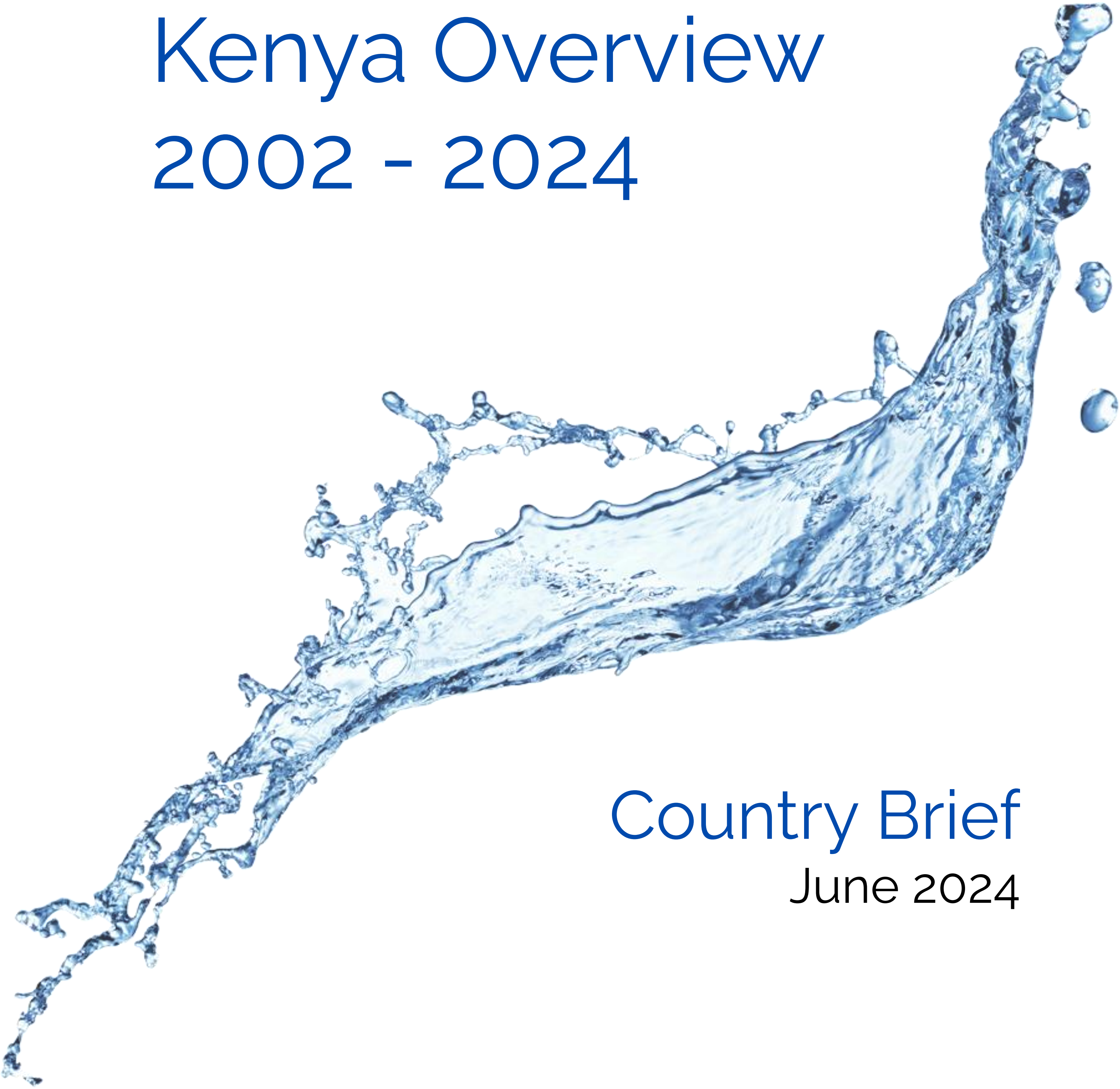
Kenya Overview 2002 - 2024



Country Brief

June 2024

Content

1. Aqua for All

Aqua for All was founded in 2002 in response to the call from the then Dutch Minister of International Cooperation to the Dutch water sector to contribute to the 7th Millennium Development Goal on water and sanitation. Starting from co-funding development projects, today we are an international foundation working towards transforming the water and sanitation sector into a sustainable and inclusive economy. We believe that innovation, scalable solutions, and public and private capital are needed to bridge the service and financial gaps to achieve Sustainable Development Goal 6 (SDG 6).

We leverage our funds received from the Netherlands Ministry of Foreign Affairs through strategic granting and partnerships. By catalysing private capital for market development and increasing access to finance, we accelerate access to affordable, climate-resilient water and sanitation services globally, especially in Africa and Asia.

The current Making Water Count (MWC) programme is a 5-year collaborative programme between the Netherlands Ministry of Foreign Affairs and Aqua for All that started in mid-2019 and has been extended (without additional funding) from 2024 to 2029. The objective of this programme focuses on accelerating SDG 6 to support the financing of innovative and scalable solutions for water and sanitation in Africa and South Asia.

In collaboration with the Directorate-General for International Cooperation (DGIS), Aqua for All formally agreed in 2021 on three main indicators and targets at MWC programme level:

1. **Beneficiaries:** Providing access to WASH facilities to 830,000 people with the DGIS grant and 4 million people in total.
2. **Geography:** Allocating at least 66% of funding to DGIS priority countries.
3. **Leverage:** Realising a leverage of at least 1:3.

By the end of December 2023, the full budget was contracted. As of that date, MWC officially reached more than 977,000 people with DGIS subsidy alone against its target of 830,000 people. With leverage, we extended our impact to over 3.75 million people, and we expect to reach 4.5 million people by mid-2024. The realised leverage for MWC is 1:3.65, exceeding our target of 1:3.

Figure 1 - Expected target, actual and expected number of beneficiaries reached by the end of the MWC programme in mid-2024

While the MWC programme has been extended to 2029, additional funds will be needed to maintain our capacity beyond June 2024 to monitor and report on the portfolio up to 2030 as well as to commence new initiatives as part of the Making Water Count 2 (MWC2) programme, which is designed to be a 10-year programme, with a planned starting date at the end 2024 and a proposed budget of €100 million.

2. Aqua for All in Kenya

Results achieved in Kenya

Kenya boasts a thriving WASH (water, sanitation, and hygiene) market and is a central focus of our work across the region. Aqua for All has been active in Kenya since its inception in 2002.

Since 2002, Kenya has received the largest allocation of our DGIS core portfolio funding, with approximately €60 million (27%). This funding has benefitted an estimated 1.75 million people (direct and indirect) in the country, with a primary focus on improved drinking water access (79% of those reached). DGIS contributed roughly 40% of this total funding.

Results achieved in Kenya

Number of projects supported: As part of the MWC programme, of the 84 projects supported in East and the Horn of Africa, 58 are in Kenya.

Over all people reached till today in Kenya (2002 - 2024): 1.75 million

SMEs supported: 55 (of which 38 SMEs supported during MWC)

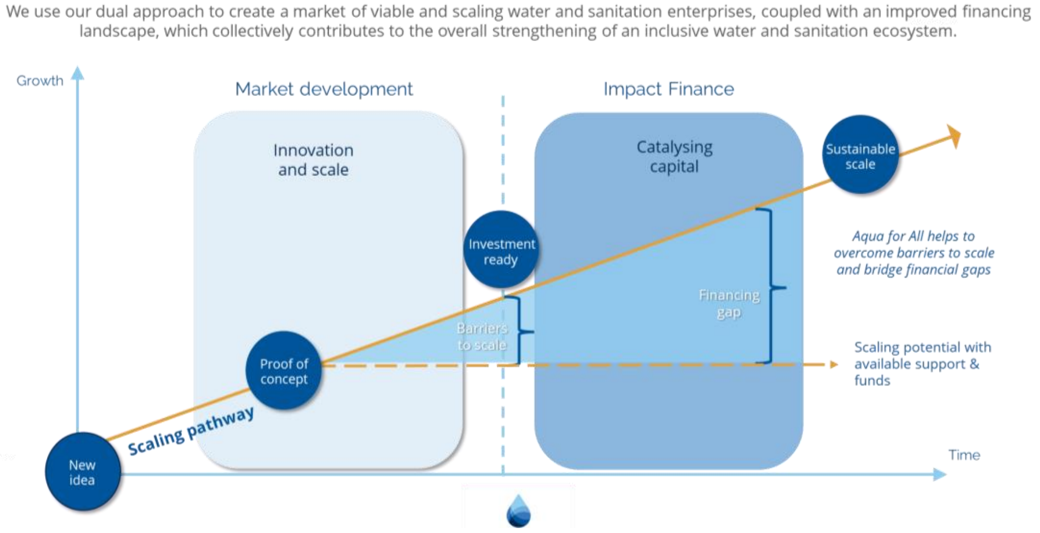
Financial intermediaries supported: 14

Amount of money mobilised and leverage realised: € 16 million of DGIS funds leveraged € 44 million (during MWC € 6.5 million DGIS funds leveraged € 23 million)

Our scaling pathway

We believe that achieving SDG 6 requires targeted interventions across the entire 'scaling pathway' (Figure 2). To this end, Aqua for All has adopted a 'dual approach' to facilitate a transformative change in the water and sanitation sector. In simpler terms, this approach combines the efforts of two teams: the Market Development Team, which scales enterprises to make them attractive to financing, and the Impact Finance Team, which ensures access to private finance from commercial banks or funds for these enterprises. Aqua for All provides a range of instruments that empower these financial institutions to bridge the financing gap.

Figure 2 – Our scaling pathway



Along the scaling pathway in Kenya, we have supported programmes, projects, and transactions that we will elaborate on in sections 2 and 3.

2019 – 2024 Making Water Count

Through the MWC programme alone, Aqua for All directed € 6.5 million to Kenya, leveraging it 3.6 times. This resulted in a total funding of around € 30 million, reaching 890,000 people.

In the initial stages, the MWC programme focused on more advanced water and sanitation enterprises and WASH acceleration. However, it became clear that access to finance in the water and sanitation sector, particularly for micro, small and medium enterprises, is limited. Substantial investments are needed to scale water service provision.

By understanding the WASH landscape in more detail, Aqua for All identified specific gaps in the market, which it addresses with innovative programmes such as the Challenge Fund, targeting a typically overlooked, but very relevant group in the sector.

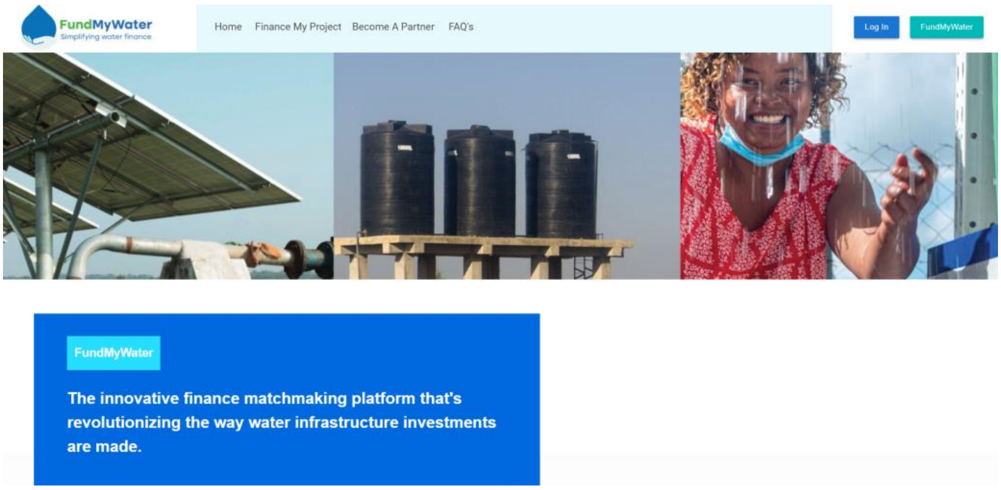
The Challenge Fund: A collaborative approach to financing infrastructure for small scale water service providers

The Challenge Fund is a technical assistance and financing facility designed by Aqua for All in partnership with Family Bank, Sidian Bank and private sector service providers in Kenya. Launched in June 2023, it aims to improve the creditworthiness of small-scale water service providers and attract investments for micro and small water infrastructure projects. This, in turn, will expand and improve services for this often-overlooked subsector.

The fund leverages technology for efficient transactions and has supported the development of FundMyWater, an online deal platform. On FundMyWater, lenders can connect with a pool of small-scale water service providers and transact efficiently with the technical assistance of pre-qualified transaction advisors. Implementing this programme will demonstrate the viability of the revenue-based financing approach and the scalability of the innovative online matchmaking platform.

Aqua for All has provided a technical assistance grant of €291,294 and results-based incentives totalling €233,607. With this funding, the Challenge Fund aims to assist 150 small, piped water providers in raising €2.7 million in commercial finance over two years. The implementation of the pilot phase is ongoing, with efforts focused on building a portfolio of viable projects throughout 2024. The Stone Family Foundation has requested the Aqua for All team to explore how to jointly support this initiative.

Figure 3 – Challenge Fund Platform



Key achievements during MWC

- Aqua for All directly supports WASH enterprise investments through innovation and scaling grants and impact financing. As part of our market development activities, we signed 16 innovation fund contracts and 35 scaling fund contracts in Kenya.
- We also funded three regional accelerators, two of which focused on Uganda as well. These accelerators supported almost 30 water and sanitation enterprises to become investment-ready and included activities to improve the enabling environment.
- As part of our impact finance activities, Aqua for All collaborates with 14 financial intermediaries to unlock private capital for the water and sanitation sector.
- We support the Kenya National Water and Sanitation Investment Plan (NAWASIP) by attracting private sector investments.
- Water investments accounts for approximately 78% of the financing, with 22% has been allocated to sanitation. More targeted support is needed to identify and prepare sanitation investment projects.

Aqua for All will continue to scale its work in Kenya by partnering with WASH entrepreneurs, technical assistance providers, local banks, impact investors, other philanthropic funders, and key stakeholders, including the Kenyan government.

For maximum effectiveness, the national and county governments need to take the lead in improving the governance framework and institutional arrangements for private/rural water service delivery. This will allow for investments in this segment.

Through our impact financing instruments, we deliberately aim to channel investments to last mile and pro-poor infrastructure projects that connect households to services, as well as climate proof water infrastructure projects.

The regional Impact Finance programme in Kenya is our strongest finance programme, which was kick-started with our collaboration with Sidian bank in 2020.

Realising impact through working with financial institutions: The example of Sidian Bank

During the COVID-19 pandemic, Aqua for All and Sidian Bank launched an Emergency Response Facility for WASH SMEs. This facility offered faster disbursement of lower-cost loans for WASH businesses, made possible by Aqua for All's technical assistance and de-risking funds.

Loans were disbursed from August 2020 - January 2022 to:

- 618 Micro, small and medium enterprises (MSMEs).
- 6 growth stage SMEs.
- 3 micro finance providers (MFIs).

An independent review lauded the Response Facility as a strong and flexible response during the emergency. The facility achieved significant results in terms of outreach and WASH-related benefits:

At end-user level:

- An estimated 832,098 people gained access to an improved nearby water supply. In total, approximately 1.39 million people were (in)directly reached through the products and services of MSMEs.
- Improved water quality and sufficient water for proper toilet hygiene were reported.
- In some cases, benefits included reduced queuing times, lower water costs (eliminating vendor purchases), and improved neighbourly relations.

Borrowers appreciated the low interest rates but suggested longer loan terms.

€8,300 WASH loan used to purchase water storage tanks in bulk by a client in Nairobi. The client sells them at discounted price i.e., €3.3 or KES 400 lower than market rate to chama (informal micro-savings and lending groups for women in East Africa) members. The client has sold more than 400 tanks between July 2021 and August 2022.

Environment effects:

1. An estimated 22% of the Sidian WASH portfolio (by number of projects) has the potential to reduce greenhouse gas (GHG) emissions. This suggests that even without a specific focus, a significant portion of the portfolio contributes to climate change mitigation. With Aqua for All's growing focus on climate considerations, this number is expected to rise substantially.
2. Additional environmental benefits include reduced wood burning for boiling water, fewer water leaks due to better pipes, decreased reliance on fossil fuel-based electricity through solarisation, and reduced soil contamination from improved toilet waste extraction.

Impact on the market:

1. Attracting capital: More follow-up WASH investments in Sidian Bank were made by WaterEquity.
2. Following the success of Sidian Bank, other banks in Kenya were keen to develop water portfolios.

Sidian Bank II: WASH Loan programme with climate and gender nexus

Building on the success of the initial collaboration, Aqua for All, Sidian Bank, and other partners have co-created a new €7.4 million programme to finance WASH investments with a focus on climate and gender impact. Launched on 20 June 2024, this three-year partnership includes a technical assistance grant to strengthen Sidian Bank's capacity to assess, originate, and finance bankable investments that are both gender-affirmative and climate-smart.

Sidian Bank's new impact strategy prioritises lending towards climate-smart investments. These investments focus on household connections, climate risk adaptation and mitigation, resilience, and MSMEs with a special focus on women-led or owned businesses, or those providing sanitation services targeting women.

The proposed project aims to facilitate Sidian Bank's lending to these target SMEs and private water service providers up to € 74 million within three years. 100% of the portfolio will target climate-smart infrastructure projects that focus on climate risk mitigation, adaptation, and resilience, with a gender lens in financing.

Aqua for All in 2002 - 2019

During Aqua for All's first decade, the foundation supported various private initiatives, many with Dutch connections. A significant contribution was made to AMREF's water resource development programme in Kajiado (2004-2015). This project, which included substantial voluntary technical assistance from Dutch water experts, aimed to introduce a more holistic approach to water resources, incorporating sand dams, dug wells, and other facilities alongside traditional borehole support.

Aqua for All also supported projects by Simavi, Dorkas and ICS. The largest collaboration involved the KALDRR (launched on 23 February 2014) and RAPID programmes (2015-2018), coordinated by the US-based Millennium Water Alliance (MWA). Here, Aqua for All played a leading role in Dutch water resource development and private sector involvement, with contracts with MWA reaching nearly €7 million, including a €1 million contribution from Aqua for All.

Water conservation through the "3R" approach was a major focus area and a key contribution to the two large MWA programmes. Additionally, Aqua for All provided support to water utilities through VEI's Water for Life track, primarily in Naivasha, Nakuru, Kisumu, and Homa Bay. The foundation also supported the introduction of mobile pre-paid water payment, with Maji Milele being a frontrunner in this initiative.

From 2015 to 2019, Kenya was a prominent participant in the VIA Water programme, a Dutch Ministry of Foreign Affairs initiative focused on innovation. This programme connected Aqua for All with several smaller, innovative enterprises and financing initiatives, laying the groundwork for the organisation's later focus on small and medium-sized enterprises (SMEs) and financing. Notably, some initiatives supported through VIA Water continued to receive support under the MWC programme.

Sanivation: Replicating a successful business model in the region

Sanivation is a social enterprise dedicated to improving the overall health, dignity, and environment of urbanising communities in East Africa. Based in Naivasha, Kenya, the company collects and treats faecal sludge from pit latrines and septic tanks. This waste is processed at their faecal sludge treatment facility, operated in partnership with the local government, to produce non-carbonised briquettes for commercial biomass boilers.

Aqua for All has supported Sanivation for the past seven years. Initially, this support helped identify a viable business model. Later, it focused on clarifying collaboration models with governments and private sector players, strengthening Sanivation's current waste-to-value plant operations.

With Aqua for All's support during the MWC programme, Sanivation has developed an innovative model to address the urban sanitation crisis. It partners with local governments to mobilise capital and ensure safe waste management in low-income communities. This is achieved through three product offerings: waste-to-value treatment plants, master planning, and waste collection services.

Sanivation is now leveraging learnings from Kenya to expand into new countries, responding to requests for their services. Renewed support from Aqua for All is helping them develop their regional expansion plan, further increasing their impact.

Aqua for All was also active in Kenya by participating in several programmes that were aside from the core programme support of DGIS. These were Football for Water, for which Kenya was one of the three selected countries, and the Smart Water for Agriculture project, in which SNV had the lead and we took the responsibility for the financing component.

On the sustainability of our efforts

Sustainability has always been high on Aqua for All's agenda. In 2013, Aqua for All performed a sustainability study to assess whether its supported projects have been as sustainable as proposed, whether services were still being provided and whether local partners could do this independently from their donor parties. In total, 50 projects of 41 organisations had been selected, comprising 23 small (€25,000 contract) and 27 large projects. The projects were contracted between 2005 and 2010 and co-financed by Aqua for All. A response rate of 66% was achieved. Regarding water, it appeared that 95.8% of 2,190 water facilities were working well; regarding sanitation, it appeared that 90.7% of 1,888 facilities were working well.

Since this study, various other studies were undertaken. In 2017, a field assessment was conducted in Kenya and Bangladesh. This report presented the results of an independent in-depth assessment of nine WASH projects in Kenya and four WASH projects in Bangladesh, that were all co-funded by Aqua for All as part of its 'Building Bridges, Connecting Water (BBCW)' (2011-2014) and "PPP-Innovation" (PPP, 2015-2018) programmes. The functionality of WASH facilities realised with BBCW funding was assessed earlier through a sustainability survey conducted in 2016. The projects were assessed against the 'FIETS' - financial, institutional, environmental, technical and social - sustainability criteria. Sustainability results were generally positive: it was noted that almost all projects benefitted the 'Bottom of the Pyramid' (BoP) and all projects had positive impacts on women and girls, However, sustainability results were hampered by limited capacity and budget for repairs and maintenance, as well as environmental risks (for example, drought overburdens pipeline systems and runoff (rain) water destroy toilets).

In the PPP Innovation programme (2015-2019), 14 contracts would have fulfilled the criteria for the application of a 'sustainability clause', but it was only applied in 7 contracts. Main reasons for non-application were the presence of other main donors, and the continuation of older contracts early in the programme (when requirements were not yet defined). For the 7 contracts in which it was applied, the elements of the clause were applied for >90%, but the compact as such was difficult to integrate. Main reasons were the complexity of the model, the geographical dispersiveness of the interventions and early stage of the interventions, in which the business case still had to be developed. (Source: PPP final report 2019).

In 2019, a field assessment was conducted of 9 projects in Africa and Asia. One of the main findings of the assessment was that across the projects, customers are satisfied with the products and services offered and facilities are functioning as planned. They have been carefully designed and this resulted in sturdy structures that are easily repaired by users, management committees or local craftsmen. Some projects received training on repairing or were linked to spare parts shops. Only in one case (Rotary) there are reports of broken filters, mainly because the filters are exposed and are often moved.

In 2019, Aqua for All's 'PPP Innovatie Programma' (2014-2018), which was the predecessor of the MWC programme, produced its final report, including a section on the VIA Water sub-programme. This VIA Water report showed that 36% of the supported innovations had progressed and scaled, and/or received third-party financing. The target was overachieved with 210%. Next to this, 52% of the projects (32) entered into a business and/or dissemination stage.

The Mid-Term Review (July 2023) noted that MWC's direct impact lies in strengthening water and sanitation systems and improving sustainability. By working to improve the commercial and financial viability of a business, MWC helps a business stand on its own, commercially, financially and in terms of capacity, reducing the finance and service gaps, as well as grant reliance. This can theoretically have a longer term and more sustainable impact with system-wide impacts and due consideration should be given about how to best capture this. Qualitative and anecdotal evidence is available to support this hypothesis but quantifying Aqua for All's impact on improving the longer-term sustainability of businesses that it supports is marred by four key challenges: (i) the time needed by most companies to reach break-even is longer than the duration of the MWC programme; (ii) measuring company sustainability requires company level data but Aqua for All is involved at the project level and thus faces challenges in collecting the necessary data; (iii) there is currently no systematic or structured manner to collect data on key financial sustainability indicators; and (iv) attributing Aqua for All's influence on the financial sustainability of a company is difficult, and its leverage is likely to reduce over the longer term.

When considering each sustainability aspect, it seems they are all interlinked with each other. Aqua for All's experience with sustainability checks is merely progressive due to the positive impact on sustainability for the assessed projects and the successors. To be effective, all projects need external and repetitive screening on sustainability issues. In other words, budget for planning, monitoring and evaluation of the sustainability of projects supported as part of MWC2 should be reserved.

3. Transformative change: Aqua for All support along the scaling pathway in Kenya

Aqua for All has supported a variety of programmes, projects and transactions in Kenya that can be mapped along the scaling pathway. Together, these interventions contribute to a more transformative change in the Kenyan water sector.

Our Market Development portfolio in Kenya is divided into both water and sanitation businesses, targeting (peri) urban and rural areas. Business models supported in the water space range from safe water enterprises in semi-arid areas (Project Maji and Waterstarters), kiosk models in urban settings, such as Jibu and Purefresh, household water filter businesses (Nazava, Jerry) and technology suppliers, including smart billing and smart metering (Ruwasco, Citytaps). Business models in the sanitation value chain mainly targeted the emptying and safe treatment and reuse of waste. Examples include Opero, working on commercialisation of the new Pupu pump technology, Nawasscoal (getting to business break-even) and Sanergy and Sanivation, both working on scaling and replication their models across the country/continent.

WAKE-UP: Accelerating Water Acceleration

Aqua for All and cewas designed and launched a first-of-its-kind, locally-embedded acceleration programme exclusively targeting water and sanitation enterprises in Kenya in 2021. The programme contributed towards a thriving entrepreneurial ecosystem to scale entrepreneurial solutions that ensure the availability and sustainable management of water and sanitation for all. The WAKE-UP accelerator programme finalised its activities in 2022 successfully and supported 9 WASH companies with business growth support. Many of them managed to mobilise follow up (private) capital for further growth: the first cohort raised €4 million of follow up investment (mostly grant and soft loans). The WAKE-UP accelerator also attracted the interest of other investors. As a result, two new WASH accelerators were launched in 2023, with a regional focus which now also includes Uganda: one targeting Rural Water Enterprises and one Sanitation Enterprises. The thematic split allows maximising the learning curve for the participating cohort and enables capturing the interest of specific follow up investors.

Impact-Linked Finance was adopted by Aqua for All to boost the impact of water and sanitation enterprises. One of our impact-linked financing approaches is captured by our Impact-Linked Fund for Water, Sanitation and Hygiene (ILF for WASH). Kenya has been a key focus for this programme.

Launched in 2022, ILF for WASH is an innovative finance programme, co-designed and implemented by Aqua for All and Roots of Impact. It builds on the SIINC for WASH pilot programme and offers a suite of different impact-linked finance (results-based) solutions as well as tailored technical assistance to water and sanitation enterprises. While resting under the Market Development portfolio, it is strongly connected to the Impact Finance approach (see next section).

One of the funding instruments offered under ILF for WASH is Social Impact Incentive (SIINC). With SIINC, selected water and sanitation enterprises are rewarded with time-limited payments for achieving additional social and environmental impact. Other impact-linked finance instruments provided under ILF for WASH include Impact-Linked Loans (ILLs). ILLs are uncollateralised SME loans whose interest rate and principal repayment can be reduced depending on the borrower's impact achieved.

Since the SIINC for WASH pilot programme, we have contracted 5 enterprises for a Social Impact Incentive (SIINC), of which one is based in Kenya (Aqua Clara Kenya). In addition, we have approved (not yet contracted) two enterprises in Kenya to receive an Impact-Linked Loan. Parallel to impact-linked financing, ILF for WASH' technical assistance trajectory offers different technical assistance programmes to enhance the capabilities of enterprises, specifically regarding impact measurement and management (IMM) and investment readiness (IR). In total, ILF for WASH provided tailored technical assistance to 21 enterprises, of which 9 are based and operational in Kenya, and trained five local technical assistance service providers to deliver targeted IMM and IR support, amongst which two are operational in Kenya.

Aqua Clara: Innovative product and financing solutions (carbon credits)

Aqua Clara Kenya, a social enterprise established in 2009 and headquartered in Kenya, focuses on delivering effective water, sanitation, and hygiene solutions across East Africa. The company's mission is to increase access to safe drinking water in Africa by building local capacity, delivering effective solutions, and implementing sustainable approaches. Their vision is an Africa where everyone has access to safe drinking water.

Since its inception, Aqua Clara Kenya has made significant strides in the WASH sector. In 2017, they introduced a new water filter that better fits the market, resulting in doubling their sales each year, with over 3,000 filters sold last year alone. Overall, they have impacted more than 120,000 people through their solutions targeted at institutions and households, mostly in rural and peri-urban communities.

Aqua Clara Kenya utilises highly effective (99.99%) and durable (5-year lifespan) hollow fibre membrane filtration technology to develop household filters capable of producing 1 litre per minute, and institutional filters producing up to 10,000 litres per day. Aqua Clara

Kenya is also diversifying to include other high-quality technologies. The company's unique approach includes capacity development for local communities and a business model that ensures ownership, scalability, and sustained access to safe water.

With over 10 years of experience working with schools and communities, Aqua Clara Kenya has developed a decentralised, data-driven, and efficient model for the last mile distribution of WASH products. Their impact on the SDGs is significant, with over 14,000 filters sold, providing 108 million litres of clean water in 2021, avoiding 205,000 tonnes of CO_2 emissions, and ensuring safe drinking water for 120,000 people.

Despite its success, Aqua Clara Kenya faces challenges, such as limited awareness of water filters, aesthetic appeal of their products, and supply chain stability. To address these, the company plans to redesign their filters to source components locally, invest in mass media promotions, and build a decentralised distribution model. Its acceleration goals include developing a more aesthetically appealing water filter to increase sales and reduce CO_2 emissions.

The company's leadership team comprises experienced professionals, including Kenya's first female chartered public accountant and board members from Kenya's largest banks. With funding from Aqua for All, they are piloting the first hub, with an additional US$200,000 from P&G to replicate the hub model, establish 10 new hubs, and onboard 100 new sales coordinators.

In addition, via a Social Impact Incentive (SIINC) Aqua for All committed €300,000 in result-based outcome funding to support Aqua Clara Kenya, while leveraging an estimated €900,000 in repayable investment. Alongside the SIINC, the enterprise is receiving tailored technical assistance to enhance its (investment) proposition (via branding and marketing support), diversify its offering (via a pilot purchase of different filters targeted at other customer segments) and accelerate the collection of relevant impact data. Overall, the SIINC incentivizes Aqua Clara Kenya to: 1) maintain a focus on low-income customers (LICs); 2) deepen their impact by enabling the placement of their new hubs in areas where they are likely to be most additional and 3) ensure the quality of water through effective water filter usage.

Aqua Clara Kenya generates revenue from the sale of WASH solutions and carbon credits. Its scaling plan includes water supply solutions (rainwater harvesting, solar pumps), water treatment (household and institutional water filters), sanitation (SATO pans, latrine slabs), and hygiene solutions (hand washing and menstrual hygiene).

Aqua Clara Kenya stands as a testament to the potential of social enterprises in the WASH sector. With the right investment, they plan to serve over 530,000 people by 2024, generating significant revenue and profit, and making a substantial impact on access to safe drinking water in Africa.

As part of its Impact Finance portfolio in Kenya, Aqua for All provides a mix of instruments that facilitate investors to allocate funding to the water and sanitation sector. Together with its partner financial institutions (FI), Aqua for all has implemented customised approaches to come up with a good balance of de-risking and technical assistance, to design a suite of instruments that catalyse private investments and steer towards increased impact.

- Technical assistance: Building institutional capacity for sanitation and water investing based on screening and assessment of financial institutions. Examples of technical assistance include support to financial institutions to establish a monitoring framework to encourage strong tracking of impact indicators, conducting market scans, development of loan products and training of staff on the water and sanitation sector.
- De-risking instruments: Credit enhancement to cover a certain portion of financial institutions' loss, for riskier segments Coverage of 60%-80% of losses, capped at 10% PAR. For example, the Family Bank Loan Programme for Community Piped Water Operators in Kenya.
- Results-based financial incentives: This instrument aims to incentivise financial institutions to build their WASH portfolios by rewarding them with additional income. The income can have a positive effect on the profit and loss of financial institutions, through interest rate discounts.

We have listed some of our key partnerships with financial institutions below.

National Bank of Kenya (NBK): The NBK loan programme for WASH, "Maji Konnect", was launched in October 2021 with a commitment to invest up to €40 million in the sector over a 5-year period. A key milestone for NBK was to disburse €8 million (KES 1 billion) as proof of concept by June 2024. By end of 2023, the bank had achieved 70% of this target at €5.6 million (KES 772 million). Aqua for All's technical assistance grant of €500,000 has enabled the bank to build its capacity as the leading bank in financing of SMEs and water utility infrastructure in Kenya. This growth in the bank's WASH portfolio provides valuable lessons to scale similar interventions in East Africa. A key lesson is that for such a loan programme to succeed, it requires strong support from the leadership of the bank. The NBK programme was incubated by the projects team driving innovations at the Managing Directors office. Once the structures were set, and there was proof of concept, the programme was scaled by the commercial teams of the bank. Aqua for All and NBK has reviewed the results of this programme in Q1/2 2024. This will inform the next phase of potential collaboration.

Family Bank Limited (Kenya): The Family Bank partnership "Maji Plus" was launched in July 2022 to enhance the bank's capacity to finance community-based water service providers (CWPs). The main objective of this partnership was to catalyse the bank's lending to CWPs through adapted loan terms. Aqua for All provided €280,000 as first-loss capital to underwrite up to 80% of the net loan losses on principal based on an expected PAR of 10% of the projected portfolio build-up of €2.8 million towards 140 uncollateralised CWPs. Aqua for All also provides technical assistance to enable the bank to onboard a commercial guarantor to secure its committed exposure and expected portfolio growth beyond the contracted 2-year programme tenure. The bank has disbursed 33% of the targeted portfolio growth to 27% of the projected CWPs during the first half of the implementation phase. The contract has been amended to ramp up the portfolio in the second half of the partnership by including schools, churches, SMEs and social enterprises providing water connections to underserved communities through piped systems.

Co-operative Bank of Kenya (Water Utility Infrastructure Loan Programme – focus on Non-Revenue Water): This is a 3-year (Aug 2024 – July 2027) technical assistance and results-based financing programme in partnership with a tier I bank, Cooperative Bank in July 2024. The objective of this programme is to address market failures which prevent regulated WSPs from accessing commercial finance to expand (public) infrastructure to deliver better services of water and sanitation in small towns of Kenya. The project will support targeted investments in efficiency improvements for WSPs focused on reducing non-revenue water. Co-operative Bank will roll out a €2.3 million loan facility with an initial focus on infrastructure projects that improve operational efficiencies and financial position of water utilities, by addressing the problem of water losses and extending service to areas categorised as pro-poor based on Maji data zoning by the Government of Kenya.

By strategically employing instruments to investment funds, we aim to catalyse private capital, maximise impact, and drive positive change in the water and sanitation sector. Not only will these initiatives attract the much-needed funding, but also will contribute to the sustainable growth and development of WASH SMEs. Furthermore, it is becoming better known that investing in water and sanitation brings acceptable return, more investors show interest to allocate funds to the sector.

Aqua for All-Oikocredit partnership

Aqua for all and Oikocredit are in a two-year partnership to increase access to finance for WASH enterprises and households in Africa and Asia. The proposed partnership aims to increase the capacity of financial institutions in West Africa, East Africa and Southeast Asia to grow WASH portfolios. Aqua for All will therefore contribute up to €1.5 million for technical assistance, de-risking and/or performance-based incentives. €1 million will be directed towards Africa region and €500,000 will be allocated in Southeast Asia. Oikocredit will provide up to €15 million in WASH portfolio financing to existing and new financial institutions' partners.

In Kenya, Sidian Bank a beneficiary of this partnership. Oikocredit will provide Sidian Bank liquidity of US$5 million, of which US$1million will be used for WASH SME financing. In turn, Aqua for All will provide US$220,000 in a technical assistance grant and incentives to grow the bank's WASH SME loan portfolio with climate positive and gender impacts.

4. Project visits: additional background information

Gichungo Water Project

Gichungo Water Project (participating in the Challenge Fund) is a small-scale piped water operator based in Kiambu County in Central Kenya. Gichungo Water Project is registered as a Community-Based Organisation and has been in operation since 2003. It was formed by farmers with the aim of providing water for domestic use as well as to support livelihoods, mainly dairy production. The project operates one borehole and serves about 400 households.

The main issue affecting the water project was unreliability of power supply arising from frequent power outages and transformer malfunctioning coupled, with high operation cost due to high power costs. Gichungo Water Project applied for financing under the Challenge Fund with the intention to solarize their borehole to enhance reliability and reduce power costs.

Through the Transaction Advisory services provided within the Challenge Fund, Gichungo Water Project was supported in the preparation of a bankable proposal for their proposed energy transition project which was presented to Sidian Bank. The technical assistance included evaluation of equipment suppliers, preparation of a business plan and support to become compliant with water services regulations. While the technical assistance support was going on, the transformer serving the project's borehole suffered irreparable damage and needed replacing. This meant that Gichungo was unable to pump water from the borehole and consequently unable to serve its customers for three months as the power utility responsible for the transformer was slow to act.

The urgent need for alternative power meant that Gichungo Water Project could not afford to wait for completion of Challenge Fund processes with Sidian Bank to access financing. The project approached a Savings and Credit Cooperative (SACCO) that was able to quickly provide the financing required based on the proposal prepared through the technical assistance. Gichungo Water Project has since implemented the project and restored water supply services to their customers. Currently, the project is in the process of transferring the loan facility from the SACCO to Sidian Bank to benefit from a longer loan tenure and a results-based grant provided by Aqua for All under the Challenge Fund.

The experience from Gichungo Water Project demonstrates the effectiveness of technical support to small-scale water providers in preparing bankable proposals for accessing financing. This, coupled with capex grants to reduce the cost of credit, will enable borrowers in this segment to access commercial finance to implement water infrastructure investment projects for new or improved access.

Mobi Water Solutions

Mobi Water Solutions, established in 2016 by a water engineer, addresses water management challenges through innovative, locally developed technology solutions. The company offers remote real-time and end-to-end cloud-based water monitoring and management platforms using IoT infrastructure. It serves a diverse clientele including individuals, homes, businesses, water service providers (WSPs), and factories.

Mobi Water Solutions journey from a nascent startup to a commercial entity was significantly supported by Aqua for All, which provided a €100,000 grant in 2019 as well as targeted technical assistance on impact measurement and management and investment readiness, provided under ILF for WASH. This funding and support have enabled the company to be a growth enterprise capable of borrowing commercial finance, allowing Mobi Water Solutions to secure funds from the National Bank of Kenya to fulfil the orders they have received from their customers.

Headquartered in Nairobi, Mobi Water Solutions manages nationwide projects with a team of 15 permanent staff and additional technicians on a project basis. Its technology includes NB-IoT and LoRaWAN enabled smart water devices that monitor flow quantities and levels at both domestic and industrial scales, collecting and transmitting data to a user-friendly dashboard for remote monitoring and control. The dashboard also facilitates billing and mobile money payments. The enterprises' solutions have proven impactful, especially in low-income areas like Kibera in Nairobi, serving a population of 4 million people.

Mobi Water Solutions employs various revenue models, such as the sale of smart water devices, a 5% commission on collected payments, product white labelling, and data analytics services on water consumption. The company has monitored 74.5 million litres of reservoirs using smart tank sensors, monitored 8.6 million litres daily through smart water meters, and increased client efficiency by 50%.

Mobi Water Solutions stands out as a success story, illustrating Aqua for All's ability to support businesses that contribute to growth and impact in the water sector. Its innovative solutions and successful expansion underscore their commitment to efficient water management and service to diverse communities.

5. Theory of Change with climate and gender as cross-cutting impact themes

At Aqua for All, we are driven by delivering impact, igniting change for all and supporting inclusion and diversity. These values are core to our work and culture. As per our Theory of Change (Figure 4) - which was re-designed in 2023 to better align with our 'dual approach' - our ultimate impact goal is to increase access to safe water and sanitation solutions that are inclusive, affordable, and sustainable. Fundamental to this is improving outcomes for women and girls and working towards climate resilience for communities.

Figure 4 - Aqua for All Theory of Change

With more than 20 years of experience in the international water and sanitation sector, Aqua for All has gained a lot of practical experience and insights, both from own projects and (commissioned) research/evaluations, as well as from partners and key stakeholders. Climate and gender are being increasingly considered in everything we do in 2024 and beyond. With the support of climate and gender experts, Aqua for All will continue to develop frameworks and build the knowledge on climate for water and sanitation within the ecosystem and ensure this will enhance gender equity as well as building climate change resilience.

6. Outlook

Funding and financing flows for water-related investments are far outweighed by funding flows to other sectors, such as agriculture, energy and urban development, which can increase pressures on water resources and exacerbate exposure and vulnerability to water-related risks. Investments in these sectors and activities often fail to adequately account for their implications for the water sector and water policy objectives, including the SDGs. This underscores the need for supporting public and private financing flows with a specific focus on SDG 6.

Based on our successes in WASH market development and with financial institutions in Kenya, we see an immediate opportunity to scale our support for our partners to grow their water and sanitation portfolios, in Kenya and beyond. To truly transform the market and make it more sustainable, the sector needs to move away from the reliance on sovereign guaranteed loans and grant funding to de-risk water portfolios and increasingly use blended finance and e.g. third-party guarantee providers that can appropriately meet the demand. Expert organisations like Aqua for All, specialised in structuring tailor-made solutions for the stakeholders we work with can use their expertise to provide technical assistance to all stakeholders involved.

The value is of our dual approach along the scaling pathway which includes both market development, ecosystem development and mobilising finance for the water and sanitation sector is remarkable:

- The involvement of private participation in water and sanitation service delivery is likely to result in better management of operations and introducing innovative technologies with potential for demonstration and scaling.
- A joint, blended approach as used in our impact-linked loans programme supports inclusiveness by incentivizing extended services to underserved groups.
- A joint and blended approach can contribute to sustainability by reducing the sector's adverse impacts on the environment and implementing climate mitigation and adaptation measures. In addition, our projects and transactions can improve emission savings, reduction in water pollution and improve environmental standards.
- Our interventions can also promote integration to global financial markets, by supporting the introduction of catalytic financing instruments for the sector that enable capital mobilisation from a broader range of private and public financiers.

In our future work, Aqua for All together with and on behalf of the Netherlands Ministry of Foreign Affairs is committed to continue to support Kenya's development in the water and sanitation sector to strengthen the entrepreneurial ecosystem.

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