

FINANCE MANUAL

VERSION 1

JANUARY 2023



NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT (NAVCDP)

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FINANCE MANUAL

NAVCDP

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Ministry of Agriculture and Livestock Development (MoALD)

State Department for Crop Development

National Agricultural Value Chain Development Project (NAVCDP)

Project Coordinating Unit (NPCU)

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ACRONYMS

AIE	Authority to Incur Expenditure
CCU	County Coordination Units
CDD	Community-Driven Development
CDDC	Community Driven Development Committee
CDDO	Community Driven Development Officer
CQ	Consultant Qualifications
CC	County Commissioner
CPSC	County Project Steering Group
DCA	Development Credit Agreement
EOI	Expression of Interest
ERD	External Resources Department
ETR	Electronic Tax Register
FAR	Fixed Asset Register
FA	Force Account
FPNPM	Financial Policy and Procedures Manual
GL	General Ledger
GFS	Government Financial Statistics
GoK	Government of Kenya
GPN	General Procurement Notice
HFA	Head Finance and Accounts
HQ	Headquarters
IAD	Internal Audit Department
IAS	Internal Accounting Standards
ICB	International Competitive Bidding
IDA	International Development Association
IFR	Interim Financial Reports
IGAs	Income Generating Activities
IFR	Interim Financial Report

IIFARA	Independent Integrated Fiduciary and Agency Accountability Review
IPSAS	International Public Sector Accounting Standards
IRMPF	Institutional Risk Management and Policy Framework
IT	Information Technology
EACC	Ethics and Anti-Corruption Commission
OAG	Office of the Auditor General
KRA	Kenya Revenue Authority
LCS	Least Cost Selection
LEB	Lowest Evaluated Bidder
LIB	Limited International Bidding
LPO	Local Purchase Order
LSO	Local Service Order
M&E	Monitoring & Evaluation
M&EO	Monitoring & Evaluation Officer
MATs	Mobile Advisory Teams
MIS	Management Information System
MoU	Memorandum of Understanding
MoD&P	Ministry of Devolution and Planning
MTEF	Mid-Term Expenditure Framework
NARIGP	National Agricultural & Rural Inclusive Growth Project
NGO	Non-Governmental Organization
NPA	National Project Accountant
NPC	National Project Coordinator
NPCU	National Project Coordinating Unit
NRM	National Resource Management
PAs	Partner Agencies
PBCom	Project Benefiting Community
PBC	Project Benefiting County
PCU	Project Coordinating Unit

PFMA or ‘the Act’	Public Finance Management Act 2012
PFMR or ‘the regulation’	Public Finance (Administration & Management) Regulations 2013
PICD	Participatory Integrated Community Development
PIP	Project Implementation Plan
PIN	Personal Identification Number
PMC	Project Management Committee
PPDA	Public Procurement & Disposal Act, 2015 and Regulations 2016
PSC	Procurement Sub-Committee
QBS	Quality Based Selection
QCBS	Quality and Cost Based Selection
RFP	Request for Proposal
RFQ	Request for Quotation
RMD	Resource Mobilization Department
RTGS	Real Time Gross Settlement System
SAIC’s	Social Audit and Integrity Sub-Committee’s
SLD	Support to Local Development
CPCU	County Project Coordinating Unit
SSS	Single Source Selection
ToRs	Terms of Reference
UNDP	United Nations Development Program
VAT	Value Added Tax
WA	Withdrawal Application
WB	World Bank
WKCDD/FMP	Western Kenya Community Driven Development & Flood Mitigation Project
WRUA	Water Resource Users’ Association

1.0 GENERAL INTRODUCTION

1.1 BACKGROUND

The National Agricultural Value Chain Development Project (NAVC DP) aims to benefit communities in selected counties in Kenya. It is supported by the Government of Kenya and the World Bank through the Ministry of Agriculture and Livestock Development, State Department for Crop Development and Agricultural Research.

1.1.1 Project Components

The Project Development Objective is (PDO) is “*to increase market participation and value addition for targeted farmers in select value chains in project areas*” and is implemented through the following four components: - (Detailed descriptions of the components are contained in the Project Implementation Manual - PIM)

Progress towards achievement of the PDO will be monitored through the following three indicators:

- Farmers reached with agricultural assets or services under the Project of which at least 50 percent are female;
- Percentage increase in farmers selling more than 50 percent of their produce in the market;
- Percentage increase in farmers selling produce in value added form (both on farm and off farm).

Component I: Building Producer capacity for stronger value chains- 115 million USD

The component aims at promoting: i) sustainable productivity enhancement, ii) nutritious, safe food production, and iii) increased market participation for project farmers through improved access to credit, inputs and digital extension services while linking them to high-capacity Producer Organizations. Leveraging the institutional base of CIGs/VMGs already mobilized under NARIGP and KCSAP, the Project plans to build producer level capacity for transition to high value crops, adoption of climate resilient production technologies and increased value addition at primary level. Additionally, mobilization of new smallholder farmers will be undertaken as part of this component. Inclusion of women smallholders will be a key focus area with at least 50 percent of CIG members supported under the Project estimated to be women farmers. Linking CIGs/VMGs to POs and SACCOs will be universalized under the component to enable their stronger

participation in the markets. In addition to this, high-quality technical assistance support will be extended to FPOs to build their long-term agri-business capacity. These activities are articulated under three sub-components: i) Farmer capacity building investments and E-Voucher support for improved productivity, adaptation/resilience, mitigation and market participation through the strong farmer level extension and training for adoption on climate smart TIMPs ii) FPO level VC investments, iii) Improve credit worthiness and bankability of CIGs/VMGs and FPOs that focus on building producer level capacity for enhanced market participation and transition towards commercial agriculture with CIGs/VMGs and farmer producer organizations (FPOs) as primary platforms for program delivery.

Sub-component I.1: Farmer Capacity Building Investments and E-Voucher Support

The objective of this sub-component is to build smallholder farmer capacity for improved production and market participation. This will be achieved through the following 4 interventions: (a) Strong farmer level extension and training on climate smart TIMPs, (b) Demonstrative micro-project investments to complement climate smart TIMPs training, (c) Farmer mobilization and technical assistance to support access to e-vouchers, and (d) Small scale infrastructure investments for primary aggregation and value addition. Specific areas of intervention are:

- Farmer Level Extension and Training on Climate Smart TIMPs
- Use of public service providers and identification and recruitment of Private Service Providers (PSPs)
- Utilization of Farmer Field and Business Schools (FFBS)
- Support to Community Demonstrative Investments
- Small Scale Infrastructure Development
- Supporting Smallholder Farmers to Access E-Voucher Services
- Sustainability of Community Institutions

Sub-component I.2: FPO Level Value Chain Investments

This sub-component aims to build farmers' capacity for aggregation and participation in collective marketing through stronger FPOs. The Project will work towards linking every CIG/VMG/IP to an FPO to develop long-term market linkages. About 500 FPOs engaged in agri-business within the selected VCs will be supported. To achieve this objective, the Project will a) support the federation and affiliation of CIGs/VMGs/IPs to form strong FPOs, b) build the capacity of the FPOs, and c) upgrade the VCs. Areas of project intervention are listed below.

- Promote the Federation and Affiliation of CIGs/VMGs to form Strong FPOs
- Capacity Building of FPOs
- Provision of Inclusion Grant
- Strengthening the Human Resource Architecture of the FPOs
- Financing Enterprise Development
- Provision of Value Chain-Upgrading Matching Grants
- Promote Small-scale Infrastructure Investments at the FPO level
- Enhance Partnerships Development
- Improve Credit Worthiness of CIGs and FPOs and improve access to credit through SACCOs
- Provide financial assistance through Financing Windows – Inclusion Grant and Financial Inclusion Matching Grant
- Automation of Participating SACCOs and FPOs

Component-2: Climate Smart Value Chain Ecosystem Investments- 100 million USD - This component will focus on supporting enabling climate smart value chain ecosystem investments identified at community, county, regional levels (spanning several counties) and national VC development plans. These investments are aimed at improving irrigation infrastructure availability, boosting market participation of small-scale farmers and catalyzing higher level value addition. Therefore, the Project will undertake the identification and prioritization of investments that support markets and value addition infrastructure at county level. The component has four key intervention areas: the operationalization of the FLID; market structures development; use of data and digital applications; and promoting linkages to research and institutional development as elaborated below.

Sub component 2.1: Farmer-Led Irrigation Development (FLID)

The objective of this sub-component is to enhance and expand the uptake of irrigation to increase the area under irrigation and improve efficiency of existing small-scale irrigation schemes. This will lead to increased agricultural production ensuring smallholder farmers shift from subsistence to commercial market-oriented system. To support this objective, the sub-component will focus on climate smart investments promoting farmer-led irrigation development (FLID). The FLID interventions will remove/minimize critical constraints to uptake and expansion of irrigation. The main constraints include access to efficient irrigation technologies, unreliable/unpredictable rainfall patterns, access to water harvesting infrastructure, access to affordable credit, effective marketing, and irrigation-related knowledge. Activities to be undertaken:

- Capacity build farmers on efficient irrigation technologies
- Facilitate the construction of water harvesting infrastructure for irrigation
- Affordable finance for irrigation equipment
- Modernization of selected smallholder irrigation schemes
- Support to the County Irrigation Development Unit

Sub- Component 2.2: Market Access and Infrastructure Development

This sub-component will focus on supporting enabling market infrastructure development linked to prioritized VCs. The objective is to improve market competitiveness for smallholder farmers through reduced postharvest losses, strengthened value addition, improved information exchange between producers and other actors, improved logistics, enhanced linkages with agribusiness SMEs and support for produce certification. Investments under this sub-component will be identified from VC development plans at county and regional levels and focus will be on developing co-financing models including Public Private Producer Partnerships (4Ps) investments, impact investments and multi-county collaborations led by private sector players. The sub-component will also identify underutilized high potential market infrastructure for upgrading and facilitate long term partnership agreements for FPOs.

Key interventions to be supported under this sub-component are described below:

Development of markets and aggregation centers through

- Establishment of linkages between aggregation centers and agro-processing and value addition centers

- Strengthening the Kenya Agricultural Markets Information Systems (KAMIS) to bridge market information asymmetry between producers and other value chain actors
- Building Producer Capacity in Post-Harvest Management
- Catalytic Finance to Agri-business SMEs and Technical Assistance for Commercial Financing

Sub- Component 2.3: Data and Digital Investments

This sub-component will focus on investments at the national, regional and county levels to enable the farmers to leverage Data and Digital technologies to enhance their productivity and profitability and also contribute towards policy dialogues and access to finance for small holder farmers.

Key interventions:

- Scaling up partnerships between the county governments and Agtechs –
- Digital Solutions Interventions
- Identification and Selection of Agtechs
- Farmer Mobilization and Awareness Creation
- Agripreneurs Model Services and Capacity Building
- Strengthening Big Data Platform at KALRO
- Implementation Arrangement

Sub – Component 2.4: Research Linkages, Technical Assistance and Institutional Capacity

This sub-component is aimed at providing continued support to KALRO towards further strengthening of climate smart TIMPs, supporting technical assistance for value chain development at various levels and placement of and building capacity at county level implementation units to anchor project activities.

Research Linkages

The investments under this intervention will support KALRO and partners such as CGIAR, NARS to develop, disseminate and scale-up adoption of proven TIMPs of prioritized VCs. In cases where KALRO collaborates with other institutions to accelerate adoption of TIMPs, it will enter into an MoU elaborating, among other things, the responsibilities of each institution on promoting adoption of the selected TIMPs, financial accountability, monitoring and reporting. In

order to realize the sub component outputs, the Project will leverage on the existing KALRO-KCSAP/NARIGP Coordination unit. This unit will be strengthened to accommodate the objectives of NAVCDP.

Technical Support Agencies

The sub-component will also support the on-boarding of technical support agencies for each of the VCs under the Project at the national level. In addition, technical support agencies specifically for enabling access to financial services will also be brought on board. This activity will entail competitive recruitment of Business Accelerators (BA) by the NPCU within the first twelve months after the Project becomes effective. The process of recruiting BAs will be undertaken through the Quality Based Selection (QBS) method. The performance of the BAs will be evaluated on an annual basis and renewed subject to satisfactory performance, availability of funds and the need for the technical support. Each BA will provide technical support to not more than two VCs.

Institutional Capacity Strengthening

This sub-component is aimed at supporting high quality technical assistance to VC development at various levels, build capacity of county level implementation units to anchor project activities, support partnerships and create business linkages with VC actors at various levels. This will require deployment of dedicated full time human resources.

COMPONENT 3 – Piloting Climate smart safe urban food systems- 35million USD

Urban and Peri-Urban Agriculture

This sub-component will be implemented in urban and peri-urban areas within Kiambu, Kajiado and Machakos not exceeding 30km from Nairobi Central Business District (CBD). The main purpose of promoting urban and peri-urban agriculture is to create opportunities for women and youth employment as well as household nutritional security.

Urban Market Infrastructure

Under the urban market infrastructure subcomponent, physical markets will be established in Nairobi County. This sub-component will support linkages between rural/peri-urban producers and urban consumers. The thrust will be increasing VC integration by addressing VC inefficiencies.

Policy and Institutional Strengthening

The objective of this sub-component is to create an enabling environment for piloting safe urban food system by promoting urban and peri-urban agriculture. To ensure successful implementation and achievement of the objective, the Project will support, the implementation of existing policy and regulatory frameworks beginning with the Nairobi City County Food System Strategy. It will also support the development of new policies, if required, at the national and county level towards the smooth functioning of the urban market infrastructure and scale up urban and peri-urban agricultural initiatives.

Component 4: Project Coordination and Management – 25 million USD

Strengthening Human Resources Capacity Staffing

The NPCU's human resource capacity will be enhanced in line with the demands of NAVCDP. Professional staff will be deployed from the line ministries and implementing agencies for the entire period of the Project. The deployment of these staff will be undertaken through an open, internal, and competitive process. Recruitment of NPCU staff from the market will be undertaken only where internal capacity is inadequate and with approval from the Directorate of Public Service Management in the Ministry of Public Service, Gender and Affirmative Action. In addition, the NPCU will be strengthened with contracted experts to fill technical gaps such as FLID, Urban Markets Development and ICT in order to support counties to identify the innovations in the market, do a deep dive into the innovations, pair the DATs, and value chains appropriately, and offer counties technical assistance.

At the county level, the Project will leverage on the existing NARIGP/KCSAP County Project Coordination Units (CPCUs) to coordinate project implementation and reporting on county interventions. The CPCUs will also be enhanced with technical and support staff to suit the requirements of NAVCDP. The units will be staffed by qualified and competent staff deployed from County Line departments. Recruitment of CPCU staff from the market will be done only where internal capacity is inadequate and with approval from NTAC, following the recommendation by the County Public Service Boards. They will directly report to CEC/Chief Officers Agriculture. The Council of Governors will play a critical role as they will provide the required structural linkage between the National and county governments.

Offices and Office Equipment

The GoK will provide office and furniture space for national and county-level project coordination units (National Project Coordination Unit and County Project Coordination Units). GoK contribution will also include payment of national and county staff salaries. It is proposed that the NARIGP and KCSAP guide the rationalization of existing office space available in both projects in order to cater for NAVCDP office requirements.

Motor Vehicles

The Project will be responsible for the purchase of motor vehicles including their maintenance, fuel, and repairs. However, the existing motor vehicles currently serving both NARIGP and KCSAP are expected to be handed over to NAVCDP for project activities at both the national and county levels. The vehicles must be listed as part of the fixed assets register of the project.

Operations and Maintenance

Operations and Maintenance (O&M) costs such as office space rental charges and conservancy will be met by the Project. Other O&M costs will include those of fuel and spare parts of vehicles, office equipment, audits, furniture, and tools, among others. It will also finance the costs of project supervision and oversight provided by the National Project Steering Committee (NPSC). This arrangement will be replicated at the county level.

Nairobi County Coordination Unit

A Unit will be established at the Nairobi City County to oversee the implementation of the Urban Food Systems component. The Nairobi County Project Coordination Unit will be unique compared to other CPCUs where NAVCDP will be implemented in that it will not have the benefit of an established CPCU from either NARIGP or KCSAP. The Unit will therefore be established from scratch and consequently will require considerable support from NPCU technical and logistical experts and county government deployed staff to function.

Strengthening the Council of Governors

The Council of Governors will play a critical role as they will provide the required structural linkages between the National and County Governments. The Council of Governors capacity to coordinate and oversight implementation of the NAVCDP at the county level will be strengthened to ensure: i) compliance to the Project Participation Agreements; ii) adequate staffing at the CPCUs; iii) timely contribution of counterpart funds and disbursement to the project accounts; and iv) close monitoring of project implementation in the implementing

counties. The activities to be supported include; county peer learning on agriculture service delivery models, creating enabling policy environment for the counties to accelerate value chain development, promoting private sector investment and 4Ps in agriculture as well as creating necessary infrastructure for the e-voucher subsidy delivery system. The Project will support meetings of the CoG Agriculture, Livestock and Cooperatives Committee, the CoG Agriculture CECMs and COs caucus meetings along with technical and financial support to the operation of the CoG Agriculture Committee Technical Secretariat. The CoG will sign an MoU with the Cabinet Secretary MoALD elaborating, among other things, the roles and responsibilities of CoG in supporting project implementation, institutional strengthening activities to be funded, financial accountability, monitoring and reporting for received funds.

Strengthening the Joint Agriculture Sector Steering Committee

The Joint Agriculture Sector Steering Committee (**JASSCOM**) provides a platform for intergovernmental consultation, cooperation and coordination for the development of the agriculture sector between national and county governments. In addition, it provides regular policy direction and forum for resolving intergovernmental issues. The JASSCOM functions are actualized through operations of various coordination and cooperation structures namely IGFA, JASSCOM, SWAGs and Joint Agriculture Secretariat. The Secretariat plans, convenes, documents and organizes JASSCOM forums and provides day-to-day linkages with the two levels of government. The Project will support, among other activities, meetings of the JASSCOM, IGFA, Sector Working Groups and the Joint Agriculture Secretariat to ensure that the project's agenda is always on the radar of JASSCOM.

To coordinate agricultural development efforts including donor funded projects in the counties, the CASSCOMs have been formed to ensure collaborative and harmonized agriculture development by all sector stakeholders at county level. In addition, CASSCOMs will ensure equitable and priority mapping/location of county project sites. Where CASSCOMs have been institutionalized and are functional, the Project will support integration of CASSCOM into CPSC activities to enhance project implementation.

Financial Management

Financial Management (FM) for the NAVCDP will adhere to the World Bank's Operation Policy/Bank Procedures and Kenya Government Public Finance Management (PFM) Act. The World Bank's Operation Policy/Bank Procedures stipulates that the Borrower/Implementing entity maintains or causes to be maintained financial management arrangements that are acceptable to the Bank. Financial management arrangements include planning, budgeting,

accounting, internal control, flow of funds, financial reporting, and auditing processes of the Borrower and their entity/entities responsible for project implementation as outlined in this manual

Procurement arrangements and thresholds

Procurement of goods, works and non-consulting services will be carried out as per IBRD loans and IDA Credits and Grants by World Bank Borrowers' Procurement policy/guidelines. The guidelines also detail selection criteria and employment of consultants under IBRD Loans and IDA Credits & Grants by World Bank Borrowers, and provisions stipulated in the Financing Agreement to the borrower. The Project will also follow "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants," as revised in January 2011. Further, as the Project has a CDD component, the project's procurement arrangements for community-based procurement will be in line with the "Guidance Note for Design and Management of Procurement Responsibilities in Community-Driven Development Projects," dated March 15, 2012. On the basis of these Bank Guidelines, a comprehensive and detailed Procurement Procedures Manual for NAVCDP provided further details.

Financial Reporting

The CPAs will prepare and I submit quarterly IFRs to the NPCU who will consolidate the IFR and submit to the World Bank. The NPA will prepare quarterly and annual financial statements and submit to the National Treasury and the OAG respectively. The annual financial statements will be carried out on the basis of International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board from time to time. The NPA will submit the annual audit report to the World Bank on or before 31 December ever year.

Audit Arrangements

The accounting and internal control systems are in line with GoK's and World Bank FM guidelines, and the applicable PFM regulations. Additional controls will be incorporated in the Community financing manual for NAVCDP. The audit of the Project will be done by the Office of the Auditor General, which is assessed as having adequate capacity.

Information Flow

The flow of information from the national level to grassroots will involve diverse channels including workshops, seminars, letters, internal memos, e-mails, among others. Communication from grass root implementers to the national level will mainly be undertaken through emails, telephones, reports and letters depending on the subject being communicated.

The community level reports that will be generated and submitted to the CPCU on a monthly basis will include: (i) Financial reports, (ii) Procurement reports and (iii) Project implementation/technical reports.

Details and formats of these and other reports to be submitted to the CPCU by the communities are outlined in relevant Community Institutions Manuals. The manual specifies the records to be maintained and also provides guidance on documentation of the relevant social accountability mechanisms necessary for proper community engagement.

At the county level the CPCU will generate the following reports and submit them to the NPCU at the frequencies indicated. i. Quarterly SOE & IFR review report ii. Annual SOE review and IFR report iii. Quarterly Monitoring and Evaluation reports iv. Annual M&E report v. Quarterly Audit review report vi. Quarterly Progress Reports vii. Quarterly Procurement Reports viii. Activity based reports

At the national level, the NPCU under the leadership of the NPC shall generate and file the following reports for accountability purposes and tracking of project implementation: i. Quarterly M&E Reports ii. Quarterly SOE & IFR iii. Annual SOE & IFR iv. Quarterly Progress Reports v. Annual Progress Reports vi. The reports generated by the NPCU will be submitted to the PS MOALD and copied to the World Bank.

Component 5 - Contingency Emergency Response

This sub-component is only intended to support response activities following natural disasters impacting the agricultural sector and has zero budget. The contingency emergency response financing would be triggered upon a formal request from the National Treasury (NT) on behalf of GoK. In such cases, funds from project components would be reallocated to finance immediate response activities in the agricultural sector as needed. Procedures for implementing the contingency emergency response will be detailed in the Emergency Response Mechanism Action Plan to be prepared and adopted by GoK within six months after the Project becomes effective.

I.1.2 Project scope

a) Project Beneficiaries

The project aims to support 3.8 million small-scale farmers who are transitioning or have potential to transition from subsistence farmers to commercial farmers or are selling only a small percentage of their produce commercially. Other beneficiaries of the Project include value chain actors at various levels including extension workers, aggregators, logistics support

providers and SMEs operating within the value chain (VC). The Project will place a strong focus on inclusion of women farmers within the supported VCs.

b) Priority Value chains

Twelve (12) VCs have been selected based on a thorough qualitative and quantitative assessment of potential VCs. The selected VCs are: Dairy, Coffee, Chicken, Avocado, Banana, Mango, Irish potatoes, Tomato, Apiculture, Pyrethrum, Cashew nut and Cotton. Counties will prioritize a maximum of five (5) VCs. It is expected that counties will continue working with the four (4) prioritized VCs supported under KSCAP and NARIGP, except in instances where one or two VCs are not among the twelve (12) identified. In this case, counties will prioritize and replace the affected VCs from the identified VCs. The fifth VC will be selected from the twelve (12) or be a county prioritized VC. However, VCs selected outside the 12 identified VCs will not receive technical support from the NPCU, but will be supported by their respective CPCU.

c) Project Areas

The project will be implemented within 33 counties spread across 7 geographical clusters. The selection of counties involved ranking of all 47 counties on a combination of parameters including the production advantage in the selected commodities relative ranking at national level and ongoing performance in developing institutions under NARIGP and KCSAP. A key consideration in the selection was avoidance of duplication and overlap of World Bank and other donor funded projects. The project counties are Kwale, Kilifi, Tana River, Taita Taveta, Makueni, Kitui, Machakos, Embu, Meru, Thara Nithi, Kirinyaga, Muranga, Kiambu, Nyeri, Nyandarua, Narok, Kajiado, Nakuru, Nandi, Trans Nzoia, Uasin Gishu, Bomet, Kericho, Bungoma, Vihiga, Kakamega, Busia, Kisii, Nyamira, Migori, Homa Bay, Kisumu and siaya.

d) Job Creation

It is expected that 10,000 jobs will be created as a result of the project intervention.

The job creation is expected to take place through the following multiple pathways-

- (i) Capacity building of the FPOs and their emergence as community owned enterprises will contribute to the creation of new jobs
- (ii) Linking the FPOs and the farmers to anchor firms and SMEs will enable these anchor firms and SMEs to expand and create new jobs
- (iii) Strong partnerships with the Agri tech starts will enable the Agri Techs expand and create new jobs

- (iv) Incubation and training of women and youth from local communities to emerge as Agri-entrepreneurs (Agriprenuers) will also contribute to jobs in rural economy
- (v) Creation of strong linkages between the rural producers and urban consumers in select urban clusters through dedicated Urban Food System pilots will also contribute to job creation.

e) Inclusion of women farmers within the supported value chains.

Focused interventions aimed at inclusion of women small holders will be undertaken under every component. These include mobilization of women farmers into CIGs, improved gender balance in extension service providers, intensive support for financial literacy and tailored extension content and delivery. Furthermore, the project will actively incentivize inclusion of women farmers into FPOs by developing specific triggers for support. Gender disaggregated data will be collected and monitored to the extent possible for all project activities and inclusion of women farmers will be a key performance indicator for all participating counties.

1.1.3 Project Cost and Financing

The total cost of the Project is estimated at USD 275 million. This will be financed through an IDA loan facility of Euros 223,300,000 (USD 250 million) and the national and beneficiary county governments will together contribute Euros 22,330,000.00 (USD 25 million).

The share of contribution between county and national government will be based on resources expended at each level of government. The resources of the Project will be utilized to support activities within the components in Table 2:

Table 2: Resource allocation by components

Component	Cost (USD Million)
Component 1: Building producer capacity for climate resilient stronger value chains	115.00
Component 2: Climate smart value chain ecosystem investments	100.00
Component 3: Piloting safer urban food systems	35.00
Component 4: Project coordination and management	25.00
Component 5: Contingent emergency response	0.00
Total	275.00

Period of Implementation

The Project will be implemented over a 5-year period commencing 22 September 2022 to 31 December 2027.

1.1.2 Institutional and implementation arrangements

The project will leverage the existing three-tiered institutional arrangement developed under NARIGP/ KCSAP for implementation of NAVCDP. However, the implementation architecture under the new project will undergo significant changes with stronger focus on specialized technical assistance. Specialized positions will be created at national as well as county level to support highly technical functions under the new project. The project will also adopt new innovative practices for bringing in highly qualified young graduates from leading agriculture and management institutions in the country to work on fixed duration, high intensity technical assistance assignments. Additionally, the project will innovatively utilize mechanisms such as internships and community level human resource deployment esp. at institutions such as SACCOs and FPOs. NAVCDP's implementation will involve a three-tiered institutional arrangement (national, county, and community). Under the first tier at the national level, the NT will represent GoK, for which the Ministry of Agriculture and Livestock Development (MoALD) will be the main implementing agency. Within MoALD, the project will be anchored in the State Department for Crop Development (SDCD). The second tier will be at the county level, with county governments as the executing agencies of the project. The third tier will be at the community level, where beneficiaries will implement their community-led interventions. The three-tiered institutional arrangement aims to: (i) lessen the approval layers for faster decision making and efficient project implementation and (ii) utilize the constitutionally mandated governance structures at the national and county levels, to the extent possible. To enhance linkages and ownership of the project, participating county governments will be fully involved in the decision-making process at the national level, as they will be represented in NPSC and the National Technical Advisory Committee (NTAC) by the Chair of the Council of Governors (CoGs) and their Chief Executive Officers, respectively. In addition, county governments through CPSCs will be responsible for decision making/approval of community projects and for providing oversight at the county and community levels. A summary of the institutional arrangements is provided below. The detailed roles and responsibilities of the national, county, and community institutions will be provided in the PIM.

National level.

Overall project oversight and policy guidance will be provided by NPSC, which will be co-chaired by the Cabinet Secretary (CS), MoALD and the Chair of the Agriculture, Livestock and Cooperatives Committee of the Council of Governors (CoG); NPSC will comprise PSs from the relevant state departments of line ministries, and representatives of the private sector and civil society. The National Technical Advisory Committee (NTAC) will be co-chaired by a Senior Technical Officer from SDCD appointed by the Principal Secretary for SDCD and the Chair of the CECMs for Agriculture Caucus in the Council of Governors. NTAC will be responsible for providing technical support to the Project, approving county-level investment proposals based on the recommendation of NPCU, and ensuring that recommendations from the NPSC are implemented.

The National Project Coordinating Unit (NPCU), to be headed by the National Project Coordinator (NPC), will be established under the SDCD and will be responsible for managing day-to-day project implementation. The NPC will be supported by a compliment of qualified experts in the fields of project interventions competitively seconded to the project on a full-time basis by the national government.

National Grievance Management Committee -The committee members will be drawn from the implementing agencies for the purposes of ensuring smooth running of the Project through resolution of complaints logged by the stakeholders. Members will be nominated by the NPC and appointed by the PS for crops development. The committee shall comprise of 7 to 9 members with two ex-officio members ensuring 2/3 gender rule is adhered to.

County level.

County Project Steering Committee (CPSC) - A County Project Steering Committee (CPSC) shall be established in each eligible county government implementing the NAVCDP. The CPSC will be constituted by the County Executive Committee Member (CECM) responsible for Agriculture within 1 month after the signing of the PA. The CPSC will be chaired by the CECM in charge of Agriculture. All members of the CPSC will be provided with relevant documents of the Project to enable them to perform their duties effectively. These will include the PA, PAD, FA, and roles and responsibilities of the CPSC. The Chair of the CPSC may invite a member of County Agricultural Sector Steering Committee (CASSCOM) to any meeting if such members' participation will contribute to advancing the objectives of the committee.

County Grievance Management Committee - The membership will be drawn from the implementing agencies and other sector partners for the purposes of ensuring smooth running of the Project through resolution of complaints logged by the stakeholders. They will be nominated by CPC and appointed by the chief officer in charge of the project implementing department. They shall be between 11 to 13 ensuring the 2/3 gender rule is adhered to.

County Environment Committees - these are structures gazetted by County Governors to oversee environmental management issues in accordance with the NEMA Act and will supervise and backstop community investments to ensure environmental compliance.

County Technical Advisory Committee - The County Technical Advisory Committee (CTAC) will be chaired by the Chief Officer in Charge of Agriculture. Members of the CTAC will include directors; livestock, fisheries, water, irrigation, environment, natural resources, cooperatives, trade, public works, labor, finance and economic planning, youth, women and gender. Other members will consist of center directors of KALRO, Kenya Forest Service (KFS), NEMA County Directors as well as the branch Chair of the Chamber of Commerce, the county member in charge of KENAFF, KEBs, and representatives of other agricultural projects in the county, among others. The CTAC will be responsible for conducting all proposal evaluations, technical advice and quality assurance at the county level and making recommendations to the CPSC. Approval of proposals will be the responsibility of the CPSC or a subcommittee appointed by the CPSC.

County Project Coordinating Unit - A County Project Coordinating Unit (CPCU) shall be established in each of the project implementing counties and will be embedded into the respective county government in the agricultural sector no later than one month after the signing of the PA. They will be responsible for the day-to-day project execution in each of their respective counties. CPCU staff will be deployed to the Project on a full-time basis by the county governments.

Community (Ward) Level

Community Driven Development Committees (CDDC) - This is the third level in the overall institutional structures for implementing NAVCDP. The CDDC will comprise elected leaders representing beneficiaries in the targeted communities. The CDDCs will be formed during the PICD process.. The CDDC will act as the liaison between the Project, and the community (CIGs/VMGs). The CDDCs will access funds in the form of grants for demonstrations and to facilitate the procurement of demonstration materials under FFBS. The CDDCs will also receive the revolving funds for onward forwarding to the SACCOs. In addition, the CDDCs will ensure community mobilization continues beyond the initial stages of the PICD process.

1.2 Financial Management

The World Bank conducted an Financial Management assessment of the implementing entity for the NAVCDP project in the Ministry of Agriculture And Livestock Development through the NARIGP National Project Coordinating Unit (NPCU). The NPCU demonstrated strong capacity through the successful implementation of NARIGP project. The presence of an existing NPCU immensely helped in fast tracking the project preparation process. At the county level, the respective county governments will be the executing agencies through the existing County Project Coordination Units either of NARIGP or KCSAP. The presence of existing strong CPCUs further helps in fast tracking project preparation and implementation. The NPCU and the CPCUs will use the existing FM and Internal audit staff where the performance has been satisfactory, where the capacity require enhancement, both NPCU and CPCUs will ensure deployment of staff with adequate FM capacities are seconded to the units.

The Government (MoALD, NT and the County Governments) will ensure the established reporting and accountability mechanisms at counties and CDDCs are strengthened to ensure the funds disbursed to the Counties are accurately accounted for and reported on a timely basis. The Bank FM Team in close coordination with the Government (National and Counties) will continue to explore avenues through which the FM function may be centralized through dedicated units in the participating counties anchored and fully mainstreamed into the County Treasury function. The units shall be staffed with mainstream FM county staff and will oversee FM function for all Government and Donor funded projects within the respective counties. These centralized units are currently being piloted under KEMFSED.

Project design involves payments of revolving funds and community grants for demonstrations and with inherent FM risks. Detailed Community Financing Manual (CFM) with requisite FM arrangements to govern the implementation of the project activities at the Community Level will be prepared for NAVCDP. There were challenges under NARIGP/KCSAP in timeliness and quality of financial reports submitted by CDDCs to Counties. These were attributed to capacity gaps by CDDCs executive committees. To address the weakness, Wards Administrators were recruited to carry out administrative roles at the CDDCs including support on financial reports preparations and ensuring compliance with all other fiduciary requirements. The staff are expected to be absorbed in Counties payrolls and would also support NAVCDP on financial reporting and ensuring compliance with fiduciary requirements by the CDDCs.

The financial management arrangements have an overall residual risk rating of Substantial, which satisfies the World Bank's minimum requirements under World Bank Guidance to Financial

Management Specialists on Financial Management Arrangements in World Bank Financed Investment Operations, OPCS5.05-GUID.02 issued on February 28, 2017, and, therefore, is adequate to provide, with reasonable assurance, accurate and timely information on the status of the Program required by IDA.

1.2.1 Budgeting

The Project budgeting will be done in accordance with existing GoK procedures. The budget shall be based on the Annual Work Plan and Budget (AWPB) developed by the MoALD. The project planning and budgetary process shall be implemented in accordance with the standard government fiscal year which begins on 1st July of each financial year as provided for by the Public Financial Management Act 2012 and the Government Financial Regulations and Procedures 2013. This will form the basis for defining the Project activities and ensuring that sufficient funds are allocated to achieve the agreed results. There are possible delays by some counties in capturing project activities in their budgets. Coordination timing of the Government budgeting activities/calendar across the three project levels (National, Counties and Communities) may be a challenge. Lack of clarity on functional assignment and balance between the budgeting Centre/responsibility (MoALD) and accountability (Counties). There are challenges of inadequate provisions in printed estimates which limit implementation of activities planned in AWPB. Increased follow up and close collaborations between PAC/CFO and National Treasury will help resolve this.

1.2.2 Accounting

This manual and the Community Financing Manual (CFM) with requisite FM arrangements to govern the implementation of the project activities at the Community Level will routinely be revised to consider emerging FM/fiduciary issues. The NARIGP designated qualified Accountants and Internal Auditors are expected to take up the same roles in the NVCDP otherwise the ministry and counties may have to deploy staff at NPCU and CPCU. The designation of Project Accountants deployed will be based on ToRs agreed with the Bank similar to the NARIGP ToRs. Enhanced social accountability and GAC measures are incorporated as part of project design.

A Management Information System which shall be used for project financial reporting in addition to the use of IFMIS for payments systems at both National and Counties levels will be upgraded. The MIS system was already in use for NARIGP/KCSAP and will continue to be strengthened to effect financial reporting, budget monitoring as per the approved AWPB, matching the expenditure per categories, component and detailed approved activities. NVCDP will engage the

system developer to modify or develop an MIS for the project similar to NARIGP which has been piloted and found crucial in fiduciary management of the project. The Government is also enhancing the IFMIS system for project financial reporting, which once finalized will be adopted for the project.

1.2.3 Internal Controls

The project expenditure initiation, authorization and payments will be in line with Public Finance Management Act 2012 and PFM regulations (2015) of Kenya. Project work plans will be integrated into the internal audit work plans. Internal Audit reports covering project activities will be shared with the Bank on a semi-annual basis ie 30 June and 31 December. Regular internal audit, implementation support, monitoring and reporting will be undertaken. Project and beneficiary information will be mapped out and monitored through the GIS enabled MIS. It is a requirement that the internal audit function of the project at both Counties and National levels samples 30% of all the NAVCDP funded projects. At the CDDCs levels, the executive committee consisting of the chairperson, vice-chairman, secretary and treasurer who oversee the day-to-day operations of the society will be strengthened by the project through tailored capacity building based on identified weaknesses at each CDDCs. Simplified checklists to enhance their work will be provided.

1.2.3 Funds Flow

Project will open and maintain segregated subproject accounts at national and counties levels. As with NARIGP/KCSAP, there will be a PA at the CBK to ring fence the project funds and also a Commercial Bank Account which, based on NARIGP/KCSAP experience, is key to avoid loss of time especially when there is IFMIS downtime. NARIGP/KCSAP initially experienced significant delays in transfers of funds from counties revenue fund (CRF) accounts which has improved with regular follow-ups by NPCU and introduction of sanctions for counties that delay in transferring funds. Counties are required to transfer funds from CRF to project's special purpose account within 15 days and those that fail have their subsequent disbursements withheld until funds are subsequently disbursed. There will be continuous engagement with the MoALD and the NT – Resource Mobilization Department to unlock challenges impacting on the funds flows. The following sanctions will also be implemented under the project to enhance timely and full transfer of funds to project operations accounts.

Working days to transfer funds from CRF to Project Operations Account	Adjustment of disbursable amounts	Remarks
0-15	0%	Funds recovered from the non-complying counties will be accessible to the complying counties
16-25	15% reduction	
26-35	50% reduction	
36-45	75% reduction	
46+	100% reduction	

1.2.4 Financial Reporting

NPCU Project Accountant will be responsible for preparation of financial reports for the project and will produce a consolidated financial report for the project. There have been regular trainings provided to Counties teams for NARIGP/ KCSAP which has improved financial reporting. The dedicated Project Accountants at national and counties levels will be provided with capacity building trainings at the commencement of the project which will include refresher financial reporting requirements among other financial management procedures. NPCU finance team will regularly review financial reports by counties and identify any further tailored support that may be provided. NPCU expects the required financial reports to be submitted (to NPCU) by 15th of the following month after the period end or as may be directed and would further submit quarterly interim financial reports to the Bank within 45 days after end of the quarter. The MIS will help in streamlining the financial reporting for the project as the reports and supporting documents will be submitted electronically.

1.2.5 Auditing

On an annual basis, the financial statements for the project will be audited by the Office of the Auditor General and audited financial statements submitted to the Bank within six months after the financial year end in accordance with Bank's FM guidelines. The OAG audit will include but not limited to CDDCs and SACCOs within CDDCs. The SACCOs with established financial systems will be audited by their appointed external auditors.

1.2.6 Procurement

Procurement arrangements

Procurement under the proposed Project will be carried out in accordance with the World Bank's 'Procurement Regulations for IPF Borrowers', dated July 2016 and revised November 2020 (fourth edition), hereafter referred to as 'Procurement Regulations'; the 'Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants', dated October 15, 2006 revised in January 2011 and July 1, 2016, and other provisions stipulated in the Financing Agreement will be applied for all procurement activities.

Project Procurement Strategy for Development (PPSD)

The Government will prepare a PPSD to address how procurement activities supports the development objectives of the project to deliver the best value for money (VfM) under a risk-based approach. It provides adequate justification for selection methods in the procurement plan (PP). The PPSD includes 18-month procurement plan (PP), which will set out the procurement profile of the project and selection methods to be followed by the recipient during project implementation in the procurement of goods, works, non-consulting and consulting services financed by the project. The PP will be updated at least annually or as required to reflect the actual project implementation needs and improvements in institutional capacity. The PPSD will be updated during the project implementation phase as needed.

Systematic Tracking of exchanges in procurement (STEP)

The project will use STEP during implementation. It is a planning and tracking system which enables automatic publication of the approved procurement plan, publication of notices and contract award information in the World Bank's external website and UNDB. The system has clear implementation road maps with activity start and end dates. It is a tool for monitoring delays, establish benchmarks, and measure procurement performance; and detect and flags any debarred firms when bidder's information uploaded in the system.

Market approach

When approaching the international market, procurement would be done using the World Bank's Standard Procurement Document (SPD). While approaching the national market, as agreed in the Procurement Plan, the country's own procurement may be used, with the requirements set forth or referred to in paragraph 5.3 to 5.6 of the WB procurement regulations related to National Procurement Procedures. At the community level, the Community-Driven Development will apply. Selection Methods, paragraph 6.9 and 6.10 in the procurement regulations. PAD page 67 and 68 summarizes thresholds for procurement and prior review.

Record Keeping and Management

All records pertaining to the award of tenders, including bid notification, registers pertaining to sale and receipt of bids, bid opening minutes, bid evaluation reports and all correspondence pertaining to bid evaluation, communication sent to/with the World bank in the process, bid securities, and approval of invitation/evaluation of bids, would be retained by the implementing agencies and uploaded in the STEP system on a timely basis. In addition, the implementing agencies will keep all complete procurement files for each activity with all the documents from the procurement plan to contract completion including contract monitoring and payment records.

1.1.3 . Purpose and objectives of the manual

The purpose of this manual is to provide the project with guidelines on the standards for financial management in order to ensure effective use of resources.

The basic objectives of the manual are to:

- Describe financial management guidelines that affect the activities of the project
- Provide an outline of key internal control requirements to be established by the project
- Safeguard the project resources
- Ensure consistency in recording and classifying of financial transactions
- Ensure consistency of financial reporting by the project from one period to another.
- Provide quick reference for project management, other staff members and partners including donors and government agencies including internal and external auditors.

1.1.4 Scope of the manual

This manual documents the financial management policies, procedures and guidelines for use by the National, County, Community, farmers, partner agencies, project offices, and other stakeholders who may have an interest or input into the project.

1.1.5 Arrangement of the manual

This manual is divided into two main sections. The first section deals with financial management and the second part deals with Social Accountability. Relevant annexes are provided at the end of this manual.

I.I.6 Roles and responsibilities of NPC, NPA, CPC, CPA:

i) National Project Coordinator (NPC)

Reporting to the Principal Secretary (PS), State Department of Crop Development (SDCD), or a senior official designated by the PS on his/her behalf, the NPC will be the head of the NPCU and shall be responsible for the overall coordination and management of NAVCDP activities, including provision of strategic guidance on the day-to-day implementation of activities in accordance with World Bank's guidelines stipulated in the Financing Agreement (FA) and GoK's fiduciary requirements. He/she will be the Secretary to the National Project Steering Committee (NPSC) chaired by the Cabinet Secretary, MOALD as well as the National Technical Advisory Committee (NTAC) chaired by the PS, SDCD.

Specific Responsibilities:

- Provide effective leadership to the NPCU
- The NPC shall be the AIE holder and is mandated to approve all project related expenditures as per the approved workplans and budgets
- Coordinate and facilitate the preparation and signing of Participation Agreements (PAs) between the MOALD and Governors of the 26 participating counties and subsequent implementation of NAVCDP in the respective Counties in line with the PAs
- Oversee and facilitate the capacity building program for participating county governments by the national implementing agencies
- Act as a liaison between the MOALD and the World Bank Task Team Leader (TTL) and facilitate communication with the National Treasury (NT), Council of Governors (CoG), participating county governments; and other project executing agencies
- Lead the preparation of project Annual Work Plan and Budgets (AWP&Bs) and associated Procurement Plans for the project
- Ensure the effective utilization of project funds and other resources according to the AWP&B and Procurement Plan through supervision and monitoring. This will include supervision of staff of the NPCU (including conducting annual performance reviews) and, in collaboration with the County Project Steering Committees (CPSCs), oversee the activities of the County Project Coordination Units (CPCUs) staff
- Ensure that progress, financial, audit and other reports are produced and submitted to the appropriate parties on a timely basis

- Ensure compliance of the project to all laid down World Bank/GoK guidelines including fiduciary (procurement and financial management), environmental and social safeguards (environmental assessment, natural habitat, pest management, resettlement policy, and indigenous peoples)
- Ensure the timely dissemination of project experience and results to relevant stakeholders within the learning community
- Ensure adequate liaison, synergies and networking with other agencies either working in the project area or potentially concerned with project activities.
- Ensure that an effective communication channel with all 26 participating counties, stakeholders and other donors is established
- Fast-track implementation of the project's investments, assign thematic leads responsibility of constituting panel of experts as and when the need arises. Their role will be to support the NPCU to give technical guidance, capacity building and participate in monitoring and evaluation activities
- Represent the project at relevant functions and meetings
- Serve as Secretary to the NPSC and NTAC
- Implement the decisions of the NPSC and NTAC
- Undertake project completion and financing closing activities when due
- Perform any other duties relevant to the project as may be assigned by the PS or his designated representative
- Recruit or seek for secondment of assistants to all the thematic leads at NPCU as and when required

ii) National Project Accountant (NPA)

Report to: The National Project Coordinator (NPC)

Purpose: The NPA will be responsible for managing project finances in accordance with the requirements of the Financing Agreement and related documents (Project Implementation Manual, Procurement and Financial Management Manual etc.) including verifying the availability of funds against approved work plans and budgets (AWPBs) and all expenditure requests before payments are made. He/she provides leadership to the Project Finance Team and is a member of the management team of the NPCU, providing support to the NPC in overall coordination and management of the project.

Specific Responsibilities:

The roles and responsibilities of the NPA include but are not limited to:

- Develop and put into operation the project financial and procurement system
- Process accurately and promptly all accounting transactions including project payments for planned activities, operating expenses, travel, consultant /vendor payments and other office running expenses
- Prepare timely periodic statement of expenditure (SOE) reports and fund replenishment (Withdrawal Application) requests, carefully checking and inspecting all supporting documents
- Prepare, implement and review the funding of budgeted and actual annual cash flows and ensure adequate follow up on matters needing clarification
- In collaboration with the counties' project accountants and implementing project teams, prepare quarterly and annual financial reports in agreed formats in line with the Financial Management Manual
- Maintain accounts reconciled at any given point in the Project period and avail them including supporting documentation for auditing
- Support the NPCU and CPCUs in the facilitation of external financial audits e.g. OAG, IAD or the World Bank
- In consultation with the Head of the Accounting unit at the Ministry and the NPC, oversee the proper maintenance of the project finance and accounting system in accordance with the PFM and financial regulations and procedures of the National Treasury and the World Bank
- Contribute in the planning and preparation of annual budget and work plans as well as monitoring of the budgeted expenses
- Ensure that project annual work plans are budgeted and included in MOALD overall budget before submission to the National Treasury
- Ensure government internal control procedures are adhered to
- Support county project accountants in all the 26 participating counties
- Provide advice to Project management on accounting and administration matters
- Perform other duties as may be assigned by the NPC

iii) National Assistant Accountant (NAA) – 2 Positions

Report to: The National Project Accountant (NPA)

Purpose: The National Assistant Accountant shall be a member of the project finance team, supporting the NPA to manage project finances in accordance with the requirements of the Financing Agreement and the financial management manual.

Specific Responsibilities

- Preparation of project accounts
- Preparation and submission of periodic financial reports
- Verification of supplier's invoices for payment, including service providers' requests for funds, and timely implementation of payment procedures
- Timely posting of all project accounting vouchers on the accounting software
- Exercise proper custody of all posted vouchers and other accounting documents
- Preparation of withdrawal applications
- Replenishment of operational account with project bank account
- Facilitate financial audits and implementation support missions
- Regular sharing of account printouts by components to the heads of Components for analysis and comments
- Undertake any other duties assigned by the NPA

iv) National Internal Auditor (NIA)

Report to: The National Project Coordinator (NPC)

Purpose: The NIA will work closely with the project fiduciary team at national and county levels to ensure effective procurement and financial management of the project. He/she will be a member of the project management team.

Specific Responsibilities

- Monitor the project financial management, disbursement and procurement policies and procedures and advise accordingly
- Determine internal audit scope and develop internal audit annual plans
- Coordinate the work of internal audit staff in participating counties and other executing agencies

- Obtain, analyze and evaluate accounting documentation, previous reports, data, flowcharts etc.
- Prepare and present reports that reflect audit results and document process
- Act as an objective source of independent advice to ensure validity, legality and goal achievement
- Identify loopholes and recommend risk aversion measures and cost savings
- Maintain open communication with project management and audit committee at national, county and community levels
- Document process and prepare audit findings memorandum
- Conduct follow up audits to monitor management's interventions
- Engage in continuous knowledge development regarding sector's rules, regulations, best practices, tools, techniques and performance standards

v) County Project Coordinator (CPC)

Reporting to: Chief Officer in charge of county department of Agriculture, Livestock, Fisheries and Cooperatives.

Purpose: The CPC will be the head of the CPCU and shall be responsible for the overall coordination and management of NAVCDP activities within the county. For day-to-day implementation of activities and strategic guidance, the CPC will however also maintain a direct reporting line to the National Project Coordinator (NPC).

Specific Responsibilities

- Provide effective leadership to the CPCU
- The CPC shall be the AIE holder and is mandated to approve all project related expenditures at the county level as per the approved workplans. Serve as the secretary to the County Project Steering Committee (CPSC) chaired by the County Executive Committee Member (CEC) in charge of the county department responsible for agriculture, livestock, fisheries and Cooperatives
- Act as a liaison between the county government, the national government and other national-level project executing agencies on matters related to implementation of the project within the county
- Lead the preparation of county-level project Annual Work Plan and Budgets (AWPBs) and associated Procurement Plans for timely submission to the NPCU for consolidation

- Coordinate and facilitate the preparation and signing of Memorandum of Understanding (MoUs) between the county government and all participating Beneficiary Communities in the county for implementation of NAVCDP activities in their respective communities
- Ensure the effective utilization of project funds and other resources within the county according to the approved AWPB and Procurement Plan through supervision and monitoring. This will include supervision of staff of the CPCU (including conducting annual performance reviews) and, in collaboration with the Community-Driven Development Committees (CDDCs), oversee the implementation of community sub-projects in all participating Beneficiary Communities
- Coordinate timely preparation and submission of county progress, financial and other reports to the NPCU
- Ensure compliance of the project within the county to all laid down World Bank/GoK guidelines including fiduciary (procurement and financial management), environmental and social safeguards (environmental assessment, natural habitat, pest management, resettlement policy, and indigenous peoples)
- Ensure the timely dissemination of project experience and results to relevant stakeholders within the learning community within the county
- Ensure adequate liaison, synergies and networking with other agencies either working in the project area or potentially concerned with project activities within the county. This will include synergy with relevant departments in the county
- To fast-track implementation of the projects' investments, assign thematic leads responsibility of constituting panel of experts as and when the need arises. Their role will be to support the CPCU to give technical guidance, capacity building and participate in monitoring and evaluation activities
- Ensure that an effective communication channel with the national government, other participating counties (where such coordination/collaboration is applicable), county stakeholders and participating beneficiary communities is established
- Represent the project at relevant functions and meetings within the county
- Secretary to the CPSC and any of its sub-committees which may be constituted in accordance to the PIM

- Implement the decisions of the CPSC within the county
- Undertake project completion and financing closing activities within the county when due

Perform any other duties relevant to the project as may be assigned by the NPC

vi) County Project Accountant (CPA)

Report to: The County Project Coordinator.

Purpose: Responsible for managing county project finances in accordance with the requirements of the Financing Agreement and related documents (Project Implementation Manual, Procurement and Financial Management Manual etc.) including verifying the availability of funds against approved county work plans and budgets (AWPBs) and all expenditure requests before payments are made.

Specific Responsibilities:

- In close liaison with the NPA and County Finance Departments, develop and put into operation the project financial and procurement system within the county
- Process accurately and promptly all county accounting transactions including project payments for planned activities, operating expenses, travel, consultant /vendor payments and other office running expenses
- Prepare timely periodic county statements of expenditure (SOE) reports and fund replenishment requests, carefully checking and inspecting all supporting documents
- Prepare, implement and review county funding of budgeted and actual annual cash flows and ensure adequate follow up on matters needing clarification
- Prepare quarterly and annual county financial reports in agreed formats in line with the Financial Management Manual
- Maintain county accounts reconciled at any given point in the Project period and avail them including supporting documentation for auditing
- Facilitate external financial audits of the project in the county e.g. OAG, IAD or the World Bank
- Contribute in the planning and preparation of county annual budget and work plans as well as monitoring of the budgeted expenses

- Ensure government internal control procedures are adhered to in management of the project in the county
- Perform other duties as may be assigned by the CPC or the NPA

vii) County Project Internal Auditor (CPIA)

Report to: National Project Internal Auditor (NPIA)

Purpose: Work closely with the county project fiduciary team to ensure effective procurement and financial management of the project.

Specific Responsibilities:

- Monitor the project financial management, disbursement and procurement policies and procedures and advise accordingly
- Determine internal audit scope and develop internal audit annual plans
- Coordinate the work of internal audit staff
- Obtain, analyze and evaluate accounting documentation, previous reports, data, flowcharts etc.;
- Prepare and present reports that reflect audit results and document process
- Act as an objective source of independent advice to ensure validity, legality and goal achievement
- Identify loopholes and recommend risk aversion measures and cost savings
- Maintain open communication with project management and audit committee at county and community levels
- Document process and prepare audit findings memorandum
- Conduct follow up audits to monitor management's interventions
- Engage in continuous knowledge development regarding sector's rules, regulations, best practices, tools, techniques and performance standards

1.1.7 Responsibility for the Manual

The National Project Accountant (NPA) is responsible for maintaining the accuracy of the information in the manual and for ensuring that it is updated as and when necessary.

1.1.8 Revisions to the Manual

Revisions to the Manual will be issued as and when necessary to take account of:

- Changes in Legislation
- Changes in International Public Sector Accounting Standards (IPSAS)
- Changes in the Project's Accounting Policies

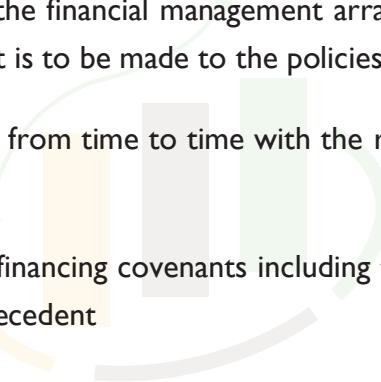
When revisions to the manual are made, the replaced sections of the manual should be removed and destroyed. To ensure completeness of revisions an index of changes since the beginning of the year will be issued with each set of revisions.

1.1.9 The Project management structure

The project management structure presented in figure 1 below should always be put into consideration when considering the financial management arrangements (figure 2) in place, and particularly when any amendment is to be made to the policies and procedures.

The FM Manual may be amended from time to time with the recommendation from the NPCU and clearance from the Bank.

Any changes that contradict the financing covenants including the Financing Agreement and the DFIL, the covenants shall take precedent



NAVCDP

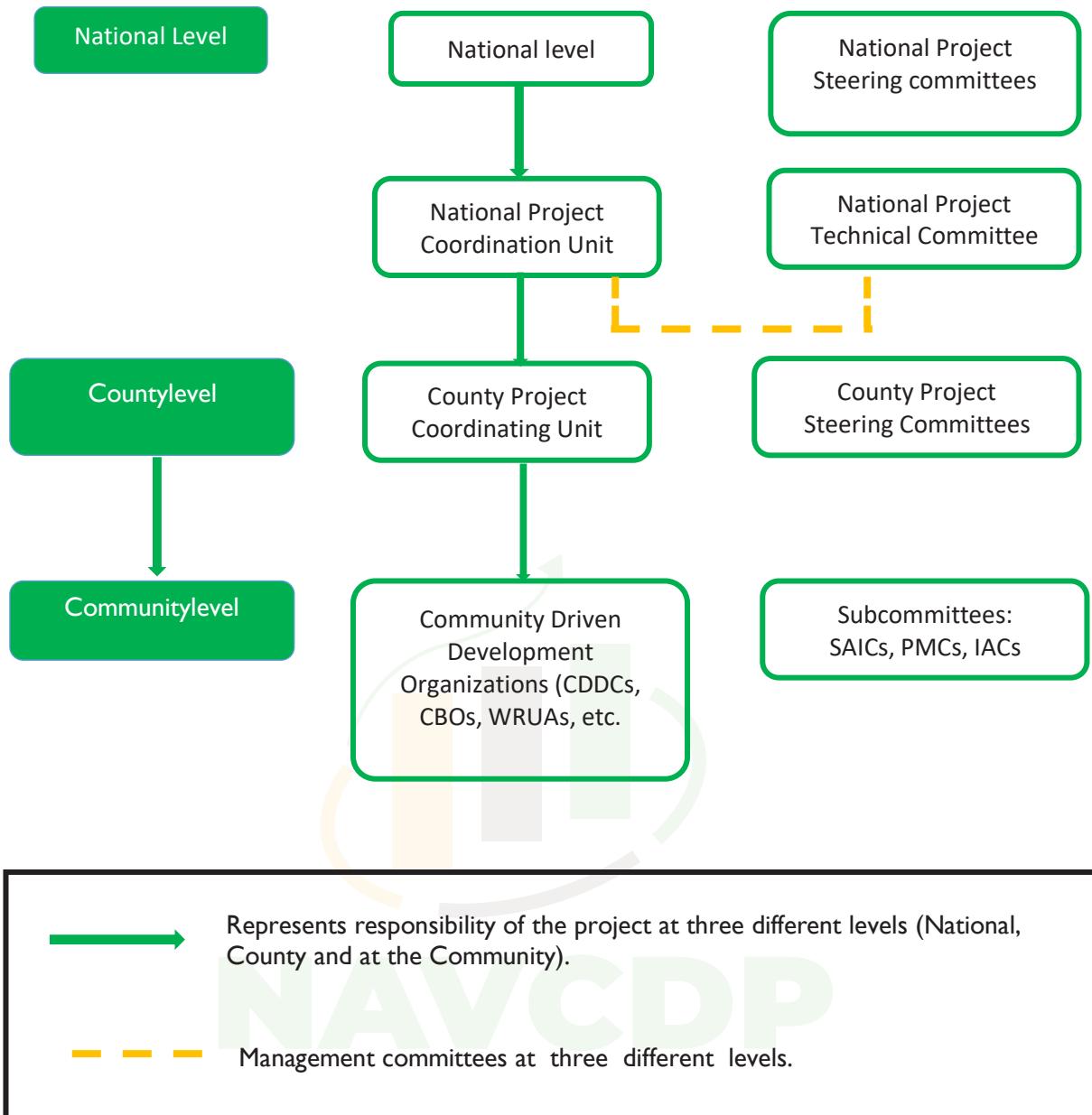


Figure 1: Management Structure: NAVCDP

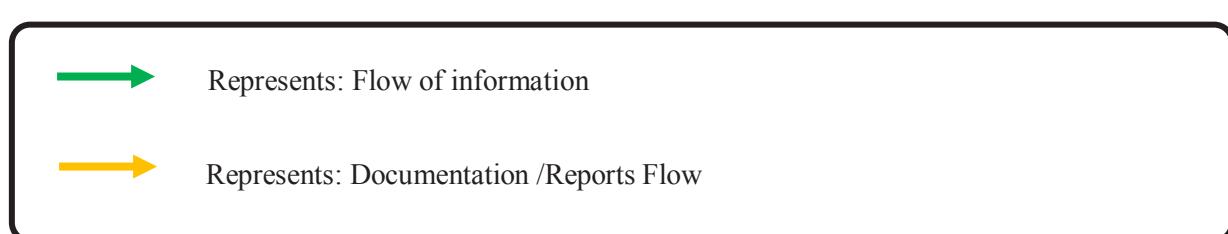
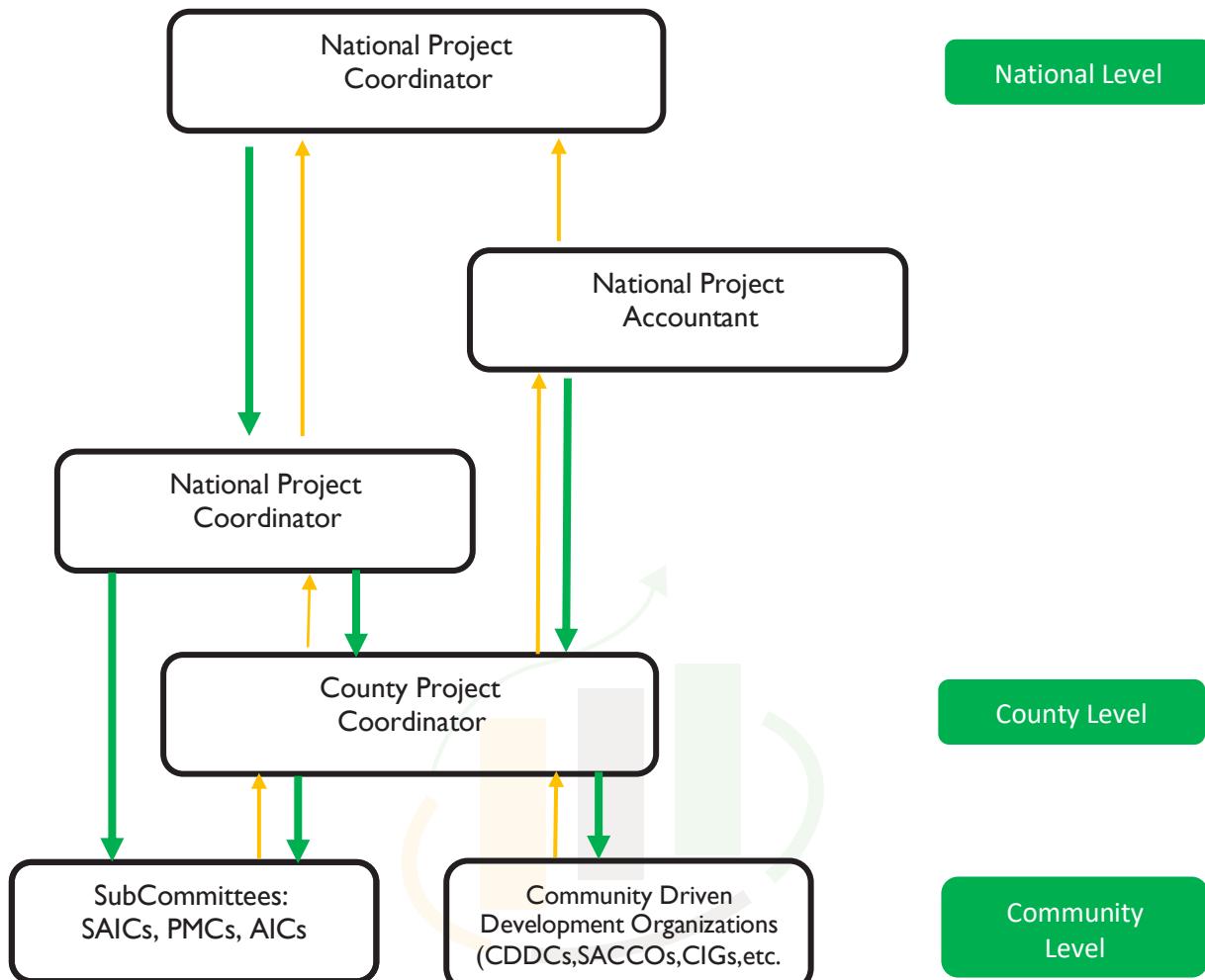


Figure 2: NAVCDP Financial Management Implementation Structure

2.0 ADMINISTRATION AND USE OF THE FINANCIAL POLICIES AND MANUAL

2.1 FINANCIAL MANAGEMENT OF NAVCDP

Introduction

Outlined in this section are the operational processes necessary to manage the financial aspects of the NAVCDP. The processes are based on prevailing Government Financial Regulations and Practices, which are formulated on sound and generally acceptable principles in accordance with the International Public Sector Accounting Standards(IPSAS), Public Finance (Administration and Management) Regulations 2013 and the World Bank guidelines on financial management and disbursements.

The objectives of putting in place the project financial management structures are to:

- Describe the basic financial guidelines.
- Put in place systems and policies that will safeguard project assets.
- Simplify the process of producing financial information.
- Enhance the financial and operational performance.
- Improve accountability to all external parties including government, donors, beneficiary communities, auditors and other stakeholders.
- Prepare the CDCs/Farmers for long-term financial sustainability.
- Provide a reference and training guide for project staff, CDC members, communities and other interested parties.

The financial management arrangements for the project are:

- Planning and budgeting
- Funds flow
- Accounting Policies and Procedures
- Financial reporting
- Internal control, and
- Auditing

Financial management arrangements will be put in place to provide assurance that the project funds are used for the purposes for which they were granted. As part of the project preparation, appropriate measures were undertaken to identify and document risks and propose mitigation measures. The risk assessment matrix is presented under the section on internal controls. The section ends with social accountability approaches employed in the Project

2.2 PLANNING AND BUDGETING

Each County and the National Office will undertake the planning and budgeting activities at the same time. Each office will undertake a detailed review of activities to be undertaken and cost each activity. They will then prepare a detailed budget taking into account, the expected outputs. These activities will be aligned to the Project Implementation Plan (PIP) approved as part of the financing agreement. The plans will provide details of the following;

- Component
- Outputs - A description of outputs that will result from the planned activities
- Indicators
- Key Planned Activities - with adequate descriptions to enable readers of the plan to easily distinguish between different activities
- Sub activities
- Inputs
- Units
- No of units
- Total Cost
- GFS Codes
- Category
- Responsible - Implementing office
- Time Frame - Period in which each output is expected
- The fiscal year under consideration;

The County Coordinator will work with Component coordinators, the County Project Accountant and the Procurement Assistant to gather the necessary activity and costing information from all other units. The respective budgets and work plans from each community will then be forwarded to CPCU by 15th February of each year for compilation by the Head of Finance. Once compiled, the budget will be discussed by the CPCU and necessary amendments

made in consultation with the community offices. They will submit this budget to obtain funds through the standard GoK MTEF process.

Once the budget is approved, the printed estimates will be availed to the County coordinators by the CPCU for presentation to the County Project Steering Committee (CPSC). AIEs are then obtained by the NPCU from the Accounting Officer, the Principal Secretary, State Department for Crop Development and Agricultural Research. The NPC will then delegate the Authority to County Project Coordinators.

At community level, members will be trained on the budget preparation process in order to enhance their capacity to raise additional funding from other partners and also increase the chances of being self-reliant. In building their respective budgets, community-projects will be allowed to adjust their annual budgets by a maximum of 15% between the various budget items. This variation is subject to the provision that the total allocated grants shall not be exceeded.

Where a micro project requires to exceed the 15% variation in anyone line, written submissions seeking approval will be prepared and sent to the CPCU through the respective community offices. The CPCU will only approve such requests if it can be demonstrated that such amendments will be necessary to successfully finalize project activities.

In order to ensure that microproject activities are not unduly delayed during this approval process, the CPCU will be expected to make a determination on the approval request within 14 days of receipt by the community office. Such approvals will be communicated to the micro project in a letter laying out the revised budgets and setting out any conditions necessary to safeguard project funds.

To ensure that communities can manage and control their funds, a budget control form will be prepared at the end of each month. The budget control forms will be updated monthly by the micro project Treasurer and reviewed by the CDDC Chairman and the chair of the Monitoring Committee.

2.3 FUNDS FLOW

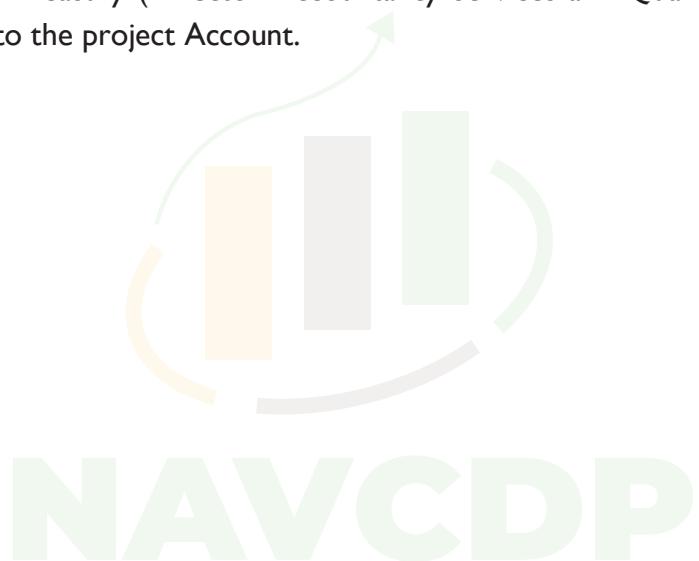
2.3.1 Project level

Funding for the Project will flow from two sources, IDA and GOK (National and County). An initial advance from the IDA credit will be deposited in a Designated Account through a Withdrawal Application submitted by the NPCU through the National Treasury (ERD/RMD). The

Designated Accounts are denominated in Euro. Subsequent replenishments of the Designated Accounts will be made on the basis of submission of a Withdrawal Application accompanied by a Statement of Expenditure(SOE) seeking reimbursement of expenditure already incurred during the previous period. For disbursement purposes, the project will adopt the reimbursement (SOE)system. The quarterly Interim Financial Reports (IFRs) will only be used for monitoring project financial progress and periodic financial reporting, but not to effect disbursements in to the project.

The Special Account will be opened and maintained in Central Bank of Kenya or any other bank acceptable by IDA in line with the PFM Act 2012, on terms and conditions satisfactory to IDA, including appropriate protection against set-off, seizure and attachment.

Another Exchequer Requisition will be prepared for the release of GoK counter-part funds and sent to the National Treasury (Director Accountancy Services and Quality Assurance) for the release of the funds to the project Account.



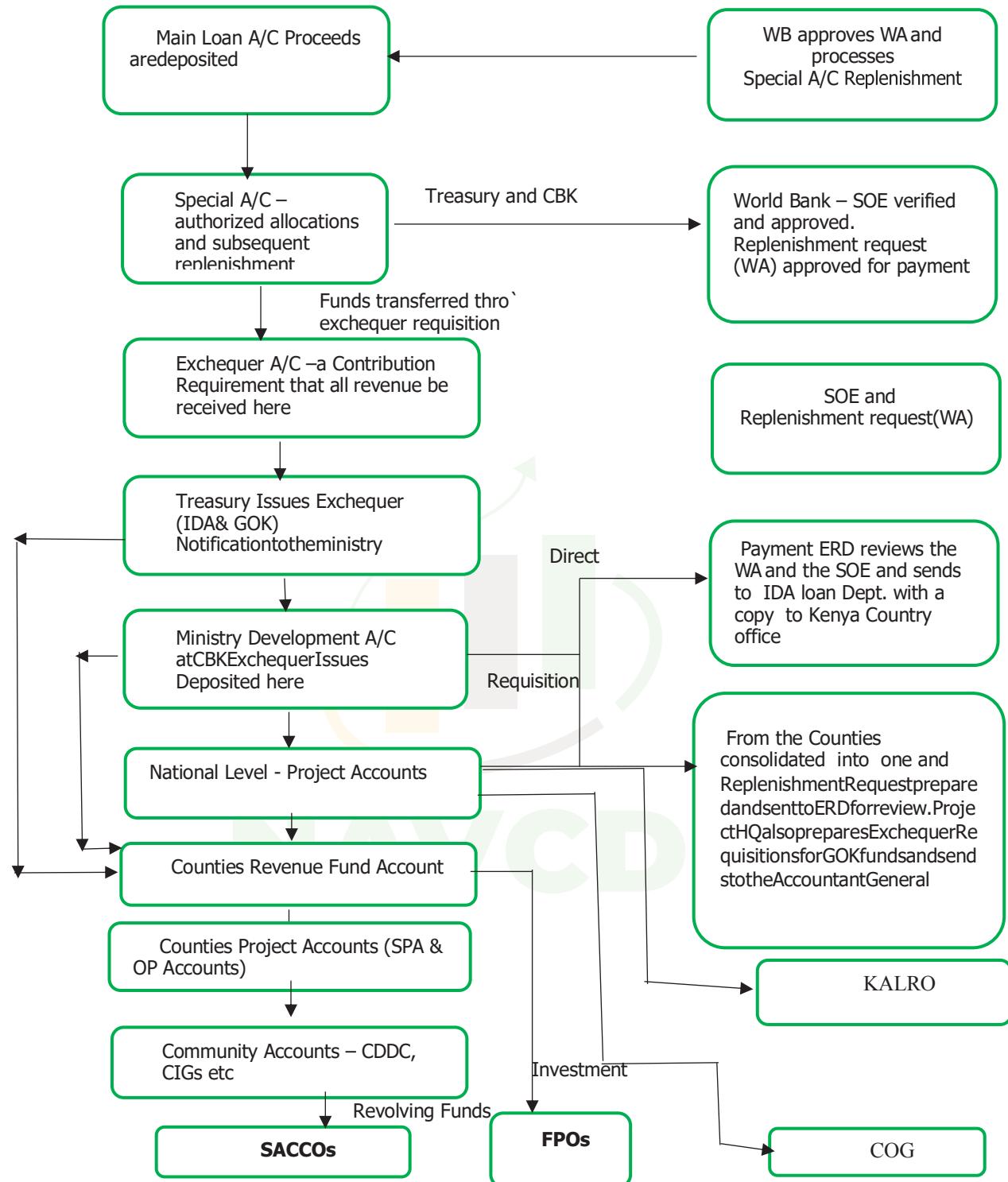
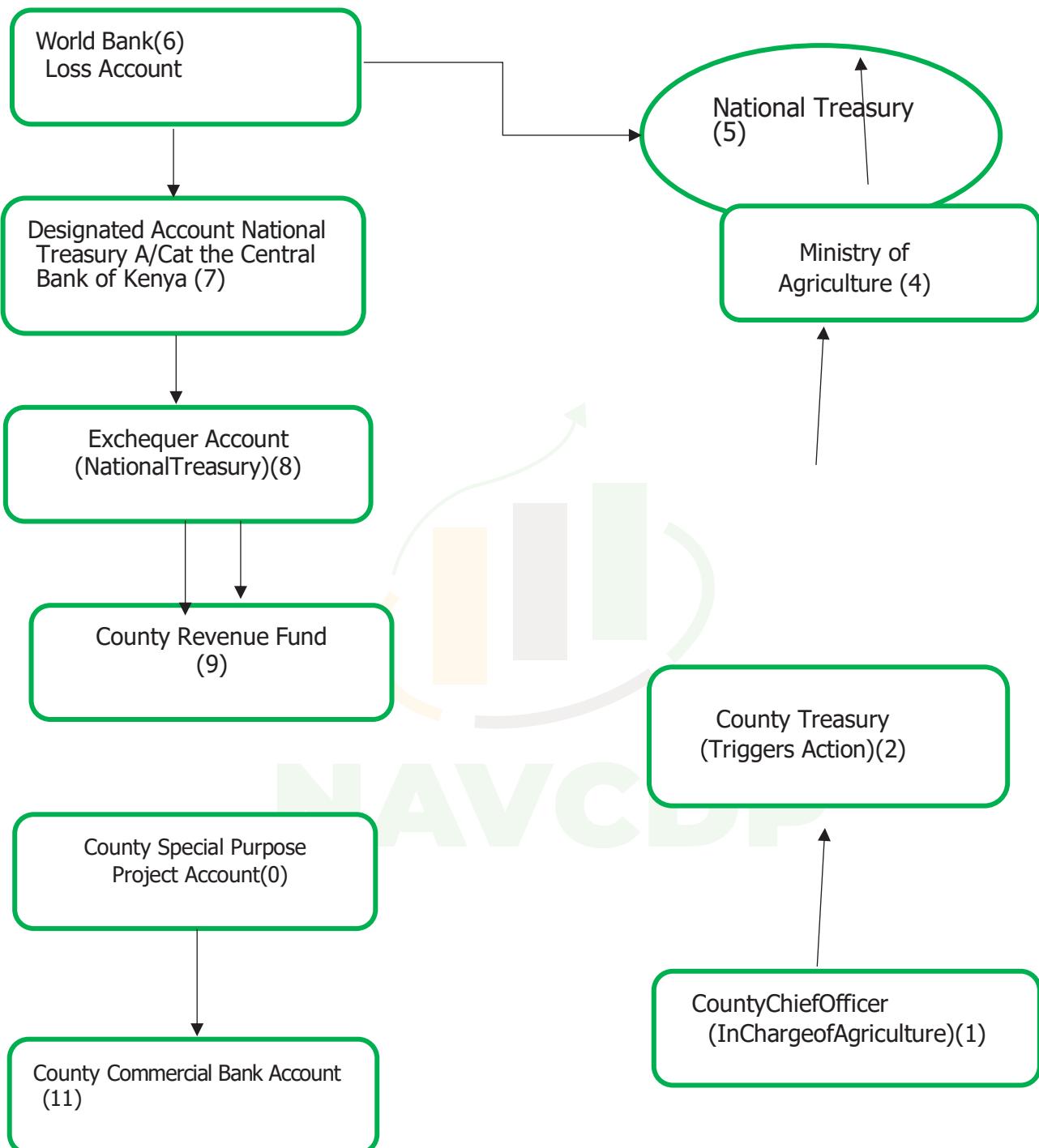


Figure3: Funds Flow: NAVCD Project

Figure 4: Funds Flow to Counties

2.4 Bank Accounts

Opening, operating and closing of bank accounts

The project shall operate three Euro designated bank accounts (DA A, DA B and DA C). DA A will be used for disbursing resources to the counties while DA B will be for implementation of activities. DA C will become effective incase an emergency is declared as per the project documents.

The Project shall comply with the requirements of the PFMA and PFMR in regard to the opening, operating and closure of bank accounts. The relevant sections are as follows:

- (a) *Section 28(1) of the Public Finance Management Act, 2012 which states that “The National Treasury shall authorize the opening, operating, and closing of bank accounts and sub accounts for all national government entities...”*
- (b) *Section 104(1) of the Public Finance (Administration and Management) Regulations, 2013 which states that “National Government entities...shall not open and operate a bank account without the written approval of the National Treasury... except where it is explicitly provided in an Act of Parliament and previous approvals shall continue to apply unless revoked by the National Treasury...”*
- (c) *Section 28(4) of the Public Finance Management Act, 2012 which states that “An accounting officer for a national government entity shall not cause a bank account of the entity to be over drawn beyond the limit authorized by the National Treasury or a Project Management of a national government entity, if any”.*

As far as practically possible and in line with best practices, the Project shall operate separate bank accounts for each project implementing entity at the national and county levels. In addition, every participating community will be required to open a separate bank account where funds from the project will be channeled and payments for project activities made from.

All cheque books shall be stored in the strong room, safe or strong box and locked up until the need arises for their use. Spoiled or voided cheques shall be stamped 'CANCELLED' and retained. The cancellation shall be noted in the Cash Book.

National Level

Once the necessary approvals have been received, the project bank accounts will be opened. At this level, the signatories will be the National Project Coordinator, National Project Accountant and a third signatory as appointed by the NPC. The general mandate is that at least two signatories to sign cheques, with the NPC being a mandatory signatory.

a) County Level

Signatories to the accounts will be the County Project Coordinator and Mandatory, County Project Accountant, and either the Accounting Officers Finance or Agriculture as alternate signatories. Two signatories are required for each payment, with the County Project Coordinator being the only mandatory signatory.

The NPCU will request for timely release of both the IDA and GoK counterpart funds to ensure funds are available for disbursement when so required

b) Release of Funds to the Counties

The financial year for the Project follows the normal GoK fiscal year running from 1 July to 30 June. Release of initial funds to the counties will be based on the AWPBs and the subsequent disbursements will be based on the SOEs.

Vote books will be opened at the County levels by the respective County Project Accountants. In these vote books, allocations will be posted against each expenditure item. In addition, a cash book will also be opened to record the fund activities. Expenses incurred at the head-quarters, including payments which exceed the project DA ceilings will be processed by the NPCU for payment by the donor. Replenishment of County and NPCU Bank Accounts

Subsequent disbursements to the will be based on SOEs. No funds will be released to a County when the said county has not submitted a satisfactory SOE. All quarterly IFRs should be forwarded to the NPCU by the 30th day of the subsequent month without exception.

c) Release of funds to Partner Agencies

The project will make arrangements with implementing partner agencies on the modalities of releasing funds mainly through the participation agreement. This arrangement will be based on a number of criteria including the duration of the implementation partnership, size of the fund being administered on behalf of the project and the institutional capacity of the partner agency.

Payments may therefore be made in advance or in tranches based on the agreement entered into. Release of subsequent funds to a partner agency will be largely tied to the timely submission of financial and technical reports. The final payment will be made after approval of the final report and acceptance of the intervention by the beneficiary community.

d) **Community Level**

Community Contributions

Apart from communities engaged directly in activities enhancing natural resource management, all other communities will be required to make a community contribution equivalent to 30% of the total project grant. Those engaging in natural resource management in the catchments will be expected to make a contribution of only 5% as their community contribution. Contributions may be provided in cash or kind, but in the case of those contributing the 30%, a sum equivalent to 5% of the total grant must be in cash.

The contribution in kind will be converted into monetary value and recorded in the project financial records. The determination of the monetary value be done by through valuation by government valuers.

Each CDC will be expected to keep proper and verifiable records of all such contributions in a Community Contribution Book. The minimum details to be captured include;

- Name of community project
- Date of contribution
- Contributor's name
- Contributor's Identity card number
- Amount in Kes
- Quantity of contribution and estimated monetary value in Kes
- Unit and Total costs

While different approaches may be used in keeping track of contributions based on the type of contribution, those focusing on cash contributions are expected to monitor cash received, cash balances, and payments made. For in-kind contributions, this will depend on whether the contribution is measured by input (for example, the number of unskilled labour days), or output (for example, length of water piping laid or depth of well dug).

The PMC is responsible for maintaining the Community Contribution Book.

e) Processing of Funds for Community -Projects

i. Pre-Disbursement Activities

After approval of the grant proposal, the CPSC will authorize the CPCU to provide feedback to the CDDCs and facilitate the disbursement of funds for the approved micro-projects.

The CPCU will inform the CDDC on proposals approved by the CPSC and request them to undertake the following:

- Open a current bank account for the , account number and list of signatories. Signatories will be the CDDC Chairman, Treasurer and Secretary
- Furnish evidence of the mobilized community contribution, including the 5% cash. The CPCU will then sign a Memorandum of Understanding (MOU) and financial agreement with the CDDC on behalf of the CPSC, which will form the basis for the disbursement of funds.

ii) Disbursement of Community Project Funds

- Once the account opening conditions have been met, the CPCU will process the approved funding requests and transfer the funds to the CDDC bank account.
- CIGs will not receive project funds directly but will make requests to the CDDC for funding based on their approved budget
- A site visit will be undertaken by the CPCU to validate the completed micro-project activities. In addition, the Social Audit and Integrity Sub-Committee will certify that the PMChas completed all the activities as per the milestones indicated below.

Table I: Milestones for funds disbursements to communities

Disbursements	Milestones
The amount requested for implementing activities as per the approved community micro-project proposal.	<ul style="list-style-type: none">a) Memorandum of Understanding signed between the CDDC and NAVCDPb) Community micro-project proposal has been approved by the CPSC.c) 30percent community contribution (and specifically the 5% cash) is available.d) The CDDC has opened a current bank account, with at least three signatories, and received a cheque book.e) The procurement, inspection and acceptance, finance and Social Audit and Integrity Sub-committees have been formed, trained and are operational.f) The PMC has been formed and is operational.

3.0 ACCOUNTING POLICIES AND PROCEDURES

3.1 INTRODUCTION

This section of the manual details the key accounting policies and procedures adopted by the Project. The policies are considered appropriate to the circumstances of the Project and best suited to present fairly its financial position without conflicting both Gok and World Bank financial regulations and procedures. The accounting policies and procedures are as stipulated in the PFM Act and World Bank regulations on IPF financing.

No amendment to the manual shall be permitted without the approval of the NPC and the World bank. Where a need to amend an accounting policy or adopt a new policy arises, the process of amendment/adoption of the policy shall be initiated by the NPA, who shall prepare a detailed paper justifying the need for the amendment/adoption of the policy. The paper shall be approved by the NPC before it is presented to the World Bank for review and approval.

3.2 TERMS AND CONDITIONS

Generally, most donors require Loan/Grant recipients to comply with terms and conditions contained in the Loan Agreement (LA) signed by both parties. The Agreement will stipulate the procedures that the loan/grant recipient should follow in administering and accounting for the funds.

Unless the terms and conditions contained in the Agreement are inconsistent with the PFMR, 2013, the Project shall comply with those terms and conditions.

Where the Agreement is not in place or clear, the Project shall ensure compliance with Generally Accepted Accounting Principles, PFMR, 2013 and any other relevant Government circulars and instructions.

Where possible, the funds shall be disbursed through the Revenue mode of disbursement. Use of Appropriation-In-Aid mode of disbursement shall only be encouraged on condition that development partners undertake to submit expenditure returns in a prescribed format acceptable to the recipient.

Prior to commencement of projects, acceptable work plans shall be prepared by project implementers and shared with the National Treasury.

3.2.1 EXPENDITURE

These are expenses that arise in the course of spending money on goods and services in executing Project's activities. Standard Expenditure will be incurred in line with normal GOK/IDA procedures and only on activities which have been captured in the Project Work Plan& Budgets and the Procurement Plan. Special attention should be given to Schedule of the Development Credit Agreement (DCA), which stipulates the percentage of financing by IDA/GoK for each category of expenditure. For each payment a single payment voucher will be prepared.

a) General Expenditure Process

As part of accounting process, each payment voucher passes through a number of review steps. These include;

- Purchase requests are made in line with approved AWPBs items.
- Departments liaise with Finance to ensure that purchases are only made for approved line items.
- Purchase requests are approved by the respective departmental heads.
- All purchase requests are reviewed and approved by the National Project Coordinator, or CPC for the County
- The acquisitioning departments request for purchase of items using memos that are approved by the National Project Coordinator or CPC in the County
- The AIE Holder will be -The NPC in the case of NPCU expenses and CPC for the County.
- Vote Book Accountant—who confirms availability of funds
- For payment of goods/services/work, the procurement officer certifies/confirm that the goods have been received and entered in the relevant stores records and services have been rendered.
- The procurement officers certify that repairs have been done and entered in the vehicle's logbooks.

b) General Payment Procedure

Finance department will subsequently effect payment by preparing a payment voucher upon receipt and verification of all necessary documents. In so doing, Finance department will perform the following:

- 1) Ensure that a valid and appropriately authorized and approved LPO/LSO/ contract with the supplier is in place.
- 2) Match details in the LPO/LSO/contract with a Goods Received Note (GRN) issued by an authorized NAVCDP officer. For works/services rendered, the relevant HOD must acknowledge in writing that the works/services have been delivered to their satisfaction and to the specifications in the LPO/LSO/ contract.
- 3) Check the supplier's invoice/fee note for accuracy.
- 4) For projects involving construction and related works, ensure that a Certificate of work done/Completion issued by relevant Government entity or other competent authorities in place.
- 5) Where the Project is required to retain taxes (e.g. withholding tax on consultancy fees), ensure that the correct amount has been deducted and remitted to KRA. All the above checks shall be evidenced in writing.

Eventually the NPA or County Accountant also reviews and authorizes the payment voucher. Payment vouchers shall be pre-numbered and prepared in triplicate and distributed as follows:

- 1) Original – to be retained in Finance department and filed in the payment vouchers file;
- 2) Duplicate – to accompany remittances to supplier/payee; and,
- 3) Triplicate – to remain as a permanent record in the booklet.

The payment vouchers shall be typed and contain adequate narration of the particulars of the goods/services/works procured and being paid for. The amounts on the voucher shall be written in words as well as in figures in indelible ink.

The officer-in-charge of payments shall ensure that the payment vouchers are properly supported with all the relevant documents and approved by the authorized officer before payment is processed. All supporting documents shall be stamped "PAID" Where applicable, duly signed certificates for withheld taxes shall be forwarded to the service provider together with the payment voucher and the cheque.

For suppliers with whom the Project has credit facilities, the NPA/CPA shall prepare reconciliation between the balance shown in the supplier's monthly statement and the balance in the Project's accounts before payment is made. The reconciliation shall be part of the supporting documents presented to the cheque signatories at the time of signing the cheques. Signed cheques shall be recorded in a register before they are collected by the supplier; the person who collects the cheque should sign for it and record his/her details, including their ID number.

Payment vouchers and their supporting documents should be filed systematically to facilitate easy retrieval. Access to the payment voucher files shall be restricted to authorized persons only.

c) Remittance of Statutory Deductions and other Levies

Statutory deductions (PAYE, NSSF, NHIF, HELB, etc.) and any other levies payable by the Project shall be paid to the relevant institutions within the stipulated timeline to avoid penal-ties being levied against the Project. The NPA and the CPAs at the County level shall also ensure that documentation required to accompany payments to the relevant authorities is properly and accurately completed.

d) Payment of allowances to Project Management members

Subsistence Allowances payable to Project Management members and/or any government officer called up on to undertake any task for the project shall be paid in accordance with the rates provided in the relevant circulars issued by the Government and the World Bank for the days they are on official duty.

The project shall not pay any mileage allowance to anybody under any circumstances. Any claim for reimbursement of subsistence allowance for an activity/trip undertaken without prior approval of the NPC shall not be accepted.

Reimbursement of airfare/bus fare /taxi paid directly by a Project Management member to attend meetings of the Project shall only be done upon the member submitting appropriate supporting documents to the Project together with the letter of invitation for the meeting. The supporting documents in the case of airfare must include the boarding pass issued by the airline, in the name of the Project Management member for that particular trip.

Payment vouchers in the name of the Project Management members shall be written and approved by the NPC. Cheques for the net amount payable shall be prepared and signed by the signatories. A copy of the payment voucher and the cheque shall be given to the respective beneficiary, who will sign the cheque dispatch register to acknowledge receipt.

Payment of any other allowance to Project Management members shall be guided by the relevant circulars issued by the Government and the World Bank from time to time.

e) Compliance with KRA Requirement

The Project shall only engage in business with suppliers who are registered for VAT and have both PIN and Tax compliance certificates. This applies to suppliers of vatable goods and services. Officers making payments on behalf of the Project shall ensure that they obtain ETR receipts.

Expenditure on goods and services shall be incurred within the total budgeted expenditure limits. The NPA/CPA shall ensure that the requirements of the VAT Act with regard to VAT administration and accounting are adhered to. They must also ensure that withholding tax on consultancies and civil works is deducted and remitted to KRA promptly as recommended by KRA guidelines.

f) Expenditure incurred at (NPCU)

The payment vouchers relating to NPCU expenditure will be prepared by the NPA and then signed/approved by the NPC who is the authorized AIE Holder and in his absence by the Alternate AIE holder. The vouchers be will be examined, committed or charged in the Vote book by the NPA. The NPA will authorize payment. The paid vouchers will be batched on a weekly basis and keyed into the ledgers. The NPA will submit the captured data in 'soft 'form on a monthly basis for it to be in corporates in the Ministry's IFMIS system.

g) Custody of payment vouchers/documents at Project level

After the data capture, the NPA will ensure that the paid vouchers are filed in accordance to the cash book numbers in readiness for the annual Audit.

3.2.2 Expenditure under Component One: Building Producer Capacity for Stronger Value Chains

Once the MoU between the Project and the Producer Organization (PO) is signed, the PO will submit a copy of the MoU, CPSC minutes, copy of the registration certificate, and a proposal to

the CPA. A payment voucher is then prepared by the CPA. A cheque will be drawn in favor of the PO. A voucher for this transaction is then entered into the main cashbook. The voucher will then be keyed into the ledger. The PO will incur expenditures as per their budgets and procurement guidelines, make payments, and post the same into their cashbook and ledgers.

a) General Payments Principles

POs should pay their contractors, suppliers, or service providers using the following procedures:

- Identify the expenditure to be made by referring to the approved proposal and work plan;
- Prepare a voucher
- Write the expense item on which money has to be spent
- Obtain signatures of the signatories of the PO
- Obtain the signature of the contractor, supplier or service provider on receipt
- File the voucher and signed receipt in a safe place.

b) Payment Procedures

- All payment vouchers will be prepared by the POs in line with their existing financial procedures.
- Vouchers will only be prepared if the necessary supporting documents including payment requisitions, quotations, invoices, LPO/LSOs, and delivery notes have been availed.
- Once the payment vouchers are ready, they will be passed on to the NPA/CPA for review and approval.
- Cheques will only be drawn once the payment vouchers have been approved, and sent to the various signatories for signature.
- The supplier shall provide a receipt as acknowledgement that they have received their cheque(s).
- Where the supplier does not have a receipt due to the informality of their business, they will append their signature to the payment voucher, providing their full names and identity card number of the individual collecting the cheque.
- Payments details will immediately be recorded in the cashbook.

c) Accounting at PO Level

The PO HoD finance is responsible for keeping and updating the accounting books and other financial records. Each cashbook has a receipts and payments side.

d) Separation of Financial Responsibilities

As far as is practicable, financial accounting responsibilities should not be carried out by one person. Examples of such transactions include:

- recording transactions into the books of accounts
- authorizing transactions
- receiving or expending funds
- recording alterations or adjustments, and
- reconciling financial system transactions

e) Obtaining receipts for all payments

The NPA/CPA should keep receipts for all expenses in proper order. Issuance of a receipt is the responsibility of the person providing goods or services to the PO. However, there are cases when a formal receipt is not possible. In such a case, the NPA/CPA should prepare an unofficial receipt and obtain the person's signature or thumb impression.

Official receipts are provided by the person or seller from their own receipt book after being paid for their services.

Unofficial receipts are acceptable when a person or seller does not have his/her own receipt book. This is usually the case with laborers and small sellers. Unofficial receipts should provide information on the identity of the seller receiving the money, the purpose of payment, location where the payment was made, date of payment, the amount of payment, and the signature or thumb impression of the recipient. Receipts should have a number provided by NPA/CPA. Receipts should be kept in original and in dated order. The Procurement section should issue a goods received note to the supplier and keep a copy in records.

f) Preparation of Financial Records

Accounting records should be prepared on a monthly, quarterly, and annual basis in order to maintain control over the project resources as presented below.

Table2: Periodic financial tasks for communities

Daily tasks	Monthly tasks	Annual tasks
<ul style="list-style-type: none"> • Receipting incoming money using pre-numbered receipt books. • Banking of funds received. • Writing cheques based on approved payment vouchers. • File all payment vouchers. 	<ul style="list-style-type: none"> • Check that all payment vouchers have been filed in numerical order. • Updating the cash book. • Prepare Bank Reconciliation Statements. • General summary on micro project financial position produced for community members. • Budget control form filled OUT 	<ul style="list-style-type: none"> • Prepare a financial statement, giving a complete picture of the income, expenditure, and balance for that year. • Organize records to enable the undertaking of an independent audit, if it is required. • Prepare a listing of all assets and liabilities for the Project.

g) Record Keeping at PO Level

It is crucial that financial and related records are kept and maintained in all aspects of the project as records form an integral part of good management systems. Records must be kept in a safe location and in a systematic way for ease of retrieval.

Keeping good records facilitates financial accounting and reporting, internal control, project management, and subsequent auditing. They also provide legal and other evidence that may be used in the event of disputes. All project records must be availed to authorized persons if required for review.

The following are the minimum financial records required for each PO: -

Table 3: Financial records to be maintained by POs

Type of Record	Details/Contents
Cash Book:	This book lists all the receipts and payments made into and out of a particular bank account. This book is updated every time a cheque payment is made or funds are deposited in the bank account. At a minimum, this book will be updated daily by the NPA/CPA.
Reconciliation Statements	The bank reconciliation statement compares the cash book balances against the bank statements and lays out the items that constitute the differences. A cash reconciliation, on the other hand, reconciles the petty cash book balance against the actual cash in hand. Reconciliations constitute part of the internal control tools and will be prepared on a monthly basis.
Statement of Source and uses of Funds	The preparation of periodic statements on the state of funds received and expenses incurred is an important tool in managing the resources of each POs. The statements should be prepared on a monthly, quarterly, and annual basis. A signed copy of these statements will also be forwarded to the CPCU not later than two weeks after the end of the month, quarter, or year to which they relate to.

Type of Record	Details/Contents
Asset Register	Each PO normally owns assets. These may include livestock, boreholes and wells, farmland, business premises, irrigation machinery and so on. In order to maintain a proper and up-to-date record of all these assets, it is a requirement that each PO maintains an asset register. The Asset register should have the following details: serial numbers (for machinery and equipment), date of purchase, purchase price, location, state of the asset, and disposal dates
Budget Control	These PO should maintain a vote book as a budgetary control tool. This will enable the PO to determine the funds usage and available balances. The vote book will be updated daily or whenever there is a transaction.
Minutes file	This will have all the relevant minutes for meetings held to approve, verify, or review transactions undertaken during various periods.
Payment Vouchers	Contain details of each payment made by the PO. Each voucher indicates the name of the payee, date of payment, cheque number, a description of the services or goods procured, and the budget code charged.

h) Custody of payment vouchers/documents at PO.

The PO will maintain all the financial documents within their premises for access to stakeholders and audits. As per the Government regulations, financial documents should be kept for a minimum of seven years after the project closure before they are destroyed.

3.3 MANAGEMENT OF IMPREST

Administration of imprest facility will be guided by the provision contained in the relevant financial regulations and procedures and prevailing circulars issued by the National Treasury and the World Bank.

a) POLICY

An imprest is a cash advance given to an officer of the project, in the course of duty to carry out a specific activity and is required to make payments which cannot be conveniently facilitated through the cash office of the project. The NPC is responsible for approving the establishment of an imprest facility.

The project will administer two types of imprests, namely:

- a. Temporary or safari imprest, which is issued mainly in respect of official journeys and meant for travelling, accommodation, and incidental expenses.
- b. Standing imprest, which is intended to be in operation for an extended period, is replenished periodically to bring the cash level to the agreed amount.

An imprest shall be issued for a specific purpose, and any payments made from it shall be only for the purposes specified in the imprest warrant.

b) PROCEDURES

i) Temporary or Safari imprests

An officer requesting for an imprest shall complete and sign an Imprest Warrant (Form F.O.24 revised) in all respects. The completed form shall be authorized by the Authorized Officers - NPC/CPC. Payment of in-country out-of-station allowances, per diems, and daily subsistence allowances shall be guided by the prevailing government circulars and World Bank guidelines. Officers traveling on duty but with no night away will be eligible for lunch and/or dinner allowances at the rate prescribed in government circulars. Authorized officers shall approve the imprest after confirming the following requirements have been adhered to:

- (a) The accountant in-charge of the imprest section has certified on the

Imprest Warrant that the applicant does not have an outstanding imprest, and the amount applied for has been recorded in the imprest register.

- (b) The vote book controller has certified that adequate funds are available against the relevant items of expenditure to meet the proposed expenditure.
- (c) The activity is in the work-plan

Temporary imprests must be accounted for within 7 working days after returning to duty station. The officer shall be required to complete an 'Imprest Surrender Form' to which he/she shall attach the supporting documents. Any unutilized cash must be surrendered to Finance department at the point of accounting for the imprest and an official receipt obtained for the unspent amount.

Any imprest that is not surrendered within the stipulated period shall be recovered from the salary of the defaulting officer either in the month in which it should have been surrendered, or where not feasible, within subsequent months in instalments. Interest at the respective Treasury moving rates shall be charged and appropriate disciplinary action taken against the officer.

ii) Standing imprests

Standing imprests shall involve personal responsibility and shall be issued to an officer in his/her name, and not to the holder of an office. The imprest holder shall be responsible for ensuring that the imprest is used wholly and exclusively for the purpose for which it is intended.

The following officers may be authorized to hold the Project's standing imprests:

Official	Amount (Kenya shillings)
County Project Accountant (CPA)	50,000
National Project Accountant (NPA)	100,000
Procurement Assistant (NPRA)	50,000

The amount to be held as Standing imprest shall be determined by carrying out an analysis of the average expenditure over a period, to ensure that the float is not excessive or inadequate. The float will be reviewed from time to time in line with changing circumstances.

To replenish the imprest, the holder of the imprest shall submit originals of the supporting payment voucher to the NPC/CPC for review and approval of the replenishment.

3.4 FINANCIAL REPORTING

3.4.1 Project Financial Reporting

a) Monthly expenditure returns

By the 15th day of each month, the CPCU will have prepared and submitted to the NPA at the NPCU, the monthly expenditure return. This will contain details of funds received, expenditure incurred, the commitments and balance of funds at the counties.

b) Quarterly Interim Financial Reports (IFRs)

Quarterly interim financial reports consolidate the expenditure of each County on a quarterly basis. These reports will be submitted to the project NPA at the NPCU within 30 days after the end of each quarter in the approved format.

c) Processing of Interim Financial Reports (IFRs) at the NPCU

Upon the receipt of the quarterly IFR from the counties, the NPA will consolidate the IFR, have it signed within the NPCU and uploaded in client connection as per the current World Bank procedures within 45 days after the end of each quarter.

The project IFR will, at a minimum, contain the following documents:

- i. Project Statement of sources and uses of funds, for the quarter and cumulatively;
- ii. Uses of funds by project component and sub-components against budget, for the quarter and cumulatively, and incorporating explanations for significant variances;
- iii. Summary uses by County and NPCU, supporting uses of funds shown in the statement of sources and uses of funds;
- iv. Project bank account reconciliation at end of the quarter and bank statements for the quarter;

- v. Special account activity statement and bank statements for the quarter;
- vi. Exchange rate summary schedule;
- vii. Supporting schedules for 'other' fund balances such as outstanding imprests, AIEs in transit, retention money, etc;
- viii. Statement of Expenditures (SOE)

The consolidated project IFR will incorporate all direct payments made by IDA or GoK on behalf of the project.

In order to ensure that the quarterly consolidated project IFR is complete, accurate, and reliable as a basis for monitoring project expenditure and financial reporting, all the CPCUs must submit their respective IFRs within the prescribed deadline.

The project NPA should share the County quarterly reports and the Consolidated IFR with the project finance committee. The committee has the responsibilities of studying the budget allocations and IFRs from the County to update themselves on the progress and pick on any issues that require attention. The team will also follow up audit matters raised by the Office of the Auditor General (OAG) and the ministerial audit committee concerning their respective components. Once the finance committee has discussed the County IFRs and the project consolidated IFR and noted all that needs follow up they prepare a report with recommendations. Members of this team include the NPC, NPA, National Procurement Officer (NPRO), National Community Development Coordinator (NCDC), National Agribusiness Development Coordinator (NADC), National County Capacity Building Coordinator (NCCBC), National Monitoring and Evaluation Officer (NM&EO), National Environmental and Social Safeguards Compliance Officer (NESSCO), and National Education and Communications Officer (NECO). This is to help in monitoring and evaluation of expenditure to avoid cases where components may feel they are under-funded.

3.4.2 Partner Agencies Reporting

Part of the NAVCDP implementing strategy is to work with a number of partner agencies in order to harmonize organizations within a County to support the development activities of communities, and to encourage donors to contribute to this collective effort. Partner Agencies may include:

- i. Parastatals
- ii. Self-help groups registered with the Department of Social Services;

- iii. Development partner organizations;
- iv. Registered religious bodies;
- v. Local authority; and
- vi. Private sector.

While the reporting requirements for partner agencies will vary based on the form of agreement entered into as articulated in the respective MoU, each partner will be expected to account for any advances provided on a quarterly basis.

3.5 FIXED ASSETS POLICY AND PROCEDURES

Fixed assets are those assets from which the enterprise expects to derive economic benefit for a period exceeding one year. The fixed assets can be tangible or intangible. An asset shall be recognized as a fixed asset in the project books of account when it is probable that the future (i.e. beyond the current accounting period) service potential associated with the asset will flow to the Project, and the cost or fair value of the asset to the Project can be measured reliably.

a) Acquisition of fixed assets

Procurement of the Project's assets shall be done in strict accordance to the Public Procurement and Asset Disposal Act, 2015, and Regulations, 2016. The Project authority to purchase shall be granted in writing by the NPC. (Refer to the Supply Chain Management Manual for detailed procedures).

However, the Project shall seek approval from the National Treasury before it enters into any finance lease, in line with Section 244(3) of the Public Finance (Administration and Management) Regulations.

b) Recording of Fixed Assets

Procurement of the Project's assets shall be done in strict conformance to the Public Procurement. Upon acquisition, the appropriate General Ledger account will be updated. In addition, the Project shall maintain a Fixed Assets Register (FAR) where all assets of the Project will be recorded. The FAR will contain, at a minimum, the following details:

1. Date of acquisition of the asset.
2. An appropriate description that will facilitate easy identification of the asset.
3. The asset's serial number (where applicable).

4. The asset identification number.
5. Location/user department/custodian of the asset.
6. Cost of the asset.
7. Condition of the asset.
8. Date of disposal (where applicable).

The CPA shall provide each county office with a copy of the relevant section of the FAR which shows the assets held by that county office to facilitate control over the county office assets. All fixed assets shall be tagged with the asset identification numbers contained in the FAR.

The custodian of the FAR shall ensure that it is promptly updated with all asset acquisitions and disposals. Grants to the Project in the form of fixed assets shall also be recorded in a similar manner as assets purchased by the Project; the only difference is that the cost/fair value of the asset should be credited to equity in the General Ledger.

c) Physical verification

At least once every year, a physical verification of all the Project's assets will be carried out. The assets shall be verified against the FAR and reconciled to the GL. Any anomalies noted shall be immediately investigated and reported to the management and CPA/NPA for appropriate corrective action to be taken. During the verification exercise, the assets shall also be assessed to determine whether they are in good working condition. This will enable management to determine whether the asset needs to be replaced.

d) Disposal

Disposal of the Project's assets shall be done in strict conformance with the Public Procurement and Asset Disposal Act, 2015, and Regulations, 2016 (please refer to the Supply Chain Management Manual for detailed procedures) and World Bank procedures.

4.0 INTERNAL CONTROLS

4.1 INTRODUCTION

Internal controls are processes that are designed to provide reasonable assurance to the project management regarding the achievement of objectives in the following areas;

- Compliance with applicable laws and regulations
- Ensure the accuracy and reliability of accounting data
- Reliability of financial reporting
- Promote effectiveness and efficiency of overall project
- Safeguarding assets of the project and
- Adherence to established institutional and government policies and procedures."

4.2 KEY ELEMENTS OF INTERNAL CONTROL

a) Control Environment

The control environment is the set of standards, processes, and structures that provide the basis for carrying out internal control across the organization. The control environment comprises:

- Integrity and ethical values of the organization;
- Parameters enabling the Project Management to carry out its governance and oversight responsibilities;
- Organizational structure and assignment of project and responsibility;
- Process for attracting, developing, and retaining staff; and
- Rigor around performance measures, incentives, and rewards to drive accountability for performance.

b) Risk Assessment

Every entity faces a variety of risks from external and internal sources. Risk assessment involves a dynamic and interactive process for identifying and assessing risks to the achievement of objectives. Risks to the achievement of these objectives from across the entity are considered relative to established risk tolerance levels. Therefore, risk assessment forms the basis for determining how risks will be managed.

c) Control Activities

Control activities are the actions established through policies and procedures that ensure that management's directives to mitigate risks for the achievement of objectives are carried out. Control activities are performed at all levels of the entity, and may be preventive, detective, or corrective in nature.

d) Information and Communication

Information is necessary for the entity to carry out internal control responsibilities. Management obtains or generates and uses relevant and quality information from both internal and external sources to support the functioning of other components of internal control. Internal communication is the means by which information is disseminated throughout the organization, flowing up, down, and across the entity. It enables personnel to receive a clear message from senior management and that control responsibilities must be taken seriously. External communication is twofold: it enables inbound communication of relevant external information, and it provides information to external parties in response to requirements and expectations.

e) Monitoring and Evaluation Activities

Ongoing evaluations, separate evaluations, or some combination of the two are used to ascertain whether each of the five components of internal control (Control Environment, Risk Assessment, Control Activities, Information and Communication) is present and functioning. Ongoing evaluations, built into Project's processes at different levels to provide timely information.

Separate evaluation, conducted periodically, will vary in scope and frequency depending on assessment of risks, effectiveness of ongoing evaluations, and other management considerations.

4.3 TYPES OF INTERNAL CONTROL

Internal controls can be categorized into three broad categories:

- I) **Preventive controls.** These are the most effective types of internal controls and are designed to prevent inefficiencies, errors, and irregularities from happening. Examples include adequate segregation of duties, proper authorization of transactions, restricted access to assets, etc.

- 2) Detective controls.** These are designed to detect inefficiencies, errors, and irregularities should they occur. They should be designed to ensure that any breach of a preventive control is detected promptly. Examples include reconciliations, physical verification of assets, performance review and monitoring, etc.
- 3) Corrective controls.** These are designed to prevent recurrence of inefficiencies, errors, and irregularities once they have been discovered. Examples include procedures for reporting errors and irregularities so they can be corrected, training employees on new policies and procedures developed as part of the corrective actions, positive discipline to prevent employees from making future errors, etc.

The project will endeavor to enhance internal control through;

- Clearly defining and documenting reporting structure, the roles and responsibilities of staff, identifying lines of reporting for all aspects of their operations, including the controls. The delegation of responsibility should be clearly defined.
- Segregation of duties where one single individual may not be in charge of initiation, authorization, execution, and recording transactions without the active involvement of another person.
- Having effective management oversight bodies at all levels in the project. This would include audit and finance committees, procurement committees, and community management committees.
- Restricting access to the Project's assets to authorized persons only. This includes both direct access and indirect access via documentation.
- Ensuring that all transactions are authorized and/or approved by designated officers at different levels within the Project. Authorization and approval levels should be clearly defined and documented.
- Officers responsible for authorizing/approving transactions should evidence their authorization/approval for all transactions through signature on the relevant document(s).
- Independent verification by agents of the community.
- Internal audits/ex-post audits and social audits of community organizations should be encouraged.

4.4 RESPONSIBILITY FOR INTERNAL CONTROL

The NPC is responsible for developing, operating, and monitoring the system of internal control of the Project. Further, all employees of the Project are responsible for the effective and efficient operation of internal controls in their areas of responsibility. The detailed internal control procedures in payment processing at national, county, and community levels are as outlined in section 2.4.3 above.

i) Fiduciary Oversight Committees Ministerial/County Audit Committee.

Established by the Cabinet Secretary, Ministry of Agriculture in accordance with Treasury Circular No. 16/2005. This committee exercises fiduciary oversight over the project in accordance with the following mandate:

- Developing and operationalizing a risk management policy framework
- Monitoring and ensuring timely effectiveness of audit and operational review recommendations of various fiduciary oversight responsibilities including, internal and external auditors, government project monitoring agencies, and periodic review and supervision missions;
- Overseeing the effectiveness of accounting and internal control standards, policies and practices;
- Ensuring compliance with legal covenants and terms of funding agreements;
- Overseeing the effectiveness of the internal audit function;
- Monitoring the performance of key internal audit staff against approved performance contracts; and
- Packaging and disclosing relevant findings, on a quarterly basis, in publicly accessible ways that facilitate timely and effective monitoring and accountability at the community, county, and national levels.

ii) Finance Committee

This is established by the Principal Secretary, State department for Crops Development and Agricultural Research exercises additional fiduciary oversight over the project in accordance with the following terms of reference:

- Carrying out a comprehensive review of quarterly Interim Financial Reports (IFRs);
- Approving periodic operational budgets and monitoring of financial performance;
- Reviewing and approving annual financial statements;
- Monitoring the performance of key financial management staff against approved performance contracts; and
- Packaging and disclosing relevant findings, on a quarterly basis, in publicly accessible ways that facilitate timely and effective monitoring and accountability at the community, County and national levels.

iii) Community Level

Due to the less structured nature of micro projects, the internal control structures will be given special attention due to the fact that:

- There are considerably large numbers of parties and transactions involved, and numerous small value and multiplicity of contracts, in addition to the spatially scattered locations of the subprojects that increase the ex-ante controls across all individual subprojects;
- Community groups may lack the necessary capacity;
- Community office bearers may not be truly representative of the community due to a variety of factors including elite capture and political and administrative interference.

To mitigate against the above, mechanisms should be put in place during the PICD training that advocate for clear and transparent rules and other methods that empower communities to put into effect control mechanisms that provide a certain level of control over their leaders.

Communities also gain knowledge to put in place simple yet effective internal control procedures. Such measures include:

- Ensuring that no one individual is able to undertake the entire chain of transaction processing;
- Regular reviews of processes and transactions so that risks of loss, fraud, inaccuracies or errors are noted at all levels, and measures put in place to eliminate or minimize them;
- Fiduciary management supervision at the community level that are integrated with monitoring and evaluation to ensure a close link between technical/progress reporting and financial reporting, as a way to support the validity of the expenditures;
- Regular internal audits/ex-post audits of community organizations will also be undertaken.

4.5 OVERSIGHT ROLES OF CDDCs AND CPSCS

Project oversight, monitoring, and supervisory roles of CDDCs and CPSCs, including reporting arrangements are clearly spelt out. CDDCs will not be expected to directly handle facility funds, as this will constitute a conflict of interest. The terms of reference for these two bodies include:

- Review and approval of periodic budgets;
- Review of quarterly accountability and performance reports;
- Monitoring the utilization of facility resources;
- Monitoring the quality of service delivery; and
- Safeguarding public resources.

5.0 INSTITUTIONAL RISK MANAGEMENT POLICY FRAMEWORK

Risk can be said to be the potential for loss or diminished opportunity for gain, caused by events that can adversely affect the achievement of specific goals or objectives. Risk management, on the other hand, is defined as the process or mechanisms that are put in place aimed at identification, prioritization, assessment response, monitoring and correction of unfavorable events and condition. The purpose of the Risk Management Policy is to formalize and communicate the approach to management of risk across the department.

Examples of risk that could occur include:

- external or internal influences that pose a threat to the achievement of objectives set out in the Project Implementation Plan;
- circumstances or situations that could damage the reputation of NAVCDP and undermine stakeholder's confidence;
- inability to guard against misuse, fraud, corruption, waste, or poor value for money;
- failure to comply with the financing agreement terms;
- failure to take advantage of opportunities that may emerge to deliver better services.

The purpose of the NAVCDP risk management policy is to enable the project to:

- Efficiently achieves strategic objectives, • Improve governance and accountability,
- Act in a timely fashion to avert diversions from plan and take the necessary corrective action,
- Put in place improvements in decision making about process and programs,
- Enhance value through flexibly leveraging opportunities and better managing uncertainties.

5.1 OBJECTIVES OF THE POLICY

The key objectives of this policy are to:

- i. entrench and align risk management with key project processes and functions
- ii. proactively manage threats and opportunities effectively
- iii. ensure compliance with all statutory and procedural requirements

- iv. effectively discharge the project's obligations to all stakeholders including the GoK, donors, staff, and community sub-projects, enrich the value of decision making,
- v. safeguard governance and accountability philosophies,
- vi. uphold prudent fiduciary and procurement administration practices
- vii. realize organizational objectives through the efficient and effective allocation and use of resources,

5.2 POLICY STATEMENT

The project is devoted to entrenching risk management values and practices into the:

- i. organizational culture and practices,
- ii. overall decision-making processes,
- iii. business information systems,
- iv. strategic and operational planning of programs and activities including the
- v. community micro-projects, and
- vi. financial and procurement processes

Robust and unified project governance and accountability systems are fundamental to effective risk management, and together form the building blocks for good and practical management.

The project management will ensure that risk management processes are in place and advice is sought in regard to major policies, projects, programs, and plans at the inception phase. This will be done by having close collaboration with all stakeholders. It is therefore of outmost importance that risk management, strategic, operational, and financial planning is properly aligned.

5.3 APPLICABILITY

It is the responsibility of each person associated with the project to be actively engaged in risk management. This policy will therefore be of use to all staff and other partners.

This policy is applicable to all areas of the project's activities, including:

- National office strategic plans, and the staff who implement them
- County and subcounty offices, their activities and staff who implement them
- Community-Projects
- Partner Agencies that may work with the project from time to time.

5.4 RESPONSIBILITY INDIVIDUAL EMPLOYEE

The project and every individual employee will be collectively and individually responsible for management of risks and opportunities within their scope of functioning. In order to enable individuals to carry out their obligations regarding risk management effectively, training will be provided to enable individuals to fulfill this responsibility effectively.

5.5 MANAGEMENT

Senior management is directly responsible for ensuring compliance with the project risk management framework and guidelines and for promulgating a risk-management culture and attitude. The ownership of, and accountability for managing risks and opportunities rests within individual section/unit heads and ultimately through the reporting line to the National Project Coordinator who is directly responsible to the PS, State Department for Crops Development.

5.6 INTERNAL AUDIT

It will support the risk management team in the evaluation and review of risk. It will also monitor adherence to the risk management framework, identify training needs on risk management, and recommend mitigation measures on identified risk.

5.7 AUDIT COMMITTEE

The audit committee will monitor the effectiveness of the risk management system and ensure that there is comprehensive follow-up of all identified major risks. The audit committee will also review the quarterly risk action plan which provides a summary of the status of each area of risk.

5.8 OFFICES/DEPARTMENTS

Every office, department, unit, or programme will ensure and demonstrate compliance with the risk management cycles and processes defined in the Risk Management Framework and Guidelines. Subcounty offices will provide support to the community projects and will play a key role in monitoring and encouraging compliance of the guidelines. Risks, opportunities, and controls will be evaluated, analyzed, and monitored using standard methodology and tools.

5.9 EVALUATION

The effectiveness of the risk management policy will be evaluated annually by the Audit Committee. The evaluation will focus on effectiveness, purpose, and objectives of the guidelines. An independent review of the policy will also be undertaken every two years by an external

auditor, and a report presented to the Audit Committee for review and discussion with the PS for implementation.

5.10 DOCUMENT REVISIONS

The NPC, under the direction of the audit committee, is responsible for the control, distribution, training, and maintenance of this policy. Revisions will be undertaken on an annual basis, or as need arises. Project staff, partners, and other stakeholders may propose amendments or matters to be included in revised versions. However, any changes to these guidelines only become effective with the express written authority of the PS. All amendments will be recorded in the amendments sheet as provided in the table below.



6.0 STATUTORY AUDIT/EXTERNAL AUDIT

The Office of the Auditor General (OAG) is the principal auditor of the Project. The Auditor General may also appoint an independent firm of accountants to carry out the statutory audit of the Project on its behalf.

The Financial statements of the Project shall be prepared, signed by the Principal Secretary and the National Project Coordinator and submitted to the Office of the Auditor General within 3 months of the financial year end (i.e. by 30th September every year).

Prior to commencement of the audit, the NPC shall liaise with the person responsible for the audit at OAG to determine the information that the auditors will require to ensure that the audit is conducted in an efficient manner and avoid any undue delays. Such information may include documents to support the recorded transactions, audit schedules, etc.

The NPC shall ensure that the auditors are provided with all the information and explanations necessary for them to perform the audit.

The NPC will, either directly or through National Treasury (ERD), furnish IDA as soon as available, but in any case, not later than 31st December of each year, the audited project financial statements and an audit report of the Special Account for the financial year under audit

NAVCDP

ANNEXES

Annex I: Community Contribution Book

Name and address of CDDC: _____ Project Name _____

Type of Contribution (e.g litres of Water, labour hours)

Date	Contribu-tor's Name	Identity Card No.	Quantity	Unit Cost (Kes)	Total Cost (Kes)	Contributor's signature/ thump print

Prepared by: _____ Signature _____ Date: _____

Reviewed by: _____ Signature _____ Date: _____

Authorized by: _____ Signature _____ Date: _____

Annex 2: CDDC Payment Voucher

Cash/Cheque _____ Voucher

Number: _____ Name of

Micro project: _____ Date:

Payee

Name: _____ Payee Address:

Payment Details: _____

Cheque No: _____

Amount in figures Kes:

Amount in Words Kes:

Prepared by: Signature _____ Date: _____

Reviewed by: _____ Signature _____ Date: _____

Authorized by: _____ Signature _____ Date: _____

Name of Recipient _____ Signature _____ Date: _____

Annex 3: Unofficial Receipts for goods

The need for such receipts usually arises when the suppliers of goods does not have a receipt in his/her business name. Since every expenditure must be supported by relevant documents, the CDC may write a receipt on behalf of the supplier or seller and obtain the seller's signature and/or thumb impression. A sample of such a receipt is presented below:

Name of the business/Seller: _____ Address of
business/ Seller: _____

Date: _____

Items Sold:

Serial No	Item	Unit Description	Cost	Per Unit (Kes)	Quantity	Total Cost
					TOTAL COST (Kes)	

Signature/Thump Print of the business/Seller _____ Date _____

Annex 4: Budget Control Form

Name and Address of CDDC: _____ Project

Name: _____

Month: _____

Budget Ref	Original Budget Amt (Kes)	Amount Spend by end of previous	Balance at end of previous month	Balance of Available end of last Month (Kes)	Expenditure this Month (Kes)	Balance end of this month (Kes)
1						
2						
3						
4						
TOTAL						

Prepared by: _____

Signature _____ Treasurer

Reviewed by: _____

Signature _____ Chairperson

Authorized by: _____

Signature _____ Chair

Monitoring Committee

Note: This form must be filled in and signed by the 10th of the following month

Annex 5: Statement of Source and Use of Funds

Community Name: _____ Period covered: _____

Project Financing Sources	Budget Amount (Kes)	Actual Spent (Kes)	Variance (Kes)
Project Funding			
Other External project funding			
Community Contribution			
Total Financing			
Less Uses of Funds:			
1.			
2.			
Total Funds Spent			
Net Cash Flow			
Net Cash Available at end of period			
i) Cash in Hand			
ii) Cash at Bank			
Total Closing Balance			

Prepared by: _____

Signature _____ Treasurer

Reviewed by: _____

Signature _____ Chairperson

Note: This form must be filled in and signed by the 10th of the end of the reporting period which it relates, preferably quarterly

Annex 6: IFR Format

MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT

NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT

IDA CREDIT NUMBER: 7064-KE

NAVCDP

UN-AUDITED INTERIM FINANCIAL REPORT (IFR)

FOR THE QUARTER ENDED XXX

Report dated: XXX

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT -KE
IDA CREDIT NO.:	P 176758
PROJECT NUMBER:	QUARTERLY UN-AUDITED INTERIM FINAN- CIAL REPORT (IFR)
REPORT:	xxx Euro
PERIOD OF REPORT:	xxx
REPORTING	xxx
CURRENCY:	xxx
This IFR is for the quarter ended	xxx
The previous IFR was for the quarter ended USD Designated Account Deposit Bank	xxx
USD Designated Account “A”	xxx
Number USD Designated Account “B” Number	xxx
Exch rate at beginning of quarter (Kes to US\$)	<p>xxx State the applicable exchange rate date</p> <p>xxx State the applicable exchange rate date</p>

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT INCLUSIVE GROWTH PROJECT
IDA CREDIT NO.:	- KE
PROJECT NUMBER:	P 176758
REPORT:	QUARTERLY UN- AUDITED INTERIM FINANCIAL REPORT
PERIOD OF REPORT:	xxx
REPORTING CURRENCY:	UNITED STATES DOLLARS [USD]
TABLE OF CONTENTS	
PAGE	
P1- STATEMENT OF SOURCES AND USES OF FUNDS	xx
P2- EXPENDITURE PER COMPONENT	xx
P3- SUMMARY OF BANK ACCOUNT BALANCES	xx
P4- DESIGNATED ACCOUNT "A" STATEMENT FROM CBK	xx
P5- DESIGNATED ACCOUNT "B" STATEMENT FROM CBK	xx
P6- KES PCU BANK ACCOUNT RECONCILIATION	xx
P7- KES PCU BANK ACCOUNT STATEMENT	xx
P8- SUMMARY OF IMPREST BALANCES	xx
P9- DETAILED LIST OF IMPREST BALANCES	xx
P10- LIST OF COUNTIES BANK BALANCES	xx
P11- CONTRACTS SUBJECT TO WORLD BANK'S PRIOR	xx
P12- CONTRACTS NOT SUBJECT TO WORLD BANK'S	xx
ATTACHMENT 3: STATEMENT OF EXPENDITURES	xx

PROJECT IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT												
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT												
IDA CREDIT NO.:	xxx												
REPORT:	QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)												
THIS SCHEDULE:	PI - STATEMENT OF SOURCES AND USES OF FUNDS												
PERIOD OF REPORT:	FOR THE QUARTER ENDED XXX												
Sources of Funds/ Receipts	Cumulative Balances			Opening xxxx			Quarter ending xxxx			Quarter ending xxxx			
	DA- A	DA- B	GO K	TOT AL	DA- A	DA- B	GO K	TOT	A	DA- A	DA- B	GO K	TOTAL
Opening Cash Balances													
IDA USD Designated Ac- counts													-
Project Main Operations A/c “PCU” (Kes)													-
COUNTIES’ Project Accounts (Kes)													-
Cash in Hand													-
Others (e.g. Imprest, advances etc)													-
Total Opening Cash Balances													-
Add: Receipts During the Quarter													

IDA Replenishment to Designated Accounts													
IDA Direct Payment													
GOK Counterpart Contributions													
Total Receipts During Quarter													
Total Financing Available (Opening Balances + Receipts)													
Less: Payments/ Expenditure by Category:													

Cat. I: Sub- proj Grants & Trg Part A, B and C													
Direct payments													
Cat 2: Gds,NCS,CS,Trg& OC Pt D1(i),													
Cat. 3: Emergency													
Cat. 4: PPF Refinancing													
Bank Charges													
Total Uses of Funds/ Payments by Category													

Total Uses of Funds/ Payments by Category													
Expected Closing Cash Balances													
Expected Closing Cash													
Actual Closing Cash Balances													
<u>IDA USD Designated Accounts</u>													
Project Main Operations A/c “PCU” (Kes)													
COUNTIES’ Project Accounts (Kes)													
Cash in Hand													
Others (e.g. Imprest, advances etc)													
Actual Total Closing Cash Balances													
Difference (should be NIL)													

NB:

Start of Quarter Exchange Rate:

Prepared By: USD.1.00 = Kes XXX

Project

Accountant

Signature

Date

Start of Quarter Exchange Rate:

Approved By: USD.1.00 = Kes XXX

Project

Coordinator

Signature

Date

**NAVCDP**

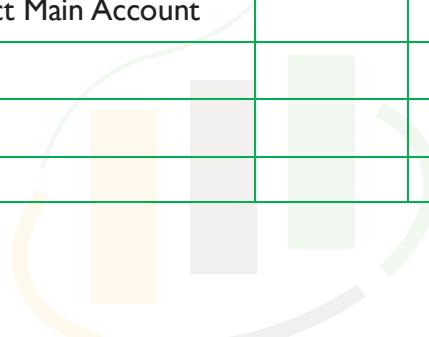
PROJECT IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT								
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT								
IDA CREDIT NO.:	-KE								
REPORT:	QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)								
THIS SCHEDULE:	EXPENDITURE PER COMPONENT								
PERIOD OF REPORT:	FOR THE QUARTER ENDED XXX								
REPORTING CURRENCY:	UNITED STATES DOLLARS [USD]								
Project Component	Ref	Cumulative Balances	Opening Balances	Quarter ending 30 June	Cumulative to date				
		IDA	GOK	TOTAL	DA-A	GOK	TOTAL	DA-A	GOK
Component I: Sub- proj Grants & Trg Part A, B and C									
Sub-Component I.1: Farmer Level Value Chains									
Sub-Component I.2: Support to the e-voucher									
Sub-Component I.3: FPO level value chain Investments									
Sub-total									
Component 2: Gds,NCS,CS,Trg&OC Pt D1(i), D1(ii) & D.2									
Sub-Component 2.1: Farmer Led Irrigation Development (FLID)									
Sub-Component 2.2: Market Infrastructure									

Sub-Component 2.3: Data and Digital Investments with focus on women and youth as									
Sub-Component 2.4: Research Linkages									
Sub-Component 2.5: Partnership and Technical Assistance									
Sub-total									
Component 3: Piloting safer urban food systems									
Sub-Component 3.1: Market Infrastructure									
Sub-Component 3.2: Linking the POs to commercial entities									
Sub-Component 3.3: Focusing on interventions to enhance food security									
Sub-Component 3.4: Promote urban agriculture									
Sub-Component 3.5: Policy and Institutional Strengthening									
Sub-total									
Component 4: Project Coordination, Monitoring and Evaluation									
Sub-Component 4.1: Project Coordination									

Sub-Component 4.2 Monitoring & Evaluation and ICT										
Sub-Component 4.3 Contingency Emergency Response										
Sub-total										
Grand Total Uses of Funds by Component										

PROJECT IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT			
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT			
IDA CREDIT NO.	-KE			
REPORT:	P176758			
THIS SCHEDULE:	SUMMARY OF MOVEMENT OF BANK ACCOUNT BAL- ANCES			
PERIOD OF REPORT:	xxx			
REPORTING CURRENCY	UNITED STATES DOLLARS [USD]			
Grand Total Uses of Funds by Component	CBK	xxx	USD	
Opening balance at beginning of quarter				
Add: Advances received during quarter				
Add: Interest received				
Sub-total				
Less: Transfers to the Kes Project Main Account				
Less: Direct payments				
Less: Payments for bank charges				

Sub-total				
Closing balance at end of quarter				
Project USD Designated A/C "B"	CBK	xxx	USD	
Opening balance at beginning of quarter	XXX			
Add: Advances received during quarter				
Add: Interest received				
Sub-total				
Less: Transfers to the Kes Project Main Account				
Less: Payments for bank charges				
Sub-total				

**NAVCDP**

Closing balance at end of quarter	XXX			
PCU Project Main Operations A/c "PCU"	CBK	Kes xxx	Exch rate	Equiv. US\$
Opening balance at end of quarter	XXX	XXX	XXX	XXX
Add: Transfers from Project DA "A" to		XXX	XXX	XXX
Sub-total				
-				
Less: Payments for eligible expenditure		XXX	XXX	XXX
Less: Payments for eligible expenditure		XXX	XXX	XXX
Less: Advance to PCU		XXX	XXX	XXX
Less: Advance to Counties		XXX	XXX	XXX
Closing balance at end of quarter	XXX	XXX	XXX	XXX
Kes Project Operating Account [COUNTIES]		Kes xxx	Exch rate	Equiv. US\$
Total opening balances at beginning of	XXX	XXX	XXX	XXX
Add: Transfers from Project Main A/c		XXX	XXX	XXX
Sub-total		XXX	XXX	XXX
Less: Payments for eligible expenditure		XXX	XXX	XXX
Less: Payments for eligible expenditure	XXX	XXX	XXX	XXX
Total closing balance at end of quarter				

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT
IDA CREDIT NO.:	-KE
PROJECT NUMBER:	PI76758
THIS SCHEDULE	IDA DESIGNATED ACCOUNT "A" STATEMENT
PERIOD OF REPORT:	xxx
REPORTING CURRENCY:	UNITED STATES DOLLARS [USD]

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT
IDA CREDIT NO.:	-KE
PROJECT NUMBER:	PI76758
THIS SCHEDULE	IDA DESIGNATED ACCOUNT "B" STATEMENT
PERIOD OF REPORT:	xxx
REPORTING CURRENCY:	UNITED STATES DOLLARS [USD]

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT
IDA CREDIT NO.:	KE
PROJECT NUMBER:	P 176758
THIS SCHEDULE	PCU MAIN OPERATIONS ACCOUNT "A" [KES] RECONCILIATION
PERIOD OF REPORT:	xxx
REPORTING CURRENCY:	KENYA SHILLINGS [KES]

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT
IDA CREDIT NO.:	KE
PROJECT NUMBER:	P 176758
THIS SCHEDULE	PCU MAIN OPERATIONS ACCOUNT "A" [Kes] STATEMENT
PERIOD OF REPORT:	xxx
REPORTING CURRENCY:	KENYA SHILLINGS [Kes]

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT			
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT			
IDA CREDIT NO.:	-KE			
PROJECT NUMBER:	P176758			
THIS SCHEDULE	SUMMARY OF OUTSTANDING IMPRESTS			
PERIOD OF REPORT:	xxx			
REPORTING CURRENCY:	Euro			
Implementing Unit	Ref	Kes Balance	Applicable Exchange Rate	Equivalent USD Balance
NPCU/MOAI HQs			XXX	XXX
COUNTIES			XXX	XXX

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT							
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT							
IDA CREDIT NO.:	-KE							
PROJECT NUMBER:	P 176758							
THIS SCHEDULE:	LIST OF OUTSTANDING IMPRESTS							
PERIOD OF REPORT:	xxx							
REPORTING CURRENCY:	Euro							
OUTSTANDING IMPRESTS - NPCU / MOALFI								
	Date	Imp.	Cash	Name.	Personal	Amount	Surrende	Remark
1								
2								
3								
4								
5								
TOTAL								
Applicable Exch. Rate XXX								
Equivalent								
USD XXX								

OTHER OUSTANDING IMPRESTS

	Date	Imp. No.	Cash Book Vch. No.	Name.	Personal No.	Amount	Surrende r date	Remark
1								
2								
3								
4								
5								

TOTAL

Applicable Exch. Rate XXX

Equivalent
USD XXX

NAVCDP

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT							
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT							
IDA CREDIT NO.:	-KE							
PROJECT NUMBER:	P 176758							
THIS SCHEDULE:	LIST OF COUNTIES BANK BALANCES							
PERIOD OF REPORT:	xxx							
REPORTING CURRENCY:	UNITED STATES DOLLARS [USD]							
	County	Bank	Ac-	Cumulati	Disburse-	Expenditure	Cumulativ	Remar
	Name		count	balance	ment to	accounted	balance	
		No.	at beginning	County in	County in	at end of		
		of quarter	the quarter	the quarter	the quarter	the quarter		
1								
2								
3								
4								
5								
TOTAL								
XXX								

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT			
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT			
IDA CREDIT NO.:	-KE			
PROJECT NUMBER:	P 176758			
THIS SCHEDULE	XXXXKES OPERATIONS ACCOUNT RECONCILIATION STATEMENT			
PERIOD OF REPORT:	FOR THE QUARTER ENDED			
REPORTING CURRENCY:	KENYA SHILLINGS [Kes]			

IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT
IDA CREDIT NO.:	KE
PROJECT NUMBER:	P 176758
THIS SCHEDULE	XXXXKES OPERATIONS ACCOUNT BANK STATEMENT
PERIOD OF REPORT:	FOR THE QUARTER ENDED
REPORTING CURRENCY:	KENYA SHILLINGS [Kes]



IMPLEMENTING ENTITY:	MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT
PROJECT NAME:	NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT
IDA CREDIT NO.:	-KE
REPORT:	QUARTERLY INTERIM FINANCIAL REPORT (IFR)
THIS SCHEDULE:	EXPENDITURE FOR CONTRACTS NOT SUBJECT TO WORLD BANK'S PRIOR REVIEW
PERIOD OF REPORT:	xxx
REPORTING CURRENCY:	UNITED STATES DOLLARS [USD]
Payments made since project inception against contracts subject to world bank's prior review	

Disbursement Cat. /Subcat Cat. I:Sub-project Grants and Training under Part A of the Project Supporting Community- Driven Development	Source of Supply	Con- tract Date	Coun- try of Foreign Supplier	Contract Amount KES	Date of WB's "No Objection" to Contract	Amount Paid to Supplier during Period USD	WB's Share of Amt Paid to Supplier during Period
Category I							100%
Category I							100%
SUB-TOTAL (KES)							
-							
-							
Cat. 2:Sub-project Grants and Training							

Value Chain							
Category 2							100%
Category 2							100%
Cat. 3:Sub-project Grants and Training under Part C of the ProjectSupporting County Community- Led Development							
-							
-							
GRAND TOTAL (KES)							

Cat. 4: Goods, non-consulting services, consultants' services, Training and Operating Costs under Parts D.1(i) and D.2 of the Project							
Cat. 5:Goods, non-consulting services, consultants' services, Training and Operating Costs under Part D.1 (ii) of the Project							
Cat 6: Emergency Expenditures under Part D.3 of the Project							
SUB-TOTAL (KES)							

IMPLEMENTING ENTITY:		MINISTRY OF AGRICULTURE AND LIVESTOCK DEVELOPMENT				
PROJECT NAME:		NATIONAL AGRICULTURAL VALUE CHAIN DEVELOPMENT PROJECT				
IDA CREDIT NO.:		KE				
REPORT:		QUARTERLY UN-AUDITED INTERIM FINANCIAL REPORT (IFR)				
THIS SCHEDULE:		EXPENDITURE FOR CONTRACTS SUBJECT TO WORLD BANK'S PRIOR REVIEW				
PERIOD OF REPORT:		xxx				
REPORTING CURRENCY:		UNITED STATES DOLLARS [USD]				
		Payments Made during Reporting Period (Current Quarter) Against Contracts NOT Subject to World Bank's Prior Review				
Disburse- ment Cate- gory	Source s of supply	Country of Foreign Supplier	Total Ex- penditu re USD	% IDA	Eligible for Bank's Financin	IDA Share Amt Paid from DA
Contribution						
TOTAL (USD)						

Date SOE Sheet No

Application No.

STATEMENT OF EXPENDITURES

FORM IC

Category No Category Description SOE threshold

1	2	3	4	5	6	7	8	9	10	11	12	13
Ite	Catego	Name of	Brief	Total	Currency	Total	Eligible	Curren	US\$	Date of	Exchang	Remar
N	No.	Supplier,	Descripti	Amount	Expenditu	invoice	% of	and	Equivale	Payme	Rate**	or
		Contract	of Goods,	Contract		amount	Grant	eligible	paid			referen
		or	Works	(Include		covered by		amount	Special			includi
		Consulta	Services	all		this		paid	Account			no-
				currenci		application		(7)x(8)				objecti
						(net of						telex
						retention)						

TOTALS

Prepared By:

Project Accountant:

Signature:

Approved by:

Project Coordinator:

Signature:



APPLICATION FOR WITHDRAWAL

Instructions: >> You can use this form to request a payment and/or to document expenditures. Please complete and sign this form, and send it (with any required attachments) to the Loan Department, at the address found in the Disbursement Letter for your project. [See reverse side for detailed explanations and instructions.] For general inquiries, please send an e-mail to wdisbursement@worldbank.org.

A. Application type and project reference

1. Application type	2. Financier and loan number
a. Advance to Designated Account-B	<u>Loan/Financing/Grant No.(s)</u>
Documentation of prior advance(s) to designated account (fill sections A, C, Trust fund <small>(Beneficiary's payment/invoice reference)</small>	
d. Tranche release under a development policy loan/financing/grant (fill sections A, B, D)	4. Country name <u>KENYA</u> 5. Borrower reference _____

B. Payment instructions

6a. Application currency USD	6b. Application amount NAVCDP	6c. Equivalent payment currency (if different from application currency)	
6d. Application amount (in words) _____			
7. If the application covers more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.			
<u>Loan/Financing/Grant No.</u>	<u>Amount</u>	<u>Loan/Financing/Grant No.</u>	<u>Amount</u>

8. Name and address of beneficiary	9. Amount to be paid in installments? Yes / No (if yes, complete the "Requested schedule for advance payments" form)		
10a. Name and address of the beneficiary's bank	10b. Account no. (or IBAN for Eu payments) of the beneficiary at the beneficiary's bank	10c. SWIFT code of the beneficiary's bank	
11a. Name and address of the intermediary bank	11b. Account no. (or IBAN for Eu payments) of the beneficiary's bank at the intermediary bank	11c. SWIFT code of the intermediary bank	
12. Special payment instructions (if any)			
13. Documentation type(s) <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Interim financial report (e.g., financial monitoring report) <input type="checkbox"/> Statement of expenditure <input type="checkbox"/> Copies of records (e.g., invoices, receipts) 	14. Category and contract reference - If expenditures relate to more than one category or contract reference, leave 14a and 14b blank and ensure this information is included in the supporting documentation.		
15a. Documentation currency USD	15b Documented amount	14a. Category reference	14b. Contract reference

15c Documented amount (in words)

16. If the documentation applies to more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.

<u>Loan/Financing/Grant no.</u>	<u>Loan/Financing/Grant no.</u>	92	<u>Amount</u>
<u>Amou</u>			

D. Assertions and signature

The undersigned certifies, warrants and undertakes the following:

A. If the undersigned is making a request for an advance to be deposited in a Designated Account: (1) the amount requested is consistent with the planned project expenditures furnished to the World Bank; and (2) the documentation for this advance is/will be furnished to the World Bank in accordance with the reporting period specified in the related legal agreement(s) or Disbursement Letter for this project. If the undersigned is documenting expenditures paid from a Designated Account: (a) the expenditures covered by the application are eligible for financing

out of the proceeds of the loan/ financing/grant in accordance with the terms of the related legal agreement(s); and (b) these expenditures have not been financed previously from sources

APPLICATION FOR WITHDRAWAL

Instructions: >> You can use this form to request a payment and/or to document expenditures. Please complete and sign this form, and send it (with any required attachments) to the Loan Department, at the address found in the Disbursement Letter for your project. [See reverse side for detailed explanations and instructions.] For general inquiries, please send an e-mail to wbdisbursement@worldbank.org.

A. Application type and project reference

1. Application type	2. Financier and loan number
a. Advance to Designated Account-B	<u>Loan/Financing/Grant No.(s)</u>
Documentation of prior advance(s) to designated account (fill sections A, B, C, D)	
A, Trust fund (Beneficiary's payment/invoice reference)	4. Country name <u>KENYA</u> 5. Borrower reference
d Tranche release under a development policy loan/financing/grant (fill sections A, B, C, D)	

B. Payment instructions

6a. Application currency USD	6b. Application amount	6c. Equivalent payment currency (if different from application currency)
6d. Application amount (in words)		
7. If the application covers more than one loan (as specified in item 2 above), please provide amounts allocated to each financier.		
<u>Loan/Financing/Grant No.</u> N/A	<u>Amount</u>	<u>Loan/Financing/Grant No.</u>
8. Name and address of beneficiary		9. Amount to be paid in installments? (if yes, complete the "Requested schedule for advance payments" form)
10a. Name and address of the beneficiary's bank	10b. Account no.	10c. SWIFT (or IBAN for Eucode of the payments) of the beneficiary's beneficiary at the bank

IIa. Name and address of the intermediary bank	IIb. Account no.	IIc. SWIFT (or IBAN for Eu)code of the payments) of the intermediary beneficiary's bank at the intermediary bank	
12. Special payment instructions (if any)			
C. Documentation of expenditures			
13. Documentation type(s) <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Interim financial report (e.g., financial monitoring report) <input type="checkbox"/> Statement of expenditure <input type="checkbox"/> Copies of records (e.g., invoices, receipts) 		14. Category and contract reference - If expenditures relate to more than one category or contract reference, leave 14a and 14b blank and ensure this information is included in the supporting documentation.	
15a. Documentation currency USD	15b Documented amount	14a. Category reference 14b. Contract reference	
15c Documented amount (in words)			
16. If the documentation applies to more than one loan (as specified in item 2 above), please provide amounts allocated to each financier			
<u>Loan/Financing/Grant no.</u>	<u>Amount</u>	<u>Loan/Financing/Grant no.</u>	<u>Amount</u>

References:

1. International Public Sector Accounting Standards, IPSAS
2. NAVCDP- Notification of Effectiveness
3. NAVCDP Financing Agreement
4. NAVCDP Project Appraisal Document P176758
5. New Disbursement Guidelines for IPF 2017
6. New Loan Handbook for Borrowers 2017
7. Public Finance (Administration & Management) Regulations 2013
8. Public Finance Management (PFM), Act 2012
9. Public Procurement & Disposal Act, 2015 and Regulations 2016
10. NAVCDP Project Implementation Manual



FINANCE MANUAL

VERSION 1

