FINANCING INVESTMENT IN WATER

Is your community or company a water service provider? K-Rep Bank can help you realise your dreams

K-Rep Bank

A different kind of bank. The bank for you.
Vision
K-Rep Bank’s vision is to be the financial partner of choice for the majority of Kenyans.

Mission
K-Rep Bank’s mission is to provide exceptional financial services that create value and enrich the lives of its customers, shareholders, employees and the community.

Core Values
The Bank is guided by the following values, which embody its stand, belief and commitment:

- hard work & team work
- honesty & integrity
- respect, learning & reflection
- solidarity with the poor
- creativity & innovation
- equal opportunity employer
- modesty and fair play

Maji ni Maisha - Financing investment in water
This Handbook is a complete information guide to K-Rep Bank’s microfinance for water programme, an innovative finance product for the water sector.

Overview
K-Rep Bank’s Maji ni Maisha programme provides loans for water infrastructure to communities where consumers are willing to pay for clean and safe water. Investments financed under the programme can include: development or rehabilitation of small piped water systems; development of water sources such as boreholes, springs or rivers; construction of water purification and storage facilities; and installation of metering, billing, technical and financial management systems to improve the efficiency of water supply services. Box 1 highlights the key features of the loan programme.

<table>
<thead>
<tr>
<th>ACRONYMS</th>
</tr>
</thead>
<tbody>
<tr>
<td>CWP</td>
</tr>
<tr>
<td>NEMA</td>
</tr>
<tr>
<td>SO</td>
</tr>
<tr>
<td>WRMA</td>
</tr>
<tr>
<td>WSB</td>
</tr>
<tr>
<td>WSP</td>
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<tr>
<td>WSTF</td>
</tr>
</tbody>
</table>

Box 1: KEY FEATURES OF A Maji ni Maisha LOAN

- From KES 5 million to KES 10 million
- Finances up to 80% of project cost
- Cash equity investment by the community of 20% of total project cost
- Maximum grace period of 1 year for construction. In the case of new projects, interest may be capitalised during the grace period
- Interest charged at market rates, currently between 16% and 18% p.a.
- One time loan appraisal fee of 1.5% payable on disbursement of funds
- Maximum loan tenor: 1 year grace + 5 year term loan
- Infrastructure subsidy of 40% available for successful projects
Eligibility

The minimum eligibility criteria for a community to be considered for financing under the programme are listed in Box 2.

Box 2: MINIMUM ELIGIBILITY CRITERIA

- Community is registered as a Self Help Group with the Ministry of Culture & Social Services and has applied for or attained legal registration as a Community Water Project (CWP) under the Societies Act, the Companies Act, or the Trustees (Perpetual Succession) Act
- Community has deposited KES 150,000 into its account with K-Rep Bank to pay for the appraisal of its Expression of Demand and part fees for developing its project proposal
- Proposed project is situated in Kenya
- There is no other Water Service Provider operating in the proposed project area
- Water Service Board has indicated its willingness to provide the CWP with a Service Provision Agreement
- Proposed project has satisfied the project development grant eligibility criteria

Key Implementing Organisations & Contractual Relationships Under The Programme

Figure 1 below shows the contractual relationships between the key implementing organisations under the programme. The role of each organisation is explained in Box 3.

Figure 1: Contractual relationships under the programme
Box 3: KEY IMPLEMENTING ORGANISATIONS

- **Community Water Project:** A Water Service Provider legally registered under the Societies Act, the Companies Act or the Trustees (Perpetual Succession) Act that has been granted a Service Provision Agreement from the Water Service Board responsible for the area where it is situated.

- **Water Service Board:** Issues CWP with a Service Provision Agreement that permits it to supply water within a demarcated area, and monitors and enforces the terms and conditions of the agreement. There are 8 regional water service boards in Kenya: Athi, Tana, Tanathi, Rift Valley, Lake Victoria North, Lake Victoria South, Northern and Coast (see map on page 20).

- **Water Resources Management Authority:** Issues CWP with a permit to abstract a maximum volume of water per day from its chosen source.

- **National Environment Management Authority:** Gives environmental approval, monitors compliance with environmental regulation, and issues certificate of environmental clearance on completion of project implementation.

- **Water Services Trust Fund:** Government of Kenya agency that vets Expressions of Demand and monitors the Project Development Facility.

- **K-Rep Bank:** The financier that will provide upfront construction finance to qualified applicants following its due diligence process, and principal banker for the CWP during the term of the loan.

- **World Bank:** International development partner that provides grants and subsidies under the programme.

- **Support Organisation:** Provides consultancy services to the CWP throughout the project cycle.

- **Project Audit Consultant:** Verifies the achievement of output targets by the CWP and recommends release of the infrastructure subsidy.

- **Construction Contractor:** Contracted by the CWP to carry out construction works on the project (there may either be one contractor employed to manage the entire project or multiple contractors employed to carry out different tasks).

- **Operator:** Employed by the CWP in the post-implementation phase to run the project on a management contract for the term of the K-Rep Bank loan.

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**Figure 2: Process of activities under the programme**

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>KEY FEATURES</th>
<th>TIME FRAME</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Expression of Demand</td>
<td>CWP submits Expression of Demand application, pre-feasibility study and supporting documents to meet eligibility requirements</td>
</tr>
<tr>
<td>2</td>
<td>Screening of Expression of Demand</td>
<td>K-Rep Bank screens Expression of Demand for viability. Viable projects forwarded to WSTF for vetting and award of project development grant</td>
</tr>
<tr>
<td>3</td>
<td>Loan application preparation</td>
<td>CWP prepares a detailed project proposal with support from the SO for submission to K-Rep Bank</td>
</tr>
<tr>
<td>4</td>
<td>Loan application appraisal by K-Rep</td>
<td>K-Rep Bank undertakes due diligence and risk analysis, and makes a conditional loan offer if the application is successful</td>
</tr>
<tr>
<td>5</td>
<td>Loan perfection</td>
<td>On acceptance of the conditional loan offer by the applicant, K-Rep Bank commissions a baseline survey of the project, which establishes output targets to be achieved by the CWP</td>
</tr>
<tr>
<td>6</td>
<td>Project construction</td>
<td>Funds disbursed and project construction commences with support from the SO</td>
</tr>
<tr>
<td>7</td>
<td>Management Contract</td>
<td>CWP contracts an Operator to manage the project in its post-implementation phase</td>
</tr>
<tr>
<td>8</td>
<td>Output verification and release of subsidy</td>
<td>Infrastructure subsidy paid to the CWP on achievement of pre-determined output targets</td>
</tr>
</tbody>
</table>
Details of the steps to be carried out under each activity listed in Figure 2 are presented below.

1 Expression of Demand

1.1 Purpose
The Expression of Demand is an opportunity for the CWP to make its case to K-Rep Bank that, with project development support, it would be able to present a bankable loan application for financing. Hence, the Expression of Demand must demonstrate that:

- There is genuine demand for paid water
- The CWP has developed estimates of infrastructure and finance requirements, and is prepared to put in a minimum cash equity contribution of 20% of project cost
- The proposed water resource is sufficient to supply expected demand for at least six years
- The CWP is willing to develop a feasibility study and business plan to define the technical, financial and management aspects of the proposed project

1.2 Documentation to Support Expression of Demand
A complete Expression of Demand shall consist of:

1. Completed Expression of Demand Form
2. Pre-project Feasibility Report
3. Proof of registration with the Ministry of Culture and Social Services as a Self Help Project that is entitled to provide water related services
4. Proof of registration status under the Societies Act, the Companies Act or the Trustees (Perpetual Succession) Act, or evidence that application for registration has been made
5. Statement of intent by the Water Service Board to provide the CWP with a Service Provision Agreement
6. Audited accounts for the last 2 years (if available)
7. Bank statements and electricity bills for the last 6 months
8. Minutes of last Annual General Meeting and last 6 committee meetings
9. Evidence of asset ownership

1.3 Deposit requirement and appraisal fee
For an Expression of Demand application to be accepted, the CWP must have opened a project account with K-Rep Bank and deposited a minimum of KES 150,000 into the account. This account will be an interest bearing cash collateral account. A non-refundable fee of KES 15,000 is payable to K-Rep Bank for appraisal of the Expression of Demand and will be debited from the Applicant’s account on acceptance of a complete Expression of Demand application.

1.4 End of activity
The activity ends when the Applicant submits its Expression of Demand and supporting documents to any K-Rep Bank branch (see page 21 for list of K-Rep Bank branches), and receives an acknowledgement of receipt of complete Expression of Demand.

2 K-Rep Screening Process

2.1 Purpose
K-Rep Bank will screen the Expression of Demand in order to identify projects that are viable and have a reasonable chance of submitting a successful loan application.

2.2 Method of Screening
The screening process consists of a desk review and a field review:

i) Desk Review
K-Rep Bank will study all documentation submitted as part of the Expression of Demand, which will result in one of two possible outcomes:

- If the Expression of Demand is incomplete or inadequate it will be returned to the Applicant with a request to compile additional information or documentation
- If the Expression of Demand is sufficient, it will be carried forwarded to the Field Review Stage
ii) Field Review
K-Rep Bank will visit the project to ascertain its viability from a technical, financial and legal perspective.

If the Expression of Demand is considered to be viable, it will be forwarded to the Water Services Trust Fund with a recommendation that the Applicant be awarded a project development grant on the basis of its Expression of Demand.

2.3 End of activity
The screening activity ends when K-Rep Bank responds to the Applicant in writing with one of two possible outcomes:
- The Expression of Demand is accepted and the Applicant is awarded a project development grant to develop a formal loan application
- A written explanation is provided to the Applicant that the Expression of Demand is not sufficient to merit the investment of a project development grant and the application cannot be taken further

3 Loan Application

3.1 Purpose
The loan application will determine whether K-Rep Bank can finance the project and must therefore be presented as a bankable project proposal. The Support Organisation (SO) will play the lead consulting role during this activity, and together with the Applicant, will prepare all necessary documentation for the project to be considered for a Maji ni Maisha loan.

3.2 Selection of Support Organisation
The Applicant is required to contract an SO to help it develop a bankable loan application. K-Rep Bank has a list of registered SOs that are qualified to provide consultancy services to CWPs. The following support is provided to the Applicant to identify a suitable SO through a competitive arrangement:
- K-Rep Bank provides the Applicant with the list and contact details of all registered SOs
- K-Rep Bank provides the Applicant with SO background information, performance related information, and any workload commitments that might affect the Applicant’s choice of SO
- K-Rep Bank notifies all SOs of the Applicant’s contact details and summary information to give SOs an opportunity to market their services to the Applicant

The selection of the SO is the responsibility of the Applicant. The Applicant indicates its choice of SO to K-Rep Bank who facilitates the finalisation of the CWP-SO Proposal Preparation Contract, to which K-Rep Bank is counterparty.

3.3 Role of the SO at the project development phase
Following is a list of tasks to be conducted by the SO during the project development phase:
- Prepare a comprehensive loan application for submission to K-Rep Bank
- Prepare a detailed Feasibility Study that includes an analysis of demand for paid water, water source information, engineering design, detailed drawings, schedules, and costed Bills of Quantities
- Develop a Business Plan for the Project that includes investment requirements, recommended tariff structure, coverage targets and financial projections
- Hydrological or hydro-geological studies, topographical surveys and any other site investigations that may be required
- Process a water abstraction permit application with the Water Resource Management Authority
- Develop and process an application for a Service Provision Agreement with the Water Service Board
- Prepare a Project Report to be lodged with NEMA and follow up to obtain environmental clearance
- Pursue legal registration of the CWP

3.4 Contract between CWP and SO for the proposal preparation phase
The CWP is required to enter into a formal contract with its chosen SO, to which K-Rep Bank is counterparty. While it is desirable for the CWP to contract the SO from the onset of the project development phase, it is recognised that many CWPs are not registered as legal entities and so cannot enter into legally binding contracts. In such cases, K-Rep Bank may engage the SO on behalf of the CWP. The Applicant shall be charged a fee of KES 35,000 to meet the costs of procuring and contracting an SO from the initial KES 150,000 deposited in its cash collateral account.

3.5 Payment of SO fees
The Applicant shall pay the SO the balance sum of KES 100,000 as a mobilisation fee on signing the contract to develop a project proposal (secured by a performance guarantee
issued by SO’s bankers). The Applicant then applies to the Water Services Trust fund for a grant of USD 9,000 to meet the remaining costs of contracting the SO to develop the loan application on behalf of the CWP. Any project development costs in excess of USD 9,000 are to be met by the CWP. Any unutilised funds from the project development grant will go towards paying part of the operator’s fees to manage the project in its post-implementation phase.

Payments to the SO will be made as percentages of the contract value, as follows: 25% on acceptance by the CWP of the project concept and outline project proposal; 35% on submission of complete loan application to K-Rep Bank; 40% on approval of the loan application by K-Rep Bank. An approved loan application is one which K-Rep Bank has agreed to finance by making a loan offer to the CWP.

3.6 Content of the loan application
The loan application is a compilation of documentation that has been developed for the project and includes:

- Covering letter
- Legal documentation:
  - Registration Certificate
  - Bylaws if registered as a Society, Memorandum and Articles of Association if registered as a Company, and Trust Deed if registered as a Trust
- Governance details:
  - Particulars of members in the case of a Society, directors in the case of a Company or Trustees in the case of a Trust
  - Minutes of the last 6 committee meetings, which should indicate that the CWP has clear intentions of taking a loan to finance the development of a water project
  - Minutes of the last 2 Annual General Meetings
- Water resource assessment reports and Water Extraction Permit details
- Letter of approval from NEMA
- Service Provision Agreement issued by the Water Service Board
- Feasibility Study:
  - Analysis of water demand and supply
  - Engineering Design Report
  - Costed Bills of Quantities
  - Project design drawings
  - Equipment specifications
- Financial Details:
  - Bank statements for the last 6 months
  - Audited financial statements for the last 2 years
  - List of assets owned with supporting evidence
  - Electricity bills the last 6 months
- Business Plan:
  - Service and coverage targets
  - Proposed tariff structure
  - Projected cash flow, profit and loss and balance sheet
  - Post implementation operating plan including details about billing, financial management, plant operation, technical maintenance, human resource requirements, management contracting and organisational structure

3.7 End of Activity
The activity ends when the Applicant submits a complete loan application to any K-Rep Bank branch (see page 21 for list of K-Rep Bank branches).

4 Appraisal of loan application

4.1 Purpose
This activity provides K-Rep Bank with an opportunity to analyse the project’s feasibility, carry out due diligence, and do a risk assessment of the CWP. The analysis will be based on the loan application documents and field visits to confirm the suitability of the Applicant and proposed project for financing.

4.2 End of activity
The activity ends with K-Rep Bank’s approval or rejection of the loan application. If K-Rep Bank approves the loan application, it will provide the Applicant with a Conditional Loan Offer that indicates the following:

- Size of loan being offered
- Number of tranches under the loan and conditions for disbursement
- Interest rate
- Loan fees
- Repayment terms
- Collateral and other security requirements
- Finalisation of any conditions that must be fulfilled prior to the loan agreement being signed

The Applicant can accept, reject or negotiate the Conditional Loan Offer.
5 **Loan perfection**

5.1 **Purpose**
Once the Conditional Loan Offer has been accepted by the Applicant, the objective of this activity is to finalise the loan and subsidy agreement between K-Rep Bank and the CWP to facilitate the disbursement of funds.

5.2 **Essential Requirements**
- A minimum of 20% of project cost must be deposited into the CWP’s project account with K-Rep Bank as equity committed to meet project capital costs
- The Bank’s security requirements must be put in place as per the indicative Term Sheet on page 18

Once both these conditions are met, K-Rep Bank will commission a baseline survey of the CWP.

5.3 **Baseline survey**
The Project Audit Consultant shall conduct a baseline survey of the project to establish the output targets to be achieved by the CWP on completion. The output targets are defined as follows:

i) **Change in the service coverage** – The number of water service connections to be installed by the project on completion

ii) **Change in revenues collected** – The average monthly revenue to be realised by the project on completion (includes revenue from billed water sales, meter charges, new connections and other fees)

The extent to which these output targets are achieved will determine the amount of subsidy to be paid to the CWP on completion of project implementation.

5.4 **Hire of SO for Project Implementation**
The CWP is required to hire an SO to provide it with consultancy services during the project implementation phase. It is desirable that the SO recruited for the project implementation phase is the same as that used during the proposal development phase in order to provide continuity of support. The selection of the SO is the responsibility of the CWP.

5.5 **Role of the SO in the project implementation phase**
Following is a list of tasks to be conducted by the SO during the project implementation phase:

- Procurement of a construction contractor and/or suppliers, including preparation of Terms of Reference and material orders, and ensuring compliance with competitive procurement practices
- Preparation and negotiation of contracts with contractors and suppliers
- Work scheduling where CWP provides local labour input
- Acting as the Project Manager during the construction phase, which includes:
  - Site documentation
  - Managing the construction contract on behalf of the CWP
  - Site supervision and coordinating site meetings
  - Checking quality and quantities of materials used in construction
  - Checking quality of workmanship
  - Preparing monthly progress reports to be submitted to the CWP and K-Rep Bank
  - Certifying payment certificates to enable release of funds to contractor(s) and/or suppliers
- Complete “as built” design drawings for the project
- Facilitate verification of project output targets and release of the infrastructure subsidy
- Effect the post-implementation Project Management Plan, develop a monitoring and reporting framework to evaluate project performance, and train the community to evaluate system functionality on the basis of project performance reports

5.6 **Payment of SO**
A grant of up to USD 12,600 to meet the costs of the SO for project implementation and to cover initial operator fees during post-implementation is made available to successful applicants. Any project implementation consultancy costs in excess of USD 12,600 are to be met by the CWP.

Payments to the SO will be made as percentages of total contract value, as follows: 10% mobilisation fee on signing; 40% for construction supervision paid as a proportion of the value of works completed; 25% after successful output verification paid as a proportion of the extent to which output targets are achieved; 25% on satisfactory completion of the activities listed in the Terms of Reference, including setting up of an approved post-implementation management system.

5.7 **End of activity**
The activity ends with the signing of the contract between the CWP and SO for project implementation and disbursement of funds by K-Rep Bank to the CWP as per the terms of the loan agreement.
6 Project construction

6.1 Construction Options
There are a number of arrangements by which the CWP can undertake project construction, which include:

1. Hire of a general contractor who engages sub-contractors for specialised works
2. Hire of individual contractors for separate components of the project
3. Hire of a labour contractor who provides all or just skilled labour
4. CWP functions as the contractor, undertaking direct hire of each skilled workman, provides manual labour, hires equipment, procures all materials, and only hires contractors for very specialised work such as borehole drilling and installation of pumps

6.2 Procurement procedures
Procurement of a construction contractor to carry out the works should be done through a tendering process in compliance with competitive procurement practices.

The purpose of this is to identify a competent and reputable contractor who prices for the works competitively and has the capacity and ability to complete the works within the agreed time frame. Building materials must also be procured competitively and should be purchased after conducting sufficient market research to ensure value for money.

6.3 Construction Monitoring
The SO is expected to provide construction supervision in order to certify the quality of materials and workmanship, and to ensure that the Work Plan is adhered to. The SO is required to prepare monthly progress and financial reports for submission to the CWP and K-Rep Bank.

6.4 Payments to contractors
Payments to the contractor(s) and/or supplier(s) will be on the basis of certificates of payment approved by the CWP and the SO. All payments are to be made to the contractor(s) and/or suppliers directly by K-Rep Bank with the approval of the CWP.

6.5 End of activity
The activity ends with certification by the SO that project construction has been completed to the standard set out in the project development proposal.

7 Management Contract

7.1 Purpose
The purpose of the Management Contract is to delegate the running of the project to a specialised Operator with expertise in the management of community water projects.

7.2 Procedure
On completion of project construction, the CWP is required to contract the services of an Operator to manage the project in its post implementation phase. The CWP will award a Management Contract to the Operator for a period that at least covers full repayment of the loan extended to it by K-Rep Bank. The selection of the Operator is the responsibility of the CWP, and may be done in one of two ways:

i) The SO employed during the project development and implementation phase may be appointed as the Operator
ii) The CWP may award a Management Contract through a competitive tender process to another Operator approved by K-Rep Bank

7.3 Services to be provided by the Operator
The terms of the Management Contract focus on the provision of the following services to the CWP:

• Operation of the water supply system
• Provision of commercial services including billing, financial management, accounting and customer service
• Provision of technical and maintenance diagnostic services
• Financial analysis, budgeting and investment planning

7.4 Payments to the Operator
The Operator will be paid from funds generated by the project (although any surpluses from project development and implementation grants may be used to pay the Operator in the initial post-implementation phase). The amount to be paid to the Operator shall be determined through a competitive evaluation of technically qualified Operators. Methods of payment may include:

• Fixed management fee
• Percentage of revenue generated
• Incentive payments
• A combination of the above
7.5 End of activity
The activity ends with the signing of the Management Contract between the CWP and the Operator for a period not less than the term of the K-Rep Bank loan.

8 Output verification and release of subsidy

8.1 Purpose
The purpose of this activity is to determine the amount of infrastructure subsidy to be awarded to the CWP on completion of project implementation. The subsidy will be paid to the CWP and credited to its loan account with K-Rep Bank in order to reduce the principal amount of the loan and consequently the CWP’s monthly debt service obligation.

8.2 Output verification audit
Between two and six months after the end of project implementation, the CWP must make an application to K-Rep Bank to verify the achievement of output targets. The Project Audit Consultant will verify the extent to which the CWP has achieved its pre-determined output targets in order to determine the amount of infrastructure subsidy to be awarded.

Each project will be given a Total Score and awarded a subsidy according to the following formula:

\[ \text{Subsidy} = \text{Total eligible project capital cost} \times \text{Total Score} \times 40\% \]

Where:
- Total Score = \((\text{Coverage} \times \text{Coverage score} + \text{Revenue} \times \text{Revenue score})\)
- Coverage weight = 0.5
- Coverage score = Actual number of connections / Target Number of Connections or 1, whichever is less
- Revenue weight = 0.5
- Revenue score = Average Monthly Revenue over previous 2 months / Target Monthly Revenue or 1, whichever is less

8.3 End of activity
The activity ends with the credit of the subsidy to the CWP’s project account with K-Rep Bank and subsequent transfer of the amount credited to the CWP’s loan account.
## Indicative Term Sheet

The specific terms and conditions of a *Maji ni Maisha* loan will vary on a case by case basis; however, following is an indicative term sheet for a loan taken under the programme:

<table>
<thead>
<tr>
<th>ITEM</th>
<th>CONDITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Borrower Community Water Projects</td>
<td></td>
</tr>
<tr>
<td>Loan Amount</td>
<td>KES 5,000,000 to KES 10,000,000</td>
</tr>
<tr>
<td>Purpose</td>
<td>To finance water related infrastructure projects</td>
</tr>
<tr>
<td>Maximum loan amount as a percentage of project cost</td>
<td>80%</td>
</tr>
<tr>
<td>Minimum equity amount as a percentage of project cost</td>
<td>20%</td>
</tr>
<tr>
<td>Maximum loan tenor</td>
<td>1 year grace period + 5 year term loan</td>
</tr>
<tr>
<td>Interest rate</td>
<td>• At market rates, currently between base + 3% to 5% (i.e. between 16% and 18% p.a.), • K-Rep Bank reserves the right to vary the interest rate on outstanding loans in response to prevailing market conditions, subject to compliance with regulatory requirements, • Penal interest rates will be charged for delayed installment payments</td>
</tr>
<tr>
<td>Interest during grace period</td>
<td>• Payable monthly in the case of existing projects, • May be capitalised in the case of new projects</td>
</tr>
<tr>
<td>Basis of charging interest</td>
<td>On outstanding loan amount i.e. on a reducing balance basis</td>
</tr>
<tr>
<td>Loan repayment instalments</td>
<td>Due monthly after expiration of the grace period</td>
</tr>
<tr>
<td>Mode of payment (loan repayment)</td>
<td>By standing order debit from Borrower’s account with K-Rep</td>
</tr>
<tr>
<td>Loan disbursement</td>
<td>• In tranches as per conditional loan offer, • Each tranche of the loan will be released on a pari passu basis with equity from the Borrower’s cash collateral account with K-Rep in the Debt : Equity ratio 80% : 20%</td>
</tr>
<tr>
<td>Loan appraisal fee</td>
<td>1.5%</td>
</tr>
<tr>
<td>Mode of payment (appraisal fee)</td>
<td>Payable fully on first loan disbursement</td>
</tr>
<tr>
<td>Other Terms</td>
<td>• CWP to be a registered Self Help Group that has a Service Provision Agreement with a Water Service Board, • Borrower to take out appropriate insurance on project assets</td>
</tr>
<tr>
<td>Contractual savings</td>
<td>• 15% of repayment instalment, • Payable in addition to each monthly instalment and credited to Borrower’s interest earning cash collateral account with K-Rep Bank</td>
</tr>
<tr>
<td>Security for K-Rep Bank</td>
<td>• Registered charge on fixed assets owned by the Borrower as collateral, • Assignment of rights to assets/receivables developed with proceeds of the loan and any income/cash flow generated from these assets until loan repayment is complete, • Negative pledge on assets</td>
</tr>
</tbody>
</table>

## Debt Service Example

The actual amount of monthly debt service payable to K-Rep Bank by the CWP will vary according to: timing of disbursements, interest rate, loan tenor, whether or not interest is capitalised during the grace period, and amount of subsidy awarded to the CWP. An example of monthly debt service payable for every KES 1 million borrowed under the *Maji ni Maisha* loan programme is given below. The amount payable has been varied according to the loan tenor and before and after the maximum allowable infrastructure subsidy is credited to the CWP’s loan account.

15% contractual savings are payable in addition to monthly debt service payments, which will be deposited into a cash collateral account created for the CWP at K-Rep Bank. The amount accumulates in the CWP’s cash collateral account and serves as security for K-Rep Bank in the event of default. In the event that the CWP encounters major maintenance costs during the post-implementation phase, it may request that funds be released from this account to meet such costs. The funds on this account earn interest at market rates and can be accessed by the CWP on full repayment of the loan.

### 10.1 Basic assumptions

- Equity investment (20% of project infrastructure cost) 250,000 KES
- Principal loan amount 1,000,000 KES
- Capitalised interest (1 year) 195,618 KES
- Total project cost (including interest capitalised during the grace period) 1,445,618 KES
- Maximum allowable infrastructure subsidy (40% of project cost) 578,247 KES
- Interest rate 18%
- Grace period 1 Year
- Effective annual rate of interest 19.56%
- Contractual savings 15%
- Tenor 3

### Monthly debt service (principal + interest) payable on a KES 1 million loan

<table>
<thead>
<tr>
<th>Loan Tenor (years)</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount payable BEFORE infrastructure subsidy is awarded to the CWP</td>
<td>-43,224</td>
<td>-35,121</td>
<td>-30,361</td>
</tr>
<tr>
<td>Amount payable AFTER infrastructure subsidy is awarded to the CWP</td>
<td>-22,319</td>
<td>-18,135</td>
<td>-15,677</td>
</tr>
</tbody>
</table>

### Monthly debt service + 15% contractual savings in KES

<table>
<thead>
<tr>
<th>Loan Tenor (years)</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount payable BEFORE infrastructure subsidy is credited to the CWP</td>
<td>-49,708</td>
<td>-40,389</td>
<td>-34,915</td>
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<td>Amount payable AFTER infrastructure subsidy is awarded to the CWP</td>
<td>-25,667</td>
<td>-20,856</td>
<td>-18,029</td>
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Applications under the Maji ni Maisha loan programme may be submitted at any of the following branches of K-Rep Bank:

<table>
<thead>
<tr>
<th>BRANCH NAME</th>
<th>PHYSICAL ADDRESS</th>
<th>POSTAL ADDRESS</th>
<th>TELEPHONE NUMBER</th>
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<tr>
<td>Nairobi:</td>
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<tr>
<td>Head Office</td>
<td>K-Rep Centre, Wood Avenue, Kilimani 25363-00603 Nairobi</td>
<td>020-3906000</td>
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<tr>
<td>Kilimani Branch</td>
<td>K-Rep Centre, Wood Avenue, Kilimani 25363-00603 Nairobi</td>
<td>020-2395741/2078313</td>
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<tr>
<td>Kawangware Road</td>
<td>Riruta opposite Precious Blood 25363-00603 Nairobi</td>
<td>020-3871511</td>
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<tr>
<td>Kenyatta Avenue</td>
<td>Standard Building, Kenyatta Avenue 4890-0200 Nairobi</td>
<td>020-210705/56/28210749</td>
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<tr>
<td>Buruburu</td>
<td>Vision Plaza, Buruburu 853-00515 Buruburu</td>
<td>020-7845182/223/214</td>
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<td>Kenyatta Market</td>
<td>Phikago house of Mtamathi Way 252862-00603 Nairobi</td>
<td>020-8007490</td>
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<td>Mombasa:</td>
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<tr>
<td>Moi Avenue</td>
<td>Austin House Moi Avenue 90297 Mombasa</td>
<td>041-2221965/38</td>
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<td>Mtwapa</td>
<td>Malindi Road – North Coast next to Safaricom Ltd 513-80109 Mtwapa</td>
<td>041-5480548/49/50</td>
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<td>Kengeleni</td>
<td>Kengeleni building, Kangaroo Market 95753-80106 Mombasa</td>
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<td>Countrywide:</td>
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<td>Naivasha</td>
<td>Kenyatta Avenue next to Silver Hotel opposite Sera Centre 558 Naivasha</td>
<td>050-2020683/20590/1/2</td>
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<tr>
<td>Nakuru</td>
<td>Gusil Road off Kenyatta Avenue Nakuru 15222 Nakuru</td>
<td>051-2216198/2216208</td>
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<td>Kericho</td>
<td>Kurio House, Moi highway next to Shell petrol station 1455-20200 Kericho</td>
<td>052-21410/9</td>
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<td>Kisumu</td>
<td>Kenya Re-Insurance Plaza, Oginga Odinga Road 3558 Kisumu</td>
<td>057-2021603</td>
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<td>Kisii</td>
<td>Ouru supermarket House 4110 Kisii</td>
<td>058-3143691/56/306/538</td>
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<td>Eldoret</td>
<td>Kirem Arcade, Ronald Ngala Street 1362-30100 Eldoret</td>
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<td>Nileto House, Kenyatta Avenue 314-30200 Kitale</td>
<td>054-30713</td>
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<td>Nyahururu</td>
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<td>065-6502288/65022552/0724-253246/0735-992299</td>
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<td>Nyeri</td>
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<td>Nanyuki</td>
<td>Nannatt supermarket building along Lumumba Road 1359 Nanyuki</td>
<td>062-31920/6/11804</td>
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<td>Meru</td>
<td>Twin Plaza, Ghana Road, opposite Uchumi supermarket 3066-60200 Meru</td>
<td>064-31483</td>
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<tr>
<td>Embu</td>
<td>Tunjee Building opposite KANU Office 1167 Embu</td>
<td>068-30587/31014/5/6</td>
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<td>Isiolo</td>
<td>Isiolo Plaza along Isiolo- Marsabit Road 188 Isiolo</td>
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<td>Mwea</td>
<td>Nairobi-Meru highway opposite Merica petrol station 352 Wanguru</td>
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<td>Kibwezi</td>
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<td>Machakos</td>
<td>Mbulu Mbolu Road off Syokimau Road 1932-90100 Machakos</td>
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<td>Kitui</td>
<td>Kilungia Street opposite Syokimau radio station 408 Kitui</td>
<td>044-22241</td>
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<td>Kajiado</td>
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<td>045-21205</td>
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<td>Thika</td>
<td>Nelson Plaza Harry Thuku road off uhuru highway 6043-01000 Thika</td>
<td>067-30845</td>
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<td>Nkubu</td>
<td>Kariplaza opposite KCB on Nkubu Meru highway 3066 Nkubu</td>
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