Sipili Borehole 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 44 customers filled in the questionnaire. From all the questionnaire respondents 56% were female and 87.5% were over the age of 35, while 88% were unemployed (figures 1, 3 & 5). The average household size was 3.9 residents per household.

93.2% of customers feel like the water supply isn't enough for their needs. 54.5% of households treat their water and use boiling as their water treatment method. Everyone had a household connection.Customers were satisfied with the water quality and customer service (figure 4). There were significant differences in how informed the customers were about the water level depending on the zone area. The customers were quite unwilling to pay more for a better water quality.

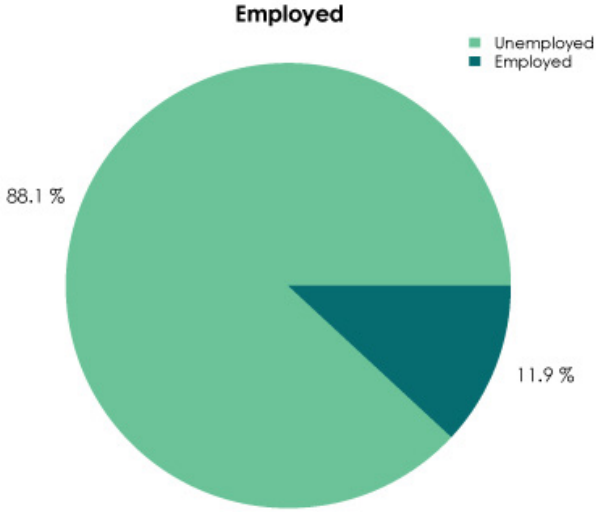


Figure 1. Employment of questionnaire respondents

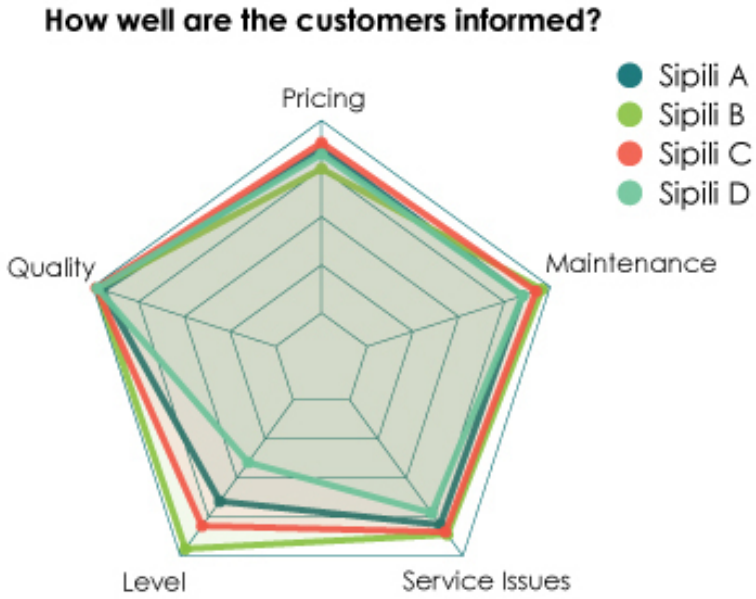


Figure 2. Spider web figure on how well the customers feel like they are informed on pricing, maintenance, service issues, water level and water quality.

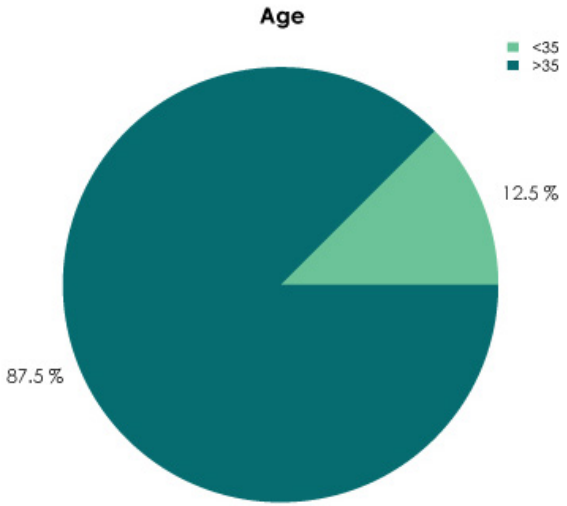


Figure 3. Age of questionnaire respondents

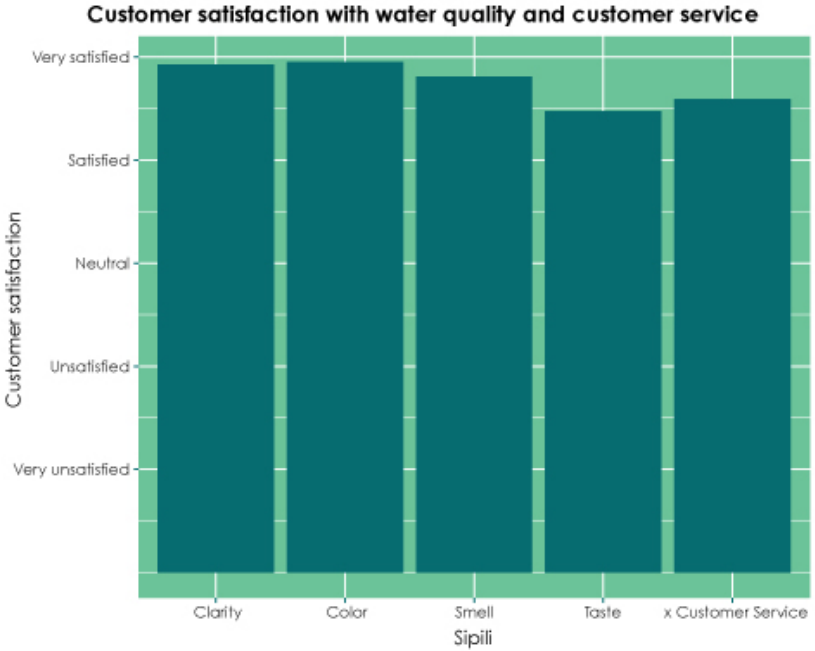


Figure 4. Customers' average satisfaction with the clarity, color, smell and taste of water as well as their satisfaction with customer service

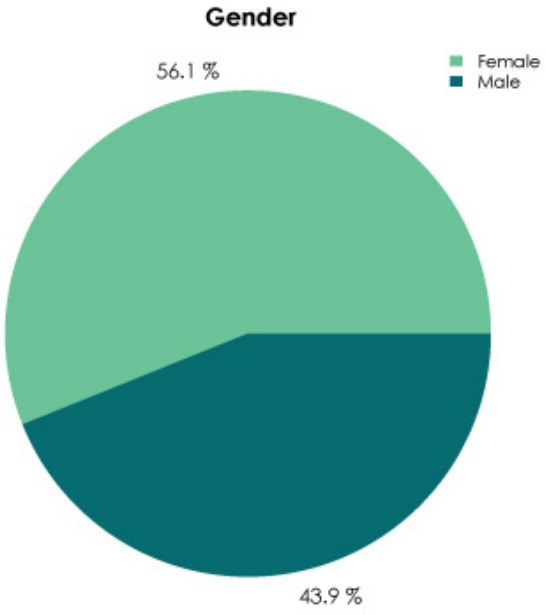


Figure 5. Gender of questionnaire respondents

Objectives

The key objectives for the Sipili Borehole Water Users Association were established based on the workshops and discussions on the 20.2.2020 and the questionnaire findings. They describe the main areas of focus for the utility that are presented in the Financial Sustainability Action Plans.

- **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.

- **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.

- **Transparency and collaboration:** Transparency of accounting increases the payment rate of monthly tariff (Schweitzer and Mihelcic 2012) and according to our findings, transparency helps with collaborating with other utilities, county and other major stakeholders of the utility. Our findings show that utilities that

are collaborating with counties and other utilities are working more effectively, thus we recommend being transparent about all operations to all parties interested and working together with major stakeholders to improve the water services.

- **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, technical 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.

- **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.

- **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.

- **Customer communications:** It is commonly known that customers are the key of all utility's operations, as without them, there would not be a need for operations at all. Thus, according to our findings, focusing on customer communications is essential. Our findings indicate that by ensuring that customers have a way to reach information needed and communicate with the utility, the customer satisfaction can increase.

- **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: Finding Capital to Get Back to Positive Cash Flow

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Analysing and planning the optimal way to get to positive cash flow	Investigating and comparing options (such as increasing revenue by fixing damaged pipes, lowering operational cost by utilizing solar power)	Planning	Alternative options analysed and a plan to get to positive cash flow developed. This will give the utility direction. (Prove with numbers)			
	Applying for funds/loans if needed *	Writing proposals to partners with supporting documents	Increasing resilience	Fund applications sent with supporting documentation			
	Engaging private borehole operator	Engage private borehole operator to buy water in bulk	Transparency and collaboration	Increased and more affordable water supply			
	Penalizing those with illegal connections	Establish penalties with CG on illegal connections	Establish and minimize the amount of NRW	Penalties for illegal connections established			
	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			

Year 1: Finding Capital to Get Back to Positive Cash Flow

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: Improving Skills and Customer Relations

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Capacity building and training	Reach out to other successful utilities, county government and WSTF for training and technical advice	Human resources	Improved technical, management and computer skills			

Year 2: Increasing Service Efficiency

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Acquiring an automated billing system	Procurement and installing of automated billing system (such as M-PESA)	Revenue collection and sensitization	Billing and payment more convenient and transparent			
	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			
	Maintaining the storage tanks	Planning, maintaining and cleaning the storage tanks regularly	Water quality	Storage tanks maintained enabling to keep water quality high all year round			
	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)
	Hydrological survey for new boreholes	Plan and budget for hydrological surveying	Expanding services	Implementation plan for hydrological survey created			
		Carry out hydrological surveying	Expanding services	Hydrological survey carried out			
	Improving customer communications	Develop SMS code for customer communications, feedback and complaints	Customer communications	Improved transparency and efficiency in customer communications			
	Collaborating with other stakeholders	Reach out to other successful utilities, county government and WSTF	Transparency and collaboration	Getting advice, guidance and training and bringing new ideas and skills			
	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			

Year 4: Expand If Possible

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Consider drilling a new borehole	Review budget and finances	Expanding services	Budget and finances for investment reviewed			
		Consider the need based on customer demand and hydrological survey	Expanding services	Customer demand and need for new borehole investigated			
	Employing more staff	Considering the need and possibility to employ more staff (general manager, accountant)	Human resources	More staff employed if considered necessary			
	Reviewing tariff structure	Getting an approved water tariff	Business model mapping	Approved water tariff set			

Year 5: Plan for the Future

Deadline (Date)	Activity	Sub-Activity	Related Objective	Success Indicators	Person Responsible	Resources	Completed (Date)
	Review funds for potential needed investments	Plan and review funding need for extending pipelines	Expanding services	Budget and plan for expanding services created			
	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.

a. Once it is decided what will be the best way to get to net positive cash flow, 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 Sipili reconnect customers and help the utility get back to net positive operations

d. Prove you plan to get net positive 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												

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• Hamjambo! •

We would like to thank the Sipili Borehole 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 Sipili. Although there has been misfortune with the damage due to road construction, we believe the members of the utility are highly motivated and 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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