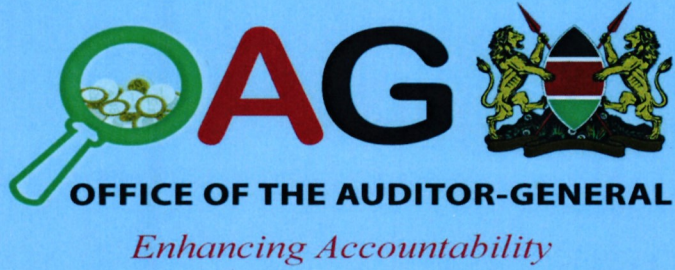



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**REPORT**

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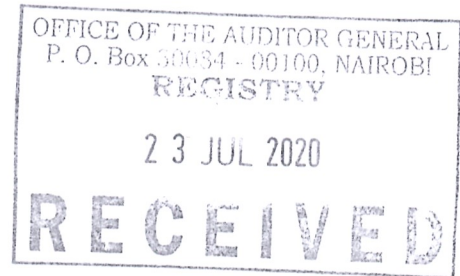
**THE AUDITOR-GENERAL**

**ON**

**KENYA INSTITUTE FOR PUBLIC POLICY  
RESEARCH AND ANALYSIS (KIPPRA)**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





**Annual Report and Financial Statements  
for the Financial Year Ended 30 June  
2019**

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

## **Vision**

***An international centre of excellence in public policy research and analysis***

## **Mission**

***To provide quality public policy advice to the Government of Kenya and other stakeholders by conducting objective research and capacity building towards the achievement of national development goals***

**Kenya Institute for Public Policy Research and Analysis**

**2nd Floor Bishops Garden Towers, Bishops Road**

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**Tel: +254 20 4936000; 2719933/4, Cell 0736 712724, 0724 256078**

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**Twitter: [@kipprakenya](https://twitter.com/kipprakenya)**

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## **I: KEY INSTITUTE INFORMATION AND MANAGEMENT**

### **(a) Background information**

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was formed through an Act of Parliament, the KIPPRA Act No. 15 of 2006. At Cabinet level, the Institute is represented by the Cabinet Secretary for The National Treasury and Planning, who is responsible for the general policy and strategic direction.

### **(b) Principal activities**

The principal activity of the Institute is to provide quality public policy advice to the Government of Kenya and other stakeholders by conducting objective research and analysis and through capacity building to contribute to the achievement of national development goals.

Under the KIPPRA Act, the Institute is mandated to:

1. Develop capacities in public policy research and analysis and assist the Government in the process of policy formulation and implementation;
2. Identify and undertake independent and objective programmes of research and analysis, including macroeconomic, inter-disciplinary and sectoral studies on topics affecting public policy in areas such as human resource development, social welfare, environment and natural resources, agriculture and rural development, trade and industry, public finance, money and finance, and macroeconomic and microeconomic modeling;
3. Provide advisory and technical services on public policy issues to the Government and other agencies of the Government;
4. Communicate the findings and recommendations of the Institute's research programmes to the agencies of the Government concerned with the implementation of public policy;
5. Serve as a point of communication and encourage the exchange of views between the Government, the private sector and other bodies or agencies of the Government on matters relating to public policy research and analysis;
6. Collect and analyze relevant data on public policy issues and disseminate the Institute's research findings to persons it deems appropriate to publish such research findings;
7. Develop and maintain a reservoir of research resources on public policy and related issues and make these available to the Government, the private sector and learning institutions in Kenya;
8. Undertake public policy research and analysis for the Government and for clients in the private and public sectors;
9. Control the publication and use of the Institute's research findings;

10. Organize symposia, conferences, workshops and other meetings to promote the exchange of views on issues relating to public policy research and analysis;
11. Undertake public policy research relevant to governance and its implications to development; and
12. Undertake any other business which is incidental to the performance of any of the foregoing functions.

**(c) Key management**

The Institute's day-to-day management is under the following key organs:

- Board of Directors (Board Committees);
- Executive Director; and
- Senior Management.

**(d) Fiduciary management**

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

1. Dr Rose Ngugi	Executive Director
2. Benson Kiriga	Senior Policy Analyst, Macroeconomics Department
3. Dr Eldah Onsomu	Principal Policy Analyst, Social Sector Department
4. Dr Moses Njenga	Principal Policy Analyst, Private Sector Development Department
5. Dr Humphrey Njogu	Senior Policy Analyst, Infrastructure & Economic Services Department
6. Dr Chris H. Onyango	Principal Policy Analyst, Trade and Foreign Policy Department
7. Hannah Wang'ombe	Planning Officer, Strategy and Planning Department
8. Dr Nancy Nafula	Principal Policy Analyst, Capacity Building Department
9. Dr Eliud Moyi	Senior Policy Analyst, Partnerships Department
10. Felix Murithi	Principal Publications Editor, Knowledge Management Department
11. Winnie Nguyu	Senior Librarian, Knowledge Management Department
12. Jane Kenda	Senior Communication Officer, Corporate Services Department
13. Benson Itere	Senior ICT Officer, ICT Division
14. Hellen Anyumba	Ag. Snr HR & Admin Officer, HR Department
15. Juliah Muguro	Ag. Principal Accountant, Finance Department
16. Dr Peter Munene	Principal Supply Chain Manager, Supply Chain Management Department
17. Caroline Mukiira	Ag. Corporation Secretary

**e) Fiduciary oversight arrangements**

The management of KIPPRA is vested in a Board of Directors. The Board operates through four committees (Finance, Audit, Programmes, and Human Resource and General Purpose) and is guided by a Board Charter.

The KIPPRA Board Charter sets out the roles, functions, obligations, rights, responsibilities and powers of the Board, and the policies and practices of the Board in respect of its duties, functions and responsibilities. It guides and clarifies the roles of the Chairman, Directors, Executive Director; their powers; and their involvement in the day-to-day running of the Institute; and to be a point of reference. The Charter is also aimed at improving and enhancing the level of performance and effectiveness of the Board, including provision of strategic leadership and observance of high standards of corporate governance. It provides guidelines that help the Board ensure that strong leadership is in place at Board level.

**Finance Committee:** This is an advisory body with no executive powers. Its broad function is to assist the Audit Committee and Board in ensuring that the Institute meets the highest standards of financial management and accountability in the use of its financial resources. The Chairman of the Finance Committee shall be a person with financial background and experience. The committee is authorized to carry out its mandate in line with its terms of reference, which are to: Approve the Institute's accounting policies and principles (and any changes thereof) that are required to be reported in the notes to the annual financial statements; Review and assess the appropriateness of accounting policies and principles, including conformance with relevant accounting and reporting standards; Review annual budgets, and make recommendations to the Board; Receive and consider quarterly financial, procurement and investment reports; Review annual financial statements and recommend them to the Board for approval; Review the use of financial resources, ensuring that value for money is achieved; Review the periodic financial reports and projections, paying particular attention to critical financial and budgetary control issues, financial strategy decisions requiring a major element of judgment, making recommendations to the Board as appropriate; Provide oversight over procurement in line with the procurement law; Advise the Board on resource mobilization, and; Ensure that the finance function is appropriately resourced and meets, or exceeds, best professional practice.

**Audit Committee:** The duties and responsibilities of the Audit Committee are to assist, and where relevant, make recommendations to the Board on the discharge of Board's responsibilities as they relate to external financial reporting; external and internal audits; effective systems of internal control comprising financial and operational controls and compliance; and risk management.

**Programmes Committee:** The overall purpose of the Committee is to advise the Board on technical issues; that is, on how to continuously improve the research and capacity building outputs of the Institute.

The Programmes Committee reviews annual work plans and quarterly implementation progress reports, and recommends them for Board approval; monitors implementation of the strategic plan, annual performance contracts, and timely publication of the Kenya Economic Report and other statutory reports; assesses periodically the quality and effectiveness of the Institute's technical outputs, and advises the Board on the achievement of global benchmarks; assists the General Purposes Committee in recruiting senior technical staff; and attends to other matters assigned by the Board, including matters that may be assigned to two or more Board Committees.

**Human Resource and General Purpose Committee:** The Committee, which is non-executive, advises the Board on organizational structure, administration, human resource policy and capacity enhancement; reviews salaries, benefit packages and service contracts; reviews performance management policies and procedures and makes recommendations to the Board; recruits senior staff and recommends them for Board approval; presides over disciplinary hearings/interviews for senior staff; and makes recommendations on broad guidelines that promote operational efficiency.

**(f) Institute Headquarters**

Bishops Garden Towers  
2nd Floor, Bishops Road  
P.O. Box 56445-00200  
Nairobi

**(g) Institute contacts**

Telephone: (254) 2719933/4  
E-mail: [admin@kippra.or.ke](mailto:admin@kippra.or.ke)  
Website: [www.kippra.org](http://www.kippra.org)  
Twitter: @kipprakenya

**(h) Principal Banker**

Commercial Bank of Africa  
Mama Ngina Street  
P.O. Box 30437-00100  
Nairobi

**(i) Independent Auditor**

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

**(j) Principal Legal Advisor**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00200  
Nairobi

## II: THE BOARD OF DIRECTORS

### Dr Linda Musumba, Chairperson



Dr Musumba holds a PhD in Law from University of Birmingham, UK, a Masters in Law from University of Warwick, UK, and a Bachelor of Laws degree from the University of Nairobi as well as Kenya School of Law – Bar Examinations. She is the founding Dean of Kenyatta University School of Law (KUSOL). Since relinquishing the Deanship, she continues to teach law at KUSOL and, in particular, Constitutional Law, Electoral Law, East African Regional Law, and oversees the Law School's Judicial Attachment Programme that has received wide acclaim. Dr Musumba has carried out research and consultancies for several local, regional and international organizations and has been consulted widely by both State and Non-State actors on various matters that pertain to constitutional law, electoral law, law and gender, as well as regional integration.

### Mr. Wilfred Koitamet Ole Kina



Koitamet Ole Kina represents the business sector and he holds an Executive Master in Public Policy and Administration and a Bachelor's degree in Philosophy and Literature from Kenyatta University. He is trained in Corporate Governance and Non-profit Leadership (Florida, USA) and is currently involved in private consultancy and contracts in the construction industry. In July 2013, he coordinated the preparation of the National Plan of Action for Floods Control and Management. From August 2009, he worked as a logistics and Liaison Consultant for the National Crisis Response Centre and was appointed Deputy Coordinator from 23 March 2010. He has represented Kenya in various IGAD-led processes resulting in production of the regional Hazard Map and Atlas and the Regional Disaster fund. He has previously served in various Boards, including Kenya Tourist Board, Organization for Intercultural Education, Maasai Education Discovery, NGO Council's Regulatory Committee, Casafare and Pandora Construction Company. He served in various capacities and community and national level towards promulgation of the Constitution of Kenya 2010. He has also been a member of the National Pastoralist Development Network and has been involved in the rescue of Maasai girls from forced marriage, and organized sponsorship of their education. He has also worked as an advocate of Early Child Education, Cultural Studies and Rural Development volunteer projects. He serves as Vice Chair of the KIPPRA Board.

### Dr Rose Ngugi



Dr Rose Ngugi is the Executive Director of the Kenya Institute for Public Policy Research and Analysis (KIPPRA) and serves as the Secretary to the Board. She is involved in providing technical guidance and capacity building on policy and strategy formulation to the Government of Kenya and other stakeholders, with the overall aim of contributing to the achievement of national development goals. Before then, she was a Senior Advisor in the Office of Executive Director, Africa Group 1, International Monetary Fund, in Washington DC. Dr. Ngugi has been a member of Central Bank of Kenya Monetary Policy Committee and has vast teaching experience at the University of Nairobi, School of Economics. She has published widely, and her research interests are in public policy, financial sector,

investments, reforms and institutional issues. She holds a PhD from Business School Birmingham University, UK specializing in Financial Markets, and a Masters and Bachelors degree in Economics from the University of Nairobi, Kenya.

#### **Mr Musa N. Kathanje**



Mr Musa Kathanje was appointed to the KIPPRA Board as the Alternate to the Cabinet Secretary, National Treasury in October 2015. He is currently the Director of Macro and Fiscal Affairs Department at the National Treasury and Planning. He Joined the National Treasury in June 2013 as Head of Macro Division on secondment from the Central Bank of Kenya where he served as Head of Monetary Policy Analysis Division in the Research Department. He has over 21 years of experience in Monetary Policy Formulation, Macroeconomic Policy Formulation and Analysis, Fiscal Policy as well as regional economic integration gained from both the Central Bank of Kenya (June 1996 to June 2013) and at the National Treasury (June 2013 to date). He holds both Bachelors and Masters Degrees from the University of Nairobi and is currently finalising a PhD in Business Administration - Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT), Kenya. He holds among others, a certificate in Macroeconomic Modelling under the United Nations/African Research Network for Development Policy Analysis from the University of Pretoria, South Africa.

#### **Dr Phoebe Josiah**



Dr Phoebe Ayugi Josiah represents Research Institutes and was appointed as a Director of the Board of KIPPRA on 21<sup>st</sup> October 2016. She received her education at Makerere University Kampala Uganda, where she graduated with BSc (Hons) in Zoology, Botany and Chemistry and later obtained her MSc and PhD in Medical Parasitology, Entomology, Public Health and Epidemiology. She is a Chevening Scholar, following successful completion of her PhD while on Chevening Scholars Fellowship from 1987 to 1991.

Between July 2002 and August 2015, she worked at KEMRI as a Chief Research Officer in various capacities. She played a pivotal role, while heading the Corporate Affairs and Partnerships Department, in enhancing the corporate image of KEMRI and strengthening collaborative research initiatives with partner institutions, donor agencies, the private sector and communities. Previously, she has also worked for the Ministry of Health as a Researcher and Trainer, and various UN agencies and NGOs as a Technical Advisor and a Research Consultant. She has been a Trainer, an Honorary Lecturer and a visiting Scholar at several institutions locally, regionally and globally. She has authored and co-authored several publications including policy papers.

**Ms Emma M. Muema**



Ms Emma represents the business sector and graduated with a BSc in Business Administration (Management) and M.A. Communication (Development) from Unites States International University and Daystar University, respectively. She is currently pursuing a Doctorate degree in Leadership Studies at the Bowling Green State University (BGSU) in Ohio, USA. From 2017 she worked as a Graduate Assistant to the Associate Dean, School of Education and Human Development at BGSU. Prior to joining BGSU, she successfully served in the banking industry in Kenya for 25 years, rising through the ranks to hold the position of Ag. Director, Corporate and Institutional Banking at National Bank of Kenya. Emma has held various institutional oversight positions, at Planning Interior Design, a small and medium size enterprise that was ranked among the top 100 SMEs in Kenya in 2011. In 2014, she was appointed as Board member of KIPPRA, and has been reappointed for a further three years from 2018 to 2021.

**Prof. Michael Chege**



Prof. Chege represents Universities and is a Political Economist with special interest in governance and economic development in Sub-Saharan Africa. He has worked with various international organization including World Bank, SIDA, USAID, UNDP, IDRC, Ford and Rockefeller Foundations. Prof. Chege has also served as a visiting professor at the Graduate Institute of International Affairs at the University of Geneva, and Harvard University, and has published widely on African development and governance issues. He holds a doctorate degree from the University of California at Berkeley, and Bachelors degree in Economics and Government from the University of Nairobi.

He taught at the University of Nairobi between 1976 and 1988, after which he joined the Ford Foundation as a Programme Officer in charge of funding public policy and international affairs projects in Eastern and Southern Africa. Between 1996 and 2004, he served as the Director and Professor of the Centre for African Studies at the University of Florida and was a UNDP Policy Advisor at the Ministry of Planning in Kenya between 2005 and 2014. He has served as a consultant to the World Bank.

**Prof. Marangu Marete**



Prof. Marangu Marete represents business sector is a Policy Advisor in the Office of the third President of the Republic of Kenya and a Special Envoy for Water Africa.

### **Ms Rose Jepkorir Ronoh**



Ms Rose Ronoh represents universities and is a part time Human Resource Lecturer at the Kenya College of Accountancy. She is also a Human Resource Consultant at Mcryans Enterprises Ltd and has previously worked at the National Hospital Insurance Fund as Operations Officer, and at Standard Newspapers (Subscription Department – Nairobi Region) as a Marketing Executive. She holds a Masters degree in Business Administration (Human Resource Management) from Kenyatta University, Bachelor of Commerce (Business Administration and Management) from Daystar University, Higher Diploma in Human Resource from College of Human Resource Management, a CHRP Certificate, and a Certificate in Counselling Skills from College of Human Resource Management. She is currently pursuing PhD in Human Resource Management at Jomo Kenyatta University of Agriculture and Technology. Ms Ronoh is a member of the Institute of Human Resource Management. She serves as the Chair of the HR and General Purpose Committee of the Board of KIPPRA.

### **Dr Nahashon Langat Moitaleel**



Dr Nahashon Langat Moitaleel represents special interest groups has been a Lecturer at Kenyatta University and an e-learning coordinator at the same institution. He is also a Council Member at Occupational Safety and Health Act. He holds a Bachelor of Commerce - Finance and Masters in Business Administration - Strategic Management both from the University of Nairobi. He also holds a Doctor of Philosophy (PhD) in Business Administration from Kenyatta University. He has Lectured and supervised students at Egerton University, KEMU University, Maasai Mara University and Moi University all of them in the School of Business. He serves as Chair of the Audit Committee.

### **Dr Dinah Samikwo**



Dr Samikwo represents Universities and is a PhD holder in Science Education, with more than ten years of teaching experience both at secondary school and University of Eldoret. She has vast experience and interest in the areas of Biology Education and Animal Physiology. As a researcher, she has participated in various conferences and published articles in various peer reviewed journals. She serves as Chair of the Programmes Committee.

### **Mr Jamshed Ali**



Mr Jamshed Ali is Alternate Director to the Principal Secretary, State Department of Planning in the KIPPRA Board. He is a Chief Economist and Head of Macro Planning Division, Macro Directorate, State Department of Planning. He holds M.A. in Development Economics from Williams College, Massachusetts, USA and B.A. Economics and Government from the University of Nairobi, Kenya. He has over 25 years of progressively challenging assignments in macroeconomic policy and development, and has been instrumental in the conceptualization, documentation and coordination of key economic and policy strategies. During his service, he has been able to effectively multitask as a trainer, leader, convener and strategist, and is routinely called upon to provide technical and policy insights in various forums, both locally and abroad.

### **Mr Anthony Njeru**



Mr Anthony Njeru is Alternate Director to the Principal Secretary, State Department of Trade in the KIPPRA Board. He is an Economist by profession and holds a Master of Arts (Economics) degree from the University of Nairobi and Bachelor of Arts (Economics) degree from Kenyatta University. Currently, he is the Head of Planning Directorate in the State Department of Trade under the Ministry of Industry, Trade and Cooperatives. Prior to joining the Government, he worked at Barclays Bank of Kenya and NIC Bank.

### **Mr Michael Nzomo Mbithuka**



Michael Nzomo Mbithuka represents special interest groups and is an ICT professional with over 15 years business leadership experience spanning banking, telecoms, satellite and technology sectors. He is currently the Cloud Technology Lead - Public Sector at Oracle Corporation. He is passionate about breaking barriers to access and transforming lives through innovative technologies. He serves as the Chair of the Finance Committee.

### III: MANAGEMENT TEAM

The Board is supported in its functions by the management team which has been set up pursuant to Section 193 (5) of the PFM Act, 2012. The Management provides administrative and technical support to the Board in the execution of its mandate and functions. During the period from 1st July 2018 to 30th June 2019, the Management team played an instrumental role to ensure implementation of the Board's mandate. This was achieved through effective and efficient allocation and use of resources.

The composition of the management team during the year was as follows: -



**Dr Rose Ngugi**  
PhD in Finance (Financial Markets)  
Executive Director



**Benson Kiriga**  
MA in Economics  
Senior Policy Analyst, Macroeconomics Department



**Dr Eldah Onsomu**  
PhD in Economics  
Principal Policy Analyst, Social Sector Department



**Dr Moses Njenga**  
PhD in Economics  
Principal Policy Analyst, Private Sector Development  
Department



**Dr Humphrey Njogu**  
PhD in Computer Science  
Senior Policy Analyst, Infrastructure and Economic Services  
Department



**Dr Christopher Hugh Onyango**  
PhD in Economics  
Principal Policy Analyst, Trade and Foreign Policy Department



**Hannah Wang'ombe**  
Msc International Finance and Economic Development  
Planning Officer, Strategy and Planning



**Dr Nancy Nafula**  
PhD Economics  
Principal Policy Analyst, Capacity Building Department



**Dr Eliud Moyi**  
PhD Economics  
Senior Policy Analyst, Partnerships Department



**Felix Murithi**  
MPhil in Publishing Studies  
Principal Publications Editor, Knowledge Management  
Department



**Winnie Nguyu**  
Master's in communication studies  
Senior Librarian, Knowledge Management Department



**Jane Kenda**  
Master's in communication  
Senior Communication Officer



**Benson Itere**  
MSc Information Systems  
Senior ICT Officer, ICT Division



**Ms Hellen Anyumba**  
MSc Human Resources  
Ag. Senior Human Resource and Administration Officer



**Juliah Muguro**

MSc (Finance and Economics), CPA(K)  
Ag. Principal Accountant, Finance Department



**Dr Peter M. Munene**

PhD Business Administration  
Principal Supply Chain Management Officer



**Samuel Githinji**

MSc Finance, CPA (K), CIA, CRMA  
Senior Internal auditor



**Ms Caroline Mukiira**

LLM, Masters in Law  
Ag. Corporation Secretary

#### **IV: CHAIRPERSON'S STATEMENT**

I was appointed Chair of the KIPPRA Board in 2018. It is an honour to lead such a remarkable institution and to have the opportunity to build on key achievements for an Institute that has existed for the last 20 years. My vision is to ensure the Institute has a better future. The policy arena is dynamic and complex, and KIPPRA has a unique opportunity to guide policy related to the national development agenda. We shall continue to leverage on the Institute's convening ability of various stakeholders, both locally and internationally, and provide a platform to debate issues in an objective and unbiased way. This, combined with strength of our researchers in producing relevant and timely research, will enable the Institute to improve on its impact and contribute towards policy change.

In 2018/19, there have been many milestones such as gazettment of new Board, implementation of the first year of the Strategic Plan 2018/19-2022/23, rolling out of new capacity building programmes that have contributed to developing capacities in public policy research and analysis among public and private sector professionals, several requests to provide technical and advisory services to the government, policy-related research informed by national development agenda, policy intelligence and demand-driven research. Indeed, all our activities would not have been possible without funding and support from the Government of Kenya and other institutions with whom we partnered with during the year.

I am indebted to my colleagues on the Board and to the management team for their support, commitment and expertise. Both have actively been involved in their governance and managerial responsibilities, respectively, during the year when there was operational and financial pressure on government agencies to effectively deliver on their mandates.



**Dr Linda Musumba**  
**Chairperson**  
**Board of Directors**

## V: REPORT OF THE EXECUTIVE DIRECTOR

During the year under review, the Institute increased its efforts in four priority areas: capacity building, policy surveillance, strategic engagement with stakeholders and building mutually beneficial partnerships. As we implement our Strategic Plan, our rallying call for the next five years is “*Thinking Policy Together*” which takes on a dialogue-based approach to conducting research, engaging stakeholders and communicating and disseminating research findings. This means that we have taken partnerships with other institutions in delivering our mandate through several Memorandum of Understanding and contracts a notch higher. All these priorities were implemented using the EASIER business model.

Other important achievements in the year include the 2019 KIPPRA Annual Regional Conference held in Mombasa that attracted over 400 delegates. The conference addressed issues on data and gender statistics; gender-based violence, FGM, early and forced marriages; promoting gender equality in leadership and decision making; Inequalities in labour market including unpaid care, wage disparities, and women/men in male/female dominated areas; and gender dynamics in institutions of higher learning and persons with disability. The conference outlined policy suggestions on effectively funding and increasing the capacity for the State Department of Gender Affairs and the National Gender and Equality Commission (NGEC) to enable the two institutions to efficiently discharge their role regarding promoting gender mainstreaming in the country. It was also proposed that gender mainstreaming be given prominence in the National Gender Policy so that Ministries, Departments and Agencies of both National and County governments incorporate gender mainstreaming in their development plans.

The Institute supported Parliamentarians through capacity building on the Public Policy Process in collaboration with the Center for Parliamentary Studies (CPST) and made a presentation on review of public debt in Kenya, debt sustainability, pending bills and interest rate capping to the Chairs and Vice Chairs of committees in the National Assembly. KIPPRA researchers also contributed to drafting of the National Youth Policy and Data Protection and Privacy Policy and Bill.

Further, KIPPRA made great strides in enhancing its engagement with the youth through several programmes, including KIPPRA’s flagship capacity building programme, Young Professionals programme, the internship and industrial attachment programme, hosting various university students, and the recently launched KIPPRA Mentorship Programme for Universities. Since its launch in August, the mentorship programme has involved over 20 universities and 100 students and lecturers. KMPUs targets to promote the next generation of leaders by providing an opportunity for the students to meet and dialogue with policy makers in both public and private sector.

As Kenya implements its national development agenda through various policy instruments, including the Medium-Term Plan III and “Big Four” initiatives, several research outputs supporting these agendas were completed. These included the 2019 Kenya Economic Report on “*Resource Mobilization for Sustainable Development of Kenya*”, themes on inclusion of women and youth through tourism and entrepreneurship and access to finance in agriculture. Other research was on counties focusing on health, public finance management and the business environment for micro and small enterprises.

This annual report outlines many other projects and activities undertaken in 2018/19. These achievements were made possible by the support of many partners, within government and other donor agencies and private sector institutions. I am enormously

grateful to the management team for the commitment and to our 57 staff, interns, research assistants for all their hard work.



**Dr Rose Ngugi**  
**Executive Director, KIPPRA**

## VI: CORPORATE GOVERNANCE STATEMENT

KIPPRA practices good corporate governance to achieve the best possible level of organizational performance. Effective governance is the most fundamental among imperatives for successful, effective and sustainable think tanks. It was recognized from the onset of KIPPRA's establishment that for the Institute to support policy formulation within the Government of Kenya, both operational autonomy and an effective governance framework were requisite for the Institute to effectively achieve its mandate.

### Composition of the Board

The Institute adhered to the Mwongozo Code of Governance for State Corporations in its use of public resources. The Institute has a draft KIPPRA Amendment Bill whose objective is to align the KIPPRA Act to the 2010 Constitution of Kenya. The Institute adheres to the code of governance for State Corporations (Mwongozo) and relevant laws, regulations and policy directives, as can be attested from various internal and external audits. The Bill addresses the Board composition by encompassing competence and experience, leadership and integrity, equity and regional distribution in Board membership. The Bill proposes competitive, merit-based recruitment, vetting and approval of potential Board members. Board membership in KIPPRA is proposed to be nine (9) members down from thirteen (13) members. The Bill introduces the position of Corporation Secretary in line with good corporate governance practices.

During the financial period 2018/2019, the KIPPRA Board was fully constituted. The Board Chair was appointed on 12<sup>th</sup> July 2018 and the Board members were appointed on 21<sup>st</sup> September 2018. The Board held its inaugural meeting on 5<sup>th</sup> December 2018 and was taken through an extensive induction by Management on 6<sup>th</sup> to 7<sup>th</sup> December 2018 to bring the Board to speed with the activities of the Institute and induction by Kenya School of Government on public sector corporate governance, oversight of public resources, risk management, corporate culture and code of conduct. The Institute relied on the leadership and guidance of the Board, who together with KIPPRA management gave the Institute's strategic direction, safeguarded the Institute's resources, and monitored corporate performance. During the year, the Board ratified the Institute's new organizational structure and approved the Strategic Plan 2018/19-2022/23.

**Table vi (1): Composition of Full Board and Board Committees.**

S/No.	Members	Full Board	Programs Committee	Human Resource Committee	Finance Committee	Audit Committee	Adhoc Committee
1.	Dr. Linda Musumba	✓					
2.	Mr. Koitamet Olekina	✓		✓		✓	✓ *
3.	Prof. Marangu Marete	✓		✓			✓
4.	Dr. Nahashon Langat	✓				✓ *	✓
5.	Ms. Rose Ronoh	✓		✓ *			✓
6.	Ms. Emma Muema	✓		✓	✓		
7.	Dr. Phoebe Josiah	✓	✓		✓		

8.	Mr. Nzomo Mbithuka	✓	✓		✓ *		
9.	Dr. Dinah Samikwo	✓	✓ *		✓		
10.	Prof. Michael Chege	✓	✓	✓			
11.	Mr. Jamshed Ali	✓	✓			✓	✓
12.	Mr. Musa Kathanje	✓				✓	✓
13.	Mr. Anthony Njeru				✓	✓	

\* Chairperson to the committee

#### Roles and Responsibilities of the Directors.

The roles and responsibilities of members are outlined in section 194 of the PFM Act, 2012. Organizational goals and values of the Institute are stated and articulated in the Institute's Strategic Plan, Annual Work Plans, and the Service Charter. The Institute is running a five-year strategic plan that is implemented through annual work plans. The Strategic Plan is reviewed mid-way, while annual work plans are reviewed on a quarterly basis. Implementation of the Strategic Plan, Work Plan, and Service Charter is monitored through the annual Performance Contract agreement signed between the Board and the Government (parent Ministry), between the Executive Director and the Board, and between the Executive Director and Heads of Departments.

**Table vi (2): Board meetings held during the year.**

S/No.	Description	No. of meetings held
1	Full Board	8
2	Human Resource & General-Purpose Committee	9
3	Programs Committee	5
4	Finance Committee	4
5	Audit Committee	5
6	Adhoc Committee	4
7	Board Retreats (Induction, trainings and review of Institute's policies)	18
<b>Total</b>		<b>53</b>

#### BOARD COMMITTEES

The Board has four (4) standing Committees which are required to meet at least quarterly or as required. The Committees have been set up with clear terms of reference to facilitate efficient and effective decision making of the Board in discharging its duties, powers and authorities. An Adhoc committee was constituted to deliberate on KIPPRA land ownership issues.

- a) Programmes committee

The Programmes Committee is charged with the review of annual and quarterly work plans, and Performance Contracts.

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Dr. Dinah Samikwo	5	5 out of 5
2.	Prof. Michael Chege	5	4 out of 5
3.	Mr. Jamshed Ali	5	4 out of 5
4.	Dr. Phoebe Josiah	5	5 out of 5
5.	Mr. Nzomo Mbithuka	5	4 out of 5

b) Human Resource and General-Purpose Committee

The Human Resource and General-Purpose Committee advises the Board on organizational structure, administration, human resource policy and capacity enhancement/ building, reviews the salaries, benefit packages and service contracts, recruitment of senior staff ensuring that these are competitively structured and linked to performance. The Committee also makes recommendations for broad guidelines that promote operational efficiency.

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Ms. Rose Ronoh	9	9 out of 9
2.	Mr. Koitamet Olekina	9	9 out of 9
3.	Prof. Marangu Marete	9	9 out of 9
4.	Ms. Emma Muema	9	1 out of 9
5.	Prof. Michael Chege	9	7 out of 9
6.	Anthony Njeru – Replaced Ms Emmah	9	2 out of 9

c) Finance Committee

The Finance Committee reviews annual budgets and procurement plans, quarterly and annual financial reports.

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Ms. Emma Muema	4	2 out of 4
2.	Dr. Phoebe Josiah	4	4 out of 4
3.	Mr. Nzomo Mbithuka	4	3 out of 4
4.	Dr. Dinah Samikwo	4	3 out of 4
5.	Mr. Anthony Njeru	4	4 out of 4

d) Audit Committee

The Audit Committee works closely with the internal audit unit and plays a critical role in reviewing financial information and ensuring that the system of internal controls is effectively administered. It considers significant audit findings identified by the Institute's internal and external auditors. The Committee maintains oversight on internal controls, and makes recommendations on financial information, risk management, policies and audit issues.

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Dr. Nahashon Langat	5	5 out of 5
2.	Mr. Koitamet Olekina	5	5 out of 5
3.	Mr. Jamshed Ali	5	5 out of 5
4.	Mr. Musa Kathanje	5	3 out of 5
5.	Ms. Rose Ronoh	5	4 out of 5

e) Adhoc Committee

The Adhoc committee was constituted to review issues with KIPPRA land ownership and evaluate KIPPRA Headquarters project.

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Mr. Koitamet Olekina	4	4 out of 4
2.	Ms. Rose Ronoh	4	4 out of 4
3.	Mr. Jamshed Ali	4	4 out of 4
4.	Mr. Musa Kathanje	4	4 out of 4
5.	Dr. Nahashon Langat	4	4 out of 4
6.	Prof. Marangu Marete	4	4 out of 4

## **VII: MANAGEMENT DISCUSSION AND ANALYSIS**

### **KIPPRA's operational and financial performance**

KIPPRA is supported by the National Government through the National Treasury by way of transfer of funds for operational use. These funds are channelled to the Institute through its bank account after it has been budgeted for and approved by the Board of Management. During the year, the National Treasury transferred a total of Ksh 315 Million on a quarterly basis. The Institute also earned Ksh 93 million as A.I.A from contracted research work- rendering of services training fees from capacity building programmes, subscriptions for the annual regional conference and investments in treasury bills. The statement shows an improved performance in FY 2018-19 compared to FY 2017/18 recording a total revenue of Ksh 436 million against Ksh 365 million.

In fulfilment of its mandate, the Institute incurred expenses on various line items. Research costs accounted for 45% of the total expenses (includes research and analysis costs, dissemination costs, capacity building programmes costs and research publication costs), general expenses accounted for 18% with Board allowances accounting for 5% of total expenses.

### **Other Compliance and operational results**

#### **Entity's compliance with statutory requirements**

The institute have complied with PFMA 2012. It has also complied with other legal requirements such as submission of statutory deductions i.e. timely remittance of NHIF, NSSF, PAYE, HELB, VAT withholding and Income tax withholding.

Key projects and investment decisions the entity is planning/implementing

As the demand for KIPPRA services continue to grow, coupled with the resultant capacity growth requirements, the Institute has continued to experience challenges with the current office space and parking facilities. To mitigate the above challenge there are plans to acquire more office space. This will lead to increased cost of office rent.

KIPPRA has been investing in Treasury Bills; non-derivative financial assets with fixed or determinable payments and fixed maturities classified as held to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses / gains arising from impairment are recognized in surplus or deficit. This activity was halted towards the end of quarter two as per the directive issued by The National Treasury.

### **Financial risk management**

The Institute's activities expose it to a variety of financial risks: market risk (including foreign exchange risk), credit risk and liquidity risk.

The Institute's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Institute's financial performance.

Risk management is carried out by the management under policies approved by the board of directors. Management identifies and evaluates financial risks in close co-operation with various departmental heads. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, credit risk and investment of excess liquidity.

**(a) Market Risk**

- Foreign exchange risk

The Institute is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar. The risk arises from future transactions, assets and liabilities in the statement of financial position date. The Institute manages foreign exchange risk by converting its foreign currency collection into local currency on an on-going basis to cater for its operational requirements. As a result, the Institute does not hold large amounts of foreign currency deposits.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, management assesses the credit quality of the customer, considering their financial position, past experience and other factors.

None of the financial assets that are fully performing has been renegotiated in the last year.

Exposure to this risk has been quantified in each financial asset note in the financial statements along with any concentration of risk.

**(c) Liquidity risk**

Cash flow forecasting is performed by the finance committee of the Institute by monitoring the Institute's liquidity requirements to ensure it has sufficient cash to meet operational needs. All liquidity policies and procedures are subject to review of the management and approval by the Board of Directors. The ultimate responsibility for liquidity risk management rests with the Board, who have built an appropriate liquidity risk management framework for the management of the Institute's short, medium and long-term funding and liquidity management requirements.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Institute's management maintains flexibility in funding by maintaining availability under committed credit lines.

No undiscounted liquidity risk analysis has been presented as there are no financial liabilities that mature more than 12 months

## VIII: CORPORATE SOCIAL RESPONSIBILITY STATEMENT

KIPPRA takes part in corporate social responsibility (CSR) for various reasons. For one, besides using it as a tool to advocate for an ethical, social, and environmentally responsible practices, it uses CSR as a platform to sensitize stakeholders on the public policy process, National Values and Principles of Governance as highlighted in the 2010 Constitution of Kenya and HIV/AIDS.

In 2018/19, the Institute undertook several CSR activities including planting trees at Mtito Andei Primary School, Makueni County; the Kereita Forest Challenge, an annual event organized by the East African Wildlife Society (EAWLS), Kijabe Environment Volunteers (KENVO) and the Kenya Forest Service (KFS), and in Eburu Forest. The Institute has planted over 2,000 indigenous trees towards environmental conservation activities.

Further, the Institute has embedded sensitization of the 17 National Values and Principles of Governance and on HIV and AIDS in its CSR activities. The Institute, for instance, has published a pocket booklet of the values that were shared with pupils at the Mtito Andei Primary School and other material on nutrition, stigma and discrimination and promotion of condom use around the area of HIV and AIDS.

To address the issue of girls absentism in schools, the Institute donated sanitary towels to Mtito Andei Primary School to ensure girls remain in school. In addition, KIPPRA donated two water tanks to supply the girl's dormitories with clean water and support in watering the plants.

KIPPRA staff also participated and contributed towards the 2018 Standard Chartered and Beyond Zero marathons held in Nairobi in October and March, respectively. The Beyond Zero is the First Lady initiative whose goal is to improve maternal and child health in Kenya, and to reduce new HIV infections among children. On the other hand, the Standard Chartered Marathon, now in its 17<sup>th</sup> edition, has taken on various initiatives including raising funds for children with visual impairment to get medical and most recently tackle inequality and increase economic inclusion for young people across our markets, through the *Futuremakers* campaign. The issues of improving maternal mortality and ensuring economic inclusion of all are significant global agendas. These are issues closely related to our National Values such as human rights and inclusivity and are important towards achieving the national development agenda.

## IX: REPORT OF THE DIRECTORS

The Board of Directors submit their annual report and financial statements for the year ended 30 June 2019, which disclose the state of affairs of the Institute.

### 1. INCORPORATION

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was formally established through Legal Notice No. 56 in the Kenya Gazette of 9 May 1997, and later through the KIPPRA Act No. 15 of 2006. KIPPRA is a public Institute whose primary mandate is to develop capacities for policy formulation, implementation and evaluation within National and County governments; undertake relevant and timely policy research and analysis; serve as a point of policy engagement and communication on public policy; and develop and maintain a reservoir of knowledge on public policy in contributing to the achievement of national development goals. The Institute operates under The National Treasury and Planning.

As part of its governance, the Institute in 2018/19 welcomed a new Board of Directors gazetted in September 2018. The Board comprises professionals drawn from both the public and private sector with representation from the The National Treasury and Planning; Ministry of Industry, Trade and Cooperatives; universities, private entities, and special interest groups. The Board underwent an induction on KIPPRA's mandate and on the Mwongozo Code of Conduct, a Code of Governance for State Corporations that provides a framework embodying Board charters, Codes of conduct, professional ethics and performance management.

### 2. PRINCIPAL ACTIVITIES

The 2018/19 saw the Institute mark the end of its third Strategic Plan (2013/14-2017/18) and begin implementation of its fourth Strategic Plan 2018/19-2022/23 themed "*Thinking Policy Together*". The Strategic Plan has focused on five key result areas, namely: *Capacity Development for an Efficient and Accountable Public Policy Making Process; Quality, Relevance and Responsiveness of Policy Research and Analysis; Policy Engagement, Outreach and Impact; Financial and Institutional Sustainability; and Leadership and Integrity*. The Plan also defines an "EASIER" business model encapsulated in the strategic model to achieve implementation of all goals and activities in the Strategic Plan in an *Efficient, Accountable, Sustainable, Innovative, Effective and Responsive (EASIER)* manner.

Over the last ten years, significant progress has been made in implementing the Kenya Vision 2030. KIPPRA's Strategic Plan coincides with the implementation of the Third Medium Term Plan with a focus on the "*Big Four*" initiatives. KIPPRA is committed to supporting the government to achieve its long-term development goals through effective implementation of policies and strengthening of devolution by developing and scaling up capacities in the public policy process for county governments to effectively deliver on their mandate.

For 2018/19, the Institute focused its activities on five broad strategic areas, namely: i) Capacity development in public policy process; ii) Public policy research and analysis; iii) Dissemination, networking and partnerships; iv) Knowledge Management; and v) Financial and operational sustainability of the Institute.

## **2.1. Developing Capacities in Public Policy Research and Analysis**

In line with its mandate to develop capacities in public policy research and analysis and assist the Government in policy formulation and implementation, four (4) capacity building programmes were implemented during the year under review. These are the Young Professional Programme (YPP), the Public Policy Making Process (PPMP), the KIPPRA Mentorship for Universities (KMPUs), and the Creating an Enabling Environment for Private Sector (CEEP).

### **2.1.1. Young Professionals Programme**

During the period under review, the Institute engaged 15 Young Professionals drawn from both government and the private sector. The YPs underwent a rigorous training on public policy process making process, research methods, governance structures in a devolved system of government, KIPPRA Treasury Macroeconomic Model (KTMM), and tools for policy analysis. In addition, they also undertook a review of the Vision 2030 and the National Budget. On completion of the programme, the YPs completed the following seven (7) research papers under the research theme "*Improving Productivity of the Informal Sector in Creating Decent Jobs for Youth*":

- i. Informal sector's response to shocks: Lessons from Kenya
- ii. Institutional structures governing the informal sector in Kenya
- iii. Factors that determine choice of product market for businesses in informal sector in Kenya
- iv. Effect of business environment on productivity of informal manufacturing enterprises in Kenya
- v. Improving Kenya's informal sector by technology adoption and innovations
- vi. Determinants of informality in the informal sector in Kenya
- vii. Gender productivity gap in the informal sector

### **2.1.2. Public Policy Making Process**

In the past, capacity building on the public policy making process in government has mainly focused on the Executive arm of government. Recognized were gaps in the Judiciary and the Legislature, especially in appreciating the policy making process and implementation. KIPPRA developed the PPMP programme to fill capacity gaps identified during a rapid appraisal on training needs in public policy making process in counties, which determined that there was a high demand for training in budget making, policy formulation, research methods and tools, public policy analysis, report writing, forecasting, proposal writing, data collection and analysis, linking research and policy, among others.

The programme aims to equip officers with skills on public policy formulation, implementation, monitoring and evaluation. During the year under review, four (4) training sessions on public policy making process were offered to 89 participants representing institutions from the National and County Governments, and NGOs. Other institutions included Society of Clerks-At-The-Table in Kenyan Legislatures (SOCATT) and the Retirements Benefit Authority (RBA).

The programme has elicited demand through requests for tailor-made programmes such as training on drafting bills on cooperatives for various counties. To meet such demand, the Institute will, going forward, develop bespoke training programmes around the public policy process to meet the demands of various organizations.

### **2.1.3. KIPPRA University Mentorship Programme**

KIPPRA launched the Mentorship Programme for Universities (KMPUs) in August 2018, at Strathmore University. The programme was developed out of the need to revamp intellectual exchanges on public policy among policy makers and the university community. It also aims to support researchers in universities to prioritize their research so that they can make contribution to emerging policy issues, and sensitize university students and lecturers on government agenda and public policy process. Some of the programme activities entail sensitization on the development agenda and an essay writing competition targeted at university students to debate in detail what the "Big Four" agenda entails and how it is aligned to the Kenya Vision 2030.

The KMPUs Programme was subsequently held at the Maasai Mara, Karatina and Masinde Muliro universities in November 2018, February 2019 and March 2019, respectively, with other Universities from the region participating. This included Kisii, Kenya Highlands, Kirinyaga, Kenya Methodist, Dedan Kimathi, Umma, Kibabii, Jaramogi Oginga Odinga, Kenyatta, Daystar, Riara and Aga Khan universities, among others. The programme has so far reached over 1,200 students and lecturers across these universities.

In June 2019, the Institute held a students' side event during its 2<sup>nd</sup> KIPPRA Annual Regional Conference in Mombasa themed '*Gender Dynamics in Institutions of Higher Learning* where 120 students participated. Key highlights from the discussions is that the youth acknowledge that many efforts have been made to close the gender gap and achieve parity, but more needs to be done through mentorship, internship and industrial attachment opportunities to give both boys and girls equal platforms.

### **2.1.4. Creating an Enabling Environment for Private Sector**

County governments play a critical role in the achievement of national development agenda. Counties are tasked with, among many other responsibilities, expanding livelihood opportunities for communities and enabling private sector participation. Therefore, county government capacities to make prudent policies and prioritize interventions is what the Creating an Enabling Environment for Private Sector (CEEP) capacity building programme aims to achieve by empowering officers to create legislation and policies that foster a conducive environment for the private sector to thrive.

KIPPRA in collaboration with the County Assemblies Forum (CAF) launched the CEEP programme in January 2019 and in May 2019 the programme manuals were presented in a stakeholders workshop. The programme will be rolled out in 2019/20 in various counties.

## **2.2. Public Policy Research and Analysis**

KIPPRA continues to execute its mandate of supporting the public policy process by undertaking independent and objective programmes of research and analysis, including macroeconomic, inter-disciplinary and sectoral studies on topics affecting public policy.

In the year under review, the Institute conducted thematic research aligned to the “Big Four” initiatives and produced 107 research outputs including 7 discussion papers, 77 policy briefs, 11 client reports and 13 special papers and other reports. Some of the recently completed research outputs are highlighted below.

### **2.2.1. Kenya Economic Report (KER) 2019**

The Institute has a statutory obligation to prepare an annual economic report to be “*tabled before the National Assembly by the Minister in charge of National Development Planning.*” Since 2009, the Institute has been publishing the Kenya Economic Report (KER), which analyses the state of Kenya’s economy in the preceding year, and economic forecasts for the next three years. In addition, the report benchmarks Kenya’s performance against comparator and selected countries. The report is prepared in consultation with the Ministry of Devolution and Planning; The National Treasury; and the Central Bank of Kenya.

Over the years, the KER has carried several themes on policy areas in poverty reduction, unemployment, regional economic integration, investments and institutions to support delivery of the Kenya Vision 2030, devolution, and resource mobilization in support of national development agenda.

In the period under review, the Institute prepared the Kenya Economic Report 2019 themed “*Resource mobilization for Sustainable Development of Kenya*”. The report was motivated by the recommendations of Kenya Economic Report 2018 which identified the need to enhance resource mobilization to meet the envisaged investments levels (30% of GDP) towards realization of the Kenya Vision 2030. Thus, the report focused on strategies for mobilizing resources required for effective implementation of the “Big Four” agenda and raising the development status of the country as envisioned in the Kenya Vision 2030. The report highlights recommendations on how Kenya can industrialize to accelerate economic growth, the need for strategies to encourage Kenyans abroad to invest at home and to increase diaspora remittances and mobilization of land resources. The final report was submitted to the Cabinet Secretary, The National Treasury and Planning by 31<sup>st</sup> March 2019 as per the statutory requirements.

### **2.2.2. Inter-disciplinary research**

There is growing global attention to analyse key development issues with a focus on gender dimensions of interventions. This is driven by the knowledge that development decisions and practices do affect men, women, boys and girls differently. The KIPPRA-wide research survey 2018/19 on gender and development aimed at evaluating the economic, social, political and institutional constraints that maintain gender disparities in Kenya. The survey sought to establish the linkages between gender programmes and Kenya’s overall development agenda, including the “Big Four” agenda, the sustainable development goals (SDGs), and Agenda 2063. The study that interrogated gender roles in various sectors including private, health and governance among others culminated in the 2019 KIPPRA Annual regional conference held from 11<sup>th</sup> to 13<sup>th</sup> June 2019 in Mombasa, Kenya.

KIPPRA also embarked on a project to review implementation of Kenya’s Vision 2030; identify emerging issues, gaps and challenges; review the development and growth paradigm adopted and structures put in place to support the Vision’s implementation; assess the coordination mechanisms and frameworks across the governance mechanisms and propose a growth path to getting the per capita income growth required to attain an upper middle-income country status by the year 2030. Phase one of the project reviewed the status of implementation of the Vision 2030 and was completed in

the period under review. The second phase will conduct an evaluation of the “*Socio-economic Impacts of Vision 2030*” in the 2019/20.

### **2.3. Thematic Research and Analysis**

Research and analysis activities at the Institute are carried out within seven thematic departments including: Macroeconomics, Productive Sector, Social Sector, Private Sector Development, Infrastructure and Economic Services, Trade and Foreign Policy, and Governance departments.

To ensure that the research and analysis was focused and relevant to current policy issues, the Institute revamped policy surveillance and policy seminars where stakeholders are involved in conceptualization of the research projects.

Among the key research outputs were 47 county briefs on Assessing Health Care Delivery in Kenya under Devolution. This emanated from the KIPPRA study on “*An Assessment of Health Care Delivery in Kenya Under Devolved System*” that sought to assess the changes brought about by some of the key policy reforms aimed at improving the delivery and uptake of healthcare services in the country since accession to devolution in 2013. Further, it determined the extent of interaction between target communities and their respective county governments in planning and budgeting for the delivery of health care.

The institute under a collaborative effort with UNICEF to address children’s issues also produced various reports on Child Sensitive Planning and Budgeting, including county briefs for Nairobi, Kisumu and West Pokot. A national brief and 5 sectoral briefs were also produced. A training programme on Child Sensitive Budgeting will be rolled out in 2019/20.

In 2018/19, KIPPRA developed a County Business Environment for MSEs (CBEM) framework to facilitate in identifying key issues that require policy interventions in creating an enabling environment for the MSEs sector.

The study covered 42 counties and used 20 indicators using the Distance to Frontier approach (DTF) to rank the counties. The framework covers five areas critical for smooth operations of MSEs, including: worksites and adequacy of their infrastructure; market environment; financial and technical capacity; and governance and regulatory framework. The findings were disseminated during the 6<sup>th</sup> Annual Devolution Conference held in Kirinyaga County in March 2019.

KIPPRA in collaboration with the World Bank and with financial support by IDRC conducted a Public Expenditure and Financial Accountability (PEFA) assessment on six counties: Kajiado, Baringo, Makueni, West Pokot, Nakuru and Kakamega. The objective was to strengthen the public financial management systems of county governments to increase efficiency in use of public resources and effective delivery of services.

During the year under review, the Institute held validation workshops in the six counties in October 2018 where officers drawn from the counties’ planning, budgeting, audit and finance departments had a chance to interrogate the report and seek clarification on the ranking methodology. A special report and a policy brief were prepared for each of the counties and dissemination forums held.

The Institute also undertook research on “*Transforming Livestock Production through Systems Thinking Approach: The Case of West Pokot and Narok Counties*” which provides a preliminary insight into the application of system thinking in analysing

smallholder beef production in Kenya. The paper uses systems dynamics to show the interaction between the livestock sector and the rest of the economy. It identifies key areas to leverage on interventions, which include increasing feed availability by planting high quality grass, re-seeding in the arid areas, applying feed preservation technologies, implementing herd replacement strategies that are critical for maintaining a desirable animal sale rate, and selecting good animal breeds to improve the quality and quantity of the output.

In 2018/19, the Institute completed research addressing the issue of firms and households coping mechanisms to mitigate the impact of droughts and floods. The findings of the study "*Firms Coping Mechanism and Resilience to the Impact of Drought and Floods*" indicate that firms employ multiple coping mechanisms including use of formal and informal finance, sustainable and unsustainable non-finance coping measures. The firms' choice of coping measures varies by firm-specific characteristics, geographical characteristics and the sector in which the firms operate. Moreover, the use of finance and sustainable non-finance coping mechanisms tend to be complementary, suggesting the importance of deepening use of financial instruments as a strategy for building firm resilience to the impacts of droughts and floods.

Firms reporting higher operating costs through weak infrastructure are less resilient. This calls for deepening use of financial instruments, tailoring interventions to firm-level characteristics and the need to enhance efforts in building resilient infrastructure.

On the other hand, in the study "*Households Coping Mechanism and Resilience to the Impact of Drought and Floods*", households use multiple coping mechanisms including finance and non-finance coping measures. The use of market-based coping mechanisms, including credit and insurance, is low owing to low and variable household incomes; financial illiteracy; high costs of credit and insurance premiums; and slow response of financial institutions to adapt products to the dynamics of droughts and floods. Access to climate information through modern media tends to foster household resilience. Further there exists multiple institutions and policies aimed at households' climate change adaptation and resilience, which underscores the importance of effective institutional coordination. Linking customary and formal institutional arrangements are demonstrated to have positive results in building household coping mechanisms and resilience. Designing and deepening of market-based coping mechanisms requires partnerships among the financial institutions, research institutions, development partners and the government.

On governance issues, the Institute published the research on "*Tracing the Path to Transformative Leadership in Public Sector in Kenya*" The paper traces the efforts made over time in promoting transformative leadership in the public service in Kenya. It looks at the policy, political and institutional environment surrounding public service delivery in Kenya in identifying factors demonstrating and promoting leadership in the public sector. It also identifies strategies used to nurture and strengthen transformative leadership and analyzes key indicators that point to the outcomes of the reform efforts in public sector. The key principles of transformative leadership including ethical standards, values of integrity, welfare of people, attitudinal change, and stimulating and inspiring leaders guided the discussions in the paper.

#### **2.4. Demand-driven and Contracted Research Work**

The State Department for Planning commissioned a study to assess the level of awareness, knowledge of, and attitudes towards the SDGs among members of the public in Kenya.

KIPPRA in collaboration with the Department carried a study in all the 47 counties of Kenya. The key rationale for the study was the recognition that building awareness and engaging all local stakeholders at both the national and county levels on the Kenya Vision 2030 and SDGs is a critical initial and ongoing step in successful implementation. Beyond awareness, a similar level of understanding among government and non-government stakeholders is important. This means reaching out to all levels and sectors with information tailored to their specific functions, roles and responsibilities. The study is designed to provide policy makers with appropriate policy recommendations at county and national level towards promotion of knowledge, attitude and awareness creation on SDGs among the public in Kenya. Two reports, *Report on Sustainable Development Goals (SDGs) Awareness in Nairobi County* and *Assessment of SDG Awareness Across Counties* were prepared and submitted to the Ministry.

KIPPRA, in collaboration with the Agricultural Finance Corporation (AFC), undertook a national baseline survey aimed at understanding access to agricultural finance by women in Kenya. The survey emanated from the recognition of the important role played by women in Kenya's agriculture sector and their vital role in ensuring family food security. The survey was guided by various objectives, among them to establish the status of access to agricultural finance by women in the country, to assess the level of awareness of different agri-finance channels among women and evaluating the needs, constraints, priorities and the level of satisfaction in agri-financing among women in Kenya. The baseline data will facilitate monitoring of impact and transformational development for women funded projects under Women Affirmative Access Window (WAAW), and the finalization of the Women Economic Empowerment Draft Strategy by the State Department of Gender Affairs (SDGA). The ultimate output due to be finalized in the coming financial year will inform the government's development agenda of increased agricultural productivity, boosting food and nutrition security.

The Institute undertook a survey on corruption perceptions, practices and mitigation measures for the Water Sector Trust Fund (WSTF) in nineteen (19) counties. Respondents were drawn from WSTF management, staff and stakeholders. The findings of the survey inform policy making in the fight against graft at the WSTF and provide a framework for improving governance in water resources management and service delivery and youth. The final report was completed and submitted to the Water Sector Trust Fund (WSTF).

KIPPRA in collaboration with the National Treasury and Planning, the Ministry of Health, and the Ministry of Education, supported by UNICEF, and World Food Programme are undertaking a study on the Cost of Hunger in Kenya. The study comprises a series of training sessions supported by the National Treasury and the World Food Programme and is expected to provide a measure of the effects of child undernutrition on health, education and labour productivity. In an expected analysis of various scenarios, the study will estimate the cost of achieving the objectives spelt out in the SDGs on elimination of hunger. The findings of the study will be useful in leveraging support for appropriate investments in nutrition, especially for children, and will provide further research/policy evidence for food security, which is one of the four components of the "Big Four" agenda.

KIPPRA in collaboration with The National Agency for the Campaign against Drug Abuse (NACADA) undertook a survey on *Status of Drugs and Substance Abuse among Primary School Pupils in Kenya* in 25 representative counties across eight regions in Kenya. The objectives of the survey were to examine the knowledge and attitudes of drugs and substance abuse among primary school pupils in Kenya; evaluate the extent of availability and access to drugs and substances of abuse; determine the prevalence of drugs and substance abuse among primary school pupils in Kenya; document the risks and protective factors associated with drugs and substance abuse and to establish the

effect of life skills indicators on drugs and substance abuse. The final report was launched on 19<sup>th</sup> June 2019.

KIPPRA signed a grant agreement with CAPEC on IDRC'S Project: "*Economic Inclusion of Young People and Women through Inclusive Entrepreneurship: Case of Kenya*". The overall objective of this project is to analyse the contribution of inclusive entrepreneurship to young people and women well-being in Cote d'Ivoire, Burkina Faso and Kenya. Findings from this project are expected to provide useful insights for governments to implement incentives and support mechanisms to mainstream the practice of inclusive entrepreneurship while maximizing its impact on vulnerable groups, including women and youth. Three (3) Think Tanks including KIPPRA, the Economic Policy Analysis Unit of CIRES (CAPEC) of Cote d'Ivoire, and the Laboratory of Quantitative Analysis Applied to Development - SAHEL (LAQAD-S) in Burkina Faso are involved in the execution of the project. This is a three-year project managed on behalf of the three (3) countries by CAPEC.

In keeping with the economic inclusion theme, the Institute in collaboration with the University of Cape Town conducted a study entitled "*Building Economic Complexity in Kenya: Laying the Foundation for Expanding Economic Opportunities for Women and Youth*". The objective was to provide policy options and channels through which Kenya can achieve structural transformation in a way that expands economic opportunities for disenfranchised youth and women. It involved a detailed analysis of the degree and extent of economic complexity and product space, to provide concrete policy options that enable Kenya to move from low productivity to high productivity-high growth sectors, which in turn would generate broad-based employment opportunities.

Further a study on "*Coastal Tourism and Economic Inclusion in Indian Ocean Rim Association States*" was concluded. The research assessed the potential for expanded economic inclusion through promoting the participation of local entrepreneurs as small and medium-sized enterprises (SMEs) in the coastal and marine tourism, thereby contributing to an equitable and sustainable Blue Economy in the region. Study findings show that: i) mass tourism involving the movement of large numbers of international tourists to enclave beach resorts is detrimental to inclusive development, as local entrepreneurs are typically excluded from the benefits of the tourism value chain, which is dominated by powerful external (usually international) firms; ii) Targeting the low-budget sector of international tourism and domestic and regional tourists offers appropriate entry points for start-ups and growth of locally-owned SMEs (including marginalized groups such as women and youth), to build on the skills of the local population and self-reliance for community members, all of which are signs of economic empowerment and inclusion, and iii) SMEs face challenges related to provision of quality goods and services, difficulty in managing seasonal fluctuations in visitor numbers, low investment in research and product development, which hampers innovation and value addition, limited access to funding, which is constrained owing to the high cost of credit, stringent collateral requirements, among others.

The recommendations to address the issues highlighted include improved data to monitor economic inclusion in coastal communities, give prominence in policy related to longer-term coastal and marine tourism sector development and mass international tourism model. There is need to support SMEs to engage within the supply chains of coastal accommodation establishments.

In collaboration with the Kenya Agriculture and Livestock Research Organization (KALRO) and the Ministry of Agriculture, Livestock and Fisheries (MoALF), KIPPRA has been maintaining an Agricultural Public Expenditure database which contains annual data that measures the level and composition of public expenditure in support of food

and agriculture, for the period 2006-2018. The database was developed under the Africa-wide project Monitoring and Analysing Food and Agricultural Policies (MAFAP) Programme. The objective of the project is to generate policy-relevant data for the identification and prioritization of policy issues constraining the agriculture sector. Particular attention was given to the issues constraining price incentives for smallholder producers or resulting in sub-optimal allocation of public expenditure in support of specific commodities or investments with the aim of supporting targeted, government-led policy reform through articulation and assessment of policy options. Regarding public expenditures in agriculture, over the last decade the Government of Kenya has on average spent five (5) per cent of its total budget, this is below the Malabo Commitments (2014), where African governments committed to spend at least 10 per cent of their budget on agriculture. The composition of expenditures points towards improving agricultural productivity, with limited spending on complementary activities such as marketing and market infrastructure.

## **2.5. Policy Intelligence**

Policy analysis is in most cases retrospective and does not always help policy makers make timely decisions. In contrast, prospective or prognostic policy analysis seeks to formulate responses to challenging public policy questions. To this end, the Institute has a framework for policy intelligence that captures trends and patterns of various policy issues affecting the country from various sources. This culminates in various periodic outputs including a quarterly market analysis of the performance of selected financial and sectoral indicators, a quarterly Policy Monitor (newsletter) authored by staff and which addresses various issues, and Policy Seminars that create a forum for public policy issues to be debated by all staff.

## **2.6. Policy Engagement, Dissemination and Networking**

KIPPRA disseminates its research findings through a wide array of channels. These include workshops, seminars, roundtables and conferences, distribution of publications to stakeholders, including foreign missions; availing outputs through the website, participation in exhibitions and book fairs; and publishing media articles and blogs.

During 2018/19, the Institute held 66 roundtables with various government agencies, the private sector, international organizations and NGOs to discuss various policy issues and areas of engagement. Notably, KIPPRA in collaboration with the Ministry of Agriculture, Livestock, Fisheries and Irrigation; State Department for Crops Development; and other partners such as the Kenya Agricultural and Livestock Research Organisation (KALRO), KEPHIS, Kenya Markets Trust, Egerton University, among others, organized the Kenya Fertilizer Roundtable (KeFERT) in October 2018.

### **2.6.1. Policy seminars, workshops and conferences**

One of the Institute's core mandate is to organize symposia, conferences, workshops and other meetings to promote the exchange of views on issues relating to public policy research and analysis.

The Institute organized 27 dissemination functions with both national and county governments, and Non-State actors to disseminate KIPPRA research findings including workshops for studies on *Assessing the Efficacy of Anti-corruption Strategies in Kenya*; *a National Strategy on the Coordination of Kenya's MSE Sector*; and *Including Women and Youth in Business and Entrepreneurship* among others.

Some of the most prominent dissemination forums are highlighted below:

In November 2018, KIPPRA hosted the Kenya Think Tanks Forum with the theme “*Role of Think Tanks in Delivering the Big Four Agenda*”. The forum aimed at building synergies in public policy while providing a platform for discussing opportunities to strengthen networking of think tanks in Kenya in sharing knowledge and contributing to the national development agenda. The forum assisted to identify the role of Kenyan Think Tanks in the policy arena and provided an analysis of Think Tanks in steering the “Big Four” Agenda, and ways to enhance collaboration of the different think tanks in policy formulation process. A key action point from the forum is to have an Annual Think Tank forum in November.

In the year under review, the Institute hosted visiting speakers and students from Somalia, and the United Kingdom. KIPPRA hosted a delegation from the Puntland, State of Somalia in November 2018. The purpose of the visit was to learn about KIPPRA and how it participates in the public policy process in Kenya. The visiting team expressed interest in building future partnerships with the Institute, especially on training and capacity building. In February 2019, the Institute hosted a team of 15 economics students and 4 professors in Economics from the University of Edinburgh who visited the institute to learn more about KIPPRA’s history and projects; gain a perspective on Kenya’s economy, politics and international relations; and on potential opportunities and solutions to problems in the Kenyan economy.

Further, the Institute hosted Prof. Victor Murinde, AXA Chair in Global Finance Director, Centre for Global Finance at School of Oriental and African Studies (SOAS), University of London, who visited the Institute in December 2018 to present a paper investigating the impact of climate vulnerability on bond yield using indices from the Notre Dame Global Adaption Initiative titled “*Climate Vulnerability and the Cost of Debt*” and to explore possible areas of collaboration. In addition, Dr Rebecca Simson, a research fellow in economic history at the London School of Economics also presented her paper on *Africa’s clientelist budget policies revisited: Public expenditure and employment in Kenya, Tanzania and Uganda, 1960–2010* in March 2019.

The Africa Capacity Building Foundation (ACBF) in collaboration with the Government of Kenya and KIPPRA hosted the 6<sup>th</sup> African Think Tank Summit between 24<sup>th</sup> and 26<sup>th</sup> April 2019 in Nairobi. The theme of the summit was “*Tackling implementation challenges for Africa’s sustainable development*”. The summit, which attracted government and think tank representatives from more than 50 African states, was officially launched by the Treasury and Planning Cabinet Secretary, Henry Rotich.

The summit recognized that African think tanks if given more support in view of their role in shaping policy and public life have a key role to play in contributing towards tackling policies and programme implementation issues. Among other resolutions, the summit called upon ACBF as the specialized agency of the African Union for capacity development to coordinate the development of a capacity development programme on implementation of policies and programmes in Africa.

The year 2017/18 marked a milestone for the Institute in organizing the first Annual Regional Conference from 5-7 June 2018 at the Hilton Hotel. In 2018/19, KIPPRA successfully hosted the 2<sup>nd</sup> KIPPRA Annual Regional Conference between 11<sup>th</sup> and 13<sup>th</sup> June 2019 in Mombasa, Kenya. This was achieved with the support of strategic partners including the Government of Kenya. The conference was themed: “*A gendered approach to unlocking the potential for sustainable development.*” The objective of the conference was to provide a forum for policy makers, implementers, development partners, citizens, data producers and data users to discuss the development agenda from a gender perspective with a view to identifying gender gaps.

The conference noted that although there are a plethora of policies, laws, regulations and administrative practices addressing gender issues, there is need to cover more miles to achieve impact seeking solutions, and unlocking the potential for sustainable development and in enshrining the gender aspect in key development policies, especially during design and implementation of the “Big Four” agenda of food security, affordable housing, manufacturing, and universal health care. Participants expressed concerned over the lack of political goodwill to ensure compliance with constitutional requirements on gender equality. It was also noted that gender-centred interventions suffer from inadequate resources. Further, there are no clear and coordinated mechanisms for collecting gender-disaggregated data, thus making policy making ineffective. The participants noted that much more needs to be done for the country to achieve the goal of gender equality as envisaged in the Sustainable Development Goal No. 5 and other related SDG goals.

## **2.7. Advisory and Technical Services**

KIPPRA networks with government ministries, departments and agencies through policy working groups and taskforces on different policy issues. Through these forums, the Institute can provide policy advice and pick up views and policy concerns of the government.

During the period under review, the Institute participated in 33 taskforces and working groups supporting various MDAs, including formulating policies to guide the management of narrow roads in Kenya; mainstreaming use of local resources in the development and maintenance of roads, among others.

The Institute was part of the National Youth Policy Technical Working Group that drafted the 2019 Kenya Youth Development Policy whose main objective is to mainstream youth issues in all sectors of national development. The working Group was convened by the Ministry of Public Service, Youth and Gender Affairs, State Department for Public Service and Youth.

In addition, KIPPRA was part of the taskforce constituted by the Ministry of Information, Communication and Telecommunication to draft the Data Protection Policy and Bill. Having not had laws on data protection in Kenya, the Policy seeks to address issues of inadequate local storage centers, cross-border transfer of sensitive personal information and the role and powers of the planned information regulator, among other issues.

In the period under review, the Institute also provided technical support to the Ministry of Industry, Trade and Cooperatives in the EAC Technical Working Group, the ACFTA Working Group and the Trade in Services Technical Working Group in the on-going trade negotiations in the EAC, COMESA, AGOA and the African Continental Free Trade Agreement (ACFTA).

## **2.8. Knowledge Management**

Knowledge management facilitates the Institute in conducting objective research and policy analysis and communicating findings and recommendations by capturing, developing and storing individual and institutional knowledge, and by putting in place mechanisms for sharing experiences and lessons learnt for integration and continuous improvement and for future reference.

### **2.8.1. Development of a reservoir of research resources on public policy**

Kenya lacks a centralized repository for public policies and KIPPRA has a core mandate to develop and maintain reservoir of research resources on public policy. To this end, a draft policy to establish the repository was developed and so far, 150 public policies have been collated. The policy will be completed, and the repository established in 2019/20.

### **2.8.2. Publication control**

The Institute is mandated to develop and maintain a reservoir of research resources on public policy and related issues. In the period under review, the library continued to serve the public with information and disseminate KIPPRA publications. In updating library resources, 116 new books were acquired. Further, the documentation centre has the function to distribute publications and during year distributed 18,556 publications at the conference, workshops, policy seminars and exhibitions that the Institute participated.

### **2.8.3. Records management**

The Institute embarked on rigorous process to manage its records and information. The Records Management Policy that was approved by the Board establishes a central registry and envisages to have all Institute's documents digitized by end of 2019/20.

### **2.8.4. Research data management**

Collecting and analysing relevant data on public policy issues is an important function for the Institute. In this regard, KIPPRA is transforming its research databases and in 2017/18 established a Research Data Management committee to identify and document data needs and data gaps, ensure that research data is captured, organized and processed in a consistent manner, and packaging of research datasets are accessible.

## **2.9. Institutional Sustainability**

### **2.9.1. ISO 9001:2015**

The Institute transitioned from ISO 9001:2008 to ISO 9001: 2015 in April 2018. During the year under review, two internal and one SGS surveillance audit were done. The Institute reviewed some of its policies such as the Young Professional Policy and Records Management Policy and developed drafts on new policies such as the KIPPRA Public Policy Repository. In addition, the Institute continued preparations for certification under the ISO/IEC 27000 standard for Information Security Management Systems (ISMS). In this regard, several champions were trained, and top management sensitized. A draft ISMS policy was developed and is awaiting presentation to management and Board.

### **2.9.2. Partnerships**

Prior to the year 2000, the Government of Kenya had been relying on expatriate expertise in developing tools for macroeconomic policy analysis. Thus, right from inception, KIPPRA developed a macroeconomic modelling tool for Kenya, the KIPPRA-Treasury Macroeconomic Model (KTMM), which was developed in 2000 as an economic forecasting tool used by the government in preparation of the fiscal strategy paper and the Budget Outlook Paper, thus improving the budget-making process in Kenya. The model has been improved over the years and has been used to run numerous simulations to gauge the impact of specific government policies, such as provision of Free Primary Education.

KIPPRA is collaborating with Statistics Norway (SSB) to develop a Supply-side Macroeconomic model toolkit for Kenya, encompassing different economic sectors including the petroleum sector and the blue economy. This is part of the wider Oil for Development (OfD) programme that has been ongoing since 2014 between the Kenyan government (represented by Ministry of Energy) and Norwegian government institutions (Represented by the Ministry of Petroleum – Norway). The programme is based on a multi-sectoral approach involving several Kenyan government institutions, including the Ministry of Energy, its State Departments and agencies, The National Treasury and Planning, Kenya Revenue Authority (KRA), Central Bank of Kenya (CBK), Kenya National Bureau of Statistics (KNBS), Kenya Institute for Public Policy Research and Analysis (KIPPRA), Ministry of Environment and Natural Resources, among others. A programme document between Kenyan and Norwegian governments is finalized but yet to be signed by both Governments to allow the complete roll-out of the programme.

For KIPPRA, the key objective of this collaboration is to establish modelling tools that meet the requirements for the supply-side of the Kenyan economy. This will help to introduce supply-side equations for production factors (mainly labour, capital stock and productivity) to simultaneously determine the value added by industry/sectors and the demand-side components anchored in the existing KIPPRA-Treasury Macroeconomic Model (KTMM).

KIPPRA also established partnership with the European Commission Joint Research Centre on Computable General Equilibrium modelling in developing a single country CGE model for Kenya in strengthening and broadening the scope of impact analysis. When complete, the model will provide accurate forecasting for the Kenyan economy and agility in providing sectoral forecasts and estimates, which are integral in macro-fiscal policy space.

The Institute has also partnered with other institutions such as UNWOMEN, Uraia, SDG Kenya Forum and County Government of Mombasa to host the 2019 Annual Regional Conference, Africa Capacity Building Foundation (ACBF) to host the Africa Think Tank Summit, and County Assembly Forum and several universities to roll out the Institute's capacity building programmes. Other institutions that KIPPRA has established Memorandum of Understanding include the NGO Coordination Board, the SME Support Centre Limited, Kenya School of Law for a study on factors influencing students' performance in Kenyan Bar Examinations, the Kenya Space Agency on developing their strategic plan, and the Capital Markets Authority for joint research activities for three years focusing on "Deepening Kenya's capital markets through evidence-based policy making".

### **2.9.3. Performance Contract**

The KIPPRA 2017/18 Performance Contract (PC) evaluation took place on Tuesday 27<sup>th</sup> November 2018 at the Institute's offices. The goal of the evaluation was to ascertain KIPPRA's performance in the 2017/2018 financial year as per the targets set. The Institute achieved a composite score of 3.0894. Unlike previous years when the evaluation was carried out outside the Institute, the exercise took place at KIPPRA to enable the evaluators easily access and verify the indicated evidence. The exercise provided staff with an opportunity to understand and identify data for assessing the Institute's performance.

For the year under review, the Institute implemented various innovations to enhance service delivery, including acquiring an automated module of the internal audit system; E-board system; installation of SMS alerts; and the PABX. The service charter was also translated to braille to meet the needs of customers that may be visually impaired. The

Institute is also in the process of automating monitoring and evaluation to enhance efficiency in reporting activities.

A total of Ksh 38,707,509 of the procurement budget went to the youth, women and PWDs in line with 30% AGPO allocation. Women were awarded 61 contracts amounting to Ksh 20,055,607, the Youth 47 contracts amounting to Ksh 15,512,737 and 17 contracts were awarded to PWDs amounting to Ksh 3,139,165 which surpassed the 2% target for their category by Ksh 2,239,165. The Institute also in compliance to awarding at least 40% of the total value of the procurement budget to goods and services produced locally awarded Ksh 102,904,927 against an annual target of Ksh 42,548,594.

Regarding human resources, a total of 18 interns and attaches were engaged during the financial year in various departments, including in Trade and Foreign Policy, Office of the Executive Director, Legal, Strategy and Planning, Capacity Building, among others. For the year 2018/19, various staff trainings identified from the skills gap analysis were undertaken. Staff were trained on leadership, ICT and research technical courses including CGE modelling, Panel Data, Time series analysis with application in macroeconomics and Impact Analysis. In promoting a KIPPRA culture, staff participated in team building in Mombasa in May 2019.

## X STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and the State Corporations Act, Section 14 require the Directors to prepare financial statements in respect of the Institute, which give true and fair view of the state of affairs and the operating results of the Institute for the year ended 30 June 2019. The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on 30 June 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of entity's transactions during the financial year ended 30 June 2019, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

### Approval of the financial statements

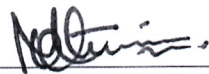
The Kenya Institute for Public Policy Research and Analysis financial statements were approved by the Board of Directors on 28<sup>th</sup> September 2019 and signed on its behalf by:



DIRECTOR



DIRECTOR

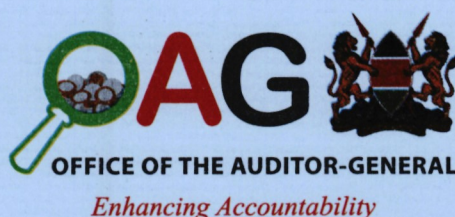


DIRECTOR

**XI STATEMENT OF THE INDEPENDENT AUDITORS ON KIPPRA  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

# REPUBLIC OF KENYA

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## REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE FOR PUBLIC POLICY RESEARCH AND ANALYSIS (KIPPRA) FOR THE YEAR ENDED 30 JUNE, 2019

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### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Kenya Institute for Public Policy Research and Analysis (KIPPRA) set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Institute for Public Policy Research and Analysis as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Institute for Public Policy Research and Analysis Act, 2006 and the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

##### 1.0 Project Income - Rendering of Services

The statement of financial performance and as disclosed under Note 8 to the financial statements, reflects Project income amount of Kshs.35,533,000 (2017/2018 – Kshs.26,461,000). Some of the Projects commenced before the year under review and were spread beyond the current financial year. However, Management did not provide the basis for revenue allocation between the prior years, current financial year and subsequent years for audit review.

Under the circumstances, the accuracy and completeness of the Project income balance of Kshs.35,533,000 for the year ended 30 June, 2019 could not be confirmed.

##### 2.0 Unsupported Drawings from Reserves

The statement of financial performance and as disclosed under Note 7 to the financial statements reflects drawings from reserves of Kshs.26,983,000. This represented

amounts drawn from revenue received in prior years to finance Projects research costs and recurrent vote budget cut of Kshs.21,613,000 and Kshs.5,371,000 respectively. However, Management did not provide for audit review documentations in support of withdrawal approvals.

Under the circumstances, the accuracy and validity of the drawings from reserves of Kshs.26,983,000 could not be confirmed.

### **3.0 Board Expenses**

#### **3.1 Irregular Payment of Board Allowances**

During the year under review the Institute paid Kshs.80,000 to an Officer from the State Corporations Advisory Committee (SCAC) for attending Board meetings. However, the representative of the State Corporations Advisory Committee is not listed as a member of the Institute's Board as per the provisions of Section 7 of the Kenya Institute of Public Policy Research and Analysis Act, 2006.

Consequently, the payment of sitting allowances was irregular and constituted to an unlawful expenditure.

#### **3.2 Failure to Follow the Board Work Plan**

The Institute incurred an expenditure of Kshs.4,259,000 on twenty-two (22) meetings that were not in the approved Board work plan during the year under review. Further, it was also noted that the Human Resource and General - Purpose Committee met twice on 22 May, 2019. These meetings were not in the approved work plan for the Board and no justification was given for holding two meetings in one day. Although the two meetings appeared to have different agenda, Management did not provide evidence by way of notice to Members for the second meeting as required under Clause E(5) of Mwongozo.

Consequently, the validity of the Board expenses figure of Kshs.23,234,000 for the year ended 30 June, 2019 could not be confirmed.

### **4.0 Inaccurate Provision for Impairment**

The statement of financial position and as disclosed under Note 17 to the financial statements reflects receivables from exchange transactions balance of Kshs.23,970,000. Included in the balance is provisions for impairment amount of Kshs.31,835,000 arising from accrued Project income from various organizations made by the Institute and for which the same provision had been made in the previous financial year. According to the Institute's accounting policies, a financial asset is deemed to be impaired if there is objective evidence of impairment as a result of events that have occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. However, information provided for audit indicated that out of the total debt impaired of Kshs.31,835,000, an amount of Kshs.24,473,675 related to avoidable losses occasioned by actions of breaches of contract as a result of delays in submission of unsatisfactory quality outputs contrary to the agreed contractual obligations.

Consequently, the accuracy of the provision for impairment of Kshs.31,835,000 could not be confirmed.

#### **5.0 Unsupported Drawing from Retained Earnings**

The statement of financial performance and as disclosed under Note 7 to the financial statements reflects an amount of Kshs.26,983,000 in respect of drawings from retained earnings. Management has not provided approvals for withdrawal from retained earnings for audit verification.

Consequently, the validity of the drawings from retained earnings amount of Kshs.26,983,000 could not be confirmed.

#### **6.0 Unauthorized Reallocation and Utilization of Funds**

During the year under review the Institute was allocated development grants amounting to Kshs.52,236,486 in respect of acquisition for a capital project of its Headquarters offices. However, the funds were reallocated to recurrent operations. Further, the management used a total of Kshs.19,111,000 restricted capital expenditure funding brought forward from the previous year on recurrent operations Management did not provide approvals for the reallocation of funds for audit verification.

Under the circumstances, the validity of the reallocation of funds amounting to Kshs.71,347,486 could not be confirmed.

#### **7.0 Unsupported Motor Vehicle Repair Expenses**

The statement of financial performance and as disclosed under Note 15 to the financial statements reflects motor vehicle expenditure of Kshs.1,840,000. The amount includes payments of Kshs.530,903 in respect of motor vehicles repairs and services. The payments had no supporting documents to confirm how the service provider was identified and signed contract document to show the terms of engagement between the institute and the service provider.

Under the circumstances, the validity of the motor vehicle expenses of Kshs.1,840,000 for the year ended 30 June, 2019 could not be confirmed.

#### **8.0 Progress on follow up of Auditor`s Recommendations**

In the previous financial year 2017/2018 audit, several issues were raised which formed the basis for the audit opinion. The progress on follow up of auditor recommendations indicates in some instances that some issues were resolved whereas they were still outstanding.

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

## **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Irregular Procurement of Conference Facilities**

The Institute procured conference facilities for workshops under research costs at a contract cost of Kshs.49,041,000. Included in this contract was an amount of Kshs.4,377,768 incurred through the direct procurement of the Conference facilities. Management did not provide justification for use of the direct procurement method contrary to the preference of Section 91(2) of the Public Procurement and Asset Disposal Act, 2015.

The Institute was therefore in breach of law.

#### **2.0 Unremitted taxation – Conference facilities**

Various payments for services rendered on Conference facilities were made amounting to Kshs.12,076,208 and charged to various expenditure items. However, tax due from those payments amounting to Kshs.711,952 was not deducted and remitted to the Kenya Revenue Authority as required under the Income Tax Act. Management did not provide explanations for the non-compliance which might lead to interests and penalties being levied to the Institute.

Consequently, the Institute was in breach of law.

#### **3.0 Irregular Rent Agreement**

The Institute paid office rent and service charge of Kshs.19,471,486 based on the of letters of offer for the office space on 7<sup>th</sup> and 2<sup>nd</sup> floors respectively. Further, in the letters of offer, the landlord stated that the terms of the offer remained subject to lease and until the execution of a formal lease was made, no contractual obligation would arise. Management did not provide evidence that a formal lease agreement had been signed and registered with the relevant Ministry.

Under the circumstances, Management was in breach of law and in the event of the landlord failing to meet contractual agreement, the Institute may not have recourse.

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

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

### **Basis for Conclusion**

#### **Imprests Management System - Incomplete Records**

Review of the general ledger provided for audit revealed that the Institute had incurred an amount of Kshs.32,463,947 on subsistence allowances through temporary imprest to staff on various occasions. However, the Imprest Register presented for audit lacked detailed information such as the details of the imprests holders, imprests dates and individual amounts issued, the imprests due and actual surrender dates.

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 (Accrual Basis) and 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 Institute's ability to continue sustaining 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 dissolve the Institute or to cease operations.

The 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 Institute's financial 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 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 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 Institute'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 Institute to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute 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.



**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**14 September, 2021**


## XII STATEMENT OF FINANCIAL PERFORMANCE

	Notes	2019 Shs'000'	2018 Shs'000'
<b>Revenue from non - exchange transactions</b>			
Transfers from government – gifts and services-in-kind	6	351,122	327,937
<b>Revenue from exchange transactions</b>			
Rendering of services	8	35,533	26,461
Finance income - external investments	9	19,114	1,833
Other income	10	2,848	2,492
		<u>57,495</u>	<u>30,786</u>
Drawings from reserves	7	26,983	5,994
<b>Total revenue</b>		<u>435,600</u>	<u>364,717</u>
<b>Expenses</b>			
Employee costs	11	(197,080)	(189,598)
Depreciation and amortization expense	12	(10,647)	(7,281)
Repairs and maintenance	13	(2,252)	(1,527)
Research Costs	14	(126,114)	(89,841)
General expenses	15	(76,165)	(75,851)
Board Expenses	27(iii)	(23,234)	(144)
<b>Other gains</b>			
Gain on foreign exchange transactions		9	1,177
Gain on Disposal of property and equipment's		99	202
<b>Net surplus for the year</b>		<u>108</u>	<u>1,854</u>
<b>Total comprehensive income for the year</b>		<u>108</u>	<u>1,854</u>

### XIII STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June	
		2019 Shs'000'	2018 Shs'000'
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	16	329,351	435,818
Receivables from exchange transactions	17	23,970	25,498
Investments in treasury bills	18	389,147	290,011
EFD-Kenya Account	19	4,375	5,002
		<u>746,843</u>	<u>756,329</u>
<b>Non - current assets</b>			
Property and equipment	20	38,262	34,693
Intangible assets	21	4,320	3,129
		<u>42,582</u>	<u>37,822</u>
<b>Total assets</b>		<b><u>789,811</u></b>	<b><u>794,151</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange Transactions/Accruals	23	19,384	7,367
Deferred income	24	284,448	284,448
EFD-Kenya Account	19	4,375	5,002
Other accrued liabilities	25	4,889	4,208
		<u>313,096</u>	<u>301,025</u>
Retirement benefit obligations	22	61,472	50,900
<b>Total liabilities</b>		<b><u>374,568</u></b>	<b><u>351,925</u></b>
<b>Net assets</b>		<b><u>415,243</u></b>	<b><u>442,226</u></b>
Accumulated funds		<u>415,243</u>	<u>442,226</u>

The accounting policies and explanatory notes set out on pages 10 to 30 form an integral part of these financial statements. The Institute's financial statements were approved and authorised for issue by the Board of Directors on 28<sup>th</sup> September 2019 and signed on its behalf by:


  
Executive Director

Dr Rose Ngugi

  
Board Chairperson

Board Chairperson

Dr Linda Musumba

  
Head of Finance

Head of Finance

Juliah Muguro: Reg No 12930

#### XIV STATEMENT OF CHANGES IN NET ASSETS

	<b>Accumulated Funds Shs'000'</b>	<b>Total Shs'000'</b>
<b>Year ended 30 June 2018</b>		
At start of year	440,372	440,372
Total comprehensive income for the year	<u>1,854</u>	<u>1,854</u>
At end of year	<u>442,226</u>	<u>442,226</u>
<b>Year ended 30 June 2019</b>		
At start of year	442,226	442,226
Total comprehensive income for the year	-	-
Drawings from reserves	<u>(26,983)</u>	<u>(26,983)</u>
At end of year	<u>415,243</u>	<u>415,243</u>

## XV STATEMENT OF CASH FLOWS

	Notes	2019 Shs'000'	2018 Shs'000'
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Government grants		315,410	270,903
Development partners grants		35,712	37,156
Rendering of services		35,532	24,461
Retained Earnings		-	5,898
Other Income		2,848	2,492
		<u>389,502</u>	<u>342,910</u>
<b>Payments</b>			
Compensation of employees		197,080	189,598
Research Costs		126,114	89,773
Goods and services		56,614	52,826
Board Expenses	27(iii)	23,234	144
Rent paid		21,778	23,626
		<u>424,820</u>	<u>358,025</u>
Net cash from operating activities		<u>(35,318)</u>	<u>(15,115)</u>
<b>Cash flow from investing activities</b>			
Cash paid for purchase of property and equipment	20	(11,670)	(20,088)
Cash paid for purchase of property and equipment	21	(3,738)	(2,146)
Net movement in financial assets maturing after 91 days		(74,763)	(290,011)
Income earned from Treasury bills investment	9	18,878	1,666
Interest received	9	235	167
Net cash (used in) investing activities		<u>(71,058)</u>	<u>(310,412)</u>
Increase/Decrease in cash and cash equivalents		<u>(106,376)</u>	<u>(325,527)</u>
<b>Movement in cash and cash equivalents</b>			
At start of year		438,718	760,168
Increase/Decrease		(106,376)	(325,527)
Effect of exchange rate changes		9	1,177
At end of year	16	<u>329,351</u>	<u>435,818</u>

## XVI STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustment	Final budget	Actual on comparable basis	Performance difference	Variations %
	2018-2019	2018-2019	2018 - 2019	2018 - 2019	2018 - 2019	
	Shs '000'	Shs '000'	Shs '000'	Shs '000'	Shs '000'	
<b>Revenue</b>						
Think Tank Initiative (TTI)	30,000	0	30,000	35,712	(5,712)	19%
GOK Grant and Subsidies	320,781	(5,371)	315,410	315,410	0	0
Rending Service	94,456	(31,456)	63,000	35,532	27,468	43%
Spending from Retained Earnings	115,000	(48,899)	66,101	45,463	20,638	31%
Finance Income	25,200	0	25,200	21,962	3,238	13%
<b>Total Income</b>	<b>585,437</b>	<b>(85,726)</b>	<b>499,711</b>	<b>454,079</b>	<b>45,632</b>	
<b>Expenses</b>						
<b>Operating Costs</b>						
Compensation of Employees	224,186	(9,806)	214,380	197,080	17,300	8%
Research Costs	140,000	(12,000)	128,000	126,114	1,886	1%
Goods & Services	75,751	(19,356)	56,395	56,009	386	1%
Board Expenses	6,000	18,000	24,000	23,234	766	3%
Finance Costs	500	200	700	604	96	13%
Rent Paid	24,000		24,000	21,804	2,196	
Other Payments (Capital & Development)	115,000	(62,764)	52,236	15,408	36,828	70%
<b>Total Expenditure</b>	<b>585,437</b>	<b>(85,726)</b>	<b>499,711</b>	<b>440,253</b>	<b>59,071</b>	
<b>Revenue from rendering of services</b>	-	-	-	<b>13,826</b>	<b>(13,826)</b>	
(To fund ongoing research work)						

### Notes to the Statement of Comparison of Budget and Actual Amount

#### a. Revenue

- **Think Tank Initiative:** The variance from expected revenue from IDRC for institutional support was as a result of fluctuations in foreign exchange rate. The disbursements were done in Canadian Dollars hence the gain upon conversion to Kenya shillings.
- **Rendering of Services:** The Institute had committed to put more effort in implementation of its core mandate in FY 2019/20 Performance Contract. This resulted in scaling down on consultancy work thus could not realize the budgeted revenue.
- **Spending from retained earnings:** The projected amount during the year was to facilitate completion of contracted research work some of which were not completed during the year as well as supplement any impending for budget cut.
- **Finance Income:** The variance represents unmet projected revenue from investment in Treasury bills.

#### b. Operating Costs.

- **Finance Costs:** The variance represents an under absorption in bank charges.
- **Capital Expenditures:** The variance was as a result of a directive by the Government to centralize procurement of ICT assets in Ministry of ICT. Delays in the formulation of a procurement framework to guide the process affected procurement of ICT equipment's.

## **XVII NOTES ON THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

Kenya Institute for Public Policy Research and Analysis (KIPPRA) is established by and derives its authority and accountability from KIPPRA Act 2006. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide quality public policy advice to the Government of Kenya by conducting objective research and analysis and through capacity building in order to contribute to the achievement of national development goals.

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION - IPSAS 1**

The Institute's financial statements have been prepared in accordance with and comply with International Public-Sector Accounting Standards (IPSAS) and the PFM Act. The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Institute and all values are rounded to the nearest thousand (Ksh '000'). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared based on historical cost, unless stated otherwise and on an accrual basis. The cash flow statement is prepared using the direct method.

### **3. ADOPTION OF NEW AND REVISED STANDARDS**

- a) Public Sector Combinations – IPSAS 40  
Covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3. The Institute does not have business combinations and combinations arising from non-exchange transactions.
- b) First time adoption of Accrual Basis IPSAS - IPSAS 33  
IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs  
The Institute adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity
- c) Separate Financial Statements - IPSAS 34  
It prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements  
The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.
- d) Consolidated Financial Statements - IPSAS 35  
Establish principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

- e) **Investments in Associates and Joint Ventures - IPSAS 36**  
The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The entity does not have investments in associates or joint ventures.
- f) **Joint Arrangements - IPSAS 37**  
Establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The Institute does not have an interest in a joint arrangement and therefore the standard does not apply.
- g) **Disclosure of Interests in Other Entities - IPSAS 38**  
Require an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The Institute does not have interests in other entities and therefore the standard does not apply
- h) **Early adoption of standards**  
The Institute did not early – adopt any new or amended standards in year 2019.

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **a) Revenue recognition**

###### **i. Revenue from non-exchange transactions – IPSAS 23**

###### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or services potential related to the asset will flow to the Institute and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds

Unrestricted grants are accounted for in the period when confirmation of the commitment to pay is received from the donors or the Government of Kenya (GoK).

Grants received for specific purposes are treated as deferred income and only credited to the income and expenditure statement when the activities for which they were provided for have been undertaken.

###### **ii. Revenue from exchange transactions – IPSAS 9**

###### **Rendering of services**

Project income – income earned from rendering of research services, represents income generated from commissioned projects carried out by the Institute and is accounted for on an accrual basis. The income is net of withholding tax, where applicable.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

#### **Interest income**

Interest income is recognized on an accrual basis under the effective interest rate method.

#### **b) Budget information - IPSAS 24**

The original budget for FY 2018-2019 was approved by the National Assembly in June 2018. Subsequent revisions appropriations were made to the approved budget in accordance with specific approvals from the appropriate State department for Planning.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the Institute. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis timing or Institute differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

#### **c) Foreign currency transactions – IPSAS 4**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

#### **d) 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 cash in hand deposits held at call with banks and financial assets of less than 3 months.

#### **e) Property and equipment - IPSAS 17**

All property and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation on other assets is calculated on the straight-line balance basis to write down the cost of each asset, or the re-valued amount, to its residual value over its estimated useful life using the following annual rates:

	Rate %
Computers	33.3
Motor vehicles	25.0
Furniture and fittings	12.5
Office equipment	12.5

Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Intangible assets - IPSAS 31**

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

The costs are amortized on a straight-line basis over the expected useful lives, not exceeding three years.

**g) Financial instruments – IPSAS 29**

**Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Institute determines the classification of its financial assets at initial recognition.

**Loans and receivables**

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

**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Institute has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

### **Impairment of financial assets**

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

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

### **Financial liabilities**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Institute determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of other payables, accruals and staff gratuity fund, plus directly attributable transaction costs.

#### **h) Provisions – IPSAS 19**

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

#### **Contingent liabilities**

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

#### **i) Taxation**

Under section 27 of the Kenya Institute for Public Policy Research and Analysis Act (KIPPRA Act 2006), subject to other applicable laws, the Institute is exempt from taxes as the Minister for the time being responsible for Finance may by notice in the Gazette specify. The Institute does not have tax exemption certificate.

#### **j) Employee benefits - IPSAS 25**

##### **Retirement benefit plans**

The Institute operates a gratuity scheme for its qualifying staff. Under the plan, the employees are entitled to 31% of their monthly basic salary for every month of service. This scheme is classified as a defined benefit retirement scheme and is accounted for under the projected unit credit method with valuations being internally carried out by the Institute annually. Re-measurements relating to actuarial gains and losses are recognised in the statement of comprehensive income and current service costs as well as net interest expense/income are recognised in profit or loss.

The Institute and its employees contribute to the National Social Security Fund (NSSF), a statutory defined contribution scheme registered under the NSSF Act. The company's contributions to the defined contribution scheme are charged to profit or loss in the year to which they relate.

#### **k) Related parties – IPSAS 20**

The Institute regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Institute, or vice versa. The Government of Kenya and members of key management are regarded as related parties and comprise the board of directors and the senior management team.

#### **l) Changes in accounting policies and estimates - IPSAS 3**

The Institute recognises the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

#### **m) Comparatives**

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

#### **n) Subsequent events – IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2019.

### **5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY – IPSAS 1**

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

#### **Estimates and assumptions**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material

adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Useful Lives and residual values

- ✓ Useful lives of property and equipment. The Institute reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Critical estimates are made by the authority members in determining depreciation rates for the property and equipment. The rates are set out in note (f).
- ✓ Provisions and contingent liabilities. The Institute reviews its obligations at the end of each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities. In the process of applying the Institute's accounting policies, management has made judgments in determining:
  - Whether assets are impaired
  - The classification of financial assets and leases
  - Provisions and contingent liabilities

<b>6. Transfers from other governments – gifts and services-in-kind</b>	<b>2019</b>	<b>2018</b>
	<b>Shs'000'</b>	<b>Shs'000'</b>
<b>Grant income</b>		
Support from the Government of Kenya (GoK)	315,410	290,781
Support from Development partners	35,712	37,156
<b>Total grant income</b>	<b><u>351,122</u></b>	<b><u>333,931</u></b>
<b>7. Drawings from Reserves</b>		
Sourced from retained earnings	<u>26,983</u>	<u>5,994</u>
<b>Total Drawings</b>	<b><u>26,983</u></b>	<b><u>5,994</u></b>

8.	<b>Rendering of services</b>	<b>2019 Shs'000'</b>	<b>2018 Shs'000'</b>
	<b>Total project income</b>	<b>35,533</b>	<b>26,461</b>
	<b>Made up of:</b>		
	Monitoring African Food & Agriculture Policies (MAFAP)	900	-
	Public Policy making training (Bungoma County)	816	-
	Development of a strategic plan (Kenya Space Agency)	1,986	-
	Baseline Survey on Access to Agricultural Finance by Youth & Women in Kenya (EU- AFC Project)	808	-
	Kenya School of Law	582	-
	Economic inclusion through SME development in Coastal Tourism (SAIIA South Africa)	293	-
	Micro & Small Enterprises in Kenya (MSEA)	-	3,555
	Impact of Monetary & Fiscal Policies on Pension Schemes (RBA)	-	1,512
	Water Sector Trust Fund (WSTF)	2,397	-
	ACBF Agenda 2063 Assessment	96	-
	University of Pennsylvania	157	-
	Development of Kenya Railways Strategic plan	-	1,941
	Joint Kenya County Programme Evaluation (FAO)	-	1,021
	ACBF Workshops	7,512	733
	Public Procurement Regulatory Authority (PPRA)	3,100	2,782
	Influence of antenatal and delivery care on child mortality in Kenya (AERC)	-	1,241
	Child Sensitive Budgeting (UNICEF)	6,350	2,506
	Transformative Leadership (ACBF)	-	986
	Economic inclusion of young people and women through inclusive entrepreneurship (CAPEC)	6,255	7,071
	Expanding Economic opportunities for women and youth in Africa through structural transformation (University of Cape Town)	1,275	720
	Fertilizer Workshop (IFPRI)	575	542
	Understanding Reforms (World Bank)	-	986
	Assessment of the status of drugs and substance abuse among primary school students in Kenya (NACADA)	2,431	3,647
		<b>35,533</b>	<b>26,461</b>
<b>9.</b>	<b>Finance income - external investments</b>		
	Investment Income (Treasury Bills Interest)	18,879	1,666
	Interest received on bank deposits	235	167
	Total finance income - external investments	<b>19,114</b>	<b>1,833</b>
<b>10.</b>	<b>Other operating income</b>		
	Sale of KIPPRA Publications	90	93
	Disposal of Assets	106	266
	Other income	2,652	2,133
	<b>Total other operating income</b>	<b>2,848</b>	<b>2,492</b>

	<b>2019</b>	<b>2018</b>
	<b>Shs'000'</b>	<b>Shs'000'</b>
<b>11. Employment costs</b>		
Employee related costs - salaries and wages	172,628	172,644
Recruitment cost	988	564
Medical cost	14,781	13,446
Group Life Insurance	1,508	1,529
Other staff costs	7,175	1,415
<b>Total employment costs</b>	<b>197,080</b>	<b>189,598</b>
<b>12. Depreciation and amortization expense</b>		
Property and equipment	8,101	5,415
Intangible assets	2,546	1,866
<b>Total depreciation and amortization expense</b>	<b>10,647</b>	<b>7,281</b>
<b>13. Repairs and maintenance</b>		
Property and equipment	2,249	1,371
Other repairs and maintenance	3	156
<b>Total repairs and maintenance</b>	<b>2,252</b>	<b>1,527</b>
<b>14. Research Costs</b>		
Research and analysis	41,130	40,661
Dissemination Workshops	49,041	25,499
Capacity Building Programs	12,560	11,440
Research Publications	23,383	12,241
	<b>126,114</b>	<b>89,841</b>
<b>15. General expenses</b>		
Provision for doubtful receivables	0	0
Motor vehicle expenses	1,840	1,250
Postage & courier	368	157
Telephone	840	593
Internet	2,949	2,784
Stationery	4,458	2,503
Library	1,648	1,409
Legal fees	0	835
Audit fees	1,257	1,018
Professional fees	3,500	6,678
Travel	15,319	9,242
Other expenses	10,200	15,348
Staff Training	10,527	10,833
Bank Charges	604	359
Rent	21,804	22,562
Insurance	853	754
<b>Total general expenses</b>	<b>76,165</b>	<b>75,851</b>

### Access to Government Procurement Opportunities (AGPO)

For FY 2018/19, the Institute awarded a total of Ksh 38,707, 509 to the AGPO group against a target of Kshs.150,000,000. The 30 per cent was not achieved because some of the ICT procurements that had been reserved for AGPO were now procured as per the Ministry of ICT's procurement framework. (Reference made to Circular No. OP/CAB.39/1A of March 1, 2018). Women were awarded 61 contracts amounting to Ksh 20,055,607, the Youth were awarded 47 contracts amounting to Ksh. 15,512,737 and 17 contracts were awarded to PWD amounting to Ksh. 3,139,165 which surpassed the 2 per cent target for their category by Ksh. 2,239,165

	2019 shs'000'	2018 shs'000'
<b>16. Cash and cash equivalents</b>		
Bank	329,323	435,813
Cash in hand	28	5
	<u>329,351</u>	<u>435,818</u>

For the purpose of the statement cash flow, the year-end cash and cash equivalents comprise the following:

Cash and bank balances	<u>329,351</u>	<u>435,818</u>
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Not included within cash and cash equivalents are funds designated for the EFD liability (note 14)

Account Name	Account No.	Currency	Amount	Exchange Rate	2019 Shs'000'
KIPPRA - Projects	6433060047	USD	151,984.27	96.05	14,598
KIPPRA - Projects	6433060052	Ksh			42,279
KIPPRA - TTI	6433060073	Ksh			3,742
KIPPRA - GoK	6433060094	Ksh			42,028
KIPPRA- Sustainability	6433060115	Ksh			165,204
KIPPRA- Gratuity	6433060107	Ksh			61,472
Petty Cash		Ksh			28
<b>Total</b>					<b>329,351</b>

	2019 shs'000'	2018 shs'000'
<b>17. Receivables from exchange transactions</b>		
Accrued project income	31,835	31,835
Provisions for impairment	(31,835)	(31,835)
Project Income receivable	14,456	-
Training fees receivable	398	-
Receivables from GoK – Recurrent Grant	-	19,878
Rent deposit	3,017	3,017

ACBF Receivables	3,579	278
Prepaid Rent	1,558	1,584
Car park deposits	332	332
Security Bid – Ministry of Culture & National Heritage	182	182
Salary Advance	448	227
	<u>23,970</u>	<u>25,498</u>
<b>18. Investments in treasury bills</b>		
<b>Held to maturity</b>		
Opening balance	290,011	-
Additional investments made during the year, net of liquidations	99,136	290,011
Closing balance	<u>389,147</u>	<u>290,011</u>
Held-to-maturity investments can be analyzed as follows:		
Maturing within 91 days (Note 11)	272,987	213,287
Maturing after 91 days	116,160	76,724
	<u>389,147</u>	<u>290,011</u>

**19. Environment for Development (EFD - Kenya Account)**

The Institute entered into an agreement with the Environment Economics Unit (EEU) at Gothenburg University represented by the Environment for Development - Kenya (EFD Kenya) in 2015 for a 3-year research collaboration. Funds received from Gothenburg University are normally to support specific annual budgeted activities. Surplus funds at the end of each year are normally carried forward to the following year and remain a liability to EEU. The Institute normally charges the Unit a nominal rent and proportionate level of overheads. The outstanding EFD balance as at 30 June 2019 was Shs. 4.3 million (2018: Shs. 5.0 million). The Institute is holding the same amount in a separate bank account for repayment of this liability, which is presented separately from cash and cash equivalents.

Account Name	Account No.	Currency	Amount	Exchange Rate	2019 Shs'000'
KIPPRA -EFD	6433060136	USD	21,724.23	96.05	2,087
KIPPRA -EFD	6433060128	Ksh			2,288
<b>Total</b>					<b>4,375</b>

**20. Property and equipment  
 Year ended 30 June 2019**

	Land	Motor Vehicles	Furniture & Fittings	Office Equipment	Computer Equipment	Total
	Shs'000	Shs'000'	Shs'000'	Shs'000'	Shs'000'	Shs'000'
<b>Cost</b>						
At start of year	64,000	24,661	25,213	20,970	16,256	87,100
Additions			1,951	3,503	6,216	11,670
Disposal			(538)	(218)	(1,720)	(2,476)
At end of year	64,000	24,661	26,626	24,255	20,752	96,294
<b>Depreciation</b>						
At start of year	-	24,661	8,966	9,002	9,778	52,407
Charge for the year	-	-	2,405	2,435	3,261	8,101
Depreciation on Disposal			(538)	(218)	(1,720)	(2,476)
At end of year	-	24,661	10,833	11,219	11,319	58,032
<b>Net book value</b>	64,000	-	15,793	13,036	9,433	38,262

**Note:**

KIPPR was allocated land measuring 2.570 hectares by Government of Kenya in August 2010 situated in Kabete – Kangemi. The land's ownership was disputed by Ministry of Agriculture, livestock & Fisheries and proposed an alternative.

**Year ended 30 June 2018**

<b>Cost</b>							
At start of year	64,000	24,661	12,903	19,568	12,674	69,806	
Additions			13,100	1,946	5,042	20,088	
Disposal			(790)	(544)	(1,460)	(2,794)	
At end of year	<u>64,000</u>	<u>24,661</u>	<u>25,213</u>	<u>20,970</u>	<u>16,256</u>	<u>87,100</u>	
<b>Depreciation</b>							
At start of year	-	24,661	8,154	7,209	9,698	49,722	
Charge for the year	-	-	1,602	2,273	1,540	5,415	
Depreciation on Disposal			(790)	(480)	(1,460)	(2,730)	
At end of year	-	<u>24,661</u>	<u>8,966</u>	<u>9,002</u>	<u>9,778</u>	<u>52,407</u>	
<b>Net book value</b>	<u>64,000</u>	<u>-</u>	<u>16,247</u>	<u>11,968</u>	<u>6,478</u>	<u>34,693</u>	

**21. Intangible assets -  
Software costs**

	2019 Shs'000'	2018 Shs'000'
<b>Cost</b>		
At the start and end of the year	9,473	7,327
Additions	3,738	2,146
At end of year	<u>13,211</u>	<u>9,473</u>
<b>Amortization</b>		
At start of year	6,344	4,478
Charge for the year	2,546	1,866
At end of year	<u>8,891</u>	<u>6,344</u>
<b>Net book value</b>	<u>4,320</u>	<u>3,129</u>

## 22. Retirement benefit obligations

The Institute operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme. Under the plan, the employees are entitled to 31% of their monthly basic salary for every month of service. The monthly gratuity is paid to a separate gratuity bank account maintained internally by the Institute from where gratuity is paid out from whenever a staff contract comes to an end or whenever an employee leaves employment. Interest earned from the fund is retained in the account for the period. The staff gratuity fund (see non - current asset section of the balance sheet) represents the total funds held with respect of gratuity. This amount is represented by the gratuity bank account balance amounting to Shs. 61,471,557

As the funds designated for settlement of the obligation are not independently held by a separate scheme, such funds have been presented on a gross basis in the assets of Institute.

	2019 Shs'000'	2018 Shs'000'
Present value of internally funded obligations	<u>50,900</u>	<u>50,900</u>
The movement in the defined benefit obligation over the year was as follows:		
At start of year	50,900	42,079
Utilized during the year	(20,253)	(22,109)
Charge to profit or loss	30,825	30,930
Interest earned during the year	-	-
At end of year	<u>61,472</u>	<u>50,900</u>

In the opinion of the directors, the carrying amount of gratuity approximate to its fair value. The amounts recognized in the profit or loss for the year were as follows:

	2019 Shs'000'	2018 Shs'000'
<b>23. Other payables</b>		
Projects payable	2,328	-
GoK payable	12,056	7,367
TTI payable	5,000	-
	<u>19,384</u>	<u>7,367</u>
<b>24. Deferred income</b>		
Support from the Government of Kenya (GoK)	284,448	284,448
<b>25. Other accrued liabilities (Provision for outstanding leave days)</b>		
	2019 Shs'000'	2018 Shs'000'
At start of year	4,208	5,375
Payments to staff during the year	(128)	(531)
Charge/(credit) to profit or loss	809	(636)
At end of year	<u>4,889</u>	<u>4,208</u>
<b>26. Commitments</b>		

**Operating lease commitments IPSAS 13 - as a lessee**

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

The future minimum lease payments payable under non-cancellable operating leases are as follows:

	2019 Shs'000'	2018 Shs'000'
Not later than 1 year	5,062	5,062
Later than 1 year and not later than 5 years	14,889	14,889
	<u>19,951</u>	<u>19,951</u>

**27. Related party transactions and balances**

	2019 Shs'000'	2018 Shs'000'
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The following transactions were carried out with related parties.

i)	Support from Government of Kenya	315,410	290,781
ii)	Land – Donated by Government of Kenya	64,000	64,000
iii)	Board of Directors	23,234	144
iv)	Senior Management	68,611	49,638
		<u>91,845</u>	<u>49,782</u>

**Breakdown of Board expenses(iii)**

S/No.	Description	Amount "Ksh"
1.	Sitting allowances	8,904,400
2.	Honoraria	939,000
3.	Other Board related expenses e.g. Mileage claims, Per diems	13,393,832
	<b>Total</b>	<b>23,234,232</b>

**28. Events after the reporting period**

No material events or circumstances have arisen between the accounting date and the date of this report.

**29. Contingent liabilities**

Under section 27 of the Kenya Institute for Public Policy Research and Analysis Act (KIPPRA Act), subject to other applicable laws, the Institute is exempt from taxes as the Minister for the time being responsible for Finance may by notice in the Gazette specify. Therefore, no provision for tax liability has been made in the financial statements.

There is no output VAT that is charged by the Institute on services rendered that would normally be subject to VAT at the standard rate.

### 30. Incorporation

The Kenya Institute of Public Policy Research and Analysis is a non-profit making organization and was formally established through Legal Notice No.56 in the Kenya Gazette Notice of 9 May 1997.

The KIPPRA Act No. 15 of 2006 was enacted in December 2006 and became operational effective on 1st February 2007 making the Institute a semi-autonomous State Corporation under the Ministry of Planning, National Development and Vision 2030.

### 31. Presentation currency

The financial statements are presented in Kenya Shillings (Ksh) to the nearest a thousand Shillings.

### Appendix 1. Progress on follow up of auditor recommendations

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

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
The Institute had reallocated, utilized and accounted for development grant under recurrent operations contrary to PFM Act Sec. 43 and PFM regulations, Sec 48 & 49.	The utilization of funds in the development grant, ACBF Support to KIPPRA Vote No. 1072100300, in FY2017/18 reflected similar trends in previous periods. The money was used to support the young professional programme, some research activities and capital spending. The difference though was that in the FY2017/18 the ACBF funding was not in the Vote as the support had come to an end in June 2017. In the transition, the government fund in the Vote was used to help smooth implementation of some of the activities funded by ACBF grant.	Head of Finance	Resolved through seeking for an increase in budgetary allocation to help to fill the gap left with the exit of ACBF grant.  In 2018/19, the Institute negotiated and got an increment in recurrent budget of Ksh 30 million.  The management have provided a schedule to support the expenditures financed.	
Utilization of deferred income Ksh 19,111,000	The Ksh 19,111,000 of the retained earnings was utilised to pay salaries and general expenses in June	Head of Finance	Management resolved to always seek Board approval to	

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
	<p>2018 following delays in disbursement of funds. Without a fully constituted Board, there was no board approval.</p> <p>The amount utilised from the retained earnings was within the approved budget, but the disbursement was received in July 2018.</p> <p>The transaction was also disclosed in Note 12 in the financial statements as receivables in recurrent grant and recorded in the relevant general ledger.</p>		<p>spend from retained earnings in case of delays in disbursement of funds and write to The National Treasury for concurrence. The management provided a schedule to support the expenditures financed by the deferred income.</p>	
<p>Project Income; Some projects spread beyond the financial year under review and the basis of revenue allocation between prior, current and subsequent years was not provided for review.</p>	<p>Project income is recognized based on the terms stipulated in the contract for the consultancy / contracted research. In some cases, completion dates for such research work overflow to the following financial year. The Institute discloses incomes received in advance (income received in advance for future activities in undertaking the research work) or incomes outstanding in the notes to the financial statement.</p>	<p>Head of Finance</p>	<p>The Institute resolved to develop a research project management policy to outline clearly the procedures for managing research projects. A disclosure was also made in the notes to the financial statements as per IPSAS 9. The management have provided a breakdown of the project income</p>	<p>Quarter 2 of FY 2019/20</p>
<p>Employee costs; Acting allowances amounting to Ksh 1,294,462 were paid to five staff while appointed on acting capabilities. The officers acted and got paid for more than six months contrary to</p>	<p>Without a fully constituted board, it was difficult to recruit for the substantive heads of department. These are senior positions that require the board participation in the recruitment process. To ensure smooth operations of the Institute management extended the acting</p>	<p>Executive Director</p>	<p>Resolved by ensuring the acting appointment letters are for a specified period of six (6) months.</p>	

Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status: (Resolved / Not Resolved)	Timeframe
PSC HR policies and guidelines, 2016	appointments guided by the KIPRA HR Policy and Procedure Manual, 2017. Further, Sec. 4.4.5 of KIPPRA HR policy and procedure manual, 2017- appointment on acting basis is a temporary measure pending the substantive filling of the vacant post by either recruitment or resumption of duty by the substantive holder of the post. The appointment shall normally be limited to a continuous period of 6 months or until the vacant post is filled whichever is the earlier but may be extended by Board/ED if the post remains vacant			

**Annexure 1:**

Comprehensive summary of issues raised by the external auditor and management responses.

  
 Executive Director


**Appendix II. Projects Implemented by the Board**

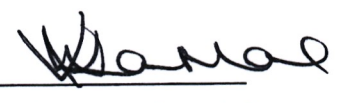
There are no projects implemented by KIPPRA.

**Appendix III. Inter-Entity Transfers**

	<b>ENTITY NAME</b>	Kenya Institute for Public Policy Research and Analysis (KIPPRA).
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Breakdown of Transfers from the State Department of Planning				
FY 2018/19				
a.	Recurrent Grant			
		<u>Bank Statement Date.</u>	<u>Amount (Ksh)</u>	<u>Indicate the FY to which the amounts relate</u>
		14.08.2018	22,378,750	FY 18/19
		30.08.2018	22,378,750	FY 18/19
		27.09.2018	22,378,750	FY 18/19
		31.10.2018	22,378,750	FY 18/19
		03.12.2018	21,707,387	FY 18/19
		10.01.2019	19,021,938	FY 18/19
		29.01.2019	22,378,750	FY 18/19
		06.03.2019	22,378,750	FY 18/19
		28.03.2019	21,036,025	FY 18/19
		07.05.2019	22,378,750	FY 18/19
		06.06.2019	22,378,750	FY 18/19
		27.06.2019	22,378,750	FY 18/19
		<b>Total</b>	<b>263,174,100</b>	
b.	Development Grant	<u>Bank Statement Date.</u>	<u>Amount (Ksh)</u>	<u>Indicate the FY to which the amounts relate</u>
		12.04.2019	13,059,122	FY 18/19
		25.04.2019	26,118,243	FY 18/19
		17.06.2019	13,059,122	FY 18/19
		<b>Total</b>	<b>52,236,487</b>	

  
 Head of Finance  
 KIPPRA

  
 Head of Accounting Unit  
 State Department for Planning

**APPENDIX IV: Recording of Transfers from other Government Entities**

Name of the MDA/ Donor Transferring the Funds	Date Received		Nature: Recurrent/ Development/ Others	Total Amount KES	Where Recorded / recognized						Total Transfers during the Year
	As per bank statement				Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others- must be specific		
Ministry of Planning	263,174,100		Recurrent	263,174,100		-	-	-	-	-	263,174,100
Ministry of Planning	52,236,487		Development	52,236,487		-	-	-	-	-	52,236,487
<b>Total</b>				<b>315,410,587</b>	<b>315,410,587</b>	-	-	-	-	-	<b>315,410,587</b>