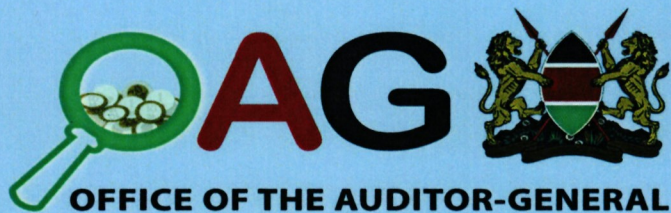



REPUBLIC OF KENYA



*Enhancing Accountability*

## REPORT

 <b>THE NATIONAL ASSEMBLY</b> PAPERS T A I D	
<b>DATE:</b> 09 FEB 2022	<b>DAY:</b> Wed
<b>TABLED BY:</b> Loni	<b>THE AUDITOR-GENERAL</b>
<b>CLERK-AT THE-TABLE:</b> S. Kalama	

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ON

### **KENYA OFF-GRID SOLAR ACCESS PROJECT FOR UNDERSERVED COUNTIES (IDA CR. NO. 6135-KE)**

**FOR THE YEAR ENDED  
30 JUNE, 2021**

**MINISTRY OF ENERGY AND SNV  
NETHERLANDS DEVELOPMENT  
ORGANIZATION**



**PROJECT NAME: KENYA OFF-GRID SOLAR ACCESS PROJECT (KOSAP)**

**IMPLEMENTING ENTITY: SNV NETHERLANDS DEVELOPMENT ORGANIZATION**

**CREDIT NUMBER: 6135-KE: PROJECT ID: P160009**


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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2021**

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



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## GLOSSARY OF TERMS

<b>Acronym</b>	<b>Description</b>
AIE	Authority to Incur Expenditure
CCS	Clean Cooking Solutions
CDM	Clean Development Mechanism
CEO	Chief Executive Officer
CRA	Commission on Revenue Allocation
CREOS	County Renewable Energy Officers
CRM	Customer Relationship Management
ESMF	Environmental and Social Management Framework
GoK	Government of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IESBA	International Ethics Standards Board for Accountants
IP	Indigenous People
IPSAS	International Public Sector Accounting Standards
ISA	International Standards of Accounting
IVA	Independent Verification Agency
KFM	KOSAP Facilities Manager
KOSAP	Kenya Off-Grid Solar Access Project
KPI	Key Performance Indicators
KPLC	Kenya Power & Lighting Company
KShs	Kenya Shilling
KST	KOSAP Service Territories
LLP	Limited Liability Partnership
MoE	Ministry of Energy
PCU	Project Coordinating Unit
PFM	Public Finance Management
PoA	Programme of Activity
PSASB	Public Sector Accounting Standards Board
PV	Photo Voltaic
RBF	Results Based Financing
REA	Rural Electrification Authority
REREC	Rural Electrification & Renewable Energy Corporation
RPF	Resettlement Policy Framework
SSP	Solar Service Providers
UC	Underserved Counties
US\$	United States Dollar
VMG	Vulnerable & Marginalised Groups
WASH	Water Sanitation & Hygiene
WB	World Bank
WHT	Withholding Tax

## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** The Project's official name is Kenya Off-Grid Solar Access Project (KOSAP) – (the "Project").

**Objective:** The key objective of the Project is to increase access to modern energy services in underserved counties of Kenya.

**Address:** The Project headquarters offices are:

SNV Netherlands Development Organisation  
Parkstraat 83 2514 JG Den Haag  
The Netherlands

The address of its registered office is:


SNV Netherlands Development Organization  
Ngong Road, Ngong Lane  
P.O. Box 30776 – 00100  
Nairobi, Kenya

**Contacts:** The following are the Project contacts:

Telephone: 0718 130909 / 0784 130909  
E-mail: [enquiries@kosap-fm.or.ke](mailto:enquiries@kosap-fm.or.ke)  
Website: <https://snv.org/country/kenya>

### 1.2 Project Information

<b>Project Start Date:</b>	The Project start date is 23 November 2018
<b>Project End Date:</b>	The Project end date is 30 June 2023
<b>Project Facilities Manager:</b>	The Facilities manager is SNV Netherlands Development Organisation in partnership with Sunfunder Inc.
<b>Project Sponsor:</b>	The Project sponsor is the Ministry of Energy



**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.3 Project Overview**

Line ministry/state department of the Project	The Project is under the supervision of the Ministry of Energy.
Project number	6135-KE: PROJECT ID: P160009
Strategic goals of the Project	The strategic goal of the Project is to increase access to modern energy services in remote, low density and traditionally underserved counties of Kenya.
Achievement of strategic goals	<p>The Project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>(i) Market entry component 30 percent of the total funding application disbursed upon funding award and completion of due diligence, to be accounted for as it's meant to support the build of market infrastructure.</li> <li>(ii) Results based component 60 percent of funding disbursed building on reaching progressive pre-agreed sales milestones, relate only to Solar Service Providers (SSP) and paid upon verification by IVA.</li> <li>(iii) Sustainability component 10 percent of funding disbursed upon verification of ongoing functioning of systems and honouring of warranty no less than one year after deployment, relate only to Solar Service Providers (SSP) as CCS and Debt are differently structured.</li> <li>(iv) Market entry component of 50 percent of the CCS RBF Facility funds disbursed to recipients upon funding award.</li> <li>(v) Results based component of 50 percent funding disbursed to Clean Cooking Solutions Service Providers on reaching pre-agreed sales milestones and paid upon verification by IVA.</li> <li>(vi) Deployment of USD 5 Million through 2 Established companies and 10 emerging companies, 8 of which would be recipients of the capacity building program.</li> <li>(vii) Investing in the capacity building of emerging SSPs by providing (a) Investment readiness assistance to emerging SSPs by shifting resources from the debt team; and (b) border capacity building requiring additional resources.</li> </ul>
Other important background information of the Project	<p>The Project is driven by the imperative to provide equal opportunities across the entire Kenyan territory as key to achieving <b>Kenya's Vision 2030</b>, and the national target of achieving universal access to electricity by 2022, the Government of Kenya (GoK) seeks to close the access gap by providing electricity services to remote, low density, and traditionally underserved areas of the country. The GoK intends to use US\$150 million, in Kenya Shillings equivalent, of financing from the World Bank to deliver the Kenya Off-Grid Solar Access Project (KOSAP).</p> <p>The KOSAP Project promotes these objectives by supporting the deployment of clean cooking technologies for households, and the use of solar to drive electrification of households, enterprises, community facilities, and water pumps. The Ministry of Energy (MoE), Kenya Power and Lighting (KPLC) and the Rural Electrification and Renewable Energy Corporation (REREC) will implement the Project in 4 components:</p> <ol style="list-style-type: none"> <li>1. US\$40M: Mini grids for Community Facilities, Enterprises, and Households</li> <li>2. US\$48M: Stand-alone Solar Systems and Clean Cooking Solutions for Households</li> <li>3. US\$40M: Stand-alone Solar Systems and Solar Water Pumps for Community</li> </ol>

Kenya Off-Grid Solar Access Project (KOSAP)  
Project Information and Overall Performance  
For the financial year ended June 30, 2021

	<p>Facilities</p> <p>4. US\$22M: Implementation Support and Capacity Building</p> <p>SNV in partnership with SunFunder is the KOSAP Facilities Manager (KFM) for Component 2, which consists of two sub-components that is, sub-component 2A for Solar Service Providers (SSPs) and 2B, which is a challenge and Results Based Financing (RBF) fund for Clean Cook stoves Service Providers. SNV manages the RBF fund in sub-components 2A and 2B, while SunFunder is managing the KOSAP Debt Facility in sub-component 2A. The activities of Component 2 are aimed at increasing access to modern energy services in remote, low density, and traditionally underserved territories of the country.</p>
	<p>These underserved areas, which cover the geographical scope of the KOSAP Project, <b>are identified as 14 counties, deemed 'marginalized'</b> by the Commission on Revenue Allocation (CRA), due to the remoteness and sometimes dispersed nature of the target populations and considering the socioeconomic profile and lifestyles of those residing in these counties. The KOSAP Project is designed to address high costs of provision of infrastructure services, low affordability of the potential users, and sustainability of service provision using an abundantly available renewable energy resource. These counties are: West Pokot, Turkana, Marsabit, Samburu, Isiolo, Mandera, Wajir, Garissa, Tana River, Lamu, Kilifi, Kwale, Taita Taveta and Narok.</p>
Current situation that the Project was formed to intervene	<p>The Project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>(i) Support sustainable access to lighting global approved solar home systems across the Underserved Counties (UCs)</li> <li>(ii) Encourage growth of earlier- stage, local solar companies where possible.</li> <li>(iii) Set foundation for high-potential solar operators to access debt investments in these geographies.</li> <li>(iv) The Clean Cooking Solutions RBF (CCS RBF) Facility established will support a transition from low-efficiency baseline stoves to cleaner, higher-efficiency improved stoves.</li> <li>(v) Support energy access across Kenya's underserved counties, encourage earlier stage and/or local businesses where possible, set a market precedent for debt investments in these geographies, GoK capital preservation.</li> </ul>
Project duration	The Project started on 23 November 2018 and is expected to run until 30 June 2023.

#### 1.4 Bankers

KCB Bank Kenya Limited  
Prestige Branch  
P.O. Box 41294-00100  
Nairobi, Kenya

#### 1.5 Auditors

The Project is audited by the PricewaterhouseCoopers LLP

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.6 Roles and Responsibilities**

<b>Names</b>	<b>Position title</b>	<b>Contact information</b>	<b>Responsibilities</b>
Ashington Ngigi	Team Leader	Mobile: +254 707 794177 Email: angigi@snv.org	<ul style="list-style-type: none"> <li>• Overall responsible for managing KOSAP facilities Management.</li> <li>• Lead focal point in dialogues with MoE.</li> <li>• Monitoring and Reporting to MoE, SNV Country Director and SunFunder CEO</li> <li>• Responsible for obtaining required approvals from MoE and request MoE to facilitate no objection from the World Bank.</li> <li>• Provides substantive inputs to the 3 facilities</li> <li>• Responsible for achieving the objectives of KOSAP Component 2.</li> <li>• Coordination with Independent Verification Agency (IVA)</li> <li>• Structures and manages RBF facilities aimed at market stimulation, ideally facilities funded by multilateral development banks and/or development funds institutions and/or bilateral development assistance agencies.</li> </ul>
Audrey Desiderato	Assistant Team Leader and Debt Facility Lead	Mobile: +254 710 486819 Email: audrey@sunfunder.com	<ul style="list-style-type: none"> <li>• Preparation of the debt facility implementation plan and updating when required</li> <li>• Responsible for managing the debt facility and achieving the debt facility objectives</li> <li>• Review and clearance of loan agreements for signing by MoE</li> <li>• Monitoring loan performance</li> <li>• Review and clearance of verification package for IVA</li> <li>• Monitoring and evaluation of Facility performance</li> <li>• Maintain debt facility CRM database</li> </ul>
Susan Muchiri	Junior Investment Officer	Mobile: +254 736 859470 Email: susan@sunfunder.com	<ul style="list-style-type: none"> <li>• Preparation of the debt facility implementation plan and updating when required</li> <li>• Marketing of debt facility</li> <li>• Client intake and due diligence</li> <li>• Preparing loan agreements for</li> </ul>

Kenya Off-Grid Solar Access Project (KOSAP)  
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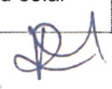
Names	Position title	Contact information	Responsibilities
			signing by MoE <ul style="list-style-type: none"> <li>• Debt facility junior investment officer</li> <li>• Monitoring loan performance</li> <li>• Data processing and maintenance of CRM database</li> </ul>
Karimi Ndigah	Senior Officer Solar RBF Facility	Mobile: +254 733 544087 Email: kndigah@snv.org	<ul style="list-style-type: none"> <li>• Preparation of the SSP RBF facility implementation plan and updating when required</li> <li>• Responsible for managing the SSP RBF Facility and achieving the facilities objectives</li> <li>• Facility promotion and proposal solicitation</li> <li>• Preparation of requests for proposals</li> <li>• Evaluation of proposals and recommend awardees</li> <li>• Prepare SSP RBF agreements for signing between MoE and awardees</li> <li>• Review and clearance of payment requests (including preparation of verification packages for IVA)</li> <li>• Monitoring and evaluation of Facility Performance</li> </ul>
Hannah Wanjiru	Senior Officer Clean Cooking Solutions	Mobile: +254 723 713213 Email: hwanjiru@snv.org	<ul style="list-style-type: none"> <li>• Preparation of the CCS RBF facility implementation plan and updating when required</li> <li>• Responsible for managing the CCS RBF facility and achieving the facilities objectives</li> <li>• Facility promotion and proposal solicitation</li> <li>• Preparation of requests for proposals</li> </ul>
Lynette Korir	Analyst Clean Cooking Solutions	Mobile: +254 722 131734 Email: lkorir@snv.org	<ul style="list-style-type: none"> <li>• Evaluation of proposals and recommend awardees</li> <li>• Prepare CCS RBF agreements for signing between MoE and awardees</li> <li>• Processing payment requests (including preparation of verification packages for IVA)</li> <li>• Maintain CCS RBF facility CRM database</li> <li>• Support bidding process</li> <li>• Maintain CCS RBF facility CRM database</li> <li>• General implementation support</li> </ul>
Lazarus Kubasu	Social safeguard Specialist	Mobile: +254 724 881380 Email: lkubasu@snv.org	<ul style="list-style-type: none"> <li>• Responsible for managing social safeguards risks and ensuring compliance with World Bank social safeguards policies and</li> </ul>

Kenya Off-Grid Solar Access Project (KOSAP)  
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Names	Position title	Contact information	Responsibilities
			ensuring KFM implementation as per KOSAP safeguards framework documents
Henry Karanja	Environmental Safeguard Specialist	Mobile: +254 723 416820 Email: hkaranja@snv.org	<ul style="list-style-type: none"> <li>• Mainstream environmental safeguards in the implementation arrangements of the RBF &amp; Debt Facilities</li> <li>• Monitor and report on environmental safeguards policies and actions by the recipients of RBF and Debt Facilities</li> <li>• Develop and implement a comprehensive Environmental and Social Management Plan for RBF &amp; Debt Facilities</li> </ul>
Dennis Kibira	Data Analyst SSP RBF	Mobile: +254 712 274466 Email: dkibira@snv.org	<ul style="list-style-type: none"> <li>• Evaluation of proposals and recommend awardees</li> <li>• Prepare SSP RBF agreements for signing between MoE and awardees</li> <li>• Processing payment requests (including preparation of verification packages for IVA)</li> <li>• Maintain SSP RBF facility CRM database</li> <li>• Support bidding process</li> <li>• Maintain RBF facility CRM database</li> <li>• General implementation support</li> </ul>
Baraka Megiroo	Senior Investment Officer	Mobile: +255 767 450433 Email: baraka@sunfunder.com	<ul style="list-style-type: none"> <li>• Preparation of the Debt Facility Implementation Manual and updating when required.</li> <li>• Responsible for managing the Debt Facility and achieving the facilities objectives.</li> <li>• Facility promotion and proposal solicitation with solar company borrowers in emerging markets, including origination, project and company due diligence, loan structuring, negotiation, execution.</li> <li>• Preparation of Requests for Proposals, Evaluation of proposals and recommend awardees.</li> <li>• Prepare Facility agreements for signing between MoE and awardees.</li> <li>• Review and clearance of payment requests.</li> <li>• Monitoring and evaluation of Facility Performance.</li> </ul>
Sammy Malaki	Senior Investment Officer	Mobile: +254 720 243238 Email: sammy@sunfunder.com	<ul style="list-style-type: none"> <li>• Preparation of the Debt Facility</li> </ul>

Kenya Off-Grid Solar Access Project (KOSAP)  
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Names	Position title	Contact information	Responsibilities
			Implementation Plan and updating when required <ul style="list-style-type: none"> <li>• Marketing of Debt Facility</li> <li>• Client intake and due diligence</li> <li>• Preparing loan agreements for signing by MoE</li> </ul>
Manoj Mehta	Financial accounting Expert	Mobile: +254 791 391110 Email: manoj@sunfunder.com	<ul style="list-style-type: none"> <li>• Conduct gap analysis on <b>company's financial</b> accounting systems, processes and capacity</li> <li>• Designing and implementing financial accounting systems and training staff on bookkeeping and accounting to use these systems properly.</li> <li>• Tax compliance and related issues (Kenyan regulations)</li> <li>• Setting up data processing and information sharing systems</li> <li>• Capacity building on financial accounting systems through training and coaching of staff, particularly SMEs.</li> <li>• Experience working with SMEs that operate and/or distribute technologies in rural Kenya (and understand the challenges thereof)</li> <li>• Understanding of off-grid solar business models</li> </ul>



Kenya Off-Grid Solar Access Project (KOSAP)  
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**1.7 Funding summary**

The Project is for a duration of 6 years from 2018 to 2023 with an approved budget of US\$ 47,000,000; equivalent to KShs 4,700,000,000 as highlighted in the table below: The exchange rate used is as per implementation manual.

Below is the funding summary:

**A. Source of funds**

Source of funds	Donor commitment-		Amount received to date – (30 June 2021)		Undrawn balance to date (30 June 2021)	
	Donor currency US\$ (A)	KShs (A')	Donor currency US\$ (B)	KShs (B')	Donor currency US\$ (A)-(B)	KShs (A')-(B')
<b>(i) Grant</b>						
Ministry of Energy (SSP RBF)	12,000,000	1,200,000,000	5,676,935	567,693,447	6,323,065	632,306,553
Ministry of Energy (CCS RBF)	5,000,000	500,000,000	2,365,389	236,538,936	2,634,611	263,461,064
<b>ii) Loan</b>						
Ministry of Energy (SSP Debt Facility)	30,000,000	3,000,000,000	14,192,336	1,419,233,617	15,807,664	1,580,766,383
<b>Total</b>	<b>47,000,000</b>	<b>4,700,000,000</b>	<b>22,234,660</b>	<b>2,223,466,000</b>	<b>24,765,340</b>	<b>2,476,534,000</b>

Kenya Off-Grid Solar Access Project (KOSAP)  
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**B. Application of funds**

Application of funds	Amount received to date – (30 <sup>th</sup> June 2021)		Cumulative Amount paid to date – (30 <sup>th</sup> June 2021)	Unutilised balance to date (30 <sup>th</sup> June 2021)	
	<i>Donor currency</i>	<i>KShs</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>(i) Grant</b>					
*Ministry of Energy (SSP RBF)	5,676,935	567,693,447	40,037,911	5,276,556	527,655,536
Ministry of Energy (CCS RBF)	2,365,389	236,538,936	31,898,601	2,046,403	204,640,335
<b>(ii) Loan</b>					
*Ministry of Energy (SSP Debt Facility)	14,192,336	1,419,233,617	19,245,512	13,999,881	1,399,988,105
<b>Total</b>	<b>22,234,660</b>	<b>2,223,466,000</b>	<b>91,182,024</b>	<b>21,322,840</b>	<b>2,132,283,976</b>

\*The fund comprises:

(i) RBF funds issued as incentives to recipients - A total of KShs 71.9 Million has been disbursed to recipients i.e., KShs 40 Million under SSP and KShs 31.9 Million under CCS. Of the disbursed funds, KShs 11.1 Million had been accounted for as of 30 June 2021 as presented in the statement of receipts and payments.

(ii) Debt facility funds to be repaid and returned to MoE with interest - A total of KShs 19.2 Million has been issued as loan. As of 30 June 2021, KShs 4.5 Million had been repaid with KShs 2.4 Million being the principal repayment and KShs 2.1 Million being the interest income. The outstanding debt facility is KShs 16.8 Million as presented in the statement of financial assets.

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.8 Summary of Overall Project Performance:**

**i) Budget performance against actual amounts for current year and for cumulative to-date**

The project was allocated funds in lots and rounds and performance is measured against the expected disbursements as summarised below:

**a) SSP RBF**

Lot	Allocation Million	R1 KSHS (Million)	R2 KSHS (Million)	R3 KSHS (Million)
1	206	51.5	77.3	77.3
2	218	54.5	81.8	81.8
3	195	48.8	73.1	73.1
4	224	56	84	84
5	190	47.5	71.3	71.3
6	167	41.7	62.5	62.5
<b>Total</b>	<b>1,200</b>	<b>300</b>	<b>450</b>	<b>450</b>

Currently Round 1 is under implementation; evaluation of Round 2 Recipients has been finalised and contracting is ongoing. Companies are advanced the first ex-ante RBF to go establish sales infrastructure. They account for this when requesting the next tranche. So far 40 Million has been advanced and 8.1 Million has been accounted by Companies that have requested additional funding; the balance is still held by the Companies as they implement and will be accounted for. The total disbursements are 13% of the planned round 1 planned disbursements.

**b) CCS RBF**

Lot	Amount KSHS
Lot 1	200M
Lot 2	300M
Total	500M

Currently Lot 1 is under implementation; evaluation of Lot 2 call for proposals is expected to be launched in September 2021. Companies have been disbursed 31.9 Million which is 16% of the planned disbursement for Lot 1. Companies are expected to account for disbursements issued and request for the second tranche. So far only 2.9 million has been accounted for as the balance will be accounted for when the companies require the additional funding.

**c) SSP Debt**

The allocation for SSP debt was 3 billion of which only 19.2 million has been disbursed (1%).

**ii) Physical progress based on outputs, outcomes and impacts since project commencement**

The KFM progress report is divided into the three implementation facilities for the project (SSP RBF, CCS RBF, and debt facilities) and the Social and Environmental Safeguards

**a) SSP RBF Facility**

- SSP RBF Round 1:
  - In the first round the 10 SSP RBF Recipients who were contracted started implementation in June 2020. The sales achieved between July 2020 to June 2021 are 63,322 solar home systems across the 14 counties. This is 25% of the overall solar systems target of 250,000; 100% of the initial project Round 1 target of 62,500; and 38.5% of the Round 1 projected sales of 162,033 solar home systems. The Round solar sales target more than doubled due to the reverse auction bidding process; thereby providing added value for money to MoE.

Key Performance Indicator	July 2020- June 2021 Status Cumulative Update
250,000 solar home systems sold	63,322 SHS (Pending verification from the IVA)
KSHS 1.2 billion disbursed out for Result-based financing	KSHS 40,037,911 disbursed as part of the Ex-ante drawdown. Ex-post payments are awaiting the onboarding of the IVA.
1.1 million people receive electricity from off-grid solar	316,610 people received electricity from off-grid solar *(subject to verification assuming 5 people per Household)
Power Generated	1.64MW
Direct jobs created	17,229 jobs created: 36.3% Female and 63.7% Male (reported jobs by the SSPs includes sales agents)
Percentage of women-headed households	33%: 20,620 households (Calculation based on 2016, KNBS- Kenya Socio-Economic Atlas)

- SSP RBF Round 2:
  - Expression of Interest & Pre-application workshops: August 2020
  - Call for proposals: September- November 2020
  - Technical & Financial Evaluation: November 2020–February 2021
  - Total of 34 proposals received.
  - 31 qualified for technical evaluation
  - 23 qualified for financial evaluation
  - Due Diligence: March 2021; Carried out on 17 companies
  - Awarding and Negotiation: April 2021. 16 companies shortlisted.
  - Preparation and approval of contracting documents: Similar to Round 1, the reverse auction process will see more solar systems promised by Companies for the same RBF allocation, hence increased value for money for MoE.
  - Cumulative solar systems targeted in R1 and R2 totals 272,000 against a project target of 250,000, with Round 3 yet to be launched.

**b) SSP Debt Facility**

The KOSAP Debt Facility exists to address working capital needs of participating SSPs, which was identified as a key gap during the design of KOSAP in 2015. To date the debt facility has only managed to make one transaction, despite diligent efforts. As a result, the KFM embarked on an assessment of the debt facility's ability to meet the set objectives and indicators.

Due to these positive developments in the marketplace, deployment of KOSAP debt to established companies has become constrained, as the companies are able to access commercial debt. The KFM's analysis shared with the Ministry of Energy and the World Bank showed that without the participation of established SSPs and taking into account the low level of investment readiness of emerging SSPs, the KFM would struggle to deploy the full US\$ 30m under the current framework. Participation of large established SSPs was at inception of the Facility earmarked to take up at least US\$ 27m of the Facility. It also noted that the target of reaching 250,000 households in the KSTs could be met using the RBF facility alone. However, the KFM flagged that it could strengthen the objective of "supporting sustainable access" across the KSTs, as well as make more progress on encouraging the "growth of earlier-stage, local solar companies" (i.e., emerging SSPs) by making the following changes:

1. Investing in the capacity building of emerging SSPs by providing (i) investment readiness assistance to emerging SSPs by shifting existing resources from the debt team; and (ii) broader capacity building requiring additional resources. Both proposals have been submitted to MoE, with the former awaiting approval by MoE and clearance by World Bank, and the latter under MoE review and further development by the KFM.
2. Extending the project timeline by minimum 18 months to implement and be able to see the impact of capacity building services.
3. Reducing the debt facility to  $\pm$ US\$5m. This is reflective of the shift of focus towards emerging SSPs, as well as the smaller amount these companies can responsibly absorb. It assumes deployment through 2 established and 10 emerging SSPs, 8 of which would require capacity building. Note that these are SSPs with currently limited presence in KSTs.

Given the proposal by the KFM to reduce the size of the debt facility as currently structured to US\$5m the KFM has subsequently explored options on how the remaining US\$25m might be re-committed and deployed, as analysed below.

#### **Analysis of options for >US\$5m debt facility**

Option 1 involves the **addition of cookstoves to the allowed technology types**, either through (a) solar companies that also sell cookstoves and/or (b) establishing a dedicated cookstoves facility.

Option 2 involves changes **to the implementation manual to allow unsecured loans** (a) to county-based entrepreneurs as a standard package with capacity building, and/or (b) to all borrowers, including established companies, more generally as a standard offer.

Option 3 is about **re-purposing the balance** of US\$25m to (a) additional RBF to meet higher targets within the current or expanded number of counties, and/or (b) include mini-grids developers as eligible to access the debt facility to enable them to finance their projects.

#### **c) CCS RBF Facility**

- By the end of the reporting period, the CCS RBF Facility had 10 Recipients under Agreement with MoE, with a sales target of 85,089 units and KSHS 199.9 million as related RBF allocation, to be implemented until the end of the project in 2023. KSHS 31.9 M was already disbursed to the Recipients as ex-ante allocation for market development. Expected ex-post disbursement, currently stand at KSHS 6.1 M pending IVA verification.
- During the period 3,809 cookstoves were sold in Turkana, West Pokot, Isiolo, Samburu and Marsabit counties
- The Recipients employed 147 persons comprising of technicians, sales agents, and managers.
- 72 women and Self-help groups were sensitized of clean cooking. 31 selling points were established for clean cooking solutions. 25 local entrepreneurs/stockists were also engaged.
- 13 radio stations were used to popularize the clean cooking solutions.

#### **d)ESMF Safeguards**

The project is guided by KOSAP Environmental and Social Management Framework (ESMF), Resettlement Policy Framework (RPF), Vulnerable and Marginalized Group Framework (VMGF) and KOSAP Social Assessment. There is a specific Environmental Social Management Plan that guides all KFM Recipients. So far, all 10 SSP Recipients and 10 CCS Recipients have complied with the basic World Bank environmental and social requirements. KFM continues to provide capacity strengthening as regards safeguards compliance and implementation. Some of the key achievements during the period are:

- At the start of the reporting period Environmental Safeguards and Social Safeguards Inception Reports were drafted and reviewed for adoption.
- In this reporting period the safeguards specialists worked on the establishment of environmental and social safeguards frameworks and instruments for monitoring implementation of safeguards. These included Environmental and Social Due Diligence Checklists and E&S quarterly reporting tools for use by RBF and Debt Facilities to enhance Recipients' quarterly reporting on environmental and social safeguards compliance.
- E&S Safeguards specialists participated in the SSP RBF Round 2 Call including proposal evaluations for Environmental and Social (E&S) safeguards provisions. For shortlisted applicants the ESS team undertook E&S due diligence as part of the SSP Due Diligence activities. SSP & CCS RBF Round 1 Environmental Safeguards Implementation Monitoring Report was prepared and submitted.

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- A comprehensive Environmental and Social Management Plan- ESMP covering both RBF and Debt facilities has been developed and submitted to MoE for approval.
- At the close of the reporting period an E-waste Management appraisal exercise was undertaken for RBF Recipients with potential to generate e-waste. The appraisal reports have been prepared for submission.
- Preparation of Gender Based Violence prevention framework, Grievance Redress Mechanism guidance notes and Labour Management policy for the Recipients.

iii) **Value-for-money achievements.**

The KFM ensures value for money in all its procurement processes and in implementing the project. The achievements below have been attained showing value for money.

a) SSP

Key Performance Indicator	Status Cumulative Update (as of Year 3, Q2)
250,000 solar home systems sold	63,322 SHS (June 2020 – June 2021) (Reported sales are subject to verification)
KSHS 1.2 Billion disbursed out for Result-based financing	KSHS 40,037,911 disbursed as part of the Ex-ante drawdown. Ex-post payments are awaiting the onboarding of the IVA.
1.1 million people receive electricity from off-grid solar	* 316,610 people received electricity from off-grid solar *(subject to verification assuming 5 people per Household)
Power Generated	1.64 MW (reported sales are subject to verification)
Direct jobs created	17,229 jobs created: 36.3% Female and 63.7% Male (Reported jobs by the SSPs includes sales agents)
Percentage of women-headed households	33% (20,620 households) (Calculation based on 2016, KNBS- Kenya Socio-Economic Atlas)

b) CCS

Key Performance Indicators (KPIs)	Status Updates
Number of higher-tier stoves sold: 150,000	Cumulative: 3,809
Percentage of women-headed households (20%)	Cumulative: 38%
Net additional, full-time equivalent jobs	Cumulative: 147 jobs

iv) **Absorption rate for each year since the commencement of the project.**

Absorption rate has been measured based on the total allocation and the disbursements made:

Component	Allocation	Disbursements			Absorption rate		
		2018/19	2019/20	2020/21	2018/19	2019/20	2020/21
SSP RBF	1,200,000,000	-	-	40,037,911	-	-	3%
CCS RBF	500,000,000	-	-	31,898,601	-	-	6%
SSP Debt	3,000,000,000	-	-	19,245,512	-	-	1%

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<b>Total</b>	<b>4,700,000,000</b>	-	-	<b>91,182,024</b>	-	-	<b>2%</b>
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v) v) Implementation challenges and recommended way forward.

Risk Identification #	Event	Consequence/impact	Way Forward
1	COVID-19	1. Restricted travel 2. Low sales by Recipients 3. Job loss, Recipient staff turnover 4. Illness/ Loss of life	1. Reschedule travel meetings 2. Monitor Recipient performance 3. SNV SDP and GoK guidelines
2	Slow MoE & WB approvals	1. Delayed implementation of activities (Capacity Building of companies, MTR extensions approvals, collaborations NDA& MOU signage, changes to implementation manuals etc) 2. Workplan interruptions & amendments 3. Delayed KPIs delivery	1. MoE & WB follow up for approvals 2. Adjustment to workplans
3	Slow debt deployment	1. Delayed KPI delivery	1. Debt Capacity building for companies 2. Debt restructure 3. CCS debt for cookstoves 4. Round 2 Recipients followup
4	Insecurity	1. Abductions 2. Delayed implementation activities 3. Closure of Recipient offices 4. Loss of life	1. Monitor Recipient activities 2. Actively advising staff, consultants and Recipients on security measures.
5	IVA onboarding delay	1. Delayed financial disbursement	1. Follow up on MoE
6	Recipient non-performance	1. Funds clawback 2. Delayed disbursement 3. KPI not realized	1. Monitor Recipient performance (Annual review)
7	Heavy rainfall	1. Restricted travel 2. Low sales of solar & cookstove products	1. Monitor impact on performance
8	Tax on importation of Solar & cookstove products	1. Delayed importation & clearance of products at the point of entry 2. Delayed implementation	1. Advise project on Tax
9	Elections / Change of Govts	1. Safety of staff & Recipients 2. Slow implementation before & during the implementation	1. Planning adjustments of activities to cover for election period. 2. Field visits before elections 3. Follow country security and contingency plan
10	Drought / Famine	1. Low purchasing power 2. Slow implementation in affected counties	1. Monitor & Advise the project and make adjustments to implementation

1.9 Summary of Project Compliance:

Based on management assessment, there were no instances of non-compliance during the year under review.

## 2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED OBJECTIVES

The key development objectives of the Project's 2018-2023 plan are to:

- a) **Overall objective:** The Project development objective is to increase access to modern energy services in underserved counties of Kenya.
- b) **SSP RBF:** The overarching objectives of the facility are to support access to lighting Global (now Verasol)-approved solar home systems across Kenya's underserved counties; to encourage the growth of earlier-stage and/or local solar companies where possible; and to set a foundation for high-potential solar operators to access debt investments to further scale operations in these counties.
- c) **SSP DEBT:** The overarching objectives of the debt facility are to support access to lighting global approved solar home systems across Kenya's underserved counties; to encourage the growth of earlier-stage and/or local solar companies where possible; to set a market precedent for debt investments in these geographies; and to preserve GoK capital.
- d) **CCS RBF:** The Clean Cooking Solutions RBF (CCS RBF) Facility established under KOSAP will award a total of US\$ 5 million in awards to incentivize sector players including manufacture, wholesalers and distributors to kick-start the market of higher-tier cooking solutions in Underserved Countries in Kenya. This subcomponent will support a transition from low-efficiency baseline stoves to cleaner, higher-efficiency improved stoves.

### Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
KOSAP	Overall objective: The Project development objective is to increase access to modern energy services in underserved counties of Kenya	N/A	N/A	N/A
	SSP RBF: The overarching objectives of the Facility are to support access to Lighting Global-approved solar home systems across Kenya's Underserved Counties; to encourage the growth of earlier-	End users in KOSAP counties use multi light, Lighting Global Approved Solar PV systems	250,000 solar systems sold  US\$ 12 Million disbursed out for Result-based financing	63,322 SHS (Pending verification from the IVA)  KSHS 40,037,911 disbursed as part of the Ex-ante drawdown. Ex-post payments are awaiting the onboarding of the IVA.

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Project	Objective	Outcome	Indicator	Performance
	stage and/or local solar companies where possible; and to set a foundation for high-potential solar operators to access debt investments to further scale operations in these counties.		1.1 million people receive electricity from off-grid solar  Direct jobs created.  Percentage of households headed by women;	316,610 people received electricity from off-grid solar *(subject to verification assuming 5 people per Household)  17,229 jobs created: 36.3% Female and 63.7% Male (Reported jobs by the SSPs includes sales agents)  33%: 20,620 households (Calculation based on 2016, KNBS- Kenya Socio-Economic Atlas)
	SSP DEBT: The overarching objectives of the Debt Facility are to support access to Lighting Global approved solar home systems across Kenya's Underserved Counties; to encourage the growth of earlier-stage and/or local solar companies where possible; to set a market precedent for debt investments in these geographies; and to preserve GoK capital.	End users in KOSAP counties use multi light, Lighting Global Approved Solar PV systems	250,000 solar home systems sold. USD 30 million disbursed out of debt facility. Direct jobs created. 1.1 million people receive electricity from off-grid solar.	Total loan disbursed (Ksh.19,245,512)  Total principal outstanding 16,839,823  Total principal repaid (KShs. 2,405,689) Number of companies who have accessed the debt (1)
	CCS RBF: The Clean Cooking Solutions RBF (CCS RBF) Facility established under KOSAP will award a total of US\$ 5 million in awards to incentivize sector players including manufacture, wholesalers, and distributors to kick- start the market of higher-tier cooking solutions in Underserved Countries in Kenya. This subcomponent will support a transition from low-efficiency baseline stoves to cleaner, higher-efficiency improved stoves	End-users in selected KOSAP counties use higher tier cook stoves	Number of higher tier stoves sold:150,000  Percentage of women headed households  Net additional, full time equivalent jobs	During the period, the Facility achieved KPIS were: <ul style="list-style-type: none"> <li>Number of higher-tier stoves sold: 150,000: <b>3,809</b></li> <li>Percentage of women-headed households (20%): <b>38%</b></li> <li>Net additional, full-time equivalent jobs: <b>147 jobs</b></li> </ul>

### 3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. We contribute to this by strengthening the capacity of local organizations. Our global team of local and international advisors work with local partners to equip communities, businesses, and organizations with the tools, knowledge, and connections they need to increase their incomes and gain access to basic services – empowering them to break the cycle of poverty and guide their own development.

#### ***Our local presence and global network***

For more than 50 years SNV has been present in some of the most under-developed countries around the world, including fragile states. However, tackling world poverty requires SNV to be active not only in these fragile, low-income countries but to also support the underserved left behind in middle-income countries. We work closely with specialised local development organisations that provide high quality services to governments, the private sector and civil society. This ensures that programmes are locally owned and led, and that they foster innovative, long-lasting alliances.

#### ***Our clients, customers, and end-users***

Change is best led by people who have the greatest stake in its solution. Whether they are central or local government officials, private sector groups, civil society actors, or individuals, SNV brings these players together and strengthens their capacities. Our long- term, in-country presence and knowledge of historic trends and domestic realities allows us to identify overlapping interests among stakeholders and engage them to jointly pursue their common objectives. We connect the interests of both our paying customers as well as our clients, with the ultimate interests of the end-users.

#### 1. Sustainability strategy and profile

##### SNV Roles

##### a) **Evidence-based advocacy: enabling environments for effective solutions**

Based on our advisory experience and understanding of socio-economic and political contexts, we collaborate with knowledge institutes, governments, private sector, and civil society to provide evidence and arguments to enrich policy debates. SNV guides decision- makers who adopt recommendations resulting from proven interventions and helps translating these recommendations into effective policies, rules and regulations that support scaling up.

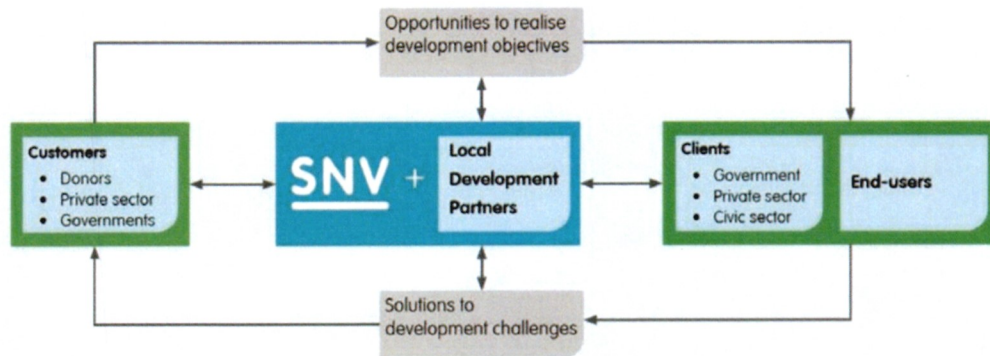
##### b) **Advisory services: working towards effective solutions**

Advisory services are core to SNV's programs. SNV delivers capacity building advisory services to clients and addresses the systemic constraints they confront. We have a support role in adapting market systems, bringing parties together, promoting innovation and developing capacities in new expertise areas. We are involved in grant and fund management closely linked to our engagement in advisory services. Access to finance increases the possibilities for clients to experiment and boost pilot initiatives into mainstream activities at scale.

##### c) **Implementation at scale: expanding the reach of effective solutions**

We use our long-term, in-country presence and international knowledge network to develop new and adapt proven approaches to local contexts, using the impact of former investments to achieve results at scale. We strengthen our skills in designing, rolling out, managing, and monitoring multi-country development initiatives, and commit ourselves to sharing results globally. By focusing on governments, the private sector and civil society, and by linking their mandates and resources, we go beyond mere individual Projects and instead deliver development at scale.

SNV Business and Delivery Model



SNV's paying customers – governments, donors, and businesses – have high ambitions but often lack the capacities to realise their development objectives. People living in poverty (the end-users), on the other hand, need support to meet the challenges they face in daily life. SNV works to connect the dots. Paid by its customers, SNV and its local development partners improve the services that local organisations, businesses and public entities offer to low income groups so they can improve the quality of their lives.

**Strategy**

In its new Strategic Plan period (2019 – 2022), SNV will more explicitly aim for systems change during Project preparation and implementation - by strengthening institutions and kick-starting markets that help many more to escape poverty beyond our Projects. We will continue to position ourselves as a premium organization, with decentralized management.

**Achievements**

In 2020, through SNV work, we have been able to measurably improve the lives of 5 million people living in poverty by increasing incomes and access to basic services – all while making significant contributions to systems change.

**2. Environmental performance**

During the period both RBF SSP and CCS Recipients were inducted on environmental and social safeguards policies compliance requirement by KOSAP. They were also made aware of safeguards framework governing KOSAP. All the Recipients submitted their safeguards policies. However not all provided specific environmental and social safeguards plans. The Environmental and Social consultants have been supporting both SSP and CCS Recipients review and refine the policies and convert them to action plans as part of their sustainable business adoption. The Specialists are also working to develop child labour policies, labour management policy, GBV guidance notes, GRM framework and stakeholder policy to support Recipients.

**3. Employee welfare**

SNV's team of inspired professionals work in many of the poorest countries in Asia, Africa, and Latin America. With an in-depth understanding of both local context and global challenges, they work hand in hand with local organisations to build capacity and create the foundations for lasting sustainable development.

SNV has a diverse team of 1,220 specialists and generalists, nationals and internationals, males and females, young and more seasoned colleagues, comprising of more than 50 nationalities, our people have a myriad of hard and soft skills required to implement our Projects. Our staff combine technical knowledge in Energy, Agriculture, and WASH with the skillset of thought leadership, evidence-based advocacy and brokering partnerships within political, corporate, and civil communities, at the national and international level. They do this while ensuring that the interests of people living in poverty prevail.

We believe that there is strength in diversity, so our current global team includes over 50 different nationalities, with over 90% of our professionals being nationals of the country in which they work. This masks for a lively and highly professional working environment, where local knowledge and international best practices combine to achieve effective change and innovation. We believe in the importance of personal and professional development and offer

national and international career opportunities to those who have strong potential to develop their skills and expertise in a highly professional and challenging work environment.

Working at SNV is rewarding and inspiring. Our focus on capacity building and our partnerships with local organisations mean our advisors have the chance to see local communities map out their own roads to sustainable development based on their tools and interventions.

#### 4. Market place practices

- a) Responsible competition practice.

The policy is based on the **principles of SNV's Code of Conduct** and aims to ensure effective Project implementation. The principles of ethics, effectiveness, open competition, transparency, and legality apply throughout.

- b) Responsible Supply chain and supplier relations.

SNV's Contracting and Procurement Policy has been developed to define the minimum conditions that must be met for contracting and procurement across all SNV's operations, including the contracting of all partners. It is structured as follows:

- SNV Contracting and Procurement Policy
- SNV Procurement and Contracting of Goods, Works & Non-consultancy Services
- SNV Procurement and Contracting of Consultancy Services
- SNV Contracting Partners

- c) Responsible marketing and advertisement

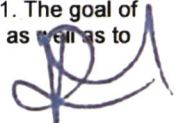
This is covered under SNV's contracting and procurement policy.

- d) Product stewardship

This is covered under SNV's contracting and procurement policy.

#### 5. Community engagements

- KFM undertook a field visit in West Pokot County in October 2020. Engagement with Recipients provided insights on current opportunities and challenges of selling cookstoves and solar products in KSTs. Challenges include poor road network and coverage of mobile network is weak in some regions. Recipients banked on trained local sales teams and good relationship with county and ward administrators as entry point to boost sales.
- The SSP RBF Facility team undertook field visits to Kilifi and Taita Taveta counties on June 8-12, 2021. The goal of the visit was to observe the Recipients' activities in these counties, meet with the county governments as well as to visit some of the households that have benefitted from the implementation of the project.



#### 4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The management of SNV Kenya 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 and as at the end of the financial year ended on June 30, 2021.

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

The management of SNV Kenya accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The management of SNV Kenya are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2021, and of the Project's financial position as at that date. The management of SNV Kenya further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The management of SNV Kenya 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 management of SNV Kenya for KOSAP Project on 8th September, 2021 and signed by them.



Country Director  
Jeen Kootstra



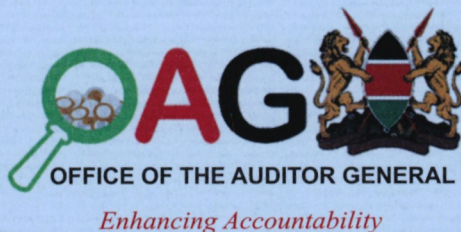
Team Leader, KOSAP Facilities  
Ashington Ngigi



Project Accountant  
Apollonia Ochieng'  
ICPAK Member Number: 19427

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## **REPORT OF THE AUDITOR-GENERAL ON KENYA OFF-GRID SOLAR ACCESS PROJECT FOR UNDERSERVED COUNTIES (IDA CR. NO. 6135-KE) FOR THE YEAR ENDED 30 JUNE, 2021 - MINISTRY OF ENERGY AND SNV NETHERLANDS DEVELOPMENT ORGANIZATION**

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### PREAMBLE

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

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

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

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

## REPORT ON THE FINANCIAL STATEMENTS

### Qualified Opinion

I have audited the accompanying financial statements of Kenya Off-Grid Solar Access Project for Underserved Counties set out on pages 1 to 13, which comprise of the statement of financial assets as at 30 June, 2021 and the statement of receipts and payments, statement of cash flows, the statement of comparative budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Off-Grid Solar Access Project for Underserved Counties as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No.6135-KE dated 5 September, 2017, between the International Development Association (IDA) and the Republic of Kenya and the Public Finance Management Act, 2012.

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

### Basis for Opinion

#### 1.0 Interest Income

The statement of receipts and payment under Note 2 indicates interest income amounting to Kshs.43,581,597. Included in the interest income is an amount of Kshs.41,455,627 received from Kenya Commercial Bank (KCB), which differs from the interest computation schedule for the period amounting to Kshs.70,003,231. This amount varies from Kshs.41,455,627 actually received and reported in the financial statements resulting to under remittance of Kshs.28,548,015. The Management stated that they were in the process of engaging KCB to credit the remaining balance.

Further, information provided for audit review indicates that the project's bank account was opened at KCB Bank on 2 September, 2019 and an amount of Kshs.2,223,466,000 deposited into the account on 11 March, 2020. However, the interest recognition as reflected in the financial statements started in March, 2021. This implies that the Project did not receive any interest income for the period March, 2020 to February, 2021 though the funds had already been received from the financier. The Management has not explained why the project did not receive any interest during the period.

Consequently, the accuracy and completeness of the interest income received of Kshs.43,581,597 in the statement of receipts and payments for the year ended 30 June, 2021 could not be confirmed.

## **2.0 Purchase of Goods and Services**

The statement of receipts and payments reflects purchase of goods and services amounting to Kshs.17,401,773. Out of the balance, an amount of Kshs.11,170,230 is in respect of specialized materials and services. However, review of the details of the payments indicates that the expenditure was in respect of marketing services, training and accommodation expenses which are not specialized materials and services.

Further, payments were not supported by an approved workplan and their relevant documentation to show that the activities were in line with project objectives.

Consequently, the accuracy, completeness, and propriety of the expenditure of Kshs.11,170,230 in respect of specialized materials and services for the year ended 30 June, 2021 could not be confirmed.

## **3.0 Inaccuracies in the Financial Statements**

The statement of receipts and payments reflects accumulated total payments amounting to Kshs.17,401,777 while the statement of budget and actual amounts indicates total payments of Kshs.97,400,367 resulting in a variance of Kshs.79,998,590. Further, statement of application of funds indicates unutilized balance of Kshs.2,132,283,976 while the statement of receipts and payments indicates fund balance of Kshs.2,249,645,824 resulting in a variance of Kshs.111,361,848.

Consequently, the accuracy and completeness of the financial statements as at 30 June, 2021 could not be confirmed.

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

## **Key Audit Matters**

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

## Other Matters

### Budgetary Performance and Control

The statement of comparative budget and actual amounts reflects receipts budget of Kshs.4,743,581,597 and actual receipts amounting to Kshs.2,267,047,597 respectively resulting in a shortfall of Kshs.2,476,534,000 or 52%. Similarly, the Project spent an amount of Kshs.97,400,367 against the approved budget of Kshs.4,706,218,343 resulting to an under absorption of Kshs.4,608,817,976 or 98% of the approved budget.

The under absorption of the funds received clearly indicates that the bulk of planned activities were not implemented.

Further, according to the Project's monitoring and evaluation progress report, the Project is behind schedule considering that the expected completion date is 30 June 2023 and significant work remains to be done as shown below;

<b>Key Performance Indicator (Target)</b>	<b>July, 2020- June, 2021 Cumulative Status</b>
<b>a) Solar Service Providers Results Based Financing (SSP RBF) Facility</b>	
250,000 solar home systems to be sold	63,322 units sold but pending verification by the IVA
Kshs.1.2 Billion to be disbursed out for Result-based Financing	Kshs.40,037,911 has been disbursed as part of ex-ante drawdown pending verification of IVA
1.1 million people to receive electricity from off-grid solar	316,610 people have received electricity from off-grid solar subject to verification by IVA assuming 5 people per Household.
<b>b) Clean Cooking Solution Results Based Financing (CCS RBF) Facility</b>	
150,000 of higher tier stoves to be sold	3,809 units have been sold
Kshs.0.5 Billion to be disbursed out for CCS RBF Facility	10 Recipients are under agreement with Ministry of Energy with Kshs.31.9 M having been disbursed to them. However, the expected ex-post disbursement, currently stand at Kshs.6.1 M pending IVA verification.
<b>c) Solar Service Providers Debt (SSP Debt) Facility</b>	
Kshs 3.0 Billion working capital for the participating Solar Service Providers which was identified as a key gap during the design of KOSAP in 2015	The debt facility has made only one transaction of Kshs.16,839,823 despite diligent efforts.

Consequently, the Project may not be completed within the stipulated timelines and this may result in delayed service delivery to the public and possible cost overruns.

## **Other Information**

The Management are responsible for the other information, which comprises the statement of performance against Project's predetermined objectives and responsibilities, statement of corporate social responsibility/sustenance reporting and the statement of management responsibilities. The other information does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance or conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in 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**

#### **1.0 Unaccounted for Accounts Receivables**

The statement of financial assets as at 30 June, 2021 reflects accounts receivables of Kshs.77,606,105, being advance to suppliers of clean cooking solution, solar service providers and debt facility providers as disclosed in Note 5 to the financial statements. These amounts were issued during the year and ought to have been repaid or accounted for during the year. The amount had however not been accounted for or repaid as at 30 June, 2021. The Management did not explain why the funds remained unpaid or unaccounted for.

Under the circumstance, recoverability of the funds remained doubtful.

#### **2.0 Failure to Appoint an Independent Verification Agent (IVA)**

The KOSAP Facility Implementation Manuals Clause 1.3.5, stipulates that the Facility Managers are to provide recommendations to the Ministry of Energy on contracting and outsourcing arrangements of a third-party Independent Verification Agent(s) (IVA), including a framework on verification of data points.

It was however noted that, the procurement and appointment of the Independent Verification Agent (IVA) for the Standalone Community System and the Home Systems had not been concluded at the time of the audit. According to the management, the evaluation of the technical and financial bids submitted for the above-mentioned assignment recommended that the contract be awarded to the lowest evaluated bidder. However, the lowest bidder and the quoted amount of USD 2.2 Million against the approved estimated budget of USD 0.7 Million as per the KOSAP Project Procurement

Strategy for Development (PPSD) was higher by 314% of the budgeted while the next most responsive bidder quoted approx. USD 3.33m.

Although , the procurement proceedings should have been halted since there were no sufficient funds to meet the obligation as required by section 53(8) of the Public Procurement and Asset Disposal Act, 2015 and hence all bids were non responsive, the professional opinion on the combined evaluation report was issued on 15 January, 2021 recommending the award and the same submitted to the World Bank. The Management also requested for a No Objection from World Bank for procurement of the service at enhanced cost which was granted on 24 March, 2021. However, as at the time of the audit, the Independent Verification Agent was yet to be contracted as the contract negotiation was still in process.

Consequently, the issuance of the professional opinion was in breach of Section 53(8) of the Public Procurement and Asset Disposal Act, 2015 while the continued absence of Independent Verification Agent in the Project implementation may lead to delayed independent verification of Project deliverables, delays in financial disbursement to the Service providers and delayed achievement of overall Project objectives

### **3.0 Delay in Project Implementation**

The financing agreement reflects the Project commencement date to be 23 November, 2018 with a completion date of 30 June, 2023. The Project has therefore been on for 31 months which is equivalent to 55.4% of the approved timeline. However, there was a utilization of only Kshs.11,170,230 compared to the approved commitment of Kshs.4,700,000,000 which is equivalent to 0.2% of the budget.

Further, the Management did not provide an approved work plan for audit review and it was therefore not possible to ascertain the project performance against the plan.

The low utilisation of Project funds clearly shows that the planned programmes and activities have not been implemented therefore making it very difficult to achieve Project's objectives.

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

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

## **Basis for Conclusion**

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the Project 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report which includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs

will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control which might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level, the risk that misstatements caused by error or fraud in amounts which would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions which may cast significant doubt

on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner which achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**23 December, 2021**


Kenya Off-Grid Solar Access Project (KOSAP)  
 Financial Statements  
 For the financial year ended June 30, 2021

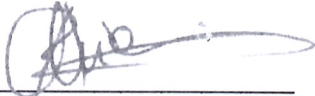
**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30TH JUNE 2021**

	Note	2020/2021	2019/2020	Cumulative to-date (From inception)
		Receipts and payments controlled by the Project KShs	Receipts and payments controlled by the Project KShs	KShs
<b>RECEIPTS</b>				
Transfer from Government entities	1	-	2,223,466,000	2,223,466,000
Interest income	2	43,581,597	-	43,581,597
<b>TOTAL RECEIPTS</b>		<b>43,581,597</b>	<b>2,223,466,000</b>	<b>2,267,047,597</b>
<b>PAYMENTS</b>				
Purchase of goods and services	3	17,401,773	-	17,401,773
<b>TOTAL PAYMENTS</b>		<b>17,401,773</b>	<b>-</b>	<b>17,401,773</b>
<b>FUND BALANCE – SURPLUS/(DEFICIT)</b>		<b>26,179,824</b>	<b>2,223,466,000</b>	<b>2,249,645,824</b>

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

  
 Country Director  
 Jeen Kootstra

  
 Team Leader, KOSAP Facilities  
 Ashington Ngigi


  
 Project Accountant  
 Apollonia Ochieng'  
 ICPAK Member Number: 19427

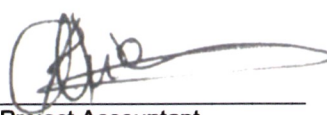
**7. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021**

	Note	2020-2021 KShs	2019-2020 KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and cash equivalents</b>			
Bank balances	4	2,172,039,719	2,223,466,000
<b>Total Cash and cash equivalents</b>		<b><u>2,172,039,719</u></b>	<b><u>2,223,466,000</u></b>
Accounts receivables	5	77,606,105	-
<b>TOTAL FINANCIAL ASSETS</b>		<b><u>2,249,645,824</u></b>	<b><u>2,223,466,000</u></b>
<b>REPRESENTED BY</b>			
Fund balance brought forward	6	2,223,466,000	-
Surplus/(Deficit) for the year		26,179,824	2,223,466,000
<b>NET FINANCIAL POSITION</b>		<b><u>2,249,645,824</u></b>	<b><u>2,223,466,000</u></b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on \_\_\_\_\_ 2021 and signed by:

  
 \_\_\_\_\_  
 Country Director  
 Jeen Kootstra

  
 \_\_\_\_\_  
 Team Leader, KOSAP Facilities  
 Ashington Ngigi


  
 \_\_\_\_\_  
 Project Accountant  
 Apollonia Ochieng'  
 ICPAK Member Number: 19427

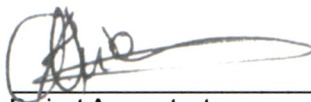
**8. STATEMENT OF CASHFLOW FOR THE PERIOD 30TH JUNE 2021**

	Note	2020-2021 KShs	2019-2020 KShs
<b>Receipts from operating activities</b>			
Transfer from Government entities	1	-	2,223,466,000
Interest income	2	43,581,597	-
<b>Payments from operating activities</b>			
Purchase of goods and services	3	(17,401,773)	-
<b>Adjustments during the year</b>			
Decrease/(Increase) in Accounts receivable	5	(77,606,105)	-
Increase/(Decrease) in Accounts payable (deposits and retention)		-	-
<b>Net cash flow from operating activities</b>		<b>(51,426,281)</b>	<b>2,223,466,000</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets		-	-
<b>Net cash flows from Investing Activities</b>		-	-
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings		-	-
<b>Net cash flow from financing activities</b>		-	-
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(51,426,281)</b>	<b>2,223,466,000</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>2,223,466,000</b>	-
<b>Cash and cash equivalent at END of the year</b>	4	<b>2,172,039,719</b>	<b>2,223,466,000</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Project financial statements were approved on \_\_\_\_\_ 2021 and signed by:

  
 Country Director  
 Jeen Kootstra

  
 Team Leader, KOSAP Facilities  
 Ashington Ngigi

  
 Project Accountant  
 Apollonia Ochieng'  
 ICPAK Member Number: 19427

Kenya Off-Grid Solar Access Project (KOSAP)  
Financial Statements  
For the financial year ended June 30, 2021

**9. STATEMENT OF BUDGET AND ACTUAL AMOUNTS**


Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual Comparable Basis d	Budget Difference e=c-d	Utilization % f=d/c %	of Utilization
<b>Receipts</b>							
Transfer from the Ministry of Energy, Kenya - RBF facility	1,700,000,000	-	1,700,000,000	804,232,383	895,767,617	47%	47%
Transfer from the Ministry of Energy, Kenya - Debt facility	3,000,000,000	-	3,000,000,000	1,419,233,617	1,580,766,383	47%	47%
Interest income	-	43,581,597	43,581,597	43,581,597	-	100%	100%
<b>Total Receipts</b>	<b>4,700,000,000</b>	<b>43,581,597</b>	<b>4,743,581,597</b>	<b>2,267,047,597</b>	<b>2,476,534,000</b>	<b>48%</b>	<b>48%</b>
<b>Payments</b>							
*RBF facility issued	1,700,000,000	-	1,700,000,000	71,936,512	1,628,063,488	4%	4%
*Debt facility issued	3,000,000,000	-	3,000,000,000	19,245,512	2,980,754,488	1%	1%
WHT on interest income	-	6,218,343	6,218,343	6,218,343	-	100%	100%
<b>Total Payments</b>	<b>4,700,000,000</b>	<b>6,218,343</b>	<b>4,706,218,343</b>	<b>97,400,367</b>	<b>4,608,817,976</b>	<b>2%</b>	<b>2%</b>


\* The fund comprises:

(i) RBF funds issued as incentives to recipients - A total of KShs 71.9 Million has been disbursed to recipients i.e., KShs 40 Million under SSP and KShs 31.9 Million under CCS. Of the disbursed funds, KShs 11.1 Million had been accounted for as of 30 June 2021 as presented in the statement of receipts and payments.

(ii) Debt facility funds to be repaid and returned to MoE with interest - A total of KShs 19.2 Million has been issued as loan. As of 30 June 2021, KShs 4.5 Million had been repaid with KShs 2.4 Million being the principal repayment and KShs 2.1 Million being the interest income. The outstanding debt facility is KShs 16.8 Million as presented in the statement of financial assets.

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

  
Country Director  
Jeen Kootstra

  
Team Leader, KOSAP Facilities  
Ashington Ngigi

  
Project Accountant  
Apollonia Ochieng  
ICPAK Member Number: 19427

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

#### **10.1.1 Statement of compliance and basis of preparation**

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

The accounting policies adopted have been consistently applied to all the years presented.

#### **10.1.2 Reporting entity**

The financial statements are for the KOSAP implemented by SNV Netherlands Development Organization.

#### **10.1.3 Reporting currency**

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

### **10.2 Significant Accounting Policies**

#### **a) Recognition of receipts**

The Project recognises all receipts from the various sources when the event occurs, and the related cash has been received by SNV Netherlands Development Organisation.

##### **i) Transfers from the Exchequer**

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

##### **ii) External Assistance**

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

**iii) Other receipts**

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

**iv) Donations and grants**

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

**v) Proceeds from borrowing**

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

**vi) Undrawn external assistance**

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

**b) Recognition of payments**


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

**i) Compensation of employees**

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

**ii) Use of goods and services**

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



**Significant Accounting Policies (Continued)**

**iii) Interest on borrowing**

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

**iv) Repayment of borrowing (principal amount)**

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

**v) Acquisition of fixed assets**

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

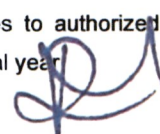
A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**vi) In-kind donations**

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

**c) Cash and cash equivalents**

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



**Significant Accounting Policies (Continued)**

**Restriction on cash**

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

**d) Accounts receivable**

For the purposes of these financial statements, advances to the implementing partners which were not surrendered or accounted for at the end of the financial year is treated as receivables. Advances are recognized as payments when fully accounted for by the partners. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**e) Contingent Liabilities**

A contingent liability is:

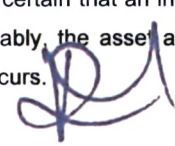
- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because: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

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

The Project 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. There were no contingent liabilities in the year.

**f) Contingent Assets**

The Project 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 Project 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.



**Significant Accounting Policies (Continued)**

**g) Contingent Assets**

The Project 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 Project 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) Pending bills**

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

**i) Budget**

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the period of implementation. The Project's **budget** was as per Project contract and any amendments.

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

**j) Third party payments**

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

During the year, there were no disbursements were received in form of direct payments from third parties.



**Significant Accounting Policies (Continued)**

**k) Exchange rate differences**

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

**l) Comparative figures**

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

**m) Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2021.

**n) Errors**

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

## 11. NOTES TO THE FINANCIAL STATEMENTS

### 1. Transfer from government entities

These represents funds received from the Ministry of Energy Kenya. No funds were received in the period under review.

### 2. Interest income

This relates to interest credited to the account in the period and interest from repayments made under the Debt Facility issued:

Description	Date received	Total amount in KShs	
		2020/21	2019/20
Interest income-bank	March 9, 2021	27,128,004	-
Interest income-bank	March 10, 2021	126,474	-
Interest income-bank	March 11, 2021	126,482	-
Interest income-bank	March 12, 2021	126,489	-
Interest income-bank	March 13, 2021	126,496	-
Interest income-bank	March 15, 2021	253,008	-
Interest income-bank	March 16, 2021	126,519	-
Interest income-bank	March 31, 2021	1,897,888	-
Interest income-bank	April 30, 2021	3,799,090	-
Interest income-bank	May 31, 2021	3,932,583	-
Interest income-bank	June 30, 2021	3,812,594	-
Interest income-Debt facility	January 7, 2021	474,547	-
Interest income-Debt facility	March 31, 2021	787,748	-
Interest income-Debt facility	June 30, 2021	863,675	-
<b>Total</b>		<b>43,581,597</b>	<b>-</b>

### 3. Purchase of goods and services

Description	Total amount in KShs	
	2020/21	2019/20
Specialized materials and services*	11,170,230	-
Other operating payments**	6,231,543	-
<b>Total</b>	<b>17,401,773</b>	<b>-</b>

\*This relates to the portion of advances that are accounted for in the period under review.

\*\*This relates to bank charges and 15% of the interest credited in the main bank account that is withheld by the bank as tax to be remitted to the Kenya Revenue Authority.

### 4. Bank balances

Description	Total amount in KShs	
	2020/21	2019/20
	KShs	KShs
Cash in bank	2,172,039,719	2,223,466,000

The Project has 3 bank accounts spread within the Project implementation area as listed below:

Kenya Off-Grid Solar Access Project (KOSAP)

Financial Statements

For the Financial Year ended June 30, 2021

NOTES TO THE FINANCIAL STATEMENTS (Continued)

**Project Bank accounts**

<b>Description</b>	<b>Total amount in KShs 2020/21</b>	<b>2019/20</b>
Kenya Commercial bank A/C no. 126 366 8569 - SNV Netherlands Development	2,108,703,164	-
Kenya Commercial Bank A/C no. 127 559 4816 - KOSAP RBF Facility	28,050,708	-
Kenya Commercial Bank A/C no. 127 559 3437 – KOSAP Debt Facility	35,285,847	-
<b>Total</b>	<b>2,172,039,719</b>	-

**5. Accounts Receivables**

This relates to advances and debt facility issued that had not been accounted for or repaid as at June 30, 2021.

<b>Description</b>	<b>Total amount in KShs 2020/21</b>	<b>2019/20</b>
RBF Facility-CCS	28,876,951	-
RBF Facility-SSP	31,889,331	-
Debt Facility	16,839,823	-
<b>Total</b>	<b>77,606,105</b>	-

**6. Fund balance brought forward**

<b>Description</b>	<b>Total amount in KShs 2020/21</b>	<b>2019/20</b>
Cash in bank	2,223,466,000	-
<b>Total</b>	<b>2,223,466,000</b>	-

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*Kenya Off-Grid Solar Access Project (KOSAP)*  
*Progress on Follow up of Prior Year Auditor's Recommendations*  
*For the Financial Year ended June 30, 2021*

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**12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

There are no prior period recommendations.



Kenya Off-Grid Solar Access Project (KOSAP)  
Annex – Variance Explanations  
For the Financial Year ended June 30, 2021

13. ANNEXES

ANNEX1 - VARIANCE EXPLANATIONS - BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% Of Utilization	Comments on Variance
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from the Ministry of Energy, Kenya-RBF facility	1,700,000,000	804,232,383	895,767,617	47%	KShs 2.22 billion was received during the period ended June 30, 2020. No additional funds were received. There were delays in setting up the Fund account to facilitate payments and recruitment of implementing partners thus no funds had been disbursed to recipients up until the current financial year hence slowing down implementation.
Transfer from the Ministry of Energy, Kenya-Debt Facility	3,000,000,000	1,419,233,617	1,580,766,383	47%	This relates to interest of KShs 41.4 Million earned since funds were received that was credited into the interest-bearing account no. 1263668569, in the year ended June 30, 2021; and interest of KShs 2.1 Million from repayments made with regard to the Debt Facility issued in the period.
Interest income	43,581,597	43,581,597	-	0%	
<b>Total Receipts</b>	<b>4,743,581,597</b>	<b>2,267,047,597</b>	<b>-</b>	<b>47%</b>	
<b>Payments</b>					
*RBF facility issued	1,700,000,000	71,936,512	1,628,063,488	4%	Out of the 2.22 Billion received, KShs 19.2 Million was issued under the debt facility and KShs 71.9 million was issued under the RBF facility in the current period. Of the disbursed funds, KShs 11.1 million of the RBF funds issued had been sufficiently accounted for as at June 30, 2021.
*Debt facility issued	3,000,000,000	19,245,512	2,980,754,488	1%	This relates to loan issued to 1 company in the period to be repaid with interest.
WHT on interest income	6,218,343	6,218,343	-	100%	This relates to WHT charged at 15% of the interest credited to the interest-bearing account no. 1263668569.
<b>Total payments</b>	<b>4,706,218,343</b>	<b>97,400,367</b>	<b>4,608,817,976</b>	<b>1%</b>	

*Kenya Off-Grid Solar Access Project (KOSAP)  
Annex – Variance Explanations  
For the Financial Year ended June 30, 2021*

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\*

The fund comprises:

- (i) RBF funds issued as incentives to recipients - A total of KShs 71.9 Million has been disbursed to recipients i.e., KShs 40 Million under SSP and KShs 31.9 Million under CCS. Of the disbursed funds, KShs 11.1 Million had been accounted for as of 30 June 2021 as presented in the statement of receipts and payments.
- (ii) Debt facility funds to be repaid and returned to MoE with interest - A total of KShs 19.2 Million has been issued as loan. As of 30 June 2021, KShs 4.5 Million had been repaid with KShs 2.4 Million being the principal repayment and KShs 2.1 Million being the interest income. The outstanding debt facility is KShs 16.8 Million as presented in the statement of financial assets.

