
**Kenya Country Programme
2016–2020**

**Thematic Programme for
Green Growth and Employment**

**Development Engagement
Document**

**Access to and Management of
Water Resources**

**(Water Services Trust Fund –
WSTF)**

Dev. Engagement GGE 4	Outcome	Outputs
Access to and management of water resources in the arid and semi arid lands (ASALs)	Enhanced water resources management and investments in selected ASAL counties for improved and sustained access by communities and households to water and sanitation for their domestic and productive needs	<ul style="list-style-type: none"> • ASAL county capacity and engagement in water related planning improved. • Improved access to sustainable sources of water in the ASALs • Sustainable and community-based management of water resources improved
Budget	DE partner	
The Danish contribution is DKK 65 million.	Water Services Trust Fund (WSTF) – a Kenyan State Corporation under Ministry of Water and Irrigation Services	<ul style="list-style-type: none"> • Improved capacity of and engagement by implementing agents (WRUAs, CBOs and Water Services Providers) for planning and efficient water service delivery • Enhanced experience for promoting public private partnerships in water provision in the ASALs • Strengthened institutional performance of WSTF
Management arrangements		
<p>Denmark will contribute support to a strategic area of intervention within WSTF Strategic Plan (2014-2019). Funds will be managed in accordance with established WSTF procedures common for all partner support. As a State Corporation legally mandated to provide financing for access to water, a Board of Trustees has been appointed to provide oversight in both financial management and implementation. WSTF Management develops annual work plans and budgets which are approved by the Board. Denmark participates in a dedicated steering committee encompassing all water sector development partners.</p>		
Description		
<p>Denmark has since 2011 supported WSTF to provide water in the ASALs. Continued support through this engagement will enable WSTF to reach out to underserved ASAL counties with provision of water and sanitation services to communities and with associated investments in management of water catchment areas. Capacity development for counties and implementing agents and community involvement will focus on integrated water resource management and planning for water resources and implementation. The support from Denmark will positively impact accessibility of domestic and productive water by ASAL communities, including the poorest and underserved segments. Strategic water planning and provision will facilitate efficient service delivery, and green growth opportunities specifically within the pastoral communities in the ASALs.</p>		

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Abbreviations

ASAL	Arid and Semi-Arid Lands
CBO	Community Based Organization
CEO	Chief Executive Officer
CIDP	County Integrated Development Plan
CPC	Community Project Cycle
CSO	Civil Society Organisation
CSR	Cooperate Social Responsibility
Danida	Danish International Development Assistance
DED	Development Engagement Document
DKK	Danish Kronor
DP	Development Partner
EFT	Electronic Fund Transfer
EDE	Ending Drought Emergencies
EU	European Union
GDP	Gross Domestic Product
GGEP	Green Growth and Employment Programme
GoK	Government of Kenya
HRBA	Human Rights Based Approach
ISO	International Organization for Standardization
KSH	Kenya Shillings
M&E	Monitoring and Evaluation
MEWNR	Ministry of Environment, Water and Natural resources
MOU	Memorandum of Understanding
MTAP	Medium Term ASAL Programme
MWIS	Ministry of Water and Irrigation Services
NDMA	National Drought Management Authority
OFAG	Office of the Auditor General
PANT	Participation, Accountability, Non-corruption, Transparency
PC	Performance Contract
PPOA	Public Procurement Oversight Authority
SAP	Standard Accounting Procedures
SCMP	Sub-Catchment Management Plan
SHARE	Supporting Horn of Africa Resilience
TP	Thematic Programme
WDC	WRUA Development Cycle
WRMA	Water Resources Management Authority
WRUA	Water Resources Users Association
WSP	Water Services Provider
WSTF	Water Services Trust Fund
WSTF-RSC	WSTF Rural Window Steering Committee
WU	Water Utilities

Development Engagement Document: Access to and Management of Water Resources in the Arid and Semi-Arid Lands (Water Services Trust Fund)

1. Introduction

- 1.1 The present development engagement document details the objectives, expected results, implementation framework and management arrangements for the development cooperation concerning Water Services Trust Fund (WSTF) (2016–2020) as agreed between the parties specified below. The development engagement document is annexed to the Bilateral Agreement between Danida and the WSTF and constitutes an integrated part hereof together with the documentation specified below. The Danish support is provided within the framework of the thematic programme on Green Growth and Employment, one of three thematic programmes under the Danish country programme for Kenya 2016–2020. This engagement document is also available to the External Grant Committee of Danida.
- 1.2 The development engagement entails Danish support in the form of earmarked funding to the WSTF of DKK 65 million for the implementation of the interventions specified in the present document and forming part of the WSTF's Strategic Plan 2014–2019 and its successor document. The support covers the period January 2016 to June 2020.

2. Parties

- 2.1 The Danish Embassy, Nairobi and WSTF, Kenya
- 2.2 Signatories will be the Danish Ambassador representing the Government of Denmark, and the Chief Executive Officer, WSTF

3. Documentation

- 3.1 WSTF Strategic Plan, guiding the vision, direction and activities of WSTF for the period 2014–2019

4. Brief description of WSTF

- 4.1 WSTF is a Kenyan State Corporation established under the Water Act of 2002 with a mandate to assist in financing the provision of water services to areas of Kenya which are without adequate services. WSTF operates under the newly formed Ministry of Water and Irrigation Services. The key goal of the organisation, according to the WSTF Strategic Plan is 'assured water resources availability and accessibility of water and sanitation by all'.
- 4.2 A new Water Bill has been developed to align the sector to the 2010 Constitution. As of May 2015, the Bill is in Parliament awaiting the third reading. In the Water Bill, WSTF is retained as the Water Sector Trust Fund and as the water sector financing mechanism, with a mandate to provide conditional and unconditional grants to counties and to assist in financing development and management of water services in marginalized and underserved areas, including:
 - a) Community level initiatives for the sustainable management of water resources;
 - b) Development of water services in rural areas considered not to be commercially viable for provision of water services by licensees; and,
 - c) Development of water services in the under-served poor urban areas.

- 4.3** The strategic objectives of WSTF as provided in its Strategic Plan are:
1. To mobilize KSH 16.6 billion to finance investment programmes in the counties by June 2019.
 2. Develop innovative funding mechanisms to enhance development of sustainable water, sanitation and water resources projects in the counties.
 3. To finance the development of sustainable water and sanitation services and water resources management to improve access for 5 Million people in underserved areas.
 4. To enhance capacity development for efficient service delivery and ensure sustainability of investments.
- 4.4** WSTF works with other sector institutions to facilitate implementing agents such as the Water Services Providers (WSPs), Communities Based Organizations (CBOs) and Water Resources Users Associations (WRUAs) to apply for financing, implement and sustainably manage their quality water and sanitation services through capacity building and stakeholder partnership. The institution is funded by the Government of Kenya and Development Partners.
- 4.5** WSTF is currently operating through four main financial and operational mechanisms supported by resources from the Government and other donors:
- a) Rural Investment (Rural Water Supply and Sanitation): This mechanism develops rural communities capacities to access funding and implement and maintain water and sanitation facilities. So far it has been implemented mainly through community based organizations (CBOs) but going forward will also be implemented through county registered water utilities (WU). Under this mechanism the arid and semi-arid lands (ASALs) have been targeted for purposes of focusing financing to water and sanitation projects. The focus recognizes and appreciates the need for water and sanitation (WSS) in the ASALs, as well as their unique characteristics with respect to WSS, and uses established implementation procedures for support to rural water supply and sanitation.
 - b) Urban Investment (Urban Water Supply and Sanitation): The mechanism was developed to support improved access to water and sanitation in low-income urban areas. It is implemented through Water Services Providers.
 - c) Water Resources Investment (Sub-Catchment Protection): This Programme was developed to support communities to manage their water resources within their sub-catchments. The programme is implemented through the Water Resources Users Associations (WRUAs). As in the Rural Investment, there is an ASAL focus for water resources management to finance and build the capacity of WRUAs for the protection of the water resources and entire sub-catchment in these areas.
 - d) Result Based Aid: This is a mechanism where Water Services Providers and Community Based Organizations obtain project loans from commercial banks for project activities. Once the project is successfully completed, WSTF then gives a percentage of the loan amount back to the implementer as a subsidy.
- 4.6** In programme implementation in Counties, WSTF seeks partnerships with the County Governments in project identification through the County Integrated Development Plans (CIDPs), monitoring and evaluation, resource allocation for programme support, management and sustainability aspects of the projects. WSTF engages the target Counties and signs a MOU

with each one to ensure that the roles of WSTF and the County under the partnership are defined and understood. This helps commit the County to active involvement in oversight and other agreed support to projects.

- 4.7 WSTF had by end of 2014 cumulatively disbursed about KSH 6.5 Billion for implementation of 2,200 small to medium size Urban and Rural projects to reach over 5 million people. Of these, KSH 2.5 Billion has been disbursed to Urban projects while KSH 3.96 Billion has gone to Rural water services and water resources projects. The Fund has over 10 key Development Partners and more partnerships are expected in the near future.
- 4.8 In mobilizing resources to support investments in the water sector and more so in the ASAL counties, WSTF aims to create a fund of KSH 10 billion. Part of the fund will be constituted by donor funds that are already earmarked for ASAL counties. The European Union (EU), Sweden, Finland and Denmark are among the major donor partners with earmarked funding to the ASALs.

5. Background and Theory of Change

5.1 Context

This engagement targets the ASALs of Northern and North-Eastern Kenya. These drylands are home to the poorest counties in the country, which per definition are characterised by limited water availability and recurrent drought. ASAL counties are considered to be seriously water stressed. ASAL areas constitute about 80% of the land area of Kenya and are home to approximately 20% of its people. Poverty in the ASALs is very high, with an average poverty index of around 70% and with some areas, including some of the counties targeted for this engagement, as high as 80%. With high levels of population growth in the ASALs, poverty is likely to grow unless major investments are made in ASAL services and productive sectors.

The latest available population census (2009) indicated that 67% of Kenyans (26 million) lived in rural areas, and of these only 49% has access to improved and safe sources for their domestic water supply. Due to the scattered population, the costs of providing water services are high. Coverage in ASALs outside the towns is significantly lower than the national average for rural areas. No proper figures exist, but the rural coverage in the ASALs is probably not more than 10–30%. Coverage levels in these drylands will be further challenged by high population growth.

Water supply in the ASALs involves direct use of natural water sources (such as rivers, streams and springs), developed surface water (such as earth dams, sand/subsurface dams, tanks and pans), developed groundwater (such as wells, shallow wells and boreholes), water vendors and emergency water supply by the government using tankers. Since the ASALs are located downstream of the major catchment areas of Kenya, water resources availability in the ASALs is impacted by water management in the upper catchments. The downstream ASAL portions of the water catchments are classified as ‘low potential’ areas for agriculture, while the upper (non-ASAL) portions of the watersheds are considered as ‘high potential’ — resulting in a lesser and shrinking share of allocated rights to water extraction in downstream areas.

The economy and current land uses of the arid areas are dominated by mobile pastoralism, while in the semi-arid areas, pastoralism is mixed with rain fed and irrigated agriculture, and small-scale businesses based on drylands products. These areas support 70% of the country’s livestock. Access to water plays a crucial and often limiting role in most of the productive activities in the ASALs. Water investments in the ASALs have more often than not been poorly planned with limited coordination and strategic considerations of locations, often with negative impacts on livestock mobility, and poor development

of systems for sustainability of the services. Integration with considerations of water resource management has also often not been the case.

Local and physical drivers of environmental degradation and poverty have been compounded by other forms of socio-economic marginalization, including: political marginalization; increasing inequality; land fragmentation and loss of access; insecurity and resource conflicts; and a lack of human and institutional capacities, basic education, communications and investments. Systems for regulating access to water, land and resources in the ASALs, especially impacting mobile livestock production, have been increasingly eroded, leading to degradation of resources and undermining of the productivity in the sector. Notwithstanding, at present, water supply and livestock production in the ASALs are notably green sectors with relatively low carbon and water footprints that provide a livelihood to large sections of the population.

Many economic activities in the pastoral livestock sector and other sectors, including various forms of trade and service provision, take place informally, without recognition or regulation by the local authorities. The provision of services in the ASALs, including water supply, education, markets and financial services requires service providers to cover large geographical areas, reaching populations that are frequently mobile, and operating under conditions of insecurity.

Kenya is very vulnerable to climate change due to the significant economic dependence on natural resources sectors such as agriculture, livestock, wildlife and tourism. The vulnerability is pronounced in the ASALs where the effects of frequent and severe drought events are already evident. Water availability and associated infrastructure is significantly negatively impacted, with serious impacts on ASALs people and productive sectors.

The ASAL areas are faced with conflicts over resources and relatively high levels of insecurity. Access to water is affected and so are opportunities for water investments. Insecurity and conflicts are more severe in areas where resource competition is high and where there are impacts from neighbouring conflicts.

The GoK has policy targets on developing the ASAL region including improved livelihoods for the population. This includes drought management and relief as well as the development of water and the economic sectors to enhance the resilience of communities in the ASALs and improve their livelihoods. The ASALs are well recognised as a policy priority by Government.

Article 43 of the Constitution of Kenya (2010) has enshrined the principle that *‘Every person in Kenya has the right to clean and safe water in adequate quantities and to reasonable standards of sanitation’*. The Country’s blue print for development, Vision 2030, states that the role of water sector service provision is to endeavour to *“reverse the declining trend of water availability per capita, increase access to safe water and sanitation, increase area under irrigation and reclaim arid and semi-arid lands for productive use.”* The Government foresees the role of the WSTF in attaining the Vision 2030 goals for water and sanitation in the Second Medium Term Plan 2013-17 as follows: ‘strengthening the WSTF in order to ensure that the less fortunate and vulnerable members of society who mostly live in the rural areas and the informal settlements are catered for’. The National Water Master Plan 2030 provides for a conceptual approach to the management of water resources in Kenya, which seeks to address the adverse effects of deforestation and catchment degradation, soil erosion and pollution and provides for the preservation of watersheds and habitats, and the management of irrigation and drainage systems.

Devolving the government services to the counties has promoted growing political mobilization of local leaders from the ASALs, public participation in democratic processes, decentralization of budgetary and administrative powers and new thinking about community resource management. ASAL

communities now have opportunities for a stronger voice in their local economic and environmental decision-making, and also in the national government. County Integrated Development Plans (CIDPs) have been formulated by the ASAL County governments, outlining strategies to integrate local economic development and environmental management. WSTF collaboration with counties has made it increasingly possible to invest in water and sanitation schemes that are in line with local priorities and more sustainable.

5.2 Justification

The engagement addresses provision of water and sanitation services and management of water resources in the poorest and most underserved ASAL counties of Kenya. These services are key aspects in addressing poverty reduction, inclusive green growth, rights and sustainable management of natural resources in the ASALs. The engagement is in line with key objectives of the Strategy for Danish development cooperation ‘*The Right to a better life*’. WSTF is mandated, in collaboration with the Counties, to provide water and sanitation services and promote water resources management to underserved poor areas of Kenya. Droughts are frequent and impact of climate change significant. Improving water access and water resources management in the ASALs can contribute to improved resilience and socio-economic development of ASAL communities. Improved access to water for human and livestock use as well as provision of sanitation, benefit communities including the poorer segments, and it provides opportunities for promoting green growth.

WSTF has established delivery mechanisms and partnerships with counties, and they have proven to be one of the more effective instruments to address the challenges of limited access to water and sanitation and poor water resources governance. This engagement is an opportunity for ensuring aligned and harmonised support that has a strong aspect of reaching out widely to people in Kenya with tangible investments. A contribution to WSTF to work in eight ASAL counties, and in general following the established strategies and procedures of WSTF, is considered an effective and efficient way of promoting inclusive and green growth in the ASALs.

WSTF has, since 2011, been involved with implementation of support in water resources, water supply and sanitation to six ASALs counties through Danida funding. A current Medium Term ASAL Programme (MTAP 2) is ongoing through Danida and EU (under the Supporting Horn of Africa Resilience Programme) funding and running up to December 2015 (Danida) and 2018 (EU). So far WSTF has implemented the programs in a satisfactory way and has achieved the physical targets set for the programs. Impacts on water and sanitation services have been important, although there are issues of sustainability and there are continued needs for follow up on investments, as well as major additional needs in the ASAL counties. Follow up to the previous investments, building on the achievements and lessons learnt, and reaching out to more ASAL communities constitute a major part of the justification for this engagement.

This engagement makes it possible for WSTF to expand its operations to now include eight of the poorest ASAL counties in Kenya, thereby contributing towards achieving more equal national development. The two new ASAL counties (Turkana and Mandera) included in this engagement, in addition to those six targeted under the current Danida support under MTAP to WSTF, are very arid, poor and underserved. The engagement builds on lesson learnt from previous support (including support from Danida) to water resources management and water and sanitation services to the ASALs. Lessons learnt show that coverage can be improved even under difficult conditions, but also highlights challenges and the need to adapt approaches to ensure effectiveness. This engagement will address these challenges of delivery and sustaining of investments and will utilise the updated approaches to address the problems in the ASALs.

Access to water and management of water resources are among the main drivers of change in the ASALs. Improving water access and resources management opens new areas for drylands production and can increase carrying capacity of the rangelands, if strategically placed and managed. Drylands fodder and crop production is also promoted and is generally seen as one, intervention, among others, that can contribute to resilience of people living in the drylands. Improved water access and better and more strategic management of water resources can be an effective contribution to positive drivers of change with positive impact on poverty reduction and increased productivity in drylands production systems. Access to water also promotes businesses linked to ASAL production and linked to services for the ASAL populations. Drylands economic potentials can be unlocked with positive impact on green growth.

The engagement has a strong focus on reaching the poorest segment of society and of impacting positively on domestic and productive needs of the ASAL communities. Water service needs are relevant to all sections of society in the ASALs, including particularly the poorest of the poor. WSTF and the counties will target investments to the most needy areas and the actual investments will be implemented following guidelines that seek to ensure benefits also to the poorest in the respective investment areas. Community involvement will be in focus and capacity development in water planning and implementation will be provided to counties and implementing agents. Promoting indigenous knowledge through community participation will enhance sustainability through ownership at grassroots level.

The investments under this engagement are complementary to other water investments in the water sector in the ASALs. Where this engagement has a focus on small and medium sized investments in water, other programs have a focus on large water infrastructure investments. Together they have the prospect of ensuring more impact through continuous and strategically spread out access to water in the ASALs. Water infrastructure will be climate-proofed and use green technologies when appropriate. Strategic water planning and provision will facilitate green growth opportunities specifically within the pastoral sector in the ASALs.

The engagement will support WRUAs to carry out activities in the Sub-Catchment Management Plans (SCMPs) for protection and conservation of the water resource and surrounding ecosystem. Water development and livelihood activities directly linked to improved management of the catchment and identified through the local planning processes can be supported in accordance with the revised WRUA Development Cycle (WDC) manual. Supporting livelihoods activities is not a WSTF mandate and will only be done where it provides a direct and logical link and where mechanisms for implementation and sustainability are identified.

Devolved county governments represent an opportunity to bring development closer to people, however county governments, especially in the ASALs, face serious constraints in terms of capacity. Under this engagement, WSTF will, in accordance with the foreseen role in the Water Bill 2014, engage with the counties in order to identify priority needy areas and interventions for water and sanitation projects as elaborated in the CIDPs. This is in recognition of the fact that the Constitution establishes that water and sanitation are county mandates, and WSTF has the statutory mandate to finance the underserved and marginalized for water services by mobilizing resources, developing and regularly reviewing funding mechanisms for projects. WSTF engagement with counties is a crucial process in supporting more sustainable water and sanitation services.

Security is a major problem in the ASALs, impacting negatively on people's access to water and land and hence on livelihoods and on the prospect for improving production and green growth. The planning and implementation of water infrastructure will take conflict and security issues into

consideration and will, through participatory processes for planning water resource management and water services seek to have a positive impact on reducing conflicts.

Communities in the ASALs are faced with, like other areas of Kenya, challenges in terms of gender equality. This engagement has been developed to promote gender equality. WSTF applies measures to promote gender equality in their investments. This includes guidelines for and implementation to promote participation of youth and women in decision-making processes and local institutions related water resource management, water and sanitation investments. Water and sanitation investments have very real impacts on women that the engagement is seeking to promote.

Governance issues around water investments and access in the ASALs are numerous. WSTF is working actively to solve governance issues by seeking to avoid political interference in water investments and to build capacity for inclusive management of water and water resources. PANT¹ principles in WSTF operations are being actively promoted through focus on participation by and democratic involvement of people in water and water resources decision-making, with promotion of accountable and transparent management structures within WSTF and in the investments supported by WSTF, and with anti-corruption measures in focus and further being applied by WSTF. This, together with the focus on securing rights to water and sanitation, rights to food, and rights to resources, indicates that this engagement addresses key problems in the ASALs following a Human Rights Based Approach (HRBA).

Sustainability issues with water infrastructure are known to be a major problem and specifically so in the ASALs. Lessons learnt from previous support indicate that problems of sustainability have not been fully solved. This engagement will stress the sustainability aspects of the investments through better identification, planning and collaboration with stakeholders, seeking to work with entities with the best prospects for sustaining services, building capacities further, and by putting more emphasis on monitoring and follow up. Sustainability in funding of WSTF operations builds on increasing the amount of Government funding, leveraging county budgets for water and sanitation projects, and from a broader array of partners financing WSTF including development and private sector partners. Prospects for WSTF financial sustainability are assessed to be relatively good.

WSTF has a number of competitive advantages in financing and supporting the implementation of water and sanitation and water resources management. These include: (i) a statutory mandate for providing financial support for increased access to water and sanitation services to marginalised and underserved across the country; (ii) adequate human capital, technical and operational capacity to handle diverse partnerships and expectations from partners; (iii) tried and tested funding systems with continual review for continuing suitability and responsiveness to the dynamic sector demands and operations; (iv) experience in effectively managing government and donor funded programmes, having appraisal systems and monitoring structures focused on pro-poor interventions for underserved areas in Kenya; and (v) a mutually beneficial network of partnerships in the Water Sector with other State and non-State actors. The competitive advantages of WSTF portray an organisation where investments to reach the poor and underserved ASAL areas with water and sanitation services have a wide reach and represents good value for money.

5.3 Lessons learnt

Danida has supported WSTF since 2011 for activities in ASALs. The lessons learnt from this support and from other WSTF support directed to the ASALs are summarized below:

¹ PANT: **P**articipation, **A**ccountability, **N**on-corruption and **T**ransparency.

- The implementation in the ASALs has stressed the need for enhanced follow-up, monitoring and control activities in order to ensure efficient implementation and sustained infrastructure. WSTF will, through County Resident Monitors (CRMs) and closer collaboration with the counties improve follow up, monitoring and evaluation to ensure efficient implementation and sustainability. WSTF has engaged County Resident Monitors with relevant skills who will monitor the whole programme cycle. The CRMs will, within the framework of their assignments, be able to address technical, social and financial issues related to all WSTF Projects and will be based within each County where WSTF-funded projects are implemented. They will work closely with WSTF’s implementing agents such as the Water Resources Management Authority (WRMA), Water Resources Users Associations (WRUAs), Community Based Organizations (CBOs) and Water Services Providers (WSPs). The CRMs will be the liaison persons on the ground between the County, implementing agents, other stakeholders and WSTF. This harmonized monitoring of WSTF programmes at County level is intended to streamline WSTF’s activities. Where Danida and EU programmes are implemented in the same County, the Resident Monitors in that County will monitor both programmes.
- Projects in ASALs require strong involvement of communities, as they are often the only option for outreach to many of the underserved areas. Limited capacities for such specific project implementation are often found, and continued capacity building to enhance proper governance, financial management and projects implementation is needed. WSTF strategy is to include capacity building as part of programme to ensure proper implementation, governance, management and sustainability of projects.
- Delays and a variable degree of support to WRUAs negatively impact implementation of water resources management activities. The water resources management activities have also seen problems in terms of actual involvement of WRUAs. A more concerted effort with stronger use of service agents and/or engagement of WRMA is needed to improve the water resources management activities. The previous support has ensured that WRUAs now are in better position to expand on their activities.
- Issues of insecurity have a negative impact on implementation in selected areas in the ASALs. There is a need to further engage with national and county government mechanisms in project planning and implementation to navigate and combat security issues. This includes addressing issues of resource allocation and gaining support on security issues.
- When investing in the ASALs, it is important that prior planning takes into account the need for climate-proofed infrastructure to ensure needs based intervention and shield against extreme weather conditions. WSTF will carry out field and feasibility studies to ensure application of appropriate infrastructure and technology.
- Close collaboration with county government is crucial to sustain impact, secure policy and financial support, and support growth. The devolved county governments have a key role to play in water and sanitation and water resource management. Integrated planning, ensuring clever and strategic investments in water and sanitation, is often difficult to implement. WSTF will increasingly work with county government. Use of inputs to CIDP, better data and promotion of integrated planning is important.
- Inclusion of gender equality and participation of vulnerable groups has been a challenge in many of the ASAL areas, although some progress has been made on this. WSTF has a focus on gender equality and seeks to improve gender equality and inclusion in its work. WSTF will continue to promote this in its operations.
- Delays in disbursement are likely to happen, and there is need plan for and take into account such delays in order to have a more realistic planning process.
- Capacity of implementing agents is an issue especially in the ASALs. WSTF strategy will need to include ways to ensure capacity building and support to the processes from qualified service agents or support organisations.

- There is a need for equity within the county in project targeting is key and the criteria developed needs to ensure this.
- Need for sustainable, bankable projects for efficient service delivery with value for money.

5.4 Narrative for Theory of Change

The long-term goal of this engagement is captured within the WSTF mission statement of ‘assured water resources availability and accessibility of water and sanitation by all’ and directed by the WSTF commitment to reach out further to the underserved ASAL counties. The long-term goal is ‘enhanced water resources management and investments in selected ASAL counties for improved and sustained access by communities and households to water and sanitation for their domestic and productive needs’. To achieve this goal, several major challenges needs to be overcome including:

- Limited resilience and productivity due to poor access to water and sanitation;
- Insufficient investments for addressing water stress in underserved ASAL areas;
- Inadequate county capacities in water planning, implementation and follow up;
- Poorly planned water infrastructure in ASALs with negative impacts on drylands resilience and productivity;
- Issues of water and sanitation sustainability due to low investments;
- Ineffective water resources management;
- Limited capacities of those implementing and sustaining water and sanitation services;
- Inadequate application of the multitude of delivery mechanisms for water and sanitation services and water resource management; and,
- Insufficient WSTF capacity to ensure optimal quality of support services in a context of devolved counties.

These challenges are interrelated and there a number of changes that needs to be supported to address the challenges. Firstly, a fundamental change is required in the ASALs, one that focuses on increasing investments to improve access to water and sanitation services, so that the coverage can be increased and more people can be reached. This engagement will make finance available for such investments. It is assumed that there will also be a continued financing for the ASALs from other partners. Such investments alone, however, will not be enough to change the situation. There is a need to improve on the system for delivering of such investments.

One way of doing this is by improving the capacity of ASAL counties in water related planning as well as building capacities of implementing agents to ensure better implementation and sustainability of the investments. This engagement will contribute to enhanced capacities of counties and implementing agents including communities, through specific capacity building initiatives and through the implementation approach guiding the investments, which will involve the target beneficiaries. An important assumption for this change to happen is that counties and communities are willing and able to collaborate with WSTF and that the risks of political interference and insecurity can be negotiated.

Another necessary change to ensure enhanced water services access, is to improve water resources management in the ASALs. Improved water resources management can contribute to increased supply of both ground and surface water that is needed for sustainable investments in water infrastructure. Linking the two changes is clearly important. This engagement will contribute to changing the water resources management in selected areas of the ASAL counties. To achieve this change it is assumed that communities are able and will continue to integrate well with the work on water catchment management and the risk of insufficient support from WRMA can be negotiated. For this change to

happen there is also need for the building capacities of counties and WRUAs, which is also included in the work under this engagement.

There is need to change the current amount and quality of knowledge about alternative private sector led delivery mechanisms for water and sanitation services to the ASALs. This engagement will contribute to this change and it will have potential important implications for future service delivery mechanisms.

WSTF institutional performance in the context of delivering effective support to devolved counties needs to be strengthened. Improved performance by WSTF will be supported by Danida through provision of long and short term technical assistance. This change will in turn impact positively on the delivery of other engagement outputs.

5.5 The outputs of this development engagement contribute to the engagement outcome and to the four WSTF strategic objectives and are aligned with the WSTF portfolio outputs in the ASALs. They will be implemented in the following ASAL counties: Lamu, Tana River, Garissa, Isiolo, Marsabit, Wajir, Turkana and Mandera, and they are:

- Output 1. ASAL counties capacity and engagement in water related planning improved.
In this output, WSTF will collaborate with eight ASAL counties to identify priority needs with focus on the CIDPs for water and sanitation infrastructure and interventions. The collaboration will involve community participation mechanisms to validate and improve the CIDPs. The counties' capacity will be developed. The engagement will result in consensus over climate-proofed technologies, and investments that embrace green growth aspects. Counties will be assisted in water point mapping and data collection of impact of investments to create better overview of coverage and sustainability, which is needed for planning and improvement of the CIDPs.
- Output 2. Water and sanitation access and deficit in the ASALs addressed.
In this output, 56 new and county prioritised water and sanitation services delivery systems, each consisting of several investment schemes of varying size, will be developed and implemented in eight counties. The water investments will be climate-proofed, and use green technologies as appropriate with a view of contribution to green growth. Water and sanitation services will be targeted at investments with highest impact on communities and households. WSTF will finance implementing agents including registered county entities and CBOs to implement the water and sanitation schemes through oversight by WSTF County Resident Monitors, Programme Officers as well as the County.
- Output 3. Sustainable and community-based management of water resources improved.
This output will support 56 WRUAs focused on the eight ASAL counties to carry out activities in the Sub-Catchment Management Plans in order to improve water quality and quantity and promote sustainable and community-based management of the land and natural resources in the sub-catchment area. This includes: protection and conservation of water resources and riparian lands through fencing, riparian pegging, tree planting, etc; regulation of water use and equitable distribution through bulk metering; scout activities along sub-catchments to protect against illegal abstractions of water and other destructive practices; and construction of water storage and conservation infrastructure e.g. sand dams and water pans among other activities. These activities will be implemented in collaboration with the Water Resources Management Authority (WRMA) with whom WSTF has an MOU. Activities will include supporting small-scale water management investments and

natural resources related livelihood activities linked to improved catchment management. Implementation will be in line with the revised WRUA development cycle. Under the cycle, WRUAs are funded for specific activities in the Sub-Catchment Management Plan for each level and can only be funded for a new level (graduated) once the previous level is successfully completed and accounted for. This begins with Level 1 where the WRUA is funded to prepare the Sub-Catchment Management Plan supported by the Water Resources Management Authority, and ends in Level 4 where a mature WRUA is able to implement advanced water resources management activities including infrastructural, and may work as an agent of WRMA in regulation activities. This WRUA may also be able to advance to more economic activities such as eco-tourism.

- Output 4. Capacity of implementing agents (WRUAs, CBOs, WUs) improved.
This output will support the training of implementing agents in the eight target ASAL counties involved in water resources management and service provision in subjects relevant for improving their capacity for delivering on catchment management and water and sanitation services. Implementing agents will include those already legally registered and those in a process to be so. Capacity development will include issues such as financial management, procurement, governance, oversight and maintenance among others. These may also include exchange visits among the agents for lessons on best practice, as well as training on project management and sustainability.
- Output 5. Experience generated from public private partnerships in water provision in the ASALs.
This output will seek to pilot models for collaboration between public sector and private sector actors in provision of water services and water resource management in the ASALs. This might include CSR activities and green technology application in water provision in selected ASAL areas in one or two of the selected ASAL counties and will aim at producing lessons learned on models for increased water service coverage and promoting sustainable drylands productive opportunities.
- Output 6. Strengthened institutional performance of WSTF.
This output will strengthen the institutional performance of WSTF to deliver better on the WSTF mandate in the counties. Specifically, the delivery in the eight targeted counties will be improved through the posting of WSTF county resident monitors, who will support counties and communities in capacity building, planning and monitoring of the water and sanitation services and the water resource management. The output includes training needs for programme and monitoring staff of WSTF where these are identified.

5.6 The strategy for delivery of the outputs will build on WSTF lessons learnt and updated strategies. Linking water investments with water resources management will be pursued. Under the programme, the aim is to implement water supply and sanitation projects in target locations having an approved Sub-Catchment Management Plan (SCMP). This approach will create the necessary link between water resources management and utilization. The linkage promotes increased sustainability and productivity as it makes it imperative for communities to protect the resources they use. In the event that a location is identified, which is underserved but falls in an area without a SCMP, the community will be mobilized and supported to form a Sub-Catchment Management Plan and commence water resources management activities in subsequent levels. The strategy will ensure that water investments and water resource management are the focus in the implementation and with sanitation integrated in investments whenever relevant and needed.

- 5.7 To deliver water and sanitation services to ASAL communities, the strategy is to involve implementing agents that are accountable and strong enough to sustain services. Sustainability of water services is a major issue, which the strategy for delivery will address, and therefore WSTF stresses the need for increasingly working with registered water service providers/utilities. The strategy for implementing this engagement will be to primarily finance implementing agents that are registered water service providers/water utilities or in process of being registered as such. Implementing water and sanitation projects through CBOs will be undertaken, but with the aim of strengthening them and supporting them to become legally established water utilities. Water and sanitation services will be supported in areas that have a good track record of implementation and where further needs are identified, but also in new underserved areas where needs are high. A balance between funding established agents and new ones would have to be struck based on assessment of needs and county priorities. In new areas, CBOs will be supported towards becoming stronger organisations for water services and again with the aim of being registered as water utilities.
- 5.8 The support to WRUAs will be focused on supporting improved management of water resources including catchment management. Catchment management in the ASALs includes management of the range linked to the water investments and resources. Activities for improved catchment management will be supported and part of this can be support to improved livelihoods directly related to catchment management under the WRUAs.
- 5.9 In order to ensure that communities are supported to plan and implement water and sanitation investments and water resources management. WSTF will seek to engage relevant technical support capacities that can work with communities to facilitate quality planning and delivery. Depending on the situation in the respective counties and the status of the new Water Bill, the support functions will include use of service agents, use of WRMA, and/or use of counties. The contracting of such support capacities will be financed under outputs 2 and 3. WSTF has an existing MOU with the WRMA who provide technical support to WRUAs in SCMP preparation and implementation. Lessons learnt shows that this support needs to improve, and depending on the status of the new Water Bill, WSTF will assess the support modalities, which might include going forward with an enhanced and revised MOU with WRMA, where WSTF gives 15% of all WRUA direct funding to WRMA for oversight and technical support to WRUAs.
- 5.10 Water resource management does not follow administrative boundaries. The strategy will include options for supporting shared catchment areas and inter-county WRUAs. This will include possibilities of support to WRUAs outside the county's targeted in this engagement if catchment plans necessitate this. Such support will go through the primary WRUA recipient inside the target counties.
- 5.11 The water sector framework and the conditions in the respective counties, where the investments and support will be provided, are likely to vary and undergo changes. Politics, droughts and security situations also impact the context under which this engagement is implemented. Flexibility in the implementation of the engagement including the level of involvement in each of the different eight counties is needed.

6. Development Engagement Objective

- 6.1 The overall vision for the partnership is to support the Government and people of Kenya in implementing their *Vision 2030* to create 'a **globally competitive and prosperous country with a high quality of life by 2030**'.

- 6.2** The thematic Green Growth and Employment Programme aims to support Kenya’s **“inclusive greener growth with higher employment”**. Implementation of the programme will translate to (i) increased sustainable growth and jobs from investment and trade especially for women and youth, and (ii) improved community resilience and sustainable utilisation of natural resources for better business and improved livelihoods. The objective of this development engagement is to support WSTF’s contribution to the GGE thematic programme through a partnership between the parties for advancing in the ASALs the goal set out in the WSTF Strategic Plan (2014–19) of ‘assured water resources availability and accessibility of water and sanitation by all’.
- 6.3** The outcome of this development engagement, as expressed in WSTF’s Strategic Plan is **‘enhanced water resources management and investments in selected ASAL counties for improved and sustained access by communities and households to water and sanitation for their domestic and productive needs’**.
- 6.4** In realising the above outcome, the following outputs will be generated:
1. ASAL county capacity and engagement in water related planning improved.
 2. Improved access to sustainable sources of water in the ASALs
 3. Sustainable and community-based management of water resources improved
 4. Improved capacity of and engagement by implementing agents (WRUAs, CBOs and Water Services Providers) for planning and efficient water service delivery
 5. Enhanced experience for promoting public private partnerships in water provision in the ASALs
 6. Strengthened institutional performance of WSTF
- 6.5** The outputs and the concomitant changes are linked and combined, these changes will contribute to the engagement outcome of ‘enhanced water resources management and investments in selected ASAL counties for improved and sustained access by communities and households to water and sanitation for their domestic and productive needs’. For the outcome to materialise a number of additional important assumptions are made, namely that drought frequency is not further increased from the current level, that conflicts are not spreading in the ASALs, and that mandates in water and sanitation services and management will continue to be sufficiently clear for effective WSTF implementation.
- 6.6** Improved and sustained access by communities and households to water in the ASALs will contribute to positive changes in productivity specifically in the livestock sector by opening new and more areas for grazing, by improving fodder production, by improving conditions for increased drylands crop production and by removing obstacles to small-business development. Strategic development of water in the drylands unlocks ASAL economic potentials that promotes green growth and contributes to increased employment and community resilience.

7. Results Framework

- 7.1** WSTF is responsible for monitoring and reporting on the progress and achievements of the development engagement using its own results framework and M&E system as detailed in Section 12 below. The parties have, however, agreed that the Danish Embassy will use the following results framework, with a limited number of outcome and output indicators for reporting to the Danish constituency. Data to inform the reporting will be supplied by WSTF as part of the routine monitoring of the engagement.
- 7.2** The parties have agreed to measure progress and performance by the following key outcome and output indicators. Within the first ½ year of implementation WSTF will establish annual targets for these indicators.

Outcome		Enhanced water resources management and investments in selected ASAL counties for improved and sustained access by communities and households to water and sanitation for their domestic and productive needs	
Outcome indicator		(i) Number of people with sustained coverage for improved water and sanitation services in eight ASAL counties (ii) Areas under improved water resource management in eight ASAL counties	
Baseline	Year	2015	(i) To be developed in Year 1 reflecting updated on-the-ground water and sanitation coverage (ii) 4000 km ²
Target	Year	2020	(i) 150,000 new consumers reached with sustained water and sanitation services (ii) 9600 km ²
Output 1		ASAL counties' capacity and engagement in water related planning improved	
Output indicator		Counties effectively using water and sanitation data for planning in CIDPs and perform their regulatory functions	
Baseline	Year	2015	No water and sanitation data available and limited capacity for using data and regulating services
Target	Year	2020	8 counties using and updating water and sanitation data for improved planning and follow up and perform regulatory function
Output 2		Water and sanitation access and deficit in the ASALs addressed	
Output indicator		(i) Number of people with new services from WSTF in this engagement (ii) Number of people receiving an improved and sustained service from WSTF in this engagement as a % of new people reached	
Baseline	Year	2015	(i) 0 (ii) 0
Target	Year	2020	(i) 56 projects reaching 150,000 new consumers (ii) 80%
Output 3		Sustainable and community based management of water resources improved	
Output indicator		Number of WRUAs graduating to next level of performance for water resource management	
Baseline	Year	2015	35 WRUAs at different level of performance
Target	Year	2020	56 WRUAs are able to move to the next (higher) level of funding and implementation of SCMP activities (including new and existing WRUAs)
Output 4		Capacity of implementing agents (WRUAs, CBOs and WUs) improved	
Output indicator		(i) Number of successfully implemented projects by WRUAs and WUs (ii) Revenues collected as a percentage of operating cost by WUs	
Baseline	Year	2015	(i) 54 WRUA projects and 68 WU projects (ii) Baseline to be developed Year 1
Target	Year	2020	(i) 110 WRUA projects and 114 WU projects (ii) Progressive improvement that are reported (% to be established)
Output 5		Experience generated from public private partnerships in water provision in the ASALs	
Output indicator		(i) Number of innovative funding and management approaches reflected in WSTF programme (ii) Difference in amount of revenue collected in comparison to that of projects with normal approaches	
Baseline	Year	2015	To be established in Year 1
Target	Year	2020	Increased number of approaches established and with wide application
Output 6		Strengthened institutional performance of WSTF	
Output indicator		WSTF has access to and able to analyse regularly updated data on water and sanitation coverage in counties	
Baseline	Year	2015	Baseline data on WSTF implemented projects and some data on county

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			coverage exist
Target	Year	2020	Full updated overview of coverage in the counties

8. Risk Management

8.1 The main risks to the achievement of the expected outputs and outcomes within the implementation period are related to contextual risk (security and conflict, droughts), programmatic risks (uncoordinated developments, unclear devolution mandates) and institutional risks (capacity, planning and funding). The risks are related to the risk management system of WSTF as expressed in the Strategic Plan. The risks are summarized in the table below:

Risk Factor	Likelihood	Background to assessment of likelihood	Impact	Background to assessment of potential impact	Risk response	Residual risk
PROGRAMMATIC RISKS						
1. Insecurity and cross-border violence impacting part of the ASAL areas	Likely	Insecurity is a major problem in ASALs. Spill over and radicalisation from Somalia into northern Kenya	Significant	Economic, political and social disruption caused by violence and extremism. Investments hindered.	Government programme on disarmament. Regional and local planning, dialogue and coordination. Locally driven investments and maintenance	Major
2. Inter-communal conflicts linked to competition over resources	Likely	On-going conflicts related to ASAL natural resources are happening from time to time	Major	Delayed or stalled implementation of needed water investments	Planning include conflict risks. Engagement with County government for support and community cohesion	Minor
3. Drought events impacting livelihood of people	Almost certain	Increasing frequency of droughts related to climate change	Significant	Water sources dry up and decline in productive activities (livestock, agriculture)	Water investments and water resource management aimed at building resilience of ASAL communities	Major
4. Devolution of water services creating unclear mandates	Unlikely	Pending enactment of Water Bill, mandates are relatively clear, with only some areas of overlap	Major	Unclear mandates interfering in the work of WRUAs and Community groups therefore delaying implementation	Continued engagement with county government, WRMA and County WSPs. Adapting programme to devolution development	Minor
5. Low capacity in management of some implementing agents/communities	Almost certain	Experience in ASAL water interventions have proved that management capacity is a central problem	Major	Investment projects are delayed and not properly implemented with less than expected positive impact on coverage	Ensure that capacity building of implementing agents/communities is addressed and projects are being followed up. Ensure audit / monitoring	Minor
6. Delays in WRUA proposal process	Unlikely	Delays experienced in proposals but has increasingly been addressed by WSTF	Major	Water resource management is not being supported and implemented timely	Continued engagement with WRMA and improved utilisation of support from service agents	Minor
INSTITUTIONAL RISKS						
7. Unplanned and uncoordinated development, e.g. of water developments	Likely	Developments motivated by short-term political gain and uncoordinated actors	Significant	Incorrectly sited water investments disrupt livestock mobility and promote	Planning water investments take livestock production and human settlements into consideration. Work	Major

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Risk Factor	Likelihood	Background to assessment of likelihood	Impact	Background to assessment of potential impact	Risk response	Residual risk
				unplanned settlement	with CIDPs	
8. WSTF funding situation – donor dependence	Likely	WSTF has attracted a broad array of donor investments, and is likely to continue to do so	Major	High donor dependency on investments	Continued high level dialogue to increase GoK funding to WSTF.	Minor

9. Inputs

9.1 WSTF is supported by a range of donors and with funding from GoK. WSTF has a current total allocated budget to investment in ASAL counties including funding from this engagement of around KSH 5 billion for the period 2016-2020. Danida contribution will constitute around 20% of the WSTF investments in the ASALs. The Danida funds will be restricted to specific ASAL counties.

9.2 Presented below is the output based budget for this development engagement and an overview budget with yearly contributions from Danida and contributions from WSTF and other DPs.

Development Engagement: Access to and Management of Water Resources in the Arid and Semi-Arid Lands						
Outputs	Budget in DKK million					
	2016	2017	2018	2019	2020	Total
Output 1: ASAL counties capacity and engagement in water related planning improved	2.00	1.50	1.00	0.50	0.50	5.50
Output 2: Water and sanitation access and deficit in the ASALs addressed	7.00	7.00	7.00	3.50	3.00	27.50
Output 3: Sustainable and community-based management of water resources improved	2.50	2.50	2.50	2.00	2.00	11.50
Output 4: Capacity of implementing agents (WRUAs, CBOs, WUs) improved	1.50	1.00	0.50	0.50	0.50	4.00
Output 5: Experience generated from public private partnerships in water provision in the ASALs	0.50	0.50	0.50	0.25	0.25	2.00
Output 6: Strengthened institutional performance of WSTF	2.00	2.00	1.00	0.50	0.50	6.00
Technical assistance/consultancies (long and short)	2.00	1.00	1.00	0.50	0.50	5.00
Audits	0.16	0.16	0.16	0.16	0.16	0.80
WSTF management fee 5% of output 2 and 3	0.44	0.44	0.44	0.44	0.44	2.20
Contingencies	0.10	0.10	0.10	0.10	0.10	0.50
Grand total	18.20	16.20	14.20	8.45	7.95	65.00

Engagement budget per year with DP and GOK contribution to WSTF investment budget in ASALs in KSH million

	2016	2017	2018	2019	2020	Total	%
Danida	273	243	213	127	119	975	18
GOK	100	100	150	150	100	600	11.1
DP*	1,050	1,050	800	400	450	3,750	69.4

* DPs funding rural investments in the ASAL areas including EU, Sweden, Finland and IFAD

9.3 Procedures for budget re-allocation in WSTF are established with each partner. For this engagement the budget re-allocation between outputs will have to be agreed between WSTF and Danida.

9.4 In the budget above (9.2), the various budget lines are explained as follows: (i) Output 1: Engagement with the Counties including progressive improvement of the CIDPs and support towards data collection for enhanced monitoring and database development. GIS mapping is anticipated in this output. This will also include community mobilization, (ii) Output 2: Water and sanitation infrastructure investments will be designed and developed with sustainability and green growth aspects taken into consideration. Includes a provision for support/service agents where necessary. (iii) Output 3: Implementation of sub-catchment and water resources conservation and protection activities by the WRUA as formulated in the SCMP. Includes a

provision for support/service agents where necessary, (iv) Output 4: Training and capacity building of implementing agents (WRUAs, CBOs, WUs) in relevant topics, (v) Output 5: Cost of exploration in practice various innovative project funding, implementation and management approaches that involve the private sector, (vi) Output 6: Budget items that fall under the institutional strengthening of WSTF including Project monitoring and evaluation which includes hiring of County Resident Monitors, and any relevant and project related training needs for the programme and monitoring staff, (vii) Technical Assistance will include long term and short term consultancies foreseen to enhance the technical capacity of WSTF in specified identified areas relevant to implementation of the engagement, (viii) The 5% is the Management Fee contributed by all Financing Partners to WSTF and is a percentage of the direct project costs. This contribution goes to meeting the overall administration / operational needs of the Fund at the institutional level such as communication, publicity; office running etc. (ix) The contingency is for any unforeseen capacity requirement which may prove necessary during the life of the programme.

- 9.5** The Long Term Technical Assistance (TA) will provide programme and institutional support to WSTF in the areas of monitoring and evaluation, sustainability aspects of service delivery, lessons learning from WSTF ASAL implementation, as well as innovative approaches to implementation of water resource management and water and sanitation services delivery in the ASALs. The funds allocated for TA will not be disbursed to WSTF. They will be managed by the Danish Embassy in accordance with the Danida procurement rules in close consultation with WSTF. Requisite short term TA will be identified by WSTF in agreement with Danida during the life of the programme.

10. Management Arrangements

- 10.1** The overall principles for management of the present development engagement are described in the implementing Partner Agreement to which this document is annexed.
- 10.2** WSTF is managed by a Board of Trustees appointed by the Minister and holding office under a Trust Deed drawn up by the Minister (Ministry of Water and Irrigation). The Board is responsible for developing and applying principles for WSTF funding and for achieving WSTF objectives. The Board approves all budgetary components of WSTF. WSTF's progress is assessed by its Board of Trustees at regular Full Board and Board Committee meetings and reported in the organization's annual reports. Programme activities are discussed through the quarterly Steering Committee Meetings where Financing Partners are members.
- 10.3** The daily management of the present engagement is undertaken by WSTF as part of their established management structures with technical and management staff and headed by a CEO who reports to the Board of Trustees. The staffing structure is outlined in the Organogram in the Strategic Plan. WSTF key capacities include: (i) technical assistance to project identification, planning and implementation, (ii) monitoring and evaluation of projects, (iii) resource mobilisation and communication, and (iv) finance, administration and audit. WSTF capacities are placed centrally in Nairobi as well as in programme targeted counties. Technical Assistance staff is attached to WSTF under specific programmes.
- 10.4** WSTF is ISO Certified, and undergoes periodical institutional, project and ISO audits for accountability, transparency and efficiency. WSTF is currently developing a Risk Management Framework and, in partnership with Transparency International, is in the process of developing a project based complaints and feedback mechanism. This will enhance monitoring as stakeholders and communities are able to lodge their complaints and comments through the

system. The Fund is recruiting an Integrity and Governance Officer who will advance ethics and values in the Fund to enhance accountability and good governance.

- 10.5 Danida and WSTF will have regular meetings to assess progress in activity implementation for this engagement and a representative of Danida will be a member of the WSTF Rural Window Steering Committee (WSTF-RSC). The committee is chaired by the CEO. The Terms of Reference for this committee have been approved by the Board of Trustees of WSTF, donors and other stakeholders represented on this committee. The WSTF-RSC meets on a quarterly basis to discuss performance of all stakeholder support interventions directed through the WSTF for support to water and sanitation services and water resources management investments in rural areas. The WSTF-RSC is a forum wherein the assistance of individual donors, investors and other stakeholders can be reviewed in relation to all other support being provided. Signatories to this DED may however call a meeting at any time to discuss the particulars of progress and the respective needs in relation to the support provision and fulfilment of services described in this DED.
- 10.6 WSTF holds regular joint donor meetings with development partners through various forums including the Annual Stakeholders meeting; meetings between WSTF Board of Trustees and the Partners; meetings between the Partners and WSTF External Auditors among others. At the Government level, the Ministry of Water and Irrigation Services holds regular Sector Wide Approach (SWAP) meetings with Development Partners in the sector. WSTF also participates in this meeting. The Ministry also organizes an annual Water Sector Review meeting with all stakeholders including development partners. During this meeting, the annual water sector report is discussed and distributed to participants.
- 10.7 WSTF carries out harmonized project audits for all partners contributing support to the Rural and Urban sectors. Annual joint field visits are also organized for the Partners to view WSTF funded projects and learn on the impact and experiences across the projects. Recently, WSTF has introduced an annual joint steering committee meeting in which both the rural and urban partners participate in one steering meeting which may also include WSTF's Board of Trustees.
- 10.8 Through agreement with the Partners, WSTF now produces one harmonized quarterly and annual report for the partners in both the Rural and Urban Sector.
- 10.9 Danida will manage the procurement of technical assistance in consultation with WSTF.

11. Financial Management and Audit

- 11.1 Both parties will strive for full alignment of the Danish support to the implementing partner rules and procedures, except for TA whose procurement will be managed according to Danish rules.
- 11.2 The Financial operations of WSTF are managed through the Finance and Administration Department through the Standard Accounting Procedures (SAP) Business 1 software. WSTF operates designated programme bank accounts for each Development Partner as part of accountability procedures. All payments are captured in the SAP system following procedures on the Finance Operations Manual and WSTF's Service Charter.
- 11.3 As an established State Corporation, funds will be on-budget and are to be channelled to WSTF through arrangements agreed upon with National Treasury. Payments to implementing agents are made to designated project accounts through electronic funds transfer (EFT). The first

disbursement is made after the contract with has been signed and the implementers have received financial management training. Subsequent disbursements are released against achievement of set milestones and once the implementer has accounted for previous funding.

- 11.4 WSTF is responsible for delivering proper comprehensive consolidated financial reporting to Danida. Financial reporting shall be based on the operating formats developed by the WSTF. Financial reports from contracted implanting agents shall be duly signed by the Project Leader of the Recipient Beneficiary, and a duly authorized financial officer of the WSTF. WSTF must ensure that sufficient and transparent financial reporting of each project is taking place and that adequate internal control procedures are in place at all levels. An accounts manual shall set out the internal control procedures and financial recording between the WSTF and Danida through Standard Accounting Procedures.
- 11.5 The first disbursement from Danida to WSTF will be released against the year one work plan and budget once the agreement has been signed. Subsequent disbursements will be released against accompanying evidence including financial statements and audit reports where applicable.
- 11.6 Procurement at WSTF follows the Government of Kenya guidelines as set out by the Public Procurement Oversight Authority (PPOA). WSTF prepares a procurement plan for goods and services every year through the Procurement Unit, which is then approved through the tender committee. Procurement procedures of WSTF are captured in the Finance operations manual. The Procurement Unit undertakes all procurement of goods and services at WSTF.
- 11.7 Accounting and the early auditing of the Danish funds will be undertaken by WSTF in accordance with “General Guidelines for Accounting and Auditing”, http://amg.um.dk/en/technical-guidelines/financial-management/accounting_and_auditing/ WSTF has through its various financing windows Steering Committees agreed to general terms of reference with the Office of the Auditor General (OFAG), the Board of Trustees of the WSTF and donor partners, allowing for auditors appointed by OFAG to undertake one harmonized audit of the operations of the WSTF. Danida shall however give a letter of no objection to the audit TORs before commencement of the external and or statutory audit. Should audits be delayed or reveal irregularities, the Embassy of Denmark may at its own behest conduct compliance monitoring audits. Failure to submit audits six months after the close of the financial year may result in the Embassy not disbursing any funds until WSTF takes necessary corrective measures to the satisfaction of the Embassy.
- 11.8 Accounting records shall be available for review and use by the Embassy of Denmark, by a representative appointed by the Embassy, or by the Danish Auditor General.

12. Monitoring and Evaluation

- 12.1 WSTF is responsible for monitoring and reporting on the progress and achievements of the development engagement using its own results framework and M&E system.
- 12.2 WSTF prepares quarterly and annual harmonized progress reports, one for the Urban Partners and one for Rural Partners. This engagement falls under Rural and therefore Danida will receive quarterly harmonized rural reports within 30 days after the end of each quarter, and annual harmonized rural reports within 60 days after the end of each financial year. Progress reports are discussed by all Rural Partners during the quarterly steering meetings. A completion report will also be submitted to Danida within 90 days after closure of the programme. Minutes of the

steering meetings are circulated to the Partners within 3 (three) weeks after the steering meeting. Progress will be reviewed in the meetings of the WSTF-RSC.

- 12.3** The Danish Embassy shall have the right to carry out any technical or financial mission that is considered necessary to monitor the implementation of the programme.
- 12.4** The Danish Embassy will contract a strategic monitoring support for the entire country programme and all DED partners including WSTF will provide data needed to measure progress.
- 12.5** Danida Copenhagen will carry out Real Time Evaluation during the implementation period covered by this, agreement and Danida will also after the termination of the programme support, reserve the right to carry out additional evaluation in accordance with this article.

13. Prerequisites

The Danish cooperation with the implementing partner will become effective if and when the following prerequisites have been met to the satisfaction of the Danish Embassy:

WSTF has commenced measures led by the CEO to improve the quality of progress reporting and follow up on financial audit recommendations. These initiatives are to be supported by a final Risk Management Plan and Monitoring and Evaluation Strategy to be concluded by December 2015.

14. Signatures

On behalf of
Water Services Trust Fund

On behalf of
The Danish Embassy, Nairobi

Signature

Signature

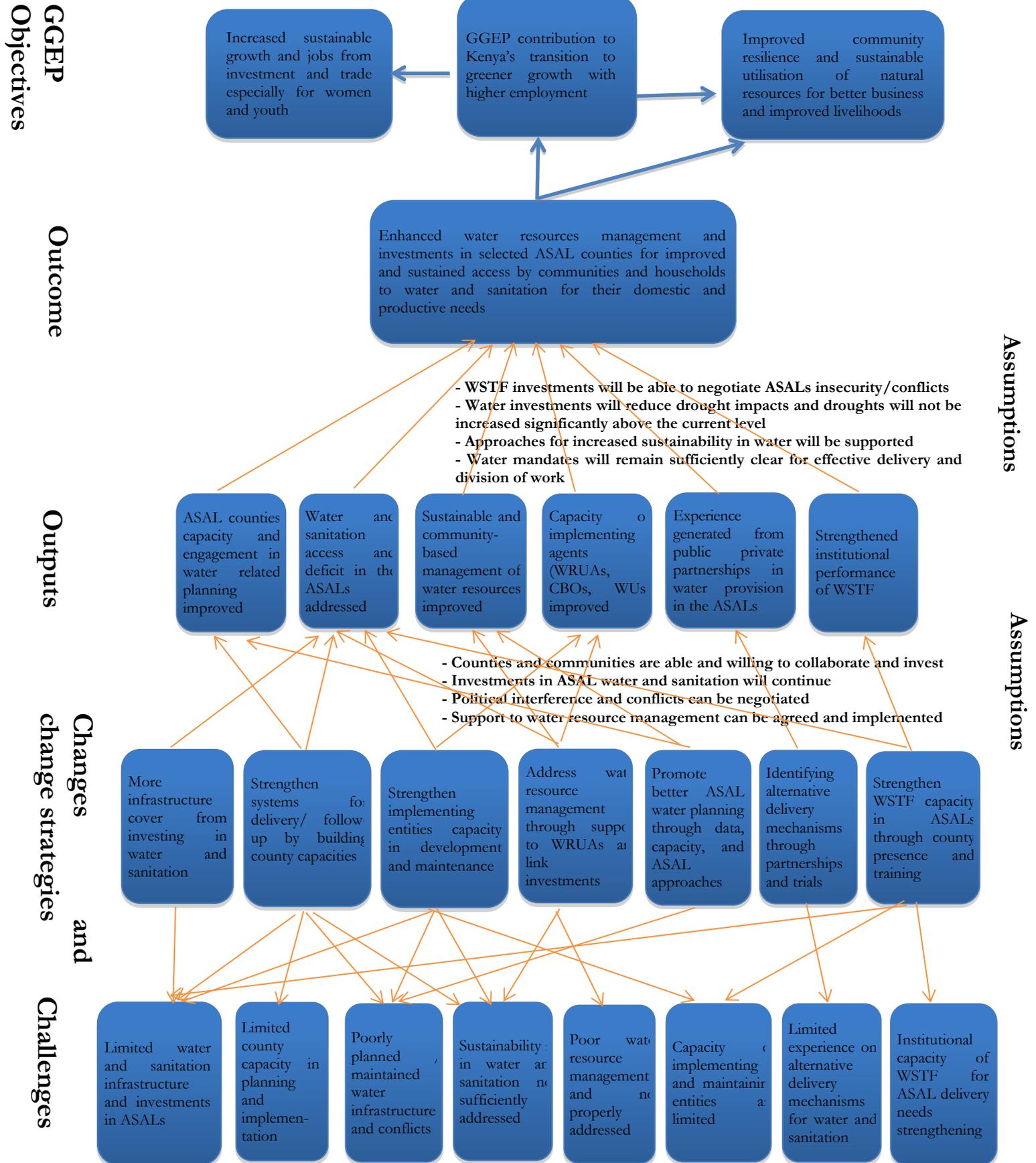
Chief Executive Officer

Ambassador

Date

Date

Annex 1 - Theory of Change diagram WSTF



Annex 2 - Draft TOR for Long Term Technical Assistance to WSTF

The Technical Assistance (TA) will provide programme and institutional support to WSTF in the areas of monitoring and evaluation, sustainability aspects of service delivery, lessons learning from WSTF ASAL implementation, as well as innovative approaches to implementation of water resource management and water and sanitation services delivery in the ASALs.

The TA will work closely with WSTF and the Scope of Work will include, but not be limited to:

- Providing support to WSTF in monitoring and evaluation of activities
- Development of performance monitoring and reporting systems relevant for WSTF activities in the ASALs
- Assist in development and review of monitoring and evaluation framework of WSTF
- Ensuring that lessons learned are documented and shared
- Development of sustainability plans and approaches for implementation
- Advise on water and water resource related County planning procedures
- Advise on procedures for bottom-up water and water resource planning
- Advise on innovative approaches and application of global best practices to deliver water and sanitation services and water resource management in the ASALs
- Assist in the appointment of training providers and other local consultancies
- Advise on inter-county exchange of information

Qualifications

Master's Degree in a relevant discipline (planning, land and water management, rural development, engineering)

Experience

A minimum of 10 years development experience, with experience in:

- Multi-disciplinary planning related to Rural development planning,
- Working with National and local government and public sector operations
- Agriculture, livestock or water related development, in East Africa
- Experience in ASAL areas of pastoralism, and/or dry-land farming

Location

The post will be based in Nairobi with frequent travels to the ASAL target counties

Duration

24 months with possibilities of extension to 48 months

Annex 3 - WSTF Strategic Plan (2014-2019) (under separate cover)