REPUBLIC OF KENYA

NATIONAL TREASURY

Public Financial Management Reforms

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THE STRATEGY FOR PUBLIC FINANCIAL MANAGEMENT REFORMS IN KENYA

2013 – 2018

REVISED JUNE 2016

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ABBREVIATIONS AND ACRONYMS

ADP	Annual Development Plan
AFROSAI	African Organization of Supreme Audit Institutions
A-I-A	Appropriations in Aid
ASD	Accounting Services Department
BD	Budget Department
BFEA	Budget, Fiscal & Economic Affairs
CAs	County Assemblies
CARA	County Allocation of Revenue Act
CBK	Central Bank of Kenya
CFSP	County Fiscal Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
CoK	Constitution of Kenya
CoB	Controller of Budget
CRA	Commission on Revenue Allocation CS-DRMS
CS – DRMS	Commonwealth Secretariat Debt Recording and Management System
DoRA	Division of Revenue Act
DP	Development Partner
DPSM	Directorate of Public Service Management
EAC	East African Community
e-ProMIS	Electronic - Project Management Information System
ERP	Enterprise Resource Planning
GDP	Gross Domestic Product
GFS	Government Financial Statistics
GIPE	Government Investment and Public Enterprise
GoK	Government of Kenya
GPA	Government Pay Account
GRB	Gender Responsive Budgeting
HRM	Human Resource Management
IAD	Internal Audit Department

iCMS	Integrated Customs Management System
ICT	Information, Communication and Technology
IFMIS	Integrated Financial Management Information System
IGFRD	Inter-Governmental Fiscal Relations Department
IGR	Internally Generated Revenues
IMF	International Monetary Fund
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
KDSP	Kenya Devolution Support Programme
KERP	Kenya External Resources Policy
KRA	Kenya Revenue Authority
KSG	Kenya School of Government
KShs.	Kenya Shillings
LAIFOMS	Local Authorities Integrated Financial Operations Management System
MCA	Member of County Assembly
MDAs	Ministries, Departments and Agencies
M&E	Monitoring & Evaluation
MTEF	Medium Term Expenditure Framework
MTP	Medium Term Plan
NCBF	National Capacity Building Framework
NG	National Government
NG-CDF	National Government Constituency Development Fund
NGO	Non-Governmental Organisation
NT	National Treasury
NTR	Non -Tax Revenue
OAG	Office of the Auditor-General
OCoB	Office of the Controller of Budget
ODA	Official Development Assistance
OSR	Own Source Revenue
P&B	Planning and Budgeting
PAC	Public Accounts Committee

PBB	Programme Based Budgeting
PBO	Parliamentary Budget Office
PDMO	Public Debt Management Office
PEFA	Public Expenditure and Financial Accountability
PFF	Project Facilitation Fund
PFMA	Public Finance Management Act
PFM	Public Finance Management
PFMR	Public Finance Management Reform
PIC	Public Investments Committee
PMIS	Pensions Management Information System
PPD	Public Procurement Department
PPP	Public Private Partnership
PPPU	Public Private Partnership Unit
PPRA	Public Procurement Regulatory Authority
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
RMD	Resource Mobilization Department
SAGA	Semi-Autonomous Government Agency
SC	Steering Committee
SOEs	State-Owned Enterprises
SRC	Salaries and Remuneration Commission
SWG	Sector Working Group
TA	Technical Assistance
TC	Technical Committee
TIMS	Tax Invoice Management System
TSA	Treasury Single Account
TSC	Teachers' Service Commission
VAT	Value Added Tax
VfM	Value for Money
WAN	Wide Area Network

FOREWORD

REVISED EDITION JUNE 2016

Since the launch of the Public Financial Management (PFM) Reform Strategy in March 2013, the Government has made significant progress towards achieving the objectives set for the reforms and is on target to achieve full implementation of the remaining activities. It is in this context that the National Treasury undertook a review to assess progress made so far and to identify emerging gaps and challenges in the reforms, and adopt necessary improvements going forward.

Over the remaining two-year period, the Government intends to introduce the Treasury Single Account (TSA) at national and county government levels, strengthen strategic planning and budget formulation, improve Government investment programme management and deepen budget execution, among other key reform measures.

Specifically, some key reform areas brought on board through this review include:

- Improving the quality of planning by providing strong integrated results framework and ensuring costs for planning documents (Medium Term Plans, Sector and County Strategies) are well within the medium term fiscal framework.
- Strengthening control and management of the government investment programmes by enhancing appraisal, selection and monitoring procedures over projects.
- Improving efficiency in budget execution by introducing quarterly cash planning and cash flow practices in Ministries, Departments, and Agencies (MDAs) and counties as provided in the PFM regulations and
- Implementing comprehensive cash management reforms by strengthening commitment control and reporting and enhancing in-year budget monitoring and reporting both at the national and county government levels.

Further, this revised edition has adopted new institutional arrangements that will see the Public Financial Management Sector Working Group (PFM-SWG) occupy the apex of the Programme's governance structure with regard to coordinating dialogue with key stakeholders on PFM reform policy issues while the PFM Reform Steering Committee oversees implementation of strategic policy issues.

This Strategy is estimated to cost about Kshs.13billion over the next two years. The Government, working in collaboration with Development Partners will mobilize resources to achieve this funding requirement.

At the same time, this edition lays out a comprehensive results framework to ensure continuous monitoring, reporting and evaluation of the reform progress. It also provides for the preparation of a Communications Strategy and an Operations Manual to guide dissemination of information and implementation of the Strategy, respectively.

The Government remains fully committed to the full implementation of the PFM reform agenda outlined in this Strategy. I, therefore, call upon all stakeholders to stay the course and continue working harder and smarter towards realizing the goals set forth in this Plan.

HENRY K. ROTICH, EGH

CABINET SECRETARY/NATIONAL TREASURY

ACKNOWLEDGEMENTS

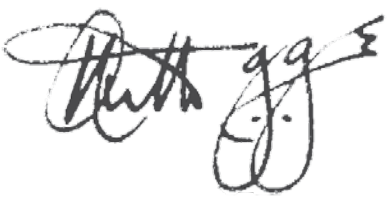
The preparation of the Revised Edition of the Public Financial Management (PFM) Reform Strategy would not have been possible without the contributions of a number of persons and institutions.

We are particularly indebted to the Task Force Members *(see List of Members in Annex 4)* on the Mid-Term Review of the PFM Strategy for providing the necessary technical guidance and for ably steering the review process. Our compliments also go to the PFM Reform Secretariat for providing necessary support to the review team throughout the process.

More importantly, we are very grateful to our esteemed Development Partners (DPs) for their contribution on both financial and technical support during the midterm review process. In this regard, the Governments of Denmark and Sweden deserve special mention for their continued direct financial support to the implementation of the Strategy.

Last but not least, we extend our appreciation to all PFM agencies, County Governments and other stakeholders who took their time to listen to us as we produced this revised edition. We are very grateful to you all for your time and support to the review process

Finally, we hope the implementation of the interventions provided herein will be useful in steering the PFM reforms in the public sector towards the intended goal.



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EXECUTIVE SUMMARY

Introduction

This document presents the revised strategy for the Public Financial Management Reforms for the period 2013-18. It replaces the earlier strategy for the same period. Further, it discusses the basis and context for the revision. The Strategy is divided into three main chapters and five annexes. Whereas Chapter One lays out the purpose and organisation of the Strategy, the reform context, its vision and objectives, Chapter Two presents the reform strategy themes, objectives and describes the reform design. Chapter Three, on the other hand, discusses the governance structure/programme management aspects of the Strategy. Finally, details of the Action Plan and the Monitoring and Evaluation Framework are presented in Annexes 1, 2 and 3. The lists of taskforce members and the Secretariat Staff who participated in midwifing this Revised Version are found in annexes 4 and 5, respectively.

Background

In the early 2000, the Government of Kenya identified a well-functioning PFM system as a cornerstone to achieving national development. The first PFM reform Strategy covered the period 2006-2011 under the theme "*Revitalization of Public Financial Management System in Kenya"*. At the end of implementation period, many of the reforms had not been completed. Furthermore, changes in the Constitution of Kenya, 2010 also presented new opportunities for major institutional and legal reforms in PFM systems. These included the creation of counties through a major devolution policy and the establishment of new institutional roles. In addition, the enactment of the Public Finance Management Act 2012 and other PFM related legislations expanded the demand for PFM institutional reforms. These issues among others formed the foundation upon which the 2013-2018 PFM Reform Strategy was formulated.

By June 2015, the Strategy had been under implementation for about two and a half years and hence was due for a midterm review. The midterm review was carried out between November 2015 and March 2016 to assess progress made in the implementation of the Strategy, identify emerging gaps and challenges in the reforms, and to enlist measures to improve implementation in the next phase. The review found out that significant progress had been registered in implementing the Strategy with many actions well on target and likely to be completed by the end of the Strategy. However, there were also many areas where implementation of the reforms had been slow and likely to affect the achievement of the Strategy objectives. Most notable of these were institutional reforms at the National Treasury, introduction of the Treasury Single Account (TSA) at national and county government levels, payroll and pension reforms, and expansion and integration of PFM systems.

The review also identified gaps in the Strategy that needed to be addressed to enhance achievement of comprehensive reforms . These include County PFM reforms, additional reforms in strategic planning and budget formulation, investment programme management, cash management and other budget execution efficiency reforms, and reforms to make Kenya's PFM systems gender responsive.

The purpose of this revised Strategy, therefore, is to consolidate the outcome and agreements reached following the midterm review and provide a framework and roadmap that will guide the reforms for the remaining period up to June 2018.

The changes to the Strategy as a result of issues and gaps identified by the midterm review notwithstanding, the Strategy has largely maintained its foundation, that is, the Vision 2030, the Constitution of Kenya 2010 and the PFM Act 2012.

The Revised Strategy

The objective of the Strategy has been maintained as: ***'A public finance management system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development'.***

By the end of its implementation, the Government expects to realise the following key outcomes:

- key PFM legislations will be fully established, observed and enforced by all entities at national and county government level to produce greater fiscal discipline and integrity through the PFM cycle
- improved alignment of results of the MDAs and County budgets and Programmes with the Medium Term Plan (MTP) and Vision 2030
- Improved efficiency in collection of revenue resources leading to enhanced yields and greater stability in financing the budget at the national and the county government levels
- credible budgets with better alignment between plans, appropriations and actual disbursements
- Improvedcapacity of counties for budget formulation and implementation leading to better utilization and increased absorption of resources
- Enhancedcapacity of the Office of the Auditor-General (OAG) for audits including financial, performance and Value for Money (VfM), leading to timely and better quality audit reports
- Improved budget execution both at the national and county government levels, with better predictability of exchequer releases and reductions in pending bills
- full integration of Integrated Financial Management Information System (IFMIS) with other PFM systems minimising manual operations and enabling more accuracy and timelines of reporting across all financial operations of MDAs and counties

- PFM systems that aregender responsive with increased appreciation of gender mainstreaming by key actors and application of Gender Responsive Budgeting (GRB) guidelines.

The thematic approach to reforms has been maintained in the revised Strategy. The seven (7) key themes are:

- **Macro-economic Management and Resource Mobilisation** - to enhance collection, accounting and timely reporting of public revenues at national and county governments, in line with macro-economic and fiscal policies

- **Strategic Planning and Resource Allocation** - to ensure effective and equitable allocation of public funds in line with national and county government priorities

- **Budget Execution, Accounting and Reporting and Review** - to ensure efficient and effective budget utilization, accurate and timely accounting, reporting and effective control, and scrutiny and review of expenditure of public resources at the national and county governments

- **Independent Audit and Oversight** - to ensure accountability and oversight of public resources and enhance efficiency, effectiveness and lawfulness in the management of public resources

- **Fiscal Decentralisation and Intergovernmental Fiscal Relations** - to strengthen intergovernmental fiscal relations and improve the effectiveness of county public financial management systems

- **Legal and Institutional Frameworks** - to ensure a consistent and harmonized PFM Legal and Institutional Framework and enhance compliance of MDAs and counties with its implementation

- **IFMIS and other PFM Systems** - to establish secure, reliable, efficient, effective, and fully integrated public financial management systems in both national and county governments.

Capacity Enhancement

This revised Strategy contains a large number of capacity building actions. Capacity building will cover technical skills and acquisition of equipment needed to manage, implement and sustain the reforms. In order to enhance its impact, capacity building will be coordinated within the reform action plan and the National Capacity Building Framework.

Relations with other Programmes and Projects

There are other initiatives currently being implemented or planned to be implemented by the Government which have a bearing on PFM systems and will therefore need to be effectively coordinated. The most prominent is the Kenya Devolution Support Programme (KDSP). The PFM Reform Strategy shall be implemented in coordination with this and other programmes specifically through the governance structure as provided in Chapter 3. Existing and new PFM projects shall be coordinated and implemented within the themes to which they relate.

Governance Arrangements

Implementation of the PFM Reform Strategy will involve many stakeholders at both the national and county government levels besides the development partners. To coordinate these stakeholders effectively, a governance structure comprising a high level PFM Sector Working Group, a Steering Committee (SC) supported by a Technical Committee (TC), has been put in place. The three levels will work in a more harmonised framework to support and coordinate the reform process through technical and administrative support from the PFM Reform Secretariat. Development Partners engagement shall be through the Steering Committee and the PFM Sector Working Group.

CHAPTER ONE
Introduction and Background

1.1 Purpose and organisation of the Strategy

This document presents the revised strategy for the Public Finance Management Reforms for the Government of Kenya for the period 2013-2018. It replaces the earlier Strategy for the same period.

The purpose of this revised Strategy is to consolidate the outcome and agreements reached following the midterm review and provide a framework and roadmap that will guide the improvements to the Public Financial Management (PFM) Reforms for the period up to June 2018. This revised Strategy will also enable the Government to include the coordination of PFM interventions that have emerged since 2013 within one framework so that their overall impact can be effectively managed.

While changes have been incorporated into the Strategy, the foundation has remained the same with the Vision of the Strategy being maintained. Vision 2030 as well as the Constitution of Kenya 2010 and PFM Act 2012 continue to be the primary drivers for reforms. The thematic approach to reforms has been maintained in the revised strategy.

The key themes are:

- Macro-economic Management and Resource Mobilisation
- Strategic Planning and Resource Allocation
- Budget Execution, Accounting and Reporting and Review
- Independent Audit and Oversight
- Fiscal Decentralisation and Intergovernmental Fiscal Relations
- Legal and Institutional Framework, and
- IFMIS and other PFM Systems.

The Revised Strategy has a Chapter on Governance, Coordination and Financing/Programme Management and has added specific annexes for Reform Action Plan, and Reform Strategy Results Framework, replacing the results framework in the earlier version.

Use and Management of the Strategy

The Strategy will serve as the single framework that will guide the implementation of all government PFM reforms for the period up to June 2018. In order to ensure appropriate control and focus on priorities, modification to the Strategy shall be restricted until the end of the implementation period (2018). This Strategy shall also constitute the single platform to mobilize all financial and technical support by all donors towards implementing PFM reforms over the next two years.

Following its endorsement and approval by the Steering Committee, custody over this Strategy shall rest with the Principal Secretary (PS) to the National Treasury, as the champion of the PFM reforms and Head of the governance mechanism (Chairman of the PFM Steering Committee) for its implementation. The PS shall have the responsibility for its dissemination and follow up.

1.2 Context and Background

The Government identified early in the 2000s that a well-functioning PFM system is a cornerstone to achieving national development. In the Vision 2030, the Government is specifically committed to accelerating reforms in public financial management in order to improve efficiency, enhance transparency and accountability under a coordinated strategy.

The Government's first reform Strategy covered the period 2006-2011. Building on the institutional reforms that were taking place in the Government at the time, and under the theme "*Revitalization of Public Financial Management System in Kenya*" the main reforms of the Strategy targeted: transformation of political priorities into the annual budget allocations, credibility of the budget, quality, timeliness and accuracy of financial reports, procurement, rollout of Integrated Financial Management Information System (IFMIS) and integration with other PFM systems, reducing tax evasion, poor collection and accounting of non-tax revenue, institutional reforms, debt management, revamping of the external audit, strengthening PFM legal framework and addressing the low capacity of PFM staff among others.

At the end of the implementation period for the 2006-2011 Strategy, many of the reforms had not been completed. Besides, new changes in the Constitution of 2010 presented new challenges calling for major institutional and legal reforms in PFM systems, which had not been accommodated in the Strategy. In addition to calling for higher standards of equity, transparency and accountability in the use of public funds, the creation of counties through a major devolution policy and the establishment of new institutional roles (for example the Controller of Budget and the Commission on Revenue Allocation) significantly changed the PFM architecture. The enactment of the Public Finance Management (PFM) Act 2012 and other relevant legislations subsequent to the Constitution expanded demand for PFM institutional reforms. These were key issues in formulating the 2013-2018 PFM Reforms Strategy for the Government.

By June 2015, the PFMR Strategy 2013-2018 had been under implementation for about two and a half years. A midterm review of the Strategy was carried out to assess progress in its implementation, identify emerging gaps and challenges in the reforms and to enlist measures to improve the implementation of the strategy in its final phase. The review established that significant progress had been registered in implementing the PFMR Strategy with some of the reform interventions completed (13 out of 69) and many more (29) well on target and likely to be completed by the end of the Strategy. However, there were also many areas (about 27) where implementation of reforms had been slow and likely to affect the achievement of the Strategy objectives by the end of its implementation. The most critical of these are the following:

- institutional reforms at National Treasury specifically delays in filling key senior positions (Directors and Director-Generals)
- introduction of the Treasury Single Account (TSA) at national and county government levels to centralise government cash balances and minimise idle cash in the banking systems in order to improve efficiency in liquidity management
- payroll reforms, including teachers' and pension payrolls to improve efficiency in their implementation and control of expenditures
- delays in integration of IFMIS with other PFM systems which is necessary to improve coordination and sharing of data/information across PFM related systems.

The review also found the following major gaps:

County PFM Reforms - as was envisaged at the time of the design of the Strategy, County PFM reforms were not comprehensively covered and there remained a critical gap in the Reform Programme

- **Strategic Planning and Budget Formulation** - the need to improve the quality of planning across sectors and institutions by integrating results framework and properly costing planning documents (MTP, sector and county strategies). These are well within the medium term fiscal framework, strengthening the link between these costed strategies, the MTEF and the budget

- **Investment Programme Management** - the need to strengthen control and management of Kenya's investment programme by enhancing appraisal, selection and monitoring procedures over projects

- **Efficiency in Budget Execution** - the need to strengthen efficiency in budget execution by introducing quarterly cash planning and cash flow practices in MDAs and counties as provided in the PFM regulations, implementing comprehensive cash management reforms, strengthening commitment control and reporting, and enhancing in-year budget monitoring and reporting both at the national and county government level

- The need to make PFM systems gender responsive in line with the Government's Gender Responsive Budgeting (GRB) policies.

The midterm review also identified some challenges to implementation. These include:

- **ineffectiveness of coordination mechanism -** in general**, c**oordination mechanisms have not been as effective as they should have been. Reporting on the reforms has been weak and there is little evidence of oversight and guidance of the implementation of the strategy using the set governance structure.

- **delays to enact key legislations** - two key legislation (PFM Regulations 2015 and Public Procurement and Asset Disposal Act, 2015) were only recently passed after considerable delay which has affected a number of reform actions that were dependent on them, particularly at the County Government level. of procurement regulations will need to be expedited

- **incomplete institutional Reforms** - delays in filling key senior positions is affecting the pace of implementing reforms. This has been the case for instance with respect to debt management reforms

- **funding limitations** - funding for the reforms has been far less than was planned. Commitments from donors to date have been only 4.7% of the cost of the programme. As a result, implementation of some of the key reforms has delayed. This has affected pension reforms including the introduction of the contributory scheme, cleansing of the pensions payroll and modernisation of pension systems, payroll reforms among others

- **weak and insufficient monitoring framework** - the results framework is inadequate as a mechanism for measuring performance, stemming mainly from weak definition of outputs and relations with outcomes, measures (performance indicators) and activities. The review found that at least half of the performance indicators in the results framework (73 of 142) were completely un-suitable (not relevant) for measuring progress of reforms against results

- **staff and capacity issues at the secretariat** - high turnover of staff and delays to fill key positions at the PFMR Secretariat have undermined its effectiveness to coordinate the implementation of reforms.

The lessons, challenges and recommendations of the midterm review report have been the basis for revising this PFM Reform Strategy.

1.3 The Vision and Objectives the Strategy

The revised Strategy is intended to provide a common framework for coordination, management and monitoring PFM across the Government including at county level. This section provides the vision, objective and high level outcomes of the revised Strategy.

1.3.1 Vision for PFM Reforms

"A public financial management system that is efficient, effective, and equitable for transparency, accountability and improved service delivery".

This Vision is derived from the principles of public finance as provided for in the Constitution. The provisions of the Constitution and specifically the stated principles on public finance (Article 201) aim to strengthen public finance management (PFM) systems in order to enhance effectiveness of the budget processes, improve transparency and accountability and ensure resources are used prudently and fairly to promote an equitable society.

1.3.2 Overall Strategic Reform Objective

The overall goal of this Reform Strategy is to ensure:

'A public finance management system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development'.

1.3.3 Major Outcomes

Implementation of the strategy will lead to the realization of the following outcomes:

- key PFM legislation will be fully established, observed and enforced by all entities at national and county government level to produce greater fiscal discipline and integrity through the PFM cycle
- significant improvement in the alignment of results of MDAs and county budgets and programmes with the MTP and the Vision 2030
- efficiency in mobilization of resources will significantly improve leading to enhanced yields and greater stability in financing the budget at national and county government levels.
- credibility of the budget will improve with better alignment between plans, appropriations and actual disbursements
- the capacity of counties for budget formulation and implementation will significantly improve leading to better utilization and increased absorption of budgets

- the capacity of OAG for audits, including financial, performance and VfM, will be significantly enhanced leading to timely and better quality audit reports
- budget execution at the national and county government levels will significantly improve, providing better predictability of exchequer releases and reductions in pending bills
- fully integrated PFM systems (including IFMIS and others) thus minimising manual operations and enabling more accuracy and timelines of reporting across all financial operations of MDAs and counties
- PFM systems will begin to become gender responsive with increased appreciation of gender mainstreaming by key actors and application of GRB-based budget guidelines.

1.3.4 Reform Themes

The PFM Reform Strategy, which is elaborated further in the next chapter, is defined around the following seven (7) themes consistent with the above objectives and outcomes:-

- Macro-economic Management and Resource Mobilisation
- Strategic Planning and Resource Allocation
- Budget Execution, Accounting and Reporting and Review
- Independent Audit and Oversight
- Fiscal Decentralisation and Intergovernmental Fiscal Relations
- Legal and Institutional Framework
- IFMIS and other PFM Systems.

1.3.5 Reform Principles

Principles drawn from the Constitution (Article 201) have been used to guide the formulation of the revised strategy and are expected to inform the implementation process. In line with the principles:

- there shall be openness and accountability, including public participation in financial matters
- the public finance management system shall promote an equitable society, and in particular ensure that the burden of taxation shall be shared fairly, revenue raised nationally shall be shared equitably among national and county governments, and expenditure shall promote the equitable development of the country, including by making special provision for marginalized groups and areas
- the burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations
- public money shall be used in a prudent and responsible way, and

- public financial management shall be responsible and fiscal reporting shall be clear.

1.3.6 Implementation Criteria

The following criteria shall underpin the implementation of the revised Strategy:

- *Prioritisation* - focussing on the more critical reforms that are most relevant and affordable within the available resources
- *Appropriate sequencing* of major actions
- *Simplicity and realism* of the measures to be implemented and the need to focus on the basics in view of the limited capacity and the need to ensure affordability
- *Ownership and sustainability*, including increasing leadership by government units and their capacity to implement the reforms
- *Partnerships and participation* increasing collaboration with development partners within a coordinated framework while assuring government leadership.

CHAPTER TWO
Strategy Themes and Interventions

Consistent with the overall strategic objective, and building on the progress already made, the revised PFM Reform Strategy is articulated around seven (7) major themes. In this section, the objective for each theme is stated followed by an elaboration of the context of the proposed reforms, the key strategic interventions as well as the expected results (outputs).

2.1 Theme One: Macro-Economic Management and Resource Mobilisation

Overall Objective: ***To strengthen macro-economic forecasting and enhance collection, accounting and timely reporting of public revenues at national and county Governments, in line with macro-economic fiscal policies***

The theme focuses on economic management with the aim of ensuring accelerated and sustained economic growth through pursuit of prudent economic, fiscal and monetary policies.

Resources, in the context of this theme, relate to revenues that the government needs to finance the national budget. Government revenues, on the other hand, encompass streams from taxes and other sources collected through the Kenya Revenue Authority (KRA), non-tax revenues (including Appropriations in Aid (A-I-A)) collected by MDAs, return on public investments, loans and grants, contributions through Public Private Partnerships (PPPs), and proceeds from privatisation.

The Strategy identified a number of interventions to meet this objective. They included:

- implementing a new macro-economic model and harmonized database system for the National Treasury to improve revenue forecasts
- reforming tax laws and implementing a number of administrative reforms at KRA to enhance tax collection
- reforming the legal framework to improve coverage of reporting on A-I-A, revenues collected by state corporations and SAGAs and other resources
- establishing an external resources policy framework to improve coordination and reporting of ODA
- mobilising additional resources through Public Private Partnerships (PPPs), and
- strengthening debt management.

Implementation of these interventions has progressed significantly. Collection from domestic sources has continued to witness positive growth over the recent years. Tax revenue collection has consistently increased over the period of the Strategy reflecting a 97% performance compared to the target (KShs.1,065.8billion.) projected in the Strategy. Key legal and institutional reforms have also been implemented aiming to reduce complexity of tax administration and to improve efficiency of operations. Accuracy in forecasting of collection of these revenues has also performed within targets. Government borrowing has remained within sustainable limits. The Government has also been able to mobilize additional resources through PPPs towards its programmes.

There are however specific interventions under the theme where progress has either been particularly slow or not gained the requisite stability. Slow reforms have been witnessed in the areas of macro-economic model development, capacity development for revenue forecasting, and institutional reforms in public debt management. The A-I-A is also yet to exhibit a stable growth pattern with weaknesses in reporting as a recurring problem.

Over the next phase, the Government will expedite and deepen reforms in these areas to accelerate implementation in order to achieve the objectives under the theme. Specific reform actions are outlined in (Table 1) below. These have been amended in some areas to improve alignment and to increase the focus on results.

Table 1: Key Interventions and Outputs

#	Key Intervention	Output	Priority	Lead
2.1.1	**Strengthen macro-economic forecasts** Macro-economic forecasts over the medium term are accurate enabling a more realistic budget formulation	Capacity of the National Treasury (NT) for revenue forecasting is enhanced	High	NT-Macro & Fiscal Affairs
2.1.2	**Enhance Tax Revenue Collection** Ensure improved efficiency in tax administration leading to increased tax compliance and collection	Enhanced tax compliance and collection	High	KRA
		Improved efficiency of tax administration	High	KRA
2.1.3	**Strengthen mobilization, accounting and reporting on Own Source Revenue by counties** Ensure improvement in collection and administration of own source revenue	Counties have adequate legislation to guide OSR administration	High	NT-IGFRD

#	Key Intervention	Output	Priority	Lead
		Counties have updated property valuation rolls	High	NT- IGFRD
		Counties are able to implement specific plans to enhance their OSR	High	NT-IGFRD
		County revenue functions automated and efficiency greatly enhanced in revenue management	High	NT- IFMIS/ IGFR Departments
2.1.4	**Improve mobilization, recording, accounting and reporting of External Resources** Mobilization, recording, accounting and reporting on External resources provided to the national and county governments is strengthened	MDAs, counties, DPs and all stakeholders are able to appreciate the Kenya's External Resources Policy	High	NT-RMD
		DPs adopt Country systems on management of ODA	Medium	NT-RMD/DPs
		National and county governments are able to source and manage ODA efficiently and effectively	Medium	NT-RMD
2.1.5	**Consolidate efforts to mobilise additional resources through PPP** Additional resources for financing Government programmes are raised through PPP on a sustainable basis	Capacity of PPP unit at NT to coordinate, manage and monitor PPP projects greatly improves	High	NT- PPP Unit
		MDAs and counties (are able to implement established criteria in selection of PPP projects	Medium	NT- PPP Unit
		PPP Project Facilitation Fund (PFF) is operationalized facilitating the objectives set out in section 68(4) of the PPP Act, 2013	High	NT-PPP Unit
		The PPP legal and operational framework provides the guidance required to MDAs and counties in the identification, contracting and implementation of PPP projects	High	NT-PPP Unit
2.1.6	**Strengthen GoK's capacity for debt management and reporting** GoK borrowing (both domestic and foreign) is sustainable and is reported on accurately	Capacity of PDMO for debt management greatly improves	High	NT-PDMO
		The Cabinet Secretary has access to debt position on a timely basis	High	NT-PDMO
		Efficiency of operations of the PDMO greatly improves	High	NT-PDMO
		Capacity of counties for debt management is greatly strengthened	High	NT-PDMO

#	Key Intervention	Output	Priority	Lead
2.1.7	**Improve reporting on accounting for internally generated funds and external A-I-A by MDAs**	MDAs timely and accurately report on Internally Generated Funds (IGFs) and external A-I-A	High	NT-RMD/ Macro & Fiscal Affairs Department
	Internally generated funds and external A-I-A by MDAs are accurately accounted for and reported on	DPs timely and accurately report on external A-I-A	High	NT-RMD, Development Partners Forum

2.1.1 Strengthen Macro-Economic Forecasts

The Government will continue with efforts to improve macro-economic forecasting in order to provide more assurance and build confidence in the figures used for budgeting. Earlier efforts sought to put in place within the National Treasury, a new macro-economic model and database to collect data on key macro-economic and sectoral variables to provide a realistic and reliable basis for development of macro-economic forecasts that can be depended upon for evaluation of various policy scenarios, improve economic analysis and provide a solid basis for the construction of the fiscal framework. The model was to enhance the existing Financial Programming and Policies Framework (FPPF), which is Excel based. Accuracy of revenue forecasts has remained within the target (10% deviation between forecasts and outturns) in the Strategy. The new model was to be complemented by a macro-economic database to provide better capability for data storage of key variables and improve analysis and monitoring. However, these components are yet to be implemented.

Beyond the model, the National Treasury Department responsible for Macro and Fiscal Affairs is still faced with capacity challenges due to staff turnover.

The National Treasury will continue to address the gaps so that its capacity for macro-economic forecasting is fully developed and sustained. Specifically, the following actions will be undertaken:

- Continue to build capacity in macro-economic forecasting, analysis and management,
- Expedite acquisition of a modern macro-economic model and
- Develop a database to support macro-economic analysis.

2.1.2 Enhance Tax Revenue Collection

Tax revenue collection has consistently increased over the recent period. However, there is still need to strengthen tax policy and administrative reforms aimed at enhancing collection by broadening the tax base, improving tax payer compliance, reducing tax evasion and exemptions and enhancing service delivery. Key legal and institutional reforms have also been implemented aiming to reduce complexity of tax administration and to improve efficiency of operations. For example, the Government has developed the Tax Procedure Code and modernized Value Added Tax (VAT) and Excise Acts in order to ease tax administration. Reforms to the income tax law are also underway. In other areas, the Government has introduced the 'iTax' system automating the recording, accounting and reporting on various sources with the aim to ease administration and provide better services to tax payers.

However, gaps remain which continue to undermine the achievement of the objectives above particularly with regard to tax expenditures (tax exemptions and investment incentives) and debt collection. Levels of debt collection by KRA have also remained low with the total outstanding debt estimated at KShs.161,170 million or 15.9% of the annual revenue collection[1].

Further, gaps in KRA's automation programme will also need to be expeditiously tackled to address challenges to operational efficiency. The automation programme, including implementation of the ongoing systems such iTax, iCMS, ERP, CRM and Data Warehouse needs to be expedited. In addition, integrating KRA systems with other strategic third party systems such as Kenya National Single Window System (KNSWS) and IFMIS is critical to enable seamless sharing of information.

To increase and sustain tax revenue collection, the Government will:

- continue to implement a programme to broaden the tax base through among others, proposing legislation on expansion of advance tax and withholding regimes targeting specific sectors, implementing seamless interfaces with key third party systems, and revamping and strengthening tax payer education programmes
- undertake a tax expenditure study to reform tax laws
- implement a compliance risk management strategy to raise tax payer compliance with legislation through among others, registration, filing, reporting and payment
- implement a plan to revamp and strengthen debt collection
- complete the implementation of KRA automation programme including integrating tax systems with the IFMIS and other relevant PFM systems to improve efficiency in operations and sharing of information
- enhance capacity building in tax administration for prioritised areas.

2.1.3 Strengthen Mobilization, Accounting and Reporting on County OSR

Collection and management of County Own Source Revenues (OSRs) was introduced by the CoK allowing counties to impose property rates, entertainment taxes and other taxes. These revenues are in turn managed in accordance with Sections 158-160 of the PFM Act 2012 and other subsidiary

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legislation as may be issued from time to time by the National Government. The OSRs are utilized to supplement funds transferred from the National Government in accordance with Article 174 of the CoK. The Government is in the process of developing national policy guidelines on enhancement of county OSR, reviewing all existing revenue legislation, and drafting a National Framework Legislation (NFL) on County OSR.

Overall, the effectiveness of OSR collection[2] by counties has been low, and in some cases as low as 30% against the best practice of 95% -100%. Studies have shown poor performance rates are due largely to weak estimation, limited willingness to pay due to perceived low downward accountability or serious challenges in collection management. There are other issues that have been found to impact the collection of taxes including:

- sections of the legal framework that are out of date and ineffective for enforcement and management of OSR; many county governments have not yet updated key laws for general revenue administration and source specific legislation in such areas as property rates, licensing, health and cess
- lack of systematic valuation of property for taxation purposes
- predominance of manual systems in OSR collection, direct handling of cash and issuance of manual receipts which raises both the risk of the security of cash and integrity of data
- weak internal control environment leaving significant potential for leakages, and
- Inadequate staff skills and logistical challenges manifested in poor budgeting and monitoring of OSRs.

The Government is determined to assist counties to improve OSR collection levels so that their contribution towards county budgets is more significant. Under the Strategy, the following reform actions shall be implemented:

- continue to implement the programme to support counties to establish appropriate legislations for OSR
- develop and issue to counties, a broad national guide for rates (ranges) for specific sources - business permits, licences, and charges that may have a pervasive economic impact nationally or affect citizen well-being significantly
- implement a plan to support counties to carry out land and property valuations, including the publication of valuation rolls with priority focus on urban centres
- undertake studies and establish at each county, an OSR enhancement and mobilization plan that meets their specific requirements

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- implement a plan to support counties to automate systems for collection, recording, receipting and reporting on OSR, minimizing manual methods and ensuring prompt banking, based on modern Information, Communication and Technology (ICT) platforms and provide an electronic link with the IFMIS.

2.1.4 Improve Recording, Accounting and Reporting of External Resources

External resources are loans and grants received by the GoK for purpose of financing its development expenditure programme. External financing to the Government's development programme has risen from KShs.94.7billion (9% of the development expenditure programme) in 2012/13 to KShs.277.9billion (15%) in 2014/15. Absorption of these resources has improved only marginally from 62% in 2011/12 to 66.4% in 2014/15. The Government will therefore continue to pursue efforts to improve mobilization, absorption and utilization of external resources in development programmes.

A significant share of DP financing remains off-budget and this continues to undermine alignment to the MTP and also leads to duplication of efforts. The PEFA 2012 report revealed that external resources from some of the development partners were completely off-budget in 2011/12. The Cabinet approved the Kenya External Resources Policy which will guide GoK's relationship with development partners in the mobilization of resources including the management of development assistance[3] in general. The policy goal is to enhance accountability in the management of Official Development Assistance (ODA) across all government (national and county governments); strengthen alignment of DP's Country Strategies with GoK national priorities; increase the results focus of ODA; improve alignment with national programmes and strengthen coordination of institutions to enhance absorption of ODA. The policy will apply to both national and county levels of government.

In the FY2011/12, development partners in the PFM Sector Working Group (PFM-SWG) carried out a study on the use of country systems. The study identified impediments to using country systems by development partners and made various recommendations. These recommendations are well within the context of plans to implement the Kenya External Resources Policy.

The next steps therefore relate to implementation of the policy and recommendations of the country systems study report. The Government will undertake the following key actions to implement the policy:

- review the institutional coordination mechanism and reporting framework to align with the Kenya External Resources Policy requirements
- disseminate and sensitise MDAs and counties on the Kenya External Resources Policy
- implement a plan to harmonise ODA tracking and reporting within GoK PFM systems

3 External resources are estimated to constitute about 16% of total budget financing.

- execute a plan to engage development partners to implement recommendations of the 2013 Use of Country Systems Report in the context of the Kenya External Resources Policy
- prepare an external resources manual, sensitize MDAs and counties in its utilization and ensure compliance
- prepare and implement a plan to strengthen capacity of GoK (External Resources sections of MDAs and counties) for the management and reporting on ODA.

2.1.5 Consolidate Efforts to Mobilise Additional Resources through PPP

The Government has adopted a PPP policy for mobilising additional resources to finance its development programme, through engagement with the private sector. In 2013, a PPP Act was enacted providing a framework for institutionalising the PPP policy, enabling the setting up of the PPP Committee and the PPP Unit. These structures are in operation and progress in implementing the policy has been remarkable. To date, the Committee has approved 71 PPPs. The Government intends to consolidate and sustain these early efforts through the following key actions over the remainder of the period of the Strategy:

- to strengthen capacity of PPP Unit at the National Treasury for the formulation, appraisal, analysis, supervision, monitoring and reporting on the PPP projects
- to strengthen capacity within the National Treasury – between the PPP Unit, the PDMO and Macro and Fiscal Affairs department for the analysis, identification, tracking and programming contingent liabilities and fiscal risk that may be associated with PPP
- build capacity of contracting authorities for the identification, appraisal, formulation, management and monitoring on the PPP
- to operationalize the PPP Project Facilitation Fund (PFF) in line with section 68(4) of the PPP Act, 2013 (that is, to support contracting authorities in the preparation, appraisal and tendering phase of their PPP projects; to extend viability gap finance to PPP projects; to provide a source of liquidity to meet any contingent liabilities arising from a PPP project; and to also support the activities of the PPP Unit in the delivery of its mandate)
- to finalise the development of:
    - the PPP Manual to provide relevant guidelines to enhance compliance to the PPP Act
    - county PPP Regulations; and amendments to the PPP Act 2013 to take account of issues operational arising in its implementation to date, and, the National PPP Regulations of 2014.

2.1.6 Strengthen GoK's Capacity for Debt Management and Reporting

The Government will continue to strengthen capacity at the National Treasury and county governments to effectively manage public debt, ensuring that it is sustainable and provides the intended benefits to Kenyans.

Over the recent years, the Government has initiated several measures to strengthen its overall capacity for public debt management. Among these are:

- institutional reforms for the establishment of a unified debt management office – the Public Debt Management Office (PDMO), based on good international practice (providing for front, middle and back offices), as provided in the PFM Act of 2012
- commonwealth Secretariat Debt Recording and Management System (C-DRMS) for recording and settlement of domestic/external debt, has been adopted and is well established
- the National Treasury publishes, on annual basis, a medium term debt management strategy (MTDS) through which it appraises government's performance on public debt, re-assesses debt sustainability conditions and continues to guide debt policy over the medium term
- the National Treasury has introduced in the MTDS a section to track and report on the stock and status of guarantees known as Fiscal Commitment and Contingent Liability (FCCL)
- the authorities have initiated debt payment relying on their own debt records instead of depending on billing statements/invoices from the creditors, and
- the Government has issued guidelines for county borrowing as a means to strengthen accountability and discipline in the use of devolved resources, and contain fiscal risks.

The achievements to date notwithstanding, the Government will need to carry out further reform actions to build sustainable capacity for the management of Kenya's public debt. These actions include, among others, the following:

- finalising the setting up of the PDMO; in particular, expeditiously filling vacant positions for senior staff across all PDMO sections, front, middle and back offices and building requisite capacity through a robust training and skills development programme over the medium term
- instituting a process to provide to the Cabinet Secretary of the National Treasury quarterly reports with all obligations coming due to promote transparency and accountability and to engender political support for reforms
- implementing a plan to fully automate all PDMO internal processes and to integrate with key PFM systems such as the IFMIS in order to improve efficiency in debt management operations

- implementing a plan to support counties to strengthen the debt management function through setting up of formal debt units, training in analysis, monitoring and reporting
- continuing engagement between PDMO and counties to improve coordination of debt monitoring and reporting across all government.

2.1.7 Improve Reporting on and Accounting for Internally Generated Funds and External Apropriation in Aid (A-I-A) by MDAs

The Government will continue with its objectives to improve recording and tracking of both local and external A-I-A. Local A-I-A revenues are generated internally (fees or other charges collected in the course of operations of an entity and applied at source rather than remitting to the exchequer). External A-I-A refers to resources held by the development partners for payment of goods and services rendered to MDAs. The current policy allows spending units to retain local A-I-A and spend at source within approved budgetary provisions.

The Government is concerned about underperformance of A-I-A in part due to under reporting by line ministries[4]. Audit reports of MDAs for FY 2012/13 and FY 2013/14 identified instances of A-I-A collections that had not been disclosed to the National Treasury and not spent in line with approved budget provisions. This continues to be an issue. The Controller of Budget, in the Annual National Government Budget Implementation Review report for the FY2014/15 noted that most MDAs did not include A-I-A in their annual financial statements. There are challenges in getting MDAs to record collections on the IFMIS which would facilitate reporting and accounting.

The Government will continue to carry out the actions below to further improve the recording and tracking of A-I-A by MDAs:

- implement measures requiring MDAs to generate receipts for A-I-A using IFMIS, to keep the system up-to-date with record of A-I-A and to regularly reconcile all banking
- implementing a programme to improve skills within MDAs for estimating annual collections of local A-I-A, processing of external A-I-A and recording, monitoring and reporting timely using IFMIS.
- sensitise MDAs on importance of full disclosure of collections and enforce reporting under Section 69 of the PFM regulations and sanction non-compliant accounting officers under PFM Act 2012 – Section 204(1) (c).

4 See PFMR Strategy - Section 3.1.1

2.2 Theme Two: Strategic Planning and Resource Allocation

Overall Objective: ***To ensure effective and equitable allocation of public funds in line with national and county government priorities***

This theme has been modified to broaden its scope to include reforms related to strategic planning. The earlier focus was primarily on resource allocation. The broadened scope is seeking to increase alignment of public resources with national priorities during budget preparation. Previous reform actions mainly aimed at:

- enhancing public participation in the resource allocation processes during budget preparation stage
- building capacity for reporting at the National Treasury, and within MDAs and counties
- inclusion of off-budget resources in budget documents, and
- implementing e-ProMIS (electronic- Project Management Information System) to capture the DPs funding.

The review established limited progress in implementation of reforms under the theme. Key among these include better alignment between the Medium Term Plan (MTP), the Budget Policy Statement (BPS) and the MTEF but more work still needs to be done to link higher level outcomes with programme activities and MDA budgets.

The review also established that there were areas where reforms need to continue to be implemented or to be introduced in order to achieve meaningful impact under the theme. The key ones of these relate to strategic planning and in particular, the alignment of results in the planning documents with the budget allocations.

In the ensuing phase, the Government will continue to address these current and emerging gaps using the reforms interventions discussed in (Table 2) below:

Table 2: Key Interventions and Outputs for Strategic Planning and Resource Allocation

#	Key Intervention	Output	Priority	Lead
2.2.1	**Strengthen strategic planning** Budget is strongly aligned with national and county planning framework	MDAs and counties are able to prepare prioritized sector strategies, within projected resources and aligned to the MTP including gender responsive budgeting	High	MoDP- Macro Planning Department
		Development projects not funded by County Governments (funded by other entities) aligned to the CIDP	High	MoDP- Economic Coordination Department
2.2.2	**Strengthen planning and oversight over public investments projects** Public investments are efficiently and effectively planned.	Investment projects financed by the budget are prioritised and aligned to national policies	High	NT-GIPE Department
		An accurate and up-to-date record of all investment projects is readily available	High	NT-GIPE Department
2.2.3	**Strengthening County budgeting systems** Improving capacity of counties to formulate realistic / credible budgets.	County Government budgets are aligned to the CIDP	High	NT-IGFRD
		Counties are well guided on public participation making it an effective process during budget formulation	High	NT-IGFRD
		Harmony between County Executive and County Assemblies in the budget process greatly improves	High	NT-IGFRD
		Greater accuracy in revenue forecasts and revenue estimates to provide a reliable basis for budget allocation	High	NT-IGFRD
		County budget observe strictly the fiscal responsibility principles as outline in the PFM Act and regulations	High	NT-IGFRD
2.2.4	**Strengthen Systems for budget formulation** System for budget formulation and integrated and comprehensive in supporting MDAs and counties.	All MDAs and counties use IFMIS for budget preparation with the e-ProMIS providing the primary source for the investment projects.	High	NT-IFMIS Department

2.2.1 Strengthen Strategic Planning

The Government's budget allocations are guided by development priorities spelt out in the Vision 2030 and the second Medium Term Plan (MTP2). Sectors and counties prepare medium term strategies to link national planning goals to their specific areas.

The Strategy did not include specific reforms around planning which are crucial for strengthening budget allocations.

The mid-term review, therefore, identified major issues which necessitate reforms around strategic planning. These include:

- weak alignment between costs of strategic plans and the fiscal framework. The review identified significantly higher financing requirement (about twice) for the MTP2 compared with the fiscal framework and MTEF projections
- gaps in articulation of results framework in the MTPs and Sector and County strategies which are weakening the link between sector programmes and intended outcomes under the Vision 2030. Well-articulated results frameworks, with clear and logical linkage between levels of results are required to provide a strong basis for monitoring and assessing progress towards achievement of Kenya's Vision 2030
- inadequate institutional arrangements at county level for coordinating planning and development programmes particularly with non-county actors in light of expanding number of development stakeholders. Development actors include Members of Parliament championing the NG-CDF programmes, development partners financing development activities directly, and non-government organisations (NGOs) implementing various development programmes across counties. The review found that the law in place did not provide for a forum to coordinate development activities of these players within the County planning framework. As a result, cases of overlap and duplications which increase the risk for sub-optimal usage of development resources at county government level were common
- counties, in general, have not put in place subsidiary plans (sector and county spatial plans) to support the CIDP as provided in the law[5].

The Government will address these shortcomings through the following reform actions:

- review and introduce results frameworks across sectors and county strategies with linkages to high level outcomes in the MTP and Vision 2030

5 See section 107 of the 2012 County Governments Act

- establish and clearly document a costing methodology to be used in costing medium term strategies by MDAs and counties to ensure they are realistic and affordable within the fiscal framework
- the Ministry for Devolution and Planning, State Department of Planning and Statistics to expand and re-issue guidelines for preparing Sector and County development strategies. The guidelines should specify procedures for preparing comprehensive costs of these strategies within a constrained resource imposed by the fiscal framework of the MTEF
- drafting and issuing guidelines to counties on the preparation of Sector and Urban plans linked to the CIDPs and the annual development plan process
- implement a plan to train MDAs and counties on the use of the planning guidelines and the costing methodology adopted for medium term strategies
- amending the County Government Act 2012 to provide for a County Development Forum which will be the platform for uniting all development players at county level (that is,Members of Parliament championing the NG-CDF programmes, development partners, and NGOs in coordinating their efforts around county development programmes).

2.2.2 Strengthen County Budget Formulation

Counties have in general complied with the provisions of the Constitution and PFM Act 2012 regarding the budgeting function. The county budget process follows the calendar provided in the PFM Act 2012 usually starting by 30th August every year. At the beginning of the budget cycle, the County Executive Committee issues budget guidelines to all departments which include procedures for identification of priorities and alignment with the budget policy statement (which includes the spending ceilings), format for presentation of the budget and the budget calendar.

On an annual basis, in preparation of the medium term budget, counties in general prepare

- annual Development Plans (ADPs), identifying priority investments for the year aligned to the CIDPs, and
- County Fiscal Strategy Papers which effectively translate CIPDs/ADPs and national priorities into the annual budget. The ADPs provide the basis for development of the annual County Fiscal Strategy Papers (CFSP). Counties in general have been able to develop ADPs and link them to the annual budget.

However, there are specific gaps that still hamper smooth implementation of budget formulation. These include:

- capacity for budget formulation is still weak within counties and is largely responsible for low budget absorption. Beyond skills for budget formulation, there may be need to further improve alignment between the national and the county budget cycles and to grant counties more time to prepare their budgets. The NT will need to continue to engage closely with counties in the budget process to ensure that counties have relevant information to aid formulation of their MTPs and MTEFs
- a sigificant amount of extra-budgetary funds are spent outside the County planning framework and often result into duplication of efforts or wasted development efforts. Some of these funds are the Development Fund (NG-CDF), Constituency Secondary Education Bursary Fund, Constituency HIV and AIDS Fund, Youth Enterprise Development Fund, and Women Enterprise Development Fund
- institutional capacity for annual revenue projections are generally weak within counties and this often leads to overly ambitious and unrealistic estimates. This situation is partly responsible for sigificant outstanding payment bills experienced in many counties.
- a significant number of county budgets violate fiscal responsibility principles
- counties have no systematic process for handling public consultation to ensure an effective outcome. Some roles of consultation are conflicting between the Executive and Assemblies
- relations betweeen the County Executive and the County Assemblies have been strained in some counties over the budget**.** This has often led to distortion in the implementation of development programmes and undermines the crediblity of budget formulation.

The following specific reform actions will be implemented to address these issues:

- continue to implement a skills development programme for budget formulation at county level in the context of PBB, focussing on project identification and programme costing
- issue instruction to counties consistent with Section 104(1) of the County Governments Act 2012, specifically requiring all public resources at county government level to be implemented within the county planning framework approved by the county assembly
- publish and implement the guidelines for consultations and public participation to give the proper interpretation, structure and practices for both the county governments and county assemblies.
- train members of the County Budget and Economic Forums (CBEFs) on the use of the public participation guidelines and in managing public consultation processes
- review and strengthen strategies for public access to information at county level including using cheaper mechanisms for information dissemination

- continue to implement the training and capacity building plan for civic education to ensure civic education units are facilitated and operational
- implement a plan to improve implementation of fiscal responsibilities by counties. Firstly, sensitize counties on implementation of the fiscal responsibilities. Secondly, monitor counties on the implementation of fiscal responsibilities, and thirdly provide an annual report on the performance of counties against fiscal responsibilities to the Council of Governors and publish the report
- develop and implement a nationwide action plan to sensitize MCAs and Executive Committees on their complimentary roles in order to improve efficiency in service delivery
- implement a plan to assist counties to build capacity for revenue analysis and forecasts through among others, establishing appropriate tax payer registers, building appropriately sized model for forecasting and training staff.

2.2.3 Strengthen Planning and Oversight over Public Investments Projects

Public investment allocations constitute at least one third of Kenya's expenditure budget. The 2014 Public Expenditure Review (PER) and other analytical studies have raised concern about the quality of Kenya's public investment programme. Major causes of the poor quality have been attributed to largely weak selection and appraisal mechanisms for investment programmes. These two aspects greatly affect the effectiveness of allocation and alignment of the investment programme to national priorities as well as the efficiency in its contribution to public expenditure.

A strengthened investment management process should aim to improve the quality of the investment programme during selection and implementation of projects. Selection and appraisal procedures should be strengthened so that all new proposals are subject to evaluation processes before consideration for funding. A set of standards should also be established to regulate the quality and screening of projects before they are included in the investment programme. Under these measures, new and pipeline projects should then be required to compete for allocation of financing based on national priorities. A strengthened process should also be used to establish measures to accelerate project implementation, resources mobilization for programmes, and clarifying institutional roles to ensure coordinated management of the investment programme.

The e-ProMIS database will need to be at the centre of an improved public investment management process. It will need to be completed, to include new and pipeline projects in MDAs and to interface with IFMIS and debt management. This will enable tracking, monitoring and reporting on the investment programmes for both GoK and donor funded projects.

The Government will undertake these specific reforms to improve efficiency and effectiveness of its public investment programme:

- develop a roadmap for public investment management reforms and guidelines to streamline the project appraisal and approval process
- maintain an up-to-date database of all projects (both GoK/donor financed) on the e-ProMIS and publish this information.

2.2.4 Strengthen Systems for Budget Formulation

The Government has implemented various systems to aid budget formulation but these are not fully integrated to provide the full benefits of automation. MDAs have significantly improved in the use of P2B module for preparing their budgets over the past few years. However, county governments have not fully adopted the system and are still using off system methods, most notably Excel for budget preparation and up-loading the approved budget to IFMIS.

The Government has also introduced e-ProMIS, a project management information system, but its implementation is not complete in that not all projects have been assigned codes under the Chart of Accounts, further project data on the e-ProMIS is not fully populated by MDAs in particular, historical data, and the e-ProMIS is not rolled out to counties. In addition, the e-ProMIS is in the process of being integrated with IFMIS to make it more relevant to budget preparation and execution. Integration with IFMIS also needs to be extended to other key PFM systems such as the revenue systems at KRA, pensions (PMIS), personnel and payroll (IPPD/GHRIS) and debt (CS-DRMS) systems, to improve the effectiveness of automation during budget preparation and throughout the budget process. The IFMIS Steering Committee will therefore implement a programme to integrate systems related to budget formulation with IFMIS and ensure their completeness in implementation.

2.3 Theme Three: Budget Execution, Accounting and Reporting and Review

Objective: ***To ensure efficient and effective budget utilization, accurate and timely accounting and reporting and effective control, scrutiny and review of expenditure of public resources at national and county governments***

Budget execution refers to the process during which public institutions (MDAs and counties) implement their activities and programmes for which Parliament or County assemblies have made budget appropriations. It also covers activities of monitoring, budget adjustments (reallocations/ supplementary adjustments) and in-year reporting. Under this area, the earlier version of the PFMR Strategy identified priority reforms in a range of areas including operationalising the Treasury Single Account (TSA), rolling-out of IFMIS to all MDAs and counties, enhancing the integrity and sustainability of the payroll (civil service, teachers and pensions), enhancing risk assurance across

PFM systems, implementing a strengthened framework for public procurement, and strengthening the effectiveness of internal controls.

On the other hand, accounting and reporting relates to maintaining records of transactions - financial and non-financial, during operations of budget implementation and reporting on them so that institutions can be accountable for the implementation of the budget. Obligations and procedures for accounting and reporting by all institutions are provided in the PFM Act 2012. Priority reforms for this section cover introduction of accounting standards in reporting across all State Organs and Public Sector Entities and implementation of modern asset management practices.

Key Achievements

Overall, the midterm review established significant progress made by Government in implementing key reform actions under this theme. These include among others:

- establishment of the Public Sector Accounting Standards Board (PSASB) and subsequently, the pronouncement of applicable accounting standards for public sector entities. These have provided the basis for reforming financial reporting for MDAs and counties to conform to these standards
- preparation of consolidated financial statements for two years in succession; FY 2013/14 and FY 2014/15 while at the same time adhering to the statutory timelines
- drafting the gazetting of the PFM Regulations 2015 to enable proper interpretation and implementation of the PFM Act 2012 by MDAs and counties
- enactment of the Public Procurement and Asset Disposal Act 2015
- review and update of the Standard Chart of Accounts to provide for coding of projects
- automation of in-year and annual reporting templates
- strengthening of the Internal Audit function including the establishment of a training manual, introduction and rolling out TEAMMATE and Computer Aided Audit Techniques (CAAT) to all MDAs; and,
- approval of guidelines for the appointment of Audit Committees by PSASB.

Outstanding Reform Areas

However, more work still needs to be done in many areas including:

- internal auditing – including development of risk assessment frameworks for internal audit, providing guidelines for information system audit, enhancing the reporting structure for the internal audit at national government, establishment of internal audit structures at the counties and establishment of audit committees both within counties and national government entities

- strengthening cash management including the development of TSA, automation of the processing of exchequer requisition and cash management
- strengthening procurement including establishment and dissemination of procurement regulations, manuals and reporting templates
- strengthening asset management covering reforms to asset registers for national and county governments
- implementing reforms to pensions including implementing contributory pension scheme, automation and digitizing pension records
- setting up of social accountability audit forums
- Continuing to develop internal capacity to prepare in-year and annual consolidated financial statements
- Capacity building to achieve the internal audit skills set.

The Government will implement key priority actions identified below (in Table 3) to address the above shortcomings.

Table 3: Key Interventions and Outputs for Budget Execution, Accounting and Reporting

#	Key Intervention	Output	Priority	Lead
2.3.1	**Strengthen Cash planning and cash management** Cash planning and cash management for increased efficiency in budget execution	MDAs and counties prepare annual and quarterly work plans and cash flow plans and these provide the basis for cash planning and cash management at the NT	High	NT-AGD
		National government transfers to counties are predictable	High	NT-AGD
		The TSA is implemented and used both at national and county level	High	NT-AGD
		County cash management and cash flow planning function is institutionalised	High	NT-AGD
		Commitment control is greatly strengthened across counties	High	NT-AGD

#	Key Intervention	Output	Priority	Lead
2.3.2	**Strengthen in-year monitoring and reporting** In-year monitoring reports covering both financial and non-financial data, consistent with PBB and Gender Responsive Budgeting are regularly produced	MDAs and counties are able to use IFMIS for in-year reporting	High	NT-IFMIS Department
		OCoB/NT reports includes adherence and compliance to gender responsive budgeting guidelines	High	NT-AGD/ OCoB
		NT produces half-annual budget implementation reports (covering financial and non-financial data) analysed and consolidated from submissions of MDAs	High	NT-AGD/ BD
2.3.3	**Strengthen statutory reporting** Statutory financial statements, based on IPSAS standards are produced regularly at all levels of Government	OCoB is able to meet its statutory obligations for reporting on the budget effectively	High	OCoB
		NT, MDAs and counties are able to prepare accurate consolidated financial reporting using staff in-house resources	High	NT-AGD
		GoK financial and fiscal reporting is fully harmonised with EAC fiscal convergence framework	High	NT-AGD/ Macro & Fiscal Affairs/ BD
2.3.4	**Improve effectiveness of Internal Audit functions** Internal Audit functions is executed effectively both at national and county government level	Internal Audit Units within MDAs are able to produce timely quarterly reports	Medium	NT-IAD
		Audit Committees are established and fully follow up on audit recommendation at national and county level	High	NT-IAD
		Counties are able to prepare internal audit reports based on risk based auditing	High	NT-IAD
		Independence of internal audit function is significantly strengthened	High	NT-IAD
2.3.5	**Strengthen oversight and reporting of fiscal operations of State Corporations and SAGAs** Control, oversight and budget reporting of fiscal operations of State Corporations and SAGAs is strengthened	State Corporations and SAGAs are classified for purpose of fiscal control and reporting on their fiscal operations	High	NT-GIPE Department
		Pension schemes of State Corporations and SAGAs are contributory and sustainable within their resources	High	NT- GIPE Department
		The GIPE Department at NT is able to monitor and report accurately on State Corporations and SAGAs fiscal operations	High	NT- GIPE Department
		State Corporations and SAGAs are able to report accurately and timely to NT on their fiscal operations	High	NT- GIPE Department

#	Key Intervention	Output	Priority	Lead
		State Corporations and SAGAs remit dividends guided by an appropriate policy consistent with the PFM regulations	Medium	NT- GIPE Department
2.3.6	**Implement Asset management reforms** Implement modern asset management systems for counties	National and county level asset register is established and kept up to-date	High	NT- GIPE Department
2.3.7	**Implement Pension reforms** Introducing a contributory scheme to make pensions more sustainable, gender responsive, and synchronise between national and county government level	The pensions payroll is credible; incidences of ghosts pensioners are reduced and the payroll can be relied upon for pension estimations and payments	High	NT-Pensions Department
		A pensions contributory scheme that is sustainable, gender responsive and synchronised operational	High	NT-Pensions Department
		Pension legislation is gender responsive	High	NT-Pensions Department
		Operational capacity for pensions management is significantly strengthened	High	NT-Pensions Department
2.3.8	**Strengthen Payroll Management** Civil Service and Teachers payroll strengthened with improved efficiency in management and operations	HR module in IFMIS implemented and is operational	High	NT-IFMIS Department/ DPSM
		Harmony in the payroll between national and county government is achieved	High	SRC
2.3.9	**Strengthen systems for Teachers payroll** Teachers payroll systems strengthened with improved efficiency in management and operations	The Teachers Service payroll is credible; incidences of ghost workers are reduced and the payroll can be relied upon for wage estimations and payments	High	TSC
		Efficiency and control in the management of the teachers wage bill improves	High	TSC
2.3.10	**Strengthen public procurement and asset disposal functions in the public sector** Strengthen efficiency and effectiveness procurement and asset disposal function in the public sector	Revised Public Procurement and Asset Disposal Act , regulations, manuals, formats and guidelines in place and operational	High	NT-PPD/ PPRA

#	Key Intervention	Output	Priority	Lead
		Enhanced e-Procurement in line with the PPDA Act 2015	High	NT-PPD/ PPRA/IFMIS
		Capacity of National and County Government procurement institutions strengthened in their roles under the PPAD Act 2015	High	NT-PPD/ IFMIS
		Capacity for public procurement oversight and reporting strengthened	High	PPRA

2.3.1 Strengthen Cash Planning and Cash Management

Cash management is a critical function for budget execution. Effective cash management is needed to ensure the Government is able to meet its expenditure needs in a timely manner and to limit costs for borrowing. However, the current government cash management practices fall short of this objective. Frequent cash management challenges at the National Government level is a major issue which has resulted in delays and/or unpredictable cash releases to MDAs, costly borrowing and accumulation of pending bills by MDAs and counties. Introduction of the Treasury Single Account (TSA) reforms, automation of cash management, streamlining of in-year reports and reconciliation are among the initiatives the government is undertaking to address these weaknesses.

At county level, weak practices for cash planning practices within counties during the year supported by cash rationing practices are undermining the implementation of county budgets. Transfers from the National Treasury are increasingly unpredictable weakening budget credibility and having a negative impact on service delivery. Poor commitment control is also a major issue leading to significant cases of un-paid bills.

There is need to synchronise cash flow planning with commitments and budgets at both national and county governments.

The National Treasury will implement the following specific reforms to address these issues:

- expedite the implementation of the TSA based on a comprehensive strategy that will entail among others:
    - ➢ closing bank accounts for MDAs and projects in commercial banks and transferring them to CBK and requiring new projects to open accounts only at CBK
    - ➢ consolidating government accounts into the TSA – possibly in a phased manner
    - ➢ clarifying TSA arrangements for counties, and
    - ➢ securing agreements with DPs on the treatment of donor funds in relation to the TSA.

- automate cash flow planning for MDAs enabling them to prepare their cash flow plans on-line which will then be consolidated at the Directorate of Accounting Services and Quality Assurance
- train and build capacity of MDAs and counties on cash flow planning and the link with cash plans and procurement plans
- establish for each county, a cash flow and management functions comprising of a cash management committee and a unit to support its operations
- develop capacities of county departments for preparing quarterly work plans and undertaking expenditure forecasts to inform the county cash planning process
- review and strengthen commitment control systems including elimination of off system procedures, maintaining commitment registers and report monthly reports on commitments, outstanding payments and unpaid bills
- review the transfer system to counties to make timely transfers so that funds are received by counties within the month in which they are expected.

2.3.2 Strengthen In-Year Monitoring and Reporting

Monitoring and reporting is enabled by the in-year review of budget during its execution to ensure it is on track. Presently, monitoring and reporting is a function of a number of units; the M&E Unit within the Macro and Fiscal Affairs Department, and the Office of the Controller of Budget (OCoB) which is also required by law to provide quarterly monitoring reports on the implementation of the budget[6]. In addition, the National Treasury has a role to prepare quarterly monitoring reports of government detailing financial and non-financial performance and deriving from quarterly reports of MDAs and counties on budget execution[7]. Counties similarly are required to prepare and submit in-year reports[8] to their assemblies.

There are issues that are currently making the function ineffective. Current monitoring and reporting practices are not sufficient particularly on non-financial aspects of the budget which are crucial under PBB. The National Treasury produces Quarterly Economic and Budget Reviews, which do not cover non-financial budget aspects. Counties also tend to rely on reports of the OCoB rather their own in-year reports. There is therefore a need to strengthen the budget monitoring and evaluation function at the NT and counties. IFMIS, in its current form, has largely been used for capturing financial information while the e-ProMIS has been used to capture non-financial project information. However, work is currently underway to integrate e-ProMIS with IFMIS.

6 COK - Article 228
7 Section 83 of the PFM Act 2012
8 PFM Act 2012 (16 6)

The Government will seek to address these gaps and to make in-year monitoring and reporting effective by implementing the following actions:

- review forms and systems (IFMIS) to provide support needed for in-year monitoring and reporting function of MDAs and counties, including enabling the tracking of non-financial data
- provide assistance to OCoB and NT on adherence and compliance to GRB guidelines in reporting
- identify and institutionalise a budget monitoring function within the National Treasury and Counties, for budget monitoring and in – year reporting
- build capacity in MDAs and county governments to comply with the prescribed formats and undertake in-year reporting.

2.3.3 Strengthen Statutory Reporting

There have been major improvements in accounting and reporting since the inception of the PFMR Strategy 2013-18. The National Treasury introduced the Government Finance Statistics (GFS) compliant with the Standard Chart of Accounts, which is in use in all MDAs and the 47 counties. The Public Sector Accounting Standards Board (PSASB) was also established as specified in the PFM Act 2012 section 192. The PSASB has issued standards and templates, which are being used by MDAs and counties.

IPSAS Standards for County Governments - in view of capacity considerations, the PSASB set cash basis IPSAS for adoption by county governments as a transitional step towards accrual based IPSAS. Additional disclosures, such as liabilities (pending bills) and fixed assets registers will be made while using cash based IPSAS to aid county governments to gradually migrate to accrual based IPSAS in line with the road map set by the Board.

Balance un-reconciled - there has been improvement in the number of unqualified audit opinions from 12% to 26%[9] over the last two years[10]. A key requirement of the PFM Act 2012 (section 80) to prepare consolidated annual financial statements has also been met. Consolidated annual financial statements have been prepared for the government for the second year in a row. In addition, timeliness has been achieved in the preparation of financial statements with all MDAs meeting the crucial PFM Act 2012 date of September 30th, and consolidation by the NT achieved by October 31st. However, there is need to build capacity of IFMIS users to reconcile long outstanding balances to enhance the integrity and reliability of government financial statements.

9 This figure was provided by Staff of DG/Financial Services during Consultations
10 Based on the 540 government entities audited by the Kenya National Audit Office for the FY 2013/14 and FY 2014/15 as per the information provided by the Accountant General's Office

EAC Convergence Framework - in order to meet the East African fiscal convergence criteria, the GoK is required to review and harmonise its financial reporting in a number of areas related to:

- coverage of annual financial statement
- timeliness and frequency of reporting
- reporting integrity
- reporting oversight
- disclosure of liabilities and risks, and
- openness – ensuring public access to reports.

Based on the January 2015 assessment, the current reporting is fully compliant with seven (7) of 27 standards and partly compliant with 16 and not compliant at all with four (4). The National Treasury will need to address areas where compliance is yet to be fully met as part of reforms in statutory reporting.

To consolidate the efforts above, the National Treasury will carry out the following additional actions to address issues that remain:

- build sustainable capacity (skills/tools) at the National Treasury (Directorate of Accounting Services & Quality Assurance – Financial Reporting Unit) for the preparation and consolidation of financial statements
- build capacity of the MDAs and county governments to fully reconcile and clean up all un-reconcilable balances on IFMIS and on statutory reporting
- build capacity of OCoB for reporting on budget implementation.
- Develop and implement a roadmap for the adoption of accrual IPSAS standards by MDAs and county governments.

  The National Treasury, working with the PSASB will pursue a plan to integrate the EAC fiscal convergence requirements that remain un-fulfilled and fully implement the reporting framework and standards within national and county governments.

2.3.4 Improve Efficiency and Effectiveness of Internal Audit Function

The principle unit in charge of this function is the Internal Audit Department (IAD). Major reforms under the earlier version of the PFMR Strategy focussed on modernising practices and operations for internal audit. These include shifting from regularity and compliance audits to more value adding audit techniques, strengthening risk management component in practice, and building capacity of internal auditors and audit committee members where they exist. Guidelines for Value for Money

Audits and Risk Management have been drafted and will soon be rolled out; IT audit tools, such as TEAMMATE and IDEA, have been introduced as part of efforts to automate audit practices.

However, gaps remain in a number of areas:

- the establishment of a Risk Management policy and audit committees in the national and county governments has not been achieved primarily due to the delayed enactment of the PFM Act Regulations 2015
- institutional challenges make it difficult for the Internal Audit to function independently. At national level, the IAD falls under and has reporting responsibilities through the Director General, Accounting Services and Quality Assurance at the National Treasury. At County level, the Internal Audit Unit is located within the Finance Department. This is contrary to the International Professional Practice Framework for Internal Audit (IPPFIA) and the PFM Regulations 2015
- weaknesses in internal controls systems remain; at county levels, these are reflected particularly in the areas of revenue collection and management and in others of the system processes
- capacity of the Internal Audit Units remain a challenge in light of their mandate. At county level, staffing levels of internal audit units vary from county to county and the quality of reports is yet to meet the challenging demands of their mandate.

Under this revised strategy, the following actions will be carried out with the aim to strengthen the effectiveness of the internal audit function:

- review the Internal Control Framework both at the national and country government level consistent with PFM Act and regulations
- implement an action plan to establish internal audit committees in all MDAs and counties and implement a plan to raise awareness of internal audit committees about the internal control framework, PFM legislation, modern internal audit approaches and their role in internal audit
- carry out an assessment to inform International Best Practice on independence of the Internal Audit both at the national and county level
- continue to implement a programme of skills development for internal audit staff at national and county levels focussing on risk based audits
- propose model structures for county internal audit function and provide guidelines for their financing to strengthen the independence of internal audit units
- implement a plan to strengthen capacity of internal audit units based on risk based approach and value for money audit to meet the challenging demands of the mandate assigned to these units.

2.3.5 Strengthen Oversight and Reporting of Fiscal Operations of SAGAs

The National Treasury places the number of State Corporations and SAGAs at approximately 342. Total revenues raised by State Corporations and SAGAs in FY 2014/15 were computed to about KShs.818billion. Expenditures of State Corporations and SAGAs in the same year were about KShs.666billion, leaving a surplus of about KShs.152billion (before tax). Most of these revenues are contributed to by internally generated funds with national budget transfers (including from special funds) estimated to contribute about 22% (KShs.182billion) in 2014/15.

The earlier version of the Strategy recognised the need for a strong framework for creation, regulation and performance monitoring of State Corporations and SAGAs, but interventions in this areas were limited to streamlining reporting in order to improve fiscal oversight and control over the growth of contingent liabilities. The NT is now able to monitor some of these fiscal operations by enforcing reporting. However, risk due to contingent liabilities from fiscal operations of State Corporations and SAGAs continues to be an issue. Full disclosure of potential contingent liabilities of some State Corporations and SAGAs is yet to be achieved, and as such, their full extent is not known. Based on earlier studies, contingent liabilities could be significantly high[11].

Additional policy and institutional reforms, many of which are captured in the PFM Act 2012 and its regulations, will have to be implemented to exert greater control over State Corporations and SAGAs' fiscal operations and contingent liabilities. The PFM Act and its regulations have provided criteria and procedures for establishment and classification of State Corporations and SAGAs[12], both key elements in controlling their growth and in exercising oversight of their fiscal operations. The NT has also assigned the Government Investment and Public Enterprises (GIPE) Department to monitor their fiscal operations. It is crucial, that capacity of this department is strengthened so that it is able to champion the implementation of the law and key reform actions related to debt management.

The Government will implement the specific reform measures below to address these issues:

- rationalise and classify State Corporations and SAGAs based on the definition and classification provided in the PFM regulations
- implement a plan to strengthen capacity of the Government Investment and Public Enterprises (GIPE) Department for tracking, analysis, monitoring and reporting on fiscal operations of State Corporations and SAGAs, including emerging contingent liabilities, and to advise on the creation of new State Corporations and SAGAs based on criteria provided in the PFM Act 2012

11 The 2009 study commissioned by the Department for Government Investment and Public Enterprises (DGIPE), identified KShs.57.6 billion of actual liabilities and about KShs.28.2 billion of contingent liabilities, outstanding in 24 state corporations and the National Social Security Fund (NSSF) as of 30 June 2007.

12 These actions are part of reforms recommended by the 2013 report of The Presidential Taskforce on Parastatal Reforms (PTPR) and the 2015 Budget Policy Statement.

- review, strengthen and implement the performance monitoring and management framework for State Corporations and SAGAs
- implement a capacity building plan covering State Corporations and SAGAs and their supervising entities so that they can cope better with reporting needs of National Treasury. This is to include establishing an automated system for capturing, tracking and analysis of financial operations of State Corporations and SAGAs based on the reports they provide
- convert state corporations' pension schemes from defined benefit to defined contribution schemes to limit Government exposure to unfunded liabilities
- prepare and issue a dividends policy covering State Corporations and SAGAs as provided in PFM Regulations (Section 209(1).

2.3.6 Implement Asset and Liability Management Reforms

Under the earlier version of the PFM Reforms Strategy 2013-2018, the Government set a target to identify, locate, value and maintain a record of fixed assets acquired using public funds at all levels of Government in order to facilitate their inclusion in the financial statements. There has been an effort to take stock of government assets at the national and county levels.

However, the registers are largely incomplete and have not been audited. At the county level, issues of assets and liabilities of defunct local authorities is an additional challenge for assets registers. The Transition Authority (TA) was the lead agency on this activity but by the end of its term, the activity was yet to be completed. TA had been able to prepare unaudited inventories of assets and liabilities. However, the development of mechanism and criteria for their transfer to counties was yet to be effected.

It is also important to recognise that full introduction of asset management is a major reform which needs to be synchronised with the adoption of accrual based IPSAS across government units. Thus, it will be necessary to programme and manage a comprehensive asset management reform including policy and classification aspects. What is needed therefore is to:

- establish a comprehensive policy on asset management reform covering both national and county governments and matching Government's accounting policies
- expedite the audit and verification of the assets and liabilities of defunct local authorities, and develop criteria and strategy for their transfer to counties to improve integrity of reports
- implement a comprehensive reform plan, based on the policy for asset management for national and county governments including institutional and system reforms, and training.

2.3.7 Implement Pension Reforms

Pension payments cover both national and county governments. The Government's aim in pension reform is to improve its credibility, efficiency, and effectiveness of its operations, and to make pensions more affordable and sustainable in the medium to long term. In 2009, the Government implemented a Pension Management Information System (PMIS) to improve operational efficiency in pension management. The pension processing period has recently now been reduced to 23 days. However, manual records remain and so are issues of credibility of pension data. Moreover, the PMIS remains a standalone system – not integrated with IFMIS and the IPPD which would see further increases in efficiency through wider automation.

The Government has also enacted the Public Service Superannuation Act 2012, which entails starting a funded contributory scheme for the Public Service. This change of policy is yet to be implemented. Implementation will call for an upgrade of PMIS to include a contributory module.

The Government will therefore implement the following key reform actions to achieve its intended goal in pension reforms:

- implement a plan to verify and cleanse the pension's payroll both at the national and across counties
- implement a plan to harmonise, and synchronise pension's payroll at the national and county government level
- implement a contributory pension scheme based on the Public Service Superannuation Act 2012
- expedite the integration of PMIS with IFMIS and fast track the digitization of pension records
- amend pension regulations and legislations to address gender gaps
- build capacity of Pension officers to enhance efficiency and effectiveness.

2.3.8 Strengthen Payroll Management

Nearly 60% of domestic revenues go towards financing the public wage bill. This is an area of significant concern for the Government as it constitutes a major risk due to high potential for leakages. The FY 2013/14 Audit report identified significant weaknesses in payroll controls including missing details of beneficiaries and gaps in reconciliation between the IPPD and statements of receipts and payments at ministries. The Government is determined that the payroll is managed well and measures instituted to avoid budget leakages. Government will also implement steps to harmonise and synchronise civil service payroll at national and county governments to improve management.

In the mid 1990's, the Government introduced the Integrated Payroll and Personnel Database (IPPD) to improve payroll operations. The IPPD is a decentralised system with each ministry or agency having its own database. While it has improved payroll operations, the absence of a centralised database and differences in technology platforms has limited ability to integrate with the IFMIS which would further improve the payroll control environment. Thus, the payroll data is still entered manually into IFMIS after obtaining printouts from IPPD within MDAs and counties.

The Government will implement a series of reform actions to close these gaps and enhance efficiency and control in the management of payroll. These actions include:

- customise and implement the HR Module in IFMIS, and train users on its use
- implement a plan to harmonize civil service payroll at the national and county government level.

2.3.9 Strengthen Systems for Teachers Payroll

The number of teachers on the payroll number is nearly 300,000, accounting for about 60% of the total public wage bill in FY 2015/16. As is the case for the civil service payroll, wage costs related to teachers are significant and therefore, proper management of the payroll is vital to overall efficiency of Kenya's budget execution.

The Teachers Service Commission has previously automated the payroll using the IPPD system but this has faced challenges. First, teachers are distributed across the country. Local TSC offices have been established to serve the teachers across different regions. These offices thus maintain distributed databases of teachers interconnected over a Wide Area Network (WAN). The Commission has made efforts to install infrastructure to enable such communication. Secondly, the IPPD technologies have proved inadequate to handle efficiently the large data requirements associated to teachers' records. Slow updates and several delays and downtime have been experienced. There are also other challenges particularly associated with the control environment as many processes remain off systems. As such, it is difficult to establish existence or non-existence of ghost teachers and to update the payroll registers instantly. Moreover, according to TSC, the last verification exercise using the headcount was carried out in 1998. The Government will implement a series of reforms to improve efficiency in payroll operations and in the integrity to institute measures to strengthen controls so that overall fiscal risk is reduced. These key actions will include the following:

- conducting regular national teachers' payroll verification and cleansing exercises
- strengthen capacity to undertake regular (continuous) audits of teachers' payroll
- implement a comprehensive programme to fully automate the teachers' payroll operations using modern technology platforms and integrating with key systems including IFMIS in order to improve efficiency in teachers' payroll management
- digitizing teachers' nominal records and interlinking TSC headquarters and county offices

2.3.10 Strengthen Procurement and Asset Disposal Functions in the Public Sector

The Government initiated procurement reforms in reviewing the Public Procurement and Disposal Act, 2005 and the Public Procurement and Disposal Regulations 2006. The new Public Procurement and Asset Disposal (PPAD) Act 2015 covers both national and county governments. The Act has tried to improve the oversight, governance, accountability and transparency in the Public Procurement and in addition the need to strengthen institutions at the county level.

The Government while initiating the Public Procurement reforms considered international best practices with implementation of e-Procurement System. The e-Procurement System shall cover all procurement methods indicated in the PPAD Act 2015, particularly the open tendering system as provided in the Act to increase transparency, efficiency and reduce transaction costs.

The international experience shows that where the e-Procurement System is fully operational across Government covering procurement of goods, works and services, cost savings and increased accountability is realised. International Best Practice, requires a stand-alone e-Procurement System which can be integrated with other systems such as the current IFMIS

The following are planned reforms to address the gaps and challenges in oversight, governance and accountability in Public Procurement besides strengthening institutions at county level:

- develop the Public Procurement and Asset Disposal Regulations and Operational manuals and guidelines for easier implementation of the new Law and disseminate them at national and county levels of Government
- develop unified Public Procurement Portal on the e-Procurement System covering all procurement of goods, works and services
- e-Procurement development, implementation and capacity building strategy. The capacity building should cover all stakeholders includingbidders, procurement personnel, oversight bodies and other procuring entities staff involved in procurement activities
- establish Public Procurement Institutions at county level and further build their capacity, to carry out procurement following the enactment of the Public Procurement & Asset Disposal Act, 2015
- build capacity of Public Procurement Regulatory Authority, Public Procurement Department and Office of the Auditor-General to provide oversight and in particular on e-Procurement
- develop Data Analysis capacity at Public Procurement Department and Public Procurement Regulatory Authority to publish procurement performance records and data following implementation of e-Procurement.

2.4 Theme Four: Independent Audit and Oversight

Overall Objective: ***To ensure accountability and oversight of public resources and enhance efficiency, effectiveness and lawfulness in the collection and application of public funds***

The role of oversight involves the review of operations to uphold the integrity and enhance public trust in government institutions by holding them accountable for their actions and decisions in management of public resources.

Key institutions for audit and oversight - and their roles, have been prescribed in the law. The main institutions are Parliament, County Assemblies, the Office of Controller of Budget, Office of Auditor-General and Public Procurement Regulatory Authority. The oversight role of the legislative organ is supported by independent audit function under the Office of the Auditor-General (CoK- Article 229), and the budget implementation oversight function assigned to the Office of the Controller of Budget (CoK– Article 228). The key laws supporting the establishment and the mandates of these institutions– include the PFM Act (2012), the Public Audit Act (2015), and the Public Procurement and Asset Disposal Act (2015).

Key reform interventions under this theme aim to enhance the capacity of these institutions to carry out their functions so that the oversight role is more efficient and effective.

Key achievements over the past period of the strategy include:

- Enactment and continuous implemetation of the Public Audit Act (2015)
- The OAG continues to undertake audits of all MDAs and counties
- Public Investment Committee (PIC) and Public Accounts Committee (PAC) have cleared a significant backlog relating to review of OAG reports
- Liaison officers from OAG have been posted to Parliament
- Significant capacity has been built in the OAG.

The government will implement key priority actions identified in Table 4 below to address the gaps.

Table 4: Key Interventions and Outputs

#	Key Intervention	Output	Priority	Lead
2.4.1	**Strengthen capacity of Independent Audit** To strengthen capacity of OAG to undertake quality audits within the statutory limits	OAG annual audit reports produced timely	High	OAG
		OAG is able to undertake numerous VfM/performance audits	High	OAG
		OAG reports comply to Risk Based Audit Methodology standards	High	OAG
		Automation of audit processes is achieved enabling greater efficiency in the operations of OAG	High	OAG
2.4.2	**Strengthen capacity of Parliament and County Assemblies for oversight** To enable oversight committees of Parliament to execute their functions effectively	Budget and Appropriation Committee, Finance, Planning and Trade Committee, PAC, PIC produce timely quality reports	High	PBO/Office of the Clerk
		County assemblies carry out timely review of budgets and annual audit reports	High	Office of the Clerk to the National Assembly /Office of the Clerk to the County Assembly
2.4.3	**Strengthen audit follow up** PAC/PIC Parliamentary recommendations are implemented by MDAs and counties	MDAs and counties have access to and implement quality and actionable reports of PIC and PAC	High	National Assembly Implementation Committee /Office of the Clerk to the National Assembly / Office of the Clerk to the County Assembly
2.4.4	**Implement Inter-agency mechanisms to strengthen PFM oversight function** To institutionalise Inter-agency mechanisms in order to strengthen PFM oversight and governance	Inter-agency framework is operational and improves PFM governance oversight	Medium	EACC/ OAG

2.4.1 Strengthen Capacity of Office of the Auditor-General

Significant effort has been made to strengthen the operational independency and capacity of the Office of the Auditor-General in recent years. A number of tools, manuals, and significant training have been provided to the OAG. Importantly, the OAG has also adopted risk based audit strategies to increase their effectiveness for audits. The Government has recognised the expanded demands and increased OAG budget significantly (from KShs.1.5billion in 2011/2012 to KShs.2.6 billion in 2013/2014 representing an increase of 73%[13]), and significant portions of these budget have been released each year.

However, the Office continues to face challenges limiting its effectiveness. While budgetary provisions have been significantly increased, the level and timeliness of exchequer releases from the National Treasury do not always match OAG audit programme of activities. Capacity in terms of numbers and financial resources has remained a challenge in the wake of the expanded audit mandate[14], often leading to delays in the issuance of annual audit reports of up to 6 months.

The Government will implement the following actions to address these issues and to improve the effectiveness of the OAG:

- NT to disburse funds to OAG based on a costed schedule of activities provided by the Auditor-General
- OAG to design and implement a strategy to cope with the expanded audit workload and ensure timely delivery of annual audits including strengthening staff capacity and outsourcing.
- operationalize and strengthen capacity of special audits (VfM, performance, environmental, forensic and Procurement) units at OAG
- continue to implement a plan to strengthen the capacity of Quality Assurance Unit
- continue to implement peer review mechanisms (AFROSAI-E) to assure quality of audits by OAG
- continue to implement the OAG automation programme including the roll-out of the ORACLE Audit vault software and expanding the use of TeamMate.

2.4.2 Strengthen Capacity of Parliament and County Assemblies for Oversight

Capacities of Parliament Committees – PACs/PICs and other finance related committees, has significantly improved over the recent years. Annual budget documents, policy strategies and annual

13 Source: Supreme auditor 3rd edition, a publication by the Auditor-General
14 Annual statutory audits MDAs, State Corporations and SAGAs, counties and their assemblies, county corporations and townships are estimated at over 1,600

estimates are in general reviewed and approvals increasingly provided within statutory limits. The backlog in review of audit reports is reducing both at national and county government level. PACs make recommendations in their reports to the National and County Assemblies and these are discussed and are forwarded to the Executive for implementation.

However, effectiveness of county assembly committees is challenged by inadequacy of capacity and in some cases, lack of support structures. Except in a few counties, the budget, finance and accountability committees do not have elaborate staff structures to support review of documents from County Government and rely, largely on private resources. Further, Members of County Assembly (MCAs) in the County Assemblies lack capacity to adequately address the issues raised in the Auditor-General's reports and the oversight role they play. As a result of these weaknesses, significant delays in the review of audits reports – some as long as nine (9) months, are still common.

The Government will continue to implement its capacity building programme for the Committees to enhance effectiveness. Under the Strategy, the following specific actions will be undertaken:

- continuously train County Assemblies and Parliament Budget Office staff, clerks, Members of Budget/Finance Committees on PFM issues and Gender Responsive Budgeting Guidelines so that they are better able to review and scrutinise Executive budget documents, reports and audits
- implement plans for County Assemblies to recruit technical staff (clerks) for the Committees of PIC/PAC/Budget and Finance Committees and support the building of capacity of these staff.

2.4.3 Strengthen Audit Follow-Up

Audit follow-up by MDAs and county governments is the key to completing the accountability cycle and for strengthening PFM systems. Accounting officers of MDAs and at both levels of government are responsible for the implementation of audit recommendations. Audit Committees are also assigned the responsibility to follow up on the implementation of audit recommendations as envisaged in the PFM regulations. However, following up audit recommendations is yet to be fully effective. Audit reports continue to cite issues of a recurring nature and lack of follow up.

The Government will implement the following specific actions to improve the effectiveness of audit follow-up:

- build capacity for PIC and PAC to produce quality Treasury Memoranda and in good time
- each MDA and County Government to establish the Public Finance Management Standing Committee to monitor timely resolution of audit recommendations as stipulated in Sections 18 &19 of the PFM Regulations 2015

- build capacity on the MDA and County Government's Public Finance Management Standing Committee
- implement a plan to ensure NT tracks pending audit recommendations and enforces sanctions as necessary.

2.4.4 Implement Inter-Agency Mechanisms to Strengthen PFM Oversight Function

The Government will institute inter-agency collaboration in preventing and combating corruption. The agencies to be involved will comprise the OAG, OCoB, National Treasury, National Parliament, County Assemblies and Ethics and Anti-Corruption Commission (EACC).

In doing so, the Government will operationalize the inter-agency framework by the following actions:

- develop an MoU to govern the inter-agency framework
- assign staff to the inter-agency, and
- train staff members assigned to the inter-agency.

2.5 Theme Five: Fiscal Decentralisation and Intergovernmental Fiscal Relations

Overall Objective: ***To strengthen intergovernmental fiscal relations and improve the efficiency and effectiveness of county public financial management systems***

Fiscal decentralization and intergovernmental fiscal relations is a cross cutting theme in the PFMR Strategy 2013-2018. At the time of formulation of the PFMR Strategy, devolution reforms were in early stages of implementation having been previously established by the Constitution. Hence, the main thrust of the reforms under the theme was on preliminary actions to enable fiscal devolution to take off.

The midterm review established that there was progress in implementing a number of reform actions. Some of these include:

- the framework for equitable sharing and transfer systems was established and implemented
- the human resource audit for counties was carried out and systems to facilitate financing management as well as capacity building have been rolled out to all counties, and
- the policy on marginalized areas was prepared and approved.

There were also areas where progress was slow. Key ones being the outstanding audit of existing assets and liabilities of government, parastatals and local authorities and the action aimed at enhancing county level revenues. In addition, the operationalization of the Equalization Fund was delayed between FY 2013/14 and 2015/16 due to the delays in establishing the Fund's legal and institutional structures. This hurdle has since been overcome and the Fund is expected to become effective in the FY 2016/17.

The sections and Table 5 below present specific interventions to take forward these actions and to cover wider county PFM reforms that were not included in the earlier version of the Strategy.

Table 5: Key Interventions and Outputs on Fiscal Decentralisation and Intergovernmental Fiscal Relations

#	Key Intervention	Output	Priority	Lead
2.5.1	**Clarify and strengthen inter-governmental fiscal relations** To fully clarify and operationalise Inter-governmental relations.	Counties have adequate guidelines on the formulation of lower government fiscal relations	High	NT-IGFRD
		Counties have access to and appropriate framework to govern the administration and management of intergovernmental conditional grant between the two levels of government	High	NT -IGFRD

2.5.1 Clarify and Strengthen Intergovernmental Fiscal Relations

Intergovernmental fiscal relations between national and county governments, are elaborated in the Intergovernmental Relations Act of 2012 (IGRA) and the PFM Act (2012). Within this framework, the four key structures; the National and County Government Co-coordinating Summit, the Intergovernmental Budget and Economical Council (IBEC), the Intergovernmental Relations Technical Committee (IRTC) and the Council of County Governors, have been established and are largely operational. Other intergovernmental fiscal operations – between national and county governments, which are also defined in the Constitution and PFM Act, have also been implemented.

However, there are still gaps in the intergovernmental fiscal relations. Key among these relate to:

- the roles of sub counties or lower sub-units in the areas of service delivery functions, procurement and contract management, own source revenues collection and management, planning and investment management, participatory budgeting, budget implemementation, accounting and reporting have not been elaborated. In addition majority of counties are yet to establish Municipal Boards and Town Committees, as stipulated in the Urban Areas and Cities Act, 2011.

This means that the management of urban areas is still directly under the County Executive, with urban financing decisions being handled through County Assemblies. Since majority of these Assemblies are drawn from rural constituencies, it leaves the resourcing of many large urban areas at risk of underfunding

- secondly, some functions which have a lot of county specific content have not been fully devolved which creates a risk of duplication, reduced cost effectiveness in service delivery and at worst, wasteful expenditures. This is especially for the functions of water and roads. Basic education is not a devolved function but counties are already spending massively on it
- thirdly, while counties in general, had no major concerns about the implementing conditions attached to conditional grants, as the number of conditional grants continue to rise[15], managing grants is increasingly becoming complex. There is therefore need to regulate conditional grants.

The following reforms actions will be undertaken to further strengthen inter-governmental relations:

- review and develop legislation to clarify the roles and functions of decentralised units at county level (sub-counties, towns, wards)
- develop conditional grant framework and ensure conditional grants are being implemented in accordance with this framework while ensuring that county government ownership of the grants is not diminished.

2.6 Theme Six: Legal and Institutional Framework

Objective: ***To ensure a consistent and harmonized PFM Legal and Institutional Framework and enhance compliance of MDAs and counties with its implementation***.

Key legislations, namely the Constitution of Kenya 2010 and PFM Act 2012, were already in place at the time of drafting and adoption of the current PFM Strategy. They provide the framework for enacting subsidiary legislations many of which were identified under the Fifth Schedule of the Constitution. Relevant legislations in the schedule cover public participation, revenue funds for counties, contingencies fund, loans guarantees, financial control, accounts and audit of public entities, and procurement of goods and services. Institutional reforms in the Strategy mainly relate to restructuring the National Treasury in line with the PFM Act 2012.

The midterm review established that implementation of key actions under this theme were nearly completed**.** Almost all identified legislation under Chapter 11 and 12 of the CoK and the Fifth Schedule, have been enacted. Some of the remaining key ones relate to public participation and Office of the Controller of Budget. Progress has also been made in restructuring the National Treasury to

15 The number of conditional grants in the 2015/16 budget stood at nine from one in 2013/14 with three of these related to donor sources. In 2016/17, it is expected that there will be three more conditional grants, bringing the total to 12, thus underscoring the need for a coherent framework for their effective management.

provide for the Public Debt Management Office (PDMO) and to align its functions with the roles provided in the PFM Act. The key interventions that remain are identified in Table 6 below:

Table 6: Key Interventions and Outputs for the Legal and Institutional Framework

#	Key Intervention	Output	Priority	Lead
2.6.1	**Strengthen Legal Framework** *Consistent and harmonized PFM Legal and Institutional Framework and compliance of MDAs and counties*	Harmonised PFM legislation and compliance at both national and county governments	High	NT-AGD
		Counties access and are able to use key PFM legislation in their operations	High	NT-IGFRD
		The PFM Act 2012 is fully harmonised with the EAC fiscal covergence framework	Medium	NT- D, BFEA
2.6.2	**Strengthen Institutional framework/Complete Reorganisation of the National Treasury** *Key PFM institutions strengthened and able to supervise the implementation to the Law*	Key positions at National Treasury are substantively filled	High	NT- HRM
2.6.3	**Clarify County Staff Structures** *Efficiency of organisation and structures of counties for PFM implementation is strengthened*	Effective and efficient County PFM organizational structures	High	NT-IGFRD

2.6.1 Strengthen Legal Framework

The outstanding reform challenges to be addressed under this theme include:

- delays in enacting some key PFM legislations which have slowed the pace of reforms. The legislations include the PFM Regulations 2015 and Public Procurement and Asset Disposal Act 2015. A number of provisions in the PFM Act 2012 were dependent on the enactment of these regulations. In addition, there have been issues of interpretation of the procurement laws which have negatively affected operations particularly at county level. Except for procurement regulations, these legislations have now been enacted and will need to be disseminated expeditiously.

- harmonising the PFM Act 2012 with the EAC fiscal convergence framework. The framework identifies a number of PFM areas within which PFM laws of member countries need to be aligned. These areas include:
    - Fiscal Policy
    - Budget Frameworks
    - Accounting, Reporting, and Audit of Fiscal Data, and
    - Financing, Cash and Debt Management.

A gap analysis carried out in January 2015 established that the Kenya PFM Act 2012 was compliant with the majority of provisions (17 of 22). Further examination also shows that the Government is already fully implementing two of the five outstanding provisions and will need to renegotiate two others in order to be compliant.

The following actions will therefore be undertaken to address the gaps:

- finalise drafting, enactment and dissemination of Procurement regulations
- implement a plan to disseminate and raise awareness/knowledge of the PFM legislation - including PFM Act 2012 and PFM regulations 2015, and PPAD Act 2015 and regulations so that compliance by MDAs and counties is better assured
- finalise drafting, enactment and dissemination of the Financial Reporting Oversight Act (FROA)
- sensitize counties on the preparation of Finance Bills, based on guidelines issued by the National Treasury
- implement a plan to monitor compliance of MDAs and counties with PFM legislation
- expedite the dissemination of outstanding key PFM regulations and revised procurement laws
- continue implementing a sensitization and training program for county governments on the application of the PFM Act 2012 and PFM Regulations 2015 ensuring all relevant parties appreciate their fiscal responsibilities
- implement measures to ensure full compliance with the EAC convergence provisions.

2.6.2 Strengthen Institutional Framework/Complete reorganisation of the National Treasury

Restructuring at the National Treasury has led to gaps in skills in some key areas. First, there have been delays to fill key positions. Secondly, there is a significantly high turnover of staff with many leaving for State Corporations and SAGAs, counties and the private sector, which offer better remuneration. These elements are raising the risk to implementation of key reforms.

The following actions are therefore adopted for implementation:

- expediting the substantive recruitment of all senior positions at NT so that reforms can be managed effectively
- undertaking a study to establish causes to high turnover of staff at the National Treasury and to recommend condition for improving retention.

2.6.3 Clarify the County Institutional Structures

Formal structures and roles for the County Assembly and County Executive for PFM are largely clarified within the law. However, there remains some issues in the implementation that will require to be dealt with. In particular:

- staffing and organisational structures in many counties, consisting of former local authorities' staff, seconded staff from national government and newly recruited staff, are not harmonised in positions and remuneration, and
- staff structures for many counties are largely bloated, taking away significant resources form the budget.

There are also other concerns related to the formulation of organisation structures which have seen varying approaches and non-uniform structures across counties particularly with respect to finance and procurement functions. These issues combined undermine the effectiveness of county government operations.

The Government will carry out the actions below to address these shortcomings:

- develop model organisational structures for counties to be the basis on which they can re-organise and improve efficiency in their institutions, and keep the cost of these structures within fiscally sustainable levels
- review staffing issues and human resource policies as well as staffing structure of counties to make them functionally aligned and more efficient
- review and harmonizing salary structures between existing and new staff within counties.

2.7 Theme Seven: IFMIS and other PFM Systems

Overall Objective: ***To establish a secure, reliable, efficient, effective, and fully integrated public financial management system in national and county governments***

The Government has been implementing IFMIS and other PFM related systems such as, Internet Banking System, KRA systems, Pension Management Information System (PMIS), Integrated Personnel and Payroll Data System (IPPD), Government Human Resource Integrated System (GHRIS), Electronic Project Management Information System (e-ProMIS), CS-DRMS, e-Citizen, and Revenue Collection and Management Systems for the counties. The earlier version of the PFMR Strategy focussed primarily on IFMIS re-engineering. This Strategy seeks to deepen implementation of IFMIS and its seamless integration with other PFM related systems.

Achievements

At the time of the midterm review, significant progress had been realised in the implementation of reforms under this theme. IFMIS had been rolled out in all MDAs and county governments. The system was also operational in all Commissions and Independent Offices. In particular, the rollout of the key modules; Plan to Budget, Procure to Pay, Revenue to Cash, and Record to Report, had been completed through all these entities. The National Treasury had also established a unit with a pool of experts (IFMIS Implementation Team) to provide support to MDAs and county governments in the use of IFMIS as part of the Government's sustainability strategy.

Additional achievements over the past period include:

- the introduction of a Standard Chart of Accounts (SCoA) in IFMIS for use in all MDAs and counties
- the implementation and roll out of all IFMIS key modules
- the automation of statutory and management reports within IFMIS
- continuous training of users at both the MDAs and county government at IFMIS Academy
- the implementation of a supplier portal followed by sensitization of suppliers
- the enhancement of IFMIS security
- the implementation of e-Procurement module in IFMIS at both the national and county governments
- the integration of IFMIS with internet banking (CBK)
- the development of management dash boards in IFMIS

- the establishment and operation of a helpdesk
- development and dissemination of guidelines for the acquisition of Revenue Management System for the counties have been issued.

However, key reforms listed below remain outstanding:

- completion of integration of other PFM systems with IFMIS
- implementation and operationalisation of Oracle Human Resource Module
- operationalisation of the Asset Management Module on IFMIS
- improvement of the Help Desk to enhance support for the IFMIS end users
- assisting county governments in acquiring/developing Revenue Management System as per the issued guidelines
- implementation of the Service Oriented Architecture (SOA)
- automation of Cash Planning and Exchequer Requisition system
- implementation of a Disaster Recovery Site

The midterm review agreed to the interventions below going forward (Table 7).

Table 7: Key Interventions and Outputs on IFMIS and other PFM Systems

#	Key Intervention	Output	Priority	Lead
2.7.1	**Strengthen the use of IFMIS** IFMIS systems are fully supportive of both national and county government operations	MDAs and counties are able to use IFMIS in all government PFM operations for budget preparation, execution, accounting and reporting	High	NT-IFMIS Department
2.7.2	**Implement Revenue Systems for County Governments** Improvement in efficiency in Revenue Systems Management	Counties implement modern revenue systems suitable to their requirements and integrated with IFMIS	High	NT-IGFRD
2.7.3	**Integrate IFMIS and other PFM systems** Standalone PFM systems are integrated with IFMIS reducing manual interventions	Standalone systems seamlessly integrated with IFMIS	High	NT-IFMIS Department

2.7.4	**Secure and Support PFM systems** PFM systems are adequately supported and protected to ensure business continuity	NT is able to back up IFMIS at a secure facility	High	NT-IFMIS Department

2.7.1 Strengthen the Use of the System by MDAs and counties

IFMIS has been rolled out in all counties. There are varying levels of its utilization of the system due to a number of challenges. These include:

- unreliable local area networks and infrastructure - counties continue to experience difficulties to establish stable, reliable local networks particularly in cases for county offices outside the IFMIS room. As a result, users are forced to commute to and from the IFMIS room causing stress and resentment towards the system
- unreliable Wide Area Network between the counties and the IFMIS data centre - counties are often faced with unreliable network connectivity affecting the processing of transactions on IFMIS/e-Procurement. System downtime of two to three hours a day due to connectivity issues is common
- many counties are not fully utilising IFMIS to prepare their budgets. The midterm review established that many county budgets are prepared outside the system using Excel spread sheets and later uploaded into IFMIS after approval by the County Assemblies.
- IFMIS is not being utilised in carrying out bank reconciliations at the counties. In many counties, bank reconciliation are carried outside IFMIS
- there are many cases where counties have continued to maintain parallel sets of books of accounts. Maintaining parallel systems is expensive in terms of time and human resource required to keep both systems up to date. It also distracts the users from concentrating on using IFMIS and could reinforce resistance to change by officers who are not supportive of the reforms
- counties are unable to prepare their financial statements using IFMIS because the system does not have complete sets of financial data, in particular, revenue data is largely kept on the LAIFOMS. At the same time, the Standard Chart of Accounts on the system does not provide sufficient disaggregation to facilitate the level of analysis that the counties require for preparation of the financial reports
- implementation of the e-Procurement module has been affected by a number of challenges including the unreliable network connectivity and lack of access to terminals by some key system users in some counties.

The National Treasury will lead the following reform actions to address these gaps in order to improve the use of IFMIS by counties:

- liaise with Ministry of Information Communication and Technology and other stakeholders to improve connectivity and infrastructures between IFMIS servers at the counties and the user departments based on physical network
- sensitize users on the Learning Management System in IFMIS so that they can perfect their skills as they put them into practice
- enhance support to users of IFMIS through training on budget preparation, execution, accounting and reporting
- support users on the use of IFMIS to carry out automated bank reconciliations and use of Account Receivable Module
- operationalize e-Procurement module including building capacity for both users and suppliers
- enhance the IFMIS helpdesk and call centres.

2.7.2 Implement Revenue Collection Systems for the County Governments

County governments use various systems which are not integrated with IFMIS to collect revenue. However, the National Treasury has issued guidelines on the development or acquisition of County Revenue Collection Systems that can integrate with IFMIS.

To support the implementation of this objective, the National Treasury will implement a plan to support counties to acquire systems for revenue management.

2.7.3 Integrate IFMIS and other PFM systems

A major objective of the PFMR Strategy 2013-2018 is the establishment of seamless integration or interfaces between IFMIS and other PFM related systems and sub-systems. This is at the core of the Government's objectives for a modernised and strengthened PFM system. The points of integration to IFMIS include Internet Banking System, KRA systems, Pension Management Information System, Integrated Personnel and Payroll Data System (IPPD), Government Human Resource Integrated System (GHRIS) Electronic Project Management Information System (e-ProMIS), CS-DRMS, e-Citizen, and Revenue Collection and Management System for the Counties. An integrated framework of systems will greatly improve the PFM control environment and ease monitoring and reporting across all PFM operations.

The Steering Committee on IFMIS (SCI) is well placed and should champion the integration programme providing oversight and ensuring the programme is expedited and delivers the quality needed to support a strong PFM system. The SCI is a high level forum chaired by the Cabinet Secretary, National Treasury and brings together representation from key government institutions/ departments that are involved with the implementation of systems.

The PFMR Strategy will include the following reform actions towards achieving the objectives of integration of PFM systems:

- complete the Service Oriented Architecture
- verify live data from standalone systems and complete the integration of IFMIS with other PFM systems.

2.7.4 Ensure PFM systems are well supported

A Disaster Recovery Site (DRS) was envisaged as a centrepiece to the Government's procedures for system security and data recovery. However, this is yet to be implemented. A DRS is an alternative backup facility that is used when a primary location becomes unusable due to failure or disaster – thus ensuring business continuity. It is located in an entirely different location (preferably another town or city). This ensures a higher probability of safety when a primary facility fails due to a localized disaster. In the absence of a DRS, the practice is to make daily back up of data and to store it in secure locations. The NT will expedite the setting up of a Disaster Recovery Site to safeguard the Government information in case of a major disaster.

CHAPTER THREE
Programme Management

The successful implementation of the PFM Reform Strategy requires an explicit governance structure with clear coordination mechanisms which will be applied during its implementation. This section therefore, outlines key governance strategies and the roles of different components. It will further be supported by a Programme Operations Manual which shall provide detailed functions and modalities of operations of this structure and provide clear linkages for engaging stakeholders and for reporting on implementation of reforms.

3.1 Governance and Coordination

The management and implementation of this Strategy will be fully institutionalised within the National Treasury on behalf of the Government. Its roll out will involve many stakeholders including national and county government departments and development partners. To coordinate these stakeholders effectively, a governance structure comprising a high level PFM Sector Working Group, the Steering Committee (SC) and supported by a Technical Committee (TC) chaired a Reform Coordinator appointed by the National Treasury, will be reviewed and strengthened. The three levels will work in a harmonised framework to support and coordinate the PFM reform process through technical and administrative support from the PFM Reforms Secretariat. Donor engagement shall be through the Steering Committee and the PFM Sector Working Group.

The governance structure (See Figure1) and a brief elaboration of the roles of key players is given in the subsequent sub-sections below. The governance structure includes the following:

3.2 PFM Sector Working Group (PFM-SWG)

The PFM Sector Working Group (PFM-SWG) shall be a forum for dialogue that meets at least once a year to discuss PFM reforms policy issues. It shall be chaired by the Cabinet Secretary, National Treasury.

The Sector Working Group will be responsible for:

- policy dialogue, broad consultation, information sharing and coordination among key stakeholders in line with the Kenya External Resources Policy (KERP)
- alignment of development partners' activities with government PFM priorities including consideration of the Partners' strategies
- promotion of mutual accountability in management of PFM policies

- promotion of consensus building on funding practices to ensure transparency and predictability of external assistance
- facilitation of resource mobilisation towards sector programmes and projects
- promotion of harmonization and simplification of external assistance implementation procedures including procurement, accounting and financial reporting in line with KERP
- promotion and support of the use of country PFM systems in implementation of donor funded projects and programmes.

The Sector Working Group membership will comprise:

- Cabinet Secretary, National Treasury (Chair)
- Cabinet Secretary, Ministry of Devolution and Planning
- Development partners Representatives
- Chair, Council of Governors
- Principal Secretary, National Treasury
- Principal Secretary, State Department of Devolution
- Principal Secretary, State Department of Planning and Statistics
- Chair, Commission on Revenue Allocation (CRA)
- Auditor-General
- Controller of Budget
- Commissioner General, Kenya Revenue Authority (KRA)
- Chair, Salaries and Remuneration Commission
- Secretary/CEO, Teachers Service Commission
- Director General, Public Procurement Regulatory Authority
- Clerk, National Assembly
- PFMR Secretariat (Secretary).

3.3 The PFM Reform Steering Committee

The Steering Committee (SC) shall meet at least twice a year to oversee and provide strategic policy guidance as well as review and monitor the implementation of the reform programme. It will be chaired by the Principal Secretary to the National Treasury, who is ultimately responsible for the implementation of the reform programmes.

The Steering Committee will be responsible for:

- providing strategic direction and oversight of implementation of the PFMR Strategy
- providing guidance on the Programme Operations Manual and Communication Strategy
- approval of annual work plans for the implementation of the PFM Reforms Strategy
- review of progress on the implementation of PFM Reforms Strategy
- provide strategic direction on coordination with other GoK programmes including but not limited to the National Capacity Building Framework (NCBF).

Membership of the Steering Committee will comprise:

- Principal Secretary, National Treasury (Chairperson)
- Principal Secretary, State Department of Devolution
- Principal Secretary, State Department of Planning and Statistics
- Representatives of DPs providing support to the Strategy
- Director General, Budget, Fiscal and Economic Affairs
- Director General, Accounting Services and Quality Assurance
- Director General, Investment and Portfolio Management
- Director General, Public Debt Management Office
- CEO, Salaries and Remuneration Commission
- CEO/Secretary, Commission on Revenue Allocation (CRA)
- Auditor-General
- Commissioner General, Kenya Revenue Authority (KRA)
- Controller of Budget (CoB)
- PFMR Secretariat (Secretary).

3.4 The PFM Reform Technical Committee

The Technical Committee shall be composed of the implementing agencies and representatives of DPs funding the Strategy. It shall be chaired by the Programme Coordinator, PFMR Secretariat. The Committee shall be responsible for technical monitoring and guidance of the reform programme and shall meet on a quarterly basis or as necessary.

The PFMR Technical Committee will be responsible for:

- development and review of annual work plans including procurement, asset disposal, and training plans of the programme for SC approval
- monitoring and reviewing progress of programme implementation based on quarterly and annual progress reports, and providing guidance to implementing agencies
- facilitate collaboration and coordination among theme components of the Strategy
- participating in programme reviews, evaluations and diagnostic exercises
- facilitating linkages with other Government on-going reform programmes.

Membership of the Technical Committee will comprise:

- Programme Coordinator (Chairperson)
- Component Managers representing implementing agencies
- Representatives of DPs providing funding to the Strategy
- PFMR Secretariat (Secretary).

3.5 PFM Reform Secretariat

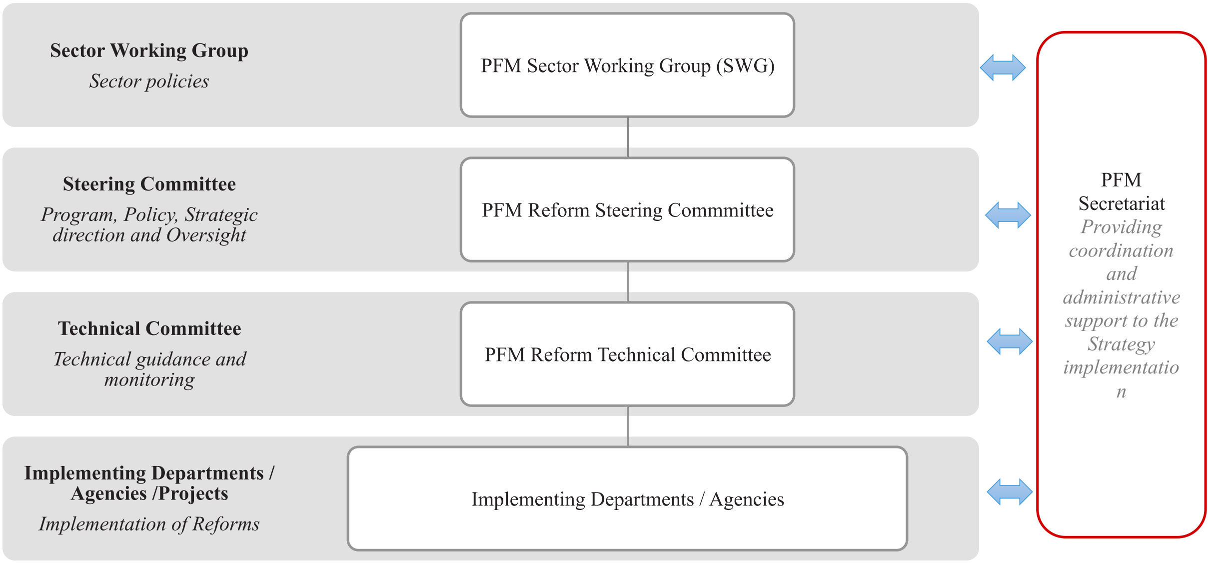
A PFM Reforms Coordination Secretariat, headed by a PFM Reform Coordinator, will serve as a Secretariat to the PFM Sector Working Group, Steering Committee and the Technical Committee. The Secretariat will develop and operationalize the PFM Programme Operations Manual in order to provide an appropriate reform management routine, including administrative procedures to be followed by implementing agencies.

The PFM Reform Secretariat will be responsible for:

- preparation and review of the PFMR Strategy, Programme Operations Manual, Monitoring and Evaluation Framework and Communication Strategy

- coordinating the implementation of the PFMR Strategy, Programme Operations Manual, Monitoring and Evaluation Framework and Communication Strategy
- providing logistical support and guidance to the implementing agencies
- consolidating annual work plans and budgets for the programme from the implementing agencies and submit to the TC and SC for approval
- monitoring implementation of the reform programme and consolidation of progress reports for the TC and SC
- monitoring all disbursements to the PFM programme, programme commitments and expenditures
- coordinating the scope and implementation of the work plans
- maintaining programme financial accounts, preparation of annual financial statements and facilitation of annual audits of the programme and coordination of policy dialogue between the Government and DPs on PFM Reform Programme
- regularly collecting and analysing data, preparation of monitoring reports and presenting these reports to the TC and SC for consideration.

Figure 1: PFM Reform Governance Structure



3.6 Key Actions to Strengthen Governance and Coordination

The midterm review recognised the advances made in programme coordination but also noted that more effort was required in some areas (outlined below) in order to increase the effectiveness of this function in supporting the Reform Strategy. Key areas that require strengthening include:

- the governance structures had been established as was planned under the Strategy but had not been as effective as was intended
- there was no operation manual hence practices of the governance structures and Secretariat were not guided by any operational procedures
- communication required strengthening through the use of a Communication Strategy
- donor financing to the programme, directly through the Reform Secretariat, had been less than expected
- reporting had been quite regular but more related to specific projects rather than programme wide. As such, there were no consolidated reports on progress of implementation of the entire programme
- a number of monitoring activities had been conducted but progress against indicators in the results framework was not always recorded
- the PFMR Secretariat had been established but delays in filling key positions under the PFMR Secretariat and the high turnover of staff undermined its effectiveness.

The actions identified in Table 8 below have been adopted based on the outcome mid-term review:

Table 8: Key Interventions and Outputs on Governance and Coordination

#	Key Intervention	Output	Priority	Lead
	Programme Management ***Objective:*** *To coordinate implementation of PFM Reforms*			
3.6.1	**Strengthen Coordination Mechanisms** Coordination Mechanisms strengthened.	Coordination and oversight Mechanisms strengthened	High	NT-PFMR Secretariat
		Implementing agencies are well guided on the operations of the reform programme and respond better	High	NT-PFMR Secretariat
		Information on the implementation of the Strategy based on the Communication Strategy improves	High	NT-PFMR Secretariat
3.6.2	**Strengthen DP engagement** DP engagement strengthened	DP contribution, participation and reporting are greatly enhanced	High	NT-PFMR Secretariat
3.6.3	**Strengthen capacity of the Secretariat** Capacity of the Secretariat strengthened	Key positions of the Secretariat are filled to enable it respond better to its role	High	NT-PFMR Secretariat
3.6.4	**Strengthen M&E and reporting** M&E Strengthened	Timeliness and quality of reporting based on agreed M&E framework improves	High	NT-PFMR Secretariat

The following reform activities will be applied to improve the reform coordination mechanism:

3.6.1 Strengthen Coordination Mechanisms

- Review and reform the governance structures to improve their effectiveness in overseeing the implementation of the Strategy
- Draft operational guidelines and have them approved by the SC and disseminate them to all implementation units
- Draft and establish a communication strategy on the PFMR Strategy and ensure its implementation so that all stakeholders, including DPs and the public are able to access key information on the implementation of the PFM reform strategy

3.6.2 Strengthen DP Engagement

- Implement a Plan to engage with development partners (DPs) to reach agreement on workable funding modalities consistent with the external resource policy recently approved by the government
- Issue a circular and guide to require implementing agencies provide regular reports to the PFMR Secretariat on the source of financing, commitments and disbursements to PFM reforms activities under their responsibilities but which may not be financed through the Secretariat

3.6.3 Strengthen Capacity of the Secretariat

- Fill the vacant positions within the Secretariat to enable the Secretariat carry out its role efficiently and effectively
- Prepare and implement a focussed training plan for all staff in key positions so that they can competently play these important roles

3.6.4 Strengthen M&E and Reporting

- Design and implement an M&E system to support the implementation and reporting on the PFMR Strategy
- Conduct a PEFA Assessment

3.7 Costs and Financing (in KShs.)

#	Key Intervention	TOTAL	2015/16	2016/17	2017/18
2.1	**Theme One: Macro-economic Management and Resource Mobilisation**	**4,446,650,000**	**1,250,000**	**1,703,741,250**	**2,741,658,750**
2.1.1	Strengthen macro-economic forecasts	100,710,000	-	35,460,000	65,250,000
2.1.2	Enhancing Tax Revenue Collections	3,240,525,000	-	1,285,293,750	1,955,231,250
2.1.3	Strengthen mobilisation, accounting and reporting on Own Source Revenue	433,800,000	-	173,445,000	260,355,000
2.1.4	Improve External Resources reporting	26,780,000	1,250,000	23,415,000	2,115,000
2.1.5	Consolidate efforts to mobilise additional resources through PPP	541,130,000	-	138,995,000	402,135,000
2.1.6	Strengthen GoK's capacity for debt management and reporting	81,205,000	-	41,507,500	39,697,500
2.1.7	Improve reporting on and accounting for A-I-A by MDAs	22,500,000	-	5,625,000	16,875,000
2.2	**Theme Two: Strategic Planning and Resource Allocation**	**295,060,000**	**-**	**126,597,500**	**168,462,500**
2.2.1	Strengthen strategic planning	46,035,000	-	2,475,000	43,560,000
2.2.2	Strengthen planning and oversight over public investments projects	39,975,000	-	22,350,000	17,625,000
2.2.3	Strengthen county budgeting systems	209,050,000	-	101,772,500	107,277,500
2.2.4	Strengthen systems for budget formulation	-	-	-	-
2.3	**Theme Three: Budget Execution, Accounting and Reporting and Review**	**3,029,800,000**	**163,155,000**	**1,405,850,000**	**1,460,795,000**
2.3.1	Strengthen cash planning and management to improve execution of the budget	95,165,000	-	79,640,000	15,525,000
2.3.2	Strengthen in year monitoring reports covering both financial and non-financial	214,290,000	-	106,520,000	107,770,000
2.3.3	Strengthen statutory reporting	83,695,000	-	28,800,000	54,895,000
2.3.4	Improve effectiveness of Internal Audit functions	471,600,000	-	117,900,000	353,700,000
2.3.5	Strengthen oversight and reporting of fiscal operations of SAGAs	53,200,000	-	38,575,000	14,625,000
2.3.6	Implement asset and liability management reforms	108,650,000	-	16,500,000	92,150,000
2.3.7	Implement pension reforms	258,570,000	-	75,755,000	182,815,000
2.3.8	Strengthen Teachers Payroll	676,500,000	-	316,525,000	359,975,000
2.3.9	Strengthening Payroll Management	132,070,000	-	51,286,250	80,783,750
2.3.1	Strengthen procurement and asset functions in the public sector	936,060,000	163,155,000	574,348,750	198,556,250

#	Key Intervention	TOTAL	2015/16	2016/17	2017/18
2.4	**Theme Four: Independent Audit and Oversight**	**716,230,000**	**-**	**199,433,500**	**516,796,500**
2.4.1	Strengthening capacity of Independent Audit	687,700,000	-	191,650,000	496,050,000
2.4.2	To strengthen capacity of County Assemblies and Parliament for oversight	23,970,000	-	6,415,500	17,554,500
2.4.3	Strengthen audit follow up	4,560,000	-	1,368,000	3,192,000
2.4.4	Implement Inter-agency mechanisms to strengthen PFM oversight function	-	-	-	-
2.5	**Theme Five: Fiscal Decentralization and Intergovernmental Fiscal Relations**	**62,675,000**	**-**	**12,000,000**	**50,675,000**
2.5.1	Clarify and strengthen inter-governmental relations	62,675,000	-	12,000,000	50,675,000
2.6	**Theme Six: Legal and Institutional Framework**	**190,185,000**	**-**	**46,930,500**	**143,254,500**
2.6.1	Strengthening legal and institutional framework	156,435,000	-	46,930,500	109,504,500
2.6.2.	Strengthen institutional framework	-	-	-	-
2.6.3	Clarify county staff structures	33,750,000	-	-	33,750,000
2.7	**Theme Seven: IFMIS and other PFM Systems**	**3,974,500,000**	**-**	**1,128,694,250**	**2,845,805,750**
2.7.1	Strengthen the use of IFMIS systems in both national and county governments operations	1,124,225,000	-	361,125,500	763,099,500
2.7.2	Revenue Systems for county governments	1,750,275,000	-	437,568,750	1,312,706,250
2.7.3	Integration of PFM systems	400,000,000	-	120,000,000	280,000,000
2.7.4	Support to PFM systems	700,000,000	-	210,000,000	490,000,000
3.6	**Programme Management**	**133,955,000**	**-**	**32,435,000**	**101,520,000**
3.6.1	Strengthen Coordination Mechanisms	6,000,000	-	1,800,000	4,200,000
3.6.2	Strengthen DP engagement	-	-	-	-
3.6.3	Strengthening capacity of the Secretariat	42,350,000	-	12,875,000	29,475,000
6.6.4	Strengthen M&E and reporting	85,605,000	-	17,760,000	67,845,000
	TOTALS	**12,849,055,000**	**164,405,000**	**4,655,682,000**	**8,028,968,000**

3.8 Risks and Mitigation Plan

There are a number of risks that may affect the smooth implementation of the Strategy. Some of the key risks and the mitigation measures are outlined in the Table below:

ISSUE	RISK	LIKELIHOOD	MITIGATION MEASURES	ACTORS
Sustaining political will and commitment to the strategy	There are many conflicting priorities (deepening the implementation of the constitution and pending general elections in 2017) that may divert attention from the strategy	Unlikely	• Lobby for support of all PFM Reform Action legislation • Sustained high level dialogue between the Government and the DPs	Cabinet Secretary/ DPs
Capacity to coordinate and implement the strategy	Complexity of PFM reform and multitude of stakeholders (including the Counties) may make the PFMR Secretariat capacity inadequate resulting in an inadequate and uncoordinated DP support.	Unlikely	• Push harder for a Joint Financing Agreement enabling tighter coordination and management • Capacity development for PFMR staff (including M&E and TA support)	Cabinet Secretary/ DPs
Inadequate financing for PFM reforms to an extent that seriously hampers implementation	Some areas may not attract adequate funding If strategy does not attract adequate funding, the available funds may be spread too thin resulting in minimal or no impact	Likely	• GOK to ensure adequate funding to implement the strategy • Prioritize activities	PFMR Secretariat

ISSUE	RISK	LIKELIHOOD	MITIGATION MEASURES	ACTORS
Changes in the governance structure	• Complexity of the programme - the reforms are overarching and involve coordination of many actors • Uncoordinated approach, wastage, delay and unforeseen obstacles • The merger of Government ministries/departments and inclusion of County Governments may affect implementation	Likely	• Anchor the coordinating unit in the National Treasury and give it mandate to prioritize, harmonize and enforce compliance to the implementation of the strategy. • Develop an effective prioritization criteria to enforce the priorities as agreed upon	National Treasury on behalf of the PFM Reform Steering Committee to enforce compliance requirements
Procurement procedures	Delay in the implementation of activities	Likely	Capacity building on the Procurement Act 2015/Regulations 2016 and the international procurement procedures	Implementing Agencies
Resistance to change	Resistance to change from both internal and external stakeholders	Likely	Put in place a Change Management programme	PFMR Secretariat/ Implementing Agencies

ANNEXES

ANNEX I: ACTION PLAN - THEMES, KEY OUTPUTS AND ACTIVITIES

Overall strategic objective: *to* ensure: 'a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.'

Overall outcomes:

- Key PFM legislation is fully established, observed and enforced to produce greater fiscal discipline and integrity throughout the PFM cycle and by all entities at national and county government level
- Alignment of results of MDA and county budgets and programmes with the MTP and the Vision 2030
- Efficiency in collection of resources improves leading to enhanced yields and greater stability in financing the budget at national and county government level
- Accelerated and sustainable economic growth through pursuit of prudent economic, fiscal and monetary policies
- Increased and sustained public private partnership investments across sectors
- Credibility of the budget improves with better alignment between plans, appropriations and actual disbursements
- The capacity of counties for budget formulation and implementation is improved leading to better utilization and increased absorption of budgets
- The capacity of OAG for audits - including financial, performance and VfM is enhanced leading to timely audit reports
- Budget execution - both at the national and county government level improves, with better predictability of exchequer releases and reductions in pending bills.
- PFM systems (including the IFMIS and others) are fully integrated minimising manual operations and enabling more accuracy and timelines of reporting across all financial operations of MDAs and counties
- The PFM Reforms are effectively and efficiently coordinated and implemented

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.1	**Theme One: Macro-Economic Management & Resource Mobilization** **Overall Objective:** • ***To strengthen macro-economic forecasting and enhance collection, accounting and timely reporting of public revenues at national and county governments, in line with macroeconomic fiscal policies***							
2.1.1	**Strengthen macro-economic forecasts** Forecasts of revenues over the medium term is accurate enabling more realistic budget formulation	Capacity of NT for revenue forecasting is enhanced	Build capacity in macro-economic forecasting, analysis and management	NT - Macro & Fiscal Affairs Department	Department not fully staffed	Initiate process to recruit additional staff	Recruit additional staff Continue to implement a training plan for Macro and Fiscal Affairs	Continue to implement a training plan for Macro & Fiscal Affairs
			Expedite acquisition of a modern macro-economic model	NT - Macro & Fiscal Affairs Department	Financial Programming & Policies Framework (FPPF)	Initiate the process of developing requirements of a new model	Finalise the development of requirements of the new macro model	Procure, install and implement new macro model Train staff on the model
			Develop a database system to support macro-economic analysis	NT - Macro & Fiscal Affairs Department	No database system in place	Initiate the development/ acquisition of the database system	Complete development/ acquisition of the database system	Implement usage of the database system to support macro-economic analysis
2.1.2	**Enhance Tax Revenue Collections** Ensure improved efficiency in tax administration leading to increasing tax compliance and collection	KRA is able to improve its tax compliance and enhance revenue collection significantly	Implement a programme to broaden the tax base	KRA/ NT – Macro & Fiscal Affairs Department	There are 1.6 million active taxpayers	Revamp and strengthen tax payer education programmes Initiate process to overhaul the Income Tax legislation	Enact key legislation on advance tax regime and withholding regime targeting specific sectors Develop a partnership framework on taxation of the SME sector Enact the new Income Tax Act	Implement partnership framework on taxation of the SME sector Commence to Implement seamless interfaces with key third party systems
			Undertake a tax expenditure study to reform tax laws	NT- Macro & Fiscal Affairs Department	3.5% of GDP[1]	3.5% of GDP	Initiate the process to undertake the study Complete the study and disseminate results	Results to inform policy direction
			Implement a compliance risk management strategy to raise tax payer compliance	KRA	55%	Set up a risk committee	Conduct Risk Analysis for 5 prioritised risks Develop compliance programmes for the 5 prioritised risks	Implement compliance programmes during the Plan period Enact legislation to strengthen registration, filing, reporting and payment

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Implement a plan to revamp and strengthen the tax debt collection	KRA	Outstanding debts KShs.161billion or 15.9% of the annual revenue collection	Develop a debt strategy for court cases.	Clean up the debt database to ensure only genuine debts are in the system Implement debt strategy for court cases Consolidate the debt management function in one department.	iTax review to improve the management and tracking of the taxpayer account Implement distrain measures to increase payment compliance
		KRA greatly improves efficiency of its operations	Complete the implementation of KRA automation programme including integrating tax systems with the IFMIS and other relevant PFM systems	NT – IFMIS Department/ KRA	iTax rolled out Data Warehouse Solution/ERP/iCMS/ TIMS implementation is in progress	Continue iTax user training Deliver Data Warehouse Phase I Design Progress iCMS/ ERP/TIMS implementation	Conclude iTax and IFMIS/Other Third Party Systems integration requirements	Implement iTax interface with IFMIS and other PFM Systems Train Users and Roll Out completed components of Data Warehouse/ iCMS/ERP/ TIMS
			Enhance capacity building in tax administration for prioritised areas	KRA	Draft report on skill gaps	Initiate process to finalize the skill gaps report	Prepare and implement training plan	Implement training plan
2.1.3	**Strengthen mobilization, accounting and reporting on Own Source Revenue** Improving collection and efficiency on revenue administration	Counties have adequate legislation to guide OSR administration	Continue to implement the programme to support counties to establish appropriate legislations for OSR	NT/IGFRD	i) TA report from an IMF Technical Assistance Mission on *Improving Property Rates* under Devolution ii) National Conference on County OSR Enhancement iii) Interagency Working Committee for the preparation of the national policy and legislation on OSR enhancement and improved administration iv) PFM Act 2012 v) County Legislations in place including Finance Act and Limited Legislation enabling revenue collection	Undertake county visits as well as relevant benchmarking to assess existing deficiencies, and make recommendation to support counties on OSR policies and legislation	Finalize preparation of national framework policy and legislation to support county on OSR enhancement, including completion of stakeholder engagement, and processing through Cabinet and Parliament of the draft policy and legislation	Adoption by counties, in their respective Assemblies, of duly approved national framework legislation, encompassing all aspects of county revenue raising as well as administration

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Develop and issue to counties a broad national guide for rates (ranges) for specific sources - business permits, licences, and charges	NT / IGFRD	Guidelines for Drafting County Finance Bill issued by the Cabinet Secretary/NT in May 2015	Sensitization on the Guidelines	Implement broad guidelines for specific county OSR including: (i) reconsolidation of business licenses, and alignment of licensing approaches and practices across counties; (ii) improving information sharing between national and county governments and among counties; (iii) synchronization of counties' revenue management IT solutions; (iv) introduction of appropriate enabling subsidiary legislation to enable KRA to collect county revenues; (v) introduction of a suitable programme to support counties in building revenue administration and management capacity; (vi) Operationalization of existing policy and legal provisions on citizen engagement where counties OSR measures are concerned	Continued implementation by counties of the introduced revenue enhancement measures
		Counties have updated valuation rolls	Implement a plan to support counties to carry out land and property valuations,	NT/IGFRD	2015 Report of IMF's Technical Assistance Mission on Improving Property Rates; and, 2016 Report of National Conference on County OSR Enhancement A few county governments have initiated the process of updating their valuation rolls e.g. Kiambu (2014), Kisumu (2008), Nyeri (2009)	Incorporate recommendations from IMF's TA Mission Report into formulation of national framework policy and legislation being developed by GoK for county OSR	Commence implementation of measures to improve performance of property rates including: i) streamlining of national land registration process and harmonization of valuation of property across counties; ii) clarification of institutional responsibilities for re-valuation oversight; and, iii) strengthening of mechanisms for billing, collection and enforcement	Continued support counties in implementation of recommended measures related to valuation rolls and other aspects of property rates

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Counties are able to implement specific plans to enhance their OSR	Undertake studies and establish at each county an OSR enhancement and mobilization plan that meets their specific requirements	NT-IGFRD	CIDPs, MTPs, CBROPs, and, CFSPs are in place	Continue to support counties to develop proper CIDPs, MTPs, CBROPs and CFSPs, which contain robust plans that are well linked to realistic financing targets including locally-generated resources	Support counties to establish realistic and credible OSR enhancement plans	Counties begin to implement OSR enhancement plans
		County revenue functions automated and efficiency greatly enhanced in revenue management	Implement a plan to support counties to automate systems for collection, recording, receipting and reporting on OSR based on modern ICT platforms and provide an electronic link with the IFMIS	NT-IGFRD / IFMIS Team	Counties use a mix of systems - mainly LAIFOMS, for revenues management system but these are limited in both functions and scope for interface with the IFMIS platform, which is in use at the National Government level NT prescribed minimum specifications and issued a Circular to counties to facilitate procurement of revenue administration solutions in the Medium Term	Develop specification for county revenue management and assess the adequacy of the IFMIS revenue module to meet them	Counties begin to implement modern revenue systems supported by National Government	Counties continue to implement modern revenue systems
2.1.4	**Improve mobilization, recording, accounting and reporting of External Resources** Mobilization, recording, accounting and reporting on External Resources provided to the Government of Kenya and to counties is strengthened	MDAs and counties and all stakeholders are able to appreciate Kenya's External Resources Policy	Review the institutional coordination mechanism and reporting framework to align with the External Resources Policy requirements	NT-RMD	External Resources Policy in Place	Review the institutional coordination mechanism and reporting framework for implementation of the policy	Implement the revised institutional coordination mechanism and reporting framework	Assess effectiveness of the revised institutional coordination mechanism and reporting arrangements

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Launch, disseminate and sensitise on the External Resources Policy	NT-RMD		Launch and disseminate the External Resources Policy	Sensitize stakeholders on the External Resources Policy	Implementation of the policy
		DPs are able to utilise Country Systems for reporting on ODA	Implement a plan to harmonise ODA tracking and reporting within GoK PFM systems	NT- RMD		Define and begin to implement arrangements for harmonising ODA tracking and reporting	Continue to implement arrangements for harmonising ODA tracking and reporting	
			Develop a plan to implement the 2013 use of Country Systems report	NT- RMD	Use of Country Systems Report 2013	Update report	Develop and begin to implement the Report Develop and obtain approval for a strategy to mainstream project implementation arrangements and harmonise staffing structures. Monitor the use of Country Systems by DPs, identify any procedural bottlenecks implement a plan to eliminate them	Implement the Plan for the report Implement the plan to mainstream project implementation Monitor the use of Country Systems by DPs; identify any procedural bottlenecks and implement a plan to eliminate them
		MDAs and counties are able to source and manage ODA effectively	Prepare an external resources manual, train MDAs and counties in its utilization and ensure compliance	NT-RMD	Draft in Place	External resources manual finalized and approved	Sensitize stakeholders on the manual. Implement the external resources manual	Continue implementation of the Manual
			Prepare and Implement a plan to strengthen capacity of GoK (External Resources sections of MDAs and counties) for the management and reporting on ODA.	NT-RMD	External Resources Policy in place	Initiate process to develop Capacity Building Framework	Finalize the plan and implement	Continue implementation of plan

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.1.5	**Consolidate efforts to mobilise additional resources through PPP** Additional resources for financing Government programmes are raised through PPP on a sustainable basis	Capacity of PPP Unit to coordinate, manage and monitor PPP projects improves	Strengthen capacity of PPP Unit at the National Treasury	NT-PPP Unit	PPP Unit not fully Staffed	Initiate process to fill PPP vacant positions	Vacant positions in the PPP Unit are filled Training plan for PPP Unit designed and implemented	Continue to implement training plan for PPP Unit
			Strengthen capacity within the National Treasury – between the PPP Unit, the PDMO and Macro & Fiscal Affairs department	NT - PPP Unit	There exists no programme for strengthening NT coordination of PPP capacity	Initiate the development of the programme for PPP capacity strengthening	Prepare and commence implementing a plan to improve NT capacity for coordination and monitoring PPP projects including contingent liabilities	Continue implementing the plan
		Criteria on the selection of PPP projects implemented by MDAs and counties	Build capacity of MDAs and counties for the implementation of the criteria	NT-PPP Unit	Limited capacity for MDAs and counties for the implementation of the Criteria	Initiate and develop the capacity building plan	PPP Capacity building plan for MDAs and counties approved PPP Capacity building plan implemented	Continue implementation of the PPP Capacity building plan
		PPP Project Facilitation Fund (PFF) is operationalized facilitating the objectives set out in section 68(4) of the PPP Act, 2013	Operationalize the PPP Project Facilitation Fund (PFF) as per the objectives of section 68 of the PPP Act	NT-PPP Unit	Draft Regulations and Manual in place	Draft Regulations and Manual in place	Approve PPP PFF Regulations (NT) Approve PFF Governance Manual Provide allocation to the fund in the FY2017/18 budget	Make PPP PFF operational including lending support to CAs and projects as designed
		MDAs and counties are able to implement PPP projects	Finalise the development of: (i) the PPP Manual; (ii) County PPP Regulations; and amendments to (i) the PPP Act 2013 and, (ii) National PPP Regulations of 2014	NT-PPP Unit	PPP Act, 2013; National PPP Regulations 2014	Finalise the process of developing the PPP Manual and County Regulations, revision of the PPP Act and Regulations (National), 2014	Finalize and implement the PPP Manual, County PPP Regulations, amendments to the PPP Act and Regulations (National) of 2014. Sensitize stakeholders on the PPP Manual, County Regulations and the Revised Act and Regulations (National)	Assess and monitor effectiveness

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.1.6	**Strengthen GoK's capacity for debt management and reporting** GoK borrowing (both domestic and foreign) is sustainable and is reported on accurately.	Capacity of PDMO for debt management improved	Finalize the setup of the PDMO and recruit staff	NT-PDMO	PDMO structure in place	Undertake recruitment to the PDMO Update the debt management and operational manual	Finalize recruitment of staff to the PDMO Formulate and begin to implement a training plan for the PDMO	Continue to implement training plan for PDMO Continue to implement training plan for PDMO
		The Cabinet Secretary/NT has access to debt position on a timely basis	Institute a process to provide to the Cabinet Secretary of the National Treasury quarterly reports with all obligations coming due	NT-PDMO	Quarterly Reports Available	Quarterly reports available	Commence process to provide Treasury quarterly reports to CS/NT with obligations coming due	Continue to provide Treasury quarterly reports to CS/NT with obligations coming due
		Efficiency of operations of the PDMO greatly improves	Implement a plan to fully automate all PDMO internal processes and to integrate with key PFM systems such as the IFMIS	NT-PDMO	e-ProMIS / CS-DRMS Systems in place are standalone	e-ProMIS / CS-DRMS Systems in place are standalone	Review / upgrade CS-DRMS to support specific needs of PDMO Prepare specifications for integration of CS-DRMS with IFMIS	Integration IFMIS and PDMO systems
		Capacity of counties for debt management is strengthened	Support the development of county capacity for debt management	NT-PDMO	Guidelines in place Draft Framework for county borrowing in place	Develop a plan for capacity building for counties on debt management County borrowing framework finalized	Prepare a manual for debt management in counties Begin to implement the training plan with counties on debt management	Continue to implement the training plan with counties on debt management
			Continue engaging counties to improve coordination of debt monitoring and reporting across all government	NT-PDMO	A process of engagement exists but not well structured	Clarify a schedule for engagement and monitoring counties	Implement the schedule of engagement and monitoring counties	Continue Implementation Implement the schedule of engagement and monitoring counties

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.1.7	**Improve reporting on and accounting for A-I-A by MDAs** A-I-A by MDAs are accurately accounted for and reported on	MDAs timely and accurately report on IGFS and external A-I-A	Implement measures requiring MDAs to generate receipts for A-I-A using the IFMIS, keep the IFMIS up-to-date with record of A-I-A and to make regular bank reconciliations	NT- AGD	MDAs do not regularly use the IFMIS to capture A-I-A receipts	Review IFMIS to enable generation of A-I-A receipts and to provide automated banking Initiate process to develop guidelines on GoK procedures for processing external A-I-A	Publicize A-I-A receipts Issue instructions and guidelines to capture A-I-A at collections. Monitor the use of IFMIS by MDAs in the collection of A-I-A Finalize and issue guidelines to DP's on GoK procedures for processing external A-I-A	Monitor the use of IFMIS by MDAs in the collection of A-I-A Monitor the use of IFMIS by MDAs in the collection of A-I-A
			Implement a programme to improve skills within MDAs for estimating annual collections of local A-I-A Processing of external A-I-A and recording using the IFMIS and for monitoring and timely reporting	NT- Macro & Fiscal Affairs/ RMD Department	Process Flow Chart in Place	Process Flow Chart in Place	Initiate process to develop guidelines on GoK procedures for processing external A-I-A Formulate a plan and train MDA revenue units on estimation of annual collections of local A-I-A Finalize and issue guidelines to MDAs on GoK procedures for processing external A-I-A	Implementation of guidelines on GoK procedures for processing external A-I-A in place
			Sensitise MDAs on importance of full disclosure of collections and enforce reporting under Section 69 of the PFM regulations and sanction non-compliant Accounting Officers under PFM Act – Section 204(1) (c)	NT- AGD	Regulations and Act in Place	Regulations and Act in Place	Issues guidelines on A-I-A to MDAs and clarify sanctions NT enforces sanctions for non-compliance	NT enforces sanctions for non-compliance .

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.2	**Theme Two: Strategic Planning and Resource Allocation** **Overall Objective:** ***To ensure effective and equitable allocation of public funds in line with national and county government priorities***							
2.2.1	**Strengthen strategic planning** Government plans and programmes are properly aligned to national results framework and properly costed within the government's macro-economic framework	MDAs are able to prepare prioritized sector strategies, within projected resources and aligned to the MTP including gender responsive budgeting	Establish and clearly document a costing guideline to be followed in costing medium term strategies by sectors and counties	NT-BD	No Guidelines Exist	Initiate development of costing guidelines	Develop costing guidelines	Implement costing guidelines
			Implement a plan to review and introduce realistic results frameworks linking to high level outcomes in the Vision 2030, the MTP and across sector and county strategies	MoDP-Macro Planning Department	Existing MTPs	Existing MTPs	Develop a plan to review and introduce realistic resource framework of the MTPs	In preparation of MTP3 and associated strategies, assist sector / counties to formulate clear results matrices
			Expand and issue guidelines for preparing sector and county development strategies to specify procedures for preparing comprehensive costs of these strategies including gender responsive budgeting	NT-BD	No costing guidelines Gender Responsive Scoping Analysis 2015	No costing guidelines Finalize Gender Responsive guidelines	issue guidelines	Implement guidelines

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Drafting and issuing guidelines to counties on the preparation of sector and urban plans linked to the CIDP	MoDP-Macro Department	No guidelines	Formulate guidelines	Guidelines issued.	Counties prepare sector and urban plans linked to CIDP
			Implement a plan to train MDAs and counties on the use of the planning and costing guidelines for medium term strategies	NT-BD	No planning and costing guidelines	Formulation of guidelines	Train sectors, MDAs and counties on new guidelines	Implementation of the guidelines
		County Development activities, outside county government are coordinated with the CIDP	Amend the County Government's Act 2012 to include a provision for a County Development forum	MoDP – Economic Coordination Department	No forum for engaging county non-governmental players	No forum for engaging county non-governmental players	CGA amended to include county development forum	Counties establish County development fora
2.2.2	**Strengthening County budgeting systems** Improving capacity of counties to formulate realistic / credible budgets	Counties are able to align extra budgetary funds at county levels to the CIDP.	Issue instruction to counties - consistent with the County Governments Act requiring all public resources at county government level to be implemented within the County planning framework	MoDP – Macro Planning	NG-CDF and other funds are spent outside the CDIP of county budgetary framework.	NG-CDF and other funds are spent outside the CDIP of county budgetary framework	Develop and issue guidelines for aligning extra-budgetary funds with CIDP Issue regulations to clarify that NG-CDF and other extra-budgetary funds are classified as public funds to be implemented within the CIDP	Stakeholders are engaged to align funds with CIDP and the budget.

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Counties are well guided on public participation making it an effective process during budget formulation	Publish and implement the guidelines for public participation and consultations	MoDP- State Department for Devolution	Guidelines on public participation have been prepared	Develop a plan to disseminate and build capacity of counties to use guidelines	Train County Executives on the use of guidelines Train County Assemblies on the use of guidelines Train members of County Budget Economic Forums (CBEF) on the use of the guidelines in managing public consultation processes	Continue to implement the training programme (County Executives, Assemblies and CBEF) Monitor the application of guidelines by county institutions
			Review and strengthen strategies for public access to information at county level	MoDP- State Department for Devolution	Existence of sub-county information and communication centres	Existence of sub-county information and communication centres	Carry out an assessment and develop and information and communication strategy to enhance public access to information at county level	Begin to implement information and communication strategy
			Continue to implement the training and capacity building plan for civic education ensuring civic education units are facilitated and operational	MoDP – State Department for Devolution	Guidelines and training manuals for civic education have been prepared. 33 counties have set up civic education units	Continue to support all counties to set up civic education units Define a plan to training county civic education units in the use of guidelines	Training county civic education units in the use of civic education guidelines Monitor counties in the delivery of civic education	Monitor counties in the delivery of civic education
		County budget observe strictly the fiscal responsibility principles as outline in the PFM Act and regulations	Implement a plan to improve county implementation of fiscal responsibility principles	NT IGFRD	A significant number of county budgets violate fiscal responsibility principles	County budgets violate fiscal responsibility principles	Initiate a plan and sensitise counties on implementation of the fiscal responsibilities Prepare an annual report on the performance of counties against fiscal responsibilities to the Council of Governors and publish such a report	Monitor counties on the implementation of fiscal responsibilities Prepare an annual report on the performance of counties against fiscal responsibilities to the Council of Governors and publish such a report

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Harmony between County Executive and County Assemblies in the budget process greatly improves	Develop and implement a nationwide action plan to sensitize MCAs and the Executive Committee on their complimentary roles	NT-IGFRD	Some training on budget preparation for the Executive and County Assemblies already conducted	Some training on budget preparation for the Executive and County Assemblies already conducted	Plan for sensitisation of MCAs, County Executive to strengthen harmony established Begin to implement the Plan	Plan implemented
		There is greater accuracy in revenue forecasts (OSR) and budget formulation to provide a reliable basis for budget allocation	Implement a plan to assist counties to build capacity for revenue analysis and forecasts	NT- IGFRD	No plan to assist counties build capacity for revenue analysis and forecasts	As part of ongoing initiative to formulate national policy/ legal framework on county OSR, an assessment to be undertaken of counties' weaknesses in revenue analysis and forecasts	County Model for revenue forecast acquired and issued to all counties Training provided to counties on model As part of the initiative to unlock county revenue potential, undertake an assessment of county fiscal capacity	Counties assisted to build tax payer registers
			Implement a skills development programme for budget formulation at county level	NT - IGFRD	In 2011/15, NT facilitated a capacity building exercise on County Budget Preparation, aimed at ensuring development of timely, accurate and effective budgets by counties	In 2011/15, NT facilitated a capacity building exercise on County Budget Preparation, aimed at ensuring development of timely, accurate and effective budgets by counties	Formulate a budget formulation skills development programme for counties and begin to implement	Continue implement a county skills development programme in budget formulation

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.2.3	**Strengthen planning and oversight over public investments projects** Public investments are effectively planned	Investment projects financed by the budget are prioritised and aligned to national policies	Develop a roadmap for public investment management reforms and guidelines to streamline the project appraisal and approval process	NT-BD	Weak performance of Kenya's public investment programme	Begin to draft roadmap for Kenya's Public Investment Management reforms Initiate process for development and approval of the guidelines	Establish roadmap for public investment management reforms and incorporate into PFMR Strategy Formulate uniform procedures and methodology for the preparation and appraisal of public investment projects Disseminate procedures and guideline to all MDAs and counties Build capacity and sensitize on the application of guidelines	Implement PIM roadmap Build capacity and sensitize on the application of guidelines
		An accurate and up-to-date record of all investment projects is readily available	Maintain an up-to-date database of all projects (both GOK / donor financed) on the e-ProMIS and publish this information	NT-RMD	All ongoing DP Projects on Budget in e-ProMIS	All ongoing DP Projects on Budget in e-ProMIS	Issue instructions to all MDAs to update projects on the e-ProMIS Implement measures to ensure compliance by MDAs Begin to rollout e-ProMIS to counties	Implement measures to ensure compliance by MDAs Continue to rollout e-ProMIS to counties Monitor and report on accuracy and completeness of data on e-ProMIS
2.2.4	**Strengthen Systems for budget formulation** System for budget formulation is integrated and comprehensive in supporting MDAs and counties	All MDAs and counties use the IFMIS for budget preparation with the e-ProMIS providing the primary source for the investment projects	Implement a programme to integrate systems related to budget formulation (e-ProMIS) with the IFMIS and to ensure their completeness in implementation	NT-IFMIS Department	IFMIS and other PFM Systems are not integrated. Data on the e-ProMIS does no completely cover all projects	A plan for integration of the IFMIS and other PFM Systems is established and implemented. All projects are assigned codes in the SCOA	All MDAs are required to update data on the e-ProMIS for all Projects. Rolling out the e-ProMIS to counties commences	Rolling out the e-ProMIS to counties is completed

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.3	**Theme Three:** **Budget Execution, Accounting and Reporting and Review** **Overall Objective:** ***To ensure efficient and effective budget utilization, accurate and timely accounting and reporting and effective control, scrutiny and review of expenditure of public resources at national and county governments***							
2.3.1	**Strengthen Cash planning and management to improve execution of the budget** Cash planning and cash management is improved leading to better liquidity management and increased efficiency execution of the budget.	MDAs and counties prepare quarterly work plans and cash flow plans and these provide the basis for cash planning and cash management at the NT	Automate cash flow planning for MDAs enabling them to prepare their cash flow plans on-line which will then be consolidated at the Directorate-AS&QA	NT- IGFR/ IFMIS Departments	A developer has been recruited to automate the cash flow planning	Development of the application	Commissioning of the application MDAs prepare their cash flow plans using the application	MDAs continue to prepare their cash flow plans using the application
			Build capacity of MDAs and county governments on preparation of work plans and cash flow plans	NT -IGFRD	MDAs prepare inaccurate and unrealistic annual work plans, cash flow plans and procurement plans but on in-year reviews	Prepare a plan for training MDAs and counties on workplans/cash flow planning supported by automated application above Train a Core team to train the trainers	Train MDAs and counties on work and cash flow planning using the application	Continued training and support Monitoring and evaluation
		County cash management and cash flow planning function is institutionalised.	Establish for each county, a cash flow and management functions comprising of a cash management committee and a unit to support its operations	NT-AGD	County governments offices for Heads of Treasury including cash management in place County annual cash flow plans in place	County governments offices for Heads of Treasury including cash management in place County annual cash flow plans in place	Operationalize and strengthen counties cash flow management function	Continue strengthening counties cash flow management function

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Commitment control is strengthened across counties	Review and strengthen commitment control systems including elimination of off system procedures, maintaining commitment registers and report monthly reports on commitments, outstanding payments and unpaid bills	NT-AGD	Some counties commitments are outside the IFMIS system	Initiate the process to review and strengthen commitment control systems	Counties begin to maintain commitment registers Counties begin to provide monthly reports on commitments and outstanding balances	Counties provide monthly reports on commitments and outstanding balances
		The TSA is implemented and used both at national and county level	Prepare a comprehensive strategy on the implementation of TSA	NT-AGD	TSA yet to be implemented in MDAs and County Governments A taskforce on TSA has been set up at the NT A model has been developed awaiting approval Taskforce report on definition of the consolidated fund, national exchequer account and relationship between the two is in place	Approval of the TSA Model	TSA implemented in all MDAs Issue and implement instructions to transfer all projects accounts from commercial banks to CBK Agreements with DPs on use of country system (IFMIS, CBK)	Roll out the TSA in all counties Begin the exercise to extend the TSA to donor funds
		National government transfers to counties are predictable	Review the transfer system to counties to make the transfers timelier so that funds are received by counties within the month in which they are expected	NT-AGD	PFM Act 2012, Division of Revenue Act (DoRA), County Allocation of Revenue Act (CARA), Gazetted County Government Schedule for the Transfer of Equitable Share	Initiate the process to develop measures to provide timely transfers to counties	NT Implements measures to provide timely (within the month) transfers to counties	Continue implementation

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.3.2	**Strengthen in-year monitoring reports covering both financial and non-financial** In-year monitoring reports covering both financial and non-financial data, consistent with PBB are produced as per statutory requirements	MDAs and counties are able to use the IFMIS for in-year reporting	Review formats and systems (IFMIS) to provide support needed for in-year monitoring and reporting function of MDAs, counties and NT – including enabling the tracking of non-financial data.	NT-AGD/ IFMIS Department	There are no standard reporting templates for in-year reporting The IFMIS does not capture non-financial data	PSASB prescribes the format for in-year (quarterly / reporting semi-annually) which shall include non-financial data Changes to the IFMIS for in-year reporting, including non-financial data, are adopted	Formats for in-year reporting are disseminated to all MDAs and counties The IFMIS is configured for in-year reporting based on the templates issued by the PSASB MDAs are trained to use IFMIS for in-year reporting Implementation of the formats for in-year reporting	Continue the implementation of the formats for in-year reporting
		OCoB and NT reports includes adherence and compliance to gender responsive budgeting guidelines	Provide technical assistance to the OCoB and NT on adherence and compliance to GRB guidelines in reporting	NT-BD/OCoB	Draft GRB guidelines	Finalize GRB guidelines	Provide technical assistance to the OCoB and NT on adherence and compliance to GRB guidelines in reporting	The OCoB and NT reports include adherence and compliance to gender responsive budgeting guidelines
		NT produces semi-annual budget implementation reports (covering financial and non-financial data) analysed and consolidated from submissions of MDAs	Identify and institutionalise a budget monitoring function within the NT and counties for budget monitoring and in – year reporting and commence to prepare and issue budget execution reports	NT-BD/Macro & Fiscal Affairs Department	No designated budget monitoring function at the NT NT produces quarterly economic and budget review reports but which are largely on financial aspects	No designated budget monitoring function at the NT NT produces quarterly economic and budget review reports but are largely on financial aspects	Budget Monitoring Unit (BMU) set up at the Treasury. Training provided to BMU. Half annual Budget monitoring report released	Half annual Budget monitoring report released
			Build capacity on MDAs and county governments to comply with the prescribed formats and undertaken in-year reporting	NT- AGD	MDAs, in general, do not provide in-year budget reports covering non-financial aspects	MDAs, in general, do not provide in-year budget reports covering non-financial aspects	Instructions and guidelines issues to MDAs for budget reporting MDAs prepare half annual budget report and issue to NT Build capacity in entities to prepare non-financial reports	Build capacities of entities to prepare half annual budget report and issue to NT

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.3.3	**Strengthen statutory reporting** Statutory financial statements, based on IPSAS standards are produced regularly at all levels of Government	NT, MDAs and counties are able to prepare timely and accurate consolidated financial reporting using staff in-house resources	Build sustainable capacity (skills / tools) at the Treasury (office of the NT- Directorate-AS&QA Financial Reporting unit) for the preparation and consolidation of financial statements	NT- AGD	A Financial Reporting Unit has been set up at the NT to support financial reporting but is still supported by external consultants to undertake its role	Prepare annual consolidated financial statements per requirement of PFM Act 2012 Prepare a plan for developing capacity within Financial Reporting Unit to prepare annual consolidated financial statements	Capacity building for MDAs and counties carried out Prepare annual consolidated financial statements per requirement of PFM Act 2012	Prepare annual consolidated financial statements per requirement of PFM Act 2012 Continue to build capacity within Financial Reporting Unit to prepare annual consolidated financial statements
			Build capacity of the MDAs and county governments to fully reconcile and clean up all un-reconcilable balances on the IFMIS and on statutory reporting	NT- AGD	External skills used to support preparation of previous consolidated financial statements Statutory annual reports have been automated in IFMIS Capacity building for MDAs and counties have been carried out	Guidelines for preparation of statutory financial statements Training plan for MDAs and counties	Train and support MDAs and counties on reconciliation of outstanding balance. Training MDAs and counties to generate consolidated financial statements for 15/16 with external support Undertake Monitoring and evaluation of bank reconciliations of MDAs and counties Conduct a workshops for MDAs and counties on social accountability	Coordinate MDAs and counties to generate consolidated financial statements for 2016/2017 without external support Continue monitoring and evaluation of bank reconciliations of MDAs and counties Continuous Capacity building for MDAs and counties on statutory reporting Conduct workshops on social accountability
			Develop and implement a roadmap for the adoption of accrual IPSAS standards by MDAs and counties	NT - AGD	MDAs and counties are required to use cash based IPSAS standards which are not sufficient for their reporting	MDAs and counties are required to use cash based IPSAS standards which are not sufficient for their reporting	Initiate the process to prepare an elaborate framework and road map for the introduction of accrual based IPSAS in MDAs and counties	Elaborate a framework and roadmap for the introduction of accrual based IPSAS in MDAs and counties

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		OCoB is able to meet its statutory obligations for reporting on the budget effectively	Build capacity of OCoB for reporting on budget implementation	OCoB	OCoB has conducted 2 forums at the county level. PFM Act has given OCoB the mandate to (sect 38 sub sec 9) disseminates information to the public	Formulate a plan to build capacity for OCoB to provide budget implementation to the public	Implement a plan to build capacity for OCoB to provide budget implementation to the public	Continue to implement a plan to build capacity for OCoB to provide budget implementation to the public
		GoK financial and fiscal reporting is fully harmonised with EAC fiscal convergence framework	Implement a plan, to integrate the EAC fiscal convergence requirements that remain un-fulfilled, within the reporting framework and standards for national and county governments	NT-AGD	Based on the January 2015 assessment, the current reporting is compliant with seven of 27 standards and partly compliant with 16 and not compliant at all with four	Continue to review GOK reporting to align with EAC convergence standards	Continue to review GOK reporting to align with EAC convergence standards	Continue to review GOK reporting to align with EAC convergence standards
2.3.4	**Improve effectiveness of Internal Audit functions** Internal Audit functions is executed effectively both at national and county government level	Internal audit units within MDAs are able to produce timely quarterly reports	Review the Internal Control Framework for national and county government in consistent with PFM Act, 2012 and PFM Regulations, 2015	NT-IAD	Internal Audit control framework , PFM Act, 2012 and PFM Regulations 2015	Update the manual for internal control framework	Sensitization and dissemination of the framework	Continue sensitization and dissemination of the framework

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Audit Committees are established and fully follow up on audit recommendation at national and county level	Establish internal audit committees in all MDAs and implement a sensitisation programme about roles and the control framework	NT - IAD	Audit committees have not been established in MDAs There are no published guidelines on the establishment of audit committees	Approve and disseminate Guidelines on establishment of audit committees Appoint internal audit committee members	Induct the committee members. Monitor operations of Audit committees Undertake sensitisation of audit committees about their role Undertake monitoring and assessment of operations of internal audit committees	Monitor operations of Audit committees Continue to sensitise audit committees about their role Undertake monitoring and assessment of operations of internal audit committees
		MDAs and counties are able to prepare internal audit reports based on risk based auditing	Implement a program of capacity development for staff of internal audit units at national and county levels focussing on risk based audits	NT-IAD	No guidelines on systems risk based audit have been developed	Guidelines on risk based audit are developed Guidelines on information systems audit are developed	Disseminate and train internal auditors on the use of guidelines MDAs undertake audits based on risk based methodologies Disseminate and train internal auditors on risk based audits and systems audits	Undertaken Monitoring and evaluation of the work of internal audits units

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Independence of internal audit function is strengthened	Carry out an assessment to inform International Best Practice on independence of the Internal Audit both at the national and county levels	NT-IAD	International Professional Practice Framework for Internal Audit (IPPFIA), PFM Act, 2012 and PFM Regulations 2015	International Professional Practice Framework for Internal Audit (IPPFIA), PFM Act 2012 and PFM Regulations 2015	Initiate and carry out the study on independence of the Internal Audit including financing	Disseminate and implement the report
2.3.5	**Strengthen oversight and reporting of fiscal operations of State Corporations and SAGAs** Control, oversight and budget reporting of fiscal operations of SAGAs is strengthened	State Corporations and SAGAs are classified for purpose of fiscal control and reporting on their fiscal operations	Rationalise and classify State Corporations and SAGAs based on the definition and classification provided in the PFM regulations	NT-GIPE Department	The PFM regulations provide the classes but rationalisation is yet to take place.	Lists of State Corporations and SAGAs based on classes in the PFM Act 2012 together with scope of operations are published	Rationalization is implemented	Continue implementation
		Pension schemes of State Corporations and SAGAs are contributory and sustainable within their resources	Continue to convert State Corporations' pension schemes from defined benefit to defined contribution schemes to limit Government exposure to unfunded liabilities	NT-GIPE Department	No instructions issued to State Corporations and SAGAs on non-contributory pensions schemes to move to contributory	Issue instructions to State Corporations and SAGAs on non-contributory pensions schemes to move to contributory	State Corporations and SAGAs declare their plans move to contributory schemes commence	State Corporations and SAGAs continue implement contributory pensions plans

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		The GIPE Department at NT is able to monitor and report accurately on SAGAs fiscal operations including in-year reporting	Implement a plan to strengthen capacity of the GIPE Department tracking, analysis, monitoring and reporting on fiscal operations of State Corporations and SAGAs	NT- GIPE Department	No training plan for department in place	Initiate the process to develop the training plan for the department	A training plan for department is formulated and implementation commences	Training plan is implemented.
			Develop and implement an automated system for capturing, tracking and analysis of financial operations of State Corporations and SAGAs based on the reports they provide	NT-GIPE Department	No automated systems for capturing, tracking and analysis of financial operations of State Corporations and SAGAs	State Corporations and	System requirement are documented System acquired and implemented	System is operational and used by the ID for all reporting on State Corporations and SAGAs
		State Corporations and SAGAs are able to reports accurately to NT on their fiscal operations timely	Implement a capacity building plan covering State Corporations and SAGAs and their supervising entities so that they can cope better with reporting needs of National Treasury	NT-GIPE Department	No capacity building plan in place	Initiate the process to develop a capacity building plan	A capacity building plan for State Corporations and SAGAs is formulated. State Corporations and SAGAs are trained	The capacity building plan is implemented

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		State Corporations and SAGAs State Corporations and SAGAs remit dividends guided by an appropriate policy consistent with the PFM regulations	Prepare and issue a dividends policy covering State Corporations and SAGAs as provided in PFM regulations (section 209(1))	NT-GIPE Department	Dividends policy not yet established as provided in the PFM regulations	Initiate the process to develop dividends policy	Dividends policy is drafted and approved IFMIS reviewed to capture dividends	Guidelines issues to State Corporations and SAGAs on the implementation of dividends policy State Corporations and SAGAs declare and pay dividends in line with the policy
2.3.6	**Implement asset and liability management reforms** Assets are well documented and managed for safe custody at all levels of government	A national and county asset register is established and kept up to-date	Formulate a policy and procedures on public asset management/develop detailed guidelines to implement the policy	NT- National Asset and Liability Management Department	Asset management unit under NT has been formed A taskforce to develop the asset register is in place	Formulate a policy and procedures on public asset management	Approve the Policy Disseminate and sensitize the relevant stakeholders	Implementation of the policy
			Expedite the audit and verification of the assets and liabilities of defunct local authorities, develop criteria for their allocation to counties	NT- IGFR/ National Asset and Liability Management Departments	No report in place	Draft report of Transition Authority	audit and verification of the assets and liabilities undertaken Criteria for their allocation to counties established	Transfer of assets and liabilities to counties
			Implement a comprehensive reform plan, based on the policy, for asset management reforms for national and county level government	NT- National Asset and Liability Management Department	No reform plan in place	Develop detailed guidelines to implement the policy	Implement institutional reforms at NT and within MDAs and counties to implement the policy Classify and tag all public assets Operationalize the fixed assets module in IFMIS and train MDAs and counties in its use	Undertake valuation of public assets Monitor and evaluate the implementation of the policy

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.3.7	**Implement Pension reforms** Introducing a contributory scheme to make pensions more sustainable, gender responsive and synchronised	The pensions payroll is credible	Implement a plan to verify and cleanse the pensions payroll both at the national and across counties	NT-Pensions Department	Pension payroll has not been verified in a long time	Initiate the process of payroll verification both at the national and county government	Verify pension payroll at the national and county government	Audit of the synchronised payroll Introduce a biometric system for verification of pensions beneficiaries and roll it out
			Implement a plan to harmonise, and synchronise pension payroll at the national and county government level	NT- Pensions Department	Public Service Superannuation Act, Pensions Act, LAPFUND Act and LAP-TRUST Legal Notice	Initiate the process to develop a plan to harmonise, and synchronise pension payroll at the national and county government level	The plan is developed	The two pension payroll synchronised
		A pensions' contributory scheme that is sustainable, gender responsive and synchronised operational	Implement a contributory pensions' scheme based on the Public Service Superannuation Act 2012	NT- Pensions Department	The Act is yet to be implemented Gender gaps exist in current pensions' regulations and legislations	The Board for the Public Service Superannuation Fund is appointed Carry out a gender gap assessment of pension legislations and regulations	The Superannuation Fund is established. Amendment of pension regulations and legislations to address gender gaps Sensitization of amendments on pension regulations and legislation to relevant MDAs and county governments	Public servants are migrated to a contributory scheme through a phase process. Sensitization on amendments to pension regulations and legislation to relevant MDAs and county governments
		Pension legislation is gender responsive	Amend pension regulations and legislations to address gender gaps	NT- Pensions Department	No amendments to recognize GRB	No amendments to recognize GRB	Review the Act and regulations and propose amendments address gender gaps	Enact amendments to the Act and regulations
		Operational capacity for pensions' management is strengthened	Upgrade the PMIS including digitising pensions' records, and integrate with the IFMIS	NT-Pensions / IFMIS Departments	PMIS is currently in place but pension records are manual PMIS is not yet integrated with IFMIS	Finalise gathering of requirements upgrade of PMIS	Procure a firm for automation / upgrade of the PMIS Commence to implement a plan to digitize the pensions' records. Activate triggers and alerts in the PMIS	Complete the upgrade and automation programme Capacity building for MDAs and county governments on the automation programme

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Build capacity of pensions department to support contributory scheme and other operations of pensions across Government	NT-Pensions Department	Pensions Act amended to allow for contributory scheme	Initiate the process to develop the capacity building plan	Establish and commence to implement a plan to build capacity of the Pensions department	Continue to build capacity of the pensions department
2.3.8	**Strengthen Payroll Management** Civil Services and Teachers payroll significantly strengthened.	HR module in IFMIS implemented	Customize and implement the HR Module in IFMIS	NT-IFMIS Department	Oracle HR module is part of IFMIS e-business suite but has not been licensed for use	Develop TOR for customization of HR module	Consultancy commissioned for customization of HR Module in IFMIS. Customise the HR module in the IFMIS	Train users on the customised HR module
		Harmonized payroll is implemented	Implement a plan to harmonize civil service payroll at the national and county government level	MoDP-DPSM	IPPD System, IFMIS Payroll Module	Develop the plan to harmonize civil service payroll at the national and county government level	Start Civil service payroll harmonization	Civil service payroll harmonized
2.3.9	**Strengthen systems for Teachers payroll** Teachers payroll systems strengthened with improved efficiency in management and operations	The Teachers' Service payroll is credible; incidences of ghosts are greatly reduced and the payroll can be relied upon for wage estimations and payments	Conduct regular national teachers' payroll verification and cleansing exercises	TSC	Teachers' payroll has not been verified in a long time.	Teachers' payroll has not been verified in a long time.	Select a team of officials and train and prepare them to conduct headcount of all teachers Prepare for headcount including development of templates and hiring of equipment and hiring of vehicles Undertake field work for head count	Publish head count report
			Strengthen capacity to undertake regular (continuous) audits of teachers' payroll	TSC	Teachers' payroll has not been audited for a long time	Teachers' payroll has not been audited for a long time	Implement a special training programme for Auditors and audit committees to improve capacity for payroll audits. Train internal audit staff on Teammate and IDEA systems. Provide equipment (laptops) for use by auditors	Undertake audit of the payroll

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Efficiency and control in the management of the teachers wage bill greatly improves	Implement a comprehensive plan to fully automate the teachers' payroll operations and integrating with the IFMIS	TSC	IPPD is implemented but is unable to meet demands of TSC	Review / re-confirm plan for automation of teachers operations.	Develop specifications for upgrading the IPPD to meet the specific requirements of TSC and integrating with IFMIS, File Tracking System(FTIS) and Teacher MIS Contract firm to implement upgrade	Complete system upgrade at TSC and regional offices. Train staff on the system
			Implement a plan to digitise teachers' records.	TSC	All teachers' files (nearly 300,000) are managed manually and cannot be shared online for purpose of processing financial transactions	All teachers' files (nearly 300,000) are managed manually and cannot be shared online for purpose of processing financial transactions	Procure equipment and consultants to undertake digitisation. Commence digitisation of teachers' records	Finalise digitisation of teachers' records Roll out of the File Tracking System (FTIS)
2.3.10	**Strengthen procurement and asset disposal function in the public sector** To improve the efficiency and effectiveness of procurement and asset disposal	Revised procurement and asset disposal act and regulations and operational manuals, formats and guidelines in place	Develop the Public Procurement and Asset Disposal Regulations and Operational manuals and guidelines for easier implementation of the new Law and disseminate the same to all levels of government (that is, the national and county levels)	NT-PPD/ PPRA	The PPAD Act is in place Taskforce in place to draft the Regulations as provided for in the Act Develop PPAD Regulations and operational manual, formats and guidelines	Disseminate the Act and develop the draft PPAD Regulations Develop Draft operational manuals, formats and guidelines	Finalize PPAD Regulations and, gazette them. Disseminate the Regulations to all stakeholders Finalize operational manuals, formats and guidelines Train stakeholder on both Regulations and manuals, formats and guidelines	Continuous support and training of stakeholder on both Regulations, manuals, formats and guidelines

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Enhanced e-Procurement in line with the new Act	Develop unified Public Procurement Portal on the e-Procurement System covering all procurement of goods, works and services	NT-PPD/ PPRA/ IFMIS Department	No unified Public Procurement Portal on e-Procurement system in place	Process to put in place the unified Public Procurement Process Portal and implemented	Procurements services for the developed of unified Public Procurement Portal implemented Design and develop a unified procurement portal and e-Procurement system completed	Complete the implementation of the portal, train staff on its use and management, and sensitise the public on applications on e-Procurement
			e-Procurement development; develop and implement e-Procurement across national and county Governments	NT-PPD/ IFMIS Department	New Act in place Existing e-Procurement system is inadequate to meet all requirements of the new Act	New Act in place Existing e-Procurement system is inadequate to meet all requirements of the new Act	Develop user requirement for e-Procurement in line with the new Act Procure a contract to supply and implemented an upgraded e-Procurement solution	Upgrade the e-Procurement based on user requirements Develop standard operational manuals and guidelines on the e-Procurement Training and sensitization on use of the upgraded e-Procurement system
		Capacity of county/national government procurement institutions strengthened on PPAD Act 2015	Sensitize Public Procurement Institutions at county/ national levels on PPAD Act 2015	NT-PPD	National/county government institutions not sensitized on PPAD Act 2015	National/county government institutions not sensitized on PPAD Act 2015	Assess functional and institutional capacity gaps at county/national level to implement the PPAD Act, and design a plan to address capacity gaps Implement capacity building and strengthening at the county/national levels.	Continue to implement capacity building plan
		Capacity for public procurement oversight and reporting significantly strengthened	Build capacity of PPRA, PPD and OAG to provide oversight and in particular on e-Procurement	NT-PPD/ PPRA/OAG	No capacity building plan on e-Procurement	No capacity building plan on e-Procurement	Formulate a coordinated plan for strengthening capacity of PPRA, PPD and OAG for procurement oversight Implement the capacity building plan	Continue to implement the capacity building plan

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Develop data analysis capacity at PPD and PPRA to publish e-Procurement performance records and data	NT-PPD/ PPRA	No data analysis capacity building framework in place	No data analysis capacity building framework in place	Design a focussed plan to develop analytical skills at PPDA and PPRA in procurement and publish reports Implement the training plan	Continue to implement the training plan
2.4	**Theme Four: Independent Audit and Oversight** **Overall Objective:** ***To ensure accountability and oversight of public resources and enhance efficiency, effectiveness and lawfulness in the collection and application of public funds***							
2.4.1	**Strengthen capacity of Independent Audit** To strengthen capacity of OAG to undertake quality audits within the statutory limits	OAG is able to timely produce annual audit reports	Implement a strategy to cope with the expanded audit load and ensure timely delivery of annual audits – including strengthening staff capacity and outsourcing	OAG	Annual audit of MDAs continue to delay by up to six months due to late release of funds Inadequate budget Staffing at 64% of structure No outsourcing strategy Mechanisms for alternative audit approaches are being discussed with a view to out-source to private audit firms	Provide a schedule of activities to NT NT to disburse fund per the OAG schedule Audit Outsourcing strategy approved OAG recruitment and training plan approved.	Provide a schedule of activities to NT NT to disburse fund per the OAG schedule NT to provide adequate budget allocation for OAG Audit outsourcing strategy implemented OAG recruitment and training plan implemented	Provide a schedule of activities to NT NT to disburse fund per the OAG schedule NT to provide adequate budget allocation for OAG Audit outsourcing strategy implemented. OAG recruitment and training plan implemented
		OAG is able to undertake numerous VfM/ performance audits	Continue to operationalise and strengthen capacity of special audits (VfM, etc.) units at OAG	OAG	Special audit units established	Plan for capacity building for specialised units approved	Plan implemented	Plan implemented
		OAG reports comply with Risk Based Audit Methodology standards	Continue to implement a plan to strengthen the capacity of Quality Assurance Unit	OAG	Quality assurance plan is in place	Sustain capacity building of the Quality Assurance Unit Review and update RAM Carry out refresher training on RAM	Design and implement a quality control and quality assurance policy Conduct an impact assessment on the application of the RAM Sustain capacity building of the OAG staff	Sustain capacity building of the OAG staff.

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Continue to implement peer review mechanisms by AFROSAI-E to assure quality of audits by OAG.	OAG	Two reviews by AFROSAI-E	Undertake at least one review	Undertake at least one review	Undertaken at least one review
		Automation of audit processes is achieved enabling greater efficiency in the operations of OAG	Continue to implement the OAG automation programme including roll-out of the ORACLE Audit vault software and expanding the use of TEAMMATE	OAG	Audit vault was procured and expected to be rolled-out in 2015/16 Inadequate TEAMMATE software has been acquired but licences are limited	Audit vault was procured and expected to be rolled-out in 2015/16 Inadequate TEAMMATE software has been acquired but licences are limited	Rolling out of the Audit vault Training and capacity building on use of Audit Vault (Oracle training) Procuring additional TEAMMATE licenses	Training and capacity building on use of Audit Vault (Oracle training) Procuring additional TEAMMATE licenses
2.4.2	**To strengthen capacity of County Assemblies and Parliament for oversight** To enable oversight committees of Parliament to execute their functions effectively.	Budget and Appropriation Committee is able to produce quality reports timely	Continuous training of County Assemblies and Parliament Budget Office staff, Clerks, Members of Budget/Finance Committees on PFM issues and Gender Responsive Budgeting Guidelines so that they are better able to review and scrutnisie county budget reports and audits	NT-IGFRD	Existence of Gender Responsive Budgeting Guidelines for Parliament Existence of training module on budget at Centre for Parliamentary Studies	Existence of Gender Responsive Budgeting Guidelines for Parliament. Existence of training module on budget at Centre for Parliamentary Studies	Continuous training of County Assemblies, Members of Budget/ Finance Committees, Parliament Budget Office staff and Clerks on PFM issues and Gender Responsive Budgeting Guidelines	Continuous training of County Assemblies, Members of Budget/ Finance Committees, Parliament Budget Office staff and Clerks on PFM issues and Gender Responsive Budgeting Guidelines

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		County assemblies are able to review budgets amd annual audt timely	Implement a plan to require assemblies to recruit technical staff (clerks) for the Committees of PIC/PAC / Budget and Finance and implement a plan to support the buildng of capacity of these staff	NT-IGFRD/ COG	Some county PFM committees do not have support structures	Some county PFM committees do not have support structures	Provide guidelines on model support structures All county assemblies establish support structures	A plan is established to train Staff of county PFM structures and its implementation commences
2.4.3	**Strengthen audit follow up** PAC/Parliamentary recommendations are implemented by MDAs and counties	MDAs and counties have access to and implement quality and actionable reports of PIC and PAC	Build capacity for PIC and PAC members and staff to produce quality Treasury Memoranda and in good time.	Office of the Clerk, National Assembly	PIC and PAC have a backlog of Treasury Memoranda	PIC and PAC have a backlog of Treasury Memoranda	Design a plan to build capacity for PIC and PAC members and staff to produce quality Treasury Memoranda and in good time	Implement actions to build capacity for PIC and PAC members and staff to produce quality Treasury Memoranda and in good time
			Establish the Public Finance Management Standing Committee in each MDA and county to monitor timely resolution of audit recommendations as is stipulated in section 18&19 of the PFM Regulations 2015	NT-IAD	MDAs have not established the Public Finance Management Standing Committees	MDAs have not established the Public Finance Management Standing Committees	Each MDA and county government establishes the Public Finance Management Standing Committee Train MDA and county government's Public Finance Management Standing Committee	Continue to improve capacity of MDA and county government's Public Finance Management Standing Committee
			NT tracks pending audit recommendations and enforces sanctions as necessary	NT-IAD	No tracking of pending audit recommendations and sanctions in place	No tracking of pending audit recommendations and sanctions in place	NT tracks pending audit recommendations and enforces sanctions as necessary	NT tracks pending audit recommendations and enforces sanctions as necessary

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.4.4	**Implement Inter-agency mechanisms to strengthen PFM oversight function** To institutionalise inter-agency collaboration in preventing and combating corruption.	Inter-agency framework is operational and improves PFM governance oversight	Implement a plan to set up and operationalise an inter-agency framework	OAG	No inter-agency framework	Formalize the formation and TOR for the Agency Develop an MOU to govern the inter-agency framework	Launch the inter-agency framework and have it commence operations Get agencies to second staff to the inter-agency and train them	Continue to train staff of the inter-agency framework Monitor effectiveness of the inter-agency framework
2.5	**Theme Five: Fiscal Decentralization and Intergovernmental Fiscal Relations** **Overall Objective:** *To strengthen intergovernmental fiscal relations and improve the efficiency and effectiveness of county public financial management systems*							
2.5.1	**Clarify and strengthen inter-governmental relations** To fully clarify and operationalise inter-governmental relations	Counties had adequate guidelines on the formulation lower government structures and fiscal relations	Review and develop legislation to clarify the roles and functions of decentralised units at county level (sub-counties, towns, ward	NT-IGFRD	PFM Act 2012, PFM Regulations 2015	Existing legislation may not be adequate on fiscal roles of sub-countyand decentralised structures at county level	Draft amendments to the law for county sub-national structures – fiscal operations	Enact amendments and disseminate to counties
		Framework to govern the administration and management of intergovernmental conditional grant between the two levels of government	Develop a framework to govern the administration and management of intergovernmental conditional grant between the two levels of government	NT-IGFRD	No Framework in place, CARA	Draft Framework in place	Approval and adoption of the Framework	Sensitization and implementation

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.6	**Theme Six:** Legal and Institutional Framework							
	Overall Objective: ***To ensure a consistent and harmonized PFM Legal and Institutional Framework and enhance compliance of MDAs and counties with its implementation***							
2.6.1	**Strengthen legal framework** *Consistent and harmonized PFM Legal and Institutional Framework*	There is greater harmony in the PFM legislation and compliance with it at national and county levels. PFM related legislations and regulations developed Enhanced knowledge on PFM legislations and regulations to MDAs and counties	Finalise drafting and enactment of Procurement regulations	NT-PPD	Public Procurement and Disposal Regulations 2006	Draft Regulations in place	Procurement regulations passed and disseminated	Implementation and compliance enforcement of the regulations
			Implement a plan to disseminate and raise awareness / knowledge of the PFM legislations - including PFM Act and regulations, and procurement law and regulations to MDAs and counties	NT- IGFRD/ PPD	PFM Act 2012 Public Procurement and Disposal Act 2005	Public Procurement and Asset Disposal Act, 2015	Plan to sensitise MDAs and counties on legislation established and implementation commences	Plan implemented
			Enactment and dissemination of the Financial Reporting and Oversight law	NT-D-AGD, IGFRD	The draft Financial Reporting and Oversight bill in place	The draft Financial Reporting and Oversight bill in place	The draft Financial Reporting and Oversight bill before the National Assembly for review and passage	Sensitization and implementation
			Sensitise Counties on the preparation of PFM legislations based on guidelines issued	NT - IGFRD	Guidelines in place for the preparation of the County Finance Act	Guidelines in place for the preparation of the County Finance Act	Development of training manuals and train counties on use of the guidelines Develop National Framework, Policy and Legislation on County OSR	Counties prepare and enact PFM legislations
			Implement a plan to monitor compliance of MDAs and counties with PFM legislation	NT-AGD/ IGFRD	PFM Act 2012	Initiate development of a framework for monitoring compliance with the PFM Act 2012	Framework for monitoring compliance established. 1st Report on compliance with the legal framework by MDAs and Counties	2nd Report on compliance with the legal framework by MDAs and counties

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
		Counties access and are able to use key PFM legislation in their operations	Expedite the dissemination of the revised Procurement laws	NT - IGFRD/ PPD	Public Procurement & Asset Disposal Act 2015	Start dissemination of the Procurement law to counties	Continue dissemination of the Procurement law	Enforce compliance on Procurement law
			Continue implementing a sensitization and training programme for county governments on the application of the PFM Act and regulations. ensuring all relevant parties appreciate their fiscal responsibilities	NT / IGFRD	PFM Act 2012 and PFM Regulations 2015	Plan for sensitisation of counties on legislation is established	Sensitisation takes place	Enforce compliance
		The PFM Act is fully harmonised with the EAC fiscal covergence framework	Amend the PFM Act to fully comply with three of the outstanding EAC convergence criteria	NT-D-BFEA	A gap analysis carried out	Initiate the process to amend the PFM Act 2012	Proposed amendments to the PFM Act 2012 before the National Assembly	Review and amend the PFM Act 2012
2.6.2	**Strengthen institutional framework** *Key PFM institutions strengthened and able to supervise the implementation of the Laws*	Key vacant positions at National Treasury substantively filled	Substantively recruit to fill vacant senior positions (Director Generals, Directors) at NT	NT-HRM Department	Acting officers in place	Prepare indent and submit to PSC	Advertise for the vacant positions and carry out selection interviews	Positions filled

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.6.3	**Clarify county staff structures** *Efficiency of organisation and structures of counties for PFM implementation is strengthened*	Counties are adequately guided on staffing and institutional structures	Develop model organisational structures for counties on the basis of which they can re-organise and improve efficiency in their institutions and keep the cost of these structure within manageable levels	NT-IGFRD/ PSC	No model in place	No model in place	Develop the model of organizational structures for counties	Organisational Model structures for counties developed and disseminated
			Review staffing issues and human resource policies as well as staffing structure of counties to make them leaner, functionally aligned and more efficient	NT-IGFRD/ PSC	No staff review report in place	Capacity Assessment and Rationalization of the Public Service (CARPS) Report in place	Implementation of CARPS recommendations	Staffing policies for counties are reviewed
			Review and harmonize staffing and salary structures between existing and newer staff within counties	NT-IGFRD / SRC	No job evaluation report	Job evaluation report for the Public Service in place	Implement the recommendations of the evaluation report	Salary structures are harmonised

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
2.7	**Theme Seven: IFMIS and other PFM Systems**							
	Overall Objective: ***To establish a secure, reliable, efficient, effective, and fully integrated public financial management system in both national and county governments***							
2.7.1	**Strengthen the use of IFMIS** systems are fully supportive of both national and county governments operations	Use of IFMIS in government PFM operations for budget preparation, execution, accounting and reporting	Liaise with Ministry of Information to improve connectivity infrastructure	NT-IFMIS Department	A taskforce has been established at ODP involving all ICT stakeholders.	Carry out a survey to establish gaps in infrastructure	Extend the connectivity infrastructure to all counties	Extend the connectivity infrastructure to all counties
			Sensitize the users on the Learning Management System in IFMIS	NT-IFMIS Department	Learning Management System is in place	Preparation of training manuals	Sensitize users on the existence of the Learning Management System	Enforce compliance
			Enhance support to the users of IFMIS through training on budget preparation, execution and; accounting and reporting	NT-IFMIS Department	Initial training has been done	Carry out on the job training	Continuation of the on job training	Continuation of the on job training
			Support users on the use of IFMIS to carry out automated bank reconciliations and use of account receivable module	NT-IFMIS Department	No cash management and account receivable modules in place	The cash management and account receivable modules rolled out	Carry out targeted workshops and on the job support	Continuation of the targeted workshops and on the job support
			Working with counties to fully operationalize e-Procurement module	NT-IFMIS Department	e-Procurement module is in place	Develop and implement a training plan for counties on e-Procurement	Continue implementation of the training plan for counties on e-Procurement	Continue implementation of the training plan for counties on e-Procurement

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
			Strengthen the IFMIS helpdesk and call centres	NT-IFMIS Department	Help desk and call centre with Two toll free lines in place Existence of four support lines at the IFMIS Support centre	Sensitize users on how to use the issue log	Continue sensitization of users on how to use the issue log Increase the support lines to 10 at the IFMIS Support centre. Equip the call centre with eight additional toll free lines	Continue sensitization of users on how to use the issue log and assess the capacity of the help desk
2.7.2	**Revenue Collection Systems for County Governments** Improvement in efficiency in revenue management	Counties implement revenues systems in line with the national treasury guidelines	Implement a plan to support counties to acquire systems for revenue management	NT – IGFRD/ IFMIS Department	Guideline on revenue management system for counties has been issued by NT	Undertake studies and establish model revenue systems for counties Continue sensitizing counties on the content of the guideline	Support the county government to adhere to the guidelines and monitor compliance Support counties to implement revenues systems	Support the county government to adhere to the guidelines and monitor compliance Support counties to implement revenues systems
2.7.3	**Integration of IFMIS and other PFM systems** Stand-alone PFM systems are integrated with IFMIS reducing manual interventions	Stand-alone systems seamlessly integrated with IFMIS)	Complete the Service Oriented Architecture (SOA)	NT-IFMIS Department	The Service Oriented Architecture commissioned.	Complete the UAT and approve SOA	Complete and commission the SOA Capacity building for core support team on supporting integration	Complete the integrations Capacity building for core support team on supporting integration
			Verify live data from stand-alone systems and complete the integration	NT-IFMIS Department	User Acceptance Test (UAT) for key integration with stand-alone systems is in place	Verification of data from stand-alone systems	Continue verification of data from stand-alone systems Commence integration of stand-alone systems	IFMIS integrated with standalone systems
2.7.4	**Support to PFM systems** PFM systems are adequately supported and protected to ensure business continuity	NT is able to back up the IFMIS at a secure facility.	Expedite the setting up of a Disaster Recovery Site to safeguard the government information in case of a major disaster Setting up of an automated Help Desk System	NT-IFMIS Department	Incomplete modern Disaster Recovery Site Manual Help Desk in place	Continue setting up the modern Disaster Recovery Site Manual Help Desk in place	Modern Disaster Recovery site completed Setting up of the automated Help Desk System	Operationalize the modern Disaster Recovery site Operationalization of the automated Help Desk System

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
3.6	Programme Management							
	Overall Objective: To provide administrative support and oversight to ensure effective management of the PFMR Strategy							
3.6.1	**Strengthen Coordination Mechanisms** Coordination Mechanisms strengthened.	Coordination and Oversight Mechanisms strengthened	Operationalize the PFM reforms Governance structure to improve its effectiveness in overseeing the implementation of the Strategy	NT-PFMR Secretariat	The PFM Reforms Strategy 2013-2018 Governance Structure	Review and adopt new Governance Structure	Operationalize the new Governance Structure	Assess performance of the new Governance Structure
		Implementing agencies are well guided on the operations of the reform programme	Develop a Programme Operations Manual	NT-PFMR Secretariat	A raw draft Operations Manual in place	Finalize the Operations Manual	Operationalize and disseminate the Manual	Continue application of the Manual
		Information on the implementation of the PFM reforms and the Strategy is readily accessible to stakeholders	Develop a communication strategy for the Revised PFMR Strategy	NT -PFMR Secretariat	Raw draft Communication Strategy in place	ToRs for the finalization of the Communication Strategy in place	Communication strategy developed, launched and disseminated	Communication strategy is implemented
3.6.2	**Strengthen DPs engagement** DPs engagement strengthened	Implementing agencies and DPs respond better to the PFMR strategy in term of funding and reporting	Develop and Implement a reporting framework on DPs financing of PFM Reforms	NT -PFMR Secretariat	None	None	None	6
			Develop and Implement a reporting framework by implementing Agencies on funding of the Strategy outside the PFMR Secretariat	NT -PFMR Secretariat	None	None	None	14

#	Key Intervention	Output	Activity	Lead Office	Baseline	2015/16	2016/17	2017/18
3.6.3	**Strengthen capacity of the Secretariat**	The PFMR Secretariat vacant positions filled	Filling of vacant positions	NT-PFMR Secretariat	9 positions vacant	9 positions vacant	Vacant positions filled through recruitment/secondment	PFMR Secretariat fully established
	Capacity of the Secretariat strengthened	Implement a training plan to improve the effectiveness of the role of the Secretariat in coordinating with implementing agencies	PFMR Secretariat Training plan in place	NT-PFMR Secretariat	Implementation of the PFMR Secretariat Training plan	Review and implement a training plan in line with the Revised PFMR Strategy	Continue implementation of the training plan	Implement a training plan to improve the effectiveness of the role of the Secretariat in coordinating with implementing agencies
3.6.4	**Strengthen M&E and reporting** M&E and reporting improved	A well designed M&E Framework	Design and implement an M&E framework	NT -PFMR Secretariat	Results framework in the PFMR Strategy 2013-2018	Review the results (M&E) framework	Develop and disseminate a reporting framework, and commence implementation	Continue implementation
		Information on the performance of PFM systems, processes and institutions are reliable	Undertake a Public Expenditure and Financial Accountability (PEFA) Assessment (National and Sub -National)	NT -PFMR Secretariat	2012 PEFA Assessment Report	Initiate the process of undertaking PEFA Assessment	Carry out PEFA Assessment 2016 both at National and Sub-National Levels	Identify and address areas of improvement in line with the PEFA results.
		PFMR Strategy 2013-2018 is reviewed to determine its efficiency and effectiveness during its implementation period	Undertake M&E of the PFMR Strategy 2013-2018	NT -PFMR Secretariat	PFMR Strategy 2013- 2018	Undertake a mid-term review of the PFMR Strategy 2013- 2018	Carry out monitoring of the implementation of PFMR Strategy 2013-2018	Continue monitoring of the implementation of PFMR Strategy 2013-2018

ANNEX II: MONITORING AND EVALUATION FRAMEWORK - KEY PERFORMANCE INDICATORS BY THEME

Overall strategic objective: *to* ensure: 'a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.'

Overall outcomes:

Overall strategic objective: *to* ensure: 'a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.'

Overall outcomes:

- Key PFM legislation is fully established, observed and enforced to produce greater fiscal discipline and integrity throughout the PFM cycle and by all entities at national and county government level
- Alignment of results of MDA and county budgets and programmes with the MTP and the Vision 2030
- Efficiency in collection of resources improves leading to enhanced yields and greater stability in financing the budget at national and county government level
- Accelerated and sustainable economic growth through pursuit of prudent economic, fiscal and monetary policies
- Increased and sustained public private partnership investments across sectors
- Credibility of the budget improves with better alignment between plans, appropriations and actual disbursements
- The capacity of counties for budget formulation and implementation is improved leading to better utilization and increased absorption of budgets
- The capacity of OAG for audits - including financial, performance and VfM is enhanced leading to timely audit reports
- Budget execution - both at the national and county government level improves, with better predictability of exchequer releases and reductions in pending bills.
- PFM systems (including the IFMIS and others) are fully integrated minimising manual operations and enabling more accuracy and timelines of reporting across all financial operations of MDAs and counties
- The PFM Reforms are effectively and efficiently coordinated and implemented

#	Theme	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
	Theme One: Macro-economic Management & Resource Mobilization	Annual GDP growth rate	5.6%	5.6%	5.9%	6.1%
2.1	**Overall Objective:** *To strengthen macro-economic forecasting and enhance collection, accounting and timely reporting of public revenues at national and county governments, in line with macro-economic fiscal policies*	Tax Revenue to GDP Ratio[2]	16.7%	17.3%	17.7%	18.1%
		Variance between revenue forecasts and actuals for domestic (ordinary) revenues	5.1%	6.2%	≤ 5%	≤ 5%
		Proportion of ODA to GoK included in annual national budget statement	14.0%	16.0%	18.0%	18.0%
		Proportion of OSR to county budgets	13.4%[3]	20.0%	27.0%	35.0%
		Debt service (interest + principal on external) to domestic budgetary revenues (ordinary revenues) ratio.	24.3%	19.5%	21.4%	26.3%
2.2	**Theme Two:** Strategic Planning and Resource Allocation	County development budget absorption rates	62.4%	65%	70%	75%
	Overall Objective: *To ensure effective and equitable allocation of public funds in line with national and county government priorities*	Number of new projects (both GOK and donor financed) in the budget that is subjected to the public investment appraisal and selection criteria provided in the approved policy	0	0	50%	100%
2.3	**Theme Three:** Budget Execution, Accounting and Reporting and Review	Percentage reduction in pending bills incurred by MDAs	No framework for determination in place	50%	30%	15%
	Overall Objective: *To ensure efficient and effective budget utilization, accurate and timely accounting and reporting and effective scrutiny and review of expenditure of public resources at national and county governments*	Percentage reduction in the aggregate level of over-expenditure (as per audit reports)	No framework for determination in place	20%	10%	5%
		Proportion of funding to the MDA (both GoK / donor) budget operated within the TSA	0%	0%	55%	80%
		Proportion of MDAs (including Ministries, Departments, State Corporations) / counties preparing annual financial reports without external support	29%	35%	40%	50%
		Proportion of counties preparing annual financial statements in time without external assistance	10%	15%	25%	35%
		Proportion of audit reports of MDAs and counties that are not qualified	26%	30%	40%	60%
2.4	**Theme Four:** Independent Audit and Oversight	Proportion of annual audits reports on MDAs and counties and other bodies produced timely (within the statutory time limits)	21%	30%	50%	70%
	Overall Objective: *To ensure accountability and oversight of public resources and enhance efficiency, effectiveness and lawfulness in the collection and application of public funds*	Number of OAG audit reports reviewed by Parliament timely (within the statutory time limit)	No reports reviewed within the timeframe	No reports reviewed within the timeframe	20%	30%
		Proportion of audit recommendations not followed up by MDAs	3%	≤5%	≤5%	≤5%

#	Theme	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.5	**Theme Five: Fiscal Decentralization and Intergovernmental Fiscal Relations** **Overall Objective**: *To strengthen intergovernmental fiscal relations and improve the efficiency and effectiveness of county public financial management systems*	Number of counties that have enacted legislation to cover fiscal operations for sub-counties and lower administrative units at the county level	4 (Kisumu, Meru, Kisii and Taita Taveta)	4	10	20
2.6	**Theme Six: Legal and Institutional Framework** **Overall Objective:** *To ensure a consistent and harmonized PFM Legal and Institutional Framework and enhance compliance of MDAs and counties with its implementation*	Number of MDAs found to be compliant with PFM legislation based on the monitoring plan of NT	No Framework in place	No Framework in place	Develop monitoring framework	Carry out the assessment and report on compliance
		Number of Counties found to be compliant with PFM legislation based on the monitoring plan of NT	No Framework in place	No Framework in place	Develop monitoring framework	Carry out the assessment and report on compliance
		Proportion of key vacant positions substantively filled at NT	0	9 of 34	25 of 34	34 of 34
2.7	**Theme Seven: IFMIS and other PFM systems** **Overall Objective:** *To establish a secure, reliable, efficient, effective, and fully integrated public financial management system in both national and county governments*	Proportion of users complaints – logged in the help desk, which are attended to in time (as provided in the established performance standards)	50%	50%	60%	70%
3.6	**Programme Management** *Provide administrative support and oversight to ensure effective management of the PFMR. Strategy*	Level of DP financing to the Programme budget	4.7%	4.7%	30%	60%
		Level of awareness on the PFM reforms among key stakeholders increased	No framework for assessment in place	No framework for assessment in place	50%	100%
		Proportion of M&E and PEFA recommendations implemented	No Monitoring framework	Develop Framework and implement	50%	80%

ANNEX III: MONITORING AND EVALUATION FRAMEWORK – PERFORMANCE INDICATORS BY INTERVENTION

ACTION PLAN: THEMES, KEY OUTPUTS AND ACTIVITIES

Overall strategic objective: *to* ensure: 'a public finance system that promotes transparency, accountability, equity, fiscal discipline and efficiency in the management and use of public resources for improved service delivery and economic development.'

Overall outcomes:

- Key PFM legislation is fully established, observed and enforced to produce greater fiscal discipline and integrity throughout the PFM cycle and by all entities at national and county government level
- Alignment of results of MDA and county budgets and programmes with the MTP and the Vision 2030
- Efficiency in collection of resources improves leading to enhanced yields and greater stability in financing the budget at national and county government level
- Accelerated and sustainable economic growth through pursuit of prudent economic, fiscal and monetary policies
- Increased and sustained public private partnership investments across sectors
- Credibility of the budget improves with better alignment between plans, appropriations and actual disbursements
- The capacity of counties for budget formulation and implementation is improved leading to better utilization and increased absorption of budgets
- The capacity of OAG for audits - including financial, performance and VfM is enhanced leading to timely audit reports
- Budget execution - both at the national and county government level improves, with better predictability of exchequer releases and reductions in pending bills.
- PFM systems (including the IFMIS and others) are fully integrated minimising manual operations and enabling more accuracy and timelines of reporting across all financial operations of MDAs and counties
- The PFM Reforms are effectively and efficiently coordinated and implemented

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.1	**Theme One:** Macro-economic Management & Resource Mobilization **Overall Objective:** ***To strengthen macro-economic forecasting and enhance collection, accounting and timely reporting of public revenues at national and county governments, in line with macroeconomic fiscal policies***					
2.1.1	**Strengthen capacity for macro-economic forecasts** Forecasts of revenues over the medium term are accurate enabling more realistic budget formulation	Variance between revenue forecasts and actuals for domestic revenues by category	5.1%	≤ 10%	≤ 5%	≤ 5%
2.1.2	**Enhance Tax Revenue Collection** Efficiency in tax revenue administration improved leading higher collection	Number of Active Tax payers on KRA registers	1.6million	2.4 million	3.2 million	4.0 million
		Weighted Tax Compliance rate on registration, reporting, filing and payment	55%	55%	55%	65%
		Tax Collected debt/ collectable ratio	15.9%	17%	21%	25%
2.1.3	**Strengthen mobilisation, accounting and reporting on Own Source Revenue** Improving collections and efficiency on revenue administration.	Growth of revenue from land and property rates	10.0%	5.0%	30.0%	40.0%
		Number of counties having established and implementing specific plans for enhancing OSR	0	0	20	47
		Number of counties having implemented modern revenue systems compatible with the IFMIS	0	20	30	47
2.1.4	**Improve mobilization, recording, accounting and reporting of External Resources** Mobilization, recording, accounting and reporting on external resources provided to the Government of Kenya and to counties is strengthened	Percentage of total ODA disbursed through IFMIS	Disbursement Module not operational	Disbursement Module not operational	Operationalize and report	Continue reporting
		Number of MDAs and Counties trained to use ODA guidelines under the External Resources manual	0	0	20	40
		Number of MDAs, Counties, Development Partners, Non-state actors that have complied with the guidelines in the Kenya External Resource Policy	0	0	50	60
		Percentage of ODA reported through the country systems	Draft reporting Template/ e-promis in place	Draft reporting Template/ e-promis in place	Define and begin to implement arrangements for harmonising ODA tracking and reporting	Continue to implement arrangements for harmonising ODA tracking and reporting
		Number of DPs complying with the Use of Country Systems	5	5	10	20

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.1.5	**Consolidate efforts to mobilise additional resources through PPP** Additional resources for financing Government programmes are raised through PPP on a sustainable basis	Number of National/County Government level projects prepared through PPP model	18	0	6	11
		Project Facilitation Fund (PFF) in place	Draft PFF regulations and draft PPP manual developed	Draft PFF regulations and draft PPP manual developed	Approved PFF regulations and manual	Operational PFF
2.1.6	**Strengthen GoK's capacity for debt management and reporting** GoK borrowing (both domestic and foreign) is sustainable and is reported on accurately	Proportion of senior positions (DG to assistant Director) in the PDMO structure filled substantively	1/35	17/35	35/35	35/35
		Number of PDMO staff trained in critical analysis skills for borrowing and contingent liabilities	3	7	20	20
		Number of counties providing annual public debt reports (as provided in PFM regulations – 200(2)) timely (within two[4] months after end of financial year)	0	0	10	30
2.1.7	**Improve reporting on and accounting for A-I-A by MDAs** Internally generated funds by MDAs are accurately accounted for and reported on	Proportion of MDAs using electronic receipting on IFMIS for IGFs collections	90%	90%	95%	100%
		Variance between MDA IGFs forecasts and actual collections on annual basis.	No framework for monitoring in place	No framework for monitoring in place	Develop a monitoring framework and implement	Continue implementation
		Proportion of MDAs providing timely (quarterly) reports on A-I-A.	90%	90%	95%	100%
		Number of MDAs whose annual statements on the use of retained A-I-A are queried by the Auditor-General	No framework for monitoring in place	No framework for monitoring in place	Develop a monitoring framework and implement	Continue implementation
		Number of DPs timely and accurately reporting on external AIA	5	5	15	25

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.2	**Theme Two:** Strategic Planning and Resource Allocation **Overall Objective:** *To ensure effective and equitable allocation of public funds in line with national and county government priorities*					
2.2.1	**Strengthen strategic planning** Government plans and programmes are properly aligned to national results framework and properly costed within the government's macro-economic framework.	Number of sector strategies with defined results framework aligned to the MTP	0	0	5	All
		Gender Responsive Budgeting Guidelines Adopted and implemented	Draft guidelines in place	Guidelines finalized	Guidelines adopted	Implementation of the Guidelines
		Number of counties having established county development forums	0	0	0	20
		Number of CIDPs with clearly defined results frameworks aligned to the MTP	0	0	5	47
		Variance in the MTEF sector projections for the first outer year and actual allocation in that year (% reduction in variance)	20%	10%	5%	3%
		Number of projects implemented outside the CIDP	No framework	No framework	Develop guidelines and sensitize stakeholders on alignment of projects not funded by the Counties with the CIDP	Implement the guidelines
2.2.2	**Strengthen County budgeting systems** Improving capacity of counties to formulate realistic/credible budgets	Proportion of extra-budgetary funds utilized outside the CIDP at county level	No framework for measurement in place	No framework for measurement in place	Develop the framework and sensitize Counties	Operationalize the framework and report
		Number of counties having adopted and implemented new regulations on public participation	0	47	47	47
		Number of counties passing budgets within the statutory timelines	0	47	47	47
		Variance between county OSR forecasts and actual collections on annual basis	50.4%[5]	38.0%	≤25.0%	≤10.0%
2.2.3	**Strengthen planning and oversight over public investments projects** Public investments are effectively planned	Proportion of projects (GOK financed) in the budget that are captured in the e-ProMIS	40%	60%	85%	90%
		Proportion of projects (donor financed) in the budget that are captured in the e-ProMIS	50%	70%	80%	90%
		Number of counties subjecting projects to selection criteria provided in the approved policy	0	0	0	15

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.2.4	**Strengthening Systems for budget formulation** System for budget formulation and integrated and comprehensive in supporting MDAs and counties	Integration between IFMIS and e-ProMIS	IFMIS and e-ProMIS not integrated	IFMIS and e-ProMIS not integrated	IFMIS and e-ProMIS integrated	IFMIS and e-ProMIS integrated
		Number of counties having access to the e-ProMIS	0	0	15	47
		Number of MDAs preparing their development budgets through e-ProMIS	0	0	5	20
2.3	**Theme Three: Budget Execution, Accounting and Reporting and Review** **Overall Objective:** *To ensure efficient and effective budget utilization, accurate and timely accounting and reporting and effective scrutiny and review of expenditure of public resources at national and county government.*					
2.3.1	**Strengthen Cash planning and cash management to improve execution of the budget** Cash planning and cash management is improved leading to better liquidity management and increased efficiency execution of the budget	Timeliness of national transfer releases; average number of days after the month it take counties receive monthly release	30days	25 days	10 days	5 days
		Proportion of MDAs and counties preparing quarterly cash flows plans aligned to their work plans	5%	5%	50%	100%
		Number of counties with established cash flow management committees	0	0	10	30
		Number of MDAs using the Automated Cash Management Module	0	0	0	62
		Number of County Governments using the Automated Cash Management Module	0	0	0	47
		Variance between MDA cash plans and monthly cash receipts	No framework for monitoring in place	No framework for monitoring in place	Develop framework, implement and report	Continue implementation and reporting
		Number of counties implementing the TSA	0	0	0	20
		Proportion of new county pending bills to the approved budget at the end of the FY	No framework for monitoring in place	No framework for monitoring in place	Develop framework, implement and report	Continue implementation and reporting
		Proportion of supplementary expenditure to approved budget for National government	No framework for monitoring in place	No framework for monitoring in place	Develop framework, implement and report	Continue implementation and reporting
		Aggregate level of supplementary expenditure to approved budget for counties	No framework for monitoring in place	No framework for monitoring in place	Develop framework, implement and report	Continue implementation and reporting

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.3.2	**Strengthen in-year monitoring reports covering both financial and non-financial** In-year monitoring reports covering both financial and non-financial data, consistent with PBB are regularly produced.	Number of MDAs producing semi-annual budget implementation reports covering financial and non-financial aspects	No framework for monitoring in place	Develop framework and implement the report	Continuous implementation of the report	Continue implementation and reporting
		Number of counties preparing semi-annual budget implementation reports.	No framework for monitoring in place	No framework for monitoring in place	Develop framework, implement and report	Continue implementation and reporting
		Entities generate reports combining financial and non-financial data	No framework for monitoring in place	No framework for monitoring in place	Develop framework, implement and report	Continue implementation and reporting
		Number of OCoB /NT reports reflecting compliance to Gender Responsive Budgeting.	No framework for monitoring in place	No framework for monitoring in place	Develop framework, implement and report	Continue implementation and reporting
2.3.3	**Strengthen statutory reporting** Statutory financial statements, based on IPSAS standards are produced regularly at all levels of Government	Level of un-reconcilable balances on the IFMIS	100%	50%	10%	0%
		Proportion of MDAs (incl. Ministries, Departments, State Corporations) / counties preparing annual financial reports without external support	29%	35%	40%	50%
		Number of counties with social accountability audit teams	17	17	34	47
		Budget implementation report produced on time	100 days delay	60 days delay	45 days delay	30 days delay
		Proportion of EAC reporting provisions with which GoK reporting is fully compliant	7 of 27	10 of 27	15 of 27	20 of 27
2.3.4	**Improve effectiveness of Internal Audit functions** Internal Audit functions is executed effectively both at national and county government level	Consolidated annual financial statements produced in time	Done	Done	To be done	To be done
		Proportion of MDA Internal Audit Units preparing timely quarterly reports following risk based methodology (within 1 month after quarter)	18%	18%	50%	100%
		Proportion of audit recommendations that are not implemented by MDAs and counties	MDAs – 50% Counties-95%	MDAs – 15% Counties-40%	5%	5%
		Number of county governments using TEAMMATE	0	0	47	47
		Number of counties having established Audit Committees as provided in the regulations	0%	0%	100%	100%
		Proportion of County Internal Audit Units preparing quarterly reports following risk based methodology timely (within 1 month after end of quarter)	0%	0%	50%	100%

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.3.5	**Strengthen oversight and reporting of fiscal operations of State Corporations and SAGAs** Control, oversight and budget reporting of fiscal operations of State Corporations and SAGAs are strengthened	Level of contingent liabilities from State Corporations and SAGAs activities	KShs.110billion (2009 report)	No report in place	Preparation of the report and provide the amount	Preparation of the report and provide the amount
		Number of State Corporations and SAGAs having adopted the contributory pension scheme	No report in place	No report in place	Preparation of the report and provide the information	Preparation of the report and provide the information
		Number of State Corporations and SAGAs providing annual financial statements (in a form meeting the criteria in PFM regulations – 221(2)) timely (within 3 months after end of year)	230	240	245	250
		Number of State Corporations and SAGAs providing quarterly statements as provided under PFM regulations 220(2) timely (within 15 days after end of quarter)	230	240	245	250
2.3.6	**Implement Asset management reforms** Asset management system operationalized at all levels of government	Proportion of MDAs with audited asset registers on the IFMIS	0%	0%	0%	100%
		Number of counties with updated asset register on the IFMIS	0	0	0	5
2.3.7	**Implement Pension reforms** Introducing a contributory scheme to make pensions more sustainable, gender responsive and synchronised	Proportion of the national government pension payroll verified and cleansed	0%	0%	20%	80%
		Revised Pensions law which incoporates gender responsiveness	Not aligned	Not aligned	Not aligned	Aligned
		Proportion of the Civil Servants migrated to the contributory pension scheme	0%	0%	0%	100%
		An upgraded PMIS integrated with IFMIS	Not upgraded	Not upgraded	Not upgraded	Upgraded
2.3.8	**Strengthen Payroll Management** Civil Service payroll systems strengthened and integrated with the IFMIS and other PFM system to improve tracking and control over the payroll	Proportion of the national and county government civil service payroll verified and cleansed	National – 100% County – 0%	National – 100% County – 0%	National – 100% County – 20%	National – 100% County – 50%
2.3.9	**Strengthen systems for Teachers payroll** Teachers payroll systems strengthened with improved efficiency in management and operations	Proportion of the teacher service payroll verified and cleansed	0%	0%	60%	100%
		Variance between teachers' wage appropriations and actuals	0%	0%	0%	0%
		Number of teacher service payroll audit exercises conducted	4	4	4	4
		Proportion of the Teachers files that are digitised	0%	0%	60%	100%
		Number of counties linked electronically to TSC systems	0	6	30	47

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.3.10	**Strengthen procurement and asset functions in the public sector** *To improve the efficiency and effectiveness of procurement and asset disposal sector.*	Procurement Regulations in place	None	Draft	Yes	Yes
		Procurement Manuals in place	None	None	Yes	Yes
		Procurement formats, guidelines and standard bidding documents in place	None	None	Yes	Yes
2.4	**Theme Four: Independent Audit and Oversight** **Overall Objective:** *To ensure accountability and oversight of public resources and enhance efficiency, effectiveness and lawfulness in the collection and application of public funds*					
2.4.1	**Strengthen capacity of Independent Audit** To strengthen capacity of OAG to undertake quality annual audits within the statutory limits	Number of MDAs and counties whose annual audits are undertaken	954	1010	1010	1010
		Number of VfM / performance audits carried out by OAG on annual basis	15	20	25	30
		Number of peer review mechanisms conducted	2	2	2	2
2.4.2	**To strengthen capacity of County Assemblies and Parliament for oversight** To enable PFM committees of Parliament to execute their functions effectively	Proportion of County Assemblies, Parliament Budget Office staff and Clerks, Members of Budget/Finance Committees trained on PFM issues and Gender responsive budgeting	0	5%	5%	5%
		Number of County Assemblies completing review of audit reports on time (within 3 months after receipt of reports from OAG)	0	0	10%	20%
2.4.3	**Strengthen audit follow up** PAC / Parliamentary recommendations are implemented by MDAs and counties	Proportion of MDA and county government that have established the Public Finance Management Standing Committee	0%	0%	10%	20%
		Proportion of counties having established audit committees as provided in the PFM regulations	0%	0%	100%	100%
		Proportion of audit recommendations not followed up by MDAs and counties	MDAs – 3% Counties-95%	5%	5%	5%
2.4.4	**Implement Inter-agency mechanisms to strengthen PFM oversight function** To institutionalise Inter-agency mechanisms in order to strengthen PFM oversight and governance	Number of meetings conducted by the Inter- Agency structure	None	None	2	4
		Inter-Agency mechanisms established	No mechanisms in place	No mechanisms in place	To develop and implement the Inter-agency mechanisms	Continue implementation
2.5	**Theme Five: Fiscal Decentralization and Intergovernmental Fiscal Relations** **Overall Objective:** *To strengthen intergovernmental fiscal relations and improve the efficiency and effectiveness of county public financial management systems*					
2.5.1	**Clarify and strengthen inter-governmental relations** To fully clarify and operationalise Inter-governmental relations	Resolution and transfer of management of devolved functions of water and roads	No resolution in place	Task Force established on resolution and transfer	Implementation of the TF report	Continue Implementation of the TF report

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
2.6	**Theme Six: Legal and Institutional Framework** ***Overall Objective:*** *To develop a consistent and harmonized PFM Legal and Institutional Framework and enhance compliance of MDAs and counties with its implementation*					
2.6.1	**Strengthen legal framework** *Consistent and harmonized PFM Legal and Institutional Framework*	Number of key outstanding PFM legislations not enacted	3	3	2	0
		Proportion of EAC convergence criteria with which the PFM Act is compliant	17 of 22	17 of 22	22 of 22	22 of 22
2.6.2	**Strengthen institutional framework** *Key PFM institutions strengthened and able to supervise the implementation of the Law*	Staff attrition rates at National Treasury	No framework for monitoring in place	No framework for monitoring in place	Develop monitoring framework , implement and provide results	Continue implementation and provide results
2.6.3	**Clarify county staff structures** *Efficiency of organisation and structures of counties for PFM implementation is strengthened*	Number of counties having adopted and implemented new approved organisational model structure	0	0	0	5
2.7	**Theme Seven: IFMIS and Other PFM Systems** **IFMIS Objective:** *To establish a secure, reliable, efficient, effective, and fully integrated public financial management system in both national and county governments*					
2.7.1	**Strengthen the use of IFMIS** Systems are fully supportive of both national and county governments operations	Number of Counties experiencing connectivity challenges on the basis of physical infrastructure	5	4	3	0
		Number of counties using IFMIS to carry out automated bank reconciliations	0	0	20	47
		Number of call centre lines installed	2	2	8	10
		Percentage of issues resolved in time vis-à-vis those logged at help desk and call centre	50%	50%	60%	70%
2.7.2	**Revenue Collection Systems for County Governments** Improvement in efficiency in revenue management	Number of counties having implemented modern revenue systems compliant with for revenue management guidelines issued by NT	0	3	5	10
2.7.3	**Integration of IFMIS and other PFM systems** Systems for PFM are interlinked reducing manual interventions	Number of PFM systems integrated with the IFMIS:- (CBK-Internet Banking System, KRA systems, PMIS, IPPD, GHRIS, e-ProMIS, CS – DRMS, GPA, and Revenue collection and management system for the counties)	1	2	3	10
2.7.4	**Support to PFM systems** PFM systems are adequately supported and protected to ensure business continuity	Establishment of an operational modern disaster recovery site	None	None	50%	100%
		Automated help desk system with monthly reports of resolutions of IFMIS issues	Manual Help Desk	Manual Help Desk	Planning and introducing automated help desk system	Report on resolution of 80% of the issues to be resolved

#	Key Intervention	Indicator	Baseline (2014/15)	2015/16	2016/17	2017/18
3.6	**Programme Management** ***Objective:*** *To provide administrative support and oversight to ensure effective management of the PFMR Strategy.*					
3.6.1	**Strengthening Coordination Mechanisms** Coordination Mechanisms strengthened	Number of TC/SC/SWG meetings	7	7	2	6
		Proportion of implementing agencies providing quarterly reports of implementation	50%	50%	50%	100%
		Compliance by implementing agencies to the operation manual	No Manual in place	No Manual in place	50%	100%
		Proportion of key stakeholders aware of PFM reforms	No framework in place	No framework in place	50%	100%
		Proportion of implementing agencies complying with PFMR communication strategy	No framework for assessment in place	No framework for assessment in place	No framework for assessment in place	50%
3.6.2	**Strengthen DP engagement** DP engagement strengthened	Number of DPs funding and reporting on the PFM Reform Strategy outside PFMR Secretariat	None	None	None	6
		Number of implementing agencies funding and reporting on the PFM Reform Strategy outside PFMR Secretariat	None	None	None	14
3.6.3	**Strengthen capacity of the Secretariat** Capacity of the Secretariat strengthened	Proportion of staff trained under approved Secretariat training	80%	85%	90%	95%
		Number of key vacant positions substantively filled	1/4	1/4	2/4	4/4
3.6.4	**Strengthen M&E and reporting** M&E and PEFA undertaken	Number of M & E Reports	0	1	2	3
		Number of PEFA Assessment reports both National and Sub-National	0	0	1 (National)	6 (Sub-National)

ANNEX IV: LIST OF TASK FORCE MEMBERS

	Name	Organization	
	Julius Mutua	PFMR Secretariat	Chairperson
	Moses Gitari	IFMIS Department, National Treasury	Member
	Monica Asuna	Resource Mobilization Department, National Treasury	Member
	John Njera	Macro & Fiscal Affairs Department, National Treasury	Member
	Evans Nyachio	Public Procurement Department, National Treasury	Member
	Patrick Abachi	Accounting Services Department, National Treasury	Member
	Samuel Kiiru	Budget Department, National Treasury	Member
	Livingstone Bumbe	Debt Management Department, National Treasury	Member
	Geoffrey Malombe	IGFR Department, National Treasury	Member
	Willis Okwacho	Internal Audit Department, National Treasury	Member
	Maurice Odhiambo	Office of the Auditor General	Member
	Macklin Ogolla	Office of the Controller of Budget	Member
	John Mutua	Institute of Economic Affairs	Member
	Stefan Andersson	The Royal Danish Embassy	Member
	Eshetu Legesse	African Development Bank	Member
	Warui Maina	PFMR Secretariat	Member

ANNEX V: LIST OF PFMR SECRETARIAT STAFF

	Name	Designation
	Julius Mutua	Programme Coordinator
	Argwings Owiti	Communications Specialist
	Lydia Tsuma	Finance Specialist
	Warui Maina	M&E Officer I
	Joel K. Bett	M&E Officer I
	Stephen Maluku	M&E Officer I
	Geoffrey Bett	ICT Officer I
	Phoebe Gor	M&E Officer II
	Waithaka Ng'ang'a	M&E Officer II
	Daniel Karani	Programme Officer II- Finance
	Mary Odongo	Programme Officer III- Finance
	Philip Kakiro	Procurement Officer
	Wakesho Mwambingu	M&E Assistant
	Renson Luvale	Finance assistant
	Felix Mbetera	Communication Assistant
	Abigael Maboko	Senior Administrative Assistant
	Felista Kisilu	Administrative Assistant
	Chege Mungai	Driver
	Jonathan Mwaniki	Support Staff
	Hellen Ombech	Customer Care
	Eunice Mwongeli	Support Staff

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