



**NZOIA WATER SERVICES  
COMPANY LIMITED**

**PRO POOR POLICY FOR  
NZOWASCO**

**October, 2016**

*Date of Review: October 2016*

## Foreword

The Constitution of Kenya 2010 Chapter Four on The Bill of Rights, Part 1, Section 43(1) b. states that 'Every person has the right to reasonable standards of sanitation' and Section 43(1) d. states that 'Every person has the right to clean and safe water in adequate quantities'. In response to these Constitutional requirements and in line with the Lake Victoria Water Services Board Informal Settlements Policy and Strategic guidelines for Improving Water and Sanitation Services in NZOWASCO supply area Informal Settlements the **Nzoia Water Services Co Ltd** has prepared this Pro-Poor Connection Policy. This policy will ensure that Informal Settlements and low income areas of our area of jurisdiction are supported to access reasonable standards of sanitation and access to clean and safe water in adequate quantities at the household level.

The Nzoia Water Services Co Ltd Pro-Poor Connections Policy was prepared with the input of NZOWASCO fraternity, Lake Victoria North Water Services Board, and county governments Environment, water & sanitation departments

Signed



**Managing Director**

**Nzoia Water Services Co Ltd**

## List of Acronyms/abbreviations and definitions

LVNWSB	Lake North Victoria Water Service Board
GoK	Government of Kenya
PPC	Pro Poor Committee NZOWASCO
KES	Kenyan Shillings
SDGs	Sustainable Development Goals
WASREB	Water Services Regulatory Board
WSP- WB	Water and Sanitation Program of the World Bank
NZOWASCO	Nzoia Water Services Company Limited
M-Pesa	Mobile money transfer module for Safaricom limited

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## 1 Background

The Nzoia Water Services Co Ltd also referred to as (NZOWASCO), would like to continually implement a Pro-Poor connection policy that subsidizes first-time connections in informal settlements within its service area. This will see to it that the poor as defined in Maji Data by Water Services Trust Fund (WSTF) access water and sanitation services.

A new connection subsidy is preferable to a tariff subsidy because the latter only benefits those who are already connected (i.e. the non poor). A connection subsidy is also a one-time subsidy, while the recurrent funding needs of a tariff subsidy can become a strain on utility operations. The connection fee for domestic water connection is KES 1,500(non refundable), and a refundable meter deposit of KES 2,500. However, these rates do not reflect the true cost of connection. New customers must also purchase their own pipes and fittings to connect to the company's network, this is through quotes made by company staff and as well handed to the consumer to pay. The total price of these materials varies depending on the distance to the network and the quality of materials but can cost up for a maximum of 25 meters from existing main. Sometimes the settlements are poorly structured and planned and as such the distance could be more than 25 meters.

The NZOWASCO's tariffs are affordable, especially when you compare them to the price of water purchased from a kiosk especially those small households that use less than  $6\text{m}^3/\text{month}$ . The Company sells water to the kiosks at a cost of KES  $20/\text{m}^3$ . However, the connection fees still remain a major hurdle to connect the poor directly to the company's network. The table below demonstrates the burden of the connection fees on low-income households.



Table 1 Connection fees as a percentage of income

Relative income levels	Propoor Area of webuye, bungoma, kitale and kimilili	Average Monthly Income (KES)	Water connection fee as a % of monthly income (1,859 KES)	Water & sewerage connection fees as a % of monthly income (2,669 KES)
Low income	<b>Kitale</b> - Shanty, Kipsongo, Lukhuna, matisi, Tuwani. <u>mitume</u> Webuye - Muslim, molo, wananchi, chocolate, <b>Bungoma</b> - Mjini, mandizini, Musikoma and Muteremko. Kimilili - Nabwana, kwa mukanda <u>mulika mwizi.</u>	6,300 <sup>1</sup>	29.5%	42.36%
Middle income	<u>Webuye-Molo, Wananchi, sango</u> Lessos, bidii, site and service, <u>Gatua, robbinson, lavington</u> <u>Bungoma-marrel, milimani</u> <u>Kimilili - Mulika mwizi, kwa mukanda,</u>	12,000 17,000	15.49% 10.93%	22.24% 15.70%
High income	Miimani, kibomet, Equarters, guest	52,500	3.54%	5.08%

<sup>1</sup> KES 300 per day earnings



	house,			
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The connection fees alone—*without the requisite materials*-- are almost 24% of the average household's income in the informal settlements, versus only 2.85% of a high income household. The majority of poor households depend on water Kiosks. In some cases cartels retail price of water exploitative and the quality of water questionable. Recomputed the calculations

Since customers must purchase their own pipes to be connected to the network, the quality of pipes used tends to be very poor (e.g. electrical conduits are common) and the pipes are shallowly laid and often placed above ground level traversing along grey water drains. The poor quality of materials and workmanship leads to significant water wastage through leaks and bursts. They are also a health hazard since contaminants can easily enter into the water supply through holes in the pipes.



## **1.1 Objectives of Pro-Poor policy**

The overall objective of the Pro-Poor policy is to improve service levels in the informal settlements:

The specific objectives are to:

- Increase the company's customer base
- Increase the revenue for the Company
- Increase access to affordable and safe water and sanitation services
- Reduce non revenue water in illegal use prone areas
- Reduce poverty in the informal settlements
- Improve environmental sanitation and hygiene
- Minimize water related diseases in the pro poor areas

## **2 Policy Provisions**

This section describes the guidelines related to: (i) raising funds; (ii) roles and responsibilities; (iii) beneficiaries; (iv) the use of funds; and (v) tariffs and deposits.

### **2.1 Pro-Poor funds**

NZOWASCO will be required to source for funds through proposal to WSTF, budgetary allocations and county government support to improve water supply and sanitation to the pro-poor areas, NGOs and other likeminded partners. The Pro-Poor connection funds are meant to subsidize first time household/ kiosk/yard water point which are meant to serve the poor in the informal settlements. The funds availed will be managed by the Nzoia Water Services Co Ltd and other appointed stakeholders and shall only be used for the intended purposes.

This is a sustainable way for the Company to continually raise additional funds to serve the poor without depending on the Government of Kenya (GoK) or donors funding to develop water services infrastructure in the informal settlements.

The policy provides that informal settlements residents will be able to access the service by paying installments to meet the connection costs.

**Table 2 Connection cost/expected revenue**

Year	No. of connections	Cost/ connection (KES)	Total cost (KES)	Annual cost (KES)	monthly connections	Min.consumpt /connection (m <sup>3</sup> )	Consumption charge (KES)	Meter rent (KES)	Monthly income /connection (KES)	Annual income (KES)
2016-2020	6000	8000	48,000,000	9,200,000	100	6	222	50.00	272	1,632,000

## **2.2 Roles and responsibilities**

### **2.2.1 Lake Victoria Water Service Board**

**Lake Victoria North Water Service Board (LVNWSB)** is the asset holding entity responsible for the provision of water and sewerage services within the Board area. LVNWSB has licensed NZOWASCO to deliver services on its behalf as guided by the water act 2002.

The role of (LVNWSB) in the informal settlements connection fund shall be:

- Evaluate budgets and reports prepared by the NZOWASCO
- Monitor and evaluate the implementation of the projects funded under the Pro-Poor connection fund
- Appoint independent auditors to audit the use of the informal settlements Pro-Poor connection fund in accordance with this policy and any other technical and financial standards.

### **2.2.2 Nzoia Water Services Co Ltd**

The company shall nominate the committee,

The MD shall nominate a committee that shall have the following mandates

### 2.2.3 Pro poor committee

The managing director shall appoint the chairperson for pro-poor committee and member representatives from all the five regions. The Pro Poor Committee is responsible for implementation of projects in the informal settlements. The head office is responsible for purchase of material for connections either to or from the chambers as long as the water/use point is less than 50m from the water/ sewer network or the chamber where the chamber system has been used. Pro Poor Committee (PPC) will be responsible for the overall management and coordination of the utilization of the funds sourced and availed for the exercise.

The Area staff supported by the PPC will be responsible for:

- DPP Connection of spaghetti/ illegal connections
- connecting new customers
- surveying customers' premises
- metering, revenue collection and customer care

### 2.3 Eligibility/Target

Global experiences with subsidy programs have shown that the cost of defining and identifying individual, poor households is too expensive and an inefficient method of targeting subsidies. In the case of NZOWASCO area of supply, the poor are geographically concentrated for the most part in the informal settlements. It makes administrative and economic sense for a subsidy targeting urban poor to focus on the informal settlements (where approximately 26% of the population of Nzoia cluster (252,061) lives. It is projected that by 2020 when the strategic plan will be ending, the population of the cluster towns will be approximately 400,000 with those in informal settlements rising from 65,535 in 2009 to 78,253 at an annual growth rate of 3.54%. **(Majidata and KNBS 2009, census 2009).**

In line with the geographic targeting approach, the Nzoia Water Services Co Ltd will make a list of all eligible settlements. To avoid controversy with the owners of private land occupied by squatters, the program will only benefit settlements located on government land or owner-occupied land. In addition, households located within 25 meters of a river, railroad, oil pipeline, power station or other official way leaves will not be eligible for the subsidy. Both domestic and commercial connections (including kiosks) are eligible for the program.

Implementation of the program will be carried out upon selection of settlements based on the criteria below:

- presence of a high number of unconnected household
- High levels of non revenue water (above the acceptable limits of WASREB – 25%)<sup>2</sup>
- land ownership is either *allotted by the County Government, owner-occupied or government land*
- high population density
- developed water/ sewer reticulation systems
- Settlements that are either upgraded, in the process of upgrading or have a capital works program in progress.
- Block maps are available/or mapping can be done easily.

#### **2.4. Utilization of the funds**

The funds will be used as a priority to connect households, water points and ablution blocks to the water and sewerage network. The Company will procure and oversee the installation of all materials up to the customer's premises. Customers will be responsible for their household internal plumbing.

The Nzoia Water Services Co Ltd will consult with communities—either directly or through partners--on their priorities to ensure that the community is on board from the

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<sup>2</sup> Impact Report Issue No 3, Performance Report of Kenya's Water Services Sub – Sector, WASREB, 2010

beginning to ensure buy-in to the project and guide the infrastructure during construction and after commissioning.

The fund will only pay for the cost of connection up to a **maximum of 25 metres from the network/ chamber**. Consumers will be responsible for costs above the 25 metres distance from the network/chamber but will be required to pay to the Company the associated costs and the company will be responsible for the works up to the customer's premises (*the Company will provide a schedule of materials and labour cost as quotation for connections further than 25 metres from the network/chamber to enable the customer pay the cost to the company and provide proof for payment.*

Specifically, the funds may be used to pay for the following works in the informal settlements:

- pipes
- Fittings
- Meters
- Rehabilitation of sewer lines
- Extension and intensification of water network
- Extension and intensification of sewer lines
- labor for trenching up to the customer premises
- Costs associated with communications (e.g. information brochures or *barazas*)/sensitization
- Construction of water kiosks/ ablution block. /communal water points.

All connections shall be metered.

The informal settlements residents will be required to repay the connection costs to NZOWASCO through installments over 12-24 months as agreed during the application for the services. The installment approach to repayment will allow consumers to pay small and affordable fixed amounts in addition to the consumption charges over the



agreed period while NZOWASCO recovers the cost of connections and support the Pro-Poor fund.

## **2.5 Water kiosks, yard taps, public sanitation facilities**

The company is committed to ensuring the population in the poor access water and sanitation services. To this end the company shall source funds from other development partners such to develop water kiosks (communal water points), Public sanitation facilities and onsite sanitation facilities for the urban poor.

## **2.6 Connection fees**

The connection fee for water and meter deposit in the informal settlements shall be eligible for payment through installment of 3-6 months. Sewer connection fee will be paid in 3 monthly installments. The meter deposit will be refundable when terminating the water supply contract as long as the meter has not been tampered with and the customer has cleared his/her bills

## **3 Accompanying measures**

In order for the informal settlements connection program to be a success, the Nzoia Water Services Co Ltd must implement a few activities—some of them before the rollout of the program and some of them concurrently.

The Company will undertake the following:

- (i) Consider the coding of all of the A/C in the informal settlements , in order to differentiate between formal and informal settlements at an operations level
- (ii) Create field teams specifically for the informal settlements in the regions in order to improve on billing and collection efficiency besides the customer relations.
- (iii) Train the field teams on the importance of service provision in the informal settlements

- (iv) improve the networks in the informal settlement
- (v) install bulk meters

#### **4 Composition of PPC team**

- (i) Technical department representative
- (ii) Customer care representative
- (iii) Accountant/finance representative
- (iv) Public Health Officer
- (vii) Women Representative
- (viii) Village Elder
- (ix) Artisan

The committee should be gender sensitive

**ANNEX 1—materials for new connections**

ITEM No.	DESCRIPTION	UNIT	QUANTITY	COST <sup>3</sup> (KES)	TOTAL (KES)
1	Saddle clamp 3" x 1"	Nr			
2	Reducing bush 1" x ¾"	Nr			
	Nipple 1"	Nr			
3	Nipple ¾"	Nr			
	Valve socket ¾"	Nr			
4	Gate valve ¾" UK Pegler	Nr			
5	GI socket ¾"	Nr			
6	uPVC pipe ¾" Class D	Nr			
8	G.S. pipe ¾"	Nr			
9	Reducing bush ¾" x ½"	Nr			
10	Elbow G.S. ¾"	Nr			
11	Push tap	Nr			
12	Seal Tape UK	Pieces			
13	Union ¾"	Nr			
14	Thread making (G.S.pipes)	Pieces			
15	Excavation, laying & backfilling	M			
16	Security of meter	Item			
	<b>Sub-total</b>				
	Contingency fee 10%				
	Meter ¾"	Nr			
	<b>Total</b>				

<sup>3</sup> Cost of materials as of September,2016

**ANNEX 2 –Population projection in target areas (Year 2016-2020) <sup>6</sup>**

Area/Year	2015	2016	2017	2018	2019	2020

Area	Population (a)	No.of dwellings (b)	No.of households per dwelling (c)	Househld size (d)	% of dwellings not connected (e)	No of dwellings not connected (b X e)
<b>Total/average</b>						

<sup>6&7</sup> Source: Majidata.

**ANNEX 4 –Projection of dwellings (Year 2016-2020)**

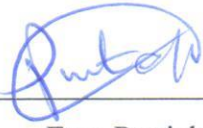
Year	Population	No. of dwellings	No.of households per dwelling	Household size	% of dwellings not connected <sup>8</sup>	No.of dwellings not connected	Est. connection cost(KES)
2016							
2017							
2018							
2019							
2020							

<sup>8</sup> Connections to dwellings is expected to decrease by 2% annually over the planned period.

Its assumed No. of households per dwelling and household size remains constant. However, No. of dwellings increase as a percentage of population increase.

## Approvals

Signed: \_\_\_\_\_



Eng. Patrick Wanyonyi Munialo

Managing Director

Nzoia Water Services Company

Date: \_\_\_\_\_

21/12/2016

Signed: \_\_\_\_\_



Chairman

Board of Directors

Nzoia Water Services Company

Date: \_\_\_\_\_

21/12/2016