



*Water Services for All*

# **NATIONAL PRO-POOR WATER AND SANITATION SERVICES GUIDELINES**

**JUNE, 2020**

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## LIST OF ABBREVIATIONS

ADP	Annual Development Plan
BoD	Board of Directors
CIDP	County Integrated Development Plan
CoK	Constitution of Kenya
DMM	Delegated Management Model
GPS	Geographical Positioning System
KNBS	Kenya National Bureau of Statistics
KPI	Key Performance Indicator
LIA	Low-income Area
LICs	Low Income Consumers
M&E	Monitoring and Evaluation
NRW	Non-revenue Water
NWSS	National Water Services Strategy
O&M	Operations & Maintenance
SDG	Sustainable Development Goals
SPA	Service Provision Agreement
WARIS	Water Regulation Information System
WASREB	Water Services Regulatory Board
WSBs	Water Services Boards
WSP	Water Service Provider
WSTF	Water Sector Trust Fund

## DEFINITIONS

<b>Low-income Area</b>	An area, often unplanned, where the majority of the population is poor or lives below the poverty line; and where infrastructure is missing making living conditions often unbearable, especially when the evacuation of human waste and other effluent is non-existent or insufficient.
<b>Pro Poor</b>	Any development interventions designed to reduce or alleviate poverty, particularly with the provision of services in areas where significant parts of the population live below the poverty line and might not be able to afford household connections.
<b>Rationing Programme</b>	Dedicated time within which water kiosks and other connected customers are supplied with water for purposes of ensuring equitable distribution and that potential customers do not miss on the commodity at designated times. This is normally practised at utilities with significant water demand and supply deficit.
<b>Utility</b>	The water company with an approved license by WASREB to provide water services in a specified area of jurisdiction.
<b>Individual Connection</b>	Yard tap or house connection.
<b>Water Kiosk</b>	It is stationary structure constructed as per the established WASREB standards that acts as the water vending location staffed by attendant(s), where water is dispensed to containers and coming directly from piped network of a licensed utility.
<b>Water Kiosk Operator</b>	An individual or representative of a formally recognized group of people in an entity or self-help group duly recruited for purpose of vending water at the water kiosk on behalf of a WSP or a water kiosk owner and operating within a defined framework of terms and conditions (operating contract).

## PART I: THE GUIDELINES

### 1 Rationale of the Pro-poor Service Delivery Guidelines

The water sector in Kenya has undergone a significant sector reform since 2002, which resulted in positive developments. Important progress in water service provision was made during the first phase of the sector reforms particularly with the commercialization of water service providers, achievement of operation and maintenance (O&M) cost recovery in the sector and the recognition of utilities' responsibility to provide services to the entire population in their service area, including the unplanned low-income areas (LIAs). However, progress in access to urban water has stagnated during the last years and access to piped sewer networks had declined to about 15% in 2017. The main reason for this stagnation in water is insufficient attention by utilities in extending their services to the underserved<sup>1</sup>. Another, which applies to water and sanitation, is the insufficient infrastructure development.

Extension of services to the fast growing LIAs is not taking place as expected and even where such services exist, they are often unreliable and not in compliance with the regulations (e.g. sales price at water kiosks). To address the gap, WASREB introduced pro-poor indicators to guide WSPs in meeting their pro-poor obligations and to measure and compare their performance. These indicators have been reviewed and are attached as **Annex I** of these guidelines.

The Water Act 2016 initiated the second phase of the water sector reforms in Kenya, with institutions and their mandates aligned to the Constitution, the Vision 2030 and the Sustainable Development Goals (SDG). Hence, the start of this second phase of reforms is the right opportunity to launch the present guidelines to help in overcoming the stagnation of access and avoiding further decline in future, which might occur if the sector did not concentrate more on the rapidly growing number of the underserved. The guidelines also explains the broader picture of how water service providers should operate to meet their objective of universal coverage, how to decide on the appropriate mix of service delivery levels (e.g. yard taps and water kiosks) and how to operate services in LIAs.

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<sup>1</sup> By 2017, only 45% of the urban population living in the LIAs had a sustainable service level

## **2 Purpose of the Guidelines**

Whilst most water service providers acknowledge the importance of improving and extending services to underserved areas, current organizational structures and capacities as well as knowledge level at the utilities are often inadequate for tackling the challenges and improving sustainable service provision for the poor. Providing water supply and sanitation services to low-income customers also requires a clear strategy for each of the different types of LIAs as it is not part of the 'normal business'. In terms of sustainability and the potential for up-scaling of service delivery to poor customers, capacities need to be built and approaches need to be anchored and institutionalized.

The aim of the guidelines is to inform the utilities that further progress in access to water can only be achieved by extending their services to the underserved or the poor in the LIAs. In addition, utilities must recognise that with the Bill of Rights provided for in Chapter Four of the Constitution, they have no other choice but to reach the poor regardless of the difficulties they might face in the extension of services to the LIAs or within their institution. Utilities directors and managers should also realise that many of their employees are not yet eager enough to serve the poor or that they are missing the right knowledge to serve LIAs.

The guidelines intends to change this and help the utilities to understand that serving the underserved (poor) in the LIAs must have a higher priority than serving the already connected. Pro-poor services must move higher on the priority list of most of the utilities. With these guidelines, WASREB underlines its availability to support the utilities in their quest to move to universal access, and invites all utilities to seek support from WASREB in the form of justified tariff adjustments, organisation of peer exchange and transfer of knowledge.

## **3 Policy, Legal and Institutional Framework**

The legal framework in Kenya provides for a wide basis upon which justifications for pro-poor interventions in the water sector can be drawn.

### **3.1 Constitution of Kenya, 2010**

Article 10 2(b) provides for human dignity, equity, social justice, non-discrimination and protection of the marginalized as part of the national values and principles of governance informing legislative and policy action.

Article 43 of the Constitution of Kenya 2010, under the bill of rights, states that every person has the right to clean and safe water in adequate quantities and to reasonable standards of sanitation. This outlines the human right to water and sanitation for all.

It further goes on to assign County governments the responsibility of ensuring service delivery to citizens. Some of the objects of devolution under the constitution that are relevant to making a case for the need for pro-poor interventions and policies in the water sector under respective county governments are, among others to:

- a) Protect and promote the interests and rights of minorities and marginalized communities;
- b) Promote social and economic development and the provision of proximate, easily accessible services throughout Kenya; and
- c) Ensure equitable sharing of national and local resources throughout Kenya.

### **3.2 Water Act, 2016**

Section 70 (1) of the Water Act 2016 gives WASREB the principal mandate to protect the interests and rights of the consumers in the provision of water services. This provision includes the poor members of the society who have not yet adequately benefited from progress in the sector. By inference, this means it is the duty of the national regulator to ensure non-discrimination, equity, affordability and participation in service delivery by water service providers while ensuring their commercial viability in terms of sustainability (through tariffs and management of water losses) and accountability.

### **3.3 Alignment with Sustainable Development Goals**

The Kenyan Government has signed up to the Sustainable Development Goals (SDGs), which are therefore, binding to the sector institutions. The SDGs differentiate between “basic services” and “safely managed services”. Consumers of “basic services” have their access point outside their premises (e.g. water kiosk, informal services, shallow wells). On the other hand, “safely managed water services” relates to water sources (individual connections, protected shallow wells or informal services) on the premises.

However, even with the aforementioned, the SDGs leave room for national standards. In the Kenyan context, for convincing reasons, shallow wells and informal services are not considered as providing acceptable services, hence are not counted as access. Only services provided by regulated water service providers (utilities) through water kiosks or



individual connections are acceptable in the Kenyan water sector as is the case with all industrialised countries and in almost all others in the world of urban water supply.

Under the SDG framework, countries like Kenya (where significant parts of the population are lacking even access to basic services) are supposed to focus on the provision of basic services first. With Kenya's urban water coverage (water kiosks and individual connections) standing at 55% (2017), the SDGs clearly call for the sector to focus on providing basic services through water kiosks to the underserved. Hence, Kenya's policy and legal framework requirement for the water sector is in line with the SDGs.

### **3.4 Institutional Mandates**

#### **3.4.1 Water Services Regulatory Board**

Section 72(1)(p) of the Water Act, 2016 gives the Regulatory Board the powers and functions to make recommendations on how to provide basic water services to marginalized areas. Universal access to water and basic sanitation for all can only be realized if active measures are taken into account to ensure water needs of the underprivileged in the Kenyan society are met. The need for regulation is also based on the understanding that the water and sanitation sector is characterised by a natural monopoly (utilities) and that water and sanitation services are near-public goods.

WASREB, the national regulator of water and sewerage services, executes its mandate by setting national standards for operations and tariffs in the water sector. Recognising that the underprivileged in Kenya are at a higher risk of exploitation by paying higher prices in order to access safe and clean water or be side-lined by the utilities acting as monopolies, the Regulatory Board has an obligation to protect the consumers and seek service provision to the underserved poor.

#### **3.4.2 County Governments**

Clause 77(1) of the Water Act, 2016 allows a County Government to establish Water Service Providers (WSPs) while complying with standards of commercial viability set out by the Regulatory Board. Clause 91 gives WSPs the responsibility for efficient and economic provision of water and sanitation services to fulfil the rights to water. Specifically, the Water Act, 2016 is primarily intended to align the water sector to the devolved structure of governance described in the CoK, 2010.

In line with Article 185 of CoK, 2010; the Water Act, 2016 gives the County Governments the mandate for water and sanitation services provision and that of the development of County Water Works. In this context, the County Governments are obliged to review the efficiency and commercial viability of their existing licensed water utilities which previously operated as agents of Water Services Boards (WSBs) through a Service Provision Agreement (SPA). One of the key measures at the disposal of County Governments, especially the urban WSPs, is enforcing the use of basic commercially oriented management instruments such as business and investment plans to improve commercial viability to enable efficient and effective delivery of services to their customers.

### **3.4.3 Water Service Providers**

Under the new legal framework, WSPs in the public sector are wholly owned by the county governments who have the mandate to provide water services. Privately owned WSPs must get authorisation to operate within the county from the county government. WSPs are responsible for provision of water services within the area specified in their licenses and development of county assets for water service provision. The National Water Services Strategy (NWSS)<sup>2</sup> requires utilities to adopt a strategy of serving different low-income areas through a stepwise approach, which also promotes low-cost outlets (yard taps and water kiosks) as well as individual connections and thereby gradually replacing informal service provision.

## **4 Pro Poor Policy and Strategy**

Each WSP shall have a pro-poor policy and strategy in place to define the operating parameters for their service delivery in LIAs. The policy shall explicitly outline the rights and obligations of the utility, operator and those of their low-income customers. At the corporate level, WSPs shall integrate the company's vision, mission and core values into the pro poor policy and shall outline all courses of action for pro-poor interventions and investments in the company's Strategic Plan. This anchorage of the pro poor policy shall enable WSPs to remain focused on fulfilment of core mandates of increasing water and sanitation coverage, increasing revenue collection, reducing water and revenue losses (NRW) and improving relations with underserved consumers in LIAs. It will also guide WSPs

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<sup>2</sup> National Water Services Strategy, 2007 - 2015

to grow business in the bottom of the pyramid customer segment and aid business planning to ensure return on investment in LIAs.

## 4.1 Pro Poor Policy

The policy establishes responsibilities of, and guidelines for the WSPs' management of pro-poor strategy and goals to reach most of Kenya's urban poor population in a balanced manner, and primarily guided by:

- Poverty index
- Water coverage
- Sanitation coverage
- Human rights, gender and social inclusion
- Sustainability
- Adherence to statutory requirements

The medium and long-term objectives of the pro-poor policy are to:

- a. Significantly contribute to the SDGs; and thereafter
- b. Move to universal coverage responding to minimum standards by 2030 by giving access to the poor the highest priority on all levels.

### 4.1.1 Steps to Developing the Policy

- a. **Assess and understand the poor's needs:** A new policy shall be established after a thorough notice and comment process, including giving the public the opportunity to comment on pro-poor utility service issues. This process shall be open to all sector stakeholders, including representatives of the poor. Subsequent policy review and revisions shall consider the direct effect of existing and proposed new policies on the poor. For example, if the Regulatory Board is considering a new tariff, it shall assess the needs of the poor and how the proposals will affect those needs. The policy makers shall establish a formal process for investigating the needs of the poor, involving their representatives early enough in that process, and regularly revisiting the assumptions upon which WSP's service conditions and tariffs are based.
- b. **Formulate pro-poor policy objectives:** The WSP shall adopt explicit pro-poor policy objectives, which include universal service; affordable pricing for essential WSP service; and reasonable connection, disconnection, and reconnection policies.

- c. **Assess the impact of policy and regulatory reform on the poor:** WSPs shall assess the potential impact of policy, structural, and regulatory reforms on the poor. The first step is to determine the relevant government policies and regulations, including:
  - i). Policies and rules for expanding access coverage, including whether existing policies and rules are sufficiently detailed and enforceable;
  - ii). Tariff levels and structure, including whether they are the most efficient for the consumer base; and
  - iii). Quality standards, including whether they are set at a sufficient and appropriate level.
- d. **Consider alternative service providers:** Understand the alternative service providers' market; examine whether it makes sense to bring alternative service providers or delegated management schemes into the formal sector through laws or regulations. If it does, determine what aspects of alternative service providers' performance should be regulated (if any); and determine what institutional mechanisms can be relied upon to regulate these alternative service providers.
- e. **Design and formulate pro-poor policy:** After the preparatory steps discussed above, the WSP shall design, formulate, issue, and implement the policy and regulations.
- f. **Monitor and review implementation:** To ensure that resulting policy objectives are working to benefit the poor, WASREB shall periodically review the policy to determine whether they are operating to meet those objectives as intended, and whether new issues are emerging that require WASREB's attention.

#### 4.1.2 Policy Objectives

- a. **Anchor pro poor mandate in the WSP's corporate strategy:** The policy shall establish a pro poor mandate for the WSP and strengthen the WSP's institutional pro poor capacity to improve access and coverage of water, sanitation and socio-economic status of the urban poor.
- b. **Stipulate organizational arrangements within the utility to extend services to LIAs:** The policy shall specify institutional structure, procedures and staff roles and responsibilities for the provision of services in LIAs as specified in the license.
- c. **Specify modalities of licensing and engagement of operators, delegated management schemes and other service providers:** The policy shall outline

operational procedures and agreements with other service providers, operators (including delegated management) or sub-contractors on service provision to LIAs.

- d. **Planning and investment:** The policy shall prescribe sources of investment to fulfil the objectives set for the pro poor function. It shall include an explanation of how funds will be mobilized and used to implement the plans to achieve the pro poor function objectives.
- e. **Outline pro-poor performance measurement:** The policy shall prescribe the progressive performance measurement matrix and data collection for the WSP's pro poor function, in accordance with the WASREB's pro poor KPI. The WSP management shall develop a monitoring framework that will be used to evaluate progress and facilitate action learning during the planning period.
- f. **Define LIA service areas within the WSP's jurisdiction:** The policy shall define the LIA service boundaries within the WSP's jurisdiction in accordance with WASREB's criteria for defining LIAs, including demographic data, spatial layout plans, land tenure, infrastructure, housing characteristics, household incomes, security, welfare indices and access to public facilities and services.

## 4.2 Pro Poor Strategy

In developing the pro poor strategy, a WSP shall undertake situational and SWOT analyses to assess the extent to which it is making progress in extending and improving water and sanitation services in the LIAs. The WSP shall also conduct a process of stakeholder analysis and engagement to determine and align stakeholder interests in low income consumer services. A dedicated pro poor unit shall have a mission statement and a vision that it communicates to internal and external partners.

The WSP's Board of Directors (BoD) and management shall be guided by the following pro poor strategic goals, which are to:

- i. Provide access to adequate water and sanitation services for all in the LIAs;
- ii. Ensure infrastructure expansion and sustainability in the LIAs;
- iii. Market consumer connections/ service access points to improve access;
- iv. Ensure revenue growth and business sustainability in the LIAs;
- v. Enhance visibility, customer-centric approaches and customer service in the LIAs;

- vi. Identify and foster strategic partnerships to leverage on service improvements in the LIAs;
- vii. Mobilize diverse resources externally to support pro poor initiatives;
- viii. Build institutional and staff capacity to support pro-poor services;
- ix. Collect and regularly update the LIAs data within the WSP's service area;
- x. Adopt appropriate pro poor policies, including social connection policy, kiosk management policy, DMM services policy, and non-sewered sanitation policy, among others; and
- xi. Adopt innovative models for service delivery.

A pro poor service performance contract shall be implemented to facilitate policy implementation, performance reporting and communication between the pro-poor function (unit) and the management on quarterly basis.

WASREB shall oversee the WSP's implementation of the pro poor strategy through the KPI-10 monitoring framework for LIA services and put in cost effective tariffs for internal resource mobilization.

## **5 Pro Poor Governance**

Having a dedicated pro poor management structures in the organogram of the WSP are instrumental for service delivery in LIAs and mainstreaming of pro-poor approaches within the utility.

Upon adoption of the pro-poor policy, the BoD shall set up a pro-poor unit/ branch/ committee/ focal person (as adequate according to the size and structure of the utility but referred to as "Unit" in this document) and appoint or recruit members of staff to serve therein. This unit shall be adequately staffed. The roles of the pro-poor unit shall be to:

- i. Plan for and support water supply and sanitation service expansion in the LIAs;
- ii. Promote pro-poor services in the LIAs and implement the pro-poor policy and strategy;
- iii. Grow partnerships to support pro poor service delivery;
- iv. Develop appropriate products and services for low income customers;
- v. Develop marketing approaches for pro poor products and services;

- vi. Prospect for resources, including financial, human and human resources, among others; and
- vii. Develop work plans and project the revenue streams and operational costs for the pro poor unit.

## **5.1 Corporate Governance**

The WSP's BoD composition for WSPs serving LIA populations above 30% of the total population served, shall be constituted by at least one representative Board member from the LIAs or low-income customer segment. The BoD and senior management shall ensure that the targets assigned to the pro-poor unit within the utility related to expansion of infrastructure towards universal access or better services are linked to the WSP's targets. The BoD and senior management shall develop and adopt value propositions that are responsive to the low-income customer needs.

## **5.2 Pro Poor Unit**

The pro-poor unit shall be duly integrated within the organizational functions and will be incorporated into the organogram, clearly indicating pro-poor functions, and reporting structure. The BoD and senior management shall also indicate the persons responsible for the interventions and provide them with a clear job description of their duties. A pro-poor unit shall decide on its area of focus, including corporate planning, capital works, operations and maintenance. For example, some units might choose to lay the pipes or issue kiosk contracts themselves, while others might mainly play a liaison role, working across a utility to engage engineering staff for network extensions to low-income areas.

## **5.3 Supportive Environment**

The pro poor unit shall need strong support from the WSP senior management and the BoD. The WSP shall adopt a corporate strategy that specifically includes services to poor communities and assigns a high-ranking status to the unit. The head of the unit is more likely to be effective if he/ she is a senior manager reporting directly to the WSP head or another senior manager.

## **5.4 Delegated Management**

The Water Act 2016 allows for WSPs to enter into agreements with small scale operators to provide services on their behalf and in compliance with the regulation (quality and tariff) set by WASREB, whereby the WSP remains responsible for the service provision and

regulatory compliance of their sub-contractors. Hence this provision addresses the option of delegated management instead of an arrangement with informal service providers for which the utility does not take full responsibilities for their risks.

## **5.5 Informal Service Providers**

Investments made by any informal service providers to operate a legal business of water supply and/or sanitation service within a WSP's service area shall not in any way prevent the WSP from meeting its legal responsibilities of providing universal access. The continuous existence of informal service providers remains a concern in the sector and deprives those who depend on it of their constitutional rights.

## **6 Pro Poor Business Planning**

The objective of business planning is to develop all-inclusive strategies that lead to increased revenue through improved service delivery while expanding the WSP's markets to all the residents in LIAs. WSPs shall formulate a business, specifically aimed at extending services to poor citizens. Such a strategy needs to take into account the fact that individually, poor people may be small consumers but collectively they constitute a major market segment. WSPs shall refer to WASREB's Business Planning Guidelines in the development of business plans for the pro poor unit.

### **6.1 Principles of Business Planning**

The principles of business planning are to:

- a. Build functional business units to serve the poor; and
- b. Account for performance of pro-poor units.

### **6.2 Specific Objectives of Business Planning**

The specific objectives of business planning are to:

- i. Develop workable plans and activities to drive increased water and sewer connections and improve onsite sanitation;
- ii. Ensure marketing strategies are embedded into WSP operations for all the products and departments and cultivate a suitable marketing culture in the entire organisation;



- iii. Increase access to affordable quality water and sanitation services to all the LIA residents;
- iv. Attract and maintain low income consumers (LICs) as paying customers;
- v. Reduce the WSP's NRW from the current\_\_\_\_% to\_\_\_\_%;
- vi. Increase the WSP's revenue by\_\_\_\_\_ % annually;
- vii. Aggressively create awareness about supporting services such as alternatives modes of payments offered by the WSP;
- viii. Improve the WSP's brand image and visibility; and
- ix. Integrate the pro poor business development/ marketing function as part of the commercial function

Regarding the strategy to extend services to the LIAs, the WSPs shall consider the risks facing their infrastructure and the increase in water losses related to reaching universal access. Consequently, all extensions into LIAs must have the provision for curbing NRW such as the installations of bulk meters and their effective management (regular reading and analysing, etc.) as well as enhanced security. With security maintained and NRW not exceeding 10-20%, WSP's could start with a mix of service levels (water kiosks, yard taps, household connections, etc.) if the community leaders have agreed to contribute to the safeguarding of infrastructure.

## 7 Pro Poor Financing and Investment

Given the magnitude of the overall investment needs in the water sector, WSPs will have to access a range of different funding opportunities to work towards achieving universal access. The main sources of funding for pro-poor interventions include:

- a) **Tariffs:** As mandated under section 72(1) of the Water Act 2016, the Regulatory Board reserves the right to evaluate and recommend water and sewerage tariffs to the county water services providers and approve the imposition of such tariffs in line with consumer protection standards. From this and as specified in the Regulatory Board's tariff guidelines, a water service provider may apply for a tariff adjustment taking into account the costs related to the pro-poor measures the water service provider intends to carry out within the tariff period in line with their pro-poor policy and other relevant documents that may be applicable subject to approval by WASREB.

- b) **Water Sector Trust Fund:** Under the Water Act 2016, the WSTF has the authority to provide conditional and unconditional grants to assist in financing the development and management of water services in underserved poor urban areas. Every WSP undertaking or intending to undertake implementation of pro poor measures within targeted LIAs, in absence of other sources of funding, shall therefore apply for funding to the WSTF and show evidence of the same to the Regulatory Board.
- c) **County government:** A water service provider intending to implement pro-poor strategies shall make a proposal of the intended interventions and present to the relevant county government for approval and funding through the Board of Directors of the company in which a representative of the county government must be present and acknowledged in the minutes of meeting of the Board meeting. The approved strategies shall be ratified by the BoDs and included in the company's strategic plan.
- d) **Development partners:** A WSP has the liberty to source for additional funding from development partners with aligned interests towards the company's pro-poor strategies.

## 7.1 Guiding Principles

Pro Poor financing and investment will be guided by the following principles:

- a. **Equity:** Poverty index, water coverage and sanitation coverage;
- b. **Sustainability:** Embrace social, economic and environmental aspects of development.
- c. Adherence to statutory requirements;
- d. **Risk management:** Balance between efficiency of mitigation measure and cost of implementing it;
- e. **Diversification:** To mitigate risk, portfolio should be diversified;
- f. **Yield:** Maximizes net rate of return earned on social investment;
- g. **Liquidity:** Investment portfolio retains sufficient liquidity to meet operating/cash flow requirements;
- h. **Participatory approach:** Budgets address priority public needs;
- i. **Inclusion:** Human rights, gender and social inclusion; and

- j. **Public trust:** Managed professionally and worth of public trust.

## 7.2 Requirements for Investment Planning

- a. **Analysis of existing installations:** Condition of existing assets (from asset inventory) i.e. transmission/distribution, sewer system, billing systems, metering, among others;
- b. **Supply & sales forecasts:** Analysis of service coverage per LIA, number of customers per tariff category, persons served per connection, and then estimate the daily consumption per type of customer vs. population growth;
- c. **Investment Strategy:** Include last mile interventions for new projects in LIAs;
- d. **Investment options:** Present alternatives e.g., kiosk systems vs. household connections or reduction of NRW versus extending distribution lines as a first step of rapid measures in case of limited funds;
- e. **Benefits of investments:** Describe investment rationale e.g., percentage cost reduction, percent increase in coverage, and number of additional service hours, among others;
- f. **Sustainability analysis:** Demonstrate that accumulation of customer revenue or reliable other cash flows will recover investment costs.

## 7.3 Requirements for Budgeting and Sources of Finance

- a. Each WSP is required to indicate total capital expenditure planned during the budget period in the context of the CIDP and ADP;
- b. Proof of feasibility that outlines the most cost-effective solution, benefit/cost analysis, internal rate of return assessment or long-run marginal cost calculation;
- c. Investment budget must be broken down by project and source of finance for all investment projects;
- d. Project budgets need to be ranked and linked to / with one or more targets in the Strategic Plan; and
- e. Justification for funding projects should be based on revenues forecasts, investments or expenditure, performance levels and coverage, or on purely socio-economic impact or cost-benefit analysis.

## **8 Pro Poor Capacity and Skills Development**

A pro poor unit shall have dedicated human and financial resources to carry out its mandate without depending solely on project and donor funds. Its budget shall be incorporated into the utility's overall budgeting process. Senior management shall make such resource allocation decisions, including whether the unit's activities should be cross-subsidized through internal revenues or will have an annual budget.

Unit managers or team leaders shall have the necessary qualifications to occupy a senior management position. While a university degree is preferable, more important is familiarity with the local water and sanitation sector, a good understanding of poor community dynamics, strong leadership and communication skills and the ability to deliver results. The rest of the team should ideally include one or more engineers, plumbers, sociologists, commercial officers, customer care and community development officers. Frontline staff shall be trained in listening and responding effectively to users' concerns. Other useful skills for the unit would include mapping, marketing, and public relations but these might be drawn from the WSP's other departments.

There might be a need to consider increasing staff numbers in other departments, where improving services to the poor results in significantly increased workloads in these departments. Whatever the approach is adopted for allocating financial and human resources to a pro-poor unit, it should be explicitly defined, and periodically evaluated. A WSP might start out with a fully-fledged pro-poor unit while another might start small with a vision to expand. In general pro-poor units will need core funds for staff salaries, training, office space, vehicles and other equipment. A pro poor unit shall have an appropriate balance of technical, commercial, finance and social skills in accordance with its operational context.

## **9 Pro Poor Performance Measurement**

The adoption of pro poor performance targets shall ensure that WSPs deliver on their social and financial mandates. In addition to the overall targets, individual WSP employees shall have their own clearly defined, pro poor targets. To make this happen, a WSP shall need a performance management system that includes employee and departmental performance targets, along with systematic evaluations. The WSP shall encode its accounts in such a way that progress in serving poor customers can be monitored.

Indicators and targets shall focus on outputs rather than inputs, for example serving customers well rather than just connecting them and meeting minimum obligations. The quantitative targets set for each indicator shall depend on factors such as historical performance and the level of investment. Targets shall also depend on special initiatives, such as subsidized connections, which may affect the number of expected new connections. When measuring the extent to which targets have been achieved, the indicators should be segregated for (i) the entire service area, (ii) non-poor areas, and (iii) poor areas.

WSPs are best placed to keep track of settlement developments in their service area and to identify and report newly emerging LIAs or the development of LIAs into middle-income areas. WSPs shall be obliged to provide - at least annually - the respective information to WASREB to update *MajiData*. This information shall include maps, population figures, GPS-referenced infrastructure and changes in the status of the LIA.

## **9.1 Reporting on Water and Sanitation**

Reporting on performance is essential to track WSP progress against targets set for the pro poor unit. It is also a basis for rewarding good performance and accessing funding. WSPs shall be guided by the following:

- a. Reporting by WSPs shall be done as per WASREB's M&E template on monthly basis.
- b. Annual reporting shall be according to the Regulator's pro poor indicators, which includes coverage in each of the low-income areas (active kiosks, yard taps and household connections – active as defined by WASREB) and an indication of progress or decline. An aggregated figure compiling all LIAs as required by the indicators.
- c. WARIS has a module for LIA data. The WSPs shall be required on annual basis to register their LIAs. This data can however be inherited from the previous periods, but the utility shall be required to confirm changes between any two reporting periods.
- d. Special reports of kiosks closure with a documentation that universal access is reached and shall be maintained with other outlets.
- e. Inventory for sanitation shall be developed describing what type of infrastructure for sanitation is in place and how many people are served.

- f. For each LIA an estimate shall be provided on the number of people with no access to either piped sewer systems or onsite sanitation facilities with adequate emptying and treatment.
- g. WASREB shall define the criteria for delineation and classification of LIAs in accordance with KNBS definition of poverty index;
- h. WASREB shall define the criteria for re-classification and tracking transition to and from LIAs every 5 years in line with licensing durations and/or CIDPs
- i. Pro poor mapping will be done every 5 years in tandem with the licensing cycle

## 9.2 What will be reported on

- a. **Governance:** Availability of a policy; establishment of a pro-poor unit; Board representation/ constitution.
- b. **Planning:** Availability of LIAs specific plans (investment and implementation); Baseline mapping and updating mapping data; Pro-poor business model.
- c. **Financing:** LIA budget drawn from the plan; Resource provision (disbursements) vis a vis budget; Equitable allocation of financing.
- d. **Access and service levels:** Level of access (water); Level of access (Sanitation); Growth in access over time; Service levels- rationing programme.

## **PART 2: ANNEXES**

### **ANNEX I: EXPLANATORY NOTES ON THE PRO POOR INDICATOR (KPI-10)**

**WASREB's definition of low-income areas and criteria of assessing WSPs LIA service areas:**

***Low income Areas Characteristics - Population, Layout, Infrastructure and Housing. (MajiData)***

- Often high population densities
- Most residents (but not all residents) have low income levels.
- Many residents are active in the informal sector of the local economy and derive an income from small-scale businesses, trade and casual labour (piece work).
- Many low-income areas have not been constructed according to a proper layout plan.
- Plots usually accommodate more than one.
- Most low-income areas are located on marginalised land (areas with a high water table or situated on top of hills, etc.).
- Most low-income areas have poor infrastructure (e.g. roads, drainage, hospitals) and services (e.g. solid waste collection, Public Health).
- The areas are either planned or unplanned. Planned (formal) low income areas are mostly found on Government or Council Land.
- Obtaining land for the construction of WSS infrastructure (such as water kiosks and public sanitation facilities) is usually a challenge.
- Housing in informal settlements can either be permanent or temporal.
- Landowners often lack the financial resources to construct proper houses and to invest in proper water supply and sanitation.
- Poor quality of housing.

**Details of data the WSPs are required to collect, and when (in their annual plans)**

The scope of data to be collected is detailed in the excel sheet developed during the workshop. The frequency of reporting was agreed to be monthly through WARIS.

## How the WSPs carry out data collection and reporting on WARIS

WARIS has a module for LIA data. The WSPs will be required on annual basis to register their LIAs. This data can however be inherited from the previous period but the utility shall be required to confirm changes between any two reporting periods.

## How WASREB does the data validation, feedback to WSPs and final reporting

The validation process for KPI 10 would follow the same approach as the other KPIs. The process is outlined below:

### Means of ensuring data quality

To ensure that the data collected meets quality standards, the data processing goes through three distinct stages illustrated below.



**Stage 1:** Stage 1 focuses on minimizing data input errors and has three levels namely inbuilt validation, internal and external reviews. Under inbuilt validation the system uses inbuilt variation and reasonableness checks to improve data quality.

**Stage 2:** The data captured is corroborated with data obtained from other sources. The main sources for data corroboration are findings from inspections and data for tariff review. To ensure continued improvement in the quality of data, the regulatory board has developed a data accreditation protocol. Under the WA 2016, the amount of data and entities required to provide the data will increase and therefore there is need to continue refining the tool (WARIS) in addition to building the capacity of the WSPs, WWDAs and Counties with regard to data collection and submission.



**Plans for aggregating KPI-10 into the weighted score for the other 9 KPIs**

WASREB is in the process of reviewing the process of assessment of the WSPs and considering that all WSPs have had their LIAs mapped, this provides a good opportunity to introduce KPI 10 in scoring. The only issue would be how to deal with WSPs who would have indicated they do not have LIAs.

## ANNEX 2: PRO POOR INDICATOR (KPI-10) ASSESSMENT TOOL

### General Information

Name of utility:	
Name of evaluator:	
Date of evaluation:	17/10/2019



### 1. Governance (30%)

No.	Sub-Indicator	Minimum requirement	4	3	2	1	0	Annotations/Comments	Source	Means Verification	Assessment Criteria
1.1	Availability of a policy	Approved Policy in place which Complies with *PPWSSG	1					PPWSSG is under development. Assess the availability of the pro poor policy in place.	Policy document in hard copy or on website	Minutes of Board approval of policy	Score 4 Yes, Score 0 No
		Evidence of implementation as per the PPWSSG			1					Implementation reports	Score 4 Fully implemented, Score 2 Partially implemented, Score 0 Not implemented
1.2	Establishment of pro poor function	Pro poor function approved in organization structure	1						HR Policy	Function approved in organogram	Score 4 Yes, Score 0 No
		Pro poor staff have clear job descriptions			1				Staff Job Descriptions	Signed letters of appointment to pro poor function	Score 2 Adequate, Score 1 Partially, Score

											0 Adequate	Not
1.3	Board representation	WSP has Board representation for poor customers	1					Poor population >30% has at least one board member	1. WSP Memorandum and Articles 2. WSP CR7 document	Memorandum and Articles CR7	Score 4 Yes, Score 0 No	
			3	0	2	0	0	<b>Columns Total</b>				
			4	3	2	1	0	Multiply each column total by the number shown below it and insert result in lower cell				
	<b>Equals ( total of cells )</b>		12	0	4	0	0	<b>16</b>				
	<b>Score</b>		<b>16</b>									
	<b>Ideal Score</b>		<b>16</b>									
	<b>Percentage of ideal score</b>		<b>%100</b>									

**\*PPWSSG- Pro Poor Water and Sanitation Services Guidelines**

## 2. Impact (30%)

No.	Sub-Indicator	Minimum requirement	4	3	2	1	0	Annotations/Comments	Source	Means Verification of	Assessment Criteria
2.1	Level of access (Water)	Proportion of population served through the following types of connections: > Individual > Shared - yard taps > Public: kiosks, ablution blocks	1						WARIS	WARIS validation data	Score 4 when more than 90%; score 3 when 90 -75 %; score 2 when 75 - 60 %; score 1 when 60 - 50%; score 0 when less than 50%

2.2	Level of access (Sanitation)	Proportion of population served through the following types of connections: > Individual > Shared - plot level toilets > Public - ablution blocks	1					WARIS	WARIS validation data	Score 4 when more than 90%; score 3 when 90 -75 %; score 2 when 75 - 60 %; score 1 when 60 - 50%; score 0 when less than 50%
2.3	Quality of Service	<b>Water</b>								
		Availability of Service (hours of supply)	1					Rationing schedule	Published rationing schedule, Operations manual/SOP signed register	Score 4 when 24 hrs supply; score 3 when rationing programme is published and adhered; score 1 when rationing programme is published and not fully adhered; score 0 no programme
		Regulation of Delegated Management Model or kiosk service operators	1					Delegation/operating contracts for operators, Inspection reports	Regular Inspections	

	Compliance to tariff	1					Inspection reports	Regular Inspections Billing	Score 4 Yes, Score 0 No
	<b>Sanitation</b>								
	Regulation/management of exhauster services	1					Delegation/operating contracts for operators, Inspection reports	Signed operator contracts	Score 4 Contract in place and adhered to, Score 2 Contract in place but no evidence of adherence, Score 0 Contract not in place
	Adequacy of disposal points for feacal sludge (one discharge point per 300,000 population)			1			Asset Inventory for disposal points	Asset inventory	Score 2 Adequate, Score 1 Partially, Score 0 Not Adequate
	Compliance to tariff for exhauster services	1					Inspection reports	Sample bill	Score 4 Yes, Score 0 No
		7	0	1	0	0	<b>Columns Total</b>		
		4	3	2	1	0	Multiply each column total by the number shown below it and insert result in lower cell		
	<b>Equals (total of cells)</b>	28	0	2	0	0	<b>30</b>		
	<b>** Score</b>	<b>30</b>							
	<b>Ideal Score</b>	<b>30</b>							
	<b>Percentage of ideal score</b>	<b>%100</b>							

### 3. Planning (20%)

No.	Sub-Indicator	Minimum requirement	4	3	2	1	0	Annotations/Comments	Source of data	Means Verification	Assessment Criteria
3.1	LIA specific investment plan	Availability of LIA plans	1						Approved plans	Board minutes of approval for the plans	Score 4 Yes, Score 0 No
		Linkage of LIA plan to the corporate plan			1				Linkage to the corporate investment plan	Comparison of approved LIA plan with corporate investment plan	Score 2 Fully linked, Score 1 Partially linked, Score 0 Not linked
		Implementation of LIA plans			1				Progress reports	Signed annual progress reports	Score 2 Fully implemented, Score 1 Partially implemented, Score 0 Not implemented
3.2	LIA mapping	Availability of LIA maps			1				GIS systems	Shape files	Score 2 Yes, Score 0 No
		Evidence of updating LIA maps			1					Subsequent updates on shape files every 5 years	Score 2 Yes, Score 0 No
3.3	Availability of Pro-poor business model	Availability of a PPWSSG compliant business model	1						Approved pro poor business model, Pro poor strategy and implementation	Minutes of approval of pro poor business model (aligned to the PPWSSG)	Score 4 Available and fully compliant, Score 2 Available but not compliant, score 0 Not available
			2	0	4	0	0	Columns Total			

		4	3	2	1	0	Multiply each column total by the number shown below it and insert result in lower cell
Equals ( total of cells )		8	0	8	0	0	16
** Score		16					
Ideal Score		16					
Percentage of ideal score		%100					

#### 4. Financing (20%)

No.	Sub-Indicator	Minimum requirement	4	3	2	1	0	Annotations/Comments	Source	Means Verification of	Assessment Criteria
4.1	Pro specific poor budget	Availability of approved pro poor budget	1						Approved pro poor budget	Approved pro poor budget	Score 4 Yes, Score 0 No
		Linkage of pro poor budget to the corporate budget	1							Comparison of pro poor budget to corporate budget	Score 4 Fully linked, Score 2 Partialy linked, Score 0 Not linked
		Equity in budget allocation (per capita)			1					LIA budget >=(LIA population/Total population*per capita allocation)/3; where per capita budget =(Total budget/Total population)	Score 2 Yes, Score 0 No

4.2	Resource provision in accordance with the pro poor budget	Adherence to the budget	1						Financial statements	Audited Financial statements	Score 4 Full adherence Score 2, Partial adherence, Score 0 Non adherence
			3	0	1	0	0	Columns Total			
			4	3	2	1	0	Multiply each column total by the number shown below it and insert result in lower cell			
	Equals ( total of cells )		12	0	2	0	0	14			
	** Score		14								
	Ideal Score		14								
	Percentage of ideal score		%100								





