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World Bank provides US\$ 1.15 million grant to assist communities to develop their water infrastructure

Nairobi, December 6, 2006—The World Bank has provided a grant of US\$1,151,300 to assist communities' investment in water infrastructure and help the country to reduce poverty and reach the Millennium Development Goals (MDGs).

The grant, funded by the United Kingdom's Department for International Development (DFID) and the World Bank's International Finance Corporation (IFC) under the Global Partnership for Output Based Aid (GPOBA) administered by the World Bank, is being made available to partially finance community water projects after extensive consultation with the Ministry of Water and Irrigation, the Athi Water Services Board, and other government agencies. K-Rep Bank Ltd, a leading commercial bank specialized in providing access to finance to the poorest in the country, will administer the grant.

Kenya's community water projects face a number of challenges, including inability to access finances to develop their infrastructure and reduce poverty in their areas. This grant will be a catalyst in increasing the communities' access to financial services on a pilot scale and set the stage for learning that will lead to national level programs in the future.

"This grant will increase the voice of the poor and help them to make their own decisions about the services delivered to them," said Colin Bruce, World Bank Country Director for Comoros, Eritrea, Kenya, Seychelles and Somalia, during the signing ceremony today between the World Bank and K-Rep Bank in Nairobi.

"The use of innovative subsidies to promote transparency and accountability in operations is of key interest to the World Bank globally and this project, by involving the private sector, will help to do that," said Mr. Bruce during the signing ceremony, which was witnessed by Kenyan Government officials representing the Ministry of Water and Irrigation and the Athi Water Services Board.

The grant will target about 20 community water projects in the Athi Water Services Board area and will help them to access loans for infrastructure development. It will also assist in capacity building of the communities who opt to develop their infrastructure.

The Government of Kenya's Water Act of 2002 emphasizes the importance of private sector engagement in water provision and highlights the need for water services to operate on a sustainable basis. One key feature of sustainability is that water supplies should be able to pay the costs of their operations and maintenance.

The specific objectives of the grant include to:

- Facilitating the provision of loan financing to small water projects – where other financial resources are not available, there is the capacity to pay back loans and there is interest from the project membership in taking a loan;
- Catalyzing the creation of support services for small water providers that add capacity to small providers' operations and help to increase their sustainability.

"Small water providers need access to credit finance to develop their businesses, and with these loan funds, customers of the water providers will benefit from increased access and quality of water services," said Kimanthi Mutua, Managing Director of K-Rep Bank Ltd at the signing ceremony in Nairobi.

The pilot project will finance up to 40% of the total investment cost of new or expansion projects for water supply infrastructure in the five districts of Athi Water Service Board's jurisdiction—Kiambu, Thika, Machakos, Makueni and Kajiado. Communities which have expressed their interest in taking out a loan to finance their projects, and who meet the credit requirements of K-Rep Bank will be eligible for the grant. The grant will be paid to the community projects when they have successfully finished their project and will be used to reduce the total loan amount.

The grant will also provide a fixed subsidy amount to each community participating in the pilot to hire expert engineering and financial skills to assist in project implementation and then manage it well after its implementation.

Early investigations used to develop this project were financed by the World Bank's Public-Private Infrastructure Advisory Facility (PPIAF) and were managed by the Water and Sanitation Program-Africa (WSP-Af), a global program administered by the World Bank.

K-Rep Bank was considered to implement the grant due to its history of commitment to providing financial services to the country's poor and also its engagement in exploring the possibility of such innovative financial support to the water sector. K-Rep's extensive engagement with IFC in other activities has demonstrated its capacity to develop and provide innovative services to its clients. Within K-Rep Bank, key senior staff has been assigned to the management of this project.

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