



**MINISTRY OF AGRICULTURE, LIVESTOCK,
FISHERIES AND COOPERATIVES**

**STATE DEPARTMENT FOR FISHERIES,
AQUACULTURE AND THE BLUE ECONOMY**

**AQUACULTURE BUSINESS DEVELOPMENT
PROGRAMME
(ABDP)**

**FINAL DRAFT
PROGRAMME IMPLEMENTATION MANUAL**

REVISED MAY 2020

Programme Goal and Objective

Goal

Reduced poverty and increased food security and nutrition in rural communities

Programme Development Objective

To increase the incomes, food security and nutritional status of the wider communities of poor rural households involved in aquaculture in the targeted Counties.

Outcomes

To improve production, productivity as well as food security and nutrition of smallholder farmers

To improve the efficiency of the value chain in fish and fish products by promoting a business approach at all scales.

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Abbreviations

AAK	Aquaculture Association of Kenya
ABDP	Aquaculture Business Development Programme
AFIPEK	Association of Fish Processors and Exporters of Kenya
AIE	Authority to Incur Expenditure
ASDS	Agriculture Sector Development Strategy 2010-20
ASE	Aquaculture Support Enterprise
AWPB	Annual Work Programme and Budget
BP	Business Plan
CDF	County Development Fund
CG	County Government
CIDP	County Integrated Development Plan
CoG	Council of Governors
COSOP	Country Strategic Opportunities Programme
CPC	County Programme Coordinator
CPCC	County Programme Coordination Committee
CPIT	County Programme Implementation Team
CPI	Corruption Perception Index
CPCC	County Programme Steering Committee
DA	Designated Account
EIA	Environmental Impact Assessment
EIRR	Economic Internal Rate of Return
EMCA	Environmental Management and Coordination Act, 1999
ENRM	IFAD Environmental and Natural Resource Management Policy
ERR	Economic Rate of Return
ESMP	Environment and Social Management Plan
ESP	Economic Stimulus Programme
FAM	Financial and Accounting Manual
FAO	Food and Agriculture Organization of the United Nations
FFS	Farmer Field School
FI	Financing Institution
FIQA	Fish Quality Assurance
FM	Financial Management
GALS	Gender Action Learning System
GDP	Gross Domestic Product
GE/WE	Gender Equality and Women's Empowerment
GIIS	Global Impact Investing Network
GIS	Geographic Information System
GIZ	Gesellschaft für Internationale Zusammenarbeit
GoK	Government of Kenya
HDI	Human Development Index
HH	Household
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunity Deficiency Syndrome
HR	Human Resources

IAA	Independent Aquaculture Aggregator
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IFAD	International Fund for Agricultural Development
IFMIS	Integrated Financial Management Information System
IFPRI	International Food Policy Research Institute
IGA	Income Generating Activity
ILO	International Labour Organisation
IPSAS	International Public Sector Accounting Standard
KALRO	Kenya Agricultural and Livestock Research Organization
KARI	Kenya Agriculture Research Institute
ABDP	Kenya Cereal Enhancement Programme
ABDP-CRAL	Kenya Cereal Enhancement Programme - Climate Resilient Agricultural Livelihoods Window
KEBS	Kenya Bureau of Standards
KENAO	Kenya National Audit Office
KES	Kenya Shillings
KFS	Kenya Fisheries Service
KfW	Kreditanstalt für Wiederaufbau
KIHBS	Kenya Integrated Household Budget Survey
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KM	Knowledge Management
KMAP	Kenya Market-led Aquaculture Programme
KMFRI	Kenya Marine Fisheries Research Institute
KWFT	Kenya Women Finance Trust
LIB	Limited International Bidding
LVFO	Lake Victoria Fisheries Organization
M&E	Monitoring and Evaluation
MBA	Master's in Business Administration
MFB	Microfinance Bank
MFI	Microfinance Institution
MOALF&C	Ministry of Agriculture, Livestock, Fisheries and Cooperatives
MoU	Memorandum of Understanding
MSME	Micro-, Small- and Medium-sized Enterprise
Mt	Metric Ton
NASEP	National Agriculture Extension Strategy
NCB	National Competitive Bidding
NCCRS	National Climate Change Response Strategy
NEMA	National Environment Management Authority
NGO	Non-Governmental Organization
NIMES	National Integrated Monitoring and Evaluation System
NPV	Net Present Value
NRM	Natural Resource Management
ODK	Open Data Kit
OIE	World Organization for Animal Health
OPEX	Operational Expense
PC	Programme Coordinator

PCR	Programme Completion Report
PCU	Programme Coordination Unit
PDR	Programme Design Report
PEFA	Public Expenditure and Financial Accountability
PFA	Programme Financing Agreement
PFM	Public Financial Management
PIM	Programme Implementation Manual
PP	Procurement Plan
PPPP	Public-Private-Producer Partnership
PROFIT	Programme for Rural Outreach of Financial Innovations and Technologies
PRSP	Poverty Reduction Strategy Paper
PS	Principal Secretary
PSC	Programme Steering Committee
QE	Quality Enhancement
R&D	Research and Development
RAS	Recirculating Aquaculture System
RB-COSOP	Results Based Country Strategic Opportunities Programme
RFP	Request for Proposal
RIAT	Ramogi Institute of Advanced Technology
RIMS	Results and Impact Management System
ROSCA	Rotating Savings and Credit Association
RSF	Risk Sharing Facility
SACCO	Savings and Credit Cooperative Organization
SAG	Smallholder Aquaculture Group
SASRA	SACCO Societies Regulatory Authority
SBD	Standard Bidding Document
SCCO	Sub-county Cooperatives Officer
SCFO	Sub-county Fisheries Officer
SCPIT	Sub-county Programme Implementation Team
SCSDO	Sub-county Social Development Officer
SCVO	Sub-county Veterinary Officer
SDA	State Department of Agriculture
SDCP	Smallholder Dairy Commercialization Programme
SDF&BE	State Department of Fisheries and Blue Economy
SDL	State Department of Livestock
SECAP	Social, Environmental and Climate Assessment Procedures
SEIA	Strategic Environmental Impact Assessment
SIYB	Start and Improve Your Own Business
SME	Small- and Medium-sized Enterprise
SMEP	Small Micro Enterprise Programme
SoE	Statement of Expenditure
SP	Service Provider
SPC	Special Procurement Committee
SUN	Scaling Up Nutrition
TA	Technical Assistance
ToRs	Terms of Reference
ToT	Training of Trainers

TSP	Technical Service Provider
TTC	The Trilateral Cooperation
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
USD	United States of America Dollars
UTaNRMP	Upper-Tana Natural Resource Management Programme
VC	Value Chain
VCF	Value Chain Finance
VSLA	Village Savings and Loan Association
WA	Withdrawal Application
WFP	World Food Programme
WHO	World Health Organization
WRMA	Water Resources Management Authority
WUA	Water User Association

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1 Introduction

1.1 Purpose of the Project Implementation Manual

The Project Implementation Manual (PIM) provides guidelines for the implementation of the Aquaculture Business Development Programme (ABDP). The purpose of the Manual is to give elaborate procedures and regulations to guide implementation of the project. It provides detailed descriptions of the structures and steps required in the implementation of the project. The PIM also provides guidance on the project coordination, financial management, procurement, audit, planning monitoring and evaluation, knowledge management and learning.

The document is intended to elaborate and clarify stakeholder's roles as a strategy towards achieving efficiency and timeliness in project implementation while ensuring adherence to reigning Government of Kenya (GoK) and the International Fund for Agricultural Development (IFAD) Regulations. While the manual is intended to be a guide, it does not in any way replace any rules, regulations or conventions existing between parties of the project. It is expected that while the implementing agencies will use it as a guide, it will not replace logical thinking or norms and any implementer who finds the need to deviate from the provisions therein will seek for concurrence of the stakeholders. The PIM is a living document and will be revised from time to time on the basis of emerging implementation experience.

1.2 Programme description

The ABDP is a National in scope but targeting Counties with high concentrations of aquaculture activity, high production, existing infrastructure (processing, marketing and research), adequate water resources and marketing potential. County selection also takes into account poverty targeting criteria. The programme will target 15 counties in total. The Programme will start with six Counties in the first two years and expand on a need basis from the third year to reach a maximum of 15 counties. The first 6 counties to be targeted comprise Homa bay, Migori and Kakamega (in Western Kenya Region) and Kirinyaga, Nyeri and Meru (in Central/ Eastern Region). The other 9 counties are Meru, Tharaka Nithi, Embu, Kiambu, Kajiado and Machakos (in Central/ Eastern Region), and Kisii, Kisumu, Siaya and Busia (in Western Kenya Region).

The total number of programme direct beneficiary households is about 35,500. Those beneficiaries consist of male and female smallholder fish farmers (30,000) involved in fish farming at different productive levels (subsistence and medium-farming, corresponding to levels 1 and 2 respectively) and other value chain actors (1,000) involved in entrepreneurial related activities (adding value, handling, processing, trading) who have a potential to expand or commercialize their activities with support from the Programme. The beneficiaries' households include 5,500 youth (50% men and 50% women) benefiting from employment and self-employment opportunities along the segments (production, processing, trading) of the aquaculture value chain. The total outreach to indirect

beneficiaries will include about 500,000 people benefiting from nutrition education interventions. The **targeting of beneficiaries per county** is as presented on **Annex 9.9**.

The Programme goal is set as “Reduced poverty and increased food security and nutrition in rural communities”, and the corresponding Development objectives as “To increase the incomes of poor rural households involved in aquaculture in the targeted Counties and the food security and nutritional status of the wider communities”. The program is in conformity with the current IFAD COSOP for Kenya (SO-II) “Improved access to productivity enhancing assets, technologies and services for vulnerable rural women, men and young people in target areas.”

The programme will pursue this goal, through the Programme Development Objective stated as, “To increase the incomes of poor rural households involved in aquaculture in the targeted Counties and the food security and nutritional status of the wider communities” with progress shown by the Number of households receiving Programme services, the Percentage increase in annual net income of small-scale fish farmers, and the percentage increase in annual fish consumption (national average 3.6 kg).

The Aquaculture Business Development Programme comprises two mutually supportive substantive components concentrated on strengthening the aquaculture value chains which are facilitated by an implementation support structure providing physical and financial management, and proactive knowledge management, monitoring and evaluation functions.

Component 1: Smallholder aquaculture development.

The objective of this component is to strengthen the capacity of smallholder farmers to increase production and improve productivity as well as to create opportunities for non-fish farming actors interested to develop micro enterprises along the aquaculture value chain. The component will also contribute to improved diet quality of the Kenyan population by increased consumption of fish, fish products and dietary diversity. Its expected outcome is to improve production, productivity as well as food security and diet quality of smallholder farmers.

Implementation arrangements for Component 1: Smallholder aquaculture development

The PCU at national level and county technical cadres at county level will lead component 1 implementation. TA - technical assistance and professional backstopping from the State Department for Fisheries, Aquaculture and the Blue Economy will support implementation at both levels.

Under Component one, the TA will provide technical assistance in selected technical areas of expertise to be linked to the PCU at the head office. These expertise will include among others; chief technical advisor; community development expert, gender, youth and nutrition expert, and entrepreneurial opportunities development expert. It will also provide technical support to the PCU on assignment or part-time basis in

selected topics; such as development and implementation of environmental and social management plans, county level assessment and improvement planning of aquaculture production facilities (such as ponds), support to improvement and construction of smallholder aquaculture production facilities, curriculum preparation for training of extension staff, training etc. At the county level, TA, will form county specific support teams to support overall implementation, for all components (Fisheries Officer and Fisheries Technician). These County TA teams will support CPIT and SCPIT in preparing AWPBs, reporting, implementation, etc. This arrangement will include support to activities under other sub-components; such as policy dialogue, knowledge management and ESMP development and implementation monitoring at the project level.

The counties will identify the stakeholders, sensitize them and constitute the CPIT and SCPITs. Both teams will in turn mobilize the communities through holding of local meetings or *barazas* to create awareness of ABDP and solicit their participation in programme activities. This activity will result in the formation of community committees who will collaborate with the County teams and the TA to identify problems and opportunities and to draw up a strategy for overcoming the problems and exploiting the opportunities. The community committees will participate in selecting programme beneficiaries based on rigorous selection criteria. A manual with implementation guidelines for beneficiary selection will be produced by the TA and training provided to key partners at ABDP start-up. In the sub-counties, the SCPIT will be responsible for the implementation, monitoring and sustainability of the programme at the community level.

Sub-component 1.1: Smallholder aquaculture production

The Sub-component will work with groups of smallholder aquaculture producers (SAGs). ABDP will provide:

- technical advice to smallholder aquaculture producers on site selection for ponds, pond construction, seed selection and stocking density, pond fertilization, fish health, record keeping, savings, financial literacy, business management skills, collective marketing, quality standards and food safety, value addition and processing; and
- small grants to support purchase of inputs for production based on felt needs of the producer.

Service providers / project partners (FAO and TA), County Fisheries Department, the State Department of Fisheries, the Programme and Community-led advisory committees will work in collaboration, with each entity having specific roles and responsibilities for the key activities considered by the sub-component. The programme will also collaborate with development partners (such as FAO and GIZ) already operating in the Subsector.

The SAGs will be formed at Ward level with each group having up to 40 farmers. For ease of mobilization, farmers forming a group should be in close proximity to each other. Each group should have a constitution and be registered by the Department

of Social Services at the County level. The group will have a chairperson, secretary and treasurer who are democratically elected by the members.

Where applicable, such as in pond construction, the communities will be involved to give 'in-kind' contributions. The TSP will carry out site assessments, all required environmental assessments and studies, ESIA, backstop design of required interventions, backstop supervision and technical support for execution of interventions. In addition, the TSP will support finalizing the guidelines and the required EIA for cage culture and aquaculture in dams/reservoirs.

Food and Agriculture Organization (FAO) will provide support to farmers training under Subcomponent 1.1 using Farmers' Field School (FFS) approach. A specific MoU will be signed between the PCU and FAO for training of aquaculture farmers in areas of production, management, business planning, nutrition etc. FAO would provide technical support initially through a stand-alone TCP that would be implemented during the early stages of the programme duration. Specific arrangements will be developed afterwards by ABDP for continuation of FAO support in this area. The ABDP will provide complimentary financing for implementation of the FFS, to complement the TCP from FAO during the initial period. A training needs assessment will be carried out by the TSP and the CPIT and SCPITs.

Subcomponent 1.2: Development of Aquaculture Support Enterprises

The sub- component will support the youth to venture into non-fish production aspects of the aquaculture value chains. Aquaculture Support Enterprises (ASEs) will be formed in parallel to SAGs as vehicles for collaborative income-generating activities and interaction with ABDP resources. The TSP for Component 1 will support the implementation of this sub-component working in collaboration with the CPITs and SCPITs, in identification of the champions, arranging with training service provider (SIYB), identification of entrepreneurship opportunities, provide training to ASEs on technologies and opportunities, provide TA, etc. Each ASE will be assisted to develop a simple business plan that will be supported. The procurement function (goods and services) will be the responsibility of the PCU or the County, depending on the items at hand and in accordance with the procurement arrangements for the programme. Each ASE will be required to provide contribution of 10% of the seed money.

The Programme will enter a formal MoU with the in-country service-providers of the ILO-backed 'Start and Improve Your Own Business' scheme to deliver the targeted youth employment and income generating activities of the sub- component. The Programme will engage 30 Master Trainers who are available in Kenya as technical assistance to train the 500 youth "champions", organized in 30 groups across 15 Counties. Each master trainer will be responsible for one group and will accompany and mentor them for one year. The Programme will explore possibility for obtaining technical backstopping by ILO. A separate MoU may be agreed upon between ABDP and ILO.

Subcomponent 1.3: Community nutrition initiatives

The ABDP nutrition activities will be implemented in collaboration with identified potential partners under the coordination of a Gender, Youth and Nutrition expert at Programme level (provided by the TSP). To ensure effective implementation on the nutrition sensitive activities, the extension workers will be supported on training and refresher programmes on nutrition-sensitive interventions. The contributions of ABDP interventions will be monitored through periodic food surveys.

Community facilitators will be trained to adopt and apply the GALS methodology, building on the experience of other IFAD-funded interventions in the country. The primary targeted households will be those of farmers involved in SAGs and ASEs formed by the programme.

An initial 300 households will be targeted and then the initiatives replicated at community level to other households using a Training of Trainers (ToT's) approach.

The organization and implementation of fish field days will involve close collaboration with community leaders, the extension services, health professionals and other stakeholders. Funding of about USD 1,500 per school would be provided for inputs to ensure a viable fishpond for schools selected for the School fish-feeding programme. Each school would be required to contribute 10% of the total cost in kind while ABDP covers the other 90% of the cost.

Component 2: Support for aquaculture value chain development.

The objective of this component is to support the expansion of the subsector by promoting the establishment and scaling up of agribusiness enterprises of all sizes, including rural groups that “graduate” to a more advanced and stable business model. The component complements the substantial strategic investments in primary producers (under component 1), through linking smallholders and beneficiaries’ groups to other successful emergent enterprises and larger businesses in the value chain to ensure that smallholders have access to quality inputs, technical expertise, post-harvest technologies and marketing channels. This will be achieved through measures to create public- private producers’ partnerships (PPPPs), including developing proper risk allocation measures, such as provision of matching grants to the private sector to alleviate the inherent risks in developing partnerships with smallholders. The component will support policy engagement, public economic infrastructure, extension services, aquaculture research, quality assurance services, financial services and business development capacity.

Implementation arrangements for Component 2: Aquaculture value chain development

Overall responsibility for the implementation of Component 2 will rest with the PCU, working through private sector businesses, SAGs and ASEs for sub-component 2.1: Smallholder-based aquaculture value chain development and public sector institutions for sub-component 2.2: Aquaculture sector enabling environment and

support services. The PCU will also be responsible for ensuring that the implemented activities are in line with the ESMP of the project.

Subcomponent 2.1: Smallholder-based aquaculture value chain development

This sub- component will be implemented by contracts aiming at orchestrating the establishment of a commercially viable and market-driven private sector comprising of aquaculture producers and entrepreneurs. To receive matching grant funding ruled by the contracts, the prospective recipients would be organized as a legal person, preferably as a cooperative or a limited liability company. The main contractual executing entities will be as follows.

- **Public-Private-Producer Partnerships (PPPPs).** Each PPPP will be composed of a commercially driven aquaculture aggregator and multiple aquaculture producers to jointly use a common platform to manage all segments of the aquaculture value chain.
- **Small Aquaculture Groups (SAGs).** The ABDP will support small aquaculture groups that are not linked to common platform of the PPPPs.
- **Aquaculture Support Enterprise (ASEs).** The Programme will finance ASEs that might provide inputs or undertake value addition related to the common platform of the PPPPs.

Business Advisor Consultant will be contracted to assist in development of contracts for PPPPs. Legal Consultation will also be required in aligning the contracts with the prevailing laws of Kenya and also during signing in of the contracts into action.

Consultants will be contracted to assist in development of contracts for PPPPs.

There are **four levels of implementation** for this subcomponent:

- i. Building awareness and dissemination stage, which involves holding workshops, meetings and identifying key players. This would include smallholders, SAGs, ASEs, aquaculture farmers' organizations, public sector at national and county level, IAAs, private sector, financial institutions, technical assistance players, etc. Mobilization and identification of potential parties will be carried out by implementation teams at the county level, the PCU and the Consultant. This is expected to yield identification of a base of potential partners who are ready to participate in the BP / PPPPs arrangements as well as PPPPs geographical areas and potential areas and models;
- ii. Process of selection of PPPP/BP winning proposals on competitive basis. This would involve: (a) advertisement, (b) provision of TA by the Consultant to those eligible to participate and have expressed interest, and (c) evaluation of the proposals by a committee that would involve, as a minimum, the lead implementing agency, county government, relevant government entities, key value chain players (financial institutions, large industries, academia, experts, etc. The Consultant will provide technical backstopping to the process but will not be part of the evaluation process;
- iii. BP / PPPP implementation will involve signing MoUs / contracts between the programme and the winning group/ IAA / private party and between the winning party and the smallholders.
- iv. Start of implementation of the BP / PPPP arrangement. The winning party should be satisfying their equity contractual obligation prior to receiving Programme

support. During this stage the programme with support by the Consultant and other TA and partnership arrangements in place will follow closely the implementation and satisfaction of the contractual arrangements by all parties.

Subcomponent 2.2: Aquaculture sector enabling environment and support services

The PCU will support National and County Governments as well as financing institutions to improve the overall enabling environment necessary for successful implementation and sustaining the benefits and achievements of the Programme. The various activities under this Component will be supported through the Business Advisor. MoUs will be signed with the Programme partners before the start of implementation of the activities or transfer of running costs.

Activity 2.2.1 Policy engagement

The Programme will engage in policy dialogue to improve sub sectoral practices and efficiency at the County and National levels, working closely with the Directorate of Fisheries Policy, Research and Regulations to review the aquaculture policy and regulatory framework. Issues to be addressed will include the operating environment for cage culture (carrying capacity, regulations, delineation of maps, and strategic environmental and social impacts assessments for cage culture and the use of reservoirs for aquaculture), guidelines for effective PPPs in the sector, and other policy and legal bottlenecks constraining progress. Given limited capacity at the National and County levels to conduct effective policy reviews and advocacy, the above mentioned will include provisions for commissioning consultancy assignments for these purposes including policy dialogue workshops and forums to development draft policies for discussion.

At the County level, the Programme will support domestication of the policies developed at the National level to ensure that the devolved mechanisms are backed by law. All policy dialogue efforts will be implemented in close coordination with knowledge management aspects under the Programme.

Activity 2.2.2 Public infrastructure

The Programme will support the National and County Governments in identifying public infrastructure, such as markets, hatcheries and stores that are used to support aquaculture value chains that are in need of physical upgrading and institutional strengthening. The Programme will carry out assessments of the condition of such infrastructure and services, and gauge the needed support.

When and where possible, locally-appropriate PPP arrangements will be devised to bring in private capital and expertise to ensure the proper upgrading and sustainability of such infrastructure.

Activity 2.2.3 Extension services

ABDP will support the capacitation of fisheries extension services in the Counties to carry out their envisaged role under the Programme. Training for County extension officers will be carried out in the best-qualified training centres, that is the Ramogi Institute of Advanced Technology (RIAT) and Sagana Aquaculture Research Centre. Consideration will be given to identification of other potential training centres. Practical support will also be extended through the procurement of goods, such as motorcycles, computers and stationary, and the provision of running costs such as field days, DSA, fuel and maintenance.

Procurements of major items will be carried out by the PCU to ensure economy of scale, while smaller items, such as stationery, will be carried out through the County system using the methods outlined in the procurement section. All activities must be included in the AWPB and PP, to be reviewed and approved at the County and National level Governments and receive IFAD No objection. Signing of individual MoUs with the counties will have to take place before provision of the above-mentioned support. Accounting for the amounts transferred previously will be a condition for continued transfer of running cost support to the counties.

The PCU will sign MoUs with the cooperating institutions to carry out training as required for county extension staff, Trainers of Trainers and Master Farmers. Training modules of different length and intensiveness may be organized, including courses for Master Trainers and Trainers of Trainers and courses that maximize the participation of women and youth. Separate consultancy assignments will be commissioned with best-qualified entities to develop bespoke curricula and training modules. The transfer of training costs will be done quarterly in advance on the basis of the programme outlined in the AWPB.

As an investment for the future, the Programme will fund minor upgrading of the vocational teaching facilities at Sagana and at RIAT or alternatively other identified suitable training centre. The PCU will carry out the procurement of goods, works and services on behalf of the training centres in line with detailed MoUs.

Activity 2.2.4 Aquaculture research

ABDP will support priority research activities that are directly relevant to smallholder aquaculture. While the Programme has identified possible areas for investigation, it will attempt to link research to demand from the beneficiaries and other key private and public sector actors along the aquaculture value chains. Most of the research enquiries will be carried out by national public research institutes, such as KMFRI and the local universities. In addition, the Programme will promote the establishment of partnerships between renowned international centres of excellence, such as World Fish Centre and others during the planning and implementation of research activities, framed by the signing of MoUs between the national agencies and international organisations. Support will include missions by international experts to Kenya. The main areas of focus in research will be: a) fish selection and breeding; b) fish nutrition and feed technology; c) field trials for

growth; d) best management practices; e) climate smart aquaculture technologies; and f) marketing and information systems research in addition to commissioned research activities.

ABDP will support selected national aquaculture research initiatives through the procurement of machines, materials and the underwriting of running costs, as justified in individual proposals. MoUs will be signed between the programme and the respective research institution based on the agreed scope, deliverables and timetable before any material support can be provided. Procurement will be carried out by the PCU in accordance with the procurement arrangements.

Activity 2.2.5 Quality assurance services

The Programme will engage the Fish Quality and Safety Assurance Division of the SDFA&BE at inception to assess capacity gaps in the area of quality assurance. Based on the mission findings the programme will engage a consultancy firm with expertise in fish quality assurance on a retainer basis to provide technical assistance in building of robust national quality assurance services for the fisheries sector and aquaculture subsector.

The Programme would explore feasibility of upgrade of the dedicated quality assurance laboratories in Kisumu and Sagana to certification at national, regional and international standards to serve the programme areas. Dedicated quality assurance laboratories in Mombasa, Nairobi and Kisumu are likely to serve the wider national needs in quality assurance. ABDP will support close collaboration with the national standards organization, the Kenya Bureau of Standards (KEBS).

ABDP will develop arrangements with the above-mentioned laboratories for monitoring quality of inputs and production, for Programme beneficiaries.

Activity 2.2.6 Fish health and surveillance services

The Programme will support capacity building for fish pathologists at the county level as well as provision of fish disease surveillance field equipment to the participating counties. The Programme will review the technical capacity of the SDF&BE and KFS in the context of the institutional reorganisation that separates livestock and fisheries cadres to ensure that there is adequate support for fish health in the expanding aquaculture Subsector. At a minimum, essential diagnostic equipment would be provided to KMFRI laboratories in Sagana and Kisumu.

Activity 2.2.7 financial services

The Programme will recruit a rural finance specialist at inception to: contribute to the financial literacy training and awareness raising of accessible financial service providers within the SAGs/ASEs institution-building packages; and to intermediate with interested commercial banks and microfinance institutions in developing tailor-

made financial products for the aquaculture value chains in Kenya. The Programme will retain flexibility in investing in further technical assistance and/or studies to investigate promising lending instruments emerging from the experience with the SAGs and ASEs.

1.3 Programme costs

The total costs for the ABDP, including physical and price contingencies, are estimated at USD 143.3 million (KES 14.90 billion). The base costs of activities under Component 1: Smallholder Aquaculture Development are assessed at USD 68.04 million (KES 7.08 billion) representing 56% of the total base costs; the estimated costs of Component 2: Aquaculture Value Chain Development are USD 47.12 million (KES 4.90 billion, 39%); and the costs for the Implementation Support Component 3: Programme Management, Monitoring and Evaluation are estimated at USD 6.55 million (KES 0.67 billion, 5%).

1.3.1 Programme financing

The ABDP would be financed with an IFAD Loan drawn from the 2016-18 Performance Based Allocation System cycle, which is estimated at USD 40 million corresponding to 27.9% of the total Programme costs. Other donors are expected to contribute USD 27.9 million representing 19.5% of total cost, while FAO would contribute USD 400,000 (0.3%). Beneficiaries would contribute USD 43.6 million (30.4%) and GoK USD 31.4 million (21.9%)

2 Implementation Approach

ABDP will be implemented over eight years (2018 to 2025). Guiding principles for implementation will be: (i) a flexible approach in response to the needs of rural producers and value-adders; (ii) competitive private sector led activities, driven by effective local and National market demand; (iii) strategic investments in aquaculture and related economic activities founded on effective participatory planning by communities; (iv) individual producers and group enterprises as manager-owners of supported activities; (v) contributing to improved policy and regulatory frameworks in order to create an enabling environment; and (vi) inclusiveness of rural poor, women and youth.

2.1 Project start-up activities

The table below proposes the early implementation activities for ABDP with important proposed milestones/timelines to allow an orderly, efficient and effective project start up.

Table 1. Programme Start-up activities

	Action	Expected Completion Date	Who
1.	Financing agreement signed	22 June 2018	GoK/IFAD
2.	Establish the PSC	July 2018	SDF/IFAD
3.	Develop AWPB and Draft PIM	July 2018	GoK
4.	Finalise recruitment of PCU	October 2018	GoK/IFAD
5.	Opening of designated and PCU project account	November 2018	GoK/IFAD
6.	Conduct start-up workshop and re-orientation of PCT and PSC	November 2018	IFAD/GoK
7.	Establish County and Sub-county Coordination and Facilitation Teams	November 2018	PCU/PSC
8.	Identify key partners, prepare partnership plan, and negotiate MoUs with all implementing partners	December 2018	PCU/GoK/ Partners/IFAD
9.	Conduct initial awareness creation on project objectives and implementation arrangements	January 2019	PCU
10.	Conduct awareness creation to beneficiaries on implementation arrangements	Feb/Mar 2019	PCU/CPCC/SCPCC
11.	Conduct Projects baseline survey to fill existing data gaps so that the log frame indicators can be more meaningfully quantified	April 2019	PCU/IFAD/ Service provider
12.	Conduct capacity audit of key implementation agencies and service providers including a training needs assessment	April/May 2019	PCU/Service provider
13.	Revise the PIM to incorporate sub-project screening guidelines, detailed operational guidelines and procedures for matching grants, and financial management and reporting procedures	May/June 2019	PCU

2.2 Institutional Arrangements

2.2.1 Programme Governance

The lead agency for the programme will be the State Department for Fisheries, Aquaculture and the Blue Economy. The Principal Secretary of the Lead Programme Agency will be the chairperson of the Programme Steering Committee. The PSC will delegate supervision and coordination roles to the Programme Coordination Unit (PCU). The PCU will have a Regional Coordination Office in Kisumu responsible for coordinating Programme Activities in the Western Region.

At the County level, a County Programme Coordination Committee (CPCC) will be established to oversight implementation in the Counties and supervise the work of County Programme Implementation Team (CPIT) during the implementation of the Programme activities.

2.2.2 Programme Steering Committee

The PSC will be responsible for oversight of the project and providing policy guidance to project implementation under the chair of the Principal Secretary of the State Department of Fisheries. Other members of the PSC will include the heads or their appointees of the collaborating ministries and institutions such as ministries responsible for Cooperatives, Social Development, Water, and Veterinary and as may be determined in joint IFAD/GOK supervision missions. The PSC will be holding quarterly meetings but can also have ad hoc meetings when necessary.

Specifically, the PSC is responsible for:

- i. Ensuring that the Project activities are in compliance with the Government's policies;
- ii. Ensuring that the project complies with GoK and donor requirements for the processing of Project financing and the submission of Withdrawal Applications;
- iii. Ensuring that the project AWPB is in line with GOK and IFAD requirements,
- iv. Approving the respective AWP/B and Oversee the systematic implementation of the Project

2.2.3 Programme Management and Coordination

Day-to-day management and coordination of the project will be undertaken by a Programme Coordination Unit at two levels the National Project Coordination Unit (NPCU) and Regional Programme Coordination Unit (RPCU) to supervise western and eastern programme counties. They will have the key staff indicated below, and will also be able to engage and recruit short term consultants and service providers as needed to supplement the resources of the team. The terms of reference of the PCUs staff are presented in Appendix and members are as follows:

National Project Coordination Unit:

1. Programme Coordinator

2. Programme Financial Controller
3. Aquaculture Specialist
4. Senior Knowledge Management /Monitoring and Evaluation Officer
5. Programme Accountant
6. Programme / Administrative Assistants
7. Support staff
8. Drivers

Regional Programme Coordination Office:

1. Aquaculture Specialist
2. Programme Accountant
3. Programme Assistant
4. Support Staff
5. Drivers

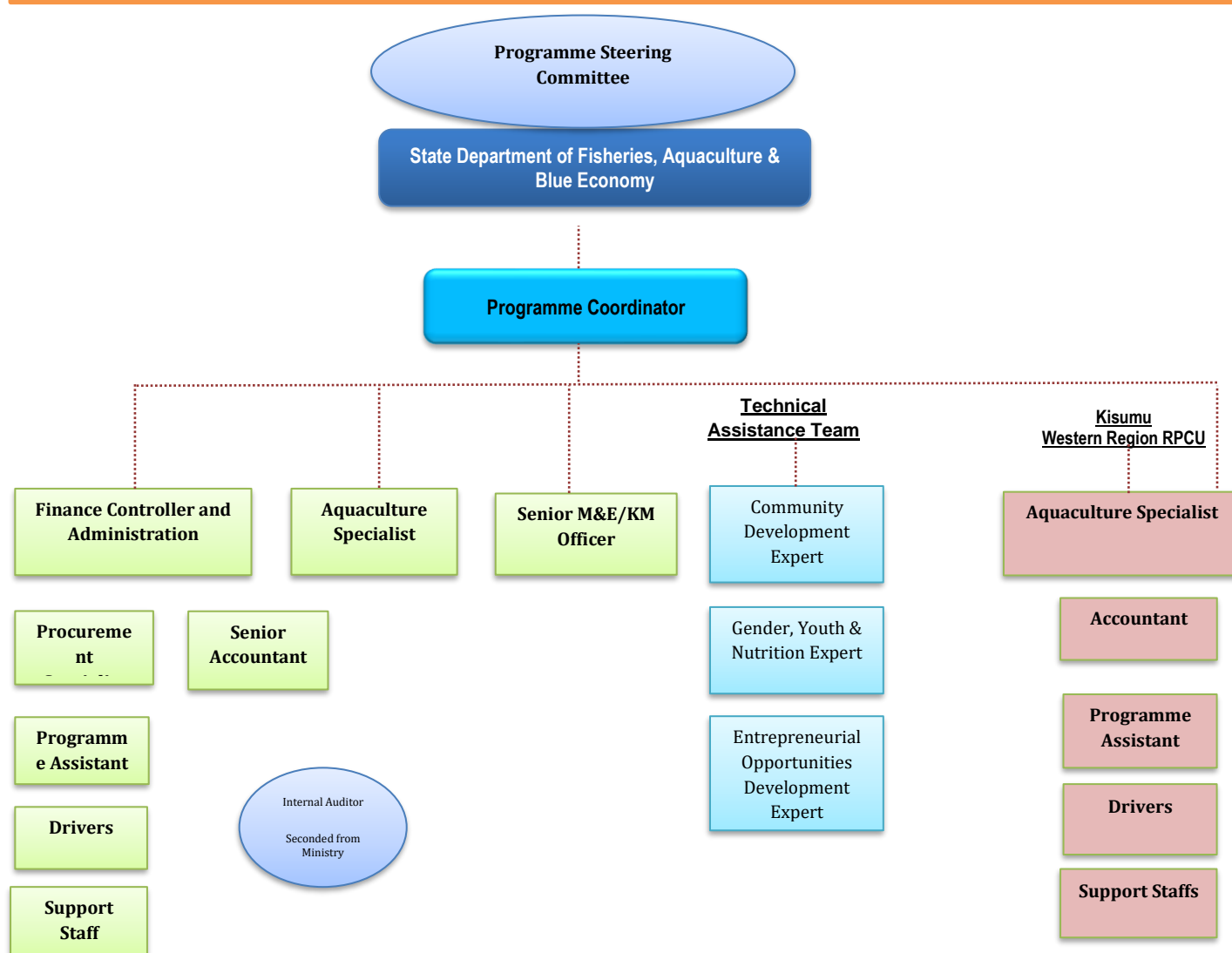
The specific responsibilities of PCUs are to:

- i. Oversee participatory formulation of Community Action Plans CAPs) as the basis for determining project intervention;
- ii. Preparation of the project AWPB;
- iii. Supervise the preparation of Withdrawal Applications and ensure compliance with IFAD/ Government's regulations on withdrawal application submission;
- iv. Develop and maintain the effective Project financial management system and other records as may be required for timely financial oversight of Project expenditure.
- v. Coordinate project implementation by the communities;
- vi. Develop, install and maintain a Participatory Monitoring, Evaluation, Learning and Reporting System as a basis for monitoring and Evaluation;
- vii. Provide Secretariat to the PSC.

The Project Coordinator provides the overall leadership to the PCU and takes overall responsibility for effective and efficient project implementation. The Project Coordinator reports to the Principal Secretary for the SDF for administrative support but is answerable to the PSC on matters pertaining to project implementation.

Chart 1: ABDP Organizational Structure

AQUACULTURE BUSINESS DEVELOPMENT PROGRAMME STAFFING ORGANIZATION CHART



2.2.4 County Programme Coordination Committee

County Programme Coordination Committee (CPCC): At the decentralised level, Programme activities will be implemented and coordinated in line with the provisions of the new Constitution. A County Programme Coordination Committee (CPCC) chaired by the County Governor or his/her appointee will provide overall guidance to Programme implementation within the County. The CPCC will review Programme progress against targets at the County level, assess management effectiveness, decide on corrective measures where appropriate, review lessons learned and good practices, approve County

AWPBs and review progress reports. The implementation arrangements at the County level will be further fine-tuned as the legal guidelines for the management of the decentralised entities become clearer.

County Programme Coordinator: The Programme will be headed by a County Programme coordinator who will also be the secretary to the CPCC. The coordinator will be appointed by the Governor with recommendation from the PCU. He/ She will be an expert in the aquaculture sector and a Programme employee of the County Fisheries directorate.

A County Programme Implementation Team (CPIT): CPIT will be responsible for Programme implementation within the County. The team which will be headed by a County Programme Coordinator (CPC) appointed by the Programme lead agency (State Department of Fisheries/ Maybe we can agree this position be done at the County level by the Governor to avoid backlash). County level staff from the fisheries directorate will be nominated as members of the CPIT, depending on the range of activities being undertaken within the County. The CPIT will coordinate implementation of the Programme activities according to the County-level AWPB approved by the CPCC.

Other activities include mobilization of farmers, supporting organization of farmers groups, leading the preparations of the County annual work plans and budgets and progress reports for submission to the PCU, coordinating extension services and M&E functions at the County level. The coordinator will work with a team of extension staff (one per sub-County) at the County level. The CPC will be responsible for preparing the County AWPB and the progress reports for submission to the Programme Manager for review and collation.

Establishment of County and sub-County evaluation committees for proposals developed at the community level by common interest groups. These will support verification of matching grants proposal appraisal processes as guided in the grants manual. At sub-County level, there will be community led Programme advisory committees responsible for the implementation, monitoring and sustainability of the Programme at the community level.

2.2.5 Roles of Implementing Agencies

The programme implementing agencies will have the following specific roles:

Table 2. Roles of Implementing Agencies

Institutions	Roles and Responsibilities
State Department of Fisheries and Blue Economy	Lead Agency responsible for overall programme implementation.
County Governments – Fisheries Department	Lead agency responsible for programme implementation at county level
Technical Service Providers	Responsible for implementation of programme activities at Community/ group level
National Treasury	Ensure flow of funds through government institutions. Oversee accounting and audits.

2.2.6 ABDP Grievance Management Mechanism

a. Background Information

During the design phase of the project, the Social Environment Climate Assessment Procedures identified potential environment and climate risks and proposed mitigation measures. The Programme is categorized as a Category B project, and therefore requires an Environmental Impact Assessment (EIA) is undertaken and an Environmental and Social Management Plan (ESMP) developed in line with IFAD's environment and climate policies, as well as Government of Kenya's legal frameworks and requirements. One of the key outputs of the Environmental Assessment will be to develop Grievance Management Mechanism (GMM). Thus, ABDP will support the creation of a Grievance Management Mechanism (GMM) to mitigate the risk of resource use/social conflict and ensure there is citizens engagement in undertaking the process.

b. Aim of the ABDP Grievance Management Mechanism

Well-designed and implemented GMMs will help project management significantly enhance operational efficiency in a variety of ways.

The ABDP GMM will be aimed at;

- i. Generating public awareness about the project and its objectives;
- ii. Deterring fraud and corruption;
- iii. Mitigating risk;
- iv. Providing project staff with practical suggestions/ feedback that allows them to be more accountable, transparent, and responsive to beneficiaries;
- v. Assessing the effectiveness of internal organizational processes; and increasing stakeholder involvement in the project.

For Programme Implementation Teams more specifically, an effective GMM will help identify problems before they become more serious and/or widespread, thereby preserving the Programme's funds and its reputation.

c. Practical steps in designing an effective GMM

Some of the steps include the following;

- i. Survey existing formal and informal GMMs
- ii. Estimate users and assess available resources for GMM
- iii. Develop standard operating procedures/flowcharts
- iv. Develop and publicize GM policies
- v. Assign GM tasks and train staff
- vi. Stimulate external demand

The Framework for Operational Feedback from Stakeholders: Enhancing Transparency, Governance and Accountability was developed to more systematically mainstream citizen engagement through including beneficiary feedback in IFAD supported operations.

The framework provides a comprehensive and integrated way to strengthen IFAD's efforts to engage key stakeholders and mobilize their feedback in the Country Strategic Opportunities Programmes (COSOPs) and projects it supports. These stakeholders include government authorities, private sector entities, development partners, local and

national representatives of target groups (e.g. civil society and organizations of farmers, rural producers, indigenous people, women and youth) as well as people specifically targeted by IFAD-supported projects.

The framework places particular emphasis on the systematic integration of feedback from IFAD's target group: rural poor people, including small-scale producers, women, young people and other vulnerable groups.

The approach to mainstreaming citizen engagement in IFAD-supported operations is guided by **six principles**:

- i. **Results focus.**
Clarity of purpose is critical to the successful design of stakeholder engagement initiatives. It is also important to ensure that these initiatives are integrated into country programme and project monitoring and evaluation (M&E) systems so that data and insights can feed into performance management and decision-making in a timely manner. Stakeholder participation and feedback initiatives should be well planned, adequately resourced and form an agreed element of all IFAD-supported operations.
- ii. **Context sensitivity.**
Evidence shows that the outcomes of stakeholder engagement are highly context-specific and sensitive to social, political, economic and cultural factors, including gender dynamics. In all settings, but especially in fragile and conflict-affected ones, the introduction of such initiatives requires examining and understanding the local socio-political environment and power structures, stakeholder dynamics, and the extent of supportive governance institutions.
- iii. **Proactive social inclusion.**
There are significant risks that stakeholder participation and feedback initiatives may be captured by elites, local authorities or service providers who have vested interests in reinforcing the status quo. Elites and local authorities may perceive project target groups and their organizations as potential threats and resist engaging with them, and at the same time, project target groups may fear that giving feedback may invite retribution. Drawing on stakeholder analysis, vulnerable groups that could be excluded from these initiatives should be identified and measures put in place to secure their engagement.
- iv. **Mutual benefit.**
An essential condition for sustainable feedback initiatives is for stakeholders to feel that taking part in them is mutually beneficial. Stakeholders – especially project target groups – are increasingly solicited by multiple parties with little return on the investment of their time and opportunity costs. Thus, it is important to identify ways to reduce costs and increase the benefits of their participation.
- v. **Proactive public information disclosure.**
Public disclosure of information is a cornerstone of transparency and is key in effective stakeholder engagement. In compliance with IFAD policies and national laws, IFAD will encourage public disclosure throughout all the stakeholder participation and feedback initiatives it supports.

vi. **Closing the loop.**

Closing the feedback loop is critical to the success of any feedback initiative. It is the process of communicating to the feedback providers the actions that have been taken based on their original feedback. The literature provides evidence that prioritizing responses to stakeholder feedback is fundamental for producing results, sustaining participation and improving trust.

d. ABDP Approach to Community Participation

ABDP is using a Participatory Rural Appraisal (PRA) process which is based on sensitization of community leaders, and mobilization of communities to attend public meetings. At these meetings, target groups are informed about the project, roles of parties, expectations from parties, and assisted in preparing community action plans and recording community development priorities. The Programme is in the process of acquiring bulk text messaging service to establish a cost-efficient platform for passing notifications to community members.

3 Finance and Accounting Management

3.1 Introduction

3.1.1 Objectives of the Finance Manual

This Finance Manual seeks to provide necessary guidelines and procedures to guide in the financial management internal control structures for the Programme. It has been prepared for ABDP taking into consideration the IFAD Financing and reporting requirements, the GOK Financial Rules & Regulations and the existing circumstances within which the Programme operates.

The manual sets out principles involved and gives some indication of their detailed application. The financial systems which are described herein shall for the purposes of the day to day management decisions be supplemented by periodical reports, financial statements, approved AWPB together with other relevant Government financial guidelines and circulars.

The procedures and Policies contained in this manual shall be subjected to review from time to time so as to conform to the changing environment. All Programme stakeholders are expected to familiarize themselves with the provisions of this manual and act in conformity with them.

3.1.2 Justification for this manual

The Financial Management Manual is intended for use within the Programme to enable stakeholders understand and comply with the Financial Policies, Guidelines and Procedures established. It sets out the main requirements governing the various financial aspects of the Programme's activities.

Specifically, the Financial Management Manual is intended, among other things, to: -

- i. Set out the rules, guidelines and procedures that would ensure efficiency of operations, safeguarding of assets, achievement of goals, and the reliability of information reporting;
- ii. Harmonize and standardize the applications of financial procedures in the Programme.
- iii. Enhances a guide to the process of AWPB preparation
- iv. Provide effective financial control measures over the use of the Programme funds;
- v. Ensure compliance with all Development Partners/Government of Kenya financial laws and Policies;
- vi. Assist towards effective achievement of the objectives of the Programme

3.1.3 General Guidelines

The general guidelines in the finance manual revolve around principles underpinning prudent public financial management as established under Chapter 12 of Kenya's Constitution, 2010 and PFM Act 2012 as amended in March 2015. These principles are:

- a) Embracing openness, accountability, and public participation
- b) Equitable sharing of public revenues;
- c) Equitable sharing of burdens and benefits of public borrowing; and
- d) Observing fiscal discipline as per budgets

IFAD and all other financiers' requirements including expenditure eligibility, value for money and overall compliance with Financing Agreement are also embedded in the above principles.

The general/key guidelines are:

- i. The Financial Year of the Programme shall be a period of twelve (12) months commencing on 1st July up to 30th June of the following year;
- ii. PCU, under the leadership of PC, will prepare annual budget of the Programme in adherence to relevant circulars provided by National Treasury, latest by end of each February each financial year;
- iii. The Programme is required to submit its consolidated annual work plan and budget proposals for approval to the PSC not later than the end of March and to IFAD at least 60 days to the beginning of every financial year;
- iv. The AWPB preparation shall be guided by PDR, Financing Agreement, GOK and IFAD guidelines among others;
- v. Funding for Programme activities shall be done only within the approved AWPB.
- vi. The Programme funds shall be spent exclusively on eligible expenditures and within approved budget limits;
- vii. Having in place predictable cash flow projections to service AWPB.
- viii. PCU shall ensure proper books of accounts are kept in relation to Sources and Application of funds, Assets and liabilities of the Programme among others.
- ix. The statements of accounts shall be submitted for audit within a period of three (3) months after the end of each financial year (latest by 30th September) and audit certificate submitted to IFAD within six months after the end of financial year (latest by 31st December each year).

3.1.4 Application and Compliance

This manual once approved by PSC and IFAD shall be complied with by all ABDP stakeholders who are involved in the implementation and support of the Programme. Anyone who fails to comply with the manual shall be subject to disciplinary action under the relevant GoK's and IFAD's disciplinary procedures.

It is therefore the responsibility of all stakeholders to familiarize themselves with the contents of the Financial Management Manual. The Programme Finance Unit shall

endeavour to carry out annual sensitization sessions and also ensure that adequate copies of this manual are available for reference within the Programme.

Any query regarding the interpretation of the Finance Policies and Procedures as contained herein shall be referred to the PCU. PCU will undertake a regular review of this Financial Management Manual and present the same to PSC and IFAD for approval.

3.1.5 Financial discipline

All the stakeholders are expected to conduct themselves in a manner consistent with the highest professional, ethical, moral and legal standards. Financial decisions and activities are expected to have the sole purpose of achieving the Programme goals and objectives. Any stakeholder faced with a conflict of interest should report or declare to relevant authority for advice on the way forward.

3.1.6 General Finance Guidelines and Procedures

The purpose of this Financial Management Manual is to provide the relevant guidelines and procedures, processes and stages that need to be observed in the Programme financial transactions. This manual is also aimed at promoting understanding of the basic assumptions, guidelines, policies and principles underlying accounting for Programme resources and reporting (preparing and presenting financial statements). It is therefore essential to understand and interpret the financial statements and accounting policies as applied. Specifically, the manual aims at ensuring:

- i. That good governance framework is in place and adhered to;
- ii. All revenues received are properly receipted and accounted for;
- iii. All expenditures incurred are eligible, properly supported (documentary evidence) and accounted for;
- iv. Proper authorization for payments is established and given in effecting payments;
- v. All established approval stages or processes in effecting any financial transaction are observed;
- vi. Optimum utilization of resources to realize value for money and meet Programme objectives;
- vii. Ensure timely disbursement and accountability;
- viii. Prompt settlement of all obligations and in accordance with established procedures;
- ix. Safe custody of accountable documents/project assets;
- x. Provision of adequate, complete and timely financial reports and statements;
- xi. Complete documentation of accounting records;
- xii. Adequacy in allocation and segregation of duties for proper internal controls/checks;
- xiii. Assist in ensuring reliable risk identification and mitigation process;
- xiv. Assist in Prevention of fraud.

3.2 Roles and responsibilities of key agencies

3.2.1 National Treasury

The National Treasury, the borrower, will be fully responsible to IFAD for the due and timely performance of all obligations ascribed to in the Project Loan Agreement. The obligations include:

- i. Appointing the signatory to sign the Withdrawal Applications to IFAD;
- ii. Effect withdrawal of Funds from the special account into consolidated fund on request;
- iii. Apply to the fund for the transfer of Funds from the project's loan accounts into special accounts;
- iv. Serve as a link between IFAD and Lead Agency besides ensuring that all parties perform their obligations;
- v. Open and operate the Special Accounts in a bank acceptable to the IFAD;
- vi. Confirm to the Fund that GoK contributions have been availed and issued to the project as per AWPB;
- vii. Pay the Loan service charge and the Principal.

3.2.2 The Lead Project Agency-SDFA&BE

- i. Provide oversight role and policy direction to the project;
- ii. Review the project's AWPB progress against set targets and approve accordingly;
- iii. Ensure the funds are used economically and efficiently to deliver project goals;
- iv. Ensure that the project funds (from both GoK/IFAD) are budgeted for properly
- v. Captured in the Ministry's printed estimates and approved by Parliament;
- vi. Facilitate the Project to access both GoK and IFAD funds in time for smooth implementation of project activities;
- vii. Ensure a steady flow of funds to the PCU;
- viii. The accounting officer will authorize the Project Coordinator (PCU) to issue Sub-AIEs to County Project Coordinators at the County for activity implementation;
- ix. Submission of Financial statements to Office of the Auditor General;
- x. Facilitate counterpart funding to the Programme.
- xi. Recruits all Project Staff, with concurrence with IFAD on Key Technical Officers' appointments/dismissal.]

3.2.3 IFAD

- i. Extending a loan of USD 40 million
- ii. Creating a loan account in the name of the borrower in its books and crediting with the same amount of loan;
- iii. Advancing initial deposit and replenishing the Special Account from time to time as per WAs;
- iv. Making direct payments out of loan proceeds as requested by the project's clients;

- v. Reviewing and approving project's withdrawal applications, expenditure justifications, no objection requests etc.;
- vi. Reviewing and approving AWPB, expenditure category re-allocation request, among others;
- vii. Participating in implementation support missions;
- viii. Reviewing and granting no objections on issues that require prior review/concurrence

3.2.4 The Office of Auditor General

This is an independent office under the constitution of Kenya 2010 that is mandated to:

- i. Audit all GoK MDAs' financial statements and present their statutory report to Parliament annually; and
- ii. It's the statutory auditor for ABDP and is expected to audit and submit audited reports in line with IFAD/GoK Audit Guidelines and clear TORs.

3.2.5 Project Steering Committee (PSC):

Is established at the national level with membership from key stakeholders (Ministries/State Departments/Organizations as well as key community organizations) with direct impact to the Project scope. Its role is to provide oversight and policy guidance to project implementation. Specifically, the PSC is responsible for ensuring that the Project activities (financing and implementation) are in compliance with the Government and IFAD policies; approving the respective AWPB and ensuring implementation performance.

3.2.6 Project Coordinating Unit (PCU)

- i. Ensures the project is coordinated and implemented as per Loan Agreement and PDR;
- ii. Responsible for overall financial management (budgeting, procurement, accounting) of the project;
- iii. Planning of programme activities and Preparation of overall AWPB, procurement plans etc. and oversees their execution;
- iv. Effective capacity building of project team across project area- training, IT system etc.;
- v. Effect timely and accurate financial reporting and disclosures – publicity; and
- vi. Preparation of withdrawal application and funds disbursement to counties.

3.2.7 County Level Structure

- i. Responsible for implementation of programme activities at the county level;
- ii. Responsible for financial management (budgeting, procurement, accounting) of the project at the County Level;
- iii. Planning of programme activities and Preparation of overall AWPB, procurement plans etc. and oversees their execution at the County Level;
- iv. Timely preparation and proper maintenance of reports (Financial and non-financial reports);
- v. Responsible for mobilization and awareness creation about the programme;
- vi. Monitoring and technical backstopping and extension and advisory services.

3.2.8 Beneficiary Communities

- i. Participate in participatory budgeting with PCU and entitled to information about the budget approved to them for ownership.
- ii. They prepare their AWPB based on agreed actions and implement them.
- iii. They are expected to timely avail their part of contribution.

3.3 Roles and Responsibilities of Financial Management team

The manual establishes the Programme Financial Management Team comprising of PC, CC PFC, Aquaculture Specialist, KM/M&E, PO, RPC and Component Heads as well as all Programme implementing partners. Any officer whose activities or actions directly affect Programme finances is part of the Programme finance management team. Broadly stated, the roles of the Finance Management team include the provision of efficient and effective financial resource management services, rationalization of resource outlays, accounting and reporting in order to attain the objectives and goals of the Programme.

3.3.1 General Roles of the Programme Financial Management Team

- i. Preparation of annual work plan and budget and ensuring strict adherence to it. This is done as per the guidelines, rules and regulations in force.
- ii. Ensuring that budget is prepared in line with policy priorities of both GoK (as spelt out in annual policy guidelines- County/National Development Plans, PFM Act 2012, National Treasury Circulars, Budget Policy statement, Financing Agreement, PDR, PIM, among others as agreed with IFAD).
- iii. Ensuring that proper financial procedures are adhered to by all stakeholders. This entails complying with GoK and IFAD financial rules and regulations guiding effective financial management. Some of the rules and regulations to be complied with include PFM Act, 2012, GoK Financial Regulation, IFAD's Loan Disbursement Handbook, IFAD General Conditions, GoK/IFAD procurement rules and regulations, Financing Agreement and Letter to the Borrower among others.
- iv. Facilitating disbursement and absorption of Programme funds. This involves ensuring optimum liquidity level of the Programme by ensuring timely disbursement and expenditure. This entail Proper management of funds advanced e.g. timely retiring of imprest, effective contract management, proper accountability and certification of goods and services received and asset management.
- v. Timely preparation of reliable routine and statutory Programme financial periodical reports for management's decision making and oversight roles including monthly, quarterly or annual financial reports indicating absorption status, trend, progress reports.
- vi. Facilitating capacity building of Programme staff and key stakeholders on Programme financial management requirements and reporting. This include updating the officers on any latest development affecting financial management of the Programme, training of finance staff to understand both GoK and IFAD financial management requirements e.g. preparation of WAs, SOEs, Financial Statements and other relevant records/reports required.

- vii. Facilitating the Programme auditors to execute their duties professionally and within the enforceable laid down rules and regulations. This include holding both entry and exit meetings with auditors, availing all documents, responses and information required for audit purposes to minimize or to preferably eliminate any audit qualification.
- viii. Ensuring that a proper financial management system is in place, capable of facilitating efficient and effective control, monitoring and overall management of the Programme funds. This will include putting in place both manual and electronic financial systems.
- ix. Putting in place strong internal control system including proper job description, job segregation, rotation of duties, effective delegation, strong physical equipment for security, compliance with relevant manuals/regulations e.g. financial and procurement.
- x. Preparation of the Programme withdrawal applications for funds from IFAD. This involves timely preparation and compilation of SOEs and Direct Payment claims.
- xi. Working closely with relevant stakeholders to be accountable on ensuring quality delivery of goods/services/works under their respective dockets and must duly take charge.
- xii. Liaising with PLA to ensure that GoK contribution/counterpart funding is timely availed.

3.3.2 Specific duties and responsibilities of key players at PCU in relation to finance management

3.3.2.1 Programme Coordinator

The Programme Coordinator (PC) would provide overall management of the Programme on a day-to-day basis, implementing activities, ensuring the achievement of planned results and providing sound administration of Programme finances. S/he would also promote, with the assistance of Technical Advisors, good governance, participatory planning, and provide advice and technical assistance to Programme partners and participants. S/he would liaise with Programme implementing agencies, including the National Ministries, County Governments, private sector/aggregators as well as key stakeholders for PPPP implementation, financing institutions and others. The PC will be accountable to the Programme's Steering Committee. The main responsibilities of the PC in relation to finance include:

- i. Ensures timely preparation, clearances and approvals of AWPBs, Procurement Plans (PPs), and progress reports;
- ii. Ensures that Counties AWPBs and PPs are prepared and approved and implemented in accordance with the overall Programme objectives, PIM and IFAD regulations and guidelines, including but not limited to fiduciary requirements;
- iii. Organises in a timely fashion the financial and technical audit of the Programme in line with the Project Financing Agreement (PFA) and PIM;

- iv. Manages with integrity, transparency the Programme funds, including the regular development of budgets, monitoring of expenditures, and providing to the PSC and responsible line agencies quarterly financial reports together with other key financial records for certification and audit (original receipts, bank statements, and other financial records as necessary);
- v. Ensures that strong local Programme management systems is maintained, by keeping County Coordination Bodies, the PSC, and IFAD, fully informed of all Programme-related activities, and consulted regularly on strategic issues, work plans, Programme evolution, and all major decisions related to the Programme;
- vi. Ensures harmonization of ABDP activities with the different Counties integrated development plans and coordinate closely with the different departments and agencies at the Counties and National levels;
- vii. Ensures natural resources management aspects are fully integrated in the programme interventions.
- viii. Ensures the completion of the procurement process and full compliance with IFAD and GoK procurement guidelines as well as other procurement arrangements outlined in the Programme documents;
- ix. Coordinate the contract administration of the service providers/specialists hired for implementation and assess their performance on a regular basis;
- x. Secure the submission of a detailed expenditure report on quarterly advance payments;
- xi. Ensure timely endorsement of Withdrawal Applications and submit them to IFAD and Treasury;
- xii. Coordination of the preparation of annual work plans & budgets;
- xiii. Management and motivation of Programme staff; and
- xiv. Liaise with the Fund on Programme implementation issues, and facilitate and participate in regular supervision of Programme activities.
- xv. As much as possible endorse (or the alternate) all Programme claims for payment and imprest surrenders before they are forwarded to accounts for processing (i.e. request for advances/imprest, refunds, other expenditures etc)
- xvi. As AIE Holder, approves and signs Authority to Incur Expenditure (AIE) part of the payment voucher (PV) for further processing by accounts unit. In her/his absence the alternate signatory shall do the work.
- xvii. Constituting relevant technical verification/acceptance committees for payment of services/works/goods delivered to the Programme.
- xviii. Shall be mandatory signatory to all Programme bank accounts at PCU head office.

3.3.2.2 County Programme Coordinator

- i. Coordinate with County's technical departments, the County level implementation of Programme annual work plans as per Programme Implementation Manual (PIM) and MoU;

- ii. Coordinate implementation of the activities at the County level, including those to be carried out by the implementing partners/service providers for both Components;
- iii. Oversee County programme and consulting services engaged in the implementation process;
- iv. Assist in implementation of the Programme with all diligence and efficiency, applying appropriate administrative, financial, and technical management methods;
- v. Ensure preparation of AWPBs and PPs as well as implementation of activities are done in full compliance with the Programme financing agreement, Programme design report and PIM. All the above have to take into consideration IFAD requirements, guidelines and rules including the fiduciary aspects;
- vi. Provide advice and guidance to County Government departments, stakeholders and development actors for timely implementation of Annual Work Plans to attain expected results;
- vii. Maintain the Programme management information system for supervision and evaluation;
- viii. Assist in maintaining necessary documentation and accounts, giving the facts of all expenditures related to the Programme where required;
- ix. Participate in the preparation of quarterly and annual progress reports as well as completion reports and audit reports of Programme accounts;
- x. Assist in close supervision of all activities of the Programme, including field activities;
- xi. Assist in Programme administration including the preparation of quarterly, annual and completion reports;
- xii. Participate in supervision of all procurement transactions as well as the selection of contractors, suppliers, and service providers;
- xiii. Participate in all Programme reviews.

3.3.2.3 Financial Controller

Under the direct supervision and authority of the Programme Coordinator, the Financial and Administrative Manager will manage the departments of finance, accounting and audit of ABDP with the assistance of one Accountant and one Procurement Officer and in close collaboration with the M&E Officer. The specific duties are:

Finances:

- i. Timely production of all financial statements as per recommended formats required by the financing agreements and by the National legislation;
- ii. Management of Programme bank accounts;
- iii. Payment of suppliers' invoices upon approval by the technical officers and management;
- iv. Approval of payments by cheques, petty cash or any other legal method;

- v. Daily, weekly and monthly follow-up of the Programme bank accounts in view of timely and sufficient replenishments of funds to avoid any disruption of the activities of the Programme;
- vi. Preparation of withdrawals applications of Programme funds from the loan/grant accounts of Programme financiers as per directives and methods duly approved and directed by them.

Accounting:

- i. Management of the department of accounting to ensure timely monthly, quarterly and annual production of financial statements run by the procured financial management software;
- ii. Presentation of accounts in accordance with National and international standards generally accepted and detailing accounts per nature, origin, destination, budget, location of the resources and expenditures;
- iii. Strict, regular follow-up of the justification of expenditure to be provided by Programme Partners, including external service providers;
- iv. Close collaboration with the other chief accountants of IFAD-supported projects for the establishment a cost-effective system of protection of the Programme assets and an efficient system of distribution of fuel and office consumables;
- v. Close collaboration with the ABDP M&E Officer for the establishment of the M&E system and the connection between this system and the accounting system;
- vi. Supervising the ABDP Account.

Auditing:

- i. Prepare for and facilitate independent audit missions as required by the financing agreements and the National legislation and ensure the follow-up to the recommendations of these missions;
- ii. Collaborate with the eventual Internal Auditor with a view to improving the accountability, transparency and efficiency of the Programme operations.

Outputs (expected results)

- i. Programme funds always available and disbursed for eligible expenditures and managed as per financier rules and National legislation.
- ii. Financial Statements and audit reports issued timely and reflecting the actual situation of resources and uses of Programme funds with indicators of Programme performance.
- iii. Excellent relations with all Programme partners at international, National, provincial and County levels; effective and efficient assistance to the various Programme partners, for all Programme Components.
- iv. Cost effective systems of protection of the assets, including production of statistical accounting information for the M&E system.

3.3.3 Procurement Specialist

The Procurement Specialist will ensure smooth and quality implementation of procurement processes for the ABDP, he/she will be responsible for the preparation of the procurement plan, ensure that procurement processes are carried out as per laid down policies and processes in line with GoK procurement laws and policies and in compliance with IFAD procurement policies.

Main responsibilities include:

- i. Provide guidance on preparation, publishing of bidding announcements in consultation with Programme Coordinator.
- ii. Support the PCU for organizing bid evaluation meetings as follows: (1) arrange a venue and the timing of bid evaluations with evaluation panel members, (2) prepare necessary bid evaluation packages (bid documents, proposals, evaluation sheets) and distribute them to evaluation panel members, (3) attend bid evaluation meetings as a note taker and keep the minutes of the meetings.
- iii. Guide the PCU and ensure quality throughout the procurement processes of: i. Preparation of Bidding Appraisal Committee establishment according to the binding laws; ii. Formulation of the summary of the technical proposals submitted by the Service Providers to the Appraisal committee.
- iv. Examination and analysis of the Contractor's bid documents and verify that all items have technical certificates or specifications/Authorization letter/Certificate of Origin such as ISO certificate by working closely with the PSU.
- v. Support the County and Sub-county procurement teams in preparation of bid documents for procurements that are conducted at that level.
- vi. Ensure procured items meet the quality and specifications in all bid documents, and, if not satisfied, advise the procurement committee and the Coordinator accordingly.
- vii. Make necessary administrative and logistic arrangement to deliver and install the procured services and equipment in the target sites.
- viii. Ensure the proper recipient and instalment of the equipment in the field in consultation with the PCU.
- ix. Collect and file written confirmations from recipients on safe delivery and instalment for respective equipment; c) Capacity Building of the Programme Support Unit (PSU) and Beneficiaries.
- x. Participate in technical meetings and provide recommendation to improve the Programme implementation in terms of procurement based on capacity development needs;
- xi. Provide technical guidance to beneficiaries on the proper way to use and maintain the equipment provided by the Programme applying the IFAD/GoK rules and guidelines, including registering and use monitoring;

- xii. Ensure timely delivery of procurement capacity building training to the target Counties within the Capacity Development strategies and that procedures are consistent with the legal and institutional framework for GoK.
- xiii. Ensure the existing public procurement legislation meets minimum procurement standards established in IFAD procurement Financial Rules and Regulations at all levels;
- xiv. In regard to the procurement of the civil construction work, he/she will provide guidance to the PCUs in quality assurance as well as in compliance of operations.
- xv. Based on needs, travel to the target Counties to ensure and monitor safe deliver and hand over of the procured equipment and facilities.

3.3.3.1 Accountant

Under the direct supervision of the Financial Controller;

- i. Verification of supplier's invoices for payment;
- ii. Timely posting of all Programme accounting vouchers on the accounting software;
- iii. Exercise proper custody of all posted vouchers and other accounting documents;
- iv. Verification and checking of bank statements and accounting software printouts;
- v. Supervise and direct the accounting and logistical functions, to ensure efficiency;
- vi. Preparation and submission of periodical financial reports on deadlines (GOK and IFAD formats);
- vii. Preparation of Withdrawal Applications;
- viii. Regular spot check of petty cash fund and other reconciliation reports;
- ix. Timely replenishment of operational account with Programme bank account;
- x. Authorisation of payment vouchers;
- xi. Deputise for the FAM in his absence;
- xii. Facilitate financial audits and implementation support missions;
- xiii. Regular follow up of smooth functioning of the accounting software, and contact ITC staff and software suppliers;
- xiv. Submission of account printouts by Components to the heads of Components for analysis and comments;
- xv. Give advice to management on accounting and administration matters;
- xvi. Liaise with bankers for bank matters;

3.3.3.2 Auditors

The Auditors are expected to ascertain that Programme internal control is strong, there is value for money and the Programme is within the target. They are expected to give advice and reports to the facilitators and implementers, with recommendations on the way forward.

3.3.4 Financial Accounting Structures, Policies and Systems

As far as possible, ABDP funds are expected to fit into existing government financial accounting structures, policies and systems.

Essentially, Government agencies are supposed to use IFMIS for financial accounting and reporting. However, IFAD financial reporting guidelines require expanded

accounting and reporting that may not be provided under IFMIS. A dedicated off-the-shelf accounting and reporting software will be acquired by the PCU to satisfy financial reporting requirements. It is proposed that IPSAS will be used as the accounting standard for the Programme financial reporting. It is further proposed that the financial reporting will be carried out in a timely manner within the laid down deadlines.

The Programme will maintain accounts and records in accordance with generally accepted and consistently applied fundamental accounting practices adequate to reflect the operations, resources and expenditures related to the Programme until the Financing closing date, and shall retain such accounts and records for at least ten (10) years thereafter.

3.3.4.1 Fundamental Accounting Assumptions and Policies

Fundamental accounting assumptions are the basic concepts which underlie the preparation of financial statements. The financial reports of the Programme shall be prepared under the recognized fundamental accounting assumptions (prudence, going concern, materiality, consistency, cash based, substance over form etc.) as spelt out in the IPSAS, this manual and other relevant documents.

Accounting policies are the specific principles, rules, methods, procedures, conventions and bases adopted by the Programme to be most appropriate to the circumstances in the financial statements.

The following are guidelines to be used in the selection and application of the appropriate accounting assumptions and policies in the preparation of financial statements.

- i. **Relevance:** Accounting information to be generated shall be relevant to the decision making needs of the users and help them use the financial statements in predicting future trends of the Programme (Predictive Value) or confirming or correcting any past predictions they have made (Confirmatory Value).
- ii. **Reliability:** Information shall be reliable if a user can depend upon it to be materially accurate and if it faithfully represents the information that it purports to present. Significant misstatements or omissions in financial statements will be avoided at all cost e.g. non-disclosure of claim for damages which may lead to material settlement obligations.
- iii. **Neutrality:** Information contained in the financial statements will be free from bias. It will reflect a balanced view of the affairs of the Programme without attempting to manipulate them unfavorably.
- iv. **Going Concern:** The financial statements are prepared on the assumption that the Programme is a going concern and will continue in operation until the end of the Programme period. It is assumed that it has neither the intention nor the need to liquidate or curtail materially the scale of its operations before it is delivered as planned.
- v. **Comparability/Consistency:** The Programme shall have its accounting performance for the current period be compared with the preceding period. It shall

also consistently apply same accounting treatment of like items within each accounting year and from one year to another and that in the case of any change or variation in the treatment thereof, it shall disclose the reason(s) thereto in the notes to the accounts.

- vi. **Prudence:** Uncertainties are recognized by the disclosure of their nature and extent and by the exercise of due care in preparation of the financial statements. Prudence is the inclusion of a degree of caution in the exercise of the judgments needed in making the estimates required under conditions of uncertainty, such that assets or income are not overstated and liabilities or expenses are not understated.
- vii. **Faithfull representation (Substance over Form):** Transactions and other events should be accounted for and presented in accordance with their substance and economic reality and not merely with their legal form e.g. recognizing contracts almost complete but not delivered.
- viii. **Materiality:** Transactions are regarded as material if there is a reason to believe that knowledge of them would influence decision making. Thus financial statements shall disclose all items which are sufficiently material to affect evaluation or decisions.
- ix. **Cash basis:** The Programme shall use cash as the basis for accounting for its activities. Revenues and costs shall be recognized as they are received and paid and **not** when earned or incurred and recorded in the financial statements of the period to which they relate.
- x. **Accounting Convention:** The Programme financial statements and reports are prepared under the historical cost convention and reported under the same e.g cost incurred.
- xi. **Depreciation:** all assets shall be recorded and carried at their original cost. Repairs and maintenance costs shall be charged to the income and expenditure statement during the period in which they are incurred. However the Programme shall adopt some standard rates of depreciation for planning purpose.
- xii. **Valuation:** Where applicable, inventories shall be stated at the lower of cost net realizable value. Valuation is based on first-in-first-out basis.
- xiii. **Pending Bills:** For the purpose of this manual, pending bills are outstanding claims to the Programme for the supply of works, goods and services which are aged at least two (2) months and/or any bills arising from such supply that are unsettled at the end of the financial year.
- xiv. **Unpaid invoices** shall be regularly reconciled with the general ledger to ensure they are settled as and when they fall due. Statements from clients are reconciled with recorded liabilities.

3.4 Development of Annual Work Plan & Budget (AWPB)

In line with normal GoK and IFAD procedures, Programme implementation will be based on approved Annual Work Plans and Budgets, (AWPBs). All National eligible Programme expenditure will be included under the MOALF&C vote and appropriated by

Parliament whilst Counties will budget and be accountable for their own activities as per the Government's devolved budgetary process for presentation to Cabinet. Following the Annual Treasury Circular of the Government's budget cycle, the Programme will hold annual review workshops, including implementing partners, the PSC and beneficiaries to discuss progress during the prior financial year and to develop proposals for the forthcoming year. The PCU will assist the implementing partners including Programme Counties to formulate their AWPBs and be responsible for their timely consolidation into an AWPB for the Programme.

The full Programme AWPB will be presented to the PSC for approval and be forwarded as part of the MOALF&C and Counties' budgets to the National Treasury for entry into the Government's budgeting process. The individual AWPBs of the Programme Counties will have to be approved by their individual County assemblies before funds are transferred as "Conditional Grants" to the ABDP Counties Programme Operational Accounts.

3.5 Budgetary Control

Upon approval of the Programme AWPB by PSC and IFAD:

- i. An expenditure control system (vote book/ledger) shall be opened for each of the cost centers to capture budgetary line items (as contained in Authority to Incur Expenditure – AIE or respective AWPB) or related document from responsible office against which all allocations shall be entered and commitments plus subsequent payments made thereof
- ii. The Programme accounting and internal control systems shall ensure that all expenditure is in line with the approved budget. Specifically, the PC, PFC, Accountants and the PO shall ensure availability of funds for the budget before any commitment or disbursement of payment requests;
- iii. All commitments/payments shall be recorded in the expenditure control system/Vote book system to allow comparison of budget to actual expenditures. This comparison should reflect performance for evaluation purposes whenever appropriate. Regular analysis of actual expenditure versus budgeted amounts shall be carried out and any variances highlighted and explained;
- iv. Revised AWPB shall be prepared (at both PCU and County levels accordingly) and harmonized by PCU before approval by GoK and IFAD.
- v. The Programme will use the budget module of the Finance and Accounting software to monitor the AWPB and be produce reports on Budget and Actual Analysis.

3.6 ABDP Cost Structures

Programme Costs

The total costs for the ABDP, including physical and price contingencies, are estimated at USD 143.3 million (KES 14.90 billion). The base costs of activities under Component 1: Smallholder Aquaculture Development are assessed at USD 68.04 million (KES 7.08

billion) representing 56% of the total base costs; the estimated costs of Component 2: Aquaculture Value Chain Development are USD 47.12 million (KES 4.9 billion, 39%); and the costs for the Implementation Support Component 3: Programme Management, Monitoring and Evaluation are estimated at USD 6.55 million (KES 0.68 billion, 5%). Table 1 below presents a breakdown of the Programme costs by Component. Physical and price contingencies were estimated at USD 21.57 million (KES 2.24 billion), being 18% over the total base costs.

Table 3. Programme Costs

Kenya

Aquaculture Business Development Project

Expenditure Accounts Project Cost Summary

	(KSh '000)			(US\$ '000)			% Total
	Local	Foreign	Total	Local	Foreign	Total	Base Costs
I. Investment Costs							
A. Goods, Services and Inputs							
Vehicles and Motorbykes	143,234	35,808	179,042	1,377	344	1,722	1
Equipment and Materials	3,619,926	904,981	4,524,907	34,807	8,702	43,509	36
Subtotal	3,763,159	940,790	4,703,949	36,184	9,046	45,230	37
B. Training, Workshops and Studies							
1. Workshops	180,777	45,194	225,971	1,738	435	2,173	2
2. Training	350,022	87,506	437,528	3,366	841	4,207	3
3. Studies	-	-	-	-	-	-	-
Subtotal	530,799	132,700	663,499	5,104	1,276	6,380	5
C. Grants and Awards	1,029,766	257,442	1,287,208	9,902	2,475	12,377	10
D. Technical Assistance	20,800	5,200	26,000	200	50	250	-
E. Consultancies	1,517,622	379,406	1,897,028	14,593	3,648	18,241	15
F. Non-Consultancies Services	4,992	1,248	6,240	48	12	60	-
G. Works	674,652	168,663	843,315	6,487	1,622	8,109	7
Total Investment Costs	7,541,791	1,885,448	9,427,239	72,517	18,129	90,647	75
II. Recurrent Costs							
A. Salaries and Allowances	2,111,922	527,981	2,639,903	20,307	5,077	25,384	21
B. Operations and Maintenance	465,729	116,432	582,161	4,478	1,120	5,598	5
Total Recurrent Costs	2,577,651	644,413	3,222,064	24,785	6,196	30,981	25
Total BASELINE COSTS	10,119,442	2,529,861	12,649,303	97,302	24,326	121,628	100
Physical Contingencies	809,555	202,389	1,011,944	7,784	1,946	9,730	8
Price Contingencies	1,051,907	177,931	1,229,839	10,114	1,711	11,825	10
Total PROJECT COSTS	11,980,905	2,910,181	14,891,086	115,201	27,983	143,184	118

3.7 IFAD Funds Disbursement Procedures

The IFAD disbursement procedures are stipulated in the Letter to the Borrower (LTB), the Loan Disbursement Handbook (LDH), Financing Agreement, IFAD General Conditions, IFAD Audit Guidelines among others which are also available on the IFAD website. Below

is a summarized description of the procedures, with details accessible from the documents downloadable from the website.

3.7.1 Disbursement procedures and conditions

As stated in the LTB and the LDH, four (4) standard disbursement procedures may be used for withdrawal of Programme funds from the grant account namely advance, direct payment, reimbursement and commitment procedure. The application for withdrawals shall be used exclusively to finance expenditures that meet each of the following eligibility requirements

- i. The expenditure shall meet the reasonable costs of goods, works and services required for the Programme, covered by the relevant, approved annual work plan and budget (AWP/B).
- ii. The expenditure shall be incurred during the Programme implementation period (as defined in the general conditions) i.e. from entry into force up to the Programme completion date (PCD)-except that limited expenditure to meet the costs of winding up the Programme may be incurred after the PCD and before the financing closing date, as may be agreed with the fund.
- iii. The expenditure shall be incurred by a Programme party (as defined in the general conditions).
- iv. The eligible expenditure shall be incurred in accordance with the terms, categories and amounts allocated within the financing agreement, and up to the percentage of eligibility applicable to each category therein, except as otherwise agreed.

3.7.1.1 Procedure I - Advance withdrawal/Initial Deposit

Under the revenue mode, IFAD reviews and approves withdrawal application request from the borrower and transfers funds into the project's foreign currency special accounts. The funds are then transferred to the Lead Project Agency (LPA), upon request and approval by the Controller of Budget, through the Consolidated Fund by the National Treasury for onward transfer to Project's local operational accounts.

The transfer must be in line with approved AWPB and Annual Appropriation Act. IFAD will pay initial authorized allocation foreign currency into Special Deposit accounts opened and operated by the National Treasury as per Loan Agreement. The initial deposit is ideally meant to provide the advanced capital to start off the project and avoid liquidity problems. The Project Agreement for ABDP provides that the initial deposit to the Project is USD 2 million for the National level Designated Accounts and USD 1 million for the County Level Designated Accounts.

3.7.1.2 Procedure II - Direct Payment

ABDP will also use the Direct Payment method provided for by the regulations. Under the direct payment mode IFAD will pay the supplier of goods or services directly after eligible expenditures have been incurred by ABDP. The mode of payment has no cash flow implications to the project but must be planned and budgeted for under Appropriation in Aid item codes. This method is also referred to as the Appropriation

in Aid (AIA) system. This method is better used where individual payments to suppliers are very large and/or may have negative foreign exchange implications.

3.7.1.3 Procedure III - Reimbursement

This mode is where the Government spends its own funds on eligible project activities due for funding from IFAD and then claim for reimbursement from IFAD later. In case of ABDP, eligible expenditure would be incurred and then claimed from the IFAD with their prior concurrence. The expenditure items under this mode must be budgeted for under revenue item codes.

3.7.2 Preparing and submission of WA to IFAD

ABDP through the Lead agency and National Treasury are required to make a Withdrawal Application (WA) for this initial deposit as it forms the first withdrawal application. Subsequent withdrawal applications have to be supported by Statements of Expenditure (SOEs) or full documentation to support the expenditure depending on the thresholds established in the financing agreement. The current threshold for the WAs is at least 30% expenditure of authorized allocation or 3 month's expenditures, whichever is earlier for revenue payments.

It is the PFC's responsibility to make sure that the WAs are correctly prepared and duly signed by authorized officials before forwarding to IFAD. IFAD must be notified of any change in the authorized representative or signatories authorized to sign documents or withdraw funds from the loan accounts by the Borrower.

It is also the PFC's responsibility to ensure that the right forms are used and correctly completed and submitted to IFAD in an acceptable format and timely manner. The necessary forms are outlined in detail for each disbursement method above.

3.7.2.1 Statements of Expenditures (SOE) and thresholds

The statement of expenditure (SOE) reporting procedure is normally used for expenditure types where it is impracticable or unduly burdensome to require submission of full documentation to justify the expenditures. However, the supporting documentations for the Statements of Expenditures must be maintained by the PCU and made available for review by IFAD supervision and implementation support missions upon request and auditors during their annual review of project accounts to enable issuing of an independent audit opinion.

In accordance with the Letter to the Borrower the SOE threshold applies for all project expenditures up to USD 50,000. The SOE thresholds stated above may be amended by the IFAD during the course of project implementation. Certification by the three signatories – generally the FC, PC and the authorized representative of the Borrower is required on each page of the SOE.

The SOE form must be titled by category (separately for each category), give brief description of activities, include the reporting period consistent with that of the WA, be sequentially numbered, indicate allocated and actual amounts as per financing percentage, applicable currencies, exchange rates.

3.7.2.2 Supporting documentation to WA for disbursement.

As specified in the IFAD disbursement handbook, the following supporting documentation is required to be attached to the WA for payments of Works, goods, consultants' and other services:

- i. The signed contract or confirmed purchase order (Showing the specified amount that is due/paid. If this has been sent earlier to the fund a reference to the accompanying letter or document should be given in a footnote to the relevant Application summary Sheet –form 100)
- ii. The bank guarantee for advance payment, as specified in the contract documents
- iii. The bank guarantee for performance, as specified in the contract documents
- iv. Copies of communications sent by the IFAD Kenya Country Office to the PCU/Project Lead Agency providing IFAD's no objection (post or Prior) to the contract award, and
- v. Evidence of payment (fully processed payment voucher with all relevant certificates duly filled and signed)

For payments of goods, in addition to a-e:

- i. Supplier's invoice duly certified for payment by the PC – specifying the goods, their quantities and prices
- ii. Bills of lading or similar documents; and
- iii. As appropriate, the certificate of delivery (to include Inspection and acceptance certificate)
- iv. Acknowledgement certificate or a prove of a charge taken (S13 etc)

For Payments of Consultants' and other services, in addition to a-e:

- i. The supplier's or consultant's claim duly certified for payment by the PC and showing sufficient detail. If such Services relate to the importation of goods (for example, freight and insurance payments), adequate reference should be given to enable IFAD to relate each of these items to specific goods whose cost has been or is to be financed by the financing closing date; and
- ii. As appropriate, a duly signed certificate of delivery of satisfactory services
- iii. A copy of the report or its summary.

For progress and retention payments of civil works in addition to a-e:

- i. The claim from the contractor, including a financial progress report, stating the work performed and the amount due;
- ii. A certificate-signed by the project consultants or owner's representative, if any, or by the borrower's chief engineering officer or resident supervising engineer

- assigned to the project, to the effect that the work performed is satisfactory and the payment claimed is due in accordance with the terms of the contract, and
- iii. A copy of the contract payment monitoring form signed in original by the certifying officer.

Checklist summary for a complete WA

a) For Replenishment

- i. WA duly filled and signed by authorized representatives
- ii. SOE, duly filled and signed
- iii. Designated Account reconciliation statement
- iv. Relevant bank statements
- v. Currency and exchange rate (where applicable)
- vi. SOEs threshold (USD 50,000)
- vii. SOE summary sheet
- viii. Expenditure is for at least a ¼ of the FY period or a minimum of 30% of the authorized allocation

b) For Direct Payment/Reimbursement

- i. WA duly filled and signed by authorized representative
- ii. Amount claimed is above **USD 100,000.00** (for direct payment)
- iii. Suppliers details (name, address, bank details, currency of payment)
- iv. Invoices/bills, acknowledgement receipts, shipment/delivery documents, copy of contract, performance guarantee, inspection and acceptance reports, advance guarantee (when to be paid advance), No objection copies, copy of report or summary (in case of consultancy), Engineer's certificate (for works).
- v. Expenditure summary sheets (multiple invoices, multiple supplies in cases of reimbursement)
- vi. Fully processed payment vouchers with all the above (3-5) attachments.
- vii. Expenditures incurred are claimed within 90 days (for reimbursement).
- viii. Copy of contract monitoring forms (for Direct payment)

3.8 Special Accounts Reconciliation

Each WA for replenishment to the designated account must include the designated account reconciliation Statement for the same reporting period in which the eligible expenditures are being claimed. This form should be accompanied by bank statements of the designated account and that of any other operating, County Project Accounts ensuring that the closing bank balances for all these accounts correspond to the balances at the end of the same reporting period as indicated in the WA period. Designated Accounts reconciliation is a good treasury management tool as it helps management in realizing the following information needed for decision making:

3.9 Project Revenue Sources and Accounting Procedures

Revenues/incomes from the financiers shall form the primary source of funds for the Project including funds received as appropriation in aid (through direct payments by IFAD for purchase of works, goods or services). The sources of funds are:

- i. **Government Funding** – GoK counterpart monies from the Consolidated Fund as appropriated by Parliament, through the PLA, for purposes of supporting Project.
- ii. **IFAD funds disbursed** as either revenue or Appropriation In Aid (AIA).
- iii. **Community contributions** as provided by communities for the project.

However, Revenue shall only be recognized when it is actually received not when earned.

3.9.1 Types of Revenue / Income

The above Funds shall be classified broadly as:

- i. Government Funding under Development Revenue Vote.
- ii. IFAD Funding - under Development Revenue and Appropriations in Aid (AIA) items e.g. Direct Payment.
- iii. Project Community Funding – This is cash or cash equivalent contributed by community members.

At the Project level, however, all the funds received shall be treated as ABDP development funds classified under GoK, IFAD loan and Community Contributions.

3.9.2 Flow of Funds

- i. All the expected eligible project expenditures must be reflected in the GoK's National Annual Printed estimates under MOALF&C and as per the project's AWPB.
- ii. After Parliament has approved the budget, the Lead Agency's Accounting Officer will authorize issuance of half yearly Authority to Incur Expenditure (AIEs) to the PC based on the approved budget.
- iii. The Accounting Officer will also grant authority to PC, on request, to issue Sub AIEs from the main AIE to other cost centres/counties where applicable.
- iv. On the basis of the AIEs, PCU then effect appropriation and transfer of funds to other project implementing agencies accordingly.
- v. The AIE is an expenditure tool indicating the amount of money to be spent on specific expenditure items, time frame and the cost centre where the funds are to be applied.
- vi. For the project funds to be received by PCU, the PC/PFC submit cash requisition to the Project Lead Agency who liaise with National Treasury to get project funds from both GoK and IFAD through the consolidated fund.

A summarized process to access the project funds will be as follows:-

- i. After the approval of the budget by Parliament and upon request, Accounting Officer of Lead Agency (MOALF&C) will issue half yearly AIE to PC based on approved project's annual work plan and budget (every July and January of the

Fiscal year). This will be facilitated by Finance, Accounting and Internal Audit Divisions of the Ministry;

- ii. PCU submits special exchequer requisition for both GoK and IFAD funds as per the AIE requirements to the Accounting Officer. Facilitated by the Head of Accounting Unit of the Ministry and in liaison with National Treasury, the requested funds are expected to be transferred to the PCU accounts within two weeks.
- iii. National Treasury facilitates transfer of IFAD funds from the IFAD loan accounts via Project Special Accounts, Exchequer Account, and Ministry Development Account and eventually to PCU's Local Accounts. The funds movement at these stages are facilitated through EFTs and/or Payment Authorities from National Treasury.
- iv. PCU shall then use the funds to facilitate implementation, either by applying them at PCU head office or further transferring to CPCs at the counties or other agencies. County based AIEs including those destined for the PCU shall be captured at the County National Treasuries under the Lead Agency's vote and will be issued to the County Project Coordinators implementing the project alongside letters appointing them and stipulating their responsibilities as AIE holders in line with GoK Financial Regulations.

Issuance of the AIE will effectively authorize the Project Coordinator to incur expenditure under the accounting items in the printed estimates and place the responsibility to account for the funds so approved to the PCU and by extension to the Sub-AIE holders to CPCs.

Funds flow will include two Designated Accounts (DA) in USD currency, and each will receive an appropriate initial deposit directly from IFAD. The first DA 1 will be opened by National Treasury denominated in USD for the National Programme activities under SDF and its institutions. The second DA 2 will be opened by National Treasury denominated in USD to receive funds from IFAD for the activities to be carried out in the Programme Counties. The accounts will operate on an Imprest system. Advances from this account must be segregated from other funds for the programme.

In addition, for each of the DAs a local operational bank account denominated in KES will be opened and maintained by the MOALF&C. Subsequent funds flow into these accounts will be dependent upon the eligible expenditure incurred which will be the basis for replenishment requests through the Withdrawal Application claims under the IFAD guidelines and procedures.

Each of the Programme Counties will be required to open and maintain a dedicated bank account for the IFAD funds into which the funds from the PCU's County local currency bank account held by the MOALF&C will be transferred through the County Revenue Fund. The funds from this account will finance the approved AWPB activities. The accounting of expenditures on National Government activities and those of the

Counties will be distinct to ensure result-oriented monitoring. Statements of Expenditure (SoEs) and other returns will be submitted to the PCU regularly within the set deadlines. A counterpart funding account denominated in KES will also be opened at the PCU to cover GoK contributions, primarily for taxes and duties.

3.9.3 Accounting system

Setting the chart of accounts: The PCU will make use of a suitable off – the Shelf accounting software for maintaining its accounts. The system should be able to integrate the accounting and monitoring data for the Programme. The system shall be coded exactly as per the structure of ABDP components, sub-components and expenditure categories as per the financing agreement with traceability for each respective funding source.

- i. The package should be set to process multi-currency transactions (minimum USD/ Shillings reporting)
- ii. It should be set to produce auto Statement of Expenditures (smart SoEs that link to AWPBs). Withdrawal applications shall not be processed in parallel to the Programme software system but should be sourced directly from the accounting software.
- iii. It should be set to print, at a click of a button, the designated account reconciliation at any one time.
- iv. The key activities and codes allocated should be agreed with KM/M&E as the key ones that the latter will be monitoring from physical progress side. This will ensure that there is a convergence between the financial controller’s monitoring (financial progress) and the KM/M&E Officer (physical progress). This coding approach will be applied consistently across the entire PCU and its Regional Office from the coding of the AWPB, procurement requisitions and other documents, payment vouchers, the accounting system and M&E physical input level monitoring.
- v. Each activity in the AWPB is allocated an account code according to the chart of accounts. Each time procurement/ payment is being requisitioned for; a budget code (which is consistent to the chart of accounts) has to be indicated. The FAM uses the code to determine whether funding is still available in the vote book. This code is captured on payment or journal vouchers and is the basis of posting in the ABDP Accounting package.
- vi. The data backing up will be done at an offsite location in specific RPCU and also ABDP will look into having iCloud services.

Coding approach

Each digit on the chart of accounts has a purpose and is set up in such way as to facilitate the filtering of information in various dimensions: Component-wise, category-wise, financier-wise up to individual activity level. Payments have to be sorted in many dimensions and here the coding approach has to be carefully used to allow the sorting of information as follows:

- i. Category-wise as per schedule 2 to the financing agreement by financier;
- ii. Component and sub-component by financier wise to allow a fair balance between components;
- iii. Activity level for effective implementation of AWPB and not to allow some activities lagging behind.

STEP 1: ANNUAL WORK PLAN AND BUDGETING

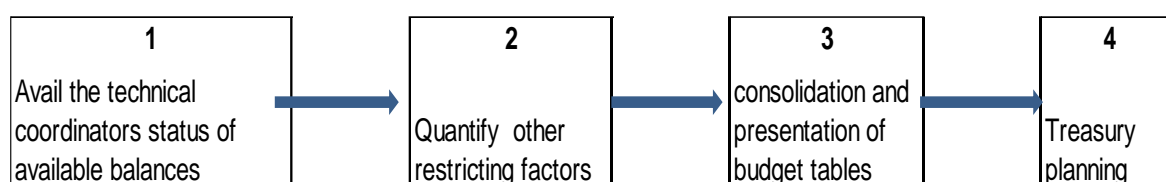
1. Annual Work Plan and Budget (AWPB) is the key instrument for ABDP implementation and operational control. It will be developed and approved at the start of every fiscal year. The PCU, therefore, gives particular attention to budget preparation and control. During day-to-day financial management, an approved AWPB is the most important document, and the principal guide on what to do and how to use resources. In the context of ABDP financial management, the AWPB is more than a guideline. It represents:
 - a) *A commitment of PCU and implementing agencies to carry out a set of activities, produce specific outputs and achieve certain targets; and*
 - b) *Agreement by GoK and IFAD that the planned activities are appropriate in light of the ABDP objectives and approval to spend the necessary money as specified in the annual budget.*
2. The AWPB is a means by which Government of Kenya and IFAD will have provided “prior approval” to PCU to spend resources on the activities included in the AWPB. It should be taken very seriously, as any expenditure incurred outside the AWPB will be queried by auditors, supervision missions and will be declared ineligible for IFAD financing.
3. The detailed steps to be followed in the preparation of the AWPB are included in the IFAD guidelines for preparation of AWPBs and progress reporting. The Procurement planning aspects are covered under the Procurement handbook.
4. Summary for budget preparation process: The budget preparation process for the next financial year (N+1) shall start not later than the 30th August of the current financial year (N) and will follow the Government planning calendar. This is crucial given that the ABDP budget will have to be included in the printed Government budget estimates.
5. The following AWPB preparation schedule is provided for guidance. It should be reviewed and modified as may be necessary in consultation with implementing partners. In accordance with the Financing Agreement, a draft AWPB shall be submitted to IFAD no later than 60 days before the beginning of the relevant fiscal year of the Project. If found necessary after approval of AWPB, the PCU could propose adjustments in the AWPB during the financial year, which would become effective after IFAD and PSC’s approval is received.
6. The PCU will be responsible for the timely development, implementation and monitoring of AWPBs. County level AWPBs will be developed by the CPITs with

supervision and support from the Programme KM/M&E team. County AWPBs will be reviewed and consolidated by the KM/M&E team based on operational and financial targets. The PCU, in consultation and collaboration with all implementing partners and other stakeholders, will prepare a consolidated AWPB including activities at the National level in conformity with the GoK planning cycle. Timely preparation and submission of AWPBs will require adherence to a schedule linked to the Government budgetary approval process, and those of the National and County implementing agencies. The AWPB will be submitted for approval to the Steering Committee and to IFAD for No objection.

7. The Final Budget Estimates shall be communicated and cascaded downwards to all key implementers showing the approved limits per activity/component immediately after parliamentary approval and IFAD No Objection. The PCU shall review the budget where necessary according to applicable guidelines. The AWPB shall be accompanied by a procurement plan prepared by the Procurement Officer in consultation with component heads and in accordance with IFAD procurement guidelines.

8. **Role of finance officers in AWPB preparation:** In the planning and budgeting stage, the ABDP finance officers perform the four functions below:

Chart 2. Roles of ABDP finance staff in budgeting process



Technical coordinators will play an important role in facilitating budget preparation for activities in their respective realm. This does not, however, imply that they can solely dispose of the component budget as the respective sub-components are interrelated with others. ABDP is adopting an integrated team work programme management approach.

Prior to the start of the planning and budgeting exercise, the Programme Finance and Administration Manager (FAM) provide each of the above budget holders the respective sub-component status of available balances and overall category-wise implications. The FAM does this by making extracts from the Pastel evolution accounting system and obtains from IFAD a status of funds balances available category-wise. From the Pastel evolution accounting system, the FAM also obtains balances component-wise, including up to the major activities as described later in the manual. The status of funds available should be adjusted by deducting commitments, WAs in the pipe line and projected expenditure for the remaining part of the current year. The adjusted information about the status of funds is provided to the above named budget holders so that they are aware of budget ceilings. A working form that

can be used in MS Excel to determine the available balance is as given below. The accounting software can assign historical expenditures to each of the planning units as described above and in the tables below.

Table 4. Working form to determine status of available balances category-wise (Kshs) analysed separately for IFAD loan/grant source

Category	Available cash balance) ¹	Less Commitments ²	Less WA's in Pipe Line	Less Projected Expenses to the end	Net Available Balance
Goods, Services and Inputs	x	x	x	x	x
Grants and Subsidies	x	x	x	x	x
Consultancies	x	x	x	x	x
Operating Costs	x	x	x	x	x
Salaries and allowances	x	x	x	x	x
Total	x	x	x	x	x

The net available balance should also be broken down according to components, sub-components and major activity headings so that planners are able to determine the relative weights for each component/ sub-component in the AWPB as illustrated in the table below. It is important to keep a relative balance between components so that some components do not lag behind.

STEP 2: COMMITTING FUNDS

9. Commitment of funds is largely a procurement function. The finance team will have a role to play in the procurement cycle including:

- Providing the status of available balances ahead of each procurement launch to avoid over-committing ABDP/ GoK. This will require FAM to maintain a detailed analysis of commitments.
- This means contracts cannot be signed off without the FAM entering them into his/her system.
- The authentication, custody and execution of any financial instruments such as performance bonds, advance guarantees will be a responsibility of the financial controller.
- The financial progress elements of the contracting monitoring forms will be a

responsibility of the financial controller.

STEP 3: MANAGING PAYMENTS

10. It is emphasised that ABDP is GoK programme and, therefore, will comply with GoK rates for allowances for travel and accommodation unless otherwise specifically agreed formally between IFAD and GoK. The prevailing GoK field and travel related allowance rates will be applied for ABDP activities.

11. For all payments, the Programme Finance and Administration Manager should ensure that the following steps are performed:

- A payment request voucher should be prepared for each payment.
- Validation of invoice. The following validation checks should be performed by the Programme Finance and Administration Manager on invoice:
 - Invoice arithmetically correct; and
 - Quantity and price recorded on invoice should be checked back to contract, order, and certification of completion/delivery. If there is any discrepancy identified, it should be raised with the vendor prior to proceeding with invoice processing,
- Supporting documentation: the following documents should be attached to the payment voucher to support validation:
 - Copy of invoice;
 - Required approvals;
 - Purchase order, goods received note and contract if applicable; and
 - Copy of required guarantees

12. As a general rule, all Programmes' financial transactions shall only be executed with approval from the PC or designate and as per AWPB besides compliance with the prevailing rules and regulations. All the accounts payable should be directed to the PC's office for endorsement and subsequent verification by PO and FAM or designates for eligibility. The PO or designate will ensure procurement conditions are met and FAM or designate will conduct a check to ascertain completeness and compliance of the claim package in terms of regulations, documentation, the budget provision and approvals.

13. The FAM or designate then forward the claims for further processing and verification by the Accountant (preparing payment voucher, verifies completeness, effects necessary postings/entries and controls) before final authorization (by the FAM) for payment. The PC/FAM or designates consequently approves release of funds to the client using applicable modes of payment, either from the local Programme bank account or from IFAD (for Direct Payments authorized by the borrower). The evidence of payment is either bank statement or debit advice by IFAD submitted to PCU periodically.

14. The minimum standards that the stakeholders are expected to observe in all expenditure transactions are outlines below:

- a) All costs/expenses shall be charged to the appropriate budgetary line/item allocation. Any anticipated activity which is not covered by the budget must be subjected to a supplementary budget;
- b) All procurements are subject to the approved AWPB.
- c) The Procurement Officer shall always make available all committed and duly signed LSOs/LPOs for commitment by the Finance Unit pending delivery of goods/services before payment. LPOs and LSOs shall be endorsed by the PC or Designate PC or any other authorized officer before commitment;
- d) Payments for supply of goods and services will be within thirty days of receipt of invoice/ or as per prior agreed payment terms provided all the requisite conditions are met;
- e) A copy of the LPO or LSO shall be retained by Procurement Unit to check against the deliveries of the goods or the rendering of the services before issuing to the User;
- f) An Invoice register will be maintained within the Procurement Unit to acknowledge suppliers' invoices;
- g) All invoices and staff claim shall be clearly stamped with a "received" stamp on receipt. The stamp shall indicate the date of receipt of the invoice /claim for monitoring purposes.
- h) The programme shall establish and maintain effective Internal Control Procedures that would not only ensure but also guarantee that:
 - Authorization and approval for the purchase of goods, works and services is clearly defined.
 - Appropriate approvals must be obtained prior to ordering goods and services and all procurement must be in accordance with the Programme's approved budget. As such all procurements MUST be supported by a duly approved Purchase Requisition Form raised by the user;
 - All expenditures must be consistent with the Programme's objectives;
 - Payments shall be processed in accordance with the guidelines, regulations and procedures acceptable to IFAD/GoK and contained in this manual;
 - The Procurement Unit shall maintain an up to date record of all orders raised and invoices received;
 - All expenditure shall be appropriately authorized. As such all payments made by the Programme should be approved by the PC or her/his designate;
 - Expenditures must be fully supported by genuine/authentic supporting documents from the suppliers and back to office report by officers;
 - A single individual shall not be allowed to initiate a payment and process it to a point of making a payment i.e. whenever possible persons who approve payments should not be the same persons who make the payments;

- Payments to all suppliers shall only be by cheque or electronic funds transfer, direct payment and Letters of Credit (where applicable) and where necessary by cash.

15. Approval of Payment Process:

The PC or her/his authorized representative shall endorse all payments on behalf of the Programme. Such payments and approvals shall be guided by the laid down procedures both in this manual and other provision as contained in the relevant regulations in force. The endorsement of the PC or her/his authorized representative must precede processing of all payment claims. This shall apply to all orders LSOs/LPOs and other payment claims. FAM or her/his authorized representative will then finalise payment approval process accordingly.

16. Preparation and Processing of Payment Vouchers.

A pre-numbered Payment Voucher (PV) shall be raised for all payments related to invoiced goods/services and other requests for payment. The PV shall indicate the following:

- Date
- Payment voucher number
- Payee's name and address
- Description of goods and services
- Amount being paid in words and figures
- Budget line code against which the expenditure should be charged (Component, Sub Component, Category, and Financier).
- Signatures of preparing and authorizing officers
- Signature of payee (for cash payment only)
- Authority for payment in relation to the requisition.

17. Order Processing.

No purchases or orders should be made or placed with suppliers without a confirmation from the Finance Unit of the availability of funds under the relevant budget/expenditure item. Hence all Purchase Orders /Service Orders shall pass through the Finance Unit for confirmation of funds after the PC's approval. If funds are available, the commitment/payment should be entered in the vote control system and the order endorsed by the accountant in-charge of the expenditure control. The FAM/Accountant will review all submitted invoices and certify them for payment. At the end of the financial period all outstanding invoices shall be recorded and disclosed as pending bills.

18. The following documents are required for processing of supplier payments:

- A copy of contract for service/goods duly executed (bidding docs, tender minutes, specifications, technical evaluation reports, quotations, award letters, etc.)
- Certificate of incorporation/registration
- Original Invoice

- The local purchase/service order relating to the supply or contract.
- No objection where applicable
- Payee's bank details (bank name, branch, address, account no., swift code etc.)
- Delivery note,
- Goods received voucher (GRV) where applicable.
- Certificate of progress/completion for construction/repair services.
- Approved Lease agreements for rent payments.
- Approved Purchase Requisition
- Goods inspection and acceptance certificate or signed job card for services
- PIN No. VAT certificate
- Relevant guarantees (bank guarantee, performance bond/guarantee)
- Where the original invoice is confirmed not available, then a certified true copy of the original accompanied by indemnity letter from the supplier is used.

19. Processing of payments for civil works, services and goods:

To process claims from suppliers/contractors for goods/works and services delivered, the PCU/Sub units will make sure the following conditions are adhered to:

- i. The quantity of goods/service is checked against the purchase order and in line with contract documents indicated above. This will ensure that all the necessary documents including inspection and acceptance report is availed before processing the payment.
- ii. The conditions of the goods/services are reviewed by Acceptance and Inspection team headed by component heads or a person appointed by PC for any damage or impairments, and damaged goods are returned to the supplier or replaced. The record of all goods returned to suppliers should be maintained and adjusted accordingly during invoicing.
- iii. All the works are to be supervised by a technical expert (architect/engineer etc.) who is responsible for signing compliance reports/certificates. This includes certificate on the percentage of completion in compliance with the contract conditions and specifications.
- iv. On receipt of payment request from the client the PC will mark it to the Procurement Officer and component head for review and advice before being sent to the FAM for further processing. The FAM will ensure that the payment request includes all the necessary documents as indicated above.

20. Processing of payments for Consultancy Services:

Consultants may be engaged on terms of either lump sum payment based contract or time based contract. For lump sum based type, payment will be made once against the delivery of outputs as detailed in the contracts. For time based type, payments will be made against the submission of a time sheet and a summary of activities performed against which they shall be paid. The PCU will ensure that the consultant's report meets the specification requirements, guided by the Component Head and approved by established inspection and acceptance committee appointed by the PC for the purpose of verifying the

consultant's deliverables. The claim will then be submitted to FAM/PC through the Procurement Officer for payment.

21. Payment of travel related expenses:

All travel expenses must be met according to established GoK procedures. Travel expense must either be reimbursed against actually defrayed costs, or financed through advance cash payments. The payment can be made either in foreign currency (for foreign travel) or local currency (for local travel).

22. The local travel shall be approved by the PC as per AWPB while all foreign travels must be cleared first by IFAD and PS before any related payment is done. All the DSA rates shall be paid based on the GoK circulars and IFAD No Objections. Back to office report, work ticket/bus ticket (for local travel), boarding pass and or copy of the passport (for foreign travel) among others will support the expenditure.

Table 5. Checklist for Supporting Documents

Standard Goods	Tick
1. Complete Written Voucher, duly approved	
2. Confirmation by Procurement Officer that the Procurement was properly done in accordance with GOK and IFAD procedures	
3. Attach Copies of relevant No Objections from IFAD, where applicable	
4. Availability of supporting documentation	
a) Contract	
b) Invoice	
c) Evidence of payment	
d) Bank guarantee	
e) Delivery notes/reports (Make Cross Reference where bulky)	
5. Fund availability in	
a) Budget-Ensure Vote Book has been updated	
b) Category(ies)	
6. Accuracy of Computations/footings	
7. Reviewed optimality of the disbursement method?	
8. Banking instructions	
9. Correspondence bank	
10. Percentage of financing	
In-Country Workshops	
1. Attendance sheets	
2. Attendance sheets should be reconciled to DSA paid	
3. Availability of supporting documentation	
a) Training report	
b) Hotel Receipts/ bills for meals and accommodation (should be reconciled to attendance sheets)	
4. Procurement record on how the venue was selected	
5. Justification for any fuel refunds and related supporting documents	
6. Fund availability in	

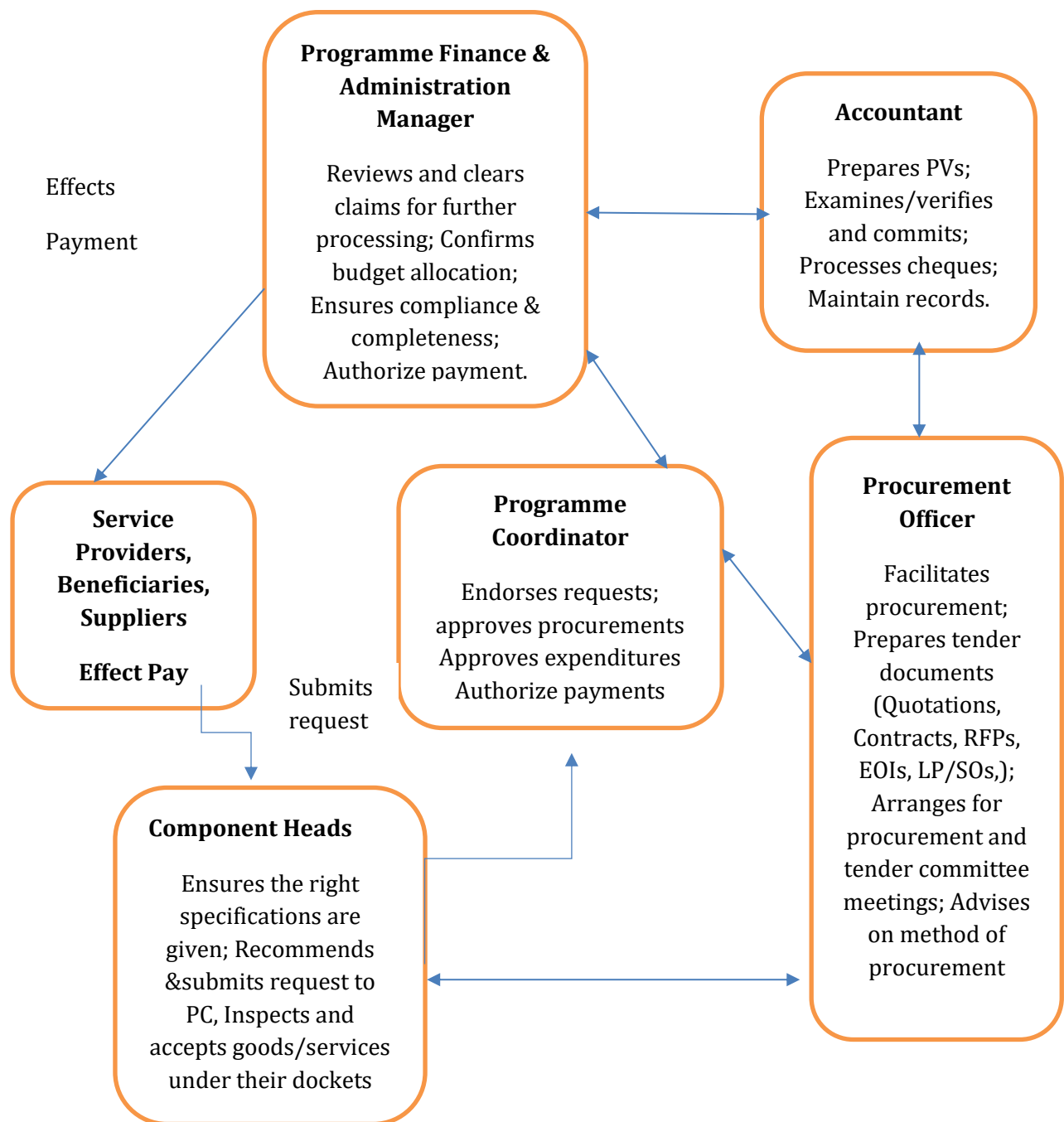
a) Budget-Ensure Vote Book has been updated	
b) Category(ies)	
7. Accuracy of Computations/footings	
Consultancies	
1. Time sheets in comparison with the work done;	
2. Attach Copies of relevant No Objections from IFAD, where applicable	
3. An acceptable report	
4. Availability of supporting documentation	
a) Contract	
b) Invoice	
c) Evidence of payment	
d) Bank guarantee for advances	
5. Fund availability in	
a) Budget-Ensure Vote Book has been updated	
b) Category(ies)	
6. Accuracy of Computations/footings	
7. Banking instructions Correspondence bank	

3.9.4 Petty cash under imprest system

23. The Programme shall maintain a petty cash float simple operational payments. This is considered for only very small payments; to ensure adequate segregation of duties the petty cashier is designated as one of the Programme Assistants. The amount of petty cash shall be KES 50,000 and maybe increased with time if deemed necessary. Petty cash will be managed on an imprest replenishment basis, to be topped up once it has been drawn down by 60%. Each replenishment request shall be prepared by the Programme Accountant justifying how the imprest has been drawn down, attaching the relevant supporting documents and checked by the FAM. This replenishment request shall be approved by the Programme Coordinator who must also approve the expenditures supporting float replenishment request and then authorised by the Programme Coordinator. Separate petty cash vouchers shall be used to process petty cash payments and care should be taken not to disaggregate payments that would have otherwise exceeded the petty cash threshold. Each petty cash voucher shall be approved by the Programme Accountant.

24. At the Regional Coordination Office (RCO), the imprest will be maintained by the Programme accountant and approved by the Aquaculture Specialist. At the time of making a replenishment request, documents will be sent to the main PCU and photocopies retained at the RCO. The Programme Accountant will review the replenishment before approval by the FAM.

Chart 3. Summary of ABDP payment approval process



25. Similar arrangement above to assure segregation of duties will apply for regular office supplies and travel related expenditures.

3.9.5 Records Management

26. Financial records must be created and preserved for every financial transaction performed under the project. Financial records are defined as any financial information including written, computer data, internal forms, e-mails, or any other form of storage information originated from the PCU such as internal forms, journal vouchers financial reports (Monthly & quarterly) copies of cheques and withdrawal applications etc. or received by the PCU such as supplier invoices and receipts, bank statements, IFAD documents etc. within the framework of the project's official activities. The objective of this procedure is to preserve the financial records and files for further official use by the PCU, for financial audit and for review by the Fund during the supervision missions. The project's financial records are the property of the MOALF&C and cannot be removed or destroyed.

It is important to note that in accordance with the IFAD general conditions, the GoK has to maintain the original records for a minimum 10 years after ABDP completion.

27. **Filing of the financial records.** The Finance team will maintain chronological files in which the financial documents have to be filed for future reference. Filing should be performed daily to prevent the accumulation of papers and to ensure that the financial records are maintained in an up-to-date manner at all times. Each financial record should be filed under its code in a chronological order, with a sequential number assigned to every document. Any kind of additions or amendments to the financial document should be filed in a chronological order immediately following the principal document. A separate series of vouchers will be filed for each operational account opened: separately for IFAD loan.

28. **Soft copies.** The PCU will acquire a scanner in order to also have electronic filing of key documents. A filing approach will be developed to allow for indexing and cataloguing of documents for ease of retrieval when needed.

29. **Storage of financial records:** The financial records of the project should be stored in the PCU/and/ or MOALF&C for a minimum of 10 years after the project completion. The data should be stored within the accounting software, as paper copies, as scanned copies and as computer disc copies. The PFAM should allocate an appropriate storage area for the financial records in paper format and maintain them in locked cabinets, safe from water and fire, to which access is controlled and limited. The PFAM should also classify the financial records as "Confidential", or "General". All-important correspondences should be filed.

30. **Archiving of financial records:** In order to prevent an unnecessary pile-up of files in a limited office space, the Programme Finance and Administration Manager should make sure that the financial records are archived on a regularly basis. Once a year, the Programme Finance and Administration Manager should make sure that the completed or

inactive files are archived in a manner that will allow for easy retrieval of the files in case they are required at some future date.

31. **Back- up procedures:** To avoid the loss or damage of financial data, the information should be kept in two copies: i) at the computer server of the PCU and ii) in the locked cabinets of the PCU. Only authorised personnel should be allowed to access the financial records. The access of external persons is prohibited except for authorised persons such as investigators, auditors & IFAD staff/ consultants with prior arrangement.

32. Under the area of accounting system, IFAD missions will be looking out for the following aspects:

- Basis of accounting- ABDP should comply with the cash basis of accounting with the required disclosures.
- Adequacy and reliability of accounting system- therefore the project should ensure to comply with the internal controls around the Pastel system
- Recordkeeping (including documentation and filing/archiving)
- Fixed assets register maintained and reconciled
- Adequate documentation and controls for Information Systems, including documented accounting procedures, backup of financial records, integration of all sub-systems.
- Adequacy of chart of accounts for ABDP accounting purposes
- Timeliness of recording transactions, regularity of performance and approval of reconciliations, controls on erroneous recordings.
- Appropriate/ adequate accounting and reporting of counterpart funds contributions (including tax and tax exemptions) as well as beneficiary contributions.

STEP 4: WITHDRAWAL APPLICATIONS AND THE TREASURY FUNCTION

33. The IFAD draft disbursement handbook provides all the guidance and forms needed for the preparation of withdrawal applications including replenishment applications. Those forms and guidance are not reproduced in this manual. As stated in the LTB and the LDH, three standard disbursement procedures may be used for withdrawal of financing.

- **Procedure I:** Use of designated accounts (under imprest or revolving mechanism).
- **Procedure II:** Direct payment. This modality is used for eligible ABDP expenditure to be paid directly by IFAD, generally for large contracts, to suppliers, contractors or third parties, as authorised by the GoK over USD 100,000 and to be reviewed by IFAD depending on assessment of the fiduciary risk.
- **Procedure III:** Reimbursement. This is applicable when eligible ABDP expenditures, reimbursable under the financing, have been pre-financed by the GoK. Such reimbursements are expected to be claimed not later than 90 calendar days from the date of payment by ABDP.

34. **Using the designated account reconciliation as a treasury management tool.**

The finance team must be efficient in submission of the withdrawal applications to IFAD otherwise liquidity can be a hindrance to implementation. A tool that can be used to measure the efficiency of a replenishment process is the designated account reconciliation as shown below. Thus, the designated account reconciliation should not only be prepared for inclusion in a WAs and should also be used, on a monthly basis, as a performance measure as illustrated below.

Table 6. Designated Account Reconciliation Summary

		USD	Management Tips
1	Total initial advance by IFAD	xxx	This reconciliation should give the whereabouts of this advance and the PFAM should always on a monthly basis be interested to know the whereabouts of the initial deposit.
2	LESS: Amount Recovered by IFAD	-	
3	Outstanding Advance to Designated Account	xxx	
4	Balance of Designated Account	xxx	If less than 50% of the initial deposit can be traced to bank statements, this can always alert the PFAM and ABDP Coordinator of lingering cash flow problems by looking at lines 4 and 5
5	Balance on Project Operational Accounts as per Bank Statements	xxx	
	Total of Bank Balances	xxx	
6	Plus Total Amount claimed in this Application No.	xxx	If this amount is materially higher than 30% of the initial deposits it would point at laxity in the replenishment system. If for example, this amount is twice or more than the minimum amount for replenishment, It would tell PC that the FAM could have lodged a WA when expenditure reached the minimum amount of 30% of the initial deposit and there could be over bulking/ inefficiency.
7	Plus Total Amount withdrawn from bank accounts not yet claimed	xxx	This should cause the ABDP Coordinator to demand why money to this magnitude has been withdrawn but is not being included in the WA. The PC should always demand for a schedule of this amount—it reflects inefficiency and results in cash flow problems to have large amounts of money from bank accounts and take a long time to be replenished back. Secondly care should be taken that this figure is not only inserted as a <i>balancing figure</i> , which would reflect that the designated account is not well managed.

		USD	Management Tips
8	Plus Amounts claimed in previous Applications not yet credited at date of Bank Statement	xxx	The WAs in the pipeline, if they take long to be processed, could reflect that IFAD raised many queries on the quality of the WAs, in which case the ABDP Coordinator could request for staff training; or it could be delays on the side of IFAD and in which case the PC would still have to initiate follow-up from IFAD. It is advisable for the PFAM to always follow the status of the WA on IFAD's Withdrawal Application Tracking System (WATTS).
9	Minus Interest Earned		
10.	TOTAL ADVANCE ACCOUNTED FOR	xxx	If this total does not equal to the outstanding initial deposit, the PC should demand explanation. It is so serious to fail to reconcile the initial deposit

35. It is key for FAM to know ABDP treasury position at all time in order to better manage the ABDP's liquidity position in a timely and efficient manner. The key goals are to ensure that:

- a) There are sufficient funds in treasury to meet the ABDP's field activities for implementation.
- b) The disbursement rate of the project closely follows the physical activity progress.
- c) Increase in the performance level of ABDP and meeting its objectives as in the PDR.

36. The key elements on project treasury position are:

- a) Status of Designated accounts balances (Using the cash books as at reporting date)
- b) Status of the operation accounts balances (Using the cash books as at reporting date)
- c) The status of cash in hand (Using the cash book as at reporting date)
- d) The money value of WA with IFAD for reimbursement
- e) The money value of WA to be submitted to IFAD.

37. PFAM should prepare regular cash and expenditures rolling monthly cash flow forecasts. This will help to detect periods of liquidity gaps so that appropriate adjustments in work scheduling or any other remedial actions can be taken proactively.

Table 7: Formats for use to prepare a Cash flow; the cycle it takes to get a withdrawal application through and the format for financial position as at a given date:

CASH FLOW FORECAST FOR THE NEXT 3 MONTHS				
ADD: CASH FORECAST RECEIPTS		Month 1	Month 2	Month 3
CATEGORY		USD	USD	USD
B/f		XXX	XXX	XXX
IFAD		XXX	XXX	XXX
GOK		XXX	XXX	XXX
Total expected Income		XXXX	XXXX	XXXX
CATEGORY				
I	Goods, Services and Inputs	XXX	XXX	XXX
II	Grants and subsidies	XXX	XXX	XXX
III	Consultancies	XXX	XXX	XXX
IV	Operating Costs	XXX	XXX	XXX
V	Salaries and allowances	XXX	XXX	XXX
		XXX	XXX	XXX
NET CASH FORECAST BALANCES		XXX	XXX	XXX

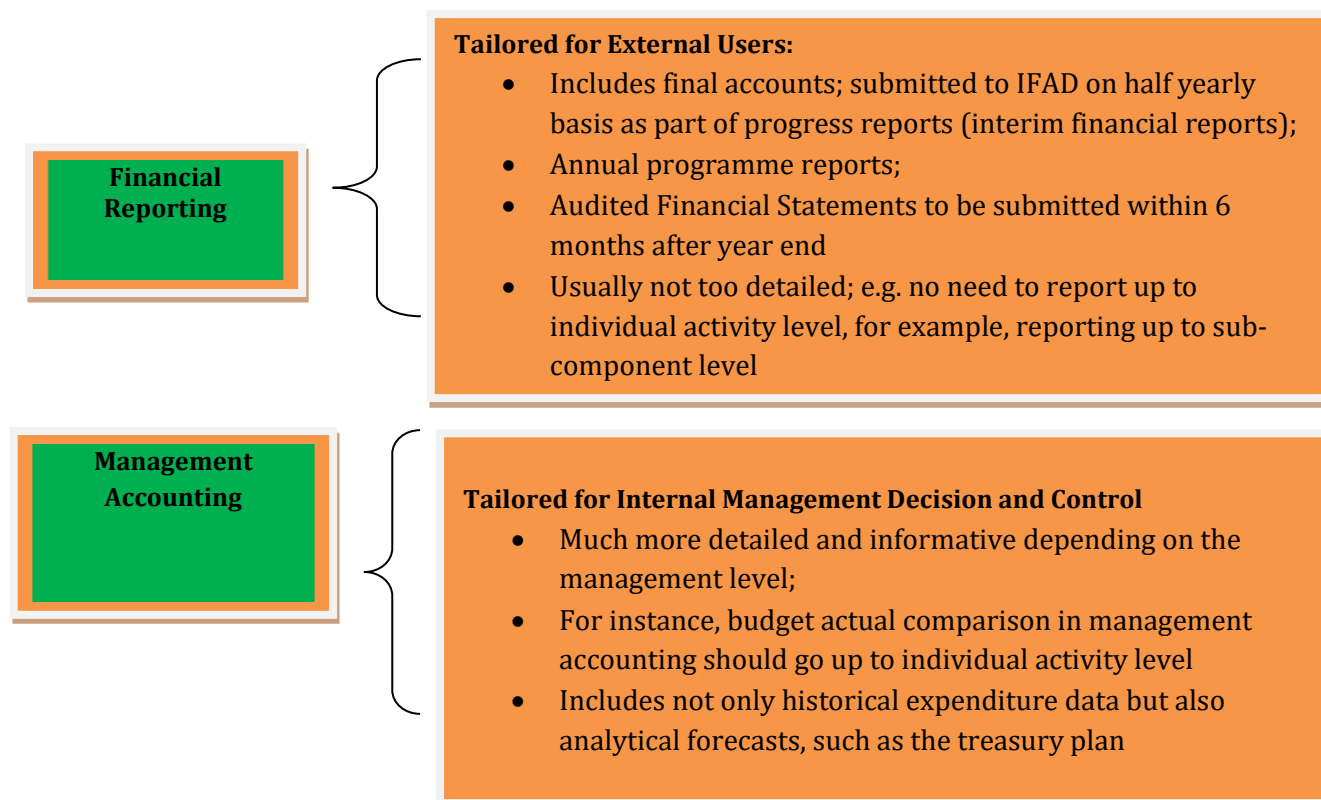
38. Common mistakes made by Projects in submitting WA that ABDP must avoid:
- Failing to respect the SOE procedure.
 - Completing the checklist usually attached to withdrawal applications casually, resulting in incomplete WA's, incomplete supporting documents, wrong correspondent bank which results into a series of correspondences with IFAD causing delays to receive the funds.
 - Charging wrong categories or submitting WA's against a given category when it is overly overdrawn.
 - Preparing a WA with an amount that is less than the minimum acceptable percentage of the Initial Advance;
 - The commonest errors are usually on the designated account reconciliation
 - Forgetting to attach correct bank statements
 - Attaching bank statements with wrong cut-off dates or balance thereon not tallying with amount shown on the designated account reconciliation
 - Wrong use of exchange rates thus causing a surplus/shortage on the reconciliation of the initial deposit
 - Ineligible expenditure not refunded thus causing a discrepancy on the reconciliation
 - Inserting as a "balancing figure" amount withdrawn and not yet replenished without obtaining a substantive breakdown of the amount

- xi. Depositing on a designated account funds other than those drawn from the initial deposit- e.g. refunds of items already replenished without corresponding 'credit note' or banking on account proceeds from sale of bids etc. The mistake here is the failure not to prepare the reconciliation in accordance with the double entry accounting Principle.
- xii. Including on the reconciliation on the part of withdrawal application applications in the pipeline, direct payments yet these have been nothing to do with the initial advance.

STEP 5: FINANCIAL REPORTING AND MANAGEMENT ACCOUNTING

PFAM must ensure that ABDP management and external users have sufficient financial information for a smooth implementation of ABDP. ABDP accounting falls into two broad categories as follows:

Chart 4. ABDP Accounting (Providing relevant financial information for decision and Control)



3.9.6 Financial Reporting

Financial Reporting is a key component of good financial management practices. The reporting procedures define the type, content and frequency of reports. The Programme will use the International Public Sector Accounting Standards (IPSAS) and will use the cash basis mode of accounting. The financial reports are usually external oriented and statutory or a requirement by IFAD and GoK oversight.

The key tables under Financial Reporting under IPSAS cash basis include:

1. Statement of Receipts and Payments by category by financier
 2. Statement of Receipts and Payments by Component by financier
 3. Statement of Comparison of Budget and Actual by category by financier
 4. Statement of Comparison of Budget and Actual by Component by financier
 5. Statement of Designated Accounts Activities
 6. Designated Accounts Reconciliations Statement
 7. SoE- Withdrawal Application Statement
 8. Explanatory notes to the financial statements including accounting policies, non-current assets schedule, listing of yearly procurements, allocation and use of loan funds
 9. The books of account should be closed before the financial reports are closed and any adjustments made by way of Journal Vouchers.
- No posting should be allowed in prior months' accounts after the closure of a given current month.

3.9.7 Management Accounting

ABDP management accounting on the hand will depend on the information needs. It is not possible to prescribe the tables needed for management accounting as this largely depends on judgement of the PC and FAM regarding the information needs at any given time. These may be prepared either monthly or quarterly or as need arises. Management reports would include all the tables for financial reporting and in addition would include:

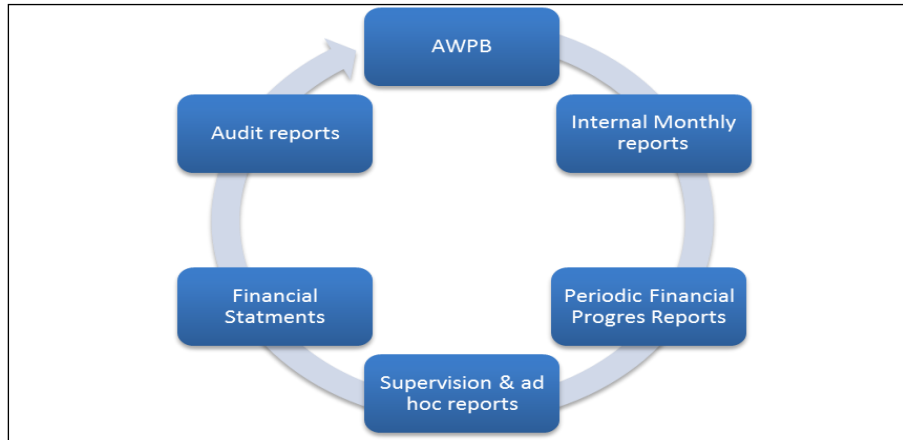
- a) Budget vs. Actual Comparison up to Individual Activity Level (This would be useful information for the M & E officer for the detailed AWPB-based progress reporting.
- b) Treasury Position
- c) Cash flow forecasts
- d) Advance aging Analysis reports
- e) Statement of receipts and payments.

It is important that the management reports are accompanied with technical reports indicating the planned activities for the reporting period and the actuals spent on them to make meaningful decisions on them and proper forecasts.

The reports will be produced on a monthly and quarterly basis. The trial balance, Statement of financial position and Statement of Receipts and Expenditure will be generated immediately after the General Ledger is updated and these will have input into the generation of some of the financial reports.

39. Periodic financial progress reports are a requirement of the IFAD Financing Agreement. Sufficient information must be made available about what the money is spent on, how much is spent and what the results are. The major financial reports include the following: AWPB, monthly financial reports, periodic financial progress reports, supervision reports, annual financial statements and audit reports. IFAD has

now developed guidelines for Interim Financial Reporting (IFR) to guide the progress reporting. These have been included in the resource pack. The resource pack includes guidelines for each of the following aspects.



Year-end Accounting Procedures: While all the above procedures and activities shall be carried during the financial year, below are other issues at year-end:

- There must be no outstanding office imprest in the books as at end of each year. If there is, it should be explained accordingly, otherwise, recoveries for any such outstanding amounts from payroll should be instituted immediately.
- **Annual stock take** - Board of survey shall undertake a stock take to confirm the stores balances and issue certificate.
- **Cash surveys** - The PCU together with a designated team shall carry out a cash survey to confirm and record the cash balances held in the cash office and a certificate issued. The cash survey must be witnessed by the Internal Audit.
- **Closure of cashbooks:** All the Programme's cashbooks shall be closed after posting all end year related transactions to ascertain the balances to be carried forward to the new financial year.
- **Certificate of balances:** The FAM shall write to all the Programme's banks requesting for certificates of balances as at end of year.
- **Bank Reconciliation:** The Accountant shall reconcile all cashbook balances to the bank balances as indicated in the Certificate of balance. Each reconciliation statement shall be supported by respective bank statement/certificate of balance and copy of the cash book approved and filed. Any un-reconciling items must be explained.
- **Contracts carried forward:** At end of each financial year, each Component Head is expected to review the work in progress and budget for the just completed financial year and forward proposals for any work in progress and associated funding to the FAM.

Board of Survey: The PFAM in consultation with the PC shall convene an annual Board of Survey on stores and cash both at the PCU. The National Government Accountant at the County will convene an Annual Board of Survey for the programme. The Board of Survey team shall consist of Chairman and at least two other members. The officers appointed will not be directly responsible for the stores or cash surveyed; where appropriate a technical officer of the discipline/department concerned can be a member. A standard Board of Survey form shall be used.

Under financial reporting IFAD missions will be looking for:

- Completeness, accuracy, usefulness, and timeliness of financial reports.
- Interim FM reports and linkage to progress reports - timely preparation, submission to IFAD.
- Preparation of reports showing actual vs. budget income/expenditure and AWPB execution rate.
- Follow up of previous aide-memoirs fiduciary recommendations.
- Reasonable alignment between disbursement rate of recurrent versus investment cost categories.

STEP 6: AUDITING

The project audit is an ex-post review of financial statements, records of transactions & financial systems; it examines the adequacy of accounting systems & procedures, capacity to maintain appropriate accounts & documentation of the project/grant expenditures. The objective of the project audit is to provide credibility and assurance of accountability.

Audit Requirements as per IFAD's General conditions:

- Section 9.03 (a) of the General Conditions requires annual audit of project accounts with auditing standards acceptable to the fund
- Section 9.03 (b) of the General Conditions requires the borrower/recipient the submission of the audit report to IFAD within six months after FY end
- Section 10.04 of the General Conditions requires the Borrower & the project party to cooperate fully with auditors in case of audit initiated by the Fund
- Details of the project audit cycle contained in "IFAD guidelines on project audits"

Professional audit package contains opinions provided:

- Project Financial statements
- Use of designated account(s) in compliance with financing agreement
- Eligibility of expenditures included in WAs/ SOEs
- Management letter on internal controls & systems
- Reporting of ineligible expenditures

The management letter should identify weaknesses, if any, of the internal controls and recommend corrective action. Management must reply in writing within 30 days.

Management response should indicate agreement/ disagreement with auditor & must contain a time bound action plan to address the issue(s)

Auditing standards: Given that it is KENAO to undertake the audit, International Organization of Supreme Audit Institutions (INTOSAI) but in case a firm is to be used then International Standards on Auditing (ISAs) will be applied. Specifically the audit should verify:

- Whether the financial statements are prepared according to internationally recognized accounting principles –IPSAS cash basis consistently over a reasonable period
- Whether expenditure is eligible per provisions of the financing agreement
- Whether the accounting & financial statements & records are accurate
- Whether individual expenses aggregating to the totals reflected in SoEs are properly approved, classified, supported by documentary evidence & are eligible under the financing agreement. If ineligible expenses are found, the Fund may review the eligibility of the Borrower to use the SoE mechanism: the Borrower may be asked to reimburse the Special account to the extent of ineligible expenditure
- Whether the designated Account mechanism is operated properly, the SA /DA is correctly reconciled, if the withdrawals from the SA / DA are properly authorized
- Whether the yearend financing balance is reconciled with IFAD's records
- Whether the project has adequate internal and accounting controls to record & report financial transactions in a timely & accurate manner & to safeguard project assets.
- Whether the internal audit system is commensurate with the size & complexity of the project
- Whether the project assets physically exist are in good working order & are held in the name of the project

The KENAO audit terms of reference are attached and include the audit of the e-voucher facility processes and controls. This is even though KENAO may place reliance on the work of a specialised audit done by a contracted firm as regards the e-voucher scheme.

Follow-up of audit recommendations: Follow up of audit recommendations is as important as conducting the audit. The Project Party should have a system for following up compliance with audit recommendations in a timely manner.

- A Log of Audit Observations must be prepared
- The log must record each audit observation & the validation by the auditor that corrective action has been taken
- Should be updated periodically and submitted to Supervision Missions
- Follow up status must be reviewed by the Project Coordinator/ IFAD/ Internal Auditor/ External Auditor periodically.

The following audit log should be completed by the FAM:

Table 8: Log of Audit Observations

LOG OF AUDIT OBSERVATIONS							
Project Name:		ABDP					
							Auditor's Validation Results
Serial No.	Financial Year	Class: Serious / General	Audit Ref.	Audit Observation	Amount	PCU Action	Implemented/settled
							Partially settled
							Not
							implemented/Pending

Table 9: Summary Status of Audit Observations

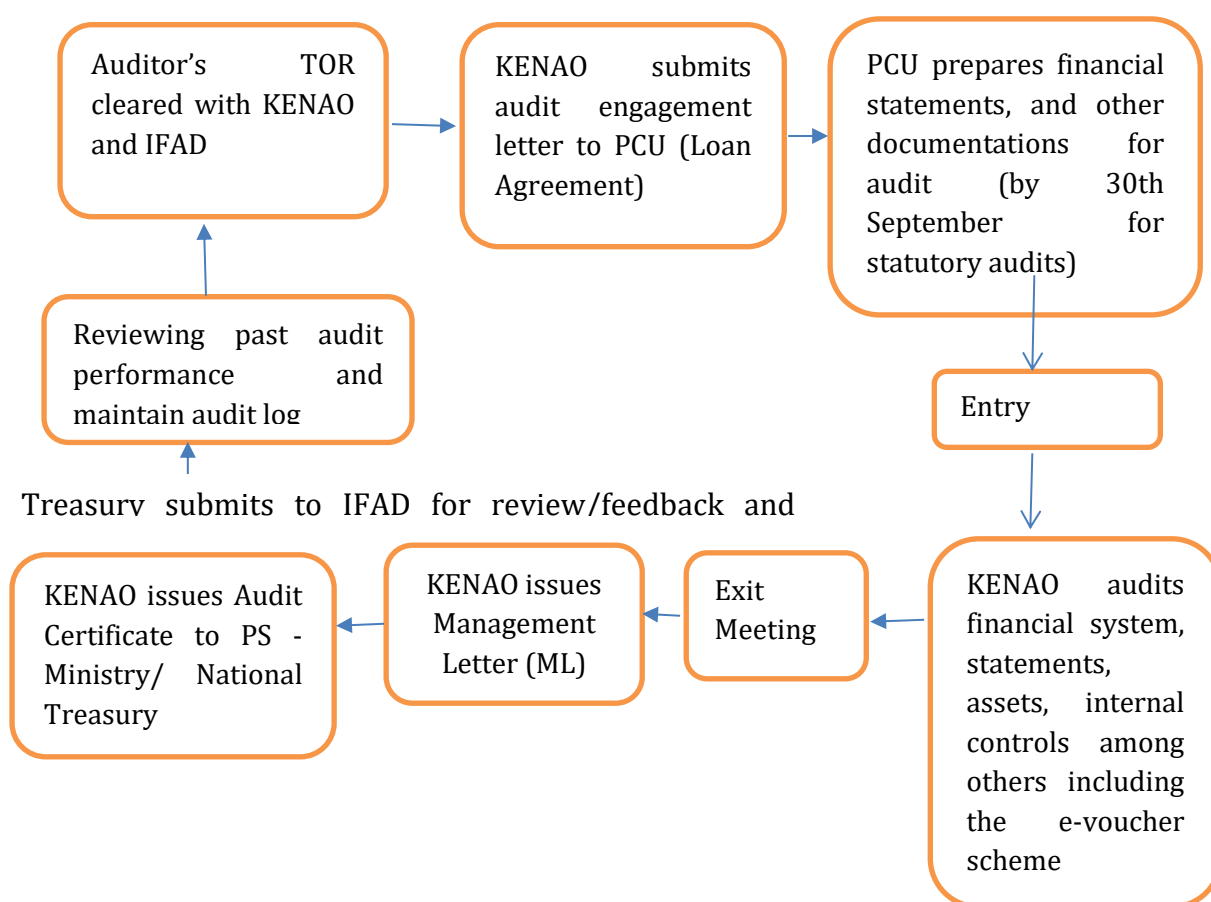
Financial	Audit Observations as per Audit Report		Audit Observations Settled		Audit Observations Outstanding	
Year	Numbers	Value	Numbers	Value	Numbers	Value
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
Total						

40. **Internal audits:** Internal audit will be undertaken by the internal audit department of MOALF&C who will include ABDP in their rolling internal audit plans. Under the area of internal audit, IFAD missions will be looking for the following:

- Existence of Internal Audit arrangements.
- Adequacy of internal audit arrangements (organization - staff capacity).
- Adequacy of internal audit scope of work and quality of reports.
- Assessment of matters raised in audit reports.

The Audited financial statements need to be sent to IFAD no later than 6 months after the end of the fiscal year. The detailed instruction regarding project audit are outlined in the IFAD guidelines for project audits available at <http://www.ifad.org/pub/basic/index.htm>

Chart 5. Programme Audit process



3.9.8 Specific financial controls areas

41. Systems would mean nothing if it were not the controls they embrace. ABDP should put place the following common features of good internal control systems.

42. Under internal controls, IFAD missions will be keenly interested in the following aspects:

- (i) Segregation of duties- are the following functional responsibilities performed by different units or persons:
 - a. authorization of a transaction
 - b. execution of a transaction
 - c. recording of the transaction; and
 - d. Custody of assets involved in the transaction.
- (ii) Clarity and adequacy of decision processes and sequence of events for control functions in project implementation reflected in the Financial Manual (or equivalent there-of).
- (iii) Adherence to Project Management manuals.
- (iv) Effectiveness and efficiency of internal controls over inflows of funding sources other than IFAD.
- (v) Adequacy of contract management (use of contracts register and monitoring form) and filing there-of.
- (vi) Effectiveness and efficiency of internal controls over expenditures (full cycle from commitment, payment, receipt of goods and services, approval of payments, classification, etc.)
- (vii) Documentary evidence to confirm delivery and acceptance of contracted goods, works or services.
- (viii) Physical controls over cash, documents and records. Adequacy of filing systems. Missions will review the petty cash subject to monthly reconciliation as well as surprise checks; custody of cash box and control of keys.
- (ix) Adequacy of physical management of cash.
- (x) Timely payment to suppliers and consultants.
- (xi) Eligibility of expenditures with respect to Financing Agreements.
- (xii) Legality/eligibility of advances from project funds and timely justification for use thereof.
- (xiii) Compliance with financial management covenants in the Financing Agreements and Letter to the Borrower (LTB).
- (xiv) Adequacy of up-to-date record keeping for fixed assets and inventories.
- (xv) Adequacy of controls concerning project assets including:
 - a. Vehicle and other assets management (assets should be property tagged and a physical inventory count done on a regular basis)
 - b. Fuel management (Drivers should maintain a vehicle log book)

- c. Travel authorizations (including Daily Subsistence Allowance (DSA) paid to staff)
 - d. Adequacy of vehicles and assets insurance.
- (xvi) Workshops:
 - a. Availability of list of participants
 - b. DSA paid to participants
 - c. Receipts for workshop expenditure
- (xvii) Adequacy of controls and authorization process for use of funds (payments, transfers, Cash/Bank balance management) / and other operational accounts.
- (xviii) Banking arrangement and controls (reconciliation of bank statements with financial accounts).
- (xix) Existence of a proper IT support unit in place

3.9.9 Transparency, governance, financial risk.

The ABDP Governance and Anti-Corruption Framework to mitigate the risk of corruption and promote effective utilisation of resources include the following:

- Other provisions of this financial management manual articulating the type of internal controls and administrative systems to be established towards transparency and accountability;
- The accounting system that will substantially reduce the scope for human error;
- The risk-based implementation reviews of programme financial management and staff;
- The back-up procedures kept on the PCU's computer server to avoid the loss or damage of financial data.
- ABDP will also include a systems audit in the TORs of the auditors and in the supervision plan.
- Internal audit arrangement through the use of the lead agency internal auditors.

3.9.10 Fiduciary responsibility:

The key players in the ABDP financial management have fiduciary responsibility to ensure that ABDP funds are used exclusively for intended purposes. Poor financial management in the implementation of ABDP could result in failure to achieve its intended impacts. IFAD will undertake supervision missions that will include a review of all fiduciary aspects, review of audit reports, and may commission own audits/ reviews. The GOK as well has systems and structures to ensure that public funds are used for intended purposes.

3.9.11 Anticorruption Policy

The systems governing the expenditure from the Programme funds will be subject to National and IFAD anti-corruption practices. IFAD applies a zero-tolerance policy towards fraudulent, corrupt, collusive or coercive actions in projects financed through its loans and grants. 'Zero tolerance' means that IFAD will pursue all allegations falling under the

scope of this policy and that appropriate sanctions will be applied where the allegations are substantiated. All

Programme staff, Programme parties and all stakeholders must be made aware of IFAD's as well as the National anticorruption policies and whistle blowing procedures.

Oversight through any of the following means:

- By telephone: +39 0654592888
- By confidential fax: +39 0654597888
- By confidential email: anticorruption@ifad.org or by using the online [complaint form](#)
- In person or by mail to: IFAD - Office of Audit and Oversight (AUO): Investigation Section - Via Paolo Di Dono, 44 - 00142 Rome, Italy

4 Procurement: Regulations Governing Procurement

The aim of these guidelines is to ensure economy, efficiency, transparency, and accountability as well as participation of a wide range of potential providers of works, goods and services. All procurement for works, goods and services for ABDP activities, which will utilize IFAD funding, shall comply with the operational policies and guidelines of the Government of Kenya, IFAD, and other development partners where applicable.

These include

- 1) The Constitution of Kenya 2010,
- 2) The Kenya Public Procurement and Asset Disposal Act 2015
- 3) The Public Procurement and Asset Disposal Regulations
- 4) Public Finance Management Act 2012 to the extent such are consistent with the IFAD Procurement Guidelines 2010, IFAD Procurement Handbook, Financing Agreement and the letter to the Borrower (LTB).

National systems will be applied to all procurements except the one above the threshold for international competitive bidding (ICB) that will be undertaken according to the World Bank Guidelines. It is important to note however that in cases where there are conflicts between the two sets of guidelines, the donor procurement guidelines will prevail.

ABDP will be implemented under a two-tiered institutional arrangement, namely at the National and County levels. At the National level, MOALF&C will be the main implementing agency. County Governments will be the executing agencies at subnational level. At the National level, the PCU anchored administratively in the SDF of MOALF&C, will be responsible for carrying out all procurement transactions that use Open Tender and International Competitive Bidding (ICB) methods in addition to other procurements at the National Level.

At the County level, the County Implementation Team to be established within the respective Counties' agricultural Departments will spearhead execution of small procurement activities that apply request for quotations method in addition to other procurement Methods.

Procurement Principles

The procurement procedures and processes to be undertaken under ABDP will be guided by seven basic principles:

Ethics: The exercise of impartiality, independence and integrity while complying with both the letter and the spirit of the financing agreements (loan and grants); the laws and regulations of the GOK; and accepted professional ethics, etc.;

Accountability: Ensuring that the funds are used solely for the purpose for which they were provided; and ensuring that procurement is undertaken in accordance with these Guidelines;

Competition: Promotion of full, fair and legitimate competition among eligible suppliers and contractors, e.g., through competitive bidding processes;

Fairness: Programme-funded procurement that is open to as many eligible bidders as is practicable in order to meet the requirements of competition;

Transparency: Disclosing, in the public domain, information for parties involved, interested in or affected by the procurement processes, including but not limited to information on: the availability of potential and existing procurement opportunities; the processes by which the procurement is being undertaken; the mechanisms by which contracts will be awarded, etc.;

Efficiency, effectiveness and economy: Procurement activity that is well organized; carried out correctly with regard to quantity, quality and timeliness; and achieved at the optimum price, in accordance with the appropriate guidelines, principles and regulations; and

Value for money: Obtaining value for money for all programme procurement activities, e.g., ensuring that the goods, works and services procured meet the requirements for the task; and that these are contracted on the best possible terms, taking into account quality, price and their expected life cycle.

The procurement methods to be used under the programme, the evaluation procedures and the resultant contracts shall embody these principles. The procurement methods for goods, services and civil works are elaborated in subsequent chapters.

4.1 Procurement at the PCU level

The procurement process at the PCU will be coordinated by the Procurement Officer who will be responsible for providing guidance to Programme Coordinator on preparation of procurement requirements to facilitate planning and proper scheduling.

The Procurement Officer would be responsible for the entire procurement process, including but not limited to the following functions:-

- i. preparing procurement plans;
- ii. preparing statements of requirements, specifications, terms of reference and/or bills of quantities;
- iii. agreeing with IFAD on the procurement method or method of selection for each procurement activity;

- iv. undertaking pre-qualifications, advertising, management of expressions of interest and shortlisting;
- v. preparing bid solicitation documents and draft contracts;
- vi. issuing bidding documents, responding to clarification requests and overall management of the bidding process;
- vii. bid receipt, bid opening and bid evaluation;
- viii. Evaluation reporting;
- ix. Bid cancellation;
- x. Contract award and negotiation;
- xi. drafting contract documents and contract placement;

4.2 Procurement planning

At the outset of the project, the Programme in conjunction with IFAD, shall establish a procurement plan covering the first 18 months of the project, followed by 12-month successive plans synchronized with the annual work plans and budget during implementation. IFAD's review of and No objection to procurement plan is compulsory.

For each contract to be financed by IFAD proceeds, the types of procurement methods, estimated cost, prior review requirements and time-frame would be agreed between the Programme and IFAD respectively in the Procurement Plan.

Procurement plan should be divided into goods, works and services and as a minimum, the procurement plan must contain the following information:

- i. A brief description of each procurement activity to be undertaken during the period or the plan;
- ii. The estimated value of each activity;
- iii. The method of procurement to be adopted for each activity
- iv. The method of review IFAD will undertake for each activity;

In addition to the minimum information above, it is considered good practice for the procurement plan to capture additional information such as:

- Planned timing of the procurement activities (or at least the commencement and completion dates);
- Procurement by Programme component;
- Dates for IFAD prior review;
- The responsible entities, in case different entities are carrying out project procurement (such as the project coordination unit, County A, the State Department of Fisheries/Ministry of Agriculture, Livestock, Fisheries & Cooperatives).

The procurement plan shall be prepared in excel sheets and each procurement category (goods/works/consulting services/non-consulting services) in separate excel sheets as follows:-

For goods and Works

Project title:

Financiers:

Period:

Type of procurement: goods/works/services

Code as per AWPB

Component/unit

Procurement tender number

Item description

Plan vs Actual with three rows:

- planned
- revised
- actual

Quantity: Lumpsum or exact /BQS

Unit cost in USD/Kshs

Total amount in USD/Kshs

Procurement method

Prior or post review

Preparation of tendering process

- bid document preparation and submission to IFAD
- IFAD No objection

Bidding process

- Publication/invitation/advertisement
- Closing/opening

Evaluation process

- Technical and financial evaluation and submission of report to IFAD
- FAD No Objection to award

Contract

- Award and notification of award
- Signing of the contract
- Contract period
- Contract completion date

Responsible entity

Comments

For services

Project title:

Financiers:

Period:

Type of procurement: goods/works/services

Code AWPB

Component/unit

Procurement tender number

Item description

Plan vs Actual with three rows:

- planned
- revised
- actual

Quantity: Lumpsum or time based

Unit cost in USD/Kshs

Total amount in USD/Kshs

Selection method

Prior or post review

Preparation of tendering process (terms of reference)

- Preparation date
- FAD No objection

Bidding process/Request for Expression of Interest

- Dated of invitation
- Closing/opening

Shortlist

- Date proposed for submission of shortlist to IFAD
- Date of IFAD No Objection

Request for Proposal

- Date prepared and submitted to IFAD
- Date of IFAD No Objection
- Invitation date
- Date of opening

Evaluation process:

- Technical evaluation
- IFAD No Objection to technical evaluation report
- Date of opening financial proposals
- Date of submission of combined evaluation report
- Date of IFAD No Objection to the report and award

Contract

- Award and notification of award
- Signing of the contract
- Contract period
- Contract completion date

Responsible entity

Comments

The Programme shall submit annual procurement plan to the State Department of Fisheries at least 30 days before the close of each financial year in compliance with the Public Procurement and Asset Disposal Act 2015. IFAD on the other hand shall require submission of the AWPB and procurement plan 60 days before the start of next financial year which must be synchronized with the annual workplans and budget during implementation.

Failure to prepare procurement plan shall be subject to internal disciplinary action as per the Act and only items in the procurement plan shall be procured. Procurement Officer who knowingly recommends excessive procurement of items beyond a reasonable consumption of the commits an offence under the Public Procurement and Asset Disposal Act 2015.

All procurement planning shall reserve a minimum of thirty per cent of the budgetary allocations for enterprises owned by women, youth, persons with disabilities and other disadvantaged groups and include the percentages in the Procurement plan where applicable and approved by IFAD.

4.3 Procurement methods

The procurement methods that may be used during the implementation of ABDP for the procurement of **works, goods and non-consulting services** are as follows:

- a) International Competitive Bidding (ICB);
- b) National Competitive Bidding (NCB); and
- c) Shopping/Request for Quotation.

For Consulting Services, the Quality and Cost Based Selection will be the standard selection method applied unless otherwise approved

National systems will be applied to all procurements except the category above the threshold for International Competitive Bidding (ICB) that will be undertaken according to the World Bank Guidelines.

The applicable procurement thresholds are as follows:

Works

- i. International Competitive Bidding: applies to contracts valued over USD 1.5 million **(Kshs 150,000,000)** equivalent;
- ii. National Competitive Bidding: applies to contracts valued over USD 50,000 **(Kshs 5,000,000)** equivalent up to and including USD 1.5 million **(Kshs 150,000,000)** equivalent; and
- iii. National Shopping: applies to contracts valued up to and including USD 50,000 **(Kshs 5,000,000)** equivalent.

Goods

- i. International Competitive Bidding: applies to contracts valued over USD 200,000(Kshs20,000,000) equivalent;
- ii. National Competitive Bidding: for contracts valued over USD 25,000(Kshs 2,500,000) equivalent up to and including USD 200,000(Kshs20,000,000) equivalent; and
- iii. National Shopping: applies to contracts valued up to and including USD 25,000(Kshs 2,500,000) equivalent.

Non-consulting Services

- a) Request for Quotations:
 - i. Internationally: for contracts valued over USD 250,000(**Kshs 25,000,000**) equivalent, and
 - ii. Nationally: for contracts valued over USD 10,000 equivalent up to and including USD 250,000 (**Kshs 25,000,000**) equivalent.
 - iii. National Shopping applies to contracts valued up to and including USD 10,000(**Kshs 1,000,000**) equivalent.

Consulting Services

The Quality and Cost Based Selection will be the standard method applied unless otherwise approved. The following processes will apply:

- i. Request for Proposal (Internationally)- for contracts with a value over USD 100,000(**Kshs 10,000,000**) equivalent; and
- ii. Request for Proposal (Nationally) - for contracts with a value up to and including USD 100,000(**Kshs 10,000,000**) equivalent.

As provided by IFAD Procurement Guidelines and Public Procurement and Asset Disposal Act 2015, other procurement methods that may be **used** with IFAD approval are as follows:

a) Works, goods and non-consulting services

- i. International Shopping;
- ii. Direct Contracting;
- iii. Work by Force Account;
- iv. Procurement from United Nations Agencies;
- v. Procurement with Community Participation
- vi. Two-stage tendering;
- vii. Design competition;
- viii. Restricted tendering

- ix. Limited international bidding;
- x. Electronic reverse auction
- xi. Low value procurement;
- xii. Competitive negotiations
- xiii. Framework agreements; and
- xiv. Any other procurement method and procedure as prescribed in Public Procurement and Asset Disposal regulations and described in the tender documents

b) Consulting services

- i. Quality and cost based selection-the default selection method
- ii. Quality Based Selection;
- iii. Selection under a Fixed Budget;
- iv. Selection Based on Consultants' Qualifications;
- v. Least Cost Selection;
- vi. Single-Source Selection; and
- vii. Selection of Individual Consultants.

IFAD Review of Procurement Decisions

The Programme Coordination Unit (PCU) will require IFAD's prior and post review of procurement decisions. The Procurement Plan indicates which procurements require prior or post review. In general, prior review is required for the below.

- i. Procurement Plan for each physical year and any revision thereof (upgrades).
- ii. Draft bidding/Request for Proposal (RFP) documents before being issued to bidders.
- iii. Before issuing addenda to clarify/amend bidding documents.
- iv. Bid Evaluation Report and recommendation for contract award; (both technical and combined technical/financial evaluation in case of consulting assignment).
- v. Extension of bid validity;
- vi. Minutes of negotiations and draft contract before it is signed between the Implementing agency and successful bidders, for consulting assignments; and
- vii. Any award of contract through direct contracting and Single Source Selection.

The procurement methods applicable under the ABDP, the threshold values and prior review requirements are presented in the Letter to the Borrower. The procurement plan will specify the contracts which are subject to prior, and to post reviews. ABDP supervision missions will conduct a post review of a sample of contracts subject to prior. All other contracts would be subject to post-review and may be subject to procurement audit by the Fund. The Procurement Officer shall maintain accurate records of all procurement activities and documents related to the Programme. The procurement files would be maintained for review by IFAD supervision missions and independent audits. The Programme staff would also consolidate procurement activities into quarterly and

annual progress reports.

Prior review thresholds

The following will be subject to prior review by IFAD:-

- i. First five contracts for goods and equipment undertaken by the Project Coordination Unit (PCU), and thereafter, award of any contract for goods and equipment to cost USD 100,000 or equivalent or more;
- ii. First three contracts for goods and equipment undertaken by each respective County, and thereafter, award of any contract for goods and equipment to cost USD 100,000 or equivalent or more;
- iii. First five contracts for works undertaken by the PCU, and thereafter, award of any contract for works estimated to cost USD 100,000 or equivalent or more;
- iv. First three contracts for works undertaken by each respective County, and thereafter, award of any contract for works estimated to cost USD 100,000 or equivalent or more;
- v. First five contracts for consultancy services undertaken by the PCU, and thereafter, award of any contract for consulting services estimated to cost USD 50,000 or equivalent or more;
- vi. First five contracts for non-consultancy services undertaken by the PCU, and thereafter, award to a firm of any contract for non-consulting services estimated to cost USD 20,000 or equivalent or more;
- vii. First three contracts for non-consultancy services undertaken by each respective County, and thereafter, award to a firm of any contract for non-consulting services estimated to cost USD 20,000 or equivalent or more;
- viii. First five contracts for individuals undertaken by the PCU, and thereafter, award to an individual of any contract for consulting services estimated to cost USD 10,000 or equivalent or more;
- ix. The currency Conversion rate shall be USD 1≈Kshs 100

Award of any contract through direct contracting, single source selection, including selection of United Nations' agencies, irrespective of the amount. Furthermore, for consultancy services, all Terms of Reference, Short-listing (if applicable) and draft contracts would be subject to IFAD prior review.

4.3.1 International Competitive Bidding

International Competitive Bidding (ICB) which provides equal opportunity to donor member countries will involve advertising tenders internationally and will be used to procure large expenditure items including vehicles and office equipment under PCU.

The procedure for ICB is lengthy to ensure quality of bids and approvals at various stages from IFAD, about several steps shall be observed in all cases to safe guard against misuse of the funds. These are:

1. **Preparation of bid documents:**

- a) Prepare full documentation that is detailed enough for prospective bidders to make realistic and accurate bids. There will be no use of trade names for vehicles and equipment, (e.g., Toyota Land Cruiser); rather request bids for 4x4 LWB, station wagon with 7 to 10 seats, engine size in the range of e.g. 2.0 to 3.0 litres etc. plus other requirements such as radio, air-condition etc.
- b) All bidding documents for the procurement of goods, works and services would be prepared by the procurement officer with the support of the technical expert(s), who would supply specifications, terms of reference, Bills of Quantities as required.
- c) All bidding documents and contracts for the procurement of services financed by IFAD loan and grant would include a provision requiring bidders, suppliers, contractors, sub- contractors and consultants to permit IFAD to inspect their accounts, records or other documents relating to the bid submission and contract performance and to have them audited by IFAD-appointed auditors and investigators, as appropriate
- d) Goods and equipment should be grouped into sizeable packages to cater for economies of scale, efficient and timely procurement. All bids will be for delivery in Kenya.
- e) Submit prepared bid documents to IFAD to obtain the no objection.
- f) Once the no objection is obtained, PCU may proceed to advertise in one or more English-language newspapers or other publications that, together, have sufficient circulation outside Kenya to allow effective competition for the procurement such as dg magazine, UNBD Magazine.
- g) The programme shall also advertise in the dedicated government portals or its own website and at least two local dailies of nationwide circulation following the format prescribed by IFAD.
- h) Bidders normally pay for the documentation requested and the fee imposed should reflect the cost of preparing the documentation. The fee should be reasonable not exceeding Kshs 1000 so as to discourage casual interest but realistic enough to attract high calibre bidders.
- i) All bidders will be given enough time to prepare and present their bids. For vehicles and equipment and related items, the bidding period shall be 45 days while for complex bids such as civil works where site inspections are necessary, 60 days will be given.
- j) The Programme should ensure that the tender box where tenders must be submitted is open and accessible and that the tender box has two locks, with each key to the lock kept by a different officer and that the tender box remains locked until the time for tender opening.
- k) Each tender that is delivered shall be placed unopened in the tender box by the person delivering the tender or by the staff of the programme immediately upon receipt of the tender if it is delivered by post. If a tender is too large to be

placed in the tender box, it shall be received in the manner determined by the programme if no other manner is set out in the tender document.

2. Bid opening.

Once the deadline for receiving bids has passed bids will be opened. All bidders shall be at liberty to attend the opening ceremony in person or through their appointed representatives. The bid prices shall be read out lot by lot as stipulated in the bidding documents. Tenders submitted later than the specified period shall be rejected and returned unopened.

A tender opening committee shall be appointed by the Principal Secretary consisting of at least three members. The procurement officer or his/her authorized designate shall be the Secretary

The terms of the committee shall be as follows:

- i. Immediately after the deadline for submitting tenders, the tender opening committee shall open all tenders received before that deadline.
- ii. Check that the bids are marked for the correct bid opening.
- iii. Check for any withdrawals and confirm that such withdrawal is authentic. Any bid withdrawn in writing shall not be eligible for evaluation or consideration in the tender process.
- iv. Check that bid packaging shows no sign of tampering. If there is damage, then this must be stated and included in the minutes
- v. Those submitting tenders or their representatives may attend the opening of proposals/tenders. All bidders' representatives present must sign a register, detailing their name and the name and address of the company they represent.
- vi. The tender opening committee shall assign an identification number to each tender and write it on each copy of the bid document.
- vii. As each tender is opened, the following shall be read out loud and recorded in a document to be called the tender opening register
- viii. The name and address of the person submitting the tender;
- ix. The currency of the bid and total price, where applicable including any modifications or discounts received before the deadline for submitting tenders.
- x. The total price of the tender may not be read out where a tender consists of numerous items that are quoted separately
- xi. The total price of the tender shall not be read out where a tender is preceded by a technical evaluation and such tender has not met the technical evaluation criteria. Where a tenderer has failed the technical evaluation, the entity shall return the financial proposal unopened.
- xii. If applicable, what has been given as tender security or whether samples has been submitted where applicable;
- xiii. The number of pages paginated/serialized by each bidder for each bid submitted
- xiv. The number of copies submitted with the original tender

- xv. No tenderer shall be disqualified by the procuring entity during opening of tenders.

The Committee shall provide a copy of the tender opening register to a person submitting a tender;

1. Each member of the tender opening committee shall —
 - a) Sign each original and copies of tender on one or more pages as determined by the tender opening committee; and
 - b) Initial, in each tender, against the quotation of the price and any modifications or discounts, where applicable.
2. The tender opening committee shall prepare tender opening minutes which shall set out the following:-
 - a) A record of the procedure followed in opening the tenders; and
 - b) The particulars of those persons submitting tenders, or their Representatives, who attended the opening of the tenders.
3. To acknowledge that the minutes are true reflection of the proceedings held, each member of the tender opening committee shall
 - a) Initial each page of the minutes;
 - b) Append his or her signature as well as initial to the final page of the minutes indicating their full name and designation.
4. A person who causes the physical loss of tender documents commits an offence.
5. The chairperson should close the tender opening meeting, reminding bidders that they must not seek to influence the evaluation process and that the successful tender will be communicated in due course.
6. Where tender openings for more than one procurement process are conducted at the same time, they must be conducted consecutively, with one opening completed, recorded and tender removed before the next opening commences.
7. Immediately after the deadline for submitting tenders, the tender opening committee shall open all tenders received before that deadline.
8. Check that the bids are marked for the correct bid opening.
9. Check for any withdrawals and confirm that such withdrawal is authentic. Any bid withdrawn in writing shall not be eligible for evaluation or consideration in the tender process.
10. Check that bid packaging shows no sign of tampering. If there is damage, then this must be stated and included in the minutes
11. Those submitting tenders or their representatives may attend the opening of proposals/tenders. All bidders' representatives present must sign a register, detailing their name and the name and address of the company they represent.
12. The tender opening committee shall assign an identification number to each tender and write it on each copy of the bid document.
13. As each tender is opened, the following shall be read out loud and recorded in a document to be called the tender opening register—
 - a) The name and address of the person submitting the tender;

- b) The currency of the bid and total price, where applicable including any modifications or discounts received before the deadline for submitting tenders.
 - c) The total price of the tender may not be read out where a tender consists of numerous items that are quoted separately
 - d) The total price of the tender shall not be read out where a tender is preceded by a technical evaluation and such tender has not met the technical evaluation criteria. Where a tenderer has failed the technical evaluation, the entity shall return the financial proposal unopened.
 - e) If applicable, what has been given as tender security or whether samples has been submitted where applicable;
- a) The number of pages paginated/serialized by each bidder for each bid submitted
 - b) The number of copies submitted with the original tender
14. No tenderer shall be disqualified by the procuring entity during opening of tenders.
15. The Committee shall provide a copy of the tender opening register to a person submitting a tender
16. Each member of the tender opening committee shall —
- a. Sign each original and copies of tender on one or more pages as determined by the tender opening committee; and
 - b. Initial, in each tender, against the quotation of the price and any modifications or discounts, where applicable.
17. The tender opening committee shall prepare tender opening minutes which shall set out the following:-
- a) A record of the procedure followed in opening the tenders; and
 - b) The particulars of those persons submitting tenders, or their Representatives, who attended the opening of the tenders.
18. To acknowledge that the minutes are true reflection of the proceedings held, each member of the tender opening committee shall—
- (a) Initial each page of the minutes;
 - (b) Append his or her signature as well as initial to the final page of the minutes indicating their full name and designation.
19. A person who causes the physical loss of tender documents commits an offence.
20. The chairperson should close the tender opening meeting, reminding bidders that they must not seek to influence the evaluation process and that the successful tender will be communicated in due course.
21. Where tender openings for more than one procurement process are conducted at the same time, they must be conducted consecutively, with one opening completed, recorded and tender removed before the next opening commences.
22. Bid Evaluation.
- This is the process by which the best evaluated tender is selected for award of contract from among all the tenders received. Bid evaluation shall be done by the Evaluation

Committee appointed by the Principal Secretary within 7(seven) to 30 (thirty) days after the opening of the tenders.

Evaluation committee should include members with a relevant type of skills, knowledge and experience relevant to the procurement requirement as far as possible, which may include:

- 1) Technical skills;
- 2) End-user representatives;
- 3) Procurement and contracting skills;
- 4) Financial management or analysis skills;
- 5) Legal expertise.

The procurement officer shall be the secretary.

The terms of reference for the evaluation committee shall be as follows:-

- i. Examine all tenders received if they conform to all the eligibility and other mandatory requirements in the tender documents
- ii. Evaluate and compare all the responsive tenders other than tenders rejected as non-responsive.
- iii. Assess the technical and financial aspects of the tenders as per criteria in the documents as well as undertake the negotiation of the process
- iv. Carry out the evaluation with due diligence.
- v. No member of the committee shall communicate with the tenderer who has submitted a tender that is under consideration of the evaluation;
- vi. The evaluation committee shall prepare an evaluation report containing a summary of the evaluation and comparison of tenders and shall submit the report to the person responsible for procurement for his or her review and recommendation and submission to the accounting officer for approval.
- vii. The report prepared under paragraph (6) shall include
 - A summary of all tenders received and opened
 - The results of the preliminary evaluation, with reasons why any tender was rejected;
 - details of any minor deviations accepted and the way in which such deviations were quantified and taken into account in the evaluation and comparison of the tenders;
 - The scores awarded by each evaluator for each tender as applicable for services;

Avoid using point/Score/merit system for evaluation of works and goods procurement.

- a. A summary of the relative strengths and weaknesses of each tender as applicable;
- b. The total score for each tender as applicable for services;
- c. The evaluated price of each tender, showing any discounts, corrections or adjustments to the tender price and any conversion to a common currency
- d. the ranking of the tenders each according to its total evaluated price

- e. the results of any confirmation of qualification conducted and
- f. A recommendation to award the tender to the lowest evaluated tenderer or to the person who submitted the proposal with the highest total score and such other recommendation as may be necessary
 - i. The evaluation report shall be signed by each member of the evaluation committee
 - ii. The committee in writing may request a clarification of a tender from a tenderer to assist in evaluation and comparison of tenders. The clarification shall not change the terms of the tender;
 - iii. The evaluation shall be carried out within a maximum of thirty days after opening.
 - iv. The evaluation committee may, after tender evaluation, but prior to the award of the tender, conducts due diligence and present the report in writing to confirm and verify the qualifications of the tenderer who submitted the lowest evaluated responsive tender to be awarded the contract in accordance with this Act. The conduct of due diligence may include obtaining confidential references from persons with whom the tenderer has had prior engagement
 - v. To acknowledge that the due diligence report is a true reflection of the proceedings held, each member who was part of the due diligence by the evaluation committee shall—
 - a) Initial each page of the report; and
 - b) Append his or her signature as well as their full name and designation.

Bid validities are important and to delay at this stage may involve requesting bidders to extend validities or lead to price increases. The evaluation committee should carry out the evaluation and quality of goods should be evaluated against costs. The lowest bidders should not necessarily be selected but the best value for money bid considering programme needs. Special considerations such as standardizing on model of vehicle should be considered at this stage. The evaluation team may use the criteria provided for in the tender documents and no other criteria should be introduced.

Evaluation consists of the following stages:

- a) **A preliminary evaluation** is undertaken soon after opening tenders to ascertain that the tender is responsive and conforms to all eligibility and other mandatory requirements in the tender documents and that the tender has been submitted in the correct format, has been signed by the authorized person, and that the correct number of copies, tender security (if required), validity and any required samples have been provided. Any tender that does not meet the requirements is rejected.
- b) **Technical evaluation** is then conducted on tenders that pass the preliminary evaluation for technical conformity. The technical evaluation precedes the financial

evaluation. If the tender does not meet the technical requirements, it is not responsive and does not proceed to financial evaluation.

c) **Financial evaluation** which considers prices read out at tender opening, corrections for arithmetic errors, currency, discounts e.t.c is undertaken. Tenders are then ranked according to their evaluated price and the successful tender is the lowest evaluated price.

Citizen contractors, or those entities in which Kenyan citizens own at least fifty- one per cent shares, shall be entitled to twenty percent of their total score in the evaluation, provided the entities or contractors have attained the minimum technical score in the case of services.

23. Award of Tender

The evaluation team will make a report and a recommendation for award to the lowest evaluated bidder to the Principal Secretary who will award the tender based on the signed procurement professional opinion of the Procurement Officer. The procurement officer shall alongside the evaluation report, review the evaluation report as secretariat comments and the Principal Secretary shall take into account the views of the procurement officer in making a decision to award a tender. The PCU will then seek for a no objection from IFAD before awarding the tender.

All tenders shall be evaluated by the evaluation committee for the purpose of making recommendation to the Principal Secretary through the procurement officer to inform the decision of the award of the contract to the successful tenderers.

The successful tender shall be the one who meets any one of the following as specified in the tender document:-

- a. the tender with the lowest evaluated price;
- b. the responsive proposal with the highest score determined by the procuring entity by combining, for each proposal, in accordance with the procedures and criteria set out in the request for proposals, the scores assigned to the technical and financial proposals where Request for Proposals method is used;
- c. the tender with the lowest evaluated total cost of ownership; or
- d. The tender with the highest technical score, where a tender is to be evaluated based on procedures regulated by an Act of Parliament which provides guidelines for arriving at applicable professional charges.

24. Contract formation and performance.

Once a no objection has been granted, a contract with the awarded bidder is entered into for performance of the contract.

The existence of a contract shall be confirmed through the signature of a contract document incorporating all agreements between the parties and such contract shall be signed by the Principal Secretary or an officer authorized in writing by the Principal

Secretary and the successful tenderer with the Programme Coordinator as a witness. Principal Secretary shall enter into a written contract with the person submitting the successful tender based on the tender documents and any clarification that emanate from the procurement proceedings.

The written contract shall be entered into within the period specified in the notification but not before fourteen days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period. No contract is formed between the person submitting the successful tender and the Principal Secretary until the written contract is signed by the parties

The Principal Secretary shall not enter into a contract with any person or firm unless an award has been made and where a contract has been signed without his/her authority, such a contract shall be invalid.

The tender documents shall be the basis of all procurement contracts and shall, constitute at a minimum—

- a) Contract Agreement Form;
- b) Tender Form;
- c) Price schedule or bills of quantities submitted by the tenderer;
- d) Schedule of Requirements;
- e) Technical Specifications;
- f) General Conditions of Contract;
- g) Special Conditions of Contract;
- h) Notification of Award.

If the person submitting the successful tender refuses to enter into a written contract in writing as required, he or she shall forfeit his or her tender security and the procurement process shall proceed with the next lowest evaluated tenderer

A successful tenderer shall submit a performance security equivalent to not more than ten per cent of the contract amount before signing of the contract if provided in the tender document. In case the contract is not fully or well executed, the performance security shall unconditionally be fully seized by the Programme as compensation without prejudice to other penalties provided for. The bank or authorized financial institution shall also be obliged to pay an additional interest of one percent (1%) for every day of payment delay after ten (10) working days from the receipt of the claim provided this requirement is disclosed in the performance security and if it is necessary to take the matter to courts, and that the court rules in favour of the procuring entity, this interest shall continue to accrue up to the time the courts' decision is executed.

The performance security may not generate interest and it shall be determined in accordance with the form provided for in the tendering document and may be paid in

form of a bank guarantee, issued by an authorized financial institution or an irrevocable letter of credit. The tender document shall provide for, if necessary, other forms of performance security that may be requested from the successful tenderer. The bank or authorized financial institution shall be obliged to give to the Programme all the amount of the performance security upon claim by the Programme.

If the contractor is foreign, the guarantee shall be issued by a local bank or authorized financial institution issued by a corresponding bank in Kenya recognized the Central Bank of Kenya.

25. Payments.

Under no circumstances, will payments for goods and services be effected before receipt of the goods or the services have been delivered and physical verification of the receipt of vouchers and the actual goods undertaken.

The inspection and acceptance shall be done by the Inspection and Acceptance Committee appointed by the Principal Secretary to ensure that the correct quantity is received and the technical standards have been met.

Notwithstanding the appointment of a Contract Manager who will manage the procurement subject on a day to day basis, it is the Inspection and Acceptance Committee who issue Interim / Progress / Completion / Final Certificates as required and who confirm that payment may be made.

The appointment letter for the Inspection and Acceptance Committee members should make clear the duties of those members and insist that they satisfy themselves personally that work has been done in accordance with the contract before authorizing payments.

The inspection and acceptance committee shall be composed of a chairman and at least two other members, including the head of the user component appointed on the recommendation of the Procurement officer.

The inspection and acceptance committee shall immediately after the delivery of the goods, works or services—

- a. inspect and where necessary ,test the goods received;
- b. inspect and review the goods ,works or services in order to ensure compliance with the terms and specifications of the contract;
- c. Accept or reject, on behalf of the Programme, the delivered goods, works or services.
- d. Ensure that the correct quantity of the goods is received;
- e. Ensure that the goods, works or services meet the technical standards defined in the contract

- f. Ensure that the goods, works or services have been delivered or completed on time ,or that any delay has been noted;
- g. Ensure that all required manuals or documentation has been received; and
- h. Issue interim or completion certificates or goods received notes, as appropriate and in accordance with the contract

For complex and specialized procurement contract, the Principal Secretary shall appoint a contract implementation team which shall include members from the procurement function, and the head of the component, the relevant technical department and a consultant where applicable

For the purpose of managing complex and specialized procurement contracts the contract implementation team shall be responsible for—

- a. Monitoring the performance of the contractor, to ensure that all delivery or performance obligations are met or appropriate action taken by the procuring entity in the event of obligations not being met;
- b. ensure that the contractor submits all required documentation as specified in the tendering documents, the contract and as required by law;
- c. Ensure that the procuring entity meets all its payment and other obligations on time and in accordance with the contract.
- d. ensure that there is right quality and within the time frame, where required;
- e. review any contract variation requests and make recommendations to the Principal Secretary for considerations and such reviews for variation shall be clearly justified by the technical department in writing backed by supporting evidence and submitted to the head of the procurement function for processing;
- f. manage handover or acceptance procedures as prescribed
- g. make recommendations for contract termination, where appropriate;
- h. ensure that the contract is complete, prior to closing the contract file including all handover procedures, transfers of title if need be and that the final retention payment has been made;
- i. ensure that all contract administration records are complete, up to date, filed and archived as required; and
- j. ensure that the contractor acts in accordance with the provisions of the contrac
- k. Ensure discharge of performance guarantee where required.

The Programme may co-opt a member of the contract implementation team from another procuring entity or outsource

Where a supplier/contractor furnished the Programme with a performance security, the Security shall be returned to the supplier/contractor within thirty (30) days following the final acceptance by the Programme. The thirty (30) days referred to shall include the

retention period except in cases of procurement for works where the period shall commence from the date of practical completion or handover, whichever is earlier.

No works, goods or services contract shall be paid for before they are executed or delivered and accepted by the Programme except where so specified in the tender documents and contract agreement. Such an advance payment shall not be paid before the contract is signed. Under exceptional circumstances advance payment may be granted and shall not exceed twenty per cent (20 %) of the price of the tender and shall be paid upon submission by the supplier/contractor to the Programme of an advance payment security equivalent to the advance itself and that security shall be given by a reputable bank or any authorized financial institution issued by a corresponding bank in Kenya recognized by the Central Bank of Kenya, in case the supplier/contractor is a foreigner.

Supplier/contractor shall use the advance paid only in activities related to the tender. If the supplier/contractor uses the entire advance or part of it in other activities that are unrelated to the tender, the advance shall immediately be considered as a debt which shall be paid by seizing the entire security or part of it.

4.3.2 National Competitive Bidding

For national competitive bidding (NCB), the same principles of ICB apply to NCB, except that publication of a Specific Procurement Notice in dg magazine, UNBD Magazine is not required. The programme shall advertise in the dedicated government portals or its own website and at least two local dailies of nationwide circulation.

The Standard Bidding Documents (SBD) developed by the Public Procurement Regulatory Authority shall be used for undertaking procurement under this Programme and consistency with IFAD Procurement Guidelines shall be ensured.

4.3.3 National Shopping

This method will be used to procure readily available, off the shelf or relatively cheap items especially common user products and will involve obtaining quotations from at least 3 different reputable suppliers. Where necessary, international shopping will be used for small value products not readily available locally in Kenya and will apply by obtaining three quotations from various countries. Contracts will be awarded on the basis of quotations obtained from 3 qualified contractors in response to a written invitation (request for quotations).

Procurement of Consulting Services

Principles

The procurement of consulting services under the IFAD will be guided by the following principles:

- i. The need for high quality services;
- ii. The need for economy and efficiency;
- iii. The aim to give qualified consultants from Kenya and all other eligible IFAD member countries an opportunity to compete in providing services;
- iv. The need to encourage the development and use of local consultants; and
- v. The importance of transparency in the selection process.

Definition of Consultants

The term “consultants” includes a wide variety of consulting firms, engineering firms, management firms, architectural firms, legal practices, university and research institutions, auditors, banks, UN agencies and other multinational agencies, as well as individuals.

Consultants may associate with each other to complement their respective areas of expertise, or for other reasons. Such an association may be for the long term (independent of any particular assignment) or for a specific assignment. If “association” takes the form of a joint venture or of a sub-consultancy, all members of the joint venture shall sign the contract and shall be jointly and severally liable for the entire assignment.

Quality- and Cost-based Selection (QCBS)

The QCBS method involves competition among consulting firms in such a manner that the quality of the proposal as well as the estimated cost of services are taken into account, and the firm with the highest combined quality and cost score is awarded the contract.

The selection process involves the following steps:

- Preparation of Terms of Reference (TOR);
- Preparation of cost estimate and the budget;
- Advertising for Expression of Interest (EOI) or Statement of Capability;
- Preparation of the short list of consultants based on evaluation of EOI;
- Preparation and issuance of the Request for Proposals (RFP) to the short-listed consultants; RFP consists of: (i) Letter of Invitation, (ii) Information to Consultants, (iii) the TOR, and (iv) proposed contract.
- Receipt of proposals;
- Evaluation of technical proposal (i.e., evaluation of quality);
- Evaluation of financial proposal (i.e., evaluation of cost of services);
- Combined quality and cost evaluation;
- Negotiations and award of the contract to the firm with the highest combined quality and cost score.

Important considerations for implementing each step are discussed briefly below:

(i) Selection Process

The Terms of Reference (TOR) shall define the objectives of the assignment, scope of assignment outlining services necessary to carry out the assignment, clearly state the expected outputs, and shall include background information which would facilitate the preparation of the proposals. In general, the TOR should clearly state WHAT the client wants done, while it is the responsibility of the consultants to show HOW that will be done.

Cost Estimate: A realistic cost estimate shall be made to provide the client with reasonable estimate of resources needed to carry out the assignment. Cost estimates shall include cost of personnel (foreign and local personnel) broken down into fees and social costs, logistical support, physical inputs (vehicles, equipment), and expenses such as airfares, communication, office supplies and production of required reports.

Advertising: To obtain expressions of interest (EOI) or statement of capability, the assignment shall be advertised in Member countries and as required internationally and in local newspapers of national circulation. Sufficient time (at least 14 days) should be allowed for the preparation and submission of EOI. To enable submission of comparable EOIs from prospective consultants, the advertisement should specify minimum information to be submitted. This should include:

- Company profile, including name of the country in which the firm is registered;
- Experience of projects related to the assignment, including brief descriptions of most recent relevant assignments (location, client, cost, staff involved);
- Key personnel available for the assignment, including their CVs; and

Short List of Consultants: The short list is obtained from evaluation of EOIs submitted in response to the advertisement. The short list shall consist of minimum three firms. Once the short list is finalized, Requests for Proposals (RFPs) are issued and submitted to the shortlisted consultant.

Preparation and Issuance of the Request for Proposals (RFP): the RFP will consist of (i) Letter of Invitation, (ii) Information to Consultants, the TOR, and (iv) proposed form of contract. The Information to Consultants should not indicate the budget (since cost is a selection criterion), but shall indicate the expected professional time input for key staff. The standard RFP shall be used with minimum modifications.

Receipt of Proposals: Sufficient time shall be allowed for preparation and submission of proposals. Depending on the complexity of the assignment, 3–5 weeks shall be allowed. The technical and financial proposals shall be submitted at the same time but in separately marked envelopes. Opening of the proposals shall take place immediately after the closing time for submission of proposals. The technical proposal shall be opened but the financial proposals shall remain sealed and deposited in a safe place until the technical proposals have been evaluated.

Evaluation of Proposals: A two stage evaluation shall take place: firstly, the evaluation of technical quality and, secondly, the evaluation of cost of services and combination of the technical and financial scores. Evaluation shall be by a committee of relevantly qualified individuals in the areas covered by the assignment (technical, financial, social and legal). The evaluation of technical quality is based on the criteria specified in the RFP, but generally covers the following: (i) consultants' specific experience; (ii) methodology for carrying out the assignment; (iii) proposed key personnel; (iv) transfer of knowledge.

The following weights are indicative and may be adjusted for specific circumstances. The proposed weights shall be disclosed in the RFP.

Consultant's specific experience: 5 to 10 points

Methodology: 20 to 50 points

Key personnel: 30 to 60 points

Transfer of knowledge: 0 to 10 points

Total: 100 points

The RFP would normally include criteria for combining quality and cost to obtain a single combined total score. For example, Quality and Cost would be combined in proportions 80% for quality of proposal and 20% for cost of services.

Negotiations and Contract Award: Negotiations shall be carried out with the firm with the highest combined technical and financial score. Objective of negotiations is to reach a common understanding about the TOR, the methodology, proposed staffing, client's inputs, and conditions of contract. The consultants shall not be allowed to substitute key staff unless justified by long delays between submission of proposals and award of contract. The consultants should also not be expected to reduce their unit costs since price has already been taken into account in the selection. The contract shall be signed after successful negotiations.

(ii) Rejection of All Proposals

All proposals may be rejected if (i) they are non-responsive to the TOR, or (ii) the costs are substantially higher than the estimated cost. In the latter case, measures for increasing the budget should be explored. In any case, the IFAD "No Objection" is required before proceeding with the rejection of the bidding and proceeding with an alternative course of action.

Quality-Based Selection (QBS)

QBS is appropriate for the following types of consulting assignments:

- Complex or highly specialized assignments with need for demonstrable innovation by the consultants, e.g., country economic studies, urban master plan, financial sector reforms;
- assignments with high downstream impact, e.g., policy studies, management studies, engineering design of complex infrastructure;

- assignments which could be carried out in different ways, such that it is difficult to compare proposals (examples include management advice, policy studies)

For these types of assignments, short-listed consultants shall be asked to submit technical proposals and the firm with the highest technical proposal invited to submit a financial proposal and negotiate a contract.

Selection under Fixed Budget

For assignments which are simple in nature and can be easily defined, the consultants may be selected under a fixed budget. The RFP should indicate that selection will be based on Selection under Fixed Budget. The process takes the following steps.

- i. Short-listed consultants are requested to submit technical and financial proposals.
- ii. The technical proposals are evaluated without opening the financial proposals. The technical proposals are ranked on basis of technical score.
- iii. All the financial proposals are opened. The proposals above the budget are rejected.
- iv. The firm that has submitted the highest ranked technical proposal among those below the budget shall be awarded the contract.

Least-Cost Selection

This is applicable for assignment of a standard or routine nature (e.g., audit) with well-established performance standards. A minimum qualifying score for the “quality” is established. Technical and financial proposals are submitted in two separate envelopes from a short list of consultants. The firm with the lowest price among those scoring above the qualifying score shall be awarded the contract.

Consultants’ Qualification

This method is applicable for small assignments for which the need for preparing and evaluating competitive proposals is not justified. The steps in the selection process are:

- i. prepare TOR;
- ii. request expressions of interest and information on consultants experience and suitability for the assignment;
- iii. establish a short list;
- iv. select the firm with the most appropriate qualifications;
- v. invite the selected firm to submit a combined technical and financial proposal; and
- vi. negotiate a contract.

Single-Source Selection

This is selection without competition and is most applicable under the following conditions:

- Continuation of existing or previous contract awarded on competitive basis before;
- Need for rapid selection, such as in an emergency;
- Very small assignments; and

- When only one firm is qualified to handle the assignment.

The selected firm is asked to submit a technical and financial proposal, and these become the basis of negotiations and contract award.

4.3.4 Ex post review:

The Programme would retain all documentation **up to five years** after the closing date of the financing for examination by IFAD or by independent auditors. This documentation includes, but not be limited to the following:-

- i. The signed original contract,
- ii. The evaluation of the respective proposals and recommendation of award.

4.3.5 Misprocurement

IFAD does not finance expenditures for goods, works or consulting services that have not been procured in accordance with the procedures specified in the financing agreement. In such cases, IFAD may, in addition, exercise other remedies under the financing agreement, including cancellation of the amount in question from the financing. Even if the contract was awarded after obtaining a No objection from IFAD, IFAD may still declare misprocurement if it concludes that the No objection was issued on the basis of incomplete, inaccurate or misleading information furnished by the Programme or the terms and conditions of the contract had been modified without IFAD's approval.

4.4 Register of Contracts

Procurement carried out would be recorded and registered against the Procurement Plan. In addition, all contracts, with or without prior IFAD approval, would be listed in the Register of Contracts maintained by the Procurement Officer with the dates of approval as provided by IFAD.

When a contract is amended, the amendment would be recorded in the Register of Contracts. If a contract is cancelled or declared ineligible for financing by IFAD, this information would be written in the Register of Contracts. As this register facilitates the review and approval of payment requests on contracts, it is to be updated and submitted to the IFAD country Programme director on a quarterly basis. Where found necessary, all contracts must be listed in the Register of Contracts, which should be updated and submitted to the IFAD Country Director on a monthly basis.

The sample form to be used and instructions are detailed in Annex 6 of IFAD's Loan Disbursement Handbook. It would also be necessary that the PCU prepare annual statistics disaggregated by type and methods of procurement, for the overall procurement transactions carried out for the Programme

The sample form to be used is as below:

Form 10c- Register of Contracts

IFAD Financing Number: Date xx/xx/xx

Project Title

Monthly Reporting Period: ...Month/Year Page xx of xx

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Contract Serial No.	Financier	Contract No	% of financing	Type of procurement	Description of work, goods or services	Name and address of contractor	Contract coordinator	Date of contract signing	Performance, Contract duration and delivery period	Contract amount	Category No.	Reference to the approved Proc. Plan/AWP B	Prior/Post review	Remarks and IFAD No Objection Date
1.														

4.5 Record-keeping

In line with good procurement practices and to ensure efficient and smooth contract management procurement filing system needs to be developed and maintained by the Procurement Officer and include the following documents:

- i. Annual procurement plans;
- ii. Copies of bidding documents;
- iii. Approvals of the designated authority;
- iv. Evaluation reports;
- v. signed Contracts;
- vi. awarding letters;
- vii. invoices and payment documents;
- viii. Contract amendments;
- ix. Contract tracking sheets and
- x. Any other related documents.

4.6 Procurement of Fuel, Oil and Lubricants

All fuel procured shall be entered in the fuel register and correctly charged in the relevant work ticket. Vehicles shall be fuelled by raising LPO to the nearest contracted Petrol Stations where applicable.

The drivers are required to record all trips and fuel refills in a logbook and collect all the supporting documentation (different if fuel cards are used). The vehicle logbook provides control over the use of the vehicles as well as fuel consumption. For official field trips, a special cash provision is given to drivers to allow them to purchase fuel during the trip.

The Programme Finance and Administration Manager should on a monthly basis review the mileage and fuel usage as well as any undertaken service as reported in the log book of each car and compare these with the official invoices and travel authorizations etc. to make sure the numbers are accurate.

Table 10. Fuel register template

Date	Vehicle/ Motorcycle	Fuel Order No.	W/Ticket	Qty drawn received	Value	Purpose	Bal.
	LPO No.	D775863		1000 lts	68,500		
	GK 574	K110571	J350880	65.6 lts	4,500	Conducting PRA	64,000
	GK S110A	K.110572	J350885	200 lts	13,700	Attending a meeting at PCU	50,300

4.7 Maintenance, Insurance, Service and Repairs of motor vehicles and motor cycles

The safety of cars is the responsibility of the recipient staff members and drivers assigned to the vehicles. Consequently, they must ensure that the cars are parked in a secure area when not in use or outside working hours. The drivers are required to monitor the maintenance of their assigned vehicles under the supervision of the Programme assistant. The drivers must notify the Programme Assistant of maintenance needs (including periodic servicing) so that the cars can be serviced on a timely basis.

The PCU shall ensure that all Programme Assets are adequately insured in accordance with the GoK and IFAD regulations e.g. Public liability- Policy to cover any liability to the general public, Group Personal Accident - Policy to cover GoK members of staff against accidents or death while on official duty. Motor Vehicles and All Risk Insurance policies need to be taken by the PCU to insure all cars and passengers against all risks, including damage, theft, and fire, as well as injury and property damage to third parties as per IFAD requirement (Section 7.08 of General Conditions). GoK vehicles and other assets are handled as per GoK policies.

Service and repairs of the new vehicles and motorcycles for the first three years shall be carried out exclusively by the authorized dealers.

All the repairs should be entered in the relevant log book which must be opened for each vehicle.

4.8 Asset Register for Equipment/Fixed Assets

- All the equipment shall be captured in the asset register and shall be exclusively used for the project activities.

- All the equipment shall be tagged by PCU using aluminium bar codes and updated in a fixed asset software system.
- Any item with a value more than Kshs 30,000 and useful economic lifespan of two years will be classified as assets and a register for this will be kept. The procurement officer will keep this register irrespective of the location of the asset. The asset register will show the date of purchase, make, model, brand, serial number, bar code number, supplier, cost as well as current location of the asset. Re-allocation of assets amongst the different programme PCU offices will be authorized by the Programme Coordinator.
- Programme staff allocated various movable assets like laptops and cameras should ensure that the assets are kept safely and returned to the programme at the end of the programme. Any staff that will not be able to account for allocated assets will have his/her salary recovered to cover the cost of the asset.
- The Vehicles/motorcycles should be used strictly for programme activities
- The vehicles/motorcycles shall be used, maintained and packed according to the requirements of the code of regulations

4.9 Accident Procedure

All accidents to the Programme vehicles will be handled according to of the Code of Regulations. In addition, the PCU should be informed of the same using the fastest means available to the officer in charge. It is recommended that all officers directly in charge and/or assigned Programme vehicles are aware of the accident procedure in the COR.

The following is the summary of the procedure to be followed:

- The driver/rider should make an immediate report to the Police Station nearest to the scene of the accident and thereafter report the same to the officer in charge of the vehicle involved in the accident (CDLP)
- A preliminary report should be by the officer in charge on the same day as the accident to the Permanent Secretary/Head of Department (PS – SDL/DLP) giving the following details
 - a. Registration Number of the vehicle and the name of the driver/rider
 - b. Place, time and brief circumstances of the accident
 - c. Name of any other person or persons who have or whose property has suffered damage, or who have caused damage to Government property and the number of their vehicle
 - d. Estimate of damage suffered by (c) above or by GoK personnel or property or both
 - e. The date on which the accident was reported and the names of the police officer who took the report to the police station it was made

4.10 Procurement at the community level

In case there will be need to undertake procurement at the community level, this shall be undertaken in accordance with the Community Procurement Manual.

However, for the purpose of accountability of any funds that may be passed on to them to be applied to procurement they will be required to satisfy the following conditions:

- a. That the procurement was conducted through competitive bidding;
- b. That the procurement approval was given by an internally constituted Committee;
- c. Where funds are passed on to the CIGs for specific procurement the CIG will be expected to operate in accordance with their approved proposal and the work plan. This should be done in a transparent manner taking into account economy and competition; and
- d. The CIGs shall further be required to provide proof of governance mechanisms put in place.

4.11 Procurement of Materials for farmers

During the project implementation, there will be need to purchase materials for farmers, these include fish pond materials, fish feeds, fingerlings etc

Given the programme objective under component 2, will be support for small holders, and given that some of those small holders include small scale suppliers of the above materials, ABDP will be careful to not to distort the existing farmer and value chain relationships. Those inputs will therefore be purchased at the local level (County Level).

The programme will split the procurement such that irrespective of the total Procurement value for the items, the RFQ method will be adopted restricted to the respective individual county as follows:

1. For Fish Pond Construction Materials and feeds

- i. ABDP to carry out a market survey of the existing service providers,
- ii. Invite them through Request for Quotations to quote for the items
- iii. ABDP to carry out evaluation and select the most competitive offer

2. For Fingerlings

- i. ABDP to approach the State Department for Fisheries for the list of certified Hatcheries in each county.
- ii. Where there are no certified Hatcheries in the county, group the counties in clusters
- iii. Invite the Hatcheries to quote
- iv. Evaluate and select the most competitive offer

5 Participatory Planning, M&E learning and knowledge management

Monitoring seeks to keep track and provide feedback on the progress of implementation of planned activities. In order to assess performance, planned targets will be compared with actual outputs to determine whether the project is being implemented according to plan and if these are contributing towards achieving the project objectives. Monitoring will involve field visits/ observations, supervision missions, Annual Review Workshops, case studies, periodic meetings and reporting on the progress.

Evaluation process will provide feedback to project management and other stakeholders on results achieved as a result of project interventions and lessons learned, inform national and local plans and policies, create improved indicators to track progress and provide strategic directions to policy makers and programme implementers for scaling up. Evaluation will involve project studies such as Impact Evaluation, Mid Term evaluation, End term evaluations and any other thematic study commissioned by the project.

The objective of Monitoring and Evaluation (M&E) is to ensure better planning, targeting, implementation and feedback on the project interventions and give the management team information to facilitate decision- making.

The ABDP M&E/KML Framework will essentially provide for tools and methods in Planning, Monitoring & Evaluation, Reporting, dissemination and feed backing. A detailed M&E manual will be developed during the first year of implementation clearly articulating the what and how of the Framework. The PCU will also work on the KM Strategy to systematically guide in Knowledge Management and Learning.

The PCU M&E team will provide leadership on monitoring and evaluation aspects of the Programme to County teams and service providers. At the County level, the County level coordinators, with support from the County Programme implementation teams and relevant implementing partners, will be responsible for the collection of information, follow up and updating of data for their respective Counties.

5.1 Planning

The key tool to monitor progress in project implementation is the AWPB prepared at each level of project implementation. In this case, monitoring will seek to compare achievements made in project implementation against targets set in the AWPB. It is imperative that project targets and their means of verification be clearly identified.

5.1.1 Planning processes

Planning of the interventions will follow a bottom-up and gender/youth sensitive approach starting at the County level. At inception, the PCU will review and update the Logical Framework during ABDP start-up workshops with the participation of representatives from all stakeholder groups, including communities. Moreover, the PCU will prepare the Overall Work Plan & Budget as well as the first Annual Work Plan & Budget (AWPB).

The Programme will be implemented on the basis of an approved Annual Work Plan and Budget (AWPB) developed and approved by the beginning of each fiscal year. The AWPB will be prepared in conformity with the GoK planning cycle. Timely preparation and submission of AWPBs will require adherence to a schedule linked to the Government budgetary approval process, and those of the National, County and sub-County implementing agencies.

Annual Work Plan Budget is the most critical managerial tool for the implementation of the Programme and provides, in addition to the financing agreement, the legal basis for making expenditures. It is a tool to plan for progress towards development effectiveness & impact, ensuring progressive milestones are reached towards the achievement of a project's objectives & outputs and forms the basis for M&E. Importance of AWPB;

- i. Emphasises & integrates management priorities for implementation, forecasting procurement requirements & facilitating the mobilisation of staff & resources as needed
- ii. Legal requirement for the release of funds by donors (loan covenants)
- iii. Tool to control costs, review & assess performance & achievement of targets each year
- iv. The AWPB development process will take into account the following;
 - v. The training needs assessment of the beneficiaries
 - vi. The community action plans
- vii. Value chain assessment of previous interventions on aquaculture
- viii. Programme logical framework
 - ix. the utilisation and achievement of plans from previous years
 - x. supervision mission reports
 - xi. Programme Steering Committee recommendations
 - xii. Programme design reports

The AWPB will be prepared using an integrated management information system. All the Programme activities will be aligned to the PDR cost tables and each activity given a unique reference code. and defined target.

Sub-county Programme Implementation Team (SCPIT) will support the County team in identifying Sub-county level activities that will be included in the County Annual Work Plan and Budget. County Programme Implementation Team (CPIT).will be responsible for consolidating the County AWPB and submission to County Programme Coordination Committee (CPCC). The CPCC will review and endorse the County AWPB and ensure compliance with the overall Programme objectives and procedures. County AWPBs will be reviewed and consolidated by the M&E/KM team based on the Programme operational and financial targets. Subsequently, the PCU, in consultation and collaboration with all implementing partners and other stakeholders, will prepare a consolidated AWPB including activities at the National level.

The AWPB will be submitted for approval to the Steering Committee and to IFAD for No objection. AWPB must be submitted to IFAD no later than 60 days prior to the beginning

of the relevant financial Year. The PCU will ensure the approved AWPB is shared with the State Department of Fisheries on time for inclusion in the Government printed estimates. At the beginning of each financial year PCU will avail the approved AWPB to all relevant stakeholders for activity implementation.

5.1.2 Structure of the AWPB

The consolidated AWPB will be structured as follows;

- List of acronyms, tables, currency equivalents and map of Project area

1. Introduction (max 2 pages)

- Short presentation of the document and process
- AWPB executive summary and main findings (+estimate total annual budget)

2. Brief Project description (max 3 pages)

- Programme summary sheet (main project data)
- Background
- Project strategy (including sustainability)
- Goal and objectives
- Programme components
- Target groups/benefits and beneficiaries
- Programme financing

3. Previous AWPBs evaluation and implementation progress (presented by component) (max 10 pages)

- Project implementation progresses since beginning: expected results against targets (quantitative & qualitative)
- Budget plans at appraisal against disbursement since beginning
- Last year Project implementation progress: last year expected results against achievements (quantitative & qualitative)
- Last year budget plan against disbursement
- Lessons learnt (main achievements and risks/constraints for project implementation)

4. Strategic direction, activities by component, resources plan & risk analysis (Description) (max 8 pages)

- Strategic direction, objectives and operational guidelines for the year
- Expected outputs to be delivered during the year
- Projected progress towards outcomes
- Individual activities by component, inputs (e.g. financial, human, etc.) and implementation schedules with pertinent milestones

- Main implementation risks (in table format by component or thematic activities) and mitigation measures

5. Training & TA schedule (max 2 pages)

- Summary of training and technical assistance schedule and budget for the year

6. Budget & financing plan (max 10 pages)

- Budgeting planned activities (Detailed tables – including targets and M&E indicators)
- Summary budget of component by financiers (Summary table)
- Summary budget of expenditure categories by financiers (Summary table)

7. Procurement plan (max 5 pages)

- Procurement performance
- Next year's procurement plan

8. M&E and KM plan (max 5 pages)

- Description of M&E mechanisms and plan
- Plan for impact monitoring and reporting
- Knowledge management

Annexes (Programme Log frame, detailed budget of each County and PCU, M&E/KM Plan)

During the preparation of the AWPB there are key elements to check and confirm their fulfilment as follows:

- Is the strategic direction adequately reflected in the work plan (and component sub-plans)?
- Is the work plan linked to project logframe (activities, inputs, outputs)?
- Is the AWPB complete? Does it include summary progress, activities & resource schedule, budgets, procurement plan, training & TA schedule?
- Are inputs & outputs adequately quantified and is there coherence between them?
- Do implementation schedules appear realistic, with appropriate milestones/targets and considering risks?
- Are measures and activities for impact/outcome monitoring & reporting adequate?
- Is the budget generally consistent and coherent with the planned activities, inputs & outputs?

Participatory M&E in community management processes.

Women and youth groups and service providers will play an important role in the M&E of the community organisations, business enterprises and public services promoted by the Programme. Beneficiaries will be drawn into participatory M&E processes, taking into account ABDP focus on institution building, youth and women

empowerment, and the promotion of resilient farmer groups and organisations. County extension officers and dedicated staff from implementing partners will collect data on site at the farm gate, using smart data collection tools operated on their mobile phones or tablets. A possible data collection tool to be used is Open Data Kit (ODK), which is a tool that allows data collection using mobile devices and data submission to an online server, even without an Internet connection.

Moreover, focused and community-based meetings will be organized to collect thematic information. The PCU M&E team will be responsible for coordinating and consolidating results from these community based M&E activities and include them into the overall framework. Studies will be commissioned to investigate and follow up on topics selected by stakeholders. These special studies and initiatives would concentrate on problem solving, results and outcomes rather than inputs.

5.2 Monitoring and evaluation

Role of M&E in results-based Programme management. The main objectives of ABDP M&E are:

- i. to provide timely and accurate information on implementation progress and constant feedback into the MIS for decision-making and addressing potential plan deviations and problem areas;
- ii. to evaluate the performance of implementing agencies and service providers;
- iii. to assess achievements at the levels of outcomes and impact; and
- iv. to capitalize on and disseminate lessons learned. All M&E data will be disaggregated by gender, age and locality. A manageable number of key indicators drawn from the Logical Framework, institutional needs assessments, and business proposals by producers and value adders will inform the M&E design, taking into account IFAD's Results and Impact Management System (RIMS) / Operational Results Management System³ (ORMS). These indicators will be reviewed and finalised during Programme start-up with gender-sensitive indicators included as required.

For effective monitoring and evaluation, the PCU will establish a comprehensive M&E system. The system will comprise of various components namely: i) M&E Frameworks; ii) M&E database; iii) Organizational structures and M&E functions; iv) Human capacity for M&E; v) Routine monitoring vi) Supportive supervision and data auditing; vii) Surveys, Evaluations and Research; viii) Data dissemination and use.

5.2.1 M&E Frameworks

ABDP has an existing primary logical Framework as provided in the PDR main report and PCU will step down this for the purpose of inclusion of all key indicators and data requirement for purpose of meeting information needs of stakeholders and PCU. This will serve as the primary M&E Framework that will provide a reference for other frameworks as may be required by IFAD or the Project's emerging need. Such other framework is the current IFAD Results and Impact Management System (RIMS) that is transiting to

³ IFAD is transiting from RIMS and Projects are expected to report on ORMS with effect from 2019

Operational Results Management System (ORMS) in 2019. The PCU will also align the Project's database to other existing and emerging county based M&E frameworks.

5.3 M&E Database and data capturing tools

Based on the comprehensive information needs and reports required for use in decision making by various stakeholders PCU will develop IT-based databases at Sub County, County and PCU level for purpose of systematically and consistently capturing and analysing the performance data. The PCU will align the Project database to other existing county databases and the National M&E database specifically the National Integrated Monitoring and Evaluation System (NIMES). The alignment to their databases will make it possible for the Depending on the capacity.

The established database will go hand in hand with standard tools/templates developed for use in the data capturing for subsequent entry into the database. The data capturing tools/templates on the spectrum of results right from the outputs, outcomes and impact will be developed at the onset to safeguard against results data gap.

Data capture on activity implementation progress will be the immediate undertaking as soon as the activity implementation commences. Specific output data will be captured using the IT and manual based M&E tools and the data gets domiciled in the established database at different levels of Project structures and entities. Gradually as the implementation progresses the outcomes and impacts will be captured as they emerge. This gradual capture of results data will make it possible for ABDP to adequately and satisfactorily demonstrate its results beyond outputs at the earliest opportunity.

Using the standardized data capture tools/templates, each Sub-County team (SCPIT) will be responsible for M&E data capture for submission to the centralized data base at the County. The County Coordinator will ensure credibility of the county based M&E data prior to submission to the Project centralized database at the PCU. County Coordinator will also receive other M&E data from agencies that are not necessarily within the confine of a Sub-County. This decentralized data collection structure will allow Programme management to benefit from the provided information and avoid duplication of effort.

Analysis from the data entries made in the database at various levels of implementing structures will form the basis for generation of various progress and performance reports.

5.4 Progress and performance reporting.

Based on the progress and performance data captured, analysis of such data will provide M&E information for presentation in various project reports for use by various stakeholders. ABDP will provide reports as required in line with the donor requirement as stipulated in the financing agreement, reports as required by GoK, reports required by Project stakeholders to support critical reflection, IFAD/GoK supervision reports, Project Completion reports and any other adhoc reports' requirement as need arise.

Each Sub-County team (SCPIT) will be responsible for compilation of M&E reports at the Sub-county level while County level coordinator will be responsible for compilation

of county based M&E reports based on the M&E data generated by the County Programme implementation team members, SCPIT and other Service providers. The M&EO at the PCU will subsequently be responsible for the consolidation of M&E reports at Programme level.

Service providers and implementing agencies will submit regular progress reports as stipulated in contracts and MoUs. Statutory *Quarterly, semi-annual and Annual Performance Reports* will be generated by each County using a standard format preceded by a checklist of outstanding issues, if any, and actions taken. The semi-annual and Annual reports will be presented to County Steering Committees for approval and subsequent submission to PCU. The PCU may conduct random field checks and verifications on the reported progress/performance through appropriate mechanisms as will be decided.

Annual report format:

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Abbreviations & Acronyms

Currency units, weights and measures

Project Map

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- Project area & target
- Project components
- Implementation approaches
- Funding
- Key project dates
- About the Annual report

2.0 Summary of implementation progress to date

- Financial progress
- Cumulative physical progress summary by component

3.0 Detailed implementation progress by component for the year under review

4.0 Implementation challenges

Appendices:

Appendix 1: The project logical framework;

Appendix II: Procurement, contracts and Project Assets

Appendix III: Institutional structure;

Appendix IV: Project Staff

Appendix V: Detailed component progress as in the AWPB

Appendix VI: RIMS/ORMS Report for FY

Appendix VII: Status of recommendations made during the joint GoK/IFAD

Appendix VIII: Implementation status of 2017/2018 Procurement plan

5.4.1 Human capacity for M&E

Monitoring and Evaluation for ABDP will be participatory thus requiring participation of all stakeholders including the farmers. For the stakeholders to participate effectively it will be a requirement to build their capacity as appropriate based on the outcome of an M&E capacity assessment to be conducted in the targeted Counties and which will be carried out during the first year of Programme implementation. GoK M&E capacity, and in particular the M&E capacity at County-level, will be of key importance in ensuring that data will be available to track progress and to adjust implementation modalities. ABDP will support the capacity development of the concerned GoK structures to underpin the overall functioning both of ABDP and of future interventions in the rural economic sector.

5.4.2 Organizational structures and M&E functions

Due to the participatory nature of the ABDP monitoring and evaluation the PCU will outline the role of the specific organizational structures in the M&E functions. Such structures are the PSC, PCU, CPIT, SCPIT and community fisheries groups and clear M&E roles and responsibilities will support effective functionality of the Project's monitoring and evaluation. Further consideration will be made of entities that are not fitted within organizational structures but who are expected to play a role in M&E such as service providers or private sector partners. In such cases, monitoring requirements will be included in agreements as part of their contractual obligations.

5.4.3 Supportive supervision and data auditing

The PCU will spell out the key supervisions and institutionalize them for execution during the life of ABDP. This will also go along with the data auditing to ensure the credibility and validity of the M&E data gathered at various levels of the Project.

Internal supervisions: PSC will undertake overall responsibility for supervising project implementation while PCU will supervise the County level implementation through monitoring whose intervals will be decided. External supervision will include Joint IFAD/GoK and any other that may be scheduled.

5.4.4 Surveys, Evaluations and Research

For in-depth assessment of ABDP's performance in the context of relevance, effectiveness, efficiency, sustainability and impact, a series of studies and surveys will be conducted at the beginning, mid-term and end of the Project. Such surveys and studies include:

5.4.5 Baseline and impact studies.

A thorough *Baseline Survey* will be conducted by a qualified service provider in a representative sample of communities within the targeted localities, with a small statistical control group selected in adjacent areas. In preparation of implementation activities, the survey will include: (i) the capacity and needs of non-producing women and youth groups; (ii) production and productivity levels of smallholder aquaculture producers; (iii) groups to be supported in market-oriented production and business ventures; (iv) needs for capacity building of individual producers and producer groups; and (v) needs for capacity building for Programme staff, County staff and service providers. The research will concentrate on benchmarking those aspects in which ABDP is intended to make a difference, including household assets and incomes, economic activity, social capital and social exclusion. The survey will also produce baseline figures for the logical framework indicators as well as additional indicators of the M&E framework. In addition, a baseline study will be conducted to assess current environmental and climate conditions in the Programme area.

5.4.6 Mid-Term Review

, A comprehensive *Mid-Term Review* will be conducted in PY4 to reassess the ABDP design in the light of implementation experience. The main objectives will be to assess: (i) Programme achievements against targets, including numbers of expected beneficiaries (women and youth); (ii) interim Programme impact; (iii) efficiency and effectiveness of Programme management; (iv) sustainability arrangements; (v) the initial impact of piloted activities, distilling lessons learned, best practices and innovations, and determining potential scope and spaces for upscaling; and (vi) in general, the continuing validity of Programme design.

The MTR team will identify any constraints encountered during implementation and propose measures to improve overall Programme performance. The reviewers may propose adjustments to the approach, activities and/or implementation arrangements for the remaining life of ABDP and suggest revisions to Programme scope, objectives, Components, Logical Framework, M&E Plan, cost tables and the PIM.

5.4.7 Completion Report.

Towards the end of ABDP implementation, the PCU will prepare a comprehensive internal *Programme Completion Report* (PCR), to summarise achievements set against design intentions, and, drawing on intermediate and final evaluation studies, to assess overall impact and prospects for sustainability of gains in the economic and social resilience of the target population. The PCR will include a stocktaking of innovations, lessons learned and good practice, and an assessment of the extent to which Programme knowledge and experience have been captured, analysed and documented for wider dissemination and possible upscaling. The PCR process will feature a validation workshop to provide an opportunity for stakeholders themselves to evaluate performance, to promote accountability, to identify and elaborate upon factors that would improve sustainability and to lay out key success factors and shortcomings.

5.4.8 Final impact evaluation

The internal PCR will provide the basis for a substantial *Final Impact Evaluation* commissioned from an independent service provider at the end of implementation to assess (i) Programme effects and impact; (ii) sustainability of those effects; (iii) potential for upscaling Programme activities; (iv) lessons learned from implementation and recommendations for follow-up interventions; and (v) ABDP's outcomes and impact contributing to the achievement of National objectives in the rural sector. The research would mirror the scope and methodology of the *Baseline Study* to the extent possible, to detect any changes in precisely the same indicators selected and to attempt to attribute observed changes to Programme interventions and/or to other factors.

5.5 Learning and knowledge management

5.5.1 Programme knowledge products and learning processes

ABDP will address three particular issues to ensure effective implementation: (i) building brand recognition and visibility, primarily to rural women and youth and their organisations; (ii) extending beneficiary access to enterprise development and value addition information, lessons learned and best practices; and (iii) facilitating the collection, sharing and dissemination of enterprise development and aquaculture commercialization related information, lessons learned and best practices.

Knowledge services will be tailored to meet the needs of beneficiaries. The content should be youth- and women-centred and channelled, with all services targeting these users; if unsatisfied, these target groups should be in a position to effectively influence service provision. To these ends, the Programme's overall learning and KM strategy to capture and disseminate knowledge at various levels would focus on four priorities: (i) generating trust and fostering linkages between partners; (ii) managing and sharing information, knowledge and experiences; (iii) improving the effectiveness and efficiency of the private sector in adding value and innovating; and (iv) creating conditions for replication, upscaling and sustainability.

5.5.2 Learning routes

The Programme structure has the flexibility to support continuous internal improvement and adaptation through "learning-by-doing" and rigorous analysis of the qualitative and quantitative information generated under implementation. With this constructive approach, ABDP can become progressively more effective, simplify processes, adapt quickly to emerging realities and lessons, and achieve optimum impact.

The ABDP design includes a limited number of activities repeated in many communities and is heavily reliant on human resources to transfer skills, so permitting a very rapid evolution of approaches and methodologies. ABDP interventions are expected to generate important learning in three activity domains of critical importance:

- i. ways and means to establish sustainable mutually-beneficial public-private-producer partnerships at all levels in the aquaculture sector;

- ii. the development of robust systems for small-scale profitable and sustainable aquaculture production; and
- iii. refinement of group-based mechanisms to accumulate, expand and invest local resources to generate incomes for poor rural households.

5.5.3 Knowledge management and networking

Knowledge management will play a central role in the Programme to inform future projects both nationally and regionally. Operational experiences would create valuable knowledge in the target areas. It is axiomatic that the knowledge generated, captured and analysed under implementation should be utilized to generate lessons and best practices to be shared with beneficiaries, public institutions, the IFAD country team, partners, financial institutions and others. In particular, the results of support to the establishment of the model will be widely publicized.

To support the sharing of results and to guide the implementation teams, a Knowledge Management and Communication Strategy will be developed in the first year of the Programme. Subsequently, implementation staff will be trained on knowledge management and communication tools and responsibilities. WhatsApp groups may be used to facilitate internal communication and knowledge sharing. Great focus will be put on the documentation of innovations, learning processes, pilots/trials and, in particular, the documentation and dissemination of Knowledge on Climate Smart Smallholder Aquaculture.

Annual ABDP review workshops will provide fora for documenting lessons learned and identifying promising areas for knowledge generation, providing stakeholders with an opportunity to express needs, successes and constraints, as well as fostering collaboration and brokering partnerships. The main anchoring points for knowledge management would be identified, including research institutions, civil society, regional KM networks and specialised service providers. The Programme would package and disseminate information to the respective stakeholders in appropriate formats, such as brochures, studies, articles, newsletter, TV and radio, and social media.

The Programme will collaborate and share valuable lessons with other projects by sponsoring: (i) knowledge networking through periodic workshops and learning events; (ii) publication of “how-to” leaflets relevant to all work undertaken on restoration of natural assets; and (iii) audio-visual material that captures lessons learnt and impact. Special emphasis would be placed on knowledge regarding available technologies, marketing opportunities, climate change adaptation as well as nutrition.

5.5.4 Regional knowledge networking

The Programme will benefit from and contribute to existing regional knowledge networks as important fora to build and share approaches, tools, methodologies, technologies and best practices on sustainable aquaculture business development. South-South learning and sharing opportunities will be explored to ensure that ABDP beneficiaries and their organisations have access to up-to-date incremental knowledge and experience sharing on ways and means to improve their livelihoods. A

communications plan and strategy will be developed to facilitate the above and to ensure adequate dissemination of ABDP learning and results as well as visibility of the Programme.

5.5.5 Scaling-Up strategy

The scaling up strategy of the Programme is in two contexts:

ABDP scaling up previous initiatives: Building on, and taking to the next level, some of the technologies and models piloted by previous interventions including ESP, Trilateral Cooperation/GIZ and KMAP/FarmAfrica in the past few years.

Future scaling up of ABDP interventions: Piloting new technologies and partnership models that will be scaled further by private and public sectors to turn the aquaculture sector into a robust economic sector contributing significantly in income and employment generation and food security.

5.5.6 Scaling-up of past interventions through ABDP

In the first instance, the Programme will build on and expand the use of technical knowledge and capacities and models produced especially by three precursor aquaculture programmes that have been implemented in Kenya variously within the past seven years. The ESP, Trilateral Cooperation and KMAP programmes were implemented in selected Counties of Kenya and have generated positive results that ABDP will build on, expand and adapt so that the benefits can reach a greater number of rural poor in a sustainable way.

ESP, a programme financed by Government of Kenya, introduced many new households into fish farming and significantly raised the number of fish ponds, new functional fish hatcheries and expanded the use of improved fingerlings production technologies at small-holder level (for example, for mono-sex tilapia). ESP also led to emergence of increased number of SMEs in aquaculture sector, mainly in response to a dramatic increase in the demand for quality fish seed and feed which were already in short supply. To a large extent the ESP enhanced the enabling environment and raised National attention for aquaculture, yet many challenges remained in terms of inadequate resources in terms of availability of seed and feeds; policy gaps and knowledge and technical skill capacity constraints to undertake commercial aquaculture.

The Trilateral Cooperation (TTC), a joint project of Kenya, Germany and Israel implemented in 2012-2016, aimed to enhance capacity for commercial aquaculture through a focused skills development programme in aquaculture value chain technologies. In particular, the TTC introduced an effective and relatively cheap approach of training farmers by identifying and equipping the training institution, training trainers (including extension officers, teachers and advanced farmers) and asking farmers to share the training cost to ensure their commitment. This training approach enhanced the knowledge for commercial fish farming, aqua-feeds and fingerling production.

The Kenya Market-led Aquaculture Programme (KMAP) implemented by FarmAfrica, with financial support from the Dutch Government, targets especially the medium to large scale fish farmers and input producers (hatcheries and feed mills), aiming to increase aquaculture productivity, entrepreneurial capacity and market access at all levels of the value chain. The aim is to bring up farmers holding a minimum of three ponds and above to a level of commercial viability by raising their production beyond a "tipping point" (in volume of production), which will allow them to lower their production, cost and compete effectively. To achieve their target of increasing aquaculture production by 4,000 MT per year, the project has selected to work only with fish farmers with the potential to commercialize their enterprises. This ultimately excludes the very poor farmers (less than 3 ponds) from the project's benefits.

Among the key lessons from these interventions is that production technical knowhow dissemination and application is an important missing factor and the adoption of intensification technologies will lower unit cost of fish production. Effort to develop aquaculture must address poor fish farming husbandry, fingerlings quality; fish feed quality, availability and cost; extension services provision; intensification of culture systems, uncoordinated marketing systems and inadequate value addition processes. The aquaculture sector is still perceived by the financial sector as too risky, however once risks are properly managed, commercial funding will be available to support development of the aquaculture sector. These lessons have been taken into account in the design of ABDP, which looks at the whole value chain, from inputs to consumption. ABDP will leverage resources and partnership to scale-up at least three aspects from preceding programmes; (i) a range of technologies piloted under the above interventions at all levels of the value chain (ii) the unique results-oriented and sustainable capacity building approaches that will bring more farmers into commercial aquaculture (iii) technical capacities (skills and infrastructure) developed by these programmes to expand their services and benefits to a larger number of small-holder farmers. While the previous projects were concentrated in particular regions, ABDP has a National scope targeting at least ten Counties spread across the country and therefore has a means to spread out the benefits.

Therefore, ABDP's scaling-up pathway will mainly be by expanding services to more smallholder farmers across the country and functional expansion, including financial services and market access through new commercial partnerships. The Drivers of scaling up will be the incentives provided by the Programme and increasing demand for services to develop aquaculture across Kenya's Counties.

5.5.7 Future scaling up of ABDP Interventions

Going forward, ABDP will leverage external financial resources and knowledge from public, private, community level and international actors to bring results to a larger number of smallholder farmers in a sustainable manner.

5.5.8 Scaling pathway

ABDP's scaling-up approach will be through a robust value chain approach. A Public-private-producer partnerships (PPPPs) model along the aquaculture value chains will be

the tool to attract private-sector investments to the smallholder sector, aiming at providing beneficiaries with market access and value chain financing and reduce risks. The ABDP Business Model has three main actors: an established aquaculture entrepreneur (Private Sector/ aggregator), smallholder aquaculture producer who need an enabling environment to achieve economic and financial viability, and the public sector (County and National Government). In the business model, these three actors will need to get into a partnership through contracts. The major objective of the PPP contract will be to facilitate technology transfer from the well-established aquaculture entrepreneur to the small farmer, with the public sector facilitating mainly provision of public goods and services. The established entrepreneurs are able to access finance from the commercial banks and/or investment funds. Going forward this will be the means to leverage resources and take to a larger scale the development benefits of ABDP. *The ABDP Business model is discussed in greater depth in the Value Chain Working Paper included with this submission.*

5.5.9 Drivers of scaling up

The key drivers of scaling up will be the private sector (aggregators) and the public sector both at the National level and the County level. Private-sector partners see potential for profit while Government agencies have demonstrated strong commitment to move the agenda forward. Politicians (at National, County and Sub-county levels) will be important drivers in future scaling-up striving to provide income opportunities and food security for their constituents. ABDP will support capacity building of National and County fisheries cadres, including the training of extension officers at both County and Sub-county level, to be the local-level catalysts for aquaculture enterprises. This will include training a number of Master Trainers and Trainer of Trainers (ToT).

Scaling-up spaces. The Government has taken measures to further open the space for scaling-up by removing obstacles to aquaculture sector development. Kenya's fiscal policy encourages private-sector driven, market-led sectoral development. The current political environment, especially the devolved County structures, is particularly favourable for aquaculture to thrive as they see its potential contribution for poverty reduction and food security. The National and County Government have opened the space for private sector, NGOs and community organizations to operate in the aquaculture sector. The fisheries sector institutional structure has also been significantly transformed, with requisite capacity development, to make it more focused and results oriented. The aquaculture policy will be further developed under ABDP to drive a rapid growth of the sector into the next decade.

6 Grants Manual

The grant manual provides guidance for disbursement of grants to identified Small scale Aquaculture Groups. The process will involve all stakeholders at the county level i.e. the farmers groups, social services department, local micro finance institutions, administrative leaders, fisheries department staff and any other relevant NGOs.

6.1 Introduction

Individual small-scale aquaculture farmers. In order to improve productivity, main needs for pond farming are related to access to quality inputs like fingerlings and feeds. Estimated amount needed for a 300 square meters pond is about KES 50,000. Production cycle is 6 to 8 months, and access to external finance is needed when farmers are not able to finance inputs from their cash flow. Other needs are related to investment for establishing new ponds once business has proven profitable. Cage farming requires high investment costs (several thousand USD) and best option for farmers to access financing would be through “outgrower” schemes, where a private company can ensure adequate supply of cages, and be an intermediary for financing of the out-growers.

Small-scale farmers are usually not willing to borrow to finance non-profitable or too risky activities. However, support to be provided by the Programme on technical and marketing aspects with the view to transform aquaculture as a profitable business should convince farmers to borrow at commercial rates, although only the more business minded may do it at the beginning, their success being expected to convince the more risk averse farmers.

SAG and ASE to be supported by the Programme, which may be involved in input supply, processing / marketing and provision of technical services. Financial needs are for i) working capital to purchase inputs or raw fish for processing and trading and finance operational costs, and (ii) for investment in equipment (machinery / transportation means). Financing needs are likely to range between a few thousand USD and USD 100,000, with loan tenure up to 3 to 4 years for asset finance.

The PCU technical will refine the manual based on emerging implementation experiences.

6.2 Guiding Policies

1. **Eligibility** – Applications will only be accepted from farmer groups, community based organizations identified for aquaculture development in the respective programme counties.
2. **Priority** – Grant activities will directly support the objectives of the contract between ABDP and groups. Priority will be given to grants that have a visible, quick impact, promote innovation, and leverage on-going initiatives.
3. **Grant Funding Limitation** – ABDP funding for any individual grant will not exceed \$100,000 USD. And as stated above, the majority of grants will be between \$2,000 and \$100,000.
4. **Duration of Award** – All grants will have a grant period of less than twelve months. ABDP recognizes that any grant issued on a non-competitive basis, whose justification for exception to competition is “Small Grant Awards” (e.g. less than \$100,000)” will not have a duration that exceeds one year.

5. **Application Processing** – All grant applications will be processed in accordance with Section “3.0 Procedures” of this Manual. All Grantees are required to use the Small Grant Application provided by LRCFP (Attachment A) which ties to the Application Review and Evaluation Form (Attachment B).
6. **Evaluation Criteria** – Applications will be evaluated by ABDP in accordance with the following criteria using the Application Review and Evaluation Form (*to be developed by PCU technical team*):

Table 11. Evaluation Criteria

Evaluation Criteria	Points
1. Strategic Fit	30 points
2. Technical Approach	40 points
3. Organizational Capabilities	10 points
4. Gender Considerations	10 points
5. Cost Effectiveness	10 points
Total	100 points

1. *Strategic fit*: (30 points maximum), including:

- Contribution toward ABDP success indicators
- Sustainability of project results;
- Anticipated benefits to the beneficiaries;

2. *Technical approach*: (40 points maximum), including:

- Clearly defined problem Statement;
- Goals clearly outlined
- Effective technical approach;
- Potential obstacles identified and solutions;

3. *Organizational capabilities*: (10 points maximum), including:

- Past performance on similar projects;
- Experience in geographic region;
- Relevance of staff skills to the proposed program;
- Capacity to adhere to ABDP financial and reporting guidelines;

4. *Gender/Disadvantaged Persons (includes youth, ethnic and other minority groups) considerations*: (10 points maximum), including:

- Focus on women and disadvantaged persons issues;
- Impact on women and disadvantaged persons participation;

5. *Cost effectiveness: (10 points maximum), including:*
 - The proposed budget is reasonable, allocable and allowable.
 - The proposal minimizes Grantee administrative costs for managing the project in order to maximize the funds available for field-based project activities (cost effectiveness).
 - Proposal includes a percentage of cost share funds. Or it has proposed leveraging other funds or submitted funding proposals that could complement program activities.
 7. **Agent** – The Grantee must designate a responsible individual with a proven record of active organizational involvement and competent management that is in good standing in the region, to serve as its Agent for all aspects of the grant activity. Within a CBO, this is typically the Chairman.
 8. **Responsibility & Accountability** – Responsibility and accountability for the grant, including compliance with all terms and conditions, rests with the Grantee. Prior to awarding a grant, the ABDP Grants Technical Team will assess Grantee responsibility
 9. **Application Development and Progress Monitoring** – ABDP will provide a workshop to assist Grantees with the development of their applications. Alternatively, ABDP may enlist the services of TSPs, National NGOs to help the local organizations (CBOs, NGOs, etc.) further develop the applications.
- If the application results in a grant award, then the ABDP Technical Service Providers (TSPs) are tasked with the responsibility of monitoring implementation progress. The ABDP TSPs and/or Financial Specialist (FS), in coordination with County Implementation Team, will conduct periodic site visits to the Group's activities.
10. **Activity-Cost-Milestone (ACM) Plan** – An Activity-Cost-Milestone Plan, in the Format specified by ABDP (*to be development by PCU*) will support each grant application. The plan presents all activities or work to be done on a summary task basis. Each activity specifies the required resources in terms of ABDP funding as well as cost shared activities. Each activity has a clearly defined and quantified Milestone that vouches for or proves that the activity or summary task has been completed. Cost estimates for all elements of the Activity-Cost-Milestone Plan must be presented by the Grantee on an all-inclusive basis, taking into account ancillary costs such as transport, handling, etc. The Grantee must be able to justify all costs, including but not limited to unit costs, units required, labor rates, etc.
 11. **Cost Sharing and Leveraging**– Specific cost share percentages will be established on a case-by-case basis. To the extent possible, ABDP will try to obtain 5% cost share from each Grantee. Cost sharing and leveraging will be handled in accordance with grants contract conditions which will be developed by PCU. Grantees are required to report on cost share just as they report on ABDP funds expended. In-kind

contributions are allowable as cost sharing, this includes volunteer time; valuation of donated supplies, equipment and other property, a portion of rent, utilities, etc.

12. **Application Endorsement & References** – At time of submission, the Grantee's Agent must certify the application as being current, complete and accurate.
13. **Grant Formats** – ABDP will issue small grants utilizing the Simplified and Fixed Obligation Grant Formats (*to be developed by PCU*).
14. **Payment** – ABDP **will not advance funds** to the Grantee. There are two methods of payments: a) Reimbursable costs and Direct payment to vendor of equipment or civil works
15. **Financial Records & Inspection** – All Grantees are required to maintain good quality, transparent, adequately supported financial records for all grant-related incurred costs. ABDP reserves the right of access and inspection of these records, whether by its own staff or a designated representative of its choice (for example, an auditor) for a period of three years after the completion of the grant.
16. **Activity Completion** – Grantees will be required to submit a Final Report using the Format to be developed
17. **Termination and Suspension** – ABDP or IFAD/GOK may unilaterally terminate in whole or part, or suspend payments, if there is reasonable cause to believe that the Grantee is or will be insolvent during the performance of the grant. Or if the Grantee is otherwise not complying with conditions of the grant agreement.
18. **Grant Renewals** – Grants will not be subject to renewal. However, Grantees may apply for grants for other purposes for which they may be eligible; applications will be subject to the established review process.
19. **Conflicts of Interest** – All ABDP staff must be free of any apparent conflicts of interests concerning Grants project activities and Grantee organizations.

6.3 Procedures

ABDP Small Grants are implemented in accordance with the following ten steps. However, the ABDP Programme Coordinator may alter the steps and sequence on a case-by-case basis to improve the efficiency and effectiveness of processing an application and/or implementing an activity.

- Step 1. Notification of Program** – Requests for application are sent out to identified SAGs in the respective programme counties where. They applicants are taken through the conditions of application of grants and requirements as per templates to be developed
- Step 2. Application Preparation** – All potential Grantees must prepare the Small Grant Application to the best of its abilities. An Activity-Cost-Milestone (ACM) Plan is an integral part of each application. The plan presents all work to be done on a

summary task basis; specifies personnel, materials, and other support; presents clearly defined and quantified achievements or Milestones and products that vouch for achievement. The complete Application package consists of: 1) Answers to all questions found on application; 2) completed ACM Plan; 3) justification for all costs on the ACM Plan; 4) description of Cost Sharing and how it will be valued; The application is then submitted to the relevant ABDP County Office and forwarded on to the ABDP Nyeri Office.

Step 3. Technical Review & Cost Analysis – As applications are received by the ABDP appointed technical team, the Grants Application Team will 1) enter the application into an Excel-based database (MASTER LIST⁴); 2) assign a minimum of three ABDP staff to review the application; and 3) notify the reviewers of their deadline (5 – 10 business days). The reviewers will document their evaluations in writing. The reviewers are tasked with evaluating the application for technical merit and must also analyze costs for realism and allowability. Reviewers will typically be the Technical Specialist(s) and ABDP M&E, but may include the Finance Specialist as well. If there is need for clarification or refinement of an application, the PC will instruct the Grantee accordingly. Once the reviewers are done evaluating the application, they will turn-in the completed Review and Evaluation Forms, Notes, and Application to the PC for safekeeping. The Grants Application Team will enter the scores in the MASTER LIST.

⁴ The MASTER LIST database should include, at a minimum, the following information: name of applicant, location of project activities, brief description of project activities, original budget request, final negotiated budget, % of cost share, portion of “direct procurement” vs. cash payment, project start and end dates, evaluator name, evaluator score, average score, etc..

Step 4. Pre-award Responsibility Determination, Certifications, Budget Negotiations, and Environmental Screening – In tandem with the technical evaluation of the application, the ABDP will conduct a responsibility determination of the Grantee using the Simplified Pre-Award Survey (SPAS) (*to be developed*). The Grant Applications Team will interview key Grantee managers, check references within the local community and other donors, and examine samples of Manuals, Forms, reports, etc. as applicable. In the event the Grant Applications Team determines that the Grantee does not have the capacity to responsibly manage a grant, the Grant Applications Team may recommend “special conditions” or “deny funding”. The Grant Applications Team will review his/her reason(s) for non-endorsement with Grantee management and will also present his conclusion at the REC.

Step 5. Review and Evaluation Committee

Once all items from Steps 3 and 4 are completed, a Review and Evaluation Committee (REC) will be scheduled and the ABDP PC will invite the National Hq to attend. Other REC members will include: Grants and Procurement Specialist (non-voting member), Finance Specialist, Technical Specialists, PC and Headquarter Desk Officer. There should be a minimum of three voting members plus the Grants Application Team present at each REC

At the onset of the REC, the Grants Application Team presents the MASTER LIST, and Technical Specialists review the technical aspects of the project and discuss the pros and cons of awarding the grant. All REC members are free to ask questions about the rankings and once all voting members are satisfied, the applications shown on the MASTER LIST are approved or rejected (one-by-one) – this is done directly on the Application which also includes a space for REC members’ names, signatures, approvals, non-approvals, etc. Note that the REC should establish a typical minimum score that must be received by the Applicant in order to pass.

Once an Application has been passed by the REC, the Grants Application Team assembles the final grant agreement and all related attachments as further described in Step 6 below.

Step 6. Prepare Grant Documents, Determination of Award – Once the REC approves an application for funding, and *prior to* entering into a grant agreement, the Grants Application Team will solicit NSC review and approval. The Grants Application Team sends the entire grant package (includes: 1) grant body, 2) Grantee’s application with final Activity-Cost-Milestone Plan, 3) final negotiated budget(s), 4) special provisions, and 5) any other attachments); and the 6) SPAS, 7) environmental checklist, and 8) negotiation memorandum. Once NSC has approved the grant, the ABDP will be notified and at this point – the PC will send

the entire grant package (items 1 through 8) to the IFAD for his final review and formal approval in writing.

Once the IFAD approves the grant in writing, ABDP may award the grant. Note that the Grantee only receives items 1 to 5 described in this Step – items 6 - 8 are for internal and IFAD/GOK purposes only. Note also that the start date of a grant can only be on or after IFAD approval has been obtained, unless pre-award costs have been approved in writing by the ABDP PC.

If an application is rejected⁵ at the REC meeting, the ABDP Grants and Procurement Specialist will notify the Grantee in writing within 30 days of the determination.

Step 7. Authorization to Proceed – Once the Grantee has the signed grant agreement in-hand, this constitutes authorization to undertake all work activities covered by the grant and to incur costs in accordance with the Activities-Cost-Milestone Plan. In the event that the grant includes “in-kind” procurement (also referred to as “direct procurement”) to be processed by ABDP, the Grants Application Team will work in consultation with the Grantee to ensure a smooth, coordinated implementation.

Step 8. Grantee Monitoring – The Technical Specialists as well as the Grants Application Team and Financial Specialist will monitor the implementation of grant activities on a regular basis; visits may include review and examination of technical, administrative, financial, desk audits, and all other aspects of the grant. The Grants Application Team will support the Grantee by addressing questions and helping to resolve issues. The Grants Application Team will keep ABDP management fully apprised of implementation progress and any issues.

Step 9. Reimbursement of Costs & Progress Reporting –reimbursement of costs and progress reporting will occur on a monthly basis utilizing the Expense Reporting and Request for Reimbursement Form (*to be developed*). All requests for reimbursement will be made for actual costs incurred, when accompanied by supporting documentation for costs such as copies of receipts, employee timesheets, etc

When the Format is used, all requests for reimbursement must correspond to a Milestone payment specified in the Agreement. After achievement of an agreed-upon Milestone, the Grantee initiates the reimbursement by submitting a Tranche Payment Request & Progress Report Form (see Attachment J) to the Grants Application Team. The Grants Application Team certifies the Form and forwards it, as follows: To the Technical Specialist for review of the Milestone and acceptance of the Product; to the Finance Specialist for reconciliation against accounting records; to the ABDP PC for Payment Approval. ABDP reserves the

⁵ Applicants may be rejected during the REC for any number of reasons which will be explained in writing and signed off by the REC. Reasons could include: SPAS results in finding the Grantee to be “high risk”, environmental screening results in halting the project, budget cannot be negotiated in a reasonable manner, etc.

right to independently verify the Milestone. In some cases, it may do so by means of verification by a third party of its choice.

Step 10. Completion – Grants will be closed out in accordance with Grant Contract.

When requesting the final reimbursement, Groups Grantees will be required to submit a Final Report using the Format to be developed.

7 Human Resource Policy Manual

7.1 Personal recruitment dismissal and remuneration

The Programme will be guided by the Human Resources Policies and Procedures Manual for the Public Service – May 2016.

The following manuals will be developed.

- ▶ Community grant Manual
- ▶ Research Grant Manual
- ▶ Youth Action Plan
- ▶ Inclusion of Gender, Youth and Social guidelines

8 Completion and closure activities

These will be developed during the life of the programme as implementation advances.

9 Annexes

9.1 Application for Withdrawal Application

FORM 100
PROCEDURE

APPLICATION FOR WITHDRAWAL

1 IFAD GRANT NO. -IFAD

2 Application No.

To: IFAD

Via Paolo di Dono 44
00142 Rome
Italy

Please pay

(Currency Name)

(Amount to be paid in figures)

We hereby apply for withdrawal from the Loan Account opened under the IFAD Loan/Financing Agreement and hereby certify as follows:

The undersigned has not previously withdrawn from the Loan/Grant Account to meet these expenditures and has not and does not intend to obtain funds for this purpose out of the proceeds of any other loan or grant.

The goods and services covered by this application have been or are being purchased in accordance with the term of the agreement.

The expenditure has been or is being made only for goods or services from member states of IFAD.

Details of expenditure

(Use Summary Sheets if additional space is required or if expenditure relate to more than one supplier, category or sub-category)

4. Name and address of contractor or supplier (if different from payee):

Replenishment of special Account

5. Procurement Details

- a. Contract or purchase order no. and date. N/A
- b. Description of goods, works or services. N/A
- c. Currency and total amount of contract USD N/A
- d. Invoice numbers and net amount of invoice covered by this application. N/A

6. Withdrawal Details

- a. Category or subcategory No. I, II, III, IV
- b. Percentage of expenditure to be financed by

Payment Instructions

7. Name and Address of Payee's Bank:
Account Name:

8. Payee's Name and Address

Account Number

9. Correspondent Bank

If the currency claimed is not the currency of the country of the payee's bank, enter the name and address of the bank's correspondent in the country whose currency is to be paid.

Correspondence Bank:

10. Special payment instructions and References

Authorised withdrawal as per approved AWPB year 1

11. Republic of Kenya
(Name of Borrower)

12. _____
Signature(s) of authorized Representative(s)

13. _____

14. _____

Date:

Print Name(s) and Title(s)

9.2 Statement of Expenditure form

FORM 102/A - STATEMENT OF EXPENDITURE: Civil Works, Goods, Consultancies, Salaries and Operating Expenses

(For replenishment of the Designated Account, justification of advance or reimbursement of prefinanced expenditures)

For the expenditures listed below supporting documentation is not required. However, for all expenditure items part of a contract with more than one disbursement, duly filled contract monitoring form (C-11) must be included in the Withdrawal Application.

Description
of Category: _____

Date: _____

Reporting
Period: _____
to _____
From
(DD/MM/YY) to
(DD/MM/YY)

IFAD
Loan/Grant/Financing
No.: _____

Category
No.: _____

Application
No.: _____

15. SOE Threshold for the
Expenditure Category: _____ N/A

Summary
Sheet No.: _____

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Item No.	Full Description of the Payment	Name of the Payee/ Contractor, Supplier, Service Provider	Reference to the Relevant AWP B and Budget Line/Item	Contract and/or Invoice Number	Accounting Software Payment Voucher Number	Contract Value and Currency	Expenditure (Invoice Amount in Currency of the Payment) KES	Amount Reimbursable under IFAD Financing (Percentage of Total of Column 8) KES	Date of Payment	Rate of Exchange	Withdrawal Application Currency (Equivalent of Column 9 Claimed for Replenishment)	Payment Reference to Bank Account or Cash Book (e.g. value date or transaction ID)	Country of Origin and Other Remarks
	TOTAL												

16. Please provide a list of the supporting documentation maintained by the PCU for the expenditure items as an attachment to the Withdrawal Application.

*The undersigned hereby certify that the expenditures for which replenishment is claimed herein are correct, for the Project as provided in the IFAD Financing Agreement. We certify that the expenditures incurred are within the statement of expenditure (SOE) threshold of equivalent US\$XXX or Currency for this Category, and represent resources used in compliance with the principles of legality, regularity and sound financial management. We certify that the audit requirement outlined in article VIII and section 9.01 of the General Conditions will be complied with, and that the requirements for maintaining records and documentation for expenditures disbursed using the Statement of Expenditure (Form 102/A) modality and outlined in section 4.04(c) and (d) of the General Conditions, will be complied with. This includes, inter alia, that an annual audit will be carried out and that the documentation (including purchase orders, invoices, evidence of payment and delivery and any other relevant documentation evidencing the expenditures) will be retained for 10 years after the Closing Date of the IFAD Financing, and that such records and documentation will be made available to IFAD representatives for review on request.

Certified
by: _____
(Authorized
Representative)

Certified
by: _____
(Authorized
Representative)

Certified
by: _____
(Authorized
Representative)

Annotations

1	Item No.: Use sequential numbering for each expenditure item in the category, i.e. 1,2,3,4,5,6 etc.
2	Full Description of the Payment: Describe here briefly the goods/work/service paid for and the related activity and purpose.
3	Name of the Payee/Contractor, Supplier, Service Provider: Insert here the name and address of the contractor, supplier or service provider to which the payment was made.
4	
5	Contract or Invoice Number: Insert here the number of the invoice and/or contract against which the payment was made and date.
6	Accounting Software Payment Voucher Number: Insert here the payment voucher number as inserted in the accounting software (by using this number this particular transaction should be located in the accounting software).
7	Contract Value and Currency: Insert here the total value and the currency of the contract to which the claimed expenditure item is part of.
9	Amount Reimbursable under IFAD Financing (Percentage of Total of Column 8): Insert here the amount eligible for IFAD financing after applying the financing percentage outlined in Schedule 2 of the Financing Agreement (excluding taxes, counterpart financing from government, beneficiaries, etc.).
10	Date of Payment: Insert here the date that the funds were debited from the bank account and should be identical to the date in bank statement.
12	Withdrawal Application Currency: Insert here the currency in which the Withdrawal Application is prepared and expenditures claimed from IFAD for Replenishment.
13	
14	Country of Origin and Other Remarks: Insert here the country of origin of the expenditure item and any other relevant remarks regarding the expenditure item.
15	SOE Threshold for the Category: Insert here the SOE threshold for this particular category as per the thresholds listed in the Letter to the Borrower.
16	Please provide a list of the supporting documentation maintained by the PCU for the expenditure items as an attachment to the Withdrawal Application: Please see Annex 3a of this letter and Section 3.1 of the Loan Disbursement Handbook for supporting documentation requirements.

9.3 Asset Register form

[illegible]

9.4 Contract Management form

FORM C-11- CONTRACT PAYMENT MONITORING FORM

(ENTER PROJECT NAME AND ACRONYM)

(Contract Number: as per contract register)

Description of
Contract:

xxx

Procurement
File No.:

xxx

Comp.:

xxx

Contract
Officer:

xxx

Date(s) of 'No
Objection':

xx/xx/xx

Name and Address
of Supplier:

xxxx

Bank Details:

E-mail:
Telephone:

Contract Summary (ENTER CURRENCY)

Document	Contract Reference	No.	Amount	Dates (Start/End)
Original Contract				
Amendment (AM-1)				
Amendment (AM-2)				
Amendment (AM-3)				
Total Amount			xx	

Bank Securities or Bonds (-- currency)

Document	Name of Financial Institution	Date	Amount	Expiry Date	Extension
Advance Payment					
Performance Bond					
Other					
Monitoring of Payments (ENTER CURRENCY)					
Payment Schedule	Progress Certificate	Payments Issued			Balance Due on Contract
Milestone Amount	No.	Date	Invoice No.	Payment Date	
Total Amount	xx			xx	
Notes:					

Financial Controller:

xxx

Signature

Programme
Coordinator:

xxx

Signature

9.5 Checklist for Withdrawal Application

Form 105

CHECKLIST WITHDRAWAL APPLICATION

Form 100	Yes
1.Sequential numbering of WA	
2.WA amount tallies with sequentially numbered summary sheets	Yes
3.Categories/sub-categories charged as per Schedule 2 of Financing Agreement	Yes
4.% of financing applicable for each category/sub-category	Yes
5.Availability of funds in categories/loan or grant account	Yes
6.Currency of payment	Yes
7.Completeness and accuracy of banking instructions	Yes
8.Complete name and address of correspondent bank	Yes
9.Signed by authorized WA signatory	Yes
<ul style="list-style-type: none"> Statement of Expenditure (SOE) 	
1.Eligibility of expenditures claimed	
a) Within SOE financial ceiling	Yes
b) Applied to specified eligible categories	Yes
2.Form 102 signed by Programme Accountant, Programme Coordinator and WA signatory	Yes
3.Form 102 supported by signed 101 form (for items reported in a) over financial ceiling)	NA
<ul style="list-style-type: none"> Special Account (SPA) Replenishment Requests 	Yes
1.Amount within ceiling of authorized allocation (USD 600 000)	
2.Amount at least equal to 20% of AA (USD 120 000)	Yes
3.Exchange Rate Used	Yes
4.Completeness of SPA banking and account details	Yes
5.Enclosed SPA Reconciliation and Bank Statements	Yes
<ul style="list-style-type: none"> Supporting Documentation (Attached if required) 	
1.Copy of contract	NA
2.Copy of invoice, certified by Programme Coordinator	NA

3.Copy of bank guarantee (for advance payment)	NA
4.Copy of delivery receipt	NA
5.Copy of evidence of payment	NA
6.Completed Form 102	Yes
7.Completed Form 101	NA
<ul style="list-style-type: none"> Procurement 1.No objection provided by IFAD	Yes
<ul style="list-style-type: none"> Compliance to disbursement condition/s 	Yes
<ul style="list-style-type: none"> Expenditure made/committed before Project Completion Date 	Yes

IFAD Grant No.: 2000000623

WA No.: __2__

Remarks:

Prepared by

Certified by

9.6 Designated Account Reconciliation Statement – Imprest Account

Project Title:

IFAD Financing No.:

Reporting
Period:

From [date] To [date]

**FORM 104/A -
DESIGNATED
ACCOUNT
RECONCILIATION
STATEMENT
(IMPREST ACCOUNT)**

DESIGNATED ACCOUNT: (Bank Account No. -----)
BANK NAME: -----

(IN THE DESIGNATED ACCOUNT DENOMINATION CURRENCY – IMPREST ACCOUNT OPTION)
WA No.

1 TOTAL ADVANCED BY IFAD US\$

2 LESS TOTAL AMOUNT RECOVERED BY IFAD US\$

3 EQUALS PRESENT OUSTANDING AMOUNT ADVANCED
TO THE DESIGNATED ACCOUNT (Line 1 less Line 2) US\$

4 BALANCE OF DESIGNATED ACCOUNT PER ATTACHED
BANK STATEMENT AS OF [DATE: [day/month/year]] US\$

5 PLUS BALANCE OF THE PROJECT ACCOUNT(S) (LISTED
SEPARATELY) US\$

6 PLUS BALANCE OF SUB-ACCOUNTS (LISTED
SEPARATELY) US\$

7 PLUS BALANCE OF CASH IN HAND US\$

Subtotal of 5

TOTAL OF BANK BALANCES [DESIGNATED A/C, PA, SUB-ACCOUNTS & CASH IN HAND BALANCE] (Line 4 + Line 5) US\$*

8 PLUS TOTAL AMOUNT CLAIMED IN THIS WA NO. ----- US\$

9 PLUS TOTAL AMOUNT WITHDRAWN FROM THE
DESIGNATED /PA/GRANT ACCOUNT AND NOT YET CLAIMED FOR
REPLENISHMENT) or WAs pending submission US\$

REASON: Eligible amount of expenditures for which a WA has not yet been prepared

10 PLUS AMOUNTS CLAIMED IN PREVIOUS APPLICATIONS BUT NOT YET CREDITED AT THE
DATE OF BANK STATEMENT AND/OR CLAIMED AFTER DATE OF BANK STATEMENT

APPLICATION NO.	DATE	US\$	AMOUNT
		US\$	
		US\$	
		US\$	
		US\$	
		US\$	

US\$

US\$

US\$

US\$

US\$

Subtotal of 8

US\$

11 MINUS INTEREST EARNED (to be
completed. If zero, please enter '0') US\$

TOTAL ADVANCE ACCOUNTED FOR (Line 5 * through Line 9) US\$

12 EXPLANATION OF ANY DIFFERENCE BETWEEN THE TOTALS APPEARING ON LINES 3 AND 10 US\$

e.g. Non-eligible amount to be refunded to the Designated Account
e.g. Calculation errors/errors in application of percentage financing
e.g. Counterpart financial resources to be reimbursed
e.g. Cheques not yet cleared/presented to Bank

US\$

US\$

US\$

DATE:

SIGNATURE

Name in Full

Title in Full

9.7 Register of Contracts

**FORM C-10 - REGISTER
OF CONTRACTS**

IFAD Financing	IFAD xxxx
No.:	- xx
Project	
Title:	xxx

Date: xx/xx/xx

Monthly Reporting
Period: xx/xx
 (Month/Y
 ear)

Page 0
No.: xx f xx

[illegible]

Certified
by: _____

(Project Accountant)

5
Submitted by: _____
(Project Director)

9.8 Summary sheet

FORM 103- SUMMARY SHEET BY EXPENDITURE CATEGORY

Financing Number: XXXX-XX
 Reporting Period: XX
 WA No.: XX

Category No. and Description (Schedule 2)	Claimed under Form 101 (above the SOE Threshold)		Claimed under Form 102 (SOE)		Total	
	Local Currency	WA Currency (e.g. USD)	Local Currency	WA Currency (e.g. USD)	Local Currency	WA Currency (e.g. USD)
Category 1 & 'Description'						
Category 2 & 'Description'						
Category 3 & 'Description'						
Category 4 & 'Description'						
Category 5 & 'Description'						
Category 6 & 'Description'						
Category 7 & 'Description'						
Total						

Annotations

WA Currency This is the currency in which the Withdrawal Application is prepared and expenditures claimed for Replenishment.

Financing Number: This is the number of the loan or the grant.

Reporting Period: The period during which the expenditures were incurred.

WA No: The number of the Withdrawal Application.

Categories: These are the categories of expenditure as expressed in the Schedule 2 of the financing agreement.

Claimed under Form 102: These are the expenditures below the SOE threshold and subsequently claimed under Form 102 and for which no supporting documentation is required.

9.9 Targeting of Beneficiaries Per County

TARGETING OF BENEFICIARIES PER COUNTY																			
S/No.	County	Population *1	weight_pop	Poverty level index *2	weight_pov	Annual Aquaculture Production (Metric Tonnes) *3	weight_prdn	Fish farming households (No.) *5	weight_hh	Average of weights	Distribution of Level 1 Farmers (23,400HH)	Distribution of Level 2 Farmers (6,500HH)	Total Farmers (Lev 1&2)	Added or subtracted - RATIONALISATION	Allocated No of Farmers	Level 1	Level 2	Distribution of Youth ASEs (5,500 youths)	SAGs
1	Kalamega	1,867,579.00	0.11	35.80	0.07	1,736.00	0.25	8,431.60	0.25	0.17	3,962	1,100	5,062	1,300	3,762	2,944	818	931	98
2	Kisii	1,266,860.00	0.07	41.70	0.09	628.00	0.09	3,050.60	0.09	0.08	1,979	550	2,528	300	2,228	1,744	484	465	58
3	Meru	1,545,714.00	0.09	19.40	0.04	593.00	0.08	2,878.84	0.08	0.07	1,746	485	2,231	-	2,231	1,746	485	410	58
4	Nyeri	759,164.00	0.04	19.30	0.04	479.00	0.07	2,323.57	0.07	0.06	1,288	358	1,646	400	2,046	1,601	445	303	53.38
5	Kisumu	1,155,574.00	0.07	33.90	0.07	447.00	0.06	2,168.40	0.06	0.07	1,544	429	1,973	-	1,973	1,544	429	363	51
6	Kirinyaga	610,411.00	0.04	20.00	0.04	261.00	0.04	1,265.72	0.04	0.04	882	245	1,127	600	1,727	1,352	376	207	45
7	Migori	1,116,436.00	0.06	41.20	0.08	414.00	0.06	2,012.26	0.06	0.07	1,564	435	1,999	100	2,099	1,643	456	368	55
8	Embu	608,599.00	0.04	28.20	0.06	418.00	0.06	2,028.85	0.06	0.05	1,243	345	1,588	200	1,788	1,399	389	292	47
9	Siaya	993,183.00	0.06	33.80	0.07	351.00	0.05	1,702.91	0.05	0.06	1,328	369	1,697	50	1,647	1,289	358	312	43
10	Busia	893,681.00	0.05	69.30	0.14	325.00	0.05	1,578.00	0.05	0.07	1,678	466	2,143	-	2,143	1,678	466	394	56
11	Tharaka Nithi	393,177.00	0.02	23.60	0.05	322.00	0.05	1,561.41	0.05	0.04	954	265	1,219	300	1,519	1,189	330	224	40
12	Kiambu	2,417,735.00	0.14	23.30	0.05	308.00	0.04	1,495.05	0.04	0.07	1,612	448	2,060	-	2,060	1,612	448	379	54
13	Homabay	1,131,950.00	0.07	33.50	0.07	286.00	0.04	1,388.68	0.04	0.05	1,263	351	1,614	500	2,114	1,654	460	297	55
14	Machakos	1,421,952.00	0.08	23.30	0.05	357.00	0.05	1,735.11	0.05	0.06	1,357	377	1,734	200	1,534	1,201	334	319	40
15	Kajiado	1,117,840.00	0.06	40.70	0.08	80.00	0.01	386.45	0.01	0.04	1,000	278	1,278	250	1,028	805	223	235	27
	Total	17,299,855.00	1.00	487.00	1.00	7,005.00	1.00	34,007.45	1.00	1.00	23,400	6,500	29,900		29,900	23,400	6,500	5,500	780
	Assigned Weight ***																		
*1 Kenya Population and Housing Census, 2019-KNBS																			
*2 Percentage of population living below poverty line, 2015/2016 Social Wellbeing Survey-KNBS																			
*3 Fisheries Statistics Data, 2018																			
*4 Kenya Fish Farming Enterprise and Productivity Gap Assessment Report, 2016																			
*5 Fisheries Statistics Data, 2018																			
Beneficiaries to be distributed																			
23,400 Level 1 farmers																			
6,500 Level 2 farmers																			
5,500 Youth in ASEs																			
*** Assigned weight out of 100 given the importance of a factor vis a vis the Programme Goal																			

Legend:-

	1st Start-ups - 6 Counties
	2nd Start-ups - 9 Counties