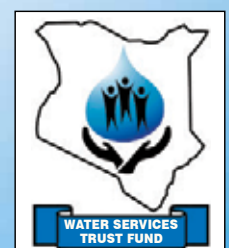


# MAJIIinsight

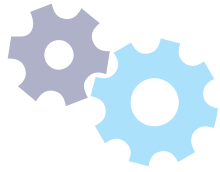
2015 – 2016

Financial Support for Improved  
Access to Water and Sanitation



ISO 9001:2008 CERTIFIED





# Maji Insight

Financial Support for Improved  
Access to Water and Sanitation

A Report to the Public 2015 - 2016  
from the Water Services Trust Fund





# THE WATER FUND: OUR MANDATE

As set out in the Water Bill 2014 , the mandate of the Water Fund is to provide conditional and unconditional grants to Kenya's counties, in addition to the equalisation fund, and to assist in financing the development and management of water services in marginalised areas or any area considered by the Board of Trustees to be underserved, 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



Development of water services in the underserved poor urban areas



Research activities in the areas of water resources management and water services, sewerage and sanitation

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# CONTENTS



Figures & Tables	vi
Abbreviations	vii
Our Values	viii
Acknowledgements	ix
Foreword	x
A Message from the CEO	xii
<b>1 Presentation of the Water Fund</b>	<b>1</b>
1.1 Global and National Goals	1
1.2 Sector Development	1
1.3 Mandate	2
1.4 Strategic Objectives 2014 – 2017	2
1.5 Quality Policy Statement	3
<b>2 Why Partner with the Water Fund?</b>	<b>5</b>
<b>3 Partnerships</b>	<b>7</b>
3.1 Target Population	7
3.2 Implementing Partners	7
3.3 Cooperations	7
3.4 Others	12
<b>4 Brief Overview of the Water Fund's Services</b>	<b>13</b>
4.1 Investment Services	13
4.2 Support Services	14
<b>5 Investment Services</b>	<b>15</b>
5.1 Overview of the Achievements	15
5.2 Development Partner Support	18
5.3 Urban Investments	20
5.4 Rural Investment Programme	34
5.5 Water Resources Investment	43
5.6 Result-Based Financing	51
<b>6 Support Services</b>	<b>58</b>
6.1 Monitoring and Evaluation	58
6.2 Financial Services	66
6.3 Audit and Risk Management	67
6.4 Board and Governance of the Water Fund	71
<b>7 Challenges</b>	<b>73</b>
<b>8 Innovations and Future Perspectives</b>	<b>75</b>
Annex	80

# FIGURES & TABLES

Figure 1:	The Water Fund's competitive advantages	4
Figure 2:	The Water Fund's cumulative investment January 2005 to June 2016	15
Figure 3:	Standardised Call for Proposals project cycle and support provided by the Water Fund	21
Figure 4:	Standardised Project Cycle of the Urban Investment	22
Figure 5:	CfP project implementation timeframe	23
Figure 6:	Illustration of the Rural Utilities Programme funding process	35
Figure 7:	Beneficiaries by June 2016	51
Figure 8:	RBF pipeline as of June 2016	56
Figure 9:	Functionality of infrastructures	62
Figure 10:	Sustainability in counties	64
Figure 11:	Trends in ineligible expenditure over the years	69
Table 1:	Cumulative Water Fund investments per county 2005 - June 2016	16
Table 2:	Infrastructure realised and population reached July 2015 - June 2016	17
Table 3:	Summary of development partners' support over the strategic period 2014 - 2019	18
Table 4:	Achievements of the Urban Investment	25
Table 5:	Achievements of the Urban Investments UBSUP programme per county, July 2015 – June 2016	26
Table 6:	Overview of the disbursement to the Rural Investment Programme from July 2015 – June 2016	36
Table 7:	Achievements of the Rural Investment Programme per county from July 2015 – June 2016	37
Table 8:	Funded WRUAs in the financial year 2015-2016	46
Table 9:	Funded CFAs per conservancy in the financial year 2015-2016	46
Table 10:	Achievements of the Water Resources Investment per county from July 2015 – June 2016	47
Table 11:	Cumulative loan disbursements (2014 – 2016)	52
Table 12:	RBF cumulative subsidy disbursements (2014 – 2016)	53



# ABBREVIATIONS

AoD	Aid on Delivery
BoT	Board of Trustees
CBO	Community-based organisation
CEO	Chief Executive Officer
CFA	Community Forest Association
CfP	Call for Proposals
CPC	Community Project Cycle
CRM	County Resident Monitor
DANIDA	Danish International Development Agency
GOK	Government of Kenya
ICT	Information, communication and technology
INGO	International non-governmental organisation
ISO	International Standards Organisation
KENAO	Kenya National Audit Office
KFS	Kenya Forest Service
M&E	Monitoring and evaluation
MWI	Ministry of Water and Irrigation
NGO	Non-governmental organisation
OBA	Output-Based Aid
QMS	Quality Management System
RBF	Result-Based Financing
SDG	Sustainable Developments Goals
SIDA	Swedish International Development Agency
TA	Technical assistance
UBSUP	Upscaling Basic Sanitation for the Urban Poor
UfW	Unaccounted-for water
UPC	Urban Projects Concept
WASH	Water, sanitation and hygiene
WRI	Water Resources Investment
WRUA	Water Resources Users Association
WSB	Water Services Board
WSP	Water Services Provider
WSTF	Water Services Trust Fund

# OUR VALUES

## 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

## Core Values

**Sustainability:** The Water Fund strives to ensure that the funded projects are financially, socially and environmentally sound and sustainable through innovative mechanisms

**Integrity:** The Water Fund ascribes to high standards of personal and professional ethics and integrity in the conduct of its affairs

**Good Governance:** The process is as good as the product. The Water Fund promotes the virtues of equity and fair play for equitable sustainable development through consultations and public participation in all its undertakings

**Human Dignity:** The Water Fund is committed to uphold reasonable standards of access to water and sanitation for the citizens of Kenya to meet its constitutional mandate

**Teamwork:** The Water Fund relentlessly pursues timely attainment of targeted results at all levels through high level coordination, networking and collaboration within the Water Fund and with its partners



# ACKNOWLEDGEMENTS

We appreciate the Board of Trustees for providing leadership, strategic direction, oversight, approvals and recommendations in the activities and functions of the Fund, especially for programme implementation. This has kept the organisation and its programmes running seamlessly and with a high degree of success and sustainability.

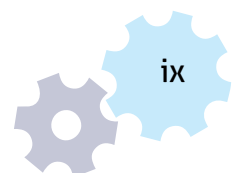
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH has provided technical and financial support to WSTF in the development of this report. GIZ expertise consisted specifically of the Team Leader Shirley Wouters and the Technical Assistant, Mareike van der Ende.

To the management and staff of WSTF who have worked tirelessly in the midst of many other commitments to put together the content of the Maji Insight: The Chief Manager for Resource Mobilisation and Corporate Affairs, Rosaita Mbukua, and Chief Manager Investment, Willis Ombai, led their teams to ensure the delivery and quality of the content. The overall exercise was spearheaded by a core team of WSTF employees including Ruth Nganga, Isaac Isika, Clarine Bowa and Wendy Achieng. The staff in Investment and Programmes, led by their managers, contributed heavily to the data and information in the report.

None of this would have been possible without the teamwork within the Water Fund and collaboration with its development partners.

Last but not least, I wish to appreciate all our development partners whose tireless and continued support has ensured the impact reported in the Maji Insight.

Ismail Fahmy M. Shaiye  
Chief Executive Officer



# FOREWORD

by the Chairman of the Board



I and the entire Board of Trustees of the Water Fund take this opportunity to appreciate our development partners who have continued to provide financial and technical support towards implementation of water, sanitation and water resources management projects in underserved areas. This is a demonstration of continued good will and confidence in the systems, processes and professionalism of the Fund.

Since 2014 we have been implementing the Strategic Plan 2014-2019 with the main objective of raising KES 16.6 billion to reach an additional five million Kenyans with water and sanitation services. The Strategy has undergone a mid-term review with an aim to align it to the 2nd Medium Term Plan (MTP2) which ends in June 2017. The Fund therefore plans to commence the development of the Strategic Plan 2018-2022 during the current financial year 2016/2017. I am pleased to report that of the KES 16.6 billion financing target, the Fund has already mobilised KES 7.05 billion in newly signed bilateral agreements.

Despite the increased and sustained financial support, it is imperative that the Water Fund develops and implements a lasting and sustainable financing model in order to ensure continued service delivery to the Kenyan people. This initiative is ongoing with the objective of leveraging local and international, public and private funds towards bankable projects which demonstrate value for money and operate on a business model.

The Water Fund has grown radically since inception, having started operations with a budget of about KES 300 million, to its current status today and budget of KES 3.5 billion. The institution has grown in operations, functions, manpower, financial portfolio, as well as national and global impact in the sector. Many countries

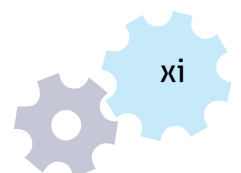
and institutions have sought to understand the operations and best practice of WSTF in order to emulate its achievement to the benefit of the global population. The Water Fund will continue to share its knowledge and experiences with all relevant and interested parties in order to be a positive force for change in fulfilment of the Millennium Development Goals (MDGs) and in pursuit of the Sustainable Development Goals (SDGs).

The Water Fund continues to finance its programmes in consultation with all relevant stakeholders and in collaboration with the county governments. The passing of the Water Bill 2014 will go a long way in streamlining the sector and providing operational guidance under the devolved structure of governance.

This Insight report is aimed at providing information to our stakeholders, partners, implementing agents, target communities, and the general public on the trends and achievements during the financial year 2015/2016. It is my expectation that going forward the Fund shall produce an annual Insight report for information and updates.

My gratitude goes to the entire Board, management and staff of the Water Fund for their unwavering commitment to the vision and mission of our institution, and for applying themselves daily in reaching the underserved communities with water and sanitation services, as well as protection of our sub-catchments. Let us continue changing Kenya, one community, one project, one person at a time.

Hon. Musikari Kombo  
Chairman



# A MESSAGE

## from the CEO



Over the years, the Water Fund has financed many projects across all the 47 counties of Kenya as this report will show. With a focus towards water services and water resources management for the underserved areas, the impact has been undeniable both in data and in the transformation of the target communities and regions. The Fund has developed many standards for service to its target group and has many best practices, knowledge and experience to share.

Maji Insight has been developed as a reporting tool on the impact of the work of the Water Fund, and to provide critical data and information on service to the underserved.

The financial year 2015/2016 was marked by major and exciting events and activities at the Water Services Trust Fund. The year started with organisational restructuring, aimed at increasing the human resource as well as improving the skills set of the Water Fund. To that effect, the Fund recruited managers and chief managers in order to boost the decision-making process and improve departmental and inter-departmental dynamism. The Water Fund also recruited County Resident Monitors whose task is to provide effective and real-time monitoring and evaluation for the Water Fund projects on the ground, and to act as the liaison officers between the county leadership and the Water Fund.

Financing and project sustainability have been key priority areas of focus for the Water Fund. This resulted in many national and international consultative forums to discuss the possibility of initiating a sustainable financing mechanism for the Fund. Between the 23rd of August and 4th of September 2015, the Water Fund led by the Chairman and the CEO met with development partners and stakeholders in Sweden, the Netherlands and Finland. During the period, the team achieved the following:

- Participated in the Stockholm World Water Week through an exhibition, presentations and a networking cocktail, among other notable activities
- Meeting with the Dutch Water Bank to discuss sustainability concept and possible collaboration in the proposed Kenya Pooled Water Fund
- Meetings with the Finnish Ministry of Foreign Affairs and other government institutions to review and discuss further partnership activities

- Meeting with the Aalto University and Finnish private companies to discuss collaboration opportunities for business and innovation with the Kenyan Water Sector

The consultative process was a success and culminated in the proposed Water Business and Innovation Conference and Exhibition, planned by the Water Fund with the leadership of the Ministry of Water and Irrigation, as well as the designing of a Sustainability Model for the Water Fund, which it is hoped will be put into operation within the 2016/2017 financial year.

Project sustainability has not been overlooked. The Water Fund has reviewed its funding mechanisms to include the role of county governments in oversight and resource allocation. At the same time, project implementation, especially for water and sanitation, has shifted to the established water utilities for both rural and urban programmes. This has resulted in better workmanship, faster implementation and, it is expected, better management and sustainability of projects.

The Water Fund has actively participated in the process of preparing and amending what is now the Water Bill 2014 as one of the Ministry of Water and Irrigation institutions. The Fund has also supported the counties in preparation of the County Water Prototype Bill and will continue to support the devolution process where required. To that effect, the Fund has been part of the Intergovernmental Consultation and Reforms Committee (ICRC) seeking to build consensus on operational issues in the Water Sector between the two levels of Government.

The Water Fund has continued to develop, review and operate within effective and efficient systems and procedures and therefore has retained its ISO 9001:2008 certification status.

In the financial year 2016/2017, the key focus will be the operationalisation of the sustainability concept including the development of an Endowment Fund, hosting of the Water Business and Innovation Conference and Exhibition, efficient and sustainable implementation of funded programmes, and increased county engagement activities, to name but a few.

The Water Fund signed six new financing agreements in the financial year 2014/2015, and one in 205/2016, valued at a total of approximately KES 6 billion. We look forward to further partnerships and financing in order to close the gap in water and sanitation provision in Kenya by the year 2030. I wish to appreciate our financing and development partners for their continued support and collaboration.

Ismail Fahmy M. Shaiye  
Chief Executive Officer



## **THE POLICY INSTRUMENTS CAPTURING THE GOALS OF THE WATER SECTOR IN KENYA**

### **The Kenyan Constitution**

- Sets out a devolved governance system with 47 counties
- The counties are responsible for water and sanitation services
- Every person has the right to clean and safe water in adequate quantities
- Every person has the right to accessible and adequate housing and to reasonable standards of sanitation

### **Vision 2030 Goals**

- To enhance a clean, safe and sustainable environment to access water and sanitation services
- To ensure water and improved sanitation availability and access to all by 2030

### **Medium Term Plans**

- Vision 2030 is being implemented through five-year Medium Term Plans (MTP) that identify the key policy actions for each ministry department and agency
- The second MTP covers the period of 2013 to 2017
- The Water Fund is strengthened to ensure the provision of water to poor and underserved areas and to the less fortunate and vulnerable members of society

### **The National Water Services Strategy**

- To ensure sustainable access to safe water and basic sanitation for all Kenyans

### **National Environmental Sanitation and Hygiene Policy**

- Sanitation components in rural and urban water supply



# 1 PRESENTATION

## of the Water Fund

### 1.1 Global and National Goals

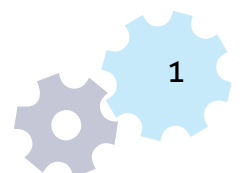
Access to safe, clean and affordable water and sanitation are the requirements for leading a healthy life. Their absence causes water-related illnesses, one of the greatest threats to poor people all over the world. The human right to water and sanitation was recognised in 2010 and is anchored in the Kenyan Constitution as a subordinated guideline. The United Nations adopted a post-2015 development agenda, the Sustainable Development Goals (SDGs) that set out 17 goals to guide the global development efforts for the next 15 years. Water and sanitation are covered by Goal number 6 that seeks to ‘Ensure access to water and sanitation for all’ until 2030. The targets deal with universal and equitable access to safe and affordable drinking water, sanitation and hygiene. They also deal with water quality, water use, water resources management, ecosystems, and the capacity building and participation of local communities.

In Kenya, various policy instruments capture these goals, such as the Kenyan Constitution, the Vision 2030 and the National Water Services Strategy. In order to attain these rights, the national and county governments have to create an enabling policy framework. Institutions charged with service delivery are obliged to provide services efficiently and effectively and the progress needs to be documented. The consumers have the obligation to pay a justified price for services and protect the infrastructures of service provision.

### 1.2 Sector Development

Over the past years, the Kenyan water sector has been characterised by changes that were influenced by the political environment, the natural environmental changes, the rising levels of population and the statistics of access to water and sanitation. These factors have shaped the water policy approaches. In 1999, Kenya started a water sector reform in order to improve the water services and the water resource management.

When the actors of the Kenyan water sector recognised the low coverage in water and sanitation, the legal framework with the Water Act was adopted in 2002



that established different water sector institutions to deal with the challenge. The Water Services Trust Fund (herein referred to as the Water Fund) was founded under the Water Act 2002 section 83 as the Kenyan State Corporation with the mandate to finance water and sanitation services for the poor and underserved communities in rural and urban areas of Kenya which are without adequate water and sanitation services. The Water Fund operates under the Trust Deed of 26th April 2004. It finances water and sanitation projects for the poor and underserved communities in rural and urban areas. The Water Fund became fully operational in 2005.

#### NUMBERS AT A GLANCE

- Kenya's total population: 43.2 million (2012)
- Urban population: 10.52 million (24.5% of the total population)
- Rural population: 32.7 million (75.5% of the total population)
- Access to adequate water services: 48.6% (urban 60%, rural 45%)
- Access to adequate sanitation services: 67.8% (urban 70%, rural 66.4%)

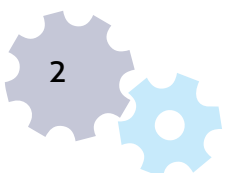
### 1.3 Mandate

According to the Water Act 2016, the mandate of the Water Fund is to provide conditional and unconditional grants to the Kenyan counties in addition to the equalisation fund and to assist in financing the development and management of water services in marginalised areas or any area which is considered by the Board of Trustees to be underserved, 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,
- Development of water services in the underserved poor urban areas, and
- Research activities in the area of water resources management and water services, sewerage and sanitation.

### 1.4 Strategic Objectives 2014 – 2017

The Water Fund's strategic objectives have been defined for the period 2014 to 2017. However, the Water Fund's new strategic orientation has been re-aligned with the





2nd Mid Term Plan until 2017. For the period covered by this report, the strategic objectives 2014 – 2017 stay applicable and they are:

- To mobilise KES 9.96 billion to finance investment programmes in the counties by June 2017,
- To finance the development of sustainable water and sanitation services and water resources management to improve access for 2.95 million people in underserved areas,
- To develop innovative funding mechanisms to enhance development of sustainable water, sanitation and water resources projects in the counties,
- To enhance capacity development for efficient service delivery and ensure sustainability of the investments.

## 1.5 Quality Policy Statement

The Water Fund is committed to assist in financing the provision of water services and water resources to underserved areas of Kenya. It is also committed to complying with the requirements of ISO 9001:2008 and ensure continual improvement of our Quality Management System (QMS) processes and services to achieve excellence in customer satisfaction.

Consistent with this Quality Policy, the Fund shall establish Quality Objectives which shall be reviewed annually for continuing suitability and effectiveness.



Figure 1: The Water Fund's competitive advantages

# 2 WHY PARTNER WITH THE WATER FUND?

## The Competitive Advantage

WSTF has successfully established delivery mechanisms and partnerships that give it a competitive advantage within the Kenyan Water Sector. It is based on a unique competitive advantage emanating from the following key factors that demonstrate why funds are well invested when being channelled through the Water Fund:

- i. **Pro-poor targeting:** The Water Fund is the only institution with a statutory mandate for providing financial support for increased access to water and sanitation services to marginalised and underserved in the country. It is financing secondary infrastructure that is ‘going the last mile’.
- ii. **Transparent and participatory:** Transparent selection criteria are applied for financing investment proposals, including the technical, social and financial aspects. The water utilities need to apply for funds according to proven demands that are estimated through transparent criteria. The process of applying for funds from the Water Fund, and the manner in which funds are prioritised, disbursed to and utilised by implementing agents, is clearly documented. This ensures that resources are used as they ought to be, and audit queries are keenly followed up. The Water Fund handles 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 (see Chapter 6.3). The Water Fund holds two Steering Committee meetings on a regular basis in which the progress of projects is discussed. The continuous reporting to partners plays a big role in accountability. The Water Fund also manages political, financial and operational risks (see Chapter 6.3).
- iii. **Capacity development for sustainability:** The Water Fund has built adequate human capital, technical and operational capacity to handle diverse expectations from development partners. Sustainability is secured through regular operations monitoring of infrastructure facilitated by infrastructure that is GPS-referenced and documented (see Chapter 6.1).
- iv. **Technical standards:** The Water Fund has established technical standards and controls the quality of the construction process through monitoring and field visits. It finances last mile infrastructure, meaning secondary infrastructure that connects



low-income areas to the existing large scale infrastructure and facilities. The Water Fund provides value for money and a low cost per beneficiary through cost-efficient standardisation and documented systems.

- v. **Wide partner base:** The Water Fund has built a network of mutually beneficial partnerships and relationships resulting in achievement of shared objectives and embedment in the Kenyan Water Sector (see Chapter 3).
- vi. **Harmonised investment support:** Repeating call cycles lead to continuous institutional learning and improvement, and to updating of technological solutions and business models. Harmonised funding systems have over the years been reviewed for continuing responsiveness to dynamic sector demands and operations. Scaling up works best if embedded in national structures (e.g. Water Fund and utilities) and is a long-term process (three to four years to develop the institutions and instruments, and 20 to 30 years to reach full service coverage), which can be assured by the Water Fund.

The Water Fund has over the years built extensive experience in the management of development partner-funded programmes, appraisal systems and monitoring structures focused on underserved areas in Kenya. Different African countries are benchmarking against the Water Fund to develop and improve their own systems. Within the water sector, the WSTF occupies a unique position with the experiences acquired during the implementation of its investment programmes. The entire sector benefits from WASH (Water, Sanitation and Hygiene) best practices and innovative solutions that have been developed and successfully implemented at all levels: household, institutional, community, water service providers (WSPs) and at the WSTF level. These achievements have been made through continual engagement with the parent Ministry of Water and Irrigation (MWI), the Regulator (WASREB), the water services boards (WSBs), the counties, the WSPs and relevant civil society organisations.

# 3 PARTNERSHIPS

Teamwork is one of the core values of the Water Fund. This chapter gives an overview of a number of important partners of the Water Fund according to the categories of beneficiaries, implementing partners, major contributors, cooperating partners, the special position of the counties, and the supporting partners.

## 3.1 Target Population

- **Rural and urban communities:** The Water Fund encourages community level initiatives and supports the development of water and sanitation services in rural areas considered not to be commercially viable and in the underserved urban areas, giving priority to poor and disadvantaged communities.

## 3.2 Implementing Partners

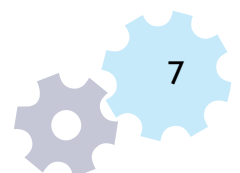
- **Water utilities (water services providers)** who implement and provide water and sanitation services in urban and rural areas
- **Community groups** who participate in the implementation of their own projects in rural areas: water resources users associations (WRUAs), community-based organisations (CBOs), and community forest associations (CFAs)

## 3.3 Cooperations

### 3.3.1 National level

The Government of Kenya (GOK) has supported the Water Fund through policy, systems, financial and other resources, and through budget allocations for both recurrent and development expenditure. The 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 the Water Fund signs memorandums of understanding (MOUs) with development partners.

- Ministry of Water and Irrigation (MWI), who appoints the Board of Trustees of the Water Fund
- Water Services Regulatory Board (WASREB), who is the Regulator in the Kenyan water sector
- Water Resources Management Authority (WRMA), who assists WRUAs in developing sub-catchment management plans (SCMPs) and provides oversight for water resources management





- Water services boards (WSBs), who in the past have been overseeing the community organisations in Rural Programmes, and water services providers in the Urban Programmes
- INGOs/ NGOs

### 3.3.2 Counties (through county governments)

The Fourth Schedule to the Constitution of Kenya has allocated to county governments the function of water and sanitation services provision. In addition, the Constitution of Kenya provides for access to adequate water supply to every citizen as a basic human right. The county governments therefore have an instrumental role in the realisation of this basic right.

The Water Fund has established key partnerships with the counties. It has initiated an active county engagement process, taking cognisance of the devolution of water services to county governments. The Water Fund embarked on this process in 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. This support is to be realised through multi-pronged approaches focused on inclusive project identification, planning, implementation processes, capacity development and support to improving the legislative and regulatory frameworks.

#### *County engagement in the Project Cycle*

The Fund has reviewed its project cycle designs, placing the county governments at the core of the implementation cycle. All projects submitted to the Fund for financial support are required to have been approved by the counties. The county governments are central in the implementation monitoring and management arrangements of the investments. The Fund has also introduced counterpart financial support at pre-agreed proportions with the counties to enhance sustainability, operations and maintenance and ownership by them.

The key roles of the counties in the WSTF's engagement framework include:

- Constituting and convening regular meetings for the county water stakeholders,
- Budgeting and allocating counterpart funds to the funded projects and ensuring timely disbursement for project activities,
- Project identification, screening and selection, and supporting implementing partners in proposal development,
- Provision of technical support to the implementing partners (including monitoring, quality assurance and oversight supervision),
- Support in the collection of water resources and water service data and mapping,





- Development of an integrated water resources management and pro-poor water and sanitation strategies,
- Support to WSTF-appointed county resident monitors (CRMs).

In addition, the Fund is playing a key role in enhancing the capacity of the counties in stakeholder coordination, engagement and management through the support towards the establishment and operationalisation of the County Working Groups in six pilot counties and this is to be upscaled in the coming years. The terms of reference of these committees include:

- Ensuring effective coordination of all programme interventions in the selected project areas based on gender-sensitive programming, social inclusion and disability mainstreaming,
- Participating in the preparation of activity plans, identification of priority areas, mapping of programme areas and activities,
- Overseeing the implementation of water supply and sanitation, and Water Resource Management (WRM) activities, and ensure that they are implemented within the agreed time frame and standards,
- Bringing together agencies that are active in the WASH sector to ensure harmonisation of water sector interventions,
- Participating in the development and carrying out of needs assessment and analysis,
- Participating in monitoring of project activities and reviewing their progress.

### *County Capacity Development Programme*

The Water Fund in the year under review reviewed its key strategic areas of focus and enhanced the position of the county governments' capacity development as one of the five priority areas. The key areas of focus under this support include support to county planning, water sector management, and the integration of gender equity, social inclusion and human rights into programming.

During the year under review, the Water Services Trust Fund as part of its devolution strategy supported counties in implementing strategically important activities and investment programmes in the water sector, focused on the realisation of their constitutional mandate.

Article 185(2) of the Constitution of Kenya gives to the County Assemblies the power to make laws that are necessary for or incidental to the effective performance of the functions and exercise of the powers of the county governments under the Fourth Schedule.

At the request of the National Committee of the County Executive Committee (CEC) members responsible for Water, the Fund supported the development of a prototype County Water Bill. This legislation is envisaged to address the challenge of the realisation of the right to access to basic water and sanitation services in rural areas by providing the relevant framework and means by which the county governments will fulfil their constitutional mandate. The Draft County Water Bill was reviewed and approved by the CEC's convention and awaits approval by the Council of Governors before rollout and implementation. As part of the devolution strategy, the Water Fund engaged county-based resident monitors (CRMs) during the year under review with the objective



of enhancing efficiency and effectiveness in the project implementation cycle, and sustainability of the investments.

The CRMs contracted by the WSTF work closely together with the county and the implementing partners with the following key roles (among others):

- Assisting the county/implementing partners with data collection (e.g. water point mapping using the method and tools approved by WASREB and WSTF),
- The identification of priority WSS interventions (rural, urban and catchment protection),
- Acting as the liaison persons between the county, the implementing partners and the Water Fund,
- Monitoring and providing support to the WSTF-funded projects,
- Identifying, together with the local stakeholders, capacity gaps and ensuring that the required expertise is made available by the WSTF for support.

The CRMs have been engaged in all the counties in which WSTF has active Investments and the Fund expects to upscale this concept in subsequent years as the number, scale and scope of these investments increases.

The Water Fund is looking forward to working in a conducive environment with the county governments, who are working on developing and strengthening their legal and institutional frameworks for water and sanitation service provision. The counties have appreciated this active engagement and this has provided an opportunity for the Water Fund to redefine its investment mechanism for water sector investments in the counties. The Water Fund acknowledges the good will received as a sure sign of better partnership and the establishment of harmonised and sustainable development of the water sector in the counties.







### 3.3.3 Development partners

#### *Financial and Technical Support*

- Government of Germany (through KfW)
- GIZ is the technical arm of Germany's support and assists WSTF in technical issues, and Technical Advisors are stationed at the WSTF
- European Union
- Bill and Melinda Gates Foundation (BMGF)
- Government of Sweden
- Government of Finland
- DANIDA (Denmark)
- UNICEF WASH
- International Fund for Agricultural Development (IFAD)
- World Bank and in collaboration with K-Rep Bank
- 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)
- Saudi Fund for Development

## 3.4 Others

- Banks that make loans for the water utilities to finance infrastructure
- Other government and private sector institutions e.g. in health, education, NGOs etc.
- Universities

# 4 BRIEF OVERVIEW

## of the Water Fund's Services

This chapter provides a brief overview of the Water Fund's services, that are the Investment Services and Support Services. These services will be elaborated in the following pages of the report.

### 4.1 Investment Services

The Water Fund finances projects through four main Investment Services:

- i. **Urban Investments:** Support towards water supply and sanitation projects for urban low-income areas. This programme is implemented through the water services providers (WSPs) (see Chapter 5.3).
- ii. **Rural Investments:** Support towards implementation of water supply and sanitation projects for underserved rural communities. The programme is implemented through water utilities serving rural areas/ counties (see Chapter 5.4).
- iii. **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 (WRUAs — see Chapter 5.5).
- iv. **Result-Based Financing:** Support towards water and sanitation projects in urban low-income areas, financed through loans from Kenyan commercial banks which are then subsidised by the Water Fund on achievement of agreed outcomes. The programme is financed through the WSPs (see Chapter 5.6).

#### *Climate Change*

In general, the following aspects will be addressed by Climate Change in its alignment within the Water Fund:

- The refocusing of the Water Fund to adopt low carbon and green technologies in its financing approach, which contribute to the reduction of greenhouse gas emissions,
- Refocusing the Water Fund towards the importance of climate resilience and to generate new research into these problem areas of climate change,
- Additionally, the Water Fund will concentrate on greenhouse harvesting techniques and the development of ground water sources to ensure crop and livestock production that is not tied to erratic climate conditions.



# 5 INVESTMENT SERVICES

## 5.1 Overview of the Achievements of the Investment Services

The Water Fund has invested more than KES 7 billion directly to projects by June 2016 for water resources, supply and sanitation services to the underserved areas in Kenya. It has reached more than five million people with water and sanitation supply, covering both urban and rural areas. It has an outreach of over three million people supplied with water and sanitation covering both urban and rural areas. It improved the capacity of 100 water utilities (Water Service Providers — WSPs) to service the communities and to provide for sustainability. The Water Fund 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.

### Cumulative achievements 2005 - 2016

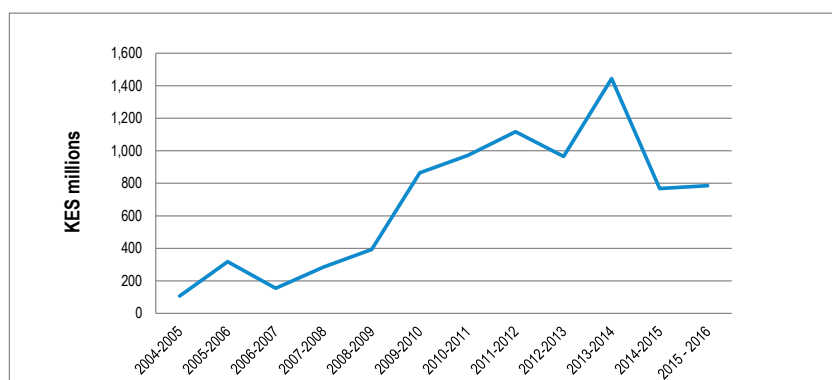


Figure 2: The Water Fund's cumulative investment January 2005 to June 2016

Table 1: Cumulative Water Fund investments per county 2005 - June 2016

No.	County	County Population	Water Fund Investment (KES)	% Contribution to Water Coverage	Actual Population Coverage - Water
1	Baringo	555,561	110,362,336	6.1	33,881
2	Bomet	724,186	62,162,645	2.6	18,776
3	Bungoma	1,630,934	136,512,609	7.8	127,657
4	Busia	743,946	238,613,005	31.4	233,878
5	Elgeyo Marakwet	369,998	72,633,956	9.6	35,568
6	Embu	516,212	239,523,420	16.6	85,440
7	Garissa	623,060	202,180,304	23.2	144,355
8	Homa Bay	958,791	313,955,873	17.3	166,252
9	Isiolo	143,294	262,181,516	35.4	50,755
10	Kajiado	687,312	256,670,881	24.2	166,158
11	Kakamega	1,660,651	177,007,311	9.9	164,199
12	Kericho	758,339	72,564,990	5.6	42,295
13	Kiambu	1,623,282	433,545,536	12.2	197,795
14	Kilifi	1,109,735	164,817,373	8.7	96,923
15	Kirinyaga	528,054	84,996,831	2.9	15,489
16	Kisii	1,511,422	72,534,792	5.0	76,265
17	Kisumu	968,909	178,268,102	13.7	132,512
18	Kitui	1,012,709	323,068,758	22.4	226,341
19	Kwale	649,931	267,118,678	15.7	102,197
20	Laikipia	399,227	282,361,718	26.8	107,059
21	Lamu	101,539	176,115,945	35.9	36,439
22	Machakos	1,098,584	350,385,601	16.9	185,530
23	Makueni	884,527	347,788,945	15.7	139,301
24	Mandera	1,025,756	72,173,153	4.8	48,994
25	Marsabit	291,166	90,615,780	23.6	68,828
26	Meru	1,356,301	162,785,170	6.0	81,577
27	Migori	917,170	42,757,329	1.6	15,000
28	Mombasa	939,307	56,363,613	2.6	24,700
29	Murang'a	942,581	89,928,121	4.9	46,242
30	Nairobi	3,138,369	77,676,013	2.0	64,056
31	Nakuru	1,603,325	155,855,595	7.4	117,905
32	Nandi	752,965	24,845,910	2.9	21,860
33	Narok	850,920	146,144,453	3.6	30,525
34	Nyamira	598,252	12,894,107	0.7	4,400
35	Nyandarua	596,268	108,013,571	5.6	33,256
36	Nyeri	693,558	190,270,829	14.1	97,790
37	Samburu	223,947	75,022,679	13.5	30,279
38	Siaya	842,304	125,139,790	11.1	93,622
39	Taita Taveta	284,657	85,117,836	11.6	33,151
40	Tana River	240,075	126,160,810	27.8	66,815
41	Tharaka Nithi	365,330	86,224,250	17.4	63,747
42	Trans Nzoia	818,757	57,386,266	4.2	34,078
43	Turkana	855,399	118,293,310	9.8	83,980
44	Uasin Gishu	894,179	106,224,466	6.7	59,883
45	Vihiga	554,622	59,161,108	9.5	52,810
46	Wajir	661,941	181,612,572	0.3	2,088
47	West Pokot	512,690	47,275,546	3.0	15,370
<b>NATIONAL TOTAL</b>		<b>39,220,042</b>	<b>7,123,313,401</b>		<b>3,776,021</b>

Population and water access figures are based on National Census of 2009



The table below shows the amount that each county has contributed to water. We recognise that counties have contributed in the past; however, the contributions are not quantifiable at the moment. In the previous projects, counties contributed in non-monetary ways such as through electricity, land, labour etc.

Table 2: Infrastructure realised and population reached July 2015 - June 2016

Investment Service	Infrastructure Type	Total Number Realised	Population Reached
Urban Investment	Pipeline extension (m)	314,372	Support the consumer interface
	Water kiosks	71	8520
	Consumer meters	9,607	96070
	Yard taps	64	1920
	Tanks	37	Support the consumer interface
	Pumping units	5	Support the consumer interface
	Public Sanitation Facility (sewer/ septic tank)	12	7,600
	UBSUP toilets		20,000
	DTFs	13 being constructed	130,000
Rural Investment	Pumping schemes	21	189,800
	Gravity schemes	10	95,750
	Sanitation projects	25	6,000
Water Resources Investment	Tree planting	444,900 trees	Support the consumer interface
	Tree nurseries	1,712,500 seedlings	DNA
	Water tanks 10m <sup>3</sup>	267	Support the consumer interface
	Spring protection	25	DNA
	Energy-saving stoves	322 improved jikos	Support the consumer interface
	Forest rehabilitation	336 ha	3.36km <sup>2</sup>
	Riparian pegging	67 km	DNA
	Gabions	364	DNA
	Subsurface/sand dams	14	Support the consumer interface
	Dam rehabilitation	1	DNA
	Djabias	8	Support the consumer interface
	Swamp rehabilitation	1	DNA
	Beehives	70	Support the consumer interface
	Malkas	15	DNA
	Earth dams	1	DNA
	Poultry /chicken	300	DNA
	Water troughs	30	Support the consumer interface
	Fencing of water pans	3	DNA
	Fencing of boreholes	5	Support the consumer interface
	Waste disposal pits	12	Support the consumer interface
Installation of Early Warning Systems	4	DNA	
Greenhouses	4	Support the consumer interface	
Result-Based Financing	Individual water connections	3,645	16,940
	Public water kiosks	16	4,576
	Yards taps	7	420

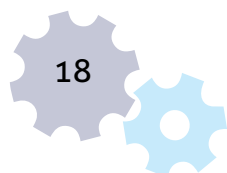
## 5.2 Development Partner Support

### *Support to Investments*

The Government of Kenya (GOK) covers the operational costs of the Water Fund and provides counterpart funding for projects. Several development partners provide financial and technical support to the Water Fund. The following table shows the Water Fund's Financing Agreements over the strategic period 2014 - 2019.

*Table 3: Summary of development partners' support over the strategic period 2014 - 2019*

	Financing Partner	Investment	Agreement Amt (varies with exchange rates)	Period of Agreement	Purpose of Support	Current Status
1.	Govt of Kenya	Urban Rural WRI RBF	KES 1.5 billion		WSTF'S operational and development activities Catchment protection activities around Thwake Dam	
2.	Sweden	Rural WRI	KES 750 million	2014 - 2018	Sweden, Finland and Kenya Joint Programme Support: - Water supply and sanitation in rural underserved areas through the water sector institutions in counties (water utilities etc.) - Water resource management through Water Resources Users Association (WRUA) Targeting 6 counties: Kwale, Nandi, Migori, Tharaka Nithi, Laikipia, Narok	Ongoing: MOUs have been signed with the 6 county governments. Financing of water utilities and WRUAs in this county done as 1st phase of programme implementation
3.	Finland	Rural WRI	KES 900 million	2014 - 2018		
4.	Denmark (Danida MTAP 1& 2)	WRI	KES 250 million	MTAP 1: 2014 - 2015  MTAP 2: 2015 - 2016 with renewal possibility	Support to Medium-Term Arid and Semi-Arid Lands (ASAL) Programme (MTAP) which is implemented through the Directorate of Arid and Semi-Arid Lands, Ministry of Devolution and Planning  Current and new programme works through Water Resource Management, (WDC) Community Water (CPC) and small Water, Sanitation and Hygiene (WASH) projects in 6 ASAL counties	Ongoing: Implementation for MTAP 2 is in progress
5.	EU SHARE (MTAP 2)	Rural	KES 330 million	2014 - 2016	This programme is supported by EU-Share through Danida for MTAP (Medium term ASAL Plan) Phase 2 support to Rural Investments	Implementation ongoing and expected to end in December 2016



	Financing Partner	Investment	Agreement Amt (varies with exchange rates)	Period of Agreement	Purpose of Support	Current Status
6.	Germany (KfW)	Urban RBF	KES 2.1 billion	Phase II 2014-2015 Phase III 2015-2017	Support provision of water supply and sanitation for the urban low-income areas through Urban Project Cycle (UPC)  KfW has a component of Aid on Delivery (AOD) is providing 50% subsidy for commercial loans to Water Service Providers who in turn will increase connections to low-income areas. The programme targets Kenyan towns and cities except Nairobi	Ongoing
7.	Bill and Melinda Gates Foundation (BMGF)	Urban	KES 700 million	2011 - 2017	Supports Up-scaling of Basic Sanitation for the Urban Poor (UBSUP) through subsidised provision of plot and household sanitation	Ongoing: UBSUP first phase is completed in Oloolaiser, Nakuru and Embu and upscaling began in 2014
8.	IFAD	WRI	KES 600 million	2014 - 2020	This Programme called UTaNRMP targeting sustainable resource management in the Upper Tana region. Under the Programme WSTF is the Funding Instrument for grants to WRUAs and related community-based organisations.	Ongoing: The MOU with WSTF was signed in April 2014 and implementation has begun
9.	World Bank	RBF	USD 11.835 million	2014 - 2018	Output-Based Aid (OBA) is providing 60% subsidy for commercial loans to WSPs who in turn will increase connections to low-income areas. The programme targets Kenyan towns and cities except Nairobi.	Ongoing: The Grant Agreement between GOK and the World Bank was signed in September 2014 and implementation began in the Financial Year 2014-2015
10.	Germany (GIZ)	Water Fund Urban	Technical Cooperation	2007 to December 2016	Institutional development of the Water Fund Support to the UBSUP	Ongoing
11.	Govt of Finland & Sweden	Rural WRI	Technical Cooperation	October 2014 to December 2018	To enhance the capacity and efficiency of the Water Fund and the implementing partners through support in MIS, M&E, development of the County Engagement Strategy, institutional business management. PMIS has been developed and launched. Counties to be supported have been selected and funding has been disbursed for project implementation.	Ongoing: The programme is ongoing and the TA support is required to meet the programme objectives

## 5.3 Urban Investments

### 5.3.1 What is the Urban Investment?

The **Urban Investments through its Urban Projects Concept (UPC)** was established in 2007 to respond to the specific water and sanitation challenges of urban low-income settlements in Kenya. There are approximately 2,000 low-income areas in the country with an estimated total population of close to eight million. These low-income areas, which are a mixture of unplanned informal settlements and planned low-income residential areas, have inadequate water supply and sanitation.

The portfolio of the urban investments has grown over time and today it comprises of two components:

- i. Urban Projects Concept (UPC) was developed in 2007 to respond to the water and public sanitation challenges of urban low-income areas
- ii. Upscaling Basic Sanitation for the Urban Poor (UBSUP) was initiated in 2011 to respond to household/ plot level sanitation challenges

The Urban Investment'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 utility level,
- Ensuring that low-income areas are perceived as a business opportunity.

#### *Target Clients*

The Urban Investment Programme primarily targets the urban poor living in both planned and unplanned low-income areas. The projects are implemented through registered water utilities, the WSPs, throughout the country. Besides implementation, the WSPs are responsible for the management of project funds as well as for the successful and sustainable operation of the project.

### 5.3.2 How the Urban Investment Programme works

The Urban Investment Programme is enabling the WSPs to extend their formalised services to the unserved and underserved urban poor living in low-income areas by financing projects that incorporate simple, cost-effective and sustainable technologies. The Water Fund provides various forms of support to water utilities, urban communities and other stakeholders including:

- Funding for project proposals that address the urban poor with improved water supply and sanitation services,

- Data on almost all urban low-income areas in the database MajiData, which facilitates the preparation of project proposals by the water utilities,
- Online toolkits that assist the water utilities, the communities involved and other stakeholders to plan, implement and operate water supply and sanitation schemes in low-income areas,
- Technical standards, drawings and bills of quantities,
- Regular workshops for water utilities enabling the members of staff of the providers to share experiences and learn from challenges faced and best practices,
- Visualisation (online) of all implemented projects with a focus on project operation.

The financing of the projects in the Urban Investments programmes, including both UPC and UBSUP, with funds from different development partners, is done through Calls for Proposals (CfP). With every launch of a Call for Proposals, the urban water utilities are invited to prepare and submit proposals for the improvement of water supply and sanitation in the low-income areas within their service area. The Water Fund then does the appraisal and the awarding of project proposals. The CfP approach encourages competition and an efficient allocation of funds.

The figure below shows the various support tools, measures and activities the Water Fund provides during the various phases of a Call for Proposals project cycle:

Figure 3: Standardised Call for Proposals project cycle and support provided by the Water Fund

Phases of the Call for Proposals project cycle					
Launch of the Call for Proposals	Proposal preparation by water utilities	Proposal appraisal and awarding by the Water Fund	Project implementation	Project operation	Project evaluation
Water Fund support tools and activities					
P&I Document	Toolkits	P&I Documents	Toolkits	Toolkits	Toolkits
UPC Help Desk	UPC Help Desk	<ul style="list-style-type: none"> <li>• Feedback and proposal writing workshop</li> <li>• UPC Help Desk</li> </ul>	<ul style="list-style-type: none"> <li>• Implementation workshop</li> <li>• County Resident Monitors</li> <li>• UPC Help Desk</li> <li>• Monitoring visits</li> <li>• Audits</li> </ul>	<ul style="list-style-type: none"> <li>• County Resident Monitors</li> <li>• UPC Help Desk</li> <li>• Monitoring visits</li> <li>• Audits</li> </ul>	<ul style="list-style-type: none"> <li>• Water Fund Evaluators</li> <li>• UPC Help Desk</li> </ul>



Figure 4: Standardised Project Cycle of the Urban Investment



Step 1: Call for proposals (WSTF)



Step 2: Data collection  
Step 3: Proposal preparation (utility)



Step 4: Evaluation of proposals  
Step 5: Approval & awarding (WSTF)



Step 6: Implementation (utility)



Step 7: Operation (utility)



Step 8: Project evaluation (WSTF)

The following figure shows the project implementation timeframe of a Call for Proposals. The Investment monitors the implementation of projects by the water utilities. Each project is supported by a County Resident Monitor who keeps track of the project's implementation and operation and reports back to the Water Fund. CRMs also support water utilities in procurement, site selection, ensuring quality of work and consumer engagement.

Figure 5: CfP project implementation timeframe

Step No.	Description	Duration (months)																			
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	00	
1	Launch of the Call for Proposals by the Water Fund																				
2	Collection of data by the water utilities																				
3	Preparation of proposals by the water utilities																				
4	Evaluation of the proposals by the Water Fund																				
5	Awarding of projects by the Water Fund																				
6	Project implementation by the water utilities																				
7	Operation of the project by the water utilities																				
8	Evaluation of the project																				
Phase:		CfP			IMPLEMENTATION						OPERATION										

The current set of technologies being implemented range 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.

### 5.3.3 Achievements of the Urban Investment

For the people living in urban low-income settlements, the Urban Investment interventions have brought better health for children and adults, and improved living standards. A survey carried out to assess the impact of water kiosks showed



overwhelming acceptance by the residents, who reported improved access to 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.

Since 2007, KES 3.6 billion has been invested by the Urban Investment. The impact of these investments is manifold: Approximately two million urban Kenyans have been reached with improved water supply and public sanitation services.

The outputs of the projects include:

- Construction of 646 water kiosks,
- Construction and rehabilitation of 2,013,865 km of pipeline,
- Construction of public sanitation facilities, water storage tanks, yard taps and installation of pumping units,
- Successfully piloted prepaid yard taps with the Nakuru Water and Sanitation Services Company,
- Subsidy provision for household sanitation and commercial loans.

Additional impact has been achieved such as capacity building of water utilities, the launch of MajiData and the development of new technologies.

The Urban Investment successfully piloted the Up-scaling Basic Sanitation for the Urban Poor (UBSUP) programme in three water utilities. The programme aims to improve sanitation at household and plot level. This has been upscaled countrywide and so far 20 water utilities are implementing the 1st Call for Proposals for UBSUP. Marketing of improved SafiSan toilets has been done and solutions along the entire sanitation value chain have been supported. UBSUP aims to reach up to 400,000 people with adequate sanitation.





The following matrix highlights the major achievements of the Urban Investment.

Table 4: Achievements of the Urban Investment

Projects Awarded	Year	Type of Project	Development Partner	Investment (KES)	Population Reached
<b>1st Call</b>	2009	9 water projects	KfW	KES 69.7 million	86,381
<b>2nd Call</b>	2010	27 water projects 9 sanitation projects	EU KfW	KES 323.6 million	144,207
<b>3rd Call</b>	2011	28 water projects 4 sanitation projects	EU KfW	KES 342 million	261,964
<b>4th Call</b>	2011	36 water projects 5 sanitation projects	EU KfW	KES 449 million	168,764
<b>5th Call</b>	2012 and 2013	60 water projects 10 sanitation projects	EU KfW	KES 858 million	549,270
<b>6th Call</b>	2013	35 water projects 10 sanitation projects	KfW	KES 518 million	293,055
<b>7th Call</b>	2015	38 water projects 10 sanitation projects	KfW	KES 686 million	201,768
<b>UBSUP Pilots</b>	2011	3 sanitation projects	KfW & BMGF	KES 108.7 million	29,700
<b>UBSUP 1 Cfp</b>	2015	20 sanitation projects	KfW & BMGF	KES. 203 million	120,000
<b>TOTAL</b>		<b>235 water projects 71 sanitation projects</b>		<b>KES 3,638 billion</b>	<b>1,855,758</b>

*Counties funded under the Urban Investments  
from July 2015 – June 2016*

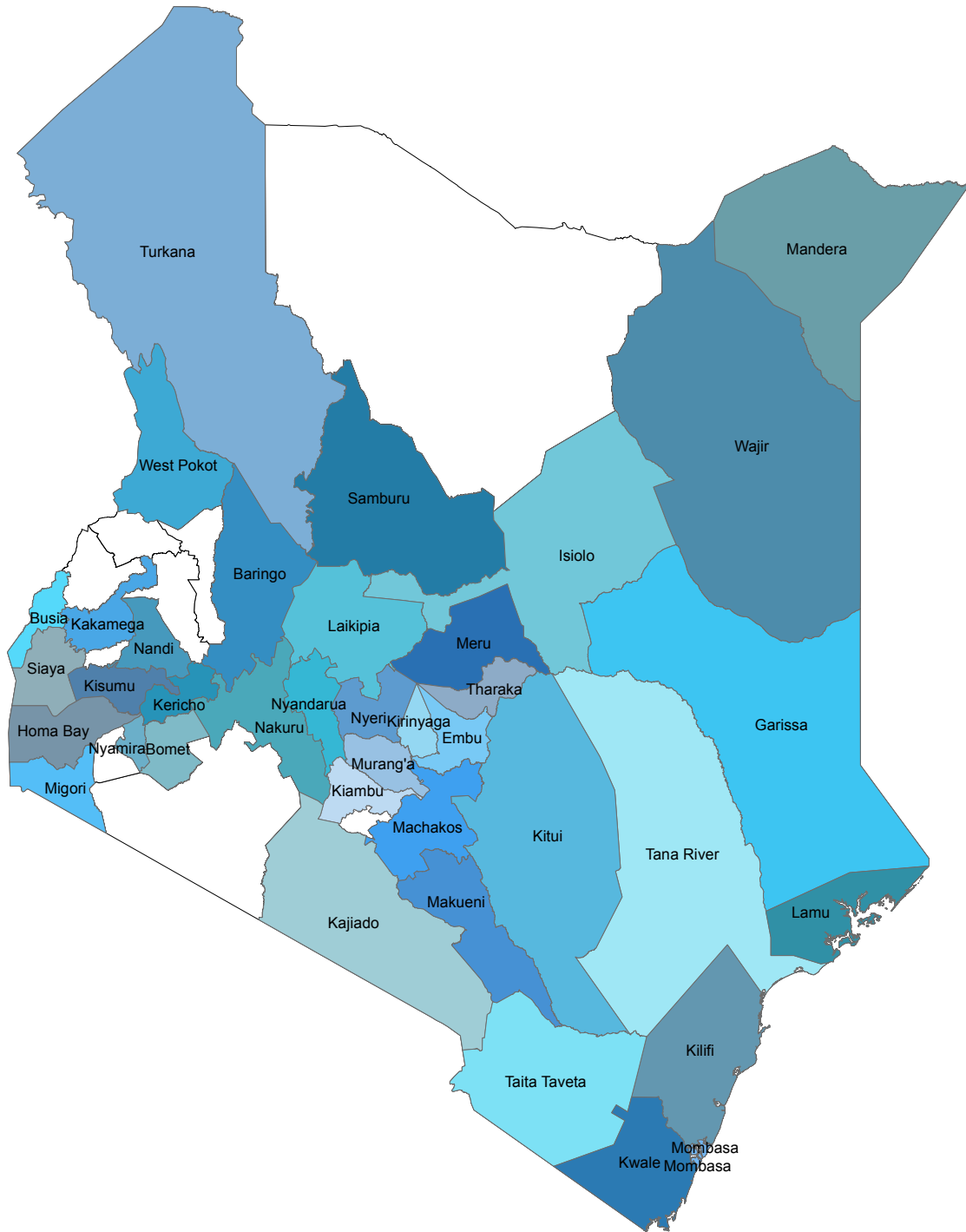


Table 5: Achievements of the Urban Investments UBSUP Programme per county, July 2015 – June 2016

No.	County	Investment	Target pop.	Partner	No.	County	Investment	Target pop.	Partner
1	Baringo	KES 16.6M	5,150	KfW	20	Makueni	KES 16.8M	3,900	KfW
2	Bomet	KES 18.7M	4,300	KfW	21	Mandera	KES 19.3M	6,400	KfW
3	Busia	KES 17.8M	7,800	KfW	22	Meru	KES 8.9M	3,430	KfW
4	Embu	KES 31.2M	15,760	KfW	23	Migori	KES 18.5M	8,000	KfW
5	Garissa	KES 21.4M	4,550	KfW	24	Mombasa	KES 16.6M	1,400	KfW
6	Homa Bay	KES 13.4M	4,620	KfW	25	Murang'a	KES 5.3M	600	KfW
7	Isiolo	KES 15.1M	2,850	KfW	26	Nakuru	KES 15.4M	5,100	KfW
8	Kajiado	KES 19.2M	10,000	KfW	27	Nandi	KES 5.3M	800	KfW
9	Kakamega	KES 17.2M	9,800	KfW	28	Nyamira	KES 18.7M	4,350	KfW
10	Kericho	KES 19.2M	4,700	KfW	29	Nyandarua	KES 14.2M	5,000	KfW
11	Kiambu	KES 11.2M	4,400	KfW	30	Nyeri	KES 24.5M	5,800	KfW
12	Kilifi	KES 39.9M	14,100	KfW	31	Samburu	KES 18.4M	5,600	KfW
13	Kirinyaga	KES 15.8M	2,000	KfW	32	Siaya	KES 36.1M	9,050	KfW
14	Kisumu	KES 12.1M	5,000	KfW	33	Taita Taveta	KES 25.3M	6,800	KfW
15	Kitui	KES 16.1M	4,600	KfW	34	Tana River	KES 17.9M	3,430	KfW
16	Kwale	KES 13.9M	1,600	KfW	35	Tharaka Nithi	KES 17.8M	6290	KfW
17	Laikipia	KES 25.3M	4,800	KfW	36	Turkana	KES 19M	2,000	KfW
18	Lamu	KES 16.3M	5,400	KfW	37	Wajir	KES 24.1M	4,000	KfW
19	Machakos	KES 24M	7,600	KfW	38	West Pokot	KES 5.3M	800	KfW

### 5.3.4 Development partners

Since 2008, the Urban Investment 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 Water Fund through the Water Sector Reform Programme in 2007. Their main role at the Water Fund is the provision of technical support for the Urban Investments, including UBSUP.

In July 2011, the Bill & Melinda Gates Foundation (BMGF) partnered with the Water Fund, KfW and GIZ to roll out the five-year urban sanitation programme UBSUP that aims to provide sustainable sanitation services to an additional 400,000 people in Kenya's urban low-income areas. The Investment specifically targets 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 the Water Fund to implement Aid on Delivery (AOD) which provides a 50% subsidy for commercial loans to WSPs for water and sanitation projects. The World Bank has partnered with the Water Fund to implement Output-Based Aid (OBA) which provides a 60% subsidy for commercial loans to WSPs who in turn will increase connections to low-income areas (see chapter 5.6).

## SUCCESS STORY

### Nakuru Water and Sanitation Services (NAWASSCO) and Mavoko Water Company before and after the WSTF-UPC Project

#### Social Impacts of UPC Project Funding

##### A) WSP-community relationship:

The capacity building by WSTF and its county resident monitors (CRMs), formerly known as field monitors (FMs), has enabled the WSP build very good rapport with the community members and customers. The reluctance and barriers in customers and community reporting pipe bursts and leakages are gone; the WSP has a toll-free line through which the customers reach the WSP and report any complaints. The WSP has incorporated social services to the community where orphanages are visited and blankets and free foodstuffs are distributed annually. There are many open days where the WSP meets and interacts with its customers to exchange ideas, discuss challenges and enhance awareness and sensitization.

#### Technical Impacts of UPC Project Funding

##### B) UfW, bursts, illegal connections and leakages:

Nawassco registers a very significant decline in their unaccounted-for water of 16% — before WSTF-UPC project funding, their UfW was at 58% and the same currently stands at 42%. Other areas in Nakuru, for instance Naka, had UfW at 58% but currently experience the same at only 6%. Western Zone of Nakuru recorded UfW at 58% before the UPC Funding and currently records it at 22%.

The WSP has put in place Proactive Leakage Control (PLC) where the WSP moves around with equipment to measure leakages on the transmission mains. This has greatly controlled leakages.

On illegal connections, the WSP has put in place an Illegal Use Reduction Team (IURT) that gets information from the company-designated zones.

#### Indicators

##### *Reduced spending on water, improved living conditions:*

Yard tap beneficiaries in Nakuru confessed that the idea of yard tap construction has been of much help to them. Landlords/ladies for instance admit that the hygiene within the plots have greatly improved in that yard taps have a very well designed fetching bay that enables water collectors fetch water in a clean environment, unlike the old tap where water containers were just put on the bare ground.

One John Ochieng Ngutu, a landlord aged 62 years with a family of 18 persons and a resident of Rhonda in Nakuru, used to spend over KES 100 per day on water due to his large family size. This literally translates to over KES 3,000 per month spent on water since a 20-litre jerry can was sold at KES 10 by water vendors. He currently gets a monthly water

bill of between KES 300 and KES 650. He further reveals that the savings so far made on water have been diverted to his children's school fees and paying of electricity bills to enable his children read and revise at home.

*Reduced spending on medication for cholera, typhoid and diarrhoea:*

When comparing with the year 2010, before Nawassco received their first UPC Project Funding, a group comprising the Public Health Officer (PHO), village elder, Women Representative, Youth Representative, CBO representatives and Area Chief, who were interviewed in a focus group discussion, confirmed that Rhonda was well known for water-related outbreaks of disease. To make matters worse, during the month of April when there were long rains, doctors and health personnel would be on standby due to the well-known fact that there would be a disease outbreak. WSTF, through Nawassco water projects in the area, has brought about a decline in water-related diseases hence reduces spending on medication. Most water collection points and sources were not clean and or could not be tested to be hygienic.

*Increased time in school, increased child cleanliness and reduced child labour:*

A case study of Mavoko Water Company revealed that children mostly were given the task of collecting water from the distant water collection points. They would be bypassed by the adults and sometimes deliberately delayed at the water collection points to avoid going to school. The water scarcity meant that children would only bathe once a week, on a Saturday, when they were all allowed to go to the nearest river, the Athi, over 1 km away. There were occasions when parents would skip meals because they wanted to save on food in order to afford water. In Nakuru's Rhonda estate, it emerged that some little girls ended up in marriage when they were sent to fetch water in Shabab estate, approximately 3 km from Rhonda.

## Sanitation

It emerged from the focus group discussion at Mavoko's Slaughter Area that the area was originally known as 'Cargo Area' where flying toilets (plastic bags as depositories of human waste) were the order of the day. Husbands would literally accompany their wives for a long call because no one was certain about what would befall their wives in the process of relieving themselves. The WSP partnered with the PHO at Mavoko and with the UPC funding, sanitation sanity was restored and currently, residents prefer to stay on plots with well-connected sewer toilets. In Nakuru's Rhonda estate, residents were scared of the high cost of individually connecting to a sewer line, which at the time could cost a group as much as KES 115,000. Currently, they only need to part with a connection fee of KES 2,500.



### *Key elements of the Urban Investments' success*

A number of factors contribute to the success of the Urban Investment:

- Transparent procedures and funding criteria
- Competitive allocation of funds through Calls for Proposals (“value for money”)
- Embedment in the sector framework: alignment to sector strategies
- Use of local institutions for implementation (only registered water utilities)
- 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 surveys and information systems, and long-term performance monitoring of utilities
- Capacity building of the water utilities to enable them to implement the projects
- Repetition of standardised project cycles allows for continuous improvement
- Use of the county resident monitors in monitoring of the projects

### *Challenges and future perspectives*

Some of the challenges being faced by the Urban Investment include:

- Inadequate funds to finance all the proposals that meet the criteria for funding,
- Slow implementation of the projects by the water utilities. The water utilities are not able to complete the projects within the given periods,
- Initially slow uptake of the UBSUP projects,
- Audit issues contributed to unquestioned costs that the water utilities can address but that were not given any priority.

#### **TARGETS**

- 446 projects by June 2019 to serve 2.4 million people
- 25 sanitation projects by June 2019 to serve 531,210 people

Future prospects include the opportunity to work with the counties in supplying water and sanitation in the underserved areas of Kenya. Also, there are innovation opportunities for project implementation, data collection and reporting.



## ◆ PILOT ◆ PROJECT

### Up-Scaling Basic Sanitation for the Urban Poor (UBSUP)

SafiSan is an UBSUP project funded by the Bill and Melinda Gates Foundation. Embu was chosen as the location for a pilot study, together with Nakuru and Oloolaiser water service providers. The basic objectives of UBSUP are four-fold:

- i. To provide sustainable sanitation for over 400,000 people and safe water for 200,000 in the urban low-income areas in Kenya,
- ii. To develop and put in place a monitoring system for tracking access to safe water and basic sanitation facilities for urban low-income area dwellers, and accessible to the public (i.e. an online database),
- iii. To build capacity so as to enable sector institutions, civil society organisations and small-scale private entrepreneurs to actively participate in the provision of basic sanitation to the urban low-income areas, and promote cooperation with research institutes that results in improved sanitation options,
- iv. To develop a sanitation up-scaling concept in line with the sector reforms that ensures sustainable use of facilities and leads to the further development of the sub-sector.

#### Implementation principles

The financing of sanitation facilities at both the household and plot level will entirely be influenced by demand for the sanitation facilities from 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 publicised under WSTF, the Ministry (MWI) 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 concentrated on construction of sanitation facilities but also extends to improving the 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. They comfortably took the lead and achieved the 200 toilet mark (first among their peers). The pilot project was funded to a tune of KES 11,668,419 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, MajiData, 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. The project began with internal training for the project team, involvement of the Public Health Officer, community leaders 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

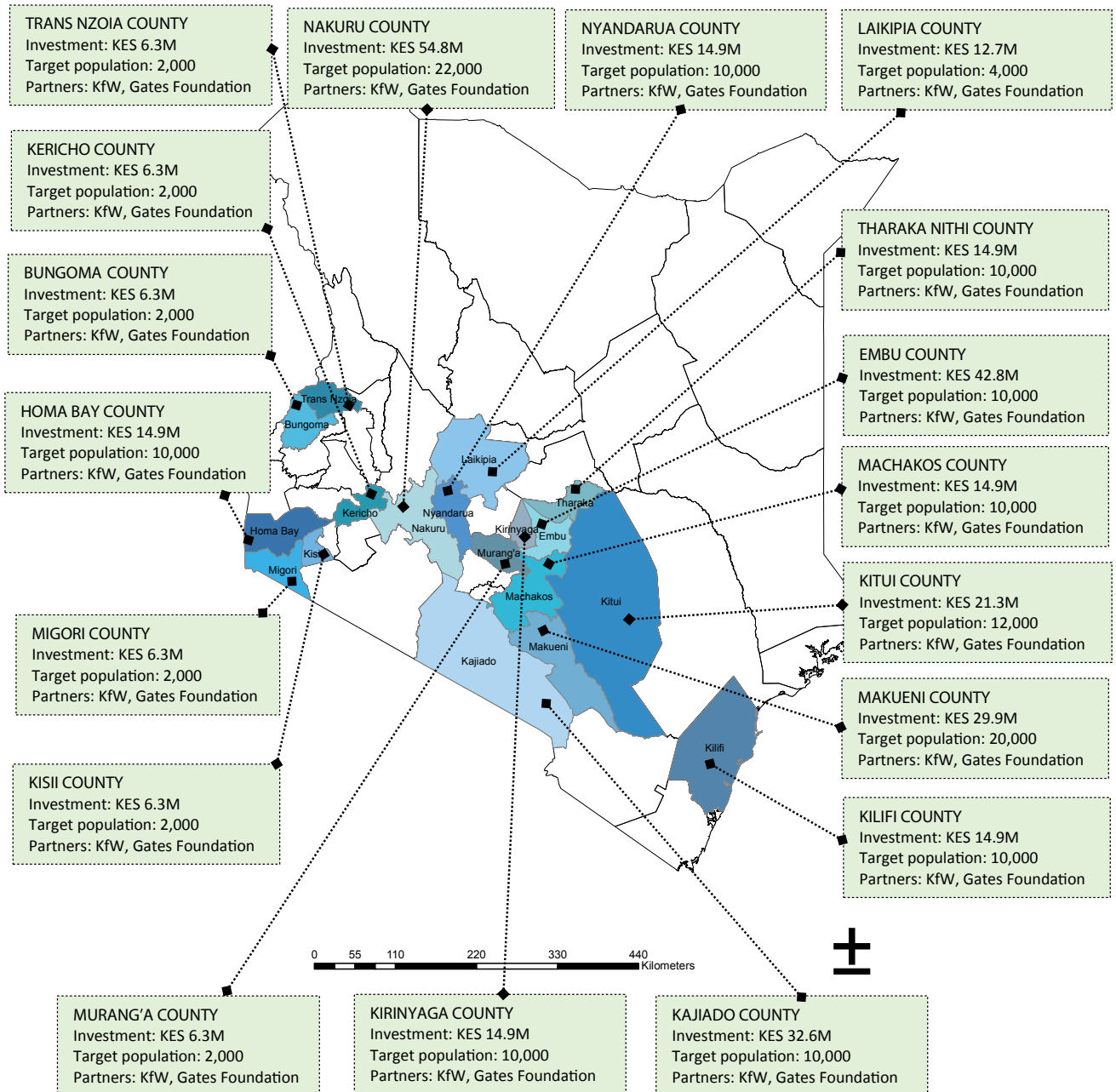
- a) A beneficiary is identified, a toilet constructed by the beneficiary and a subsidy of KES 20,000 given for every toilet built under supervision of the project. A total of KES 7.6 million has been paid as subsidy.
- b) Each toilet built benefits at least 10 people.
- c) The first phase of 200 toilets has translated to 2,000 people benefiting from better sanitation and sanitation facilities.
- d) A Decentralized Treatment Facility (DTF) 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 also expand to other areas.
- e) The community around the Decentralized Treatment Facility will also benefit from the biogas that 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 collectors 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 and GIZ representative gained have 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 they are already moving into the second phase to carry out the pilot project in the whole country.





*UBSUP investments up to 2016*



## 5.4 Rural Investment Programme

### *What is the Rural Investment Programme?*

The Rural Investment Programme in the Water Fund is mandated to finance water and sanitation projects in the underserved rural communities across Kenya. It is the pioneer funding mechanism at the Water Fund and began financing projects in late 2005.

The key implementers are community-based organisations and increasingly water utilities who are involved in the preparation, planning, implementation and sustainability of their own projects. The programme relies upon outsourced support services from the private sector to offer technical support while the county governments assure coordination and supervisory roles. The projects funded through the Rural Investment Programme focus on the poor underserved communities in Kenya who are viewed as financial unviable and that are unattractive to the traditional commercial-based service providers. It focuses on target areas that are water stressed and that lack investment in water and sanitation facilities.

The Rural Investment Programme objectives are to:

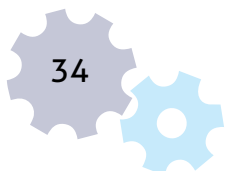
- Ensure that the poorest rural target areas have access to improved water and sanitation services
- Enhance the capacity of the implementers to realise their programmes successfully by providing technical, advisory and capacity development support

### *How the Rural Investment Programme works*

The Rural Investment Programme works through the following funding mechanisms: Rural Utilities, Medium Term ASAL Programme (MTAP) and WASH mechanisms. Each of the funding mechanisms promotes the definition of roles within the sector for good governance through independent oversight and monitoring of resource utilisation. The Water Fund is responsible for ensuring that the fiduciary risks are minimised through effective funding and monitoring mechanisms.

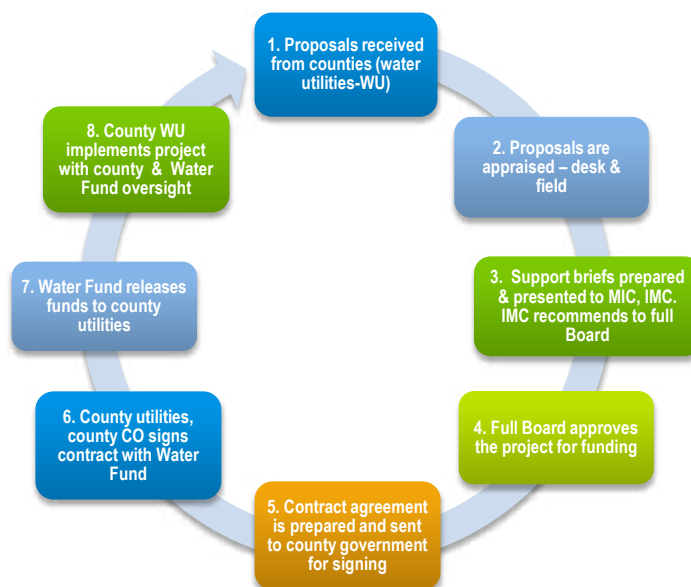
#### 5.4.1 Rural Utilities

The Rural Utilities Programme is an improved version of the former Community Project Cycle whose focus is to work with legal entities in the counties to enhance their capacity to apply for, design, manage, implement and maintain their own water and sanitation facilities in a sustainable manner. It is also called Joint 6 Programme (J6P) supported through the governments of Sweden, Finland and Kenya. This became necessary due to devolution and the new governance structures in Kenya under the Constitution 2010, in order to align and collaborate with the counties in its operations. This approach focuses on six counties, namely Laikipia, Kwale, Migori, Nandi, Narok and Tharaka Nithi with financial support from the governments of Finland and Sweden in a joint financing agreement.



At the moment, Rural Investments Programme is implementing two programmes: Government of Sweden/Finland/Kenya (Joint 6) Programme and the EU/DANIDA-supported ASAL programmes. The following figure shows the rural investment funding process.

Figure 6: Illustration of the Rural Utilities Programme funding process



#### 5.4.2 Medium Term ASAL Programme (MTAP)

The Medium-Term Arid and Semi-Arid (ASAL) Programme, MTAP in short, was funded by the governments of Kenya and Denmark and implemented through the Ministry of State for Development of Northern Kenya and Other Arid Lands (MDNKOAL). The development objective of the MTAP is to “contribute to reduced poverty in the context of Kenya’s Vision 2030 and of safeguarding the state of the environment and promoting sustainable management of natural resources”. The MTAP is intended to contribute towards empowerment, resilience and food security in drought-prone areas and marginalised counties targeted by the programme. It focuses on six counties i.e. Lamu, Tana River, Garissa, Isiolo, Marsabit and Wajir. The Water Fund has implemented two programmes under this financing mechanism, MTAP 1 and MTAP 2. Under MTAP 1, the Water Fund disbursed KES 451 million. The Programme implemented 361 small WASH grants and 18 Community Project Cycle projects.

After the closure of MTAP, EU Share came in to support MTAP 2 Programme in the Rural Investment Programme. The SHARE Programme will run for four years and aims to strengthen food security and build disaster resilience in the region, in line

with Kenya's Ending Drought Emergencies Strategy, hence improving the transition from emergency assistance to sustainable development. The total investment is KES 303,099,375 disbursed to support 32 water and sanitation projects targeting 181,998 beneficiaries.

### 5.4.3 WASH Programme

The WASH programme is implemented in public institutions e.g. dispensaries, health centres and schools. It is targeted towards hygiene promotion and improving the water and sanitation services in these institutions. It was previously implemented alongside the water project in MTAP 1, supported by Danida, where 360 schools and health centres were funded. It is envisaged as a stand-alone programme going forward and Wajir Girls Secondary School Water Project will be the first of its kind to be funded through this approach in the next financial year.

#### *Target clients*

In accordance with devolution and with pro-poor guidelines, the Rural Investment Programme is working with selected target counties — Garissa, Lamu, Isiolo, Tana River, Marsabit, Wajir, Nandi, Narok, Migori, Kwale, Laikipia and Tharaka Nithi. The Rural Investment Programme ensures transparent selection of communities based on need, targeting the poorest communities in Kenya. The criteria used to select the counties included the Poverty Index, the level of investment in water and sanitation infrastructure, the access to quality water services and the sanitation coverage levels.

#### *Achievements of the Rural Investment Programme*

The Rural Investment Programme to date has initiated projects worth KES 2.4 billion, reaching a population of approximately 1.2 million people under the Non-CPC and CPC projects. In total, 300 water and sanitation projects have been funded.

In the financial year 2015-2016, 32 water and sanitation projects have been funded under MTAP 2 Programme at a total cost of KES 303,967,825 targeting 181,998 beneficiaries. Joint 6 Programme has funded 31 water projects at a cost of KES 421,896,838 with a target of 285,550 people. 25 sanitation projects were funded at a cost of KES 26,431,951 targeting 5,600 people.

*Table 6: Overview of the disbursement to the Rural Investment Programme from July 2015 – June 2016*

Financial Year	Disbursements	Population Targeted
2015-2016	586,668,905.36	445,148

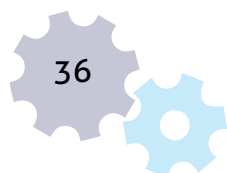
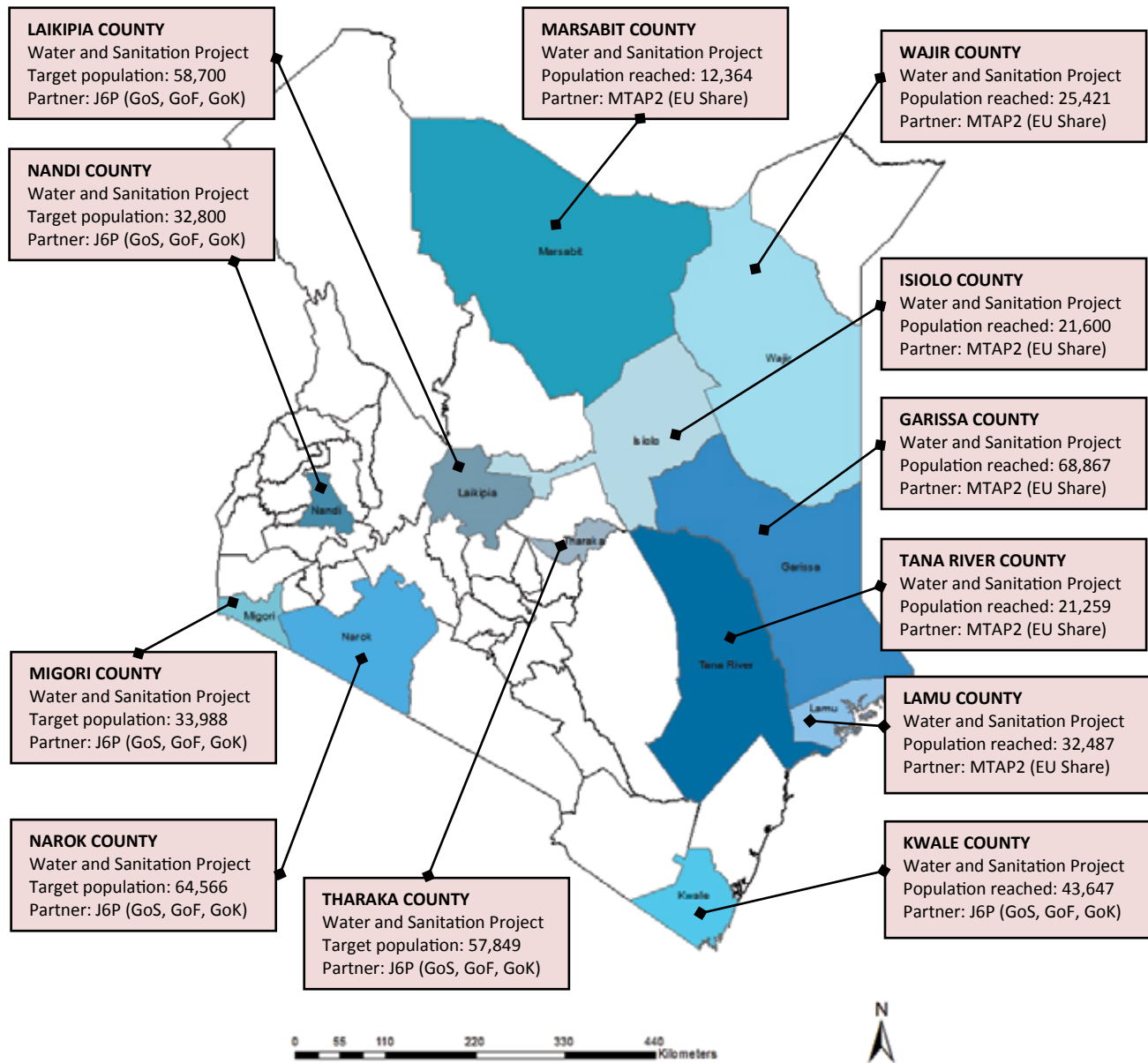


Table 7: Achievements of the Rural Investment Programme per County from July 2015 – June 2016

County	Type of Project	Year	WSTF Investment	Target Population	Donor
<b>Joint 6 Programme</b>					
<b>Narok</b>	Water	2015/2016	64,808,465	64,566	J6P
<b>Migori</b>	Water	2015/2016	87,050,270	31,888	J6P
<b>Migori</b>	Sanitation	2015/2016	7,161,400	2,100	J6P
<b>Nandi</b>	Water	2015/2016	36,724,416	18,200	J6P
<b>Nandi</b>	Sanitation	2015/2016	5,689,600	1,300	J6P
<b>Tharaka Nithi</b>	Water	2015/2016	62,223,864	57,299	J6P
<b>Tharaka Nithi</b>	Sanitation	2015/2016	3,865,245	550	J6P
<b>Laikipia</b>	Water	2015/2016	55,733,260	43,000	J6P
<b>Laikipia</b>	Sanitation	2015/2016	2,111,152	600	J6P
<b>Kwale</b>	Water	2015/2016	69,304,529	42,897	J6P
<b>Kwale</b>	Sanitation	2015/2016	4,883,553	750	J6P
			<b>399,555,754</b>	<b>263,150</b>	
<b>MTAP 2</b>					
<b>Garissa</b>	Water & Sanitation	2015/2016	52,509,396	68,867	EU Share
<b>Isiolo</b>	Water & Sanitation	2015/2016	49,406,827	21,600	EU Share
<b>Lamu</b>	Water & Sanitation	2015/2016	48,508,340	32,487	EU Share
<b>Marsabit</b>	Water & Sanitation	2015/2016	48,419,282	12,364	EU Share
<b>Tana River</b>	Water & Sanitation	2015/2016	48,299,500	21,259	EU Share
<b>Wajir</b>	Water & Sanitation	2015/2016	56,824,480	25,421	EU Share
			<b>303,967,825</b>	<b>181,998</b>	

*Rural Investments per county and per donor*



## SUCCESS ◆ STORY ◆

### Merti Community Water Users Association in Isiolo County

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 25,000 people. Although it is situated in a semi-arid area, the Merti Community Water Users Association is changing the face of the town by working towards ensuring that the community 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 depended entirely on the nearby seasonal Ewaso Ng’iro River for all their water needs and when it dried up, the people had nowhere to get water for their animals and domestic use. This scarcity 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 that 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 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 the Water Fund” says Roba Halkhano, the secretary of Merti Water Users Association.

Impressed by this ambitious vision of the community in Merti, the Water Fund through its Rural Investment Programme invested KES 7.6 million in the project and the local community contributed KES 800,000 in the form of labour and construction materials. The funding from the Water Fund enabled the Merti Community Water User Project to hire more technical staff, abandon water kiosks and increase the number of individual meters, rehabilitate two core project boreholes and embark on an ambitious piping and extension of clean water from Merti town to Mulanda Nur, a village situated 8 km 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 Users Project is a proud, well-managed communal initiative, serving more than 20,000 people through 1000 metered connections with a staff of nine. Every month, the project charges each user a minimum of KES 200 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 are schools, hospitals, churches, business establishments, police stations and mosques. Although Merti still remains a harsh semi-arid area, the community's big water dream — slowly but surely being turned into reality — is a source of great communal pride and a story that is inspiring and shaping the future of this resilient community.

**SUCCESS  
◆ STORY ◆**

**Ngumi Water and Sanitation  
Project in Kiambu County**

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

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 the Water 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 the Water Fund, impressed by the residents' plan to solve their persistent water problem, partnered with them through its Rural Investment Programme. "WSTF funded our project in two phases, the first phase is where we put up the structures and sunk a borehole for the cost of KES 8 million. The Ngumi community contributed 15% of that amount through labour and construction materials. The second phase was also funded by the Water Fund at the cost of KES 4 million," explains Karanja Mungai.

The Water 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 delivers clean piped water to its members and a host of other beneficiaries including schools, hospitals, churches and even farmers who are practising greenhouse agriculture. The project has also constructed modern toilets and sanitation facilities, located in selected public places, to improve hygiene and reduce the disease burden amongst the community. Ngumi Water and Sanitation Project has so far connected and serves 170 households, which translates to over 3000 residents, with clean piped water, and remains a big success and example of how a community can transform lives by working together.



#### 5.4.4 Development Partners

The Rural Investment Programme has received financial support from the European Union, the governments of Denmark, Finland, Sweden and the Netherlands, and the World Bank. The Kenyan government covers operational costs of the Water Fund while the development partner funds are directed towards the project implementation activities.

*What are the key elements of the Rural Investment Programme's success?*

The Rural Investment Programme's success is based on several factors. It:

- Ensures transparent selection of communities/ water utilities, 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, and 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 for ensuring sustainability.

In addition:

- Participation, good governance and transparency enhance accountability,
- Democratic elected management committees and participatory approaches to project implementation are key ingredients towards successful projects.

#### *Challenges and Future Perspectives*

A challenge for the Rural Investment Programme is the support to devolution and the transition from the CPC programmes to new mechanisms. Within this process, the responsibilities for water and sanitation were transferred to the counties. The water utilities (water service providers and water user associations) replace the community-based organisations with a legal mandate in order to increase sustainability. The Rural Investment focuses its activities on county priorities based on their County Integrated Development Plans.

#### **TARGETS**

- To fund 82 water and 57 sanitation projects by 2017
- To reach 292,000 people in rural areas

### Cross-Cutting Issues

**HIV/AIDS:** In the Rural Investment Programme emphasis is placed on sensitization and supporting the affected and infected persons in the community through ensuring they have access to clean water to assist in improving their health status. It is also through sharing of information and linkages to institutions supporting the affected and infected. Training manuals have been produced for the implementers to sensitize and involve affected persons in the planning and siting of water and sanitation interventions. Brochures from the National AIDS Control Council are also circulated to the beneficiaries during project launch and commissioning. The implementers adhere to the National AIDS Policy.

**Gender Equity and Social Inclusion (GESI):** The Rural Investment Programme is working towards realising gender equity and social inclusion in its programmes. The integration of equity is a critical component in water and sanitation programmes since it gives value to socio-economic differences and diversity. The Rural Investment advocates for 1/3 gender representation at all decision making levels and 1/5 inclusion of persons with disability in all sections of project implementation. This is part of the government policy to empower the marginalized community.

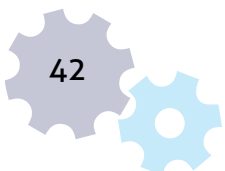
The Rural Investment Programme also faces the challenge to change from grants to credits/ subsidies and commercial financing. It supports developing systems for the counties and the water utilities to attract financing support. The programme supports the counties in realising their mandate in managing water services and to be credible for financing. The goal is to create self-sustaining water utilities that are credit worthy.

The delay of projects through weather, security implications or accountability issues (projects need to be accounted for before the second disbursement is released) has to be reduced in future.

The targeting of the development partners of specific counties is also a challenge for the Rural Investments. The communities in the other 35 counties feel left out and also require support to improve their access.

In future, the Rural Investment Programme will continue to target the underserved poor population. Through the county resident monitors, the projects are continuously followed up.

In addition to the two financing mechanisms to CBOs and water utilities, the Rural Water Investment will take another focus on WASH in Schools. Even though several activities on School WASH have already been realised, the perspective is to bring School WASH to a bigger scale.



## 5.5 Water Resources Investment

### *What is the Water Resources Investment?*

The Water Resources Investment (WRI) commenced in 2008, motivated by the fact that a big part of the population was not connected to the water network, making dependence on natural water resources inevitable. Consequently, the conservation of catchment areas and the protection of water resources was a necessity.

The Water Resources Investment is mandated to monitor, conserve and manage the water resources and catchment areas for sustainable economic development in Kenya. This is done through appraising and funding Water Resources Users Association (WRUA) and Community Forest Association (CFA) proposals in their Water Resources Management. WRUAs, through the implementation of Sub-Catchment Management Plans (SCMPs), manage and conserve the water resources within their respective sub-catchments. CFAs on the other hand, through the implementation of their respective Participatory Forest Management Plans (PFMPs), assist in rehabilitation and increase of the forest cover, the major sources of rivers in Kenya.

### **What is a Water Resources Users Association?**

A Water Resources Users Association (WRUA) is a community group focused on the management and conservation of a particular area, river or aquifer. In terms of geographical coverage, it is expected to cover an area not less than 100 km<sup>2</sup>.

The objectives of the WRUAs are to:

- Promote controlled and legal water use activities
- Promote good management practices which make efficient and sustainable use of the water resources
- Safeguard the reserve flows for downstream ecological demands and basic human requirements
- Reduce and resolve water use conflicts
- Promote catchment conservation measures to improve water quality and quantity

A WRUA is comprised of water users and stakeholders who voluntarily associate to achieve the common objective of improving water resource management. A specified WRUA can apply to WRMA for registration in a certain area. The Water Resources Management Authority, NGOs, CBOs and any other party may help in the formation of a WRUA. A WRUA may register as a self-help group but for proper legal standing, WRUAs are encouraged to register with the Attorney General Chambers as associations. Membership of the WRUA is defined by the group's constitution but generally they are comprised of individuals and institutions.

### What is a Community Forest Association?

A Community Forest Association (CFA) is a community group that is focused on the management of a particular forest/ area. The CFAs are responsible for diverse management activities in forest protection, monitoring, and management.

The objectives of the Water Resources Investment are to:

- Improve the quantity and quality of water resources for enhanced livelihoods,
- Improve the ability of the catchment and riparian areas to provide hydrological services,
- Ensure the governance of water resources by promoting stakeholder participation in water resources management,
- Improve compliance to protect water resources by promoting stakeholder participation in water resources management,
- Develop well governed and self-reliant WRUAs.

### *Development Partners*

The Water Resources Investment currently has three programmes financed by 1) The governments of Finland and Sweden, 2) The International Fund for Agricultural Development (IFAD) and 3) Denmark (DANIDA). The Kenyan government covers operational costs of the Water Fund while other funds support the development of projects depending on the funding agreements of specific partners. Within the framework of devolution, the development partners are now accessing the beneficiaries through the counties.

The governments of Finland and Sweden support WRUA activities in the six counties of Kwale, Laikipia, Migori, Nandi, Narok and Tharaka Nithi in a programme referred to as J6P.

DANIDA, on the other hand, supports WRUA activities in the six counties of Garissa, Isiolo, Lamu, Marsabit, Tana River and Wajir in a programme known as Medium Term Arid and Semi-arid lands Project (MTAP). So far DANIDA has supported the programme in two phases, MTAP I & II.

The International Fund for Agricultural Development (IFAD) supports a programme in the six counties of Upper Tana Catchment known as Upper Tana Natural Resources Management Project (IFAD-UTaNRMP). This covers both CFAs and WRUAs in the Mount Kenya and Aberdares' regions of Tana Catchment. The beneficiary counties are Embu, Kirinyaga, Meru, Murang'a, Nyeri and Tharaka Nithi.

A total of 17 counties are currently benefiting from the Water Fund's support (out of which one county, i.e. Tharaka Nithi, is benefiting from two programmes).

Prior to county devolution, 312 WRUA projects had been funded and the lessons learnt have been used to improve the Water Resources Investment Unit.

### *How does the WRI work?*

The Water Resources Investment finances activities based on proposals by the WRUAs and the CFAs. The WRUAs channel their proposals through the Water Resources Management Authority while the CFAs channel theirs through the Kenya Forest Service to WSTF within the Water Resources Users Association Development Cycle (WDC). WRUAs that have identified relevant water resource management issues can plan and come up with proposals for funding from the Water Fund. Any funding is preceded by signing an MOU with the Water Fund to govern the manner in which the grant is managed by the WRUA and to clearly stipulate the roles and responsibilities. The proposals are assessed through a number of criteria, of which one is the degree of degradation of the concerned area that is classified as alarm, alert or satisfactory. Others include the poverty index, access to quality water services and sanitation coverage. The financing of WRUAs through the Water Fund happens at various categories from level 1 to level 4. After one level is implemented, accounted and audited, the WRUA becomes eligible for the next level of funding. The Water Fund's county resident monitors are responsible for conducting a regular monitoring of the activities. The levels are the following:

- a. Level 1 costs KES 1.5 million: Capacity development and development of SCMP
- b. Level 2 costs KES 5 million: Activities from the SCMP
- c. Level 3 costs KES 10 million: Activities from the SCMP
- d. Level 4 costs KES 30 million: Activities from the SCMP

The Water Resources Investment is specifically aimed at capacity building of the WRUAs, development of the sub-catchment management plans (SCMPs) or participatory forest management plan (PFMP), and implementation of the SCMP and PFMP activities. To begin with, every WRUA needs to develop an SCMP whereas the CFAs are supposed to develop a PFMP.

Capacity building of the CFAs and development of the PFMPs is done by the Kenya Forest Service (KFS). The financing of CFAs through the Water Fund happens at various categories but with a ceiling of KES 2 million.

### *Achievements of the Water Resources Investment*

The Water Resources Investment has registered success in a number of areas. In the financial year 2015-2016, the Water Resources Investment funded a total of 61 WRUAs and 18 CFAs at a disbursement of KES 161,389,682 and KES 23,103,332.20 respectively. The total cost of the Water Resources Investment was KES 184,493,014.20.

Table 8: Funded WRUAs in the financial year 2015-2016

WRUA Category Funding	Athi Catchment	Lake Victoria North Catchment	Lake Victoria South Catchment	Rift Valley Catchment	Ewaso Ng'iro North Catchment	Tana Catchment	Total	Cost (KES)
Level 1	1	0	2	0	6	6	15	16,399,440
Level 2	1	0	2	2	12	23	40	100,492,752
Level 3	0	0	0	0	1	3	4	26,306,340
Level 4	0	0	0	0	0	2	2	18,191,150
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>4</b>	<b>2</b>	<b>19</b>	<b>34</b>	<b>61</b>	<b>161,389,682</b>

Table 9: Funded CFAs per conservancy in the financial year 2015-2016

	Central Highlands	Eastern	Total	Amount (KES)
No. of funded CFAs	12	6	18	23,103,332.20

Financing of WRUA and CFA activities countrywide has resulted in environmental sustainability and increase in forest cover through rehabilitation. This was aimed at achieving the Millennium Development Goals' target No. 7 and realising the Vision 2030 goals.

Through the Water Resources Users Association Development Cycle, the Water Resources Investment has created awareness about catchment conservation and protection of natural water resources within communities countrywide. Furthermore, the Water Resources Investment has given birth to centres of excellence in each of the six Water Resources Management Authority catchment regions to act as model WRUAs to other upcoming WRUA groups within the specific regions.

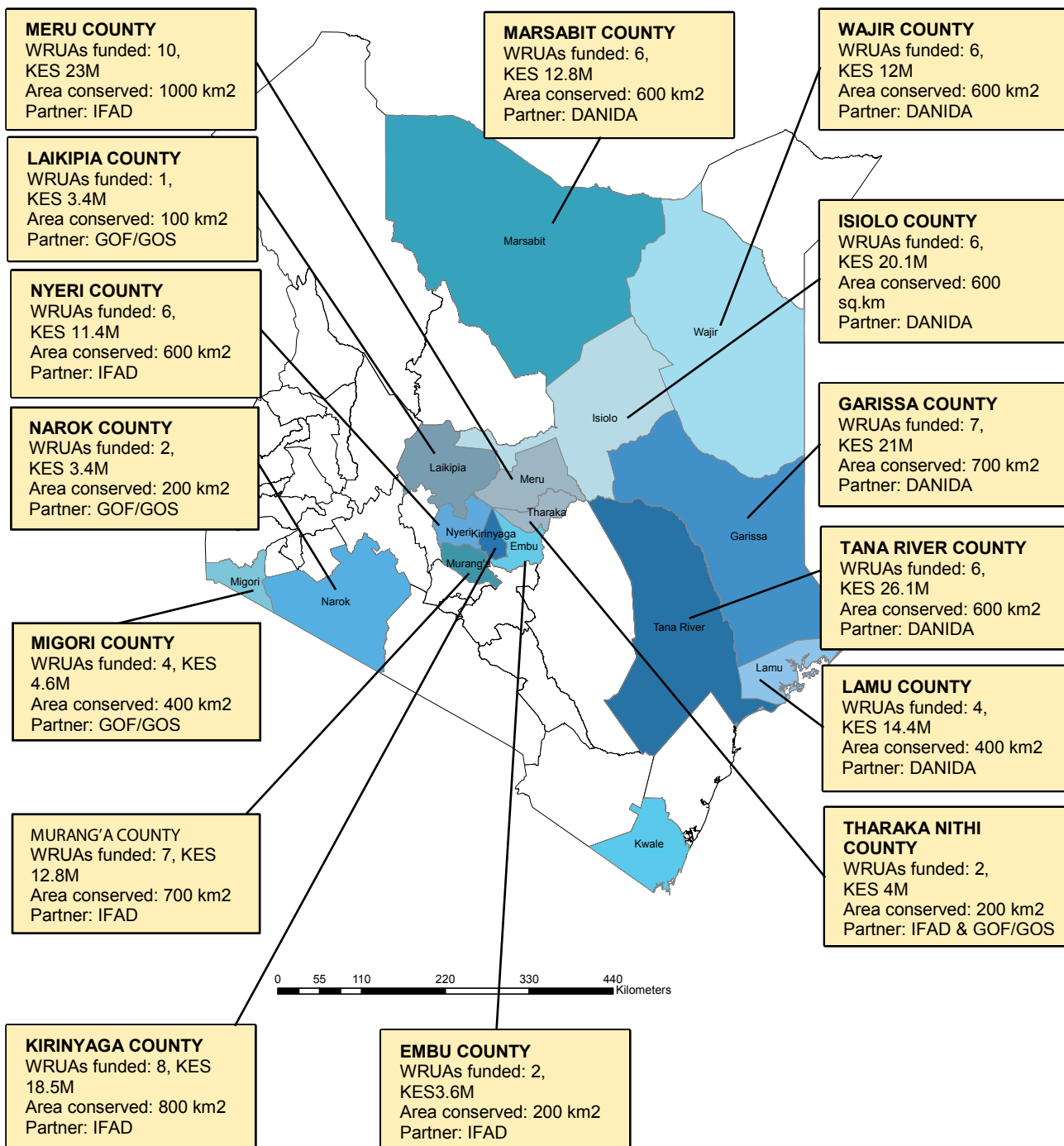


Table 10: Achievements of the Water Resources Investment per county from July 2015 – June 2016

No.	County	Water Fund Investment	Development Partner
1	Baringo	0	–
2	Bomet	0	–
3	Bungoma	0	–
4	Busia	0	–
5	Elgeyo Marakwet	0	–
6	Embu	3,647,100.00	IFAD
7	Garissa	21,094,280.00	DANIDA
8	Homa Bay	0	–
9	Isiolo	20,176,428.00	DANIDA
10	Kajiado	0	–
11	Kakamega	0	–
12	Kericho	0	–
13	Kiambu	0	–
14	Kilifi	0	–
15	Kirinyaga	18,562,465.00	IFAD
16	Kisii	0	–
17	Kisumu	0	–
18	Kitui	0	–
19	Kwale	3,653,720.00	GOF/GOS
20	Laikipia	3,497,235.00	GOF/GOS
21	Lamu	14,438,340.00	–
22	Machakos	0	–
23	Makueni	0	–
24	Mandera	0	–
25	Marsabit	12,896,990.00	DANIDA
26	Meru	22,999,400.00	IFAD
27	Migori	4,617,475.00	GOF/GOS
28	Mombasa	0	–
29	Murang'a	12,820,955.00	IFAD
30	Nairobi	0	–
31	Nakuru	0	–
32	Nandi	0	–
33	Narok	3,463,649.00	GOF/GOS
34	Nyamira	0	–
35	Nyandarua	0	–
36	Nyeri	11,425,511.00	IFAD
37	Samburu	0	–
38	Siaya	0	–
39	Taita Taveta	0	–
40	Tana River	26,156,450.00	DANIDA
41	Tharaka Nithi	4,089,430.00	IFAD, GOF/GOS
42	Trans Nzoia	0	–
43	Turkana	0	–
44	Uasin Gishu	0	–
45	Vihiga	0	–
46	Wajir	12,067,750.00	DANIDA
47	West Pokot	0	–



*Achievements of the Water Resources Investments Programme per county,  
July 2015 – June 2016*



0 55 110 220 330 440 Kilometers

## SUCCESS ◆ STORY ◆

### Madogo Water Resources Users Association in Tana River County

A desert safari through Garissa to Madogo Water Resources Users Association takes you through an endless stunning range of desert landscapes coupled with scenic beauty. It's a place where normal rules about living are suspended or even absent. Madogo Water Resources Users Association (WRUA) is located in Madogo ward, Tana River County, Tana catchment area. The WRUA was formed in 2008 by Madogo Farmers Association who later incorporated other abstractors, riparian land owners, non-abstractor members (pastoralists) and other stakeholders within Madogo division. The Madogo sub-catchment is situated approximately 50 km south of Kora National Park along the Tana River. It stretches approximately 110 km along the Tana from Kora National Park to Lagha Darime, which is 50 km north of Bura Irrigation Scheme. The Madogo watershed covers an area of 2100 km<sup>2</sup>.

The Madogo WRUA developed a sub-catchment management plan (SCMP) that they are currently using as a guide in the implementation of all their activities. They have managed to secure funds from the Water Fund and various other partners. The Water Fund has funded the WRUA as from level 1 up to currently level 4 as per the WRUA Development Cycle funding criteria. Madogo WRUA has received level 1, level 2, level 3 and level 4 disbursements from the Water Fund amounting to KES 11,775,600.

Tana River, which drains into the Indian Ocean, is the major source of water in the area. Madogo River, a tributary of the Tana, is seasonal and only active during the rainy season. Madogo sub-catchment is a water-scarce area, thus classified to be in alarm state due to low flows/ inadequate availability of water during dry spells to meet the water demand, poor quality due to siltation in Tana River, floods, high mineralisation in ground water, and water use conflicts due to sparse distribution and access of the resource. Some of the challenges that the WRUA has addressed include the acute water scarcity, the water use conflicts, the water pollution, encroachment/ illegal use of the riparian land and *malkas*, and the catchment degradation.

Madogo WRUA implemented a number of activities. Firstly, their water storage capacities have been enhanced through the installation of roof water harvesting tanks, sand dams and controlled sand harvesting. The community gave the feedback that they have experienced improved water availability and access. A reduced walking distance to water sources allowed more time for other productive activities. The water quality has improved and occurrences of waterborne disease, a previous menace, have been eradicated. The association furthermore introduced small-scale irrigation, which has led to improved livelihoods. Participation in sub-catchment management led to a reduction in water-related conflicts. Improved financial management also became visible as a result of various trainings by the Water Resources Investment and the Water Resources Management Authority.



*What are the key elements of the Water Resources Investment’s success?*

The Water Resources Investment’s success is based on a number of factors. One important issue is that the lessons learnt from previous projects are used to improve the activities. Furthermore, the Water Resources Investment recognises a number of cross-cutting issues that assure the success of the activities. Mainstreaming of livelihood components, as well as gender and social inclusion in the SCMP activities, ensures sustainability of WRUA activities and thus conservation and protection of the catchments.

**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 projects have to conform with national environmental laws and regulations and therefore a license has to be issued by the National Environmental and Management Authority (NEMA). Some of the efforts to mainstream environmental sustainability include carrying out Environmental Impact Assessments (EIA) before commencing project implementation.

*HIV/AIDS:* In the Water Resources Investment, HIV/AIDS is a key factor since a population that is affected by HIV is unlikely to provide human capital for the conservation of their catchments. Awareness and prevention within the WRUAs is therefore a priority.

*Gender mainstreaming:* All the WRUAs apply a gender mainstreaming strategy and have set activities for mainstreaming of gender in management committees and at community level. Gender parity is essential in water resources management because it takes the concerted effort of an entire community to conserve a water resource. As affirmative action, women and youth are specifically encouraged to be part of the decision-making structures in WRUAs since their involvement has traditionally been low. Participation of women as custodians of water resources aligns well with their traditional role of searching for water.

## 5.6 Result-Based Financing

### 5.6.1 What is the Result-Based Financing?

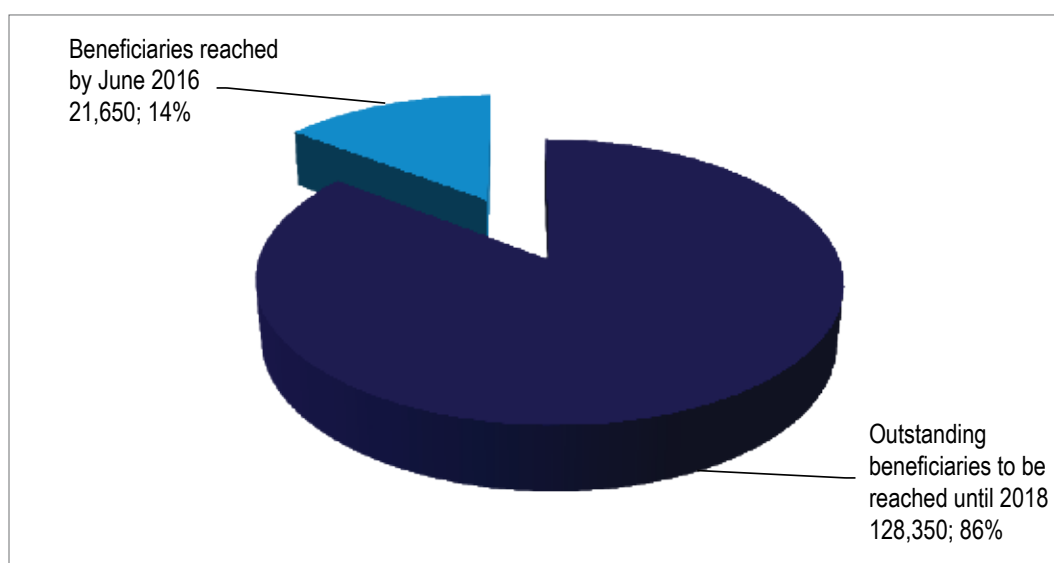
The Result-Based Financing (RBF) investment programme is a commercial financing facility that became operational under the Water Fund in December 2014 after the GOK signed a Grant Subsidiary Agreement with the German Development Bank (KfW) and the World Bank. The grants are provided by the Swedish International Development Agency (SIDA) through the KfW via the Aid on Delivery (AoD) programme for 1.36 million EUR and the World Bank Output-Based Aid (OBA) programme for 11.835 million USD.

In recognition of the need to reduce grant financing for commercially viable water utilities and in order to introduce a new business model to water financing, the RBF programme is supporting water utilities that are investing in water supply and sanitation improvement projects in the low-income and underserved rural and urban areas in Kenya. The WSPs are able to leverage loans from local financing institutions, which are then subsidised at a percentage of the project cost on attainment of agreed deliverables.

#### *Target clients*

The primary beneficiaries of the projects under the RBF programme that have been reached out of the targeted 150,000 (until 2018) as of June 2016 are a total of 3,645 households or 21,650 people (see Figure 7). These are broken down as 16,940 people accessing individual water connections, 4,290 people accessing water kiosks, and 420 people accessing yard taps.

*Figure 7: Beneficiaries by June 2016 (out of the total target of 150,000 until 2018)*



### 5.6.2 How the Result-Based Financing works

The projects to be implemented by the water utilities are pre-financed with commercial loans from domestic lenders in Kenya on market terms. The loans will support investments linked to the following:

- Construction/expansion of water and sewer networks to reach unserved consumers,
- Rehabilitation/improvement of existing networks e.g. the non-revenue water reduction programme,
- Water and/or sewer connections to households and public points,
- Water and sewer treatment facilities.

After completion of their projects, the water utilities are incentivised through applying one-off subsidies provided under the RBF sub-programmes for up to 60% under the OBA and up to 50% under the AoD programmes.

To facilitate the uptake of the RBF subsidies, the water utilities' projects are pre-financed with commercial loans from local lenders. The RBF programme is currently working with three commercial banks, namely Sidian Bank, Kenya Commercial Bank (KCB) and Housing Finance, which have access to a 50% guarantee provided by USAID. Other banks, including Equity Bank, Family Bank, GT Bank and Coop Bank, have also been approached by the Water Fund and have shown interest in financing the water utilities under the programme.

### 5.6.3 Achievements of the Result-Based Financing

#### *RBF commercial loans by local banks*

As of June 2016, the RBF programme has facilitated the financing of five projects and reaching cumulative loan disbursements of KES 338.18 million since its creation in December 2014 (Table 11 below). The commercial facilities are loaned out to interested water utilities at the prevailing market rates. Of the total disbursements to date, the Sidian Bank has contributed 76.5%, followed by Housing Finance (23.5%), while KCB is yet to make a disbursement under the RBF programme.

Table 11: Cumulative loan disbursements (2014 – 2016)

	Sidian Bank		KCB Bank		Housing Finance Bank		Cumulative Disbursements	
	#	Value	#	Value	#	Value	#	Value
OBA loans disbursed	4	KES 258,546,781	0	KES 0	0	KES 0	4	KES 258,546,781
AoD loans disbursed	0	KES 0	0	KES 0	1	KES 79,632,000	1	KES 79,632,000
<b>Total</b>	<b>4</b>	<b>KES 258,546,781</b>			<b>1</b>	<b>KES 79,632,000</b>	<b>5</b>	<b>KES 338,178,781</b>

### *RBF subsidies by the Water Fund*

The RBF programme has so far disbursed subsidies valued at KES 69.48 million to four projects since inception (Table 12). The AoD programme contributed 62% of the total subsidies while 38% came from the OBA programme.

*Table 12: RBF cumulative subsidy disbursements (2014 – 2016)*

RBF Programme	#	Value of Subsidies (60% Subsidy)	Value of Subsidies (40% Subsidy)	Total Disbursements
OBA subsidies disbursed	3	KES 26,641,872.86	KES 0	KES 26,641,872.86
AoD subsidies disbursed	1	KES 0	KES 42,840,021	KES 42,840,021.00
<b>Total</b>	<b>4</b>	<b>KES 26,641,872.86</b>	<b>KES 42,840,021</b>	<b>KES 69,481,893.86</b>

The 11.835 million UBA grant for the OBA facility consists of 9.5 million USD (KES 950 million) and 2.335 million USD (KES 233.5 million) for implementation support activities while the AoD grant facility for 1.36 million EUR (KES 150 million) is available for AoD subsidies.

### *Partners*

As mentioned before, two categories of partners facilitate the work of the RBF programme:

1. Local banks that pre-finance projects with commercial loans: Sidian Bank, KCB and Housing Finance (which have access to a 50% guarantee provided by USAID). Other banks including Equity Bank, Family Bank, GT Bank and Coop Bank have shown interest in financing the water utilities under the programme.
2. Partnerships for financing subsidies after the projects are implemented: Government of Kenya, KfW, World Bank, SIDA.





## SUCCESS ◆ STORY ◆

### Output-Based Aid programme brings affordable piped water to Murang'a South

Esther Nyambura Muiruri, a resident of Sabasaba area in Murang'a South town in Tana County, is the proud head of a household that was recently connected to tap water, thanks to the Output-Based Aid (OBA) programme of the Water Fund.

Murang'a South Water and Sanitation Company (MUSWASCO), an urban water utility in Tana County, became the first water utility to access an OBA subsidy facility under the Water Fund. "We were much honoured to be the first water utility in Kenya to receive a subsidy under the OBA programme", says Mary Nyaga, the Managing Director of MUSWASCO.

The OBA subsidy facility is offered under the Results-Based Financing (RBF) programme administered by the Water Fund. A total of 11.835 million USD was extended to the Government of Kenya as a grant by the Swedish International Development Agency (SIDA) through the World Bank programme, for a period of three and a half years.

"I am happy to be among the first beneficiaries of an individual water connection in Sabasaba under the MUSWASCO OBA programme. I no longer have to walk long distances to fetch water to wash my dishes. I can simply open the tap in my kitchen," says the happy Muiruri.

MUSWASCO was pre-financed by Sidian Bank through a commercial loan facility for KES 17.58 million to introduce and improve infrastructure in the three areas of Kenol, Sabasaba and Kabati with a target to provide 1,500 individual water connections. The project, which began in September 2014, was fully completed in July 2015. From the KES 17.6 million, MUSWASCO received a total of KES 12.5 million from the Water Fund, as 60% subsidy under the OBA programme towards the repayment of its loan. This reduced the principal loan facility to KES 5.1 million.

"Despite accessing the loan at a high interest rate of 17% per annum, the subsidy is now making it very easy for the water utility to repay the balance of the loan over the next 60 months," says Nyaga.

The OBA facility, which is running from December 2014 to June 2018, is targeting water utilities that are investing in water and sanitation projects aimed at urban low income areas in Kenya. The OBA programme is contributing to the SDG 6 in Kenya, which is to ensure the availability and the sustainable management of water and sanitation for all.

*"My children can now go to school on time as they no longer spend hours fetching water from rivers and dams. Also they no longer suffer from diarrhoea as the water is now very clean."*

Esther Nyambura Muiruri



### *Key elements of the Result-Based Financing success*

- The programme is contributing to SDG 6 and Kenya's Vision 2030 by ensuring the availability and the sustainable management of water and sanitation for all. It is receiving favourable support from the Government of Kenya through the Ministry of Water and Irrigation, the county governments, water services boards and WASREB who are the stakeholders mandated to provide water supply and sanitation services in low-income and underserved areas of Kenya.
- The ownership of the water and sanitation infrastructure by both the water utilities and the county governments is increasing under the programme.
- The beneficiary water utilities are now fully registered companies under the Kenyan Companies Act and have the capacity to service commercial loans, which can be subsidised under the RBF programme.

#### 5.6.4 Challenges and future perspectives

##### *Challenges*

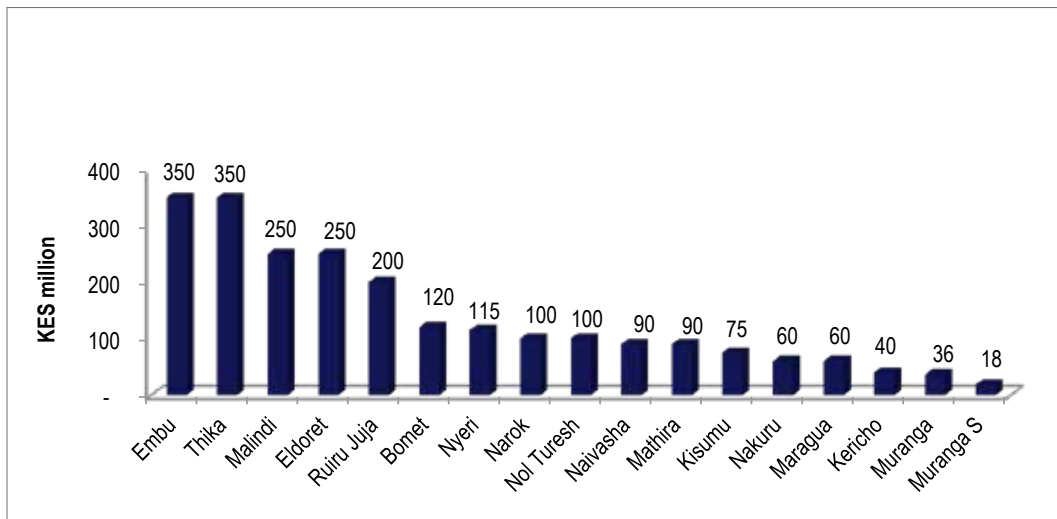
- **Lack of viable project proposals:** To assist WSPs in developing viable project proposals, the WSTF is providing technical assistance (TA) funding under the RBF programme. The WSPs will procure consultancy services for developing project technical designs, project cash-flows, environmental and social management plans and social connection policies, which are prerequisites for eligibility under the RBF subsidy programme.
- **Failure to raise connection fees by household beneficiaries:** The failure to raise funds for connections by household beneficiaries is being addressed through the inclusion of at least 60% of the total cost of connections in the commercial loan to be borrowed by the WSPs. The households will then contribute at least 40% of the costs. The beneficiaries are expected to repay the 60% of connection costs borrowed by the WSP through monthly instalments included in their tariffs over an agreed period.
- **Increased demand for commercial financing facilities:** The RBF programme is noting an increasing demand for the introduction and improvement of water and sanitation services in all 47 counties. This is attributed to population growth, dilapidated infrastructure and physical and commercial non-revenue water. This is resulting in increased demand for commercial financing facilities by water utilities while banks are beginning to understand the water sector.
- **Lack of coordination between water utilities and county governments:** A number of water utilities are failing to meet the eligibility criteria under the RBF programme due to poor relationships with their county governments. It is a strict requirement that projects to be undertaken by the water utilities are approved by and will receive support from the county governments. Some water utilities are not applying for the RBF subsidies due to this irregularity.

- Slow uptake of commercial financing as an option for WSPs:** The majority of water service providers in Kenya are not aware of the terms and conditions of the RBF subsidy programme. To increase awareness of the RBF programme, the WSTF have been undertaking workshops, seminars and open days to reach out to all WSPs in Kenya. The WSTF intends to launch a Call for Proposal under the AoD programme in July 2016 to invite WSP applications under the RBF programme.

*Targets*

The RBF programme pipeline as of June 2016 has a total of 17 projects with an estimated commercial loans requirement of KES 2.304 billion and a potential subsidy demand of KES 1.241 billion (Figure 8). The target beneficiaries for the OBA are 150,000 by June 2018.

Figure 8: RBF pipeline as of June 2016



*Future perspectives*

The RBF programme is a short-term programme that is aiming to achieve the following after its implementation phase.

The TA funding are short term facilities where external consultants are working with water utilities staff and building capacity in developing project proposals and in supervising the projects. It is expected in the near future that the water utilities will be able to undertake these tasks internally, thus becoming autonomous and consequently reducing their over-reliance on external assistance.

The RBF subsidies are meant to stimulate initial financing for the water sector by commercial lenders in Kenya. The subsidies are meant to assist the water utilities



to repay their loans while at the same time improving revenue collection from the established projects. It is therefore envisaged that the established projects will result in increased revenue inflows enabling future loan borrowing by the water utilities, which will be repaid using company revenues.

The RBF facilitation in linking water utilities to commercial lenders sets in as an opportunity for commercial lenders to better understand the water sector while, at the same time, the water utilities are now considering borrowing from commercial banks as a future sustainability strategy and moving away from overdependence on traditional grants.

The RBF programme is therefore building confidence in the financial sector to consider the water sector as a viable business sector, where commercial financing can be applied and fully utilised for the advancement of the people of Kenya.

# 6 SUPPORT SERVICES

## 6.1 Monitoring and Evaluation

The Monitoring and Evaluation unit of the Water Fund was created in 2008 with the mandate of consolidating under one department all systems, standards, and procedures required for the achievement of the institutional objectives.

The key functions of the department entail: Coordinating the monitoring and evaluation of projects and interventions to ensure timely completion and quality; providing leadership in Quality Management Systems; managing learning and growth functions; monitoring and evaluating the Fund's strategies and alignment to national and sector performance standards; ensuring harmonisation of standards on agreements and MoUs between different financiers; compliance monitoring; performance management systems, evaluation and learning; management and supervision of the county resident monitors; and advising the Board of Trustees on key issues emanating from monitoring and evaluating (M&E) operations.

The unit has formulated a Universal Result-Based Framework to help improve the Fund's performance and enhance achievement of its strategic results through provision of a consistent approach to the monitoring and evaluation of investment programmes and projects. It lays the groundwork for a practical Monitoring and Evaluation Handbook, which provides step-by-step guidelines for implementation of M&E practice. The framework includes all templates, checklists and toolkits necessary for the full rollout of a revised M&E system.

Achievements and contributions towards the Strategic Plan are evaluated on a quarterly basis through the Quarterly Results Scorecard (QRS) with a related flagging system and information shared with the WSTF Board of Trustees through the Investment and Monitoring Committee of the Board. Annual review of achievements against the Strategic Plan is usually undertaken in July each year and an Annual Progress Report prepared. The Strategic Plan implementation matrix forms the basis for gauging achievements. Deviations from the stipulated results for each key area are discussed and appropriate action plans formulated to address the discrepancies.

Since the creation of the unit, many achievements have been realised including:

- Documentation of one outstanding project for each financing mechanism to enhance experience sharing and as a marketing tool for WSTF funding approaches as the financing mechanisms of choice,
- Facilitation of the Fund's acquisition of ISO 9001: 2008 QMS certification in 2011, recertification in 2015, and continued upholds of the ISO 9001: 2008 status,

- Supporting the counties in the development of a Prototype County Water and Sanitation Bill now awaiting approval by the Council of Governors Committee on Water and Natural Resources and subsequent adoption for customisation by the counties,
- Facilitation of the engagement of consultants on a framework arrangement in order to reinforce the Fund's capacity to monitor, evaluate and support implementing partners in the overall project management cycle: The consultants cover technical support to implementing partners, capacity building services, spot check monitoring and technical audit support, provision of support agency services and investigation and assessments,
- Continuous coordination of the monitoring of WSTF investments for timely and efficient results and increased absorption of funds.

*What is the Operations Monitoring? Why has the Operations Monitoring been developed?*

The WSTF, its development partners and the counties are increasingly emphasising the need for sustainability, the need to monitor the functionality and performance of the existing (WSTF-funded) infrastructure and schemes. The objective of the WSTF is to ensure that five years after commissioning 95% of all infrastructures are still fully operational and in good technical and operational condition. Operational monitoring has been developed to determine the sustainability of the projects that have been funded as well as fulfil the obligations of the Fund to the development partners. The exercise establishes whether all of the infrastructures that were approved for funding were implemented and if they were implemented, are they still operational or being used for the intended purposes.

In order to monitor the built capacity, the WSTF is implementing an annual Operations Monitoring exercise. Part of the exercise entails the collection of (geo-referenced) data, using the Water Fund GIS applications, by the county resident monitors who receive the necessary logistical and organisational support from the Water Fund.

The findings from the annual operations monitoring exercise inform the counties, WSTF and implementing agents on operational challenges and devise mechanisms to address such issues. In addition, the lessons inform the key stakeholders on a continuous systems development programme. The results of the annual operations monitoring exercise are published on geo-referenced maps based on geo-referenced databases on a web platform, which is expected to enhance transparency, accountability and sustainability.

The joint operations monitoring is a key pillar of the streamlining and harmonisation strategy that the Fund is currently implementing and its actualisation is expected to inform future decision making in funding investments. This implies that counties with a higher success rate in sustainability indices will rank higher in the consideration for WSTF support in a bid to enhance the operational performance of the investments.

The design of the Annual Joint Operations Monitoring Exercise is premised on project follow-up which focuses upon the post-commissioning phase in order to assess and increase long-term sustainability.

The main objectives of the operations monitoring exercise are the following:

- To establish the percentage of WSTF-funded infrastructure which is operational (“as working”) and to compare it with the initial project scope (“as planned”) and the infrastructure (“as built”). The objective of this yearly exercise is to develop and implement remedial measures and, if deemed necessary, to prevent poor performing utilities from having their proposals funded (focusing on the sustainability of past investments).
- To enable stakeholders to monitor access and coverage (using definitions agreed upon by the sector) and to identify (remaining) supply and service gaps.
- To enable the WSTF to present detailed, reliable and complete geo-referenced data on the operational status of all WSTF-funded infrastructure. This information is visualised (using satellite imagery) on online platforms and accessible for all stakeholders, including residents.
- To prepare the WSTF for the evaluation (“as used”) and assess the outcomes and impacts of investments over time.

The Water Services Trust Fund applies a two-pronged approach to data collection entailing:

- Web-based Android application data collection to be used in the collection of Urban Investments Programmes,
- Web-based GIS applications for data collection of the Rural Investments and Water Resources Investments.

All the data is collected using GIS-enabled tablets that have been issued to the CRMs, and will be supported by the use of GPS locators. The photographs taken during the exercise are geo-referenced and mapped on the web-based information systems (MajiData and PMIS). The

proposed methodology will entail interviews with key stakeholders, documentation review, and observations on technical feasibility, operational status of the investment projects, management capacity, approaches and challenges, and the status of the infrastructure.





## Operations Monitoring in the Urban Investment

By June 2016, the Urban Projects Concept (UPC) had financed over 200 projects with far more than 1,000 different infrastructures. The up-scaling of its implementation concept has been proven successful through the launching of the 7th Call for Proposals (CfP). From the beginning of the UPC development, much emphasis had been put on the implementation of the CfP and its projects, but little had been done on the operation of the infrastructures. In 2011, the Technical Advisors together with the UPC team started the development of an Operation Monitoring Concept to look at different stages of the implementation cycle: ‘as planned’ (financing agreement), ‘as built’ (inventory tool) and ‘as used’ (operations monitoring tool). In early 2013 a data collection exercise on all infrastructures funded between the pilot phase and the 4th CfP was carried out throughout the country. The second operations monitoring began in July 2016 and consists of all projects funded until the 6th CfP.

The programme objective is to provide affordable, economically viable and sustainable access to safe water supply and basic sanitation services to the urban poor, part of which objective indicators can be measured through operational monitoring. These include:

- i. Improved access to water for the urban poor
- ii. Improved access to sanitation for the urban poor
- iii. 90% of facilities still functioning 3 years after construction
- iv. 50% of facilities being operated by women

*How is the Operations Monitoring done? Which type of infrastructure is monitored? Who is doing it and with what frequency?*

Operational monitoring is done using two tools, namely, the inventory tool and the operational monitoring tool. The *inventory tool* collects data on ‘as planned’ and ‘as built’ basis. It shows the number of facilities which were financed, as indicated in the financing contract, and facilities which were built, as it is on the ground. This enables the fund to know the variance between the facilities financed and facilities built. The *operational monitoring tool* is used for ascertaining the operational status of the infrastructures that were built and whether they are being used for the intended purposes. This tool gathers information on the structural state of the facility, functionality, commercial viability and social acceptance by the community members.

Operational monitoring is done to all infrastructures constructed which includes kiosks, meters, sanitation block, pipelines, yard taps, pumping units and storage tanks. Initially the exercise was undertaken by the Social Field Monitors but currently all the County Resident Monitors are involved. During the design of the operational monitoring, it was envisioned that the exercise would be undertaken biannually. This was not possible as the tools used to collect the data were manual, hence time-consuming to use, also the exercise was deemed too expensive to be carried out twice per year. Currently a mobile application is used to collect the data, which is transmitted in real time for approval. With this application, the exercise is deemed to be faster than before. The frequency of the exercise will be done annually for all the projects and subsequently for at least three years after completion of a project.

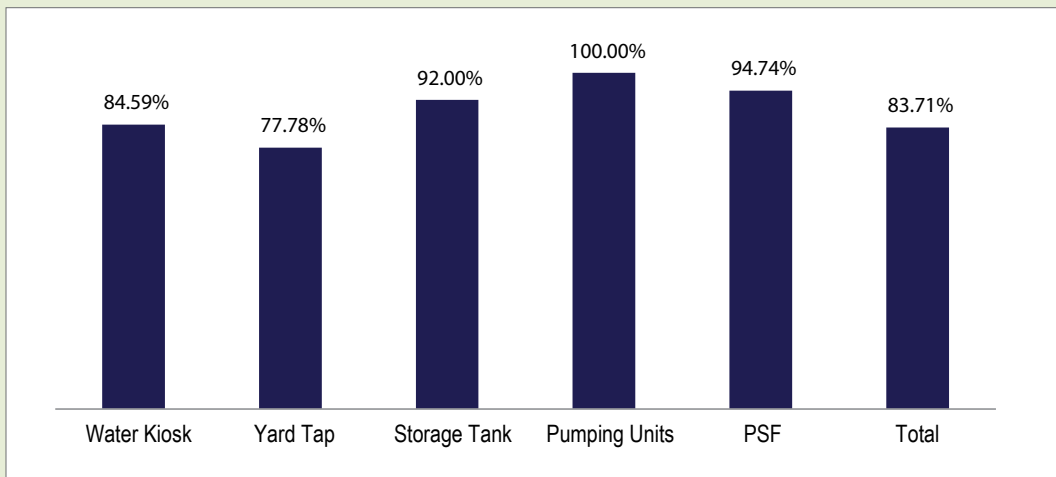


*What are the results of the Operations Monitoring?*

The initial operational monitoring was done for 124 projects covering 724 infrastructures. Data was collected on 114 projects with the inventory tool (91.94%) and 119 projects with the operations monitoring tool (95.97%) respectively. Looking at the infrastructures, 528 (70.03%) are covered by the inventory and 620 (82.23%) by the operations monitoring tool. The main reasons for not having achieved 100% completion were, among others, errors in the base data and missing data provided by field monitors. A total of 83.71% of all visited infrastructures are found to be functional.

The data collected provide in addition a lot of information on the operation of all infrastructure types. The results of several indicators are combined into an operation level assessment for each infrastructure type. The assessment includes critical failures (e.g. a kiosk with no or limited water is automatically rated as poor) and weighting of indicators. Combing all indicators together results in the following rating.

Figure 9: Functionality of Infrastructures



*What actions are taken after a round of O&M?*

To address the challenges with the rolling-out of the data collection, a mobile application was developed and has been tested. This will improve efficacy of data collection, entry and submission compared to the previous application. The mobile app will remarkably shorten the duration of the exercise as well as improve the completeness and quality of the data.

In order to improve the operation of infrastructures, several modifications to the UPC concept have been done: Mandatory branding, sensitization and awareness of all the projects and training of the WSPs on the economic potential of providing services to low-income areas (LIA). The current operational monitoring exercise will inform on the usefulness of the facilities being implemented and the need to improve them. The data collected will also be used as criteria for subsequent funding of the projects. The WSP should ensure that the previous projects are working for them to qualify for the next funding.

## Annual Operations Monitoring of WSTF supported investments

The WSTF, its Ministry of Water and Irrigation, and its development partners are increasingly emphasizing the need for sustainability, the need to monitor the functionality and performance of the existing (WSTF-funded) infrastructure and schemes. The objective of the WSTF is to ensure that five years after commissioning 95% of all infrastructures are still fully operational and in good technical and operational condition.

In order to monitor the built capacity, the WSTF carries out a Joint Annual Operations Monitoring Exercise (JAOME) for all WSTF-funded investments. Part of the exercise entails the collection of (geo-referenced) data by the county resident monitors (CRMs). The findings from the annual monitoring exercise inform the implementing agents on operational challenges and devise mechanisms to address such issues. In addition, the lessons inform the WSTF continuous systems development programme. The data is collected through two web-based Android applications with GIS functionalities. The operations monitoring exercise for the FY 2016/2017 was carried out in October 2016. An overview of the operational status of rural-urban investments in each county can be found in Annex 1. All monitored investments commenced operation since 2011 under the new Constitution. Based on the results, WSTF will address the causes for non-operational investments.

### *Sustainability Index*

WSTF has committed to conduct an annual comprehensive analysis of the sustainability of investments in each of the counties. The Sustainability Index (SI) has been established as a key quantitative performance measure to facilitate assessment and monitoring of sustainability of investments in the counties to support progress evaluation over time and development of appropriate response measures. For the purposes of the assessment, sustainability will be defined as the ability of an investment to realize the objectives within five years of operation. This definition is purely focused on outcomes and outputs of the investments with more weight attached to high-value investments.

The data is sourced from the Joint Annual Operations Monitoring Exercise. The analysed data allows the WSTF to rank counties according to their Sustainability Index. In addition to the county level assessments, the national level average will be assessed and any county with an index of less than 70% of the national average will be red flagged and considered as a High Risk County.

It is expected that refinements to the Index will be made annually in line with best practices, better methodological approaches and availability of better performance indicators.

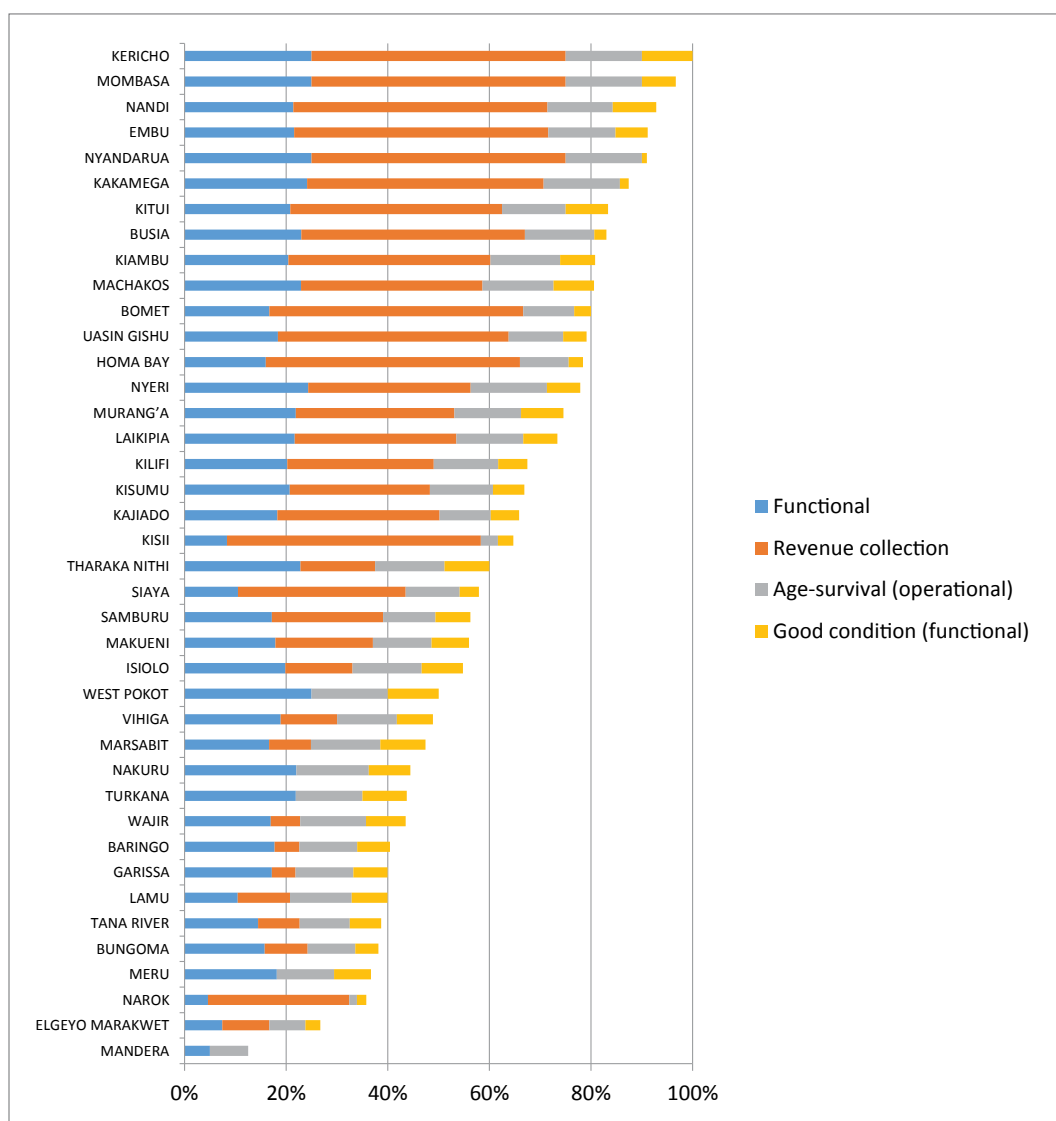
The sustainability Index framework comprises of four categories: the Functionality and Reliability of an investment (FR), Revenue collection (RC), Age and Survival rate of an investment (AS) and the Good Condition of an investment (GC).

The function is specified as:

$$SI = f(FR, RC, AS, GC)$$

Further details on the index calculation can be found in Annex 2. Figure 10 compares and ranks the sustainability of counties based on their index.

Figure 10: Sustainability in counties



Note: Data for Nairobi and Trans Nzoia was not applicable and is hence not displayed — WSTF is reviewing the data. The following counties did not have any completed 2.5-year-old investments since 2011: Kirinyaga, Kwale, Migori, Nyamira, Taita Taveta.

## What are the future perspectives of the Operations Monitoring?

With the mobile application being used for operations monitoring, the exercise will be carried out as designed, i.e. annually, and after capturing data for all the projects. The subsequent operational monitoring will only be carried out for projects which are within the three-year operational period after completion of the project. If the application works well, it could be used to also monitor projects in other programmes for all WSTF projects. The exercise will also inform on the projects that WSTF should be undertaking in case certain technologies are not working well. This will also embrace the chance for research and innovation within the water sector.

### *The Sustainability Index*

Currently the sustainability index is measured by critical failures identified in three major components of the projects. These include the engineering aspect, where there is no water to the project, the commercial aspect whereby the cost of operation is higher than the income, and the social aspect technology or the project is not accepted by the community.

### *County Resident Monitors*

The Water Fund has CRMs on the ground. Their main responsibilities are to liaise between the county, implementing partners, other stakeholders and WSTF, provide support to the project implementing partners at county or sub-catchment level, and monitor project progress and efficiency of implementation including the work of outsourced agents. They also assist in capacity building of implementing partners at county or sub-catchment level, and in data collection for WSTF operations monitoring exercises for project evaluations.

### *MajiData*

MajiData is the pro-poor database covering all the urban low-income areas of Kenya, which has been prepared by the Ministry of Water and Irrigation and the Water Fund in cooperation with UN-Habitat, the German Development Bank (KfW), Google and GIZ.

MajiData contains a large amount of important information on all urban low-income areas of Kenya. This online database will assist the water service providers and water services boards to prepare tailor-made water supply and sanitation proposals for the urban slums and low income planned areas located within their service areas. The fact that data is linked to satellite imagery will also allow for the improved management and operation of these areas by WSPs.

## 6.2 Financial Services

The Finance Department provides the financial support to all operations of the Water Fund to facilitate the achievement of the Fund's overall mandate. The department is responsible for managing all the financial affairs of the Water Fund and ensuring efficient and effective operations that are cost effective and contribute to achieving its mandate. The department is also responsible for overseeing the effective operation of the ICT function.

The functions of the Finance Department are:

- Ensuring adequate controls are maintained over the Fund's assets and operations,
- Ensuring timely preparation of financial estimates as per PFMA 2012 and The National Treasury Circulars,
- Monitoring the utilisation of funds against set budget and to advise programme staff on budget utilisation,
- Ensuring timely preparation of accurate financial reports to various stakeholders,
- Cash management,
- Ensuring that financial transactions adhere to approved policies and/or agreements/MOUs,
- Ensuring safe custody of fixed assets and proper acquisition,
- Ensuring that the Fund procures goods and services in the most efficient and economic manner and in accordance with the law,
- Ensuring that the Fund has adequate ICT support,
- Ensuring a competent and motivated workforce within the department through teamwork, staff appraisals and proposals for staff development,
- Ensuring timely payments to service providers and staff.

The Fund has an approved Financial Management Policy and Procedures Manual which documents the accounting and financial management system put in place to guide the operations of the finance functions. The manual is regularly updated to cater for emerging issues and the last update was in June 2016.

The accounting system has been designed to ensure there are adequate internal controls over the fund's operations. As a minimum the system has been designed to achieve the following objectives:

- Safeguard the Fund's assets,
- Ensure accuracy and reliability of accounting data,
- Promote operational efficiency and effectiveness,
- Ensure adherence to prescribed managerial policies,
- Ensure compliance with the standards, regulations and laws governing financial operations.

In its endeavour to enhance efficiency and effectiveness in financial operations, the Fund has embraced ICT and implemented SAP Business 1 ERP system in its financial operation. The modules that have been activated and are actively in use include:

- Budget Management
- Payment Process Management
- Cash Management
- Procurement Management
- Creditors Management
- Debtors Management
- Inventory Management
- Fixed Assets Management
- Payroll Management

Key outputs of the above-described processes include annual budgets, management reports, government reports

and development partner reports in accordance with financing agreements signed between the government and our development partners. Annual reports: These include an Annual Report and Financial Statements. This is statutory and is due by 30th September following the end of the financial year. The report is to be audited and certificate issued by 30th December (6 months after end of the financial year).

The Fund is audited by private auditors on behalf of the Auditor General and the current auditors are PricewaterhouseCoopers. Due to the strong systems in place, the Fund has always received an unqualified audit opinion.

In carrying out its functions, the Finance Department is guided by the following key documents

- The Finance Operational Policy and Procedures Manual 2016
- The Government Financial Regulations and Procedures
- The Public Finance Management Act 2012
- The Public Procurement and Disposal Act 2005
- The Public Procurement and Disposal Regulations 2006
- The Funds ICT Policy
- The E-government Policy
- Circular on budget preparation issued by The National Treasury for each budget preparation cycle
- Circular on accommodation allowances
- Financing agreement/development partner specific requirements
- Specific project manuals

### 6.3 Audit and Risk Management

The Water Fund's Department for Internal Audit and Risk Management ensures that the Water Fund complies with statutory requirements and deals with the Water Fund's Risk Management Framework.

The department was established by the Board of Trustees. Its responsibilities are defined by the Audit Committee of the Board of Trustees as part of their oversight function. The role of the internal auditors is to provide the Board and management

with an independent appraisal of the adequacy and the effectiveness of the Water Fund's system of internal controls, risk management, compliance and governance processes. The department reports functionally to the Audit and Risk Committee of the Board and administratively to the management. The department coordinates the different audit mechanisms, being the external audits and the internal audits.

### External audit of the Water Fund

The Water Fund is regularly audited by the Office of the Auditor General, Kenya National Audit Office (KENAO). In line with the Public Audit Act of Kenya, KENAO has delegated the authority to carry out audits to PricewaterhouseCoopers (PwC). Every year, PwC undertakes three types of external audits, namely:

- i. Statutory (financial and systems) audits:* Statutory audits are undertaken of the Water Fund as an organisation and cover head office financial statements and systems (once a year).
- ii. Rural harmonised project audits:* Rural audits are conducted at the field level, where implementing partners such as counties, community-based organisations, schools, water resources users associations, water users associations, community forest associations and water services boards are audited (once a year).
- iii. Urban harmonised project audits:* These audits are also conducted at the field level, where implementing partners like counties, water utilities and water services boards are audited (twice a year).

Generally, all reports on the audits are shared with the development partners and other interested stakeholders. Whenever an audit is undertaken and audit issues are raised, an Action Plan is developed by the Water Fund based on the findings and recommendations of the audit to follow up, develop and agree on specific actions on the issues raised in the audit reports.

For the last five years, the Water Fund has received an unqualified (clean) audit opinion from the Office of the Auditor General, KENAO. This has been achieved through putting in place robust systems that have enhanced internal controls, risk management, compliance and governance.

### Internal audit of the Water Fund

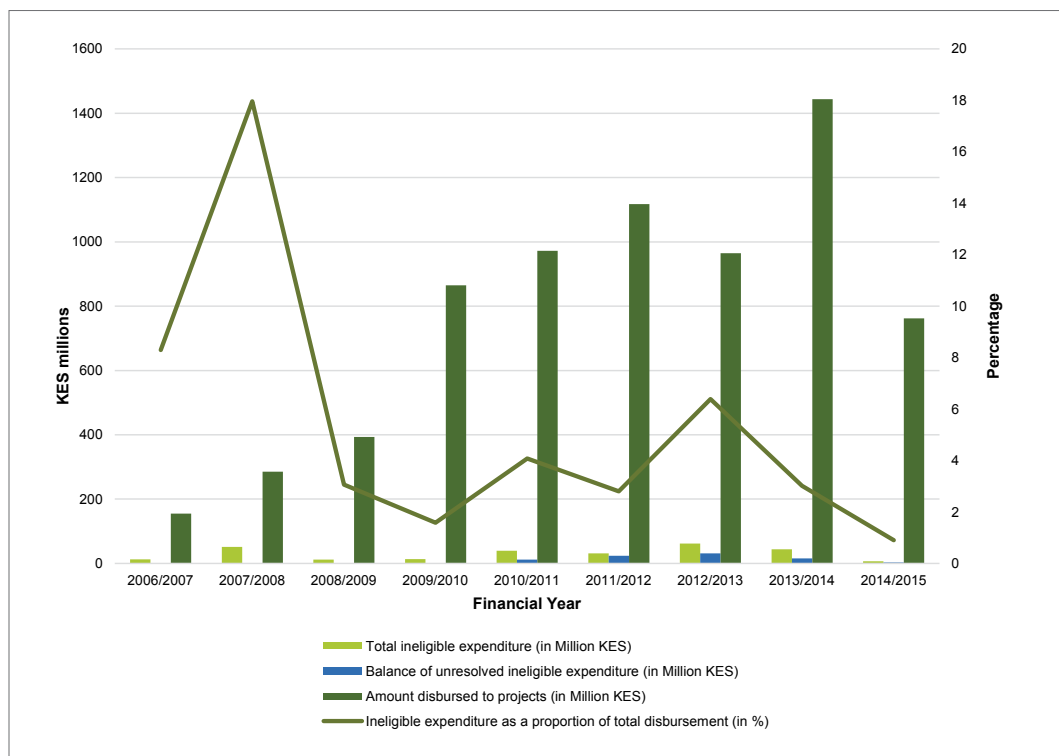
The Water Fund's Department for Internal Audit and Risk Management is working according to an Internal Audit Plan that has been approved by the Board of Trustees. The scope of the internal audits is the Water Fund itself as well as the implementing partners (water utilities, CBOs, WRUAs, schools, counties). The Internal Audit Plan includes a risk-based planning and focuses on the areas where issues were raised by the external auditing or by the Water Fund staff. The Department is conducting an independent and objective assurance and audit activity that is guided by a philosophy of adding value to improve the operations of the Water Fund. It is aimed at assisting the Water Fund in accomplishing its objectives by bringing a systematic and disciplined



approach to evaluating and improving the effectiveness of the organisation’s risk management, control, and governance processes.

The results of the external and internal audits are summarised once a year in the consolidated status of audit issues raised by external and internal auditors. The report is handed over to the Board. Over the past years, the ineligible expenditure by all investments has decreased in comparison to the disbursements. This is also thanks to the action plans that have been agreed and implemented after the audits. The following graph shows the total ineligible expenditure, the balance of unresolved ineligible expenditure, as well as the trend of the percentage of ineligible expenditure as a proportion of the total disbursement.

Figure 11: Trends in ineligible expenditure over the years



It is noteworthy that through various measures put in place by the Water Fund, the percentage of questioned costs compared to total disbursement has been going down over time.

Part of the action plan is to resolve the question of ineligible expenditures. Modalities of the solution entail further field visits and review of documentation, technical assessment of works done, payback by the auditees and legal action. After the implementation of these actions, there has been a consistent reduction in the amount of unresolved ineligible expenditure.

As a future perspective, with the expansion of the Water Fund's field of action, the financing of temporary framework consultants (temporary auditors) would be useful to cover the auditing of a wide scope of projects.

### **Risk management at the Water Fund**

The Water Fund has put in place an Enterprise Risk Management (ERM) Plan. The ERM Plan was developed and approved by the Board. It contains the risk management policy and framework of the Water Fund, the risk universe, risk assessment, modalities of treatment of risks, responsibility of risk management, monitoring framework and reporting.

In the framework, key exposure high-risk areas which were identified and risk mitigation measures developed were as follows:

- External environment risks exposure
- Investment and programme risks exposure
- Monitoring and evaluation risks exposure
- Strategic planning risks exposure
- Resource mobilisation risks exposure
- Corporate planning risks exposure
- Finance and accounts risks exposure
- Legal risks
- Information Communication and Technology (ICT) risks exposure
- Human resources and administration risks exposure
- Corporate affairs risks exposure
- Internal audit risks exposure
- Corporate communications risks exposure
- Procurement and supply chain risks exposure

At the project implementation level, key risk and issue management has been developed for:

- Project Risk and Issue Management under the Urban Investments
- Project Risk and Issue Management under the Rural Investments
- Project Risk and Issue Management under the Water Resources Investments
- Project Risk and Issue Management under the Joint 6 Programme Investments

Other areas included in the framework are risk reporting at project implementation level, a flagging concept (risk log: green, yellow, red flags according to the transparency of the use of funds) and modalities of resolution of flagged projects. Quarterly risk reporting is made to the management and Board of Trustees by the Department for Internal Audit and Risk.

In summary, the Water Fund's Audit and Risk Management controls and monitors whether the internal control processes and the risk management are operational in order to be able to guarantee the transparent use of funds.

## Integrity and governance

The Fund has committed to enhancing integrity and governance in all operations. This has been achieved by the following key measures:

- Recruitment of Integrity and Governance Officer,
- Development and implementation of Anti-Corruption Policy,
- Development and implementation of Stakeholders Code of Conduct,
- Development and implementation of the whistleblowers policy document to enable the stakeholders, citizens and employees raise serious concerns internally and externally to enable the Fund address inappropriate conduct and action,
- Development of anti-corruption strategies to enhance efforts in mainstreaming ethics and integrity at all operation levels of the Fund,
- Development of the Integrity Testing Programme in liaison with the Ethics and Anti-Corruption Commission (EACC) to test the Fund's system and processes as well as the procurement process of the Fund and the stakeholders. This is a proactive method for robustly dealing with issues of corruption, and dishonest and unacceptable behaviour.

In addition:

- The Fund is also in the process of developing the nationwide integrated information resolution and referral system, a platform that will allow it to interact directly with the communities regarding its projects, hence encouraging transparency,
- The Fund has been able to address complaint reports on various allegations of corruption by carrying out investigations on the same,
- All WSTF staff and our implementing partners have been sensitised and trained on ethics and integrity both by external facilitators from EACC and internal facilitators from relevant departments.

## 6.4 Board and Governance of the Water Fund

The Water Services Trust Fund is established under Section 83 of The Water Act, 2002 and essential to the establishment of a corporate governance framework in the Fund is the formal governance structure which has the Board of Trustees at its apex. The operations of the Fund are governed by a Trust Deed made on 26th April 2004. The trustees appointed under the Trust Deed hold the fund upon trust.

### *Membership of the Board of Trustees*

The Trust Deed provides that the Board of Trustees be made up of nine Trustees, including the Chairman, all appointed by the Cabinet Secretary, Ministry of Water and Irrigation. The Board of Trustees is responsible for the long-term strategic direction of the Fund and recruitment of the Chief Executive Officer and senior management. The Board of Trustees exercises leadership, enterprise, integrity and judgment in directing the Fund.

The Trustees are provided with full, appropriate and timely information and reports that enable them to maintain full and effective control over the strategic, financial, operational and compliance issues.

The day-to-day running of the operations of the Fund is delegated to the CEO but the Board of Trustees is responsible for establishing and maintaining the Fund's system of internal controls.

Members of the Board of Trustees go through a comprehensive induction programme and are adequately trained on their role as Board members. At the end of each financial year, the Board, its committees, individual trustees and the CEO are evaluated by an independent body against targets agreed to at the beginning of the year.

### *Board meetings*

The Board of Trustees meets quarterly or as required in order to monitor the implementation of the Fund's Strategic Plan and achievement of the targets in the performance contract signed with the government. The Board of Trustees also plays an oversight role over all other financial and operational issues.

In ensuring that corporate governance and integrity are enhanced in the governance of the Fund, the Board of Trustees has established three committees, namely:

- i. Investment & Monitoring Committee — guides the Board of Trustees in making prudent investment decisions aimed at financing viable water and sanitation projects and provide organisational guidance on the monitoring and evaluation of funded projects.
- ii. Finance & General Purposes Committee — advises the Board of Trustees in matters relating to finance, resource mobilisation, human resource management and corporate social responsibility.
- iii. Audit and Risk Committee — advises the Board of Trustees on institutional risk management and compliance.

### *Communication with stakeholders*

The Fund is committed to ensuring that all its stakeholders are provided with full and timely information about its programmes and performance. They are also given an opportunity to give feedback. This is usually done through quarterly Steering Committee meetings and the Annual Stakeholders Conference.

# 7 CHALLENGES

In the medium and long term, the Water Fund faces a number of challenges that have to be addressed in order to be able to carry out the mandate as foreseen:

## *Sustainability of the Water Fund:*

WSTF places a high premium on sustainability as an indicator of its success in delivering services to Kenyans. However, sustaining the investments has remained a nagging challenge with immense and deliberate effort being harnessed to ensure sustained development. Some of the pertinent elements to be sustained by the Fund include political support, working closely with the legislature, counties and other important entities in the country.

WSTF funding stability, organisational stability, partnerships and communications add to the list of essential elements that are being prioritised by the Fund. Some of the related issues have been the reliance of the Fund on the 5% operational fees charged on development partner grants and on the GOK's recurrent budget allocation to the Fund. These two sources of income have remained below the WSTF's operational expenses, leading to the Fund operating under a lot of difficulties. This has in turn impacted the effectiveness of project supervision and monitoring with resulting delays in project implementation and misapplication of resources by some implementing agents. As a way of moving forward the sustainability agenda, the Fund proposes the formation and maintenance of strategic partnerships, diversification of the funding base and donors, lobbying for increased government allocation, and strengthening research and innovation as well as investing in institutions with established structures and a business mindset.

## *Transition from grant financing to commercial financing:*

WSTF in the current Strategic Plan 2014-2017 changes the strategic focus of the institution from that of purely grant-making to a blend of grant and business. From seeing water only as a public good to a commodity; from programme windows to investment programmes. As highlighted earlier, the Fund is keen to see sustainable financing mechanisms. One of the bold steps is a proposal to develop a revolving fund based on blending commercial loans for water infrastructure with grants, interest rate subsidies and loan guarantees. All of these different strategies for sustainable financing of the WSTF can complement one another.

However, there is need to combine these with substantial increases in funding for WSTF from other sources, such as increased national government budget allocations, interest and fees earned from commercial loans for water

infrastructure which are backed by county government guarantees, and higher water user charges for businesses and individuals to cover more of the long-term maintenance costs of water infrastructure. Currently, WSTF has established two products under Result-Based Financing, these are Output-Based Aid and Aid on Delivery, with salient characteristics responsive to the market demands. WSTF is exploring viable partnerships in this regard with other institutions including the Kenya Pooled Water Fund, and what can practically benefit the Kenyan water sector.

*Brand Equity:*

Through its many international partnerships and its good reputation, WSTF has gained international recognition, becoming one of the leading global players in

the water and sanitation sector, especially in areas of financing and pro-poor policies, standards and guidelines. Many local and international delegations have visited WSTF specifically to learn about its best practice and emulate the success of the Fund. Knowledge sharing has become a core activity of the Fund, and the organisation has come to be identified with good systems and financing mechanisms, capacity building, efficient operations resulting in high productivity, and value for money. However, supplementary efforts and resources need to be invested in this endeavour to improve the brand equity further.



# 8 INNOVATIONS

## and Future Perspectives

### Water Conference:

This is envisioned to be an annual event organised by the Government of Kenya, through the Ministry of Water and Irrigation, in collaboration with the Council of Governors, the Water Fund, The Kenya Water and Sanitation Civil Society Network (KEWASNET), Kenya Water Institute (KEWI), Kenya Market Trust (KMT) and diplomatic missions in Kenya, among other key stakeholders. The first water conference and exhibition will be held on the 20th to the 25th of November 2016, at the Kenya International Convention Centre (KICC), Nairobi, Kenya.

The planned conference will deliberate on the water sector development agenda, strategies and implementation challenges by bringing together all key national stakeholders and leading development partners and practitioners from around the world. The forum will, in addition, bring business networking through an exhibition and promote innovation in the sector through an innovation challenge and awards.

Each year, the conference will have a different theme responsive to the challenges and developments in the water sector. This year's theme is *From Aid to Trade: Changing Financing Landscape*. With Kenya becoming a middle-income country, grants which have formed the greatest percentage of funding to WSTF are projected to reduce as countries shift from grants to trade-oriented bilateral agreements. WSTF is the intermediary organisation in financing water sector players for water and sanitation provision to underserved areas, with over 80% funds to WSTF coming from development partners.

The Fund, recognising the need for sustainability in project financing, has been exploring strategies for a business model which reduces dependency on grant funding. This is particularly important with respect to the expanded mandate under the new Water Act, 2016. In pursuit of sustainable financing to the sector, the conference and exhibition will always be a link between the private sector, water sector institutions and county governments, and further linking water services providers to both local and international investors.

The partners envisage the Water Forum as a platform/opportunity for innovative bilateral programme designs and further exploring the unlimited business



opportunities that exist in the nascent water sector in Kenya. Through the innovation challenge, it is expected that local solutions can be matched to local challenges in the sector, further providing improved avenues for service delivery through collaboration with local academic and research institutions.

The key programme milestones of the first conference will cover three broad activities:

- i. Annual Water Sector Performance Reporting
- ii. Business and Innovation Conference, Innovation Challenge and Exhibitions
- iii. Water Sector Innovation Awards 2016 (WaSIA 2016)

### Climate Change:

The Water Fund’s Climate Change Strategy provides a basis to mainstream climate change in its programmes geared towards addressing current and future climate variability. The Fund remains alive to the challenges posed by climate change. The phenomenon is compromising the reliability of water and sanitation services and integrity of water/soil conservation structures. The current use of electricity or fossil fuel in pumping water and reliance on rainwater harvesting technologies with little capacity to withstand high temperatures (evapotranspiration) and floods remain potential challenges in realising the full impacts of WSTF financed projects. Funded projects have a shortened project lifespan due to climate change. Flooding in various project areas destroys the newly constructed or rehabilitated systems or infrastructure and prolonged drought, on the other hand, reduces the infrastructure’s efficacy as there will be no water to convey or store for use by the intended beneficiaries.



As a response to the challenges of climate change, WSTF has reviewed the recent legislative and policy framework to handle the issues in accordance with the provisions of the law. The National Climate Change Act, 2016 recognises the need

to embrace climate change into the water and environment sectors of Kenya. The water sector in its National Water Master Plan 2030 has committed to take action on climate change in line with the Kenyan Government’s Vision 2030. WSTF can only contribute to this national agenda by building and improving its programmes

to tackle climate change issues. The National Climate Change Response Strategy (NCCRS, 2010) provides linkages to sector-wide interventions and guidelines for implementation in dealing with climate change challenges in the water sector. Mainstreaming climate change right from project formulation or inception, design, construction and operation will ensure sustainability. The climate change strategy being developed at the Fund presents a blueprint for approaches at the national level towards water sector investments, partnerships with climate change stakeholders and utilising it for resource mobilisation and innovative financing.

### **School WASH Programme:**

The inadequate development of water supply and sanitation infrastructure in public primary schools in rural and urban areas can mainly be traced to insufficient resources, unclear responsibilities, and inadequate enforcement of technical standards, among other issues. This initiative is a response to the challenges encountered in Kenyan schools. WSTF is building on the progress made by interventions such as UBSUP (Up-scaling Basic Sanitation for the Urban Poor) and will be part of it. Piloting and up-scaling of sanitation in public primary schools will be transparent and the implementation will be through the water service providers across the country.



### **Citizen approach to the website (citizen portal):**

The Fund intends to overhaul its current website in order to make it agile, responsive and with a stakeholder focus. The overarching long-term objective of the website redesign is to enhance accountability in the activities of the Fund to serve as a citizen (county) portal which will enhance accountability for devolution. The website will also serve as one of the inputs to the Fund's online feedback referral system (being separately developed) to enhance transparency. In addition, the website will also feature connectivity with open public databases to enhance cooperation and interoperability between other stakeholders.

### **Platform for Dialogue (*Ugatuzi Wa Maji*):**

As collaborative leaders of governance conferences, the two organisations (Council of Governors and WSTF) could convene a conference to evaluate or take stock of the developments so far realised in the water sector. The conference could further focus on:

- Exchanges on best practices,
- Awards for best governance in management of water-related investments resulting from an analysis of processes in the counties,
- Increasing the visibility of governors and the possibilities of them developing their own cooperative efforts,
- Collaborative problem solving for governance in the Water and Environment Sector,
- Collaborative incubator of water solution-based technologies.

### **SafisApp (mobile application):**

SafisApp is an application that is used for data collection, reporting and subsequent analysis of the SafiSan project (projects supported under UBSUP). The application provides for an electronic form used in collecting plot information and saves data collected to a database. Its operational status is under development. It operates on mobile devices using the Android operating system. The application can work in offline mode (i.e. without need for an internet connection) to collect data in the field and only requires connectivity in order to sync the collected data to the cloud database. The application also requires that the tablet has an internal GPS receiver in order to obtain coordinates automatically, as well as an internal photo camera. Data saved in the database can be accessed and viewed using the Google Chrome browser.

Sanitation Academy (Trainings through Application): This is an application which is set to provide an interactive platform for communities to share ideas on sanitation including construction of SafiSan toilets, use and maintenance of Urine Diverting Dry Toilets (UDDTs), emptying and transporting waste from SafiSan, Decentralised Treatment Facilities (DTFs), treatment at composting beds, use of biogas facilities and any business opportunity that hovers around sanitation. The objective of this application is to reach people who do not attend trainings, and those not in the habit of reading manuals or documents. Gradual growth in knowledge for those people working in the sanitation facilities is of the essence, thus making clever use of best practices. The exchange of ideas and experiences will improve knowledge on sanitation.

### **Sector perspectives**

- The demand and supply of water and sanitation services will increase in the future.
- The willingness of the population to pay for service solutions of higher quality and convenience is also likely to increase.

- The Water Fund and water utilities will be able to provide services of a higher complexity.
- The water utilities increasingly develop a commercial interest in providing services in low-income areas.
- The water utilities improve their reputation among residents in these areas.
- Due to the devolution of counties, more investments will take place all over Kenya in the water sector.
- The new legislative framework will provide guidelines and the basis for improvement of water services in the sector.



### Water Fund perspectives

The central future perspective that the Water Fund is striving for is the aspect of sustainability. This will be reached through different strategic measures:

- Develop sustainable resource mobilisation strategies and opportunities,
- Move from pure grants to loans and other commercial approaches,
- Develop strategic partnerships supported by the Government of Kenya through national funding,
- Increased capacity building initiatives for the Fund and the implementing partners,
- Improve the project implementation cycles,
- Improve the continuous updating of the O&M data for sustainable monitoring,
- Institute a functional performance management system (continually monitor institutional performance against set targets),
- Engage in new potential fields of action (Peri-Urban and Equity programme, School WASH and Climate Change etc.).

In the medium and long term, the Water Fund faces a number of challenges that have to be addressed in order to be able to carry out its mandate as foreseen:

- Sustainability of the Water Fund,
- Transition from grant financing to commercial financing,
- Brand equity,
- Climate change.

# ANNEX

Annex 1:  
County overview of WSTF investments

Annex 2:  
Calculation of the Sustainability Index

## ANNEX 1: County overview of WSTF investments

The following pages summarise facts on water and sanitation in each county. All county summaries contain basic information on the water and sanitation coverage, as well as data on the WSTF investments in the county:

- Total WSTF Investment in KES
- WSTF contribution to water access
- Number of people reached with WSTF investments
- Operational status of WSTF investments
- County Sustainability Index

Most of the data is based on the County Factsheets from June 2016, which have been developed by WSTF. New is the operational status of the WSTF investments and the Sustainability Index, which first have been developed in October 2016 following the Operations Monitoring Exercise. All monitored investments commenced operation after 2011 under the new 2010 Constitution. For the Sustainability Index, only investments older than 2.5 years have been considered.

### Baringo County

Total Population: 555,561<sup>1</sup>

Population with access to:

Improved water sources: 35.1 %

Improved sanitation<sup>2</sup>: 22.0 %

Total WSTF Investment:

KES 110,362,336

WSTF contributed 6.1 % to water access.

WSTF has reached 33,881 people with water investments.

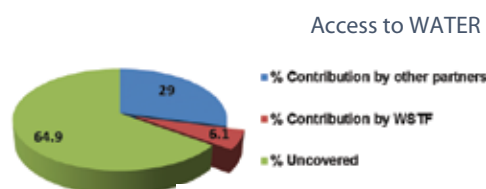
Rural: 9,651 people

Urban: 24,230 people

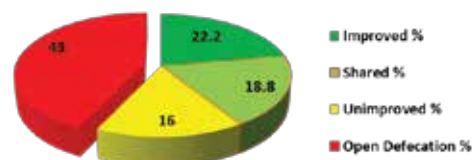
Operational Status of all WSTF investments:

Rural: 57 %

Urban: 100 %



#### SANITATION Coverage



Sustainability Index:

40 %

### Bomet County

Total Population: 724,186<sup>1</sup>

Population with access to:

Improved water sources: 40.8 %

Improved sanitation<sup>2</sup>: 36.3 %

Total WSTF Investment:

KES 62,162,645

WSTF contributed 2.6 % to water access.

WSTF has reached 18,776 people with water investments.

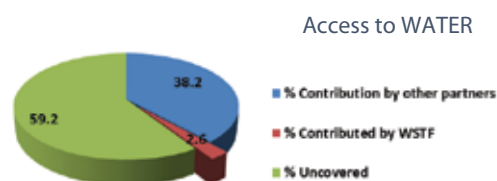
Rural: 6,416 people

Urban: 12,360 people

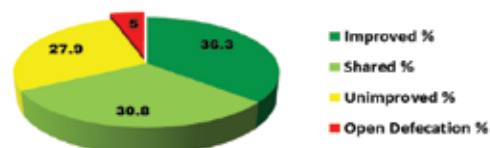
Operational Status of WSTF investments:

Rural: - % (No investments after 2011)

Urban: 67 %



#### SANITATION Coverage



Sustainability Index:

80 %

<sup>1</sup> National Bureau of Statistics

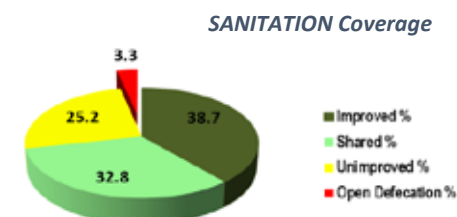
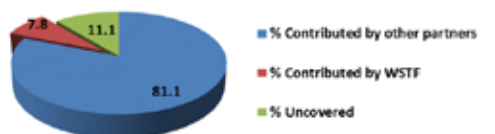
<sup>2</sup> World Bank Water and Sanitation Programme

### Bungoma County

**Total Population:** 1,630,934<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 88.9 %  
 Improved **sanitation**<sup>2</sup>: 38.7 %

**Total WSTF Investment:**  
**KES 136,512,609**  
 WSTF contributed **7.8 %** to water access.  
 WSTF has reached **127,657 people** with water investments.  
 Rural: 91,426 people  
 Urban: 36,195 people

**Operational Status of WSTF investments:**  
 Rural: 70 %  
 Urban: 60 %



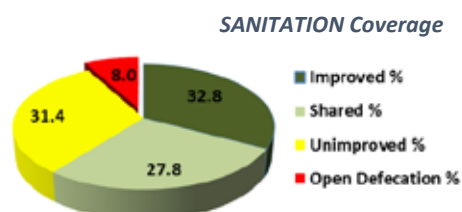
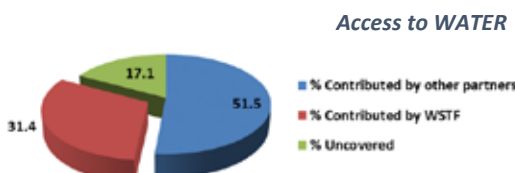
**Sustainability Index:**  
**38 %**

### Busia County

**Total Population:** 743,946<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 82.9 %  
 Improved **sanitation**<sup>2</sup>: 32.8 %

**Total WSTF Investment:**  
**KES 238,613,005**  
 WSTF contributed **31.4 %** to water access.  
 WSTF has reached **233,898 people** with water investments.  
 Rural: 222,698 people  
 Urban: 11,180 people

**Operational Status of WSTF investments:**  
 Rural: 100 %  
 Urban: 90 %



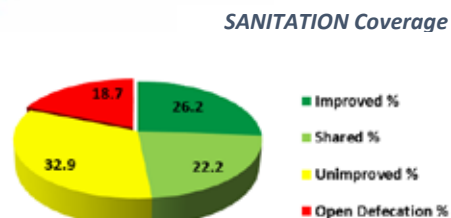
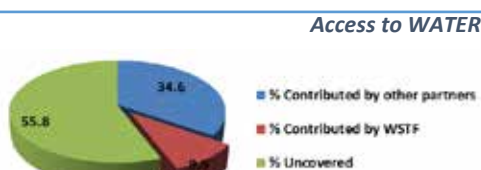
**Sustainability Index:**  
**83 %**

### Elgeyo Marakwet County

**Total Population:** 369,998<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 44.2 %  
 Improved **sanitation**<sup>2</sup>: 26.2 %

**Total WSTF Investment:**  
**KES 72,633,956**  
 WSTF contributed **9.6 %** to water access.  
 WSTF has reached **35,568 people** with water investments.  
 Rural: 20,746 people  
 Urban: 14,822 people

**Operational Status of WSTF investments:**  
 Rural: 36 %  
 Urban: 80 %



**Sustainability Index:**  
**27 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme



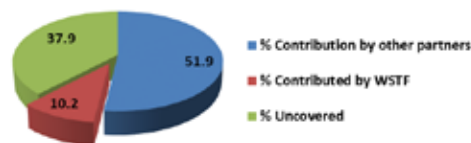
## Embu County

**Total Population:** 516,212<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 62.1 %  
 Improved **sanitation**<sup>2</sup>: 35.5 %

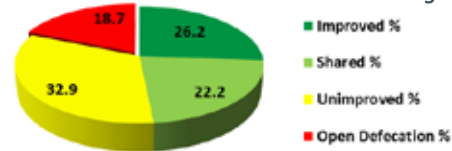
**Total WSTF Investment:**  
 KES 196,683,399  
 WSTF contributed **10.2 %** to water access.  
 WSTF has reached **52,739 people** with water investments.  
 Rural: 5,675 people  
 Urban: 47,064 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 88 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**91 %**

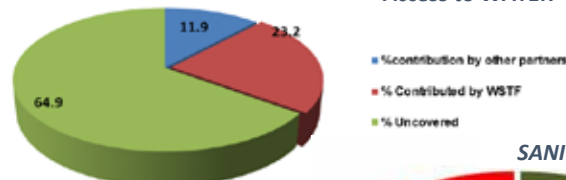
## Garissa County

**Total Population:** 623,060<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 35.1 %  
 Improved **sanitation**<sup>2</sup>: 16.8 %

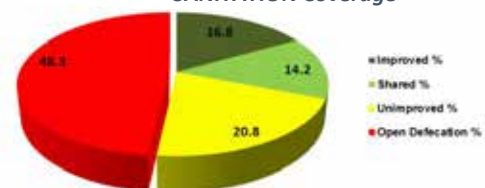
**Total WSTF Investment:**  
 KES 202,180,304  
 WSTF contributed **23.2 %** to water access.  
 WSTF has reached **144,355 people** with water investments.  
 Rural: 126,805 people  
 Urban: 17,550 people

**Operational Status of WSTF investments:**  
 Rural: 80 %  
 Urban: 58 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**40 %**

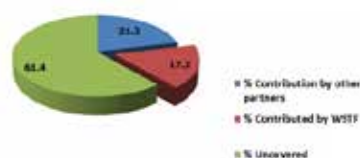
## Homa Bay County

**Total Population:** 958,791<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 38.6 %  
 Improved **sanitation**<sup>2</sup>: 22.0 %

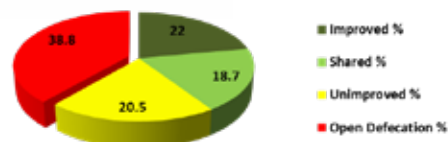
**Total WSTF Investment:**  
 KES 313,955,873  
 WSTF contributed **17.3 %** to water access.  
 WSTF has reached **166,252 people** with water investments.  
 Rural: 136,952 people  
 Urban: 29,300 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 64 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**78 %**

<sup>1</sup> National Bureau of Statistics

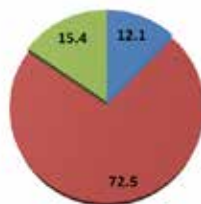
<sup>2</sup> World Bank Water and Sanitation Programme

### Isiolo County

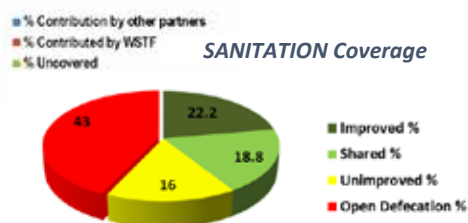
**Total Population:** 143,294<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 84.6%  
 Improved **sanitation**<sup>2</sup>: 22.2 %

**Total WSTF Investment:**  
 KES 262,181,516  
 WSTF contributed **72.5 %** to water access.  
 WSTF has reached **103,871 people** with water investments.  
 Rural: 77,156 people  
 Urban: 26,715 people

**Operational Status of WSTF investments:**  
 Rural: 88 %  
 Urban: 100 %



Access to WATER



SANITATION Coverage

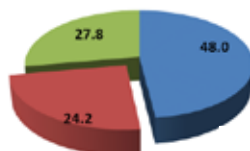
**Sustainability Index:**  
**55 %**

### Kajiado County

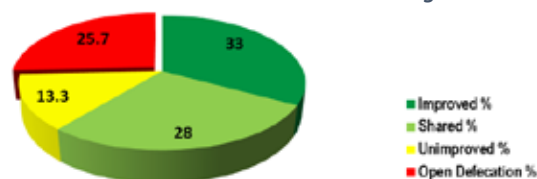
**Total Population:** 687,312<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 72.2%  
 Improved **sanitation**<sup>2</sup>: 33.0 %

**Total WSTF Investment:**  
 KES 262,181,516  
 WSTF contributed **24.2 %** to water access.  
 WSTF has reached **166,158 people** with water investments.  
 Rural: 82,500 people  
 Urban: 83,658 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 67 %



Access to WATER



SANITATION Coverage

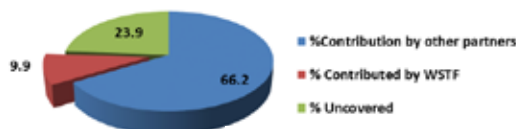
**Sustainability Index:**  
**66 %**

### Kakamega County

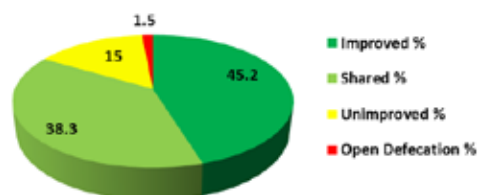
**Total Population:** 1,660,651<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 76.1%  
 Improved **sanitation**<sup>2</sup>: 45.2 %

**Total WSTF Investment:**  
 KES 262,181,516  
 WSTF contributed **9.9 %** to water access.  
 WSTF has reached **164,199 people** with water investments.  
 Rural: 104,216 people  
 Urban: 59,983 people

**Operational Status of WSTF investments:**  
 Rural: 100 %  
 Urban: 0 %



Access to WATER



SANITATION Coverage

**Sustainability Index:**  
**87 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

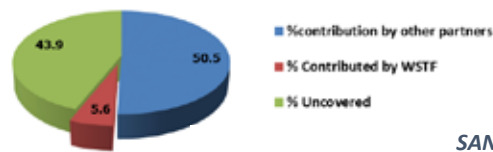
## Kericho County

**Total Population:** 758,339<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 56.1%  
 Improved **sanitation**<sup>2</sup>: 35.6 %

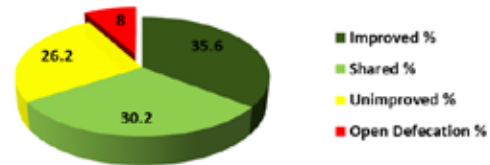
**Total WSTF Investment:**  
 KES 72,564,990  
 WSTF contributed **5.6 %** to water access.  
 WSTF has reached **42,295 people** with water investments.  
 Rural: 2,867 people  
 Urban: 39,428 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 100 %

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**100 %**

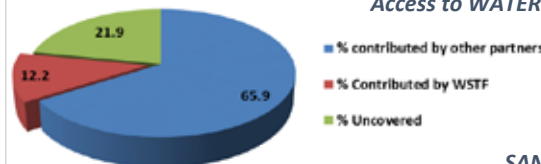
## Kiambu County

**Total Population:** 1,623,282<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 78.1%  
 Improved **sanitation**<sup>2</sup>: 43.5%

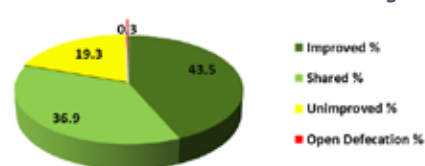
**Total WSTF Investment:**  
 KES 262,181,516  
 WSTF contributed **12.2 %** to water access.  
 WSTF has reached **197,795 people** with water investments.  
 Rural: 88,096 people  
 Urban: 109,699 people

**Operational Status of WSTF investments:**  
 Rural: 83 %  
 Urban: 95 %

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**81 %**

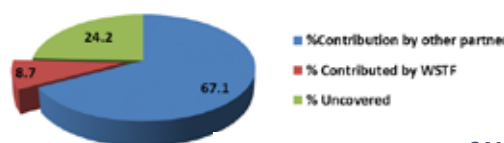
## Kilifi County

**Total Population:** 1,109,735<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 75.8%  
 Improved **sanitation**<sup>2</sup>: 25.9 %

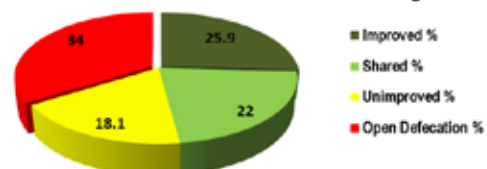
**Total WSTF Investment:**  
 KES 164,817,373  
 WSTF contributed **8.7 %** to water access.  
 WSTF has reached **96,923 people** with water investments.  
 Rural: 13,636 people  
 Urban: 83,287 people

**Operational Status of WSTF investments:**  
 Rural: 0 %  
 Urban: 88 %

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**68 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

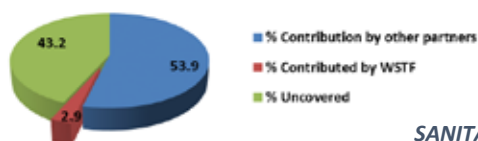
### Kirinyaga County

**Total Population:** 528,054<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 56.8%  
 Improved **sanitation**<sup>2</sup>: 44.8 %

**Total WSTF Investment:**  
 KES 84,996,831  
 WSTF contributed **2.9 %** to water access.  
 WSTF has reached **15,489 people** with water investments.  
 Rural: 9,889 people  
 Urban: 5,600 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: - % (No investments after 2011)

#### Access to WATER



#### SANITATION Coverage



**Sustainability Index:**  
**n.a.**

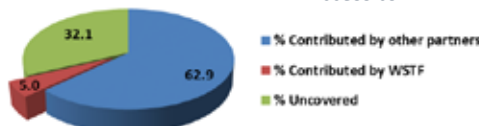
### Kisii County

**Total Population:** 1,511,422<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 67.9%  
 Improved **sanitation**<sup>2</sup>: 34.6 %

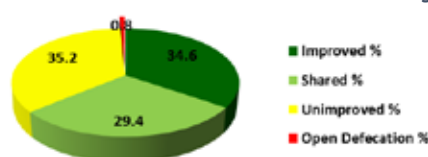
**Total WSTF Investment:**  
 KES 72,534,792  
 WSTF contributed **5.0 %** to water access.  
 WSTF has reached **76,265 people** with water investments.  
 Rural: 26,665 people  
 Urban: 76,600 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 22 %

#### Access to WATER



#### SANITATION Coverage



**Sustainability Index:**  
**65 %**

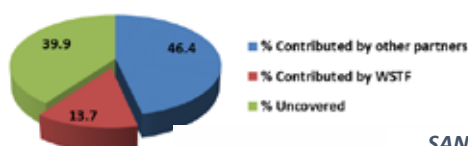
### Kisumu County

**Total Population:** 968,909<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 60.1%  
 Improved **sanitation**<sup>2</sup>: 30.4 %

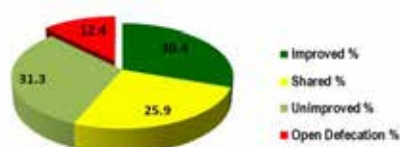
**Total WSTF Investment:**  
 KES 197,521,532  
 WSTF contributed **13.7 %** to water access.  
 WSTF has reached **132,512 people** with water investments.  
 Rural: 99,158 people  
 Urban: 33,354 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 83 %

#### Access to WATER



#### SANITATION Coverage



**Sustainability Index:**  
**67 %**

<sup>1</sup> National Bureau of Statistics

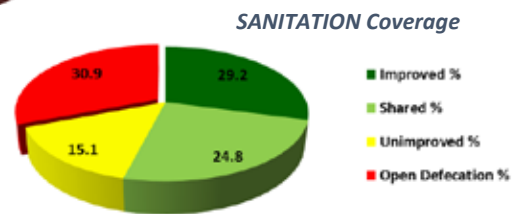
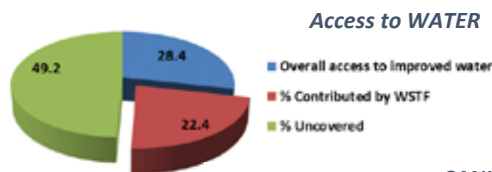
<sup>2</sup> World Bank Water and Sanitation Programme

### Kitui County

**Total Population:** 1,012,709<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 50.8 %  
 Improved **sanitation**<sup>2</sup>: 29.4 %

**Total WSTF Investment:**  
 KES 323,068,758  
 WSTF contributed **22.4 %** to water access.  
 WSTF has reached **226,341 people** with water investments.  
 Rural: 209,131 people  
 Urban: 17,210 people

**Operational Status of WSTF investments:**  
 Rural: 33 %  
 Urban: 93 %



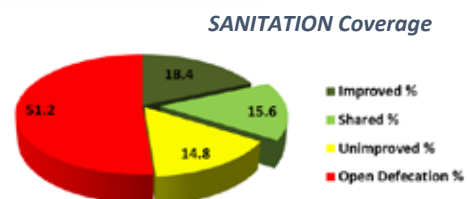
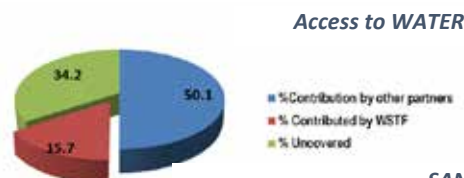
**Sustainability Index:**  
**83 %**

### Kwale County

**Total Population:** 649,931<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 65.8 %  
 Improved **sanitation**<sup>2</sup>: 18.4 %

**Total WSTF Investment:**  
 KES 111,887,303  
 WSTF contributed **15.7 %** to water access.  
 WSTF has reached **102,197 people** with water investments.  
 Rural: 95,597 people  
 Urban: 6,600 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: - % (No investments after 2011)



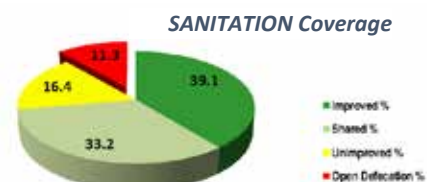
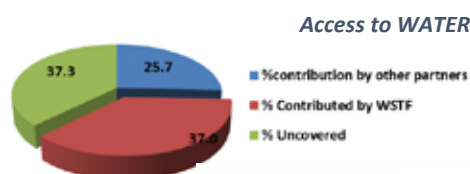
**Sustainability Index:**  
**n.a.**

### Laikipia County

**Total Population:** 399,227<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 62.7 %  
 Improved **sanitation**<sup>2</sup>: 39.1 %

**Total WSTF Investment:**  
 KES 226,628,458  
 WSTF contributed **37.0 %** to water access.  
 WSTF has reached **147,600 people** with water investments.  
 Rural: 100,082 people  
 Urban: 47,518 people

**Operational Status of WSTF investments:**  
 Rural: 85 %  
 Urban: 90 %



**Sustainability Index:**  
**73 %**

<sup>1</sup> National Bureau of Statistics

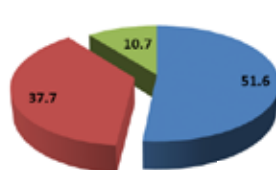
<sup>2</sup> World Bank Water and Sanitation Programme

### Lamu County

**Total Population:** 101,539<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 89.3 %  
 Improved **sanitation**<sup>2</sup>: 30.9 %

**Total WSTF Investment:**  
 KES 87,037,455  
 WSTF contributed **37.7 %** to water access.  
 WSTF has reached **38,315 people** with water investments.  
 Rural: 31,515 people  
 Urban: 6,800 people

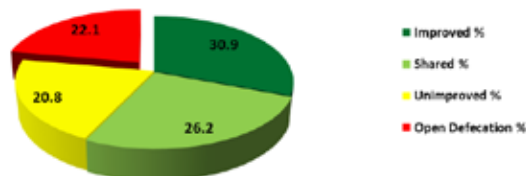
**Operational Status of WSTF investments:**  
 Rural: 77 %  
 Urban: 100 %



Access to WATER

- % Contribution by other partners
- % Contributed by WSTF
- % Uncovered

SANITATION Coverage



**Sustainability Index:**  
**40 %**

### Machakos County

**Total Population:** 1,098,584<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 58.1 %  
 Improved **sanitation**<sup>2</sup>: 33.9 %

**Total WSTF Investment:**  
 KES 386,038,175  
 WSTF contributed **17.3 %** to water access.  
 WSTF has reached **190,330 people** with water investments.  
 Rural: 54,259 people  
 Urban: 136,071 people

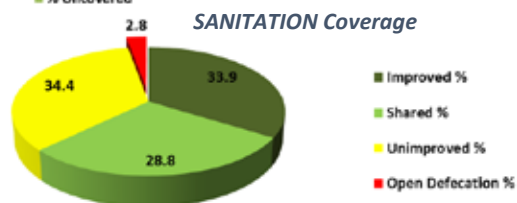
**Operational Status of WSTF investments:**  
 Rural: 100 %  
 Urban: 92 %



Access to WATER

- % Contribution by other partners
- % Contributed by WSTF
- % Uncovered

SANITATION Coverage



**Sustainability Index:**  
**81 %**

### Makueni County

**Total Population:** 884,527<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 56.9 %  
 Improved **sanitation**<sup>2</sup>: 30.5 %

**Total WSTF Investment:**  
 KES 347,788,945  
 WSTF contributed **15.7 %** to water access.  
 WSTF has reached **139,301 people** with water investments.  
 Rural: 92,298 people  
 Urban: 47,003 people

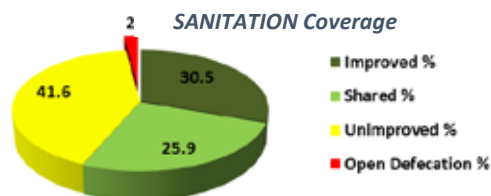
**Operational Status of WSTF investments:**  
 Rural: 60 %  
 Urban: 96 %



Access to WATER

- Contribution by other partners
- % Contributed by WSTF
- % Uncovered

SANITATION Coverage



**Sustainability Index:**  
**56 %**

<sup>1</sup> National Bureau of Statistics

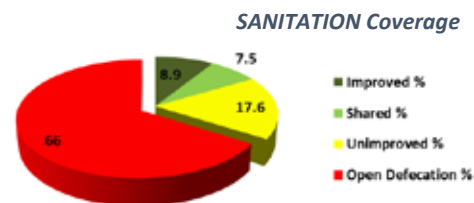
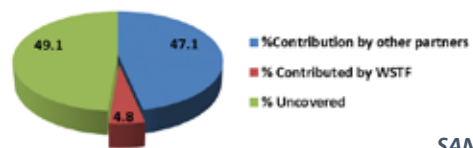
<sup>2</sup> World Bank Water and Sanitation Programme

## Mandera County

**Total Population:** 1,025,756<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 51.9 %  
 Improved **sanitation**<sup>2</sup>: 8.9 %

**Total WSTF Investment:**  
 KES 72,173,153  
 WSTF contributed **4.8 %** to water access.  
 WSTF has reached **48,994 people** with water investments.  
 Rural: 47,712 people  
 Urban: 1,282 people

**Operational Status of WSTF investments:**  
 Rural: 50 %  
 Urban: 0 %



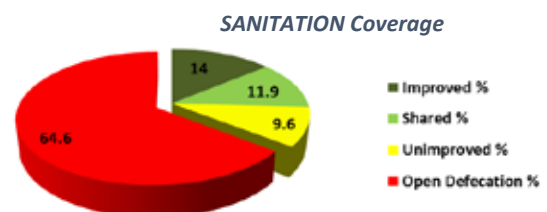
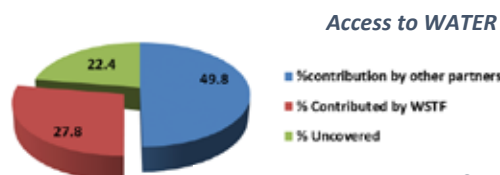
**Sustainability Index:**  
**13 %**

## Marsabit County

**Total Population:** 291,166<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 77.6 %  
 Improved **sanitation**<sup>2</sup>: 14.0 %

**Total WSTF Investment:**  
 KES 90,615,780  
 WSTF contributed **27.8 %** to water access.  
 WSTF has reached **81,040 people** with water investments.  
 Rural: 52,732 people  
 Urban: 28,308 people

**Operational Status of WSTF investments:**  
 Rural: 91 %  
 Urban: - % (No investments after 2011)



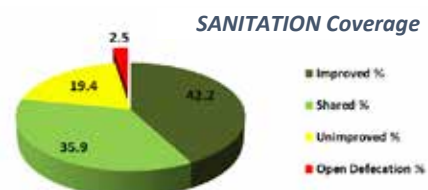
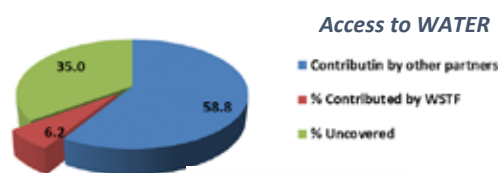
**Sustainability Index:**  
**47 %**

## Meru County

**Total Population:** 1,356,301<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 65.0 %  
 Improved **sanitation**<sup>2</sup>: 42.2 %

**Total WSTF Investment:**  
 KES 132,812,947  
 WSTF contributed **6.2 %** to water access.  
 WSTF has reached **84,577 people** with water investments.  
 Rural: 41,280 people  
 Urban: 43,297 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 75 %



**Sustainability Index:**  
**37 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme



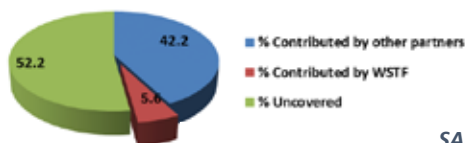
## Migori County

**Total Population:** 917,170<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 47.8 %  
 Improved **sanitation**<sup>2</sup>: 27.8 %

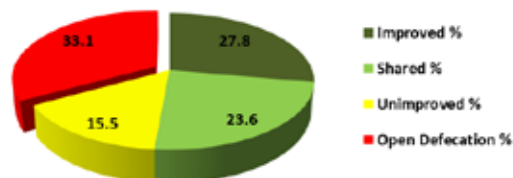
**Total WSTF Investment:**  
 KES 168,669,415  
 WSTF contributed **5.6 %** to water access.  
 WSTF has reached **51,665 people** with water investments.  
 Rural: 41,998 people  
 Urban: 9,667 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: - % (No investments after 2011)

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**n.a.**

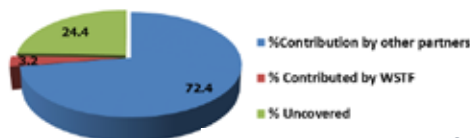
## Mombasa County

**Total Population:** 939,370<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 75.6 %  
 Improved **sanitation**<sup>2</sup>: 43.9 %

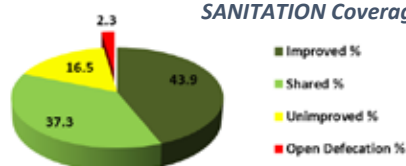
**Total WSTF Investment:**  
 KES 56,363,613  
 WSTF contributed **3.2 %** to water access.  
 WSTF has reached **30,100 people** with water investments.  
 Rural: - people  
 Urban: 30,100 people

**Operational Status of WSTF investments:**  
 Rural: - %  
 Urban: 100 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**97 %**

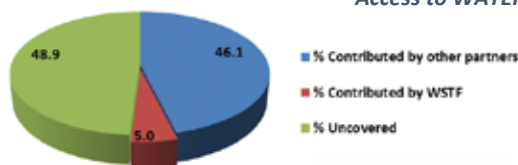
## Murang'a County

**Total Population:** 942,581<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 51.1 %  
 Improved **sanitation**<sup>2</sup>: 37.4 %

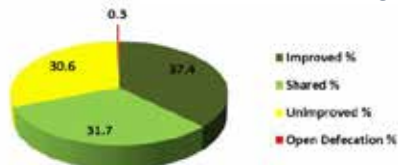
**Total WSTF Investment:**  
 KES 107,288,356  
 WSTF contributed **5.0 %** to water access.  
 WSTF has reached **47,042 people** with water investments.  
 Rural: 4,250 people  
 Urban: 42,792 people

**Operational Status of WSTF investments:**  
 Rural: 89 %  
 Urban: 87 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**75 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

## Nairobi County

**Total Population:** 3,138,369<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 83.1 %  
 Improved **sanitation**<sup>2</sup>: 47.0 %

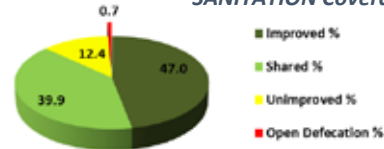
**Total WSTF Investment:**  
 KES 77,676,013  
 WSTF contributed **2.0 %** to water access.  
 WSTF has reached **64,056 people** with water investments.  
 Rural: - people  
 Urban: 64,056 people

**Operational Status of WSTF investments:**  
 Rural: - %  
 Urban: n.a.

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**n.a.**

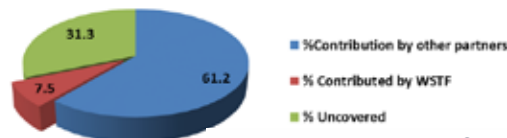
## Nakuru County

**Total Population:** 1,603,325<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 68.7 %  
 Improved **sanitation**<sup>2</sup>: 41.6 %

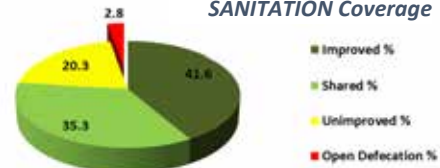
**Total WSTF Investment:**  
 KES 227,037,832  
 WSTF contributed **7.5 %** to water access.  
 WSTF has reached **119,905 people** with water investments.  
 Rural: 5,550 people  
 Urban: 114,355 people

**Operational Status of WSTF investments:**  
 Rural: 82 %  
 Urban: 100 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**44 %**

## Nandi County

**Total Population:** 752,965<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 58.9 %  
 Improved **sanitation**<sup>2</sup>: 41.6 %

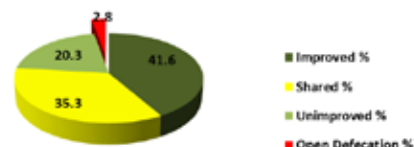
**Total WSTF Investment:**  
 KES 72,601,722  
 WSTF contributed **5.6 %** to water access.  
 WSTF has reached **42,160 people** with water investments.  
 Rural: 23,860 people  
 Urban: 18,300 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 86 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
**93 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

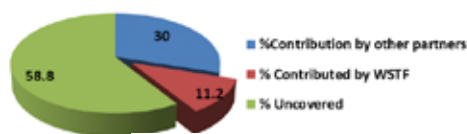
## Narok County

**Total Population:** 850,920<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 41.2 %  
 Improved **sanitation**<sup>2</sup>: 19.9 %

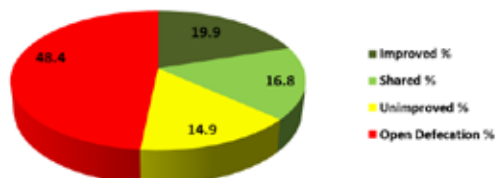
**Total WSTF Investment:**  
 KES 146,144,453  
 WSTF contributed **11.2 %** to water access.  
 WSTF has reached **95,091 people** with water investments.  
 Rural: 75,291 people  
 Urban: 19,800 people

**Operational Status of WSTF investments:**  
 Rural: 10 %  
 Urban: 0 %

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**36 %**

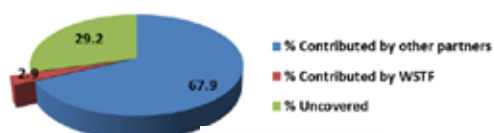
## Nyamira County

**Total Population:** 598,252<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 70.8 %  
 Improved **sanitation**<sup>2</sup>: 36.2 %

**Total WSTF Investment:**  
 KES 31,597,080  
 WSTF contributed **2.9 %** to water access.  
 WSTF has reached **17,145 people** with water investments.  
 Rural: 4,400 people  
 Urban: 12,745 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: - % (No investments after 2011)

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**n.a.**

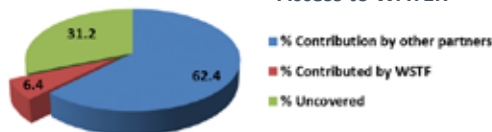
## Nyandarua County

**Total Population:** 596,268<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 68.8 %  
 Improved **sanitation**<sup>2</sup>: 40.1 %

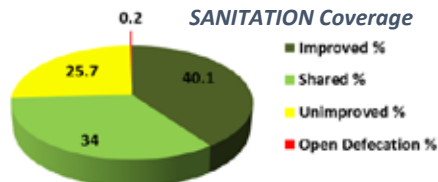
**Total WSTF Investment:**  
 KES 118,089,749  
 WSTF contributed **6.4 %** to water access.  
 WSTF has reached **38,256 people** with water investments.  
 Rural: 2,407 people  
 Urban: 35,849 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: 100 %

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**91 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

## Nyeri County

**Total Population:** 693,558<sup>1</sup>

Population with access to:

Improved **water sources:** 70.1 %

Improved **sanitation**<sup>2</sup>: 40.2 %

**Total WSTF Investment:**

KES 190,270,829

WSTF contributed **14.9 %** to water access.

WSTF has reached **103,590 people** with water investments.

Rural: 14,400 people

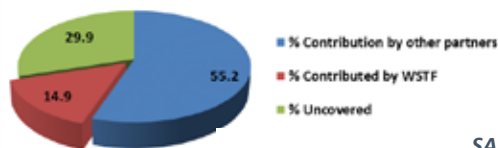
Urban: 89,190 people

**Operational Status of WSTF investments:**

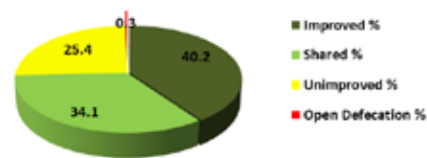
Rural: 100 %

Urban: 100 %

*Access to WATER*



*SANITATION Coverage*



**Sustainability Index:**

**78 %**

## Samburu County

**Total Population:** 223,947<sup>1</sup>

Population with access to:

Improved **water sources:** 70.3 %

Improved **sanitation**<sup>2</sup>: 11.7 %

**Total WSTF Investment:**

KES 93,432,600

WSTF contributed **16.0 %** to water access.

WSTF has reached **35,879 people** with water investments.

Rural: 6,379 people

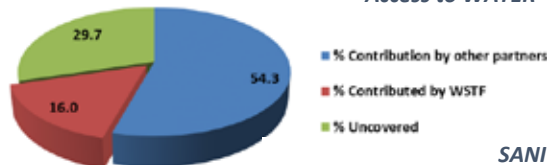
Urban: 29,500 people

**Operational Status of WSTF investments:**

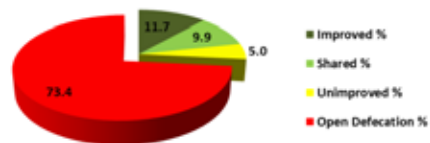
Rural: 44 %

Urban: 100 %

*Access to WATER*



*SANITATION Coverage*



**Sustainability Index:**

**56 %**

## Siaya County

**Total Population:** 842,304<sup>1</sup>

Population with access to:

Improved **water sources:** 43.1 %

Improved **sanitation**<sup>2</sup>: 25.9 %

**Total WSTF Investment:**

KES 161,654,894

WSTF contributed **12.9 %** to water access.

WSTF has reached **108,622 people** with water investments.

Rural: 60,842 people

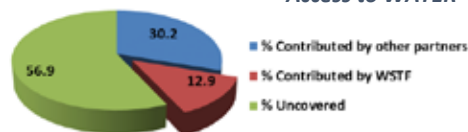
Urban: 47,780 people

**Operational Status of WSTF investments:**

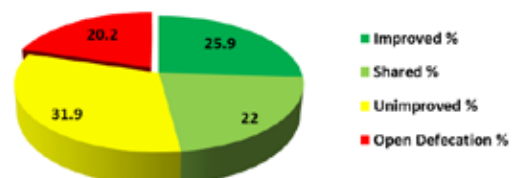
Rural: 100 %

Urban: 42 %

*Access to WATER*



*SANITATION Coverage*



**Sustainability Index:**

**58 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

### Taita Taveta County

**Total Population:** 284,657<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 72.4 %  
 Improved **sanitation**<sup>2</sup>: 36.7 %

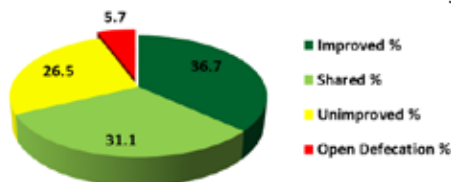
**Total WSTF Investment:**  
 KES 110,456,493  
 WSTF contributed **14.0 %** to water access.  
 WSTF has reached **39,951 people** with water investments.  
 Rural: 18,470 people  
 Urban: 21,481 people

**Operational Status of WSTF investments:**  
 Rural: - % (No investments after 2011)  
 Urban: - % (No investments after 2011)

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**n.a.**

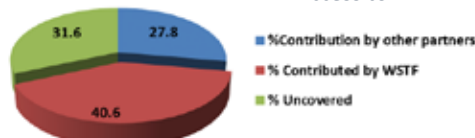
### Tana River County

**Total Population:** 140,075<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 68.4 %  
 Improved **sanitation**<sup>2</sup>: 36.7 %

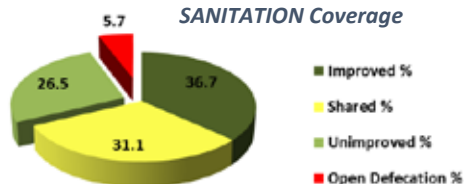
**Total WSTF Investment:**  
 KES 217,621,608  
 WSTF contributed **40.6 %** to water access.  
 WSTF has reached **97,574 people** with water investments.  
 Rural: 67,674 people  
 Urban: 29,900 people

**Operational Status of WSTF investments:**  
 Rural: 66 %  
 Urban: 0 %

Access to WATER



SANITATION Coverage



**Sustainability Index:**  
**39 %**

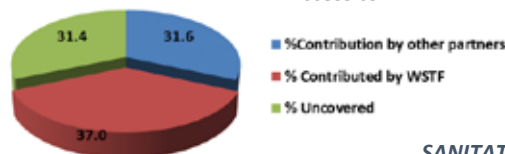
### Tharaka Nithi County

**Total Population:** 365,330<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 68.6 %  
 Improved **sanitation**<sup>2</sup>: 32.8 %

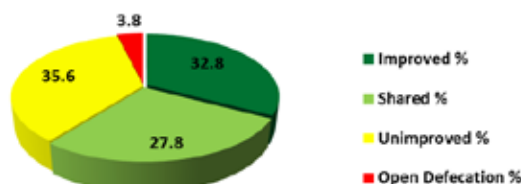
**Total WSTF Investment:**  
 KES 193,042,183  
 WSTF contributed **37.0 %** to water access.  
 WSTF has reached **135,029 people** with water investments.  
 Rural: 57,949 people  
 Urban: 77,080 people

**Operational Status of WSTF investments:**  
**Sustainability Index:**  
 Rural: - % (No investments after 2011)  
 Urban: 91 %

Access to WATER



SANITATION Coverage



**60 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

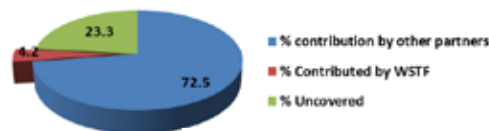
## Trans Nzoia County

**Total Population:** 818,757<sup>1</sup>  
 Population with access to:  
 Improved water sources: 76.7 %  
 Improved sanitation<sup>2</sup>: 40.6 %

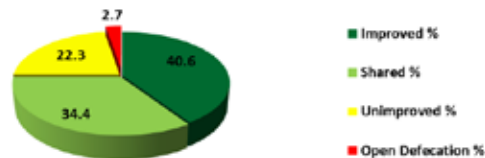
**Total WSTF Investment:**  
 KES 56,800,049  
 WSTF contributed 4.2 % to water access.  
 WSTF has reached 34,078 people with water investments.  
 Rural: 14,378 people  
 Urban: 19,700 people

**Operational Status of WSTF investments:**  
 Rural: 95 %  
 Urban: 73 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
 n.a.

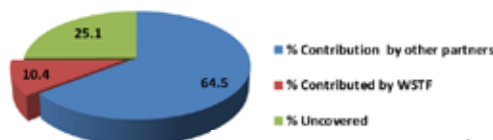
## Turkana County

**Total Population:** 855,399<sup>1</sup>  
 Population with access to:  
 Improved water sources: 74.9 %  
 Improved sanitation<sup>2</sup>: 6.6 %

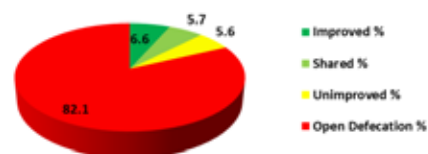
**Total WSTF Investment:**  
 KES 133,700,269  
 WSTF contributed 10.4 % to water access.  
 WSTF has reached 89,080 people with water investments.  
 Rural: 62,250 people  
 Urban: 26,830 people

**Operational Status of WSTF investments:**  
 Rural: 0 %  
 Urban: 100 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
 44 %

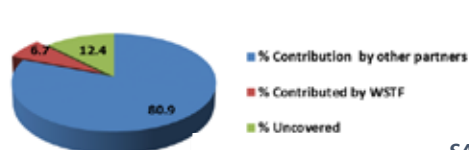
## Uasin Gishu County

**Total Population:** 894,179<sup>1</sup>  
 Population with access to:  
 Improved water sources: 87.6 %  
 Improved sanitation<sup>2</sup>: 42.5 %

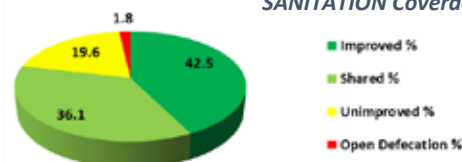
**Total WSTF Investment:**  
 KES 106,224,466  
 WSTF contributed 6.7 % to water access.  
 WSTF has reached 59,883 people with water investments.  
 Rural: 36,238 people  
 Urban: 23,645 people

**Operational Status of WSTF investments:**  
 Rural: 100 %  
 Urban: 68 %

### Access to WATER



### SANITATION Coverage



**Sustainability Index:**  
 79 %

<sup>1</sup> National Bureau of Statistics

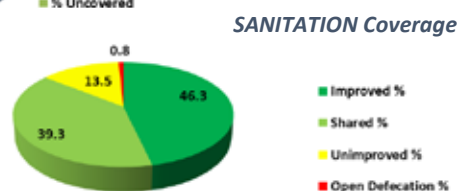
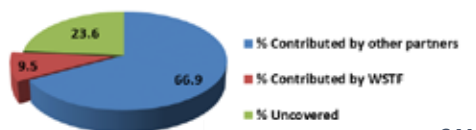
<sup>2</sup> World Bank Water and Sanitation Programme

### Vihiga County

**Total Population:** 554,662<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 76.4 %  
 Improved **sanitation**<sup>2</sup>: 46.3 %

**Total WSTF Investment:**  
 KES 59,161,108  
 WSTF contributed **9.5 %** to water access.  
 WSTF has reached **52,810 people** with water investments.  
 Rural: 33,010 people  
 Urban: 19,800 people

**Operational Status of WSTF investments:**  
 Rural: 83 %  
 Urban: 57 %



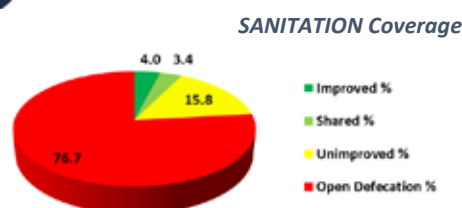
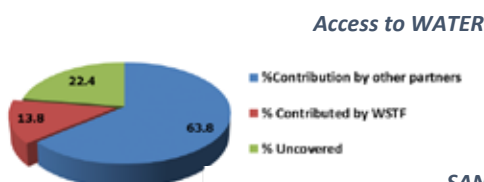
**Sustainability Index:**  
**49 %**

### Wajir County

**Total Population:** 661,941<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 77.6 %  
 Improved **sanitation**<sup>2</sup>: 4.0 %

**Total WSTF Investment:**  
 KES 181,612,572  
 WSTF contributed **13.8 %** to water access.  
 WSTF has reached **91,384 people** with water investments.  
 Rural: 89,084 people  
 Urban: 2,300 people

**Operational Status of WSTF investments:**  
 Rural: 86 %  
 Urban: - % (No investments after 2011)



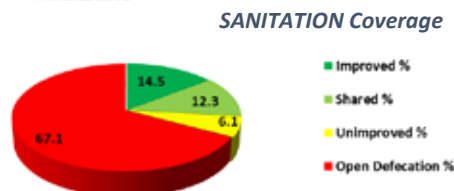
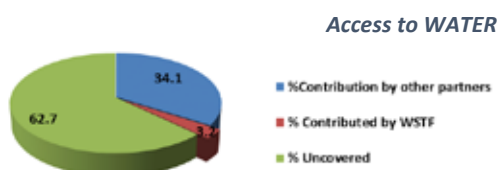
**Sustainability Index:**  
**44 %**

### West Pokot County

**Total Population:** 512,690<sup>1</sup>  
 Population with access to:  
 Improved **water sources:** 37.3 %  
 Improved **sanitation**<sup>2</sup>: 14.5 %

**Total WSTF Investment:**  
 KES 52,617,343  
 WSTF contributed **3.2 %** to water access.  
 WSTF has reached **16,170 people** with water investments.  
 Rural: 8,665 people  
 Urban: 7,505 people

**Operational Status of WSTF investments:**  
 Rural: 100 %  
 Urban: - % (No investments after 2011)



**Sustainability Index:**  
**50 %**

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme



## ANNEX 2: Calculation of the Sustainability Index

The function is specified as:

$$SI = f(FR, RC, AS, GC)$$

Where:

- SI is the Sustainability Index
- FR is the Functionality and Reliability of the investment
- RC is the Revenue Collection
- AS is the Age and Survival rate of an investment
- GC is whether the investment is in Good Condition

### Calculation of the Index

The Data is subjected to Data Quality Checks and the key findings adjusted as required.

For consistency in measurement and comparison, the data is converted into proportions of the County base totals. This results in all the data on a common scale.

Weights are attached to each of the indicators as approved by the Fund's management. The indicators and weightings used in the index calculation are presented in the table below. The Sustainability Index score is between 0 - 100%, with 100% depicting a high sustainability rate of the investments.

The rationale for allocating weights is that all indicators, although individually important, have varying significance when it comes to the sustainability of the investment. If for example, functionality was measured alone, with no consideration of financing and capacities in place at the household, community, and higher levels, there is a higher likelihood that the services will deteriorate over time (USAID, 2015). The highest weight (50%) was thus given to revenue collection with the idea that without revenue collection, the investment does not have long-term sustainability. Functionality, i.e. the operational status, and reliability together are key attributes to describe the status of the services and are given the weight of 25%. The age and survival rate of the investment are given a weight of 15%. The condition of an investment is given a smaller weight (10%) since the condition, while important, is not essential for the usability of the facility.

Indicator	Definition	Formula	Weighting in Index
1. Revenue Collection	Indicates whether water or sanitation charges are collected. This is by far the most important as the backbone of sustainability.	Calculated as a percentage based on whether or not any water or sanitation charges are collected for the services provided. This index includes all projects that fall within the following investment type: 1. Water supply: Distribution systems and intake water points (including Boreholes, Water kiosks, cattle troughs, springs?) 2. Sanitation: PSFs 3. Water resources: (springs, rainwater harvesting)	50%

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme

Indicator	Definition	Formula	Weighting in Index
2. Functionality and Reliability of the investment	The percentage of investments that are operational with regular reliability.	Calculates the percentage of investments that are both fully operational and have regular reliability (Urban: reliability > 12 hours a day) of the total number of investments.	25%
3. Age and Survival (operational) rate of an investment	The percentage of investments that are still operational after 2.5 years of completion.  2.5 years was chosen as a threshold for being the midpoint of the assessment period.	Calculates the percentage of investments that are operational and are over 2,5 years old out of all the investments of the age above 2,5 years.	15%
4. Condition of an Investment (that is also operational)	The percentage of operational investments that are in good condition.	Investments that are in good condition and operational, divided by all investments.	10%

The common scale data is aggregated per county to calculate the common score, which is the common weighted average of the constituent indicators. The national average is calculated as an average of the constituent county scores.

## REFERENCES

USAID, 2015. WASH Sustainability Index tool assessment: Ethiopia. Final Report.

<sup>1</sup> National Bureau of Statistics

<sup>2</sup> World Bank Water and Sanitation Programme



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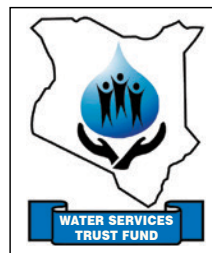
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