



MINISTRY OF AGRICULTURE,  
LIVESTOCK, FISHERIES AND IRRIGATION  
STATE DEPARTMENT FOR CROPS DEVELOPMENT



# Finance Manual

## Version 1 2018

Finance Manual 2018

### KENYA CLIMATE SMART AGRICULTURE PROJECT (KCSAP)

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MINISTRY OF AGRICULTURE,  
LIVESTOCK, FISHERIES AND IRRIGATION  
STATE DEPARTMENT FOR CROPS DEVELOPMENT



Kenya Climate Smart  
Agriculture Project





KCSAP | Kenya Climate-Smart Agriculture Project

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FINANCE MANUAL

VERSION 1

2018



KCSAP | Kenya Climate-Smart Agriculture Project

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Nairobi

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## ACRONYMS

<b>AIE</b>	Authority to Incur Expenditure
<b>AFO</b>	Assistant Finance Officer
<b>CCU</b>	County level Coordination Units
<b>CDC</b>	Community Development Committee
<b>CDD</b>	Community-Driven Development
<b>CDDC</b>	CDD Coordinator
<b>CDDO</b>	CDD Officer
<b>CIG</b>	Common Interest Group
<b>CQ</b>	Consultant Qualifications
<b>CC</b>	County Commissioner
<b>CPC</b>	County project coordinator
<b>CSG</b>	County Steering Group
<b>DCA</b>	Development Credit Agreement
<b>EOI</b>	Expression of Interest
<b>FAR</b>	Fixed Asset Register
<b>FA</b>	Force Account
<b>FO</b>	Finance Officer
<b>FPNPM</b>	Financial Policy and Procedures Manual
<b>GOK</b>	Government of Kenya
<b>GPN</b>	General Procurement Notice
<b>HQ</b>	Headquarters
<b>IAG</b>	Internal Auditor General
<b>IAS</b>	Internal Accounting Standards
<b>ICB</b>	International Competitive Bidding
<b>IDA</b>	International Development Association
<b>IFR</b>	Interim Financial Reports
<b>IGAs</b>	Income Generating Activities
<b>IFR</b>	Interim Financial Report
<b>IIFARA</b>	Independent Integrated Fiduciary and Accountability Review Agency

<b>IPSAS</b>	International Public Sector Accounting Standards
<b>IRMPF</b>	Institutional Risk Management and Policy Framework
<b>IT</b>	Information Technology
<b>KACC</b>	Kenya Anti-Corruption Commission
<b>KENAO</b>	Kenya National Audit Office
<b>KRA</b>	Kenya Revenue Authority
<b>LCS</b>	Least Cost Selection
<b>LEB</b>	Lowest Evaluated Bidder
<b>LIB</b>	Limited International Bidding
<b>LPO</b>	Local Purchase Order
<b>M&amp;E</b>	Monitoring & Evaluation
<b>M&amp;EC</b>	Monitoring & Evaluation Coordinator
<b>MATs</b>	Mobile Advisory Teams
<b>MIS</b>	Management Information System
<b>MoU</b>	Memorandum of Understanding
<b>MAL&amp;F</b>	Ministry of Agriculture, Livestock and fisheries
<b>MTEF</b>	Mid-Term Expenditure framework
<b>KCSAP</b>	Kenya Climate smart Agricultural project
<b>NGO</b>	Non-Governmental Organization
<b>NPC</b>	National Project Coordinator
<b>NPCU</b>	National Project Coordinating Unit
<b>PA</b> s	Partner Agencies
<b>PBC</b>	Project Benefiting Community
<b>PBC</b>	Project Benefiting County
<b>PCU</b>	Project Coordinating Unit
<b>PFMA or ‘the Act’</b>	Public Finance Management Act 2012
<b>PFM or ‘the Action’</b>	Public Finance (Administration & Management) Regulations 2013
<b>PICD</b>	Participatory Integrated Community Development



<b>PIP</b>	Project Implementation Plan
<b>PIN</b>	Personal Identification Number
<b>PMC</b>	Project Management Committee
<b>PPDA</b>	Public Procurement & Disposal Act, 2005 and Regulations 2006
<b>PSC</b>	Procurement Sub-Committee
<b>QBS</b>	Quality and Cost Based Selection
<b>QCBS</b>	Quality and Cost Based Selection
<b>RFP</b>	Request for Proposal
<b>RFQ</b>	Request for Quotation
<b>RTGS</b>	Real Time Gross Settlement System
<b>SAIC's</b>	Social Audit and Integrity sub-Committee's
<b>SLD</b>	Support to Local Development
<b>CCU</b>	County Coordinating Unit
<b>SSS</b>	Single Source Selection
<b>IMPs</b>	Technology, Innovations, and Management Practices
<b>ToR</b>	Terms of Reference
<b>UNDP</b>	United Nations Development Programme
<b>VAT</b>	Value Added Tax
<b>WB</b>	World Bank

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## CHAPTER ONE

## 1.0 GENERAL INTRODUCTION

### 1.1 Background

1. Kenya Climate Smart Agricultural Project (KCSAP) is a Project aiming to benefit communities in selected counties in Kenya. The Government of Kenya and the World Bank through the Ministry of Agriculture, Livestock and fisheries, State Department of Planning, support it

The project development objective is *“to increase agricultural productivity and build resilience to climate change risks in the targeted smallholder farming and pastoral communities in Kenya, and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.”*

2. It is envisaged that KCSAP will be implemented in 24 selected counties. Participating counties were selected using the following guiding principles and criteria.

These beneficiaries will come from 24 participating counties, selected using the agreed criteria, in which top priority is assigned to counties with higher: (i) vulnerability to climate change and extreme weather events (ASAL counties being the most adversely impacted by droughts); (ii) volatility in agricultural production and presence of fragile ecosystems (natural resources are highly degraded in ASALs); and (iii) poverty indices (poverty incidence and poverty rates — ASALs have the highest poverty rates

**Table 1: Selected 24 KCSAP participating counties**

Arid Counties		Semi-Arid Counties		Non-ASAL Counties	
1	Marsabit	1	West Pokot	1	Busia
2	Isiolo	2	Baringo	2	Siaya
3	Tana River	3	Laikipia	3	Nyandarua
4	Garissa	4	Nyeri	4	Bomet
5	Wajir	5	TharakaNithi	5	Kericho
6	Mandera	6	Lamu	6	Kakamega
		7	TaitaTaveta	7	UasinGishu
		8	Kajiado	8	ElgeyoMarakwet
		9	Machakos	9	Kisumu

3. The overall project objective will be achieved through the following components and sub-components.

**Component 1: Upscaling Climate-Smart Agricultural Practices (US\$163.8 million).**

The objective of this component is to support and incentivize pastoral and smallholder farming communities to implement Technology, Innovations, and Management Practices (TIMPs) that could generate triple wins: increased productivity, stronger resilience, and reduction in GHG emissions, as co-benefits. This component will have two sub-components.

**Sub-component 1.1: Building Institutional Capacity and Strengthening Service Delivery (US\$24 million).** This subcomponent aims at improving technical and advisory service delivery through building the institutional capacity at county and ward levels to plan, implement, manage and monitor integrated TIMPs interventions for CSA scale-up. This component will support the following activities: (i) County level CSA planning and prioritization; (ii) Development of ward level integrated sub-projects; (iii) payment for service delivery to external service providers; and (iv) support for county technical departments (e.g., agriculture, livestock, fisheries and cooperatives).

**Subcomponent 1.2: Supporting Investments for TIMPs Implementations (US\$70.3 million).** The subcomponent will provide financing for implementing TIMPs and sustainable landscape management practices in targeted pastoralist and smallholder farming communities, at community, ward and county levels. It will support: (i) investment through matching grants to Common Interest Groups (CIGs), which will be formed through a community-driven development approach; (ii) implementation of ward level integrated sub-projects, which can span several communities in a ward; and (iii) county level investment that supports interventions across several wards. All interventions will be in line with the CSA priority areas that will be identified during the county CSA planning and prioritization process.

**Subcomponent 1.3: Supporting Investments in Pastoral Production Systems (US\$69.5 million equivalent, of which IDA is US\$63.0 million equivalent).** This subcomponent will support operationalization of the North-Eastern Development Initiative (NEDI)<sup>32</sup> and will cover seven of the eight NEDI counties: Marsabit, Isiolo, TanaRiver, Garissa, Wajir, Mandera, and Lamu. This subcomponent will help beneficiaries achieve the triple-wins through interventions aimed at: (i) increasing productivity of livestock systems, animal health, and herd management and off-take rates; (ii) promoting integrated soil fertility and sustainable

land management (SLM) practices based on crop-livestock integration (for example, manure management, use of crop residues as feed) and modern inputs; (iii) supporting market access (for example, through livestock corridors, watering points, quarantines, and animal markets); and (iv) developing infrastructure for value addition such as abattoirs. The project will offer matching grants under two windows: (i) community-level investments to CIGs, VMGs, and producer organizations (POs) to finance community microprojects (Pastoral Micro-Projects); and (ii) county-level investments to finance relatively larger subprojects covering several wards and/or cross-county (Pastoral Subprojects). Beneficiary pastoralists will be required to contribute at least 10 percent of the cost of their micro projects, while county governments will contribute at least 20 percent of the cost of their subprojects.

**Component 2: Strengthening Climate-Smart Agriculture Research and Seed Systems (US\$53.7 million).** The objective of this component is to develop and deliver Climate Smart Technologies, Innovations and Management Practices (TIMPS) to farming communities in target Counties. Broadly speaking the focus of this component will be to support with robust research and empirical evidence project interventions implemented under Components 1 and 3. Component 2 consists of two subcomponents.

**Subcomponent 2.1: Supporting Climate-Smart Agricultural Research and Innovations (US\$30.9 million).** This subcomponent will finance activities aimed at strengthening the capacity of the National Agricultural Research System (NARS) to develop, test and promote context-specific TIMPS that deliver CSA Triple Wins (i.e., increased productivity, enhanced resilience, and reduced emissions), by enhancing needed infrastructure, reinforcing information and knowledge management systems, and improving CSA policy analysis and advocacy.

**Subcomponent 2.2: Building Competitive and Sustainable Seed Systems (US\$16 million).** This subcomponent will support the development of market-driven seed production and delivery systems by expanding seed production and retail networks, strengthening the enabling environment for private sector investment, and promoting business development and skills training among private seed companies and community-based production units.

**Subcomponent 2.3: Strengthening Technical and Institutional Capacity (IDA US\$6.8 million equivalent)**

This subcomponent will strengthen the NARS's technical and institutional capacity to deliver CSA TIMPs, and it will also support development of sustainable seed, breeding stock, and fingerling delivery systems in Kenya. Under technical capacity strengthening it will finance:



(i) development and implementation of a NARS coordination framework, including the strengthening of knowledge management systems; (ii) professional development training (11 PhDs and 20 MScs), short-term technical training, and staff retooling; (iii) hiring interns in specialized areas to support the existing scientific staff at KALRO; and (iv) CSA curriculum development for agricultural universities and colleges. Under institutional capacity building it will finance the refurbishment and/or upgrading of facilities and infrastructure (for example, communication equipment, animal experimental structures, refurbished seed stores, procurement of small seed processing plants, fish fingerling production structures, laboratory equipment, value addition equipment, motor vehicles, and farm machinery) at selected research institutes/centers strategically located in ASALs and the GRIFTU Pastoral Training Institute.

**Component 3: Supporting Climate, Agro-weather and Market Information and Advisory Services (US\$32.9 million).** Managing climate variability is fundamental to a long-term strategy for adapting agriculture to climate change in Kenya. This component will therefore finance interventions related to: (I) improving agro-meteorological forecasting and monitoring; (ii) developing integrated climate, agro-weather and market information system; and (iii) building institutional and technical capacity for agro-meteorological observation, forecasting and market advisory services. This component will have three subcomponents.

**Subcomponent 3.1: Improving Agro-meteorological Weather Forecasting and Monitoring. (USD 16.5 Million)**

This subcomponent will finance installation of new agro-weather infrastructure, modernization and upgrading of existing network of agro-meteorological forecasting and monitoring stations. It will also support investments in modern tools for climate data sourcing, analysis of weather risks and assessment of impacts, and formulation of advisories including early warnings, disaster preparedness and climate risks mitigation to farmers.

**Subcomponent 3.2. Developing Integrated Climate, Agro-weather and Market Information System. (USD 11.4 Million)** The objective of this subcomponent is to improve farmers' access to real-time and location specific information for increasing agricultural productivity and resilience.

This subcomponent will finance activities related to: (I) "big data" driven agro-weather and market information advisories; (ii) strengthening existing Market Information System; and (iii) developing an Integrated Weather and Market Information System.

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### **Subcomponent 3.3: Building Institutional and Technical Capacity: (USD 5.0 Million)**

This subcomponent will finance capacity building of technical staff at both national and county levels, as well as market and agro-weather information collectors, including enumerators, market masters, and climate information service providers, among others.

**Component 4: Project Coordination and Management (US\$29.3 million):** This component will finance activities related to: (I) the project coordination, including facilitation of the county level activities; planning, budgeting and management of financial, human resources and procurement; TA to county and community levels project implementation teams; (ii) project monitoring, learning and impact evaluation; and communication and citizen engagement; and (iii) contingency emergence response in case of natural disasters impacting the agricultural sector.

**Component 5: Contingency Emergency Response (US\$0 million from IDA)** This zero-cost component will finance eligible expenditures under the Immediate Response Mechanism (IRM) in case of natural or man-made crises or disasters, severe economic shocks, or other crises and emergencies in Kenya. This contingency facility can be triggered through formal declaration of a national emergency by the government authority and upon a formal request from Go to the World Bank through the National Treasury. In such cases, funds from other project components will be reallocated to finance emergency response expenditures to meet agricultural crises and emergency needs. The emergency response would include mitigation, recovery, and reconstruction following crises and disasters, such as severe droughts, floods, disease outbreaks, and landslides, among others. Implementation of this subcomponent will follow a detailed Contingent Emergency Response Implementation Plan (CERIP) satisfactory to the World Bank that will be prepared as the case may be for each Eligible Crisis of Emergency

## **1.2 Purpose and objectives of the manual**

4. The purpose of this manual is to provide the project with guidelines on the standards for financial management in order to ensure effective use of resources.

The basic objectives of the manual are to:

- Describe financial management guidelines that affect the activities of the project
- Provide an outline of key internal control requirements to be established by the project
- Safeguard the project resources and assets.

- Ensure consistency in recording and classifying of financial transactions
- Ensure consistency of financial reporting by the project from one period to another.
- Provide quick reference for project management, other staff members and partners including donors and government agencies including internal and external auditors.
- Ensure efficiency and effectiveness in operations, accuracy and timeliness in producing financial reports.
- To provide financial guidelines to the management at all levels and to assist the various project implementers in running the project activities.
- To assist and guide the beneficiaries of KCSAP to operate procedurally, ensure uniformity of accounting procedures and practices.

### 1.3 Scope of the Manual

5. This manual, documents the financial management policies, procedures and guidelines for use by the project HQ and county project offices, community projects, farmers, partner agencies, and other stakeholders who may have an interest or input into the project.

### 1.4 Arrangement of Manual

6. This manual is divided into two main sections. The first section deals with financial management and the second part deals with Social Accountability. Relevant annexes are provided at the end of this manual.

### 1.5 Responsibility of the National Project.

7. The NPC is responsible for all aspects of the financial management, integrity, control and financial compliance for all aspects of financial management of the Project. The NPC has the following responsibilities in respect of the financial management;
  - To ensure that the Project complies with the legal and regulatory requirements of the country, particularly in respect of accounting, financial, administrative and taxation.
  - To ensure adherence to the Project's Accounting Policies and Procedures as well as financial reporting and other instructions applicable to their areas of responsibility.
  - To ensure the integrity of information, for both internal and external purposes.

- To ensure that the internal control structures are operating effectively and are constantly monitored.

### 1.6 National Project Accountant (NPA)

8. Reporting to the National Project Coordinator, the NPA will be responsible for managing project finances in accordance with the requirements of the Financing Agreement and related documents (Project Implementation Manual, Procurement and Financial Management Manual etc.) including verifying the availability of funds against approved work plans and budgets (AWPBs) and all expenditure requests before payments are made. He/she provides leadership to the Project Finance Team and is a member of the management team of the NPCU, providing support to the NPC in overall coordination and management of the project.

#### Responsibilities:

The roles and responsibilities of the NPA include but are not limited to: -

- a Develop and put into operation the project financial and procurement system;
- b Process accurately and promptly all accounting transactions including project payments for planned activities, operating expenses, travel, consultant /vendor payments and other office running expenses;
- c Prepare timely periodic statement of expenditure (SOE) reports and fund replenishment (Withdrawal Application) requests, carefully checking and inspecting all supporting documents;
- d Prepare, implement and review the funding of budgeted and actual annual cash flows and ensure adequate follow up on matters needing clarification;
- e In collaboration with the counties' project accountants and implementing project teams, prepare quarterly and annual financial reports in agreed formats in line with the Financial Management Manual;
- f Maintain accounts reconciled at any given point in the Project period and avail them including supporting documentation for auditing;
- g Support the NPCU and CPCUs in the facilitation of external financial audits e.g. OAG, IAD or the World Bank;
- h In consultation with the Head of the Accounting unit at the Ministry and the NPC,

- 
- oversee the proper maintenance of the project finance and accounting system in accordance with the PFM and financial regulations and procedures of the National Treasury and the World Bank;
- i Contribute in the planning and preparation of annual budget and work plans as well as monitoring of the budgeted expenses;
  - j Ensure that project annual work plans are budgeted and included in MALF overall budget before submission to the National Treasury;
  - k Ensure government internal control procedures are adhered to;
  - l Support county project accountants in all the 24 participating counties;
  - m Provide advice to Project management on accounting and administration matters; and Perform other duties as may be assigned by the NPC

### **1.7 National Assistant Accountant (NAA) – 2**

9. Reporting to the NPA, the National Assistant Accountant shall be a member of the project finance team, supporting the NPA to manage project finances in accordance with the requirements of the Financing Agreement and the financial management manual.

#### **Responsibilities**

- a. Preparation of project accounts;
- b. Preparation and submission of periodic financial reports;
- c. Verification of supplier's invoices for payment, including service providers' requests for funds, and timely implementation of payment procedures;
- d. Timely posting of all project accounting vouchers on the accounting software;
- e. Exercise proper custody of all posted vouchers and other accounting documents;
- f. Preparation of withdrawal applications;
- g. Replenishment of operational account with project bank account;
- h. Facilitate financial audits and implementation support missions;
- i. Regular sharing of account printouts by components to the heads of Components for analysis and comments; and
- j. Undertake any other duties assigned by the NPA.

## 1.8 National Internal Auditor (NIA)

11. Reporting directly National steering audit committee and the NPC, the NIA will work closely with the project finance team at national and county levels to ensure effective procurement and financial management of the project. He/she will be a member of the project management team.

### Responsibilities:

- a. Monitor the project financial management, disbursement and procurement policies and procedures and advise accordingly;
- b. Determine internal audit scope and develop internal audit annual plans;
- c. Coordinate the work of internal audit staff in participating counties and other executing agencies;
- d. Obtain, analyze and evaluate accounting documentation, previous reports, data, flowcharts etc.;
- e. Prepare and present reports that reflect audit results and document process;
- f. Act as an objective source of independent advice to ensure validity, legality and goal achievement;
- g. Identify loopholes and recommend risk aversion measures and cost savings;
- h. Maintain open communication with project management and audit committee at national, county and community levels;
- i. Document process and prepare audit findings memorandum;
- j. Conduct follow up audits to monitor management's interventions; and
- k. Engage in continuous knowledge development regarding sector's rules, regulations, best practices, tools, techniques and performance standards.

## 1.9 County Project Accountant (CPA)

12. Reporting to the County Project Coordinator, the CPA will be responsible for managing county project finances in accordance with the requirements of the Financing Agreement and related documents (Project Implementation Manual, Procurement and Financial Management Manual etc.) Including verifying the availability of funds against approved county work plans and budgets (AWPBs) and all expenditure requests before payments are made.

### Responsibilities:

- a. In close liaison with the NPA and County Finance Departments, develop and put

- into operation the project financial and procurement system within the county;
- b Process accurately and promptly all county accounting transactions including project payments for planned activities, operating expenses, travel, consultant / vendor payments and other office running expenses;
  - c Prepare timely periodic county statements of expenditure (SOE) reports and fund replenishment requests, carefully checking and inspecting all supporting documents;
  - d Prepare, implement and review county funding of budgeted and actual annual cash flows and ensure adequate follow up on matters needing clarification; Prepare quarterly and annual county financial reports in agreed formats in line with the Financial

### **Management Manual;**

- f Maintain county accounts reconciled at any given point in the Project period and avail them including supporting documentation for auditing;
- g Facilitate financial audits of the project in the county e.g. OAG, IAD or the World Bank;
- h Contribute in the planning and preparation of county annual budget and work plans as well as monitoring of the budgeted expenses;
- i Ensure government internal control procedures are adhered to in management of the project in the county; and
- j Perform other duties as may be assigned by the CPC or the NPA.

### **1.10 County Project Internal Auditor (CPIA)**

13. Reporting directly to the National Project Internal Auditor (NPIA), the CPIA will work closely with the county project finance team to ensure effective procurement and financial management of the project.

### **Responsibilities:**

- a) Monitor the project financial management, disbursement and procurement policies and procedures and advise accordingly;
- b) Determine internal audit scope and develop internal audit annual plans;
- c) Coordinate the work of internal audit staff in participating counties and other executing agencies;

- d) Obtain, analyze and evaluate accounting documentation, previous reports, data, flowcharts etc.;
- e) Prepare and present reports that reflect audit results and document process;
- f) Act as an objective source of independent advice to ensure validity, legality and goal achievement;
- g) Identify loopholes and recommend risk aversion measures and cost savings;
- h) Maintain open communication with project management and audit committee at national, county and community levels;
- i) Document process and prepare audit findings memorandum;
- j) Conduct follow up audits to monitor management's interventions;
- k) Engage in continuous knowledge development regarding sector's rules, regulations, best practices, tools, techniques and performance standards;

### 1.11 Responsibility for the Manual

14. The National project Accountant and the County Project Accountant are responsible for maintaining the accuracy of the information in the manual at the National and County levels respectively. Any updates of this manual are the responsibility of the National Project Accountant.

### 1.12 Revisions to the Manual

15. Revisions to the Manual will be issued as and when necessary to take account of:

- Changes in legislation
- Changes in IPSAS
- Changes in the Project's Accounting Policies

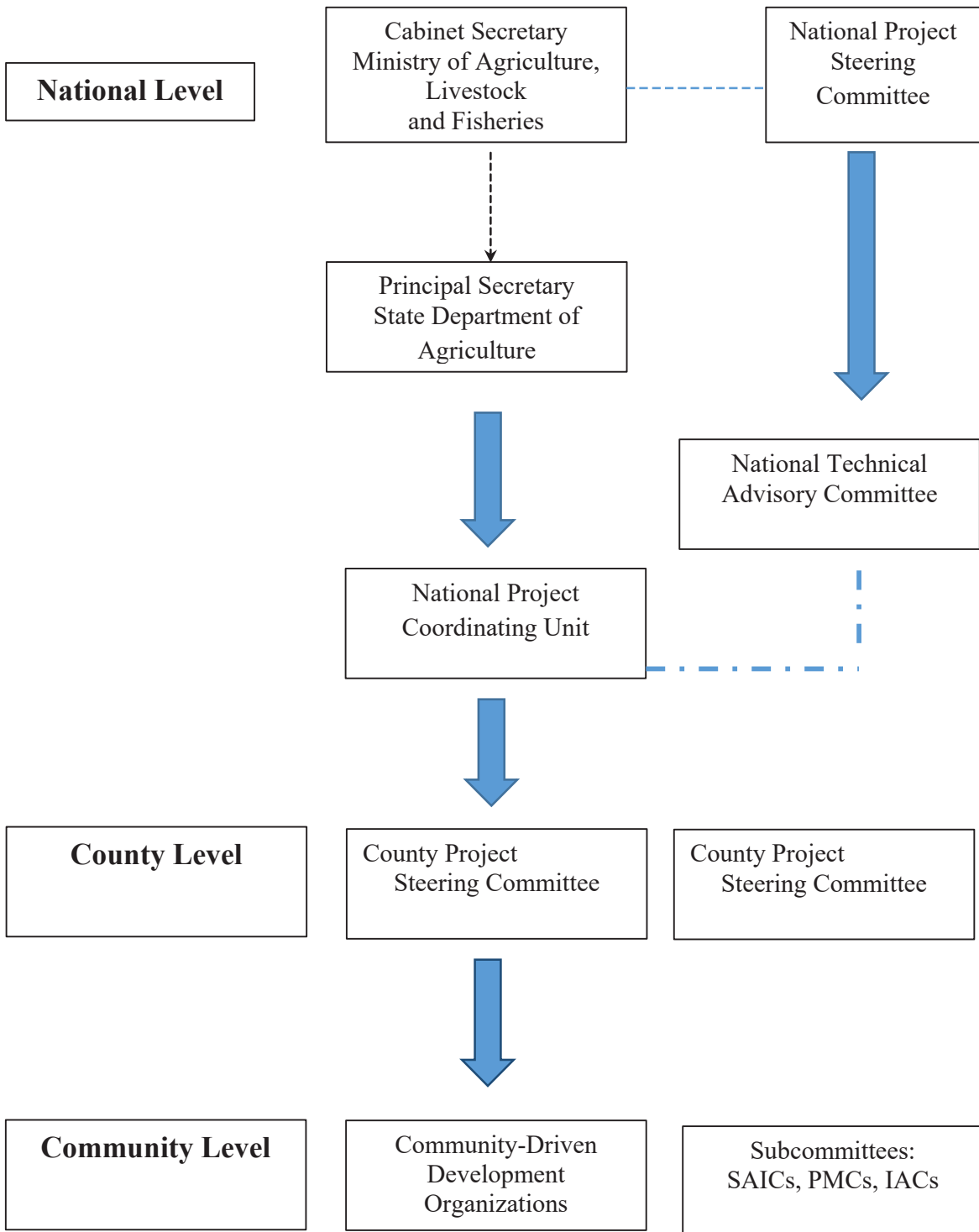
When revisions to the manual are made, the replaced sections of the manual should be removed and destroyed. To ensure completeness of revisions an index of changes since the beginning of the year will be issued with each set of revisions.

### 1.13 The Project Management Structure

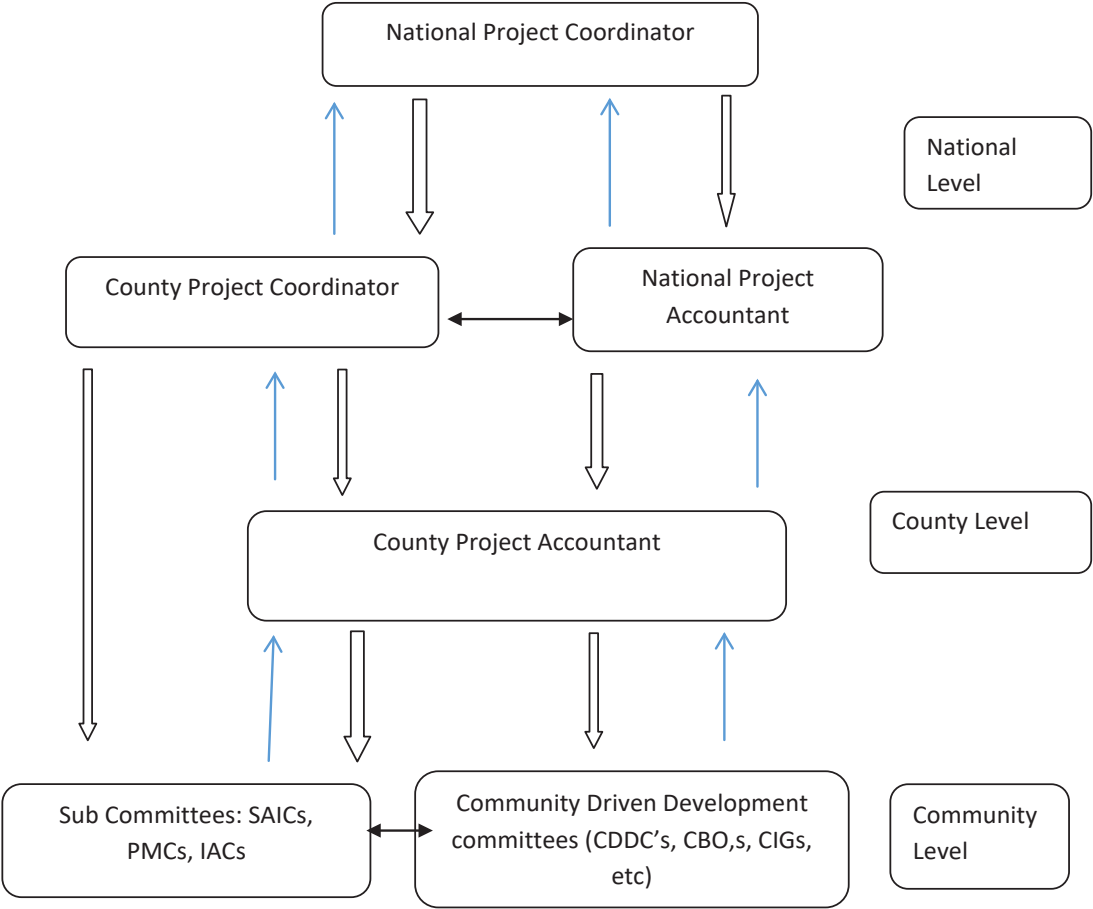
16. The project management structure presented in below should always be put into consideration when considering the financial management arrangements in place, and particularly when any amendment is to be made to the policies and procedures.



**Figure 1: Management Structure: KCSAP Project**



**Figure 2: FM implementation Structure: KCSAP Project**



## 1.14 Accounting Procedures

### 1.14.1 Introduction

17. Outlined in this section are the operational processes necessary to manage financial aspects of the KCSAP. The processes are based on prevailing Government Financial Regulations and Practices, which are formulated on sound and generally acceptable principles in accordance with the International Public Sector Accounting Standards (IPSAS), Public Finance (Administration and Management) Regulations 2013 and on the World Bank guidelines on financial management and disbursements. The objectives of putting in place project financial management structures are to:

1. Describe basic financial guidelines.
2. Put in place systems and policies that will safeguard project assets.
3. Simplify the process of producing financial information.
4. Enhance the financial and operational performance.
5. Improve accountability to all external parties including government, donors, beneficiary communities, auditors and other stakeholders.
6. Prepare the CDCs/Farmers for long-term financial sustainability.
7. Provide a reference guide and training guide for project staff, CDC members, communities and other interested parties.

For the KCSAP Project, the financial management arrangements to be utilized are:

8. Planning and budgeting
  9. Funds flow
  10. Accounting Policies and Procedures
  11. Financial reporting
  12. Internal control, and
  13. Auditing
18. Financial management arrangements will be put in place to provide assurance that the project funds are used for the purposes for which they were provided. As part of the project preparation, appropriate measures were undertaken to identify and document risks and propose mitigation measures. The section ends with social accountability approaches employed in the Project.

### 1.15 Accounting Policies

19. This section of the manual details the key accounting policies and procedures adopted by the Project: The policies are considered appropriate to the circumstances of the Project and best suited to present fairly its financial position without conflicting both Go and World Bank financial regulations and procedures.

Significant accounting policies: -

#### *a) Accounting Convention*

The accounts are prepared under the historical cost convention.

#### *(b) Revenue Recognition*

Funds are recognized when received.

#### *(c) Stocks*

Stocks are stated at the lower of cost or net realizable value.

#### *(d) Fixed Assets*

Fixed assets are stated at historical cost. A fixed asset register **must** be maintained at all accounting units of KCSAP.

#### *(e) Currency translation*

Central Bank of Kenya prevailing or ruling currency mean rate is used in translation of foreign currency. Spot rate is used on day to day transactions. Any exchange rate difference arising is dealt with in the receipt and expenditure.

### **Other Policies**

#### *a) Fiduciary responsibility*

NPCU has fiduciary responsibility to ensure that money disbursed to the cost centers is spent for the intended purposes. This responsibility will be executed by; The CPCU Accountants and NPCU Accountants verifying the correctness and fairness of IFRs by conducting random sampling on all the Farmer groups to ascertain that the expenditures are supported by payment vouchers and entries made in the books of the group.

#### *b) Social Accountability*

### **Financial Reports**

20. The farmer group should either display financial statements at public places such as chiefs' offices or social halls or table the statements at annual general meetings of the farmer groups.

### **Expenditure**

All expenditures are recognized when they are paid.

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## CHAPTER TWO

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## 2.0 PLANNING AND BUDGETING

21. Each County/executing agency and the national office will undertake the planning and budgeting activities at the same time. Each office will undertake a detailed review of activities to be undertaken and cost each activity. They will then prepare a detailed budget taking into account the expected outputs. These activities will be aligned to the PIP approved as part of the financing agreement. The plans will provide details of the following;
- The **fiscal year** under consideration;
  - **Activities** with adequate descriptions to enable readers of the plan to easily distinguish between different activities;
  - A description of **Output** that will result from the planned activities;
  - **Outcome Indicators** for each output;
  - **Period** in which each output is expected.
22. The County coordinator will work with Component coordinators, the county project accountant and the county procurement officer to gather the necessary activity and costing information from all other units. The respective budgets and work plans from each county will then be forwarded to NPCU by 15th February of each year for compilation by the M & E assistant. Once compiled, the budget will be discussed with the NPCU and necessary amendments made in consultation with the county offices. They will submit this budget to obtain funds through the standard GoK MTEF process.
23. Once the budget is approved, the printed estimates will be availed to the County coordinators by the NPC for presentation to the County Project Steering Committee (CPSC). AIEs are then obtained by the NPC from the Accounting Officer, the Principal Secretary, Ministry of Agriculture, Livestock and fisheries. The NPC will then delegate the Authority to County Project Coordinators.
24. The budget is activity based and thus only the activities that are budgeted for can be financed through the budget. At the national level the budget will be managed and monitored through the in-house developed MIS and IFMIS systems. At the county level, the vote books will be the main control tool of the budgets.

25. At community level, members will be trained on the budget preparation process in order to enhance their capacity to raise additional funding from other partners and also increase the chances of being self-reliant. In building their respective budgets, micro-projects will be allowed to adjust their annual budgets by a maximum of 15% between the various budget items. This variation is subject to the provision that the total allocated grant shall not be exceeded.
26. Where a micro project requires to exceed the 15% variation in any one-line, written submissions seeking approval will be prepared and sent to the CPCU through the respective sub county offices. The CPCU will only approve such requests if it can be demonstrated that such amendments will be necessary to successfully finalize project activities.
27. In order to ensure that micro project activities are not unduly delayed during this approval process, the CPCU will be expected to make a determination on the approval request within 14 days of receipt upon approval by the CPSC. Such approvals will be communicated to the micro project in a letter laying out the revised budgets and setting out any conditions necessary to safeguard project funds.
28. To ensure that communities can manage and control their funds, a budget control form will be prepared at the end of each month. The budget control forms will be updated monthly by the micro project Treasurer and reviewed by the CDDC Chairman and the chair of the Monitoring committee.

## 2.1 Budgets

### *a) The Budgetary Process*

KCSAP uses an activity based budgetary process.

### *b) Flow of funds*

Funds are allocated to programmes based on approved budgets.

## 2.2 Accountability of Funds

29. Funds should be accounted for at the accounting units and financial statements prepared at this particular unit. Bank accounts of the accounting units should be considered as KCSAP bank accounts for the purpose of accounting.

Grant funds disbursed to the beneficiaries will be accounted for in accordance with the project finance manual

### **Contracted Service Delivery Model.**

30. Service fees will be managed using the contracted delivery service model as defined in the Matching Grants manual

### **2.3 Record Management**

31. All original vouchers and support documents be recognized as owned by the accounting units that incurred the expenses and retained in the respective accounting units.

### **2.4 Disbursement**

32. All funds received from KCSAP should be disbursed and accounted for in accordance with the disbursement schedules, budgets, work plans and signed contracts. This should be done through KCSAP bank accounts.

### **2.5 Financial Reporting**

33. All financial reports prepared within the KCSAP Accounting units should comply with the requirements of the stakeholders (Ministry of Agriculture, Livestock and Fisheries, World Bank, and the National Treasury).

### **2.6 Communication**

34. The following guidelines should be observed while passing all financial management information and any other important information to the end users.

- Communication to be done through official channels
- Communication should be timely, clear and precise.
- Accounting and procurement guidelines and policies should be communicated uniformly to the KCSAP coordinating bodies to ensure standardized financial management practices.
- The CPCU should ensure that relevant communications from the NPCU are passed to the CIG officials, Service Providers, Intermediary Organizations and other stakeholders.
- Feedback for all reviews and inspections done by CPCU personnel should be given to the KCSAP coordinating bodies for information and or implementation.
- All telephone instructions communicated to the CPCUs, farmer groups and other beneficiaries should be followed by written memos through the National Coordinator for NPCU and the County Project Coordinator for CPCUs.



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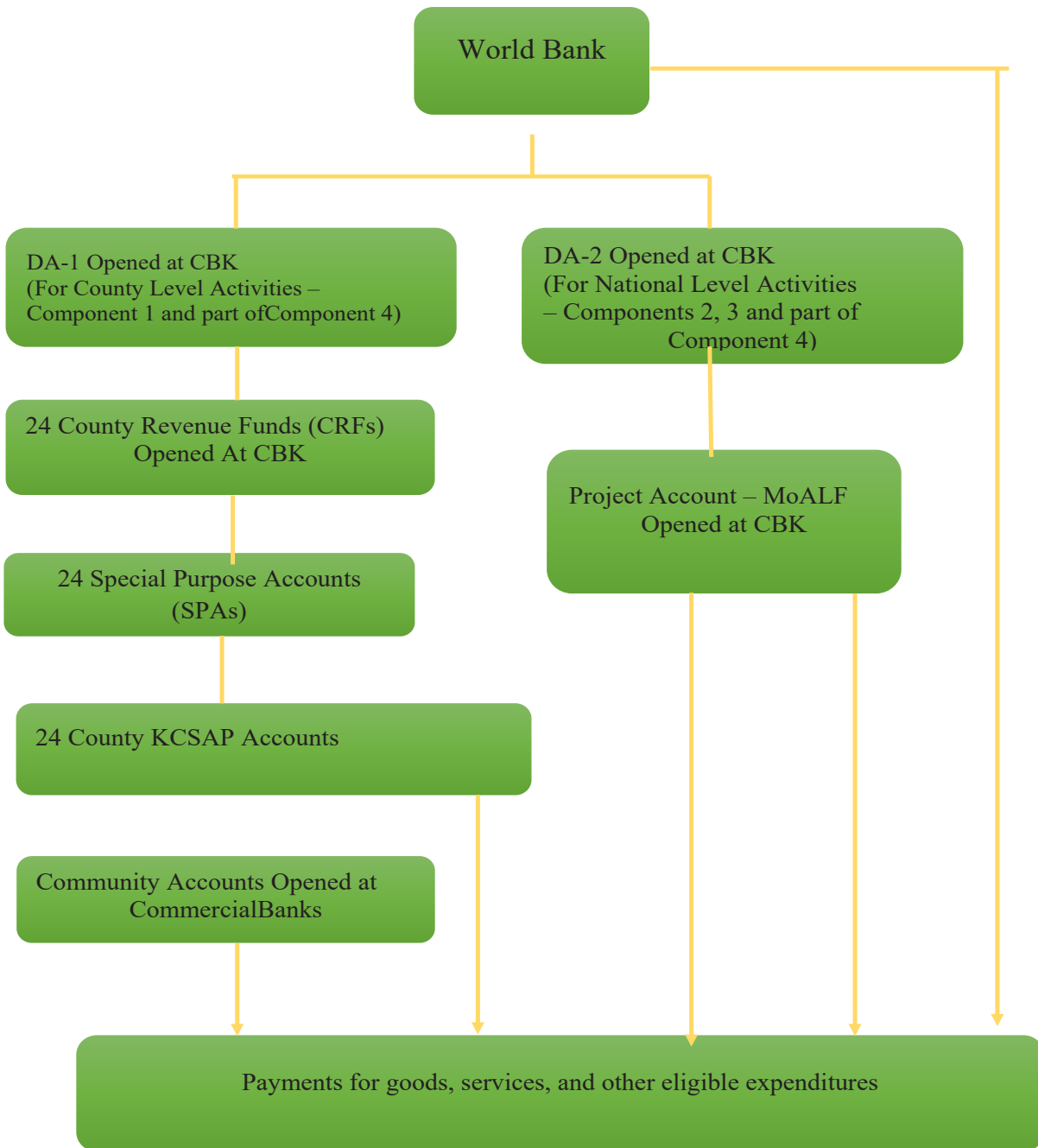
## CHAPTER THREE

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### 3.0 FUNDS FLOW ARRANGEMENT

35. The project will adopt the Statement of Expenditure (SoE) method of disbursement. The flow of funds will consist of: (i) Two DAs (DA-1 for county activities and DA-2 for national activities) opened by the NT in the Central Bank of Kenya (CBK) or in financial institution acceptable to the Bank/International Development Association (IDA), and denominated in US dollars; (ii) A PA in Kenya shillings opened by MoALF in the CBK or financial institution acceptable to Bank/IDA, from which the project's payments will be made; (iii) For counties, MoALF will trigger transfer of funds from DA-1 through the CRF to the County Project Account (CPA). The CPAs will be opened by each participating county in CBK or in financial institutions acceptable to Bank/IDA; (iv) beneficiary/community bank accounts will be opened in commercial banks acceptable to Bank/IDA. Funds will be disbursed from the CPA at CBK or in financial institutions acceptable to IDA, directly to the community accounts at commercial banks, once they have met the eligibility criteria. The CRF accounts will be replenished from DA-1, and the PA from DA-2.

**FIGURE 3: Kenya Climate Smart Agriculture project Funds Flow**



### 3.1 Funds Flow Process

#### Bank Account

#### 36. Opening, operating and closing of bank accounts

The Project shall comply with the requirements of the PFMA and PFMR in regard to the opening, operating and closure of bank accounts. The relevant sections are as follows:

(a) *Section 28 (1) of the Public Finance Management Act, 2012 which states that “The National Treasury shall authorise the opening, operating, and closing of bank accounts and sub accounts for all national government entities...”*

(b) *Section 104 (1) of the Public Finance (Administration and Management) Regulations, 2013 which states that “National Government entities...shall not open and operate a bank account without the written approval of the National Treasury ...except where it is explicitly provided in an Act of Parliament and previous approvals shall continue to apply unless revoked by the National Treasury...”*

(c) *Section 28 (4) of the Public Finance Management Act, 2012 which states that “An accounting officer for a national government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the National Treasury or a Project Management of a national government entity, if any”.*

37. As far as practically possible and in line with best practices, the Project shall operate separate bank accounts for each project implementing entity at the national and county levels. In addition, every participating community will be required to open a separate bank account where funds from the project will be channeled and payments for project activities made from.

38. All cheque books shall be stored in the strong room, safe or strongbox and locked up until the need arises for their use. Spoiled or voided cheques shall be stamped ‘CANCELLED’ and retained. The cancellation shall be noted in the Cash Book.

39. AIE holders (County/sub county coordinator and the NPC) in conjunction with the

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Head of Accounting Units will apply to the Director Accountancy Services and Quality Assurance for authority to open Project Bank Accounts as and when required.

### **Operation of Bank Accounts**

#### **County Revenue Fund (CRF)**

40. The project funds will flow from World Bank Through The treasury to the County Revenue Fund (CRF). This account will receive county funds from different sources and therefore will be operated by the county treasury. All the project funds Shall be transferred from the CRF account to the Special Purpose Account (SPA) in full

#### **Special Purpose Account (SPA)**

41. Every county shall open a special purpose Account (SPA) for payment of project expenditures. The project funds will be spent through the IFMIS system. The account signatories will be The Chief Officer (CO) Finance and Chief Officer (CO) Agriculture

#### **County Project Account**

42. Each county Shall open a county Project account in a commercial Bank where Government has interest. The signatories shall be the county project coordinator as the Mandatory signatory, the county project Accountant and the head of Accounts/ Finance. The mandate to transact shall be the Coordinator and any other.

### **3.2 Implementing Agencies**

43. KALRO and KMD will open a separate Kenya shillings Segregated Project Account (SPA) to facilitate receipt of IDA proceeds from the Project Account (PA) managed by MoALF. The triggers for the initial deposit/transfer from MoALF to each of the implementing agency accounts will include the signing of the Participation Agreements between MoALF and the implementing agency, and approved AWP&Bs. Subsequent transfers will be based on submitting SoEs.

### **3.3 Release of Funds to the Counties**

44. The financial year for the Project follows the normal GoK fiscal year running from 1 July to 30 June. Each County/sub county will be provided with an AIE for the first quarter of the financial year by the 15<sup>th</sup> of July. This AIE will be based on the approved work plans and budgets. The CPCU will ensure that funding for the Farmer group matches the cash

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flow requirements presented in order to avoid delays in Project implementation.

Vote books both manual and electronic will be opened at the county levels by the respective county project accountants

45. In these vote books, will be posted allocations against each expenditure item. In addition, a cash book will also be opened to record the fund activities. Expenses incurred at the headquarters, including payments which exceed the project threshold and are paid directly by the donor, will be processed and recorded at the Project headquarters.

### **3.4 Replenishment of County and Headquarters' Bank Accounts.**

46. The NPCU will issue AIEs, quarterly in advance, to counties who's IFRs will have been approved by the project Finance Committee. No funds will be released to a County when the said county has not submitted a satisfactory IFR. All quarterly IFRs should be forwarded to the Headquarters by the 30th day of the subsequent month without exception.

### **3.5 Release of funds to Partner Agencies**

47. The project will make arrangements with implementing partner agencies on the modalities of releasing funds. This arrangement will be based on a number of criteria including the duration of the implementation partnership, size of the fund being administered on behalf of the project and the institutional capacity of the partner agency. Payments may therefore be made in advance or in tranches based on the agreement entered into.
48. Release of subsequent funds to a partner agency will be largely tied to the timely submission of financial and technical reports. The final payment will be made after approval of the final report and a written approval and acceptance of the intervention by the beneficiary community.

### **3.6 Management Fee**

49. The project will provide a sum equivalent to 10% of the micro project costs as to cover the partner agency administrative and overhead costs Unless otherwise stipulated in the respective MoU's, the Project's main contribution to Partner Agencies will be confined to capacity building through training in those areas seen to be important in the implementation of interventions.

### 3.7 Community Level

#### Community Contributions

50. Apart from communities engaged directly in activities enhancing natural resource management, all other communities will be required to make a community contribution equivalent to 30% of the total project grant. Those engaging in natural resource management in the catchments will be expected to make a contribution of only 5% as their community contribution. Contributions may be provided in cash or kind, but in the case of those contributing the 30%, a sum equivalent to 5% of the total grant must be in cash.
51. Each CDC will be expected to keep proper and verifiable records of all such contributions in a Community Contribution Book. The minimum details to be captured include;
- Name of micro project
  - Date of contribution
  - Contributor's name
  - Contributor's Identity card number
  - Amount or Quantity of contribution
  - Unit and Total costs
  - Contributor's signature or thumb print
52. While different approaches may be used in keeping track of contributions based on the type of contribution, those focusing on cash contributions are expected to monitor cash received, cash balances, and payments made. For in-kind contributions, this will depend on whether the contribution is measured by input (for example, the number of unskilled labour days), or output (for example, length of water piping laid or depth of well dug).

The PMC is responsible for maintaining the Community Contribution Book.

### 3.8 Processing of Funds for Micro-Projects

#### a) Pre-Disbursement Activities

53. After approval of the grant proposal, the CSC will authorize the CCU to provide feedback to the CDDCs and facilitate the disbursement of funds for the approved micro-projects.

The CCU will inform the CDDC on proposals approved by the CSC and request them to undertake the following:

- Open a current bank account for the CDDC and forward documentation providing details of the account name, account number and list of signatories. Signatories will be the CDDC chairman, treasurer and secretary
- Furnish evidence of the mobilized community contribution. The CCU will then sign a Memorandum of Understanding (MOU) and financial agreement with the CDDC on behalf of the CSG, which will form the basis for the disbursement of funds.

**b) Disbursement of Funds in Tranches**

- Once the account opening conditions have been met, the CCU will process the funding requests and transfer the first tranche of funds to the CDDC bank account.
- CIGs will not receive project funds directly but will make requests to the CDDC for funding based on their approved budgets.
- A formal application must be made to the CCU for release of the second and subsequent tranches of micro-project grant.
- A site visit will be undertaken by the CCU to validate the completed micro-project activities and recommend the release of 2nd tranche to the CDDC. In addition, the Social Audit and Integrity sub-Committee will certify that the PMC has completed all the activities as per the milestones indicated below.



**Table 2: Milestones for tranche disbursements to communities**

Tranches	Milestones
<p><b>1st Tranche</b></p> <p>The amount requested for implementing stage 1 activities as per the approved community micro-project proposal.</p>	<ul style="list-style-type: none"> <li>a) Memorandum of Understanding signed between the CDDC and KCSAP</li> <li>b) Community micro-project proposal has been approved by the DSG. c) Community contribution (and specifically the minimum matching contribution is available.</li> <li>d) The CDDC has opened a current bank account, with at least three signatories, and received a cheque book.</li> <li>e) The procurement, inspection and acceptance, finance and Social Accountability and Integrity sub-committees have been formed, trained and are operational.</li> <li>f) Initial community micro-project activities to be undertaken before receiving the grant are on course or completed.</li> <li>g) The PMC has been formed and is operational.</li> </ul>
<p><b>2nd Tranche</b></p> <p>Amount required for implementing second or final stage of activities as per the approved community micro-project proposal.</p>	<ul style="list-style-type: none"> <li>a) Over 80% of members of the CIG are actively participating in the implementation of the funded micro-project</li> <li>b) All books of accounts and records are maintained and are up to date</li> <li>c) Updated information on the micro-project implementation is on the community display board. The information should include: -Funds received from the donor for micro-project; expenditure and balance; money received from community contribution; expenditure and balances; Contracts available and contracts awarded by the CDD; list of assets procured and their cost</li> <li>d) At least 90% of the amount released as first tranche has been properly utilized and accounted for.</li> <li>e) The SAIC have recommended the release of the second tranche of funds</li> <li>f) Monthly financial progress reports submitted to the CCU by the CDDC</li> <li>g) Arrangement for the operation and maintenance of the project are in place.</li> </ul>

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## CHAPTER FOUR

## 4.0 EXPENDITURE AND DOCUMENTATION PROCESS.

54. Standard Expenditure will be incurred in line with normal GOK/IDA procedures and only on activities which have been captured in the Project work-plan and Procurement Plan. Special attention should be given to Schedule I of the DCA, which stipulates the percentage of financing by IDA/GoK for each category of expenditure. For each payment a single payment voucher will be prepared.

### 4.1 Expenditure Process

55. As part of accounting process, each payment voucher passes through a number of review steps. These include;

- Purchase requests are made in line with approved AIE line items.
- Departments liaise with Finance to ensure that purchases are only made for approved line items.
- Purchase requests are approved by the respective departmental heads.
- All purchase requests are reviewed and approved by the National Project Coordinator, or CPC/ SCPCs for the County
- The requisitioning departments request for purchase of items using memos that are approved by the National Project Coordinator or CPC or SCPC in the County
- AIE Holder- the NPC in the case of head office expenses.
- Vote book accountant – who confirms availability of funds
- For payment of goods/ services/work, the procurement officer certifies/confirms that the goods have been received and entered in the relevant stores records and services have been rendered.
- The supplies and procurement officers certify that repairs have been done and entered in the vehicle's logbooks.

### 4.2 Payment Procedure-General

56. Finance department will subsequently effect payment by preparing a payment voucher upon receipt and verification of all necessary documents. In so doing, Finance department will perform the following:



- 1) Ensure that a valid and appropriately authorized and approved LPO/LSO/contract with the supplier is in place.
- 2) Match details in the LPO/LSO/contract with a Goods Received Note (GRN) issued by an authorized KCSAP officer. For works/services rendered, the relevant HOD must acknowledge in writing that the works/services have been delivered to their satisfaction and to the specifications in the LPO/ LSO/contract.
- 3) Check the supplier's invoice/fee note for accuracy.
- 4) For projects involving construction and related works, ensure that a Certificate of work done/Completion issued by relevant Government entity or other competent authority in place.
- 5) Where the Project is required to retain taxes (e.g. withholding tax on consultancy fees), ensure that the correct amount has been deducted.

All the above checks shall be evidenced in writing.

Eventually the National project accountant or County/ Sub- County Accountant also reviews and authorizes the payment voucher

57. Payment vouchers shall be pre-numbered and be prepared in triplicate and distributed as follows:
  - 1) **Original** – to be retained in Finance department and filed in the payment vouchers file;
  - 2) **Duplicate** – to accompany remittances to supplier/payee; and,
  - 3) **Triplicate** – to remain as permanent record in the booklet.
58. The payment vouchers shall be typed and contain adequate narration of the particulars of the goods/ services/works procured and being paid for. The amounts on the voucher shall be written in words as well as in figures.
59. The officer-in-charge of payments shall ensure that the payment vouchers are properly supported with all the relevant documents and approved by the authorized officer before payment is processed. All supporting documents shall be stamped “PAID” to prevent their re-submission as supporting documents for other payments. Where applicable, duly signed certificates for withheld taxes shall be forwarded to the service provider

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together with the payment voucher and the cheque.

60. For suppliers with whom the Project has credit facilities, the FO/FA shall prepare reconciliation between the balance shown in the supplier's monthly statement and the balance in the Project's accounts before payment is made. The reconciliation shall be part of the supporting documents presented to the cheque signatories at the time of signing the cheques.
61. Signed cheques shall be recorded in a register before they are collected by the supplier; the person who collects the cheque should sign for it and record his/her details, including their ID number.
62. Payment vouchers and their supporting documents should be filed systematically to facilitate easy retrieval. Access to the payment voucher files shall be restricted to authorized persons only.

### 4.3 Payments Processing at NPCU

#### Imprests

- The officer heading an activity does a memo and a budget requesting for the approval to the National project coordinator
- The activity must be part of the approved annual workplan
- An imprest application form will be filled after recommendation by the Project Accountant and approval by the NPC.
- The Imprest Applicant and the AIE holder (NPC) signs the application form.

#### Payment Voucher

- The procurement supporting documents are received at the accounts section from procurement section processing and endorsed by the project accountant. (i.e Invoice, LSO/LPO copy, GRN, Contact copy)
- A payment voucher is prepared and examined by accountant and signed by the NPC

## 4.4 Payment processing at MOAL&F

### Payment Vouchers and Imprests

- The document is received, examined and numbered (manual) IFMIS Processing
- Invoicing – Capturing the payment in the IFMIS system and charging the relevant account
- Validation – The validity of the payment is checked as to correctness of the payee, amount and account charged.
- Approval – The supervisor approves the payment in the system
- Cash Office – The cash office makes the payment in the system by capturing the bank details of the payee and verifying the payee
- Internet Banking – Done by the Chief Accountant. It involves IFMIS and CBK. This process checks the bank balance of the account charged. It involves two approvals. The 2<sup>nd</sup> approval is the final authority. The 2<sup>nd</sup> approval sends the money to the payee.

63. The project is in the process of developing an in-house MIS system which will include both financial and M&E functions. This will ensure the reporting gaps in IFMIS system are adequately addressed and real time data can be easily accessed.

### 4.5 Remittance of Statutory Deductions and other Levies

64. Statutory deductions (PAYE, NSSF, NHIF, HELB, etc.) and any other levies payable by the Project shall be paid to the relevant institutions within the stipulated timeline to avoid penalties being levied against the Project. The NPA and the CPAs at the County level shall also ensure that documentation required to accompany payments to the relevant authorities is properly and accurately completed.

### 4.6 Payment of allowances to Project Management members

65. Subsistence Allowances payable to Project Management members and/or any government officer called upon to undertake any task for the project shall be paid in

accordance with the rates provided in the relevant circulars issued by the relevant Government entity and for the days they are on official duty.

66. The project shall not pay any mileage allowance to anybody under any circumstances. Any claim for reimbursement of subsistence allowance for an activity/trip undertaken without prior approval of the NPC/CPC shall not be accepted.
67. Reimbursement of airfare/bus fare/taxi paid directly by a Project Management member to attend meetings of the Project shall only be done upon the member submitting appropriate supporting documents to the Project together with the letter of invitation for the meeting. The supporting documents in the case of airfare must include the boarding pass issued by the airline, in the name of the Project Management member for that particular trip.
68. Payment of any other allowance to Project Management members shall be guided by the relevant circulars issued by the relevant Government entities from time to time.

#### **4.7 Compliance with KRA Requirement**

69. The Project shall only engage in business with suppliers who are registered for VAT and have both PIN and Tax compliance certificates. This applies to suppliers of vat-able goods and services. Officers making payments on behalf of the Project shall ensure that they obtain receipts generated from an ETR.
70. Expenditure on goods and services shall be incurred within the total budgeted expenditure limits.

The national project accountant shall ensure that the requirements of the VAT Act with regard to VAT administration and accounting are adhered to. They must also ensure that withholding tax on consultancies and civil works is deducted and remitted to KRA promptly.

#### **4.8 Custody of payment vouchers/documents at Project level**

71. After the data capturing, the NPA/CPA will collect the paid vouchers, and file them according to their account numbers in readiness for the annual Audit. The Accounting

Officer may give permission for the destruction of accounting books and documents, provided such records have been audited and are of no archival value in accordance with Government financial regulations and procedures

#### 4.9 Expenditure under Component One: Community Driven Development (CDD).

72. Once the MoU between the Project and the communities is signed, the CDDC will submit a copy of the MoU, CPSC minutes, copy of the registration certificate and micro project proposal to the Finance Assistant. A payment voucher is then prepared by the FA and processed through the District Treasury. A cheque will be drawn in favor of the community and banked in the account earlier opened. A voucher for this transaction is then entered into the main cashbook. The voucher will then be keyed into the ledger. They will incur expenditures as per their budgets and procurement guidelines, make payments, and post the same into their cashbook and ledgers. The disbursement payment voucher will be used to support the SOEs.

#### 4.10 General Payments Principles

73. CDC should pay their contractors, suppliers or service providers using the following procedures:

- Identify the expenditure to be made by referring to the approved micro project work plan;
- Prepare a voucher
- Write the expense item on which money has to be spent;
- Obtain signatures of the two signatories of the CDC;
- Pay money by cheque or cash;
- Obtain the signature of the contractor, supplier or service provider on a receipt;
- File the voucher and signed receipt in a safe place.

#### 4.11 Payment Procedures

74. • Payment vouchers will be prepared by the CDC treasurer for all payments.

- Vouchers will only be prepared if the necessary supporting documents including payment requisitions, quotations, invoices, LPO/LSOs, and delivery notes have been availed.



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- Once the payment vouchers are ready, they will be passed on to the CDC chairman for review and approval.
  - Cheques will only be drawn once the payment vouchers have been approved, and sent to the various signatories for signature.
  - The supplier shall provide a receipt as acknowledgement that they have received their
  - cheque(s).
  - Where the supplier does not have a receipt due to the informality of their business, they will append their signature to the payment voucher, providing their full names and identify card number of the individual collecting the cheque.
  - Payments details will be immediately recorded in the cashbook.

#### **4.12 Management of Imprest**

75. Administration of Imprest facility will be guided by the provision contained in the relevant financial regulation and procedures and prevailing circulars issued by both the National Treasury and the Directorate of Personnel Management (DPM).

##### **a) Policy**

76. An imprest is a cash advance given to an officer of the Project, who in the course of duty, is required to make payments which cannot be conveniently made through the cash office of the Project. The NPC is responsible for approving the establishment of an imprest facility.

The project will administer two types of imprests, namely:

- i. Temporary or safari imprest, which is issued mainly in respect of official journeys and meant for travelling, accommodation and incidental expenses.
- ii. Standing imprest, which is intended to be in operation for an extended period, and is replenished periodically to bring the cash level to the agreed amount?

An imprest shall be issued for a specific purpose, and any payments made from it shall be only for the purposes specified in the imprest warrant.

## b) Procedures

### *Temporary or Safari imprests*

77. An officer requesting for an imprest shall complete and sign an Imprest Warrant (Form F.O. 24 revised) in all respects. The completed form shall be authorized by the officers' Head of Department.
78. Payment of in-country out-of-station allowances, per diems and daily subsistence allowances shall be guided by the prevailing government circulars. Officers travelling on duty but with no night away will be eligible for lunch and/or diner allowances at the rate prescribed in government circulars.
79. Authorised officers shall approve the imprest after confirming the following requirements have been adhered to:
  - i. The accountant in-charge of the imprest section has certified on the Imprest Warrant that the applicant does not have an outstanding imprest, and the amount applied for has been recorded in the imprest register.
  - ii. The vote book controller has certified that adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.
  - iii. The activity is in the work-plan
80. Temporary imprests must be accounted for within 48 hours upon the officer returning to his/her duty station. The officer shall be required to complete an 'Imprest Surrender Form' to which he/she shall attach the supporting documents. Any unutilized cash must be surrendered to Finance department at the point of accounting for the imprest and an official receipt obtained on the surrendered amount.
81. Any imprest that is not surrendered within the stipulated period shall be recovered from the salary of the defaulting officer either in the month in which it should have been surrendered, or where not feasible, within subsequent months in instalments. Interest

at the respective Treasury moving rates shall be charged and appropriate disciplinary action taken against the officer.

### c) Standing Imprests

82. Standing imprest shall involve personal responsibility and shall be issued to an officer in his/her name, and not to the holder of an office. The imprest holder shall be responsible for ensuring that the imprest is used wholly and exclusively for the purpose for which it is intended.
83. The amount to be held as standing imprest shall be determined by carrying out an analysis of the average expenditure over a period, to ensure that the float is not excessive or inadequate. The float will be reviewed from time to time in line with changing circumstances.
84. The holder of the Standing imprest shall keep a cash book to record all receipts and payments. The balance on hand shall agree with the cash balance recorded in the cash book, and in the absence of any receipts, the actual cash balances plus the expenses paid should equal at all times the fixed level of the imprest for which the imprest holder is personally responsible.
85. To replenish the imprest, the holder of the imprest shall submit an abstract and analysis of the cash book, plus originals of the supporting payment vouchers to the NPC/SCPC for review and approval of the replenishment.
86. Unannounced spots checks at least once every two weeks shall be carried out by a senior accountant for headquarter and CPC for the counties to ensure that the Standing imprest is being properly administered.

Such spot checks shall be documented and filed with the FO and the SCPC.



## **CHAPTER FIVE**

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## 5.0 FINANCIAL ACCOUNTING AND REPORTING

87. These are in line with GoK's procedures and the World Bank FM guidelines, and applicable Public Finance Management (PFM) regulations. Additional controls will be incorporated in the Community Grant Manual (CGM), particularly to cater for Component 1, for which GoK guidelines do not exist.

### 5.1 Accounting at Community Level

88. By the very nature of community structure, the accounting systems are expected to be basic and manual in nature. The CDC Treasurer is responsible for keeping and updating the accounting books and other financial records. Due to the nature of simple storage facilities, the use of hard bound books is recommended as they are long-lasting and enable a full set of records to be available in one place.

Simplified cash books will be used to record all financial transactions. Each cash book has a receipts and payments side.

#### a) Receipts Side

89. The receipts side of the cash book will include the following details

- Date
- Details from whom funds have been received
- Receipt number
- Amount received

#### b) Payments Side

90. On the payment side will be details including

- Date of the transaction
- The payee (person or organization that is being paid)
- Payment voucher number
- Cheque number
- Amount paid out
- Reason for payment e.g. purchase of goods

### c) Separation of Financial Responsibilities

91. As far as it is practicable, financial accounting responsibilities should not be carried out by one person. Examples of such transactions include;

- recording transactions into the books of accounts
- authorizing transactions
- receiving or expending funds
- recording alterations or adjustments, and
- reconciling financial system transactions

### d) Obtaining receipts for all payments

92. The CDC Treasurer should keep receipts for all expenses in proper order. Issuance of a receipt is the responsibility of the person providing goods or services to the CDC. However, there are cases when a formal receipt is not possible. In such a case, the CDC Treasurer should prepare an unofficial receipt and obtain the person's signature or thumb impression.

*Official receipts* are provided by the person or seller from their own receipt book after being paid for their services.

*Unofficial receipts* are acceptable when a person or seller does not have his/her own receipt book. This is usually the case with laborers and small sellers.

93. Unofficial receipts should provide information on the identity of the seller receiving the money, the purpose of payment, location where the payment was made, date of payment, the amount of payment and the signature or thumb impression of the recipient. Receipts should have a number provided by the Treasurer. Receipts should be kept in original and in dated order. The CDC Procurement subcommittee should issue a **goods received note** to the supplier and keep a copy in records

### e) Preparation of Financial Records

94. Accounting records should be prepared on a daily, monthly and annual basis in order to maintain control over the Project resources as presented below.

**Table 3: Periodic financial tasks for communities**

Daily tasks	Monthly tasks	Annual tasks
<ul style="list-style-type: none"> <li>• Receipting incoming money.</li> <li>• Use will be made of pre-numbered receipt books.</li> <li>• Banking of funds received.</li> <li>• Writing cheques based on approved cheque requisition forms.</li> <li>• File all payment vouchers.</li> </ul>	<ul style="list-style-type: none"> <li>• Check that all payment vouchers have been filed in numerical order.</li> <li>• The cash book is written up and balanced.</li> <li>• Bank reconciliation prepared</li> <li>• General summary on micro project financial position produced for community members.</li> <li>• Budget control form filled OUT</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare a financial statement, giving a complete picture of the income, expenditure and balance for that year.</li> <li>• Organize records to enable the undertaking of an independent audit, if it is required.</li> <li>• Prepare listing of all assets and liabilities for the Project.</li> </ul>

#### f) Record Keeping at Community Level

95. It is crucial that financial and related records are kept and maintained in all aspects of the project as records form an integral part of good management systems. Records must be kept in a safe location and in a systematic way for ease of retrieval.

96. Keeping good records facilitates financial accounting and reporting, internal control, project management and subsequent auditing. They also provide legal and other evidence that may be used in the event of disputes. All project records must be availed to authorized persons if required for review.

The following are the minimum financial records required for each CDC

**Table 4: Financial records to be maintained by communities**

Type of financial records	Contents
<b>Cash Book:</b>	<p>This book lists all of the receipts and payments made into and out of a particular bank account. This book is updated every time a cheque payment is made or funds are deposited in the bank account. At a minimum, this book will be updated at least once a week by the Treasurer and checked at the end of each month by the CDC</p> <p>Chair: The oversight committee, charged with the responsibility of ensuring overall project governance, will review, check and endorse the entries in the cash book each month.</p>
<b>Petty Cash Book: (In general, micro projects will not be expected to keep any cash in their respective offices or with their officials.</b>	<p>This records all cash-related transactions. In general, this reflects payments made from the office cash float. A cheque for the relevant amount is en-cashed and the full amount recorded in the receipts side of the petty cash book. Payments made out of this amount are then recorded on the expense side of the petty cash book. The treasurer will be required to account for the initial cash before another float is approved.</p>
<b>Reconciliation Statements</b>	<p>The bank reconciliation statement compares the cash book balances against the bank statements and lays out the items that constitute the differences. Cash reconciliation, on the other hand, reconciles the petty cash book balance against the actual cash in hand. Reconciliations constitute part of the internal control tools and will be prepared on a monthly basis.</p>
<b>Statement of Source and uses of Funds</b>	<p>The preparation of periodic statements on the state of funds received and expense incurred is an important tool in managing the resources of each CDC. The statements should be prepared on a monthly, quarterly and annual basis, and will be presented to and discussed by the entire membership. A signed copy of these statements will also be forwarded to the CCU not later than two weeks after the end of the month, quarter or year to which they relate to.</p>



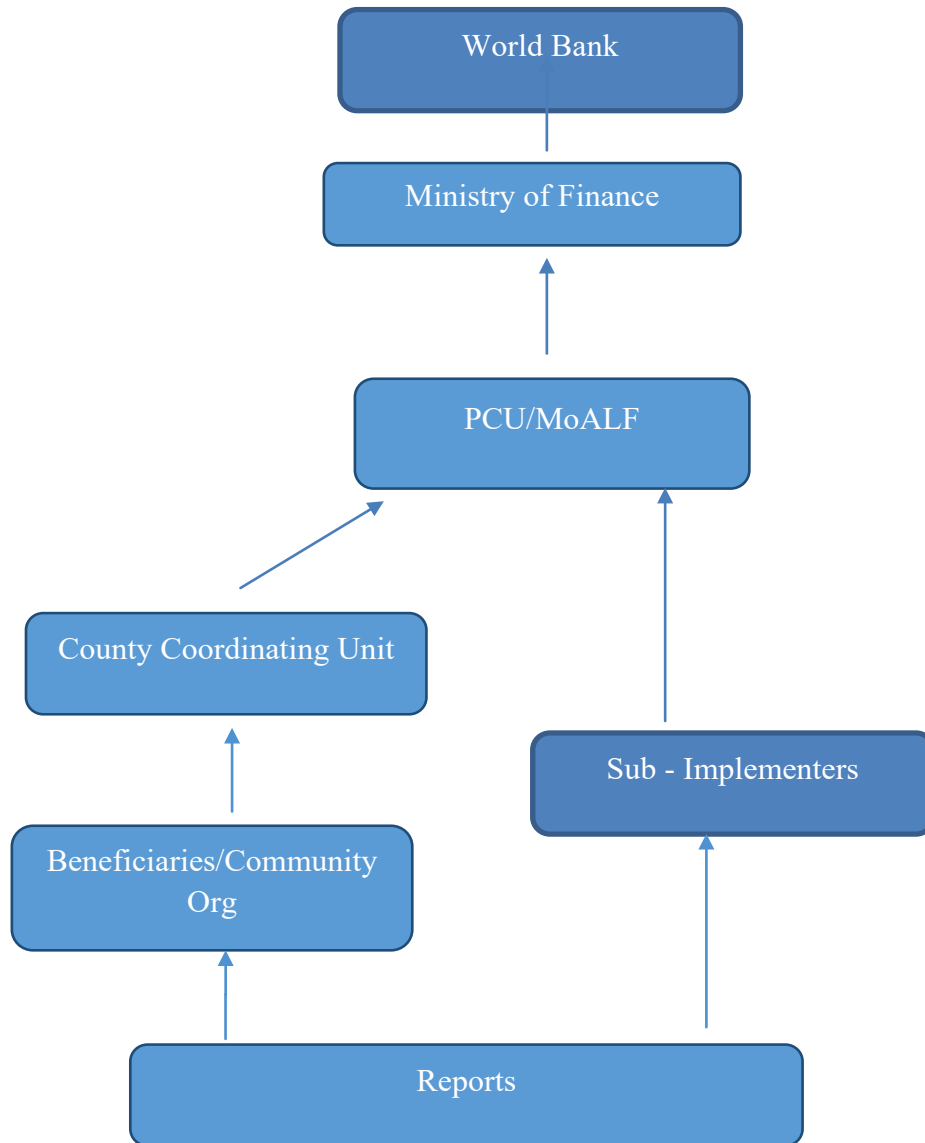
Type of	Contents
<b>Asset Register</b>	Each CDC normally owns assets. These may include livestock, boreholes and wells, farmland, business premises, irrigation machinery and so on. In order to maintain a proper and up to date record of all these assets, it is a requirement that each CDC keeps an asset register. A hard-bound book or spreadsheet can be used for this purpose, and will include serial numbers (for machinery and equipment), date of purchase, purchase price, location, state of the asset and disposal dates. During the general members meetings, the treasurer will be required to provide an update on any changes that have occurred in the asset list.
<b>Community Contribution Book</b>	This book will be used to record the community contribution. In it will be recorded the following details; <ul style="list-style-type: none"> <li>• Date of contribution</li> <li>• Contributor's name</li> <li>• Contributor's Identity card number</li> <li>• Amount or Quantity of contribution</li> <li>• Unit and Total costs</li> <li>• Contributor's signature or thumb print</li> </ul>
<b>Budget Control Form</b>	These forms are used to record budget and actual expenditure incurred on a monthly basis. They will enable a micro project to determine the funds usage and available balances or shortages through computation of variances.  The budget control forms will be updated monthly by the Treasurer and reviewed by the CDDC Chairman and the chair of the Monitoring committee.
<b>Minutes file</b>	This will have all the relevant minutes for meetings held to approve, verify or review transactions undertaken during various periods.
<b>Payment Vouchers</b>	Contain details of each payment made by the micro project. It Each voucher indicates the name of the payee, date of payment, cheque number, a description of the services or good procured and the budget code charged.

## 5.2 Custody of payment vouchers/documents at Community Level

97. In the case of CDD, the micro-project committee will maintain the copies of expenditure documents and submit originals of the same to the CCU. The CCU will file these documents in the respective micro- project files.

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98. At the community level, storage of records is a major problem, and there is a tendency for records to be kept at the residences of the CDC officials. To address this issue, the Project will endeavor to allocate a small sum for purchase of metal filing cabinet or metal boxes in which to securely store project official documents, including payment vouchers, minutes and cheque books. To further enhance security, the project district staff will liaise with and make arrangement with the Internal Security ministry, to have such crucial records stored at existing and nearby GoK facilities.
  99. The CCU will prepare and maintain SOEs and copies sent to the PCU for consolidation purposes.
  100. The original documents kept at the CCU offices will be subject to audit alongside copies of payment vouchers kept by the micro-project committee.
  101. The project will submit quarterly interim financial reports (IFRs) and annual financial statements to the Bank. The annual financial statements will be carried out on the basis of International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board from time to time.

**Figure 4: Accountability flow chart**





### 5.3 Monthly Expenditure returns

102. By the 10<sup>th</sup> day of each month, the CCU will have prepared and submitted to the finance officer at the PCU, the monthly expenditure return. This will contain details of the AIE issued to the County, expenditure incurred so far, the commitments and balance of funds.

### 5.4 Quarterly Interim Financial Reports (IFRs)

103. Quarterly Interim financial reports consolidate the expenditure of each County on a quarterly basis. These reports will be submitted to the project finance officer at the PCU on the 10<sup>th</sup> day of the month following the end of the quarter in the format approved for use by the project HQ. The IFR will, at a minimum, comprise the following reports:

- Statement of sources and uses of funds;
- Uses of funds by project activity against the budget, with explanations for significant variances;
- Bank reconciliation and bank statements;
- Computer printouts (ledger);
- DSG minutes in case of expenditure on contingency funds;
- Memorandum cashbook.
- Cash-flow projection for the next Six months.

### 5.5 Processing of Interim Financial Reports (IFRs) at the Headquarters

104. Upon the receipt of the quarterly IFR from the counties the project Finance Officer will consolidate the IFR and submit it to the World Bank through the National Treasury (ERD) within 45 days after the end of the quarter.

105. The project IFR will, at a minimum, contain the following documents:

- Withdrawal application (form 1903);
- Project Statement of sources and uses of funds, for the quarter and

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cumulatively;

- Uses of funds by project component and sub-components against budget, for the quarter and cumulatively, and incorporating explanations for significant variances;
- Summary uses by counties and HQ, supporting uses of funds shown in the statement of sources and uses of funds;
- Project bank account reconciliation at end of the quarter and bank statements for the quarter;
- Special account activity statement and bank statements for the quarter;
- Exchange rate summary schedule;
- Supporting schedules for ‘other’ fund balances such as outstanding imprests, AIEs in transit, retention money etc;
- Expenditure forecast for the next two quarters (6 months).

106. The consolidated project IFR will incorporate all direct payments made by IDA or GoK on behalf of the project.

107. In order to ensure that the quarterly consolidated project IFR is complete, accurate and reliable as a basis for monitoring project expenditure and financial reporting, all sub counties must submit their respective IFRs within the prescribed deadline.

108. The project Finance officer should share the County quarterly report and the Consolidate IFR with the project finance committee based at the headquarters. This has responsibilities for studying the budget allocations and IFRs from the districts to update themselves on the progress and pick on any issues that require attention. The team will also follow up audit matters raised by the Director General KENAO and the ministerial audit committee concerning their respective components. Once the finance committee has discussed the district IFRs and the project consolidated IFR and noted all that needs follow up they prepare a report with recommendations. Members of this team include the finance officer, supplies and procurement officer, community development coordinator, NRM coordinator, the flood management coordinator, and monitoring and evaluation coordinator. This is to help in monitory and evaluation of expenditure to

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avoid cases where components feel they are under-funded as is the case now.

### **5.6 Partner Agencies Reporting**

109. Part of the KCSAP project implementing strategy is to work with a number of partner agencies in order to harmonize organizations within an original districts or counties to support the development activities of communities, and to encourage donors to contribute to this collective effort. Partner Agencies may include:

- Parastatals
- Organizations registered with the national NGO Bureau;
- Self-help groups registered with the Department of Social Services;
- Development partner organizations;
- Registered religious bodies;
- Local authority; and
- Private sector.

110. While the reporting requirements for partner agencies will vary based on the form of agreement entered into as articulated in the respective MoU, each partner will be expected to account for any advances provided on a quarterly basis.

### **5.7 Monitoring Performance of Partner Agencies**

111. The financial management and accounting performance of partner agencies in executing the tasks assigned under the contract will be periodically monitored and evaluated by an Independent Integrated Fiduciary and Accountability Review Agency.

### **5.8 Financial reporting by CDDCs**

112. On a monthly basis, the micro-project committees, with the help of the MAT, will prepare monthly reports based on the agreed formats and submit the same to CCU. The reports will be required by the 10th day of the subsequent month detailing income and expenditure under the Project.

113. To standardize the reporting across the various micro projects, communities will use the reporting format presented in the table below.



**Table 5: Community monthly financial report**

Community Name:		
Micro-Project Name:		
Reporting Period:		
	Amount (Kshs)	Remarks
Opening Balance		
Date .....		
Receipt KCSAP		
Community Contribution		
Total Receipt		
Expenditure		
i).....		
ii).....		
iii).....		
iv).....		
v)..... Total		
Expenditure.....		
<b>Signature (Treasury)</b>		<b>Date.....</b>
<b>Signature (Chairman)</b>		<b>Date.....</b>

Accompanying this monthly report will be a copy of the bank reconciliation statement.



## CHAPTER SIX



## 6.1 Fixed Assets Policy and Procedures

114. Fixed assets are those assets from which the enterprise expects to derive economic benefit for a period exceeding one year. The fixed assets can be tangible or intangible. An asset shall be recognized as a fixed asset in the project books of account when it is probable that the future (i.e. beyond the current accounting period) service potential associated with the asset will flow to the Project, and the cost or fair value of the asset to the Project can be measured reliably.

### a) Acquisition of fixed assets

115. Procurement of the Project's assets shall be done in strict conformance to the Public Procurement and Disposal Act, 2005 and Regulations 2006. The Project authority to purchase shall be granted in writing by the NPC. (Refer to the Supply Chain Management Manual for detailed procedures).

116. However, the Project shall seek approval from the National Treasury before it enters into any finance lease, in line with Section 244 (3) of the Public Finance (Administration and Management) Regulations.

### b) Recording of Fixed Assets

117. Upon acquisition, the appropriate General Ledger account will be updated. In addition, the Project shall maintain a Fixed Assets Register (FAR) where all assets of the Project will be recorded.

The FAR will contain, at a minimum, the following details:

- 1) Date of acquisition of the asset.
- 2) An appropriate description that will facilitate easy identification of the asset.
- 3) The assets serial number (where applicable)
- 4) The asset identification number
- 5) Location/user department/custodian of the asset
- 6) Cost of the asset
- 7) Condition of the asset
- 8) Date of disposal (where applicable)

118. The FO shall provide each county office with the a copy of the relevant section of the

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FAR which shows the assets held by that county office to facilitate control over the county office assets.

119. All fixed assets shall be tagged with the asset identification numbers contained in the FAR.

The custodian of the FAR shall ensure that it is promptly updated with all asset acquisitions and disposals. Grants to the Project in the form of fixed assets shall also be recorded in a similar manner as assets purchased by the Project; the only difference is that the cost/fair value of the asset should be credited to equity in the General Ledger.

**c) Physical verification**

120. At least once every year, a physical verification of all the Project's assets will be carried out. The assets shall be verified against the FAR and reconciled to the GL. Any anomalies noted shall be immediately investigated and reported to the management and FO for appropriate corrective action to be taken.

121. During the verification exercise, the assets shall also be assessed to determine whether they are in good working condition. This will enable management to determine whether the asset needs to be replaced.

**d) Disposal**

122. Disposal of the Project's assets shall be done in strict conformance with the Public Procurement and Disposal Act, 2005 and Regulations, 2006 (please refer to the Supply Chain Management Manual for detailed procedures) and World Bank procedures



## CHAPTER SEVEN

## 7.0 INTERNAL CONTROL

### 7.1 Introduction

123. Internal controls are processes that are designed to provide reasonable assurance to the project management regarding the achievement of objectives in the following areas;

- Compliance with applicable laws and regulations
- Ensure the accuracy and reliability of accounting data
- Reliability of financial reporting
- Promote effectiveness and efficiency of overall Project
- Safeguarding assets of the project and
- Adherence to established institutional and government policies and procedures.

### 7.2 Key Elements of Internal Control

#### a) Control Environment

124. The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The control environment comprises:

- 1) Integrity and ethical values of the organization;
- 2) Parameters enabling the Project Management to carry out its governance oversight responsibilities;
- 3) Organizational structure and assignment of Project and responsibility;
- 4) Process for attracting, developing, and retaining staff; and
- 5) Rigor around performance measures, incentives, and rewards to drive accountability for performance.

## **b) Risk Assessment**

125. Every entity faces a variety of risks from external and internal sources. Risk assessment involves a dynamic and interactive process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerance levels. Therefore, risk assessment forms the basis for determining how risks will be managed.

## **b) Control Activities**

126. Control activities are the actions established through policies and procedures that ensure that management's directives to mitigate risks for the achievement of objectives are carried out. Control activities are performed at all levels of the entity, and may be preventive, detective or corrective in nature.

## **c) Information and Communication**

127. Information is necessary for the entity to carry out internal control responsibilities. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control.

128. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management and that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

## **d) Monitoring Activities**

129. Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control is present and functioning. Ongoing evaluations, built into Project's processes at different levels to provide timely information. Separate evaluations, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

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### 7.3 Types of Internal Control

130. Internal controls can be categorized into three broad categories:

- 1) Preventive controls. These are the most effective types of internal controls and are designed to prevent inefficiencies, errors and irregularities from happening. Examples include adequate segregation of duties, proper authorization of transactions, restricted access to assets, etc.
- 2) Detective controls. These are designed to detect inefficiencies, errors, and irregularities should they occur. They should be designed to ensure that any breach of a preventive control is detected promptly. Examples include reconciliations, physical verification of assets, performance review and monitoring, etc.
- 3) Corrective controls. These are designed to prevent recurrence of inefficiencies, errors and irregularities once they have been discovered. Examples include procedures for reporting errors and irregularities so they can be corrected, training employees on new policies and procedures developed as part of the corrective actions, positive discipline to prevent employees from making future errors, etc.

131. The project will endeavor to enhance internal controls through;

- Clearly defining and document reporting structure, the roles and responsibilities of staff, identifying lines of reporting for all aspects of their operations, including the controls. The delegation of responsibility should be clearly defined.
- Segregation of duties where one single individual may not be in-charge of initiation, authorization, execution, and recording transactions without the active involvement of another person.
- Having effective management oversight bodies at all levels in the project. This would include audit and finance committees, procurement committees, and community management committees.
- Restricting access to the Project's assets to authorized persons only. This includes both direct access and indirect access via documentation.
- Ensuring that all transactions are authorized and/or approved by designated

officers at different levels within the Project. Authorization and approval levels should be clearly defined and documented.

- Officers responsible for authorizing/approving transactions should evidence their authorization/

approval for all transactions through signature on the relevant document(s).

- Independent verification by agents of the community
- Internal audits/ex post audits and social audits of community organizations should be encouraged.

#### 7.4 Responsibility for Internal Control

132. The NPC is responsible for developing, operating and monitoring the system of internal control of the Project. Further, all employees of the Project are responsible for the effective and efficient operation of internal controls in their areas of responsibility. The detailed internal control procedures in payment processing at national, county and community levels are as outlined in section 2.4.3 above.

#### 7.5 Fiduciary Oversight Committees

##### a) Ministerial Audit Committee

133. Established by the Cabinet secretary, Ministry of Agriculture, Livestock and fisheries in accordance with Treasury Circular No. 16/2005. This committee exercises fiduciary oversight over the project in accordance with the following mandate:

- Developing and operationalizing a risk management policy framework (see section 4.5.4 below);
- Monitoring and ensuring timely effectiveness of audit and operational review recommendations of various fiduciary oversight responsibilities including, internal and external auditors, government project monitoring agencies and periodic review and supervision missions;
- Overseeing the effectiveness of accounting and internal control standards, policies and practices;
- Ensuring compliance with legal covenants and terms of funding agreements;
- Overseeing the effectiveness of the internal audit function;

- Monitoring the performance of key internal audit staff against approved performance contracts;

and

- Packaging and disclosing relevant findings, on a quarterly basis, in publicly accessible ways that facilitate timely and effective monitoring and accountability at the community, district and national levels.

#### **b) Finance Committee.**

134. This is established by the Principle Secretary, State department of Agriculture, and exercises additional fiduciary oversight over the project in accordance with the following terms of reference:

- Carrying out a comprehensive review of quarterly Interim Financial Reports (IFRs);
- Approving periodic operational budgets and monitoring of financial performance;
- Reviewing and approving annual financial statements;
- Monitoring the performance of key financial management staff against approved performance contracts; and
- Packaging and disclosing relevant findings, on a quarterly basis, in publicly accessible ways that facilitate timely and effective monitoring and accountability at the community, district and national levels.

135. Members of the PCU and other project staff will **NOT** be members of the Audit and

Finance Committees. Both fiduciary oversight committees will be staffed with appropriately knowledgeable and experienced persons and will meet regularly, at least once each quarter.

#### **c) Internal Audit Function**

136. An independent and effective internal audit arrangement in the National Treasury is responsible for oversight of the Project's accounting and internal control functions at both national and County levels. The Internal Audit Department (IAD) will conduct



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annual risk-based audit of project activities for the periods ending December each year and submit the reports to the Bank by April 30 each year. IAD will also be called upon to review any issues arising from any county on a need basis. The outcome of the IAD risk-based annual reviews will be a report of the internal control weaknesses identified in the project and specific recommendations on how to address them.

### c) Community Level

137. Due to the less structured nature of micro projects, the internal control structures will be given special attention due to the fact that:

- There are considerably large numbers of parties and transactions involved, and numerous small value and multiplicity of contracts, in addition to the spatially scattered locations of the subprojects that increase the ex-ante controls across all individual subprojects;
- Community groups may lack the necessary capacity;
- Community office bearers may not be truly representative of the community due to a variety of factors including elite capture and political and administrative interference.

138. To mitigate against the above, mechanisms should put in place during the PICD training that advocate for clear and transparent rules and other methods that empower communities to put into effect control mechanisms that provide a certain level of control over their leaders. Communities also gain knowledge to put in place simple yet effective internal control procedures. Such measures include:

- Ensuring that no one individual is able to undertake the entire chain of transaction processing;
- Regular reviews of processes and transactions so that risks of loss, fraud, inaccuracies or errors are noted at all levels, and measures put in place to eliminate or minimize them;
- Fiduciary management supervision at the community level that are integrated with monitoring and evaluation to ensure a close link between technical/ progress reporting and financial reporting, as a way to support the validity of the

expenditures;

- Regular internal audits/ex-post audits of community organizations will also be undertaken on a on a regular basis.

#### **d) Oversight roles of CDCs and CSCs**

139. Project oversight, monitoring and supervisory roles of CDCs and CDCs, including reporting arrangements are clearly spelt out. CDCs will not be expected to directly handle facility funds, as this will constitute a conflict of interest. The terms of reference for these two bodies include:

- Review and approval of periodic budgets;
- Review of quarterly accountability and performance reports;
- Monitoring the utilization of facility resources;
- Monitoring the quality of service delivery; and
- Safeguarding public resources.

### **7.6 Institutional Risk Management Policy Framework**

140. Risk can be said to be the potential for loss or diminished opportunity for gain, caused by events that can adversely affect the achievement of specific goals or objectives. Risk management, on the other hand, is defined as the process or mechanisms that are put in place aimed at identification, prioritization, assessment response, monitoring and correction of unfavorable events and condition. The purpose of the Risk Management Policy is to formalize and communicate the approach to management of risk across the department.

Examples of risk that could occur include:

- external or internal influences that pose a threat to the achievement of objectives set outing the Project Implementation Plan;
- circumstances or situations that could damage the reputation of KCSAP project and undermine stakeholder's confidence;
- inability to guard against misuse, fraud, corruption, waste or poor value for money;

- failure to comply with the financing agreement terms;
- failure to take advantage of opportunities that may emerge to deliver better services

141. The purpose of the KCSAP project risk management policy is to enable the project to:

- efficiently achieve strategic objectives,
- improve governance and accountability,
- act in a timely fashion to avert diversions from plan and take the necessary corrective action,
- put in place improvements in decision making about process and programs and
- enhance value through flexibly leveraging opportunities and better managing uncertainties

### 7.7 Objectives of the policy

142. The key objectives of this policy are to:

- i) entrench and align risk management with key project processes and functions,
- ii) proactively manage threats and opportunities effectively,
- iii) ensure compliance with all statutory and procedural requirements,
- iv) effectively discharge the projects obligations to all stakeholders including the GoK, donors, staff, and community sub-projects,
- v) enrich the value of decision making,
- vi) safeguard governance and accountability philosophies,
- vii) uphold prudent fiduciary and procurement administration practices, and
- viii) realize organizational objectives through the efficient and effective allocation and use of resources,

### 7.8 Policy Statement

143. The project is devoted to entrenching risk management values and practices into the:

- i) organizational culture and practices,
- ii) overall decision-making processes,
- iii) business information systems,



- iv) strategic and operational planning of programs and activities including the
- v) community micro-projects, and
- vi) financial and procurement processes

144. Robust and unified project governance and accountability systems are fundamental to effective risk management, and together form the building blocks for good and practical management.

145. The project management will ensure that risk management process are in place and advice is sought in regard to major policies, projects, programs and plans at the inception phase. This will be done by having close collaboration with all stakeholders. It is therefore of outmost importance that risk Management, strategic, operational and financial planning is properly aligned.

## 7.9 Applicability

146. It is the responsibility of each person associated with the project to be actively engaged in risk management. This policy will therefore be of useful to all staff and other partners.

This policy is applicable to all areas of the projects activities including:

- National office strategic plans, and the staff who implement them
- County offices, their activities and staff who implement them
- Community Micro-Projects
- Partner Agencies that may work with the project from time to time.

## 7.10 Responsibility

### a) Individual employee

147. The project and every individual employed by it will collectively and individually be responsible for management of risks and opportunities within their scope of functioning. In order to enable individuals to carry out their obligations regarding risk management effectively, training will be provided to enable individuals to fulfill this responsibility effectively.

## **b) Management**

148. Senior management is directly responsible for ensuring compliance with the project risk management framework and guidelines and for promulgating a risk-management culture and attitude. The ownership of, and accountability for managing risks and opportunities rests with individual section/unit heads and ultimately through the reporting line to the National Project Coordinator who is directly responsible to the PS, State Department of planning.

## **c) Internal Audit**

149. It will support the risk management team in the evaluation and review of risk. It will also monitor adherence to the risk management framework, identify training needs on risk management, and recommend mitigation measures on identified risk

## **d) Audit Committee**

150. The audit committee will monitor the effectiveness of the risk management system and ensure that there is comprehensive follow up of all identified major risks. The audit committee will also review the quarterly risk action plan which provides a summary of the status of each area of risk.

## **e) Offices/Departments.**

151. Every office, department, unit, or programme will ensure and demonstrate compliance with the risk management cycles and processes defined in the Risk Management Framework and Guidelines. County offices will provide support to the micro-projects and will play a key role in monitoring and encouraging compliance of the guidelines. Risks, opportunities, and controls will be evaluated, analyzed and monitored using standard methodology and tools.

## **f) Evaluation**

152. The effectiveness of the risk management policy will be evaluated annually by the Audit Committee. The evaluation will focus on effectiveness, purpose and objectives of the guidelines. An independent review of the policy will also be undertaken every two years by an external auditor, and a report presented to the Audit Committee for review and discussion with the PS for implementation.

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### 7.11 Document Revisions

153. The NPC, under the direction of the audit committee, is responsible for the control, distribution, training and maintenance of this policy. Revisions will be undertaken on an annual basis, or as need arises. Project staff, partners and other stakeholders may propose amendments or matters to be included in revised versions. However any changes to these guidelines only become effective with the express written authority of the PS. All amendments will be recorded in the amendment sheet provided as provided in the table below.



## CHAPTER EIGHT



## 8.0 STATUTORY AUDIT/EXTERNAL AUDIT

154. The Office of the Auditor General (OAG) is the principal auditor of the Project. The Auditor-General may also appoint an independent firm of accountants to carry out the statutory audit of the Project on its behalf.
155. The Financial statements of the Project shall be prepared, signed by the Principal Secretary and the National Project coordinator and submitted to the Auditor General within 3 months of the financial year- end on (i.e. by 30<sup>th</sup> September).
156. Prior to commencement of the audit, the HFA shall liaise with the person responsible for the audit at the Office of the Auditor General (OAG) to determine the information that the auditors will require to ensure that the audit is conducted in an efficient manner and avoid any undue delays. Such information may include documents to support the recorded transactions, audit schedules, etc.
157. The HFA shall ensure that the auditors are provided with all the information and explanations necessary for them to perform the audit.
- The PCU will, either directly or through National Treasury (ERD), furnish IDA as soon as available, but in any case, not later than 31st December of each year, the audited project financial statements and an audit report of the Special Account for the financial year under audit.



## ANNEX

### ANNEX 1: COMMUNITY CONTRIBUTION BOOK

Issue/Revision No.	Subject of Amendment	Reviewed By	PS Approval Ref No.	Date

Name and address of CDDC: \_\_\_\_\_

Project Name \_\_\_\_\_

Type of Contribution ( e.g.litres of Water, labour hours)

Date	Contributor's Name	Identity Card No.	Quantity	Unit Cost ( Kshs)	Total Cost (Kshs)	Contributor's signature/thump print

Prepared by: \_\_\_\_\_ Date: \_

Reviewed by: \_\_\_\_\_ Date: \_

Authorized by \_\_\_\_\_ Date: \_

## ANNEX 2: CDDC PAYMENT VOUCHER

### Cash/Cheque

Name of Micro project: \_\_\_\_\_

Date: \_\_\_\_\_ Voucher Number: \_\_\_\_\_

Payee name: \_\_\_\_\_

Payee Address: \_\_\_\_\_

Payment Details: \_\_\_\_\_

Cheque No: \_\_\_\_\_

Amount in figures Kshs: \_\_\_\_\_

Amount in Words Kshs: \_\_\_\_\_

**Prepared by:** \_\_\_\_\_

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

**Reviewed by:** \_\_\_\_\_

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

**Authorized by:** \_\_\_\_\_

**Signature** \_\_\_\_\_

**Date** \_\_\_\_\_

Name of Recipient \_\_\_\_\_

Signature of Recipient \_\_\_\_\_ Date \_\_\_\_\_

### ANNEX 3: UNOFFICIAL RECEIPTS FOR GOODS

The need for such receipts usually arises when the suppliers of goods does not have a receipt in his/her business name. Since every expenditure must have a receipt, the CDC may write a receipt on behalf of the supplier or seller and obtain the seller's signature and/or thumb impression. A sample of such a receipt is presented below:

Name of the business/Seller: \_\_\_\_\_

Address of business/ Seller: \_\_\_\_\_

Date: \_\_\_\_\_

#### Items Sold:

Serial No	Item	Unit Description	Cost Per Unit (Kshs)	Quantity	Total Cost
				<b>TOTAL COST (Kshs)</b>	

Signature/Thumb Print of the business/Seller \_\_\_\_\_

Date \_\_\_\_\_



## ANNEX 4: BUDGET CONTROL FORM

Name and Address of CDC: \_\_\_\_\_

Project Name: \_\_\_\_\_

Month: \_\_\_\_\_

Budget Ref	Original Budget Amount (Kshs)	Amount Spend by end of previous month (Kshs)	Balance at end of previous month (Kshs)	Balance Available end of last Month (Kshs)	Expenditure this Month (Kshs)	Balance end of this Month (Kshs)
1						
2						
3						
4						
5						
6						
7						
TOTAL						

Prepared by: \_\_\_\_\_ Date: \_\_\_\_\_

Treasurer

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_

Chairperson

Authorized by: \_\_\_\_\_ Date: \_\_\_\_\_

Chair Monitoring Committee

**Note: This form must be filled and signed by the 10<sup>th</sup> day of the following month.**

## ANNEX 5: COMMUNITY STATEMENT OF SOURCE AND USE OF FUNDS

Community Name: \_\_\_\_\_

Period covered: \_\_\_\_\_

Project Financing Sources	Budget Amount (Kshs)	Actual Spent (Kshs)	Variance (Kshs)
Project Funding			
Other External project funding			
Community Contribution			
Total Financing			
<b>Less Uses of Funds:</b>			
1.			
2.			
3.			
Total Funds Spent			
Net Cash Flow			
Net Cash Available at end of period i) Cash in Hand ii) Cash at Bank			
<b>Total Closing Balance</b>			

Prepared by: \_\_\_\_\_ Date \_\_\_\_\_  
Treasurer

Approved by: \_\_\_\_\_ Date: \_\_\_\_\_  
Chairperson

**Note: This form must be filled in and signed by the 10<sup>th</sup> of the end of the reporting period which it relates, preferably quarterly**

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**ANNEX 6: IFR FORMAT**

**MINISTRY OF AGRICULTURE AND IRRIGATION**

**Report dated: XXX**



**KENYA CLIMATE SMART AGRICULTURE PROJECT**

**IDA CREDIT NUMBER: XXXX**

**UN-AUDITED INTERIM FINANCIAL REPORT(IFR)\**

**FOR THE QUARTER ENDED XXX**

<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES	
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT	
<b>IDA CREDIT NO.:</b>	xxx	
<b>PROJECT NUMBER:</b>	P154784	
<b>REPORT:</b>	QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)	
<b>PERIOD OF REPORT:</b>	xxx	
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]	
This IFR is for the quarter ended	xxx	
The previous IFR was for the quarter ended	xxx	
USD Designated Account Deposit Bank	xxx	
USD Designated Account "A" Number	xxx	
USD Designated Account "B" Number	xxx	
Exch rate at beginning of quarter (Kshs to US\$)	xxx	State the applicable exchange rate date
Exch rate at end of quarter (Kshs to US\$)	xxx	State the applicable exchange rate date



IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES	
PROJECT NAME:	KENYA CLIMATE SMART AGRICULTURE PROJECT	
IDA CREDIT NO.:	xxx	
PROJECT NUMBER:	P154784	
REPORT:	QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)	
PERIOD OF REPORT:	xxx	
REPORTING CURRENCY:	UNITED STATES DOLLARS [USD]	
TABLE OF CONTENTS		
		PAGE
P1- STATEMENT OF SOURCES AND USES OF FUNDS		XX
P2- EXPENDITURE PER COMPONENT		XX
P3- SUMMARY OF BANK ACCOUNT BALANCES		XX
P4- DESIGNATED ACCOUNT “A” STATEMENT FROM CBK		XX
P5- DESIGNATED ACCOUNT “B” STATEMENT FROM CBK		XX
P6- KSHS PCU BANK ACCOUNT RECONCILIATION		XX
P7- KSHS PCU BANK ACCOUNT STATEMENT		XX
P8- SUMMARY OF IMPREST BALANCES		XX



P9- DETAILED LIST OF IMPREST BALANCES	XX
P10- LIST OF COUNTIES BANK BALANCES	XX
P11- CONTRACTS SUBJECT TO WORLD BANK'S PRIOR REVIEW	XX
P12-CONTRACTS NOT SUBJECT TO WORLD BANK'S PRIOR REVIEW	



<b>PROJECT IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES													
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT													
<b>IDA CREDIT NO.:</b>	xxx													
<b>REPORT:</b>	QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)													
<b>THIS SCHEDULE:</b>	P1- STATEMENT OF SOURCES AND USES OF FUNDS													
<b>PERIOD OF REPORT:</b>	FOR THE QUARTER ENDED XXX													
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]													
<b>Sources of Funds/ Receipts</b>			<b>Cumulative Opening Balances</b>				<b>Quarter ending 30 June 2016</b>				<b>Cumulative to date</b>			
	<b>Ref</b>	<b>DA-A</b>	<b>DA-B</b>	<b>GOK</b>	<b>TOTAL</b>	<b>DA-A</b>	<b>DA-B</b>	<b>GOK</b>	<b>TOTAL</b>	<b>DA-A</b>	<b>DA-B</b>	<b>GOK</b>	<b>TOTAL</b>	
<b>Opening Cash Balances</b>														
IDA USD Designated Accounts														
Project Main Operations A/c "PCU" (Kshs)														

COUNTIES' Project Accounts (Kshs)																				-	
Cash in Hand																					-
Others (e.g. Imprest, advances etc)																					-
<b>Total Opening Cash Balances</b>																					-
<b>Add: Receipts During the Quarter</b>																					
IDA Replenishment to Designated Accounts																					-
IDA Direct Payment																					-
GOK Counterpart Contributions																					-
<b>Total Receipts During Quarter</b>																					-



<b>Total Financing Available (Opening Balances + Receipts)</b>														-
<b>Less: Payments/ Expenditure by Category:</b>														
<b>Cat. 1:</b> Goods, works, non-consulting services, consultants' services, and Training, and Incremental Operating Costs for the Project														-
Direct payments														-
<b>Cat. 2:</b> Sub-project Grants for:														-
(a) Agro-Pastoral Sub- projects														
(b) Agro-Pastoral Micro- projects														



(c) Public-Private partnerships												
<b>Cat. 3:</b> Sub-project Grants for:												
(a) Pastoral Micro- projects												

(b) Pastoral Sub-projects												
<b>Cat. 4:</b> Sub-project Grants for Emergency Expenditures under Part 5 of the Project												
<b>Cat. 5:</b> Refund of Preparation Advance												
Bank Charges												-
<b>Total Uses of Funds/ Payments by Category</b>												-
<b>Expected Closing Cash Balances</b>												-



<b>Actual Closing Cash Balances</b>												
IDA USD Designated Accounts												-
Project Main Operations A/c "PCU" (Kshs)												-
COUNTIES' Project Accounts (Kshs)												-
Cash in Hand												-
Others (e.g. Imprest, advances etc)												-
<b>Actual Total Closing Cash Balances</b>												-
Difference (should be NIL)												-

<b>NB:</b>			
Start of Quarter Exchange Rate: USD.1.00 = Kshs	XXX	<b>Prepared By:</b>	
End of Quarter Exchange Rate: USD.1.00 = Kshs	XXX	<b>Approved By:</b>	Project Accountant Date  Signature
		Project Coordinator Date	Signature

<b>PROJECT IMPLEMENTING ENTITY:</b>		MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES									
<b>PROJECT NAME:</b>		KENYA CLIMATE SMART AGRICULTURE PROJECT									
<b>IDA CREDIT NO.:</b>		xxx									
<b>REPORT:</b>		QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)									
<b>THIS SCHEDULE:</b>		<b>EXPENDITURE PER COMPONENT</b>									
<b>PERIOD OF REPORT:</b>		FOR THE QUARTER ENDED XXX									
<b>REPORTING CURRENCY:</b>		UNITED STATES DOLLARS [USD]									
Project Component			Cumulative Opening Balances			Quarter ending 30 June 2016			Cumulative to date		
			Ref	IDA	GOK	TOTAL	DA-A	GOK	TOTAL	DA-A	GOK
<b>Component 1: Upscaling Climate-Smart Agricultural Practices</b>											
Sub-Component 1.1 Building Institutional Capacity and Strengthening Service Delivery											
Sub-Component 1.2 Supporting Investments in Smallholder Agro-pastoral Production Systems											



Sub-Component 1.3 Supporting Investments in Pastoral Production Systems										
<b>Sub-total</b>										
<b>Component 2: Strengthening Climate-Smart Agricultural Research and Seed Systems</b>										

Sub-Component 2.1 Supporting Climate-Smart Agricultural Research and Innovations										
Sub-Component 2.2 Building Competitive and Sustainable Seed Systems										
Sub-Component 2.3 Strengthening Technical and Institutional Capacity										
<b>Sub-total</b>										
<b>Component 3: Supporting Agro-weather, Market, Climate and Advisory Services</b>										
Sub-Component 3.1 Improving Agro-meteorological Forecasting and Monitorin										
Sub-Component 3.2 Developing Integrated Weather and Market Information System										
Sub-Component 3.3 Building Technical and Institutional and Capacity										
<b>Sub-total</b>										



<b>Component 4: Project Coordination and Management</b>									
Sub-Component 4.1 Project Coordination									
Sub-Component 4.2 Monitoring & Evaluation and Impact Evaluation									
<b>Sub-total</b>									
<b>Grand Total Uses of Funds by Component</b>									

<b>PROJECT IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES		
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT		
<b>IDA CREDIT NO.</b>	xxx		
<b>REPORT:</b>	P154784		
<b>THIS SCHEDULE:</b>	<b>SUMMARY OF MOVEMENT OF BANK ACCOUNT BALANCES</b>		
<b>PERIOD OF REPORT:</b>	xxx		
<b>REPORTING CURRENCY</b>	UNITED STATES DOLLARS [USD]		
<b>Project USD Designated A/C "A"</b>	<b>CBK</b>	<b>xxx</b>	<b>USD</b>
Opening balance at beginning of quarter			
Add: Advances received during quarter			
Add: Interest received			
<b>Sub-total</b>			
Less: Transfers to the Kshs Project Main Account			



Less: Direct payments				
Less: Payments for bank charges				
<b>Sub-total</b>				
<b>Closing balance at end of quarter</b>				
<b>Project USD Designated A/C "B"</b>	<b>CBK</b>	<b>xxx</b>	<b>USD</b>	
Opening balance at beginning of quarter	XXX			
Add: Advances received during quarter				
Add: Interest received				
<b>Sub-total</b>				
Less: Transfers to the Kshs Project Main Account				
Less: Payments for bank charges				
<b>Sub-total</b>				
<b>Closing balance at end of quarter</b>	XXX			
<b>PCU Project Main Operations A/c "PCU" [Kshs]</b>	<b>CBK</b>	<b>xxx</b>		
		<b>Kshs</b>	<b>Exch rate</b>	<b>Equiv. US\$</b>
<b>Opening balance at beginning of quarter</b>	XXX	XXX	XXX	XXX



Add: Transfers from Project DA "A" to Project A/c "A"		XXX	XXX	XXX
<b>Sub-total</b>		-	-	
Less: Payments for eligible expenditure [Cat. 1]		XXX	XXX	XXX
Less: Payments for eligible expenditure [Cat. 2]		XXX	XXX	XXX
Less: Advance to PCU		XXX	XXX	XXX
Less: Advance to Counties		XXX	XXX	XXX
<b>Closing balance at end of quarter</b>	XXX	XXX	XXX	XXX
<b>Kshs Project Operating Account [COUNTIES]</b>				
		<b>Kshs</b>	<b>Exch rate</b>	<b>Equiv. US\$</b>



<b>Total opening balances at beginning of quarter</b>	XXX	XXX	XXX	XXX
Add: Transfers from Project Main A/c		XXX	XXX	XXX
<b>Sub-total</b>		XXX	XXX	XXX
Less: Payments for eligible expenditure		XXX	XXX	XXX
Less: Payments for eligible expenditure		XXX	XXX	XXX
<b>Total closing balance at end of quarter</b>	XXX	XXX	XXX	XXX

<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES	
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT	
<b>IDA CREDIT NO.:</b>	xxx	

<b>PROJECT NUMBER:</b>	P154784	
<b>THIS SCHEDULE</b>	<b>IDA DESIGNATED ACCOUNT “A” STATEMENT</b>	
<b>PERIOD OF REPORT:</b>	xxx	
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]	
<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES	
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT	
<b>IDA CREDIT NO.:</b>	xxx	
<b>PROJECT NUMBER:</b>	P154784	
<b>THIS SCHEDULE</b>	<b>IDA DESIGNATED ACCOUNT “B” STATEMENT</b>	



<b>PERIOD OF REPORT:</b>	xxx
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]

<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT
<b>IDA CREDIT NO.:</b>	xxx
<b>PROJECT NUMBER:</b>	P154784
<b>THIS SCHEDULE</b>	<b>PCU MAIN OPERATIONS ACCOUNT “A” [KSHS] RECONCILIATION</b>
<b>PERIOD OF REPORT:</b>	xxx
<b>REPORTING CURRENCY:</b>	KENYA SHILLINGS [Kshs]



<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT
<b>IDA CREDIT NO.:</b>	xxx
<b>PROJECT NUMBER:</b>	P154784
<b>THIS SCHEDULE</b>	<b>PCU MAIN OPERATIONS ACCOUNT “A” [KSHS] STATEMENT</b>
<b>PERIOD OF REPORT:</b>	xxx
<b>REPORTING CURRENCY:</b>	KENYA SHILLINGS [Kshs]

<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES			
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT			
<b>IDA CREDIT NO.:</b>	xxx			
<b>PROJECT NUMBER:</b>	P154784			
<b>THIS SCHEDULE</b>	<b>SUMMARY OF OUTSTANDING IMPRESTS</b>			
<b>PERIOD OF REPORT:</b>	xxx			
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]			



<b><u>Implementing Unit</u></b>	<b><u>Ref</u></b>	<b>Kshs Balance</b>	<b>Applicable Exchange Rate</b>	<b>Equivalent USD Balance</b>
PCU/MoALF HQs		-	XXX	XXX
COUNTIES		-	XXX	XXX

<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT
<b>IDA CREDIT NO.:</b>	xxx
<b>PROJECT NUMBER:</b>	P154784
<b>THIS SCHEDULE:</b>	<b>LIST OF OUTSTANDING IMPRESTS</b>
<b>PERIOD OF REPORT:</b>	xxx
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]

<b>OUTSTANDING IMPRESTS - NPCU / MOALF</b>								
--	--	--	--	--	--	--	--	--





	Date	Imp. No.	Cash Book Vch. No.	Name.	Personal No.	Amount	Surrender date	Remark
1								
2								
3								
4								
5								
					Applica table Exch. Rate	XXX		
					Equivalent USD	XXX		
<b>OUTSTANDING IMPRESTS</b>								
	Date	Imp. No.	Cash Book Vch. No.	Name.	Personal No.	Amount.	Surrender date	Remark
1								
2								
3								
4								
5								

					Applicable Exch. Rate	XXX		
--	--	--	--	--	-----------------------	-----	--	--



					<b>Equivalent USD</b>	XXX	

<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES							
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT							
<b>IDA CREDIT NO.:</b>	xxx							
<b>PROJECT NUMBER:</b>	P154784							
<b>THIS SCHEDULE:</b>	<b>LIST OF COUNTIES BANK BALANCES</b>							
<b>PERIOD OF REPORT:</b>	xxx							
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]							
	<b>County Name</b>	<b>Bank</b>	<b>Account No.</b>	<b>Cumulative balance at beginning of quarter</b>	<b>Disbursement to County in the quarter</b>	<b>Expenditure accounted by County in the quarter</b>	<b>Cumulative balance at end of quarter</b>	<b>Remark</b>
1								
2								
3								
4								
5								



6								
7								
8								
9								
10								
11								
								-
			<b>TOTAL</b>			-		-
								XXX



<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES			
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT			
<b>IDA CREDIT NO.:</b>	CR 5945			
<b>PROJECT NUMBER:</b>	P154784			
<b>THIS SCHEDULE</b>	<b>KALRO KSHS OPERATIONS ACCOUNT RECONCILIATION STATEMENT</b>			
<b>PERIOD OF REPORT:</b>	FOR THE QUARTER ENDED			
<b>REPORTING CURRENCY:</b>	KENYA SHILLINGS [Kshs]			



<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES			
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT			
<b>IDA CREDIT NO.:</b>	CR 5945			
<b>PROJECT NUMBER:</b>	P154784			
<b>THIS SCHEDULE</b>	<b>KALRO KSHS OPERATIONS ACCOUNT BANK STATEMENT</b>			
<b>PERIOD OF REPORT:</b>	FOR THE QUARTER ENDED			
<b>REPORTING CURRENCY:</b>	KENYA SHILLINGS [Kshs]			

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES**

<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT		
<b>IDA CREDIT NO.:</b>	CR 5945		
<b>PROJECT NUMBER:</b>	P154784		
<b>THIS SCHEDULE</b>	<b>KMD KSHS OPERATIONS ACCOUNT RECONCILIATION STATEMENT</b>		
<b>PERIOD OF REPORT:</b>	FOR THE QUARTER ENDED		
<b>REPORTING CURRENCY:</b>	KENYA SHILLINGS [Kshs]		

**Personal Current Account Statement**

**CO-OPERATIVE BANK** KENYA NATIONAL EXAM. COUNCIL

Account Date: 01-Jun-16  
 Statement Period: 30-Jun-16  
 Page: Page 1 of 1  
 Branch: COOP HOUSE BRANCH  
 Branch Code: 00011002  
 Contact Details: Tel: \_\_\_\_\_

Account No	01136030120309	
Account Description	E FRIEDE PROJECT ACCOUNT	
Currency	KES	

TRANS DATE	DETAILS	CHANNEL ID	VALUE DATE	DEBIT	CREDIT	BOOK BALANCE
30-Jun-16	BROUGHT FORWARD BALANCE					\$1,462,540.00 CR
30-Jun-16	ACC. MAINTENANCE FEE AND EXCISE DUTY	SVR	30-Jun-16	38.50		\$1,462,501.50 CR
30-Jun-16	Monthly Maintenance Charge Fixed	SVR	30-Jun-16	330.00		\$1,462,271.50 CR
	<b>TOTAL VALUE</b>			<b>368.50</b>		
	CLEAR BALANCE AS ON 01-Jun-16					\$1,462,271.50 CR
	BOOK BALANCE AS ON 01-Jun-16					\$1,462,271.50 CR
						"End of Statement"

**OVERDRAFT FACILITY DETAILS :**

Overdraft Limit: KES 0.00  
 Overdraft Review Date: 10-Feb-17

Please examine this statement immediately. Any discrepancies must be reported to the Bank as soon as possible. Please note that the balance reflected could change if there are transactions that still need to be processed.



<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES			
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT			
<b>IDA CREDIT NO.:</b>	CR 5945			
<b>PROJECT NUMBER:</b>	P154784			
<b>THIS SCHEDULE</b>	<b>KMD KSHS OPERATIONS ACCOUNT BANK STATEMENT</b>			
<b>PERIOD OF REPORT:</b>	FOR THE QUARTER ENDED			
<b>REPORTING CURRENCY:</b>	KENYA SHILLINGS [Kshs]			



<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES						
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT						
<b>IDA CREDIT NO.:</b>	xxx						
<b>REPORT:</b>	QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)						
<b>THIS SCHEDULE:</b>	<b>EXPENDITURE FOR CONTRACTS SUBJECT TO WORLD BANK'S PRIOR REVIEW</b>						
<b>PERIOD OF REPORT:</b>	xxx						
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]						
<b>Payments Made Since Project Inception Against Contracts Subject to World Bank's Prior Review</b>							
<b>Disbursement Cat./ Subcat</b>	<b>Source of Supply</b>	<b>Contract Date</b>	<b>Country of Foreign Supplier</b>	<b>Contract Amount KSHS</b>	<b>Date of WB's "No Objection" to Contract</b>	<b>Amount Paid to Supplier during Period USD</b>	<b>WB's Share of Amt Paid to Supplier during Period</b>
<b>Cat. 1: Goods, non- consulting services, consultants' services, Training and Operating Costs under all Parts of the Project (excluding Part B.3)</b>							
Category 1							100%
Category 1							100%





<b>SUB-TOTAL (KSHS)</b>							
<b>Cat. 2: Sub-Project Grants Under Part B.3 of the Project</b>							
Category 2							100%
Category 2							100%
<b>SUB-TOTAL (KSHS)</b>							
<b>GRAND TOTAL (KSHS)</b>							
<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES						
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT						
<b>IDA CREDIT NO.:</b>	xxx						

<b>REPORT:</b>	QUARTERLY INTERIM FINANCIAL REPORT (IFR)	
<b>THIS SCHEDULE:</b>	<b>EXPENDITURE FOR CONTRACTS NOT SUBJECT TO WORLD BANK'S PRIOR REVIEW</b>	
<b>PERIOD OF REPORT:</b>	xxx	



<b>REPORTING CURRENCY:</b>		UNITED STATES DOLLARS [USD]				
<b>Payments Made during Reporting Period (Current Quarter) Against Contracts NOT Subject to World Bank's Prior Review</b>						
<b>Disbursement Category</b>	<b>Sources of supply</b>	<b>Country of Foreign Supplier</b>	<b>Total Expenditure USD</b>	<b>% IDA Contribution</b>	<b>Eligible for Bank's Financing</b>	<b>IDA Share Amt Paid from DA</b>
<b>TOTAL (USD)</b>			-			
<b>ADD: DIRECT PAYMENT PER PAGE 11</b>			-			
<b>TOTAL EXPENDITURE PER STATEMENT OF SOURCES &amp; USES OF FUNDS [PAGE 1]</b>			-			

<b>IMPLEMENTING ENTITY:</b>	MINISTRY OF AGRICULTURE, LIVESTOCK AND FISHERIES									
<b>PROJECT NAME:</b>	KENYA CLIMATE SMART AGRICULTURE PROJECT									
<b>IDA CREDIT NO.:</b>	CR 5945									
<b>REPORT:</b>	QUARTERLY INTERIM FINANCIAL REPORT (IFR)									
<b>THIS SCHEDULE:</b>	<b>SUMMARY OF EXPENDITURE (SOE)</b>									
<b>PERIOD OF REPORT:</b>	FOR THE QUARTER ENDED									
<b>REPORTING CURRENCY:</b>	UNITED STATES DOLLARS [USD]									
										<b>FORM 1-C</b>
										Date: _____
										SOE Sheet No. _____
										Application No. _____
Category no: _____										
Category description: _____										
SOE threshold: _____										
1	2	3	4	5	6	7	8	9	10	11
Item No.	Name and Address of Contractor	Brief Description of Services	Date of NOL from World Bank	Total Amount of Invoices covered by Application (net of retention)	Eligible % as per Para 1 of the Schedule to the Letter Agreement	Amount Eligible for Financing (6 * 5)	Exchange Rate	Currency & Amount Paid USD (if applicable)	Date of payment	Remarks
						Totals	0.00			0.00
PROJECT ACCOUNTANT.....										
										TASK TEAM LEADER.....
exchange rate used is the one at the point of disbursement of funds from DA										
Supporting documents for this SOE retained at _____										Signature: _____
										(Authorised Signatory)
1. A separate SOE form should be used for each category.										
2. Column 3 should be filled in respect of ALL suppliers/contractors.										



**APPLICATION FOR WITHDRAWAL**

**Instructions:** >> You can use this form to request a payment and/or to document expenditures. Please complete and sign this form, and send it (with any required attachments) to the Loan Department, at the address found in the Disbursement Letter for your project. [See reverse side for detailed explanations and instructions.] For general inquiries, please send an e-mail to [wdbdisbursement@worldbank.org](mailto:wdbdisbursement@worldbank.org).

**A. Application type and project reference**

<p><b>1. Application type</b></p> <p><b>a. Advance to Designated Account-B</b> _____ <small>(Name or number of designated account)</small></p> <p>___ Advance to designated account (fill Sections A, B, D)</p> <p><input checked="" type="checkbox"/> Advance to and documentation of designated account (fill all sections)</p> <p>___ Documentation of prior advance(s) to designated account (fill sections A, C,</p> <p><b>b</b> ___ Reimbursement (fill all sections)</p> <p><b>c</b> ___ Direct payment _____ <i>N/A</i> (fill all sections) <small>(Beneficiary's payment/invoice reference)</small></p> <p><b>d</b> ___ Tranche release under a development policy loan/financing/grant (fill sections A, B, D)</p>	<p><b>2. Financier and loan number</b></p> <p style="text-align: right;"><u>Loan/Financing/Grant No.(s)</u></p> <p>IBRD _____ <i>N/A</i></p> <p>IDA _____ 5945</p> <p>Trust fund _____</p> <p>Cofinancier <i>N/A</i> _____</p> <p><b>3. Subproject reference (if any)</b> <i>N/A</i></p> <p><b>4. Country name</b> <u>KENYA</u></p> <p><b>5. Borrower reference</b></p>
--	---

**B. Payment instructions**

<b>6a. Application currency</b> <u>USD</u>	<b>6b. Application amount</b>	<b>6c. Equivalent payment currency (if different from application currency)</b>
<b>6d. Application amount (in words)</b>		
7. If the application covers more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.		
<u>Loan/Financing/Grant No.</u>	<u>Amount</u>	<u>Loan/Financing/Grant No.</u> <u>Amount</u>
<b>8. Name and address of beneficiary</b>		<b>9. Amount to be paid in installments?</b> Yes / No (if yes, complete the "Requested schedule for advance payments" form)
<b>10a. Name and address of the beneficiary's bank</b>		<b>10b. Account no. (or IBAN for Euro payments) of the beneficiary at the beneficiary's bank</b>
<b>10c. SWIFT code of the beneficiary's bank</b>		
<b>11a. Name and address of the intermediary bank</b>		<b>11b. Account no. (or IBAN for Euro payments) of the beneficiary's bank at the intermediary bank</b>
<b>11c. SWIFT code of the intermediary bank</b>		
12. Special payment instructions (if any)		
<b>C. Documentation of expenditures</b>		
<b>13. Documentation type(s)</b>		<b>14. Category and contract reference - If expenditures relate to more than one category or contract reference, leave 14a and 14b blank and ensure this information is included in the supporting documentation.</b>
<input checked="" type="checkbox"/> Interim financial report (e.g., financial monitoring report)		<b>14a. Category reference</b>
___ Statement of expenditure		
___ Copies of records (e.g., invoices, receipts)		<b>14b. Contract reference</b>
<b>15a. Documentation currency</b> <u>USD</u>	<b>15b. Documented amount</b>	
<b>15c. Documented amount (in words)</b>		
16. If the documentation applies to more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.		
<u>Loan/Financing/Grant no.</u>	<u>Amount</u>	<u>Loan/Financing/Grant no.</u> <u>Amount</u>

**D. Assertions and signature**

**The undersigned certifies, warrants and undertakes the following:**

A. If the undersigned is making a request for an **advance** to be deposited in a Designated Account: (1) the amount requested is consistent with the planned project expenditures furnished to the World Bank; and (2) the documentation for this advance is/will be furnished to the World Bank in accordance with the reporting period specified in the related legal agreement(s) or Disbursement Letter for this project. If the undersigned is documenting expenditures paid from a Designated Account: (a) the expenditures covered by the application are eligible for financing out of the proceeds of the loan/financing/grant in accordance with the terms of the related legal agreement(s); and (b) these expenditures have not been financed previously from sources other than the Borrower nor will the undersigned request financing for the expenditures from any other source in the future.

B. If the undersigned is making a request for **reimbursement or direct payment**: (1) the expenditures covered by the application are eligible for financing out of the proceeds of the loan/financing/grant in accordance with the terms of the related legal agreement(s); and (2) these expenditures have not been financed previously from sources other than the Borrower nor will the undersigned request financing for the expenditures from any other source in the future.

C. If the undersigned is making a request for a **tranche release** under a Development Policy Loan/Financing/Grant: (1) an equivalent amount of this deposit will be accounted for in accordance with the terms of the related legal agreement(s); and (2) the proceeds of the loan/financing/grant will not be used to finance excluded expenditures specified in the related legal agreement(s).

D. The undersigned will make all records related to the expenditures covered by this Application for Withdrawal available for review by auditors and by World Bank staff.

<b>17. By (name of borrower)</b> <u>REPUBLIC OF KENYA</u>	<b>18. Date signed</b>
<b>19a. Print name(s) and title(s) of authorized signatory(ies)</b>	<b>19b. Signature(s)</b>
<b>20. Contact details</b>	
<u>Name</u>	<u>Phone</u>
<u>Facsimile</u>	<u>Email</u>



## APPLICATION FOR WITHDRAWAL

**Instructions:** >> You can use this form to request a payment and/or to document expenditures. Please complete and sign this form, and send it (with any required attachments) to the Loan Department, at the address found in the Disbursement Letter for your project. [See reverse side for detailed explanations and instructions.] For general inquiries, please send an e-mail to [wdbdisbursement@worldbank.org](mailto:wdbdisbursement@worldbank.org).

### A. Application type and project reference

<b>1. Application type</b>  <b>a. Advance to Designated Account-B</b> _____ <small>(Name or number of designated account)</small> <input type="checkbox"/> Advance to designated account (fill Sections A, B, D) <input checked="" type="checkbox"/> Advance to and documentation of designated account (fill all sections) <input type="checkbox"/> Documentation of prior advance(s) to designated account (fill sections A, B, D)  <b>b. Reimbursement (fill all sections)</b>  <b>c. Direct payment</b> _____ (fill all sections) <small>(Beneficiary's payment/invoice reference)</small>  <b>d. Tranche release under a development policy loan/financing/grant</b> <small>(fill sections A, B, D)</small>	<b>2. Financier and loan number</b>  <u>Loan/Financing/Grant No. (s)</u>  IBRD _____ IDA _____ Trust fund _____ Cofinancier _____  <b>3. Subproject reference (if any)</b> _____  <b>4. Country name</b> <u>KENYA</u>  <b>5. Borrower reference</b> _____
--	--

### B. Payment instructions

<b>6a. Application currency</b> <u>USD</u>	<b>6b. Application amount</b> _____	<b>6c. Equivalent payment currency (if different from application currency)</b> _____								
<b>6d. Application amount (in words)</b> _____										
<b>7. If the application covers more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.</b> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"><u>Loan/Financing/Grant No.</u></th> <th style="width: 33%;"><u>Amount</u></th> <th style="width: 33%;"><u>Loan/Financing/Grant No.</u></th> <th style="width: 33%;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td><u>N/A</u></td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table>			<u>Loan/Financing/Grant No.</u>	<u>Amount</u>	<u>Loan/Financing/Grant No.</u>	<u>Amount</u>	<u>N/A</u>	_____	_____	_____
<u>Loan/Financing/Grant No.</u>	<u>Amount</u>	<u>Loan/Financing/Grant No.</u>	<u>Amount</u>							
<u>N/A</u>	_____	_____	_____							
<b>8. Name and address of beneficiary</b> _____		<b>9. Amount to be paid in installments?</b> Yes / No <small>(if yes, complete the "Requested schedule for advance payments" form)</small>								
<b>10a. Name and address of the beneficiary's bank</b> _____		<b>10b. Account no. (or IBAN for Euro payments) of the beneficiary at the beneficiary's bank</b> _____								
<b>11a. Name and address of the intermediary bank</b> _____		<b>11b. Account no. (or IBAN for Euro payments) of the beneficiary's bank at the intermediary bank</b> _____								
		<b>11c. SWIFT code of the intermediary bank</b> _____								
12. Special payment instructions (if any) _____										
<b>C. Documentation of expenditures</b>										
<b>13. Documentation type(s)</b> <input checked="" type="checkbox"/> Interim financial report (e.g., financial monitoring report) <input type="checkbox"/> Statement of expenditure <input type="checkbox"/> Copies of records (e.g., invoices, receipts)		<b>14. Category and contract reference - If expenditures relate to more than one category or contract reference, leave 14a and 14b blank and ensure this information is included in the supporting documentation.</b>								
<b>15a. Documentation currency</b> <u>USD</u>	<b>15b. Documented amount</b> _____	<b>14a. Category reference</b> _____								
<b>15c. Documented amount (in words)</b> _____		<b>14b. Contract reference</b> _____								
<b>16. If the documentation applies to more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.</b> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"><u>Loan/Financing/Grant no.</u></th> <th style="width: 33%;"><u>Amount</u></th> <th style="width: 33%;"><u>Loan/Financing/Grant no.</u></th> <th style="width: 33%;"><u>Amount</u></th> </tr> </thead> <tbody> <tr> <td>_____</td> <td>_____</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table>			<u>Loan/Financing/Grant no.</u>	<u>Amount</u>	<u>Loan/Financing/Grant no.</u>	<u>Amount</u>	_____	_____	_____	_____
<u>Loan/Financing/Grant no.</u>	<u>Amount</u>	<u>Loan/Financing/Grant no.</u>	<u>Amount</u>							
_____	_____	_____	_____							

### D. Assertions and signature

<p><b>The undersigned certifies, warrants and undertakes the following:</b></p> <p>A. If the undersigned is making a request for an advance to be deposited in a Designated Account: (1) the amount requested is consistent with the planned project expenditures furnished to the World Bank; and (2) the documentation for this advance is/will be furnished to the World Bank in accordance with the reporting period specified in the related legal agreement(s) or Disbursement Letter for this project. If the undersigned is documenting expenditures paid from a Designated Account: (a) the expenditures covered by the application are eligible for financing out of the proceeds of the loan/financing/grant in accordance with the terms of the related legal agreement(s); and (b) these expenditures have not been financed previously from sources other than the Borrower nor will the undersigned request financing for the expenditures from any other source in the future.</p> <p>B. If the undersigned is making a request for reimbursement or direct payment: (1) the expenditures covered by the application are eligible for financing out of the proceeds of the loan/financing/grant in accordance with the terms of the related legal agreement(s); and (2) these expenditures have not been financed previously from sources other than the Borrower nor will the undersigned request financing for the expenditures from any other source in the future.</p> <p>C. If the undersigned is making a request for a tranche release under a Development Policy Loan/Financing/Grant: (1) an equivalent amount of this deposit will be accounted for in accordance with the terms of the related legal agreement(s); and (2) the proceeds of the loan/financing/grant will not be used to finance excluded expenditures specified in the related legal agreement(s).</p> <p>D. The undersigned will make all records related to the expenditures covered by this Application for Withdrawal available for review by auditors and by World Bank staff.</p>			
<b>17. By (name of borrower)</b> <u>REPUBLIC OF KENYA</u>		<b>18. Date signed</b> _____	
<b>19a. Print name(s) and title(s) of authorized signatory(ies)</b> _____		<b>19b. Signature(s)</b> _____	
<b>20. Contact details</b>			
<u>Name</u>	<u>Phone</u>	<u>Facsimile</u>	<u>Email</u>
_____	_____	_____	_____



## ANNEX 7



### REPUBLIC OF KENYA INTERGOVERNMENTAL PARTICIPATION AGREEMENT

BETWEEN

**THE NATIONAL GOVERNMENT OF THE REPUBLIC OF KENYA AND**

**THE COUNTY GOVERNMENT OF .....**

ON IMPLEMENTATION OF

**KENYA CLIMATE SMART AGRICULTURE PROJECT (KCSAP)**

**DATED**

Day of \_\_\_\_\_ 2017

[Insert logo of County Government]

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This Agreement is made between the National Government of the Republic of Kenya acting through the Ministry of Agriculture, Livestock and Fisheries (MoALF), (hereinafter called “the National Government”) on the one part, and the County Government of (hereinafter called “the County Government”), (the National Government and the County Government are hereinafter collectively referred to as “the Parties”).

## **WHEREAS**

- A. The Republic of Kenya (Recipient) has negotiated and signed a Financing Agreement with the International Development Association (IDA) (hereinafter called the World Bank) for the Kenya Climate Smart Agriculture Project (hereinafter called KCSAP or simply, the Project);
- B. The Recipient has agreed with the World Bank that the Ministry of Agriculture, Livestock and Fisheries  
(MoALF), will be the lead implementing agency for KCSAP; and,
- C. Participating county governments will be the executing agencies of KCSAP at county level;

## **NOW THEREFORE**

In consideration of the commitments and agreements contained herein, the Parties agree as follows:

### **1. OBLIGATIONS OF THE NATIONAL GOVERNMENT**

- 1.1 The National Government shall make available to the County Government, resources earmarked for implementation of KCSAP activities in \_\_\_\_\_ County for the period covering fiscal year **2017-18 to 2021-22** to carry out eligible activities as per this Agreement, including all annexures thereto which form an integral part of this Agreement. The annexures are: -

- 
- (a) The signed Financing Agreement between the National Treasury (NT) and the World Bank, marked as Annex 1 to this Agreement;
  - (b) The Project Implementation Manual (PIM), marked as Annex 2 to this Agreement;
  - and
  - (c) The Project Appraisal Document (PAD) marked as Annex 3 to this Agreement.

1.2 The National Government shall provide to the County Government, the World Bank list of debarred firms and individuals, which the County Government will not engage with. The list may be found on the World Bank external website: <http://www.worldbank.org/debarr>.

1.3 The Accounting Officer, Principal Secretary, State Department of Agriculture, in consultation with the National Project Steering Committee (NPSC) and the World Bank may suspend or terminate the right of the County Government to use or benefit from the use of the proceeds of the Project resources upon failure by the County Government to perform its obligations under this Agreement and to comply with the minimum access conditions and minimum performance conditions or disbursement triggers specified in the PAD, and the PIM (including its Annexures such as the Procurement and Financial Management manuals).

1.4 The National Government shall make available to the County Government resources for project implementation in the county in accordance with agreed eligibility criteria and procedures as detailed in the PIM.

## **2. OBLIGATIONS OF THE COUNTY GOVERNMENT**

2.1 In the first fiscal year of implementation, the County Government will become eligible for allocation of KCSAP resources upon compliance with the following minimum conditions:

—

- (a) Signing of Intergovernmental Participation Agreement;
- (b) Opening a county Special Purpose Account with the Central Bank of Kenya, with



## Chief Officers

Finance, and Agriculture being primary signatories;

(c) Establishing a County Project Steering Committee (CPSC) comprising members described in the

PIM;

(d) Establishing a County Project Coordination Unit (CPCU) with the following minimum composition: County Project Coordinator, County Project Accountant, County Internal Auditor, and County Procurement Assistant; and

(e) Submitting an approved Annual Work Plan and Budget (AWP&B) for 18 months for activities to be supported under KCSAP in the county.

2.2 From the second fiscal year, in order to be eligible to participate, the County Government will be required to meet the following minimum set of conditions: —

(a) Fully staffing of the CPCU in accordance with staff composition outlined in the PIM;

(b) Establishing Community-Driven Development Committees (CDDCs) in all participating communities in accordance with the PIM;

(c) Including KCSAP activities in the county planning framework – the County Integrated

Development Plans (CIDP) and the shorter term annual/bi-annual development plans; and

(d) Timely submitting the Project annual technical and financial reports for the previous year in accordance to procedures laid out in the PIM.

2.3 The County Government shall make arrangements to avail to Beneficiaries funds for sub-projects in accordance with eligibility criteria and procedures acceptable to the World Bank, and as detailed in the PIM. For this purpose, the County Government shall enter



into Memorandum of Understanding (MoU) with eligible beneficiary communities (represented by duly constituted CDDCs) specifying the terms and conditions for community participation in the Project as laid out in the Financing Agreement and the PIM.

#### 2.4 The County Government is expected to:

- (a) Appraise, carry out, and verify its activities under the Project with due diligence and efficiency and in accordance with the PIM, the Environmental and Social Management Framework (ESMF), the Resettlement Policy Framework (RPF), the Vulnerable and Marginalized Groups Framework (VMGF), and the “Guidelines on Preventing and Combatting Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011;
- (b) Maintain policies and procedures adequate to enable the National Government and the World Bank to monitor the progress of its activities under the Project and the achievement of Project development objectives;
- (c) Enable the National Government and the World Bank to inspect activities within the County Government’s jurisdiction, its operation and any relevant records and documents;
- (d) Prepare and furnish to the National Government and the World Bank all such information as reasonably requested relating to the performance of the Project; and
- (e) Exercise its rights and perform its obligations in implementation of the Project in such manner as to protect the interests of the National Government and the World Bank, and to accomplish the purposes of the Project.

2.5 The County Government shall ensure that expenditures under the Project shall not include salaries of civil servants (other than incentives or salaries for contracted Project staff).

- 
- 2.6 The County Government shall use the Integrated Financial Management Information System (IFMIS) for all financial transactions.
- 2.7 The County Government shall carry out activities in accordance with this Agreement and the Financing Agreement, and use the funds within eligible expenditure areas and adhere to the Environmental and Social Safeguards as set out in the Financing Agreement, with due diligence and efficiency and in accordance with sound technical, economic, financial, and managerial practices.
- 2.8 The County Government shall maintain adequate records in accordance with sound accounting practices and proper coding of the revenues and expenditures of the operations, resources and expenditures in respect of the approved activities.
- 2.9 The goods, works and services to be financed from the proceeds of the Project shall be procured in accordance with the World Bank and GoK's procurement procedures. The County Government shall retain all documentation with respect to each contract executed for up to two years after the closing date of the Project.
- 2.10 The National Project Coordination Unit (NPCU) shall have the right to obtain all information as it or the World Bank shall reasonably request regarding the administration, operation, and financial management of resources provided to, and that the County Government shall report on the utilization of such resources.
- 2.11 The County Government shall ensure that all reporting, including financial and technical reports are compiled and submitted as per the guidelines in the PIM and ensure a proper compilation of complaints on issues of environmental and social safeguards, procurement, fraud and corruption.
- 2.12 The County Government shall provide the relevant information and documentation to the Office of Auditor General (OAG) and the Independent Integrated Fiduciary Review Agency (IIFRA) during audit or any other review of financial statements.

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### 3. VALIDITY

3.1 This Agreement shall be valid from the date of the last signature by the Parties below to the end of the Project period as stated in the Financing Agreement or such a later date as may be modified by the National Treasury and the World Bank.

3.2 This Agreement will become invalid in the event of cancellation of the Financing Agreement by the  
World Bank before the end of the Project period.

3.3 This Agreement may be terminated by either party through a three-month's written notice.

### 4. DISPUTE RESOLUTION

4.1 Subject to the Intergovernmental Relations Act (Chapter 5G, Laws of Kenya), any dispute between the

Parties shall be resolved in accordance with Part IV of the Intergovernmental Relations Act.

4.2 This Agreement shall be governed and construed in accordance with the laws of the Republic of Kenya and the applicable Financing Agreement.

### IN WITNESS WHEREOF

The Parties hereto, acting through their duly authorized representatives, have caused this Intergovernmental

Participation Agreement to be signed in their respective names as of the day and year first below written.



**FOR AND ON BEHALF OF THE COUNTY GOVERNMENT OF.....**

Governor: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

(County Government official seal)

**FOR AND ON BEHALF OF THE NATIONAL GOVERNMENT**

Cabinet Secretary: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

(MoALF official seal)









