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PUBLIC FINANCIAL MANAGEMENT REFORMS STRATEGY

2018 – 2023

JUNE 2018

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ABBREVIATIONS AND ACRONYMS

AiA	Appropriations in Aid
ACPA	Annual Capacity Performance Assessment
ASD	Accounting Services Department
BD	Budget Department
BFEA	Budget, Fiscal and Economic Affairs
CASBs	County Assembly Service Boards
CBK	Central Bank of Kenya
CEC	County Executive Committee
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CGs	County Governments
CIDP	County Integrated Development Plan
CMA	Capital Markets Authority
COB	Controller of Budget
COG	Council of Governors
CPPMUs	Central Planning and Project Monitoring Units
CPSBs	County Public Service Boards
CPU	County Planning Unit
CRA	Commission on Revenue Allocation
CRF	County Revenue Fund
CS	Cabinet Secretary
DGs	Director Generals
DPG	Development Partners Group
DPs	Development Partners
DPS&RMD	Debt Policy, Strategy & Risk Management Department
DSA	Directorate of Schools Audit
EAC	East African Community
FS	Financial Statement
FY	Financial Year
GDP	Gross Domestic Product
GESDeK	Governance for Enabling Service Delivery in Kenya
GHRIS	Government Human Resource Information System
GIPE	Government Investment and Public Enterprises
GoK	Government of Kenya
HR	Human Resource
HRH	Human Resources for Health
IHRIS	Human Resources Information System
HRM	Human Resource Management
IAD	Internal Audit Department
IBEC	Inter-Governmental Budget and Economic Council
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information Communication Technology
IFMIS	Integrated Financial Management Information System
IGFRD	Inter-Governmental Fiscal Relations Department
IGSC	Inter-Governmental Steering Committee
IGRTC	Inter-Governmental Relations Technical Committee



IMF	International Monetary Fund
ISC	Inspectorate of State Corporations
IPSAS	International Public Sector Accounting Standards
JSC	Judicial Service Commission
JTC	Joint Technical Committee
KAM	Kenya Association of Manufacturers
KBA	Kenya Bankers Association
KEMSA	Kenya Medical Supplies Authority
KEPSA	Kenya Private Sector Alliance
KHHRAC	Kenya Health Human Resource Advisory Council
KIPRA	Kenya Institute of Public Policy Research and Analysis
KISM	Kenya Institute of Supplies Management
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
LSK	Law Society of Kenya
M&E	Monitoring and Evaluation
MDAs	Ministries, Departments and Agencies
MED	Monitoring and Evaluation Department
MFAD	Macro & Fiscal Affairs Department
MoE	Ministry of Education
MoH	Ministry of Health
MoPSYGA	Ministry of Public Service, Youth and Gender Affairs
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NHIF	National Hospital Insurance Fund
NT	National Treasury
NHWA	National Health Workforce Accounts
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
PAYE	Pay As You Earn
PDMO	Public Debt Management Office
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PFMA	Public Finance Management Act
PFMR	Public Financial Management Reform
PFMRS	Public Finance Management Reform Strategy
PIM	Public Investment Management
PIMIS	Public Investment Management Information System
PPADA	Public Procurement and Asset Disposal Act
PPD	Public Procurement Department
PPP	Public-Private Partnership
PPRA	Public Procurement Regulatory Authority
PS	Principal Secretary
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
RMD	Resource Mobilization Department
SAGAs	Semi-Autonomous Government Agencies



SC	Steering Committee
SCAC	State Corporations Advisory Committee
SCOA	Standard Chart of Accounts
SCs	State Corporations
SDP	State Department of Planning
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group
TA	Technical Assistance
TSA	Treasury Single Account
TSC	Teacher's Service Commission
VAT	Value Added Tax
WISN	Workload Indicators of Staffing Need



FOREWORD



During the last one and half decades, Kenya has been undertaking a number of governance reforms geared towards continued improvement in public financial management. Some of the recent achievements include rolling out of the Integrated Financial Management Information System (IFMIS) to all government Ministries, Departments and Agencies (MDAs) at both National and County level and; adoption of the International Public Sector Accounting Standards; improving the timeliness and quality of financial reporting; establishment of Public Debt Management Office; implementation of the Public Private Partnership (PPP) policy, and institutionalization of fiscal decentralization.

This Strategy outlines the government's reform program for the period 2018-2023. It outlines measure to address challenges and gaps in public financial management. The overall objective is to promote transparency, accountability, equity, fiscal discipline, and efficiency in managing and using public resources.

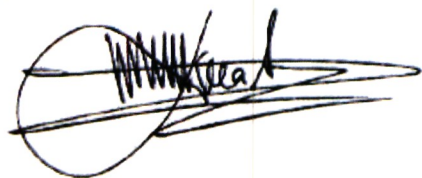
The Strategy was developed through a consultative and participatory process involving the National and County governments, Development Partners, and civil society. The results-based approach adopted in this Strategy is innovative and a departure from previous PPM Strategies that were activity-based. Effective implementation is expected to create an enabling environment for increased fiscal space, reliable funding flow to support the smooth implementation of development programs and service delivery, budgetary discipline, and value for money for the Kenyan taxpayers.

The cost of achieving the specific results outlined in the Strategy for the period 2018-2023 is estimated to be Kshs 12.3 billion. The Government, jointly with Development Partners, is mobilizing resources for the implementation of the Strategy. The World Bank, the French Development Agency (AFD), the European Union Delegation, and the Governments of Denmark and Sweden, are already supporting several PPM reforms in Kenya.



The Government's commitment to public financial management reforms is highlighted in the Medium-Term Plan (MTP) III 2018-2022, and this Strategy outlines the critical steps required to enhance the management of public resources.

I urge all stakeholders, including Ministries, Departments, and Agencies both at the National and County levels of Government, to stay the course and support the implementation of this Strategy for improved service delivery and strong economic performance.



**HON. AMB. EKUR YATANI, EGH,
CABINET SECRETARY/NATIONAL TREASURY AND PLANNING**



ACKNOWLEDGEMENTS



The development of this Strategy was made possible through the contributions of many actors, including Ministries, Departments, and Agencies, both at the National and County levels of the Government, Development Partners, and civil society, among others.

Therefore, it would be impossible to thank everyone personally in this report. The PFMR Secretariat provided overall coordination for the development of the Strategy. We are particularly indebted to the Public Financial Management Reforms (PFMR) Joint Technical Committee (JTC) members for their technical inputs and the Steering Committee (SC) for overall supervision and guidance. The PFM Sector Working Group (SWG), chaired by the Cabinet Secretary, National Treasury and Planning, provided the overall leadership in the formulation of the Strategy.

Development Partners provided both financial and technical support at critical points in the development of the Strategy. In this regard, the World Bank, AFD, European Union Delegation and the Governments of Denmark and Sweden deserve special mention for continued support towards the implementation of PFM reforms in Kenya.

We extend our appreciation to Ministries, Departments and Agencies, County Governments, and other stakeholders for their inputs and contributions during the consultative forums that were held at various stages during the preparation of this Strategy. We expect that the successful collaborative working relationships built during the Strategy preparation will be sustained during the implementation phase.

A handwritten signature in black ink, appearing to read 'Julius Muija', with a stylized flourish at the end.

JULIUS MUIA, PhD, CBS

PRINCIPAL SECRETARY/NATIONAL TREASURY



EXECUTIVE SUMMARY

The Public Finance Management Reforms Strategy (PFMRS) 2018-2023 is anchored in the Medium-Term Plan (MTP) 2018-2022 and outlines the Government's reform interventions in public financial management for the period 2018-2023. It is the third in a series of public financial management reform strategies that the country has implemented since 2006. It builds on the achievements of the PFMRS 2013-2018 that focussed on translating the provisions of the 2010 Constitution into reality. Among the critical PFM reforms implemented during the period 2013-2018 include enactment of PFM legislation for national and county governments, rolling out of the Integrated Financial Management Information System (IFMIS), adoption and implementation of International Public Sector Accounting Standards (IPSAS), formulation and implementation of the Public-Private Partnership (PPP) policy, and support to fiscal devolution as stipulated in the Constitution of Kenya 2010.

Building on the above reform achievements, the PFMRS 2018-2023 aims to deepen the PFM reforms in areas identified by stakeholders and diagnostic studies that include the need to increase fiscal space, enhance coherence and consistency between policy commitments and public spending, enhance service delivery and productivity of public investment projects, improved wage bill management to enhance efficiency, improve the quality of MDAs and county financial reporting, and to strengthen internal and external audit. The overall objective of the Strategy is to deepen PFM reforms to promote transparency, accountability, equity, fiscal discipline, and efficiency in managing and using public resources for improved service delivery and economic development.

As an innovation from previous strategies, the PFMRS 2018-2023 has adopted a results-based approach. Previous strategies focused on identifying the detailed activities, inputs, and the cost of reform interventions but were weak in establishing the relationships between the overarching results and specific reform challenges.



Consequently, the implementation of the Strategy is structured in the following eight (8) Result Areas based on identified results chains, focusing on expected outputs and outcomes:

- Sustainable and predictable fiscal space to deliver government programs;
- Strategic and transparent spending on public investment and service delivery in line with National and County Policy Commitments;
- Reliable cash for service delivery and public investment;
- Value for money in procurement and contract management;
- Value for money, performance & accountability in staffing for service delivery;
- Education institutions, health, and other service facilities effectively manage public resources;
- Disciplined financial management and accurate reporting, and
- Accountability delivered through audit, oversight, and follow up

MDAs and County governments are central players in the implementation of this Strategy. Results teams comprising of implementing MDAs will implement the reforms and report on progress. The PFMR Secretariat is responsible for the overall coordination. It documents and disseminates PFM reforms' implementation through the Joint Technical Committee (JTC), Steering Committee (SC), and the PFM Sector Working Group. Overall, the cost of implementing the specific reforms in the Strategy from 2018 to 2023 is estimated at Kshs 12.3 billion, to be funded through the national Medium-Term Expenditure Framework (MTEF) budget process and direct support from Development Partners. The Secretariat will report annually on the status of implementation of the Strategy.



CHAPTER ONE

INTRODUCTION AND BACKGROUND

This Chapter gives the background under which the PFMR Strategy (PFMRS) 2018-2023 is developed. It borrows heavily from the recommendations of the Mid-Term Review of the 2013- 2018 Strategy and provides the basis for changing the Strategy approach from activity to results- based.

Over the past 20 years, the Government of Kenya (GoK) has invested significantly in policies, laws, systems, institutions, and the capacity of public officials to improve Public Financial Management (PFM). During the 2013-2018 PFM Reform Strategy, significant investments were made to translate the provisions of the 2010 Constitution into reality and support effective and disciplined management of public funds, essential for macroeconomic stability and improved service delivery.

The PFM Reform Strategy 2018-2023 is anchored in the Medium-Term Plan 2018-2022 (MTP). The MTP, now in its third iteration (MTP III), guides the implementation of Vision 2030. The MTP III has three pillars, Economic, Social, and Political, with Enablers providing the underpinning foundation for delivery against each of the pillars. Public finance reforms are identified as one of the key enabling components of the MTP. In this context, the Strategy underpins the policy for delivering macroeconomic stability and public services in the MTP III.

The reforms implemented under the PFM Strategy 2013-2018 were designed around functional themes based on the budget cycle. The reforms were successful in establishing a solid foundation for PFM, including the enactment of all major PFM legislation for national and county governments; the Integrated Financial Management Information System (IFMIS) was rolled out to all Ministries, Departments, and Agencies (MDAs) and counties; accounting standards were established; financial reporting improved with timely and consolidated financial statements prepared; revenue mobilisation improved at national level and in some counties, and the Public- Private Partnership (PPP) policy implemented.



Fiscal devolution was achieved through the establishment of revenue sharing arrangements and a system of fiscal transfers and inter- governmental institutions. The progress provided a strong framework for PFM implementation across the government. Even though the fundamental framework for PFM has been put in place, there remain significant challenges. Recent studies and analytical work have revealed many of these challenges, thus providing a rationale for developing this Strategy. These studies include National and County Public Expenditure and Financial Accountability (PEFA) Assessments conducted in 2017 and Public Investment Management Assessment completed in 2018. For example, in terms of macro-economic management, the increase in domestic debt service costs and the debt-to-GDP ratio limits the fiscal space for delivering MTP priorities. In terms of delivering public services and public investments, challenges have been noted in prioritizing projects and ensuring the reliability of funding for service delivery.

The Public Financial Management Reforms (PFMR) Strategy aims to build on PFM reforms' success to date and unblock these challenges with a vision for ***“A public finance management system that is efficient, effective and equitable for transparency, accountability and improved service delivery.”***

The overall objective of the Strategy is ***“A public finance management system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.”***

To achieve this objective, the development of the Strategy was participatory and involved convening stakeholders at the national and county level. The stakeholders first identified the central challenges in PFM that impact macro-economic management and service delivery. The strategy's formulation was also informed by the findings and recommendations from the Mid-Term Review of the PFM Strategy 2013-2018. The stakeholders worked together with results teams to identify the required changes and actions to achieve the envisaged results. The engagement, therefore, focused on the changes that address agreed challenges and not functional themes, with MDAs participating in multiple results teams where they have a role.



The process led to the identification of a set of actions and results in the following eight (8) distinct Result Areas:

- Sustainable and predictable fiscal space to deliver government programs;
- Strategic and transparent spending on public investment and service delivery in line with National and County Policy Commitments;
- Reliable cash for service delivery and public investment;
- Value for money in procurement and contract management;
- Value for money, performance & accountability in staffing for service delivery;
- Education institutions, health, and other service facilities effectively manage public resources;
- Disciplined financial management and accurate reporting; and
- Accountability delivered through audit, oversight, and follow up.

The above results areas aim to address challenges in PFM that impact macro-economic management and service delivery. The results will be achieved through collaborative, coordinated, and committed action across and within the institutions responsible for PFM at the national and county level.

It is essential that results are monitored through a cross-MDAs context and results areas', as the achievement of desired results mostly requires actions from more than just a single MDA. However, the implementation of individual measures remains the responsibility of respective national and county MDAs within different PFM thematic areas.

Consequently, the framework for implementation has been designed so that a) individual MDAs prepare work plans for the respective reform activities to which they contribute, while b) results teams provide a structured cross-MDAs dialogue around the achievement of each set of results.



The technical issues covered in each results area vary, but the achievement of the results will involve the following principles:

- An iterative and adaptive approach to the delivery of results that is focused on specific challenges that impact economic management and service delivery;
- A coordinated approach led by cross MDAs results teams associated with specific Result Areas supported by overall PFMR coordination structures, including the Secretariat;
- Individual actions which are the responsibility of individual MDAs overseen by senior managers within the institutions;
- Delivering change consistent with underlying principles of transparency, participation, integrity, and responsiveness;
- Developing and implementing PFM systems in a way that addresses the specific challenges in PFM that this strategy targets; and
- A structured approach to capacity development which is focused on delivering specific results and supporting MDAs and county performance.

The Strategy is organized as follows:

- Progress, challenges, and lessons for PFM reform
- PFM Reform Strategy Result Areas
- PFM Themes and implementing MDAs and counties
- Core Principles and Crosscutting Approaches in Delivering Results
- Institutional Framework, Coordination and M&E
- Costing and Allocation of Resources to Strategy Implementation
- Annexes



CHAPTER TWO

PROGRESS, CHALLENGES, AND LESSONS FOR PFM REFORM

This chapter highlights progress, challenges, and lessons learned from the implementation of the 2013-2018 Strategy and the impact of the reforms on the overall PFM systems. The 2013-2018 Strategy was developed in 2012 and launched in February 2013, through a consultative process involving various stakeholders. The Strategy featured reforms designed around thematic areas and promoted linkages for cross-cutting issues to create synergy among various PFM actors. It focused mainly on capacity building, development of laws, regulations/standards for both National & County Governments, use of Information Communication Technology (ICT) systems, and transformation of operational procedures to improve service delivery, efficiency, and effectiveness of PFM Systems.

The reforms under the PFMR Strategy 2013-2018, therefore, concentrated mainly on actualizing the contents of the 2010 Constitution relating to public financial management. Outlined here below is the progress achieved from the implementation of the PFMR Strategy 2013-2018 and the outstanding challenges to be addressed by the 2018-2023 Strategy.

During the Mid Term Review of the Strategy in 2016, 42 out of the 69 key reform interventions had been completed or were on target, while other reform activities were delayed. Implementation challenges included a significant funding gap, weak monitoring, and evaluation (M&E) framework, and coordination. These and other challenges and gaps were captured in the revised Strategy published in 2017 under the following thematic areas:

Macro-Economic Management and Resource Mobilization

Critical legal and institutional reforms designed to streamline Value Added Tax (VAT), customs, and excise taxes were put in place. Additionally, the i-Tax system was introduced, and legislation to support the domestication of revenue legal framework at the county level was developed.

Tax revenue collection increased consistently over the period and remained between 18% and 20% of GDP, which was broadly in line with targets¹.

¹ Figures provided by the PFM Reform Strategy 2013-18 Mid Term review demonstrate that when adjusted for the rebased calculation of GDP the performance of 19.9% in 2015 was approximately equivalent to 24.87% in the original calculation.



The Government has made progress on debt management. Accordingly, a Public Debt Management Office (PDMO) was established, and a debt management system operationalized. While there is increased reliance on the internal capacity to manage debt, there is a need for further institutionalization and capacity strengthening. The debt to GDP ratio and debt service to revenue costs both increased during the plan period, reaching 51.9% and 35.8% of the budget, respectively, which, while substantial, are predicted to remain around the EAC threshold level of 50% and IMF debt-service to revenue threshold of 30% in the medium term². Macroeconomic modelling and forecasting remain a key focus for strengthening at both government levels and will build on some of the progress in debt management.

The legal framework for reporting on Appropriation in Aid (AiA) and Semi-Autonomous Government Agencies (SAGAs) was identified as an area that requires further strengthening. Weak and inconsistent declaration of AiA and inclusion in the IFMIS and in financial reports of MDAs was a significant challenge. The Mid- Term Review of the PFMR Strategy also noted that risks due to contingent liabilities from financial operations of SAGAs was an issue of concern, with the extent of the risk being unclear but potentially substantial.

Strategic Planning and Resource Allocation

Significant progress was recorded in enhancing public participation in the budget process. Public consultations during budget formulation increased at both the national and county level. Programme based budgets are being produced by all counties in compliance with the law and in meeting the strategy targets. The second round of the 5-year County Integrated Development Plans (CIDP) and the national Medium-Term Plan were completed as planned. While this demonstrates strong progress in strategic planning, the Mid Term Review found that the alignment between the strategic documents and the Medium-Term Expenditure Framework (MTEF) was weak, with the projected costs of the Medium-Term Plan (MTP) programmes around double the MTEF projections.

² Note: The IMF threshold level for present value of public sector debt to GDP is significantly higher (74%) but the EAC convergence threshold is used in this case as it represents the more conservative target.



According to the Budget Review and Outlook Paper 2017, the framework for monitoring results was inadequately linked to sector programme results and the outcomes envisioned in the strategic documents. The variance between expenditure budgets and outturns remained substantial, though it had decreased from the baseline of 12.1% in 2011/12 to 9.3% in the FY 2016/17.

Budget Execution, Accounting and Reporting, and Review

Standards and implementation of financial reporting improved significantly at both government levels throughout the Strategy. The institutionalization of internal audit committees at the national level progressed significantly, though less at the county level, and procurement legislation was completed as planned.

Among the most significant challenges identified was the weakness of cash management framework, including cash flow planning and forecasting, and these reforms were captured in the revised strategy for implementation. Progress on implementing the Treasury Single Account (TSA) was slow due to legal impediments, affecting institutions such as the Central Bank of Kenya (CBK). The Government opted for a decentralised model to respond to these issues. The occurrence of substantial pending bills remained an issue at both government levels, and fiscal risks, particularly concerning SAGAs, were cited as a continuing challenge. The development of asset management capacity at the county level and transfer of assets from national institutions to counties had recorded progress around policy, though implementation was slow.

There were mixed results on reforms to consolidate the GoK payrolls and the teachers' payroll cleansing. Further, slow progress was recorded in the integration of the Government Human Resource Information System (GHRIS) and other Human Resource (HR) systems with the IFMIS

Finally, many units still operated outside the IFMIS, with informal and manual financial reporting mechanisms and bank account reconciliation. Progress had been made on strengthening the management of public projects, with all national projects being coded using the Standard Chart of Accounts (SCoA) and mapped to IFMIS in readiness for piloting and roll out to counties in the FY2019/20.



Independent Audit and Oversight

Independent audit recorded a significant improvement in unqualified audits of MDAs and County Executives and Assemblies over the period, with just 6 percent unqualified audits in the FY 2011/12 compared to 27 percent in FY 2015/16. Capacity constraints within the OAG have persisted, with some of the key challenges related to the extent of audit coverage due to the adoption of the devolved governance system. On the other hand, budgetary constraints have also been cited as a key driver to the Supreme Audit Institution (SAI) PFM capacity challenge. Substantial financing gaps between the resource requirements, ceilings allocations, and actual financing through the exchequer were noted. Devolution has greatly expanded the required coverage and number of audits with the county governments and assemblies now included. This expansion of coverage has not been matched with an expanded capacity, thus affecting the timeliness of the submission of audits. This, in turn, has significant implications for county resource allocations, as vertical revenue sharing is based on most recently audited ordinary revenues.

Fiscal Decentralization and Intergovernmental Fiscal Relations

County Treasuries were operationalized with IFMIS installed and frameworks for revenue sharing developed, which continue to be strengthened to achieve equitable revenue sharing. The Own Source Revenue Policy was also developed. Public Service Boards undertook the transition of staff in each county. However, there were complex institutional and staffing issues to be addressed. Notably, the reduction of county staff structures, rationalization and integration of county payrolls, and comprehensive guidance for establishing all functions, including service delivery level structures.

Full implementation of devolution requires the formal transfer of numerous existing assets and liabilities to county governments where they fall within the county mandate as laid out in the Constitution. Progress on asset and liability transfer has been slow. However, positive steps were made in developing the necessary capacity within counties to prepare asset registers and manage the transition. Some issues relating to the legal framework remained outstanding such as the need for full compliance with the PFM legal framework by each county.



Legal and Institutional Framework

This reform area recorded perhaps the most substantial progress with nearly all theme interventions registering completion and all legislation and regulation required under the Public Financial Management Act (PFMA) put in place. The challenges that remain include the appointment and high turnover of key staff, which undermines training and institutional capacity development.

IFMIS and other PFM Systems

IFMIS was successfully rolled out to all MDAs and counties, with most interventions showing completion or significant progress. The remaining challenges relate to integrating the system with other PFM systems and improving system uptake at the county level, where limited utilization of several functions was reported.



Impact of the PFMR Strategy 2013-2018 on PFM Performance

The Government of Kenya undertook a Public Expenditure and Financial Accountability (PEFA) assessment at the national and county levels in 2017 and a Public Investment Management Assessment (PIMA) in 2018. These assessments provide internationally comparable budget reliability measures and benchmarks the performance of key PFM and PIM processes. While there are limitations to these studies in describing why some processes are working and others not³, the PEFA and PIM nevertheless provide valuable insight into the strengths and weaknesses of the PFM system.

The PEFA framework is designed around seven pillars covering 1) overall performance of the budget focusing on the reliability of expenditure and revenue outturn; 2) the structure and transparency of the budget; 3) management of assets and liabilities and stages of the budget cycle; 4) fiscal strategy and budgeting; 5) budget execution; 6) accounting and reporting; and 7) external scrutiny and audit. Indicators are scored from D (poor) to A (best).

The 2017 national PEFA assessment noted an improvement in 9 out of 23 indicators⁴ and an overall improvement in all the pillars. As measured by the assessment, progress at the national level includes macro and fiscal forecasting, budget calendar, legislative scrutiny, and the procurement process following enactment of the Public Procurement and Asset Disposal Act (PPADA). The assessment corroborated the progress reported in the mid-term review of the PFM Strategy report.

The most significant improvements were noted in the timeliness of budget preparation due to the requirements of the PFMA; accounting standards through the adoption and implementation of International Public Sector Accounting Standards (IPSAS); and expenditure controls, financial integrity, and financial reporting, all as a result of the IFMIS reengineering and the inclusion of basic performance information on service delivery.

³Hadley, S. and Miller, M. (2016) PEFA: What is it good for? The Role of PEFA Assessments in PFM Reform

⁴There are 23 areas where scores are completely or partially comparable between the old and new PEFA methodologies.



The areas where progress was slow as measured by the PEFA were; the quality of budget documentation, the extent of National Government operations outside fiscal framework, reporting on fiscal risk, asset management, and delays in submission of audit reports. In addition, minor backtracking was noted in the assessment of transfers to counties, payroll control, and revenue arrears.

The Public Investment Management Assessment (2018) assessed the institutional strength and the effectiveness of different phases of the public investment management cycle. The analysis found that while institutional strength is rated “good” or “medium” in 12 out of 15 phases⁵, they are much weaker in practical implementation with only 1 “good” rating and 8 “medium” out of 15. The financial and fiscal risks associated with mega projects could seriously impact growth if not well managed and weak project appraisal. The lack of an independent review process makes it difficult to confirm the value-for-money of projects on an objective basis. Variation in planning and project management standards and practices across national government, state corporations, and counties was noted as a major issue. However, the establishment of the PIM Unit in National Treasury and development of PIM Guidelines was expected to strengthen the implementation of the development budget substantially, and particularly support institutional framework around appraisals.

PFM systems were established in counties during the Strategy period. The first county PEFA used a similar methodology to the national PEFA and was undertaken in 6 counties in 2017, providing an insight into progress⁶. Understandably, PFM performance is a lot weaker than at the national level. The findings demonstrate a wide variance between counties, an important finding underscoring the importance of flexible, needs-based PFM support to county governments. Budget Reliability particularly varied in the six counties, with some performing well, but others hampered by a low rate of budget execution and high reallocations with the collection of own-source revenues falling far below targets in most counties.

⁵ The assessment classes the institutional strength and effectiveness of each phase independently with a rating of “low”, “medium” or “good”.

⁶ The Government of Kenya performed a National level PEFA in 2016/17 and a limited County PEFA including a selection of 6 counties in 2017/18 (Baringo, Kajiado, Kakamega, Makeni, Nakuru, West Pokot)



There were significant fiscal forecasting challenges and capturing of information on the total revenue collected in a county from various streams. Information on financing or performance of service delivery units was very limited. In terms of management of assets, liabilities, and public investments, while there is public participation around the selection of projects, there is limited economic or cost benefit analysis to provide sound decision-making. Asset registers were not complete, and there was no record of non-financial assets, though counties were developing these functions. Similarly, counties did not have an official record of all liabilities transferred from defunct local authorities.

Policy-based fiscal strategy and budgeting were based on a clear budget calendar and the development and publishing of policies, including the County Integrated Development Plan (CIDP) and County Fiscal Strategy Paper (CFSP). However, capacity issues combined with the sequencing of calendar activities undermined policy documents' influence in the budget process. The CFSP did not provide the underlying assumptions for fiscal forecasts, and changes in medium-term expenditures were not explained.

Payroll management was relatively good. However, adherence to recruitment policies was found to be weak. Procurement methods were in use yet, information available to the public on the same was lacking. Financial reports were increasingly prepared using correct accounting standards and the IFMIS with critical budget documents submitted to the County Assembly for approval. However, the completeness and quality of the reports was a challenge.



Lessons Learnt from the Implementation of PFMRS 2013-2018

The wave of reforms implemented under the Strategy as part of the implementation of the 2010 Constitution positively impacted PFM performance at the national and county level. The Mid- Term Review provided valuable insights and lessons around the challenges that affected the implementation of the Strategy. Key lessons informing the approach for the 2018-2023 Strategy are as follows: -

- **Firstly**, results that address Kenya's specific PFM challenges must be the primary focus. The preparation and implementation of previous strategies focused on identifying the detailed activities, inputs, and the cost of reform interventions but was weak in establishing the relationships between the overarching results and specific reform challenges in Kenya. Monitoring of results also proved challenging, and the dialogue was often taken up by transactional issues, undermining the overall governance of the strategy. To address this, the 2018-2023 Strategy employed a structured approach to identifying results focused on specific PFM challenges and intermediate key steps that will be the focus of regular monitoring. Through a consultative process, the stakeholders identified the desired results, changes required, and steps to address these challenges, focusing on results in PFM, which has a strong M&E component that includes capacity building. The Strategy then sets out a flexible framework to plan and budget for specific activities directly linked to the achievement of critical steps and results.
- **Secondly**, achieving results requires teamwork around specific challenges. Although the past PFMR strategies established coordination mechanisms for overall reform, they relied on individual MDAs to implement activities in isolation. A key lesson is that, if problems are to be addressed effectively, inter-MDAs coordination and collaboration is required around specific Result Areas, not just the overall Strategy. Therefore, under the Strategy, results teams have been established around each of the challenges identified where technical dialogue and coordination is most essential to address the challenges identified. The results teams are responsible for ensuring coordination and collaboration in the achievement of the results identified. PFMR Secretariat supports this process by facilitating the engagement of results teams.



- **Thirdly**, the explicit service delivery of an MDA, State Corporation, and County focus is important. Previous strategies have focused more on the National Treasury, OAG, and other core PFM institutions. However, these institutions do not directly manage resources for service delivery. Despite core PFM institutions being crucial, the Strategy also focuses on PFM results at service delivery MDAs, counties, State Corporations, and facilities. These institutions participated in the development of the Strategy and will be involved in results teams and monitoring of progress during implementation. Most importantly, they will be responsible for achieving PFM results identified in the Strategy.
- **Fourthly**, the Strategy must be well funded. Whereas not all PFM reforms require additional money, the elements with cost implications must be adequately resourced. The previous strategy had a large funding gap at the start, which the GoK was unable to close fully during implementation. From the outset, a significant part of the Strategy is well resourced through development partner budget support operations and direct support, thus creating significant fiscal space for the Government to allocate resources over the Strategy period.



CHAPTER THREE

PFM REFORMS STRATEGY RESULT AREAS

This chapter covers the Result Areas of the Strategy. Towards this end and building on the progress and performance assessments and lessons, stakeholders embarked on identifying key challenges for PFM. The challenges provide a framework for the Strategy and structure the reforms around the causes and actions to address those challenges. These problem definitions evolved through multiple consultative phases as senior managers and technical staff met to deliberate, agree on the desired outcomes and identify the specific changes required to improve the effectiveness of PFM processes and systems. The following section presents the strategic approach to addressing each of these challenges.

The key challenges identified by stakeholders in the development of this Strategy are:

- Fiscal space available for national and county policy commitments is limited and unpredictable. Revenue growth is below potential, while debt servicing costs, salary, and other recurrent expenditures combined have increased faster. These factors have increased the exposure of the economy to shocks, which can potentially undermine the sustainability of economic growth.
- There is a mismatch between policy commitments and public spending, which impacts service delivery effectiveness and return on investments. Budget allocations are not clearly linked to the public investments and services it is intended to deliver and agreed national and county priorities. Budget programmes and projects are not adequately costed and appraised. The availability of relevant information required in Public Financial Management and necessary for stakeholders to undertake their roles both inside and outside government is limited.
- The availability and timing of budgetary funding for major services and public investment projects are unpredictable, undermining the quantity, quality, cost, and timeliness of planned investments and service delivery. There are delays at the start of the financial year. Forecasts of revenue inflows and outflows are unrealistic, and the government cash position is not consolidated. Commitments are not adequately controlled, and pending bills remain a significant challenge. Transfers to service delivery facilities at the national and county level are unpredictable and unreliable.



- Some service delivery infrastructure and inputs are not delivered on time or to specification and do not represent value for money due to procurement and contract management challenges. Procurement policies, systems, and processes are not fully integrated, transparent, and operationalized, and there is inadequate technical expertise. Complex contracts are often not managed effectively. Weak compliance, accountability, and malfeasance undermine the delivery of services.
- Value for money in wage expenditures and public servants' productivity are undermined by weaknesses in wage bill management, performance management, and accountability. Public Service management information systems are fragmented and have gaps. Organizational mandates, functions, structures, and establishments have overlaps and inconsistencies. Compliance with standards and norms needs to be improved.
- There are significant challenges in managing resources by education institutions, health facilities, water service providers, and other service delivery institutions. Facilities providing critical services in education, health, and water sub-sectors do not adequately allocate, manage or report on public resource utilization.
- Despite significant improvements, the quality of MDA and county financial reporting is mixed. There is an underlying problem with compliance and discipline in financial and asset management. Additionally, there is inadequate monitoring of fiscal risks. There are inconsistencies between financial statements and the IFMIS data on receipts, payments, assets, and liabilities. Consequently, reconciliations are not entirely carried out in the system, and there is a lack of compliance. Assets and liabilities management policies and procedures are not fully operationalized. There is inadequate monitoring of commitments, pending bills, contingent liabilities, and externally funded projects are typically managed outside the discipline of the IFMIS.
- The quality, timeliness, and consistency of internal and external audits require strengthening, and audit follow-up is inadequate, and there is insufficient public participation. There is a lack of regular and timely internal audit reports by MDAs and counties in line with the established procedures for assurance, risk management, and audit follow up. Delays and quality of external audits affect timeliness in decision making and service delivery. There is inadequate follow up on issues raised from both external and internal audits.



PFM Reform Strategy Result Areas

Successful implementation of the Strategy will require an explicit governance structure with effective coordination mechanisms. The implementation will therefore be undertaken through the following eight Result Areas aimed at achieving the overall objective of the Strategy through the attainment of specific results: -

- Sustainable and predictable fiscal space to deliver government programs,
- Strategic and transparent spending on public investment and service delivery in line with national and county policy commitments,
- Reliable cash for service delivery and public investment.
- Value for money in procurement and contract management,
- Value for money, performance & accountability in staffing for service delivery,
- Education institutions, health, and other service facilities effectively manage public resources,
- Disciplined financial management and accurate reporting, and
- Accountability delivered through audit, oversight and follow up

Through an intensive consultative process in each results area, results teams identified specific underlying problems to be addressed and the associated reform results to be achieved. The changes required to achieve the reform result were then identified.

Result Teams have identified critical steps for the Strategy and will be monitored to assess progress towards the reform results. The key steps will be reviewed and updated annually, with steps identified for an additional year to ensure that they contribute towards the changes required to achieve reform results. National and county government MDAs are stakeholders in multiple Result areas and therefore contribute specific actions towards the achievements of several results. Although PFM reforms will be implemented government-wide, the results focus on National and County MDAs responsible for economic management, human resource management, or delivering major public investment and service delivery programs. This will ensure the Strategy moves beyond the delivery of generic systems and capacity to achieve broader functional changes in PFM outcomes related to economic management and service delivery.

The delivery of the required changes and achievement of the results will require coordinated and committed collective action from stakeholders involved in managing and using PFM systems and processes.



Results Area 1: Sustainable and predictable fiscal space to deliver Government programmes

The Strategy outcome of Results Area 1 is as follows:

Predictable and sustainable increase in fiscal space for efficient execution of national and county programmes

The outcome will be achieved by ensuring that national and county governments achieve close to their revenue potential. These revenues are used to fund the implementation of budget programmes through adherence to sound fiscal frameworks consistent with sustainable borrowing and debt servicing costs, and reduced exposure of the economy to risk—the growth in the wage and pension bills limited to public sector establishment structures aligned to policy objectives. Further, during the plan period increased private sector resources will be mobilized towards financing policy commitments.

The following issues were identified and will be addressed to achieve the outcome:

- Tax revenue at the national level is below potential due to policy weaknesses, including a constrained tax base, tax expenditures including exemptions management, primary focus on revenue targets, and multiple collectors of revenue.
- Tax administration challenges, including low compliance, inadequate capacity, and processes undermine and constrain revenue collection.
- Revenue collection at the county level is below potential because of inadequate policy, legal framework, and administration.
- High macro-fiscal projections and increasing spending levels have contributed to a high fiscal deficit and increased debt service.
- Increased reliance on commercial borrowing has contributed to an increased cost of financing and a more vulnerable economy.
- Inefficiencies and high public sector wage and pension bills negatively affect the fiscal space, thus reducing the resources available to allocate to policy commitments.
- Sub-optimal utilization of private sector resources in financing government investments.



Table 1: Results, changes required and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
1.1 A fit for purpose, revenue policy and legal framework and rationalized tax expenditures including exemptions	a. Joint revenue mobilization strategy which is multiple stakeholders' multiple sources including investment income	Joint Revenue Strategy covering policy, forecasting, and management of tax expenditures and administration with monitoring framework agreed between KRA and NT	August 2020	Macro & Fiscal Affairs Department (MFAD)
	b. Tax policy and administration performance monitored against strategy indicators.	NT tax policy unit staffed, trained, and retooled in line with the recommendations of the capacity gap analysis	June 2021	MFAD
	c. Enhance NT Tax Policy Unit capacity and capacity for CRA Revenue Advisory Unit	Rationalized tax expenditures and framework for the management of tax expenditures approved and in place	June 2020	MFAD
	d. Rationalize tax expenditures, including tax exemptions e. Updated, appropriate, consolidated and accessible tax policy, legislative and administrative framework with KRA as a single collector of revenue			
1.2 Efficient and effective customer-oriented revenue administration with high taxpayer filing and payment compliance ratios	a. Adequately resourced data and intelligence-driven tax revenue administration	Joint Revenue Strategy including plans to implement a) data and intelligence-driven administration; b) customer-centric service delivery model and c) streamlined tax debt management; d) revamped tax dispute resolution model; e) streamlined enforcement and border control; f) enhanced trade facilitation; g) improved employee adoption and utilization of delivered project capabilities through structured management of change	June 2020	Kenya Revenue Authority (KRA)
	b. Complete, timely, updated and accurate tax administration data, including national tax register, with taxpayers all able to access relevant data			
	c. Simplified processes for enhanced levels of taxpayer compliance in filing, payment and reporting			
	d. Strengthened tax debt arrears and accounts management.			
1.3 Efficient and effective revenue policy administration at county level, with high taxpayer compliance supported by updated legal framework	e. Structured, independent and fair tax dispute resolution mechanisms	Upgraded procedures and capacity in place in KRA to enable tax administration transformation	June 2020	KRA
	f. Streamlined customs clearance and inspection procedures	KRA systems upgraded to deliver upgraded procedures, including complete integrations with NTSA, CBK, IFMIS, e-Citizen, NSSF, NHIF, counties and the proposed GIPE MIS covering SCs	June 2020	KRA
	a. A clear legal and regulatory framework to ensure consistent revenue assignment of revenue streams between national and county governments	A comprehensive set of guidelines and training curriculum in place for county revenue relating to a) policy and legislation b) institutional arrangements, and c) administration in place	June 2020	Commission on Revenue Allocation (CRA)
	b. Each County to develop a comprehensive policy and legal frameworks to implement the national policy and law of own-source revenue in the Counties.	Dissemination and implementation of Own Source Revenue Policy	June 2021	Inter-governmental & Fiscal Relations Department (IGFRD)



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
	c. Adequately resourced county revenue administration d. Develop and implement an automated single revenue collection system integrated with IFMIS and i-Tax e. Harmonized and updated taxpayer/fee registers	Comprehensive automated system county revenue administration operational and ready for roll out to counties that is linked to IFMIS and i-Tax	June 2021	IFMIS
1.4 Credible fiscal framework at the national and county level include realistic revenue and expenditure projections consistent with a reduction in the national fiscal deficit over time	a. Domestic fiscal aggregates forecasted using realistic economic assumptions	A framework and forecasting model in place which ensures realistic revenue and other macro-fiscal projections agreed following a multi-agency review of forecasting including State Corporations	June 2020	MFAD
	b. Forecasting tools calibrated using up-to-date data on past performance with realistic projections of the potential impact of revenue policy & administrative changes	Legislative changes in place which ensure that the finance bill is approved before or alongside the appropriation bill	June 2020	MFAD
	c. Collaborative target setting between National Treasury & KRA with incentives for KRA to meet targets	A framework for measuring national and county fiscal responsibility	June 2020	CRA
	d. Mobilize more ordinary revenue as a percentage of GDP	Tax analysis and revenue forecasting tools for County Governments developed	August 2021	IGFRD
	e. Counties have realistic own source revenue projections in their budgets			
1.5 The exposure of Kenya to shocks is reduced as a result of the reduced stock of debt due to borrowing within fiscal targets consistent with a reduced fiscal Deficit and reduced cost of financing	f. Parliament and county assemblies pass their Finance Bills at the same time or before their Appropriation Bills and both are consistent with fiscal frameworks in the Budget Policy Statements and County Fiscal Strategy Papers			
	a. Borrowing reduced in line with medium-term to long-term deficit targets within credible medium- and long-term fiscal frameworks b. A broader and deeper domestic market for Government securities, with borrowing instruments that include moving beyond commercial banks contributes to a reduced cost of borrowing c. Enhanced capacity to negotiate and manage public debt	Functions of the PDMO defined, business process manuals and work plans developed and a PDMO departmental structure submitted to PSC for approval which sets out a framework responsible for: a) Sustainable borrowing; b) Minimizing costs and risks; and c) Broadening and deepening of domestic markets and the diversification of borrowing instruments. Debt and Borrowing Policy in place which formalizes the framework for debt management PDMO structure approved, fully staffed (at least to 80%), trained and retooled	June 2020 June 2020 December 2020	Debt Policy, Strategy & Risk Management Department (DPS&RM) DPS&RM DPS&RM



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
1.6 Mandates and functions are rationalized at the national and county levels and the growth in the wage and pension bill is limited relative to other expenditure and is maintained below 35% of government revenues	a. Rationalized National MDA, SC and County level mandates, functions, structures, establishments and staffing implemented	Package of tools and work plan developed for rationalizing mandates, functions, structures, establishments, and staffing and cleaning payrolls	June 2020	Public Service Commission (PSC)
	b. Payrolls cleansed	Teachers payroll cleansed	June 2021	Teachers Service Commission (TSC)
	c. Rationalized and harmonized benefits & allowances throughout Government	Pilot rationalization of mandates, functions, structures, establishments and staffing in selected MDAs and county governments completed	June 2020	Ministry of Public Service, Youth & Gender Affairs (MoPSYGA)
	d. Expanded Contributory Pension System to limit the growth of pension bill	Rationalized and harmonized benefits and allowances, and contributory retirement benefits schemes developed for both levels of Government and SCs	June 2021	Salaries & Remuneration Commission (SRC)
	e. Legal framework to address pension matters in County Governments in place.			
1.7 Private sector and State Corporation resources mobilized for delivery of appropriate investments and services and SCs reliance on subsidies and transfers reduced	a. PPP Act 2013 and guidelines amended to cater for devolution	PPP Act and guidelines amended to cater for devolution	July 2021	Public- Private Partnership Unit (PPP)
	b. PPP Tool Kits in place and in use by MDAs and counties for PPP Project Development and Implementation	Guidelines and PPP Toolkits developed for MDAs and counties for PPP project development and implementation alongside guidance for the establishment of associated institutional capacity	June 2021	PPP Unit
	c. Enhance institutional capacity for development and efficient management of PPPs at both National and County levels	Audit and evaluation procedures established /enhanced to ensure efficiency and effectiveness, quality assurance/quality control as well as ethical standards, internal controls and governance in implementation of Revenue generating activities as compared with Private Sector initiatives and new areas recommended as appropriate.	June 2021	ISC
	d. Strengthened systems and incentives for SCs to generate revenues and reduce reliance on subsidies and transfers over time Policies and incentives that encourage private sector to participate in delivering policy commitments			

The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are CS, NT&P, and Governors.
- The **results team at the national level**, responsible for achieving these results, is led by the Macro Fiscal and Affairs Department. The results team will include the PPP Unit, IFGR, ISC, DPS&RM, MoPSYGA, PSC, SRC, TSC, OCoB, CoG, CRA, State Department of Planning, KRA and CBK
- At the **county level**, the CECM Finance is responsible for achieving results.
- The **broad coalition** involved in achieving the results includes County Treasuries, MDAs, KIPPRA, Parliament, Privatization Commission KNBS, CBK, CMA, Taxpayers, CPSBs, CASBs, SCAC, IGSC, IGTC, JSC, Professional Bodies (ICPAK, LSK, KBA, KAM, KEPSA etc.) and Kenya Law Reform Commission.



Results Area 2: Strategic and transparent spending on public investment and service delivery in line with national and county policy commitments

The Strategy outcome of Results Area 2 is as follows:

Improved linkage of public spending to national and county governments’ priorities and efficient and effective delivery of investments and services.

The following issues were identified and will be addressed to achieve the outcome⁷:

- Strategic priorities between the national and county governments are not harmonized and clearly linked to budget
- Budget allocations change during budget preparation and implementation, which adversely affect the ability of MDAs and counties to implement their core functions
- There is a mismatch between spending on public investments and the benefits arising from those investments, with increased resource allocations for public investments not being reflected in corresponding improvements in service delivery
- Stakeholders do not have adequate capacity and access to relevant information on budgets, service delivery, and public investments, which undermines effective decision making and accountability for the use of those resources
- Manual transmission and management of budget and reporting by state corporations and semi-autonomous agencies to line ministries and National Treasury and weak linkage between budget allocations and performance targets

Table 2: Results, changes required, and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
2.1 Harmonized national and county plans, budgets and implementation reports prepared using common formats and strengthening the link between resource allocation, national and county policies, and accountability	a. National and county plans are harmonized and clearly linked to MTEF and Budget allocations	Update of SCOA finalized, including standard program structure and approach to classifying service delivery facilities and projects. OCoB, BD, GIPE, counties and MDAs and requirements for automation.	June 2020	IGFRD
	b. Common budget classification and formats that can meet the needs of MDAs and counties, identify standard programmes (and associated investments, services and results), link funding more clearly to performance and policy objectives and incorporate DP funding and other AIA	Standard budget planning reporting formats agreed between OCoB, BD, counties, GIPE, State Corporations and MDAs.	June 2020	IGFRD
	c. MDAs and counties prepare budget documents & implementation reports using common formats on the systems	Automation of budget planning and reporting formats complete in advance of the start of 2021/22 budget process and	June 2021	Budget Department & State Department

⁷ Challenges initially identified in the PFM Strategy Mid Term Review (2016) (challenges i, ii, iii, iv, v); 2017 PEFA (i, ii, iv, v); Pilot County 2018 PEFA Reports (i, iii, iv); 2018 PIMA (i, iii, iv, v), IMF’s Fiscal Transparency Evaluation (2016) (v) and in subsequent policy discussion during the development of the PFM Reform Strategy.



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
	d. Capacity developed for MDAs and counties to use and interrogate information on the automated systems	MDAs and counties trained		of Planning (BD & SDP)
2.2 Budget allocations to major government programmes are agreed, costed and adequately resourced during the finalization and revision of annual budgets.	a. Changes in policies and priorities involve negotiations with MDAs and county departments early in the budget process to enable appropriate adjustments to Programme results and changes to sectoral/department budget ceilings	Expenditure categories have been agreed upon with MDAs and guidance for their application in MDA budget preparation, revision and implementation has been communicated and enforced	June 2020	BD
	b. Budget proposals are prepared using a common approach where services and investments relating to major programs are fully and accurately costed whilst any efficiency savings do not adversely affect institutions ability to deliver their mandated functions	Budget manuals have been updated in advance of the 2020/21 budget process to include a) early agreement of changes to budget priorities and major programmes b) costing of service delivery programs, c) identification of cost savings d) timing and form of information needed from external funders	June 2021	BD
	c. In the event of a shortfall in actual revenues vs estimates, budgets revisions and in-year limits are guided by well-defined expenditure categories that ensure funding is available for services and investments commitments	Development partners to approve work plans for various projects by February of every year	Continuous	Resource Mobilization Department (RMD)
	d. Development partners increases their alignment to major GoK programmes and provide adequate and timely information at the time of budgeting			
	e. Capacity enhanced to undertake budgetary analysis by MDAs, National and County Treasuries, Parliament and County Assemblies	Enhancing training on the budget making process	December 2020	BD
2.3 Public investments are effectively selected, implemented and monitored to enhance service delivery and maximize benefits to the economy	a. Effective guidelines, institutional framework and capacity in place for PIM within National and County Governments	Finalization of PIM Guidelines, Manuals, Training Curriculum and user requirements for the PIM Information System	December 2020	Public Investment Management Unit (PIM)
	b. A Public Investment Management Information System in place and in use at the national and county level for the identification, appraisal, selection and monitoring of projects	PIM Stakeholder Engagement and Disclosure Frameworks in place	June 2021	PIM Unit
	c. Effective stakeholder engagement in PIM management, including effective public participation in the county and national projects	PIM Information System, which automates the PIM Guidelines, is fully operational as per the user requirements	October 2020	PIM Unit
	d. Projects are identified and selected for implementation based on their projected economic and social impact, properly planned, costed and	M&E Frameworks/Manual for projects reporting developed	June 2021	PIM Unit



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
	budgeted for in full over the medium term e. Strengthened Monitoring and Evaluation, Transparency and Accountability to ensure projects are on time and represent value for money			
2.4 Stakeholders have access to appropriate and relevant information on service delivery at the national and county levels which is timely, reliable and trusted	a. All relevant financial & non-financial information available on time for managers within MDAs, State Corporations, County Departments and Assemblies, the public and other stakeholders to allow decision making and accountability	Information available to MDAs, SCs and counties on past expenditure data and transfers to service facilities via the Hyperion Budget module of IFMIS	June 2020	BD
	b. There are clear and functional mechanisms and capacities for information sharing with stakeholders and capturing feedback and follow up on service delivery and projects	Plan to establish stakeholder mechanisms and capacities for information sharing with the public and capturing feedback and follow up on local service delivery and projects in place	June 2021	Sector Working Groups (SWGs)
	c. Follow up on service delivery and projects and reactions from decision-makers is swift, closing the accountability loop.	Relevant budgetary financial and non-financial information is available on programs, projects, and transfers to service units and State Corporations to stakeholders inside and outside government via an Application Programming Interface (API) and in a searchable form in an online platform which also provides a library of budget documents	September 2020	BD
2.5 State Corporation, Semi-Autonomous budgets and reports are linked to performance targets, are comprehensive and are provided to National Treasury and Line Ministries	a. Relevant MDA and NT review and analysis of standardized and detailed state corporation annual budget (revenue and expenditure including salaries) before approval by line ministry and NT	Development of user requirements for an integrated, automated management information system that enables state corporations and semi-autonomous agencies to provide budgets, quarterly and annual reports with financial and non-financial performance information (including debt levels and contingent liabilities)	June 2020	GIPE
	b. State corporations provide quarterly and annual reports with financial and non-financial performance information (including salaries, on-lent and direct debt levels and contingent liabilities) from an integrated automated system	Automated MIS for state corporations functional in line with user requirements	June 2021	GIPE
	c. Enhance oversight management of on-lent and direct loans to state corporations	3-year assessment of continued involvement in State Corporations as per Section 89(3) of the PFM Act is undertaken	June 2020	GIPE
	d. A comprehensive review of state corporations takes place every three years, and follow up actions implemented			

The following stakeholders are responsible for enabling and delivering results:

- Key **authorizers** for the reform at the national level are CS/NT&P
- The **results team at the national level**, responsible for achieving these results, is led by the Budget Department. The Accounting Services, PIM, GIPE, the State Department of Planning, Office of the Controller of Budget, and CRA will be core members of the results team.



- At the **county level**, the Budget Department in each County Treasury is responsible for achieving results at that level.
- The **broader coalition** involved in achieving the results include COG, IAD, OAG, MDAs, IBEC, counties and CPPMUs.



Results Area 3: Reliable cash for service delivery and public investment

The Strategy outcome of Results Area 3 is as follows:

Full and timely provision of funding for major services and investment projects for improved service delivery, and efficient and effective public investment

The outcome will be achieved by ensuring that budget execution is timely, that in-year forecasts of revenue inflows, outflows, and borrowing requirements are realistic, and cash balances are consolidated, commitments are fully recorded and funded, with a limited accumulation of pending bills, and transfers to counties and service delivery facilities and projects are made in full and on time.

The following were identified and will be addressed to achieve the outcome:

- Delays in budget implementation at the start of the FY due to the late closure of the previous FY and delays in the preparation and uploading of procurement and cash plans.
- The forecasts of the timing of the revenue inflows are unrealistic, the consolidated cash position of the government is not known, and domestic debt is issued without real-time information of the actual cash position based on short term cash requirements, which means that cash is not always available when MDAs require it to implement services and public investments.
- The quantity, quality, cost, and timeliness of planned services are undermined because budgeted funding to service delivery units, infrastructure projects, and equitable share to counties is often not provided in full when required, and there is a significant accumulation of pending bills.
- Disbursement of funds to service delivery facilities at the national and county level are unreliable affecting the quality and sustainability of service delivery

Table 3: Results, changes required and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
3.1 MDAs and counties have prepared their procurement and cash plans consistent with approved budgets and closed the previous FY on the system within the first two weeks of the succeeding FY	a. Enforcement of the requirement that last commitments for the FY being made on the 15 th of May	Enforcement of deadline of 15 th May with clear criteria for exceptions and approval of exceptions for new commitments for that financial year	June 2020	Accounting Services Department
	b. Enforcement of the Procurement and Cash Plans regulations which requires them to be submitted by the 15 th of June	System functionality in advance of the 2020/21 budget process for linking Annual Work Plans, Procurement Plans and Cash Plans which allows submission before the start of the year linked to draft budget	June 2021	Accounting Services Department
3.2 Realistic in-year forecasts of revenue inflows, borrowing requirements, and	a. A more conservative approach to in year revenue projections, and realistic debt calendar based on	Standards for transferring funds from KRA and revenue collection accounts to the consolidated fund and CRF	June 2020	Accounting Services Department



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
3.4 Transfers to and withdrawals from the Consolidated Fund and county revenue funds to State Corporations and service delivery facilities and projects made in full and on time	a. Exchequer releases for equitable share and conditional grants are made by the NT in line with the approved disbursement schedule and request by MDAs respectively	Mechanisms to budget, control & track withdrawals from the Consolidated Fund and County Revenue Funds in place based on the source of funds to ensure that conditional grants are being applied for their intended purpose	June 2020	ASD
	b. Mechanisms to control & track withdrawals from the Consolidated fund and County Revenue Funds	Streamlined guidance for MDAs which enables the processing of conditional grant exchequer releases on time in line with the approved disbursement schedule	July 2020	ASD
	c. Funds are transferred on time to State Corporations and service delivery facilities by counties and MDAs	Conditional grant transfers are published online and in national newspapers	June 2020	ASD

The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are the CS/NT&P and the PS/NT
- The **results team at the national level**, responsible for achieving these results, is led by the Accounting Services Department. DPS&RM, ASD, GIPE Department will be core members of the results team.
- At the **county level**, Accounting Services Department and the CECMs Finance in each County Treasury are responsible for achieving results at that level.
- The **broader coalition** involved in achieving the results includes BD, OCoB, CRA, IFMIS, KRA, CBK, IGFRD & CoG.



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
3.4 Transfers to and withdrawals from the Consolidated Fund and county revenue funds to State Corporations and service delivery facilities and projects made in full and on time	a. Exchequer releases for equitable share and conditional grants are made by the NT in line with the approved disbursement schedule and request by MDAs respectively	Mechanisms to budget, control & track withdrawals from the Consolidated Fund and County Revenue Funds in place based on the source of funds to ensure that conditional grants are being applied for their intended purpose	June 2020	ASD
	b. Mechanisms to control & track withdrawals from the Consolidated fund and County Revenue Funds	Streamlined guidance for MDAs which enables the processing of conditional grant exchequer releases on time in line with the approved disbursement schedule	July 2020	ASD
	c. Funds are transferred on time to State Corporations and service delivery facilities by counties and MDAs	Conditional grant transfers are published online and in national newspapers	June 2020	ASD

The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are the CS/NT&P and the PS/NT
- The **results team at the national level**, responsible for achieving these results, is led by the Accounting Services Department. DPS&RM, ASD, GIPE Department will be core members of the results team.
- At the **county level**, Accounting Services Department and the CECMs Finance in each County Treasury are responsible for achieving results at that level.
- The **broader coalition** involved in achieving the results includes BD, OCoB, CRA, IFMIS, KRA, CBK, IGFRD & CoG.



Results Area 4: Value for money in procurement and contract management

The Strategy outcome from Results Area 4 is as follows:

Increased transparency and efficiency in procurement processes and contract management in service delivery, infrastructure, and inputs

The outcome will be achieved by ensuring that counties, MDAs, and State Corporations conduct public procurement processes transparently, in a timely and efficient manner, using automated procurement systems, and the negotiation and management of complex contracts is effective and in line with original cost estimates.

The following issues were identified which impact economic management and service delivery:

- Procurement policies, systems, and processes are not fully integrated, transparent, and operationalized, and there is inadequate technical expertise. These contribute to delays, cost overruns, malfeasance, poor value for money, and weak accountability and consequently undermines the delivery of services; and
- Complex procurement contracts are not managed effectively by MDAs, SCs, and counties resulting in poor value for money in procurements.

Table 4: Results, changes required and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
4.1 Public Procurement processes are conducted by MDAs, SCs and counties in a timely and efficient manner using automated procurement systems without causing disruption to service delivery with integrity, transparency and in accordance with the law and when malfeasance occurs the appropriate sanctions are applied	a. Strengthened compliance & performance monitoring and enforcement by public procurement oversight agencies	Public Procurement Policy and Final Draft Regulations gazetted	June 2020	Public Procurement Department (PPD)
	b. A functional end to end e-procurement system aligned with the PPADA and Regulations, and adoption of Open Contracting Data Standards	Acquisition of e-procurement system, State Procurement Portal, performance and compliance monitoring systems for public procurement	July 2022	PPD
	c. Policy and Institutional frameworks and capacity in place for full implementation of the Public Procurement Law	Operationalize Kenya Institute of Supplies Examinations Board (KISEB), assessment of procurement professionals in the public sector	June 2020	Kenya Institute of Supplies Management (KISM)
	d. Enhanced Professionalism within the public procurement system			
	e. The procurement portal, which is linked to or part of the e-procurement, system provides the public, suppliers and contractors and government stakeholders with appropriate, comprehensive up to date information on procurement and contract implementation			



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
4.2 MDAs, SCs, and counties negotiate and manage the implementation of complex contracts effectively ensuring they are delivered as planned with value for money	a. Enforce the use of multi-disciplinary teams by MDAs, SCs, and counties to manage complex procurement contracts	Develop guidelines for the management of complex procurement contracts	December 2020	PPD
	b. Systems in place for monitoring the performance of complex procurement contracts c. Strengthened capacity of oversight agencies to audit the procurement process and contract implementation	Develop a framework for compliance monitoring of complex contracts	September 2020	Public Procurement Regulatory Authority (PPRA)

The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are the CS/NT&P and the Director General, PPRA
- The **results team at the national level**, responsible for the achievement of these results is led by the Public Procurement Department. KISM, PPD, and PPRA will be core team members.
- At the **county level**, the CECM Finance is responsible for delivering results.
- The **broader coalition** involved in achieving the results includes ASD, IAD, CoG, County Assemblies Forums.



Results Area 5: Value for money, performance & accountability in staffing for service delivery

The Strategy outcome from Results Area 5 is as follows:

Increased value for money, performance, and accountability in staffing for service delivery.

The strategic outcome will be achieved by entrenching uniform norms and standards for effective performance and higher productivity of public servants. Public sector human resource information systems to be consolidated, consistent, and up to date, and salaries paid through integrated systems with effective payroll controls.

The following issues were identified and will be addressed to achieve the outcome:

- Human Resource (HR) Data in the Public Service is fragmented and inconsistent, limiting effective wage bill management, human resource management, and budget planning thus undermines efficiency and accountability in staffing for service delivery.
- Public sector institutions’ payrolls are not fully automated and integrated with IFMIS and GHRIS resulting in weaknesses in controls of PE expenditures.
- Overlaps and inconsistencies in institutional and organizational mandates, functions, structures, establishments, staffing and management systems, and non-compliance with standards and norms undermine public service employees' performance and productivity.

Table 5: Results, changes required, and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
5.1 Public Service Human Resource (HR) data is consolidated and consistent	a. Regulatory requirement in place and enforced for: reporting and sharing of HR data by public service institutions with all public service institutions holding payroll data in GHRIS	Develop an implementation plan and user requirements for upgraded GHRIS which houses a consolidated HR data warehouse and interfaces with IFMIS and other government systems based on the recommendations of an assessment on the GHRIS	February 2020	MoPSYGA
	b. Functional HR data warehouse (as part of the GHRIS) that effectively consolidates HR data across the public service in a standard format integrated with IFMIS, PMIS and all public service payroll systems	Regulatory requirement in place for: reporting and sharing of HR data by public service institutions with all public service institutions holding payroll data in GHRIS	June 2021	PSC
	c. Regular and uniform HR data information reporting to the central HR data warehouse	User Acceptance Testing of the HR data warehouse software including business processes, information requirements and the interface between the data warehouse, IFMIS and other government systems.	February 2021	MoPSYGA
	d. Digitize the Pensions Registry and re-engineer the Pensions Management	Strategy and User Requirements in place for GIPE MIS to include a module to consolidate SCs HR data and interface with GHRIS	April 2021	GIPE



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
	Information Systems to strengthen systems and enhance data security	Strategy and user requirements in place for the digitization of the pension registry	December 2020	Pensions Department (PD)
		Re-engineering of the PMIS	June 2021	PD
5.2 Public Sector Institutions Payrolls are fully automated, have effective controls and are integrated with GHRIS and IFMIS	a. All payrolls of public sector institutions are automated and amenable to integration with GHRIS and IFMIS	Agreed strategy in place for the development of automated and integrated public service institutions' payroll systems linked to GHRIS and the IFMIS	June 2021	MoPSYGA
	b. Automated payroll systems of Public Sector Institutions integrated with GHRIS and IFMIS	Implement the strategy for automation of public service institution's payroll systems linked to GHRIS and the IFMIS	December 2021	MoPSYGA
	c. Personnel Emoluments exchequer releases made only for employees on the payroll, who are paid directly using automated systems	Digitization of teachers' and secretariat records	June 2021	TSC
5.3 Uniform norms and standards in public service management are entrenched, for effective performance and productivity of the Public Service	a. Public Service Management processes and procedures reengineered to enhance efficiency and productivity	Review institutional and legal frameworks for public service management and performance norms and standards in MDAs and county governments and develop joint work-plan and tools to address issues	December 2020	PSC
	b. Compliance with values, principles, norms and standards in the Public Service management enforced through institutional mechanisms and legislation	Undertake an assessment to determine availability of scarce and high priority skills in priority programs/sectors	June 2020	MoPSYGA
	c. An integrated performance management system for the Public Service implemented	Piloting and implementation of re-engineered priority public service management processes and procedures and an integrated performance management system in selected MDAs and counties	June 2020	MoPSYGA
		Develop and submit to Cabinet a Public Service Management Bill to provide clear institutional and legal framework for institutional reforms and enforcement of compliance with uniform norms and standards in public service management at both levels of Government	December 2020	PSC
		An HR Master Plan in place which comprehensively identifies skills, gaps and scarcities in the medium to long term, and human capital development and succession plans across the public sector.	June 2021	PSC

The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are the Cabinet, and the CS NT&P, and MoPSYGA.
- The **results team at the national level**, responsible for achieving these results, is led by the Ministry of Public Service, Youth and Gender Affairs. SRC, PSC, GIPE from the NT and TSC will be core team members.



- At the **county level**, CECM responsible for Public Service Management is responsible for delivering results.
- The **broader coalition** involved in achieving the results includes Inspectorate of State Corporations, SCAC, ASD, BD, CoG, CPSBs, CASBs, JSC, County Treasury, and County Secretary.



Results Area 6: Education institutions, health and other service facilities effectively manage public resources

The Strategy outcome from Results Area 6 is as follows:

Improved management of public resources in education, health, and other service facilities to realize value for money

The outcome will be achieved by ensuring that facilities providing critical services in education, health and water allocate, manage and report on human and financial resources using consistent and appropriate policies, tools, and systems that capture all revenues, including Appropriations in Aid.

The following issues were identified and will be addressed to achieve the outcome:

- Weak management of AIA by MDAs and county entities undermines effective and efficient service delivery.
- Facilities providing key services in education, health, and water do not adequately and transparently allocate, manage, or report on public resources.

Table 6: Results, changes required and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
6.1 MDAs, SCs and counties implement a crosscutting framework for AIA ensuring that revenues are effectively budgeted for, raised, spent and accounted for	a. Standardized framework implemented for managing revenues (AiA), transfers and donor funds) received by service delivery facilities across regions and sectors, categorized in SCOA	Develop an AIA policy framework (including automation) for MDAs and counties incorporating AIA agreements for SCs and associated guidelines developed (regarding AIA collected at the facilities)	June 2020	ASD
	b. MDAs, counties, Facilities and SCs adhere to clear guidelines on budgeting for and accounting for AIA alongside other revenues, including financial and performance information	Model county laws developed, and steps made to enable enforcement which allows earmarking service delivery units' collections as AIA to motivate them	June 2020	CRA
	c. Appropriate systems, including IT and supporting business processes, to make sure revenue collections and leakages are tackled with regards to the portion of the revenues they collect			
	d. Systematic and regular Public expenditure tracking include service delivery facilities to confirm that funds reach target recipients and deliver value for money	Methodology for strengthened expenditure tracking in place	June 2020	OCoB
6.2 Facilities at both the national and county level manage and report on resources transparently	a. Enforcement of appropriate regulations and guidelines for banking arrangements for facilities b. Provision of timely information to facilities on the resource's facilities should expect to receive and the purpose of those resources c. Simple budgeting, accounting,	Harmonized framework and guidelines for financial management, including AiAs, and quality controls of service facilities and oversight by counties, line ministries and other institutions	November 2020	ASD



Reform Result	Changes Required	Planned Key Steps	Time-frame	Lead MDA
and efficiently	payment and reporting systems and guidelines for facility management and full disclosure of resources	Simple budgeting financial management and reporting system for service facilities which links financial and non-financial information	June 2020	ASD & Public Service Accounting Standards Board (PSASB)
	d. Facility level budgets and reports, which link funding and performance, are consolidated in higher level budgets and linked to plans			
	e. Harmonized framework for the creation management and oversight of service facilities by counties, line ministries and other institutions, with regular and consistent audits.	Methodology for strengthened facility audit and value for money analysis	June 2020	Office of the Auditor General (OAG)
	f. Health workforce reports generated periodically to inform, in addition to planning and budgeting, health worker distribution, management and training.	Health workforce data collected and updated in iHRIS	June 2021	Ministry of Health – MoH (Division of HRH) jointly with the Kenya Health Human Resource Advisory Council (KHHRAC)
		Relevant health workforce data in iHRIS uploaded to the National Health Workforce Account indicators	June 2021	MoH (Division of HRH) jointly with the KHHRAC
		Health Workforce Data sharing framework developed and operationalized	June 2022	MoH (Division of HRH) jointly with the KHHRAC
		Workload Indicator of Staffing Need (WISN) conducted in county facilities and national referral facilities	June 2021	MoH (Division of HRH) jointly with the KHHRAC
		Improved interoperability of iHRIS with other data sources including GHRIS	June 2022	MoH (Division of HRH) jointly with the KHHRAC

The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are the CS/NT&P and the Principal Secretaries of the National Treasury and Sector Ministries at the National Level and Governors and CECMs of Finance and Line Departments in the counties.

The **results team at the national level**, responsible for achieving these results, is led by Intergovernmental and Fiscal Relations Department-NT. ASD, BD, PSASB, CRA, CPMMUs and Accounting, and Human Resource Management Units in selected sector ministries will be core team members.



- At the **county level**, the County Treasury and the County Department of Health is responsible for delivering results in partnership with line departments.
- The **broader coalition** involved in achieving the results includes Water Service Providers, health facilities, Directorate of Schools Audit (DSA), Kenya Health Human Resource Advisory Council (KHHRAC), education institutions, NHIF, GIPE, COG, KEMSA, ICT Authority, IBEC, County Planning Unit.



Results Area 7: Disciplined financial management and accurate reporting

The Strategy outcome from Results Area 7 is as follows:

Increased discipline in the management of revenues, expenditures, assets and liabilities, fiscal risks, and reporting by MDAs, State Corporations and Counties

The outcome will be achieved by ensuring that: MDAs, SCs, and counties provide accurate, high-quality in-year and annual financial reports through IFMIS, that they manage their assets and liabilities effectively, and there is strong oversight of the fiscal risks presented by MDAs, counties, and State Corporations, and that externally funded projects are managed effectively using government systems, including IFMIS or provide information to those systems.

The following issues will be addressed to achieve the outcome: -

- Financial statements are of mixed quality, inconsistent with the IFMIS data as reconciliations are not fully carried out in the system.
- Lack of compliance with controls in the system undermines the quality of reporting.
- Asset and liabilities management policies and procedures are not fully developed, integrated, and operationalized. As a result, physical assets maintained by MDAs and Counties are not fully captured in the asset register, posing a risk of misappropriation of assets through inappropriate use, poor value for money at acquisition and disposal, thus undermining the delivery of services
- Inadequate monitoring of fiscal risk, including pending bills, contingent liabilities, and large or multi-year commitments
- Externally funded projects typically have one-line budget allocations not using the SCOA in full, are managed outside IFMIS, and FSs are also not prepared through IFMIS



Table 7: Shows results, changes required and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Step	Time-frame	Lead MDA
7.1 MDAs and county annual and quarterly financial statements are consistent with and submitted from IFMIS and have been submitted to the OAG in compliance with the law	a. Fully reconciled final financial statements generated from IFMIS	IFMIS has finalized automated agreed IPSAS compliant MDAs and County financial reporting templates to enable timely financial reporting	June 2019	ASD
	b. IFMIS provides automated, IPSAS Compliant MDAs and County financial reporting templates to enable timely financial reporting with both disaggregated and consolidated financial requirements enabled	Minimum compliance standards for quality and standards for MDAs and counties for the provision of quarterly and annual financial statements	June 2019	ASD
	c. Design Develop and Implement Electronic Working Papers, Government Financial Statistics Management Framework and in Financial Reporting	Government Financial Statistics Management Framework and Electronic Working Papers in Financial Reporting in place	June 2021	ASD
	d. Enforcement of compliance by oversight structures			
7.2 MDAs and counties maintain complete and up-to-date registers of asset and liabilities, have plans for asset management linked to the budget, with the transfers of defunct Local Authorities and devolved National assets and liabilities to counties completed	a. National and County Assets and liabilities are managed within an agreed policy framework	Policy, framework and guidelines for asset and liability management adopted	June 2020	National Assets & Liabilities Management Department (NALM)
	b. Functional systems for asset management used by MDAs, SCs and Counties	Asset management module of IFMIS and complementary systems upgraded based on assessment of asset management processes with capabilities to cover MDAs, counties and SCs	December 2020	IFMIS
	c. Assets and liabilities transfer exercise between the National MDAs and the defunct Local Authorities to counties completed.	Transfer of assets and liabilities to counties completed	June 2020	Intergovernmental Relations Technical Committee (IGRTC)
		Legal framework for asset and liabilities management and regulations are drafted, approved and adopted	December 2020	NALM
7.3 Adequate monitoring of fiscal risks including pending bills, contingent liabilities and large or multi-year commitments	a. Framework for monitoring of the stock of debt and contingent liabilities at national and county level	Framework for monitoring of the stock of debt, fiscal commitments and contingent liabilities in place and user requirements for systems for reporting and monitoring of large/multi-year commitments, debt, pending bills and contingent liabilities	June 2020	ASD, DPS&RM
	b. Systems for reporting and monitoring of large/multi-year commitments, and pending bills in place and available for use by MDAs and counties			
	c. State Corporations include debt and			



Reform Result	Changes Required	Planned Key Step	Time-frame	Lead MDA
	contingent liabilities in their financial reports	Systems for reporting and monitoring of large/multi-year commitments, debt, pending bills and contingent liabilities in place for MDAs, counties and State Corporations	December 2020	IFMIS
7.4 Externally funded projects that are managed effectively using the SCOA and prepare financial statements through the IFMIS	a. Prepare project financial statements from IFMIS conforming to SCOA b. Donor project funding is managed directly through IFMIS or project data is uploaded using Templates. c. Donors provide adequate and timely information at the time of budgeting and projects report on expenditures in line with the required template on time	Upgraded provisions and functionality for managing projects on IFMIS, which includes a) revised SCOA provides for breakdown of project budgets by economic item by source of funds; b) functionality for directly managing externally funded projects on IFMIS and c) templates for project budgeting and financial reporting prepared for uploading project data into IFMIS where projects do not use the system; and d) relevant guidance in place	August 202	ASD

The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are the CS/NT&P and the Principal Secretaries of the National Treasury and Sector Ministries at the National Level and Governors and CECMs of Finance in the counties.
- The **results team at the national level**, responsible for achievement of these results is led by the Accounting Services Department. NALMD, ASD, IGFRD, IFMIS Department, the DPS&RM, and PSASB will be core team members.
- At the **county level**, the County Treasury is responsible for delivering results in partnership with line departments.
- The **broader coalition** involved in achieving the results includes IGRTC, IGFRD, OCoB, IBEC, DPs, OAG, RMD, CRA, ICT Authority, PIM, CECM Finance, PSAB, CoG, ICPAK, KRA, IBEC.



Results Area 8: Accountability delivered through audit, oversight and follow up

The Strategy outcome from Results Area 8 is as follows:

Improved accountability delivered through timely and high quality internal and external audit, oversight and follow up.

The Strategy aims to deliver a consistently strong external and internal audit process where audit findings are presented, scrutinized by independent stakeholders, and consistently followed upon. Combined, this will strengthen fiduciary assurance and contribute towards value for money in service delivery and public investments.

The following issues will be addressed to achieve the outcome:

- Lack of regular and timely internal audit reports by MDAs and counties in line with the established procedures for assurance, risk management, and audit follow up.
- Delays and quality of external audits affecting timeliness in decision making and service delivery. Insufficient public participation and collaboration between internal and external audit affect the timeliness and effectiveness of decision making.
- There is an insufficient follow-up on issues raised from OAG, OCoB, and Internal Audit Department, which means issues for audits and monitoring activities are not resolved.

Table 8: Results, changes required and planned key steps that contribute to this outcome

Reform Result	Changes Required	Planned Key Step	Time-frame	Lead MDA
8.1 Internal Audit reports prepared by MDAs and counties, have undergone quality assurance by IAD, in line with established procedures for assurance, risk management and audit follow up	a. Institutional Risk Management and internal control Frameworks in place in MDAs including SCs and counties to support internal audit b. Management provided by internal auditors with an independent and objective assessment of the reliability of ex-ante controls c. Internal audit capability model adopted at both levels of government d. Internal audit activities are compliant with International Professional Practices Framework e. Professional internal auditors in place in MDAs, SCs and counties to undertake specialized audits f. All MDAs, SCs and counties have access to and use automated audit tools and an audit management system to manage internal audits	Complete set of updated audit manuals and tools, QA framework, training curricula and plans to provide on the job support to MDAs, counties and SCs for internal audit are in place. This includes templates for Internal Risk Management Framework and Risk Registers and the Internal Control Framework in line with the PFM Act 2012 and PFM Regulations 2015	July 2020	Internal Audit Department (IAD)
		Audit management software, which includes new QA framework, has been deployed and is operational in all counties, SCs and MDAs and internal audit capacity built	July 2020	IAD



Reform Result	Changes Required	Planned Key Step	Time-frame	Lead MDA
8.2 The Auditor-General shall report to parliament within six months after the end of each financial year and provide high-quality audit reports that are accessible to the public and have been prepared in accordance with International Auditing Standards	a. Improved Audit Methodology for MDAs, SCs and counties in place consistent with international audit standards	Enhanced external audit methodology and quality assurance framework and associated tools (Risk Assessment policies and procedures, Compliance and Financial Audit Manuals, Quality Assurance and Quality Controls Manuals) and plan for their implementation approved	Continuous	OAG
	b. OAG audits financial statements that have been generated from Financial Management Information System (FMIS) and approved by an Audit Committee			
	c. Audit analysis tools in place which auditors use to interrogate FMIS and manage audit activities			
	d. Enhanced collaboration between internal auditors and OAG to make use of IAG reports and focus resources on areas of risk	Agreed framework for collaboration between internal auditors and OAG to make use of IAG reports and focus resources on areas of risk, including outsourcing	June 2020	OAG
	e. Engagement of stakeholders for implementation of Sustainable Development Goals	Development of tools to monitor the implementation of the SDGs across the sectors.	June 2020	OAG
8.3 Timely scrutiny follow up and resolution of issues raised in internal audit, OCoB and external audit reports	a. Audit committees established, have capacity, follow up on all issues raised at MDAs, SCs and counties and their performance monitored and evaluated	Audit Committees and PFM Standing Committees have been established by at least 75% of MDAs and Counties and SCs and have been inducted	June 2021	IAD
	b. Timely and effective review of external audit recommendations by the PAC and county assemblies	Tools developed for the PAC and county assemblies to enable them to review audit reports and recommend follow up	June 2020	OAG
	c. Establish a framework for engaging the public in the audit process and in the follow up of the audit recommendations	Strengthened mechanism for engaging stakeholders and public and identifying and tracking national and county audit follow up actions from internal and external audit developed and requirements for automating the framework developed	June 2021	OAG
	d. A system in place which captures and tracks OCoB reports, internal and external audit recommendations and follow up actions			
	e. Full implementation of audits and OCoB recommendations, with follow up actions published and disseminated alongside financial reports and OAG audit reports	Automated system for tracking audit follow-up actions operational	June 2020	OAG



The following stakeholders are responsible for enabling and delivering results:

- Key **authorisers** for the reform are the CS/NT&P and the PS/NT, the Auditor General, the Controller of Budget and the Governors and CECMs of Finance in the counties.
- The **results team at the national level**, responsible for the achievement of these results is led by Office of the Auditor General. IAD, ASD, IFMIS OCoB, TSC, KRA and PSASB will be core team members.
- At the **county level**, the County Treasury is responsible for delivering results in partnership with line departments.
- The **broader coalition** involved in achieving the results includes ICT Authority, CECMs, CoG, the PAC, the PIC, County Assemblies, MDA, County Internal Audit Committees, IFMIS, GIPE, CECMs Counties, CoG, Private Audit firms, civil society.

Coordination, Monitoring and Evaluation

PFMR aims to strengthen Public Finance Management Systems to enhance transparency, accountability, and responsiveness to policy priorities. PFMR is responsible for coordination, monitoring and evaluating the reform results outlined above. Some of the key activities are necessary to ensure effective coordination and comprehensive M&E of the Strategy and are outlined in Table 9.

Table 9: Planned key steps that contribute to this outcome

	Planned Key Step	Time Frame	Responsibility
Coordination	Completion of the Operational Manual to ensure it adequately addresses the ongoing coordination of the strategy	June 2019	PFMR
	Alignment of PFMR Secretariat staffing to the new strategy, including assignment of lead staff to work with result teams and to work with implementing MDAs	June 2019	PFMR
	Monitoring and Evaluation capacity building for PFMR	Continuous	PFMR
	New implementing agencies co-opted into the PFMR SWG, SC, and JTC.	June 2019	PFMR
Monitoring and Evaluation	Development of an assessment framework for national and county PFM performance that is aligned to the PFM Strategy	June 2020	PFMR
	Development of PFMR M&E capacity-building framework	June 2020	PFMR
	Establishment of a facility for providing support to MDAs and Counties aligned to the assessment findings	June 2020	PFMR



CHAPTER FOUR

PFMR THEMES AND IMPLEMENTING NATIONAL AND COUNTY MDAs

The MDAs and counties engaged in PFM Reform are grouped into the following six (6) thematic areas:

- **Aggregate Fiscal Management, Public Investment, Planning and Budgeting:** This includes institutions that focus on economic management to ensure accelerated and sustained economic growth through the pursuit of prudent economic, fiscal and monetary policies; institutions responsible for enhancing building capacity for reporting at the National Treasury, and within MDAs and Counties; inclusion of off-budget resources in budget documents and implementation of Public Investment Management Information System (PIMIS); and budget execution. Budget execution refers to the process during which public institutions (MDAs and Counties) implement their activities and programmes for which Parliament or County Assemblies have made budget appropriations. It also covers monitoring, budget adjustments (reallocations/supplementary adjustments), and in-year reporting.
- **Financial Management and Procurement:** Institutions tasked with the responsibility of upholding integrity and enhancing public trust in government institutions and are held accountable for their actions and decisions in managing public resources and procurement processes.
- **External Audit and Oversight:** Institutions involved in oversight, including review of operations. Parliamentary bodies involved in PFM, including the Parliamentary Budget Office, Public Accounts Committee, and Public Investments Committee, and County Assemblies that provide essential oversight throughout the PFM cycle.
- **Revenue Mobilization and Inter-Governmental Fiscal Relations:** Institutions responsible for enhancing public participation in resource allocation during budget formulation and intergovernmental fiscal relations and are responsible for creating an enabling environment for financing devolved service delivery.
- **Human Resource Management and Payroll:** Human resource management is one of the largest public expenditure areas, whose management is essential for delivering value for money in public service delivery. Institutions involved in managing payrolls and human resources are included in this theme.
- **PFM Coordination Strengthening in MDAs and Counties:** PFMR Secretariat plays a critical role in coordinating the implementation and monitoring of the PFM Strategy. With IFMIS now re-engineered for devolution, this theme is now focussed on interfacing and the integration of PFM systems for the delivery of Strategy results.



The Strategy themes differ from Result Areas in that Results Teams draw MDAs membership from across the themes to prepare and monitor strategy and address the PFM challenges in a cross-MDAs framework. The table below sets out the thematic grouping of MDAs and demonstrates their engagement in each Result Area:

Table 10: National MDAs participation in Results Areas by Theme

Theme and MDAs	RESULT AREAS							
	RA1	RA2	RA3	RA4	RA5	RA6	RA7	RA8
	Sustainable Fiscal Space	Budgeting	Reliable funding	Procurement	Consolidation of HR data	Service Delivery	FM and reporting	Audit Oversight
Aggregate Fiscal Management, Public Investment, Planning and Budgeting								
Macro & Fiscal Affairs Department	✓	✓	✓					
Debt Policy, Strategy & Risk Management Department	✓	✓	✓				✓	
Resource Mobilization Department	✓	✓	✓				✓	
Central Bank of Kenya	✓		✓		✓			✓
Budget Department	✓	✓	✓	✓	✓	✓	✓	
Controller of Budget	✓	✓	✓	✓		✓	✓	✓
State Department of Planning	✓	✓	✓			✓		
PIM Unit		✓		✓		✓		
Public Private Partnership Unit		✓				✓		
Government Investment & Public Enterprises Department	✓	✓				✓	✓	
National Assets & Liabilities Management Department	✓						✓	
Financial Management and Procurement								
Accounting Services Department			✓	✓		✓	✓	✓
Internal Audit Department								✓
IFMIS Department		✓	✓	✓	✓	✓	✓	
Public Sector Accounting Standards Board						✓	✓	✓
Public Procurement Department			✓	✓	✓	✓	✓	✓
Public Procurement Regulatory Authority				✓				
Kenya Institute of Supplies Management				✓				
Government Digital Payments	✓		✓			✓		
External Audit and Oversight								
Office of the Auditor General							✓	✓
Parliamentary Budget Office	✓	✓						
Public Accounts Committee		✓			✓			✓
Public Investments Committee		✓			✓	✓		✓



Theme and MDAs	RESULT AREAS							
	RA1	RA2	RA3	RA4	RA5	RA6	RA7	RA8
	Sustainable Fiscal Space	Budgeting	Reliable funding	Procurement	Consolidation of HR data	Service Delivery	FM and reporting	Audit Oversight
National Parliament	✓	✓						✓
Revenue Mobilization and Inter Governmental Fiscal Relations								
Kenya Revenue Authority (KRA)	✓		✓					
Inter-Governmental Fiscal Relations Department	✓	✓	✓			✓		
Commission on Revenue Allocation	✓	✓						
Council of Governors	✓	✓	✓	✓	✓	✓	✓	✓
Human Resource Management and Payroll								
Ministry of Public Service, Youth & Gender Affairs	✓				✓			
Public Service Commission	✓				✓			
Salaries and Remuneration Commission	✓				✓	✓		
Teachers Service Commission	✓				✓	✓	✓	✓
Ministry of Public Service, Youth & Gender Affairs – Performance Contracting	✓				✓			
Pensions Department	✓				✓			
PFM Coordination in MDAs and Counties								
PFMR Secretariat	✓	✓	✓	✓	✓	✓	✓	✓
Support to Counties	✓	✓	✓	✓	✓	✓	✓	✓
IBEC Nominated Counties	✓	✓	✓	✓	✓	✓	✓	✓
Intergovernmental Relations Technical Committee	✓	✓	✓	✓	✓	✓	✓	✓
Line Ministries, Departments and Agencies	✓	✓	✓	✓	✓	✓	✓	✓



Table 11: County MDAs Participation in Results Areas

Theme and County MDAs	RESULTS AREAS							
	RA1	RA2	RA3	RA4	RA5	RA6	RA7	RA8
	Sustainable Fiscal Space	Budgeting	Reliable funding	Procurement	Consolidation of HIR data	Service Delivery	FM and reporting	Audit Oversight
Aggregate Fiscal Management, Public Investment, Planning and Budgeting								
Budget Department	✓	✓						
Macro & Fiscal Planning						✓		
Financial Management and Procurement								
Accounting Services Department		✓					✓	
Internal Audit Department		✓						✓
IFMIS Department	✓	✓	✓	✓	✓	✓	✓	✓
Public Procurement Department								
External Audit and Oversight								
County Assembly	✓				✓			✓
Office of the Governor	✓				✓			✓
Revenue Mobilization and Inter Governmental Fiscal Relations								
Kenya Revenue Authority (KRA)	✓	✓						
County Revenue Boards	✓	✓						
Human Resource Management and Payroll								
Public Service Administration and Legal Affairs	✓				✓			
County Public Service Board	✓				✓			
PFM Coordination in MDAs and Counties								
Semi-Autonomous Government Agencies	✓	✓		✓		✓	✓	
Line Department	✓	✓	✓	✓	✓	✓	✓	✓
Service Facilities						✓		
Legal and Institutional Frameworks								
County Assembly	✓				✓			✓



CHAPTER FIVE

CORE PRINCIPLES AND CROSSCUTTING APPROACHES IN DELIVERING RESULTS

To ensure that the achievement of results has the maximum impact and that the results are built on a solid foundation representing positive institutional change, several crosscutting issues must be addressed systematically, and core principles adhered to during implementation.

Core Principles: Participation, Transparency, Integrity, and Responsiveness

There are four core principles that are enshrined in the legal framework which will underpin the delivery of PFM results and the associated PFM policies, processes, and systems to be developed:

- **Participation:** A fundamental principle drawing from the Constitution and PFMA is that PFM processes should involve meaningful, appropriate, and cost-effective involvement of stakeholders in policymaking, resource allocation decisions, and accountability at both the national and county level. The stakeholders include politicians, public officers, civil society, and the citizens, as well as, balanced representation in terms of gender, minorities, and marginalized groups.
- **Responsiveness:** Policymaking, planning, and PFM processes and systems must be flexible and responsive. They should involve feedback loops that enable corrections, whether in budget preparation and execution, based on stakeholders' experience of implementation. They must be responsive to changes in policy commitments and issues relating to gender, environment, age, social issues, and the concerns of the minority or marginalized groups.
- **Integrity:** Misuse of funds is a key constraint underlying the management of public resources for service delivery. The achievement of genuine PFM results relies on the integrity of those directly involved in managing human and financial resources and those involved in holding MDAs and Counties to account for service delivery. Therefore, the strategy will support the strengthening of systems in a way that promotes compliance and enforcement. It will bring together governance institutions to support compliance, service delivery and ensure there are consequences for failures in compliance, performance, and integrity. Collaboration with governance institutions in reviewing progress against results will improve coordination and coherence of systems, compliance, and enforcement across government.



- **Transparency:** A key enabler for promoting effective participation, integrity, and responsiveness is providing information in timely, accessible, and appropriate ways that ensure citizens are informed, provide feedback, and follow up to inform decision-making and accountability in the allocation and use of resources. Transparency, both within the public sector and from the public sector to other stakeholders, is a core principle that cuts across Results Areas.

Taking a Flexible, Problem Solving Approach to Achieving PFM Reform Results

The basis of the Strategy is the identification of challenges in the management of public resources that impact macroeconomic performance and service delivery and the formulation of key results which, when achieved, will resolve the challenges.

It is important that the approach to the achievement of results is flexible and based on solving challenges as identified by the results teams. Implementation of key activities may not always resolve the challenges as envisioned and may require adjustment to ensure institutions are motivated to follow through on the implementation of the reforms. The Strategy, therefore, employs a flexible approach to implementation and deliberately only sets out a set of key results and changes required and a framework for leadership and implementation. It does not prescribe detailed activities required to achieve results, which will depend on the evolving circumstances.

Results Teams have identified the changes required and the critical steps for each results area, the lead MDA, other implementing MDAs, and counties. The results teams are responsible for regular engagement and review of activities through the PFM Reform Matrix to tailor the actions required regularly, as elaborated in the next chapter. Members of the results teams, MDAs, and counties will be responsible for developing and implementing appropriate activities that will be reflected in the action plans, as well as ensuring that there is capacity within their institutions to undertake the reforms and comply with the requirements of new processes and systems. The leadership of results teams and support to enable regular engagement will be key to success.

The activities implemented by MDAs and counties will include developing policies, processes, and systems for PFMRS Results. These may involve diagnostic studies and reviews, the actual development of improved policies, laws, processes, and systems; the development or upgrading of IT systems and tools to deliver results; and/or other actions focused on the development of reforms. These activities will be clearly linked to the Results areas in the annual departmental work plans. These will ensure that implementing MDAs and counties plan for and report on activities linked directly to and contribute to the achievement of PFMR Strategy results.



A key focus of the Strategy is the implementation of improved processes and systems by MDAs and Counties targeted towards PFM results. Achieving these will primarily involve:

- ***Dissemination of new and upgraded processes and systems:*** Led by the responsible MDA for those processes and systems but coordinated by PFMR Secretariat. This may be done through individual exercises, for example, when new procurement regulations are issued. Or as part of a regular process, for example, regular annual workshops to disseminate annual budget guidelines at the start of the budget. It may also include tooling up of MDAs and Counties, where appropriate/necessary. These will ensure that MDAs, Counties, and other relevant stakeholders are aware of relevant reforms and their responsibilities.
- ***On the job training to MDAs and Counties to support them to achieve PFM results:*** This will be provided to staff on the job as part of the roll-out of new systems and processes. This will ensure that MDAs and Counties' staff can implement the improved processes and systems on the ground.

Core IT systems development, interfacing, and implementation

The automation of core systems and processes is a common theme that cuts across the Results Areas. The achievement of results relies on a few core PFM and HRM systems and requires an enterprise approach where possible to ensure efficiency, effective coordination and governance of the systems. This does not necessarily mean a single integrated system, but rather integration and automation of key processes between systems where necessary to enhance and make them more efficient and effective. To maximize the impact of these systems and ensure they are fit for purpose for achieving PFM results, the implementation of this strategy will involve:

- ***Understanding the role which each system plays in the achievement of the results:*** For example, the auto-reconciliation function on IFMIS helps in the generation of annual financial statements. E-procurement can help enforce compliance with new procurement laws and regulations and ensure transparency. i-Tax is crucial to ensuring compliance of taxpayers and the administration of tax collection. Maximizing this potential may involve adjustments to those systems required to address specific challenges that impact delivery.
- ***Ensuring systems are mutually reinforcing:*** The importance of systems integration and interfacing with each other, where appropriate, will be crucial. At the heart of this is structuring information in a way which is aligned with the SCOA and using common data standards and structures across systems. For example, the linkage between the PIMIS, the IFMIS, and e-Procurement will ensure that project expenditure and procurement data are up to date and available.



In addition, when vital, core business processes should be linked. For example, procurement plans in the e-Procurement system should drive cash plans in the cash management system so that cash should not be requested before procurement processes are planned to be complete. Integration between i-Tax, GHRIS, and an integrated payroll system would help ensure full and prompt payment and PAYE recording. Overall system security is essential to avoid any loss of data.

- ***Institutional governance arrangements to manage the implementation and further develop and adapt the system going forward:*** This involves aligning these institutional and governance arrangements with those responsible for the processes which the systems automate. For example, the management arrangements for the upgraded e- procurement system should be linked to PPD and PPRA. Maintenance of system security is a key element in governance arrangements. Other areas for coordination include the varied systems, financial years, and use of accrual vs cash accounting in SAGAs.
- ***System users having the ability and incentive to comply with systems:*** In implementing systems, users' capability and incentives will be considered, and strategies to ensure compliance developed. For example, vendors located in counties from minority groups must have the ability and incentive to register on the e-Procurement system. Coordination of assistance on systems through help desks is required to simplify support for users.

Results related to systems development and implementation will only be considered achieved if a) the system addresses underlying core challenges, b) that the systems interface with other systems (including IFMIS) where necessary to meet objectives for improved functionality, c) institutional governance arrangements are in place to manage the system and d) MDAs implement systems in a compliant manner.



Table 12: Results Areas to which PFM systems contribute

No.	System	Lead Department	RESULTS AREAS							
			RA1	RA2	RA3	RA4	RA5	RA6	RA7	RA8
			Sustainable Fiscal Space	Budgeting	Reliable funding	Procurement	Consolidation of HR data	Service Delivery	FM and reporting	Audit Oversight
Aggregate Fiscal Management, Public Investment, Planning and Budgeting										
1	Debt Management System	PDMO	✓	✓						
2	Agency & State Corporation Performance Budgeting and Reporting System	GIPE	✓	✓			✓	✓	✓	
3	Internet Banking (IB)	CBK			✓				✓	
4	IFMIS-Budget Module	Budget		✓	✓				✓	
5	IFMIS-Analytical Repository	Budget		✓						
6	Budget Portal	Budget		✓					✓	
7	PIMIS	PIM/RMD	✓	✓		✓			✓	
Financial Management and Procurement										
8	Electronic Working Papers	ASD							✓	✓
9	Internal Audit Management System	IAD								✓
10	Audit follow up tracking system	IAD								✓
11	IFMIS-Cash Management Module	IFMIS			✓	✓			✓	
12	IFMIS-Commitment, Pending Bills Monitoring	IFMIS		✓	✓	✓			✓	
13	IFMIS-Accounting & Reporting Module	IFMIS		✓	✓	✓	✓		✓	
14	IFMIS-Asset Management Module	IFMIS		✓					✓	
15	IFMIS Treasury Single Account System	IFMIS			✓				✓	
16	IFMIS - Project Management	IFMIS		✓					✓	
17	e-Procurement	PPD		✓	✓	✓			✓	
18	Public Procurement Portal	PPRA				✓				
19	Public Procurement Compliance Monitoring Tool	PPRA				✓				
20	e-Citizen	Government Digital Payments	✓					✓		
21	Credential Management System	CRA	✓	✓	✓	✓	✓	✓	✓	✓



No.	System	Lead Department	RESULTS AREAS							
			RA1	RA2	RA3	RA4	RA5	RA6	RA7	RA8
			Sustainable Fiscal Space	Budgeting	Reliable funding	Procurement	Consolidation of HR data	Service Delivery	FM and reporting	Audit Oversight
External Audit and Oversight										
22	External Audit Management System	OAG								✓
Revenue Mobilization and Inter Governmental Fiscal Relations										
23	i-Tax/CMS/Enhanced Payment Gateway	KRA	✓		✓					
24	The Integrated Devolution Data Portal (TIDDP)	CRA		✓	✓					
25	Integrated County Revenue Management System (ICRMS)	CRA	✓		✓			✓	✓	
Human Resource Management and Payroll										
26	GHRIS	MoPSYGA	✓	✓			✓			
27	IPPD	MoPSYGA					✓			
28	Integrated Payroll Systems	MoPSYGA					✓	✓	✓	
29	Performance Management System	PSC					✓			
30	Remuneration Analysis system	SRC	✓				✓	✓		
31	HRMIS-TSC	TSC					✓			
32	Pensions Management Information System	Pension	✓				✓		✓	
33	iHRIS	MoH					✓	✓		
PFM Coordination in MDAs and Counties										
34	Service Institutions/Facility FM Systems	Line Ministries		✓				✓	✓	
35	Sector Management Information Systems (e.g. (NEMIS)	Line Ministries		✓				✓		

- Strategy work-plans will distinguish between new IT systems development focused on strategy results (e.g. development of the new e-procurement system), and the maintenance and upgrading of existing underlying systems (e.g. IFMIS, i-Tax).



Capacity Building and Institutional Development for MDAs and Counties

Structured capacity building for MDAs and Counties will enable the delivery of PFM results for improved service delivery. The Strategy results deliberately do not identify actions relating to capacity building in the achievement of results. However, MDAs work plans to deliver those results will consider capacity gaps and include structured capacity building. This will be consolidated and harmonized into a reform-related capacity building plan by the PFMR Secretariat. There will be two types of capacity building support to MDAs and Counties: Institutional development and staff capacity building.

Fundamental to the capacity building associated with reform, it is important that there is focused core institutional development in MDAs and Counties and core PFM and HR institutions:

- **Tailored support to MDAs and Counties based on their specific institutional performance:** Counties and national level MDAs will be assessed in terms of their core PFM performance, including the achievement of results specified in the Strategy. Assessment will be developed by PFMR Secretariat drawing from existing assessment tools but tailored to address the capacities required for implementing the reform results directly. While the Secretariat will coordinate the assessment, MDAs and Counties will identify the gaps within their institutions. PFMR Secretariat, Development Partners, and implementing MDAs and Counties may contribute to activities to address capacity gaps. Based on the assessment, PFM institutions may design direct support to MDAs and Counties with poor performance. This will involve a combination of training, peer learning, twinning, on the job support, and re-tooling. This will ensure that different institutions have the means and capacity to manage human and financial resources effectively.



- **Specialist Development of core PFMR and HR institutions:** Institutions with specialist HRM and PFM roles may need to develop their capacity. To do so, they may require technical assistance and or study tours to learn from others and develop specialized skills. This will ensure that core specialist institutions have the skills required to fulfil their PFM and HR mandates.

MDAs and Counties may require some support to enable individuals within their institutions to establish the necessary skills to deliver on the reforms identified in the Strategy. To address this, two areas of staff capacity building are considered:

- **MDA and County Capacity Building for Reform Results:** Counties and MDAs will be trained on PFM processes and systems which are required for the delivery of reform results. This will ensure that all staff involved with PFMR and HRM have a basic understanding of the processes and systems needed to deliver the reforms.
- **Professional Qualifications:** Staff in certain cadres require professional qualifications (e.g. accountants, procurement staff) in line with established policies, and this is important for the achievement of reform results. Some areas of PFM have specialized institutions to provide these qualifications, while others have or are developing courses with universities and training institutes. This will ensure that government has the required professional capacity in key positions.
- **Specialist core skills development for staff in core PFMR and HR institutions:** In addition, public officers in core PFM and HRM institutions may require specialized training in certain areas, which may be provided locally or internationally. This will ensure that government has the required skills in key areas.

The Strategy will, therefore, put in place mechanisms to ensure a) the staff contributing to Reform Results receive the right type of training at specified intervals and have the right qualifications to deliver on the reforms; b) that new processes and systems are accessible and c) that training is appropriately coordinated and scheduled through a training calendar.

The PFMR Secretariat will be responsible for: a) design and implementation of a national and county PFM assessment to improve understanding of capacity gaps and tailor support; b) financing for MDAs and counties requiring support for institutional development and capacity development activities to deliver on the reform results.



CHAPTER SIX

INSTITUTIONAL FRAMEWORK, COORDINATION & M&E

This section sets out the institutional arrangements for the achievement of results, coordination, and M&E.

Institutional Roles in Management of Results Teams

Each result area involves a complementary set of PFM results focused on addressing a core PFM challenge. Achievement of the results requires coordinated actions from more than one MDA. Results Teams, organized around Result Areas, comprising MDAs and counties, will be responsible for implementing and achieving specific results.

The main tasks of the results teams include developing a collective understanding of the challenges, identifying the changes required to deliver success and MDAs responsible, coordinating the collective implementation of the activities, and prepare progress reports.

Results teams will include, but not be limited to, a core membership of technical officers from implementing MDAs, and a member of the PFMR Secretariat. In addition, representatives of service delivery MDAs, technical advisors, and Development Partners may be included. Where necessary, county representation will be included and coordinated through the CoG Secretariat. The Results teams will have a lead MDA that will be responsible for the delivery of results. Results Team members will be appointed by the Accounting Officer of the respective implementing MDAs. Results teams may form a working sub-committee to deliver specific results.

Lead Ministries, Departments, and Agencies

The achievement of specific Strategy results will require coordination by different implementing MDAs. The MDAs will carry out the activities that will ensure the delivery of PFM results. The MDAs are responsible for a) ensuring activities important for delivering results are reflected in departmental work plans b) resources are allocated to the activities, c) implementing the activities, and d) reporting on the achievement of activities to the results teams. Each results area will involve a lead implementing MDA responsible for delivering the results, reporting on the achievement, and supporting evidence that the results have been achieved.



Beyond the achievement of the Strategy results which are focused on a limited number of challenges, implementing MDAs are custodians of the functioning of the entire PFM system. Implementing MDAs have important responsibilities in:

- Capacity building in their areas that include: a) development and updating of the core curriculum b) dissemination and support to any changes in policies and systems, and c) routine capacity building
- Implementing other policy, process, and system strengthening activities is not directly related to the Strategy results, but important for enhancing the underlying PFM system.
- Preparing, implementing, and reporting on annual PFMR work plans, which include a) activities to deliver the Strategy results b) other PFM reform activities not directly related to Strategy results, and c) capacity building activities.

Reform Authorisers

They comprise of technical leadership and senior management of the institutions comprising of the implementing MDAs and Counties which provide the oversight of reforms and ensure that they are being implemented as intended. If the Reform Authorisers are to play this role effectively, it is necessary that during implementation they are involved in reviewing:

- the Key PFM results commitments under the Strategy,
- the progress in achieving the results, and
- issues in implementation which require their attention and action.

MDAs, Counties, Legislature and Broader Coalitions

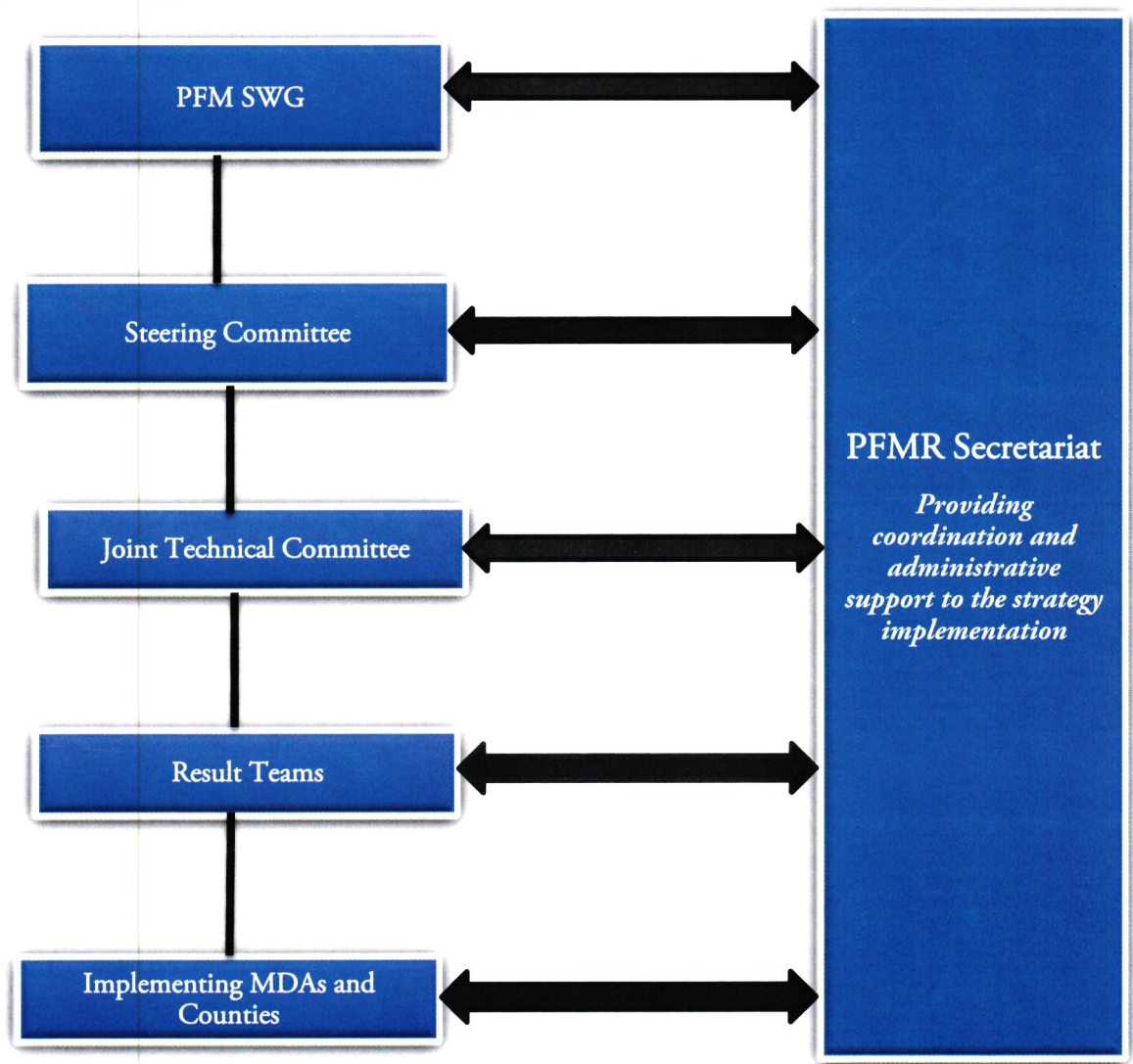
MDAs and Counties either contribute to the achievement of PFM results through implementing strengthened PFM systems (e.g., implementing the e-procurement system) or are beneficiaries of PFM results achieved by other institutions (e.g. increased domestic revenues and more reliable cash). The Strategy results are focused on MDAs and counties that are responsible for the delivery of public investments and services, and associated expenditures related to investment and service delivery. Other stakeholders are also important in achieving some results, for example, the Parliament and County Assemblies, the private sector, and civil society groups.



Coordination Across Results Teams and Implementing MDAs and Counties

The Strategy implementation will be undertaken by MDAs and counties, with reform activities agreed and progress discussed in Results Teams comprised of MDAs. The implementing MDAs are coordinated by the Secretariat and report through the JTC, SC, and the PFM Sector Working Group. This structure includes stakeholders at both national and county government levels and Development Partners with the Secretariat as the coordinating unit (Figure 1).

Figure 1: Organizational Structure



The PFM Joint Technical Committee (JTC)

The PFMR Joint Technical Committee provides technical guidance to strategy implementation and facilitates cooperation and collaboration among the various implementing MDAs.

- **Functions:** Coordination of results teams, and consolidation of quarterly Results Area PFM Reform Matrices, consolidation and review of annual Strategy work plans, resource allocation to achieve Strategy results before submitting for approval to the Steering Committee and consolidation of annual Strategy reports; agreement of technical actions to address implementation issues.
- **Meetings:** The JTC will meet at least twice a year, aligned to the second and fourth quarters of the Results Teams reporting, and the meetings will be chaired by the PFMR Secretariat Coordinator.
- **Composition:** Comprises of members of the results teams; Development Partners; and members of the PFMR Secretariat. The secretariat of the JTC shall be the PFMR Secretariat.

The JTC may form subcommittees to handle specific crosscutting and coordination issues with relevant technical staff rather than the full JTC. For example, a systems technical sub-committee would deal with the integration of systems, and a capacity-building technical sub-committee would deal with coordinating capacity building activities.



The PFM Steering Committee (SC)

The PFM Steering Committee is the key authorizing and decision-making organ for the Strategy in charge of the strategic direction and the provision of oversight and guidance on the delivery of the results.

- **Functions:** Providing the authorizing environment for achieving reform implementation and functional change; ensuring cooperation across implementing MDAs; reviewing progress on achievement of strategy results and follow up actions using the reforms matrix; reviewing and approving consolidated annual strategy work plans and progress reports.
- **Meetings:** The committee will meet at least twice a year. The decisions made by the Steering Committee shall be final and will be implemented by the relevant PFM stakeholders and the PFM Secretariat.
- **Composition:** The PFM Steering Committee is chaired by the PS National Treasury and comprises of: PSs responsible for Devolution, Planning, Public Service; Heads of implementing departments, NT; CEOs of PSC, KRA SRC, CRA, CoG, ICTA, TSC; Auditor General; CoB; the PFM Development Partners Group (PFM DPG), the PFMR Secretariat and any other relevant MDAs on invitation.

PFM Sector Working Group

The PFM Sector Working Group is a forum for dialogue that meets at least once a year to discuss PFM reforms policy issues.

- **Functions :** Providing the engagement with the Government leadership and reform authorizers for achieving reform results; reviewing progress on achievement of strategy results and providing guidance and validation on follow up actions developed by the Steering Committee; policy dialogue, broad consultation, information sharing and coordination among key stakeholders in line with the Kenya External Resources Policy (KERP); alignment of development partners' activities with government PFM priorities including consideration of the Partners' strategies; promotion of mutual accountability in management of PFM policies; promotion of consensus-building on funding practices to ensure transparency and predictability of external assistance; facilitation of resource mobilization towards sector programmes and projects; promotion of harmonization and simplification of external assistance implementation procedures including procurement, accounting and financial reporting in line with KERP promotion and support of the use of country PFM systems in implementation of donor-funded projects and programmes.



- **Meetings:** The PFM SWG will meet once a year. The decisions to be made by the Sector committee shall be final and will be communicated through the Steering Committee to be implemented by the relevant PFM stakeholders and the PFM Secretariat.
- **Composition:** The PFM SWG is chaired by the CS National Treasury & Planning and comprises of the CSs from implementing MDAS and members of the Steering Committee.

Complementary Coordinating Forums

Individual institutions will be responsible for ensuring the coordination of reforms across MDAs within their organizations through senior management meetings and other relevant forums.

The PFMR Secretariat

The PFMR Secretariat will be responsible for: -

- Coordination of implementation, including action planning, work planning, reporting and M&E across results teams. It will also provide technical expertise in programme management. The Secretariat will communicate the reforms to stakeholders in line with the PFMR Communications Strategy.
- Collecting M&E data on reforms and coordinating the reporting and verification of results. The Secretariat will ensure that the capacity for the MDAs and counties is built for effective and efficient monitoring and evaluation. In its role as Chair of the Joint Technical Committee and Secretariat to the Steering Committee, the Secretariat will compile reports for authorizers on the status of results and key steps and prepare annual progress reports on PFMR results. The Secretariat will consolidate MDAs annual work plans and, coordinating financial management with respect to reform activities and DP support. The Secretariat will help ensuring that Strategy timelines are adhered to.



Development Partners

The Development Partners will be involved in the following: -

- ***Dialogue on PFM Reform:*** This is led by the Chair PFM Development Partners Group supported by DP thematic leads. The dialogue will focus on achievements of key PFM Strategy results, formally through the PFMR Steering Committee and Joint Technical Committee and through interactions with results teams and lead MDAs.
- ***Financial support to Strategy implementation and capacity building:*** There are three broad categories of this support. First, budget support linked to the achievement of Strategy results is the preferred modality from the perspective of the Government of Kenya, as this gives it the most flexibility to achieve the results in line with the Strategy. Secondly, direct support to Strategy implementation can also be channelled via the Secretariat, supporting the implementation of MDAs work plans. This still provides flexibility and transparency in the allocation of resources and expenditures. Thirdly, DPs may provide direct project support to implementing MDAs and counties. However, the details of the support should be provided to the Secretariat to ensure comprehensive reporting of reforms.
- ***Complementary flexible support for reform facilitation:*** Using this channel, DPs will aim to support behavioral change through a problem-based, collaborative and iterative approach to reform implementation. Support will be focused on results teams and the PFMR Secretariat. The support will be flexible, responsive, and timely and will be in the form of parallel provision of TA.
- DP support will be coordinated by the PFMR Secretariat and the PFM DPG Group, which will ensure complementarities and alignment with the Strategy.



Monitoring and Evaluation

The Results Matrix for the Strategy is presented by Results Area in Annex A. Information for M&E will be coordinated and collected by PFMR Secretariat and applied to inform the following: -

- ***Annual MDAs work plans and quarterly progress reports on reform implementation:***
The work plans and quarterly progress reports are a key operational tool for the allocation of funds to specific reform activities. They should include GoK and DP funding for reform activities and will be prepared by implementing MDAs and consolidated by PFMR Secretariat. Quarterly progress reports will provide information on expenditure, results indicators, and capacity-building activities implemented.
- ***Results team PFM Reform Matrix and Results Reports :*** The PFM Reform Matrix (see Annex D) is the key tool for results teams to measure progress towards results and agree on the strategic changes required. The Reform Matrix is intended to be dynamic and iterative. Key Steps will be defined for a two-year period on a rolling basis, and results teams will review, update, and define new steps annually based on progress towards achievement of results indicators. Results teams will identify activities focused on the achievement of key steps and report against them quarterly. Results Teams will collect and update the status of key steps and results indicators, drawing information from the annual performance assessment of counties and MDAs. Results Teams will be convened quarterly by the Secretariat and submit reports to the JTC.
- ***Reporting on Coordination, Capacity, and Cross-Cutting Issues:*** On a quarterly basis, the Secretariat will monitor and report progress and challenges in reform coordination, capacity building, and the implementation of cross-cutting issues against the framework set out in this strategy. The Secretariat will report annually on the related indicators included in the Results Framework.
- ***Annual Performance Assessment of Counties and MDAs:*** Assessment of counties and MDAs in the implementation of PFM systems and their achievement of relevant performance indicators in the Results Framework is key to determining the status and requirements for capacity building and support on the implementation of reforms. An annual assessment of MDAs and counties will be conducted, commencing in 2020/21.



The PFMR Secretariat will compile the information to track the overall progress of the Strategy to facilitate decision making and accountability for reform results:

- ***Quarterly PFM Reforms Matrix:*** This is a summary of the status of achievement of key steps for the current year and the expected steps for the following year and any follow up actions required to address implementation issues. The matrix will be updated on a quarterly basis based on the progress made by results teams.
- ***Annual Strategy Results Framework:*** The Results Framework defines the indicators and the institutional arrangements for data collection. The results framework is updated on an annual basis using data collected by results teams and the Annual Performance Assessment of counties and MDAs.
- ***Annual PFMR Strategy Implementation Report:*** The report is intended to provide status in the achievement of the Strategy results in a given year in terms of key steps taken (reported quarterly), results indicators (reported annually), and the decisions agreed for successful achievement of future results.
- In addition to the annual reporting, a mid-term review of the strategy will be undertaken in 2021, to review progress in the achievement of results and make recommendations for the revision of the Strategy



Risks and Mitigation Plan

There are several risks that may impact the smooth implementation of the Strategy, as discussed in Table 13.

Table 13: Key risks and mitigation measures

Issue	Risk	Likelihood	Mitigation Measures	Actors
Sustaining political will and commitment to the Strategy	There are numerous national and county priorities that may divert attention from the Strategy.	Unlikely	- Sustained high-level engagement in policy dialogue, including DPs, is central to the Strategy implementation. - Design of the Strategy is flexible to accommodate some policy change if required	Cabinet Secretary, DPs, Steering Committee
Capacity to coordinate and implement the Strategy	The complexity of PFM reform and the multitude of stakeholders was challenging in the previous strategy. PFMR Secretariat capacity may be insufficient, resulting in an inadequate and uncoordinated implementation and DP support.	Moderate	- DPs have provided substantial coordinated financing through a framework aligned to the Strategy. Future DPs will also be expected to align to this framework. - PFMR has taken onboard new staff and technical assistance to support aspects of their operation. - Tools have been developed to more clearly link activities with results to ease monitoring activities.	Cabinet Secretary, DPs, PFMR
Inadequate financing for PFM Reforms	Despite significant financing, delays to releases or a failure to attract new financing towards the end of the Strategy may affect implementation.	Unlikely	GoK has secured sizeable resources for national and county PFM support for most of the Strategy period. Negotiations are ongoing for the extension of some of these programmes.	PFMR Secretariat
Inadequate engagement from stakeholders in monitoring results progress	Staff turnover and lack of momentum or interest in monitoring may weaken policy engagement around Results Areas.	Likely	Monitoring is designed around engaging actors on policy decisions and a few key deliverables while avoiding more detailed transactional issues that dilute policy dialogue.	Implementing Agencies, PFMR
Resistance to change	Resistance to change from both internal and external stakeholders	Likely	A PFMR POM and Communications Strategy will be developed outlining clear structures for managing and communicating issues around change.	PFMR Secretariat, Implementing Agencies



CHAPTER SEVEN

COSTING AND ALLOCATION OF RESOURCES TO STRATEGY IMPLEMENTATION

This section provides a basic estimate of the cost of achieving strategy results by PFM themes. Overall, the cost of implementing the specific reforms in the Strategy from 2018 to 2023 is **Kshs12.321 billion**. This excludes the recurrent costs of salaries and operating expenditures of the implementing MDAs, which contribute to the reforms.

Table 14: Estimates of the cost of achieving results by PFM Themes

Millions Kshs	18/19	19/20	20/21	21/22	22/23	Total
Aggregate Fiscal Management, Public Investment, Planning and Budgeting	239	191	495	685	725	2,374
Financial Management and Procurement	1,002	536	765	850	765	3,902
External Audit and Oversight	230	119	347	404	455	1,586
Revenue Mobilization and Intergovernmental Fiscal Relations	91	54	250	280	330	1,031
Human Resource Management and Payroll	115	165	475	645	840	2,275
PFM Coordination Strengthening in MDAs and counties	116	167	305	295	385	1,321
Total	1,793	1,232	2,637	3,159	3,500	12,321

The main drivers underlying the thematic costs are:

- **Design and Implementation:** Activities relating to the design, roll-out, and on-the-job support for the implementation of reforms targeting strengthened PFM systems and processes.
- **Systems Development:** The upgrading and development of new PFM and HR systems.
- **Capacity Building:** Activities relating to training and equipment which contribute to the achievement of results.

The Strategy implementation may be constrained by available resources to PFM reform. In the GoK budget, resources will be allocated to implementing MDAs by the JTC on a priority basis. Priority will be for activities related to the achievement of key steps of the Strategy result areas, followed by capacity development and existing PFM processes and systems.



ANNEXES

Annex A: Results Framework

Indicator	Baseline	Target June 2021	Target 2023
Sustainable and Predictable Fiscal Space to deliver government programs			
1.1 A fit for purpose, revenue policy and legal framework and rationalized tax expenditures including exemptions			
Performance in tax policy formulation, forecasting and management of tax expenditures as measured in the annual assessment of revenue strategy performance (to be developed as part of joint revenue strategy, including policy effectiveness, management of exemptions etc.)	Conducted in 2019/2020	Set following baseline assessment.	Set following baseline assessment.
Tax expenditure as a % of GDP	6.0% (2017/18)	5.5%	5.0% (2021/22)
1.2 Efficient and effective customer-oriented revenue administration with high taxpayer filing and payment compliance ratios			
KRA Tax and Customs administration performance as measured in the annual assessment of revenue strategy performance (incl. maintenance of National Tax Register, taxpayer filing, payment compliance ratios, and time taken for VAT refunds)	Average actual domestic revenue as a % of Printed Estimates: Baseline is 88.65%	Average actual domestic revenue as a % of Printed Estimates: June 2021 target is 90%	Average actual domestic revenue as a % of Printed Estimates: 2023 target is 91.52%
	Time Taken by KRA Customs for imports clearance and inspections: Baseline is 84 hours	Time Taken by KRA Customs for imports clearance and inspections: June 2021 target is 65 hours	Time Taken by KRA Customs for imports clearance and inspections: 2023 target is 50 hours
	16.50%	17.50%	18.60%
Revenue as a % of GDP	194hours (2019/20)	184 hours	174hours
Number of hours for border compliance of imports to Kenya	1.3 Efficient and effective revenue policy administration at country level, with high taxpayer compliance supported politically and/by updated legal framework		
No. of counties which collect at least 80% of revenues through a common automated revenue system and maintain an up to date tax register on the system	0	10%	47%
No. of counties that have increased their OSR from two years before by 10% ⁸	8 (2017/18)	20	35
1.4 Credible fiscal frameworks at the national and county level include realistic revenue and expenditure projections consistent with a reduction in the national fiscal deficit over time			
Fiscal Deficit (incl. grants) as a % of GDP in the BPS Macro Fiscal Framework	7.2% (2017/18)	4.9%	3.9% (2021/22)

⁸Using County OSR figures from the Controller of Budget Annual Budget Implementation Reports.



Indicator	Baseline	Target June 2021	Target 2023
Average actual domestic (tax plus non-tax) revenue collections as a percentage of the printed estimates	88.1% (2017/18)	90%	90.1% (2021/22)
Actual county OSR (tax plus non-tax) collections as a percentage of planned OSR collections in the original budget estimates	66% (2017/18)	75%	90% (2021/22)
1.5 The exposure of Kenya to shocks is reduced as a result of the reduced stock of debt due to borrowing within fiscal targets consistent with a reduced fiscal deficit and reduced cost of financing			
Present value of debt to GDP ratio	55	29.1	25.6
Present value of debt to exports ratio	240	168.5	146.9
PPG Debt service to exports ratio	21	25.6	24.9
PPG Debt service to revenue ratio	23	22.0	21.6
1.6 Mandates and functions are rationalized at the national and county levels and the growth in the wage and pension bill is limited relative to other expenditure and is maintained below 35% of government revenues			
No. and % of MDAs and counties that have rationalized mandates, functions, structures, establishments and staffing	0, 0%	100, 20%	520, 100%
No. and % of MDAs and counties that have cleaned their payrolls during the strategy period	-	100, 20%	520, 100%
% of total wage bill (including State Corporations) to the overall expenditures in National Government	(30%) 2017/18)	33%	<35% (2021/22)
Number of county governments where the wage bill is less than 35% of total expenditure	13 (2016/17)	24	47
1.7 Private sector and State Corporation resources mobilized for delivery of appropriate investments and services at both the National and County level and SC reliance on subsidies and transfers reduced			
Amount of Private Capital Mobilized	\$98.83 Mn (February 2018)	\$250Mn	80 bn / 12% \$600Mn
Number of PPP Projects that reached financial close	1 financially closed PPP Project at National Level (February 2018)	2	4
Value and share of domestic revenue from SCs	-	10% increase	100% increase from baseline
Value and share of transfers and subsidies to SCs as a share of the total budget	-	10% increase	80% decrease based on enhanced revenue
Strategic and Transparent Spending on Public Investments and Service Delivery in Line with National and County Policy Commitments			
2.1 Harmonized national and county plans, budgets and implementation reports prepared using common formats and strengthening the link between resource allocation, national and local priorities, and accountability			
Number of counties which presented budgets to the county assembly using improved formats generated from the automated system	FY 2019/20 onwards	30	47
Number of counties submitting four quarterly reports using improved formats on time via the system to the OCoB respectively	FY 2019/20 onwards	30	47
Number and % of MDAs submitting all four quarterly reports on time via the system to the OCoB respectively	FY 2019/20 onwards	30, 50%	71 - 100%



Indicator	Baseline	Target June 2021	Target 2023
2.2 Budget allocations to major government programmes are agreed, costed and adequately resourced during the finalization and revision of annual budgets.			
% of major programmes where results have been costed using the improved costing framework and adequately resourced in the printed estimates at the national level	0%	25%	100%
Allocations to major programmes in the final supplementary budget as a % of the printed estimates at the national level	0%	75%	25%
% of development partners providing information on time in line with the budget guidelines ⁹	10%	50%	100%
2.3 Public investments are effectively selected, implemented and monitored to enhance service delivery and maximize benefits to the economy			
Number and % of new projects included in the budget which have been prepared in compliance with the PIM Manual	0, 0%	30	All, 100%
Number and % of new projects included in the budget which have been prepared in compliance with the PIM Manual	0, 0%	30	All, 100%
Number and % of projects providing performance information in compliance with the PIM manual	0, 0%	50	All, 100%
% of projects completed on time, to specification and at a cost no more than 15% greater than cost estimates at the national level	N/A	10%	All, 50%
No of counties where more than 75% of projects completed on time, to specification and at a cost no more than 15% greater than cost estimates at the county level	N/A	0	10
Develop and operationalize economic project appraisal manual	N/A	Yes	Yes
2.4 Stakeholders have access to appropriate and relevant information on service delivery at the national and county levels which is timely, reliable and trusted			
Number and % of MDAs and counties where information is publicly available online in searchable form on a) program expenditure, b) project expenditure and c) transfers to service delivery units	0, 0%	50%	100%
2.5 State Corporation, Semi-Autonomous budgets and reports are linked to performance targets, are comprehensive and are provided to National Treasury and Line Ministries			
% agencies of state corporations providing budgets and performance targets using the automated system	0%	70%	90%
% of agencies and state corporations providing quarterly reports on time containing financial and performance information using the system	0%	50%	75%
Reliable cash for Service Delivery and Public Investment			
3.1 MDAs and counties have prepared their procurement and cash plans consistent with approved budgets and closed the previous FY on the system within the first two weeks of the FY			
Number and % of MDAs which have approved procurement plans, cash plans and AWP's which are consistent using the system by 15th of July	0, 0%	50%	100%
No. of weeks after the FY the National Treasury has closed the IFMIS	10 days	5 days	0
No. and % of counties which have, within 2 weeks of the new financial year a) approved procurement and cash plans which are consistent and b) closed the FY on the IFMIS	0	15	30, 64%
3.2 Realistic in-year forecasts of revenue inflows, borrowing requirements, and consolidated cash balances			
Average absolute monthly variations in domestic revenue inflows expressed as a percentage of what is planned revised in-year cash plans	0%	20%	10%

⁹ DP contribution to specific Results

Indicator	Baseline	Target June 2021	Target 2023
Average under performance of quarterly net domestic borrowing as a percentage of what is planned in revised in year cash plans	70% (2015/16)	Under 30% of Plan	Under of 25% of Plan
Consolidated cash position available to the treasuries in national and county governments	2 – 14 days	2 – 14 days	Real-time
3.3 Commitments fully funded for major programmes delivering services and investments			
Average under release of expenditure categories relating to major expenditure programmes delivering services and investments expressed as a percentage of revised in-year cash plans	8% of recurrent budgets for 25 service delivery MDAs (2015/16)	<10%	<8%
Number of counties with releases to service delivery facilities and approved capital projects (health facilities) above 90% as a percentage of budget	0	20	47
Time taken by facilities to receive funds after approval from CoB	1 day	1 day	Real time
Annual exchequer releases to GoK capital budget allocations as a % of the printed estimate budget	National: 43.5% ¹⁰ County: 48.1% ¹¹ Total: 44.3% (17/18)	94% of capital allocations 90%	>95% 100%
Value of pending bills as a % of the capital and operating printed estimates at the close of the FY	National: Counties ¹² : Rec 29% Dev 16% Total: 24% (17/18)	12%	0% 0%
3.4 Transfers to and withdrawals from the Consolidated Fund and county revenue funds to State Corporations and service delivery facilities and projects made in full and on time			
Average no. working days between request for exchequer and transfer being made to schools and beneficiaries of social protection payments	7 days	2 days	2 days
Average no. working days between exchequer request for conditional grants by a line MDA and equitable share in line with disbursement schedule, and release to CRFs	3 days	3 days	2 days
Percentage disbursement of equitable share and conditional grants in line with the disbursement schedule	57%	65%	75%
No of counties where the average no. working days between CRF withdrawal request and transfer to health facilities is less than 5 days	0	0 20	47

¹⁰ 17/18 GoK Programme Budget; 17/18 National Budget Implementation and Review Report

¹¹ 17/18 County Budget Implementation and Review Report

¹² 17/18 County Budget Implementation and Review Report

Indicator	Baseline	Target June 2021	Target 2023
No. of MDAs implementing major capital projects where the average no. working days between withdrawal request and payment of contractor is less than 5 days	0	50%	100%
Value for money in procurement and contract management			
4.1 Public Procurement processes are conducted by MDAS, SCs and counties in a timely and efficient manner using automated procurement systems without causing disruption to service delivery with integrity, transparency and in accordance with the law and when malfeasance occurs the appropriate sanctions are applied			
% and number of MDAs and counties using the e-Procurement System for all procurements	0, 0%	10%, 37	100%
% and number of compliance reports for service delivery MDAs and counties completed on time	0%, 0	50%, 50	100%
Percentage of Public Procurement Staff professionally certified	0	50%	100%
Gazettement of PPAD regulations 2019	0	Yes	Yes
Cabinet approval of Public procurement policy framework	0	Yes	Yes
4.2 MDAS, SCs and Counties negotiate and manage the implementation of complex contracts effectively ensuring they are delivered as planned with value for money			
% of large and complex contracts where information has been fully documented and reported on fully in the e-Procurement System	0%	75%	90%
% of large and complex contracts completed which have been delivered to specification and within 20% of original costs and within 6 months of original planned completion date	0%	50%	75%
Value for money, performance and accountability in staffing for service delivery			
5.1 Public Service Human Resource (HR) data is consolidated and consistent			
Number and % of MDAs and counties whose payroll and HR data has been uploaded to GHRIS and are up to date	0, 0%	350, 70%	520, 100%
5.2 Public Sector Institutions Payrolls are fully automated, have effective controls and are integrated with GHRIS and IFMIS			
Number and % of MDAs and counties whose salaries are paid directly using an automated payroll system linked to GHRIS and IFMIS	0, 0%	70%, 350	520, 100%
Average turnaround time for pension processing	90 days	60 days	30 days
5.3 Uniform norms and standards in public service management are entrenched, for effective performance and productivity of the Public Service			
Number and % of MDAs and counties that have achieved 75% level of compliance with Norms and Standards for Public Service Management	-	350, 70%	520, 100%
Education institutions, health and other service facilities effectively manage public resources			
6.1 MDAs, SCs and counties implement a crosscutting framework for AIA ensuring that revenues are effectively budgeted for, raised, spent and accounted for			
Number and % of MDAs and counties using automated systems to manage, report and account for AIAs in line with strengthened policy framework and guidelines	0, 0%	50%	100%
6.2 Facilities at both the national and county level manage and report on resources transparently and efficiently			
Percentage of education institutions, health and water facilities that provide up to date reports on revenue, expenditure and performance using automated system	0%	30%	>75%

Indicator	Baseline	Target June 2021	Target 2023
Percentage of facilities by sector which have been audited annually	1.2%	20%	>75%
Percentage and number of counties and national level facilities* with updated health workforce data in iHRIS	Counties (35, 74%) National level facilities (25%)	Counties 88% National level facilities 75%	Counties>95% National level facilities 100%
Number of counties trained on the iHRIS	12	30	>35
Number of counties trained on the National Health Workforce Account-NHWA	0	25	>35
Number of counties and national institutions reporting on human resources for health	0	Counties >25 National institutions 50%	Counties >35 National Institutions 100%
Disciplined Financial Management and Accurate Reporting			
7.1 MDAs and county annual and quarterly financial statements are consistent with and submitted from IFMIS and have been submitted to the OAG in compliance with the law.			
Number and % of MDAs and Counties which have prepared quarterly and annual financial statements on time consistent with IFMIS and meet minimum standards as verified by the National Treasury during QA	10%, not generated from IFMIS (2017)	85%	90%
7.2 MDAs and counties maintain complete and up-to-date registers of asset and liabilities, have plans for asset management linked to the budget, with the transfers of defunct Local Authorities and devolved National assets and liabilities to counties completed.			
Number and % of MDAs and counties with up to date asset and liability registers on the system and independent physical inspection and annual verification of assets has been performed	0, 0%	66.60%	110, 100%
Number and % counties with asset and liability transfer completed	0, 0%	24.50%	47, 100%
7.3 Adequate monitoring of fiscal risks including pending bills, contingent liabilities and large or multi-year commitments.			
% of State Corporation financial reports that include all revenues, expenditures and contingent liabilities	25%	85%	90%
Number and % of MDAs and counties reporting on multi-year commitments and pending bills using the new system.	0%	40%	100%
7.4 Externally funded projects that are managed effectively using the SCOA and prepare financial statements through the IFMIS			
Number of donors with a project template for each externally managed project uploaded in IFMIS in time for inclusion in the CARA/DORA as a percentage of all donors	0%	20%	75%
Accountability delivered through audit, oversight and follow up			
8.1 Internal Audit reports prepared by MDAs, SCs and counties, and those reports have undergone quality assurance by IAD, in line with established procedures for assurance, risk management and audit follow up			
% of MDAs and counties where Annual and quarterly MDA Internal Audit reports have been prepared and undergone quality assurance in line with the enhanced Risk Management Framework (RMF), enhanced procedures for assurance and audit follow up and are documented on the Audit Management System	0, 0%	MDAs – 100% SCs – 50% Counties – 30%	100%
8.2 The Auditor General reports to Parliament within six months of the end of the financial year and high-quality audit reports that are accessible to the public and have been prepared in accordance with International Auditing Standards.			
% of MDAs and counties whose financial statement audits have been completed within 6 and 9 months of the	15%	At 6 Months - 50%	At 6 Months - 100%



Indicator	Baseline	Target June 2021	Target 2023
financial year using an improved methodology, undergone quality assurance and have been documented on the Audit Management System		At 9 Months – 100%	At 9 Months – 100%
Number of Months between receipt of consolidated financial reports by OAG and submission of the audited financial statements of national government to Parliament	>12	<12	6
8.3 Timely follow up and resolution of issues raised in internal audit, OCoB and external audit reports			
% of recommendations presented by internal and external auditor and accepted by Audit Committees for OCoB by PAC and Parliament and National Treasury for implementation and follow up	0%	50%	100%
% of audit recommendations implemented by MDAs and counties	0%	50%	100%
Coordination, Work planning, Reporting, M&E and Cross Cutting Issues			
Coordination			
Number of Results teams which have met at least four times during the financial year	1	8	8
Number of Joint Technical Committee, steering committee and sector working group meetings that have taken place and the PFM Reforms Matrix is discussed	1 (JTC), 0 (SC), 0 (SWG)	4 (JTC), 2(SC), 1(SWG)	4 (JTC), 2(SC), 1(SWG)
No and % of results team key steps achieved as planned during the FY	5 out of the targeted	75%	75%
Work planning, Reporting M&E			
Consolidated indication of resources over the medium term submitted by PFM DPG is available by end august of each year to the National Treasury	No	Yes	Yes
Budget allocations to PFM Reforms by PFMR Strategy theme are consistent with projected GoK Resources and PFM DPG estimates provided for in NT MTEF and Annual budget proposals	No	Yes	Yes
Consolidated set of all Results Area key steps agreed by results teams and approved by the PFM steering Committee before the start of the new FY	0	8	8
Percent of all consolidated annual departmental PFMR work-plans for all implementing departments, including DP and GoK funding which are prepared and approved by the PFM Joint Technical Committee prior to the start of the new financial year	DP specific plans prepared	100%	100%
Number of quarters in which PFM Reforms Matrix is prepared within one month of the close of each quarter	2	4	4
Consolidated annual report on implementation of work-plans prepared before the end of August of the new Financial Year	No (DP Specific reports prepared)	Yes	Yes
Annual consolidated PFMR strategy performance report has been prepared including a) status of all key steps and measurable indicators in the Results Framework and b) revised key steps for the coming two years	No (DP Specific reports prepared)	Yes	Yes

Annex B: PFM Reforms Systems

System and Responsible Department	Result areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
Aggregate Fiscal Management, Public Investment, Planning and Budgeting			
Internet Banking	RA3 Reliable Cash	The linkage of Internet Banking to the IFMIS and associated common coding of transactions will enable auto-reconciliation and facilitate the consolidation of cash balances and a move to a Treasury Single Account (R3.2).	IFMIS and Central Bank Payment platforms (Internet Banking)
CBK			
Debt Management System Budget Department	RA1 Fiscal Space	Enhanced debt management system capabilities will be put in place to enable improved capacity to negotiate and manage public debt and cater for a more diverse set of debt instruments (R1.5)	
	RA3 Reliable Cash	Debt management system integrated with IFMIS including the cash management system, to ensure that cash requirements for debt payments and new debt issuance is consistent with aggregate cash plans (R3.3)	IFMIS Budget Module
IFMIS - Budget Module Budget Department	RA 2 resource allocation and use	The IFMIS Hyperion budget module, will be developed further to generate harmonized national and county planning documents (MTEF, sector reports), budgets and quarterly implementation reports with common formats based on a standard budget structure that strengthen the link between resource allocation, national and local level priorities and accountability. These formats will identify priority expenditures (incl. projects and services), link funding more clearly to performance and policy objectives and incorporate DP funding and other AIA. Plan and budget data and non-financial performance information, unless drawn from other systems, will be entered via the budget module. MDAs and counties will be required to prepare the plans, budgets and report through the system and the OCoB will require reporting through the system. (R2.1)	
		The Budget module will also draw project data from the PIMIS and PIMIS will draw budget data from the Budget Module. No MDA will be able to prepare a budget unless the project has been appraised and approved for budgetary funding on the PIMIS, and there is complete information. Project budgets will be required to be prepared using the full SCOA rather than single lines on the system. (R2.3)	PIMIS and Sector specific MISs
		Key reports from the system will be easily accessible by users via a single dashboard to access key MDA reports. Budget reports submitted and information in those reports will be made available as budget documents and in searchable form on the Budget Portal via the Analytical repository (R2.4)	
		The Budget module will also draw data from the Agency and State Corporation budgeting and reporting system to enable consolidated reporting on government performance (R2.5)	Agency & State Corp. budgeting and reporting financial systems
	RA3 Procure Cash	Work planning functionality will be developed on the budget module linked to the procurement planning and cash planning functionalities. In addition, expenditure categories will be tagged for allocation in the cash flow during execution and reporting. Execution report can track exchequer releases against expenditures categories and major programmes. (R3.2)	IFMIS Cash Management, e-Procurement
	RA5 Human Resources	The Budget module will be used for preparing accurate Personnel Emoluments (PE) budgets and payment. Budgeting for salaries will be linked to the GHRIS and the automate payroll system (either via GHRIS or directly via the IFMIS), to ensure that PE allocations are based on staff on the payroll and approved recruitment plans for the new FY, and reports salary expenditures are linked to payments	GHRIS and automated IFMIS and other MCDAs related payroll systems



System and Responsible Department	Results areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
IFMIS - Analytical Repository Budget Department	RA6 Service Delivery	from the payroll (R5.1 and R5.2) The system will also be linked, where appropriate to sector MIS, facility budgeting FM and reporting systems, drawing information from service delivery facilities on expenditures including AIA, and providing information on releases to those facilities (R6.1 and 6.2)	Sector MISs and Facility FM Systems
	RA2 Resource Allocation and Use	Tool for MDA and county budget analysis and transparency, provides a repository of financial and non-financial budget and execution data, including information on transfers to service delivery unit for use by MDAs, who can access information for all MDAs within government (R2.4) A subset of information made available for the public via an API to the budget portal and other official websites (R2.4) The analytical repository will also be linked to the PIMIS, sector management information systems, GHRIS and facility management information systems to enable the linking between financial and non-financial information at the project and facility level with the API updated accordingly. This information will be accessible via the Budget Portal (R2.4)	IFMIS Budget Module, GHRIS, Sector MISs and facility FM systems, SC reporting, Budget Portal, Agency & State Corp. budgeting and reporting system PIMIS
	RA6 PFM by Service Facilities	The analytical repository will be interfaced and draw information from service delivery PFM systems.	
Budget Portal Budget Department	RA2 Resource Allocation and Use	The budget portal will be an online one stop shop which will enable stakeholders, including the public, to obtain relevant budgetary information in an easy to access and understand way. It will provide access to: a) formal budget documents, and b) interactive / user friendly interfaces for public access to non-financial inputs, performance and financial information on infrastructure projects and service facilities. The portal will draw financial information from IFMIS Analytical Repository via an API and will be linked via Hyperion or directly to other systems (e-ProMIS, GHRIS, the procurement portal), ensuring relevant service deliver information is available (R2.4)	IFMIS Budget Module and Analytical Repository, GHRIS, Sector MISs, SC reporting and facility FM systems, Agency & State Corp. budgeting and reporting system
PIMIS PIM Department	RA2 Resource Allocation	The PIMIS, (which may build on e-ProMIS) ensures structured management of projects in line with the PIM guidelines by national and county government. It will be used for project preparation and appraisal by MDAs; for NT management of the project appraisal process; medium term costing of projects and associated reporting; and reporting on project performance by MDAs. The PIMIS will cover all GoK and externally funded projects and automate the project cycle components as outlined in the PIM Guidelines (R 2.3). The PIMIS will produce easy to understand M&E information. Project data, including non-financial information will not be able to complete their budgets or reports without completing information on the PIMIS, and ensuring projects have been appraised through the system. This will be achieved through an interface between the PIMIS and the IFMIS budget module and analytical repository. Budget and expenditure data for PIMIS will be drawn from IFMIS. (R 2.1, 2.4)	IFMIS Budget Module and Analytical Repository, Budget Portal and Sector Specific MISs
	RA1 Fiscal Space	The PIMIS will be used in the appraisal process and monitoring of Public Private Partnerships involving public investment (R1.7)	PIMIS and IFMIS budget and expenditure modules
	RA4 Procurement and contract management	The PIMIS will be linked to the e-Procurement System to facilitate monitoring of major procurements and contracts linked to public investment projects (R4.1 and 4.2)	e-Procurement
	RA 7 FM and Reporting	The PIMIS will provide clear information on assets being acquired by MDAs and counties. It will draw information on budget execution from GoK and externally funded projects from the IFMIS	IFMIS Accounting and Reporting, Asset Management and project

System and Responsible Department	Result areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
Agency & State Corporations Budgeting and Financial Reporting System GIPE	RA2 Resource Allocation and Use	Accounting and Project management modules (7.2, 7.4)	modules
	RA1 Fiscal Space	An integrated, automated system in place, linked to IFMIS budget module which enables state corporations to budget and provide quarterly and annual reports with financial and non-financial performance information. (R2.5)	IFMIS Budget Module
	RA7 Accounting and Reporting	Reporting by state corporations includes salaries, which enables greater clarity on the overall public- sector wage bill (R1.6)	GHRIS
	RA 6 Service Delivery	Reporting from the system includes debt levels and contingent liabilities, enabling strengthened monitoring of fiscal risks by the National Treasury (R7.3)	
	RA 5	System enables standard presentation of AIAs in budgets and reports (6.1 and 6.2)	IFMIS Budget Module
IFMIS - Asset Management		Reporting by state corporations includes HR information that allows consolidation with IMFIS (R5.1)	GHRIS
	RA7 Financial Management and Reporting	The IFMIS Asset management functionality will be developed to enable MDAs, SCs and countries maintain complete an up-to-date register of asset and liabilities, record the acquisition and disposal of assets within the agreed policy framework (R7.2)	IFMIS Accounting Module.
	RA2 Resource Allocation and Use	The Asset Management Module will be linked to the PIMIS, so that information on assets acquired by investment projects is available (R2.3)	PIMIS
Financial Management and Procurement			
IFMIS - Cash management Accounting Services Department	RA3 Reliable Cash	The IFMIS Cash management module supports automation of cash planning and in year revision, and the aggregation of cash plans, matching revenue and borrowing with aggregate cash requirements. It also allows for the setting of quarterly and monthly cash limits. Controls will be tightened, and bottlenecks addressed following initial implementation of module. The system will be adapted to allow the definition of expenditure categories for the allocation of cash during the FY at the level of subprogram; administrative unit as well as budget category (R3.1, R3.3).	IFMIS Budget Module, Internet Banking
		The cash management module also involves the full automation of exchequer requisitioning and release process. The system will ensure that exchequer releases for different categories of expenditure are allocated funds in the cash flow (R3.3).	
	RA4 Procurement and Contract Management	Cash plans will be linked to e-procurement module, to ensure plans and associated limits are aligned to the likely timing of contractual payments. (R4.1, R4.2)	e-Procurement
	RA7 Financial Management and Reporting	Auto-reconciliation functionality is fully operational on the cash management module which enables MDAs and counties to prepare financial reports based on figures which are reconciled on the system (R7.1)	IFMIS accounting & reporting, project man.
	RA7 Financial Management and Reporting	Functionality in the IFMIS will be developed for reporting and monitoring of large/multi- year commitments, pending bills available for use by MDAs and County Governments. Outstanding commitments and pending bills at the end of the FY are automatically posted in the new financial year (R7.3)	IFMIS Accounting & Reporting



System and Responsible Department	Result areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
Accounting Services Department	RA2 Resource Allocation and Use	The additional functionality will be linked to the Budget Module to ensure that outstanding commitments and pending bills are budgeted for in the new FY, and quarterly commitment limits (R2.1).	IFMIS Budget Module
	RA3 Reliable Cash	The system will be linked to the cash management module to enable priority to be given for the clearance of pending bills (R3.3)	IFMIS Cash Management
	RA4 Procurement and Contract Management	The system will be linked to the e-procurement system, so the information on commitments associated with procurements is available on the system as well as information on contract implementation (R4.1 and R4.2)	e-Procurement

System and Responsible Department	Result areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
		so that cash requirements are in line with projected contractual payments, and ensure cash is only requested when required. In addition, commitment limits will be uploaded on a quarterly basis based on the projected timing of completion of procurements in procurement plans. Once interface in place, then procurement plans will drive commitment limits and cash plans. (R3.3)	
e-Citizen Government Digital Payments Department	RA7 Financial Management and Accounting	Commitments will be automatically posted in IFMIS, once procurement has been completed on the e-Procurement System, and the POs, POs and Payments generated from IFMIS, included via project reporting, will be logged against procurements in the procurement system, which will help with contract management and monitoring (R4.1 and R4.2)	eProcurement System, Procurement monitoring and compliance tool
	RA6 service delivery	e-Citizen provides a common and integrated platform for delivery of government services by different national government departments and the underlying digital payments platform provides a mechanism for payment for those systems. The systems will be aligned to the new framework for AIA and linked to IFMIS (R6.1)	IFMIS Accounting Module
	RA1 Fiscal Space	e-Citizen integration with i-Tax and other KRA systems will be deepened to ensure that revenue potential is maximized (R1.2)	iTax and ICMS
Credential Management System	All	A common credential management system will help enhance the security and integrity of government PFM systems	All systems linked to GHRIS
Internal Audit Management System IAD	RA8 Audit, Oversight and Follow up	The Internal Audit Management System (TeamMate) will be configured to handle the updated internal audit methodology and quality assurance process and used to document audit management processes in MDAs and counties (R8.1).	
Audit Follow Up Tracking System IAD	RA8 Audit, Oversight and Follow up	A system in place which captures and tracks OCoB reports, internal and external audit recommendations and follow up actions by MDAs and counties (8.3).	
External Audit and Oversight External Audit Management System	RA8 Audit, Oversight and Follow up	The Internal Audit Management System (TeamMate) will be configured to handle the updated external audit methodology and quality assurance process and used to document audit management processes in MDAs and counties (R8.2)	
Revenue Mobilization and Intergovernmental Fiscal Relations			
iTax, ICMS, Enhanced Payment Gateway and other KRA systems KRA	RA7 FM and reporting	The Budget Module will provide, a source of non-financial performance information for financial statements, require MDAs to budget for outstanding multi-year commitments, support reporting on fiscal risks, and provide information on external resources budgeted for and draw information on expenditure from those resources (R7.1, R7.2, R7.3 and R7.4)	IFMIS – Accounting & Reporting, fiscal risk monitoring and project management
	RA3 Reliable Cash	iTax will provide real time information on revenue collection and therefore enable more up to date information on the cash position of government and timely banking of domestic revenues. This will involve inbound interfacing with IFMIS alongside outboard which is already functional and with CBK. This should improve efficiency in cash management (R3.2)	IFMIS Cash Management, Internet Banking
Integrated Portal CRA	RA2 Resource allocation and use	The portal, which is one stop shops for users to easily identify, retrieve and use devolution related information, and will draw information from different sources. This portal will be updated to link to the Hyperion analytical repository API, the budget portal and PIMIS, amongst others to ensure up to date information on budgets, service delivery and investments are available (R2.4)	IFMIS AR, Integrated County Revenue Systems, PIMIS
Integrated County Revenue Management System	RA1 Fiscal Space	The Integrated County Revenue Management System will provide a common platform for counties to manage their revenues, including collection and banking of revenues and the maintenance of tax registers. The system will be interfaced with iTax (through the PIN) and IFMIS to enable effective	iTax, IFMIS



System and Responsible Department		Results areas to which system contributes		Systems Development to Deliver Reform Results		Integrations
IFMIS - Accounting and Reporting Accounting Services Department		RA 7 Financial Management and Reporting		Financial statements and reports will be reprogrammed in the system in line with formats established by the PSAB (and agreed with OCoB). MDAs and counties will be required to produce financial statements through the system and financial statements to OAG submitted must include reports generated from IFMIS. Reports that are produced must be reconciled on the system. (R7.1)		IFMIS project, fiscal risk and asset management.
		RA2 Resource Allocation and Use		MDA and county financial statements and reports include information included from IFMIS project, fiscal risk, and asset management functionality (R7.2,R7.3, R7.4)		IFMIS Budget Module, PIMIS
		RA3 Reliable Cash		IN addition to information on expenditures, revenues will be captured by counties and other collectors on the system to enable proper reporting on revenue via the budget module (2.1)		
		RA4 Procurement and contract management		The accounting module will be used for project financial management and accounting, with expenditure information broken down by the SCOA and provided to the PIMIS. (2.3)		IFMIS budget, cash management and expenditure modules with e-Procurement
		RA5 Human Resources		Commitment limits based on procurement plans and cash plans replacing the uploading of a quarter of the budget. Completed procurements automatically generate commitments in the IFMIS, and update cash plans based on contract payment schedules. (R3.1)		e-Procurement
IFMIS – TSA		RA3 Reliable Cash		POs and Payments generated from IFMIS, included via project reporting, will be logged against procurements in the procurement system, which will help with contract management and monitoring (R4.1 and R4.2)		
		RA7 Financial Management and Reporting		The Accounting Module will be interfaced first with GHRIS to enable tracking of PE payments relative to the payroll. The administrative structure in the SCOA and the GHRIS will be consistent (SCOA and departments, vendors and service facilities), enabling consistent comparison. (5.1)		GHRIS
IFMIS – Project Management				With the development of the integrated payroll system, withdrawals and exchequer releases will be made based on the payroll from the system and payments automatically posted to the IFMIS accounting module (5.2)		integrated payroll system
				With the introduction of the TSA, the IFMIS will be configured to handle the TSA and associated banking, reconciliation and accounting arrangements (R3.2).		All relevant IFMIS modules, Internet Banking
				IFMIS project management functionality will be developed to enable transacting of GoK and externally funded projects directly on the system using the full SCOA, or the uploading of externally funded project execution data using standard templates onto IFMIS, which will enable the production of project financial statements on IFMIS (R7.4)		IFMIS Accounting and Reporting, PIMIS
				Completed procurements on e-Procurement automatically posted to projects on IFMIS, and POs and transactions in projects either transacted on the system or reported on via templates recorded on the e-procurement system (R4.1)		eProcurement
				The e-procurement system will enhance transparency, efficiency, accountability and value for money and provide an audit trail for compliance monitoring in public procurement cycle including procurement and contract management. It will provide an end-to end system that fully automates public procurement processes in line with the PPADA, 2015 (R4.1, R4.2)		IFMIS Accounting and Reporting, IFMIS Project Management, PIMIS
e-Procurement and system		RA4 Procurement and Contract Management		The e-procurement system will provide a source of information on procurement and contract information for investment projects and be linked to the PIMIS, budget module, analytical repository and the budget portal (2.3, 2.4)		PIMIS, IFMIS Budget Module and AR, Budget Portal
		RA2 Resource Allocation and Use		The e-procurement system will help reinforce cash planning and management. The procurement planning functionality in the e-Procurement system will be linked to the cash planning functionality.		IFMIS Cash Management Module, IFMIS Budget Module



System and Responsible Department	Results areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
CRA		administration and compliance at county level. (1.3, 1.2)	
	RA3 Reliable Cash	The Integrated County Revenue Management System will automate the banking of revenues received and be linked to the cash management module of IFMIS (R3.1)	IFMIS Cash Management, Internet Banking
	RA6 Service Delivery	The integrated county revenue management system will have functionality to enable counties effectively record and manage AInAs in line with the new standardized framework. This will be linked to Service Institution/Facility FM systems where they collect AInAs (R6.1)	Service Institution / Facility FM Systems
	RA7 Accounting and Reporting	The Integrated County Revenue Management System will be linked to the IFMIS accounting module, so that revenues collected and banked will be automatically recorded in the IFMIS, and this will facilitate the production of complete financial statements from the system (R7.1)	IFMIS Accounting
Human Resource Management and Payroll			
GHRIS MoPSYGA	RA5 Human Resources	In order to provide Public Service Human Resource (HR) data is consolidated consistent and up to date, the GHRIS software and hardware will be upgraded to provide a platform to consolidate the HR data from the public service which will facilitate consistency with other systems and improve transparency. The GHRIS will help establish a) a unified personal payroll number across the public service, b) interface with IFMIS and IPPD and c) ensure a unified administrative structure consistent with IFMIS (SCOA and departments, vendors and service facilities). (R5.1)	IFMIS Accounting and Reporting, IPPD
		GHRIS will interface with new integrated payroll systems, once they are developed and replace IPPD (R5.2)	Integrated Payroll System Performance Management System
		GHRIS will also be interfaced/integrated with the performance management system once it is developed to link individuals' payroll and HR information to performance data (R5.3)	
	RA1 Fiscal Space	The GHRIS will provide a platform for analysis of payroll data to actors such as SRC, the PSC, CRA and NT. This will facilitate decision making by government actors on rationalizing the public service and harmonization of benefits and allowances. The GHRIS will also be linked to the i-Tax system via the public officer's PIN. (R1.6)	iTax
IPPD MoPSYGA	RA2 Resource Allocation and Use	The GHRIS will interface with the Budget module to facilitate preparation of accurate Personnel Emolument (PE) budgets, ensuring that PE allocations are based on staff on the payroll and approved recruitment plans for the new FY, and reports on salary expenditures are linked to payments from the payroll (R2.1).	IFMIS Budget Module
		The GHRIS will also draw data from the state corporation budgeting and reporting system drawing information on employees of state agencies and corporations (R2.5).	State Corporation budgeting & reporting system
	RA5 Human Resources	As an interim measure as the integrated payroll system is developed, data in IPPD will be structured using a unified administrative structure consistent with IFMIS (SCOA and departments, vendors and service facilities) (5.1)	GHRIS
	Integrated payroll system MoPSYGA	An automated payroll solution for MDAs and counties will be developed with integration with both the IFMIS and GHRIS. This will ensure consistency of payroll data with HR Information, and ensure personnel budgets and expenditures are based on up to date HR information. This will ensure consistency, improve efficiency and controls in payroll expenditure (R5.2)	GHRIS, IFMIS
HRMIS for Teachers TSC	RA5 Human Resources	TSC is developing an automated payroll and HR management information system for teachers, as with the integrated payroll system for public service employees, this system will interface with the GHRIS and IFMIS (R5.2)	GHRIS, IFMIS
Performance	Management	The automated performance management system promotes improved employee effectiveness, and	GHRIS



System and Responsible Department	Results areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
System Public Service and Performance Management Unit		involves performance contracting, agreeing, monitoring and review an employees' work objectives or goals and their overall contribution to organizational performance. It will be linked to GHRIS. (R5.3)	
Pension Management Information System Pension Department	RA5 Human Resources	The upgraded pension management system will provide a platform for management of pension information in the public service and a repository for digitized pension registry and this will help strengthen decision making, control and accountability in pension bill management. A client facing, we enabled interface will improve the availability of information to users and the public. The system will interface with GHRIS an IFMIS (R5.1, R5.2)	GHRIS, IFMIS
	RA1 Fiscal Space	The upgraded pension management information system will also support the roll out of the contributory pension scheme which will help limit the size of the pension bill over time. Enhanced reporting data for analysis functionality will facilitate analysis of the fiscal implications of the pension bill. (R5.1)	IFMS and PIMIS
iHRIS Ministry of Health (KHHHRAC)	RA5 Human Resources RA6 service delivery	The system will create a platform where health workforce reports are generated periodically to inform, in addition to planning and budgeting, health worker distribution, management and training. Health workforce data will be collected and updated in iHRIS; relevant workforce data uploaded to the National Health Workforce Account (NHWA) Indicators; Workforce Indicator Staffing Need (WISN) conducted in county facilities and national referral facilities and finally improved interoperability with other systems. The NHWA will be developed and iHRIS will feed it with data. The iHRIS system will be integrated with GHRIS (R6.2).	GHRIS
PFM Coordination Strengthening in MDAs and Counties			
Service Delivery Facility/ Institution Budgeting and FM systems Ministries responsible for Health, Education and Water	RA6 service delivery	Simple systems developed for service delivery facilities and institutions (initially in health, Education and water sectors) for budgeting, accounting, payment and reporting systems for facility management and full disclosure of resources. Information will be integrated and consolidated at an appropriate level in to enable monitoring and oversight by counties, line ministries and other institutions (6.1) These systems will be consistent with the overall framework for AiA, linked to the IFMIS accounting and reporting module and where relevant the Integrated County Revenue Management System and sector Management Information Systems (6.1, 6.2)	IFMIS Accounting Module and AR, Sector MIS, Integrated County Revenue Management System, Agency & State Corp. budgeting and reporting system
	RA2 Resource Allocation and Use	Service Delivery Facility/ Institution Budgeting and FM systems will be linked to the Budget Module and Analytical Repository, to make information on facility budgets and expenditures are available (R2.1, R2.4).	IFMIS Budget Module, Analytical Repository and Budget Portal
	RA7 Financial Management and Reporting	Similarly, Service Delivery Facility/ Institution Budgeting and FM systems will be linked to the IFMIS accounting module so that information on transfers to facilities can be provided and strengthen financial reporting by MDAs and Counties (R5.1)	IFMIS Accounting Module
Sector Management Information Systems (incl NEMIS) Ministries responsible for Health, Education and Water	RA2 Resource Allocation and Use	Sector Management Information Systems, such as the National Education Management Information System (NEMIS), are important repositories of information on service delivery performance down to the level of facilities information from sector MISs will be linked to the Analytical Repository and Budget Portal, so that combined non-financial and financial information is publicly available (2.4) Information from Sector MISs may be used for allocation of transfers to individual education institutions (e.g. enrolment) and health institutions (facility performance), and this may be automated through links to the budget module (2.1)	IFMIS Budget Module, Analytical Repository and Budget Portal IFMIS Budget Module,



System and Responsible Department	Result areas to which system contributes	Systems Development to Deliver Reform Results	Integrations
	RA6 Service Delivery	Sector Management Information Systems will also be linked to facility PFM systems, to provide an integrated solution for facilities reporting on key financial and non-financial information	Service Delivery Facility/ Institution Budgeting and FM systems



Annex C: Cost Estimates to Deliver PFMR Strategy Results

Millions Kshs.	18/19	19/20	20/21	21/22	22/23	Total
Aggregate Fiscal Management, Public Investment, Planning and Budgeting	239.00	191.00	495.00	685.00	725.00	2374.00
Design and Implementation	148.32	55.00	190.00	250.00	280.00	923.32
Systems Development	34.00	86.00	165.00	265.00	235.00	824.00
Capacity Building	56.68	50.00	140.00	170.00	210.00	626.68
Financial Management and Procurement	1,002.00	536.00	765.00	850.00	765.00	3,902.00
Design and Implementation	257.00	66.00	150.00	130.00	130.00	717.00
Systems Development	464.00	340.00	430.00	490.00	390.00	2114.00
Capacity Building	281.00	130.00	185.00	230.00	245.00	1071.00
External Audit and Oversight	230.00	119.00	347.00	404.00	455.00	1,586.00
Design and Implementation	20.00	50.00	97.00	134.00	175.00	496.00
Systems Development	38.00	39.00	40.00	50.00	50.00	218.00
Capacity Building	172.00	30.00	210.00	220.00	230.00	872.00
Revenue Mobilization and Intergovernmental Fiscal Relations	91.00	54.00	250.00	280.00	330.00	1,031.00
Design and Implementation	33.78	32.00	40.00	40.00	40.00	185.78
Systems Development	52.00	17.00	160.00	180.00	200.00	634.00
Capacity Building	5.22	5.00	50.00	60.00	90.00	211.22
Human Resource Management and Payroll	115.00	165.00	475.00	645.00	840.00	2,275.00
Design and Implementation	39.06	65.00	210.00	300.00	360.00	1009.06
Systems Development	45.14	75.00	190.00	195.00	200.00	705.14
Capacity Building	30.80	25.00	75.00	150.00	280.00	560.80
PFM Coordination Strengthening in MDAs and Counties	116.00	167.00	305.00	295.00	385.00	1,321.00
Design and Implementation	34.34	40.00	60.00	105.00	160.00	409.34
Systems Development	15.42	27.00	100.00	30.00	30.00	205.42
Capacity Building	8.24	20.00	35.00	50.00	75.00	188.24
Coordination	58.00	80.00	110.00	110.00	120.00	518.00
Total	1,793.00	1,232.00	2,637.00	3,159.00	3,500.00	1,2489.00



Annex D: PFM Reform Matrix Template

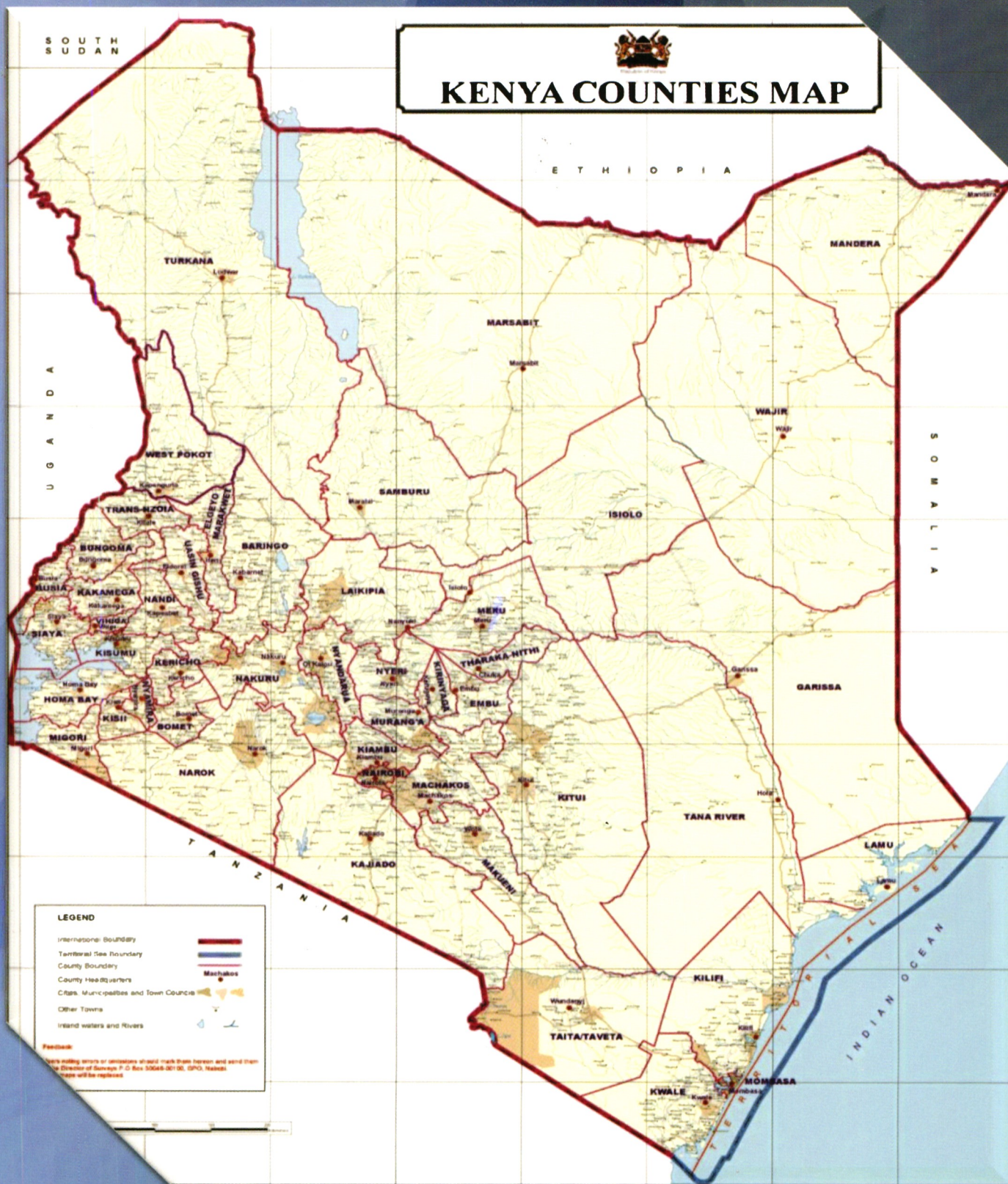
Key Step	Due Date & Lead MDA	Status/ Issues	Agreed Follow up action(s)	Implementing MDA	Due Date
Reform Result					

From Strategy

Collected and Updated by
PFMR prior to Quarterly
Results Team meetings

Agreed actions in Quarterly Results
Team, Joint Technical Committee and
Steering Committee meetings





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