

Every Drop Counts: Collaboration for financial sustainability
USAID's WaterPoint Series
Ronald Reagan Building, April 25, 2013

USAID is supporting improved access to water and sanitation in nine countries in sub-Saharan Africa through the six-year Sustainable Water and Sanitation in Africa (SUWASA) project. SUWASA promotes commercial viability as fundamental to the sustainability and expansion of services. This approach is shared by other development partners who are actively working with the SUWASA team to advance commercial viability in the sector. This event highlighted how this approach has worked in Zambia, Nigeria and Kenya.

Panelists:

- Eric Adams, SUWASA Team Leader Kenya, Finance Expert with DIG
- Anthony Cotton, Africa Team Leader, Development Credit Authority (DCA), USAID
- Himesh Dhungel, Director of Infrastructure, Millennium Challenge Corporation (MCC)
- Dennis Mwanza, Chief of Party, SUWASA Project
- Brian Potvin, Director, TetraTech
- Miguel Vargas-Ramirez, Sr. Water and Sanitation Specialist, Africa Region, World Bank

Key Messages from Event:

An environment that encourages commercial viability leads to financial flows

By investing more than \$350 million in transforming the water, sanitation and drainage sectors in Lusaka, MCC had a powerful interest in helping the Government of Zambia to ensure that those investments were maintained and productive. USAID was able to help by working directly with the regulator, the National Water Supply and Sanitation Council (NWASCO), to better understand the cost of providing water services. This baseline cost-of-service information enabled NWASCO to meet its core objective of better cost recovery in the urban water sector. USAID and NWASCO developed a tariff model to be used by water utilities in applying to NWASCO for tariff adjustments going forward, allowing adjustments to be made in a transparent, timely and equitable manner. Two other collaborative activities underpinned this new sector framework, 1) The German bi-lateral aid agency (GIZ) is developing a new water and sanitation policy, and 2) USAID, the Government of Zambia, and MCC are updating corporate governance guidelines for the municipally owned utilities. This package of integrated technical assistance and investment, under Government leadership, paves the way for sustainable water and sanitation services in Zambia.



Zambia water sector stakeholders discuss the new tariff model that promotes cost recovery and transparency in the sector.

Clarity of, and commitment to, a reform path leads to tangible results

USAID, the Bauchi State Government in Nigeria, and the World Bank are supporting the Bauchi State Water Board (BSWB) in becoming more efficient, accountable and effective in providing service to urban residents. The World Bank's prior experience in the urban water sector in Nigeria taught stakeholders that unless there was a demonstrated commitment to top and

bottom driven reform, investments would not have the desired impact or be sustainable. USAID believed that the water sector could achieve the threshold reform by focusing on two levels. On one level, a draft bill was written to establish a new corporate structure for BSWB with a governing board and greater regulatory oversight, including a performance contract with transparent performance indicators. On another level, with USAID support BSWB undertook the hard work of a massive customer enumeration exercise - fundamental to the financial health of the service provider. More than 20,000 consumers were identified and added to a customer database and more than 30,000 illegal connections were eliminated. Through joint missions with the World Bank, USAID developed an investment plan to meet the total demand by 2017. To underpin the reform, a tailored training plan was developed for the sector and a twinning relationship was established with Swazi Water. Under this approach, Swazi Water will serve as a mentor to BSWB and will provide hands-on training and mentoring support that will address critical capacity gaps such as non-revenue water management and operational efficiency. The collaborative approach worked; in 2013, the World Bank announced that Bauchi State was one of three states in Nigeria to benefit from the \$350 million Third National Urban Water Sector Reform Project.

Unblocking financial flows benefits consumers

There is no shortage of commercial banks in Kenya, yet limited credit flows to water companies. Without finance, the utilities cannot reach the customers needed to generate sustainable revenues. The USAID Development Credit Authority and K Rep Bank created a medium-term financing package for the Kisumu Water and Sewerage Company, Ltd. (KIWASCO). The package was used to extend piped infrastructure to low income families in the Nyamasaria community. Connected households, schools and clinics pay a small monthly surcharge over a five-year period to cover connection costs and allow KIWASCO to repay the loan to K Rep Bank. A loan of approximately US\$238,834 was K Rep's largest loan to the water sector to-date and additional amounts were contributed by KIWASCO and the community. To support sustainability, USAID worked through the pro-poor unit of KIWASCO, helping to train small scale operators from the local community who are responsible for the maintenance of individual household connections, as well as billing and collection at the household level. The modest investment allowed more than 8,500 people to benefit from a safe water supply at half the cost charged by water vendors. Furthermore, K Rep, was able to demonstrate the commercial viability of lending to the water sector. KIWASCO plans to roll out the commercially viable approach to other low income areas within the service area.



Children at Genesis Primary School in Kisumu enjoy clean piped water.

For more information, please visit the following:

- [USAID Water Office website](#)
- [USAID FrontLines' Water Issue](#)

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