, basic sanitation and enhanced water resources management in the underserved rural communities which targets 6 Counties. The process of identifying the counties was a vigorous exercise

which involved development of a transparent county selection criteria majoring on the following factors; 6 main catchment areas (drainage regions); Poverty indexes; Water and Sanitation indexes, past WTSF investments in counties; Other ongoing water sector funding in county; Existence of water service providers; number of existing Water Resources Users Associations (WRUAs) This process culminated in selection of six counties which fell under six catchment areas. The counties were later agreed upon by the council of governors and the development partners. This includes Narok, Migori, Nandi, Kwale, Laikipia and Tharaka Nithi counties. The

This county selection process was followed with preparation of a County pre-engagement paper. The main output of this document was to come up with draft WSTF/ County MOU which would be signed by both parties and was to address the key issues related to roles and responsibilities of all parties (County Resident Monitors, working arrangements, co-financing, terms and conditions of engagement, audit etc). Some main features of this document was the principle of use of Development Partners funds and the

co-financing framework between the Counties and WSTF.

The MOU was shared with all the six counties and signed in a successful event held on the 1st July 2015 by the Governors of the 6 counties and WSTF in the presence of Finland and Sweden ambassadors, Chairman of Council of Governors, County executive's committee members for water & environment, Other county officials, WSTF board members and management.

WSTF is looking forward to work in a conducive environment with the County Governments, who are working on developing and strengthening their legal and institutional frameworks for Rural Water and Sanitation Service Provision. The counties have appreciated this active engagement and this provides an opportunity for WSTF to redefine its investment mechanism for Rural Water Investments in the counties. WSTF acknowledges the good will received from the Counties as a sure sign of better partnership and establishment of harmonized and sustainable development of the water sector in these counties.



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