



## TECHNICAL CRITERIA FOR APPOINTMENT OF WSPS

### 1. Background

Pursuant to section 57(2) of the Water Act which requires WASREB to issue licences based on technical and commercial capability, the board has a one of the strategic issues the objective of promoting commercial sustainability of the WSBs and WSPs. To be able to realize this, WASREB will license WSBs and WSPs based on specific technical and financial criteria. The goal of this is to ensure that the WSPs are capable of meeting routine operation and maintenance costs and have in place proper management for the for the provision of water services. The criteria are appropriate for the services to be provided by the WSP based on the following agreed categorization of WSPs.

### 2. Categorization of WSPs

Water Production in M <sup>3</sup> /day	Category	Remarks
25 – 2,500	Very small WSP	WSPs in this category shall be registered and licensed on a yearly basis; they shall in a progressive manner be clustered with others in 2, 3, 4 or 5 as the best practice for forming economic units. (Direction in licence condition 4 especially if they are in area demarcated for another WSP where they are to be monitored by large WSP or WSB.) Regulation on water quality and customer service and tariff necessary.
2501-10,000	Small WSP	WSPs in this category may be issued with an SPA. May be clustered in a progressive manner with others in 2, 3, 4 or 5 as the best practice for forming

		economic units
10,001-50,000	Medium WSP	WSPs in this category shall be issued with an SPA. May be clustered in a progressive manner with others in 2, 3, 4 or 5 as the best practice for forming economic units
50,000- 100,000	Large WSP	WSPs in this category shall be issued with an SPA. May be clustered in a progressive manner with others in 2, 3, 4 or 5 as the best practice for forming economic units
>100,000	Very large WSP	WSPs in this category shall be issued with an SPA. May be clustered in a progressive manner with others in 2, 3, 4 or 5 as the best practice for forming economic units

### 3. Details of the Criteria

The technical and financial capability can be looked in the two broad areas of operation and management of the WSP namely:

1. Technical and
2. Finance

Depending on the impact on the quality of service, the criteria shall fall into two categories namely:

1. Mandatory conditions– This must be met before approval of the SPA.

2. Conditional Approval (Conditions Attached)– This can be negotiated and time frames of compliance agreed between WASREB and the licensee

Below are the proposed criteria to be applied in the appointment of the WSPs broken down into the two broad areas above:

S/NO	Category	Criteria	Requirement	Basis	Remarks
1	Water Source	Mandatory	Own source. Where applicant does not have own source, proof of guaranteed bulk water supply is a condition precedent.	Water Act	Bulk water supply agreement between the bulk supplier and the applicant should be available and signed.
2	Abstraction permit	Mandatory	Available and valid. For WSPs getting water in bulk, abstraction permit for the bulk water supplier required.	Water Resources Management Rules	May be considered as part of the assets and therefore obtained by the WSB.
3	Water Production (M <sup>3</sup> /day)	Conditional	> 10,000 M <sup>3</sup> /day. However WSPs with productions between 2501-10,000 M <sup>3</sup> /day may be issued with an SPA but there must be clear proof of viability. As per the approved	Section 56 of the Water Act and new categorization of WSPs.	

				categorization		
4	Laboratory/Testing kit for daily tests	Small	Conditional	Basic laboratory or Testing kit	For more advanced tests, this can be outsourced.	WSPs to indicate in the application, the point of analysis
		Medium	Conditional	Basic laboratory or Testing kit	For more advanced tests, this can be outsourced.	
		Large and Very Large	Conditional	Basic laboratory	For more advanced tests, this can be outsourced.	
5	Sewerage System/On-site sanitation systems		Conditional	Applicable to both urban and rural systems.	Where sewerage/On-site sanitation system is not available, an investment plan on proper sanitation should be in place.	An arrangement on disposal of sludge from onsite sanitation should be in place.
6	Effluent discharge licence from the National environment Management Authority (NEMA)		Conditional	Available	Environmental Management and Coordination Act	
7	Required skills	Small	Mandatory	Managing Director - Minimum of Diploma in water		The top level organization structure to be

				<p>Engineering, Business related field, Environmental Sciences or equivalent</p> <ul style="list-style-type: none"> <li>• Auditor – CPA (K)</li> <li>• Finance – At least one qualified accountant (CPA (K))</li> <li>• Commercial – Minimum of a diplomain Business related field</li> <li>• Human Resources (HR)– Minimum of diploma in HR</li> <li>• Technical Minof Diploma in water Engineering/ Technology Laboratory Technologist</li> <li>• Procurement– Diplomain</li> </ul>		submitted with the application.
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				Procurement		
		Medium	Mandatory	<p>MD – At least a first degree in Civil/Water Engineering, Business related field, Environmental Sciences or equivalent plus training in management</p> <p>Finance – At least 2No.qualified accountants CPA (K)</p> <p>Auditor – CPA (K)</p> <p>Commercial – At least a degree in Business field plus CCP qualification</p> <p>Customer Service – Minimum of a degree in Sociology, Public Relations or equivalent</p> <p>HR – Minimum of degree in HR</p>		The top level organization structure to be submitted with the application.

				<ul style="list-style-type: none"> <li>• Technical – Engineer- Degree in water Civil /water Engineering or equivalent  Laboratory Technologist – Minimum of a diploma in laboratory technology</li> <li>• Procurement – Minimum of a diploma in Procurement</li> </ul>		
		LargeMandatory		<p>MD – At least a first degree in Civil/Water Engineering, Business related field, Environmental Sciences or equivalent plus training in management</p> <p>Finance – At least 2No.qualified )</p>		The top level organization structure to be submitted with the application.

				<p>Auditor – Minimum of CPA (K)</p> <ul style="list-style-type: none"> <li>• Commercial – At least a degree in Business field plus CCP qualification</li> <li>• Customer Service – Minimum of a degree in Sociology, Public Relations or equivalent</li> <li>• HR – Minimum of degree in HR</li> <li>• Technical –</li> </ul> <p>Water Engineer - Minimum of Degree in Civil/ Water Engineering</p> <p>Wastewater Engineer – Minimum of a degree in wastewater engineering</p> <p>Chemist – Minimum of a degree in</p>		
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				Chemistry Procurement – Minimum of a degree in Procurement		
		Very Large	Mandatory	MD – At least a first degree in Civil/Water Engineering, Business related field, Environmental Sciences or equivalent plus training in management  Finance – At least 2No qualified accountants, CPA (K)  Auditor – Minimum of CPA(K) and CISA  Commercial – At least a degree in Business field plus CCP qualification  Customer Service – Minimum of a degree in		The top level organization structure to be submitted with the application.

				<p>Sociology, Public Relations or equivalent</p> <ul style="list-style-type: none"> <li>• HR – Minimum of degree in HR</li> <li>• Technical – <ul style="list-style-type: none"> <li>Engineer - Minimum of Degree in Civil/Water Engineering</li> <li>Chemist – Minimum of degree in Chemistry</li> </ul> </li> <li>• Procurement – At least a degree in Procurement</li> <li>• Legal – At least a degree in law. This can also be outsourced.</li> </ul>		
8	Human resources Development	Conditional	<p>Large and very large 0.5% to 1% of turn over spend on training.</p> <p>2-3% Small and Medium WSPs</p>	To be factored in the Regular Tariff Adjustments (RTAs) and monitored.		

<b>Financial</b>						
9	Liquidity Ratio		Mandatory	$\geq 1.2$	Water Services Regulations	
10	Performance Guarantee (1%)		Mandatory	To be provided	Licence for Water Services Provision	This is to be deposited with the WSB.
11	Availability of business plan incorporating an Investment plan		Mandatory	Available and in line with WASREB guidelines. In addition the plan should detail the applicants plan for provision of efficient, affordable and sustainable services.	Section 57(2) of the Water Act.	The Investment plan is a joint responsibility of the water services board and the WSP.
12	Cash flow projections/Financial capacity		Mandatory	3-5 years forecast. Clear proof of financial capability.	WASREB Tariff Guidelines	This includes monies being injected into the system.
13	Proposed tariff structure (RTA)		Mandatory	Available.	WASREB tariff guidelines	
14	Application Fee	Small	Mandatory	Ksh 75,000	WASREB approved Service Delivery Charter	This goes towards processing of the application.
		Medium	Mandatory	Ksh 75,000		
		Large	Mandatory	Ksh 100,000		
		Very Large	Mandatory	Ksh 100,000		
<b>Corporate Governance</b>						
15(a)	Size of	Small	Mandatory	7	Corporate	Background

	the Board	WSP			Governance Guideline	and qualification as per the guideline
		Medium WSP	Mandatory	7-or 9		
		Large and very large WSP	Mandatory	7, 9 Or 11		
15(b0)	Ownership and management structure		mandatory	To reflect social accountability through stakeholders representation	Corporate governance guidelines	
16	Formation of the company		Mandatory	Legally registered in accordance with the laws of Kenya.  The first object in the constitution of the company is to be an agent of the WSB for purposes of carrying out water and wastewater services	Water Act 2002	
<b>Performance targets.</b> In addition to the other indicators, the following will form the key indicators to be monitored by WASREB.						
17	Water Coverage, %			>90	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status

18	Sanitation Coverage, %			>90	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status
19	Unaccounted for Water (UFW), %			<30	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status
20	Drinking Water Quality, %			>95	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status
21	Compliance with Residual chlorine tests, %			>95	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status
22	Metering Ratio, %			100	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status
23	Hours of Supply, Hrs	Population >100,000		20 – 24	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status
		Population		>16	Minimum	

		on <100,00 0			Service Levels (MSL) in the Licence	
24	Collection Efficiency			>85	Minimum Service Levels (MSL) in the Licence	Compliance will be negotiated based on the current status
25	Staff per1000 connections			As per sector benchmarks	Size of company based on agreed categories	Considers active connections for both water and sewerage.
26	Personnel expendi ture as a % of O&M expendi tures	Small		<45%		Compliance will be negotiated based on the current status
		Medium		<40%		
		Large		<30%		
		Very Large				

#### 4. Implementation of the Criteria

WASREB already has a number of Service Provision Agreements (SPAs) that have been approved with a number of them being on interim basis. The approval of SPAs however will be a continuous process. The criteria shall therefore be rolled out in two ways:

- i. Existing WSPs. For this category of WSPs, WASREB will subject the applications to the criteria during the renewal of the SPAs. A programme on compliance shall be formulated and monitored by WASREB.

- ii. New WSPs. Any new WSP shall be required to meet the conditions set out in the criteria before being issued with an SPA. Where it is clear that certain criteria may not be met, WASREB shall allow for negotiated compliance on the basis of Minimum Service Levels (MSL). These shall form conditions attaching to the tariff and shall be monitored regularly.

## **5. Non Compliance**

Noncompliance with this guideline will follow the methods proposed in the compliance and enforcement strategy.