PERFORMANCE CONTRACT

BETWEEN

THE GOVERNMENT OF THE REPUBLIC OF KENYA THROUGH THE CABINET SECRETARY - MINISTRY OF WATER, SANITATION AND IRRIGATION

AND

BOARD OF TRUSTEES - WATER SECTOR TRUST FUND

FOR THE PERIOD

1ST JULY 2025 - 30TH JUNE 2026

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Preamble

This Performance Contract (hereinafter referred to as "Contract") is entered into between the Government of the Republic of Kenya (hereinafter referred to as "GoK") represented by Cabinet Secretary - Ministry of Water, Sanitation and Irrigation of (together with its assignees and successors) of the one part and Board-Water Sector Trust Fund (hereinafter referred to as the Board of Trustees), (together with its assignees and successors) of P.O. Box 49699 00100 Nairobi CIC Plaza, Mara Road, Upper Hill of the other part.

WHEREAS;

The Government is committed to ensuring that public offices are well managed and they are effective in delivering quality service to the public in line with the provisions of the Constitution of Kenya;

The Government recognizes that MDAs hold a key role in the implementation of the national priorities in order to improve the quality of life of the citizens and make Kenya globally competitive;

The purpose of this Performance Contract is to establish the basis for ensuring that efficient and effective services are delivered to Kenyans in line with the provisions of the Constitution. MDAs are required to adopt systems that enable innovativeness and adaptability of public services to the needs of users through automation and on-boarding of services on the e-citizen platform.

This Performance Contract therefore represents the basis for continuous performance improvement that meets the needs and expectations of the Kenyan people.

Therefore, the parties hereto agree as follows:

Part I: Statement of Responsibility by the Board of Trustees

The Mandate of Water Sector Trust Fund is to:

1. to provide conditional and unconditional grants to counties, in addition to the Equalisation Fund and to assist in financing the development and management of water services in marginalized areas or any area which is considered by the Board of Trustees to be underserved 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;
   c) Development of water services in the under-served poor urban areas; and
   d) Research activities in the area of water resources management and water services, sewerage and sanitation.
   It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio- economic development. It is our undertaking to ensure that the Water Sector Trust Fund has a credible Strategic Plan and Performance Contract that will deliver the desired goals.
   It is also our undertaking that we will perform our responsibilities diligently and to the best of our abilities to support the achievement of the agreed performance targets.

It is our responsibility to provide the required leadership in designing suitable plans and strategies that will contribute to high and sustainable socio- economic development. It is our undertaking to ensure that the Water Sector Trust Fund has a credible Strategic Plan and Performance Contract that will deliver the desired goals.

It is also our undertaking that we will perform our responsibilities diligently and to the best of our abilities to support the achievement of the agreed performance targets.

Part II: Vision Statement, Mission Statement and Strategic Objectives

(a) Vision Statement

Sustainable funding of safe water and sanitation for all.

(b) Mission Statement

To finance sustainable and climate-friendly water and sanitation initiatives for improved quality of life in Kenya.

(c) Strategic Objectives

1. Increase the number of persons accessing safe water and dignified sanitation

2. Increase funding for WaterFund activities

3. Increase area under conservation and improve storage capacities

4. Increase the research outputs from WaterFund Financing

5. Increase organizational Capacity to deliver on Mandate

Part III: Statement of Strategic Intent by the Board of Trustees

In carrying out our duties, we intend to put all our efforts towards contributing effectively and efficiently to the achievement of the national development agenda as espoused in the Kenya Vision 2030 MTP IV, Bottom-up Economic Transformation Agenda (BETA), keeping in mind the specific priorities of the Water Sector Trust Fund.

Bearing in mind the imperative of inclusivity, we will implement the following Strategic Intents during the Financial Year:

1. Mobilize funds from Development Partners for improvement of water and sanitation access to underserved areas in Kenya
2. Increase access to water and sanitation services by funding projects to serve additional people with water services and with sanitation in the underserved areas
3. Finance Water Resources Management projects aimed at catchment management and conservation through Water Resource User Associations .
4. Capacity build implementing agents through training to realise their mandate in improving access to water and sanitation services .

Part IV: Commitments and Obligations of the Government

- Acknowledgement of receipt of correspondences and approval of requests are made within the timelines stipulated in the Citizens' Service Delivery Charter.

Part V: Reporting Requirements

Water Sector Trust Fund will submit its Quarterly and Annual performance reports online in the prescribed format to the designated agencies as specified in the Performance Contracting Guidelines for the purpose of monitoring progress and annual performance evaluation.

Part VI: Duration of the Performance Contract

The Performance Contract will run for one financial year from 1st July 2025 - 30th June 2026.

Part VII: Signatories to the Performance Contract

For and on behalf of Water Sector Trust Fund

Signature.. Date....28/05/2026..

DR. ERICK K. RUTTO

CHAIRPERSON - BOARD OF TRUSTEES

Signature.. Date....28/05/2026..

ENG. JOSEPH KIMANI NGACHA

INDEPENDENT BOARD MEMBER

For and on behalf of the Government of the Republic of Kenya

Signature.. Date....28/05/2026..

ENG. ERIC MURIITHI MUGAA

CABINET SECRETARY

MINISTRY OF WATER, SANITATION AND IRRIGATION

Countersigned by:

Signature.. Date..

HON. FCPA JOHN MBADI NG'ONGO, EGH

CABINET SECRETARY

THE NATIONAL TREASURY AND ECONOMIC PLANNING

ANNEX I: PERFORMANCE CONTRACT MATRIX FOR WATER SECTOR TRUST FUND

S/no.	Performance Criteria	Unit of Measure	Weight (%)	Status Previous Year 2024/2025	Target (FY 2025/2026)
A	**Financial Stewardship**				
A1	Absorption of Allocated Funds (GoK)	%	2.00	100.00	100.0000
A2	Appropriation -In-Aid	Kshs.	2.00	10870827.00	2000000.0000
A3	Absorption of Externally Mobilized Funds	%	3.00	60.12	100.0000
A4	Pending Bills Ratio	%	3.00	0.00	1.0000
	Weight Sub-total		**10.00**		
B	**Service Delivery**				
B1	Implementation of Citizens' Service Delivery Charter	%	4.00	100.00	100.0000
B2	Digitalization of Government Services	%	7.00	100.00	100.0000
B3	Resolution of Public Complaints	%	4.00	100.00	100.0000
	Weight Sub-total		**15.00**		
C	**Core Mandate**				
C173_1	Resources Mobilization Enhanced	%	13.00	16.00	100.0000
C173_2	Water and Sanitation Services Projects Financed in rural areas	No.	13.00	8.00	30.0000
C173_3	Water and Sanitation Projects Financed in urban areas	No.	15.00	25.00	4.0000
C173_4	Water Resources Management and Climate Change Projects Financed	No.	3.00	4.00	3.0000
C173_5	Funded Projects Monitored	No.	6.00	64.00	65.0000
C173_6	Implementing Partners Capacity Built	No.	5.00	46.00	32.0000
C173_7	Project Completion Rate	%	2.00	100.00	100.0000
C173_8	Population reached with water and sanitation services	No.	3.00	179820.00	185000.0000

C173_9	Productivity Improvement	Index	3.00	3.20	3.2300
C173_11	Science, Technology and Innovation (STI) Mainstreaming	%	2.00	100.00	100.0000
	Weight Sub-total		**65.00**		
D	**Implementation of Presidential Directives**				
D1	Implementation of Presidential Directives	%	2.00	100.00	100.0000
	Weight Sub-total		**2.00**		
E	**Affirmative Action in Procurement**				
E1	Access to Government Procurement Opportunities	Kshs.	2.00	32196788.00	40849000.0000
E2	Promotion of Local Content in Procurement	Kshs.	2.00	349753996.00	86278000.0000
	Weight Sub-total		**4.00**		
F	**Cross - Cutting**				
F1	Asset Management	%	1.00	100.00	100.0000
F2	Youth Internships/ Industrial Attachments/ Apprenticeships	No.	1.00	25.00	25.0000
F3	Competence Development	%	1.00	100.00	100.0000
F4	National Values and Principles of Governance	%	1.00	100.00	100.0000
	Weight Sub-total		**4.00**		
	Total Weight		**100.00**		

ANNEX II: PERFORMANCE CONTRACT EXPLANATORY NOTES

A. Financial Stewardship

A1 - Absorption of Allocated Funds(GoK)

During the FY 2025/2026, the Board commits to utilize 100% of the allocated funds on programmes, projects and activities for which they were appropriated and planned for. The approved budget for FY 2025/2026 amounts to Kshs.279,840,000 comprising the following:

	Source of Funds	Unit of Measure	Target	Completion Date
1.	Recurrent Budget	Kshs.	141840000.00	6/30/2026
2.	Development Budget	Kshs.	138000000.00	6/30/2026

A2 - Appropriation -In-Aid

In the FY 2025/2026, the Board commits to raise A-in-A amounting to Kshs.2,000,000 Note: The reduction in target is due to reduced budgetary allocation for both GoK and Development Partners. The following is the target for A-in-A by source:

	Source of Funds	Unit of Measure	Target	Completion Date
1.	Interest Income	Kshs.	1500000.00	6/30/2026
2.	Disposal Income	Kshs.	500000.00	6/30/2026

A4 - Pending Bills Ratio

As at 30th June of the previous year, the Board did not incur any pending bills. In the FY 2025/2026, the Board commits to meet all its financial obligations and ensure that pending bills if any, will not exceed 1% (Ksh.40,738,844.50,) of its approved budget (4,073,884,450)

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Ceiling for Pending Bills (1% as a proportion of total approved budget for FY 2025/2026)	%	1.00	6/30/2026

A3 - Absorption of Externally Mobilized Funds

During the FY 2025/2026, the Board commits to utilize 100% of the externally mobilized funds to programmes, projects and activities for which they are appropriated and planned for. Funds to be mobilized for FY 2025/2026 amounts to Ksh. 3,792,044,450 comprising of the following

	Source of Funds	Unit of Measure	Target	Completion Date
1.	DANIDA	Kshs.	500000000.00	6/30/2026
2.	World Bank-HoA	Kshs.	2565000000.00	6/30/2026
3.	Development Bank of Germany (KfW III)	Kshs.	256000000.00	6/30/2026
4.	Development Bank of Germany (KfW IV)	Kshs.	119000000.00	6/30/2026
5.	World Bank- K-WASH	Kshs.	352044450.00	6/30/2026

B. Service Delivery

B1 - Implementation of Citizens' Service Delivery Charter

To enhance service delivery and achieve excellence in the delivery of services to its customers, the Board commits to implement its Citizens’ Service Delivery Charter to the latter. In particular, the Board commits to undertake the following:

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Display the Charter prominently with clearly visible font size of the contents at the point of entry/service delivery points in both English and Kiswahili using prescribed format as provided in annex VII	%	10.00	9/30/2025
2.	Customize the charter to unique needs and convenient access of the customers by: providing audio recordings and uploading the Charter on the WaterFund’s online platforms	%	20.00	6/30/2026

3.	Sensitize 97No. staff on the Citizens' Service Delivery Charter	%	20.00	12/31/2025
4.	Ensure conformity with commitments and standards in the Charter by establishing compliance to the commitments stipulated in the charter through undertaking quarterly monitoring, analyzing and compiling compliance quarterly reports	%	50.00	6/30/2026

B2 - Digitalization of Government Services

To accelerate the adoption of ICT solutions for: ease of access; fast; cost effective; convenient and efficiency in service delivery. The Board commits to undertake the following;

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Core Services identified and prioritized for BPR	%	10.00	9/30/2025
2.	At least two Core Services re-engineered end- to- end: 1.Submission of progress reports by funded implementing partners 2. Dissemination of WaterFund Publications	%	35.00	12/31/2025
3.	Re-engineered service processes digitalized	%	35.00	3/31/2026
4.	All digitalized customer facing services on-boarded onto the e-citizen platform, where applicable	%	20.00	6/30/2026

B3 - Resolution of Public Complaints

The Board commits to promptly address and resolve public complaints that are referred to it directly or channeled through the Commission on Administrative Justice (CAJ), and process all requests for information received.

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Resolution of all complaints received	%	70.00	6/30/2026
2.	Requests on access to information received processed	%	30.00	6/30/2026

C. Core Mandate

C173_1 - Resources Mobilization Enhanced

To achieve its vision, mission and strategic objectives, the Board commits to continually look for new partners through the development and submission of funding proposals to potential development partners and nurture new and existing partnerships through holding quarterly partnerships meetings

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Funding proposals developed and submitted to potential development partners.	%	70.00	6/30/2026
2.	Organizing Quarterly Partnership meetings to sustain resource Mobilization initiatives	%	30.00	6/30/2026

C173_11 - Science, Technology and Innovation (STI) Mainstreaming

During the FY 2025/26, the Board commits to mainstream STI into its programs to facilitate the attainment of the national development agenda

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Collaborations and Partnerships in RSTI established	%	45.00	6/30/2026
2.	Technology(ies) and/or innovation(s) transferred	%	55.00	6/30/2026

C173_2 - Water and Sanitation Services Projects Financed in rural areas

In FY 2025/2026, the Board commits to finance 30No. water and Sanitation projects at a cost of ksh. 800M with an aim of providing improved and sustained access to communities and households to Sanitation and Water for their domestic and productive needs. The Board commits to finance the following projects

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Water Projects Financed	No.	27.00	6/30/2026
2.	Sanitation Projects Financed	No.	3.00	6/30/2026

C173_3 - Water and Sanitation Projects Financed in urban areas

In the FY 2025/2026, the Board will finance 4No. water projects at a cost Ksh 300M under the Urban Water Supply and Sanitation Sub Programme in the low-income urban areas with an aim of providing affordable, economically viable and socially sustainable access to safe water supply to the urban poor. The reduction in target is due to closure of most programmes under implementation. The Board commits to finance the following projects

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Water projects financed	No.	3.00	6/30/2026
2.	Sanitation projects Financed	No.	1.00	6/30/2026

C173_4 - Water Resources Management and Climate Change Projects Financed

In the FY 2025/2026, the Board commits to finance 3No. at a cost of Ksh 50M Water Resources Management projects. The projects are aimed at improving water resources management. The decrease in the target is due to the closure of some programmes. The Board commits to finance the following projects

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Water Resources Management Projects Financed	No.	3.00	6/30/2026

C173_5 - Funded Projects Monitored

In the FY 2025/2026, the Board commits to monitor and develop reports on the implementation of all the funded projects within its Investment Programmes for improved decision making. Monitoring will be done by Quality Assurance Monitors, Water Sector Trust Fund Staff, Board of Trustees, Development Partners and Independent consultants.

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Investment Projects Monitored	No.	65.00	6/30/2026

C173_6 - Implementing Partners Capacity Built

In FY 2025/2026, the Board commits to capacity build 32No. Implementing agents through trainings in areas such as financial management, procurement, project management and Legal Compliance and Contract Management.

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Implementing Partners capacity Built under the Water and Sanitation Programme	No.	24.00	6/30/2026
2.	Implementing Partners capacity Built under Commercial Financing Programme	No.	6.00	6/30/2026
3.	Implementing Partners capacity Built Under Water Resources and Climate Change	No.	2.00	6/30/2026

C173_7 - Project Completion Rate

The Board commits to implement 1No. project as provided in the Project Implementation Matrix

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Project Completion Rate	%	100.00	6/30/2026

C173_8 - Population reached with water and sanitation services

During the FY 2025/2026, the Board commits to reach 185,000 people with improved access to water and sanitation services in the targeted areas as detailed below: Note: The increase is due to the anticipation of closure of projects in the Financial Year.

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Population reached with water services	No.	126800.00	6/30/2026
2.	Population reached with sanitation services	No.	58200.00	6/30/2026

C173_9 - Productivity Improvement

The Board had a productivity index of 3.20 in the last financial year. The Board commits improve its productivity index from 3.20 to 3.23

	Sub-Indicator	Unit of Measure	Target	Completion Date
1.	Productivity index Improvement	Index	3.23	6/30/2026

D. Implementation of Presidential Directives

D1 - Implementation of Presidential Directives

The Board commits to implement all presidential directives issued during the contract period on specific areas for execution

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Implementation of all Presidential Directives as provided in Annex IV	%	100.00	6/30/2026

E. Affirmative Action in Procurement

E1 - Access to Government Procurement Opportunities

The Board commits to allocate a minimum 30% (Ksh. 40,849,000) of the GoK Procurement Budget (Ksh.132,304,000) to Youth, Women and Persons with Disabilities.
In addition, 2% of the 30% of the budget for procurement of goods and services will be reserved for PWDs.

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	30% of the Annual Procurement Budget	Kshs.	40849000.00	6/30/2026
2.	2% of the 30% procurement budget reserved for PWDs	Kshs.	816980.00	6/30/2026

E2 - Promotion of Local Content in Procurement

The Board commits to reserve a minimum of 40% (Ksh.86,798,000) of the procurement budget (Ksh.215,695,000) for procurement of locally produced goods and services. In addition, the Board commits to submit quarterly reports to the State Department for Industry on the total amount of procurement budget spent on locally produced goods and services using the prescribed format

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	40% of the Annual Procurement Budget	Kshs.	86278000.00	6/30/2026

F. Cross - Cutting

F1 - Asset Management

In FY 2025/26, the Board commits to prepare and maintain registers of assets, safeguard the assets and ensure standardization of the process for identification, recording, disclosure, and reporting of assets

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Verified and updated Assets Register maintained	%	30.00	6/30/2026
2.	Assets Ownership documents acquired	%	30.00	6/30/2026
3.	Idle Assets disposed	%	40.00	6/30/2026

F2 - Youth Internships/ Industrial Attachments/ Apprenticeships

In the FY 2025/2026, the Board commits to engage 25 youths in internship and attachment translating to more than 5% of staff strength (97 in-post).

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Internship	No.	6.00	6/30/2026
2.	Attachment	No.	19.00	6/30/2026

F3 - Competence Development

The Fund undertook the skills gap analysis in November, 2021 and the Training needs assessment was undertaken in the last Financial Year of 2024/2025.In the current performance contract year, the Board commits to undertake the following activities to enhance the skills and proficiencies of its staff and improve institutional performance

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Prepare annual staff training projections	%	12.50	6/30/2026
2.	Address the identified skills gaps and training needs through recruitment, outsourcing, capacity building and training	%	37.50	6/30/2026
3.	Employee Performance Management. The Board will undertake the following: i) Set individual employees annual targets using the prescribed format by 31st July, 2025 (12.5%). ii) Undertake Staff Performance Appraisal and compile the appraisal report for the FY2024/2025 by 31st August, 2025 (18.75%). iii) Develop an action plan and implement the recommendations emanating from the staff appraisal reports (18.75%).	%	50.00	6/30/2026

F4 - National Values and Principles of Governance

In FY 2025/26, the Board commits to make national values and principles of governance a central rallying ingredient and theme in the planning and execution of national policies, programs, projects and activities for improved service delivery

	Sub-Indicators	Unit of Measure	Target	Completion Date
1.	Implement at least four (4) commitments and submit in the prescribed format an Annual Progress Report on the implementation of the commitments and way forward captured in the 2024/25 Annual President's Report on National Values and Principles of Governance (40%) i. Enhance the capacity of institutions and stakeholders in the promotion of national values and principles of governance (10%) ii. Implement measures to improve accountability and openness in the management of public institutions (10%) iii. Enhance collaboration and partnership between the two (2) levels of Government to strengthen devolution (10%) iv. implement measures to enhance nationhood and national identity. (10%)	%	40.00	6/30/2026
2.	Measures taken and progress achieved in the realization of National Values and principles of Governance reported	%	60.00	6/30/2026

ANNEX III: PROJECT IMPLEMENTATION MATRIX

SNo	Project Name	Project Description	Location	Total Estimate Cost	Current Status (status of physical completion)	Allocation for FY 2025/2026	Expected Deliverables (Outputs) for FY 2025/2026
1.	Implementation and rollout of Phase 1 of the HR Management Information System (HRMS) at the WaterFund	WaterFund intends to implement and roll out a robust Human Resource Management Information System (HRMIS) to automate the Human Resources functions and processes. This will facilitate the control of HR processes, enhancing efficiency, compliance, and regulatory adherence. Phase 1 involves the following modules: HR Information System, Leave Management, Performance Management, Employee Requisitions, Disciplinary Management and Exit Management.	Water Fund HQ	6000000.00	60%	2500000.00	Training of users (30%) • Rollout of the Phase 1 of the HRMIS / System Launch (10%) • Signing of the support SLA with vendor (10%)

ANNEX IV: PRESIDENTIAL DIRECTIVES MATRIX

SNo	Directive	Description	Date Issued	Timeline	Total Estimated cost	Allocation for FY 2025/2026	Key Deliverables for FY 2025/2026
1.	National Tree Growing Restoration Campaign	Constitutional target to increase tree coverage from 12% to 30% by June,2032	12/21/2022	30-06-2032	5000000.00	1000000.00	a) Grow Minimum allocated trees (2 million trees) (70%) b) Mobilize key stakeholders in liaison with the State Department for Forestry (30%)
2.	Corruption Prevention	The directive is in line with the provision of Section 9 (1) of the Anti-Bribery Act cap 79B and Anti Bribery regulations and Guidelines 2022 for the purpose of prevention bribery and corruption in public and private entity	6/30/2025	30-06-2026	1000000.00	250000.00	i) Anti-Bribery and corruption mitigation plan and procedures developed (40%) ii)Anti-Bribery and corruption mitigation plan and procedures implemented (40%) iii) and Capacity on Corruption Prevention undertaken (20%)