



USAID
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KENYA

WATER, SANITATION, AND HYGIENE FINANCE 2

Photo credit: USAID/WASH-FIN

The U.S. Agency for International Development (USAID) makes significant investments to improve water, sanitation, and hygiene (WASH) around the world. Its Water, Sanitation, and Hygiene Finance 2 (WASH-FIN 2) activity aims to mobilize funds from a mix of private investments, government appropriations, and user fees. Started in 2022, USAID's WASH-FIN 2 works in collaboration with government agencies, development partners, financial institutions, service providers, and local stakeholders to close financing gaps, improve governance structures, and improve service provider performance. This enables targeted countries to access reliable sources of capital for sustainable, climate-resilient water and sanitation infrastructure. The activity builds upon USAID's WASH-FIN programming from 2016–2022 across ten countries in Africa, Asia, and Latin America, which mobilized more than \$118 million in public and private finance.

WASH-FIN 2 (2022-2027):



Strengthening Governance

Works through government, civil society, and service providers to **strengthen governance** and increase public funding for the water and sanitation sector.



Improving Performance of Service Providers

Provides on-demand technical assistance to **improve the performance of service providers**, including identifying adaptation strategies, pursuing climate resilient designs, and linking these planned investments with viable climate and other financing options and sources.



Mobilizing Finance

Provides project preparation and transaction advisory services to **mobilize finance** from public and private sources.



Advancing Global Learning and Partnerships

Supports **learning, knowledge sharing, and partnerships** to scale successes across the sector.



WASH-FIN 2 IN KENYA

Building on lessons and success of WASH-FIN, WASH-FIN 2 aims to continue strengthening the regulatory environment and performance of local service providers to enable access to additional finance from both local and global financial institutions.

WASH-FIN ACCOMPLISHMENTS IN KENYA

- Enabled 36 water service providers to access \$42 million from public and commercial financing mechanisms, including more than \$2 million for climate adaptation.
- Financed hybrid pumping systems on eight boreholes to reduce energy costs, increasing access to water and revenues through increased water production.
- Financed installation of 5,500 customer meters to improve billing and reduce non-revenue water.
- Strengthened the Water Regulatory Services Board by helping update its business planning guidelines, improving service provider business plans and increasing operational efficiency.
- Enabled 58,918 people to move from “limited” to “basic” water service due to additional investment and operational efficiencies.
- Provided an increased level of service to 8,419 people with existing “basic” or “safely managed” sanitation services.



Strengthen Governance

As Kenya implements devolution, more power has been given to local actors. However, sector stakeholders are still adjusting to understanding their roles and the processes to manage water and sanitation. USAID’s WASH-FIN 2 will build on previous activities under WASH-FIN to address these challenges and focus on improving coordination between national and county governments by supporting the operationalization of the Intergovernmental Water Sector Coordination Framework to enable financial flows.

WASH-FIN 2 will also work with the Ministry of Water, Sanitation, and Irrigation to strengthen sanitation management, enable greater private sector engagement, and streamline the tariff application process to allow for improved revenue collection to support the financial resilience of service providers.



Improving Performance of Service Providers

Although utility performance has improved marginally, stagnating cost efficiency and service coverage suggest that continued improvement is unlikely without additional interventions. WASH-FIN 2 aims to scale successful interventions under WASH-FIN to increase operational efficiency, reduce costs, and increase revenues for four water service providers in Kenya. When selecting partners, WASH-FIN 2 will assess their willingness to reform, existing baselines indicators, and realistic performance improvement targets for a two- to three-year engagement. Service providers will design their improvement measures with support from WASH-FIN 2. Improvements may include investments in customer management software to better manage revenue collection or energy audits to identify how to reduce costs. Program funds will make limited grant funding available to selected service providers, with an application process to help optimize funds and maximize impact. WASH-FIN 2 will provide ongoing training and coaching to implement performance improvements and data management.

USAID expects these performance improvements and efficiencies will lead to positive financial standing and creditworthiness that will in turn enable utilities to access additional finance beyond the life of the WASH-FIN 2 program.



Mobilize Finance

There is a high estimated shortfall in public funding to meet Kenya's universal access goals. Filling this gap will require significant new forms of investment from both public and private sources. WASH-FIN 2 will build on existing activities in Kenya to demonstrate the viability of new approaches and further scale existing successes in mobilizing finance. This will include WASH-FIN 2 providing on-demand transaction advisory services to water service providers for investment-ready projects. The activity will work with counties to identify opportunities to access climate targeted and other sources of finance, such as the World Bank's Financing Locally Led Climate Action program. WASH-FIN 2 will explore public-private partnerships for dam construction as well as the bundling of multiple projects to create the necessary scale for investment. To increase additional financing, WASH-FIN 2 will support finalization of the Water Sector Trust Fund feasibility study for a revolving loan facility and will develop an operationalization plan with stakeholders.

In addition to large-scale projects and sources of finance, WASH-FIN 2 will build on WASH-FIN to continue the success around sanitation and expand impact to more stakeholders. WASH-FIN 2 will continue the design and implementation of sanitation fees and connection policies, support to private sanitation service providers to improve, and further solidify successful businesses.



Advance Global Learning and Partnerships

Learning and partnerships are at the heart of improving WASH. WASH-FIN 2 collaborates with stakeholders across Kenya to help sector actors strengthen governance, improve service provider performance, and mobilize finance. To help bring successes to scale for greater impact, WASH-FIN 2 will share lessons learned along with practical tools and guidance with stakeholders across the country.



Photo credit: USAID/WASH-FIN

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