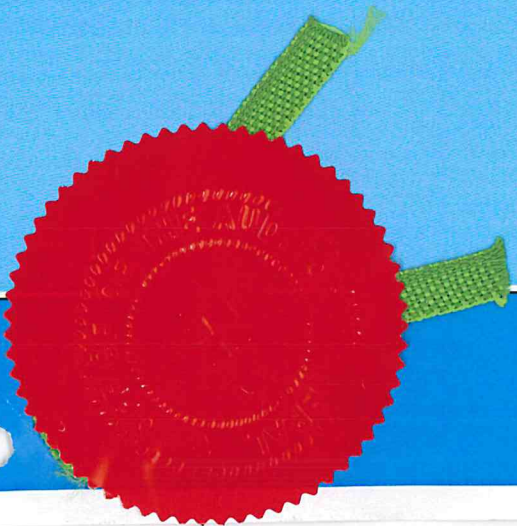




<b>OFFICE OF THE AUDITOR-GENERAL</b> <i>Enhancing Accountability</i>	
THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 24 FEB 2021	DAY: Thurs
<b>REPORT</b>	
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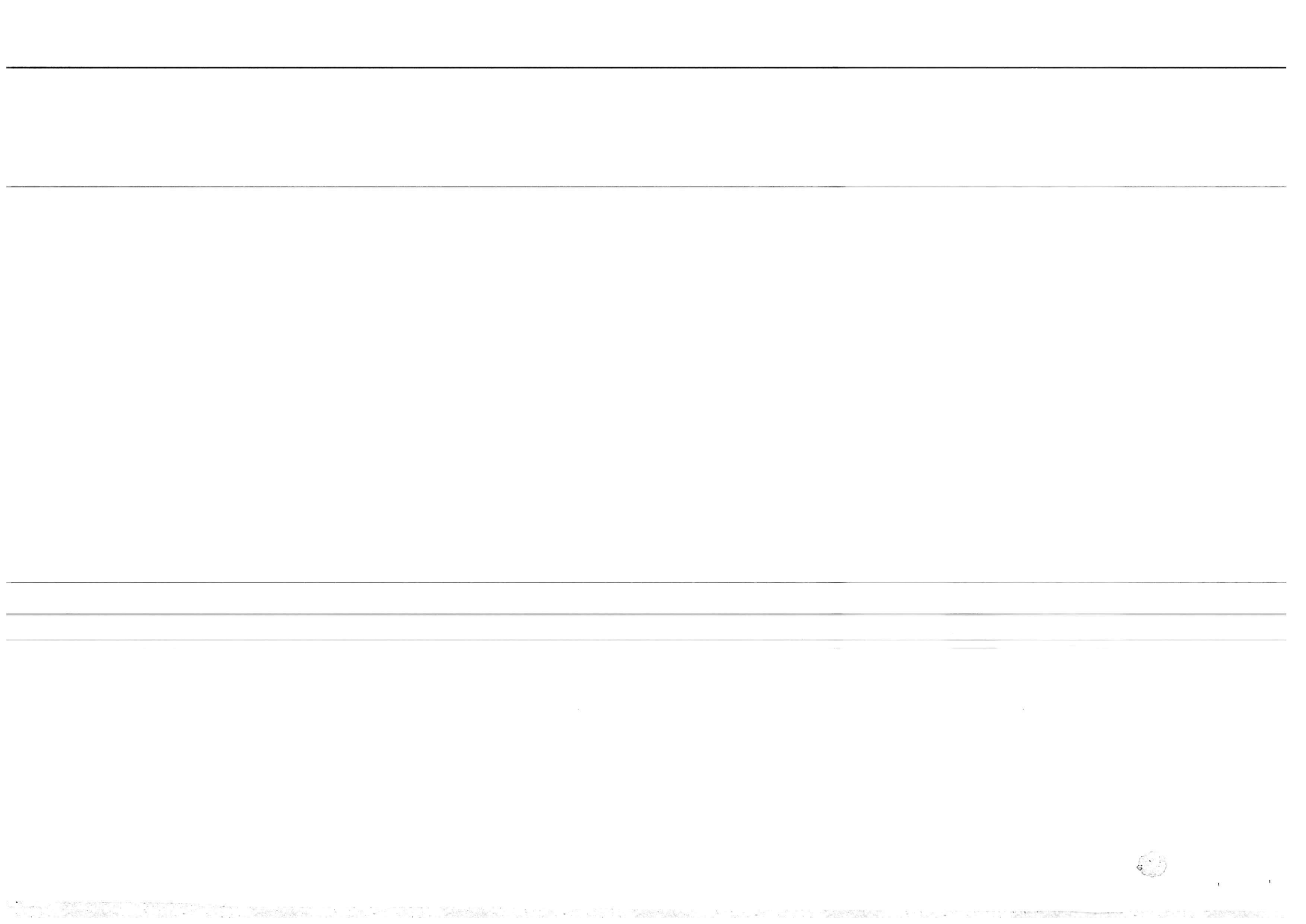


**THE AUDITOR-GENERAL**

ON

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

**FOR THE YEAR ENDED  
30 JUNE, 2020**





**KENYA INSTITUTE FOR PUBLIC POLICY  
RESEARCH AND ANALYSIS**

**ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30  
JUNE 2020**

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

## **Vision**

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

## **Mission**

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

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

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

**P. O. Box 56445-00200, Nairobi**

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

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**Website: [www.kippra.org](http://www.kippra.org)**

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

## **TABLE OF CONTENTS**

TABLE OF CONTENTS .....	III
I: KEY INSTITUTE INFORMATION AND MANAGEMENT .....	IV
II: THE BOARD OF DIRECTORS .....	VIII
III: MANAGEMENT TEAM .....	XV
IV: CHAIRPERSON'S STATEMENT .....	XIX
V: REPORT OF THE EXECUTIVE DIRECTOR .....	XX
VI: REVIEW OF THE INSTITUTE'S REGULATORY & NON – COMMERCIAL ENTERPRISE'S PERFORMANCE FOR FY 2019/2020 .....	XXI
VII: CORPORATE GOVERNANCE STATEMENT .....	XXXII
VIII: MANAGEMENT DISCUSSION AND ANALYSIS .....	XXXVIII
IX: CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING .....	XXXIX
IX: REPORT OF THE DIRECTORS .....	XLII
X: STATEMENT OF DIRECTORS' RESPONSIBILITIES .....	XLIII
XI: STATEMENT OF THE INDEPENDENT AUDITORS ON KIPPRRA FOR THE YEAR ENDED 30 <sup>TH</sup> JUNE 2020 .....	XLIV
XII: STATEMENT OF FINANCIAL PERFORMANCE .....	1
XIII: STATEMENT OF FINANCIAL POSITION .....	2
XIV: STATEMENT OF CHANGES IN NET ASSETS .....	3
XV: STATEMENT OF CASH FLOWS .....	4
XVI: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS .....	5
XVII: NOTES ON THE FINANCIAL STATEMENTS .....	7
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS .....	24
APPENDIX II: PROJECTS IMPLEMENTED BY THE BOARD .....	24
APPENDIX III: INTER-ENTITY TRANSFERS .....	25
APPENDIX IV: RECORDING OF TRANSFERS FROM OTHER GOVERNMENT ENTITIES .....	26

## I: KEY INSTITUTE INFORMATION AND MANAGEMENT

### (a) Background information

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

### (b) Principal activities

The principal activity of the Institute is to develop human and institutional capacities for the Government of Kenya and other stakeholders by conducting objective research and analysis and through capacity building to contribute to the achievement of national development goals.

Under the KIPPRRA Act, the Institute is mandated to:

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

11. Undertake public policy research relevant to governance and its implications to development; and
12. Undertake any other business which is incidental to the performance of any of the foregoing functions.

**(c) Key management**

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

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

**(d) Fiduciary management**

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Executive Director	Dr Rose Nguigi
2.	Senior Policy Analyst, Macroeconomics Department	Benson Kiriga
3.	Principal Policy Analyst, Social Sector Department	Dr Eldah Onsomu
4.	Principal Policy Analyst, Private Sector Development Department	Dr Moses Njenga
5.	Senior Policy Analyst, Infrastructure & Economic Services Department	Dr Humphrey Njogu
6.	Principal Policy Analyst, Capacity Building Department	Dr Nancy Nafula
7.	Senior Policy Analyst, Partnerships Department	Dr Eliud Moyi
8.	Principal Publications Editor, Knowledge Management Department	Felix Murithi
9.	Senior Librarian, Knowledge Management Department	Winnie Nguyu
10.	Senior Communication Officer, Corporate Services Department	Jane Kenda
11.	Senior ICT Officer, ICT Division	Benson Itere
12.	Ag. Snr HR & Admin Officer, HR Department	Hellen Anyumba
13.	Ag. Principal Accountant, Finance Department	Juliah Muguro
14.	Principal Supply Chain Manager, Supply Chain Management Department	Dr Peter Munene
15.	Ag. Corporation Secretary	Caroline Mukira



#### e) **Fiduciary oversight arrangements**

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

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

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

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

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

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

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

**(f) Institute Headquarters**

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

**(g) Institute contacts**

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

**(h) Principal Banker**

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

Kenya Commercial Bank  
Milimani Branch  
P. O. Box 69695-00400  
Nairobi, Kenya

**(i) Independent Auditor**

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

**(j) Principal Legal Advisor**

The Attorney General  
State Law Office  
Harambee Avenue  
P. O. Box 40112  
City Square 00200  
Nairobi, Kenya.

## II: THE BOARD OF DIRECTORS

BOARD MEMBER	PROFILE
 <p data-bbox="972 1058 1043 1366"><b>Dr. Linda Musumba,</b> Chairperson</p>	<p data-bbox="409 100 1137 839">Dr Linda Musumba (born in 1973) holds a PhD in Law from University of Birmingham, UK, a Master’s in Law from University of Warwick, UK, and a Bachelor of Laws degree from the University of Nairobi as well a Post Graduate Diploma in Law from Kenya School of Law. She is the founding Dean of Kenyatta University School of Law (KUSOL). Since relinquishing the Deanship, she continues to teach law at KUSOL and, in particular, Constitutional Law, Electoral Law, East African Regional Law, and oversees the Law School’s Judicial Attachment Programme that has received wide acclaim. Dr Musumba has carried out research and consultancies for several local, regional and international organizations and has been consulted widely by both State and Non-State actors on various matters that pertain to constitutional law, electoral law, law and gender, as well as regional integration. Dr. Musumba is an independent Director.</p>
 <p data-bbox="1767 952 1839 1366"><b>Mr. Koitamet OleKina,</b> Vice Chairperson</p>	<p data-bbox="1182 97 2056 836">Koitamet OleKina (born in 1964) represents the business sector and holds an Executive Master’s in Public Policy and Administration and a Bachelor’s degree in Philosophy and Literature from Kenyatta University. He is trained in Corporate Governance and Non-profit Leadership (Florida, USA) and is involved in private consultancy and contracts in the construction industry. In July 2013, he coordinated the preparation of the National Plan of Action for Floods Control and Management. From August 2009, he worked as a logistics and Liaison Consultant for the National Crisis Response Centre and was appointed Deputy Coordinator from 23 March 2010. He has represented Kenya in various IGAD-led processes resulting in production of the regional Hazard Map and Atlas and the Regional Disaster fund. He has previously served in various Boards, including Kenya Tourist Board, Organization for Intercultural Education, Maasai Education Discovery, NGO Council’s Regulatory Committee, Casafare and Pandora Construction Company. He served in various capacities and community and national level towards promulgation of the Constitution of Kenya 2010. He has also been</p>

	<p>a member of the National Pastoralist Development Network and has been involved in the rescue of Maasai girls from forced marriage, and organized sponsorship of their education. He has also worked as an advocate of Early Child Education, Cultural Studies and Rural Development volunteer projects. He is an independent Director and serves as Vice Chair of the KIPPPRA Board.</p>
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**Dr Rose Nguji, Executive Director/Secretary to the Board**

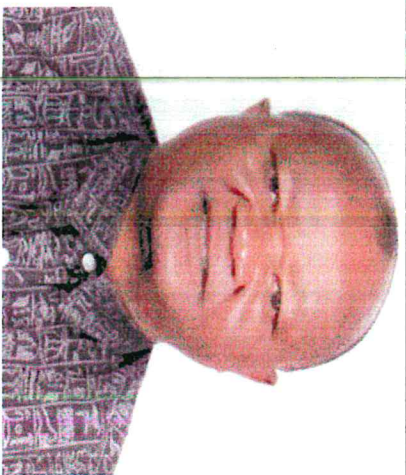
Dr Rose Nguji (born in 1966) is the Executive Director of the Kenya Institute for Public Policy Research and Analysis (KIPPPRA) and serves as the Secretary to the Board. She is involved in providing technical guidance and capacity building on policy and strategy formulation to the Government of Kenya and other stakeholders, with the overall aim of contributing to the achievement of national development goals. Before then, she was a Senior Advisor in the Office of Executive Director, Africa Group 1, International Monetary Fund, in Washington DC. Dr. Nguji has been a member of Central Bank of Kenya Monetary Policy Committee and has vast teaching experience at the University of Nairobi, School of Economics. She has published widely, and her research interests are in public policy, financial sector, investments, reforms and institutional issues. She holds a PhD from Business School Birmingham University, UK specializing in Financial Markets, and a Master's and Bachelor's degree in Economics from the University of Nairobi, Kenya.



**Dr Phoebe Josiah**

Dr Phoebe Josiah (born in 1950) represents Research Institutes and received her education at Makerere University Kampala Uganda, where she graduated with BSc (Hons) in Zoology, Botany and Chemistry and later obtained her MSc and PhD in Medical Parasitology, Entomology, Public Health and Epidemiology. She is a Chevening Scholar, following successful completion of her PhD while on Chevening Scholars Fellowship from 1987 to 1991. Between July 2002 and August 2015, she worked at KEMRI as a Chief Research Officer in various capacities. She played a pivotal role, while heading the Corporate Affairs and Partnerships Department, in enhancing the corporate image of KEMRI and strengthening collaborative research initiatives with partner institutions, donor agencies, the private sector and communities. Previously, she has also worked for the Ministry of Health as a Researcher

	<p>and Trainer, and various UN agencies and NGOs as a Technical Advisor and a Research Consultant. She has been a Trainer, an Honorary Lecturer and a visiting Scholar at several institutions locally, regionally and globally. She has authored and co-authored several publications including policy papers. Dr. Josiah is an independent Director.</p>
 <p><b>Mr. Samuel Gitau</b></p>	<p>Mr. Samuel Gitau (born in 1965) is the Alternate to the Cabinet Secretary, National Treasury and has a career spanning 28 years as an economist in the Public Service sector. He has served as an economist in the Ministry of Planning and National Development, Ministry of Justice, National Cohesion and Constitutional Affairs, Office of the Attorney General and Office of President. In 2016, he joined the National Treasury where he is currently serving as the Senior Deputy Director, Macro and Fiscal Affairs Department.</p>
 <p><b>Ms Emma Muema</b></p>	<p>Ms. Emma Muema (born in 1970) represents the business sector and graduated with a BSc in Business Administration (Management) and M.A. Communication (Development) from Unites States International University and Daystar University, respectively. She is currently pursuing a Doctorate degree in Leadership Studies at the Bowling Green State University (BGSU) in Ohio, USA. From 2017 she worked as a Graduate Assistant to the Associate Dean, School of Education and Human Development at BGSU. Prior to joining BGSU, she successfully served in the banking industry in Kenya for 25 years, rising through the ranks to hold the position of Ag. Director, Corporate and Institutional Banking at National Bank of Kenya. Emma has held various institutional oversight positions, at Planning Interior Design, a small and medium size enterprise that was ranked among the top 100 SMEs in Kenya in 2011. In 2014, she was appointed as Board member of KIPPRA, and has been reappointed for a further three years from 2018 to 2021. Ms. Muema is an independent Director.</p>



**Prof. Marangu Marete**

Prof. Marangu Marete (born in 1950) represents business sector is a Policy Advisor in the Office of the third President of the Republic of Kenya and a Special Envoy for Water Africa. He is an independent Director.



**Prof. Michael Chege**

Prof. Michael Chege (born in 1946) represents universities and is a Political Economist with special interest in governance and economic development in Sub-Saharan Africa. He has worked with various international organizations including World Bank, SIDA, USAID, UNDP, IDRC, Ford and Rockefeller Foundations. Prof. Chege has also served as a visiting professor at the Graduate Institute of International Affairs at the University of Geneva, and Harvard University, and has published widely on African development and governance issues. He holds a doctorate degree from the University of California at Berkeley, and Bachelor's degree in Economics and Government from the University of Nairobi. He taught at the University of Nairobi between 1976 and 1988, after which he joined the Ford Foundation as a Programme Officer in charge of funding public policy and international affairs projects in Eastern and Southern Africa. Between 1996 and 2004, he served as the Director and Professor of the Centre for African Studies at the University of Florida and was a UNDP Policy Advisor at the Ministry of Planning in Kenya between 2005 and 2014. He has served as a consultant to the World Bank. Prof. Chege is an independent Director.





**Ms Rose Ronoh**

Ms Rose Ronoh (born in 1975) represents universities and is a part time Human Resource Lecturer at the Kenya College of Accountancy. She is also a Human Resource Consultant at Mcryan's Enterprises Ltd and has previously worked at the National Hospital Insurance Fund as Operations Officer, and at Standard Newspapers (Subscription Department – Nairobi Region) as a Marketing Executive. She holds a Master's degree in Business Administration (Human Resource Management) from Kenyatta University, Bachelor of Commerce (Business Administration and Management) from Daystar University, Higher Diploma in Human Resource from College of Human Resource Management, a CHRP Certificate, and a Certificate in Counselling Skills from College of Human Resource Management. She is currently pursuing PhD in Human Resource Management at Jomo Kenyatta University of Agriculture and Technology. Ms Ronoh is a member of the Institute of Human Resource Management. She is an independent Director and serves as the Chair of the HR and General-Purpose Committee of the Board of KIPPPRA.



**Dr Nahashon Langat**

Dr Nahashon Langat (born in 1986) represents special interest groups and has been a Lecturer at Kenyatta University and an e-learning coordinator at the same institution. He is also a Council Member at Occupational Safety and Health Act. He holds a Bachelor of Commerce - Finance and Master's in Business Administration - Strategic Management both from the University of Nairobi. He also holds a Doctor of Philosophy (PhD) in Business Administration from Kenyatta University. He has Lectured and supervised students at Egerton University, KEMU University, Maasai Mara University and Moi University all of them in the School of Business. He is an independent Director and serves as Chair of the Audit Committee of the Board.

 <p><b>Dr Dinah Samikwo</b></p>	<p>Dr Samikwo (born in 1973) represents Universities and is a PhD holder in Science Education, with more than ten years of teaching experience both at secondary school and University of Eldoret. She has vast experience and interest in the areas of Biology Education and Animal Physiology. As a researcher, she has participated in various conferences and published articles in various peer reviewed journals. She is an independent Director and serves as Chair of the Programmes Committee of the Board.</p>
 <p><b>Mr Jamsheed Ali</b></p>	<p>Mr Jamsheed Ali (born in 1959) is the Alternate Director to the Principal Secretary, State Department for Planning in the KIPPRA Board. He is a Chief Economist and Head of Macro Planning Division, Macro Directorate, State Department of Planning. He holds M.A. in Development Economics from Williams College, Massachusetts, USA and B.A. Economics and Government from the University of Nairobi, Kenya. He has over 25 years of progressively challenging assignments in macroeconomic policy and development, and has been instrumental in the conceptualization, documentation and coordination of key economic and policy strategies. During his service, he has been able to effectively multitask as a trainer, leader, convener and strategist, and is routinely called upon to provide technical and policy insights in various forums, both locally and abroad.</p>





**Dr. Fred Simiyu, HSC**

Dr. Fred Simiyu, HSC (born in 1968) is the Alternate Director to the Principal Secretary, State Department of Trade in the KIPPR Board. He is a committed civil service management professional with over 26 years of experience chronicled with diversity industry experience in the field of nurturing Trade and Industrial entrepreneurship, Ministry of Industry, Trade and Cooperatives at National, regional and sub-national levels for income generation, employment creation and poverty reduction in the Republic of Kenya.

He has hands on experience and abundant international entrepreneurial exposure gained through study tours of several industrial parks, shopping malls/supermarkets and international exhibitions in over 20 cities across China, India, United Arab Emirates, Qatar and East Africa to internalize their salient success strategies.







**Mr. Nzomo Mbithuka**

Michael Nzomo Mbithuka (born in 1978) represents special interest groups and is an ICT professional with over 15 years business leadership experience spanning banking, telecoms, satellite and technology sectors. He is currently the Cloud Technology Lead - Public Sector at Oracle Corporation. He is passionate about breaking barriers to access and transforming lives through innovative technologies. He is an independent Director and serves as the Chair of the Finance Committee of the Board.






### III: MANAGEMENT TEAM

The Board is supported in its functions by the management team which has been set up pursuant to Section 193 (5) of the PFM Act, 2012. The Management provides administrative and technical support to the Board in the execution of its mandate and functions. During the period from 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020, the Management team played an instrumental role to ensure implementation of the Board's mandate. This was achieved through effective and efficient allocation and use of resources.

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

MANAGEMENT TEAM	QUALIFICATIONS & RESPONSIBILITY AREA
	<p><b>Dr Rose Nguji</b>                      PhD in Finance (Financial Markets)                      Executive Director</p>
	<p><b>Mr. Benson Kiriga</b>                      MA in Economics                      Senior Policy Analyst                      Macroeconomics Department</p>
	<p><b>Dr Eldah Onsomu</b>                      PhD in Economics                      Principal Policy Analyst                      Social Sector Department</p>
	<p><b>Dr Moses Njenga</b>                      PhD in Economics                      Principal Policy Analyst                      Private Sector Development Department</p>

	<p><b>Dr Humphrey Njogu</b> PhD in Computer Science Senior Policy Analyst, Infrastructure and Economic Services Department</p>
	<p><b>Dr Nancy Nafula</b> PhD Economics Principal Policy Analyst Capacity Building Department</p>
	<p><b>Dr Eliud Moyi</b> PhD Economics Senior Policy Analyst Partnerships Department</p>
	<p><b>Mr. Felix Murithi</b> MPhil in Publishing Studies Principal Publications Editor Knowledge Management Department.</p>
	<p><b>Ms. Winnie Nguyu</b> Master's in communication studies Senior Librarian Knowledge Management Department</p>

	<p><b>Ms. Jane Kenda</b>                  Master's in communication                  Senior Communication Officer                  Corporate Communication and Media Division</p>	
	<p><b>Mr. Benson Itere</b>                  MSc Information Systems                  Senior ICT Officer                  Information and Communication Technology Division</p>	
	<p><b>Ms Hellen Anyumba</b>                  MSc Human Resources                  Ag. Senior Human Resource and Administration                  Officer                  Human Resource and Administration Department</p>	
	<p><b>Ms. Juliah Muguro</b>                  MSc (Finance and Economics), CPA(K)                  Ag. Principal Accountant                  Finance and Investment Department</p>	
	<p><b>Dr Peter M. Munene</b>                  PhD Business Administration                  Principal Supply Chain Management Officer                  Supply Chain Management Department</p>	

	<p><b>Mr. Samuel Githinji</b> MSc Finance, CPA (K), CIA, CRMA Senior Internal auditor Internal Audit Department</p>
	<p><b>Ms Caroline Mukiira</b> LLM, Master's in Law Ag. Corporation Secretary Corporation Secretary and Legal Services Department</p>

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

2019-20 was yet another year of growth for the Institute. I and the entire Board of Directors continue to work towards supporting, through Executive Director in achieving KIPPRRA's strategic objectives to produce evidence based research that informs public policy decision making, engage strategic stakeholders to debate policy issues and build capacity of professionals in the public policy process. Through the 2019-20 work plan these objectives and their targets were surpassed, which is commendable.

KIPPRRA continues to pursue diversifying its sources of funding and this year it generated income of Ksh 82 million from contracted research which was conducted on behalf international organizations and government agencies such the European Delegation in Kenya, United Nations Children's Fund (UNICEF), United Nations Economic Commission for Africa (UNECA), UNWomen, Kenya Space Agency, Kenya School of Law, Micro and Small Enterprises Authority (MSEA) among others.

During the Financial Year, KIPPRRA ranked as the top think tank in Sub Saharan Africa. The Global Go To Think Tank Report globally identifies and ranks of more than 6,000 think tanks from across the world that excel in research, analysis and public engagement on a wide range of policy issues. In 2019, KIPPRRA ranked high in the categories of top domestic economic think tank, best think tank conference, best trans-disciplinary research think tanks, best use of social networks, think tanks with the best external relations/public engagement programme, think tanks with the best use of the internet, think tanks with the most significant impact on public policy and outstanding research policy programmes. The Board would like to congratulate KIPPRRA on these outstanding recognitions.

The quality and rigour of our research continues to inform policy debate. This year the Institute completed 123 research reports with developing county specific reports. Some the recommendations from the research have already been adopted by policy makers. KIPPRRA's capacity building programmes continue to expand with increased demand from county governments. The Institute has also continued to provide policy advisory and technical services for various institutions.

Our achievements must be acknowledged in the context of those that supported us through the year. The government of Kenya, our parent Ministry, the National Treasury and Planning, the County Governments other development partners and most importantly recognising the staff that continue to rise to the challenge of making KIPPRRA a centre of excellence.



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

Date: 31/03/2021

## V: REPORT OF THE EXECUTIVE DIRECTOR

The Kenya Institute for Public Policy Research and Analysis (KIPPRA) was established to support the government in strengthening the public policy process by developing human and institutional capacity and providing evidence-based policy advice through objective research and analysis. This is in recognition that objective policy formulation, implementation and evaluation plays a critical role in achievement of the national long-term development agenda.

During the year under review KIPPRA continued an "EASIER" business model by embracing Efficiency, Accountability, Sustainability, Innovation, Effectiveness, Responsiveness and Relevance in undertaking its activities. There was increased engagement and demand from the County governments which advances KIPPRA's mandate to provide capacities for public policy formulation for the county governments alongside the national Government. Further 2019/20, was important to scaling up capacity development on public policy formulation through delivering tailor-made programs and specifically to support the county governments in the delivery of their mandate.

The research conducted in the year focused on how creating an enabling environment for inclusive growth as well as job creation. With just a decade left in achieving the Vision 2030 goals, KIPPRA is focused on accelerating achievement of the vision 2030 by investigating priority areas for investment in meeting Kenya's long-term development goal.

Institutional development and sustainability are of importance to effectively deliver on the core mandate. Government support, new partners, competent staff, prudent use of resources and expanding the Institute's activities have been instrumental in ensuring sustainability of the Institute. Recruitment of various officers that will see the Institute increase its human capacity, increased demand for capacity development programs and contracted research will also go a long way towards ensuring delivery of its mandate.



**Dr Rose Nguni**  
**Executive Director, KIPPRA**

Date: 30/3/21

## VI: REVIEW OF THE INSTITUTE'S REGULATORY & NON – COMMERCIAL ENTERPRISE'S PERFORMANCE FOR FY 2019/2020

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

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

In 2019/20, the Institute focused its activities on five broad strategic areas, namely: i) Enhancing capacity building; ii) Enhancing quality and relevance of research and policy advice iii) Strengthening knowledge management and communication; iv) Strengthening and expanding strategic networks and partnerships; and v) Enhancing institutional sustainability.

### 1.1. Developing Capacities in Public Policy Research and Analysis

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

#### 1.1.1. Young Professionals Programme

KIPPPRA's Young Professionals Program (YP) is the flagship capacity building programme of the Institute and seeks to enhance technical competence in policy analysis capacity.) The YP programme has been, since 2003, annually recruiting ten to fourteen highly qualified and motivated Kenyans from both the public and private sector. KIPPPRA last year graduated the 2018/19 cohort of KIPPPRA's Young Professionals (YPs) during a colorful ceremony in December 2019. For 2019/20 the Institute engaged 14 Young Professionals drawn from both government and the private sector. The YPs underwent a rigorous training on public policy process making process, research methods, governance structures in a devolved system of government, and tools for policy analysis including KIPPPRA Treasury Macroeconomic Model (KTM), Introduction to SAM, Systems of National Accounts (SNA) and Macro-Economic Modelling and Forecasting. In addition, they undertook a review of the Vision 2030 and the National Budget. On completion of the programme, the YPs completed the following seven (7) research



papers under the research theme “Youth Employment in Industries With and Without Smokestacks”:

- i. Enhancing Productivity of the Pharmaceutical Industry
- ii. Assessing the employment creation potential of the Tea Sector in Kenya
- iii. Assessing the potential of dairy industry
- iv. Contribution of Fishery and Aquaculture to Job creation among the Youths
- v. Jobs prospects in the Cotton Textile
- vi. Unlocking the Solar Photovoltaic Value Chain Potential for Enhanced Job creation
- vii. Using Two-wheelers as an intervention measure for Youth Employment

### **1.1.2. Public Policy Making Process**

In line with implementing the KIPPRRA mandate to undertake capacity building for government and private sector officers on the public policy making process, KIPPRRA has been implementing the Public Policy Making Process Course. In 2019/20, KIPPRRA focused on filling capacity gaps especially in the Counties. In the past, capacity building on the public policy making process in government has mainly focused on the National Government Ministries and Agencies officers. review, seven (7) training sessions on public policy making process were offered to one-thirty-nine participants. Various KIPPRRA able to equip County officials from Machakos, Makeni, Migori, Garissa, Samburu, Kajjado, Makeni and Kilifi with skills on public policy formulation, implementation, monitoring and evaluation. was also able to continue delivering the programme to other Ministries, Departments and Agencies including The Non-Governmental Organizations Co-ordination Board, Retirements Benefit Authority (RBA) and Energy and Petroleum Regulatory Authority (EPRA).

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

### **1.1.3. KIPPRRA University Mentorship Programme**

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

For 2019/20, the KMPUs Programme was held at the Technical University of Mombasa on November 28<sup>th</sup> 2019 with attendance from other universities in the region including Kenyatta University Mombasa Campus and Pwani University and University of Eldoret on February 19<sup>th</sup> 2020 with other Universities from the region participating including Baraton University, Moi University and University of Nairobi satellite campus . The programme reached over 700 students and lecturers across these universities. Going forward, the Institute will be strategizing on having more engagement with the students reached so far as well as sustainability of the programme.

#### **1.1.4. Tools for Policy Analysis**

Evidence-based policymaking relies heavily on good policy analysis skill to identify the most effective, efficient, and feasible potential policy options that could address the problems. The Institute has been focusing on developing internal and external capacities for policy analysis by offering trainings on various tools including Social Accounting Matrix and Input-Output Table, Macroeconomic modelling and forecasting, Supply and Use Tables and Introduction to National Accounts.

KIPPRRA offered one session on Tools for Policy Analysis to ten participants from Retirements Benefits Authority (RBA), Energy and Petroleum Regulatory Authority (EPPRA) and Institute of Economic Affairs (IEA) and two on Macroeconomic Modelling and Forecasting targeting Makueni, Machakos and Kisumu county officials working in Planning, Budget, Statistics and Revenue Directorates in the County Treasury. The trainings had an immense impact on the participants knowledge and skills in macro-economic models and policy analysis evident from the daily evaluations. Further, the Institute had seen an increase demand for policy analysis and humbled by the demand to not only strengthen county capacity for policy analysis but also assist counties and institutions in developing forecasting models.

#### **2.1 Public Policy Research and Analysis**

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

In the year under review, the Institute conducted thematic research aligned to the "Big Four" initiatives and produced 123 research outputs including 22 discussion papers, 93 policy briefs, 13 client reports and 2 conference reports. Some of the recently completed research outputs are highlighted below:

##### **2.1.1 Kenya Economic Report (KER) 2019**

The 2020 Kenya Economic Report was themed "*Creating an Enabling Environment for Inclusive Growth in Kenya*". The annual economic report gave an overview of key sectoral economic performance for 2019 and provided an outlook of key economic indicators for the next three years while providing insights on the foundation for broad-based economic growth and development. As Kenya continues to implement the devolved system of governance, the quest for shared prosperity, as envisioned in the Kenya's long-term development blueprint the Kenya Vision 2030, the "Big Four" agenda and the Constitution of Kenya is even greater. The report therefore assessed economic performance against the backdrop of policies and institutional frameworks that support balanced and pro-poor growth strategies.

Inclusive growth aims at advancing equal economic opportunities to all stakeholders in development processes, thus promoting pro-poor approaches anchored on participation and contributions of all stakeholders. To achieve inclusive growth in Kenya, the country will need to focus on macroeconomic stability, a sustained period of structural transformation and diversification and promote fiscal consolidation in the medium-term to keep a check on debt sustainability among other socio-economic measures.

##### **2.1.2 Inter-disciplinary research**

There is growing global attention to analyse key development issues with a focus on gender dimensions of interventions. This is driven by the knowledge that development

decisions and practices do affect men, women, boys and girls differently. The KIPPRA-wide research survey 2018/19 on gender and development aimed at evaluating the economic, social, political and institutional constraints that maintain gender disparities in Kenya. The survey sought to establish the linkages between gender programmes and Kenya's overall development agenda, including the "Big Four" agenda, the sustainable development goals (SDGs), and Agenda 2063. The study that interrogated gender roles in various sectors including private, health and governance among others culminated in the 2019 KIPPRA Annual regional conference held from 11<sup>th</sup> to 13<sup>th</sup> June 2019 in Mombasa, Kenya.

KIPPRA also embarked on a project to review implementation of Kenya's Vision 2030; identify emerging issues, gaps and challenges; review the development and growth paradigm adopted and structures put in place to support the Vision's implementation; assess the coordination mechanisms and frameworks across the governance mechanisms and propose a growth path to getting the per capita income growth required to attain an upper middle-income country status by the year 2030. Phase one of the project reviewed the status of implementation of the Vision 2030 and was completed in the period under review. The second phase will conduct an evaluation of the "Socio-economic Impacts of Vision 2030" in the 2019/20.

### **2.1.3 Thematic Research and Analysis**

Research and analysis activities at the Institute are carried out within seven thematic departments including: Macroeconomics, Productive Sector, Social Sector, Private Sector Development, Infrastructure and Economic Services, Trade and Foreign Policy, and Governance departments. During the period 2019-20 notable research was conducted with the Institute producing 123 research reports from the thematic research areas.

Below are summaries of key research that was disseminated to key stakeholders as well as the public and published for continual use in the public policy discourse.

#### **a) Child, Youth and Women Sensitive Planning and Budgeting**

KIPPRA in collaboration with UNICEF, UNDP and UNWomen undertook the Child Responsive Project aimed training county technical officers on the importance of investing in children, youth, women and PWDs in key sectors to help them influence the planning and budgetary process for the groups.

Children, youth and women make up such a large share of the population and are considered the future of the workforce. However, there is a heavy burden on public services that cater for them, such as health and education. Investing in high quality services with potential for returns to investment such as health, education and social services will result in better outcomes for children, youth, and women who in turn will participate in the community and contribute to the economy. Ultimately, investment in children, youth and women will reduce the burden on the state. Children, youth and women are the future: the workforce, the doctors, the teachers, the politicians, the voters.

The overall objective of the project was to develop analytical capacity in the area of child sensitive planning and budgeting with a view of promoting the capacity of government in policy decision making. A training programme on Child Sensitive Budgeting was delivered for the 47 county officials through six regional training sessions held in Kisumu, Nakuru, Kirinyaga, Isiolo, Machakos and Mombasa. 47 County briefs and a national brief were also prepared and published from the project.

**b) County Business Environment Assessment for Micro and Small Enterprises in Kenya**

KIPPRA in 2018/19 constructed a framework to assess business environment for MSEs at counties in Kenya. The framework was targeted at making business regulations simpler by creating conducive environment for starting, operating and sustaining a business. For the 2019/20, the Institute developed 42 county briefs and used 20 indicators using the Distance to Frontier approach (DTF) to rank the counties. The framework covers five areas critical for smooth operations of MSEs, including: workites and adequacy of their infrastructure; market environment; financial and technical capacity; and governance and regulatory framework focusing on reporting specific county indicators and metrics on creating an enabling environment. The 5 counties not included were mainly due to security and accessibility challenges

Dissemination of the county briefs began with West Pokot on 14<sup>th</sup> February 2020, but the remaining county disseminations were postponed due to the COVID-19 Pandemic measures.

**c) Women and Youth Access to Agricultural Finance in Kenya**

KIPPRA, in collaboration with the Agricultural Finance Corporation (AFC) and Financed by the UN Women , FAO Kenya and the European Union Delegation to Kenya undertook a national baseline survey aimed at understanding access to agricultural finance by women and youth in Kenya and prepared two reports on . *Access to Finance by Youth and Women in Kenya* and *Women's access to agricultural finance in Kenya: Baseline report*.

The survey emanated from the recognition of the important role played by women and youth in Kenya's agriculture sector and their vital role in ensuring family food security. The survey was guided by various objectives, among them to establish the status of access to agricultural finance by women in the country, to assess the level of awareness of different Agri-finance channels among women and evaluating the needs, constraints, priorities and the level of satisfaction in Agri-financing among women and youth in Kenya. The baseline data will facilitate monitoring of impact and transformational development for women funded projects under Women Affirmative Access Window (WAAW), and the finalization of the Women Economic Empowerment Draft Strategy by the State Department of Gender Affairs (SDGA). The report was launched on December 6<sup>th</sup>, 2019.

**d) Other Reports**

The Institute also undertook research on “*Transforming Livestock Production through Systems Thinking Approach: The Case of West Pokot and Narok Counties*” which provides a preliminary insight into the application of system thinking in analysing smallholder beef production in Kenya. The paper uses systems dynamics to show the interaction between the livestock sector and the rest of the economy. It identifies key areas to leverage on interventions, which include increasing feed availability by planting high quality grass, re-seeding in the arid areas, applying feed preservation technologies, implementing herd replacement strategies that are critical for maintaining a desirable animal sale rate, and selecting good animal breeds to improve the quality and quantity of the output.

In 2019/20, the Institute completed research addressing the issue of firms and households coping mechanisms to mitigate the impact of droughts and floods. The findings of the study “*Firms Coping Mechanism and Resilience to the Impact of Drought and Floods*” indicate that firms employ multiple coping mechanisms including use of

formal and informal finance, sustainable and unsustainable non-finance coping measures. The firms' choice of coping measures varies by firm-specific characteristics, geographical characteristics and the sector in which the firms operate. Moreover, the use of finance and sustainable non-finance coping mechanisms tend to be complementary, suggesting the importance of deepening use of financial instruments as a strategy for building firm resilience to the impacts of droughts and floods.

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

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

## 2.2 Inter-disciplinary research

KIPPR developed its research strategy to systematically guide the Institute's research agenda in meeting the public policy needs. The strategy outlines the urgent need to conduct interdisciplinary and transdisciplinary research that widens and changes production and organization of knowledge, from creation of new conceptual to methodological approaches, in order to be able to understand and address the future and its challenges.

For 2019/20, the annual KIPPR wide Survey on *Enhancing Inclusivity through Empowering PWDs* focused on deepening the understanding of the status of PWDs in Kenya and their role in achieving inclusive development through pathways and initiatives of disability mainstreaming. Disabilities are multidimensional in nature and affected persons constitute marginalized and special interest group in society. There are many players in supporting persons with disabilities, several government initiatives and policies both domestic and international commitments to support persons with disabilities (PWDs). However, the persons with disabilities remain un-empowered and excluded from various initiatives. In the context of the Big Four Agenda that is aimed at addressing the basic needs of all in improving welfare it is important to understand the environment that PWDs find themselves. The study therefore sought to identify gaps in supporting disability mainstreaming across all sectors and types of disability; opportunities and ability to access; and the role of the society in general in catering for the needs of the persons with disabilities.

The Institute also continued two interdisciplinary research projects on, *Sustaining Momentum in Achieving Vision 2030* and *A Gendered Approach to Unlocking the Potential for Sustainable Development*. The Vision 2030 report was completed, and the team embarked on the second phase on conducting an evaluation of the "Socio-economic Impacts of Vision 2030" in the coming financial year. On the other hand, the

Gender team prepared and submitted a comprehensive African report from 52 African countries on Women and Adoption of the Beijing Declaration and Platform for Action to UNECA.

### **2.3 Demand-driven and Contracted Research Work**

The Institute undertook study to establish the Cause of Mass Failures of Bar Examination at the Kenya School of Law. The study sought to find out the factors behind mass failures of Bar examination at the Kenya School of Law and to recommend appropriate remedial action. The final report was completed and submitted to the Kenya School of Law providing evidence into the probe by Senate into mass failure of students sitting the Bar examination at the Kenya School of Law (KSL) in the past eight years.

KIPPRA in collaboration with the National Treasury and Planning, the Ministry of Health, and the Ministry of Education, supported by UNICEF, and World Food Programme prepared and launched on 21<sup>st</sup> November 2019 a report on the Cost of Hunger in Kenya. The study comprised a series of training sessions supported by the National Treasury and the World Food Programme as well as provided a measure of the effects of child undernutrition on health, education, and labour productivity. The cost of achieving the objectives spelt out in the SDGs on elimination of hunger was measured and it is expected that the findings of the study will be useful in leveraging support for appropriate investments in nutrition, especially for children. Further, it will provide further research/policy evidence for food security, which is one of the four components of the “Big Four” agenda.

Other demand driven projects undertaken include development of the Kenya Space Agency Strategic Plan, the MSEs Sector in Kenya Coordination Strategy, review of Nyandarua county feasibility study on Establishment of a proposed potato and vegetable processing plant in Nyandarua County and preparation of a report on The Future of Think Tanks in Africa

### **2.4 Policy Intelligence**

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

Eleven (11) Policy seminars were held on various issues including on;

- i. The African Continental Free Trade Agreement
- ii. Safety in transportation of petroleum products;
- iii. Factors for low level of revenues
- iv. Foreign policy formulation
- v. Tea sector in Kenya
- vi. Constitutional reform in Kenya
- vii. The Building Bridges Initiative (16th December 2019).
- viii. Safety in transportation of petroleum products
- ix. Recent Developments in the International Market
- x. Achieving 100% transition to Secondary School in Kenya

- xi. Implications of measures taken to deal with Covid-19 on the socio-economic activity.

## 2.5 Policy Engagement, Dissemination and Networking

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

During 2019/20, the Institute held 94 roundtables with various government agencies, the private sector, international organizations and NGOs to discuss various policy issues and areas of engagement. Notably, KIPPRRA were the stakeholder engagements to discuss various KIPPRRA policies including the KIPPRRA Repository Policy, the Data Management Policy, the Research Strategy and the Capacity Building Strategy.

### 2.5.1 Policy seminars, workshops and conferences

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

The Institute organized 20 dissemination functions with both national and county governments, and Non-State actors to disseminate KIPPRRA research findings including workshops for studies on *Youth employment in industries without smokestacks*, *UHC Coverage in Kenya*, *Kenya Think Tanks forum*, *the Omena study dissemination* among others.

In the year under review, KIPPRRA welcomed Daniel M. Kliman, Senior Fellow and Director of the Asia-Pacific Security Program at the Center for a New American Security (CNAS) who made a presentation on *China's One Belt One Road* on August 20<sup>th</sup>, 2019 and on October 31<sup>st</sup>, 2019, Judd Devermont, Director of the Africa Program at the Center for Strategic and International Studies (CSIS) presented on *the creation of foreign policy and tools for including a diversity of voices in foreign policy formulation*.

The Institute partnered with SOAS University of London, University of Groningen and Laval University to offer a course on "Field Experiments, FinTech and Financial Inclusion". The forum was facilitated by Prof. Victor Murinde (SOAS University of London), Prof Robert Lensink (University of Groningen), Prof Issouf Soumare (Laval University) and Dr. Desire Kanga (SOAS University of London) from 5th to 6th December 2019 at KIPPRRA.

Further, the Institute hosted the Chief Executive Officer, United Nations University Helsinki Finland (UNU-WIDER), Professor Sen Kunal, at KIPPRRA policy on the 27th and 28th of February 2020. Prof. Kunal is a leading international expert on the political economy of growth and development and has performed extensive research on international finance, the political economy determinants of inclusive growth, the dynamics of poverty, social exclusion, female labor force participation, and the informal sector in developing economies. Prof. Kunal met with the Executive Director of KIPPRRA and the Private Sector Department to discuss possible collaborations. He later presented a research paper on, "Transforming Informal Work and Livelihoods Wage Worker & Self Employment" to the KIPPRRA staff. The presentation elicited discussions.

The 3<sup>rd</sup> KIPPRRA conference planned for the June annually was held on July 2020 due to government directives on social distancing.

## **2.6 Advisory and Technical Services**

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

During the period under review, the Institute participated in 36 taskforces and working groups supporting various MDAs, including formulating policies to guide the management of narrow roads in Kenya; mainstreaming use of local resources in the development and maintenance of roads, among others.

The Institute developed draft policies on Micro and Small Enterprises, Livestock Insurance, Meteorological Policy and Bill, the Data Protection Policy and Bill. and the Kenya Youth Development Policy. The Institute also provided technical support to the Ministry of Industry, Trade and Cooperatives in the EAC Technical Working Group, the ACFTA Working Group and the Trade in Services Technical Working Group in the on-going trade negotiations in the EAC, COMESA, AGOA and the African Continental Free Trade Agreement (ACFTA) among other institutions.

### **3.1 Knowledge Management**

Knowledge management facilitates the Institute in conducting objective research and policy analysis and communicating findings and recommendations by capturing, developing and storing individual and institutional knowledge, and by putting in place mechanisms for sharing experiences and lessons learnt for integration and continuous improvement and for future reference. The Institute also launched a new website in December 2019

#### **3.1.1 Development of a reservoir of research resources on public policy**

Kenya lacks a centralized repository for public policies and KIPPPRA has a core mandate to develop and maintain reservoir of research resources on public policy. To this end, the Institute approved the KIPPPRA Public Policy repository policy and is in the process of operationalizing the repository. So far, over 500 policies have been collected from both the National and various County governments.

#### **3.1.2 Publication control**

The Institute is mandated to develop and maintain a reservoir of research resources on public policy and related issues. In the period under review, the library continued to serve the public with information and disseminate KIPPPRA publications. In updating library resources, 116 new books were acquired. Further, the documentation centre has the function to distribute publications and during year distributed over 50,000 publications at the conference, workshops, policy seminars and exhibitions that the Institute participated.

#### **3.1.3 Records management**

The Institute embarked on rigorous process to manage its records and information. The Records Management Policy that was approved by the Board establishes a central registry and envisages to have all Institute's documents digitized. KIPPPRA supported by the Kenya National Archives Department has so far sorted over one thousand records of which half have been appraised. The appraisals were delayed due to work from home



directives, but the process will continue in the coming financial year and the digitization to begin thereafter.

### **3.2 Institutional Sustainability**

#### **3.2.1 ISO 9001:2015**

The Institute transitioned from ISO 9001:2008 to ISO 9001: 2015 in April 2018. During the year under review, two internal and one SGS surveillance audit were done. In the coming financial year, the Institute will be reviewing some of the standard operating procedures as they prepare for the recertification process by January 2021. In addition, the Institute continued preparations for certification under the ISO/IEC 27000 standard for Information Security Management Systems (ISMS). In this regard, several champions were trained, and top management sensitized. Draft ISMS policies were developed this will be finalized in the coming financial year as the standard is implemented

#### **3.2.2 Partnerships**

The Institute continued to expand its network with national, regional and international partners and during the period, the Institute collaborated with various institutions in various projects including and African Capacity Building Foundation (ACBF), The Lauder Institute, UNICEF, UN Women, UNECA, SOAS University of London, Kenya National Bureau of Statistics, the Agricultural Finance Corporation, the Council of Governance, the County Assemblies Forum, National Council for Persons With Disabilities, University of Eldoret, Kenyatta University, National Gender and Equality Commission(NGEC), and various local think tanks,

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

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

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

### **3.2.3 Performance Contract**

The Institute signed 2019/20 PC and cascaded targets to staff. Alongside indicators on financial stewardship and activities related to the Institute's core mandate, the focus has been on compliance with statutory requirements such as promotion of the National values and Principles of Governance, 30 per cent preferential procurement to women, youth and PWDs, promotion of the purchase for goods and services produced locally through the Promotion of local content in Procurement Initiative, HIV/AIDS MAISHA II Promotion, disability mainstreaming and other presidential directives and circulars. For example, for disability mainstreaming, during the year 15 KIPPPRA staff began training on sign language to enhance communication with the hearing impaired at the Institute.

The KIPPPRA 2018/19 Performance Contract (PC) evaluation took place on November 4<sup>th</sup>, 2019 at the Institute's offices to enable the evaluators easily access and verify the indicated evidence. The goal of the evaluation was to ascertain KIPPPRA's performance in the 2017/2018 financial year as per the targets set. The Institute achieved a composite score of 3.0725. The exercise provided staff with an opportunity to understand and identify data for assessing the Institute's performance.

In complying with the procurement requirements, the Institute for the FY 2019/20, a total of Ksh 41,144,099 of the procurement budget went to the youth, women and PWDs in line with 30% AGPO allocation. Women were awarded 53 contracts amounting to Ksh 21,771,529, the Youth 53 contracts amounting to Ksh 15,790,215 and 12 contracts were awarded to PWDs amounting to Ksh 3,582,355 which surpassed the 2% target. The Institute also in compliance to awarding at least 40% of the total value of the procurement budget to goods and services produced locally awarded Ksh 108,848,608 against an annual target of Ksh 102,900,000

Regarding human resources, a total of 16 interns and 5 attaches were engaged during the financial year in various departments, including in Trade and Foreign Policy, Social Sector Department, Office of the Executive Director, Finance Strategy and Planning, Capacity Building, among others.

## VII: CORPORATE GOVERNANCE STATEMENT

KIPPRA practices good corporate governance to achieve the best possible level of organizational performance. Effective governance is the most fundamental among imperatives for successful, effective and sustainable think tanks. It was recognized from the onset of KIPPRA's establishment that for the Institute to support policy formulation within the Government of Kenya, both operational autonomy and an effective governance framework were requisite for the Institute to effectively achieve its mandate. The Institute adhered to the Mwongozo Code of Governance for State Corporations in its use of public resources. The Institute relied on the leadership and guidance of the Board, who gave the Institute's strategic direction, safeguarded the Institute's resources, and monitored corporate performance.

### Board charter

The conduct of the Board is governed by the terms of a Board Charter ensuring that its role is independent from that of Management and that there is no conflict of interest affecting the duties of the Directors to the Institute. The Board has delegated the responsibility for the day-to-day business of the company to the Executive Director.

### Process of appointment and removal of Directors

During the financial period 2019/2020, the KIPPRA Board was fully constituted; the Board Chair having been appointed on 12<sup>th</sup> July 2018 and the Board members appointed on 21<sup>st</sup> September 2018. The members of the Board of Directors who served during the year are shown on page ix to xv. During the year Mr. Samuel Gitau replaced Mr. Musa Kathanje as Alt to CS National Treasury and Dr. Fred Simiyu Replaced Mr. Anthony Njeru as alternate to PS Trade with effect from 9<sup>th</sup> August 2019 and 1<sup>st</sup> November 2019 respectively.

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

S/No.	Members	Full Board	Programs Committee	Human Resource Committee	Finance Committee	Audit Committee	Ad-hoc Committees
1.	Dr Linda Musumba	✓ *					
2.	Mr. Koitamet Olekina	✓		✓		✓	✓ *
3.	Prof. Marangu Marete	✓		✓	✓		✓
4.	Dr Nahashon Langat	✓	✓			✓ *	✓

5.	Ms. Rose Ronoh	✓		✓		✓	✓	✓
6.	Dr Phoebe Josiah	✓	✓			✓		
7.	Mr. Nzomo Mbithuka	✓	✓			✓	*	
8.	Dr Dinah Samikwo	✓	✓	*		✓		
9.	Prof. Michael Chege	✓	✓		✓			
10.	Mr. Jamsheed Ali	✓	✓			✓		✓
11.	Mr. Samuel Gitau	✓			✓		✓	✓
12.	Dr Fred Simiyu	✓			✓		✓	

\* Chairperson to the committee

**Roles and Responsibilities of the Directors.**

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

**Table vi (2): Number of Board meetings held**

S/No.	Description	No. of meetings held
1	Full Board	6
2	Human Resource & General-Purpose Committee	10
3	Programs Committee	6
4	Finance Committee	8
5	Audit Committee	7

6	Ad-hoc Committees	8
<b>Total</b>		<b>45</b>

#### Board and member performance

The Board has four (4) standing Committees which are required to meet at least quarterly or as required. The Committees have been set up with clear terms of reference to facilitate efficient and effective decision making of the Board in discharging its duties, powers and authorities. Ad-hoc committees were constituted to deliberate on KIPPPRA land ownership issues and Board Medical Cover.

##### a) Programmes committee

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

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Dr Dinah Samikwo	6	6 out of 6
2.	Prof. Michael Chege	6	4 out of 6
3.	Mr. Jamshed Ali	6	6 out of 6
4.	Dr Phoebe Josiah	6	5 out of 6
5.	Mr. Nzomo Mbithuka	6	6 out of 6
6.	Dr Nahashon Langat	6	5 out of 6

##### b) Human Resource and General-Purpose Committee

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

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Ms. Rose Ronoh	10	10 out of 10
2.	Mr. Koitamet Olekina	10	10 out of 10
3.	Prof. Marangu Marete	10	7 out of 10
4.	Mr. Samuel Gitau	10	5 out of 10
5.	Prof. Michael Chege	10	7 out of 10
6.	Mr. Anthony Njeru	10	1 out of 10
7.	Dr Fred Simiyu	10	5 out of 10

*Dr. Fred Simiyu, Alternate Director to the Principal Secretary, State Department of Trade replaced Mr Anthony Njeru in the Second quarter of FY 2019/20.*

**c) Finance Committee**

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

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Mr. Nzomo Mbituka	8	8 out of 8
2.	Dr Phoebe Josiah	8	7 out of 8
3.	Prof. Marangu M'Marete	8	7 out of 8
4.	Dr Dinah Samikwo	8	7 out of 8
5.	Mr. Anthony Njeru	8	3 out of 8
6.	Mr. Jamsheed Aii	8	2 out of 8
7.	Musa Kathanje	8	2 out of 8

**d) Audit Committee**

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

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Dr Nahashon Langat	7	7 out of 7
2.	Mr. Koitamet Olekina	7	7 out of 7
3.	Mr. Jamsheed Aii	7	5 out of 7
4.	Mr. Musa Kathanje	7	4 out of 7
5.	Ms. Rose Ronoh	7	7 out of 7
6.	Mr. Samuel Gitau	7	3 out of 7
7.	Dr Fred Simiyu	7	2 out of 7
8.	Dr Linda Musumba	7	1 out of 7

*Mr. Samuel Gitau, Alternate Director to the Cabinet Secretary, National Treasury PS. The National Treasury replaced Mr Musa Kathanje in the Second quarter of FY 2019/20. Dr Linda Musumba, the Board Chair attended BAC meeting to clarify some audit issues with the committee members*

**e) Ad-hoc Committees**

The Ad-hoc committee was constituted to review issues with KIPPRRA research centre

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

The Ad-hoc committee was constituted to review issues with Board medical cover.

S/No.	Name	No. of meetings During the year	No. of meetings attended
1.	Mr. Jamshed Ali	3	3 out of 3
2.	Ms. Rose Ronoh	3	1 out of 3
3.	Mr. Samuel Gitau	3	1 out of 3
4.	Dr Fred Simiyu	3	1 out of 3
5.	Mr. Anthony Njeru	3	2 out of 3

#### **Induction and training**

The Board Audit Committee was trained by Kenya School of Government during the financial year.

#### **Succession plan**

The Board reviewed, evaluated, and approved the overall Institute structure, the assignment of senior management responsibilities and plans for senior management development and succession.

#### **Conflict of interest, board remuneration, ethics, and governance audit**

A conflict of interest register was maintained, filled, and signed by all Board members before start of all Board meetings.

Board members were remunerated for their services in accordance with the prevailing relevant legislative provisions and/or guidance from the relevant authority.

A governance Audit is planned for financial year 2020/2021.

The Board adopted, implemented, and monitored compliance with the Institute's Code of Conduct and Ethics.

## **VIII: MANAGEMENT DISCUSSION AND ANALYSIS**

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

KIPPRRA is supported by the National Government through the National Treasury by way of transfer of funds for operational use. These funds are channelled to the Institute through its bank account after it has been budgeted for and approved by the Board of Management. During the year, the National Treasury transferred a total of Ksh 428 Million on a quarterly basis. A Grant of Ksh 22 million was received from EU to fund the National Information Platform for Food Security and Nutrition project (NIPFN). The Institute also earned Ksh 83 million as A.I.A from contracted research work- rendering of services training fees from capacity building programmes, subscriptions for the annual regional conference and investments in treasury bills. The statement shows an improved performance in FY 2019-20 compared to FY 2018/19 recording a total revenue of Ksh 535 million against Ksh 435 million.

In fulfilment of its mandate, the Institute incurred expenses on various line items. Research costs accounted for 23% of the total expenses (includes research and analysis costs, dissemination costs, capacity building programmes costs and research publication costs), general expenses accounted for 20% with Board allowances accounting for 4% of total expenses.

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

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

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

#### **Key projects and investment decisions the entity is planning/implementing**

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

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

### **Financial risk management**

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



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

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

**(a) Market Risk**

- Foreign exchange risk

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

**(b) Credit risk**

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

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

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

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

**(c) Liquidity risk**

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

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

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

## IX: CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

### Sustainability strategy and profile:

The Institute's Strategy Plan 2018-2023 is embedded on the following pillars: efficiency, accountability, sustainability, innovation, effectiveness, relevance, and responsiveness. The Institute's activities as presented in the Strategic Plan are guided by national commitments to the global development agenda such as the Sustainable Development Goals (SDGs), East African Development Agenda (2050) and African Union Agenda 2063 on the Africa we Want. At national level, the Institute is guided by the Kenya Vision 2030 and its Medium-Term Plans, and the 2010 Constitution of Kenya. This together with the SWOT and PESTAL analysis, the evaluation of the political, economic, social, technological and legal factors that may affect the Institute's operations, informed the establishment of the Institute's 5 key results areas. These include: (1) Capacity Development for an Efficient and Accountable Public Policy Making Process (2) Quality, Relevance and Responsiveness of Policy Research and Analysis, (3) Policy Engagement, Outreach and Impact (4) Financial and Institutional Sustainability; and (5) Leadership and Integrity.

### Employee welfare

The Institute in supporting employee welfare established a KIPPRA Staff Welfare Committee who during the period in review undertook the following activities aimed at enhancing employee welfare:

- (i) Development of draft staff mortgage and car loan policy informed by benchmarking exercises to selected state agencies and staff survey undertaken the previous year. This was presented to the Board and Management in January 2020 and June 2020 respectively.
- (ii) Reviewed and revised the draft Rewards and Recognition Policy making reference to Public Service Commission, Human Resource Policies and Procedures Manual for the Public Service (May 2016), Public Service Commission, Guidelines for implementation of Performance Rewards and Sanctions in the Public Service (December 2016) and the Public Service Commission, Performance Rewards and Sanctions Framework for Public Service (May 2016). This was presented to Management in June 2020.
- (iii) The Committee also received guidelines from a third party on the Requirements and procedure for the establishment of Staff Retirement Benefit Scheme (RBS) to inform the initiation of the development of a KIPPRA Staff Retirement Benefit Scheme.
- (iv) The Institute under the guideline of State Corporations Advisory Committee developed approved Human Resource Instruments including staff grading and establishment, Organization structure, Human Resource Policy and procedure manual and career guidelines. The documents were approved in January 2020.
- (v) The Human Resource Policy and Procedure Manual January 2020 section 2.15.10 has the provision of principles of affirmative action, gender and persons living with disability and national values will apply. The Institute observes gender mainstreaming, balance on appointment, promotion and ensure that a minimum of a third (1/3) are of either gender in recruitment process.

The Institute further undertook a skills gap analysis which was to be implemented in a span of five (5) years. The skills gaps analysis ensured that the Institute identifies existing staff competencies against required Knowledge, skills and Abilities needed for effective implementation of the Institute's mandates/functions. The specific objective for the skills gap analysis was to identify the priority competencies and learning needs of the employees; help refine and define skills required in the Institute, now and in the future; help employees know what critical skills they need to grow; help in recruitment efforts when current employees do not have the skills or the interest; facilitate talent management within the organization; and equip management to better understand and address employee needs.

In undertaking the gap analysis, consideration was given to upcoming statutory or structural changes on the work and a list of competencies that most clearly and accurately describe what is needed to do the work. Given KIPPRA's mandate and new organizational structure, the critical skills and competencies identified in the Institute can be broadly grouped into four groups, namely: Managerial Skills, Continuous Professional Development, Entrepreneurial Skills; and Behavioural Skills. The analysis of skills gaps is to be done at two levels. The first level of analysis is done in terms of overall or broad mandates or functions, including 1). Research & Analysis, 2). Capacity building, 3). Networking & Partnerships and 4). Communication, Dissemination & Advocacy and the second level is carried out at job levels taking into account the new organizational structure and the specific functional area.

#### **Community Engagements:**

KIPPRA is committed to operating in an ethical and sustainable way while tackling environmental and social reasons. The Institute therefore takes part in advocating for an ethical, social, and environmentally responsible practices by using CSR as a platform to sensitize stakeholders on the public policy process, National Values and Principles of Governance as highlighted in the 2010 Constitution of Kenya and HIV/AIDS.

For the year 2019/20, the Institute undertook several CSR activities including conducting an awareness forum on 17 National Values and Principles of Governance for 200 students St. Francis School for the Visually Impaired at Kapenguria. During the forum, KIPPRA had an interactive sensitization with the students on the National Values and distributed 200 braille version of the National Values and Principles of Governance booklet at the forum. The forum allowed the KIPPRA board and staff to comprehensively interact with the students and teachers and understand some of the way's institutions can support Persons With Disability by allowing them to showcase their talents and prove that Disability is not Inability.

The Institute further facilitated the registration of 27 learners of Kipsaina Primary School in Keiyo South Constituency of Elgeyo Marakwet County with the National Council of Persons With Disabilities (NCPWD) after a thorough disability assessment exercise carried out by doctors from the council at the school and thereafter facilitated the processing of Disability cards for the learners. This process was a prerequisite for the Institute in preparations towards purchasing assistive devices for the learners. The main aim of carrying out this exercise was to help the learners in accessing some of the services which they are entitled to from the council such as:

- a) Tax exemption for assistive devices
- b) Future entitlement to Government tenders set aside for Women, Youth and Persons living with disabilities
- c) Educative assistance from NCPWD based on Severity of the Disability

- d) Future access to Government cash transfer programmes
- e) Access to free Sunscreen Lotion and lip balm for Persons living with Albinism
- f) Provision of tools of trade for those learners who will proceed to vocational training after completing basic schooling
- g) Future Tax Exemption

The Institute intends to carry out a sensitization exercise on the benefits of the card to the learners upon delivering the assistive devices in the FY 2020/2021.

Further, the Institute continued to embed sensitization of the 17 National Values and Principles of Governance and on HIV and AIDS in its CSR activities. Other than, the St. Francis School, Kapenguria-West Pokot, the Institute continued to sensitize the Youth through the KIPPRRA Mentorship Programme for Universities (KMPUS) at the Technical University of Mombasa and the University of Eldoret. KIPPRRA invited speaker to sensitize students as well as distributed promotional materials on the 17 National Values and Principles of Governance and HIV/AIDS materials to over 500 students and lecturers.

KIPPRRA continued to championing protection of the environment through planting of trees. The Institute also planted trees at Francis School, Kapenguria-West Pokot, at ; the Kereta Forest Challenge, an annual event organized by the East African Wildlife Society (EAWLS), Kijabe Environment Volunteers (KENVO) and the Kenya Forest Service (KFS), and in Eburu Forest. The Institute has planted over 2,000 indigenous trees towards environmental conservation activities.

KIPPRRA staff also participated and contributed towards the 2019 Standard Chartered and Beyond Zero marathons held in Nairobi in October and March, respectively. The Beyond Zero is the First Lady initiative whose goals is to improve maternal and child health in Kenya, and to reduce new HIV infections among children. On the other hand, the Standard Chartered Marathon, now in its 18<sup>th</sup> edition, has taken on various initiatives including raising funds for children with visual impairment to get medical and most recently tackle inequality and increase economic inclusion for young people across our markets, through the *Futuremakers* campaign. The issues of improving maternal mortality and ensuring economic inclusion of all are significant global agendas. These are issues closely related to our National Values such as human rights and inclusivity and are important towards achieving the national development agenda.

## IX: REPORT OF THE DIRECTORS

The Board of Directors submit their report together with the financial statements for the year ended 30 June 2020, which show the state of the Institute's affairs.

### Principal Activities

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

### Results

The results of the Institute's Financial Performance for the year ended June 30, 2020 are set out on page 1.

### Directors

The members of the Board of Directors who served during the year are shown on page ix to xv. During the year Mr. Samuel Gitau replaced Mr. Musa Kathanje as Alt to CS National Treasury and Dr. Fred Simiyu Replaced Mr. Anthony Njeru as alternate to PS Trade with effect from 9<sup>th</sup> August 2019 and 1<sup>st</sup> November 2019 respectively.

### Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015

By Order of the Board



**Dr Rose Ngugi**  
**Executive Director/Secretary to the Board,**

Date:.....**30/3/20**

## **X: STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Section 81 of the Public Finance Management Act, 2012 and the State Corporations Act, Section 14 require the Directors to prepare financial statements in respect of the Institute, which give true and fair view of the state of affairs and the operating results of the Institute for the year ended 30 June 2020. The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on 30 June 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public-Sector Accounting Standards (IPSSAS), and in the manner required by the Public Finance Management Act and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of entity's transactions during the financial year ended 30 June 2020, and of the Institute's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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

### **Approval of the financial statements**

The Kenya Institute for Public Policy Research and Analysis's financial statements were approved by the Board of Directors on 25<sup>th</sup> September 2020 and signed on its behalf by:



**Dr Linda Musumba**  
Chairperson  
Board of Directors

Date: 30/09/2020



**Dr Rose Nydigi**  
Executive Director,  
Secretary to the Board

Date: 30/9/20



## **REPORT OF THE AUDITOR-GENERAL ON KENYA INSTITUTE FOR PUBLIC POLICY RESEARCH AND ANALYSIS (KIPPPRA) FOR THE YEAR ENDED 30 JUNE, 2020**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kenya Institute for Public Policy Research and Analysis (KIPPPRA) set out on pages 1 to 24, which comprise of the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of changes in net assets, the statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kenya Institute for Public Policy Research and Analysis as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Kenya Institute for Public Policy Research and Analysis Act, 2006 and the Public Finance Management Act, 2012.

#### **Basis for Qualified Opinion**

##### **1. Irregular Payment Use of Goods & Services**

As disclosed in Note 15 to the financial statements, the statement of financial performance reflects an amount of Kshs.92,169,000 in respect of use of goods & services expenditure which includes an amount of Kshs.19,155,000 under other general expenses. The general expenses balance includes an expenditure of Kshs.2,523,296 incurred during the financial year 2016/2017. However, the amounts had not included in the reported payables balance of Kshs.19,384,000 during the financial year 2018/2019 and had therefore not been examined.

In the circumstances, the validity of the expenditure amounting to Kshs.2,523,296 cannot be ascertained.

##### **2. Irregular - Provision for Impairment**

As reported in the previously year, included in Note 19 to the financial statements is provisions for impairment made on account of receivables from exchange transactions amounting Kshs.31,835,000. The provision arose from accrued projects income from

various contracts with several organizations where there were disputes in the deliverables. However, information provided shows that out of the total debt impaired amounting to Kshs.31,835,000, a total Kshs.24,473,675 relates to losses that had been occasioned through breach of contractual obligations by the Institute which could have been avoided.

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

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

#### **Key Audit Matters**

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

#### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020

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

#### **Conclusion**

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

#### **Basis for Conclusion**

#### **1. Non-Compliance with the Income Tax, CAP 470**

As disclosed in Note 14 to financial statements, the statement of financial performance reflects research costs balance of Kshs.103,964,000 which included payments amounting to Kshs.15,842,940 made to various service providers for offering conference facilities. However, withholding tax amounting to Kshs.950,576 was not deducted and remitted to Kenya Revenue Authority in line with the Income Tax Act,



Cap 470. No explanation was given for non-compliance, which might lead to interests and penalties being levied to the Institute.

In the circumstances, the Institute was in breach of the law.

## **2. Non-Compliance with the Public Finance Management Regulations, 2015**

Examination of the records revealed that the Institute made a commitment for the supply of various goods and services at a cost of Kshs.649,750 during the month of June, 2020. This was contrary to the Public Finance Management Regulations, 2015, Section 51(1) which states that all commitments for supply of goods or services shall be done not later than 31 May each year except with the express approval of the accounting officer in writing. There was no approval of the Accounting Officer in writing for the commitment.

Further, the Institute paid an amount of Kshs.1,815,484 for the purchase of twenty-four IPADs for its staff. Review of the procurement process revealed that the order was issued on 26 November, 2019 and the goods were delivered on 9 January, 2020. The items were inspected on 13 January, 2020 and taken charge on 30 January, 2020. This was more than 30 days after the issuance of the order contrary to Regulation 53 of the Public Finance Management Regulations, 2015 which provides that an order shall be valid for a period of thirty days from the date of issuance.

In the circumstances, the Institute was in breach of the law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

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

### **Basis for Conclusion**

#### **1. Incomplete Fixed Asset Register**

The fixed asset register maintained by Institute was not up to date and lacked details such as the items description; location; serial number; date of purchased; source; cost price; additions; depreciations and disposal to enable their verification.

Consequently, the existence of an effective assets management system capable of safeguarding and ensuring proper custody of the assets cannot be established.

## 2. Imprest Control and Management System

During the year under review, the Institute paid an amount of Kshs.40,348,708 as subsistence allowances to staff on various occasions through temporary imprests. However, the imprest register maintained lacked vital imprests information such as details of imprests holders, amounts issued, as well issue, due and surrender dates. Out of the imprest amount of Kshs.40,348,708 issued during the year, only Kshs.8,455,900 had been captured in the register while the balance of Kshs.31,892,808 was not recorded in the register provided for audit review.

Under the circumstances it was no possible to confirm whether the controls over issuance of imprests were effective.

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

### **Responsibilities of Management and the Board of Directors**

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

In preparing the financial statements, Management is responsible for assessing the Institute's ability to continue sustaining services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Institute or to cease operations.

The Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of directors is responsible for overseeing the Institute's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

## **Auditor-General's Responsibilities for the Audit**

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1) (a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
  - Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.
  - Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
  - Perform such other procedures as I consider necessary in the circumstances.
- I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.
- I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
 CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

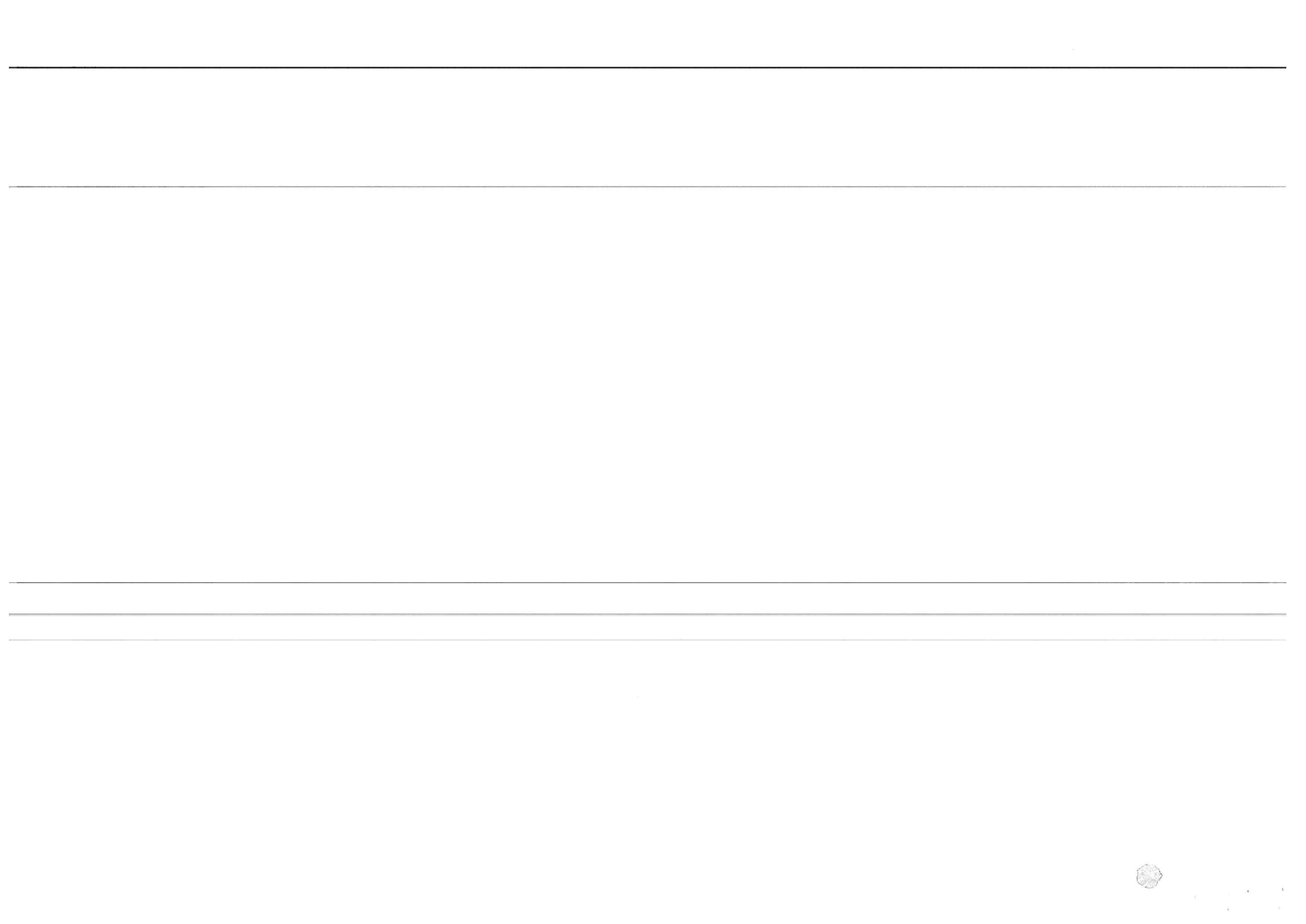
Nairobi

04 February, 2022

## XII: STATEMENT OF FINANCIAL PERFORMANCE

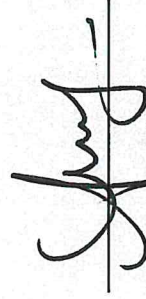
	Notes	2020	2019
		Shs'000'	Shs'000'
<b>Revenue from non - exchange transactions</b>			
Transfers from government – gifts and services-in-kind	6	451,214	351,122
<b>Revenue from exchange transactions</b>			
Rendering of services	8	56,846	35,533
Finance income - external investments	9	17,668	19,114
Other income	10	8,854	2,848
Drawings from reserves	7	<b>83,368</b>	<b>57,495</b>
<b>Total revenue</b>		<b>534,582</b>	<b>435,600</b>
<b>Expenses</b>			
Employee costs	11	(198,693)	(197,080)
Depreciation and amortization expense	12	(12,483)	(10,647)
Repairs and maintenance	13	(2,592)	(2,252)
Research Costs	14	(103,964)	(126,114)
Use of Good and Services	15	(92,169)	(76,165)
Board Expenses	17	(17,758)	(23,234)
<b>Other gains</b>		<b>427,659</b>	<b>435,492</b>
Gain on foreign exchange transactions		457	9
Gain on Disposal of property and equipment's		0	99
<b>Net surplus for the year</b>		<b>106,466</b>	<b>108</b>
<b>Total comprehensive income for the year</b>		<b>106,466</b>	<b>108</b>

The notes set out on pages 7 to 23 form an integral part of these financial statements.



### XIII: STATEMENT OF FINANCIAL POSITION

	Notes	2020	2019
ASSETS		Shs'000'	Shs'000'
<b>Current assets</b>			
Cash and cash equivalents	18	804,222	329,351
Receivables from exchange transactions	19	17,324	23,970
Investments in treasury bills	20	0	389,147
EFD-Kenya Account	21	4,360	4,375
		<b>825,906</b>	<b>746,843</b>
<b>Non - current assets</b>			
Property and equipment	22	69,799	38,262
Intangible assets	23	4,733	4,320
		<b>74,532</b>	<b>42,582</b>
<b>Total Assets</b>		<b>900,438</b>	<b>789,811</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange Transactions/Accruals	25	28,588	19,384
Deferred income	26	306,243	284,448
EFD-Kenya Account	21	4,360	4,375
Other accrued liabilities	27	4,875	4,889
		<b>344,066</b>	<b>313,096</b>
<b>Non-Current Liabilities</b>			
Retirement benefit obligations	24	63,663	61,472
<b>Total liabilities</b>		<b>407,729</b>	<b>374,568</b>
<b>Net assets</b>		<b>492,709</b>	<b>415,243</b>
<b>Total Net Assets &amp; Liabilities</b>		<b>900,438</b>	<b>789,811</b>

  
Executive Director

Dr Rose Ngugi



Board Chairperson

Dr Linda Musumba



Head of Finance

#### XIV: STATEMENT OF CHANGES IN NET ASSETS

	Notes	Accumulated Funds	Total
<b>Year ended 30 June 2019</b>		<b>Shs'000'</b>	<b>Shs'000'</b>
At start of year		442,226	442,226
Total comprehensive income for the year		-	-
Drawings from reserves	7	(26,983)	(26,983)
At end of year		<b>415,243</b>	<b>415,243</b>
<b>Year ended 30 June 2020</b>			
At start of year		415,243	415,243
Total comprehensive income for the year		106,466	106,466
Commitments made during the year	28(b)	(29,000)	(29,000)
At end of year		<b>492,709</b>	<b>492,709</b>



## XV: STATEMENT OF CASH FLOWS

	Notes	2020	2019
		Shs'000'	Shs'000'
<b>Cash flow from operating activities</b>			
<b>Receipts</b>			
Government grants	6	428,545	442,226
Development partners grants	6	22,669	-
Rendering of services	8	56,846	(26,983)
Other Income	10	8,854	
<b>Total Receipts</b>		<b>516,914</b>	<b>415,243</b>
<b>Payments</b>			
Compensation of employees	11(a)	197,687	197,080
Research Costs	14(a)	97,282	126,114
Use of Goods and services	15(a)	67,706	56,614
Board Expenses	17	17,758	23,234
Rent paid	16	22,764	21,778
<b>Total Payments</b>		<b>403,197</b>	<b>424,820</b>
<b>Net cash from operating activities</b>		<b>113,717</b>	<b>(35,318)</b>
<b>Cash flow from investing activities</b>			
Cash paid for purchase of property and equipment	22	(27,697)	(11,670)
Cash paid for purchase of Intangible Assets	23	(1,201)	(3,738)
Net movement in financial assets maturing after 91 days	20	314,131	(74,763)
Income earned from Treasury bills investment	9	17,639	18,878
Interest received	9	29	235
<b>Net cash (used in) investing activities</b>		<b>360,697</b>	<b>(71,058)</b>
<b>Increase/Decrease in cash and cash equivalents</b>		<b>474,414</b>	<b>(106,376)</b>
<b>Movement in cash and cash equivalents</b>			
At start of year		329,351	438,718
Increase/Decrease		474,414	(106,376)
Effect of exchange rate changes		457	9
<b>At end of year</b>		<b>804,222</b>	<b>329,351</b>

## XVI: STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2019-2020	Adjustment 2019-2020	Final budget 2019-2020	Actual on comparable basis 2019-2020	Performance difference 2019-2020	Variances %
<b>Revenue</b>	<b>Shs '000'</b>	<b>Shs '000'</b>	<b>Shs '000'</b>	<b>Shs '000'</b>	<b>Shs '000'</b>	
European Union (NIPFN)	23,000	0	23,000	22,669	331	1%
GOK Grant and Subsidies	480,781	(52,236)	428,545	428,545	0	0%
Rendering Service	102,000	(14,000)	88,000	65,700	22,300	25%
Finance Income	25,200	0	25,200	17,668	7,532	30%
<b>Total Income</b>	<b>630,981</b>	<b>(66,236)</b>	<b>564,745</b>	<b>534,582</b>	<b>30,163</b>	
<b>Expenses</b>						
<b>Operating Costs</b>						
Compensation of Employees	230,100	0	230,100	198,093	32,007	14%
Compensation to Employees (NIPFN)	17,950	0	17,950	600	17,350	97%
Research Costs	125,288	0	125,288	103,964	21,324	17%
Goods & Services	97,384	(14,200)	83,184	73,052	10,132	12%
Board Expenses	24,000	0	24,000	17,390	6,610	28%
Finance Costs	500	200	700	543	157	22%
Rent Paid	24,000	0	24,000	21,534	2,466	10%
Other Payments (Capital)	111,759	(52,236)	59,523	44,434	15,089	25%
<b>Total Expenditure</b>	<b>630,981</b>	<b>(66,236)</b>	<b>564,745</b>	<b>459,610</b>	<b>105,135</b>	
<b>Revenue from rendering of services</b>				<b>74,972</b>	<b>(74,972)</b>	

(To fund ongoing research work, activities of NIPFN project and commitments made during the year)

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

**a. Revenue**

- European Union (NIPFN): The variance from expected revenue was as a result of fluctuations in foreign exchange rate. The disbursements were done in Euros.
- Rendering of Services: The Institute had committed to put more effort in implementation of its core mandate in FY 2019/20 Performance Contract. This resulted in scaling down on consultancy work thus could not realize the budgeted revenue.
- Finance Income: The variance represents unmet projected revenue from investment in Treasury bills due to discharge of investment activities by the National Treasury as per circular no. OP/CAB/A of November 2019.

**b. Operating Costs.**

- Compensation to employees: Variance was a result of several staff who exited the Institute, budgeted for but not replaced.
- Finance Costs: The variance represents an under absorption in bank charges due to reduction in bank transactions.
- Capital Expenditures: The variance was as a result of delays in partitioning of office space affecting procurement of office furniture's, equipments and computers for the respective offices.
- In overall absorption levels were also interrupted by Covid-19 pandemic which necessitated scaling down of research activities.

## **XVIII: NOTES ON THE FINANCIAL STATEMENTS**

### **1. GENERAL INFORMATION**

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

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

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

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

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

- a) Public Sector Combinations – IPSAS 40  
Covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3. The Institute does not have business combinations and combinations arising from non-exchange transactions.
- b) Social Benefits – IPSAS 42  
It is set to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. This information should help the users of financial statements and general-purpose financial reports assess the nature, key features of the operation and impact of such benefits provided by the entity. The Institute does not have social benefit transactions since its staff are engaged on contract earning gratuity at 31% of basic pay and disability benefit is provided for in the staff insurance cover.
- c) First time adoption of Accrual Basis IPSAS - IPSAS 33  
IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSAS for the first time, providing a major tool to help entities along their journey to implement IPSASs  
The Institute adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity
- d) Separate Financial Statements - IPSAS 34

It prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements

The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

e) Consolidated Financial Statements - IPSAS 35

Establish principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. The Institute does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.

f) Investments in Associates and Joint Ventures - IPSAS 36

The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The entity does not have investments in associates or joint ventures.

g) Joint Arrangements - IPSAS 37

Establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The Institute does not have an interest in a joint arrangement and therefore the standard does not apply.

h) Disclosure of Interests in Other Entities - IPSAS 38

Require an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The Institute does not have interests in other entities and therefore the standard does not apply

i) Early adoption of standards

The Institute did not early – adopt any new or amended standards in year 2020.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### a) Revenue recognition

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

###### Transfers from other government entities

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

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

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

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

**Rendering of services**

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

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

**Interest income**

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

**b) Budget information - IPSAS 24**

The original budget for FY 2019-2020 was approved by the National Assembly in June 2019. Subsequent revisions appropriations were made to the approved budget in accordance with specific approvals from the appropriate State department for Planning.

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

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

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

**d) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include cash in hand deposits held at call with banks and financial assets of less than 3 months.

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

All property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

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

S/No.	Description	Rate %
1.	Computers	33.3
2.	Motor vehicles	25.0
3.	Furniture and Fittings	12.5
4.	Office Equipment's	12.5

**f) Intangible assets - IPSAS 31**

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

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

**g) Financial instruments – IPSAS 29**

**Financial assets**

**Initial recognition and measurement**

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

**Loans and receivables**

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

## **Held-to-maturity**

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

### **Impairment of financial assets**

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

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

### **Financial liabilities**

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

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

#### **h) Provisions – IPSAS 19**

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

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

### **Contingent liabilities**

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



**i) Taxation**

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

**j) Employee benefits - IPSAS 25**

**Retirement benefit plans**

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

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

**k) Related parties – IPSAS 20**

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

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

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

**m) Comparatives**

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

**n) Subsequent events– IPSAS 14**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30 June 2020.

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

The preparation of the Institute's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these

assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

### Useful Lives and residual values

✓ Useful lives of property and equipment. The Institute reviews the estimated useful lives of property and equipment at the end of each annual reporting period. Critical estimates are made by the authority members in determining depreciation rates for the property and equipment. The rates are set out in note (f).

✓ Provisions and contingent liabilities. The Institute reviews its obligations at the end of each balance sheet date to determine whether provisions need to be made and if there are any contingent liabilities. In the process of applying the Institute's accounting policies, management has made judgments in determining:

- Whether assets are impaired
- The classification of financial assets and leases
- Provisions and contingent liabilities

### 6. Transfers from other governments – gifts and services-in-kind

#### Grant income

Support from the Government of Kenya (GoK)  
Support from Development partners

#### Total grant income

	2020 Shs'000'	2019 Shs'000'
Support from the Government of Kenya (GoK)	428,545	315,410
Support from Development partners	22,669	35,712
<b>Total grant income</b>	<b>451,214</b>	<b>351,122</b>

### 7. Drawings from Reserves

Sourced from retained earnings

#### Total Drawings

Sourced from retained earnings	-	26,983
<b>Total Drawings</b>	<b>-</b>	<b>26,983</b>

	2020 Shs'000'	2019 Shs'000'
<b>8. Rendering of services</b>		
<b>Total project income</b>	<b>56,846</b>	<b>35,533</b>
<b>Made up of:</b>		
Monitoring African Food & Agriculture Policies (MAFAP)	-	900
Public Policy making training (Bungoma County)	-	816
Development of a strategic plan (Kenya Space Agency)	2,980	1,986
Baseline Survey on Access to Agricultural Finance by Youth & Women in Kenya (EU- AFC Project)	-	808
Kenya School of Law	2,337	582
Economic inclusion through SME development in Coastal Tourism (SAIIA South Africa)	-	293
Water Sector Trust Fund (WSTF)	2,397	2,397
ACBF Agenda 2063 Assessment	-	96
University of Pennsylvania	-	157
Beijing +25 Report (UNECA)	3,119	-
Understanding Decentralization & Devolution in Tanzania and Kenya (REPOA)	2,193	-
ACBF Workshops	-	7,512
Public Procurement Regulatory Authority (PPRA)	-	3,100
Revisiting Growth, Poverty, Inequality and redistribution relationship in Africa (AERC)	767	-
Child Sensitive Budgeting (UNICEF)	32,967	6,350
Power outages in Industries and its Impact on production costs (KAM)	1,435	-
Economic inclusion of young people and women through inclusive entrepreneurship (CAPEC)	968	6,255
Expanding Economic opportunities for women and youth in Africa through structural transformation (University of Cape Town)	1,960	1,275
Fertilizer Workshop (IFPRI)	-	575
State Department for Industrialization	3,889	-
Assessment of the status of drugs and substance abuse among primary school students in Kenya (NACADA)	-	2,431
Addressing Africa's Youth Unemployment through Industries with Smokestacks (IWOSS) – The Brookings Institution	1,824	
	<b>56,846</b>	<b>35,533</b>
<b>9. Finance income - external investments</b>		
Investment Income (Treasury Bills Interest)	17,639	18,879
Interest received on bank deposits	29	235
Total finance income - external investments	<b>17,668</b>	<b>19,114</b>

10.	<b>Other operating income</b>	<b>2020</b>	<b>2019</b>	
	Sale of KIPPRA Publications	Shs'000' 17	Shs'000' 90	
	Disposal of Assets	-	106	
	Capacity Building Programmes	7,004	-	
	Other income	1,833	2,652	
	<b>Total other operating income</b>	<b>8,854</b>	<b>2,848</b>	
11.	<b>Employment costs</b>	<b>2020</b>	<b>2019</b>	
	Employee related costs - salaries and wages	171,432	172,628	
	Recruitment cost	700	988	
	Medical cost	14,264	14,781	
	Group Life Insurance	1,136	1,508	
	Other staff costs	11,161	7,175	
		<b>198,693</b>	<b>197,080</b>	
	<b>11(a)</b>	<b>(a) Employment Costs Reconciliation</b>	<b>2020</b>	<b>2019</b>
	Total Employment Costs	Shs'000' 198,693	Shs'000' 197,080	
	Accrued costs	(1,006)	-	
Actual Payment for Employment Costs	<b>197,687</b>	<b>197,080</b>		
12.	<b>Depreciation and amortization expense</b>	<b>2020</b>	<b>2019</b>	
	Property and equipment	Shs'000' 10,306	Shs'000' 8,101	
	Intangible assets	2,178	2,546	
	<b>Total depreciation and amortization expense</b>	<b>12,484</b>	<b>10,647</b>	
13.	<b>Repairs and maintenance</b>	<b>2020</b>	<b>2019</b>	
	Property and equipment	Shs'000' 1,937	Shs'000' 2,249	
	Other repairs and maintenance	655	3	
	<b>Total repairs and maintenance</b>	<b>2,592</b>	<b>2,252</b>	
14.	<b>Research Costs</b>	<b>2020</b>	<b>2019</b>	
	Research and analysis	Shs'000' 48,858	Shs'000' 41,130	
	Dissemination Workshops	19,088	49,041	
	Capacity Building Programs	23,859	12,560	
	Research Publications	12,159	23,383	
	<b>Total Research Costs</b>	<b>103,964</b>	<b>126,114</b>	
14(a)	<b>(a) Research Costs Reconciliation</b>	<b>2020</b>	<b>2019</b>	
	Total Research Costs	Shs'000' 103,964	Shs'000' 126,114	
	Accrued Costs	6,682	-	
	<b>Actual Payment for Research Costs</b>	<b>97,282</b>	<b>126,114</b>	

	2020 Shs'000'	2019 Shs'000'
<b>15. Use of Goods &amp; Services</b>		
Provision for doubtful receivables	0	0
Motor vehicle expenses	2,611	1,840
Postage & courier	395	368
Telephone	847	840
Internet	4,439	2,949
Stationery	5,966	4,458
Library	5,206	1,648
Legal fees	767	0
Audit fees	900	1,257
Professional fees	318	3,500
Travel	20,777	15,319
Other general expenses	19,155	10,200
Staff Training	7,508	10,527
Bank Charges	543	604
Rent – Ref Note 16	21,534	21,804
Insurance	1,203	853
<b>Total of Use of Good &amp; Services</b>	<b>92,169</b>	<b>76,165</b>

	2020 Shs'000'	2019 Shs'000'
<b>15(a) (a) Use of Goods and Services Reconciliation</b>		
Total of Use of Good & Services	92,169	76,165
Rent	(21,534)	(21,804)
Accrued/Prepaid Costs	<b>(2,929)</b>	<b>2,253</b>
<b>Actual Payment for Use of Goods &amp; Services</b>	<b>67,706</b>	<b>56,614</b>

	2020 Shs'000'	2019 Shs'000'
<b>16. Rent Expense (Included in note 15)</b>		
Prepaid rent b/f	1,558	1,584
Rent paid during the year (c/flow)	22,764	21,778
Prepaid rent c/f	(2,789)	(1,558)
<b>Rent expense for the year</b>	<b>21,534</b>	<b>21,804</b>

	2020 Shs'000'	2019 Shs'000'
<b>17. Board Expenses - note 29(iii)</b>		
Breakdown of Board expenses presented in note 29(iii)		
<b>Access to Government Procurement Opportunities (AGPO)</b>		
For FY 2019/20, the Institute awarded a total of Ksh 41,144,099 to the AGPO in line with 30% AGPO allocation. Women were awarded 53 contracts amounting to Ksh 21,771,529, the Youth 53 contracts amounting to Ksh 15,790,215 and 12 contracts were awarded to PWDs amounting to Ksh 3,582,355 which surpassed the 2% target. The Institute also in compliance to awarding at least 40% of the total value of the procurement budget to goods and services produced locally awarded Ksh 108,848,608 against an annual target of Ksh 102,900,000.		
<b>Cash and cash equivalents</b>	<b>2020 shs'000'</b>	<b>2019 shs'000'</b>
Bank	804,184	329,323
Cash in hand	38	28
	<u>804,222</u>	<u>329,351</u>

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

Cash and bank balances 804,222

329,351

Not included within cash and cash equivalents are funds designated for the EFD liability (note 21)

Account Name	Account No.	Currency	Amount	Exchange Rate	2020 Shs'000'
KIPPPRA - Projects	6433060047	USD	151,984.27	99.5	13,171
KIPPPRA - Projects	6433060052	Ksh			25,305
KIPPPRA - TTI	6433060073	Ksh			1,017
KIPPPRA - GoK	6433060094	Ksh			153,271
KIPPPRA- Sustainability	6433060115	Ksh			525,982
KIPPPRA- Gratuity	6433060107	Ksh			63,663
KIPPPRA- NIPFN Project	1254842756	Ksh			21,775

Petty Cash	Ksh			38
<b>Total</b>				<b>804,222</b>

**19. Receivables from exchange transactions**

	2020 shs'000'	2019 shs'000'
Accrued project income	31,835	31,835
Provisions for impairment	(31,835)	(31,835)
Project Income receivable	6,542	14,456
Training fees receivable	2,774	398
Rent deposit	3,017	3,017
ACBF Receivables	1,585	3,579
Prepaid Rent	2,789	1,558
Car park deposits	332	332
Security Bid – Ministry of Culture & National Heritage	182	182
Salary Advance	103	448
	<b>17,324</b>	<b>23,970</b>

**20. Investments in treasury bills**

	2020 shs'000'	2019 shs'000'
<b>Held to maturity</b>		
Opening balance	389,147	290,011
Additional investments made during the year, net of liquidations	(389,147)	99,136
Closing balance	-	389,147

Held-to-maturity investments can be analyzed as follows:

Maturing within 91 days (Note 11)	-	272,987
Maturing after 91 days	-	116,160
	-	<b>389,147</b>

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

The Institute entered an MoU with the United Nations Economic Commission for Africa (UNECA) in 2013 for research consultancy "Regional Assessment of Agricultural Production, Climate change, Agricultural trade and Food Security". Funds received from UNECA were to support specific annual budgeted activities. Surplus funds at the end of each year were carried forward to the following year and remain a liability to UNECA. The Institute charges the Unit a nominal rent and proportionate level of overheads. The outstanding UNECA funds are held in the EFD account and the balance as at 30 June 2020 was Shs. 4.4 million (2019: Shs. 4.3 million). The Institute is holding the same amount in a separate bank account for repayment of this liability, which is presented separately from cash and cash equivalents.

Account Name	Account No.	Currency	Amount	Exchange Rate	2020 Shs'000'
KIPPRA -EFD	6433060136	USD	21,724.23	99.5	2,072
KIPPRA -EFD	6433060128	Ksh			2,288
<b>Total</b>					<b>4,360</b>

**22. Property and equipment**  
**Year ended 30 June 2020**

	<b>Land</b>	<b>Motor Vehicles</b>	<b>Furniture &amp; Fittings</b>	<b>Office Equipment</b>	<b>Computer Equipment</b>	<b>Total</b>
	<b>Shs'00'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>	<b>Shs'000'</b>
<b>Cost</b>						
At start of year	64,000	24,661	26,626	24,255	20,752	96,294
Additions		7,439	13,915	2,386	3,956	27,696
Disposal			-	-	-	-
At end of year	<u>64,000</u>	<u>32,100</u>	<u>40,541</u>	<u>26,641</u>	<u>24,708</u>	<u>123,990</u>
<b>Depreciation</b>						
At start of year	-	24,661	10,833	11,219	11,319	58,032
Charge for the year	-	10	2,627	2,530	5,138	10,305
Depreciation on Disposal			-	-	-	-
At end of year	<u>-</u>	<u>24,671</u>	<u>13,460</u>	<u>13,749</u>	<u>16,457</u>	<u>68,337</u>
<b>Net book value</b>	<u>64,000</u>	<u>7,429</u>	<u>27,081</u>	<u>12,892</u>	<u>8,251</u>	<u>55,653</u>
<b>Year ended 30 June 2019</b>						
<b>Cost</b>						
At start of year	64,000	24,661	25,213	20,970	16,256	87,100
Additions			1,951	3,503	6,216	11,670
Disposal			(538)	(218)	(1,720)	(2,476)
At end of year	<u>64,000</u>	<u>24,661</u>	<u>26,626</u>	<u>24,255</u>	<u>20,752</u>	<u>96,294</u>
<b>Depreciation</b>						
At start of year	-	24,661	8,966	9,002	9,778	52,407
Charge for the year	-	-	2,405	2,435	3,261	8,101
Depreciation on Disposal			(538)	(218)	(1,720)	(2,476)
At end of year	<u>-</u>	<u>24,661</u>	<u>10,833</u>	<u>11,219</u>	<u>11,319</u>	<u>58,032</u>
<b>Net book value</b>	<u>64,000</u>	<u>-</u>	<u>15,793</u>	<u>13,036</u>	<u>9,433</u>	<u>38,262</u>





## 24. Retirement benefit obligations

The Institute operates a gratuity scheme for qualifying employees which qualifies as a defined benefit scheme. Under the plan, the employees are entitled to 31% of their monthly basic salary for every month of service. The monthly gratuity is paid to a separate gratuity bank account maintained internally by the Institute from where gratuity is paid out from whenever a staff contract comes to an end or whenever an employee leaves employment. Interest earned from the fund is retained in the account for the period. The staff gratuity fund (see non - current asset section of the balance sheet) represents the total funds held with respect of gratuity. This amount is represented by the gratuity bank account balance amounting to Shs. 63,662,597

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

	2020 Shs'000'	2019 Shs'000'
Present value of internally funded obligations	61,472	50,900
The movement in the defined benefit obligation over the year was as follows:		
At start of year	61,472	50,900
Utilized during the year	(28,104)	(20,253)
Charge to profit or loss	30,295	30,825
At end of year	<u>63,663</u>	<u>61,472</u>

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

	2020 Shs'000'	2019 Shs'000'
<b>Other payables</b>		
Projects payable	3,511	2,328
GoK payable	25,077	12,056
TTI payable	-	5,000
	<u>28,588</u>	<u>19,384</u>

Other payables represent expenses incurred as at 30<sup>th</sup> June 2020 as follows:

- General expenses Ksh 13,052,289.30
- Capital expenditures Ksh 15,535,733.10

	2020 Shs'000'	2019 Shs'000'
<b>26. Deferred income</b>		
Support from the Government of Kenya (GoK)	306,243	284,448

Ksh 15 million increase in deferred income represent amounts meant for the partitioning of office space authorized for and contracted, committed during the year.

	2020 Shs'000'	2019 Shs'000'
<b>27 Other accrued liabilities (Provision for outstanding leave days)</b>		
At start of year	4,889	4,208

Payments to staff during the year	(230)	(128)
Charge/(credit) to profit or loss	216	809
At end of year	<u>4,875</u>	<u>4,889</u>

**28. Commitments**

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

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

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

	<b>2020</b>	<b>2019</b>
	<b>Shs'000'</b>	<b>Shs'000'</b>
Not later than 1 year	5,062	5,062
Later than 1 year and not later than 5 years	14,889	14,889
	<u>19,951</u>	<u>19,951</u>

**b) Capital Commitments**

S/No.	Description	2019/20 Ksh	2018/19 Ksh
i.	Authorized for and contracted	19,000,000	-
ii.	Authorized for and not contracted	10,000,000	-
	<b>Total</b>	<b>29,000,000</b>	<b>-</b>

As at the end of the year, the Board had authorized a total of Ksh 23 million shillings to be used in partitioning of new office space at the 6<sup>th</sup> floor of Bishop Garden Towers. The Institute contracted the services, but a commitment of Ksh 19 million had not been incurred by 30<sup>th</sup> June 2020 and will therefore be incurred in FY 2020/21.

Every year, KIPPRRA carries out a survey of a selected policy issue and organizes a regional conference to disseminate the research findings. As at the end of the year, preparations for dissemination of research outputs in an annual regional conference and procurement process was underway. This commitment of Ksh 10 million had not been incurred by 30<sup>th</sup> June 2020 and will therefore be incurred in FY 2020/2021.

**29.**

**Related party transactions and balances**

Entities and other parties related to the Institute include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions.

The following transactions were carried out with related parties.

a)	Grants from the Government	2020	2019
		Shs'000'	Shs'000'
i.	Grant from GoK- State Department for planning	428,545	315,410
ii.	Donation from GoK - Land	64,000	64,000
<b>b) Key Management Compensation</b>			
iii.	Board of Directors allowances	17,758	23,234
iv.	Senior Management Emoluments	76,513	68,611

<b>Total</b>	<b>586,816</b>	<b>471,255</b>
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**Breakdown of Board allowances;**

S/No.	Description	Amount "Shs"
i.	Sitting allowances	8,834,000
ii.	Honoraria	1,080,000
iii.	Other Board related expenses e.g. Mileage claims, Per diems	7,475,639
iv.	Board Training	367,750
<b>Total</b>		<b>17,757,389</b>

**30. Events after the reporting period**

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

**31. Contingent liabilities**

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

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

**32. Incorporation**

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

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

**33. Presentation currency**

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


### Appendix I: Progress on follow up of auditor recommendations

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

The Institute had not received the audit certificate from the OAG at the time of submission of the annual report		

#### Annexure 1:

Comprehensive summary of issues raised by the external auditor and management responses will be provided once the audit certificate is received from OAG.

  
 Executive Director

### Appendix II: Projects Implemented by the Board

S/No.	Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
1	KIPPPRA Young Professional Programme	13,440,000	12,560,000	100%	13,440,000	12,560,000	A.I. A
2	Partitioning of office space	23,000,000	11,665,873	51%	23,000,000	11,665,873	GoK

**Appendix III: Inter-Entity Transfers**

S/No.	Entity Name	Kenya Institute for Public Policy Research and Analysis (KIPPPRA).	
	Breakdown of Transfers from the State Department of Planning		
	<b>FY 2018/19</b>		
a.	Recurrent Grant		
		<u>Bank Statement Date.</u>	<u>Amount (Ksh)</u>
			<u>Indicate the FY to which the amounts relate</u>
		09.08.2019	35,712,083.00
		02.09.2019	15,040,721.00
		27.09.2019	15,040,721.00
		31.10.2019	40,305,719.45
		10.12.2019	54,086,628.00
		31.12.2019	54,086,627.00
		03.02.2020	35,712,083.00
		03.03.2020	35,712,082.00
		30.03.2020	35,712,084.00
		05.05.2020	35,712,084.00
		03.06.2020	35,712,084.00
		29.06.2020	35,712,083.00
		<b>Total</b>	<b>428,544,999.45</b>



Head of Finance

KIPPPRA

Head of Accounting Unit

State Department for Planning

Appendix IV: Recording of Transfers from other Government Entities

Name of the MDA/ Donor	Date Received		Where Recorded / recognized						
	As per bank statement	Nature: Recurrent/ Development /Others	Total Amount - KES	Statement of Financial Performance	of Capital Fund	Deferred Income	Receivables	Others- must be specific	Total Transfers during the Year
Ministry of Planning	428,544,999.45	Recurrent	428,544,999.45	428,544,999.45	-	-	-	-	428,544,999.45
<b>Total</b>			<b>428,544,999.45</b>	<b>428,544,999.45</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>428,544,999.45</b>

