

NEWSLETTER
AQUALINK
A PUBLICATION OF THE WATER SERVICES REGULATORY BOARD



**INTEGRITY MANAGEMENT
TOOL BOX: A LOOK AT NOL
TURESH ACTIVITIES**

**GOVERNANCE
WORKSHOPS TARGET
14 COUNTIES**

**FEATURE: STAFF
MOMENTS 2020**

COAST BULK WATER

STAKEHOLDER CONSULTATION MEETING HELD

EDITOR'S NOTE



COVID 19 Pandemic notwithstanding, the year 2020 ended on a high note.

WASREB was able to carry out Public Consultation Meetings on licensing for three Water Service Providers in Nakuru, Mombasa and Bungoma Counties, despite being slowed down by the pandemic earlier in the year. The favorable turn of events followed the government's partial lifting of the ban on meetings and public gatherings. The meetings were however held in strict adherence to Ministry of Health COVID 19 prevention protocols.

Consumer engagement continued with WASREB holding a refresher MajiVoice training in Mombasa. The move has increased public participation in matters that affect consumers.

To strengthen County Engagement, WASREB held governance workshops that brought together representatives from 14 Counties and the Water Service Providers that operate under them in two regions; Mt. Kenya and South Rift Valley. Key issues on tenets of good governance were thrashed out.

In the Feature's section, we bring a 'behind the scenes' look into the lives of WASREB staff as they labour to serve you our esteemed stakeholder. We hope to put a smile on your face as we usher in the festive season.

Aqualink Newsletter will inspire you to look at the water sector in better light as there is a lot of positive information to learn. Happy Holidays.

Cheers!

Terry



THE TEAM

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CEO'S MESSAGE



Eng. Robert Gakubia
Chief Executive Officer

Water being an enabler in the fight against the COVID 19 pandemic in the country, attention has shifted to Water Service Providers and their ability to provide this important service seamlessly. This issue was at the centre of discussions for government agencies and the development partners during the 2nd half of the year.

WASREB and USAID through their Water, Sanitation and Hygiene Finance programme (WASH-FIN), carried out a study covering over 26 WSPs, whose findings were published in a co-authored paper titled 'Discussion Paper on Drivers of Low Creditworthiness in Kenyan WSPs'. The findings of the assessment narrowed down to 21 Water Service Providers in Kenya, on creditworthiness are shared. Here is an excerpt of the informative paper.

Creditworthiness is a measure of a potential borrower's ability to take on and repay debt within an agreed period. Lenders typically assess the creditworthiness of a company or an institution by analyzing criteria, such as, the amount and reliability of revenue generated, ability to maintain positive cash flows over time, availability of collateral, potential market size and growth, financial risks to the business, levels of existing debt, and where applicable, repayment history.

Traditionally, Kenyan WSPs have had a limited history of commercial borrowing and therefore little need to demonstrate creditworthiness to commercial lenders. Similarly, commercial lenders have had little experience in financing the Water, Sanitation and Hygiene (WASH) sector and typically view WASH investment as high risk. This has been driven by the lenders' lack of familiarity with the structure and operations of utilities, WSPs' lack of guarantees and marketable assets to pledge as collateral, and limited ability to generate surplus cashflows to service loans.

Like most other WSPs in Africa, Kenyan WSPs have largely relied on public funding to support infrastructure development and maintenance. According to the Ministry of Water, Sanitation and Irrigation (MWSI) tracking of expenditure undertaken for financial years 2014/15, 2015/16 and 2016/17, expenditure in the WASH sector has been mainly from domestic public transfers from Government, followed by tariffs from consumers (except in 2015/16), repayable financing (mostly concessionary loans from multilateral and bilateral development partners), international public transfers (mostly grants by international multilateral and bilateral partners), voluntary transfers (mostly international NGOs) and a small proportion from WSPs own internal funds. In this same period, Kenya spent an average of USD 273 million annually, a spending two thirds below that required for capital investments (excluding recurrent and other costs) to achieve universal access, representing an average annual deficit of USD 706 million shillings.

It is clear from the above that, public expenditure must increase significantly to more than double current spending, if Kenya is to achieve universal access to WASH. These public resources are critical and must constitute the bulk of the funding, to expand networks which are still very inadequate and largely old and dilapidated. However, given the competing needs for government resources and with Kenya being classified as a lower middle-income country, and also given the level of reforms that have happened in the water sector, it is important that effort is put on leveraging and attracting other sources of financing, including from commercial banks.

CEO'S MESSAGE

This will complement government's effort, enhance the role of the domestic private sector and contribute to Kenya's journey to self-reliance.

For WSPs to access commercial financing from private banks, it is imperative that they are creditworthy entities, otherwise the banks will not be interested. So, what is the status of the WSPs in Kenya in relation to creditworthiness? Are they ready for this challenge and if not, what are the issues making it difficult for them to be creditworthy?

The WASREB/USAID-WASH-FIN study highlighted numerous drivers of low creditworthiness of which four stood out:

- Inefficient revenue collection and inadequate management systems - this prevents utilities from recovering costs sufficiently and causes a significant drag on WSPs' working capital and cash flows
- Inadequate operation and maintenance (O&M) cost coverage- most of the WSPs are not able to charge tariffs that would allow them to recover all these costs and retain some funds for investments
- High non-revenue water (NRW) - WSPs assessed had an average NRW of 45 percent with only one WSP being within WASREB's recommended level of 25 percent. Additionally, several WSPs were unable to account for whether NRW was being lost through physical or commercial losses, indicative of poor monitoring systems
- High levels of existing and uncertain debts- Many WSPs have high levels of existing debt, which limits ability to finance new projects. Nine of the 21 WSPs had outstanding debt obligations from commercial loans, and in two cases legacy debt as well. The legacy debt was inherited from Water Works Development Agencies (WWDAs) and some local authorities that previously operated the water systems before the reforms of the Water Act 2002.

Although the focus of this assessment was on financial performance of the WSPs, it is important to add that the drivers of low creditworthiness outlined above are compounded by poor utility governance.

Potential actions for discussions are;

1. Our WSPs need to bolster their operational and financial performance by improving their revenue collection and management systems, improving O&M cost coverage, reducing NRW, and managing the levels of their existing debt
2. While improving creditworthiness is primarily the responsibility of WSPs, technical and financial support is needed from other stakeholders including government agencies and development partners;
3. Clarity is required from the two levels of government on how to manage the legacy debt, write off extremely old receivables, and create a system for allowing tariff adjustments that gradually help the WSPs to cover all their O&M costs.

Other support could include:

1. Developing cost diagnostic tools, enforceable credit policies and providing training and capacity building to staff
2. Development partners could also help deepen alternative sources of financing including commercial financing in the sector by continuing to offer concessional finance and de-risking mechanisms such as, the development credit authority (DCA), already on offer as a partial credit guarantee from USAID, or subsidies that reduce a portion of the utilities' burden of debt repayment, such as those being supported under the World Bank-financed OBA program and the KfW-financed Aid on Delivery (AoD) program.

As we look to the future, our focus continues to be formalization of service provision through licensing of all WSPs operating in the country. Over 50 utilities have submitted applications for licensing with 35 being licensed, laying a foundation for well managed entities/services with serious commitment and responsibility for consumer/customer satisfaction and the progressive realization of the right to water. Last, but by no means the least, I wish to thank all our water sector partners who continue to support the sector especially, during these difficult and strange times brought about by this pandemic.

Thank you All!

WASREB HOLDS PUBLIC CONSULTATION MEETINGS FOR LICENSING OF WSPS

WASREB conducted public consultation meetings for renewal of licences for three (3) Water Service Providers in the country. The meetings ran from 9th October, 24th November and 11th December, 2020. The meetings brought together stakeholders, staff and managements teams of the WSPs, County chiefs, local government officials and WASREB.

The WSPs are Nakuru, Mombasa and Nzoia. During the meetings a number of issues were raised, these are;

- Performance of the WSPs including governance issues, which they wanted WASREB to clarify
- Possibility of splitting of a WSP like NZOWASCO to serve each County (Bungoma and Trans Nzoia) better
- Water shortage
- Poor sewerage services
- Political interference
- Importance/why the licensing process is necessary, among other issues.

The issues were adequately addressed. At the end of the meetings, stakeholders resolved that WASREB should license the WSPs for them to continue offering the much needed services of water and sanitation provision in their Counties.

Note: This being the COVID 19 Pandemic dispensation, WASREB issued new guidelines on holding meetings. The WSPs are required to hold a hybrid public consultation meeting, that is, a face to face meeting for few stakeholders and a virtual meeting for the rest of the stakeholders. Management and execution of such meetings are in strict adherence to the Ministry of Health Guidelines on containment of the pandemic.



Nakuru Public Consultation Meeting was characterized by light moments like the trending 'Jerusalema' Dance, as performed by NAWASSCO management and WASREB team to the delight of stakeholders.



From 2nd row above; NAWASSCO management are introduced, Speakers included WASREB CEO Eng. Robert Gakubia, MD James Gachathi, WASREB Board Member Esther Njogu. Stakeholders give their views on the WSPs performance. They resolved to have WASREB licence their WSP.

EVENTS

PUBLIC CONSULTATION MEETINGS PICTORIAL



Mombasa Public Consultation Meeting held at Tononoka Social Hall was intense. Stakeholders decried lack of water and sewerage services especially in low income areas. WASREB moderated the event.



Above; Nzoia public consultation meeting went well with the separation of Bungoma and Trans Nzoia dominating the discussions. WASREB was at hand to answer all the questions. They finally resolved to allow WASREB license NZOWASCO as it is.

BSC TRAINING HELD FOR BOARD MEMBERS, MANAGEMENT AND STAFF



Dr. Kellen Kiambati takes the Board of Directors and Management team through the Balance Scorecard training in Naivasha.

“There is no end to education. It is not that you read a book, pass an examination, and finish with education. The whole of life, from the moment you are born to the moment you die, is a process of learning.” - Jiddu Krishnamurti

This saying came true in WASREB, as everyone, great and small assumed the position of a student under the tutelage of Consultant Dr. Kellen Kiambati, as the year drew to a close. Two consecutive trainings were organized, one incorporating Board of Directors and Management, while the other incorporated all staff from Supervisory level downwards. Perhaps the enthusiasm witnessed among the staff to immerse themselves in the training was to shake off fatigue brought by the long months of self isolation due to the prevailing COVID 19 pandemic ravaging the globe.

For Group 1, the Consultant from Business Intelligence International Consulting Limited tackled benchmarks of developing and sustaining a Balanced Scorecard Management System (BSC) that demonstrates sensitivity to the employee's performance and the overall business strategic needs. BSC prioritizes Financial, Customer, Internal Business Process and

Learning and Growth perspectives in the organization.

The output was that Board members would be able to provide the strategic direction for the Organization and oversee Management in executing corporate strategy. On the other hand, Management were expected to execute the strategy as they work with staff they supervise while providing leadership.

Meanwhile for Group 2, the Consultant narrowed down to topics such as communication in the workplace, customer complaint handling, leadership and importance of team work. Communication Skills (Listening and Probing Skills) was underscored to realize a healthy working environment where mutual respect is observed by juniors and seniors alike. The team was kept busy with group work with short deadlines to deliver solutions to tasks given by the Consultant. The exercise was highly interactive.



Above clockwise; Discussions on best ways to implement the BSC system are held by Group 1, while Group 2 are tasked to document suitable ways to relate in the organization.

EVENTS



Funeral Service for the late Nyeri MD CPA Peter Gichaaga was held at the Our Lady of Consolata Cathedral Catholic Church in Nyeri town. Various speakers eulogized him as a committed Christian, Leader and dedicated to his work.

NYERI WATER MD PASSES ON

The Water Sector suffered a great loss this year with the passing on of Nyeri Water and Sanitation Company (NYEWASCO) Managing Director CPA Peter Gichaaga. The vibrant and progressive MD breathed his last on 3rd November, 2020 while undergoing treatment at Outspan Hospital, Nyeri.

WASREB received the sad news with heaviness. In his condolence message to the Board and Management of NYEWASCO, CEO Eng. Robert Gakubia on behalf of WASREB family, described CPA Gichaaga as an astute leader who had made NYEWASCO the undisputed champions taking the lead in IMPACT Report for years on a row. He therefore wished NYEWASCO family God's strength and peace as they laid him to rest.

Funeral service and burial took place on 10th November, 2020 at the Our Lady Consolata Cathedral Catholic Church in Nyeri town and Gatina Gakuyu village, Mathira respectively.



The late Gichaaga shone in performance. NYEWASCO has been the Top Performing Utility in the country for over 10 years.



CONSUMER ENGAGEMENT



MOWASCO MD Anthony Njaramba addresses staff during the opening of the MajiVoice refresher training by WASREB.

Right; Staff are tasked to identify challenges that they encounter in the use of the MajiVoice system.



MAJIVOICE TRAINING HELD IN MOMBASA

MajiVoice, an electronic innovative accountability mechanism, continues to attract Water Service Providers by its sheer simplicity in terms of operation and maintenance. Mombasa Water Supply and Sanitation Company Limited (MOWASCO), requested WASREB to send a team to give Management and Staff a refresher course on operation of the system.

In his welcoming remarks, MOWASCO Managing Director Anthony Njaramba said he had benchmarked with other WSPs who use MajiVoice and realized how efficient they were in handling consumer issues.

On their part, WASREB staff underscored the importance of understanding the trends of customer service management, handling complaints within turn around time, utilization of latest technologies to communicate to consumers and the power of communication in pacifying aggrieved consumers.



WASREB's Joshua Kimotho outlines the trends that customer service has taken in the modern world. The team was urged to undertake Customer Identification Survey to be in touch with the people they serve.

COUNTY ENGAGEMENT



Participants at the Naivasha Governance workshop organized by WASREB in conjunction with KMT.

GOVERNANCE WORKSHOPS TARGET 14 COUNTIES

WASREB has gone flat out to enforce the Corporate Governance Guideline in Counties across the country. In the last half of 2020, 14 Counties and Water Service Providers that operate under them were engaged in governance workshops held in two regions; Mt. Kenya and South Rift Valley.

WASREB in conjunction with Kenya Markets Trust, held a two day regional water governance workshop in Nyeri. The workshop whose theme was 'Water Governance Gateway to Sustainable Services Delivery' brought together stakeholders from across section of institutions, from the water sector and County governments.

MDs of selected WSPs and County Chiefs engaged with WASREB on enforcement of the Corporate Governance

Guideline. Case studies were looked at for the teams to come up with best models to run their institutions.

A panel discussion focusing on tenets of good governance also took place where MDs, Chairmen CECMs, Chief Officers from Nyeri, Embu, Murang'a, Kirinyaga, Meru, Kiambu and Kajiado Counties and their respective WSPs held robust discussions on issues that bedevil their institutions urging the regulator to spare nothing to streamline them for improved performance.

Before the end of the year, a similar workshop was held in Naivasha bringing together MDs and Chairmen of WSPs and CECMs from Laikipia, Uasin Gishu, Kericho, Kisii, Nakuru, Wajir and Kisumu Counties and their respective WSPs. Panelists were at hand to thrash out emerging issues from participants.



Above; Participants engage in group discussions in Nyeri.



BOMET TEAM VISITS WASREB

County Engagement took a new turn when a team from Sotik constituency, Bomet County decided to seek answers from WASREB concerning a sewerage project in their town, as a matter of urgency. The team led by Bomet County Executive Committee Member in charge of Water and Environment Eng. Peter Tonui, wanted the Regulator's direction on executing the Sotik Town Sewerage Project to ensure all residents benefit. Bomet Water MD, Patrick Lang'at was in attendance.

WASREB CEO Eng. Robert Gakubia expounded on the organization's role in ensuring the project succeeds for the benefit of area residents. He outlined WASREB's mandate of monitoring compliance with standards including the design, construction, operation and maintenance of facilities; including sanitation provision projects like the project at hand. He assured them that the Regulator will see to it that the intended beneficiaries receive the services and the project is handled well by Bomet Water Company.



The Bomet County team are happy to hold discussions with WASREB CEO Eng. Robert Gakubia (above left). In discussion was the Sotik Town Sewer Project.

COAST BULK WATER STAKEHOLDER CONSULTATION MEETING HELD

A stakeholders' consultation workshop for development of an Institutional Framework and Delivery Structure for Bulk Water Services at the Coast was held in December 2020 with the sole aim of brokering a lasting solution to the protracted discussions on the issue in the past.

The consultation, organized by the Ministry of Water, Sanitation and Irrigation, was held at a Mombasa hotel. Participants included Coast WWDA, Management teams from Kilifi, Mombasa, and Taita Taveta WSPs, Water Resources Authority and WASREB. County Executive Committee Members in charge of Water and Environment from Kilifi, Kwale, Taita Taveta and Mombasa Counties were also present.

This was work in progress being overseen by a Joint Committee (JC) constituted by the Ministry through signed Memorandum of Understanding, of which WASREB is one of the members. The following outline was made each with scenarios for probable options of the mutually agreed Joint Authority;

1. Institutional Framework for the Joint Authority (JA)

Options for JA being either an oversight entity over Bulk Water Operator (BWO) or oversight entity with full operational mandate were floated. Membership to the JA was also outlined with pros and cons for each of the potential members being explained including conditions necessary for an effective JA.

2. Legal Options for the JA

Proposals include;

- i. Intergovernmental Agency
- ii. Intercounty corporate institution with National Government in consultative capacity
- iii. Dedicated unit within the Ministry with representative of County Governments in consultative capacity

- iv. Converting CWWDA into the JA but to include County Governments representation
- v. Converting the current Joint Committee into Joint Authority
- vi. Incorporating the JA as a Company under the Companies Act

3. Technical Options

It was generally agreeable to all participants that operating the bulk system as integrated unbundled system was the best option. This was as opposed to a disintegrated system which would be lacking in not only water sources and infrastructure in some of the areas, but also economies of scale to make the water relatively cheap.

4. Financial sustainability and viability

These were;

- i. Public
- ii. Private
- iii. Public Private Partnership

5. Risk matrix

Some of the potential risks include;

- i. Existing system condition
- ii. Completion/Commencement
- iii. Environmental /Social
- iv. Accessing/possession of site
- v. Tariffs setting
- vi. Revenue Collection among others.

The Ministry is to liaise with the convenor of the Joint Committee, the World Bank, so as to convene a JC meeting prior to the ultimate decisions on the options to be implemented.

REGULATORY ACTS



The NOL Turesh team under the leadership of their MD Gideon Ketente (Above middle). They were eager to implement the Integrity Management Tool developed by WASREB and Development Partners Caritas Switzerland and WIN.

NOL TURESH WSP OUT TO DEVELOP INTEGRITY MANAGEMENT TOOLS

How many of us are courageous enough to allow people to criticize us? This unique characteristic is what makes Nol Turesh Loitoktok Water and Sanitation Company youthful Managing Director Gideon Ketente stand out. He recently laid bare NOLWASCO's operations for participants in an Integrity Management Workshop to tear them apart, so to speak. The workshop took place at a Machakos Hotel.

The Integrity Management Toolbox in which NOLWASCO subjected themselves, is anchored on three pillars; Transparency, Accountability and Participation. WASREB in collaboration with Caritas Switzerland and the Water Integrity Network (WIN) and as part of the Multi Country Water Integrity Programme (MCWIP), developed the instrument as a regulatory tool that provides guidance on management models options for small water supply systems as per the Water Act 2016. Although Nol Turesh Loitoktok is a regulated WSP under the Medium Category, they chose to subject themselves to the IM toolbox to correct past ills that had bedeviled them. They hoped to open a new chapter that would possibly make them attractive to financiers.

In adherence to regulations, the WSP based at Sultan Hamud, went through a highly participatory exercise involving identification of risks facing the WSP and their proposed solutions through the watchful eyes of Coaches drawn from the civil society WIN, Neighbors Initiative Alliance (NIA) KEWASNET among others. NOLWASCO staff, Machakos, Kajiado and Makueni County chiefs, Tanathi WWDA, Water Sector Trust Fund and WASREB

were the Counterparts, while the Consumers comprising Water User Associations (WUAs), Kiosk operators and attendants, mechanics and community representatives, were the Change Agents as per the requirements of the IM toolbox. Integrity in WASH Services (InWASH) approach was used.

The IM workshop is a key moment in the process. It is designed to be as participative as possible. It is at this point that NOLWASCO had reached. All participants gave their candid assessment of the WSP. It was interesting to see how they appraised themselves. Three areas of weaknesses that topped their list of things to do were as follows;

| Selected Risks | What is needed to implement instrument/ action |
|--|--|
| 1.Poor Metering which has affected billing resulting into lost revenue | 1.Trainings and sensitization of customers and staff |
| 2.Insufficient revenue generation | 2.Anti-corruption policy, development and implementation |
| 3.High levels of Non Revenue Water | 3.Installation of meters, all customers to be metered, Flat rates to be abolished |
| 4.Poor quality control | 4.Seek WASREB approvals, public participation and county governments, Performance contracting and appraisal of the staff |

At the end of the two-day workshop it was time to prepare for the implementation phase. The MD and Makueni CECM expressed optimism that the WSP will emerge stronger and better and hopefully be in a position to attract financing from commercial institutions and donor partners in future.

FEATURE

STAFF MOMENTS 2020

The proverb 'All work and no play makes Jack a dull boy' was literary actioned by WASREB staff as the year drew to a close. Engagements in and out of the office brought a lot of humor and joy as evidenced in pictures captured below.



This was a competition for the best pose between Terry, Margaret, Stephen and Dorcas. Who won?



These assignments out of town were too tough to handle. They could not wait to go and relax their tired minds.

FEATURE



Taking 'selfies' is an art that confuses even the tech savvy generation. Should all focus on the camera?

What happens when two teams meet in one town? Plenty of catching up to do, definitely.



COVID 19 Pandemic containment measures can be handful. Masks, Social distancing, we have to keep each other on check.



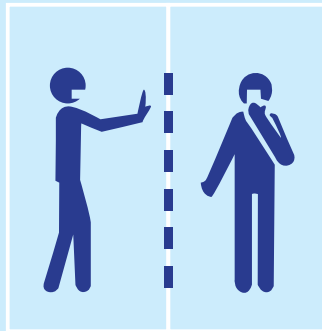
Interactions go beyond the office. Attending weddings, Home visits....Hospital visits fellowship doesn't end there.....



WASREB Supports the Fight Against COVID-19 Pandemic



Stay home if unwell



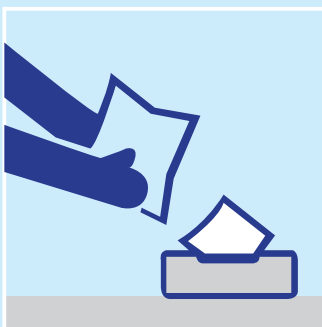
Keep social distance of 1.5m



Wear a mask in public



Wash hands with soap



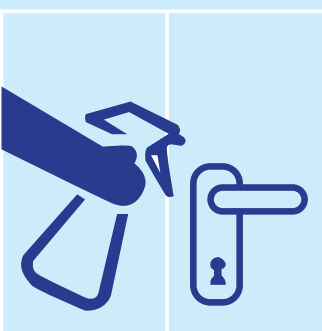
Use wipes after washing hands



Cover your face when coughing



Do not touch your face with unwashed Hands



Disinfect surfaces



See a doctor when symptoms occur



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