Kimng'oror Water User Association

Five-Year Financial Sustainability Action Plan: Booklet

Released 2020





Table of Contents

4 Introduction
5 Questionnaire Findings
8 Objectives
10 Financial Sustainability Action Plans
17 WASREB Progress Indicators
20 References
21 Thank You

• Introduction •

This booklet was designed as supporting material for the five-year financial sustainability action plan poster. It aims to provide more details on the key findings and actions as well as support the progress monitoring. This booklet includes the explanations for the recommended action steps and a table for tracking the progress towards reaching the objectives. It also provides findings from the customer questionnaire and identification of the business model. The financial sustainability action plan was developed during workshops in February 2020. The purpose of this booklet is to help track the progress towards the utility's targets and is intended to be used as a workbook to be filled in with further details such as people responsible for actions, resources allocated to the activities and timelines and completion dates. As this booklet is intended to be utilized by the utility, it focuses on the findings and actions and does not explain the methods. More information on the methods and project implementations can be found in the General Recommendations – booklet provided to the Water Sector Trust Fund.

• Questionnaire Findings •

A total of 14 customers filled in the questionnaire. From all the questionnaire respondents 71% were male and 71% were over the age of 35, while 86% were employed (figures 1, 3 & 5). The average household size was 5.6 residents per household.

All customers feel like the water supply is enough for their needs and none of the households treat their water at home.

28.6% of customers reported having a secondary source of water with three customers using river, shallow well or other access and one using gravity storage.

Customers were very satisfied with the water quality and customer service and felt well informed by the utility (figures 2 & 4).

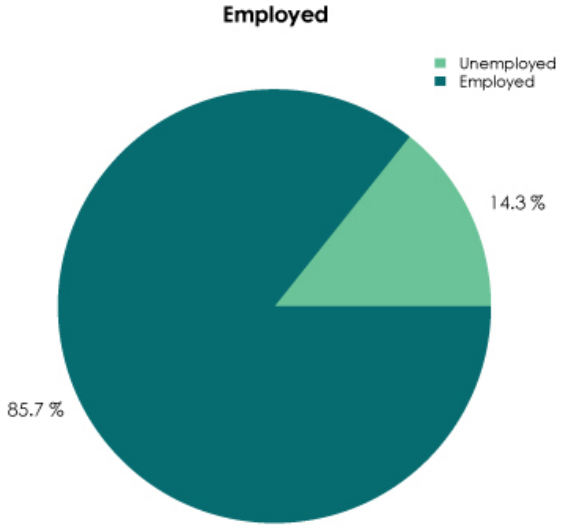


Figure 1. Employment of questionnaire respondents

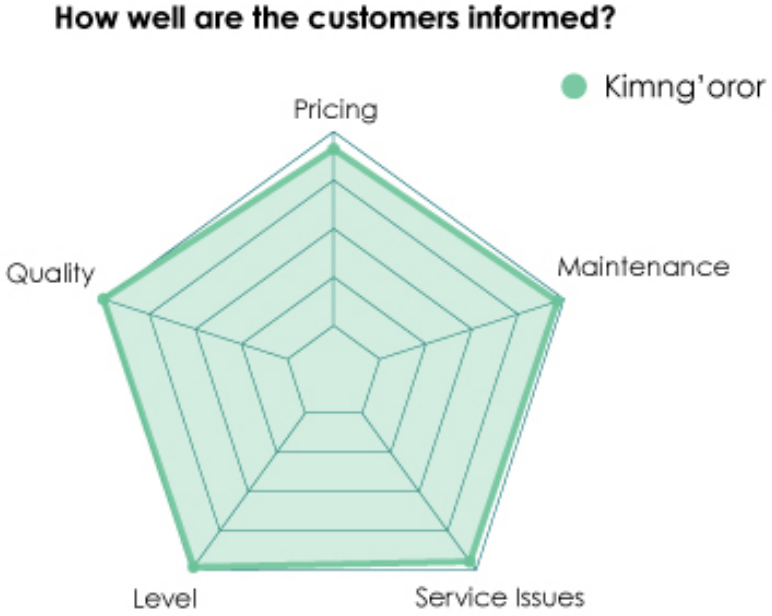


Figure 2. Spider web figure on how well the customers feel like they are informed on pricing, maintenance, service issues, water level and water quality.

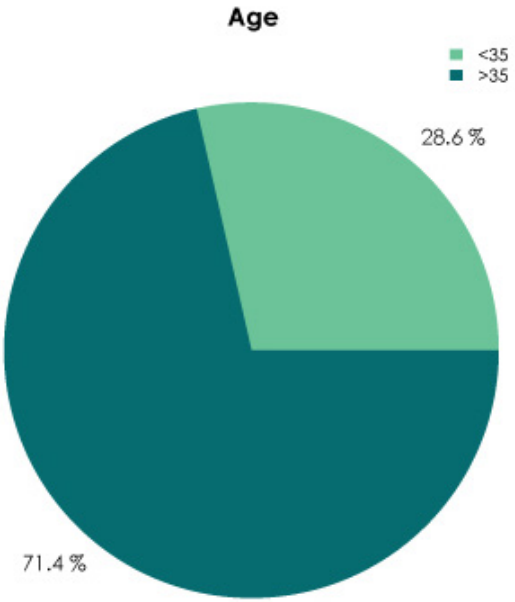


Figure 3. Age of questionnaire respondents

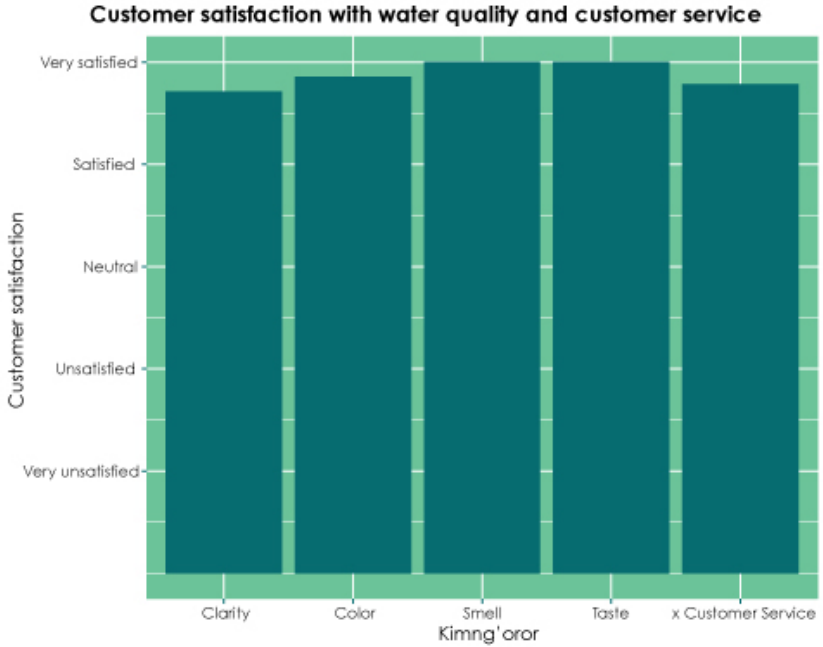


Figure 4. Customers' average satisfaction with the clarity, color, smell and taste of water as well as their satisfaction with customer service

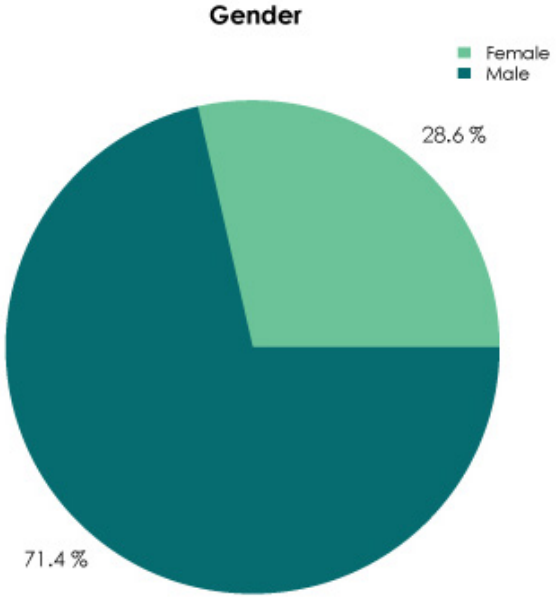


Figure 5. Gender of questionnaire respondents

• Objectives •

The key objectives for the Kimng'oror Water Users Association were established based on the workshops and discussions on the 17.2.2020 and the questionnaire findings. They describe the main areas of focus for the utility that are presented in the Financial Sustainability Action Plans.

- **Establish and minimize the amount of NRW:** High NRW level affects the financial sustainability of a water utility, as it makes it harder to meet existing demand and poses a risk to the water security (WASREB 2019, 12-13). Establishing and reducing NRW can help to increase water supply, cut operating costs and thus, lead to improved service delivery and customer satisfaction (WASREB 2019, 13).

- **Revenue collection and sensitization:** According to WSTF (2017, p.32) revenue collection efficiency is one of the key elements for ensuring survival of any business entity. As revenue collection efficiency directly affects the cash flow of a utility (Banda & Mwale 2018), poor revenue collection is one of the reasons rural water services suffer from low sustainability (WSTF 2016, 23.) Based on our discussions with the utilities, we recommend using multiple techniques for sensitizing customers about the importance of paying. According to our findings, this can increase utility's reliability, customer satisfaction, and financial stability.

- **Human resources:** By having management training and technical O&M training, the utility can improve their functionality (Caritas Switzerland 2018). Thus, we recommend having regular training on management, techincal skills and financial skills to improve the operations, and also increasing communication between committees to ensure that all working in the utility are working towards same goals and targets.

- **Expanding services:** According to our findings, the utility has potential of expanding services to new areas and customers. We recommend looking into these possibilities when the utility has the financial resources needed available,

and has ensured that the water source is not endangered due to the expansions.

- **Water quality:** Water quality has a direct impact on the health of consumers (WASREB 2019, 33) and thus, by testing and improving the quality of water, the utility ensures the safety of its customers. Based on our findings, we recommend that the utility monitors the quality of water regularly, publishes the results of the monitoring to increase transparency and when needed, focuses resources on improving the quality of water.

- **Increasing resilience:** According to our findings, increasing financial and technical resilience is important so the utility is able to continue the operations even when minor issues occur. Our findings indicate that this can increase the reliability of the water supply, and thus, can help to increase customer satisfaction and revenue collection.

- **Conservation of water resource:** Protecting natural resources with a view to establishing a sustainable system of development is the mandate of the national government (WASREB 2019, 6). To ensure that also the operations of the utility don't harm environment and development of the system is possible in the future, we recommend proper conservation planning and using resources on conservation.

- **Planning:** Planning helps an organization to stay focused, anticipate and avoid obstacles, and set goals and measure success (Abrams 2003, p. 34). By using strategic planning and creating a performance improvement plan, a water utility can create a common focus, bring out structural deficiencies and enhance accountability and transparency (Mugabi, Kayaga and Njiru, 2006). We recommend using time and resources for planning all projects organized, to ensure that all aspects of the projects are considered and that they lead to desired results. Also, to increase transparency of the utility, we recommend that all plans should be written down and available for everyone to see.

- **Business model mapping:** Identifying and planning the most suitable business model based on the *WASREB Guidelines for Provision of Water and Sanitation Services in the Rural and Underserved areas* is important for establishing a clear plan on the management structure and business progress plan towards becoming licensed. These steps include collaboration with different stakeholders such as County Government, regulated Water Service Providers and WASREB as well as public participation (WASREB, 2019). It is also useful to identify, whether private sector services could be utilized for more efficient operations and maintenance (WSTF, 2017). Monitoring the utility's performance with the WASREB progress indicators can provide useful information on the utility's operations and is also one of the licensing requirements (WASREB, 2019).

Financial Sustainability Action Plan

Year 1: Customer Sensitization and Relations

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Creating public awareness and sensitization	Hold regular barasas and quarterly customer meetings	Revenue collection and sensitization	Increased understanding of the utility's purpose, need for community support and cooperation			
	Penalizing those with illegal connections	Establish penalties with CG on illegal connections	Establish and minimize the amount of NRW	Penalties for illegal connections established			
	Disconnecting customers with high overdue bills	Setting rules for disconnection and late payment penalty charges	Revenue collection and sensitization	Increased customer understanding of the importance of payment, minimized financial losses			
	Internal training	Sharing knowledge and skills within the utility staff	Human resources	Increased capacity, flexibility and resilience within the utility staff			
	Identifying the business model and delivery option according to the WASREB Guidelines	Situational Analysis by County Government to identify a suitable business model	Business model mapping	Business model identified with County Government			
		Selection of Delivery Option	Business model mapping	Delivery option selected			
		Public/Stakeholder Engagement	Business model mapping	Stakeholders engagement procedures finalized			

Year 2: Focus on Finances and Water Quality

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Applying for funds/ loans if needed for extending the pipe network *	Writing proposals to partners with supporting documents	Expanding services	Funding applications sent with supporting documentation			
	Sensitizing parents in the schools	Consider adding the water bill to education fees in the schools	Revenue collection and sensitization	Parents' increased understanding of paying for the water service			
	Monitoring the water quality & improving transparency with customers	Regular monitoring of water quality	Water quality	Water quality is regularly monitored			
		Publishing the results to customers	Water quality	Customers aware of the water quality, improved transparency, increased possibility to get licensed			
	Source for funds to acquire a billing software	Writing proposals to partners with supporting documents	Revenue collection and sensitization	Funding applications sent with supporting documentation			
	Operationalization of the delivery option	Public Consultations: Negotiations and agreements about asset ownership if needed	Business model mapping	Agreements established			
		Procurement and contracting of private operators if needed	Business model mapping	Private operators engaged if necessary			
	Revising Financial Sustainability Action Plan	Revising Financial Sustainability Action Plan for the 3rd- 5th years	Planning	Action plan revised			

Year 3: Plan and Collaborate

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Capacity building and training	Reach out to other successful utilities and benchmarking with them, county government and WSTF	Human resources	Getting advice, guidance and training, benchmarking with other utilities and bringing in new ideas and skills			
	Consider alternative energy sources	Investigate if changing to solar power could lower electricity costs and increase environmental sustainability	Increasing resilience	Ensuring reliable water supply and a plan if solar/other renewable energy sources are possible to be utilized			
	Plan and prepare for climate change	Planting trees	Conservation of water source	Increased resilience for climate change, trees planted			
		Sensitize customers about consumption	Revenue collection and sensitization	Increased resilience for climate change and customer understanding			
		Plan water storage	Expanding services	Water storage plan created			
		Secure access to water source	Conservation of water source	Increased resilience for climate change through secured water access			

Year 4: Expand If Possible

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Employing more staff	Considering the need and possibility to employ more staff	Human resources	More staff employed if considered necessary			
	Review funds for potential needed investments	Review funding need for fixing pipes, meters and other equipment	Expanding services	Budget for future expansion			
		Plan extending the pipelines and buying more meters	Expanding services	Plan for expanding services created			

Year 5: Plan for the Future

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Consider the possibility to acquire revenue from other sources	Think of new revenue possibilities like bottling water	Expanding services	Bring new ideas and a plan for growth			
	Acquire knowledge and agreement on licensing requirements	Collaboration and agreement with the County Government/ regulated WSP on attainment of the licensing requirements	Business model mapping	Awareness and agreement on how to attain the requirements for licencing			
		Getting an approved water tariff	Business model mapping	Approved water tariff set			
	Initiate regular performance monitoring	Ensure that the performance is regularly monitored with the WASREB progress indicators	Business model mapping	Regular monitoring of the performance and progress established			
	Creating a Financial Sustainability Action Plan	Make a financial sustainability action plan for the next five years	Planning	New financial sustainability action plan created with measurable and actionable steps			

*** Writing proposals and funding applications** to request for loans or funding is a good way to obtain capital for extending the pipe network:

a. Once it is decided what will be the best way to increase capital, seek for capital!
b. Writing a proposal/funding application to banks, county government, WSTF, and any other funding organization will increase opportunities to receive capital.
c. Emphasize how this loan or grant will help the utility increase the number of customers and help the utility get more profitable.
d. Prove you plan to get with numbers! The lender or donor should be easily convinced that the capital they lend you will be paid back.

• WASREB Progress Indicators •

This is a template for monitoring and evaluating the utility's progress through measurable indicators. It is recommended, that the utility strives to measure their progress through these indicators, because this information is important for the utility to become licensed. More information on calculating these indicator values are provided by WASREB and WSTF and Majidata website (2018). The progress indicators are the national indicators set by WASREB (2018) and they are defined followingly:

- **Operation and Maintenance (O+M)** Cost Coverage is the extent to which a utility is able to meet its O+M costs from internally generated funds. O+M Cost Coverage is critical to the performance of a utility as it is a first step towards full cost coverage. It ensures long term financial sustainability.

- **Drink Water Quality (DWQ)** measures the potability of the water supplied by a utility. It is a critical performance indicator since it has a direct impact on the health of consumers. This is a weighted composite indicator measuring compliance with residual chlorine standards (40%) and bacteriological standards (60%).

- **Revenue Collection Efficiency** refers to the total amount of money collected by a utility expressed as a percentage of the total amount billed over the same period. It has been used to measure the effectiveness of the revenue management system in a utility.

- **Water Coverage** refers to the number of people served with drinking water expressed as a percentage of the total population within the service area of a utility. It is critical in tracking the progressive realization of the right to water with regard to the accessibility component in the normative content of the right to water.

- **Pro-poor assessment.** WASREB has developed a tool for assessment of utility performance with respect to services in Low Income Areas (LIAs). The tool not only monitors the level of pro-poor services but also gives guidance on improving services in these areas. The tool consists of four sub-indicators namely: i) Service coverage in LIAs, ii) Service levels in LIAs, iii) Strategy and organisation with respect to service provision in LIAs, iv) Compliance to standards for water kiosks.

- **Water Governance Assessment** refers to systems that are involved in decision-making about water management and water service delivery. WASREB has developed a governance indicator tool with emphasis on the following six sub-indicators: i) Utility Oversight and Supervision, ii) Information and Control Systems, iii) Financial Management, iv) Service Standards, v) Human Resources, vi) User Consultation

- **Personnel Expenditures** as a percentage of O+M Costs measures whether personnel related expenses are proportionate to overall O+M costs as defined by the respective sector benchmarks.

- **Metering Ratio** is the number of connections with functional meters expressed as a percentage of the total number of active water connections. It is an empirical way for a utility to ensure that consumers only pay for what they consume. It is expected that the functionality of these meters is occasionally ascertained by the utility by sampling them for calibration or replacing the aged ones through adoption of a metering policy.

- **Non-Revenue Water** is the difference between the amount of water put into the distribution system and the amount of water billed as authorized consumption. It comprises of both commercial (apparent) losses and physical (real) losses. It is an operational indicator contributing to the sustainability question of the utilities and therefore is a significant measure that facilitates evaluation of the efficiency of operations by the utilities.

- **Hours of Supply** refers to the average number of hours per day that a utility provides water to its customers. It measures the continuity of services of a utility and thus availability of water to the customer. It is an important indicator on quality of service and shows the extent to which the utility is making progress towards the fulfilment of the human right to water and sanitation in terms of availability.

- **Staff Productivity** refers to the number of staff in employment for every 1,000 connections (total registered water and where applicable, sewer connections). It measures the efficiency in staff utilization. Staff productivity is affected by factors such as size of a utility, the nature of human settlement (distances between connections and number of towns served), skills mix, and the extent of outsourcing for services and whether a utility provides water alone or water and sewerage services together, among others.

Indicator	January	February	March	April	May	June	July	August	September	October	November	December
Operation & Maintenance Cost (%)												
Drinking Water Quality												
Revenue Collection Efficiency												
Water Coverage												
Pro-poor Assessment												
Governance Assessment												
Personnel Expenditure												
Meter Ratio												
Non-Revenue Water												
Hours of Supply												
Staff Productivity												

• References •

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• Hamjambo! •

We would like to thank the Kimng'oror Water User Association for warmly welcoming us into their community. After our meeting together, we felt highly motivated to do what we can to help support Kimng'oror. Although there are many challenges to face, we believe the members of the utility are highly motivated and have proven themselves capable. We hope this 5-year action plan serves you well, and we wish the entire community the best of luck in achieving their goals. Asante sana!

SuWaMa 2020
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