

REPUBLIC OF KENYA



Enhancing Accountability

| | |
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| THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 23 NOV 2023 | DAY: THURS |
| TABLED BY: | FIRST CHAIRPERSON OF COMMITTEES (HON MARTHA WANGARI, MP) |
| OF | A. Shibuko |

THE AUDITOR-GENERAL

ON

**NATIONAL AGRICULTURAL VALUE
CHAIN DEVELOPMENT PROJECT
(CREDIT NO. IDA-7064-KE)**

**FOR THE YEAR ENDED
30 JUNE, 2023**

**STATE DEPARTMENT FOR CROP
DEVELOPMENT**



**PROJECT NAME: NATIONAL AGRICULTURAL VALUE CHAIN
DEVELOPMENT PROJECT
(NAVCDP)**

**IMPLEMENTING ENTITY: MINISTRY OF AGRICULTURE AND
LIVESTOCK DEVELOPMENT**

PROJECT CREDIT NUMBER: 7064 KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2023**

**Prepared in accordance with the Cash Basis of Accounting Method under the
International Public Sector Accounting Standards (IPSAS)**

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1. Project Information and Overall Performance

1.1 Name and registered office

Name

The project's official name is National Agricultural Value Chain Development Project (NAVCDP)

Objective

To increase market participation and value addition for targeted farmers in select value chains in project areas and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.”

Address

The project headquarters offices are at Capitol Hill Towers 5th Floor Nairobi, Kenya. The address of its registered office is: Capitol Hill Towers 5th Floor, Cathedral Road Next to Kilimo House.

Post office address: Box 8073 00200,
Nairobi - Kenya

The project also has offices in 33 participating Counties as follows: -

Selected 33 NAVCDP participating Counties

| | Mt. Kenya | | Lower Eastern | | North Rift | | Centra /South Rift | | Nyanza | | Western | | Coast |
|---|------------------|---|----------------------|---|-------------------|---|---------------------------|---|---------------|---|----------------|---|--------------|
| 1 | Meru | 1 | Machakos | 1 | Trans Nzoia | 1 | Nakuru | 1 | Kisii | 1 | Kakamega | 1 | Kilifi |
| 2 | Muranga | 2 | Makueni | 2 | Nandi | 2 | Narok | 2 | Migori | 2 | Busia | 2 | Taita Taveta |
| 3 | Kiambu | 3 | Kitui | 3 | Uasin Gishu | 3 | Bomet | 3 | Homa Bay | 3 | Bungoma | 3 | Kwale |
| 4 | Kirinyaga | | | | | 4 | Kericho | 4 | Kisumu | 4 | Vihiga | 4 | Tana River |
| 5 | Embu | | | | | 5 | Nyandarua | 5 | Siaya | | | | |
| 6 | Nyeri | | | | | 6 | Kajiado | 6 | Nyamira | | | | |
| 7 | Tharaka Nithi | | | | | | | | | | | | |

Contacts: The following are the project contacts

Telephone: (254) 773206315

E-mail: info@navcdp.go.ke

Project Information and Overall Performance (Continued)

1.2 Project Information

| | |
|----------------------------|---|
| Project Start Date: | The project start date is 23 September 2022 |
| Project End Date: | The project end date is 31 December 2027 |
| Project Manager: | The project manager is Dr. Samuel Guto |
| Project Sponsor: | The project sponsor is World Bank – IDA and the GOK |

1.3 Project Overview

| | |
|--|--|
| Line Ministry/State Department of the project | The project is under the supervision of the State Department for Crops Development and Livestock Development, Ministry of Agriculture and Livestock Development |
| Project number | 7064KE |
| Project Development Objective | To increase market participation and value addition for targeted farmers in select value chains in project areas and in the event of an Eligible Crisis or Emergency, to provide immediate and effective response.” |
| Summary of Project Strategies for Achievement of strategic goals | Upgrading of market infrastructure will support higher participation of small-holder farmers through new and revamped market touch points, facilities for value addition and storage, and improved logistics. Integrated value chain clusters in urban areas will support increased availability of safer food produce for the urban consumers. Co-investments into market infrastructure upgrading and consumer awareness initiatives will catalyse higher demand for safe food produce while enabling direct producer- consumer linkages delivering higher returns for smallholders. |
| Project duration | The project started on 23 September 2022 and is expected to run until 31 December 2027 |

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Project Information and Overall Performance (Continued)

1.4 Bankers

The following are the bankers for the current year:

- (i) Central Bank of Kenya
- (ii) Kenya Commercial Bank

1.5 Independent Auditor

The project is audited by Office of the Auditor General (OAG).

1.6 Roles and Responsibilities

The following is the list of the different people working for the project. The list includes the project manager and the key stakeholders who are involved with the project. Also included in the list is their role and their positions.

| Names | Positions | Key Qualifications | Responsibilities |
|------------------------|--|---|--|
| Samuel Guto, PhD | National Project Coordinator | Doctor of Science - Soil and water management in smallholder farming systems | Overall Coordination of the Project |
| Mary Maingi | National Community Institutions Development Lead | -Masters in Environmental Studies | Responsible for Community Institutions Development |
| Samuel Kamura | National Agricultural Finance Lead | Msc in Entrepreneurship BBA Bachelor of Business Administration Diploma in Cooperative Mangement CPA Sec 2 | Responsible for Agricultural Finance issues |
| Annastacia Kivuva | National Farmer Producer Organization Development Lead | -MSc. International Trade Policy and Trade Law | Responsible for Farmer Producer Organization Development |
| Eng. Isaac Ngugi Wakhu | National Agricultural Infrastructural Lead | B. Sc in Agricultural | Responsible for Agricultural Infrastructural Development |

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| | | | |
|-------------------|--|---|---|
| | | Engineering | |
| Cosmas Omolo | Monitoring & Evaluation Lead | -MSc. Agriculture Production Chain Management | Oversee the development and implementation of the NAVCDP planning, monitoring and evaluation system |
| Peter N. Gitau | National Project Accountant (NPA) | - MSc Finance and Economics - CPA(K) | Responsible for managing project finances in accordance with the requirements of the Financing Agreement and related Project documents |
| Japhlet Gikunda | National Procurement Officer | - BSc. Procurement and Logistics | Responsible for overseeing the preparation and execution of the project procurement plans to effectively support project operations, ensuring strict adherence to World Bank and GoK procurement guidelines |
| Stanley Maina | Project Internal Auditor | - MSc. Finance - CPAK | Responsible the controls system is in place and effective procurement and financial management of the project |
| David Olang | National Environmental Compliance Lead | -MSc. Environmental Science | Responsible for ensuring that all NAVCDP activities are implemented in accordance to the Environmental and Social Safeguard Frameworks laid out for the project |
| Judith Amadiva | National Information and Communication Lead | -BA. Economics, Community Development and Cooperation | Planning and execution of the project communications strategy for maintaining healthy internal and external relations |
| Priscilla Muthoni | National Social Safeguards and Gender Mainstreaming Lead | Msc. Business Administration | Responsible for Social Safeguards and Gender Mainstreaming matters |
| Wycliffe Amariati | National Agricultural Extension Lead | B. Sc in Agriculture | Responsible for Agricultural Extension |

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1.7 Funding summary

The Project is for a duration of 5 years from 2022 to 2027 with a total project cost of US\$ 275 million, of which the International Development Association (IDA) will finance US\$ 250 million under an Investment Project Financing (IPF) instrument. The estimated project cost takes into account GoK counterpart funds amounting to US\$ 25 million equivalent as detailed in the table below: -

| Project Components | Project Cost (US\$ million) | IDA Financing (US\$ million) | IDA Financing (%) | Counterpart Contribution (US\$ million) | Counterpart Contribution (%) |
|---|-----------------------------|------------------------------|-------------------|---|------------------------------|
| 1. Building Producer Capacity for Climate Resilient Stronger Value Chains | 115 | 110 | 96% | 5 | 4% |
| 2. Climate Smart Value Chain Ecosystem Investments | 100 | 90 | 90% | 10 | 10% |
| 3. Climate Smart Safer Urban Food Systems | 35 | 30 | 86% | 5 | 14% |
| 4. Project Coordination and Management | 25 | 20 | 80% | 5 | 20% |
| Total Project Costs | 275 | 250 | 91% | 25 | 9% |

Below is the funding summary:

Source of Funds

| Source of funds | Donor Commitment- | | Amount received to date – 30 June 2023 | | Undrawn balance to date 30 June 2023 | |
|-------------------------------|---------------------|---------------------|--|---------------------|--------------------------------------|---------------------|
| | Donor currency | Kshs | Donor currency | Kshs | Donor currency | Kshs |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| (i) Loan | Euro Million | Kshs Million | Euro Million | Kshs Million | Euro Million | Kshs Million |
| World Bank | 250 | 30,000 | 20 | 2,019 | 0 | 27,981 |
| (ii) Counterpart Funds | | | | | | |
| County Governments | 20 | 2,400 | - | - | 20 | 2,400 |
| National Government | 5 | 600 | - | - | 5 | 600 |
| Total | 275 | 33,000 | 20 | 2,019 | 25 | 30,981 |

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Application of Funds

| Application of funds | Amount received to date – 30 June 2022 | | Cumulative amount paid to date - 30th June 2023 | | Un utilized balance to 30 June 2022 | |
|-------------------------------|--|---------------------|---|---------------------|-------------------------------------|---------------------|
| | <i>Donor currency</i> | <i>Kshs</i> | <i>Donor currency</i> | <i>Kshs</i> | <i>Donor currency</i> | <i>Kshs</i> |
| | (A) | (A') | (B) | (B') | (A)-(B) | (A')-(B') |
| | | | | | | |
| (i) Loan | Euro in Million | Kshs Million | Euro in Million | Kshs Million | Euro in Million | Kshs Million |
| World Bank | 20 | 2,019 | 14 | 1,721 | 6 | 299 |
| | | | | | - | - |
| (ii) Counterpart Funds | | | | | | |
| County Governments | - | - | - | - | - | - |
| National Government | - | - | - | - | - | - |
| Total | 20 | 2,019 | 14 | 1,721 | 6 | 299 |

*National Value Chain Development Project (NAVCDP)
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Project Information and Overall Performance (Continued)

1.8 Summary of Overall Project Performance

| NAVCDP Key Project Monitoring Indicators report | | | |
|---|-----------------------|-------------------------------|------------------------------------|
| PDO Statement: To increase market participation and value addition for targeted farmers in select value chains in project areas | | | |
| Project Development Objective (Outcome) indicators | | | |
| Indicator | Disaggregation | Cumulative achievement | End target |
| Percentage increase in farmers selling more than 50 % of their produce in the market (Percentage) | | | 100 |
| Percentage increase in farmers selling produce in value added form (both on farm and off farm) (Percentage) | | | 30 |
| Farmers reached with agricultural assets or services | Male | | 250,000 |
| | Female | | 250,000 |
| Building Producer capacity for climate resilient stronger value chains (Output) Indicators | | | |
| Indicator description | Disaggregation | Cumulative achievement | Target for the while period |
| No of Farmers facilitated with the e-voucher support under NVSP | | 0 | 150,000 |
| Percentage increase in average annual sales turnover of targeted FPOs | | 0 | 30 |
| Number of Public-Private Partnerships (PPPs) established by FPOs | | 0 | 50 |
| Number of farmers under the project accessing financial services | | 0 | 500,000 |
| Cumulative savings mobilized by farmers under the project (Amount(USD)) | | 0 | 26,500,000 |
| Cumulative credit from financial institutions accessed under the project (Amount(USD)) | | 0 | 81,000,000 |
| Cumulative credit from financial institutions accessed by FPOs (Amount(USD)) | | 0 | 9,400,000 |
| No of VMGs supported through Micro Projects | | 0 | 2,000 |
| Percentage of beneficiaries expressing satisfaction with the project | | 0 | 90 |
| No. of Farmers adopting improved agricultural technology | Male | 0 | 175,000 |
| | Female | 0 | 175,000 |
| Climate Smart Value Chain Ecosystem Investments (Output) Indicators | | | |
| Indicator description | Disaggregation | Cumulative achievement | Target for the while period |
| Area provided with new/improved irrigation or drainage (Hectares) | | 0 | 20,000 |
| No. of Physical markets/aggregation centers developed/or upgraded | | 0 | 52 |
| Increase in percentage of farmers using market infrastructure developed by project (Percentage) | | 0 | 50 |

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| | | | |
|---|-----------------------|-------------------------------|------------------------------------|
| No of Agri Tech agencies partnered with as part of the One Million Farmer Platform (Number) | | 0 | 40 |
| No of Agripreneurs fully developed and paired to support county teams (Number) | | 0 | 2,000 |
| No of farmers accessing productivity services/market linkages/credit services through the partnerships with Agri Tech agencies (Number) | | 0 | 250,000 |
| No of TIMPs disseminated by KALRO for adoption (Number) | | 0 | 500 |
| Beneficiaries of job-focused interventions (CRI, Number) | | 0 | 10,000 |
| No of Farmers accessing irrigation | | 0 | 100,000 |
| Land brought under Sustainable Land Management (ha) (Hectare(Ha)) | | 0 | 40,000 |
| Safer Urban Food System Pilots (Output) Indicators | | | |
| Indicator description | Disaggregation | Cumulative achievement | Target for the while period |
| No. of Farmers directly selling in Urban markets created/supported by the project | | 0 | 20,000 |
| No of FPOs directly linked to Aggregators selling in Urban Areas (Number) | | 0 | 50 |
| No of Farmers supported in undertaking Urban / Peri Urban Agriculture (Number) | | 0 | 10,000 |
| No of Urban / Peri Urban Farmers adopting TIMPs | | 0 | 6,000 |
| No of National and County agriculture and urban development department staff and other stakeholders trained on 2015 Act (Number) | | 0 | 600 |

(i) Project objective and progress towards meeting these objectives

| NAVCDP Project Objective | | | |
|--|---|---------------|--------------------|
| Project objectives | Performance area | Target | Achievement |
| Capacity for smallholder farmers for improved productivity, adaptation, mitigation and market participation enhanced | No. of the farmers mobilized, registered and geo-referenced | 3,800,000 | 0 |
| FPOs capacity for collective marketing and value addition strengthened | No. of farmers marketing collectively through the supported FPOs | 150,000 | 0 |
| | % increase in annual average sales turnover by the supported FPOs | 30 | 0 |
| Credit worthiness of CIGs/VMGs and FPOs improved | Total amount (KES) of SACCO share capital/savings (USD) | 26,500,000 | 0 |

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| | | | | |
|------------------------------------|-------------------------|--|---------|---|
| Farmer Led Development supported | Irrigation (FLID) | No. of farmers accessing water for irrigation | 100,000 | 0 |
| | | Land area brought under irrigation (Ha) | 20,000 | 0 |
| Climate Smart Food Systems Piloted | Safe Urban Successfully | No. of farmers linked to processors and logistic providers | 6000 | 0 |
| | | No. of physical farmer markets developed/upgraded | 10 | 0 |

Absorption Rate for each year since the commencement of the project

| | | |
|----------------------------|---------------------------|---------------------|
| Project cost in Kes | 33,000,000,000 | |
| Financial Year | Absorption in Kshs | % Absorption |
| FY 23 | 1,720,772,185 | 5% |
| Total | 1,720,772,185 | 5% |

(ii) Implementation challenges

Some of the challenges faced is lack of counterpart funding especially from the National Government. To avert this the National Government and the counties should honour their contribution.

1.9 Summary of Project Compliance:

NAVCDP projects operates within the World Bank project guidelines and as per the Kenyan Constitution. The project has been operating within the above guidelines and no non-compliance issues has been noted.

i) Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the *project's agreement/ plan* are to:

- a) Strengthen community institution
- b) Increase agricultural production, marketing and nutrition
- c) Strengthen Producer Organization
- d) Strengthen value chain coordination
- e) Strengthen County capacities

ii) Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART)

and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement:

The following table provides the progress on attainment of the stated objectives; -

| Project | Objective | Outcome | Indicator | Performance |
|--|---|--|--|--|
| National Agricultural Value Chain Development Project (NAVCDP) | Producer capacity for climate-resilient and stronger value chains built | Capacity for smallholder farmers for improved productivity, adaptation, mitigation and market participation enhanced | No of direct project beneficiaries reached disaggregated gender | Project has just started and none of the performance has been recorded |
| | | FPOs capacity for collective marketing and value addition strengthened | No. of farmers marketing collectively through the supported FPOs | Project has just started and none of the performance has been recorded |
| | Climate Smart Value Chain Ecosystem Investments for Improved Market Competitiveness of Smallholder-farmers Enhanced | Credit worthiness of CIGs/VMGs and FPOs improved | Total amount (KES) of SACCO share capital/savings (USD) | Project has just started and none of the performance has been recorded |
| | | Farmer Led Irrigation Development (FLID) supported | No. of farmers accessing water for irrigation | Project has just started and none of the performance has been recorded |
| | Climate Smart Safe Urban Food Systems Successfully Piloted | Strengthened county government capacities | No. of farmers linked to processors and logistic providers | Project has just started and none of the performance has been recorded |
| | | Urban and Peri-urban markets supported | No. of physical farmer markets developed/upgraded | Project has just started and none of the performance has been recorded |

2. Environmental performance

The environmental frameworks guiding the project are as follows

- (i) Environmental Management and Coordination Act, 1999 (amended 2015)

The project investments will always screen and develop an ESMP after or undertake an ESIA study before implementations.

- (ii) United Nations Framework Convention on Climate Change (1992).

The project will implement climate smart agriculture to limit emissions from the agricultural practices and also put in place carbon emissions accounting by training the ToTs who will also train the facilitators and the M&Es

- (iii) International Plant Protection Convention of FAO (1952)

The project has put in place the integrated pest management plan where the CIGs using different pesticides will have to record the types and quantities used. Each investment will have a screening checklist at the period of the investment.

3. Employee Welfare

- At the coordinating units, the project will ensure conducive working environment by renovating offices, acquiring office equipment (computers, photocopiers) and vehicles for operations.
- The project will ensure that the work force is not discriminated against including the exclusion of the VMGs (ESS 7)
- The project is putting in place an established grievance management systems which the staff will utilise to address their grievances
- The employment of the project workers is also based on the principle of equal opportunity and fair treatment as per the employment act 2007.
- The project developed a labour management plan (LMP) an annex of the ESMF to help identify the human resources necessary to address the labour issues associated with the project implementation. The LMP has helped to achieve the following:
 - Promoting the safety and health at work for all the workers
 - Promoting fair treatment, non-discrimination and equal opportunities for all workers
 - Protecting all the project workers including the VMGs such as women, people with disabilities (DAPs), working age Children, migrant workers to medium and MCI sites, community and primary supply workers
 - Preventing use of all forms of forced, child labour and hazardous work
 - Providing the project workers with accessible means to raise workplace concerns
- The Project developed guidelines in the community grant manual that addresses the gender parity/gender rule in the formation of the Community institutions (CDDCs, SAIC, FSC, PSC etc)
- The project is striving to ensure that all the workers including the contractors and sub contractors undergo a pre - employment screening and regular health screening and trainings and including the voluntary screening for the STDs
- The project will ensure that COVID-19 protocols and guidelines by the ministry of health are adhered to.
- Ensuring all the worksites are fenced and the signs put up around the work fronts and the construction sites advising the public on the risk associated with the trespass
- The project undertook and will continue undertaking stakeholder engagement and consultation to educate the staff (stakeholders) on signs meanings
- To achieve the above, the project has triggered the following National labour legislation frameworks as indicated below:

| Sr | Framework | Remarks |
|-----------|--|--|
| 1. | Article 2 of the Kenya's Constitution 2010 | This recognises the ratified treaties as part of the laws of kenya |
| 2. | Article 41 of the Kenyan | This addresses the entitlement and guarantees afforded to |

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| | | |
|----|---|---|
| | Constitution on labour relations | workers and project employees |
| 3. | The Employment Act 2007 - Article 4(1), 5(1) and 6(1) | These articles give guidelines to recruitments, using forced labour, grievance management through the industrious courts and SEAH/sexual exploitation issues in the course of duty The Act also stipulates minimum wage, Hours per week, Annual leave and maternity/Paternity leaves, death treatments and medical and treatment of the sick workers |
| 4. | Occupational health and Safety (OHS) Act | This is the Kenya's law that codifies safety and health of the workers which has been aligned to the project |
| 5. | The Work injury Benefits Act (WIBA) | This act addresses workplace safety and health. The Act provides for the compensation of 'injured' |
| 6. | The National Childrens Policy Kenya 2010 | The commitment to the Sustainable Development Goals (SDGs) and the articulation of children issues in Kenya's Vision 2030 is a demonstration of this obligation that whoever is working for the people of Kenya must observe. |
| 7. | The Kenya National Action Plan on Women, Peace, and Security 2020-2024 | The Kenya National Action Plan on Women, Peace, and Security 2020-2024 |
| 8. | National Prevention and Response Plan on Violence Against Children (VAC) In Kenya 2019 – 2023 | The policy helps the project to sensitize the coordinating units against violating children's rights as NAVCDP is mainly domiciled in the rural areas and the value chains are agricultural in nature |

Market place practices-

The project's efforts to:

Responsible Supply chain and supplier relations.

NAVCDP implements its procurement activities in conformity with the various laws and regulations guiding procurement. This includes the Public Procurement and Asset Disposal Act (PPDA), World Bank Procurement Guidelines. The Project strives to ensure that the supplier's contracts are honoured and respective payments made with the stipulated timelines.

Responsible ethical practices

A number of ways have been put in place to maintain ethical and anti-corruption and responsible political involvement through the following:

- The project sensitizes and capacity builds all the stakeholders on the environmental and social risks management for all the project activities. These will include the World Bank environmental and the social standards, GBV/SEAH, code of conduct, Occupational health and safety, grievance redress channels requirements and SEP.SMPs, SEAH
- All the tenders will always be publicly disclosed to the public and all the processes are above board.
- Several trainings will be carried out to enhance farmers and communities' awareness.
- All the investment in the project area will be geo-tagged and resources used are publicly disclosed (Costs, contractors details & beneficiaries)
- All the grievances coming out as a result of the project implementations will be and continuously be timely redressed/managed.
- All the incidents including the corruption cases will be promptly reported through the established systems within 48 hours.
- All the project staff CVs were screened and the background checks done to check on the qualifications, equal and equitable opportunities.

(iv)Regulatory impact assessment

a) *Safeguard citizen and stakeholder's rights.*

The project prepared and disclosed a stakeholder engagement plan which is also consistent with the ESS 10 and Article 27 of the Constitution that guarantees equal participation in decision making processes. The project will be able to update and implement the finalizations of the investments (Micro projects, medium & MCIs) plans for counties defining further details on the operational steps consistent with ESS10, in a manner acceptable to the donor.

In order to safeguard the citizens, throughout the project, NAVCDP will be able to implement the SEP consistent with ESS10, including the use of different, culturally appropriate communication approaches to ensure communication also with the most vulnerable, IP/SSAHUTLC, including illiterate, and people with disabilities. Further to above, the project will ensure the grievance management mechanisms are in place right from the Wards (SAIC), FPO (Supervisory committees, County (CGMC) and at the National level (NGMC). These committees will be able to receive the grievances/complaints and offer timely, cheap, effective and reliable redress to the grievances/complaints raised.

Community Engagements

- The communities will be involved in NAVCDP right from the inception of the project activities. The project has developed thematic implementation manuals that will guide the implementation of the various activities. The communities will be called upon to validate these manuals before adoption and project implementation.
- Further the communities will be sensitized and mobilized to plan, identify challenges that they face in agricultural development and to be part of the decision-making process on the kind of interventions required to improve agricultural development and commercialization of agriculture.
- The project will inculcate a saving culture among community members who will be expected to make savings in SACCOs so that they can access credit to assist them borrow money to adopt TIMPs and increase their agricultural productivity for improved livelihoods.

4. Statement of Project Management Responsibilities

The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development and the National Project Coordinator for NAVCDP project* are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended June 30, 2023.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the project; (v) Selecting and applying appropriate accounting policies; and (v) Making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development and the National Project Coordinator for NAVCDP project* accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

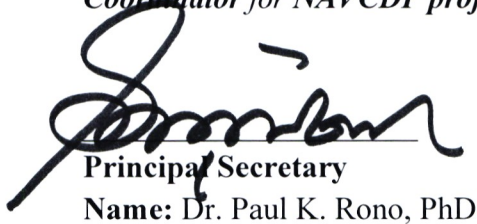
The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development and the National Project Coordinator for NAVCDP project* are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development and the National Project Coordinator for NAVCDP project* further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.


The *Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development and the National Project Coordinator for NAVCDP project* confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.


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Approval of the Project financial statements

The Project financial statements were approved by the **Principal Secretary State Department for Crops Development, Ministry of Agriculture and Livestock Development and the National Project Coordinator for NAVCDP project** on 30/10 2023 and signed by them.

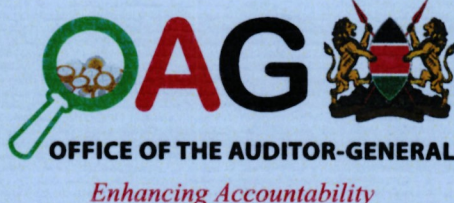

Principal Secretary
Name: Dr. Paul K. Rono, PhD


National Project Coordinator
Name: Samuel Guto, PhD


Project Accountant
Name: Peter N. Gitau
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REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT (CREDIT NO. IDA-7064-KE) FOR THE YEAR ENDED 30 JUNE, 2023 – STATE DEPARTMENT FOR CROP DEVELOPMENT

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Agricultural Value Chain Development Project set out on pages 1 to 21, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments,

Report of the Auditor-General on National Agricultural Value Chain Development Project (Credit No. IDA-7064-KE) for the year ended 30 June, 2023 – State Department for Crop Development

statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other important disclosures in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Agricultural Value Chain Development Project as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement IDA Credit No.7064-KE dated 10 June, 2022 between the International Development Association (IDA) and Republic of Kenya and the Public Finance Management Act, 2012.

In addition, the special account reconciliation statement presents fairly, the special account transactions and the closing balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Agricultural Value Chain Development Project Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Non-Utilization of Project Funds

The statement of receipts and payments and as disclosed in Notes 11.5, 11.6 and 11.7 of the financial statements reflects transfers to other State Departments, transfers to County Governments and other capital grants and transfers amounts of Kshs.63,800,000, Kshs.1,612,625,497 and Kshs.30,000,000 respectively all totalling to Kshs.1,706,425,497. Review of the respective summary of expenditure revealed that the funds were not utilized. No clear reasons were submitted for audit review for the non-utilization of these funds.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Non-Remittance of Counterpart Funds

The statement of receipts and payments and as disclosed in Note 11.1 to the financial statements reflects a Nil balance in transfer from Government entities - Counties and National Government indicating that there was no counterpart funding. This is contrary to paragraph 23 of the Project Appraisal Document that provides that the estimated project cost considers counterpart funds equivalent to KShs.3Billion (US\$25 million).

In the circumstances, Management was in breach of the financing agreement.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal controls as Management determines is

necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain its services, disclosing as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of intention to terminate the Project or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit

the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal controls that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.



CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

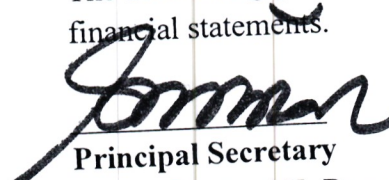
10 November, 2023


National Value Chain Development Project (NAVCDP)
Reports and Financial Statements
For the financial year ended June 30, 2023

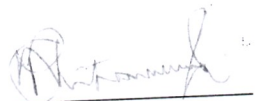
6. Statement of Receipts and Payments for the Year Ended 30th June 2023

| | Note | 2022/23 | | | 2021/22 | | | Cumulative to-date (From Inception) Kshs |
|---|------|--|--------------------------------|---------------|---|--------------------------------|-------|---|
| | | Receipts and payments controlled by the entity | Payments made by third parties | Total | Receipts and payment controlled by the entity | Payments made by third parties | Total | |
| | | Kshs | Kshs | | Kshs | Kshs | | |
| RECEIPTS | | | | | | | | |
| Transfer from Government entities - Counties and NG | 11.1 | - | - | - | - | - | - | - |
| Loan from External Development Partners | 11.2 | 2,019,470,928 | - | 2,019,470,928 | - | - | - | 2,019,470,928 |
| Direct Payment | | - | - | - | - | - | - | - |
| TOTAL RECEIPTS | | 2,019,470,928 | - | 2,019,470,928 | - | - | - | 2,019,470,928 |
| PAYMENTS | | | | | | | | |
| Purchase of goods and services | 11.3 | 14,346,688 | - | 14,346,688 | - | - | - | 14,346,688 |
| Acquisition of non-financial assets | 11.4 | - | - | - | - | - | - | - |
| Transfers to other State Departments | 11.5 | 63,800,000 | - | 63,800,000 | - | - | - | 63,800,000 |
| Transfers to County Governments | 11.6 | 1,612,625,497 | - | 1,612,625,497 | - | - | - | 1,612,625,497 |
| Other Capital Grants and Transfers | 11.7 | 30,000,000 | - | 30,000,000 | - | - | - | 30,000,000 |
| TOTAL PAYMENTS | | 1,720,772,185 | - | 1,720,772,185 | - | - | - | 1,720,772,185 |
| SURPLUS/DEFICIT | | 298,698,743 | - | 298,698,743 | - | - | - | 298,698,743 |

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


Principal Secretary
Name: Dr. Paul K. Rono, PhD


National Project Coordinator
Name: Dr. Samuel Guto


Project Accountant
Name: Peter N. Gitau
ICPAK Member Number: 10338

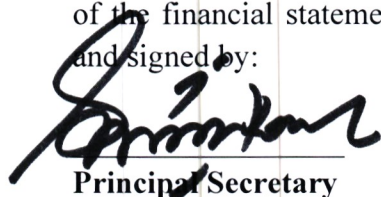
(IPSAS 1.3.24 requires an entity to separately disclose third party payments separately on the statement of receipts and payments. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

**National Value Chain Development Project (NAVCDP)
Reports and Financial Statements
For the financial year ended June 30, 2023**

7. Statement of Financial Assets as at 30th June 2023

| | Note | 2022/23 Kshs | 2022/21 Kshs |
|--|-------|--------------------|-----------------|
| FINANCIAL ASSETS | | | |
| Cash Balances | 11.8 | 9,929 | - |
| Bank Balances | 11.9 | 298,688,814 | - |
| Outstanding Imprests and Advances | 11.10 | - | - |
| Total Cash and Cash Equivalents | | 298,698,743 | - |
| TOTAL FINANCIAL ASSETS | | | |
| | | 298,698,743 | - |
| REPRESENTED BY | | | |
| Fund balance b/fwd | 11.11 | - | - |
| Surplus/Deficit for the year | | 298,698,743 | - |
| NET FINANCIAL POSITION | | 298,698,743 | - |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 30/6/23 2023 and signed by:



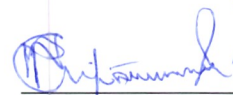
Principal Secretary

Date:



National Project Coordinator

Date: 30/6/23



Project Accountant

Date:

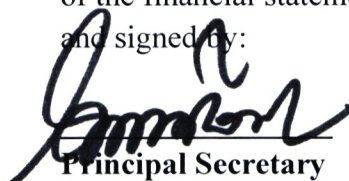
ICPAK Member No.:10338

National Value Chain Development Project (NAVCDP)
Reports and Financial Statements
For the financial year ended June 30, 2023

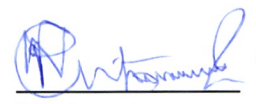
8. Statement of Cash flow for the year ended 30th June 2023

| | Note | 2022/23 Kshs | 2021/22 Kshs |
|--|------|--------------------|-----------------|
| Receipts for operating activities | | | |
| Transfer from Government entities - Counties and NG | 11.1 | - | - |
| Loan from External Development Partners | 11.2 | 2,019,470,928 | - |
| Payments for operating activities | | | |
| Purchase of goods and services | 11.3 | 14,346,688 | - |
| Transfers to other State Departments | 11.5 | 63,800,000 | - |
| Transfers to other government entities - Counties | 11.6 | 1,612,625,497 | - |
| Other Capital Grants and Transfers | 11.7 | 30,000,000 | - |
| Adjustments during the year (change in receivables) | | | |
| | | - | - |
| Net cash flow from operating activities | | 298,698,743 | - |
| CASHFLOW FROM INVESTING ACTIVITIES | | | |
| Acquisition of non-financial assets | 11.4 | - | - |
| Net cash flows from Investing Activities | | - | - |
| CASHFLOW FROM BORROWING ACTIVITIES | | | |
| Proceeds from Foreign Borrowings | | | - |
| Net cash flow from financing activities | | - | - |
| NET INCREASE IN CASH AND CASH EQUIVALENT | | | |
| | | 298,698,743 | - |
| Cash and cash equivalent at BEGINNING of the year | | - | - |
| Cash and cash equivalent at END of the year | | 298,698,743 | - |

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/6/23 2023 and signed by:


Principal Secretary
Date:


National Project Coordinator
Date: 30/6/23


Project Accountant
Date:
ICPAK Member No: 10338

**National Value Chain Development Project (NAVCDP)
Reports and Financial Statements
For the financial year ended June 30, 2023**

9. Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023

| Receipts/Payments Item | FY 2022-23 | | | | | | |
|---|-------------------------|---------------------|----------------------|------------------------------------|---------------------------------------|------------------|--|
| | Original Budget in Kshs | Adjustments in Kshs | Final Budget in Kshs | Actual on Comparable Basis in Kshs | Budget Utilization Difference in Kshs | % of Utilization | |
| | a | b | c = a+b | d | e = c-d | f = d/c % | |
| Receipts | | | | | | | |
| Transfer from Government entities | - | - | - | - | - | - | |
| Loan from External Development Partners | 2,100,000,000 | - | 2,100,000,000 | 2,019,470,928 | 80,529,072 | 96% | |
| Direct Payment | | | - | - | - | | |
| Total Receipts | 2,100,000,000 | - | 2,100,000,000 | 2,019,470,928 | 80,529,072 | 96% | |
| Payments | | | | | | | |
| Purchase of goods and services | 186,200,000 | - | 186,200,000 | 14,346,688 | 171,853,312 | 8% | |
| Acquisition of non-financial assets | - | - | - | - | - | | |
| Transfers to other State Departments | 63,800,000 | - | 63,800,000 | 63,800,000 | - | | |
| Transfers to Government entities | 1,820,000,000 | - | 1,820,000,000 | 1,612,625,497 | 207,374,503 | 89% | |
| Other Capital Grants & Transfer | 30,000,000 | - | 30,000,000 | 30,000,000 | - | | |
| Total Payments | 2,100,000,000 | - | 2,100,000,000 | 1,720,772,185 | 379,227,815 | 96% | |

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 1 to these financial statements.

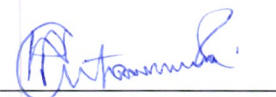

Principal Secretary

Date:



National Project Coordinator

Date: 30/6/23



Project Accountant

Date: 30/6/23

ICPAK Member No: 10338

10. Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below:

10.1 Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of accounting, as prescribed by the PSASB and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions. The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

10.2 Reporting entity

The financial statements are for the **NAVCDP Project** under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

10.3 Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), which is the functional and reporting currency of the Project and all values are rounded to the nearest Kenya Shilling.

10.4 Recognition of receipts

The Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

i) Transfers from the Exchequer

Transfer from Exchequer is recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

ii) External Assistance

External assistance is received through loans from multilateral and bilateral development partners.

iii) Other receipts

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

a) Donations and grants

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

b) Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

c) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

d) Recognition of payments

The Project recognises all payments when the event occurs, and the related cash has actually been paid out by the Project.

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. If not paid for during the period where goods/services are consumed, they shall be disclosed as pending bills.

Significant Accounting Policies (Continued)

iii) Interest on borrowing

Borrowing costs that include interest are recognized as payment in the period in which they incurred and paid for.

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

e) In-kind donations

In-kind contributions are donations that are made to the Project in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Project includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

Significant Accounting Policies (Continued)

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank

account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash

equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

g) Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits.

h) Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

Significant Accounting Policies (Continued)

i) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

j) Contingent Assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

k) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Project at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

Significant Accounting Policies (Continued)

l) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

m) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties' column in the statement of receipts and payments.

n) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

o) Comparative figures

Where necessary comparative figures for the previous financial year/period have been amended or reconfigured to conform to the required changes in financial statement presentation.

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2023.

Significant Accounting Policies (Continued)

q) Errors

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

*National Value Chain Development Project (NAVCDP)
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11. Notes to the Financial Statements

11.1 Transfers from Government Entities

These represent counterpart funding and other receipts from government as follows:

| Transfers from County Government Entities | 2022/23 (Kshs) | 2021/22 (Kshs) | Cumulative to date (From Inception in Kshs) |
|--|-----------------------|-----------------------|--|
| Kwale | - | - | - |
| Kilifi | - | - | - |
| Tana River | - | - | - |
| Taita Taveta | - | - | - |
| Meru | - | - | - |
| Tharaka Nithi | - | - | - |
| Embu | - | - | - |
| Kitui | - | - | - |
| Machakos | - | - | - |
| Makueni | - | - | - |
| Nyandarua | - | - | - |
| Nyeri | - | - | - |
| Kirinyaga | - | - | - |
| Muranga | - | - | - |
| Kiambu | - | - | - |
| Trans Nzoia | - | - | - |
| Uasin Gishu | - | - | - |
| Nandi | - | - | - |
| Nakuru | - | - | - |
| Narok | - | - | - |
| Kajiado | - | - | - |
| Kericho | - | - | - |
| Bomet | - | - | - |
| Kakamega | - | - | - |
| Vihiga | - | - | - |
| Bungoma | - | - | - |
| Busia | - | - | - |
| Siaya | - | - | - |
| Kisumu | - | - | - |
| Homa Bay | - | - | - |
| Migori | - | - | - |
| Kisii | - | - | - |
| Nyamira | - | - | - |
| Sub total | - | - | - |
| Transfers from National Government | - | - | - |
| Grand Total | - | - | - |

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11.2 Loan from External Development Partners

During the 12 months to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

| Loan Received from World Bank | | | | | | |
|-------------------------------|---------------|-------------------------|------------------------|----------------------------------|----------------------|----------|
| DA 1 | | | | | | |
| Name of Donor | Date Received | Amount in Loan Currency | Loans Received in Cash | Loans received as direct payment | Total Amount in Kshs | |
| | | Euro | Kshs | Kshs | 2022/23 | 2021/22 |
| World Bank | 26/05/2023 | 11,741,935 | 1,747,010,883 | - | 1,747,010,883 | - |
| World Bank | | - | - | - | - | - |
| Sub Total | | 11,741,935 | 1,747,010,883 | - | 1,747,010,883 | - |
| DA 2 | | | | | | |
| Name of Donor | Date Received | Amount in Loan Currency | Loans Received in Cash | Loans received as direct payment | Total Amount in Kshs | |
| | | Euro | Kshs | Kshs | 2022/23 | 2021/22 |
| World Bank | 19/04/2023 | 1,850,000 | 272,460,045 | - | 272,460,045 | - |
| World Bank | | | | - | - | - |
| Sub Total | | 1,850,000 | 272,460,045 | - | 272,460,045 | - |
| Total | | 13,591,935 | 2,019,470,928 | - | 2,019,470,928 | - |

11.3 Purchase of Goods and Services

| PURCHASE OF GOODS AND SERVICES | Total in Kshs | | Cumulative to date (From Inception in Kshs) |
|--------------------------------|-------------------|------------|---|
| | FY 2022/23 | FY 2021/22 | |
| Daily Subsistence Allowance | 976,400 | | 976,400 |
| Foreign travel and subsistence | 1,707,157 | | 1,707,157 |
| Training expenses | 11,662,471 | | 11,662,471 |
| Other operating expenses | 660 | | 660 |
| Total | 14,346,688 | - | 14,346,688 |

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11.4 Acquisition of Non-Financial Assets

| ACQUISITION OF NON FINANCIAL ASSETS | FY 2022/23 | | | FY 2021/22 | Cumulative to date (From Inception) |
|--|-------------------------------------|--------------------------------|----------------|------------|-------------------------------------|
| | Payments made by the Entity in Cash | Payments made by third parties | Total Payments | | |
| | Kshs | Kshs | Kshs | Kshs | Kshs |
| Purchase of vehicles & other transport equipment | | - | - | - | - |
| Purchase of office furniture & general equipment | | - | - | - | - |
| Total | - | - | - | - | - |

11.5 Transfers to Other State Departments

| Transfer to other State Departments in Kshs | | | | | | |
|---|---------------------------------|--------------------------------|-------------------|------------|-------------------------------------|--|
| State Departments | FY 2022/23 | | | FY 2021/22 | Cumulative to date (From Inception) | |
| | Payments made by entity in Cash | Payments made by third parties | Total Payments | | | |
| KALRO | 63,800,000 | - | 63,800,000 | - | 63,800,000 | |
| Sub total | 63,800,000 | - | 63,800,000 | - | 63,800,000 | |

We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Appendix to the financial statements.

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11.6 Transfers to Other Government Entities

| Counties | Donor | Summary of County Expenditures - FY 2022/23 Figures in Kshs | | | | | | | | | | | FY 2021-22 | | |
|---------------|-------|---|------------------------|-----------------------|-------------------------|------------------------|---|------------------------|-----------------------|-------------------------|------------------------|------------------|------------|--------------------------------------|---------------------------------|
| | | Transfers to County Governments FY 2020-21 | | | | | Total funds available to the Counties FY 23 | Expenditures | | | | | | Unaccounted balances by the counties | Combined Balances - IDA and GOK |
| | | Bal bfwd | Quarter ending Sept 22 | Quarter ending Dec 22 | Quarter ending March 23 | Quarter ending June 23 | | Quarter ending Sept 22 | Quarter ending Dec 22 | Quarter ending March 23 | Quarter ending June 23 | Total FY 2022-23 | | | |
| Kwale | IDA | - | - | - | - | 67,192,729 | 67,192,729 | - | - | - | - | - | 67,192,729 | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Kilifi | IDA | - | - | - | - | 67,192,729 | 67,192,729 | - | - | - | - | - | 67,192,729 | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Tana River | IDA | - | - | - | - | 67,192,729 | 67,192,729 | - | - | - | - | - | 67,192,729 | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Taita Taveta | IDA | - | - | - | - | 67,192,729 | 67,192,729 | - | - | - | - | - | 67,192,729 | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Meru | IDA | - | - | - | - | 67,192,729 | 67,192,729 | - | - | - | - | - | 67,192,729 | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Tharaka Nithi | IDA | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Embu | IDA | - | - | - | - | 67,192,729 | 67,192,729 | - | - | - | - | - | 67,192,729 | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Kitui | IDA | - | - | - | - | 67,192,729 | 67,192,729 | - | - | - | - | - | 67,192,729 | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |

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| | | | | | | | | | | | | | |
|----------|----------------|---|---|---|---|------------|------------|------------|------------|---|---|------------|---|
| Narok | IDA | - | - | - | - | - | - | 67,192,729 | 67,192,729 | - | - | 67,192,729 | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Kajiado | IDA | - | - | - | - | - | - | - | - | - | - | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - |
| Kericho | IDA | - | - | - | - | 67,192,729 | 67,192,729 | 67,192,729 | 67,192,729 | - | - | 67,192,729 | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Bomet | IDA | - | - | - | - | 67,192,729 | 67,192,729 | 67,192,729 | 67,192,729 | - | - | 67,192,729 | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Kakamega | IDA | - | - | - | - | 67,192,729 | 67,192,729 | 67,192,729 | 67,192,729 | - | - | 67,192,729 | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Vihiga | IDA | - | - | - | - | - | - | - | - | - | - | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - |
| Bungoma | IDA | - | - | - | - | - | - | - | - | - | - | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - |
| Busia | IDA | - | - | - | - | 67,192,729 | 67,192,729 | 67,192,729 | 67,192,729 | - | - | 67,192,729 | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |
| Siaya | IDA | - | - | - | - | - | - | - | - | - | - | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - |
| Kisumu | IDA | - | - | - | - | - | - | - | - | - | - | - | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | - | - |
| Homabay | Homabay+54: 59 | - | - | - | - | 67,192,729 | 67,192,729 | 67,192,729 | 67,192,729 | - | - | 67,192,729 | - |
| | GoK | - | - | - | - | - | - | - | - | - | - | 67,192,729 | - |

Notes to the Financial Statements (Continued)

11.7 Other Capital Grants and Transfers

| Other Capital Grants and Transfers in Kshs | | | | | |
|---|--|---------------------------------------|-----------------------|-----------------------|--|
| | FY 2022/23 | | | FY 2021/22 | Cumulative to date (From Inception) |
| State Departments | Payments made by entity in Cash | Payments made by third parties | Total Payments | Total Payments | |
| COG | 30,000,000 | - | 30,000,000 | - | 30,000,000 |
| Sub total | 30,000,000 | - | 30,000,000 | - | 30,000,000 |

11.8 Cash and Cash Equivalents

| | 2022/23 | 2021/22 |
|--------------|----------------|----------------|
| | Kshs | Kshs |
| Cash in hand | 9,929 | - |
| Total | 9,929 | - |

The project has 2 project bank accounts and 2 foreign currency designated accounts managed by the National Treasury as listed below:

11.9 Bank Accounts

Project Bank Accounts

| Local Currency Accounts | Kshs | Kshs |
|--|--------------------|----------------|
| Bank Accounts | 2022/23 | 2021/22 |
| Central Bank of Kenya [A/c No. 1000653687] - NPCU | 134,385,386 | - |
| Kenya Commercial Bank No. 1315002116 - National Government | 164,303,428 | - |
| Total local currency balances | 298,688,814 | - |

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11.10 Breakdown of Imprests and Advances

| <i>Breakdown of Imprests and Advances</i> | | | | | | |
|---|-----------------------------|------------------------------|-----------------------------------|-----------------------------|-----------------------------|---|
| <i>Name of Officer or Institution</i> | <i>Amount Taken in Kshs</i> | <i>Due Date of Surrender</i> | <i>Amount Surrendered in Kshs</i> | <i>June 30 2022 in Kshs</i> | <i>June 30 2021 in Kshs</i> | |
| <i>KCB Account</i> | | | | | | |
| | | | - | - | | |
| <i>Sub total</i> | - | - | - | - | - | - |
| <i>CBK Account</i> | | | | | | |
| | | | | | | |
| <i>Sub total</i> | - | - | - | - | - | - |
| Grand Total | - | | - | - | - | - |

11.11 Fund Balance Brought Forward

| | 2021/22 | 2020/21 |
|-----------------------------------|----------------|----------------|
| | Kshs | Kshs |
| Bank accounts | - | - |
| Cash in hand | - | - |
| Outstanding imprests and advances | - | - |
| Total | - | - |

11.12 Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2023 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

The Special Deposit Accounts Movement Schedule and the reconciliation statements have been attached as support to the closing balances.

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| | 2022/23 | 2021/22 |
|--|----------------------|---------|
| | Euro | Euro |
| (i) A/C Name : Designated Account A [A/c No. 1000626151] | | |
| Opening balance | - | - |
| Total amount deposited in the account | 19,999,995 | - |
| Total amount withdrawn (as per Statement of Receipts & Payments) | 11,741,935 | - |
| Closing balance (as per SDA bank account reconciliation attached) | 8,258,060 | - |
| Exchange rate Euro 1 to Kes | 152.85 | |
| Equivalent Closing Balance in Kes | 1,262,263,901 | |
| | 2022/23 | 2021/22 |
| | Euro | Euro |
| (ii) A/C Name : Designated Account B [A/c No. 1000632941] | | |
| Opening balance | - | - |
| Total amount deposited in the account | 9,999,995 | - |
| Total amount withdrawn (as per Statement of Receipts & Payments) | 1,850,000 | - |
| Closing balance (as per SDA bank account reconciliation attached) | 8,149,995 | - |
| Exchange rate Euro 1 to Kes | 152.85 | |
| Equivalent Closing Balance in Kes | 1,245,745,912 | |

11.12 Progress on Follow up of Prior Year Auditor's Recommendations

The year under audit was the first year of the project implementation and therefore there we no pending audit issues.



 Principal Secretary

 Date



 National Project Coordinator



 Date

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12. Annexes

Annex 1 - Variance Explanations - Comparative Budget and Actual Amounts

| | Final Budget in Kshs | Actual on Comparable Basis in Kshs | Budget Utilization Difference in Kshs | % of Utilization | Comments on Variance |
|---|---------------------------------|---|--|-----------------------------|--|
| | a | b | c=a-b | d=b/a % | |
| Receipts | | | | | |
| Transfer from Government entities | - | - | - | - | There were no counterpart contributions |
| Loan from External Development Partners | 2,100,000,000 | 2,019,470,928 | 80,529,072 | 96% | |
| Direct Payment | - | - | - | | |
| Total Receipts | 2,100,000,000 | 2,019,470,928 | 80,529,072 | 96% | |
| Payments | | | | | |
| Purchase of goods and services | 186,200,000 | 14,346,688 | 171,853,312 | 8% | Late inclusion of the project in the National Budget |
| Acquisition of non-financial assets | - | - | - | 0% | Delay in completion of procurement procedures |
| Transfers to other State Departments | 63,800,000 | 63,800,000 | - | 100% | |
| Transfers to Government entities | 1,820,000,000 | 1,612,625,497 | 207,374,503 | 89% | Non compliance of some of the participating counties |
| Other Capital Grants & Transfer | 30,000,000 | 30,000,000 | - | 100% | |
| Total payments | 2,100,000,000 | 1,720,772,185 | 379,227,815 | 82% | |

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Annex 2 – Summary of Fixed Assets Register

| Asset Class | Opening Cost as at 1st July 2022 (Kshs) | Donations in form of assets as at 30 June 2023 (Kshs) | *Purchases/ Additions in the Year as at 2022/23 (Kshs) | **Disposals in the Year 2022/23 (Kshs) | Transfers in/(out) 2023 (Kshs) | Closing Cost as at 30 June 2023 (Kshs) |
|---|---|---|--|--|--------------------------------|--|
| | (a) | (b) | (c) | (d) | (d) | (e)= (a)+ (b)+c)- (d)+(-)d |
| Office equipment, furniture and fittings and ICT equipments | - | - | - | - | - | - |
| Total | - | - | - | - | - | - |
| | | | | | | |