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Enhancing Budget Transparency
Digitalization of Procurement (E-GP)
Consolidation of HR Data
Rationalizing Tax Expenditures

Taking Stock of PFM Reforms Journey

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WRITER’S PROFILES

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Picture credit: Fiona Graham / WorldRemit
Acronyms

AGPO: Access to Government Procurement Opportunities
PPRA: Public Procurement Regulatory Authority
SRC: Salaries and Remuneration Commission
CRA: Commission on Revenue Allocation
GESDeK: Governance for Enhancing Service Delivery and Public Investments in Kenya
PASEDE: Public Accountability and Service Delivery in Kenya
AFD: French Development Agency
PFMR: Public Financial Management Reforms Secretariat
TSC: Teachers Service Commission
BEVOT: Biometric Enrolment and Validation of Teachers
PSASB: Public Sector Accounting Standards Board
KRA: Kenya Revenue Authority
MOH: Ministry of Health
MOE: Ministry of Education
PPIP: Public Procurement Information Portal
PEFA: Public Expenditure and Financial Accountability
MTR: Mid Term Review
KISM: Kenya Institute Supplies Management
PPADA: Public and Asset Disposal Act (2015) and Regulations (2020)
AiA: Appropriations in Aid
Annual Capacity Performance Assessment
ASD: Accounting Services Department
BD: Budget Department
BFEA: Budget, Fiscal and Economic Affairs
CASBs: County Assembly Service Boards
CBK: Central Bank of Kenya
CEC: County Executive Committee
CECCM: County Executive Committee Member
CFSP: County Fiscal Strategy Paper
CGs: County Governments
CIDP: County Integrated Development Plan
CMA: Capital Markets Authority
COB: Controller of Budget
COG: Council of Governors
CPPMUs: Central Planning and Project Monitoring Units
CPSSBs: County Public Service Boards
CPU: County Planning Unit
CRF: County Revenue Fund
CS: Cabinet Secretary
DGs: Cabinet Secretary
DG: Director Generals
DP: Development Partners
DPS & RMD: Debt Policy, Strategy & Risk Management
DSA: Department Directorate of Schools Audit
EAC: East African Community
FS: Financial Statement
FY: Financial Year
GD: Gross Domestic Product
GESDeK: Governance for Enabling Service Delivery in Kenya
GHRIS: Government Human Resource Information System
GIP: Government Investment and Public Enterprises
GOK: Government of Kenya
HR: Human Resource
HRH: Human Resources for Health
HRIS: Human Resources Information System
HRM: Human Resource Management
IAD: Internal Audit Department
IBEC: Inter-Governmental Budget and Economic Courses
ICPAK: Institute of Certified Public Accountants of Kenya
ICT: Information Communication Technology
IPMS: Integrated Financial Management Information System
IGFRD: Inter-Governmental Fiscal Relations Department
IGSC: Inter-Governmental Steering Committee
IGRTC: Inter-Governmental Relations Technical Committee Director Generals
IMF: International Monetary Fund
ISC: Inspectorate of State Corporations
IPSAS: International Public Sector Accounting Standards
JTC: Joint Technical Committee
KAM: Kenya Association of Manufacturers
KBA: Kenya Bankers Association
KEMSA: Kenya Medical Supplies Authority
KEPSA: Kenya Private Sector Alliance
KHHRAC: Kenya Health Human Resources Advisory Council
KIPRA: Kenya Institute of Public Policy Research and Analysis
KISM: Kenya Institute of Supplies Management
KNBS: Kenya National Bureau of Statistics
KRA: Kenya Revenue Authority
KRA: Kenya Revenue Authority
LSK: Law Society of Kenya
M&E: Monitoring and Evaluation
MDAs: Ministries, Departments and Agencies
MED: Monitoring and Evaluation Department
MFAD: Macro & Fiscal Affairs Department
MOE: Ministry of Education
MOH: Ministry of Health
MPSGA: Ministry of Public Service, Gender and Affirmative Action
MTEF: Medium Term Expenditure Framework
MTP: Medium Term Plan
NHIF: National Hospital Insurance Fund
NT: National Treasury
NHWA: National Health Workforce Accounts
OAG: Office of the Auditor General
OCOB: Office of the Controller of Budget
PAYE: Pay As You Earn
PDCHO: Public Debt Management Office
PEFA: Public Expenditure and Financial Accountability
PFM: Public Financial Management
PFMA: Public Finance Management Act
PFMR: Public Financial Management Reform
PFMRS: Public Financial Management Reform Strategy
PIM: Public Investment Management
PIMIS: Public Investment Management Information System
PPADA: Public Procurement and Asset Disposal Act
PPD: Public Procurement Department
PPP: Public Private Partnership
PPRA: Public Procurement Regulatory Authority
PS: Principal Secretary
PSASB: Public Sector Accounting Standards Board
PSC: Public Service Commission
RMD: Resource Mobilization Department
SAGAs: Semi Autonomous Government Agencies
SC: Steering Committee
SCAC: State Corporations Advisory Committee
SCOAs: Standard Chart of Accounts
SGCs: State Corporations
SDP: State Department of Planning
SRC: Salaries and Remuneration Commission
SWG: Sector Working Group
TA: Technical Assistance
TSA: Treasury Single Account
TSC: Teachers Service Commission
VAT: Value Added Tax
WISN: Workload Indicators of Staffing Need
Since the launch of the Public Financial Management (PFM) Reform programme in 2006, the Government has made significant progress towards achieving the objectives set out in the reforms agenda. The PFM reforms have the unique objective of supporting the Government to achieve a robust and stable fiscal and macro-economic framework, to enable more accurate planning and budgeting, enhance control and management of public funds and achieve higher standards of scrutiny and oversight of collection and utilization of public resources.

Within the framework of the PFM reform programme, I’m particularly pleased to acknowledge the significant progress made in implementing the current PFM reforms strategy 2018-2023. Despite challenges such as the Covid 19 Pandemic, the reforms and interventions have so far yielded positive results in terms of improved accountability, reporting and service delivery.

This Wajibika Edition highlights the progress and achievements realized by MDAs in implementing their respective PFM reforms activities. This edition is particularly useful as it equally brings out the challenges and the gaps faced by MDAs while implementing the PFM reforms Strategy 2018-2023.

Digitalization of PFM systems is one fundamental key reform priority. The successful digitalization of PFM systems is a critical enabler in attaining a Digital superhighway and creative economy. The Government aims to achieve this pillar through automating over 5,000 public services through the e-Citizen platform. This noble reform initiative will greatly impact on how the public and businesses interact with the government on a daily basis. To realize this, the National Treasury aims to work very closely with relevant Government MDAs.

Successful implementation of the digitalization of government services will translate to the greater use of Data analytics and Artificial intelligence. This is expected to provide vital information to inform decision making and policy development by the Government, therefore, facilitating effective and efficient planning, budgeting and utilization of Public resources. This will build on the Government’s other initiatives to accelerate the economic recovery and the Bottom-Up Economic Transformation Agenda (BETA), for inclusive and sustainable development.

We are now entering a fourth generation of PFM reforms where a number of key lessons learned from past strategies will inform the foundation of the fourth PFM reforms strategy. Understanding the reform priorities of implementing MDAs will be critical in determining the strategic direction of the reforms agenda and planned results and outcomes going forward.

HON. PROF. NJUGUNA NDUNG’U, CBS
CABINET SECRETARY /NATIONAL TREASURY
AND ECONOMIC PLANNING
Effective Stakeholder Consultation: Key driver for PFM Reforms Sustainability

Supporting public financial management reforms remains a key priority for the National Treasury. Effective PFM contributes to creation of fiscal space for development, reduces fiscal risks, and ensures that resources are allocated for strategic priorities and are also made available to attain a high level of service delivery.

To put this into context, Chapter 12 of The Constitution of Kenya 2010, is solely dedicated to Public Finance. This shows the level of importance and priority accorded to public finance management by the constitution, which identifies PFM as a key enabler in achieving the country’s long term development goals.

As you may be aware, the PFM reforms agenda is not a one-time initiative but a continuous exercise requiring deliberate and action oriented commitment from all stakeholders. There is thus the need for continuous stakeholder consultation involving all Ministries, Counties, Departments, Agencies (MCDA’s) and Development Partners involved in the implementation and support of the current and future PFM reforms strategies. It is worth noting that it is only through working together and forming the right synergies that will lead to the achievement of the strategic reforms objectives.

In the current fiscal environment, fostering fruitful strategic partnerships will add the necessary impetus to the PFM reforms agenda. We need to start thinking of partnerships in a more strategic way, capitalizing on different stakeholder’s strengths and capabilities. It would be an ideal opportunity to critically consider exploring the opportunities for the involvement of the private sector to support the strengthening of PFM in the country.

It’s important to mention that the current PFM reforms strategy 2018-2023 is coming to an end. This edition offers a timely moment to take stock of reforms milestones that have been achieved by the implementing MDAs. I will mention just but a few. Firstly, we have been able to modernize the Public sector procurement legal framework, specifically the Public Procurement and Asset Disposal Regulations 2020 to fully operationalize the Public Procurement and Assets Disposal Act 2015. The Cabinet equally approved the Public Procurement Policy framework to complement the legal framework.

Through the reform initiatives, we have been able to develop a number of PFM ICT systems namely the Government Investment Management Information System (GIMIS) which is an end-to-end automated platform for preparation, submission, analysis and approval of State Corporations budgets among other functionalities, the Government Performance Contracting Information System (GPCIS) which is currently being used by Ministries, Departments & Agencies to undertake all the relevant performance contracting processes online, the Integrated State Corporations Information Management System (ISCIMS) which ensures we successfully carry out online board evaluations, enhancing the effective running of state corporations and the development of the Budget Portal to improve budget transparency.
We also have a number of PFM ICT systems that are currently being developed such as the Electronic Government Procurement System to automate all public procurement processes, the Public Investment Management Information System (PIMIS) and finally the Unified Human Resource (UHR) Information System that will consolidate all public service human resource data from a single source for quick government policy decision making.

Another notable success is the development of guidelines on public Investment Management for National Government and its entities and the Economic Project Appraisal Manual (EPAM) 2021 aimed at strengthening the governments’ framework to manage public investments to improve the efficiency and the effectiveness of capital expenditures.

The successes enumerated above can be attributed to the innovative results based approach adopted by the PFM Reforms Strategy 2018-2023. This approach has ensured the resources allocated by the Government to undertake PFM reforms are put to efficient use to achieve the maximum impact and outcomes.

I urge all MCDAs involved in the PFM reforms agenda to work closely together. The aim of closer collaborations is to build synergies in the implementation of the PFM reforms agenda. This is particularly important to enable MDAs implementing complementary PFM reforms to achieve the targeted reform results.

We have a unified PFM reforms vision that we all need to integrate in our strategic objective. The strategic role that the PFM Reforms Secretariat plays in coordinating and facilitating these reforms requires support from all stakeholders. Experience shows that any successful reforms agenda is underpinned by high level of collaboration among the MCDAs involved, under the leadership of a strong coordinating agency.

Finally, sincere gratitude goes to all our Ministries, County Governments, Departments, Agencies, Development Partners, the Media and the Civil Society for the role they play in ensuring the success of PFM reforms. I hope all stakeholders will utilize this edition as an important resource material to learn more on the PFM reforms initiatives aimed at improving transparency and accountability in the use of public resources.

DR. CHRIS K KIPTOO, CBS
PS, NATIONAL TREASURY
It is my pleasure to introduce the revamped Wajibika Newsletter. The PFM Reforms Secretariat is tasked with the role of communicating PFM reforms and updating the public and PFM stakeholders on the progress and achievements attained by implementing successive PFM reforms strategies. The development of this new Wajibika edition is a strategic step to achieve this role.

Coming against the backdrop of Covid 19 pandemic, it’s impressive to note the kind of progress we have made in achieving the reform targets set in the current PFM Reforms Strategy 2018-2023. This only signifies the resilience of everyone participating in the reforms process.

This Wajibika edition is a culmination of extensive research, meetings and interviews with MDAs. I express my profound and most sincere gratitude to participating MDAs for their collaboration in providing detailed information on the key reform areas under their jurisdiction. The immense contribution made by the MCDAs in form of Data and Technical feedback has ensured this edition provides the most accurate description of the status and progress and achievements recorded during the implementation of the PFM reforms to date. This Wajibika would not have been possible without their enthusiasm, commitment, and full participation.

I would like to convey our appreciation to the Development Partners for their support towards the successful publication of this Wajibika edition and more importantly, the successful implementation of the PFM reforms agenda. There are a number of Development Partners supported programmes currently ongoing, namely, The Governance for Enabling Service Delivery and Public Investment (GESDeK), a GoK/World Bank/AFD funded programme. The Swedish International Development Cooperation Agency (SIDA) supports the implementation of PFMR 2018-2023 Strategy through financing of Data Warehouse and Business Intelligence Programme (DWBI) by Kenya Revenue Authority (KRA) and finally the European Union funded Public Accountability and Service Delivery programme (PASEDE). The PFM reforms secretariat appreciates the trust that PFM Development Partners place in its work.

I wish to appreciate the National Treasury top leadership support in ensuring adequate funding for the reform activities and capacity building for the secretariat staff. Equally, I note with appreciation the critical contribution by The PFMR Secretariat staff, in particular, the Communication team for their dedication towards the successful publication of this newsletter.

We look forward to working with our key stakeholders to deliver Government’s long-term PFM reforms priorities.

JULIUS MUTUA
PLANNING SECRETARY/PROGRAMME COORDINATOR
Governance for Enabling Service Delivery and Public Investment in Kenya (GESDeK) is a Program for Results (PforR) jointly funded by the Government of Kenya, World Bank (WB) and the French Development Agency (AFD). It supports a wide range of reforms, including public investment management, reliable funding for service delivery and investment projects, efficient and transparent procurement, timely and quality financial reporting, oversight and transparency of state corporations and digitization of government services.

Public Accountability and Service Delivery (PASEDE) Programme supported by the EU focusing on improved financial transfers to counties, improved business environment, efficient public procurement, and deepening public investment management reforms

Kenya Revenue Authority's (KRA) Data Warehouse and Business Intelligence (DWBI) programme supported by the Embassy of Sweden to establish an efficient Data and Intelligence-driven tax administration.

Kenya Country Programme 2016-2020:- Supported by the Royal Danish Embassy, the programme focused on enhancing accountability and transparency in the public sector, strengthening tax administration, improving audit and oversight of public resources and entrenching fiscal decentralization through financial and technical support

Kenya Devolution Support Programme (KDSP) - supporting the devolution process with assistance from the World Bank
The Governance for Enabling Service Delivery (GESDeK)

$150 Million
World Bank, a co-founder of the GESDeK Programme initial allocation

€60 Million
Francaise de Development (AFD) allocation for Government general budget support

Public Accountability and Service Delivery Programme (PASEDE)

€26,000,000
Amount EU is using to support implementation of PFM Reforms Strategy 2018-2023 by providing the Government of Kenya with general budget

Data warehouse and Business Intelligence Project (DWBI)

SEK 35,000,000
Co-funding amount provided by SIDS in addition to GoK’s Ksh. 210,000,000.

Kenya Country Programme (2016-2020) PFM reforms support

DKK 45,000,000
Amount the Danish Embassy through the Kenya Country Programme (2016-2020) supported PFM reforms provided as a grant

Kes. 4.1 Billion
Annual budget support of PFM Reforms from 2017/2018 - 2022/2023 Financial years
I welcome you all to the seventh edition of Wajibika which is the official Newsletter of the Public Financial Management (PFM) Reform Programme. I also take this opportunity to thank the PFM stakeholders for supporting the Secretariat towards the realization of an efficient and effective public financial management system. As coordinators of the reforms, we always look forward to assess progress towards the accomplishment of the Programme goals. We also look back, to check what we have achieved and assess whether we are attaining our objectives as set out in the successive Public Financial Management Reforms (PFMR) Strategies. This is important if we are to realize our ambitions as set out in the Strategies.

The Secretariat is currently coordinating the implementation of the ‘Public Finance Management Reform Strategy 2018-2023’. The objective of the Strategy is “A public finance management system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development”. Unlike previous Strategies i.e PFMR Strategies 2006-2011 and 2013-2018, the current PFMR Strategy 2018-2023 focusses on achievement of results (outcomes) rather than implementation of activities (outputs). This helps keep track of the impact of implementation of PFM reforms on service delivery which is the main goal of the PFMR Strategy 2018-2023. Overall, thirty-three (33) Ministries, Departments and Agencies (MDAs) are implementing the strategy.

This edition of Wajibika reviews some of the recent achievements besides focusing into the future. When we look back over the years, we are very satisfied with our achievements.

It is worth noting that the implementation of the PFMR Strategy is done through successive annual work plans. Over the last five (5) years which conforms to the period of the current Strategy, the Secretariat has coordinated the preparation and implementation of annual work plans by all implementing MDAs. The work plans are aligned to the Strategy to ensure the Strategy objectives are achieved.

Also, in the past five years, we have been updating quarterly, the PFM Reforms Matrix. The matrix keeps track of the implementation of the key steps in the Strategy. The Secretariat has also over the years prepared Monitoring and Evaluation (M&E) reports. The M&E reports focuses on progress in the overall implementation of the Strategy including updating targets in the PFMR Strategy results framework. Based on the PFMR Reforms Matrix as at March, 2023 and the M&E report 2022, seventy-five (75%) of the key steps in the strategy have been achieved.

Further, it is worth noting that we have passed the mid-term of the Strategy implementation hence the need for the review of the progress in achievement of Strategy objectives. In this regard, we have undertaken a mid-term evaluation of the Strategy in line with the requirements set out in the PFMR Programme Operational Manual. This was to assess the progress made towards the achievement of the objectives set out in the Strategy, identify challenges and make recommendations towards achievement of the objectives. The mid-term review indicated that we are on course to achieving the Strategy objectives.

On another note, the PFM Reforms Secretariat with support from the Eu-
Welcome to the 7th Edition of Wajibika Newsletter. This edition takes stock of the PFM Reform Successes during the period 2018-2023. The Public Financial Management Reforms Secretariat has been spearheading the Reforms agenda in the country. This great task has been achieved by a collaborative effort of several players; Development Partners, PFMR Secretariat and implementing Ministries, Departments and Agencies. Indeed it’s a great time to be part of the team pushing for PFM Reforms.

For Wajibika Newsletter, too, it’s an exciting time. As electronic media continues to grow, we are expanding, our menu of products to include blogs, videos, quarterly newsletter, upgrading our website and increasing our footprint in social media. In the coming months we are set to provide with the most up-to-date and useful information on PFM Reforms in different areas. I hope this note finds you in good health as we collectively navigate a historical time period amid the Covid 19 pandemic and how it changed our lives. However, I am glad to say we accomplished a number of PFM Reforms that are geared towards improved public service delivery.
Optimizing the Role of Development Partners in Advancing PFM Reforms

Development Partners are a key stakeholder playing a critical role in the Implementation of PFM reforms strategy 2018-2023. In the PFM reforms context, the development partners are coalesced under the PFM Development Partners working group, ensuring better coordination and collaborative alignment of reforms support.

The PFMR Secretariat and the PFM DPG Group, coordinate Development Partners support to ensure complementarities and alignment with the PFM reforms Strategy.

To understand more on the role of the PFM Development Partners Group and get their perspective on the implementation of the PFM reforms strategy 2018-2023, we sat down for an interview with Leonard Matheka (Senior PFM Specialist, World Bank); Tobias Rasmussen (Resident Representative, IMF), who are presently co-chairing the Development Partners Group.

What is the PFM Donor Working Group?

A forum of development partners in Kenya providing PFM support to the government.

Can you very briefly explain the role of the Donor Working Group in the PFM reforms Ecosystem?

The Group plays a central role in collaboration with the government to coordinate development partners PFM support, including to:

- Promote joint approaches to PFM reforms implementation at the national and county levels
- Synthesize and share knowledge on PFM issues
- Champion the connections between PFM, service delivery, social and economic development outcomes
- Facilitate implementation of joint PFM harmonization and alignment approaches.

The PFM Reforms Strategy 2018-2023 has adopted a Result based approach. In your view as the chairperson of the Donor Working Group, how has this changed the PFM reforms landscape?

The results-based PFM Reforms Strategy has been transformational in several ways. Key features: (i) focus towards service delivery outcomes rather than inputs; (ii) aligning development partners’ support across government; (iii) internal government coordination platform across the 32 institutions implementing PFM/ Public Sector Reforms at the national and county levels; and (iv) increased ownership, evident by government commitment to fully resource the strategy.

What challenges have DPs encountered during the implementation period of the PFM reforms strategy 2018-2023? What solutions would you propose to overcome these challenges going forward?

Challenges included the COVID-19 pandemic restrictions, the increase in global commodity prices partly occasioned by Russia/Ukraine war, and the drought. The election last year slowed the pace of some of the reforms but that was soon followed by renewed momentum, commitment, and leadership by the new administration. The importance of government leadership and commitment to
prudent fiscal management cannot be over-emphasized. Looking ahead, further institutional strengthening of the PFM Reform Secretariat and rebranding/messaging of the next strategy to better reflect the broader public sector reforms will be important as we look to update the PFR Reforms Strategy.

**Where do you see positive developments in the PFM reforms Agenda? What gives you hope?**

We see positive development in the horizontal and vertical deepening of PFM reforms at both national and county level. The new administration’s commitment to advance reforms areas these have been difficult is a great source of hope and inspiration.

**The PFM reforms secretariat is currently developing the new PFM reforms strategy 2023-2028, what areas of reforms, hypothetically, would great interest to the Donor Working Group?**

This would include revenue policy and administration; expenditure management; policy coordination to unlock service delivery and improved public sector performance; and steps to enhance transparency and oversight.

**What are the conversations that you are having at the Donor Working Group to ensure better and increased support towards the PFM reforms Agenda?**

Given tight fiscal space, better coordination of development partners’ support for government’s fiscal consolidation agenda, including optimizing concessional financing and strengthened oversight and management of fiscal risks.

**In your view, what are the prospects for PFM reforms success in the country? What are the main risks? Please tell us about new opportunities that you equally foresee?**

The government is at a critical juncture in balancing progressive tax policy and revenue mobilization measures against growing public expenditures pressures while keeping service delivery promises. A ballooning wage bill, particularly at the county level, and accumulation of pending bills across the public sector are key development challenges. State corporations’ dependency on exchequer financing as well as foreign currency denominated debt against weaker Kenyan shillings are significant risks.

**Climate change touches almost all development indicators, is it time to have this discussion in the context of PFM reforms?** Indeed, the government is concluding on the national PEFA assessment that has a deliberate climate change dimension. A number of development partners are already supporting government with a raft of climate change related interventions. As the PFM DPG, we look forward to engaging with the authorities on integration of climate PFM dimensions in budget, procurement, public investment management, and reporting.
What initiatives have been employed to improve budget transparency and easy access to budget information?

In terms of transparency to budget, we have started by making sure that all the budget information is available on the treasury website. It is a requirement of the law that all decisions we make that are financial in nature we involve the public, in this regard, we ensure that every time we produce a budget document it’s available on the website.

Over and above that, every year as we formulate our budget, we normally conduct public hearings, where we engage with the public and other stakeholders on the budget policies that we are proposing for that period. Technology has made it easier for us, most hearings are aired on our social media sites and we have a webex platform where members of the public log in during the live sessions.

Tell us about the Mwananchi Guide

This is a summarized version of the budget. Actually when we finalize the budget in April and submit the same to parliament, we normally produce the Mwananchi Guide or popular version, which tries to break down the budget in an easy and understandable way for members of the public. We also make sure that the same is on the Treasury website.

Recently, the budget department developed Budget Portal to enhance budget transparency. Tell us more about this.

Other than the Mwananchi Guide, we have in the past shared budget information on the National Treasury website which at times is in PDF format and it may not be easy to interact with. To solve this, we developed a budget portal, which provides information in a way that any member of the public or any stakeholder can easily interact with the information.

The Budget Portal provides a document library where all the documents that the National Treasury produces i.e. Circulars, Budget Policy statements, Budget Reviews Outlook Paper (BROP), Quarterly Economic and Budgeted Review (QEBR), the PFM Act and Regulations can easily be retrieved and is searchable by category of financial year or by category of document.

The data is easy to manipulate and develop charts such that if you want to see the trend of expenditure in a certain sector, you can do a chart or a table and develop the visualization of the data you want to have.

What information is published in the phase 1 of the portal?

Phase 1 basically involved mining the budget documents from the National Treasury website and arranging them in a proper manner in such a way they are easily accessible in the portal. Currently this is nearly 100% done. The document library is ready and working and we have been able to load most of the documents.

The interactive data part is about 75% done and what remains is for us to include more data into it and that is something we are working on.

We also have a map facility where you can see how particular allocations are distributed across the country. To start with we have begun with health and education. We have schools in almost every village in the country and one can easily draw their locations on the map and see how allocations are distributed across the country to just enhance the issue of equity in terms of allocation of resources.

For schools, we already have data for
one (1) FY for all high schools across the country. You can search the schools by county, sub-county and get the allocation your school got.

For Health, we have received data from the ministry of health for user fees form for one year as well and one can easily see how it is distributed across the counties.

Once the portal is fully operation al it should be possible for anyone to search allocations by geographical location, by sector and even by vote. For now we have begun with health and education but we plan to expand it.

**What features and information will be provided in phase 2?**

In the second phase we will create what is called an Application Programming Interface, which is supposed to allow you to mine data from our budget system; the Hyperion system, straight into the portal without the manual method of loading a document.

Phase 2, comes to solve the challenges we are experiencing in phase 1. Basically we want to expand functionality of the Hyperion System to capture the entire cycle of budget planning process.

We are planning to automate more documents specifically the Programmer Performance Review Reports, where we basically report on what was achieved in the previous period for both financial and non-financial. Once this is automated, we can compare what was planned and what was achieved.

At the moment the document is developed outside the system and this makes it difficult for us to follow whether the achievements for the previous year are the same with the current year.

Phase 2 will also help us automate the planning phase of budget preparation; preparation of Budget Review and Outlook Paper, preparation of Sector Reports and preparation of Budget Policy Statement. We plan to expand preparation of these documents in the system.

**With the portal, will the public be able to access up-to-date information on budget?( Annual & Quarterly ?)**

Yes. Through the budget portal you can get access to QEBR produced on a quarterly basis, for annually the 4th QEBR covers the year.

**How did you come up with the name of the portal?**

We did some benchmarking across the
world, we looked at how budget portals are formulated and how different countries have tried to customise their budget portal. If you just call it budget portal, it’s just generic. If you search budget portal South Africa you will get Velekamali which is customized to suit their context.

For the Kenyan context we eventually customized ours to Bageti Yetu which is available on both the desktop and phone version.

**Is the portal configured to allow public participation?**

To this end, we have inserted a public participation model where members of the public can easily comment on a given document.

Assume now we are doing public participation on sector report, somebody can go there and drill down and comment on a particular; vote, or a sector, or a Ministry. Then, from our end we can just pull a report and respond to the comments raised by the public.

**Will this be enough as far as public participation is concerned?**

This is a recent development and we have not had time to engage with the users, we are planning to work on a sensitization program to users especially those within government; National Government and County Government. Focus will be on areas that probably will be big so that we are able ensure that there is maximum utilisation.

Once this portal is fully developed it will help in terms of monitoring and evaluation that is an element that has been very weak in government. This has brought some very serious problems of not reporting what is actually happening in terms of budget implementation and made up programs not starting, get stalled, or even having projects starting and not moving on as expected.

We also have situations whereby payments are not done on time or commitments are done but there is no money to follow the commitments so you end up with pending bills.

**Recently the budget manuals were updated. Tell us more about this?**

With the manuals, the current manual was done in 2011; the Program Based Manual and MTEF Manual.

We began the process of reviewing the manual before covid in 2019, we have made a lot of progress in terms of developing some of these manuals. Our target was to use these revised manuals to prepare the current 2022/23 budget.

However, due to the nature of work we have in the department, we were not able to finalize it on time but the process is ongoing and we are at the tail end of the process of preparing the National Government Budget Manual.

What we have done is come up with a manual that is ready for final public participation and also enough to publish. We expect that if we are able to follow up with the work plan, we should be able to finalize it before the end of this financial year so that we use it for the preparation of the next cycle of budget.

**What impact will this have on the budget making process?**

Once the manual is completed, we expect to have a uniform and standardized way of understanding the budget process across government and it is going to act as a source of information for practitioners in the budget process.

The document is expected to ensure quality in term of budget making; in terms of prioritization; How to prioritize the government expenditure, how do we go about it? So all that is explained in that manual.

**Was there public participation on the budget manual? How was it done?**

From the inception of the process we have had very useful engagement with our stakeholders, and by that I mean; our Ministries, State Departments and Government Agencies. In addition, we’ve had engagements with departments within the National Treasury.

The first time we started the process, we engaged about 5 State Departments. We had the Ministry of Health, Infrastructure, Education, Public Service and also our sister state Department of Planning. They were part of the process of coming up with that manual. What is remaining before the final publication of the manual is the validation by stakeholders.

We want to engage all the State Departments within government to validate the document before we are able to finalize it.

**To a layman person how would you describe non-financial information?**

Basically for non-financial information in the budget, it is linking the financial information to the deliverables so you link it to make the budget performance-based.

What we mean is linking the money to the expected results because mostly what the Mwananchi wants to see, is not the money really, Mwananchi wants to see a functioning hospital, electricity etc, but now, we need to have a measure of how well we are doing that.

So for instance, you are building a road, we want to see you have allocated 2 billion; 2 billion is supposed to give me what as a citizen? So this is where the non-financial comes in.

**What challenges do you experience in reporting of non-financial information?**

We have a challenge of reporting on non-financial, once the budget is prepared, the implementation bit does not include non-financial, so you are not able to extract non-financial real-time which is a weakness.

However, we are working on addressing this weakness, some of the meas-
ures include revising our Standard Chart of Accounts so that we are able to code outputs and code performance indicators and the target expected. At the moment we have the programs, when you drill down to outputs and Key Performance Indicators and targets, you are not able to get that, so that would have to come under the revision of the Standard Chart of Account. There are efforts being undertaken towards that but there is still a number of things which are yet to be sorted out.

Tell us more about the Hyperion Budget Module of IFMIS. How it works and how Counties are able to use the module to access budget information.

In terms of the Hyperion budgeting module, before we re-engineered the current IFMIS system, we had a stand alone budget system within the Department. However, it was not integrated with other systems in the PFM for example; Ledger and procurement, so it was just a stand alone system.

So with the Hyperion the budget module we have an integrated system that allows us to:

- Prepare the budget and also goes further in terms of linking it to budget implementation modules.
- Secondly we are able to produce reports, budget reports and various reports that are available within IFMIS system, so we are able to drill down to the budget and able to pull reports that the user requires.
- It also assists in terms of also monitoring the performance of the budget. Currently there is a link between the budget module and the Ledger so we are able to pull expenditure reports and monitor the real time performance of the budget.

The counties also have their own segment within Hyperion where they do the same functions we do at the national level. They are also required to capture their budget within the system.

Why the shift to Hyperion Module?

Simply, Oracle financials only provided for financial information. We looked at the Hyperion which could also feed into Oracle so that we are able to link budget preparation with accounting and execution.

Tell us the difference between Hyperion Budget Module and Budget Portal?

Hyperion budgeting is a system that you use to capture the budget and also to drill down specific reports that you need. Hyperion forms the source of the information that we need to display to the public in the budget portal.

The budget portal is more of a display, as the term portal means, it is an area where we can publish information which is accessible and sourced from Hyperion. Some of the transactions that are happening in Hyperion and E-Business suit of IFMIS are live transactions, so we cannot allow everybody to access live transactions that happen in Hyperion and E-Business suit of IFMIS.

How do you involve counties in budget making process?

The budget process for County Government and National Government are distinct and separate. What really brings the two together is the Division of Revenue Bills. Once revenue has been divided between County and National Government then each entity runs with their process.

The PFM Act requires that the National Government to come up with systems and procedures for the budget.

What future reforms initiatives does the department have in mind to improve public consultations on budget process in both levels of government?

There are a number of challenges which we see as opportunities for reforms. As a country, we are yet to come up with a public participation law. If somebody was to ask the National Treasury how it involved the citizens in Mombasa and Kisumu on the budget consultation forums and yet the forum was happening in Nairobi? One can argue that we provided a link, but of course not everybody is able to access internet.

We have also tried to ensure that the planning process is also intergrated in terms of public participation. Presently, we are preparing the medium-term plan for MTP IV and our sister State Department for Planning has actually been going out to involve the public.

This ensures the public are involved in the planning stage but once we have the law for public participation, it will now tell us the threshold in terms of what amounts to a meaningful public participation, what is the threshold in terms of the coverage of the counties etc.

Where are we as far as automating budget planning and reporting?

In terms of automating budget planning we need to enhance the Hyperion system to cover also the planning bit of the budget. I believe the planning process can be enhanced and made more efficient by automating the process, meaning that in future, ministries will not need to come to National Treasury physically to drop documents. The process can be made simpler and efficient with automation.

In terms of reporting I think already the budget system is doing very well in financial information, but, on non-financial information, it is not.

How and what reforms would help us improve Open budget index (OBI) & sovereign credit rating or other indicators?

Open budget index (OBI) it’s all about good transparency and the availability of budget documents for the public. The National Treasury has done a lot in terms of making budget documents
accessible to the general public and also in terms of how transparent we are with our budget process, but there is still room for improvement.

One of the interventions we are implementing is the budget portal. This initiative will ensure easier access to budget information by the general public. Once we finalize the phase 1 and Phase 2 of the budget portal, then we are going to be able to improve on our index and transparency.

Most of the documents that we prepare are required by law and of course they have to be submitted to Parliament on specific dates. Those documents are also posted on the National Treasury website, however, not all members of the public are aware of the existence of these documents. In this regard, there is need to do public awareness campaign to ensure people know that this information exists and there is nothing that the government is hiding if you want that information, you can get access.

As a matter of fact, we have a whole chapter in the budget policy statement, indicating how we conducted the public participation, what came out of the public and how that changed the budget proposals. We cannot prepare the budget without consulting the public. For example, a member of the public can come and say, okay, this road you are doing is not useful to us why don’t you do that and that would be something very good for us and we end up changing this item on the budget.

In fact you will recall, even something called National Heroes Council was implemented courtesy of an act of Parliament. It has however not been implemented for a number of years until we had input from representatives from the Mau Mau Governing Council. The council members made this request through the budget public hearings and the following year it was in the budget. That is how the heroes council was conceived.
Office of the Controller of Budget during a Training Workshop for County Government Officials
Taxpayer’s seminar on PAYE tax filing
**The Data Warehouse & Business Intelligence Project**

The Kenya Revenue Authority is undertaking reforms to enable it become an efficient Data and Intelligence driven tax administration. In its tax administration role, KRA finds itself collecting copious amounts of tax data coming from traditional sources along with digital ones such as digital payments, electronic invoicing and connected devices (e.g. online cash-registers and point-of-sale solutions).

A number of pertinent questions arise, how does KRA achieve operational excellence - by using the Data in its possession? How does KRA enhance its data collection capabilities into new emerging areas? We sat down with Yvonne Wafula- Chief Manager Data Governance to learn more about the data-driven strategy being implemented under the Data Warehouse & Business Intelligence (w) project.

1. **In simple language, what is DWBI? What is its objective? What was the rationale behind DWBI?**

   DWBI is an acronym for Datawarehouse and Business Intelligence. It is a platform – a collection of various tools - that provide the capability to consolidate data from disparate sources for operational efficiency, better insight and risk management.

   **Objectives:**

   The overall objective of this project was to have a functional Data Warehouse that provides a holistic view the taxpayer to enhance compliance and support forecasting and decision-making processes at the enterprise level.

   This was to be realized by fully integrating all internal information systems and identified external systems with a view of facilitating fact-based business intelligence that will improve the level of taxpayer compliance, management’s decision-making ability, and a means for monitoring business performance and trends. In addition, profiling of the taxpayer will enable KRA to detect and prevent fraudulent activities of the taxpayer thereby leading to enhanced revenue collection.

   **Specific Objectives:**

   • Improved Tax Compliance:
   • Increased Customer Satisfaction
• Improved organization effectiveness
• Enhanced staff productivity

2. How would you describe the expected transformation to KRA once DWBI is fully implemented?

The DWBI solution would be vital in making KRA a data driven institution and mitigating compliance risks. The solution will be mainly used for compliance monitoring, reporting and performance management. As such key operational areas that would directly benefit from use of the system are Compliance Risk, Audit processes, all levels of management, data analysts, investigations and enforcement units.

3. DWBI was expected to be fully implemented by 31st December 2022? Where are we so far? Why was there a delay to its implementation?

Phase 2 & 3 of the project was completed in December 2022

During implementation there were challenges in the vendor delivering as per KRA’s expectations. This led to the cancellation of the initial contract in January 2020 and award of the contract to a new vendor in 2021 to complete project implementation.

4. What has been done to improve the Human resource capacity to implement this system?

KRA established the Corporate Data Office whose mandate is to drive uptake of the solution, ensure data availability, implement a robust data governance framework an ultimately improve data utilization. The establishment of the offices introduced new job roles and led to the recruitment of new skills to not only support the system’s implementation but also to ensure its uptake and continuous enhancement.

5. What other revenue jurisdictions did KRA benchmark with prior to implementation of the DWBI project and what were the experiences? (SARS and STA)

KRA benchmarked with the South African Revenue Service (SARS) and the Swedish Tax Agency (STA).

From SARS KRA learnt the importance of data quality and how crucial it is for the success of the implementation of the DWBI solution. As a result, KRA has taken deliberate steps in improving data quality through identification and continuous profiling of critical data elements used in decision making, major data cleaning project to facilitate a clean taxpayer database. From the STA KRA learnt the importance of building in house capacity in maintenance of the solution post deployment. This led to the establishment of the corporate data office which included the identified new roles needed to support the solution maintenance.

6. What were the key lessons learnt during the implementation of the DWBI project?

• Ensure that you build data products to cater for all levels of staff – operational, tactical and strategic. Each level has different needs, and one must build the relevant products/solutions to address their needs.
• Continuous capacity building and enhancement as there is very high turnover of technical staff in this field.
• The quality of your analysis is only as good as the quality of the data it is based on. Focus on improving data quality.
• Build inhouse capacity to maintain the solution – this is key in ensuring successful implementation as requirements are always evolving and the organization cannot be solely reliant on vendors.
• Change management is an integral part of the project and this should be budgeted for.

7. Provide more information on the data quality project.

KRA is currently undertaking a major data cleaning project to cleanse the records in the legacy system and migrate final balances to iTax. The project commenced in 2018 and is expected to end in 2023.

The project seeks to make the single view of taxpayer possible as well as have a more accurate debt book. This will greatly enhance customer satisfaction as taxpayers have numerous queries and complaints regarding their balances in the legacy system.

8. Any case studies on the successes of DWBI towards mobilizing revenue and operational efficiency.

For the period December 2020 to December 2022 assessments of over Kes 2,595,637,749 billion have been raised from the cases profiled through the solution. Currently, the solution has over 2000 users. For these analysts less time is spent in collecting data and more time and effort is now spent in actual analysis and understanding of data. It is estimated that usage of the solution reduces the time taken to collect, compile and consolidate data by about 80%.

Overall, data utilization for revenue mobilization has increased from 68% (2018/2019) to 75% (2021/2022) an indication that data is increasingly becoming an integral part of KRA day-to-day operations and most importantly decision making thereby having a positive impact on compliance and revenue.
9. More information on the implementation phases for the project i.e Phase 1 - 3.

Phase Description

First
- Analysis and Design of DWBI Project
- Delivery and Installation of Hardware and Software
- Implementation of the risk engine and case management tool

Two
- Implementation of Reports and dashboards for support departments reporting (Finance, Supply Chain Management)
- Advanced Analytics

Three
- Implementation of Reports and dashboards for support departments reporting (DTD, C&BC)
- Implementation of Reports and dashboards for support departments reporting (Human Resource, Facilities & Logistics, Customer Relationship Management, Call Canter, IT service Management)

10. What does it entail when we say “Data is a change project”?

This means that any data related project is much more than a technology solution. It includes change of mindsets and in some cases redefinition of roles.

11. More information on the 3rd Party data strategy

KRA engages strategic public and private institutions for data that is useful for compliance efforts. This is in compliance with the various tax statues and the data protection Act. The data obtained is used to enrich internal data and is useful in determination of taxpayer’s compliance status.

12. What were the quick wins and long-term wins of the DWBI project i.e formation of a CDO office.

The Corporate Data Office was established to give data more focused attention and a strategic perspective. This has led to the establishment of a data governance function that deals with issues related to data – acquisition, security, access, protection, and compliance with relevant regulations.

Additionally, KRA has also institutionalized and recruited data professionals roles that is - data engineers, Business intelligence analysts and developers.
Customs & Border Control

Enhancing effective trade facilitation, be it for export or import, comes down to faster and efficient cargo clearance at the Port of Mombasa. Kenya Revenue Authority is spearheading a number of key reforms aimed at impacting positively on businesses in Kenya by providing them with more efficient and effective customs clearance processes. We spoke with Susan Wanjohi-Former Deputy Commissioner in Charge of Trade Facilitation Tax Debt-Corporate Tax to find out more on the reforms being implemented by the tax agency to facilitate global trade.

QUESTIONS
What does Customs and border control entail

RESPONSE
1. Customs & Border Control is one of the departments in KRA. Our core mandates in broad terms includes trade facilitation, protection of society, collection of trade statistics and revenue mobilization.
2. We achieve this through ensuring that all imports, transits, transhipments, and exports comply with Kenyan Laws and the East African Community Customs Law.
3. We are present at the points of entry/exit, that include international airports, border points, inland container depots, container freight stations, the seaports, Lake Victoria etc. where we:
   a) The department interdicts and seizes contraband, such as illegal drugs and illegal goods.
   b) We assess and collect import duties, value added tax on imports, excise taxes, fees and penalties on imported merchandise.
| **Difference between border control and customs?** | Customs control is the process where Customs inspects, verifies, and examines inward and outward means of transport, goods, personal articles as well as mails and parcels, declarations, document inspection, examination and release and other related management systems and procedures. |
| **What is the role of customs at our borders?** | Border control is the enforcement arm of customs where the team is responsible for carrying out surveillance activities at the border with a view to deter smuggling activities. |
| **What are some of the initiatives being undertaken to facilitate international trade & expedite cargo clearance?** | **1. Integrated Customs Management System (iCMS)**  
   a. Faster Customs release process from 21 days to 40hrs  
   b. Reduced cost of doing business, a case in point is James Finlay who saved 20% of the logistics costs.  
   c. Transparency in cargo clearance to allow visibility to a wider range of stakeholders, thereby deterring integrity issues.  
   d. Revenue growth by 443B in 2016 to 624B in 2021  
**2. Regional Electronic Cargo Tracking System (RECTS) to allow real time visibility of cargo along the corridor. The following are the benefits:**  
   a. Reduced cargo transit time from 21 days to approximately 3.5 days.  
   b. Improved cargo security through reduction number of incidents from 400 in 2018 to 51 in 2022 cases  
**3. Non-Intrusive Inspections (Cargo Scanners) that has reduced time taken in verification. The scanners are strategically placed to allow 100% scanning of cargo (Rail cargo and near ports gates). It takes 6 seconds to scan and average of two minutes to analyse the image. A physical verification of a container takes approximately 18hrs (this includes container location and placement by KPA which takes 12hrs and customs 100% verification which takes 6hrs). In view of this, KRA uses risk-based approaches to identify cargo targeted for physical verification. NII is also a key input to the Post Audit Clearance (PCA) process of verification of compliance level of AEO shipments, which are usually not subjected to cargo clearance processes.**  
**4. Post Audit Clearance: Responsible for auditing companies who import or export cargo into/out of Kenya. This includes the AEOs to check the compliance level cargo cleared and other identified importers through risk-based approaches** |
| **How is KRA working with the other agencies to improve the cargo clearance process in Kenya?** | To enhance effective and functional trade facilitation through we are in the process of establishing a trade coordination framework, to enhance a multi-agency approach where we bring all partner government agencies involved in cargo clearance to ensure we have a shared vision and keep in step with trade facilitation goals. This will result to reduced cost of doing business, reduce cargo clearance time. |
### Ongoing and planned initiatives to improve trade facilitation

<table>
<thead>
<tr>
<th>a. Digital convergence to allow deeper data sharing with other PGAs and also other customs administrations in the world.</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Trade Logistics Information Pipeline: Data sharing from the customs administration where the goods are shipped to Kenya. This will support the Pre-arrival Processing and the AEO programs.</td>
</tr>
<tr>
<td>• Smart customs through use of artificial intelligence and machine learning to allow quick and accurate detection of non-compliance, with a view to facilitate compliant shipments. This will also include automated scanned image analysis for improved analysis accuracy as well as further reduce the cargo clearance time.</td>
</tr>
<tr>
<td>• We are gravitating towards achievement of one government payment slip in cargo clearance as opposed to the current multiple points, thus enhancing revenue collection and reduce cargo clearance time.</td>
</tr>
<tr>
<td>b. Common issue resolution framework and stakeholder engagement that will be backed by an automated helpdesk that uses AI and robotics to allow quick access to information and problem resolution.</td>
</tr>
<tr>
<td>c. Training of traders and other stakeholders on customs simplified procedures.</td>
</tr>
<tr>
<td>d. Corridor coordination framework to support smooth flow of goods. For example</td>
</tr>
<tr>
<td>• Customs designated stops to provide facilities for rest areas for trucks conveying goods under customs control.</td>
</tr>
<tr>
<td>• Socially responsible by providing points where women, farmers and MSME in the locality can consolidate their goods to sell to other areas.</td>
</tr>
</tbody>
</table>

### Ranking as a country in number of hours it takes to clear goods at our international borders

| Customs takes approximately 40 hrs to release consignment. However, the whole cargo release process that includes other PGAs e.g. KEBS, KPA, KEPHIS, Port Health, Radiation etc take an average of 111hrs. |

### What is your office doing to tackle corruption especially in scenario where the trader feels the product has been delayed to be cleared?

| 1. Increased visibility of consignment processing |
| 2. Monitor time taken to clear cargo by all agencies involved in cargo clearance. |
| 3. Provide officers with verification tools that use IoT technology to allow task performance at any remote location. |
| 4. Increase visibility at verification points through CCTV. |
| 5. Introduction of iWhistle to allow anonymous reporting of integrity issues. |

### What are you planning to do to improve customs processes and provide more benefits to traders? Especially because there are other government agencies involved in clearance of goods

| 1. Improve the Authorized Economic Operators and Pre-Arrival Processing programs through coordination with PGAs to ensure mutual recognition. |
| 2. Sign up SLAs with PGAs which support a congruent goal |
| 3. Advocate for full implementation of the Mombasa Port and Northern Corridor Community Charter by all the signatories to reduce cargo clearance time. |

### Current challenges and opportunities for implementing future customs reforms.

| 1. Challenges |
| 2. Opportunities |
| • Lack of adequate funding and scope crepe |
| • Leveraging on new technology e.g. AI and machine learning |
Members of the E-GP technical team during a workshop in Nakuru.

Courtesy Visit to Homa Bay County Government, Former Homa Bay Governor's Office Cyprian Awiti by team from Public Procurement Department.
1. In layman language, what constitutes a tax debt?

- Tax debt is any tax that remains unpaid after due date (PAYE 9th, Others 20th, Balance of Tax 30th of the 4th month following end of accounting period). Debt is any outstanding tax liability.
  - Tax debt constitutes of Principle unpaid tax, imposed penalties, interest and fines that remain unpaid.
  - Debt can arise from:
    i. Principle- Self-assessments/additional assessments made but all or part of the principle tax remains unpaid.
    ii. Interest-charged on unpaid principle amount at 1%
    iii. Principle-charged upon failure to file or pay on time. (VAT>10K OR 5% of unpaid principle tax, PAYE 25% of unpaid amount, 2k for individuals, 10k companies
    iv. Fine-charged on an offence.

2. How can taxpayers avoid tax debt?

<table>
<thead>
<tr>
<th>DEBT TYPE</th>
<th>HOW TO AVOID IT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Late filing penalty</td>
<td>File on time</td>
</tr>
<tr>
<td>Late payment Penalties and Interest</td>
<td>Pay on time or make advance payments.</td>
</tr>
<tr>
<td>Fines</td>
<td>Follow the provisions laid down in tax laws.</td>
</tr>
<tr>
<td>Additional assessments</td>
<td>Making correct declarations.</td>
</tr>
<tr>
<td>Where not sure, seek the guidance of relationship managers.</td>
<td></td>
</tr>
<tr>
<td>Use the services of tax agents.</td>
<td></td>
</tr>
<tr>
<td>Make timely objections when dissatisfied with assessment.</td>
<td></td>
</tr>
</tbody>
</table>

Taxation is the key source of revenue that the government of Kenya uses to provide public goods and services to its citizenry. Tax debt is tax that has become due but has not yet been paid. Tax debt comprises of principal tax payable, penalties and interest. We sought to find out the reforms being carried out by the tax agency through its debt management program. We also sought to find out the debt recovery process, options available to taxpayers after receiving a demand letter? Taxpayer’s responsibility in debt recovery? Among others, We sat for an insightful conversation with Corporate Tax Accounts Management Decision Team (CTAMD)
Additional recommendations to aid in avoiding debt:
- Taxpayers to familiarize themselves with the taxpayer education material uploaded on KRA website, shared through twitter, Facebook, KRA TV.
- Visit Huduma centers or TSOs/KRA office, contact center for assistance in any tax related matter.
- Ensure correct contact details are updated in iTax so as to receive all KRA communications, reminders and notifications on due dates and raised assessments.
- Be proactive to learn how to use iTax to avoid being misled by tax agents.
- For taxpayers already on debt to avoid accruing additional debt the taxpayer should visit their TSOs to make plans on how to clear the debts (payment plans).

3. What strategies does KRA employ to recover lost revenue through tax debt.

- Various strategies are employed based on taxpayer’s history:

**Compliance Pyramid**

<table>
<thead>
<tr>
<th>Attitude to compliance</th>
<th>Compliance strategy</th>
<th>Compliance costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Have decided not to comply</td>
<td>Use the full force of the law</td>
<td>HIGH</td>
</tr>
<tr>
<td>Don’t want to comply</td>
<td>Delay by detection</td>
<td></td>
</tr>
<tr>
<td>Try to, but don’t always succeed</td>
<td>Help to comply</td>
<td></td>
</tr>
<tr>
<td>Willing to do the right thing</td>
<td>Make it easy</td>
<td>LOW</td>
</tr>
</tbody>
</table>

- Send reminders to taxpayers before due date for income tax to reduce chances of default.
- Upon default, recovery starts with sending of defaulter notices immediately after due date. These notices are system generated.
- For PRWPs, the report is extracted immediately after due date and shared with TSOs for immediate follow up.
- The officer issues 14 days demand notice, 7 days demand notice and immediate demand notice. For taxpayers who come forth payment plans may be considered.
- For taxpayers who fail to respond, cases/the debt files are escalated to enforcement upon withdrawal of TCC (for those with valid TCCs).
- In enforcement the tools used include agency notices, distress, caveats, departure prohibition orders, civil suit.

**Have the strategies proved to be effective enough**

- Yes, the various strategies employed by KRA have proved to be effective with debt recoveries made per year rising from Kshs. 28B in 2017 to Kshs. 103B in 2022.
- Research has shown that using coercive power leads to antagonistic climate, which hampers voluntary compliance and efficiency in collection. To prevent this during enforcement process, debt recovery is transforming towards trust and facilitation. (Trust Based Compliance) to increase the effectiveness of these recovery tools without affecting Voluntary Compliance.
- KRA with the support of Data Warehousing and Business Intelligence is building data bank, which will enhance the trust we have for our taxpayers since all information about the taxpayer will be at our disposal to aid in building reason-based trust. This will lead to improved voluntary compliance.

**Debt Collections and Debt Stocks Kshs.**

<table>
<thead>
<tr>
<th>FY</th>
<th>Collections</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2017/18</td>
<td>28,723,415,783</td>
</tr>
<tr>
<td>FY 2018/19</td>
<td>40,256,378,044</td>
</tr>
<tr>
<td>FY 2019/20</td>
<td>40,256,378,044</td>
</tr>
<tr>
<td>FY 2020/21</td>
<td>93,790,521,860</td>
</tr>
<tr>
<td>FY 2021/22</td>
<td>103,763,923,065</td>
</tr>
<tr>
<td>TOTAL</td>
<td>306,790,616,796</td>
</tr>
</tbody>
</table>

Make timely objections when dissatisfied with assessment.
Challenges encountered while recovering tax debt

i. KRA has limited access of taxpayer banks for agency notices/banks collude with their clients not to remit collections.
ii. Unable to recover from M-pesa transactions/playbills
iii. Taxpayers who close down while holding debt and open other entities
iv. Untraceable taxpayers
v. Inaccurate taxpayer contact details which makes delivery of letters to taxpayers ineffective
vi. Lack of proper sharing of information by other government bodies e.g. lands, NTS, registrar of persons.

vii. Pending bills from government timely payment of pending bills and treasury disbursements to counties.

viii. All Public Service bodies to embrace iTax, accountability to start with PSDs.

Recoveries attributed to the following:

- Staff training
- Review of laws and procedures
- Taxpayer education
- Flexible payment plans leading to reduced default rate.
- Automation making compliance easy

5. As we make efforts to recover lost revenue, what measure is the Authority taking not to infringe on taxpayer rights?

- All recoveries are done in line with tax laws.
- Provided for ADR where aggrieved taxpayers can have their issues addressed. Where taxpayer is in dispute, we encourage use of ADR which independently reviews taxpayer objections.
- KRA has developed Standard Operating Procedures (procedure manuals) to ensure uniformity in application of tax laws and treatment of taxpayers.
- We have a code of contact that stipulates how a KRA officers ought to contact themselves when executing their duties.
- During the budget review process, we carry out stakeholder engagements to give their proposals and recommendations to be considered in the Finance bill.
- TBE and M&C carries out aggressive media campaigns to sensitize taxpayers on changes in law, processes systems etc. (Public Notices, Email Notifications, twitter, Facebook life, Open door policy, publications on KRA website etc.)
- Aggrieved taxpayers can report through iWhistel or Complaint Resolution/Management channel which is monitored by I&SO.
- Occasional training to officers on customer care and communication skills.

6. Tell us more about the KRA Transformation Agenda.

- Pages 24 - 27 of the KRA 8th Corporate Plan elaborates further on this.

Debt Reforms

- Changes in Sec 47 of TPA to allow direct transfer of credits as opposed to asking for a refund
- Risk profiling using Machine learning to predict the most suitable payment plan.
- Prevent automatic re-application of waivers
- Review of the debt manual to be more facilitative to the taxpayers
- Review of our templates and forms to introduce a soft language that is friendly as we move towards KRS
- Set up a centralized debt validation team to validate all debt.
- Full automation of the debt recovery process though with itches
- Developing an automated solution to aid in waiver processing
- Plans at advanced stages towards introducing a CHAT bot for refunds and debt

However as an organization, KRA has outlined the following:

To reduce the tax gap and achieve revenue growth above the nominal GDP growth rate, KRA will focus on the following priority areas having strategies:

a) Tax base Expansion

The focus over the Eighth Plan period will be to implement the Tax Base Expansion (TBE) strategy through recruitment of new taxpayers and additional obligations. The target for new taxpayers will be in real estate, businesses in the Turnover Tax (ToT) regime, registered companies, agriculture sector, professionals, High Net-Worth Individuals (HNWI) and be key. These are expected to raise the number of active taxpayers from 6.1 million to 8.2 million, implying an additional 2 million. This will be achieved through the following:

1. Taxation of the Informal Sector
2. Use GIS for Block Management System
3. Increase compliance by HNWI to promote equity
4. Taxation of the digital economy
5. Strategic collaboration and partnerships for revenue mobilization

b) Strengthen Compliance and Enforcement

The aim is to enhance compliance and ensure a holistic approach to enforcement through centralized command and timely utilization of intelligence.

The strategies to be implemented include:
1. Establish a corporate enforcement function.
2. Implement risk-based audit program.
3. Enhance measures to combat illicit trade
4. Implement risk-based compliance management.
5. Optimize debt management

c) Smart Intelligence and Investigation
Information and intelligence will be paramount in enhancing tax compliance and curbing corruption, tax evasion and fraud. The main strategies to be implemented are:
1. Undertake robust intelligence management
2. Detect, disrupt and deter tax evasion

d) Integrated Border Management
Manned, with respect to both land and sea borders. The monitoring of the borders will therefore be enhanced through the following:
1. Expand and improve coordinated border management
2. Strengthen the Marine Unit

e) Customer Perspective
KRA interventions to achieve high levels of customer service and improve the country’s competitiveness will be:
Customer-centric services:
The key strategies to be implemented are:
1. Simplify tax processes, forms and technology links, to make it easy to comply
2. Implement tax policy reforms to ensure stability and clarity of tax laws.

f) Improved Trade Facilitation
This is aimed at enabling trade across borders. The key strategies to be implemented are:
1. Facilitate legitimate trade

g) Improved dispute resolution processes
The focus is to review objections before escalation to disputes and encouraging adoption of the alternative dispute resolution mechanism. In order to speed up resolution of cases, the following key strategies will be implemented:
1. Fast track resolution of cases
2. Strengthen the Alternative Dispute Resolution (ADR) Mechanism

h) Achieve Service Excellence
KRA will pursue excellence in service delivery through provision of various channels of service delivery including expansion of customer service points to ensure the services are easily available to the customers. To achieve this objective, the following strategies will be implemented:
1. Service improvement – human interaction as well as technology.
2. Establish additional stations/satellite/service centers

i) Enhance Brand Awareness
KRA will pursue improvement of its attractiveness as a brand and the key strategies to achieve this will be:
1. Transition to Kenya Revenue Service (KRS) not only in name but also in terms of service delivery
2. Scale up Communication with all stakeholders
   j) Structured stakeholder engagements
      Undertake the following strategies:
      1. Implement Segmented Taxpayer Education Framework
      2. Establish transformative partnerships.
      3. Entrench Corporate Social Sustainability

6. Where are we as far as the integration of IFMIS, CBK, NTSA, E-Citizen, NHIF, NSSF, counties and the proposed GIPE MIS, which is supposed to cover state corporations?

Below is a brief summary of the status of the iTax-IFMIS-IPPD-CBK integration:
1. All GOK Ministries, state Departments and agencies are required by law to make payments through the IFMIS system which is the government accounting system managed by The Treasury.
2. For PAYE, the payrolls are prepared in the Government payroll system, IPPD, which is managed by The Public Service Department.
3. Because the four systems were not integrated, the process of issuance of withholding certificates for withholding taxes and capturing of PAYE payments was purely manual. The CBK provide GPay details of all payments made daily for capturing.

Progress made on the integration with E-Citizen, NTSA, NHIF and NSSF
1. e-Citizen - As part of improving ease of doing business, KRA iTax implemented an integrating with e-Citizen to allow automated issuance of KRA PINs to businesses (companies, partnerships, etc.) upon registration on the Business Registration Service component on the platform. This reduces the need to engage multiple government entities to get a business going.
NHIF & NSSF - Currently employers are expected to submit PAYE, NHIF and NSSF returns on a monthly basis for all their employees and remit payment on the same. The integration between KRA and NSSF was rolled out in April 2016. To date, KRA and NSSF have been piloting the Unified Payroll Return to guide on improvements to be undertaken prior to on-boarding additional Taxpayers. Currently, discussions are on-going between the two Agencies to address historical issues prior to engaging additional pilotees.

2. NTSA - KRA has implemented various integrations with NTSA TIMS system to support customer services particularly motor vehicle registration and transfer, and motor vehicle inspection. This has been done by sharing PIN, motor vehicle importation details and motor vehicle advance tax payment details in an electronic manner. This reduces the need for unnecessary manual processes, improves accuracy of data used for mv registration and increases transparency of the processes.

Challenges posed by delayed integration

1. The manual process is tedious, time consuming and requires human resources and intervention.
2. There is a time lag between payment and updating of the taxpayer ledger with the payment credit and this creates undue debts in the ledgers of the entities.
3. This in turn leads to undue penalties and interests. In general, this impacts on the accuracy of the DTD debt portfolio.
4. Before the payment is captured, the employees of the entity cannot get their credits in their individual ledgers as these are posted from the PAYE return after the entity’s ledger account is reconciled. This interferes with the process of TCC because the employee ledger appears to have a debt and with refunds process because the refund is derived from the credit in the employee ledger.
5. In 2015, KRA adopted the use of the iTax system fully and the legacy system was retired. However, the process of reconciling declarations and payments for government entities remained manual because of the lack of integration of the four Government systems mentioned above.

Integration status

Withholding Taxes:

In 2016, the integration process started. It was to be done in two phases. Phase one which was to integrate the systems for all withholding taxes was completed in 2019. It is working well and where there have been challenges, these have been addressed through the normal ICT intervention process.

One such challenge was experienced in 2019 when the system did not post the WHT certificates. This was resolved. Also one entity has not yet integrated for WHTaxes citing security issues due to the nature of the entity.

PAYE:

Phase two is in progress to integrate the systems for PAYE. So far, the integrated system is in pilot stage.

23 entities were selected for piloting.

• Of the 23 entities, all are able to file their PAYE returns through the integrated system.
• 18 out of 23 have been able to make payment through the system.

Challenges causing delay in the integration

1. There are entities who have multiple payrolls. System requirements have been developed to facilitate system enhancement.
2. When payments are made through the integrated system, we have experienced mis-posting of some of the payments to the wrong tax period or to the wrong entity. The issues are being addressed as they are identified.
3. PIN data for many of the entities is not clean and this needs to be addressed so that the process is without errors.
4. Most Devolved Units have multiple payrolls and therefore none can use the system until it is enhanced to facilitate entities with multiple payrolls.
5. High turnover of officials in the entities means retraining incoming ones when staff movement occurs.

Phase 2 is scheduled for full roll out by 30th June 2023. Any emerging issues are to be addresses up to December 2023 so the committee members will not officially disband until everything is working seamlessly and entities have been fully facilitated.
Independent Review of Objections (IRO)
IRO is a Unit under the Tax Dispute Resolution Division charged with the mandate of conducting independent review of taxpayer’s objections to assessments made by the Commissioner, once the Taxpayer has objected.
IRO operates independently of the assessing Commissioners in order to be objective. The unit reviews the submissions and evidence provided by the Taxpayer as well as the Commissioner and makes an Objection Decision which binds KRA.
IRO has been rolling out its mandate using a phased approach to ensure seamless uptake of the objection review functions within statutory regulations. As at December 2022, IRO has successfully rolled out and established a presence in Nairobi, Central, Southern, Western, Eastern, North Rift and South Rift regions.

How Does the Objection Review Process happen?
A tax assessment is issued by the Commissioner. The tax-payer is expected to respond/object within 30 days. Upon receipt of the Taxpayer’s Objection, IRO shall carry out a review of the Objection and may:

• Request for documents for review
• Invite the Taxpayer for meetings to review and discuss the dispute

After review of the Taxpayer’s Objection, IRO issues an Objection Decision within 60 days of receipt of a valid objection from the Taxpayer.

What should a Taxpayer do if in disagreement with the Objection Decision issued?
The necessary steps to take are as follows:

• Applying to the Tax Appeals Tribunal (TAT) for the dispute to be heard and a ruling issued. The application to the TAT must be done within 30 days of the date of receipt of the Objection Decision which a Taxpayer wishes to appeal against.
• If no appeal is lodged within 30 days of receipt of the
Objection Decision, it is deemed that the Taxpayer is in agreement and the Commissioner shall proceed to require payment of the taxes confirmed in the Objection Decision.

- After exercising the right of appeal, the Taxpayer may apply for leave of the tribunal to engage in Alternative Dispute Resolution (ADR). This shall avail another opportunity to the Taxpayer to engage the Commissioner and agree on a way forward for the contentious issues.

### Alternative Dispute Resolution (ADR).

The ADR Section is a section under the Tax Dispute Resolution Division which is responsible for Dispute Resolution process at KRA. The ADR Section was established in 2015 and was conceived as a means of enhancing speed in tax dispute resolution.

### Legal Framework for ADR - Provisions

The Constitution of Kenya Article 159 (2) (c), anchors alternative forms of dispute resolution. Tax Procedures Act (TPA), 2015 (Sec 55) and ADR Regulations 2021 provides for the 90-day timeline within which to settle a dispute under ADR.

Tax Appeal Tribunal Act (TATA), 2013 (Sec 28) provides that Parties may apply to the Tribunal at any stage of the dispute to settle the matter out of the Tribunal under such directions or conditions given by the Tribunal, and report on the outcome of such discussions.

### What Is an ADR Eligible Tax Dispute?

An ADR eligible Tax Dispute is a matter which has been filed before the Tax Appeals Tribunal, or any court of competent authority, challenging an appealable decision by the Commissioner on taxes assessed.

### Advantages/benefits of ADR

- ADR is carried out within a timeline of 90 Days as provided for in Tax Procedure Act (TPA) section 55 and within the timelines ordered when the ADR Process is Court initiated.
- ADR Preserves relationships due to the atmosphere of trust and mutual cooperation forged during discussions.
- KRA does not charge for ADR. Taxpayers may engage legal representation or accountants during the process at their own cost. This is however not a requirement and participation of the Taxpayer is mandatory.
- ADR yields a Win-Win outcome which has in turn lead to a relatively high success rate with an ever increasing number of disputes being resolved through ADR.

ADR in KRA takes on the form of Facilitated Mediation, steered by a Certified Mediator in the rank of Chief Manager, who throughout the process is referred to as a Facilitator. The Facilitators at ADR are also Tax Subject Matter Experts in various areas.

Under the Tax Procedures (Settlement of Disputes out of Court or Tribunal) Regulations 2020, parties to a tax dispute may by consent resolve the tax dispute with the facilitation of a mediator nominated from an accredited institution recognised in Kenya.

### Conclusion.

If a matter is not concluded by the 90th day, the applicant may seek leave of the Tribunal or court to engage in a second round of ADR in order to allow them to complete the Discussions. Here the Tribunal or court may issue specific directions as it may deem necessary to ensure success of the discussions but also minding that parties do not engage in endless negotiations therefore defeating the object of speedy resolution of disputes.

### How many disputes have been resolved since 2018 and how much revenue has been unlocked by the ADR?

<table>
<thead>
<tr>
<th>FY</th>
<th>No.</th>
<th>Revenue (Kshs. Mns.)</th>
</tr>
</thead>
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<td>1,675</td>
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<tr>
<td>2018/19</td>
<td>237</td>
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<tr>
<td>2019/20</td>
<td>284</td>
<td>9,561</td>
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<tr>
<td>2020/21</td>
<td>552</td>
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<tr>
<td>2021/22</td>
<td>741</td>
<td>16,785</td>
</tr>
<tr>
<td>2022/23 YTD</td>
<td>582</td>
<td>4,273</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,595</strong></td>
<td><strong>79,345</strong></td>
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Members of staff from the Office of Controller of Budget (OCOB) during a workshop for the implementation of the OCOB regulations.
Rationalizing Tax Expenditures in Kenya

The 2021 Tax Expenditure report is the first report to be prepared by the National Treasury with an aim of enhancing government budget and fiscal transparency. To find out more on the impact of the tax expenditure report we spoke with team from National Treasury Macro & Fiscal Affairs Department.
What are tax expenditures? Why should taxpayers care about tax expenditures? (How does it affect them?)

Basically, we look at tax expenditures as the revenue forgone by the government. This means revenue that the government was to receive or collect is now either a deduction or a credit or even could be an exemption. By this I mean tax that would have been paid to the government you are now exempted from paying it.

A good example is during COVID-19 pandemic, we received tax relief from our income. It was actually a form of revenue forgone by the government, because what government was actually supposed to receive, or rather collect, they never collected.

On the other hand, tax expenditure is also an incentive to a particular sector either to promote that sector to boost it to grow either in manufacturing, MSME, agriculture and even special economic zones.

The common Kenyan should care about the tax expenditures because they reduce the revenue that’s going to the government and the government collects these taxes for infrastructure development, hospital, education and the social sectors that the government supports. So, you as a taxpayer, should be concerned when there are many tax expenditures by the government because it is reducing what Wanjiku should be enjoying.

Of importance to note is tax expenditures are targeted. Not everyone enjoys this relief.

Based on the 2021 Tax expenditure report, what informed the guidelines for tax exemptions, waiver, variations and remission?

Tax exemptions, waivers, reliefs, remissions and variations are processed based on legal provisions contained in the Kenyan tax laws. These tax laws are generally categorized as either indirect or direct tax laws. The tax laws are operationalized through policies and Treasury Circulars. For income tax related deductions, the governing tax law is Income Tax Act and not “permit”.

How does the National Treasury ensure the incentives, exceptions do meet their objectives?

Actually Treasury circular number 9 of 2018 has all the framework, and one of the things that we are supposed to ensure is to do a monitoring and evaluation exercise, like for the projects, we are actually supposed to go and monitor whether those goods that were procured are going directly into the project. We don’t only do it as National Treasury, we do it with the implementing ministry and with Kenya Revenue Authority.

What plans does the National Treasury have to sensitize the public about Tax expenditure?

In order to sensitize the public on tax expenditure, the National Treasury has already uploaded the 2021 and 2022 Tax Expenditure Reports on its website with the aim of enhancing transparency and accessibility in regard to tax expenditure.

When developing the tax expenditure reports, is there an element of public participation?

For sure there is an element of public participation but it’s not carried out physically. We usually upload the document on the National treasury website for people to give their views and comments.

Based on the 2021-2022 Tax Expenditure report, how would you describe the impact of tax exemptions to the economy?

Basically, I would say that one of the strategic objective is the encouragement of investments. Actually by offering tax incentives, the government aims to attract investment in specific sectors of the economy, such as manufacturing, agriculture or tourism.

The other thing would be the stimulation of economic growth. This is by reducing the tax burden to the businesses. Just like I mentioned, the micro and small enterprises, you are exempt from paying corporation tax if your turn over value is less than Ksh. 1 million per annum. So, by that the government expects these businesses to stimulate the growth of the economy.

The other impact would be job creation. Once an investor establishes a business courtesy of tax reliefs accorded by the government, this creates employment for the people.

We have promotion of the economic diversification by offering the tax incentive. We are saying these specific sectors that are targeted are going to reduce the dependence on some sectors.

The other thing is also to encourage research and development. You realize that if you are engaged in research and development, you also enjoy some tax incentives. It will also boost the innovation of our young people in different sectors.

When looking at the agricultural sector, if we give companies in this sector deduction for the equipment and machinery, it will also help boost mechanization in agriculture, and this equally applies to ICT, innovation and creativity.

Looking at the draft National Tax policy, what are some of the highlights touching on Tax expenditures?

The tax policy is currently at stakeholder stage.

There is need to streamline how we manage incentives. For example, what is the optimal level of incentives, the type of incentives, the criteria for developing the incentives, how they
are reviewed and even tracking to ensure they achieve the targeted purpose. At some point some incentives are rendered redundant after the government targeted to do something. There has to be a framework that guides on how we can measure performance, whether the objective was really met.

The policy will therefore give us a clear framework on managing the incentives.

National Treasury worked with KRA to review existing tax exemptions through the tax laws (amendment) act 2020, briefly highlight some of the exemptions that were removed and the expected impact?

Following the amendment of tax law in 2020, some of the things that were removed were exemption towards investment income. In this, we refer to bonds and treasury bills which were previously exempt from taxes. This has resulted in increased tax simply because, when you have tax on the interest that you earn on treasury bills, it is also a revenue for the government.

So, broadly saying, when you remove those incentives or rather exemptions, you’re looking at growing the revenue for government. The broader perspective is the growth of revenue, and then eliminating the tax evasion issue.

The 2021 Tax expenditure report assesses the trend of tax expenditure for the period 2017-2021, What are some of these trends and what do they mean going forward?

Here the focus is more on infrastructure, the growth of micro and small enterprises, and then the expansion of tax incentives for foreign investments.

What role does parliament have as far as Tax expenditure/exemptions is concerned?

Parliament is a key player because of their legislative and law making role. All tax incentives and tax exemption are supported by Law. Lawmakers have the powers to make laws and regulations touching on tax incentives.

The other thing is oversight. The Cabinet Secretary (National Treasury) is expected to table a report of tax expenditures to parliament and the reason why the wavers were given.

Then of course I would say, the representation of the people. Parliament represents and acts as the voice of Wanajiku’s when it comes to tax matters.

Parliament equally has a role in reviewing tax policies. This includes the powers to amend and to repeal the various acts.

Do counties do their own form of tax exemptions?

Counties can only pass their own county revenue bill, but the national taxes, this I mean income tax, value-added tax, customs duties and other duties on import and export of goods; and excise tax these ones are managed at the national level even for them they request for exemptions through the National Treasury.

What are some of the tax incentives, or exemptions in place that the common mwananchi should be aware of?

What Wanajiku should be interested in, we have tax deduction for insurance premiums. The Kenyan citizen who pay health insurance, they can claim a tax deduction of up to Ksh. 60,000 per annum, it’s important for them to know.

Pension contribution is the next agenda. If you invest in a pension scheme and you contribute per annum, one can claim up to 240,000 per annum.

Then of importance is the mortgage investment. When you have a mortgage, you are allowed to claim a tax deduction up to ksh30,000 per annum for interest paid on that mortgage.

Are there countries you would like to benchmark against as far as tax expenditures is concerned?

Mauritius and Rwanda were the first African countries that developed tax expenditure reports and would be good if we benchmarked with either of them, they are countries we can learn from.

What are the International Best Practice when it comes to Tax Expenditures?

Publishing of tax expenditures is an international best practice which we are doing, with the aim of improving transparency.

Public participation is another area that requires enhancement from our end. We need a more participatory approach when it comes to public participation, because our engagement with the public is mostly through the media, and we may not be reaching the real wanajiku who doesn’t see it on the website.

The next area of support that we require is developing the framework of tracking and monitoring tax expenditures. There’s need to develop a mechanism to try and evaluate impact of tax reliefs, whether they really achieved the intended objective or purpose. This will greatly improve transparency and the government can even know whether to continue pursuing the tax expenditures or re-think on their design.
Public Investment Management

Improving Public Investment Efficiency

Over the past two decades, the country has witnessed a rapid increase in the level of domestic and externally funded projects. These capital intensive projects are aimed at supporting the country’s economic activities and improving service delivery. Nonetheless, questions have abounded regarding the quality, effectiveness, and sustainability of these investments.

We made the short trip to the National Treasury to speak with Patrick Mugo, Director, The National Treasury, Public Investment management unit, to find out the reforms being carried out to make public investment more predictable, credible, and productive.

Give us a brief background about the Public Investment Management Unit? What was the objective of its establishment?

The National Treasury PIM Unit was established in the year 2018 after a diagnostic study conducted by the IMF, the World Bank, the National Treasury and Planning team, in assessing how capital projects have been managed. The findings revealed that there existed no standardized framework to screen the projects prior to their financing. As, such there was need to establish a standardized framework to independently review development proposals to enhance efficiency, effectiveness and economy on the implementation of the development projects by the Government of Kenya.

It was also realized that government had blotted portfolio of projects with some having stalled, others suffered from drip funding. A task force was therefore formed in 2018 to look into the matter and consequently Public Investment Manage-
ment (PIM) guidelines were developed and issued Vide Treasury Circular No. 16/2019 dated 24th January 2020.

The guidelines were not approved until January 24th, 2020, but of great significance to us as a country, the government in 2018 approved the establishment of PIM Unit in the National Treasury to spearhead public investment management reforms on the management of public investments.

**What is the difference between social projects and investment projects?**

Whilst social projects accrue more benefits to the society, investments projects may be social or private. Unlike private projects, social projects may not attract private investors unless the government provides incentive because more benefit is derived to the society and not private entities. The government is the major investor in social projects.

**What reform initiatives have been employed to facilitate efficient identification & implementation of priority projects?**

Standardized tools have been developed to enhance the selection, identification and implementation of public investment projects across the Ministries, Departments and Agencies.

One of the tools is a project concept note. This template assists MDAs to repackage their proposals in form of a concept note. Upon review of the concept note, in cases where gaps are identified, the National Treasury writes to the respective MDA either disapproving the project or allowing them to supplement the information that they had forwarded to facilitate decision making.

Once satisfied with the project concept note, we look at the pre-feasibility study, whereby based on the problem they want to address by doing the project, we do an option analysis where we try to identify which is the viable alternative at the pre-feasibility stage. Afterwards, as provided for in PIM guidelines the feasibility study report is equally reviewed.

**Project M&E Manual was developed and completed. What difference has it made so far in enhancing efficient identification & implementation of public projects in Kenya?**

The manual has been very insightful in the development of the Public Investment Management Information System (PIMIS). It is our hope that MDAs will apply the manual as they conduct the monitoring and evaluation tasks in accordance with Treasury Circular No 16/2019.

Since the formation of PIM Unit and PIM guidelines, are there projects which have been successfully implemented with high internal rate of return?

There are quite a number of projects that have been implemented, others pipelined, some of them are yet to start. I can mention the University of Nairobi Science and Engineering Workshop to discuss points of integration of PIMIS with other relevant PFM Systems.
complex which is supposed to be funded by the agents AFD France which is envisaged to have great impact once successfully implemented.

**PIM Unit is currently developing a Public Investment Management Information System. Please tell us more about this and what should Kenyans and PFM stakeholders expect from this system?**

It is a matter of fact that the government is going digital and this will have great impact of how public projects are governed in Kenya. Therefore a lot should be expected from the PIMIS system. There will be a lot of positive change especially in how we come up with development projects, whereby at a glance, you can click the system and from the system you can tell these are the projects that are being implemented by the Government of Kenya. It will also be possible to know the projects that are entering the budget in a given financial year and how they will be implemented.

The System will also enhance the tracking of the implementation status of the projects. Through the system, Kenyans can understand which projects have been initiated, status of implementation, among others. The system will be integrated with E-GP, I-TAX, IFMIS, among others. This is aimed to enhance efficiency, effectiveness, and economy, among others.

There has been concerns on whether the Public Investment Management Unit has the required human resource capacity to handle the system once developed, how would you respond to this?

Currently, the Unit has sub-optimal numbers in terms of the human resource capacity. It is seriously understaffed and therefore lacks the right numbers even the right mix of technical officers, relative to the workload.

**What is the ideal mix view in terms of the technical capacity?**

The ideal mix would be to get additional Economists and Finance Officers. Going forward, we are planning by the time we implement the system, we go sector-wise on the analysis of project proposals. For example, we have a team of dedicated officers specializing in Health, Education, Roads, and so on. This will greatly assist in making refined analysis of projects proposals.

**Are there plans to incorporate the County Governments in PIM Reforms?**

For counties, it may take some time but we are planning to go there strategically. The plan is to first start by sensitizing the counties on the regulations. With extra budget and technical capacity, the next phase would be to operationalize PIM regulations and further sensitize them on PIM framework because, currently, not so many (counties) have an idea of PIM reforms. From there then we can try and assist them develop County PIM units and give them a few expertise to work with the team at the county governments.

**E-Promis was the previous system the PIM Unit used to track implementation of development projects. Did e-Promis fail to deliver on envisaged goal in PIM Reforms?**

There was a study, an assessment that was done on the scope of the E-promis, Vis-à-vis now what was targeted for the PIM Unit, and a number of gaps were identified. Firstly, the E-promis only catered for the donor funded projects. It didn’t cater for projects funded by the GoK and PPP as well.

Secondly E-promis was just a data base and we required the work flows, where by the actual PIM business is done in the system, from submission of proposal, approval, disapproval then re-submission or recycling. The E-promis was short of that. This necessitated the need to come up with a system that enhances the workflows, to enhance the PIM business at the wider level and to accommodate other government projects including, the GoK funded project, the PPP & the projects coming from parastatals.

Due to networked nature of infrastructure governance, you find that the weakest link determines overall quality. Will the Public Investment Management Information System cover the full public investment cycle in a comprehensive manner?

For sure the PIMIS system will cover complete projects cycle. The PIM processes have been fully automated to capture the entire life cycle of the project. That is, the project life cycle stages have been harmonized with PIM processes in the integrated PIMIS System that captures the particular element of the project life cycle. These six (6) stages of the project life cycle include:

- i. Project Identification and Planning mapped as PIM Process 1
- ii. Pre-feasibility & Pre-Appraisal mapped as PIM Process 2
- iii. Feasibility & Appraisal mapped as PIM Process 3
- iv. Final Selection for budgeting which is where we have prioritization mapped as PIM Process 4
- v. Implementation, Monitoring, Evaluation & Reporting mapped as PIM Process 5
- vi. Lastly we have project closure sustainability and ex-post evaluation as PIM Process 6.
Reforms in the Public Sector Accounting

General Overview

The National Treasury has been offering technical support and capacity building to the public entities with an aim of ensuring compliance with the Section 12 (1) (e) and (2) of Public Finance Management Act 2012. The functions of the Department of Accounting Services include offering technical support to public entities on financial reporting, implementation of set accounting standards by Public Sector Accounting Standards Board (PSASB), ensuring timely and accurate financial reporting for all reporting public sector entities.

The Department then consolidates the Financial Statements for the Ministries, Departments & Agencies (MDAs), The Receivers of Revenue (R.o.R), State Corporations & SAGAs and County Governments by 31st October each year and submit the same to the to the Auditor General, Controller of Budget and Commission on Revenue Allocation in line with Section 80(4) of PFM Act.

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<th>S/No</th>
<th>Clusters</th>
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<td>Ministries, Departments &amp; Agencies (MDAs)</td>
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<td>IPSAS CASH</td>
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<td>2.</td>
<td>Consolidated Fund Services</td>
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<td>3.</td>
<td>Receivers of Revenue</td>
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<td>IFRS / IPSAS</td>
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<td>9.</td>
<td>Water Companies (Under Devolved)</td>
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<td>IFRS</td>
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<td>10.</td>
<td>Other County Government Entities</td>
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<td></td>
<td>Total Entities</td>
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</table>
Objectives and Plan for the Department:

This Department has planned to achieved the following objectives in the FY 2022/2023 in line with the overall National Treasury mandate:

i. Prepared preliminary phase strategies required to enable smooth migration to Accrual basis from Cash basis of reporting for Ministries, Departments & Agencies and County Governments;

ii. Compiled and bank register for National government entities as required by law;

iii. Ensured timely financial reporting by all public sector entities in compliance to relevant laws for both quarterly and annual reports;

iv. Reviewed financial reports and Issued quality review memos & couching notes to all reporting entities to improve on quality of financial reports;

v. Prepared the four sets of Annual Consolidated financial statements for public entities and submitted them to the Auditor General as that is on or before end of each quarter, end 31st October;

vi. Publish and host Annual Consolidated financial statements in the National Treasury website;

vii. Capacity building on preliminary phase on the migration to accrual basis of accounting for MDAs and County Government, which is key project of the government;

viii. Capacity building for accounting personnel for all public sector reporting entities on cross cutting audit issues raised by the Auditor General at Kenya School of Government or other approved training institutions;

ix. On job trainings, field visits to offer technical assistance and follow ups to entities;

x. Prepare Treasury Memorandum for the respective financial years and present the same to the National Assembly and the senate as required by law and;

xi. Annual team building for the Accounting Services Department, to enhance team work and ensure staff are ready for change in reporting framework.

Prioritized area for inclusion in the next financial reforms strategies

a) Migration to Accrual basis of reporting

The Department has been spearheading the initial process of migration of MDAs and County Governments from cash to accrual basis of reporting with effect from 1st July 2023 kick off for preparatory stage. This activity will involve multiple strategies which will include technical assistance to these entities, training accounting standards champions, development of various guidelines & procedures and undertake gap analysis on need basis based on the current reporting frameworks. This activity will also work closely with both firms and individual consultancies with relevant experience and expertise on matters relating to migration to accrual.

b) Consolidation of Financial Statements

Consolidation of financial statements for the FY2022/2023 is planned to commence early September 2023 to enable the Department achieve desired goals in line with overall National Treasury mandate in ensuring annual consolidation of financial statement is concluded by on or before 31st October which is statutory deadlines as per PFM Act 2012. The Department is expected to expand the scope of annual consolidated financial statements by including Public Teachers Training Colleges, Technical and Vocational Education Training Institutes (TVETS) and Water Companies. It is worth noting that around 9,000 public secondary schools are now preparing financial reports and submit them to the office of the Auditor General, while public primary schools have also been earmarked for reporting. The Department is expected to enhance financial reporting for all public secondary schools in collaboration to the Ministry of Education. Financial reporting team shall revise consolidated financial statement submitted on 31st October 2023 immediately audit of FY2022/2023 financial reports are released by the Auditor General.

c) Automation of Workflows

Financial Reporting Information Management System (FRIMS) proposed tool aimed at automating financial reporting workflows aimed at enhancing efficiently and effective delivery of consolidated financial statements and maintaining of data base for financial statements and audit certificates. This software shall be developed internally jointly with the Department of ICT at National Treasury & ICT Authority.

The Taskforce was appointed to identify the gaps, scope and propose infrastructural designs and workflow. The taskforce undertook the assignment as the first phase of system development. The second phase will involve actual development, testing and roll out of the Financial Reporting Information Management System (FRIMS). The Department will procure laptops for all financial reporting team members to enable them work both in the office and remotely thus enhancing efficiency and effectiveness. This activity will be funded by Public Finance Management Reforms (PFMR) Strategy for 2019-2023 as part of the disbursement linked indicator (DLI) reform aimed at achieving financial reporting effectiveness and efficiency.

d) Training and Capacity Building

We propose to undertake trainings workshops on matters of accounting and financial reporting for Public Entities as follows;

i) Training of financial reporting team on matters relating to financial reporting, accounting standards and general PFM as the champions in the process of mi-
grating from cash to accrual basis of reporting.
ii) Biannual training of Accountants from all public sector reporting entities;
iii) This will include training for trainers and;
v) On-job training for the accountants in public entities for peers to peer review;

\[ e) \text{Treasury Single Account (TSA)} \]

Treasury Single Account (TSA) is a financial policy in use in several countries all over the world. In efficient management and control of government’s cash resources rely on government banking arrangements. Kenya, like many middle income countries, employed fragmented systems in handling government receipts and payments. Treasury Single Account involves establishing a unified structure as recommended by the IMF, where all government funds are collected in one account would reduce borrowing costs, extend credit and improve government’s fiscal policy among other benefits to government. The IMF also recommends the establishment of a legal basis to ensure its robustness and stability. The introduction of the Treasury Single Account policy therefore is vital in reducing the proliferation of bank accounts operated by ministries, departments and agencies (MDAs) towards promoting financial accountability among governmental organs. The Department is keen in ensuring that TSA will be a priority area in the next strategy.

\[ f) \text{Revised Standard Chart of Account (SCOA)} \]

This Department has revised standard chart of accounts currently used by the Integrated Financial Management Information System (IFMIS) by enhancing segments and creating an allowance for expansion. This will be fully operationalized once the process of migration to accrual starts to accommodate introduction of new functionalities in IFMIS

g) Automation of Exchequer workflow and Cash Management

We are in the process of finalizing fully automation of exchequer workflow and cash management. The Department has done substantial work on the automation of these two process and it is expected that by the end of this financial year 2022/2023 the process will be complete and rolled out.

\[ \text{Achievements for the PFMR Strategy 2018-2023} \]

The following are the key realized milestones for the strategy 2018/2023:

1) Preparation of annual consolidated financial reports due to compliance in reporting by the reporting public institutions as at 30th September each year.
2) The Department procured 24 laptops, which were used by the financial reporting Unit team in ensuring efficient and effective service delivery to our clients.
3) The Department has been undertaking Financial Reporting Team for trainings inclined to IPSAS Accrual with special focus to migration to IPSAS-33. This was aimed to prepare our staff for change in reporting framework.
4) Capacity building and field visits were undertaken to various institutions including County Governments. This has impacted on improved quality of financial reports and reduced negative audit opinions.
5) Automation of exchequer and cash management process is in progress and substantial work has been completed and tested. Though the work is not complete, the Department is satisfied with the work done so far.
Improving Standards for Financial Reporting in the Public Sector and why it matters

The primary objective of most public sector entities is to deliver services to the public rather than to generate a commercial return. Some public entities have a greater focus on achieving a commercial return. Financial reporting is how public agencies account for their management of – that is, the care they take with – public money and other assets.

A critical question arises, why should the Mwananchi care about financial reporting by these public entities? Should the reports done by these agencies be simple for the Mwananchi to read and understand? Should the reports comply with generally accepted accounting practice (GAP).

To find out more on the reforms being carried out to improve standards in financial reporting by MDAs, we took the trip to the CPA Centre along Thika road for an intense discussion with the management team from Public Sector Accounting Standards Board (PSASB).

In your mandate to develop Standards to enhance financial reporting, how does this impact the life of Wanjiku?

The Mandate of Public Sector Accounting Standards Board is provided in section 194 of the PFM Act 2012. Just like in football there are rules to be followed when a player is in the field. Accounting, therefore, is considered the language of business, as it communicates to others the financial position of an entity. And like any language has certain syntax, the same is true in accounting. These rules in the case of accounting are the Accounting Standards. They are the framework of rules and regulations for accounting and reporting in a country. In our case when the PSASB was constituted in 2014, it adopted and prescribed International Public Sector Accounting Standards (IPSAS) and International Financial Reporting Standards (IFRS) applicable to the different categories of Public Sector entities.

The adoption of these standards puts Public Sector on the path of producing credible, high quality financial reports that align with internationally recognized financial reporting standards.

For instance, Ministries Departments and Agencies (MDAs) and were required to report under IPSAS cash, Semi-Autonomous Government Agencies (SAGAs) under IPSAS Accrual whereas, Government Business Entities (GBE) were required to report under IFRS. This has brought about improved reliability of financial statements and comparability. Accounting Standards also provide a set of accounting policies that include the necessary disclosure requirements and the valuation methods of various financial transactions.

Due to the standardization of reporting templates, there has been enhanced transparency and accountability in financial management. The financial and non-financial information provide a basis with which the common Mwananchi (citizen) can gauge the performance of the elected leaders and enquire on areas where there are gaps. Availability of consistent and harmonized financial reports has and is expected to ease the oversight role of Parliament, Senate, and the Office of the Auditor General (OAG) among others.

Recently PSASB developed guidelines on the implementation of International Public Sector Accounting Standards (IPSAS ACCRUAL) by level 4 and 5 Public Hospitals in Kenya. Tell us more about this, the progress, and the anticipated impact.

PSASB developed financial reporting template for level 4 and 5 hospitals which became effective in the Financial Year 2021/22. In order to ensure uniformity in application of this template it was paramount to provide a guideline to avoid misinterpretation of the template. The guide also provides a platform where auditors will base their
audit owing to the fact that in the preliminary years reporting under the new template, some information may be lacking especially recording of assets.

Prior to rolling out the templates, the Board undertook sensitizations of the institutions. Out of the 268 hospitals, 60 hospitals reported using the prescribed templates representing 22% of the population. The Board envisages that the templates will enhance transparency and accountability through complete recording of assets and liabilities. Further to completeness of records, decision makers will have an opportunity to evaluate and assess the long-term sustainability of these institutions. To heighten compliance with the prescribed reporting templates, the Office of the Auditor General has written to the entities requiring them to prepare and submit their financial statements for audit by 15th of February 2023.

What is IPSAS Accrual?

Accrual-based accounting records transactions and economic events when they occur, regardless of when cash is received or paid. IPSAS accrual are the standards that an entity reporting on accrual basis applies as it prepares financial reports. The standards are developed and maintained by the International Public Sector Accounting Standards Board.

Is there a difference between IPSAS Accrual & Cash Accounting?

Yes. Cash-based accounting recognizes transactions only when the associated cash is received or paid. It does not report economic events if there is no immediate exchange of cash. In contrast, accrual-based accounting records transactions and economic events when they occur, regardless of when cash is received or paid.

Financial statements prepared under the cash basis of accounting do not contain information on assets and liabilities as part of primary financial statements. The standards, however, encourage disclosure of assets and liabilities in cash based financial statements.

What advised the decision to focus only on level 4 and 5 hospitals?

PSASB is not only focusing on Level 4 and 5 hospitals. However, the decision to issue a template for this category was informed by the fact that significant resources in Kenya have been channeled towards the provision of healthcare. As a result, over the years there has been increased demand for greater openness and accountability in the utilization of resources within the devolved healthcare units. To this end, the Government of Kenya is undertaking several public finance management reforms. Key among these include enhancement of financial reporting in level 4 and 5 hospitals.

The level 4 and 5 hospitals are large and operate similar to the level 6 hospitals that report on Accrual basis. This has guided the need to prescribe templates that would not only improve the asset management but ensure that all liabilities are captured for better cash planning and budgeting for the subsequent periods. The hospitals below the levels 4 and 5 currently lack the capacity to implement the developed templates. However, the Board intends to roll out the template progressively based on the implementation status by level 4 and 5.

PSASB developed guidelines on the implementation of IPSAS by Public Secondary Schools in 2021. Tell us more about this, the current progress, and the impact this reform has achieved.

Just like level 4 and 5 hospitals, PSASB also issued a financial reporting template for public secondary schools in the FY 2020/21. This was to ensure uniformity in application of the IPSAS cash template. It was also necessary to provide a guideline to avoid misinterpretation of the template. The schools template is developed in such a way that it also collects accrual based information like receivables and payables. This disclosure is necessary in readiness for transition to accrual reporting.

To enhance smooth implementation, what strategies have been employed towards this end?

PSASB in collaboration the Directorate of Schools Audit at the Ministry of Education has carried Training of Trainers for school auditors who have in return trained bursars in their areas of jurisdiction. In addition to that, PSASB has conducted a virtual sensitization session for all national secondary schools and a physical session for all the bursars from Kajiado County.

A desktop review for FY 2020/21 reports submitted to the OAG has also been carried out and a total of 33 reports for schools across all clusters was carried out and there is a report to that effect.

This report will be published and
Templates on Public Universities & Public Funds (Car and Mortgage), County Receivers of Revenue, and Water Companies have been developed. What informed this and what objectives do you intend to achieve?

Different sectors are unique in the mode operations as well as financial reporting. Section 194 of the PFM Act 2012 states that PSASB shall provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public entities. PSASB has partnered with other regulators like ICPAK, CMA, NSE and RBA through the FiRe Award scheme to promote accountability. PSASB has been using FiRe Awards as a compliance tool by communicating areas of non-compliance to each participating entity.

**PSASB is expected to prescribe standards to enhance financial reporting. What progress has been made towards ensuring MDAs & Counties produce better financial reports?**

PSASB continuously revises its financial reporting templates to be in tandem with new accounting practices, improvement suggestions from various stakeholders and internally recognised best practices.

**PSASB is expected to prescribe and promote internal audit and risk management standards in the public sector. Tell us more about this, the progress made and the anticipated impact.**

The Board approved the adoption of the International Professional Practice Framework (IPPF) for use by Internal Auditors in all Public Sector Entities. This was to promote standardization of professional practice of internal auditing across public sector.

The Board has employed a collaborative strategy with the Internal Auditor General’s Department at the National Treasury and other relevant stakeholders to explore various interventions in line with the Board’s mandate to enhance professional practice of internal auditing. The interventions include the development of the following:

- Internal Audit guidelines that are geared towards customizing the IPPF to the PFM Act 2012 following the adoption of the framework by the Board.
- Audit committee guidelines to enhance governance process by providing an independent expert assessment of the activities of top management, the quality of the risk management, financial reporting, financial management and internal audit, to the board of directors or a supervisory board or executive management.

County internal audit manual and state corporation internal audit manual with their attendant templates. The manuals contain a comprehensive framework for internal audit including internal audit techniques, methods and a spectrum of activities that would form part of the audit function for the various departments/entities. The manuals can be used to train internal auditors to enhance their ability in conforming with the prescribed International Professional Practices Framework.

In addition to the above, the Board in collaboration with the County Internal Auditors developed county internal audit programs. The audit programs were around generic processes such as Human Resource, Procurement etc. These audit programs define audit steps and procedures to undertake particular audits hence enabling county internal auditors to conform with the International Professional Practice Framework and promote standardization of internal audit processes across Counties.

**Where are we in developing risk management frameworks for public institutions? Expound more on the expected impact it will have. Is IAD part of this exercise?**

The Board in collaboration with the Internal Auditor General Department developed the Public Sector Risk Management Guidelines in the FY 2020/2021. The Guidelines were subjected to a series of stakeholder engagement and validation by risk practitioners in the private and public sector. The Board approved the Guidelines for implementation in December 2022.

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The rationale for developing the guidelines is to provide a consistent approach for public sector entities to develop risk management frameworks and processes for efficient and effective management of risks throughout the public sector.

The Board intends to roll out the public sector risk management guidelines with an expectation that the guidelines will enable public sector entities improve in accountability, exercising better governance and improving entity performance, growth and resilience. Effective management of risks will further facilitate optimized resource allocation to match risk exposure while enabling risk-based decision making and strategy-setting.

The Board in collaboration with the Internal Auditor General Department at the National Treasury and Kenya Institute for Public Policy Research and Analysis developed a Government-wide Integrated Risk Management Policy. The policy is a guide to the design, implementation, conduct and continuous improvement of a government-wide integrated risk management framework that will integrate the management of national critical risks across the Country. The policy is due for public participation.

What plans are there to ensure the successful implementation of the guidelines developed across MDAs and counties?

The Board takes consideration of the following to ensure successful implementation of the guidelines developed across MDAs and Counties;

- Employing collaborative strategy with key stakeholders in undertaking research and developing the frameworks
- Continually providing technical support and trainings to public sector entities to improve understanding and implementation of the Guidelines provided.
- Monitor implementation of the standards and frameworks prescribed by all state organs and public sector entities. This has been achieved through partnering with Institute of
- Public Accountants and other promoters to evaluate public sector entities participating in Financial Reporting (FiRe) Awards.
- Conducting survey for the different sectors in public entities to measure the level of compliance with the standards and guidelines prescribed.

The Board has developed International Professional Practices Framework (IPPF) monitoring tool to check conformance on the implementation of IPPF in internal audit functions in public sector entities.

The Achievements attained with respect to implementation of prescribed standards by public sector entities. The standards have:

- Facilitated standardization of financial reporting for the public sector entities
- Created effectiveness and efficiencies for public sector audit through the office of the auditor general.
- Enhanced comparison of financial performance between and amongst public sector entities
- Enhanced understandability of financial statements by the users who include members of the public and other oversight authorities.
- Created efficiencies for timely preparation of financial statements by public sector accountants.
- Provided non-financial information to users about public sector entities.

- Facilitated consolidation of government-wide financial statements by the National Treasury for the last four years
- Facilitated review of quality of public sector financial statements by the National and County Treasuries
- Improved transparency by addressing the demand for more disclosure of information by public sector entities.
- Increased the use of International Standards in Internal Auditing

What challenges and lessons have you learned so far through the implementation of the standards?

Through implementation of standards, the Board has learnt the significance of engaging key stakeholders for buy in and employment of effective resource mobilization strategy.

Challenges

Scope of mandate - The mandate of the scope of coverage is wide covering the entire public sector. This calls for a lot of support from the Board against the lean technical staff available.

Resource limitations - The Board heavily relies on Government funding i.e. exchequer releases and donor funding to manage its operations. The funding is not adequate to execute the Board’s mandate.

Political Interference – Our key stakeholders are faced with political interference leading to high staff turnover in extreme cases. This eventually affects the journey of the Board in having to undertake capacity building for new officers.

Capacity Building - There are capacity constraints in terms of skills among our stakeholders. This calls for heightened capacity building interventions within the limited resources provided.
In simple words, what is IFMIS?

IFMIS is a public financial management system that was developed to ensure that the use of public funds is transparent and that every public servant plays their civic duty to account for every shilling spent. IFMIS was re-engineered to ensure that it automates end-to-end financial management cycle from budgeting, procurement planning, requisition, sourcing, tendering, invoicing, payment processing and generation of financial statements.

Since its re-engineering, could you enumerate some of the challenges IFMIS has encountered and the initiatives employed to address them?

- IFMIS disrupted the earlier ways of manual transactions, represented by insufficient financial transaction visibility, silo financial systems not integrated with each other, and lost files for payment tracking. This disruption was met by resistance to change. The National Treasury developed a Change Management Framework for IFMIS that included sensitization events, media campaigns, talk shows and training of system users and suppliers. The IFMIS Department officers have been trained and certified on Oracle modules and thus are able to provide training of IFMIS users from National and County Governments at the Kenya School of Government.
- Compliance with IFMIS procedures still remain a challenge, especially failure to undertake bank reconciliations in accordance with the law and to close financial transactions at the end of each month. This ultimately produces distorted financial statements at the end of the financial year, and impedes financial transparency and accountability.
- The National Treasury has constituted a Task Force to develop IFMIS Regulations, which will guide all public entities in national and county governments on effective use of the system for planning and budgeting, budget execution, transaction processing, financial reporting, and ensure appropriate enforcement.

We sat down with the team from IFMIS to learn about its transformational impact and the reforms being carried out to ensure IFMIS contribute to a better PFM.
How would you describe the impact of IFMIS in deepening efficiency on government services such as planning, procurement, budgeting & expenditure?

- IFMIS ensures that every shilling is accounted for, and the financial reports that are generated from the system serve to provide data for decision makers.
- The IFMIS has facilitated the government to improve the budgeting process by making sure that only projects that are aligned with the country’s development agenda are budgeted for. Any transaction on these projects executed through the IFMIS leaves an audit trail, leading to improvements in monitoring, evaluation and accountability in the use of public funds. Through the system, the public investigative agencies are now able to track public expenditures and payments, point out any cases of misappropriation of resources and provide evidence for the adjudicating bodies.
- The IFMIS electronic procurement module is aimed at checking inflation of prices during public procurements.
- The IFMIS procurement module has been working towards inclusion of minority groups - youth, women and persons with disabilities by ensuring that as government entities plan for procurements, they clearly indicate which tenders will go to these vulnerable groups.
- The Supplier Portal in IFMIS requires every government entity to upload their tenders and contract awards so that this information is accessible to public, which serves to keep the government accountable. The Supplier Portal is aimed at curbing red tape and corruption that has previously marked public procurements and payments.
- The government is keen on sealing revenue leakages - IFMIS is integrated with the Kenya Revenue Authority’s i-Tax system to streamline payment of taxes by suppliers who provide goods and services to the national and county government entities. The integration has not only facilitated timely payment to suppliers through IFMIS, but also generation of withholding tax certificates on amounts withheld by Withholding Agents and consequently faster processing of Tax Compliance Certificates (TCC).
- The IFMIS Cash management module has improved the use of Government cash resources by ensuring that government is able to plan for and release resources in a timely manner and in line with the approved budget to meet urgent development project objectives.
- IFMIS Invoice management process has been enhanced to improve transparency and efficiency in receiving and inspection of goods and services as well as submission of invoices and tracking of payments by suppliers through the Kenya Supplier Portal within the IFMIS framework.
- Statutory financial statements are generated from IFMIS, consolidated and submitted to the Auditor General in compliance with the law.
- Access to IFMIS by investigative agencies to generate financial data during investigations has been provided to fast-track cases on maladministration.

There have been a number of complaints from County Governments on the technical support offered through the IFMIS Help Desk. What is being done to address this?

IFMIS Department has an operational IFMIS Help Desk and Call Centre that is available to users and Suppliers in National and County Governments. The Call Centre is managed by IFMIS Department, although sometimes due to limited staff, users might notice a short waiting period before their ticket is picked up.

The use of the IFMIS System by County Governments is often hampered due to system downtimes. What is being done to address the issue?

The IFMIS Network is available 24/7. IFMIS is available through a secure virtual private network. Sometimes, internet connectivity in some areas is interrupted, which makes IFMIS not available. However, the National Treasury has ensured that connectivity is also accessed using modems and through point to point links in case a County experiences internet challenges.

Tell us the progress made to integrate IFMIS with KRA’s i-Tax, and CBK Internet Banking system

IFMIS integration with KRA’s i-Tax and CBK’s Internet Banking system for purposes of withholding tax obligations (VAT, Income Tax and Rent withholding), during payment settlement was commissioned in December 2016. This has facilitated sealing of revenue leakages, and assisted in revenue collection from National and County Governments.

However, sometimes delays in exchequer release further delays supplier payments, but supplier’s tax obligation is visible to KRA, who sometimes give undue pressure for payments. IFMIS Department is working with KRA to resolve this issue.

County Governments have minimal access to audit modules in IFMIS due to limited user rights. Many auditors do not understand the audit module in IFMIS especially when new changes are made. What is being done to address this issue?

The audit vault is accessible by the Auditor General and this is linked to IFMIS. Investigative agencies such as Internal Audit, Auditor General, EACC officers have been given IFMIS access rights and trained to generate reports from IFMIS.

The Hyperion module used by county Governments doesn’t have a costing tool and there exist capacity challenges in the use of the module. Are there efforts being implemented to address this issue?

- The Hyperion module of IFMIS is used in National and County Governments. The National Treasury is developing a costing tool within Hyperion Planning and Budget-
ing Module to facilitate accuracy in planning and budgeting process. Training was initiated in 2020 and a draft costing manual developed, with support from IMF.

**It is reported that some of the revenue streams are not updated in the IFMIS systems. What is being done to address this issue?**

IFMIS is a public financial management system, and not a collection system for revenue.

Some of the National Government entities have receivers of revenue who collect, and this revenue is captured in the Accounts Receivable module in IFMIS. This revenue is transferred to the Exchequer Account.

County Governments have been procuring revenue collection systems, which are not yet integrated with IFMIS to ensure effective revenue management. The National Treasury is working with various stakeholders in National and County Governments to implement an Integrated County Revenue Management System that will be integrated with IFMIS.

**What are you planning to do to make expenditures more effective (PBB + Non-Financial Info) in IFMIS?**

- IFMIS Regulations to enforce the use of the system
- Capacity Building of Users
- Review and Enhancement of system controls
- Enhancements of Hyperion Planning & Budgeting module to capture non-financial information
- IFMIS has implemented Business Intelligence that provides dashboards to decision makers on expenditures within their votes

**Is there a need to update reporting forms and/or the Chart of Accounts? Any other?**

- The National Treasury has initiated planning process for upgrading the current Standard Chart of Accounts (SCOA) in line with the Global Financial Statistics Manual (GFSM) 2014. This will ensure among others migration from the current cash basis of accounting to accrual accounting.

**How can IFMIS help reduce pending bills? We understand that when payments to contractors are authorized in IFMIS, IFMIS may not capture the date of actual payments by the Central Bank. Are you planning to address the issue?**

IFMIS is working with CBK and CoB to link invoices to Exchequer releases so that an entity can only pay for the invoices that are in the funded exchequer request.

IFMIS has implemented bank auto reconciliation with CBK’s internet banking, and entities are able to track actual payment dates during reconciliation.
PFM Reforms: Improving Governance in State Corporations

During the 2020/2021 FY, the National Treasury initiated the process of developing a Government Investment Management Information System (GIMIS) with an objective enhancing transparency and completeness of State Corporations financial and operational performance. To understand the impact of GIMIS System, we had a sit down with the team from Government Investments Public Enterprises.
What is GIMIS System? What was the rationale behind its development?

GIME on behalf of the Cabinet Secretary National Treasury and Planning exercises oversight and ownership functions in State Corporations and other Government Investments. In performing this role, The National Treasury issues various directives/circulars and receives numerous requests and reports to/from state corporations ranging from strategic plans; proposal for capital projects and other investments; annual budgets; financing proposals including request for borrowings; human capital; and quarterly and annual statutory reports, among others for review, analysis, appraisal and to make appropriate recommendations for approval or otherwise.

To effectively execute the mandate, the National Treasury Government Investment and Public Enterprises Department decided to develop an end-to-end automated platform for preparation, submission, analysis and approval of State Corporations (SC) budgets, among other functionalities, now referred to as the Government Investment Management Information System (GIMIS).

To actualize the GIMIS development, the National Treasury appointed a Project Team comprising of Business Process Owners (GIPE), and ICT System Developers from State Department of ICT and Innovation.

GIMIS is a fit-for-purpose scalable Management Information System developed as part of Public Finance Management Reforms. GIMIS is an online Web Based Application portal that enables GIPE deliver on its mandate as follows:

- Enables online submissions & receipts requests ranging from strategic plans, investment proposals, borrowings, human capital, annual budget proposals, monthly, quarterly and annual statutory reports.
- Analysis of investment proposals, borrowings, human capital, annual budgets, Monthly, Quarterly and Annual statutory reports
- Dissemination of various directives/circulars such as Approved Annual Budgets, Revised Budget Letters, Borrowings, amongst others
- Approving state corporations budgets, corporate plans and other strategic undertakings
- Periodic analysis of Government investments through quarterly and Monthly statutory reporting.
- Capturing details of revenue collection from state corporations including loan and interest redemption, dividends and directors fees.
- Processing of approvals and financing agreements relating to borrowings and on lending to state corporations to implement strategic investments.
- Monitoring of Borrowings by State Corporations as they pose fiscal risk to the National Exchequer
- Monitoring pending bills among State Corporations through monthly returns to ensure liquidity problems are arrested early before they crystallize
- State Corporations capture and submit online data/information as required through the SC Profile module, Annual Budget module, Monthly returns, Quarterly returns, Annual reports, Loans information among others.

Why should a layman care about GIMIS System? How does it relate to them?

As per the Section 225(1) of the Constitution of Kenya, and the sections 11 & 12 of the PFM Act of 2012, the National Treasury is mandated with ensuring transparency, effective management and accountability with regard to public finances among State Corporations. As the department tasked with discharging this mandate, GIPE uses the GIMIS system to ensure State Corporations report on their resource receipts and expenditures in accordance with section 79 of the PFM Act, 2012. By so doing it enables the National Treasury to consolidate data on SC ownership, shareholding, and resource utilization to ensure transparency.

State Corporations are government investments as per the State Corporations Act Cap 446 of the Laws of Kenya, which makes any resource invested in them an interest of the general public. Also, State Corporations are linchpins of the Government to foster economic and social development, redress regional economic imbalances and ensure all citizens are involved in Nation Building.

GIMIS acts as a repository for key State Corporation data. The system facilitates the management and functioning of State Corporations in Kenya hence sealing loopholes that promote resource leakages. This will greatly save the layman from loss of their hard-earned finances contributed, as taxes, to the National resource envelop.

GIMIS phase 1 has been developed and is functional with 4 modules. Tell us more about it.

At the time of its roll-out in 2020/2021FY, the GIMIS system had four (4) fully developed and functional modules namely: State Corporation Profile module which enables the capture of basic SC information; Annual Budget module which enables SCs to capture and submit their annual budgets to the Parent Ministries and the National Treasury for analysis and approval; Revised Budget module which enables SCs to submit their supplementary budget estimates for approval by the parent ministries and the National Treasury; and the Previous Years Financial Statements module which enables the capture of previous years’ audited financial statements.
**Phase 2 is currently ongoing. Where are we? What incorporates phase 2?**

Phase two started with the developing two additional modules, Monthly and Quarterly returns modules. The modules were fully developed and rolled out. Entailed the review and improvement of the already developed modules to factor in comments made by key stakeholders i.e. SCAC, ISC and OAG to enhance governance of State Corporations. The review of the revised budget module and development of templates and format for Monthly and Quarterly Statutory Returns was also done in this phase.

The design and development of the Investment Portfolio Management module, including the Loan Module is ongoing. Progress has also been made on development the Government Linked Corporations (GLCs) & International Bodies under the Investment Portfolio Management. There is need to assess the completeness of the Loans module by identifying redundancies, errors, gaps, and inconsistencies. It is important to conduct pilot data entry by SCs to identify challenges they encounter when capturing data and afterwards, train and induct all SCs and MDAs GIMIS users on the Loans module.

Finalizing the preparation of schedules for generating the Consolidated Annual Investment Reports to Parliament, which include Schedules A, B, C, D, and E, is ongoing. This will automate the National Treasury role as stipulated section 89 (1) of the PFM. However, more resources will be required to completely comply with section 89 (3) which involves a three-year assessment of national government’s continued involvement or investment in, or funding of State Corporations and GLCs.

**What has been the impact of GIMIS System since it was rolled out?**

Since its rollout in December 2020, the GIMIS system has revolutionized the way GIPE department provides oversight to State Corporations. The most notable impact the GIMIS has had in GIPE and State Corporations include: Zero paperwork through on-line submission and receipt of requests and reports such as Strategic plans, Staff establishments, Investment proposals, Borrowings, Quarterly and Annual statutory reports through the system; Fully automated SC annual budget submission, analysis and approval by Line Ministries and the National Treasury which has greatly reduced the turn-around time in making budgetary approvals and recommendations by the National Treasury and MDAs; Enhanced comprehensive assessment of contingent liabilities with respect to state corporations and the attendant exposure to fiscal risks to the government; Enabled the maintenance of accurate, timely, and up to date data/information on SCs and other stakeholders; Reduction in challenges and delays in consolidating and compiling statutory reports for submission to Cabinet and the National Assembly, with Cabinet requests on State Corporations being addressed within 12 hours; and eased availability of audited financial reports which have ensured comprehensive analysis of the operational and financial performance of SCs.

**What are the challenges and lessons learnt during implementation of the system?**

Since its initial rollout in December 2020, the GIMIS has encountered various challenges, with implementation of each module experiencing different challenges. Key among them include:

i) Insufficient server capacity to enable the system fully optimize its capabilities. Due to the large volume of document uploads by SCs and the diverse formats of data being captured in the system, there is need to improve the size capacity of the servers. In 2021/2022FY, GIMIS served 253 SCs who had their annual budgets approved through the system, with the number rising to 293 SCs in 2023/2024FY. The server where GIMIS is hosted is overstretched and has no capacity to accommodate additional data with huge volumes of documents and increased number of users.

ii) Roll out at the peak of Covid-19 and as part of Public Finance Management Reforms, Post Covid-19 Business Continuity and mitigation strategy, GIMIS system did not have the luxury of being piloted to SCs and Ministry users to establish systemic weaknesses before implementation. As such, most errors, gaps, inconsistencies and redundancies are identified and addressed as SC continue making their submissions in the system.

iii) Laptops used by the Project Team and GIPE analysts are outdated with low speed and poor response, which is significantly affecting productivity. There is therefore need to procure high speed computers and laptops for the GIPE team to enable them handle SCs request analysis and approvals efficiently.

iv) The GIPE team consists of officers from diverse professional backgrounds with inadequate financial modelling skills. These skills are key in system development, budget analysis and formulation of subsequent policy guidelines, hence there is need for training and capacity building to equip the officers with these critical skills.

v) Lack of adequate resources to enable the training and induction of SCs and MDA users meant that GIPE conducted four virtual training sessions for users, one session in each development phase. This has led to many SC users and Line ministry officers struggling with comprehending the complexities of working with GIMIS, given that GIMIS adopts the use of cash-based financial reporting while most entities use the accrual basis of financial reporting.
Who are the users of GIMIS System?

GIMIS System being an online web-based scalable application portal, is a defined user system where users log into the system using unique identifiers depending on the rights given to them. The system has four levels of users:

i) State Corporation Users – These are the primary users of the system, initiating all approval requests through the GIMIS system. SC users are further classified into three level: Data capture (for accountants, finance officers, HR officers, etc), Data verification (Department heads i.e. Head of Finance), Data uploading and submission (Accounting officers/CEOs).

ii) Parent / Line Ministry Users – These are the first recipients of all requests from State Corporations, and they include Chief Finance Officers (CFOs), State Department PSs, and Line Ministry CEs. Their main role is to receive requests/proposals from SCs and approve them. They are within the resource envelope available for the line/parent Ministry. The roles include SC budget review and setting of ceilings, reviewing the National Treasury recommendations for budgetary approvals, etc.

iii) The National Treasury/GIPE Users – These are the GIMIS system business owners, recipients, analysts, and approvers of all requests from SCs and line Ministries. GIPE analysis and approval in GIMIS is done at four levels: The Analyst, Deputy Team Leader (DTL), Team Leader (TL), and Director level, with Director GIPE approval being the final approval level for all SC requests in the system.

iv) Regulatory Body (SCAC, ISC, OAG) Users – These are other stakeholders providing regulatory and oversight to State Corporations, including State Corporations Advisory Committee (SCAC), Inspectorate of State Corporations (ISC), and the Office of Auditor General (OAG). These users are issued with viewership rights in GIMIS, to be able to access and extract different reports from the system depending on their mandate.

There are plans in place to develop a 3-year assessment report on continued government investment in state corporations. Tell us more about this and the rationale behind it?

As stated earlier, to comply with the PFM Act Section 89 (3), the Cabinet Secretary, The National Treasury and Economic planning is required to, every three years, prepare a report on the assessment of the national government’s continued involvement or investment in, or funding of, the state corporation or government linked corporation. This report is in line with prudent management of the Country’s resources and will guide on policy on the continued channeling of government grants to SCs. Further, the report will shed light on whether some SCs have outlived their mandate, requiring merging or dissolution.

In this regard GIPE will purpose to finetune TORs for engagement of a consultant to guide on the development of the 3-year assessment report. Subsequently, if deemed necessary procure services to undertake the three (3)-year assessment of continued Government Investment in State Corporations and Government Linked Corporations.

Are there plans to integrate GIMIS System with other key systems? When do we expect this to happen? & with which systems?

GIMIS system is a functional information management system that is compatible and has capabilities for interface. Once fully developed, the GIMIS system will have the capability to integrate with:

- Government Performance Contracting Information System (GPCIS)
- Public Investment Management Information System (PI-MIS/e-ProMIS) to cross check on project approval status, validate and generate approved capital projects for SCs,
- IFMIS to cross check Project implementation and budget execution status,
- Integrate with CSDRMS/Meridian to collate loan disbursements (date and amount).
- Hyperion system for Planning and Budgeting

Did GIPE carry out a benchmarking exercise before roll out of the System?

Due to the precarious Covid-19 conditions under which the GIMIS system was developed and rolled out, the time and resource constraints meant that no significant benchmarking process was carried out in countries with similar MIS systems. This despite GIPE having established five (5) well-performing State Owned Enterprises (SOE) Management Information Systems (MIS) in Singapore, South Korea, Germany, France, and Canada that would have provided the Team with more lessons on developing an effective and efficient MIS for SCs oversight and governance.

GIPE however managed to have various stakeholder engagements with all State Corporations, MDAs, and key government regulatory bodies such as State Corporations Advisory Committee (SCAC), Inspectorate of State Corporations (ISC), Office of Auditor General (OAG), Accountant General Department (AGD), and Public Service Commission (PSC). This enabled the Team to gather relevant information on the template and design of various reports to be generated by GIMIS, thereby enabling the development team to come up with tailored reports for various stakeholders.
Introduction

The Controller of Budget (CoB) is appointed under Article 228 of the Constitution of Kenya to oversee the implementation of the budgets of the national and county governments by authorizing withdrawals from public funds under Articles 204, 206 and 207 of the Constitution. The mandate of the CoB is amplified under the Controller of Budget Act, 2016 and the Public Finance Management Act, 2012 and the attendant Regulations.

Role and Functions of the Controller of Budget

The Controller of Budget is charged with the following broad mandate under the Constitution of Kenya and the Controller of Budget Act, 2016:

a. Oversight Role: overseeing the implementation of the budgets of both national and county governments (Article 228 (4) of the Constitution). This role involves monitoring the use of public funds and reporting to Parliament on the utilization of funds. This promotes accountability in the use of public financial resources.

b. Controlling Role: authorizing withdrawals from public funds including the Consolidated Fund (Article 206(4)), County Revenue Fund (Article 207(2)(3)) and Equalization Fund (Article 204(9)). In authorizing the withdrawal of funds, the Controller of Budget must be satisfied that the withdrawal is in accordance with the law and permitted as stipulated under Article 228 (5) of the Constitution.

c. Enforcement of Budget Ceilings: enforcing budgetary ceilings as set by legislation and other institutions mandated to set any such limit as mandated under section 5(d) of the Controller of Budget Act, 2016.

d. Monitoring Role: monitoring, evaluating, reporting and making recommendations to the national and county governments on improving budget implementation.

e. Reporting Role: undertaking to monitor, evaluating, reporting and making recommendations to the national and county governments on measures to improve budget implementation by preparing statutory reports (quarterly, annual and special reports) to the Executive and Legislature on Budget implementation of National and County governments (Article 228 (6)).

f. Advisory Role: providing advice to Parliament and County Governments on financial matters and including where the Cabinet Secretary National Treasury exercises his mandate to stop the transfer of funds to a State organ or public entity.
g. Investigation Role: Conduct investigations through our own initiative or following a complaint made by a member of the public on budget implementation matters, pursuant to Article 252 (1) (a) of the Constitution.

h. Dispute Resolution Role: undertaking alternative dispute resolution namely; reconciliation, mediation and negotiation to resolve conflicts and issues relating to budget implementation between the national and the county governments, or between county governments.

i. Public Sensitization Role: disseminating information to the public on budget implementation at both levels of Government pursuant to section 39(8) of the Public Finance Management Act, 2012. This is in line with the provision of Article 35 of the Constitution which provides for the right of access to information held by the state. Further, this ensures that the public is well informed on budget implementation so as to actively and effectively participate in the budget process.

The COB faces the following challenges in the implementation of her mandate:

a. Delay in the preparation of the quarterly reports caused by delays in receiving reports. This has led to a breach of the mandate of the Office to meet constitutional and statutory timelines.

b. Incomplete reports from national and county governments entities

c. Lack of standardization in documents required for the request of withdrawal of funds;

d. Lack of mechanisms to enforce budgetary ceilings.

e. Lack of procedures for complaints handling, dispute resolution and investigations.

The COB has received support from the PFMRS to assist in the discharge of the OCOB functions. These include:

Development of The Controller of Budget Regulations, 2021

Section 25 of the Controller of Budget Act, 2016 gives powers to the CoB to make regulations, for better carrying out and give effect to the provisions of the Controller of Budget Act, 2016. Guided by Section 25, the CoB embarked on the preparation of the Draft Controller of Budget Regulations on 13th October 2020 when she appointed a committee comprising officers of OCOB, Kenya Law Reform Commission (KLRC), and the Office of the Attorney General.

The Controller of Budget Regulations, 2021 sought to provide for the mechanisms to manage, guide and provide a uniform, efficient and effective procedure to ensure timely approvals of withdrawals, accurate and prompt reporting, the conduct of investigations, complaints handling, dispute resolution, prudence and enforcing compliance.

Some of the salient features of these Regulations include:

The Purpose of the Controller of Budget Regulations, 2021

The purpose of the Regulations was to provide the procedure for:

a. Authorization of withdrawal of funds from the Consolidated Fund; County Revenue Fund; the Equalization Fund and any other public funds;

b. Enforcement of budgetary ceilings on national and county governments expenditures;

c. Monitoring, evaluating, reporting and making recommendations to the national and county governments on measures to improve budget implementation;

d. Preparation and submission of quarterly and special reports;

e. Conduct of investigations as provided for under Article 252(1) (a) of the Constitution; and

f. Conciliation, mediation and negotiation, in case of a dispute, as envisaged under Article 252(1) (b) of the Constitution.

The Regulations also made provision for the documents to be submitted to the Controller of Budget and the formats for requisition and approval of withdrawal of funds including a mechanism for addressing emerging issues.

The Legislative Context

1. The Regulations seek to give effect to the provisions of Controller of Budget Act, 2016 and the principles of public finance enshrined in Article 201 of the Constitution of Kenya.

2. The Controller of Budget Regulations, 2021 were developed pursuant to section 25 of the Controller of Budget Act, 2016 and the development was guided by the following considerations:

• Ensuring prudent and efficient use of public funds;

• Ensuring compliance with principles of public finance; and

• The adherence to the fiscal responsibility principles provided for under Sections 15 and 107 of the Public Finance Management Act, 2012.

• Standardization of documentation for requests to withdraw funds.

Public Participation and Stakeholder Engagement

In developing the Regulations, the COB undertook comprehensive and extensive consultations with all its stakeholders. Some of the stakeholders engaged include the National Treasury, Parliamentary Budget Office, Office of the Auditor General, County Treasuries, County Assemblies, Council of
Governors, County Assemblies Forum, Society of Clerks at the Table, Central Bank of Kenya, Commission on Revenue Allocation, Inter-governmental Technical Relations Committee, professional bodies and the Civil Society Organizations involved in public finance management and budget making matters.

Submission of the COB Regulations to Parliament

In line with the Statutory Instruments Act, 2013, the Controller of Budget submitted the COB Regulations to Parliament. These Regulations were approved by the National Assembly Committee on Delegated Legislation on 27th January 2022 but annulled by the Senate Sessional Committee on Delegated Legislation on 6th May 2022.

The reasons advanced by the Senate for the annulment were:

a. The Regulations had not fully captured the comments of the National Treasury received after publication of the Regulations;
b. The penalties proposed in the Regulations were not deterrents; Regulations did not address the challenges currently being experienced such as pending bills; and
c. Investigative powers contained in Part IV of the Regulations are likely to overlap with investigative powers of other government agencies such as the Ethics and Anti-Corruption Commission.

Support to the OCOB ICT Department

ICT Equipment support

Thanks to the strategic partnership and support from the PFMR secretariat, the OCOB has received financial support during the PFM reforms strategy 2018-2023 for procurement of ICT equipment for use mainly by the county staff in the Budget Implementation Directorate as per PFM reforms and in support of devolution in Kenya.

ICT infrastructure includes hardware (mainly physical servers), software, networks, data centres, facilities, and related equipment to support ICT services. During the FY ending 30th June 2023, the office is in the process of installing a data storage solution and virtualized server infrastructure for its data centre at a cost of approximately Kshs 4,999,000.

Management of pending bills at the national and county government levels

Pending bills refer to outstanding bills not settled at the end of a financial year. Some of the strategies used by the COB to manage pending bills include:

- Creating awareness for counties on Pending bills require-ment at COB through training
- Ensuring the county submits the Pending Bill payment plan
- Advocating counties to pay pending bills based on FIFO
- Verification of Pending bills paid by county government and ensuring counties adhere to their payment plan
- Mediation on Pending bills between vendors and county government-The office writing to the county government.

Training of county government officials on cash management.

Question: What informed the need for the exercise and what do you aim to achieve?

The training of county officials on cash management was precipitated by the ballooning declined requests by County Governments for withdrawals from the County Revenue fund. In FY 2021/2022 the declined requests increased by 68 per cent to 215 in number from 128 cases in FY 2020/21. The objectives of the training include:

- To affirm that withdrawals from the County Revenue fund are not approved unless the Controller of Budget is satisfied that the withdrawal adheres to the guiding legislation.
- To elicit commitment by County Officers in providing appropriate exchequer support documents so as to ensure timely releases of funds.
- To clarify the COB mandate and relevant legislation guiding approval of withdrawals of exchequer requisitions.
- To promote prudent use of public funds by all County entities through sharing of common breaches of the PFM law emanating from OCOB reviews of documentation accompanying exchequer requisitions.
- To create a platform for peer learning and sharing of experiences
- To sensitize/prepare County Officials to embrace automation in PFM including the ongoing exchequer digitalization process and full use of the prescribed financial system by the National Treasury.

Way Forward

Notably, the grounds for annulment as raised by the Senate are substantive in nature and consequently, call for the amendment of both the COB Act and the Public Finance Management Act. Those concerns cannot be addressed and legislated in Regulations as they require the inclusion of substantive provisions in the parent act. From the foregoing, the Office of the Controller of Budget has initiated the process of reviewing the Controller of Budget Act so as to incorporate the views of the Senate. Further, the review process will consider the lessons learnt as well as the challenges faced over the years as we implement the mandate of the COB.
In an effort to reduce corruption, improve transparency and efficiency, and minimize potential collusion among suppliers and bidders, the Government, through the National Treasury, embarked on developing the electronic government procurement systems, also known as e-GP systems.

Accordingly, Electronic Government Procurement (e-GP) is the use of information technology (especially the Internet) by governments in procuring works, goods, and services requested by the public.

Significant progress has been made in developing the E-GP system. We had a chance to have a sit-down with the National Treasury, Director of Public Procurement, Erick Korir, to learn more on the progress, the salient features of the system, the challenges they have faced so far and the expected impact once the system is up and running.

What is the rationale behind development of the E-GP System?

Section 7 (c) and (f) of the Public Procurement and Asset Disposal Act (PPADA), 2015 has mandated The National Treasury to design and prescribe an efficient procurement management system for the National and County governments to ensure transparent procurement and asset disposal as contemplated by Article 227 of the Constitution.

The National Treasury entered into a financing agreement with the World Bank towards the support of the Program to Strengthen Governance for Enabling Service Delivery and Public Investment in Kenya (GESDEK) in 2017. One of the objectives of the program is to ensure Ministries, Departments, Agencies and Counties (MDACs) are using an end-to-end e-procurement system that is in compliance with the PPADA 2015 and attendant Regulations for a full fiscal year and that procurement data generated by the system is disclosed in the Public Procurement Information Portal (PPIP) following Open Contracting Data Standards (OCDS).
The National Treasury with technical support of the World Bank, reviewed the current Procure-to-Pay module in (IF-MIS) in order to identify its functionalities and deficiencies with a view to developing an end-to-end e-procurement system, and further develop an e-Government Procurement (e-GP) Implementation Strategy.

The Draft Review Report of the Procure-to-Pay module in IF-MIS was submitted in March 2018 and it highlighted the following capabilities of in the module: procurement planning, supplier management, requisition management, quotation management, purchase order, receipt management, invoicing and payment management, use of the United Nations Standard Products and Services Code (UNSPSC) for goods and services during preparation of the procurement plan. Further the system was integrated with the i-Tax system from Kenya Revenue Authority (KRA) for PIN and business name verification and validation of supplier information. The system also had a repository of procurement information and data from past procurements transactions.

However, the major challenge identified was that the module was not aligned to the provisions of PPAD Act, 2015 and its attendant Regulations, 2020. Specifically, the module did not cater for the following procurement processes; consolidation of procurement plans, accommodation of disposal planning, generation of reports on implementation of consolidated procurement; generation of tender opening minutes, accommodation of all procurement methods as the system had one standard bidding template (request for quotation) that was applied to all categories and methods of procurement; support on-line preparation and approval of professional opinions, provision for e-contract management; keep audit trails, facilitate complaint handling mechanisms, performance monitoring of procuring entities and analytics on public procurement expenditure.

In view of the above, the expected benefits associated with a well-functioning end-to-end e-government procurement system have not been fully realized. The Review Report therefore recommended that the Government should consider acquiring a stand-alone e-procurement system to facilitate ease of implementation, configuration and customization to fit to the country’s procurement and asset disposal requirements. This is based on the current global trend where most of the countries across the world have implemented stand-alone e-GP systems owing to the magnitude of transactions processed through the public procurement system.
What are the expected benefits of the E-GP System?

i. Reduced cost and increased transparency in procurement processes and practices;
ii. Improved efficiency in procurement by minimizing the procurement cycle time, maximizing value for money, and fostering accountability through re-engineered procedures, and built-in process workflows and assist in audit trails;
iii. Improved confidentiality, integrity and authenticity of transactions between the procurement entities and the suppliers;
iv. Streamlined procurement procedures across the government through standardization of processes and practices;
v. Have an in-built procurement management information system as a common procurement database to facilitate proper planning, monitoring, evaluation, reporting, and electronic audit trails.

The Public Procurement and IFMIS Departments concurred with the Review Report and recommended to the Cabinet Secretary vide memo Ref. No. NT/PPD.1/4/08 Vol IV (57) of 11th June, 2019, that the Government, in the medium to long term initiative, should commence the acquisition of a new stand-alone end to end procurement system that will be integrated with IFMIS for processing of payments.

What are the key milestones that we have achieved to enhance realization of the e-Government Procurement?

Enactment of PPADA, 2015 and Regulations 2020

In compliance with the requirements of Article 227 of the Constitution of Kenya, PFM Act, 2012 The National Treasury developed the PPADA, 2015 and its attendant regulations. The PPADA, 2015 and Regulations, 2020 provided for automation of the procurement process by creating the appropriate environment for the implementation of e-procurement.

Development of Public Procurement and Asset Disposal Policy

The National Treasury has also developed the Public Procurement and Asset Disposal Policy, 2020 to guide future legislations in Public Procurement. Clauses (6.0) and (1.5 vii, viii) of the Policy require the Government to continuously leverage on technology for efficient, effective, transparent and accountable procurement system.


The National Treasury developed the Strategy for the Implementation of an e-GP system for the Government of Kenya in September 2020. The strategy was approved by the Cabinet Secretary, National Treasury and Planning. The PPD at the National Treasury takes the leadership role in the implementation of the strategy in partnership with all other stakeholders in its implementation.

The strategy provides for a governance structure to support the implementation of e-GP through the following sets of committees:

i. e-Government Procurement Steering Committee
The e-Government Procurement Steering Committee (e-GPSC) provides an overall leadership in the implementation of the e-procurement strategy. The committee was constituted in November 2019 and is chaired by the Principal Secretary of the National Treasury, and reporting to the Cabinet Secretary of the National Treasury and Economic Planning.

ii. e-Government Procurement Technical Working Group
The Group is responsible for successful implementation and deployment of the e-GP system. The group was constituted in November 2019 is chaired by the Director, PPD and reports to the e-GPSC.

iii. e-Government Procurement Project Implementation Unit (e-GPPIU)

iv. Business Process Re-engineering

The National Treasury, with support from various stakeholders undertook the documentation of the re-engineered public procurement business and functional processes in July 2020. The re-engineering process involved leveraging on stakeholder’s experience, benchmarking exercises and borrowing international best practices in e-GP arena. Every process was discussed and TO-BE processes were designed to conform to the PPADA, 2015.

Acquisition and Development of e-GP System

An open international tender for the acquisition of the e-GP system software was advertised in August 2022 culminating in the signing of a contract with a System Developer for design, development, customize, supply, installation, and commissioning of the e-GP system. The contract for the development of an e-GP system software was signed between The National Treasury and a Joint venture of Sybyl Kenya with iSourcing Technologies PVT India, in May 2022 at a contract amount of USD 2,981,289.00.

The development and adoption of a nationwide end to end e-GP system is one of the key public sector financial manage-
ment reform initiatives of the government as outlined in the Budget Policy Statement of the Financial Year 22/23. The department has strict timelines of having the system ready for piloting in ten (10) select MDACs at the beginning of Quarter four (4) of this financial year.

**What is the progress made so far in development of E-GP?**

The service provider is onsite and the following activities have already been undertaken:

i. Contract Implementation Team (CIT) was appointed in line with Section 151 of the Public Procurement and Asset Disposal Act, 2015. The CIT has held several meetings with the Service Provider in regard to e-GP system software development.

ii. The e-GP project inception report was prepared and approved. The report provides for the e-GP project management structure, project implementation plan and risk management among others.

iii. Several consultative meetings have been held with the service provider and procuring entities to undertake e-GP requirements analysis which included reviewing existing procurement processes and practices applied by different identified procuring entities.

iv. System integration analysis meetings have been held for the following system:
   - Business Registration Service
   - iTax system (KRA)
   - IFMIS
   - National Construction Authority system
   - Integrated Population Registry System
   - National Public Key Infrastructure (ICT Authority)
   - Government Digital Payment (eCitizen)
   - Access to Government Procurement Opportunities system
   - Public Procurement Information Portal under Public Procurement Regulatory Authority
   - Government Human Resource Management Information System (GHRIS)

v. The e-GP Technical Working Group (eGPTWG) reviewed the System Requirements Specification document (SRS) in October 2022. The SRS is the blueprint of the e-GP system architecture. The Service Provider has submitted the final draft of the SRS for sign off.

vi. The service provider has submitted a prototype of the e-GP system. The purpose of the prototype is to create a visual image of how the e-GP system would look like. The prototype has been deployed in The National Treasury and the service provider has made a presentation to the user department (PPD).

vii. The Service Provider is also currently undertaking a phased e-GP system modules development in readiness for user acceptance testing in Q3 of this financial year.

viii. The contract for the upgrade of the existing National Treasury data centre which will host the e-GP system was sign in November 2022 between The National Treasury and a Joint venture of M/s Techsource Point Limited with M/s Telenet Solutions Limited at a contract amount of Kshs 371,050,764.65.

ix. The Public Procurement Department (PPD) with assistance from the State Department for Public Service and Public Service Commission is finalizing on the report for the establishment of the e-GP department in order to provide a permanent solution to management and continuous improvement of the e-GP system.

x. Consultative meeting held with Kenya Bankers Association held on 16th December, 2022 to discuss automation of bank guarantees used in the public procurement process.

xi. The Service Provider has submitted the e-GP System Design Document (SDD) for review. The SDD describes the system requirements, operating environment, system and subsystem architecture, files and database design, input formats, output layouts, human-machine interfaces, detailed design, processing logic, and external interfaces.

xii. The service provider is currently developing the e-GP system integration framework that will set out the requirements, policies and procedures of integrating the e-GP system with other Government systems.

xiii. Training: The department plans to enhance the skill set of ten (10) officers through training to support the successful implementation and roll out of the e-GP system and has identified key topic areas for officers to be trained on. Crown Agents, an international training institution widely experienced in training on implementation of e-GP systems has been identified to deliver the short course. It is expected that after the training the officer will be well equipped and knowledgeable to drive the implementation and roll out of the e-GP system to all procuring entities. The budget for the training has been allocated in the current FY 2022/23.
Courtesy Visit by PFMRS Communication Team to Inspectorate of State Corporations.
The Introduction of AGPO (Access to Government Procurement Opportunities’ (AGPO) October 16th 2013 caught the attention of governments all over the world. On a presidential directive, the public procurement rules were amended to ensure a minimum 30 per cent of all government procurement is set aside for youth, women and PWD.

The aim of the AGPO Program is to facilitate the youth, women and persons with disability-owned enterprises to be able to participate in government procurement. However, not all procuring entities have achieved the 30 per cent preference and reservation scheme as required by the law. As such, the AGPO quota has not been fully realized.

How has this program impacted the targeted groups? How many groups have been sensitized on AGPO? How many contracts have been disbursed to the targeted group from the programme inception, all this was answered during our sit-down with Caleb Ogot, Deputy Director Public Procurement Department.

Evangelizing AGPO Reforms to the Grassroots
Describe Philosophy behind the enactment of AGPO.

AGPO is an affirmative action programme to empower youth, women and people with disability to participate effectively in economic development. The programme is offering the best solution to a large number of students graduating from college who may not be able to secure employment opportunities. Women are also considered part of the marginalized group.

AGPO initiative has well been accepted and embraced by the targeted group; this is well noted with increase with the number of registered companies. As today we have 157,000 firms registered; youth having 64,000. In terms of volume; contracts awarded is 158 billion since the programme started. This has really impacted positively on them by providing a source of income and this has a rippling effect where more jobs are created for others. Actually, most of them are now becoming innovative in all the areas talk about ICT, Agri-business, general supplies.

AGPO has now become an opportunity where most graduates are not relying or waiting to be employed as it was before. We have others who are for the idea that we increase to 40% instead of 30% because they have seen the benefit of this programme. The same goes to people with disability. We had actually earlier indicated that no single group must get 50% of the 30% and those with disability must not get less than 2% and there are proposals that we should increase that each group gets equal share of 10%. But again, when you look at the firms registered under the persons with disability are fewer with a number of 7310 compared to youths and the women.

What motivated the County Sensitization forums on AGPO?

In 2018 when the sensitization began majority of the participants were not well schooled. You would find women and youths who has not gone to school. The sensitization was focused on building knowledge on what the programme is all about and how to respond to the opportunities advertised through the Public Procurement Information Portal.

In the recent sensitizations carried out there is a big difference in terms of knowledge capacity. We see more people who are well schooled and have better understanding taking up the opportunity.

Which regions did the program cover?

We covered 37 counties. We had different groups from AGPO Team visiting different regions. There was not much difference noted among the counties in terms of benefits, challenges and even feedback from participants on this programme.
How can you describe the Impact of AGPO since its inception in 2013?

The impact is so huge that even if you offer employment to any of them, they would not even consider it. Some of them their economic capacity has so much improved that they are able to now buy land and even build, with some graduating to start enlisting and bidding for bigger contracts being published by the government. E.G. There is one of the participants who was seen as a blind person earlier but that has changed and is regarded as a contractor who can now handle big business.

How are County Governments responding to adoption and implementation of AGPO initiative compared to National Government?

Statistically the national government have done so well in this particular programme. At the county we still have a challenge so that you find some are reluctant to participate due to delays in payment which is common. This has made some reluctant, but it’s a policy being embraced by the 2 levels of the government where every pubic procuring entity must allocate 30% of expenditure on procurement to the disadvantaged groups. We still have payment delays as teething problems affecting adoption at the counties.

What are the gaps identified to create awareness of AGPO?

Those who have gone to school know and are able to easily access through the PPIP portal unlike those who are not schooled. We need to do more capacity building for those not schooled so that they can respond well to tenders, the documents have technical terms as well which majority of them may not be able to understand, preparation of bid documents.

What are the procurement entities doing to address the gaps that have been identified?

Procurement agencies are not left behind as far as reforms in this area is concerned. There is a policy where a PE is required to conduct training semi annually in order to sensitize them on these areas.

In your opinion, what remains the biggest hurdle in the successful implementation of AGPO?

Biggest challenge is funding because majority who win the tenders may not be in a capacity to service the tender won. However, the government has put in place the guarantee scheme; the government has entered into an MOU with most banks around 7 in the country so that if you have an LPO you can go with it to the bank and on the basis of that you get a loan, but what again they are saying the money is not adequate and there are requirements to be fulfilled to access the loan.

Is the process of getting the AGPO Certificate Laborious?

Actually, it is not, because the process has been automated. You visit a cyber and once you have uploaded the required documents you visit Huduma Centre, and thereafter they escalate it to the AGPO team which will be approved online. The only challenge yet to address is the need of going to Huduma Centre, we want those going are those not able to do it on their own. As I said earlier am seeing educated people coming on board, they only need a computer or even do it from their smart phone once the documents are scanned and get the certificate. Actually, if you have every document required it does not take 2 days to get the certificate.

Are there complains of people misusing AGPO and getting tenders yet they don’t belong to this group?

It is a real challenge especially where you have proxies benefiting and they are not meant to. The blame is squarely on the youth, women and people with disability who are allowing this to happen. But what the government has done is to make sure the mandatory signatory to the account is a youth, women or persons with disability. The challenge is where the group have earned a tender and are forced to look for another partner to work with who will help service the tender

Do you ever for-see such a program can be replicated in the private sector?

Let me tell you not just the private sector alone; we have countries which are coming to benchmark. Kenya has the best model in addressing the disadvantaged group. Countries like Uganda, Tanzania, Ethiopia & South Sudan have come to learn from us.

What would be your parting shot to the youth, women and people with disability as far as AGPO is concerned?

They need to up their game on this because statistics indicate what is being allocated, they don’t entirely absorb it and we are yet to attain even 10% of 30% that is being allocated. We want more of them to come on board and take advantage of the program. It’s a program that can benefit them economically and by way of giving them economic capacity.

I advise them to very keen and even be checking our Public Procurement Information Portal for tenders because the government always advertises on that portal every Tuesday. They should be taking their business profiles to different procuring entities. The more PEs they visit the more likely they are able to get opportunities. The government has gone further ahead to say let women compete among women, youth among youth, people with disability among themselves as well so that they cannot this particular category is getting our tenders.
Presentation on mid-term evaluation report findings conducted by PASEDE consultants to PFM Reforms Secretariat
Public Procurement and Asset Disposal Reforms

Public procurement is a key economic activity of any government that significantly impacts how taxpayers’ money is spent. In the past decades, the public procurement system in Kenya has undergone significant developments. From being a system with no regulations in the 1960s, and a system regulated by Treasury Circulars in the 1970s, 1980s and 1990s, the introduction of the Public Procurement and Disposal Act (PPDA) of 2005, enactment of the Public Procurement and Asset Disposal Act 2015 and enactment of the Public Procurement and Asset Disposal Regulations 2020. All these laws have introduced new standards for public procurement in Kenya.

Introduction.
We sought to learn more on the PFM reforms being carried out in the public procurement space. We sat down with the National Treasury Public Procurement Director Erick Korir for an insightful discussion that gave birth to two part article, one focusing on dissecting the laws and regulations governing Public Procurement law and the second part focusing on the Automation of procurement through the Electronic Government Procurement system.

Public Procurement Law and Regulations

Background
• Public procurement – A component of public services delivery, and sustainable economies with inclusive growth.
• Article 227 (1) of the COK, 2010 advocates that state organs and PEs shall conduct public procurement in a fair, equitable, transparent, competitive and cost-effective manner.
• Article 227(2) of the Constitution of Kenya 2010, requires an Act of Parliament on Public Procurement and Asset Disposal to be enacted.
• The envisaged Act should provide for the following:
  • Categories of preference in the allocation of contracts;
  • The protection or advancement of persons, categories of persons or groups previously disadvantaged by unfair competition or discrimination;
  • Sanctions against contractors that have not performed according to professionally regulated procedures, contractual agreements or legislation
  • Sanctions against persons who have defaulted on their tax obligations or guilty of corrupt practices or serious violation of fair employment laws and practices.

• The Public Procurement and Asset Disposal Act, 2015 was assented on 18th December, 2015 and came into operation in 7th January, 2016 repealing PPDA,2005 through Kenya Gazette Supplement No. 207
• Section 180 of the PPDA, 2015 requires the Cabinet Secretary to issue Regulations for the better carrying out of the provisions of the Act.
• The National Treasury in consultation with stakeholders have developed the Regulations, 2020 repealing PPDR,2006 – They came into effect on 2 July 2020 through Kenya Gazette Supplement No. 53 Gazette notice of 22nd April, 2020 which also repealed 2011 Preference Regulations.

What are the key Milestones in Public Procurement Reforms?
• Enactment of the Public Procurement and Asset Disposal Act 2015
• Enactment of the Public Procure-
Public Procurement Officers in PFMRS work planning workshop

WHAT ARE THE SALIENT FEATURES OF THE PUBLIC PROCUREMENT LAW?

1. Conflict with International Agreements
   - The Act prevails except in instances of international treaties or agreements ratified by Kenya and to which Kenya is party or in negotiated grants and loans.
   - Where the provisions of bilateral and multilateral agreements apply ensure;
   - Technology and knowledge transfer by training of Kenyan citizens
   - Reserve at least 50% employment opportunities for Kenyan citizens
   - Include a plan for building linkages with local industries which ensures that 40% inputs are sourced from local markets;
   - Procurement professionals shall be involved in all stages of negotiations;
   - Where the requirements above cannot be met the accounting officer shall submit a report to the National Treasury to grant a waiver.

2. Simplified and efficient procurement processes
   - This is a departure from the previously complex process
   - Reduced timelines for various tender processing activities which include
     - 7 days period for bidders to submit bids
     - 1 day for writing professional opinion
     - 1 day for accounting officer to award or
make decision on professional opinion report
• 30 days evaluation period
• The PPADA 2015 abolished tender committees
• Clear thresholds in procurement of goods, works and services
• Clear roles and responsibilities for persons involved in public procurement
• Provided for the 13 methods of procurement - Open Tender; Two stage tendering; Design competition; Restricted tendering; Force Account; Direct procurement; Request for quotations; Electronic reverse auctions; Low value procurement; Force account; Competitive negotiations; Request for proposals; Framework agreements; Community participation.

3. Debarment Procedures
• Regulations, 2020 operationalize this by introducing procedures for the hearing and determination of debarment proceedings by the PPRB.
• A request for debarment may be initiated by an AO, DG-PPRA, a law enforcement agency or a person with knowledge of facts that may support one or more grounds for debarment.
  i. where an entity is debarred, any successor entity of that entity is also debarred;
  ii. debarment extends to directors and partners if the debarred person is a company or a partnership; and
  iii. a debarment decision will not relieve the debarred person of its obligations under any contract entered into with a procuring entity before the debarment.

4. Operationalization of eProcurement system
• The Regulations operationalize (S. 64) an e-procurement system intended to improve efficiency in the procurement and asset disposal process in Kenya.
• The e-procurement system would enable, among other things:
  i. the electronic exchange of documents between PE’s and suppliers;
  ii. procurement plan preparation, document preparation, evaluation;
  iii. registration of tenderers, suppliers and consultants;
  iv. online viewing of tender opening proceedings; and
  v. lodging of dispute resolution documentation.
• Benefits of eProcurement system
• Transparency - system will show how many bidders invited to tender
• Visibility of procurement process and transactions
• Reduced lead times on procurement process
• Fairness in allocation of tender opportunities
• Reduction of incidences of fraud eg plucking tender documents, there will adequate security of documents

5. Registration of Suppliers
• The PPADA, 2015 did not set out the process through which suppliers can join a PE’s list of registered suppliers.
• The Regulations provide that a PE may invite candidates to submit applications to be registered as suppliers when generating its list of suppliers.
• The Regulations therefore provide interested applicants with an opportunity to formally join the register of suppliers of PE’s.

6. Prescribed Procurement Procedures and Methods
• The Regulations have clarified the procurement procedures as they provide:
• Clear timelines for the preparation of tenders for each method of procurement;
• New expenditure thresholds to be considered by the PE when assessing which method of procurement to use; and
• A systematic and transparent process when procuring goods, works, services and consultancy services under each method.

7. An increased margin of preference in favour of Kenyan citizens: Reg. 164
• The Regulations provide for a 20% margin of preference of the evaluated price of the tender for goods manufactured, mined, extracted, grown, assembled or semi processed in Kenya where more than 50% of the ownership of the bidder is held by Kenyan citizens.
• This increase in the margin of preference will further promote locally manufactured/grown/ assembled products and incentivize Kenyan-owned bidding entities.
• The margin of preference range from 6% to 20% depending on local content and shareholding of local citizens.

8. Exclusive preference for citizen contractors:
• The Regulations expand the scope of the goods, services and works for which PE’s are required to give citizen contractors exclusive preference.
• These include:
  i. oil and gas
  ii. ICT
  iii. steel
  iv. cement
v. leather agro-processing  
vi. sanitary products  
vii. hospitality, air travel and security services, assembled manufactured, mined, extracted or grown in Kenya.

9. Interpretation of amendment and variation of a contract Reg.132  
- The Regulations separate the meaning of “amendment” and “variation” in relation to contracts as follows:
  i. “Contract amendment” is defined as a change to the terms and conditions of an awarded contract; and  
  ii. “Contract variation” is defined as a change to the price, completion date or statement of requirements of a contract to facilitate adaptations to anticipated events or changes in requirements.

10. Advance payments and requirements in relation to bank guarantees and payment security:  
- The requirements in relation to bank guarantees provided by successful tenderers to secure advance payments:  
  • Must be authenticated by the issuing bank in writing;  
  • Shall be on demand;  
  • shall not be allowed to lapse unless the contractor has done commensurate work or has supplied goods of equivalent value to the guarantee; and  
  • Any payments made to the contractor shall be done in a manner to reduce the advance payment progressively  
  • No advance payment but where allowed with justification 20% shall be paid, but with payment security from a reputable bank equivalent to the same amount.

11. Performance Security  
- Under the Regulations, 2020 the threshold for providing performance security for goods, works and non-consultancy services is for contracts above KES 5 million.

12. Protection of the environment  
- It is a requirement in the law that specifications for procured goods shall be environmentally friendly (Section 3e)

13. Total Cost of Ownership  
- Procuring Entities required to consider Total life costs for an item (Section 3c &f, Section 86(1)(c)

14. Administrative Review  
- There is established central independent procurement appeals review board to be known as the Public Procurement Administrative Review Board as an unincorporated Board.  
  • The functions of the Review Board shall be reviewing, hearing and determining tendering and asset disposal disputes  
  • Review Board shall ensure reasonable access to its services in all parts of the Republic, as far as it is appropriate to do so.  
  • Review Board shall carry out its review mandate within stipulated timelines

15. Disposal of Assets  
- Disposal of Assets has been brought to the ambit of the Public Procurement Law. The methods of Disposal specified in the Act are:  
  • Sale by Public Tender  
  • Sale by Public Auction  
  • Transfer to another procuring Entities  
  • Disposal to Employees  
  • Trade in  
  • Waste Disposal

The Public Procurement Policy was recently approved by the Cabinet. Tell us more about this and its impact to public procurement processes?  

The Public Procurement and Asset Disposal Policy has been developed to provide direction to all public entities and other stakeholders involved in public procurement and disposal activities.

It informs the Public Procurement and Asset Disposal legal framework which enables public entities to achieve value for money, fairness, competition, equity, equality, supplier diversity, transparency and accountability to ensure confidence in public procurement and asset disposal system.
PPRA: Catalyzing transparency in Public Procurement

Among the Key PFM reforms output from the PFM reforms strategy 2018-2023, is the establishment of the Public Procurement Information Portal. The system will not only be used to advertise tenders but also provide information on tenders and contracts that have been awarded, making the process more transparent and void of unfairness.

To find out more on the progress made in this regard, we spoke with Henock Kirungu-Director-Research, Innovation and business systems directorate

1. What is PPIP portal?

PPIP is the Public Procurement Information Portal, is accessed through https://tenders.go.ke. The system was developed and maintained by Public Procurement Regulatory Authority with the support of the Ministry of ICT, ICT Authority and the National Treasury and Planning. The PPIP is a centralized system for collection and dissemination of public procurement and asset disposal information to the public. Such information includes, tender notices, tender notices and general statistics.

2. What is the legal framework upon which PPIP is based on?

PPIP is anchored under Sections 9, 96, & 138 of the Public Procurement and Asset Disposal Act, 2015, Regulations 85(3), 131 of the Public Procurement and Asset Disposal Regulations, 2020 and the Executive Order No. 2 of 2018: Procurement of Public Goods, Works and Services by Public Entities. All procuring entities are required to fully comply with these provisions of the legal framework. Through the platform we are able to tell the whole world what is happening in Kenya through the public procurement.

3. What brought about the need to improve the portal?

Actually, the turning point is to make inter-operation ability easy between public entities and PPRA. Previously there were some challenges, they were able to comply but they would bring scanned documents of which interpretation of those documents through the system was not easy. Now we have enhanced Analytics through the system without recording the documents outside the system and from the press of a button we can now have a lot of information in the portal itself.

This has made it easy and we have been able to set the first batch of training for the new
portal for our stakeholders and public entities and they are very happy. This has made their work easy; they don’t have to write many reports one to National Treasury, another to PPRA just from a click of a button they can access all information.

4. Is the new portal flexible?

There is a lot of flexibility, there is improvement and we are looking to improve further. We are not at the same level we were two or three years ago. We have allowed more information such as procurement plans which now is the game changer. Agencies will be able to upload their procurement plans using the portal. Having more agencies complying will encourage those who are hesitant to do so as they will find it difficult to comply manually but electronically it will be possible to do so.

We are looking forward to sensitize the sectors not complying to do so even if it means building their capacity so that complying becomes easy.

5. Many procurement practitioners are curious on whether the portal integrates with other procurement systems in public entities, what would be your answer to this?

One of the things that is the next level we would want is upgrading the system to make it able talk to other electronic procurement systems of public entities so that they just connect and submit information that is needed to this portal. We are looking at making interoperability easy.

6. Since its inception in 2018, How can you describe the impact of the PPIP Portal?

PPIP has since inception advertised over 60,000 procurement opportunities and published contract information for over 20,000 contracts. This has enhanced public disclosure of public procurement information to the public, thus delivering on the key principles of transparency, accountability and openness.
7. What challenges did the system encounter that necessitated the new upgrade?

During implementation of the PPIP and subsequent feedback received from the procuring entity users, the Authority noted the need to optimize the Portal process and work flow, provide for self-registration of new users, development of reporting and report generation module, and incorporation of Open Contracting Data Standard (OCDS) requirements, to allow collection of procurement information round the procurement cycle.

8. What should we expect from the new upgraded portal?

The Portal is now user friendly with a seamless work flow and processes to ensure disclosure of quality information on public procurement in Kenya. The turn around time for the registration process of new users has greatly reduced, and the public can access detailed information on both tender advertisements and the attendant contracts.

9. How will the new portal compliment similar e procurement portals that have been initiated by counties and other government agencies?

All public procurement information processed/generated through all transactional systems like the e-Government Procurement System, will be disclosed through the Portal, following Open Contracting Data Standards (OCDS). This will call for integration of the systems with the Portal.

10. There is an ongoing training on the new upgraded PPIP modules. Which regions are being covered?

The training covers all public entities within the Country. The public entities have been organized into nine regions, including Central and Upper Eastern, Eastern, North Eastern, Western, Nyanza, Coast, North Rift, South Rift and Nairobi Metropolitan.

11. What are we expecting to achieve from this sensitization?

After the trainings, we expect all procuring entities that have not been registered in the Portal to register, and other dormant procuring entities to publish the information as prescribed. We are also addressing any emerging issues that the users of the Portal are encountering during the publication process. Generally, we expect an increase in the uptake of the Portal through increase in the number of tenders and contracts published.

12. How will the portal enhance public participation in public procurement processes?

The public will have information on tenders advertised by the Government and the resulting contracts, which information they can use to participate in the tendering processes, monitoring implementation of Government contracts being implemented within their jurisdictions and also report on any challenges they experience.

13. Would you describe the system as user friendly?

The system is currently user friendly and accessible through both computer and mobile phones.

14. On what parameters would you assess the performance of the Portal?

One of the indicators to measure performance of the portal is the uptake of public entities in using this system through their reports especially reporting contract awards, tender advertisements, we shall determine success by increase of the uptake of public entities in using this particular system.

Of course, when you compare last year and this year the compliance levels of reporting of public entities has really increased. It has shot up and we are now getting more information than we used to rely before when it was a manual system. In fact, during the manual system, we were very shy whenever asked the value of procurement in Kenya we never had any information as very few were complying through the manual system and it was very difficult for us to consolidate and compile the information manually. But now from the click of a button, we can tell the whole world the money spent through the public procurement system either annually or quarterly or even monthly. This has made us proud and given us more confidence.

15. What does the future hold for portal?

The only difference between now and the future is the uptake level which we are still whipping them in to the system. Very soon we will be declaring some sanctions against public entities not complying.

The further step is on beneficial ownership which we are working with the Attorney general to ensure even beneficial owners are also identified.
Public procurement is increasingly recognized as a strategic instrument for achieving government policy goals. The capacity of the public procurement workforce is a crucial element of a sound procurement system that delivers efficiency and value for money in the use of public funds. In the PFM Reforms Strategy 2018-2023, a key PFM output was to operationalize the Kenya Institute of Supplies Examinations Board (KISEB). KISEB is mandated to enhance the assessment of procurement professionals in the Public Sector.

We made the short trip to KISM Headquarters along Ngong Road and held a candid but eye-opening discussion with the KISEB CEO, Dr. Fred Ongisa, who brought us up to speed on the successes of the reforms, the challenges encountered and how they managed to navigate them by realizing the opportunities that lay within. Dr. Ongisa doubles a focal person for PFMR at KISM/KISEB during the implementation period of PFM Reforms strategy 2018-2023

What PFM reforms achievements have been realized by KISM, during the period of implementation of the PFM Reforms Strategy 2018-2023?

- Development of Assessment Diagnostic Tool: This tool is meant to assess the level of professionalization of public procurement.
- Operationalization of disciplinary mechanism

Give us a brief historical background of the supply chain before operationalization of KISEB?

Kenya put in place elaborate legal frameworks to govern and guide the PSCM profession such as Supply Practitioners Act 2007 and Public Procurement and Asset Disposal Act 2015. However, the country has a challenge with professional pathways and qualifications which are varied in content, duration and depth. The qualifications range from certificates, diplomas, degrees and post graduate programs offered by colleges, national and international examination bodies, universities and other institutions. Kenya Institute of Supplies Examinations Board (KISEB) is a corporate body established by Section 12 of the Supplies Practitioners Management (SPM) Act, 2007. KISEB is mandated, inter alia, to prescribe and regulate syllabuses of instruction for professional certification; prepare and conduct examinations for persons seeking registration as procurement and supply chain management professionals, promote recognition of the qualifications both locally and internationally. In its endeavour to achieve its core mandate of promoting standards of professional competence, KISEB in partnership with KISM and PFMR developed Certified Procurement and Supply Professional of Kenya (CPSP-K) and Associate in Procurement and Supply of Kenya (APS-K), through a consultative process that brought together stakeholders from all sectors and incorporated a nationwide survey to establish the competency gaps.

Tell us more about this. How many procurement professionals have been certified in public and private sector?

6,000 procurement professionals have enrolled for CPSP-K certification. 150 professionals have already attained the certification.

What are some of the expected impacts of professionalizing the Human Resources aspect of the supply chain management & public procurement in general?

Professionalization of procurement aims at overall improvement of the whole range of professional skills and competences, knowledge and experience of the people conducting or participating in tasks related to procurement and supply chain management. This will result in value for money, efficient and effective service delivery.
A draft assessment tool has been developed to assess procurement professionals in the public sector. Briefly expound on this?

The objective of the assessment tool is to assess the level of professionalization of the supply chain management function in the public sector to identify gaps and make policy recommendations to improve public procurement.

Does the certification offered by KISEB look at the end-to-end of the supply chain?

CPSP-K and APS-K certification programs provide an interdisciplinary training on many aspects of the supply chain management: procurement, logistics, warehousing, transportation, negotiation strategies and techniques; legal frameworks and economic principles for effective procurement; organization and strategy of procurement; strategic tools for procurement procedures; economic analysis of the market and cost analysis; integrity and transparency practicing on international procurement principles and best practices.

What measures have been put in place to ensure KISEB inculcates the emerging international best practices in supply chain in Kenya?

The revised syllabuses have embedded global best practices such as professional ethics, sustainability, digitization of SCM.

Recently you revised your curriculum. Tell us more about this?

It is anticipated that this curriculum will address capacity gaps by qualifying a larger pool of procurement and supply chain management professionals that can be recruited into public service and other sectors. The revised curriculum will promote professionalism in procurement, speed up procurement processes, position procurement as a strategic role in organizations and nationally, increase levels of accountability in procurement processes with focus on the procurement professional and their advisory roles and link procurement to national development objectives.

These new syllabuses are therefore coming in at the right time given that the increased scope of responsibilities placed upon procurement professionals. The practical nature of the CPSP-K and APS-K and the inclusion of topics that speak directly to procurement and supply chain challenges currently faced by the public and private sector organizations in Kenya and other similar countries.

A disciplinary mechanism was recently introduced. Tell us more about this and the rationale behind it?

KISM operationalized the Disciplinary Committee (DC) which is responsible for administering the disciplinary procedures amongst persons registered as members. The KISM Council in February 2021 launched the Code of Ethics and Standards of Professional Conduct, the Disciplinary Policy and the Disciplinary Procedure Guidelines. These documents reinforce core values of integrity, transparency and professionalism in procurement and Supply Chain Management.
Please highlight the reform achievements realized by the National Assets and Liability department during the implementation of the PFM Reforms Strategy 2018-2023

The following achievements were realized by the Department

1. Policy, framework and guidelines for asset and liability management were developed and adopted, this includes Policy on Asset and Liability Management in the Public Sector, Guidelines on Asset and Liability Management in the Public Sector and Guidelines for Management of Specific Categories of Assets and Liabilities.

2. Reporting templates for assets and liabilities were developed and approved by Public Sector Accounting Standard Board. The Cabinet Secretary, National Treasury issued a circular requiring all the accounting officers maintain, update registers assets and liabilities using the approved templates and reporting on the same to the National Treasury.

3. The Department of National Assets and Liabilities was operationalized during the period through capacity building and policy formulation.

4. The asset management module was operationalized and this will enhance efficiency on timely updating of the registers and reporting as we as facilitate the process of migrating to accrual accounting.

5. The department conducted a comprehensive training of trainer in November 2020 preparation for the roll-out /sensitization of the policy to the MDAs, State Corporations and offer support to the counties

6. The Policy is being implemented by MDAs through the 19th performance contracting, where they maintain their asset and liability registers in the format prescribed by the guidelines and report on a quarterly and
annual basis. They are also establishing asset management structured as prescribed in the policy.

7. Sensitization on Policy/guidelines on Asset and Liability Management is ongoing.

The legal framework for asset and liabilities management and regulations were drafted, approved & adopted. What informed the development of the framework? What do you intend to achieve?

The legal framework was informed by the recognition that, since independence the Government of Kenya has owned assets and incurred liabilities without a standardized policy or system of recording the assets when procured and liabilities when incurred. This policy framework is therefore essentially aimed at supporting public sector entities adopt standard asset and liability management system of monitoring through life cycle approach to mitigate against loss of asset, and enhance financial reporting and prompt decision making relating to assets and liabilities.

Further the reports of OAG (Office of the Auditor General) tabled in parliament and subsequent PAC (Public Accounts Committee) reports point out that MDAs & Counties have shown a continued trend where fixed assets registers are either non-existent or are poorly maintained. Good asset management is a vital catalyst for accelerating development in a country since asset and liability management is among public function that have direct impact to the public.

It is in recognition of these gaps and challenges that the National Treasury and planning has developed this Policy to guide and standardize management and reporting on assets and liabilities across the public sector. This policy proposes a framework for public entities adopt life cycle approach to assets management as well management of liabilities.

Policy development on assets and liability management intend to achieve the following:

1) The policy is aimed at standardizing management, accounting and reporting on assets and liabilities using life cycle approach across the Public Sector.
2) The policy to guide the public sector entities in compilation of asset registers at entity levels for consolidation, which inform the formation of a central repository at National Treasury of all government assets and liabilities.
3) The policy will facilitate uniformity and standardization of asset acquisition, performance and reporting. This will prepare the Government to fully migrate from cash basis of accounting to accrual basis of accounting.
4) The policy will assist Public Entities to determine the optimum assets levels as a tool for allocating resources and adoption of life cycle approach to management of assets.

Presently, Is there a framework in place being used by the MDAs to report on assets & liabilities?

Some State Corporations are reporting on assets and liabilities using the prescribed format using their ICT Systems. The upgrade of IFMIS asset module will facilitate maintenance of updated asset registers in the Ministries, State departments and the Counties who are operating on IFMIS platform. The asset Management target was included as an indicator for the 19-cycle performance contracting for MDAs. Under this indicator, MDAs are required to maintain and update asset register using the prescribed reporting templates issued by the National Treasury.

The Asset Management Module of IFMIS was to be upgraded. Has this been done? What will be the effect of the upgrade?

The asset module of IFMIS operationalization process has commenced by preparation of user requirement specification document (RD 140) which is the baseline for activation of the module. The prescribed templates are configured in the RD 140 to ensure that upon roll out the MDAs will start preparation of the assets and liabilities register and reporting using IFMIS. The piloting for rollout is expected to start in June2023 with a sample of Ministries, State Departments and the Counties. The operationalization of the asset management module will enhance efficiency on timely updating of the registers and reporting as well as facilitate the process of migrating to accrual accounting.

Expected Effect of the upgrade

Currently, Ministries, State departments and the Counties are using manual or excel sheets in preparation and reporting on registers on assets and liabilities and is which is laborious and inefficient. The asset IFMIS module upgraded will provide a platform to Ministries, State departments and the Counties of maintaining updated register and efficiency and effectiveness in reporting and generating various reports for prompt decision making. It will also enhance efficiency in maintaining updated consolidated government assets and liabilities register.

Will the upgrade improve the capability to cover assets registry for all MDAs, Counties and SCs?

The upgrade of IFMIS asset module will facilitate maintenance of updated asset registers in the Ministries, State departments and the Counties who are operating on IFMIS platform. However, to cover State Corporations that are using other ICT system, integration has been factored in the IFMIS asset module operationalization process.

Why has there been a delay in transferring assets and liabilities to counties? What plans are in place to expedite this process?

Report on Identification, Verification, Validation and Trans-
Please tell us more on the Valuation Process of assets exercise that’s currently ongoing? What is the expected impact?

The exercise on valuation of assets especially in the MDAs and Counties is a mammoth activity which is very costly. However, the Policy on Asset and Liability Management in the Public Sector has provided guidance on use of government valuers’ from relevant Ministries and Agencies.

What advice would NALM propose during the development of the 4th PFM Reforms Strategy?

We recommend that in the fourth 4th PFM Reform Strategy, the area of Assets and Liability Management should be considered as a program as opposed to a sub-activity under key result area number 7 in the current strategy.

The current strategy, the activity addressed policy formulation and reporting aspects on assets Government and therefore we propose inclusion of the bigger component of asset management that cover planning, acquisition, operation and maintenance, and disposal. By introducing assets and liability management as a program in the strategy, will ensure adequate funds are set aside to integrate life cycle approach to assets management across all MDAs and counties and also address liability management. Specific activities under this program that will require funding include as detailed below:

- Sensitization of MDAs and Counties on proper maintenance of updated registers and reporting in compliance with the policy and guidelines using the prescribed templates.
- Development of Asset Management Information system, other than reporting the will have capabilities to address all aspect of assets lifecycle management The information system to serve as data storage warehouse of all government assets and liabilities with capacity to conduct data analytics, monitor asset performance, integration, generate assets and liability management reports
- Capacity building of NALM technical staff on asset management. The department require to enhance knowledge and skills of technical skills through capacity building especially from the countries with best practices on asset and liability management.
- Liaise with Internal Audit department risk framework with respect to assets and liabilities to guide MDAs.
- Development of asset tagging framework to guide all public sector entities in the tagging of their asset.
- Development of a framework to guide optimal utilization of assets in the public sector
- Provide support to the Counties on all matters relating to assets and liabilities management
- Conduct research and verification exercise on assets and liabilities in the public sector on sampling basis annually
- Develop monitoring and evaluation tool

Key challenges

- Underfunding – asset and liability management being a new area in the public sector, more resources to carry out sensitization of all the MDAs and Counties in the area of asset management. However, due to budget constraint, the department has not been undertaking some activities like sensitization, development of the asset tagging system, conduct research optimal utilization to facilitate development of tools and guideline in this area.
- Lack of automated information system for assets and liabilities management in the public entities both at National and County Governments which is largely manual. The maintenance of manual records is laborious and time consuming and could result in loss of assets and liabilities information.
- Lack of adequate staff within the department. The department has an authorized staff establishment of 18 technical staff, however only nine (9) technical staff have been deployed to the department. The department require to enhance knowledge and skills of technical skills through capacity building especially from the countries with best practices on asset and liability management.
- Use of cash basis of accounting in National and County Governments limits their capacity in public assets reporting, control and management. It also hinders the determination of asset and liabilities values as well as evaluation of assets portfolio management.
Consolidation of Public Service Human Resource Data

In 2015 the Government embarked on an exercise known as the Capacity Assessment and rationalization of the Public Service (CARPS). The Objective was to ensure government functions are properly structured and staffed to facilitate transformation of the public service for efficient and effective service delivery.

One of the challenges encountered during the Assessment was unavailability of Human Resource data and payroll information from a centralized source. This brought up the need to develop a Unified Human Resource Information System.

To find out more on the progress and successes realized, we had one on one with Secretary/Management Consultancy Services Directorate, State department of Public Service, David Kanji.

Introduction

The State Department, in collaboration with the National Treasury and other Stakeholders in the Public Service notably Salaries and Remuneration Commission; Public Service Commission; Teachers Service Commission; Council of Governors; State Corporations Advisory Committee and Inspectorate of State Corporations is in the process of consolidating Human Resource and Payroll Data from all Ministries/Departments, Counties, State Corporations, Agencies, Constitutional Commissions and Independent Offices through the Unified Human Resource (UHR) Information System.

The rolling out of the Unified Human Resource (UHR) Information System for the public service is ongoing. Tell us more about this & the rationale behind its development.

A little history will assist here. In 2015, the Government embarked on an exercise known as the Capacity Assessment and Rationalization of the Public Service (CARPS). Its objective was to ensure that Government functions are properly structured and staffed to facilitate transformation of the Public Service for efficient and effective service delivery in the Public Service. The Public Service organizations include: The Civil Service, National Police Service, Teaching Service, Judiciary, Kenya Defence Forces, County Governments, SAGAs (including Public Universities, State Corporations, Tertiary Institutions, Subsidiary Institutions and Funds), Parliamentary Service, Constitutional Commissions and Independent Offices.

The main challenge encountered by the consultants in undertaking the CARPS assignment was unavailability of the required Human Resource data and payroll information from a single source for quick Government decision making on Payroll management, wage bill management, human resource management, budgeting and planning. The Consultants therefore, had to mine data from each institution's HR systems across the entire public services and manually consolidate the information, since the data formats were not standardized.

One of the key findings of the CARPS Report, therefore, was that the Kenya Public Service does not have a unified Human Resource Information System and that Public Service institutions use different and independent (stand-alone) Human Resource Information (HRI) Systems to undertake various HR management functions and reporting. The CARPS report therefore recommended the development, implementation and adoption of a “Unified Human Resource and Payroll Number generating system for the Public Service”.

Rationale: Lack of a Unified Human Resource (UHR) Information System greatly limits the Government’s ability to make sound decisions on wage bill management, human resource management, budgeting and planning thereby undermining efficiency and accountability in staffing for service delivery. Further, the continued use of
stand-alone HR systems for management of human resource functions across the Public Service results in weak controls in human resource and wage-bill management.

In addition, the fragmentation and inconsistency of Human Resource and payroll Data in the Public Service becomes untenable at a time when the Government is digitizing its functions and services for effective service delivery. In line with the Government’s digital agenda, it’s absolutely necessary to ensure that Public Service Human Resource data (including pensions) is consolidated, consistent, accurate and available from a single data warehouse.

What is the expected impact of the UHR system to human resource management in the public service?

The establishment of a primary single source of Government consolidated HR and Wage-bill information will:

(i) Improve value-for-money and accountability by enabling sound decision-making on wage bill management, human resource management, budgeting and planning by the Government;

(ii) Enhance access to timely data and reduce manual processes in the human resources management operations;

(iii) Reduce overall costs of HR operations and investments in systems across the Public Service; and

(iv) Standardize and enable digitization of human resource practices across the Public Service.

Is the UHR System replacing GHRIS System? What is the difference between the two?

Management of Payroll and HR Data in the Public Service (except some state agencies) is done through two Systems namely the Integrated Payroll and Personnel Database (IPPD) system the Government Human Resource Information System (GHRIS).

The IPPD system was introduced in 1998 to administer payroll, initially targeting the mainstream Civil Service and the Disciplined Service. The scope of usage has since expanded to include the Teaching Service, the Military, the County Governments and Assemblies, as well as the various Commissions, Independent Offices, State Corporations, and Semi-Autonomous Government Agencies. The system is an assembly of more than 170 stand-alone installations in Government Ministries, Departments, Counties and Agencies (MDCAs). This System is therefore old and does not have the capacity to host the envisaged consolidated data from all public institutions. Since it is a stand-alone Installation, it makes it difficult to access HR data when required outside the installation site.
The GHRIS, on the other hand, was established in 2011 to replace the aging IPPD system by expanding the scope of functionality beyond payroll administration. It was also aimed at providing access to a wider range of users, and automating the full range of HR processes in the Public Service. Like IPPD, it is becoming obsolete given that it is more than 10 years old. Further, its low connectivity – bandwidth greatly lowers the number of concurrent users who can access the system thereby lowering its accessibility. This is especially during peak periods such as when employees are accessing their pay slips and P9 forms for income tax return purposes. Further, infrastructure capacity (hardware and software) is inadequate given the size of the data that requires consolidation.

The new UHR System involves deployment and configuration of a High-performance private cloud solution built on a Nutanix HCI for hosting HR and Payroll applications & databases; an integrated backup and recovery solution built on Veeam for data protection of critical applications; a High speed 10 switched network infrastructure built on Extreme VSP switching platform for interconnecting the HCI nodes; an Application Delivery Controllers built on Fortinet Forti DC 1200F for application load balancing and high availability; and Microsoft Operating System through Virtual Machines deployed in the private cloud infrastructure and Database licenses applied to Database server deployed for host the UHR server.

The UHR System is an upgrade IPPD/GHRIS Systems. Once the required data is consolidated in the UHR System and the necessary modules are uploaded, the UHR System becomes the single warehouse supporting HR and Payroll Data management in the Public Service. Consequently, the IPPD and GHRIS will be available to run other stand-alone applications but will not be the source of the Unified Data.

**Implementation of the first phase of the UHR System is almost over. Tell us more about this. Where are we?**

The development of a UHR Information System for the Public Service entailed:

(i) Delivery, Installation, Testing, and Commissioning of a Hyper Convergence (HCI) GRIS Infrastructure; and

(ii) Software Development.

The State Department has acquired new ICT infrastructure whose features include: High performance computing hardware infrastructure providing shared server and storage resources services; Resilient network, server and storage infrastructure that supports security and business continuity goals; Ability to support Public Service growing numbers with a scalable and adaptive network infrastructure; and ability to offer high availability, virtualization of the various High-Performance Computing (HPC) tiers and continuous operations of the human resource information processing and ensure efficient and effective service delivery through the digital platform as promised by the Government.

Further, the UHR development project comprised a number of Software development phases each of which is dedicated to automate a manageable set of HR processes. The first phase entailed development of three (3) HR functions namely, Payroll Administration, Leave Management, and Pensions Claim. These were prioritized due to their critical impact on service delivery and the management of public wage-bill.

<table>
<thead>
<tr>
<th>Phase</th>
<th>Public Service Subsectors</th>
<th>UPN Compliance</th>
<th>Roll-out Activity</th>
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</table>
| 1     | • Ministries / State Departments  
       • Disciplined Services  
       • County Governments  
       • County Assemblies | UPN ready | Migrate to UHR |
| 2     | UPN-Compatible Commissions, State Corporations and Agencies using IPPD and GHRIS | UPN ready | Migrate to UHR |
| 3     | Teaching Service | Not UPN compliant | Adopt UPN & Migrate to UHR |
| 4     | Non-UPN Compatible Commissions, State Corporations and Agencies using IPPD | Not UPN compliant | Adopt UPN & Migrate to UHR |
| 5     | All Commissions, State Corporations, Public Universities, and Agencies utilizing HR/Payroll system other than the IPPD system | Not UPN compliant | Adopt UPN & Migrate to UHR |
The State Department is now finalizing six other modules namely Recruitment and Selection; Training and Development; Leave module developed; Pension module; Establishment Control; Third Party Deductions and Emeriti Identification.

Roll-out of the UHR System. The Payroll management Module is now ready from use and will be in use from 1st March, 2023. The UHR System will be rolled out to the entire Public Service in five (5) phases based on the UPN-readiness of the various Public Service subsectors, as follows:

The payroll module was recently developed and rolled out. Was there a pilot exercise done for MCDAs? If so which MCDAs were selected for the exercise? What lessons were learned from this exercise?

Payroll Administration module is among the three (3) priority UHR software modules that successfully underwent pilot testing stage in eleven (11) selected Ministries, Departments, Counties and Agencies (MDCAs), having previously undergone validation by key stakeholders in the Public Service twice at the Kenya School of Government. The Pilot project was done in the following organizations:

The National Treasury; Ministry of Health; State Department for Interior and Citizen Affairs – Interior; State Department for Interior and Citizen Affairs – Immigration; State Department for Infrastructure; State Department for Early Learning and Basic Education; County Government of Kiambu; County Government of Mandera; County Assembly of Nakuru; County Assembly of Marsabit; State Department for Public Service

The lessons learnt is that development of modules is not complete until it goes through a series of pilot tests and that no module is rolled out at 100 percent completion. Continuous re-engineering is necessary.

When will the second phase kick-off? What should we expect in the second phase?

As shown in Table 1, the second phase will kick off in April/May, 2023 when the system will be rolled out to all UPN-Compatible Commissions, State Corporations and Agencies currently using IPPD and GHRIS and whose staff have been allocated the UPN Numbers.

Successfully rolling out the UHR system will be highly dependent on Unified Payroll Number (UPN). What happens to public entities that are not UPN Compliant. Like state corporations using IPPD, Commissions and agencies utilizing other payroll systems aside from IPPD?

In order to facilitate the desired consolidation of HR/Payroll information in the Public Service, each public servant is required to have a lifetime unique identification under the Unified Payroll Number (UPN) Generation/Allocation Module centrally managed by the Ministry responsible for Public Service. It is imperative to note that acquisition of Unified Payroll Numbers (UPNs) is a prerequisite for a Public Service organization to use the shared Unified HR platform.

The Head of the Public Service issued a Circular to all Ministries/Departments, Counties, State Corporations, Agencies, Constitutional Commissions and Independent Offices directing that they migrate to the new system vide Circular Letter No. OPCAB.1/31A 4th August 2022. We have received high levels of compliance and in the process of analysing the received information and we will isolate those that do not comply and seek direction from the Head of the Public Service.

What plans are there to enhance the integration of the UHR System with other key systems? Which are these key systems?

Once the required data is consolidated, the UHR System will then be linked to the Integrated Financial Management System (IFMIS), Pensions Management Information System, Kenya Revenue Authority (KRA) iTax, National Registration Bureau (NRB) among others key Government systems for ease of access by Government. This is expected to take place in 2023/24 FY.

It is noted that counties have already shifted to UHR System. What challenges have you experienced so far? What lessons have you learnt?

The Counties have largely complied. The biggest challenge is that the counties also inherited staff of the previous local authorities whose terms and conditions of service are different from other county staff. Further, counties continue recruiting huge numbers of casuals. These two categories are still being paid outside the computerized system. We intend to ensure issuance with UPN to allow them to be paid through the UHR System.

What are the key reform opportunities you would suggest to be included in the next strategy as far as human resource management in public sector is concerned?

i. Training and capacity building for UHR Staff and finalization of 6 Prototyped Modules be funded as priority
ii. Funds for projected activities be released promptly on request and as per the workplan
iii. Hosting of the UHR Data in a secure secondary site
1. Introduction

The Salaries and Remuneration Commission (SRC) is established by Article 230 of the Constitution of Kenya, 2010, and is mandated to:

a) Set and regularly review the remuneration and benefits of all State officers; and;

b) Advise the national and county governments on the remuneration and benefits of all other public officers.

The advice of the Commission is a mandatory prerequisite in the determination of remuneration and benefits for all public officers, as provided in Article 259(11) of the constitution.

In discharging its mandate, SRC is guided by the principles set out in Article 230(5) of the constitution. The principles are:

a) The need to ensure that the total public compensation bill is fiscally sustainable;

b) The need to ensure that the public services are able to attract and retain the skills required to execute their functions;

c) The need to recognise productivity and performance; and

d) Transparency and fairness.

The Commission is also guided by the principle of equal remuneration to persons for work of equal value, as provided under Section 12(1) of SRC Act, 2011. The functions of the Commission are contained in Section 11 of SRC Act, 2011.

2. SRC role in delivering public finance management reforms 2018-2023 strategy

2.1 Introduction

The Commission has been supported by the Public Finance Management Reforms (PFMR) for the last 3 financial years. SRC plays a critical role in delivering key reform changes in Result Area 1 and 5.

Under Result Area 1, SRC plays a great role in Result 1.6 i.e. The growth in the wage bill is limited and within 35 per cent of government revenues and growth in the value of non-priority expenditures is kept lower than priority expenditures over the medium term. The changes required to deliver the result is: Rationalised and harmonised benefits and allowances throughout government.

Under Result Area 5, SRC plays a critical role in both Result 5.1 on, 'Public Service Human Resource (HR) data is consolidated and consistent, which improves value-for-money, and accountability enabling sound decision making on wage bill management, human resource management and budget planning' and Result 5.2 on Public Sector Institutions Payrolls are fully automated and integrated with GHRIS and IFMIS. The changes required to deliver the result is:

a) Functional HR data warehouse (as part of GHRIS) that effectively consolidates HR data across the public service in a standard format integrated with IFMIS, PMIS and all public service payroll systems.

b) Regular and uniform HR data information reporting to the central HR data warehouse.

c) Automated payroll systems of public sector institutions integrated with GHRIS and IFMIS.

2.2 PFMR support to SRC

The following activities have partly been financed through PFMR resources:

a) Rationalisation and harmonisation of allowances payable in the public service;

b) Review the existing SRC guidelines and the development of the draft SRC Regulations;

c) Checks on adherence to SRC circulars in public service institutions;

d) Sensitisation and capacity building on SRC’s advice in public service institutions;

e) Development of Automated Wage Bill Monitoring and Evaluation System;

f) Training of SRC staff on finance for non-finance managers; and

g) Support towards the Nation Leadership Forum to dis-
seminate SRC mandate.

In the current year 2022/23, PFMR is supporting SRC in the following activities:

a) Streamlining and rationalisation of allowances in the public service.

b) Monitoring and evaluation in public service institutions.

c) Media interviews on appropriate media platforms to promote SRC mandate.

d) Roll out of Automated Wage Bill Monitoring and Evaluation System in public service institutions.

e) Sensitisation and capacity building of public service institutions on SRC advice, circulars and guidelines.

f) Sensitisation and capacity building of the new county leadership on SRC mandate.

g) Training of SRC staff on wage bill management.

3 Achievements

SRC has made tremendous progress towards implementation of principles on pay determination, through support by PFMR. The following are the key achievements realised:

3.1 Framework for Review of Public Service Remuneration and Benefits

SRC developed the Framework for Review of Public Service Remuneration and Benefits (PSRB), 2021. The development was necessitated by the need to provide comprehensive guidelines to operationalise the pay principles in the public service. The overall objective of the framework is to guide the public service on how to achieve an efficient remuneration and benefits system.

The framework operationalises the principles set out in article 230(5) of the constitution. These principles give SRC authority to develop guidelines to anchor its decision and/or advice to public service employers, workers and their representative trade unions, and the Employment and Labour Relations Court (ELRC).

The framework covers all public service institutions and forms part of a reference document for ELRC, public service institutions, State and public officers in their roles as workers, trade unions and employers’ organisations representing public service organisations.

In addition, the framework is aimed at ensuring moderation in increases in remuneration, while cushioning public service workers against deterioration in their standards of living, thus, nurturing and establishing a flexible remuneration system, ensuring labour stability, and promoting national productivity and competitiveness.

3.2 Wage bill ratios

Public service wage bill consumes a larger percentage of revenue than the target set in the Public Finance Management (PFM) Act, 2012, and a larger percentage of Gross Domestic Product (GDP), compared to the average for developing countries.

Through different interventions, SRC has contributed to the reduction of the wage bill to total revenue ratio from 54 per cent in financial year (FY) 2012/13 to 47 per cent in FY 2021/22, as seen in Table 1. The interventions include, SRC’s advice on requests on Collective Bargaining Negotiations (CBNs), Allowances and Benefits, and Salary Reviews.

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<tbody>
<tr>
<td>Compensation of Employees/Total Wage bill</td>
<td>622,269</td>
<td>670,762</td>
<td>784,526</td>
<td>851,683</td>
<td>944,890</td>
<td>998,643</td>
<td>1,055,454</td>
</tr>
<tr>
<td>Pension bill</td>
<td>37,500</td>
<td>53,400</td>
<td>64,000</td>
<td>65,100</td>
<td>66,400</td>
<td>87,000</td>
<td>110,300</td>
</tr>
<tr>
<td>Total Public Sector Employees (’000)</td>
<td>774.7</td>
<td>833.1</td>
<td>842.9</td>
<td>865.2</td>
<td>884.7</td>
<td>923.1</td>
<td>963.2</td>
</tr>
<tr>
<td>Average Monthly Gross Salary Per Employee (Ksh)</td>
<td>62,434</td>
<td>66,937</td>
<td>67,095</td>
<td>77,562</td>
<td>82,031</td>
<td>89,003</td>
<td>90,153</td>
</tr>
<tr>
<td>Ratios (Per Cent)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wage bill to Nominal GDP (Benchmark Target: 7.5%)</td>
<td>8.19</td>
<td>7.91</td>
<td>8.40</td>
<td>8.32</td>
<td>8.82</td>
<td>8.25</td>
<td>7.73</td>
</tr>
<tr>
<td>Wage bill to Ordinary Revenue</td>
<td>49.59</td>
<td>46.59</td>
<td>51.54</td>
<td>49.95</td>
<td>52.61</td>
<td>55.98</td>
<td>51.77</td>
</tr>
</tbody>
</table>
Wage bill to Total Revenue (PFM Target: 35%)

| Year | 41.13 | 40.36 | 43.47 | 41.69 | 41.89 | 44.02 | 46.26 |

Growth (Per Cent)

| Growth in Wage Bill | 10.13 | 7.79 | 16.96 | 8.56 | 10.94 | 5.69 | 5.69 |
| Growth in Average Monthly Gross Salary Per Employee (%) | 7.21 | 0.24 | 15.60 | 5.76 | 8.50 | 1.29 | 1.29 |


(i) Wage bill to GDP ratio

To release resources for investment in the priority areas, the wage bill to GDP ratio must take a trajectory towards the achievement of the target ratio. The wage bill to nominal GDP ratio was 8.4 per cent in year 2018 and dropped to 7.73 per cent in the year 2022. This ratio is projected to decrease towards 7.5 per cent in line with the average for developing countries, and approximately 7 per cent, which is the internationally desirable level.

The drop is attributed to the interventions by SRC and other institutions. SRC’s interventions include, advice on requests on CBNs, Allowances and Benefits, Productivity and Performance, and Salary Reviews.

(ii) Wage bill to revenue ratio

The wage bill to total revenue ratio has been oscillating between 43.47 per cent in 2018 and 46.26 per cent in 2022 (figure 2). This implies that the ratio is still significantly above the PFM Act, 2012, and PFM Regulations, 2015, threshold of 35 per cent.

3.3 Streamlining allowances paid in the public service

The review of allowances in the public service has been done progressively to address inequities, unfairness and distortions in remuneration and benefits. In 2019, SRC undertook a Study on Allowances Payable in the Public Service. The study identified 247 allowances paid to public officers across the public service, which on average accounted for 48 per cent of the total wage bill. The study further revealed a proliferation of allowances and existence of duplication, redundancy, disparities and varied eligibility criteria in allowances paid in the public service.

Consequently, to address the issues identified from the allowances study, SRC, through a consultative and participatory process developed an allowances framework for the public service whose key objective is to provide a structured approach to streamlining the management and administration of allowances to improve transparent-

Figure 1: Wage bill to GDP, 2018-2022

cy, accountability, equity and fairness, thereby, ensuring that the total public compensation bill is affordable and fiscally sustainable.

The framework provides that allowances for State and public officers will be merged, renamed, restructured, retained, or abolished, while taking into account existing Collective Bargaining Agreements (CBA), any contractual obligations and being cognizant of existing legal provisions.

The allowances framework is being implemented progressively in a phased approach, as follows:

a) Phase I: SRC has implemented the framework in setting the remuneration and benefits for State officers.

b) Phase II: SRC will review and advice on cross cutting and common allowances in the public service. As part of this phase, Retreat Allowance, Sitting Allowance for Institutional Internal Committees, Taskforce Allowance and Meal Allowance have been reviewed and are awaiting finalisation of the Circular and communication to stakeholders.

c) Phase III: SRC will engage employing institutions advising on institution specific allowances that require to either be merged, renamed, restructured, abolished or retained on or before the commencement of financial year 2023/24.

d) Phase IV: While issuing advice on parameters for future CBNs, SRC will progressively review allowances and benefits in CBAs and align them to the provisions of the framework.

3.4 Framework for Recognising and Rewarding Productivity and Performance

The SRC developed a Framework for Recognizing Performance and Productivity in the Public Service, which will form the basis upon which SRC will advise public service institutions on recognising productivity and performance.

The following are the achievements attained in this principle:

a) Capacity Building: In collaboration with the Kenya School of Government, a total of 284 officers from 95 public service institutions have been trained on productivity improvement and measurement.

b) Pilot Productivity Measurement: A total of 24 State corporations and 5 county governments were selected to pilot the measurement of productivity in the financial year 2022/23. The counties in the programme are; Kakamega, Kilifi, Tana River, Busia and Makueni.

c) Technical Support: SRC and National Productivity and Competitiveness Centre (NPCC) has been offering technical support to enable the targeted institutions to develop productivity measurement frameworks.

d) Frameworks: SRC has developed a framework for recognising productivity and performance, while NPCC has developed a framework for productivity measurement.

3.5 Public finance management enforcement

To facilitate the realisation of the public finance principles in Article 201 of the constitution, as expounded in PFM Act, 2012, which includes but not limited to; promotion of openness and accountability, including public participation in financial matters; adoption of a public

![Figure 2: Wage Bill to Revenue Ratio, 2018 - 2022](image-url)
finance system that promotes an equitable society; use of public money in a prudent and responsible way; and clarity in fiscal reporting and responsible financial management, SRC collaborates with other PFM stakeholders.

To achieve this, SRC has engaged public institutions charged with the implementation of PFM Act, 2012, through signed Memorandums of Understanding (MoUs) that have developed and expanded the framework of cooperation on matters of mutual benefit and interest to the party institutions.

The PFM institutions that have signed MOUs with SRC include, the Office of the Auditor General (OAG), Kenya National Bureau of Statistics (KNBS), and Ethics and Anti-Corruption Commission (EACC). The MOUs are at different levels of implementation.

3.6 Stakeholder Engagement

The SRC has been engaging stakeholders in policy-making processes, pursuant to the provisions of Articles 10, 118 and 232 of the constitution. Further, SRC has been producing and disseminating annual reports on the discharge of SRC’s mandate. Other materials have included, SRC’s Mishahara newsletter for external consumption, and promotional merchandise such as banners, brochures, flyers, among others.

SRC decisions are disseminated through Kenya Gazette Notices, circulars, letters, media and social media. Stakeholder engagements have included media engagement such as panel discussions on the wage bill held at the Nation Leadership Forum, media interviews, press briefings, social media posts, and creation of awareness through the website.

3.7 Monitoring and Evaluation Exercise

In the discharge of its mandate, SRC issues gazette notices, letters, circulars, guidelines, etc, to the national and county governments clarifying specific issues of remuneration and benefits.

To ensure adherence to these circulars, SRC continuously monitors the implementation of its advice to enhance adherence levels and ensure seamless implementation and feedback. This is undertaken through regular adherence checks, thus, promoting continuous engagement with its stakeholders.

The Monitoring and Evaluation exercise is aimed at checking the implementation of SRC’s advice in public institutions. Specifically, the exercise helps to:

a) Understand the extent of implementation of SRC Circulars and Advice;

b) Monitor adherence to SRC Circulars and Advice from time to time;

c) Provide interpretations and clarifications on SRC Circulars and Advice;

d) Build partnerships and synergies with stakeholders who execute and/or implement SRC Circulars and Advice; and
e) Based on the findings of adherence checks, share recommendations for corrective measures.

While undertaking monitoring and evaluation (M&E), capacity building and sensitisation exercises through PFMR support, SRC engaged 58 public institutions in national and county governments in the financial year (FY) 2020/21. In FY 2021/22 and 22/23, SRC undertook M&E visits in 49 public service institutions that included 37 public universities, 7 State corporations, 3 Constitutional Commissions and Independent Offices, and 2 county governments.

3.8 Development of the Automated Monitoring and Evaluation System

In undertaking M&E exercises in the national and county governments, SRC is yet to cover all public institutions due to resource constraints. In addition, the voluminous information obtained from the exercise are in physical files, which makes data retrieval and analysis tedious and time consuming. Computation of adherence level is also manual and comparison of adherence issues in different institution is therefore challenging.

To mitigate against these challenges in M&E adherence checks, SRC has automated the M&E process by developing a wage bill management M&E system. The creation and development of the system will enable data collection and simplify analysis of data, cross-comparison of adherence issues and computation of compliance levels in addition to central storage of information.

Further, the system will enhance SRC’s coverage of more public institutions by providing a channel for feedback mechanism between SRC and public service institutions, encourage self-adherence and facilitate M&E reporting in an efficient manner by use of less resources and time.

The level of self-adherence within public institutions is low. As SRC enhances the collaboration and engagement with various stakeholders, this will provide mechanism to guide the process.

The next steps in the automation process is piloting of the system and thereafter roll out where users from select public institutions will be trained and actual data captured in the system. Any discrepancies arising from the system shall be reconciled and corrective measures taken. Feedback from public institutions shall be incorporated to improve the system.

3.9 Third Public Service Remuneration and Benefits Review Cycle for the period 2021/22 – 2024/25

In September 2020, SRC launched the Third Public Service Remuneration Review Cycle for the period 2021/22 – 2024/25. The exercise, which covered jobs occupied by both State and public officers, determined the relative worth of jobs.

The following has been achieved:

a) Conducted, mobilised, sensitised 388 public service institutions on job evaluation, as well as undertook job evaluation clinics that enhanced stakeholder awareness, ownership and appreciation of the job evaluation process;

b) Conducted job evaluation and job evaluation grading for 32,400 State officer and other public officer jobs in public service institutions;

c) Issued job evaluation reports to institutions having incorporated feedback received;

d) Capacity building and training was undertaken at the Kenya School of Government for 210 public service institutions, which included up to 2,835 participants;

e) Based on the findings of adherence checks, share recommendations for corrective measures.

4 Outcome

The following are the outcomes of SRC’s decisions on the constitutional principles:

a) Harmonised remuneration and benefits, leading to equity and fairness and ensuring that the total public compensation bill is affordable and fiscally sustainable;

b) Attraction and retention of the best talents in the public service due to benefits, stability, competitiveness, continuity, and the salaries offered;

c) Increased awareness of CBN process and increased adherence to SRC advice on CBN. This has resulted in more predictable and stable labour environment; structured negotiations as a result of parameters issued by SRC; predictable wage bill providing an opportunity for the economy to recuperate and grow before the next CBA cycle; and equity in pay structures given SRC’s national approach to CBNs; and

d) Increased access to information and accountability to stakeholders on the remuneration and benefits of public officers.

5 Strategic Measures Towards Managing The Wage Bill

a) Staff optimisation in the national and county governments;

b) Streamlining of the management of allowances in the public service to mitigate against wastage;

c) Strengthening accountability in the national and county governments to ensure fiscal discipline in the management of resources;

d) Increase revenue through productivity measurement and recognition in the public service;

e) Improve labour productivity in the public service.
PFMR Secretariat Staff pose during the launch of mid-term evaluation of PFM Reforms Strategy 2018-2023
Revamping the Public Service

An efficient, motivated and well trained public service is one of the major foundations of the Kenya Vision 2030. Indeed, according to the Constitution of Kenya (CoK, 2010) a public service must be build that is efficient, performance or results-oriented and citizen-focused.

To reform and transform the Public Service for efficient and effective service delivery, several PFM reforms initiatives have been implemented that will not only ensure efficiency, quality, speed, convenience, dignity in service delivery but also global competitiveness.

We sat down with the management team from PSC who walked us through this journey.

As we come to the end of the PFM Reforms Strategy 2018-2023, please highlight the reform achievements realized by the public service commission, as far as your area in the strategy is concerned?

i) Undertook review of Organisation Structures and Staff Establishments for all the 44 State Departments. The same will however have to be reviewed with the change of administration.

ii) Prepared Public Service Human Resource Management Bill, held consultative meeting with relevant parliamentary committee and submitted the Bill to parliament for legislation;

iii) Developed draft Human Resource Master Plan for the Public Service;

iv) Initiated process of integration of performance management systems in the public service, developed a concept note and held consultative meetings with stakeholders;

v) Built capacity on business process re-engineering and supported MDAs in re-engineering their processes;

vi) Developed draft service-wide citizen service delivery charter and standardized the common services;

vii) Acquired ICT equipment (50 laptops, 2 heavy duty printers and 30 desk top computers);

What progress has been made in development of regulatory requirements for reporting & sharing of HR data for public service institutions?

An internal team has been set up at the Commission in readiness to develop the regulations. The team is awaiting finalization of the GHRIS infrastructure and system upgrade so as to determine the requirements to be included in the regulations as well as the process involved.

Please explain its rationale and impact?

The regulations will guide on data management to ensure compliance with the data protection laws. The regulations will also enable standardization of the requirements for consolidation of HR and Payroll data across the Public Service. It will also facilitate seamless retrieval of information and insight analysis, from a central repository of data. It will therefore enhance efficiency and effectiveness in decision making since the required information will be sourced from a centralized pool.

When should we expect dissemination of regulatory requirements to take place?

After the development and approval by parliament.

Are there plans to ensure there is a framework for tracking & monitoring compliance with the regulatory requirements?

The monitoring and evaluation processes will be inbuilt into the regulations to ensure that the regulations are complied with.

A public Service Human Resource Management Bill has been finalized. Tell us the key highlights of the bill, its core objective and the expected impact.

The Bill seeks to harmonize human resource practices and management across the entire public service (national and county government levels) by establishing uniform norms and standards.

The Public Service Commission (Performance Management) Regulations, 2021 have already been developed. Elaborate its rationale, objective and the expected impact.

The regulations were developed to guide implementation of performance management tools and cycle in the public service. The objects of these Regulations are to:

1. Improve the quality of public services offered by public bodies;
2. Improve the efficiency and effectiveness of service de-
livery by public bodies;
3. Provide mechanisms for holding public bodies to account for performance results;
4. Provide guidelines to link planning, budgeting, implementation and the achievement of results by public bodies;
5. Provide for the measurement of the performance of public bodies in relation to set performance targets; and
6. Provide a framework for the development of standards to facilitate the objective appraisal of performance results.

The roll-out of Public Service (Performance Management) Regulations 2021, is expected to translate to enhanced efficiency and effectiveness in public service delivery.

PSC reviewed 44 organizational structures & staff establishments for ministries & state departments. Tell us more about this, in particular the rationale, and the expected impact.

i) The organisation structures were reviewed with an aim of streamlining State Departments functions in line with their vision and mandate as well as aligning government functions so as to reduce duplication among various State Agencies.

ii) The structures are meant to enhance efficiency in service delivery, by having appropriate number of personnel to perform various roles.

A HR master plan for Public Service is being developed. Tell us more on this exercise?

The Human Resource Masterplan provides the strategies that will be undertaken to address current and future workforce needs in the public service. The plan aims at ensuring that the public service is adequately prepared to forecast its human resources needs in the long term. The primary objective is to equip the public service to keep pace with national development needs and changes by ensuring that at all times, the public service has the right people, with the right skills at the right places to implement government policies and objectives.
What has been done so far to ensure uniform norms & standards are entrenched in public service management?

Development of a draft service wide Citizen Service Delivery Charter to address inconsistencies in the timelines and requirements for similar services. The charter will act as an accountability mechanism that should contribute towards an efficient and effective public service as envisaged in the Constitution. The draft charter is awaiting stakeholder engagement.

What are the top three challenges facing your organization that are undermining your ability to achieve your mandate as outlined in the PFM Reforms Strategy 2018-2023?

i. Low compliance with Human Resource policies and regulations at the County Level, leading to an avalanche of appeals to the Commission;
ii. Low levels of awareness on public service values and principles at all levels of government;
iii. Lack of uniform norms and standards on human resource practices and management in the public service;
iv. Weak performance management systems at both levels of government;
v. Manual service delivery mechanisms in the public service; and
vi. Inadequate funding from exchequer.

What reform suggestions would PSC propose to be considered during the development of the 4th PFM Reforms Strategy 2023-2028

i) Develop and implement programmes for Capacity building of the County Governments on HR related matters so as to enhance the level of practice and adherence to policies and procedures. This will reduce litigation on HR related matters and provide a conducive work environment for employees;
ii) Develop and implement programmes for awareness creation on public service values and principles;
iii) Finalization of the public service human resource management bill;
iv) Development and implementation of integrated performance management system;
v) Finalize and roll-out of the service-wide Citizen Service Delivery Charter;
vii) Digitization of services in the public service where applicable; and
vii) Provide adequate funding.
In a very simple language what is Performance Contracting?

- Performance Contracting is the process of tracking and managing performance through which Ministries, Departments and Agencies (MDAs) are committed to achieve specified targets on deliverables that are agreed on through consensus.
- The Kenyan government adopted Performance Contracting in the FY. 2005/06 as the management accountability tool to manage institutional performance.
- The overall aim is to improve service delivery by ensuring that top-level managers are accountable for results, and in turn hold those below them accountable.

Have both levels of government embraced Performance Contracting as tool to improve performance?

- One of the Generally Accepted Performance Principles used to rate a successful Government Performance Management System is Whole-of-Government Coverage.
- Performance Contracting in Kenya is now in its 19th year of implementation with a resounding level of uptake.
- At the National Government level, all Ministries and all eligible State Corporations and Tertiary Institutions are on performance contracting.
- Twenty-six (26) County Governments have adopted Performance Contracting though they have not been consistent in applying it annually.
- The Teachers Service Commission is the only one among the Constitutional Commissions and Independent Office that has adopted performance contracting.
- Judiciary of Kenya has also embraced performance contracting and has its own internally developed and managed performance management framework informed by its independence as one of the three arms of Government.

What has been the transformational effect of Performance Contracting in improving productivity and performance in public service?

- Improved performance of public institutions.
- Increased transparency in operations and utilization of public resources.
- Increased accountability for results.
- Enhanced objectivity in rewarding performance by basing it on measurable performance.
- Clear apportionment of responsibility for action or inaction.
- Elimination of confusion that resulted from a multiplicity of objectives that were not clearly prioritized.

A National review of Performance Contracting Guidelines is expected to take place for MCDAs. Tell us more about this exercise.

The objective of reviewing the Performance Contracting Guidelines is to update various aspects and the provisions therein with a view to:

- Incorporate any emerging issues.
- Address any concerns raised by MDAs in the course of implementing the preceding year’s performance contracts so as to continuously refine and make the tool more relevant and facilitative.
- Consider proposals to bring on board any new perfor-
mance indicators that are geared towards addressing national priorities as set out from time to time.

- Consider for retiring any performance indicator(s) that may have realized their intended objectives, those that do not add value to the process in the prevailing circumstances and/or those that can be delivered through other equally effective delivery frameworks.
- Address any errors and contradictions that may have been identified in the course of applying the current guidelines.
- Align the text to the provisions in the GPCIS and the GP-CIS support guides.

Since MDAs are key stakeholders in performance contracting by virtue of the fact that they are the main users of the Guidelines, they are accorded an opportunity to participate and contribute to the review of the Performance Contracting Guidelines.

Stakeholder Representatives are drawn for the three main categories of MDAs namely, Ministries, State Corporations and Tertiary Institutions. Specialized Agencies (Agencies that have a technical oversight role on a specified Performance Indicator) also participate in the review.

What is GPCIS System? What is it all about? What was the rationale behind its development?

- GPCIS is simply the Government Performance Contracting Information System which is now being used by Ministries, Departments and Agencies (MDAs) to undertake all the relevant performance contracting processes online (from PC preparation to Annual Performance Evaluation).
- The rationale behind the development of the GPCIS was to:
  - Ensure continuity of service delivery in the Public Service during and after post COVID-19 Pandemic era.
    a) Review the traditional model of undertaking the Performance Contracting processes involving massive travel country wide.
    b) Improve efficiency and effectiveness in Performance Contracting by automating the processes through an end-to-end online platform. The processes include: PC Preparation, Negotiations; Vetting; Review (quality assurance); Performance Monitoring & Reporting; and Annual Performance Evaluation.
    c) Make the Performance Contracting processes paperless.
What has been the transformational effect of GPCIS system since it was rolled out?

- Alternative Safe Storage of performance Data.
- Flexibility- Upgrading of the system to take into account lessons learnt & emerging issues.
- Reduced Paperwork.
- Availability of critical performance data at a click of a button thus enhancing use of data analytics and ease of drawing insights from performance data for rapid decision making.
- Cost Savings - The system was developed & rolled out using expertise available in Government, thus saving substantial financial resources.

Recently GPCIS has had to be upgraded. Tell us more about that and the transformational effect of the upgrade.

The upgrade was aimed at:

- Addressing some issues identified in the system that were affecting effective and efficient application of the system. They required to be addressed to facilitate and support seamless development and implementation of the FY. 2022/23 Performance Contracts and facilitate preparation of the FY. 2021/22 Annual Performance Evaluation Report.
- Map MDAs to align with the Executive Order on the Organization of Government.
- Map new users of the system so as to accord them user rights as provided in the PC Guidelines. The change of users was necessitated by the organization of Government.
- Audit on the status of development of the system based on its potential to inform future enhancement.
- What is the difference between GPCIS and IPMS?
- In the Medium-term, the intention is to ultimately have GPCIS integrated with other key government systems.
- GPCIS will have an integration Application Programming Interface (API) Module to interface with the key government systems such as, Integrated Financial Management Information System (IFMIS), Public Investment Management Information System (PIMIS), Government Investment Management Information System (GIMIS), Agency-Specific Systems for Reporting on selected Performance Indicators, Staff Performance Appraisal System (SPAS).
- The Integrated Performance Management Information System (IPMIS) basically refers to a platform that will provide for effective interface of the systems. Currently, GPCIS is not integrated with any of the systems listed above.

What are the major milestones that GPCIS has been able to achieve?

- 488 MDAs have been defined and given access credentials for use in the system.
- Six (6) modules have been developed and rolled-out to enable undertaking of various performance contracting processes in the system. The Modules are:
  a) PC Preparation Module;
  b) Negotiations Module;
  c) Vetting Module;
  d) Review Module;
  e) Performance Monitoring and Reporting Module; and
  f) Annual Performance Evaluation Module.
- Eligible MDAs are able to prepare respective Performance Contracts, prepare quarterly reports and undertake self-evaluation.
- PSPMU is able to undertake PC review (Quality Assurance) to ensure that PCs for MDAs are in line with Performance Contracting Guidelines as well as government priorities.
- Lead Agencies are facilitated to provide quarterly feedback on performance for their respective MDAs.
- PSPMU is facilitated to undertake performance moderation using the GPCIS.

How does the system facilitate measurement and monitoring of performance?

- GPCIS is modular based and has been designed, developed, and rolled out in phases.
- To facilitate performance monitoring and measurement, Performance Monitoring & Reporting and Annual Performance Evaluation Modules have been developed.
- MDAs are required to prepare and submit Quarterly Progress Reports through the GPCIS for performance Monitoring and Reporting.
- This entails online setting of Quarterly Targets, capturing Quarterly Achievements, submitting Quarterly Achievements, accessing the Quarterly Report, accessing feedback on analysis of the reported achievement and undertaking Self-Performance Evaluation.
- MDAs use GPCIS to compute the overall performance of an MDA.

Challenges in rolling-out the GPCIS

- Reliability of the GPCIS due to fluctuation in internet connectivity (Government Common Core Network).
- Initial training for users and piloting of the system not carried out due to lack of funds. This initially affected uptake which have now been resolved as MDAs continue using the system.
- Inadequate funding to complete all required modules and including the User Management Module.
Lessons Learnt in rolling-out the GPCIS

- There is a lot of local expertise that remains underexploited especially within the ICT Sector.
- Local solutions are cheaper in the long run and have higher acceptance among stakeholders.
- We do not have to always be forced to embrace change. This lesson is borne of the fact that the idea of developing a performance contracting information system had been entertained for long without any action until the advent of Covid-19 that required that we have a solution for continuity of performance contracting in the midst of the restrictions in movement and inter agency gatherings.

Are there plans to roll-out GPCIS to the Counties?

- Yes. PSPMU in collaboration with the Council of Governors have started the discussion to roll-out the Government Performance Contracting Information System to the Counties.
- Development of the County Government Performance Contracting Information System (CGPCIS) began in August 2022. The Modules for PC Preparation and Negotiations were developed but are yet to be not piloted.

Kenya Intergrated Performance Management Policy

was developed. Tell us more about this and the expected transformational effect.

- Development of the policy was identified as a critical reform initiative to fast-track the structural transformation, sustainable economic progress, and socio-economic development required in the country. This was during National Wage Bill Conference jointly organized by the Salaries and Remuneration Commission and the Inter-governmental Relations Technical Committee in November 2019.
- The policy aims at streamlining and standardizing public sector performance management at the National and County Government levels.
- The policy provides the principles, strategies, and broad guidelines for the management and coordination of performance in the National Government; County Governments; and, Constitutional Commissions and Independent Offices, while taking cognizance of their autonomy.
- The Policy provisions will guide performance at both the institutional and individual levels and will be a reference point on performance management in the public sector for stakeholders, including the development partners.
What is the Kenya Health Human Resource Advisory Council (KHHARC)? Why was it established and what role does it play in the country’s health sector?

The Kenya Health Human Resource Advisory Council (KHHARC) is established as a body corporate by the Health Act, 2017. KHHARC is an intergovernmental and multiagency body with representation drawn from the National Government, County Governments and Training Institutions (Public and private universities, middle level training colleges).

The Health Act mandates the Kenya Health Human Resource Advisory Council to review policy and establish uniform norms and standards for:

- a) posting of interns to National Government and County Government facilities;
- b) inter county transfer of healthcare professionals;
- c) transfer of healthcare professionals from one level of Government to another;
- d) the welfare and the scheme of service for health professionals;
- e) management and rotation of specialists; and
- f) The maintenance of a master register for all health practitioners in the country.

Give us a brief background to the Integrated Human Resources for Health Information System (iHRIS), what informed the development of the system?

iHRIS is a free, open-source software package that helps countries around the world track and manage their health workforce data to improve access to services. Countries use it to capture and maintain high-quality information for health workforce planning, management, regulation, and training.

Briefly, explain to our readers what the National Health Workforce Accounts (NHWA) is all about.

The National Health Workforce Accounts (NHWA) is a system by which countries progressively improve the availability, quality, and use of data on health workforce through monitoring of a set of indicators to support achievement of Universal Health Coverage, Sustainable Development Goals and other health objectives.

The NHWA is built up of core indicators and data characteristics that can be progressively measured in order: generate reliable health workforce information and evidence; enable the planning, implementation and monitoring of workforce policies towards UHC; improve the comparability of the health workforce nationally and
globally; and enable research to be performed about future trends regarding health workforce, systems and resilience planning.

Is there a difference between the Integrated Human Resources for Health Information System & National Health Workforce Accounts (NHWA)? Do they serve the same function?

NHWA collects, analyses and standardizes information from iHRIS which is presented on a global platform for comparison and decision making. iHRIS is an in-country system while NHWA is a global system.

What are some of the major achievements realized by the Kenya Health Human Resource Advisory Council (KHHRAC) during the implementation of the PFM Reforms Strategy 2018-2023?

Support from PFMR contributed to improved access to quality healthcare services through training of officers from the counties on Integrated Human Resource Information System (iHRIS) to help readily track and manage health workforce. The support also enabled making health workforce data available for planning and decision-making at policy level through the establishment of the National Health Workforce Accounts (NHWA). Notable Increased awareness on the need for coordinated health workforce planning, management and development for the devolved health system in Kenya.

• Where are we as far as having one central registry for human resource data? What is the anticipated impact of the registry?
• KHHRAC developed a concept note on the establishment of a master register for all health practitioners to help get buy-in from top management and mobilize the necessary resources. Draft guidelines on the creation, implementation, management, and sustainability of the master register have also been developed and are awaiting discussion and inputs by internal and later external stakeholders and later validation by all stakeholders. The next stages will involve software, hardware and other infrastructural considerations for the system.
• 3 training exercises have been conducted on Integrated Human Resources for Health Information Systems at the National level and in the counties. Tell us more about these trainings and its objectives.
• The trainings involved building capacity of county health records and information officers and county human resource managers on the use, maintenance and security of the data in the iHRIS system. The participants were trained on preparing data for entry into the iHRIS, importing data into iHRIS, search and exporting lists and reports. Part of the capacity building also included training and knowledge transfer of the IT technical staff on the technical aspects of iHRIS software – installation, configuration and management.

National Health Workforce Accounts–NHWA Multi-Agency Technical Working Group was appointed and trained. Tell us more about the working group, its mandate, and the expected deliverables.

Multisectoral Technical Working Group (TWG) was established comprising of membership from key stakeholders. These included representatives of human resource managers from the nine human resources for health county clusters. The Terms of Reference for the TWG include: conducting a scoping analysis of the current situation of HRH data in the country; to provide guidance on the selection of data sources; to identify data gaps; organize multiple sources of data to fill these gaps; and to draft summary reports on the analyzed data for validation by the multistakeholder working group.

Briefly highlight the major issues brought forward through the report.

1) Health workforce data as captured on DHIS2 may not be adequate to address the needs of NHWA.
2) Continuous engagement with stakeholders is necessary to explore ways to make health workforce data more comprehensive.
3) A legal framework for data sharing is necessary to address the concerns of various stakeholders.
4) County officers need to be trained on the use and maintenance of iHRIS in order to make comprehensive health workforce data available on this platform.
5) Periodic data quality audits are necessary to improve the quality of the data by identifying and filling any gaps, finding and fixing errors and removing duplicate records.

The NHWA Technical Working group held a meeting with human resource data source agencies, scoping analysis was conducted and NHWA indicators were developed. Expound on this exercise and the expectations.

Members of the NHWA technical working group with HRH expertise conducted a scoping analysis of the current situation of HRH data in the country to: provide guidance on the selection of data sources; to identify data gaps; organize multiple sources of data to fill these gaps; and to draft summary reports on the analyzed data for validation by the multistakeholder working group.

Is there a difference between NHWA and iHRIS? Do they serve the same function?
**FEATURE**

**MINISTRY OF HEALTH**

**Efforts have been made in engaging the private sector and faith-based facilities to consider providing health workforce data for incorporation into the NHWA. Tell us more about this, the progress, and any challenges faced, if any.**

The private sector (represented by Kenya Health Private Sector Alliance) and faith-based organizations (represented by the Kenya Faith-based Health Services Consortium) would like to have in place an agreement outlining the form and use of data to be obtained from them before they can share their health workforce data. KHHRAC is currently in the process of preparing customized Data Sharing Agreements, based on the Draft Data Sharing Framework developed earlier, to the specific needs of each of these organizations.

**KHHRAC is currently in the process of establishing a Health Workforce Information System (HWIS). Tell us more about this. What happens to iHRIS that’s currently being utilized?**

A HWIS was launched at the Nursing Council of Kenya (NCK) in 2002 with support from the U.S. Centers for Disease Control and Prevention (CDC). Key features of the KHWIS are components for capturing data on pre-service education, training, registration and relicensing, in-service specialties and upgrades, continuing professional development (CPD), human resources management and deployment.

However, iHRIS which is an open-source web-based application, appears to be accessible to users at county and lower levels, it provides an interface to other source databases using web services and application programming interfaces (APIs), and integrates with other systems such as Kenya’s Master Facility List (MFL), enhancing data security and accessibility, reducing maintenance costs and increasing sustainability and scalability.

KHHRAC will consult widely with relevant stakeholders to come to a consensus on the best health workforce information system be it HWIS, iHRIS or a system developed from scratch.

**Health workforce data-sharing framework ought to be developed. What is the progress so far? What is the rationale behind this decision?**

A draft health workforce Data Sharing Framework has been developed through the multistakeholder taskforce. The draft framework will be used to prepare customized Data Sharing Agreements specific to the needs of the individual state and non-state actors before each organization signs with KHHRAC.

**What is the status of standards and norms of staffing requirements in Kenya?**

There is an increasing need for health organizations to identify the most appropriate staffing levels and skill mix to ensure efficient and effective use of the limited resources. The required number of health workers and their skill mix in a health facility will depend on the workload and the range of services in the facility which in most cases is related to the minimum health care package being offered at the facility. First the health worker to population ratio was used and later standard staffing schedule for each health facility level was used. Both of these methods did not address the issue of evidence-based workload variation between the same levels of facilities at different locations within a country.

Application of Workload Indicators of Staffing Need (WISN) method in planning and projection of human resources for health helps to rectify many of the observed deficiencies in access to human resource for health. This implies each health facility has its own staffing requirement depending on its workload. Following its development by WHO, the WISN has been used to determine staffing requirements in several countries.

With the support of development partners such as WHO and USAID several counties have carried out WISN. The current plan is to do sampling and carry out WISN for the whole country and extrapolate the findings to facilities with similar characteristics.
Reforming Public Debt Governance in Kenya

Good public financial management practice prescribes that public borrowing and the level of public debt have to be consistent with the overall fiscal framework to ensure macro-economic stability.

We had a one on one chat with National Treasury Public Debt Management Office (PDMO) Deputy Director, Livingstone Bumbe, to find out more about the reforms being implemented by the directorate, find out the progress and milestones achieved through these reforms.

As we come to the end of the PFM reforms strategy 2018-2023, Please highlight the reforms achievements realized by the Public Debt Management Office as far as your area in the strategy is concerned?

1. Debt and borrowing policy in place, which formalizes the framework for debt management
2. Public Debt Management Office structure approved
3. Enhanced capacity to negotiate debt
4. Diversification of borrowing instruments - Borrowing beyond commercial banks such as issuances of Eurobonds in 2021 and enhanced reduction of cost of borrowing
5. Business process manual developed
6. Broadening and deepening of the domestic market

PDMO Structure which was approved by PSC sets out a clear framework for sustainable borrowing, broadening & deepening of domestic markets and diversification of borrowing instruments. What steps have been made to realize this objective?

1. Launch of Over-The-Counter (OTC) for Treasury bonds and Treasury bills is progressing well with the appointment of a CEO for the OTC exchange (EABX Ltd). The CBK is in the process of setting up a new Central Securities Depository (CSD) system to support OTC trading.

2. Reforms in the Government Domestic Debt Market:
   The 7-Point Reform Plan
   In 2016, the National Treasury pronounced itself on several reforms dubbed the 7-point reform plan aimed at removing bottlenecks identified as constraints to Kenya’s domestic debt market development. The debt market reforms included:
   • Facilitation of an electronic bond auction;
   • Separation of the retail and wholesale markets;
   • Establishment of an Issuance calendar;
   • Establishment of an Over-The-Counter market for Government Securities;
   • Market enabling initiatives such as:
     a. The establishment of an efficient horizontal repo market;
     b. Introducing securities lending and short-selling.
   • Formalize monthly stakeholders meeting and feedback.

Elaborate more on the background of the debt and borrowing policy. What are the key highlights, what objective does the policy aim to achieve and what are the expected impact?

The Public Debt and Borrowing Policy provides guidance on raising resources through borrowing to finance the budget and managing the public debt portfolio at minimum cost and prudent level of risk while ensuring public debt remains within sustainable level over the long term. The policy also seeks to promote the development of domestic market for Government debt securities.

The objectives of the debt and borrowing policy are to:

i) Ensure Government financing needs and its payment obligations will be contracted at the lowest possible cost over the medium to long term, consistent with a prudent degree of risk. The structure of public debt will mitigate/balance the costs and risks including refinancing risk, foreign exchange risks, size of the economy, public revenues, debt liabilities currency vis-a-vis revenue currency, etc.;

ii) Ensure public debt remains sustainable and that it does not place unbearable burden on its current and future generation. In this regard, management of public debt will seek to safeguard National Government’s ability to service debt without compromising the fiscal capability to fund provision of public services and development projects;

iii) Ensure regional equity in the distribution of benefits and costs arising from debt funded projects; and

iv) Promote the development of domestic debt market for Government debt securities.
Sound public debt, fiscal, and monetary policies, and financial policies promote sustained macroeconomic stability, economic growth and development to enhance the general welfare of the citizens. The policy seeks to strengthen coordination in implementation of monetary and fiscal policy operations to minimize costs and risks inherent in the management of public debt and borrowing. Further, the development of domestic debt market for Government securities hinges in part on financial sector reforms, and better coordination in the execution of monetary policy operations and government borrowing activities in the domestic market.

The PDMO prepares the annual Medium-Term Debt Strategies (MTDS) specifying plans on how to finance budget deficits and specific measures to address emerging issues in the public debt portfolio. Notwithstanding the increase in size, cost and risk of the public debt, the country does not have a clear policy on public debt and borrowing. Debt and borrowing policy is required to define the scope and limits within which decisions on borrowing and debt management are taken for effective outcome of borrowing to the country.

**Is the country’s borrowing based on the fiscal framework and cash requirements?**

Yes, the Country’s borrowing is based on the fiscal framework and cash requirements passed by Cabinet and Parliament through the BPS and the MTDS.

**What plans have been made to ensure the country’s debt is sustainable?**

Borrowing is now being anchored on the debt carrying capacity of the country using the Debt to GDP measure. With a moderate ranking of Kenya in terms of her debt carrying capacity, Kenya’s debt to GDP threshold has been set at 55 percent.

**A debt issuance calendar is already in place. Explain to our readers what this entails?**

A debt issuance calendar is in place. The issuance calendar summarizes the important key data of the issues planned by the Government for the forthcoming auction dates, instruments to be transacted and the tenors of each. Bonds are issued monthly; on the first and on the third Thursday of each month, with the exception of January when bonds are issued on the second Thursday.

**Actual auction dates have been included on the existing debt issuance calendar. What does this mean and what is the expected transformational effect?**

The actual auction dates have been included on the current debt issuance calendar. This is good for transparency and accountability to the players in the domestic market. It also enhances information flow to investors and guide on when to expect auctions.

**Plans are underway to develop an electronic auction system. Tell us more about the system and the present status of its development?**

Plans are at an advanced stage to introduce the electronic platform for Primary and Secondary market. This is aimed at improving efficiency in Government securities market by automating the processes in both Primary and Secondary market for Government securities. By doing this the Government will reduce auction cycle in the primary market, improve pricing transparency in the secondary trading of Government bonds and government securities in the primary market, reduce cost of investor participation in the market and attract major local and international players in the market.

**There are plans to enhance automation of debt management systems which automate PDMO business processes? Tell us more about this plan and its present status, Will the systems be integrated to other key systems?**

The debt management systems have been automated and currently debt recording and settlement has been enhanced using the new web-based Meridian debt recording and settlement system. Officers dealing with debt re-
recording and settlement can now access the system remotely since its now web based. This has enhanced prompt recording and settlement of debt thereby reducing any chances of debt defaults and or misrepresentations. Transparency in debt data and information has been greatly improved which is a key objective of public debt management.

**What could be done to improve, or at least prevent deterioration, of the Government Sovereign Credit Rating?**

The following approaches can be applied to help maintain or improve good Sovereign Credit Ratings.

- **Ease of doing business** – ensure thriving of local economy like low cost of doing business which encourages diversification in investment as well as foreign direct investments and encourage exports
- **Trading blocs** – encourage regional trading blocs which lowers cost of transactions and tariff barriers (blocks in existence are not working as recommended hence inefficiencies)
- **Sound macro-economic policies** – the policies have managed to stabilize largely the economy hence need sustenance in curbing shocks in the economy
- **Institutionalize framework for International Credit Rating Agency (ICRA) Liaison teams** – coordinate from the treasury with the task force already in place to oversee the implementation including IRU and teams from the agencies (*Need for a standing task force to coordinate improvement in Kenya’s sovereign credit rating*)
- **Develop comprehensive National Strategy** – which will engage with the different agencies to guide the government on specific focus areas to improve credit ratings, mechanisms for periodic monitoring, risk exposures and all stakeholders on how they respond to issues raised by the ICRAs in previous reviews and how relevant government MDAs are addressing them
- **Regularize periodic engagement with the ICRAs** – the liaison team with IRU to periodically engage the agencies in case of any perceptions which is unlikely to be true
- **Enhanced regulation on credit rating services** – in act these regulations to be in line with international regulations to merge the magnitude of subjectivity

**What has been done to improve human resource capacity in public debt management?**

Human resource gaps have been a major setback in public debt management. The number of staff in for example the Middle office is low at 7 measured against the approved establishment of 28. Capacity building has been ongoing and hence improvement in service delivery has been felt. At least three officers have been recruited to join the department although two also left during the period bringing a net difference of positive one.

**There are plans to migrate from Commonwealth Secretariat Debt recording & Management System (CSDRMS) to Meridian. Explain the rationale informing the migration, the differences between the two systems and timeline set for complete migration?**

This has been affected and is in final stages. The advantage of meridian over the Commonwealth Secretariat Debt recording & Management System is that Meridian is web based and can be accessed anywhere. This has speed up operations in debt recording and settlement since officers can now access the system remotely and work efficiently.

**What could be done to further improve monitoring of contingent liabilities?**

Very few staff in PDMO understand monitoring of contingent liabilities. More staff should be trained on this very important aspect of public debt management especially with the influx of diversification of projects implementation using the PPP model.

**Are there plans to incorporate the County Governments on Borrowing?**

Yes, county governments will be incorporated into borrowing. Section 175-176 of the PFM (County Government) Regulations, 2015 prescribes the borrowing by the county. County borrowing guidelines are already developed and will guide counties in their borrowing endeavors.

**Is PDMO carrying out its objective & performance as envisaged in the law?**

Yes, the PDMO is carrying out its objectives and performance as envisaged in the law. They include:

- Minimise the cost of public debt management and borrowing over the long term taking account of risk – MTDS ensures the borrowing is in line with the BPS and also takes account of risks and costs of debt by proposing the best funding mix from borrowing
- Promote the development of the market institutions for Government debt securities; - Reforms currently ongoing to ensure the deepening and widening of the domestic debt market for government securities and,
- Ensure the sharing of the benefits and costs of public debt between the current and future generations – Projects funded through loans must be of benefit to the current and future generations to bring about the intergenerational equity among Kenyans.
Economic Development Coordination Directorate

Strengthening County Planning: Challenges and Opportunities

The Constitution of Kenya 2010 ushered in a devolved system of government consisting of the National and 47 County governments, which are distinct but interdependent. To entrench the spirit of devolution, Article 220(2) (a) of the Constitution gave rise to enactment of various Acts of Parliament providing the requisite legal framework to guide integrated county development planning.

The Fourth Schedule of the Constitution assigned the function of County Planning to the counties while the responsibility of capacity building and development of policies was assigned to the National Government.

As we come to the end of the PFM Reforms Strategy 2018-2023, please highlight the reform achievements realized by the State Department of Planning as far as your area in the strategy is concerned.


With regard to decentralized planning, Kenya instituted the Special Rural Development Programme (SRDP) in 1967 as an experimental effort at the then sub-District level to conduct integrated development activities aimed at increasing rural income and employment opportunities. The SRDP led to the emergence of District Development Grants in 1971 as means of financing locally defined projects and revitalization of District Development Committees. The decentralization process took full effect on 1st July 1983 with the adoption of the District Focus for Rural Development (DFRD) which transformed the districts as the focal points for identifying, initiating, planning and managing rural development through District Planning Units. The District Planning Units were responsible for development of District Development Plans that were linked to the national plans.

The Constitution of Kenya 2010 ushered in a devolved system of government consisting of the National and 47 County governments, which are distinct but interdependent. To entrench the spirit of devolution, Article 220(2) (a) of the Constitution gave rise to enactment of various Acts of Parliament providing the requisite legal framework to guide integrated county development planning. The Fourth Schedule of the Constitution assigned the function of County Planning to the counties while the responsibility of Capacity Building and development of Policies were assigned to the National Government. The SDP then issued guidelines to counties on the preparation of 1st Generation County Integrated Development Plans (CIDPs) 2013-2017 but no follow to ensure adherence to the same was made. But in the second generation CIDPs 2018 - 2022, the State Department for Planning played a key role in providing technical support to counties with the Support of PFMR. PFMR has also supported other programmes in the State Department of Economic Planning.

The table 1 below elaborates on achievement realized by the State Department of Planning as far as Results Area 2 under the PFMR programme on Strategic and transparent spending on public investment and service delivery in line with
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<th>S/No.</th>
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| 1     | Development of guidelines for preparation of County Integrated Development Plan (2018-2022) | To provide the requisite norms and standards for preparation of CIDPs in order to ensure uniformity across all counties, and strengthen the linkage between policy, planning and budgeting at the county level. | • Preparation of the 2nd generation CIDP  
• Validation of the guidelines  
• Dissemination of 2nd generation CIDP in 47 Counties  
• Capacity building and technical support to Counties on demand basis  
• Assessment and review of the CIDPs as per the guidelines | Done | • The preparation process involved consultative forums with key stakeholders from the County Governments, Council of Governors, Development Partners.  
• Academic Institutions, Experts from key areas for main-streaming key cross-cutting and emerging issues, and Government Agencies, under the coordination of the State Department for Economic Planning. |
| 2     | Development guidelines for Preparation of 10yr County Sectoral Plans | To provide the counties with a framework for the preparation of the County Sectoral Plans in order to ensure quality and uniform standards in development of long term sectoral visions, goals and strategies. | • Preparation of County Sectoral Plan guidelines  
• Validation of the County Sectoral Plan Guidelines  
• Dissemination and sharing with the County Governments for Implementation | Done | • The process of preparation involved engagement with Government Agencies, County Governments, Council of Governors, and Development Partners under the coordination of the State Department for Economic Planning.  
• There is need for the State Department for Economic Planning to do follow up on the progress of the preparation of the said plans at the counties. |
| 3     | Development of County Planning Handbook | To provide a one-stop shop reference guide for all development plans prepared by the counties. | Preparation of the County Planning Handbook that included incorporation of inputs from County Government participants into the draft County Planning Handbook | Ongoing | • The preparation process involved consultative fora with various stakeholders including Council of Governors, County Governments, Governments agencies, and experts in areas for main-streaming key cross-cutting and emerging issues  
• A draft County Planning Handbook has been developed awaiting incorporation of key cross cutting issues, finalization, and dissemination |
National and County Policy Commitments is concerned.

In a layman’s language what is CIDP? How does it relate to them?

A County Integrated Development Plans (CIDPs) provide a framework for planning, budgeting, funding, monitoring and evaluation of programmes and projects in five-year terms. The CIDPs ensure counties programme and projects are aligned to the national aspirations as contained in the Kenya Vision 2030 and its Medium Term Plans. It is implemented through a rolling one year plans (Annual Development Plans) where programme-based budgets are drawn. So far, the First- and Second- Generation CIDPs have been developed and implemented.

The CIDP should have: clear goals and objectives; an implementation plan with clear outcomes; provisions for monitoring and evaluation; and, clear reporting mechanisms. The process of developing the CIDP should adhere to the steps and timelines stipulated in the Guidelines. In addition, the CIDPs should ensure integration of the national development framework through inclusion of key programmes and projects to be implemented in the County by National Government Departments and Agencies. The CIDPs should thus include the flagship and other key National Government projects at the counties.

Counties are in their 3rd Cycle of CIDPs. What plans are put in place to ensure the CIDPs capture the aspirations of the residents of each county? Is there enough human resource capacity to effectively implement the CIDP plans?

The State Department for Economic Planning with collaboration with other key stakeholders developed the third cycle CIDP guideline to guide the counties in coming up with a county specific yet standardized CIDP that captures the aspirations and dreams of the people of Kenya in their respective counties.

Counties have carried public participation in the process of preparing the County Integrated Development Plans 2022-2027 which majority of them are currently at advanced stages of completion.

In reference to the human resource capacity, there are still challenges in terms of number of technical staff as well capacities for the officers implementing the plans. Though the challenge varies from county to county.

What are the lessons and challenges we learnt from the 2nd Cycle of CIDPs.

a) Counties are currently preparing their 3rd cycle of CIDPs since the inception of devolution. A lot have changed in terms of the structure and format of doing the CIDPs from the first CIDP of 2013-2017 through the second generation CIDP of 2018-2022 to the current CIDP of 2023-2027. During the first period of devolution, some counties gave their CIDPs to consultants to develop for them, clear road map and guidelines weren’t followed and it lacked in-depth linkages with other plan documents in the country and globe such as the MTP, Africa Agenda 2063 and SDGs.

b) Prioritization of programmes and projects is key.

c) It’s important to resource mobilize for the programmes identified since resource envelope is not adequate.

Is there a framework in place to track and report implementation of CIDPs?

Yes. This is known as County Integrated Monitoring and Evaluation System (CIMES). At the devolved level, the Counties use the County Integrated Monitoring and Evaluation System (CIMES) to track implementation of County Integrated Development Plans (CIDPs). Further, CIMES is to provide a coordinated manner of M&E implementation of policies, programmes and projects at county and sub-county levels and to provide feedback to policymakers for decision-making.

Counties are mandated to develop 10 year county sectoral plans. There has been a delay towards this end. Tell us more about it and what SDP is doing to address the issue? What is the expected impact of the county sectoral plans?

Article 174 of the Constitution of Kenya and Part XI of the County Government Act provides the objects of devolution of government, which include, amongst others: to promote democratic and accountable exercise of power; to recognize the right of communities to manage their own affairs and to further their development; and, to promote social and economic development and the provision of proximate, easily accessible services throughout Kenya. County planning and development is one of the functions assigned to the County Governments in the Fourth Schedule of the Constitution. Various laws on devolution have been enacted including the County Government Act, 2012.

The delay towards the preparation of County Sectoral Plan may have been hampered by lack of capacities by the counties to undertake this activity and issues of budgetary constraints is also a contributing factor.

State Department for Economic Planning has noted these challenges and to forestall the same guidelines have been for preparation of County sectoral Plans. The guidelines therefore needs to be disseminated. The preparation of county planning handbook that will greatly assist counties in coming up with County Sectoral Plans is also in its final stage.

The County Sectoral Plans shall be programme-based, and will be used as the basis for budgeting and performance management. Further, Sectoral Plans will inform the preparation of County Integrated Development Plans.
A draft county planning handbook has been developed. Where are we now? What are the key highlights, and the expected outcome? What informed this decision? When do we expect dissemination of the handbook to take place?

The County Planning Handbook amalgamates several reference materials that have been issued by the State Department for Economic Planning on the subject of county planning and preparation of various plans as indicated in the existing legislations.

**Where are we?**

A draft County Planning Handbook has been prepared. The preparation of the handbook is at an advanced stage. Currently the State Department is in the process of incorporating cutting issues as earlier mentioned in the matrix.

**What are the key highlights, and the expected outcome?**

The purpose of this Handbook is to act as a guiding tool to county planning, to ensure that county plans meet legal and professional thresholds. Specifically, the handbook will:

- Act as a reference point for county governments in executing their county planning, budgeting, monitoring and evaluation mandates
- Provide necessary information to stakeholders (academia and research, development partners, national government representatives, public) to help them understand and appreciate county development planning, budgeting, and monitoring and evaluation functions.
- Facilitate the National Government in exercising its constitutional mandate of providing technical guidance to county planning, budgeting, monitoring and evaluation.
- We standardize the preparation of all required plans as per the County Government Act, 2012

**What informed this decision?**

- Constitutional reforms culminated in the promulgation of the Constitution of Kenya, 2010, which created a two-tier level of government - the National Government and 47 County Governments. Article 186 and the Fourth Schedule of the Constitution assign exclusive and concurrent functions to the two levels of government. Specifically, the Part 2 of the Fourth Schedule assigns the County Governments the role of County Planning and Development. This include preparation of various county plans to guide counties in achievement set goals and objectives. To give effects to the Article 220(2) above there are a number of national legislations which prescribe:
  - Issues of planning at the county level. Further, policy guidelines are also issued as when need arises to counties. The handbook therefore brings together all these reference materials to be used while preparing the various plans.
  - The blueprint embodies the true definition of development by considering not only economic growth but also social and structural changes. The Vision is anchored on three key pillars: Economic; Social; and Political with a crosscutting pillar for enablers. The Kenya Vision 2030 is implemented through a series of 5 Year Medium-Term Plans (MTPs) at the National level and 5-Year County Integrated Development Plans (CIDPs) at the County level. The Government is currently implementing the third Medium Term Plan which covers the period 2018-2022. Preparation of the Fourth MTP (2023-2027) and second-last phase of Kenya Vision 2030 is underway. This will set the momentum for transition to the next long term development agenda for the Country.
MTP IV Concept Note was validated. Elaborate more on this.

The National Treasury and Economic Planning through the State Department for Economic Planning is spearheading the development of the Fourth Medium Term Plan (MTP) 2023-2027 of Kenya Vision 2030. It will be guided by Kenya Vision 2030 and lessons learnt in implementation of previous MTPs (MTP I, MTP II and MTP III). It will also be guided by the Constitution and incorporates the priorities outlined in the Kenya Kwanza Government Manifesto. In line with the Constitution, the preparatory process of the Fourth MTP is through wide consultation with stakeholders and the Public.

The Concept Note was developed through wide consultation with Ministries, Department and Agencies (MDAs). It guides the preparation of the Fourth MTP and specifically highlights key achievements in implementation of the Third MTP 2018-2022; Emerging issues and challenges; Medium term development strategies; and the Macroeconomic Framework that will underpin the Fourth MTP. It also outlines timelines; and Terms of References of Key Committees and MTP Sector Working Groups. The Concept Note was approved by the National Steering Committee on Tuesday 14th December, 2021.

Strategic Reforms recommendation

What Strategic Reform Opportunities do you suggest to be incorporated in the next strategy?

Areas which require future support from PFMR which may include:

a) A Technical support to counties to ensure preparation of 10 years Sectoral plans, Spatial Plan and County Statistical Abstract.
b) Capacity building of counties both for National Planning Offices and county government
c) Review of CADP and CSP Guidelines
d) Mid-term review of CIDPs
e) Dissemination of the County Planning Handbook
f) Supporting the implementation of Public Investment Management.

a. How:

Conducting or commissioning independent medium term, end-term and ex-post evaluation of medium, large and mega projects on a sample basis (public investment management). It will also involve providing quality assurance of the M&E data uploaded into the PIMIS system and capacity building of MDACs on the M&E aspects applicable to public investment management (Theory of Change, Logical Framework Analysis, Indicator Development, Monitoring Plans, M&E Reporting, and Evaluations).

b. Why:

i. To provide evidence on impact of public investments and aid in economic appraisal of similar projects
ii. To develop Incremental Cost Effectiveness Ratios (ICERs) benchmarks for social sectors
iii. To enhance implementation of public investment projects

h) Enhancing the capacity of MED to oversee Monitoring and Evaluation of government policies, projects and programmes.

a. How:

Supporting the trainings and enhancements on e-NIMES/e-CIMES, Technical Assistance and capacity building of MED offices on impact and rapid evaluations, and equipping of the Directorate

b. Why:

i. To enhance timeliness of reporting
ii. To improve the quality of evaluation reports
Unpacking Reforms of the Internal Audit Function in Government

According to a World Bank report, effective internal auditing procedures are known to promote greater efficiency and accountability by informing governments about the risks and improvements in public finance management and service delivery.

The National Treasury, Internal Audit Department, embarked on implementing a number of PFM reforms, key among them being the development of a Risk framework.

We sat for a conversation with Acting Director, Jane Micheni, Internal Audit Department to find out how and why these reforms, falling under their purview, are crucial in ensuring the government remains accountable in its use of public finances.

**What is risk management? How does it relate to Government operations?**

Risk management are strategies, practices and processes of management put in place to identify, analyze evaluate and respond to risks. Government operations just like those of other organisations face uncertainty as they pursue their objectives and as such will need to develop and implement risk management in order to ensure these processes are effectively, efficient and economical.

**GOK is shifting from compliance audit to risk-based audit. Tell us more about this. What are the anticipated benefits of a risk-based audit versus a compliance audit?**

The government through Internal Auditor General Department (IAGD) adopted a risk based audit approach many years ago. Risk Based Audit Approach (RBAA) is an audit approach that enables auditors to undertake comprehensive risk assessments of their audit universe in order to identify audit focus areas that require immediate review given the scarce resources available.

RBAA methodology has helped internal auditors support public agencies by providing objective and Independent assurance and advisory services on those areas that are critical to the effective discharge of service to the public.

**Tell us more about the reform efforts being made by Internal Audit Department toward Risk Management in GoK?**

- IAGD as directed by the PFM Act has undertaken critical measures to promote risk management in the entire public service. These initiatives include training staff, audit committee members and boards on best practices in risk management. We have also worked closely with public agencies in assisting them develop and implement their entity specific ERMs (Entity Risk Management).
- Such partnership is found across the entire public service all the way from state corporations, Independent offices, county governments and main stream MDAs. This has helped these agencies mitigate in good time threats and take advantage of available opportunities.
The Public Sector Accounting Standards Board (PSASB) is equally making efforts to develop risk management frameworks. Is there a duplication of efforts in this role?

On the issue of the PSASB, the PFM Act has clearly set out the role of IAGD in regard to promoting risk management in the public sector. In this regard, IAGD has performed its role within the confines of the law and given the department’s outreach up to sub counties and their presence in all MDAs this has tremendously aided in undertaking this mandate. Nevertheless, we are in discussion with the PSASB on this matter to see how we can put to more efficient use of public resources allocated to both entities and have the best approach in dealing with matters risk.

Recently Internal Audit Department Operationalized Audit Management Software (AMS) in all MDAs, SCs & Counties with QA Framework attached to it. Tell us more about this and the impact it has had so far.

MDAs, SCs and Counties have been trained on audit management software and the software fully operational in MDAs. The implementation of the Audit Management software has realized the following benefits

- increased efficiency and time saving in audit work
- Increase in audit work consistency and professionalism
- Increased accuracy on audit evidence collected and consequently improved quality of internal audit reports.
- Audit management software (TeamMate) has enhanced the level of compliance with the international audit standards (IPPF) and PFM laws.

Audit Committees & PFM Standing Committees were supposed to be established and inducted in all MDAs, SCs & Counties. Tell us more about this, its objective, progress thus far, and anticipated Impact.

Audit Committees are independent oversight organs established for each MDA with the sole purpose of providing much needed support to internal audit and management on issues of governance, risk management and controls. The IAGD has been supporting this initiative through sensitising management on the need for establishing Audit Committees. We have also continuously inducted these Committees as they came on board. As we speak now around 75% of all MDAs have Audit Committees operating and providing this critical oversight. On the other hand, PFM standing Committees are made up of internal players to help accounting officers superintendent on the finances of their MDAs. The IAGD has been promoting compliance with these section of the law.

What efforts have been made to strengthen the County Governments on their Internal Audit Function?

On the issue of county internal audit functions, the IAGD has in collaboration with other agencies including PFMR and GIZ undertaken capacity building to county governments internal audits and audit committees, we have de-
developed acclaimed guidelines and manuals that have been reference points to county internal auditors and most importantly we as a department have always been at a call away to any internal auditor for consultation.

As we come to the end of the PFM Reforms Strategy 2018-2023, please highlight the reform achievements realized by the Internal Audit Department as far as your area in the strategy is concerned.

Department committed to achieve the following key steps as per the Strategy:

1.1 Key step:
   
   Enhanced tools for IAD effectiveness, including new MDA manuals which provide a strengthen framework for assurance and risk management and audit follow up.
   
   Status/ Issues & follow up action
   Internal audit manuals, training manuals, guidelines for internal audit and audit committees have been published and fully implemented in MDAs

1.2 Key step:
   
   Quality Assurance and Performance Improvement Framework which includes templates Risk Management Framework and Risk Registers and the Internal Control Framework in line with the PFM Act 2012 and PFM Regulations 2015
   
   Status/ Issues & follow up action
   1. The department developed Quality Assurance Questionnaires which were used in carrying out internal quality assessment in MDAs. A report is ready and being implemented
   2. Further we undertook the External QA through the Institute of Internal Auditors which issued a report that is being implemented by the MDAs
   3. The department undertook a Diagnostic study which was finalized and report issued and to this end the recommendations are being implemented
   4. Risk management Framework and Risk Register and the Internal Control Framework for IAD developed and approved
   5. MDAs Risk management policy & risk register model developed and validated by the stakeholders
   
   Existing gaps/outstanding issues
   The MDAs Risk management policy & risk register model is awaiting the accounting offer approval

1.3 Key step:
   
   Training curricula and plans to provide on the job support to MDAs, Counties and SCs for internal audit are in place
   
   Status/ Issues & follow up action
   The training curricula for capacity building was developed and handed over to KSG for implementation

1.4 Key step:
   
   Audit management software, which includes new QA framework, has been deployed and is operational in all MDAs SCs and MDAs and internal audit capacity built.
   
   Status/ Issues & follow up action
   MDAs, SCs and Counties have been trained on audit management software and the software fully operational in MDAs. However, the IAD do not have data on status of software implementation in State corporations and Counties

Recently the risk management framework was developed. Tell us more about it, the rationale and the impact it will have

The department’s risk management framework was undertaken through a vigorous and highly collaborative process. The end product of this exercise was a robust risk management framework completely aligned to the department’s strategic plan. The Framework is currently being implemented to enable us ensure risks inherent in our processes systems and operations are within the acceptable risk appetite. This also includes identified opportunities including supporting the combined assurance approach. The Framework has relied on international guidelines and standards while maintaining an approach that is designed for our own environment. As we designed this framework, one of our goals was to ensure that what we eventually end with would serve as a reference point to other entities.

What Reforms would you suggest to be incorporated in the development 4th Strategy?

Going forward we recommend for inclusion in the 4th strategy the following

- Promote and enhance support to entities to develop their risk management strategies
- Enhance support in full automation of all audit functions in MDAs.
- Enhanced support in developing IAF strategic plans
- Support to capacity build audit Committees
- Capacity build IAs through continuous professional development.
Training on county own-source revenue and model laws for County Assembly
Securing Gains from Devolution through PFM

Following the enactment of Kenya’s Constitution (2010), issues relating to fiscal decentralization and public financial management are now at the center of policy reforms.

A survey done by CoG (2017) revealed that financial performance of Kenyan counties is featured by certain common characteristics, namely poor system design, lack of systems documentation, lack of audit trails and lack of automated bank reconciliation. The findings further tabled that there existed a lack of system data checks and balances, lack of remote access, restricted capacity to produce reports and poor response time.

To address the above challenges, The Commission on Revenue allocation had set out deliberate PFM reforms initiatives to ensure counties have a robust and stable fiscal and macroeconomic framework.

We took a short trip to the commission’s offices at the 14 Riverside address for a thought provoking conversation and learn more on the reforms being undertaken and what success has been recorded so far.

What are the impactful achievements the Commission has recorded over the last 4 years in your area of responsibility as a lead agency in implementing the PFM Reforms Strategy 2018-2023?

a) Capacity building of 45 county assemblies and their technical staff on own source revenue laws

b) Development of a draft model tariffs and pricing policy for counties aimed at ensuring compliance with section 120 of the County Governments Act and provide a basis for all county fees and charges which will boost their OSR collection.

The National Policy to support the enhancement of counties’ own-source revenue tasked the Commission on Revenue Allocation to support counties in developing tariff and pricing policies. Tell us more about this exercise and the progress made so far.

This activity is grounded on section 120 of the County Governments Act. By this section, counties are required to develop a Tariffs and Pricing Policy which essentially forms a basis of levying fees and charges for the services that they provide. Counties are yet to comply with this legal requirement and instead, they are using defunct local authority fees and charges. Informed by this legal compliance gap, the National Policy to Support Enhancement of County Governments’
Own-Source Revenue by the National Treasury tasked the Commission to spearhead the process of development of a model Tariffs & Pricing Policy and offer technical assistance to county governments in developing their respective Tariffs and Pricing Policies. So far, a draft has been developed. The next step is to subject this draft policy to public participation.

What is the expected impact of tariffs & pricing policy in enhancing counties own source revenue?

By counties developing their respective policies, compliance with section 120 of the County Governments Act will be achieved. This will also increase transparency and accountability in determination of county fees and charges. Additionally, the Tariffs and Pricing Policies will create a platform for up to date fees and charges which will boost their OSR collection. Due to the transparency in how fees and charges are levied, this will encourage citizens to comply with payment of fees and charges for services while at the same time enhancing service delivery at the county level.

As of 30th November 2022, the Commission on Revenue Allocation had developed a draft model tariff and pricing policy ready. Are there plans to subject the policy to public participation and how do you propose to carry it out?

The model policy will be subjected to public participation in line with Article 10 of the Constitution. The engagements will be a fusion of physical meetings and online engagements including submission of written memoranda.

What Opportunities and challenges have you experienced while county assembly members?

Due to strengthened capacity in the county legislative function regarding OSR laws, it will lead to enactment of better revenue laws and increased compliance with such laws. There were plans to develop comprehensive automated system for county revenue administration. Tell us more about this. Do counties have the necessary infrastructure in readiness for this?

Following a presidential directive, a multiagency taskforce was constituted to develop a framework for a comprehensive automated system for county revenue administration. The taskforce has finalized its work and the taskforce report awaits approval of the relevant Cabinet Secretaries. In terms of county infrastructure readiness, there are efforts that have been made by counties but they remain inadequate.

Are there guidelines in place to guide counties on revenue automation processes?

Yes. The Commission and National Treasury developed guidelines in the year 2014 which are in place.

A framework for measuring county and national fiscal responsibility has been developed. Tell us more about this and the impact it has had so far.

Fiscal responsibility parameters have been developed by the Commission to incentive counties on prudent financial management. The parameter was included in the 3rd basis of revenue sharing and sought to allocate more resources to counties with unqualified audit opinions from the auditor general, enhancement revenue collection, and established key public finance management structure. Although it was not included in the 3rd basis, it is important for counties to be incentivized to be prudent in public financial management for better service delivery. A rewarding mechanism for prudent public financial management is a process the commission is developing.

In your estimation did transparency in county financial reporting and service delivery improve or deteriorate over the period of PFM Reforms Strategy implementation?

With the development of reporting templates for quarterly and annual reports, the reporting by counties is expected to be enhanced.

What are your future plans as a commission to improve transparency in how counties collect, report and account for revenues collected?

The Commission will continue to conduct assessments on revenue administration framework for counties and work with counties to strengthen their policy and legislation framework, digitalize their revenue management processes, recommend climate smart public finance reports and mainstream gender matters in revenue administration. In revenue accounting and reporting the commission will collaborate with institutions that develop the standards of reporting and those with that train to strengthen the capacity of county governments in revenue accounting and reporting.

What challenges and key lessons has the commission learnt as it carries out its mandate of allocating revenue to both national and county governments?

a) Revenue allocation is political in nature which at times hampers the process
b) Extensive lobbying is required due to the political nature of the revenue allocation process which is costly
c) Inadequate financial resources to facilitate stakeholder engagements
d) County government expenditures are not aligned to core priority areas leading to county funds being misdirected to other activities leading to duplication of functions between the two levels of government
What achievements have been made by the National Treasury ICT Unit during implementation of the PFM Reforms Strategy 2018-2023?

The National Treasury ICT Unit has achieved several key milestones during the implementation of the PFM Reforms Strategy 2018-2023. These include the development of a comprehensive logical framework for PFM ICT systems, the development of an Information Security Policy for PFM ICT systems, the enhancement of the National Treasury, Planning and PFMR Secretariat’s website User Interface/User experience and the implementation of several PFM ICT systems across various Government departments and agencies.

Information Security Policy was developed for PFM ICT Systems. Tell us more about the rationale behind it & the expected impact it will have? Was public participation done? When do we expect it to be rolled out?

The Information Security Policy for PFM ICT Systems was developed to ensure the confidentiality, integrity, and availability of sensitive information stored in PFM ICT systems. The policy was developed in response to the growing threat of cyber-attacks and data breaches, which have become increasingly common in recent years. The expected impact of the policy is that it will enhance the security of PFM ICT systems and help prevent unauthorized access to sensitive information. Public participation is still ongoing with relevant stakeholders.

Are there measures put in place to ensure data privacy and security in PFM ICT systems?

Indeed these include the use of strong passwords and two-factor authentication, the implementation of firewalls and intrusion detection systems, the use of encryption to protect sensitive data, regular backups, disaster recovery planning and continuous capacity building of the system users.

A logical comprehensive framework has been developed. Tell us more about this. What was the rationale? How does the framework ensure PFM ICT Systems are monitored at every stage of development and implementation?

The logical framework for PFM ICT systems was developed to provide a structured approach to the development and implementation of PFM ICT systems. The rationale behind the framework is to ensure that PFM ICT systems are aligned with the overall objectives of the PFM Reforms Strategy 2018-2023 and that they are developed in a systematic way and they adhere to all Government ICT standards. The framework ensures that PFM ICT systems are monitored at every stage of development and implementation through the use of performance indicators and regular reporting.

Are there systems, which have been reviewed using the framework? If so, which are they?

Yes, these include the e-Government Procurement (e-GP), Government Human Resource Information System.
What challenges did you encounter during the development and implementation of the PFM ICT systems and how were they addressed?

For sure we faced several challenges; majorly inadequate funding and skills. These challenges have been addressed through a combination of measures, including budget reviews, stakeholder engagement, capacity building and the development of contingency plans and risk management strategies.

What measures are in place to ensure sustainability and long-term success of PFM ICT Systems?

Several measures are in place to ensure the sustainability and long-term success of PFM ICT systems. These include the development of capacity building programs to ensure that users are adequately trained, the implementation of regular maintenance and upgrading programs, the use of performance indicators to monitor the effectiveness of PFM ICT systems, and the establishment of partnerships with relevant MCDAS to ensure that the systems are aligned with the overall objectives of PFM Reforms Secretariat.

Can you elaborate on the updates made to the National Treasury & Economic Planning Website and PFMR Secretariat Website in terms of User Interface/ User experience and the benefits it brings to the users?

The updates were focused on improving the user experience and making the systems more user-friendly.

The benefits to users include improved efficiency, ease of use, enhanced user experience by making the systems more intuitive, user-friendly, visually appealing and accessible to persons with disability.

Why should a layman care about PFM ICT systems? How does it relate to them?

The PFM ICT systems are an essential part of public financial management processes, and their proper implementation and use ensure that public resources are utilized efficiently and transparently.

A layman should care about PFM ICT systems because they directly impact the level of public services they receive and how efficiently their taxes are being utilized. Properly implemented PFM ICT systems can lead to reduced corruption, increased efficiency, and better service delivery.

PFM ICT systems have undoubtedly improved the efficiency and transparency of public financial management processes. To what extent has this been done?

The PFM ICT systems have significantly improved the efficiency and transparency of public financial management processes. They have enabled better financial planning, budget preparation, and execution, and improved financial reporting and monitoring. This has led to more efficient use of public resources, reduced wastage, and increased accountability.
What plans are there to improve human resource capacity for users of the PFM ICT Systems?

Plans to improve human resource capacity to users of PFM ICT systems include continuous training and capacity building programs to ensure that users have the necessary skills and knowledge to use the systems effectively. The capacity building programs will help users to understand the underlying principles and concepts of the ICT systems, which will lead to improved performance, efficiency, and effectiveness.

Is there a monitoring framework to evaluate effectiveness and efficiency of PFM ICT systems?

There is a monitoring framework in place to evaluate the effectiveness and efficiency of PFM ICT systems. The monitoring framework tracks key performance indicators such as Conceptualization, Design and Development, ICT Governance and Skills requirements, Implementation, Migration and integration, Hosting and Business Continuity, System Acquisition, Licensing, Support and Maintenance. This helps to identify any issues with the PFM ICT systems and make necessary improvements.

What plans have been put to continuously address potential risks and challenges associated with the implementation of the PFM ICT systems?

To address potential risks and challenges associated with the implementation of PFM ICT systems, several plans have been put in place. These plans include regular risk assessments and vulnerability scans, disaster recovery and business continuity plans, contingency plans, and regular training for system users to ensure they are aware of potential risks and how to mitigate them. Additionally, regular maintenance and updates are conducted to ensure that the systems are up-to-date and secure.

What plans are there to continuously enhance and improve PFM ICT systems?

There are include regular reviews and assessments to identify areas for improvement, consultations with stakeholders and users to identify their needs and requirements, investment in new technology and tools, regular maintenance and updates, and regular training for system users to ensure they are aware of new system features and functionality.

How does the National Treasury, ICT department and PFMR Secretariat, ICT section continue to enhance and improve the PFM ICT systems in the future?

We work together to continuously enhance and improve the PFM ICT systems in the future. They do this by regularly reviewing and assessing the ICT systems, engaging with MDAs and users to identify their needs and requirements, sourcing for more funding to invest in new technologies and tools, and providing regular training for system users and developers.

What are the challenges and the lessons learnt during the implementation of the PFM ICT systems? And how have they been addressed?

Some of the challenges faced during the implementation of PFM ICT systems include inadequate skills and funding. To address these challenges, efforts are currently being made to engage with MDAs and communicate the benefits of the ICT systems, provide training and capacity building and secure additional funding to deliver proposed PFM ICT Systems.

During the implementation of PFM ICT system there has been lesson learnt as listed below:

• There are vast ICT Skills across the Government that can be utilized in the development of PFM ICT Systems
• Continuous engagement with development partners to supplement the budget allocation to deliver ICT system in Government.
• Involvement of business process owners in the development of ICT System from conceptualization

How have stakeholders and users been involved in the development and implementation of the PFM ICT systems?

We involve stakeholders through various means, including consultations, feedback sessions, and training. Their input is used to inform the design and development of the systems, and they were provided with regular updates and training to ensure they were able to use the systems effectively. Additionally, user feedback was collected and used to make improvements to the systems over time.
Mid-term review launch
Integrating Sound Financial Management in Schools: A Case of IPSAS Implementation

Reforms in financial management systems and processes in public primary and secondary school are becoming critical in response to increasing demands for greater transparency and accountability in the management of how they utilize public finances.

Poor budgeting has made it difficult for head teachers to effectively run schools as some were overspending on some vote heads and under-spending on some leading them into other problems such as misappropriation and mismanagement of school funds. We spoke to the team at the Ministry of Education, Directorate of Schools Audit, to learn more on the reforms initiatives being implemented to improve accountability in financial management and strengthen good governance.

Please highlight the Reforms milestones achieved by the department during the implementation period of the PFM reforms strategy 2018-2023.

1. Implementation of IPSAS based financial reporting in public secondary schools.
2. Training of 250 school auditors as TOTs for IPSAS implementation.
3. Development of training content for bursars and finance officers for IPSAS implementation.
4. Capacity building of schools’ 65 audit staff in audit report writing.
5. Capacity building of bursars on preparation of IPSAS based financial statements.
6. Development of IPSAS reporting template and guidelines in liaison with PSAB

What informed the development of International Public Sector Accounting Standards (IPSAS) guidelines

1. The need for bursars and finance officers to understand the IPSAS template and implement it.
2. The need to simplify the accounting language and procedures for ease of use by both financial and non-financial users.
3. To sensitize and provide information on transitional requirements
4. Need to sensitize schools auditors with regard to their role and provide clarity on accounting basis, policies, principles and concepts used under ipsas based financial reporting template.

Could you highlight the Impact witnessed since the inception of the guidelines?

1. The guidelines have enhanced uniformity in financial reporting in schools
2. The guidelines have enhanced transition from incomplete records to comprehensive financial reporting including disclosure of financial and nonfinancial information.
4. Enhanced comparability of schools’ financial statements.

Tell us more on the Joint training of TOTs by Ministry Of Education and PSASB.

This was carried out in Naivasha in several cohorts. The training content was developed jointly with PSAB. Topics covered included PFM legal framework, introduction to IPSAS, receipts and payments statement, Statement of financial assets and liabilities, cashflow statement and budget execution statement, school performance, financial and non-financial information, disclosures, accounting disclosures and explanatory notes to the accounts.
What are some of Challenges did you experience during the joint training exercise with the Ministry of Education?

1. Limited resources constraining training period
2. Resistance to change to new financial reporting format.
3. Inadequate tools such as lap tops, ICT skills to use excel
4. Follow up and measurement challenges of knowledge acquisition

Any lessons learnt through the challenges experienced?

1. Top management support is paramount for any institutional change
2. Proper targeting of reforms areas significantly adds value to organization processes.
3. Good planning is of essence in programs implementation
4. Team work and multiagency approach creates synergies in service delivery of national scope.
5. Financial support is an essential ingredient in institutional reforms
6. Program implementation can be affected by emergent issues e.g COVID, changes in government policy

Could you describe the Status of financial reporting in secondary schools before IPSAS?

1. Before IPSAS schools were not using any approved financial reporting standards hence non-compliance with PFM Act 2012.
2. Limited Financial information to users, schools did not provide information on budget execution and on cash-flows pertaining to all school activities.
3. Financial statements prepared were incomplete. Important disclosures of permanent assets owned by schools such as Land, buildings, biological assets etc and non-financial information were excluded.
4. Financial statements prepared by schools were not backed by management responsibility statements hence not owned by boards of management as it is the case with the best international practice.
5. Financial statements were prepared for the period January to December, not aligned to the government financial year that commences from 1st July to 30th June.

Are there Plans to have primary schools adopt IPSAS?

Plans are underway to have primary schools adopt simplified IPSAS to enhance transparency and accountability on utilisation of resources. However, the Directorate is challenged in terms of resources such as funds, regulations for school based auditing and training manuals for both primary schools and for the junior secondary schools already hosted in the primary schools.
Unpacking Reforms in Teacher Management and Governance in Kenya

The Teachers Service Commission (TSC) launched the piloting phase of the biometric registration exercise for teachers in both primary and post primary institutions.

The Biometric Enrolment and Validation of Teachers (BEVOT) will enable the Commission to maintain up to date data for teachers. It involves capturing the fingerprints of teachers, validation of personal employment data and taking of passport size photo. We sat down for a candid conversation with the Director (Administrative Services), Mr. Ibrahim Mumin, OGW. He is in-charge of the BEVOT project and future reforms initiatives aimed at improving service delivery. In our discussion, we sought to also learn more about the reforms implemented to digitize teachers’ records, automation of HR processes and Internal Audit reforms at the Teachers Service Commission. We also had a conversation with the Ag. Director, Internal Audit, to find out about the reforms towards improvement of the Internal Audit function.

ELECTRONIC DATA MANAGEMENT SYSTEM (EDMS)

ELECTRONIC DOCUMENT MANAGEMENT SYSTEM (EDMS)

How did the idea of EDMS come about?

The idea of digitization of records was first floated in 2015. In May 2017, a digitization team comprised of officers from the Commission and Information and Communication Technology Authority (ICTA), a state corporation under the Ministry of Information Communication and Technology was constituted. The following were the objectives of the digitization project;

1. Reduce visits by Teachers to TSC Headquarters.
2. Reduce processing time of teachers’ correspondences and requests.
3. Eliminate loss of teachers’ files.
4. Real-time updating of Teachers’ Files.
5. Easy retrieval of Teachers’ Records.
6. Enhanced communication and feedback.
8. Enhanced accuracy, timeliness and quick decision making.
9. Enhance records lifespan due to reduction of wear and tear.

What are the modules of EDMS? How does it work with other TSC SYSTEM?

Some of the key modules are;

1. Scanners and Capture Pro Software: this is for Scanning, indexing and inputting of documents into the EDMS. It involves;
a. Documents being fed onto the scanner input tray.
b. A scanning software is used to trigger the scanning process.
c. Once the document is in soft copy; it can be viewed, rotated, indexed and archived into EDMS or dispatched to workflow if the document needs action by a Service Area.

ii. Teacher/ Secretariat Staff Files Module.

Features

a. Searching and retrieval of Teachers and Secretariat Staff Files
b. Assigning of Teachers and Secretariat Staff files to action officers for processing of teacher requests
c. Dispatching requested files to action officers for processing of teachers requests
d. Generation of reports on actions performed on workflows and assigned files.

Applicability

a. The module is used by Records Management to dispatch files to service areas required to act on them. The service area heads can then assign the workflows received from Records Management to officers under them. Workflows are passed from one officer to another until they are marked as completed by the last action officer.
b. Once marked as completed the action document is archived and automatically reverts to the custody of Records Management.
c. Searching and retrieval of files is done at various levels based on the system rights that have been assigned to different users.
d. Supervisors are also able to see reports on actions performed on workflows by officers serving under them.

The Module is integrated with Entry-Exit Module (Teachers Online System) which has enhanced on-boarding of Teachers on payroll within 30 days of reporting

iii. Transport Module:

Features

a. Requesting of vehicles
b. Assign vehicle to trips
c. Assign drivers to trips
d. Generation of reports

Applicability

a. The module is used by users to request for transport.
b. Upon approval of the request by the immediate Supervisor, the transport officer is able to assign a vehicle and a driver.
c. Once vehicle assignment is done, the final approval is granted based on the destination.
The Module is integrated with Email System for auto-emails on transport for request approval.

What is the progress of the digitization of records? (Files scanned & digitally accessed)

As at March 2023 there were 356,321(92.79%) teachers files scanned and digitally accessible in EDMS and 3,000 secretariat staff files (100%) were accessible in EDMS.

What is the impact of EDMS?

The application of EDMS in executing teacher management processes has enhanced service delivery. For instance;

i. Enhanced onboarding of newly recruited teachers within 30 days of reporting due to integration of EDMS with Teachers Online System;
ii. Timely decision making on teachers’ requests due to availability of digital files in EDMS platform;
iii. Timely access to teachers’ files and hence faster service provision;
iv. Real Time updating of teachers’ Files on receipt of correspondences or requests;
v. The system has a good access control and has an audit trail (who did what and when) hence enhanced accountability;
vi. Multiple accessibility of teachers’ files has led to faster feedback to teachers;

It allows online monitoring of status of teachers’ transactions hence performance measurement of staff.

What is the future of records management in TSC?

Records Management will be more effective and efficient thus enhancing the quality of service delivery and timely availability of information through;

i. Real Time acknowledgment of correspondences.
ii. Real time decision making with EDMS
iii. Reduced paperwork since all teachers will initiate requests through their official emails.
iv. Quick response to cases of exited teachers as there will be Virtual Teachers Archives where their information shall be ‘archived’ in EDMS.
v. It is an avenue for remote working where staff can perform some duties remotely without necessarily being physically in the office. For instance, initiating workflows for onboarding of new teachers on payroll and application and approval of transport requests.
**BIOMETRIC ENROLMENT & VALIDATION OF TEACHERS (BEVOT)**

**Explain to us how the idea of BEVOT exercise came to be?**

The Commission has been automating and harmonizing all its processes for effective and efficient delivery of its mandate as stipulated in the Constitution of Kenya, Article 237. As part of the process, the Commission has been cleansing all data held in various platforms, both physical and technological. One of the key strategies to achieve this is to validate teachers’ data and biometrically register them. This will be realized through the Biometric Enrolment and Validation of Teachers (BEVOT). The Commission last conducted a census of its teachers in 1998 and most of the Commission processes by then were manual.

**What is the purpose of this exercise?**

The overall objective of the BEVOT exercise is to establish and manage a reliable integrated biometric database of teachers employed by the Commission. The aim of the exercise is to:

i. Undertake a biometric registration of all teachers engaged by the Commission.
ii. Verify teacher distribution and utilization.
iii. Establish areas of teaching specialization.
iv. Validate learner enrollment in public schools.
v. Validate teacher's bio data and employment records.

Once the data is collected and processed, the database of teachers will be updated with any appropriate changes on timely basis.

**How do you intend to carry it out and what regions will be covered?**

The National BEVOT exercise will cover all teachers employed by the Commission in all public Primary, Secondary and Tertiary institutions. The exercise shall be conducted electronically in all the 47 counties and will be through the use of biometric kits. There will be validation of data and capture of any other appropriate information. Data analysis will be carried out at the end of the exercise.

**You have implemented the pilot phase, what lessons and findings did you come up with?**

The Pilot exercise was helpful since it has helped the Commission identify the areas for improvement in preparation for the main exercise. For instance;

i. Some teachers were not physically verified since they were not present at the time of the pilot exercise. Some of the reasons were; away on leave, recently transferred etc. There is need to freeze transfers before the national exercise.
ii. Some counties worked offline while others worked online as some gadgets failed to synchronize due to internet connectivity challenges.
iii. The inclusion of subject areas made the report generated lengthy and time consuming. There is need to review the data collection tool to capture only the relevant information.
iv. An effective communication and media strategy worked very well in informing teachers about the exercise. In many institutions, teachers were ready and willing to participate in the exercise.
v. Access to some schools was a challenge due to vastness of the geographical area and terrain.

**Why should teachers care about this exercise?**

Teachers should care about the exercise as it concerns them and their overall welfare in terms of future planning.

At the completion of this exercise, all teacher’s biodata shall be validated. The Commission shall establish the most updated database of all teachers, shortages in terms of absolute numbers and subject combination. This will enable the Commission improve on its service delivery to teachers and related stakeholders.

**What impact does this exercise have on Teacher’s management in Kenya?**

Article 237 (3(e)) of the Constitution of Kenya, 2010 mandates the Commission to advise the National Government on matters pertaining teaching. This exercise will impact decision-making and policy formulation at the Commission and the education sector at large.

The results of the exercise will inform the Commission on teacher requirements, shortage of subject specialization especially now with the introduction of Junior Secondary School, qualification of teachers and areas that require concerted efforts in training.
Human Resource Management Information System (HRMIS)

**What is HRMIS?**

HRMIS stands for Human Resource Management Information System. It is a system developed and in use by the Commission to automate the key Human Resource Management processes which account for the majority of the Commission’s processes in order to achieve its mandate while providing efficient service delivery.

**What was the rationale for its development?**

The core mandate of the Commission is to: Register trained teachers, Recruit and employ registered teachers, Assign teachers employed by the Commission for service in any public school or institution, Promote and transfer teachers, Exercise disciplinary control over teachers, Terminate the employment of teachers, Review the standards of education and training of persons entering the teaching service, Review the demand for and supply of teachers, Advise the national government on matters relating to the teaching profession.

Majority of the mandate covers mainly Human Resource management. With the huge numbers, managing this workforce manually was a challenge during recruitment, transfers, promotions, leave management and separation. Therefore, the Commission envisioned the need to automate these processes to enhance service delivery and appropriate record keeping.

**HRMIS is now functioning, describe its impact so far?**

The development of the system has been successful with implementation of the Recruitment of teachers online, Transfer of teachers online, Discipline module for capturing and processing of cases, Pension module for processing teacher claims, Teachers & Secretariat leave management and secretariat appraisal among others.

The project has been able to achieve success as envisioned during its conception. Indeed, the success has already given rise to many more enhancements where some have already been recorded for an upgrade.
The system has improved transparency and efficiency in recruitment of teachers. Teachers are also able to follow-up on their transfer requests. Applicants for recruitment are able to apply for recruitment from anywhere and not required to travel to drop recruitment letters to schools or Counties they would want to work in as it used to be in the past.

**We have been informed that there are still some modules yet to be rolled out. Which are these modules?**

Pension module is at the piloting stage, where upon successful roll out, it will aid the commission to generate GP178 forms online without computing manually. This will improve on the number of cases an officer can process per day.

**What transformational effect will they have to the Commission?**

Automating pension module end to end and integrating with the payroll will add value by reducing the turnaround time in processing the claims for teachers and this will drastically reduce the backlog of cases.

**Is the system devolved to counties? If not, are there plans for this?**

The system is accessible through a web interface that is available both at the HQ, County level and in the public domain for teachers. County and sub-county offices have been granted access to some modules on need basis like recruitment and leave module to facilitate recruitment, transfers and leave for teachers.

Both teachers and all secretariat staff apply for leave on this system.

**What challenges have you encountered this far in implementing the System?**

The following are the challenges uncounted during and after implementation of the system:

i. Training on usage and on change management has been a challenge due to unavailability of funds resulting to slow uptake.

ii. Change of user requirements slowed implementation of some modules.

iii. Integration challenges with the legacy systems such as the payroll

iv. Capacity/Skills gap on 4GL language that is supporting the system

v. Covid-19 pandemic which affected roll-out and trainings

**How did you navigate these challenges and what lessons have you learnt?**

The following are the mitigation measures:

i. Virtual training and use of champions in system roll-out.

ii. Prompt communication by user department on the change of their process is encouraged.

iii. Initiated the process of upgrading the payroll system

iv. Continuous transfer of knowledge between the contractor and the Commission's technical team.

**Are there plans to integrate TSC other Systems with HRMIS?**

A number of systems have already been integrated with the HRMIS system. For example, the Teacher Register and Teacher Management Information System (TMIS) have already been integrated. Teachers applying for recruitment are automatically verified and picked from the Teacher Register.

The Commission is envisioning to upgrade the payroll which will facilitate the integration of HRMIS to the new payroll to allow seamless synchronization of data on real-time.

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**Internal Audit**

**TSC Internal Audit Function is fully automated. Tell us how you achieved this?**

The Audit management system was acquired in the year 2011 through the support of PFMR Secretariat. The aim was to automate the entire Internal Audit process and enhance the quality of audits through standardized auditing procedures, improved storage of Audit reports and ease of tracking Internal Audit recommendations.

All Internal Audit staff were trained by the system vendor. To ensure full use of the system remotely, the Commission through the support of PFMR secretariat procured laptops for all the auditors.

The system has inbuilt customized workflows linked to official email address. All audit issues requiring management attention and feedback are shared through the system.

**What has been the experience so far?**

The uptake of audit management system is high as all assignments are undertaken through the system. Management has been supportive as the Commission walks the journey to fully automating its processes.
Use of the system has immensely transformed the Internal Audit processes and this has elevated the role of auditors as trusted partners. It has also eased the tracking of implementation of audit recommendations.

Tell us about how the audit management system works?

The audit management system is a web-based system automating the Audit process. The system can be accessed online by both the auditors and management based on the level of access rights granted.

The key processes that have been automated include:

i. Risk Assessment that enables documenting of risk identified in TSC operations.
ii. Audit planning including assigning or scheduling audits to all auditors.
iii. Audit execution/field work that includes documentation and review of audit findings.
iv. Reporting which enables sharing of auditing findings and receiving feedback from management on corrective action to address the audit findings.
v. Status update by Management on implementation of audit recommendations.

What has been its impact on improving TSCs internal audit function?

The image of the Internal Audit function and the confidence from the Audit clients cannot be overemphasized. The quality of Internal Audit work has significantly improved. Other areas include:

i. Integrated reporting through the system and storage of the Internal Audit working papers for each assignment.
ii. Allocation of assignments and monitoring/tracking the progress and reviews by the supervisors.
iii. Reduced printing cost as Internal Audit reports are released through the system from which the clients provide their responses. This has improved efficiency and saved on time.
iv. Increased productivity by the Internal Audit staff as they are able to do much within a shorter period of time.
v. Improved quality and competitiveness of the Internal Audit function. An External Quality Assessment of Internal Audit functions in the public sector by the Institute of Internal Auditors in 2021 rated the Commission’s Internal Audit among the best. This was mainly attributed to the automation of the Audit process.
vi. The auditors are able to work remotely.

Tell us about the audit management software with QA framework in place.

The internal Audit has established a Quality Assurance Unit to steer compliance and alignment of auditing processes in line with the International Professional Practice Framework (IPPF). This aimed at improving the quality of the Internal Audit services.

The Commission has institutionalized the Risk Management Policy and Framework where risks and related controls are documented. This has resulted into improved audit processes and value adding recommendations to improve service delivery to our clients.

What has been the impact of the software on TSC internal audit operations?

The system has had a positive impact on the Commission’s Internal Audit processes. Below are some of the major impacts:

i. Ability to work remotely and complete audit assignments within schedule and more flexibly during the Covid-19 pandemic.
ii. Tracking of Audit recommendations and status update on a timely basis which helps us to understand Management effort towards closing implementing Audit recommendations.
iii. Scheduling of assignments in the audit management system has enabled proper supervision of audit assignments and tracking the progress of each Auditor.
iv. Timely supervision by Management through the system and timely feedback through coaching notes to the Auditors. Supervision can be undertaken remotely.
v. Documented electronic working papers, all other working papers and evidence. Safety of Information and data stored in the system.
vi. Availability of past reports, procedures/audit steps stored in the system for future reference. Further, the Auditors are able to request for documents through the system.
vii. Issue of electronic Customer surveys to Audit clients to obtain feedback on the audit services. This has enhanced efficiency and improved on the timeliness of receiving feedback.
viii. The system has facilitated sharing of audit reports online to management directly form the system without printing.
Public Financial Management Reforms Secretariat in the Annual Work Planning Workshop with MDAs at Sarova Whitesands Beach Resort
Mid-Term Evaluation of the PFMR Strategy 2018-2023

A mid-term evaluation seeks to examine progress made during the first two and half to three years after the start of implementation of a strategy or project. This provides an opportunity for adjustments during the remaining period of implementation and is a key input to the development of successor strategies.

The Public Financial Management Reforms Strategy 2018-2023, during its formulation, envisaged a mid-term evaluation that was to be conducted at the mid-point of the strategy to analyze if the reforms are on track, challenges encountered and the corrective actions required.

It should be noted that there was a paradigm shift in the preparation of this third strategy, which is the first one to adopt a result-based approach. The uniqueness doesn’t end there, the funding model adopted by development partners supporting the strategy, is a program for results approach which in essence, is an incentive program for the government.

In line with the above, the mid-term evaluation exercise was conducted between November to December 2022. The first phase of the process involved a thorough desk review of relevant reports and documents. These included reports from implementing agencies, the specific programme financing agreements, the PFM reforms matrix updates, PFEA assessment reports among others.
The purpose of the desk review was to capture progress from documented sources on programme implementation and lay the ground for fieldwork.

The second phase involved feedback consultations with the thirty-three (33) implementing Ministries, Departments and Agencies supported by the programme. The objective is to clarify or verify information obtained during the desk review phase.

Finally, the last phase entailed visiting and holding feedback consultations with sampled counties, which have indirectly benefited from the programme through capacity building and systems strengthening. The selected counties were diverse in terms of geographical spread, budget size and challenges faced (e.g., former Cities and former municipalities). At this level, the goal was to establish whether the support to counties and the intervention being carried out through the strategy are improving PFM issues and impacting positively on service delivery.

The key findings of the evaluation includes:

- The development of a joint revenue strategy and rationalization of tax expenditures, which has led to a more predictable and sustainable increase in fiscal space. Available data indicates a reduction in tax expenditure and an increase in tax revenues.
- The time required to clear cargo from Mombasa port of entry has been reduced significantly which has facilitated the ease of doing business.
- Reforms on budgeting and planning, both at national and country levels, means budgets are now comprehensive and more credible. This is due to smooth budgeting process guided by clear budget calendars and increased capacity building, and automation. This has contributed to strengthening the strategic allocation of resources.
- The ongoing automation of the exchequer release system once completed will ensure adherence to the disbursement schedules to MDAs and Counties, translating to the availability of funds for major services and investment projects.
- Reforms around procurement, notably the legal framework i.e., the gazettement and dissemination of the procurement policy and regulations has improved transparency and efficiency in public procurement processes and contract management. The acquisition of end to end e-government procurement systems is also ongoing.
- The government of Kenya is moving towards consolidation of HR information through the unified HR system to ensure prudent management of wage bill and in ensuring accountability in staffing for service delivery. This has been done through upgrading of GHRIS and the acquisition of key infrastructure.
- Reforms around other interventions include financial management and quality controls of service facilities and oversight by Counties, line ministries and other institutions have been developed. These facilities are required to adopt simple budgeting financial management and reporting systems.
- Due to compliance with reporting standards at both levels of government, the quality of financial statements has greatly improved. This has translated to increased discipline in the management of revenues and expenditures.

It now takes eight (8) Months between receipt of consolidated and quality-assured financial statements by Office of the Auditor General for the audited financial statements to be submitted to Parliament. The up-to-date reports are useful for timely and informed decision-making.

In conclusion, the mid-term evaluation shows that 51 percent of the planned reform key steps in the PFMR Strategy 2018-2023 have been achieved, 4 percent are in the course of being achieved, and 45 percent are still pending. This to some extent has so far led to the achievement of some of the planned strategic outcomes. The delayed achievement have been occasioned by a number of factors, but majorly the inadequacy of funding due to austerity measures and the covid-19 pandemic during the FY 2019/20 to 2021/22.

Through coordination of the PFM reforms by the PFMR secretariat, the National Treasury has initiated the preparation of the successor strategy 2023-2028. There will be many lessons learnt, given this was the first results based strategy, funded through a program for results based approach. These lessons together with ongoing or pending reforms will be possibly rolled-over to the next strategy, with an emphasis of maintaining the basic structure of results based orientation.
PFM Monitoring & Evaluation Team Visit to the Counties

Introduction

Effective management of public finance is crucial for sustainable development and accountable governance. Recognizing the importance of Public Financial Management (PFM) reforms, the PFMR Secretariat conducted a comprehensive Monitoring and Evaluation (M&E) exercise in various selected counties who have benefited from the PFM Reforms programme. The annual monitoring and evaluation exercise as stipulated by the Programme Operational Manual 2020, aimed to evaluate the progress of PFM reforms at the County level of Government.

The overall objective of the exercise was to review the achievements of the programme, measure them against planned activities, and identify any existing gaps, challenges, lessons learned and way forward. Ultimately, the exercise sought to determine how the support provided to counties through the programme was contributing to improved Public Finance Management.

To ensure a robust data collection process, structured interview guides were administered to key informants in the sampled counties. These interviews served as valuable platforms for gathering insights and perspectives from stakeholders directly involved in PFM implementation. The information obtained during the consultations shed light on various aspects, including county planning and budgeting, auditing, financial reporting and accounting, revenue, procurement and human resource management.
County Level Findings

County Planning and Budgeting

Counties generally adhere to the budget making process as stipulated in the Public Financial Management (PFM) Act. However, there is room for enhancement in engaging key stakeholders such as HR, audit, and revenue departments in the process. In terms of budget preparation, counties commonly rely on the priorities outlined in the County Integrated Development Plans (CIDPs). This approach aligns budget allocations with the long-term development goals of each county. However, the process of capturing budget figures on Excel and transferring them to the Hyperion system presents challenges. The Hyperion module within the Integrated Financial Management Information System (IFMIS) lacks a costing tool, which can impede accurate financial planning and monitoring.

Counties generally maintain minimal variations between approved budgets and actual expenditure. However, delays in the disbursement of funds from the exchequer and shortfalls in revenue collection pose challenges to budget implementation. Ensuring timely disbursement and exploring strategies to enhance revenue collection will contribute to stronger budget credibility.

Public participation is a crucial component of the budget-making process, as it promotes transparency, inclusivity, and accountability. The M&E findings show that counties have made efforts to involve citizens in budget preparation. However, there are challenges related to inadequate resources to cover vast areas and low turnout during public participation forums. Moreover, there is a lack of awareness among citizens regarding their ability to influence budget priorities. Addressing these challenges is essential to ensure meaningful public engagement in the decision-making process.

County Planning is anchored in the development of County Integrated Development Plans (CIDPs) and Annual Development Plans (ADPs). While counties have made progress in this area, the M&E exercise revealed that sectoral and spatial plans are yet to be fully developed. Additionally, there are notable challenges in adhering to timelines for the preparation of CIDPs and ADPs during transitional periods.

Auditing

FMR Secretariat Monitoring & Evaluation Team members carrying out annual Monitoring Exercise at Kajiado County Government
Counties have established operational audit committees that convene on a quarterly basis. However, challenges such as inadequate facilitation, lack of financial independence, and minimal allowances impede the optimal functioning of these committees. It is essential to address these limitations and provide the necessary resources and support to ensure the effectiveness and independence of audit committees.

PFM Officers at the counties have received training on auditing software i.e. TeamMate, the acquisition and renewal of this software remain a challenge due to inadequate budgets. Additionally, limited capacity in utilizing the software hampers its full potential. Strengthening financial allocations for auditing software and providing comprehensive training will enable auditors to utilize these tools effectively, improving the accuracy and efficiency of auditing procedures.

Auditors in counties have limited access to the audit module in IFMIS due to restricted user rights. To fully leverage the benefits of the audit module, it is crucial to address these access restrictions and provide comprehensive training to auditors, enabling them to navigate the system effectively.

Counties are implementing risk-based audits and preparing audit plans. However, the development of risk registers remains a challenge. By establishing comprehensive risk registers, counties can identify and mitigate potential risks effectively, ensuring the integrity of financial management practices.

**Financial Reporting and Accounting**

Counties have standard format for preparing financial reports which facilitates timely submissions. However, there is lack of training on the changes made on the reporting templates by Public Sector Accounting Standards Board (PSASB). Training of staff should be done to ensure they are well-equipped to comply with the latest reporting requirements.

Different reporting formats prescribed by both the Office of the Controller of Budget (OCOB) and the PSASB increase the workload for counties. Harmonizing these requirements would streamline the reporting process, reducing administrative burdens and enabling more efficient financial reporting.

Technical support on the Integrated Financial Management Information System (IFMIS) is available to counties. There are instances of where there are delayed responses from IFMIS.
hindering efficient system utilization. IFMIS should work towards enhancing the responsiveness of technical support to ensure timely resolution of issues.

Counties currently follow the International Public Sector Accounting Standards (IPSAS) cash basis for accounting. However, a challenge arises as health services operate on an accrual accounting basis while counties continue to use IPSAS cash. This discrepancy complicates the consolidation of financial statements. There is need to build capacity and develop guidelines for transitioning from cash to accrual accounting to align with the practices of other sectors.

The issue of pending bills in counties stems from the failure to meet revenue targets due to unrealistic projections and delayed disbursement from the exchequer. Addressing this challenge requires a comprehensive approach, including accurate revenue projections, realistic budgeting, and timely disbursement of funds.

Revenue

Counties have both automated and manual methods of revenue collections. However, there are still leakages due to the lack of automation and the absence of a harmonized revenue collection system. Currently, revenue is collected and deposited into the revenue account. Some revenue streams are not updated in the IFMIS systems, and the revenue module within IFMIS is not widely used, necessitating manual reconciliation processes. Most counties continue to rely on outdated valuation rolls, hindering realizing their revenue potential. Furthermore, the lack of adequate public participation in updating property valuation rolls adds to the challenge.

Procurement

Counties operate within legislation and policies on procurement, particularly the PPADA regulations of 2020. They are well-versed in these regulations, ensuring compliance and adherence to established guidelines.

E-procurement has been implemented by counties; however, it is not yet an end-to-end system. One of the challenges faced is that suppliers lack the necessary capacity to effectively utilize the supplier portal. Additionally, the e-procurement system does not separate the technical and financial committees’ approval processes within the system, as required by law.

Counties prepare consolidated procurement plans and submit them to the National Treasury. They also maintain updated bidding documents and publish tender results on the Public Procurement Information Portal (PPIP). However, there are discrepancies between the requirements for bidders stated in the act and those specified in the regulations. Furthermore, amendments to bidding documents are made without properly informing and sensitizing suppliers, leading to potential confusion.

Counties adhere to the Access to Government Procurement Opportunities (AGPO) requirement of allocating thirty percent (30%) of procurement opportunities to marginalized groups. However, some of these groups are not fully aware of the available opportunities, highlighting the need for improved communication and outreach.

Human Resource Management

Counties have approved staffing structures and establishments; however, there are delays in the approval process by County Public Service Boards (CPSBs). Political interference within the CPSB further complicates the staffing process, creating challenges in maintaining an efficient and effective workforce.

Human resources (HR) staff in counties possess professional qualifications and receive training and support from entities such as the Public Service Commission (PSC), the State Department for Public Service (SDPS), and the Institute of Human Resource Management (IHRM). This ensures that HR personnel have the necessary skills to manage county employees effectively.

Counties to pay their staff, using the Unified Personal Number (UPN) through Integrated Personnel and Payroll Database (IPPD) system. However, casual and new staff members are paid outside the system, leading to potential discrepancies and inefficiencies. Additionally, some job cadres are not captured in the system, posing challenges in accurately managing the county workforce. Furthermore, most modules within the Government Human Resource Information System (GH-RIS) are not operational, limiting the system’s effectiveness.

Counties face a significant challenge with their wage bill, as it has surpassed the recommended threshold of 35%. This indicates that a large portion of the county’s budget is allocated to employee salaries, potentially impacting other essential areas of development and service delivery.

Conclusion

These findings will serve as a foundation for developing subsequent PFM Reforms strategies and initiatives to enhance Public Finance Management practices at the county level. In addition to this, through a collaborative effort between the PFMR secretariat, counties, and relevant stakeholders, we can work towards strengthening PFM systems and fostering transparency and accountability in finance management.
Financing PFM Reforms in Kenya

In Kenya, PFM reforms are considered a central element of governance reforms aimed at improving accountability and service delivery. The technical and financial contribution made by the Government and Development partners to ensure sustainability of PFM reforms is often underestimated.

The PFMR Secretariat has received tremendous financial support from the Government of Kenya and Development Partners. This has been realized through the various donor funded Programmes within the Project.

The Governance for enabling Service delivery (GESDeK) is a Program for Results (PforR) that Government of Kenya (GoK) has annually budgeted for in support of PFM reforms under the development vote of the National Treasury to a tune of Kes.4.1 Billion from 2017/2018 - 2022/2023 Financial years.

Further, the World Bank, a co-funder of the GESDeK Programme, had an initial allocation of $ 150 Million while Agence Franc-çaise de Development (AFD) allocated €60 Million for Government general budget support. In addition, AFD made a technical assistance grant of £1.5 Million to support achievement of program results.

The European Union, through the Public Accountability and Service Delivery Programme (PASEDE) is supporting implementation of PFM Reforms Strategy 2018-2023 by providing the Government of Kenya with general budget support of € 26,000,000.

Swedish International Development Cooperation Agency (SIDA) supports the implementation of PFM Reforms through financing Data warehouse and Business Intelligence Project (DWBI) that is being implemented by KRA. Co-funding the project with GoK, SIDA provided a grant of upto SEK 35,000,000 while GoK financed Ksh. 210,000,000.

Lastly, Danish Embassy through the Kenya Country Programme (2016-2020) supported PFM reforms by providing a grant of DKK 45,000,000.

In conclusion, the level of financial input as highlighted above, only goes to show just how PFM reforms are a key priority for the National Treasury. The strengthened partnership with development partners will realize a Public Finance Management system that is efficient, effective and equitable for transparency, accountability & improved service delivery.
Automation of PFM ICT Systems

JACOB MUIMI
CISA, CISM, AICT Specialist

The automation of Public Financial Management (PFM) systems has been a critical focus area for many governments worldwide, including Kenya. PFM ICT systems are essential tools for achieving overall fiscal discipline, transparency, and accountability in the management of public funds. In Kenya, the Public Financial Management Reforms Strategy 2018-2023 identified over 28 PFM ICT systems that needed upgrading, development, and maintenance to ensure they were fit for purpose in achieving PFM objectives.

To support the PFM reforms, the Governance for Enabling Service Delivery and Public Investment in Kenya (GESDeK) programme introduced several Disbursement Linked Indicators (DLIs) focusing on the automation of core PFM systems and processes.

These DLIs included Integrated Financial Management Information System (IFMIS) reporting and budgeting, e-Government Procurement (e-GP), Government Human Resource Information System (GHRIS),Unified Human Resource (UHR) information system, Government Investment Management Information System (GIMIS), e-Citizen Portal, Budget Portal, and Public Investment Management Information System (PIMIS). Additionally, other systems such as Pensions Management, Public Asset and Liabilities Management, Public Performance Management, County Fiscal Data Analysis, Integrated Devolution Data Portal, TSC Human Resource Management Information System (HRMIS), and Integrated State Corporations Management System were identified as part of the PFM reforms.

However, implementing PFM ICT systems comes with potential challenges and risks. These include lack of integration, data inconsistency, duplication of efforts, redundancy of systems, lack of proper change management, and excessive government expenditure.

To address these challenges, a Comprehensive Logical Implementation Framework for PFM ICT Systems was developed in 2021. The framework consists of five thematic areas, including Conceptualization, Design, and Development; ICT Governance and Skills requirements; Implementation, Migration, and Integration; Hosting and Business Continuity; and System Acquisition, Licensing, Support, and Maintenance.

The main objective of the Comprehensive Logical Implementation Framework is to monitor systems implementation progress, evaluate current status, and guide the PFMR Secretariat in any proposed development of a new systems, reengineering of existing systems, and check the viability of any proposed system.

The PFM ICT Systems identified in the PFMR Strategy 2018-2023 are critical for effective public financial management in Kenya. Automation of these systems using the Comprehensive Logical Implementation Framework will help the government to achieve its PFM objectives, including overall fiscal discipline, transparency, and accountability, improved public investment management, budgeting, financial reporting and procurement, resource mobilization, e-citizen services, and human resource and payroll management. By ensuring that the PFM ICT systems are fit for purpose and meet the core tenets required of PFM systems, this will help government make better-informed decisions, increase efficiency, and reduce the risk of fraud, waste, and abuse.

Overall, the automation of PFM ICT systems is a critical step towards achieving better governance, effective service delivery, and sustainable economic growth in Kenya.

*Jacob is an AICT at the PFMR Secretariat*
What is the philosophy behind the establishment of PEFA?

PEFA is a framework that was initially established by seven development partners. Presently, there are 11 development partners; France, UK, IMF, World Bank, French development Agencies etc.

PEFA was developed to assess PFM Systems, Remember, before the PEFA framework came, there were numerous frameworks being used by donors to assess PFM systems of a country and there was duplication of effort, duplication of findings and also a lot of working hours being taken away from government officials and they end up having little time to do their work.

So, the intention was to put a framework which covers pretty everything that every donor was asking for. So, you can have standardized template that can assess a country’s PFM Systems and which is acceptable by all the development partners. So that’s how the PEFA methodology was developed back in 2005 first started in 2006 and Kenya was one of the countries.

Apart from Kenya, which other countries have undergone this form of assessment?

The framework is accepted worldwide, and in Africa alone, it has been numerous accepted because it is standardized. The framework is a standard format and is not country specific, which is why we usually use the term best practice. Actually, there is no best practice; the better term to use is good practice. What applies in Ken-
ya, for example, when measuring budget performance should be applicable in Ghana, in Rwanda so the same standard is used the PFM System?

What methodology do you use as PFM diagnostic tools for the PEFA Assessment?

The framework has 31 indicators and is used to measure the entire PFM System of a country, starting from the national planning system; the strategic national planning goals, driven down to the medium-term strategy of each sector and you could also have ministry by ministry developing new strategy.

So, from the national strategic plan level, driven down to the budget preparation and formulation stage, then you have budget execution, then procurement, afterwards internal audit, external audit and parliamentary oversight. So, you can say that the framework is revolving around all the PFM sectors of a country.

The methodology is used to assess the PFM Systems by scoring from D, which is the least performed, to highest performance of an A. So, it starts from a D then move slowly to a C, then a B and thereafter an A. D stands for poor performance, C is average performance, B is satisfactory then A means good performance. So once a country is able to meet some of these requirements as set by the PEFA methodology of framework then you are actually able to rate a country based on this criterion.

Of course, this assessment is evidence based, it’s not only what you tell us, you must prove what you tell us. So, if you tell me we are submitting annual financial statements to Auditor General by the 31st of October there should be some evidence to show that this is actually done. This assessment is purely evidence based and that is why it is acceptable everywhere. It is not by conjecture, it’s about facts.

What duration should it take for the evidence to be forwarded to the PEFA Assessors?

Getting this information (evidence based) is not uniform to all countries, in the sense that some countries can take a long time while other it’s really first. In a normal case when PEFA is launched, it takes 6 months to complete the entire cycle of getting the reports with the PEFA check. Once the PEFA is launched, it takes about 3-4 weeks for the interview process and data gathering, if the process is slow it can take up to 4 weeks. Then you go the analysis of the data where the consultant will analyze the data received from the government officials. If there are some information gaps, then you go back and ask for those gaps to be filled. That process can take a bit of time and if it’s properly managed, the entire process should take 5 to 6 months.

How would you rate Kenya’s PFM System as compared to other African Countries?

Kenya’s performance is average. It is difficult to compare country to country because PEFA methodology is not developed to compare country to country. Political differences and economic context differ from one country to another.
It is average in the sense that what we would be looking for is whether the budget outturn (comparing budget approved by parliament versus what is actually executed) is either meeting the minimum criteria, which would be a C or above. So, you can see some of these indicators will give you guidance.

In some areas, you see they may be performing well in the first assessment or previous assessment and when you do a subsequent assessment there will be a decline. So those are the dynamics and for Kenya now, it will be too early to say what trajectory we are at the moment because the assessment is still ongoing.

**What new modules have been added to the PEFA Framework?**

We are now doing the 5th PEFA assessment in Kenya and since 2020; PEFA has added 3 new modules.

One is the service delivery module which follows the main PEFA standard framework. What this framework does is actually going down to the service delivery units like hospital, going to the school to do the PEFA assessment at that level. You want to understand the flow of funds, the impact of the funds in terms of service delivery and how we are bettering the service delivery at that level. This module is pretty new and very involving. It will take time for countries to pick it over. I have applied it in Ukraine and other countries like Ethiopia.

Then we have the Gender module which is pretty new and was introduced in 2020. The module is used to assess a country’s PFM responsiveness as far as Gender is concerned. It follows the same principle of PEFA in terms of scoring. For example, if you are preparing your budget across all MDAs (ministries, departments & Agencies), whether there is a specific provision for each MDA to allocate resources according to gender, how much are you spending for the male, how much are you spending for the female gender.

The third module is the Climate module which follows the same methodology of looking at whether a country’s financial resource allocation puts into consideration climate change. These are the new extra modules included in the current assessment. The process of the assessment, as I said earlier, is ongoing and we have been having a bit of challenge in sharing of data and getting the evidence on time. The MDAs need to speed up on submitting the data on time so we can complete the assessment on time.

**When are we expecting the current PEFA exercise to end and have the final report released?**

From the time the PEFA is launched to the time it is complete, it takes approximately 6 months. You first have the interview, you analyze the data, you submit the draft report, you expect comments from the peer reviews, government to be facilitated and then you finalize the report.

When the first draft is submitted it takes another month for peer review: meaning comments coming from government, from donor’s etc. All this information is put together and submitted to the consultant for them to re-update the first report. This then comes back to ensuring that we stick to the plan otherwise it may as well delay.

**As an Assessor, what lessons have you learnt from your previous assessments that you can advise Kenya when it comes to Public Financial Management?**

I would say one area of big concern to me as a consultant is Asset management. This is really a big concern; you go to countries and realize they, first of all, don’t have a comprehensive register of government assets. Some government departments and agencies will have asset listing but don’t know the cost.

If you don’t have a very good asset management framework, it means the government is losing a lot of resources. You have to be paying for assets which ordinarily would exist somewhere but nobody knows. You keep buying asset every year, you find a department buying same asset each fiscal period. This also falls into what we call public investment management.
Members of Staff from National Assets & Liability Management Department in Assets Valuation Workshop
Dr Dickson Khainga, GESDeK Coordinator

Strengthening Governance for enabling Service Delivery and Public Investment in Kenya (GESDeK)

The Program to strengthen Governance for Enabling Service Delivery and Public Investment in Kenya (GESDeK) is a GoK/World Bank/AFD funded programme. The program was started in 2017/18 and is expected to end in December 2023.

GESDeK is implemented through the Program for Results (PforR) arrangement, where the achievement of agreed reforms triggers the disbursement of allocated resources towards general budget support.

With the project almost coming to an end, we ask ourselves, what has been achieved? Are there key lessons that have been learned, and what opportunities, if any, that we can look forward to. We sat down with the GESDeK Coordinator Dr. Dickson Khainga for a brief chat.

The program focuses on the result areas anchored in the PFMR Strategy, including Prioritized Public Investments, Reliability of Funding for Service Delivery, Efficient and Transparent Procurement, Consolidation of HR data, Timely and Quality Assured Financial Statements, and Timely, Efficient and Quality Audit, and Transparency and Fiduciary Assurance.

What is the philosophy behind the GESDeK Program in supporting the PFM Reforms in Kenya?

The understanding and recognition that sound public financial management systems and institutions are critical to achieving Kenya’s public policy development goals underpin the GESDeK program.

The program is being implemented with a strong emphasis on results and institutional strengthening.

The disbursement of funds is directly linked to the achievement of specific program results.

What Kind of support has the GESDeK provided in the PFM Space?

The GESDek programme is jointly financed by the World Bank and the Agence Francaise de Development (AFD), with World Bank allocation of US$150 million and an initial AFD allocation of € 30 million. The AFD increased its total funding by € 30 million to support the Government’s efforts to combat the Covid-19 Pandemic in 2020/21.

In addition, AFD has made a technical assistance grant of €1.5 million available to support the achievement of Program results.

The program is intended to help the Government implement the public financial management reforms (PFMR) outlined in the PFMR Strategy 2018-2023.

What Initiatives are being supported by the GESDeK Program? Are there any success stories that you may highlight for us?

The program supports several key initiatives in the PFM Reforms. First, the program seeks to support the reform of public investment management systems with a view to improving the efficiency and effectiveness of public investment in Kenya. The reform efforts built around this area have been predominantly to strengthen the public investment management frame-
work in Kenya. This has borne fruits with the development of the Public Investment Management Information System (PIMIS), and PIM guidelines and manuals to support ministries, departments, agencies and state corporations in project appraisal and selection. Accordingly, the National Treasury has developed manuals and standards to accompany these guidelines which can be accessed on the website at https://www.treasuery.go.ke/public investment-unit/. The roll-out of the PIMIS is expected to improve public investment management in Kenya.

Secondly, the program has supported improvements in cash planning and exchequer operations to enable reliable funding for service delivery and investment projects.

Thirdly, it seeks to address the inefficiencies in public procurement by ensuring we have increased transparency and efficiency in procurement processes and contract management. Program resources were allocated toward the development and roll-out of the e-Government Procurement system. The planned roll-out of the e-GP in 2023/2024 is expected to transform public procurement in Kenya.

Fourth, GESDeK also supported the Consolidation of public HR data for better wage bill management. The efforts in this area are to ensure the Government is able to access wage bill information at the press of a button to support decision-making.

The program further addresses the timeliness and quality of financial statements being produced by public entities. The focus is to ensure quality and accurate financial reporting that meet the required standards, including individual MDAs annual financial reports and the Consolidated Financial Report (CFR). Another support area is improving the quality and timeliness of external and internal audit. Great progress has been achieved, for example, the Office of the Auditor General released the CFR for 2021/22 within 4 months compared to the CFR for 2018/19, which was submitted to the National Assembly, 18 months after receipt from the National Treasury.

Lastly, the areas where we have had success are; improving transparency and oversight of State Corporations by developing the Government Investment Information Management System (GIMIS), and the re-engineering and on-boarding of additional services on the e-Citizen Portal.
PASEDE: Accelerating Reforms in Public Finance and Governance

The Public Accountability and Service Delivery (PASEDE) Programme was signed between the Government of Kenya and the European Commission on 20th April 2020. The programme provides technical assistance and capacity building support to the Public Finance Management (PFM) Reform Secretariat and stakeholders involved in the implementation of Kenya PFM Reform Strategy (2018-2023).

In Particular, the technical assistance supports the Public Finance Management (PFM) Reform Secretariat to successfully implement the PFM Reform Strategy (2018–2023). Better PFM will improve financial transfers to counties, enhance revenue mobilization, improve the business environment, and create better public investment management practices. We spoke with PASEDE Coordinator Alexander Kitain, to paint a picture of the state of the program, the success it has achieved so far and his experiences being a leader in his team.

What does EU PASEDE stand for? What was the rationale for introducing the programme?
PASEDE stands for Public Accountability and Service Delivery (PASEDE). The programme was conceived by the European Union and the Government of Kenya with the aim of contributing to the promotion of macro-fiscal stability, service delivery, and poverty alleviation. The programme is funded under the 11th European Development Fund with a contribution of 26M Euro, of which 23.5M Euro is budget support and 2.5M Euro is complimentary support (Technical Assistance and Communication).

What does PASEDE intend to achieve?
The specific program objectives include:

(a) Improved financial transfers to Counties.
(b) Enhanced revenue mobilization.
(c) Improved business environment (customs clearance and public procurement).
(d) Better public investment management practices.

What is the duration of PASEDE?
PASEDE is a 5 year program covering the period FY 2019/2020 to FY 2023/2024.

What successes have been achieved through the programme support to PFM Reforms in the country?
Some of the key successes realized include:

- Public procurement and Asset disposal policy was developed.
- An Economic Project Appraisal Manual was developed to guide MDAs’ in assessing and selection of public investment projects.
• Time taken by KRA for imports clearance and inspection was reduced from 84 hours in FY 2019/2020 to 54.6 hours by the beginning of fiscal year 2021/2022.
• So far, fixed tranches totalling 14.7M Euros and variable tranches amounting to 3.3M Euros have been disbursed as general budget support.

What PFM Reforms are you looking forward to realizing even as the PFM Strategy 2018-2023 comes to an end?

As you know the PFM reforms strategy is coming to an end in June 2023, given the areas that PASEDE has supported, we look forward to the rolling out of the E-Government procurement system and the operationalization of the PIMIS. We are equally hopeful that given the reforms the government is undertaking, there will be continued improvement in the timely transfer of equitable share to county governments to support smooth implementation of devolved functions.
What kind of support is the AFD providing in the PFMR space?

The French Development Agency (AFD) support is both financial and technical. The financial support is through the program to strengthen Governance for enabling Service Delivery and Public Investment in Kenya (GESDeK). The GESDeK program is jointly funded by the Government of Kenya, the AFD and the World Bank. The French Development Agency’s (AFD’s) financial support is through a soft loan of € 60 million, executed through the Program for Results (PforR) arrangement. Under the PforR instrument, the achievement of agreed PFM reforms, once verified, triggers the disbursement of funds. € 30 million was disbursed in 2020/21 to support the Government’s efforts in fighting the COVID-19 pandemic.

The supported PFM reform areas include strengthening public investment management and public procurement, transparency and oversight of state-owned enterprises, reliable funding for service delivery and public Investments, and timely and quality financial statements and audits.

A technical assistance component is designed to support capacity building at the National Treasury and the Office of the Auditor-General. Expertise France, the French Agency for international technical cooperation, provides technical assistance to the National Treasury. The TA component for the Office of the Auditor-General was organised by the French Court of Auditors and Expertise France, focusing mainly on forensic audit.
Could you tell us the difference between Expertise France and the French Development Agency?

AFD: Responsible for implementing France's Official Development Assistance (ODA) in the public sector and Non-Governmental Organizations.

Expertise France: The French Agency for international technical cooperation provides expertise in public policy formulation and addressing various development challenges.

What are the significant achievements that you can mention to us?

a. A long-term expert is based at the Public Debt Management Office since July 2021 to support capacity building and respond to day-to-day issues. Further, there was a study tour to the French Treasury, and Bloomberg terminals have been installed at the National Treasury for public debt analysis and monitoring as part of the technical assistance.

b. The National Treasury’s revenue forecasting framework has been reviewed and upgraded to enhance accuracy in revenue forecasting for the national budget preparation process.


d. AFD is financing the GESDEK Program coordinator based at the PFMR Secretariat – responsible for coordinating the GESDeK program and supporting other PFM reform areas

e. The Office of the Auditor General benefited through capacity building in Forensic Audit as well as a study trip to the French Court of Auditors.

Could you tell us what the AFD/Expertise France Objective is all about?

The objective of the program is to provide high-level expertise to strengthen the implementation of public financial management reforms, mainly, those linked to the GESDeK program in public investment management, debt management, cash management, revenue forecasting, and external audit.
Quick-fire Questions

CATHERINE MULUMBA
Programme Assistant Specialist II
Monitoring & Evaluation, PFMRS

1. What's your favorite book? Any time, any day my pick will always be The Bible. Simply because my soul is nourished and I find my purpose in God.

2. What are you reading currently? Ooh, hard one and would probably depend on the day you asked me. However I still would say the Bible, it has been providing words of encouragement at my lowest moments.

3. What's your favorite meal? Well. I have several favorite foods but my most favorite would have to be Ugali, beef and greens. Ugali always reminds me of my African heritage and to live a healthier life I mix it with greens and beef.


5. Favorite TV show and why? Case files because they make me realize that people can change from being convicts to useful people in the society

6. What is the best and worst purchase you've ever made? Best would be a fridge because I like keeping my food fresh since I love cooking and trying new recipes during my free time, the worst is buying a 2nd hand tv because it didn't serve me for long.

7. What is your favorite childhood memory? My brothers visiting days at school. I enjoyed travelling a lot, this gave me an opportunity to break away from my normal routines.

8. What qualities do you admire about your parents? Aaah, so many qualities I emulate from my parents. I am who I am because of what I have learnt from them. I would pick a few; Hardworking, Cheerful givers and strong believer of Christ

9. What would you change about yourself? I would want to avoid procrastinating my plans. This has really made me delay in executing my long term plans which affects my accomplishments.

10. Knowing what you know now, what advice would you give your 18-year-old self? Avoid negative energy, and looking down on yourself because it tends to demoralise a person in achieving their goals.

11. Cats or dogs? Dogs. Nights are always scary for me especially when am alone. Dogs provides a sense of safety.

12. What is your dream car? First things first, something incredibly comfortable for driving to work daily, perhaps some minor grocery shopping on the way, preferably with the lowest fuel consumption possible. For this I would go with Mazda Axela. It's girlish and has exquisite interior design.

13. What's on your playlist right now? Gospel music, it me brings closer to God.

14. If you could time warp yourself to any point in history, when would it be, who would you hang out with? Diani Beach would be my all-time destination. You get to experience world class sea food dishes and comfort of life at the beach. This would be a good opportunity to bond with my mother more and get motherly advice.

15. What was your first job? Direct Sales Rep at BBK currently ABSA

16. What's one thing your mother/father taught you that completely changed your life? Live in the minimal and save a lot.

17. What’s one thing about you that surprises people? Am a strong believer of Christ

18. What was something you’ve done that made you feel extreme happiness? I have always fancied working with The National Treasury and last year received my first offer letter to work with them.

19. What's the best piece of advice you've ever been given? Cherish and love your family.
PFMR Activity Pictorials

PFMR Team with KRA Officers during PASEDE presentation on Customs Clearance

PFMR Team with KRA Officers during PASEDE presentation on Customs Clearance

PSASB developing Financial Reporting Templates for level 4 & 5 Hospitals and Public Universities
Audit Associates from OAG trained on Performance Audit.

Former PS Dr Julius Muia with PFM Development Partner Group Representatives

Communication Department Courtesy Visit to KISM

CRA officers meeting with Narok County Government reps

Courtesy Visit at Radio Africa by PFMR Communication Team

Courtesy visit at Milele FM Radio Station by PFMR Communication Team
MOE developing tailor made curriculum to train bursars

Debt Dept officers reviewing PFM workplan

Work planning training session

SRC Carrying out compliance checks in Chuka University

Ministry of Education Training School Auditors at Naivasha
Participants at the launch of the midterm review of the PFMR strategy 2018-2023

KISM Officers during work planning workshop and PPRA

NT Public Procurement Department working visit to Homabay County

Kakamega County Officers training on PPADA

PSASB-Public Sector Accounting Standards Board developing financial reporting templates for public universities

Training of Auditor associates on performance audit