

REPUBLIC OF KENYA



THE NATIONAL TREASURY AND ECONOMIC PLANNING  
STATE DEPARTMENT FOR ECONOMIC PLANNING

Telegrams "PLANNING" Nairobi  
Fax No: 2218475  
Telephone: 2252299  
E-mail: [psplanning@gmail.com](mailto:psplanning@gmail.com)  
When replying please quote

Office of the Principal Secretary  
Treasury Building  
P.O. Box 30005-00100  
NAIROBI

Ref. No. TNTP/SDEP/3/41(302)

Date: 13<sup>th</sup> June 2023

**Mr. MacDonald Obudho, MBS**  
Director General  
Kenya National Bureau of Statistics  
P.O Box 30266 -00100  
**Nairobi**

**Dr. Mohamed A. Sheikh**  
Director General  
National Council for Population and Development  
P.O BOX 48994-00100  
**Nairobi**

*Dr.*  
**Ms. Rose Ngugi**  
Executive Director  
Kenya Institute of Public Policy & Research Analysis  
**Nairobi**

**Amb. Dr. Samori Okwiya**  
Chief Executive Officer  
NEPAD/APRM Kenya Secretariat  
PO Box 46270 - 00100  
**Nairobi.**

**Mr. Yusuf Mbuno**  
Ag. Chief Executive Officer  
National Government Constituency Development Fund Board (NGCDB)  
**Nairobi**

**Mr. Kenneth Mwige**

Director General

Kenya Vision 2030 Delivery Secretariat

P.O. Box 52301-00200

**Nairobi.**

**NATIONAL DEVELOPMENT PROJECTS STOCK-TAKE: PROJECT PORTFOLIO  
REVIEW AND RATIONALIZATION**

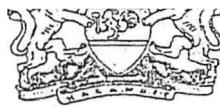
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Reference is made to the National Treasury Letter Ref. **TNT/PIM/41 Vol.1 (33)** dated **2<sup>nd</sup> February, 2023** and letter Ref, **TNT/PIM/41 Vol.1 (38)** dated **25<sup>th</sup> April 2023** on the above subject matter. Copies of the letters are enclosed for reference.

You are hereby required to go through the contents of the Circulars and apprise yourself with the Guidelines detailed therein.



**James Muhati**  
**PRINCIPAL SECRETARY**



REPUBLIC OF KENYA

NATIONAL TREASURY AND ECONOMIC PLANNING  
Telegraphic Address: 22921  
FINANCE - NAIROBI  
Telephone: 2252299  
When replying please quote

THE NATIONAL TREASURY  
P. O. Box 30007-00100  
NAIROBI

Ref. No: TNT/PIM/41 Vol. I (38)

Date: 25<sup>th</sup> April 2023

All Cabinet Secretaries  
All Principal Secretaries/Accounting Officers

Dear ALL,

NATIONAL DEVELOPMENT PROJECTS STOCK-TAKE: PROJECT PORTFOLIO REVIEW AND RATIONALIZATION

Reference is made to our letter Ref No: TNT/PIM/41 Vol. I (33) dated 7<sup>th</sup> February 2023 requesting Cabinet Secretaries to constitute Ministerial teams to do a thorough review of all projects within their mandate and submit a report to the National Treasury by 30<sup>th</sup> June 2023. In addition, to the guidelines by the above circular, the Cabinet Secretaries are also requested to ensure the following:

- a) Institutional Arrangements
  1. Accounting Officers to utilize existing structures including the PFM Standing Committee as per Regulation 18 (1) of the PFM Regulations 2015 and Regulation 22(1) of the PFM (Public Investment Management) Regulations 2022 which is responsible for the monitoring project implementation. The composition of PFM standing Committee is as follows:
    - a) The Accounting Officer as chairperson of the standing committee;
    - b) An officer designated by the Accounting Officer as secretary of the Standing Committee and who shall be either the head of the finance or accounts units or heads of both finance and accounts units of the entity;
    - c) The Head of the department or unit responsible for planning (Regulation 22(2) of the PFM (Public Investment Management) Regulations 2022); and
    - d) Heads of departments or administrative units dealing with public finance management matters, as members.
  2. In addition, Accounting Officers are requested to note the provisions of regulation 14(1) of the PFM (Public Investment Management) Regulations 2022 and its responsibility on project prioritization, risk identification, risk mitigation and managing any changes in project scope. The composition of the Project Committee is as follows:
    - a) Head of a Directorate or a Department, who shall be the chairperson;

CHIEF FINANCE OFFICER from finance department;  
AT

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- c) a maximum of four members appointed on ad hoc basis based on their technical knowledge and depending on the project to be implemented;
- d) one officer from any department of the National Government Ministries Departments and Agencies; and
- e) Head of Planning or his or her representative, who shall be the secretariat.

**b) Data Analysis**

3. Accounting Officers assess and analyze the performance of new, ongoing, and stalled projects by considering the following:

- i). Adequacy of budgetary allocations in comparison with planned activities;
- ii). Adequacy, availability, or clarity on the expected outputs as captured in the Project Concept Note, Pre-Feasibility, and Feasibility Study;
- iii). Adherence to the project timelines, cost estimated, and quality of deliverables as per the technical and engineering specification, bill of quantities, and outputs captures in project documents;
- iv). The capacity of the implementing agency or unit to utilize project resources and deliver the project;
- v). Implementation arrangement in place to manage and track the project to completion;
- vi). Compliance with the development partner's financing requirements for project implementation for projects funded through development partner support;
- vii). Progress of implementation against initial work plan and description of challenges, statement of multi-year commitments;
- viii). Review of capital investment versus recurrent expenditure of the public investment/project.
- ix). Review whether the project objectives can better be delivered by the private sector through private partnership arrangements or purely private investment;
- x). Review whether the implementing agency has fully planned for, and institutionalized future operational and maintenance costs;
- xi). Whether the project preliminary conditions for project readiness have been made and completed.
- xii). Whether the project objectives are relevant in terms of the organization and government's strategic objectives.
- xiii). Whether the project is duplicating the efforts of other government interventions.

**c) Project Categorization**


4. Accounting Officers are required to prepare a status report of all projects under their mandate which had been started on or before 8<sup>th</sup> December 2022 as per the provision of regulations 33 and Regulation I(g) of the Ninth Schedule to the Public Finance Management (Public Investment Management) Regulations,

2022. The status report shall be in the format provided for in Schedule six of the PIM regulation 2022, based on the following categorization:

- i. Project size: small, medium, large, and mega;
  - ii. Sector basis (for example Infrastructure, Public Administration and International Relations, etc.);
  - iii. Classify the projects within the following categories: new, ongoing, complete, and stalled;
  - iv. Among them, indicate projects financed by Development Partners, those that require Government counterpart funding or PPP;
  - v. Among them, indicate projects, where financing agreements have been signed but the implementation of the project has not commenced.
5. Accounting Officers are also requested to categorize and prioritize projects in line with the provisions of Regulations 33, 1(g) and section 2 of the Ninth Schedule based on budgetary allocations, project performance, physical audit findings, and strategic relevance to the current Government Development Agenda as follows:
- a) Projects with adequate funds for efficient implementation within the medium term;
  - b) Projects that would need to be re-assessed/re-appraised and continued perhaps with some modifications including re-scoping, removing certain components, cost scale down or time extension or contraction, or any other changes in design.
  - c) Projects to be assessed for cancellation or termination due to poor performance or non-performance over an extended period or strategic irrelevance or as a result of one or all of the following:
    - i. The project costs have escalated significantly over time without proper justification;
    - ii. The project duration has increased significantly without adequate justification.
    - iii. The Project scope and objectives are too broad, too vague, or unrealistic or have significantly increased over time without adequate justification;
    - iv. The project objectives are no longer relevant, misaligned, or not aligned to national, sectoral, or county priorities;
    - v. The project budgetary allocations over the medium term or longer is too little compared to the total project cost or the outputs expected or objectives expected;
    - vi. The project has little or no tangible benefits after so many years of implementation or in comparison with the resources expended over time;
    - vii. The project's objectives as originally expressed can be delivered effectively by the private sector through the public-private partnership or fully private investment;
    - viii. The project implementing agency has no feasible plan to operationalize, or maintain the project assets created after completion;

- ix. The project is inadequately prepared or poorly prepared or preparatory documents including Project Concept Note, Pre-Feasibility or Feasibility Study Reports are inadequate or missing;
  - x. The project is a replica or is duplicating another project being implemented by the same or another different government agency;
  - xi. The project is complete in all respects save for operational matters including handover, transfer of assets and liabilities, stakeholder engagement, and staff release;
  - xii. Projects whose financial agreements have been signed yet the projects are yet to be approved as per the PFM (PIM) Regulations 2022;
  - xiii. Projects being implemented by development partners outside the MTEF Budget Framework;
  - xiv. Projects whose preliminary conditions such as land acquisition, compensation of Project Affected Persons, stakeholder management, detailed Engineering Designs, regulatory approvals, and PIM approvals among others;
- d) Projects that have been completed and need to be retired or removed from the Public Investment Programme;
  - e) Projects that on the face of it are recurrent in nature or expenditure expected is largely for operation, maintenance, or other recurrent spending and need to be moved from the development to recurrent vote;
  - f) Projects which have remained in the Budget or Project Implementation Plan for a long time or unreasonable periods i.e. more than 10 years.
  - g) Projects which have been receiving inadequate, token allocations or drip funded for several years are unlikely to be completed soon. i.e 10% or less.
  - h) Projects which have been suspended or stopped being implemented for whatever reason or that have received no funding in successive years i.e. projects with zero (0) allocations.
- d) **Project reporting**
6. Accounting Officers are requested to submit a report using the format in Annex 1 with appropriate recommendations for each specific project and develop a plan-of-action to completion for each project to be submitted to Cabinet and Parliament.
- e) **Conclusion**
7. Finally, Accounting Officers are required to ensure strict adherence to these Guidelines and bring the contents of this letter to the attention of all Officers working under them including the Heads of Parastatals, Autonomous or Semi-Autonomous Government Agencies (SAGAs).

Yours

*Sincerely,*  


Njuguna Ndung'u, CBS  
 CABINET SECRETARY

**ANNEX 1: DATA COLLECTION TEMPLATE AS PER SCHEDULE SIX OF PFM (PIM) REGULATIONS 2022.**

Project Name	Project Timelines		Estimated Cost of the Project					Actual Physical Progress		Budget Utilisation on in Current FY		Achievements in the Current FY		Overall Assessment, Challenges, and Risks			Budget Projections			Operational Sustainability	Fiscal impact and Recommendation							
	Start Date	End Date	% of Time Elapsed	Total Project Cost (a)	Foreign	Gok	Total Allocations to Date	Actual cumulative Expenditure (As of 30 <sup>th</sup> June FYN-1 (b))	Outstanding Balance as of 30 <sup>th</sup> June FYN-1 (a-b)	Expected Outputs at inception	Actual achieved Outputs as of 30 <sup>th</sup> June FYN-1	Project Completion Rate as of 30 <sup>th</sup> June FYN-1	Approve Budget for the FY N	Actual Expenditure FY N	Target Expected outputs for FY N	Achieved Outputs as at (Date-of-Report)	Project Completion Rate as at (Date-of-Report)	Projected Risks	Challenges/Emerging Issues	Project Status ( ongoing, stalled)	Recommendations	FY N+1	FY N+2	FY N+3	Project Annual Operating Costs(Labour, operations, and Maintenance	Projected costs for continuation or cancellation	Recommendation	
0001 Project 1																												
0002 Project 1																												

NB: The cut of date is 8th August 2022



REPUBLIC OF KENYA

THE NATIONAL TREASURY AND ECONOMIC PLANNING

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THE NATIONAL TREASURY  
P.O Box 30007-00100  
NAIROBI

Ref. No: TNT/PIM/41 Vol. I (33)

Date: 7<sup>th</sup> February, 2023

All Cabinet Secretaries  
All Principal Secretaries/Accounting Officers

Dear **ALL,**

**NATIONAL DEVELOPMENT PROJECTS STOCK-TAKE: PROJECT  
PORTFOLIO REVIEW AND RATIONALIZATION**

The above subject matter refers:

**a) Background**

1. The critical roles the Public Investments play in the nation's socio-economic development, employment creation and growth of Gross Domestic Product (GDP) are well recognized through the **Bottom-up Economic Transformation Agenda (BETA)** and Kenya's economic blueprint (The Kenya Vision 2030).
2. The Government policy intention as approved by Cabinet is to complete all ongoing projects and that any new project shall require written approval of the Cabinet Secretary for The National Treasury & Economic Planning or the Principal Secretary for The National Treasury before the new project can be included in the budget of the National Government for subsequent submission to the National Assembly for the budget to be appropriated. The projects approval process has also been reinforced by the Government of Kenya through the issuance of the Treasury Circular No 16/2019: **Guidelines on Public Investment Management for National Government and its Entities**. Circular No. 16/2019 has since been processed into Public Finance (Public Investment) Management Regulations 2022 (Legal Notice No. 54 of 2022).
3. As such, the Government of Kenya through the National Treasury undertook the Development Projects Stock-Take exercise on the entire portfolio of projects being implemented by the National Government and its entities as a result of the realization that the project portfolio is already bloated and is characterized by cost escalation, delays in completion and stalled projects. The bloated project portfolio has narrowed the fiscal space leading to unpredictable funding for ongoing projects as well as limited or no fiscal space for new projects. This has led to drip funding and stalling of projects.



b) **Objectives**

4. The objective of the Project Portfolio Review and Rationalization is to strengthen the Public Investment Management Framework to ensure that only high-quality projects enter the budget; and to review the existing portfolio of projects with a view to determining its performance and relevance by:
- a) Undertaking a detailed review to verify and confirm the performance of the stalled projects including a physical audit and field visit;
  - b) Identifying all non-performing projects with a view to suspending them awaiting a decision to either continue or cancel;
  - c) Developing a resolution strategy to inform decision-making on the stalled and non-performing projects during rationalization; and
  - d) Implementing the resolution strategy with a view to expediting completion of projects to ensure that the intended benefits are realized.

c) **Cabinet Directive**

(5) During the Cabinet meeting held on 12<sup>th</sup> May, 2022, the Cabinet Directed as follows:

- (i) That all Cabinet Secretaries to immediately commence a thorough review of all the affected projects within their mandate;
- (ii) That Ministries, Departments and Agencies (MDAs) to constitute multi-agency teams to undertake a physical audit and verification exercise of the affected projects and recommend projects to be rationalized.

d) **Implementation of the Cabinet Decision**

(6) In order to implement the Cabinet Decision, MDAs are required to constitute teams to undertake the following:

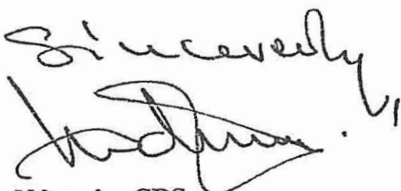
- (i) To conduct a detailed review to verify and confirm the performance of development projects including a physical audit and field visits;
- (ii) To develop a list of all viable ongoing development projects that will be maintained in the Project Implementation Plan by Public Investment Management Information System (PIMIS).
- (iii) To identify all stalled and non-performing projects with a view to suspending them awaiting a decision to either continue or cancel;
- (iv) To develop a resolution strategy to inform decision-making during projects' rationalization; and
- (v) To design a resolution strategy with a view to expediting completion of projects at Ministerial level to ensure that the intended benefits are realized.

In view of the foregoing, it is noted that there is need for Cabinet Secretaries to constitute the indicated teams at the Ministerial levels in order to commence a thorough review of all the affected projects within their mandate and submit their reports in both hard and soft copies by 5.00PM, 30<sup>th</sup> June 2023 to the National Treasury. The hard copies may be send via post or hand-delivered to the following:

The Principal Secretary  
The National Treasury  
P.O Box 30007-00100  
Nairobi

A soft copy should be emailed to [pim@treasury.go.ke](mailto:pim@treasury.go.ke) to be received by 5.00PM, 30<sup>th</sup> June 2023.

Yours



Njuguna Ndung'u, CBS  
CABINET SECRETARY

Copy to: Mr. Felix Koskei  
Chief of Staff and Head of Public Service  
State House  
NAIROBI

Hon. Justin B. N. Muturi, E.G.H.  
Attorney General  
State Law Office and Department of Justice  
Sheria House  
NAIROBI

Dr. Chris Kiptoo, C.B.S.  
Principal Secretary  
The National Treasury  
The National Treasury and Economic Planning  
NAIROBI