

REPUBLIC OF KENYA



Enhancing Accountability



THE NATIONAL ASSEMBLY
PAPERS LAID

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CLERK-AT-THE-TABLE: P MUGA

REPORT



OF

THE AUDITOR-GENERAL

ON

**LAPSSET CORRIDOR DEVELOPMENT
AUTHORITY**

**FOR THE YEAR ENDED
30 JUNE, 2024**





**LAPSSET CORRIDOR
DEVELOPMENT AUTHORITY**



OFFICE OF THE AUDITOR GENERAL
P.O. Box 30054 - 00100, NAIROBI
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2023-2024

**ANNUAL REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30TH, JUNE 2024**

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

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ABBREVIATIONS

| | |
|---------|---|
| AfDB | African Development Bank |
| CSI | Corporate Social Investment |
| DBSA | Development Bank of Southern Africa |
| DfID | Department for International Development |
| EIA | Environment Impact Assessment |
| ESIA | Environmental and Social Impact Assessment |
| FEED | Front End Engineering Design |
| FY | Financial Year |
| IFRS | International Financial Reporting Standards |
| IGAD | Intergovernmental Authority on Development |
| IPSAS | International Public Sector Reporting Standards |
| JDA | Joint Development Agreement |
| LAPSSET | Lamu Port South Sudan Ethiopia Transport |
| LCDA | LAPSSET Corridor Development Authority |
| LCP | LAPSSET Corridor Program |
| MDAs | Ministries, Departments and Agencies |
| MTBS | Maritime Transport Business Solution |
| NEMA | National Environmental Management Authority |
| NEPAD | New Partnership for Africa's Development |
| PFM | Public Finance Management |
| PPMT | Pipeline Project Management Team |
| PSASB | Public Sector Accounting Standards Board |
| SEA | Strategic Environmental Assessment |
| SEZ | Special Economic Zone |
| SKETS | Support to Kenyan Energy and Transport Sector |
| TA | Transactional Advisor |
| TEU | Twenty-Foot Equivalent Unit |
| UNECA | United Nations Economic Commission for Africa |
| WWF | World Wildlife Fund |
| ASAL | Arid and Semi-Arid Lands |



THE AUTHORITY'S

(a) Background Information

The LAPSSET Corridor Development Authority (LCDA) is a State Corporation established pursuant to a Presidential Order, LAPSSET Corridor Development Authority Order, 2013 as per the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March 2013. The Authority is domiciled in the Ministry of Transport with Headquarters in Nairobi.

The Authority's mandate is driven by the following key functions: -

1. Plan, Coordinate, and Sequence the LAPSSET Corridor projects in collaboration with the implementing Ministries and Agencies;
2. Coordinate implementation of LAPSSET Corridor projects across implementing Ministries and Agencies;
3. Provide leadership, direction, and guidance in operations and implementation of the LAPSSET Corridor;
4. Ensure timely implementation of the decisions and resolutions of the government;
5. Mobilize funds for project components using a variety of resources including budgetary resources from government, donor loans, infrastructure bonds, and private finance;
6. In collaboration with the relevant National and County government departments, to build the capacity of LAPSSET Corridor towns to manage the urban growth resulting from LAPSSET Corridor investments;
7. Promote the competitiveness and use of the LAPSSET Corridor for the transport of goods and people; and
8. Provide forum for the stakeholders in the LAPSSET Corridor.

The various project components are executed by different Government Ministries, Departments, and Agencies (MDAs), with LCDA taking a leading role in facilitating effective collaboration among these entities. This ensures the timely and synchronized execution of the program components.

The Authority also plays a critical role in policy guidance, resource mobilization, and Monitoring & Evaluation (M&E) of the program. Furthermore, LCDA provides operational and technical oversight to ensure that the implementing agencies meet their mandates.

THE AUTHORITY'S

(b) Project Profile

The LAPSSET Corridor is a Regional Transport-Infrastructure and Economic Corridor that seeks to connect Lamu Port to the hinterland markets of Kenya and the landlocked Countries of Ethiopia and South Sudan, while covering seven counties namely; Lamu, Garissa, Isiolo, Meru, Samburu, Turkana and Marsabit. The regional Infrastructure components are as follows:

- 23 Deep Sea Berths at the Port of Lamu at Manda Bay.
- Inter-regional Highways from Lamu - Garissa - Isiolo, Isiolo - Lodwar - Nakodok and Juba (South Sudan), Isiolo to Moyale and Addis Ababa (Ethiopia), and Lamu to Garsen;
- Inter-regional Standard Gauge Railway lines from Lamu to Isiolo, Isiolo to Nakodok (Kenya/South Sudan border) and Juba (South Sudan), Isiolo to Moyale (Kenya/Ethiopia border) and Addis Ababa (Ethiopia), and Nairobi to Isiolo;
- Crude Oil Pipeline from Lamu to Isiolo, Isiolo to Nakodok and Nakodok to Juba (South Sudan);
- Product Oil Pipeline from Lamu - Isiolo - Moyale (Kenya) and Moyale to Addis Ababa (Ethiopia);

The other LAPSSET Corridor Program components as defined in the vision 2030, Kenya's long-term Development Plan include: -

- Lamu Special Economic Zone
- International Airports at Lamu, Isiolo, and Turkana;
- Resort Cities at Lamu, Isiolo and Turkana;
- High Grand Falls Multipurpose Dam;
- Fiber Optic Cables and Communication Systems.



Who we are

A state corporation established vide the Presidential Order, LAPSSET Corridor Development Authority Order, 2013 contained in the Kenya Gazette Supplement No. 51, Legal Notice No. 58 of March 2013.



Our Vision

A Premier Institution in the Delivery of Transformative LAPSSET Infrastructure and Economic Corridor



Our Mission

To provide Effective and Efficient Leadership in the Delivery of Sustainable LAPSSET Infrastructure and Economic Corridor to spur Regional Integration.



Our Core Values

- Integrity
- Sustainability and Public Participation
- Commitment and Teamwork
- Innovation
- Equity and Equality



Flagging-off ceremony for evacuation of 60,000 metric tons of fertilizer to Federal Republic of Ethiopia

THE AUTHORITY'S

(c) Key Management

The LCDA day-to-day management is under the following key organs:

1. Board of Directors;
2. Director-General/CEO;
3. Management; and
4. Fiduciary Management

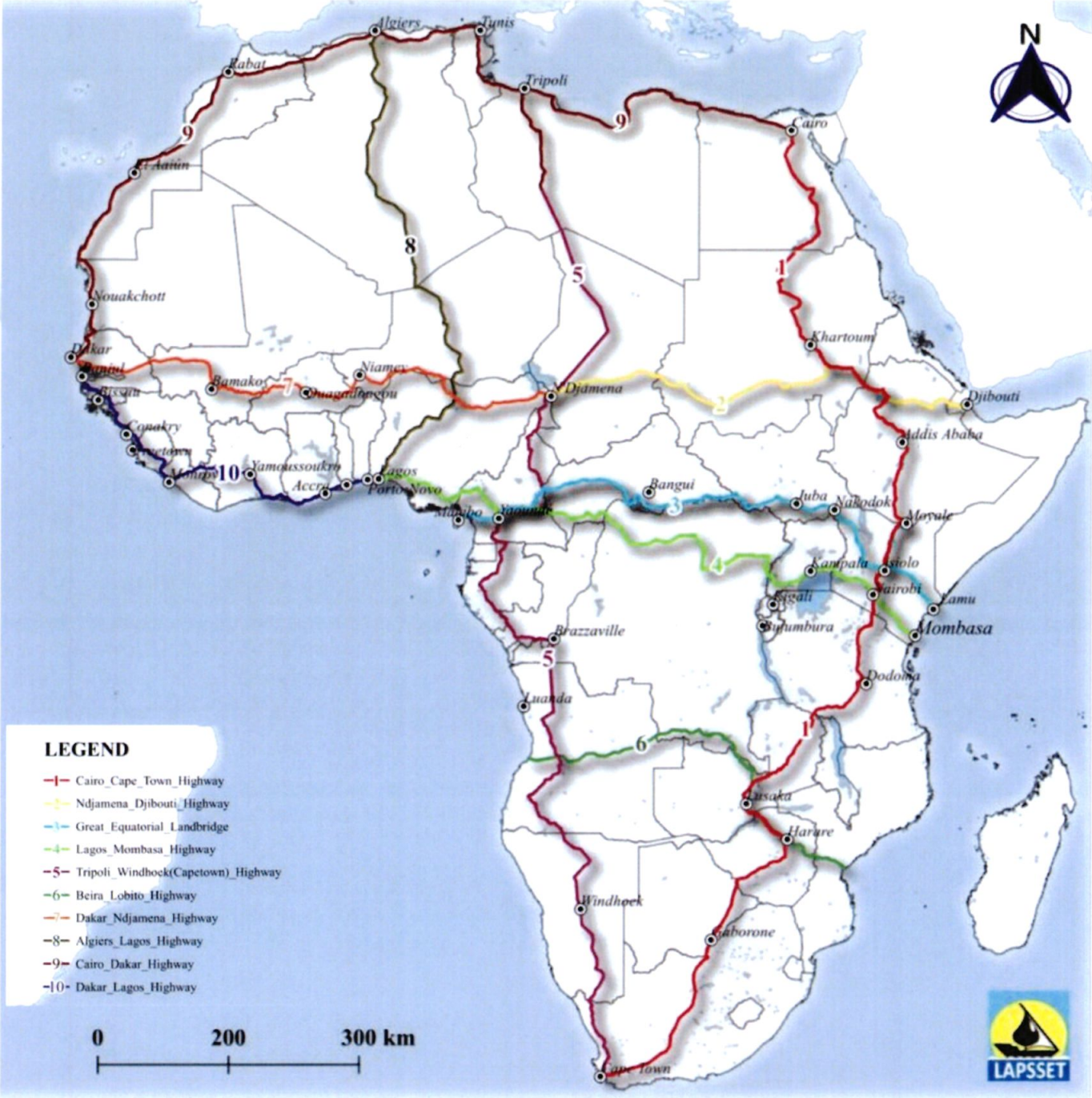
(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

| Name | Designation |
|----------------|----------------------------|
| Stephen Ikua | Director-General/CEO |
| Benard Oluoch | Accounts & Finance Manager |
| Consolata Mwai | Human Resource Manger |
| Benjamin Mutea | Supply Chain Manager |
| Benson Thuita | Head of Corporate Affairs |
| James Ogal | Head of Internal Audit |
| Daniel Mumira | Manager, Security Services |

LAPSSET Corridor

Our Road Network



LAPSSET Corridor →

Isiolo-Nakadok

Isiolo-Moyale

Lamu-Garissa-Isiolo

1745.3 KM

703 KM

505 KM

537 KM

THE AUTHORITY'S

(e) Fiduciary Oversight Arrangements

The following fiduciary arrangements were in place during the 2023/2024 Financial Year

| COMMITTEE | MEMBERSHIP | RESPONSIBILITIES |
|--|--|--|
| Finance, Human Resource & Administration Committee | <ul style="list-style-type: none"> • Hon Anwar Loitiptip - Chairperson • Hon Nasra Ibrahim - Member • Abdikahiya Maalim - Member • Principal Secretary / Alternate - The National Treasury • Principal Secretary / Alternate - State Department for Regional and Northern Corridor Development • Dr. Dancun Hunda, alternate to PS Ministry of Transport • Principal Secretary / Alternate - State Department of Water • DG Vision 2030 • Inspectorate, State Corporation • Stephen Ikua - Secretary | <ul style="list-style-type: none"> • Oversee the preparation of the LCDAs budget. • Review the LCDA's annual budget before submission and after approval by the National Treasury; • Review quarterly Financial Monitoring Reports (FMR); • Review periodic operational budgets and financial statements; • Monitor the continuing efficacy of accounting and internal control; • Comply with the Government financial management regulations; • Monitor the performance of key finance and accounts staff against approved performance contracts; • Oversee the annual procurement plans including the externally funded projects; • Recruit and develop of staff of LCDA; • Monitor and appraise the performance of senior management, review human resource policies, determining the remuneration of senior management, and other staff. |

THE AUTHORITY'S

(e) Fiduciary Oversight Arrangements

The following fiduciary arrangements were in place during the 2023/2024 Financial Year

| COMMITTEE | MEMBERSHIP | RESPONSIBILITIES |
|-----------------|---|---|
| Audit Committee | <ul style="list-style-type: none"> • Jeremiah Apalia - Chairperson • Arch Shadrack Tulon - Member • Hon. Nasra Ibrahim - Member • Principal Secretary / Alternate -The National Treasury • Principal Secretary / Alternate -State Department of Energy • Dr. Dancun Hunda, alternate to PS Ministry of Transport • Principal Secretary / Alternate -State Department of Lands • DG Vision 2030 • Inspectorate,State Corporation • Mr. James Ogal, Head of Internal Auditor- Secretary | <ul style="list-style-type: none"> • Monitor the implementation of the risk management policy framework; • Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies, and externally funded projects' periodic review and supervision missions; • Oversee continuing efficacy of accounting and internal control standards, policies, and practices; • Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; and • Monitor the performance of key internal audit staff against approved performance contract |



ANNUAL REPORT AND FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 30TH, JUNE 2024

Entity Headquarters

P.O Box 45008-00100
Chester House, 2nd Floor,
Koinange Street
Nairobi, Kenya.

Entity Bankers

Kenya Commercial Bank
Moi Avenue Branch
P.O. Box 30081-00100
Nairobi, Kenya.

National Commercial
Bank of Africa (NCBA)
NCBA House, Masaba
Road
P.O Box 44599-00100
Nairobi, Kenya.

Independent Auditors

Auditor General
Office of Auditor General
Anniversary Towers
University way
P. O. Box 30084
GPO 00100
Nairobi Kenya

Entity Contacts

Telephone: (254)-02-20-2219098
E-mail: dg@LAPSSET.go.ke
Website: www.LAPSSET.go.ke

Entity Bankers

Co-operative Bank of Kenya
Parliament Road
P.O Box 5772-00200
Nairobi, Kenya.

CFC and Stanbic Bank
Lion Place, Waitaki Way
P.O Box 72833-00200
Nairobi, Kenya.

Principal Legal Adviser

The Attorney General
Office of Attorney General
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya



Hon. Ali Menza Mbogo Board Chairman

Hon. Ali Menza Mbogo serves as the Chairman of the Board of Directors of LCDA. He is a former member of Parliament; having represented Kisauni Constituency in the National Assembly and also served as a Member of Lands Committee in 12th Parliament.

In addition Hon. Mbogo served as the General Manager of African Gas and Oil Limited (AGOL) and was the Managing Director of One Petroleum Limited. Hon Ali Menza was also a Manager in Hydrocarbons and Economics at Kenya Petroleum Refineries Limited. He was a Director of Supply, Pricing and Operations at Pentoil Petroleum Limited as well as the Manager of Supply, Planning and Operations at Mafuta Products Limited.

Hon. Mbogo served at the position of Operations Manager at Somken Petroleum Company Limited and served as the Manager of Supply and Logistics, Engen (K) Limited.

A politician, public policy aficionado and an accomplished professional with over twenty-five years of diversified experience in technology, energy, oil, gas and petroleum



Mr. Mohamed Daghar

Principal Secretary, State Department for Transport in the Ministry of Roads and Transport

Mr. Mohamed Daghar is the Principal Secretary, State Department for Transport in the Ministry of Roads and Transport. He was appointed on 2nd November 2022. Mr. Mohamed is a holder of BA International Relations from United States International University, Kenya, Masters in Peace, Conflict and Development studies from Universität Jaume I, Spain.

As the Principal Secretary in charge of Transport, he is a member of the Executive Committee of the Northern Corridor Transit and Transport Coordination Authority (NCTTCA). He has wealth of experience in safety and security matters.



Mr. Alex K. Wachira

Principal Secretary of State Department for Energy



Mr. Alex K. Wachira is the Principal Secretary of State Department for Energy. He joined the State Department for Energy with a wealth of experience from the private sector where he worked variously as an investment banker. His latest assignment was with Faida Investment Bank where he traded and structured Treasury bonds and Corporate bonds at the Nairobi Stock Exchange (NSE). Other assignments include working with Dyer & Blair Investment Bank and Genghis Capital limited in the same capacity.

He was a founding member of the Bonds Market Association as well as a member of the Steering Committee of the Kenya Association of Stock Brokers and Investment Bankers (KASIB). His contribution to the Bond's market saw him being appointed to the Central Depository Project at the Central Bank of Kenya (CBK). In 2021, the project dealt in government securities worth 900 billion, the highest turnover ever in Kenya. He launched his career in the financial sector after participating in the issuance of the Safaricom IPO in 2008 where he interned.

He had prior completed a Bsc Degree course from the University of Nairobi. At Campus, he served as the Secretary General NUNSA and Treasurer for the Confederation of Medical Students Association. He is currently pursuing an MA in Leadership at Pan African Christian University. A strong believer in servant leadership through community engagement and development, in that position, the PS was able to spearhead initiatives such, as free medical camps for Cancer Screening, Tree planting, Youth Mentorship Programmes, and Sports Tournaments among others.

BOARD OF DIRECTORS



Dr. Chris K. Kiptoo, PhD, CBS

Principal Secretary, National Treasury

Dr. Chris Kiptoo is the Principal Secretary, National Treasury. He was appointed Principal Secretary on 1st December 2022. Dr. Kiptoo is the immediate former Principal Secretary, Ministry of Environment and Forestry. Before that, he also served as a Principal Secretary at the State Department of Trade, Ministry of Industry, Trade & Cooperatives.

Dr. Chris Kiptoo holds a Doctor of Philosophy Degree (PhD) in Finance (International Macroeconomics Finance specialization) from The Nairobi University, as well as a Master of Science (Ag. Economics) and Bachelor of Science (Ag. Economics) degree from Egerton University. In his working career, Dr. Kiptoo has acquired a rich wealth of experience in economic policy analysis, mainly gained at the Central Bank of Kenya, Capital Market Authority and the International Monetary Fund, where he has served in various capacities.

Additionally, Dr. Kiptoo has proven experience in environment and climate change policies, trade policy and regional integration, private sector development and advocacy, infrastructure development, institutional development of Government institutions and organisational management, all mainly gained at the Ministry of Environment and Forestry, State Department of Trade as well as Trade Mark East Africa. Noteworthy, he also has four years of experience in economic policy coordination gained while working at the then Office of the Prime Minister. He is an Accredited Fellow in Macroeconomic Management Macroeconomic & Financial Management Institute of Eastern & Southern Africa (MEFMI).





Arch. Shadrack Tulon

Board Member



Arch. Shadrack Tulon is the chairman of Lands Committee, He is also a principal of Tego Arch systems. He is a registered architect with the Board of Registration of Architect and Quantity Surveyors (BORAQS) as a member of the Architectural Association of Kenya. Arch. Shadrack holds a Bachelor of Architecture (Hons) from Jomo Kenyatta University of Agriculture and Technology. In 2014-2016 was a chairman of Uasin Gishu county management Board NLC (National land commission)

Jeremiah Apalia Lomari

Board Member

Jeremiah Apalia Lomari is the Chairman of Audit Committee. He was the Chief officer in the office of the Governor where he was incharge of developing county profiles and coordinating county development programmes/activities. He previously worked as an Economic Advisor. He holds a masters of arts in economics at university of Nairobi as well as bachelor of arts Economics and statistics from Egerton university. His objective is to be a distinguished economist in policy formulation, budgeting and planning various aspects of the economy



BOARD OF DIRECTORS



Mr. John Ololtuaa

Principal Secretary of State Department for Tourism i

Mr. John Ololtuaa is the Principal Secretary of State Department for Tourism in the ministry of Tourism, Wild Life, Culture and Heritage. He is in charge of Tourism Promotion, policy formulation, and Development of the Tourism industry in Kenya. He is a transformative leader who believes in the ideals of strategic management and high standards of professionalism, transparency, integrity, and accountability. He holds Bachelor of Education (Arts) Degree and a Masters Degree in Education Administration both from Kenyatta University.



ABDIKAHIYA NOOR MAALIM

Board Member

Mr Abdikahiya Noor is a member of the Committee on Finance Administration and Human Resource Management appointed on 10th March 2023.

He is a Managing Director of Salan Company Limited, before he was a manager Uptown Food Limited.

BOARD OF DIRECTORS



Hon. Anwar Loitiptip

Board Member

Hon. Anwar Loitiptip is the Chairman Committee on Finance Administration and Human Resource Management. He was a Senator for Lamu County. He is also a senior consultant at Maritime and Blue Economy. He holds Bachelor's Degree in international tourism and hotel management, at Kampala International university in he as well practiced practical science at University of Nairobi.

Hon. Nasra Ibrahim Ibren

Board Member

Nasra Ibrahim Ibren, is the Chairperson of planning and Strategy Committee, she holds a global executive Masters in business administration from the United States international university-Africa and a masters from Khartoum International institute of Arabic language. Ms Ibren served as a none executive director at Kenya Reinsurance corporation and Ewaso Nyiro north development authority between 2013- 2017 and prior to that she held various management position in the education sector. She is Known for mentoring, guiding and counselling young girls in her community She has successfully supported empowerment projects, linking women and youth groups to development funds from the government and encouraging them to set up sustainable businesses.



BOARD OF DIRECTORS



Stephen Ikua

DIRECTOR GENERAL/CEO

He is the Director General/CEO & Secretary to the Board of Directors. Until his appointment to LCDA, Mr. Ikua had served as the in-charge of Administration for the East African Community and Liaison officer for South Sudan relations. Previously he had served as the Project Manager for Thwake Dam Multi-purpose project and saw towards its inception.

He has a vast experience in Governance, Security and Development and in his line as an administrator he served in all the Counties relating to the LCDA project.

He is a seasoned Public servant who holds an MBA- alongside other courses attained locally and internationally.



MANAGEMENT TEAM



Stephen Ikua
DIRECTOR GENERAL/CEO

Holds Masters Degree in Business Administration
Has Over 32 years in the Public Service.



Bernard Oluoch
Manager, Finance and Accounts

Holds MSC- Finance & Investment and CPA (K)
Has Over 17 years of experience



Benjamin Mutea
Supply Chain Manager

Holds BA (Economics) and CIPS (UK)
Has Over 18 Years of Experience



Brian James Ogal
Head of Internal Audit

Holds MBA- Finance and Project Management
Has Over 16 years of experience



Benson Thuita
Head of Corporate Affairs

Holds BA (Communications)
Has Over 13 years of Experience

CHAIRMAN'S STATEMENT

“ Implementing and operating the LAPSSET Corridor continue to contribute to realization of the Bottom-up Economic Transformation Agenda (BETA) objectives.

INTRODUCTION

I am pleased to present the Annual Report and Financial Statements of the LAPSSET Corridor Development Authority for the Year ending 30th June 2024. The Authority acknowledges the important responsibility it is entrusted with both at regional and national levels towards the delivery of the LAPSSET Corridor Program. Thus, the Board and Management firmly remains committed in fulfilling the Authority's mandate. The Annual Report and Financial Statements report reflects the Authority's successes and challenges in implementing its mandate for the period under review.

PROGRESS OF THE LAPSSET CORRIDOR PROGRAM

During the period under review, the Authority focused on ensuring optimal operation of completed LAPSSET Corridor Program. Importantly, sourcing and installation of 3 ship-to-shore (STS) gantry cranes was completed to support the operations of the 1st 3 berths of the Lamu Port. LCDA continued to coordinate the construction of horizontal land bridge, that is, Lamu-ljara-Garissa (250Km) road and Garissa-Kulamawe -Isiolo (288Km) road to provide a cargo evacuation system to the Lamu Port which achieved 87% and 32% completion on gravel standard. Moreover, the Authority inspected, surveyed and valued 597 acres of the Lamu Special Economic Zone (SEZ) and opened it up by constructing 17.5km of gravel road network.



Land ownership inquiries for 824km between Lokichar Oil Fields and Lamu Port; and Lamu SEZ remains significant tasks in the subsequent financial years. The Authority endeavour to implementing this target should budget allow.

The progress made in the implementation of the LAPSSET Corridor Program since inception have generated momentum which provides a robust framework for initiating the development of the next critical components. The citizens have started witnessing outcomes of the decision of the Government of Kenya to deeply ingrain the LAPSSET Corridor Program in Kenya's Vision 2030. Certainly, the Program indisputably stands as the most ambitious endeavour in pursuit of a middle-income Kenya as it aims to open up hitherto 70% of Kenya.

CHAIRMAN'S STATEMENT



More fundamentally, implementing and operating the LAPSSET Corridor continue to contribute to realization of the Bottom-up Economic Transformation Agenda (BETA) objectives, which are: bringing down the cost of living, eradicating hunger, creating jobs, expanding the tax base, improving foreign exchange balances and inclusive growth. These objectives are to be achieved vide targeted investments in Agriculture; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; Digital Superhighway and Creative Economy.

STAKEHOLDER ENGAGEMENT

During the period under review, the Board continued its active engagement with various stakeholders to ensure a collaborative and “whole team approach” in the implementation and operation of the LAPSSET Corridor. Undeniably, strengthened stakeholder engagement especially with impacted county governments, partner government agencies, development partners and counterpart agencies in Ethiopia and South Sudan have positively impacted feedback loops.

the technical assistance of TradeMark Africa led to first shipment of 60,000 metric tons of fertilizer cargo via Lamu Port by the Government of Ethiopia on pilot basis. The Board also undertook engagements with County Governments of Lamu, Garissa, Meru, Turkana and Isiolo of harmonization of development plans, joint development of new plans and land acquisition for LAPSSET Corridor components.

During the financial year under review, the Authority strengthened partnership with various development partners including United Nations Economic Commission for Africa (ECA), TradeMark Africa and Afri-Fund Investment Limited on technical assistance on various components of the LAPSSET Corridor Program.



CHAIRMAN'S STATEMENT

PREPARATION OF REGIONAL COORDINATION FRAMEWORK

With technical assistance from Economic Commission for Africa (ECA), Ethiopia, Kenya and South Sudan via a Joint Technical Committee (JTC) progressed the establishment of LAPSSET Regional Coordination Mechanism. During the period under review, LAPSSET Regional Coordination Structure including units and Terms of Reference of Council of Ministers, Executive Board, LAPSSET Corridor Regional Coordination Authority (LCRCA), and Specialised Committees.

The Specialized Committees proposed under framework are: Customs, Trade, and Transport Committee; Infrastructure Development Committee; Economic Development Committee; LAPSSET Business Council; LAPSSET Media Network; and Security, Legal and Foreign Affairs Committee.

Thus far, the Republic of Kenya is set to convene and host the 4th LAPSSET Ministerial Council meeting on 21st and 22nd August 2024

The JTC has recommended that Heads of State Summit on the LAPSSET Corridor Program be held immediately after. The summit will provide an opportunity to jointly commission the 1st 3 berths of Lamu Port and renew commitment in the implementation of the LAPSSET Corridor Program by member states at political level.

IMPLEMENTATION OF PRESIDENTIAL DIRECTIVES

In furtherance of the Government's Initiative of planting 15 billion trees by 2032, the Authority participated in various National Tree-Growing and Restoration Campaigns, result of which the Authority managed to plant 14,820 trees.

The benefits of this noble programme are manifold: reducing greenhouse emissions, stopping and reversing deforestation restoring 5.1 million hectares of deforested and degraded landscapes through the African Landscape Restoration Initiatives launched on 22nd December 2022.

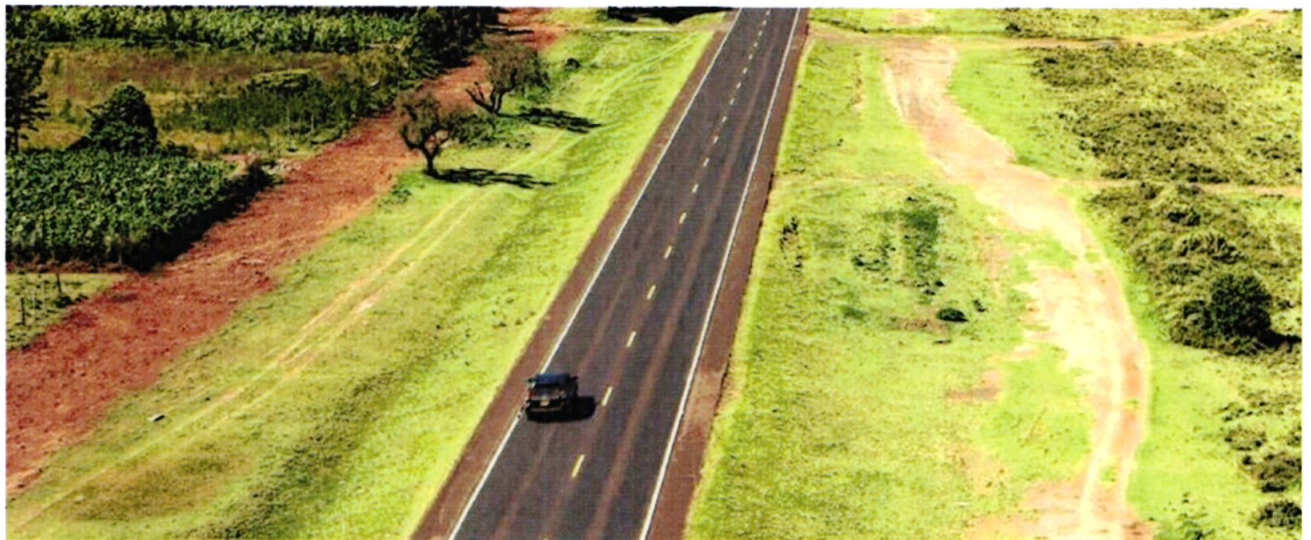
ORGANISATIONAL PROCESS ASSETS

In the financial year under review, the Authority the Board finalized the development of Strategic Plan 2023-2027; Risk Management Policy Framework; and review Human Resource Instruments including Organisation Structure and Staff Establishment; Career Guidelines; and Human Resource Policy and Procedure Manual. These organizational process assets express the Authority's commitment to enhancing a culture of good governance, risk-awareness and compliance with regulations across various functions.

CHALLENGES

The Authority faced challenges while planning, coordinating and sequencing this initiative which shall transcend generations. Despite many benefits, the delivery of the LAPSSET Corridor Program components has been slower than expected mainly due to the limited budgetary resources. As a Board, we call for a concerted approach to the implementation of the Program. The foregoing notwithstanding, the Board looks forward to continue supporting the Management to develop strategies that will enhance resource mobilization, increase stakeholder engagement, promote the competitiveness of the LAPSSET Corridor and enhance the institutional capacity of the Authority.

CHAIRMAN'S STATEMENT



APPRECIATION

On behalf of the Board, I take this opportunity to convey our heartfelt gratitude to the Management and Staff of LCDA for their unwavering commitment to the delivery of the dream of the LAPSSET Corridor Program. Equally, we salute the Ministry of Roads and Transport, the implementing Ministries, Departments, and Agencies (MDAs) and the development partners for their continued support towards the success of the LAPSSET Corridor Program. We look forward to a continued mutual collaboration.

Once again, it brings me immense happiness to present the Authority's Annual Report for the Financial Year 2023/2024. May God bless you all.

A handwritten signature in blue ink, appearing to read 'Ali Menza Mbogo'. The signature is fluid and cursive, with a prominent initial 'A'.

Hon. Ali Menza Mbogo, HSC
LCDA BOARD CHAIRMAN

REPORT OF THE CHIEF EXECUTIVE OFFICER

“ The LAPSSET Corridor Program stands as a pivotal catalyst in the pursuit of the Kenya Vision 2030 and the Bottom-Up Economic Transformation Agenda (BETA).



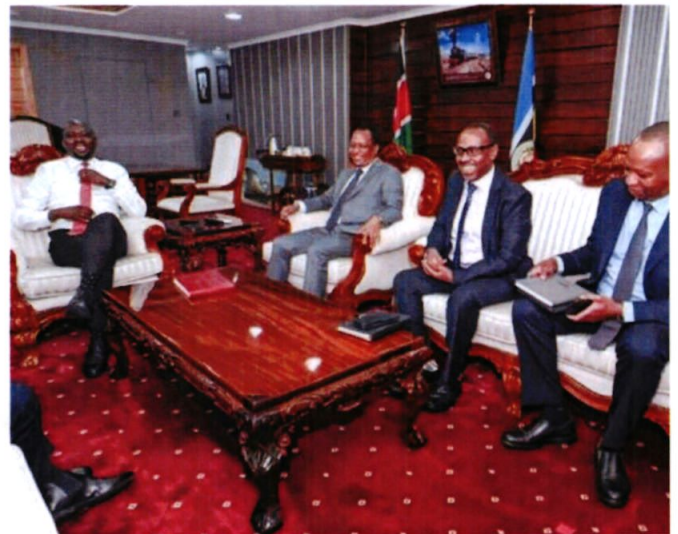
INTRODUCTION

The LAPSSET Corridor Program as flagship programme under the Kenya’s Vision 2030, undeniably stands as a substantial initiative in pursuit of Kenya as middle-income country. Strategically, the program aims to open up hitherto 70% of Kenya through transport and logistics infrastructure, industrial development and support to compelling and sustainable tourism circuits. Aligning with the priorities in the 4th Medium Term Plan (MTP) IV and core pillars of Bottom-Up Economic Transformation Agenda (BETA) which are: Agriculture; Micro, Small and Medium Enterprise (MSME) Economy; Housing and Settlement; Healthcare; Digital Superhighway and Creative Economy, the Authority has prepared its Annual Report and Financial Statements for the Financial Year 2023/2024. This report captures an overview of various programmes, projects and priorities implemented by the Authority during the period under review.

More fundamentally, the report has been prepared in compliance with the Constitution and Section 81(1) of the PFM Act, 2012. The statements have been prepared in accordance with the standards set out by the Public Sector Accounting Standards Board (PSASB) and the international Public Sector Accounting Standards (IPSAS) both of which prescribe the principal of Accrual basis of accounting.

IMPLEMENTATION OF THE LAPSSET CORRIDOR PROGRAM

During the financial year, the Authority remained steadfast in fulfilling its designated mandate, in accordance with the vision outlined in its Strategic Plan 2023- 2027. The Authority played a fundamental role in implementing the LAPSSET Corridor Program as follow.



REPORT OF THE CHIEF EXECUTIVE OFFICER

A) Lamu Port

During the financial year under review, 3 ship-to-shore (STS) gantry cranes were delivered and installed at Lamu Port as vital equipment for operation of the 1st 3 berths. The installation of STS signals operational readiness of the port. Truly, successful delivery of STS demonstrates firm commitment of the Government of Kenya to realize the objectives of the LAPSSET Corridor Program. Other port equipment delivered to the port include forklifts, 3 mobile harbor cranes, tag boats, 2 watertight grabs.

Simultaneously, baseline survey on the development of a water desalination plant to ensure efficient supply of water to the port and surrounding environment commenced during the period under review.



Additionally, the Authority progressed the Comparative and Demand Analysis Study, development of a Marketing Strategy, development of Infrastructure Sequencing Plan and Utility Requirements Study for the Port of Lamu. Concurrently, the development of a Communication Strategy was progressed via Transaction Advisory Services.

The benefits of this noble programme are manifold: reducing greenhouse emissions, stopping and reversing deforestation restoring 5.1 million hectares of deforested and degraded landscapes through the African Landscape Restoration Initiatives launched on 22nd December 2022.

B) LAPSSET Highways

In the period under review, the Authority continued to oversee, coordinate, and monitor the construction of road projects, including stage upgrading of Lamu-Ijara-Garissa (250Km) Road and Garissa-Isiolo (288Km) Road. The Authority also continued to mobilise resource for the construction of Isiolo-Lokichar (368Km) Road.

The completion of works on these road sections will establish a seamless and vital link, facilitating unhampered transportation and logistics of cargo to and from Lamu Port.

C) Crude Oil Pipeline

Preparatory activities for the Crude Oil Pipeline, such as feasibility studies, Front End Engineering Designs (FEED), and Environmental and Social Impact Assessment (ESIA) have been successfully finalized. During the period under review, the Authority actively engaged in land acquisition process including land ownership inquiries for 824Km by 500m from Lokichar Oil Field to Lamu Port. Plans for ownership inquiries for within Lamu and Samburu counties have been scheduled for the financial year 2024/2025.

REPORT OF THE CHIEF EXECUTIVE OFFICER

D) Lamu Special Economic Zone

Lamu Special Economic Zone (SEZ) is a fundamental facet in the promotion of competitiveness and use of the LAPSSET Corridor for goods and people. In the period under review, the Authority together with relevant stakeholders undertook inspection, survey and valuation of 597 acres of land. This exercise underscored a far-sightedness which underpins the project's inception. A Draft Land Use Plan, Part Development Plan and Plan Layout were also prepared during the period under review.



Furthermore, the Authority prepared land acquisition plan including ownership inquiries and issue of awards in financial year under review. The land acquisition plan was submitted to the National Land Commission (NLC) to initiate publication of intention to compulsorily acquire the land parcel. This signals an initiation of a transparent legal process which serves as a groundwork for participatory approach of all stakeholders.

Lastly, during the period under review, the Authority open up the Lamu Special Economic Zone by constructing 17.5km of gravel road network.

E) Stakeholder Engagements

Stakeholder engagement lies at the heart of the Authority for acceptance and ownership of the LAPSSET Corridor Program. The Authority continue to create collaborative working relationship and open dialogue with implementing MDAs, County Governments, Development Partners, member states and Project Affected Persons (PAPs). During the period under review, the Authority engage the County Government of Lamu, Garissa, Isiolo, Turkana and Meru; TradeMark Africa, United Nations Economic Commission for Africa (ECA), Ethiopian Maritime Authority (EMA) and Directorate of Road and Safety in the Ministry of Transport of South Sudan.

These stakeholder engagements, resulted into 60,000 metric tons of fertilizer cargo being imported via the Lamu Port by the Government of Ethiopia during the period under review. Equally, through a Joint Technical Committee (JTC) made up of Kenya, Ethiopia and South Sudan, the establishment of the LAPSSET Regional Coordination Structure, that is, Council of Ministers, Executive Board, LAPSSET Corridor Regional Coordination Authority (LCRCA), and Specialised Committees were proposed and adopted.

Moreover, continued interaction with ECA and TradeMark Africa has improved collaboration with both Ethiopia and South Sudan in the implementation and operation of the LAPSSET Corridor. By actively involving stakeholders, there is shared ownership and support of the LAPSSET Corridor Program.

REPORT OF THE CHIEF EXECUTIVE OFFICER

REGIONAL COORDINATION FRAMEWORK

The establishment of a Regional Coordination Framework emerges as a foundation for a seamless and integrated LAPSSET Corridor and serves as a collaborative mechanism to manage and coordinate the cross-border components among the partner states of Ethiopia, Kenya, and South Sudan. So far three (3) Regional Ministerial Meetings has been convened which is a demonstration of commitment towards fostering collaboration in the implementation of the LAPSSET Corridor Program. Additionally, 3 JTC meetings were convened during the period under review. As result, a structure of LAPSSET Regional Coordination has been proposed, draft legal instrument to operationalize the structure has been prepared and presented to representatives of member states.



Meeting with British High Commissioner to Kenya at Lamu Port.

In light of collective approach, the Authority chaired all the session of the Joint Technical Committee where the 4th LAPSSET Regional Ministerial Council meeting and Heads of State Summit have set to take place from 21st to 23rd August 2024 in Lamu, Kenya. Actually, the LAPSSET Regional Coordination Framework

resonates as a demonstration to the power of collective vision, bridging nations and driving the LAPSSET Corridor Program toward a future of shared prosperity.

FINANCIAL PERFORMANCE

During the period under review, the Authority received exchequer funding of Kshs.620,800,000 for recurrent expenditure and ksh.100,000,000 grant for development. Additionally, Kshs 20,000,000 grant funding from NEPAD-IPPF Fund was absorbed under the African Development Bank (AfDB), for the Transaction Advisory consultancy services for Lamu Port and Lamu Special Economic Zone (SEZ). The funds were utilized in undertaking the operational activities of the Authority. These included the coordination of Inter-Agency Technical Meetings, Land Acquisition, construction of 17.5km of gravel road with Lamu SEZ and Stakeholder Consultations and Community Engagements, preparation of the Regional Coordination Framework, Monitoring and Evaluation of ongoing projects, Institutional Strengthening, Promotion and Publicity of the LAPSSET Corridor Program and Transaction Advisory Services.



REPORT OF THE CHIEF EXECUTIVE OFFICER

INSTITUTIONAL PERFORMANCE MANAGEMENT

During the FY 2023/24, the Authority entered into a Performance Contract (PC) with the Ministry of Roads and Transport with a commitment to achieve set targets. During the same period, Public Service Performance Monitoring and Management Unit (PSPMMU) evaluated our Performance Contract of the FY 2022/2023, and we attained a composite score of 3.4758, which translate to a rating of Good. We look forward to a better performance.

On staff productivity, the Authority implemented a performance management system that ensured every staff set targets at the onset of the year and eventually appraised by close of the year. Further, the Authority established a Committee on Employee Performance Management to support on performance management.

CORPORATE PLANNING

The Authority formulated a five-year Strategic Plan 2023-2027, that identified five key Strategic Goals: Enhance Resource Mobilization, Increase Stakeholder Engagement and Collaboration, LAPSSET Corridor Competitiveness, Spatial Development Frameworks for LAPSSET Corridor Program and Enhance Organization Capacity. The goals align with the National Development Plans of Vision 2030, the Fourth Medium Term Plan (MTP IV) and the Bottom-Up Economic Transformation Agenda.

APPRECIATION

The remarkable progress we see today is a testament to the unwavering commitment of a diverse range of stakeholders. On behalf of the management team, I extend my deepest gratitude to our stakeholders, clients, service providers, the National and County Governments, and the various MDAs that have contributed to the successful implementation of the LAPSSET Corridor Program. I also wish to express my heartfelt appreciation to the entire staff community for their steadfast support throughout the year.

I would also like to offer my sincere thanks to our development partners for their invaluable contributions. The milestones we have reached are truly commendable, and the potential for future success is immense. We must continue to uphold our unwavering belief in transformation, ensuring that it endures for the benefit of both present and future generations. Let us remain steadfast in our dedication to this mission as we continue to reshape Kenya and the wider region, creating a lasting legacy that will echo through time.



Stephen Ikua, MBS
DIRECTOR GENERAL/CEO

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

The LAPSSET Corridor Development Authority has 4 Strategic themes within the current Extended Strategic Plan for the FY 2023 -FY 2024. These strategic themes are as follows:

1. LAPSSET Corridor Program Development
2. Resource Mobilization
3. Promotion and Publicity of the LAPSSET Corridor
4. Institutional Capacity Development

The LAPSSET Corridor Development Authority develops its annual work plans based on the above 4 Key Result Areas. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The LAPSSET Corridor Development Authority achieved its performance targets set for the FY 2023-2024 period for its 4 Key Result Areas, as indicated in the diagram below:

| Key Results Areas | Objective | Key Performance Indicators | Activities | Achievements |
|-------------------------------|---|----------------------------------|--|---|
| LAPSSET Corridor Coordination | To Coordinate Implementation of the LAPSSET Corridor Components | LAPSSET Corridor Progress Status | Co-ordinate implementation of LAPSSET Corridor | <ul style="list-style-type: none"> • Operationalization of the three berths of Port of Lamu. (Delivery of 3 STS cranes) • Negotiated with the Govt. of Ethiopia to import fertilizer through the Port of Lamu. One shipment of 60,000 MT of fertilizer received thus far. • Inspection, preliminary survey and valuation of 597 Acres part of the proposed land for the Lamu Special Economic Zone. • Joint Monitoring and inspection of the LAPSSET Corridor with NEPAD/APRM/KEN HA, KPA |

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

| Key Results Areas | Objective | Key Performance Indicators | Activities | Achievements |
|-------------------------------|--|--|--|--|
| LAPSSET Corridor Coordination | To Undertake Stakeholder Engagement and Collaboration | No. of Engagement Meetings | Engage all stakeholders | <ul style="list-style-type: none"> • Convening quarterly Inter-Agency Technical Committee Meetings. • Co-ordinating the establishment of the Regional Coordination Framework to operationalize an Umbrella Body. • Convening Public Consultation forums with County Governments and Elected Leaders. |
| Resource Mobilisation | To mobilize resources for the implementation of LAPSSET Corridor Program | Mapping of Development Partners (including preparing of concept notes on investments) Reviewing and appraising of investment Proposals. Promoting investment Opportunities to prospecting investors. | Mapping of Development Partners (including preparing of concept notes on investments) Reviewing and appraising of investment Proposals. Promoting investment Opportunities to prospecting investors. | <ul style="list-style-type: none"> • Absorption of ksh.20, 000,000 NEPAD-IPPF grant from the African Development Bank towards Transaction Advisory consultancy services for the development of Lamu Port and Lamu SEZ. • Mobilizing Support from the United Economic Commission for Africa towards hosting of the 4th Ministerial Conference in August 2024. |

STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

| Key Results Areas | Objective | Key Performance Indicators | Activities | Achievements |
|--|--|--|--|---|
| | | | | <ul style="list-style-type: none"> • Mobilization of exchequer funding for the construction of various road components and sourcing of equipment for the Port of Lamu. • Mobilizing funds for development of 17.5 km (gravel) road network within Lamu SEZ |
| Promotion and Publicity of the LAPSSET Corridor. | To Promote LAPSSET as a Preferred Investment and Transport Corridor in the Region. | No. of Investments attracted to the Corridor. | Promoting LAPSSET as a Development Corridor. | <ul style="list-style-type: none"> • Promoting LAPSSET Corridor investment Opportunities in both Domestic and international Conferences. • Actively participating in cultural events and investment forums organized by the LAPSSET Counties. • Conducting guided tours of the port of Lamu to visiting dignitaries and prospective investors. |
| Institutional Capacity Development | To establish an efficient and motivated workforce | No. of Initiatives Implemented to improve productivity | Implementing institutional Establishment to enhance capacity in the Authority. Training and equipping staff with skills. | <ul style="list-style-type: none"> • Facilitated training of 80 staff members on Introduction to Public Service at the Kenya School of Government. • Implemented a performance management system for staff. |

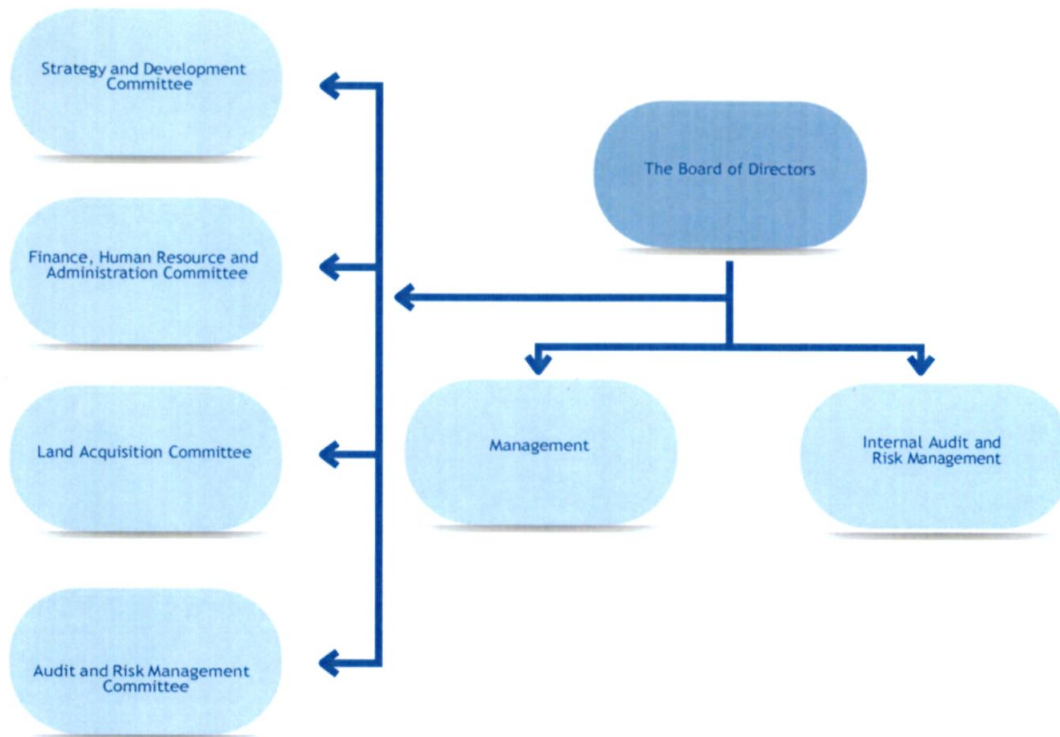
STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2023/2024

| Key Results Areas | Objective | Key Performance Indicators | Activities | Achievements |
|------------------------------------|-----------|----------------------------|------------|--|
| Institutional Capacity Development | | | | <ul style="list-style-type: none"> • Developed a productivity mainstreaming strategy. • Facilitated training of some staff on supervisory skills development course and senior management courses. |



CORPORATE GOVERNANCE STATEMENT

The Board is committed to ensuring that the Authority is professional, transparent, and accountable and further upholds high levels of integrity. The principles and standards adhered to by the Board conform to guidelines and code of governance issued by the State Corporations Advisory Committee and other governance institutions. The LCDA governance structure is summarized in the figure below.



THE BOARD AND MEMBERS PERFORMANCE

The Board consists of thirteen directors including the Chairman and the Secretary (Chief Executive Officer) out of whom five are independent (non-executive). The Board also co-opted three members from implementing Ministries including State Department for Investment Promotion, National Land Commission and Vision 2030 Secretariat. The composition brings together representatives of the implementing agencies and Independent Directors with a good mix of skills, experience and proficiencies in various fields. The Director General/CEO is the Secretary to the Board.

The Directors are independent of Management and their role is to provide leadership and stewardship for effective execution of the Authority's objectives and strategies. The Directors oversee the operations of the management through constructive advice and consistently engaging the management on agreed parameters within the strategic framework set by the Board. The Director General/CEO is responsible to the Board and takes responsibility for the effective and efficient running of the Authority on day-to-day basis.



MEMBERSHIP OF THE BOARD COMMITTEE

During the Financial Year under review, the following Board Committees were operational and their composition is presented in the matrix below: -

| Name | Finance, HR & Administration | Strategy and Development | Land Management & Stakeholder Engagement | Audit & Risk Management |
|--|------------------------------|--------------------------|--|-------------------------|
| Arch. Shadrack Tulon | | | ✓ | ✓ |
| Hon. Anwar Loiptip | ✓ | | ✓ | |
| Jeremiah Apalia Lomari | | ✓ | | ✓ |
| Hon. Nasra Ibrahim Ibren | ✓ | ✓ | | |
| Abdikahiya Noor Maalim | ✓ | | ✓ | |
| Anthony Nderitu-Alternate to PS the National Treasury | ✓ | | | ✓ |
| Wycliffe Ogalo, CBS-Alternate to PS Ministry of Energy | | ✓ | | ✓ |
| Dr. Duncan Hunda - Alternate to PS State Department for Transport | ✓ | ✓ | | |
| Munyithya Kimwele-Alternate to PS State Department of Tourism | | | ✓ | |
| Beverly Opwora-Alternate Member to PS Internal Security & National Affairs | | ✓ | | ✓ |
| Nevis Ombasa-Office of the Attorney General and Department of Administrative Justice | | | ✓ | |

The Director General/CEO is the Secretary to the Board Committees except in the case of Audit and Risk Management Committee where the Internal Audit Manager is the Secretary.

BOARD MEETINGS

The Board and Committees meet regularly in accordance with business requirements. All the Directors participate in discussing matters tabled before the Board and Committees on Strategy, Operations, Financial position, Risk Management, Performance and Policies. Committees' deliberations are presented to the Board for review and adoption. During the Financial Year, the following matrix presents the Board meetings that took place and the attendance.

| Name | Dates | | | |
|--|-------------------|------------------|------------------|--------------------|
| | 20th JULY 2023 | 19TH OCT 2023 | 19TH JAN 2024 | 18TH APRIL 2024 |
| Hon Ali Mbogo | | ✓ | ✓ | ✓ |
| Arch. Shadrack Tulon | ✓ | ✓ | ✓ | ✓ |
| Jeremiah Apalia Lomari | ✓ | ✓ | ✓ | ✓ |
| Hon Anwar Loiptip | ✓ | ✓ | ✓ | ✓ |
| Jeremiah Apalia Lomari | ✓ | ✓ | ✓ | ✓ |
| Hon Nasra Ibrahim Ibren | ✓ | ✓ | ✓ | ✓ |
| Abdikahiya Noor Maalim | ✓ | ✓ | ✓ | ✓ |
| Stephen Ikua | ✓ | ✓ | ✓ | ✓ |
| Dr. Duncan Hunda-Alternate Member to the PS State Department for Transport | ✓ | | ✓ | |
| Festus King'ori-Alternate member to PS for The National Treasury | ✓ | ✓ | | |
| Anthony Nderitu-Alternate Member to PS for The National Treasury | | | ✓ | |
| Wycliffe Ogalo, CBS-Alternate Member PS State Department of Energy | ✓ | | | |
| Munyithya Kimwele - Alternate Member PS State Department for Tourism | ✓ | | ✓ | ✓ |

ROLES AND FUNCTIONS OF THE BOARD

The Board's principal duty is to provide leadership in the delivery of the LAPSET Corridor Program. Specific functions of the Board are as spelt out in the Establishing Legal Notice Section 9 (a-g). The Terms of Reference for the Board committees are developed and reviewed over time.

ROLES AND FUNCTIONS OF BOARD COMMITTEES

The Board Committees undertake functions and roles emanating from donated responsibilities and broadly aimed at enhancing the functions and roles of the Board. Specifically, the functions and roles are stipulated and elaborated in Terms of Reference (ToRs) for each Board Committee are as follow: -

| COMMITTEE | ROLES AND FUNCTIONS |
|---|--|
| <p>Strategy and Development Committee</p> | <ul style="list-style-type: none"> • Provide Direction and Guidance in the implementation of the LAPSET Corridor Program; • Provide Direction and Guidance in the development and implementation of the Strategic Plan of the Authority; • Provide Direction and Guidance in the development and implementation of the Board Charter; • Review of technical and policy documents including cabinet papers, board papers, Authority manuals, and Memorandums of Understanding (MoUs) addressing issues of technical nature; • To review and recommend for Board Approval the LCDA's Annual Work Plan to ensure that it is in line with the Strategic Plan and the Performance Contract; • Review and approve the LCDA's Resource Mobilization Strategy; • Review the Quarterly Reports on the Implementation of Strategic Plan activities to be submitted to the Cabinet Secretary, Ministry of East Africa Community; • Review collaboration activities and partnerships with other agencies; • Undertake annual progress review of the Strategic Plan; • Oversee the preparation of LCDAs Performance Contract. • Identify for inclusion in the Performance Contract targets for the Financial Year. • Participate in the vetting of the Performance Contract. • Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning. • Participate in the evaluation of the Performance Contract. |



ROLES AND FUNCTIONS OF THE BOARD



| COMMITTEE | ROLES AND FUNCTIONS |
|-----------|---------------------|
|-----------|---------------------|

Finance,
Human
Resource and
Administration
Committee

- Oversee the preparation of LCDAs budget.
- Review the LCDA’s annual budget before submission and after approval by the Treasury;
- Review quarterly Financial Monitoring Reports (FMR);
- Review periodic operational budgets and financial statements;
- Monitor the continuing efficacy of accounting and internal control;
- Comply with the Government financial management regulations;
- Monitor the performance of key finance and accounts staff against approved performance contracts;
- Oversee the annual procurement plans including the externally funded projects;
- Recruit and develop staff of LCDA;
- Monitor and appraise the performance of senior management, review human resource policies, determine the remuneration of senior management, and other staff.

Land
Acquisition
Committee

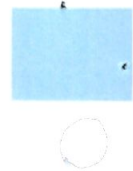
- Oversee the survey and mapping process for all the land falling within the LAPSET Corridor
- Oversee the Strategic Environmental Assessment process for the Corridor
- Review and guide measures put in place to sensitize the public on Land Acquisition for the Corridor and the compensation process.
- Develop a policy framework for compulsory land acquisition by engaging counties and other stakeholders.
- Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed.
- Guide the process of allocating land to the Authority
- Oversee the allocation of land to various users and/or investing firms ensuring that leases are issued to legitimate beneficiaries, and that they are only issued for the required time frame.
- Review the Administration of ground rent and demand notices



ROLES AND FUNCTIONS OF THE BOARD

| COMMITTEE | ROLES AND FUNCTIONS |
|--|--|
| <p>Audit and Risk Management Committee</p> | <ul style="list-style-type: none"> • Monitor the implementation of the risk management policy framework; • Monitor and ensure timely implementation of recommendations of various fiduciary oversight responsibilities, including internal and external auditors, Government project monitoring agencies and external funded projects' periodic review and supervision missions; • Oversee continuing efficacy of accounting and internal control standards, policies and practices; • Ensure compliance with legal covenants of Development Partners funding agreement on projects by them; • Monitor performance of key internal audit staff against approved performance contracts. |
| <p>Strategy and Development Committee</p> | <ul style="list-style-type: none"> • Provide Direction and Guidance in the implementation of the LAPSET Corridor Program; • Provide Direction and Guidance in the development and implementation of the Strategic Plan of the Authority; • Provide Direction and Guidance in the development and implementation of the Board Charter; • Review of technical and policy documents including cabinet papers, board papers, Authority manuals, and Memorandums of Understanding (MoUs) addressing issues of technical nature; • To review and recommend for Board Approval the LCDA's Annual Work Plan to ensure that it is in line with the Strategic Plan and the Performance Contract; • Review and approve the LCDA's Resource Mobilization Strategy; • Review the Quarterly Reports on the Implementation of Strategic Plan activities to be submitted to the Cabinet Secretary, Ministry of East Africa Community; • Review collaboration activities and partnerships with other agencies; • Undertake annual progress review of the Strategic Plan; • Oversee the preparation of LCDAs Performance Contract. • Identify for inclusion in the Performance Contract targets for the Financial Year. • Participate in the vetting of the Performance Contract. • Review quarterly and annual reports of the Performance Contract before submission to the Performance Contracting Division of the Ministry of Devolution and Planning. • Participate in the evaluation of the Performance Contract. |

ROLES AND FUNCTIONS OF THE BOARD



| COMMITTEE | ROLES AND FUNCTIONS |
|----------------------------|--|
| Land Acquisition Committee | <ul style="list-style-type: none">• Oversee the survey and mapping process for all the land falling within the LAPSSET Corridor• Oversee the Strategic Environmental Assessment process for the Corridor• Review and guide measures put in place to sensitize the public on Land Acquisition for the Corridor and the compensation process.• Develop a policy framework for compulsory land acquisition by engaging counties and other stakeholders.• Ensure that any land disputes arising from the acquisition of land along the Corridor are effectively addressed.• Guide the process of allocating land to the Authority• Oversee the allocation of land to various users and/or investing firms ensuring that leases are issued to legitimate beneficiaries, and that they are only issued for the required time frame.• Review the Administration of ground rent and demand notices. |

PROCESS OF APPOINTMENT AND REMOVAL OF DIRECTORS

The appointment of the Chairman and the Non-Executive Board Members is done by the President pursuant to the provision of the Authority’s establishing Legal Notice, 5(1) (a and g(i-v)). The removal of the Directors is provided for under Section 11(1) (b and c(i-v)).

APPOINTMENTS AND RESIGNATIONS

During the year under review, there occurred changes in the LCDA Board of Directors: expiry of the term of Wycliffe Ogalo, CBS-Alternate member to PS Ministry of Energy and the consequent appointment of Esther Wang’ombe as the Alternate to the PS Ministry of Energy. There was also the appointment of Anthony Nderitu-Alternate member to the PS for National Treasury consequently replacing Festus King’ori.

BOARD REMUNERATIONS

The Directors are paid sitting allowances for every meeting attended. In addition, the Chairman is paid monthly Honoraria.

CONFLICT OF INTEREST

Directors have a statutory duty to disclose any situations which may give rise to conflict of interest in executing their mandate in the Authority. The Directors have signed a Code of Governance committing to disclose any conflict of interest which may arise.



MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Authority's Operational and Financial Performance

During the current Financial Year, the Authority's approved Budget was Kshs. 700.80 Million (Exchequer funding) out of which Kshs. 620.80 Million was meant to cater for Recurrent Expenditure and Kshs. 80.00 Million towards Development/Capital Expenditure. In addition, the Authority was allocated Kshs. 20 Million by the African Development Bank (AfDB) to facilitate the Transaction Advisory Services. This is a Grant under the NEPAD Infrastructure Project Preparation Facility (IPPF) Fund for Technical Assistance towards the development of the Port of Lamu and Lamu Special Economic Zone (SEZ).

The recurrent funds received during the year under review facilitated:

- i. Undertaking of coordination services towards implementation of the LAPSSET Corridor Program;
- ii. Baseline survey on the development of water desalination plant in Lamu
- iii. Stakeholder engagement activities;
- iv. Inspection, survey and valuation of 597 acres of land in Lamu SEZ
- v. Comprehensive Strategic Plan review purposely to align with Medium Term Plan IV;
- vi. Coordination of establishment of the institutional regional coordination framework.
- vii. Investor priming and Fund Mobilization Activities; and
- viii. Institutional strengthening activities.

The development allocation was set aside to facilitate feasibility studies for the Special Economic Zones. However, the allocation was 100% rationalized during supplementary 01 in line with the government drive towards achieving a sustainable fiscal deficit. On the other hand, the Authority secured a funding of Kshs. 100 Million during the same budget revision period towards gravelling of 17.5 Km feeder road within Lamu SEZ. The contract for the project was awarded and works are ongoing awaiting completion certificates for payment. Moreover, the Transaction Advisory services earmarked for implementation in current financial year are specific studies and plans aimed at enhancing the competitiveness of the port of Lamu. They include:

- i. Marketing strategy;
- ii. Communication strategy;
- iii. Utility requirement study
- iv. Infrastructure sequencing plan; and
Comparative and demand analysis

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A

The Authority's Operational and Financial Performance

All the studies are ongoing (one at inception report stage while the other three in stakeholder engagement stage awaiting draft and final reports) and are expected to be completed within the first half of the next Financial Year, 2024/2025.

Generally, the Authority has realized an upward budget growth over the last three financial years and is expected to continue in the subsequent financial years as shown in the Table 2. This is attributable to steps being undertaken by the Authority towards strengthening the budgeting process, implementation of its mandate and record of effective utilization of the limited resources.

Year Review of the Authority's Financial Performance. Figures in 'Millions'

| Financial Year | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
|----------------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | | | | | |
| Government Transfers - Recurrent | 330.60 | 307.00 | 452.30 | 541.50 | 620.80 |
| Donor Receipts | 50.13 | 10.70 | - | - | - |
| Amortized Capital Grants | 4.59 | 2.68 | 2.68 | - | - |
| Conditional Grant - GOK | - | - | - | 60.00 | 100.00 |
| Other Income | 0.30 | 0.48 | 0.07 | - | - |
| Total Revenue | 385.62 | 320.36 | 456.18 | 601.50 | 720.80 |
| Expenses | | | | | |
| Personnel Emoluments | 116.18 | 235.59 | 283.21 | 315.85 | 397.69 |
| Board Costs | 10.00 | 20.33 | 11.42 | 13.18 | 20.28 |
| Grants and Subsidies | 15.01 | 0.24 | - | - | - |
| Depreciation | 9.37 | 18.27 | 21.14 | 20.93 | 15.07 |

MANAGEMENT DISCUSSION AND ANALYSIS

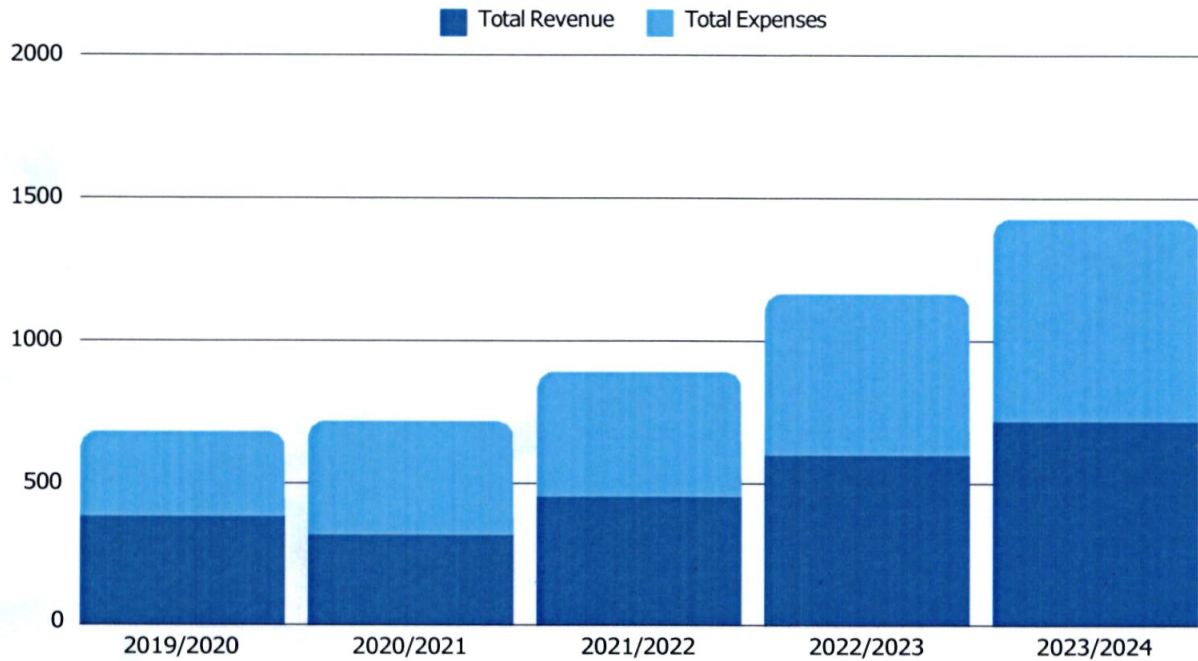
Year Review of the Authority's Financial Performance. Figures in 'Millions'

| Financial Year | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
|--------------------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | | | | | |
| Other operating expenses | 148.31 | 124.68 | 122.75 | 216.93 | 176.70 |
| Capital Expenditure | - | - | - | 60.00 | 100.00 |
| Total Expenses | 298.87 | 401.51 | 438.52 | 566.89 | 709.74 |
| Funds absorption | 77.50 | 125.33 | 96.13 | 94.25 | 98.47 |

Graphical Representation of 5-Year Financial Performance

| Financial Year | 2019/2020 | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
|----------------|-----------|-----------|-----------|-----------|-----------|
| Total Revenue | 385.62 | 320.36 | 456.18 | 601.50 | 720.8 |
| Total Expenses | 298.87 | 401.51 | 438.52 | 566.89 | 709.74 |

Graphical Representation of 5-Year Financial Performance



SECTION B

Authority's Compliance with Statutory Requirements

Authority embraces good governance and had structured its operations guided by Public Procurement and Disposals Act, Public Finance Management Act and Circulars. Based on that, the Authority does not envisage encountering contingent liability.

SECTION C

Key Projects Implemented or Ongoing

The Authority has undertaken/coordinated the implementation of the following key projects/activities:

- i. Operationalization of the first berth of the Port of Lamu and Completion of Berths 2 and 3.
- ii. Transaction Advisory (TA) for the Port of Lamu and Special Economic Zone Land Acquisition for the Project Components
- iii. Stakeholder engagements with the County governments, National government and the Partner States
- iv .The Authority coordinated the Front-End Engineering Designs (FEED) and the Environmental and Social Impact Assessment (ESIA) study for Crude Oil Pipeline.

MANAGEMENT DISCUSSION AND ANALYSIS

SECTION C

Key Projects Implemented or Ongoing

Some of the key projects LCDA is planning to progress are follows: -

- i. Complete the TA for Port and SEZ;
- ii. Undertake the LAPSSET Corridor Master Plan with WWF;
- iii. Progress the land acquisition;
- iv. Feasibility studies for:
 - Crude Oil refinery
 - Fibre Optic cables
 - Resort Cities
 - Fishing Berth and Fish Processing Plant
 - Standard Gauge Railway
 - Lamu International Airport
 - Product Oil Pipeline
- v. Strategic Environmental Assessment for the Resort Cities
- vi. Resettlement Action Plan for the Lamu Special Economic Zone

SECTION D

Major Risks Facing the Authority

Financial Risks

The Authority's activities exposed to variety of financial risks such as credit and liquidity risks. The Authority regularly reviews its management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the direct supervision of the board of the directors. The board provides policies for overall risk management as well as policies covering specific areas such as credit risk and liquidity risk.

Credit Risks

Credit risk refers to the risk that counterparty will default on its contractual obligation resulting in financial loss to the Authority. Credit risk arises from bank balances, receivables and amount due from related parties. During the Financial Year, the Authority was not exposed to any credit risks.

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or at the risk of damaging the Authority reputation. The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity Risk

Liquidity risk is the risk that the Authority will not be able to meet its financial obligations when they fall due. The Authority's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, without incurring unacceptable losses or at the risk of damaging the Authority reputation. The Authority ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.

SECTION E

Material arrears in statutory /financial obligations

Authority limits its procurement of goods and services in accordance with its approved budget. However, due to operationalization of the port of Lamu and the port auxiliaries, the Authority incurred unforeseen costs resulting into pending bills.

SECTION F

The Authority's financial probity and serious governance issues

So far, the Authority has not encountered a situation which may give way to financial improbity or interfere with good governance.



ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

LCDA Environmental Policy Guidelines

LCDA prides itself in being committed to environmental protection and conservation. Borrowing from the principle of sustainable development and guided by the Environmental Management and Co-ordination Act (EMCA), 1999 among other local and international legislations including donors' conditions, LCDA ensures all its project activities undergo a process of thorough investigation to identify impacts they may have on the environment and social well-being and formulate mitigation measures that are necessary to avoid, minimize or offset predicted adverse impacts. Some tools used in this process include Environmental and Social Impact Assessment (ESIA), Environmental Audits (EA), Geographic Information Systems (GIS), Resettlement Action Plan, (RAP) and Indigenous People Plan (IPP).

LCDA fulfil its corporate responsibilities in environmental protection, loss reduction, effective use and recycling of resources, energy conservation, waste reduction, and prevention of environmental pollution throughout our organizational activities as well as cooperating with Environmental Agencies, Donors and the Public on programmes to protect the environment.

Key policies and governance approach

- Kenya has developed several national policies, legislation, regulations, and guidelines as legal instruments for governance in the conservation and management of the country's biodiversity. LCDA recognizes and follows the stipulated policies These include, among several others:
 - The National Wildlife Conservation Strategy, 2030;
 - National Wildlife Policy 2020, the Sessional Paper No. 1 of 2020;
 - Wildlife Policy, 2012; Wildlife Conservation and Management Act, 2013;
 - Wetlands Conservation and Management Policy, 2015;
 - Environment and Management Coordination Act, 1999;
 - Forest Conservation and Management Act, 2016.

In addition, Kenya has signed and ratified a number of biodiversity-related multi-lateral environmental agreements, including the Convention on Biological Diversity (CBD) . Various measures are in place in Kenya which support the implementation of the CBD Strategic Plan. These include

- The Constitution of Kenya 2010;
- Vision 2030 and Medium-Term Plans II and III;
- the Environment, Water and Sanitation Sector Plan;
- BETA economic approach.

Strategies to implement SDGs in Kenya includes policy on 10% Tree Cover Target; and the establishment of a Blue Economy (BE) sector. Kenya's national efforts to implement the convention are also outlined in the National Biodiversity Strategy and Action Plan (NBSAP), which was developed in 2000. Additionally, Kenya has developed a draft for the NBSAP 2019-2030, which is being updated based on the post-2020 biodiversity framework

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

Key policies and governance approach

Although at present matters cuts across various agencies, the National Environment Management Authority (NEMA) is responsible for the coordination and establishment of an appropriate legal and institutional framework for the management and conservation of biodiversity.

LCDCA has developed and Environmental Management Plan (EMP) which gives guidelines on how contractors undertaking projects are expected to take care of biodiversity further to this the Authority is developing an Environmentally Sustainable Development Strategy (ESDS):

i. Cooperation with the public and disclosure of information.

We listen to the customer(public) feedback and work with them on environmental protection, and then inspect, document and disclose the results to all our other customers and employees.

ii. Cooperation with local communities and social contribution.

We consider environmental issues in corporation with communities and implement continuous social contribution activities in the environmental field to fulfil our role as a government entity.

iii. Employee responsibility and awareness.

We ensure that all our employees act, based on these environmental guidelines, with an awareness of their own roles in regard to environmental issues in their respective positions within the company and within society. Ensure all employees are educated on effective use of resource.

iv. Setting and reviewing environmental targets.

We enhance our efforts each year, comply with environment-related laws and regulations, and set and annually review voluntary targets in each area of our corporate activities.

v. Water management.

To ensure the responsible management of water resources, reducing our consumption and preventing pollution of the natural environment.

vi. Biodiversity considerations integral to planning.

Increase green spaces along the LAPSSET Corridor by planting of trees that are drought resistant, increase grass cover, afforestation and reforestation program plants to create a greener environment and improve wellbeing of communities and environment

Success

i. Environmental impact assessment and public participation

ii. All projects (private or public) that are likely to have significant effects on the environment, e.g. the construction of a roads or an airport, are subject to an environmental impact assessment (EIA). Furthermore, a range of public plans and programmes (e.g. concerning land use, transport, energy, waste or agriculture) are subject to a similar process called a strategic environmental assessment (SEA). Both directives ensure that an environmental assessment have taken place before the authorization of any plans, programmes or projects.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

Success

- iii. Tree planting. Over 8000 trees have been planted. These activities have been spread over the counties that LAPSSET corridor traverse.
- iv. Draft plan of human wildlife conflict has been developed which seeks to address the issue of human wildlife conflict across the LAPSSET Corridor.
- v. Enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change these includes; Establishment of climate change unit in which its members are drawn from various departments across the organization has given members of staff opportunity to understand issues of climate change and environmental conservation.
- vi. Development of an environmental management plan (EMP) which helps to address issues of environment during pre-construction, construction and post -construction phases of any project undertaken by the authority. The EMP plan also helps in Protecting, preserving and restoring biodiversity, and enhancing natural capital (notably air, water, soil, forest, freshwater, wetland and marine ecosystems)
- vii. Reducing environmental and climate pressures related to production and consumption (particularly in the areas of energy, industrial development, buildings and infrastructure, mobility and the food system).
- viii. Promoting partnerships and incentives for wildlife-based enterprises and facilitating collaboration for effective governance and financing of the wildlife sector between communities, private conservancies, counties, and national Government.

Shortcoming

Kenya's biodiversity is mainly in forests and wildlife parks and reserves. About 12.42% (72,890 km²) of Kenya's land area is covered by terrestrial protected areas, and marine protected area coverage is about 0.76% (857 km²). LAPSSET Corridor traverses half of Kenya's biodiversity, despite efforts to improve the management and conservation of the country's natural resources, a number of key challenges remain that pose a serious threat to the attainment of a clean and secure environment. The following are the major challenges faced by the authority it ensuring environmental management is in place.

1. The LCDA Corridor biodiversity is already under threat from a myriad of sources, including rapid population growth, ecosystem degradation, water scarcity, habitat fragmentation, invasive species, pollution, and infrastructure development.
2. Poaching, overfishing and uncontrolled harvesting of plant and animal species threaten biodiversity along the LAPSSET Corridor. While biodiversity within the protected areas remains high, incidences of illegal extraction are common.
3. Most threats are also be exacerbated by climate change Climate change is already increasingly contributing to biodiversity degradation on Kenya's coast composed of fragile forest and grassland ecosystems which more frequently experience mild to severe drought

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

Shortcoming

4. Responsibility for biodiversity is spread across many institutions, ranging from national and county governments to private landowners, local communities, and NGOs. One of the largest challenges to biodiversity conservation along the LAPSSET Corridor is the lack of a coherent integrated conservation policy that unifies dispersed and often conflicting legislation and policies in different sectors. In addition, although sector specific strategies have been developed for mainstreaming biodiversity conservation, for example in the education sector, there is still a lack of biodiversity mainstreaming in other sectors.
5. Institutional barriers and impediments include lack of technical expertise, planning and funding. Many of Kenya's wildlife and forest reserves lack the security and management capability to ensure protection. In addition, causes of biodiversity loss vary widely among species. For example, cultural attitudes about nature and species differ and have a strong bearing on the status of species and biodiversity in along LAPSSET corridor. Also lack of enough funding to carry out environmental activities and carry out relevant training to the members of staff on environment and climate change acts as impediment to technical expertise.
6. There is no standard method of estimating the social value of environmental goods and services. Social value given to environmental goods and services are changing so fast that the estimates are likely to be obsolete before they are available for use. Absence of a standardized environmental accounting practice and disclosure norms at national as well as international levels, makes environmental issues challenging.
7. Insecurity: Northern Corridor faces issues of banditry which influence the organizational operations negative

Efforts to manage biodiversity

Kenya continues to lose her biodiversity due to habitat destruction, overgrazing, deforestation, pollution, unsustainable harvesting of natural resources, biopiracy and introduction of invasive and alien species, among others. Invasive and alien species are a major threat to the environment. They threaten indigenous species through the effects of predation, alteration of habitat or disruption of ecosystem processes.

1. Development of human wildlife conflict management plan. Human wildlife conflict is a major concern along the Corridor, development of Human wildlife conflict plan will enable LCDA to work collaboratively with other key stakeholder to conserve biodiversity along the LAPSSET Corridor.
2. Establishment of tree nurseries in Isiolo county. This to kickstart the presidential directive of tree planting exercise to be carried by all government organization and also to help in mitigating climate change.
3. Partnership establishment with like-minded organization that deals with biodiversity loss this includes: Grevy's Zebra Trust, Ewaso Lion and CETRAD.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

Efforts to manage biodiversity

4. Establishment of Climate change unit members. LCDA recognizes that the issue of climate change exerts a negative impact on the stable society that is essential for the sustainable development. We would like to contribute in achieving the greenhouse gas reduction targets set forth in the Paris Agreement. In the “GREEN CHALLENGE 2050” environmental declaration formulated in May 2019; we identified the decarbonized society as the ideal that we should be aiming for. We are promoting energy conservation and the expanded use of renewable energy, with the goal of reducing CO2 emissions generated from operations by 50% down to net-zero by 2050.
Establishment of climate change resilient initiative. LCDA recognizes the issues of
5. climate change globally, The Corridor traverses an ASAL area highly affected adverse weather conditions “LAPSSET Green Corridor initiative” has several components that seeks to address the adverse effects of climate change. Also, where possible, the initiative seeks to increase the number of green spaces to maximize benefit from biodiversity conservation, continue to enhance the ecology, conservation and environmental work carried by conservation stakeholders along the LAPSSET Corridor. Between 2015 and 2019, the Government of Kenya reserved 676,806.63 Ha of forests, to protect the country’s biodiversity. The largest forest block reserved is Boni Lungi
6. Forest in Garissa and Lamu Counties with an area of 451,430 Ha. This area is largely traversed by LAPSSET CORRIDOR. LCDA established partnership with The Kenya Forest Service and also entered into a concession with local NGOs to manage, conserve, protect and monitor the unique K forest, so that it can continue to provide benefits through resource utilization and tourism to the surrounding communities.
A Biodiversity Budget and Expenditure Review has been recommended to define the resources available, identify gaps and opportunities and enhance resource mobilization in order to increase funding for our portfolio in sustainability and climate change and
7. develop a roadmap towards a carbon neutral LAPSSET Corridor
Implementation, enforcement and monitoring. The effectiveness of Kenya’s environmental policy is largely determined by its implementation at national, regional and local levels. Deficient application and enforcement remain an important issue.
8. Monitoring is crucial - both of the state of the environment and of the level of implementation of environmental law. LCDA makes deliberate efforts to ensure effective, proportionate and dissuasive criminal actions for serious environmental offences. These include, for instance: the illegal emission or discharge of substances into the air, water or soil; illegal trade in wildlife; illegal trade in ozone-depleting substances; and illegal shipment or dumping of waste. In its operation and programme. In terms of monitoring, LCDA also ensures all contractual works are adhering to laws and regulation stipulated under NEMA guidelines.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

Waste management policy

The National Sustainable Waste Management Policy outlines the benefits of managing waste as a resource in Kenya, including economic, social, and environmental advantages. LCDA environmental policy recognizes that sustainable waste management is critical to delivering on Kenya's constitutional right to a clean and healthy environment, achieving sustainable development goals, and realizing the nation's leadership in the blue economy.

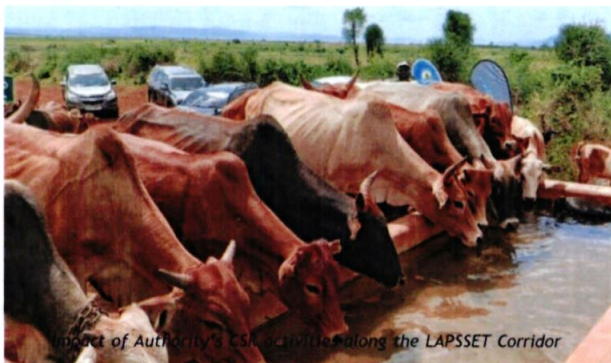
LCDA aims to establish an enabling regulatory environment that prioritizes waste minimization and contributes to a circular economy. It also supports county governments' mandate to provide sustainable waste management services and provides the framework for coordinated action at the national level. LCDA activities through the environmental management plan (EMP) proposes a waste hierarchy that includes reducing waste generation, reusing materials, effective and affordable waste collection, and proper treatment and disposal of residual waste in well-engineered and regulated landfills. It also advocates for the creation of green jobs and the formalization of the waste picker sector to improve livelihoods.

For responsible management of resources all waste streams arising from our activities we aim:

- Use innovative solutions to reduce our consumption of single-use items, to reuse materials and recycle waste produced as much as possible number of various wastes sent for recycling compared to waste going to general landfill. Increase in number of equipment and furniture reuse, hence emissions saved
- Ensure responsible management of resources, reducing consumption and preventing pollution of the natural environment along the LAPSSET Corridor.

LCDA activities are carried out under various environmental laws and regulation stipulated, this includes:

- Environmental Management and Coordination Act (1999)
- EMCA Waste Management Regulations (2006)
- Government of Kenya (GoK) 2008, Kenya Vision 2030
- Kenya Constitution (2010)
- National Environment Policy (2013)
- National E-Waste Strategy (2019)
- Ministry of Environment and Forestry (MoEF) 2021 National Sustainable Waste Management Policy
- NEMA 2015 National Solid Waste Management Strategy.
-



ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) Sustainability strategy and profile

Efforts to reduce environmental impact of the organizational product.

- LCDA prides itself in being the fore front in reduction of environmental impact of its products, the following are various ways in which the authority has done to reduce environmental damages
- Increase number of collaborative initiatives around the theme of sustainability, this is including increase in number of external partners engaged with sustainability projects and programs Increase in number of public participants engaging with sustainability-related learning opportunities.
- Encourage top management to engaged in projects related to sustainability and climate change.
- Increase in funding for our portfolio in sustainability and climate change and develop a roadmap towards a carbon neutral LAPSSET Corridor
- Ensure implementing agency and contracts targets toward efficient use of resources especially having to control of all infrastructure program and enhance green energy
- Advancing towards a regenerative growth model, decoupling economic growth from resource use and environmental degradation, and accelerating the transition to a circular economy;
- Pursuing a zero-pollution ambition, including for air, water and soil and protecting the health and well-being of Kenya's LAPSSET Corridor.

ii) Corporate Social Responsibility / Community Engagements

LAPSSET plants over 100 drought resistant tree seedlings. on 13th November 2023, the LAPSSET Corridor Development Authority marked the National Tree Planting Day through a series of tree planting activities across the LAPSSET Corridor.

Hon Ali Mojo, Chairperson of LAPSSET, led the exercise by participating in a tree planting exercise at Borstal Prison, Shimo La Tewa, Shanzu Ward, Kisauni Constituency personally planting 50 trees during the event. Hon. Mbogo emphasized the significance of environmental conservation and pledged to be a champion of environmental conservation in Mombasa and across the LAPSSET Corridor.



LCDA Chairman taking part in tree planting activity.

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

ii) Corporate Social Responsibility / Community Engagements

Efforts to reduce environmental impact of the organizational product.

Subsequently, the LAPSSET Regional Office in Isiolo partnered with the Mzalendo Community Organization (CBO) in a joint exercise where 100 drought resistant tree seedlings were planted in various institutions and community sites. The trees planted comprised of 5 types of drought resistant seedlings namely: -

- i. Neem tree-30
- ii. Thevetia-20
- iii. Spector billies (AKA Garissa million)-10
- iv. Tamarid sidica(mkwaju)-20
- v. Tecona stens-20

The trees were distributed and planted in various government Institutions and community centres in the following order: -

- i. Kambi ya Juu Chiefs Office-10 seedlings
- ii. Star of Hope Association Mosque-10 seedlings
- iii. General Meal Animal Feeds Factory- 10 seedlings.
- iv. E.A.P.C. Compassion Kenya- 10 Seedlings.
- v. St. Eusebius Cathedral Parish- 20 seedlings
- vi. CDF Isiolo North office - 5 seedlings
- vii. Divine Providence Home for Physically and Mentally Challenged- 20 seedlings
- viii. Kulamawe Police station- 2 seedlings
- ix. Chrisco Fellowship Church Mwangaza- 3 seedlings.
- x. New Life Bible Church-10

Similar tree planting activities were conducted in Turkana and Garissa Counties by the LAPSSET Regional Offices in those Counties.

This aligns with the President's agenda of planting 15 billion trees by 2030, mitigating against adverse effects of climate change whose impacts have been greatly felt across the LAPSSET Corridor characterized by land degradation, drought and flooding contributing to the humanitarian crises experienced therein.

On 10th March 2024, LAPSSET Corridor Development Authority Isiolo Regional Office joint tree planting activity with Mzalendo community organization (CBO), a local NGO, at St. Eusebius Cathedral Parish in Isiolo. The exercise saw 150 drought-resistant tree seedlings planted and another 100 donated to Mzalendo community organization, comprising of drought resistant seedlings namely: Azadirachta indica, Thevetia, Spector billies, Tamarid indica and Tecona stens.



LCDA DG/CEO taking part in tree planting exercise in Dongo Kundu, Mombasa in line with the Presidential Directive on climate change agenda

ENVIRONMENTAL AND SUSTAINABILITY REPORTING

ii) Corporate Social Responsibility / Community Engagements

This had followed the education of the locals in Meru County on March 5th 2024 about the components of the LAPSSET Corridor, where representatives from the LAPSSET Isiolo Regional Office joined Meru County Investment and Development corporation and Hewani Energy to launch a borehole for the people of Kathinia, Athwana ward in Meru County. We also educated the community on the Economic importance in enhancing Regional Development, Social and Economic integration as well as how the LAPSSET Program will improve their livelihood.



LCDA DG/CEO taking part in tree planting exercise in Dongo Kundu, Mombasa in line with the Presidential Directive on climate change agenda

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 30th June, 2024 which show the state of the Authority's affairs as at that date.

Principal Activities

The principal activity of the LCDA is to Plan, Coordinate and Sequence the implementation of the LCP. The project components are the Lamu Port; highways from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakodok; Standard Gauge Railway from Lamu to Isiolo to Moyale and Isiolo to Lokichar to Nakodok; International Airports at Lamu, Isiolo and Turkana; crude oil pipeline and refined oil pipeline and oil refinery, Resort Cities in Lamu, Isiolo and Turkana as well as other supporting infrastructure such as power supply, water supply and fiber optic cable along the Corridor.

Results

The results of the Authority for the year ended June 30th, 2024 are set out on page 1-5

Directors

The members of the Board of Directors who served during the year are shown in Part I. During the Financial Year, expiry of the term of Wycliffe Ogallo, CBS-Alternate member to PS Ministry of Energy and the consequent appointment of Esther Wang'ombe as the Alternate to the PS Ministry of Energy. There was also the appointment of Anthony Nderitu-Alternate member to the PS for National Treasury consequently replacing Festus King'ori.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with the Section 35 of the Public Audit Act, 2015.

By Order of the Board

Name

Signature

Date

S. IKUA, MBS

DIRECTOR GENERAL/CEO

Secretary to the Board
By Order of the Board



20.12.24

STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 15 of the State Corporations Act, require the Directors to prepare financial statements in respect of that Authority, which give a true and fair view of the state of affairs of the Authority at the end of the financial year and the operating results of the Authority for that year. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of the Authority.

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for and as at the end of the financial year ended on June 30th, 2024. This responsibility includes:

- (i). maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii). maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Authority;
- (iii). designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv). safeguarding the assets of the Authority;
- (v). selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30th, 2024, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Authority, which have been relied upon in the preparation of the Authority's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Authority will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements.

The Authority's financial statements were approved by the Board by 30th September, 2024 and signed on its behalf by:

Signature 

Date 30/12/2024

Name: Hon. Ali Menza Mbogo, HSC

Chairperson of the Board

Signature 

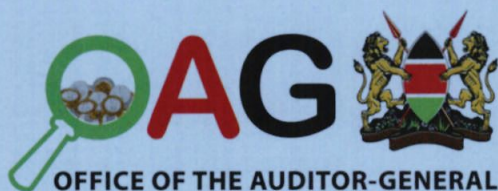
Date 30.12.24

Name: S. Ikua, MBS

Accounting officer

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REPORT OF THE AUDITOR-GENERAL ON LAPSSSET CORRIDOR DEVELOPMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of LAPSSSET Corridor Development Authority set out on pages 1 to 31, which comprise the statement of financial position as at 30 June, 2024 and the statement of financial performance, statement of

Report of the Auditor-General on LAPSSSET Corridor Development Authority for the year ended 30 June, 2024

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

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of LAPSSET Corridor Development Authority as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the LAPSSET Corridor Development Authority Order, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Non-Disclosure of Buildings

The statement of financial position reflects property, plant and equipment balance of Kshs.17,558,006,012 which, as disclosed in Note 14 to the financial statements includes the value of a parcel of land in Lamu valued at Kshs.17,539,000,700. Physical inspection revealed that the land is developed with a three-storey office block, a police station and residential blocks whose values were not incorporated in the financial statements. Further, the office space is occupied by public and private institutions but no rental income has been recognized in the books of the Authority.

In the circumstances, the accuracy of property, plant and equipment balance could not be confirmed.

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matter described in the Basis for Qualified Opinion section of my report, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the issues were not resolved.

Other Information

The Management is responsible for the other information set out on page iii to Lv which comprise of Background Information, Board of Directors, Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Board of Director's Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

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

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with the One-Third Basic Salary Rule

Review of the payroll revealed that between thirty-three (33) and fifty-seven (57) members of staff, at any particular month in the year were earning salaries below the recommended one-third of their basic salary. This was contrary to Section 19(3) of the Employment Act, 2007 which states that without prejudice to any right of recovery of any debt due, and notwithstanding the provisions of any other written law, the total amount of all deductions which under the provisions of subsection (1), may be made by an employer from the wages of his employee at any one time shall not exceed two-thirds of such wages or such additional or other amount as may be prescribed by the Minister either generally or in relation to a specified employer or employee or class of employers or employees or any trade or industry."

In the circumstances, Management was in breach of the law.

2. Non-Compliance with Fiscal Discipline on Compensation of Employees

The statement of financial performance reflects revenue from exchange transactions and compensation of employees' expenditure of Kshs.620,799,999 and Kshs.397,689,960,

respectively. The compensation of employees' expenditure represents 64% of the total Authority's receipts. The Authority exceeded the 35% limit. This was contrary to Regulation 26(1)(a) of the Public Finance Management (National Government) Regulations, 2015 which states that in addition to the fiscal responsibility principles set out in Section 15 of the Act, the following fiscal responsibility principles shall apply in the management of public finances—National Government's expenditure on the compensation of employees (including benefits and allowances) shall not exceed thirty-five percent (35%) of the National Government's equitable share of the revenue raised nationally plus other revenues generated by the national government pursuant to Article 209 (4) of the Constitution.

In the circumstances, Management was in breach of the law.

3. Delayed Implementation of the Authority's Mandate

As previously stated, the first three berths at the port of Lamu have been completed. However, cargo evacuation through the project's intended route is facing serious challenges in that construction of key highways is either not completed or is yet to start, including Lamu-Ijara-Garisa-Isiolo and Isiolo-Maralal-Lokori-Lokichar.

In the circumstances, delayed implementation of LAPSSET corridor projects denies the public benefits that could have accrued from completed projects.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Clear Ownership Status

As previously reported, a physical field inspection of Lamu facility revealed that the Authority has a vast land, part of which is developed. The developments include residential flats, three-storey office blocks and a police station. The office block was occupied by public and private institutions and some spaces were vacant. The Administration Block was held by institutional offices for the LAPSSET Regional office, the Kenya Ports Authority, Kenya Maritime Authority, Express Shipping and Logistics, Coast Guards and Seaforth Ship Agency Expert East Africa.

The budgetary allocation for the infrastructural projects was provided to the respective implementing agencies, for instance, for all roads and highways, the allocation was given to Kenya National Highways Authority while port construction funds was given to Kenya Ports Authority among others. However, no arrangements or agreements existed on who would control facilities erected on the Authority's land. There is a lack of clarity on the responsibilities of the different stakeholders of the Corridor.

In the circumstances, the effectiveness of internal controls on management of the facilities could not be confirmed.

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

Responsibilities of the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 December, 2024

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH, JUNE 2024

| | | | Audited |
|--|------|--------------------|--------------------|
| | Note | FY 2023/2024 | FY 2022/2023 |
| Revenue from non-exchange transactions | | Shs | Shs |
| Transfer from Ministries, Depts. & Agencies | 6(a) | 620,799,999 | 597,154,625 |
| Transfer from Ministries, Depts. & Agencies- Conditional Grant -GOK | | - | 88,790,397 |
| | | 620,799,999 | 685,945,022 |
| Revenue from exchange transactions | | | |
| Other incomes | 6(b) | 4,327,457 | 7,131 |
| Total revenue | | 625,127,456 | 685,952,153 |
| Expenses | | | |
| Use of goods and services | 7 | 171,578,024 | 313,264,013 |
| Employee costs | 8 | 397,689,960 | 324,445,002 |
| Board Expenses | 9 | 20,281,400 | 14,132,880 |
| Depreciation and amortization expense | 10 | 15,074,278 | 20,992,684 |
| Repairs and Maintenance | 11 | 5,912,820 | 2,734,995 |
| Total expenses | | 610,536,482 | 675,569,574 |
| Surplus for the Year | | 14,590,974 | 10,382,579 |

Approval of the Financial Statements. The Authority's financial statements were approved by the Board by 30th September, 2024 and signed on its behalf by:

Accounting Officer
S. Ikua, MBS

Signature :

Date :

30.12.24

Head of Finance
Bernard Oluoch, ICPAK No.24302

Signature :

Date :

Chairman of the Board
Hon. Ali Menza Mbogo, HSC

Signature :

Date :

30/12/2024

STATEMENT OF FINANCIAL POSITION AS AT 30TH, JUNE 2024

| | | | Audited |
|---|------|-----------------------|-----------------------|
| | Note | FY 2023/2024 | FY 2022/2023 |
| Assets | | Shs | Shs |
| Current assets | | | |
| Cash and cash equivalents | 12 | 152,544,014 | 32,671,052 |
| Receivables from exchange transactions | 13 | 5,555,491 | 4,697,208 |
| Total Current Assets | | 158,099,505 | 37,458,260 |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 17,558,006,012 | 17,561,386,742 |
| Intangible assets | 15 | 622,900 | 157,430 |
| Total non-current assets | | 17,558,628,912 | 17,561,544,172 |
| Total assets | | 17,716,728,416 | 17,599,002,432 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other Payables | 16 | 23,621,435 | 18,248,044 |
| Employee benefit obligation | 17 | 5,535,065 | 7,983,290 |
| | | | - |
| Total current liabilities | | 29,156,500 | 26,231,333 |
| Total liabilities | | 29,156,500 | 26,231,333 |
| Net assets | | 17,687,571,916 | 17,572,771,099 |
| Capital grants | | 17,652,156,796 | 17,552,156,796 |
| Revaluation Reserves | | 5,525,856 | 5,525,856 |
| Accumulated surplus | | 29,889,264 | 13,778,477 |
| Total net assets | | 17,687,571,916 | 17,572,771,099 |
| Total net assets and liabilities | | 17,716,728,416 | 17,599,002,432 |

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer
S. Ikua, MBS

Signature :

Date :

S. Ikua
30.12.24

Head of Finance
Bernard Oluoch, ICPAK No.24302

Signature :

Date :

Chairman of the Board
Hon. Ali Menza Mbogo, HSC

Signature

Date :

Ali Menza Mbogo
30/12/2024

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2024

| | Revenue Reserve | Capital Grants | Revaluation Reserve | Total |
|---|-----------------|----------------|---------------------|----------------|
| | Kshs | Kshs | Kshs | Kshs |
| Reserves as at 1st July 2022 | 3,395,898 | 17,552,156,796 | 5,525,856 | 17,561,078,550 |
| Capital grants | | | | |
| Revaluation gain | | | | |
| Surplus for the year | 10,382,579 | | - | 10,382,579 |
| As at 30th June 2023 | 13,778,477 | 17,552,156,796 | 5,525,856 | 17,572,771,099 |
| As at 1st July 2023 | 13,778,477 | 17,522,156,796 | 5,525,856 | 17,572,771,099 |
| Adjustment | 1,519,813 | | | 1,519,813 |
| Conditional Grant (Lamu Feeder Road) | | 100,000,000 | | 100,000,000 |
| Surplus for the year | 14,590,974 | | | 14,590,974 |
| As at 30th, June 2024 | 29,889,264 | 17,652,156,796 | 5,525,856 | 17,687,571,916 |

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH, JUNE 2024

| | Note | FY 2023/2024 | Audited FY 2022/2023 |
|--|-----------|--------------------|-------------------------|
| | | Shs | Shs |
| Cash and cash equivalents at the beginning of the year | | 42,684,761 | 126,868,942 |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from other governments (Grant -AfDB) | | 4,078,648 | - |
| Transfer from Ministries, Depts. & Agencies | | 620,799,999 | 537,154,625 |
| Transfer from Ministries, Depts. & Agencies-Conditional Grant -GOK | | - | 60,000,000 |
| Other Incomes | | 248,809 | 7,131 |
| | | 625,127,456 | 597,161,756 |
| Payments | | | |
| Use of goods and services | | 172,253,892 | 340,941,326 |
| Employees Costs | | 400,773,928 | 332,768,294 |
| Board Expenses | | 20,197,400 | 13,177,880 |
| Repairs and Maintenance | | 5,901,531 | 2,901,571 |
| Purchase of Non-current assets | | 13,949,174 | 4,906,292 |
| | | 613,075,925 | 689,789,071 |
| Net cash flows from operating activities | 18 | 12,051,532 | (92,627,315) |
| Cash flows from investing activities | | | |
| Receipts | | | |
| | | - | |
| Direct receipts -AfDB | | - | 4,340,513 |
| Conditional Grant - GOK | | 100,000,000 | - |
| | | 100,000,000 | 4,340,513 |
| | | - | - |
| Payments | | | |
| LAPSSET Access Roads – Lamu Feeder Road | | 1,492,450 | - |
| | | 1,492,450 | - |
| | | | |
| Net cash flows used in investing activities | | 98,507,550 | (565,779) |
| Net increase/(decrease) in cash and cash equivalents | | 110,559,082 | (93,193,094) |
| Cash and cash equivalents as at the beginning of the period | | 41,984,932 | 126,868,942 |
| Cash and cash equivalents at end of the year | 12 | 152,544,014 | 41,984,932 |

The Financial Statements set out on pages 1 to 6 were signed on behalf of the Board of Directors by:

Accounting Officer

S. Ikua, MBS

Signature :



Date :

30.12.24

Head of Finance

Bernard Oluoch, ICPAK No.24302

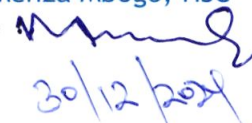
Signature :

Date :

Chairman of the Board

Hon. Ali Menza Mbogo, HSC

Signature



Date :

30/12/2024

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2024

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|--|--------------------|-------------------|--------------------|----------------------------|------------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | a | b | C=(a+b) | d | e=(c-d) | f=d/c*100 |
| Revenue | | | | | | |
| Recurrent Revenue | | | | | | |
| Transfers from Other Governments entities(recurrent) | 620,800,000 | - | 620,800,000 | 620,799,999 | 1 | 100 |
| Other Income | 4,078,648 | - | 4,078,648 | 4,327,457 | (248,809) | 106 |
| Sub-Total Recurrent Revenue | 624,878,648 | - | 624,878,648 | 625,127,456 | | |
| Development Revenue | | | | | | |
| Development partner grants | 20,000,000 | - | 20,000,000 | - | 20,000,000 | 0 |
| Transfers from Other Governments entities- capital | 80,000,000 | 20,000,000 | 100,000,000 | 100,000,000 | - | 100 |
| Sub-Total Development Revenue | 100,000,000 | 20,000,000 | 120,000,000 | 100,000,000 | | |
| Total Income | 624,878,648 | - | 624,878,648 | 625,127,456 | (248,808) | 100 |
| Expenses | | | | | | |
| Use of Goods and Services | 173,820,000 | - | 173,820,000 | 171,578,024 | 2,241,976 | 99 |
| Employee costs | 401,755,000 | - | 401,755,000 | 397,689,960 | 4,065,040 | 99 |
| Remuneration of Directors | 20,300,000 | - | 20,300,000 | 20,281,400 | 18,600 | 100 |
| Repairs and Maintenance | 5,925,000 | - | 5,925,000 | 5,912,820 | 12,180 | 100 |
| Purchase of Assets | 19,000,000 | - | 19,000,000 | 13,949,174 | 7,050,826 | 63 |
| Total Expenditure | 620,800,000 | - | 620,800,000 | 595,462,204 | 25,337,796 | 96 |
| Surplus for the period | - | - | - | 27,665,252 | | |
| Capital Expenditure | | | | | | |
| Transaction Advisory Services | 20,000,000 | - | 20,000,000 | - | 20,000,000 | 0 |
| Resilience Building Programme | 80,000,000 | (80,000,000) | - | - | - | - |
| Lamu Feeder Roads | - | 100,000,000 | 100,000,000 | 1,492,450 | 98,507,550 | 2 |
| Total Capital Expenditure | 100,000,000 | 20,000,000 | 120,000,000 | 1,492,450 | 118,507,550 | 1 |

Budget Notes**Other Incomes:**

Kshs.248,809: Interest income earned from deposits in NCBA Bank Account.

Kshs. 4,078,648: Refund from African Development Bank (AfDB) on Project Implementation Unit (PIU) expenses for the Transaction Advisory Services.

Purchase of Assets:

Delayed conclusion of procurement process on the purchase of Motor-Vehicle worth Kshs. 7,000,000.

Capital Expenditure:

Transaction Advisory Services: Lengthy procurement and approval processes led to delay in utilization of funds allocated. The activity spilled over to the FY 2024/25.

Lamu Feeder Roads: Late disbursement delayed absorption of the funds allocated for this project.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

LAPSSET Corridor Development Authority was established by Legal Notice No. 58 of March 2013 and it derives its authority and accountability from the above Legal Notice. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. The Authority's principal activity is planning and coordination of activities towards delivery of LAPSSET projects.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The Authority's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Authority. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise.

The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.

There were no new and amended standards issued in the financial year.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024

| Standard | Effective date and impact: |
|----------|---|
| IPSAS 43 | Applicable 1st January 2025 |
| | The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognize, measure and present information on right of use assets and lease liabilities. |

NOTES TO THE FINANCIAL STATEMENTS



3. ADOPTION OF NEW AND REVISED STANDARDS

| Standard | Effective date and impact: |
|----------|----------------------------|
|----------|----------------------------|



| | |
|--|--|
| IPSAS 43 | <p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> |
| IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations | <p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> |
| IPSAS 45- Property Plant and Equipment | <p>Applicable 1st January 2025</p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> |

NOTES TO THE FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND REVISED STANDARDS

| Standard | Effective date and impact: |
|--------------------------------|--|
| | Applicable 1st January 2025 |
| IPSAS 46 Measurement | <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none">i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> |
| | Applicable 1st January 2026 |
| IPSAS 48- Transfer Expenses | <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> |
| | Applicable 1st January 2026 |
| IPSAS 47- Revenue | <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> |

NOTES TO THE FINANCIAL STATEMENTS

3. ADOPTION OF NEW AND REVISED STANDARDS

| Standard | Effective date and impact: |
|------------------------------------|--|
| IPSAS 49- Retirement Benefit Plans | Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan. |

iii. Early adoption of standards

The Authority did not early - adopt any new or amended standards in year 2023/2024.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Authority and can be measured reliably.

Amortization of Capital Grants

Economic benefits or service derived from Capital Grants/ Donations are measured at fair value and recognized on obtaining control of the asset and on yearly basis the assets are amortized over their useful life.

ii) Revenue from exchange transactions

Interest income

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

NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

b) Budget information

The original budget for the FY 2023/2024 was approved by the board on 9th September, 2023. Subsequent revision was made and approved. The financial statements are prepared on accrual basis using classification based on the nature of the expenses in the statement of the financial performance, whereas the budget is prepared on a cash basis.

c) Taxes

Current income tax

The Authority is funded through National Treasury exchequer and it does not generate its own revenue for its operations. Hence the Authority does not pay corporate tax.

d) Property, Plant and Equipment

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

The assets of LCDA are depreciated annually on a straight-line basis and the depreciable amount charged to income over the assets useful life at the following rates: -

| Asset | Depreciation % |
|---------------------------------------|----------------|
| i. Furniture & Fittings | 12.5 |
| ii. Office partitions and Fixtures | 16.7 |
| iii. Office Equipment | 12.5 |
| iv. Motor Vehicles | 25 |
| v. Computer Equipment and Accessories | 33.3 |
| vi. Property, Plant and Equipment's | 10 |
| vii. Intangible Assets | 33.3 |

NOTES TO THE FINANCIAL STATEMENTS



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

d) Property, Plant and Equipment

When an asset is acquired within the year, proportional depreciation is charged in the year of purchase and proportional depreciation charged in the year of disposal.

e) Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Authority. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

f) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

The useful life of the intangible assets is assessed as either finite or indefinite.

g) Financial instruments

a) *Financial assets*

Initial recognition and measurement

Financial assets are Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Authority determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

g) Financial instruments

a) Financial assets Impairment

of financial assets

The Authority assesses at each reporting date whether there is objective evidence that a financial asset or an Authority of financial assets is impaired. A financial asset or an Authority of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Authority of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a Authority of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g., changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

Financial liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Authority determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

h) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Authority expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

i) Contingent liabilities

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

j) Contingent assets

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

k) Nature and purpose of reserves

The Authority creates and maintains reserves in terms of specific requirements. Capital grants relate to donated assets.

l) Capital Grants

Capital grants comprises of the following assets donated by the office of the Deputy President, Lake Basin Development Authority, Coast Dev. Authority and Ewaso Nyiro North Dev. Authority. These assets were initially recognized at fair value when they were donated and subsequently depreciated at the applicable depreciation rates. Income is recognized annually under the amortized capital grant over the useful life of the asset.

| TYPE | NO | DONOR | PURPOSE |
|----------------|----------|---|--------------------------|
| Motor Vehicles | 5 | Office of the Deputy President | For use by the Authority |
| Furniture | Assorted | Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority | For use by the Authority |
| Partitions | Assorted | Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority | For use by the Authority |

NOTES TO THE FINANCIAL STATEMENTS

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

l) Capital Grants

| TYPE | NO | DONOR | PURPOSE |
|----------------|-----------|---|------------------------------|
| Motor Vehicles | 5 | Office of the Deputy President | For use by the Authority |
| Furniture | Assorted | Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority | For use by the Authority |
| Partitions | Assorted | Lake Basin Dev. Authority, Coast Dev. Authority, Ewaso Nyiro North Dev. Authority | For use by the Authority |
| Land | 27,440 HA | Ministry of Lands and Physical Planning | Development of the Lamu Port |

m) Changes in Accounting Policies and Estimates

The Authority creates and maintains reserves in terms of specific requirements. Capital grants relate to donated assets.

n) Employee benefits

Retirement benefit plans

The Authority provides retirement benefits for its employees. Defined contribution plans are post-employment benefit plans under which an Authority pays fixed contributions into a separate Authority (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

o) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction/ disbursement.

p) Related parties

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

NOTES TO THE FINANCIAL STATEMENTS



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

Prior period comparative information has been presented in the current financial year where necessary, comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

s) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30th, 2024.

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

NOTES TO THE FINANCIAL STATEMENTS

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- a) The condition of the asset based on the assessment of experts employed by the Entity.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

The expenses relating to any provision is presented in the statement of financial performance net of any reimbursement.

NOTES TO THE FINANCIAL STATEMENTS

6 a). TRANSFER FROM OTHER GOVERNMENT ENTITIES

| | Amount recognized to statement of Financial Performance | Amount deferred under deferred income | Amount recognized in Capital Fund Kshs | Total Transfers 2023/2024 Kshs | Total Transfers 2022/2023 |
|---|---|---------------------------------------|--|--------------------------------|---------------------------|
| State Department of Northern Corridor Development | - | - | - | - | 325,325,392 |
| State Department of Transport | 620,799,999 | - | 100,000,000 | 720,799,999 | 211,829,233 |
| Total | <u>620,799,999</u> | | <u>100,000,000</u> | <u>720,799,99</u> | <u>685,945,022</u> |

6 b). OTHER INCOME

| | FY 2023/2024 | FY 2022/2023 |
|------------------------|-------------------------|-------------------------|
| Interest Income earned | 248,809 | 7,131 |
| Refund from AfDB | 4,078,648 | 4,340,513 |
| Total | <u>4,327,457</u> | <u>4,347,644</u> |

NOTES TO THE FINANCIAL STATEMENTS

7. USE OF GOODS AND SERVICES

| | | |
|---|---------------------------|---------------------------|
| Communication Supplies and Services. | 3,362,516 | 3,316,206 |
| Coordination Activities | 27,183,015 | 18,779,327 |
| Investment and Resource Mobilization | 12,782,135 | 18,114,209 |
| Monitoring and Evaluation | 3,092,600 | 5,451,900 |
| Stakeholders Engagements | 23,003,320 | 8,735,500 |
| Resilient Programme | - | 155,584,996 |
| Foreign travel | 3,853,360 | 37,293,187 |
| Printing, advertising and information supplies & services | 3,813,168 | 4,345,365 |
| Rent expenses | 27,819,780 | 21,554,969 |
| Training expenses | 5,455,628 | 934,000 |
| Strategic planning costs | 2,303,000 | 33,200 |
| Project Coordination Assignments | 7,624,298 | 4,327,932 |
| Office and Project operation stationeries | 2,555,249 | 2,083,855 |
| Project Planning and preparation | 6,380,950 | 4,948,246 |
| Project Vehicles Fuel | 7,580,832 | 5,944,138 |
| Insurance | 1,214,989 | 1,267,356 |
| Consultancy | 1,429,482 | 802,000 |
| General Office Expenses | 32,123,702 | 19,738,630 |
| Total Operating Cost | <u>171,578,024</u> | <u>313,264,013</u> |

NOTES TO THE FINANCIAL STATEMENTS

| 8. EMPLOYEE COST | FY 2023/2024 Shs. | FY 2022/2023 Shs. |
|---|---------------------------|---------------------------|
| Basic Salaries and wages | 347,421,204 | 278,807,717 |
| Employer Contribution to Health Insurance Schemes | 15,118,367 | 19,097,345 |
| Employer Contribution to Pension Schemes | 30,359,449 | 17,163,143 |
| Other employee related costs -Leave Allowance | - | 3,865,293 |
| NSSF-Employer Contribution | 2,615,640 | 673,300 |
| Gratuity | 2,083,200 | 4,696,420 |
| Other employee related costs: NITA- Employer Contribution | 92,100 | 141,784 |
| Total | <u>397,689,960</u> | <u>323,445,002</u> |

9. BOARD EXPENSES

| | FY 2023/2024 Shs. | FY 2022/2023 Shs. |
|------------------------------|--------------------------|--------------------------|
| Travelling and Accommodation | 12,314,200 | 4,916,780 |
| Induction and Training | - | 2,056,800 |
| Sitting Allowances | 6,923,200 | 5,140,800 |
| Board Insurance | - | 930,000 |
| Chairman's Honoraria | 1,044,000 | 1,088,500 |
| Total | <u>20,281,400</u> | <u>14,132,880</u> |

NOTES TO THE FINANCIAL STATEMENTS

10. DEPRECIATION AND AMORTIZATION

| | FY 2023/2024 Shs. | FY 2022/2023 Shs. |
|--------------------------|--------------------------|--------------------------|
| Motor Vehicles | 8,443,772 | 12,535,155 |
| Computer and Accessories | 3,614,332 | 4,121,994 |
| Furniture and Fittings | 2,452,737 | 2,004,414 |
| Partitions | 378,773 | - |
| Amortized ERP | 184,664 | 2,331,120 |
| Total | <u>15,074,278</u> | <u>20,992,684</u> |

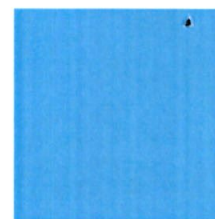
11. REPAIRS AND MAINTENANCE

| | FY 2023/2024 Shs. | FY 2022/2023 Shs. |
|--------------------------------------|-------------------------|-------------------------|
| Vehicles | 5,912,820 | 2,682,995 |
| Computers and accessories | - | 52,000 |
| Total repairs and maintenance | <u>5,912,820</u> | <u>2,734,995</u> |

12. CASH AND CASH EQUIVALENTS

| | FY 2023/2024 Shs. | FY 2022/2023 Shs. |
|--|---------------------------|--------------------------|
| Current Account | 152,519,215 | 32,722,582 |
| Others (Cash in Hand) | 24,799 | 38,470 |
| Total Cash and Cash Equivalents | <u>152,544,014</u> | <u>32,761,052</u> |

NOTES TO THE FINANCIAL STATEMENTS



12 (b). DETAILED ANALYSIS OF CASH AND CASH EQUIVALENTS

For the purposes of cash flow cash and cash equivalents include bank balances, cash in hand, salary advance and staff imprest.

Banks/Cash

| Financial Institution (a) Current Accounts | Account Number | FY 2023/2024 Shs. | FY 2022/2023 Shs. |
|---|----------------|---------------------------|--------------------------|
| Kenya Commercial Bank | 1142485498 | 53,919,140 | 31,554,663 |
| NCBA Bank | 1001309354 | 98,491,299 | 1,051,103 |
| CFC Stanbic-Bank | 0100004036397 | 108,776 | 116,816 |
| Sub-Total | | 152,519,215 | 32,722,582 |
| Cash In hand | | 24,799 | 38,470 |
| Sub-Total | | 24,799 | 38,470 |
| Total | | <u>152,544,014</u> | <u>32,761,052</u> |

13. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | FY 2023/2024 Shs. | FY 2022/2023 Shs. |
|----------------------------------|-------------------------|-------------------------|
| Motor vehicle insurance | 341,128 | 191,605 |
| Post Office | - | 4,725 |
| Medical Insurance | - | 3,305,422 |
| Salary Advance | 699,829 | 280,660 |
| Outstanding Imprest | 1,022,084 | 914,796 |
| LAPSSET Access road | 1,492,450 | - |
| MV purchase prepayment | 2,000,000 | - |
| Total current receivables | <u>5,555,491</u> | <u>4,697,208</u> |

NOTES TO THE FINANCIAL STATEMENTS

14. PROPERTY, PLANT AND EQUIPMENT

| Cost | Freehold Land Kshs Freehold Land | Motor vehicles Kshs Motor vehicles | Furniture and fittings Kshs Furniture and fittings | Partitions Kshs Partitions | Computers Kshs Computers | Total Kshs 0 |
|--------------------------------|--|--|--|----------------------------------|--------------------------------|--------------------|
| As At 1 July 2022 | 17,539,000,700 | 82,840,439 | 17,034,361 | 22,366,358 | 21,436,865 | 17,682,678,722 |
| Additions | | | 932,980.00 | | | 932,980 |
| Transfers/ Adjustments | | | (951,498) | | (2,385,129) | (3,336,627) |
| As at 30th June 2023 | 17,539,000,700 | 82,840,439 | 17,015,843 | 22,366,358 | 19,051,736 | 17,680,275,075 |
| Additions | | | 4,472,970 | 2,475,000 | 4,560,911 | 11,508,881 |
| As at 30th June 2024 | 17,539,000,700 | 82,840,439 | 21,488,813 | 24,841,358 | 23,612,647 | 17,691,783,956 |
| Depreciation And Impairment | | | | | | |
| As At July 2022 | | (61,017,055) | (3,777,402) | (22,366,358) | (13,450,297) | (100,611,113) |
| Depreciation | | (12,535,155) | (2,004,414) | | (2,004,414) | (18,661,563) |
| Transfers/ Adjustments | | 4,056 | | | 380,288 | |
| As At 30th 2023 | | (73,552,211) | (5,777,760) | (22,366,358) | (17,192,003) | (118,888,332) |
| Depreciation | | (8,443,772) | (2,452,737) | (378,773) | (3,614,331) | (14,889,613) |
| As at 30th June 2024 | | (81,995,983) | (8,230,498) | (22,745,131) | (20,806,334) | (133,777,945) |
| Net Book Values | | | | | | |
| As at 30th June 2023 | 17,539,000,700 | 9,288,228 | 11,238,082 | | 1,859,732 | 17,561,386,742 |
| As at 30th June | 17,539,000,700 | 844,456 | 13,258,315 | 2,096,227 | 2,806,313 | 17,558,006,012 |

Notes to PPE Analysis

| | | | |
|--|------------------------------|---------------------------|------------------------------|
| Land | 17,539,000,700 | - | 17,539,000,700 |
| Motor Vehicles | 82,840,439 | 81,995,983 | 844,456 |
| Computers And Related Equipment | 23,612,647 | 20,806,334 | 2,806,313 |
| Office partitions | 24,841,358 | 22,745,131 | 2,096,227 |
| Office Equipment, Furniture, And Fittings | 21,488,813 | 8,230,498 | 13,258,315 |
| Total | <u>17,691,783,956</u> | <u>133,777,945</u> | <u>17,558,006,012</u> |

NOTES TO THE FINANCIAL STATEMENTS

14 (b). PROPERTY, PLANT AND EQUIPMENT

Property plant and Equipment includes the following assets that are fully depreciated:

| Description | Cost or valuation | Normal annual depreciation charge |
|--|---------------------------|-----------------------------------|
| Motor Vehicles including Motorcycles | 76,180,284 | 25% |
| Computer and related Equipments | 11,501,078 | 33.33% |
| Office partitions | 22,366,358 | 16.70% |
| Office Equipment, Furniture and Fittings | 1,318,875 | 12.50% |
| Total | <u>111,366,595</u> | - |

NOTES TO THE FINANCIAL STATEMENTS

15. INTANGIBLE ASSET - ERP SOFTWARE

| Description | 2023-2024 Kshs | 2022-2023 Kshs |
|--------------------------------|-----------------------|-----------------------|
| Cost | | |
| At beginning of the year | 6,994,061 | 6,994,061 |
| Additions | 650,134 | - |
| At end of the year | 7,644,195 | 6,994,061 |
| Additions-internal development | - | - |
| At end of the year | 7,644,195 | 6,994,061 |
| Amortization and impairment | - | - |
| At beginning of the year | (6,836,631) | (4,505,510) |
| Amortization | (184,664) | (2,331,120) |
| At end of the year | (7,021,295) | (6,836,631) |
| | | - |
| NBV | <u>622,900</u> | <u>157,430</u> |

16. TRADE AND OTHER PAYABLES

| | 2023-2024 Kshs | 2022-2023 Kshs |
|---------------------------------------|--------------------------|--------------------------|
| Grants and subsidies | 5,016,240 | 5,016,240 |
| Board Expenses | 84,000 | - |
| Repairs and Maintenance | 11,289 | - |
| Medical Insurance | 9,468,144 | 12,990,140 |
| Other merchants | 5,926,371 | 241,664 |
| Assets | - | 6,994,060 |
| Rent | 330,000 | - |
| Other Salaries Arrears | 2,785,392 | - |
| Total trade and other payables | <u>23,621,436</u> | <u>18,248,044</u> |

NOTES TO THE FINANCIAL STATEMENTS

17.EMPLOYEE BENEFIT OBLIGATIONS

| Description | 2023-2024 Kshs | 2022 - 2023 Kshs |
|------------------------------------|-------------------|---------------------|
| Pension Contribution | 5,535,065 | 7,983,290 |
| Total employee benefits obligation | <u>5,535,065</u> | <u>7,983,290</u> |

18.CASH GENERATED FROM OPERATIONS

| | 2023-2024 Kshs | 2022-2023 Kshs |
|---|-------------------|---------------------|
| Surplus for the Period | 14,590,974 | 10,382,579 |
| Adjusted for: | | - |
| Depreciation | 15,074,278 | 20,992,684 |
| Working Capital changes | - | - |
| Increase in Prepayments | (11,529,974) | (3,254,662) |
| Increase in provisions and payables | (6,083,747) | (31,957,518) |
| Increase in grants receivable | - | (88,790,397) |
| Net cash flow from operating activities | <u>12,051,532</u> | <u>(92,627,315)</u> |

19.FINANCIAL RISK MANAGEMENT

The Authority's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Authority's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Authority's financial risk management objectives and policies are detailed below:

(i) Credit risk

The Authority has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT

| | Total Amount Kshs | Fully Performing Kshs | Past Due Kshs | Impaired Kshs |
|--|---------------------------|---------------------------|------------------|------------------|
| At 30th June 2024 | | | | |
| Receivable from exchange transactions | 4,855,662 | 4,855,662 | N/A | N/A |
| Receivable from non- exchange transactions | - | - | - | - |
| Bank balances | 153,218,504 | 153,218,504 | - | - |
| Total | <u>158,074,166</u> | <u>158,074,166</u> | - | - |
| At 30 June 2023 | | | | |
| Receivable from exchange transactions | 3,782,412 | 3,782,412 | N/A | N/A |
| Receivable from non- exchange transactions | - | - | - | - |
| Bank balances | 33,675,848 | 33,675,848 | - | - |
| Total | <u>37,458,260</u> | <u>37,458,260</u> | - | - |

(ii) Liquidity risk managements

Ultimate responsibility for liquidity risk management rests with the Authority directors, who have built an appropriate liquidity risk management framework for the Authority's short, medium and long-term funding and liquidity management requirements. The Authority manages liquidity risk through continuous monitoring of forecasts and actual cash flows (in Kshs).

| | Less than 1 month | Between 1-3 | Over 5 months | Total |
|--|-------------------|-------------|---------------|--------------------------|
| At 30th June 2024 | | | | |
| Provisions (Scholarship) | - | - | 5,016,240 | 5,016,240 |
| Employee benefit obligation (Gratuity) | - | - | 5,535,065 | 5,535,065 |
| Other accrued expenses | - | - | 18,605,196 | 18,605,196 |
| Total | - | - | - | <u>29,156,501</u> |

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT

(ii) Liquidity risk managements

| | Less than 1 month | Between 1-3 months | Over 5 months | Total |
|---|----------------------|--------------------------|------------------|--------------------------|
| At 30th June 2023 | | | | |
| Provisions (Scholarship) | - | - | 5,016,240 | 5,016,240 |
| Employee benefit obligation (Gratuity) | - | - | 196,445 | 196,445 |
| Other accrued expenses | - | - | 13,231,803 | 13,231,803 |
| Total | - | - | - | <u>18,444,488</u> |

(iii) Market risk

The Board has put in place an internal audit function to assist it in assessing the risk faced by the Authority on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Authority's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Authority's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

(a) Foreign Currency Risk

There has been no change to the Authority's exposure to market risks or the manner in which it manages and measures the risk.

The Authority has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid within 14 days from the date of the invoice and conversion at the time of payment is done using the exchange rate prevailing at the date of opening of contract.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT

(iii) Market risk

(b) Interest rate risk

Interest rate risk is the risk that the Authority's financial condition may be adversely affected as a result of changes in interest rate levels. The Authority's interest rate risk arises from bank deposits. This exposes the Authority to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Authority's deposits.

(c) Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

| | Kshs | Kshs |
|----------------|---------------------------|--------------------------|
| Cash in Hand | 25,339 | 38,470 |
| Cash at Bank | 153,218,504 | 32,722,582 |
| Salary Advance | - | 280,661 |
| Imprests | - | 634,135 |
| Total | <u>153,243,843</u> | <u>33,675,848</u> |

(e) Operating leases

The Authority is exposed to operating lease risks, where the Authority may enter into lease agreement with another entity and Authority may fail to receive services as it ought to be.

20. RELATED PARTY BALANCES

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

NOTES TO THE FINANCIAL STATEMENTS



20. RELATED PARTY BALANCES

Government of Kenya

The Government of Kenya is the principal shareholder of the Authority, holding 100% of the Authority's interest. The Government of Kenya has provided full guarantees to long-term lenders of the LAPSET Corridor Development Authority, both domestic and external. Other related parties include:

- i. The National Government
- ii. State Department of Transport
- iii. African Development Bank
- iv. Key Management
- v. Board of Directors

| Description | FY 2023-2024 Kshs | FY 2022-2023 Kshs |
|--|--------------------------|--------------------------|
| a) Grant from the Government | | |
| Grant from National Government | 620,799,999 | 597,154,625 |
| Development partner (Grant) - African Development Bank | - | - |
| Total | 620,799,999 | 597,154,625 |
| b) Key management compensation | | |
| Directors' emoluments | 12,314,200 | 13,177,880 |
| Compensation to the CEO | 5,550,000 | 5,550,000 |
| Compensation to key management | 28,276,000 | 28,276,000 |
| Total | <u>46,140,200</u> | <u>47,003,880</u> |

21. CONTINGENT LIABILITIES

During the year under review the Authority had no contingent liabilities.

22. EVENTS AFTER THE REPORTING PERIOD

There were no events after the reporting period.

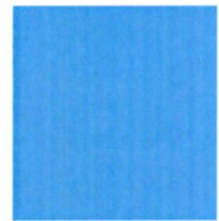
23. ULTIMATE HOLDING LAPSET CORRIDOR DEVELOPMENT AUTHORITY

The Authority is a state Corporation under the State Department of Northern Corridor Development. Its ultimate parent is the Government of Kenya.

24. CURRENCY

The financial statements are presented in Kenya Shillings (Kshs).

APPENDICES



APPENDIX I. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the External Audit Report | Issues/Observations from Auditors | Management Comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|---|--|-----------------------------------|--|
| 1 | Inaccuracies of Property, Plant and Equipment | The Authority is in the process of valuing the Lamu Port Assets. | Ongoing | FY 2024-2025 |

Accounting Officer

S. Ikua, MBS
Director
General/C.E. O

Date

30.12.24

APPENDICES



APPENDIX II: PROJECTS IMPLEMENTED BY THE AUTHORITY

The principal activity of the LAPSSET Corridor Development Authority is to Plan, Coordinate and Sequence the implementation of the LAPSSET Corridor Program Components.

During the year under review the Authority continued to provide Coordination and planning functions to the various projects implementing agencies. This led to significant milestones achievement culminating to Operationalization of the first berth of Lamu Port, Transaction Advisory (TA) for the Port and Special Economic Zone which is ongoing and Land Acquisition for the Project Components.

APPENDICES

APPENDIX III: INTER-ENTITY TRANSFERS



MINISTRY OF ROADS AND TRANSPORT

STATE DEPARTMENT FOR TRANSPORT

Telegrams: "TRANSCOMS". Nairobi
Telephone: 2729200
E-mail: info@transport.go.ke
When replying please quote

NGONG ROAD
P. O. Box 52692-00200
NAIROBI, KENYA

REF: MOT&I/ACCTS/062 Vol. I (77)

17th July, 2024

The Managing Director
LAPSET Corridor Development Authority
NAIROBI

(Attn: Head of Finance/Accounts)

RE: CONFIRMATION OF GRANTS/DISBURSEMENT TO SAGAS FINANCIAL
YEAR 2023/2024

The State Department for Transport wishes to confirm the amounts *disbursed to you* as at 30 June 2024 as indicated in the table below. Please compare the amounts *disbursed to you* with the amounts *you received* and populate them in column D in the table below. Then please sign and stamp this request in the space provided and return it to us by the 29th July 2024.

| Confirmation of amounts received by as at 30 June 2024 | | | | | | |
|---|----------------|--|------------------------|------------------------|---|------------------------------|
| Reference Number | Date Disbursed | Amounts Disbursed by State Department for Transport as at 30 June 2024 | | | Amount Received as at 30 June 2024 (Kshs) (D) | Differences (Kshs) (E)=(C-D) |
| | | Recurrent (Kshs) (A) | Development (Kshs) (B) | Total (Kshs) (C)=(A+B) | | |
| FT23233CF3BJ | 21-Aug-23 | 50,000,000.00 | | 50,000,000.00 | 50,000,000.00 | 0.00 |
| FT232333NDRX | 21-Aug-23 | 50,100,000.00 | | 50,100,000.00 | 50,100,000.00 | 0.00 |
| FT23297QWTR0 | 24-Oct-23 | 55,100,000.00 | | 55,100,000.00 | 55,100,000.00 | 0.00 |
| FT23312GDW5K | 08-Nov-23 | 51,733,333.00 | | 51,733,333.00 | 51,733,333.00 | 0.00 |
| FT23333TFT0X | 29-Nov-23 | 51,733,333.00 | | 51,733,333.00 | 51,733,333.00 | 0.00 |
| FT24018Z1JTY | 18-Jan-24 | 51,733,334.00 | | 51,733,334.00 | 51,733,333.00 | 0.00 |

APPENDICES

APPENDIX IV: INTER-ENTITY TRANSFERS

| | | | | | | |
|--------------|-----------|--------------------|--------------------|--------------------|--------------------|-------------|
| FT24066BG2B1 | 06-Mar-24 | 55,100,000.00 | | 55,100,000.00 | 55,100,000.00 | 0.00 |
| FT24096B98RX | 05-Apr-24 | 50,100,000.00 | | 50,100,000.00 | 50,100,000.00 | 0.00 |
| FT24130LZLYT | 09-May-24 | 50,100,000.00 | | 50,100,000.00 | 50,100,000.00 | 0.00 |
| FT241587PSC1 | 06-Jun-24 | 52,550,000.00 | | 52,550,000.00 | 52,550,000.00 | 0.00 |
| FT24179LHZPH | 27-Jun-24 | 52,550,000.00 | | 52,550,000.00 | 52,550,000.00 | 0.00 |
| FT2411453MNY | 23-Apr-24 | | 100,000,000.00 | 100,000,000.00 | 100,000,000.00 | 0.00 |
| | | | | | | |
| Total | | 620,800,000 | 100,000,000 | 720,800,000 | 720,800,000 | 0.00 |

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounting Unit – State Department for Transport

Name JAMES W. THOMAS Signature [Signature]

Date 17/7/24 Stamp _____

Head of Accounts Department – LAPSSET Corridor Development Authority

Name Bernard Okoch Signature [Signature]

Date 24/07/2024 Stamp _____
DIRECTOR GENERAL / CEO
 LAPSSET CORRIDOR DEVELOPMENT AUTHORITY
 P.O. BOX 45008 - 00100
 NAIROBI

APPENDICES



APPENDIX V: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES

| Name of the MDA/Donor Transferring the funds | Date received | Where Recorded/recognized | | | | | | |
|--|---------------|--------------------------------------|--------------------|------------------------------------|--------------|-----------------|-------------|---------------------------------|
| | | Nature: Recurrent Development Others | Total Amount - KES | Statement of Financial Performance | Capital Fund | Deferred Income | Receivables | Others - statement of cash flow |
| None | None | NIL | NIL | NIL | NIL | NIL | NIL | NIL |
| Total | | | | | | | | |



CONTACT US



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