

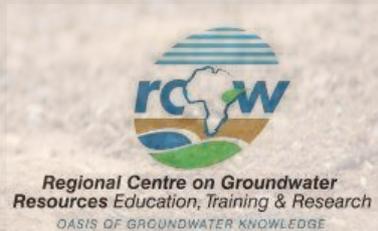
2022-2027

The Horn of Africa Groundwater for Resilience Regional Program

Design and Implementation of Performance-Based Grants (PBGs), Kenya.



Ministry of Water, Sanitation and Irrigation



June 2022



The Horn of Africa Groundwater for Resilience Project, Kenya

Project Background

The Horn of Africa (HoA) Groundwater for Resilience Program (GW4R) aims to increase the sustainable use and management of groundwater in the region. In Kenya, the aim is to improve the lives of an estimated 1.5 million people living in rural communities, specifically in the five counties of Turkana, Wajir, Garissa, Marsabit, and Mandera (see figure 1). The project will be implemented starting mid-2022 and closing at the end of 2027.

Subcomponent 1B of the GW4R will support: (1) rehabilitation of groundwater-based rural water supply schemes (RWSS), (2) enhancement of the designated drought-response strategic boreholes network (DSBN), and (3) mainstreaming of operation and maintenance (O&M) of groundwater infrastructure through a Performance-Based Grants (PBGs) mechanism.

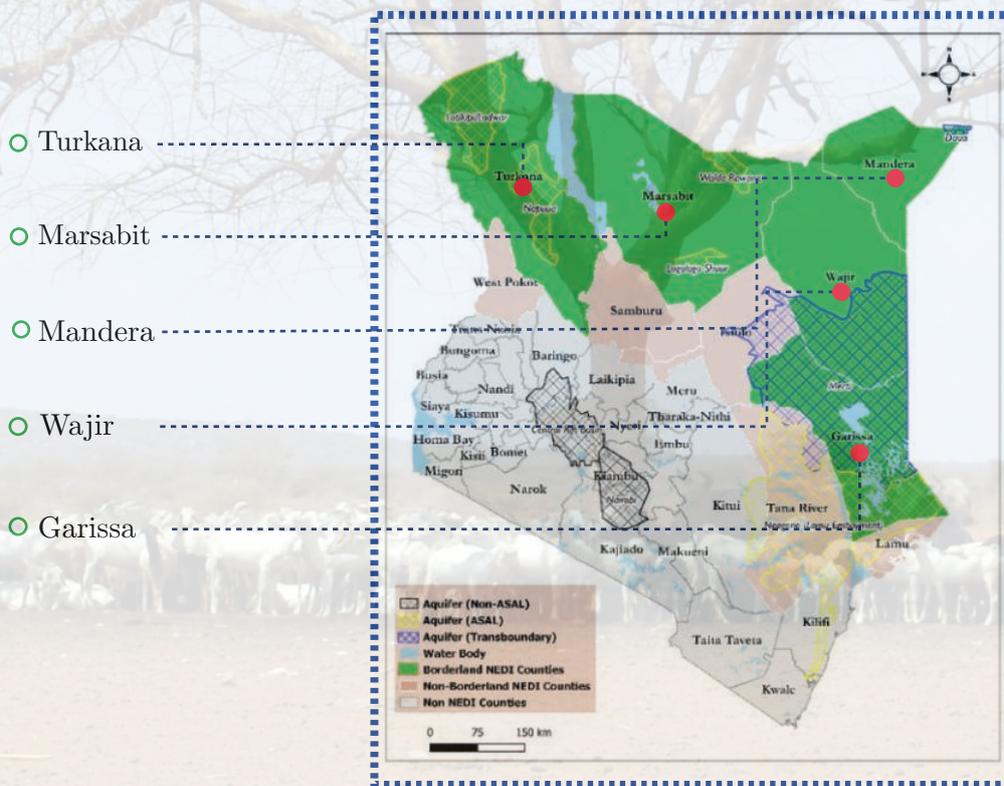
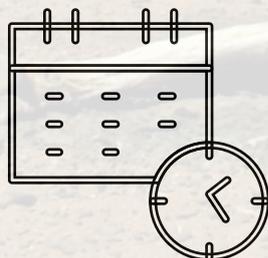


Figure 1: Counties participating Horn of Africa GW4R Project, Kenya

Over the six-year project period, approximately US \$68 million is expected to be utilized for the implementation of activities in Subcomponent 1B.

6 years of
implementation



68 million
US dollars investment



What is the rationale for PBGs in improving rural water service delivery?

Roughly 1 in 2 people living in rural Kenya (or 17 million people) lack access to a basic water service, and 1 in 3 people rely on surface water for drinking needs (WHO/UNICEF, 2017). This is partly due to high non-functionality. Estimates show that roughly 25 percent of the rural waterpoints in Kenya are not functional. The de facto community-based management model has struggled to guarantee reliable rural water services, increasing focus on alternative professionalized rural water service models.

To support these efforts, the water services regulatory board (WASREB) in Kenya has provided guidelines with a range of possible models for rural water O&M. Further, the Constitution of Kenya (2010) allows the National Government to fund devolved functions such as water services, through conditional grants, while the Kenya Water Act (2016) allows the Water Sector Trust Fund (WSTF) to provide conditional grants to Counties. This is allowing utilization of results-based funding models to incentivize and guarantee safe and reliable water services for rural communities in Kenya

What is the objective of the PBG facility?

The PBGs component of the GW4R aims to build resilience of rural communities and water service providers by incentivizing county-led institutional measures for ensuring the long-term sustainability of the O&M of installed rural water facilities.

What is the scope of activities to be financed through the PBGs?

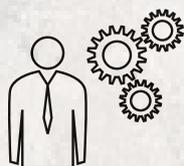
Over the 6-year implementation period, PBGs will be provided to participating Counties conditional to the achievement of the following performance objectives:



Enactment of the the necessary institutional systems for strengthening sustainable O&M of rural water supply systems



Satisfactory completion high-quality water infrastructure works on rehabilitation of rural water supply schemes and/or expansion/drilling of new drought-response strategic borehole network (DSBN)



Verifiable and continuous operational functionality and financial performance of installed rural water supply schemes

How will the PBGs be managed?

WSTF is the managing entity for the PBG facility, supported by an Independent Verification Agent (IVA). WSTF will also provide the necessary Technical Assistance (TA) to the five participating Counties, while Counties and water service providers (WSPs), through their Sub-PIUs, will be responsible for the implementation of all activities, reporting to WSTF and the PIU.

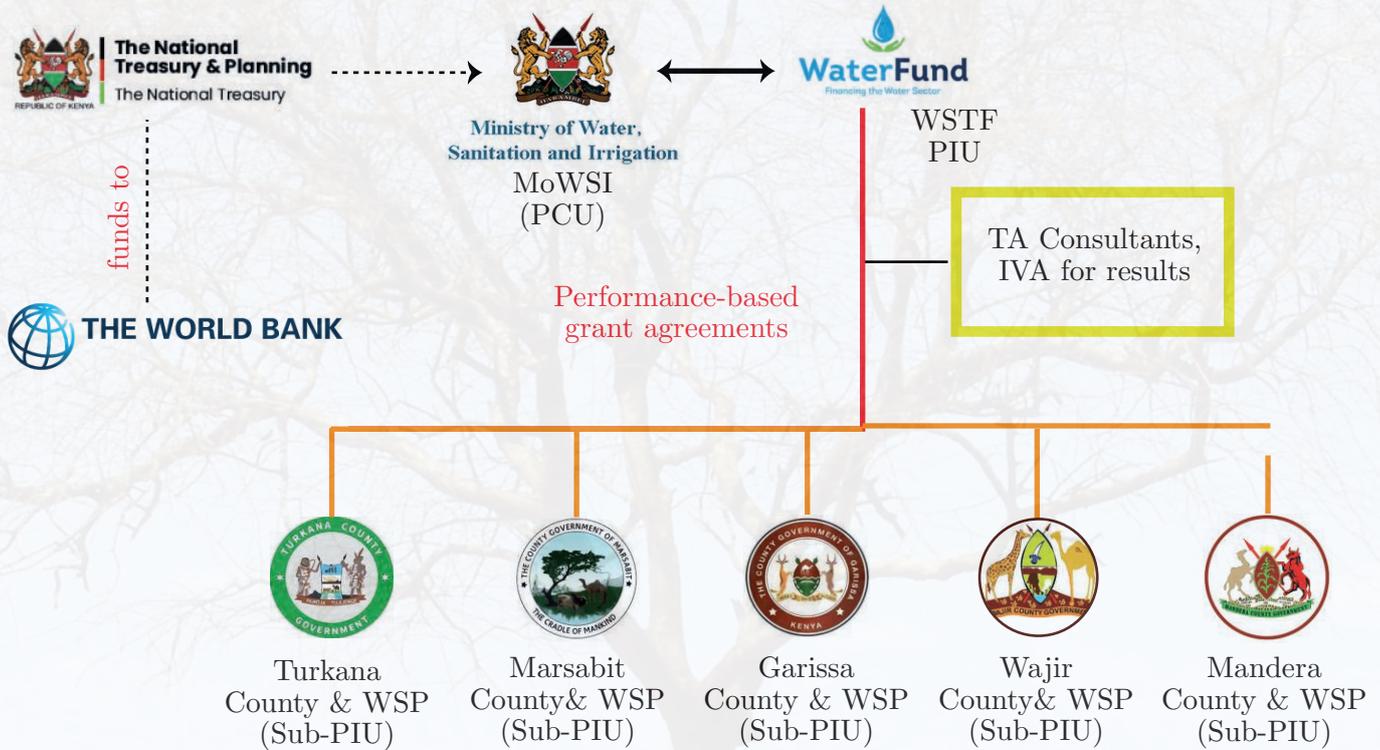


Figure 2: Governance structure for the PBG facility of the GW4R Kenya project

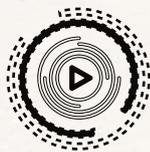
What is the minimum eligibility criteria (MEC) to access the PBGs?

As a precondition to participating in implementation of the PBG mechanism under the GW4R, Counties must meet the following MEC:



Sign

Each county to sign a PBG agreement with the WSTF



Initiate

County Water Department (CWD) to appoint an established Water Service Provider and open a project bank account for PBGs implementation and funds flow



Plan

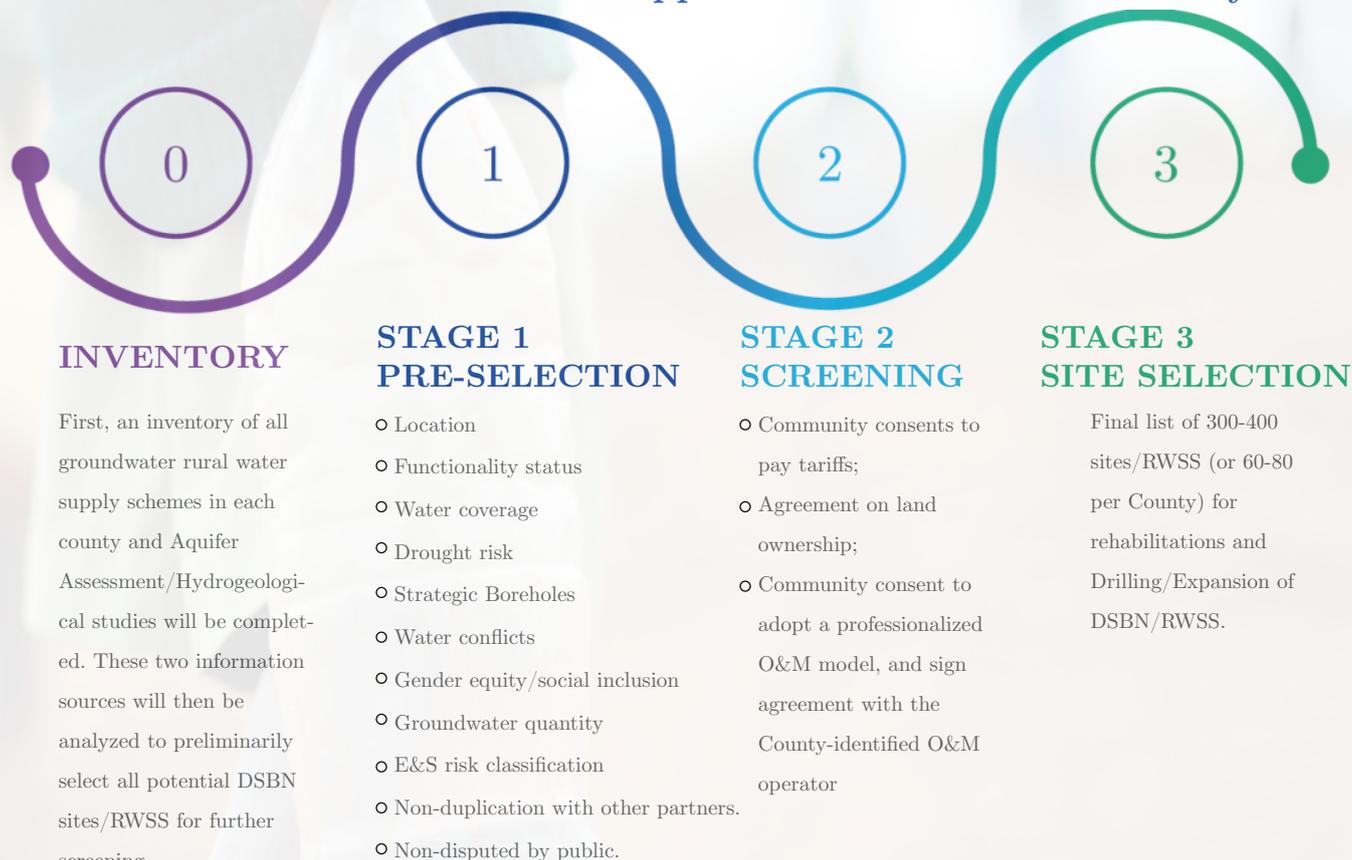
County Government to institute a Security Management Plan for the project:



Safeguard

County Government to adopt an Environmental and Social (E&S) Safeguards plan for project financed activities

Selection criteria for sites to be supported under the PBG facility



*Note: A detailed stepwise process can be found in the POM

Figure 3: Key steps in selecting RWSS/DSBN for drilling/rehabilitation under the PBG Facility

What models of O&M can counties adopt?

Each county will deliberate and decide, through consultations with communities and relevant stakeholders, on its preferred O&M model for professionalizing rural water services (potential model options are reflected in figure 4)

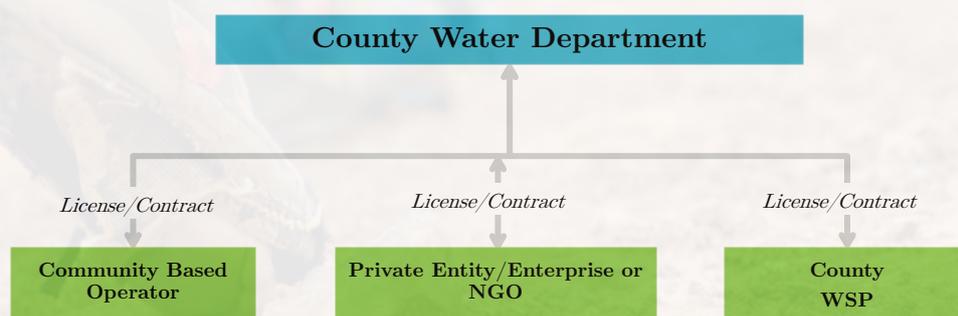


Figure 4: The three model options for rural water O&M to be supported under the GW4R project

The County Water Department (CWD) will identify, appoint, and ensure that the operator(s) have a valid contract/license clarifying O&M roles and responsibilities sharing with the CWD, and requiring collection of an agreed tariff from users. The models are not exclusive of each other, and counties may blend the various options depending on user community's preferences and flexibility or other local dynamics. Counties may contract/license more than one operator for their respective rural services, however, in such instances, each operator will be assigned an exclusive service area and optimize economies of scale for viability.

PBG conditions for infrastructure rehabilitation and/or expansion

Following the selection of RWSS/DSBN to be supported under the PBG facility, Counties will embark on institutional strengthening activities from year 1 through to 4 of the project, with the support from a TA facility managed by WSTF. From year 1 through to year 3, Counties with the TA support of an engineering firm will develop designs, ESIA/ESMPs etc. and prepare tender documents for the selected RWSS/DSBN packaged in lots of up to 15 RWSS/DSBN. Based on the Counties performance in preparation of these lots, WSTF will regularly disburse fixed PBGs equivalent to the estimated cost of rehabilitations/drilling works for the applicable lot. These disbursements will be contingent on Counties meeting the following (1) institutional, and (2) rehabilitations and drilling/expansion works related performance conditions (Figure 5)

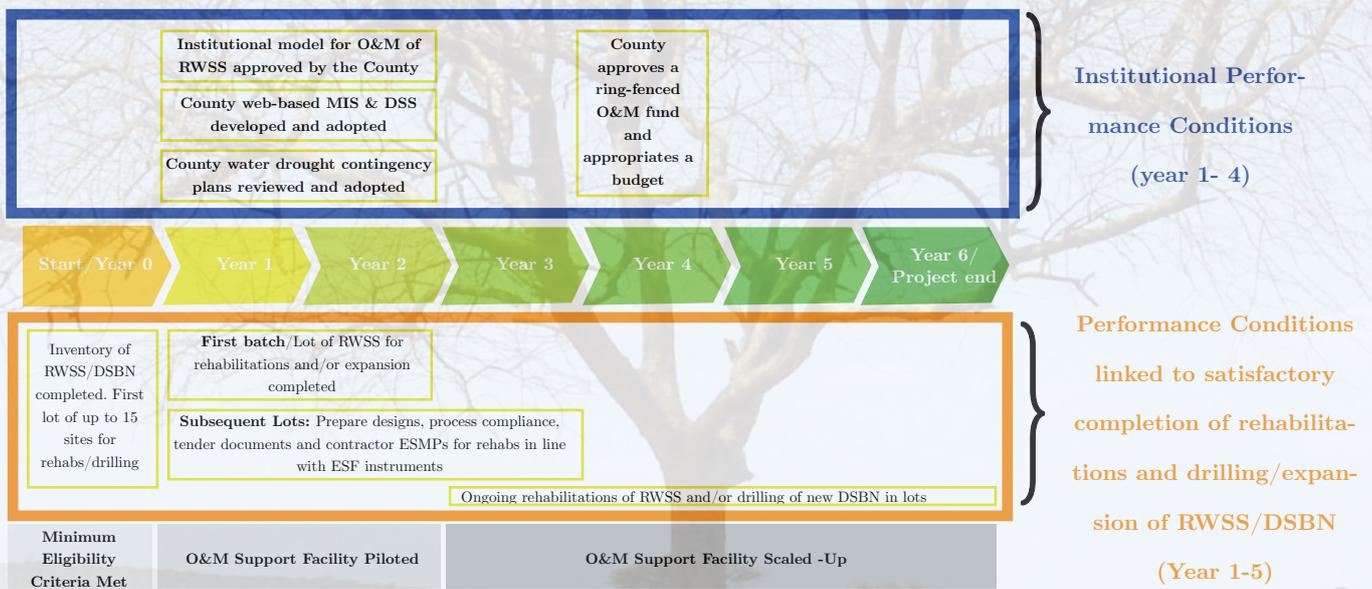


Figure 5: Timelines for the institutional performance conditions and conditions linked to satisfactory completion of civil works

On completion of the designs, bid documents, approvals and subsequently civil works for each lot/package by engineers/contractors, WSTF will provide an IVA to undertake quality checks before final approval of the completed task(s). Satisfactorily completed RWSS or DSBN will then be enrolled into the county O&M model and receive support from the project's O&M support facility. described below.

PBG conditions for O&M of installed infrastructure

The O&M Support Facility will be implemented in two phases starting with a pilot in year 1-2, to be scale up in year 3-6. In the pilot phase, the PBG formula and conditions will be validated with up to five existing but fully functional RWSS in each county, funded through fixed PBGs over a 12-month period. In the scale-up phase, the RWSS enrolled for the O&M Support Facility will expand to include newly drilled DSBN and satisfactorily rehabilitated RWSS. For newly enrolled RWSS/DSBN, an initial 6-month grant will be provided, and thereafter, variable PBGs will be released to Counties contingent on fulfilling the operational and financial performance conditions in Figure 6. Verification of performance against these conditions shall be assessed by an IVA at the individual RWSS level in 6-month cycles (Figure 7).

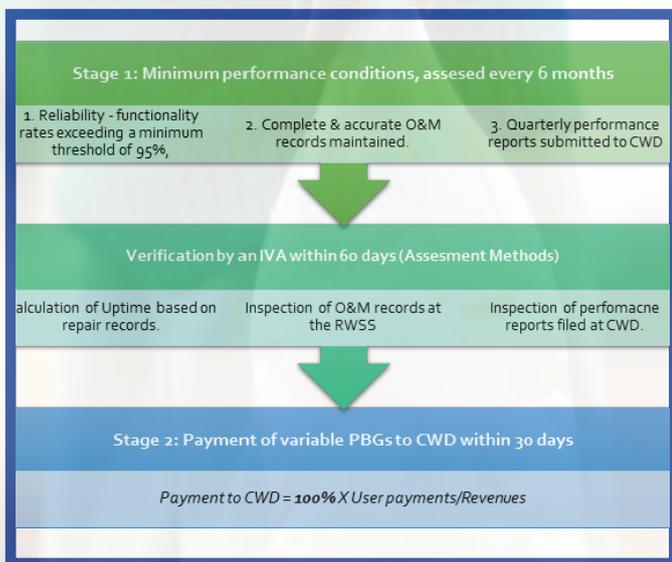


Figure 6: Minimum conditions and payment process of variable PBGs under the O&M support facility

Minimum conditions and verification: In a given 6-month period, a RWSS must satisfy **ALL** three minimum conditions during the verification Stage 1 (see Figure 6) must be fulfilled, before qualifying for payment in Stage 2. Any RWSS with an uptime level less than 95 percent, or failing to maintain complete O&M records or not submitting quarterly reports to the CWD, will be disqualified and shall not receive variable PBGs.

The IVA will complete verification and advise the CWD and WSTF on payments due within

Payment formula: Counties will receive a variable PBG payment equivalent to the actual amount of water fees collected (tariffs only) and accounted for by the RWSS from users (100% match) over the 6-month period under review. WSTF will disburse PBGs to Counties within 30 days of advice from the IVA, and, Counties will receive aggregated PBGs for only those RWSS satisfying all performance conditions (Figure 6). Funds are disbursed into the designated project bank account and Counties are required to channel the same to the contracted county O&M Operator within 30 days.

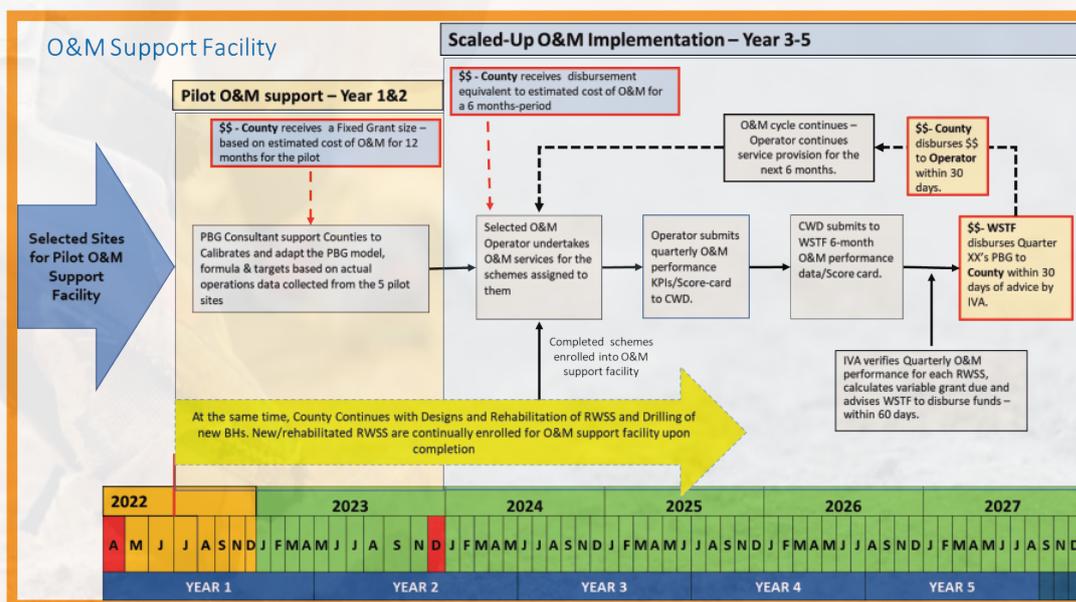


Figure 7 : Detailed process of implementing the O&M Support Facility and indicative timelines

How will the project be safeguarded and sustained?



Project investment following the World's procurement policy and guidelines



Project investment following the World Bank's Environmental and Social Framework/Safeguards



Project investments developing policy and institutional environment required to incentivize long-term rural water O&M

Horn of Africa Groundwater for Resilience Program KENYA

