

REPUBLIC OF KENYA



**OFFICE OF THE DEPUTY PRIME MINISTER
AND MINISTRY OF FINANCE**

PUBLIC FINANCIAL MANAGEMENT REFORMS PROGRAMME

**ANNUAL PROGRESS REPORT
FOR THE FINANCIAL YEAR 2010/2011**

Table of Contents

Table of Contents	ii
Executive Summary	iii
1.0 Introduction.....	1
1.1 Background	1
1.2 Summary of the Financial Year	1
1.3 Organization of the Report.....	3
2. Achievements by Component based on Outputs and Outcomes	4
2.1. Pillar 1: Financial Sustainability and Budgeting	4
2.2. Pillar 2: Resource Mobilization	5
2.3. Pillar 3: Budget Execution	6
2.4. Pillar 4: Procurement	8
2.5. Pillar 5: Oversight and Regulation	9
2.6. Pillar 6: Cross-Cutting Issues	10
3. Resource Utilization.....	14
4. Assessment of the Programme Indicators.....	15
5. Conclusions.....	16
Annexes.....	17

Executive Summary

The overall objective of the Public Financial Management Reform (PFMR) Programme is to strengthen public financial management systems in order to enhance transparency, accountability and responsiveness to public expenditure policy priorities. This is meant to contribute to the overall objectives of economic growth and poverty reduction, improved service delivery and good governance. PFMR is meant to lead to two overall results; (a) Improved effectiveness and efficiency in the public service and (b) Substantial improvements in service delivery and increases in allocations in accordance with political priorities.

The financial year 2010/11 saw a number of factors affecting the implementation of the programme. The Government enhanced the capacity and operations of the Programme by filling in the remaining key positions (human resources, legal specialist, procurement specialist, programme officer M&E) that had remained vacant during the previous financial year. The monitoring and evaluation framework and the operations manual were finalized and reporting on progress of the programme is currently up to date.

The review of the Programme Strategy was finalized and the report used as a basis for formulation of the new 2011-2016 Strategy. The first draft of the new strategy was also completed during the financial year; however the strategy could not be finalized since the public financial bill which would guide financial management in the public sector under the Constitution had not been finalized.

The flow of funds deteriorated in the financial year due to delay in submitting the interim financial reports covering the expenditures since dating back to the inception of the project and the expiry of grant agreements from some of the development partners. Procurement delays at the component level also affected the delivery of goods/services.

The Pensions department improved their service delivery to the pensioners by organizing their record management system and digitizing some of the records held while the use of the new Pensions Information Management System enabled them to reduce delays in payment of pension to 28 days. The Teachers Service Commission successfully trained their staff on the use of the 13 IFMIS modules rolled out within the Commission and automated all its front office and audit functions. Kenya Revenue Authority also finished procuring the mobile caravan bus which is expected to improve service delivery to the rural areas of the country and thus increase voluntary compliance. Overall, most Components did not achieve their targets for the year due to fund flows and also engagement in the formulation of bills that would operationalize the Constitution.

The significant challenge that has remained in the programme is the slow procurement process and ensuring that the flow of funds is in tandem with Component requirements. The use of a financial management and information system within the secretariat is expected to address these challenges and improve programme implementation.

1.0 Introduction

1.1 Background

The need for reform in the public finance system was emphasized in the Economic Recovery Strategy for Wealth and Employment Creation (ERS 2003-2007) as a key to achieve,

- Fiscal sustainability and balance in the public economy
- Restructuring and reallocation for growth and poverty alleviation, and
- Improved public sector performance, efficiency and effectiveness in the public sector, leading to improved service delivery and results for Kenyans.

To achieve the goals outlined in the ERS, the Strategy for Revitalization of Public financial Management System in Kenya was developed to guide interventions related to financial management in the public sector and is being implemented through the Public Financial Management Reforms (PFMR) Programme.

The overall objective of the PFMR Programme is to strengthen public financial management systems to enhance transparency, accountability and responsiveness to policy priorities. This is meant to contribute to

- Improved effectiveness and efficiency in the public service; and
- Substantial improvements in service delivery, increases in allocations in accordance with political priorities.

The Programme is managed by the Public Financial Management Reforms Coordinating Unit (PFMRCU) in the Ministry of Finance and implementation is undertaken by government departments and agencies organized in 15 components around the six pillars identified in the Strategy.

1.2 Summary of the Financial Year

The first quarter of the 2010/2011 financial year was characterized by intense campaigns leading to a referendum where Kenyans voted for the then proposed new constitution which was later promulgated as the Constitution of Kenya 2010 in August 2010 heralding a new era for the Country. The Ministry of Finance officers were heavily involved in the preparation of bills to implement the Constitution and this took a large portion of the latter part of the financial year thus affecting the implementation of activities scheduled in the work plans, procurement and training plans covering the period July 2010 to June 2011.

The workplans covering the financial year were approved in September 2010 unlike previous years where workplans were approved very late. The work plan for IFMIS however was not approved since the government was finalizing an action plan to revamp the System. The IFMIS

Strategy was eventually launched in February 2011 and the re-engineering process for the System embarked on from March 2011. However this was too late for the component work plan to be approved since the revised budget had already been finalized and there was only one quarter to undertake activities. The IFMIS department therefore utilized government funds to undertake activities during the financial year. The Government therefore funded sensitization and training workshops during which users from the line ministries were inducted on the use of the re-engineered system.

During the year, the Secretariat embarked on the process of formulating a new PFMR Strategy to cover the period 2011-2016 since the 2006-2011 Strategy was to end in June 2011. A task force was constituted to spearhead the formulation of the Strategy, consisting of members from some of the implementing components from the Ministry of Finance plus two development partner representatives and a representative from the civil society. During the financial year, the team developed a concept note for the drafting of the strategy which was discussed and endorsed in a stakeholder's forum. The first draft of the strategy was also completed during the financial year; however the strategy could not be finalized since the public financial bill which would guide financial management in the public sector under the Constitution had not been finalized.

The Government/World Bank joint mission was undertaken in the third quarter of the financial year during which time the mission was able to attend the launch of the IFMIS Strategic Plan. During the mission, it was agreed that the programme should disseminate project accomplishments for Kenya Revenue Authority, Kenya National Audit Office, Internal Audit, Teachers Service Commission, Pensions Department and Parliament. The dissemination notes for the first three components (KRA, KENAO and Internal Audit) were completed and distributed to stakeholders during the period in review.

The flow of funds during the period was greatly hampered due to non-disbursement from the development partners. This was occasioned by the requirement for the programme to compile Interim Financial Reports (IFRs) for the entire programme since inception in 2006/2007 financial year. This took substantial amount of time due to incomplete records and the fact that most of the staff in the programme were new and as such did not have the institutional memory since inception. The IFRs were however finalized in the fourth quarter and some funds released to undertake activities.

There was a high turnover in the programme during the period especially in the finance section where the top three managers were redeployed elsewhere in the public service. The programme coordinator also left the programme and his position had not been substantively filled by the end of the financial year. The Programme Manager thus continues to act as the programme coordinator, while the finance officers who left were replaced with new officers. To improve the capacity of the Secretariat new technical staffs were also recruited to join the Secretariat including a Legal Specialist, Human Resource Specialist, Procurement Specialist and Monitoring and Evaluation Programme Officer.

To facilitate coordination of the project activities, the development of the Project Implementation Guide and the Monitoring and Evaluation (M&E) Framework was finalized and the formulation of the 2006-2011 PFMR Strategy initiated during the third quarter of the year. The use of the

guide and M&E Framework was affected by the little time left to the closure of the programme however they have been used for reporting and formed a basis for the new Strategy. The Secretariat also finalized its service charter which was later used to develop performance contracts for all the officers.

1.3 Organization of the Report

Chapter one of the report gives a brief background of the programme and significant management and operational issues during the financial year. Chapter two covers the achievements of the Components for the period. Chapter three is on the resource utilization and Chapter four is the conclusion. Annexes on the performance indicators are also attached to this report.

2. Achievements by Component based on Outputs and Outcomes

The report on the outputs and outcomes achieved for the period is based on the way the programme is organized. The Strategy for the Revitalization of Public Financial Management System in Kenya was conceptualized around PFMR pillars that are organized into the 15 PFMR Components. The following section covers the achievements of the programme based on specific pillars and its specific components under each.

2.1. Pillar 1: Financial Sustainability and Budgeting

2.1.1. Macro-Fiscal Policy and Planning

The **purpose** of this Component is to support stabilization policy by using high quality macro-economic analysis and to provide sustainable overall budget ceiling. The **main objective** for the Component is to develop a macro-economic model and refine the macro framework for the budget, improve revenue estimation and capability to analyze effects on poverty.

- To support the forecasting and use of the macro-model, the officers who were on training returned and were posted at the macro-modeling section. The component also procured additional E-views Licenses – Stand alone for the new officers.
- To improve budget documentation, the Component ensured timely production of the Budget Strategy Paper and Quarterly Economic Budget Reviews.
- To build capacity on the macro-economic model members of staff were trained with the assistance of MEFMI and IMF as trainers on policy analysis, modeling and econometrics. The IMF trained two officers on macroeconomic management and fiscal sector issues one officer in Macroeconomic Diagnostics, and another officer was trained on GFS 2001. One officer was trained on Financial Programming by MEFMI.

2.1.2 Budget Preparation and Formulation

The **purpose** of the Component is to establish a clear and transparent presentation of the budget document reflective of policy objectives and allocative efficiency after a credible budget process. Its **main objectives** are to develop a budget document which is comprehensive and from which the Government's priorities and policy changes are explained and possible to identify, and which is developed within a multi-year framework.

- To develop a comprehensive budget, the Component developed an Indicative Programme Based Budget and built capacity on Programme Based Budget by training of 80 budget preparatory teams.
- Guidelines for preparation of Programme Based Budget were also developed.
- The component also contributed to the formulation of the public finance management bill

2.1.3 Debt and Guarantee Management

The **purpose** of this Component is to manage Kenya's debt, both domestic and external, at sustainable levels and to reduce the cost of borrowing. The **objectives** are to develop and implement a debt management strategy and debt database and deepen the domestic market for government securities.

- To facilitate in the development of a debt management strategy, two officers were trained in Debt Strategy Formulation and will support the Department in updating the government's debt management strategy already in place.
- The Component also reviewed and updated the Mid-Term Debt Management Strategy and presented it to parliament together with the budget.

2.2. Pillar 2: Resource Mobilization

2.2.1 External Resources

The **purpose** of the Component is to improve external resources coordination and integration with the budget preparation and execution. The **objectives** include enhancing coordination of external finance with the budgetary process through establishment of reporting procedures, databases and forum for dialogue, ensure exhaustiveness of resources accounting for better predictability and budget statistics.

- To enhance the coordination of external resources, the department trained 5 officers on management of donor funds and trained officers from some line ministries on the use of electronic Project Monitoring Information System (e-ProMIS).
- It also embarked on the review of the Kenya External Resources Policy (KERP) to harmonize it with the Constitution
- The component managed to load information into the e-ProMIS on 100 government projects and 10 officers were trained on the use of (e-ProMIS).
- The department acquired 6 laptops, 6 heavy duty photocopiers, 2 medium duty coloured printers and 6 medium size duplex printers.
- The final draft report for the Kenya Joint Assistance Strategy (KJAS) was reviewed and updated.

2.2.2 Taxes, Customs and Excise: Kenya Revenue Authority (KRA)

KRA's **purpose** under PFMR is to improve revenue forecast and collection in order to support the budgetary process. The **objectives** are to improve customs administration and risk management, improvement in effectiveness of domestic tax administration, and improved taxpayer education.

- To facilitate the taxpayer education programme and customer service delivery the component procured a mobile caravan bus to establish an Equipped Mobile Taxpayer Unit.
- Equipment for upgrading the IT infrastructure in KRA to support more business processes was delivered during the year and two new business applications were implemented
- To facilitate implementation of the Corporate Risk Management strategy 140 officers were trained on risk management while 30 officers were trained on records management.
- To improve security and surveillance the component procured CCTV for the KRA head office, and acquired computerised investigative tools.
- To improve management of projects and programmes, 25 officers were trained in Project Management Prince2 Certification.

2.3. Pillar 3: Budget Execution

2.3.1 Budget Execution, Accounting and Reporting

This Component has two sub-components i.e. (i) Budget Execution and (ii) Accounting and Reporting. The two sub-components are managed by the same office of the Accountant General in the Ministry of Finance. Under budget execution, the component's **purpose** is to reduce the discretionary element in the allocation of budget releases, reduce the variance between the budget provisions and the releases and improve upon the efficiency of budget execution. The **objectives** are to develop and implement improvements in the cash based release system to obtain better predictability for spending units, improved commitment control and increased efficiency throughout the public sector.

In the Accounting and Reporting sub-component, the **purpose** is to provide accurate and timely financial information on the budget implementation. Initially **IFMIS** was managed under this component before it became a department on its own during the financial year. The **objectives** are to review the legal and regulatory framework, accounting and reporting system, institutional arrangements for reporting, records management and filing, monthly reporting and bank reconciliations and development of a professional cadre

- To harmonize the financial regulations with the constitution, the component concentrated on the development of the Public Financial Management bill
- The COFOG budget coding system was put into place and members of staff trained on GFS 2001, COFOG and IFMIS,
- To develop a professional cadre, the Component concentrated on building capacity of the staff through various trainings. Within the year 127 accountants were enrolled for 6-month Certified Public Accountants (CPA) course.

The capacity building was meant to equip the officers with requisite skills in budget execution and ensure prudent use of government resources. It is expected that the skilled officers will contribute towards accurate reporting and reduction of the errors that occur while reporting on expenditure.

2.3.2 Payroll and Pensions

The **purpose** of the Component is to maintain and manage a payroll and pension system for the civil service for the efficient delivery of services. The **objective** is to develop and implement personnel databases, payroll and pension systems integrated with the financial management system. The Component has three sub-components i.e. Pensions, Integrated Payroll and Personnel Data (IPPD) in the Department of Personnel Management (DPM) and Teachers Service Commission (TSC) that seek to contribute to maintaining and managing a payroll and pension scheme for the service.

i) Payroll: Integrated Personnel Payroll Database (IPPD)

This sub-component is managed by the Ministry of State for Public Service. Its **goal** is to maintain and manage an effective payroll system through appropriate integrated database systems and clearly defined staff complement in the civil service for the delivery of services.

- To facilitate management of the payroll the component implemented a Human Resources Management Information System.
- They also rolled out IPPD to six additional SAGAs.

ii) Payroll: Teachers Service Commission (TSC)

The sub-component is managed by TSC and the **purpose** is to enhance service delivery for quality teaching in all public schools. Its **intermediate outcomes** include an enhanced and integrated ICT systems in all service areas including interconnectivity of district units and public education institutions for efficient and effective teacher management.

- To build capacity on the payroll system, the component trained 471 staff on integrated payroll and personnel data base (IPPD) and 74 staff were trained on data base administration.
- To enhance the capacity of the staff, 30 auditors were trained on managing the audit function, 6 staff on financial management in public sector, 283 on school returns database management, 10 staff on IFMIS technical skills, 20 staff trained on CISA, 8 ICT staff trained on website and software support and maintenance, 25 staff trained on IDEA software, 60 staff on public relations and customer care and 5 staff trained on public asset and disposal management.
- In addition to training the Commission acquired 300 desktop computers and Uninterrupted Power Supply units, 30 laptops, 2 servers and 90 medium duty printers; these have greatly improved service delivery by enabling many users update over 260,000 teacher's payroll and IFMIS simultaneously.

iii) Pensions

The Pensions Department **goal** is to maintain and manage a payroll and pension system for the civil services for the efficient delivery of service.

- To help achieve the objective, the Component trained 80 officers on records management
- Also 12 racks were procured and are in use
- 150 officers were trained on basic computing
- To enhance records management and archiving one officer was trained in electronic payroll and records management
- The component also continued with the digitization of manual records.

2.4. Pillar 4: Procurement

Under this pillar, there are two Components; the Directorate of Public Procurement (DPP) and Public Procurement Oversight Authority (PPOA). The **purpose** is to facilitate cost efficient provision of resources for translation of the Government's policies into budget achievements. The **objectives** of the component include, create professional cadre, support internal and commitment control and provide expertise to the Ministries Departments and Agencies (MDAs) to implement their plans and budgets through procurement for better cash management.

2.4.1. Public Procurement Oversight Authority (PPOA)

- To facilitate the MDAs in the implementation of their plans and budgets, the Component carried out various capacity building workshops and training of procurement staff in MDAs and for potential bidders
- Public-Private-Partnership (PPP) guidelines were developed and gazetted.
- The component also embarked on the review of the Procurement Act and regulations to harmonize them with the Constitution.

2.4.2. Directorate of Public Procurement

- To improve skills within the professional cadre in line ministries, 5 officers were trained on strategic supply chain management.
- 83 Senior Procurement Officers were trained on senior management, and
- 41 Senior Procurement Officers were trained on strategic leadership development.

2.5. Pillar 5: Oversight and Regulation

2.5.1 Parliamentary Oversight

The Component **purpose** is to develop the capacity of the parliament to play its oversight role in public resources management and ensure that regular and up to date reports are produced by the oversight committees on annual basis. Its **objective** is to improve parliamentary involvement and inputs to the budgetary process, leading to implementation of political priorities and agreement on allocations.

- To continue building the capacity of parliament to play its oversight role, the Component trained 100 officers who serve under various parliamentary committees on report writing and managing committees.
- To enhance legislative scrutiny of the budgetary process guidelines and procedures of scrutiny of the budget were developed and budget scrutiny workshop was held for the parliamentary committee members.
- With the passing of the Constitution, parliament is now fully entrenched in the budget making process and the budget and implementation committee members were trained.

2.5.2 Internal Audit

The **purpose** of the Component is to enhance internal audit capacity to ensure effectiveness of internal controls. The **objective** is to develop regulations and manuals, establish policies, develop and train, review on institutional arrangement for greater independence and support management in implementation reforms.

- To improve staff competence and professionalism in Internal Audit, 20 auditors were trained in CPA and CISA qualifications, and 10 auditors trained on fraud examination audit
- Intensive training for 200 members of Audit Committees was undertaken
- 12 provincial workshops to discuss emerging issues in audit, identification and reporting of audit issues and evaluation of audit reports and output were held for internal auditors from the districts.
- 73 auditors were trained on senior management and strategic leadership.

2.5.3 Kenya National Audit Office (KENAO)

The **purpose** of the Component is to improve government's accountability to the public through improved External Audit capacity and to provide timely independent information on the quality of expenditure, budget execution and achievements to the public. The **objective** is to provide timely and independent opinion on the quality of public expenditure and budget management.

- To build the capacity of the staff to enable them discharge their duties effectively, the component trained 3 officers in CISA
- The component also developed Forensic Audit & Financial Audit Manuals
- Achieved 100% compliance in audit of government ministries and donor funded projects, 85% in SAGAs and 60% in Local authorities

2.6. Pillar 6: Cross-Cutting Issues

In the PFM strategy, there are four Components under this pillar including Electronic Service Delivery - IFMIS, Capacity Building and Service Conditions and Consistent Legal Framework for PFM and PFMR Coordinating Unit.

2.6.1 Electronic Service Delivery (IFMIS)

The **purpose** of the Component is to process and record financial transactions, provide timely, accurate and relevant information, minimize risks, and facilitate financial control. The **objective** is to improve public expenditure management through an online integrated financial

management system that produces timely, accurate and verifiable data on budget execution and processes all the required reports.

- The component re-engineered IFMIS so as to ensure all modules are completely integrated and in use as required for prudent financial management
- Customization of the General Ledger, Accounts Payable and Purchase Orders reports was done and sensitization carried out for about 250 officers from technical areas of finance, budgeting, human resource, audit and procurement.
- The component also connected most of the Ministries to IFMIS and rolled it out to 54 accounting units,
- It also implemented G-PAY (Electronic Funds Transfer), Extra modules included (Account Receivable, Asset Management and Cash Management).

2.6.2 Capacity Building and Service Conditions

The **purpose** of the Component is to strengthen the capacity in the PFM system through functional analysis, generic in-house training programmes, accreditation of PFM professional staff and improved service delivery. The **objectives** include, revise conditions of services to reduce staff turnover and losses for different cadres, establish a scheme of service for new PFM cadres and improve functionality of PFM institutions.

- The component conducted a training needs assessment and compiled report for all the implementing components.

2.6.3 Consistent Legal Framework for PFM

The **purpose** of the Component is to have a consistent and harmonized legal framework to support the PFM reform process. The **objective** is to review and harmonize existing legislation on PFM and in the broader context of Public Sector Reform. To build capacity to undertake legislative reforms relating to PFM.

- The Legal Specialist within the coordinating unit assisted in the drafting of the public financial management bill.

2.6.4 Office of the Prime Minister, Public Sector Transformation

This Component is not part of the PFM strategy. However, it is included in PFM reporting as the Component coordinates the implementation of Component Two of the World Bank's Institutional Reform and Capacity Building Project (IRCBP), on Capacity Building for Results.

It has two sub-components, Capacity Building Facility (CBF) and Transformative Leadership Values and Ethics. CBF works with specific Ministries to support the implementation of action plans for the realization of government priority objectives in the Vision 2030 MTP.

i) Capacity Building Fund (CBF)

Three Ministries benefiting under CBF completed implementation of their action plans. To implement Results Based Management Action Plan, the first tranche of funding was completed for the Ministries of Agriculture and Trade. The Ministry of Local government was at an advanced stage of completing activities in their action plans.

- The sub-component facilitated printing of 1500 copies of the Progress Annual Report by the Ministry of Planning, National Development and Vision 2030
- The Ministries of Co-operative Development and Industrialization & Marketing trained officers on Strategic Leadership and Senior Management.
- The Ministry of Industrialization also procured computer hardware and related software.

ii) Transformative Leadership (TL)

- Supported working groups to work out the details of the new structure of public service, devolution and other technically packed provisions.
- Supported the Task Force on Devolved Government carry out countrywide consultations and develop a report on the recommendations and structure for national and devolved governments.
- Embarked on procurement for training of 600 Rapid Results Initiatives (RRI) coaches throughout Government. Through Rapid Results Initiatives (RRIs) Ministries, Departments and Agencies will be supported to develop Change Management Plans.
- Rapid Results Initiatives (RRIs) were undertaken in the ministries of: Water and Irrigation, Public Health and Sanitation; and in agencies such as; JKUAT, Kimathi University, Kenyatta University; Maritime Authority and the Kenya National Trading Corporation.

2.6.5 Public Financial Management Reform Coordinating Unit (PFMRCU)

The **purpose** of the PFMRCU referred to as the PFM Secretariat is to update the PFM Reform Programme Strategy, PFM Reform plan and PFM reform implementation guide and coordinate and monitor PFM Reform implementation. The **objective** is to improve capacity to implement sound Public Financial Management.

- The secretariat facilitated the review of the 2006-2011 PFMR Strategy and the report formed basis for formulation of the 2011-2016 Strategy.
- The task-force preparing the new strategy for Public Financial Reforms for the period 2011-2016 produced the first and second drafts which were discussed with stakeholders. The Strategy awaits revision in light of the approved public financial management bill 2011 which is yet to be enacted.
- The Secretariat participated in the drafting of the PFM legal framework and providing legal assistance on drafting of the organic law spearheaded by a committee established within the Ministry of Finance.
- The Secretariat continued with the dissemination of infomercials through radio and television on the achievements of the programme.
- The Secretariat also printed 1 issue of the PFMR Wajibika Newsletter and circulated them to the stakeholders.
- Dissemination notes for KENAO, KRA, and Internal Audit were prepared and circulated to stakeholders
- A baseline survey for the PFMR Programmes internal & external Stakeholders was conducted and the final survey report produced.
- Embarked on the development of a Management Information System with the assistance from SIDA.
- To facilitate in coordination, technical and operational capacity was improved during the period through recruitment of additional technical staff (human resource, legal officer, and procurement).
- The M and E framework and the preparation of Project Implementation Guidelines were finalized.
- To monitor the performance of the Programme, a joint GoK/World bank Mission to review the Programme was organized and an aide memoir prepared
- Annual financial statements were prepared and submitted to KENAO for auditing on time.
- Interim Financial Reports (IFRs) for the programme since inception were prepared and submitted to the development partners.

- To build capacity within the Programme, service charter was finalized and performance contracts signed to improve the operations. The Secretariat also provided technical support to the components during the preparation of the 2010-2011 annual work plans.

3. Resource Utilization

Financial reporting in the year was a challenge following the frequent change of staff from the finance section within the year. The delay in financial reporting delayed release of funds from the development partners, which affected the implementation of activities as scheduled in the work plans. The following are the expenditure by the Components for the financial year 2010/2011.

No	Component Name	Planned Expenditure (Kshs)	Actual Expenditure (Kshs)	%
1.	Macro-Fiscal Policy and Planning	44,000,000	3,934,356	8.9
2.	Budget Formulation & Preparation	460,000,000	19,392,523	4.2
3.	External Resources	46,800,000	25,575,057	54.6
4.	Debt & Guarantee Management	11,600,000	7,088,326	61.1
5.	Revenue Collection (KRA)	321,440,000	64,325,710	20.0
6.	Budget Execution Accounting & Reporting	334,000,000	17,098,263	5.1
8.	Payroll D.P.M	67,400,000	-	0.0
9.	Pensions	123,500,000	392,000	0.3
10.	Teachers Service Commission	86,090,000	108,252,946	125.7
11.	Procurement Directorate	39,500,000	-	0.0
12.	Public Procurement Oversight Authority	90,300,000	5,100,473	5.6
13.	Parliamentary Oversight Authority	46,800,000	3,001,770	6.4
15.	Internal Audit	378,400,000	38,493,198	10.2
16.	External Audit	45,260,000	6,202,886	1.4
17.	PFMR Coordination Unit	139,900,000	108,249,349	77.4
18.	Capacity Building for PFM	20,500,000	46,207	0.2
	TOTAL	2,429,105,000	407,153,064	16.8

The Macro-fiscal and Planning component had intended to utilize a big percentage of the funds on hiring a firm to develop a macro model for the department. The procurement of a firm was not successive since the tender was not responsive.

The Budget department was highly involved in the formulation of the PFM bill and in budget preparation exercise in order to meet the constitutional deadlines. As such many of the planned activities in the project did not take place.

The procurement process within the KRA delayed the acquisition of the ICT infrastructure and other related equipment that was supposed to assist in the modernization of the operations. By

the end of the financial year, the funds set aside for the component could not be utilized and hence the low absorption of funds.

The Payroll (DPM) component did not finalize the procurement process for consultancy to update the IPPD and also for the conducting of payroll verification. As such the funds set aside for the component were left unutilized by the end of the financial year.

The PPOA was involved in recruitment of staff and in the process the component staff was moved to other areas. The new staff responsible for the programme took time to implement the activities. The revision of the procurement act and regulations also diverted the human resource to this area. Most of the training programmes scheduled to be undertaken did not take place due to delay in release of funds.

The utilization of funds was affected by the engagement of most staff in the formulation of bills to implement the constitution. The late submission of IFRs also delayed release of funds and this further complicated the situation. The procurement processes within the components did not improve as envisaged and as such many of the items to be procured could not be delivered in good time, thus affecting the absorption of funds. The implementation of a Financial Management System within the Secretariat is expected to improve the absorption in the coming financial year.

4. Assessment of the Programme Indicators

The PFMR indicators are generally derived from two documents; the PFMR strategy and World Bank Project Appraisal Document (PAD). The PFM strategy is supported through pooled funding and bi-laterally by a pool of donors. The specific reference to the PAD indicators is largely due to the Development Credit Agreement between the Government and the World Bank.

The Secretariat finalized an M&E framework for the programme which is based on the World Bank PAD and the PFMR Strategy. The framework was discussed with various stakeholders including components and development partners and underwent a peer review to ensure that the selected indicators conform to good practice in Public Financial Management Reforms.

Generally, the outcome indicators selected for the programme were acceptable to all stakeholders. However, the baseline for intermediate indicators which specific components are responsible for were not available in most cases and as such only targets for the remaining period were set for them. The reporting on the programme indicators is undertaken based on these agreed results framework as shown in annex 1 to 3.

5. Conclusions

The financial year 2010/2011 witnessed a decline in performance of the project as a result of a number of reasons including the delay in release of funds due to non-submission of IFRs for the programme since inception, involvement of most component implementers in the drafting of bills required to implement the Constitution. Delay in the procurement of goods and services remains a big challenge within the project mainly due to slow processes at the components level.

Annexes

ANNEX 1

ASSESSMENT OF THE PFMR OUTCOME INDICATORS

Indicators	Baseline Value		Progress To Date		End-of-Project Target Value	
	Number or text	Date	Number or text	Date	Number or text	Date
1. National budget is aligned with explicitly stated government priorities in the IP-ERS.	There is no alignment	2006/2007	Budget is aligned with the Policy Framework of Vision 2030 MTP 2008-2012 (successor to the IP-ERS). MTEF Budgets are prepared annually. Stakeholder participation in the National Budget entrenched through Sector hearings at the national level NOTE: The budget for 2012 is being prepared to cater to the needs of the new constitution approved on August 27, 2010	15/8/2011	Programme Based Budget prepared for 2011/2012	31/08/2011
2. Budget Allocation and actual expenditure disparities reduced	-4% on recurrent expenditure	2006/2007	-3.2% on recurrent expenditure	15/8/2011	Better forecasting of revenues and comprehensive reporting on expenditure including donor funded projects	31/08/2011
3. Predictability of annual/mid-term cash allocation flows to line ministries improved by treasury			98.8% of the ministries budget funded through timely exchequer releases.	15/8/2011		
4. External audit reports prepared and published in a timely fashion in accordance with the Public Audit Act 2003.	The external audit reports are currently not available to the public.	2006/2007	Annual audits are carried out in 100% of all Central Government agencies and donor funds. Audit of Local authorities and SAGAs at 70% and 80% respectively. Audit reports upto 2009/2010 are made available through external audit website. Audit is carried out in compliance with the	15/8/2011	External audit reports are publicized.	31/08/2011

Indicators	Baseline Value		Progress To Date		End-of-Project Target Value	
	Number or text	Date	Number or text	Date	Number or text	Date
			Public Audit Act. Audit recommendations are being enforced through, among other things, more effective functioning of the ministerial audit committees. Audit backlog eliminated			
5. Adoption of a Risk Based Internal Audit approach and establishment of effective Ministerial Audit Committees.	Risk Based Internal Audit Approach not in existence	2006/2007	The indicator has been achieved and Risk Based Internal Audit Approach has been adopted in all the line ministries of Government. Ministerial Audit Committees have been established and their capacity built. Audit Committee Guidelines and Manual developed and rolled out; Internal Audit Manual developed and rolled out.	15/8/2011	Risk Based Internal Audit Approach adopted.	31/08/2011
6. Skilled Public Accounts and Public Investments Committees of Parliament submitting reports on an annual basis and eliminate backlog within the second year of project implementation.	Reports not submitted on annual basis and are irregular.	2006/2007	Public Accounts Committee up to date on the audit reports. Implementation Committee of Parliament established and following up on implementation of audit recommendations.	15/8/2011	Regular reports are produced by the Public Accounts and Public Investments Committees on annual basis	31/08/2011
7. Skilled Finance Committee is undertaking its statutory functions and complies with the budget cycle	Finance Committee functions not effectively playing its statutory role.	2006/2007	Parliamentary Budget Committee fully and legally entrenched in the budget making process.	15/8/2011	Budget /Finance Committee undertaking statutory functions	31/08/2011
8. Accountability and capacity of public servants enhanced for the delivery of public service	Inadequate capacity in some PFM agencies	2006/2007	Capacity of staff in various PFM agencies built and delivery of service has improved.	15/8/2011		

ANNEX 2:
INTERMEDIATE RESULTS FOR COMPONENT 1 IMPLEMENTERS

Indicators	Baseline Value		Progress To Date		End-of-Project Target Value	
	Number or text	Date	Number or text	Date	Number or text	Date
1. Within year deviations of actual expenditure from printed estimates reduced by 30% by 2009.	Variations do not exceed 8% in line ministries.	2006/2007	According to PEFA Report, in no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5% of budgeted expenditure. Expenditure deviations for recurrent expenditure was 7.7% for 2010/2011	15/8/2011	Maintain annual expenditure deviations to no more than 5% of budgeted expenditure.	31/08/2011
2. Payment arrears reduced to no more than average monthly expenditure of Government	Payment arrears of more than 3 months average of non-salary expenditure exist	2006/2007	Payment arrears have been reduced from over 3 months to average 2 months.	15/8/2011	Reduce payment arrears to not more than 1 month average of non-salary expenditure	31/08/2011
3. Financial reporting by semi-autonomous government agencies and local authorities on budget and contingent liabilities	About 30% of agencies currently report on budgets and contingent liabilities	2006/2007	Indicator has been achieved. 50% were reporting and also have adopted the IPSAS.	15/8/2011	About 70% of agencies report on budgets and contingent liabilities	31/08/2011
4. Timely and reliable financial statements in accordance with acceptable accounting standards are produced through the IFMIS	No Financial statements are being produced through IFMIS	2006/2007	Accounting module of IFMIS rolled out and financial reporting undertaken using IFMIS. Quality needs to be improved. Capacity of Accountants build and expenditure reporting improved.	15/8/2011	Quality financial statements are being produced through IFMIS	31/08/2011
5. IFMIS is operational in the MoF, Agriculture, Trade and Industry, Local Government, Planning and National Development.	IFMIS not yet operational	2006/2007	The General Ledger (GL), Purchasing (PO) and Accounts Payable (AP) modules of IFMIS implemented in all central government ministries IFMIS strategy developed and Re-engineering launched with budget module development in MOF, OP and OPM	15/8/2011	Implementation of modules AR,CM,FA & Budget in the MOF, OP and OPM	31/08/2011
6. IPPD is rolled out to MoF, Agriculture, Trade and Industry, Local Government, Planning and National Development.	IPPD currently used as standalone system but yet to be linked through Wide Area Network	2006/2007	Indicator has been achieved. IPPD has been rolled out to all government ministries and 9 SAGAs. Linking through WAN yet to be implemented.	15/8/2011	IPPD be rolled out to 10 SAGAs and linked by WAN.	31/08/2011

Indicators	Baseline Value		Progress To Date		End-of-Project Target Value	
	Number or text	Date	Number or text	Date	Number or text	Date
7. IT strategy is developed and owned by government	No IT strategy exists	2006/2007	An IT strategy is being implemented by the ICT Board and Ministry of Information	15/8/2011	Development of the IT strategy to continue	31/08/2011
8. Annual audits are executed in a timely, effective and efficient fashion.	Only 50% of ministries/departments and agencies are audited.	2006/2007	Indicator has been achieved. All MDAs are being audited annually.	15/8/2011	All ministries/departments and agencies are audited annually	31/08/2011
9. MoF, Agriculture, Trade and Industry, Local Government, Planning and National Development have well established internal audit units and above ministries/departments implements recommendations	Independent and effective IA units do not exist in all cases. Limited evidence of use of audit results.	2006/2007	Internal Audit units exist in all ministries. Capacity of internal auditors built and Risk Based internal audit adopted Ministerial audit committees established in all ministries and their capacity built.	15/8/2011	Management implement internal audit units recommendations Effectiveness of the audit committees improved	31/08/2011
10. Public procurement entities have achieved full capacity to comply with procurement procedures.	Procurement capacity is weak	2006/2007	Public Procurement and Disposal Act 2005 being implemented by Procurement Entities. Procurement entities currently preparing procurement plans. E-Procurement strategy launched. Capacity built for procurement entities.	15/8/2011	The PPD reviewed and capacity built in procurement entities.	31/08/2011
11. Quality and use of recommendations of Parliamentary Committees improved	No evidence that Public Accounts Committee recommendations are implemented	2006/2007	Public Accounts Committee up to date on the audit reports. Implementation Committee of Parliament established and following up on implementation of audit recommendations. Parliamentary Budget Committee fully and legally entrenched in the budget making process.	15/8/2011	Public Accounts Committee recommendations are implemented in 90% of ministries	31/08/2011
12. Annual Procurement audits indicate improvement in compliance with procurement regulations	Procurement not covered as a focus area for Internal Audit	2006/2007	Capacity for public procurement entities build and are using procurement regulations.	15/8/2011	Guidelines for annual procurement audits developed.	31/08/2011

Indicators	Baseline Value		Progress To Date		End-of-Project Target Value	
	Number or text	Date	Number or text	Date	Number or text	Date
13. Timeliness in production of statistics	Statistics produced 48 days after every quarter	2006/2007	Revenue statistics produced 24 days after every quarter	15/8/2011	Statistics produced 15 days at end of every quarter	31/08/2011
14. Cost of collection to be maintained below 2% of printed estimates	Cost of collection at 2% of printed estimates	2006/2007	Cost of collection maintained at around 1.7%.	15/8/2011	Cost of collection to be maintained below 2% of printed estimates	31/08/2011

ANNEX 3:
STATUS OF INTERMEDIATE INDICATORS

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
PILLAR 1: FINANCIAL SUSTAINABILITY AND BUDGETING						
COMPONENT 1: MACRO-FISCAL POLICY & PLANNING						
Purpose: To support stabilization policy by using high quality macroeconomic analysis and to provide sustainable overall budget ceiling						
Objective(s): To develop a macroeconomic model and refine the macro framework for the budget, improve revenue estimation and capability to analyze effects on poverty.						
1. Multi- year perspective in Fiscal Planning			Medium term budget framework documented in the Budget Policy Statement	15/8/2011		
2. Comprehensiveness of information included in budget documentation: PI-6			Budget Strategy Paper used to guide the budget process	15/8/2011		
3. Budgets based on more realistic expectations			Revenue collection was 2.8 % below the target against the PFMR target of 5%	15/8/2011		
4. Increase accessibility of publicly available performance and budget information			Information on Budget publicly available on Treasury website. Dissemination workshops held after budget presentations	15/8/2011		
COMPONENT 2: BUDGET PREPARATION AND FORMULATION						
Purpose: To establish a clear and transparent presentation of the budget document reflective of policy objectives and allocative efficiency after a credible budget process						
Objective(s): Develop budget document which is comprehensive and built upon the provisions from the district level from which the government's priorities and policy changes are explained and possible to identify, and which is developed within a multi-year framework						
5. Within year deviations of actual expenditure from printed estimates reduced by 30% by 2009	Variations do not exceed 8% in line ministries.	2006	According to PEFA Report, in no more than one out of the last three years has the actual expenditure deviated from budgeted expenditure by an amount equivalent to more than 5% of budgeted expenditure. Expenditure deviations for recurrent expenditure was 7.7% for 2010/2011	15/8/2011	Within year deviations of actual expenditure from printed estimates reduced by 30% by 2009	31/08/2011

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
6. Level of compliance to national budget (% level of expenditure vs. printed estimates)	88.6%	2006/07	82.16%	15/8/2011	100%	31/08/2011
7. Payment arrears reduced to no more than average monthly expenditure of Government	Payment arrears of more than 3 months average of non-salary expenditure exist	2006	Indicator has been met. Payment arrears have been reduced to 2 months	15/8/2011	Payment arrears of more than 1 month average of non-salary expenditure do not exist	31/08/2011
8. Functional classification of according to COFOG	Not Classified	2006	Not done – rolled over to 2011-2012	15/8/2011	Budget classified using COFOG codes	
9. Programme Based Budgeting (PBB) adopted	Itemized budget in place	2006	PBB format developed 80 staff trained on PBB	15/8/2011	PBB fully adopted for the 2011/2012 budget	31/08/2011
10. The format of presentation of the budget changed to link line item budgets to PBB	Itemized budget in place	2006	The items are linked to PBB	15/8/2011		31/08/2011
11. Efficient utilization of funds allocated to sectors expenditure based on agreed priorities			85% efficiency achieved	15/8/2011		31/08/2011
12. Improved sectoral consultations/sector reports be used as a basis of ministerial ceilings and final budget	Weak link between sector reports and budgets	2006	95% of final allocation based on sector reports	15/8/2011	Budget based 100% on sectoral priorities	31/08/2011
13. Improved budget transparency and participation by cascading the Sector public hearings on budget/management of Public resources	Consultations at national level	2006	Not achieved. To be implemented in the FY 2011-2012	15/8/2011	Budget consultations devolved to all levels of government	31/08/2011
14. Timely production of budget reports to Parliament			Presented to parliament albeit not as per timeline stipulated	15/8/2011		31/08/2011

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
COMPONENT 3: DEBT AND GUARANTEE MANAGEMENT						
Purpose: To reduce and manage Kenya's debt, both domestic and external, at sustainable levels and to reduce the cost of borrowing.						
Objective(s): Develop and implement a debt management strategy and debt database. Deepen the domestic market for government securities. This should result in reduced cost of debt financing and improved debt management						
15. Debt management policy reviewed to promote sustainable debt composition (short and long-term debt instruments)	No policy exists	2007/2008	Medium term debt mgt strategy/ Policy Produced	15/8/2011		31/08/2011
16a. External debt monitoring ¹	800B ceiling for central Government	2008/2009	727.3B	15/8/2011		31/08/2011
16b. Domestic debt monitoring	81B	2008/2009	90.4B	15/8/2011		31/08/2011
16c. Monitoring of debt service				15/8/2011		31/08/2011
i. Domestic interest payments	32B	2006/2007	69.2B	15/8/2011		31/08/2011
ii. External interest payment	5B	2006/2007	7.0B	15/8/2011		31/08/2011
iii. Domestic Redemption	53B	2006/2007	62.5B	15/8/2011		31/08/2011
iv. External redemption	16B	2006/2007	20.3B	15/8/2011		31/08/2011
17. Recording and management of debt and guarantees: I-17	Ceiling for Publicly guaranteed debt is Kshs. 80B	2008/2009	44B	15/8/2011		31/08/2011
18. External Debt managed at sustainable levels						
18a. Net Present Value of debt as % of GDP	34%	2007/2008	42%	15/8/2011		31/08/2011

¹ External debt ceiling set by law not to exceed 800B so targets not set but actual debts is monitored

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
18b. Net Present Value of debt as % of revenue	150	2007/2008	165%	15/8/2011		31/08/2011
18c. Debt service as % of revenue	25%	2007/2008	25%	15/8/2011		31/08/2011
PILLAR 2: RESOURCE MOBILIZATION						
COMPONENT 4: EXTERNAL RESOURCES						
Purpose: To improve external resources planning and integration with the budget preparation						
Objective(s): Improved accuracy of forecast and projections of external resources through enhancing coordination of external finance with the budgetary process						
19. Kenya External Resources Policy (KERP) produced and quality assessed	KERP not available	2006/2007	KERP being reviewed to ensure compliance with the new constitution	15/8/2011		31/08/2011
20. Financial information provided by donors for budgeting and reporting on project and programme aid: D-2	Information not fully available	2006/2007	100 projects loaded into the E-PRoMIS system and 47 users trained	15/8/2011		31/08/2011
21. Increased use of government systems and improved reporting on aid	Existence of many parallel systems	2006/2007	Guidelines on donor fund management developed -Kenya Joint Assistance Strategy (KJAS) reviewed and published	15/8/2011		31/08/2011
22. % increase in utilization of external resources	40%	2006/07	62%	15/8/2011		31/08/2011
COMPONENT 5: TAXES, CUSTOMS AND EXCISE-KENYA REVENUE AUTHORITY						
Purpose: To improve revenue forecast and collection in order to support the budgetary process						
Objective(s): Improvement of customs administration and risk management, improvement in effectiveness of domestic tax administration, and improved taxpayer education. This should lead to:						
<ul style="list-style-type: none"> • Improved collection of revenue • Improved accuracy of forecast and projections • Reduced tax evasion and increases in revenue 						
23. Improved voluntary tax compliance by 0.2% per annum	93	2005/06	98.3%	15/8/2011		31/08/2011
24. Meet the Treasury revenue target collection (Kshs. B)	301B	2005/06	643.9B	15/8/2011		31/08/2011

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
25. Enhanced revenue collection by 10% per annum	8.55%	2005/06	18.8%	15/8/2011		31/08/2011
26. Reduce tax debt to revenue ratio	34.85%	2005/06	14.1%	15/8/2011		31/08/2011
27. Maintenance of cost of collection at below 2% of printed estimates	1.9%	2006/07	1.8%	15/8/2011		31/08/2011
28. Number of IT business solutions successfully implemented	1	2005/06	4	15/8/2011		31/08/2011
29. Timeliness of production of statistics within 24 days from end of the preceding	48 days	2005/06	38 days	15/8/2011		31/08/2011
PILLAR 3: BUDGET EXECUTION						
COMPONENT 6: BUDGET EXECUTION, ACCOUNTING AND REPORTING						
SUBCOMPONENT 6a: BUDGET EXECUTION						
Purpose: To reduce the discretionary element in the allocation of budget releases, reduce the variance between the budget provisions and the releases and improve upon the efficiency of budget execution						
Objective(s): Develop and implement improvements in the cash based release system to obtain better predictability for spending units, improved commitment control and increased efficiency throughout the public sector. The Component will ensure improved quality of financial records and credibility in budget execution for central ministries, SAGAs and LAs.						
30. Cash Management system institutionalized			Draft PFM Bill has been presented to Cabinet and expected to be enacted by August 27 2011	15/8/2011		31/08/2011
SUB-COMPONENT 6b: ACCOUNTING AND REPORTING						
Purpose: To provide accurate and timely financial information on the budget implementation						
Objective(s): Review of the legal and regulatory framework, accounting and reporting system, development of a professional cadre, institutional arrangements for reporting, records management and filing, monthly reporting and bank reconciliations. The expected results include:						
<ul style="list-style-type: none"> Improved quality of financial records and credibility in budget execution for central ministries, SAGAs and LAs A first improvement of service delivery						
31. Improved flow of funding to service delivery units			98%	15/8/2011		31/08/2011
32. Timely and reliable financial statements in accordance with acceptable standards are produced through the IFMIS	No Financial statements are being produced through IFMIS	2005/06	Financial Statements are being produced using IFMIS with exception of modules that have not been activated such as the Assets and Liability, Bank Reconciliation. Oracle Consultants are building capacity of staff on the ground to assist in IFMIS, report production to required	15/8/2011	Financial statements are being produced through IFMIS	31/08/2011

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
			standards			
33. % of districts presenting regular, timely and accurate financial records using standard classifications and in line with the budget structure through IFMIS	Districts not on IFMIS	2005/06	Districts are not connected to IFMIS however the districts are using the Vote Book management system (which is a standalone) thereafter the data is transferred onto IFMIS	15/8/2011	Districts using IFMIS to report	31/08/2011
34. Financial reporting by SAGAs and LAS on budget and contingent liabilities	About 30% of agencies currently report on budgets and contingent liabilities	2005/06	Indicator has been achieved. 50% were reporting and also have adopted the IPSAS.	15/8/2011	About 90% of agencies report on budgets and contingent liabilities	31/08/2011
35. Timeliness of accounts submitted to CAG			98% of reports submitted in time	15/8/2011		31/08/2011
36. Accuracy of accounts submitted to CAG			20% reduction as evidenced by the reduction in audit queries	15/8/2011		31/08/2011
COMPONENT 7: PAYROLL AND PENSIONS						
SUB-COMPONENTS: PAYROLL, PENSIONS AND TSC						
Purpose: To maintain and manage a payroll and pension system for the civil service for the efficient delivery of services						
Objective(s): Develop and implement personnel databases, payroll and pension systems integrated with the financial management system. The Components will contribute to improved payroll management, reliability and control.						
37. Pension Management Information System fully implemented and integrated with IFMIS	Manual systems are used	2005/06	PMIS implemented and operational but not yet interfaced with IFMIS	15/8/2011		31/08/2011
38. Reduce number of days taken to pay pension claims	90 days	2006/07	28 days	15/8/2011		31/08/2011
39. Automated teachers nominal roll (IPPD) integrated with IFMIS	Manual Payroll	2006/07	Teacher's payroll managed and processed in one database through IPPD system.	15/8/2011		31/08/2011
40. Integrated ICT systems in all service areas including interconnectivity of district units in TSC	Manual systems that are not integrated	2006/07	All automated services interfaced at departmental and district offices and clients can access services	15/8/2011		31/08/2011
41. IPPD rolled out in public service	IPPD used as standalone system but yet to be linked through Wide Area Network	2006/07	Indicator has been achieved. IPPD rolled out to all ministries and state departments. Additionally, six SAGAs are on IPPD	15/8/2011	IPPD to be rolled in SAGAs and linked by WAN	31/08/2011
42. Human resource management information system developed	No integrated HRMIS	2006/07	The system is operational	15/8/2011		31/08/2011

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
PILLAR 4: PROCUREMENT						
COMPONENT 8: PROCUREMENT						
SUB-COMPONENTS: DIRECTORATE OF PUBLIC PROCUREMENT AND PPOA						
Purpose: To facilitate cost efficient provision of resources for translation of the Government's policies into budget achievements						
Objective(s): Develop and implement new legal and regulatory framework, create professional cadre, establish workable institutional arrangements, support internal control and commitment control and provide expertise to the MDAs to implement their plans and budgets through procurement for better cash management						
43. Competition, value for money, and controls in procurement do not add costs	Procurement capacity is weak	2006/07	Procurement capacity weaknesses reviews have been finalized in Ministry of Health, KEMSA, Ministry of Energy, NEMA and Ministry of Roads and the reports posted in the PPOA website. Capacity review of 19 agencies is currently ongoing.	15/8/2011	The Public Procurement Oversight Authority Board established and capacity built in procurement entities.	31/08/2011
44. Percentage of reporting entities preparing procurement plans as part of the budget process	Agencies do not have procurement plans	2006/07	100% of central government agencies preparing procurement plans	15/8/2011		31/08/2011
45. Annual procurement audits indicate improvements in compliance with procurement regulations	Procurement not covered as a focus area for Internal Audit	2006/07	Procurement not yet covered as a focus area for Internal Audit.	15/8/2011	Internal audit on procurement carried out in 90% of ministries	31/08/2011
PILLAR 5: OVERSIGHT AND EVALUATION						
COMPONENT 9: PARLIAMENTARY OVERSIGHT						
Purpose: Public oversight and participation in the formulation and execution of the budget. Public monitoring and evaluation of budget outcomes and performance. Promotion of the culture of democratic governance, transparency and accountability.						
Objective(s): To develop the capacity of the Parliament to play its oversight role in public resources management including review of external audit reports. This will lead to improved parliamentary involvement and input to the budget process leading to implementation of political priorities and agreement on allocations						
46. PAC/PIC /LAFAC reports up to date	Backlog in reports exists	2006/07	Backlog in reports eliminated and currently debating 2009/2010 report	15/8/2011		31/08/2011
47. Timeliness of scrutinizing CAG reports	No evidence that Public Accounts Committee recommendations are implemented	2006/07	This indicator has been partly achieved through training and sensitization of committee members in improving the quality and use of recommendations by the Parliament.	15/8/2011	Public Accounts Committee recommendations are implemented in 90% of ministries	31/08/2011
48. Implementation of recommendations of Parliamentary Committees and regular reporting to Parliament	No evidence that Committee recommendations are implemented	2006/07	Parliament established an implementation committee which will follow up on implementation of the recommendations.			

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
COMPONENT 10: EXTERNAL AUDIT-KENAO						
Purpose: To provide timely independent information on the quality of expenditure, the budget execution and the achievements to the public.						
Objective(s): Review and amend legal framework, Develop regulations and manuals, establish policies, expand scope of professional cadre and train, review institutional arrangements, develop mechanisms for upgrading methodologies hence improved effectiveness of the external audit						
49. Annual audits are executed in a timely, effective and efficient fashion.	Only 50% of Ministries/Departments and Agencies (MDAs) are audited.	2006/07	Indicator has been achieved. All central government agencies, 70% Las, 80% SAGAs 1005 donor projects are being audited annually.	15/8/2011	100% of ministries/departments and agencies are audited.	31/08/2011
50. Compliance with the Public Audit Act reporting requirements achieved	Compliance to the audit Act not totally achieved	2006/07	100% compliance achieved	15/8/2011	100% compliance	31/08/2011
51. Improve scope and coverage of external audit	Only some MDAs covered in audits	2006/07	100% central government agencies, 70% Las, 80% SAGAs 1005 donor projects are being audited annually.	15/8/2011	100% coverage for all MDAs	31/08/2011
COMPONENT 11: INTERNAL AUDIT						
Purpose: To strengthen internal controls throughout the public sector for improved public expenditure management and financial accountability and to support management.						
Objective(s): Develop regulations and manuals, establish policies, develop and train, review institutional arrangements for greater independence, support management in implementing reforms hence improved effectiveness of the internal audit						
52. Ministries to implement recommendations of risk based internal audit units, and by any other audits	Independent and effective IA units do not exist in all cases. Limited evidence of use of audit results.	2006/07	200 members of audit committees trained Capacity of internal auditors built and Risk Based internal audit adopted Ministerial audit committees established in all ministries and their capacity built.	15/8/2011		
53. Improved scope and coverage of internal audit	Coverage of audit does not cover all ministries	2006/07	100% of central government ministries have operational internal audit units	15/8/2011		
PILLAR 6: CROSS-CUTTING ISSUES						
COMPONENT 12: ELECTRONIC SERVICES DELIVERY-IFMIS						
Purpose: To process and record financial transactions, provide timely, accurate and relevant information, minimize risks, and facilitate financial control.						
Objective(s): To improve public expenditure management through an on-line integrated financial management system in order to improve accuracy and timeliness of financial reporting and to enhance both transparency and accountability						
54. Four IFMIS modules (Cash management, accounts receivables, public sector and budget modules) rolled out in five ministries	IFMIS not yet operational	2006/07	Accounting module of IFMIS operational in all ministries of Government. IFMIS re-engineered and modules rolled out in all ministries	15/8/2011	IFMIS fully operational in all ministries.	31/08/2011

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
55. EFT rolled out in 52 Accounting units	EFT not implemented in government	2006/07	EFT rolled out in all accounting units	15/8/2011		31/08/2011
56. Interlinking IFMIS and IPPD for improved internal controls	Systems are stand alone	2007/08	The systems are to be interlinked starting 2011/12 financial year	15/8/2011	Systems fully linked/integrated	31/08/2011
COMPONENT 13: CONSISTENT LEGAL FRAMEWORK FOR PFM						
Purpose: To have a consistent and harmonized legal framework to support the PFM reform process						
Objective(s): To review and harmonize existing legislation on PFM and in the broader context of Public Sector Reform. To build capacity to undertake legislative reforms relating to PFM						
57. A legal division set up in PFM Secretariat	There is no legal section within secretariat	2006/07	A Legal Specialist recruited and working in the Secretariat	15/8/2011	Fully operational legal section	31/08/2011
58. Studies done on the PFM legislation with a view to harmonization	Various laws/regulations touching on PFM exists	2006/07	To be done after the PFM Bill is enacted	15/8/2011	Harmonized PFM law and regulations	31/08/2011
COMPONENT: CAPACITY BUILDING AND SERVICE CONDITIONS						
Purpose: To strengthen the capacity in the PFM system through functional analysis, generic PFM in-house training programmes, academic training, professional accreditation of PFM professional staff, improved conditions of service						
Objective(s): Review the Kenyan Accountancy Regulations, develop training curriculum, develop and promote public finance specialization, Promote international standards, Revised Conditions of service for PFM staff establishment of a schemes of service and positions for new PFM cadres						
59. Study carried out of existing scheme of service and remuneration as well as of remuneration in the private sector for similar work	PFM staff are in various schemes and remuneration differs	2006/07	This will be done by the new salaries commission	15/8/2011	Harmonized scheme for PFM/treasury officers	31/08/2011
60. Reports of functional analyses of PFM institutions and functions covering processes, staffing and competencies as well as how to meet challenges following the reform agenda 2006-2011	Terms and processes for PFM institutions not harmonized	2006/07	Study not yet done	15/8/2011		31/08/2011
61. Proposals of Kenyan training institutions able to support PFMR	Most training institutions do not offer PFM training	2006/07	Study not yet done and institutions to capacity build not identified	15/8/2011	Have competent PFM institutions in country to carry out trainings	31/08/2011

Indicator	Baseline Value		Progress to Date		End of Year Target Value	
	Number of Text	Date	Number of Text	Date	Number of Text	Date
PROGRAMME MANAGEMENT						
PURPOSE: Effective coordination of components of the project well established						
Objective: Implementation of project activities complies with World Bank /GoK and Other Donors financial management and procurement guidelines						
62. Semi-annual progress reports on status of implementation are provided in a timely manner	N/A	2006/07	100% of reports provided	15/8/2011		31/08/2011
63. External audits reports are timely and unqualified	N/A	2006/07	External audit reports are timely	15/8/2011		31/08/2011
64. Reports of post procurement reviews have satisfactory rating	N/A	2006/07	100% of reports are satisfactory	15/8/2011		31/08/2011
65. Number of stakeholders aware of the achievements of Public Financial Management reforms	-	2006/07	Survey report is being finalized	15/8/2011		31/08/2011