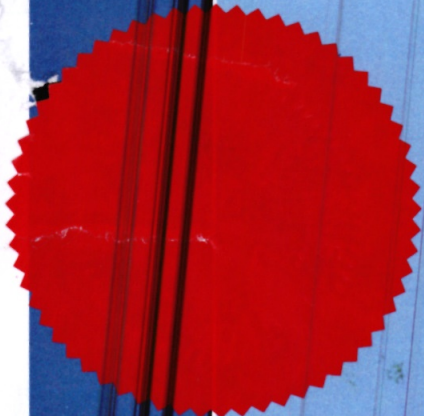


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REPORT

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	MRS MERCY RAUMO

THE AUDITOR-GENERAL

ON

**MICRO FINANCE SECTOR SUPPORT
CREDIT PROJECT (CREDIT NO. CKE 3004 01E
AND CKE 6010 01E)**

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

THE NATIONAL TREASURY



OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI

★ 30 OCT 2024 ★

NATIONAL TREASURY OFFICE
TREASURY BUILDING

MICRO FINANCE SECTOR SUPPORT CREDIT

**Implemented by Budget Fiscal and Economic Affairs Department
The National Treasury**

PROJECT GRANT/CREDIT NUMBER: CKE 3004 01E, CKE 6010 01E

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Table of Contents		Page
1.	Acronyms and Definition of Terms.....	ii
2.	Project Information and Overall Performance.....	iii
3.	Statement of Performance against Project's Predetermined Objectives	xxi
4.	Environmental and Sustainability reporting.....	xxii
5.	Statement of Project Management responsibilities	xxiii
6.	Report of the Auditor-General on the Financial Statements for Micro Finance Sector Support Credit.....	xxv
7.	Statement of Receipts and Payments for the year ended 30th June 2024.....	1
8.	Statement of Financial Assets and Liabilities as at 30 th June 2024.....	2
9.	Statement of Cash flow for the year ended 30 th June 2024	3
10.	Statement of Comparison of Budget and Actual amounts for year ended 30 th June 2024.....	5
11.	Significant Accounting Policies.....	6
12.	Notes to the Financial Statements.....	13
13.	Annexes.....	37

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
MFSSC	Micro Finance Sector Support Credit
BEFA	Budget Fiscal and Economic Affairs
AFD	Agence francaise de Development
RMD	Recourse Mobilization Department
OAG	Office of the Auditor General
WIBA	Work Insurance Benefit Act
RK-FINFA	Rural Kenya Financial Inclusion Facility
SACCO'S	Savings and Credit Cooperative Organizations

2. Project Information and Overall Performance

2.1 Name and registered office

Name

Micro Finance Sector Support Credit

Objective

The key objective of the project is to contribute to reduction of poverty in Kenya

Address

The project headquarters offices are at The National Treasury Building along Harambee Avenue

The address of its registered office is:

P.O. Box 30007-00100

The National Treasury Building

NAIROBI, KENYA

Entity Contacts: The following are the project contacts

P.O. Box:

Telephone: (254) 20 2252299

E-mail: pstreasury01@gmail.go.ke

Website: www.treasury.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	25/05/2005
Project End Date:	31/12/2014(as per amendment no 002) the project has requested the office the OAG to perform the final audit with view of winding up.
Project Manager:	Mr Albert K Mwenda, HCS, Director General, Directorate of Budget, Fiscal and Economic Affairs
Project Sponsor:	Agence Francaise de Development (AFD)

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Directorate of Budget ,Fiscal and Economic affairs ,The National Treasury.
Project number	CREDIT NO. CKE 3004 OIE; CKE 6010 OIE
Strategic goals of the project	The strategic goals of the project are as follows: (i) To contribute to the reduction of poverty in the rural areas of Kenya.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Access to credit. (ii) Creating a vibrant and globally competitive financial sector that creates jobs and promote savings.
Other important background information of the project	None

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: <ul style="list-style-type: none">(i) Financial inclusion(ii) Access to credit
Project duration	The project started on 25/05/2005 and was expected to run until 31/12/2014.

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

- (i) Central bank of Kenya
Haile Selassie Avenue
P.O Box 60000-00200
City Square
NAIROBI, KENYA

2.5 Independent Auditor

Office of the Auditor-General
Anniversary towers, university way
P.O Box 30084-0100
NAIROBI, KENYA

2.6 Roles and Responsibilities

List the different people who are working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Dr.Chris Kiptoo,CBS	Principal Secretary, The National Treasury	Accounting officer	Accounting officer
Mr. Albert Mwenda, MBS	Director General Budget, fiscal and Economic Affairs	Director General Budget, fiscal and Economic Affairs	Project Coordinator
Mr Hezbourne Mackobongo	Senior Deputy Director Financial and Sectoral affairs	Senior Deputy Director Financial and Sectoral affairs	Project focal person

2.7 Funding summary

The summarized funding summary for overall MFSSC is as follows:

Table 1: Project Components and costs:

Cost of project	Amount in 000 EU	%	AFD Financing	W/Saler Financing	2 nd Tier financing
Refinancing Credit by wholesalers to 2 nd Tier Institutions	6.8	64.9	6.8		
Capacity building for wholesalers	0.85		0.6	0.25	
Capacity Building for 2 nd Tier Institutions	2.53		2.3		0.23
Audit And Impact assessment	0.2		0.2		
Capacity Building for MoF for developing and implementing strategies in MFI area	0.1		0.1		
Total	10.48	100	10	0.25	0.23

The capacity building (MOF) component of the Project was for duration of 9 years from 2005 to 2014 the MOF with a budget of Kshs. 153,569,700

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2024)		Undrawn balance to date (30 th June 2024)	
	Euro	Kshs	Euro	Kshs	Euro	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
AFD	1,323,219	153,569,700	1,323,219	153,569,700	-	-
(ii) Miscellaneous receipt						
Forex gain				8,752,689		
Total	1,323,219	153,569,700	1,323,219	162,322,389	-	-

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2024)		Cumulative amount paid to date – (30 th June 2024)		Unutilised balance to date (30th June 2024)	
	EURO	Kshs	EURO	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Grant						
AFD	1,323,218	153,569,700	618,920	71,830,390	-	-
(i) Miscellaneous						
Forex gain	75,417	8,752,689			-	-
Total	1,398,635	162,322,389	618,920	71,830,390	-	-

2.8 Summary of Overall Project Performance:

2.8.1 Disbursement and Recovery by the National Treasury

Table 2 below shows the recovery performance under the MFSSC project as at December 31 2014 as reported by the wholesalers in their last quarterly reports submitted to the National Treasury. During the period under review, all the funds for the wholesalers were already fully disbursed except the 10,000 Euro that was left in special account. The recovery to the national Treasury was on schedule for each of the participating wholesalers. It was later noted by Cooperative bank that the repayment made at the end of December 2014 was returned as the Government had closed the designated account. They subsequently wrote a letter to National Treasury to give them the correct account to remit the returned funds.

Table 2: Loan disbursement and recoveries by NT as at end of December 2014 in Kshs

	Disbursement	Disbursed To Wholesalers	cumulative Interest paid	Principle Recoveries	Outstanding Balance to NT
Coop Bank	Sub Total	241,000,000	40,686,429	241,000,000	0
Equity Bank	Sub Total	212,000,000	27,837,435	212,000,000	0
K-Rep Bank	Sub Total	241,000,000	31,253,417	241,000,000	0
	Grand Total	694,000,000	99,777,281	694,000,000	0

Source: Data from quarterly report from Wholesalers Dec 2014

2.8.2 Wholesaler Financing of Second Tier Institutions

Table 3 below highlight the loan disbursements to the second tier institutions from the wholesalers for on-lending to the final beneficiaries of the programme. Equity Bank has disbursed Kshs 410,942,364 to SACCOs and MFIs that qualify for funding under the programme. K-Rep Bank has picked up and managed to disburse a total of Kshs 267, 316,000 to 23 second tier institutions making its percentage disbursement to 119%. K-Rep Bank has now fulfilled the conditions of the extended contract by fully utilizing the total loan extended to it by the Government of Kenya. Cooperative Bank however has disbursed 100% of funds to the final second tier clients which is their core business. The overall disbursement by the three wholesalers to the target group stands at 132% which means the Government funds have leveraged commercial funding from the wholesalers to benefit the target group. The programme therefore stands a good chance of achieving its development objective.

Table 3: Disbursements to Second Tier institutions

	Disbursement	Disbursed to date	Undisbursed	Usage	Balance
Bank	From GoK to Wholesaler	to ultimate clients	Funds	On-lent	Undisbursed
	Amount	Amount	Amount	%age	%age
Coop Bank	241,000,000	241,000,000	0	100%	0%
Equity Bank SACCOS	212,000,000	409,379,290	0	192%	0%
Equity Bank MFI lending	-	1,563,074	0	>100%	0%
K-Rep bank	241,000,000	287,027,000	0	119%	0%
Total	694,000,000	919,258,364	0	132%	0%

Source: Extracted from Quarterly Wholesaler reports--Dec 2014.

2.8.3 Capacity Building for Wholesalers

Table 4 below shows the utilization of the capacity building funds for the three wholesalers. Equity Bank contributed a matching of 149 % of the total funds received from the Government of Kenya and AFD for wholesaler capacity building. This is followed by K-Rep Bank that contributed 69% of the total funds utilized for capacity building above the agreed target of 30%. K-Rep identified the following areas as priority for training, project appraisal, planning, risk underwriting and secure effective marketing. Cooperative bank contributed a matching fund of exactly 30% of the total sum received from AFD/GoK as per stipulated agreement. Cooperative Bank staff were trained on project management, credit skills, Sacco management, and applied Microfinance courses offered by the School of applied microfinance. The remaining grant on this sub component was cancelled due to the delay in audit for verification of expenditures.

Table 4: Capacity Building for wholesalers

Capacity Building for Wholesalers	EQUITY BANK	COOP BANK	K-REP BANK
	KES	KES	KES
Amount received	11,500,000.00	9,790,000	9,920,000
Amount spent up to Dec 2014 cumulative. (Including 30% from wholesalers)	28,685,000	12,727,000	16,777,653
Balance of CB funds unutilized	0	0	0
Wholesaler Contribution as% of AFD funds	149%	30%	69%
Number of staff Trained	260	189	289

Source: From Quarterly reports Dec 2013.

2.8.4 Capacity Building for second tier organizations by FSD

The Government entered into a subsidiary grant agreement with FSD Kenya on 4th December 2007 to make available a Grant equivalent to two million three hundred thousand Euros (€ 2,300,000) to FSD to implement the second tier MFIs and Sacco's capacity building component of the Microfinance Sector Support Credit programme.

Following the two amendments of the CFA, the Parties agreed to enter into an amendment to reduce the funds under the PMU Grant contract to Euro 1,150,000 for capacity building of SACCO sector. The eligible expenditure by December 31, 2014 is stated in table 4.4 below.

Table 5: FSD Kenya capacity building funds expenditures by year and category.

SACCO	2009	2010	2011	2012	2013	2014	Total Disb in US \$	Expense in Euro
Sukari SACCO	9,973	0	0	0	0	0	9,973	9,235
Kirinyaga SACCO	0	11,053	172,043	0	0	0	183,096	169,534
Meru SACCO	0	6,635	50,698	0	0	0	57,333	53,086
Kilifi SACCO	0	0	0	0	13,593	0	13,593	12,586
Reforms	0	0	46,386	199,295	152,802	323,267	721,751	668,288
FSD Admin	0	0	0	56,953	14,194	3,374	74,520	69,000
Total	9,973	17,688	269,128	256,248	180,589	326,641	1,060,267	981,729

Source: FSD Kenya Report Dec 2014

Table 6: Summary of AFD Funds Expenses and Balances

Item Description	Euros
Total AFD Grant (Euros)	1,150,000
Add back Interest earned	85,283
Exchange gain	81,146
Total AFD Funds available	1,316,429
Total spent	981,729
Expected funds balance - Euros	334,700
<i>Exchange rate 1 US\$ = Kshs</i>	92.1861
<i>Exchange rate 1 Euro = US \$</i>	1.0800

Source FSD Kenya report Dec 2014

Progress: All the SACCO reforms project activities were concluded by December 2014. A total of 184 out of the 215 DTSs had been licensed by deadline (June 2014) for the Deposit-taking SACCOs to transition to full regulatory compliance as provided for under the SACCO Societies the Act. However, based on preliminary findings of the SACCO sector analysis commissioned by FSD, only 35% of the 110 licensed in 2012 were consistently reporting to SASRA by end of 2013 and had met the capital adequacy requirements.

Following the expiry of the transition period, SASRA issued a public notice to DTS not meeting the regulatory requirements to cease deposit-taking and two SACCOs have since complied. However, lobbying continues for extension of the transition period but SASRA has so far held on to its position. To address the challenges in the implementation of the regulatory framework, SASRA proposed amendments to the SACCO Act in close consultation with stakeholders and parent Ministry to look at policy options that would balance the interests of stakeholders and ensure systemic stability.

Preliminary findings from the SACCO sector analysis commissioned by FSD Kenya indicate the need for further support to SASRA in addressing the challenges. The suggested support includes both help in policy formulation and strengthening the capacity of SASRA. Initially these areas were expected to be supported under the DFD/GoK/World Bank Financial Sector Legal Support Technical Assistance Programme (FLSTAP). However, this was not accomplished due to slow implementation of the SACCO reforms project until FLSTAP was closed.

The AFD project extension ended in December 2014. As per table above the total budget expenditure allocated to Sacco Reforms programme from AFD funds amounts to Euro 981,729 leaving a balance of Euro 334,700 to be refunded back to AFD at the end of the programme.

2.8.5 Second Capacity Building operator (Microde Consult) Implementation

The Government of Kenya entered into an agreement with MICRODE CONSULT on the 16th January 2014, to provide technical assistance to the Microfinance Unit (MFU) under the Department of Economic Affairs within the National Treasury in the implementation of the capacity building component for the smaller second tier MFIs and SACCOs to enhance their absorptive capacity for credit and develop their ability to handle other financial products for the poor.

The assignment was implemented in three phases which include an inception phase, the capacity and training needs assessment phase and the actual delivery of capacity building phase. These were to be done in collaboration with the Wholesales under the supervision of the MFU. In Phase 1 an Inception Report was produced outlining all activities to be undertaken, Phase 2 a Capacity and Training Needs Assessment (CTNA) of SACCOs, MFIs and Investment Groups report was produced which detailed the capacity gaps identified and the intended solutions to address the capacity and /or training gaps with proposed detailed

activities and Phase 3 dealt with Delivery of Training as well as Monitoring and Evaluation of the Training. Below is a summary of the achievements of this component.

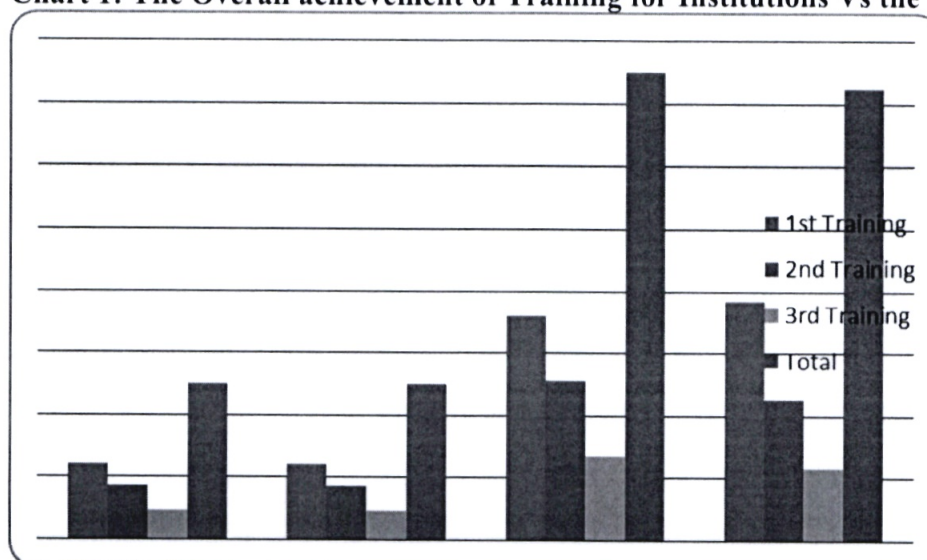
2.8.6 Summary of Institutions and participants Trained

Table 7: The Overall achievement of Training for Institutions vs the Target

TRAINING	GROUPS		PARTICIPANTS		DATE
	Target	Achieved	Target	Achieved	
1 st Training	24	24	72	77	8 th Sep to 10 th Oct 2014
2 nd Training	17	17	51	45	27 th October to 14 th November 2014
3 rd Training	9	9	27	23	15 th to 19 th Dec 2014
Total	50	50	150	145	

Table 7 above and Chart 1 below present the targets and overall achievement of the capacity building programme for institutions and participants against the plans. The capacity building programme planned to reach 50 institutions and 150 participants with capacity building training in areas that had been identified in CTNA. The target for institutions was fully achieved resulting into contract target achievement of **100%** under this category while the number of participants achieved was **97%** which is excellent. This achievement is attributable to the active consultation and collaboration with the wholesale banks that benefited from the refinancing scheme and close monitoring and technical support from the TA of Microfinance Unit under the National Treasury. The programme also succeeded because of the interest and the willingness of the target institutions due to close matching of their needs to the training offered.

Chart 1: The Overall achievement of Training for Institutions Vs the Target



Summary of Institutions and participants Trained by wholesalers

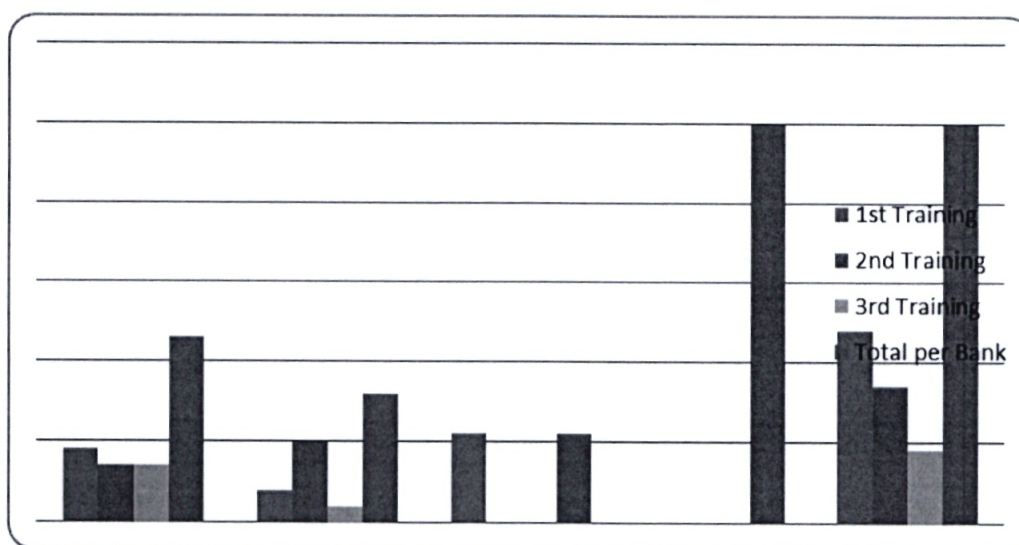
The table 8 below presents the results of the capacity building programme by clients of the respective wholesaler banks. Cooperative Bank had the highest number of participating institutions trained, followed by Equity Bank and K-Rep Bank. This is because Cooperative Bank has had a long time relationship with SACCOs as they form the basis of their core business strategy. This explains why it had the highest number of participating institutions trained. K-Rep Bank on the other hand is youngest bank of the three participating banks and with a comparatively smaller SACCO customer base which explains why it had the least number of participating institutions trained.

Table 8: The trained groups were distributed among the participating banks as follows:

Training	Co-operative Bank	Equity Bank	K-Rep Bank	Target number	TOTAL Trained
1 st Training	9	4	11		24
2 nd Training	7	10	0		17
3 rd Training	7	2	0		9
Total per Bank	23	16	11	50	50

In overall terms as depicted in chart 2 below, the capacity building programme of the second tier institutions focusing on the smaller organizations achieved its intended objective of enhancing the capacity of at least 50 intuitions as targeted by the programme. This was achieved through participatory needs assessment and training of a critical mass of SACCOs/Cooperative, MFI and Investment Group (IG) officials to improve on their service delivery to their members who are the final programme target groups.

Chart No 2 of trained participants - clients of Wholesaler Banks



Overall Budget achievements for the MFSSC Project

Absorption of the AFD Funds as at December 2014(MFSSC CKE 3004)

Table 4.1 Expenditure Vs Budget

Cost of project	Amount in 000 Euro	%	Amount spent in Euro	Balances in Euro	% absorbed
Refinancing Credit to	6,800,000	65%	6,790,000 ¹	10,000	99.85%

¹ Forex gain of Kshs 8, 752,689 was transferred to the refinancing Revolving Fund account by the NT.

Micro Finance Sector Support Credit

Annual Report and Financial Statements for the financial year ended June 30, 2024

Cost of project	Amount in 000 Euro	%	Amount spent in Euro	Balances in Euro	% absorbed
Wholesaler					
Capacity building for wholesalers	600,000	8%	300,000	300,000 ²	50%
Capacity Building for SACCO Sector FSD K	1,150,000	12%	815,300³	334,700	71%
Capacity building Smaller SACCOs (Microde) ⁴	1,150,000	12%			
Audit And Impact assessment ⁵	200,000	2%			
Capacity Building for MoF	100,000	1%	0	0 ⁶	0%
Total	10,000	100%		644,700	

Expenditures and Balances in shillings through the National Treasury

Table 4.2 Expenditure in Kenya shillings and account balances

Cost of project	Amount in Kshs	Amount spent in KShs	Balances in Kshs	% absorbed
1.Financed through Exchequer				
1. Refinancing Credit to Wholesaler	702,772,689	694,000,000	8,752,689	99%
2.Financed Through AFD				
1. Capacity building for wholesalers	31,210,000	31,210,000	0	100%

² Euro 300,000 Already cancelled by AFD and was not disbursed to GoK

³ Net balance expenditure from AFD excluding expenditures from Interest and Forex Gains made by AFD funds

⁴ See Kshs expenditure Table 4.2

⁵ See Kshs expenditures 4.2 number 5

⁶ This was folded into the Revolving Fund account in shillings for capacity building.

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Cost of project	Amount in Kshs	Amount spent in KShs	Balances in Kshs	% absorbed
2. CB Through FSD K ⁷	-	-	-	
3. Financed through Revolving Fund Ac No 1000187506 CB	153,569,700			
1. 2 nd Tier CB through Microde		65,700,350		
2. Audit Fees and impact assesment		6,130,040	71,830,390	47%
Capacity Building Fund Ac 2 No.	11,426,300	0	11,426,300	0%
Financed Through RF Ac No. 1000187492 (Refinancing)	0	0	0	0%
Total	898,978,689	792,359,650	106,619,039	

2.8.7 Refinancing Component

As presented in table 4.1 above the refinancing component was the most successful with a 99% absorption rate. The budget allocation for the refinancing component was **Euro 6.8 Million** of which **Euro 6.79 Million** was disbursed to the exchequer from the special account. This amount was converted into Kenya shillings at various exchanges rates for a total sum of **Kshs 702,772,689**. From this total amount available in Kshs, a total of **Kshs 694,000,000** was disbursed to three wholesalers as presented in table 3.2 above leaving a balance of Kshs **8,752,689.00** with the exchequer due to exchange rate differences between the actual transfer date of funds to the exchequer and disbursement date to the wholesalers⁸. This balance is to be transferred to the Refinancing Revolving Fund account together with the proceeds of the repayment of loans including the accrued interest amounting to **Kshs 793,777,281**. The total balance to be transferred to the Refinancing Revolving Fund account from the exchequer is therefore **Kshs 802,549,970.00** which can be on-lent to the wholesalers under the second round of refinancing.

2.8.8 Wholesaler capacity Building

As presented in Table 4.1 above, the funds allocated to wholesaler capacity building was Euro 600,000. This was expected to be disbursed in two tranches. The first tranche was disbursed to the wholesalers and was utilized as stated in table 3.4 above. It is noted that due to the

⁷ See Table 4.1 above. All expenses were incurred in Euro and US dollars from AFD to FSD.

⁸ Note that the disbursement to the wholesalers was made on confirmation of the Transfer of funds from AFD before the funds hit the account at CBK. When the funds were finally received by the exchequer, there was an exchange gain.

delay in accounting for the first tranche by the Wholesalers until the deadline of disbursement was passed, the second tranche was cancelled by AFD and removed from the extended agreement. This component therefore achieved 50% absorption rate of the funds that were allocated (table 4.1) but fully utilized 100% the funds that were disbursed to them as presented in (Table 4.8.2.)

2.8.9 Second Tier Capacity building component under FSD Kenya.

Table 4.1 presents the absorption of 71% of the funds that were allocated to second tier Capacity building under FSDK. The details of the expenditure under this sub component are covered in section 3.5 above.

2.8.10 Second Tier Capacity building component under Microde Consult.

Table 4.2 presents the absorption rate of 44% under the Revolving funds available for capacity building of smaller second tier organizations for which Microde Consult was contracted to deliver capacity building. In addition the Revolving Funds were to cater for Impact Assessment and Audit fees. It is noted that these figures exclude the outstanding amount due to PKF for Impact Assessment and one outstanding Audit Fee note still under reconciliation with the National Treasury. These will be taken care of as soon as AFD has given No- Objection for Impact Assessment and the Auditor and NT have reconciled the Audit account and statements.

2.9 Conclusions

The support from AFD to the National Treasury to deepen financial inclusion through technical assistance, capacity building and refinancing under the Microfinance Sector Support Credit (MFSSC) project has contributed to significant innovation and growth in the financial sector over the last decade. During the period of the MFSSC project, The National Treasury together with other players in the financial sector have contributed to policies that have enabled the sector to record unprecedented growth in financial inclusion that has been recognized worldwide. The coordination of policy development in the financial sector by the National Treasury through Central Bank of Kenya has led to the introduction of Mobile Money transfer, Agent banking services, development of regulations for Deposit taking MFIs, and wholesale lending of banks to other forms of organizations such as SACCOs etc. The National Treasury has also facilitated the development of a policy framework for regulating deposit taking SACCOs to increase outreach of financial services to the rural areas.

These policies have enabled the development of Technology to create a platform for efficiency and lowering costs of customer acquisition by the financial service providers. This fact is attested by the results of FinAccess Survey of 2013 which shows that the overall exclusion from financial services reduced from 38.4 % in 2006 to 25.4% in 2013 for adults. Notable is the fact that the percentage inclusion from formal sources increased from 26.4 per cent in 2006 to 65% in 2013.

***Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Specific to the MFSSC project, there has been expansion of space in linking commercial banks to lend to SACCOs and Investment groups a phenomenon that hitherto the project was not common. Other than Cooperative Bank whose target was already SACCOs, Equity Bank and K-Rep Bank were newly introduced to lending to the SACCOs as noted in the impact assessment report. This has increased the focus and pool of resources allocated by the two Banks to reach out to a segment of the market they would not have considered before. Notable success is the fact 99% of wholesale funds from AFD was lent out to the three banks and in turn they lent out more than 100% of the funds that were made available to them through the project.

It was found that Capacity building especially for SACCOs is still in dire need and need to be continued both at national and county levels.

The role of TA was instrumental to invigorating the programme implementation adding value to the National Treasury beyond the initial mandate within the scope of the MFSSC programme. This is noted in the facilitation of new projects development within the NT and coordination of sector activities, representing the Ministry in various forums and creating awareness of policy development in the sector. It is during the presence of the ITE that Kenya organized the Microfinance Summit attended by heads of state and other dignitaries putting Kenya in the global map of Microfinance.

The Microfinance Unit was developed within the National Treasury to carry out its mandate. However key challenge to the Unit is skilled manpower turnover. By virtue of the fact that these are Civil servants subject to transfers some of the initially trained staff moved on to better terms elsewhere through promotions, resignation and transfers. This challenge needs to be institutionally addressed by the NT to ensure retention of skilled and experienced manpower.

2.10 Summary of Project Compliance

The programme was implemented in compliance with applicable laws and regulations, and essential external financing agreements/covenants:

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the Micro Finance Sector Support Credit were to:

Eradicate poverty in Kenya by supporting the financial deepening in the banking sector in order to ensure access to credit by the non-banking population of Kenya and to establish a micro finance unit within the National treasury, to integrate Microfinance issues within the broader financial sector. Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Micro Finance Sector Support Credit	Was to contribute to support financial deepening in order to reduce poverty in Kenya	Wholesalers and second tier SACCO's were successfully lent money and in turn the number of SME'S who accessed finance grew beyond the planned limit	Number of Institutions were lent money which in turn trickled down to common man	In FY 23/24 activities of the project had already come to an end as per the financing agreement

4. Environmental and Sustainability reporting

1. Environmental performance

Not applicable as in the financial year 2023/2024 the project's activities had already come to an end.

2. Employee welfare

Not applicable, in the financial year 2023/2024 the project's activities had already come to an end.

3. Market place practices-

In the financial year 2023/2024 the project's activities had already come to an end.

4. Community Engagements

In the financial year 2023/2024 the project's activities had already come to an end.

5. Statement of Project Management responsibilities

The Principal Secretary for The National Treasury and the Project Coordinator for Micro Finance Sector Support Credit project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year ended on June 30, 2024.

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

The Principal Secretary for The National Treasury and the Project Coordinator for Micro Finance Sector Support Credit project accept the responsibility for the financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The **Principal Secretary** for the National Treasury the **Project Coordinator** for **Micro Finance Sector Support Credit project** are of the opinion that the financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2024, and of the Project's financial position as at that date. **The Principal Secretary for National Treasury and the Project Coordinator for Micro Finance Sector Support Credit project** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

***Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024***

The **Principal Secretary** for the National Treasury and the **Project Coordinator** for **Micro Finance Sector Support Credit project** confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project did not receive funds during the financial year under audit. Funds received in earlier years were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Micro Finance Sector Support Credit financial statements were approved by **the Principal Secretary for The National Treasury and the Project Coordinator** for **Micro Finance Sector Support Credit project** on 23/9 2024 and signed by:



.....

**Dr. Chris Kiptoo, CBS
Principal Secretary**



.....

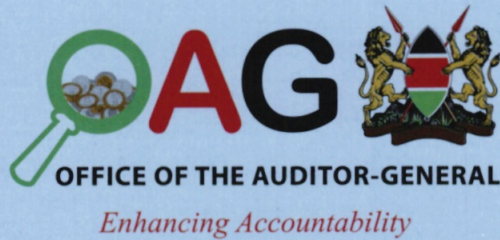
**Mr. Albert Mwenda, MBS
Project Coordinator**



.....

**George K. Gichuru
Head of Accounting Unit
ICPAK Member No.9262**

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON MICRO FINANCE SECTOR SUPPORT CREDIT PROJECT (CREDIT NO. CKE 3004 01E AND CKE 6010 01E) FOR THE YEAR ENDED 30 JUNE, 2024 – THE NATIONAL TREASURY

PREAMBLE

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

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

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

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

Report of the Auditor-General on Micro Finance Sector Support Credit Project (Credit No. CKE 3004 01E And CKE 6010 01E) for the year ended 30 June, 2024 – The National Treasury

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Micro Finance Sector Support Credit Project set out on pages 1 to 41, which comprise of the statement of financial assets and liabilities as at 30 June, 2024 and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Micro Finance Sector Support Credit Project as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with Credit Facility Agreement No. CKE 3004 01E and Financing Agreement No. 6010 01E dated 25 May, 2005 and 21 September, 2007 respectively between the Republic of Kenya and Agence Francaise Development (AFD) and the Public Finance Management Act, 2012.

Basis for Opinion

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

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, one (1) issue was raised under the Report on Lawfulness and Effectiveness in use of Public Resources. The Management has indicated that the issue has been partly resolved.

Other Information

Conclusion

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

Basis for Conclusion

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Failure to Close the Project

According to Clause 10 of the Financing Agreement, the Project was to end on 31 October, 2010 but the closing date was later extended to 31 December, 2014. However, and as previously reported, the Project closure report was not submitted for audit. Although Management indicated that AFD issued a No Objection for transfer of the Project's surplus funds to the Rural Kenya Finance Inclusion Facility (RK FINFA), also funded by AFD, the transfer process was not completed to enable formal closure of the Project. No explanation was provided on why it has taken over nine (9) years to conclude the process of closing the dormant Project.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain

assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by Agence Francaise de Development (AFD), I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of the Management and those Charged with Governance

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

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

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, the Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project'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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

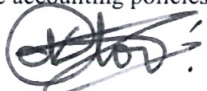
31 October, 2024


*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*


7. Statement of Receipts and Payments for the year ended 30th June 2024.

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments made by third parties	Total	Cumulative to-date (From inception)
		June 2024			June 2023			
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Receipts								
Transfer from Government entities	1	-	-	-	-	-	-	-
Proceeds from domestic and foreign grants	2	-	-	-	-	-	-	153,569,700
Loan fro3 external development partners	3	-	-	-	-	-	-	-
Miscellaneous Receipts	4	-	-	-	-	-	-	8,752,689
Total receipts		-	-	-	-	-	-	162,322,389
Payments								
Compensation to employees	5	-	-	-	-	-	-	-
Purchase of goods and services	6	-	-	-	-	-	-	71,830,390
Social security Benefits	7	-	-	-	-	-	-	-
Acquisition of non-Financial Assets	8	-	-	-	-	-	-	-
Transfer to Other government entities	9	-	-	-	-	-	-	-
Other grants and transfers/payments	10	-	-	-	-	-	-	-
Total payments		-	-	-	-	-	-	71,830,390
Surplus/ (deficit)		-	-	-	-	-	-	90,491,999

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


.....
Dr. Chris Kiptoo, CBS
Principal Secretary


.....
Mr. Albert Mwenda, MBS
Project Coordinator


.....
George K. Gichuru
Head of Accounting Unit
ICPAK Member No.9262

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

8. Statement of Financial Assets and Liabilities as at 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents	11	90,491,999	90,491,999
Total Cash and Cash equivalents		90,491,999	90,491,999
Imprests and Advances	12	-	-
Total Financial Assets		90,491,999	90,491,999
Financial Liabilities			
Third party Deposits and Retention	13	-	-
Net assets		90,491,999	90,491,999
Represented By			
Fund Balance b/fwd.	14	90,491,999	90,491,999
Prior year adjustments	15	-	-
Surplus/(Deficit) for the Year			
Net Financial Position		90,491,999	90,491,999


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23/9/2024 and signed by:



Dr. Chris Kiptoo, CBS
Principal Secretary



Mr. Albert Mwenda, MBS
Project Coordinator



George K. Gichuru
Head of Accounting Unit
ICPAK Member No.9262

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*


9. Statement of Cashflow for the year ended 30th June 2024

Description	Notes	2023-2024	2022-2023
		Kshs	Kshs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	-	-
Proceeds from domestic and foreign grants	2	-	-
Miscellaneous receipts	4	-	-
Total receipts		-	-
Payments			
Compensation of employees	5	-	-
Purchase of goods and services	6	-	-
Social security benefits	7	-	-
Transfers to other government entities	9	-	-
Other grants and transfers	10	-	-
Total Payments		-	-
Net receipts/(payments)		-	-
Adjustments during the year			
Prior year adjustments	15	-	-
Decrease/(increase) in accounts receivable	16	-	-
Increase/(decrease) in accounts payable:	17	-	-
Net cash flow from operating activities		-	-
Cashflow from investing activities			
Acquisition of non-financial assets	8	-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Proceeds from foreign borrowings	3	-	-

Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024

Description	Notes	2023-2024	2022-2023
		Kshs	Kshs
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year	11	90,491,999	90,491,999
Cash and cash equivalent at end of the year	11	90,491,999	90,491,999

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 23/9/2024 and signed by:



Dr. Chris Kiptoo, CBS
Principal Secretary



Mr. Albert Mwenda, MBS
Project Coordinator



George K. Gichuru
Head of Accounting Unit
ICPAK Member No. 9262

10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Transfer from Government entities	-	-	-	-	-	-
Proceeds from domestic and foreign grants	-	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-	-
Total Receipts						
Payments						
Compensation to employees	-	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-	-
Social security benefits	-	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-	-
Transfers to other government entities	-	-	-	-	-	-
Other grants and transfers	-	-	-	-	-	-
Total Payments	-	-	-	-	-	-
Surplus or Deficit	-	-	-	-	-	-

Note: The significant budget utilisation/performance differences in the last column are explained in Annex 2 to these financial statements.




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**Dr.Chris Kiptoo,CBS
Principal Secretary**



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**Mr.Albert Mwenda,MBS
Project Coordinator**



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**George K.Gichuru
Head of Accounting Unit
ICPAK Member No.9262**

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for Micro Finance Sector Support Credit which is implemented by Budget Fiscal and Economic Affairs Department at The National Treasury. The financial statements are for Micro Finance Sector Support Credit as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

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

d) Recognition of receipts

Micro Finance Sector Support Credit recognises all receipts from the various sources when the event occurs, and the related cash has been received.

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been

satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary.

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil

***Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024***

or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

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

g) Cash and cash equivalents

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

h) Restriction on cash

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

Significant Accounting Policies (Continued)

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

k) Contingent Assets

Micro Finance Sector Support Credit does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of Micro Finance Sector Support Credit in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the

***Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024***

financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Pending bills

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

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's had no budget during the financial year under review.

n) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments. and are disclosed in the payment to third parties' column in the statement of receipts and payments The project had no third party payments

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates (Kenya Shillings). Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and

losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

p) Comparative figures

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

q) Subsequent events

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

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

12. Notes to the Financial Statements

1. Transfers from Government entities

These represent counterpart funding and other receipts from government as follows:

Description	2023-2024	2022-2023	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
Counterpart funds Quarter 1	-	-	-
Counterpart funds Quarter 2	-	-	-
Counterpart funds Quarter 3	-	-	-
Counterpart funds Quarter 4	-	-	-
Total	-	-	-
Appropriations-in-Aid	-	-	-
Total	=	=	=

The project had no activities during the financial year under review therefore there were no transfers from Government entities.

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2024 we received grants from donors as detailed in the table below:

Name of Donor	2023-2024						2022-2023	Cumulative to date
	Date received	Amount received in Donor currency	Grants received in cash	Grants received as direct payment	Grants received in kind	Total amount	Total Amount	
		Euro	Kshs	Kshs	Kshs	Kshs	Kshs	
Grants Received from Bilateral Donors (Foreign Governments)	-	-	-	-	-	-	-	-
None	-	-	-	-	-	-	-	-
Grants Received from Multilateral Donors	-	-	-	-	-	-	-	-
AFD	-	-	-	-	-	-	-	153,569,700
Total	-	-	-	-	-	-	-	153,569,700

During the year under review there were no proceeds from domestic or foreign Grants.

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2024, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description Name of Donor	2023-2024					2022-2023	Cumulative to date
	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	
		Euro	Kshs	Kshs	Kshs	Kshs	Kshs
Loans received from bilateral Donors (Foreign Governments)							
None	-	-	-	-	-	-	-
Loans received from Multilateral Donors (International Organizations)							
None	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-

During the financial year under review there were no loan from external Development Partners.

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

4. Miscellaneous receipts

Description	2023-2024			2022-2023	Cumulative to-date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts	
	Kshs	Kshs	Kshs	Kshs	Kshs
Property income	-	-	-	-	-
Sales of goods and services	-	-	-	-	-
Administrative fees and charges	-	-	-	-	-
Fines, penalties, and forfeitures	-	-	-	-	-
Voluntary transfers other than grants	-	-	-	-	-
Other receipts not classified elsewhere*	-	-	-	-	8,752,689
Total	-	-	-	-	8,752,689

During the Financial year under review there were no Miscellaneous receipts.

Notes to the Financial Statements (Continued)

5. Compensation to Employees

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	
-	Kshs	Kshs	Kshs	Kshs	Kshs
Basic salaries of permanent employees	-	-	-	-	-
Basic wages of temporary employees	-	-	-	-	-
Personal allowances paid as part of salary	-	-	-	-	-
Personal allowances provided in kind	-	-	-	-	-
Pension and other social security contributions	-	-	-	-	-
Compulsory national social security schemes	-	-	-	-	-
Compulsory national health insurance schemes	-	-	-	-	-
Social benefit schemes outside government	-	-	-	-	-
Total	=	=	=	=	=

During the financial year there were no expenditure on compensation to employees.

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Utilities, supplies and services	-	-	-	-	-
Communication, supplies and services	-	-	-	-	-
Domestic travel and subsistence	-	-	-	-	-
Foreign travel and subsistence	-	-	-	-	-
Printing, advertising, and information supplies	-	-	-	-	-
Rentals of produced assets	-	-	-	-	-
Training payments	-	-	-	-	-
Hospitality supplies and services	-	-	-	-	-
Insurance costs	-	-	-	-	-
Specialized materials and services	-	-	-	-	-
Other operating payments	-	-	-	-	71,830,390
Routine maintenance – vehicles and other transport equipment	-	-	-	-	-
Routine maintenance- other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	≡	≡		≡	<u>71,830,390</u>

During the financial year there were no expenditure on purchase of goods and services

Notes to the Financial Statements (Continued)

7. Social Security Benefits

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	
Government pension and retirement benefits	-	-	-	-	-
Social security benefits in cash and in kind	-	-	-	-	-
Employer social benefits in cash and in kind	-	-	-	-	-
Total	-	=	=	=	=

During the financial year there were no expenditure on social security benefits

Micro Finance Sector Support Credit

Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

8. Acquisition of Non-Financial Assets

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of buildings	-	-	-	-	-
Construction of buildings	-	-	-	-	-
Refurbishment of buildings	-	-	-	-	-
Construction of roads	-	-	-	-	-
Construction of civil works	-	-	-	-	-
Overhaul & refurbishment of construction and civil works	-	-	-	-	-
Purchase of vehicles & other transport equipment	-	-	-	-	-
Overhaul of vehicles & other transport equipment	-	-	-	-	-
Purchase of household furniture & institutional equipment	-	-	-	-	-
Purchase of office furniture & general equipment	-	-	-	-	-
Purchase of specialised plant, equipment and machinery	-	-	-	-	-
Rehabilitation & renovation of plant, equipment & machinery	-	-	-	-	-

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
Description					
Purchase of certified seeds, breeding stock and live animals	-	-	-	-	-
Research, studies, project preparation, design & supervision	-	-	-	-	-
Rehabilitation of civil works	-	-	-	-	-
Acquisition of strategic stocks	-	-	-	-	-
Acquisition of land	-	-	-	-	-
Acquisition of other intangible assets	-	-	-	-	-
Total	=	=	=	=	=

No acquisition of non-financial assets has ever been procured.

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

During the financial period to 30 June 2024, we transferred funds to reporting government entities as shown below:

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Transfers to National Government entities					
Ministry-None	-	-	-	-	-
Project-None	-	-	-	-	-
	-	-	-	-	-
Transfers to County Governments					
None	-	-	-	-	-
Total	≡	≡	≡	≡	≡

There were no transfers to other government entities during the financial year.

Notes to the Financial Statements (Continued)

10. Other Grants, Transfers and Payments

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships	-	-	-	-	-
Transfers to lower levels of government e.g. schools	-	-	-	-	-
Miscellaneous payments	-	-	-	-	-
Total	=	=	=	=	=

There were no other grants, transfers and payments made during the financial year

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

11. Cash And Cash equivalents

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts (Bank A/C No 1000187506)	90,491,999	90,491,999
Cash in hand	-	-
Cash equivalents	-	-
Total	<u>90,491,999</u>	<u>90,491,999</u>

The project has one account at Central Bank of Kenya

11. A Bank Accounts

Project Bank Accounts

Details	2023-2024	2022-2023
	Kshs	Kshs
<u>Foreign Currency Accounts</u>		
None	-	-
Total Foreign Currency balances	=	=
<u>Local Currency Accounts</u>		
Central Bank of Kenya [A/c no 1000187506]	90,491,999	90,491,999
Total local currency balances	<u>90,491,999</u>	<u>90,491,999</u>
Total bank account balances	<u>90,491,999</u>	<u>90,491,999</u>

Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2024 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

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

Special Deposit Accounts Movement Schedule

Description	2023-2024	2022-2023
	Kshs	Kshs
(i)		
Opening balance	142,952,115.59	142,352,115.59
Total amount deposited in the account	-	-
Total amount withdrawn (as per Statement of Receipts & Payments)	=	=
Closing balance (as per SDA bank account reconciliation attached)	<u>142,952,115.59</u>	<u>142,952,115.59</u>

(This account was 1,152,653.73 Euros equivalent of an exchange rate of 124.02 Kshs per Euro amounting to Kshs 142,952,115.59)

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

11 B Cash in hand

Description	2023-2024	2022-2023
	KShs	KShs
Location 1	-	-
Location 2	-	-
Location 3	-	-
Other locations (None)	-	-
Total cash in hand balances	=	=

There were no cash in hand

11 C Cash equivalents (short-term deposits)

Description	2023-2024	2022-2023
	Kshs	Kshs
Kenya Commercial Bank	-	-
Co-Operative Bank of Kenya	-	-
Others	-	-
Total	=	=

There were no short term deposits

12. Imprests and Advances

Description	2023-2024	2022-2023
	Kshs	Kshs
Government Imprests	-	-
Salary advances	-	-
Total	=	=

There were no Imprest or advances during the current year under review

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

12A: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance 2023-2024	Balance 2022-2023
	Kshs	Kshs	Kshs	Kshs	Kshs
None	-	-	-	-	-
Total	=	=	=	=	=

There were no imprest issued during the financial year.

13. Deposits and Retention Monies

Description	2023-2024		2022-2023	
	Kshs		Kshs	
Retention	-		-	
Deposits	-		-	
Total	-		-	
Ageing analysis:	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	-	-	-
1-2 years	-	-	-	-
2-3 years	-	-	-	-
Over 3 years	-	-	-	-
Total	=	=	=	=

There were no deposits and retention monies received by the project during the financial year

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

14. Fund Balance Brought Forward

Description	2023-2024	2022-2023
	Kshs	Kshs
Bank accounts	90,491,999	90,491,999
Cash in hand	-	-
Cash equivalents (short-term deposits)	-	-
Outstanding imprests and advances	-	-
Deposits and retention	-	-
Total	<u>90,491,999</u>	<u>90,491,999</u>

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

15. Prior Year adjustment

	Balance b/f 2022-2023 (audited financial statements)	Adjustments	Adjusted balance 2022-2023
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	-	-	-
Cash in hand	-	-	-
Imprests and advances	-	-	-
Deposits and retentions	-	-	-
Others (<i>specify</i>)	-	-	-
Total	-	-	-

There were no prior year adjustments

16. Changes in Imprests and Advances

Description	2023-2024	2022-2023
	Kshs	Kshs
Opening Receivables as at 1 st July 2023	-	-
Closing account receivables as at 30 th June 2024	-	-
Change in Imprests and advances	-	-

There were no changes in imprests and advances during the financial year

17. Changes in Accounts Deposits and Retention

Description	2023-2024	2022-2023
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2023	-	-
Closing accounts payables as at 30 th June 2024	-	-
Changes in deposit and retention	-	-

There were no changes in accounts deposits and retention during the financial year.

Micro Finance Sector Support Credit

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

	Balance b/f from 2022-2023	Additions for the year	Paid during the year	Balance c/f For 2023-2024
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	-	-
Construction of civil works	-	-	-	-
Supply of goods	-	-	-	-
Supply of services	-	-	-	-
Total	-	-	-	-

There were no pending accounts payable during the financial year

2. Pending Staff Payables (See Annex 4b)

	Balance b/f 2022- 2023	Additions for the year	Paid during the year	Balance c/f for 2023- 2024
Description	Kshs	Kshs	Kshs	Kshs
Senior management	-	-	-	-
Middle management	-	-	-	-
Union employees	-	-	-	-
Others	-	-	-	-
Total	-	-	-	-

There were no staff payables during the financial year

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

3. Other Pending Payables (See Annex 4c)

	Balance b/f from 2022-2023	Additions for the year	Paid during the year	Balance c/f for 2023-2024
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities	-	-	-	-
Amounts due to County Government entities	-	-	-	-
Amounts due to third parties	-	-	-	-
Total	-	-	-	-

There were no pending payables during the year.

Micro Finance Sector Support Credit

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

4. External Assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	-	-
External assistance received in kind- as payment by third parties	-	-
Total	-	-

There was no external assistance during the year

a). External assistance relating loans and grants

	2023-2024	2022-2023
Description	Kshs	Kshs
External assistance received as loans	-	-
External assistance received as grants	-	-
Total	-	-

There were no external assistance relating to loans and grants

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2023-2024	2022-2023
Description		Kshs	Kshs
Undrawn external assistance - loans		-	-
Undrawn external assistance - grants		-	-
Total		-	-

There was no undrawn external assistance

Micro Finance Sector Support Credit

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

c) Classes of providers of external assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

There were no providers of external assistance

d. Non-monetary external assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

There was no non-monetary external assistance

Micro Finance Sector Support Credit

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

e Purpose and use of external assistance

Payments made by third parties	2023-2024	2022-2023
Description	Kshs	Kshs
Compensation to employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers	-	-
Social Security benefits	-	-
Acquisition of assets	-	-
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
Total	-	-

There was no external assistance during the year

f External Assistance paid by third parties on behalf of Micro Finance Sector Support by Source

	2023-2024	2022-2023
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

There was no external assistance during the year

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Other Important Disclosures (Continued)

5. Payments by Third Party on Behalf of the Project

This relates to payments done directly to supplier on behalf of the project such as; national government may fund the operation of health or education program; a donor may pay directly for construction of a given activity

5.1 Classification by Source

	2023-2024	2022-2023
Description	Kshs	Kshs
National government	-	-
Multilateral donors	-	-
Bilateral donors	-	-
International assistance organization	-	-
NGOs	-	-
National Assistance Organization	-	-
Total	-	-

During the year under review there were no payments by third party on behalf of the project

5.2 Classification of payments made by Third Parties by Nature of expenses

Payments made by third parties	2023-2024	2022-2023
Description	Kshs	Kshs
Compensation of employees	-	-
Use of goods and services	-	-
Subsidies	-	-
Transfers to other government units	-	-
Other grants and transfers	-	-
Social security benefits	-	-
Acquisition of assets	-	-
Finance costs, including loan interest	-	-
Other payments	-	-
Total	-	-

During the year under review there were no payment by third parties on behalf of the project

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Other Important Disclosures (Continued)

6. Related Party Disclosures

Related party transactions:

	2023-2024	2022-2023
	Kshs	Kshs
Compensation to Key Management		
Compensation to the program manager/ director	-	-
Key Management Compensation others (specify)	-	-
Total Compensation to Key Management	-	-
Transfers to related parties		
Transfers to other government entities	-	-
Total Transfers to related parties	-	-
Transfers from related parties		
Transfers from the Ministry/ department	-	-
Payments made on behalf of the project by other govt. entities	-	-
(Insert any other transfers received)	-	-
Total Transfers from related parties	-	-

There were no related third party transactions during the financial; year

7. Contingent Liabilities

Contingent liabilities	2023-2024	2022-2023
	Kshs	Kshs
Court case against the project	-	-
Bank guarantees in favour of other govt. entities	-	-
Contingent liabilities arising from PPPs/ donor agreements	-	-
Total	-	-

There were no contingent liabilities

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
Emphasis of Matter	Euro 1,152,653.73 equivalent of kshs 142,952,115.59 at the then exchange rate of 124.02 withdrawn but not claimed	This was responded to vide letter ref: TNT/ZZ 307/03/09"A"(72) as stated below; The Government of Kenya (GOK) entered into a Credit Facility Agreement (CFA) with the French Development Agency (AFD) on 25 May 2005 for a facility of Euro 10,000,000 (Ten million Euros) to support the Micro-Finance Sector Support Credit Project (MFSSC). The objective of the project was to support the financial deepening in the banking sector in order to ensure access to credit by the non-banked population of Kenya and to establish a Microfinance Unit (MFU) within the Ministry of Finance to integrate Microfinance issues within the broader Financial Sector. The project comprised of	Resolved	30 June 2025

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

		<p>the following three components:</p> <ol style="list-style-type: none"> 1. Re-financing of credit facilities granted by wholesaler banks to lend to second tier micro-finance organisations (MFI's and Sacco's); 2. Capacity building of the wholesalers for the management of the MFSSC facility; and; 3. Capacity building of the second tier institutions on the basis of capacity building programs developed by the wholesalers but managed by an independent program management unit (FSD Kenya). 5. Establishment and capacity building of the Microfinance Unit (MFU) within the MoF. <p>The Project was being implemented by the National Treasury (NT) through partnerships</p>			
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*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

		<p>with Wholesaler Banks including Cooperative Bank, Equity Bank and K-Rep Bank (now Sidian Bank).</p> <p>Under the first (1) component of the programme, the Government made available through subsidiary agreements a loan facility of Euro 6.8 Million to the three wholesalers for on-lending to 2nd Tier SACCOs and MFIs for a period of four years effective 14th February 2007. The 2nd Tier institutions (SACCOS and MFIs) were expected to extend credit to the final beneficiaries who were the non-banking population, thus enhancing credit delivery and access in Kenya.</p> <p>The second (2) component of the program was a grant of Euros 600,000 to the wholesalers intended to enhance their capacity to deliver the program goals effectively.</p>	
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Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024

		<p>The Third (3) component of the program was an additional grant of Euro 2.3 million for the capacity building of the second tier microfinance organisations managed by Financial Sector deepening (FSD) Kenya and available on request after evaluation of the training needs of the Sacco's and MFIs by the wholesalers.</p> <p>The fourth (4) component was to establish a Microfinance Unit in the National Treasury and build its capacity to ensure that specific sector issues are addressed within the overall framework of financial sector strategy. This component had an allocation of Euro 100,000 for capacity building and Euro 200,000 for Audit and Impact Assessment.(Annex 9(iiid))</p>		
Report on Lawfulness and Effectiveness in the use of public resources.	Failure to close the project	<p>The project is in the final stages of closure, AFD has issued a no-objection the project wrote to the office of the Attorney General Submitting draft Amendment letter to credit facility</p>	Partly resolved	30 June 2025

**Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024**

		<p>agreement for review before they can transfer the surplus fund to RK-FINFA and close the Project.</p> <p>The Attorney General's office responded vide letter referenced AG/CONF/21/8/115 Vol. 1 issuing clearance on the amendment letter to the credit Facility Agreement.</p> <p>The Rural Kenya Financial Inclusion Facility Project Coordinator has written to the Senior Chief Finance Officer for the Budget Funding and transfer of the Balance Fund in F/y 2024/2025 vide memo dated March 11,2023 ref No,DFN/126/013/23 VOL 1(05)</p>		
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**Dr. Chris Kiptoo, CBS
Principal Secretary**



**Albert Mwenda, MBS
Project Coordinator**

Micro Finance Sector Support Credit

Annual Report and Financial Statements for the financial year ended June 30, 2024

Annex 2: Variance explanations - Comparative Budget and Actual amounts for 2023-2024

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	-	-	-	-	-
Proceeds from domestic and foreign grants	-	-	-	-	-
Proceeds from borrowings	-	-	-	-	-
Miscellaneous receipts	-	-	-	-	-
Total Receipts	-	-	-	-	-
Payments					
Compensation of employees	-	-	-	-	-
Purchase of goods and services	-	-	-	-	-
Social security benefits	-	-	-	-	-
Acquisition of non-financial assets	-	-	-	-	-
Transfers to other government entities	-	-	-	-	-
Other grants and transfers	-	-	-	-	-
Total payments	=	=	=	=	=

The project had no budget as it was not active during the financial year under review

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 3: Reconciliation of inter-entity transfers

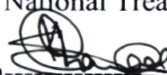
Project Name:				
a. Government Counterpart funding				
	Bank Statement Date	Amount (Kshs)		
		-		
	Total	-		
B. Direct payments				
	Bank Statement Date	Amount (Kshs)		
		-		
	Total	-		
C. Others				
	Bank Statement Date	Amount (Kshs)		
		-		
		-		
	Total	-		
	Total (A+B+C)	-		

The were no inter entity transfers during the financial year under review

Project Coordinator
MFSSC

Sign  -----

Head of Accounting Unit
The National Treasury

Sign  -----

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 4a. Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To-Date	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
		a	b	c=a-b		
Construction of buildings						
1.						
2.						
Sub-Total						
Construction of civil works						
3.						
4.						
Sub-Total						
Supply of goods						
5.						
6.						
Sub-Total						
Supply of services						
7.						
8.						
Sub-Total						
Grand Total						

There was no external assistance during the year

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 4b: Analysis of Pending: Staff Bills

Name of Staff	Job Group	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
Permanent Employees - Management							
1.							
2.							
Sub-Total							
Permanent Employees - Others							
3.							
4.							
Sub-Total							
Temporary employees							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
8.							
Sub-Total							
Grand Total							

There was no external assistance during the year

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 4c: Analysis of other Pending Payables

Name	Brief Description	Date Payable Contracted	Original Amount	Amount Paid To-Date	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
Amounts due to National Govt Entities							
1.							
2.							
Sub-Total							
Amounts due to County Govt Entities							
3.							
4.							
Sub-Total							
Amounts due to Third Parties							
5.							
6.							
Sub-Total							
Others (specify)							
7.							
Sub-Total							
Grand Total							

There were no pending payables during the year

Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/2023	Donations in form of assets (Kshs) 2023/2024	*Purchases/ Additions in the Year (KShs) 2023/2024	**Disposals in the Year (KShs) 2023/2024	Transfers in/ (out) Kshs 2023/2024	Closing Cost (KShs) 2023/2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
Land						
Buildings and structures						
Transport equipment						
Office equipment, furniture and fittings						
ICT Equipment,						
Other Machinery and Equipment						
Heritage and cultural assets						
Biological assets						
Infrastructure assets roads, rails						
Intangible assets						
Work in Progress						
Total						

Notes

No fixes asset has ever been acquired by the project

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 6: Contingent Liabilities Register

	Nature of contingent liability	Remarks
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		

There were no contingent liabilities during the year

Annex 7: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

There were no relevant climate expenditures.

*Micro Finance Sector Support Credit
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Annex 8: Reporting Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments

There were no disaster management expenditures

Annex 9: Other Support Documents

- i. Bank Reconciliations statement as at 30th June, 2024
- ii. Board of Survey Report
- iii. Other correspondences;
 - a) Amendment letter to Credit facility agreement
 - b) Authority letter from Attorney General to facilitate reallocation of funds
 - c) Letter requesting for budget
 - d) Response to draft audit report for the year ended 30th June, 2022.

Annex 9 (v)

ACCOUNT NO.1000187506

F.O. 30

THE NATIONAL TREASURY
BANK RECONCILIATION
MICRO FINANCE SECTOR SUPPORT CREDIT
As at 30th JUNE 2024 STATION NAIROBI

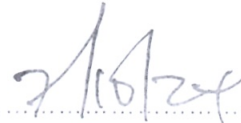
	Sh.	Sh.	Sh.
Balance as per Bank Certificate			90,491,999.30
Less -----			
1. Payments in Cash Book not yet recorded in Bank Statement (Unpresented Cheques)		-	
2. Receipts in Bank Statement not yet recorded in Cash book		-	
Add -----			
3. Payment in Bank Statement not yet recorded in Cash Book		-	
4. Receipts in Cash Book not yet Recorded in Bank Statement		-	
Balance as per cash Book			90,491,999.30

I certify I have verified the bank balance in the cash book with the bank statement and that the above reconciliation is correct




Signature

HAU THE NATIONAL
TREASURY



Date

PREPARED BY	J.S.G. MATIBA	SIGN
DATE	7/16/24	

COPY TO

1. INTERNAL AUDITOR
2. AUDITOR GENERAL
3. D.G.A.S & Q.A

THE NATIONAL TREASURY
MICRO FINANCE SECTOR SUPPORT CREDIT
As at 30th JUNE 2024 STATION NAIROBI

PAYMENT IN CASHBOOK NOT IN BANK STATEMENT

DATE	V.NO.	PARTICULARS	AMOUNT	REMARKS
		TOTAL	-	

DATE: 10/7/24 SIGN: 

THE NATIONAL TREASURY
MICRO FINANCE SECTOR SUPPORT CREDIT
As at 30th JUNE 2024 STATION NAIROBI
PAYMENTS IN BANK STATEMENT NOT IN CASH BOOK


DATE	REF.NO.	Transaction Details	AMOUNT	REMARKS
		TOTAL	-	

DATE: 18/07/24 SIGN: 

THE NATIONAL TREASURY
MICRO FINANCE SECTOR SUPPORT CREDIT
As at 30th JUNE 2024 STATION NAIROBI

RECEIPTS IN CASH BOOK NOT IN BANK STATEMENTS

DATE	PV NO	PARTICULARS	AMOUNT
		TOTAL	-

DATE: 10/07/24 SIGN: 

Annex 9 (iv)

MICRO-FINANCE SECTOR SUPPORT CREDIT A/C 1000187506




F.O. 51.

REPUBLIC OF KENYA

Date3.7.2024.....

Report of the Board of Survey on the Cash and Bank Balances ofTHE NATIONAL TREASURY
.....MAIN CASH OFFICE.....as at the close of business on, 2024.....

The Board, consisting of (Names and official titles)

- 1. GODFREY BUSOLO - CHAIRMAN 
- 2. JOSEPH M. KOTHYA - MEMBER 
- 3. CHARLES N. KISSINGU - MEMBER 

Assembled at the office ofNATIONAL TREASURY CASH OFFICE
at2.30 P. M (time) on the, 2024.....

and the following cash was produced:

Notes	Sh	NIL.....
Silver	Sh	NIL.....
Copper	Sh	NIL.....
Cheques (as per details on reverse)..	Sh.

It was observed that cheques amounting to Sh. Cts
had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the ...30.6. 2024...



Cash on hand	Sh
Bank Balance	Sh	<u>90,491,999.30</u>

The Bank Certificate of Balance showed a sum of Sh.
..... cts (Sh. cts.....)

Standing to the credit of the account on, 20.....

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in
the Bank Reconciliation Statement (F.O.30) attached.


.....
Chairman
Date



.....
Members of the Board

Not
24/7/24

BANKI
KUU YA
KENYA



CENTRAL
BANK OF
KENYA

July 24, 2024

Haile Selassie Avenue
P.O. Box 60000 - 00200 Nairobi, Kenya
Telephone: 2860000, Fax: 3340192

CERTIFICATE OF BALANCES

Customer : 100094

MINISTRY OF FINANCE

Balance Date: 30-Jun-24

Account No	Account Name	Currency	Balance
✓ 100000977	TREASURY BILLS ACCOUNT	KES	0
✓ 100000988	TREASURY BONDS ACCOUNT	KES	1,806,019.65
✓ 100000996	REVENUE DEPOSIT ACCOUNT	KES	15,690,520,642.34
100004053	TREASURY BONDS REDEMPTION	KES	90,500,000.00
100004061	TREASURY BONDS INTEREST	KES	30.78
100004077	GOVERNMENT TREASURY BILLS SUSP.	KES	0.00
100004088	TREASURY BILLS REDEMPTION SUSP.	KES	0.00
100082528	CBK165-THE NATIONAL TREASURY	KES	0.00
✓ 100081467	REC-THE NATIONAL TREASURY	KES	351,559,730.22
✓ 100081664	DEV-THE NATIONAL TREASURY	KES	1,417,718,072.20
✓ 100082137	DEP-THE NATIONAL TREASURY	KES	422,207,297.15
✓ 100087506	MICRO FINANCE SEC SUP CR-CAP BLDG	KES	90,491,999.30
1000201924	VOLUNTARY PAY CUT	KES	0.00
✓ 1000208743	AFRICAN INSTITUTE FOR REMITTANCES	KES	17,127,569.60
✓ 1000204378	REC-PUBLIC DEBT	KES	35,133,625.26
✓ 1000204419	REC-SALARIES ALLOWA MISC AND NSSSFC	KES	196,218,625.60
✓ 1000205024	PETROLEUM DEVELOPMENT LEVY FUND	KES	2,857,767,799.80
1000209518	NATIONAL TREASURY REVENUE COLL.	KES	0.00
✓ 1000400018	INFRAST FINANCE AND PPP-CAT. 2EEP	KES	1,135,082,040.15
✓ 1000360632	INFRASTRUCTURE FIN AND PUB PART PRJ	KES	2,743.95
✓ 1000445575	KEN. FINANCING LOCALLY LED CLIMATE	KES	166,050,874.40
✓ 1000484675	FINANCIN LOCAL-LED CLIMATE ACTION B	KES	2,328,846.30
1000531747	GREEN GROWTH AND EMPLOY CREATION PR	KES	5,000,000.00
✓ 1000516534	GREEN CLIMATE FUND READINESS PROJ	KES	7,400,396.00
✓ 1000693096	SUPPORTING ACCESS TO FIN & ENT RECO	KES	50,648,542.70
✓ 1000709096	SUPP ACCESS TO FIN ENTERP RECOV A	KES	21,093,167.95
1000709007	SUPP ACCESS TO FIN ENTERP RECOV B	KES	0.00
✓ 1000476858	CREDIT GUARANTEE SCHEME ACCOUNT	KES	261,296,920.00

✓ 1000473851	PUBLIC DEBT MANAGEMENT SUPPORT PROJ	KES	463,504.20	✓
1000741236	ADB - AFRICA CLIMATE SUMMIT	KES	4,917,765.00	* ✓
✓ 1000662794	KFW FINANCING LOCAL LED CLIMATE ACT	KES	21,045,683.50	✓
✓ 1000528885	AFFORDABLE HOUSING FINANCE PROJ	KES	13,027,739.25	✓
✓ 1000528893	ADB: NATIONAL TREASURY CAPACITY STRE	KES	678,286.00	✓
1000539135	EU KENYA COOPERATION AND PARTNERSHI	KES	0.00	
1000122501	GOVERNMENT OVERDRAFT ACCOUNT.	KES	61,020,669,176.79	✓ AGO
1000537876	STATE OFF AND PUB OFF CAR LOAN SCH	KES	67,784,106.00	✓
✓ 1000323876	A U OTHER INTERNAT. ORG SUBSC FUND	KES	2,651,455,086.66	✓
✓ 1000349538	PPP PROJECT FACILITATION FUND ACC.	KES	3,373,152,666.75	✓


Priscilla Keitany (Mrs)
 Authorised Signatory
 Banking Services Division


Micah Nabori
 Authorised Signatory
 Banking Services Division

Annex 9 iii (9) AFD CKE 3004



AMENDMENT LETTER N° 4

TO THE CREDIT FACILITY AGREEMENT N° CKE 3004

AGENCE FRANÇAISE
DE DÉVELOPPEMENT
#WorldInCommon

NAROI AGENCY
Top Floor Building
Kimberly road, off Ngong road
P.O. BOX 45955 - 00100 Nairobi
Kenya
t. + 254 20 259 29 14
c. + 254 712 20 77 27
c. + 254 714 30 30 31

kenya@afd.fr

HEAD QUARTER
5 rue Roland Barthes
75598 Paris Cedex 12 France
t. + 33 1 53 44 31 31
f. + 33 1 46 07 99 39

afdcn

REALLOCATION OF THE FUNDS TRANSFERRED FROM THE
MICROFINANCE SECTOR SUPPORT CREDIT PROJECT (CKE
3004) TO THE RURAL KENYA FINANCE INCLUSION
FACILITY (RK FINFA)

Reference is made to:

- The Credit Facility Agreement CKE 3004 01 B signed between the Agence Française de Développement and the Republic of Kenya the 25 May 2005;
- The Amendment n°1 signed 15 October 2010;
- The Amendment n°2 signed 16 November 2011;
- The Amendment n°3 signed 10 August 2012;
- The letter AFD/AFD/NA/2023/GR/149 dated 27 February 2023 regarding the reallocation of the balance funds of KESF 146 million to RK FINFA.

Following the last letter from AFD, confirming no-objection to the reallocation of the balance funds, AFD sends this amendment letter to the credit facility agreement (CKE 3004 01 B. National Treasury (Kenya) through this amendment letter validating the transfer of funds, its allocation between Finance Sector Deepening Trust Kenya (FSD - Kenya) and RK FINFA and the use of those funds.

The purpose of this letter is to specify:

- The Project to which the balance funds will be allocated
- The entities that will be in charge of managing the funds for the project
- The scope of works covered by those funds

Reallocated Funds (146,428,317.30 KES) remaining from the Microfinance sector support credit project (MFSSC - CKE 3004) are constituted of two categories of funds:

- Funds not disbursed as of December 31st 2022 remaining on PSD account and amounting to KES 55,936,318
- Funds not disbursed as of December 31st 2022 remaining on PSD account and amounting to KES 90,491,999.30.

①



AGENCE FRANÇAISE
DE DÉVELOPPEMENT
#WorkinCommon

NAIROBI AGENCY
Top Plaza building
Kileleshwa road, off Ngang' road
P.O. BOX 45955 - 00100 Nairobi
Kenya
t. +254 20 259 29 14
c. +254 722 20 77 27
f. +254 704 33 33 31

Kenya office

HEAD QUARTER
5 rue de la Harpe
75576 Paris Cedex 12 France
t. +33 1 53 43 31 31
f. +33 1 44 47 99 39

AFD

Use of the Reallocated Funds:

The Borrower undertakes:

- To fully use the Reallocated Funds for the purpose of the RK FINFA Project, as defined in the agreement signed between IFAD and the Government of the Republic of Kenya (the RK FINFA Project Financing Agreement).
- To use the Reallocated Funds according to the provisions specified in the RK FINFA Project Financing Agreement and according to the Project Implementation Manual signed August 2022.
- To allow the FSD and the NT using the respective amount of money available on their accounts for the purpose of the RK FINFA Project.
- That the Reallocated funds be used to finance technical assistance in line with the RK-FINFA project design including support to AFC following two stages. First, an institutional appraisal of AFC including an assessment of the recommended institutional framework including the possibility to become a Tier-2 institution. This assessment could include recommendations and terms of reference for a technical assistance program. Second, a technical assistance program to AFC to support the institutional transformation and support the implementation of the RK-FINFA project such as the policy work needed to support AFC to be the anchor institution of the Green Finance Facility. The content of this TA program will depend on the outputs of the assessment mentioned above. This second phase will be implemented based on the results of the first phase. It will require a no-objection from AFD. If the findings of phase one are not satisfactory, funding will be redirected to other components of the FINFA Project provided AFD approval.

Organization, monitoring and reporting:

NT, IFAD, FSD Kenya, and AFD will sign a memorandum of understanding (MoU) that will describe the role of each stakeholder, the processes to be followed and the reports to be provided.



AGENCE FRANÇAISE
DE DÉVELOPPEMENT
#WorldInCommon

NAIROBI AGENCY
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Kindomani road, off Ngong road
P.O. BOX 4955 - 00100 Nairobi,
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t. +254 20 259 29 14
c. +254 722 20 77 27
c. +254 733 33 33 31

kenya@afd.fr

HEAD QUARTERS
5 rue de la République
75598 Paris Cedex 12 France
t. +33 1 43 43 31 31
t. +33 1 44 07 99 39

afdf.fr

Executed in two (2) originals, one (1) for the Lender, at Nairobi, on
28 February 2024.

BORROWER

THE GOVERNMENT OF THE REPUBLIC OF KENYA

Represented by:

Name: Njuguna Ndung'u, CBS

Title: Cabinet Secretary, The National Treasury and Economic Planning

LENDER

AGENCE FRANÇAISE DE DÉVELOPPEMENT

Represented by:

Name: Bertrand WILLOCQUET

Title: AFD Director for Kenya

~~AGPDMO~~
~~FCA~~
RS/SL/MP

Annex 9 in (4)

(42)



REPUBLIC OF KENYA

PRINCIPAL SECRETARY
THE NATIONAL TREASURY

373 A

RECEIVED

P. O. Box 30007 - 00100, NAIROBI

OFFICE OF THE ATTORNEY-GENERAL
&
DEPARTMENT OF JUSTICE

Deal

OUR REF: AG/CONF/21/8/115 Vol. 1
YOUR REF: MOF/ERD/20/154/78/01 (35)

22nd January, 2024

Dr. Chris Kiptoo, CBS
Principal Secretary
The National Treasury
The National Treasury & Economic Planning
NAIROBI



Deal
26/1/24

DRAFT AMENDMENT LETTER TO FACILITATE REALLOCATION OF FUNDS FROM MICROFINANCE SECTOR SUPPORT CREDIT PROJECT TO RURAL KENYA FINANCE INCLUSION FACILITY PROJECT

Reference is made to your letter dated 4th August, 2023 and email dated 2nd December, 2023 from the Coordinator RK-FINFA on the above subject matter.

The purpose of the correspondence was to request this Office to review and issue clearance on a draft Amendment letter to the Credit Facility Agreement dated 25th May, 2005 for purposes of reallocating funds from the Microfinance Sector Support Credit Project to the Rural Kenya Finance Inclusion Facility Project.

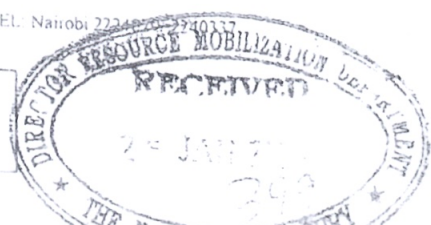
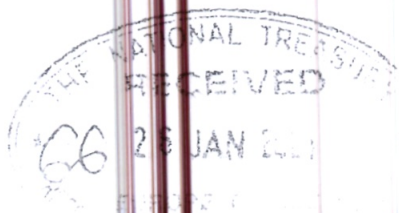
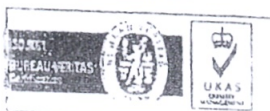
Copies of the following documents were submitted for our reference and consideration:

- a. Credit Facility Agreement N° CKE 3004 01 E between the Republic of Kenya and the Agence Française de Developpement (AFD);
- b. Financing Agreement between the Republic of Kenya and the International Fund for Agricultural Development (IFAD) for the Programme for Rural Outreach of Financial Innovations and Technologies dated 22nd December, 2010;
- c. RK-FINFA Project Implementation Manual;
- d. Amendment No. 1 to the Credit Facility Agreement N° CKE 3004 01 E dated 15th October, 2010;
- e. Amendment No. 2 to the Credit Facility Agreement N° CKE 3004 01 E dated 16th November, 2011;

SHERIA HOUSE, HARAMBEE AVENUE
P.O. Box 40112-00100, NAIROBI KENYA TEL: +254 20 2227461/2251355-07119445553/0732529995
E-MAIL: info.stateclawoffice@kenya.go.ke WEBSITE: www.attorney-general.go.ke

DEPARTMENT OF JUSTICE
CO-OPERATIVE BANK HOUSE, HAILLE SELASSIE AVENUE P.O. Box 56057-00200, Nairobi-Kenya TEL: Nairobi 22244000-2240333
E-MAIL: legal@justice.go.ke WEBSITE: www.justice.go.ke

ISO 9001:2008 Certified



- f. Amendment No. 3 to the Credit Facility Agreement N° CKE 3004 01 E dated 10th August, 2012;
- g. Letter dated 19th May, 2023 from AFD to the Principal Secretary, the National Treasury and Economic Planning; and
- h. Letter dated 27th February, 2023 from AFD to the Principal Secretary, the National Treasury and Economic Planning.

Having reviewed the letter together with the enclosures we note and advise as follows:

A. Background

1. The Government of Kenya and the French Development Agency (AFD) signed a Credit Facility Agreement for Euro 10,000,000 on 25th May, 2005 to support the Micro Finance Sector Support Credit project.
2. According to the letter, the project commenced on 25th May, 2005 and came to an end on 31st December, 2014. Following completion of the project a balance of Kshs. 146,428,317.30 remained unutilized. This amount comprises two components:
 - a) Funds not disbursed as of 31st December, 2022 remaining on AFD account and amounting to Kshs. 55,936,318; and
 - b) Funds not disbursed as of 31st December, 2022 remaining on AFD account and amounting to Kshs. 90,491,999.30.
3. In view of the above, the National Treasury requested AFD to reallocate the said balance to the Rural Kenya Inclusion Facility Project (RK – FINFA) which is financed by International Fund for Agricultural Development (IFAD).
4. AFD accepted this request and issued a no objection to the reallocation through its letter under Ref. ANO/AFD/NAI/2023/GP/149 dated 27th February, 2023.
5. To formalize the reallocation, there is need to amend the Credit Facility Agreement dated 25th May, 2005. In this regard, AFD has submitted a draft Amendment Letter for review and clearance.


B. Advisory

6. We have considered the draft Amendment Letter and note that it provides for balance of the funds and the scope of the works to be covered by the funds. The National Treasury has confirmed that it has reviewed the contents of the draft Amendment letter and finds them to be in order. Therefore, it is inferred

that the National Treasury concurs with the use of the reallocated funds as provided for in the draft Amendment Letter.

7. We further note that the draft Amendment letter provides for the entities that will be in charge of managing the funds. Further, the National Treasury, AFD, IFAD and Financial Sector Deepening Trust Kenya (FSD Kenya) are to enter into a memorandum of understanding describing their individual roles, processes to be followed and reports to be provided. The National Treasury should assess the obligations arising under the memorandum of understanding and determine whether they are best anchored in a non-legally binding or a legally binding instrument. Thereafter, the National Treasury should ensure that this document is submitted to this Office for clearance.
8. We take note of the clarification of the Coordinator RK-FINFA issued through the above referenced email, that "this was a grant, which was fully disbursed but not absorbed. Therefore, there shall be no cost implications since the two components of the KES 146m balance are held by the National Treasury (KES56m) and FSD Kenya (KES 90m). FSD Kenya has been identified as the implementation partner of RK-FINFA and has committed to commit USD 1m as their contribution to the project (which includes the KES 90m from AFD which shall be fully spent on RK-FINFA technical assistance). The amounts at the National Treasury shall be transferred to the project once the amendment is signed."
9. Having considered the above, we find the draft Amendment Letter to be in order and parties may proceed to execute the same. The National Treasury should note to forward the signed copy of the Amendment Letter for our information and records.

Kindly be guided accordingly.


HON. S. DRACKI. MOSE
SOLICITOR-GENERAL

Copy to:

Hon. J. B. N. Muturi, EGH
ATTORNEY-GENERAL

Prof. Njuguna Ndung'u, CBS
Cabinet Secretary
The National Treasury and Economic Planning
NAIROBI

Amey 9 11/03



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING



Investing in rural people

RURAL KENYA FINANCIAL INCLUSION FACILITY

INTERNAL MEMO

REF : DFN/126/013/23 VOL 1(05)

TO : SENIOR CHIEF FINANCE OFFICER

THRO : D/F&SA

Forwarded by 11/03/2024

DATE : MARCH 11, 2024

RE : BUDGET FUNDING UNDER CREDIT FACILITY AGREEMENT NO. CKE 3004 - AMENDMENT LETTER NO. 4, MICROFINANCE SECTOR SUPPORT CREDIT PROJECT (MFSSC)

For the CKE 3004 amendment letter no. 4 of February 28, 2024 refers.

In line with RK FINFA implementation Plan and Budget, the implementation of this sub-component is planned for the fiscal year 2024-25. Accordingly, the Project Management hereby request a budget allocation of Ksh 146,428,317.30 to be provided in respect of the Credit Facility Agreement no. CKE 3004 and the amounts transferred to RK FINFA as follows;

S/No.	source of funding	Amount (Ksh)
1.	Revenue (Exchequer)	90,491,999.30
2.	AIA (FSD)	55,936,318.00
Total		146,428,317.30

This is an additional RK FINFA budget for the FY 2024/25 to be financed through the MFSSC Project.

[Signature]

NJERU Michael
Financial Controller
For: Project Coordinator

SENIOR DEPUTY DIRECTOR
FINANCIAL & SECTORAL AFFAIRS

11 MAR 2024

RECEIVED
THE NATIONAL TREASURY

CC: Director / Reserve Bank of Kenya Department

SENIOR CHIEF FINANCE OFFICER
THE NATIONAL TREASURY AND ECONOMIC PLANNING

11 MAR 2024

RECEIVED

P.O. Box 30007 NAIROBI

Encl:



DIRECTORATE OF PUBLIC DEBT MANAGEMENT
RESOURCE MOBILIZATION DEPARTMENT

INTERNAL MEMORANDUM

PC/RK-FWPA

*Kindly urgently
do a letter to
SCFO to take
necessary
action
from
8/3/2024.*

REF: MOF/ERD/20/154/78/01 (47)

7th March, 2024

Director/ Financial & Sectoral Affairs

RE: AMENDMENT LETTER TO FACILITATE REALLOCATION OF FUNDS FROM MICROFINANCE SECTOR SUPPORT CREDIT PROJECT TO RURAL KENYA FINANCE INCLUSION FACILITY PROJECT

The above subject matter refers.

The Government of Kenya and Agence Francaise de Development (AFD) signed a Credit Facility Agreement of EUR 10 million to support the Micro Finance Sector Support Credit (MFSSC) Project. The project commenced in 2005 and came to an end in 2014.

At the completion of the project in 2014, a balance of Ksh. 146,428,317.30 remained unutilized. The National Treasury requested AFD to relocate the balance to Rural Kenya Inclusion Facility Project which is financed by IFAD. AFD accepted the request and provided an Amendment Letter to the original Credit Facility Agreement to enable the transfer of funds. The Amendment Letter was reviewed by the National Treasury and cleared by the Office of the Attorney General.

The purpose of this memo is to submit the executed Amendment Letter for your records and further action.

David Kamen
Ag. DIRECTOR/ RESOURCE MOBILIZATION DEPARTMENT

Encl:

Annex 9 (iii)(d)



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

Telegraphic Address: 22921
Finance – Nairobi
FAX NO. 310833
Telephone: 2252299
When Replying Please Quote

THE NATIONAL TREASURY
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NAIROBI

Ref: TNT/ZZ 307/03/09 "A" (72)

Date: 31st October 2022

OFFICE OF THE AUDITOR GENERAL
TREASURY BUILDING
NAIROBI

Attn: John N. Karingithi

RESPONSE TO DRAFT REPORT OF THE AUDITOR GENERAL ON MICRO
FINANCE SECTOR SUPPORT AND CREDIT PROJECT CREDIT NO. CKE 3004;
CKE 6010 FOR THE YEAR ENDED 30 JUNE 2022

Audit Findings

QUESTION: AMOUNT WITHDRAWN BUT UNCLAIMED

Part B of the Statement of Special (Designated) Account reconciliation for the project reflected Euro 1,152,653.73 (Equivalent to KSh. 142,952,115.59) at the then exchange rate of 1 Euro at KSh. 124.02 as amounts withdrawn and not claimed as at 30th June, 2021 representing cumulative funds transfers to the local project bank account but whose expenditure returns had not been submitted by the close of the financial year.

RESPONSE

4.1.1. The Government of Kenya (GOK) entered into a Credit Facility Agreement (CFA) with the French Development Agency (AFD) on 25 May 2005 for a facility of Euro 10,000,000 (Ten million Euros) to support the Micro-Finance Sector Support Credit Project (MFSSC). The objective of the project was to support the financial deepening in the banking sector in order to ensure access to credit by the non-banked population of Kenya and to establish a Microfinance Unit (MFU) within the Ministry

of Finance to integrate Microfinance issues within the broader Financial Sector. The project comprised of the following three components:

1. Re-financing of credit facilities granted by wholesaler banks to lend to second tier micro-finance organisations (MFI's and Sacco's);
2. Capacity building of the wholesalers for the management of the MFSSC facility; and;
3. Capacity building of the second tier institutions on the basis of capacity building programs developed by the wholesalers but managed by an independent program management unit (FSD Kenya).
4. Establishment and capacity building of the Microfinance Unit (MFU) within the MoF.

The Project was being implemented by the National Treasury (NT) through partnerships with Wholesaler Banks including Cooperative Bank, Equity Bank and K-Rep Bank (now Sidian Bank).

Under the first (1) component of the programme, the Government made available through subsidiary agreements a loan facility of Euro 6.8 Million to the three wholesalers for on-lending to 2nd Tier SACCOS and MFIs for a period of four years effective 14th February 2007. The 2nd Tier institutions (SACCOS and MFIs) were expected to extend credit to the final beneficiaries who were the non-banking population, thus enhancing credit delivery and access in Kenya.

The second (2) component of the program was a grant of Euros 600,000 to the wholesalers intended to enhance their capacity to deliver the program goals effectively.

The Third (3) component of the program was an additional grant of Euro 2.3 million for the capacity building of the second tier microfinance organisations managed by Financial Sector deepening (FSD) Kenya and available on request after evaluation of the training needs of the Sacco's and MFIs by the wholesalers.

The fourth (4) component was to establish a Microfinance Unit in the National Treasury and build its capacity to ensure that specific sector issues are addressed within the overall framework of financial sector strategy. This component had an

allocation of Euro 100,000 for capacity building and Euro 200,000 for Audit and Impact Assessment.

Funds Summary

The summarized project transaction is as highlighted in Table 1. The agreement to support the Micro-Finance Sector Support Credit Project was for Euro 10,000,000.00. Out of this amount, Euro 300,000.00 meant for wholesalers capacity building was cancelled by AFD and hence was not disbursed to The Government of Kenya.

In the remaining Euro 9,700,000.00, the Government of Kenya received Euro 9,663,218.54 for on-lending to Wholesalers and capacity building of the wholesalers and the then Ministry of Finance (the National Treasury). Euro 34,660.53 was meant for audit and consultancy firms by AFD, leaving them with a balance of Euro 2,120.93. Therefore, out of Euro 10,000,000, the amount left with AFD was Euro 302,120.93 undisbursed to the Government of Kenya

Table 1: Project Components and Costs in Euros

GLOBAL RECONCILIATION STATEMENT		
	EUROS	EUROS
TOTAL FUNDS AVAILABLE AS PER FUNDING AGREEMENT		10,000,000.00
LESS: DISBURSEMENT TO TREASURY		-
1 TRANCHE KREP BANK	(100,000.00)	-
2 TRANCHE COOP BANK	(100,000.00)	-
3 TRANCHE GOK	(6,800,000.00)	-
4 TRANCHE GOK	(50,000.00)	-
5 TRANCHE FSD	(1,150,000.00)	-
6 TRANCHE EQUITY BANK	(100,000.00)	
7 TRANCHE REVOLVING FUND	(1,363,218.54)	(9,663,218.54)
AUDIT AND IMPACT ASSESSMENT		
KIGATHI & ASSOCIATES	(23,210.58)	
PKF	(11,449.95)	(34,660.53)
AUDIT FEE BALANCE (KIGATHI & ASSOCIATES)	(2,120.93)	
AUDIT FEE BALANCE (KIGATHI & ASSOCIATES)	2,120.93	-

BALANCE OF MFSSC FUNDS RETAINED BY AFD	-	302,120.93
TOTAL FUNDS BALANCE WITH AFD		
CAPACITY BUILDING FUNDS CANCELLED	300,000.00	
AMOUNT NOT DISBURSED	2,120.93	302,120.93
		0.00

Disbursement to the National Treasury Euro 6.8 million

Under this component of the programme, AFD through the Government of Kenya made available through subsidiary agreements a loan facility of Euro 6.8 Million to the three wholesalers for on-lending to 2nd Tier SACCOs and MFIs for a period of four years effective 14th February 2007.

The 2nd Tier institutions (SACCOS and MFIs) were expected to extend credit to the final beneficiaries who were the non-banking population, thus enhancing credit delivery and access in Kenya.

Table 2 highlights the disbursements to the wholesalers. The balance of KSh.8,752,689 is Forex gain which was to be transferred to the Revolving fund account by the National Treasury.

Table 2: Loan disbursement to the wholesalers

			DISBURS EMENT	AFD TO TREASURY	TOTAL BALANCE
DISBURSEME NT DATE	ITEM DESCRIPTION	CHEQUE NO/ WIRE TRANSFER	KSHS	RECEIPTS KSHS	KSHS
20/11/2007	SP ACCT TO CBK EXCHEQUER	WIRE		328,182,849	328,182,849
02/04/2008	TO K-REP BANK	6699	90,000,000		238,182,849
04/04/2008	TO EQUITY BANK	6698	90,000,000		148,182,849
05/06/2008	TO COOPERATIVE BANK	6722	90,000,000		58,182,849
16/02/2010	TO K-REP BANK	RTGS	29,000,000		29,182,849
16/02/2010	TO COOPERATIVE BANK	RTGS	29,000,000		182,849
15/02/2011	SP ACCT TO CBK EXCHEQUER	WIRE		374,569,840	374,752,689
24/12/2011	TO K-REP BANK	RTGS	122,000,000		252,752,689
24/12/2011	TO EQUITY BANK	RTGS	122,000,000		130,752,689

03/02/2011	TO COOPERATIVE BANK	RTGS	122,000,000		8,752,689
31/12/2012	TOTALS Kshs		694,000,000	702,752,689	8,752,689

Disbursement and Recovery by MoF

Table 3 shows the recovery performance under the MFSSC project as at December 31 2014 as reported by the wholesalers in the last quarterly reports. During the period under review, all the funds for the wholesalers were already fully disbursed. The recovery to the National Treasury was on schedule for each of the participating wholesalers. It was later noted that Cooperative bank made the last repayment at the end of December 2014 amounting to KSh. 22,218,782 which had been returned back to them as the Government had closed the designated account but they subsequently wrote a letter to National Treasury to give them the correct account to remit the returned funds and this amount was later paid.

Table 3: Loan disbursement and recoveries by National Treasury as at end of December 2014 in KSh.

	EQUITY	COOP	K-REP	TOTAL
	KSH.	KSH.	KSH.	KSH.
DISBURSEMENT TO WHOLESALERS	212,000,000	241,000,000	241,000,000	694,000,000
REPAYMENT BY WHOLESALERS				
PRINCIPAL	212,000,000	241,000,000	241,000,000	694,000,000
PRINCIPAL BALANCE OUTSTANDING 31/12/2014	-	-	-	-
INTEREST PAID	26,977,480	36,089,973	31,769,167	94,836,620
INTEREST BALANCE OUTSTANDING 31/12/2014	-	-	-	-
TOTAL AMOUNTS PAID AS AT 31/12/2014	238,977,480	277,089,973	272,769,167	788,836,620

From the foregoing, the National Treasury confirms the completeness of the Project Account Financial Statements. The EUR. 1,152,653.73 in question, was part of the Euro 9,663,218.54 for on-lending to Wholesalers and capacity building of the wholesalers and the then Ministry of Finance (the National Treasury).

QUESTION:

Further, an additional Euro 30,000 (KSh. 3,720,600) cash advance to the project reflected in the list of advances which ought to have been justified by 31 December 2015 was yet to be justified under the Grant Facility CKE 6010.

RESPONSE:

- a) The French Development Agency (AFD) signed a financing agreement for a Technical Assistance to the Ministry of Finance – (Now the National Treasury (NT) in 2005 for the support of the development of a Microfinance Unit under the Ministry. (Project No CKE 6010-01E)
- b) The project MFSSC TA (CK 6010) had a budget of Euro 600,000 of which Euro 450,000 was allocated for in kind direct International Technical Expert (ITE) support provided by AFD and no funds were released to MoF.
- c) Euro 150,000 was allocated to Technical Assistance to the Ministry of Finance (now NT) – Microfinance Unit (MFU) to build capacity of staff at the MoF to undertake their role under Microfinance Unit.
- d) Under the financing agreement with AFD, a separate account was to be opened with a commercial bank in which the funds for this capacity building component would be disbursed and accounted for. Therefore, the Ministry of Finance opened an account No. ICA 1110001558 at NIC bank now NCBA Bank
- e) The Ministry of Finance (NT) prepared a budget and cash advance management manual to guide the operations of this capacity building. This manual set the disbursement limit of any advance not to exceed Euro 30,000 for each tranche. For each tranche, a renewal of advance was done when the beneficiary (NT) presents to AFD supporting documents proving payments and the use of 70% of the funds from the previous advance.
- f) **The Euro 30,000 in Audit question was the first advance disbursement by AFD to the MoF in April 2012. At the exchange rate of EU 1 to Kshs 110 the total amount received was Kshs 3,300,000.**

- g) A total of Kshs 2,524,476 (which is 76%) of the initial disbursement was utilized for capacity building of staff and satisfactorily accounted for to AFD by September 2014 with a request for reimbursement of the same.
- h) On October 9, 2013 a cash advance No2. was received from AFD to the designated account (Copy Attached) being reimbursement of the funds fully utilized and accounted for to the satisfaction of AFD.
- i) Subsequently by June 2015 another Kshs 3,402,874.90 was utilized for capacity building activities which is 99.8% of the available balance. (*Attached please find the statement of receipts and utilization of the funds*).

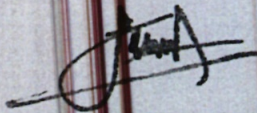
Based on the foregoing, the National Treasury has therefore fully captured all the receipts and utilization of the funds disbursed for use in the project MFSSC CKE 3004 and CKE 6010.

QUESTION: WINDING UP THE PROJECT

As per clause 10 of the financing agreement, the project was to close on **31st October, 2010** but the closing date was later extended to **31st December, 2014**.

RESPONSE:

The project closure is now progressing well as the consultant has prepared the Final audit Report that has been approved by AFD and other stakeholders vide a meeting held on Thursday March 17, 2022. Subsequently, we wrote to AFD for No objection to transfer the surplus project funds to Rural Kenya Financing Inclusion Facility (RK-FINFA). Once, AFD gives us a No-objection, the National Treasury will forward to OAG the Final Audit and Project Final Closure report for information and concurrence.


JULIUS MUIA, PhD, CBS
PRINCIPAL SECRETARY/THE NATIONAL TREASURY

11/11/11

11/11/11

