The National Treasury & Economic Planning | The National Treasury

REPUBLIC OF KENYA

Public Financial Management Reforms Secretariat

PEFA

Kenya Public Expenditure and Financial Accountability Assessment (PEFA) Report 2022

Funded by the European Union

Acronyms and Abbreviations

AiA	Appropriations in Aid
AFS	Annual Financial Statement
AGPO	Access to Government Procurement Opportunities
ASD	Accounting Services Department
ADSP	Agriculture Sector Development Support Programme
BCC	Budget Call Circular
BIRR	Budget Implementation Review Report
BPS	Budget Policy Statement
BROP	Budget Review and Output Paper
CARA	County Allocation of Revenue Act
CBK	Central Bank of Kenya
CCA	Climate Change Adaptation
CCCF	County Climate Change Fund
CCD	Climate Change Directorate
CEDAW	Convention on the Elimination of All Forms of Discrimination against Women
CIDP	County Integrated Development Plan
CIMES	Country Integrated Monitoring and Evaluation System
CIT	Corporate Income Tax
CMM	Cash Management Module
COB	Controller of Budget
CPEBR	Climate Public Expenditure and Budget Review
CPS	Centralised Payments System
CRE	Climate Related Expenditure
CSA	Climate Smart Agriculture
CPI	Consumer Price Index
CRA	County Revenue Allocation
CS-DRMS	Commonwealth Secretariat Debt Reporting and Management System
CSW	Gender Based Violence
DORA	Division of Revenue Act
DSA	Debt Sustainability Analysis
DTD	Domestic Tax Department
EFT	Electronic Funds Transfer
EIA	Environmental Impact Assessment
EMCA	Environmental Management and Coordination
EPWNR	Environmental, Protection, Water and Natural Resources
EU	European Union
FGM	Female Genital Mutilation
FLLoCA	Financing Locally Led Climate Action
FY	Financial Year
GBV	Gender Based Violence
GDP	Gross Domestic Product
GEWE	Gender Equality and Women Empowerment
GFS	Government Finance Statistics
GoK	Government of Kenya
GHG	Greenhouse Gas

GHRIS	Government Human Resource Information System
GIPE	Government Investment and Public Enterprise
GRB	Gender Responsive Budgeting
GRPFM	Gender Responsive Public Finance Management
GSSP	Gender Statistics Sector Plan
IA	Internal Audit
IAD	Internal Audit Department
IAG	Internal Auditor General
ICMS	Integrated Customs Management System
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
INTOSAI	International Organisation of Supreme Audit Institutions
IPPD	Integrated Payroll and Personnel Database
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
iTax	Integrated Tax Management System
KCSAP	Kenya Climate Smart Agriculture Project
KRA	Kenya Revenue Agency
Ksh	Kenya Shilling
LPO	Local Purchase Order
LTO	Large Taxpayers' Office
MDA	Ministries, Departments and Agencies
M&E	Monitoring and Evaluation
MRV+	Measurement, Reporting, and Verification Plus
MtCO2 eq.	Metric Tons of Carbon Dioxide Equivalent
MTDMS	Medium Term Debt Management Strategy
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NA	National Assembly
NAP	National Adaptation Plan
NCCAP	National Climate Change Action Plan
NCCRS	National Climate Change Response Strategy
NDA	National Designated Authority
NDC	Nationally Determined Contribution
NGAAF	National Government Affirmative Action Fund
NGEC	National Gender and Equality Commission
NGO	Non-Government Organisation
NEMA	National Environment Management Authority
NIMES	National Integrated Monitoring and Evaluation System
NT	National Treasury
OAG	Office of Auditor General
OCOB	Office of Controller of the Budget
PAC	Public Accounts Committee
PAYE	Pay-As-You-Earn
PBO	Parliamentary Budgetary Office
PCA	Post Clearance Audit
PEFA	Public Expenditure and Financial Accountability

PFM	Public Finance Management
PFMA	Public Finance Management Act
PFMRS	PFM Reform Secretariat
PI	Performance Indicator
PIC	Public Investment Committee
PIM	Public Investment Management
PIN	Personal Identification Number
PIT	Personal Income Tax
PPADA	Public Procurement and Asset Disposal Act
PPP	Public Private Partnership
PPRA	Public Procurement Regulatory Agency
PSASB	Public Sector Accounting Standards Board
QEBR	Quarterly Economic Budget Review
REDD+	Reduced Emissions from Deforestation and Forest Degradation Plus
SAGA	Semi-Autonomous Government Agency
SCOA	Standard Chart of Accounts
SDGs	Sustainable Development Goals
SDfG	State Department for Gender
SDU	Service Delivery Unit (e.g., school, health centre)
SIGs	Special Interest Groups
SWG	Sector Working Group
SME	Small and Medium Scale Enterprise
SNG	Sub-National Government
TA	Technical Assistance
TADAT	Tax Administration Diagnostics Tool
TIN	Taxpayer Identification Number
TSA	Treasury Single Account
TSC	Teachers Service Commission
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
USD	US dollar
VAT	Value Added Tax
WB	World Bank
WEF	Women Enterprise Fund

FISCAL YEAR:
1st July – 30th June
Period covered by this assessment: FY2018/2019, FY2019/2020, and FY2020/2021

CURRENCY AND EXCHANGE RATES

Currency: Kenya Shillings (Ksh)

1 USD = 108.25815
1 EUR = 131.44705

(As at June 2021)

PUBLIC EXPENDITURE AND FINANCIAL ACCOUNTABILITY
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Republic of Kenya

Public Expenditure and Financial Accountability (PEFA) Assessment 2022

8 May 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the 'PEFA CHECK'.

PEFA Secretariat
May 8, 2023

Executive Summary

The objective of the Kenya 2022 PEFA is to assess PFM performance in the country since the last PEFA study was conducted, in 2017. Specifically, this assessment is aimed at: (i) providing evidence-based scores and analyses on the overall performance of Kenya's PFM systems and institutions regarding aggregate fiscal discipline, strategic resource allocation, and efficient service delivery by utilizing the PEFA 2016 framework; (ii) addressing environment and climate change matters in Kenya through evidence-based analysis and findings to aid government policy direction in climate change; (iii) addressing gender inequality issues based on findings emanating from gender PFM assessment.

The 2022 PEFA assessment is in three folds: (i) PFM assessment using the standard 2016 PEFA framework; (ii) gender responsive PFM (GRPFM) assessment using the January 2020 supplementary guidance for gender-responsive PFM; (iii) climate responsive PFM (CRPFM) assessment using the August 2020 PEFA climate module. As this is the first gender and climate responsive PFM assessments, the findings/results will provide baseline for monitoring and evaluating the extent to which gender and climate change are mainstreamed into the central government PFM systems.

Box 1.1 below outlines the assessment management framework, oversight, and quality assurance. This assessment was funded by the European Union. Dr. Julius Muia, CBS (Principal Secretary, National Treasury) was the chair of the oversight team; he was replaced by Dr. Chris Kiptoo, CBS, Principal Secretary, National Treasury. They provided general leadership and guidance to this assessment. Mr. Julius Mutua (Programme Coordinator, PFM Reform Secretariat) was the assessment manager and a member of the oversight team. He was ably assisted by Dr Dickson Khainga (the Coordinator for GESDeK[1]) and Mr. Stephen Maluku (Programme Manager, PFM Reform Secretariat). Dr Khainga and Mr. Maluku were responsible for organising all meetings from the Government side, and ensured the timely submission of information required for this assessment. Mr. John Njoroge Mungai of the EU Delegation to Kenya also organised all meetings from the donor community. Dr Khainga and Mr. Stephen Maluku (Programme Manager) were instrumental in the organisation of the PEFA training workshop held in Naivasha - Kenya, for three days, from 20th to 22nd July 2022. Other members of the oversight team representatives from Ministry of Environment and Forestry, Ministry of Public Service and Gender, the PFM Reform Secretariat, European Union Delegation to Kenya, Agence Française de Développement (AFD), UNICEF and UNWomen.

Scope, Coverage, and Timing

The assessment covered central government ministries and departments (specifically the National Treasury and Planning: Budget Department, Macro and Fiscal Affairs Department, State Department for Planning, Public Debt Management Office,

[1] Governance for Enabling Service Delivery and Public Investment in Kenya, funded by World Bank and Agence Française de Développement (AFD)

Internal Auditor-General Department, Inter-governmental Fiscal Relation Department, Public Investment Management Department, Government Investment & Public Enterprises Department, Public Private Partnership Directorate, Office of Accounting Services, PFM Reform Secretariat, Climate Finance Unit, IFMIS, National Assets & Liabilities Department); Office of the Auditor-General; Ministry of Health; Public Procurement Regulation Authority; Ministry of Education; State Department for Gender; Ministry of Devolution; Public Service Commission; Office of Controller of Budgets; Kenya Revenue Authority; Parliament; National Gender & Equality Commission; National Environment Management Authority; counties for purposes of assessing PI-7 and PI-10.2; National Social Security Fund; extra budgetary units[2]; and public enterprises (in so far as they affect central government fiscal risk). The assessment team had a virtual meeting with civil society organisations. In attendance were representatives of the International Budget Partnership (IBP) Kenya, the Institute of Economic Affairs (IEA), and the Institute of Public Finance (IPF).

The fiscal years for this assessment are FYs 2018/2019, 2019/2020, and 2020/2021. The last budget submitted to Parliament for purposes of this assessment was FY2021/2022 budget submitted in FY2020/2021. The cut-off date was 30th June 2021.

The field work began with a virtual kick-off meeting on 18th July 2022, with all members of the oversight team being present. A three-day physical workshop was organised in Naivasha – Kenya, from 20th to 22nd July 2022 where the international consultants presented the 2016 PEFA methodology plus the new PEFA Climate and Gender modules to government officials, development partners and civil society organisations. For national elections (since most of the public officials had to travel to their counties to cast their ballots), the mission was split into two: the first, from 18th July 2022 to 5th August 2022; and the second from 22nd to 26th August 2022. The field mission ended on 26th August 2022 with a debriefing meeting. The assessment was jointly conducted by international and local PEFA experts.

Annexes 3A and 3B provide detailed lists of information used and people interviewed, respectively. The assessment also relied on official documents from IMF (Article IV Staff Report and Country Report dated December 2021 and June 2021 respectively), Kenya TADAT 2021 report, Transparency International Report 2020 and 2021. All 31 performance indicators and 94 dimensions were assessed and applicable. Further, all 9 gender performance indicators and 14 climate performance indicators were assessed and applicable.

[2] EBUs are separate units that operate under the authority or control of a central government (or in the case of a subnational government assessment, the state or local government). They may have their own revenue sources, which may be supplemented by grants (transfers) from the general budget or from other sources. Even though their budgets may be subject to approval by the legislature, extra-budgetary units have discretion over the volume and composition of their spending. Such entities may be established to carry out specific government functions, such as road construction, or the nonmarket production of health or education services. Budgetary arrangements vary widely across countries, and various terms are used to describe these entities, but they are often referred to as 'extra-budgetary funds' or 'decentralized agencies' (GFS Manual 2014, chapter 2, section 2.82).

The summary of the overall standard PEFA performance scores for 2022 is presented in Table 1.0 below. Chart 4 provides a graphical representation of PFM performance change since 2017, chart 5 overall ranking by performance indicator, and chart 6 shows overall performance by pillar. Annexes 5 and 6 present the findings of the gender responsive and climate responsive PEFA assessments respectively.

Impact of PFM systems on the three main budgetary and fiscal outcomes

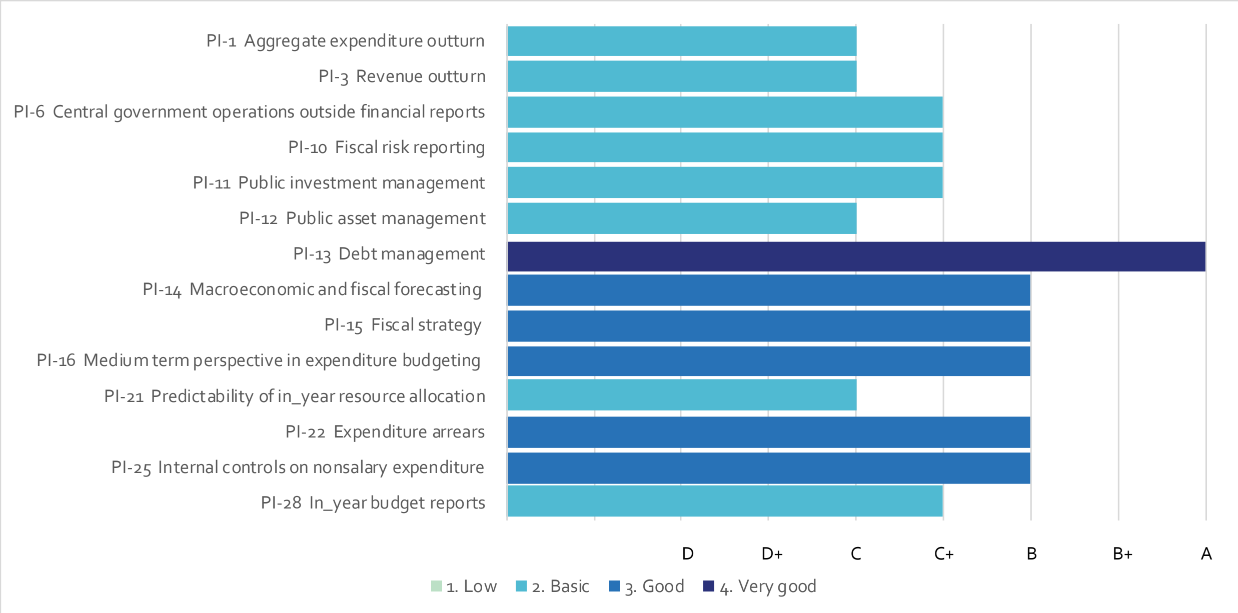
Aggregate fiscal discipline

As shown in chart 1, the performance of aggregate fiscal discipline is basic. Strong PFM laws and regulations are in existence, a positive signal to strengthening aggregate fiscal discipline. The assessment concludes that the Public Debt Management Framework is good enough to support fiscal discipline, nevertheless, debt levels have been increasing over the last three years, which is a major concern. The management of domestic and foreign debt and guarantees is found to be satisfactory, with complete and accurate recording and reporting of debt and guarantees, positively impacting on fiscal discipline. A medium-term debt management strategy is also published, contributing positively to fiscal discipline. Sound internal control framework, coupled with a relatively low stock of pending bills (based on budgeted central government only) have contributed to strengthening fiscal discipline. Total national government stock of expenditure arrears (pending bills), including state corporations were Ksh359.5billion as at 30th June 2021, made up of Ksh36.4 billion for budgeted central government institutions (ministries, state departments and agencies) and Ksh323.2 billion for state corporations – these pose a significant threat to national government fiscals. Counties pending bills stood at Ksh153.2 billion with Nairobi County alone contributing Ksh99.6 billion as at June 2021. There is proper segregation of duties but expenditure commitment system still allows to commit expenditure without cash, and could lead to accumulation of expenditure arrears (pending bills). Nevertheless, this was not the case as at June 2021 due to measures such as charging pending bills to approved current budgets. Payments fully comply with government rules and procedures. The relatively high levels of in-year budget adjustments weakens fiscal discipline.

Fiscal discipline is however weakened by the unreliability of aggregate revenue outturn, caused by over optimistic targets. The aggregate expenditure outturn is also found to be poor, a threat to fiscal discipline.
The assessment concludes that government operations outside the budget are relatively high, but not at the levels that significantly impacts negatively on fiscal discipline. That said, this has a future threat if not controlled and managed. Contingent liabilities and other fiscal risks are quantified and published, but the overall performance of government's management of assets and liabilities is at average levels, not enough to support fiscal discipline. Public investment and assets management performed above average, indicating the need for improvements to strengthen these areas.

Chart 1

Aggregate fiscal discipline **BASIC**



Strategic allocation of resources

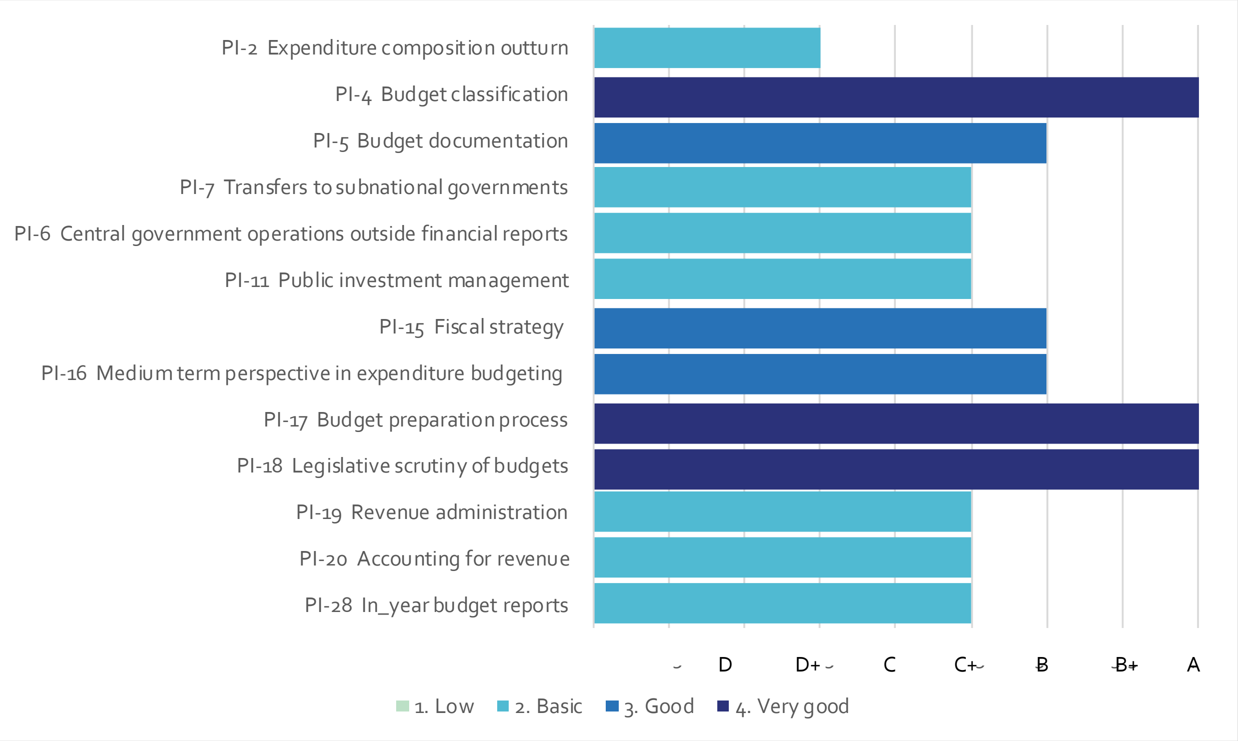
Chart 2 indicates that the strategic allocation of resources is basic at aggregate level. Kenya's national budget is comprehensive and transparent in terms of required documentation for public use. Budget classification is also sound, as it meets international standards. These contribute to strengthening the strategic allocation of resources. Despite a good budget classification system and budget comprehensiveness, the high level of expenditure composition variance demonstrates that resources are not being allocated to originally approved priority areas and programmes – this is a weakness to strategic resource allocation. The transparent and rule-based system of horizontal allocation of all transfers for devolved sectors to county governments from central government is a sign that resources are strategically allocated. That said, the delays with respect to reliable information for county government budget preparation is a serious concern, as it lends itself to an unpredictable and unreliable budgeting system at the county levels, thereby affecting service delivery.

The smooth budget preparation process with a comprehensive and clear budget circular issued to MDAs, covering total budget expenditure for the full fiscal year, and reflecting ministry ceilings approved by the cabinet prior to the circular's distribution to budgetary units, contributes to the strategic allocation of resources. The timely approval of the annual budget enables budget units to begin their annual programmes and activities on time to ensure maximum utilisation of allocated resources, thereby improving service delivery. The performance of revenue administration and accounting framework is reasonable but not enough to support strategic resource allocation. The cash management framework is

weak; it does not support the allocation of resources in a strategic manner – this has the potential of negatively affecting service delivery.

Chart 2

Strategic allocation of resources **BASIC**



Efficient service delivery

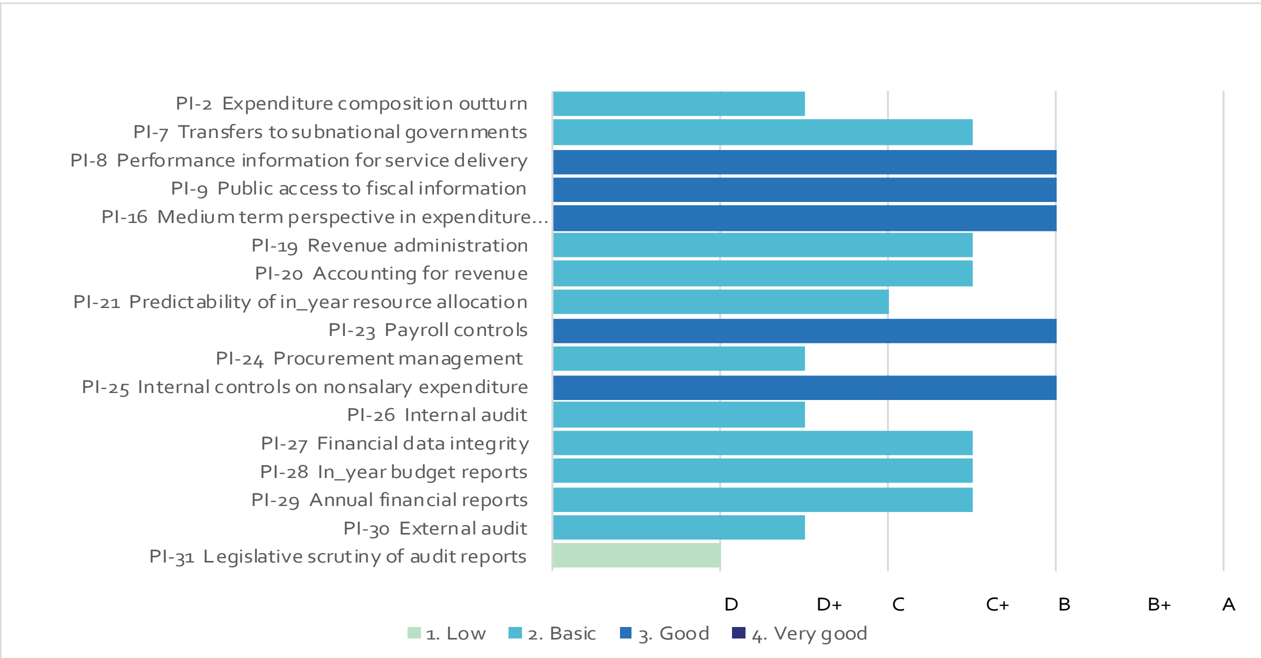
As indicated in chart 3 below, efficient service delivery is also basic at aggregate level. Good budget classification and comprehensiveness strengthens efficient service delivery – this is the case in Kenya. However, the unreliability of the expenditure budget at the composition level negatively affects efficient service delivery. Payroll management shows good performance – a strength to efficient service delivery. The transparent and non-frequent in-year budget adjustments enable the budget to be utilized for initially intended priority areas – this is a strength to efficient service delivery. The good public access to fiscal information, coupled with the public availability of service delivery performance information contributes positively to strengthening the efficiency of service delivery, as it provides a good opportunity for citizens to demand accountability. Public investment management performs averagely, with relatively good economic analysis and project selection framework. The strong system of medium-term expenditure budgeting, as described under fiscal discipline, provides greater predictability for budget allocations in the medium-term, strengthening both strategic resource allocation and efficient service delivery.

The comprehensiveness and timely public access to fiscal information improves efficiency of service delivery, as it encourages public accountability. That said, the lack of complete data on procurement methods used means that the procurement framework is not functioning well to assure competitive public procurement needed for improved service delivery. Efficient service delivery is further negatively affected by the absence of a framework to track all resources received by frontline service delivery units. The inability to track resources to frontline service delivery units could lead to shortages in some areas and surpluses in other areas.

The overall external audit and legislative scrutiny functions are generally weak, not supportive of efficient service delivery. Though the coverage of both internal and external audit is satisfactory, management response to internal audit, a necessary tool to assess the efficiency of service delivery, cannot at this stage be determined due to inadequate information from the NT/IAD. There is considerable weakness regarding legislative scrutiny of audit reports, a delayed scrutiny process coupled with the non-existence of a systematic PAC follow-up mechanism – this is a serious threat to efficient service delivery.

Chart 3

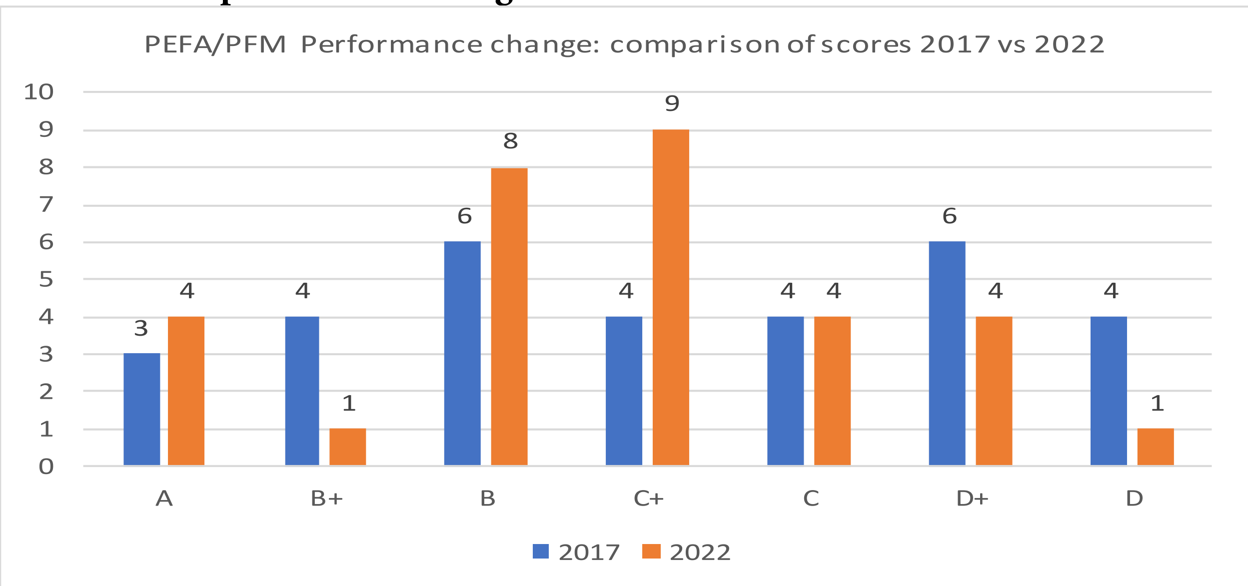
Efficient service delivery **BASIC**



Performance changes since last assessment in 2017

Chart 4 below shows a graphical presentation of PFM performance change since 2017. Overall, there has been improvement in PFM performance as evidenced by the number and categories of scores. "A" scores have improved from 3 in 2017 to 4 in 2022. Whilst "B+" scores have dropped from 4 in 2017 to 1 in 2022, "B" scores have improved from 6 in 2017 to 8 in 2022. There has also been an increase in "C+" scores from 4 in 2017 to 9 in 2022. "C" scores have however remained unchanged at 4 in 2017 and 2022. "D+" scores have reduced from 6 in 2017 to 4 in 2022, indicating a shift towards higher scores, which is an improvement. Likewise, "D" scores have reduced from 4 in 2017 to 1 in 2022, also reflecting an improvement in performance.

Chart 4: PFM performance change



Fiscal discipline

Strong PFM laws and regulations have continued to be a feature of the Kenyan PFM environment, contributing positively to fiscal discipline. There is no substantive change between assessments (2017 and 2022) when it comes to fiscal discipline. Compared to 2017, aggregate fiscal discipline has deteriorated as it has been weakened by the unreliability of aggregate revenue outturn, caused by overly optimistic targets and unreliable aggregate expenditure outturn. Comparatively, the current assessment concludes that revenue and expenditure outside government financial reports are relatively high, based on available data; however, in 2017, there was no sufficient data to assess the impact of government operations outside the budget. Internal controls on non-salary expenditure remain satisfactory under both assessments, with proper segregation of duties and payments complying with government rules and procedures. Expenditure arrears (pending bills for budgetary central government, excluding those from public enterprises) are kept to a minimum, with the monitoring mechanism thereof

improved in the current assessment. Under both assessments, the low levels of in-year budget adjustments have strengthened fiscal discipline. A notable improvement in fiscal discipline is the quantification and publication of contingent liabilities and other fiscal risks, including PPPs, which was not the case during the previous assessment. Public investment management remained the same while marginal improvement was made on assets management, with the strengthening of non-financial assets monitoring and asset disposal. Payroll controls have remained satisfactory, unchanged in both assessments.

Strategic allocation of resources

Budget comprehensiveness and transparency has seen significant improvement since 2017, thereby strengthening the strategic allocation of resources. This is further supported by the improvement in 2022, of the budget classification system to the GFSM 2014 standards to meet international standards. This means improvement in the traceability of public resources. Despite a sound budget classification system and good budget comprehensiveness, the high level of expenditure composition variance, especially in the current assessment (which could be as a result of COVID-19), demonstrates that resources are not being allocated to originally approved priority areas and programmes. The transparent and rule-based system of horizontal allocation of all transfers for devolved sectors to county governments from central government during both assessments improves the strategic allocation of resources. That notwithstanding, the excessive delays in the passage of CARA, needed for county revenue allocation, contributes to budget unreliability and inefficient service delivery at the county levels – this has not changed since 2017.

The government's inability to estimate the fiscal impact of changes in expenditure policy proposals is a weakness in strategic resource allocation – this has remained unchanged since 2017. On a positive note, the fiscal impact of changes in revenue policy is estimated. The Budget preparation process remained strong. In both assessments, the smooth budget preparation process, with a comprehensive and clear budget circular issued to MDAs, covering total budget expenditure for the full fiscal year, and reflecting ministry ceilings approved by the cabinet prior to the issuance of the circular to budgetary units, contributes to the strategic allocation of resources. The legislative scrutiny of the budget and approval systems have improved and strong, providing an enabling environment for budget units to fully utilize their annual budget allocations. Revenue administration improved slightly with regard to provision of information to taxpayers on rights and obligations for revenue measures and revenue risk management, positive contribution to support resource allocation and efficient service delivery. Nevertheless, the cash management framework, in both assessments has shown weaknesses in terms of not being able to consolidate central government daily cash position, a pre-requisite to efficient cash management.

Efficient service delivery

Compared to 2017, the efficiency of service delivery improved as a result of improvement in budget classification to conform to GFSM 2014 standards. The comprehensiveness of the budget documentation also supports efficient service delivery, an improvement in 2022 compared with 2017. However, under both assessments, the unreliability of the budget at the composition level negatively affects efficient service delivery. The transparent and non-frequent in-year budget adjustments during both assessments provides a platform for budget utilisation according to original government priorities, a strength to efficient service delivery.

The performance information for service delivery has remained unchanged, satisfactory under both assessments. This, coupled with the good public access to fiscal information in 2017 and 2022, contributes positively to strengthening the efficiency of service delivery. Public investment management framework has remained unchanged at the aggregate level, even though slightly improved in 2022 in terms of performing economic analysis of investment projects. Medium-term expenditure budgeting remained strong in both assessments, providing greater predictability for budget allocation in the medium-term, thereby strengthening service delivery efficiency.

A major deterioration from the previous assessment is on the procurement management, where there is currently no complete procurement data and no accurate information on procurement methods used. This is a setback to efficiency in service delivery, as competitive public procurement improves service delivery. Another weakness to efficient service delivery is government's inability to track resources, especially in kind, to all primary service delivery units. This has been the case since 2017, although the previous assessment seemed to have overrated this dimension. Public access to fiscal information, which helps to strengthen the efficiency in service delivery by holding public officials accountable, has remained unchanged, good enough to support demand-side accountability.

In 2017 and 2022, internal and external audit coverages have been good, a strength to efficient service delivery. Nonetheless, excessive delays in external audit with consequential delays in legislative scrutiny, have weakened the entire accountability chain, thereby contributing to less effective service delivery framework. The financial non-independence of the OAG, coupled with the non-existence of a systematic legislative follow-up mechanism, do not support the accountability framework, prerequisites to strengthening efficient service delivery.

PFM Reform Agenda

Government's Medium-Term Plan III guides PFM reforms. PFM reforms are covered under chapter 3.5 (public sector reforms) of the MTP III. Ongoing PFM reforms are based on the 2018-2023 PFM reform strategy. It has eight result areas, namely:

- Sustainable and predictable fiscal space to deliver government programs
- Strategic and transparent spending on public investment and service delivery in line with National and County Policy Commitments
- Reliable cash for service delivery and public investment
- Value for money in procurement and contract management
- Value for money, performance & accountability in staffing for service delivery
- Education institutions, health, and other service facilities effectively manage public resources
- Disciplined financial management and accurate reporting, and
- Accountability delivered through audit, oversight and follow up

Below is a summary (details of achievement are presented under chapter 5.2 of this report) of achievements so far with respect to the implementation of the 2018-2023 PFM reform strategy:

- Sustainable and predictable fiscal space to deliver priority programs: This result area has a total of 23 key steps of which 7 (30%) were not achieved, 8 (35%) are partially achieved and 8 (35%) were fully achieved.

- Strategic and Transparent Spending on Public Investment and Service Delivery in Line with National and County Policy Commitments: There are 17 key steps, out of which 8 (47%) were not achieved, 5 (29%) were partially achieved and 4 (24%) was fully achieved.

- Reliable Cash for Service Delivery and Public Investment: There are a total of thirteen (13) key steps out of which 7 (54%) were not achieved, 1(8%) was partially achieved and 5(38%) was fully achieved.

- Value for money in procurement and contract management: There result area has a total of 5 key steps out of which 2 (40%) was not achieved, 1 (20%) were partially achieved and 2 (40%) were fully achieved.

- Value for money, performance & accountability in staffing for service delivery: There are 14 key steps, 5 (36%) not achieved, 8 (57%) partially achieved and 1 (7%) was fully achieved.

- **Education Institutions, Health and other Service Facilities Effectively Manage Public Resources: There are 11 key steps out of which 3 (27%) were not achieved, 5 (46%) were partially achieved and 3 (27%) was fully achieved.**

- **Disciplined Financial Management and Accurate Reporting: There result area has 10 key steps. Of these, 6 (60%) were not achieved, 1 (10%) were partially achieved and 3 (30%) were fully achieved.**

- **Accountability Delivered through Audit, Oversight and Follow up: There are 9 key steps out of which 3 (33%) were not achieved, 2 (22%) were partially achieved and 4 (45%) were fully achieved.**

Table 1.0: Overall summary of PFM Performance Scores 2022

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
Pillar I: Budget reliability							
PI-1	Aggregate expenditure outturn	M1	C				C
PI-2	Expenditure composition outturn	M1	D	C	A		D+
PI-3	Revenue outturn	M2	D	B			C
Pillar II. Transparency of public finances							
PI-4	Budget classification	M1	A				A
PI-5	Budget documentation	M1	B				B
PI-6	Central government operations outside fiscal reports	M2	B	B	D		C+
PI-7	Transfers to sub-national governments	M2	A	D			C+
PI-8	Performance information for service delivery	M2	A	A	D	C	B
PI-9	Public access to key fiscal information	M1	B				B
Pillar III. Management of assets and liabilities							
PI-10	Fiscal risk reporting	M2	C	D	A		C+
PI-11	Public investment management	M2	C	A	C	C	C+
PI-12	Public asset management	M2	C	C	C		C
PI-13	Debt management	M2	B	A	A		A
Pillar IV. Policy-based fiscal strategy and budgeting							
PI-14	Macroeconomic and fiscal forecasting	M2	D	A	A		B
PI-15	Fiscal Strategy	M2	D	A	B		B
PI-16	Medium-term perspective in expenditure budgeting	M2	A	A	C	C	B
PI-17	Budget preparation process	M2	B	A	A		A
PI-18	Legislative scrutiny of budgets	M1	A	A	A	A	A
Pillar V. Predictability and control in budget execution							
PI-19	Revenue administration	M2	A	B	C	D	C+
PI-20	Accounting for revenues	M1	B	A	C		C+
PI-21	Predictability of in-year resource allocation	M2	D	C	C	B	C
PI-22	Expenditure arrears	M1	B	B			B

PFM Performance Indicator (PI)		Scoring Method	Dimension Ratings				Overall Rating
			i.	ii.	iii.	iv.	
PI-23	Payroll controls	M1	B	B	B	B	B
PI-24	Procurement	M2	D	D	C	B	D+
PI-25	Internal controls on non-salary expenditure	M2	A	C	A		B+
PI-26	Internal audit	M1	A	A	D*	D*	D+
Pillar VI. Accounting and Reporting							
PI-27	Financial data integrity	M2	B	D	C	B	C+
PI-28	In-year budget reports	M1	B	C	C		C+
PI-29	Annual financial reports	M1	B	B	C		C+
Pillar VII. External Scrutiny and Audit							
PI-30	External audit	M1	B	D	C	D	D+
PI-31	Legislative scrutiny of audit reports	M2	D	D*	C	D	D

Chart 5: Overall ranking by performance indicator

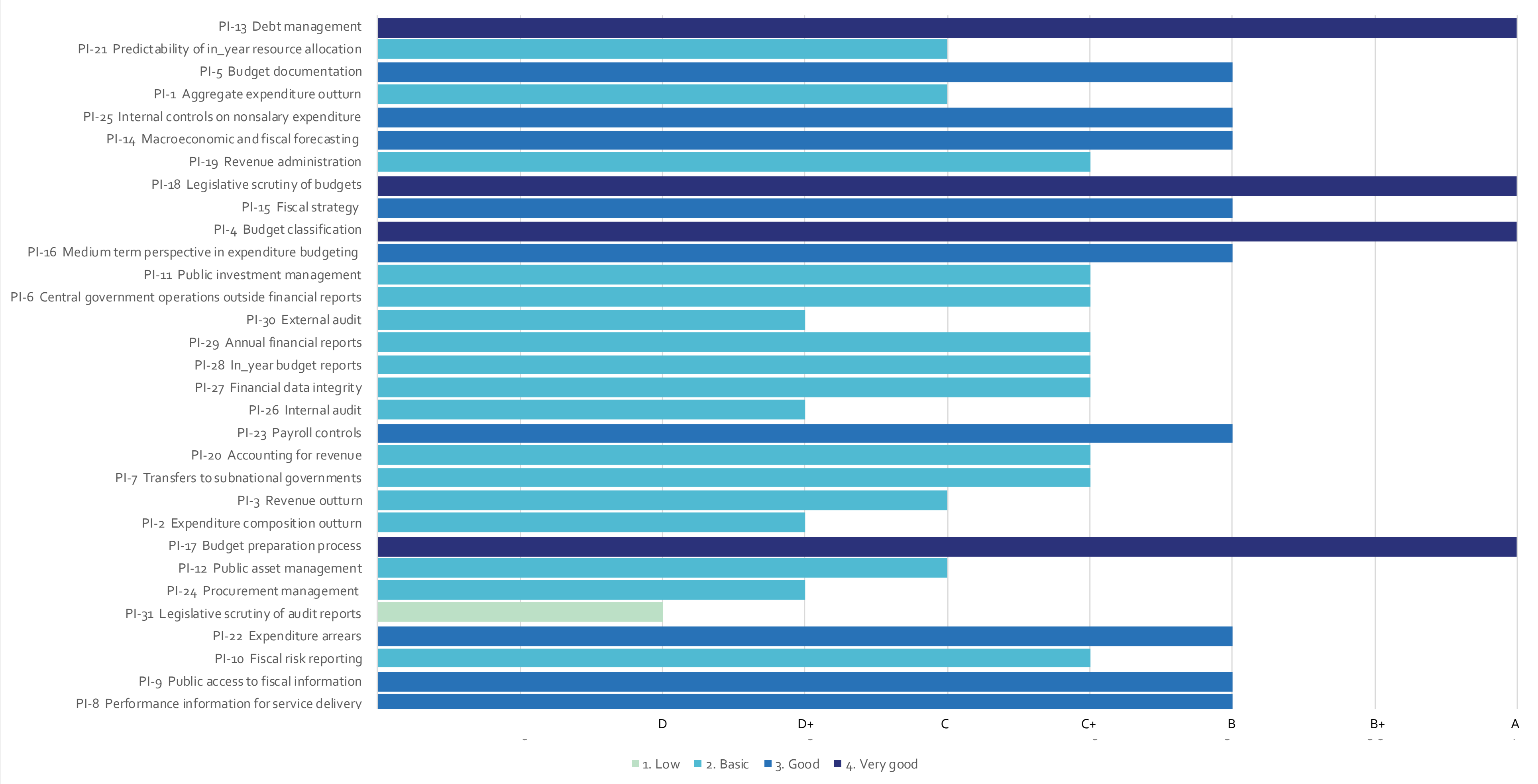
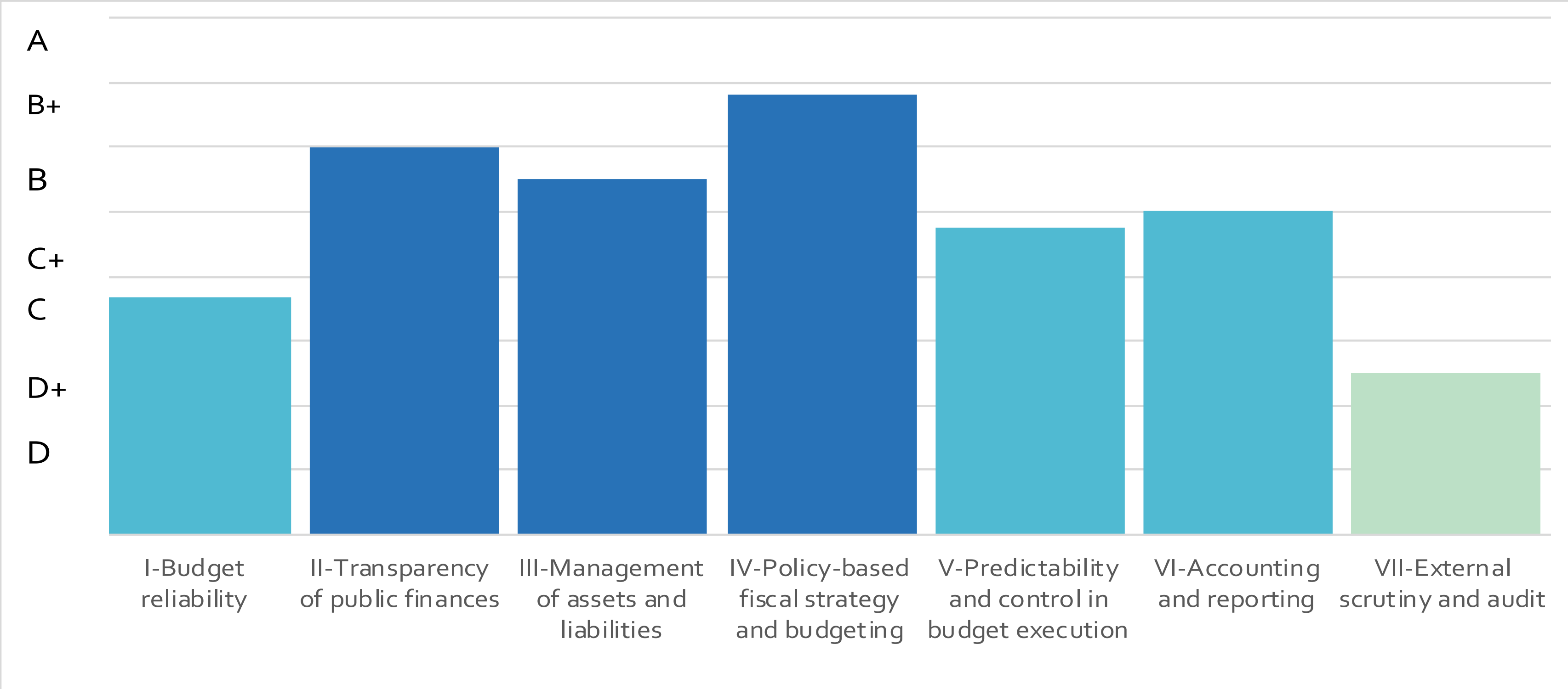


Chart 6: Overall performance by pillar



1 Introduction

1.1 Rationale and purpose

Four PEFA assessments have been conducted at the national level since 2006, specifically in 2006, 2008, 2012 (all using the 2005 or 2011 PEFA framework) and 2017 (using the 2016 PEFA framework). In 2017, six counties were also assessed. The Government has been using the findings of the PEFA assessments to monitor and diagnose the performance of public financial management (PFM) systems since 2006. The results of the 2012 and 2017 PEFAs fed into the development of the 2013-2018 PFM reform strategy, and the current one spanning the period 2018-2023, respectively. To this end, the Government has been implementing various PFM reforms since 2017, including those outlined in the Public Financial Reforms Strategy 2018-2023, which is currently undergoing a mid-term review.

The purpose of the 2022 PEFA assessment is to assess the PFM performance since 2017, using the 2016 PEFA methodology, so that the scores and performance of the 2017 PEFA Assessment and the Current Assessment (2022) will be directly comparable. Comparison of the three budgetary outcomes, namely, (i) fiscal discipline, strategic resource allocation and efficient service delivery will also be much easier and straightforward. The results of the current assessment will promote policy dialogue on the pace and impact of the recent PFM reforms, and therefore inform the reform agenda, going forward.

In addition to the standard PEFA, the Government of Kenya decided to conduct the PEFA climate-responsive (CRPFM) and PEFA gender-responsive public financial management (GRPFM) assessments concurrently with the national/standard PEFA. The two additional PEFA modules will provide baselines against which progress will be measured in the future. The results of the gender and climate assessments will also promote policy dialogue and inform the monitoring and evaluation of how PFM systems support climate change interventions and the efforts to close the gender inequality gap.

Overall Objective

According to the Terms of Reference (ToR), the general objective of the Kenya 2022 PEFA is to assess PFM performance in the country since the last PEFA study was conducted, in 2017.

Specific Objectives

As per the ToR, the Kenya 2022 PEFA has three specific objectives, namely:

- To provide evidence-based scores and analyses on the overall performance of Kenya's PFM systems and institutions regarding aggregate fiscal discipline, strategic resource allocation, and efficient service delivery by utilizing the PEFA 2016 framework;
- Kenya 2022 PEFA will address environment and climate change matters in Kenya through PEFA Climate module;

- **Kenya 2022 PEFA will address gender equality through Gender Responsive PFM module.**

1.2 Assessment management, oversight and quality assurance

The assessment management framework, oversight and quality assurance are summarised in Box 1.1 below. This assessment was funded by the European Union with UNICEF as the chair of the PFM Donor Group Forum. Other members of the PFM Donor Group Forum are the World Bank, Agence Française de Développement (AFD), and UNWomen. They are peer-reviewed both the concept note and the draft report (standard PEFA, gender and climate modules).

Dr Julius Muia, CBS and Dr. Chris Kiptoo, CBS, (Principal Secretary, National Treasury) chaired the oversight team at different times during the assessment. They provided overall leadership and guidance to this assessment. Mr. Julius Mutua (Programme Coordinator, PFM Reform Secretariat) was the assessment manager and a member of the oversight team. He was ably assisted by Dr Dickson Khainga (the Coordinator for GESDeK[3]) and Mr. Stephen Maluku (Programme Manager). Dr Khainga and Mr. Stephen Maluku were responsible for organising all meetings from the Government side, and ensured the timely submission of information required for this assessment. Mr. John Njoroge Mungai of the EU Delegation to Kenya also organised all meetings from the donor community. Prior to the field work, the assessment team submitted draft meeting and mission schedule, together with preliminary data requirement, to aid the planning process. Dr Khainga and Mr. Stephen Maluku (Programme Manager) were instrumental in the organisation of the PEFA training workshop held in Naivasha - Kenya, for three days, from 20th to 22nd July 2022.

Other members of the oversight team, from the Government side, who provided valuable contribution to the success of this assessment include: (i) George Gichuru (Senior Deputy Accountant General, Ministry of Environment and Forestry); (ii) Joseph Mutuma (Senior Chief Finance Officer, Ministry of Environment and Forestry); (iii) Michael Okumu (Deputy Director – Climate Change, Ministry of Environment and Forestry); (iv) Sephone Ombachi (Chief Finance Officer, Ministry of Public Service and Gender); (v) Abdi A. Dumale (Economist, Ministry of Public Service and Gender). And from the development partner side: (i) Alexandre Baron, Head of Section, Governance and Macroeconomics, EUD; (ii) Jerome Benausse, Economic and PFM Officer, Governance and Macroeconomics, EUD; (iii) Clara Gambaro, Project Officer – Kenya, AFD; (iv) Melissa Hamdidouche, Project Officer Kenya (v) Edyner Siribie, AFD Paris Office; (vi) Onur Erdem, Senior Public Sector Specialist, WB; (vii) Leonard Matheka, Senior Public Finance Management Specialist, WB; (viii) Dr. Robert Simiyu, Social Policy and Economic Specialist/ Chair PFM Donor Group Forum, UNICEF; (ix) Carolyn Wangusi, Economic/PFM Advisor, UNICEF; (x) Rukaya Mohammed,

[3] Governance for Enabling Service Delivery and Public Investment in Kenya, a World Bank funded program

Deputy Country Representative, UNWomen; (xi) Maureen Gitonga, Programme Specialist, Gender Statistics, UNWomen.

PEFA Check

The quality assurance framework has been reinforced as of January 1, 2018 (see PEFA Secretariat Note: PEFA Check: Quality endorsement of PEFA assessments from January 1, 2018, www.pefa.org). The quality assurance process of this report is shown in Box 1.1 below. The first draft report was submitted for peer review on 9th December, 2022.

Box 1.1: Assessment management and quality assurance arrangements

PEFA Assessment Management Organization

- Oversight Team (OT) — See Table below.
- Assessment Manager: Dr Dickson Khainga
- Assessment Team Leader: Charles Komla Hegbor (International PFM/PEFA Expert)
- Other members of the assessment team: Elena Morachiello (Deputy Team Leader, International PFM/PEFA Expert); Peter Fairman (Senior International PFM/PEFA Expert); Wangari Muika (PFM/PEFA Expert); Jeremiah Oliech (PFM/PEFA Expert); Bernadette Wanjala (PFM/Gender Specialist); Samuel Njoroge (PFM/Sustainable Finance Specialist).
- PEFA Secretariat
- Peer Reviewers (PEFA Secretariat, Government of Kenya, EUD, WB, AFD, UNICEF, UNWomen)

Composition of the OT	Members of the OT
Chairperson	• Julius Muia, PhD, CBS, Dr. Chris Kiptoo, CBS (Principal Secretary, National Treasury),
National Treasury and Economic Planning	• Mr. Julius Mutua (Programme Coordinator, PFM Reform Secretariat) • Mr. Stephen Maluku (Programme Manager) • Dickson Khainga (GESDeK Coordinator)
Ministry of Environment and Forestry	• George Gichuru (Senior Deputy Accountant General) • Joseph Mutuma (Senior Chief Finance Officer) • Michael Okumu (Deputy Director – Climate Change
Ministry of Public Service and Gender	• Sephone Ombachi (Chief Finance Officer) • Abdi A. Dumale (Economist)
Development Partners	• EU • WB • AFD • UNICEF • UNWomen

Review of concept note and/or terms of reference

- Date of review of draft concept note by the PEFA Secretariat: 9th May 2022

- Other invited reviewers: EUD (Alexandre Baron, Head of Section, Governance and Macroeconomics; and Jerome Benausse, Economic and PFM Officer, Governance and Macroeconomics); AFD (Clara Gambaro, Project Officer - Kenya; and Edyner Siribie, AFD Paris Office); WB (Onur Erdem, Senior Public Sector Specialist; and Leonard Matheka, Senior Public Finance Management Specialist); UNICEF (Robert Simiyu, Social Policy and Economic Specialist/ Chair PFM Donor Group Forum; and Carolyn Wangusi, Economic/PFM Advisor); UNWomen (Rukaya Mohammed, Deputy Country Representative; and Maureen Gitonga, Programme Specialist, Gender Statistics).
- Government of Kenya: National Treasury and Planning, represented by Julius Muia, PhD, CBS (PS/NT) – approved CN on 27th April 2022.
- Concept Note was shared with all peer reviewers (EU, WB, AFD, UNICEF, UNWomen) on (date): 28th March 2022

Review of the assessment report

- Other Peer reviewers (names and institutions): EUD (Alexandre Baron, Head of Section, Governance and Macroeconomics; and Jerome Benausse, Economic and PFM Officer, Governance and Macroeconomics); AFD (Clara Gambaro, Project Officer – Kenya, Melissa Hamdidouche, Project Officer -Kenya; and Edyner Siribie, AFD Paris Office); WB (Onur Erdem, Senior Public Sector Specialist; and Leonard Matheka, Senior Public Finance Management Specialist); UNICEF (Robert Simiyu, Social Policy and Economic Specialist/ Chair PFM Donor Group Forum; and Carolyn Wangusi, Economic/PFM Advisor); UNWomen (Rukaya Mohammed, Deputy Country Representative; and Maureen Gitonga, Programme Specialist, Gender Statistics).
- Government of Kenya: National Treasury and Planning (Julius Muia, PhD, CBS, Permanent Secretary, National Treasury); Ministry of Environment and Forestry (George Gichuru, Senior Deputy Accountant General; Joseph Mutuma, Senior Chief Finance Officer; Michael Okumu, Deputy Director – Climate Change); Ministry of Public Service and Gender (Sephone Ombachi, Chief Finance Officer; and Abdi A. Dumale Economist)
- Development Partners: EU, WB, AFD, UNICEF, UNWomen
- PEFA Secretariat' s review - (dates of reviews): 1st draft report: 27th January 2023; 2nd draft report: 20th April 2023

1.3 Assessment Methodology

Scope and coverage of the assessment

The assessment covered central government ministries and departments (specifically the National Treasury and Planning: Budget Department, Macro and Fiscal Affairs Department, State Department for Planning, Public Debt Management Office, Internal Auditor-General Department, Inter-governmental Fiscal Relation Department, Public Investment Management Department, Government Investment & Public Enterprises Department, Office of Accounting Services, PFM Reform Secretariat, Climate Finance Unit, IFMIS, National Assets & Liabilities Department); Office of the Auditor-General; Ministry of Health; Public Procurement Regulation Authority; Ministry of Education; State Department for Gender; Ministry of Devolution; Public Service Commission; Office of Controller of Budgets; Kenya Revenue Authority; Parliament; National Gender & Equality Commission; National Environment Management Authority; counties for purposes of assessing PI-7 and PI-10.2; National Social Security Fund;

extra budgetary units[4]; and public enterprises[5] (in so far as they affect central government fiscal risk). Table 2.8 below provides a list of extra-budgetary units. The assessment team had a virtual meeting with civil society organisations. In attendance were representatives of the International Budget Partnership (IBP) Kenya, the Institute of Economic Affairs (IEA), and the Institute of Public Finance (IPF).

When performance is assessed

The cut-off date was 30th June 2021. The fiscal years for this assessment are FYs 2018/2019, 2019/2020, and 2020/2021. The last budget submitted to Parliament for purposes of this assessment is FY2021/2022 budget submitted in FY2020/2021.

Sources of information

Annex 3A outlines a detailed list of information used for this assessment. Annex 3B also provides a detailed list of institutions met during the assessment. Other official material used for this assessment include IMF Country Report dated June 2021 and Article IV Staff Report dated December 2021, and Transparency International Reports 2020 and 2021.

The assessment team met with all key government officials from key ministries, departments and agencies as well as development partners including EUD, WB, AFD, UNICEF and UNWomen (please, refer to list of people met in Annex 3B). The assessment reviewed and analysed official government information (please, refer to Annex 3A for full list of documents used). Since both 2017 and 2022 applied the 2016 PEFA framework, comparison of performance is direct. Annex 1 presents the result of the analysis in terms of progress of PFM performance. The GRPFM assessment is annexed to this report (please, refer to Annex 5). It provides a detailed overview and findings of the gender responsive PFM assessment. The CRPFM assessment is also annexed to this report, providing a detailed outline and findings of the climate responsive PFM assessment. The assessment was conducted by international and local PEFA experts. The field work began with a virtual kick-off meeting on 18th July 2022, with all members of the oversight team being present. A three-day physical workshop was organised in Naivasha – Kenya, from 20th to 22nd July 2022 where the international consultants presented the 2016 PEFA methodology plus the new PEFA Climate and GRPFM modules to government officials, development partners and civil society organisations. The field mission was split into two, mainly due to the national elections (since most of the public officials had to travel to their counties to cast their ballots): the first, from 18th July 2022 to 5th August 2022; and the second from 22nd to 26th August 2022.

Other methodological issues for the preparation of the report

The assessment was conducted in line with the PEFA 2016 Framework as developed by the PEFA Secretariat, the January 2020 supplementary guidance for gender-responsive PFM, and the August 2020 PEFA Climate framework. These documents, as well as other guidance documents available from the PEFA website (www.pefa.org) - such as

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[4]EBUs are separate units that operate under the authority or control of a central government (or in the case of a subnational government assessment, the state or local government). They may have their own revenue sources, which may be supplemented by grants (transfers) from the general budget or from other sources. Even though their budgets may be subject to approval by the legislature, extra-budgetary units have discretion over the volume and composition of their spending. Such entities may be established to carry out specific government functions, such as road construction, or the nonmarket production of health or education services. Budgetary arrangements vary widely across countries, and various terms are used to describe these entities, but they are often referred to as 'extra-budgetary funds' or 'decentralized agencies' (GFS Manual 2014, chapter 2, section 2.82).

[5] Please, refer to PI-10.1 for full list of public corporations.

the second edition of the PEFA Handbook Volume II dated December 2018 - were used to conduct the assessment. As required by the PEFA framework, the indicators were assessed using the data for a time period as specified in the PEFA 2016 Framework. The most current information was used.

The standard PEFA has seven pillars, namely:(i) budget reliability, (ii) transparency of public finances, (iii) management of assets and liabilities, (iv) policy based fiscal strategy and budgeting, (v) predictability and control in budget execution, (vi) accounting and reporting, and (vii) external scrutiny and audit. The 2016 PEFA framework has 31 indicators and 94 dimensions. All 31 PEFA performance indicators plus the 94 dimensions were assessed; none was inapplicable. The gender-responsive PFM (GRPFM), which has 9 indicators and the climate-responsive PFM (CRPFM) with 14 indicators were respectively used to assess gender and climate. All 9 GRPFM indicators and 14 CRPFM indicators were applicable.

2 Country background Information

2.1 Kenya government economic situation

Country Context

In 2019, the Government of Kenya undertook a population and housing census (PHC). The outcome of the census indicated that 75%of the population of 48.7 million are aged 35 years and below, reflecting a very young population structure, needed for socio-economic development. Poverty levels are high, at around 36% of the country's total population, an improvement from the levels in 2005/2006 of 46.6% Nevertheless, the COVID-19 pandemic appears to have reversed the gains made in terms of reducing the percentage of people living below the poverty line, which was around 46.6 % a decade and a half ago. Poverty levels are relatively higher in rural areas, and geographical disparities exist. Kenya's Human Development Index (HDI) increased from 0.461 (low human development) in 2000 to 0.601 (medium human development) in 2019, according to the UNDP's Human Development Index. Available statistics also shows that the country has progressed in terms of bridging the gender inequality gap: the GDI for Kenya was 0.937 in 2019 compared to 0.894 for the sub-Saharan region.

The corruption perception index (CPI), according to the 2021 Transparency International Report, Kenya is ranked 128th out 180 countries with a score of 30 out of 100. This is below its neighbours, Rwanda at 52nd out of 180 with a score of 53 out of 100, and Tanzania at 87th out of 180 with a score of 39 out of 100. The CPI appears to be deteriorating, compared with 2020 findings – Kenya ranked 124th out of 180 countries with a score of 31 out of 100. The 2021 open budget survey (OBS) concluded that Kenya scored 50%and was ranked 53rd out of 120 countries assessed. This ranking has remained unchanged since 2019.

The country suffers from severe weather conditions, including drought during the dry seasons, and heavy rainfalls during the rainy season, mainly due to the effects of climate change. With about 84%of the landmass being arid and semi-arid, the economy is vulnerable to climate change disasters such as droughts and floods. The Kenyan economy is dependent on climate-sensitive sectors, such as rain-fed agriculture, forestry, water, energy, and tourism. In 2010, the country developed its first National Climate Change Response Strategy (NCCRS). In 2020, the country also submitted an updated Nationally Determined Contribution (NDC) to the United Nations Framework Convention on Climate Change (UNFCCC), with an estimated cost of USD62 billion over a ten-year period 2020-2030. On its own, the Government, to mitigate the effect of climate change, is establishing a climate resilient fund at the national and county levels.

In the area of gender, the country has signed and ratified a number of treaties and international conventions for addressing gender inequality. Key among these treaties and conventions include: (i) Committee on the Elimination of Discrimination against Women (CEDAW); (ii) the Nairobi Forward-looking Strategies for the Advancement of Women in 1985; (iii) the Beijing Platform for Action in 1995; (iv) the Sustainable Development Goals (SDG-5) specifically focusing on gender equality and empowerment of women and girls; and (v) Protocol on the African Charter on Human and People's Rights and the Rights of Women (Maputo Protocol).

The Government has developed the National Policy on Gender and Development of 2000 to guide resource allocation with a gender perspective.

Country Economic Situation

Kenya's vision is to become an upper middle-income country by 2030 from the current levels of lower middle-income country with per capita of USD1,840 in 2020, according to its Vision 2030 strategic policy document. GDP grew at an average of 4.7% annually between 2016 and 2019. Economic growth however slowed down drastically due to the negative effect of COVID-19, where the economy contracted by 0.3%This was however mitigated by a growth of 4.8%in the agriculture sector, in spite of economic contractions in the services, tourism and education sectors. The actual GDP was 7.5% , an increase of 4.4% from a projection of 3.1% by end of 2021. With agriculture as the dominant sector, contributing 23% to GDP, climate change effects are hampering growth in this sector. Other sectors which contribute significantly to GDP are transportation and storage (10.8%), real estate (9.3%), wholesale and retail trade (8.1%), manufacturing (7.6%), construction (7.0 %), and financial and insurance activities (6.5 %).

There is a strong and vibrant micro, small and medium enterprise economy in Kenya, offering about 80% of total employment. Information and Communication Technology (ICT) in also vibrant with increasing job opportunities for the teaming youth. ICT is playing a key role in the services sectors including, telecommunication and financial services sectors. The share of the ICT sector in GDP increased from 1.4% in 2013 to 2.5% in 2020. Government is also taking advantage of the enabling ICT environment to digitise public sector financial management systems as part of measures to improve service delivery. Major areas of reforms that are taking advantage of ICT include public procurement, cash management, payroll and pensions, public investment management, among others.

2.2 Fiscal and budgetary trends

Fiscal performance

Table 2.1 below outlines key selected economic indicators. Real GDP decreased from 6%in FY 2018/19 to 2.3% in FY 2019/20 mainly due to the negative impact of COVID-19 but rebounded in FY 2020/21 to 7.5% above the projected figure of 3.1%. The Consumer price index remained relatively stable for the past years.

As shown in Table 2.2 below, the fiscal deficit has been steadily increasing but remained at 8%of the GDP. Total financing was between 7% and 9% of GDP in the three FYs covered by the assessment. Revenue as a percentage of GDP decreased in FY 2019/20 and 2020/20 mainly due to decreased in ordinary revenue. However, this is partially compensated by an increase in grants in the same period. Expenditure as a percentage of GDP also decreased marginally in 2019/20 and slightly increased in 2020/21.

Table 2.1: Selected Economic and Financial Indicators (% unless otherwise indicated)

Indicators	FY 2018/19	FY 2019/20	FY 2020/21*
Population (millions)	48.7[6]	52	53
GDP at current market prices (Ksh billion)	9,303	10,621	11,109
GDP per capita (nominal US$)	1,880	2,094	2,073
Real GDP growth (%)	6.0	2.3	3.1
Consumer price index (annual average % increase)	5.2	5.5	5.4
Core inflation (period average excluding food and fuel)	3.4	2.4	2.4
Gross government debt (present value % to GDP)	29.9	29.9	33.8
Current account balance (% of GDP)	-4.2	-5.0	-4.6
Gross external debt (% of GDP)	32.5	33.1	36.8
Exchange rate to USD	101.3	103.6	109.5
Gross international reserves (In months of next year imports)	6.0	5.2	5.4

Sources: Sources: IMF country reports June 2021, World Population Review @https://worldpopulationreview.com/countries/kenya-population.

*projections

Table 2.2: Aggregate fiscal data (as a percentage of GDP)

Indicator	% of GDP	% of GDP	% of GDP
Total revenue	18%	16%	16%
Ordinary revenue	16%	15%	14%
Ministerial appropriation in aid	2%	2%	2%
Total expenditure	26%	24%	25%
Balance exclusive of grants	-8%	-8%	-9%
Grants	0%	0%	0%
Balance inclusive of grants	-8%	-8%	-8%
Adjustments to cash basis			0%
Balance Inclusive of Grants (Cash Basis)	-8%	-8%	-8%
Total financing	8%	7%	9%
Net foreign financing	4%	3%	3%
Other domestic financing	0%		
Net Domestic Financing	3%	4%	6%

Source: The National Treasury, Budget Policy Statement

Allocation of resources

The largest share of the budget is allocated to the Energy, Infrastructure & ICT and Education sectors, with each getting around a quarter of the total budget, though the allocation for Energy, Infrastructure & ICT has shown a decrease in FY 2020/21 to 19%The next largest recipients are Governance, Justice, Law & Order and Public Administration & International Relations. The allocation for the other sectors remained largely constant in the three years. With regards to economic allocation, around half of the total budget is allocated to grants and other transfers. Compensation of employees received a quarter of the budget. The share of acquisition of non-financial assets has decreased almost by half in the last three fiscal years from 13% in FY 2018/19 to 7% in FY 2020/21.

[6] Source: 2019 population census

Table 2.3: Budget allocation by administrative heads as a percentage of total expenditure (actual figures)

Administrative heads	FY 2018/19	FY 2019/20	FY 2020/21
Agriculture, Rural & Urban Development	3%	3%	3%
Energy, Infrastructure & ICT	24%	24%	19%
General Economic & Commercial Affairs	2%	2%	1%
Health	5%	6%	6%
Education	25%	25%	27%
Governance, Justice, Law & Order	11%	10%	10%
Public Administration & International Relations	14%	14%	15%
National Security	8%	8%	8%
Social Protection, Culture & Recreation	3%	4%	4%
Environment Protection, Water & Natural Resources	4%	5%	6%
Total	100%	100%	100%

Source: The National Treasury, Budget Policy Statements

Table 2.4: Budget allocation as a percentage of total expenditure by economic classification (actual figures)

Economic classification	2018/2019	2019/2020	2020/2021
Compensation of employees	25%	25%	27%
Use of goods and services	10%	9%	9%
Subsidies	3%	3%	3%
Grants and other transfers	47%	50%	52%
Social benefits	0%	0%	0%
Other expenses	0%	0%	0%
Acquisition of non-financial assets	13%	10%	7%
Acquisition of financial assets	1%	2%	1%
Total	100%	100%	100%

Source: The National Treasury, Budget Policy Statements.

Fiscal Policy Targets

The National Treasury and Economic Planning prepares the medium-term Budget Policy Statement (BPS) on an annual basis. The BPS outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans, as a basis for the annual budget. The BPS for FY 2020/21 sets out the following fiscal policy:

- Going forward into the medium term, the Government will continue with its expenditure prioritization policy with a view to achieving the transformative development agenda which is anchored on provision of core services, ensuring equity and minimizing costs through the elimination of duplication and inefficiencies, creation of employment opportunities and improving the general welfare of the people. This will curtail growth in public expenditures to ensure it attains its fiscal consolidation path over the medium term and ensure debt is maintained within sustainable levels. The fiscal deficit is expected to decline from 8.7 percent of GDP in FY 2020/21 to 3.6 percent of GDP by FY 2024/25.

- To achieve this target, the Government will continue to restrict growth in recurrent spending and double its effort in domestic resource mobilization. The

Public Private Partnership Directorate plays a key role in domestic revenue mobilisation through private sector engagements in the form of off-balance sheet financing for government capital projects. The Government has also been cutting down on non-priority expenditures such as: hospitality, training, travel and freezing of employment in non-priority sectors in order to manage the public wage bill.

- **Further, the Public Investment Management (PIM) Unit at the National Treasury continues to play a great role in enhancing efficiency in identification and implementation of priority social and investment projects. This takes into account the Government's efforts to increase efficiency, effectiveness, transparency and accountability of public spending. In particular, the implementation of PIM regulations under the PFM Act, 2012 will streamline the initiation, execution and delivery of public investment projects. It will also curtail runaway project costs, eliminate duplications and improve working synergy among implementation actors for timely delivery of development projects.**

- **In order to ease the burden of pension payments in future, the Government rolled out the Public Service Superannuation Scheme (PSSS) for all civil servants below the age of 45 years in January 2021. The rollout is being implemented in phases to ensure Government expenditures remain within the set ceiling in the current fiscal year and in the medium term. Further, the government will continue to support devolution and ensure quality services are offered by the devolved units. In FY 2021/22 the shareable revenue to the counties was increased by Ksh 53.5 billion to Ksh 370 billion from Ksh. 316.5 billion in 2020/21**

- **In this regard, expenditures as a share of GDP are projected to decline from 25.0 percent in the FY 2020/21 to 24.3 percent in the FY 2021/22 and further to 22.0 percent in the FY 2024/25. On the other hand, revenues as a share of GDP are projected to decline from 16.6 percent in the FY 2020/21 to 16.4 percent in the FY 2021/22, before rebounding to 17.3 percent in the FY 2022/23 and further to 18.1 percent in the FY 2024/25.**

- **Revenue performance will be underpinned by the on-going reforms in tax policy and revenue administration and boosted by economic recovery occasioned by the Economic Stimulus Programme and the planned Post Covid-19 Economic Recovery Strategy. In particular, the reversal of tax cut measures which took effect from January 2021, will enhance revenue collection. In addition, in the FY 2020/21, the Government implemented a raft of tax policy measures through the Finance Act, 2020 to boost revenue performance. The measures included: introduction of a minimum tax payable at 1 percent of gross turnover; introduction of a digital services tax on income from services provided through a digital marketplace in Kenya at the rate of 1.5 percent on the gross transactional value; increase of income threshold qualifying for residential rental income tax; and abolishment of incentives under Home Ownership Savings Plans (HOSP).**

- **To ensure timely implementation of these initiatives, the Kenya Revenue Authority (KRA) embarked on: (i) registration drive for taxpayers in the Digital Service Tax and VAT Digital Marketplace Supply space and followed by compliance monitoring and enforcement, (ii) follow up taxpayers for effective**

implementation of the Digital Service Tax, (iii) review taxpayers seeking remission under the Voluntary Tax Disclosure Programme to ensure only the qualified benefit, (iv) enhanced recruitment of landlords, informal taxpayers, professionals, registered companies and individuals trading online.

- **To further boost revenue performance and mitigate revenue risks arising from the Covid-19 Pandemic, the Government implemented the following revenue enhancement measures:**
  i. **Revamp Audit Function: Audit teams have been set up in Large Taxpayers Office (LTO) and Medium Taxpayers Office (MTO) of KRA and will make use of data to identify compliance risks, develop and implement compliance improvement plans at the sector levels for both large and medium taxpayers. The audits will leverage on Data Warehouse and Business Intelligence Solution for case management;**
  ii. **Enhance Debt Programme: KRA is focused on reducing the collectible debt by making use of the debt module in i-Tax, reconciliation of debt portfolio and reviewing of payment plans; 16 2021 Budget Policy Statement**
  iii. **Implement initiatives to boost customs revenue including: continued implementation of Post Clearance Audits, review of the end-use of exempt products, comprehensive audit of exemptions, profiling and targeting, document processing centre, enhanced scanning, and conducting intelligence led verification of cargo;**
  iv. **Robust intelligence collection, utilization and investigation;**
  v. **Aid the resolution of tax disputes through the Alternative dispute resolution (ADR) within the statutory timeline of 90 days; and focus on big ticket cases (from LTO and Investigations & Enforcement) to unlock revenue held;**
  vi. **Independent Review of Objections (IRO) to issue objection decisions within the statutory timeline of 60 days; and prioritise big ticket cases to unlock revenue held; and**
  vii. **Engage the Judiciary to fast-track conclusion of KRA cases, engage the Tax Appeals Tribunal to address administrative bottlenecks to reduce case turnaround time and identify, evaluate and recommend cases (especially those with high yield) for out of court settlement and ADR.**

- **Given the expenditure rationalization and the revenue recovery measures put in place, fiscal deficit inclusive of grants declined from Ksh 966.6 billion (8.7 percent of GDP) in the FY 2020/21 to Ksh 930.0 billion (7.5 percent of GDP) in the FY 2021/22 and further to Ksh 613.8 billion (3.6 percent of GDP) in the FY 2024/25. In the medium term, debt is projected to remain sustainable.**

2.3 Legal and regulatory arrangements for PFM

2010 Constitution

In 2010, a new Constitutions was passed. Key changes to the old Constitution were decentralisation (devolution) of central government authority to 47 newly created counties (sub-national governments), in line with Articles 174 to 200 of the 2010 Constitution. These changes resulted in the establishment of county assemblies (otherwise known as county parliaments) with elected members and county governors. These elected members have representation the Senate.

To effectively run the counties, the Constitution, through Articles 215 to 219 provided for the establishment of a Commission on Revenue Allocation (CRA), which makes recommendations on the equitable sharing of revenues between: (i) the national and the sum of the county governments, the share (i.e., the vertical share) being no less than 15 percent of national revenue (Article 203); and (ii) the county governments (horizontal share). Article 218 further requires the introduction of a Division of Revenue Bill and County Allocation of Revenue Bill into Parliament at least two months before the end of the financial year, for approval. These Bills, once passed, become Acts (DoRA[7] and CARA[8]). Counties may borrow in line with Articles 209 and 212 of the Constitution but strictly under the authorisation and approval of the National Treasury.

A new creation under Article 228 of the 2010 Constitution is the Office of Controller of Budget (OCoB). This was created to reduce the excessive executive powers from the Presidency. The OCoB is mandated to authorise withdrawals from public funds. It provides oversight responsibilities for the implementation of the budgets of the national and county governments. The OCoB reports directly to Parliament, and not the National Treasury.

A key element to public oversight is the presence of a supreme audit institution (SAI). The 2010 establishes the Office of the Auditor-General through Article 229. The Auditor-General is nominated by the President with the approval of the National Assembly in line with Article 229(1) of the 2010 Constitution. The tenure of office of the A-G is one term for 8 years, non-renewable (Article 229(3).

PFM Act 2012

The PFM Act 2012, which is a subsidiary legislation to the 2010 Constitution, provides the overall legal framework for all aspects of PFM for both central and county levels of government, including budget formulation and preparation, budget execution, internal audit and controls, cash management and banking arrangement, financial reporting and external oversight (parliamentary and external audit).

[7] Division of Revenue Act
[8] County Allocation of Revenue Act

Sections 7 to 10 of the PFMA outline the powers of the Parliamentary Oversight of Public Finances. It provides for the responsibilities of the National Assembly Budget Committee, Senate Budget Committee, Parliamentary Budget Office (PBO), and other Select Committees. Sections 11 to 101 of the PFMA details the roles and responsibilities of the national government, through the National Treasury under the direction of the Cabinet Secretary for Finance (otherwise known as the Minister of Finance). The responsibilities include preparation of macro-fiscal framework to guide the annual budget, formulation and preparation of the national budget, execution and reporting.

Public Audit Act 2012

The functions and powers of the Office of the Auditor-General are anchored in Article 229 of the 2010 Constitution. These are further elaborated by the Public Audit Act 2015. Section 9(1)(e) of the Public Audit Act 2015 empowers the A-G or his/her authorised representative to have unrestricted access to all public records – these powers are further enshrined in Article 252 of the Constitution. Section 71 of the Public Audit Act 2015 provides protection to the Auditor-General and his/her authorised representative in the execution of his/her official duties. Protection includes the content and timing of audit reports, including dissemination and publication, legal protection on civil and/or criminal matter arising out of his/her legitimate work. This is further supported by Article 258 of the Constitution.

Public Procurement and Asset Disposal Act 2015

The Public Procurement and Asset Disposal Act 2015 regulates public procurement the transfer and disposal of public assets. Section 7 provides for the role of the National Treasury in public procurement and asset disposal. Sections 8 to 23 establishes the Public Procurement Regulatory Authority (PPRA). Public confidence is built through a transparent independent complaint. To this end, Sections 27 to 32 established the Public Procurement Administrative Revie Board. The roles and responsibilities of county government are clearly spelt out under Sections 33 to 42. Section 44(2)(c) mandates all public institutions to prepare annual procurement plans and submit same to the National Treasury and the Public Procurement Authority.

Public Private Partnership (PPP) Act 2021

PPP has become a financing option for government infrastructure projects. It has therefore become necessary to specifically promulgate sound legal and regulatory frameworks to govern this aspect of PFM, hence the promulgation of revised PPP Act 2021. Sections 6 to 14 provide for the establishment of a PPP Committee. Sections 15 to 19 provide for the establishment of the PPP Directorate. Sections 20 to 29 provide for the procedures and processes for PPPs and Sections 30 to 36 provides for PPP project identification and selection.

Revenue administration laws

The following laws are applicable under revenue administration:

- East African Community Customs Management Act (revised 30th June 2017) – for customs tariffs and import duties
- Excise Duty Act 2015 Revised 2021 – for manufacture and sale of categories of products such as alcohol and cigarettes
- Tax Laws Amendment Act No.9 of 2018 – to amend certain portions of tax laws, such as income tax in Kenya
- EAC Common External Tariff 2017 – for harmonisation of laws within the East African Community
- Income Tax Act Cap 470 Revised 2021 – for personal income tax and corporate tax on businesses
- Tax Procedures Act 2015 Revised 2021 – for the procedural rules for the administration of tax laws in Kenya, and for connected proposes including KRA activities in Kenya
- VAT Act 2013 Revised 2021 – for value-added tax in Kenya

Legal and regulatory arrangements in place for the internal control system

Control environment: Chapter 12 of the 2010 Kenyan Constitution provides the broad parameters of PFM in Kenya. All other subsidiary legislations such as the PFM Act 2012, PFM Regulations 2015, Public Procurement and Asset Disposal Act 2015, the Public Procurement and Asset Disposal Regulations 2020, the Public Private Partnership Act 2013, the Public Audit Act 2015, and the Standing Orders of Parliament are anchored on the 2010 Constitution. These and other PFM regulations and circulars strengthen the control environment. The control environment is also strengthened through the passage of the Appropriations Act and Finance Laws, each year by parliament. These then authorize the government, through the Controller of Budget to withdraw funds from the Consolidated Funds for public expenditure. Section 68 of the PFM Act outlines the responsibilities of accounting officers within each central government institution and county governments. Section 72 of the PFM Act also mandates accounting officers to manage and safeguard public assets and liabilities. The Accountant General plays a critical role within the control environment through the issuance of accounting and reporting guidelines and manuals. This is supported by Section 20 of the PFM Regulations. A strength to control environment is the prescription of segregation of duties across the PFM value chain. The applicable PFM laws and regulations are clear with regards to segregation of duties. The important of internal audit cannot be overemphasized. To this end, Sections 73 and 155 of the PFM Act 2012 establish the internal audit across national and county governments respectively, with adequate powers to strengthen internal controls.

Risk assessment: Risk assessment is critical to any organisation, as it identifies areas of high risk and provides an opportunity for developing strong internal controls to reduce losses. At present, there is no national government-wide risk assessment register. That

said, internal and external audits are risk-based, placing more emphasis on systemic issues, evaluation of the effectiveness of internal controls, compliance to rules and regulations, and areas of high risk. Performance audits are also carried out to ascertain the efficacy of service delivery. In spite of these, audit reports point to weaknesses in enforcement with regards to implementation of audit recommendations, resulting in recurrence of audit findings. As revenue is a high-risk area, the Domestic Tax Department of the Kenya Revenue Authority has put together a compliance risk framework that assesses and prioritises risks in the area of domestic tax.

Control activities: Control activities are well spelt out in a number of PFM laws and regulations including but not limited to the PFM Act 2012, PFM Regulations 2015, the Public Procurement and Asset Disposal Act 2015 and accompanying Regulations 2020, the Public Private Partnership Act 2013, among others. Another control activity that strengthens the control environment is the access control measures for authorised staff with regards to the usage of IFMIS – this is sound, as all authorised users gain access to IFMIS only with their password credentials, which can be tracked through a user audit trail. Both internal and external audit functions continue to improve in terms of nature and audit standards but weak in terms of executive implementation of audit recommendations and lack of systematic follow-ups of the legislature. Currently, the timely reconciliations of treasury-managed bank accounts, which is a control activity, is considered satisfactory. Asset management is at average performance; there is significant reforms in this area of control activity to strengthen control environment. One area of weakness identified, as a control activity, is in the area of monitoring state-owned enterprises – there is significant delay in finalising and auditing SoEs annual financial statements. KRA's roll out of ITAS to improve tax administration, revenue management and reduce human interface, is a control activity which further strengthens the control environment. Public sector personnel and payroll management through the use of IPPD, IFMIS and GHRIS are good control activities but the major limitation is the absence of a direct linkage/integration among these software – potentially open an avenue for fraud and corrupt practices within central government payroll system.

Information and communication: A functional and vibrant information and communication framework strengthens internal controls, as it ensures that public servants are called upon to account for the use of public funds. Dissemination of critical fiscal information to the public in a timely manner provides an opportunity for social accountability. One way to that is through publication of government fiscal data on the website, and this is usually led by the National Treasury. The Treasury website, and those from the Office of Controller of Budget, Office of the Auditor-General, Public Procurement and Regulatory Authority, Ministries such as Education, Health, Environment and Gender publish critical and useful government fiscal information.
The timely publication of in-year budget execution reports, followed by annual financial statements and audit reports, are all means by which the internal control environment can be reinforced.

Monitoring: Monitoring is a critical part of the entire internal control framework, not only that but a systematic approach to enforcing PFM rules to the latter. PFM laws are fairly strong, providing a good basis for strengthening the control environment. Undoubtedly, a number of monitoring mechanisms exist to ensure the efficiency and effectiveness of government operation, fulfilment of accountability, compliances to rules and regulations and safeguarding public assets. Some of these mechanisms include the production and issuance of fiscal and financial reports. Internal audit also plays a crucial role in strengthening the monitoring framework. Parliamentary scrutiny, a key aspect of the monitoring architecture, is an important element in ensuring that service delivery is effective and efficient.

The legal requirements for public participation

Public participation in the budget planning and preparation process has been legislated. This is governed by Section 207 of the PFM Act 2012. Further details are outlined under Section 7 of the PFM Regulations 2015. In practice, this is adhered to.

2.4 Institutional arrangements for PFM

Structure of the public sector

Tables 2.5, 2.6, and 2.7 below outline the structure of the public sector and central government operations. The list of extra-budgetary units is also presented in Table 2.8 below. Extra-budgetary units in Kenya are semi-autonomous government institutions established to provide public service. They are partially funded by the national government but also are allowed legally to generate and collect their own revenues to run their operations. They are governed by a management and board of directors appointed by the President of the Republic of Kenya.

Executive:

This is provided for under Chapter 9, Parts 1 to 4 of the 2010 Constitution. The President, the Deputy President and the Cabinet constitute the executive arm of government, with the President as the head of State and Government. He/she is elected for a maximum of two five-year terms. According to the Constitution, Cabinet Secretaries (political heads of ministries) are appointed by the President, vetted and approved by the National Assembly.

Parliament:

Article 93 of the 2010 Constitution establishes the parliament as the second arm of government. It is a bi-camera legislation consisting of the National Assembly (lower house) and the Senate (upper house) with 418 members, out which 337 are elected members of the National Assembly from the constituency level and 12 nominated members, headed by the Speaker (National Assembly Speaker). The Senate has 47 elected senators at county level, 20 nominated senators, and also headed by the Speaker (Senate Speaker). In accordance with the Constitution, all bills including the budget and finance bills must be passed into laws by parliament before presidential assent.

The Judiciary:

The Judiciary is the third arm of government. It is established under Chapter 10, Parts 1 to 4 of the Constitution, consisting of law courts and tribunals. The Judiciary is headed by the Chief Justice, who the President appoints on the recommendation of the Judicial Service Commission and subject to the approval of the National Assembly. The highest court in Kenya is the Supreme Court. It deals with constitutional matters.

Devolved Governments (Sub-National Governments):

Chapter 11, Parts 1 to 7 establish devolved governments, with the creation of 47 counties, each with its own government. The county is headed by a Governor. Each county has a county executive branch and a county assembly. The county assembly has the responsibility of approving all county by-laws as well as the county budget. There are 1450 wards in Kenya out of which members are elected into county assemblies.

The Auditor-General and Office of the Auditor-General:

Article 229 establishes the Auditor-General and his/her office with powers to audit all state organs and institutions. He/she is nominated by the President and approved by the National Assembly for only one term of eight years. Article 229(4) states that the Auditor-General shall, within six months after the end of the financial year, audit the accounts of all public institutions and submit audit reports to the National Assembly for audits related to the national government, and county assemblies for audits in respect of county governments.

Table 2.5: Structure of the public sector (number of entities and financial turn-over)

FY2020/2021	Public sector				
	Government subsector		Social security funds	Public corporation subsector	
	Budgetary Unit	Extra budgetary Units		Nonfinancial public corporations	Financial public corporation
Central	70	50	1	151	54
1st tier sub-national/local government	47	NA	NA	NA	NA

Note: NA = Not applicable.

Table 2.6: Financial structure of central government—budget estimates (Ksh Million)

FY2020/2021	Central government			
	Budgetary unit	Extra budgetary units	Social security funds	Total aggregated
Revenue	1,949,487.6	52,559.50	39,963.30	2,042,010.40
Expenditure	1,887,662	48,689.75	8,249.99	1,944,601.74

Source: 2020/2021 Consolidated AFS + NSSF AFS for 2020/2021 + data from OAG on EBUs for 2020/2021

Table 2.7: Financial structure of central government – actuals (Ksh Million)

FY2020/2021	Central government			
	Budgetary unit	Extra budgetary Units	Social security funds	Total aggregated
Revenue	1,834,856.60	45,599.93	32,826.41	1,913,282.94
Expenditure	1,646,192.00	42,505.71	6,568.90	1,695,266.61
Transfers to (-) and from (+) other units of general government	800,420.00	No data	No data	800,420.00
Liabilities	51,645.14	No data	1,431.69	53,076.83
Financial Assets (cash + cash equivalent)	56,782.00	No data	571.00	57,353.00
Non-financial assets	506,866.71	No data	5,844.41	512,711.12

Source: 2020/2021 Consolidated AFS + NSSF AFS for 2020/2021 + data from OAG on EBUs for 2020/2021

Table 2.8: List of extra-budgetary units (including National Social Security Fund (NSSF))

No.	Name of extra-budgetary unit
1	Auctioneers Licensing Board
2	Bandari Maritime Academy
3	Bukura Agricultural College
4	CDF Board
5	Centre of Mathematics, Science and Technology
6	Commission for University Education
7	Council of Governors
8	Financial Reporting Centre
9	Inter-Governmental Relations Technical Committee

No.	Name of extra-budgetary unit
10	KAS-Talanta Football Club
11	Kenya Animal Genetic Resources Centre23805
12	Kenya Bureau of Standards (KEBS)
13	Kenya Education Management Institute
14	Kenya Film Commission
15	Kenya Institute of Special Education
16	Kenya Medical Laboratories Technicians and Technologies board (KMLTTB)
17	Kenya Medical Practitioners and Dentist Council
18	Kenya Medical Research Institute (KEMRI)
19	Kenya Medical Supplies Authority (KEMSA)
20	Kenya Medical Training College (KMTC)
21	Kenya National Bureau of Statistics
22	Kenya National Convention Bureau
23	Kenya National Highways Authority
24	Kenya School of Law
25	Kenya Scouts Association
26	Kenya Space Agency
27	Kenya Tourism Board
28	Kenya Trade Network Agency
29	Kenyatta National Hospital
30	Kenyatta University Teaching Referral & Research Hospital
31	KWS-Kenya Roads Board Project
32	National Authority for the Campaign Against Alcohol and Drug Abuse (NACADA) - GoK
33	National Aids control Council
34	National Cancer Institute
35	National Commission for Science Technology and Innovation
36	National Council for Nomadic Education in Kenya (NACONEK)
37	National Environment Tribunal
38	National Environmental Complaints Committee (NECC)
39	National Quality Control Laboratory (NQCL)
40	Nursing Council of Kenya
41	Pharmacy and Poisons Board
42	Presidential Award Scheme
43	Private Security Regulatory Authority
44	Public Sector Accounting Standards Board
45	Registration of Certified Public Secretaries Board
46	Shanzu Teachers' Training College
47	State Corporations Appeal Tribunal
48	Veterinary Medicine Directorate
49	Water Sector Trust Fund (WSTF)
50	Wildlife Clubs of Kenya
51	National social security fund (NSSF)

Source: Office of the Auditor General

2.5 Other important features of PFM and its operating environment

The Public Finance Management Act, 2012 was passed to ensure that: (a) public finances are managed at both the National and the County levels of government in accordance with the principles set out in the Constitution; and, (b) public officers who are given responsibility for managing the finances are accountable to the public for the management of those finances through Parliament and County Assemblies.

Despite the ongoing devolution reform in Kenya, PFM systems are highly centralized and rely on National government. The National Treasury and Planning is responsible for making all the arrangements for fiscal decentralization including revision of the legal framework and development of new legislation and regulations. This includes the development of the medium-term development plans in line with the longer-term Vision 2030.

There are several funds established by the Constitution of Kenya. Out of these, two main categories are described below:

National Public Funds

1) Consolidated Fund in the National Exchequer

Article 206 (1) of the 2010 Constitution of Kenya established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the National Government except money that:

(a) Is reasonably excluded from the Fund by an Act of Parliament and payable into another public fund established for a specific purpose.
(b) May, under an Act of Parliament, be retained by the State organ that received it for the purpose of defraying the expenses of the State organ. Such includes Appropriation in Aid (AIA).

Section 17 of the Public Finance Management (PFM) Act, 2012 mandates the National Treasury to account for the use of all public funds. Further, Article 206 (2) of the Constitution of Kenya stipulates that money may be withdrawn from the Consolidated Fund only: (a) in accordance with an appropriation by an Act of Parliament; (b) in accordance with Article 222 or 223; or (c) as a charge against the Fund as authorised by the Constitution or an Act of Parliament.

Further, Section 17 (4) of the PFM Act, 2012 requires the National Treasury to seek approval from the Controller of Budget for any withdrawal from the Consolidated Fund. The voted entities that received funds from the Consolidated Fund include National Government Ministries, Departments, Agencies, and County Governments. These entities are responsible for the administration of their respective budgets.

Government Revenue is received through designated Receivers of National Government Revenue as appointed by the Cabinet Secretary to the National Treasury pursuant to Article 209 of the Constitution. The Receivers of Revenue are responsible for receiving, accounting for such Government revenue and remitting it to the Consolidated Fund.

Section 50 (6) of the PFM Act, 2012 also requires the National Treasury to remit the proceeds of any loan raised under the provisions of the PFM Act, 2012 into the Consolidated Fund.

The Consolidated Fund receipts are derived from domestic and external resources. Domestic resources mainly comprise of taxes collected by the Kenya Revenue Authority (KRA), being the principal tax revenue collection agent for the government and remitted to the consolidated fund.

2) The Equalisation Fund

Article 204 of the Kenyan Constitution establishes the Equalization Fund, which is 0.5% of all the revenue collected by the national government each year. This amount is calculated based on the most recent (Auditor-General) audited accounts of revenue received, as approved by the National Assembly. The national government should use the Equalisation Fund only to provide basic services including water, roads, health facilities and electricity to marginalised areas to the extent necessary to bring the quality of those services in those areas to the level generally enjoyed by the rest of the nation, so far as possible.

3) The Contingencies Fund

The Contingencies Fund should consist of monies appropriated from the Consolidated Fund by an appropriation Act in any financial year. The Cabinet Secretary for Finance should be in charge of the Contingencies Fund. Article 208 of the Kenyan Constitution establishes the Contingencies Fund. This fund exists if the Cabinet Secretary responsible for finance is satisfied that there is an urgent and unforeseen need for expenditure for which there is no other authority.

County Public Funds

The County Treasury in Kenya in each of the 47 county governments manages the county public funds. These funds are the County Revenue Fund and the County Emergencies Fund.

1) The County Revenue Fund

Article 207 of the Kenyan Constitution establishes the County Revenue Fund. The County Revenue Fund is an account at the Central Bank of Kenya also referred to as the County Exchequer Account. It receives all money raised or received on behalf of the County Government. However, this excludes any money that an Act of Parliament may exclude from being paid reasonably to the Fund. The County Treasury is in charge of the Fund.

2) The County Emergency Fund

Section 110 of the Public Finance Management Act establishes the County Emergency Fund in Kenya. The County Executive Committee may, with the approval of the County Assembly, establish an emergency fund for the county government. The purpose of the County Emergency Fund in Kenya is to enable payments to be made in respect of a

county when an urgent and unforeseen need for expenditure arises for which there is no specific legislative authority.

IFMIS

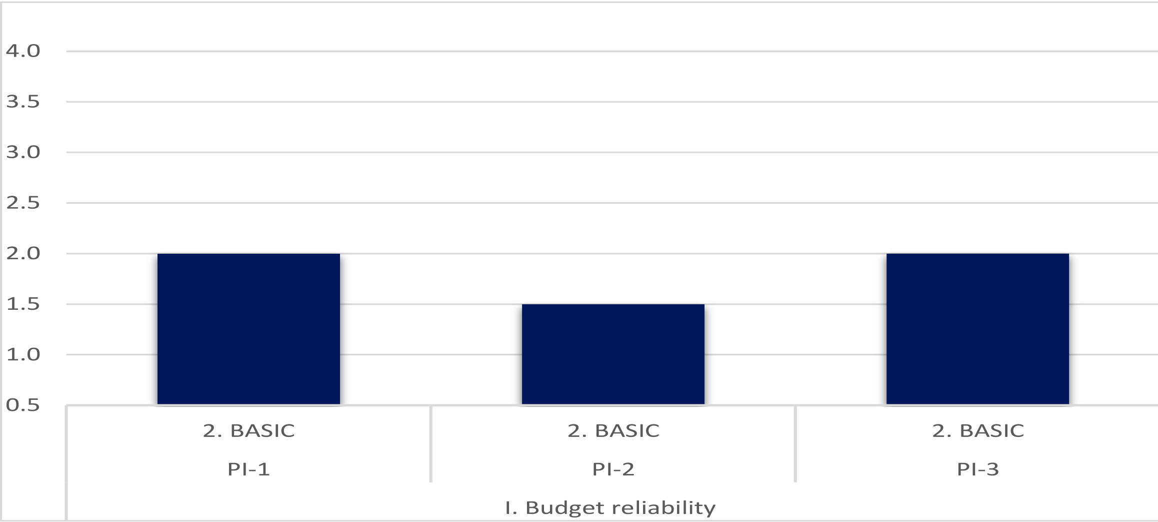
For purposes of government oversight and internal control framework, the Integrated Financial Management Information System (IFMIS) is operated by the National Treasury. The System has various modules and functionality for (i) budget preparation, (ii) preparation of cash-based budget execution reports (iii) registration of contracts, bank reconciliation, preparation of cash flow statements and (iv) authorization of payment orders. Currently, all 70 central government MDAs and the 47 devolved county governments all use IFMIS. The IFMIS asset management module is yet to be activated. Expenditure commitment control within IFMIS is functional to the extent that it limits expenditure commitment in line with approved budget ceilings.

3 Assessment of PFM Performance

3.1 Pillar I. Budget reliability

The chart below shows an overall basic performance for this pillar.

Pillar I : BASIC



PI-1 Aggregate expenditure outturn

This indicator measures the extent to which aggregate budget expenditure outturn reflects the amount originally approved, as defined in government budget documentation and fiscal reports. It has one dimension.

Summary of scores and performance table

PI-1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Aggregate expenditure outturn		B	C		Deterioration in both score and performance.
PI-1 Aggregate expenditure outturn		B	C	Aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in the last three completed fiscal years. It was 85.4% in FY 2018/19, 86.8% in FY 2019/20 and 87.2% in FY 2020/21.	Deterioration in both score and performance. The aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in three years in the current assessment, while it was between 90% and 110% in the previous assessment.

Aggregate expenditure outturn was below the original budget for all the three years under assessment. The data used to compute the outturn was provided by the National Treasury and is consistent with the annual appropriation bills and budget execution reports.

As reported in Table 1.1 below, aggregate expenditure outturn was 85.4% of the original budget in FY 2018/19, 86.8% in FY 2019/20 and 87.2% in FY 2020/21, this is mainly due to over-estimation of capacity to spend the budgeted amounts. This is also related to the shortfall in revenue collection due to over projection of revenue in the three years preceding the assessment as described under PI-3.1. Detailed calculations are shown in Annex 4.

Table 1.1: Budgeted expenditure against actual outturn, excluding loans and grants (in Million Ksh)

	FY2018/2019	FY2019/2020	FY2020/2021
Original Budget	1,749,562	1,928,820	1,887,662
Actual Outturn	1,494,237	1,674,435	1,646,192
Actual Outturn %	85.4%	86.8%	87.2%

Source: National Treasury Budget Books and Annual Financial Reports for FYs 2018/19-2020/21

Dimension Score = C

Performance change since the previous assessment

Aggregate expenditure outturn compared to the original budget deteriorated from the previous assessment. It was between 90% and 110% of the approved aggregate expenditure in two of the last three completed fiscal years during the previous assessment and scored "B". The score decreased to "C" in the current assessment.

Recent or ongoing reform activities

None

PI-2 Expenditure composition outturn

This indicator measures the extent to which reallocations between the main budget categories during execution have contributed to variance in expenditure composition. Variations in expenditure composition may indicate an inability to spend resources in accordance with the government's plans, as expressed in the originally approved budget.

Summary of scores and performance table

PI-2 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 scores	Performance change and other factors
Expenditure composition outturn (M1)		D+	D+		No change in aggregate score but change in dimension score and performance.
2.1 Expenditure composition outturn by administration		B	D	The composition out turn by administrative classification was more than 15% in the last three completed fiscal years. It was 33.9%, 36.1% and	Deterioration in score and performance. In the current assessment, the composition outturn by administrative classification was above 15% for the last

PI-2 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 scores	Performance change and other factors
				38.2% for the FYs 2018/19, 2019/20 and 2020/21 respectively.	three completed fiscal years. In the previous assessment, it was less than 10%
2.2 Expenditure composition outturn by economic type		D*	C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years. It was 16.2% in FY 2018/19, 4.2% in FY 2019/20 and 12.2% in FY 2020/21.	Improvement in score and performance. It was not possible to compute the composition variance by economic classification during the previous assessment because the budget was not classified according to GFS-consistent economic classification. This has improved and the composition variance could be computed in the current assessment.
2.3 Expenditure from contingency reserves		A	A	No expenditure was charged to the contingency vote for FYs 2018/19 to 2020/21.	No change.

PI-2.1 Expenditure composition outturn by administration

This dimension measures the difference between the original approved budget and end-of-year outturn in expenditure composition, by functional (or administrative) classification, during the last three years under review, excluding contingency items, and interest on debt. The composition outturn by administrative classification was very high at more than 30% during the last three completed fiscal years. It was 33.9%, 36.1% and 38.2% for the FYs 2018/19, 2019/20 and 2020/21 respectively. The data used to compute the variance was provided by the National Treasury and is consistent with the annual appropriation bills and budget execution reports. Over and under spending was observed in most of the functional heads during the three years under assessment. Details of the calculations are presented in Annex 4.

Dimension Score = D

PI-2.2 Expenditure composition outturn by economic type

This dimension measures the difference between the original approved budget and end-of-year outturn in expenditure composition by economic classification during the last three years under review, including interest on debt but excluding contingency items. Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years. The variance was high in FYs 2018/19 and 2020/21, while it was under 5% in 2019/20. As Table 2.1 shows the composition outturn by economic type for the FYs 2018/19, 2019/20 and 2020/21 was 16.2 %, 4.2 % and 12.2% respectively. The data used to compute the variance is provided by the National Treasury and is consistent with the annual appropriation bills and budget execution reports. The major causes of the variances in FY 2018/19 were over and under spending on other expenses and acquisition of non-financial assets, respectively. In FY 2020/21, other expenses were over spent and acquisitions of financial assets were under spent. The detailed calculations upon which the table is based are reported in Annex 4.

Table 2.1: Result Matrix PI-2. Composition variance by economic classification

Year	Total Expenditure Outturn (Less Contingency)	Composition Variance by Economic Classification
2018/19	85.1%	16.2%
2019/20	86.8%	4.2%
2020/21	87.2%	12.2%

Dimension Score = C

PI-2.3 Expenditure from contingency reserves

This dimension recognises that it is prudent to include an amount to provide for unforeseen events in the form of a contingency vote, although this should not be so large as to undermine the credibility of the budget. In Kenya, the Contingencies Fund is established pursuant to Article 208 of the Constitution and requires it to be operated in accordance with an Act of Parliament. The Fund is set up for purposes of meeting an urgent and unforeseen need for expenditure for which there is no other authority. As per Section 19 of the PFM Act, 2012, the Contingency Fund shall consist of monies appropriated from the Consolidated Fund by an Appropriation Act in any financial year. Section 20 (2) of the PFM Act, 2012 specifies that the permanent capital of the Contingencies Fund shall not exceed ten billion shillings (Kshs 10 billion) or such other amount as may be prescribed by the Cabinet Secretary with the approval of Parliament. Pursuant to Section 21 of the PFM Act, 2012, the Cabinet Secretary may make advances from the Contingencies Fund if satisfied that an urgent and unforeseen need for expenditure has arisen for which there is no specific legislative authority. During the last three completed fiscal year, no amount was advanced to MDAs from the contingencies fund and hence, no contingency vote charged to expenditure.

Dimension Score = A

Table 2.2 Result Matrix PI-2.1 & PI-2.3 Composition variance by admin classification and contingency

	for PI-1	for PI-2 (i)	for PI-2 (iii)
Year	Total expenditure outturn	Composition variance by admin	Contingency share
2018/19	85.1%	34.9%	0%
2019/20	86.8%	36.1%	
2020/21	87.2%	38.2%	

Performance change since the previous assessment

No change in aggregate score, as the scoring method is M1, but change in dimension score and performance. The first dimension deteriorated whereas the second dimension improved. The third dimension remains the same. The composition variance by administrative classification (PI-2.1) has shown a significant deterioration from "B" to "D". It is now possible to compute and score the composition outturn by economic classification (PI-2.2), which was not done in the previous assessment, due to improvement in the expenditure classification. No expenditure was charged to contingency vote in the current assessment. The contingency expenditure was very insignificant during the previous assessment.

Recent or ongoing reform activities

None

PI-3 Revenue outturn

This indicator measures the change in revenue between the original approved budget and end-of-year outturn. Accurate revenue forecasts are a key input to the preparation of a credible budget.

Summary of scores and performance table

PI-3 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Revenue outturn		B	C		Deterioration in score and performance due to deterioration in dimension 3.1.
3.1 Aggregate revenue outturn		B	D	Aggregate revenue outturn was 86.3%, 84.4% and 94.1% for the FYs 2018/19, 2019/20 and 2020/21 respectively, which is less than the requirement for a "C" score (i.e., actual revenue is between 92% and 116% of budgeted revenue in at least two of the last three years).	Deterioration in score and performance. Aggregate revenue outturn was between 94% and 112% during the previous assessment. This is significantly reduced in the current assessment due to the low performance in FY 2018/19 and 2019/20.
3.2 Revenue composition outturn		B	B	Variance in revenue composition was more than 5% but less than 10% in two of the last three years.	No change.

PI-3.1 Aggregate revenue outturn

The financial outlook with respect to Government revenue is contained in the Budget Policy Statement. The preparation of the BPS is a consultative process that involves seeking and taking into account the views of different institutions including the Commission on Revenue Allocation. The National Treasury and Planning is developing the National Tax Policy and has initiated the preparation of the Medium-Term Revenue Strategy (MTRS), both of which will strengthen revenue mobilization and reinforce the fiscal consolidation plan. Total revenue is comprised of tax revenue, external grants and other revenues. Tax revenues include mainly import duty, excise tax, income tax and VAT. The main sources of other revenues are ministerial appropriation in aid and other non-tax revenues. As Table 3.1 below shows, the revenue targets are over optimistic and this has led to aggregate revenue out turn to be unreliable in all the years under assessment, at 86.3% in FY 2018/19, 84.4% in FY 2019/20 and 94.4% in FY 2020/21. The detailed computation upon which the Table is based is presented in Annex 4. Actual revenue was below the original target in all the three years under all the revenue categories, though it shows improvement in FY 2020/21.

Table 3.1: Comparison of budgeted revenue against actual outturn

	2018/19	2019/20	2020/21
Original Budget	1,997,667.8	2,154,686.4	1,949,487.6
Actual Outturn	1,724,064.3	1,817,485.5	1,834,856.6
Actual Outturn %	86.3%	84.4%	94.1%

Source: The National Treasury, Macro and Fiscal Affairs Department

Dimension Score = D

PI-3.2 Revenue composition outturn

Unlike the aggregate revenue outturn, the revenue composition outturn is found to be reliable. Variance in revenue composition was less than 10% in two of the last three years. It was 8.4% in FY 2018/19, 12% in FY 2019/20 and 8.5% in FY 2020/21. The detailed computation is attached in Annex 4. Tax revenues generally did not show significant variance in all the years. External grants proved to be highly unpredictable, with outturn below the target in all the three years. Other revenues also show mixed results, with below budget performance in FY 2018/19 and FY 2020/21 but above budget in FY 2019/20, pushing the composition variance to above 10% in the same year.

Table 3.2: Revenue composition outturn

Fiscal year	total revenue outturn	composition variance
2018/19	86.3%	8.4%
2019/20	84.4%	12%
2020/21	94.1%	8.5%

Dimension Score = B

Performance change since the previous assessment

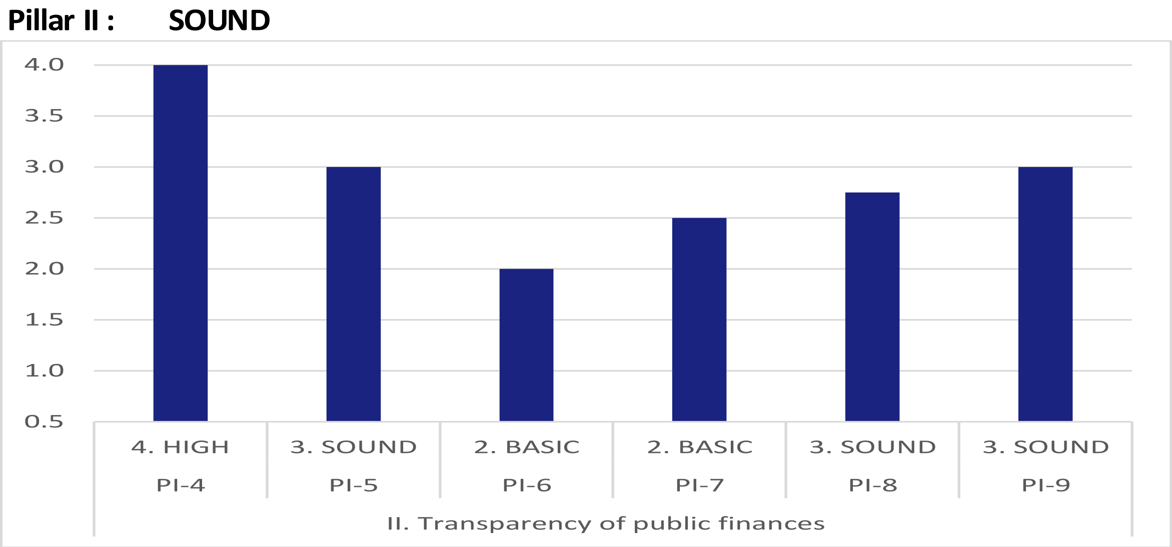
Revenue outturn has generally deteriorated due to deterioration in aggregate revenue outturn from a "B" score in the previous assessment to a "D" score in the current assessment. Unlike aggregate revenue outturn, the revenue composition outturn remains unchanged at "B".

Recent or ongoing reform activities

None

3.2 Pillar II. Transparency of public finances

As indicated in the chart below, the performance of this pillar at the overall level is sound.



PI-4 Budget classification

PI-4.1 Budget and accounts classification is consistent with international standards

This indicator assesses the extent to which the government budget and accounts classification is consistent with international standards. It has one dimension.

Summary of scores and performance table

PI-4	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2017 PEFA)	Brief justification of 2022 score	Performance change and other factors
4.1	Budget and accounts classification are consistent with international standards	C	A	Budget formulation, execution and reporting are based on administrative, economic and functional/sub-functional classification based on the GFSM 2014 standards.	Improvement in score or performance. In the previous assessment, the budget classification was based on administrative and economic classifications using GFS Standards (at least level 2 of the GFS standard—2 digits). This has now improved to GFSM 2014 standards.

Budget formulation, execution and reporting are based on administrative, economic and functional/sub-functional classification based on the GFS 2014 standard. The economic classification is made up of 7 Segments. A standard chart of accounts (SCOA), developed by the National Treasury, is applied. The SCOA comprises 46-digits (please, see details in Table 4.1 below). Kenya has moved to program-based budgeting (PBB) and the Finance Act 2012 also requires the budget to be prepared by vote and program with a level of detail comparable to COFOG sub-functional.

Table 4.1: SCOA Details

Segment	Digits
Class	1
Vote	4
Geography	8
Economic item	7
Source of funds	8
Program	8
Admin	10
Total	46

Dimension Score = A

Performance change since the previous assessment, where applicable

Budget formulation, execution and reporting improved from a score of "C" in the previous assessment to "A" in the current assessment. This is due to the improvement to GFSM 2014 standards from using GFS Standards (at least level 2 of the GFS standard—2 digits) used during the previous assessment.

Recent or ongoing reform activities

None

PI-5 Budget documentation

PI-5.1 Budget documentation is measured against a list of 'basic' and 'additional items

This indicator has one dimension to assess the comprehensiveness of the information provided in the annual budget documentation presented by the Executive Government to the National Assembly, and is measured using a list of 'basic' and 'additional' elements included in the last budget submitted to parliament, i.e., the FY2021/2022 budget.

Summary of scores and performance table

PI-5	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
5.1	Budget documentation	D	B	Budget documentation fulfils 8 elements, including all 4 basic elements, plus 4 additional elements.	Improvement in score or performance. In the previous assessment, the budget documentation fulfilled 6 elements including only 2 basic elements. In the current assessment, this has increased to 8 elements, including 4 basic elements.

Annual budget documentation refers to the executive's budget proposals for the next fiscal year with supporting documents, as submitted to the legislature for scrutiny and approval. The set of documents provided by the executive should provide a complete picture of central government fiscal forecasts, budget proposals, and the out turn of the current and previous fiscal years.

Article 221 of the Constitution requires the Cabinet Secretary responsible for finance to submit to the National Assembly estimates of the revenue and expenditure of the national government for the next financial year at least two months before the end of each financial year. The estimate is required to include (a) estimates for expenditure from the Equalisation Fund; and (b) be in the form, and according to the procedure, prescribed by an Act of Parliament. In addition, the Public Financial Management Act (2012), article 38, sets out the details required to be submitted to the National Assembly. In accordance with this, the documents that are submitted by the executive to the National Assemble at different times during the budget preparation process for FY 2021/22 include:

- Budget Review and Outlook Paper (BROP);
- Budget Policy Statement (BPS);
- Division of Revenue Bill (DORB);
- County Allocation of Revenue Bill (CARB);
- Program Based Budget;
- Estimates of Recurrent Expenditure;
- Estimates of Development Expenditure;
- List of Projects;
- The Budget Summary for the Fiscal Year.

As shown in Table 5.1 below, budget documentation fulfils 8 elements, including all 4 basic elements plus 4 additional elements.

Table 5.1: Budget documentation benchmarks

No.	Budget documentation benchmarks	Availability
Basic elements		
1.	Forecast of the fiscal deficit or surplus (or accrual operating result).	This can be found in the Budget Policy Statement (BPS) 2022, section 1.4 (Fiscal Policy). (https://www.treasury.go.ke/wp-content/uploads/2021/12/2022-Budget-Policy-Statement.pdf).
2.	Previous year's budget outturn, presented in the same format as the budget proposal.	This can be found in the Budget review and outlook paper. (https://www.treasury.go.ke/wp-content/uploads/2022/09/Draft-2022-Budget-Review-and-Outlook-Paper.pdf).
3.	Current year's budget (either the revised budget or the estimated outturn), presented in the same format as the budget proposal.	This can be found in the budget books (https://www.treasury.go.ke/budget-books-1/#1649848244709-4dedb564-8b63).
4.	Aggregated budget data for both revenue and expenditure according to the main heads of the classifications used (ref. PI-4), including data for the current and previous year, in addition to the detailed breakdown of revenue and expenditure estimates.	This can be found in the Budget summary for the fiscal year 2021/22 and supporting information. (https://www.treasury.go.ke/wp-content/uploads/2021/06/FY-2021-22-Budget-Summary.pdf).
Additional elements		
5.	Deficit financing, describing anticipated composition.	This can be found in the Budget Policy Statement (BPS) 2022, section 1.4 (Fiscal Policy). (https://www.treasury.go.ke/wp-content/uploads/2021/12/2022-Budget-Policy-Statement.pdf).
6.	Macro-economic assumptions, including at least estimates of GDP growth, inflation, interest rates, and the exchange rate.	Macroeconomic assumptions do not include interest rate and exchange rate.
7.	Debt stock, including details at least for the beginning of the current year presented in accordance with GFS or other comparable standard.	This can be located in the medium-term debt management strategy. (https://www.treasury.go.ke/wp-content/uploads/2021/06/2021-Medium-Term-Debt-Manadement-Strategy.pdf).
8.	Financial Assets, including details at least for the beginning of the current year presented in accordance with GFS or other comparable standard.	The budget documents do not include financial assets.
9.	Summary information of fiscal risks including contingent liabilities such as guarantees, and contingent obligations embedded in structure financing instruments such as PPP contracts, etc.	This can be located in the Budget policy statement, annex 2. (https://www.treasury.go.ke/wp-content/uploads/2021/12/2022-Budget-Policy-Statement.pdf).
10.	Explanation of budget implications of new policy initiatives and major new public investments, with estimates of the budgetary impact of all major revenue	The budget documents do not include an explanation of budget implications of new policy initiatives and major new public investments.

No.	Budget documentation benchmarks	Availability
	policy changes and/or major changes to expenditure programs.	
11.	Documentation on the medium-term framework.	This can be found in the Budget review and outlook paper. (https://www.treasury.go.ke/wp-content/uploads/2022/09/Draft-2022-Budget-Review-and-Outlook-Paper.pdf).
12.	Quantification of tax expenditures.	The first tax expenditure report was issued in September 2021 but was not part of the budget proposal submitted to the National Assembly. (https://www.treasury.go.ke/wp-content/uploads/2022/02/15.11.2021_Tax-Expenditure-Report.pdf).

Source: 2021/2022 budget documentation from National Treasury.

Dimension Score = B

Performance change since the previous assessment

Budget documentation has improved since the previous assessment from a score of "D" to "B". In the previous assessment, the budget documentation fulfilled 6 elements including only 2 basic elements. In the current assessment, this has increased to 8 elements, including 4 basic elements.

Recent or ongoing reform activities

None

PI-6 Central government operations outside financial reports

This indicator measures the extent to which government revenue and expenditure are reported outside Government financial reports. It has three dimensions. Coverage is central government.

Summary of scores and performance table

PI-6 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
6	Central government operations outside financial reports	D	C+		There appears to be improvement in score and performance even though all three dimensions are not comparable, since 2017 was not assessed due to insufficient data
6.1	Expenditure outside financial reports	D*	B	Table 6.1 below provides a summary of expenditures outside central government financial reports. The analysis indicates that 2.98% of government expenditures are outside central government financial reports for FY2020/2021.	Not comparable. 2017 was not assessed due to insufficient data
6.2	Revenue outside financial reports	D*	B	As indicated in Table 6.2 below, revenues outside central government financial reports for FY2020/2021 represent 4.27%of budgeted central government operations.	Not comparable. 2017 was not assessed due to insufficient data
6.3	Financial reports of extra-budgetary units	D*	D	Officials from the National Treasury and OAG indicated that in practice, submission of detailed annual reports from all extra-budgetary units is done within three months. That said, there is no evidence to support this claim.	Not comparable. 2017 was not assessed due to insufficient data

PI-6.1 Expenditure outside financial reports

Table 6.1 below provides a summary of expenditures outside central government financial reports. The analysis indicates that 2.98% of government expenditures are outside central government financial reports for FY 2020/2021. These expenditures include those from National Social Security Fund (NSSF) which are not captured by the consolidated annual financial statements.

Table 6.1: Analysis of expenditure outside financial reports

FY2020/2021	Expenditure
Total expenditure of EBUs including NSSF (Ksh million)	49,074.61
Total BCG Expenditure (Ksh million)	1,646,192
Percentage of expenditure outside financial reports	2.98%

Source: Budget books, OAG data and consultant's calculation

Dimension Score = B

PI-6.2 Revenue outside financial reports

As indicated in Table 6.2 below, revenues outside central government financial reports for FY2020/2021 represent 4.27% of budgeted central government operations. These include revenues from NSSF, not part of the consolidated annual financial statements.

Table 6.2: Analysis of revenues outside financial reports

FY2020/2021	Revenue
Total revenue of EBUs including NSSF (Ksh million)	78,426.34
Total BCG Revenue (Khs million)	1,834,856.60
Percentage of revenue outside financial reports	4.27%

Source: Budget books, OAG data and consultant's calculation

Dimension Score = B

PI-6.3 Financial reports of extra-budgetary units

Section 221(1) of the PFM Regulations mandates all public entities including extra-budgetary units, SAGAs, and social security fund, to prepare and submit detailed annual financial statements to the Auditor-General with copies to the Cabinet Secretary for Finance within three months after the end of the financial/fiscal year. Officials from the National Treasury and OAG indicated that in practice, submission of detailed annual reports from all extra-budgetary units is done within three months. That said, there is no evidence to support this claim.

Dimension Score = D

Performance change since the previous assessment

Even though all three dimensions are not comparable due to the fact that 2017 was not assessed as a result of insufficient data, there appears to be improvement in overall score and performance.

Recent or ongoing reform activities

None.

PI-7 Transfers to sub-national governments

This indicator assesses the transparency and timeliness of transfers from the central government to the first-tier Sub-national Governments (SNGs - also known as local governments) along with fiscal relations with the central government. It reviews the basis for the transfers, including whether they receive timely information about their allocations to facilitate fiscal planning. It has two dimensions. Coverage is central government and the subnational governments which have direct financial relationships with CG.

Summary of scores and performance table

PI-7 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
7	Transfers to sub-national governments	C+	C+		No change in score and performance
7.1	System for allocating transfers	A	A	The horizontal allocation of both conditional and unconditional transfers for the devolved sectors to county governments from central government is determined by a transparent, rule-based system. These rules apply to budgeting and actual allocations for both conditional and unconditional grants.	No change in score and performance
7.2	Timeliness of information on the transfers	D	D	The CARA, which determines the county allocation, has been consistently delayed over the last four years, a couple of months after the start of the new fiscal year.	No change in score and performance

PI-7.1 System for allocating transfers

The horizontal allocation of both conditional and unconditional transfers for the devolved sectors to county governments from central government is determined by a transparent, rule-based system. These rules apply to budgeting and actual allocations for both conditional and unconditional grants. Article 202 of the Constitution of Kenya provides for equitable sharing of revenue raised nationally between the national and county governments. In addition, the National Government may give from its equitable share additional allocations to county governments, either conditionally or unconditionally. Article 203(1) stipulates the criteria to be taken into account in determining the equitable sharing of revenues. These include:

i. The need to ensure that County Governments are able to perform the functions allocated to them
ii. The fiscal capacity and efficiency of County Governments
iii. Development and other needs of counties
iv. Economic disparities within and among counties
v. The need for affirmative action in respect of the disadvantaged
vi. The need for economic optimisation of each county
vii. The desirability of stable and predictable allocations of revenue.

Article 216 (1)(b) of the Constitution mandates the Commission on Revenue Allocation (CRA) to make recommendations concerning the basis for equitable sharing of revenue raised by the national government among the county governments. These recommendations are then submitted to the Senate, the National Assembly, the National Executive, County Assemblies and County Executives in line with Article 216 (5). In accordance with provisions of Article 217, Parliament has the responsibility to determine every five years the basis for allocating among County Governments the share of nationally raised revenue.

The Division of Revenue Bill 2020 includes allocations to national and the sum of county governments taking into account variations in revenue, resolution of disputes and wasteful expenditure. It presents the equitable share of revenue to be raised nationally between the national and county governments for FY 2016/17. The Parliament can change the allocation to County Governments at the time of discussion of the Bill on the basis of the public debt situation and other factors. Once approved, the Bill becomes an Act, referred to as Division of Revenue Act (DoRA).

The allocation for revenues for each County Government is presented to Parliament in the budget statement in the form of the County Allocation of Revenue Bill. If Parliament changes the vertical allocation, the horizontal allocations would necessarily change. Once approved, the Bill becomes an Act, known as County Allocation of Revenue Act (CARA).

Dimension score = A

PI-7.2 Timeliness of information on the transfers

Chapter 4 sections 4.4 and 4.5 of the Budget Policy Statement (BPS) 2020/21 outlines the vertical and horizontal share of revenue to be shared among county governments. The BPS was released in February 2020. According to the budget calendar, the vertical allocation to counties for the next FY must be approved by the end of April. The Division of Revenue Acts (DORA) indicates the approved vertical allocation. In 2020/21 the Division of Revenue Act was passed on April 25th 2020 – about a month to the start of the fiscal year. The County Allocation of Revenue Act (CARA) was passed on October 8th 2020, three months into the fiscal year. By then the counties are already deploying their budgets. Counties resort to using preliminary figures outlined in the BPS, which are more indicative than final to pass their budgets due to these delays. The pattern of delayed passing of the CARA has worsened over the years, while the approval of the DORA has similarly been unpredictable.

Table 7.1: Passage (promulgation) of DoRA and CARA

Fiscal Year	DoRA	CARA
2017/18	21st June 2017	6th July 2017
2018/19	10th April 2018	29th June 2018
2019/20	17th September 2019	30th September 2019
2020/21	25th April 2020	8th October 2020

Dimension score = D

Performance change since the previous assessment, where applicable

No change in score or performance.

Recent or ongoing reform activities

None.

PI-8 Performance information for service delivery

This indicator examines the service delivery performance information in the executive's budget proposal or its supporting documentation in year-end reports. It determines whether performance audits or evaluations are carried out. It also assesses the extent to which information about resources received by service delivery units is collected and recorded. It has four dimensions. Coverage is central government.

Summary of scores and performance table

PI-8 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 20212score	Performance change and other factors
PI-8 Performance information for service delivery		B	B		Improvement in performance despite no change in score.

PI-8 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 20212score	Performance change and other factors
					Performance improved under dimensions (i), (ii) and (iv). No change for dimension (iii).
	8.1 Performance information for service delivery	B	A	All sectors prepare sector plans in line with the MTP III and these are published on the National Treasury and Planning website. The plans build up on lessons learned and challenges faced on the second MTP and include objectives, expected output/outcomes, and performance indicators.	Improvement in score and performance. In the previous assessment, most sectors prepared sector plans that include objectives, expected output/outcomes, and performance indicators. However, this has improved to all sectors in the current assessment.
	8.2 Performance achieved for service delivery	B	A	The APRs present information on the progress in the implementation of policies, programs and projects; challenges encountered and proposals to address them; and recommendations for future MTP implementation. The reports also compare the annual target and achievement for each performance indicator for all sectors.	Improvement in score and performance. In the previous assessment, the APR was prepared for most sectors, but this has improved to all sectors in the current assessment.
	8.3 Resources received by service delivery	B	D	Information on resources received by frontline service delivery units is not collected or recorded annually for at least one large ministry. Besides, a survey providing estimates of the resources received by service delivery units for one last ministry was not undertaken in the past three years.	No change in performance. The PA overrated this dimension.
	8.4 Performance evaluation for service delivery	B	C	Performance evaluation for MDAs is conducted by the Ministry of Public Service and Gender, State Department of Public Service, but this is not published.	Deterioration in score and performance. In the previous assessment, the performance evaluations were published for most MDAs, but in the current assessment, they are not published.

8.1 Performance plans for service delivery

Kenya's long-term development plan (i.e., Vision 2030) covers the period 2008 to 2030. The Vision is being implemented through successive five-year medium-term plans. The Third Medium-Term Plan (MTP III) 2018-2022, which is made up of four priorities known as the "The Big Four" (B4) agenda, succeeds the Second MTP (MTP II) 2013-2017. It sets priority programs with clear strategies and is prepared by the National Treasury and Planning. All sectors also prepare sector plans in line with the MTP III for the same period and these are published on the National Treasury and Planning website. Guidelines for preparation of Strategic Plans for all Ministries, Departments and Agencies (MDAs) are issued by the National Treasury and Economic Planning.

The plans build up on lessons learned and challenges faced on the second MTP and include objectives, expected output/outcomes, and performance indicators. Table 8.1 below shows the sectors that have prepared plans.

Below is an extract from Agriculture and Livestock Sector Plan.

B2: AGRICULTURE AND LIVESTOCK

Programme/ Project	Objectives	Expected Output/ Outcome	Indicators	Implementing Agency (s)	Time Frame	Source of Funds	Indicative budget (Kshs. Millions)					
							Total	2017/ 2018	2018/ 2019	2019/ 2020	2020/ 2021	2021 / 22
Goal:												
Strategic Objective:												
Flagship Programme 1: Fertilizer Subsidy Programme												
Fertilizer Subsidy Programme	To improve agricultural productivity through aaccessible, affordable and quality fertilizers	200,000MT of assorted fertilizers subsidized annually; Improved productivity per ha; organic fertilizer factory established at Lake Olbolossat	MT of subsidized fertilizer; Yield per acre by smallholder farmers; price of 50 kg bag of fertilizer;	SDCD, CGs, PPP	2018-2022	GoK	21,500	4,300	4,300	4,300	4,300	4,300
Flagship Programme 2: Coastal Disease Free Zones Programme												
Establishment of the DFZs at Bachuma, Miritini and Kurawa	To enhance local, regional and international trade in livestock and livestock products	Adherence to SPS requirements enhanced Increased exports of livestock and livestock products	No. of sites established % increase of livestock and livestock products exported	SDCD SDL	2018-2022	GoK	2,500	500	500	500	500	500

Annual performance plans are also prepared by each sector in accordance with the MTP and the priorities outlined in the MTEF Sector Working Group (SWG) Report. These also include outputs, outcomes and performance indicators. The performance plans are mainly based on the system of annual Performance Contracts started in 2004 under the auspices of Executive Office of the President. Each MDA and Commission is required to prepare a plan of outputs (services) that it intends to deliver during the year in pursuit of desired outcomes as specified in MTP III. The plan is required to follow guidelines in the form of templates prepared by the Ministry of Public Service and Gender, State Department of Public Service. The contract is signed by the Office of the President, Cabinet and the respective MDAs.

Table: 8.1: Sectors that have prepared costed sector strategies

Sector	Budget Vote FY 2021/2022
Agriculture, rural and urban development	75,725.9
Energy, infrastructure and ICT	335,812.3
General economic and commercial affairs	20,583.1
Health	121,090.3
Education	503,971.1
Governance, justice, law and order	217,318.9
Public administration and international relations	332,524.1
National security	162,202.7
Social protection, culture and recreation	72,194.3
Environmental protection, water and natural resources	100,585.9
Total sector budget vote, FY 2021/22	1,942,008.6
Total BCG budget vote FY 2021/22	1,942,008.6
%of Sectors that prepared a costed strategy	100%

Source: Budget book 2021/22

Dimension score = A

PI-8.2 Performance achieved for service delivery

The National Treasury and Planning coordinates the preparation of the Annual Progress Reports (APR), which review the performance of the implementation of Vision 2030 and its MTPs on an annual basis. The APRs present information on the progress in the implementation of policies, programs and projects; challenges encountered and proposals to address them; and recommendations for future MTP implementation. The reports also compare the annual target and achievement for each performance indicator disaggregated by program/project, for all the sectors that prepared the plans. Three APRs are issued on the MTP III to date (FY 2018/19 to FY 2020/21) and these are published on the National Treasury and Planning website. The National Treasury and Planning prepared the APRs in collaboration with implementing government Ministries, Counties, Departments and Agencies (MCDAs). This is undertaken within the framework of the National Integrated Monitoring and Evaluation System (NIMES) and Country Integrated Monitoring and Evaluation System (CIMES). The MCDAs prepare respective Annual Monitoring and Evaluation Reports, which forms the basis for the preparation of the APR.

Dimension score = A

PI-8.3 Resources received by service delivery

Information on resources received by frontline service delivery units (in cash or in-kind) is not collected or recorded annually for at least one large ministry. Besides, a survey (public expenditure tracking survey – PETS) providing estimates of the resources received by service delivery units for one large ministry was not undertaken in the past three years.

Dimension score = D

PI-8.4 Performance evaluation for service delivery

Performance evaluation for MDAs is conducted by the Ministry of Public Service and Gender, State Department of Public Service. This is conducted based on the performance contract signed between the MDAs and the Office of the President and Cabinet. Instructions for the performance evaluation are issued by the Executive Office of the President and the Ministry of Public Service and Gender issues circulars to all cabinet ministries. This is undertaken within the framework of the National Integrated Monitoring and Evaluation System (NIMES) and Country Integrated Monitoring and Evaluation System (CIMES). However, the performance evaluation reports are not published. In addition to this, independent evaluation on the efficiency and effectiveness of service delivery has been carried out on education sector by UNICEF, but this is not published. The Ministry of Health conducted a mid-term review of the Kenya health sector strategy in 2020 and the report is published on the Ministry's website. The health and education sectors budget accounted for 6% and 26% on average respectively for the last three completed fiscal years.

Dimension score = C

Performance change since the previous assessment, where applicable

Improvement in performance despite no change in score. Performance improved under dimensions (i), (ii) and (iv). No change for dimension (iii). The Previous Assessment overrated dimension (iii).

Recent or ongoing reform activities

None

PI-9 Public access to fiscal information

PI-9.1 The comprehensiveness of fiscal information available to the public

Summary of scores and performance table

PI-9	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
9.1	Public access to fiscal information	B	B	Table 9.1 analyses information made to the public for the completed fiscal year 2020/2021. The Government of Kenya makes available to the public four basic elements plus four additional elements in accordance with the specified timeframe	No change in score and performance

Table 9.1: Assessment of public access to key fiscal information

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
Basic elements			
1.	Annual Executive Budget Proposal documentation: A complete set of executive budget proposal documents (as assessed in PI-5) is available to the public within one week of the executive submitting them to the legislature.	Yes	The annual executive budget proposal (the budget summary and supporting fiscal information) for the FY 2020/2021 is published on the National Treasury and Planning website (https://www.treasury.go.ke) within one week of submission to the national assembly. (May 1, 2020)
2.	Enacted Budget: The annual budget law approved by the legislature is publicized within two weeks of passage of the law.	No	The approved budget for FY2020/2021 is published on the National Assembly's website (http://www.parliament.go.ke/sites/default/files/2020-06/Appropriation%20Bill%2C%202020_0.pdf) but no evidence of publication within two weeks of promulgation.
3.	In-year budget execution reports: The reports are routinely made available to the public within one month of their issuance, as assessed in PI-28.	Yes	Quarterly Economic and Budgetary Review (QEBR) reports are issued by the National Treasury and Planning within one month of the end of the quarter. https://www.treasury.go.ke/quarterly-economic-budgetary-review-qebr/#1641205196802-7e5be1f5-fc6c
4.	Annual budget execution report: The report is made available to the public within six months of the fiscal year' s end.	Yes	The 2021 Budget Review and Outlook Paper (BROP) was issued in September 2021, within three months of the fiscal year's end. https://www.treasury.go.ke/wp-content/uploads/2021/10/2021-Budget-Review-and-Outlook-Paper.pdf
5.	Audited annual financial report, incorporating or accompanied by the external auditor's report: The report(s) are made available to the public within twelve months of the fiscal year' s end.	Yes	The audit report for the FY 2020/21 was made available to the public in June 2022, twelve months of the fiscal year's end. http://www.parliament.go.ke/sites/default/files/2022-06/
Additional elements			
6.	Pre-Budget Statement: The broad parameters for the executive budget proposal regarding expenditure, planned revenue and debt is made available to the public at least four months before the start of the fiscal year.	Yes	The Budget Policy Statement (BPS) for FY 2020/21 was made available to the public in February 2020, five months before the beginning of the new year. https://www.treasury.go.ke/wp-content/uploads/2020/11/2020-Budget-Policy-Statement.pdf

No.	Fiscal information benchmarks	Availability (Yes/No)	Notes (Means of Availability)
7.	Other external audit reports: All non-confidential reports on central government consolidated operations are made available to the public within six months of submission.	Yes	These are disclosed on the website of the Office of the Auditor General six months after submission to OAG. https://www.oagkenya.go.ke
8.	Summary of the Budget Proposal: A clear, simple summary of the Executive's Budget Proposal or the Enacted Budget accessible to the non-budget experts, often referred to as a 'citizens' budget', and where appropriate translated into the most commonly spoken local language, is publicly available within two weeks of the Executive Budget Proposal' s submission to the legislature and within one month of the budget's approval.	Yes	Citizens' budget for FY2020/2021 was published in June 2020 (https://www.treasury.go.ke/wp-content/uploads/2021/03/The-Mwananchi-Guide-Final-Budget-Highlights-for-FY-2020-21.pdf
9.	Macroeconomic forecasts: The forecasts as assessed in PI-14.1 are available within one week of its endorsement.	Yes	The Budget Policy Statement (BPS) for FY 2020/21 which contains macroeconomic forecasts, was made available to the public within a week of cabinet's approval. It was published on February 1, 2020. https://www.treasury.go.ke/wp-content/uploads/2020/11/2020-Budget-Policy-Statement.pdf

Table 9.1 above analyses information made to the public for the completed fiscal year 2020/2021. The Government of Kenya makes available to the public four basic elements plus four additional elements in accordance with the specified timeframe. The 2021 open budget survey (OBS) concluded that Kenya scored 50%and was ranked 53rd out of 120 countries assessed. This ranking has remained unchanged since 2019.

Dimension Score = B

Performance change since the previous assessment

No change in score and performance

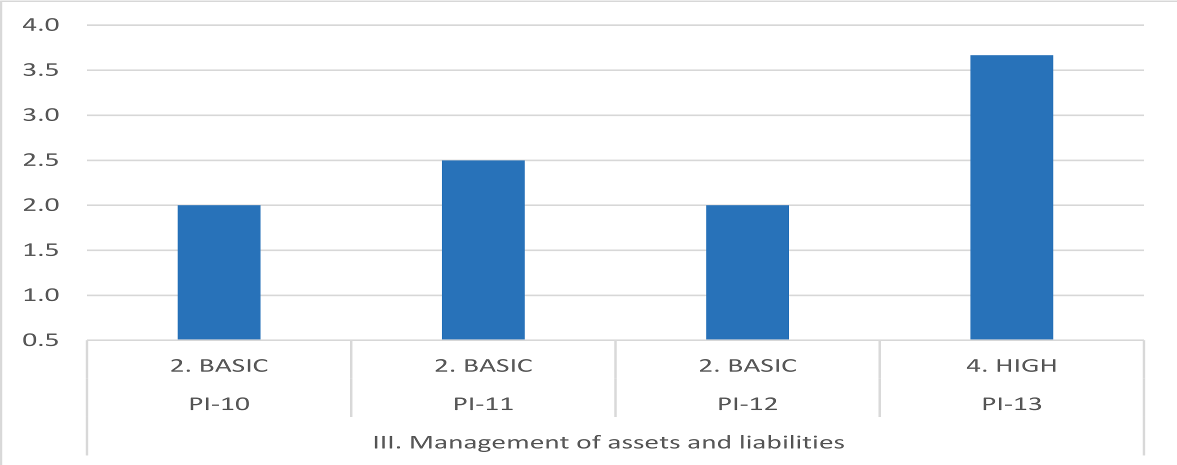
Recent or ongoing reform activities

None

3.3 Pillar III. Management of assets and liabilities

The overall performance of this pillar is also basic, as shown in the chart below.

Pillar III : BASIC



PI-10 Fiscal risk reporting

This indicator has three dimensions. Dimension 10.1 assesses the level of monitoring of fiscal risk implications of public corporations on central government operations; dimension 10.2 examines fiscal risk posed by sub-national governments and dimension 10.3 measures the monitoring and reporting of central government contingent liabilities and other fiscal risks. Dimension (i) covers CG-controlled public corporations; dimension (ii) covers SNG with direct relations with CG; dimension (iii) covers CG.

Summary of scores and performance table

PI-10 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Fiscal risk reporting		D	C+		Overall improvement in score and performance even though all three dimensions in 2017 were not assessed due to insufficient data.
10.1 Monitoring of public corporations		D*	C	As indicated in Table 10.1 below, for FY2020/2021, 99.5%by value of SoEs submitted their annual financial statements to GoK/OAG within 6 months after end of fiscal year.	Improvement in both score and performance.
10.2 Monitoring of sub-national governments		D	D	Counties prepare and submit annual financial statements to OAG/GoK within four months after the end of the previous month. Whilst the unaudited annual financial statements are not published, the audited reports are published but significantly late, more than 12 months after the end of the previous financial year	Not comparable as 2017 was not assessed due to insufficient data
10.3 Contingent liabilities and other fiscal risk		D*	A	GoK quantifies all significant contingent liabilities, including PPPs. This is reported in the FY2020/2021 annual financial statements, which is published.	Not comparable as 2017 was not assessed due to insufficient data

PI-10.1 Monitoring of public corporations

There are 54 active state-owned public enterprises (commercial SoEs), as shown in Table 10.1 below. Section 221 of the PFM Regulations 2015 and the State Corporations Act 2015 requires all state-owned enterprises to prepare and submit annual financial statements to OAG and the National Treasury (NT) within three months after the end of the previous financial year. As indicated in Table 10.1 below, for FY2020/2021, 99.5% by value of SoEs submitted their annual financial statements to GoK/OAG within 6 months after end of fiscal year. Audited annual financial statements of SoEs are published but late, after 9 months following the end of the fiscal year. It is worth noting that pending bills from state corporations (SCs) pose a significant threat to central government operations.

The monitoring and evaluation of the performance and fiscal risk of state-owned enterprises (both national and county state-owned enterprises) is covered by Sections 86 to 100 of the PFM Act 2012. Currently, there are no county state-owned enterprises. Explicit contingent liabilities for FY2020/2021 from SoEs stood at Kshs174,574 million[9].

Table 10.1: List of active State-owned enterprises (public corporations) – FY2020/2021

No.	Name of State-Owned Enterprises (Active)	Total Revenue	Total Expenditure	Date of submission of AFS to OAG/GoK	Months after 30th June 2021
1	Bomas of Kenya	384,346,579	333,647,599	30/09/2021	3 months
2	Kenya Animal Genetic Resource Centre	381,455,215	241,029,930	29/09/2021	3 months
3	Kenya Deposit Insurance Corporation	19,797,102,393	623,566,494	30/09/2021	3 months
4	Kenya Seed Company	5,265,136,870	4,278,851,302	21/10/2021	4 months
5	Kenya Veterinary Vaccines Production Institute	389,279,000	231,535,000	30/09/2021	3 months
6	Local Authorities Provident Fund	12,741,930,933	5,048,326,202	30/09/2021	3 months
7	National Hospital Insurance Fund	62,141,621,801	61,405,858,432	30/09/2021	3 months
8	Women Enterprise Fund	309,341,337	408,870,156	30/09/2021	3 months
9	Youth Enterprise Development Fund	369,151,316	380,180,593	14/09/2021	3 months
10	Agricultural Finance Corporation	1,625,274,000	1,452,327,000	30/09/2021	3 months
11	Agro Chemical & Food Company	1,573,298,561	1,492,250,195	30/09/2021	3 months
12	Chemelil Sugar Company	2,197,536,950	2,012,824,787	29/10/2021	4 months
13	East African Portland Cement Company	8,655,258,000	6,083,777,000	08/08/2021	2 months
14	IDB Capital Limited	155,913,585	132,586,255	29/09/2021	3 months
15	Industrial and Commercial Development Corporation	1,855,662,654	1,023,529,419	30/09/2021	3 months
16	Jomo Kenyatta Foundation	651,135,000	619,701,000	30/09/2021	3 months
17	Kenya Airports Authority	7,562,027,928	9,653,122,450	30/09/2021	3 months
18	Kenya Broadcasting Corporation	2,062,754,822	2,077,700,945	30/09/2021	3 months
19	Kenya Electricity Generating Company	44,364,895,692	26,964,030,961	15/09/2021	3 months
20	Kenya Industrial Estates	481,114,000	489,050,000	30/09/2021	3 months

[9] FY2020/2021 Budget Policy Statement – Paragraph 28 Annex 2, Page 91

No.	Name of State-Owned Enterprises (Active)	Total Revenue	Total Expenditure	Date of submission of AFS to OAG/GoK	Months after 30th June 2021
21	Kenya Literature Bureau	1,560,969,671	1,488,117,681	30/09/2021	3 months
22	Kenya Meat Company	722,583,705	866,817,200	30/09/2021	3 months
23	Kenya National Shipping Line	61,814,677	58,788,511	28/09/2021	3 months
24	Kenya National Trading Corporation	1,073,274,436	1,032,983,142	30/09/2021	3 months
25	Kenya Pipeline Company	28,842,870,616	17,826,495,975	30/09/2021	3 months
26	Kenya Ports Authority	52,816,456,368	39,601,303,873	29/09/2021	3 months
27	Kenya Post Office Savings Bank[10]	2,203,466,416	1,970,790,717	31/03/2022	3 months
28	Kenya Power and Lighting Company	150,265,506,000	132,025,314,630	24/09/2021	3 months
29	Kenya Railways Corporation	40,077,677,943	41,342,275,968	30/09/2021	3 months
30	Kenya Reinsurance Corporation[11]	22,564,535,564	19,811,814,109	22/03/2022	3 months
31	Kenyatta International Conference Centre	545,729,384	447,364,219	30/09/2021	3 months
32	National Cereals and Produce Board	1,374,289,942	3,138,389,521	30/09/2021	3 months
33	National Housing Corporation	737,583,791	674,846,979	29/09/2021	3 months
34	National Oil Corporation of Kenya	9,389,298,362	700,899,716	30/09/2021	3 months
35	New Kenya Creameries Cooperative	9,489,015,428	9,337,272,739	30/09/2021	3 months
36	Numerical Machining Complex	248,189,780	281,497,158	30/09/2021	3 months
37	Nyayo Tea Zones Development Corporation	1,767,500,745	1,669,027,472	30/09/2021	3 months
38	Nzoia Sugar Company	2,657,405,000	3,685,174,000	30/09/2021	3 months
39	Postal Corporation of Kenya	3,196,474,243	2,810,807,608	30/09/2021	3 months
40	School Equipment Production Unit	80,860,696	74,562,674	30/09/2021	3 months
41	South Nyanza Sugar Company	2,056,999,000	3,002,182,540	30/09/2021	3 months
42	Tourism Finance Corporation	325,502,000	301,150,630	22/09/2021	3 months
43	University of Nairobi Enterprises and Services	848,582,401	847,511,112	30/09/2021	3 months
44	National Mining Corporation	26,876,577	8,581,360	30/09/2021	3 months
45	Golf Hotel	100,896,249	95,263,520	09/08/2021	2 months
46	Kenya Safari Lodges and Hotels	168,856,000	277,363,637	29/09/2021	3 months
47	Sunset Hotel	50,159,565	31,236,143	30/09/2021	3 months
48	Consolidated Bank of Kenya[12]	1,784,154,000	2,071,759,000	21/03/2022	3 months
49	Muhoroni Sugar Co. Ltd.[13]	1,793,451,406	2,091,584,273	N/A (in 2021)	Late submission

[10] Financial year is January to December
[11] Financial year is January to December
[12] Financial year is January to December
[13] This state-owned enterprise is under receivership, reason for which no financial statements in 2021 and beyond.

No.	Name of State-Owned Enterprises (Active)	Total Revenue	Total Expenditure	Date of submission of AFS to OAG/GoK	Months after 30th June 2021
50	Pyrethrum Processing Company of Kenya Ltd	468,148,000	426,242,000	24/09/2021	3 months
51	Uwezo Fund	145,000,000	145,000,000	30/09/2021	3 months
52	Kenya National Assurance Company (2001) Limited[14]	1,638,000	24,174,700	17/03/2022	3 months
53	Scrap Metal Council	16,412,765	10,223,223	30/09/2021	3 months
54	Kenya Shipyards Limited	1,243,779,238	1,052,008,821	30/09/2021	3 months
	Total	511,670,194,604	414,181,590,571		
	Value of SoEs (in terms of expenditure) reporting within 6 months after year-end = all SoEs minus red-shaded SoE		412,090,006,298		
	Percentage of SoEs (in terms of expenditure) reporting within 6 months after year-end = all SoEs minus red-shaded SoE		99.5%		

Source: National Treasury GIPE & OAG

Dimension score = C

PI-10.2 Monitoring of sub-national governments

Section 163(4) of the Public Financial Management Act 2012 mandates all county governments to prepare and submit annual financial statements to the Office of the Auditor General with copies to the National Treasury, Controller of Budgets and the Commission on Revenue Allocation not later than four months after the end of the previous financial year. As indicated in Table 10.2 below, all 47 counties submitted their annual financial statements to OAG/GoK not later than 31st October 2021, thereby meeting the legal requirement. Whilst the unaudited annual financial statements are not published, the audited reports are published but significantly late, more than 12 months after the end of the previous financial year. Article 212 of the 2010 Kenyan Constitution grants borrowing powers to counties but subject to the approval of the national government. For the FY2020/2021, no county has exercised this borrowing right. One county has however initiated its borrowing right in FY2021/2020 for an amount of about Kshs1 billion, ad going through the necessary approvals from the national government.

Table 10.2: Submission and publication of county (sub-national governments) financial reports

No.	Counties	Latest Audit Report[15]	Latest AFS submitted to OAG	Date of submission Annual Financial Statement to OAG/GoK CoB	Publication of county audit report + timeframe[16]
1	Baringo	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
2	Bomet	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
3	Bungoma	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published

[14] Financial year is January to December
[15] As at time of drafting this report
[16] As at time of drafting this report

No.	Counties	Latest Audit Report[15]	Latest AFS submitted to OAG	Date of submission Annual Financial Statement to OAG/GoK CoB	Publication of county audit report + timeframe[16]
4	Busia	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
5	Elgeyo Marakwet	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
6	Embu	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
7	Garissa	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
8	Homa Bay	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
9	Isiolo	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
10	Kajiado	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
11	Kakamega	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
12	Kericho	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
13	Kiambu	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
14	Kilifi	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
15	Kirinyaga	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
16	Kisii	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
17	Kisumu	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
18	Kitui	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
19	Kwale	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
20	Laikipia	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
21	Lamu	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
22	Machakos	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
23	Makueni	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
24	Mandera	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
25	Marsabit	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
26	Meru	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
27	Migori	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
28	Mombasa	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
29	Murang' a	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published

No.	Counties	Latest Audit Report[15]	Latest AFS submitted to OAG	Date of submission Annual Financial Statement to OAG/GoK CoB	Publication of county audit report + timeframe[16]
30	Nairobi City	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
31	Nakuru	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
32	Nandi	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
33	Narok	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
34	Nyamira	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
35	Nyandarua	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
36	Nyeri	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
37	Samburu	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
38	Siaya	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
39	Taita Taveta	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
40	Tana River	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
41	Tharaka Nithi	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
42	Trans Nzoia	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
43	Turkana	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
44	Uasin Gishu	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
45	Vihiga	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
46	Wajir	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published
47	West Pokot	FY2019/2020	FY2020/2021	31st October 2021	FY2020/21 not yet published

Source: Source: Controller of Budget Annual Report of County Governments and OAG data - FY2020/2021

Dimension score = D

PI-10.3 Contingent liabilities and other fiscal risks

The FY2020/2021 annual financial statements, which is published, quantify GoK's significant fiscal risk arising out of public private partnerships (PPPs) in accordance with the PPP Act 2021. To date, PPPs are operational in two major sectors, the road and energy sectors. GoK's PPP exposure in the road and energy sectors, as contained in the detailed fiscal risk arising out of PPPs, amounted to USD11,998.8 million and USD598.87 million respectively.

According to IMF's Article IV Report (IMF Country Report No. 21/275 dated December 2021) on Kenya, an amount of KSh383 billion has been identified as liquidity gap (in order words, fiscal risks) over the next five years for 18 SoEs involving the largest financial and fiscal risks (excluding Kenya Airways). On the part of Kenya Airways alone, fiscal risk of the airline posed to GoK stands at USD827 million as at December 2021.

It is worth noting that GoK recognises other forms of fiscal risks such as natural disasters and man-made hazards, climate change risks, violent extremism (acts of terrorism), and technological risks. These risks are described qualitatively in the Budget Policy Statement (annex 2 – statement of fiscal risks), given the difficulty in quantifying such risks.

Dimension score = A

Performance change since the previous assessment

There is overall improvement in score and performance due to improvement in dimension (iii). GoK now quantifies all significant contingent liabilities including PPPs.

Recent or ongoing reform activities

None

PI-11 Public investment management

This indicator assesses the process of economic appraisal, selection, costing, and monitoring of most significant public investment projects by the government. This is a new indicator; it has four dimensions. The indicator covers central government.

Summary of scores and performance table

PI-11 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
11	Public investment management	C+	C+		No change in overall score in spite of improvement in dimension (i).
11.1	Economic analysis of investment projects	D*	C	For FY2020/2021, all major investment projects (as shown in Table 11.1 above) went through economic analysis and appraisal in accordance with the established guidelines. The results of the analyses were submitted to PIM under NT for review to ascertain the socio-economic viability of these projects before selection for budget funding. The results of these feasibility studies were however not published.	No comparable, as 2017 was not assessed due to insufficient data
11.2	Investment project selection	A	A	Before new investment projects are selected and included in the annual budget for funding, the Resource Allocation Panel (RAP) reviews and prioritises these projects and submits	No change in score and performance

PI-11 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				its report to cabinet. For FY2020/2021, Cabinet, after consideration of the RAP report, prioritised and selected all investment projects on the basis of the published PIM guidelines.	
11.3	Investment project costing	C	C	For FY2020/2021, the annual budget documentation which has an MTEF, presents projections of the total capital cost of investment projects, in addition to the capital cost outlay for the current budget year plus those for the two outer years. There are however no estimates of the recurrent cost associated with the new capital investment projects, either for the current budget year or the two outer years.	No change in score and performance
11.4	Investment project monitoring	C	C	Both the State Department for Planning and the MDA CPPMU monitored and evaluated the physical and financial progress of investment projects initiated and executed. This was done in line with circular number 16/2019 dated 24th January 2020, issued by the National Treasury, as guidelines for public investment management for all central government entities (budgetary and extra-budgetary units). Each CPPMU prepares quarterly physical and financial progress reports of all investment projects, in addition to annual progress reports. There is no evidence of publication of these reports.	No change in score and performance

Table 11.1: List of major capital investment projects FY2020/2021

Ministry/State Department	Name of investment project	Total cost (Ksh)	GoK budget FY2020/2021	%of GoK budget FY2020/2021
Infrastructure	Rehabilitation of Access Roads to Big 4 Projects & food security and nutrition facilities	4,761,000,000	1,887,662,000,000	0.25%
Infrastructure	Access Roads to Universal Health Care Facilities	1,014,325,000	1,887,662,000,000	0.05%
Infrastructure	Dualling Thika - Kenol - Marua (A2- R)	21,465,082,951.00	1,887,662,000,000	1.1%
Infrastructure	Nairobi Western Bypass	15,986,424,793.00	1,887,662,000,000	0.8%
Infrastructure	Mpard Package 3 - Mteza – Kibundani Section	9,848,104,755.00	1,887,662,000,000	0.5%
Infrastructure	MPARD Package 2 - Mwache – Tsunza – Mteza	16,932,498,641.00	1,887,662,000,000	0.9%
Infrastructure	Annuity Low Volume Seal Roads/Construction of Roads	50,690,166,667.00	1,887,662,000,000	2.7%
Health	Roll-out of Universal Health Coverage/construction/equipment, etc.	41,296,461,630.00	1,887,662,000,000	2.2%
Health	Transforming Health Systems for Universal Care Project	15,986,113,790.00	1,887,662,000,000	0.8%

Ministry/State Department	Name of investment project	Total cost (Ksh)	GoK budget FY2020/2021	%of GoK budget FY2020/2021
Basic education	Kenya Secondary Education Quality Improvement Project	10,325,669,353.00	1,887,662,000,000	0.5%
Total major investment projects		188,305,847,580.00		

Source: FY2020/2021 budget books (development budget) from National Treasury

PI-11.1 Economic analysis of investment projects

There is no known standard definition of investment project in Kenya. According to PEFA (Pages 37 and 84 of the PEFA Framework 2016 and the PEFA Field Guide 2018 respectively) "major investment project" is defined as "total investment cost of project amounting to 1 percent or more of total annual budget expenditure" and these investment projects are "among the largest 10 projects (by total investment cost) for each of the 5 largest central government units, measured by the units' investment project expenditure".

Based on data extracted from GoK's development budget for FY2020/2021, three out of the ten major investment projects meet PEFA's definition, as they constitute more than 1%of GoK's annual budget for FY2020/2021. The Public Investment Management Unit (PIMU) of the National Treasury has developed and published a PIM guideline, referenced as circular number 16/2019 dated 24th January 2020. The guideline provides details on how to conduct feasibility studies and economic analysis of new investment projects for all central government institutions (budgetary and extra-budgetary units) as well as county governments.

New projects are categorized into small, medium, large and mega projects. Investments with cost below Kshs100 million fall under small – these require the development of project concept notes (PCNs), approved at the MDA level with concurrence from NT. Such projects do not require rigorous feasibility studies. Medium, large and mega projects with values of between Kshs100 and Kshs500 million, between Kshs500 million and Kshs1 billion, and above Kshs1 billion respectively undergo stringent feasibility studies in line with the PIM guidelines. For FY2020/2021, all major investment projects (as shown in Table 11.1 above) went through economic analysis and appraisal in accordance with the established guidelines. The results of the analyses were submitted to PIM under NT for review to ascertain the socio-economic viability of these projects before selection for budget funding. The results of these feasibility studies were however not published.

Dimension score: C

PI-11.2 Investment project selection

Good practice underscores three key elements for investment project selection, namely:

- Desirability: this means that projects should to be in line with the overall government medium-term strategic plan.
- Achievability: this aspect considers whether the project can be delivered according to plan considering funding mechanisms and other environmental constraints and challenges.
- Viability: this looks at the cost implications and potential revenue-generating streams, management implications, financial sustainability, and project economic impact.

The above elements are broadly captured by circular number 16/2019 dated 24th January 2020 (published on National Treasury website: www.treasury.go.ke) which guides all central government public investment management. Before new investment projects are selected and included in the annual budget for funding, the Resource Allocation Panel (RAP) reviews and prioritises these projects and submits its report to cabinet. For FY2020/2021, Cabinet, after consideration of the RAP report, prioritised and selected all investment projects on the basis of the published PIM guidelines.

Dimension score: A

PI-11.3 Investment project costing

For FY2020/2021, the annual budget documentation which has an MTEF, presents projections of the total capital cost of investment projects, in addition to the capital cost outlay for the current budget year plus those for the two outer years. There are however no estimates of the recurrent cost associated with the new capital investment projects, either for the current budget year or the two outer years. Each MDA, during project conceptualisation, prepares a project concept note (PCN) which forms the basis of project identification and preparation of feasibility studies. The PCNs categorises the cost of new projects in terms of total capital cost and associated recurrent cost up to project completion, ready for use. It does not indicate the recurrent cost when the project is or will be in use. The PCNs are also not part of the budget documentation.

Dimension score: C

PI-11.4 Investment project monitoring

The State Department for Planning of the National Treasury has overall responsibility of monitoring and evaluating progress of all central government investment projects. Additionally, each MDA has a central project planning and monitoring unit (CPPMU), responsible for monitoring the implementation of investment projects initiated by the respective MDA. Each year and for FY2020/2021, both the State Department for Planning and the MDA CPPMU monitored and evaluated the physical and financial progress of investment projects initiated and executed. This was done in line with circular number 16/2019 dated 24th January 2020, issued by the National Treasury, as guidelines for public investment management for all central government entities (budgetary and extra-budgetary units). As required by Section 27(2) of the PIM guidelines, each CPPMU prepares quarterly physical and financial progress reports of all investment projects, in addition to annual progress reports. Section 27(8) of the PIM guidelines also requires each accounting officer of each MDA to publish all progress and completion reports of all investment projects as captured within the Public Investment Management Information System (PIMIS). That said, there is no evidence of publication of project progress and completion reports funded by GoK.

Dimension score: C

Performance change since the previous assessment

No change in overall score in spite of improvement in dimension (i). In 2017, there was insufficient data to assess dimension (i) as opposed to 2022 where data is now available.

Recent or ongoing reform activities

The National Treasury is developing the Public Investment Management Information System (PIMIS). The contract for the development of PIMIS was signed in May 2021. This will serve as a centralized database for all public investment projects. Once completed, it will be open to the public in terms of access to information on public investment.

PIMIS will achieve the following mandate:

- Automate the public investment management processes
- Develop a project pipeline (Bank of Projects) where projects that are shuffle ready for financing are maintained
- Manage project information on implementation progress of the project
- Provide for a public interface (System Portal) where the public will be able to access project information and be part of project monitoring

PI-12 Public asset management

This indicator has three dimensions. Dimension 12.1 assesses the level at which financial assets (government investments in public or private companies) are monitored and reported; dimension 12.2 examines the extent to which non-financial assets (fixed assets) are monitored and reported; dimension 12.3 measures the level of transparency of asset disposal. Coverage is both central government – for dimension (i), budgeted central government for dimension (ii) and budgeted and central government for dimension (iii)

Summary of scores and performance table

PI-12 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
12	Public asset management	D+	C		Improvement in both score and dimension due to improvement in dimensions (ii) and (iii)
12.1	Financial asset monitoring	C	C	The government maintains records of its holdings in major categories of financial assets. Whilst the government publishes the consolidated annual financial statements with information on GoK's investment portfolio, detailed information on such investments in terms of performance, i.e., movement of shares, dividends, capital appreciation etc., is not published. GoK's investments are recognised at nominal value.	No change in score and performance
12.2	Non-financial asset monitoring	D	C	Each central government (budgetary and extra-budgetary) institution maintains an asset register with information on age, status and location of asset. Whilst the government maintains a	Improvement in score and performance. MDAs maintain asset register, but information is partial.

PI-12 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				register of its lands, it does not maintain a register of its subsoil assets such as minerals, energy and other naturally occurring assets.	
12.3	Transparency of asset disposal	D	C	The procedure and rule for the disposal and transfer of tangible assets are well established. Sections 163 to 166 of the Public Procurement and Asset Disposal Act (PPADA) 2015 and Sections 176 to 202 of the Public Procurement and Asset Disposal Regulations 2020 outline detailed procedure for disposal and transfer of non-financial assets. The consolidated annual financial statements of GoK provide partial information (original purchase cost and disposal value) on asset disposal. Currently, there is no specific law or regulation that governs the disposal and/or transfer of financial assets.	Improvement in score and performance. Annual financial statements disclose partial information of assets disposed. The new regulation on asset disposal emphasises public auction as means of asset disposal.

PI-12.1 Financial asset monitoring

The government maintains records of its holdings in major categories of financial assets. The Government Investment and Public Enterprises (GIPE) Department within the National Treasury is responsible for monitoring and evaluating the performance of public enterprises. Each year, GIPE prepares a consolidated statement of government investment in all public and private enterprises, which forms part of the consolidated annual financial statement of GoK. Whilst the government publishes the consolidated annual financial statements with information on GoK's investment portfolio, detailed information on such investments in terms of performance, i.e., movement of shares, dividends, capital appreciation etc., is not published. The statement of GoK's investments however shows the number of shares, percentage holdings, and the nominal value of shares.

As shown in Table 12.1A below, total government cask/bank balances stood at Kshs56.782 billion as at 30th June 2021. The government's total investment at nominal value stood at Kshs110.38 billion as at 30th June 2021 (please, refer to Table 12.1B below).

Table 12.1A Categories of financial assets (cash/bank) FY2020/2021

Particulars	As at 30th June 2021 (Kshs million)
Bank	53,125
Cash	82
Account receivables	3,575
Total	56,782

Source: Consolidated annual financial statement FY2020/2021 (note 3.1.6)

Table 12.1B Categories of financial assets (investments) FY2020/2021

Particulars	As at 30th June 2021 (Kshs)
Total GoK's investment in listed public enterprises	101,018,169,431
Total GoK's investment in non-listed public enterprises	7,662,469,740
Total GoK's investment in dormant companies	144,263,500
Total GoK's investment in international organisations	1,555,850,388
Total	110,380,753,059

Source: Consolidated annual financial statement FY2020/2021 (note 26.5)

Dimension score = C

PI-12.2 Non financial asset monitoring

Table 12.2 below outlines the categories of GoK's non-financial assets for FY2020/2021. Total fixed assets as at 30th June 2021 amounted to Kshs 601.76 billion. The Government of Kenya, through the National Treasury, established the National Assets and Liabilities Management Department through a legislative instrument (CAP101) in 2017 to among others, record, maintain, and manage all central government public non-financial assets. The department issued Circular Number 23/2020 dated 14th October 2020, instructing all central government ministries, departments and agencies (MDAs) to submit an updated asset register to form the basis for the compilation of a consolidated and comprehensive central government asset database. As at the time of this assessment, only 20%of MDAs have complied with the directive. That said, each central government (budgetary and extra-budgetary) institution maintains an asset register with information on age, status and location of asset. Whilst the government maintains a register of its lands, it does not maintain a register of its subsoil assets such as minerals, energy and other naturally occurring assets.

Table 12.2 Categories of fixed assets FY2020/2021

Categories	Subcategories	Where captured	Comments
Fixed assets	Buildings and structures	Disclosure Section: Note 26.1 of Consolidated Annual Financial Statements	These assets are recorded in the Government fixed assets register maintained by each MDA. Total amount as at 30th June 2021 stood at Kshs247,371,615,052.
	Machinery and equipment	Disclosure Section: Note 26.1 of Consolidated Annual Financial Statements	These assets are recorded in the Government fixed assets register maintained by each MDA. Total amount as at 30th June 2021 stood at Kshs242,955,252,936.
	Other fixed assets	Disclosure Section: Note 26.1 of Consolidated Annual Financial Statements	These assets are recorded in the Government fixed assets register maintained by each MDA. Total amount stood at Kshs69,476,498,386
Inventories	—	Not disclosed	

Categories	Subcategories	Where captured	Comments
Valuables	—		
Non-produced assets	Land	Disclosure Section: Note 26.1 of Consolidated Annual Financial Statements	These assets are recorded in the Government fixed assets register maintained by each MDA. Total amount as at 30th June 2021 stood at Kshs41,954,243,483.
	Mineral and energy resources		Not reported
	Other naturally occurring assets		Not reported
	Intangible non-produced assets	Disclosure Section: Note 26.1 of Consolidated Annual Financial Statements	Total amount stood at Kshs48,692,630,335

Dimension score = C

PI-12.3 Transparency of asset disposal

The procedure and rule for the disposal and transfer of tangible assets are well established. Currently, there is no specific law or regulation that governs the disposal and/or transfer of financial assets. The legal framework that governs the disposal and transfer of non-financial assets is contained in Part XIV, Sections 163 to 166 of the Public Procurement and Asset Disposal Act (PPADA) 2015. This is further supplemented by Sections 176 to 202 of the Public Procurement and Asset Disposal Regulations 2020, providing more details in terms of the procedure for disposal and transfer of non-financial assets.

The procedure for the disposal of non-financial assets includes but not limited to the setting up of asset disposal committee by each central government entity intending to dispose of any public asset, the committee vetting and approving of such disposal, publication of tenders for asset disposal in newspapers and/or online (Sections 183 and 185 of the Regulations), sale by public auction (Section 187 of the Regulations), payment for asset disposed (Section 192 of the Procurement Regulations), among others. The sale by public auction requires that the highest bidder takes ownership after payment into the Consolidated Fund. The consolidated annual financial statements of GoK provide partial information on disposal of assets, with information at least on the original purchase cost and disposal value. For FY2020/2021, total proceeds from the sale and disposal of tangible assets amounted to Kshs9,509,670,008[17].

Dimension score: C

Performance change since the previous assessment

There is improvement in overall score from D+ in 2017 to C in 2022 due to improvements in dimensions (ii) and (iii). MDAs maintain asset register, but information is partial. Annual financial statements disclose partial information of assets disposed. The new regulation on asset disposal emphasises public auction as means of asset disposal.

[17] Note 6, Consolidated Annual Financial Statement of GoK, FY2020/2021

Recent or ongoing reform activities

Plans are far advanced to activate the IFMIS fixed assets module to improve public asset accountability and reporting. As part of measures to enforce compliance in terms of reporting, annual performance contracts of public servants include a provision that hold public officials accountable for non-compliance.

PI-13 Debt Management

There are three dimensions under this indicator; dimension 13.1 assesses the integrity and comprehensiveness of reporting central government debt (both domestic and foreign debts as well as guarantees); dimension 13.2 measures the legal and regulatory framework governing approval of loans and guarantees; dimension 13.3 assesses whether government prepares medium-term debt strategy. Coverage of this indicator is central government.

Summary of scores and performance table

PI-13 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Debt management		B+	A		Improvement in overall score and performance due to improvement in dimension (i).
13.1 Recording and reporting of debt and guarantees		C	B	Whilst domestic debts (representing 48% of total public debt) are reconciled on a weekly basis, external debts (which constitutes 52%of total public debt) on the other hand are reconciled on a quarterly basis with statements received from creditors each quarter. The data is accurate and complete. PDMO publishes an annual Public Debt Management report which comprises the stock of domestic debt, external debt, debt service payments and disbursements, and selected public debt sustainability ratios and relevant statistics.	Improvement in score and performance. There were reconciliation challenges identified during the 2017 PEFA assessment.
13.2 Approval of debt and guarantees		A	A	Sections 46 to 62 of the Public Finance Management Act (PFMA) 2012 and Section 27 of the Public Private Partnership Act of 2011 place the responsibility and approval of loans and guarantees including all PPP projects solely to the Cabinet Secretary of the National Treasury. All public borrowings and issuance of guarantees must be approved by parliament in accordance with the law. Policies and procedures for borrowing are documented in the	No change in performance and score

PI-13 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				PFM regulations as well as the MTDMS.	
	13.3 Debt management strategy	A	A	The most recently published medium-term debt management strategy (MTDMS) relates to the period FY2021/22- FY2023/24. This was published in February 2021. The FY2021/22-FY2023/2024 debt management strategy covers both existing debt portfolio and forecast debt figures for all central government operations including budgetary and extra-budgetary units. The PDMO of the NT prepares an annual report on all central government debts and guarantees, and submits same to parliament.	No change in performance and score

PI-13.1 Recording and reporting of debt and guarantees

All central government (both budgetary and extra-budgetary units) debt and guarantees are managed centrally by the Public Debt Management Office (PDMO) of the National Treasury (NT). As at June 2021, total public debt including guarantees stood at Kshs7.696 trillion[18], equivalent to 68.1%of GDP, which is relatively high and appears to be increasing over the years. This is made up of Kshs3.697 trillion as domestic debt (representing 48%of total public debt) and Kshs3.999 trillion as external debt (representing 52%of total public debt – this includes guarantees amounting to Ksh157.22 billion). The Central Bank of Kenya (CBK) manages the domestic debt on behalf of the PDMO. The external debt is recorded and managed through a specialized software called the Commonwealth Secretariat Debt Management Recording System (CS-DRMS). Guarantees are also recorded through the same system by the PDMO. It is worth noting that CS-DRMS has no direct interface with IFMIS; this interface has been on the drawing board for a decade now.

The domestic debts (representing 48%of total public debt) is reconciled on a weekly basis with statements received from CBK. This is also complemented by monthly reconciliations between PDMO and CBK. External debts (which constitutes 52%of total public debt) on the other hand are reconciled on a quarterly basis with statements received from creditors each quarter. Additionally, annual reconciliations are carried out between PDMO and creditors at the end of each fiscal year. The data for both domestic and foreign debt as well as guarantees is accurate and complete. There were no reconciliation challenges at as the time of this assessment. PDMO publishes an annual Public Debt Management report which comprises the stock of domestic debt, external debt, debt service payments and disbursements, and selected public debt sustainability ratios and relevant statistics.

Dimension score: B

[18] Source: Pubic Debt Management Report dated September 2021 published on NT website (www.treasury.go.ke).

PI-13.2 Approval of debt and guarantees

The Cabinet Secretary (CS) of the National Treasury (which is the equivalent of the Minister of Finance in other jurisdictions) has the sole responsibility and power to contract loans and approve guarantees on behalf of the Government of Kenya for all central government entities (budgetary and extra-budgetary units), even including counties, in accordance with Sections 46 to 62 of the Public Finance Management Act (PFMA) 2012. Section 27 of the Public Private Partnership Act of 2011 also places the responsibility and approval of guarantees in relation to PPP projects solely to the Cabinet Secretary, in consultation with the PDMO, for purposes of professional advice. Part XIV (Sections 183 to 193) of the PFM Regulations 2015 outline the policies and procedures on public borrowing as well as issuance of guarantees. Section 59 of the PFM Act 2012 and Section 204 of the PFM Regulations 2015 require the Cabinet Secretary of the National Treasury to submit all proposed public loans and guarantees to parliament for prior approval before securing such facilities. Domestic and external debts and guarantees are contracted in line with the objective of the Medium-Term Debt Management Strategy (MTDMS) which provides procedures and guidelines on how to borrow, issue debt and undertake debt-related transactions.

Dimension score: A

PI-13.3 Debt management strategy

The most recently published medium-term debt management strategy (MTDMS) relates to the period FY2021/22- FY2023/24. This was published in February 2021. The MTDMS is underpinned by the 2021 Budget Policy Statement (BPS) consistent with the government's objective of minimizing the costs and risks of public debt. The scope of coverage of the strategy was the existing debt stock, non-performing guarantees, and the stated fiscal deficits in the 2021 BPS.

The strategy classifies key elements of debt management strategy including: (i) risk analysis of alternative debt, (ii) baseline macroeconomic assumptions and key risks, (iii) environment for debt management and potential sources of financing, (iv) cost-risk analysis of public debt, alternative debt management strategies and associated risk, (v) debt sustainability analysis, and (vi) implementation, monitoring and evaluation of debt management strategy.

The FY2021/22-FY2023/2024 debt management strategy covers both existing debt portfolio and forecast debt figures for all central government operations including budgetary and extra-budgetary units. The Public Debt Management Office (PDMO) of the National Treasury (NT) prepares an annual report on all central government debts and guarantees, and submits same to parliament, detailing targets sets in the MTDMS and actual debts and guarantees contracted for the period. Additionally, the BPS which is submitted each year to parliament, provides an update of government's borrowings against the MTDMS targets. The Government's annual borrowing plan is largely in accordance with its medium-term debt management strategy. The plan was to have a 60% foreign and 40% domestic debt portfolio; that is, to have more foreign debt compared to domestic debt.

Dimension score: A

Performance change since the previous assessment

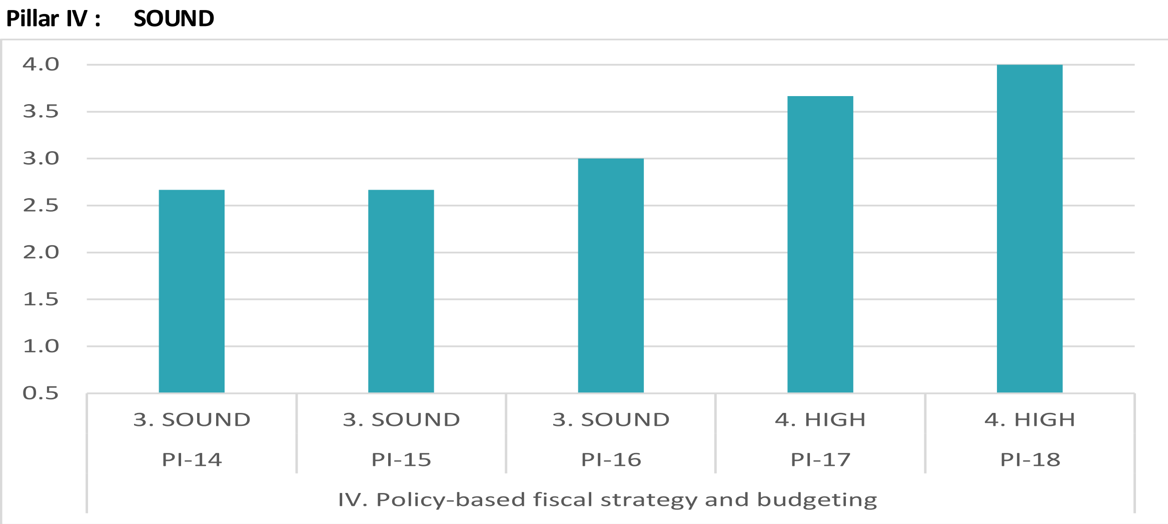
There has been improvement in overall score due to improvement in dimension (i). Reconciliation of debt figures with creditors has improved, with no challenges as at the time of this assessment.

Recent or ongoing reform activities

The GoK (through the National Treasury) is migrating to a new debt management software, called the MERIDIAN, which is expected to be fully operational by November 2022. This new system, also a Commonwealth platform, is web-based and easier to manage.

Pillar IV. Policy-based fiscal strategy and budgeting

At the overall level, this pillar's performance is sound as indicated in the chart below.



PI-14 Macroeconomic and fiscal forecasting

This indicator measures the ability of a government to develop robust macroeconomic and fiscal forecasts, which are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. It has three dimensions. Dimension (i) covers the whole economy; dimensions (ii) and (iii) cover central government.

Summary of scores and performance table

PI-14 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
14	Macroeconomic and fiscal forecasting	A	B		Improvement in score and performance due to positive real change under dimension 3, but overall deterioration in score because dimension 1 was over scored in the previous assessment.
14.1	Macroeconomic forecasts	A	D	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts are updated at least once a year. The forecasts cover the budget year and the two following fiscal years. The projections have been reviewed by an entity other than the preparing entity. The projections include GDP growth and inflation but not exchange rate and interest rate.	No change in performance but change in score. The previous assessment over scored the dimension.
14.2	Fiscal forecasts	A	A	The detailed budget estimates present projections of the main fiscal indicators, including revenue by type, expenditure, the budget balance and financing, for the ensuing fiscal year plus two outer years. Underlying assumptions to the projections are included in the BPS. The BROP also explains the differences with the forecasts made in the previous year's budget. The BPS and the BROP are submitted to the National Assembly for FYs	No change in score and performance

PI-14 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				2018/2019, 2019/2020, and 2020/2021.	
14.3	Macro-fiscal sensitivity analysis	B	A	The government prepares a range of fiscal forecast scenarios (included in the BPS) based on alternative macroeconomic assumptions, and these scenarios are published, together with its central forecast.	Improvement is score and performance. In the previous assessment, the PBS, which includes the fiscal forecast scenarios was not being published. In the current assessment, it is published in the NT website.

PI-14.1 Macroeconomic forecasts

The Budget Policy Statement (PBS) is prepared annually by the Macro and Fiscal Affairs Department in cooperation with the Budget Department in NT, as per the provisions of the Public Finance Management Act, 2012. It outlines the current state of the economy, provides macro-fiscal outlook over the medium term and specifies the set strategic priorities and policy goals together with a summary of Government spending plans, as a basis for the annual budget. The medium-term projections are scrutinized by the Sector Working Group (SWG), which is composed of Kenya National Bureau of Statistics, Central Bank, Planning, Kenya Institute for Public Policy Research and Analysis (KIPRA) and Kenya Revenue Authority (KRA). KIPRA is independent of the GoK, but is in a position to provide timely objective advice on each draft. The macroeconomic forecasts cover the budget year and the two following fiscal years and include GDP growth and inflation but not exchange rate and interest rate. The underlying assumptions on with the projections are based are included in the budget summary which is also submitted to the National Assembly as part the government's budget proposal (ref. PI-5).

Dimension score = D

PI- 14.2 Fiscal forecasts

The BPS, under the Fiscal Policy section, presents forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years and the financing. The assumptions under which the fiscal projects are prepared are explained in the same section. An explanation of the main differences from the forecasts made in the previous year's budget is provided in the BROP. The BPS and BROP are prepared annually and submitted to the National Assembly as part of the executive's annual budget proposal, which is done for FYs 2018/2019, 2019/2020, and 2020/2021.

Dimension score = A

PI- 14.3 Macro-fiscal sensitivity analysis

The GoK prepares a range of fiscal forecast scenarios based on alternative macroeconomic assumptions. These assumptions are included in the BPS under annex 2, Statement of specific fiscal risks. The section provides an assessment of fiscal risks that the Kenyan economy is exposed to that may affect the achievement of the macroeconomic targets and objectives detailed in this Budget Policy Statement. The main fiscal risks are envisaged to arise from assumptions that underlie fiscal projections, the dynamics of public debt, and operations of state corporations, contingent liabilities, financial sector vulnerabilities and natural risks. Different scenarios are prepared and the impact of these on revenue, expenditure and budget balance shown. An assessment of past forecast accuracy of underlying assumptions and budgetary aggregates is also described in the same section. The annual BPS is published in the NT website[19].

Dimension score = A

Performance change since the previous assessment

Improvement in score and performance due to positive real change under dimension 3, but overall deterioration in score because dimension 1 was over scored in the previous assessment.

[19]https://www.treasury.go.ke/budget-policy-statement/

Recent or ongoing reform activities

None

PI-15 Fiscal Strategy

This indicator provides an analysis of the capacity to develop and implement a clear fiscal strategy. It also measures the ability to develop and assess the fiscal impact of revenue and expenditure policy proposals that support the achievement of the government's fiscal goals. It has three dimensions. Coverage is central government.

Summary of scores and performance table

PI-15 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
15	Fiscal Strategy	B	B		No change in score and performance
15.1	Fiscal impact of policy proposals	C	D	The GoK prepares estimates of the fiscal impact of all proposed changes in revenue policy for the budget year only, which is submitted to the legislature. Fiscal impact of proposed changes in expenditure policy is not prepared.	There is no real change in performance compared to 2017. The dimension was overrated.
15.2	Fiscal strategy adoption	A	A	The GoK has set three-year medium-term fiscal objectives with quantitative targets at the start of the budget preparation in each of the last 3 FYs.	No change and no other factors.
15.3	Reporting on fiscal outcomes	B	B	The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.	No change and no other factors.

PI- 15.1 Fiscal impact of policy proposals

The Budget Statement (which is also known as budget speech) is one of the documents submitted annually to the National Assembly (ref. PI-5) and presented by the Cabinet Secretary for the National Treasury and Planning. It highlights the budget policy and revenue raising measures for the budget year. The document, under section IV (Taxation Proposals and Miscellaneous Amendments), details the list of proposed tax measures and the amounts of revenue estimated to be collected as a result. The estimate of the fiscal impact of these proposed tax measures in revenue is prepared for the current year and not for the following two fiscal years. In addition, the estimate of the fiscal impact of proposed changes in expenditure policy is not prepared.

Dimension score = D

PI- 15.2 Fiscal strategy adoption

The fiscal strategy is an integral part of the BPS, which is submitted to the National Assembly as part of the executive's annual budget proposal. It contains the fiscal framework for three years. As per the fiscal policy of FY 2020/21, the Government aims curtail growth in public expenditures to ensure it attains its fiscal consolidation path with the overall fiscal deficit being maintained broadly at the levels outlined in the BPS. The fiscal framework sets out the medium-term targets for revenue, expenditure, fiscal deficit and financing. The medium-term budget framework for 2020/21 – 2022/23 has taken into account the need to ensure that resource allocation is aligned to prioritized programmes in the MTP III. In particular, the budget framework has focused on the "Big Four" Agenda and the strategic policy initiatives of the Government to accelerate growth, employment creation and poverty reduction. Accordingly, the sector priorities are detailed and the medium-term sector ceilings also presented in the BPS.

Dimension score = A

PI- 15.3 Reporting on fiscal outcomes

The progress made against fiscal strategy and explanation of the reasons for any deviation from the objectives and targets set are contained in the different documents prepared by the executive as part of the budget proposal submitted to the National Assembly and published in the NT website. These include the BPS, BROP and QEBR. The fiscal performance section of the BPS describes overall results achieved and explains major reasons for variations from the target. Review of fiscal performance is an integral part of the BROP which provides a detailed explanation of the fiscal performance in relation to fiscal objectives on revenue, expenditure and overall balance and financing. The QEBR also describes the progress made against fiscal strategy under the fiscal developments' sections. The reports do not however set out the actions planned by the government to address any deviations, which are required to score "A" under this dimension.

Dimension score = B

Performance change since the previous assessment

No change in performance and overall score but dimension (i) in 2017 was overrated

Recent or ongoing reform activities

None

PI-16 Medium-term perspective in expenditure budgeting

This indicator examines the extent to which expenditure budgets are developed for the medium-term within explicit medium-term budget expenditure ceilings. It also examines the extent to which annual budgets are derived from medium-term estimates and the degree of alignment between medium-term budget estimates and strategic plans. This indicator covers budgeted central government.

Summary of scores and performance table

PI-16 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
16	Medium-term perspective in expenditure budgeting	B+	B		No real change in performance but change in score because dimension 3 was overrated in the previous assessment.
16.1	Medium-term expenditure estimates	A	A	The annual budget includes estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic and program (or functional) classification.	No change in score and performance.
16.2	Medium-term expenditure ceilings	A	A	Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are approved by government before the first budget circular is issued.	No change in score and performance.

PI-16 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
16.3	Alignment of strategic plans and budgets	B	C	Medium-term strategic plans are prepared and costed for all ministries but the cost information is not complete. The expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.	There is no real change in performance compared to 2017. The dimension was overrated.
16.4	Consistency of budgets with previous year estimates	C	C	The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	No change in score and performance.

PI- 16.1 Medium-term expenditure estimates

The concept of a medium-term perspective to budgeting in PFM practices is firmly enshrined in the PFMA (2012). Section 15 of the PFMA (2012) lists the fiscal policy principles that are to be enforced in the budget preparation over the medium-term. The fiscal framework in contained in the Budget Policy Statement (BPS), as required by the section 15 of the PFMA. Moreover, section III of the Financial Regulation (2015) elaborates the fiscal policy principles that are applied to the preparation of the fiscal strategy and macro-economic framework. In accordance with the regulation, the annual BPS contains the annual budget estimates of expenditure for the budget year and the two following fiscal years allocated by economic and functional classifications. Estimates by economic classification are presented at 2-digit GFS. For the FY 2021/22, these are presented in the BPS under section III (Budget for FY 2021/22 and the medium-term) and the supporting annexes. They are also included in the annual approved budgets estimates for the year.

Dimension score = A

PI- 16.2 Medium-term expenditure ceilings

The Budget Review and Outlook Paper (BROP) provides the fiscal outturn for the last fiscal year, the macro-economic projections and sets the sector ceilings for the next fiscal year and the Medium-Term Budget. The preparation is led by the National Treasury and Planning in collaboration with various government agencies and reviewed by the Macro Working Group. The ceilings include aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years. The public financial management regulation (2015) stipulates that the ceilings in outer years are binding. Hence, ceilings determined in the previous period framework are used as initial ceilings for the current year. The final ceilings are further firmed up in the Budget Policy Statement (BPS). The budget circular for FY 2021/22, that was issued on August 26, 2020, also mentions that the aggregate and MDA expenditure ceilings for the first two FYs are required by the budget circular to be initially the same as for the second and third years of the previous fiscal framework period.

Dimension score = A

PI- 16.3 Alignment of strategic plans and budgets

Kenya's long-term development plan (i.e., Vision 2030) covers the period 2008 to 2030. The Vision is being implemented through successive five-year medium-term plans. The Third Medium Term Plan (MTP III) 2018-2022, which is made up of four priorities known as the "The Big Four" (B4) agenda, succeeds the Second MTP (MTP II) 2013-2017. It sets priority programs with clear strategies and is prepared by the National Treasury and Planning. All sectors also prepare sector plans in line with the MTP III for the same period. The strategies are costed, but the cost information is not complete in that it does not include future recurrent cost implications of investment commitments. The Medium-Term Expenditure Framework puts into consideration the Governments priorities outlined in the Big Four

Agenda, which makes it align with the sector strategies. The score could have thus been "A", had the strategies included complete cost information. Table 16.1 shows the list of these sectors and their budget estimates for the FY 2021/2022 with costed strategies.

Table 16.1 Sectors with costed medium-term strategy (Ksh millions)

Sector	Budget Vote FY 2021/2022
Agriculture, rural and urban development	75,725.9
Energy, infrastructure and ICT	335,812.3
General economic and commercial affairs	20,583.1
Health	121,090.3
Education	503,971.1
Governance, justice, law and order	217,318.9
Public administration and international relations	332,524.1
National security	162,202.7
Social protection, culture and recreation	72,194.3
Environmental protection, water and natural resources	100,585.9
Total sector budget vote, FY 2021/22	1,942,008.6
Total BCG budget vote FY 2021/22	1,942,008.6
%of Sectors that prepared a costed strategy	100%

Source: Budget book 2021/22.

Dimension score = C

PI- 16.4 Consistency of budgets with previous year estimates

The financial regulation requires consistency of budgets with previous year estimates and explanation for any changes. The rules are as follows:

Paragraphs 4 and 5 of Section 27 of the Financial Regulations (2015) specify that:

- Once the BPS is approved by Parliament, it shall provide the basis for expenditure ceilings specified in the fiscal framework. As part of the Budget Statement presented to Parliament in June, the NT shall prepare an explanation of any deviations between the ceilings contained in the BPS and the ceilings indicated in the Budget Statement;
- The ceilings for development expenditure and personnel emoluments specified in the approved BPS will be binding for the next two FYs.

Section 29 (1) (d) of the FR states that the fiscal framework contained in the BPS should provide an analysis of the consistency of the updated fiscal strategies with previous fiscal strategies, with explanations to any deviations/changes.

The budget statement does not provide an explanation of all changes to expenditure estimates between the last medium-term budget and the current medium-term. The BPS compares expenditure estimates between the last medium-term budget and the current medium-term at sector level in a table but explanations are based on changes in macro-economic conditions and at aggregate level, not on sector-specific conditions/levels.

Table 16.2: Comparison of 2020/21 and 2021/22 MTEFs

Sector	Medium term budget FY 2020/21 – 2022/23	Medium term budget FY 2021/22 -2023/24
Agriculture, rural and urban development	48,641.8	75,725.9
Energy, infrastructure and ICT	438,339.1	335,812.3
General economic and commercial affairs	23,964.3	20,583.1
Health	120,385.8	121,090.3
Education	528,437.5	503,971.1

Governance, justice, law and order	224,537.6	217,318.9
Public administration and international relations	242,495.5	332,524.1
National security	153,339.7	162,202.7
Social protection, culture and recreation	69,569.2	72,194.3
Environmental protection, water and natural resources	104,434.4	100,585.9
	1,954,144.8	1,942,008.6

Source: BPS, Budget book FY 2020/21 and FY 2021/22.

Dimension score = C

Performance change since the previous assessment, where applicable

No real change in performance but the aggregate score decreased from "B+" to "B" because dimension (iii) was overrated by the 2017 assessment.

Recent or ongoing reform activities

None

PI-17 Budget preparation process

This indicator assesses the budget formulation process that allows for an effective top-down and bottom-up participation of the MDAs, including their political leadership represented by Cabinet. It also assesses the extent to which the annual budget preparation process supports the linking of the draft budget to public policy objectives. Dimensions (i) and (ii) are assessed using the last budget submission, for FY2021. Dimension (iii) is assessed on the basis of the last three completed fiscal years: i.e., the FYs2018-2020. Coverage is budgeted central government.

Summary of scores and performance table

PI-17 (M2)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
17	Budget preparation process	A	A		No change in aggregate score but deterioration in dimension 17.1.
17.1	Budget calendar	A	B	A clear annual budget calendar exists. The calendar allows budgetary units four weeks from receipt of the budget circular. All budgetary units are able to complete their detailed estimates on time.	No change in performance but the previous assessment over scored the dimension.
17.2	Guidance on budget preparation	A	A	A comprehensive and clear budget circular is issued to MDAs, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings approved by the cabinet prior to the circular's distribution to budgetary units.	No change.
17.3	Budget submission to the legislature	A	A	The executive has submitted the annual budget proposal to the parliament at least two months before the start of the fiscal year in each of the last three years.	No change.

17.1 Budget calendar

The formulation and preparation of the budget involves development and submission of key documents for approval by Cabinet and Parliament. The process is guided by the budget calendar which stipulates timelines for a number of key activities to be undertaken in order to finalize the Budget and submit it for approval before 30th April of each financial year. The budget calendar is contained in the Treasury circular issued in accordance to Section 36 of the Public Finance Management Act, 2012, providing guidelines on the processes and procedures for preparing the subsequent financial year and the Medium-Term Budget.

The budget calendar for the preparation of the FY 2021/22 budget is included in the treasury circular issued on August 26, 2020. The budget preparation process includes different stages, the major ones being: Program performance & strategic review, development of medium-term budget framework, preparation of MTEF budget proposals, draft budget policy statement (BPS), and preparation and approval of final MDAs budgets. The whole process takes around eight months. The budget ceilings are included in the BPS, which are sent to the MDAs four weeks before the date of submission of the budget proposal to the Treasury, which is March 15, 2021. MDAs submit their budget proposals through the IFMIS and there is 100% compliance in timely submission, as shown in Table 17.1. The IFMIS also does not accept late submissions.

Table 17.1: MDAs/Sectors budget submission to the National Treasury for FY 2021/22

Administrative category	Approved budget for FY 2021/22 (KSh.)	Budget submitted on time (yes/no)
1011 Executive Office of the President	34,594,962,979	Yes
1021 State Department for Interior and Citizen Services	138,589,104,121	Yes
1023 State Department for Correctional Services	29,658,225,368	Yes
1032 Ministry of Devolution	3,243,551,120	Yes
1035 State Department for Development of the ASAL	10,141,216,463	Yes
1041 Ministry of Defence	119,751,705,987	Yes
1052 Ministry of Foreign Affairs	18,819,997,178	Yes
1064 State Department for Vocational and Technical Training	23,295,905,071	Yes
1065 State Department for University Education	95,412,815,304	Yes
1066 State Department for Early Learning & Basic Education	103,290,308,240	Yes
1068 State Department for Post Training and Skills Development	268,000,000	Yes
1071 The National Treasury	157,745,433,969	Yes
1072 State Department for Planning	45,985,202,166	Yes
1081 Ministry of Health	121,090,264,630	Yes
1091 State Department for Infrastructure	195,203,626,354	Yes
1092 State Department for Transport	10,774,500,336	Yes
1093 State Department for Shipping and Maritime	2,787,505,572	Yes
1094 State Department for Housing & Urban Development	15,288,207,313	Yes
1095 State Department for Public Works	4,239,510,821	Yes
1108 Ministry of Environment and Forestry	14,727,031,505	Yes
1109 Ministry of Water & Sanitation and Irrigation	77,614,228,930	Yes
1112 Ministry of Lands and Physical Planning	5,476,121,496	Yes
1122 State Department for Information Communication Technology & Innovation	22,789,365,405	Yes
1123 State Department for Broadcasting & Telecommunications	6,953,816,225	Yes
1132 State Department for Sports	16,486,642,181	Yes
1134 State Department for Culture and Heritage	2,987,085,107	Yes
1152 Ministry of Energy	73,884,000,000	Yes
1162 State Department for Livestock	9,079,254,869	Yes
1166 State Department for Fisheries, Aquaculture & the Blue Economy	13,003,572,675	Yes
1169 State Department for Crop Development & Agricultural Research	44,933,119,315	Yes
1173 State Department for Cooperatives	1,750,890,884	Yes

Administrative category	Approved budget for FY 2021/22 (KSh.)	Budget submitted on time (yes/no)
1174 State Department for Trade and Enterprise Development	4,025,146,496	Yes
1175 State Department for Industrialization	6,385,333,120	Yes
1184 Ministry of Labour	5,343,488,390	Yes
1185 State Dpt for Social Protection, Senior Citizens Affairs & Special Programs	33,568,071,321	Yes
1194 Ministry of Petroleum and Mining	3,891,739,768	Yes
1202 State Department for Tourism	5,682,319,152	Yes
1203 State Department for Wildlife	8,244,623,774	Yes
1212 State Department for Gender	3,667,807,321	Yes
1213 State Department for Public Service	18,893,032,066	Yes
1214 State Department for Youth Affairs	4,650,480,865	Yes
1221 State Department for East African Community	609,846,603	Yes
1222 State Department for Regional and Northern Corridor Development	3,880,500,000	Yes
1252 State Law Office and Department of Justice	5,159,651,336	Yes
1261 The Judiciary	17,336,400,000	Yes
1271 Ethics and Anti-Corruption Commission	3,326,023,119	Yes
1281 National Intelligence Service	42,451,000,000	Yes
1291 Office of the Director of Public Prosecutions	3,276,238,944	Yes
1311 Office of the Registrar of Political Parties	1,961,696,750	Yes
1321 Witness Protection Agency	489,042,929	Yes
2011 Kenya National Commission on Human Rights	408,711,517	Yes
2021 National Land Commission	1,482,900,615	Yes
2031 Independent Electoral and Boundaries Commission	14,351,688,218	Yes
2041 Parliamentary Service Commission	6,612,314,228	Yes
2042 National Assembly	23,502,082,199	Yes
2043 Parliamentary Joint Services	7,768,303,573	Yes
2051 Judicial Service Commission	581,800,000	Yes
2061 The Commission on Revenue Allocation	485,616,016	Yes
2071 Public Service Commission	2,391,471,009	Yes
2081 Salaries and Remuneration Commission	621,380,000	Yes
2091 Teachers Service Commission	281,704,100,000	Yes
2101 National Police Service Commission	794,089,102	Yes
2111 Auditor General	5,906,450,390	Yes
2121 Office of the Controller of Budget	689,122,143	Yes
2131 The Commission on Administrative Justice	614,821,608	Yes
2141 National Gender and Equality Commission	436,592,581	Yes
2151 Independent Policing Oversight Authority	949,758,146	Yes
	1,942,008,814,883	
Total approved budget for FY 2021/22	1,942,008,814,883	
% Submitted on time per BCC	100%	

Source: National Treasury Budget Directorate.

Dimension score = B

17.2 Guidance on budget preparation

The budget circular referred to above is comprehensive and clear. It contains templates for projecting outputs in physical terms for the next 3 years on a sub-programme basis and on an economic classification basis under each programme and detailed instructions. The BPS includes the budget ceilings for FY 2021/22 for the full year and was approved by the cabinet on January 22, 2021, before distribution to MDAs. MDAs were required to submit their budget proposal to the Treasury on March 15, 2021.

Dimension score: A

17.3 Budget submission to the legislature

Article 221 (1) of the Constitution of Kenya stipulates that “At least two months before the end of each financial year, the Cabinet Secretary responsible for finance shall submit to the National Assembly estimates of the revenue and expenditure of the national government for the next financial year to be tabled in the National Assembly”. In accordance with this, the National Treasury and Planning submitted the budget estimates to Parliament two months before the beginning of the fiscal year for the last three completed fiscal years (See Table 17.2 below).

Table 17.2Dates of submission of the budget to parliament

Year	Dates of submission to parliament
2018/2019	April 26, 2018
2019/2020	April 25, 2019
2020/2021	April 29, 2020

Source: National Treasury and Parliament

Dimension score = A

Performance change since the previous assessment, where applicable

No change in performance and aggregate score but deterioration in score of dimensions 17.1 from “A” to “B”. This occurred because the previous assessment over scored the dimension. Dimensions 17.2 and 17.3 scored “A” in both assessments. The budget circular is clear and comprehensive and ceilings are approved by the cabinet before submission to MDAs. Budget estimates are submitted to the parliament two months before the beginning of the fiscal year.

Recent or ongoing reform activities

None

PI-18 Legislative scrutiny of budgets

This indicator assesses the legislative scrutiny and debate of the annual budget law as described by the scope of the scrutiny, the internal procedures for scrutiny and debate and the time allocated to that process, in terms of the ability to approve the budget before the commencement of new fiscal year, and also assesses the existence of rules for in-year amendments to the budget without ex-ante approval by the legislature. It has four dimensions. This indicator covers budgeted central government.

Summary of scores and performance table

PI-18 (M1)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
18	Legislative scrutiny of budgets	B+	A		Improvement in score and performance due to improvement in dimension 4. In all instances, rules to budget adjustments have been adhered to in 2022, compared with 2017
18.1	Scope of budget scrutiny	A	A	The legislature first reviews and approves the BROP and BSP before	No change in score and performance.

PI-18 (M1)	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				the budget is formally presented. The timeframe allows detailed debate and scrutiny. The budget scrutiny covers fiscal policies, medium-term fiscal forecast, detailed revenues and expenditures, as well as medium-term priorities.	
18.2	Legislative procedures for budget scrutiny	A	A	The legislature's procedures to review budget are firmly established in law and are respected. Procedures include public consultation, technical support office, specialized committees and negotiations.	No change in score and performance.
18.3	Timing of budget approval	A	A	The legislature approved the annual budget before the start of the FY in the last three years.	No change in score and performance.
18.4	Rules for budget adjustments by the executive	B	A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and the nature of the amendments and are adhered to in all instances.	Improvement in score and performance.

PI-18.1 Scope of budget scrutiny

The Parliamentary Budget Office (PBO) was created in May 2007 in order to enhance the capacity of the National Assembly to better scrutinize the national budget. The PBO is a non-partisan professional office of the Kenyan Parliament whose primary function is to provide timely, objective information and analysis concerning the national budget and the economy. The parliament examines documents that are submitted to it by the National Treasury and Planning and The Macro Working Group. The legislature first reviews and approves the BROP and BSP before the budget is formally presented. The documents that are submitted to Parliament and reviewed at different stages of the budget preparation process for the FY 2020/21 include:

- the Budget Review and Outlook Paper (BROP);
- the Budget Policy Statement (BPS);
- the Division of Revenue Bill (DROB);
- the Country Allocation of Revenue Bill (CARB);
- the Program Based Budget for the year;
- the Estimates of Revenue, Grants and Loans that captures the Revenue Estimates by Broad Classification;
- the Estimates of Recurrent Expenditure for the year;
- the Estimates of Development Expenditure for the year;
- the Budget Summary for the year;
- the List of Projects.

The BROP provides an overview of the government' s financial performance for the FY2019/20. It also shows macro-economic projections, the sector ceilings and the medium-term budget as well as information on the variations from the projections outlined in the FY 2019/20 BPS. The BPS sets out the broad strategic priorities and policy goals that guide the government in preparing the budgets both for the following financial year and over the medium term. The revenue and expenditure estimates include amounts for the current year and two outer years. The principal components of the Budget Summary are: (i) Policy Framework for FY 2020/21 and the Medium Term; (ii) Measures taken by the National Government to implement

recommendations made by the National Assembly with respect to the budget for the previous year or years; (iii) Highlights of the FY 2020/21 Budget; (iv) Adherence to Fiscal Responsibility Principles; (v) Memorandum by the Cabinet Secretary to the National Treasury on the resolutions adopted by the National Assembly on the 2020 Budget Policy Statement.

Dimension score: A

PI-18.2 Legislative procedures for budget scrutiny

The legislature's procedures to review budget proposals are approved by the legislature in advance of budget hearings and are respected. The procedures include arrangements for public consultation and internal organizational arrangements, such as specialized review committees, technical support and negotiation procedures.

Section 124 of the Constitution provides for the establishment of committees and issuance of standing orders by the National Assembly. The National Assembly Standing Order passed different amendments since it was first adopted 2013 and the current version (5^{th} edition) was passed on May 6, 2020. The legislative procedures for review and approval of the budget are stipulated under Part XXIV – Financial Procedures. The committee that is responsible for the legislative scrutiny of budgets is the Budget and Appropriations Committee (BAC). The functions of the committee are detailed under section 207 of the standing instruction.

The legislative scrutiny of the budget passes different stages, which are applied in the FY 2020/21. The major ones being:

- Review of the Budget Policy Statement and Debt Management Strategy;
- Consideration of the Division of Revenue Bill;
- Presentation of Budget Estimates and committal to Committees;
- Consideration of Estimates in the Committee of Supply;
- Appropriation Bill and Equalization Fund Appropriation Bill.

Negotiation procedures are outlined and available. Section 207 (6) requires the BAC to invite Chairpersons of all Departmental Committees to make presentations during the consideration of the budget. Public consultation of the budget is also arranged and section 235 (5) prescribes that the BAC should take into account the recommendations of the Departmental Committees, the views of the Cabinet Secretary and the public before making recommendations to the National Assembly. Section 203 allows a committee to engage experts in furtherance of its mandate.

Dimension score: A

PI-18.3 Timing of budget approval

The budget has been approved before the start of the fiscal year in all three past FYs. The dates of approval of the last three budgets by Parliament are presented in Table 18.1 below.

Table 18.1: Budget Submission to Parliament and Adoption (FY 2018/2019-2020/2021)

Budgets	Date Budget Proposal was Submitted to Parliament	Date Budget was Approved by Parliament
FY2018/19	26^{th} April 2018	22^{nd} June 2018
FY2019/20	25^{th} April 2019	20^{th} June 2019
FY2020/21	29^{th} April 2020	19^{th} June 2020

Source: National Assembly.

Dimension score = A

18.4 Rules for budget adjustments by the executive

Clear rules exist for in-year budget adjustments by the executive which are stipulated in the Constitution, the PFMA 2012 and the Financial Regulation of 2015. The rules for reallocating funds are prescribed under section 43 of the PFMA. As per the rules, MDAs are allowed to reallocate funds between programs, or between Sub-Votes, in the budget for a financial year if:

a) There are provisions in the budget of a program or Sub-Vote which are unlikely to be utilised;
b) a request for the reallocation has been made to the National Treasury explaining the reasons for the reallocation and the National Treasury has approved the request; and
c) The total sum of all reallocations made to or from a program or Sub-Vote does not exceed ten percent of the total expenditure approved for that program or Sub-Vote for that financial year.

In addition to this, the 2015 Financial Regulation stipulates that, in case of a reallocation impacting on donor-funded expenditure, MDAs are allowed to reallocate funds in accordance with donor conditions.

The rules for supplementary appropriations are enshrined in the 2010 Constitution. Article 223 specifies that the national government may spend money that has not been appropriated if:

a) The money appropriated is not sufficient to meet the original purpose of the expenditure or if a new need has arisen for which no appropriation had been provided; or
b) Money has been withdrawn under the Contingencies Fund.

Furthermore, the Constitution specifies that the approval of Parliament for any spending under this Article shall be sought within two months after the first withdrawal of the money and in any particular financial year, the national government may not spend under this Article more than ten per cent of the sum appropriated by Parliament for that financial year unless, and under special circumstances, Parliament has approved a higher percentage.

These rules have been applied during the execution of the FY 2020/2021 budget in all instances. The supplementary appropriation bill for 2021 was approved by the National Assembly in March 2021.

Dimension score: A

Performance change since the previous assessment

There is improvement in overall score due to improvement in dimension 4. In all instances, rules to budget adjustments have been adhered to in 2022, compared with 2017.

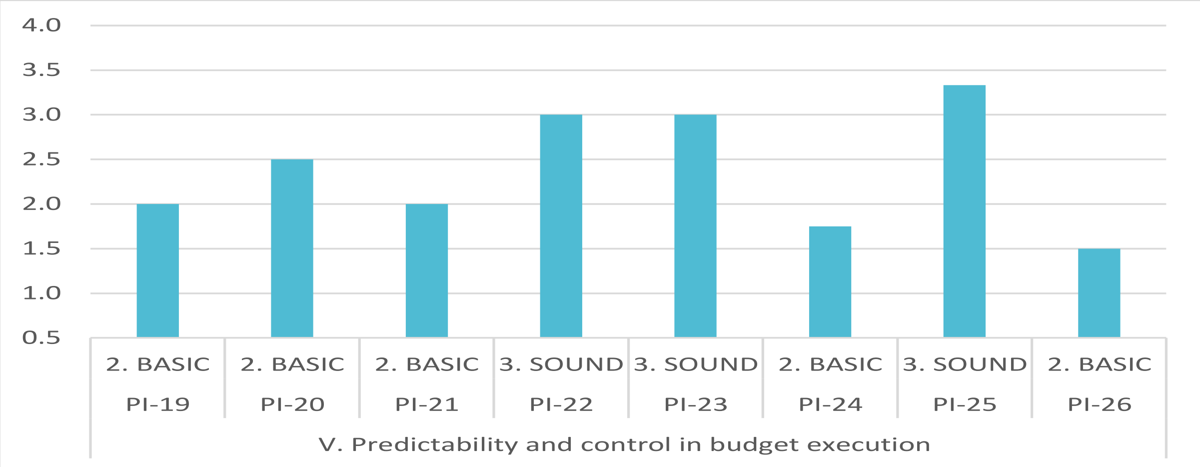
Recent or ongoing reform activities

None

3.4 Pillar V: Predictability and control in budget execution

As shown in the chart below, the performance of this pillar at the overall level is basic.

Pillar V : BASIC



PI-19 Revenue administration

The indicator assesses the procedures used to collect and monitor central government revenues. A government's ability to collect revenue is an essential component of any PFM system. It has four dimensions. This indicator covers central government.

Summary of scores and performance table

PI-19 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Revenue administration		D+	C+		Improvement in overall score and performance due to improvement in dimension (i) and (ii).
19.1 Rights and obligations for revenue measures		C	A	KRA (collecting 83% of national government revenues) uses multiple means to inform the public on tax and other revenue measures including taxpayer obligations (registration, complete/accurate filing and payment) and taxpayer redress mechanisms. Information is comprehensive, accurate and reliable. There is also a functional tax appeals mechanism which is publicly known.	Improvement in score and performance. Tax appeal system is now functional.
19.2 Revenue risk management		C	B	KRA (collecting 83% of national government revenues) has a structured and systematic approach to revenue risk management. This is based on its compliance risk management and improvement plan. Case selection for tax audit is automatically generated and prioritised through iTax without any human interference	Improvement in score and performance.
19.3 Revenue audit and investigation		C	C	As shown in Table 19.2 below, KRA (collecting 83% of national government revenues), for FY2020/2021, completed 70%of all planned audits and investigations according to a documented compliance improvement plan.	No change in score and performance

PI-19 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
19.4	Revenue arrears monitoring	D	D	The stock of revenue arrears, as indicated in Table 19.3A represents 102.5% of total domestic revenue collections. As shown in Table 19.3B, revenue arrears older than twelve months represent 71%of total revenue arrears	No change in score. Performance has marginally improved compared to 2017. Revenue arrears older than 12 months were 86% in 2017 compared to 71% in 2022.

Table 19.1 below analyses GoK's revenues for FY2020/2021. It shows that the Kenya Revenue Authority (KRA) collects 83% of central government domestic revenues (excluding external grants). Other government agencies (MDAs, SAGAs, EBUs and NSSF) collect 17.0%of total central government revenues.

Table 19.1: Summary of total domestic revenues (excluding grants) for FY2020/2021 (Ksh Million)

REVENUE CATEGORY	COLLECTIONS (Ksh million)	%
KRA COLLECTIONS		
Taxes on profit, income and capital gains (income tax)	694,052.50	36.9%
Taxes on goods and services (VAT)	410,758.40	21.8%
Excise taxes	216,324.90	11.5%
Taxes on international trade (customs/import duties)	108,375.20	5.8%
Other non-tax revenues collected by KRA	132,503.80	7.0%
Total KRA collections	1,562,014.80	83.0%
REVENUES FROM OTHER GOVERNMENT AGENCIES		
National Social Security Fund	32,826.40	1.7%
Revenues from other EBUs	45,599.94	2.4%
Appropriations-in-Aid (other non-tax revenues from MDAs)	241,521.40	12.9%
TOTAL FROM OTHER GOVERNMENT AGENCIES (B)	319,947.74	17.0%
GRAND TOTAL (A+B)	1,881,962.54	100.0%

Source: The National Treasury, Macro and Fiscal Affairs Department + EBUs + NSSF Audited Accounts – FY2020/2021

TADAT Assessment 2022

A second TADAT report (following from one completed in 2017) was prepared earlier this year (2022) by a team funded by IMF. The report indicated that revenue administration had significantly improved, but weaknesses remained. These are:

- Absence of a high integrity PIN.
- Inaccuracies in taxpayer register
- A structured non-filer programme not being implemented.
- Compliance improvement plan for all tax obligations and core taxes not embedded into KRA operations.
- Low rates of on-time filing and payment
- Electronic payment usage is low
- Uncollectible arrears not written-off
- Absence of work plans to operationalize compliance framework
- Quality assurance of audits not in place

- Large volumes of unprocessed VAT refund claims and insufficient funding
- Absence of an interface with CBK, resulting in manual and delayed postings.

PI-19.1 Rights and obligations for revenue measures

The Kenya Revenue Authority (collecting 83%of national government revenues) uses multiple means to inform the public on tax and other revenue measures including taxpayer obligations (registration, complete/accurate filing and payment) and taxpayer redress mechanisms, also known as taxpayer rights. KRA's website (https://www.kra.go.ke), which is user-friendly, provides most comprehensive, accurate and reliable tax information. Information such as income tax laws, customs laws, excise laws, among others are published on the website. Additionally, the website gives guidance on procedure and processes for filing personal and corporate taxes. The KRA homepage has an icon/portal for individual taxpayers, businesses, investors, and agents. There is a portal for online services such as online tax filing and payment systems. There is also a comprehensive taxpayer guide, a service charter, and most importantly complaints and access to information guide which is very useful for taxpayers. The client service department undertakes a number of tax education and outreach programs, including townhall meetings, radio and TV programmes, social media presence (Facebook), among others. There is a live KRA TV channel which allows taxpayers to log-in and listen to tax education programs. KRA communication is in English and Swahili. There is a direct taxpayer telephone system but this is not toll-free[20].

The various tax laws make provision for taxpayer rights. These are published on KRA's website. These rights include rights of tax appeal internally within KRA, then escalated to the independent tax appeal's board. The tax laws also make provision for legal redress at the law courts. The independent tax appeals board is now functional – this was not the case in 2017.

Dimension Score = A

PI-19.2 Revenue risk management

KRA (collecting 83%of national government revenues) has a structured and systematic approach to revenue risk management. This is based on its compliance risk management and improvement plan. Similarly, the Customs & Border Control Department (CBCD) in KRA which collects import duties, strengthened its Risk Management Unit, mainly through replacing its largely manual control system (SIMBA) by a fully automated electronic system (Integrated Customs Management System, (ICMS). Its Post Clearance Audit (PCA) function, established some years ago and partially effective, was absorbed into ICMS.

One area that opens an opportunity for abuse is case selection process for tax audit and fraud investigations. This has now been automated, to the extent that case selection for tax audit is automatically generated through iTax without any human interference. Furthermore, the era of taxpayers paying taxes to tax officials is no more – taxpayers now pay their taxes directly into treasury-managed bank accounts. There is also a mobile money payment platform which has eliminated the incidence of actual cash payments. Additionally, taxpayers have an option of direct funds transfer to designated treasury-managed bank accounts. These have contributed to improving the risk management environment. The full rollout of iTax for revenue administration has considerably improved taxpayer database and reduced to a large extent data mismatch between customs and income tax.

Dimension Score = B

[20] Toll-free system encourages taxpayers to interact more frequently with the tax authorities, since it comes at no cost to the taxpayer. This has the potential to improve tax compliance.

PI-19.3 Revenue audit and investigation

As shown in Table 19.2 below, KRA (collecting 83% of national government revenues), for FY2020/2021, completed 70% of all planned audits and investigations according to a documented compliance improvement plan.

Table 19.2: Performance of revenue audit and fraud investigation FY2020/2021

Revenue type	Number of planned audits and investigations	Number of completed audits and investigations	Percentage completion	Amount recovered (Ksh, million)
Large taxpayer office	994	837	84%	9,042
Small and Medium taxpayer office	1,067	597	56%	1,542
Customs post-clearance audit	0	0	0	0
Total	2,061	1,434	70%	10,584

Source: KRA

Dimension Score = C

PI-19.4 Revenue arrears monitoring

The stock of revenue arrears, as indicated in Table 19.3A below, represents 102.5% of total domestic revenue collections. Out of the total stock of revenue arrears of Ksh1,601.13 billion, Ksh462.17 billion, representing 29% is less than twelve (12) months old; Ksh1,138.96 billion, representing 71% is older than twelve (12) months (please, refer to Table 19.3B below). Age-profiling of revenue arrears has been possible due to iTax system.

Table 19.3A: Analysis of revenue arrears

Revenue type	Ksh
Total revenue arrears (as at 30th June 2021)	1,601,133,022,443.32
Total domestic revenue collections – FY2020/2021	1,562,014,800,000.00
Percentage of revenue arrears to total domestic revenue	102.5%

Source: KRA

Table 19.3B Ageing analysis of revenue arrears

Age analysis	Ksh	%
Total revenue arrears (as at 30th June 2021)	1,601,133,022,443.32	100%
Revenue arrears less than 12 months	462,169,018,671.00	29%
Revenue arrears more than 12 months	1,138,964,003,772.32	71%

Dimension Score = D

Performance change since the previous assessment

Improvement in overall score and performance due to improvement in dimension (i) and (ii).

Recent or ongoing reform activities

Integrated Customs Management System, replacing SIMBA for better customs management.

PI-20 Accounting for revenue

This indicator assesses procedures for recording and reporting revenue collections, consolidating revenues collected, and reconciling revenue accounts. Accurate recording and reporting of tax and nontax

revenue collections is important to ensure all revenue is collected in accordance with relevant laws. The assessment of this indicator covers central government (budgetary units and extra-budgetary units).

Summary of scores and performance table

PI-20 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Accounting for revenue		D+	C+		Improvement in score and performance due to improvement in dimensions (ii) and (iii)
20.1 Information on revenue collections		A	B	KRA (collecting 83% of central government revenue) submits daily, weekly and monthly revenue reports to the National Treasury (NT).	It appears there is no real change. In 2017, the assessment concluded that KRA collects about 95% of central government without providing sufficient evidence to back the percentage collections, as presented in Table 19.1 above
20.2 Transfer of revenue collections		B	A	All taxpayers therefore, pay their taxes directly into treasury-managed accounts, held at the Central Bank of Kenya. In addition to the treasury-managed bank accounts, mobile money platform (managed by KRA with 83% collections, but directly transferred into the treasury bank account daily) is also available for taxpayer collections.	Improvement in both score and performance. Collections are now directly into Treasury bank accounts
20.3 Revenue accounts reconciliation		D*	C	At least once a quarter, KRA reconciles its collections with NT's bank and mobile money deposits even though there are no transit bank accounts operated by KRA.	Not comparable, as 2017 was not assessed due to insufficient data.

PI-20.1 Information on revenue collections

The KRA, collecting 83% of central government domestic revenues, prepares a consolidated daily, weekly and monthly revenue reports. The reports provide detailed information on all types of revenue (income tax, customs, non-tax revenue). KRA submits the daily, weekly and monthly revenue reports to the National Treasury (NT). The information contained in these reports form the basis for cash management. Other extra-budgetary units such as the National Social Security Fund submit their revenue reports to the NT at least once every quarter.

Dimension Score = B

PI-20.2 Transfer of revenue collections

The Kenya Revenue Authority has no transit bank account into which taxpayer collections are deposited. All taxpayers therefore, pay their taxes directly into treasury-managed accounts, held at the Central Bank of Kenya. In addition to the treasury-managed bank accounts, mobile money platform (managed by KRA with 83% collections, but directly transferred into the treasury bank account daily) is also available for taxpayer collections. This platform facilitates tax collections.

Dimension Score = A

PI-20.3 Revenue accounts reconciliation

Currently, there is no complete reconciliation of revenue assessed, collected, transferred and revenue arrears. Nevertheless, there is real time automatic update of KRA taxpayer ledger accounts, once taxpayers pay their taxes. Furthermore, ITAS performs real time PAYE[21] reconciliation on the 9th of each month. There is also VAT[22] and WHT[23] reconciliation on the 20th of each month. At least once a quarter, KRA reconciles its collections with NT's bank and mobile money deposits even though there are no transit bank accounts operated by KRA.

Dimension Score = C

Performance change since the previous assessment

There is improvement in score and performance mainly due to improvements in dimensions (ii) and (iii).

Recent or ongoing reform activities

Integrated Customs Management System, replacing SIMBA for better customs management.

PI-21 Predictability of In-year Resource Allocation

This indicator assesses the extent to which MoF (NT) is able to forecast cash commitments and expenditure requirements and to provide reliable information on the availability of funds to budgetary units for service delivery. It contains four dimensions. Dimension 21.1 assesses the consolidation of cash balances; dimension 21.2 examines cash forecasting and monitoring; 21.3assesses existence of information on commitment ceilings and dimension 21.4 assesses significance of in-year budget adjustments. The assessment of this indicator covers budgeted central government.

Summary of scores and performance table

PI-21 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Predictability of in-year resource allocation		C	C		No change in overall score and performance. Nevertheless, in 2017, dimension (i) was rated 'D*', indicating insufficient information, as opposed to 'D' in 2022 which reflects poor performance
21.1 Consolidation of cash balances		D*	D	As at the time of this assessment, the National Treasury (NT) does not consolidate budgeted central government cash and bank balances, either on a daily, weekly or monthly basis.	Not comparable. 2017 was rated D* due to insufficient information.
21.2 Cash forecasting and monitoring		C	C	As at the time of this assessment, the NT prepared a consolidated annual cash flow plan, broken down monthly. There is however no evidence suggesting that the annual cash flow plan is updated either monthly or quarter on the basis of actual inflows and outflows of cash.	No change in score and performance
21.3 Information on commitment ceilings		C	C	The practice is that the NT issues quarter expenditure ceilings to	No change in score and performance

[21] Pay-as-you-earn
[22] Value-added tax
[23] With-holding tax

PI-21 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				MDAs for recurrent expenditure, and semi-annual commitment ceilings to MDAs for development expenditure. That said, the most reliable expenditure commitment system currently in place is a monthly expenditure warrant accompanied by monthly Exchequer actual cash releases to MDAs bank accounts.	
21.4 Significance of in-year budget adjustments		B	B	In-year budget adjustments take place in the form of a supplementary budget done once, or maximum twice a year. The adjustments are done transparently.	No change in score and performance

PI-21.1Consolidation of cash balances

As at the time of this assessment, the National Treasury (NT) does not consolidate budgeted central government cash and bank balances, either on a daily, weekly or monthly basis. There is also no Treasury Single Account (TSA) in Kenya. That said, MDAs bank balances held at the Central Bank of Kenya (CBK) are available on demand from CBK. There are a number of MDA commercial bank accounts which are not readily available to the NT. Cash balances held by parastatals (sub-vented agencies) are also not known to the National Treasury. Balances held in donor-funded projects are also not known to the NT.

Dimension score = D

PI-21.2Cash forecasting and monitoring

The Public Finance Management Act 2012 provides the legal basis for the preparation of annual cash flow plans. Specifically, Section 29 of PFMA 2021, further elaborated by Section 44 of the Financial Regulations 2015, mandates all MDAs to prepare and submit an annual cash plan, broken down into quarterly plans, to the National Treasury (NT) and the Office of Controller of Budgets (OCOB) once the annual budget is approved by the National Assembly. The annual and quarterly cash flow plans, according to the legal provisions, should be directly linked or aligned to the annual procurement plans. Section 45 of the Financial Regulations 2015 further mandates the NT to prepare a consolidated annual cash flow plan, with monthly projections, on the basis on MDAs cash plans. As at the time of this assessment, the NT prepared a consolidated annual cash flow plan, broken down monthly. There is however no evidence suggesting that the annual cash flow plan is updated either monthly or quarter on the basis of actual inflows and outflows of cash.

Table 21.1: Sample consolidated annual cash flow plan – FY2020/2021

Vote	Entity Name/Category	Original Estimates	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Total
	ANNUAL AGGREGATE CASH PLAN FOR THE FINANCIAL YEAR 2021-2022														
		Millions (M)													
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Receipts Projection															
	Total tax Income	1,707,433	102,824	153,151	143,652	171,698	153,559	151,147	233,205	128,139	125,396	111,369	124,579	108,712	1,707,433
	Total non tax Income	68,192	1,702	2,402	15,141	6,519	8,206	3,416	3,838	3,662	8,291	4,370	3,439	7,205	68,191
	Domestic Borrowing	1,008,429	119,250	81,462	99,041	77,033	85,749	69,368	78,015	89,953	77,614	72,454	97,233	61,256	1,008,429
	External Loans and Grants	379,660	-	6,863	8,072	8,072	9,248	21,116	148,649	123,660	10,671	13,475	14,972	14,861	379,660
	Other Domestic Financing	29,293	-	-	3,499	-	4,685	-	-	-	8,177	3,912	3,682	5,339	29,293
	Opening Balance		-	-	-	-	-	-	-	-	-	-	-	-	-
RECEIPTS		3,193,005	223,777	243,878	269,406	263,322	261,448	245,047	463,708	345,413	230,149	205,580	243,905	197,373	3,193,005
Recurrent Projection															
1011	The Presidency	21,961	1,117	898	1,368	2,654	2,216	2,241	2,771	2,003	1,906	1,681	1,634	1,473	21,961
1021	State Department for Interior	129,256	11,517	9,617	9,962	12,304	10,655	10,478	12,009	9,789	9,789	12,009	10,626	10,502	129,256
1023	State Department for Correctional Services	28,746	1,848	2,997	2,292	2,997	1,917	2,292	2,997	1,917	2,292	2,990	2,292	1,917	28,746
1032	State Department for Devolution	1,754	90	103	131	213	224	159	148	139	159	116	144	127	1,754
1035	State Department for Development of the ASAL	1,061	84	86	84	94	91	87	97	99	82	89	87	84	1,061
1041	Ministry of Defence	114,672	9,467	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,560	9,609	114,672
1052	Ministry of Foreign Affairs	16,453	3,301	399	399	3,288	435	435	3,288	435	435	3,288	375	375	16,453
CFS Projections															
	Domestic Debt	768,707	62,664	51,224	75,782	56,019	68,569	44,483	65,091	56,122	47,291	49,628	65,043	126,791	768,707
	External Debt	400,458	30,364	28,454	26,588	24,258	36,548	26,285	69,119	33,284	40,552	25,513	34,758	24,736	400,459
	Pensions & Gratuities	153,640	11,808	17,977	9,877	9,877	9,877	30,707	9,877	9,877	13,877	9,877	9,877	10,132	153,640
	Salaries and Allowances (CFS)	4,415	347	347	347	347	347	347	347	-	347	347	347	945	4,415
	Subscritions to int Orgs	1	-	0	-	0	-	-	-	-	-	-	-	-	1
CONSOLIDATED FUND SERVICES		1,327,220	105,183	98,002	112,595	90,501	115,341	101,822	144,434	99,283	102,067	85,366	110,025	162,604	1,327,221
Development Projection															
1011	The Presidency	2,815	45	63	85	293	348	360	381	271	372	263	262	72	2,815
1021	State Department for Interior	7,171	359	573	568	648	648	748	768	773	493	646	498	449	7,171
1023	State Department for Correctional Services	839	70	70	70	70	70	70	70	70	70	70	70	70	839
1032	State Department for Devolution	1,259	19	40	296	107	166	117	99	91	79	86	86	73	1,259
1035	State Department for Development of the ASAL	8,958	755	2,113	225	839	762	661	1,227	539	496	666	463	216	8,958
1041	Ministry of Defence	5,080	1,270	-	1,270	-	-	1,270	-	-	-	1,270	-	-	5,080
1052	Ministry of Foreign Affairs	1,796	750	60	6	-	-	60	750	85	-	85	-	-	1,796
COUNTY GOVERNMENTS ALLOCATION															
4460	Baringo	6,369	-	510	541	541	510	541	510	541	541	510	573	1,051	6,369
4760	Bomet	6,691	-	535	569	569	535	569	535	569	569	535	602	1,104	6,691
4910	Bungoma	10,659	-	853	906	906	853	906	853	906	906	853	959	1,759	10,659
4960	Busia	7,172	-	574	610	610	574	610	574	610	610	574	645	1,183	7,172
4360	Elgeyo/Marakwet	4,607	-	369	392	392	369	392	369	392	392	369	415	760	4,607
3660	Embu	5,125	-	410	436	436	410	436	410	436	436	410	461	846	5,125
3310	Garissa	7,927	-	634	674	674	634	674	634	674	674	634	713	1,308	7,927
5110	Homa Bay	7,805	-	624	663	663	624	663	624	663	663	624	702	1,288	7,805
3510	Isiolo	4,710	-	377	400	400	377	400	377	400	400	377	424	777	4,710
4660	Kajiado	7,955	-	636	676	676	636	676	636	676	676	636	716	1,313	7,955
4810	Kakamega	12,389	-	991	1,053	1,053	991	1,053	991	1,053	1,053	991	1,115	2,044	12,389
4710	Kericho	6,431	-	514	547	547	514	547	514	547	547	514	579	1,061	6,431
4060	Kiambu	11,718	-	937	996	996	937	996	937	996	996	937	1,055	1,933	11,718

Source: Accounting Services Department - NT

Dimension score = C

PI-21.3 Information on commitment ceilings

The promulgation of the annual budget forms the basis for the National Treasury to issue expenditure commitment ceilings to budgeted institutions for expenditure commitment and payment. For the last completed fiscal year 2020/2021, the practice was that the NT issued quarterly expenditure ceilings to MDAs for recurrent expenditure, and semi-annual commitment ceilings to MDAs for development expenditure. That said, the most reliable expenditure commitment system currently in place is a monthly expenditure warrant accompanied by monthly Exchequer actual cash releases to MDAs bank accounts.

Dimension score = C

PI-21.4 Significance of in-year budget adjustments

In-year budget adjustments take place in the form of a supplementary budget done once, or maximum twice a year. Section 40(9) of PFM Regulations 2015 state that "in approving any estimates, the National Assembly approval shall not exceed ten (10) percent of the approved budget estimates of a program or Sub-Vote unless it is for unforeseen and unavoidable need as defined in Section 21 of the Act." In 2020/21 the overall MDA budget increased by Kshs126.3 billion representing 6.7%of the original approved budget. This is within the legal framework which allows a maximum of 10% in-year adjustments annually. There was only once such adjustment; it was done transparently.

Dimension score = B

Performance change since the previous assessment

No change in overall score and performance. Nevertheless, in 2017, dimension (i) was rated 'D*', indicating insufficient information, as opposed to 'D' in 2022 which reflects poor performance.

Recent or ongoing reform activities

There are efforts to implement a Treasury Single Account, but this has been on work-in-progress for several years without implementation. A treasury single account (TSA) is an essential tool for consolidating and managing governments' cash resources which can then also reduce borrowing costs.

PI-22 Expenditure Arrears

This indicator has two dimensions. Dimension 22.1 assesses the level of stock of expenditure arrears; dimension 22.2 examines the framework for monitoring expenditure payments arrears. The assessment of this indicator covers budgeted central government

Summary of scores and performance table

PI-22 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Expenditure arrears		C+	B		Improvement in both score and performance due to improvement in dimension (ii)
22.1. Stock of expenditure arrears		B	B	Pending bills (for budgeted central government) were below 6% in two of the last three completed fiscal years. Actual percentages were 6.3% in FY2018/2019, 2.88% in FY2019/2020, and 2.21% in FY2020/2021.	No change in score and performance
22.2. Expenditure arrears monitoring		C	B	Each MDA submits quarterly report on pending bills to the NT. The OCOB generates a consolidated pending bill report each quarter within two months after the end of the previous quarter. The report contains composition of pending bills. For instance, quarter 1 of FY2019/2020 was issued in November 2019; quarter 2 of FY2019/2020 was issued February 2020.	Improvement in score and performance.

PI-22.1. Stock of expenditure arrears

Pending bills refers to unsettled financial obligations in this case by national government at the close of financial year. Table 22.1 below provides a summary of budgeted central government expenditure arrears (also known as pending bills). Pending bills represent 6.3% and 2.88% of budgeted central government expenditure for FYs 2018/2019 and 2019/2020 respectively. For FY 2020/2021, they represent 2.21% of budgeted central government expenditure. These expenditure arrears exclude pending bills from state corporations. MDAs pending bills constitutes mainly of historical/contested pending bills as at the end of the respective previous years, court awards, payments to contractors, suppliers, statutory payments, pension and salary arrears. Box 1 below outlines instructions contained in Treasury Circular No.7/2019 on the treatment of pending bills.

It is worth noting that pending bills from state corporations (SCs) pose a significant threat to central government operations. As indicated above, the pending bills do not include state corporations. For FY 2019/2020, pending bills from state corporations alone amounted to Ksh285.8 billion. For FY 2020/2021, pending bills from state corporations stood at Ksh323.2 billion. The SCs pending bills include payment to contractors/projects, suppliers, unremitted statutory and other deductions, and pension arrears for Local Authorities Pension Trust.

Box 1: Treasury Circular No. 7/2019 on Pending Bills

20. Historical Pending Bills: Cases of historical pending bills must be disposed of within the guidelines set out in Gazette Notice 297 of 14th January 2005. These bills will continue to be dealt with by the National Treasury strictly on the basis of the recommendations made by the Pending Bills Closing Committee.

21. In order to ensure that there is no accrual in payment arrears (pending bills) Accounting Officers should ensure that carry-on payments emanating from the FY 2018/19 are treated as a first charge against the FY 2019/2020 budgetary allocation before entering into any new commitments. The pending bills should be accommodated strictly within the budgetary provisions of respective MDAs without seeking additional funding from the National Treasury.

22. In addition, Accounting Officers are requested to document all outstanding pending bills incurred after the year 2005 and report the same to the National Treasury by 12th July 2019.

Table 22.1 Analysis of stock of expenditure arrears (budgeted central government)

Year	Total Pending Bills (Budgeted Central Government) (Kshs millions)	Total GoK expenditure (Budgeted Central Government) (Kshs millions)	Pending Bills as %of total GoK budgeted central government expenditure
2018/2019	94,500	1,488,896	6.3%
2019/2020	48,300	1,674,435	2.88%
2020/2021	36,400	1,646,192	2.21%

Source: Consolidated Annual Financial Statements and Budget Execution Reports

Dimension score = B

22.2. Expenditure arrears monitoring

Each MDA submits quarterly reports on pending bills to the Office of Controller of Budgets (OCOB) and the Accounting Services Department. That said, the pending bills are not age-profiled. The OCOB generates a consolidated pending bill report each quarter within two months after the end of the previous quarter. The report contains composition of pending bills. For instance, quarter 1 of FY2019/2020 was issued in November 2019; quarter 2 of FY2019/2020 was issued February 2020. The Quarterly Economic and Budgetary Review Report (QEBR) which contains information on pending bills is published in accordance with Section 83 of the Public Finance Management Act, 2012.

Dimension score =B

Performance change since the previous assessment

There is improvement in overall score, from 'C+' in 2017 to 'B' in 2022 due to improvement in dimension (ii).

Recent or ongoing reform activities

In 2019, the former President issued two policy directives to remove bottlenecks that have caused a reduction in overall spending and business activity in the economy. The first of the policy directives is an order to Government Accounting Officers to settle all pending payments that do not have audit queries on or before the end of the current Government Financial Year on 30th June 2019. The President further directed the National Treasury to secure full compliance of the directive on clearing of pending payments. The National Treasury formulated the Pending Bills Committee to delivery against these directives. However, challenges of the legitimacy of a significant amount of pending bills remains and has delayed the process.

PI-23 Payroll Controls

The indicator of payroll control is concerned with how the payroll is managed, how changes to the payroll are controlled and how the personnel records are aligned to the payroll in order to promote predictability in the availability of resources when requested. The indicator contains four dimensions; Dimension 23.1 examines the integration of payroll and personnel records, dimension 23.2 assesses the management of payroll changes, dimension 23.3 assesses the effectiveness of payroll control, and dimension 23.4 assesses the extent of payroll audits. This indicator covers central government.

Summary of scores and performance table

PI-23 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Payroll controls		B	B		No change in score and performance.
23.1 Integration of payroll and personnel records		B	B	There is currently no direct linkage between personnel and payroll records. Nevertheless, the payroll is supported by full documentation for all changes made to personnel records every month. Staff hiring and promotion, which is under the purview of PSC, is controlled by a list of approved staff positions.	No change in score and performance.
23.2 Management of payroll changes		B	B	Changes to personnel and payroll records takes up to two months to be updated. Retroactive adjustments are few.	No change in score and performance.
23.3 Internal control of payroll		B	B	The procedure for changes to personnel and payroll records is well established, clear and adequate to support the integrity of both personnel and payroll data. Whereas the IPPD has an audit trail and passworded for access to authorised staff only, the HR database is largely manual, without sufficient audit trail.	No change in score and performance.
23.4 Payroll audit		B	B	A comprehensive physical personnel and payroll audit covering all central government	No change in score and performance.

PI-23 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				institutions (budgetary and extra-budgetary units) was undertaken in FY2021/2022 by the National Treasury (NT) Internal Audit Department.	

PI-23.1. Integration of payroll and personnel records

Article 234(2) of the Kenyan Constitution mandates the Public Service Commission (PSC) to investigate, monitor and evaluate the performance of the public service. Presently, the public service human resource database does not reside with the PSC, a significant risk to ensuring the full integrity of the HR database. As at the time of assessment, the Ministry of Public Service (MPS) was responsible for managing public service human resource known as the Government Human Resource Information System (GHRIS) as well as the Integrated Payroll & Personnel Database (IPPD). MPS runs the payroll of 70 budgetary units, 50 extra-budgetary units, and the Teachers Service Commission which employs approximately 350,000 teachers. The National Social Security Fund (NSSF) manages its own HR and payroll. The NSSF personnel and payroll system is fully integrated.

There is currently no direct linkage between personnel and payroll records (managed by MPS) which will allow automatic reflection of changes to personnel records in the payroll database. There is also no direct linkage between GHRIS, IPPS and IFMIS. Nevertheless, the payroll is supported by full documentation for all changes made to personnel records every month. Staff hiring and promotion, which is under the purview of PSC, is controlled by a list of approved staff positions. The staff position is annually budgeted for and sent to parliament for approval as part of the annual budget approval process. The approved staff lists from parliament sets the maximum limit for public service employment across central government institutions (budgetary and extra-budgetary units); no public sector institution can recruit above the approved staff lists. The public service human resource database is not centralized. Each MDA has its own HR database, which is manually kept, as well as the IPPD payroll system which is decentralised. All changes to the payroll are approved by the National Treasury in conjunction with PSC. The monthly payroll is checked against previous month's payroll to ascertain any variances and reasons for these variances.

Dimension score = B

PI-23.2. Management of payroll changes

As at the time of assessment, changes to payroll records were updated each month, generally in time to allow for the processing and payment of the following month's payroll, covering all central government operations (budgetary units and extra-budgetary units). Updates to HR database take up to two months to be effected mainly due to the number of changes plus supporting documentation, especially for the recruit of large number of some categories of staff such as the police, typically recruiting about 5000 new police officers at a time. Typically, it also takes up to two months to update HR database for terminations and resignations. Retroactive adjustments are few. For the months of July and August 2022, there were no retroactive adjustments between the two payrolls.

Dimension score= B

PI-23.3 Internal control of payroll

The procedure for changes to personnel and payroll records is well established, clear and adequate to support the integrity of both personnel and payroll data. However, a fully digitised HR and payroll system which then allows for direct integration of personnel and payroll records is currently non-existent. There is also an opportunity for personnel and payroll data to be compromised due to the fact that the public sector HR database is decentralised and not residing with the Public Service Commission, a constitutional body specifically established for this purpose. Whereas the IPPD has an audit trail and passworded for access to authorised staff only, the HR database is largely manual, without sufficient audit trail.

The internal control procedure for changes to personnel and payroll records requires an official documentation to justify changes with the relevant authority. The document is then filed into the individual's HR file. The IPPD data entry clerk, upon receipt of the official documentation authorising the changes, uses his/her specific login credentials to effect the authorized changes in the payroll database. The director of HR and payroll then approves the changes prior to payment.

Dimension score = B

PI-23.4. Payroll audit

A comprehensive physical personnel and payroll audit covering all central government institutions (budgetary and extra-budgetary units, as well as NSSF) covering the fiscal year 2020/2021 was undertaken by the National Treasury (NT) Internal Audit Department, with the final report dated July 2022. This report highlights that incidence of ghost workers were nil. It also highlights that the IPPD is under extreme constraints with an extensive amount of payroll processing required every month. More frequently, at least annually, the Office of the Auditor General as part of its annual financial audits, undertakes payroll audit. The NT Internal Audit Department also conducts payroll audits at least once a year.

Dimension score= B

Performance change since the previous assessment, where applicable

No change in score and performance.

Recent or ongoing reform activities

GHRIS system update is ongoing with the following deliverables:

- An updated plan has already been approved was forwarded to NT.
- A software development team was appointed to develop the payroll management module, now underway.
- Assessment report was done and approved.
- Embarked on procurement process for purchase of GHRIS upgrade infrastructure and both technical and financial evaluation completed.
- The software development team has developed the Payroll Management Module, Pension Claim Module, and the Leave Management Module.
- The Modules are awaiting 2nd stakeholders' validation before rollout.
- Procurement process for purchase of GHRIS upgrade infrastructure in progress.
- Procurement process for Enterprise Data warehouse awaiting upgrade of the supporting infrastructure.

GHRIS will also have a Unified Human Resource System. Furthermore, there is an agreed strategy in place for the development of automated and integrated public service institutions' payroll systems linked to GHRIS and the IFMIS.

PI-24 Procurement

This indicator focuses on the management of procurement expenditure for managing and promoting predictably of resource availability. The indicator has four dimensions that focus on key procurement management, procurement monitoring, transparency, openness and competitiveness of procurement methods applied, public access to procurement information and the management of procurement complaints and redress arrangements. This indicator covers central government.

Summary of scores and performance table

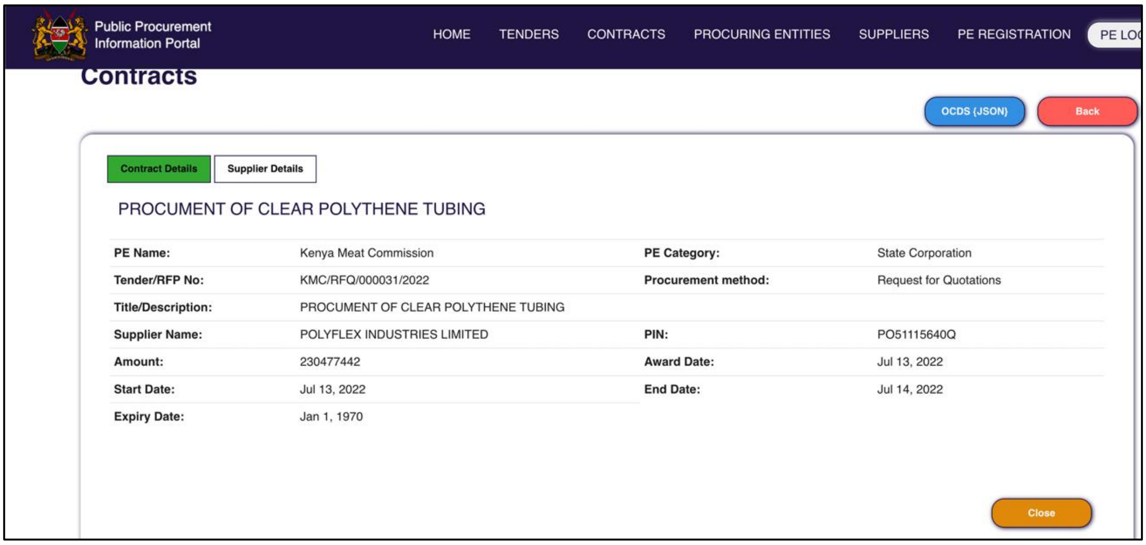
PI-24 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Procurement		A	D+		Previous assessment was overrated.
24.1 Procurement monitoring		A	D	Procurement monitoring by the Public Procurement Regulatory Authority (PPRA) and an electronic database (Public Procurement Information Portal (PPIP)) for advertisement of procurement opportunities and publication of details of contracts awarded has been established and accessible through https://tenders.go.ke. The procurement data published in the PPIP is not complete and comprehensive as not all contracts awarded by all national government procuring entities for the FY2020/2021 had been published or maintained.	Previous assessment was overrated.
24.2 Procurement methods		A	D	The data published through the PPIP is not comprehensive and complete in terms of coverage of all procurement contracts awarded by all national government procurement entities. Therefore, it is not possible to determine the value of competitive contracts/procurement from the available data.	Previous assessment was overrated.
24.3 Public access to procurement information		B	C	The government meets at least three out of the six PEFA criteria as shown in Table 24.2 below. The procurement information is complete and reliable for all procurement operations and has been independently verified by the PPRA.	Previous assessment was overrated.

PI-24 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
24.4 Procurement complaints management		A	B	The procurement complaints management system, for FYs 2020/2021 meets five (5) out of the six (6) PEFA elements as indicated in Table 24.3 below	No real change. This dimension was overrated in 2017. Element (ii) on fees has been part of the legal framework since 2015.

PI-24.1. Procurement monitoring

In Kenya, public procurement is decentralised at the level of each budgetary and extra-budgetary unit, as well as at the county government level. At the central government level, each institution (budgetary and extra-budgetary units including social security fund) is responsible for maintaining all procurement records and reporting same to the Public Procurement Regulatory Authority. The procurement law does not mandate public institutions to report procurement activities up to the tune of Ksh50,000 to the Public Procurement and Regulatory Authority (PPRA). Part IV Sections 34 to 38 of the Public Procurement and Asset Disposal Act 2015 empowers the Procurement Authority to maintain a database of all procurement activities. Currently, PPRA manages an electronic database (please, refer to figure 1 below) for recording all procurement activities, but the procurement data is not complete and comprehensive In July 2022, the National Treasury and the Procurement Authority issued directives for all public entities to report all procurement activities irrespective of the value of contract through the electronic portal. That said, only 703 central government institutions out of thousands have complied but not for all procurement activities below Ksh50,000. Procurement monitoring by the Public Procurement Regulatory Authority (PPRA) and an electronic database (Public Procurement Information Portal (PPIP)) for advertisement of procurement opportunities and publication of details of contracts awarded has been established and accessible through https://tenders.go.ke. The procurement data published in the PPIP is not complete and comprehensive as not all contracts awarded by all national government procuring entities for the FY2020/2021 had been published or maintained. As a complete database of procurement activities for FY2020/2021 is not available, the score for this dimension is "D".

Figure 1: Sample electronic procurement portal



Dimension score = D

PI-24.2 Procurement methods

Public procurement thresholds have been revised following the passage of the Public Procurement and Asset Disposal Regulations 2020. Table 24.1 summarises the new thresholds.

Table 24.1: Procurement method thresholds

Method of procurement	Goods	Works	Services
International Competitive Bidding (ICB) / International Open Tender	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement
National Competitive Bidding (NCB) / National Open Tender	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement
Restricted Tender (under sec 102(1)(a) of the Act)	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement
Restricted Tender (under sec 102(1)(b) of the Act)	No minimum The Maximum level of expenditure shall be Ksh 30,000,000 above this threshold use open tender	No minimum. The Maximum level of expenditure shall be Ksh 30,000,000 above this threshold use open tender	No minimum The Maximum level of expenditure shall be Ksh 20,000,000 above this threshold use open tender
Restricted Tender (under 102(1)(c) of the Act)	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement.
Request for proposals	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement
Direct procurement (sole sourcing)	No minimum or maximum expenditure under this method provided the	No minimum or maximum expenditure under this method provided the	No minimum or maximum expenditure under this method provided the

Method of procurement	Goods	Works	Services
	conditions under this section are met	conditions under this section are met	conditions under this section are met
Request for quotation	Maximum level of expenditure under this method is Ksh 3,000,000 per request for quotation	Maximum level of expenditure under this method is Ksh 5,000,000 per request for quotation	Maximum level of expenditure under this method is Ksh 3,000,000 per request for quotation
Low value procurement	No minimum. Maximum level of expenditure under this method is Ksh 50,000 per item per financial year	No minimum Maximum level of expenditure under this method is Ksh 100,000 per item per financial yea	No minimum Maximum level of expenditure under this method is Ksh 50,000 per item per financial year
Competitive negotiation	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met
Electronic reverse auction	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met
Force account	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement provided the conditions under this section are met.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement provided the conditions under this section are met.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement provided the conditions under this section are met.
Two stage tendering	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement provided the conditions under this section are met.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement provided the conditions under this section are met.	No minimum. Maximum level of expenditure shall be determined by the funds allocated in the budget for the particular procurement provided the conditions under this section are met.
Design competition	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met
Framework agreement	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met	No minimum or maximum expenditure under this method provided the conditions under this section are met
Community Participation	No Minimum	No Minimum	No Minimum Maximum Kshs 5,000.000.00

Method of procurement	Goods	Works	Services
	Maximum Kshs 10,000.000.00	Maximum Kshs 30,000.000.00	

Source: Public Procurement and Asset Disposal Regulations 2020

The procurement data published through the PPIP is not comprehensive and complete in terms of coverage of all procurement contracts awarded by all national government procurement entities. Therefore, it is not possible to determine the value of competitive contracts/procurements from the available data. Furthermore, the legal framework governing public procurement does not require public entities to report on all procurement activities up to Ksh50,000. This practice opens an opportunity for public entities to break-bulk or settle for low value procurement activities that do not require reporting so long as the value is Ksh50,000 or less. The Public Procurement Regulatory Authority (PPRA) has also, in recent times, not conducted any comprehensive public procurement audit or verification of MDAs data captured into PPIP and/or submitted to PPRA.

Dimension score =D

PI-24.3. Public access to procurement information

The government meets at least three out of the six PEFA criteria as shown in Table 24.2 below, with published procurement information meeting the timeframe useful to the public. The procurement information is complete and reliable for all procurement operations and has been independently verified by the PPRA. The elements met include: (i) legal and regulatory framework, (ii) bidding opportunities, and (iii) data on resolution of procurement complaints. The following elements are not met: (i) Government procurement plan, (ii) Contract awards (purpose, contractor and value), and (iii) Annual procurement statistics.

Table 24.2: Public Access to Procurement Information

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
1. Legal and regulatory framework for procurement	Yes	The Public Procurement Asset Disposal Act 2016 as well as the Public Procurement and Asset Disposal Regulations, 2020 are publicly available on the PPRA website (https://ppra.go.ke)
2. Government procurement plan	No	Procurement plans were not published or disclosed to the public as prior to 2022, the legal framework did not mandate the publication of procurement plans. The revised PPADA 2022 (Section 53(12) & (13)) now mandates the disclosure and publication of procurement plans as invitation to treat.
3. Bidding opportunities	Yes	This is published on the PPRA website (https://ppra.go.ke).
4. Contract awards (Purpose, contractor and value)	No	Contract awards details in terms of purpose, contractor and value, are published and disclosed to the public through the PPIP. However, the contract awards data available through the PPIP is not comprehensive and complete in terms of coverage of all procurement contracts awarded by all national government procurement entities. .
5. Data on resolution of procurement complaints	Yes	Resolution of complaints is provided on the PPRA website (https://ppra.go.ke) under the PPRA Review Board page. Decisions date back from 2004.
6. Annual procurement statistics.	No	Annual procurement statistics for FY2020/2021 have been published but significantly delayed for more than 12 months. Additionally, the annual procurement statistics are not comprehensive and complete as they do not capture all contract awards.

Dimension score = C

PI-24.4. Procurement complaints management

The Public Procurement Administrative Review Board (PPARB) manages all complaints related to public procurement, for all levels of government (central and local) as well as budgetary units, extra-budgetary units and national social security fund. The procurement complaints management system, for FYs 2020/2021 meets five (5) out of the six (6) PEFA elements as indicated in Table 24.3 below. The elements met include (i), (iii), (iv), (v) and (vi). The criterium that is not met is element (ii).

Table 24.3 Elements of procurement complaints framework

Elements/Requirements	Met (Y/N)	Evidence used/ Comments
Complaints are reviewed by a body which:		
(i) Is not involved in any capacity in procurement transactions or in the process leading to contract award decisions	Yes	Members of the Public Procurement Administrative Review Board (PPARB) are not involved in any capacity in the procurement process leading to contract award.
(ii) Does not charge fees that prohibit access by concerned parties	No	Section 204(1) of the Procurement Regulation 2020 provides for a refundable fee charge of 15%of the bid price. Section 204(2) of the Procurement Regulations 2020 further provides for a non-refundable fee of Ksh200,000. The fees chargeable by the Review Board are not prohibitive (ranging from Kshs 20,000 to a maximum of Kshs 250,000). The Regulations 2020, have also provided that, the reserved procurements for women, youth, persons with disabilities and other disadvantaged groups may be waived by the secretary or where required fees shall be as prescribed.
(iii) Follows processes for submission and resolution of complaints that are clearly defined and publicly available	Yes	Section 203 of the Procurement Regulations 2020 outlines the process for filing and resolving procurement complaints. The process is also outlined under Section 168 of the Public Procurement Act 2015. The Procurement Act and Regulations are publicly available (https://ppra.go.ke).
(iv) Exercises the authority to suspend the procurement process	Yes	Public Procurement Administrative Review Board (PPARB) is empowered by Section 168 of the Public Procurement Act 2015 to suspend all procurement processes until after resolution. This is further detailed under Section 205 of the Public Procurement Regulations 2020
(v) Issues decisions within the timeframe specified in the rules/regulations and	Yes	Section 171 of the Public Procurement and Asset Disposal Act 2015 makes provision for 21 days for resolution of procurement complaints. Available evidence indicates that procurement review board decisions are issued with 21 days as stipulated by law. Below are a few examples of the board decisions: • Geonet Technologies vs. Ministry of ICT: Case No. 47/2021, filed on 6th April 2021, and final decision issued on 26th April 2021 • Daniels Outlets Ltd vs. Numerical Machines Ltd: Case No. 8/2021, filed on 26th January 2021, and final decision issued on 16th February 2021 • Jowhar Investments Ltd vs. Kenyan Urban Roads Authority: case No. 2/2021, filed on 15th January 2021, and final decision issued on 4th February 2021 • Five Blocks Enterprises Ltd vs. Kenya Bureau of Statistics: Case No. 13/2021, filed on 2nd February 2021, and final decision issued on 23rd February 2021 • Biomed Healthcare Ltd vs. Department of Health Services: Case No. 25/2021, filed on 16th February 2021, and final decision issued on 9th March 2021
(vi) Issues decisions that are binding on every party (without) precluding subsequent access to an external higher authority	Yes	Sections 174 and 175 of the Public Procurement and Asset Disposal Act 2015 make provision for any legal redress at the law courts. The decision(s) of the Public Procurement Administrative Review Board (PPARB) are binding in accordance with Section 173 of the Public Procurement Act and Asset Disposal 2015

Dimension score = B

Performance change since the previous assessment

Deterioration in overall score and performance. Dimension (iv) in 2017 was overrated.

Recent or ongoing reform activities

The Government is automating the public procurement processes

PI-25 Internal controls on non-salary expenditure

This indicator measures the effectiveness of general internal controls for non-salary expenditures. Specific expenditure controls on public service salaries are considered in PI-23. The indicator assesses segregation of duties, the effectiveness of expenditure commitment controls and compliance with payment rules and procedures. The assessment of this indicator covers central government.

Summary of scores and performance table

PI-25 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Internal controls on non-salary expenditure		B+	B+		No change in score and performance
25.1 Segregation of duties		A	A	The PFM Act 2012, PFM Regulations 2015, the Public Procurement Act 2015 and Regulations 2020 outline detailed and appropriate segregation of duties. The expenditure payment and procurement management processes equally outline appropriate segregation of duties. Responsibilities are clearly laid out.	No change in score and performance
25.2: Effectiveness of expenditure commitment controls		C	C	Expenditure commitment controls are in place for both budgetary and extra-budgetary units but are partial, as they only limit expenditure commitments to approved budgets and expenditure ceilings, not to projected cash available.	No change in score and performance
25.3 Compliance with payment rules and procedures		A	A	As at the time of assessment, all central government payments (including budgetary units, extra-budgetary units, and social security fund) were compliant with regular payment rules and procedures. There were no exceptions to the rule as far as payments were concerned.	No change in score and performance

25.1. Segregation of duties

The Kenyan Constitution provides a general overview of segregation of duties in public finance management. This is further supplemented by subsidiary legislations such as the PFM Act 2012 and the PFM Regulations 2015. These form the main legal and regulatory frameworks for central government financial management processes and procedures, and are applicable to all central government institutions including budgetary units, extra-budgetary units and social security fund. The Public Procurement and Asset Disposal Act 2015 and the Procurement Regulations 2020 constitutes the legal basis for all public procurement activities across all central government institutions, including budgetary units, extra-budgetary units, and social security fund. The laws and regulations are further supported by accounting and procurement circulars and manuals, providing further clarity in terms of appropriate measures for segregation of duties.

The PFM Act 2012 prescribes segregation of duties for planning and budgeting (Sections 25 to 27), budget execution (Sections 17 to 24 for PFM Act 2012 and Sections 42 to 57 for PFM Regulations 2020), cash and treasury management (Section 29), internal audit (Section 73), and the duties of each accounting officer (Sections 67 to 72).

Further clarity regarding segregation of duties is also provided by the PFM Regulations, specifically for public officials' duties and responsibilities for expenditure initiation, authorisation and approval, disbursement, expenditure payment, acquisition of assets, use and disposal of public assets, recording and reconciliation of bank and other accounts, among others. The Public Procurement and Asset Disposal Act 2015 and Regulations 2020 (specifically Sections 163 to 166 of the Public Procurement and Asset Disposal Act (PPADA) 2015 and Sections 176 to 202 of the Public Procurement and Asset Disposal Regulations 2020) outline fixed asset disposal and transfer mechanisms with clear responsibilities of each officer involved in the process.

As at the time of assessment, public officials with the responsibility to initiate local purchase orders (LPOs) through IFMIS have no expenditure authorisation powers and/or rights. This means that there are separate public officers responsible for raising LPOs and different officers responsible for approving and making payments. Likewise, public officials responsible for approving procurement tenders have no rights and powers to sign procurement contracts. Within IFMIS, roles have been allocated to different public officials. This segregation of roles and duties ensures that no single person has the ability to carry out all the roles within the software.

Dimension score = A

25.2 Effectiveness of expenditure commitment controls

Central government institutions can only commit for expenditure once parliament approves the annual budget and the Cabinet Secretary for finance issues expenditure commitment warrants to budgetary institutions, and for extra-budgetary units and social security fund, upon management/executive boards' approval of their annual budgets. All budgetary and extra budgetary units are mandated, following the passage of the finance law, to prepare and submit to the Public Procurement and Regulatory Authority annual procurement plans in support of their approved annual budget estimates for review and approval.

Present IFMIS expenditure commitment system for budgetary units, and standalone (separate) financial management software used by extra-budgetary units, do not limit expenditure commitment to projected cash available. Nevertheless, both systems have the functionality to limit commitments to approved monthly, quarterly, or semi-annual expenditure ceilings/warrants. This means that expenditure commitment control procedures exist but they are partial for both budgetary and extra-budgetary units.

Dimension score = C

25.3. Compliance with payment rules and procedures

As at the time of assessment, all central government payments (including budgetary units, extra-budgetary units, and social security fund) were compliant with regular payment rules and procedures. There were no exceptions to the rule as far as payments were concerned. Further documentary evidence in terms of compliance with payment rules and procedures is provided by the Auditor-General in the FY2020/2021 audit report of the consolidated financial statements of MDAs. According to the Auditor General, there were no material issues relating to the lawfulness or otherwise for the use of public resources. Further, there were no material issues relating to effectiveness of internal controls, risk management and governance.

Dimension score = A

Performance change since the previous assessment

No change

Recent or ongoing reform activities

None

PI-26 Internal audit

International good practice in public financial management looks for the operation of internal audit as a service to management, with the function to identify ways of correcting and improving systems, so as to improve the efficiency, economy and effectiveness of the delivery of public services. This indicator (with four dimensions) assesses internal audit coverage, the nature of audits and standards applied, implementation of internal audit plans and the response to internal audit reports (findings). The assessment of this indicator covers central government budget institutions and extra-budgetary units.

Summary of scores and performance table

PI-26 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Internal audit		D+	D+		No improvement in overall score
26.1 Coverage of internal audit		A	A	As at the time of assessment, internal audit coverage averaged 93% for both revenues and expenditures. As indicated in Table 26.1 below, internal audit coverage for revenues stood at 94%of total central government operations. In terms of expenditure, coverage was 92% of central government operations.	No change in score and performance.
26.2 Nature of audits and standards applied		A	A	As at the time of assessment, public sector internal audit across central government (for budgetary and extra-budgetary units as well as social security fund) largely meets international standards. Tables 26.2A and 26.2B provide a summary of internal audit activities as at June 2021. As indicated, 60%of internal audit activities focus on high-risk areas, with 52%focusing on financial compliance. There is a quality assurance process in place.	No change in score and performance.
26.3 Implementation of internal audits and reporting		A	D*	As the assessment team is yet to receive consolidated information from the NT internal audit department in terms of the implementation of internal audit, this dimension cannot be assessed due to insufficient data, hence a score of 'D*'	Not directly comparable, as 2022 cannot be assessed due to insufficient data. This also shows deterioration in performance and score.
26.4 Response to internal audits		D*	D*	This dimension is also rated 'D*' due to insufficient information in terms of management response to internal audits across central government institutions from the NT internal audit department.	No change in score and performance.

26.1. Coverage of internal audit

Internal audit function within central government institutions is established and regulated by Section 73 of the PFM Act 2012 and Section 160 of PFM Regulations 2015.

There are functional internal audit units across all MDAs[24], SAGAs[25] and NSSF[26]. The National Treasury Internal Audit Department (NT/IAD) performs a central coordinating role of all national government internal audit functions, even though internal audit function is decentralised. All internal audit units with staff across national government budgetary and extra-budgetary units have two reporting lines: first, to the auditee management, and second to the NT/IAD. Each internal audit unit submits annual audit plan to both the auditee management and the NT/IAD for review and approval. The audit plans form the basis of internal audit activities. As at the time of assessment, internal audit coverage averaged 93% for both revenues and expenditures. As indicated in Table 26.1 below, internal audit coverage for revenues stood at 94% of total central government operations. In terms of expenditure, coverage was 92% of central government operations.

Table 26.1: Coverage of internal audit by value (as at the time of assessment)

	As at June 2021	
Coverage	Expenditure	Revenue
Budgeted central government (Ksh million)	1,500,496.64	1,694,765.20
Extra-budgetary operations including SAGAs & NSSF (Ksh million)	59,148.64	104,719.80
Total coverage	1,559,645.28	1,799,485.00
Total central government operations (Ksh million)	1,695,266.61	1,913,282.94
% Coverage	92%	94%

Source: Internal Audit Department, National Treasury

Dimension score = A

26.2 Nature of audits and standards applied

The IAGD has a new internal audit manual in line with International Standards for the Professional Practice of Internal Auditing (ISPPIA) issued by the Institute of Internal Auditors (IIA) since 2018. All audits are now based on International Professional Practice Framework (IPPF). Therefore, as at the time of assessment, public sector internal audit across central government (for budgetary and extra-budgetary units as well as social security fund) meets international standards. The NT/IAD produces quality assurance and improvement programs in line with its audit manual which follows IPPF standards. Tables 26.2A and 26.2B provide a summary of internal audit activities as at June 2021. As indicated, 60% of internal audit activities focus on high-risk areas, with 52% focusing on financial compliance. There is a quality assurance unit within the NT/IAD responsible for assuring quality of internal audit functions. It carries out quarterly review of internal audit processes and procedures across central government institutions. It has developed a Risk Based Audit Manual that guides internal audit within MDAs to ensure quality control of the process. There is a structured approach to the audit process with interviews and questionnaires being undertaken. The unit also builds technical capacity of internal auditors where necessary.

Table 26.2A: Nature of internal audit according to risk level (as at June 2021)

Risk level	Number of Audits	% of audits
High	87	60%
Low	5	3%
Medium	42	29%
(Not defined)	11	8%
TOTAL	145	100%

Source: NT internal audit department

[24] Ministries, Departments and Agencies
[25] Semi-Autonomous Government Agencies
[26] National Social Security Fund

Table 26.2B: Types of internal audit (as at June 2021)

AUDIT TYPE	Number of Audits	%of audits
Compliance	75	52%
Routine	16	11%
Special Audits	29	20%
Value for Money	25	17%
Not Defined	0	0%
TOTAL	145	100%

Source: NT internal audit department

Dimension score = A

26.3. Implementation of internal audit and reporting

Section 170 (1 & 2) of the PFM Regulations 2015 mandates internal auditors across central government institutions to prepare risk-based annual audit plans and submit same to their respective audit committees for approval. The annual audit plans are also submitted to the NT internal audit department for review. Each internal audit unit, as mandated by Section 173 (1 & 2) of the PFM Regulations 2015, prepares and submits, at least quarterly, internal audit reports to their respective audit committees, with copies to the accounting officer and the NT internal audit department. Section 173 (3) of the Regulations also mandates the Internal Auditor-General of the NT to prepare a consolidated annual internal audit report for government's attention.

As the assessment team is yet to receive consolidated information from the NT internal audit department in terms of the implementation of internal audit and reporting, this dimension cannot be assessed due to insufficient data, hence a score of 'D*'. It should also be noted that the assessment team did not receive any data from sample institutions (ministries of education, health, devolution, state department for gender, and NSSF) used for this assessment

Table 26.2: Implementation of internal audit (consolidated data from NT/IAD)

Year	Total Planned Audits	Total Audit Implemented		Total Audit Not Implemented	
		Number	%	Number	%
2018/19	No data	No data	No data	No data	No data
2019/20	No data	No data	No data	No data	No data
2020/21	No data	No data	No data	No data	No data

Source:

Dimension score = D*

26.4. Response to internal audits.

The audit committees' work to internal audit is critical for strengthening the general internal control environment across central government institutions. The audit committees are established in line with Section 174 of the PFM Regulations 2015. Section 172 stipulates that the accounting officer shall, within fourteen (14) days of receipt of the internal audit report, provide an official response plus an implementation action plan in relation to the audit findings and recommendations to the audit committees. The committees then monitor the implementation of the action plan outlined in the management response.

Once a draft internal audit report has been completed, the IAGD arranges an exit meeting with the audited entity. The draft report includes recommendations and these are discussed in the exit meeting. The final report includes any management response and any further audit comments based on the exit meeting. It also includes an agreed follow up date.

This dimension is also rated 'D*' due to insufficient information in terms of management response to internal audits across central government institutions from the NT internal audit department.

Table 26.3: Response to internal audits (budgetary units, extra-budgetary units, & NASSF)

Year	Total No. of Audits Conducted	TOTAL NUMBER OF RECOMMENDATIONS						
		Proffered	Fully Implemented		Partly Implemented		Not Implemented	
			Number	%	Number	%	Number	%
2018/19	No data	No data	No data	No data	No data	No data	No data	No data
2019/20	No data	No data	No data	No data	No data	No data	No data	No data
2020/21	No data	No data	No data	No data	No data	No data	No data	No data

Source:

Dimension score = D*

Performance change since the previous assessment

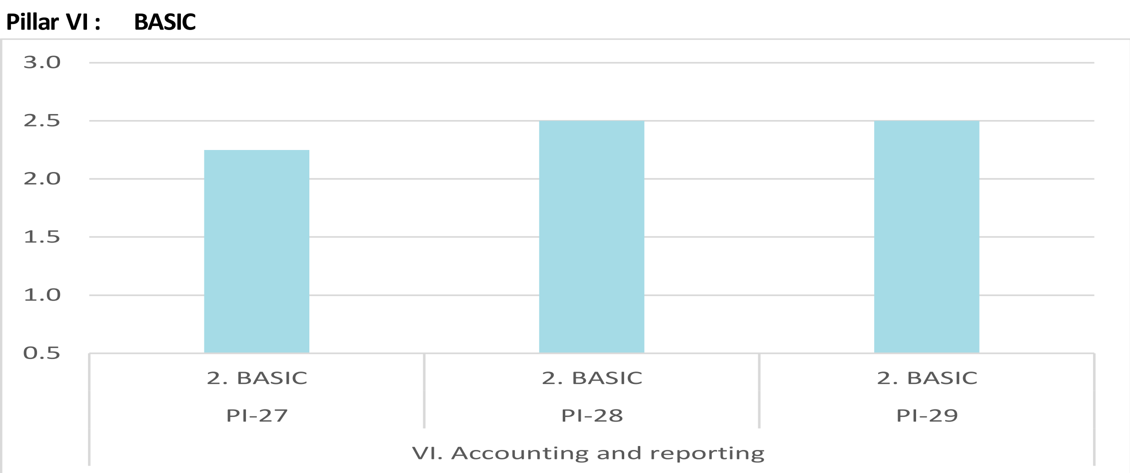
No improvement in overall score.

Recent or ongoing reform activities

None

3.5 Pillar VI. Accounting and reporting

The overall performance of this pillar is also basic, as indicated in the chart below.



PI-27 Financial data integrity

This indicator assesses the extent to which treasury bank accounts, suspense accounts, and advance accounts are regularly reconciled and how the processes in place support the integrity of financial data. It contains four dimensions. Dimension 27.1 assesses the extent and frequency of bank reconciliations for the central government accounts, dimension 27.2 assesses reconciliation of suspense accounts, dimension 27.3 measures the frequency of reconciling advance accounts and dimension 27.4 measures the financial data integrity processes. Coverage of this indicator is budgeted central government (BCG).

Summary of scores and performance table

PI-27 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Financial data integrity		C	C+		Improvement in score and performance due to improvement in dimension (ii).
PI-27.1 Bank account reconciliations		B	B	As at the time of assessment, all treasury-managed bank accounts plus EBUs and NSSF bank accounts were fully reconciled and approved by the supervisory authority on or before the 10th of the following month.	No change in score and performance
PI-27.2 Suspense accounts		D	D	In practice, suspense account is reconciled annually, still with huge uncleared balances in, as indicated in Table 27.2 below. The analysis shows uncleared balance of Ksh3.3 billion as at June 2021, even though there is a marginal decline of Ksh60.2 million (1.8% in percentage terms) in FY2020/20201 from FY2019/2020 balances.	No change in score. In fact, performance appears to be worsening due to increase in outstanding balance in suspense accounts compared to 2017
PI-27.3 Advance accounts		D	C	Table 27.1 below provides the comparative analysis. The analysis indicates that Ksh227.9 million still remain unretired as at June 2021. Reconciliation usually takes places annually within two months, but the data shows delays in full acquittal.	Improvement in score and performance. Compared to 2017, unretired advances have reduced significantly.
PI-27.4 Financial data integrity process		B	B	The IFMIS has password protection. The system prompts users to change and update their access credentials every three months. All transactions and changes within the IFMIS system result in audit trail. There is however no separate operational body responsible for checking data integrity.	No change in score and performance.

PI-27.1 Bank account reconciliations

Section 90 of the PFM Regulations 2015 mandates all accounting officers across central government budgeted institutions to prepare and submit monthly bank reconciliation statements to the NT with copies to the Auditor-General not later than the 10th of the following month. The use of IFMIS (for budgeted central government entities) has greatly improved the timeliness and efficiency with regards to bank reconciliations. EBUs and NSSF use their own automated financial management systems for bank reconciliations and financial reporting. As at the time of assessment, all treasury-managed bank accounts plus EBUs and NSSF bank accounts were fully reconciled and approved by the supervisory authority on or before the 10th of the following month.

Dimension score = B

PI-27.2 Suspense accounts

The PFM environment allows the use of suspense accounts temporally in cases where specific cost centres or revenue classifications are yet to be identified or allocated. This is supported by the legal framework, under Section 107 of the PFM Regulations 2015. According to the regulations, all suspense accounts should be reconciled monthly, and any uncleared balance reported to the NT each month. In practice, this is done annually, still with huge uncleared balances in suspense accounts, as indicated in Table 27.2 below. The analysis shows uncleared balance of Ksh3.3 billion as at June 2021, even though there is a marginal decline of Ksh60.2 million (1.8% in percentage terms) in FY2020/20201 from FY2019/2020 balances.

Table 27.2: Analysis of suspense accounts.

Description	As at June 2021	As at June 2020	Absolute variance	% Variance
District suspense	281,895,037	617,913,441	-336,018,404	-54.4%
Clearance accounts	3,060,595,529	2,784,787,368	275,808,161	9.9%
Total	3,342,490,566	3,402,700,809	-60,210,243	-1.8%

Source: FY2020/2021 Consolidated Financial Statements for MDAs

Dimension score = D

PI-27.3 Advance accounts

The establishment and use of advance accounts (also known as imprest) is governed by Sections 91 to 94 of the PFM Regulations. The regulations establish three forms of imprest, namely: (i) temporary (e.g., travel advances), to be cleared within 7 days of use; (ii) standing, for a fixed period, to be drawn down for minor expenses, and then replenished after the expenses are accounted for; and (iii) special imprest. As part of measures to significantly reduce or completely eliminate the incidence of unacquitted advances within the stipulated legal provisions of 7 days, a mechanism has been instituted by the NT to apply all unacquitted staff advances against respective staff salaries. Available evidence suggests that advances still remain unretired, with huge balances as at the end of the fiscal year, even though comparatively, there is a decline of Ksh145.5 million (39% in percentage terms) from FY2019/2020 to FY2020/2021. Table 27.1 below provides the comparative analysis. The analysis indicates that Ksh227.9 million still remain unretired as at June 2021. Reconciliation usually takes places annually within two months, but the data shows delays in full acquittal.

Table 27.1 Analysis of advance accounts.

Description	As at June 2021	As at June 2020	Absolute variance	% Variance
Outstanding Imprest	204,885,965.00	335,627,278.00	- 130,741,313.00	-39.0%
Salary advances	23,023,152.00	37,805,901.00	- 14,782,749.00	-39.1%
Total	227,909,117.00	373,433,179.00	- 145,524,062.00	-39.0%

Source: FY2020/2021 Consolidated Financial Statements for MDAs

Dimension score = C

PI-27.4 Financial data integrity process

The National Treasury has put in place policies and processes to regulate access to the IFMIS, which is applicable to all MDAs. User-level categories have been established which restrict access to authorised users depending on the level of authority, thereby supporting segregation of duties. The IFMIS has password protection. The system prompts users to change and update their access credentials every two months (60 days). All transactions and changes within the IFMIS system result in audit trail. There is however no separate operational body responsible for checking data integrity.

Dimension score = B

Performance change since the previous assessment, where applicable

There is improvement in score and performance due to improvement in dimension (iii). There is still unretired advance but the balances have reduced compared to 2017.

Recent or ongoing reform activities

The National Treasury is currently undertaking an upgrade of the Standard Chart of Accounts (SCOA). A new SCOA manual has been produced to provide guidance. This is intended to increase the number of segments as well as upgrade of IFMIS in preparation for migration to IPSAS Accrual.

PI-28 In-year budget reports

This indicator assesses the comprehensiveness, accuracy and timeliness of information on budget execution. In-year budget reports must be consistent with the budget coverage and classification to allow monitoring of budget performance and if necessary, timely use of corrective measures. It contains three dimensions. Dimension 28.1 assesses coverage and compatibility of reports, 28.2 measures the timing of in-year budget reports and 28.3assesses accuracy of in-year budget reports. This indicator covers budgeted central government.

Summary of scores and performance table

PI-28 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
In-year budget reports		C+	C+		No change in overall score in spite of improvement in dimension (i).
PI-28.1 Coverage and compatibility of reports		C	B	For FY2020/2021, actual revenues and expenditure were directly comparable with the originally approved budget for the main administrative classifications. Revenues and expenditures were also reported in aggregates using economic and functional classifications. Expenditures made from transfers to de-concentrated government units were also reported.	Improvement in score and performance.
PI-28.2 Timing of in –year budget reports		C	C	Quarterly in-year budget execution reports are issued within two months (eight weeks) after the end of the previous quarter. For FY2020/2021, quarter 1 report was issued in November 2021; quarter 2 was issued in February 2022; quarter 3 was issued in May 2022; and quarter 4 was issued in August 2022	No change in score and performance
PI-28.3 Accuracy of in-year budget reports		B	C	The Quarterly Economic and Budgetary Review (QEBR) reports (also known as in-year budget execution reports) capture expenditure at payment stage only. Data concerns and reconciliation issues have been raised by OAG, but they do not significantly affect the usefulness of financial data. These concerns are not highlighted in the QEBR reports.	No real change, as this dimension appears to be overrated in 2017. There is no evidence suggesting that data concerns are highlighted in the in-year budget execution reports.

PI-28.1 Coverage and compatibility of reports

The content and coverage of in-year budget execution reports is governed by Section 220(2) of the PFM Regulations 2015. Accordingly, the reports should include: (i) revenues and expenditures, (ii) overview of budget, (iii) borrowing and guarantees, and (iv) any other information deemed appropriate by the National Treasury. For FY2020/2021, actual revenues and expenditure were directly comparable with the originally approved budget for the main administrative classifications. Revenues and expenditures were also reported in aggregates using economic and functional classifications. Expenditures made from

transfers to de-concentrated government units (these are national government units such as departments of education, health, agriculture, sports, tourism, etc. located in the counties, directly linked to national government, and providing public service on behalf of the national government) were also reported.

Dimension score = B

PI-28.2 Timing of in-year budget reports

Section 83(5) of the PFM Act 2012 requires the National Treasury to prepare, issue and publish on the Treasury website consolidated quarterly in-year budget execution reports of the central government within 45 days after the end of the previous quarter. In practice, quarterly in-year budget execution reports are issued within two months (eight weeks) after the end of the previous quarter. For FY2020/2021, quarter 1 report was issued in November 2021; quarter 2 was issued in February 2022; quarter 3 was issued in May 2022; and quarter 4 was issued in August 2022.

Dimension score = C

PI-28.3 Accuracy of in-year budget reports

As at the time of assessment, the Quarterly Economic and Budgetary Review (QEBR) reports (also known as in-year budget execution reports) capture expenditure at payment stage only. Nevertheless, IFMIS has the functionality to record and report expenditure at commitment stage but this information is currently not disclosed in the QEBR reports. The IFMIS commitment functionality is used only for expenditure commitment control. The financial information provided in the in-year budget execution reports is useful for budget analysis. Data concerns and reconciliation issues have been raised by OAG (in respect of annual financial statements, the source of which are quarterly in-year reports), but they do not significantly affect the usefulness of financial data. These concerns are not highlighted in the QEBR reports.

Dimension score = C

Performance change since the previous assessment, where applicable
No change in overall score in spite of improvement in dimension (i).

Recent or ongoing reform activities
None

PI-29Annual financial reports

This indicator assesses the extent to which annual financial statements are complete, timely, and consistent with generally accepted accounting principles and standards. This is critical for accountability and transparency in the PFM system. It contains three dimensions. Dimension 29.1 assesses completeness of annual financial reports, dimension 29.2 measures the timely submissions of reports for external audit and dimension 29.3 assesses the accounting standards used to prepare financial statements. This indicator covers budgeted central government.

Summary of scores and performance table

PI-29 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Annual financial reports		C	C+		Improvement in score and performance due to improvement in dimensions 1 and 2.
PI-29.1 Completeness of annual financial reports		C	B	The AFS as indicated in Table 29.1 below, contain information on revenues (partial, as there is no information on revenue/tax	Improvement in performance and score. AFS are not supported by a

PI-29 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				arrears), expenditure, financial assets, financial liabilities, guarantees, and long-term obligations. The statements are also supported by a reconciled cash flow statement.	reconciled cash flow statement.
PI-29.2 Submissions of reports for external audit		C	B	The annual financial statements for the last completed fiscal year 2020/2021 were submitted to the Office of the Auditor-General for external audit on the 30th October 2021, four (4) months after the end of financial year in accordance with Section 80(4) of the PFM Act 2012.	Improvement in score and performance
PI-29.3 Accounting standards		C	C	For the last three completed fiscal years 2018/2019, 2019/2020, and 2020/2021, the consolidated annual financial statements (AFS) have been prepared consistently in accordance with the IPSAS Cash. The accounting standards have been disclosed under note 10 of the AFS. There are no disclosures of gaps in the implementation/adoption of IPSAS cash.	No change in score and performance

PI-29.1Completeness of annual financial reports

Section 80(2) of the PFM Regulations 2015 outlines the financial information to be presented in the annual financial statements (AFS). The information should include receipts (revenues) and payments (expenditures), statement on public debts, budget estimates compared with actuals, and noted to the financial statements. According to the regulations, the annual financial statements should be prepared in accordance with relevant accounting standards prescribed by the Accounting Services Board. For FY2020/2021, the AFS as indicated in Table 29.1 below, contain information on revenues (partial, as there is no information on revenue/tax arrears), expenditure, financial assets, financial liabilities, guarantees, and long-term obligations. The statements are also supported by a reconciled cash flow statement.

Table 29.1: Information contained in annual financial statement – FY2020/2021

Financial heading	Sub-financial heading	Presence in Financial Statements	Reference
Revenue	Direct Tax	Yes	Note 2
	Indirect Tax	Yes	Note 2
	Investment Income	Yes	Note 8
	Non-Tax Revenue	Yes	Note 1
	Grants	Yes	Note 2
Expenditure & transfers	Personnel Emolument	Yes	Note 9
	Goods and Services	Yes	Note 10
	Interests	Yes	Note 16
	Investments	Yes	Note 26.5
	Losses	N/A	Not applicable
	Statutory Payments	Yes	Note 3.1.7
	Subsidies and Transfers	Yes	Notes 12 and 13
Assets	Cash and Bank Balances	Yes	Notes 19A and 19B
	Advances	Yes	Note 20
	Public Loans (Receivable)	Yes	Note 26.5(e)
	Equity and Other Investments	Yes	Note 26.5
	Revenue Arrears	No	Not disclosed
	Tangible Assets	Yes	Note 26.1
Liabilities	Public Debts (Domestic)	Yes	Note 26.4
	Public Debts (Foreign)	Yes	Note 26.4
	Long Term Borrowings	Yes	Note 5
	Suspense Accounts	Yes	Note 20
	Contingent Liabilities	Yes	Note 26.5
	Guarantees	Yes	Note 26.4
	Expenditure Arrears	Yes	Appendix III
Cash flow statement	Reconciled cash flow statement	Yes	Note 7

Source: Consolidated Annual Financial Statements

Dimension score = B

PI-29.2 Submissions of reports for external audit

The consolidated annual financial statements for the last completed fiscal year 2020/2021 were submitted to the Office of the Auditor-General for external audit on the 30th October 2021, four (4) months after the end of financial year in accordance with Section 80(4) of the PFM Act 2012. Please, refer to Table 29.2 below.

Table 29.2: Submission of Consolidated Annual Financial Statements for External Audit

Fiscal Year	Date of submission to OAG
FY2020/2021	30th October 2021

Dimension score = B

PI-29.3 Accounting standards

For the last three completed fiscal years 2018/2019, 2019/2020, and 2020/2021, the consolidated annual financial statements (AFS) have been prepared consistently in accordance with the IPSAS Cash Accounting Standards in line with the PFM Act 2012, as prescribed by the Public Sector Accounting Standards Board (PSASB). The accounting standards have been disclosed under note 10 of the AFS. There are no disclosures of gaps in the implementation/adoption of IPSAS cash.

Dimension score = C

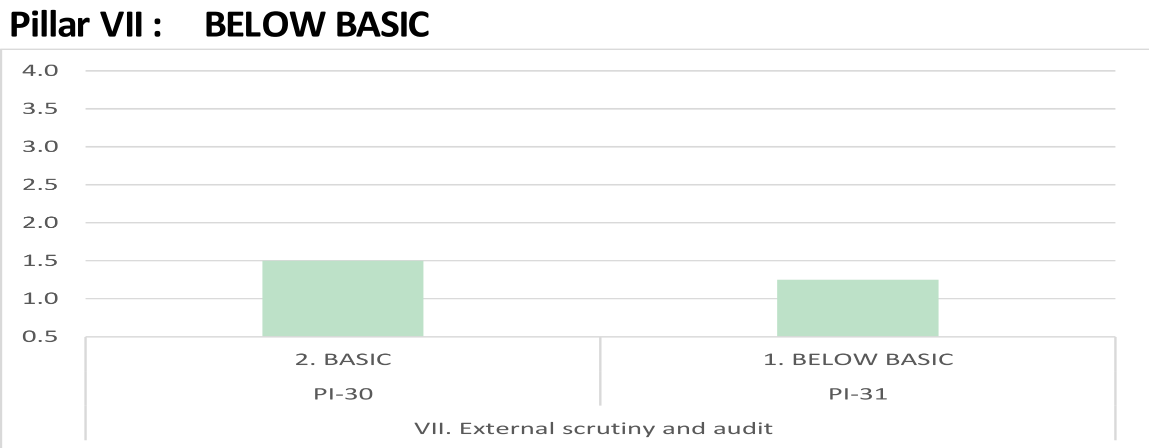
Performance change since the previous assessment

Recent or ongoing reform activities

There is ongoing re-engineering of IFMIS, to improve on financial monitoring which will facilitate real-time financial reports based on user needs. The system will be able to generate weekly, monthly, quarterly and annual reports in any classification required. The financial monitoring will be improved and integrated with the fiscal report. The National Treasury has developed a roadmap for migration of MDAs and County governments from IPSAS Cash to IPSAS Accrual in the next financial year. This will facilitate consolidation of all government financial reports.

3.6 Pillar VII. External scrutiny and audit

As shown in the chart below, the performance of this pillar is below basic.



PI-30 External audit

This indicator assesses the quality of the external audit in terms of the scope and coverage of the audit, adherence to appropriate audit standards (including independence of the external audit institution). The timeliness of submission of audit reports to the legislature is also important in ensuring timely accountability of the executive to the legislature and the public, much as it is for a timely follow up of the external audit recommendations. The assessment covers the central government institutions including all agencies and extra-budgetary units and focuses on the last 3 financial years.

Summary of scores and performance table

PI-30 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
External audit		D+	D+		No change in overall score in spite of non-comparability of dimension (iii) and overrating of dimension (iv).
30.1 Audit coverage and standards		B	B	As indicated in Table 30.1 below, audit coverage for FY2018/2019 stood at 91.2%and 80.3%of central government revenues and expenditures respectively. For FYs 2019/2020 and 2020/2021, audit	No change in score and performance

PI-30 M1	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
				coverage was 87.2%and 90%of central government revenues, and 78.9%and 80.2% of central government expenditures respectively. The audit reports highlight material issues as well as weaknesses in systems and internal controls	
	30.2 Submission of audit reports to the legislature	D	D	Table 30.2 below indicates dates of submission of audit reports of the consolidated annual financial statements by OAG to the National Assembly. For FY2018/2019, the audit report was submitted 18 months after receipt from the NT. In 2019/2020 and 2020/2021, they were submitted within 7 months after receipt from the NT	No change in score and performance
	30.3 External audit follow-up	D*	C	The audited entities provide formal responses to audit findings. The audit reports for the last three completed fiscal years summarise management responses to audit findings. The reports from OAG indicates that some accounting officers do not fully address the issues raised.	Not comparable. There was no data to score in 2017.
	30.4 Supreme Audit Institution (SAI) Independence	A	D	OAG has administrative independence since it operates separately from the executive. The Executive President nominates the Auditor-General subject to the approval of the National Assembly. It has unrestricted access to public records, freedom to decide on its audit work, freedom to publish its audit findings, as well as right to interrogate public officials in the course of its audit. Nevertheless, OAG has no financial independence. Its staff are also public servants.	No real change. This dimension was overrated in 2017. The legal and regulatory framework in terms of OAG's financial independence has remained unchanged since 2017.

PI-30.1. Audit coverage and standards

External audit is carried out in line with INTOSAI auditing standards. This is supported by the legal and regulatory framework under Section 29 of the Public Audit Act 2015 which states that external audit shall be conducted in accordance with applicable international auditing standards. For FYs 2018/2019, 2019/2020, and 2020/2021, OAG has consistently adhered to INTOSAI standards. Section 30 of the same law also makes provision for audit scope and coverage, stating that these shall be determined by the OAG to the extent considered necessary. As indicated in Table 30.1 below, audit coverage for FY2018/2019 stood at 91.2%and 80.3 of central government revenues and expenditures respectively. For FYs 2019/2020 and 2020/2021, audit coverage was 87.2%and 90%of central government revenues, and 78.9%and 80.2%of central government expenditures respectively. The audit reports highlight material issues as well as weaknesses in systems and internal controls. According to the Auditor-General, for FY2020/2021, there were no material issues relating to effectiveness of internal controls, risk management and governance

Table 30.1 Audit coverage (Figures in million Ksh)

Description	FY2018/19		FY2019/20		FY2020/21	
	Revenue	Expenditure	Revenue	Expenditure	Revenue	Expenditure
Audit coverage (budgeted and extra-budgetary units + NSSF)	1,610,183.81	1,225,890.00	1,620,978.00	1,350,500.00	1,722,900.00	1,359,213.00
Total CG (BCG + EBUs + NSSF)	1,764,922.13	1,526,112.53	1,859,745.68	1,712,354.33	1,913,282.94	1,695,266.61
Coverage (Percentage Audited)	91.2%	80.3%	87.2%	78.9%	90.0%	80.2%

Source: OAG data and assessment team's calculation

Dimension score = B

PI-30.2. Submission of audit reports to the legislature

Article 229(4) stipulates that the Auditor-General shall audit all public institutions within six (6) months after the end of the fiscal/financial year. Table 30.2 below indicates dates of submission of audit reports of the consolidated annual financial statements by OAG to the National Assembly. For FY2018/2019, the audit report was submitted 18 months after receipt from the NT. In 2019/2020 and 2020/2021, they were submitted within 7 months after receipt from the NT.

Table 30.2: Submission of external audit reports to National Assembly

Financial year	Date of receipt of annual financial statement from National Treasury	Date of submission of audit reports by OAG to National Assembly	Time lag
2018/2019	30th October 2019	16 April 2021	Within 18 months
2019/2020	29th October 2020	28 May 2021	Within 7 months
2020/2021	30th October 2021	05 May 2022	Within 7 months

Dimension score = D

PI-30.3. External audit follow-up

For the period under review (FYs2018/2019, 2019/2020, and 2020/2021), the Auditor-General's audit reports includes a section on follow-up of previous year's audit recommendations – this section is titled "unresolved prior year's audit issues". The audited entities provide formal responses to audit findings. The audit reports for the last three completed fiscal years summarise management responses to audit findings. The reports from OAG indicates that some accounting officers do not fully address the issues raised.

Dimension score = C

PI-30.4. Supreme Audit Institution independence

The independence of OAG is analysed under Table 30.3, and this was the situation as at the time of assessment. OAG has administrative independence since it operates separately from the executive. The Executive President nominates the Auditor-General subject to the approval of the National Assembly. Staff of OAG are public servants, subjected to the same public service policies in terms of remuneration, appointment and termination. That said, it has unrestricted access to public records, freedom to decide on its audit work, freedom to publish its audit findings, as well as right to interrogate public officials in the course of its audit. OAG's independence is however impaired by the fact that its budget is subject to review by the National Treasury prior to submission to the National Assembly. OAG's budget execution is also controlled by the NT.

Table 30.3: Independence of A-G/OAG

Element/ Requirements	Met (Yes/No)	Evidence used/ Comments
The existence of an appropriate and effective legal framework and of de facto application of provisions of this framework	Yes	Article 229 of the 2010 Constitution and the Public Audit Act 2015.
The independence of SAI[27] heads and members (of collegial institutions), including security of tenure and legal immunity in the normal discharge of their duties	No	The Auditor-General is nominated by the President with the approval of the National Assembly in line with Article 229(1) of the 2010 Constitution. The tenure of office of the A-G is one term for 8 years, non-renewable (Article 229(3). Section 17 of the Public Audit Act 2015 stipulates that the A-G may recruit staff as deemed necessary. The recruitment of staff and remuneration packages are done in accordance with public service policies and structures (Section 17(4)) – this means that OAG staff are subject to the whims and caprices of the public service in terms of transfer, salary grade, etc.
A sufficiently broad mandate and full discretion, in the discharge of SAI functions	Yes	Article 252 of the Constitution, Section 9(1)(e) of the Public Audit Act 2015 empowers the A-G or his/her authorised representative to have full discretion in the discharge of his/her functions
Unrestricted access to information	Yes	Article 252 of the Constitution, Section 9(1)(e) of the Public Audit Act 2015 empowers the A-G or his/her authorised representative to have unrestricted access to all public records.
The right and obligation to report its work	Yes	This is supported by Section 50 of the Public Audit Act 2015.
The freedom to decide the content and timing of audit reports and to publish and disseminate them	Yes	Section 71 of the Public Audit Act 2015 provides protection to the Auditor-General and his/her authorised representative in terms of the content and timing of audit reports, including dissemination and publication, including legal protection on civil and/or criminal matter arising out of his/her legitimate work. Article 258 also empowers the A-G to publish his/her reports.
The existence of effective follow-up mechanisms on SAI recommendations	Yes	The procedure for external audit includes follow-up mechanisms. The audit report contains a section on follow-up of audit recommendations.
Financial and managerial/ administrative autonomy and availability of appropriate human, material and monetary resources	No	Section 20(2) of the Public Audit Act 2015 stipulates that the annual budget estimates of OAG shall be submitted to the Cabinet Secretary for Finance for review. This means that the budget of OAG is subject to NT interference – this affects the financial independence of OAG. The OAG has also indicated financial constraints that inhibits the effectiveness of its work. According to the OAG, resources are insufficient.

Dimension score = D

Performance change since the previous assessment, where applicable

No change in overall score in spite of non-comparability of dimension (iii) and overrating of dimension (iv).

Recent or ongoing reform activities

None

[27] Supreme Audit Institution (National Audit Office)

PI-31 Legislative scrutiny of audit reports

This indicator focuses on legislative scrutiny of the audited financial reports of the central government, including institutional units, to the extent that either: (a) they are required by law to submit audit reports to the legislature; or (b) their parent or controlling unit must answer questions and take action on their behalf. The assessment of this indicator is based on the audit reports submitted to the legislature within the last three years. It covers central government.

Summary of scores and performance table

PI-31 M2	Dimension	Score 2017 (using 2016 PEFA)	Score 2022 (using 2016 PEFA)	Brief justification of 2022 score	Performance change and other factors
Legislative scrutiny of audit reports		D	D		No change in overall score in spite of improvement in dimension (iii)
31.1 Timing of audit report scrutiny		D	D	As indicated in Table 31.1 below, the scrutiny of 2018/2019 and 2019/2020 audit reports took 13 months and 12 months respectively from the date of receipt of the reports from OAG.	No change in score and performance.
31.2 Hearings on audit findings		D	D*	This dimension is not rated due to insufficient data.	Not comparable. 2022 not rated due to insufficient data.
31.3 Audit recommendations by the legislature		D	C	Once PAC scrutinises OAG's audit reports, it prepares a detailed report with recommendations which is tabled in the plenary for adoption. That said, no systematic framework, such as an action plan to measure and/or follow-up on the implementation of PAC's recommendation	Improvement in score and performance.
31.4: Transparency of legislative scrutiny of audit reports		D	D	PAC hearing is open to the public except for sensitive issues. PAC reports are presented to the plenary for consideration and adoption. PAC reports are published on parliament's website, but delayed due to delays in scrutiny.	No change in score and performance.

31.1. Timing of audit report scrutiny

The scrutiny of audit reports is significantly delayed as shown in Table 31.1 below. These delays may be attributed to delays encountered in terms of OAG's timely completion of audit reports, as well as resource constraints (financial and technical) at the National Assembly. As indicated in Table 31.1 below, the scrutiny of 2018/2019 and 2019/2020 audit reports took 13 months and 12 months respectively from the date of receipt of the reports from OAG.

Table 31.1: Timeliness of legislative scrutiny of audit reports

Particulars	2018/2019	2019/2020	2020/2021
Date on which OAG submitted consolidated audit report to Parliament	16th April 2021	28th May 2021	5th May 2022
Date on which PAC submitted its report (of the reviewed audits) to the plenary for consideration and adoption	17th May 2022	9th June 2022	Review still in progress, not yet completed
Days/months of completion from date of receipt of audit reports from OAG	13 months	12 months	Review still in progress, not yet completed

Source: Parliament Table Office

Dimension score = D

31.2 Hearings on audit findings

Interactions with PAC members suggest that in-depth hearings on audit key findings take place with respect to audit reports with disclaimer, adverse, or qualified audit opinion. However, sufficient evidence has not been adduced to support this claim. As data is insufficient to assess this dimension, the score is 'D*'.

Dimension score = D*

31.3. Audit recommendations by the legislature

Once PAC scrutinises OAG's audit reports, it prepares a detailed report with recommendations which is tabled in the plenary for adoption. Once adopted, it becomes binding on the executive government, led by the National Treasury, to implement these recommendations in a timely manner. That said, no systematic framework, such as an action plan to measure and/or follow-up on the implementation of PAC's recommendation. Due to excessive delays in the review process, PAC reports are also delayed. The latest report is dated 9th June 2022 covering audit reports dating as far back as FYs 2014/2015, up to 2019/2020.

Dimension score = C

31.4. Transparency of legislative scrutiny of audit reports

PAC hearings are open to the media and public expect for cases where the accounting officer requests to be examined on a sensitive issue in camera. When such requests are made to the committee, it deliberates on it to be convinced before granting permission to be heard in camera. This has been the practice within the last three completed fiscal years of this assessment coverage. PAC reports are presented to the plenary for consideration and adoption. PAC reports are published on parliament's website, but delayed due to delays in scrutiny.

Parliament website address for PAC report

http://www.parliament.go.ke/sites/default/files/2022-06/Exit%20report%20of%20the%20Public%20Accounts%20Committee%20for%20the%2012th%20parliament%202017%20-2022.pdf

Dimension score = D

Performance change since the previous assessment

No change in overall score in spite of improvement in dimension (iii).

Recent or ongoing reform activities

None

4 Conclusions of the analysis of PFM systems

4.1 Integrated assessment of PFM performance

The sections below provide a summary of the detailed performance of the 31 indicators, summarised across each pillar.

Budget reliability

In order for the government budget to be useful for policy implementation, it is necessary that it be realistic and implemented as promulgated. Kenya's budget is found to be unreliable at both the aggregate and composition levels. The aggregate expenditure outturn was below 90% in the three years under assessment, with a score of "C". A better indicator of reliability is the composition of expenditure (PI-2), as it reflects the government's commitments at budget unit and sectoral level and, indirectly, the programmes to reduce poverty, providing the most useful basis for assessment of policy intent. The performance of the composition outturn by functional/administrative classification (PI-2.1) scored low at "D", while average performance was observed with regard to the composition variance by economic classification (PI-2.2 scored "C"). This demonstrates that resources are not being allocated to originally approved priority areas and programmes, negatively affecting the usefulness of the budget for policy implementation.

Nevertheless, the unreliability of the budget does not seem to result in the accumulation of expenditure arrears. The stock of expenditure arrears averaged 4.1% over the last three years under assessment, with the highest in 2018/2019 at 6.3% Government's policy of charging pending bills (expenditure arrears) to the current year's budget allocation appears to be working, resulting in relatively low expenditure arrears when it comes to budgeted central government. It must however be noted that this analysis excludes pending bills of public enterprises. No expenditure was charged to contingency vote in the last three years, suggesting good fiscal discipline. Aggregate revenue outturn (PI-3.1) scored very low at "D". The revenue targets are overly optimistic and this has led to aggregate revenue outturn to be unreliable in all the years under assessment. It should be noted that unreliable revenues affect predictability and control in budget execution, with a consequential negative effect on efficient and effective service delivery. The outturn was 86.3%, 84.4% and 94.1% for the FYs 2018/19, 2019/20 and 2020/21 respectively. By contrast, the revenue composition outturn was found to be reliable with a score of "B", with a variance in revenue composition of less than 10% in two of the last three years. Tax revenues generally did not show a significant variance in all the years. External grants proved to be highly unpredictable, with outturn below the target in all the three years. Other revenues also show mixed results, with below budget performance in FY 2018/19 and FY 2020/21 but above budget in FY 2019/20, pushing the composition variance to above 10% in the same year.

Transparency of public finances

Budget classification has improved (PI-4 rated 'A'), with budget formulation, execution and reporting now based on administrative, economic and functional/sub-functional classification, in turn based on the GFS 2014 standard. In the previous assessment, it was based on GFS Standards prior to 2014 (at least level 2 of the GFS standard—2 digits). The economic classification is made up of 7 Segments. A standard chart of accounts (SCOA), developed by the National Treasury, is applied. Kenya has moved to program-based budgeting (PBB) and the PFM Act 2012 also requires the budget to be prepared by vote and program. Budget documentation has improved: it now fulfils 8 elements, including all 4 basic elements plus 4 additional elements (PI-5 scored "B"). A good budget classification leads to better accountability of public resources.

Article 33 (a) of The Public Financial Management Regulation requires that "all revenue and expenditure shall be entered into the national government budget estimates". Non-Commercial State Corporations, Semi-Autonomous Government Agencies (SAGA) and Public Funds operate on a cost recovery basis and largely depend on monies appropriated by Parliament, levies and fees. They are funded mainly through the National Budget in the form of grants and transfers and the budget is approved by the cabinet. These entities are required to submit annual financial statements as per the requirement of the PFM Act within three months after year-end. The assessment concludes that revenues and expenditures outside central government financial reports stood at 4.27% (PI-6.2 rated 'B') and 2.98% (PI-6.1 rated 'B') respectively. Excessive revenues and expenditures outside central government operations negatively affects budget reliability.

The horizontal allocation of all transfers for the devolved sectors to county governments from central government is determined by a transparent, rule-based system, and is applicable to both conditional and unconditional grants (PI-7.1 scored "A"). However, counties are not allowed enough time to prepare their budget (PI-7.2 scored "D"). The CARA, which determines the county allocation, has been consistently delayed over the last four years, a couple of months after the start of the new fiscal year. It is crucial for subnational governments to receive information on annual allocations from central government well in advance of the completion (and preferably before commencement) of their own budget preparation processes, in order to assure budget reliability at the country level.

Performance information for service delivery is found to be satisfactory (PI-8 scored "B"). All sectors prepare sector plans in line with the MTP III and these are published on the NT website and the annual progress reviews (APRs), which review the performance of the implementation of Vision 2030 and its MTPs on an annual basis, present information on the progress in the implementation of policies, programs and projects; challenges encountered and proposals to address them; and recommendations for future MTP implementation. The reports also compare the annual target and achievement for each performance indicator for all sectors. Resources received by service delivery units are not properly tracked, defeating the purpose of proper accountability of public resources. Performance evaluation for MDAs is conducted but not published, a bad signal to government's transparency agenda. Public access to fiscal information is good, where the GoK makes available to the public 7 elements, including 4 basic elements plus 3 additional elements (PI-9 scored "B"). Timeliness of publication of most government fiscal data contributes to overall government accountability framework in terms of social/demand-side accountability. The 2021 open budget survey (OBS) concluded that Kenya scored 50% and was ranked 53rd out of 120 countries assessed. This ranking has remained unchanged since 2019.

Management of assets and liabilities

Central government should be aware of, monitor, and manage at a central level any fiscal risks posed by all public entities. Fiscal risk reporting (PI-10) showed mixed results, with an aggregate score of "C". Monitoring of sub-national governments is found to be weak (PI-10.2 scored "D"). Counties prepare and submit annual financial statements to OAG/GoK within four months after the end of the previous month but the unaudited annual financial statements are not published. The audited reports are published but significantly late, more than 12 months after the end of the previous financial year. Contingent liabilities and other fiscal risk, PI-10.3 scored "A", where GoK quantifies all significant contingent liabilities, including PPPs, and publishes the valuation. A sound framework for monitoring fiscal risk strengthens budget reliability, as it reduces the incidence of government's continuous bailout through the national budget.

Public investments are a key prerequisite for achieving and sustaining economic growth, achieving strategic policy objectives, and addressing national service delivery needs. Public investment management performed above average (PI-11 scored "C+"), with all major investment going through economic analysis and appraisal in accordance with the established guidelines, though the results are not published. Investment project selection is made on the basis of published PIM guidelines with the review of the Resource Allocation Panel (RAP). Investment project costing lacks completeness with regard to the recurrent cost associated with the new capital investment projects. While the monitoring mechanism is strong, there is no evidence of publication of monitoring reports. A good framework for public investment management strengthens budget reliability as it reduces wastage of scarce government resources as a result of uncompleted capital investment projects. Average performance is demonstrated on public assets management (PI-12 scored "C"). The GoK maintains records of its holdings in major categories of financial assets but the performance of these investments, i.e., movement of shares, dividends, capital appreciation etc., is not published and the investments are recorded at nominal value, not at market/current value. While the government maintains a register of its assets including land, it does not maintain a register of its subsoil assets such as minerals, energy and other naturally occurring assets. Partial information on transfer and disposal is included in the financial reports, though there is no specific law or regulation that governs the disposal and/or transfer of financial assets. The assessment concludes that the management of central government assets and liabilities is relatively sound to the extent that it does not seriously affect the fiscal space and scarce resources badly needed for service delivery. The management of domestic and foreign debt and guarantees is found to be satisfactory (PI-13 scored "A"). There is complete and accurate recording and reporting of debt and guarantees, with an annual publishing of the Public Debt Management report by the PDMO. A medium-term debt management strategy is published and all public borrowings and issuance of guarantees is approved by parliament in accordance with the law. A good medium-term debt management strategy reduces government borrowing cost, which in turn frees resources for service delivery.

Policy-based fiscal strategy and budgeting

Robust macroeconomic and fiscal forecasts are crucial to developing a sustainable fiscal strategy and ensuring greater predictability of budget allocations. Generally speaking, GoK's macroeconomic and fiscal forecasting is satisfactory with a score of "B" for PI-14. Every year, the Macro and Fiscal Affairs Department prepares the Budget Policy Statement (PBS) which includes the macroeconomic forecast with projections covering the budget year and the two following fiscal years, but the forecast does not include the exchange rate and the interest rate. The document also presents forecasts of the main fiscal indicators, including revenues (by type), aggregate expenditure, and the budget balance, for the budget year and two following fiscal years and the financing. An overambitious macro-fiscal environment negatively affects revenue projections (and actual revenue outturns), thereby affecting budget reliability. This may be the case in Kenya.

The performance of the fiscal strategy is also good (PI-15 scored "B"). The GoK prepares estimates of the fiscal impact of all proposed changes in revenue policy for the budget year only, which are presented in the budget statement and submitted to the legislature. The GoK does not calculate the fiscal impact of proposed changes in expenditure policy. The fiscal strategy is also an integral part of the BPS, which is submitted to the National Assembly as part of the executive's annual budget proposal. It contains the fiscal framework for three years. The progress made against fiscal strategy and explanation of the reasons for any deviation from the objectives and targets set are contained in the different documents prepared by the executive as part of the budget proposal submitted to the National Assembly and published on the NT website, including the BPS, BROP and QEBR. The BPS contains the annual budget estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic, and program (or functional) classification. The BROP provides the fiscal outturn for the last fiscal year, the macro-economic projections and sets the sector ceilings for the next fiscal year and the Medium-Term Budget. Strategic plans are aligned with budget but the cost information is not complete in that it does not include future recurrent cost implications of investment commitments.

The budget preparation process (PI-17 scored "A") is systematic. The annual budget calendar allows four months for MDAs to prepare and submit budget proposals. All budgetary units (100%) submitted their proposals on time. A comprehensive and clear budget circular is issued to MDAs, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings approved by the cabinet prior to the circular's distribution to budgetary units. The NT has submitted the annual budget proposal to the parliament at least two months before the start of the fiscal year in each of the last three years. Legislative scrutiny of budgets performed very well, with all dimensions (PI-18) scoring "A". Timely approval of the budget allows MDAs to commence budget execution on time, leading to completion of planned service delivery programs.

Predictability and control in budget execution

The performance of revenue administration and accounting is average (PI-19 scored "C+" and PI-20 scored "C+). KRA uses multiple means to inform the public on tax and other revenue measures including taxpayer obligations (registration, complete/accurate filing and payment) and taxpayer redress mechanisms. Information is comprehensive, accurate and reliable. There is also a functional tax appeals mechanism which is publicly known. KRA has a structured and systematic approach to revenue risk management. This is based on its compliance risk management and improvement plan. Case selection for tax audit is automatically generated and prioritised through iTax without any human interference. The stock of revenue arrears is high, representing 32.4%of total domestic revenue collections. High stock of revenue arrears affects budget reliability as well as the ability of government institutions to effectively and efficiently delivery public service due to cash shortages. It is essential to ensure that funds are available as soon as possible to support cash management and, ultimately, spending. In this regard, KRA submits the daily, weekly and monthly revenue reports to the National Treasury (NT) and all taxpayers pay their taxes directly into treasury-managed accounts, held at the Central Bank of Kenya. Currently, there is no complete reconciliation of revenue assessed, collected, transferred and revenue arrears. The only reconciliation is between collections and transfers/deposits into NT bank accounts. A sound revenue administration and accounting mechanism contributes to predictability of resource allocation to service delivery units.

Cash management is not satisfactory (PI-21.1 scored "D"). As at the time of this assessment, the National Treasury (NT) does not consolidate budgeted central government cash and bank balances, either on a daily, weekly or monthly basis. The NT prepares a consolidated annual cash flow plan, broken down monthly. There is however no evidence suggesting that the annual cash flow plan is updated either monthly or quarter on the basis of actual inflows and outflows of cash. In-year budget adjustments take place in the form of a supplementary budget done once, or maximum twice a year. The adjustments are done transparently. Expenditure arrears are kept to the minimum, supported with good monitoring mechanism (both dimensions under PI-22 scored "B"), a positive signal to budget reliability.

A strong control system on the payroll is in place (PI-23 scored "B"). Though there is currently no direct linkage between personnel and payroll records, the payroll is supported by full documentation for all changes made to personnel records every month. Staff hiring and promotion, which is under the purview of PSC, is controlled by a list of approved staff positions. Changes to personnel and payroll records takes up to two months to be updated but retroactive adjustments are few. The procedure for changes to personnel and payroll records is well established, clear and adequate to support the integrity of both personnel and payroll data. A comprehensive physical personnel and payroll audit covering all central government institutions (budgetary and extra-budgetary units) was undertaken in FY2021/2022 by the National Treasury (NT) Internal Audit Department. Strong payroll controls which is the case in Kenya, improve budget reliability.

The procurement function has dropped significantly from "A" in the previous assessment to "D+" in the current assessment mainly due to deterioration in procurement monitoring and procurement methods. As significant public spending takes place through the public procurement system, a poorly functioning procurement system does not ensure that money is used effectively in acquiring inputs for and achieving value-for-money in, the delivery of programs and services by the government. The PPRA manages an electronic database for recording all procurement activities, but the procurement data is not complete and comprehensive. There is currently no comprehensive and complete data for all contract awards and methods of public procurement. With regard to public access to procurement information, the government meets at least three out of the six PEFA criteria and a positive note, the procurement complaints management system, for FYs 2020/2021 meets five (5) out of the six (6) PEFA elements.

Internal controls for non-salary expenditure are satisfactory. There is proper segregation of duties but expenditure commitment system still allows to commit expenditure without cash, leading to accumulation of expenditure arrears. Payments fully comply with government rules and procedures. Internal audit has not shown an improvement from the previous assessment with PI-26 scoring "D+" in both assessments. Even though the coverage of the internal audit is good at 93%for both revenue and expenditure; and public sector internal audit across central government (for budgetary and extra-budgetary units as well as social security fund) largely meets international standards, the assessment team is yet to receive consolidated information from the NT internal audit department data regarding the implementation of internal audit, thus this dimension cannot be assessed due to insufficient data, hence a score of "D* for PI-26.3. No sufficient information on response to internal audit is also received leading to a score of "D* for PI-26.4.

Accounting and reporting

The PFM environment allows the use of suspense accounts temporally in cases where specific cost centres or revenue classifications are yet to be identified or allocated. Suspense account reconciliation is done annually, against the regulation which requires monthly reconciliation, still with huge uncleared balances in suspense accounts (PI-27.2 rated 'D') – this negatively affects the quality of financial reporting. Reconciliation of advance accounts usually takes places annually within two months, but the data shows delays in full acquittal (PI-27 rated 'C'). Financial data integrity processes functions well, with access and changes to records restricted and recorded, and results in an audit trail, supported with IFMIS. Coverage and comparability of in-year reports is good (PI-28.1 scored "B"). Actual revenues and expenditure were directly comparable with the originally approved budget for the main administrative classifications. Quarterly in-year budget execution reports are issued within two months (eight weeks) after the end of the previous quarter, though data concerns and reconciliation issues have been raised by OAG, but they do not significantly affect the usefulness of financial data. The QEBR reports (also known as in-year budget execution reports) capture expenditure at payment stage only.

Annual financial statements contain most of the required information (PI-29.1 scored "B"), except revenue/tax arrears. The annual financial statements for the last completed fiscal year 2020/2021 were submitted to the Office of the Auditor-General four (4) months after the end of financial year, in accordance with the regulations of PFM Act 2012 (PI-29.2 rated 'B'). The consolidated annual financial statements (AFS) have been prepared consistently in accordance with the IPSAS Cash but there are no disclosures of gaps in the implementation/adoption of IPSAS cash (PI-29.3 rated 'C').

External scrutiny and audit

GoK's external audit systems remained to be weak at "D+", same as the previous assessment. This is mainly due to the late submission of the audit reports of the consolidated annual financial statements by OAG to the National Assembly. They were submitted within 7 months after receipt from the NT in the FYs 2019/2020 and 2020/2021. OAG's independence is impaired by the fact that it has no financial independence, as its budget approval and execution are subject to review by the National Treasury. Besides, its staff is made of public servants, also subjected to the whims and caprices of the public service policies in terms of remuneration, transfer, termination, etc.

The current assessment concludes that audit coverage was good for both central government revenues and expenditures (PI-30.1 scored 'B'). Audit follow-up is also good but the reports from OAG indicate that some accounting officers do not fully address the issues raised. In addition to the weak external scrutiny and audit, legislative scrutiny of audit reports is also found to be performing poorly (PI-31 scored "D"), resulting in overall weakness of the oversight function. The scrutiny of audit reports is done 12 months after receipt of the reports from OAG. PAC prepares recommendations on the audit reports but no systematic follow-up is performed. The PAC hearing is open to the public except for sensitive issues. PAC reports are published on the parliament's website, but delayed due to the delays in scrutiny.

4.2 Effectiveness of the internal control framework

The effectiveness of internal control framework largely depends on the following four objectives, namely: (i) operations are executed in an orderly, ethical, economical, efficient, and effective manner; (ii) accountability obligations are fulfilled; (iii) applicable laws and regulations are complied with; and (iv) resources are safeguarded against loss, misuse and damage. These objectives need to existent across all seven pillars of the PEFA framework in order to address risks.

Control environment: Kenya's 2010 Constitution sets the tone for PFM control environment. Additionally, subsidiary legislations including the Public Finance Management Act 2012, the Public Finance Management Regulations 2015, the Public Procurement and Asset Disposal Act 2015, the Public Procurement and Asset Disposal Regulations 2020, the Public Private Partnership Act 2013, the Public Audit Act 2015, the Standing Order of Parliament, further strengthen the control environment through the provision of detailed legal provisions to regulate public finance management. The Appropriations Act enacted by the legislature each year is equally a tool to strengthen the control environment. More specifically, Chapter 12 (Articles/Parts 1 to 7) of the Constitution forms the legal basis for public finance. Section 68 of the PFM Act outlines the responsibilities of accounting officers within each central government institution. Section 72 of the PFM Act also mandates accounting officers to manage and safeguard public assets and liabilities. Section 20 of the PFM Regulations also outlines the duties and responsibilities of the Accountant-General. Segregation of duties is well articulated across all PFM laws and regulations, including circulars/guidelines issued by the National Treasury, and as evidenced by the PEFA assessment (PI-25.1 rated 'A'), public officials adhere to the principle of segregation of duties. Each central government institution has detached units for budget formulation and preparation, procurement management, human resource management, payroll management, internal audit, and accounting and reporting. Given the importance of control environment, the PFM laws and regulations reinforce the need for strong and functional internal audit units across all MDAs, in addition to robust external audit architecture to prevent and/or reduce fraud as well as ensure strict adherence to rules, regulations and procedures. The assessment concludes that executive response to internal and external audits is inconclusive due to lack of sufficient data to effectively assess this indicator. There are significant delays in PAC's scrutiny of OAG reports which weakens the control environment. There is also no systematic follow-up mechanism by PAC of its own recommendations.

Risk assessment: The importance of organizational risk assessment cannot be overemphasised, as it provides a platform for identifying high risk areas that require utmost attention. There is no central government-wide risk assessment register. Nevertheless, internal and external audits are risk-based. Internal audit is risk-based, with more emphasis on systemic issues, evaluation of the effectiveness of internal controls and areas of high risk (PI-26.2 rated 'A'). OAG's annual audits of public institutions largely focus on financial, compliance, and assessment of the effectiveness of internal control within each institution audited. Performance audits are also carried out to ascertain the efficacy of service delivery.
The recurring nature of audit findings point to weaknesses in the enforcement regime as far as the implementation of audit (and PAC) recommendations are concerned (PI-30.3 rated 'C', and PI-31.3 rated 'C'). The Domestic Tax Department of the Kenya Revenue Authority has put together a compliance risk framework dated November 2020 for assessing and prioritising risks associated with domestic tax. The strategy outlines critical elements of risk such as scope of compliance management, risk management process, compliance level process, risk profiling and case selection for tax and fraud investigations, among others (PI-19.2 rated 'B').

Control activities: The PFM Act 2012, PFM Regulations 2015, and the Public Procurement and Asset Disposal Act 2015 outline the procedures for key internal control activities such as segregation of duties, authorization and approval, reconciliation of accounts, and management and safeguarding of public assets (PI-25.1 rated 'A'). One crucial control activity within the PFM space is the security measures that form part of the central government financial management system (IFMIS) in terms of user accessibility with password credentials in addition to the generation of audit trails for authorised users only.

Both internal and external audit functions continue to improve in terms of nature and audit standards but weak executive implementation of audit recommendations coupled with delays in PAC's scrutiny process affect PFM performance (PI-31.3 rated 'C').

The timely reconciliation of central government treasury-managed bank accounts (PI-27.1 rated 'B' and considered to be satisfactory) is part of the control activities within the PFM cycle. The management of central government non-financial assets is undergoing significant reforms with the establishment of the National Assets Management Department under the National Treasury to oversee and manage all central government fixed assets. That said, the current practice is a decentralised asset management framework where each MDA keeps an asset register, but with no information on subsoil assets (PI-12.1 rated 'C', considered average). Control activities in the area of financial assets is considered average (PI-12.2 rated 'C') but there are significant delays in terms finalising and auditing annual financial statements of SoEs.
KRA's roll out of ITAS to improve tax administration, revenue management and reduce human interface, is a control activity which further strengthens the control environment. Public sector personnel and payroll management through the use of IPPD, IFMIS and GHRIS are good control activities but the major limitation is the absence of a direct linkage/integration among these software – potentially open an avenue for fraud and corrupt practices within central government payroll system.

Information and communication: Information and communication are PFM enablers. They are means by which PFM activities and actions are disseminated. To this end, the National Treasury's website provides very useful fiscal and financial information for public use. Additionally, MDAs (for instance, OAG, Controller of Budget, Ministries of Education, Health, Energy, Gender, Agriculture, Infrastructure, etc.) have functional websites, also publishing useful government information. The Office of the Controller of Budgets and the Accounting Services Department prepare and published quarterly budget implementation reports and annual financial reports respectively (PI-28.1 rated 'C', PI-29.1 rated 'B'). There are delays in the issuance of quarterly budget execution reports (PI-28.2 rated 'C'). Annual financial statements on the other hand are issued on time, within four months after the end of the fiscal year (PI-29.2 rated 'B').
OAG's audit reports are published more than twelve (12) months after the end of the financial year and the PAC recommendations over 24 months after year end (PI-31.1 rated 'D'). Publication of PAC reports is also significantly delayed. Until February 2022, publication of procurement plans, a critical source for public participation in government procurement activities, was not compulsory, and therefore MDAs were not publishing their procurement plans. There is however publication of tenders, also for contract awards but significantly incomplete in terms of number and value of contracts awarded. The general environment for public access to government fiscal information is good, with PI-9 rated 'B' based on the assessment. Information on performance for service delivery is however satisfactory (PI-8 with an overall score of 'B').

Monitoring: The promulgation of strong PFM laws and regulations is a prerequisite to strengthening the PFM environment. The PFM architecture is further strengthened through regular monitoring and evaluation of systems and practices, coupled with strong enforcement regime. A number of monitoring mechanisms exist to ensure the efficiency and effectiveness of government operation, fulfilment of accountability, compliances to rules and regulations and safeguarding of public assets. The production and issuance of fiscal reports such as in-year budget execution reports, annual financial statements, debt

bulletins/reports, budget statements, among others, in a timely manner, provide reasonable assurance in terms of the functionality of PFM systems, not only that but the extent of remedial actions taken expeditiously to correct weaknesses identified. This assessment concludes that annual financial statements are prepared and issued timely (PI-29.1 rated "B") but late for in-year budget execution reports (PI-28.2 rated 'C'). A well-functioning internal audit framework also strengthens M&E and the general internal control environment. As a management function, internal audits help to unearth lapses within the PFM system, at the same time, providing recommendations for improvement. Currently, however, executive action on audit recommendations is inconclusive due to lack of sufficient information to assess this criterium (PI-26.4 rated 'D*'). The significant delay in laying PAC reports/recommendations has a severe and detrimental impact on the efficiency and effectiveness of monitoring and evaluating executive government operations (PI-31.1 rated 'D').

4.3 PFM Strengths and Weaknesses

Impact of PFM Systems on the three main budgetary outcomes

Fiscal discipline

Kenya adopted strong PFM laws and regulations, a positive signal to consolidating aggregate fiscal discipline. Most of the laws and regulations support the strengthening of fiscal discipline in all pillars except that they do not grant the OAG financial independence, where its budget is subject to review by the NT, and its staffs are public servants. This impairs the independence of the OAG.

Fiscal discipline is weakened by the unreliability of aggregate revenue outturn, caused by over optimistic targets. The aggregate expenditure outturn is also found to be poor, a threat to fiscal discipline. The assessment concludes that government operations outside the budget are relatively high, but not at the levels that significantly impacts negatively on fiscal discipline. That said, this has a future threat if not controlled and managed. Internal controls for non-salary expenditure are satisfactory. There is proper segregation of duties but expenditure commitment system still allows to commit expenditure without cash, and could lead to accumulation of expenditure arrears (pending bills). Nevertheless, this is not the case currently due to measures such as charging pending bills to approved current budget. Payments fully comply with government rules and procedures.

Contingent liabilities and other fiscal risks are quantified and published, but its performance not adequate to strengthen fiscal discipline. Public investment and assets management performed above average, indicating the need for improvements to strengthen these areas. The management of domestic and foreign debt and guarantees is found to be satisfactory, with complete and accurate recording and reporting of debt and guarantees, positively impacting on fiscal discipline. A medium-term debt management strategy is also published, contributing positively for fiscal discipline.

Strategic allocation of resources

A robust budget classification system as well as budget comprehensiveness and transparency, as is the case in Kenya, signals strong mechanisms for allocating resources strategically. GoK's budget classification and documentation meet international standards. Resources allocated can easily be tracked. Despite good budget classification system and budget comprehensiveness, the high level of expenditure composition variance demonstrates that resources are not being allocated to originally approved priority areas and programmes. The transparent and rule-based system of horizontal allocation of all transfers for devolved sectors to county governments from central government is a sign that resources are strategically allocated. That said, the delays with respect to reliable information for county government budget preparation is a serious concern, as it lends itself to an unpredictable and unreliable budgeting system at the county levels, thereby affecting service delivery.

The underlying assumptions for forecasting the budget set the tone for resource allocation in a strategic manner but government's inability to estimate the fiscal impact of changes in expenditure policy proposals is a weakness to strategic resource allocation. However, the fiscal impact of changes in revenue policy is estimated. The smooth budget preparation process with a comprehensive and clear budget circular issued to MDAs, covering total budget expenditure for the full fiscal year, and reflecting ministry ceilings approved by the cabinet prior to the circular's distribution to budgetary units, contributes to the strategic allocation of resources. The timely approval of the annual budget enables budget units to begin their annual programmes and activities on time to ensure maximum utilisation of allocated resources, thereby improving service delivery.

The performance of revenue administration and accounting framework is reasonable; however, it is not strong enough to sustain strategic resource allocation. The cash management framework is also weak; it does not support the allocation of resources in a strategic manner – this has the potential of negatively affecting service delivery.

Efficient service delivery

Efficient service delivery is supported and strengthened by good budget classification and the comprehensiveness of the budget documentation – this is the case in Kenya. However, the unreliability of the expenditure budget at the composition level negatively affects efficient service delivery. The transparent and non-frequent in-year budget adjustments enable the budget to be utilized for initially intended priority areas – this is a strength to efficient service delivery. The good public access to fiscal information, coupled with the public availability of service delivery performance information contributes positively to strengthening the efficiency of service delivery, as it provides a good opportunity for citizens to demand accountability.

Operational efficiency of national service delivery needs is supported by the good framework of public investment management where robust economic analysis and selection method is applied, though the results of these feasibility studies are not published. The strong system of medium-term expenditure budgeting provides greater predictability for budget allocations in the medium-term, strengthening both strategic resource allocation and efficient service delivery.

The lack of complete and comphrensive procurement data and information on procurement methods used means the procurement framework is not well-functioning to ensure that money is used effectively in acquiring inputs for, and achieving value-for-money in, the delivery of programs and services by the government. Efficient service delivery is further negatively affected by the absence of a framework to track all resources received by frontline service delivery units. The inability to track resources to frontline service delivery units could lead to shortages in some areas and surpluses in other areas. The comprehensiveness and timely public access to fiscal information improves efficiency of service delivery, as it encourages public accountability.

The overall external audit and legislative scrutiny functions are generally weak, not supportive of efficient service delivery. Though the coverage of both internal and external audit is satisfactory, management response to internal audit, a necessary tool to assess the efficiency of service delivery, cannot at this stage be determined due to inadequate information from the NT/IAD. The late submission of audit reports by OAG affects the relevance of the reports for accountability and the fact that the budget of the OAG is subject to NT approval impairs its independence. This is further worsened by the delay in PAC's scrutiny and lack of systematic follow-up on recommendation, all negatively affecting the audit and overnight function's contribution to strengthening efficient service delivery.

4.4 Performance changes since a previous assessment

Fiscal discipline

Strong PFM laws and regulations have continued to be the feature of the PFM environment in Kenya, contributing positively to fiscal discipline. There is no substantive change between assessments (2017 and 2022) when it comes to fiscal discipline. Compared to 2017, aggregate fiscal discipline has deteriorated as it has been weakened by the unreliability of aggregate revenue outturn, caused by overly optimistic targets and unreliable aggregate expenditure outturn. Comparatively, the current assessment concludes that revenue and expenditure outside government financial reports are relatively high, based on available data; in 2017 there was insufficient data to assess the level of government operations outside the budget. Internal controls on non-salary expenditure remain satisfactory under both assessments, with proper segregation of duties and payments fully complying with government rules and procedures. Expenditures arrears (pending bills for budgetary central government, excluding those from public enterprises) are kept to a minimum, with the monitoring mechanism thereof improved in the current assessment. Under both assessments, the low levels of in-year budget adjustments have strengthened fiscal discipline. A notable improvement in fiscal discipline is the quantification and publication of contingent liabilities and other fiscal risks, including PPPs, which was not the case during the previous assessment. Public investment management remained the same while marginal improvement is made on assets management, with the strengthening of non-financial assets monitoring and asset disposal. Payroll controls have remained satisfactory, unchanged in both assessments.

Strategic allocation of resources

Budget comprehensiveness and transparency has seen significant improved from 2017, thereby strengthening the strategic allocation of resources. This is further supported by the improvement in 2022, of the budget classification system to the GFSM 2014 standards to meet international standards. This means improvement in the traceability of public resources. Despite a sound budget classification system and good budget comprehensiveness, the high level of expenditure composition variance, especially in the current assessment (could be as a result of COVID-19), demonstrates that resources are not being allocated to originally approved priority areas and programs. The transparent and rule-based system of horizontal allocation of all transfers for devolved sectors to county governments from central government during both assessments improves the strategic allocation of resources. That notwithstanding, the excessive delays in the passage of CARA, needed for county revenue allocation, contributes to budget unreliability and inefficient service delivery at the county levels – this has not changed since 2017.

As was the case in 2017, the government's inability to estimate the fiscal impact of changes in expenditure policy proposals is a weakness to strategic resource allocation. On a positive note, the fiscal impact of changes in revenue policy is estimated. Budget preparation process remained strong. In both assessments, the smooth budget preparation process, with a comprehensive and clear budget circular issued to MDAs, covering total budget expenditure for the full fiscal year, and reflecting ministry ceilings approved by the cabinet prior to the circular's distribution to budgetary units, contributes to the strategic allocation of resources. The legislative scrutiny of the budget and approval systems have improved and strong, providing an enabling environment for budget units to fully utilize their annual budget allocations.

Revenue administration improved slightly with regard to provision of information to tax payers on rights and obligations for revenue measures and revenue risk management, positive contribution to support resource allocation and efficient service delivery. Nevertheless, the cash management framework, in both assessments has shown weaknesses in terms of not being able to consolidate central government daily cash position, a pre-requisite to efficient cash management.

Efficient service delivery

Compared to 2017, the efficiency of service delivery improved as a result of improvement in budget classification to conform to GFSM 2014. The comprehensiveness of the budget documentation also supports efficient service delivery, an improvement in 2022 compared with 2017. However, under both assessments, the unreliability of the budget at the composition level negatively affects efficient service delivery. The transparent and non-frequent in-year budget adjustments during both assessments provides a platform for budget utilisation according to original government priorities.

The performance information for service delivery has remained unchanged, satisfactory under both assessments. This, coupled with the good public access to fiscal information in 2017 and in 2022, contributes positively to strengthening the efficiency of service delivery. Public investment management framework has remained unchanged at the aggregate level, even though slightly improved in terms of performing economic analysis

of investment projects, compared to 2017 where there was insufficient information to assess. Investment project selection remained rigorous under both assessments, contributing to strengthening the efficiency in service delivery. Medium-term expenditure budgeting remained strong in both assessments, providing greater predictability for budget allocation in the medium-term, thereby strengthening service delivery efficiency.

A major deterioration from the previous assessment is on the procurement management, where there is currently no complete procurement data and no comprehensive information on procurement methods used, which was not the case in the previous assessment. This is a setback to efficiency in service delivery, as competitive public procurement improves service delivery. Another weakness to efficient service delivery is government's inability to track resources, especially in kind, to all primary service delivery units. This has been the case since 2017, although the previous assessment seemed to have overrated this dimension. Public access to fiscal information, which helps to strengthen the efficiency in service delivery by holding public officials accountable, has remained unchanged, good enough to support demand-side accountability.

Both internal and external audit coverages have been good under both assessments, a strength to efficient service delivery. Nonetheless, excessive delays in external audit with consequential delays in legislative scrutiny, have weakened the entire accountability chain, thereby contributing to less effective service delivery framework. The financial non-independence of the OAG, coupled with the non-existence of legislative follow-up mechanism, do not support the accountability framework, prerequisites to strengthening efficient service delivery.

5 Government Reform Process

5.1 Approach to PFM Reforms

A well-functioning PFM system has been highlighted in the Vision 2030 as a key foundation to achieving national development. The Government's first reform strategy covered the period 2006-2011 under the "Revitalization of Public Financial Management System in Kenya". The reforms were focused on transformation of political priorities into the annual budget allocations, credibility of the budget, quality, timeliness and accuracy of financial reports, procurement, rollout of the IFMIS and integration with the payroll system, automating the pensions system, prevention of tax evasion, poor collection and accounting of non-tax revenue, institutional reform, debt management, revamping of the external audit, PFM legal framework and strengthening the low capacity of PFM staff, among others.

By 2011, many reforms were still pending or incomplete, and the energies were now focused on the development of the new Constitution of 2010. Devolution policy called for enhanced equity, transparency and accountability in the use of public funds, the creation of subnational governments (counties), and new PFM oversight structures through the creation of the Office of the Controller of Budget, the Commission on Revenue Allocation, among others.

The PFM Act was passed in 2012 which then necessitated reform from what was the current standard. The PFM Reform Strategy 2013-2018 was developed from this. Subsequent to that was the PFMR Strategy 2018-2023 which is currently underway. The PFMR Strategy 2018-2023 is building on the previous in the areas of increasing fiscal space, enhancing coherence and consistency between policy commitments and public spending, enhancing service delivery and productivity of public investments projects, improving wage bill management to enhance efficiency, improving the quality of MDAs and county financial reporting and strengthening internal and external audit.

The PFM Reform Strategy 2018-2023 is anchored on the Medium-Term Plan 2018-2022 (MTP), now in its third iteration (MTP III) which in turn is guided by Vision 2030. It covers both levels of government – national and county. At the national level, the strategy focused on monitoring the progress of the key steps and achievement of reform results made by the 33 implementing MDAs. It should be noted however, that counties benefit from reform activities implemented by the MDAs including technical support, capacity building, development of policies and guidelines, development of PFM systems, purchase of equipment and sensitization on relevant laws and regulations.

5.2 Recent and Ongoing Reform Actions

The Government of Kenya is currently implementing the third PFM reform strategy spanning the period 2018-2023. There are eight (8) result areas or components, namely:

(1) Sustainable and predictable fiscal space to deliver government programs
(2) Strategic and transparent spending on public investment and service delivery in line with National and County Policy Commitments
(3) Reliable cash for service delivery and public investment
(4) Value for money in procurement and contract management
(5) Value for money, performance & accountability in staffing for service delivery
(6) Education institutions, health, and other service facilities effectively manage public resources
(7) Disciplined financial management and accurate reporting, and
(8) Accountability delivered through audit, oversight and follow up

COVID-19 pandemic impacted negatively on reform progress, even though funding was available. Nevertheless, in overall terms, 60%of planned reforms were achieved or are at various stages of completion as far as the 2018-2023 PFM reform strategy is concerned. According to the 2020/2021 annual PFM reform progress report, key achievements thus far include the following:

Result area 1: Sustainable and predictable fiscal space to deliver priority programs:

- Upgraded procedures and capacity in place in KRA to enable tax administration transformation
- Comprehensive set of guidelines and training curriculum in place for county revenue relating to: (a) policy and legislation, (b) institutional arrangements, and (c) administration in place
- Dissemination and Implementation of Own Source Revenue Policy
- A framework and forecasting model in place which ensures realistic revenue and other macro fiscal projections agreed following a multi-agency review of forecasting including State Corporations.
- Legislative changes in place which ensure that finance bill is approved before or alongside the appropriation bill.
- A framework for measuring national and county fiscal responsibility
- Debt and Borrowing Policy in place which formalises the framework for debt management.
- Package of tools and work plan developed for rationalizing mandates, functions, structures, establishments and staffing and cleaning payrolls.

Result area 2: Strategic and Transparent Spending on Public Investment and Service Delivery in Line with National and County Policy Commitments

- Update of SCOA finalized, including standard program structure and approach to classifying service delivery facilities and projects. CoB, BD, GPIPE, Counties and MDAs and requirements for automation
- Budget manuals have been updated in advance of the 2020/21 budget process to include: (a) early agreement of changes to budget priorities and major programmes, (b) costing of service delivery programs, (c) identification of cost savings, (d) timing and form of information needed from external funders
- Information available to MDAs, SCs and Counties on past expenditure data and transfers to service facilities via the Hyperion Budget module of IFMIS
- Development of user requirements for an integrated, automated management information system enables state corporations and semi-autonomous agencies to provide budgets, quarterly and annual reports with financial and non-financial performance information (including debt levels and contingent liabilities).

Result area 3: Reliable Cash for Service Delivery and Public Investment

- Standards for transferring funds from KRA and revenue collection accounts to the consolidated fund and CRF respectively are developed.
- Debt issuance calendar, in year borrowing program for 2019/20 consistent with an aggregate cash plan and in-year revenue projections and delivering cash for MDAs including SCs based on a compilation of the cash plans using the cash management system approved by the end of July 2019
- Fully automated exchequer release system operational, with transfers authorized by ASD and made by CBK on the system for MDAs and Counties
- Process and guidance adopted for 2019/20 by which NT sets aggregate MDA and County cash limits and MDAs and Counties revise their cash plans and make exchequer requests based on clear expenditure categories.
- Conditional grant transfers are published online and in national newspapers

Result area 4: Value for money in procurement and contract management

- Public Procurement Policy and Final Draft Regulations gazette
- Operationalize KISEB, assessment of procurement professionals in public sector

Result area 5: Value for money, performance & accountability in staffing for service delivery:

- Developed an implementation plan and user requirements for upgraded GHRIS which houses a consolidated HR data warehouse and interfaces with IFMIS, and other government systems based on the recommendations of an assessment on the GHRIS

Result area 6: Education Institutions, Health and other Service Facilities Effectively Manage Public Resources:

- **Methodology for strengthened expenditure tracking in place**
- **Methodology for strengthened facility audit and value for money analysis**
- **Health workforce data collected and updated in iHRIS**

Result area 7: Disciplined Financial Management and Accurate Reporting

- **IFMIS has finalised automated agreed IPSAS compliant MDAs and County financial reporting templates to enable timely financial reporting**
- **Minimum compliance standards for quality and standards for MDAs and Counties for the provision of quarterly and annual financial statements**
- **Policy, framework and guidelines for asset and liability management adopted**

Result area 8: Accountability Delivered through Audit, Oversight and Follow-up:

- **Audit management software, which includes new QA framework, has been deployed and is operational in all counties, SCs and MDAs and internal audit capacity built**
- **Enhanced external audit methodology and quality assurance framework and associated tools (Risk Assessment policies and procedures, Compliance and Financial Audit Manuals, Quality Assurance and Quality Controls Manuals.) and plan for their implementation approved**
- **Development of tools to monitor the implementation of the SDGs across the sectors**
- **Automated system for tracking audit follow-up actions operational**

Other ongoing support to PFM reform strategy

The European Union is supporting the Government of Kenya through the Public Accountability and Service Delivery Programme (PASEDE) spanning 2021-2024. The PASEDE financing agreement no. KE/FED/041-658 is for a total estimated cost of EUR26 million with a budget support component of EUR23.5 million and a complementary component for capacity building of EUR2.5 million to be implemented over a period of six (6) years. Key activities under the PASEDE programme include:

- **Facilitate the identification, implementation, and monitoring of advisory and capacity-building activities targeting stakeholders of the PFM Reform Strategy 2018-2023.**

- Support the PFM Reform Secretariat in the implementation of a Communication Strategy for the PFM Reform 2018-2023.
- Strengthen the partnership between the EU Delegation and the Kenyan National Treasury and Planning to monitor the implementation of the PFM Reform Strategy 2018-2023.
- Improve the coordination of the Kenyan PFM Reform Secretariat regarding donor-funded programmes that support public investment management practices and reforms.

The World Bank provided support for the formulation of the current PFM reform strategy. Other areas of support include debt management (front office, middle office and back office), and payroll reforms (GHRIS and IPPD). Both Agence Française de Développement (AFD) and the World Bank are funding a five-year GESDeK programme valued at USD222.85 million (WB: USD150 million, and AFD: EUR60 million equivalent to USD72.85 million[28]) from 2017 to 2023 in the areas of public investment management, treasury management, e-Government procurement, payroll and human resource data management, financial reporting, fiduciary risk in terms of transparency of service delivery, SoE reporting, and general government services (e.g., revenue administration, transparency and accountability, and service delivery). The Bank is also determined to support the next PFM reform strategy. The WB is also financing the 2022 Method for Assessing Procurement Systems (MAPS) assessment – the findings and recommendations will feed into the new PFM reform strategy after 2023.

UNWomen has provided capacity building specifically on gender related issues and gender responsive budgeting. It is working closely with the National Treasury to provide the foundation for addressing gender inequality in Kenya, as well as the necessary tools to effectively track all government expenditures related to gender.

UNDP has a strong focus on climate responsive budgeting. It supported the first climate change expenditure review in 2016. It also supported the development and promulgation of the Climate Act in 2016. One significant area of support by UNDP is the complete overhaul of the standard chart of accounts (SCOA) to facilitate the tracking of climate change expenditures. To this end, three new codes have been added to SCOA, the main challenge relates to technical capacity of public officials in terms of identifying which expenditure is climate-related in order to facilitate data capture onto the system (IFMIS). Further, county assessment was done in 2018 with regards to gender responsive budgeting, with

[28] EUR60 million @USD1.2142 per Euro as at 30th June 2021 exchange rate

some capacity building programs. Support was also provided to include gender segments in the new SCOA. This was reviewed by the IMF.

Donor coordination

The development partner (DP) community is heavily involved on PFM matters in Kenya, both at the central and county levels of government. There is strong coordination among donors, with frequent meetings, usually quarterly, but also with bilateral and ad hoc meetings at least once a month. These meetings provide opportunities for DPs to deliberate and agree a common approach to PFM issues in Kenya. There is a donor dialogue matrix which informs DPs policies and dialogue. Nevertheless, technical assistance provided by DPs is not properly coordinated, opening up the possibility of duplication of efforts. Donor PFM support programs are mainly implemented in silos (each DP implementing its own support program). A more coordinated approach, through a basket fund arrangement, provides a greater opportunity for effective donor coordination, in addition to approaching the government with a unified voice.

5.3 Institutional Considerations

Government Leadership and Ownership

PFM reforms in Kenya are owned by the central government. To this end, the National Treasury houses the PFM Reform Secretariat (PFMRS), indicating strong and high-level commitment to PFM reforms. The PFM Sector Working Group (PFM-SWG), which is a forum for dialogue on PFM reform policies and strategies, is chaired by the Cabinet Secretary of the National Treasury. The Principal Secretary to the National Treasury also chairs the steering committee responsible for providing strategic and policy guidance in terms of the implementation of reform strategy. The Secretariat is headed by a high-level government official at directorship level and ably assisted by a competent and high-ranking official as deputy director. To support the day-to-day running of the Secretariat, qualified technical staff have been employed to oversee the successful implementation of activities outlines in the PFM reform strategy. The government also bears the cost of running the secretariat, in terms of utility cost, staff cost, and other operational cost. All these point to government leadership and ownership.

Coordination across Government

Coordination across government is well established. The PFM Reforms Secretariat (PFMRS) which is under the National Treasury, and headed by a PFM Reform Coordinator (a high-level government official), provides coordination and administrative support to all implementing agencies under each of the eight result areas of the PFM reform strategy. The PFMRS has a core technical staff responsible for programme management, monitoring and evaluation, reporting, finance, budgeting and resource management, strategic communications and legal affairs. To facilitate the implementation of the reform strategy, each implementing government agency has a component head (manager) who has a direct relationship with one or two PFMRS technical staff for day-to-day management and

implementation of activities. There is also another direct line of communication between the PFMRS Coordinator and component heads, on one hand, and between the Coordinator and the Cabinet Secretary for Finance on the other for high-level technical and administrative matters. To this end, the Secretariat enjoys significant support from the leadership of the National Treasury.

A Sustainable Reform Process

The cost of the current PFM reform strategy 2018-2023 is estimated at Ksh12.321 billion (equiv. USD113.80 million or EUR93.73 million at June 2021 exchange rates). The strategy clearly identifies resource constraints but failed to provide measures to be adopted to raise the needed resources for the implementation of reform activities apart from the government's intention to fund some MDAs priority areas through the annual national budget. Though not costed, GoK's support in terms of human resource (staff cost), cost of office space, administrative infrastructure such as electricity and internet, should be recognised. Notwithstanding the absence of a succinct funding framework for PFM reforms in Kenya, the government and development partners have indicated their willingness to continue supporting activities that will strengthen PFM for improved service delivery.

Transparency of the PFM Programme

The involvement of key stakeholders such as MDAs, counties, development partners and civil society organisations in the preparation of PFM reforms strategies is an indication that the Kenyan central government is open to transparency. A key area of transparency is publication of fiscal reports, government policies and programmes, and specifically reform strategies plus implementation progress reports. To this end, the 2018-2023 PFM reform strategy has been published on the website (https://www.pfmr.go.ke/public-financial-management-reforms-strategy-2018-2023/). The PFMRS has a dedicated website, linked to the NT website, for publication of its materials, reports, etc.

ANNEXES

Annex 1: Performance Indicator summary

COUNTRY NAME: KENYA			Current assessment		Previous assessment (applying PEFA 2016 framework)	
Pillar	**Indicator/Dimension**		**Score 2022**	**Description of requirements met**	**Score 2017**	**Explanation of change (including comparability issues)**
Budget Reliability	PI-1	Aggregate expenditure out-turn	C	Aggregate expenditure outturn was between 85% and 115% of the approved aggregate budgeted expenditure in the last three completed fiscal years. It was 85.4% in FY 2018/19, 86.8% in FY 2019/20 and 87.2% in FY 2020/21.	B	Deterioration in both score and performance.
	PI-2	Expenditure composition outturn	D+		D+	No change in aggregate score but change in dimension score and performance.
		(i) Expenditure composition outturn by function	D	The composition out turn by administrative classification was more than 15% in the last three completed fiscal years. It was 33.9%, 36.1% and 38.2% for the FYs 2018/19, 2019/20 and 2020/21 respectively.	B	Deterioration in score and performance. In the current assessment, the composition outturn by administrative classification was above 15% for the last three completed fiscal years. In the previous assessment, it was less than 10%
		(ii) Expenditure composition outturn by economic type	C	Variance in expenditure composition by economic classification was less than 15% in at least two of the last three years. It was 16.2% in FY 2018/19, 4.2% in FY 2019/20 and 12.2% in FY 2020/21.	D*	Improvement in score and performance. It was not possible to compute the composition variance by economic classification during the previous assessment because the budget was not classified according to GFS-consistent economic classification. This has improved and the composition variance could be computed in the current assessment.
		(iii) Expenditure from contingency reserves	A	No expenditure was charged to the contingency vote for FYs 2018/19 to 2020/21.	A	No change.
	PI-3	Revenue outturn	C		B	Deterioration in score and performance due to deterioration in dimension 3.1.
		(i) Aggregate revenue outturn	D	Aggregate revenue outturn was 86.3%, 84.4% and 94.1% for the FYs 2018/19, 2019/20 and 2020/21 respectively, which is less than the requirement for a "C" score (i.e., actual revenue is between 92% and 116% of budgeted revenue in at least two of the last three years).	B	Deterioration in score and performance. Aggregate revenue outturn was between 94% and 112% during the previous assessment. This is significantly reduced in the current assessment due to the low performance in FY 2018/19 and 2019/20.

		(ii) Revenue composition outturn	B	Variance in revenue composition was more than 5% but less than 10% in two of the last three years.	B	No change.
Transparency of Public Finances	PI-4	Budget Classification	A	Budget formulation, execution and reporting are based on administrative, economic and functional/sub-functional classification based on the GFSM 2014 standards.	C	Improvement in score or performance. In the previous assessment, the budget classification was based on administrative and economic classifications using GFS Standards (at least level 2 of the GFS standard—2 digits). This has now improved to GFSM 2014 standards.
	PI-5	Budget Documentation	B	Budget documentation fulfils 8 elements, including all 4 basic elements, plus 4 additional elements.	D	Improvement in score or performance. In the previous assessment, the budget documentation fulfilled 6 elements including only 2 basic elements. In the current assessment, this has increased to 8 elements, including 4 basic elements.
	PI-6	Central government operations outside financial reports	C+		D	There appears to be improvement in score and performance even though all three dimensions are not comparable, since 2017 was not assessed due to insufficient data
		(i) Expenditure outside financial reports	B	Table 6.1 above provides a summary of expenditures outside central government financial reports. The analysis indicates that 2.98% of government expenditures are outside central government financial reports for FY2020/2021.	D*	Not comparable. 2017 was not assessed due to insufficient data
		(ii) Revenue outside financial reports	B	As indicated in Table 6.2 above, revenues outside central government financial reports for FY2020/2021 represent 4.27% of budgeted central government operations.	D*	Not comparable. 2017 was not assessed due to insufficient data
		(iii) Financial reports of extra-budgetary units	D	Officials from the National Treasury and OAG indicated that in practice, submission of detailed annual reports from all extra-budgetary units is done within three months. That said, there is no evidence to support this claim.	D*	Not comparable. 2017 was not assessed due to insufficient data

	PI-7	Transfers to subnational governments	C+		C+	No change in score and performance
		(i) System for allocating transfers	A	The horizontal allocation of both conditional and unconditional transfers for the devolved sectors to county governments from central government is determined by a transparent, rule-based system. These rules apply to budgeting and actual allocations for both conditional and unconditional grants.	A	No change in score and performance
		(ii) Timeliness of information on transfers	D	The CARA, which determines the county allocation, has been consistently delayed over the last four years, a couple of months after the start of the new fiscal year.	D	No change in score and performance
	PI-8	Performance information for service delivery	B		B	Improvement in performance despite no change in score. Performance improved under dimensions (i), (ii) and (iv). No change for dimension (iii).
		(i) Performance plans for service delivery	A	All sectors prepare sector plans in line with the MTP III and these are published on the National Treasury and Planning website. The plans build up on lessons learned and challenges faced on the second MTP and include objectives, expected output/outcomes, and performance indicators.	B	Improvement in score and performance. In the previous assessment, most sectors prepared sector plans that include objectives, expected output/outcomes, and performance indicators. However, this has improved to all sectors in the current assessment.
		(ii) Performance achieved for service delivery	A	The APRs present information on the progress in the implementation of policies, programs and projects; challenges encountered and proposals to address them; and recommendations for future MTP implementation. The reports also compare the annual target and achievement for each performance indicator for all sectors.	B	Improvement in score and performance. In the previous assessment, the APR was prepared for most sectors, but this has improved to all sectors in the current assessment.

		(iii) Resources received by service delivery units	D	Information on resources received by frontline service delivery units is not collected or recorded annually for at least one large ministry. Besides, a survey providing estimates of the resources received by service delivery units for one last ministry was not undertaken in the past three years.	B	No change in performance. The previous assessment overrated this dimension.
		(iv)Performance evaluation for service delivery	C	Performance evaluation for MDAs is conducted by the Ministry of Public Service and Gender, State Department of Public Service, but this is not published.	B	Deterioration in score and performance. In the previous assessment, the performance evaluations were published for most MDAs, but in the current assessment, they are not published.
	PI-9	Public access to information	B	Table 9.1 analyses information made to the public for the completed fiscal year 2020/2021. The Government of Kenya makes available to the public four basic elements plus four additional elements in accordance with the specified timeframe	B	No change in performance and score.
Management of assets and liabilities	PI-10	Fiscal risk reporting	C+		D	Overall improvement in score and performance even though all three dimensions in 2017 were not assessed due to insufficient data.
		(i) Monitoring of public corporations	C	As indicated in Table 10.1 below, for FY2020/2021, 99.5% by value of SoEs submitted their annual financial statements to GoK/OAG within 6 months after end of fiscal year.	D*	There is improvement in both score and performance.
		(ii) Monitoring of sub-national government (SNG)	D	Counties prepare and submit annual financial statements to OAG/GoK within four months after the end of the previous month. Whilst the unaudited annual financial statements are not published, the audited reports are published but significantly late, more than 12 months after the end of the previous financial year	D*	Not comparable as 2017 was not assessed due to insufficient data
		(iii) Contingent liabilities and other fiscal risks	A	GoK quantifies all significant contingent liabilities, including PPPs. This is reported in the FY2020/2021 annual financial statements, which is published.	D*	Not comparable as 2017 was not assessed due to insufficient data

	PI-11	**Public investment management**	**C+**		**C+**	**No change in overall score in spite of improvement in dimension (i).**
		(i) Economic analysis of investment proposals	**C**	**For FY2020/2021, all major investment projects (as shown in Table 11.1 above) went through economic analysis and appraisal in accordance with the established guidelines. The results of the analyses were submitted to PIM under NT for review to ascertain the socio-economic viability of these projects before selection for budget funding. The results of these feasibility studies were however not published.**	**D***	**No comparable, as 2017 was not assessed due to insufficient data**
		(ii) Investment project selection	**A**	**Before new investment projects are selected and included in the annual budget for funding, the Resource Allocation Panel (RAP) reviews and prioritises these projects and submits its report to cabinet. For FY2020/2021, Cabinet, after consideration of the RAP report, prioritised and selected all investment projects on the basis of the published PIM guidelines.**	**A**	**No change in score and performance**
		(iii) Investment project costing	**C**	**For FY2020/2021, the annual budget documentation which has an MTEF, presents projections of the total capital cost of investment projects, in addition to the capital cost outlay for the current budget year plus those for the two outer years. There are however no estimates of the recurrent cost associated with the new capital investment projects, either for the current budget year or the two outer years.**	**C**	**No change in score and performance**

		(iv) Investment project monitoring	C	Both the State Department for Planning and the MDA CPPMU monitored and evaluated the physical and financial progress of investment projects initiated and executed. This was done in line with circular number 16/2019 dated 24th January 2020, issued by the National Treasury, as guidelines for public investment management for all central government entities (budgetary and extra-budgetary units). Each CPPMU prepares quarterly physical and financial progress reports of all investment projects, in addition to annual progress reports. There is no evidence of publication of these reports.	C	No change in score and performance
	PI-12	Public asset management	C		D+	Improvement in both score and dimension due to improvement in dimensions (ii) and (iii)
		(i) Financial asset monitoring	C	The government maintains records of its holdings in major categories of financial assets. Whilst the government publishes the consolidated annual financial statements with information on GoK's investment portfolio, detailed information on such investments in terms of performance, i.e., movement of shares, dividends, capital appreciation etc., is not published. GoK's investments are recognised at nominal value.	C	No change in score and performance
		(ii) Nonfinancial asset monitoring	C	Each central government (budgetary and extra-budgetary) institution maintains an asset register with information on age, status and location of asset. Whilst the government maintains a register of its lands, it does not maintain a register of its subsoil assets such as minerals, energy and other naturally occurring assets.	D	Improvement in score and performance. MDAs maintain asset register, but information is partial.

		(iii) Transparency of asset disposal	C	The procedure and rule for the disposal and transfer of tangible assets are well established. Sections 163 to 166 of the Public Procurement and Asset Disposal Act (PPADA) 2015 and Sections 176 to 202 of the Public Procurement and Asset Disposal Regulations 2020 outline detailed procedure for disposal and transfer of non-financial assets. The consolidated annual financial statements of GoK provide partial information (original purchase cost and disposal value) on asset disposal. Currently, there is no specific law or regulation that governs the disposal and/or transfer of financial assets.	D	Improvement in score and performance. Annual financial statements disclose partial information of assets disposed. The new regulation on asset disposal emphasises public auction as means of asset disposal.
	PI-13	Debt management	A		B+	Improvement in overall score and performance due to improvement in dimension (i).
		(i) Recording and reporting of debt and guarantees	B	Whilst domestic debts (representing 48% of total public debt) are reconciled on a weekly basis, external debts (which constitutes 52%of total public debt) on the other hand are reconciled on a quarterly basis with statements received from creditors each quarter. The data is accurate and complete. PDMO publishes an annual Public Debt Management report which comprises the stock of domestic debt, external debt, debt service payments and disbursements, and selected public debt sustainability ratios and relevant statistics.	C	Improvement in score and performance. There were reconciliation challenges identified during the 2017 PEFA assessment.

		(ii) Approval of debt and guarantees	A	Sections 46 to 62 of the Public Finance Management Act (PFMA) 2012 and Section 27 of the Public Private Partnership Act of 2011 place the responsibility and approval of loans and guarantees including all PPP projects solely to the Cabinet Secretary of the National Treasury. All public borrowings and issuance of guarantees must be approved by parliament in accordance with the law. Policies and procedures for borrowing are documented in the PFM regulations as well as the MTDMS.	A	No change in performance and score
		(iii) Debt management strategy	A	The most recently published medium-term debt management strategy (MTDMS) relates to the period FY2021/22- FY2023/24. This was published in February 2021. The FY2021/22-FY2023/2024 debt management strategy covers both existing debt portfolio and forecast debt figures for all central government operations including budgetary and extra-budgetary units. The PDMO of the NT prepares an annual report on all central government debts and guarantees, and submits same to parliament.	A	No change in performance and score
Policy-based fiscal strategy and budgeting	PI-14	Macroeconomic and fiscal forecasting	B		A	Improvement in score and performance due to positive real change under dimension 3, but overall deterioration in score because dimension 1 was over scored in the previous assessment.
		(i) Macroeconomic forecasts	D	The government prepares forecasts of key macroeconomic indicators, which, together with the underlying assumptions, are included in budget documentation submitted to the legislature. These forecasts are updated at least once a year. The forecasts cover the budget year and the two following fiscal years. The projections have been reviewed by an entity other than the preparing entity. The projections include GDP growth and inflation but not exchange rate and interest rate.	A	No change in performance but change in score. The previous assessment overscored the dimension.

		(ii) Fiscal forecasts	A	The detailed budget estimates present projections of the main fiscal indicators, including revenue by type, expenditure, the budget balance and financing, for the ensuing fiscal year plus two outer years. Underlying assumptions to the projections are included in the BPS. The BROP also explains the differences with the forecasts made in the previous year's budget. The BPS and the BROP are submitted to the National Assembly for FYs 2018/2019, 2019/2020, and 2020/2021.	A	No change in score and performance
		(iii) Macro-fiscal sensitivity analysis	A	The government prepares a range of fiscal forecast scenarios (included in the BPS) based on alternative macroeconomic assumptions, and these scenarios are published, together with its central forecast.	B	Improvement is score and performance. In the previous assessment, the PBS, which includes the fiscal forecast scenarios was not being published. In the current assessment, it is published in the NT website.
	PI-15	Fiscal strategy	B		B	No change in score and performance
		(i) Fiscal impact of policy proposals	D	The GoK prepares estimates of the fiscal impact of all proposed changes in revenue policy for the budget year only, which is submitted to the legislature. Fiscal impact of proposed changes in expenditure policy is not prepared.	C	There is no real change in performance compared to 2017. The dimension was overrated.
		(ii) Fiscal strategy adoption	A	The GoK has set three-year medium-term fiscal objectives with quantitative targets at the start of the budget preparation in each of the last 3 FYs.	A	No change and no other factors.
		(iii) Reporting on fiscal outcomes	B	The government has submitted to the legislature along with the annual budget a report that describes progress made against its fiscal strategy and provides an explanation of the reasons for any deviation from the objectives and targets set.	B	No change and no other factors.
	PI-16	Medium term perspective in expenditure budgeting	B		B+	No real change in performance but change in score because dimension 3 was overrated in the previous assessment.

	(i) Medium-term expenditure estimates	A	The annual budget includes estimates of expenditure for the budget year and the two following fiscal years allocated by administrative, economic and program (or functional) classification.	A	No change in score and performance.
	(ii) Medium-term expenditure ceilings	A	Aggregate and ministry-level expenditure ceilings for the budget year and the two following fiscal years are approved by government before the first budget circular is issued.	A	No change in score and performance.
	(iii) Alignment of strategic plans and medium-term budgets	C	Medium-term strategic plans are prepared and costed for all ministries but the cost information is not complete. The expenditure policy proposals in the approved medium-term budget estimates align with the strategic plans.	B	There is no real change in performance compared to 2017. The dimension was overrated.
	(iv) Consistency of budgets with previous year estimates	C	The budget documents provide an explanation of some of the changes to expenditure estimates between the second year of the last medium-term budget and the first year of the current medium-term budget at the aggregate level.	C	No change in score and performance.
PI-17	Budget preparation process	A		A	No change in aggregate score but deterioration in dimension 17.1.
	(i) Budget calendar	B	A clear annual budget calendar exists. The calendar allows budgetary units four weeks from receipt of the budget circular. All budgetary units are able to complete their detailed estimates on time.	A	No change in performance but the previous assessment over scored the dimension.
	(ii) Guidance on budget preparation	A	A comprehensive and clear budget circular is issued to MDAs, covering total budget expenditure for the full fiscal year. The budget reflects ministry ceilings approved by the cabinet prior to the circular's distribution to budgetary units.	A	No change.
	(iii) Budget submission to the legislature	A	The executive has submitted the annual budget proposal to the parliament at least two months before the start of the fiscal year in each of the last three years.	A	No change.

	PI-18	Legislative scrutiny of budgets	A		B+	Improvement in score and performance due to improvement in dimension 4. In all instances, rules to budget adjustments have been adhered to in 2022, compared with 2017
		(i) Scope of budget scrutiny	A	The legislature first reviews and approves the BROP and BSP before the budget is formally presented. The timeframe allows detailed debate and scrutiny. The budget scrutiny covers fiscal policies, medium-term fiscal forecast, detailed revenues and expenditures, as well as medium-term priorities.	A	No change in score and performance.
		(ii) Legislative procedures for budget scrutiny	A	The legislature's procedures to review budget are firmly established in law and are respected. Procedures include public consultation, technical support office, specialized committees and negotiations.	A	No change in score and performance.
		(iii) Timing of budget approval	A	The legislature approved the annual budget before the start of the FY in the last three years.	A	No change in score and performance.
		(iv) Rules for budget adjustments by the executive	A	Clear rules exist for in-year budget adjustments by the executive. The rules set strict limits on the extent and the nature of the amendments and are adhered to in all instances.	B	Improvement in score and performance.
Predictability and control in budget execution	PI-19	Revenue administration	C+		D+	Improvement in overall score and performance due to improvement in dimension (i) and (ii).
		(i) Rights and obligations for revenue measures	A	KRA (collecting 83%of national government revenues) uses multiple means to inform the public on tax and other revenue measures including taxpayer obligations (registration, complete/accurate filing and payment) and taxpayer redress mechanisms. Information is comprehensive, accurate and reliable. There is also a functional tax appeals mechanism which is publicly known.	C	Improvement in score and performance. Tax appeal system is now functional.

	(ii) Revenue risk management	B	KRA (collecting 83%of national government revenues) has a structured and systematic approach to revenue risk management. This is based on its compliance risk management and improvement plan. Case selection for tax audit is automatically generated and prioritised through iTax without any human interference	C	Improvement in score and performance.
	(iii) Revenue audit and investigation	C	As shown in Table 19.2 below, KRA (collecting 83% of national government revenues), for FY2020/2021, completed 70%of all planned audits and investigations according to a documented compliance improvement plan.	C	No change in score and performance.
	(iv) Revenue arrears monitoring	D	The stock of revenue arrears, as indicated in Table 19.3A represents 102.5%of total domestic revenue collections. As shown in Table 19.3B, revenue arrears older than twelve months represent 71%of total revenue arrears	D	No change in score. Performance has marginally improved compared to 2017. Revenue arrears older than 12 months were 86%in 2017 compared to 71%in 2022.
PI-20	Accounting for revenues	C+		D+	Improvement in score and performance
	(i) Information on revenue collections	B	KRA (collecting 83% of central government revenue) submits the daily, weekly and monthly revenue reports to the National Treasury (NT).	A	It appears there is no real change. In 2017, the assessment concluded that KRA collects about 95%of central government without providing sufficient evidence to back the percentage collections, as presented in Table 19.1 above
	(ii) Transfer of revenue collections	A	All taxpayers therefore, pay their taxes directly into treasury-managed accounts, held at the Central Bank of Kenya. In addition to the treasury-managed bank accounts, mobile money platform (managed by KRA with 83% collections, but directly transferred into the treasury bank account daily) is also available for taxpayer collections.	B	Improvement in both score and performance. Collections are now directly into Treasury bank accounts
	(iii) Revenue accounts reconciliation	C	At least once a quarter, KRA reconciles its collections with NT's bank and mobile money deposits even though there are no transit bank accounts operated by KRA.	D*	Not comparable, as 2017 was not assessed due to insufficient data.

	PI-21	Predictability of in-year resource allocation	C		C	No change in overall score and performance. Nevertheless, in 2017, dimension (i) was rated 'D*', indicating insufficient information, as opposed to 'D' in 2022 which reflects poor performance
		(i) Consolidation of cash balances	D	As at the time of this assessment, the National Treasury (NT) does not consolidate budgeted central government cash and bank balances, either on a daily, weekly or monthly basis.	D*	Not comparable. 2017 was rated D* due to insufficient information.
		(ii) Cash forecasting and monitoring	C	As at the time of this assessment, the NT prepared a consolidated annual cash flow plan, broken down monthly. There is however no evidence suggesting that the annual cash flow plan is updated either monthly or quarter on the basis of actual inflows and outflows of cash.	C	No change in score and performance
		(iii) Information on commitment ceilings	C	The practice is that the NT issues quarter expenditure ceilings to MDAs for recurrent expenditure, and semi-annual commitment ceilings to MDAs for development expenditure. That said, the most reliable expenditure commitment system currently in place is a monthly expenditure warrant accompanied by monthly Exchequer actual cash releases to MDAs bank accounts.	C	No change in score and performance
		(iv) Significance of in-year budget adjustments	B	In-year budget adjustments take place in the form of a supplementary budget done once, or maximum twice a year. The adjustments are done transparently.	B	No change in score and performance
	PI-22	Expenditure arrears	B		C+	Improvement in both score and performance due to improvement in dimension (ii)
		(i) Stock of expenditure arrears	B	Pending bills (for budgeted central government) were below 6% in two of the last three completed fiscal years. Actual percentages were 6.3% in FY2018/2019, 2.88% in FY2019/2020, and 2.21% in FY2020/2021.	B	No change in score and performance

		(ii) Expenditure arrears monitoring	**B**	**Each MDA submits quarterly report on pending bills to the NT. The OCOB generates a consolidated pending bill report each quarter within two months after the end of the previous quarter. For instance, quarter 1 of FY2019/2020 was issued in November 2019; quarter 2 of FY2019/2020 was issued February 2020.**	**C**	**Improvement in score and performance.**
	PI-23	**Payroll controls**	**B**		**B**	**No change in score and performance.**
		(i) Integration of payroll and personnel records	**B**	**There is currently no direct linkage between personnel and payroll records. Nevertheless, the payroll is supported by full documentation for all changes made to personnel records every month. Staff hiring and promotion, which is under the purview of PSC, is controlled by a list of approved staff positions.**	**B**	**No change in score and performance.**
		(ii) Management of payroll changes	**B**	**Changes to personnel and payroll records takes up to two months to be updated. Retroactive adjustments are few.**	**B**	**No change in score and performance.**
		(iii) Internal control of payroll	**B**	**The procedure for changes to personnel and payroll records is well established, clear and adequate to support the integrity of both personnel and payroll data. Whereas the IPPD has an audit trail and passworded for access to authorised staff only, the HR database is largely manual, without sufficient audit trail.**	**B**	**No change in score and performance.**
		(iv) Payroll audit	**B**	**A comprehensive physical personnel and payroll audit covering all central government institutions (budgetary and extra-budgetary units) was undertaken in FY2021/2022 by the National Treasury (NT) Internal Audit Department.**	**B**	**No change in score and performance.**
	PI-24	**Procurement**	**D+**		**A**	**Deterioration in score and performance.**

		(i) Procurement monitoring	D	Procurement monitoring by the Public Procurement Regulatory Authority (PPRA) and an electronic database (Public Procurement Information Portal (PPIP)) for advertisement of procurement opportunities and publication of details of contracts awarded has been established and accessible through https://tenders.go.ke. The procurement data published in the PPIP is not complete and comprehensive as not all contracts awarded by all national government procuring entities for the FY2020/2021 had been published or maintained	A	Previous assessment was overrated.
		(ii) Procurement methods	D	The data published through the PPIP is not comprehensive and complete in terms of coverage of all procurement contracts awarded by all national government procurement entities. Therefore, it is not possible to determine the value of competitive contracts/procurement from the available data.	A	Previous assessment was overrated.
		(iii) Public access to procurement information	C	The government meets at least three out of the six PEFA criteria as shown in Table 24.2 below. The procurement information is complete and reliable for all procurement operations and has been independently verified by the PPRA.	B	Previous assessment was overrated.
		(iv) Procurement complaints management	B	The procurement complaints management system, for FYs 2020/2021 meets five (5) out of the six (6) PEFA elements as indicated in Table 24.3 above	A	No real change. This dimension was overrated in 2017. Element (ii) on fees has been part of the legal framework since 2015.
	PI-25	Internal controls on non-salary expenditure	B+		B+	No change in score and performance
		(i) Segregation of duties	A	The PFM Act 2012, PFM Regulations 2015, the Public Procurement Act 2015 and Regulations 2020 outline detailed and appropriate segregation of duties. The expenditure payment and procurement management processes equally outline appropriate segregation of duties. Responsibilities are clearly laid out.	A	No change in score and performance

		(ii) Effectiveness of expenditure commitment controls	C	Expenditure commitment controls are in place for both budgetary and extra-budgetary units but are partial, as they only limit expenditure commitments to approved budgets and expenditure ceilings, not to projected cash available.	C	No change in score and performance
		(iii) Compliance with payment rules and procedures	A	As at the time of assessment, all central government payments (including budgetary units, extra-budgetary units, and social security fund) were compliant with regular payment rules and procedures. There were no exceptions to the rule as far as payments were concerned.	A	No change in score and performance
	PI-26	Internal audit effectiveness	D+		D+	No improvement in overall score
		(i) Coverage of internal audit	A	As at the time of assessment, internal audit coverage averaged 93%for both revenues and expenditures. As indicated in Table 26.1 below, internal audit coverage for revenues stood at 94%of total central government operations. In terms of expenditure, coverage was 92% of central government operations.	A	No change in score and performance.
		(ii) Nature of audits and standards applied	A	As at the time of assessment, public sector internal audit across central government (for budgetary and extra-budgetary units as well as social security fund) largely meets international standards. Tables 26.2A and 26.2B provide a summary of internal audit activities as at June 2021. As indicated, 60% of internal audit activities focus on high-risk areas, with 52% focusing on financial compliance. There is a quality assurance process in place.	A	No change in score and performance.
		(iii) Implementation of internal audits and reporting	D*	As the assessment team is yet to receive consolidated information from the NT internal audit department in terms of the implementation of internal audit, this dimension cannot be assessed due to insufficient data, hence a score of 'D*'	A	Not directly comparable, as 2022 cannot be assessed due to insufficient data. This also shows deterioration in performance and score.

		(iv) Response to internal audits	D*	This dimension is also rated 'D*' due to insufficient information in terms of management response to internal audits across central government institutions from the NT internal audit department.	D*	No change in score and performance.
Accounting and Reporting	PI-27	Financial data integrity	C+		C	Improvement in score and performance due to improvement in dimension (ii).
		(i)Bank account reconciliation	B	As at the time of assessment, all treasury-managed bank accounts plus sampled bank accounts from MDAs such as education, health, and gender were fully reconciled and approved by the supervisory authority on or before the 10th of the following month.	B	No change in score and performance
		(ii) Suspense accounts	D	In practice, suspense account is reconciled annually, still with huge uncleared balances in, as indicated in Table 27.2 above. The analysis shows uncleared balance of Ksh3.3 billion as at June 2021, even though there is a marginal decline of Ksh60.2 million (1.8%in percentage terms) in FY2020/20201 from FY2019/2020 balances.	D	No change in score. In fact, performance appears to be worsening due to increase in outstanding balance in suspense accounts compared to 2017
		(iii) Advance accounts	C	Table 27.1 above provides the comparative analysis. The analysis indicates that Ksh227.9 million still remain unretired as at June 2021. Reconciliation usually takes places annually within two months, but the data shows delays in full acquittal.	D	Improvement in score and performance. Compared to 2017, unretired advances have reduced significantly.
		(iv) Financial data integrity processes	B	The IFMIS has password protection. The system prompts users to change and update their access credentials every three months. All transactions and changes within the IFMIS system result in audit trail. There is however no separate operational body responsible for checking data integrity.	B	No change in score and performance.
	PI-28	In-year budget reports	C+		C+	No change in overall score in spite of improvement in dimension (i).

		(i)Coverage and comparability of reports	B	For FY2020/2021, actual revenues and expenditure were directly comparable with the originally approved budget for the main administrative classifications. Revenues and expenditures were also reported in aggregates using economic and functional classifications. Expenditures made from transfers to de-concentrated government units were also reported.	C	Improvement in score and performance.
		(ii) Timing of in-year budget reports	C	Quarterly in-year budget execution reports are issued within two months (eight weeks) after the end of the previous quarter. For FY2020/2021, quarter 1 report was issued in November 2021; quarter 2 was issued in February 2022; quarter 3 was issued in May 2022; and quarter 4 was issued in August 2022	C	No change in score and performance
		(iii)Accuracy of in-year budget reports	C	The Quarterly Economic and Budgetary Review (QEBR) reports (also known as in-year budget execution reports) capture expenditure at payment stage only. Data concerns and reconciliation issues have been raised by OAG, but they do not significantly affect the usefulness of financial data. These concerns are not highlighted in the QEBR reports.	B	No real change, as this dimension appears to be overrated in 2017. There is no evidence suggesting that data concerns are highlighted in the in-year budget execution reports.
	PI-29	Annual financial reports	C+		C	Improvement in score and performance due to improvement in dimensions 1 and 2.
		(i)Completeness of annual financial reports	B	The AFS as indicated in Table 29.1 above, contain information on revenues (partial, as there is no information on revenue/tax arrears), expenditure, financial assets, financial liabilities, guarantees, and long-term obligations. The statements are also supported by a reconciled cash flow statement.	C	Improvement in performance and score.

		(ii) Submission of reports for external audit	B	The annual financial statements for the last completed fiscal year 2020/2021 were submitted to the Office of the Auditor-General for external audit on the 30th October 2021, four (4) months after the end of financial year in accordance with Section 80(4) of the PFM Act 2012.	C	Improvement in score and performance
		(iii) Accounting standards	C	For the last three completed fiscal years 2018/2019, 2019/2020, and 2020/2021, the consolidated annual financial statements (AFS) have been prepared consistently in accordance with the IPSAS Cash. The accounting standards have been disclosed under note 10 of the AFS. There are no disclosures of gaps in the implementation/adoption of IPSAS cash.	C	No change in score and performance
External scrutiny and audit	PI-30	External audit	D+		D+	No change in overall score in spite of non-comparability of dimension (iii) and overrating of dimension (iv).
		(i)Audit coverage and standards	B	As indicated in Table 30.1 above, audit coverage for FY2018/2019 stood at 91.2%and 80.3 of central government revenues and expenditures respectively. For FYs 2019/2020 and 2020/2021, audit coverage was 87.2%and 90% of central government revenues, and 78.9%and 80.2% of central government expenditures respectively. The audit reports highlight material issues as well as weaknesses in systems and internal controls	B	No change in score and performance
		(ii) Submission of audit reports to the legislature	D	Table 30.2 above indicates dates of submission of audit reports of the consolidated annual financial statements by OAG to the National Assembly. For FY2018/2019, the audit report was submitted 18 months after receipt from the NT. In 2019/2020 and 2020/2021, they were submitted within 7 months after receipt from the NT	D	No change in score and performance

	(iii) External audit follow-up	C	The audited entities provide formal responses to audit findings. The audit reports for the last three completed fiscal years summarise management responses to audit findings. The reports from OAG indicates that some accounting officers do not fully address the issues raised.	D*	Not comparable. There was no data to score in 2017.
	(iv)Supreme Audit Institution (SAI) independence	D	OAG has administrative independence since it operates separately from the executive. The Executive President nominates the Auditor-General subject to the approval of the National Assembly. It has unrestricted access to public records, freedom to decide on its audit work, freedom to publish its audit findings, as well as right to interrogate public officials in the course of its audit. Nevertheless, OAG has no financial independence. Its staff are also public servants.	A	No real change. This dimension was overrated in 2017. The legal and regulatory framework in terms of OAG's financial independence has remained unchanged since 2017.
PI-31	Legislative scrutiny of audit reports	D		D	No change in overall score in spite of improvement in dimension (iii)
	(i)Timing of audit report scrutiny	D	As indicated in Table 31.1 above, the scrutiny of 2018/2019 and 2019/2020 audit reports took 13 months and 12 months respectively from the date of receipt of the reports from OAG.	D	No change in score and performance.
	(ii) Hearings on audit findings	D*	This dimension is not rated due to insufficient data.	D	Not comparable. 2022 not rated due to insufficient data.
	(iii) Recommendations on audit by the legislature	C	Once PAC scrutinises OAG's audit reports, it prepares a detailed report with recommendations which is tabled in the plenary for adoption. That said, no systematic framework, such as an action plan to measure and/or follow-up on the implementation of PAC's recommendation	D	Improvement in score and performance.
	(iv)Transparency of legislative scrutiny of audit reports	D	PAC hearing is open to the public except for sensitive issues. PAC reports are presented to the plenary for consideration and adoption. PAC reports are published on parliament's website, but delayed due to delays in scrutiny.	D	No change in score and performance.

ANNEX 2: SUMMARY OF OBSERVATIONS ON THE INTERNAL CONTROL FRAMEWORK

Internal control components and elements	Summary of observations
1. Control environment	The control environment is strengthened by the existence of, first and foremost, the 2010 Kenyan Constitution and supported by PFM laws and regulations such as the Public Finance Management Act 2012, the Public Finance Management Regulations 2015, the Public Procurement and Asset Disposal Act 2015, the Public Procurement and Asset Disposal Regulations 2020, the Public Private Partnership Act 2013, the Public Audit Act 2015, among others. The PFM laws and regulations, in addition to administrative guidelines/circulars issued by the National Treasury clearly define the responsibilities of finance and non-finance staff as far as organisational and reporting structures are concerned. These structures encourage compliance to rules and regulations within the public sector. The PFM Act mandates the Minister of Finance, otherwise known as the Cabinet Secretary for Finance, as the sole government official who authorises all payments approved/promulgated by the legislature, as well as the only authorised public official for contracting loans and issuing guarantees on behalf of the Republic of Kenya. Once the annual budget is passed by parliament, the National Treasury issues monthly/quarterly expenditure payment warrants to each budget institution for expenditure commitment. The budget controller (accounting officer) in each central government institution has the responsibility for ensuring that all payments comply with PFM laws, regulations, and guidelines or circulars. Whilst the general architecture of the HR and payroll provides a basis for strengthening the control environment, the absence of an integrated HR and payroll system undermines the integrity of the HR and payroll systems. Each central government institution is required to have a functional Internal audit unit, with reporting lines to both the budget manager (accounting officer) and the Internal Audit Department (IAD) under the National Treasury (NT). That said, the Kenya Revenue Authority has its own internal audit unit which is not directly supervised by the IAD even though the National Treasury has a representative at the highest KRA management level with direct access to all internal audit reports and activities. The constitutional and legal frameworks in Kenya provide for the independence of the Auditor-General and the Office of the

	Auditor General but only to the extent of administrative independence. There is no financial independence since the current arrangement requires the OAG's (SAI) budget to, first be vetted and approved the National Treasury (as per Section 20(2) of Public Audit Act 2015) before going through the parliamentary scrutiny and approval process. This is further worsened by delays in actual disbursement of OAG's approved budget, which then negatively impacts on its operations. That said, OAG's staff are not subjected to the same public service recruitment, transfer, and termination procedures – OAG staff are recruited and managed by the office (as per Section 8(a) of the Public Audit Act 2015) without interference. The legal frameworks (PFM Act 2012 and Public Audit Act 2015) provide the legal basis for OAG's full mandate and without restrictions, to audit any public institution, having unrestricted access to all public documentation, as well as publication of its audit reports without interference, once submitted to the legislature.
2. Risk assessment	Even though there is no government-wide risk register, each central government institution develops a risk-based audit plan each year, reviewed by both the accounting officer (budget controller) of each institution and the IAD of the National Treasury, based on the institution's level of risk. KRA on the other hand, has developed a comprehensive compliance risk management plan for assessing and managing all domestic taxes. The plan is used for identifying risks, as well as providing a basis for tax and fraud investigations. A number of PFM areas can help identify risks; these include but not limited to: • PI-10 (fiscal risk reporting) rated "C+" indicating average performance – There has been improvement in the quantification and reporting of contingent liabilities and other fiscal risks since 2017. These are reported in the annual financial statements as well as the fiscal risk report, which are all published. The assessment concludes that monitoring of SoEs is weak – whilst OAG audits SoEs, this is significantly delayed. • PI-11 (public investment management) rated "C+"– signifying average performance – Since 2020, the National Treasury has issued a circular/guideline on public investment management (PIM) to standardise the economic analysis of investment projects, selection, costing and evaluation. Project selection is based on national priorities. There is also monitoring and evaluation of investment projects.

	• PI-12 (public asset management) rated "C" indicating average performance – The public assessment management framework is basic, with each MDA maintaining a fixed asset register, but no information on subsoil assets. There is work in progress to centralise fixed assets management within the public sector, with the creation of dedicated department within the National Treasury. Currently, only 20% of MDAs have complied with the reporting requirements in terms of providing up-to-date information on all fixed assets in their possession. The risk level regarding public asset management is presently high. • PI-14 (macroeconomic and fiscal forecasting) rated "B" - this shows that the macroeconomic and fiscal forecasting framework is satisfactory but not having positive impact on revenue administration measures, though revenue forecasting is considered average. • PI-19.4 (revenue arrears monitoring) rated "D" – indicating significant weaknesses in tax collection and tax arrears management. • PI-22.1 (expenditure arrears) rated "B" - stock of expenditure arrears (pending bills) are averaging 3.8% over the last three years under assessment of total government expenditure. This excludes pending bills from public enterprises. This signifies a relatively good mechanism for controlling and monitoring pending bills. That said, pending bills of public enterprises pose significant threat to national government fiscals.
3. Control activities	Both the PFM Act 2012 and the PFM Regulations 2015 outline the duties and responsibilities of the Accountant General and all accounting officers (budget managers) of each central government institution. The regulations and the organisational and governance structure define responsibilities of staff with clear segregation of duties in the area of planning, budgeting, cash and expenditure management, revenue mobilisation/collection, and safeguarding of public assets. Section 20 of the PFM Regulations provides a detailed outline of the duties and responsibilities of the Accountant-General and his/her office, including but not limited to: (i) advising the national government on accounting and reporting matters; (ii) overseeing the implementation of the approved government accounting standards; (iii) designing and development of governments' accounting systems both manual and computerized; (iv) providing advice to national government on the best and appropriate financial reporting formats; (v) providing link between local and international accounting standards bodies on matters relating to public sector financial reporting; (vi) developing guidelines for accounting staffing levels and training to ensure technical competence and knowledge of financial accounting and reporting, advising on accounting and financial matters; (vii) advising governments on

	cash and treasury management; and (viii) administering the Consolidated, Equalization and Contingencies Funds; among others. The integrated financial management and information system (IFMIS) is central government's financial management system used for budgeting and financial reporting. The integrated personnel and payroll database (IPPD) system is used for managing government's personnel and payroll. Whilst there is no direct interface between these systems, both have sufficient security measures in terms of password access for authorised staff only, and data encryption (read-only) plus backup facility. In addition to these systems is the government human resource information system (GHRIS) which uploads public sector payslips once the monthly payroll has been processed. All these three systems generate audit trails for tracking access to any authorised user. As part of the control activities, IFMIS has an expenditure commitment mechanism that limits all approved expenditures in line with quarterly commitment warrants issued by the National Treasury. The system however does not limit expenditure commitment in line with available cash. The accounting officers (budget managers) of each central government institution authorises expenditures before actual payments are made. The finance manager assigned to each budget institution provides reasonable assurance on compliance with regards to PFM rules and regulations. Internal and external audits provide a further layer for strengthening the control environment. Internal and external coverage are wide. The independence of the OAG is constitutionally guaranteed. Significant delays in the scrutiny of external audit reports by PAC pose a threat to control activities. Below are some aspects of the PFM system that support control environment. Whilst some areas are functioning well, others require more attention: • PI-24 (Procurement) rated "D+" indicating weak performance – there is no complete procurement information (procurement plans, and contract awards) available to the public. The procurement database has limited information. • PI-25 (Internal control on non-salary expenditure) rated "B+"- signifying relatively strong internal control practices. • PI-26.4 (Response to internal audit) rated "D*"- executive response to internal audit is inconclusive as there is insufficient data to effectively assess this dimension • PI-30.3 (external audit follow-up) rated "C"– OAG issues recommendations but evidence suggests delays in executive implementation, resulting in repetitive findings and recommendations.

4. Information and communication	The Kenyan National Treasury's website (https://www.treasury.go.ke) is the main source of official government fiscal data. Additionally, other MDAs websites equally provide useful government fiscal and service delivery information; these include the OAG (https://www.oagkenya.go.ke), Controller of Budget (https://cob.go.ke), Parliament (http://www.parliament.go.ke), Public Procurement Regulatory Authority (https://ppra.go.ke), Central Bank of Kenya (https://www.centralbank.go.ke) and Kenya Revenue Authority (https://www.kra.go.ke). Other sources of government fiscal and financial data are the Government Printers. Some of the critical fiscal data available on these websites include financial reports, budget policy statements, national statistics, GDP, inflation, government debt figures, laws and regulations, information of procurement and taxation, audit reports, among others. In-year budget reports are published within two months after the end of the month/quarter. Annual audited financial reports are also published for central government budgeted entities and statutory bodies. The budget preparation process is participatory with a top-down and bottom-up approach. The Kenyan Parliament is bicameral legislature with two houses: the Senate and the National Assembly. Both chambers scrutinise the budget submitted by the National Treasury as well as the audit reports submitted by OAG. There are significant delays in the submission of audit reports to parliament, leading to delays in scrutiny of these reports. Whereas some areas are working well, others are not: • PI-8 (Performance information for service delivery) rated "B", indicating satisfactory performance – the public has complete information on both planned and actual performance of service delivery programs. Even though service delivery programs are evaluated, the information is not published. One weakness identified is absence of information in terms of resources received by frontline service delivery units. • PI-9 (Public access to fiscal information) rated "B", showing satisfactory performance – fiscal and financial information exist and are made available to the public, generally on time.
5. Monitoring	Frequent, accurate and timely issuance of fiscal information promotes transparency and accountability for the use of public funds. Given the importance of the M&E framework, the timely and regular issuance of internal and external audit reports which provide a basis for monitoring and evaluating compliance with regards to financial laws and regulations in terms of safeguarding public assets and the efficient use of government

	resources play pivotal role in strengthening the M&E framework. **Even though audit reports are issued regularly with the required corrective action on audit findings, executive implementation of these recommendations remains a challenge; rate of implementation is low even though executive response is high.** **A systematic framework for monitoring and evaluating PAC's recommendations to the executive is lacking, thereby weakening the M&E architecture.** **Main weaknesses include:** • **PI-30.3 (external audit follow-up) rated "C"– OAG issues recommendations but evidence suggests delays in executive implementation, resulting in repetitive findings and recommendations.** • **PI-31 (legislative scrutiny of audit reports) rated "D" – delays in the scrutiny of external audit reports plus absence of PAC's systematic follow-up mechanism.** • **PI-26.4 (Response to internal audit) rated "D*"- executive response to internal audit findings inconclusive – insufficient data to assess this dimension.**

Annex 3A: Sources of Information

Indicator	Dimension	Data used
I. Budget Reliability		
1. Aggregate Expenditure Outturn	1.1 Aggregate Expenditure Outturn	Appropriations Acts/Approved original expenditure budget and actual expenditure based on administrative and economic classifications for FY2018/19; FY2019/20; and FY2020/21
2. Expenditure Composition Outturn	2.1 Expenditure Composition Outturn by Function	Appropriations Acts/Approved original expenditure budget and actual expenditure based on administrative and economic classifications for FY2018/19; FY2019/20; and FY2020/21
	2.2 Expenditure Composition Outturn by Economic Type	Appropriations Acts/Approved original expenditure budget and actual expenditure based on administrative and economic classifications for FY2018/19; FY2019/20; and FY2020/21
	2.3 Expenditure from Contingency Reserves	Contingency budget and actual expenditure from contingency vote for FY2018/19; FY2019/20; and FY2020/21
3. Revenue Outturn	3.1 Aggregate Revenue Outturn	Approved original revenue budget and actual revenue outturns based on revenue types for FY2018/19; FY2019/20; and FY2020/21
	3.2 Revenue Composition Outturn	Approved original revenue budget and actual revenue outturns based on revenue types for FY2018/19; FY2019/20; and FY2020/21
II. Transparency of Public Finances		
4. Budget Classification	4.1 Budget Classification	Standard Chart of Accounts, Budget books; interviews with officials
5. Budget Documentation	5.1 Budget Documentation	Budget books; Budget Call circulars, Budget Speech; Interviews with officials; Budget Policy Statement for 2020/21 and 2021/22
6. Central Government Operations Outside Financial Reports	6.1 Expenditure Outside Financial Reports	Interviews with officials; data on revenue and expenditure of extra-budgetary units from Accounting Services Department + Consolidated Annual Financial Statements 2020/21
	6.2 Revenue Outside Financial Reports	Interviews with officials; data on revenue and expenditure of extra-budgetary units from Accounting Services Department + Consolidated Annual Financial Statements 2020/21
	6.3 Financial Reports of Extra Budgetary Units	Interviews with officials; data on revenue and expenditure of extra-budgetary units from Accounting Services Department + Consolidated Annual Financial Statements 2020/21
7. Transfers to Sub-national Governments	7.1 System for Allocating Transfers	Interviews with officials; CARA 2020/2021;
	7.2 Timeliness of Information on Transfers	Interviews with officials; CARA 2020/2021;
8. Performance Information for Service Delivery	8.1 Performance Plans for Service Delivery	The Budget Book; Strategic Plan from MDAs; APRs; Interviews with officials
	8.2 Performance Achieved for Service Delivery	The Budget Book; Strategic Plan from MDAs; APRs; Interviews with officials
	8.3 Resources Received By Service Delivery Units	Interviews with officials – no tracking of in-kind resources
	8.4 Performance Evaluation for Service Delivery	Interviews with officials; MDAs performance evaluation reports
9. Public Access to Fiscal Information	9.1 Public Access to Fiscal Information	Government website; National Treasury website; annual budget speeches 2018/19 to 2020/20; budget books 2018/19 to 2020/21

Indicator	Dimension	Data used
III. Management of Assets and Liabilities		
10. Fiscal Risk Reporting	10.1 Monitoring of Public Corporations	Interviews with officials; Data from NT/GPIPE
	10.2 Monitoring of Subnational Governments	Interviews with officials; data OCoB annual report on counties 2020/2021
	10.3 Contingent Liabilities and Other Fiscal Risks	Interviews with officials; Consolidated financial statements for FY2020/2021; PPP data 2020/2021
11. Public Investment Management	11.1 Economic Analysis of Investment Proposals	Interviews with officials from NT/PIM; line ministries (education and health); data from NT/PIM
	11.2 Investment Project Selection	Interviews with officials from NT/PIM; line ministries (education and health); data from NT/PIM & RAP
	11.3 Investment Project Costing	Interviews with officials from NT/PIM; line ministries (education and health); data from NT/PIM
	11.4 Investment Project Monitoring	Interviews with officials from NT/PIM; line ministries (education and health); data from NT/PIM
12. Public Asset Management	12.1 Financial Asset Monitoring	List of government equities in public and private business entities from consolidated annual financial statements 2020/2021
	12.2 Nonfinancial Asset Monitoring	Interviews with stakeholders from NT/NALD; sample data from ministries of education, health, environment
	12.3 Transparency of Asset Disposal	Public Procurement and Asset Disposal Act 2015; consolidated annual financial statements FY2020/2021
13. Debt Management	13.1 Recording and Reporting of Debt and Guarantees	Debt report from NT public debt management office 2018/19, 2019/20 and 2020/21
	13.2 Approval of Debt and Guarantees	Public Financial Management Act 2012; Public Financial Management Regulations 2015, Public Private Partnership Act 2013
	13.3 Debt Management Strategy	Medium-term debt management strategy 2018/19-2022/23; IMF country report on Kenya June and December 2021
IV. Policy-Based Fiscal Strategy and Budgeting		
14. Macroeconomic and Fiscal Forecasting	14.1 Macroeconomic Forecasts	Interviews with officials in NT/Macro & Fiscal Affairs Department; MTEF; Budget book Working documents; Budget Speech; Debt bulletin; Budget Policy Statement 2020/2021
	14.2 Fiscal Forecasts	Interviews with officials in NT/Macro & Fiscal Affairs Department; MTEF; Budget book Working documents; Budget Speech; Debt bulletin; Budget Policy Statement 2020/2021
	14.3 Macro Fiscal Sensitivity Analysis	Interviews with officials in NT/Macro & Fiscal Affairs Department; MTEF; Budget book Working documents; Budget Speech; Debt bulletin; Budget Policy Statement 2020/2021
15. Fiscal Strategy	15.1 Fiscal Impact of Policy Proposals	Budget policy statements (BPS) 2020/2021 and 2021/2022
	15.2 Fiscal Strategy Adoption	Budget speech; BPS for 2021/2022
	15.3 Reporting on Fiscal Outcomes	Budget speech; BPS for 2021/2022
16. Medium Term Perspective in Expenditure Budgeting	16.1 Medium-Term Expenditure Estimates	Budget book; MTEF; Interviews with officials
	16.2 Medium-Term Expenditure Ceilings	Budget Call Circular; MTEF; Interviews with officials

Indicator	Dimension	Data used
	16.3 Alignment of Strategic Plans and Medium-Term Budgets	Medium-term plan III; sector strategy from MDAs
	16.4 Consistency of Budgets with Previous Year's Estimates	MTEFF and budget books 2019/2020 and 2020/2021
17. Budget Preparation Process	17.1 Budget Calendar	PFM Act 2012; Budget Call circulars, Budget Calendar; Budget Speech; interviews with officials
	17.2 Guidance on Budget Preparation	PFM Act 2012; Budget Call circulars, Budget Calendar; interviews with officials; Budget Policy Statements 2020/2021 and 2021/2022
	17.3 Budget Submission to the Legislature	PFM Act 2012; Budget Speech; Interviews with officials at NT Budget Department and Parliament; data from NT on budget submission dates and triangulation with parliament
18. Legislative Scrutiny of Budgets	18.1 Scope of Budget Scrutiny	PFM Act 2012; Standing orders of the Parliament; Budget documentation; Interviews with officials
	18.2 Legislative Procedures for Budget Scrutiny	Standing orders of Parliament; Interviews with officials at Parliament
	18.3 Timing of Budget Approval	Interviews with officials at Parliament; documentation from Parliament; Appropriations Acts 2018/2019 to 2020/2021
	18.4 Rules for Budget Adjustment by the Executive	2010 Constitution; PFM Act 2012; PFM Regulation 2015; Interviews with officials; supplementary budget
V. Predictability And Control In Budget Execution		
19. Revenue Administration	19.1 Rights and Obligations for Revenue Measures	KRA Tax Administration Act; Customs & Excise Act; Income Tax Act; VAT Act; KRA website
	19.2 Revenue Risk Management	Customs risk management strategy; interview with officials
	19.3 Revenue Audit and Investigation	No data, not assessed
	19.4 Revenue Arrears Monitoring	Data on stock of revenue arrears for 2020/2021; plus, actual tax outturns for the same period
20. Accounting For Revenue	20.1 Information on Revenue Collections	2020/2021 KRA monthly to NT
	20.2 Transfer of Revenue Collections	Interview with KRA and NT ASD officials
	20.3 Revenue Accounts Reconciliation	KRA revenue reconciliation statements for 2020/2021
21. Predictability Of In-Year Resource Allocation	21.1 Consolidation of Cash Balances	Interviews with officials from Account Services Department; no consolidation of cash balances
	21.2 Cash Forecasting and Monitoring	Copy of consolidated annual cash flow statement from NT for 2020/2021
	21.3 Information on Commitment Ceilings	Copy of expenditure commitment warrant from NT; interview with MDA officials
	21.4 Significance of In-Year Budget Adjustments	Supplementary budget 2020

Indicator	Dimension	Data used
22. Expenditure Arrears	22.1 Stock of Expenditure Arrears	Interviews with government officials; stock of expenditure arrears at June 2021 from AFS.
	22.2 Expenditure Arrears Monitoring	Data from OCoB + interviews
23. Payroll Controls	23.1 Integration of Payroll and Personnel Records	Establishment list; personnel records at MDAs; interview with PSC, and ministry of public service
	23.2 Management of Payroll Changes	Interviews with officials
	23.3 Internal Control of Payroll	Interviews with officials
	23.4 Payroll Audit	Payroll audit report for 2022 from NT/IAD covering last three years
24. Procurement Management	24.1 Procurement Monitoring	Interview with PPRA officials, PPRA website
	24.2 Procurement Methods	Interview with PPRA officials, PPRA website
	24.3 Public Access to Procurement Information	PPRA website + interviews
	24.4 Procurement Complaints Management	Public Procurement and Asset Disposal Act 2015; Public Procurement and Asset Disposal Regulations 2020 + interviews with officials from complaints board
25. Internal Controls on Non-salary Expenditure	25.1 Segregation of Duties	Copies of payment vouchers; PFM regulations 2015, PFM Act 2012
	25.2 Effectiveness of Expenditure Commitment Controls	IFMIS functionality manual; walk-through test of IFMIS functions; interviews with stakeholders
	25.3 Compliance with Payment Controls	Financial statements for 2018/2019 to FY2020/2021; Auditor-General' s annual audit report FY2018/2019 and FY2020/2021
26. Internal Audit	26.1 Coverage of Internal Audit	PFM Act 2012, PFM regulations 2015; interviews with NT/IAD, Ministry of Education, Health, and Environment; data on internal audit coverage from IAD
	26.2 Nature of Audits and Standards Applied	Annual audit plans FY2020/2021; audit manual
	26.3 Implementation of Internal Audits and Reporting	No data, not assessed
	26.4 Response to Internal Audits	No data, not assessed
VI. Accounting and reporting		
27. Financial Data Integrity	27.1 Bank Account Reconciliation	Bank statements and reconciliation statements FY2020/2021 and as at June 2021; Auditor-General' s audit reports 2018/2019-2020/2021
	27.2 Suspense Accounts	Consolidated annual financial statements 2018/2019-2020/2021; Auditor-General' s reports 2018/2019-2020/2021

Indicator	Dimension	Data used
	27.3 Advance Accounts	Consolidated annual financial statements 2018/2019-2020/2021; Auditor-General' s reports 2018/2019-2020/2021
	27.4 Financial Data Integrity Processes	IFMIS functionality manual; walk-through test of IFMIS functions; interviews with stakeholders
28. In-Year Budget Reports	28.1 Coverage and Comparability of Reports	Quarterly in-year budget execution reports FY2020/2021 from OCoB
	28.2 Timing of In-Year Budget Reports	Quarterly in-year budget execution reports FY2020/2021 from OCoB + data on OCoB website
	28.3 Accuracy of In-Year Budget Reports	Quarterly in-year budget execution reports FY2020/2021; Auditor-General' s audit reports 2018/2019-2020/2021. Cross-cutting discussion with Internal Audit and External Audit on data accuracy
29. Annual Financial Reports	29.1 Completeness of Annual Financial Reports	Consolidated annual financial statements FY2018/2019 to FY2020/2021
	29.2 Submission of Reports for External Audit	Transmittal letter from Accountant General to OAG; confirmation from Auditor-General
	29.3 Accounting Standards	Consolidated annual financial statements FY2018/2019 to FY2020/2021
VII. External Scrutiny and Audit		
30. External Audit	30.1 Audit Coverage and Standards	Public Audit Act 2015; Audit manual; Auditor-General' s audit reports; interviews with officials of OAG; data on audit coverage for 2018/2019-2020/2021
	30.2 Submission of Audit Reports to the Legislature	Transmittal letters of audited report of the consolidated fund (FYs2018/2019-2020/2021) from Auditor-General to Parliament; confirmation from parliament
	30.3 External Audit Follow-Up	Auditor-General audit reports 2018/2019-2020/2021
	30.4 Supreme Audit Institution Independence	2010 Constitution; Public Audit Act 2015; interview with OAG
31. Legislative Scrutiny of Audit Reports	31.1 Timing of Audit Report Scrutiny	Hansard/minutes from parliament; minutes from PAC; interviews with NT, Ministries of Education, Health, Environment
	31.2 Hearings on Audit Findings	Interaction with members of PAC; interviews with government officials
	31.3 Recommendations on Audit by the Legislature	Report of PAC 2022 for FYs 2017 to 2022; interviews with PAC members
	31.4 Transparency of Legislative Scrutiny of Audit Reports	Hansard/minutes from parliament; minutes from PAC; interviews with NT, Ministries of Education, Health, Environment

Other relevant materials used

- IMF Article IV Staff Report on Kenya – June and December 2021
- TADAT report April 2021

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Annex 4: Data used for scoring PI-1, 2& 3 (2016 methodology)

Table 1.1A - Analysis for PI-1 and PI-2.1: Fiscal Year 2018/2019

Table 1 - Fiscal years for assessment

Year 1 =	2018/19
Year 2 =	2019/20
Year 3 =	2020/21

Table 1.1A - Analysis for PI-1 and PI-2.1: Fiscal Year 2018/2019

(Kshs Million)

Data for year = 2018/19

administrative or functional head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
2091 Teachers Service Commission	226,687	240,755	187,874.8	52,880.2	52,880.2	28.1%
1091 State Department for Infrastructure	180,049	151,998	149,222	2,776	2,776	1.9%
1021 State Department for Interior	126,348	139,233	104,715	34,517	34,517	33.0%
1071 The National Treasury	107,333	55,243	88,956	(33,713)	33,713	37.9%
1092 State Department for Transport	100,729	122,745	83,483	39,262	39,262	47.0%
1065 State Department for University Education	100,489	101,817	83,284	18,533	18,533	22.3%
1066 State Department for Early Learning & Basic Education	99,097	95,335	82,130	13,205	13,205	16.1%
1081 Ministry of Health	90,007	75,818	74,597	1,221	1,221	1.6%
1152 State Department for Energy	66,575	50,184	55,176	(4,992)	4,992	9.0%
1107 Ministry of Water and Sanitation	52,915	31,734	43,855	(12,121)	12,121	27.6%
1032 State Department for Devolution	40,873	42,141	33,875	8,266	8,266	24.4%
1096 State Department for Housing, Urban Development and Public Works	32,243	31,855	26,723	5,132	5,132	19.2%
1185 State Department for Social Protection	31,303	31,552	25,943	5,609	5,609	21.6%
1122 State Department for Information Communications and Technology & Innovation	28,697	22,400	23,784	(1,384)	1,384	5.8%
1023 State Department for Correctional Services	27,862	24,911	23,091	1,820	1,820	7.9%
1165 State Department for Crop Development	23,568	23,936	19,533	4,402	4,402	22.5%

2042 National Assembly	21,855	18,555	18,113	441	441	2.4%
1211 State Department for Public Service and Youth	17,511	3,115	14,513	(11,398)	11,398	78.5%
1052 Ministry of Foreign Affairs	17,108	15,509	14,179	1,330	1,330	9.4%
1108 Ministry of Environment and Forestry	16,100	13,619	13,343	275	275	2.1%
Others	342,213	201,784	283,621	(81,837)	81,837	28.9%
Interests	(399,981)	(375,723)	(331,499)	(44,224)	44,224	-13.3%
Allocated expenditure	1,349,581	1,118,514	1,118,514	(0)	379,340	
Interests	399,981	375,723				
Contingency	-	-				
total expenditure	1,749,562	1,494,237				
Aggregate outturn (PI-1)						85.4%
composition (PI-2) variance						33.9%
Contingency share of budget						0.0%

Source: National Treasury Budget Book and Annual Public Accounts FY2018/2019

Table 1.1B - Analysis for PI-1 and PI-2.1: Fiscal Year 2019/2020

Data for year = 2019/20						
administrative or functional head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
2091 Teachers Service Commission	252,951	256,064	210,400	45,664	45,664	21.7%
1091 State Department for Infrastructure	186,417	227,873	155,058	72,815	72,815	47.0%
1021 State Department for Interior	139,194	133,203	115,779	17,424	17,424	15.0%
1065 State Department for University Education	118,059	103,142	98,200	4,943	4,943	5.0%
1071 The National Treasury	115,912	73,151	96,413	(23,262)	23,262	24.1%
1066 State Department for Early Learning & Basic Education	97,279	87,503	80,915	6,589	6,589	8.1%
1092 State Department for Transport	93,831	97,138	78,047	19,091	19,091	24.5%
1081 Ministry of Health	92,725	107,253	77,127	30,126	30,126	39.1%
1152 State Department for Energy	77,419	49,637	64,396	(14,759)	14,759	22.9%

Data for year =	2019/20					
1107 Ministry of Water and Sanitation	62,504	49,709	51,990	(2,281)	2,281	4.4%
1072 State Department for Planning	55,863	41,066	46,466	(5,400)	5,400	11.6%
1281 National Intelligence Service	37,660	28,900	31,325	(2,425)	2,425	7.7%
1185 State Department for Social Protection	34,313	41,279	28,541	12,738	12,738	44.6%
1094 State Department for Housing, Urban Development and Public Works	31,524	26,204	26,221	(17)	17	0.1%
1122 State Department for Information Communications and Technology & Innovation	28,234	17,977	23,485	(5,508)	5,508	23.5%
1023 State Department for Correctional Services	27,063	31,643	22,511	9,132	9,132	40.6%
1064 State Department for Vocational and Technical Training	26,318	17,862	21,891	(4,029)	4,029	18.4%
2042 National Assembly	23,932	17,837	19,906	(2,069)	2,069	10.4%
1165 State Department for Crop Development	22,230	22,932	18,491	4,441	4,441	24.0%
1052 Ministry of Foreign Affairs	19,246	16,645	16,009	636	636	4.0%
Others	386,146	227,418	321,190	(93,772)	93,772	29.2%
Interest	(441,481)	(437,293)	(367,216)	(70,077)	70,077	-19.1%
Allocated expenditure	1,487,339	1,237,142	1,237,142	(0)	447,197	
Interests	441,481	437,293				
Contingency	-	-				
total expenditure	1,928,820	1,674,435				
Aggregate outturn (PI-1)						86.8%
composition (PI-2) variance						36.1%
Contingency share of budget						0.0%

Source: National Treasury Budget Book and Annual Public Accounts FY2019/2020

Table 1.1C - Analysis for PI-1 and PI-2.1: Fiscal Year 2020/2021

Data for year = 2020/21						
administrative or functional head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
2091 Teachers Service Commission	266,093	274,380	215,762	58,618	58,618	27.2%
1091 State Department for Infrastructure	189,523	187,297	153,675	33,622	33,622	21.9%
1021 State Department for Interior	132,114	133,080	107,125	25,955	25,955	24.2%
1065 State Department for University Education	113,133	83,059	91,734	(8,676)	8,676	9.5%
1081 Ministry of Health	111,703	93,162	90,574	2,588	2,588	2.9%
1066 State Department for Early Learning & Basic Education	100,819	94,560	81,749	12,811	12,811	15.7%
1109 Ministry of Water & Sanitation and Irrigation	77,215	69,088	62,610	6,477	6,477	10.3%
1152 State Department for Energy	72,493	49,877	58,781	(8,904)	8,904	15.1%
1092 State Department for Transport	47,555	64,640	38,560	26,079	26,079	67.6%
1072 State Department for Planning	45,667	58,992	37,029	21,962	21,962	59.3%
1169 State Department for Crop Development & Agricultural Research	41,808	45,229	33,901	11,328	11,328	33.4%
1281 National Intelligence Service	39,051	17,464	31,665	(14,201)	14,201	44.8%
1011 The Presidency	36,508	37,585	29,603	7,983	7,983	27.0%
1185 State Department for Social Protection	33,604	31,409	27,248	4,160	4,160	15.3%
1023 State Department for Correctional Services	28,102	26,194	22,787	3,407	3,407	15.0%
1064 State Department for Vocational and Technical Training	24,906	20,338	20,195	143	143	0.7%
2042 National Assembly	23,205	19,167	18,816	351	351	1.9%
1122 State Department for Information Communications and Technology & Innovation	20,008	18,392	16,223	2,169	2,169	13.4%
1213 State Department for Public Service	18,470	15,511	14,976	535	535	3.6%
1261 The Judiciary	17,423	15,951	14,128	1,824	1,824	12.9%
Others	448,261	290,818	363,474	(72,656)	72,656	20.0%
Interest	(468,108)	(495,142)	(379,567)	(115,575)	115,575	-30.4%
Allocated expenditure	1,419,554	1,151,050	1,151,050	0	440,021	
Interests	463,108	495,142				
Contingency	5,000	-				
total expenditure	1,887,662	1,646,192				
Aggregate outturn (PI-1)						87.2%

Data for year = 2020/21	
composition (PI-2) variance	38.2%
Contingency share of budget	0.0%

Source: National Treasury Budget Book and Annual Public Accounts FY2020/2021

Table 5 - Results Matrix

year	for PI-1.1 total expenditure outturn	for PI-2.1 composition variance	for PI-2.3 Contingency share
2018/19	85.1%	34.9%	
2019/20	86.8%	36.1%	0.0%
2020/21	87.2%	38.2%	

Table 1.2A - Analysis for PI-2.2: Fiscal Year 2018/2019

Data for year = 2018/19

Economic head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
2100000 COMPENSATION OF EMPLOYEES	436,158	424,195	372,506.5	51,688.6	51,688.6	13.9%
2200000 USE OF GOODS AND SERVICES	182,277	172,000	155,675.9	16,324.6	16,324.6	10.5%
2500000 SUBSIDIES	60,549	60,279	51,712.3	8,567.2	8,567.2	16.6%
2600000 GRANTS AND OTHER TRANSFERS	824,030	586,310	703,774.2	-117,464.7	117,464.7	16.7%
2700000 SOCIAL BENEFITS	1,445	1,391	1,234.3	156.4	156.4	12.7%
2800000 OTHER EXPENSES	5,000	500	4,270.3	-3,770.3	3,770.3	88.3%
3100000 ACQUISITION OF NON-FINANCIAL ASSETS	221,344	232,619	189,042.2	43,576.4	43,576.4	23.1%
4100000 ACQUISITION OF FINANCIAL ASSETS	18,759	16,943	16,021.0	921.8	921.8	5.8%
Contingency	-	-	0.0	0.0	0.0	#DIV/0!
Total expenditure	1,749,561.67	1,494,236.61	1,494,236.61	(0.00)	242,469.98	
composition variance						16.2%

Source: National Treasury Budget Book and Annual Public Accounts FY2018/2019

Table 1.2B: Analysis for PI-2.2 Fiscal Year 2019/2020

Data for year = 2019/20						
Economic head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
2100000 COMPENSATION OF EMPLOYEES	489,549	451,440	424,984.2	26,455.7	26,455.7	6.2%
2200000 USE OF GOODS AND SERVICES	178,196	153,664	154,694.3	-1,030.4	1,030.4	0.7%
2500000 SUBSIDIES	61,655	61,373	53,523.8	7,848.8	7,848.8	14.7%
2600000 GRANTS AND OTHER TRANSFERS	961,807	830,727	834,957.6	-4,230.6	4,230.6	0.5%
2700000 SOCIAL BENEFITS	1,226	1,853	1,064.2	789.2	789.2	74.2%
2800000 OTHER EXPENSES	5,000	1,600	4,340.6	-2,740.6	2,740.6	63.1%
3100000 ACQUISITION OF NON-FINANCIAL ASSETS	201,194	151,978	174,658.8	-22,681.1	22,681.1	13.0%
4100000 ACQUISITION OF FINANCIAL ASSETS	30,194	21,801	26,211.6	-4,410.9	4,410.9	16.8%
Contingency	-	-	0.0	0.0	0.0	
Total expenditure	1,928,820.28	1,674,435.08	1,674,435.08	(0.00)	70,187.32	
composition variance						4.2%

Source: National Treasury Budget Book and Annual Public Accounts FY2019/2020

Table 1.2C: Analysis for PI-2.2 Fiscal Year2020/2021

Data for year = 2020/21						
Economic head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
2100000 COMPENSATION OF EMPLOYEES	507,441	492,697	443,704.2	48,993.0	48,993.0	11.0%
2200000 USE OF GOODS AND SERVICES	169,896	171,655	148,556.0	23,099.0	23,099.0	15.5%
2500000 SUBSIDIES	64,626	62,617	56,508.7	6,108.8	6,108.8	10.8%
2600000 GRANTS AND OTHER TRANSFERS	980,081	760,684	856,978.6	-96,294.4	96,294.4	11.2%
2700000 SOCIAL BENEFITS	607	781	530.4	250.7	250.7	47.3%
2800000 OTHER EXPENSES	5,000	-	4,372.0	-4,372.0	4,372.0	100.0%
3100000 ACQUISITION OF NON-FINANCIAL ASSETS	137,977	124,912	120,646.4	4,266.0	4,266.0	3.5%
4100000 ACQUISITION OF FINANCIAL ASSETS	22,035	32,845	19,267.6	13,577.1	13,577.1	70.5%
Contingency	(5,000)	-	-4,372.0	4,372.0	4,372.0	100%
Total expenditure	1,882,662.00	1,646,191.95	1,646,191.95	0.00	201,332.85	
composition variance						12.2%

Source: National Treasury Budget Book and Annual Public Accounts FY2020/2021

Table 5 - Results Matrix

year	composition variance
2018/19	16.2%
2019/20	4.2%
2020/21	12.2%

Table 1.3A: Analysis of revenue outturn - PI-3: Fiscal Year 2018/2019

Data for year = 2018/19	Ksh Millions					
Economic head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
Tax revenues						
Taxes on International Trade & Transactions (Import Duty)	119,352.1	106,874.9	103,005.5	3,869.4	3,869.4	3.8%
Excise Taxes	218,960.3	194,309.8	188,971.2	5,338.6	5,338.6	2.8%
Taxes on Income, Profits & Capital gains (Income Tax)	836,570.5	685,329.9	721,992.6	-36,662.6	36,662.6	5.1%
Taxes on goods and services (VAT)	464,214.5	414,143.4	400,635.0	13,508.4	13,508.4	3.4%
Grants						
External grants	48,487.0	19,701.8	41,846.1	-22,144.3	22,144.3	52.9%
Other revenue						
Ministerial Appropriation in Aid	179,952.1	204,605.5	155,305.6	49,299.9	49,299.9	31.7%
Other revenue	130,131.3	99,098.9	112,308.3	-13,209.4	13,209.4	11.8%
Total revenue	1,997,667.8	1,724,064.3	1,724,064.3	-	144,032.7	
overall variance						86.3%
composition variance						8.4%

Source: National Treasury Budget Book and Annual Public Accounts FY2018/2019

Table 1.3B: Analysis of revenue outturn - PI-3 Fiscal Year 2019/2020

Data for year = 2019/20		Ksh Millions				
Economic head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
Tax revenues						
Taxes on International Trade & Transactions (Import Duty)	135,421.6	98,022.2	114,228.6	-16,206.4	16,206.4	14.2%
Excise Taxes	238,999.8	195,269.8	201,597.2	-6,327.4	6,327.4	3.1%
Taxes on Income, Profits & Capital gains (Income Tax)	884,368.8	706,936.3	745,968.1	-39,031.8	39,031.8	5.2%
Taxes on goods and services (VAT)	495,980.4	383,713.2	418,361.2	-34,648.0	34,648.0	8.3%
Grants						
External grants	38,784.5	19,819.7	32,714.9	-12,895.2	12,895.2	39.4%
Other revenue						
Ministerial Appropriation in Aid	238,725.3	224,247.3	201,365.6	22,881.7	22,881.7	11.4%
Other revenue	122,405.9	189,476.9	103,249.8	86,227.1	86,227.1	83.5%
Total revenue	2,154,686.4	1,817,485.5	1,817,485.5	-	218,217.5	
overall variance						84.4%
composition variance						12.0%

Source: National Treasury Budget Book and Annual Public Accounts FY2019/2020

Table 1.3C: Analysis of revenue outturn - PI-3 Fiscal Year 2020/2021

Data for year = 2020/21		Ksh Millions				
Economic head	budget	actual	adjusted budget	deviation	Absolute deviation	percent
		Tax revenues				
Taxes on International Trade & Transactions (Import Duty)	106,762.1	108,375.2	100,484.4	7,890.8	7,890.8	7.9%
Excise Taxes	241,378.0	216,324.9	227,184.8	-10,859.9	10,859.9	4.8%
Taxes on Income, Profits & Capital gains (Income Tax)	685,014.0	694,052.5	644,734.8	49,317.8	49,317.8	7.6%
Taxes on goods and services (VAT)	481,611.6	410,758.4	453,292.6	-42,534.2	42,534.2	9.4%
		Grants				
External grants	56,840.7	31,320.4	53,498.4	-22,178.0	22,178.0	41.5%
		Other revenue				
Ministerial Appropriation in Aid	258,880.0	241,521.4	243,657.7	-2,136.4	2,136.4	0.9%
Other revenue	119,001.3	132,503.8	112,003.9	20,499.9	20,499.9	18.3%
Total revenue	1,949,487.6	1,834,856.6	1,834,856.6	0.00	155,416.9	
overall variance						94.1%
composition variance						8.5%

Source: Budget Book and Annual Public Accounts FY2020/2021

Table 1.3 D - Results Matrix

year	total revenue deviation	composition variance
2018/19	86.3%	8.4%
2019/20	84.4%	12.0%
2020/21	94.1%	8.5%

Annex 5: Gender Responsive PFM Assessment

Republic of Kenya

Gender Responsive PFM Assessment

8 May 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the 'PEFA CHECK'.

PEFA Secretariat
May 8, 2023

Introduction

Purpose

The Public Expenditure and Financial Accountability (PEFA) supplementary framework for assessing gender responsive public financial management (GRPFM)—the PEFA GRPFM framework—is a set of supplementary indicators that builds on the PEFA framework to collect information on the degree to which a country's public financial management (PFM) system addresses the government's goals with regard to acknowledging different needs of men and women and promoting gender equality. The supplementary GRPFM indicators are aligned with the existing PEFA framework for assessing PFM performance and are intended to mirror the mapping of PFM practices and assessment of PFM institutions, processes, and systems typically carried out during a standard PEFA assessment process.

The PEFA GRPFM framework is shaped by the recognition that gender responsive budgeting requires PFM institutions, systems, and processes that are cognizant of gender differentiated needs and the differential impacts that fiscal policies and practices have on men and women. Gender responsiveness is relevant throughout the budget cycle, including in the planning and design of budgetary policies that promote gender equality, the allocation of resources to implement them, the tracking of resources to ensure that adequate resources are allocated and policies are implemented as intended, and the monitoring and evaluation of the efficiency and effectiveness of policies, including their impacts evaluated or differentiated by gender.

The PEFA Gender Assessment has been conducted concurrently with the national PEFA. The assessment was funded by the European Union. The management and peer review mechanisms are the same as the main PEFA assessment. The purpose of the PEFA is to assess the PFM performance since the 2017 PEFA assessment. The assessment utilized the PEFA 2016 framework in addition to the supplementary guidelines on PEFA gender dated January 2020 to provide evidence-based scores and analyses on the overall performance of Kenya's PFM systems and institutions since 2017 regarding aggregate fiscal discipline, strategic resource allocation, and efficient service delivery.

Gender responsive PFM or gender responsive budgeting (GRB) makes gender an integral part in fiscal and budgetary decision making and brings focus to the recognition that fiscal policies (both expenditures and revenues) have differentiated impacts and that analysis and review of fiscal policies and practices should take this into account. Gender responsive budgeting is intended to ensure that PFM can contribute to addressing gender specific needs and closing gender gaps in men and women's opportunities for economic, social, and political participation and thus development outcomes.

The GRPFM assessment applied the Supplementary Framework for Assessing Gender Responsive Public Financial Management 2020. The assessment results will promote policy dialogue on the pace and impact of the recent PFM reforms, and therefore inform the reform agenda. Given that this is the first time that Kenya is undertaking a GRPFM assessment, the assessment will provide a baseline for measuring progress towards a gender responsive PFM framework in Kenya. The information will also promote policy dialogue and inform the monitoring and evaluation of how PFM systems support the efforts to close the gender gap in development. Currently, GRB efforts are being spearheaded by the state Department of Gender and the National Gender and Equality Commission. UN Women has also been supporting the state actors to push the GRB agenda.

The assessment covered three years, i.e., 2018/2019, 2019/2020 and 2020/2021 and was undertaken between July and August 2022. The assessment covered the central government and 17 main budgetary units, including The National Treasury and Planning, Ministry of Health, Ministry of Education, Ministry of Agriculture, Livestock, Fisheries and Co-operatives, Ministry of Public Service and Gender, Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works, National Assembly, among others. The assessment team that undertook the GRPFM is the same team that carried out the national PEFA.

Background

The subsection presents an overview of the current status of integrating gender considerations in public financial management, including, where relevant, the government's gender equality strategy, action plans, and specific gender responsive PFM initiatives. It also sets out any legal and regulatory procedures that have been adopted for gender responsive PFM, as well as the institutional structure for supporting GRPFM (for example, the role of the Ministry of Finance and gender agencies).

Legal and policy framework

Kenya recognizes the need to address gender inequalities, as reflected in the signing and ratification of various instruments, treaties, and international conventions and recognized in many government policy pronouncements and commitments. The need to incorporate gender into policy was highlighted in the National Policy on Gender and Development of 2000, with the realization that enormous resources would be misplaced if the government did not put in place a coherent and comprehensive framework for guiding gender mainstreaming within different sectors and ministries.

International legal instruments

Kenya has also signed and ratified the various international commitments, some of which include:

I. the recommendations by the Committee on the Elimination of Discrimination against Women (CEDAW)- This convention was signed in 1981 and ratified in 1984 by Kenya. Kenya is bound by its reporting obligation and has been submitting reports every four years to CEDAW Committee since 1990. The convention commits countries to equality and non-discrimination of any form against women.

II. the Nairobi Forward-looking Strategies for the Advancement of Women in 1985 - presented concrete measures to overcome the obstacles to the Decade' s goals and objectives for the advancement of women. It noted that the efforts for the integration of women in the development process should be strengthened and should take into account the objectives of a new international economic order and the International Development Strategy for the Third United Nations Development Decade.

III. the Beijing Platform for Action in 1995- the Millennium Development Goals in September 2000 - This was adopted in 1995 and reinforces to a great degree the provision of CEDAW. BPfA (1995) identifies 12 critical areas of concern. These included women and poverty; education and training of women; women and health; violence against women; women and armed conflicts; women and economy; women in power and decision-making; institutional mechanisms for advancement of women; human rights of women; women and the media; women and the environment; and the girl child.

IV. the Sustainable Development Goals - The SDG-5 specifically focuses on gender equality and empowerment of women and girls. However, gender is considered a crosscutting issue in all the other 16 SDGs

V. Protocol on the African Charter on Human and People's Rights and the Rights of Women (Maputo Protocol) - This is popularly known as the Maputo Protocol which was endorsed by the African's heads of state in 2003 and ratified by Kenya in 2010. The protocol envisages the social, economic and political participation of women in Africa. It commits to the right to elimination of discrimination against women; advances women's right to dignity, life, integrity and security of the person; the elimination of harmful practices in marriage, separation, divorce and annulment of marriage; access to justice and equal protection before the law; the right to participate in politics and decision making process; the right to peace; protection of women in armed conflicts; the right to education and training; economic and social welfare; among others.

VI. African Union Agenda 2063: - It recognizes gender inequality as a challenge in Africa resulting into disproportionate incidences of poverty, illiteracy and disease. Agenda 2063 calls for every state to aspire for an Africa where development is people driven and unleashes the potential of its women and youth. To this end, every state commits to a multipronged approach.

VII. the International Conference on Population and Development (1994). - This was signed and ratified by Kenya in 1994. ICPD calls for the promotion of gender equality and equity, empowerment of women, elimination of all forms of violence against women, and guaranteeing women the ability to control their fertility.

Domestic Legal instruments

Various legislations have been developed locally to mainstream gender into policy, planning and budgeting

The key legislations include:

(i) The 2010 Constitution - of particular importance is the provision in the Bill of Rights that states that women and men have a right to equal treatment, including equal opportunities in the political, economic, cultural, and social spheres. Moreover, it stipulates that every person is entitled to fundamental rights and freedoms regardless of their race, sex, pregnancy, marital status, ethnicity, or social origin, colour, disability, religion, conscience, belief, culture, dress, language or birth. The constitution provides for equal treatment of every person before the law and that every person has a right to equal protection and equal benefits of the law.

(ii) The Public Finance Management Act (2012) - The Public Finance Management Act, 2012, makes special provisions that support gender responsive budgeting by providing that the principle of equity be adhered to both at national and county level governments

Policy frameworks

Various policies that support gender mainstreaming have also been developed, including:

I. The Kenya Vision 2030: This is a blueprint for the development of the country and is a long-term strategy for Kenya's social, political and economic growth. Vision 2030 outlines a number of programs targeting the realization of gender equality and women empowerment under the social pillar.

II. The National Policy on Gender and Development (2019) - policy aims at achieving equality of opportunity and outcomes with respect to access to and control of national and county resources and services; and equality of treatment that meets the specific and distinct needs of different categories of women and men. The key areas that are highlighted in the policy include: poverty, labour, access to education, access to healthcare, access to land, leadership and decision-making, gender-based violence, access to justice, among others.

III. The Sessional Paper No. 2 of 2006 on Gender Equality and Development - envisaged women empowerment and mainstreaming the needs of women, men, girls and boys in all sectors of development in Kenya so that they can participate and benefit equally from development initiatives.

IV. The Gender Mainstreaming Implementation Plan of Action (2008), which is anchored on the National Policy on Gender and Development (2000) and Sessional Paper No. 2 of 2006 on Gender Equality and Development take cognizance of the need (i) to put in place gender-responsive macroeconomic policy formulation systems, (ii) to conduct gender-responsive annual budget audits to highlight the gender expenditure patterns, and (iii) to conduct and disseminate national studies that review policy responsiveness to gender, as some of the key objectives

V. The Gender Statistics Sector Plan (GSSP) 2019-2023, was launched in December 2020. This is a part of the Kenya Strategy for the Development of Statistics (KSDS, which forms a robust, comprehensive and coherent framework that is meant to strengthen statistical capacity across the entire National Statistical System (NSS). The GSSP on the other hand is a basis for strengthening statistical capacity in the gender statistics sector in Kenya.

VI. The State Department for Gender also spearheaded the preparation of a Sustainable Development Goal 5 on Gender Equality and Empowerment of Women and Girls Strategy (2020-2025), which identified gender mainstreaming in policies and budgets as one of the strategic goals.

Affirmative action/reforms in relation to gender responsive budgeting

To address gender inequalities, the government has also implemented various affirmative action measures, which include:

I. Access to Government Procurement Opportunities - aims at empowering Youth, Women and Persons with Disabilities through public procurement processes, hence, the government reserves 30%of its procurement spending to be awarded to enterprises owned by these groups.

II. Women Enterprise Fund - aims to provide access to affordable credit and support women entrepreneurs.

III. Uwezo fund - provides affordable, accessible and interest-free credit facilities to registered groups of women, youth and persons with disabilities with the aim of socio-economically empowering these groups.

IV. National Government Affirmative Action Fund (NGAAF) - aims to empower the affirmative action groups (women, youth and persons with disabilities [PWDs], vulnerable children and the elderly persons) through expanding access to financial facilities.

V. Youth Enterprise Development Fund - focuses on economic empowerment and creation of job opportunities for the youth through provision of loans for business start-ups, up-scaling business support services, business spaces and market access.

There is a proposal to amalgamate these funds into a Biashara Fund to enable efficiency and objectivity in disbursement as well as save the taxpayers unnecessary operational expenses incurred in running the three Funds independently. However, these initiatives only account for a very small percentage of the total government budget

Institutional structures

There are two key gender-related institutions in Kenya – the State Department for Gender (SDfG) and the National Gender and Equality Commission (NGEC). SDfG is responsible for the overall coordination of gender mainstreaming into national development, formulation, review and management of gender-related policies, negotiations, domestication and reporting on gender-related international and regional treaties as well as conventions and promotion of equitable socio-economic development between women, men and vulnerable groups. SDfG has four technical directorates and one administrative directorate that oversees the implementation of this plan. These include: (i) Gender Mainstreaming and Field Services – main tasks are to coordinate gender mainstreaming (including monitoring and evaluation) and to undertake advocacy on women's participation and leadership; (ii) Gender Policy and Research – main tasks are to gender policy management, domestication of international treaties/conventions on gender and coordination of research on gender; (iii) Socio-Economic Empowerment – main task is designing and implementing programmes for socio-economic empowerment of men, women, boys and girls; (iv) Anti-Gender-Based Violence– main tasks include coordinating the implementation of international protocols and treaties and design & implementation of GBV programmes and; Administration – includes the following departments: Finance; Accounts; Central Planning and Project Monitoring; Human Resource Management and Development; Supply Chain Management; Information Communication Technology; Public Communication; Youth Mainstreaming; Records Management and; Internal Audit.

SDfG also oversees the activities of the four Semi-Autonomous Government Agencies (SAGAs): Women Enterprise Fund; Uwezo Fund; National Government Affirmative Action Fund (NGAAF) and Anti-Female Genital Mutilation (FGM) Board.

The second institution is the National Gender and Equality Commission (NGEC). The mandate of the Commission is to promote and ensure gender equality, principles of equality and non-discrimination for all persons in Kenya as provided for in the Constitution of Kenya 2010 with a focus on the following Special Interest Groups (SIGs): women, persons with disability, children, youth, older members of society, minority and marginalised groups. Some of the functions of the Commission as provided for in Section 8 of the National Gender and Equality Act 2011 are to: (a) promote gender equality and freedom from discrimination in accordance with Article 27 of the Constitution; (b) monitor, facilitate and advise on the integration of the principles of equality and freedom from discrimination in all national and county policies, laws, and administrative regulations in all public and private institutions; (c) act as the principal organ of the State in ensuring compliance with all treaties and conventions ratified by Kenya relating to issues of equality and freedom from discrimination and relating to special interest groups including minorities and marginalized persons, women, persons with disabilities, and children; (d) coordinate and facilitate mainstreaming of issues of gender, persons with disability and other marginalized groups in national development and to advise the Government on all aspects thereof; receive and evaluate annual reports on progress made by public institutions and other sectors on compliance with constitutional and statutory requirement on the implementation of the principles of equality and freedom from discrimination; among others.

Coordination mechanisms for integrating gender considerations in PFM

The government developed an Intergovernmental Framework on Gender[29] which was adopted in January 2019. This framework can be adopted for integrating gender considerations into PFM. The adopted coordination framework has four tiers as shown in figure 1 below, which include:

Tier 1: Inter Governmental Forum on Gender – this forum brings together the national and county governments as a platform for consultation and cooperation among stakeholders. The functions of the forum include adoption of policy recommendations from the Joint Steering Committee and consultations among stakeholders in the gender sector.

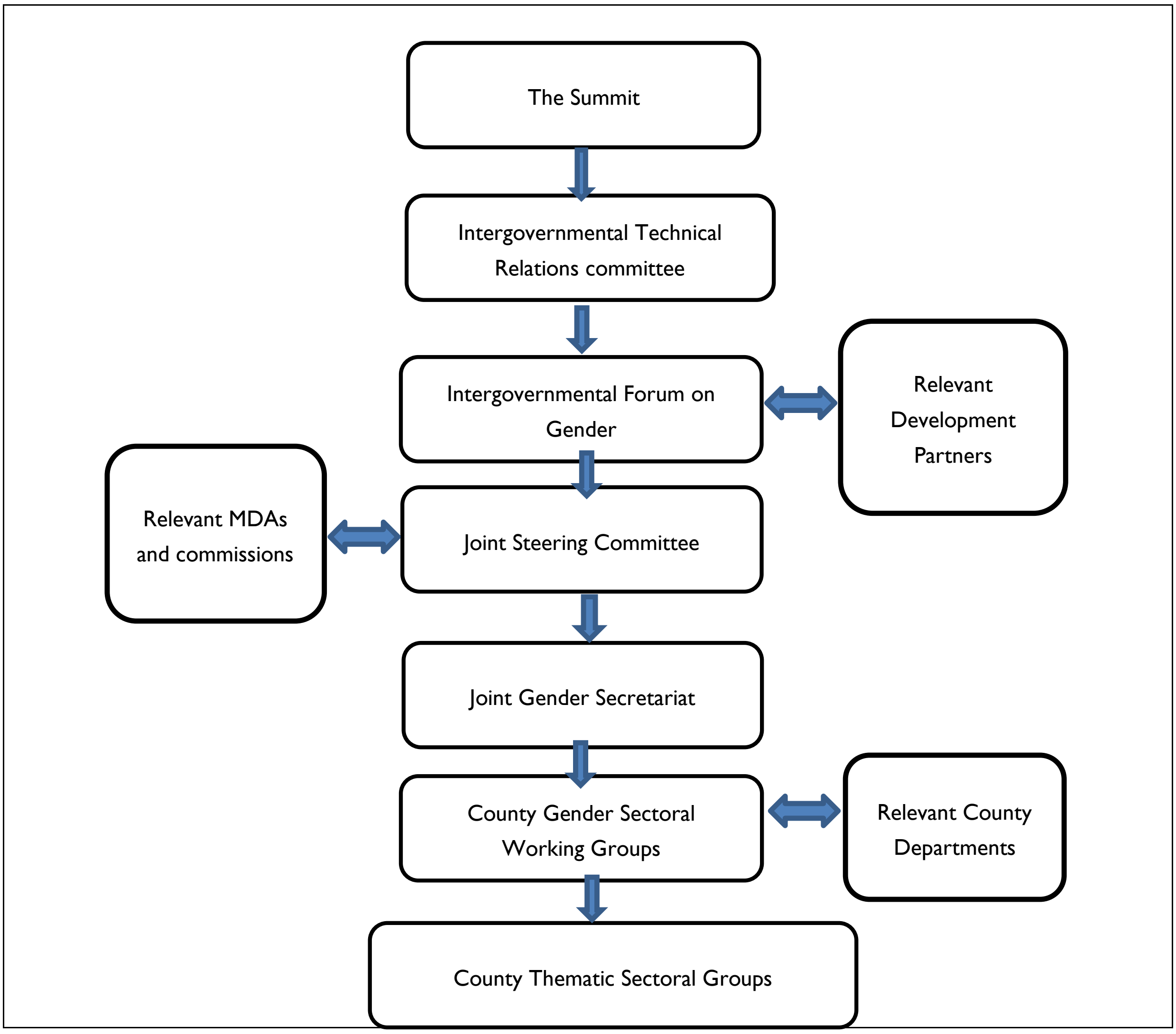
Tier 2: The Joint Gender Steering Committee – has a mandate of providing regular policy and strategic direction for the gender sector, to convene the intergovernmental forum for gender at least once every two years, convene the subsector intergovernmental consultative forum on gender to review and adopt gender progress reports, including joint projects and reports. The structure would also oversee the implementation of intergovernmental forum gender resolutions. It will oversee the operations of Joint Gender Secretariat and approve work plans, budgets and all joint projects between the county and national government.

Tier 3: Joint Gender Secretariat – the secretariat will run all the operations and attend to matters raised by the various structures. Their primary objective will be to guide the overall promotion of gender equality and women's empowerment in order to ensure that women and men enjoy the same opportunities, rights and obligations in all areas of life. The secretariat also has the responsibility of coordinating the implementation of the decisions made by the Joint Intergovernmental Steering Committee.

Tier 4: County Gender Sectoral Working Groups – their mandate is to deliberate on technical thematic issues that relate to the specific working groups at the county level, harmonize gender related activities; develop joint implementation strategies; map out partners working on Gender Equality and Women Empowerment (GEWE); mobilize resources for gender activities at the county; participate in planning and implementation of gender activities at the county; adhere to principles of gender based budgeting; promote inter-county consultative forums, among other functions. They are expected to conduct the thematic quarterly review meetings for the gender sector working group and submit quarterly thematic group reports to the secretariat for deliberation by the Joint Steering Committee.

[29] https://gender.go.ke/wp-content/uploads/2019/10/SIGNED-INTERGOVERNMENTAL-CONSULTATION-FRAMEWORK-FOR-GENDER-SECTOR.pdf

Figure 1: The Coordination framework



Previous gender responsive PFM experiences.

There have been various attempts to undertake gender responsive budgeting (GRB) for over two decades. Some of the key players in GRB have been National Gender and Equality Commission (NGEC) and the German Agency for International Cooperation (GIZ). NGEC's main output is the development of GRB guidelines for mainstreaming gender considerations into planning and budget formulation processes, as well as into the monitoring and evaluation of the implementation process; analysis of the budget from a gender perspective; and capacity building. GIZ supported the Government of Kenya through a bilateral project titled Support to Public Finance Management Reforms between 2009 and 2013. GIZ's GRB activities were mainly geared towards research, the development of a GRB handbook, and capacity building.

In 2022, UN Women in partnership with UNICEF were some of the UN Agencies supporting the National Treasury to update the Standard Chart of Accounts (SCOA) to enable disaggregated reporting of revenue, allocation and expenditure to social sectors including gender for greater transparency and monitoring of social and gender spending.

Other players were the Society for International Development (through research, development of a training manual, and capacity building on GRB), the Kenya Women Parliamentary Association (through development of GRB guidelines for parliament and capacity building), the Collaborative Centre for Gender and Development (through GRB capacity building), the Parliamentary Budget Office (through gendered analysis of the budget), and the International Republican Institute (through support to civil society organizations and women's groups to lobby for increased funding for specific activities). These GRB initiatives did not succeed in pushing for change in the budget-making process.

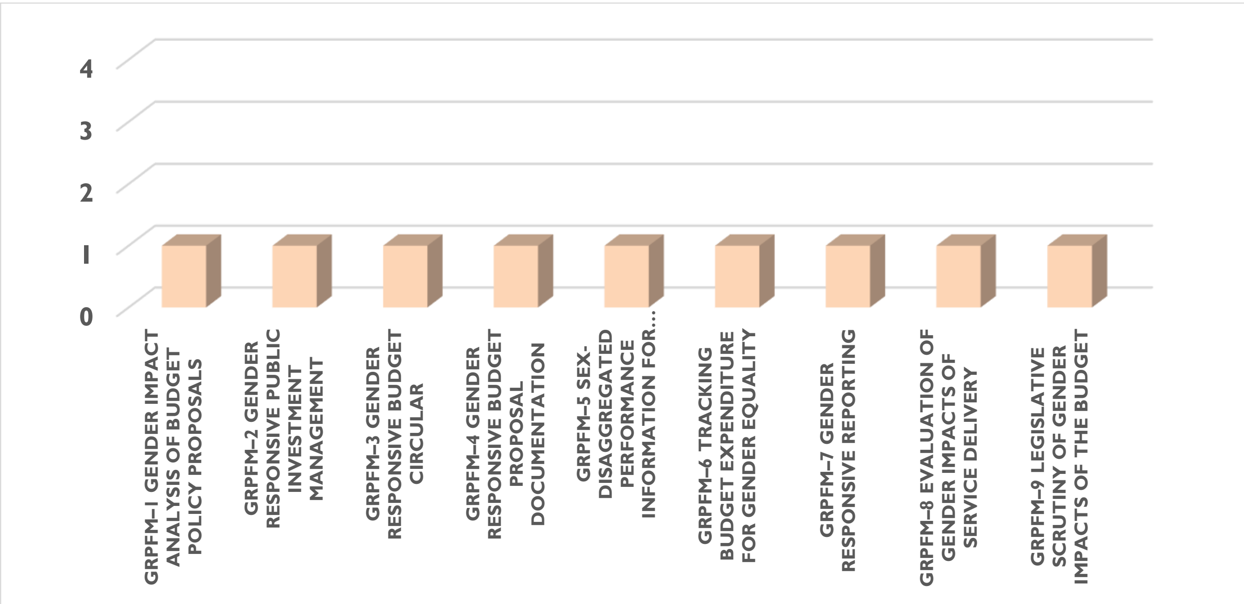
Overview of assessment findings

This section provides an overview of findings of the PEFA assessment of gender responsive PFM practices compared with the PEFA GRPFM framework. It also highlights key PFM tools and processes in place to promote gender equality. The detailed analysis of findings and evidence to score the indicators is presented in section 3. Chart 1 below provides a graphical representation of the gender responsive PFM performance.

All nine GRPFM indicators scored 'D', showing a poor performance. The assessment findings reveal major weaknesses in the Gender Responsive PFM, where the PFM process can be termed as "gender irresponsive". The government does not undertake gender analysis of budgets, despite evidence that shows that budgets have different impacts on men and women. Appraisal of investments does not also include an analysis of the implications of the investment on gender equality. While the budget circular forms a key entry point for gender responsive budgeting, the Kenyan budget circular does not give any specific guidance to MDAs on how to mainstream gender in their budget documents.

Budget documentation is also not gender responsive, even though programme-based budgets are a good opportunity for mainstreaming gender into budgets. Without mainstreaming gender in the budget documentation especially sector reports, tracking gender-related expenditure is difficult. That is why the government can only track gender-related expenditures that are towards either gender machineries or affirmative action funds, which form a very small proportion of the budget. Service delivery reports, especially the performance contracting evaluation, has minimal focus on gender mainstreaming (accounts for only 1% and gender responsive procurement accounting for 3%). Lastly, because the budget documentation has no gender perspective, the legislative scrutiny of budgets and audit reports are also not gender sensitive.

Chart 1: Graphical Representation of GRPFM Scores



Legend

SCORE	LEVEL OF GRPFM PRACTICE
A (4)	Gender impact analysis is mainstreamed in the relevant PFM institution, processes, or system.
B (3)	Gender impact analysis is partially mainstreamed in the relevant PFM institution, processes, or system.
C (2)	Initial efforts have taken place to mainstream gender impact analysis in the relevant PFM institution, process, or system.
D (1)	Gender considerations are not included in the relevant PFM institution, processes, or system, or performance is less than required for a C score.

Given the findings that PFM is largely not gender responsive, there is need to design and implement PFM reforms that will support implementation of GRPFM focusing on how GRB programmes can be implemented to guarantee that they influence budget allocations to ensure gender equity and equality. The findings point to the need to:

- Target the right entry point, which is the National Treasury to spearhead the GRB process, with support from Gender Machineries (State Department for Gender and NGEC).
- Institutionalize GRB through review of PFM guidelines to incorporate GRB and also incorporate GRB guidelines in the budget circular. This will ensure that all indicators in the programme-based budgets and service delivery reports are disaggregated by sex. From other country experiences, the government can first pilot GRB using 2-3 sectors, starting with education, health and agriculture).
- Compile and analyse sex-disaggregated data to inform the GRB process.
- Mainstreaming gender throughout the budget cycle ensures that policies are designed from a gender perspective, resources are allocated to implement them, systems are in place to track the resources, and the impacts of policies are evaluated by considering gender aspects
- Ensure strong oversight for GRB (Office of the Controller of Budget, Parliament and Office of the Auditor General).

Detailed assessment of gender responsive budgeting

This section includes a detailed assessment of gender responsive public financial management in line with the gender PEFA framework. There are nine (9) PEFA gender responsive PFM indicators in the Supplementary Framework for Assessing Gender Responsive Public Financial Management. These nine (9) indicators were designed to assess the processes and systems across government's budget cycle for the promotion and empowerment of women's rights. Table A-5.1 below summarises the performance of GRPFM with a more detailed analysis and explanations of scores in the following sections.

Table A-5.1: GRPFM Scores 2022

PEFA GRPFM INDICATOR		SCORING METHOD	DIMENSION RATINGS		OVERALL RATING
			1	2	
GRPFM–1	Gender impact analysis of budget policy proposals	M1	D	D	D
GRPFM –2	Gender responsive public investment management	M1	D		D
GRPFM –3	Gender responsive budget circular	M1	D		D
GRPFM –4	Gender responsive budget proposal documentation	M1	D		D
GRPFM –5	Sex-disaggregated performance information	M2	D	D	D
GRPFM –6	Tracking budget expenditure for gender equality	M1	D		D
GRPFM –7	Gender responsive reporting	M1	D		D
GRPFM –8	Evaluation of gender impacts of service delivery	M1	D		D
GRPFM –9	Legislative scrutiny of gender impacts of the budget	M2	D	D	D

GRPFM-1: Gender Impact Analysis of Budget Policy Proposals

Summary of scores

GRPFM-1 (M1)	Indicator/Dimension	Score 2022	Justification for 2022 score
Gender Impact Analysis of Budget Policy Proposals		D	
1.1 Gender impact analysis of expenditure policy proposals		D	The government's expenditure proposals are contained in the Budget Policy Statements and annual budget speeches. A review of the expenditure policy proposals for the last completed year (2020/21) showed that the policy proposals do not contain a gender impact analysis. The performance is less than required for a C score. Therefore, the score for the dimension is a D.
1.2 Gender impact analysis of revenue policy proposals		D	Revenue proposals are usually contained in the Budget Policy Statements and the annual Budget Speeches. A review of the revenue policy proposals that are contained in the budget policy statement and the budget speech for the last completed year (2020/21) showed that emphasis is on measures for raising additional revenue. There is no gender impact analysis of the revenue policy proposals. The performance is less than required for a C score. Therefore, the score for the dimension is D.

Guiding question

Does the government's analysis of proposed changes in expenditure and revenue policies include information on gender impacts?

Description

This indicator assesses the extent to which the government prepares an assessment of the gender impacts of proposed changes in government expenditure and revenue policy. It contains two dimensions (sub-indicators) and uses the M1 (weakest link) method for aggregating dimension scores

Related PEFA indicator or dimension

PI–15 Fiscal strategy

PI–15.1 Fiscal impact of policy proposals

Coverage

Central government

Time period

Last completed fiscal year

GRPFM-1.1 Gender impact analysis of expenditure policy proposals

A review of the expenditure policy proposals for the last completed year (2020/21) that are contained in the Budget Policy Statement (2020/2021) and Budget Speech (2020/2021) showed that the policy proposals do not contain a gender impact analysis. The only focus on equity issues is through budgetary allocations to affirmative action funds such as the Women Enterprise Fund (WEF) and National Government Affirmative Action Fund (NGAAF). In addition, expenditures policy proposals only provide information on proposed allocations, but not key changes from previous year's allocations. Therefore, one cannot tell the implication of the expenditure policy proposals on gender equality.

Table GRPFM–1.1 Gender impact analysis of expenditure policy proposals

Key changes in expenditure policy	The amount allocated to expenditure policy change in 2020/2021 [local currency]	As a %of key changes in expenditure policy	Gender impact analysis included (Yes/No)
Investment in critical infrastructure	Ksh 172.4 billion	N/A	No
Improving security and protecting borders	Ksh 167.9 billion	N/A	No
Education sector support	Ksh 497.7 billion	N/A	No
Support to the implementation of the "Big Four" Agenda	Ksh 128.3 billion	N/A	No
Universal Health Care	Ksh 111.7 billion (Ksh 4.1 billion for Free Maternity Health Care)	N/A	No
Affordable Housing Programme	Ksh 15.5 billion	N/A	No
Cash Transfers	Ksh 17.6 billion	N/A	No
Affirmative action funds	Ksh 41.7 billion (Ksh 150 million for Women Enterprise Fund; Ksh 2.1 billion for National Government Affirmative Action Fund (NGAAF); Ksh 82 million to Uwezo Fund)		
Enhancing food and nutrition security	Ksh 52.8 billion	N/A	No

Data source: Government of Kenya, Budget Statement 2020/2021

Dimension Score: D

GRPFM-1.2 Gender impact analysis of revenue policy proposals

A review of the revenue policy proposals that are contained in the budget policy statement and the budget speech for the last completed year (2020/21) showed that specific measures for raising additional revenue are identified, but most of them are qualitative. There is no quantitative measure of how much additional revenue will be collected through the proposed revenue measures. In addition, there is no gender impact analysis of the revenue policy proposals.

Table GRPFM–1.2 Gender impact analysis of revenue policy proposals

Key changes in revenue policy	The amount collected due to revenue policy change in 2020/21 [local currency]	As a %of key changes in revenue policy	Gender impact analysis included (Y/N)
Proposed custom duty measures under Finance Bill	Ksh 38.9 billion additional revenue	Not Available	No
Introduction of a minimum tax levied at one percent of their gross turnover	Not provided	Not available	No
Rental income threshold raised to Ksh 15 million per year to be levied at 10 percent	Not provided	Not available	No
Introduction of digital service tax on the value of transactions at the rate of 1.5 percent	Not provided	Not available	No

Data source: Budget Statement 2020/2021

Dimension Score: D

GRPFM-2 Gender Responsive Public Investment Management

Summary of scores

GRPFM-2	Indicator/Dimension	Score 2022	Justification for 2022 score
Gender Responsive Public Investment Management		D	
2.1 Gender responsive public investment management		D	There are clear guidelines on public investment management that require an analysis of social impacts (that could include gender) as part of pre-feasibility and feasibility study. However, there is no evidence of gender analysis being undertaken.

Guiding question

Does the government analyse the impacts of major public investment projects on gender as part of the economic analysis of investment proposals?

Description

This indicator assesses the extent to which robust appraisal methods, based on economic analysis, of feasibility or prefeasibility studies for major investment projects include an analysis of the impacts on gender. There is one dimension for this indicator

Related PEFA indicator or dimension

PI–11 Public investment management

PI–11.1 Economic analysis of investment proposals

Coverage

Central government

Time period

Last completed fiscal year

GRPFM–2.1 Gender responsive public investment management

There are guidelines on public investment management for national government and its entities that are issued by National Treasury through a circular. The purpose of the guidelines is to guide MDAs on project identification and conceptual planning, project pre-feasibility and pre-appraisal, project feasibility and appraisal, project selection and budgeting, project implementation, monitoring, evaluation and reporting and, project closure, sustainability & ex-post evaluation. The guidelines are applicable to both public investment projects which are wholly or partially funded through public funds and also projects that are implemented through public-private partnerships.

According to the guidelines, a pre-feasibility and pre-appraisal study is required to be able to identify and appraise the available alternative options for solving the identified problem, which is carried out within the context of the country's strategic objectives and existing government policy, legal and institutional framework. A multi-criteria analysis is used, that includes demand, marketing, technical and engineering, social and environmental, human resources and administrative, institutional and legal, among others. In addition, cost-benefit analysis and cost effectiveness analysis is also undertaken. In addition, a feasibility study is supposed to be undertaken and is expected to financial and economic viability, social impacts, fiscal and risk analysis, sustainability, among others. However, there is no evidence of gender impact analysis being undertaken.

For FY2020/2021, all major investment projects (as shown in Table GRPFM-2.1) went through economic analysis and appraisal in accordance with the established guidelines, even though the national guidelines are not gender responsive. The results of the analyses were submitted to PIM under NT for review to ascertain the socio-economic viability of these projects before selection for budget funding.

Table GRPFM–2.1 Gender responsive public investment management

Ten largest major investment projects (>1%of BCG expenditure)	Total investment cost of project Ksh	As a %of BCG expenditure	Economic analysis includes analysis of the impacts on gender			
			Completed (Y/N)?	Consistent with national guidelines (Y/N)	Published (Y/N)	Reviewing entity
Rehabilitation of Access Roads to Big 4 Projects & food security and nutrition facilities	4,761,000,000	0.25%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Access Roads to Universal Health Care Facilities	1,014,325,000	0.05%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Dualling Thika - Kenol - Marua (A2- R)	21,465,082,951.00	1.1%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Nairobi Western Bypass	15,986,424,793.00	0.8%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Mpard Package 3 - Mteza – Kibundani Section	9,848,104,755.00	0.5%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
MPARD Package 2 - Mwache – Tsunza – Mteza	16,932,498,641.00	0.9%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Annuity Low Volume Seal Roads/Construction of Roads	50,690,166,667.00	2.7%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Roll-out of Universal Health Coverage/construction/equipment, etc.	41,296,461,630.00	2.2%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Transforming Health Systems for Universal Care Project	15,986,113,790.00	0.8%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD
Kenya Secondary Education Quality Improvement Project	10,325,669,353.00	0.5%	Y, but not gender responsive	Y, but not gender responsive	N	NT/PIMD

Source: FY2020/2021 budget books (development budget)

Dimension score: D

GRPFM-3 Gender Responsive Budget Circular

Summary of scores

GRPFM-3	Indicator/Dimension	Score 2022	Justification for 2022 score
Gender Responsive Budget Circular		D	

3.1 Gender Responsive Budget Circular	D	The budget circular for 2020/21 does not require MDAs to undertake gender analysis of the planned programmes. It also does not require the MDAs to disaggregate data by sex.

Guiding question

Does the budget circular(s) require budgetary units to include information on the gender-related impacts of their spending proposals?

Description

This indicator measures the extent to which the government's budget circular(s) is gender responsive. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI–17 Budget preparation process

PI–17.2 Guidance on budget preparation

Coverage

Budgetary central government

Time period

Last budget submitted to the legislature

GRFM–3.1 Gender responsive budget circular

The National Treasury issues a budget circular annually in accordance with Section 36 of the Public Finance Management Act (2012), which outlines guidelines on the budget process to be followed by all MDAs. The 2021/22 budget guidelines provide that the budget should be presented by vote and programme, with MDAs being required to review programmes and align them to the mandates of the respective MDAs. The guidelines emphasized on the need for performance indicators that are Simple, Measurable, Achievable, Realistic and Time-bound (SMART), with focus on outputs and outcomes. However, there is no requirement for the MDAs to provide sex-disaggregated data on the performance indicators. In addition, there is no specific requirement for MDAs to provide justification or planned results for the effects on men and women or on gender equality of proposed new spending initiatives and reductions in expenditures. There is also no requirement for inclusion of sex-disaggregated data for actual or expected results.

GRPFM–3.1 Gender responsive budget circular

Circular for budget year	Requirement to provide justification or planned results for the effects on men and women or on gender equality (Y/N)		Requirement to include sex-disaggregated data in budget proposals (Y/N)
	New spending initiatives (Y/N)	Reductions in expenditure (Y/N)	
2021/22	N	N	N

Dimension score: D

GRPFM–4 Gender Responsive Budget Proposal Documentation

Summary of scores

GRPFM-4	Indicator/Dimension	Score 2022	Justification for 2022 score
Gender responsive budget proposal documentation		D	
4.1 Gender responsive budget proposal documentation		D	A review of the sector reports for Agriculture, rural and urban development, education sector report and health sector reports for 2021/22 – 2023/2024 MTEF period reveals that there is no information on status of gender equality in the

		sector, specific measures to address gender equality and also an analysis of the impact of budget policies on gender equality. The key outputs and performance indicators are also not disaggregated by sex. Gender is also not identified as a cross-cutting issue in the sector reports.

Guiding question

Does the government's budget proposal documentation include information on gender priorities and budget measures aimed at strengthening gender equality?

Description

This indicator assesses the extent to which the government's budget proposal documentation includes additional information on gender priorities and budget measures aimed at strengthening gender equality. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI–5 Budget documentation
PI–9 Public access to fiscal information (basic element 1)

Coverage

Budgetary central government

Time period

Last budget submitted to the legislature

GRPFM–4.1 Gender responsive budget proposal documentation

The budget circular usually provides guidance on MDAs (grouped into sectors) that prepare sector reports which provide information on the previous sector performance and proposed programmes for the next MTEF period. As per the budget circular, the sectors develop sector reports that provide budget information, including programme based budgetary activities (https://www.treasury.go.ke/sector-budget-proposal-reports/). The sector reports that were reviewed during the assessment included the health, education and agriculture sector reports. 17 main budgetary units from the three subsectors were selected for this analysis. While the sector reports include detailed information on specific programmes & sub-programmes and identify key outputs and performance, there is no explicit discussion on existing gender inequalities in the sector. In addition, no specific measures are identified to address the gender inequalities. There is also no analysis of the impact of the budgetary proposals on gender equality.

Table GRPFM–4.1 Gender responsive budget proposal documentation

Budget proposal for budget year	An overview of government policy priorities for improving gender equality (Y/N)	Details of budget measures aimed at promoting gender equality (Y/N)	Assessment of the impacts of budget policies on gender equality (Y/N)
2021/22	N	N	N

Data source: Sector reports for 2021/22 – 2023/24 MTEF budget – Agriculture Rural and Urban Development sector report; Health Sector Report; Education Sector Report

Dimension score: D

GRPFM–5 Sex-Disaggregated Performance Information for Service Delivery

Summary of scores

GRPFM-5 Indicator/Dimension		Score 2022	Justification for 2022 score
Sex-Disaggregated Performance Information for Service Delivery		D	
5.1 Sex disaggregated performance plans for service delivery		D	The information on performance plans is contained in annual sector reports that are prepared by Sector Working Groups (SWG) during the 1st phase of budget/MTEF preparation. The information is provided in tabular form by programme and sub-programme, with data on achieved outputs and performance indicators. However, the data on outputs and performance indicators is not disaggregated by sex.
5.2 Sex-disaggregated performance achieved for service delivery		D	The information on service delivery is published annually as part of sector reports prepared by Sector Working Groups (SWG) during the 1st phase of budget/MTEF preparation. The information is provided in tabular form by programme and sub-programme, with data on achieved outputs and performance indicators. However, the reporting of service delivery is not disaggregated by sex.

Guiding question

Do the executive's budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs?

Description

This indicator measures the extent to which the executive's budget proposal or supporting documentation and in-year or end-year reports include sex-disaggregated information on performance for service delivery programs. It contains two dimensions (sub-indicators) and uses the M2 (averaging) method for aggregating dimension scores

Related PEFA indicator or dimension

PI–8 Performance information for service delivery

PI–8.1 Performance plans for service delivery (for GRPFM–5.1)

PI–8.2 Performance achieved for service delivery (for GRPFM–5.2)

Coverage

Central government. Services managed and financed by other tiers of the government should be included if the central government significantly finances such services through reimbursements or earmarked grants or uses other tiers of government as implementing agents.

Time period

For GRPFM–5.1, next fiscal year

For GRPFM–5.2, last completed fiscal year

Table GRPFM–5 Sex-disaggregated performance information for service delivery

Name of service delivery ministry	Percentage of service delivery ministries (budgetary allocation to service ministry as a %of total central government expenditure)	GRPFM–5.1 Gender-responsive performance plans for service delivery		GRPFM–5.2 Sex-disaggregated performance achieved for service delivery	
		Sex-disaggregated data on planned outputs (Y/N)	Sex-disaggregated data on planned outcomes (Y/N)	Sex-disaggregated data on actual outputs produced (Y/N)	Sex-disaggregated data on actual outcomes achieved (Y/N)
Education	26.8%	N	N	N	N

Agriculture	3.3%	N	N	N	N
Health	6.2%	N	N	N	N
Total	36.3%	%	%	%	%

GRPFM–5.1 Sex disaggregated performance plans for service delivery

Performance plans are prepared by Sector Working Groups (SWGs) and documented in the sector reports, which are incorporated into the annual Budget Policy Statement (BPS). The sector reports are prepared by SWGs (there are MDAs that belong to the same sector). The sector reports are prepared in line with the guidelines that are provided by the budget circular. The sector reports are available at (https://www.treasury.go.ke/sector-budget-proposal-reports/). Each sector report provides information on performance plan for service delivery, which is in the form of a programme-based budget. An assessment was undertaken for the performance plans for agriculture, health and education. While the plans provide clear information on key outputs and performance indicators, this information is not disaggregated by sex.

An example of performance plan for service delivery for a programme in education is given below. While some of the outputs and key performance indicators can be sex-disaggregated (e.g, sex of the learners), the information is not sex-disaggregated

Table GRPFM–5.1 Gender-responsive performance plans for service delivery

Programme	Key outputs	Key Performance Indicators	Target 2020/21	Actual Achievements 2020/21	Target (Baseline) 2021/22	Target 2022/23	Target 2023/24	Target 2024/25
SP 1.1: Free Primary Education	School enrolment	Number of learners in public primary schools	9,000,000	8,592,810	8,700,000	8,800,000	8,900,000	8,000,000
		Number of learners in LCB primary schools supported with capitation	100,000	83,146	100,000	111,000	112,000	113,000
SP 2.1: Free Day Secondary Education	Enrolment	Number of students enrolled in Public Secondary Schools	3,146,242	3,289,885	3,350,748	4,381,701	6,029,168	7,649,943

Source: Education Sector Report – Medium Term Expenditure Framework 2021/22 – 2023/24 - https://www.treasury.go.ke/wp-content/uploads/2021/10/EDUCATION-SECTOR-REPORT.pdf

Dimension score: D

GRPFM–5.2 Sex-disaggregated performance achieved for service delivery

Service delivery reports are provided for in sector reports as discussed above. Each sector report provides information on performance achieved for service delivery, with information provided on planned and actual targets over the three previous years (MTEF period). However, the information provided on achieved performance is not disaggregated by sex.

An example of performance achieved for service delivery for a programme in agriculture is given below. While some of the outputs and key performance indicators can be sex-disaggregated (e.g., female and male smallholder farmers), the information is not sex-disaggregated.

Table GRPFM–5.2 Sex-disaggregated performance achieved for service delivery

Programme	Key outputs	Key Performance Indicators	Planned Targets			Actual Achievements		
			2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
SP 7.2: Food Security Initiatives	Inputs subsidy to small holder farmers (KCEPCRAL)	No. of smallholder farmers accessing e-voucher scheme	46,700	44,226	60,000	12,021	20,105	41,920
SP 7.2: Food Security Initiatives	Market access for participating smallholder farmers	No. of smallholder farmers in ASALs organized in groups with established linkages with bulk buyers	9,000	12,129	24,700	5,057	10,067	12,632

Source: Agriculture Rural and Urban Development (ARUD) Sector Report – Medium -Term Expenditure Framework 2021/22-2023/24 https://www.treasury.go.ke/wp-content/uploads/2021/10/AGRICULTURE-RURAL-AND-URBAN-DEVELOPMENT-SECTOR-REPORT-2022-23-to-2024-25.pdf#page=85&zoom=100,92,96

Dimension score: D

GRPFM–6 Tracking Budget Expenditure for Gender Equality

Summary of scores

GRPFM-6 Indicator/Dimension	Score 2022	Justification for 2022 score
Tracking Budget Expenditure for Gender Equality	D	
6.1 Tracking Budget Expenditure for Gender Equality	D	The government uses the Standard Chart of Accounts in public sector accounting. While there are specific codes for votes, heads and sub-heads in IFMIS, the only gender related expenditure that can be tracked are the explicit budgetary allocations to the gender machineries (such as State Department for Gender and the National Gender and Equality Commission) and the affirmative action funds. There is no capacity to track gender related expenditure for the entire budget.

Guiding question

Does the government have the capacity to track gender equality–related expenditures?

Description

This indicator measures the government's capacity to track expenditures for gender equality throughout the budget formulation, execution, and reporting processes. There is one dimension for this indicator

Related PEFA indicators or dimensions

PI–4 Budget classification

Coverage

Budgetary central government

Time period

Last completed fiscal year

GRPFM–6.1 Tracking budget expenditure for gender equality

The government uses an Integrated Financial Management Information System (IFMIS) to execute the budget. There are various votes, heads and sub-heads for the different spending priorities. With programme-based budgeting, one can be able to track project level spending. Tracking of expenditures for gender machineries (such as State Department for Gender and the National Gender and Equality Commission) and the affirmative action funds (Women Enterprise Fund, the National Government Affirmative Action Fund (NGAAF), Uwezo Fund and Youth Enterprise Development Fund) is a possibility but this is currently not done. The institutions stated above do not prepare any reports that provide information on tracking of expenditure for gender-related activities. It is also not possible to track gender related expenditure for the general public services, which account for the largest proportion of the budget.

Dimension score: D

GRPFM–7 Gender Responsive Reporting

Summary of scores

GRPFM-7	Indicator/Dimension	Score 2022	Justification for 2022 score
Gender responsive government annual reports		D	
7.1 Gender responsive government annual reports		D	The government does not publish a specific report that provides information on either gender equality outcomes, gender-related expenditure, assessment of budget policies and their impacts on gender equality and sex-disaggregated data on central government employment. However, the government prepares periodic reports on various international commitments such as CEDAW, CSW and SDGs which have some information on gender-related outcomes. The budget reports do not contain any gender-related information. The score is D.

Guiding question

Do the government's published annual reports include information on gender-related expenditures and the impact of budget policies on gender equality?

Description

This indicator measures the extent to which the government prepares and publishes annual reports that include information on gender-related expenditures and the impact of budget policies on gender equality. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI–9 Public access to fiscal information

PI–28 In-year budget reports

PI–29 Annual financial reports.

Coverage

Budgetary central government

Time period

Last completed fiscal year

GRPFM–7.1 Gender responsive government annual reports

The National Government Budget Implementation Review Report provides a detailed analysis of the Ministries, Departments, and Agencies (MDAs) budget performance (see https://cob.go.ke/publications/national-government-budget-implementation-review-reports/). The report provides a review of actual performance compared to the budget estimates in FY 2020/21 and further compared to prior year performance. Some of the information that is provided by the report include receipts into the Consolidated Fund Services, net exchequer issues, and expenditure disaggregated by development and recurrent activities. The report includes an assessment of spending by the two main gender machineries (State Department for Gender and National Gender and Equality Commission) but does not provide an assessment of gender related expenditure and the impact of public spending on gender inequality.

The government only provides information on affirmative action funds, which are mainly aimed at empowerment of special interest groups, including women, youth and persons living with disability. The affirmative action funds include the Women Enterprise Fund, the National Government Affirmative Action Fund (NGAAF), Uwezo Fund and Youth Enterprise Development Fund. The allocations to these funds are available in budget reports. However, these allocations form a very small percentage of the total government budget.

The government also prepares several reports on progress towards achievement of international gender -related commitments. Examples are (i) report on Kenya's participation in the 66th session of the Commission on the Status of Women (CSW 66) (ii) report on Assessment of Progress Arising from the Action Plan/Communique from CSW 65. The reports provide progress towards achievement of gender equality in various areas, including political representation, employment, women empowerment, elimination of violence against women, access to justice, women's representation in leadership and decision-making etc. However, there is no government report that provides an analysis of gender equality outcomes across sectors on an annual basis, data on gender-related public expenditure (except for the affirmative action funds) and analysis of the impact of policies on gender equality.

The first element refers to an annual report that provides information on gender equality outcomes. The reports that are prepared by government on gender-related commitments only capture specific areas of interest e.g. SDGs, but are not comprehensive. Scoring a C would require the government to prepare an annual report on gender equality outcomes in all areas of the economy.

The second element on data on gender-related expenditure considers key figures on resources allocated for budget policies targeting gender equality – in line with GRPFM-7. For example, it is not possible to ascertain how much of government spending on education, health and agriculture is being used to address the gender inequalities in these sectors.

Table GRPFM–7.1 Gender responsive reporting

	Annual report includes the following information:			
Report(s) for budget year	Report on gender equality outcomes (Y/N)	Data on gender-related expenditure (Y/N)	Assessment of the implementation of budget policies and their impacts on gender equality (Y/N)	Sex-disaggregated data on budgetary central government employment (Y/N)
Budget Implementation Review Report 2020/21	N	N	N	N
Annual Financial Statement for FY 2020/2021	N	N	N	N

Data source: Budget Implementation Review Report 2020/21

Dimension score: D

GRPFM–8 Evaluation of Gender Impacts of Service Delivery

Summary of scores

GRPFM-8 Indicator/Dimension	Score 2022	Justification for 2022 score
Evaluation of gender impacts of service delivery	D	
8.1 Evaluation of gender impacts of service delivery	D	One of the independent evaluations of service delivery is undertaken by the public service commission through performance contracting reports. The reports do not include an assessment of gender impacts even though they have a specific section that looks at gender mainstreaming and gender sensitive procurement. The score is therefore a D.

Guiding question

Does the government include an assessment of gender impacts as part of evaluations of efficiency and effectiveness of service delivery?

Description

This indicator measures the extent to which independent evaluations of the efficiency and effectiveness of public services include an assessment of gender impacts. There is one dimension for this indicator.

Related PEFA indicator or dimension

PI-8.4 Performance evaluation of service delivery

Coverage

Central government

Time period

Last three completed fiscal years

GRPFM–8.1 Evaluation of gender impacts of service delivery

Performance contracting guidelines provide the criteria for evaluating MDAs, which include financial stewardship, service delivery (implementation of service delivery charter and resolution of public complaints), core mandate of the MDA, gender sensitive public procurement (Access to Government Procurement Opportunities – AGPO), cross-cutting issues (including gender mainstreaming), among others. The gender sensitive procurement and gender mainstreaming only account for 4% of the marks.

(http://www.psyg.go.ke/wp-content/uploads/2022/03/PC%20GUIDELINES%20FOR%20FY%202020_21%20(17TH%20CYCLE).pdf).

The Ministry of Public Service, Gender, Senior Citizens Affairs and Special Programmes prepares both mid-term and annual service delivery reports which provide an assessment of the performance of different MDAs using the criteria above. The midterm service delivery report of 2020/21 found that out of the 20 institutions, one (5%) scored above 75%, five (25%) achieved between 50% and

74.99%. A total of 14 (70%) achieved below 50% with six (30 %) of these achieving a score of zero. However, the evaluation of service delivery does not include an analysis of gender impacts.

Dimension score: D

GRPFM–9 Legislative Scrutiny of Gender Impacts of the Budget

Summary of scores

GRPFM-9	Indicator/Dimension	Score 2022	Justification for 2022 score
Legislative Scrutiny of Gender Impacts of the Budget		D	
9.1 Gender responsive legislative scrutiny of budgets		D	The legislative scrutiny of budgets is undertaken by the Budget and Appropriations Committee of the National Assembly. The legislative scrutiny of the budget for FY 2021/22 was undertaken by the committee and a report published. The Parliamentary budget office also prepares a report on unbundling of the budget policy statement. The scrutiny of the budget is not gender responsive. The score is D.
9.2 Gender responsive legislative scrutiny of audit reports		D	The legislative scrutiny of audit reports is undertaken by the Public Accounts Committee of the National Assembly. Audit review reports of 2018/ 2019 and 2019/2020 were available i.e. the audit review report of 2020/21 has not been tabled in the house. The legislative scrutiny of the 2018/2019 and 2019/2020 audit report were not gender responsive.

Guiding question

Does the legislature's budget and audit scrutiny include the examination of the gender impacts of the budget?

Description

This indicator measures the extent to which the legislature's budget and audit scrutiny include a review of the government's policies to understand whether policies equally benefit men and women by ensuring the allocation of sufficient funds. It contains two dimensions (sub-indicators) and uses the M2 (averaging) method for aggregating dimension scores.

Related PEFA indicator or dimension

PI–18 Legislative scrutiny of budgets (for GRPFM–9.1)

PI–31 Legislative scrutiny of audit reports (for GRPFM–9.2)

Coverage

Budgetary central government

Time period

For GRPFM–9.1, last completed fiscal year

For GRPFM–9.2, last three completed fiscal years

GRPFM–9.1 Gender responsive legislative scrutiny of budgets

The legislative scrutiny of budgets is undertaken by the Budget and Appropriations Committee of the National Assembly (provided for under Standing Order number 207), with support from the Parliamentary Budget Office. The committee discusses and reviews the budget estimates and makes recommendations to the House. The committee reviewed the 2020/21 budget estimates and submitted their recommendations to the Assembly (see Report of the Budget and Appropriations Committee on the Budget Policy Statement for 2021/2022 and the Medium Term; And the Medium-Term Debt Management Strategy, March 2021). Pursuant to Articles 118 and 201 of the Constitution, Parliament undertakes public hearings in selected places across the country to listen to and receive the views of the public on budget matters including financial legislation. However, the review was not gender responsive and did not therefore assess the implications of the budget on men and women. This is mainly because ministries did not incorporate gender into the budget documentation and also did not prepare gender budget statements.

The Parliamentary Budget Office offers technical support to the National Assembly by undertaking a detailed review of the budget.
The review of the 2021/22 budget was undertaken using the following criteria: (a) Comprehensiveness, Clarity and credibility- whether the budget document adheres to the set down legal requirements; (b) Alignment with medium-term priorities of the government as provided for in the policy documents; (c) Capital budgeting framework -whether outlined interventions in the development budget meet the national development needs; (d) Realism of forecasting models - credibility of the economic growth and revenue estimations provided. The review did not include an analysis of the implications of the budget on men and women. This is also because ministries did not incorporate gender into the budget documentation and also did not prepare gender budget statements

GRPFM–9.1 Gender-responsive legislative scrutiny of budgets

Budget proposal for budget year	Review of the gender impacts of service delivery programs (Y/N)	Public consultation (Y/N)	Internal organizational arrangements employed for scrutiny (Y/N)
2020/2021	N	Y	Y

Data source: Budget and Appropriations Committee on the Budget Policy Statement for 2020/2021

Dimension score: D

GRPFM–9.2 Gender responsive legislative scrutiny of audit reports

The legislative scrutiny of the audit reports is undertaken by the Public Accounts Committee (PAC - provided for under Standing Order Number 205 of the National Assembly). The committee reviews the audit reports and makes recommendations to the house. The committee reports on the review of the Auditor's report for 2018/19 and 2019/20 were available. The 2020/2021 committee report has not been completed. There is a notable delay in the committee's review of audit reports, for instance, the 2018/19 audit review report was approved for tabling in the house on 17th May 2022, while the 2019/20 was approved for tabling on 9th June 2022. Some of the areas of focus of the review include: underspending by MDAs, breach of fiscal responsibility principles, lack of follow-up mechanisms on implementation of recommendations, delay in completion of projects, among other areas. The review of the audits reports does not consider the impacts of the budget on men and women and is therefore not gender sensitive. This is also because ministries did not incorporate gender into the budget documentation and also did not prepare gender budget statements

GRPFM–9.2 Gender responsive legislative scrutiny of audit reports

Budget year	Review of gender audit reports (Y/N) [Specify reports if relevant]	Legislature issues recommendations (Y/N)	Recommendations followed-up (Y/N)
2018/19	PAC audit report review (N)	N – gender related recommendations not made	N/A – gender related recommendations not made
2019/20	PAC audit report review (N)	N – gender related recommendations not made	N/A – gender related recommendations not made

Budget year	Review of gender audit reports (Y/N) [Specify reports if relevant]	Legislature issues recommendations (Y/N)	Recommendations followed-up (Y/N)
2020/21	Not yet completed	N/A	N/A

Data source: Public Accounts Committee reports on the review of the Auditor's report for 2018/19 and 2019/20

Dimension score: D

Summary of performance indicators for the GRPFM assessment

No.	Indicator/Dimension	Score 2022	Justification/Description of requirement met
GRPFM-1	Gender impact analysis of budget policy proposals	D	
1.1	Gender impact analysis of expenditure policy proposals	D	The government's expenditure proposals are contained in the Budget Policy Statements and annual budget speeches. A review of the expenditure policy proposals for the last completed year (2021/22) showed that the policy proposals do not contain a gender impact analysis. The performance is less than required for a C score. Therefore, the score for the dimension is a D.
1.2	Gender impact analysis of revenue policy proposals	D	Revenue proposals are usually contained in the Budget Policy Statements and the annual Budget Speeches. A review of the revenue policy proposals that are contained in the budget policy statement and the budget speech for the last completed year (2021/22) showed that emphasis is on measures for raising additional revenue. There is no gender impact analysis of the revenue policy proposals. The performance is less than required for a C score. Therefore, the score for the dimension is D.
GRPFM-2	Gender responsive public investment management	D	
2.1	Gender responsive public investment management	D	There are clear guidelines on public investment management that require an analysis of social impacts (that could include gender) as part of pre-feasibility and feasibility study. However, there is no evidence of gender analysis being undertaken.
GRPFM-3	Gender responsive budget circular	D	
3.1	Gender responsive budget circular	D	The budget circular for 2021/22 does not require MDAs to undertake gender analysis of the planned programmes. It also does not require the MDAs to disaggregate data by sex.
GRPFM-4	Gender responsive budget proposal documentation	D	
4.1	Gender responsive budget proposal documentation	D	A review of the sector reports for Agriculture, rural and urban development, education sector report and health sector reports for 2021/22 – 2023/2024 MTEF period reveals that there is no information on status of gender equality in the sector, specific measures to address gender equality and also an analysis of the impact of budget policies on gender equality. The key outputs and performance indicators are also not disaggregated by sex. Gender is also not identified as a cross-cutting issue in the sector reports.
GRPFM-5	Sex-disaggregated performance information for service delivery	D	
5.1	Sex-disaggregated performance plans for service delivery	D	The information on performance plans is contained in annual sector reports that are prepared by Sector Working Groups (SWG) during the 1st phase of budget/MTEF preparation. The information is provided in tabular form by programme and sub-programme, with data on achieved outputs and

No.	Indicator/Dimension	Score 2022	Justification/Description of requirement met
			performance indicators. However, the data on outputs and performance indicators is not disaggregated by sex.
5.2	Sex-disaggregated performance achieved for service delivery	D	The information on service delivery is published annually as part of sector reports prepared by Sector Working Groups (SWG) during the 1st phase of budget/MTEF preparation. The information is provided in tabular form by programme and sub-programme, with data on achieved outputs and performance indicators. However, the reporting of service delivery is not disaggregated by sex.
GRPFM-6	Tracking budget expenditure for gender equality	D	
6.1	Tracking budget expenditure for gender equality	D	The government uses the Standard Chart of Accounts in public sector accounting. While there are specific codes for votes, heads and sub-heads in IFMIS, the only gender related expenditure that can be tracked are the explicit budgetary allocations to the gender machineries (such as State Department for Gender and the National Gender and Equality Commission) and the affirmative action funds. There is no capacity to track gender related expenditure for the entire budget.
GRPFM-7	Gender informative annual financial reports	D	
7.1	Gender informative annual financial reports	D	The government does not publish a specific report that provides information on either gender equality outcomes, gender-related expenditure, assessment of budget policies and their impacts on gender equality and sex-disaggregated data on central government employment. However, the government prepares periodic reports on various international commitments such as CEDAW, CSW and SDGs which have some information on gender-related outcomes. The budget reports do not contain any gender-related information. The score is D.
GRPFM-8	Evaluation of impacts of service delivery on gender equality	D	
8.1	Evaluation of impacts of service delivery on gender equality	D	One of the independent evaluations of service delivery is undertaken by the public service commission through performance contracting reports. The reports do not include an assessment of gender impacts even though they have a specific section that looks at gender mainstreaming and gender sensitive procurement. The score is therefore a D.
GRPFM-9	Gender responsive legislative scrutiny	D	
9.1	Gender responsive legislative scrutiny of budgets	D	The legislative scrutiny of budgets is undertaken by the Budget and Appropriations Committee of the National Assembly. The legislative scrutiny of the budget for FY 2021/22 was undertaken by the committee and a report published. The Parliamentary budget office also prepares a report on unbundling of the budget policy statement. The scrutiny of the budget is not gender responsive. The score is D.
9.2	Gender responsive legislative scrutiny of audit reports	D	The legislative scrutiny of audit reports is undertaken by the Public Accounts Committee of the National Assembly. Audit review reports of 2018/ 2019 and 2019/2020 were available, i.e., the audit review report of 2020/21 has not been tabled in the house. The legislative scrutiny of the 2018/2019 and 2019/2020 audit report were not gender responsive.

Data source

Indicators	Evidence
GRPFM–1 Gender impact analysis of budget policy proposals	• Budget Policy Statement 2020/2021 • Budget Speech 2021/22
GRPFM–2 Gender responsive public investment management	• FY2020/2021 budget books (development budget) • Circular No. 16 on PIM Guidelines for National Government Entities
GRPFM–3 Gender responsive budget circular	• Budget Circular 2021/22
GRPFM–4 Gender responsive budget proposal documentation	• Agriculture, rural and urban development sector report for 2021/22 – 2023/2023 MTEF, • Education sector report for 2021/22 – 2023/2024 MTEF • Health sector report for 2021/22 – 2023/2024 MTEF
GRPFM–5 Sex-disaggregated performance information for service delivery	• Education Sector Report – Medium Term Expenditure Framework 2021/22 – 2023/24 • Agriculture Rural and Urban Development (ARUD) Sector Report – Medium -Term Expenditure Framework 2021/22-2023/24
GRPFM–6 Tracking budget expenditure for gender equality	• FY2020/2021 budget books
GRPFM–7 Gender responsive reporting	• National Government Budget Implementation Review Report (20/21) • Annual Financial Statement for FY 2020/2021 • Report on Kenya's participation in the 66th session of the Commission on the Status of Women (CSW 66) • Report on Assessment of Progress Arising from the Action Plan/Communique from CSW 65
GRPFM–8 Evaluation of gender impacts of service delivery	• The midterm service delivery report of 2020/21 by the Ministry of Public Service, Gender, Senior Citizens Affairs and Special Programmes
GRPFM–9 Legislative scrutiny of gender impacts of the budget	• Budget and Appropriations Committee report on the Budget Policy Statement for 2021/2022 and the Medium Term; And the Medium-Term Debt Management Strategy, March 2021 • Unbundling of the 2020/21 budget by the Parliamentary Budget Office • Public Accounts Committee reports on the review of the Auditor's report for 2018/19 • Public Accounts Committee reports on the review of the Auditor's report for 2019/20

Comparison of PEFA Scores with GRPFM Scores

No.	PEFA Indicator/Dimension	Score 2022	No.	GRPFM Indicator/Dimension	Score 2022
SNG Pillar: Intergovernmental fiscal relations					
Pillar I: Budget reliability					
PI-1	Aggregate expenditure outturn	C			
PI-2	Expenditure composition outturn	D+			
2.1	Expenditure composition by function	D			
2.2	Expenditure composition by economic type	C			
2.3	Expenditure from contingency	A			
PI-3	Revenue outturn	C			
3.1	Aggregate revenue outturn	D			
3.2	Revenue composition variance	B			
Pillar II: Transparency of public finances					
PI-4	Budget classification	A	GRPFM-6	Tracking Budget Expenditure for Gender Equality	D
PI-5	Budget documentation	B	GRPFM-4	Gender Responsive Budget Documentation (and PI-9 below)	D
PI-6	Central government operations outside the budget	C+			
6.1	Expenditure outside financial reports	B			
6.2	Revenue outside financial reports	B			
6.3	Financial reports of extra-budgetary units	D			
PI-7	Transfers to sub-national government	C+			
7.1	System for allocating transfers	A			
7.2	Timeliness of information on transfers	D			
PI-8	Performance information for service delivery	B	GRPFM-5	Sex-disaggregated Data	D
8.1	Performance plans for service delivery	A	5.1	Sex disaggregated performance plans for service delivery	D
8.2	Performance achieved for service delivery	A	5.2	Sex-disaggregated performance achieved for service delivery	D
8.3	Resources received by service delivery units	D			
8.4	Performance evaluation of service delivery	C	GRPFM-8	Evaluation of impacts of service delivery on gender equality	D
PI-9	Public access to fiscal information	B	GRPFM-4	Gender Responsive Budget Documentation (and PI-5 above) GRPFM-7. Gender Informative Annual Financial Reports (and PI-29 below	D
Pillar III: Management of assets and liabilities					
PI-10	Fiscal risk reporting	C+			
10.1	Monitoring of public corporations	C			
10.2	Monitoring of sub-national governments	D			
10.3	Contingent liabilities and other fiscal risks	A			
PI-11	Public investment management	C+	GRPFM-2	Gender Impact Analysis of Investment Projects	D
11.1	Economic analysis of investment proposals	C	GRPFM-2	Gender Impact Analysis of Investment Projects	D
11.2	Investment project selection	A			
11.3	Investment project costing	C			
11.4	Investment project monitoring	C			
PI-12	Public asset management	C			
12.1	Financial asset monitoring	C			
12.2	Non-financial asset monitoring	C			
12.3	Transparency of asset disposal	C			
PI-13	Debt management	A			
13.1	Recording and reporting of debts and guarantees	B			
13.2	Approval of debts and guarantees	A			
13.3	Debt management strategy	A			
Pillar IV: Policy based fiscal strategy and budgeting					
PI-14	Macroeconomic and fiscal forecasting	B			
14.1	Macroeconomic forecasting	D			
14.2	Fiscal forecasts	A	GRPFM-1	Gender Impact Analysis of Budget Policy Proposals	D
14.3	Macro-fiscal sensitivity analysis	A			
PI-15	Fiscal Strategy	B			
15.1	Fiscal impact of policy proposals	D			
15.2	Fiscal strategy adoption	A			

No.	PEFA Indicator/Dimension	Score 2022	No.	GRPFM Indicator/Dimension	Score 2022
15.3	Reporting on fiscal outcomes	B			
PI-16	Medium-term perspective in expenditure budgeting	B			
16.1	Medium-term expenditure estimates	A			
16.2	Medium-term expenditure ceilings	A			
16.3	Alignment of strategic plans and medium-term budgets	C			
16.4	Consistency of budgets with previous year's estimates	C			
PI-17	Budget preparation process	A	GRPFM-3	Gender Responsive Budget Circular	D
17.1	Budget calendar	B			
17.2	Guidance on budget preparation	A			
17.3	Budget submission to the legislature	A			
PI-18	Legislative scrutiny of budgets	A	GRPFM-9	Gender Responsive Legislative Scrutiny (and PI-31 below)	D
18.1	Scope of budget scrutiny	A			
18.2	Legislature procedures budget scrutiny	A			
18.3	Timing of budget approval	A			
18.4	Rules for budget adjustment by the executive	A			
Pillar V: Predictability and control in budget execution					
PI-19	Revenue administration	C+			
19.1	Rights and obligation for revenue measures	A			
19.2	Revenue risk management	B			
19.3	Revenue audit and investigation	C			
19.4	Revenue arrears monitoring	D			
PI-20	Accounting for revenues	C+			
20.1	Information on revenue collections	B			
20.2	Transfer of revenue collections	A			
20.3	Revenue account reconciliation	C			
PI-21	Predictability of in-year resource allocation	C			
21.1	Consolidation of cash balances	D			
21.2	Cash forecasting and monitoring	C			
21.3	Information on commitment ceilings	C			
21.4	Significance of in-year budget adjustments	B			
PI-22	Expenditure arrears	B			
22.1	Stock of expenditure arrears	B			
22.2	Expenditure arrears monitoring	B			
PI-23	Payroll controls	B			
23.1	Integration of payroll and personnel records	B			
23.2	Management of payroll changes	B			
23.3	Internal controls of payroll	B			
23.4	Payroll audits	B			
PI-24	Procurement	D+			
24.1	Procurement monitoring	D			
24.2	Procurement methods	D			
24.3	Public access to procurement information	C			
24.4	Procurement complaints management	B			
PI-25	Internal controls on non-salary expenditure	B+			
25.1	Segregation of duties	A			
25.2	Effectiveness of expenditure commitment controls	C			
25.3	Compliance with payment controls	A			
PI-26	Internal audit	D+			
26.1	Coverage of the internal audit	A			
26.2	Nature of audits and standards applied	A			
26.3	Implementation of internal audits and reporting	D*			
26.4	Response to internal audits	D*			
Pillar VI: Accounting and reporting					
PI-27	Financial data integrity	C+			

No.	PEFA Indicator/Dimension	Score 2022	No.	GRPFM Indicator/Dimension	Score 2022
27.1	Bank account reconciliation	B			
27.2	Suspense accounts	D			
27.3	Advance accounts	C			
27.4	Financial data integrity process	B			
PI-28	In-year budget reports	C+			
28.1	Coverage and comparability of reports	B			
28.2	Timing of in-year reports	C			
28.3	Accuracy of in-year budget reports	C			
PI-29	Annual financial reports	C+	GRPFM-7	Gender Informative Annual Financial Reports (and PI-9 above)	D
29.1	Completeness of annual financial reports	B			
29.2	Submission of reports for external audit	B			
29.3	Accounting standards	C			
Pillar VII: External scrutiny and audit					
PI-30	External audit	D+			
30.1	Audit coverage and standards	B			
30.2	Submission of audit reports to the legislature	D			
30.3	Extent of follow up	C			
30.4	Supreme Audit Institution independence	D			
PI-31	Legislative scrutiny of audit reports	D	GRPFM-9	Gender Responsive Legislative Scrutiny (and PI-18 above)	D
31.1	Timing of audit scrutiny	D			
31.2	Hearing on audit findings	D*			
31.3	Recommendations on audit by the legislature	C			
31.4	Transparency of the legislative scrutiny of audit reports	D			

Annex 6: Climate Responsive PFM Assessment

Republic of Kenya

Climate Responsive PFM Assessment

8 May 2023

The PEFA Secretariat confirms that this report meets the PEFA quality assurance requirements and is hereby awarded the 'PEFA CHECK'.

PEFA Secretariat
May 8, 2023

INTRODUCTION

Objective and Purpose

The Public Expenditure and Financial Accountability (PEFA) framework for assessing climate responsive public financial management (PFM)—the CRPFM—is a set of supplementary indicators that builds on the PEFA framework to collect information on the extent to which a country's PFM system is ready to support and foster the implementation of government climate change policies, i.e., is "climate responsive."

The purpose of a good PFM system is to ensure that the policies of governments are implemented as intended and achieve their objectives. The CRPFM assessment informs on whether laws and regulations, institutions, systems, procedures and processes contribute to the implementation of climate change activities throughout the budget cycle, including the planning and design of budgetary policies considering climate, the budget allocations needed to implement them, the tracking of these allocations to ensure that policies are implemented as intended, and the monitoring and evaluation of the efficiency and effectiveness of these policies and investments. The assessment was funded by the European Union. The management and peer review mechanisms are the same as the main PEFA assessment. The supplementary guideline for assessing climate responsive PFM issued by the PEFA Secretariat in August 2020 was used.

The purpose of the PEFA climate assessment is to provide a baseline for monitoring and evaluating the extent to which climate change is mainstreamed into government PFM systems, going forward. The PEFA climate questionnaire was completed by the Ministry of Environment with input from the National Environmental Management Authority (NEMA).

The fiscal years for this assessment are FYs 2018/2019, 2019/2020, and 2020/2021, same as the standard PEFA. The scope of the climate responsive PFM assessment is the same as that of the standard PEFA. The last budget submitted to Parliament for purposes of this assessment was FY2021/2022 budget submitted in FY2020/2021. The cut-off date was 30th June 2021. The field work began with a virtual kick-off meeting on 18th July 2022, with all members of the oversight team being present. A three-day training workshop was organised in Naivasha – Kenya, from 20th to 22nd July 2022 for key government officials and development partners. The field mission ended on 26th August 2022 with a debriefing meeting. The assessment was jointly conducted by international and local PEFA experts. There are 14 PEFA climate indicators. All were assessed and applicable.

Background and International Commitments

Kenya ratified the United Nations Framework Convention on Climate (UNFCCC) in 1994 followed by the Paris Agreement on 13th December 2016. The country submitted its first Nationally Determined Contributions (NDCs) on 13th December 2016 and the second NDC on 28th December 2020. Kenya's NDCs address both climate mitigation and adaptation aspects of climate change. The country's plan to meet its greenhouse gas (GHG) emission reduction targets as described in the NDCs is hinged on mainstreaming climate change in government plans and budgets. The regulatory framework is provided by the anchor law on climate change -the climate change Act of 2016- and carbon trading regulations, and the provisions of the climate change Act 2016 regulations. The climate change Act 2016 (regulations) deal with aspects of taxation, subsidies, and transfers. Implementation of National Climate Change Action Plans (NCCAP), a five-year plan to steer Kenya's climate change action and derived from the Climate Change Act, provides the plan for capacity building and technology transfers. Kenya's priority climate actions are in the six mitigation sectors set out in the UNFCCC: agriculture, energy, forestry, industry, transport, and waste. The actions are expected to lower GHG emissions, and help Kenya meet its NDC goal of abating the emissions by 32% by 2030, relative to business as usual. The conditional contributions as indicated in NDC are 13% and the unconditional contributions are 87%

The country plan on adaptation is captured in the National Adaptation Plan (NAP) 2015-2030 which again is expected to be achieved through mainstreaming climate change in all government functions. Kenya is in the process of formulating a mid-century, long-term, low GHG emission development strategy addressing both Climate change mitigation and adaptation. The country plan to meet its GHG emission targets is hinged on implementing NDCs through NCCAP and NAP. At the national level, the country has identified climate change as a key issue in the national development plan and in strategies for economic growth. This is based on the fact that the country is experiencing the effects of climate change as evidenced by climate-related disasters such as frequent droughts and floods, which have significantly impacted the economy and livelihoods in the country negatively. The frequency of cold days and nights, and frost, have greatly increased and rise in temperature has spanned across all seasons. The once predictable rainfall patterns have changed. All this is happening in an economy that is dependent on climate-sensitive sectors, for instance agriculture, water, energy, tourism, wildlife, and health. The economic cost of floods and drought in the country have created a long-term fiscal liability equivalent to between 2% and 5% of the country's Gross Domestic Product, every year. Although Kenya's contribution to global climate change is very little, considering that the country's GHG emissions represent less than 1% of total global emissions, the negative impacts of a changing climate are immense.

The climate change national framework for the country is the National Climate Change Action Plans. The country has implemented two NCCAPs. The NCCAP I covered the period 2013-2017 and NCCAP II for the period 2018-2022. The country is the process of developing the third NCCAP covering the period 2023 to 2027. The Climate Change Act and regulations of 2016 support implementation of climate change related mitigation and adaptation actions spelt out in the NCCAP and NAP. Kenya's climate strategies on low carbon climate resilient initiatives are captured in The National Climate Change Response Strategy of2010.

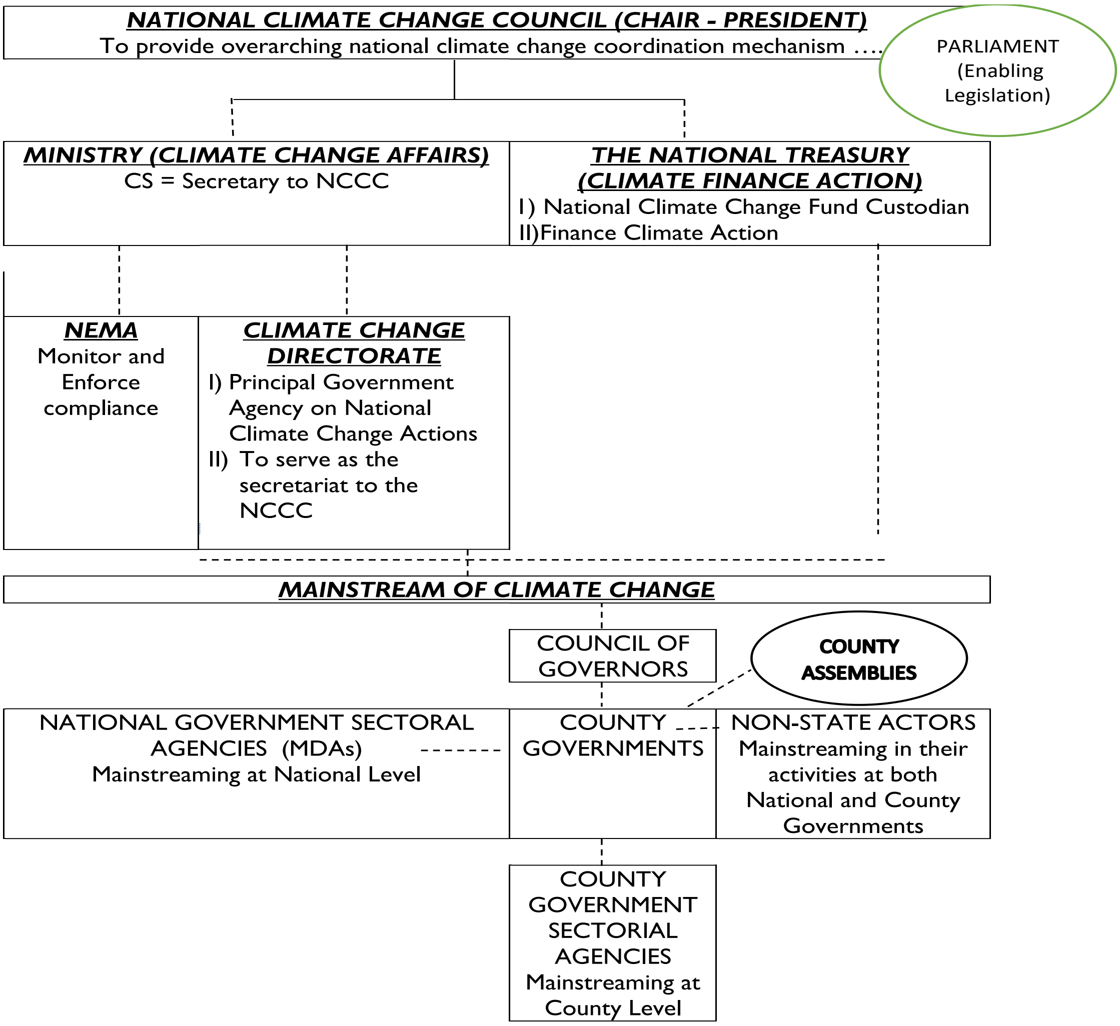
The country's definition of climate change expenditure is contained in the climate change Act, the draft climate change fund regulations, national policy on climate finance, and handbook on climate finance-budget coding, tracking and reporting. These policy documents define climate finance as "monies mobilized by government or non-governmental entities to finance climate change mitigation and adaptation actions and interventions. Specifically, it refers to the additional cost of building resilience (adaptation) and reducing emissions (mitigation). This separates ordinary development project costs, which would otherwise have been incurred, to address the extra costs of building resilience and reducing emissions within project design (additionality) and implementation. Climate finance covers the entire cycle - from mobilizing resources to using, coding, tracking, and reporting climate change-related expenditures by both government and non-government entities.". The climate change Act further stipulates the mainstreaming of climate change in all plans and functions of government. The country has an elaborate institutional framework for executing and coordinating climate change related policies, actions and activities (see figure 1 below).

The main government institutions include: The National Climate Change Council, the National Treasury and Planning, the ministry of environment, the inter-ministerial climate finance technical advisory committee, MDAs, council of governors, county governments, non-state actors, among others. The National Climate Change Council, established under the Climate Change Act, 2016 and chaired by the President, guide the implementation of climate change policies. The National Treasury and Planning is the primary custodian for all matters of climate finance and is responsible for overall implementation of the National Policy on Climate Finance mandated by the Constitution and PFM Act. It also coordinates and facilitates activities related to climate finance, including the activities of the climate finance mechanism (Climate Change Fund) and the Inter-Ministerial Climate Finance Technical Advisory Committee.

The Ministry of Finance (National Treasury and Planning) has under its umbrella the Climate Finance and Green Economy Unit whose role is to create linkages between Climate Finance mechanism and other state and non-state organizations. The purpose of the National Climate Finance Policy is to promote Climate Finance flows in Kenya, enable Climate Finance through budget coding, enhance private sector participation, accelerate green economy through technology transfer and enhance benefit sharing from climate change proceeds. The Unit mobilizes and manages climate change financing at international, national, and sub-national levels.

The Ministry of Environment and Forestry is responsible for climate change affairs and coordinating climate change across government activities. The ministry develops National Climate Change Action Plans that outline priority actions to be funded through various climate finance sources and channels. The Climate Change Directorate (CCD) under the ministry in charge of environment is designated by the Climate Change Act 2016 as the lead agency of government on climate change plans and actions and is mandated with overseeing and coordinating the implementation of the climate change activities. The plans set out priority adaptation, mitigation and enabling actions and promote mainstreaming of climate change actions into development planning and budgeting processes. The NCCAP form the framework for implementing Kenya's NDCs. The Environmental Protection, Water and Natural Resources (EPWNR) Sector working group is mandated with ensuring that the MTEF budgeting process is anchored on Project/Programmes based Budgeting (PBB). The Medium-term fiscal strategy refers to climate-related fiscal risks. The Climate Change Act, 2016 section 25 gives provision of the establishment of the Climate Change Fund under the National Treasury and Planning. The work of the National Climate Change Fund is to provide resources for development of innovations and research, support innovative actions, support implementation of climate change adaptation and mitigation actions and provide technical assistance to the county governments. Kenya has devolved the national Climate Change Fund to all the 47 counties to form County Climate Change Funds.

Figure 1: Climate change institutional coordination structure



Source: Handbook on Climate Finance: Budget Coding, Tracking and Reporting

In terms of implementing climate change policies the following are the most important measures currently being implemented by the Government to reduce the country's generation of GHG emissions.

- **Increasing of renewables in the electricity generation mix of the national grid.**
- **Enhancement of energy and resource efficiency across the different sectors.**
- **Making progress towards achieving a tree cover of at least 10%of the land area of Kenya.**
- **Make efforts towards achieving land degradation neutrality.**
- **Scaling up Nature Based Solutions (NBS) for mitigation**
- **Enhancement of reduced emissions from deforestation and forest degradation plus (REDD+) activities**
- **Clean, efficient, and sustainable energy technologies to reduce over-reliance on fossil and non-sustainable biomass fuels.**
- **Low carbon and efficient transportation systems.**
- **Climate smart agriculture (CSA) in line with the Kenya CSA Strategy with emphasis on efficient livestock management systems.**

- Sustainable waste management systems.
- Harnessing the mitigation benefits of the sustainable blue economy, including coastal carbon Payment for Ecosystem Services (PES).

The following are the most important measures currently being implemented by the government to adapt to climate change impacts

- Index based weather insurance
- Climate proofing of infrastructure
- Climate smart agriculture
- Building of dams for provision of water in arid areas
- Development of geothermal sources of energy as non-weather dependent sources

The climate change laws, policies, regulatory framework, and plans, identify the role of the various stakeholders including Counties, Ministries, Departments, and Agencies (CMDAs), the private sector, civil society organisations (CSOs), academia, and development partners in implementation of climate change actions. In line with this, several programs have been rolled out to build their capacities and aimed at strengthening local resilience to the impacts of climate change, natural hazards, and other shocks. The central government has also put in place programs to enhance county governments' capacities to plan, implement, and monitor resilience investments in partnership with communities. The government is also strengthening national-level capacity for coordination, monitoring, and reporting.

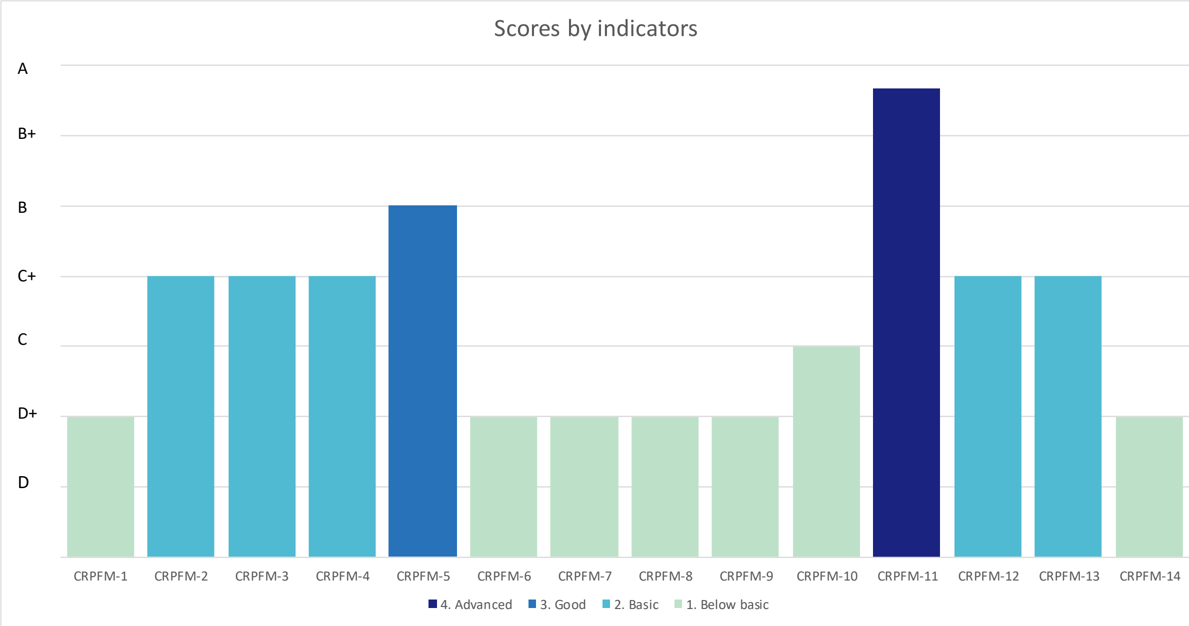
ASSESSMENT FINDINGS AND WAY FORWARD

Main findings

This section provides an overview of findings of the assessment of existing practices compared with the PEFA Climate framework. It focuses on key PFM tools and processes in place to support the implementation of climate change policies, and how they contribute to the achievement of the three budgetary outcomes – aggregate fiscal discipline, strategic allocation of resources and efficient service delivery- while implementing these policies. This section will also highlight possible areas of improvements on the basis of the inputs from the inception questionnaire. The detailed analysis of findings and evidence to score the indicators is presented in section 6.3 of the report.

The overall performance on the 14 indicators under PEFA climate framework present a mixed bag of results with some PFM processes scoring high in terms of integrating and mainstreaming climate change issues while other areas have lagged (see figure 1 below) either due to rigidity in existing laws, lack of capacity and technical knowhow on climate change matters within some government entities and mere teething problems not just on climate change responsive PFM but the entire PFM processes especially among county governments. Overall, the government has put in place vibrant climate change laws, regulatory framework, policies, and plans geared towards addressing climate change challenges that the country is facing. However, there are weaknesses in implementing the climate change strategies as discussed in section 6.3 of this report and which will require collaborative effort within all levels of government to alleviate.

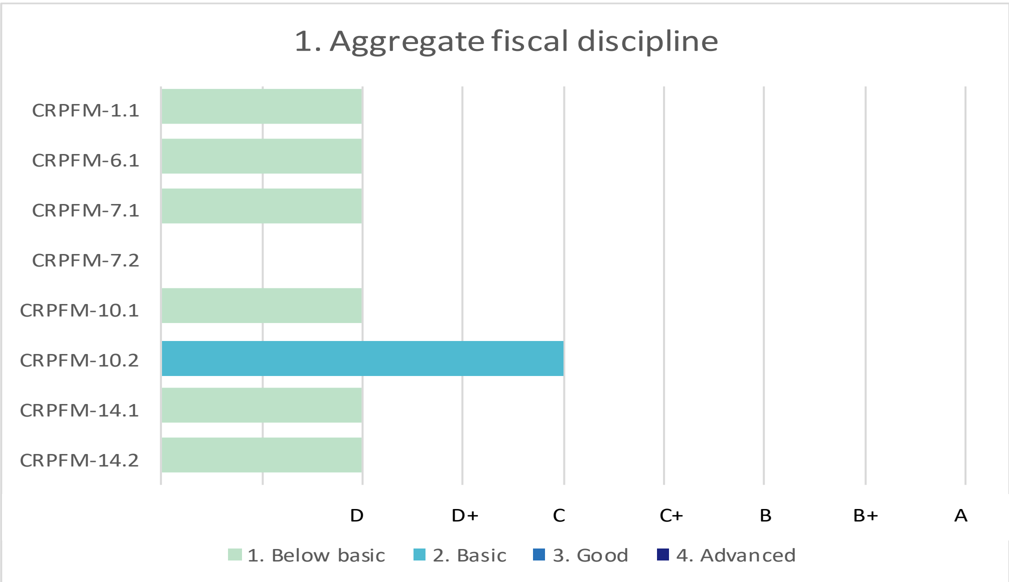
Figure 2: Overview of assessment findings



The Kenya PFM processes are progressive guided by explicit PFM laws which prescribe the way government should conduct itself in safeguarding public resources and the level of fiscal discipline required for optimal service delivery. Aggregate fiscal discipline requires effective control of the total budget and management of fiscal risks. As indicated in the figure below the government has performed averagely, overall, in aligning the budget with climate change strategies and managing climate related fiscal risks. More work is needed on systems of internal controls to ensure compliance with climate related expenditure.

Strengths and areas of improvement

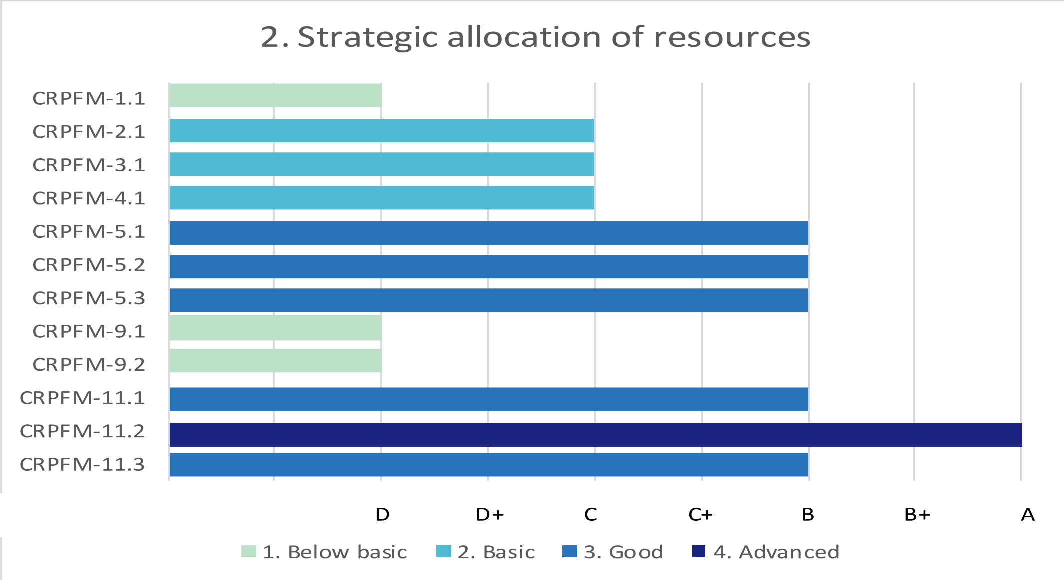
Figure 3: Aggregate fiscal discipline when implementing climate change policies



The government has performed well on climate responsive fiscal decentralization framework (see figure below) especially in supporting county governments to put in place systems PFM

arrangements that are similar to national government, building their capacities and guiding them on climate proofing their processes. This accompanied by consistent allocation of resources. More effort is required on tracking climate related expenditure and reporting as well as on how to factor climate change mitigation and adaptation planned expenditure into budget proposals to support implementation of climate change strategies. This will enable the government to better achieve strategic allocation of resources. Strategic allocation of resources involves planning and executing the budget in line with government priorities aimed at achieving policy objectives.

Figure 4: Strategic Allocation of Resources



Efficient service delivery as a budgetary outcome requires using budgeted revenues to achieve the best levels of public services within available resources. The government has accomplished moderately in the provision of climate related performance information which is critical for planning as indicated by CRPFM 12 in the figure below.

Publishing information on climate related objectives, key performance indicators, outputs and outcomes is critical for measuring performance and for ease of oversight by legislature. Tax policies aimed at reducing GHG emissions and increase resiliency and their implementation thereof should be addressed. The finance Act 2022 introducing a tax incentive that encourages the use of market approaches for low carbon development is a good starting point. It is equally important that the government enforces incorporation of specific climate objectives, targets, and indicators in the performance contracts of extra budgetary units and public corporations in charge of implementing climate related programmes for better service delivery to communities faced with immense climate change challenges.

Figure 5: Efficient service delivery when implementing climate change policies

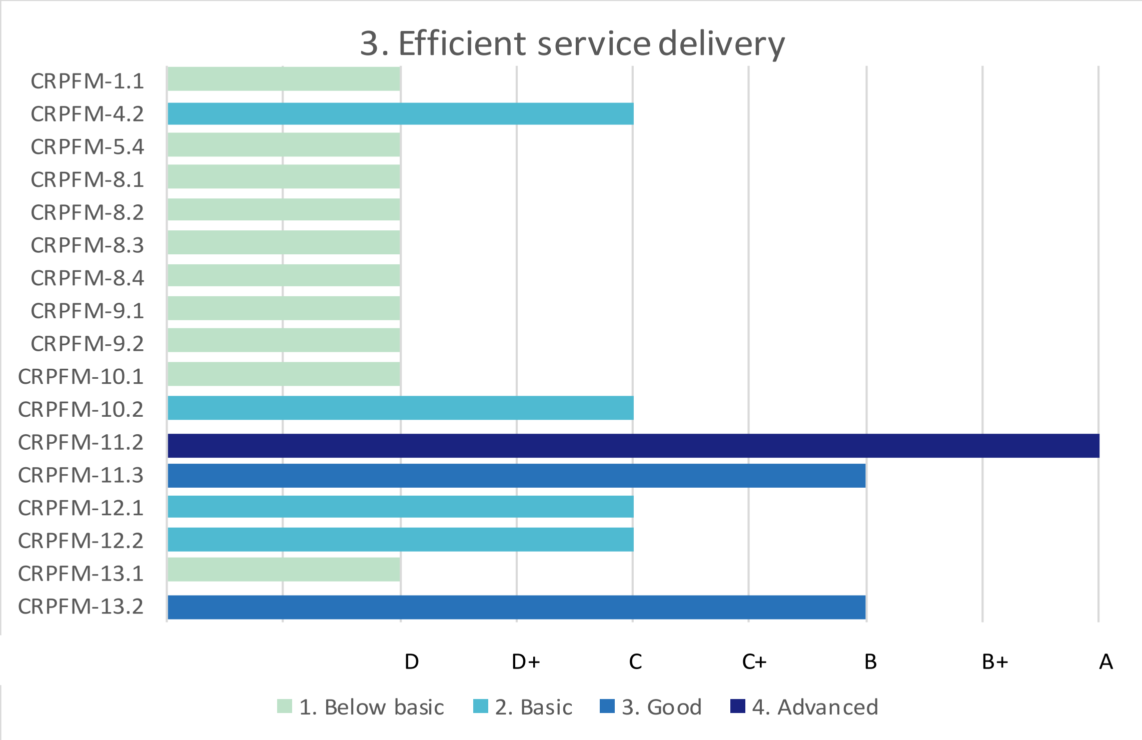


Table 1 – Overview of assessment scores

Climate Responsive Public Financial Management (CRPFM) Indicators	Scoring method	Dimensions				Overall score
		i	ii	iii	iv	
1 Budget alignment with climate change strategies		D				D
2 Tracking climate related expenditure		C				C
3 Climate responsive budget circular		C				C
4 Legislative scrutiny	M2	C	C			C
5 Climate responsive public investment management	M2	B	B	B	D	C+
6 Climate responsive asset management		D				D
7 Climate related liabilities	M2	D	NA			D
8 Climate responsive procurement	M2	D	D	D	D	D
9 Climate responsive revenue administration	M2	D	D			D
10 Compliance of climate related expenditure	M2	D	C			D+
11 Climate responsive fiscal decentralization framework	M2	B	A	B		B+
12 Climate related performance information	M2	C	C			C
13 Climate related performance evaluation	M2	B	D			C
14 Expenditure outturn for climate activities	M2	D	D			D

DETAILED ASSESSMENT OF CLIMATE RESPONSIVE PUBLIC FINANCIAL MANAGEMENT

This section presents the detailed analysis of each of the fourteen indicators under the climate responsive public financial management, the dimensions, and scores thereof. The section also provides the evidence and justification for the scores and highlights recent and ongoing reforms. and presenting the evidence to justify the scoring.

CRPFM–1 Budget alignment with climate change strategies

This indicator measures the extent to which long and medium-term climate change strategies are reflected in costed sector medium-term strategic plans and mid- and short-term budgets. It contains one dimension. Coverage is budgeted central government and time period is the last budget and budget documentation submitted to the legislature for the fiscal year 2021/2022.

Summary of scores and performance table

CRPFM-1	Dimension	Score 2022	Brief justification of 2022 score
Budget alignment with climate change strategies		D	
1.1 Budget alignment with climate change strategies		D	Climate change is mainstreamed in the MTP decision-making process and through CIDPs as required by the Climate Change Act. The budget is aligned with climate change strategies and action plans. The system in place fulfils 5 elements, including at least 1 basic element. Sectoral medium-term strategic plans are prepared. They reflect priorities from national climate change policy and strategy and NDC targets. Climate related projects and initiatives are not fully costed in the plans. Climate related expenditure policy proposals in the approved medium-term budget estimates do not fully align with the plans.

The Public Finance Management Act, 2012 regulates the financial management of national and county governments, and ensures that all revenue, expenditure, assets and liabilities of the governments are managed efficiently and effectively. The Act regulates the budget process, public borrowing, and debt management, financial reporting, and accounting, and enforcement of fiduciary responsibility of public officers. Kenya Vision 2030 (covering 2008 to 2030) and its Medium-Term Plans presents opportunities to identify climate-related actions and priorities. The third MTP (2017-2022) notes the importance of climate change, viewing it as an emerging issue that threatens Kenya's economic growth.

The MTP identifies actions to address the negative effects of climate change including promotion of a low carbon climate resilient and green growth development. The medium-term fiscal strategies have climate targets. The plans identify funding gaps and resources required to achieve medium- to long-term objectives and planned outputs and outcomes. Additionally, all sectors prepare medium term strategic plans in line with the MTPs. The sector plans are published on the website of the National Treasury and Planning. The Medium-Term Expenditure Framework (MTEF) then translates policies and priorities into expenditure and action, including budget making and allocations for climate change actions. The MTEF links policy, planning and budgeting through a three-year rolling budget plan. The MTEF entrenches programme and project prioritisation in the budget preparation process, and predictability in planning and resource utilisation. This in turn enhances transparency and accountability in the allocation and expenditure of public resources

Kenya developed the National Climate Change Response Strategy (NCCRS) in 2010 which presents an overarching strategy and vision for a prosperous and climate resilient Kenya. The strategy provides recommendations on low carbon and climate resilient actions, and the enabling environment to encourage these actions. The Climate Change Act, 2016, the anchor law on climate change in Kenya adopts a climate change mainstreaming approach that includes integration of climate change considerations into development planning, budgeting and implementation. The Act requires the Government to develop action plans to guide the mainstreaming of climate change into sector functions.

Climate change policy and strategies cover subnational governments, public corporations such as NEMA and other operators in charge of implementation. To operationalize NCCRS, the country prepared the first National Climate Change Action Plan, 2013-2017 setting out a low carbon climate resilient development pathway and actions. The second NCCAP for 2018-2022 builds on the NCCAP 2013-2017 and sets out actions to implement the Climate Change Act of 2016. The plan further provides a framework for Kenya to deliver on its NDC to the Paris Agreement. The actions in NCCAP 2018-2022 were developed through consultations with Parliament, national and county governments, civil society, private sector, youth and women groups, and representatives from marginalised and minority groups. The goal of NCCAP 2018-2022 is to further the country's sustainable development by providing mechanisms and measures to achieve low carbon climate resilient development and create a link with priority areas in adaptation and mitigation. Enabling actions are identified in the areas of the policy and regulatory environment, capacity building and knowledge management, technology and innovation, climate finance, and measurement, reporting and verification plus (MRV+).

Kenya's NDC sets out the country's actions to contribute to achieving the global goal set out in the Paris Agreement and includes mitigation and adaptation contributions. The Paris Agreement entered into force in Kenya on 27th January 2017, and as set out in Article 2(6) of the Constitution (2010), the Agreement now forms part of the law of Kenya. Kenya's first NDC set out adaptation contribution to ensure enhanced resilience to climate change towards the attainment of Vision 2030 by mainstreaming climate change into the Medium-Term Plans (MTPs) and implementing adaptation actions. The mitigation contribution seeks to abate GHG emissions by 30%by 2030 relative to the business-as-usual scenario of 143 MtCO2 eq. The country updated its NDC in December 2020 and raised the level of ambition to abate GHG emissions by 32%by 2030. Achievement of the NDC is subject to international support in the form of finance, investment, technology development and transfer, and capacity development. The institutional framework on mainstreaming climate change in government is explained in the background section.

As indicated in the table below, the government meets 5 elements including at least 1 basic element.

Table CRPFM-1.1: Analysis of elements.

PEFA criteria	Satisfaction (Yes/No)	Justification
Basic Elements		
Sectoral medium-term strategic plans are prepared, reflecting priorities from the National Climate Change Policy and strategy- and in their absence, NDC targets.	Yes	Sectoral medium-term strategic plans are prepared. They reflect priorities from national climate change policy and strategy as well as the NDC targets.
Climate-related projects and initiatives are costed in sector medium-term strategic plans.	No	Climate related projects and initiatives are not fully costed in sector medium-term strategic plans. The costing does not include recurrent cost.
Climate-related projects are accounted for in public investment plans.	No	Climate related projects are not accounted for in public investment plans
Climate-related expenditure policy proposals in the approved medium-term budget estimates align with sector costed medium-term strategic plans.	No	Climate related expenditure policy proposals in the approved medium-term budget estimates do not fully align with sector partially costed medium-term strategic plans

PEFA criteria	Satisfaction (Yes/No)	Justification
Climate-related tax policy proposals in the Approved medium-term budget estimates align with the national climate change strategy.	No	There is no information on climate related tax policy proposals in the approved medium-term budget to assess alignment with the national climate change strategy
Climate-related annual expenditure and tax Estimates align with the approved medium-term budget estimates for the first year.	No	There is no information on climate related tax estimates to assess alignment with the approved medium-term budget estimates for the first year.
Additional Elements		
Climate change policy and strategies cover Sub-national governments, public corporations, and other operators in charge of implementation.	Yes	Climate change policy and strategies cover subnational governments, public corporations and SAGAs in charge of implementation.
Climate change strategies or climate-related medium-term budget estimates identify funding gaps and funding sources.	Yes	Climate change strategies or climate related medium-term budget estimates identify funding gaps as well as funding sources.
Medium-term fiscal strategy refers to climate targets.	Yes	Medium-term fiscal strategy refers to climate targets set out in climate policies and the NDC.
Medium-term fiscal strategy refers to climate-related fiscal risks.	No	There is no reference climate-related fiscal risks in the medium-term fiscal strategy.
If there is a gap between climate-related annual Expenditure and tax estimates and the approved medium-term budget estimates for the first year, the annual budget document provides the underlying explanation.	No	Gaps between climate related annual expenditure and tax estimates are not stated explicitly and there is no information on climate related tax estimates.
There is an operational body, unit, or team in charge of fostering coordination on climate change activities in line with climate change policies.	Yes	The climate change directorate is in charge of fostering coordination on climate change activities in line with climate change policies.

Dimension score = D

Recent or ongoing reform activities

None.

CRPFM–2 Tracking climate related expenditure

This indicator measures the extent to which the government is able to track climate related expenditure. It contains one dimension. For the purpose of this indicator, tracking refers to the ability to identify, classify and monitor climate related expenditure. Coverage is budgetary central government and time period is the last completed fiscal year 2020/2021.

Summary of scores and performance table

CRPFM-2	Dimension	Score 2022	Brief justification of 2022 score
Climate responsive public financial management		C	
2.1. Tracking climate related expenditure		C	A system is in place to track climate related expenditure, as government uses a methodology that defines what constitutes climate change expenditure that is applied consistently across all MDAs. The system fulfils at least 3 basic elements, including Element 1. The methodology applied to identify climate-related expenditure is reviewed by an entity other than the preparing entity. There is no disclosure explicitly or implicitly climate related expenditure related to activities that are counter to climate policy in budget documents.

The government of Kenya uses a methodology that defines what constitutes "climate change expenditure" and applies the same methodology across all MDAs to identify climate related expenditure (CRE). This methodology is contained in the climate finance: budget coding, tracking and reporting handbook which was developed by a Multi-Stakeholder Technical Working Group (TWG) coordinated by the National Treasury and the Ministry of Environment and Forestry. The TWG had members drawn from CMDAs, Private sector, civil society, and development partners. The handbook was independently reviewed and validated by a multi-stakeholder forum comprising of representatives from State departments and agencies of the national government, county governments, civil society, the private sector, and academia. The handbook identifies climate relevant expenditure to denote costs invested (capital, labour and related) in programmes and sub-programmes where actual and specific climate change activities may or may not be budgeted exclusively as climate related. The handbook provides the methodology for tracking climate relevant expenditures using climate budget codes embedded in the Integrated Financial Management Information System (IFMIS)and other financial management systems.

The handbook indicates that sector technical and finance officers must agree on the criteria for defining CRE and provide guidelines on how to calculate CRE. For an activity to fall into the CRE category, funds incurred or invested must:

I. address one or all of the climate change risk mitigation or climate proofing categories, e.g., adaptation, mitigation or enabling environment (climate awareness, training, policy, and capacity building) as per the OECD definition.
II. allocate more than 25 percent of funding to one or all the above climate risk mitigation or climate-proofing categories.
III. demonstrate that incremental or additional financing has been used for (i) above; and,
IV. show that the outcome/output increased resilience, reduced emissions, or increased awareness of climate change.

The handbook is part of the Government of Kenya's strategic intervention to build climate finance capacity to better coordinate resource mobilisation and track expenditures on climate change at both the national and county levels and promote robust transparency in accordance with the Paris Agreement of the UNFCCC. The handbook also identifies the climate finance risks that the country may face including sovereign risk, regulatory, monetary and fiscal, political, corruption, project risk, technological risk, and social cultural risk.

Most financial data needed on climate change such as budgeted climate related transfers and expenditure to CMDAs is adequately captured on IFMIS and can be drawn out in form of a report and outturn identified. However, adequate insight is needed to formulate such a report given the dispersion of data captured across the Standard Chart of Accounts (SCOA). The current system can generate a report on climate change expenditure but in a hard-coded manner and mostly relying on support of IT specialists at IFMIS. The extent of budget and expenditure breakdowns in the IFMIS is currently limited to program and sub-program levels and does not capture the cost of each separate action/activity under each subprogram. Absence of activity-level expenditure makes it difficult to determine the actual amount spent on the type of climate activity and poses problems, in turn, in assessing additional and incremental climate finance and, hence, to classify CRE as adaptation, mitigation, providing dual benefits or enabling environment.

Expenditure related to climate and to activities that are counter to climate policy is not disclosed regularly in the budget execution reports. However, the ministry in charge of environment produces and publishes national climate change action plan implementation status reports. The recent report for the FY2019/2020 was published in December 2021. Additionally, the government has on two occasions produced and published reports on climate-finance expenditure. This happened in 2016 under the Climate Public Expenditure and Budget Review in Kenya (CPEBR) where data for three MTEF Sector Working Groups was collected and analysed to measure the extent of climate change mainstreaming in the budget. In 2021, the country undertook a landscape of climate finance in Kenya, the first attempt to track the climate finance flows in the country since the Paris Agreement. The study applied OECD-DAC Rio Markers methodology (OECD, 2016) to screen, identify and tag climate-related expenditure for the financial year 2018.

Additionally, the Climate Change Act 2016 allows the responsible Cabinet Secretary and relevant State Departments, to impose obligations related to climate change on private entities. In line with the provision, the National Treasury and Planning issued circular No. 13/2020 requiring all non-state actors (Private sector, CSOs, Development partners and Academia) to provide detailed project/activity level expenditure data for climate and environment related projects and programmes. There is no evidence to show compliance with this directive. As indicated in the table below, the government meets at least three basic elements including element 1. The government also meets two additional elements.

Table CRPFM-2.1: Analysis of elements

PEFA criteria	Satisfaction (Yes/No)	Justification
Basic elements		
1. The government uses a methodology that defines what constitutes "climate change expenditure".	Yes	The government uses a methodology that defines climate change expenditure documented in the climate change Act, the draft climate change fund regulations, national policy on climate finance, and handbook on climate finance-budget coding, tracking and reporting.
2. The government applies the same methodology across all ministries, departments and agencies to identify climate-related expenditure.	Yes	The same methodology in 1 above is applied consistently across all MDAs.
3. Expenditure related to activities that are counter to climate policy is disclosed in budget documents and in end-of-year budget execution reports (as in Element 4). This covers spending explicitly or implicitly linked to climate change.	No	There is no disclosure of expenditure explicitly or implicitly climate related and expenditure related to activities that are counter to climate policy in budget documents

PEFA criteria	Satisfaction (Yes/No)	Justification
4. Climate related expenditure is disclosed by the Ministry of Finance or the budgetary units in budget documents and in end-of-year budget execution reports (as in Element 3).	No	Expenditure related to climate and to activities that are counter to climate policy is not disclosed regularly in the year budget reports
5. The methodology applied by the government to identify climate-related expenditure is reviewed by an entity other than the preparing entity.	Yes	The methodology applied by the government to identify climate related expenditure is reviewed by an entity other than the preparing entity
Additional elements		
6. Climate related expenditure is identified using specific budget expenditure line items, program codes, elements in the government's chart of accounts or markers such as Rio Markers.	No	Climate related expenditure cannot be easily extracted from IFMIS, and this is not done in practice. Reference is also made to CRPFM-14 below.
7. Climate related expenditure is disclosed in in-year budget reports, including in-year budget adjustments.	No	Climate related expenditure is not disclosed regularly in the year budget reports.
8. Budgeted climate related transfers to subnational governments and outturn are identified.	Yes	Most financial data needed on climate change e.g., budgeted climate related transfers and expenditure to CMDAs is adequately captured on IFMIS and can be drawn out in form of a report. and outturn identified
Budgeted climate related transfers to extra budgetary units and public corporations in charge of implementing climate change actions, and outturn, are identified	Yes	Budgeted climate related transfers to extrabudgetary units and SAGAs in charge of implementing climate change actions, and outturn, are identified.

Dimension score = C

Recent or ongoing reform activities

In the proposed revisions in the SCOA, the government of Kenya has included a non-transactional segment referred to as "Extended Reporting" to entrench high accuracy reporting and with minimal technical support in analytical reporting in the IFMIS. The proposed additional segment in SCOA will build analytical reporting and raise the capacity and awareness of users on the existence and operations of the analytical reporting feature. The role of the reporting segment is to facilitate the process of grouping all budgets and transactions that are aligned to a particular cause or subject e.g., climate change and make reporting easy, responsive, and accurate. Automation will enhance tracking of climate related expenditure for all CMDAs. The proposal is line with the provision of Section 25(g) of the Climate Change Act, 2016, to track and report climate finance flows within the IFMIS for both national and county budgeting processes.

CRPFM–3 Climate responsive budget circular

This indicator measures the extent to which the budget circular takes climate change into consideration by referring to the national climate change strategy, providing clear guidance on how the budgetary units should propose climate change mitigation and adaptation measures, defining a methodology for tracking climate change related expenditure, and setting expenditure target. It contains one dimension. Coverage is budgetary central government and time period is the last completed fiscal year 2020/2021.

Summary of scores and performance table

CRPFM-3	Dimension	Score 2022	Brief justification of 2022 score
Budget Circular		C	
3.1. Budget circular		C	The budget circular for FY2020/2021 is not specific as to climate change-related expenditure although it offers guidelines on prioritization within the sector working groups.

The Climate Change Act (section 2) defines mainstreaming as "the integration of climate change actions into decision making and implementation of functions by the sector ministries, state corporations and county governments." Ideally, mainstreaming considers sectoral/development and climate issues as one approach, rather than two separate policy trajectories. This means that climate change considerations are taken up and integrated in sector plans, rather than developed separately in climate change plans for the sector. Mainstreaming means that climate change priorities identified in the NCCAP, and NAP are integrated into MTP III sector plans and priorities.

The budget circular for FY2020/2021 is not specific as to climate change-related expenditure although it offers guidelines on prioritization within the sector working groups. At the start of every financial year, the National Treasury issues budget circulars that provide guidelines for preparing and submitting annual budgets. The circulars provide instructions on costing of adaptation, mitigation and other climate-related actions. In setting expenditure limits in the Budget Review and Outlook Paper (BROP), the National Treasury considers any additional financing required to climate proof projects in vulnerable sectors. The budget Sector Working Groups (SWGs) submit sector reports to the National Treasury, based on the budget sector ceilings in the BROP, which include printed estimates for the current and forthcoming financial year. Climate change issue are tackled under the Environmental Protection, Water and Natural Resources SWG.

Departments and agencies within each sector negotiate over priorities in the SWGs. The SWGs provide an opportunity to integrate climate change activities in the budgets, as entities have an opportunity to negotiate which activities to include as financing priorities. This process is as follows:

- The sectors submit budget requests that integrate climate change across their programs. Overall budget formulation explicitly includes climate change investment;
- Line ministries at both levels of government establish climate related key performance indicators that allow them to account for the performance of climate expenditure;
- Treasuries at national and sub-national levels use IFMIS public finance so that climate expenditures can be tracked; and,
- Budget expenditure reports address climate expenditures and impacts; these are presented to Parliament, fed into planning, and budgeting processes.

The Budget Policy Statement (BPS), that contains the expenditure policy, including expenditure priorities; aggregate expenditure intentions for counties and national government budgets; expenditure ceilings; and other targets or limits required by the fiscal responsibility principles. In developing expenditure priorities and ceilings, financing take into account the additional cost of climate-proofing projects that are vulnerable to effects of climate change.

Dimension score = C

Recent or ongoing reform activities

None.

CRPFM–4 Legislative scrutiny

This indicator measures how climate change aspects are included in legislature's scrutiny of budgets and audit reports. It contains two dimensions and uses the conversion table for aggregating dimension scores.

Summary of scores and performance table

CRPFM-4 Dimension		Score 2022	Brief justification of 2022 score
Legislative scrutiny		C	
4.1. Legislative scrutiny of budget		C	At least 2 out of the six criteria are met, as shown in Table CRPFM-4.1
4.2 Legislative scrutiny of audit and evaluation reports		C	At least two out of the six criteria are met, as shown in Table CRPFM-4.2

4.1. Legislative scrutiny of budget

Coverage for CRPFM-4.1 is budgetary central government and time period is the last budget and budget documentation submitted to the legislature for FY 2021/2022. The departmental committee on environment of parliament is mandated in accordance with the second schedule of the Standing Orders to consider all matters related to climate change, environment management and conservation, forestry, water and natural resources management, among others. The committee considers all matters referred to it by parliament and oversees government ministries and departments in charge of environment, forestry, water, sanitation and irrigation, wildlife and mining. A report on the work, conclusions, and recommendations of the committee is published as per the Standing Orders of parliament. The committee published an exit report for the period November 2017 to June 2022. The report indicates that the committee held public consultation forums, conducted inquiries, reviewed reports, and presented findings and recommendations to among others the Budget and Appropriations Committee as part of their oversight mandate. Some of the recommendations were considered and acted upon, while other were pending. For instance, due to committees' inquiry into logging activities in Kenya that led to a moratorium on illegal harvesting of trees, recommendations of the committee led to allocation of additional KES 1 billion towards increasing the forest cover in the FY 2019/20 budgetary allocation.

There is no evidence however on how the committee involved technical and scientific support and expert advice from climate advocacy groups, independent climate groups, or other experts in their consultations apart from the general public hearings. There is also no evidence of review on performance or impact assessment, climate related fiscal risks and positive, neutral or negative contribution to climate change. As part of the legislative scrutiny, the Parliamentary Budget Office (PBO) analysed the entire budget (the expenditure estimates, estimates of revenue, and budget policy paper) for the period under assessment and produced several reports including unpacking of BPS report, unpacking of estimates of revenue and expenditure and medium-term reports for the parliament departmental committees. As shown in the table below, at least two elements are met.

Table CRPFM-4.1: Analysis of elements

Elements included into the legislature's scrutiny of the proposed budget:	Satisfaction (Y/N)	Justification
(1) Involvement of support mechanisms such as specialized legislature committees, technical and scientific support, expert advice from climate advocacy groups, independent climate councils, or others. A report on the work and conclusions of the committees or groups is published.	Yes	The budget documents for FY2021/2022 (last budget submitted to the legislature) were scrutinised by the parliament departmental committee on environment and natural resources before tabling at the budget appropriations committee as a support mechanism and published a report
(2) A performance or impact assessment review of (i) climate change revenue and (ii) climate change programs, including expected results in the future, either through specific impact assessment or information on planned performance.	No	There is no evidence of review on performance or impact assessment, climate related fiscal risks and positive, neutral or negative contribution to climate change
(3) A review of the positive, neutral or negative contribution to climate change of (i) revenue and (ii) programs or actions that are not directly related to climate change.	No	There is no evidence of review of the positive, neutral or negative contribution to climate change
(4) A review of climate-related fiscal risks	No	There is no evidence of review of climate-related fiscal risks
(5) A public consultation that includes a specific focus on climate. A report on the feedback received during public consultation is published.	Yes	The committee undertook public consultation with a focus on all matters under environment including climate change and published a report. Additionally, the PBO analysed the entire budget and published reports.

Dimension score: C

4.2 Legislative scrutiny of audit and evaluation reports

Coverage for CRPFM-4.2 is central government and time period is the last audit reports or evaluation reports submitted to the legislature for FY 2020/2021. For Element 2 the period is the audit report on end-of-year 2020/2021 financial report. As part of their oversight role the parliament departmental committee on environment and natural resources scrutinize the budget, audit and evaluation reports referred to the committee by parliament. The committee for twelfth parliament-sixth session published an exit report and approved it for tabling in parliament on 8 June 2022 for the period beginning November 2017 up to June 2022. The report indicates that the committee was assigned duties by the parliament to consider reports on the budget implementation received from the following:

- The Office of the Controller of Budget (OCOB) reports on the implementation of the budget
- Quarterly Budget and Economic Review (QBER) reports from the National Treasury and Planning
- Annual reports of various state agencies.

The Controller of Budget's report is a constitutional report on implementation of budgets of national and county governments which is required to be submitted to Parliament every four months. Parliament can use the report to interrogate implementing agencies on any spending gaps, including any over-expenditure. These reports are used for rapid interventions if something is going wrong in the budget implementation for development and for operations within the financial year. The Quarterly Budget and Economic Review is prepared by National Treasury and reports on overall economic performance, tax collection, expenditure, and debt repayments. The OCOB and QBER reports provide parliament with information needed to monitor quarterly performances of government departments. The committee reviewed the OCOB and QBER reports presented for FY 2020/2021 Audit and evaluation reports on the performance of climate change programs and activities were referred for review and consideration by the committee before tabling in parliament during the period under assessment including reports on solid waste management, logging activities in Kenya, and annual reports for ministries of environment, forestry, irrigation, water and sanitation. As shown in the table below, two out of the six criteria are met.

Table CRPFM-4.2: Analysis of elements.

The legislature's scrutiny of audit reports includes:	Satisfaction (Y/N)	Justification
(1) Involvement of support mechanisms such as specialized legislature committees, technical and scientific support, expert advice from climate advocacy groups, independent climate councils, or others.	Yes	The parliament departmental committee on environment and natural resources scrutinised the audit, controller of budget and QBER reports presented for FY 2019/20 and 2020/21 referred to the committee by the parliament. They also reviewed other sector related reports and obtained presentations from public and climate related programs implementing SAGAs.
(2) A review of climate-related executed expenditure and revenue at a level comparable with the approved budget.	No	Although the committee reviewed reports including revenue and expenditure, there is no evidence that it was at a level comparable with approved budget.
(3) A review of audit reports or/and evaluation reports on the performance of climate change programs or activities in line with planned outputs and outcomes.	Yes	The parliament departmental committee on natural resources reviewed reports for all ministries under the sector and the specific performance of programs and activities against plans. That said, activities cannot be easily identified as climate change responsive.
(4) A review of audit reports or/and evaluation reports of climate change impacts of the executed budget	No	There is no evidence that the review by parliament departmental committee considered climate change impacts of executed budgets.
(5) Recommendations for actions issued by the legislature to be implemented by the executive	No	The reports reviewed for 2019/20; 2020/21 and committee report for 2017 to 2022 does not indicate recommendations to executive.
(6) Follow-up on their implementation	No	There is no evidence on follow up on implementation

Dimension score: C

Recent or ongoing reform activities

Additional committees created for current parliament (National Assembly and Senate) to hasten legislative scrutiny. The proposed Financial Audit and Money Related Committees for National Assembly are 5 and for 3 for the senate.

CRPFM–5 Climate responsive public investment management

This indicator measures the extent to which public investment management is climate responsive. It contains four dimensions and uses the conversion table for aggregating dimension scores. The time

period is FY2020/2021. Dimensions 1 to 3 cover central government whilst dimension 4 covers extra-budgetary units and controlled public corporations.

Summary of scores and performance table

CRPFM-5 Dimension	Score 2022	Brief justification of 2022 score
Climate responsive public investment management	C+	
5.1 Climate related provisions in regulatory framework for public investment management	B	The legal or regulatory framework describes the objectives and requirements for investment programs or projects in relation to climate change mitigation or adaptation. There is a high level of compliance of investment project proposals with climate-related objectives or requirements. The scope of climate-related objectives and requirements covers central government. NEMA checks for GHG emissions targets for new investments in the EIAs. Where new investment project proposals fail to meet the set criteria in terms of climate change strategic objectives and targets, NEMA suspends and in other cases disqualifies the proposed investors, in line with its legal mandate.
5.2 Climate related project selection	B	Climate assessment and prioritization criteria are used to select new investment projects. Climate assessment criteria cover the climate impact of the project or its exposure to climate risks.
5.3 Climate related provision for project appraisal	B	National guidelines for projects appraisal require the evaluation of climate change impacts of new investment projects. They also require adaptation measures in the project design to address climate risks. This is achieved through environmental impact assessments at the feasibility stage.
5.4 Reporting from entities in charge of implementation	D	As additional data in terms of materially (at least 75%by value of extra-budgetary units and public corporations) and exact date of reporting could not be established, the score for this dimension is 'D'.

CRPFM 5.1. Climate related provisions in regulatory framework for public investment management

According to Environmental Management and Co-ordination Act (EMCA), 2015, section 58, a proponent of any project specified in the Second Schedule (all new major projects in land use, urban development, transport, agriculture, mining, forestry, manufacturing etc.) are required to undertake a full environmental impact assessment (EIA) study and submit an environmental impact assessment study report prepared by a registered and licensed EIA and audit expert. The EIA study report must be submitted to NEMA prior to being issued with any licence. A proponent must not implement a project likely to have a negative environmental impact or for which an EIA is required under the Act or Regulations unless an EIA has been concluded and approved by NEMA. EMCA, describes the objectives and requirements for programmes and projects in relation to both climate change mitigation or adaptation e.g., ecological and social considerations.

Project investment is only approved, environmental license issued once NEMA, and lead agencies ascertain that a project report has disclosed adequate mitigation for identified impacts. The EIAs are mandatory and align with Kenya's climate change strategy and action plan, adaptation plan, and updated NDC commitments. There is high level of compliance of investment project proposals in line with the EMCA requirements. NEMA checks for GHG emissions targets for new investments in the EIAs. Where new investment project proposals fail to meet the set criteria in terms of climate change strategic objectives and targets, NEMA suspends and in other cases disqualifies the proposed investors, in line with its legal mandate.

Additionally, the Kenya Investment Policy (KIP) for faster investment growth for sustainable development, 2019, section 5.3.5. on Environmental protection indicate the policy measures. The section stipulates that while seeking to attract investment, Kenya recognizes the need to ensure adequate environmental protection. The government of Kenya does not encourage investment by relaxing or waiving domestic environmental legislation in line with the national constitution and regional agreements that Kenya is party to. Investors and business are expected to comply with applicable laws and regulations, in performing their business and investments activities, protect the environment and where the activity causes damage to the environment, the government shall mandate that investors restore it to the extent appropriate and feasible, and ensure fair compensation is paid to those impacted by the environmental damages. Investors and business shall seek to leverage and apply green or sustainable technologies wherever possible to reduce the carbon footprints of their investments and other detrimental environmental impact.

The investment promotion legislation is clear on the entry of structured foreign and domestic investments into Kenya. The Investment Promotion Act (Cap 485B) establishes the Kenya Investments Authority and prescribes a definition of foreign and domestic investors for purposes of minimum capital, facilitation and incentives. This law operates through provision of investment certificates to qualified investors on the principal consideration of whether the investment in question is beneficial to Kenya. This test of benefit to Kenya is based on analysis of how the investment plans satisfy prescribed conditions, including: creation of employment for Kenyans; acquisition of new skills or technology for Kenyans; transfer of technology; utilisation of raw materials, supplies and services; adoption of value addition; and contribution to government revenues.

Dimension score: B

CRPFM 5.2. Climate related project prioritization

Prioritization of climate related projects involves different entities each with defined roles and responsibilities. NEMA ensures that projects comply with climate requirements through EIAs and the SWG submit budget requests to National Treasury after ascertaining that projects in need of funding have integrated climate-related key performance indicators. MDAs and corporations within each sector negotiate over priorities in the SWGs. The SWGs submit budget requests that integrate climate change across their programs. The line ministries at national and county levels formulate the KPIs that allow them to account for the performance of climate expenditure and the treasuries at national and county government use public finance management systems, such as IFMIS, to track climate expenditures. Specifically, the national Treasury and Planning issues circulars in line with its mandate under the Public Finance Management Act to guide MDAs on effective management and accountability in public finance management. On public investment management the National Treasury and Planning issued Circular No. 16/2019 on 24th January 2020. The Circular provides guidelines for national government and its entities on efficient and effective management of public investments that includes project identification and conceptual planning, pre-feasibility, and feasibility, selection for budgeting, implementation, monitoring, evaluation and reporting, closure, sustainability, and ex-post valuation to ensure value for money and optimal use of public resources in accordance with PFM Act.

Climate assessment and prioritization criteria are used to select new investment projects. Climate assessment criteria cover the climate impact of the project or its exposure to climate risks. This assessment follows the PIM guidelines that stipulate the process of investment. The sector working group considers projects in the project pipeline based on the set criteria such as sector ceilings and fiscal strategy, in resource bidding and budget allocation. The SWG then works with the National Treasury during the resource bidding and budget allocation process.

At feasibility study stage all proposed projects are required to be subjected to environmental and social impact analysis. The analysis describes the climate aspects such as possible ecological damage of the project, environmental impacts, cost of reducing and/or mitigating the impacts, evaluation of environmental risks and how to reduce them and the costs of permits and licenses required from NEMA. Environmental impact assessments are undertaken in accordance with the Environmental Management and Coordination Act (EMCA) to identify environmental risks and climate change vulnerability of the projects and propose preventative and adaptation measures. In cases where the environmental impact of the projects cannot be mitigated for instance a road passing through a forest, the reports suggest change in design.

The environmental impact assessment process has several stages before an EIA report is produced. The stages are (i) screening to determine which projects or developments require a full or partial impact assessment. Screening is undertaken for all project regardless of the category of risk. (ii)Terms of reference- an EIA study must be conducted in accordance with terms of reference developed during the scoping exercise by the proponent and approved by NEMA. Scoping is identification of the potential impacts that are relevant to assess and to derive terms of reference for the impact assessment. (iii) Environmental Impact Assessment Study is conducted in accordance with the general environmental impact assessment guidelines and sector EIA guidelines set out in the Third Schedule to the Regulations. A review of the projects for FY2020/2021 indicates that prior to approval of projects EIA reports were prepared as part of feasibility studies as required by PIM and EMCA.

Dimension score: B

CRPFM-5.3. Climate related provisions for project appraisal

National guidelines for projects appraisal require the evaluation of climate change impacts of new investment projects. For FY2020/2021, new projects were subjected to Environmental Impact Assessment (EIA), an examination of the effects of a project on the environment. An EIA identifies both negative and positive impacts of any development activity or project, how it affects people, their property, and the environment. EIA also identifies measures to mitigate the negative impacts, while maximizing on the positive ones. It seeks to minimize adverse impacts on the environment and reduce risks. This ensures that environmental risks are managed at all stages of a project i.e., from planning, design, implementation, and monitoring and evaluation. The EIA is required to include a vulnerability assessment.

The NAP 2015-2030 has provided guidelines on mainstreaming climate change adaptation in all the sectors of the economy. The NAP short-term environment actions include a review and update of existing Environmental Impacts Assessment regulations (which was done within the FY2020/2021) with climate change adaptation considerations. The guidelines require adaptation measures in the project design to address climate risks. Further, NEMA is key government agency mandated by the Environmental Management and Coordination Act no 8 of 1999 to administer the EIAs. NEMA is also responsible for monitoring and enforcing compliance of climate change interventions on behalf of the National Climate Council established by the Climate Change Act, 2016.

Dimension score: B

CRPFM-5.4. Reporting from entities in charge of implementation

The PIM guidelines provide that the head of department or unit should appoint a project implementation team as provided for in section 151 of the Public Procurement and Asset disposal Act, 2015. This team ensures that projects are monitored against plans, targets, and milestones set out in the project implementation plan. Every project is required to monitor on financial and non-financial data that provides monthly, cumulative quarterly, and cumulative annual implementation progress and risks, assessment of emerging challenges and mitigation measures. The guidelines provide templates for reporting in the various junctures as well as the project completion reporting.

The government requires extra budgetary units and public corporations in charge of implementing public investment projects to incorporate specific climate objectives, targets and indicators in their performance contracts or statement of corporate intent. Most entities report back quarterly and annually as required by law. For FY2020/2021, reports for climate-related funding to public corporations, counties and MDAs were regularly published and are available on the website of the specific programme or implementing agencies. Reporting covers climate related funding they received from the government to implement investment projects and results against these objectives, targets, and indicators.

The assessment sampled four key projects under implementation; i.e., Drought Resilience and Sustainable Livelihoods Programme (DRSLP), Kenya Marine Fisheries Socio-Economic Development (KEMFSED) Project, The National Agricultural and Rural Inclusive Growth Project (NARIGP), and Kenya Climate Smart Agriculture Project (KCSAP) following programmes under of Ministry of Agriculture, Livestock Fisheries, and Cooperatives (MoALF&C).

Table 5.1: Sampled climate-related Projects

Project	Financiers	Coverage	Project period	Status	Implementing Agency
Drought Resilience and Sustainable Livelihoods Programme (DRSLP)	Government of Kenyaand the African Development Bank (AfDB)	Six ASAL counties	July 2013 to June 2022	All progress reports are published and are available	State Department for Crop Development and Agricultural Research in the MoALF&C
Kenya Marine Fisheries Socio-Economic Development (KEMFSED) Project	Government of Kenya and World Bank (IDA)	Five coastal counties	2020-2025	All progress reports are published and are available	State Department For Fisheries, Aquaculture And The Blue Economy in the MoALF&C.
The National Agricultural and Rural Inclusive Growth Project (NARIGP)	Government of Kenya and World Bank	21 Counties	28th July 2017 to 2022	All progress reports are published and are available	State department for crop development and agricultural research in the MoALF&C

Kenya Climate Smart Agriculture Project (KCSAP)	Government of Kenya and World Bank	24 counties	2017-2022	All progress reports are published and are available	Kenya Agricultural and Livestock Research Organisation (KALRO), Kenya Meteorological Department (KMD) under MoALF&C

Source: MoALF&C and specific project website

As additional data in terms of materially (at least 75%by value of extra-budgetary units and public corporations) and exact date of reporting could be established, the score for this dimension is 'D'.

Dimension score: D

Recent or ongoing reform activities

None.

CRPFM–6 Climate responsive asset management

This indicator measures the extent to which non-financial assets, in particular lands and buildings, are covered by Climate Change adaptation and mitigation approaches regarding the identification of the risks and potential contribution, their inclusion in the government's strategies, and the regulation of their use, disposal and transfer. It contains one dimension. Coverage is budgetary central government and the time period is last completed fiscal year 2020/2021.

Summary of scores and performance table

CRPFM-6	Dimension	Score 2022	Brief justification of 2022 score
Climate responsive asset management		D	
6.1. Climate responsive non-financial asset management		D	Climate-related information is not included in the asset registers such as exposure and sensitivity of relevant assets to climate variability and extreme weather events.

There is no evidence that climate-related information was included in the asset register in the year 2020/2021. The government issued Circular No. 23/2020 in 2020 on 14 October 2020 as a follow up to Circular No. 5/2020 issued on 25 February 2020 requiring MDAs and State Corporations to prepare assets and liabilities register and submit them to the National Treasury. The guidelines on asset and liability management in the public sector and the circulars cover the principles of non-financial asset management, objectives of non-financial asset management, custody of ownership documents for assets and life cycle approach to non-financial asset management. The policy and the circulars do not explicitly give guidelines on adaptation and mitigation strategies focusing on existing assets. The guidelines also do not identify the potential impact of climate change on the non-financial assets nor the exposure and sensitivity of public lands, buildings, and infrastructures to climate variability, extreme weather events and transition risks. However, the guidelines identify the relevant non-financial assets and provide a schedule of useful lives and depreciation of flood mitigation and drainage infrastructure, water infrastructure, among others. Identification of assets is both individual (for instance buildings, plant, furniture, fittings and equipment) and by category of non-financial assets for instance vehicle fleet). Government institutions, both budgetary and extra-budgetary maintain an asset register with information on age, status, and location of asset but information on climate related risk is not included. The Public Procurement and Asset Disposal Act no. 33 of 2015provides the rules and procedures for the disposal and transfer of non-financial assets such as such as lands, buildings production units, infrastructures, transportation systems.

Dimension score = D

Recent or ongoing reform activities

There are plans to activate the IFMIS fixed assets module to improve public asset accountability and reporting.

CRPFM–7 Arrangements for complying with monitoring and reporting on climate- related debt and guarantee instruments

This indicator measures the extent to which the government is able to manage climate-related liabilities. It contains two dimensions.

Summary of scores and performance table

CRPFM-7 Dimension	Score 2022	Brief justification of 2022 score
Climate-related liabilities	D	
7.1. Climate-related fiscal risks	D	The government does not prepare a climate related fiscal risk report.
7.2 Climate-related debt and guarantees	NA	As there is no mandatory climate related reporting, this dimension is not applicable.

7.1. Climate-related fiscal risks

The government includes a fiscal risk statement as an annex in the budget policy statement (BPS) that is published annually in February. The Public- Private Partnership (PPP) directorate of the National Treasury started preparing a statement on fiscal risks that may arise from PPPs in 2021. In future the statement will be part of the annual risk statement published together with the BPS. The Government appreciates the significant importance of monitoring fiscal risks stemming from PPP projects, and as such, developed a policy approach to providing support and guarantees to private entities transacting public investment projects in October 2018. The policy provides clarity on the types and means of providing various Government Support Measures (GSMs) to privately-financed public investment projects; and the way in which they, with associated liabilities, are to be disclosed. The first report and disclosure on fiscal risks arising from Public Private Partnerships was published on 28 October 2021. The report indicates the PPP projects approved by the PPP Committee most of which are in the roads sector and energy sectors. There is however no climate related fiscal risk report. The fiscal risk report arising from PPPs does not identify climate related fiscal risks.

The National Treasury recognizes the need for fiscal responsibility with respect to issuance and monitoring GSMs for these projects, this is achieved through continuous management of fiscal costs and risks arising from issued GSMs. Measures include an ex-ante assessment of the Fiscal Costs and Contingent Liabilities (FCCL) in PPP projects at the various approval stages as outlined in the PPP Act, 2013, and a clear approval mechanism for GSMs. In the interest of keeping up with consistency and transparency, GSM requests can only be channelled through the National Treasury and approved by both Cabinet and the Attorney General. The GSM policy outlines a clear accounting, disclosure, and monitoring framework for the various GSMs. The report indicates an estimation of contingent liabilities for PPPs which is conducted based on a worst-case scenario. This involves the assessment of the key risk event that would have the greatest financial impact on government i.e., early termination of the PPP contract due to government default. As of 28th September 2021, the level of government contribution to contingent liabilities is shown below for roads and energy sectors.

Table 7.1 Level of government Contribution to Contingent Liabilities

Sector	Estimated Total Termination Payment (USD m)	Likelihood (High/Medium/Low)	Impact (High/Medium/Low)
Energy Sector PPPs	510.9	Low	High
Road Sector PPPs	926.7	Low	High

Source: PPP, 2021: Fiscal Risk Disclosure; fiscal risks arising from public private partnerships

The Public Private Partnership Act of 2013 part VI on project identification and selection of private party provides in section 32 (1) that a contracting authority shall constitute a project appraisal team for the purpose of overseeing the preparation phase of the project in accordance with regulations made under the Act. In section 34 a contracting authority shall, upon conducting a feasibility study under section 33 prepare a report in the prescribed form not later than two months after the study. Section 35. (1), provides that the contracting authority shall submit a feasibility report prepared under section 33 to the PPP unit for review and evaluation. Section 35 (2 and 3) requires the PPP unit to submit the feasibility report to the Debt Management Office for assessment and approval of the fiscal risk and contingent liabilities of the project. The unit shall submit the report together with its recommendations and the approval of the Debt Management Office to the Committee for approval. The PPP tool kit require assessment of project fiscal affordability and fiscal risks during the pre-feasibility study. This tool kit provided by the PPP unit is widely used by MDAs especially in roads and energy sectors. The tool kit also assesses the costs of mitigating the environmental and social impacts of the projects considered under PPP arrangement.

Dimension Score: D

7.2. Climate related debt and guarantees

The finance needed to support the Government's low-carbon and climate resilient transition is outlined in the NDC, the NAP, and NCCAP. A landscape study of climate finance conducted by National Treasury and partners and published in March 2021 indicates that most (approx. 79%) of international climate finance is delivered through debt (ODA and loans on market terms), followed by grants (approx. 19%) and equity (approx. 2%). Grants largely finance adaptation and cross-cutting projects while debt instruments largely support mitigation. The draft National Green Fiscal Incentives Policy Framework provide guidelines on how the government MDAs can enhance mobilization of climate finance from all sources: private, public, multi-lateral agencies, bilateral, philanthropic, etc. to finance Kenya's updated NDC and NCCAP. On the other hand, the sovereign green bond framework articulates the country's governance on funds raised from issuance of bonds, use of proceeds, project selection, evaluation and reporting requirements. The country's green bond framework received a Second Party Opinion on Green Projects Pipeline and Assets rated CICERO Medium Green, meaning the Framework was found to be in alignment with the green bond principles.

All central government (both budgetary and extra-budgetary units) debt and guarantees are managed by the National Treasury department in charge of public debt - Public Debt Management Office (PDMO). PDMO also function as the principal in the issuance of Government debt securities on behalf of the National Treasury. The Central Bank of Kenya (CBK) manage domestic debt on behalf of PDMO. PDMO uses the Commonwealth Secretariat Debt Recording and Management System (CS-DRMS) to record and manage foreign debt and guarantees. The public debt management system captures the information needed for all types of instruments used in the country. The external public debt register is available publicly, but the annual debt plan maintained by CBK is not published. The Public Financial Management Act of 2012 indicate that all public loans and guarantees must be approved by parliament. Parliament shall also provide for thresholds for the borrowing entitlements of the national government and county governments and their entities. The Cabinet Secretary of the National Treasury, or any person designated by the Cabinet Secretary in writing is authorised to execute loan documents for borrowing by government.

The Public Private Partnership Act of 2013 section 27 provides that the Cabinet Secretary National Treasury may, in consultation with the Debt Management Office and the Committee, where it considers it necessary to support a project and in order to reduce premiums factored for political risks, issue a guarantee, undertaking or binding letters of comfort in relation to a project. The legal framework has clear provisions on the reasons under which the government both National and Counties can borrow and processes for approving government borrowing. The law is also specific on borrowing if unforeseen financing need emerges. Section 16 of the PFM Act indicates that the national government may, with the approval of Parliament, deviate from the financial objectives in a Budget Policy Statement on a temporary basis where such deviation is necessitated by a major natural disaster or other significant unforeseen event. The law does not require separation of climate related debt and guarantees and therefore no separate disclosure and report is provided. There is no mandatory climate related reporting. The legal framework governing debt and guarantees is the same for national government, county governments, public corporations, and semi-autonomous government agencies (SAGAs). As there is no mandatory climate related reporting, this dimension is not applicable.

Dimension Score: NA

Recent or ongoing reform activities

The National Treasury through the PPP Directorate is focusing on revitalizing the PPP program, including cleaning up the PPP pipeline and review of the PPP legal framework to ensure that projects to be delivered as PPPs are affordable and fiscally sustainable. Additionally, all new energy sector projects that are financed through the private sector, in whole or part, will also be assessed through the PPP Directorate and any GSM application will be assessed in line with the GSM Policy. The government is moving to a new public debt management system, the Commonwealth Meridian In line with stronger emphasis on medium-term debt management strategy development, increasing awareness of risk management, growing importance of the management of contingent liabilities, new reporting standards and the need for improved transparency. The draft National Green Fiscal Incentives Policy Framework would provide guidelines on issues around climate related tax policies and incentives once enacted.

CRPFM–8 Climate-responsive procurement

This indicator examines the extent to which climate change mitigation and adaptation measures are embedded into key aspects of procurement management. It measures the extent to which the government purchases goods, services and works that cause minimal adverse impacts on climate change. It also evaluates resilience and responsiveness of the procurement system to climate induced risks, and responsiveness of the system to climate induced disasters. It contains four dimensions. Coverage is central government and time period is the last completed fiscal year 2020/2021 for CRPFM-8.1, 8.2. and 8.3 and last completed fiscal year 2020/21 (covering the last three completed fiscal years for the assessment of the CC responsive procurement) for CRPFM-8.4.

Summary of scores and performance table

CRPFM-8	Dimension	Score 2022	Brief justification of 2022 score
Climate responsive procurement		D	
8.1. Climate responsive public procurement framework		D	The procurement framework does not provide criteria to determine what products or services count as climate responsive and the scope of procurement operations subject to climate-responsive procurement principles.
8.2 Climate responsive public procurement operations		D	There are no specific climate-responsive standards that are used to help determine tender requirements and specifications, other than the environmental impact assessments. There are no

CRPFM-8	Dimension	Score 2022	Brief justification of 2022 score
			simplified procedures and templates to expedite procurement for response to climate induced disasters other than what is provided for on procurement in response to natural disasters and for a declared national emergency situation.
	8.3. Climate responsive public procurement monitoring	D	Currently, there are no simplified procedures and templates to expedite procurement for response to climate induced disasters other than what is provided for on procurement in response to natural disasters and for a declared national emergency situation. This will be addressed once the draft green procurement framework is approved by cabinet and enacted by parliament.
	8.4 Climate responsive public procurement reporting	D	Details of contracts, including those made under emergency procurement, are available at PPRA (although the number of entities registered are low) and are publicly available in databases and websites of procuring entities including emergency procurement. There is however no evidence of a statistical report on climate responsive public procurement.

8.1. Climate responsive public procurement framework

For FY2020/2021, the main law governing public procurement and asset disposal by State organs and public entities is the Public Procurement and Asset Disposal Act (PPADA) No. 33 OF 2015. The Act establishes the criteria, principles, and values to guide public procurement. Under Section 3 (i) state organs and public entities are expected to be guided by the principle of sustainable development and protection of the environment among other values of the Constitution and relevant legislation. Section 60 (1-3) indicates that a procuring entity shall prepare specific requirements relating to the goods, works or services being procured that are clear, that give a correct and complete description of what is to be procured and that allow for fair and open competition among those who may wish to participate in the procurement proceedings. The specific requirements shall include all the procuring entity' s technical requirements with respect to the goods, works or services being procured. Some of the technical requirements considered where appropriate is environment-friendly factor. The procurement framework however does not provide a criterium to determine what products or services count as climate responsive and the scope of procurement operations subject to climate responsive procurement principles.

The Public Procurement Regulatory Authority (PPRA) is mandated to monitor, assess, and review the public procurement and Asset Disposal system to ensure they respect the National values and other provisions including Article 227 of the constitution on public procurement. The Ministries of Environment and Forestry and the National Treasury and Planning are spearheading the green public procurement framework. The existing legal framework does not establish clear criteria to determine what products or services count as climate responsive and the scope of procurement operations subject to climate responsive procurement principles. However, the draft green procurement framework which is yet to be gazetted for use by procuring entities has identified an opportunity for incorporating green procurement criteria in tender documents. The framework has proposed that bidding documents should include technical specification for products and services and general conditions for green procurement and specification on environmental criteria.

Dimension Score: D

8.2 Climate-responsive public procurement operations

The public procurement and asset disposal regulations of 2020 under Section 71 (2)(c) require that any user department initiating the procurement process to submit such through a requisition to the head of the procurement function for processing. This requisition is accompanied by applicable environmental and social impact assessment reports. Sec 189(2) provide that disposal of items with potential environmental, health and safety or security concerns shall be in accordance with the applicable Acts of Parliament. PPDA section 69 (2) indicates that no procurement approval shall be made to operate retrospectively to any date earlier than the date on which it is made except on procurements in response to an urgent need. Section 34 (1, C) of the environmental (impact assessment and audit) regulations, 2003 require that in executing a project, after the environmental impact assessment study report has been approved by the Authority, or after the initial audit of an ongoing project, the proponent shall take all practical measures to ensure the implementation of the environmental management plan by ensuring that the criteria used for the audit is based on the environmental management plan developed during the environmental impact assessment process or after the initial audit.

The draft green procurement framework has proposed incorporation into public procurement regime, the circular procurement models. The model is about making agreements to ensure that the products that are procured are produced in accordance with the principles of the circular economy and will be further processed after use. Such products are, for example, designed for durability, repairability and recycling and can at the end of their life cycle be broken down into components, materials, or raw materials, which can then be used again in the production chain. There are no specific climate responsive standards that are used to help determine tender requirements and specifications, other than the environmental impact assessments.

Currently, there are no simplified procedures and templates to expedite procurement for response to climate induced disasters other than what is provided for on procurement in response to natural disasters and for a declared national emergency situation. This will be addressed once the draft green procurement framework is approved by cabinet and enacted by parliament.

Dimension Score: D

8.3. Climate-responsive public procurement monitoring

The National Treasury Guidelines on Public Investment for National Government and Its Entities Circular No. 16/2019 in section 26 provides the procedures to be followed in line with the PFM regulations of 2015 as pertains monitoring, evaluating, and reporting on project implementation. The law provides for establishment of PFM standing committee tasked with ensuring delivery of projects on time, to budget and in compliance with design specification. The PPDA section 69 (3) on procurement approvals provides that in approving procurements relating to an urgent need, the accounting officer shall be furnished with adequate evidence to verify the emergency. Under PPDA section 124 (12) on selection methods for requests for proposals, it is provided that Single Source Selection may be appropriate in the in exceptional cases, such as, but not limited to, in response to natural disasters and for a declared national emergency situation. The law also provides in sub-section 13 and 15 that the accounting officer shall issue a written justification for single-source selection in the context of the overall interests of the procuring entity. Where alternative methods are selected a report shall be prepared and submitted to the procurement authority for approval.

Section 103 of PPDA provide that a procuring entity may use direct procurement as allowed if there is a natural disaster or owing to a catastrophic event or there is an urgent need for the goods, works or services, and engaging in tendering proceedings or any other method of procurement would therefore be impractical, provided that the circumstances giving rise to the urgency were neither foreseeable by the procuring entity nor the result of dilatory conduct on its part. Section 104 of the

PPDA then provides the procedure for direct procurement. This system is complied with by procuring entities and prepare reports on emergency procurement. Lack of technical experts in climate change within the MDAs is a hinderance to compliance of contract awards and implementation especially for tenders and contracts with climate responsive specifications. The Climate Change Act Section 15(5) require each state department and national government public entity to designate a unit with adequate staff and financial resources and appoint a senior officer as head of the unit to coordinate the mainstreaming of the climate change action plan and other climate change statutory functions and mandates into sectoral strategies for implementation. There is evidence that some of the MDAs have complied with this provision, however, the level of compliance among most MDAs could not be established.

Dimension Score: D

8.4 Climate responsive public procurement reporting

Most procuring entities publish procurement contract as required by section 38 of PPDA subsection 1 that the accounting officer of a procuring entity shall publish and publicise all contract awards on their notice boards at conspicuous places, and website if available within a period as prescribed. Subsection 2 indicate that an accounting officer of a procuring entity shall report all contract awards to the PPRA as prescribed except for low value procurement. Details of contracts, including those made under emergency procurement, are available at PPRA (although the number of entities registered are low) and are publicly available in databases and websites of procuring entities including emergency procurement. There is however no evidence of a statistical report on climate responsive public procurement. The PPDA require that all procuring entities use the PPRA platform. There are many procuring entities that have not complied with this requirement.

Dimension Score: D

Recent or ongoing reform activities

The Government has developed a draft green public procurement framework to create an enabling environment for green public procurement implementation. PPRA has started the process of publishing simplified templates and user guides on procurement.

CRPFM–9 Climate-responsive revenue administration

This indicator measures the government's capacity to implement tax policies aimed at reducing GHG emissions and increase resiliency. It also evaluates the extent to which revenue collection generates arrears. It contains two dimensions and uses the conversion table for aggregating dimension scores. Coverage is the budgetary central government and time period is last completed fiscal year 2020/2021.

Summary of scores and performance table

CRPFM-9	Dimension	Score 2022	Brief justification of 2022 score
Climate responsive revenue administration		D	
9.1. Climate related tax management, audit and investigation		D	Kenya does not have an explicit system on taxes for GHG emissions but has in 2022 introduced incentives that encourages the use of market approaches for low carbon development.
9.2. Climate related tax arrears		D	The Kenya Revenue Authority does not track climate related tax arrears.

9.1. Climate related tax management, audit and investigation

For the FY2020/2021, Kenya does not have an explicit system on taxes for GHG emissions for instance a cap-and-trade system or a carbon tax. NEMA maintains an Incident Management Unit database that reports most environmental crimes and incidents in Kenya. A database for industry GHG emitters is also maintained by NEMA but it is neither public nor linked to the taxpayer database. The country only collects energy taxes such as excise taxes on petroleum products, a levy on electricity consumption, and a levy on rural electrification. However, Kenya's Finance Act Number 22 of 2022 (Finance Act) has introduced a tax incentive that encourages the use of market approaches for low carbon development. The Finance Act, which was assented to on 21 June 2022, introduced a corporate tax incentive for companies operating a carbon market exchange or emission trading system.

Section 22 of the Finance Act 2022 amended the Third Schedule to the Income Tax Act Cap 470 of the Laws of Kenya by inserting item (n) in respect of a company operating a carbon market exchange or emission trading system that is certified by the Nairobi International Financial Centre Authority, fifteen per cent for the first ten years from the year of commencement of its operations; and item (o) in respect of a company operating a shipping business in Kenya, fifteen per cent for the first ten years from the year of commencement of its operations. The new tax rate came into operation on 1 July 2022 and is significantly lower than the ordinary corporate tax rate of 30%currently applied in Kenya. Additionally, the National Policy Framework on Green Fiscal Incentives under development is meant to provide guidelines on carbon pricing techniques e.g., carbon and environmental taxation.

Dimension Score: D

9.2. Climate related tax arrears

For the FY2020/2021, the Kenya Revenue Authority does not track climate related tax arrears. There were no taxes for GHG levied in Kenya in the period under assessment.

Dimension Score: D

Recent or ongoing reform activities

The National Treasury and Planning has formed a taskforce that is guiding the development of a National Policy Framework on Green Fiscal Incentives. Once approved, the framework will provide guidelines on enhancing private financing of climate actions, spur green innovation and technology development, improve green fiscal consolidation, and help identify smarter ways for government taxation and spending.

CRPFM–10 Compliance of climate related expenditure

This indicator measures the extent to which efficient control systems are in place to guarantee the compliance of payments with climate change criteria. It contains two dimensions and uses the conversion table for aggregating dimension scores.

Summary of scores and performance table

CRPFM-10	Dimension	Score 2022	Brief justification of 2022 score
Compliance of climate related expenditure		D+	
10.1. Effectiveness of the system of controls		D	The controls in place within IFMIS ensure that payment is only done against approved budgets and in adherence to conditionalities attached to the funds. However, limitations within IFMIS on capturing activity-level expenditure (in addition to SCOA's current configuration not being able to

		integrate and track climate related expenditure) makes it difficult to determine the actual amount spent on the type of climate activity.
10.2. Audit of the compliance of transaction	C	The OCoB prepares and submits to parliament a report on the implementation of the budgets of the national and county governments after every four months. All CMDAs report to the National Treasury how they used monies allocated through conditional transfers including for climate change. The OAG also conducts annual financial, compliance audit, and fraud investigations on the use of public funds, including climate finance even though this may not cover all public entities in a particular fiscal year, largely due to inadequate funding of OAG.

10.1. Effectiveness of the system of controls

The National Treasury regularly issues guidelines on how public resources should be managed in line with requirements of the PFM Act among other laws. The Office of the Auditor General (OAG) is mandated to audit and report on the use and management of public resources by public entities. Article 229(6) of the Constitution requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way. This broad responsibility requires the OAG to go beyond accounts certification and compliance. For instance, to check the use of proceeds for climate related transactions and that such expenditures are compliant with their intent. The audit reports for climate related programs at national and county government levels reviewed under this assessment indicate that the OAG checks for compliance with applicable laws and regulations and external financing agreements and covenants. The controls in place within IFMIS ensure that payment is only done against approved budgets and in adherence to conditionalities attached to the funds. However, limitations within IFMIS on capturing activity-level expenditure (in addition to SCOA's current configuration not being able to integrate and track climate related expenditure) makes it difficult to determine the actual amount spent on the type of climate activity.

The Auditor general conducted performance review of IFMIS in November 2016 for the period July 2010 to June 2014 aimed at ascertaining if the Auditor-General can rely on information produced by the IFMIS for the purpose of audit & Reporting. The review also checked whether the implementation of IFMIS System has been done in an 'effective' manner and the effectiveness of the system in management of public resources in a multi layered government structure. One of the findings of the review is that payment processes across the Government of Kenya are activated in IFMIS including creation of purchase requisitions, creation of purchase orders, perform fund availability check, perform inspection, recording of inspection and good receipt details, invoicing, and processing of payments. Other recommendations given by the OAG in the report were implemented in subsequent years while some are under or pending implementation.

Dimension Score: D

10.2. Audit of the compliance of transaction

The internal audit departments across MDAs conduct audits and investigations to ensure that monies have been spent for their intended purpose including monies intended for climate related programmes. For FY2020/2021, all budgeted central government entities in charge of implementing climate policies adhere to laid out procedures on climate related expenditure. Some of the climate programmes like Financing Locally Led Climate Action (FLLoCA) have rigorous criteria that implementing agencies have to adhere to before they can receive transfers from National Treasury. Transfers for some programmes apply results-based financing. On its part the OCoB an independent office established by Article 228 of the Constitution of Kenya oversee implementation of the budgets for both National and County Governments by authorising withdrawal from public funds. The OCoB is expected not to approve any withdrawal from a public fund unless satisfied that the withdrawal is authorised by law. The OCoB prepares and submits to parliament a report on the implementation of the budgets of the national and county governments after every four months. All CMDAs report to the National Treasury how they used monies allocated through conditional transfers including for climate change. The OAG also conducts annual financial, compliance audit, and fraud investigations on the use of public funds, including climate finance even though this may not cover all public entities in a particular fiscal year, largely due to inadequate funding of OAG.

Dimension Score: C

Recent or ongoing reform activities

The proposed revision of SCOA to address key PFM areas of improvements.

CRPFM–11 Climate-responsive fiscal decentralization framework

This indicator measures the extent to which fiscal decentralization arrangements factor climate change in order to facilitate and encourage local climate policies conducted by subnational governments (SNGs), ensuring the translation of a vertical integration of climate change objectives. It contains three dimensions. Coverage is central government and and the subnational governments which have direct financial relationships with CG. Time period is at time of assessment covering the last three completed fiscal years (2018/2019, 2019/2020, 2020/2021) for CRPFM-11.1, last completed fiscal year 2020/2021 for CRPFM-11.2, and at the time of assessment for CRPFM-11.3.

Summary of scores and performance table

CRPFM-11	Dimension	Score 2022	Brief justification of 2022 score
Climate responsive fiscal decentralization framework		B+	
11.1. Climate responsive fiscal decentralization arrangements		B	The Climate Change laws provides for mandates and competencies of the county governments in relation to climate mitigation and adaptation and mainstreaming of climate change in CIDPs, the primary planning tools for county governments. The Second Implementation Status Report includes an evaluation of mandates and competencies of county governments and was conducted in compliance with the requirements of Section 13(7) of the Climate Change Act, 2016 that requires that CCD undertake a biennial review of the implementation of the NCCAP and report to the National Climate Change Council.
11.2. Climate responsive fiscal transfers		A	Climate change related conditional transfers for FY2020/2021 are associated with objectives aligned with the national climate change strategy. The county governments report regularly at least quarterly and annually to the national government on the use of climate related transfers. Some of the climate programs apply results-based financing.
11.3. Climate responsive PFM arrangements applied by subnational governments		B	As indicated in Table CRPFM-11.1 below, and as at the time of assessment, the government meets at least two out of the four criteria (criterium four is not applicable).

11.1. Climate-responsive fiscal decentralization arrangements

The Government of Kenya approved the Sessional Paper No. 3 of National Policy on Climate Finance, 2017 and enacted the Climate Change Act, 2016 in recognition of the fact that local communities in all the forty-seven (47) counties in Kenya are highly susceptible to the potential impacts of climate change. Kenya has put in place policies, legal and institutional frameworks to address climate change. The Climate Change laws provide for mandates and competencies of the county governments in relation to climate mitigation and adaptation. The Climate Change Act, 2016 and National Climate Change Action Plan (NCCAP) recognize the role of county governments in the implementation of climate actions. The Act requires county governments to mainstream climate change actions in the County Integrated Development Plans (CIDPs) and County Sectoral Plans. The county governments are also required to establish the County Climate Change Fund (CCCF) to support climate change actions. Thirty-four counties, representing 72%have established CCCF.

The CIDPs, required by law as primary planning tools, are the mechanisms for implementing climate change actions and interventions at the County Government level. The Climate Change Act, section 25, established the Climate Change Fund which is a financing mechanism for priority climate change actions and interventions approved by the Climate Council. The Fund is invested in the National Treasury and is administered by the Council and managed by the Principal Secretary responsible for climate change affairs. Sub-section (8) of the Climate Change Act indicates that the Fund shall be applied to among other things to provide technical assistance to county governments. However, the Climate Change Council established by the Act has never met and the climate change fund established under section 25 of the Act is not operational due to inconsistency with the PFM Act.

The National Climate Change Action Plans provides the path towards low carbon climate resilient development. It also provides a framework for Kenya to deliver on its National Adaptation Plan and its NDC under the Paris Agreement of the UNFCCC. It encourages the mainstreaming of adaptation and mitigation actions across sectors and both levels of government (National and County). The recent report on the country performance is documented in the National Climate Change Action Plan 2018-2022 Second Implementation Status Report for the financial year 2019/2020 published by the Climate Change Directorate in December 2021. A total of 90 institutions responded with data on implementation of NCCAP at their levels including 40 (out of 47) county governments, 34 MDAs, 11 research institutions and 5 private sector entities. The Second Implementation Status Report includes an evaluation of mandates and competencies of county governments and was conducted in compliance with the requirements of Section 13(7) of the Climate Change Act, 2016 that requires that CCD undertake a biennial review of the implementation of the NCCAP and report to the National Climate Change Council.

Dimension Score: B

11.2. Climate responsive fiscal transfers

The county governments receive conditional climate related transfers from the National Treasury for various projects on climate change funded by the central government or by development partners. Guidelines on conditional transfers including for climate change are contained in the National Treasury circulars for instance Circular No. 25/2020 on frameworks for management of conditional allocations contained in County Allocation of Revenue Act, 2020 pursuant to provisions of regulation 130 (2) of PFM (National Government) regulations, 2015. The circulars explain the responsibilities of CMDAS, the amount allocated in the financial year, the conditions on timelines, co-financing, reporting requirements, purpose of funds, allocation criteria, among others.

Some of the recent projects for which county governments have received funds include the World Bank locally-led climate change adaptation (CCA) and disaster risk management (DRM) project, FLLoCA program. FLLoCA is a 5-year program being implemented by the National Treasury and Planning with financial support from the World Bank and other development partners. The program is a performance-based financing in support of the implementation of the NCCAP's seven plus one Action Areas and five Enabling and Readiness Actions in all 47 counties. It is addressing the growing climate change related challenges to deliver locally-led climate resilience actions and strengthen county and national governments' capacity to manage climate risks.

Other projects include the Kenya Climate Smart Agriculture Project (KCSAP), a Government of Kenya project jointly supported by the World Bank. KCSAP is being implemented under the framework of the Agriculture Sector Development Strategy (ASDS) (2010-2020) and NCCRS, 2010; Agriculture Sector Development Support Programme (ASDSP) implemented by central government and the county governments to contribute to addressing food and nutrition security; other projects co-funded by Green Climate Fund and Global Environment Facility. All the Climate change related conditional transfers for FY2020/2021 are associated with objectives aligned with the national climate change strategy and action plans. The county governments report regularly at least quarterly and annually to the national government on the use of climate related transfers. Some of the programs such as FLLoCA also apply results-based financing. The national treasury among the other ministries conduct assessment on a regular basis and publish reports on performance.

Dimension Score: A

11.3. Climate-responsive PFM arrangements applied by subnational governments

Tracking of climate change related expenditure arrangements in the national government is the same applied for county governments. Due to capacity constraints within county governments climate change expenditures funded through own resources such as grants, local taxes and fees, and contribution in kind from stakeholders are hardly tracked. Expenditures funded through transfers from central government are reported regularly on quarterly and annual basis. Tracking of climate expenditure at county governments level just like for the national government is not operationalized within IFMIS. The legal framework for climate related debt and guarantees clearly specifies the arrangements for county governments. There are no clear guidelines, rules and procedures for transfer and disposal of climate sensitive non-financial assets both at national and county government levels as indicated in CRPFM 6.

County readiness assessment report done for FLLoCA program indicate that nearly 90% of the counties (42 out of 47) had designated a county executive committee Member in charge of climate change. The report also showed that more than three quarters of the counties had functional community and county level institutions on climate change at 81% and 79% respectively and nearly two-thirds (62%) of the counties had established a Climate Change Unit which are necessary for mainstreaming climate change in planning within the counties. More than half of the counties (51%) had developed the County climate change policies, while only 26% had county climate finance policies in place. The report further indicates that 79% of the counties had put in place environmental and social safeguard mechanisms.

The provisions of the Kenya Investment Policy apply to county government as well national government. The KIP addresses private investment at the national and county levels to ensure seamless promotion and facilitation process, and policy and regulatory coherence. The policy recognizes the central role of Kenya's Constitution (2010) which clearly delineates the complementary roles that national and county governments play in investment promotion.

The NCCAP provides an overarching blueprint to guide the mainstreaming of adaptation and mitigation actions across sectors and levels of government. Further, section 13(7) of the Climate Change Act, 2016 requires that the Climate Change Directorate undertake a biennial review of the implementation of the NCCAP and report to the National Climate Change Council. The review is informed by the inputs from MDAs that are required to report annually to the Climate Change Council on the status and progress of performance and implementation of climate change duties and functions. The review is also informed by County Government reports on the progress of the implementation of climate change actions, which are to be submitted annually to the County Assembly.

The legal and regulatory framework for debt and guarantees, as applies to the National Government is the same for the County Governments and in adherence to PFM Act. The Act indicate that all public loans and guarantees must be approved by parliament. Parliament shall also provide for thresholds for the borrowing entitlements of the national government and county governments and their entities. The Cabinet Secretary of the National Treasury, or any person designated by the Cabinet Secretary in writing is authorised to execute loan documents for borrowing by government. As indicated in Table CRPFM-11.1 below, and as at the time of assessment, the government meets at least two out of the four criteria (criterium four is not applicable).

Table CRPFM-11.1: Analysis of elements.

The fiscal decentralization arrangements satisfy the following criteria:	Satisfaction (Y/N)	Justification
National arrangements for tracking climate related expenditure are applied to SNGs.	Yes	The National arrangements for tracking climate related expenditure are the same as for county governments as for national government
The climate change related investment framework covers SNGs.	Yes	The climate change related investment framework covers both national and county governments.
Procedures and rules for the transfer and disposal of CC sensitive non-financial assets apply to SNGs	No	There are no clear guidelines, rules and procedures for transfer and disposal of climate sensitive non-financial assets both at national county government levels.
The legal or regulatory framework for climate related debt and guarantees specifies arrangements for SNGs.	N/A	County governments not mandated to secure climate related debt and report same; therefore, this element is not applicable.
The climate related procurement framework covers SNGs.	No	As at the time of this assessment, the draft green procurement framework was not yet ratified for use by national and county governments.

Dimension Score: B

Recent or ongoing reform activities

Ongoing establishment of Climate Change Units and County Climate Change Funds for county governments that have not completed the process.

CRPFM–12 Climate related performance information

This indicator measures the extent to which information on planned and achieved performance covers the climate change adaptation and mitigation policies and is included in budget documentation. It contains two dimensions and uses the conversion table for aggregating dimension scores. Coverage is budgetary central government and time period is last budget submitted to the legislature (i.e. FY2021/2022) for CRPFM-12.1 and last completed fiscal year 2020/2021 for CRPFM-12.2.

Summary of scores and performance table

CRPFM-12	Dimension	Score 2022	Brief justification of 2022 score
Climate-related performance information		C	
12.1. Climate-related information in performance plans		C	The extract below of environment sub-sector drawn from the EPWNR Sector plan (which is published) shows programme, outputs, key performance indicators, and targets. It shows no objectives and outcomes, as was the case for the extract under PI-8 in the main PEFA report.
12.2. Climate-related information in performance reports		C	For FY2020/2021, these reports were submitted to parliament and county assemblies; they were also published. All the climate related programmes funded by government and/or international partners published implementation progress reports. There is no evidence that these reports include climate related outcomes. The other challenge is how to designate expenditure on activity level as climate responsive.

12.1. Climate-related information in performance plans

The Environmental, Protection, Water and Natural Resources (EPWNR) Sector consists of five subsectors namely Environment, Natural Resources, Water, Irrigation and Mining. There are 28 SAGAs with Water subsector having 16, Natural Resource 6, Environment 2, Mining 3, and Irrigation 1. The sector is embedded in Article 42 of the Constitution and is expected to provide for a clean and healthy environment for every person. Article 69 of the Constitution requires the State to ensure sustainable exploitation, utilization, management and conservation of the environment and natural resources, and ensure the equitable sharing of the accruing benefits. In addition, Article 43 (1)(d) of the Constitution states that every person has the right to clean and safe water in adequate quantities.

Like all the other sectors, the EPWNR sector that brings together MDAs and stakeholders directly charged with climate change prepare sector plans in line with the medium-term plans. The sector plan covers all the sub-sectors within the sector with information on the programme delivery unit, key outputs, key performance indicators, baseline and target for the previous year and actual achievement, target for the current financial year and projection for the next three years per programme and sub-programme. The plans also indicate the approved budget and actual expenditure per sub-sector, programme, and sub-programme. The plans are then published and are available at the National Treasury and Planning website for each of the sectors. The sector plans are used to inform the parliament committee in their oversight role and inform future medium-term plans. Apart from the EPWNR sector, there is no evidence to suggest that other MDAs and/or sectors delineate climate change activities in the annual performance plans.

A review of sector report for the period 2018/19-2020/21 indicates the medium-term priorities and corresponding resources in line with the Third Medium Term Plan (MTP III, 2018-2022) of the Kenya Vision 2030. It further outlines the broad development policies, plans, and programmes for the financial year (FY) 2018/19-2020/21 MTEF budget. The plan notes the Programme Performance Review, Programme Based Budget and Sub-Sector reports that informed the MTEF budgetary allocations. The extract below of environment sub-sector drawn from the EPWNR Sector plan (which is published) shows programme, outputs, key performance indicators, and targets. It shows no objectives and outcomes, as was the case for the extract under PI-8 in the main PEFA report.

Figure 6: Programmes/ Sub-Programme, Outputs and KPIs (Extract)

Environment Sub sector									
Programme	Delivery Unit	Key Outputs	Key Performance Indicators	Target 2016/17	Actual Achievement 2016/17	Target (Baseline) 2017/18	Target 2018/19	Target 2019/20	Target 2020/21
			developed						
		Sound Chemical Management and UPOPs reduction in Kenya	No. of policies and strategies and action plans developed	3	4	4	4	4	4
SP 2.2: National Environment Management	LVEMP II	Waste Management and Pollution Control	Number of waste water Treatment Facilities (sewerage) constructed/rehabilitated	3	3	3	0	0	0
			Number of Sanitation facilities- bio toilets In public/schools constructed.	17	9	17	0	0	0
	NEMA	Waste Management and Pollution Control	No. of Counties monitored on the implementation of the waste management strategy	35	47	47	47	47	47
			No. of counties pollution and waste sources mapped	5	5	10	6	8	12
			No. of sector stakeholders Sensitized on environmental management	17	20	23	25	27	30
		Compliance with environmental laws	% of environmental cases prosecuted	100	100	100	100	100	100
			No. of licenses issued as per regulations	5,789	11,983	4,000	6,600	6800	7,300
			No. of regulation reviewed	1	1	1	1	1	1
			No. of National and County Environment Action Plans prepared and monitored	47	47	48	48	48	48
			1 National and 47 County SOEs every 2 years	48	48	48	-	48	-

Source: EPWNR Sector report MTEF Budget for the period 2018/19-2020/21.

Dimension Score: C

12.2. Climate related information in performance reports

The sectors prepare quarterly and annual progress reports that indicate the status of implementation. Progress on climate related programs within the sectors are reported within the sector progress reports. These reports show the summary of the key output and key performance indicator per programme and the achievements by the sector for the period under review. The report also shows the budgetary allocation and expenditure trends for the last two financial years. The Work Plans are annual and are derived from the Strategic Plans of the ministries within the sector for instance under EPWNR Sector, the Ministry of Environment, and Natural Resources, Ministry of Water and Irrigation and Ministry of Mining which are aligned to the Medium-Term Plan of the Kenya Vision 2030. The National Treasury and Planning give guidelines and coordinates the preparation of the annual progress reports every financial year.

The report has a section that describes the cross-sector linkages, emerging issues, and challenges that affect its performance of the sector as it contributes to the realization of the Vision 2030, Sustainable Development Goals and multilateral agreements relating to the sector.
The government established the National Integrated Monitoring and Evaluation System/ Country Integrated Monitoring and Evaluation System (NIMES/CIMES) to provide a mechanism to track the implementation of projects and programmes contained in the Kenya Vision 2030 MTPs and the County Integrated Development Plans. The e-NIMES/e-CIMES electronic platform provides data management component critical in generating real-time information for evidence-based decision making at the national and county government levels.

In addition, as per the requirements of section 13(7) of the Climate Change Act, 2016 the Climate Change Directorate under the Ministry of Environment and Forestry conduct a biennial review of the implementation of the NCCAP. The review is informed by the inputs from MDAs that are required to report annually to the Climate Change Council on the status and progress of performance and implementation of climate change duties, functions, and programmes under their purview. The review is also informed by County Government reports on the progress of the implementation of climate change actions. For FY2020/2021, these reports were submitted to parliament and county assemblies; they were also published. All the climate related programmes funded by government and/or international partners published implementation progress reports. There is no evidence that these reports include climate related outcomes. The other challenge is how to designate expenditure on activity level as climate responsive.

Dimension Score: C

Recent or ongoing reform activities

None.

CRPFM–13 Climate related performance evaluation

This indicator measures the existence of an evaluation of the climate change related programs as well as the inclusion of climate change in the evaluation of other programs. It covers both expenditure and revenues. It contains two dimensions and uses the conversion table for aggregating dimension scores.

Summary of scores and performance table

CRPFM-13	Dimension	Score 2022	Brief justification of 2022 score
Climate-related performance evaluation		C	
13.1. Climate-related evaluation of expenditure		B	Evaluation of climate-related programs is done regularly evidenced by published reports. This is conducted independently by the auditor general, internal audit department at the National Treasury and internal audit departments within MDAs. OAG reports and programme specific evaluations are published.
13.2. Climate-related evaluation of taxes		D	There is no evidence of evaluation that is conducted on the contribution of climate related taxes to climate change mainly the country only collects energy taxes and there are no explicit carbon taxes.

13.1. Climate-related evaluation of expenditure

The audit of climate related programs is conducted by both the internal auditors at the MDAs and by the Auditor General (AG). The Auditor General is mandated by the Constitution of Kenya article 229 to audit and report on the use of public resources by all entities funded from public funds. The constitution requires the AG to audit and submit audit reports of public entities to parliament and relevant county assemblies by 31st December every year. Most of the climate related programs are implemented by the semi-autonomous government agencies for instance NEMA, Kenya forestry research institute. These programmes are audited, and reports published in the office of Auditor General website and are available in parliament website. This assessment reviewed some of the audited reports for instance the integrated programme to build resilience and adaptive capacity of vulnerable communities in Kenya" for the year ended June 2021. The ministries under which the implementing agencies fall also conduct continuous review of the programs and report regularly.

Most of the climate related programs are funded by development partners, bilateral and multilateral development institutions, and mandated climate funds such as GCF and GEF. One of the requirements for such programs is independent evaluations and audit. All of the climate programs do comply with the requirements.

The Internal Auditor General Department (IAGD) of the National Treasury supports Accounting Officers and AIE Holders in the MDAs in the discharge of their responsibilities by evaluating and reporting on the effectiveness of the internal controls systems implemented by Accounting Officers and AIE Holders. One role of the IAGD is to conduct audit assignments in any government entity to assess whether risks are appropriately identified and managed. There is evidence of recent audit of climate related programs such as the audit report of the second national communication activities on climate change in Kenya for the period 2004 to 2016, completed in January 2022. The IAGD prepare quarterly consolidated internal audit report for all government entities to the Cabinet Secretary in charge of Finance. The internal departments within the MDAs also conduct audits of the climate programs as part of their usual work plans.

Programme specific evaluations are conducted as per the requirements of the funding agency. On its part the National Treasury as the National Designated Authority (NDA) for Green Climate fund receives Annual Performance reports (APR) from implementing agencies that presents the overall implementation progress of the project including performance against GCF investment criteria, financial information, project logic framework targets indicators, among others. This assessment reviewed several APR for instance for Kawi Safi Ventures Fund, adaptation fund, among others implemented in Kenya. Programme specific evaluations are published by the funding agencies and are publicly available.

Dimension Score: B

13.2. Climate- related evaluation of taxes

Kenya does not have an explicit carbon tax, nor a CO2 emissions trading system. However, the country collects energy taxes, including excise taxes on petroleum products, a levy on electricity consumption, passed on to the Energy and Petroleum Regulatory Authority and a levy on rural electrification, passed on to the Rural Electrification Authority. The National Policy Framework on Green Fiscal Incentives under development is meant to address these gaps by providing guidelines on carbon pricing techniques e.g., carbon and environmental taxation.

Dimension Score: D

Recent or ongoing reform activities

The National Treasury and Planning has formed a taskforce that is guiding the development of a National Policy Framework on Green Fiscal Incentives. The framework will provide guidelines on carbon pricing techniques i.e., carbon and environmental taxation, Emissions Trading Scheme, result-based payments, REDD+, among others.

CRPFM–14 Expenditure outturn for climate activities

This indicator measures the extent to which climate-related expenditures reflect the amounts originally approved, as defined in government budget documentation and end-of-year reports, both at the aggregate and at the detailed level. It contains two dimensions and uses the conversion table for aggregating dimension scores.

Summary of scores and performance table

CRPFM-14	Dimension	Score 2022	Brief justification of 2022 score
Climate-related performance evaluation		D	
14.1. Aggregate climate-related expenditure outturn		D	Calculating aggregate climate-related expenditure outturn is not possible. The current system can generate a report on climate change expenditure but in a hard-coded manner which would take a long time to complete.
14.2. Climate-related expenditure composition outturn		D	Calculating aggregate climate-related expenditure composition outturn is not possible. The current system can generate a report on climate change expenditure but in a hard coded manner.

14.1. Aggregate climate related expenditure outturn

The SCOA does not track climate-related expenditure and consequently the difference between approved budget and end-of year outturn in expenditure per program, administrative or other functional classification cannot be calculated. The current system can generate a report on climate change expenditure but in a hard-coded manner and mostly relying on support of IT specialists at IFMIS. Additionally, the extent of budget and expenditure breakdowns in the IFMIS is currently limited to program and sub-program levels and does not capture the cost of each separate action/activity under each subprogram. This absence of activity-level expenditure makes it difficult to determine the actual amount spent on the type of climate activity and expenditure within other programs that are not directly under climate change departments or for exceptional events such as natural disasters.

Dimension Score: D

14.2. Climate related expenditure composition outturn

The difference between the approved budget and the end-of year outturn in climate expenditure detailed by program, administrative or functional classification excluding contingency items and interest on debt cannot be calculated in the current system set-up.

Dimension Score: D

Recent or ongoing reform activities

The proposed additional segment in SCOA will build analytical reporting and raise the capacity and awareness of users on the existence and operations of the analytical reporting feature. The role of the reporting segment is to facilitate the process of grouping all budgets and transactions that are aligned to a particular cause or subject e.g., climate change and make reporting easy, responsive, and accurate. Automation will enhance tracking of climate related expenditure for all CMDAs. The proposed changes in the SCOA will make it possible to assess the extent to which actual climate expenditures deviate from the original, approved budget.

Sources of information

Indicator	Dimension	Data used
1 Budget alignment with climate change strategies	1.1 Budget alignment with climate change strategies	The Public Finance Management Act, 2012; Kenya Vision 2030; Medium-Term Plan III (2018-2022); Medium-Term Expenditure Framework (MTEF);

Indicator	Dimension	Data used
		National Climate Change Response Strategy (NCCRS) in 2010; Climate Change Act, 2016; first National Climate Change Action Plan, 2013-2017; National Climate Change Action Plan, 2018-2022; NCCAP Mitigation Technical Analysis Report; Article 2(6) of the Constitution (2010); Environmental Protection, Water and Natural Resources Sector working group report ; National Policy on Climate Finance, 2016; Kenya Climate Smart Agriculture Strategy-2017-2026; Kenya's Intended Nationally Determined Contribution (INDC), 2015; Kenya Second National Communication to the United Nations Framework on climate Change, 2015; NDC,2020; PEFA climate questionnaire
2 Tracking climate related expenditure	2.1. Tracking climate related expenditure	Kenya's MTP III, A Framework for Mainstreaming Climate Change Draft for Discussion, 2017; climate finance: budget coding, tracking and reporting handbook; Climate Public Expenditure and Budget Review in Kenya (CPEBR), 2016; landscape of climate finance in Kenya, 2021; Climate Change Act 2016; National Treasury and Planning issued circular No. 13/2020; National Treasury New SCOA manual Feb,2022; Integrated Financial Management Information System (IFMIS) manual; National Policy on Climate Finance, 2016; draft climate change fund regulations; PEFA climate questionnaire
3 Climate responsive budget circular	3.1. Budget circular	Budget circulars 2020,2021,0222; Climate Change Act 2016, section 2; NCCAP; NAP 2015-2030; MTP III; Budget Review and Outlook Paper 2018,19,20; Environmental Protection, Water and Natural Resources SWG report; Budget Policy Statement 2018,19,20; PEFA climate questionnaire
4 Legislative scrutiny	4.1. Legislative scrutiny of budget	Departmental committee on environment and natural resources report November 2017 to June 2022; unpacking of BPS report 18,19,20; unpacking of estimates of revenue and expenditure and medium-term reports 2018-19-20, 20-21; 21-22; Parliament website; PEFA climate questionnaire; Guide to Effective Oversight and Scrutiny of Budgets, Economic Policies and Related Documents: A Source Book for Legislators and Fiscal Analysts
	4.2 Legislative scrutiny of audit and evaluation reports	Office of the Controller of Budget website; Quarterly Budget and Economic Review reports; Controller of Budget's report 2018,19,20; Guide to Effective Oversight and Scrutiny of Budgets, Economic Policies and Related Documents: A Source Book for Legislators and Fiscal Analysts
5 Climate responsive public investment management	5.1 Climate related provisions in regulatory framework for public investment management	Kenya Investment Policy, 2019; The Investment Promotion Act, Cap 485B; Treaty Making and Ratification Act No. 45 of 2012; MEF Strategic plan 2018-2022; MEF MTE report 2018-2022; MEF performance contract 2022-23; PEFA climate questionnaire
	5.2 Climate related project selection	Public Finance Management Act, 2012; National Treasury and Planning Circular No. 16/2019, of 2020 on management of public investments; National Environment Management Authority (NEMA) annual reports, 2018,19,20; Environmental Management and Coordination Act (EMCA), 1999; NAP 2015-2030; PEFA climate questionnaire
	5.3 Climate related provision for project appraisal	Circular No. 23/2020 of 2020; Circular No. 5/2020 of 2020; Public Procurement and Asset Disposal Act no. 33 of 2015; NAP 2015-2030; Environmental Management and Coordination Act no 8 of 1999; Feasibility studies and EIA for Kenya Urban Roads Authority for Narok, Kajiado town roads. KENHA feasibility study and EIA for various trunk roads; PEFA climate questionnaire
	5.4 Reporting from entities in charge of implementation	PIM guidelines; Public Procurement and Asset disposal Act, 2015, section 151; National Treasury Circular No. 25/2020 on frameworks for management of conditional

Indicator	Dimension	Data used
		allocations contained in County Allocation of Revenue Act, 2020; PEFA climate questionnaire
6 Climate responsive asset management	6.1. Climate responsive non-financial asset management	Circular No. 23/2020 of 2020; Circular No. 5/2020 of 2020; Policy on asset and liability management in the public sector, 2020; PEFA climate questionnaire
7 Climate related liabilities	7.1. Climate-related fiscal risks	Budget policy statement; National treasury Public-Private Partnership directorate website; Public Private Partnerships report and disclosure on fiscal risks report arising, 2021; PPP Act, 2013; PEFA climate questionnaire
	7.2 Climate-related debt and guarantees	External Public debt register end of June 2018/19/20/21; Central Bank of Kenya Website; PFM Act 2012 (amended in 2015); Public Private Partnership Act of 2013; PEFA climate questionnaire
8 Climate responsive procurement	8.1. Climate responsive public procurement framework	Public Procurement and Asset Disposal Act (PPADA) No. 33 OF 2015; PPRA Website; Draft green public procurement framework; PEFA climate questionnaire
	8.2 Climate responsive public procurement operations	Public procurement and asset disposal regulations of 2020; PPDA; environmental (impact assessment and audit) regulations, 2003; PEFA climate questionnaire
	8.3. Climate responsive public procurement monitoring	National Treasury Guidelines on Public Investment for National Government and Its Entities Circular No. 16/2019; PFM regulations of 2015; PPDA; PPRA Website; Climate Change Act 2016 Section 15; PEFA climate questionnaire
	8.4 Climate responsive public procurement reporting	PPDA subsection 1; MDAs websites; draft green public procurement framework; consolidated statements for MDAs 2021; National government audit report 2020-21; PEFA climate questionnaire
9 Climate responsive revenue administration	9.1. Climate related tax management, audit and investigation	NEMA Incident Management Unit database on environmental crimes and incidents in Kenya; Finance Act Number 22 of 2022; Income Tax Act Cap 470; Draft National Policy Framework on Green Fiscal Incentives;
	9.2. Climate related tax arrears	Draft National Policy Framework on Green Fiscal Incentives
10 Compliance of climate related expenditure	10.1. Effectiveness of the system of controls	PFM Act 2012; Office of the Auditor General reports; OAG website; OAG performance review of IFMIS report, 2016- IFMIS Effectiveness Audit Report; IFMIS Manual; PEFA climate questionnaire; OAG audit of Integrated programme to build resilience to climate change and adaptive capacity of vulnerable communities under UNFCCC by NEMA.
	10.2. Audit of the compliance of transaction	OAG audit reports for MDAs; Financing Locally Led Climate Action (FLLoCA) criteria; OCoB report to parliament on the implementation of the budgets 2019/20; OCoB annual reports 2018/19/20/21; National treasury New SCOA, Feb 2022; PEFA climate questionnaire
11 Climate responsive fiscal decentralization framework	11.1. Climate responsive fiscal decentralization arrangements	Sessional Paper No. 3 of National Policy on Climate Finance, 2017; Climate Change Act, 2016; NCCAP I and II; County Climate Change Fund regulations; County Integrated Development Plans; County Sectoral Plans; PFM Act, 2012; NCCAP 2018-2022 Second Implementation Status Report for the financial year 2019/2020; PEFA climate questionnaire
	11.2. Climate responsive fiscal transfers	World Bank locally-led climate change adaptation and disaster risk management project, FLLoCA program reports; Kenya Climate Smart Agriculture Project report; Agriculture Sector Development Strategy (ASDS) (2010-2020; NCCRS, 2010; PEFA climate questionnaire
	11.3. Climate responsive PFM arrangements applied by subnational governments	FLLoCA program County readiness assessment report; county climate finance policies; Kenya Investment Policy; Climate Change Act, 2016; Kenya Development Response to Displacement Impacts Project (KDRDIP).2019; PEFA climate questionnaire
12 Climate related performance information	12.1. Climate-related information in performance plans	EPWNR Sector reports 2018/19-2020/21; Third Medium Term Plan (MTP III, 2018-2022); Kenya Vision 2030; EPWNR Sector report MTEF Budget 2018/19-

Indicator	Dimension	Data used
		2020/21; EPWNR Sector Report For The MTEF Period 2022/23-2024/25.
	12.2. Climate-related information in performance reports	Climate Change Act, 2016; MTEF sectors quarterly and annual progress reports 18-19-2020-21; climate change impacts on health: Kenya assessment, IFRC, 2021; KHSSP MTE report July 2018-July 2023; KHSSP 2018-2023 MTE synthesis, 2020; KDRDIP ESMF, 2018; PEFA climate questionnaire
13 Climate related performance evaluation	13.1. Climate-related evaluation of expenditure	OAG annual audit reports 2018-2020; office of Auditor General and parliament websites; Internal Auditor General Department second national communication activities on climate change in Kenya for the period 2004 to 2016; Green Climate fund receives Annual Performance reports 2018/19/20; KawiSafi Ventures Fund and adaptation fund reports; KDRDIP ESMF, 2018; PEFA climate questionnaire.
	13.2. Climate-related evaluation of taxes	Energy and Petroleum Regulatory Authority website; draft National Policy Framework on Green Fiscal Incentives;
14 Expenditure outturn for climate activities	14.1. Aggregate climate-related expenditure outturn	IFMIS manual; National Treasury New SCOA, Feb 2022
	14.2. Climate-related expenditure composition outturn	IFMIS manual; National Treasury New SCOA, Feb 2022

Kenya PEFA Climate questionnaire

This questionnaire is part of the data collection exercise related with the PEFA Climate Assessment for Kenya in 2022. It aims at providing the policy context for the PEFA Climate assessment for Kenya.

Section 1: International Commitments for Climate Change Mitigation and Adaptation

1. **Has the country ratified the United Nations Framework Convention on Climate Change?**
   ✓☐ Yes, when: 1994 ☐ No

2. **Has the country ratified the Paris Agreement?**
   ✓☐ Yes, when: 13th December, 2016 ☐ No

3. **Has the country submitted Nationally Determined Contributions (NDCs)?**
   a. First NDCs✓☐ Yes, when: 13th December, 2016 ☐ No
   b. Revised NDCs[30] ✓☐yes, when: 28th December, 2020 ☐ No

4. **If "Yes" to Question 3:**
   a. What aspects of climate change do the submitted NDCs address?
   ☐ Climate change mitigation ☐ Climate change adaptation ✓☐ Both

   b. How does the country plan to meet its greenhouse gas (GHG) emission reduction targets as described in the NDCs?
   ✓☐Financial support (Specify): Mainstreaming Climate Change in the plans and budgets
   ✓☐Regulation (Specify): Climate Change Act, 2016; Carbon trading regulations
   ✓☐Taxation (Specify): Provisions in the Climate Change Act, 2016 (regulations)
   ✓☐Subsidies (Specify): Provisions in the Climate Change Act, 2016 (regulations)

[30] If revised NDCs have not been submitted yet, first NDCs will be used for the PEFA Climate assessment

✓☐Transfers (Specify)_Provisions in the Climate Change Act, 2016 (regulations)

✓☐Capacity building (Specify:): Implementation of the NCCAP

✓☐Technology transfers (Specify): Implementation of the NCCAP

☐Others (Specify)_______________________________________

c. Specify the proportion in % of total of

- conditional contributions_______ 13%_________________
- unconditional contributions_______87%______________________________

d. How does the country plan to meet its adaptation objectives as described in the NDCs? (Specify): Mainstreaming Climate Change in all government functions

5. Has the country formulated and communicated a mid-century, long-term, low greenhouse gas emission development strategy?

☐ Yes, when:______ In progress ____________ ☐ No

6. If "Yes" to Question 5:
a. What aspects of climate change do mid-century strategies address?

☐ Climate change mitigation ☐ Climate change adaptation ✓☐Both

e. How does the country plan to meet its GHG emission reduction targets as described in the mid-century strategies?

(Specify)___implementing the ambitious NDCs through NCCAP__________

f. How does the country plan to meet its adaptation objectives as described in the mid-century strategy?

(Specify)_____ implementing the ambitious NDCs through NCCAP and NAP_________

Section 2: National Level Strategies

7. Is climate change identified as a key issue in the national development plan or strategy for economic growth (or equivalent)? YES

8. What is the climate change national framework?
The National Climate Change Action Plans

a. What laws and regulations exist to support implementation of climate change related mitigation and adaptation actions? The Climate Change Act, 2016

b. Has the government developed a detailed action/implementation plan for achieving the country's climate change goals (e.g. National Action Plan)?

✓☐ Yes ☐ No

c. Is there a national climate change strategic plan or a low carbon strategy?

✓☐ Yes, specify The National Climate Change Response Strategy ☐ No

d. Is there a strategic document that establishes the country' s adaptation objectives (e.g. National Adaptation Plan in developing countries)?

✓☐ Yes, specify National Adaptation Plans ☐ No

e. How does regulation define what constitutes "climate change expenditure"? Does it provide further refinement of the definition[31]? (Specify) Definitions in the Climate Change Act, 2016 and the draft Climate Change Fund Regulations

[31] Climate change mitigation expenditure, climate change adaptation expenditure, climate change cross cutting expenditure

f. Does regulation instruct how the budget should integrate climate change considerations? (Specify) The Climate Change Act, 2016 stipulates the mainstreaming of climate change in all plans and functions of government

9. What are the institutional arrangements for executing climate change related policies and actions? (Specify)

- National Climate Change Council,
- Climate Change Directorate,
- Climate Change Fund,
- Climate Change Units of Ministries, Departments and Agencies,
- County Chief Executive Member in charge of Climate Change,
- County Climate Change Units
- County Climate Change Funds

a. Which sectors and institutions are involved in the implementation of the national climate change strategies and policies?

Sector	Institutions (line ministries and agencies)	Sectoral strategic plan that covers climate change		Climate related Budget for the last FY	
				Submitted to MoF	Adopted by the legislature
		☐Yes	☐ No		
		☐Yes	☐ No		
		☐Yes	☐ No		

b. Is there a designated agency overseeing and coordinating the implementation of the climate change activities?

✓☐ Yes, specify Climate Change Directorate ☐ No

c. Does the ministry of Finance have a specific mandate in the implementation of climate change activities?

✓☐ Yes, specify The functions of the Climate Finance Unit of Treasury ☐ No

Section 3: Implementation of climate change policies by the government

10. What are the top five most important measures currently being implemented by the government to reduce the country's generation of GHG emissions? (Specify)
11. What are the top five most important measures currently being implemented by the government to adapt to

- *Increasing of renewables in the electricity generation mix of the national grid.*
- *Enhancement of energy and resource efficiency across the different sectors.*
- *Making progress towards achieving a tree cover of at least 10% of the land area of Kenya.*
- *Make efforts towards achieving land degradation neutrality.*
- *Scaling up Nature Based Solutions (NBS) for mitigation*
- *Enhancement of REDD+ activities*
- *Clean, efficient and sustainable energy technologies to reduce over-reliance on fossil and non-sustainable biomass fuels.*
- *Low carbon and efficient transportation*

climate change impacts? (Specify)

- *Index based weather insurance*
- *Climate proofing of infrastructure.*
- *Climate smart agriculture (CSA)*
- *Building of dams for provision of water in arid areas*
- *Development of geothermal sources of energy as non-weather dependant sources*

12. Does the country have an operational monitoring and evaluation framework to track the implementation of its NDCs and climate actions?

    ✓☐ Yes ☐ No

13. In the last five years, were there any independent assessments[32] of the country's achievements in terms of climate change objectives and targets?

    ✓☐ Yes, specify ___________________ ☐ No

14. Has the country conducted an assessment of the macroeconomic impacts of climate change?

    ✓☐ Yes ☐ No

15. If "Yes" to Question 14

    a. Which sectors were considered? (Specify) All sectors

    b. What methodology was used? (Specify) Consultant

16. Has the country assessed the macro-fiscal implications of implementing its climate change plans or NDCs?

    ✓☐ Yes ☐ No

17. Has the country conducted activities to mainstream its climate change plans or NDCs into its PFM systems?

    ✓☐ Yes ☐ No

18. Which public entities(operators) are involved in the implementation of the country's climate change strategies and policies?

Type of operator	Number of entities	Type of funding		Total Climate related Budget for the last FY
		From BCG[33]	Other sources	
Extrabudgetary units				
Public corporations				
Subnational governments				

[32] Independent would refer to an assessment undertaken by a body that is separate from and not subordinate to the government. This could involve an NGO.

[33] Budgetary Central Government