

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

**THE NATIONAL ASSEMBLY
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THE AUDITOR-GENERAL

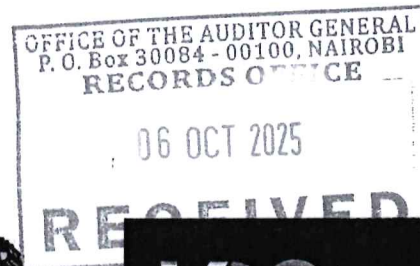
CLERK AT THE OFFICE **Benson Inzofu**

ON

**KENYA JOBS AND ECONOMIC
TRANSFORMATION PROJECT
(IDA CREDIT NO.7450-KE)**

**FOR THE YEAR ENDED
30 JUNE, 2025**

KENYA DEVELOPMENT CORPORATION



PROJECT NAME:

KENYA JOBS AND ECONOMIC TRANSFORMATION (KJET) PROJECT

IMPLEMENTING ENTITY:

KENYA DEVELOPMENT CORPORATION

PROJECT GRANT/CREDIT NUMBER: 7450-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025

**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual
Basis of Accounting Method under the International Public Sector Accounting
Standards (IPSAS)**



***Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

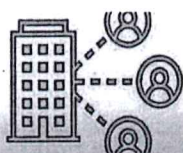
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1. Acronyms and Definition of Terms

BDS	Business Development Services
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
CPA	Certified Public Accountant
DA	Designated Account
DFI	Development Finance Institution
ESMS	Environmental and Social Management Systems
FA	Financial Analyst
FDI	Foreign Direct Investments
GIF	Green Investment Fund
GOK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IDA	International Development Association
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KDC	Kenya Development Corporation
KJET	Kenya Jobs and Economic Transformation (KJET) Project
MSME	Micro, Small and Medium Enterprises
NT	National Treasury
PBC	Performance Based Conditions
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
SDIP	State Department of Investment Promotion
WB	World Bank

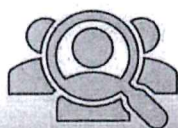
2. Project Information and Overall Performance

2.1 Name and registered office



Name

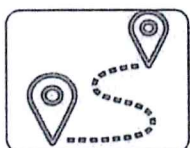
The project's official name is Kenya Jobs and Economic Transformation (KJET) Project.



Objective

To increase private sector investments, access to markets and sustainable finance to create and improve jobs

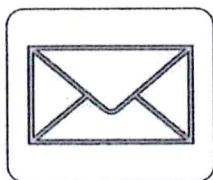
The project headquarters offices are in Nairobi, Nairobi County, Kenya. The address of its registered office is;



Address

Kenya Development Corporation
17th Floor, Uchumi House
Aga Khan Walk
Nairobi, Kenya

The following are the project contacts



Contacts:

P.O. Box: 12665-00100
Telephone: (254) 20-2771000
E-mail: info@kdc.go.ke
Website: www.kdc.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	28 th February 2024
Project End Date:	31 st December 2028
Project Coordinator:	Ms. Barbara Lunani
Project Development Partner:	World Bank - International Development Association (IDA)

2.3 Project Overview

Line Ministry or State departments/ County Department	Ministry of Investments, Trade and Industry State Department of Investment Promotion
Project number	Credit Number 7450-KE Project ID P179381
Strategic goals of the project	<p>The overall objectives of the Kenya Jobs and Economic Transformation (KJET) project are summarized as follows:</p> <p>Component 1: Strengthening Business and Investment Enabling Reforms</p> <p>Component 2: Enhancing MSME Cluster Competitiveness</p> <p>Component 3: Scaling up Green Financing and Strengthening Climatic Resilience for SME's</p> <p>Kenya Development Corporation (KDC) is the implementing agency for Component 3 of the project which has two (2) sub-components namely:</p> <p>Subcomponent 3.1: Scaling up Green SME Financing, and; Subcomponent 3.2: Strengthening MSME Climatic Resilience.</p>
Summary of Project Strategies for achievement of strategic goals	<p>A total of Euro 42,210,000 will finance Component 3 as follows:</p> <p>Subcomponent 3.1: Scaling up Green SME Financing - Euro 39,400,000:</p>

	<p>A new Green Investment Fund (GIF) will be established into which KDC will provide initial risk-adjusted, long-term, patient capital. The GIF will invest in eligible green MSME's either by Kenyan definition or by international Finance Corporation definition in greening sectors.</p> <p>Subcomponent 3.2: Strengthening MSME Climatic Resilience - Euro 2,810,000:</p> <p>KDC shall deploy a climate disaster credit facility to enhance the climate resilience of MSME's by providing a contingent credit option triggered when a climate disaster occurs. This financing will be offered to eligible beneficiaries and will be triggered by external climatic events.</p>
<p>Other important background information of the project</p>	<p>Project activities for Component 3 will engage firms receiving equity investments from the GIF, and/or Climate Disaster Credit Facility. Equity investments are expected to help firms expand and improve their productive capacity, while accessing Climate Disaster Credit Facility will increase firms' resilience to climate-related shocks.</p> <p>Such firm-level improvements are expected to translate to increased revenues and profits. In turn, this will translate to new and/or improved jobs for 40,000-50,000 beneficiary workers, who are defined as workers in new and/or improved jobs that are employed by firms receiving GIF equity investment, and/or Climate Disaster Credit Facility products.</p> <p>With backward linkages to other MSMEs, the project is expected to have a great indirect impact and strong demonstration effect, crowding in private capital from investors and commercial banks to reach additional MSMEs.</p>

<p>Areas that the project was formed to intervene</p>	<p>KJET aims to increase private sector investments, access to markets and sustainable finance to create and improve jobs to benefit at least 40,000-50,000 Kenyans, including at least 6,800 women through new or improved job opportunities.</p> <p>KJET will provide business development services aimed at strengthening viable value chains and connecting micro, small, and medium enterprises (MSMEs) to markets, in addition to investments in firms for the improvement of productive capacity and capabilities. In turn, these activities will enhance firms' capacity and efficiency, translating to increased hiring and improved worker productivity.</p> <p>KJET offers a comprehensive set of interventions that are expected to support business and investment enabling reforms in Kenya that will address:</p> <ul style="list-style-type: none"> (i) Streamlining of business licensing processes. (ii) Improvement of investment-related laws, regulations, and strategies. (iii) Enhancement of government capacity for investor outreach and government to business service delivery. (iv) Enhancing MSME cluster competitiveness through increased capabilities and productive capacity by extension sales, profits, and jobs at supported firms. (v) Improvement of SMEs adoption of green technologies to strengthen resilience to climatic shocks.
<p>Project duration</p>	<p>Five Years</p>

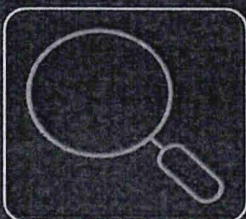
2.5 Project Information and Overall Performance (Continued)



Bankers
Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya



Bankers
KCB Bank Limited
Moi Avenue Branch
P.O. Box 6000-00200
Nairobi Kenya.



Independent Auditor
Auditor-General
The Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100
Nairobi, Kenya

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Norah Ratemo	Director General	Master's Degree in Business Administration-Finance, Bachelor's Degree of Commerce-Accounting, CPA(K) and Strategic Leadership	Overall leadership in the project implementation
2.	Barbara Lunani	Ag. Deputy Director Partnership and Resource Mobilization	Master of Science in Development Finance from Strathmore Business School, Master of Business and Administration (MBA) and a Bachelor of Laws degree (LLB). She is a Certified Public Secretary, an Accredited Governance Auditor, Ethics, Risk and Compliance Specialist and a Certified Legal Auditor.	Project Coordinator
3.	Kennedy Wanderi	Ag. Director Corporate Services and Deputy Director, Finance and Accounts	Master's Degree in Business Administration-Finance and Banking Bachelor's Degree in Business Management and CPA(K)	Ensure compliance with the financial management manual and relevant accounting laws

Kenya Jobs and Economic Transformation (KJET) Project
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4.	Herman Gacugi	Manager Risk Management and compliance	Master's Degree in of Science Information Communications Technology (ICT) Bachelor's Degree of Commerce- Accounting, CPA(K), CISA and Certified GRI Certified Professional	Ensure project compliance to Environmental and Social Management Systems
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Kenya development Corporation is well resourced with key accounting staff from all departments including Audit, ICT, Legal, Investments & Appraisal, Portfolio Management and Business Development being qualified and experienced with defined roles and responsibilities.

2.7 Funding summary

The Project is for a duration of 5 years from 2024 to 2028 with an approved budget of EUR 42,210,000 equivalent to Kshs.6,401,146,500 (CBK rate as at 30th June 2025 Exch. Rate - 1EURO=151.65). This is indicated in the Subsidiary Grant Agreement signed on the 5th September 2024 between the Government of Kenya (GOK) and Kenya Development (KDC) as highlighted in the table below;

Kenya Jobs and Economic Transformation (KJET) Project
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Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date - (30 th June 2025)		Undrawn balance to date	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant	Exch. Rate - 1EURO=151.65					
World Bank (International Development Association)	42,210,000	6,401,146,500	162,000	23,840,001	42,048,000	6,377,306,499
Total	42,210,000	6,401,146,500	162,000	23,840,001	42,048,000	6,377,306,499

The exchange rate used for conversion of donor commitment is the CBK rate as at 30th June 2025 and the amount received is at the prevailing rate at the date of transfer.

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date - (30 th June 2025)		Cumulative amount paid to date - (30 th June 2025)		Unutilised balance to date (30 th June 2025)	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
World Bank (International Development Association)	162,000	23,840,001	139,922	20,591,044	22,078	3,248,958
Total	162,000	23,840,001	139,922	20,591,044	22,078	3,248,958

The exchange used to convert to amount received is the conversion rate at the date of transfer to the KDC project account

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- (i) Total funds received from State Department for Investment Promotion (SDIP) by the end of the FY 2024/25 amounted to Kshs.23,840,001 against a budget of Kshs.100,000,000.
- (ii) The funds received were utilized for market sounding, investor activities and promotion of the Green Investment Fund (GIF) prior to onboarding the Fund Manager.
- (iii) The absorption rate for FY 2024/25 therefore stands at 21%.

Implementation Challenges

(i) Performance-Based Conditions (PBC's) and Conditions Precedent

The allocated budget for Component 3 which is to be implemented by KDC is subject to Performance-Based Conditions (PBC) for Subcomponent 3.1 (Scaling up Green SME Financing) summarized as follows:

PBC#1: Selection of Fund Manager and establishment of the Green Investment Fund (GIF)

PBC#2: Operational readiness of the GIF

PBC#3: Functionality of the GIF

Further, disbursement of allocated funds for Subcomponent 3.2 (Strengthening MSME Climatic Resilience) is contingent on occurrence of a climatic shock (e.g. floods, extreme drought etc)

As at close of the FY 2024/25 PBC's were work in progress by KDC and the KJET PIU while there had been no occurrence of a climatic shock which therefore hindered absorption.

(ii) Capacity Building of KDC as a shareholder of the GIF

The role played by KDC as a shareholder in the GIF is pivotal and therefore requires targeted capacity building to adequately resource the institution in implementation of the GIF objectives.

(iii) Way Forward

- a) Fast tracking of the GIF establishment requirements as per PBC's.
- b) Capacity building of KDC

2.9 Summary of Project Compliance:

- i) The project was compliant with all treasury circulars on project investment management, PFM Act 2012 and Kenya Vision 2030 flagship projects, and essential external financing agreements/covenants.
- ii) No consequences have been suffered since the project has not been non-compliant.
- iii) Mitigation measures taken or planned to alleviate the adverse effects of actual or potential consequences of non-compliance;

a) Independent Audit and Evaluation

External audits and evaluations, such as the mid-term review, serve as an additional layer of accountability. Findings from these exercises are used to inform continuous improvement and address compliance gaps.

b) Contractual Enforcement

KDC has built safeguards within the financing agreements, including clauses that allow for suspension of disbursement, call-backs, or termination of contracts in cases of serious or persistent non-compliance. These are enforced as necessary to protect project funds.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

The two (2) key development objectives of **Component 3** of the Kenya Jobs and Economic Transformation (KJET) Project as per the project's agreement/ plan are:

- (i) **Subcomponent 3.1:** "Scaling up Green SME Financing" by establishing a Green Investment Fund (GIF) for making patient capital investments for climate adaptation and mitigation, and;
- (ii) **Subcomponent 3.2:** "Strengthening MSME Climatic Resilience" through provision of liquidity linked to pre-defined objective climate shock triggers

Progress on the attainment of strategic development objectives

To implement and cascade 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 to track progress and performance measurement.

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Annual Report and Financial Statements for the financial year ended June 30, 2025

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
KENYA JOBS & ECONOMIC TRANSFORMATION (KJET) PROJECT	Scaling up Green SME Financing	Private Capital Mobilized (PCM) for the Green Investment Fund (GIF) through project interventions	Amount (USD) of capital mobilized into the GIF by private partners investing alongside KDC (including DFIs and/or sovereign wealth funds).	Pending establishment & operationalization of the GIF. Mobilization efforts ongoing
		Firms with green investments supported by the Green Investment Fund (GIF)	Number of participating firms with green investments supported by the Green Investment Fund (GIF).	Pending establishment & operationalization of the GIF
		Investment funds co-investing in or with GIF to support MSMEs implement green investments	Number of Investment funds co-investing with GIF to support SMEs implement green investments.	Pending establishment & operationalization of the GIF. Mobilization efforts ongoing
	Strengthening MSME Climatic Resilience	MSMEs access to contingent credit option of the climate disaster credit facility	Number of MSMEs that have benefitted from the contingent credit option of the climate disaster credit facility	Pending necessary climatic shock trigger (condition precedent for disbursement)

4. Environmental and Sustainability Reporting

The Government's Bottom-up Economic Transformation Agenda has placed significant focus on the MSME sector by prioritizing financial inclusion for MSMEs, value chain approach to MSME products as well as sustainable job creation through the sector. In this endeavor, the Government is channeling its efforts to addressing the challenges related to low levels of firm growth, weak productivity, and eroding competitiveness in Kenya reflect various market failures, notably regulatory barriers to entry and growth and diversification of productive firms, lack of market access, and low firm capabilities.

The Kenya Jobs and Economic Transformation (KJET) Project is a World Bank funded project that aims to complement and strengthen these efforts via a whole-of-government approach to coordinate efforts across the multiple government bodies that collaborate to drive the private sector and MSME cluster agenda in Kenya.

KJET interventions are also leveraging the World Bank's diagnostics and analytics in areas of competitive clusters and jobs and economic transformation in addition to the Government of Kenya relevant key policy documents. These interventions are designed to meet the project's development objective by enhancing the market access and productivity of MSMEs as intermediate outcomes.

1. Sustainability strategy and profile.

Under the KJET project, KDC will lend the funds to small and medium-sized enterprises (SMEs) that meet specific criteria, focusing on the adoption of green technologies and climate resilience.

By implementing a robust Environment and Social Management System (E&S) management framework, the Corporation will ensure that KJET funds support sustainable development, minimize Environment and Social Risks (E&S) risks, and contribute to positive impacts in the sectors or industries they finance.

Each beneficiary will put in place and maintain an ESMS to identify, assess, manage, and monitor the E&S risks and impacts of subprojects on an ongoing basis. The ESMS will be commensurate with the nature and magnitude of E&S risks and impacts of subprojects, the types of financing, and the overall risk aggregated at the MSME level.

The Corporation investment policy outlines sustainability focus where Corporation's investments shall be undertaken to fulfil the mandate of promoting sustainable national economic development in line with the development priorities identified from time to time by the government. This is inclusive of sustainable development goals initiatives aligned to vision 2030 and African Union Agenda 2063

2. Environmental performance

The Environment & Social (E&S) procedures for indirect lending under the KJET project provides a clear framework of managing existing and emerging. These systems are aimed at assisting the Corporation manage its environmental and social risks and impacts arising from its investments operations.

The ESMS includes the following elements: (i) E&S policy; (ii) clearly defined procedures for the identification, assessment and management of the E&S risks and impacts of subprojects; (iii) organizational capacity and competency; (iv) monitoring and review of E&S risks of subprojects under KJET; and (v) external communications and grievance management mechanism.

Other requirements include:

- (i) The MSME will review and adjust, in a manner acceptable to the KDC, its ESMS from time to time, including when the E&S risk profile changes significantly.
- (ii) The MSMEs will comply with any exclusions in the legal agreement and apply relevant national law for all subprojects and World Bank ESSs as relevant.
- (iii) The MSMEs will monitor the E&S performance of the subprojects in a manner proportionate to the risks and impacts of the subprojects and provide regular progress reports to its senior management.
- (iv) The MSMEs will promptly notify the KDC of any significant accidents or incidents associated with subprojects.
- (v) The MSMEs will submit to the Bank annual E&S monitoring reports on the implementation of its ESMS, including E&S performance of the subproject.
- (vi) The MSMEs will conduct stakeholder engagement in a manner proportionate to the risks and impacts.
- (vii) The MSMEs will put in place a Grievance Management Policy for external stakeholders proportionate to the risks and impacts of the subprojects.
- (viii) The Green Investment Fund (GIF) will disclose through their website their ESMS.
- (ix) The MSMEs will have in place and maintain appropriate labor management procedures and strategies, including procedures relating to working conditions and terms of employment, nondiscrimination and equal opportunity, employee grievance mechanisms and occupational health and safety, Emergency preparedness and response plan(s), Code of conduct including relating to SEA/SH, Child labor / forced labor and HIV/AIDS awareness strategies. The MSME will provide adequate documented evidence of such procedures to KDC.

3. Employee welfare

Kenya Development Corporation has provided an elaborate policy and implementation plan for capacity enhancement and training, succession planning, open and anonymous channels for staff feedback, whistle blowing and witness protection as provided for by the witness protection laws and regulations.

The Corporation Human Resource Management policy and procedures align with SDG No 8. (Employee Involvement – decent work, economic growth & employee involvement). The strategic plan, budgeting process and business continuity policy gives priority to staff wellness and welfare and ensures there is no discrimination or favoritism.

To drive sustainable operations and performance, the Corporation has an annual performance management plan, that is reviewed and reported periodically including collaboration with state agencies. This is also supported by a rewards and sanctions policy that enumerates causes for action and inaction.

The Corporation has a detailed mechanism to ensure compliance with Occupational Safety and Health Act of 2007, (OSHA), this has been implemented both at office design, internal operations and periodic sensitization to relevant stakeholders. The corporation also allows freedom of expression, association to collectively express, promote, pursue and defend common interests.

4. Marketplace practices-

a) Responsible Supply chain and supplier relations-

The Corporation supply chain and supplier relationships are anchored in the procurement policy and procedure manual which are aligned with the existing supply chain regulatory framework (Public Procurement and Asset Disposal Act of and regulations).

The procurement plan is linked to the budget and the supply chain team works closely with contracting user department to ensure contract monitoring and delivery as per the agreed terms of delivery, any challenges are resolved within the provisions of the law. These practices are applied in all activities including project linked procurement where the baseline is compliance with the local procurement regulations.

b) Responsible ethical practices

The corporation has an elaborate staff code of conduct and human resource and procedure manuals that detail employee behaviour and necessary requirements for ethical employee practices. The policy also outlines areas of non-discrimination and provisions for disciplinary and or grievance redress mechanism.

KDC is committed to timely completion of the projects within the awarded value without compromising on quality. It is not in the interest of KDC to deal with any stakeholder who commit deception (use fake/manipulated documents), fraud or other misconduct (manhandling of KDC employee or use of abusive words) of whatsoever nature in the contract execution.

The Corporation has an anticorruption and anti-bribery policy as well as whistle blowing policy, these provide the framework and channels of anonymous whistle blowing and witness protection as per the Kenyan laws and global best practices. <https://kdc.go.ke/whistle-blower/>

c) Regulatory impact assessment

Through an elaborate governance framework and system, the corporation has various polices anchored on Kenyan Constitution, Public Finance Management Act, State Corporations Act, Public Procurement and Asset Disposal Act and Labour laws that establish policy statements and guidelines that drive regulatory compliance. Though continuous self-assessments are compliance reviews the corporation has an implementation matrix that acts a guide for day today compliance, reference and for continuous improvement.

5. Community Engagements

The impact to the community is assessed where stakeholder's engagement and consideration is key. The project sponsors are cautioned to ensure community interests are safeguarded, community integration and consideration is prioritized to ensure the project directly and indirectly benefits the neighboring communality including participation in community activities and sharing benefits.

5. Statement of Project Management Responsibilities

The Director General for Kenya Development Corporation and the Project Coordinator 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 on June 30, 2025.

This responsibility includes (i) Maintaining adequate financial management arrangements 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 Director General for the Kenya Development Corporation and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

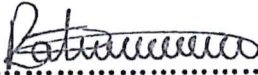
The Director General for the Kenya Development Corporation and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Director General for the Kenya Development Corporation and the Project Coordinator 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 and the adequacy of the systems of internal financial control.

The Director General for the Kenya Development Corporation and the Project Coordinator 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 under audit were used for the eligible purposes for which they were intended and were properly accounted for.

***Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

Approval of the Project Financial Statements

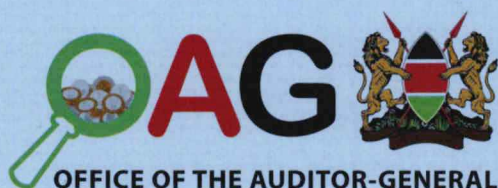
The Project financial statements were approved by the Director General for the Kenya Development Corporation and the Project Coordinator on 27/06/2025 2025 and signed by:


.....
CPA/FA Norah Ratemo
Director General


.....
Barbara Lunani
Project Coordinator

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

Enhancing Accountability

REPORT OF THE AUDITOR-GENERAL ON KENYA JOBS AND ECONOMIC TRANSFORMATION PROJECT (IDA CREDIT NO.7450-KE) FOR THE YEAR ENDED 30 JUNE, 2025 - KENYA DEVELOPMENT CORPORATION

PREAMBLE

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

- A. Report on 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 the 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 the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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 of the Auditor-General on Kenya Jobs and Economic Transformation Project (IDA Credit No.7450-KE) for the year ended 30 June, 2025 – Kenya Development Corporation

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Jobs and Economic Transformation Project (IDA Credit No.7450-KE) set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information 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 Kenya Jobs and Economic Transformation Project (IDA Credit No.7450-KE) as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with Transitional International Public Sector Accounting Standards and comply with the Financing Agreement No. 7450 – KE between the Republic of Kenya and International Development Association (IDA) dated 28 February, 2024 and the Public Finance Management Act, 2012.

In addition, the special accounts statements present fairly, transactions for the year, and the closing balance have been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Jobs and Economic Transformation 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.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue transfer budget and actual on a comparable basis of Kshs.100,000,000 and Kshs.23,840,001 respectively, resulting to an under-funding of Kshs.76,159,999 or 76% of the budget. Similarly, the project incurred an expenditure of Kshs.20,591,043 against a total budget of Kshs.100,000,000 resulting to under expenditure of Kshs.79,408,957 or 79%. The under-funding and under expenditure affected the planned activities which may have

impacted negatively on service delivery to the public. The Management explained that planned activities were not implemented due to budget constraints.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Information

Management is responsible for the other information set out on page (iii) to (xxiii) which comprise of Project Information and Overall Performance, Statement of Performance against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE 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 the 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

Delay in Project Implementation

The International Development Association (IDA) entered into a Concessional financing agreement with the Republic of Kenya on 28 February, 2024 at a credit sum of EUR 42,210,000. The objective of the Project was to increase private sector investment,

access to markets and sustainable finance to create and improve jobs. The Government of Kenya entered into a subsidiary agreement with Kenya Development Corporation (KDC), on 5 September, 2024 to implement Part 3 of the project on behalf of the Government. The activity entailed scaling up green financing and strengthening climatic resilience for Small and Micro Enterprises (SMEs).

During the year under review, KDC submitted a work plan of Kshs.510,000,000 which was to be financed during the year. However, only a budget of Kshs.100,000,000 was approved for the Project. Further, out of the approved budget of Kshs.100,000,000, only Kshs.23,840,000 was disbursed to the project account. As at 30 June, 2025, only EUR. 162,000 (less than 1%) had been disbursed to the project and spent with approximately 49% of the project period having elapsed casting doubt on implementation of the project activities before its closure on 31 December, 2028.

In the circumstances, the effectiveness and impact of the loan granted by the International Development Association could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 effective processes and systems of internal controls, 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement No. 7450 – KE between the Republic of Kenya and International Development Association (IDA) dated 28 February, 2024, I report, based on my audit, that:

- i. 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.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Transitional International Public Sector Accounting Standards 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 governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply 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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require

that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

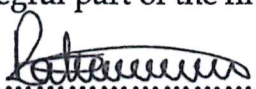
07 October, 2025

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

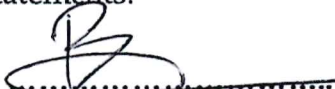
7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024/2025 Kshs
Revenue		
Revenue Transfers	6	19,194,795
Total revenue		19,194,795
Expenses		
Use of goods and services	7	15,945,838
Total expenses		15,945,838
Surplus		3,248,958

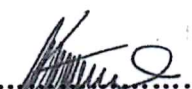
The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



CPA/FA Norah Ratemo
Director General



Barbara Lunani
Project Coordinator



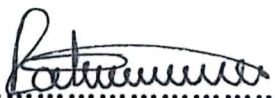
Kennedy Wandari
Project Accountant
ICPAK Member No:3349

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

8. Statement of Financial Position as at 30th June 2025

	Note	2024/2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	8	3,248,958	-
Receivable Amount From SDIP	9	-	4,645,206
Total Current Assets		3,248,958	4,645,206
Non-Current Assets			
Property, Plant and Equipment		-	-
Total Non- Current Assets		-	-
Total Assets (a)		3,248,958	4,645,206
Liabilities			
Current Liabilities			
Trade and Other Payables	10	-	4,645,206
Total Current Liabilities		-	4,645,206
Total Liabilities (b)		-	-
Net Assets (a-b)		3,248,958	-
Represented By:			
Accumulated Surplus		3,248,958	-
Total Net Assets		3,248,958	-


The financial statements were approved on 27/08 2025 and signed by:



 CPA/FA Norah Ratemo
 Director General



 Barbara Lunani
 Project Coordinator



 Kennedy Wanderi
 Project Accountant
 ICPAK Member No: 3349

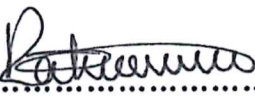
Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

9. Statement of Changes in Net Assets


Description	Accumulated Surplus Kshs
As at 30 th June 2024 (Cash Basis)	-
Adjustments:	
Receivable from SDIP	4,645,206
Liabilities recognition	(4,645,206)
As at 1 st July 2024	-
Surplus for the year	3,248,958
As at 30 th June 2025	3,248,958

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

The financial statements were approved on 27/08 2025 and signed by:


.....
CPA/FA Norah Ratemo
Director General


.....
Barbara Lunani
Project Coordinator


.....
Kennedy Wanderi
Project Accountant
ICPAK Member No.3349

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	2024/2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		23,840,001
Total receipts		23,840,001
Payments		
Reimbursements to KDC for FY 2023/2024		4,645,206
Use of goods and services		15,945,838
Total payments		20,591,043
Net cash flow from operating activities	11	3,248,958
Net cash flows from investing activities		-
Net cash flow from financing activities		-
Net increase/Decrease in cash and cash equivalents		3,248,958
Cash and cash equivalent at 1st July 2024	8	-
Cash and cash equivalent at end of 30th June 2025	8	3,248,958

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	-	-	-	-	-	100
Receipts						
Revenue Transfers	100,000,000	-	100,000,000	23,840,001	76,159,999	24
Total Revenue	100,000,000	-	100,000,000	23,840,001	76,159,999	24
Payments						
Use of Goods and services	100,000,000	-	100,000,000	20,591,043	79,408,957	21
Total Payments	100,000,000	-	100,000,000	20,591,043	79,408,957	21
Surplus	-	-	-	3,248,958	(3,248,958)	

Budget notes:

1. Revenue Transfers

The lower percentage of utilization is due to lower revenue transfer as compared to the budgeted amount during the year.

2. Use of Goods and services

The lower percentage of utilization is due to lower revenue transfer as compared to the budgeted amount during the year.

12. Notes to the Financial Statements

1. General Information

Kenya Development Corporation is established by and derives its authority and accountability from Companies Act and its Articles of Association. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to promote sustainable socio-economic development by providing development finance, infrastructure finance, business support and advisory services to medium and large-scale industries, infrastructure projects and commercial undertakings in target sectors.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 27/08/2025.

3. Adoption of New and Revised Standards

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

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Standard	Effective date and impact:
Discontinued Operations	Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	Applicable 1st January 2025 The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	Applicable 1st January 2025 The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.

(The Directors have assessed the new and amended standards and interpretations in issue effective in the year ended 30 June 2025. Based on their assessment of the expected impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements)

Notes to the financial statements cont'd

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
IPSAS 47- Revenue	<i>Applicable 1st January 2026</i> This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions. <i>The entity shall adopt the new standard in disclosing the revenue from non-exchange transactions</i>
IPSAS 48- Transfer Expenses	<i>Applicable 1st January 2026</i> The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers. <i>No expected impact of the standard to the Entity</i>
IPSAS 49- Retirement Benefit Plans	<i>Applicable 1st January 2026</i> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. <i>No expected impact of the standard to the Entity</i>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<i>Applicable 1st January 2027</i> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.

Standard	Effective date and impact:
	<p>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</p> <p>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</p> <p><i>No expected impact of the standard to the Entity</i></p>

iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Notes to the financial statements cont'd

b) Budget information

The original budget for FY 2024/2025 was approved by the National Treasury on 30th June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page 5 under section 11 of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the financial statements cont'd

d) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

e) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the financial statements cont'd

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial

assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Notes to the financial statements cont'd

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/ deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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.

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.

Notes to the financial statements cont'd

i) Changes in accounting policies and estimates

The Entity recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

Notes to the financial statements cont'd

j) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

Notes to the financial statement cont'd

k) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

l) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

m) 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.

Notes to the financial statements cont'd

n) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the Financial Statements (Continued)

6. Revenue Transfers

Description	2024/25 kshs
Conditional Transfers	
Grants received from IDA	19,194,795
Total Conditional Transfers	19,194,795
Total Transfers for the Year	19,194,795

These are grant funds received from State Department of Investment Promotion for Scaling up Green Financing and Strengthening Climatic Resilience for SME's

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (2024/2025)
	Kshs	Kshs	Kshs	Kshs
Grants received from IDA	19,194,795	-	-	19,194,795
Total	19,194,795	-	-	19,194,795

7. Use of Goods and Services

Description	FY 2024/2025 Kshs
Bank charges	58
Foreign travel and subsistence	15,452,780
Advertising, and information supplies	493,000
Total	15,945,838

8. Cash and Cash Equivalents

Description	2024/2025 Kshs	1 st July Kshs
Cash in Bank	3,248,958	-
	-	-
Total Cash and Cash Equivalents	3,248,958	-

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the Financial Statements (Continued)

Project Bank Accounts

Details	2024/2025	1 st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No. 10006742615]	738,422,066	-
Total Foreign Currency balances	<u>738,422,066</u>	=
Local Currency Accounts		
Kenya Commercial Bank [A/c No.1333425422)	3,248,958	-
Total bank account balances	<u>3,248,958</u>	=

The exchange rate used for conversion of the amount held at the Designated account at the CBK is converted at the CBK rate as at 30th June 2025 of 1Euro=Kshs.151.65. The amount held at the DA account is Euros 4,869,252 as at 30th June 2025.

The Central bank account is the Special deposit account operated by the State Department of Investment Promotion for component 3 of the project being implemented by KDC.

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the Financial Statements (Continued)

9. Receivables

Description	2024/2025 Kshs	1 st July Kshs
Receivable Amount From SDIP	-	4,645,206
	-	-
Total Receivables	-	4,645,206

These were reimbursable amounts incurred by KDC on behalf of the project awaiting funds transfer from SDIP

10. Trade and Other Payables

Description	2024/2025 Kshs	1 st July Kshs
Payable to KDC	-	4,645,206
	-	-
Total Payables	-	4,645,206

These were reimbursable amounts incurred by KDC on behalf of the project awaiting funds transfer from SDIP

11. Cash Generated from Operations

Description	Insert Current FY Kshs
Surplus	3,248,958
Adjusted for:	
Depreciation	-
Working capital adjustments	
Decrease in receivables	4,645,206
Decrease in payables	(4,645,206)
Net cash flow from operating activities	3,248,958

Notes to the Financial Statements (Continued)

12. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the Kenya Development Corporation include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the Kenya Development Corporation, holding 100% of the KDCs' equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

Other related parties include:

- i) Ministry of Investments, Trade and Industry
- ii) Key management.
- iii) Board of Directors.

Description	Insert Current FY Kshs
Transactions with related parties	
a) Grants /transfers from the government	
Transfers from the Ministry of Investments, Trade and Industry (State Department for Investment Promotion)	23,840,001
	-
Total	23,840,001

Notes to the financial statement cont'd

13. Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

14. Ultimate And Holding Entity

The Entity is a State Corporation under the Ministry of Investments, Trade and Industry. Its ultimate parent is the Government of Kenya.

15. Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

*Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

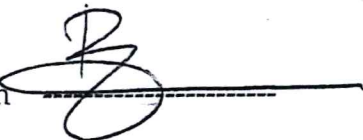
13. Annexes

Annex 2: Reconciliation of inter-entity transfers

Project Name: <i>De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)</i>			
Break down of transfers from the State Department for Investment Promotion			
a	Government Counterpart funding		
	Proceeds from grant	Bank Statement Date	Amount (Kshs)
		11th June 2025	4,645,206
		11 th June 2025	19,194,795
		Total	23,840,001

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Barbara Lunani
Project Coordinator
Kenya Development Corporation

Sign 


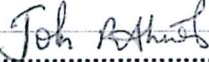

Head of Accounting Unit
Ministry of Investments, Trade and Industry
State Department of Investment Promotion

Sign-----

Kenya Jobs and Economic Transformation (KJET) Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 4: Other Support Documents

ii. Bank Reconciliations statement as at 30th June 2025

KENYA DEVELOPMENT CORPORATION LIMITED	
KDC KJET PROJECT FUND A/C NO 1333425422	
<u>BANK RECONCILIATIONS AS AT 30TH JUNE</u>	
	AMT (KES)
BALANCE AS PER BANK STATEMENT	3,248,957.50
LESS:	
UNPRESENTED PAYMENTS/CHEQUES	-
UNRECEIPTED DIRECT BANK DEPOSITS	-
ADD:	
UN CREDITED RECEIPTS	-
JUNE 2025 BANK CHARGES	-
UNPOSTED PAYMENTS	-
ROUNDING OFF ADJUSTMENT	-
ADJUSTED BALANCE AS PER CASH BOOK	3,248,957.50
BALANCE AS PER CASH BOOK	3,248,957.50
DIFFERENCE	-
PREPARED BY: EDINAH TONGWA	CHECKED BY: JOHN MUKUNA
SIGNATURE..... 	SIGNATURE..... 
DATE..... <i>10th July 2025</i>	DATE..... <i>14th July 2025</i>
APPROVED BY: KENNEDY WANDERI	
SIGNATURE..... 	
DATE..... <i>17th July 2025</i>	

(iv) Special Deposit Account reconciliation statement

**KENYA JOBS AND ECONOMIC TRANSFORMATION PROJECT
STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
FOR THE YEAR ENDED 30 JUNE 2025**

Credit No.: IDA LOAN CREDIT NO.74500-KE (DA-B)

Bank Account No.: 1000742615 Held with CENTRAL BANK OF KENYA

		NOTES	AMOUNT EURO	AMOUNT EURO
1	Amount advanced by IDA			5,031,257.00
	Less:			
2	Total amount documented			-
3	Outstanding amount to be documented			5,031,257.00
	Represented by:			
4	Ending Special account Balance as as 30 June 2025			4,869,252.00
5	Amounts claimed but not credited as at 30 June 2025			
6	Amounts withdrawn and not claimed			162,000.00
7	Service Charges (if not included in lines 5 and 6 above)			5.00
8	Interest earned (if included in Special Account)			-
9	Total advance to Special Account Year ended 30 June 2025			5,031,257.00

Discrepancy between total appearing on line 3 and 9

-

Notes:

- 1 Explain the discrepancy between totals appearing on lines 3 and 9 above (e.g amount due to be refunded to cover ineligible expenditures paid from the Special/Designated Account)
- 2 Indicate if amount appearing on line 6 is eligible for financing by IDA and provide reasons for not claiming the expenditures



**AUTHORISED REPRESENTATIVE
RESOURCE MOBILISATION DEPARTMENT
THE NATIONAL TREASURY**

DATE: 05-08-2025

KDC wishes to report for disclosure purposes, that there were no activities to report on the below annexes. These annexes are;

Annex 1: Prior Year Auditor-General's Recommendations

Annex 3: Fixed Asset Register

Annex 4(i): Signed confirmations from beneficiaries in Transfers to Other Government Entities

Annex 4(iii): Board of Survey Report