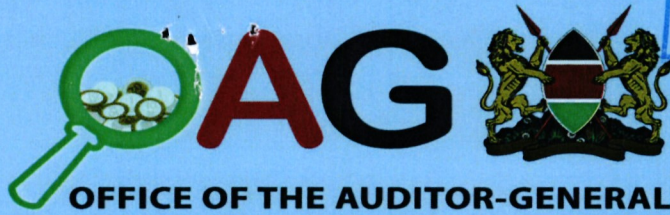


REPUBLIC OF KENYA



*Enhancing Accountability*

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THE NATIONAL ASSEMBLY	
DATE: 02 MAR 2022	DAY: WEDNESDAY
REPORT BY: HON. MAOKA MAORE	DEPUTY MAJORITY WHIP
OF: SAMUEL KALAMA	

**THE AUDITOR-GENERAL**

**ON**

**GREEN GROWTH AND EMPLOYMENT  
THEMATIC PROGRAMME  
(CR NO: 2015-39789)**

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

**NATIONAL ENVIRONMENT  
MANAGEMENT AUTHORITY**



**Project Name: Green Growth & Employment Thematic Programme (GGEP)**

Development Engagement No. 5  
NEMA, Kenya

**Implementing Entity: National Environment Management Authority**

**PROJECT GRANT/CREDIT NUMBER: 2015-39789**

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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)**

<b>CONTENTS</b>	<b>PAGE</b>
<b>1. PROJECT INFORMATION AND OVERALL PERFORMANCE .....</b>	<b>ii</b>
<b>2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES.....</b>	<b>xi</b>
<b>3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....</b>	<b>xviii</b>
<b>4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES.....</b>	<b>xix</b>
<b>5. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021 .....</b>	<b>1</b>
<b>6. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021 .....</b>	<b>2</b>
<b>7. STATEMENT OF CASHFLOW FOR THE PERIOD 30<sup>TH</sup> JUNE 2021 .....</b>	<b>3</b>
<b>8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS .....</b>	<b>4</b>
<b>9. SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>5</b>
<b>10. NOTES TO THE FINANCIAL STATEMENTS.....</b>	<b>9</b>
<b>11. OTHER IMPORTANT DISCLOSURES.....</b>	<b>13</b>
<b>12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS.....</b>	<b>14</b>
<b>ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS .....</b>	<b>15</b>
<b>ANNEX 2 – ANALYSIS OF PENDING BILLS.....</b>	<b>16</b>
<b>ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER.....</b>	<b>22</b>

## 1. PROJECT INFORMATION AND OVERALL PERFORMANCE

### 1.1 Name and registered office

**Name:** Green Growth & Employment Thematic Program (GGEP) 2016 - 2020  
 Greening Kenya's Development Pathway (GKDP).

**Objective:** The key objective of the project is to contribute to inclusive green growth and development in Kenya, in line with Vision 2030 to create 'a globally competitive and prosperous country with a high quality life by 2030'.

**Address:** The project headquarters offices are Nairobi, Kenya.  
 Popo Road, off Mombasa Road  
 The address of its registered office is: P.O. Box 67839-00200 Nairobi

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

Telephone: (254-20) 6005522/3/6/7  
 E-mail: [dgnema@nema.go.ke](mailto:dgnema@nema.go.ke)  
 Website: [www.nema.go.ke](http://www.nema.go.ke)  
 Postal Address: P.O. Box 67839 – 00200 Nairobi

### 1.2 Project Information

Project Start Date:	The project start date is 1/7/2016
Project End Date:	The project end date is 30/6/2021
Project Manager:	The project Component manager is Mr Obadiah K. Mungai.
Project Sponsor:	The project sponsor is the Danish Ministry of foreign affairs.

### 1.3 Project Overview

State Department of the project	Ministry of Environment and Forestry
Project number	2015-39789
Strategic goals of the project	<p>The project expected <b>outcome</b> is "A green development pathway for Kenya".</p> <p>The project outcome indicator is "The Environmental Performance Index (EPI) raised from: 2014 baseline of 36.99 to 50.0 in year 2020".</p> <p>The strategic goals of the project are as follows:</p> <p>1) To enhance capacity of counties to undertake devolved environmental functions.</p>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**

**Reports and Financial Statements**

**For the financial year ended June 30, 2021**

	<ol style="list-style-type: none"> <li>2) To reduce environmental crime.</li> <li>3) To mainstream environmental functions in MDAs and report their implementation back to the PCS.</li> <li>4) To enhance private sector adoption of green technologies and practises through PPPs.</li> </ol>
<p>Achievement of strategic goals</p>	<p>The Danish support to Component 5 of GGEP will enable NEMA to work with different stakeholders (ie Counties, Ministries, Departments and Agencies (MDAs), Private sector, etc) to shift Kenya’s brown economic growth trajectory to a greener path with the objective of raising the Environmental Performance Index (EPI) from the 2014 baseline of 36.99 to 50.0 by 2020. NEMA will continue to build capacity of counties in devolved environmental functions integrating State of Environment (SOE) and Environmental Action Plans (EAP) into the County Integrated Development Plans (CIDP). Included will be attention to waste management, air and noise pollution and integrated water resource management (IWRM), amongst others, and domesticating the EPI to Kenyan requirements. NEMA will build capacity of County Environment Committees (CEC), and ensure strategic environmental assessments (SEA) are conducted on the CIDPs. NEMA will continue to enforce compliance with environmental standards and regulations to reduce environmental crimes, and develop an Environmental Crime Index (ECI). Government MDAs will be assisted to integrate environmental sustainability management programmes into their core activities. NEMA will also work with the private sector to create Public, Private Partnerships (PPP) developing economic instruments that encourage the private sector’s voluntary uptake of cleaner production processes such as waste recycling and reuse as well as resource and energy efficiency green technologies.</p>
<p>Other important background information of the project</p>	<p>The project aims at fighting poverty and creating sustainable development through inclusive green growth, increased earnings and more jobs, especially for the youth and women. The entire GGEP has 9 components, of which NEMA is implementing component No. 5.</p> <ol style="list-style-type: none"> <li>1. Value Chain Greening and Financing</li> <li>2. Private Sector Green Growth</li> <li>3. Community resilience and rangeland management</li> <li>4. Management of water resources in arid/semi-arid lands</li> <li>5. Greening Kenya’s development pathway (GKDP)</li> <li>6. Creating an enabling environment for green growth</li> <li>7. Improving the business climate for greener growth</li> <li>8. Environmentally Sustainable Trade Growth in the East African Community (EAC)</li> <li>9. Supporting cleaner technologies and innovative business</li> </ol>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

Current situation that the project was formed to intervene	The green growth and employment programme was formed to intervene the following situation in Kenya: Kenya's Vision for Green Growth is to mainstream low carbon and resource use efficient green technologies, goods and services across the sectors and economic, social and environmental spheres of society. The recently developed Kenya Green Growth Strategy and Implementation (GESIP) calls for 2 per cent of Kenya's GDP per annum to investments in green economy interventions. The emphasis is on green growth (GG) and the green economy (GE) is only possible if the environment can continue to sustainably provide ecosystem goods and services that support 80% of livelihoods
Project duration	The project started on 1st July 2016 and is expected to run until 30 June 2021

#### 1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank Ltd  
KCB Gateway House-4026  
P.O. Box 27618-00506, Nairobi

#### 1.5 Auditors

The project is audited by the Auditor General

P.O Box 30084-00100  
Nairobi, Kenya

#### 1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Mamo B. Mamo	Director General	Master of Science Environmental Education	Overall program leadership.
Obadiah K. Mungai	Component Manager	Master of Arts in Economics, Master in Public Policy Analysis	Coordinate overall programme activities in NEMA
Eric Deche	Deputy Programme Component Manager	Master of Science-Education for Sustainability	Assist in the Coordination of overall programme activities in NEMA
Barbara J. Munyua	Programme Assistant	Master of Arts in Environmental planning	Co-ordination of GGEP Programme Activities

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

Ali Mwanzei	Output 1 Leader	Masters in Project Planning	Co-ordination of Enhanced Capacity of Counties to undertake devolved environmental function activities
Marrian Kioko	Output 2 Leader	Master of Public Health and Epidemiology	Co-ordination of Reduced environmental crime activities
Godfrey Mwangi	Output 3 Leader	Master of Arts in Geography, Master of Arts in Regional Planning	Co-ordination of Environmental performance targets in ministries, departments and agencies and report to the performance Contracting Secretariat
Harron Wanjohi	Output 4 Leader	Master in Environmental Planning and Management	Co-ordination of the Enhanced activities in that aid the private sector adopting Green technologies practices through public private partnerships
Alphonse Omollo	Project Accountant	MBA Accounting	Financial Management and Reporting
Monica Chemutai	Assistant Project Accountant	Bachelor of Commerce- Finance	Financial Management and Reporting
John Dominic	Technical Advisor/ Taskforce member	Master of Science	Coordinate activities in the GGEP technical Advisory and reporting.

**1.7 Funding summary**

The Project is for duration of 6 years from 2016 to 2021 with an approved budget of DKK 40 million equivalent to Kshs 560 Million as highlighted in the table below:

Below is the funding summary:

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

---

**A. Source of Funds**

<b>(i) Grant</b>						
Danish Ministry of foreign affairs.	40,000,000	560,000,000	34,392,806	481,499,288	5,607,194	78,500,712
<b>Total</b>	<b>40,000,000</b>	<b>560,000,000</b>	<b>34,392,806</b>	<b>481,499,288</b>	<b>5,607,194</b>	<b>78,500,712</b>
<b>(ii) Counterpart funds</b>						
Government of Kenya	1,571,429	22,000,000	1,571,429	22,000,000	-	-
<b>Grand Total</b>	<b>41,571,429</b>	<b>582,000,000</b>	<b>35,964,235</b>	<b>503,499,288</b>	<b>5,607,194</b>	<b>78,500,712</b>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

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**B. Application of Funds**

<b>(i) Grant</b>					
Danish Ministry of foreign affairs.	343,392,806	481,499,288	464,916,083	1,184,515	16,583,205
<b>(ii) Counterpart funds</b>					
Government of Kenya	1,571,429	22,000,000	21,848,345	10,833	151,655
<b>Total</b>	<b>344,964,235</b>	<b>503,499,288</b>	<b>486,764,428</b>	<b>1,195,347</b>	<b>16,734,860</b>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

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**1.8 Summary of Overall Project Performance:**

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

The project budget performance for the FY 2020/21 was at 86% and 68% cumulatively as outlined in the table below.

FY	DED Budget (DKK M.)	DED Budget (KES M.)	Cumulative Budget (KES M.)	Disbursements received	Disbursement %	Disbursement Balance (KES M.)
2016/17	10.75	135	135	60	44%	(75)
2017/18	10.05	130	205	140	68%	(65)
2018/19	10.75	140	205	140	68%	(65)
2019/20	6.70	107.2	172.2	100	58%	(72)
2020/21	1.75	47.8	41	41	100%	-
<b>Total</b>	<b>40</b>	<b>560</b>	<b>759</b>	<b>481</b>	<b>68%</b>	

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

The GGEP programme has made significant progress in achieving the four programme outputs defined in the Development Engagement Document (DED) as leading to the desired outcome of Greening Kenya's Development Pathway (GKDP). The following are the key achievements made under each output.

**1. Output 1: Enhanced capacity of counties to undertake Devolved Environmental Functions (DEF).**

- a. 46 out of 47 County Environment Committees established by gazettelement; 98% score.
- b. NEMA and CoG review draft DEF Transition Implementation Plan (TIP).
- c. DEF Manual/Curriculum training course and power point for virtual training developed.
- d. 8 RDE/47 CDE oriented on DEF and their TORs elaborated in a CDE Handbook.
- e. 35 draft CSOER out of target 8 counties tested and documented the process for strengthening CIDPs through alignment with county EPIs, SOEs, EAPs and SEAs.
- f. SOER NEI Indicators Manual finalized
- g. 7 factsheets on best practice from NEAP and CEAP published.
- h. 9 GPs operational and conducting outreach out of 9 = 100%.
- i. Green Points Operational Strategy printed and launched.
- j. SEA checklist developed and tested in 5 of 8 CIDPs = 62 % subjected to SEA checklist.
- k. 10 out of 8 counties trained on capacity of implementing DEF
- l. 47 CDE offices supported with IT equipment

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

- m. 9 GP equipped, IT linked, upgraded and made operational
- n. 11 regional meetings held at the Green Points to explain to CDE/CEC/County Environment Stakeholders on EPI and its interface with EAP/SOE
- o. EPI 2020 developed and finalized, printing underway
- p. COVID 19 Waste Handling Guidelines developed, printed and in circulation.
- q. COVID-19 audit checklist developed, inspectors trained and in use by IMU
- r. COVID 19 posters/stickers for safe waste handling printed/distributed
- s. COVID 19 Leaflet Guide to safe waste handling for health facility workers printed/distributed
- t. COVID 19 Leaflet Guide to safe waste handling for waste workers printed/distributed
- u. COVID 19 Leaflet Guide to safe waste handling for Care Givers printed/distributed
- v. COVID-19 PPEs and paraphernalia procured and disseminated.

**2. Output 2: Reduced environmental crime.**

**Summary Achievements this Period**

- a. 7000 licences and permits issued
- b. 5500 environmental audits submitted
- c. ELC judges and magistrates trained on environmental law/regulations and plastic ban
- d. Review of EMCA 1999 undertaken and in progress.
- e. Review of Controlled Substances Regulation, 2007 and Air Quality Regulation, 2014 finalized.
- f. EIA Audit Guide and checklist finalized
- g. 5 control audits of high-risk facilities conducted.
- h. 47 CDEs trained in use of COVID-19 Waste Handling Guidelines and provided PPEs
- i. Rapid Environment Response Unit (RERU) Management Framework in place
- j. RERU Manual and Toolkit developed
- k. RERU vehicle equipped as field lab, PPEs and test kit procured
- l. ECII 2020 developed and finalized, awaiting printing
- m. Both virtual and physical training of staff members by DFC done.
- n. Documentary on GGEP lessons and photobook done.

**3. Output 3: Environmental functions mainstreamed in Ministries, Departments and Agencies (MDAs)**

**Summary Achievements this Period**

- a. MDA Env APAP Guidelines developed and 228 MDAs trained
- b. 42 county staff from 11 counties sensitized on Env APAP Guidelines for county MDAs to adopt
- c. 26 Env APAP reports from MDAs regularly received by NEMA.
- d. E&NRM Valuation GIS in-house study, initiated wetland resource valuation of Ewaso Narok Swamp

**4. Output 4: Enhanced private sector adoption of green technologies and practices through Public-Private Partnership (PPPs).**

**Summary of Achievements this Period**

- 39 of 40 PSCs = 97.5% participating in voluntary compliance scheme.
- Plastic Recycling Strategy and take back scheme developed.

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
***For the financial year ended June 30, 2021***

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**Value- for Money Achievements**

- Operationalization of the Green Points.
- Training of NEMA and County Inspectors on Basic Enforcement Course.
- EPI improvement to also include EPI performance measurement of the 8 pilot counties.
- All 47 counties have CEC, but focus is on 8 pilot CEC trained and implementing DEF.
- Green Point strategy in place and consolidate 9 GP as functioning as outreach centers.
- 5 ecosystems have management plans.
- 8 CIDPs subjected to SEA checklist for Counties
- 8 counties capable of supporting select EMCA functions.
- National and 47 County EPIs in place and ECII included.
- Licensing, audits and EIAs conducted to plan.
- RERU framework and manual in place.
- 50 MDAs complete their environmental policy and action plans (EPAP)
- Voluntary compliance manual on green technologies adopted by 40 private sector companies.
- Economic instruments guide and 3 instruments in place.

**The implementation challenges and recommended way forward.**

- COVID 19 pandemic restrictions hampered meetings, workshops and trainings.  
Recommendation: Use of virtual meetings, like Zoom, made a useful substitute, especially for consultancy assignments

**1.9 Summary of Project Compliance:**

The project has not had any case of non-compliance with applicable laws and regulations, and essential external financing agreements/covenant.

## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES**

### **Introduction**

The Green Growth & Employment Program (GGEP) overall objective is to contribute to an inclusive green growth and employment in Kenya. The Key distinct development objectives/outputs of the projects 2016-2021 plan are to;

- **Output 1:** Enhance capacity of County to achieve Devolved Environmental Functions (DEF).
- **Output 2:** Reduce Environmental crime.
- **Output 3:** Ensure Environmental functions are mainstreamed in Ministries, Departments and Agencies (MDAs).
- **Output 4:** Enhance private sector adoption of green technologies and practices through PPPs.

### **Progress on attainment of Strategic Development Objectives**

For purposes of implementing and cascading the above development objectives, all the 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:

**Reports and Financial Statements  
For the financial year ended June 30, 2021**

Project	Objective	Outcome	Indicator/Means of Verification	Performance
<b>Output 1:</b>	<b>Enhanced capacity of counties to undertake devolved environmental functions</b>		<b>Level of implementation of devolved environmental functions</b>	
1.1.		47 effective county environment committees (CEC) established and functional.	No. of CECs trained and gazetted	a. NEMA agreed cooperation with CoG in draft MOU
1.2.		47 CEAPs developed and implemented	No of CEAPs rolled out	b. 46 CEC gazetted, Nairobi remains
1.3.		11 green points providing green growth linkages between communities and technology and information providers	No. of Green Points Developed	c. NEMA DEF Engagement Framework and roll out approved by Board
1.4		5 ecosystems requiring management plans	No. of management plans Developed & Implemented	d. NEMA DEF strategy and transition plan in draft
1.5.		At least 15 County Intergrated Development Plans (CIDPs) subjected to Strategic Environmental Assessment	No of CIDPs developed and SEA implemented	e. CEC manual by CoG (and NEMA EE) unit in draft
1.6.		47 counties capable of effectively implementing devolved environmental functions i.e. waste management, noise pollution and environmental planning (inspections, enforcements, licensing and permitting)	Number of counties implementing devolved environment functions	f. DEF curriculum in draft g. SOER/EAP manual and NEI indicators under review, in draft h. SOER 2020 in draft i. 2020 EPI and 2020 ECII national and county consultancy tendered j. 18 CEC inducted on DEF (with CoG)(DEF training course power point developed)

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

	<ul style="list-style-type: none"> <li>k. 38 County Executive Committee sensitised on roles in SOER and EAP preparation with CoG support.</li> <li>l. 2 ecosystem management plan consultancy tendered</li> <li>m. SEA checklist and Guide for CIDP in draft</li> <li>n. 81 County inspectors trained in BEC and gazetted by DG</li> <li>o. GP strategy revised in draft, 3 GP field survey undertaken to validate strategy.</li> <li>p. All 9 GP supported with IEC materials</li> <li>q. 4 GP monitored to advise improvements</li> <li>r. 7 EPI/SOER fact sheets in draft</li> <li>s. RDE/CDE TORs aligned to DEF and operations supported to train CEC</li> <li>t. CDE performance assessment of support to CEC and DEF undertaken (see Figure 3)</li> <li>u. MEA days celebrated (e.g. WED, WWD, WOD, ASK, WDCD) and tree planting undertaken</li> <li>v. Meeting with Danida Team on Climate Change adaptation as assessment of GGEP role and achievement</li> </ul>
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**Reports and Financial Statements  
For the financial year ended June 30, 2021**

			<p>w. 2 GP and 10 CDE offices supported with IT equipment</p> <p>x. GIS Unit and IT started on developing EPI, SOER and ECII database</p> <p>y. Developed environmental award scheme for schools, in draft.</p> <p>z. Shared EPI, SOER and NEAP with several libraries.</p> <p>aa. RCE proposals on climate change supported.</p> <p>bb. Reviewed climate change booklet in draft</p> <p>cc. IT licenses supported and equipment and computers purchased</p> <p>dd. IT networking of 10 CDE offices</p>
<b>Output 2:</b>	<b>Reduced environmental crime</b>		
2.1.		7000 licenses/permits issued (excluding noise & waste) annually	<p>a. Licences issued (EDL, waste, plastics, ODS, emissions, PIC, CBD, etc)</p>
2.2.		5500 environmental audits submitted to NEMA annually	<p>b. Audits/inspections/incidents undertaken</p>
2.3.		5 Control Environmental Audits of high risk facilities annually	<p>c. EIAs completed</p>
2.4.		A rapid response framework in place	<p>d. 1727 EIA experts registered and licenced</p> <p>e. Database on regulated</p>
		<p><b>Level of environmental crime as measured with the environmental crime/incidences index</b></p>	
		Nos of Licences Processed/year under EMCA Regs	
		Nos of Environmental Audits processed/year	
		No of controlled audits conducted/year	
		An operational rapid response framework implemented	

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

2.5.	Environmental performance index and environment crime index in place and used to track environmental crimes	EPI and ECI in place and used to track environmental crime	<p>facilities updated</p> <p>f. 3 Counties air quality and 2 counties water quality were monitored</p> <p>g. EMCA regulations under review (i.e. EIA, Chemicals, ODS, wetlands, plastic recycling, marine litter.)</p> <p>h. EIA guidelines in draft and on-line module and COVID requirements</p> <p>i. Plastic recycling strategy in draft</p> <p>j. Condemned goods guide published</p> <p>k. Chemical management strategy finalised</p> <p>l. Green technologies in waste disposal in draft</p> <p>m. RERU consultancy concluded</p> <p>n. Rapid Response/IMU Incident Management framework in draft</p> <p>o. RERU Manual in draft</p> <p>p. Public incident reporting App in draft</p> <p>q. Incident register trends analysed as an ECII in draft</p> <p>r. RERU vehicle equipped as field lab</p> <p>s. Riparian action plan developed</p> <p>t. 47 CEPI printed and shared to CEC</p> <p>u. EPI and ECII 2020 consultancy tendered</p>
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<p>v. Inter-County EPI presented at international Glow meeting                  w. COVID-19 audit checklist developed                  x. 47 CDEs trained in use of COVID-19 waste handling guidelines and audit checklist, provided PPEs                  y. Review of EMCA on-going (consulted CoG, parliamentary committee, Board, etc.)                  z. Marine litter action plan in draft</p>			
	<p><b>No. of MDAs with and implementing their environmental policies and action plans</b></p>		
<p>a. National Guidelines for COVID-19 Facilities and private sector waste handling issued</p>	<p>Nos of MDAS Trained</p>	<p>250 MDAs with operational environmental policies &amp; action plans (EPAP)</p>	<p>3.1.</p>
<p>b. 42 county staff from 11 counties sensitized of EPAP Guidelines for county MDAs to adopt</p>	<p>Nos of MDAs Reporting and M&amp;E of EPAP</p>	<p>50 percent of MDAs practicing sustainable production and consumption as a result of increased knowledge and awareness facilitated by NEMA</p>	<p>3.2.</p>
<p>c. 47 CDE trained in use of COVID-19 audit of MDA facilities and waste handlers                  d. 20 County planners sensitized on EPI</p>	<p>Nos MDAs Trained and Reporting to NEMA</p>	<p>MDAs supporting environmental crime prevention by reporting cases to NEMA</p>	<p>3.3.</p>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

				<p>e. 25 MDAs regularly report of EAPAP to NEMA</p> <p>f. TORs for a valuation of E&amp;NRM developed</p>
<p><b>Output 4 :</b></p> <p>4.1.</p>	<p><b>Enhanced private sector adoption of green technologies and practices through PPPs</b></p>	<p>40 institutions (manufacturing; building, and construction) participating in a voluntary environmental compliance scheme/cleaner production scheme</p>	<p><b>No. of PPPs established to support implementation of green technologies and other practices</b></p> <p>Nos Institutions Participating in environmental compliance</p>	<p>a. Voluntary Compliance guide initiated</p> <p>b. Green Technologies in Waste Disposal in draft</p> <p>c. Plastic recycling and take back strategy in draft</p> <p>d. Extended Producer Responsibility (EPR) strategy in draft</p> <p>e. Various fiscal incentives targeting plastic recycling introduced through the Finance Act 2019</p> <p>f. Schools PET take back scheme involving 19 schools in Nairobi initiated</p>

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

The National Environment Management Authority is mandated to coordinate and supervise all environmental matters country-wide as well as implement environmental policies on behalf of the government.

It provides a coordinating mechanism for NEMA to work with and through National and County Governments, supporting ministries, departments and state agencies (MDAs), Including NGOs, private sector and other stakeholders.

The Danish support through the Green Growth & Employment Thematic Program (GGEP) 2016 - 2020 assists NEMA to work with different stakeholders (ie Counties, Ministries, Departments and Agencies (MDAs), Private sector, etc) to shift Kenya's brown economic growth trajectory to a greener path with the objective of raising the Environmental Performance Index (EPI) from the 2014 baseline of 36.99 to 50.0 by 2020.

A brief description of the projects achievements in the following pillars is highlighted below;

- **Sustainability strategy and profile**

For sustainability, NEMA through the GGEP has assisted Government MDAs to integrate environmental sustainability management programmes into their core activities. NEMA will also work with the private sector to create Public, Private Partnerships (PPP) developing economic instruments that encourage the private sector's voluntary uptake of cleaner production processes such as waste recycling and reuse as well as resource and energy efficiency green technologies.

- **Environmental Performance**

NEMA through the GGEP Project has built capacity of County Environment Committees (CEC), to ensure strategic environmental assessments (SEA) are conducted on the CIDPs. NEMA also through the project has continued to enforce compliance with environmental standards and regulations to reduce environmental crimes, and develop an Environmental Crime Index (ECI).

The Project supports the integration of the State of Environment (SOE) and Environmental Action Plans (EAP) into the County Integrated Development Plans (CIDP). Its main focus is in the waste management, air and noise pollution and integrated water resource management (IWRM), amongst others, and domesticating the EPI to Kenyan requirements.

- **Community Engagement**

The project aims at fighting poverty and creating sustainable development through inclusive green growth, increased earnings and more jobs, especially for the youth and women. The entire GGEP has 9 components, of which NEMA is implementing component No. 5.

1. Value Chain Greening and Financing
2. Private Sector Green Growth
3. Community resilience and rangeland management
4. Management of water resources in arid/semi-arid lands
5. Greening Kenya's development pathway (GKDP)
6. Creating an enabling environment for green growth
7. Improving the business climate for greener growth
8. Environmentally Sustainable Trade Growth in the East African Community (EAC)
9. Supporting cleaner technologies and innovative business.

#### **4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Director General and the Project Coordinator for Green Growth and Employment Thematic Programme 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 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 (vi) making accounting estimates that are reasonable in the circumstances.

The Director General and the Project Coordinator for Green Growth and Employment Thematic Programme 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 Director General and the Project Coordinator for Green Growth and Employment Thematic Programme 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 Accounting Officer and the Project Coordinator for Green Growth and Employment Thematic Programme 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 Director General and the Project Coordinator for Green Growth and Employment Thematic Programme confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

##### **Approval of the Project financial statements**

The Project financial statements were approved by the Director General and the Project Coordinator for the Green Growth and Employment Thematic Programme on 29/4/2021 2021 and signed by them.



Accounting Officer  
Mamo B Mamo



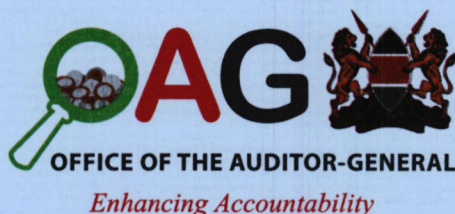
Project Coordinator  
Obadiah Mungai



Project Accountant  
Kennedy Ochuka  
ICPAK Member No. 3872

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON GREEN GROWTH AND EMPLOYMENT THEMATIC PROGRAMME (CR NO: 2015-39789) FOR THE YEAR ENDED 30 JUNE, 2021 - NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY**

### 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Green Growth and Employment Thematic Programme set out on pages 1 to 14, which comprise the statement of financial assets as at 30 June, 2021, statement of receipts and payments, statement of cash flows and 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, the financial statements present fairly, in all material respects, the financial position of Green Growth and Employment Thematic Programme 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 Grant Agreement No.2015-39789 dated 14 December, 2015 between National Environment Management Authority and Danish Embassy and the Public Finance Management Act, 2012.

### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Green Growth and Employment Thematic Programme 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 opinion.

### Key Audit Matters

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

### Emphasis of Matter

### Pending Bills

The Donor issued a six (6) months no cost extension ending on 30 June, 2021. However, as at November, 2021, two (2) pending bills amounting to Kshs.3,068,775 had not been settled. The delay in settlement of the bills may lead to additional costs in terms of interests and penalties.

## 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, I confirm that, nothing 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**

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 about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

### **Conclusion**

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

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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 that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Programme's ability to continue to sustain its services, disclosing, as applicable,

matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Programme 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 Programme reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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 that 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 that 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 that 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 that 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 that 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 that may cast significant doubt on the Programme'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 Programme to cease 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 that 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 that are identified during the audit.

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

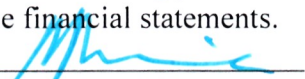
02 December, 2021

NEMA Green Growth & Employment Thematic Programme (GGEP)  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021

5. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE PERIOD ENDED 30TH JUNE 2021

	Note	2020/2021		2019/2020		Cumulative to-date
		Receipts and Payments controlled by the Entity	Payments made by third parties	Receipts and Payments controlled by the Entity	Payments made by third parties	
		<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
<b>RECEIPTS</b>						
Transfer from Government entities	1		-	11,000,000	-	22,000,000
Proceeds from foreign grant	2	41,499,288	-	100,000,000	-	481,499,288
<b>TOTAL RECEIPTS</b>		<b>41,499,288</b>	<b>-</b>	<b>111,000,000</b>	<b>-</b>	<b>503,499,288</b>
<b>PAYMENTS</b>						
Purchase of Goods & Services	3	76,645,319	-	60,814,096	-	337,116,891
Acquisition of non-financial assets	4	16,064,085	-	10,770,650	-	86,455,632
Other Payments	5	2,594,663	-	4,113,525	-	63,191,905
<b>TOTAL PAYMENTS</b>		<b>95,304,066</b>	<b>-</b>	<b>75,698,272</b>	<b>-</b>	<b>486,764,428</b>
<b>SURPLUS</b>		<b>(53,804,778)</b>	<b>-</b>	<b>35,301,728</b>	<b>-</b>	<b>16,734,860</b>

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

  
 Accounting Officer

Mamo B Mamo

  
 Project Coordinator

Obadiah Mungai

  
 Project Accountant

Kennedy Ochuka

ICPAK Member No. 3872

NEMA Green Growth & Employment Thematic Programme (GGEP)  
 Reports and Financial Statements  
 For the financial year ended June 30, 2021

6. STATEMENT OF FINANCIAL ASSETS AS AT 30TH JUNE 2021

	Note	2020/21	2019/20
		KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	6A	16,281,059	70,539,638
<b>Total Cash and Cash Equivalents</b>		<b>16,281,059</b>	<b>70,539,638</b>
Accounts receivable	7	453,800	
<b>TOTAL FINANCIAL ASSETS</b>		<b>16,734,859</b>	<b>70,539,638</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	8	70,539,638	35,237,910
Prior year adjustments	9	-	-
Surplus/(Deficit) for the year		(53,804,778)	35,301,728
<b>NET FINANCIAL POSITION</b>		<b>16,734,860</b>	<b>70,539,638</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 29/11/2021 2021 and signed by:

  
 Accounting Officer

Date: 29/11/2021

  
 Project Coordinator

Date: 29/11/2021

  
 Project Accountant

Date 29/11/2021

ICPAK Member No. 3872

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**


**7. STATEMENT OF CASHFLOW FOR THE PERIOD 30<sup>TH</sup> JUNE 2021**

		2020/21	2019/20
	Note	KShs	KShs
<b>Receipts for operating activities</b>			
Transfers from Government Entities	1	-	11,000,000
Proceeds from foreign grants	2	41,499,288	100,000,000
<b>Payments for operating activities</b>			
Purchase of goods and services	3	(76,645,319)	(60,814,096)
Other Payments	5	(2,594,663)	(4,113,525)
Adjustments during the year		-	-
<b>Net cash flow from operating activities</b>		<b>(37,740,694)</b>	<b>46,072,379</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Acquisition of Assets	4	(16,064,085)	(10,770,650)
<b>Net cash flows from Investing Activities</b>		<b>(16,064,085)</b>	<b>(10,770,650)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Foreign Borrowings		-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(53,804,778)</b>	<b>35,301,728</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>70,539,638</b>	<b>35,237,910</b>
<b>Cash and cash equivalent at END of the year</b>		<b>16,734,860</b>	<b>70,539,638</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 29/11/2021 and signed by:

  
 Accounting Officer

  
 Project Coordinator

  
 Project Accountant

Date: 29/11/2021

Date: 29/11/2021

Date: 29/11/2021

ICPAK Member No. 3872

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS**

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities		-	-	-	-	
Proceeds from domestic and foreign grants	41,500,000	69,260,000	110,760,000	110,760,000	-	100%
<b>Total Receipts</b>			110,760,000	110,760,000		
<b>Payments</b>						
Purchase of goods and services			90,000,000	76,645,319	13,354,681	85%
Acquisition of non-financial assets			17,000,000	16,064,085	935,915	94%
Other Payments			3,760,000	2,594,663	1,165,337	69%
<b>Total Payments</b>			110,760,000	95,304,066		

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



Accounting Officer

Date: 29/11/2021



Project Coordinator

Date: 29/11/2021



Project Accountant

Date: 29/11/2021

ICPAK Member No. 3872

## **9. SIGNIFICANT ACCOUNTING POLICIES**

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

### **9.1 Basis of Preparation**

#### **9.1.1 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.

#### **9.1.2 Reporting entity**

The financial statements are for the Project Green Growth & Employment Thematic Program (GGEP) 2016 – 2021 Greening Kenya's Development Pathway (GKDP) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

#### **9.1.3 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.

### **9.2 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 actually been received by the Government.

##### **• External Assistance**

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

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **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.

### **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 actually been paid out by the Project.

- **Compensation of employees**

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

- **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.

- **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.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

**d) Accounts receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**e) 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.

**f) 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 same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**g) 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.

**h) . 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.

**i) 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.

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**10. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM GOVERNMENT OF KENYA**

These represents counterpart funding from the government as follows;

	2020/21	2019/20	Cumulative
	KShs	KShs	to-date
<i>Counterpart funding through the Ministry of Environment &amp; Forestry</i>			
Counterpart funds	-	11,000,000	22,000,000
	<u>-</u>	<u>11,000,000</u>	<u>22,000,000</u>
Total	<u>-</u>	<u>11,000,000</u>	<u>22,000,000</u>

**2. PROCEEDS FROM FOREIGN GRANTS**

During the 12 months to 30 June 2021 we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grant received as direct payment*	Grants received in kind	Total amount in KShs		Cumulative to-date
						FY 2020/21	FY 2019/20	
			KShs	KShs	KShs	KShs	KShs	KShs
<b>Grants Received from Bilateral Donors (Foreign Gvts)</b>								
	20/02/2020	7,142,857	100,000,000				100,000,000	
	16/09/2020	2,964,235	41,499,288			41,499,288		
<b>Total</b>						<b>41,499,288</b>	<b>100,000,000</b>	<b>481,499,288</b>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**3. PURCHASE OF GOODS AND SERVICES**

	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services	6,165,857	-	6,165,857	1,607,369	10,973,582
Communication, supplies and services	7,082,625	-	7,082,625	4,894,355	27,149,538
Domestic travel and subsistence	15,452,397	-	15,452,397	1,664,692	28,572,606
Foreign travel and subsistence		-	-	1,381,501	4,578,439
Printing, advertising and – information supplies & services	11,723,672	-	11,723,672	18,197,702	65,270,525
Rentals of produced assets		-	-	-	-
Training payments	4,509,389	-	4,509,389	6,094,688	39,351,394
Hospitality supplies and services	8,026,271	-	8,026,271	16,388,224	85,988,678
Insurance costs		-	-	-	-
Specialised materials and services	13,403,179	-	13,403,179	518,051	31,909,175
Other operating payments	5,943,455	-	5,943,455	3,803,471	18,638,457
Routine maintenance – vehicles and other transport equipment		-	-	5,887,421	19,889,401
Routine maintenance- – other assets	4,338,474	-	4,338,474	376,623	4,795,097
Exchange rate losses/gains (net)		-	-	-	-
<b>Total</b>	<b><u>76,645,319</u></b>	<b><u>-</u></b>	<b><u>76,645,319</u></b>	<b><u>60,814,096</u></b>	<b><u>337,116,891</u></b>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**4. ACQUISITION OF NON- FINANCIAL ASSETS**

	FY 2020/21			FY 2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Construction of buildings		-	-	1,835,315	25,494,319
Construction of civil works	642,257.60	-	642,258	-	11,373,295
Purchase of vehicles & other transport equipment	-	-	-	-	7,632,966
Purchase of office furniture & general equipment	15,421,827	-	15,421,827	8,935,334	41,955,051
<b>Total</b>	<b><u>16,064,085</u></b>	<b><u>-</u></b>	<b><u>16,064,085</u></b>	<b><u>10,770,650</u></b>	<b><u>86,455,632</u></b>

**5. OTHER PAYMENTS**

	FY 2020/21			FY 2019/20	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	KShs	KShs	KShs	KShs	KShs
Grants for Scholarship	-	-	-	-	-
Transfers to lower levels of government e.g schools	-	-	-	-	-
Miscellaneous payments	2,594,663	-	2,594,663	4,113,525	63,191,905
<b>Total</b>	<b><u>2,594,663</u></b>	<b><u>-</u></b>	<b><u>2,594,663</u></b>	<b><u>4,113,525</u></b>	<b><u>63,191,905</u></b>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**6. CASH AND CASH EQUIVALENTS CARRIED FORWARD**

	2020/21	2019/20
	KShs	KShs
Bank accounts (Note 7.8A)	16,281,059	70,539,638
<b>Total</b>	<b><u>16,281,059</u></b>	<b><u>70,539,638</u></b>

**6 A Bank Accounts**  
**Project Bank Accounts**

	2020/21	2019/20
	KShs	KShs
<b>Local Currency Accounts</b>		
Kenya Commercial Bank [A/c No1204171068]	16,281,059	70,539,638
<b>Total local currency balances</b>	<b><u>16,281,059</u></b>	<b><u>70,539,638</u></b>
<b>Total bank account balances</b>	<b><u>16,281,059</u></b>	<b><u>70,539,638</u></b>

**7 OUTSTANDING IMPRESTS AND ADVANCES**

Name of Officer or Institution	No	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2021	Balance 2020
Nema	GGECP-00775	453,800	-	-	453,800	-
				-		-
	<b>Total</b>	-			453,800	-

**8 FUND BALANCE BROUGHT FORWARD**

	2020/21	2019/20
	KShs	KShs
Bank accounts	70,539,638	35,237,910
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
<b>Total</b>	<b><u>70,539,638</u></b>	<b><u>35,237,910</u></b>

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

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**9 PRIOR YEAR ADJUSTMENT**

	2020/21	2019/20
	KShs	KShs
Bank accounts	-	-
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Receivables - Outstanding Imprests	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**11. OTHER IMPORTANT DISCLOSURES**

**11.1 PENDING ACCOUNTS PAYABLE (See Annex 2)**


	2020/21	2019/20
	KShs	KShs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	964,777	-
Supply of services	15,521,253	-
	<b>16,486,030</b>	<b>-</b>

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

All the issues that were raised by the external auditors in the previous audit were fully addressed.

  
\_\_\_\_\_  
Accounting Officer

29/11/2021  
Date

  
\_\_\_\_\_  
Project Coordinator

29/11/2021  
Date

NEMA Green Growth & Employment Thematic Programme (GGEP)  
 Reports and Financial Statements  
 For the financial year ended June 2021

ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE 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 Government Entities	-	-	-	0%	
Proceeds from foreign grants	110,760,000	110,760,000	-	100%	All amount Budgeted for received
<b>Total Receipts</b>	<b>110,760,000</b>	<b>110,760,000</b>			
<b>Payments</b>					
Purchase of goods and services	90,000,000	76,645,319	13,354,681	85%	Proper Absorption
Acquisition of non-financial assets	17,000,000	16,064,085	935,915	94%	Proper Absorption
Other Payments	3,760,000	2,594,663	1,165,337	69%	Proper Absorption
<b>Total payments</b>	<b>110,760,000</b>	<b>95,304,066</b>			

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

**ANNEX 2 – ANALYSIS OF PENDING BILLS**

<b>Supplier of Goods or Services</b>	<b>PV No.</b>	<b>Original Amount</b>	<b>Date Contracted</b>	<b>Amount Paid To-Date</b>	<b>Outstanding Balance 2021</b>	<b>Comments</b>
		a	b	c	d=a-c	
<b>Supply of goods</b>						
Sanchem Agencies Ltd	GGECP-00899	716,431	16/06/2021		716,431	Full documentation supporting payment received after year end
Computerways Ltd	GGECP-00910	124,173	10/03/2021		124,173	Full documentation supporting payment received after year end
Computerways Ltd	GGECP-00911	124,173	15/03/2021		124,173	Full documentation supporting payment received after year end
<b>Sub-Total</b>		964,777		-	964,777	
<b>Supply of services</b>						
Kenya Institute of Management	GGECP-00900	153,900	22/06/2021		153,900	Full documentation supporting payment received after year end
Longrock Tours and Travel	GGECP-00898	230,650	09/06/2021		230,650	Full documentation supporting payment received after year end
Northcoast Beach Hotel	GGECP-00894	103,386	22/06/2021		103,386	Full documentation supporting payment received after year end

**NEMA Green Growth & Employment Thematic Programme (GGEP)  
Reports and Financial Statements  
For the financial year ended June 30, 2021**

Director Finance	GGECP-00891	380,000	23/06/2021		380,000	Full documentation supporting payment received after year end
Director Finance	GGECP-00891	180,000	23/06/2021		180,000	Full documentation supporting payment received after year end
Samlab Technologies Ltd	GGECP-00902	2,664,523	15/12/2020		2,664,523	Full documentation supporting payment received after year end
Fly High Agency Limited	GGECP-00903	119,700	09/06/2021		119,700	Full documentation supporting payment received after year end
Total Kenya Ltd	GGECP-00901	212,265	1st - 30th June 2021		212,265	Full documentation supporting payment received after year end
The Kyaka Hotel Machakos	GGECP-00904	147,905	22/06/2021		147,905	Full documentation supporting payment received after year end
Longrock Tours and Travel	GGECP-00897	120,990	29/06/2021		120,990	Full documentation supporting payment received after year end
Real Edge Africa	GGECP-00908	427,980	23/03/2021		427,980	Full documentation supporting payment received after year end
Modima Limited	GGECP-00909	186,724	22/06/2021		186,724	Full documentation supporting payment received after year end

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

Tom Autocare Ltd	GGECP-00905	378,851	22/06/2021	378,851	Full documentation supporting payment received after year end
Public Relations Society of Kenya	GGECP-00907	65,000	30/06/2021	65,000	Full documentation supporting payment received after year end
Longrock Tours and Travel	GGECP-00906	120,560	22/06/2021	120,560	Full documentation supporting payment received after year end
Habitat Planners	GGECP-00912	1,901,606	26/06/2021	1,901,606	Full documentation supporting payment received after year end
Kenya Institute of Supplies Management(KISM)	GGECP-00913	59,938	02/03/2021	59,938	Full documentation supporting payment received after year end
Martin Vangu	PV-21177	9,800	13th May 2021	9,800	Full documentation supporting payment received after year end
Collins Omito	GGECP-00893	16,950	6 <sup>th</sup> – 8 <sup>th</sup> June 2021	16,950	Full documentation supporting payment received after year end
Kenya Revenue Authority	GGEP-00883	16,207	28/04/2021	16,207	Full documentation supporting payment received after year end-relates to VAT withheld

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

Kenya Revenue Authority	GGEP-00877	3,283	May-21		3,283	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00877	26	May-21		26	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00889	20,000	30/06/2020		20,000	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00886	6,315	18/03/2020		6,315	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00888	1,087	21/06/2021		1,087	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00887	1,211	11/06/2021		1,211	Full documentation supporting payment received after year end-relates to VAT withheld

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

Kenya Revenue Authority	GGEP-00884	15,494	06/01/2021	15,494	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00885	3,034	17/05/2021	3,034	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00711	25,010	22/11/2018	25,010	Full documentation supporting payment received after year end-relates to VAT withheld
Kenya Revenue Authority	GGEP-00711	65,525	22/11/2018	65,525	Full documentation supporting payment received after year end-relates to VAT withheld
Danida Fellowship Centre	LPO14102	1,134,000	30/06/2021	1,134,000	Training yet to take place but approved by the donor
Darvart Enterprises Ltd	LPO14007	529,750	21/06/2021	529,750	Commitment entered but full documentation not provided to make payment
Jimstick Investments	LPO14003	776,850	21/06/2021	776,850	Commitment entered but full documentation not provided to make payment

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
**Reports and Financial Statements**  
**For the financial year ended June 30, 2021**

Grand Maori Limited	LPO13901	991,442	30/06/2021	991,442	Commitment entered but full documentation not provided to make payment
Crystalberg International Construction Ltd	LPO13900	1,061,516	26/04/2021	1,061,516	Commitment entered but full documentation not provided to make payment
Accresion Agencies	LPO13882	1,455,000	09/04/2021	1,455,000	Commitment entered but full documentation not provided to make payment
Smart Data Consultants	LPO13694	1,934,775	12/02/2021	1,934,775	Commitment entered but full documentation not provided to make payment
<b>Sub-Total</b>		<b>15,521,253</b>		<b>15,521,253</b>	
<b>Construction</b>					
<b>Sub-Total</b>		<b>-</b>		<b>-</b>	
<b>Grand Total</b>		<b>16,486,030</b>			

**NB: The difference between the amount in the Project Bank Account and the total pending bills of Kshs. 248,829 (Kshs 16,748,860 – 16,486,030) will be paid by to the Project donor (due to the donor) less any bank charges accumulated during the period.**

**NEMA Green Growth & Employment Thematic Programme (GGEP)**  
*Reports and Financial Statements*  
*For the financial year ended June 30, 2021*

**ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER**


Buildings and structures	34,390,042	642,258	-	35,032,300
Transport equipment	7,632,966	-	-	7,632,966
Office equipment, furniture and fittings	33,019,716	15,421,827	-	48,441,543
<b>Total</b>	<b>75,042,724</b>	<b>16,064,085</b>	<b>-</b>	<b>91,106,809</b>

**NEMA Green Growth and Employment Thematic Programme (GGEP)**  
***Reports and Financial Statements***  
***For the financial year ended June 2021***

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**APPENDICES**

- i. Bank Reconciliations

 <b>THE NATIONAL ASSEMBLY</b> P.O. BOX 10000 NAIROBI	
<b>DATE: 02 MAR 2022</b>	
<b>TABLED BY:</b>	
<b>CLERK-AT THE TABLE:</b>	



**REPUBLIC OF KENYA  
THE NATIONAL TREASURY AND PLANNING**

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**THE PERFORMANCE REPORT FOR THE MSMEs CREDIT  
GUARANTEE SCHEME**

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**December, 2021**

Table of Contents

A. BACKGROUND .....	2
B. STATUTORY REPORTING REQUIREMENT ON CGS FOR MSMES .....	3
C. CGS PERFORMANCE REPORT AS AT 31 <sup>ST</sup> DECEMBER, 2021.....	4
1. Risk classification of guaranteed facilities .....	4
2. Allocation to enterprises owned by women, youth and persons with disability.....	5
3. Allocation of credit guarantees by enterprise size .....	6
4. Allocation of credit guarantees to counties.....	7
5. Allocation of credit guarantees by economic sector .....	10
6. Trend of number of guaranteed facilities.....	10
7. Guarantee Utilization (Liquidity Position of the Scheme) .....	11
D. CGS SUCCESSES .....	12
i. CGS Steering Committee.....	12
ii. CGS Operational Manuals .....	12
iii. Stakeholder Engagements .....	12
iv. PFI Capacity Building.....	13
E. CHALLENGES IN CGS REPORTING.....	13
F. CONCLUSION AND WAY FORWARD .....	14

## **A. BACKGROUND**

Micro, Small and Medium Enterprises (MSMEs) are vital to Kenya's economic development and job generation, as stated in Vision 2030 and the Third Medium Term Plan (2018–2022). According to the KNBS 2016 MSME Survey, Kenya has over 7.4 million MSMEs, which employ over 14.9 million Kenyans across all sectors of the economy and account for roughly 40% of the country's GDP. Furthermore, MSMEs are a significant driver of inclusive economic growth since they cover a wide variety of activities in nearly all sectors of the economy.

Despite the critical role they play, MSMEs continue to face a variety of challenges. Most of the start-up companies do not survive their 4<sup>th</sup> birthday owing to constrained access to finance for capital and operational demands, market challenges, and weak business strategies. Further, MSMEs that access credit face unfavorable loan conditions due to a lack of sufficient collateral, high collateralization requirements, short payback periods, and high interest rates since they are viewed as risky by financial institutions. This is majorly due to information asymmetries and informal management techniques, both of which make them unappealing to lenders.

Furthermore, the Covid-19 Pandemic has had a disproportionate impact on many MSMEs. With lower turnover and interruptions in the market and supply chains, many MSMEs were and continue to be unlikely to obtain affordable and high-quality loans under traditional arrangements.

In light of the above, the National Treasury rolled out the Credit Guarantee Scheme (CGS) by entering into risk-sharing agreements with participating financial institution (PFIs) on 8<sup>th</sup> December, 2020, to support MSMEs to access quality and affordable credit. This is anticipated to help MSME businesses stay afloat and safeguard employment during and after the Covid-19 pandemic. The Credit Guarantee Scheme is anchored on the Public Finance Management (Amendment) (No.2) Act, 2020 and the Credit Guarantee Scheme Regulations, 2020. In 2020/21 financial year, the Parliament appropriated KShs. 3 billion as initial capital for purposes of the CGS.

The Credit Guarantee Scheme for MSMEs is currently being delivered through a risk sharing agreement between the Government and 7 participating banks. The seven banks are Absa, Cooperative, Credit, DTB, KCB, NCBA and Stanbic. The banks act as the intermediaries in provision of credit to qualifying MSMEs borrowers based on a pre-agreed Scheme Qualifying Criteria. Lending is done by the banks with due diligence in line with the Central Bank of Kenya Prudential Guidelines.

The maximum loan amount under the Scheme is KShs. 5 million with a tenor of 3 years and up to 5 months' grace period and discounted interest rate based on the MSMEs risk profile. The Scheme guarantees to pay the banks 50% of the outstanding principal amount, subject to a maximum of 25% of the principal amount, in case of default on qualifying credit facilities advanced to MSMEs. This provides an incentive for the banks to offer better credit terms for the qualifying MSMEs.

## **B. STATUTORY REPORTING REQUIREMENT ON CGS FOR MSMEs**

Section 59A of the Public Finance Management Act, 2012, requires the Cabinet Secretary to prepare, at least once every year, a statement of the credit guarantees granted to qualifying MSMEs, together with a report of:

- “(a) the total value of credit guarantees given during that period;*
- (b) the total value of credit guarantees liquidated during that period;*
- (c) the total value of outstanding credit guarantees on the date of the report;*
- (d) the risk assessment of the credit guarantees or classes of guarantees;*
- (e) information on the total value of credit guarantees, disaggregated into the number of enterprises owned by women, youth and persons with disabilities which have been guaranteed;*
- (f) information on the total value of credit guarantees, disaggregated into the number of micro, small and medium enterprises guaranteed and by the respective regions; and*
- (g) any other relevant information prescribed by regulations for the purposes of this section.”*

The Public Finance Management (Credit Guarantee Scheme) Regulations 2020 expounds on the reporting requirements outlined in the Act. Regulation 20 states that the Scheme Manager shall prepare and submit to the Scheme Administrator regular reports on the credit guarantees given under the Scheme including financial and technical reports on guarantees made during the period including information on:

- (i) the products and sectors for which guarantees have been issued;
- (ii) the number of beneficiary micro, small and medium enterprises;
- (iii) the value of credit guaranteed;
- (iv) the repayment periods;
- (v) the guarantees which have been liquidated;
- (vi) reports on repayments made on outstanding credit facilities and details of any outstanding payments;
- (vii) reports on delinquent guarantees and the stage of recovery;
- (viii) reports on the size and quality of the guaranteed portfolio;
- (ix) reports on the liquidity position of the Scheme; and
- (x) the risk assessment of the credit guaranteed.

This report is prepared pursuant to Section 59 A of the Public Finance Management Act, 2012 and it covers the period from 8<sup>th</sup> December, 2020 to 31<sup>st</sup> December, 2021.

## C. CGS PERFORMANCE REPORT AS AT 31<sup>ST</sup> DECEMBER, 2021

Approximately KShs. 2.11 billion has been disbursed to 1,291 MSMEs under the CGS to date as reported by the banks through Central Bank of Kenya. In December alone, a total of KShs. 478.3 million was issued, up from KShs. 266.6 million disbursed in November. The total value of fully repaid facilities as at 31<sup>st</sup> December, 2021 is KShs. 219.3 million. The beneficiaries of the CGS so far is support a minimum of 9,000 jobs.

In terms of credit guarantees issued under the CGS as at 31<sup>st</sup> December 2021, a total of KShs. 526,898,836.5 has been extended to qualifying MSMEs. This represents the maximum amount that the Government may pay in case the whole guaranteed portfolio is defaulted. As at 31<sup>st</sup> December 2021, no credit guarantees had been liquidated under the CGS. The outstanding credit guarantees is KShs. 472,086,131.75.

A guarantee value of KShs. 54,812,704.75 has been released as a result of full repayment of guaranteed facilities. The repaid guarantee value can be reallocated to additional qualifying enterprises, implying that the credit guarantee achieves a higher leverage ratio in unlocking private sector credit for enterprises. This presents a unique advantage of using credit guarantee schemes to support MSME access to credit.

### 1. Risk classification of guaranteed facilities

The Credit Guarantee Scheme uses the Central Bank of Kenya risk classification of assets and provisioning outlined in the Central Bank of Kenya Prudential Guidelines (CBK/PG/04). For purposes of risk classification, the facilities are classified as either Normal, Watch, Substandard, Doubtful or Loss.

As at 31<sup>st</sup> December, 2021 CGS registered 1203 active facilities with a total outstanding principal amount of KShs. 1,965,620,655. A total of **1168** were classified as “**Normal**” as at 31<sup>st</sup> December, 2021 while **24** facilities were classified as “**Watch**” in the same period. These facilities represent a total outstanding principal amount of KShs **40,118,919** representing potential claims up to a maximum of KShs **9,520,712**.

As at 31<sup>st</sup> December, 2021 **10** guaranteed credit facilities were classified as “**Substandard**”. The outstanding principal amount for the ten loans is KShs. **17,120,157** and CGS’s liability for the same is up to a maximum of 25% of the initial principal amount. In this regard, KShs **4,070,164** is due for claim and processing in accordance with the set claims procedures. One (1) facility has been classified as “**Doubtful**” with an outstanding principal amount of **Kshs. 276,982** and CGS liability in case of a claim is **Kshs. 138,491**

“**Normal**” facilities are well-documented facilities granted to financially sound customers where no weaknesses exist, and are performing, and are expected to continue to perform, in accordance with contractual terms.

**“Watch”** facilities may not be past due but exhibit potential weaknesses which may weaken the asset or inadequately protect the institution’s position at some future date. Facilities whose installments have become due and remain unpaid for a period between 30 and 90 days are classified under “Watch.”

**“Substandard”** facilities are not adequately protected by the current net worth and paying capacity of the borrower and, therefore, the institution must look to secondary sources such as collateral, sale of fixed assets, refinancing or additional capital injections for repayment. Facilities whose installments have become due and remain unpaid for a period longer than 90 days are classified under “Substandard.” PFIs can lodge claims once facilities are “Substandard.”

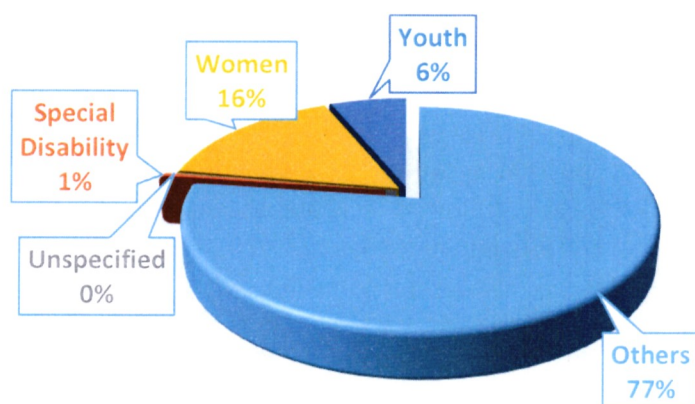
**“Doubtful”** facilities have all the weaknesses inherent in a substandard loan plus the added characteristic that the loan is not well secured. These weaknesses make collection in full, on the basis of currently existing facts, conditions, and value, highly questionable and improbable. Facilities whose installments have become due and remain unpaid for a period longer than 180 days are classified under “Doubtful.”

**“Loss”** facilities are considered uncollectible or if the collections are of such little value that their continuance recognition as bankable assets is not warranted. These facilities must have been due and unpaid for over 360 days.

## **2. Allocation to enterprises owned by women, youth and persons with disability**

As at 31<sup>st</sup> December 2021, 23% of the total number of guaranteed facilities had been disbursed to businesses owned by women, youth and persons with disabilities (PwDs) as reported by the banks through CBK. Women beneficiaries were 206, youth beneficiaries were 81 while PwDs were 6. However, in terms of value of credit guarantees the proportion extended to enterprises owned by women, youth and PwDs was 16.44%, suggesting that this category of borrowers receives on average smaller volumes of credit facilities. Women received KShs. 64,813,226.65 of the total credit guarantees extended, youth received KShs. 19,875,233.75 while PwDs received KShs. 1,937,500.00.

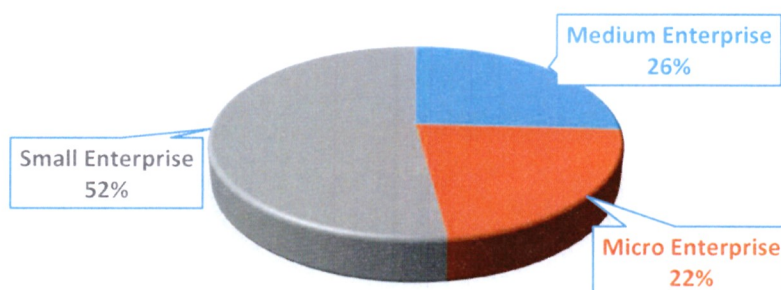
**Figure 1: Share of number of beneficiaries of credit guarantees by women, youth, PwDs and others**



### 3. Allocation of credit guarantees by enterprise size

All the three sizes of enterprises (micro, small, and medium) have benefitted from CGS facilities as reported by the banks through CBK. Of the 1291 facilities issued, small enterprises received 672, medium enterprises received 334 while micro enterprises received 285. In terms of value of facilities, small enterprises received KShs. 284,975,780.86, medium enterprises received KShs. 183,818,222.25 while micro enterprises received KShs. 58,104,833.50. The proportion of credit guarantees allocated to micro enterprises can be attributed to the average size of their loans being smaller than either of small and medium enterprises. The application of the legal definition of micro, small and medium enterprises has been a challenge whereby an enterprise can be micro by one criterion and small by another. The Scheme is consulting relevant Government Institutions on the application of this legal definition, noting that if the definition was administered in the strict sense it would lock out many MSMEs. The share of the facilities by enterprise size is illustrated in **Figure 2**.

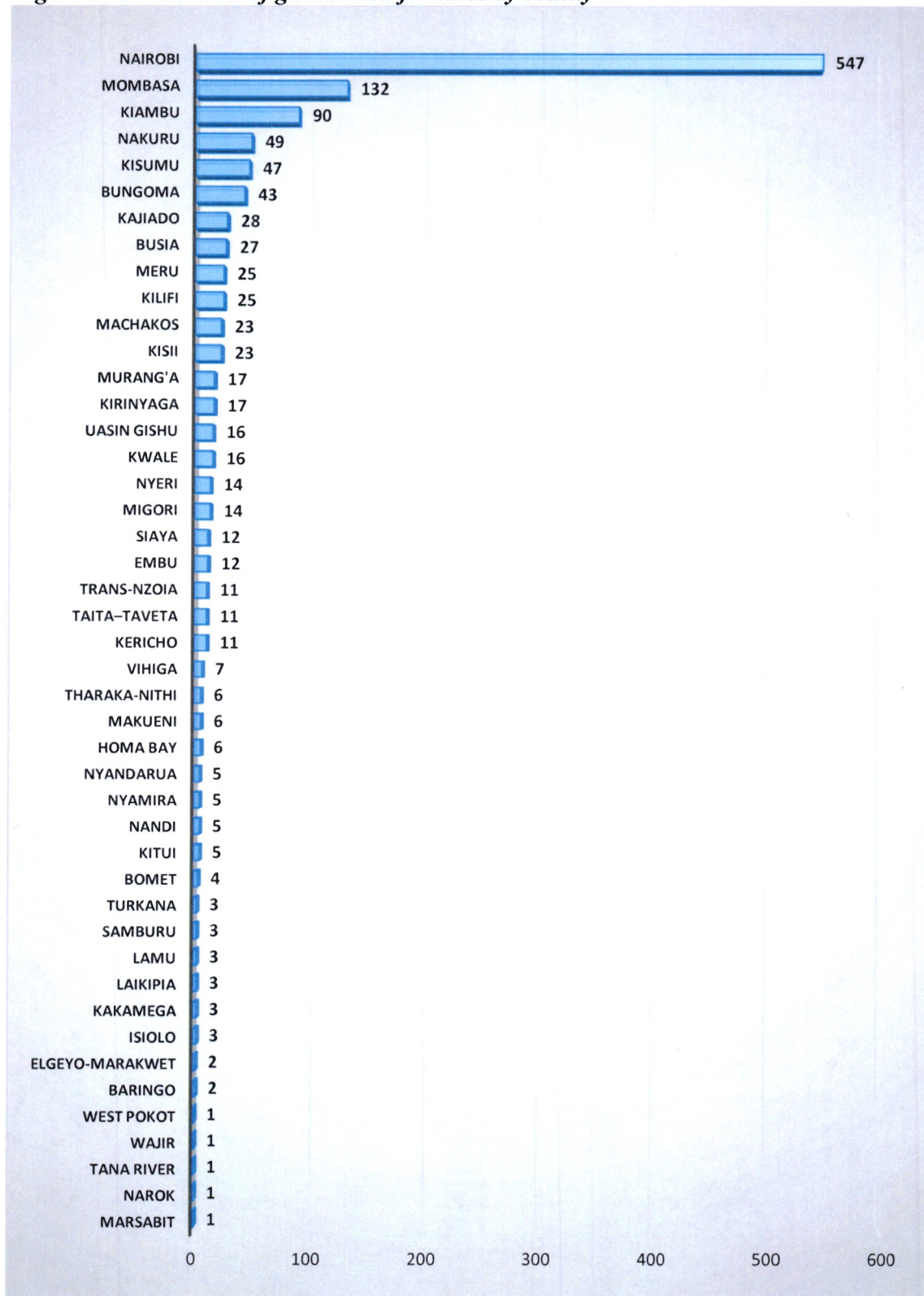
**Figure 2: Share of beneficiaries of credit guarantees by enterprise size**



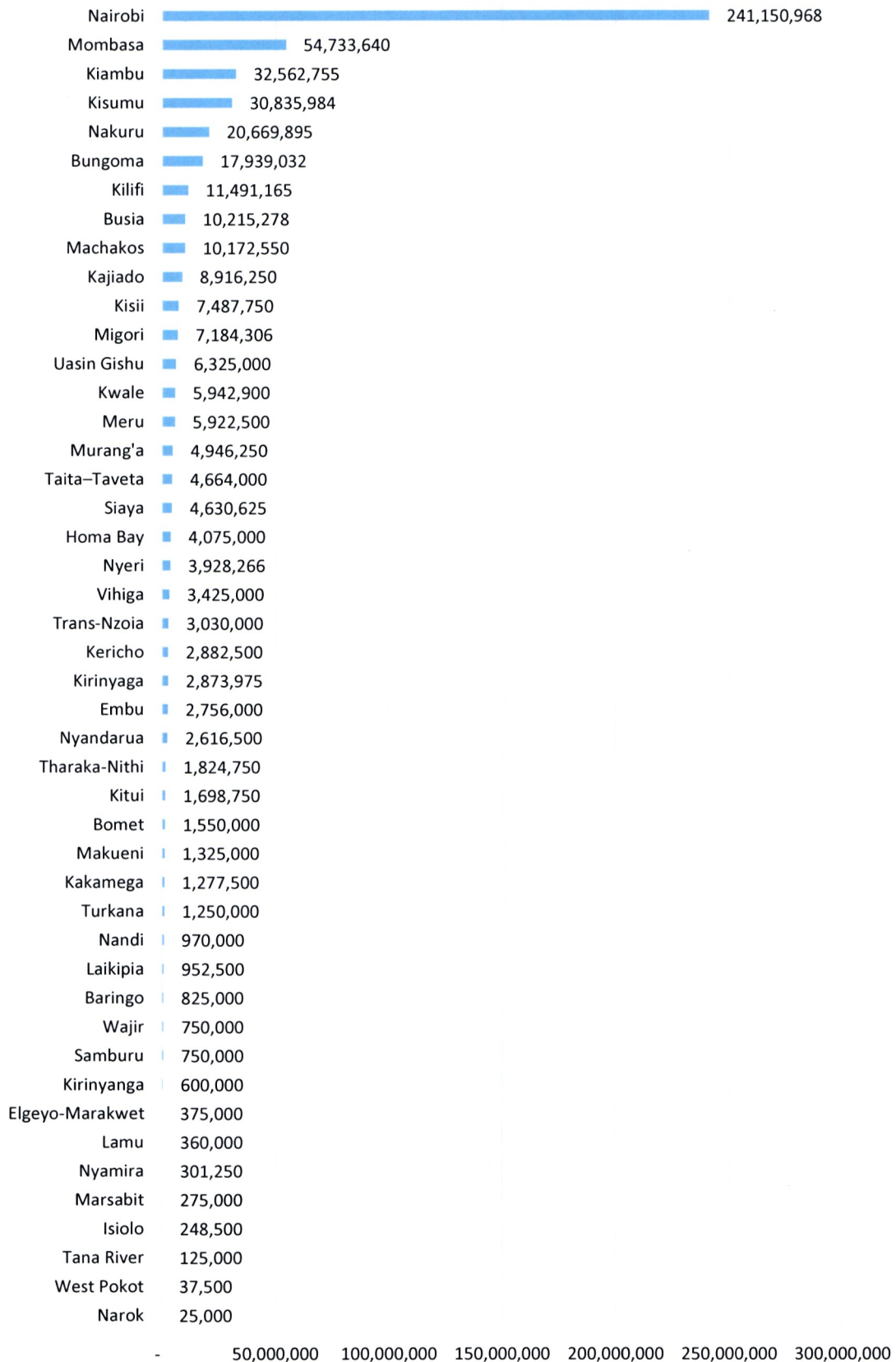
#### **4. Allocation of credit guarantees to counties**

As at 31<sup>st</sup> December, 2021, the CGS recorded beneficiaries in 45 counties accounting for 93.75% of the total 47 counties in the country with high concentration in Nairobi (547), Mombasa (132), Kiambu (90), and Kisumu (47). The two counties which are yet to record beneficiaries include Mandera, and Garissa. The CGS county coverage by number of beneficiaries is shown in **Figure 3**. In terms of value of credit guarantees, Nairobi received the highest share at KShs. 241,150,968 (46%), followed by Mombasa at KShs. 54,733,640 (10%), Kiambu at KShs. 32,562,755 (6%) and Kisumu at KShs. 30,835,984 (6%). The value of credit guarantees issued by each beneficiary county is shown in **Figure 4**.

**Figure 3: Distribution of guaranteed facilities by county**



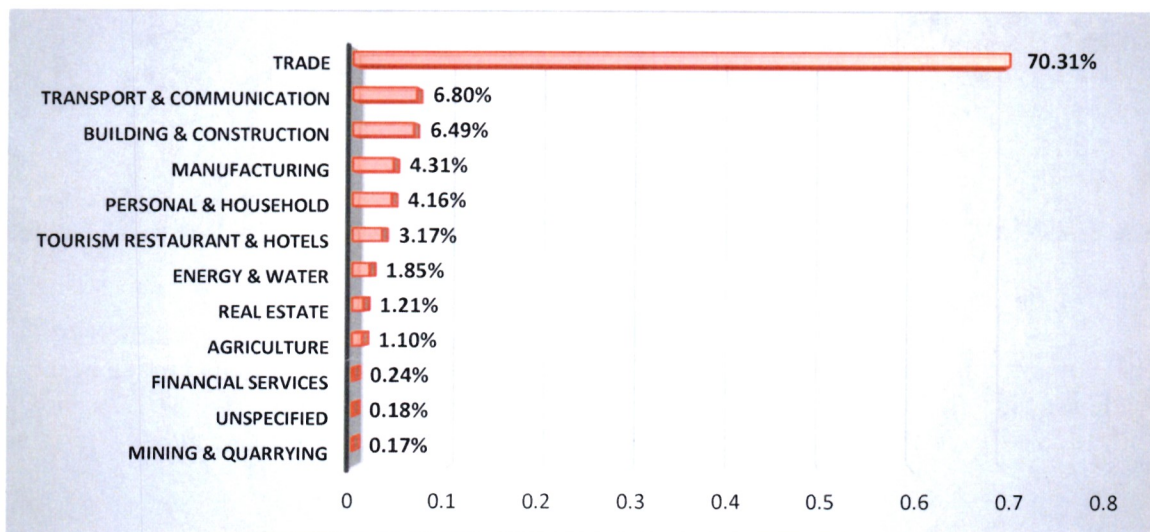
**Figure 4: Value of credit guarantees issued by county**



## 5. Allocation of credit guarantees by economic sector

The facilities placed under the scheme have been distributed across eleven (11) sectors. Trade Sector continues to lead with 70.31% of the total facility value up from 66.91% in the previous month, which is still higher than the sector limit of 40% as per the CGS Agreement. This is followed by Transport and Communication (6.80%), Building and Construction (6.49%) and Manufacturing (4.31%). A disproportionately small number of credit facilities has been allocated to Agriculture (1.10%) and Financial Services (0.24%) sectors. This could be attributed to the definition of sectors in the banking industry. For instance, agriculture is restricted to on-farm activities and excludes MSMEs in the value chain. The National Treasury is working with the relevant Government agencies to address low uptake in Agriculture including designing sector specific product. The share of the facilities by sector is illustrated in **Figure 5**.

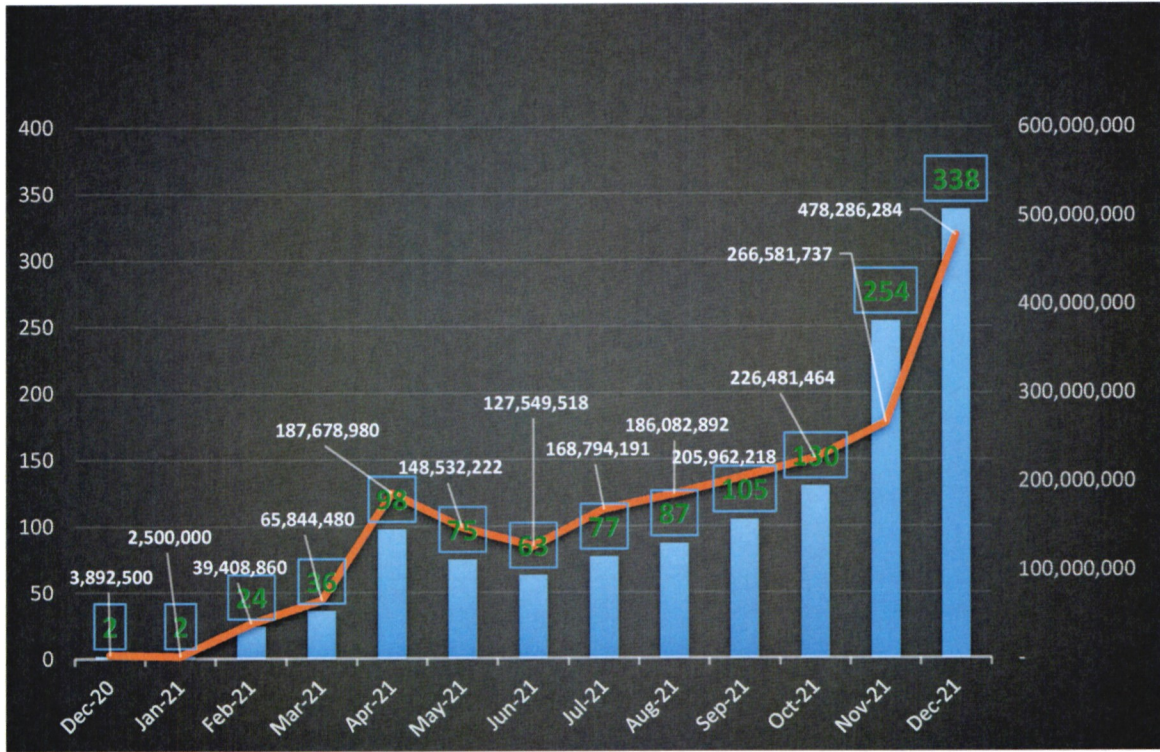
Figure 5: Share of credit guarantees by economy sector



## 6. Trend of number of guaranteed facilities

In the period, December 2020 to January 2021, PFIs were establishing internal structures and systems to facilitate the implementation of the Scheme explaining the low utilization of guarantees in those months. Disbursements of guaranteed facilities increased in the months of February (37), March (47), and April (118). CGS recorded a decline in the number of guaranteed facilities in the months of May (71) and June (61). Nonetheless, the number of guaranteed facilities increased in the months of July (74), August (93), September (119), October (122) and November (251) with December recording the highest CGS performance in terms of number and value of facilities since inception. The trend of number and value of facilities by month is shown below in **Figure 6**.

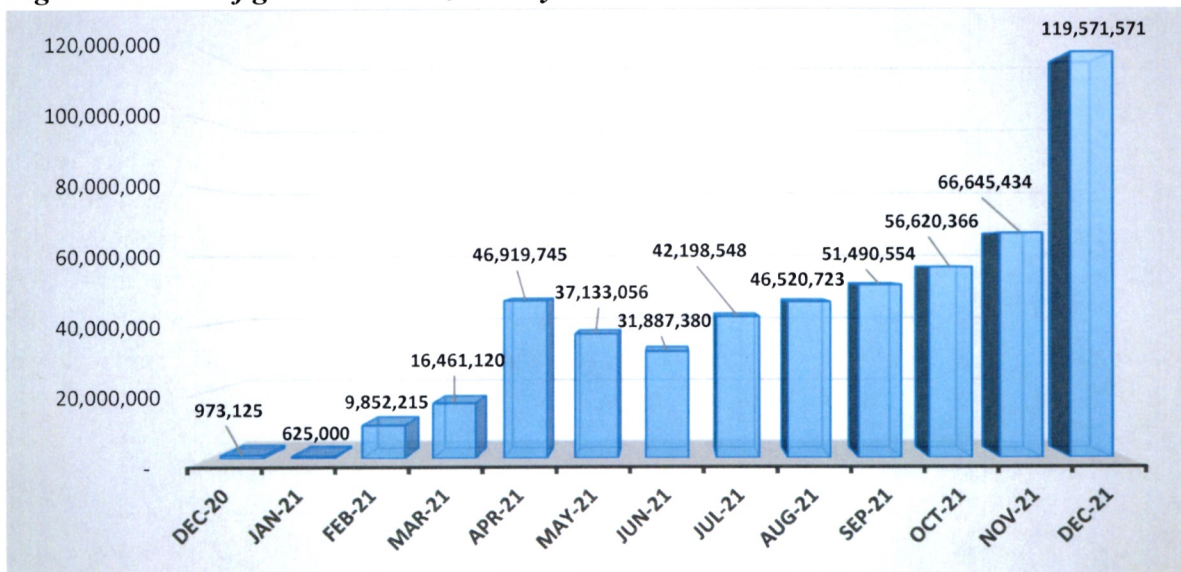
**Figure 6: Trend of facilities by month**



**7. Guarantee Utilization (Liquidity Position of the Scheme)**

The guarantee utilization is an indicator of the amount that the Scheme will pay in the event of a default, which is a maximum of 25% of the principal amount disbursed. As at 31<sup>st</sup> December, utilization of guarantees stood at KShs 526,898,837 representing a utilization rate of 17.6% up from 15.7% in November. The trend of guarantee utilization is shown in Figure 7.

**Figure 7: Trend of guarantee utilization by month**



## **D. CGS SUCCESSES**

Since its inception, the Scheme has achieved the following milestones:

### **i. CGS Steering Committee**

The CGS has a fully constituted Steering Committee comprising of the following members:

- i. PS, National Treasury, Chairperson
- ii. PS or PS's alternate/State Department for Industrialization
- iii. Attorney General or Attorney General's alternate
- iv. Governor, Central Bank of Kenya
- v. 3 independent members with experience in finance/banking, insurance and entrepreneurship

The Steering Committee has held five meetings since inception and provided the required oversight on the management of the Scheme in line with the CGS Regulations, 2020.

### **ii. CGS Operational Manuals**

The CGS technical team developed five manuals to guide the operations of the Scheme. The manuals are necessary to guide the discharging of CGS obligations in accordance with the law as well as the credit guarantee agreements. The CGS received and considered comments from stakeholders before finalization of the manuals. Subsequently, the five manuals were approved by the Steering Committee for use by the Scheme, and include:

- i. CGS Operations Manual;
- ii. CGS Risk Management and Compliance Manual;
- iii. CGS Monitoring and Evaluation Manual;
- iv. CGS Claims Procedure Manual; and
- v. CGS Finance and Accounting Procedure Manual.

### **iii. Stakeholder Engagements**

The scheme has engaged various stakeholders on credit guarantee scheme as follows:

#### **a) Sensitization of Ministries, Departments and Agencies on CGS**

CGS technical team conducted a virtual conference on credit guarantees, focusing on participants from Government Ministries, Departments and Agencies on 10th November 2021. The meeting was attended by 58 officials from various MDAs. Participants raised important comments, suggestions for enhancing the impact of CGS as well as offers for partnership and collaboration in the implementation of the CGS. A detailed record of the meeting with MDAs has also been prepared. CGS had also engaged State Department for Culture & Heritage and the State Department for Public Works and explored mechanisms to incorporate MSMEs in the creative and construction industries into the CGS.

- b) **PFI**s: CGS initiated a series of interactions with the PFIs to ensure compliance with the legal and operational requirements of the Scheme. During the sessions, the PFIs shared their experiences and challenges that contributed to low uptake of CGS facilities. Based

on the feedback from the PFIs, a set of recommendations have been forwarded for consideration by the Steering Committee in a bid to enhance the impact of the CGS.

- c) **African Women's Studies Centre, University of Nairobi (AWSC):** The CGS Unit has partnered with the AWSC that hosts the Women Economic Empowerment (WEE) Hub to explore ways for improving access to guaranteed credit by women owned/led enterprises. The CGS technical team together with the WEE Hub are currently undertaking a study on the possible explanations for the low uptake of guarantees among women entrepreneurs. The findings will be useful in guiding targeted interventions to increase uptake of credit guarantees.
- d) **Kenya Bankers Association (KBA):** The CGS has been working closely with KBA to increase CGS awareness among bankers and MSMEs. KBA was a key partner during the design phase of the credit guarantee product. KBA hosts various webinars with the industry practitioners and MSMEs where the CGS is invited to pitch and make presentations. One of such webinars was held on 26<sup>th</sup> November 2021 themed "Boosting MSMEs Competitive Edge."
- e) **Development partners:** FSD-Kenya supported the CGS feasibility study and is currently supporting acquisition of a credit guarantee monitoring system. Based on their experience in implementing credit guarantees locally and internationally, USAID and AGF have also continued to provide technical assistance to the implementation of the CGS. The National Treasury is in discussions with the World Bank, IFAD and KfW who have expressed interest in providing targeted credit guarantee products through the CGS. These partnerships are expected to ramp up the coverage and increase the impact of the CGS in the economy.

#### iv. PFI Capacity Building

The National Treasury conducted a targeted training for PFIs from 25<sup>th</sup> to 29<sup>th</sup> October 2021. The objective of the training was to increase the uptake of credit guarantees and minimize the risk of moral hazard in CGS implementation. The session provided the CGS and PFIs with feedback and lessons to improve the performance of the Scheme.

### E. CHALLENGES IN CGS REPORTING

- i. **Sector classification-**the definition of economic sectors in the banking industry may be contributing to misclassification of some MSMEs. For instance, some enterprises involved in health care services, education and agricultural value chain are being classified as trade.
- ii. **Informality of MSMEs:** Most MSMEs are informal and hence are not tax compliant and most of these enterprises are not registered by the relevant Government Agency as required by Regulation 10 of the CGS Regulations.
- iii. **Definition of micro, small and medium enterprises-**most of the enterprises do not fully fulfil the definition criteria set out in the PFM Act, 2012, and the MSE Act, 2012. Consequently, an enterprise could be micro by number of employees while according to turnover it could be classified as small or medium enterprise.

- iv. **COVID-19 pandemic:** The COVID-19 pandemic resulted into slowdown of economic activities which may have to low uptake of the guaranteed facilities.
- v. **Moral hazard:** The challenge to create awareness on the credit guarantee while safeguarding the CGS from the risk of moral hazard.

#### **F. CONCLUSION AND WAY FORWARD**

The CGS performance report demonstrates how the Government has leveraged on private sector resources to provide credit to MSMEs while advancing its development objectives. Through the scheme, the PFIs have been able to lend KShs. 2.11 billion to MSMEs. Furthermore, participating banks are implementing the Scheme through their existing branch networks and infrastructure allowing them reach out to MSMEs in more counties compared to other government initiatives. This is evidenced by the outreach to 45 counties, outreach to women and youth and to both micro, small and medium enterprises.

The following actions are necessary to ensure that the Scheme achieves its founding objectives:

- i. In order to address the challenge of sector classification, the National Treasury is working with CBK to enhance detailed reporting including subsector and nature of business.
- ii. To promote the formality of MSMEs, the CGS continue engaging the relevant Government Agencies (Business Registration Services and Kenya Revenue Authority) to explore on various ways of increasing penetration of informal MSMEs, for registration and tax compliance.
- iii. The National Treasury to engage with relevant Government Institutions to address the challenge of MSMEs classification as per the law.