Kobujoi Water User Association

Five-Year Financial Sustainability Action Plan: Booklet

Released 2020





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• 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 21 customers filled in the questionnaire. From all the questionnaire respondents 66.7% were female and 68% were over the age of 35, while 63% were unemployed (figures 1, 4 & 6). The average household size was 7.1 residents per household.

All customers felt like the water supply was enough for their needs.

Customers were unsatisfied with the color and clarity of water (figure 5), but satisfied with the taste and smell of water as well as the level of customer service. Customers felt overall well informed by the utility, however, they felt clearly least informed about the water quality (figure 3).

94.4% of household treat their water at home. Half of these customers treat their water by boiling, 35% by filtering and 15% with chemicals (figure 2).

28.6% of customers reported having a secondary source of water, all of which were using a river, shallow well or other source of water for their supply.

Considering the results of customers being unsatisfied with the color and clarity of water, a significant portion of customers treating the water at home and customers feeling least informed about the water quality, this could indicate that there are some improvements to be made with the water quality, especially turbidity.

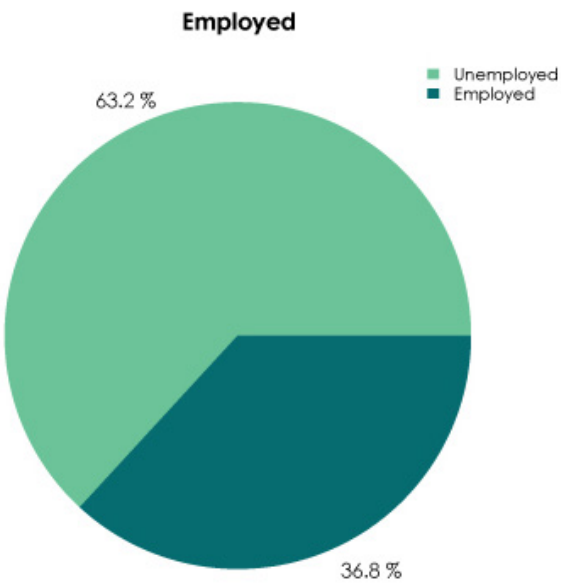


Figure 1. Employment of questionnaire respondents

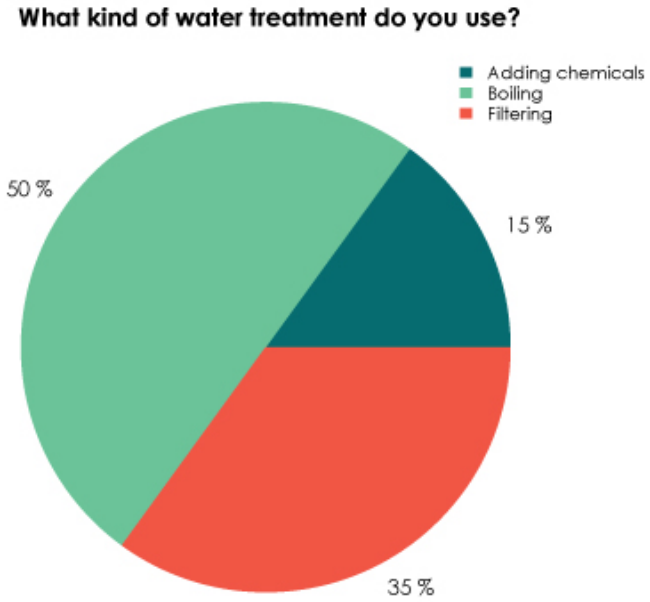


Figure 2. The types of water treatment that customers use at home. These values are only from the people that do treat their water.

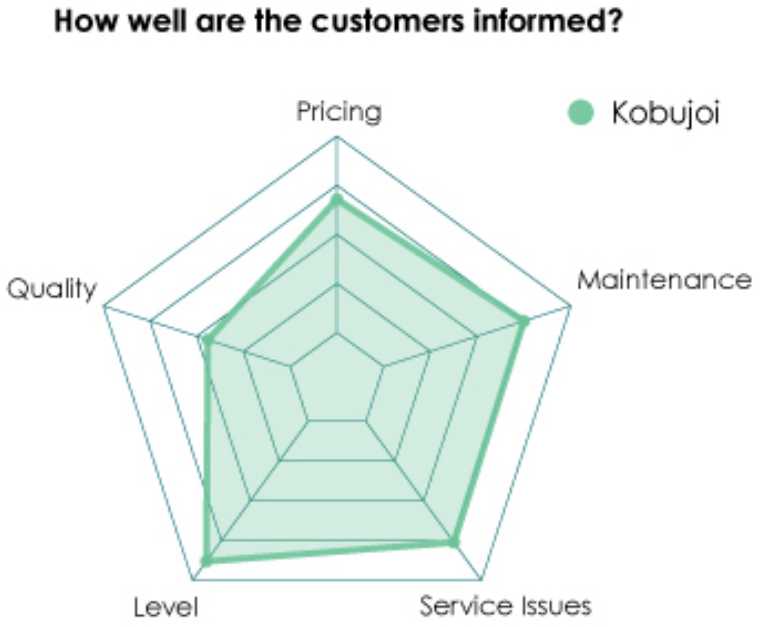


Figure 3. Spider web figure on how well the customers feel like they are informed on pricing, maintenance, service issues, water level and water quality.

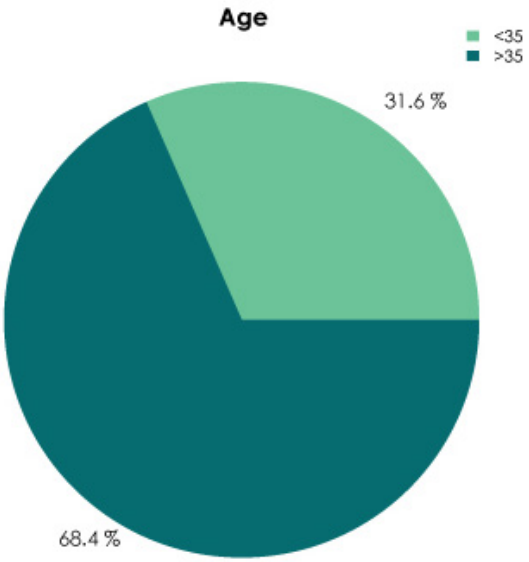


Figure 4. Age of questionnaire respondents

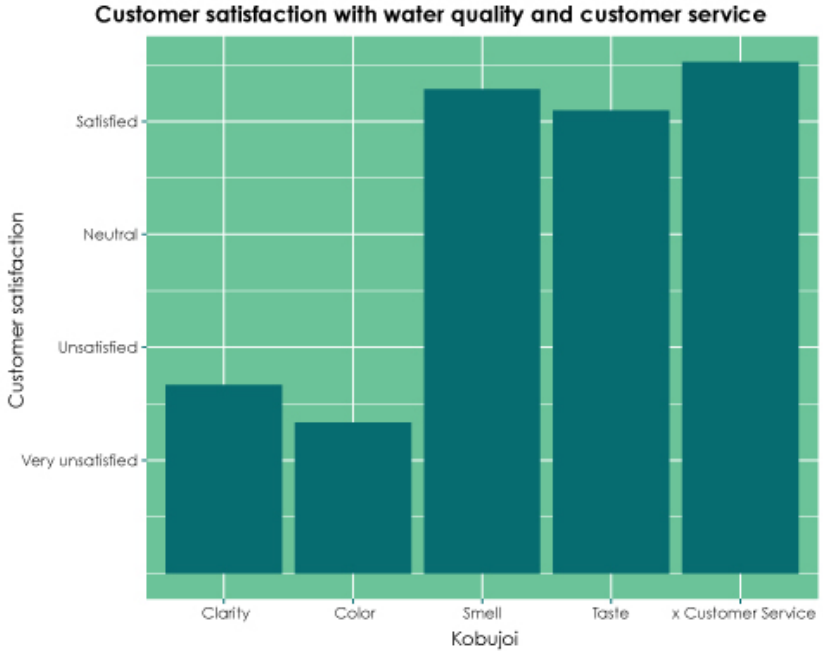


Figure 5. Customers' average satisfaction with the clarity, color, smell and taste of water as well as their satisfaction with customer service

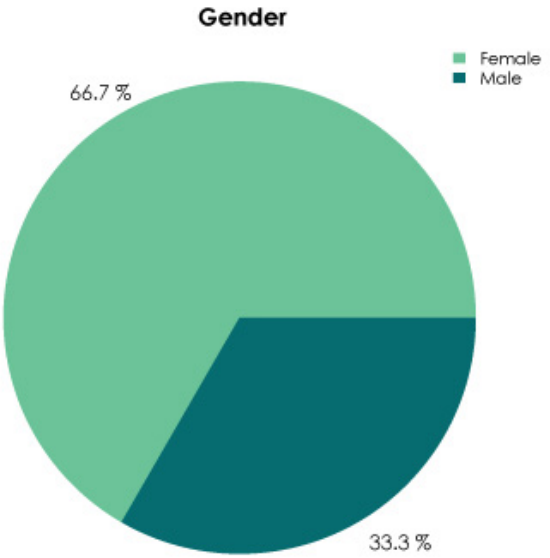


Figure 6. Gender of questionnaire respondents

• Objectives •

The key objectives for the Kobujoi Water Users Association were established based on the workshops and discussions on the 18.2.2020 and the questionnaire findings. They describe the main areas of focus for the utility that are presented in the Financial Sustainability Action Plans.

- **Establish operational status:** The most urgent and important step for the water utility is to establish operational status by collaborating with the County Government to acquire funding for the procurement of a pumping unit and a standby pump.

- **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.

- **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.

- **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.

- **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).

- **Environmental conservation:** 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.

- **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.

- **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: Taking Urgent Action and Saving Money for a Rainy Day

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Purchase pumping unit	Collaborate with key stakeholders to purchase pumping unit	Establish operational status	Establish fully operational Standard Operating Procedures (SOPs)		2.2 M Ksh	
	Having an emergency fund	Start saving up for an emergency fund	Increasing resilience	Savings will prevent a business stand-still in case of a break down		at least 60,000Ksh prior to other investments	
	Acquiring funds for a stand-by pump	Purchasing a stand-by pump	Increasing resilience	Stand-by pump purchased			
	Holding board elections	Electing new board members	Human resources	New board members to bring fresh perspectives and energy to the board			
	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 from high electricity bills			
	Increasing cooperation between committee members	Holding regular meetings for sub-committees and board	Human resources	Increased communication and collaboration between committee members			

Year 1: Taking Urgent Action and Saving Money for a Rainy Day

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	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: Planning and Customer Relations

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Review funds for potential investment needs	Considering purchasing a master meter	Establish and minimize the amount of NRW	Easier detection of leakages and establishing NRW			

Year 2: Planning and Customer Relations

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Customer sensitization	Hold regular meetings with customers	Revenue collection and sensitization	Increased customers' understanding of service provision, transparency of expenses and importance of payment			
		Communicating penalties for illegal connections	Revenue collection and sensitization	Increased customers' understanding of penalties			
		Ensuring transparency and timely communications (bills, notices etc.)	Revenue collection and sensitization	Increased transparency and communications with customers			
		Collaborate to come up with improvements to customer communications	Revenue collection and sensitization	Improved communications with customers			
	Capacity building and training	Reach out to other successful utilities, county government and WSTF for training	Human resources	Improved management skills			
	Mapping out the households	Identify and locate current and potential customers and infrastructure	Planning	Identified and located current and potential customers and infrastructure			
	Revising Financial Sustainability Action Plan	Revising Financial Sustainability Action Plan for the 3rd- 5th years	Planning	Action plan revised			

Year 3: Looking into Sustainability

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Conservation of the water resource	Fencing off the water source	Environmental conservation	Getting advice, guidance and training, benchmarking with other utilities and bringing in new ideas and skills			
	Improving customer communications	Implementing a customer communications and complaints platform	Revenue collection and sensitization	Increased transparency and communications with customers			
	Maintenance	Replacing damaged pipes	Establish and minimize the amount of NRW	Damaged pipes are replaced			
		Saving money to be able to replace old pipes	Increasing resilience	Building savings for quicker response to break downs			
	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			

Year 4: Increasing Efficiency

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	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			
	Acquiring an automated billing system	Procurement and installing of automated billing system	Revenue collection and sensitization	Billing and payment more convenient and transparent			
	Action Corporate Social Responsibility	Planting of indigenous trees along water sources	Environmental conservation	Indigenous trees planted for increased environmental resilience			

Year 5: Plan for the Future

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Plan the construction of a treatment plant	Create a budget and plan the construction of a water treatment facility	Water quality	A plan for the construction of a treatment plant in place			
		Incorporate a Composite Filtration Unit (CFU) into the system	Water quality	CFU acquired and installed into the system			
	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			

• 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												

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• Hamjambo! •

We would like to thank the Kobujoi 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 Kobujoi. Although there have been major challenges at the beginning of the year 2020, we believe there is true potential to provide the community with a reliable service of water. 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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