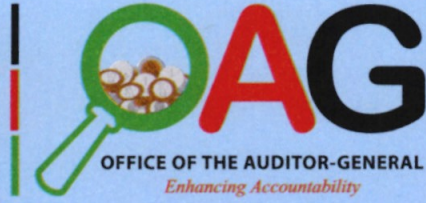


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TABLED BY:	Deputy Leader Majority Party
OF	Hon. Owen Baya, MP
CLERK-AT-TABLE:	Mr. Benson Inzofu

THE AUDITOR-GENERAL

ON

**DE-RISKING, INCLUSION AND VALUE
ENHANCEMENT PASTORAL ECONOMIES
(DRIVE) IN THE HORN OF AFRICA PROJECT
(CREDIT NO. 7139 - KE)**

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

KENYA DEVELOPMENT CORPORATION



PROJECT NAME:

**DE-RISKING, INCLUSION, AND VALUE ENHANCEMENT OF PASTORAL
ECONOMIES IN THE HORN OF AFRICA PROJECT (DRIVE)**

IMPLEMENTING ENTITY:

KENYA DEVELOPMENT CORPORATION

PROJECT GRANT/CREDIT NUMBER: 7139-KE

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED**

JUNE 30, 2025

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

Table Contents

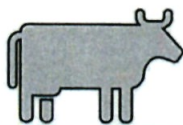
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1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
DRIVE	De-risking, Inclusion and Value Enhancement of pastoral economies (DRIVE)
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
KDC	Kenya Development Corporation
SDL	State Department of Livestock Development
DA	Designated Account
IDA	International Development Association
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office



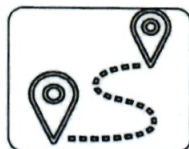
The project's official name is De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE).



Objective

The key objectives of the project are to enhance pastoralists' access to financial services for drought risk mitigation, include them in the value chains, and facilitate the livestock trade in the Horn of Africa

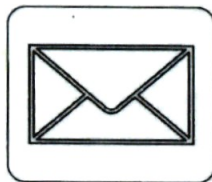
The project headquarters offices are in Nairobi, Nairobi County, Kenya. The address of its registered office is;



Address

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

The following are the project contacts



Contacts:

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

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	23 rd September 2022
Project End Date:	30 th September 2027
Project Coordinator:	Mr. Daniel Muimi
Project Development Partner:	World Bank - International Development Association (IDA)

2.3 Project Overview

Line Ministry or State departments/ County Department	Ministry of Agriculture and Livestock Development State Department of Livestock Development
Project number	Credit Number 7139-KE Project ID P176517
Strategic goals of the project	<p>The strategic goals of the project under component 2 are as follows:</p> <ul style="list-style-type: none"> i) Facilitate private investment in livestock value chain ii) Provision of financing to livestock value chain beneficiaries under two windows; <ul style="list-style-type: none"> a) A window of significant investments b) A window that focuses on women and youth owned enterprises in the livestock value chain. <p>The Objective of the project is to:</p> <ul style="list-style-type: none"> i) Enhance pastoralists access to financial services for drought risk mitigation,

	<p>ii) To include them in the beef value chains and iii) Facilitate the livestock trade in Horn of Africa.</p>
<p>Summary of Project Strategies for achievement of strategic goals</p>	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Provision of financing to viable private investments through debt (ii) Provision of financing to viable private investments through Equity investments.
<p>Other important background information of the project</p>	<p>The DRIVE project presents an innovative approach to address climate change and pastoral poverty.</p> <ul style="list-style-type: none"> • It uses a regional implementation approach to protect pastoralists against drought with financial services. The project is covering 4 countries in the Horn of Africa; Kenya, Djibouti, Ethiopia and Somalia. • It follows a people-centric approach to ensure better outcomes for one of the poorest populations in the HoA, the pastoralists. • It seeks to mobilize private investment in the pastoral value chains and facilitate livestock trade to ensure pastoralists get more value for their livestock-rearing activities. <p>To achieve this, the project has two main components with three implementing partners, namely;</p> <p>i) ZEP RE - Implementing Component 1</p> <p>The objective of Component 1 - De-Risking and Finance</p>

- To carry out activities to build climate resistance through;
- Offering a Package of financial services to pastoralist groups including drought index insurance and savings promotion

ii) Kenya Development Corporation and State Department of Livestock - Implementing Component 2

The objective of component 2 is to support private investments in the livestock value chains and link pastoral producers to reliable markets by;

- i) Upgrading quality infrastructure such as testing facilities, traceability systems and quarantine systems to ensure compliance of livestock and livestock products with national and international standards and facilitate compliance with said standards to livestock traders, exporters investors and local communities.
- ii) Facilitating Trade and trade logistics in livestock and livestock products through improvement of logistics for transit of live animals, digitization of export and sanitary certificates.
- iii) Private investment in livestock value chain by Kenya development Corporation.

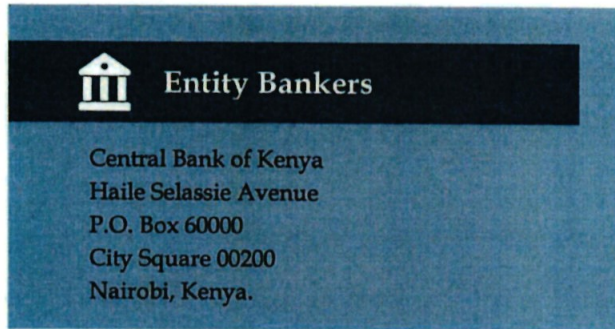
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems/ gaps:</p> <ul style="list-style-type: none">i) The ASAL areas of Kenya are exposed to disasters, amplified by climate change, and the recurrent severe droughts are a key factor to poverty and conflicts in pastoral economiesii) Access to formal financial services and credit for pastoral producers is limited. This is due to lack of collateral- Pastoral land is communal and cannot be charged as collateral, Lack of commercial business and difficulty to follow loan defaulters. Poorly timed sales and exposure to drought are a limit to creditworthinessiii) Due to gendered social norms, and compared to men, women have less mobility, rights, and access to resources, as well as lower access to social capital, productive resources, and technology, affording them less capacity to adapt and diversify their livelihoodsiv) The livestock value chains are dominated by traders, with limited benefits going to the pastoral producers. This is impacted by; Lack of quality infrastructure to trace livestock and ensure standards, limited resources for diseases control.v) Poorly timed sales due to lack of feed and food during drought means selling livestock when
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	<p>prices are lowest, rather than selling when rains and livestock prices are good – as a result the quality of the livestock sold does not meet exporters’ requirements without the use of holding grounds;</p> <p>vi) Furthermore, many cattle breeds of pastoralists are not adapted to export markets.</p> <p>vii) Droughts degrade rangelands, deplete livestock, and lead to underinvestment. Underinvestment lowers pastoral productivity.</p>
Project duration	Five Years

Project Information and Overall Performance (Continued)

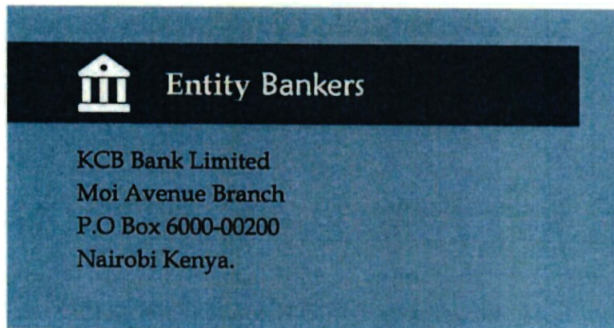
2.4 Bankers


The following are the bankers for the project:



 **Entity Bankers**

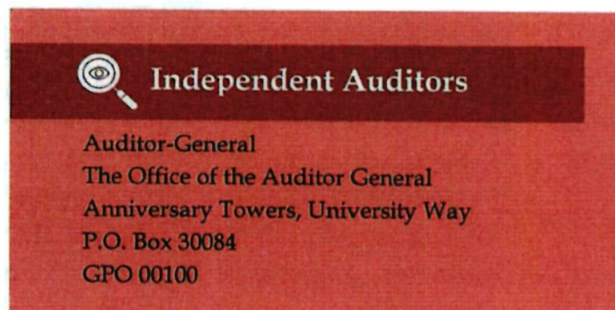
Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya.




 **Entity Bankers**

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

2.5 Independent Auditor



 **Independent Auditors**

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

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1.	Norah Ratemo	Director General	Master's Degree in Business Administration-Finance, Bachelor's Degree of Commerce-Accounting, CPA(K), Certified Investment and Financial Analyst (CIFA) and Strategic Leadership	Overall leadership in the project implementation
2.	Daniel Muimi	Ag. Deputy Director Investment Appraisal and Administration	Bachelor's Degree in Business Administration, CPA(K) and Certified Investment and Financial Analyst (CIFA)	Project Coordinator
3.	Kennedy Wanderi	Ag. Director Corporate Services and Deputy Director, Finance and Accounts	Master's Degree in Business Administration-Finance and Banking Bachelor's Degree in Business Management and CPA(K) and Advanced Management Program.	Ensure compliance with the financial management manual and relevant accounting laws
4.	Herman Gacugi	Manager Risk Management and compliance	Master's Degree in Science Information Communications Technology (ICT) Bachelor's Degree in Commerce-Accounting, CPA(K), CISA and GRI Certified Professional	Ensure project compliance to Environmental and Social Management Systems

5	Erastus Njoroge	Deputy Director Portfolio Management	Master's degree in Financial Economics as well as a Bachelor's Degree in Mathematics and Economics.	Responsible for loans portfolio with a view to maximizing returns and mitigating risks and achieve corporate objectives.
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Kenya development Corporation is well resourced with key accounting staff from all departments including Audit, ICT, Legal, Investments & Appraisal, Portfolio Management and Business Development being qualified and experienced with defined roles and responsibilities.

2.7 Funding summary

The Project is for a duration of 5 years from 2022 to 2027 with an approved budget of US\$ 40,026,253 (EUR 37,885,710) equivalent to Kshs.5,745,367,922 (CBK rate as at 30th June 2025 Exch. Rate - 1EURO=151.65). This is indicated in the Subsidiary Grant Agreement signed on the 23rd September 2022 between Kenya Development (KDC), State Department of Livestock (SDL) and the Government of the Republic of Kenya (GOK) as highlighted in the table below

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date - (30 th June 2025)		Undrawn balance to date	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant	Exch. Rate - 1EURO=151.65					
World Bank (International Development Association)	37,885,710	5,745,367,922	5,274,223	763,189,201	32,611,487	4,982,178,721
Total	37,885,710	5,745,367,922	5,274,223	763,189,201	32,611,487	4,982,178,721

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

Project information and overall performance (continued)

A. Application of Funds

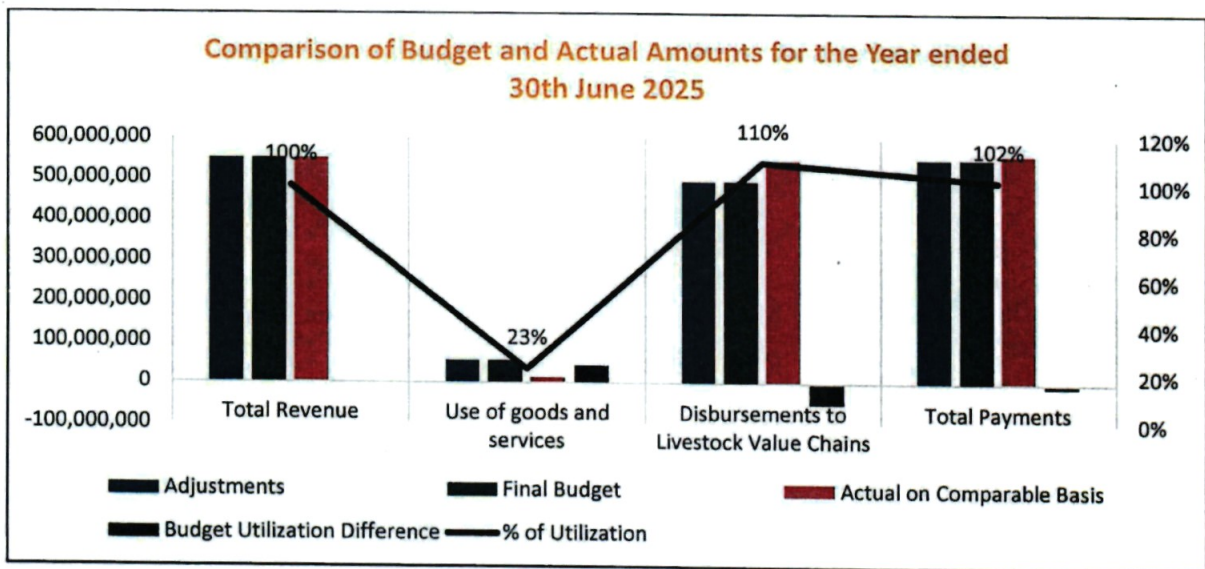
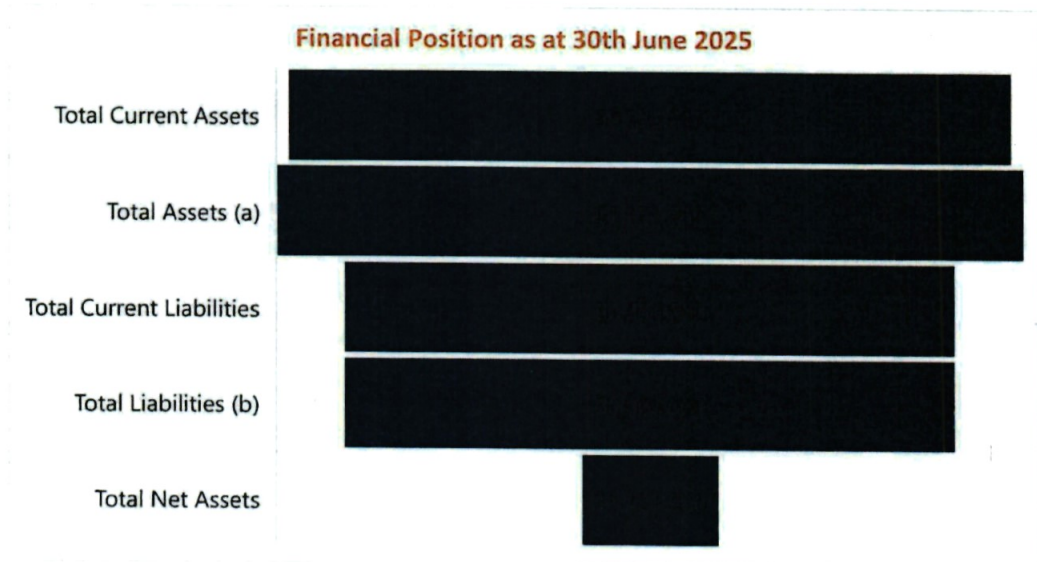
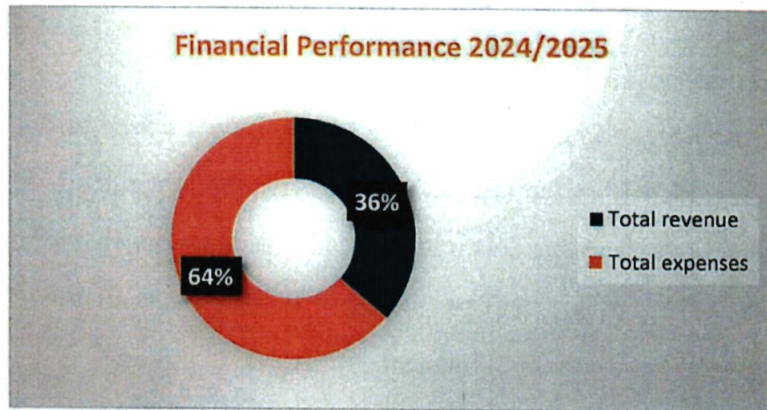
Application of funds	Amount received to date - (30 th June 2025)		Cumulative amount paid to date (30 th June 2025)		Unutilised balance to date (30 th June 2025)	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
World Bank (International Development Association)	5,274,223	763,189,201	5,209,841	754,352,843	64,381	8,836,357
Total	5,274,223	763,189,201	5,209,841	754,352,843	64,381	8,836,357

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

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- (i) For the FY 24/25, the total budget allocated for DRIVE stood at Kshs.300 million. As at 30th June 2025, Kshs.300 million had been disbursed, representing 100% of the annual budget.
- (ii) Since inception of the Project a total cumulative budget of Kshs.1.1 billion has been approved. As of 30th June 2025, total disbursements stand at Kshs.744,920,558.
- (iii) Kshs.732 million has further been disbursed and channelled through 13 investment projects and 1 wholesale institution. Targeting high impact regions in the ASAL areas.
- (iv) Since commencement of the DRIVE project, substantial progress has been made including;
 - a) Kshs.732 million successfully disbursed – Representing a 16% absorption rate, with structured mechanisms in place to accelerate utilization.
 - b) 114 livestock-based enterprises have been a financed across 23 counties.
 - c) Kshs.2.3 billion in approved financing across 24 high-impact projects – Enabling expansion in feedlots, fodder production, and market access and including 2 wholesale institutions.
 - d) Kshs.1.7 billion in private sector leverage mobilized – Achieving a 40% leverage ratio, signaling strong investor confidence in the sector.
 - e) Shariah compliance financing of Kshs.500million has been approved to facilitate access to persons who prefer sharia compliant financial products in the ASAL areas.



(v) Implementation challenges

Multiple enterprises lacked technical guidance on livestock management, nutrition, disease control, and business operations undermining productivity and repayment capacity. Lending models are best incorporated with technical assistance to de-risk uptake. SDLD to support provision of technical expertise to projects.

During the reporting period, KDC recorded a Kshs.1.2 billion shortfalls in available funds required to fully support all pre-approved enterprises. While Kshs.732 million was successfully on-lent to end beneficiaries, total approvals stood at KES 2.3 billion, reflecting a 67% financing gap. Additionally, there is Kshs.180 million outstanding across active partially disbursed projects and a current bank account Balance of Kshs.42 million as at 30th June 2025. On 26th June 2025, KDC made a transfer of Kshs.50 million of its own funds to the DRIVE fund account to facilitate pending disbursements.

vi) Way forward

- a) Engagement with National Treasury and SDLD to expediate the release of funds. Emphasis is particularly placed on time sensitive nature of DRIVE financing particularly during market cycles where delays lead to direct income loss and livestock deterioration.
- b) KDC has implemented a staggered disbursement strategy in anticipation of phased fund releases.
- c) Onboard a Monitoring and evaluation agent to provide monitoring and evaluation services aimed at improving, tracking verification to measure impact as intended by SDLD.

2.9 Summary of Project Compliance:

For the reporting period under review, there were no significant cases of non-compliance with applicable laws, regulations, or financing agreements. The project adhered to the requirements of the Public Finance Management (PFM) Act, 2012, applicable Treasury Circulars, and aligned its implementation strategy with the principles of Kenya Vision 2030.

Furthermore, the project has remained compliant with all conditions and covenants set out in external financing agreements, including timely reporting, environmental and social safeguards (ESMS), and fiduciary management protocols.

3. Statement of Performance against Project's Predetermined Objectives

Introduction

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

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

- a) Increase the amount of Private Capital Enabled or Mobilized through the project
- b) Provide Financing to livestock Value chains

Progress on the attainment of strategic development objectives

To implement and cascade the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic, and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified to track progress and performance measurement

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

Project	Objective	Outcome	Indicator	Performance
De-Risking Inclusion and Value Enhancement for Pastoral Economies (DRIVE)	Facilitate private investment in livestock value chain.	<p>Increased private sector finance into the Livestock value chains.</p> <p>Increased inclusion and financing of livestock value chains.</p>	Amount of private capital capitalized into the project	<p>In the financial year 24/25 the approved investments are expected to mobilize private investments worth Kshs.694,373,643 in the LVC.</p> <p>Cumulatively, since project inception, private capital mobilized amounts to Kshs.1.7 billion.</p> <p>114 livestock enterprises have been financed through both wholesale lending and direct KDC funding across 23 counties within different value chains including Feedlot, Animal genetics, Fodder, Export.</p>

*De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025*

	To improve gender and youth participation in livestock value chains	Equitable participation and benefit sharing	% of financed enterprises led by women and Youth	35 livestock-based enterprises were supported under women and youth representing 31% of the funded projects amounting to Kshs.185million, representing 25% of the disbursed funds.
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4. Environmental and Sustainability Reporting

The De-risking, Inclusion and Value Enhancement of Pastoral Economies (DRIVE) project, funded by the World Bank, is an ambitious initiative aimed at transforming pastoralist economies in the Horn of Africa (HoA) by building resilience, expanding financial inclusion, and enhancing access to markets.

Specifically, **Component 2** of the project focuses on three strategic pillars:

- **Upgrading quality infrastructure**, such as testing facilities, certification services, and traceability systems.
- **Trade facilitation and logistics**, including digitization of export documentation and quarantine systems.
- **De-risking investments**, through a facility that incentivizes private-sector participation in livestock value chains, with dedicated support for women and youth enterprises.

Implemented by the Corporation, this component targets various arid and semi-arid regions. During this period, the Corporation has offered affordable financial intervention to enterprises across **Makueni, Narok, Kajiado, Marsabit, Laikipia, Kwale, Isiolo, Samburu, Taita Taveta, Uasin Gishu and Nakuru** counties with a focus on inclusivity. Out of the enterprises funded at least **29% are women led/controlled enterprises** aligning with gender inclusion.

Despite differing local dynamics, these regions face key challenges, example; lack of environmental and sustainability policies, limited institutional capacity, weak compliance systems, and underdeveloped reporting structures which we address through capacity building and structured environment and social action plans that help in upscaling compliance with environment and social standards.

Sustainability in the DRIVE Project is approached as a multidimensional concept that goes beyond environmental conservation. It is rooted in three interconnected pillars: long-term social inclusivity, economic viability, and climate resilience.

- **Social inclusivity** ensures that marginalized groups—particularly pastoralist communities, women, and youth—are meaningfully engaged and empowered throughout the project lifecycle by providing jobs to local communities. This includes ensuring equitable access to financial services, value chain opportunities, and decision-making platforms, thereby reducing historical imbalances and fostering social equity.
- **Economic viability** emphasizes the creation and support of sustainable, market-driven livelihoods within the livestock sector. By linking pastoralists to reliable markets, strengthening trade logistics, and de-risking private sector investment in the livestock value chain, DRIVE aims to foster commercial models that are profitable, replicable, and scalable, ensuring long-term income stability for beneficiaries.

Fig. 1 Herd of economically viable steers in a farm at Kajiado.



- **Climate resilience** is embedded through interventions that mitigate climate-related risks such as drought, rangeland degradation, and water scarcity. These include promoting climate-smart infrastructure (e.g., solar-powered facilities), harvesting and storage of rain water, sustainable grazing practices, mandatory tree growing of at least 50 trees for every acre of natural vegetation cleared for livestock activities and supporting enterprises with measurable adaptation or mitigation co-benefits.

This integrated understanding of sustainability guides all components of the project—from infrastructure development and investment facilitation to capacity building and regulatory compliance. It ensures that DRIVE not only achieves short-term results but also lays the foundation for systemic transformation of pastoral economies in the Horn of Africa.

KDC's Screening and Monitoring Framework

All projects are subject to a **rigorous screening process by KDC**, aligned with World Bank Environmental and Social Standards (ESSs).

This includes a review of:

- **Environmental and social risks**
- **Inclusion and gender responsiveness**
- **Climate adaptation or mitigation co-benefits**
- **Economic and operational feasibility**

Fig.2. Applicable ESS Standards.



KDC has established conditions precedent for fund disbursement, which require projects to submit key documentation such as:

- Environmental and Social Management Plans (ESMPs)
- Land use and ownership documentation
- Grievance redress mechanisms
- Proof of stakeholder engagement

Compliance and Monitoring Observations

While sustainability maturity varies across subprojects, most have made significant efforts to comply with the conditions set by KDC before disbursement. There is a strong awareness among project promoters of the need to adhere to safeguards, even if full compliance is still a work in progress. Regular field visits, technical assistance, and compliance templates provided by KDC have helped ensure:

- **Baseline assessments are conducted**
- **Grievance redress systems are documented.**
- **Community consultation records are available.**
- **Initial efforts at data collection for ESG metrics have begun.**

i. Sustainability Strategy and Profile

These projects established sustainability strategies centered on inclusive growth, environmental stewardship, and long-term business viability. In each case, leadership—often including managing directors and operations heads—played an active role in embedding ESG (Environmental, Social, and Governance) principles into both strategic planning and daily operations.

Key characteristics observed across these projects include:

- Development and implementation of formal ESG policies, such as Environmental and Social Management Plans (ESMPs) and codes of conduct.
- Compliance with national labor laws and international standards related to fair pay, safe working conditions, and workers' rights.
- Adoption of renewable energy systems (e.g., solar panels for lighting and water pumping), reducing carbon footprints.

- Investment in sustainable infrastructure, including water conservation structures like dams, and solar-powered fencing to manage security and wildlife impacts.
- Integration of risk mitigation strategies that address political, climatic, and market-related uncertainties.

These strategies demonstrate a proactive, structured, and replicable approach to sustainability integration within the pastoral value chains.

ii. Environmental Performance

Most projects implemented clear environmental policies focused on responsible natural resource use, pollution prevention, and biodiversity conservation.

Environmental initiatives commonly included:

- Use of solar power and other low-emission energy sources to reduce fossil fuel reliance.
- Construction of rainwater harvesting systems and water catchment infrastructure for enhanced resilience during dry seasons.
- Adoption of soil conservation measures, tree planting, and controlled grazing to protect ecosystems.
- Implementation of proper waste management systems, including composting and safe chemical handling.
- Maintenance of ESMPs and environmental risk registers to support compliance and continuous improvement.

Even where formal biodiversity impact assessments were not conducted, projects demonstrated tangible efforts to minimize ecological disruption.

Fig 3. Climate resilience activities in the farms.



Solar Security Lighting in Makueni



Biogas Production in Kajiado



Borehole, water harvesting & storage in Laikipia



Biodiversity conservation. Retaining natural habitat for bee farming within the feedlot



Solar Power water pumping system in Narok



Solar Powered electric fence in Narok

iii. Employee Welfare

Most projects also exhibited good labour practices, fostering ethical, inclusive, and safe work environments.

Key employee welfare practices included:

- Formal employment contracts detailing compensation, grievance mechanisms, and leave entitlements.
- Payment of statutory wages and provision of additional in-kind benefits such as housing and transport.
- Safe and decent on-site accommodation for workers.
- Accessible Grievance Redress Mechanisms (GRMs) and maintained grievance registers.
- Commitment to gender diversity, with deliberate recruitment of women in technical and administrative roles.
- Regular training and upskilling opportunities on animal handling, sanitation, and safety protocols.

- Compliance with the Occupational Safety and Health Act (OSHA), 2007, with provision of PPE, first-aid kits, and routine safety briefings.

Periodic meeting between management and staff were encouraged to foster open communication and continuous improvement in workplace wellbeing.

Fig.4 Employee welfare activities.



Fenced dam in Kajiado farm for workers safety



Fire extinguisher in Makueni farm for fire safety



Workers Quarters at a farm in Kajiado.



Community engagement for a farm in Samburu.

iv. Marketplace Practices

a) Responsible Supply Chains

The project portfolio through continuous engagement are guided to ensure they have established responsible supplier relationships through:

- Clear, written contracts and timely payments.
- Preference for local suppliers, promoting local economic development.
- Systems to ensure traceability of livestock and compliance with animal welfare protocols.

b) Ethical Business Conduct

- Adoption of anti-corruption policies and transparent procurement processes.
- Oversight of procurement decisions via internal committees, with mandatory conflict-of-interest declarations.
- Political neutrality in operations, avoiding affiliations that might influence business unfairly.

c) Regulatory Compliance

Compliance with relevant regulatory frameworks was consistent, including:

- Proper land documentation and environmental compliance certification.
- Engagement with stakeholders at the community level, especially regarding shared resource use such as water and grazing.

v. Community Engagement

These projects embedded sustainable community engagement practices into their business models, fostering strong community relationships.

Typical community engagement practices included:

- Employment of local youth, especially during peak seasons.
- Provision of veterinary outreach services and participation in livestock vaccination campaigns.
- Support to local farmers by sharing excess livestock manure and fodder.
- Participation in local water-sharing initiatives to ensure equitable resource access.

- Regular dialogue with community leaders to promote peaceful coexistence and inclusive resource governance.

These engagements significantly enhanced the social license to operate, affirming the value of aligning commercial success with community development.

Expected Sustainability Outcomes of Implementing the ESMS

The implementation of the Environmental and Social Management System (ESMS) under the De-risking, Inclusion, and Value Enhancement of Pastoral Economies (DRIVE) Project is expected to deliver far-reaching sustainability outcomes across Kenya's pastoralist counties. These outcomes are anchored in both compliance with World Bank Environmental and Social Standards (ESS) and the core sustainability pillars of social inclusion, environmental stewardship, economic resilience, and institutional strengthening.

1. Long-Term Sustainability Impact

The ESMS integrates sustainability into every phase of subproject development, ensuring that environmental and social risks are systematically identified, mitigated, and monitored. In the long run, this translates into:

- **Robust Market Linkages and Value Chain Enhancement:**
- **Client Awareness and Capacity Building:**
- **Biodiversity Conservation and Ecosystem Integrity:**
- **Institutionalization of Environment and Social Standards Principles:**

2. Alignment with the Sustainable Development Goals (SDGs)

The ESMS contributes directly to several Sustainable Development Goals. By enabling inclusive, climate-smart, and environmentally responsible development, the ESMS supports **SDG 1** by increasing income and livelihood security through market access and de-risked investments. It promotes **SDG 2** by enhancing livestock productivity and supporting sustainable food systems. **SDG 5** is addressed by enabling women to lead

and participate actively in value chains, while **SDG 8** benefits from the creation of decent, ESG-compliant jobs in rural areas. The ESMS also promotes **SDG 10** by including marginalized pastoralist groups and contributes to **SDG 12** through sustainable production practices. Importantly, **SDG 13** is supported by mainstreaming climate risk management, and **SDG 15** by protecting rangelands and restoring degraded ecosystems.



5. Statement of Project Management Responsibilities

The Director General for Kenya Development Corporation and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2025.

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

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

The Director General for the Kenya Development Corporation and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Director General for the Kenya Development Corporation and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The Director General for the Kenya Development Corporation and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that Project funds received during the

financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

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


.....

CPA/FA Norah Ratemo
Director General


.....

CPA Daniel Muimi
Project Coordinator

REPUBLIC OF KENYA



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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON DE-RISKING, INCLUSION AND VALUE ENHANCEMENT PASTORAL ECONOMIES (DRIVE) IN THE HORN OF AFRICA PROJECT (CREDIT NO. 7139 - KE) FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA DEVELOPMENT CORPORATION

PREAMBLE

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

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; 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.

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

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of De-Risking, Inclusion and Value Enhancement Pastoral Economies (DRIVE) in the Horn of Africa Project (Credit No.7139 - KE) – Kenya Development Corporation set out on pages 1 to 32, which

Draft Report of the Auditor-General on De-Risking, Inclusion and Value Enhancement Pastoral Economies (Drive) in the Horn of Africa Project (Credit No.7139 - KE) for the year ended 30 June, 2025 – Kenya Development Corporation

comprise of the statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of De-Risking, Inclusion and Value Enhancement Pastoral Economies (DRIVE) in the Horn of Africa Project (Credit No.7139 - KE) – Kenya Development Corporation as at 30 June, 2025 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 Financing Agreement No.7139 between the International Development Association and the Republic of Kenya dated 29 June, 2022 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the De-Risking, Inclusion and Value Enhancement Pastoral Economies (DRIVE) in the Horn of Africa Project (Credit No.7139 - KE) – Kenya Development Corporation Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

1. Amounts Withdrawn and not Claimed

The Statement of Special (Designated) Account Reconciliation for the Project on page 37 reflects amounts withdrawn and not claimed of Euro 3,000,000. This amount is equivalent to Kshs.453,000,000 at the exchange rate of 1 EURO = Kshs.151 as of 30 June, 2025. These funds represent cumulative transfers to the local Project bank account for which expenditure returns had not been submitted to the National Treasury by the close of the financial year.

Delays in the submission of expenditure returns distorts the reported Projects expenditures for the year.

2. Budgetary Controls and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.549,734,324. Similarly, the Project incurred total expenditure of Kshs.559,165,867 against actual receipts of

Kshs.549,734,324, resulting in an over-expenditure of Kshs.9,431,543. This variance arose from an under-utilization of Kshs.42,340,535 under use of goods and services, and excess spending of Kshs.51,485,818 on disbursements to livestock value chains.

Further, there was no supporting documentation for the approved budget of Kshs.549,734,324, nor for the allocation of Kshs.54,973,432 for use of goods and services and Kshs.494,760,892 for disbursements to livestock value chain.

As a result, the accuracy and reliability of the reported budget allocations could not be confirmed.

3. Internal Borrowing of Funds

The Statement of Financial Position reflects short-term borrowing from KDC amounting to Kshs.50,000,000 as disclosed under Note 13 to the financial statements. The amount relates to a transfer made by the Kenya Development Corporation on 24 June, 2025 to the Project to facilitate disbursements. However, the transfer represents internal funds advanced by the Corporation to the Project and was recorded as a borrowing pending reimbursement. The transaction indicates that project operations were temporarily financed through internal corporate resources rather than project funds.

The use of internal funds by the Kenya Development Corporation to finance project activities was due to inadequate cash flow management and delays in the release of project funds from the designated account.

4. Low Absorption Rate of Project Funds

The funding summary on page xii of the financial statements on funding summary indicates that the project duration is 5 years from 2022 to 2027, with an approved budget of EUR37,885,710 equivalent to Kshs.5,745,367,922. As at 30 June, 2025, the project had received EUR5,274,223 equivalent to Kshs.763,189,201 or 13% of total budgeted funds out of this amount, a total of Kshs.572,875,700 had been disbursed with a lapsed project duration of 3 years equivalent to 60% of the total project duration, an indication that the project is behind schedule. The low fund absorption rate is indicative of significant delays in project implementation and raises concerns regarding the effectiveness of fund utilization given the project is scheduled to end in the financial year 2027.

My opinion is not modified in respect of these matters.

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. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the previous year's audit report, two issues were raised under the Report on Lawfulness and Effectiveness in the Use of Public Resources and the Report on Effectiveness of Internal Controls, Risk Management, and Governance. A review of Annex 1 to the financial statements on Prior Year Auditor-General's Recommendation indicates that management has resolved the issues raised. However, management did not submit a report demonstrating how the recommendations and findings of the prior year's audit were addressed, nor did they provide evidence supporting the resolution of the issues.

Other Information

The Management is responsible for the Other Information set out on page iii to xxxiv which comprise of Project Information and Overall Performance, Key Entity Information and Management, Statement of Performance Against Predetermined Objectives, Environmental and Sustainability Reporting, Statement of Project Management Responsibilities, The Other Information does not include the financial statements and my audit report thereon.

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance 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 effects of the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Delay in Project Implementation

Review of loan records indicated that a total of Kshs.24,294,080 was disbursed to one of the loanees against an approved loan amount of Kshs.66,985,080, as per the offer

Draft Report of the Auditor-General on De-Risking, Inclusion and Value Enhancement Pastoral Economies (Drive) in the Horn of Africa Project (Credit No.7139 - KE) for the year ended 30 June, 2025 – Kenya Development Corporation

letter Ref: KDC/DG/CS&LS/11/2023 dated 21 November, 2023. The borrower requested the first disbursement of Kshs.17,964,580 on 11 January, 2024, which was released on 25 January, 2024. However, a back-to-office report dated 15 February, 2024, following a visit conducted on 22 January, 2024 to confirm implementation progress, noted that there was no progress on the project, as the 250 cattle, animal feeds, and laboratory equipment had not been procured. Subsequently, through a letter Ref: KDC/INV/300-0277-0337/1 dated 13 May, 2024, a three-month period was granted to enable the loanee to implement the project. Despite this, as at the time of the audit in June, 2025, no evidence of progress towards implementation had been provided.

In the circumstances, the delayed implementation indicates non-compliance with loan terms and exposes the project funds to a risk of misuse.

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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

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 Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

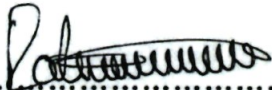
Nairobi

27 November, 2025


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

	Notes	2024/2025 Kshs
Revenue		
Revenue Transfers	6	318,267,901
Total revenue		318,267,901
Expenses		
Use of goods and services	7	12,632,897
Disbursements to Livestock Value Chains	8	546,246,710
Depreciation and amortization expense	9	1,000,657
Total expenses		559,880,264
Deficit		(241,612,363)


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



 CPA/FA Norah Ratemo
 Director General



 CPA Daniel Muimi
 Project Coordinator




 CPA Kennedy Wanderi
 Project Accountant
 ICPAK Member No:3349

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


	Note	2024/2025	1 st July 2024
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	10	40,568,456	249,734,324
Receivables	11	18,554,161	-
Total Current Assets		59,122,617	249,734,324
Non-Current Assets			
Property, Plant and Equipment	12	2,001,343	3,002,000
Total Non- Current Assets		2,001,343	3,002,000
Total Assets (a)		61,123,960	252,736,324
Liabilities			
Current Liabilities			
Short term Borrowing from KDC	13	50,000,000	-
Total Current Liabilities		50,000,000	-
Total Liabilities (b)		50,000,000	-
Net Assets (a-b)		11,123,960	252,736,324
Represented By:			
Accumulated Surplus		11,123,960	252,736,324
Total Net Assets		11,123,960	252,736,324

***De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa
Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025***

The financial statements were approved on 27th August 2025 and signed by:


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


.....
CPA Daniel Muimi
Project Coordinator


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

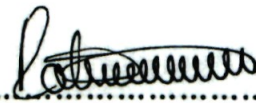
De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025

9. Statement of Changes in Net Assets

Description	Accumulated Surplus
	Kshs
As at 30th June 2024 (Cash Basis)	249,734,324
Adjustments:	
Asset Recognition	3,002,000
Liabilities recognition	-
As at 1st July 2024	252,736,324
Deficit for the year	(241,612,363)
As at 30th June 2025	11,123,960

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

The financial statements were approved on 27th August 2025 and signed by:


.....

CPA/FA Norah Ratemo
Director General


.....

CPA Daniel Muimi
Project Coordinator


.....

CPA Kennedy Wandari
Project Accountant
ICPAK Member No.3349

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025

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

Description	Note	2024/2025
		Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers		300,000,000
Total receipts		300,000,000
Payments		
Use of goods and services		12,919,157
Disbursements to the Livestock Value chains		546,246,710
Total payments		559,165,867
Net cashflow from operating activities	14	(259,165,867)
Net cash flows from investing activities		-
Cashflow from financing activities		-
Short term borrowing from KDC internal funds to the project		50,000,000
Net cashflow from financing activities		50,000,000
Net increase/Decrease in cash and cash equivalents		(209,165,867)
Cash and cash equivalent at 1st July 2024	10	249,734,324
Cash and cash equivalent at end of 30th June 2025	10	40,568,456

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

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Budget Carry Overs from previous periods	249,734,324	-	249,734,324	249,734,324	-	100
Receipts						
Revenue Transfers	300,000,000	-	300,000,000	300,000,000	-	100
Total Revenue	549,734,324	-	549,734,324	549,734,324	-	100
Payments						
Use of goods and services	54,973,432	-	54,973,432	12,919,157	42,054,275	24
Disbursements to Livestock Value Chains	494,760,892	-	494,760,892	546,246,710	(51,485,818)	110
Total Payments	549,734,324	-	549,734,324	559,165,867	(9,431,543)	102
Deficit	-	-	-	(9,431,543)	(9,431,543)	

Budget notes

Use of goods and services - KDC underspent the allocated operating budget because it did not have sufficient funds to undertake financing of the livestock value chain hence the downsizing on the operating expenses to finance the disbursements to the livestock value chain.

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025

Budget Reconciliation

	Description of Particulars	Amount in Kshs
	Actual Surplus Amounts as per the statement of Budget	(9,431,543)
1	KDC repayable advance to the project	50,000,000
	Closing Cash and Cash Equivalent as per the statement of Cash flows	40,568,456

12. Notes to the Financial Statements

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

These financial statements were authorized for issue by the accounting officer on_

3. Adoption of New and Revised Standards

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

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

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)

Annual Reports and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>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><i>Applicable 1st January 2025</i></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>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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;

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)

Annual Reports and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
	<p>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</p> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

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

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

Standard	Effective date and impact:
IPSAS 47- Revenue	<p>Applicable 1st January 2026</p> <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> <p><i>The entity shall adopt the new standard in disclosing the revenue from non-exchange transactions</i></p>
IPSAS 48- Transfer Expenses	<p>Applicable 1st January 2026</p> <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> <p><i>No expected impact of the standard to the Entity</i></p>

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)

Annual Reports and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>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.</p> <p><i>No expected impact of the standard to the Entity</i></p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol style="list-style-type: none">i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized. <p><i>No expected impact of the standard to the Entity</i></p>

iii) Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2024/2025 was approved by the National Treasury in June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual

Notes to the financial statements

amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page xx under section xxx of these financial statements.

c) Property, plant and equipment

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

d) Depreciation and impairment of property, plant and equipment

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the cost of ongoing but incomplete works on buildings and other civil works and installations.

Depreciation on property, plant and equipment is recognized in the income statement on a straight-line basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life. The annual rates in use, as guided by National Treasury policy on assets depreciation are:

Annual Reports and Financial Statements for the year ended June 30, 2025.

Item	Years	Rates
Freehold Land	Nil	Nil
Buildings and civil works	Unexpired lease period	-
Plant and machinery	10	10%
Motor vehicles, including motorcycles	5	20%
Computers and related equipment	3	33.33%
Office equipment, furniture and fittings	10	10%

A full year's depreciation charge is recognised both in the year of asset purchase and in the year of asset disposal.

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognised so that the asset is written down immediately to its estimated recoverable amount.

e) Intangible assets

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

Notes to the financial statements

f) Financial instruments

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

Financial assets

Classification

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

Notes to the financial statements

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Notes to the financial statements

Trade and other receivables

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

Financial liabilities

Classification

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

g) Provisions

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

Contingent liabilities

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

Notes to the financial statements

Contingent assets

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

h) Changes in accounting policies and estimates

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

i) Foreign currency transactions

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

j) Related parties

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

Notes to the financial statements

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

l) Subsequent events

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

Notes to the financial statements

5. Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

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

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:

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

6. Revenue Transfers

Description	2024/2025
	Kshs
Conditional Transfers	
Grants received from IDA	318,267,901
Total Conditional Transfers	318,267,901
Total Transfers for the Year	318,267,901

These are grant funds received from State Department of Livestock as the designated implementing agency to KDC for on lending to the livestock value chain to enhance pastoralists' access to financial services for drought risk mitigation as per the subsidiary Grant agreement.

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income.	Amount moved to Capital fund	Total transfers (2024/2025)
	Kshs	Kshs	Kshs	Kshs
Grants received from IDA	318,267,901	-	-	318,267,901
Subtotal	318,267,901	-	-	318,267,901
Total	318,267,901	-	-	318,267,901

7. Use of Goods and Services

Description	FY 2024/2025
	Kshs
Bank charges	39,148
Domestic travel and subsistence	6,793,151
Foreign travel and subsistence	2,123,033
Advertising, and information supplies	499,795
Training payments	369,410
Hospitality supplies and services	851,914
Professional services	1,830,159
Other operating payments (Photography and Videography)	126,287
Total	12,632,897

Notes to the financial statements cont'd

8. Disbursements to the Livestock Value Chains

Description	FY 2024/2025
	Kshs
Disbursements to Livestock Value Chain	546,246,710
Total	546,246,710

These are disbursements made to de-risk private investments in the livestock value chain. Below is the summary of cumulative disbursements, interest income and receipts (both Principal and interest).

FY	Disbursements to Livestock Value Chains Kshs	Description		
		Interest income Kshs	Principal Receipts Kshs	Interest receipts Kshs
2023/24	185,840,961	5,061,568	4,598,978	28,010,725
2024/25	546,246,710	31,972,114	24,100,809	24,090,425
Total cummulative	732,087,671	37,033,683	28,699,788	52,101,150

During the Financial year KDC earned Kshs.31,972,114 from the cumulative disbursement of Kshs.732,087,671 to the Livestock value Chain. In addition, KDC operates a DRIVE Collection account at EQUITY Bank for repayment of the project loans.

9. Depreciation and Amortization expense

Description	FY 2024/2025
	Kshs
Property, Plant and Equipment	1,000,657
Total	1,000,657

10. Cash and Cash Equivalents

Description	2024/2025	1 st July
	Kshs	Kshs
Cash in Bank	40,568,456	249,734,324
	-	-
Total Cash and Cash Equivalents	40,568,456	249,734,324

Project Bank Accounts

Details	2024/2025	1 st July 2024
	Kshs	Kshs
Foreign Currency Accounts		
Central Bank of Kenya [A/c No. 1000605545]	-	153,376,531
Total Foreign Currency balances	-	<u>153,376,531</u>
Local Currency Accounts		
Kenya Commercial Bank [A/c No.1313481548]	42,096,216	249,734,324
Total bank account balances	<u>42,096,216</u>	<u>249,734,324</u>

The exchange rate used for conversion of Euros 1,104,493.84 held at the Designated account as at 30th June 2024 was CBK rate of 1Euro=Kshs.138.8659.

11. Receivables

Description	2024/2025	1 st July 2024
	Kshs	Kshs
Funds Receivable From SDL	18,267,901	-
Imprest Receivable	286,260	-
Total Receivables	18,554,161	-

(The funds receivable from SDL relates to amount withdrawn by KDC from IDA but could not be transferred to KDC due to full utilization of the budget allocated)

Ageing analysis for Receivables

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
	Current FY	% of the total	Comparative FY	% of the total
Less than 1 year	18,554,161	100%	-	%
Total	18,554,161	100%	-	%

**De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Reports and Financial Statements for the year ended June 30, 2025.**

Notes to the financial statements cont'd

12. Property, Plant and Equipment

Cost	ICT Equipment	Total
	Kshs	Kshs
Depreciation rate	33.33%	
As At 1st July 2024 (opening balances)	3,002,000	3,002,000
Additions	-	-
Disposals	-	-
Transfers/ Adjustments	-	-
As at 30th June 2025	3,002,000	3,002,000
Depreciation and Impairment		
As at 1st July 2024	-	-
Depreciation charge for the year	1,000,657	1,000,657
Impairment loss	-	-
Transfers/ Adjustments	-	-
As At 30th June 2025	1,000,657	1,000,657
Net Book Values		
As at 1st July 2024	3,002,000	3,002,000
As at 30th June 2025	2,001,343	2,001,343

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
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Notes to the financial statements cont'd

13. Short Term Borrowing

Description	2024/2025		1 st July 2024	
	Kshs		Kshs	
Short Term borrowing from KDC	50,000,000		-	
Employee payables	-		-	
Total trade and other payables	50,000,000		-	
Ageing analysis: (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	50,000,000	100%	-	%
Total (tie to above total)	50,000,000		-	

These are reimbursable amounts advanced by KDC from its internally generated funds to the project.

14. Cash Generated from Operations

Description	2024/2025
	Kshs
Surplus/Deficit for the year	(241,612,363)
Adjusted for:	
Depreciation	1,000,657
Working capital adjustments	
Increase in receivables	(18,554,161)
Net cash flow from operating activities	(259,165,867)

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)

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

Notes to the financial statements cont'd

15. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

Description	2024/2025	1 st July 2024
	Kshs	Kshs
DRIVE in the Horn of Africa-DAC1 [A/c No. 1000605545]		
Opening balance	157,722,383	-
Total amount deposited in the account	160,545,518	153,376,531
Total amount withdrawn	(318,267,901)	-
Closing balance (as per SDA bank account reconciliation attached)	=	<u>153,376,531</u>

The exchange rate used for conversion of Euros 1,104,493.84 held at the Designated account as at 30th June 2024 was CBK rate of 1Euro=Kshs.138.8659. However the actual rate used during the transfer of funds as at 3rd September 2025 was 1Euro=Kshs.142.8006.

The Special Deposit Account reconciliation statement has been attached as Annex 4(iii) support these closing balance.

16. Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

Other related parties include:

- i) Ministry of Investment, Trade and Industry
- ii) Ministry of Agriculture and Livestock Development
- iii) County Governments
- iv) Other SCs and SAGAs
- v) Key management.
- vi) Board of Directors.

Description	2024
	Kshs
Transactions with related parties	
a) Grants /transfers from the government	
Transfers from the Ministry of Agriculture and Livestock Development (State Department of Livestock Development)	300,000,000
	-
Total	300,000,000

17. Events after the Reporting Period

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

18. Ultimate And Holding Entity

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

19. Currency

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

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Emphasis of Matter- Budgetary controls and performance	There was an underfunding of the budget which was Kshs.800,000,000 while the received funds were Kshs.444,921,300. Of the received funds of Kshs.444,921,300 there was underutilization of Kshs.249,734,324 or 56% of the receipts.	The underutilization was not due to inaction but rather to the implementation dynamics of the approved projects which amounted to Kes 1.031 billion for the FY 23/24. Several of the approved projects faced delays in security perfection and those successful have phased disbursements based on risk assessments and project readiness. Consequently, funds were committed but not immediately expensed. We are enhancing project management oversight to improve absorption rates and align financial execution with project timelines. The corporation has since absorbed 100% of the funds.	Resolved	January 2025

**De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025**


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Delay in Project Implementation	<p>The private company tasked with the implementation of the project as of 25th January 2024 when the first disbursement was made vide the offer letter KDC/DG/CS&LS/11/2023 of Kshs.17,964,580 resulted to a conclusion that no progress towards the project implementation had taken place following a visit on 15th February 2024 as the 250 cattle, animal feeds for 250 cattle, and laboratory equipment had not been purchased. Further vide the letter Ref; KDC/INV/300-0277-0337/1 dated 13th May, 2024, where the Corporation granted a three-month timeline to</p>	<p>The Corporation monitors the implementation of projects by customers on a continuous basis to ensure that funds disbursed to them are used for the intended purposes and the projects are implemented on time. In the case of the customer who delayed in implementing a project during the previous period, the following actions have been taken:-</p> <ul style="list-style-type: none"> -Loan has been capped to the already disbursed amount and further disbursements stopped- Appendix 1 -Recovery of the disbursed amount has been initiated with all statutory notices issued. See 40 day final notice appendix 2. -The client requested for additional six months to implement the project- Appendix 3 and the Corporation responded by granting 3 months without prejudice which will expire on 12th November 2025 - Appendix 4 	Resolved	4 th November 2024

***De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025***


Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>have the project implemented. However as at the time of the first audit in the month of October, 2024, no evidence had been provided to suggest that there was progress towards the implementation of the project.</p>			
<p>Non-Disclosure of Loan Repayments - Principal & Interest</p>	<p>The corporation disbursed loans totalling Kshs.185,840,961. However, loans repayments comprising of principal and interest were being deposited into the Corporations operations bank account which is unrelated to the Project, raising concerns about the accuracy and transparency of financial reporting. As a result, the effectiveness of internal</p>	<p>The Corporation has opened a specific DRIVE Collection account at Equity bank with the following details. Account Name: KENYA DEVELOPMENT CORPORATION LIMITED Kes Account Number:1770286297226 Bank Name: Equity Bank of Kenya Ltd. The account will receive repayments of principal and interest from customers.</p>	<p>Resolved</p>	<p>June 2025</p>

***De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved /Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	controls relating to loan repayment for both principal and interest could not be confirmed.			



CPA/FA Norah Ratemo
Director General



CPA Daniel Muimi
Project Coordinator

Annex 2: Reconciliation of inter-entity transfers

Project Name: De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)			
Break down of transfers from the State Department of Livestock Development			
a Government Counterpart funding			
	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
Proceeds from grant income	2nd October 2024	150,000,000	FY 2024/2025
	1st April 2025	150,000,000	FY 2024/2025
	Total	300,000,000	

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

CPA Daniel Muimi
Project Coordinator
Kenya Development Corporation

Sign



Head of Accounting Unit
Ministry of Agriculture and Livestock Development
State Department of Livestock

Sign




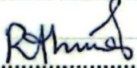

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) 2023/2024	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2024/2025
ICT Equipment	3,002,000	-	-	-	3,002,000
Total	3,002,000	-	-	-	3,002,000

Annex 4: Other Support Documents

ii. Bank Reconciliations statement as at 30th June 2025

KENYA DEVELOPMENT CORPORATION LIMITED	
DRIVE IN THE HORN OF AFRICA ACCOUNT A/C NO 1313481548	
<u>BANK RECONCILIATIONS AS AT 30TH JUNE 2025</u>	
	AMT (KES)
BALANCE AS PER BANK STATEMENT	42,096,215.80
LESS:	
UNPRESENTED PAYMENTS/CHEQUES	1,527,759.40
ADD:	
UN CREDITED RECEIPTS	-
JUNE 2025 BANK CHARGES	-
ROUNDING OFF ADJUSTMENT	(0.02)
ADJUSTED BALANCE AS PER CASH BOOK	40,568,456.38
BALANCE AS PER CASH BOOK	40,568,456.38
DIFFERENCE	-
PREPARED BY: EDINAH TONGWA	CHECKED BY: JOHN MUKUNA
SIGNATURE..... 	SIGNATURE..... 
DATE..... <u>7th July 2025</u>	DATE..... <u>17th July 2025</u>
APPROVED BY: KENNEDY WANDERI	
SIGNATURE..... 	
DATE..... <u>17th July 2025</u>	

De-Risking, Inclusion and Value Enhancement of Pastoral Economies in The Horn of Africa Project (DRIVE)
Annual Report and Financial Statements for the financial year ended June 30, 2025

iv. Special Deposit Account(s) reconciliation statement(s)

**DE-RISKING, INCLUSION AND VALUE ENHANCEMENT OF PASTORAL ECONOMIES
 IN THE HORN OF AFRICA
 STATEMENT OF SPECIAL (DESIGNATED) ACCOUNT RECONCILIATION
 FOR THE YEAR ENDED 30 JUNE 2025**

Credit No.: IDA LOAN CREDIT NO.71390-KE

Bank Account No.: 1000605545 Held with Central Bank of Kenya

	NOTES	AMOUNT EUR	AMOUNT EUR
1	Amount advanced by IDA		5,274,227.57
	Less:		
2	Total amount documented		2,274,227.57
3	Outstanding amount to be documented		3,000,000.00
	Represented by:		
4	Ending Special account Balance as at 30 June 2025		-
5	Amounts claimed but not credited as at 30 June 2025		-
6	Amounts withdrawn and not claimed		3,000,000.00
7	Service Charges (if not included in lines 5 and 6 above)		-
8	Interest earned (if included in Special Account)		-
9	Total advance to Special Account Year ended 30 June 2025		3,000,000.00


Discrepancy between total appearing on line 3 and 9

-

Notes:

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

The amount appearing on line 6 is eligible for financing by World Bank and shall be documented in subsequent IFRs


 AUTHORISED REPRESENTATIVE
 RESOURCE MOBILISATION DEPARTMENT
 THE NATIONAL TREASURY

DATE: 05-08-2025

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

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

Annex 4(iii): Board of Survey Report