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**Annexes**

- WSTF Agreement Format
- Reporting Formats
- Accounting Forms
- WSTF Application Format
Foreword by the Chairperson

It gives me great pleasure to introduce you to the operational guidelines of the Water Services Trust Fund (WSTF). The guidelines emphasise the importance that the Government of Kenya attached to the attainment of efficient, effective and sustainable social and economic development as driven by the water sector.

The Kenya water sector is under radical reform that is driven by its national policy on water resources management and development (1999) and its strategies on water resources management (2003) and water services (2003). These policies and strategies are backed by a new Water Act Of 2002 and a draft Zero Investment Plan (2003).

The main thrust of the reforms is to separate Water Resource Management from Water Services Delivery and to focus the ministry's role on policy, leaving the detailed regulation and provision to a number of parastatal bodies that report to boards representing different stakeholder interests. Implementation will be market driven and provided by water service providers in the private and NGO sectors. The reforms are gathering momentum, the Water Services Trust Fund (WSTF) has been set up and the Trustees are already in office.

The objectives for which the WSTF is formed are: -

i. Providing financing and other support towards
   a) The capital investment costs of providing water services to communities without adequate water services;
   b) Activities in the area of water services based on the priorities of the Government of Kenya as outlined in the water services strategic plan developed under the Water Act 2002;
   c) Capacity building activities and initiatives which enable communities to plan, implement, manage, operate and sustain water services;
   d) The creation of awareness and dissemination of information regarding community management of water services; and
Foreword by the Chairperson


e) Active community participation in the implementation and management of water services.

ii. Providing a mechanism for managing funding systems whose objective is to fund activities within the Water Sector generally as may from time to time be assigned to it to manage.

This manual specifies WSTF’s guiding principles, criteria for access, application procedures and mechanisms in place for monitoring and evaluation. The manual is geared towards encouraging you to implement the GoK’s agenda on provision of water. Further, this manual has been produced following consultations with a cross section of officials from the Ministry of Water and Irrigation, Development Partners and the WSTF Trustees.

It is expected that this Operational Manual will be the guiding tool for operationalizing the roles and mandates of the Trust Fund towards assisting community projects access WSTF resources. It is my hope that the Manual will be dynamic and be reviewed as the fund grows and gains more experience.

In addition, I encourage you to make the most of WSTF resources, and to periodically use the criteria in this manual as your organisation/community pursues continuous improvements that will yield the best results.

The Fund Trustees look forward to working with you.

Eddah Gachukia Ph. D., MBS
Chairperson, WSTF
November 2004
## Abbreviations and Acronyms

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<th>Abbreviation</th>
<th>Description</th>
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<tr>
<td>AIE</td>
<td>Authority to Incur Expenditure</td>
<td>NGO</td>
<td>Non Governmental Organisation</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
<td>PCV</td>
<td>Petty Cash Voucher</td>
</tr>
<tr>
<td>CV</td>
<td>Curriculum Vitae</td>
<td>PV</td>
<td>Payment Voucher</td>
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<tr>
<td>DSA</td>
<td>Daily Subsistence Allowance</td>
<td>Sida</td>
<td>Swedish International Development Agency</td>
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<td>GoK</td>
<td>Government of Kenya</td>
<td>TAD</td>
<td>Technical Appraisal Department</td>
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<td>GRN</td>
<td>Goods Received Note</td>
<td>WSTF</td>
<td>Water Services Trust Fund</td>
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<tr>
<td>IFRS</td>
<td>International Financial Reporting Standards</td>
<td>LPO</td>
<td>Local Purchase Order</td>
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<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
<td>MoU</td>
<td>Memorandum of Understanding</td>
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<tr>
<td>MoU</td>
<td>Memorandum of Understanding</td>
<td>MTEF</td>
<td>Medium Term Expenditure Framework</td>
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<td>MWI</td>
<td>Ministry of Water and Irrigation</td>
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Section One

Introduction to this Manual
Introduction

Background

The water sector in Kenya is currently undergoing radical reforms, aimed at improving management of the water resources, and introducing greater efficiency in service delivery. The Water Act 2002 lays down the legal framework for a new system of institutional and regulatory measures and mechanisms, which embrace broader principles of decentralisation, participation, autonomy, sustainability and efficiency. This marks a significant shift from the fragmented and sectoral orientation in which water resources have hitherto been managed.

The Water Services Trust Fund, newly established under the Act, is a mechanism for financing the provision of water and sanitation services to areas that are inadequately served. It will be managed by a board of Trustees appointed and holding office under a trust Deed approved by the Minister of Water Resources Management and Development. It is envisaged that the Fund will take over management of Swedish support to rural communities under the current bilateral Agreement and subsequently the joint Swedish and Danish support in the succeeding Programme. Subsequently The Trust Fund will manage all funds received from the GoK, donations, grants and bequests from whatever sources as out lined in the Water Act 2002.

The Fund has been formally set up, with Trustees who have been appointed by the Minister. Staff from the Sida programme at the Ministry have been temporarily attached to the fund to provide technical services.

Objectives Of The Trust Fund

The objectives for which the Trust Fund is formed are:

i) Providing financing and other support towards:

• The capital investment costs of providing water services to communities without adequate water services;

• Activities in the area of water services based on the priorities of the Government of Kenya as outlined in the water services strategic plan developed under the
Introduction

Water Act 2002;

Capacity building activities and projects which enable communities to plan, implement, manage, operate and sustain water services;

• The creation of awareness and dissemination of information regarding community management of water services; and

• Active community participation in the implementation and management of water services.

ii) Providing a mechanism for managing funding systems whose objective is to fund activities within the Water sector generally as may from time to time be assigned to it to manage.

About this manual

This manual draws on the existing GoK legislation and rules to specify management arrangements for the Water Services Trust Fund (WSTF). It also builds on good practices and lessons learnt from other implementation arrangements and modalities adopted for similar sectors in other countries.

The manual offers guidance to the Ministry of Water and Irrigation (MWI), WSTF and partners including beneficiary communities, implementing NGOs and consultants in utilising and accounting for WSTF funds. In addition the manual is available for reference purposes by auditors and other interested parties who wish to understand and/or are retained to monitor and evaluate WSTF management arrangements.

Amendments to the manual

This operations manual is intended to be a “living document”. To this end, every effort is made to maintain the procedures contained in this manual as current as possible. In particular, WSTF Trustees will monitor its use and assess its effectiveness during implementation. In addition, stakeholders are urged to provide feedback on the manual as well as lessons learned from experience to the Chair, WSTF at the following address:
Introduction

Water Services Trust Fund (WSTF)
Ministry of Water and Irrigation,
PO Box 46966,
00100 Nairobi,
Kenya.

The manual provides a comprehensive description of how the Water Services Trust Fund will be fully operational in order to effectively discharge its obligations under the Water Act 2002.

The manual is laid out in five parts as follows:

Section 1 - Introduction

Section 2 - Recommended rules and regulations of the fund (The institutional and implementation framework)

Section 3 - Financial Management and Accounting Procedures

Section 4 - Procurement procedures

Section 5 - WSTF Appraisal Guidelines
Section 2

Rules and Regulations of WSTF (Institutional and implementation framework)
Rules and Regulations of WSTF

Introduction

This section describes WSTF rules and regulations within the context of institutional and implementation arrangements. These arrangements are designed on the basis of the need to:

- Give rise to close collaboration between the institutions responsible for water services delivery
- Facilitate decentralised delivery of the services as a basis for promoting ownership and accountability of WSTF funded projects
- Promote wide stakeholders consultation
- Enable flexible revision of arrangements to meet changing needs
- Promote GoK leadership as a basis for ensuring WSTF sustainability

Figure 2.1 illustrates the overall institutional framework for the implementation of WSTF.
From the diagram the implementation involves institutions ranging from the Cabinet to individual water users or WSTF funding project beneficiaries. Each of the institutions involved has a distinctive role to play towards the success of WSTF.

**The Cabinet**

It is envisaged that the implementation of the WSTF funded projects will have far reaching effects within the government objectives and reform programme in the sector. These changes may require adequate authority to implement. It is therefore imperative that the cabinet will be involved at a high level in supporting WSTF.

**The Minister**

This is the minister responsible for Water Resource Management and Development. The WSTF Trustees business falls under her authority and she is responsible to the Cabinet and Parliament for affairs of the WSTF. The Minister will on a quarterly basis present to the Cabinet progress report on the operations of the WSTF.

**The Trust Fund**

The Trust is a body corporate established under the Water Act 2002 and all the relevant laws of the Republic of Kenya, which shall apply to its activities and operations.

The Trustees hold the Trust Fund upon Trust to apply or pay the monies of the Trust Fund or portions thereof in such manner as the Trustees in their discretion shall determine from time to time in furtherance of the objects and purposes of the Trust.

**Powers and Functions of Trustees**

The Trustees have the powers and function to:

(i) Conduct the affairs and activities of the Trust in accordance with the Trustees discretion to exercise their powers;

(ii) Ensure that the Rules for funding Water Services and
any Memorandum of Understanding for donor funding are complied with;

(iii) Fundraise and develop strategies for capital mobilisation for the objectives of the Trust Fund and establish investment strategy plans which shall include marketing and advertising;

(iv) Ensure that in the selection of projects for financing and of beneficiaries of the Fund all areas in the country receive equitable treatment;

(v) Set the policies of the Trust and its activities, operations, and modalities including, to the extent permitted by the Rules, the criteria for the selection of the eligible projects and the conditions for financing;

(vi) Supervise, control, manage all the assets of the Fund and make regulations for such management;

(vii) Employ such persons (who shall not be Trustees) to perform such duties as the Trustees consider necessary for the proper administration of the Trust on such terms and conditions of service as they deem fit;

(viii) Establish links with the Water Services Boards in all parts of Kenya to facilitate the efficient administration and management of the activities and operations of the Trust;

(ix) Arrange for financial audits of the Trust Funds;

(x) Represent the Trust in dealings with external persons and in legal matters;

(xi) Carry out such activities and operations as are necessary and incidental to the achievement of the objectives of the Trust;

(xii) Ensure to obtain advice and consider the advice as to suitability, appropriateness and the circumstances in carrying out their duties.

Meetings and Minute Book

i. The quorum for meetings shall be not less than five Trustees;

ii. The Trustees shall meet at intervals of not more than three calendar months provided that the Chairperson
or in his absence the Vice Chairperson may convene meetings of the Trustees as and when he considers the same necessary or desirable for the proper conduct of their business;

iii. Every Meeting of the Trustees shall be convened by a written notice sent to the Trustees at least seven days before the Meeting;

iv. Decisions shall be made by consensus and in case of a split by a majority vote;

v. The Trustees shall keep a Minute Book and regulate its own procedure including procedure for taking votes if necessary;

vi. The Minute Book shall contain records of minutes of all meetings, deliberations and resolutions of the Trustees.

**Trustees’ Administrative Arrangements**

For the efficient conduct of the affairs of the WSTF the administrative arrangements will be organised as shown in the organogram in Figure 2.2.

**Chief Executive Officer (CEO)**

The CEO shall oversee the following functions:-

- Administer the offices of the Trust;
- Appraise applications for financing of projects;
- Prepare agreements with beneficiaries;
- Liaise with the Water Services Boards of the area where the WSTF is based;
- Ensure disbursement of funds;
- Monitor the implementation of projects;
- Carry out technical and financial audits of projects;
- Facilitate the provision of technical and advisory support to, and capacity building of, communities; and
- Give administrative and technical support to the Trustees;
Rules and Regulations of WSTF

Figure 2.2 – Organizational Structure for the WSTF
Rules and Regulations of WSTF

• Give advice to the Trustees and consider the suitability and appropriateness in the circumstances;

Technical Appraisal Department (TAD)

This will be the key centre for coordinating all the WSTF activities. It will have the specialists who will be crucial in ensuring the success of the WSTF funded projects. They will be responsible for evaluating project proposals and recommending action on them.

This department will also assist potential beneficiaries in meeting minimum requirements for funding. They will be responsible for firming up application formats and evaluation criteria for the projects.

Finance and Resource Mobilization Department

It is expected that the WSTF will attract funding from a variety of sources. This calls for transparency and accountability. The Finance Department headed by a Finance Manager supported by accountants is expected to provide regular financial management skills support to these implementing bodies.

It will also be responsible for financial reporting and finance mobilization strategies. A complete and detailed finance management and accounting manual will be used by this department for the day to day activities.

The Finance Department will also support the implementing institutions in their strategy formulation, planning and budgeting. It will also be responsible for all the WSTF financial operations and management and cash flow forecasts that will be used for request for disbursement from development partners.

Field Coordination Department

There will be various WSTF funded projects going on at the same time in different parts of the country. The Field Coordination Department will ensure these are well coordinated in terms of monitoring. It will arrange for regular inspection of projects and will provide progress reports to the CEO on each project.

Administration and Human Resource Department

Headed by an Administration and Human Resource Officer this department will provide administrative
backstopping to WSTF. This will oversee all staff matters and manage support staff. The support staff include secretaries and drivers. A staff handbook will be developed to assist the operations of this department.

The department will also be responsible for WSTF office maintenance and information systems support and cleaning services which would preferably be outsourced.

A key function of this department will also be to create awareness among all stakeholders on the WSTF funding. They will ensure marketing of WSTF activities is done thoroughly and that potential beneficiaries are brought on board as early as possible.

WSTF Administration and Human Resource Department should develop an effective performance appraisal policy and process for all staff. To ensure objectivity the CEO’s performance should be appraised by the Board of Trustees. Objectives and personal goals should be developed, agreed and well documented at the beginning of every appraisal period.

Recommendations for contract extension and/or salary increments should be supported by performance evaluation results. Employment contracts should be terminated due to non performance or highly unsatisfactory performance based on a documented performance evaluation.

All staff must agree their development plans with their supervisors and this must be documented and signed by the staff, the supervisor and approved by the CEO. After the end of the period (say six months or one year) the staff and their supervisors will review performance in relation to the development plan.

Performance appraisal document should be developed by the WSTF as working tool that should be completed jointly by the supervisors and all individual staff. These should be in continual use as reference documents on agreed objectives when reviewing progress. They should form the basis of performance measurement, record
Rules and Regulations of WSTF

achievement and actions to be taken to improve performance (develop competence and skills).

The CEO should then summarise the appraisals as developed through assessment and appraisal reports and recommend action to the Board of Trustees.

The appraisal and performance system should be established and documented in the WSTF staff handbook.

**Procurement Office**

There will be various WSTF activities for which goods and services will be procured. This unit will be responsible for procuring goods and services for WSTF activities. The Procurement Office will be headed by a Procurement Manager supported by a procurement officer who will also be charged with building procurement capacity to the beneficiary projects.

The Procurement Office will also be responsible for applying procurements requirement of participating Development Partners and GoK and ensuring that the procurement plans are presented in a logical manner to enable cash flow forecasting.

It is expected that a detailed procurement manual applying best practices in procurement will be developed for this department.

**Internal Audit**

To comply with the financial regulations, it is necessary for WSTF to secure the provision of an effective internal audit service. The prime responsibility of Internal Audit is to provide the Trustees and the CEO with an objective assessment of the adequacy and effectiveness of management’s internal control systems.

Internal Audit is an independent appraisal function established by management to review WSTF’s internal control systems. Internal Audit will objectively examine, evaluate and report on the adequacy of internal control, thus contributing to the economic,
Rules and Regulations of WSTF

efficient and effective use of resources and to the reduction of the potential risks faced by WSTF. Internal Audit is a key control mechanism, as well as a service to management at all levels.

The scope of Internal Audit covers all the activities of WSTF in which it has a financial interest. Coverage includes all WSTF’s operations, resources, staff, and services.

Internal Audit should submit an annual plan and an updated strategic plan each year for approval by the Audit Committee. These plans should be the result of a comprehensive audit needs assessment addressing all areas of WSTF.

**Appointment of Trustees**

(i) The Trustees will be nine but the Trustees shall have power to act notwithstanding a vacancy in their number;

(ii) Each trustee (with the exception of Trustees appointed in their official capacity) shall hold office for a period of three years from the date of appointment, which may be renewed once by a new appointment;

(iii) The power of appointing and replacing Trustees hereof shall be vested in the Minister;

(iv) Three of the Trustees shall represent the Minister in charge of water affairs, the Treasury and contributors to the Trust Fund respectively;

(v) The Minister shall designate one of the Trustees to be the Chairperson of the Trust;

(vi) The Minister may, on the recommendation of the other Trustees, terminate the appointment of any Trustee whose conduct undermines the objectives of the Trust;

(vii) Every Trustee shall before acting in the Trust sign in a Minute Book, a declaration of acceptance and of willingness to act in the Trust hereof.

**Implementation processes**

The key features of WSTF projects implementation processes, within the institutional framework outlined
above are illustrated in Figure 2.3. In summary, these features will include the following procedures and controls:

- Potential beneficiaries submit applications in accordance with set criteria.
- Applications for WSTF funds are supported by detailed output-based annual work plans and budgets.
- WSTF Technical Department reviews applications for completeness, eligibility and viability according to set guidelines
- WSTF Technical Department submits recommendations to the Chief Executive Officer of WSTF who forwards to the WSTF Board of Trustees
- The Board of Trustees awards WSTF funds to the successful applicants
- WSTF management compiles a schedule of approved applications, informs beneficiaries, prepares disbursement schedules and disburses to respective project accounts every quarter for implementation.
- The project is implemented by the beneficiaries
- The WSTF field coordination department ensures effective monitoring and evaluation of funded projects
- The WSTF CEO ensures appropriate accountability and reporting of all projects.
Rules and Regulations of WSTF

Figure 2.3: WSTF Implementation Process

1. Issue application guidelines
2. Implementers prepare and submit applications
3. Scrutiny and evaluation of applications
4. Submission of recommendations to Trustees
5. Final decision on awards of funds against applications
6. Funds drawn from WSTF accounts
7. Quarterly Disbursement to Project accounts
8. Implementation of project activities
9. Reporting and accounting for funds
10. Review and evaluation of project
Section 3

Financial Management and Accounting Procedures
Financial Management and Accounting Procedures

Introduction

This Section deals with the following issues:

• Flow of funds from GoK, Development Partners and other donors to the trust fund bank account
• The procedures for receiving funds
• The procedures for disbursing funds to approved projects and for paying for goods and services within the WSTF.
• The reporting system

The following describes an overview of the expectations of the Trustees in financial management:

Funding

(i) The initial capital of the Fund shall be transferred to the Fund by the Government of Kenya, and further monies and investments shall be paid out of the Consolidated Fund;

(ii) All receipts, earnings and accruals of the Fund and the balance of the Fund at the close of each financial year shall be invested by the Fund for the purposes for which the Fund is established;

(iii) Any surplus realized in any financial year from the operations of the Trust Fund shall be retained in a Reserve Fund and shall be used by the Fund and any deficiency realized in any financial year shall be set against the realized surplus held in the reserve account of the Fund;

(iv) All donations, grants, funds paid by donor agencies shall be invested and paid out in accordance with the Memorandum of Understanding entered into between the Trustees and the Donors.

Accounts

(i) The Trustees shall keep proper books of account and shall prepare annual statements of accounts consisting of an income and expenditure account relating to a period of not more than 12 months and of
Financial Management and Accounting Procedures

(ii) The accounts of the Trust Fund shall be audited in accordance with the provisions of the Exchequer and Audit Act, Cap 412.

(iii) Development Partner funds shall be accounted for separately and audited in accordance with the Memorandum of Understanding (MoU).

Banking

(i) The Trustees shall maintain such banking accounts for the Trust with banks as approved by the Minister for the time being responsible for Finance;

(ii) All Accounts and Investments shall be held for and on behalf of the Fund in the name of the Board of Trustees;

(iii) Except that monies paid by Development Partners in the form of grants shall be banked in accordance with the Memorandum of Understanding entered into by the parties.

Flow of funds from Development Partners

The WSTF activities will be implemented through flexible funding and disbursement mechanisms.

The Development Partners financial contribution to the WSTF will be pooled in the Trust Fund. There will be some partners whose funds will not be pooled. However, the basic principles of managing these funds by WSTF are the same.

WSTF will open bank accounts to receive funds from Development Partners contributing to the Trust Fund.

Once these funds are received the WSTF Trustees will ensure that they are properly managed and efficiently utilised in the provision of water services countrywide.

It is anticipated that funds from the WSTF will be utilised in the following ways:

- Funding new projects
- Funding handover projects
Financial Management and Accounting Procedures

- Funding capacity building activities
- Funding WSTF headquarters activities
- Paying for salaries and allowances of WSTF employees and trustees

Figure 3.1 outlines this flow.

The signatories of the accounts opened will be the Trustees of the WSTF and the Chief Executive Officer of the Fund and any other officer (preferably Finance Manager) as deemed appropriate.

GoK and Development Partners will confirm to the WSTF whether to invest surplus funds in short term interest bearing instruments.

Procedures and rules for pooling funds, management, reporting, auditing, monitoring and evaluation of progress in implementation of the program will be based on the WSTF set guidelines and these will be agreed upon in MoUs between the WSTF and all participating Development Partners.
Development Partners will indicate the timing of availability of their contributions. The WSTF on the other hand, will provide a rolling three month projection of cash requirements.

Chart of Accounts and Account Codes

The WSTF will develop a chart of accounts and a system of coding for transactions. This will facilitate orderly recording and analysis of accounting data.

Financial Management Manual

The purpose of the manual is to record and present in a single document, a basic guide on accounting policies and procedures to be adopted in the running of the WSTF office. This will be based on the principles outline in this operations manual.

The procedures are presented in two parts:

• General accounting procedures which give the minimum general accounting requirements, and

• Cost specific (budget line procedures) outlining the supporting documents required and the appropriate accounting procedures.

All financial data will flow down the established lines of approval within the WSTF management office and the expenditure reports will be reviewed and approved before reporting to the WSTF Board of trustees, GoK and Development Partners.

Accounting convention

The financial statements will be prepared in accordance with and will comply with International Financial Reporting Standards (IFRS). The financial statements will be prepared under the historical cost convention.

The preparation of financial statements in conformity with generally accepted accounting principles will require the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates will be based on the Board of Trustees’ best knowledge of current events and actions, actual results ultimately may differ from those estimates.
For GoK financial reports it is imperative that WSTF conforms to the cash accounting convention where income is recognized when received and expenditure when paid.

WSTF financial reports for Development Partners will be prepared under modified cash accounting convention where income is recognized when received and expenditure when paid. Thus day to day transactions will be recorded at monetary value of the transactions.

The accounting system used by the WSTF will be flexible enough to accommodate reporting requirements of the various contributors including GOK.

**Accounting period**

All accounting reports will be prepared as at the last day of the month. However reports may be prepared at any time on the request of the GoK and/or Development Partners and/or other contributors to the Trust Fund.

Within three months after the conclusion of the financial year (30 June), the WSTF will prepare a consolidated final expenditure report. This will also act as a cut off date for inclusion of any Fund related expenditure.

**Management of Income**

Income will comprise advances received from the GOK, Development Partners and other contributors to the WSTF. These monies will be recognised in the books in the period/month in which they are received.

The income will be recorded based on receipt of a bank credit advice confirming that a contributor to the Fund has transferred funds directly to the WSTF bank accounts.

GoK contribution will be recognised on receipt of AIE for the GoK portion.

In cases of Development Partners/Contributors making payments direct to projects or suppliers, the WSTF will use documentary support provided by the Development Partners/Contributor to recognise both the income and the expenditure.

The bank advice and confirmation of direct payments will be used to raise a “receipt”. **Annex III** shows the proforma receipt.

Receipt of funds will be acknowledged and accounting records will accordingly be updated. **Figure 3.2** below shows the process flow in income management.
### Financial Management and Accounting Procedures

#### Figure 3.2: Income Process

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<th>Process Flow</th>
<th>Procedure steps</th>
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<tr>
<td>Funds Advice</td>
<td>1. Receive cheque or bank deposit advice per the funding schedule</td>
<td>Bank funds</td>
<td>5. Bank cheques and cash received immediately</td>
</tr>
<tr>
<td>Receive CHQ/Advice</td>
<td>2. Receive cheque or bank deposit advice and raise an official receipt.</td>
<td>Assign Codes</td>
<td>6. Code the Official Receipt using the chart of Accounts</td>
</tr>
<tr>
<td>Raise receipt</td>
<td>3. Send one copy to source of funds to acknowledge receipt accompanied by a letter of acknowledgement</td>
<td>Approve</td>
<td>7. Review Coding and approve for entry to Cashbook</td>
</tr>
<tr>
<td>Receipt</td>
<td>4. File a copy in the bank file and leave third as the book copy</td>
<td>Record</td>
<td>8. Update the Cashbook</td>
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1. Receive cheque or bank deposit advice per the funding schedule
2. Receive cheque or bank deposit advice and raise an official receipt.
3. Send one copy to source of funds to acknowledge receipt accompanied by a letter of acknowledgement.
4. File a copy in the bank file and leave third as the book copy.
5. Bank cheques and cash received immediately.
7. Review Coding and approve for entry to Cashbook.
8. Update the Cashbook.
Financial Management and Accounting Procedures

**Request for funds**

The WSTF will prepare cash forecast for the 12 months to enable Development Partners/Contributors profile subsequent tranches expected from them.

The request for transfer of funds will be prepared by the WSTF based on the cash position of the Fund and the agreed schedule of disbursement.

**Expenditure**

Expenditure comprises funds disbursed to projects, salaries and wages for WSTF staff and Trustees and other Headquarters expenditure. These are recognised in the books when payment is made. Memorandum accounts will be maintained to monitor unpaid obligations to suppliers of goods and services. Accruals will be made at the end of the WSTF for any bona fide unpaid amounts at that time.

Expenditure incurred but not paid for will be treated as a commitment to pay. Other WSTF commitments such as purchase orders will also be monitored. All commitments will be reported under appropriate categories for budgetary control purposes.

**Figure 3.3** outlines the basic process flow in making payments.

A cheque register is maintained where all signed cheques are recorded. The register records the name of the payee, the amount, the cheque number, the name and signature of the person collecting the cheque and the date of collection. Form III-C in **Annex III** is a proposed example.

**Advances/Imprests**

The WSTF shall maintain a record of all imprests advanced to officers and Trustees. A moratorium period of 21 days will be allowed for accounting for the advances given. After the expiry of this period the WSTF will pursue avenues of recovering the amounts from the officer’s monthly wages after the approval by WSTF CEO.

**Annexes III** form III-F to III-H show the proposed forms to be employed in management of imprests.

**Imprest/advance requisition**

Travel and activity imprest requisitions will be approved by the WSTF for payment.
Financial Management and Accounting Procedures

Figure 3.3: Expenditure Process

1. Prepare Payment Vouchers if invoice is correct in all respects.
2. Check PV against supporting documents (LPO, Delivery note/GRN and acceptance note by WSTF)
3. Sign PV to authorise payment
4. Prepare cheque and submit to the signatories.
5. Cheques are signed by signatories
6. Forward cheques for recording and despatch.
Financial Management and Accounting Procedures

**Accounting for advance**

An advance accounting form will be completed to record the amount for travel advance and activity imprest. As shown in Annex III the form is designed to facilitate analysis of the expenditure by type, e.g. fuel and vehicle maintenance.

Any amounts not spent will be surrendered to the accountant when the amount spent is accounted for. Similarly, officers who spend more than the amount advanced will be refunded the excess after they have accounted for the advance.

Advances/imprests to officers must be accounted for before issue of any further advances.

**Fixed Assets**

Expenditure relating to these assets will be treated as expenditure when assets are purchased in accordance with the expenditure section above.

To facilitate management control, a fixed asset register will be maintained of all capital items bought by the WSTF. A format is shown on form III-K in Annex III. The fixed assets will remain the property of WSTF.

**Records to be kept**

The following records will be kept by the WSTF:

**A Cash book** will be maintained for the bank account opened for the WSTF. All receipts (funds from GoK, Development Partners, other contributors refunds) will be recorded in the cash book using journals or receipts. All payments from the WSTF cash book will be entered sequentially per cheque number.

**Petty cash book** will be maintained to record all cash payments made at the WSTF offices. This will be maintained at a maximum of Kshs 20,000 (or as deemed adequate). Replenishment for the petty cash will be drawn from the bank account to a limit of Kshs 10,000 (or as deemed adequate) per replenishment. However, cash balance from staff imprests and/or other activity advances below Kshs 10,000 (or as deemed adequate) will be used for petty cash payments. Sequentially numbered Petty Cash Payment Vouchers will be used to record payment made out of petty cash in the petty cash book.
Insurance

All cash in transit and petty cash held in the WSTF offices shall be insured against loss. The level of insurance shall depend on the security measures put in place to minimise theft or loss.

All assets managed by the WSTF will also be insured.

Cash flow forecast and investment of excess funds

Cash flow projections will be prepared and the cash position reviewed in making cash management decisions. Surplus funds will be invested, according to the approved investment policy, while ensuring the WSTF is liquid enough to make payments for its obligations and disbursements to projects in a timely manner.

The WSTF will be responsible for the preparation of cash projections (Weekly, monthly, quarterly) and any envisaged excess funds/cash will be invested in short term (Maximum 90 days) liquid and secure securities.

WSTF balance sheet

To meet Development Partners reporting requirements, the WSTF accounting system should be cash based. A memorandum balance sheet will be prepared outside the accounting software to classify WSTF resources under investments (including fixed assets) and operations and show how these are funded.

Translation of currencies

In line with the overall WSTF policies, the WSTF accounting records will be maintained in Kenya Shillings.

Receipts from the offshore accounts will be recorded at the market exchange rates used to credit the Shilling WSTF Account.

Operating expenses quoted in other currencies will be recorded at the market rate prevailing at the date of the transaction.

Current assets will be translated at the market exchange rate in effect at the end of the period in preparing local currency reports.

Reporting and data analysis requirements

The WSTF accounting system will be designed to
facilitate timely generation of periodic financial management reports, both at the WSTF level (for Development Partners/GoK reporting) as well as at a more detailed level for management purposes. Formats of financial reports required by Development Partners are provided in Annex III. To efficiently produce these reports, the accounting transactions need to be analysed in a number of ways, including:

- Expenditure categories and sub categories
- Components and activities
- Source of funds
- Institution and units/cost centers
- Location
- Timeframe - date and periods.

Receipts, Recording and Disbursement of WSTF Funds to Projects

- Projects are required to be operated through bank accounts. Funds will be transferred to these accounts on the basis of approved work plans on a quarterly basis after accounting for the previous quarter but one funds
- Projects will be required to hire qualified accountants (even on part time basis) to ensure proper books of accounts are maintained and reporting is accurate.
- WSTF will at any time conduct monitoring and evaluation and financial audits of the projects.
Financial Management and Accounting Procedures

Project auditing arrangements

WSTF will prepare consolidated annual project accounts using the expenditure statements submitted by the various implementers. An annual WSTF audits will be performed by the Auditor General (Corporations).

The audit of WSTF will be extended to cover disbursements made to the implementing projects. The detailed audit review and voucher verification will take place at various points. WSTF Trustees will engage the services of independent and reputable auditors to carry these audits. Unlike the annual audit performed by the Auditor General, these audits will be done periodically at any time during the life of the projects.

WSTF will also appoint an independent auditor to carry out audit of those NGO/CBO/Private sector institutions receiving up to Kshs 1,000,000 per annum.

The WSTF management team and appointed auditors will have access to the financial management records of the beneficiaries for periodic reviews, inspections and audits.

The WSTF annual audit report will be submitted to Development Partners within three months of the end of the financial year while the project audit reports will be submitted to the Development Partners within 45 days of the end of the audit.

FINANCIAL MANAGEMENT

The following parts outline some of the basic principles to be followed by WSTF in financial management. These will subsequently be translated into a financial manual which will assist management in carrying out day to day financial management and internal control activities.

Budget preparation procedures

WSTF has a role in the wider budget process through the influence of resource allocation to key priority areas and activities carried out by various stakeholders.

WSTF will prepare its annual and quarterly budgets in accordance with the requirements of Government of Kenya. The Government of Kenya budget is prepared in the three-year rolling Medium Term Expenditure...
Framework (MTEF). The MTEF provides a link between budgetary allocations and specific measures/activities geared towards fulfilling the overall objective or theme of the budget.

**Annual estimates**

Most of the personnel emoluments and operation costs are financed through grants from the Government. The annual estimates are prepared in accordance with Treasury Circulars. The estimates are normally captured as:

- Recurrent expenditure
- Development expenditure

**Recurrent expenditure estimates for WSTF**

These will be prepared by the Finance Department and will be forwarded to the MWI after having been presented and approved by the Trustees. The submissions are scrutinised in line with the recurrent ceiling of the Ministry and the resource envelope of the Trust Fund. Monitoring and Evaluation of the annual budget should be done to rationalises further the available resources to different activities. It also acts as a remedy/check system to over-expenditures and under-expenditures in the budgeting process.

**Development expenditure estimates**

For purposes of accounting and transparency all development estimates will be recorded as revenue except where agreed otherwise with the development partners.

The estimates will be prepared by activity and type as per the necessary work plans received from the various projects. These must be approved by the respective Water Service Boards otherwise the Trustees will approve the projects where the Water Service Boards are not yet operational.

Resources will be released from WSTF to implementing agencies as per the agreements, financial management and other laid down regulations.
Financial Management and Accounting Procedures

Periodic reporting on financial and activity aspects will be done by the stakeholders as per the agreements.

Cash Management

The purpose of the cash management system is to ensure that:

- All cash received is promptly and accurately accounted for and banked intact
- All payments are properly verified and approved before payment is made
- All vouchers and supporting documentation are properly stamped “paid” immediately after payment is done
- There is adequate segregation of responsibilities
- All cash transactions are properly captured by the General Ledger system
- Bank and cash reconciliations are done on a timely basis
- Cash requirements are forecasted and income from surplus funds should be declared and repaid to donors if required by funding agreements.

Receipt of money and recording of funds

Funds are received in the following ways:

- Direct transfers into WSTF accounts from donors and the GoK
- Cheque /cash receipts from donors.

In the case of direct bank transfers, WSTF will receive a deposit advice from the bank to confirm receipt of the funds. The bank advice will be used to raise a receipt.

When cash/cheque is received, an official receipt (Annex III) will be raised in triplicate immediately.

Payment procedures

Payments will be made to:

- Suppliers of goods and services
- Staff carrying out WSTF activities in form of imprests
Financial Management and Accounting Procedures

- Staff as salaries
- Replenish petty cash
- Implementers- Communities, NGOs etc as advances for approved projects. The advances will be based on approved work plans.

For all purchase/service and payment orders there shall be two authorised signatories. The Finance department will prepare payments upon the receipt of approved purchase orders, invoices and other supporting documents.

All cheques will be supported by a payment voucher and will be entered into a register before they are released. The register will show the name of the payee, the amount, the cheque number and the date of collection (or despatch by registered mail and courier). All cancelled cheques will be stamped "VOID" and recorded in the cheque register with the word ‘CANCELLED’ in the payee space.

Authorisation of payment for goods, works and services

Official purchase orders shall be issued for all goods, works and services required in accordance with the WSTF procurement regulations. These will be based on best practice, Public Procurement Regulations and Development Partners Procurement Guidelines. For specific procurement being funded by a specific Development Partner, the WSTF procurement regulations and practices will allow Development Partners and/or GoK procedures to take precedence over any conflicting provisions in the WSTF regulations.

Local Purchase/Service Orders shall be in a form approved by the Trustees representative.

The Finance Manager shall control the printing and issue of such forms. The orders and copies thereof shall contain such information as the Finance Manager in consultation with the Trustees require from time to time to ensure that there is an adequate record of WSTF’s liability.
The Local Purchase/Service Order will be signed by two authorised officials as follows:

Finance Manager & CEO Shs5,000 – Shs1 Million
Selected Trustee & CEO Over Shs1 Million

Authorisation for payment levels and signatories are as follows:

Finance Manager Up to Shs 200,000
CEO Shs 2,000,001- 5,000,000
Trustees resolution Over Shs 5 million

**Bank and banking arrangements**

Banking arrangements are made by the CEO as instructions from the Trustees. Banking arrangements will be with reputable banks only as approved by the Trustees.

The cheque signatories will fall under two categories as follows:

**Category A**
- Finance Manager
- CEO

**Category B**
- Chairperson of WSTF
- Two designated trustees

All cheques must have 2 signatories with both Category A and B being mandatory.

Cheques shall only be ordered by any of the two signatories per mandate. The Finance Manager will make adequate arrangements for their custody.

Cheques in current use shall be entered in the register of accountable documents to be kept by the Finance Manager.

Bank reconciliations will be prepared not later than 10 working days after the previous end of month by an
Financial Management and Accounting Procedures

Accountant. The Finance Manager will ensure the reconciliation of all bank account balances to the cashbooks is done. Each bank reconciliations will be prepared by a designated accountant and reviewed by the Finance Manager (Evidence of the date of preparation and review must be indicated on each reconciliation). The CEO of the Trust Fund will randomly review the bank reconciliations.

**Petty Cash**

The purpose of the petty cash system is to ensure:

- The maintenance of sufficient amount of float to meet small cash needs
- Safe custody of petty cash funds
- Adequate controls over a petty cash held and petty cash payments made
- Prompt and accurate processing, issuance, recording and accounting for petty cash.

**Policy**

- WSTF will maintain a petty cash float to meet small office expenses
- WSTF management will agree the float amount which will be monitored and revised, with approval of the CEO, when considered necessary
- Any payments in excess of Kshs 10,000 will be made by Cheque.

**Description**

The Cashier will maintain an initial float for meeting small office expenses, and any other cash withdrawn for specific purposes has to be surrendered to the Cashier for proper accounting before the money is paid out. Petty cash will not be used for workshops, travel, per diems, allowances, fuel or salary advances.

Travel allowance and imprest procedures will be provided. Funds for these activities will be advanced and accounted for using an imprest application form (III-F in Annex III)
Financial Management and Accounting Procedures

and a properly analysed expenditure report (III-G in Annex III).

Petty cash will be securely locked up in a safe. The Cashier should ensure adequate security measures are in place while transporting petty cash from the bank and when accessing the safe to make payments.

The Finance Manager will conduct surprise petty cash counts to ensure petty cash in safe, used as intended and accounted for correctly. The count sheet shall be counter signed by both the Cashier and the person conducting the count and dated. Any discrepancies noted shall be reported immediately to the Chairperson of WSTF.

**Request and payment of petty cash**

Requests for petty cash will be made using a Petty Cash Voucher (PCV-Form III-D in Annex III). Employees requiring petty cash will complete the form and obtain approval from the Finance Manager.

Once approved by the Finance Manager/Accountant, the PCV will be presented to the Cashier for payment. The recipient of petty cash will sign the PCV on receipt of the funds. The Cashier will retain the PCV in the petty cash box until the funds are accounted for with supporting documents.

**Accounting for expenditure**

Petty cash advances will be accounted for immediately after incurring expenditure. This should take place on the same day the petty cash advance is taken. Only in exceptional cases should petty cash be accounted other than on the day of disbursement.

The petty cash holder will summarise the expenses, attach all the receipts and submit them to the Cashier. Any difference between the advance and the expenditure will be reflected on the PCV and surrendered to the Cashier. If more than the approved advance is spent, the person authorising the expenditure will be required to approve the additional payment to the Petty Cash holder.

Un-surrendered petty cash should be recovered from the staff salary in the same month it was paid out.
Financial Management and Accounting Procedures

Petty cash replenishment

The petty cash float will be replenished with the amount spent every time the balance falls below 25% of the float. The Chairperson of WSTF, will approve any revision to this percentage.

A properly analysed Petty Cash Replenishment Request Form will be completed to account for the float. This will be adequately supported by PCVs and expenditure receipts.

A payment voucher will be raised for the replenishment. The petty cash replenishment cheque should be reconciled to the petty cash expenditure. Any discrepancies noted should be investigated immediately and corrective action taken.

Cash reconciliation procedures

This will be prepared on a daily basis by the Cashier and supervised by the Accountant who will ensure that it agrees to the daily balances.

Travel and Activity Imprest

The purpose of the imprest system is to ensure that:

- Imprest is issued for approved activities and expenditure types
- Proper approval systems are adhered to in making imprests payments
- Reasonable amounts are paid out as imprests
- Imprest is promptly and fully accounted for with appropriate supporting documents
- Travel and other activities requiring imprests are adequately planned for in advance.

Policy

WSTF will pay for travel and reasonable living expenses for employees on official business in accordance with guidelines and rates set out in the Terms and Conditions of Service. These details will be elaborated in a personnel policies and procedures manual.
Financial Management and Accounting Procedures

In country- out of station allowance

Officers travelling on duty within Kenya and away from their duty station will be paid a per diem/DSA (a flat accommodation allowance per night).

Officers travelling on duty but not spending a night away from their duty station will be eligible for lunch and dinner allowance at 15% and breakfast at 8% of the respective per diem rates.

Fuel and other incidental vehicle running costs will be based on the official expenditure receipts.

Out of country subsistence allowance

This allowance will be paid as per agreed rates determined by WSTF Management. All out of country travel will be approved by the Chairperson of WSTF or by the Vice-chairperson in the absence of the Chairperson.

Application for travels and activities imprests

The budget holder for approved activities will review and approve travel and activities imprests applications. All air travel and out of country activities must also be approved by the Chairperson, WSTF or by the Vice-chairperson in the absence of the Chairperson.

The approved application shall be submitted to the Finance department at least one week (5 working days) before the date on which funds are required. Once an imprest is issued, it will immediately be posted to an interim staff imprest account of the individual taking the imprest.

Accounting for imprests

Imprests must be accounted for within 14 days of return to office. No further advances will be made until previous ones are fully accounted for.

An Expenditure Form will be completed in accounting for the imprest. The form is designed to facilitate analysis of the spending by activity and expenditure type, e.g. per diem, stationery, transport etc.

The imprest holder will obtain approval either from the
Budget Holder or the Chairperson, WSTF before submitting the form to Finance Department.

Any amounts not spent will be surrendered to the Cashier when accounting for the imprest, and an official receipt issued. Similarly, officers who spend more than the amount advanced will be refunded the excess amount spent after they have accounted for the advance. The excess amount must be approved by the Finance Manager.

**Unsurrendered imprest**

Imprests that remain unaccounted for beyond the required period of return to office will be recovered from the employee’s salary in such amounts and over such period as the Finance Manager in consultation with the CEO, WSTF may consider appropriate.

**Payroll**

The purpose of the payroll system is to ensure:

- Complete and accurate data capture and payroll processing
- Production of all required reports in a timely manner
- Employees are paid in accordance with letters of appointment
- There is adequate security over payroll data
- Statutory and voluntary deductions are properly accounted for and remitted to the appropriate authorities promptly
- Payroll expense is forwarded to the General Ledger system.

**Policy**

- WSTF will issue appointment letters to all newly employed staff and the payroll processing will be in line with the Terms and Conditions of Service of each category of staff.
- The Finance Department shall not make payroll changes without the express authority of the Finance Manager.
Financial Management and Accounting Procedures

- Tax will be deducted on all taxable pay in accordance with relevant tax law.
- WSTF will comply with local labour laws, regulations governing employment and provisions of specific employment contracts.
- To avoid the risk inherent in carrying large sums of money and minimise the risk of loss of payroll frauds, all staff will be required to operate bank accounts through which their salaries will be paid. Cash cheques will only be used on a temporary basis to allow new staff adequate time to open bank accounts.
- The payroll will be prepared on a monthly basis. The Finance Manager will ensure that this is prepared by the 20th of every month. Salary bank transfer instructions and the salary cheques will be forwarded to the bank on or before 23rd of every month to ensure salaries are credited to employee bank accounts before the end of the month.
- Payroll reports (net salaries, statutory and non-statutory deductions) will be reviewed by the Finance Manager and verified by the Administration and Human Resource Manager. Once approved, they will be forwarded to the Chairperson for authorisation of the payments.

Fixed Assets

The purpose of the fixed assets system is to ensure that:

- All assets are safeguarded by recording their details and monitoring their location, condition and usage
- There is proper maintenance of a fixed assets register, appropriately designed to include all information necessary to properly record and control fixed assets
- There is proper accounting for fixed assets.

Policy

Fixed assets

Fixed assets refer to long lived assets acquired for use in the operation of an organisation. In the case of WSTF,
these will include office equipment and computers, vehicles, furniture and fittings.

The cost of fixed assets will include all expenditures reasonable and necessary in acquiring the asset and placing it in a position and condition for use in WSTF’s operations. This will mainly include the cash outlay necessary in acquiring the asset plus any incidental costs (e.g. expenditures for freight, insurance while in transit, installation and any other costs necessary to make the asset ready for use).

On receipt, each asset will be verified and assigned a unique tag number and recorded in detail in the Fixed Assets Register.

The Fixed Assets Register shall have the following information for each asset:

- Description of asset including model and serial number,
- Date of purchase and cost,
- The tag number,
- Class and category of asset,
- General and specific location
- Condition.

Management will ensure that independent physical verifications are regularly conducted. Any discrepancies will be investigated and corrective action taken.

**Capitalisation Policy**

Fixed assets with a minimum value of Kshs 50,000 individually or collectively and a life of three years or more will be capitalised and depreciation computed on these.

Assets costing less than Kshs 50,000 will be expensed in the year of purchase and will be recorded in a stores register for control purposes.

Small items like staplers and punches will be treated as consumables and controlled using a stores ledger card.
Financial Management and Accounting Procedures

**Depreciation**

Straight-line method of depreciation will be used. This will allocate the cost of the depreciable asset uniformly over its expected useful life.

The annual depreciation will be based on the full acquisition cost of the depreciable asset, net of its salvage value, as applicable. The rate will apply from the date the asset is placed into use until it is disposed off/written off or until it is fully depreciated, whichever occurs first.

Sets of assets e.g. office furniture, purchased at a single point in time should be considered a single asset for depreciation, even if individual components of the set cost less than the minimum value for capitalisation.

**Disposal of fixed assets**

Disposal of assets will be affected only on the recommendation of the Finance and Procurement Committee and approved by the Trustees.

Fixed Assets shall be disposed of after valuation and the disposal procedure shall be by open tender, public auction or private treaty (to members of staff). In all cases, the disposal shall be subject to a reserve price.

**Control over fixed assets usage**

Fixed assets usage will be controlled through the use of the following forms:

- Transport requisition form
- Vehicle movement register (work tickets)
- Fixed assets movement register
- Authority for movement of fixed assets form.

**Insurance arrangements**

Insurance is a vital component of WSTFs operations. Insurance should cover the following risks among others:

- Fire
- Burglary
Financial Management and Accounting Procedures

- Motor vehicle insurance

The CEO shall be responsible for effecting all insurance covers on behalf of the Trustees with reputable insurers. He shall negotiate claims and where necessary in consultation with other officers. Adequate insurance registers shall be kept and policy documents kept in safe custody by Finance Manager.

COMPUTERISED FINANCIAL SYSTEM

The financial system will be managed through an accounting software e.g Sun System, Scala, Great Plains Dynamics, Pastel, PayPlus etc. This should facilitate the production of the required program financial reports. The WSTF staff will be adequately trained to maintain the system and appropriate internal controls will be instituted to safeguard the confidentiality and integrity of stored information. The accounting system identified should be able to generate financial monitoring reports.

The WSTF will start with zero balance brought forward and should not inherit debts or accounting differences.

REPORTING

This section covers accounting and reporting by the WSTF to the GoK, Development Partners and other contributors.

Reporting and data analysis requirements

The WSTF accounting system will be designed to generate timely periodic financial management reports. Formats of the financial reports are provided in Annex II. To efficiently produce these reports, the accounting transactions need to be analysed in a number of ways, including:

- Expenditure categories and sub categories
- Source of funds
- Timeframe.

Activity reporting will be done by implementers/beneficiaries of WSTF funds every quarter and it will be important for activity progress to be linked to
Financial Management and Accounting Procedures

Figure 3.4: Flow of Reports

-Quarterly/annual Progress & Financial reports
• End of project reports

WSTF Management

 Consolidated Quarterly/annual financial reports
• Consolidated progress reports
• M & E reports

WSTF Trustees

GoK (MWI) Other Fund Contributors Development Partners

expenditure reports. As such the WSTF will ensure monthly financial reports are prepared by the 6th of the following month, Quarterly reports by the 15th of the following quarter.

The Project implementers will coordinate with WSTF in highlighting key issues and events reflected in the financial and activity report.

Figure 3.4 illustrates the flow of WSTF reports.

**Reporting Requirements**

While reporting is an important part of any WSTF project and must be fulfilled before an initiative can be considered complete, the implementing units should when reporting, cover the necessary information without being excessive. As a minimum this reporting must include the following:

- Quarterly progress and financial report
- End of WSTF project report
- Annual progress report
WSTF Management consolidates these reports together with WSTF Headquarters progress and financial report. A monitoring and evaluation report will be prepared by WSTF at the end of every six months.

Copies of consolidated reports are then forwarded to the Board of trustees and subsequently to the Development Partners, other donors and to the GoK through MWI. The consolidated reports are a basis for audits and programme reviews by the Auditor General and other auditors appointed by the GoK and development partners.

In addition to these reporting arrangements WSTF will seek directly a report from the stakeholders prior to the assessment of the end of WSTF project report. This outlines the stakeholders’ evaluation of the project. The WSTF reserves the right to request comment from the stakeholders through an independent monitoring and evaluation team in its review of the end of project report.

The stakeholders are expected to have an active role in project reporting. They should have the opportunity to sight, comment on, and edit the final documents prior to their submission to WSTF.

Each implementer is responsible for ensuring that all initiative reports are provided to WSTF within one month of completion.

**Progress Report**

Requirement for and timing of progress reports are established after discussion with the implementer and subsequently set out in the work plan. They are required at strategic milestones throughout the initiative implementation and should be prepared every three months.

Progress reports should report against the design and describe any difficulties that have arisen since the commencement of the initiative’s implementation. This should include an assessment of progress against the work schedule and how far the implementer still believes the project is relevant in the context of the original needs assessment.
End of Project Report

This is an analysis of the project outcome. In addition to outlining and discussing the specific technical aspects of the activity undertaken, the report should discuss the objectives, scope, and methodology of the initiative in relation to the original application. In addition it is necessary to include a more comprehensive discussion of the project’s outputs.

It is important that the report is analytical and provide a critique of the project’s outcome. It should consider:

• The overall water service delivery in the community, including issues such as sustainability and equity in the distribution of benefits produced
• Other socio-economic, environmental and technical concerns etc

The report should document how the project was undertaken in respect of the objectives, expected outputs, scope and methodology of the original application. Where the project diverged from the original application, the report should state clearly when and why this happened and how the changes made improved the outcome and/or mitigated problems that arose.

Reports are reviewed against the agreed work plans of the project. WSTF is responsible for providing report preparation guidelines to the implementers.

It should be brief (no more than 6-8 pages) long and include the implementers assessment of:

• The outcomes of the initiative (what it has achieved)
• Implementation - a brief assessment
• Stakeholders and their contribution to the project reporting
• Whether their own participation met their expectations
Section 4

Procurement Procedures
Procurement Procedures

Purpose of procurement procedures

The procurement procedures will apply for direct procurement of goods and services by WSTF.

The procedures will ensure that:

- Procurement is made to the maximum extent possible on practical, open and free competition basis
- The WSTF obtains the value for money on all its procurement of goods and services
- Procured goods and services are delivered in the correct quantity and quality in a timely manner.

As shown earlier procurement will be in accordance with the WSTF procurement regulations. These will be based on best practice, Public Procurement Regulations and Development Partners Procurement Guidelines. For specific procurement being funded by a specific Development Partner, the WSTF procurement regulations and practices will allow Development Partners and/or GoK procedures to take precedence over any conflicting provisions in the WSTF regulations.

Basic principles on procurement

The guiding principles to be followed in procurement of goods and services are as follows:

Competitive bidding:

The essence of this principle is that all persons have an unrestricted opportunity to bid and win. The market should be as broadly defined as possible. This calls for open advertisement in the local media or any other public or open means of inviting tenders. However, due to time limitation the WSTF may choose instead to invite tenders only from known suppliers who WSTF may have been dealing with (i.e selective bidding).

Transparency

This means that processing of tenders should involve more than one person. Information on the procurement should be readily available to all competitors. It also means that the basis of awarding of tenders should be
Procurement Procedures

logical and fair.

Supremacy of the Tender Committee

WSTF will form a tender committee whose composition will be ratified by the Board of Trustees. The final decision on who should supply goods/services rests with the tender committee.

Persons or parties with interest should be excluded from competing for contracts

No employee or officer of the WSTF and WMRMD shall participate in the selection, award or administration of a contract if a real or apparent conflict of interest would be involved. No contractor involved in developing or drafting specification requirements, statements of work or request for proposal shall be considered for such procurement.

Procurement shall be carried out using one of the following:

Tendering: The tender must include complete, clear and accurate information on:

- Responsibilities of the contractor
- Minimum qualifications
- Terms of service including payment
- Identification of WSTF originator, giving full details of where and by when
- Time frame for the proposed order, from issue of order to final delivery

Quotation: The procedures will be as follows:

- Obtain a list of known suppliers for the required goods or services
- Obtain quotations from at least 3 different suppliers from the list above
- Analyse and provide justification to recommend a particular vendor
- Ensure in addition to prices, other factors such as reliability, previous satisfactory performance with the WSTF, quality products and delivery schedules will be considered. The committee with the help of WSTF Trustees should develop a list of suppliers to expedite
Procurement Procedures

purchases.

**Procurement process**

Before procurement is done, WSTF shall determine the need for procurement based on the budgeted activities. Tenders shall only be invited for budgeted major procurements. Where an unbudgeted procurement is to be done, approval of entire Board of Trustees should be sought and justified.

On confirmation that the proposed procurement is within the budget, the following activities will be carried out.

- Specification of goods/services
- Invitation to tender/quotation
- Consideration and awarding of tenders
- Signing of contract
- Monitoring of contract performance

All procurement needs under the WSTF will be submitted to and agreed by the Board of Trustees both before any procurement is undertaken and before any orders are placed.

**Records of meeting and other Procurement Committee decisions**

The WSTF Procurement Committee will keep records of all its deliberations and documentation relating to procurement in a procurement file. Each procurement will be appropriately segregated.

**Payment for procurement**

All payment for procurement made for the WSTF will be made directly from the Trust Fund in accordance with the process described in *Section three*.

WSTF will develop a list of negative items and suppliers to ensure that it does not deal with any unscrupulous suppliers.

The diagram below summarises the steps in procurement.
## Procurement Procedures

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Section 5

WSTF Appraisal Guidelines
WSTF Appraisal Guidelines

Introduction

The core objective of WSTF is to provide financial support for provision of water services in the areas without adequate water services especially the areas with poor and disadvantaged people.

The Fund will operate within the framework of the new institutional dispensation for the Water Sector and as such the planning process will involve the new institutions especially the Water Services Boards.

The Fund appreciates that access to adequate, reliable, safe water may mean different things in different areas of Kenya, and will endeavour to promote, at the very least, development that protect water sources from contamination and degradation.

The Fund will endeavour to use an incremental approach to water and sanitation services.

This section provides the selection criteria and appraisal guidelines for project applications/proposals. Annex IV shows an example of the application form.

Summary Selection Criteria

• The project must be initiated by the community and based on a demand-driven approach;

• The project must be sustainable and based on sound economic principles, appropriate technology and suitable management structure;

• The community group shall own the project and shall after implementation manage the project without external support;

• Level of Service:
  – Minimum: well protected point source
  – Maximum: yard connection (tap)

• Community groups must be registered as legal entities before entering into agreement with the Trust Fund. It is noted however, that the technology and level of service may dictate this;

• Project based on simple, inexpensive technology, which allows uncomplicated and inexpensive operation
WSTF Appraisal Guidelines

and maintenance are favoured;

• Besides contribution by the community in form of local material and labour, there must be a financial cash contribution. The required contribution will vary depending on the local social-economic factors but from experience it has been shown that even the poorest communities do contribute financially.

• The cost per user must be low. Experience shows that it is often possible to achieve improved access to water and sanitation for an investment cost per capita in the range of Kshs. 500-1,000 or even less (This will be determined by the evaluation committee and may vary depending on technology).

However, in case of rainwater harvesting through individual tanks, it is appreciated that the cost might be higher than this.

• For projects with individual house connections, meters should preferably be installed. The community must accept the principle of demand management and agreement to this effect should be entered into at an early stage of the project.

• The project shall be environmentally sound and gender sensitive;

• Users’ awareness/understanding of democratic rights and responsibilities and of good governance should be promoted/included;

• Health and sanitation aspects shall be considered through the construction of improved sanitary facilities and hygiene education in an effort to seek behaviour change.

• The proposed Organisation and management including the users, CVs for key staff attached to the project and work plans shall be a critical consideration.

Where an international NGO is involved, an indication of strong local presence and good track record of working with local communities will be added advantage.
WSTF Appraisal Guidelines

- Each project proposal should have a work-plan and a preferred mode of disbursement of funds.
- Administrative costs should not exceed 12% of the total cost of the project.

Much as the water services needs and projects are varied and this section gives guidance on the basic structure of the applications/proposals. This should address all the criteria mentioned above.

**Background to Proposal/Application Preparation**

When preparing a Proposal/Application, it is imperative that the project implementers keep in mind the requirements of WSTF, consider all aspects of Proposal/Application preparation, including reconsideration of the issues raised and addressed if and when the proposal is referred back to them by the WSTF review team.

Requirements of Proposal/Application preparation are relevant to all funding to ensure that the Proposal/Application is consistent with relevant GoK water services provision priorities. These requirements are mentioned in the criteria for scrutinising and evaluation for the appropriate funding project.

**Proposal/Application Structure**

Applicants should set out the required information following the structure below.

**Introduction**

Section 1: Basic Information

Section 2: Proposal/Application Summary

**Wealth Creation and Poverty Reduction Merit**

Section 3: Needs/Situation Analysis

Section 4: Proposal/Application Description and its Rationale and the work plan

Section 5: The Stakeholders
WSTF Appraisal Guidelines

Section 6: Water services and wealth creation

Implementation and Sustainability

Section 7: Implementation and sustainability and monitoring of progress

Methodology and Capability

Section 8: Design

Section 9: Budget

Appendices.

Structuring the Proposal/Application

The following chart poses the sort of questions that need to be addressed in preparing a Proposal/Application, and indicates how they can fit into the structure of the Proposal/Application.

<table>
<thead>
<tr>
<th>Question</th>
<th>Section/Subsection</th>
</tr>
</thead>
<tbody>
<tr>
<td>What, in brief, do we want to do?</td>
<td>Basic Information, water services project summary</td>
</tr>
<tr>
<td>What is the need and/or problem?</td>
<td>Needs/Situation Analysis</td>
</tr>
<tr>
<td>What should we do about it?</td>
<td>Water services project description and rationale</td>
</tr>
<tr>
<td>Who’s involved?</td>
<td>Stakeholders and other participants</td>
</tr>
<tr>
<td>Why is this a good idea?</td>
<td>Poverty eradication and wealth creation merit</td>
</tr>
<tr>
<td>What are the result if everything goes according to plan?</td>
<td>Sustainability, benefits</td>
</tr>
<tr>
<td>How will we do it?</td>
<td>Design, methodology</td>
</tr>
<tr>
<td>When should we do it?</td>
<td>Work plan, Timetable</td>
</tr>
</tbody>
</table>
WSTF Appraisal Guidelines

<table>
<thead>
<tr>
<th>Question</th>
<th>Section/Subsection</th>
</tr>
</thead>
<tbody>
<tr>
<td>What problems will we face?</td>
<td>Risks</td>
</tr>
<tr>
<td>How will we know if it worked, if the original need is being addressed?</td>
<td>Monitoring and evaluation</td>
</tr>
<tr>
<td>How will we report what we have achieved?</td>
<td>Reporting</td>
</tr>
<tr>
<td>Who will do it?</td>
<td>Capability statements</td>
</tr>
<tr>
<td>What will it cost?</td>
<td>Budget</td>
</tr>
</tbody>
</table>

Information Needed when Preparing a Proposal/Application

The material in the rest of this section sets out the information that is needed in a Proposal/Application, and the considerations that underlie it.

Basic Information

This includes basic details of the Proposal/Application and the applicant, such as:

- Name or title of Proposal/Application
- Brief description of the project implementer and their mission
- Workforce and other key characteristics
- The total Proposal/Application budget
- Its relevance to poverty eradication and wealth creation
- Start and completion dates of the project

Proposal/Application Summary

Provide a summary of the water services project including the needs to be addressed, how the Proposal/Application responds to this need, and a description of the water services project goal and objectives.
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Needs/Situation Analysis
Identify clearly the need and/or problem that the Proposal/Application is responding to and how it was arrived at. It should include:

- An introduction to, and description of, the Project Implementer context that displays an understanding of the relevant poverty eradication projects and service delivery considerations.
- An analysis of any specific challenges that are to be addressed and how they relate to the project.
- Identification of the beneficiaries that the project proposes to assist, including discussion on what their role has been in identifying the needs, planning the project and their relationship to the Project Implementer.
- Indicate how it will contribute to achieving sector visions and objectives.
- Give assurance that it is not duplicating other projects within the locality.

Water Services Project Description and Rationale
Outline the proposed response to the identified need or problem. Provide a description of the proposed water services project by articulating and explaining fully the project objectives and the outcome expected.

These reflect the more immediate outcomes expected from the water services project that should contribute to the GoK poverty eradication and wealth creation principles and objectives.

The specific analysis of the water services project proposed are represented as activities. These activities produce the water services project outputs.

The water services project should be specific, measurable, achievable, relevant and time bound (SMART). Clear explanation should be provided showing how it responds to the community needs and situation as described in the Needs/Situation Analysis of the Proposal.
Measurable indicators should be provided for each objective and output showing how the proposed outcomes and results are assessed and the achievement of the objectives and outputs known. It should be clearly evident how the outcomes and results specified serve the identified needs and Community situation.

The Stakeholders

It is necessary to specifically identify different stakeholders to the proposed water services project. Stakeholders can be separated into those of primary and secondary relevance. Where Primary stakeholders refer to all the people within the Community and Secondary stakeholders refer to those outside the Community—the public, other Communities, private sector, NGOs, etc.

Clearly detail the relationship between the Community for the Proposal/Application and the target group(s). The specific interests of the Community in representing the target group(s) in the Proposal/Application should be discussed and a clear justification provided showing why they are appropriate. Any background and other supporting information on the stakeholders should be included in the Proposal/Application.

Explain how the Proposal/Application is complementary to the stakeholders’ interests especially where there are existing water projects.

Outline the stakeholder/community contribution to the project.

Poverty Reduction and Wealth Creation Merit

Having discussed the need and how the water services project will address it, address the wider poverty eradication issues involved and explain how the water services project will benefit important areas of concern.

Articulate the goal for the water services project (including indicators for measuring results) clearly and discuss in relation to the wealth creation and poverty eradication considerations noted above.
**WSTF Appraisal Guidelines**

*Eradicating poverty and wealth creation.* When discussing the poverty eradication merit issues, specifically consider how the Proposal/Application will contribute to poverty eradication in the community. This requires elaboration on how the Proposal/Application will directly or indirectly contribute to reducing poverty for particular groups of people and who are affected positively or negatively.

The Proposal/Application should detail how the water services project will enhance the community capacity and capability of the target group (beneficiaries) and other relevant stakeholders.

**Direct and indirect benefits.** Set out the anticipated direct and indirect benefits, at either a macro and/or micro level. Discuss these in respect to how the Proposal/Application will lead to lasting improvements and strengthen water services access systems in the Community.

While direct benefits are those produced by the water services project itself, indirect benefits can include:

- Those which result indirectly during implementation of the proposed water services project
- Those which will arise from the implementation associated activities arising from the project.

The direct benefits of the water services project can be both tangible (e.g. water) and intangible (e.g. increased morale of community). Specifically identify the intended target group and provide a convincing strategy to show what the indirect benefits are likely to be and how they will flow from implementation of the project.

Also describe briefly how these expected benefits have been assessed.

The methodology of the Proposal/Application needs to provide an appropriate and realistic means of making the benefits a reality and to show that provisions are made for the necessary institutional and environmental impact analysis to be undertaken.

**Sustainability and participation.** Show clearly how the water services project will maximise the use of local resources and how, within a defined period this will
contribute to it becoming sustainable. A participatory approach to planning, design and implementation that promotes equity and ownership in the benefits provided is pivotal in achieving sustainability. Explain clearly how this has been facilitated throughout planning and preparation of the Proposal/Application and how it will continue to be a feature of water services project implementation and monitoring of the project.

**Implementation and Sustainability**

Give particular attention to considering how the benefits of the water services project will be realised.

Consider how the benefits of the water services project will have a lasting/sustainable impact. If there is to be an on-going cost attached to maintaining a sustainable impact, discuss how this are built into the application to ensure capacity retention.

Sustainability needs to be substantiated in respect to how lasting impact and ongoing benefits are accrued both to the community and the Project Implementer and other relevant stakeholders.

**Design**

The design should provide a complete summary of the proposed water services project design and the previous sections introduce the water services project’s goal and objectives and how they relate to the needs being addressed. This section should focus on the design approach to the water services project i.e. *what are done and how.*

*Water services project outputs and activities.* The outputs are particular results that are obtained from the water services project and should cover all things that are produced by undertaking the water services project activities. They should be clear, specific and measurable. Ensure a direct link is evident between:

- The wealth creation and poverty reduction outcomes
- expected (i.e. the objectives in a water services project)
- what is to be produced by the outputs specified.
WSTF Appraisal Guidelines

Explain the activities proposed for the water services project in a specific and logical manner to give a clear outline of what the water services project will do. This requires considering the different stages of activity carefully and determining whether the water services project needs to be split into different components or phases.

Work plan. This is necessary and shows how the Community will address the water services project activities that have been specified. The work plan should summarise major phases or work activities and clearly link key tasks, expected outputs, personnel, stakeholders, location, and time inputs.

Structure the work plan so it relates to the water services project schedule. It is important to justify the time allocated to respective personnel by showing how their expertise is maximised.

The time allocations provided in the work plan should directly correlate to the allocations provided in the water services project Budget.

WSTF acknowledges that work plans need to be flexible. Changes during the water services project are inevitable. Remember, however, that amendments constituting changes to the water services project need prior approval from the WSTF.

A timetable/schedule needs to be provided with the work plan that:

- Is sufficiently detailed to reflect the breakdown of activities in the work plan
- Shows when work is to commence and when the final report (End of water services project and quarterly and annual follow-up reports) are likely to be presented to the WSTF.

Methodology. A description of the Project Implementer methodology for undertaking the water services project is required that gives details of how the water services project objectives are to be addressed. How the activities are undertaken and the outputs produced needs to be carefully set out. From this perspective, how things are
to be done is equally as important as what is to be done.

For example, if information is to be collected (and analysed), then describe how it is to be gathered, how it is analysed and how the process of doing so will facilitate the relevant stakeholder participation.

Where a study tour is proposed, provide clear objectives that explain:

- The purpose
- What is to be achieved and whether the focus is training or awareness raising
- How the study tour will contribute to achieving the water services project objectives.
- How it will be followed up on and the participants supported in applying what they learn needs to be clearly explained.

It is important to clearly describe how active participation of the stakeholders are facilitated in all aspects of the water services project. This should correlate clearly with the work plan provided.

Plan a participatory process that will enhance ownership, commitment and responsibility for the proposed project.

**Implementation**

When first starting to implement a water services project, plan for a specific participatory planning induction exercise. This gives the key stakeholders opportunities to review the challenges within the Community and ensure the proposed approach to the water services project remains relevant and the roles and responsibilities of everyone involved are appropriate and clearly understood.

It also provides an opportunity within the Community to check that any changes made to the Proposal/Application during the assessment process are fully understood and agreed. Include as part of this exercise a review of the water services project's design to ensure the stated objectives, outputs, activities and indicators adequately reflect the identified needs and expectation of the
stakeholders. The planning should engage all the relevant stakeholders, particularly the target group(s).

Explain, too, why the proposed methodology was chosen over other alternatives. Identify any constraints clearly and discuss how the approach outlined mitigates them.

**Monitoring and Evaluation.** Monitoring and evaluation (M&E) is an important part of water services project planning and should be addressed in all WSTF Proposal/Applications. The purpose is to monitor implementation and impact by gathering data that will improve decision-making and management and result in improved achievement of water services project objectives. This requires doing two things:

- Considering the M&E requirements of the proposed water services project itself
- Ensuring provision in the water services project to prepare and establish an ongoing monitoring and evaluation strategy for follow-up.

A prerequisite for good M&E is a well thought out water services project design that is SMART (i.e. objectives, outputs and activities are clearly and logically spelt out with indicators which are Specific, Measurable, Achievable, Relevant and Time bound). Establish clearly what needs to be monitored. This requires benchmarks that represent the situation before intervention and indicators that will measure the change and impact resulting. The M&E of both the process, achievement of objectives and wider wealth creation impacts are all necessary, as is a clear action strategy for follow-up on the findings provided by the M&E.

While the M&E requirements of WSTF vary, all proposals/applications need to include an M&E strategy. If there is none then WSTF will assist the project to prepare one.

**Impact analysis.** Proposals/Applications need to address the possible impacts of the water services project proposed. A proposal/application needs to explain how the water services project planning and the proposed
monitoring and evaluation have considered or will consider impact issues.

**Risks and constraints.** Identify in the analysis of external risks to water services project implementation that are beyond the direct control of the Project Implementer. Each should be discussed and their likely occurrence assessed. Include consideration of why they are beyond the direct control of the project and discussion of any mitigation measures planned in the event the situations described arise. The analysis will consider all aspects of external risk whether they are environmental, social, technological, economic, political, or institutional.

Risks and constraints that can be controlled by the water services project and identifiable impacts should be identified in the design. Any assumptions involved should be clearly articulated.

**Capability/expertise of the proposed team.** Discuss the capability of the proposed team for the water services project, including any consultants involved. The following is required:

- Qualifications of the beneficiaries and the consultant(s) involved in the Proposal/Application
- Outline of the organisation's expertise in the water services

**Budget**

A detailed budget should be provided. This should include the level of community contribution for the project.

**Appendices**

At a minimum the appendices should include the following:

- Work plan
- Letter of official endorsement from the relevant Water Service Board (If operational)

**Submission of the Proposal/Application to WSTF**

Four copies of the application will be required to be sent to the WSTF.
Screening and Appraisal of Project Applications

Technical personnel based at WSTF will be responsible for keeping a record of the status of all proposals/applications received and they will maintain a tracking system to ensure transparency.

The initial screening of the proposals is to ensure that they are relevant and complete.

At this stage proposals will be categorised as:

- Relevant/irrelevant
- Complete/incomplete

In cases of any incomplete proposals, WSTF will return the proposal together with the relevant guidance in completing the proposal. WSTF will be available to provide the necessary technical assistance and direction for the applicants having difficulties in preparing a proposal.

The applicant may be requested to:

- Make minor amendments to the proposal.
- Resubmit a fresh proposal. In this case, WSTF goes through all the steps described above.

Acceptable proposals are evaluated by the Technical Appraisal Department of WSTF within ten days of receipt of the proposals.

Proposal/Application assessment will follow the main headings that are used in Proposal/Application preparation and the selection criteria described above. Proposal/Applications need to reach minimum standards as stated in the previous section in each of the main assessment categories for both short listing and final funding approval.

To ensure that the evaluation process is objective, the proposals are ranked against each criteria (as specified in above). For each criterion, the proposal will receive one of the remarks outlined in Table 5.1.
It is envisaged that only the first viable applications/proposals move to the next appraisal stage for approval. Applications accepted with conditions are those which require minor amendments by the applicant. These can be amended by the applicant with assistance of a technical officer from WSTF.

If the applicant fails to meet the requirements (Unviable projects), the WSTF rejects the application. Thereafter, the applicant must rework the proposal and resubmit it.

It is noteworthy that applications are not rejected on the grounds of frequency or amount. Rather they are evaluated on the basis of viability and justification of expected results.

Selection is determined by the intrinsic merit of Proposal/Applications. If more Proposal/Applications are received than funding is available, the WSTF Technical Committee will rank the proposals based on their strategic importance.

Proposal/Applications will take up to 21 days to assess, at which time a shortlist of Proposal/Applications, ranked according to merit, is presented to the WSTF Board of Trustees for approval. This Board will ensure transparency, meritocracy and fairness in the evaluation of applications for award of WSTF funds.

<table>
<thead>
<tr>
<th>Project</th>
<th>Proposal</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Viable</td>
<td>Satisfactory</td>
<td>Accept</td>
</tr>
<tr>
<td>Viable</td>
<td>Unsatisfactory</td>
<td>Conditional Accept</td>
</tr>
<tr>
<td>Unviable</td>
<td>Satisfactory</td>
<td>Reject with reasons</td>
</tr>
<tr>
<td>Unviable</td>
<td>Unsatisfactory</td>
<td>Reject with reasons</td>
</tr>
</tbody>
</table>

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WSTF Appraisal Guidelines
WSTF Appraisal Guidelines

Meetings will be organised for unsuccessful applicants to respond to any issues or queries raised. The Water Service Boards will assist in this. When a reassessment attains the standard required, the application will progress from the shortlist to the accepted stage.

The WSTF Board of Trustees decision to fund or not to fund a Proposal/Application is final.

Notification of evaluation results

The WSTF Technical Committee reviews the recommendations by the WSTF Technical Appraisal Department on the proposal/application. The Committee ratifies recommendations if satisfied with the assessment undertaken by the Department. However, it has the right to modify assessment if the Department evaluation is found to be lacking or privileged information may affect the evaluation.

The WSTF Technical Appraisal Department also provides feedback on strengths noted, major gaps, significant concerns and any remedial actions that the applicant should consider taking.

If the application is approved, the applicant will expect to receive an award letter from the WSTF specifying the:

- Amount of funding approved
- Conditions of the award
- Date(s) when reports for monitoring purposes are due. These dates are based on the milestone dates contained in the project work plan.

Successful applicants are required to start procurement process within two weeks of the date of the Agreement (Annex 1) for Funding being signed.

Figure 5.1 below summarises the evaluation process.
Figure 5.1: The Evaluation Process

- Receipt of Application
- Check for completeness of application
- Categorise project per WSTF framework
- Apply criteria for evaluation of application
- Summarise proposals and send to WSTF TAD
- Summarise and submit to WSTF Technical Committee
- Approve applications
- Provide feedback to applicants
- Rank the applications
- Provide feedback to TAD and Applicant
- Acknowledge within seven days (WSTF)
- Within 14 days of receipt of proposal (WSTF)
- Within four weeks of submission of Proposal (TAD)
- Within six weeks of submission of Proposal (TAD)
- Within eight weeks of submission of Proposal (WSTF Technical Committee)
Amendments to proposal activities and budget

The WSTF requires written approval for any changes to the activities and budget in the proposal. Once a proposal has been approved, the budget finalised and the Agreement (Annex I) signed by the Applicant and WSTF, an advance of the funding for the first quarter is made to the applicant to cover initial project establishment costs.

The funding for the second quarter will also be automatically advanced to ensure the project activities are not interrupted. However the third quarter disbursement will not be advanced until the initial advance has been accounted for by the project implementer and the implementer has submitted the progress report for the first quarter. This will apply for all other advances. They will not be made until the last but one advance has been properly accounted for.

Figure 5.2 shows the sequence of events once the proposal has been approved by the WSTF Board of trustees.
Monitoring and Evaluation

Introduction

Monitoring a WSTF funded projects is the ongoing systematic collection, analysis and use of information on initiative and project progress and impacts.

Monitoring is therefore both a descriptive and an analytical process. Monitoring aims to improve decision-making and management so that the WSTF initiative and project objectives will be achieved. It helps to identify:

- The progress being made
- The impacts and benefits
- Whether the target stakeholders are benefiting

Monitoring should help implementers focus their activities on the initiative/project objectives. It should inform decision-makers on initiative/project progress and on any changes that may be required.

Monitoring and Evaluation in WSTF

The WSTF will ensure M&E at three different levels:

1. A national M&E system will monitor progress in achieving WSTF objectives
2. A project M&E system at WSTF will track achievement of funded projects;
3. Inbuilt Project M&E system to monitor the Project’s performance indicators. WSTF will ensure that the inbuilt M&E system is adequate and effective.

The WSTF will monitor the overall implementation of the WSTF against annual plans agreed with Project Implementers. WSTF in consultation with the implementers will prepare quarterly progress reports which will be reviewed and approved by the WSTF Board of Trustees. WSTF will meet four times a year to review progress, identify implementation issues and agree on remedial actions as appropriate.

Monitoring Objectives

Monitoring WSTF objectives considers what the projects hope to achieve, both in the short term (during the period over which the WSTF funded project is implemented) and the long term. This monitoring
Monitoring and Evaluation

should address indirect and direct impact arising from implementation and the extent to which it contributes to achievement of the objectives. The ongoing monitoring that should arise from the monitoring plan established by WSTF provides a way of assessing the continued achievement of the objectives beyond the life of the WSTF funded project (i.e. the long term).

**Monitoring Activities**

Monitoring WSTF funded activities can be referred to as input-output monitoring. Monitoring here requires:

- Assessing the resources used (people, time, money, and material) to achieve certain outputs
- Comparing set targets with results and budget
- Considering cost efficiency and resource allocation

This sort of monitoring helps WSTF funded project decision-makers adjust activities and resource use and improve efficiency.

**Monitoring Outputs**

Outputs are the specific products that WSTF funded projects commits to deliver. With the help of indicators they define:

- What should be produced and when
- Assessment of project outputs by providing a clear measure of achievement
- Guidance for monitoring impacts according to the project goals, objectives and outputs
- The quality and quantity requirements needed to be met

By monitoring progress in achieving outputs, the time and cost of a project can be assessed. This enables reporting to compare the actual situation at the time of reporting to what was to be achieved. It also helps identify any delays and problems, or unforeseen changes that may have been required.
Identifying Appropriate Indicators

Formulating specific, measurable, achievable, relevant, and time bound (SMART) indicators is essential in monitoring how the WSTF funded project has been implemented and in determining whether it is on course to achieve its objectives. Stakeholder participation in identifying indicators is integral to ensuring objectives are appropriately focused, clearly stated, understood and supported.

Indicators therefore, have the following functions for planning, implementing and evaluating WSTF funded projects:

- Evaluate outputs by providing a clear measure of achievement
- Guidance for monitoring impacts according to the initiative goal, objectives and outputs

A simple and effective method of determining indicators is to analyse the original situation by evaluating who realised that something needs changing (stakeholders), how this was recognised and how should things be changed.

From this process benchmarks representing the current situation can be established and indicators relevant to assessing the WSTF funded projects outcomes derived. Stakeholders are often in the best position to determine the appropriate indicators.

Monitoring the Implementation

Monitoring the progress in implementing a WSTF funded project involves:

- Observing implementation and analysing internal activity in order to identify possible improvements to the implementation (comparison of plans with results)
- Facilitating decision making and identifying follow-up activity for the decision made.

Monitoring the Impact

Monitoring WSTF funded project impact involves:
Monitoring and Evaluation

- Comparing the project’s purpose and implementation outcomes with the outcomes expected by stakeholders
- Facilitating necessary changes to implementation and/or the establishment of necessary follow-up measures to ensure the required outcomes are produced.

For impact to occur outputs must have been produced, taken up by the stakeholders and transformed into the desired outcomes.

All WSTF funded projects need to be focused on the GoK Water Sector reform outcomes. By preparing for ongoing monitoring beyond the life of a WSTF funded project, information on impact can be assessed and used to enhance the outcomes wanted. Establishing the baseline and clearly identifying objectives and indicators that reflect these outcomes is necessary if this monitoring is to be done.

WSTF will have an M&E expert to ensure that a robust M&E system incorporating the key points in this manual.

This should be communicated to all participating projects’ implementers to ensure that they understand the system in order to apply the M&E system in implementing the WSTF funded projects.
Annex I

WSTF Agreement Format
WSTF Agreement Format

Funding Agreement
between the
Water Services Trust Fund
and
[recipient’s name]
regarding funding for
[Name of Project and purpose of funding]

Parties
WATER SERVICES TRUST FUND (‘Trust Fund, ‘Us’, ‘We’ or ‘Our’),

AND

[name and details of funding recipient] (‘You’, or ‘Your’)

Purpose
A. The Water Services Trust Fund (WSTF) assists in financing the provision of water services to those areas of Kenya which have inadequate water resource and services. The financial resources managed by the WSTF emanate from:-

• Parliamentary appropriations for the purposes of the Fund;
• Donations, grants and bequests to the fund from development partners and other sources;
• Such other moneys as may, by or under any act, be payable to the Fund.

The WSTF is managed by a trustees appointed by the Minister of Water.

B. You are committed to helping achieve the objectives of the WSTF, through Your conduct of the Project [description of project.]

C. As a result of this commitment, We agree to support the Project by providing funding to You, subject to the terms and conditions of this agreement.

D. We are required to ensure accountability for WSTF resources, and You are required to be accountable for all funds provided by Us.

E. You agree to accept the funding on the terms and conditions set out in this agreement.
WSTF Agreement Format

1 Term of Agreement
1.1 This agreement commences on the date of this Agreement and, unless terminated earlier, it expires on the completion date.

2 Project
2.1 You must carry out the Project:
   (a) at the times and in the manner specified in item C of Schedule I;
   (b) within the Project Period; and
   (c) in accordance with this agreement, diligently, effectively and to a high professional standard.
2.2 The funding must be expended by You only for the Project.
2.3 We are not responsible for the provision of additional money to meet any expenditure in excess of the funds requested and approved.

3 Funding
3.1 Subject to sufficient funds being available for the WSTF, and compliance by You with this agreement, We will provide You with the funding at the times and in the manner specified in item A of schedule II.
3.2 Without limiting Our rights, We may withhold or suspend any payment in whole or in part if:
   (a) You have not performed Your obligations under this agreement; or
   (b) You have outstanding or unaccounted money under any arrangement with Us.
3.3 If We exercise Our rights under clause 3.2, You must continue to perform any obligations under this agreement, unless We agree otherwise in writing.

4 Management of Funding
4.1 You must:
   (a) ensure that the funds are held in a bank account in Your name, and which You solely control, with a bank carrying on banking business in Kenya;
   (b) if specified in item F of Schedule I, this must be an account which is:
      (i) established solely to account for and administer, funding provided by Us to You under this agreement; and
WSTF Agreement Format

(ii) separate from Your other operational accounts;
(c) on request from Us, provide Us with an authority for Us to obtain all details relating to any use of the account;
(d) identify the receipt and expenditure of the funds separately within Your accounting records so that at all times the funds are identifiable and ascertainable.

4.2 You must keep financial records relating to the Project to enable:
(a) all income and expenditure related to the Project to be identified in Your accounts;
(b) the preparation of financial statements in accordance with WSTF guidelines; and
(c) the audit of those records at any given time.

4.3 You must not use the funds:
(a) as security to obtain, or comply with, any form of loan, credit, payment or other interest; or
(b) for the preparation of, or in the course of, any litigation.

5 Repayment of Funding

5.1 If:
(a) at any time, an overpayment occurs, or
(b) at the completion date some or all of the funding has not been:
(i) spent in accordance with this agreement; or
(ii) accounted to Our satisfaction;
then this amount must be repaid to Us within 21 working days of a written notice from Us, or dealt with as directed in writing by Us.

5.2 An overpayment may be recovered from You, including by offsetting that overpayment against any amount subsequently due to You under this agreement.

5.3 If an overpayment is not repaid to Us, Interest is payable on the amount after the expiry of the 21 working days notice referred to in clause 5.1, until the amount is paid in full.

5.4 Any amount owed to Us under clause 5.1 and any Interest owed under clause 5.3, is recoverable by Us as a debt due to Us by You without further proof of the debt by Us.
5.5 An adjustment note must be provided to Us if required, including where You repay some or all of the funding to Us.

6 Acknowledgment and Publicity

6.1 You must, in all publications, promotional and advertising materials, public announcements and activities by You or on Your behalf in relation to the Project, or any products, processes or inventions developed as a result of the Project, acknowledge the financial and other support You have received from Us, in the manner set out in item G of Schedule I.

6.2 We reserve the right to publicise and report on the awarding of funding to You, including the amount of the Funds given to You and the title and a brief description of the Project.

7 Subcontracting

7.1 You must not, without Our prior written approval, subcontract the performance of any obligations under this agreement. In giving approval, We may impose terms and conditions as We think fit.

7.2 The subcontractors We have approved at the Date of this Agreement, and any terms and conditions relating to their use, are identified in item H of Schedule I.

7.3 You are fully responsible for the performance of Your obligations under this agreement, even if You may subcontract some or all of Your obligations.

7.4 Despite any approval given by Us under clause 7.1, You are responsible for ensuring the suitability of a subcontractor for the work proposed to be carried out and for ensuring that the work meets the requirements of this agreement.

7.5 We may revoke Our approval of a subcontractor on any reasonable ground by giving written notice to You. On receipt of the notice You must, at Your own cost, promptly cease using that subcontractor and arrange their replacement with personnel or another subcontractor acceptable to Us.

7.6 If We withdraw Our approval of a subcontractor, You remain liable under this agreement for the past acts or omissions of Your subcontractors as if they were current subcontractors.

8 Specified Personnel

8.1 You must ensure that the specified personnel, if any, listed in item I of Schedule I undertake activities on the Project in accordance with the terms of this agreement.

8.2 Where Specified Personnel are unable to undertake activities on the Project, You must notify Us immediately. You
must, if requested by Us, provide replacement personnel acceptable to Us without additional payment and at the earliest reasonable opportunity.

8.3 We may give notice on reasonable grounds related to performance of the Project requiring You to remove personnel from work on the Project. You must, at Your own cost, promptly arrange for the removal of the personnel from work on the Project and their replacement with personnel acceptable to Us.

8.4 If You are unable to provide acceptable replacement personnel, We may terminate this agreement under clause 25.

9 Assets

9.1 You must not use the funding to purchase or create any Asset without getting Our prior written approval. Our approval may be subject to conditions.

9.2 Unless it is specified that We own the Asset then, subject to this clause 9, You own any asset acquired with the funding. If We own the Asset, clauses 9.4, 9.5 and 9.7 do not apply.

9.3 During the Project Period You must:

(a) use any Asset in accordance with this agreement and for the purposes of the Project;

(b) not encumber or dispose of any Asset, or deal with or use any Asset other than in accordance with this clause 9, without Our prior written approval;

(c) safeguard all Assets against theft, loss, damage, or unauthorised use;

(d) maintain all Assets in good working order;

(e) maintain all appropriate insurances for all Assets to their full replacement value, noting Our interest in the Asset under this agreement, and provide satisfactory evidence of this on request from Us;

(f) if required by law, maintain registration and licensing of all Assets;

(g) be fully responsible for, and bear all risks relating to, the use or disposal of all Assets;

(h) maintain an Assets register in the form and containing the details as described in Annex III-K of the WSTF Operations Manual; and

(i) as and when requested by Us, provide copies of the Assets register to Us.
9.4 We may require You to pay to Us a proportion of the market value of an Asset which is equivalent to Our contribution to the purchase of the Asset:

(a) if You sell or otherwise dispose of the Asset during the Project Period (which must be with Our prior written consent and subject to any conditions We may impose); or

(b) on completion of the Project Period or earlier termination of this agreement.

9.5 If You fail to make payment as required by clause 9.4, within 21 working days of receiving written notice from Us:

(a) You must pay Us the Interest on the amount from the date it was due, for the period it remains unpaid; and

(b) the amount and Interest are recoverable by Us as a debt due to Us by You.

9.6 If any of the Assets are lost, damaged or destroyed, You must reinstate the Assets from the proceeds of the insurance and this clause 9 continues to apply to the reinstated Assets. Any surplus from the proceeds of the insurance must be notified to Us and used and accounted for as funding under this agreement.

9.7 On completion of the Project or earlier termination of this agreement We may require You to deal with Assets as We may, at Our sole discretion, direct in writing.

10 Insurance

10.1 You must, for as long as any obligations remain in connection with the Project, have insurance as specified in item J of Schedule I.

10.2 When requested, You must provide Us, within 10 working days of the request, with evidence satisfactory to Us that You have complied with Your obligation to insure.

11 Liaison and Monitoring

11.1 You must:

(a) liaise with and provide information to the WSTF, or a person nominated by the WSTF, as reasonably required by the WSTF; and

(b) comply with all reasonable requests, directions, or monitoring requirements received from the WSTF.

12 Reporting

12.1 You must provide to Us progress Reports at the times and in the manner stated in item K of Schedule I of Your progress
WSTF Agreement Format

12.2 You must provide Us with:
(a) a certificate that all funding received was expended for the Project and in accordance with this agreement;
(b) if possible, an audit statement that the Funding was expended for the Project and in accordance with this agreement.

12.3 The certificate referred to in clause 12.2(a) and the audit referred to in clause 12.2(b) must:
(a) contain the details, if any, described in Annex II-B to II-D of the Operations Manual;
(b) be provided to the WSTF within one month of the end of the Project Period; and
(c) at the other times as required by the WSTF.

12.4 The certificate referred to in clause 12.2(a) must be provided by the person specified in item I of Schedule I or, if no person is specified, by Your chief executive officer or board member.

12.5 Subject to clause 12.6, the audit referred to in clause 12.2(b) must:
(a) comply with the International Auditing Standards; and
(b) be carried out by a person who is:
(i) registered as an auditor, or a member of the Institute of Certified Public Accountants of Kenya, and
(ii) not a principal, member, shareholder, officer or employee of You (Your holding company or a subsidiary of You or Your holding company).

13 Trust Fund Material

13.1 Ownership of all Trust Fund Material, including Intellectual Property Rights in that Material, remains vested at all times in Us but We grant You a license to use, copy and reproduce that Material only for the purposes of this agreement and in accordance with any conditions or restrictions specified.

13.2 You must keep safely and maintain Trust Fund Material You have been given for the purposes of this agreement.

13.3 You may retain or destroy all Trust Fund Material remaining in Your possession at the end of this agreement, unless otherwise specified.
14 Project Material

14.1 Subject to this clause 14, ownership in Project material vests in You.

14.2 You grant to Us a permanent, irrevocable, free, world wide, non-exclusive license to use, reproduce, adapt and exploit the intellectual rights in Project material for any purpose.

14.3 You must, if requested by Us to do so, bring into existence, sign, execute or otherwise deal with any document which may be necessary or desirable to give effect to this clause.

14.4 You warrant that You have obtained valid written consents from all authors (including any authorized subcontractors under this agreement) involved in creating reports so that Our use of the reports in any way will not infringe any author’s moral.

14.5 If requested by Us, You must provide Us with a copy of the Project material in the form requested by Us.

15 Disclosure of Information

15.1 Subject to clause 15.5,

(a) You must not, without Our prior written approval, disclose any of Our confidential information to a third party; and

(b) We must not, without Your prior written approval, disclose any of Your confidential information to a third party.

15.2 In giving written approval to disclosure, a party may impose conditions as it thinks fit, and the other party agrees to comply with the conditions.

15.3 We may at any time require You to arrange for any person engaged in, or in relation to, the performance or management of this agreement to give written undertakings, in a form required by Us, relating to the non-disclosure of Our confidential information.

15.4 If You receive a request under clause 15.3, You must promptly arrange for all undertakings to be given.

15.5 The obligations on the parties under this clause 15 will not be breached if information:

(a) is disclosed by Us to the responsible Minister;

(b) is disclosed by Us, in response to a request by the Kenya Parliament;

(c) is authorised or required by law to be disclosed; or

(d) is in the public domain otherwise than due to a breach of this clause 15.
16 Records

16.1 You must make full and accurate records of the conduct of the Project including progress against the milestones, the receipt and use of funding, the acquisition of assets and the creation of intellectual property rights in Project material.

16.2 Subject to Your obligations under clause 15, Records must be retained by You for 5 years after the end of the Project Period.

17 Access to Premises and Records

17.1 You must at all reasonable times give the WSTF, or any person authorised in writing by the Chairperson of the WSTF:

(a) reasonable access to:
   (i) Your employees;
   (ii) premises occupied by You;
   (iii) Material; and

(b) reasonable assistance to:
   (i) inspect the performance of the Project;
   (ii) to locate and inspect Material;
   (iii) make copies of material and remove those copies, relevant to the Project.

17.2 The rights referred to in clause 17.1 are subject to:

(a) the provision of reasonable prior notice to You; and

(b) Your reasonable security procedures.

17.3 If a matter is being investigated which, in the opinion of any person authorised in writing by the Chairperson of the WSTF, may involve an actual or apprehended breach of the law, clause 17.2(a) will not apply.

17.4 The requirement for access specified in clause 17.1 does not in any way reduce Your responsibility to perform Your obligations under this agreement.

18 Indemnity

18.1 You agree to indemnify Us against any:

(a) loss or liability incurred by Us;

(b) loss of or damage to Our property; or

(c) loss or expense incurred by Us in dealing with any claim against Us, including legal costs and expenses on an advocate/own client basis and the cost of time spent, resources
18.2 Your liability to indemnify Us under this clause 18 will be reduced proportionally to the extent that any fault on Our part contributed to the relevant loss, damage, expense, or liability.

19 Conflict of Interest

19.1 You warrant that, to the best of Your knowledge after making diligent inquiries, at the date of this Agreement no conflict exists or is likely to arise in the performance of Your obligations under this agreement.

19.2 If during the term of this agreement, a conflict arises, or is likely to arise, You must:

(a) immediately notify Us in writing of that conflict and of the steps You propose to take to resolve or otherwise deal with the conflict;

(b) make full disclosure to Us of all relevant information relating to the conflict; and

(c) take steps as We may, if We choose to, reasonably require to resolve or otherwise deal with that conflict.

19.3 If You fail to notify Us under this, or are unable or unwilling to resolve or deal with the conflict as required, We may terminate this agreement under clause 25.

20 Negation of Employment, Partnership and Agency

20.1 You will not, by virtue of this agreement, be or for any purpose be deemed to be Our employees, partners or agents.

20.2 You must not represent Yourself, and must ensure that Your employees, partners, agents or sub-contractors do not represent themselves, as being Our employees, partners or agents.

21 Entire Agreement, Variation and Severance

21.1 This agreement records the entire agreement between the parties in relation to its subject matter.
WSTF Agreement Format

21.2 Except for action We are expressly authorised to take elsewhere in this agreement, no variation of this agreement is binding unless it is agreed in writing and signed by the parties.

**22 Incorporation**

22.1 If You are a body corporate, You warrant that Your constitution is not inconsistent with this agreement.

22.2 You must notify Us if You intend to amend Your constitution in a way which affects Your ability to comply with this agreement.

22.3 If You alter Your constitution in a way which affects Your ability to comply with this agreement, We may terminate this agreement under clause 25.

**23 Dispute Resolution**

23.1 Subject to clause 23.3, the parties agree not to commence any legal proceedings in respect of any dispute arising under this agreement, which cannot be resolved by informal discussion, until the procedure provided by this clause has been used.

23.2 The parties agree that any dispute arising during the course of this agreement is dealt with as follows:

(a) the party claiming that there is a dispute will send the other party a written notice setting out the nature of the dispute;

(b) the parties will try to resolve the dispute though direct negotiation by persons who they have given authority to resolve the dispute;

(c) the parties have 10 working days from the receipt of the notice to reach a resolution or to agree that the dispute is to be submitted to mediation or some alternative dispute resolution procedure; and if:

(i) there is no resolution of the dispute;

(ii) there is no agreement on submission of the dispute to mediation or some alternative dispute resolution procedure; or

(iii) there is a submission to mediation or some other form of alternative dispute resolution procedure, but there is no resolution within 15 working days of the submission, or extended time as the parties may agree in writing before the expiration of the 15 business days, then, either party may commence legal proceedings.

23.3 This clause does not apply if:

(a) either party commences legal proceedings;
23.4 Despite the existence of a dispute, both parties must (unless requested in writing by the other party not to do so) continue to perform obligations under this agreement.

24 Termination With Costs and Reduction

24.1 We may, at any time by written notice to You, terminate this agreement in whole or reduce the scope of this agreement without prejudice to the rights, liabilities, or obligations of either party accruing prior to the date of termination. If this agreement is terminated or reduced in scope We will only be liable for:

(a) payments under the payment provisions of this agreement that were due before the effective date of termination; and

(b) subject to clauses 24.3 and 24.4, any reasonable costs incurred by You and directly attributable to the termination or partial termination of this agreement.

24.2 Upon receipt of a notice of termination or reduction in scope You must:

(a) stop work as specified in the notice;

(b) take all available steps to minimise loss resulting from that termination and to protect WSTF material and Project material; and

(c) continue work on any part of the Project not affected by the notice.

24.3 If there is a reduction in scope of the obligations under this agreement, Our liability to pay any part of the funding will, in the absence of agreement to the contrary, abate proportionately to the reduction in the obligations under this agreement.

24.4 We will not be liable to pay compensation for loss of prospective profits for a termination or reduction in scope under this or loss of any benefits that would have been conferred on You had the termination or reduction not occurred.

25 Termination For Default

25.1 We may immediately terminate this agreement by giving written notice to You of the termination if:

(a) We are satisfied that any statement made in Your application for Funding is incorrect, incomplete, false or misleading in a way which may have affected:

(i) the original decision to approve the funding;
(ii) the terms and conditions of this agreement; or
(iii) action taken by Us under this agreement;
(b) You fail to fulfill, or are in breach of any of Your obligations under this agreement and You do not rectify the omission or breach within 10 working days of receiving a notice in writing from Us to do so;
(c) You are unable to pay all Your debts when they become due;
(d) if You are an incorporated body:
(i) You fail to comply with a statutory demand
(ii) proceedings are initiated to obtain an order for Your winding up or any shareholder, member or director convenes a meeting to consider a resolution for Your winding up;
(iii) You come under one of the forms of receivership or an order has been made to place You under receivership, or
(iv) notice is served on You or proceedings are taken to cancel Your incorporation or registration or to dissolve You as a legal entity;
(f) You cease to carry on a business relevant to the performance of the Project.

26 Compliance With Laws and Our Policies

26.1 You must, in carrying out Your obligations under this agreement, comply with:
(a) all relevant statutes, regulations, by-laws and requirements of Kenya; and
(b) any of Our policies notified by Us to You in writing.

27 Applicable Law and Jurisdiction

27.1 The laws of the Kenya apply to the interpretation of this agreement.
27.2 The parties agree to submit to the non-exclusive jurisdiction of the courts of Kenya in respect to any dispute under this agreement.

28 Notices

28.1 A party giving notice under this agreement must do so in writing or by electronic communication:
(a) if given by You, marked for the attention of the WSTF specified in item B of schedule II; or
WSTF Agreement Format

(b) if given by Us, marked for the attention of the person specified in item M of Schedule I; and hand delivered or sent by pre-paid post or electronic communication to the address specified in the schedule.

28.2 A notice given under clause 28.1 is taken to be received:
(a) if hand delivered, on delivery;
(b) if sent by post, 5 working days after the date of posting; or
(c) if sent by electronic communication, at the time that would be the time of receipt.

32 Survival of Clauses
32.1 These clauses survive the expiration or earlier termination of this agreement: 4, 5, 9, 12, 13, 14, 15, 16, 17 and 18.

32.2 Clauses 6 and 17 apply during this agreement and for 5 years from the end of this agreement.

Schedule I: Your Obligations

A. Term of agreement
i. The Completion Date for this agreement is [date].

B. WSTF and Guidelines
i. The Water Services Trust Fund (WSTF) assists in financing the provision of water services to those areas of Kenya which have inadequate water resource and services. The financial resources managed by the WSTF emanate from:-

• Parliamentary appropriations for the purposes of the Fund;
• Donations, grants and bequests to the fund from development partners and other sources;
• Such other moneys as may, by or under any act, be payable to the Fund.

The WSTF is managed by a trustees appointed by the Minister of Water.

C. Project
i. [Complete brief description of Project and work to be undertaken, including Milestones and expected outcomes.]
WSTF Agreement Format

D. Project Period
i. The Project commences on [date] and must be completed by [date].

E. Funding Request Requirements
i. Funding request forwarded by You must be correctly addressed and include the:
   (a) title of Project;
   (b) Your name;
   (c) name of key contact person;
   (d) agreement number or date of execution;
   (e) Amounts requested; and
   (f) bank account details for funds transfer.

F. Bank Accounts
i. You are required to establish and maintain separate records in Your accounts for funding this Project.

G. Acknowledgement and Publication
i. In all publications, promotional materials and activities relating to the Project and this Contract, You shall acknowledge the financial and other support it has received from the WSTF using the following:
   ‘Undertaken as a Project under the Water Services Trust Fund.’

ii. Recipients must publicise the Project which they have been contracted to undertake. Where a Project launch is conducted, recipients must advise WSTF and seek appropriate WSTF and GoK representation.

H. Subcontractors
i. [If applicable] The following subcontractors are approved to undertake work on the Project on the terms and conditions set out as follows:

   ............................................................
   ............................................................

I. Specified Personnel
i. [If applicable] The following Specified Personnel are required to undertake the work set out below:

   ................................................................
   ................................................................
WSTF Agreement Format

J. Insurance
i. You must maintain:
   (a) workers’ compensation insurance for an amount of Shs ....;
   (b) public liability insurance for Shs ..... or more per claim;
   (c) professional indemnity insurance for Shs .... or more per claim.

K. Reporting
i. [This item will cover the reporting requirements for financial and progress reports due under the Project]

L. Compliance with Laws and Policies
i. You acknowledge that:
   (a) The laws of Kenya provide for offences which attract substantial penalties, including theft of WSTF property and other property offences, obtaining property or financial advantage by deception, offences involving fraudulent conduct, bribery, forgery and falsification of documents;
   (b) giving false or misleading information is a serious offence under the law of Kenya
   (d) the publication or communication of any fact or document by a person which has come to their knowledge or into their possession or custody by virtue of the performance of this agreement may be an offence.
ii. You must when using Our premises or facilities (including information systems), comply with Our reasonable directions and procedures relating to occupational health, and safety regulations.

M. Notices
i. The person who can accept notices for You is:
   Name: [insert]
   Office Address: [insert]
   Postal Address: [insert]
   Fax: [insert]
   Phone: [insert]
   Email: [insert]
## schedule II: Our Obligations

### A. Funding

i. The total Funding for the Project is Shs [total payable amount] payable by the following installments:

<table>
<thead>
<tr>
<th>Amount (Shs)</th>
<th>Payable</th>
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<tbody>
<tr>
<td>xxx</td>
<td>[date or link to delivery of satisfactory interim reports.]</td>
</tr>
<tr>
<td>xxx</td>
<td>As above</td>
</tr>
<tr>
<td>xxx</td>
<td>As above</td>
</tr>
<tr>
<td>xxx</td>
<td>[date or link to delivery of final reports]</td>
</tr>
</tbody>
</table>

ii. Subject to acceptance by Us, the date for funds transfer is 30 days after delivery of approval of project and signing of this agreement subject to conditions set out in this agreement and after delivery of the Project or part of the Project to which the transfer relates.

### B. WSTF

i. The WSTF authorised representative is:

- Name: [insert]
- Position: [insert]
- Office Address: [insert]
- Postal Address: [insert]
- Fax: [insert]
- Phone: [insert]
- Email: [insert]
THIS AGREEMENT is made on the [completed when the WSTF signs]
day of
SIGNED for and on behalf of 
THE WATER SERVICES TRUST FUND
by : [insert]
the : [insert]

In the Presence of:

WITNESS

Full name of witness

EXECUTED BY )

[Company/NGO/Community name]

(Signature) (Signature)

Full Name Full Name

Position Position

In the Presence of: In the Presence of:

WITNESS WITNESS

Please print full name of witnesses above.
Annex II

WSTF Reporting Forms
Progress Report Format

<table>
<thead>
<tr>
<th>STAGE</th>
<th>ACTIVITY</th>
<th>PROGRESS DURING THE PERIOD (QUARTERLY/ ANNUALLY)</th>
<th>COMMENTS</th>
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</table>
WATER SERVICES STATEMENT OF EXPENDITURE
TRUST FUND FORM A

IMPLEMENTING AGENCY:  

PROJECT TITLE:  

PROJECT NUMBER:  

PERIOD FROM:               TO:  

STEP 1

1. Opening balance as at _________________________  

2. Resources received from WSTF  

3. Direct procurement by development partners  

4. Other Income  

5. Total Resources  

6. Less: Total Expenditure (Year-to-date from Form C)  

7. Less: Other Expenditure  

8. Less: Refund to WSTF  

9. Outstanding Project balance as at _______________  

Represented by

10. Cash at Bank as at ________________________  

11. Petty Cash at Hand as at ________________________  

12. Unaccounted imprest  

13. Other debtors  

14. Less: Commitments and creditors  

15. Outstanding Project balance as at _______________  

CERTIFICATION

Date Submitted:  Name:  

Title:  Signature:  

Official Stamp:  

## WATER SERVICES BUDGET VS ACTUAL TRUST FUND FORM B

<table>
<thead>
<tr>
<th>Implementing Agency:</th>
<th>__________________________</th>
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<tbody>
<tr>
<td>Project Title:</td>
<td>__________________________</td>
</tr>
<tr>
<td>Project Number:</td>
<td>__________________________</td>
</tr>
<tr>
<td>Period From:</td>
<td>__________________________</td>
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<tr>
<td></td>
<td>To: ________________________</td>
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<table>
<thead>
<tr>
<th>Code</th>
<th>Component Description</th>
<th>Budget KSHS</th>
<th>Actual KSHS</th>
<th>Variances KSHS</th>
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<td>TOTALS</td>
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</tbody>
</table>
## Water Services Expenditure Report II-D

### Trust Fund Form C

**Implementing Agency:**

**Period:**

**Project Number:**

**Currency:** FRw

**Project Title:**

<table>
<thead>
<tr>
<th>Budget Line Code</th>
<th>Component Budget</th>
<th>Unexpended amounts (A)</th>
<th>Current Disbursements (B)</th>
<th>Unexpended as at end of period (C)</th>
<th>Advance Balances</th>
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**Totals:**

-                        -                        -                        -

**NB:** The Amounts appearing in the last column should equal what appears in the Outstanding MSCBP initiative balance as at __________ on form A

**Date Submitted**

**Name**

**Signature**

**Official Stamp**

**Title**
## PROJECT EXPENDITURE REPORT

**INCOME AND EXPENDITURE STATEMENT FOR**

**THE QUARTER ENDING________________________**

<table>
<thead>
<tr>
<th>DONOR</th>
<th>DONOR 1</th>
<th>DONOR 2</th>
<th>DONOR 3</th>
<th>DONOR 4</th>
<th>TOTAL</th>
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<td><strong>INCOME</strong></td>
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<td>Total income</td>
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<td><strong>EXPENSES</strong></td>
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<td>Travel</td>
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<td>Per diems</td>
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<td>Conference expenses</td>
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<td>Total expenses</td>
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<td>Surplus/(Deficit) for the quarter</td>
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<td>Surplus/(Deficit) brought forward</td>
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<td>Surplus/(Deficit) carried forward</td>
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<td><strong>BALANCES</strong></td>
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<td>Cash and bank</td>
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<td><strong>TOTAL Balance</strong></td>
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</table>
Annex III

WSTF Accounting Forms
OFFICIAL RECEIPT

Receipt number: _________________________________

<table>
<thead>
<tr>
<th>Received from</th>
<th>Amount in words</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>Type of Receipt</th>
<th>Cash/Cheque No.</th>
<th>Amount (KShs/US$)</th>
<th>A/C Code</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
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</table>

Received by _________________________________ Date _________________________________

Accountant
# PAYMENT VOUCHER

<table>
<thead>
<tr>
<th>CHEQUE NO:</th>
<th>DATE</th>
<th>VOUCHER NO.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

<table>
<thead>
<tr>
<th>PAYEE NAME AND ADDRESS</th>
<th>Bank Account No:</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>PARTICULARS OF PAYMENT</th>
<th>Field Code</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>DESCRIPTION</td>
<td>KShs</td>
<td></td>
</tr>
<tr>
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<tr>
<th>TOTAL</th>
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</table>

<table>
<thead>
<tr>
<th>AMOUNT IN WORDS</th>
<th>DATE</th>
<th>PAYMENT RECEIVED</th>
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</thead>
<tbody>
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</table>

Prepared by: __________________
Name: _______________________
Signature: ___________________
Accountant

Reviewed and Approved by: ________________
Name: _______________________
Signature: ___________________
Finance Manager

Account No | Dr | Cr |
<table>
<thead>
<tr>
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<tbody>
<tr>
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<td>Shs</td>
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## CHEQUE PAYMENT REGISTER

<table>
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<th>CHEQUE NO</th>
<th>PAYEE</th>
<th>DATE</th>
<th>AMOUNT</th>
<th>NAME OF RECIPIENT</th>
<th>SIGNATURE OF RECIPIENT</th>
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</table>
# PETTY CASH VOUCHER

<table>
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<th>DATE..................</th>
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<td>Purpose</td>
<td>Amount</td>
</tr>
<tr>
<td>A/c no</td>
<td>............................</td>
</tr>
<tr>
<td>KShs</td>
<td>..................................</td>
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<td>............................</td>
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<tr>
<td>Approved by</td>
<td>Signature</td>
</tr>
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</table>
## BANK RECONCILIATION

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td><strong>NAME OF ACCOUNT</strong> ____________________________</td>
<td>Bank Account No</td>
</tr>
<tr>
<td><strong>MONTH________ YEAR________</strong></td>
<td>Date</td>
</tr>
<tr>
<td><strong>Balance per Bank Statement (KShs)</strong></td>
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</tr>
<tr>
<td><strong>Add:</strong> Deposits made but not shown on statement as per schedule number</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Less:</strong> Outstanding Cheques as per schedule number</td>
<td></td>
</tr>
<tr>
<td><strong>Balance per Cash Book KShs</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Add:</strong> Deposits made but not shown in cash book as per Bank Schedule number</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Less: Bank charges per Schedule number</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Adjusted cash book balance</strong></td>
<td></td>
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</tbody>
</table>

**Signature**  |  **Date**
--- | ---
Prepared by: | Accountant
Reviewed by: | Finance Manager
Approved by: |
ADVANCE/IMPREST FORM

Staff Name______________________________________________________________

Type of Imprest

- Travel
- Other (specify)

Amount (in words) __________________________________________________________

__________________________________________________________________________

Amount KShs __________________________________________________________________

Purpose: ___________________________________________________________________

Imprest surrendered by Date: ________________________________

Date: ____________________ Signature of Applicant: ____________________________

1. Funds Available Date:________________________ Accountant:_________________

2. Approved Date:________________________ Finance Manager:_________________

3. Current Outstanding Imprest:

<table>
<thead>
<tr>
<th>Date</th>
<th>Imprest Type</th>
<th>Surrender Date</th>
<th>Amount</th>
<th>Remarks</th>
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</table>

4. Amount Received _____________

Date:___________________________ Imprest Holder:___________________________
ACCOUNTING FOR ADVANCE

IMPREST HOLDER: ____________________________

DATE: _____________________________________

<table>
<thead>
<tr>
<th>DATE</th>
<th>DETAILS</th>
<th>FIELD EXPENSES</th>
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<tr>
<td></td>
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Note: All original receipts and vehicle movement register (II-L) must be attached to this claim.

CLAIMANT'S SIGNATURE: ____________________________

PASSED BY: ____________________________

CHECKED BY: ____________________________

APPROVED BY: ____________________________

Accountant: ____________________________

Finance Manager: ____________________________

CEO: ____________________________
# IMPREST APPLICATION AND SURRENDER LEDGER CARD/ADVANCE REGISTER

**Staff Name:**

<table>
<thead>
<tr>
<th>Application Details</th>
<th>Surrender Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Date</td>
<td>Reference</td>
</tr>
<tr>
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</table>
LOCAL PURCHASE ORDER

WATER SERVICES TRUST FUND

TO:__________________________________________________________________________________
________________________________________________________________________________________________________________________________________________________________________

PLEASE SUPPLY THE FOLLOWING GOODS/SERVICES BY DATE____________ YEAR___

<table>
<thead>
<tr>
<th>ITEM</th>
<th>A/C CODE</th>
<th>DETAILS</th>
<th>QUANTITY</th>
<th>UNIT PRICE</th>
<th>AMOUNT</th>
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<tbody>
<tr>
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<td>kshs</td>
<td>Cts</td>
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</table>

TOTAL

GOODS REQUESTED BY (PROJECT)______________________

REQUISITION NUMBER_____________ INVOICE NO ________________________

PREPARED BY______________________ DELIVERY NOTE NO______________________

AUTHORISED BY______________________ PRICE VERIFIED BY______________________

SIGNATURE________________________ SIGNATURE________________________

An invoice and a delivery note bearing above Order No. must be sent at the time the goods are dispatched.
### FIXED ASSETS REGISTER

Asset Category

<table>
<thead>
<tr>
<th>Tag Number</th>
<th>Description</th>
<th>Serial Number</th>
<th>Funded by</th>
<th>Date of Purchase</th>
<th>Value</th>
<th>Location</th>
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### VEHICLE MOVEMENT REGISTER

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<th>Purpose of journey</th>
<th>Destination</th>
<th>Opening km reading</th>
<th>Closing km reading</th>
<th>Date of Journey</th>
<th>Authorised by</th>
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Annex IV

WSTF Application Format
WSTF Application Format

WATER SERVICES TRUST FUND
APPLICATION FOR ASSISTANCE TO A COMMUNITY WATER SUPPLY AND SANITATION PROJECT

NAME OF APPLICANT: ........................................
TITLE OF PROJECT: ........................................
ADDRESS OF THE APPLICANT: ...........................

LOCATION OF THE PROJECT: .............................
DISTRICT: ....................................................
DIVISION: ....................................................
LOCATION: ....................................................
LEGAL STATUS OF THE APPLICANT (ATTACH REGISTRATION CERTIFICATE): ..........................

Briefly Describe Yourselves and Your Mission

Describe Your Workforce for the Project – (Name and Skills)
WSTF Application Format

The Total Budget for the Project is:
Kshs .................................

The Total Budget for the Proposal is:
Kshs .................................

Summarise Relevance of Your Project to Poverty Eradication and Wealth Creation:
------------------------------------------------------------------------------
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------------------------------------------------------------------------------

Expected Project Start Date: ......................................

Expected Project Completion Date: ..............................

PROVIDE IN DETAIL EXPLANATIONS FOR THE FOLLOWING:
(Relevant supporting documentation will be an added advantage. You are limited to a maximum of 20 pages.)

Proposal/Application Summary:
(Provide a summary of the water services project including the needs to be addressed, how the Proposal/Application responds to this need, and a description of the water services project goal and objectives)
------------------------------------------------------------------------------
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WSTF Application Format

Needs/Situation Analysis:
(Identify clearly the need and/or problem that the Proposal/Application is responding to and how it was arrived at)

Water Services Project Description and Rationale:
(Outline the proposed response to the identified need or problem. Provide a description of the proposed water services project by articulating and explaining fully the project objectives and the outcome expected and its rationale)

The Stakeholders:
(Clearly detail the relationship between the Community for the Proposal/Application and the target group(s). The specific interests of the Community in representing the target group(s) in the Proposal/Application should be discussed and a clear justification provided showing why they are appropriate. Provide details of the level of community contribution to the Project)

Poverty Reduction and Wealth Creation:
(Articulate the goal for the water services project (including indicators for measuring results) clearly and discuss in relation to the wealth creation and poverty eradication considerations)
WSTF Application Format

Implementation and Sustainability:
(Give particular attention to considering how the benefits of the water services project will be realised and how the benefits will have a lasting/sustainable impact)

Methodology - Technical design of the project including available water sources and water demand figures.
(Please attach all documents including drawings).

Design:
(This section should focus on the design approach to the water services project)

Outputs and activities

Work plan

Implementation:
Comment on how these will be addressed:

Monitoring and Evaluation (Self assessment):

Impact analysis:

Timetable/Schedule
WSTF Application Format

Anticipated risks and constraints:

------------------------------------------------------------------------------------

Capability and expertise of the proposed team and/or subcontractors:

------------------------------------------------------------------------------------

Budget:

(Provide a detailed budget developed from the work plan. This should include the level and amount of community contribution for the project)

Date of application:......................................................
Signature: ......................................................
Name: ......................................................
Position: ......................................................
Witnessed by: (Stakeholders representative)
Signature: ......................................................
Name: ......................................................
Position: ......................................................

(APPROVED BY THE DISTRICT WATER OFFICER)
Your worlds  Our people