
The National Treasury and Economic Planning

The Standard Chart of Accounts Manual

July 2025

Owner	The National Treasury and Economic Planning
Implementers	All public sector entities
Compliance Monitoring	Accountant General Department, National Treasury

Document Control

Version	Amendments	Date of Implementation
Version 1	N/A	1 st July, 2025

Signed off by:	Signature
Principal Secretary/National Treasury	
Accountant General	

Foreword

The government's goal is to establish the Integrated Financial Management Information System (IFMIS) as the primary source of financial information in Kenya.

We are pleased to announce the official launch of the revised Government's Standard Chart of Accounts (SCOA), a critical step towards enhancing public sector financial management, budgeting, and reporting. The adoption of a standardized chart of accounts will improve transparency, accountability, and the consistency of financial data across all government (national and county) departments, agencies, and entities.

The SCOA is designed to streamline financial reporting and budgeting by ensuring the uniform classification of revenues, expenditures, assets, and liabilities in line with International Public Sector Accounting Standards (IPSAS) and, where applicable, the Government Financial Statistics (GFS) Manual 2014. This initiative will enable better decision-making, facilitate comparison across sectors, and support compliance with international best practices in public financial management.

As part of the ongoing transition to accrual accounting, the Government of Kenya, through the National Treasury and Economic Planning, has reviewed and revised the SCOA following extensive consultations with stakeholders. The old SCOA has been in use for the last 10 years, since its implementation in 2012. Stakeholder consultations have indicated the need to revise it to make it more versatile, robust, and responsive to emerging trends, such as program-based budgeting and accrual accounting.

This SCOA has been aligned with the Government Financial Statistics Manual 2014 and has also provided for a more elaborate governance structure to manage changes in the SCOA, eliminate duplicate codes, and enhance the program-based budgeting process. The SCOA will also further harmonize reporting across the same category of entities across the public sector for accounting and budgeting purposes.

This document is a manual that elaborates on the various segments of the SCOA. The manual is issued in accordance with Section 2 of the Public Finance Management Act, 2012, read in conjunction with Regulations 9(4) and 99(1) of the Public Finance Management (National Government) Regulations, 2015.

The SCOA shall be used in conjunction with accounting manuals and circulars issued from time to time regarding new developments and changes in financial policies and procedures. The SCOA manual shall apply to all general government entities, including national government entities and county government entities. Semi-autonomous entities such as parastatals must progressively transition towards the adoption of this SCOA.

The SCOA manual will enhance effectiveness in budgeting and resource accountability, as well as improve budget analysis and monitoring across various socio-economic dimensions.

The National Treasury and Economic Planning will continue to build the capacities of various public entities to implement the SCOA consistently across the public sector. An electronic SCOA manual form shall be available at the National Treasury and Economic Planning website.

Dr Chris Kiptoo, CBS

Principal Secretary,

National Treasury

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Abbreviations

Abbreviation	In full
ADP	Annual Development Plan
AIA	Appropriation in Aid
CBK	Central Bank of Kenya
CEA	County Exchequer Account
CF	Consolidated Fund
CGE	County Government Entity
CFSP	County Fiscal and Strategy Paper
CG	County Government
CIDP	County Integrated Development Plan
COB	Controller of Budget
COFOG	Classification of Outlays by Functions of Government
COG	Council of Governors
CRF	County Revenue Fund
CT	County Treasury
e-ProMIS	Electronic Project Management Information System
FY	Financial Year
GOVERNMENT	Government of Kenya
IBEC	Intergovernmental Budget and Economic Council
IFMIS	Integrated Financial Management and Information System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IRA	Intergovernmental Relations Act
JITC	Joint Intergovernmental Technical Committee
KPI	Key Performance Indicator
LAIFOMS	Local Authority Integrated Financial Operations Management System
MTEF	Medium-Term Expenditure Framework
MTP	Medium Term Plan
M&E	Monitoring and Evaluation
MED	Monitoring and Evaluation Department
NEA	National Exchequer Account
NGE	National Government Entity
NIMES	National Integrated Monitoring and Evaluation System
NT	National Treasury
OAG	Office of the Auditor General
PBB	Program-Based Budgeting
PFM	Public Finance Management
PFMA	Public Finance Management Act, 2012
PFMR	Public Finance Management Reforms
PMS	Performance Management System
PSASB	Public Sector Accounting Standards Board
PwC	PricewaterhouseCoopers
SAI	Supreme Audit Institution
SCOA	Standard Chart of Accounts

Abbreviation	In full
ToR	Terms of Reference
UNICEF	United Nations International Children's Emergency Fund
XBRL	eXtensible Business Reporting Language

1. Introduction to the Standard Chart of Accounts

The Standard Chart of Accounts is designed to streamline financial reporting and budgeting by ensuring uniform classification of revenues, expenditures, assets, and liabilities in line with International Public Sector Accounting Standards (IPSAS) and, where applicable, the Government Financial Statistics (GFS) Manual 2014. This initiative will enable better decision-making, facilitate comparison across sectors, and support compliance with international best practices in public financial management.

Section 2 of the PFM Act 2012 defines a chart of accounts as a structured list of accounts used to classify and record budget revenue and expenditure transactions, as well as government assets and liabilities, on a standard budget classification system.

Furthermore, Section 12(1)(e) of the PFM Act, 2012, requires the National Treasury to design and prescribe an efficient financial management system for national and county governments, ensuring transparent financial management and standard financial reporting as contemplated by Article 226 of the Constitution. The section further requires the National Treasury to prescribe regulations that provide for the operations of a system under this paragraph to respect and promote the distinctiveness of the national and county levels of government. Currently, the prescribed system is IFMIS.

Regulation 9(4) of the PFM (National Government) Regulations, 2015, requires the National Treasury to publish financial manuals that contain relevant procedures for budget preparation, budget execution, the keeping of books of accounts, formats of financial statements, and the government standard chart of accounts. Further Regulation 41(1) of the PFM (National Government) Regulations, 2015, requires the national government budget estimates and each county government budget estimates to be prepared, accounted for, and reported in accordance with the Government of Kenya's budget classification and chart of accounts.

Regulation 99 (1) of the PFM (National Government) Regulations, 2015, states that the classification of financial transactions in a national government entity's account shall be based on the SCOA approved by the National Treasury. Regulation 99 (1) of the PFM (County Government) Regulations, 2015, has a similar requirement for county government entities.

This legal background thus requires the National Treasury to prescribe the SCOA that will be used by Ministries, Departments, and Agencies, State Corporations and Funds, and County government entities in the preparation of budget estimates and the reporting of financial transactions.

1.1. The need for SCOA

Many countries have transitioned or are in the process of transitioning to an accrual basis of accounting to prepare their general-purpose financial statements. This has primarily been driven by recognition of the limitations of cash-based accounting, particularly in terms of the completeness of information.

Accrual accounting provides a comprehensive view of financial position, performance, and cash flows by recognizing revenues and expenses when they are earned or incurred. The use of accrual information has long been recognized as a basis for fiscal and economic analysis in established frameworks (System of National Accounts, Government Finance Statistics) for finance and financial statistics.

Accrual accounting can only succeed if Kenya modernizes its information system, IFMIS. IFMIS must become the 'single source of truth' for government data for whichever reporting framework. That means all other systems – GHRIS, IPPD, I-tax, T24, e-procurement, Pensions, and Meridian will have to be integrated with IFMIS.

The role of IFMIS is to provide the essential and informational foundation for Public Finance Management, and therefore, its functionality must be comprehensive. This includes flexible, modular architecture and technologies, rapid adaptability to new conditions, as well as efficiency and effectiveness.

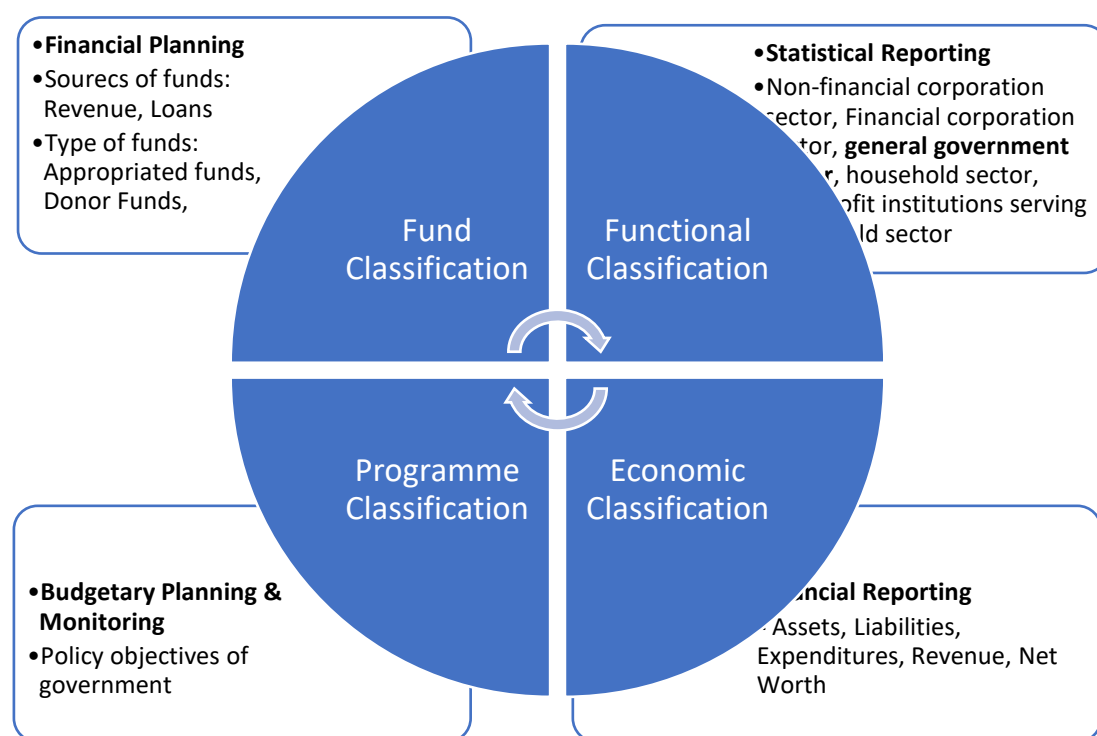
An essential aspect of the transition to accrual accounting is capturing accrual-based information in the general ledger and utilizing a unified chart of accounts (hereinafter referred to as the Standard Chart of Accounts or SCOA) to facilitate the consolidation of data from multiple sources and reporting under various frameworks. Key data sources include the government of Kenya's general ledger, held in IFMIS, as well as external data sources not integrated into IFMIS, such as debt information, contingent liabilities of State-Owned Enterprises, asset management systems, and financial reports from entities not in IFMIS (e.g., security-related).

The Kenyan budget will continue to be on a cash basis. This means that IFMIS will have two ledgers: the primary one on an accrual basis and the secondary one on a cash basis. IFMIS will also be set up to ensure that financial consolidation is possible, climate tagging/mapping is feasible, and the necessary analytical tools to inform fiscal and economic analysis are in place.

The SCOA is an organized and coded listing of all individual accounts used to record transactions and form the ledger system of national and county government entities. SCOA is embedded in the adopted ERP, specifically IFMIS.

SCOA will thus **facilitate the full range of government reporting requirements**, as illustrated in Figure 1 below:

Figure 1: Government Reporting Requirement



Segments of the Standard Chart of Accounts and how they support government reporting needs

Note: The general government sector comprises all government units within the National and County governments, including social security funds and non-market parastatals.

The revised SCOA enables data to be classified as follows:

- **Functional classification:** This is used for reporting on socioeconomic objectives that the government intends to achieve through its expenditures. These reports can be used for analytical, statistical, comparative, and decision-making purposes, as well as for policy formulation and monitoring. For example, reports on

expenditures incurred for health, education, social protection, and the environment can provide helpful information on the priorities and effectiveness of government policies in achieving these socioeconomic objectives.

- **Programme classification:** A programme is a set of activities that meet the specific policy objectives of the government (for example, basic education or universal health care). In contrast to functional classification, a classification by programme considers the government's policy objectives and how these policies will be implemented. Programmes may be subdivided into homogeneous categories called activities (for example, the vaccination activity within the universal healthcare programme), which may encompass a series of related initiatives and projects. Classifying expenditures by programme can serve two purposes: (1) identifying and clarifying the goals and objectives of government spending, and (2) monitoring operational performance through performance indicators, which may relate to inputs, outputs, or outcomes of a program. A classification by program can contribute to improved transparency and accountability and can help link inputs to objectives or outcomes.
- **Administrative or entity segment/classification:** Article 226 (1) (b) of the Constitution, together with Sections 67 and 148 of the Public Finance Management Act, 2012, states that each public entity shall have an accounting officer. The administrative classification is used for reporting on accountabilities for budget management – both expenditures and revenues – at the administrative level, including State Departments, Constitutional Offices, the National Assembly, the Judiciary, County Executives, County Assemblies, and their respective entities. Therefore, you will find the Budget type and Votes segment as a preamble to the administrative segment.
- **Economic classification:** This is used for financial reporting. It provides information on various types of expenditures, including salaries, goods and services, interest, grants, subsidies, and transfers. The types of spending have been done based on the International Public Sector Accounting Board (IPSASB) classification, except where there is alignment in terminology and classification with GFS. In such cases, GFS terminology is used.
- **Fund classification:** This is used for reporting on the sources of funds, including revenue, appropriation in aid, donor funds, loans, and grants.
- **Geographical classification:** This SCOA, reflecting that our primary users of government information are taxpayers and the political class, opted to use a geographical classification based on the Independent Electoral and Boundaries Commission rather than the State Department for Interior classification. Therefore, you will find county, constituencies, and county assembly ward classifications rather than province, district, location, and sub-location.
- **Project classification:** This is an additional classification, useful to track donor projects.

1.2. Objectives and Overview

The revised SCOA has been designed to achieve the overall objectives of providing control, accountability, budget management, financial planning and management, management information, general-purpose financial reporting (which includes information on the performance and financial position of the concerned entity), and statistical reporting.

The following are the specific objectives of the revised SCOA:

- i. To ensure consistency between budget allocations and the general ledger account codes to support budget variance reporting and budget execution analyses;
- ii. To ensure uniformity in accounting practice throughout general government to facilitate the preparation of government-wide budget reports and financial statements;
- iii. To facilitate standardization of the process for transacting in government entities and across the two levels of Government;

- iv. To facilitate performance and/or responsibility accounting by aggregation of costs on a cost-center basis, government programs, and functions of government;
- v. To facilitate the automated production of financial and other reporting information;
- vi. To facilitate benchmarking of the government's performance with similar governments, as consistent with the IMF's GFS/COFOG system already adopted by most governments worldwide;
- vii. To address emerging management information and statutory reporting requirements of the national government under the Constitution, the Public Financial Management and Financial Regulations;
- viii. To support the adoption of the accrual basis of IPSAS.
- ix. To support current and future configurations of the IFMIS system.

1.3. The structure of the SCOA Manual

The SCOA Manual is provided together with the revised SCOA codes workbook (appended), which details the segments and sub-segments. It is intended to serve as a detailed guide and reference material for all users of the revised SCOA in their day-to-day operations. The content of this document, as well as the new SCOA codes worksheet, is available on the National Treasury website at <https://www.treasury.go.ke> (see Accountant General's desk) as a portal for managing and maintaining the SCOA for the Government of Kenya.

This SCOA Manual is organized into sections as shown in the Table of Contents above.

For an illustration of how the new SCOA will be used, we have provided a case of a typical transaction to be processed by an SCOA user. We track this through the sections describing the new SCOA segments in this Manual. Below is a description of the transaction:

Box 1: Sample transaction

Purchase of a motor vehicle for Project XYZ, which commenced in FY2024/2025, covering the whole country

The motor vehicle is for use in transporting personnel of the Ministry of Agriculture and Livestock Development – State Department for Agriculture, from Nairobi to the 47 county governments.

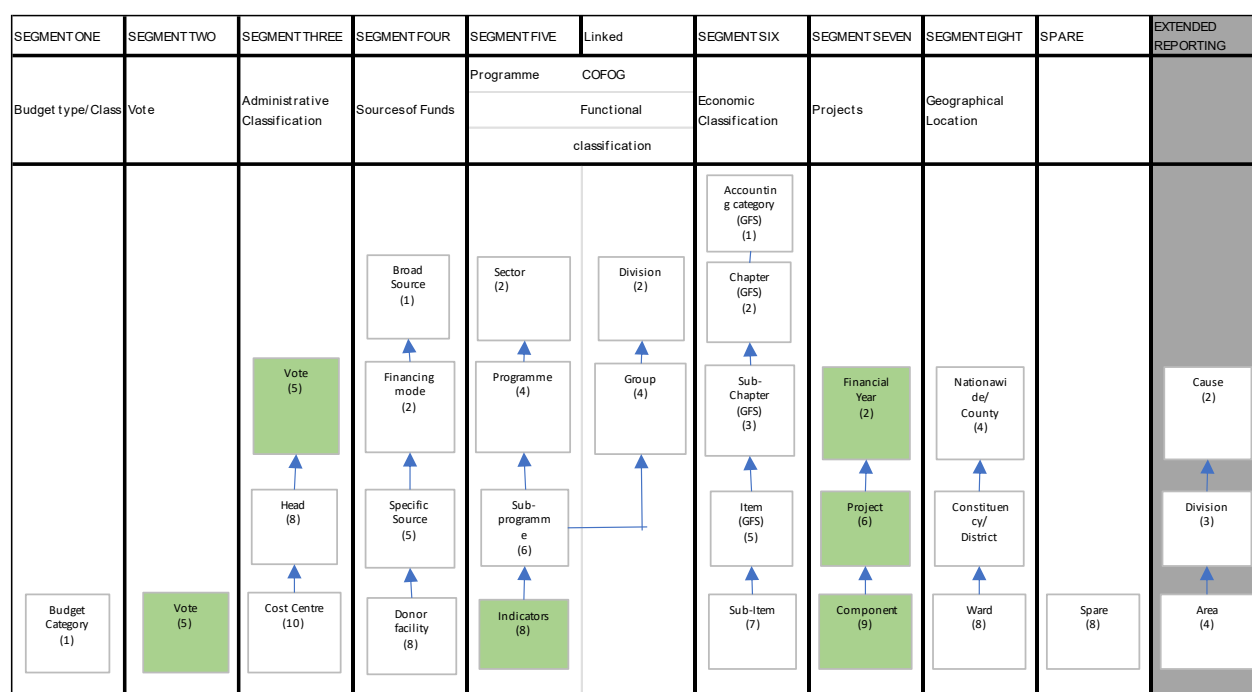
Project XYZ is counterpart-funded between the Government of Kenya and a grant from DfID, a bilateral donor. The purchase is made from the donor's contribution

The project is expected to contribute significantly to climate change adaptation, with budgets that contribute more than 25% but less than 65% to climate change adaptation

2. The revised SCOA structure

The Standard Chart of Accounts is the system used to record financial transactions. In the revised SCOA, there are eight separate transactional segments, each providing a unique dimension for capturing, analyzing, and reporting data. There is also one spare segment for future use and one analytical segment for extended analytical reporting. This segment has been introduced into the Standard Chart of Accounts to facilitate the flexible and highly responsive compilation of analytical data and information, meeting the varied reporting needs of various government and other stakeholders. The coding structure significantly shapes the way government expenditure is classified. The mechanisms and functionality of this segment are detailed in this SCOA Manual.

Figure 1: Illustration of the new SCOA coding structure



2.1. The new SCOA segments

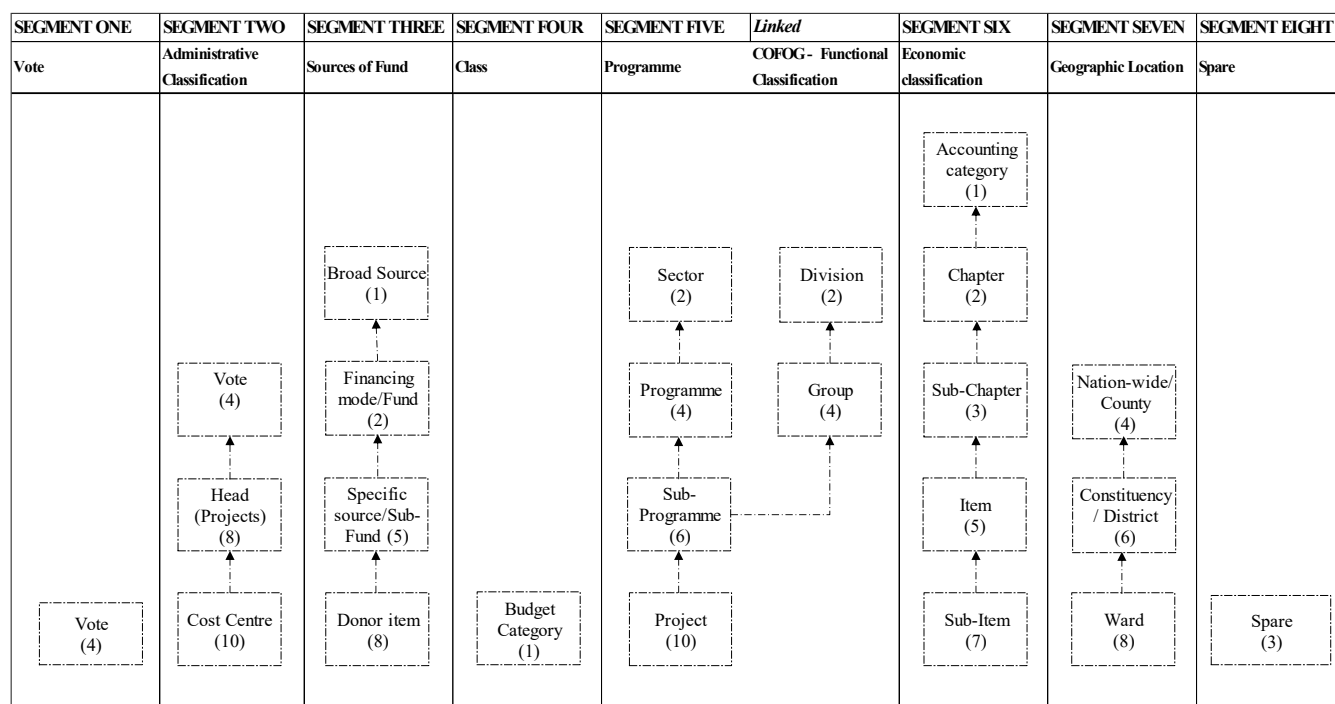
The following is the structure of the government Standard Chart of Accounts (SCOA). The proposed structure takes into account the problem statement in terms of reference to the SCOA Revision project; provisions in the Constitution of Kenya 2010; Public Financial Management Act, 2012; Public Financial Management Regulations, 2015 (both National and County Government Regulations); County Governments Act No.17 of 2012; Auditor-General's Reports for several years; GFSM 2014; PBB Manual; Formats of entity and consolidated financial statements at National and County Governments; User manuals for IFMIS, e-ProMIS, and GHRIS; Standard Chart of Accounts Manual - December 2012; County Finance Acts, 2024; Geo Codes per IEBC final report; Programme Based Budget for the fiscal year 2024/2025; Executive Order No.2 of 2023; IMF technical notes; discussions with the Technical Working Committee on SCOA and feedback from the key stakeholders in SCOA user departments.

The proposed structure has a total of nine segments and 64 digits as follows:

S/n.	Segments	Definition & Content	No. of levels	No. of digits
1	Budget Types/Class	Distinguishes the type of budget against which a transaction is performed – revenue budget, recurrent budget, and development budget. It also enables the identification of transactions that do not affect the budget	1	1
2	Vote	<ul style="list-style-type: none"> Represents the administrative responsibilities within MDAs & Counties, i.e., to which administrative unit and cost/revenue center the transaction is allocated. 	1	5
3	Administrative Classification	The administrative classification is an extension of the Vote segment. It identifies the administrative units within a particular Vote responsible for public expenditure and day-to-day administration of the budget.	3	10
4	Source of Funds	<ul style="list-style-type: none"> Identifies the Sources of Funds for Government, i.e., against which source of funding is the payment allocated, and from which source is revenue received 	4	8
5	Programme	<ul style="list-style-type: none"> Provides for classification of expenditures by programmes and sub-programmes, i.e., against which the government Programme/ Sub-Programme is the transaction recorded 	4	8
6	Economic	<ul style="list-style-type: none"> Provides the natural accounts for the generation of statistical and financial reports, i.e., it identifies the nature of the receipt and/or payment being made. The values are aligned to GFSM 2014 and IPSAS accrual basis. 	5	7
7	Project	<ul style="list-style-type: none"> Provides for classification of expenditures by projects, i.e., against which GOVERNMENT Project the transaction is recorded 	3	9
8	Geographical Location	<ul style="list-style-type: none"> The Geographical Location segment defines the location of the source of revenue and the location of the beneficiary of government expenditure 	3	8
9	Spare segment			8
	Extended Reporting	<ul style="list-style-type: none"> Identifies the analytical reporting needs in government, i.e., against which expenditure area or government priority area was revenue received or expenditure incurred, e.g., climate change, AIDS, etc. 		
	Total (excl. the Extended Reporting segment)			64

2.2. Contrasting the old and the new SCOA

Below is the structure of the old SCOA:



The following changes have been made, and for the reasons provided:

Old SCOA	Revised SCOA	Changes
Segment 1 Vote (4 digits; 1 level) XXXX	Segment 1 Vote (5 digits; 1 level) XXXXX	Elimination of duplicate codes from the segment. Duplication of code in a segment has the following demerits: <ul style="list-style-type: none"> It makes maintenance of the chart difficult. It makes report creation prone to errors when some codes are not mapped to reports. Users of SCOA can get mixed up when they are presented with two or more codes for the same transaction. It can facilitate fraud when a dishonest user posts a transaction into a code that is not detected by the reporting framework, thereby concealing inappropriate transactions.
Segment 2 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Segment 2 Administrative (10 digits; 3 levels) XXXX.XXXX.XX	Elimination of duplicated codes for the reasons mentioned above. Provision of descriptions/removal of codes where codes existed without descriptions.
Segment 3 Sources of Funds	Segment 3 Sources of Funds	Restructured to provide a mechanism for tracking Funds and Sources of Funds separately.

Old SCOA	Revised SCOA	Changes
(8 digits; 4 levels) X.X.XXX.XXX	(8 digits; 4 levels) X.X.XXX.XXX	The government and its entities manage several Public Funds, which receive funding from various sources. To ensure that funds are accurately and adequately tracked from the source to any unspent balances at the end of the period, including balances in special funds, a clear distinction between sources and funds is necessary.
Segment 4 Class/ Budget type (1 digit; 1 level) X	Segment 4 Class/ Budget type (1 digit; 1 level) X	Introduced an additional digit. Elimination of duplicate codes <ul style="list-style-type: none"> No changes made
Segment 5 Programme (10 digits; 4 levels) XX.XX.XX.XXXX	Segment 5 Programme (10 digits; 5 levels) XX.XX.XX.XX.XX	Introduce an Impact Sub-Segment, which will provide Indicators to be tracked against Programmes and facilitate monitoring and evaluation of Programmes during budget execution. PBB documents contain targets for outputs and outcomes of government programmes. The SCOA is expected to facilitate tracking of the achievement of these key performance indicators through budget execution.
Segment 6 Economic (7 digits; 5 levels) X.X.X.XX.XX	Segment 6 Economic (7 digits; 5 levels) X.X.X.XX.XX	Provide codes for accrual transactions Align to GFSM 2014 The government is migrating its accounting from IPSAS cash to IPSAS accrual. The new SCOA is expected to support this initiative, as well as streamline statistical reporting per GFSM 2014
Segment 7 Geographical Location (8 digits; 3 levels) XXXX.XX.XX	Segment 7 Geographical Location (8 digits; 3 levels) XXXX.XX.XX	Remains the same as previous until Geographic alignment across spheres of government is completed.
Segment 8 Spare (3 digits; 1 level) XXX	Segment 8 Projects (9 digits; 2 level) XX.XXXX	Repurposed to host GOVERNMENT projects. Projects were coded under the Head sub-segment of the administrative segment.
Null	Spare segment 8 digits; 1 level	Spare segment for future use
Null	Spare segment 8 digits; 1 level	Spare segment for future use

3. *Vote segment*

This segment supports the accountability for public money, both revenues and expenditures. The Ministries, Departments, and Agencies (MDA) are sometimes referred to as Reporting Entities. The accountability for Ministries, Departments, and Agencies (including self-administered and accounting Projects) rests with the Accounting Officer. The Principal Secretary is the Accounting Officer for the State Department.

This segment represents the highest level of financial accountability. Each vote is entitled to a budget in the annual Appropriation Act. Within IFMIS, the Vote segment is referred to as the “balancing segment,” and the trial balance is run at this level to enable the preparation of financial statements at the Vote level, which should compare to the Appropriation Act budget approved by Parliament.

3.1. *The structure of the Vote segment*

The Vote Segment has been retained as it was before, where the Votes have been assigned in ranges as follows:

Vote Range	Category of Votes
00000-09999	National Treasury – Consolidated Fund Services Votes
10000-19999	National Government Votes
20000-29999	Constitutional Commissions and Independent Offices Votes
30000-39999	County Government votes
40000-49999	County Government votes
50000-59999	County Government votes
60000-69999	County Government votes
70000-79999	County Government votes
80000-89999	Future votes
90000-99999	Future votes

3.2. High-level Vote segment codes

3.2.1. National Treasury and CFS Codes, Central Government entities, and Independent Commissions

New code	Organization	New code	Organization
00000	National Treasury - Consolidated Fund Services (CFS)	20000	Constitutional Commissions and Independent Offices
00100	Exchequer Operations	20100	The Judiciary
00200	Public Debt	20200	Ethics and Anti-Corruption Commission
00300	Pensions & Gratuities	20300	National Intelligence Service
00400	Salaries and Allowances - Constitutional Office Holders	20400	Office of the Director of Public Prosecutions
00500	Other Services	20500	Office of the Registrar of Political Parties
00600	Subscriptions to International Organizations	20600	Witness Protection Agency
01000	Receivers of Revenue – National Government	20700	Kenya National Commission on Human Rights
01100	Principal Secretary to the National Treasury	20800	National Land Commission
01200	Principal Secretary of the State Department for Land & Physical Planning	20900	Independent Electoral and Boundaries Commission
01300	Principal Secretary to the State Department for Trade	21000	Parliamentary Service Commission
01400	Principal Secretary to the State Department for Internal Security & National Administration	21100	National Assembly
01500	Principal Secretary to the State Department for Mining	21200	Parliamentary Joint Services
01600	Principal Secretary to the National Treasury – Pensions Department	21300	Senate
01700	Director General, Public Investments & Portfolio Management	21400	Judicial Service Commission
01800	Principal Secretary to the State Department for the Blue Economy & Fisheries	21500	Commission on Revenue Allocation
01900	Solicitor General to the State Law Office	21600	Public Service Commission
02000	Business Registration Services	21700	Salaries & Remuneration Commission
02100	The Secretary of Administration to the National Police Service	21800	Teachers Service Commission
02200	Principal Secretary to the State Department for Immigration & Citizen Services	21900	National Police Service Commission
02300	Chief Registrar to the Judiciary	22000	Auditor-General
02400	Principal Secretary to the Ministry of Defence	22100	Controller of Budget
02500	Principal Secretary to the State Department for ASALs	22200	Commission on Administrative Justice

New code	Organization	New code	Organization
05000	Receivers of Revenue – County Government	22300	National Gender & Equality Commission
10000	National Government Ministries, Departments, and Agencies (MDAs)	22400	Independent Policing Oversight Authority
10100	Executive Office of the President		
10101	Executive Office of the President		
10102	Office of the Deputy President		
10200	Ministry of Interior and National Administration		
10201	State Department for Internal Security & National Administration		
10202	State Department for Correctional Services		
10203	State Department for Immigration & Citizenship Services		
10300	Ministry of Mining, Blue Economy and Maritime Affairs		
10301	State Department for Mining		
10302	State Department for the Blue Economy & Fisheries		
10303	State Department for Shipping & Maritime Affairs		
10400	Ministry of Defense		
10500	Office of the Prime Cabinet Secretary & Ministry of Foreign & Diaspora Affairs		
10501	State Department for Foreign Affairs		
10502	State Department for Diaspora Affairs		
10503	State Department for Parliamentary Affairs		
10600	Ministry of Education		
10601	State Department for Basic Education		
10602	State Department for Technical, Vocational Education, & Training		
10603	State Department for Higher Education & Research		
10700	The National Treasury and Economic Planning		
10701	The National Treasury		
10702	State Department for Economic Planning		
10800	Ministry of Health		
10801	State Department for Medical Services		
10802	State Department for Public Health & Professional Standards		
10900	Ministry of Roads and Transport		
10901	State Department for Roads		

New code	Organization	New code	Organization
10902	State Department for Transport		
11000	Ministry of Environment, Climate Change & Forestry		
11001	State Department for Environment & Climate Change		
11002	State Department for Forestry		
11100	Ministry of Lands, Public Works, Housing, and Urban Development		
11101	State Department for Lands & Physical Planning		
11102	State Department for Housing & Urban Planning		
11103	State Department for Public Works		
11200	Ministry of Information, Communications, and Digital Economy		
11201	State Department for Broadcasting & Telecommunication		
11202	State Department for ICT & the Digital Economy		
11300	Ministry of Youth Affairs, Creative Economy, & Sports		
11301	State Department for Youth Affairs & Creative Economy		
11302	State Department for Sports		
11400	Ministry of Labor & Social Security		
11401	State Department for Labour & Skills Development		
11402	State Department for Social Protection & Senior Citizens Affairs		
11500	Ministry of Energy and Petroleum		
11501	State Department for Energy		
11502	State Department for Petroleum		
11600	Ministry of Agriculture & Livestock Development		
11601	State Department for Agriculture		
11602	State Department for Livestock Development		
11700	Ministry of Investments, Trade & Industry		
11701	State Department for Investment Promotion		
11702	State Department for Trade		
11703	State Department for Industry		
11800	Ministry of East African Community, the ASALs, & Regional Development		
11801	State Department for the East African Community		
11802	State Department for the Asals & Regional Development		

New code	Organization	New code	Organization
11900	Ministry of Public Service, Performance & Delivery Management		
11901	State Department for Public Service		
11902	State Department for Performance and Delivery Management		
12100	State Law Office		
12200	Ministry of Co-operatives & Micro, Small & Medium Enterprises		
12201	State Department for Co-operatives		
12202	State Department for Micro, Small & Medium Enterprises		
12300	Ministry of Tourism & Wildlife		
12301	State Department for Tourism		
12302	State Department for Wildlife		
12400	Ministry of Gender, Culture, the Arts & Heritage		
12401	State Department for Gender & Affirmative Action		
12402	State Department for Culture, the Arts & Heritage		
12500	Ministry of Water, Sanitation & Irrigation		
12501	State Department for Water & Sanitation		
12502	State Department for Irrigation		

3.2.2. County Government codes

New code	Organization	New code	Organization
31000	Mombasa County	54200	West Pokot - County Assembly
31100	Mombasa - County Revenue Fund	54300	West Pokot - County Executive
31200	Mombasa - County Assembly	55000	Samburu County
31300	Mombasa - The County Executive	55100	Samburu - County Revenue Fund
32000	Kwale County	55200	Samburu - County Assembly
32100	Kwale - County Revenue Fund	55300	Samburu - County Executive
32200	Kwale - County Assembly	56000	Trans Nzoia County
32300	Kwale - County Executive	56100	Trans Nzoia - County Revenue Fund
33000	Kilifi County	56200	Trans Nzoia - County Assembly
33100	Kilifi - County Revenue Fund	56300	Trans Nzoia - County Executive
33200	Kilifi - County Assembly	57000	Uasin Gishu County

New code	Organization	New code	Organization
33300	Kilifi - County Executive	57100	Uasin Gishu - County Revenue Fund
34000	Tana River County	57200	Uasin Gishu - County Assembly
34100	Tana River - County Revenue Fund	57300	Uasin Gishu - County Executive
34200	Tana River - County Assembly	58000	Elgeyo/Marakwet County
34300	Tana River - County Executive	58100	Elgeyo/Marakwet - County Revenue Fund
35000	Lamu County	58200	Elgeyo/Marakwet - County Assembly
35100	Lamu - County Revenue Fund	58300	Elgeyo/Marakwet - County Executive Administration
35200	Lamu - County Assembly	59000	Nandi County
35300	Lamu - County Executive	59100	Nandi - County Revenue Fund
36000	Taita/Taveta County	59200	Nandi - County Assembly
36100	Taita/Taveta - County Revenue Fund	59300	Nandi - County Executive
36200	Taita/Taveta - County Assembly	60000	Baringo County
36300	Taita/Taveta - County Executive	60100	Baringo - County Revenue Fund
37000	Garissa County	60200	Baringo - County Assembly
37100	Garissa - County Revenue Fund	60300	Baringo - County Executive
37200	Garissa - County Assembly	61000	Laikipia County
37300	Garissa - County Executive	61100	Laikipia - County Revenue Fund
38000	Wajir County	61200	Laikipia - County Assembly
38100	Wajir - County Revenue Fund	61300	Laikipia - County Executive
38200	Wajir - County Assembly	62000	Nakuru County
38300	Wajir - County Executive	62100	Nakuru - County Revenue Fund
39000	Mandera County	62200	Nakuru - County Assembly
39100	Mandera - County Revenue Fund	62300	Nakuru - County Executive
39200	Mandera - County Assembly	63000	Narok County
39300	Mandera - County Executive	63100	Narok - County Revenue Fund
40000	Marsabit County	63200	Narok - County Assembly
40100	Marsabit - County Revenue Fund	63300	Narok - County Executive
40200	Marsabit - County Assembly	64000	Kajiado County
40300	Marsabit - County Executive	64100	Kajiado - County Revenue Fund
41000	Isiolo County	64200	Kajiado - County Assembly

New code	Organization	New code	Organization
41100	Isiolo - County Revenue Fund	64300	Kajiado - County Executive Committee
41200	Isiolo - County Assembly	65000	Kericho County
41300	Isiolo - County Executive	65100	Kericho - County Revenue Fund
42000	Meru County	65200	Kericho - County Assembly
42100	Meru - County Revenue Fund	65300	Kericho - County Executive
42200	Meru - County Assembly	66000	Bomet County
42300	Meru - County Executive	66100	Bomet - County Revenue Fund
43000	Tharaka-Nithi County	66200	Bomet - County Assembly
43100	Tharaka-Nithi - County Revenue Fund	66300	Bomet - County Executive
43200	Tharaka-Nithi - County Assembly	67000	Kakamega County
43300	Tharaka-Nithi - County Executive	67100	Kakamega - County Revenue Fund
44000	Embu County	67200	Kakamega - County Assembly
44100	Embu - County Revenue Fund	67300	Kakamega - County Executive
44200	Embu County Assembly	68000	Vihiga County
44300	Embu - County Executive	68100	Vihiga - County Revenue Fund
45000	Kitui County	68200	Vihiga - County Assembly
45100	Kitui - County Revenue Fund	68300	Vihiga - County Executive
45200	Kitui - County Assembly	69000	Bungoma County
45300	Kitui - County Executive	69100	Bungoma - County Revenue Fund
46000	Machakos County	69200	Bungoma - County Assembly
46100	Machakos - County Revenue Fund	69300	Bungoma - County Executive
46200	Machakos - County Assembly	70000	Busia County
46300	Machakos - County Executive	70100	Busia - County Revenue Fund
47000	Makueni County	70200	Busia - County Assembly
47100	Makueni - County Revenue Fund	70300	Busia - County Executive
47200	Makueni - County Assembly	71000	Siaya County
47300	Makueni - County Executive	71100	Siaya - County Revenue Fund
48000	Nyandarua County	71200	Siaya - County Assembly
48100	Nyandarua - County Revenue Fund	71300	Siaya - County Executive
48200	Nyandarua - County Assembly	72000	Kisumu County

New code	Organization	New code	Organization
48300	Nyandarua - County Executive	72100	Kisumu - County Revenue Fund
49000	Nyeri County	72200	Kisumu - County Assembly
49100	Nyeri - County Revenue Fund	72300	Kisumu - County Executive
49200	Nyeri - County Assembly	73000	Homa Bay County
49300	Nyeri - County Executive	73100	Homa Bay - County Revenue Fund
50000	Kirinyaga County	73200	Homa Bay - County Assembly
50100	Kirinyaga - County Revenue Fund	73300	Homa Bay - County Executive
50200	Kirinyaga - County Assembly	74000	Migori County
50300	Kirinyaga - County Executive	74100	Migori - County Revenue Fund
51000	Murang'a County	74200	Migori - County Assembly
51100	Murang'a - County Revenue Fund	74300	Migori - County Executive
51200	Murang'a County Assembly	75000	Kisii County
51300	Murang'a - County Executive	75100	Kisii - County Revenue Fund
52000	Kiambu County	75200	Kisii - County Assembly
52100	Kiambu - County Revenue Fund	75300	Kisii - County Executive
52200	Kiambu - County Assembly	76000	Nyamira County
52300	Kiambu - County Executive	76100	Nyamira - County Revenue Fund
53000	Turkana County	76200	Nyamira - County Assembly
53100	Turkana - County Revenue Fund	76300	Nyamira - County Executive Office
53200	Turkana - County Assembly	77000	Nairobi City County
53300	Turkana - County Executive	77100	Nairobi City - County Revenue Fund
54000	West Pokot County	77200	Nairobi City - County Assembly
54100	West Pokot - County Revenue Fund	77300	Nairobi City - County Executive

3.3. How the Vote segment works

This segment is primarily used for generating reports. For processing transactions through the SCOA, it has been replicated into the administrative segment, in which it forms the first sub-segment. Heads/Departments and Sub-Heads / Cost Centers have been assigned to form complete administrative unit codes.

See details about the administrative segment in the next section.

3.4. Examples

From **Box 1: Sample transaction**, record the Vote implementing the transaction as follows:

11601 State Department for Agriculture

Segments	No. of digits								
Source of Funds	8	X.X.XXX.XXX							
Class	1	X.X.XXX.XXX	X						
Vote	5	X.X.XXX.XXX	X	11601					
Administrative	10				XXXXX.XXX.XX				
Programme	8					XX.XX.XX.XX			
Project	9						XX.XXXX.XXX		
Geographical Location	8							XXXX.XX.XX	
Economic	7								X.X.X.XX.
Extended Reporting	4								

4. Administrative segment

The administrative classification is an extension of the Vote segment. It identifies the administrative units within a particular Vote responsible for public expenditure and the day-to-day administration of the budget. Whereas the accounting officer is responsible for overall financial accountability at the Vote level, the responsibility is ordinarily delegated to departments, project coordinators, and fund administrators as the case may be.

4.1. The structure of the administrative segment

The administrative segment has three levels and ten digits, and the structure is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Vote & Administrative		<ul style="list-style-type: none">represents the administrative responsibilities within MDAs & Counties, i.e., to which administrative unit and cost/revenue center the transaction is allocated.	3	10
	Vote	<ul style="list-style-type: none">List of NGEs and CGEs with accounting officers that get appropriations from the National Parliament or County Assemblies		5
	Head	<ul style="list-style-type: none">Represents the service delivery departments.		3
	Subhead/ Cost center	<ul style="list-style-type: none">This is the lowest level unit of spending.		2

The old administrative segment includes development projects, Funds, and other units, which are self-accounting and self-reporting, and are required to generate separate financial statements. This arrangement has not been retained in the new SCOA. For self-reporting Projects, an individual segment seven has been added.

According to the government's strategic direction, which includes the establishment of a PIM Unit in the National Treasury and investment in project management and monitoring and evaluation (M&E) systems, self-reporting projects must have a separate, standalone project segment, as outlined in the PBB manual.

4.2. How the Administrative segment works

By selecting a code in the administrative segment during transaction processing, users assign their specific transactions to the relevant Votes, Departments, and Cost centers.

4.3. Examples

From **Box 1: Sample transaction**, record the Administrative Unit implementing the transaction as follows:

11601 State Department for Agriculture
010 Headquarters Land and Crop Development Services
01 Headquarters

Segments	No. of digits								
Source of Funds	8	X.X.XXX.XXX							
Class	1	X.X.XXX.XXX	X						
Vote	5	X.X.XXX.XXX	X	XXXXX					
Administrative	10	X.X.XXX.XXX	X	XXXXX	11601.010.01				
Programme	8					XX.XX.XX.XX			
Project	9						XX.XXXX.XXX		
Geographical Location	8							XXXX.XX.XX	
Economic	7								X.X.X.XX.
Extended Reporting	4								

5. Sources of Fund Segment

This segment defines the Government's sources of funding. It helps track revenues and expenditures per source and type of funding. This is a transactional segment, which applies to other revenues (inflows) and expenditures (outflows).

Broadly, resources are categorized into either Domestic or External. Domestic resources are raised locally through the Government's domestic revenue-raising mechanisms, while External resources are either grants or loans from the Government's development partners.

5.1. The structure of the Sources of Fund segment

The segment has four levels and eight digits. Its structure is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Source of Funds		Identifies the Sources of Funds for Government, i.e., against which source of funding is the payment allocated, and from which source is revenue received	4	8
	Broad Source	Categorizes sources into Domestic and External		1
	Mode	Categorizes sources into National, County / Bilateral, and Multilateral		1
	Specific Source	Identifies specific sources of funds, such as revenue, own-source revenue, loans, and grants. It identifies the specific donor.		3
	Donor Facility	Identifies the specific funding facility that a donor is using.		3

5.2. High-level Source of Funds codes

Code	Level		
	1	2	3
10000000	Domestic sources		
11000000		National Government entities	
11010000			Consolidated Fund
11011000			National Exchequer
11012000			Receivers of Revenue
11013000			Domestic Borrowing Accounts
11014000			Special Fund Accounts
11015000			Special Deposits
11016000			E-Citizen Revenue Accounts
11017000			East Africa Tourist Visa Accounts
11020000			Internally Generated Revenue (Local A in A)
11021000			E-Citizen Revenues Generated Internally by National Public Entities
11030000			AIEs from other Votes (Inter-entity transactions between Votes)
12000000		County Government entities	
12010000			County Revenue Fund
12011000			Equitable Share
12012000			County Government Conditional Allocation
12013000			County Own Source Revenue
12013100			Revenues Generated Internally by County Public Entities - OSR
12013200			AIEs from other Votes (Inter-entity transactions between Votes)
12014000			Borrowings
12014100			Domestic Borrowings
11020000			Internally Generated Revenue (Local A in A)
11021000			Revenues Generated Internally by County Public Entities – A in A
11022000			Facilities Improvement Fund
20000000	External sources		
21000000	External sources - Grants		
21010000		Bilateral Development Partners	
21010100			Government of Denmark (DENMARK)
21010200			Government of Norway (NORWAY)
21010300			Government of the Netherlands (NETHERLANDS)
21010400			Government of Sweden (SWEDEN)
21010500			Government of Switzerland (SWITZERLAND)
21010600			Government of Finland (FINLAND)
21010700			Government of Belgium (BELGIUM)
21010800			Government of Luxembourg/Ireland
21010900			Government of Greece
21011000			Government of Italy (ITALY)

Code	Level		
	1	2	3
21012000			Government of Spain (SPAIN)
21013000			Government of Austria
21014000			Government of Germany (KFW-GERMANY)
21014500			Government of Germany (GIZ-GERMANY)
21015000			Government of France (AFD-FRANCE)
21016000			Government of Iran
21017000			Kuwait Fund for Arab Development (KUWAIT)
21018000			Saudi Fund for Development (SAUDI ARABIA)
21019000			Abu Dhabi Fund
21020000			Government of Japan (JAPAN)
21021000			Government of Australia
21022000			Government of India (INDIA)
21023000			Government of South Korea (SOUTH KOREA)
21024000			Government of China (CHINA)
21025000			Government of Pakistan
21026000			Government of Thailand
21027000			Government of Malaysia
21028000			Government of the Philippines
21029000			Government of Canada (CANADA)
21030000			Government of the United States of America (USAID/USA)
21030100			US Embassy
21030200			Rockefeller Foundation (ROCKEFELLER FDN)
21030300			FORD Foundation (FORD)
21030400			Baylor College of Medicine, USA (BCM (USA)
21030500			International Development Research Center (IDRC)
21030600			Clinton Foundation (CLINTON FDN)
21030700			United States Trade & Development (UST&D)
21031000			United Kingdom (DFID-UK)
21031100			OXFAM - UK
21032000			KBC-Bank Belgium
21100000			Multilateral Development Partners
21101000			International Development Association (WORLD BANK/IMF)
21102000			Global Environmental Trust Fund (GETF)
21103000			Global Fund
21104000			African Union (AU)
21105000			European Development Fund (EDF/EEC)
21106000			European Investment Bank (EIB)
21107000			Intergovernmental Authority on Development (IGAD)
21108000			Common Market for Eastern and Southern Africa (COMESA)
21109000			Economic Commission of Africa
21110000			African Development Fund (ADB/ADF)
21111000			Islamic Development Bank
21112000			Arab Bank for Economic Development in Africa (BADEA)

Code	Level		
	1	2	3
21113000			Organization of Petroleum Exporting Countries (OPEC)
21114000			United Arab Emirates
21115000			Catholic Relief Services (CRS)
21116000			International Labour Organization (ILO)
21117000			United Nations Development Programme (UNDP)
21118000			United Nations Educational, Scientific and Cultural Organization (UNESCO)
21119000			United Nations Fund for Population Activities (UNFPA)
21120000			United Nations Industrial Development Organization (UNIDO)
21121000			United Nations Environmental Programme (UNEP)
21122000			United Nations International Children's Education Fund (UNICEF)
21123000			World Food Programme (WFP)
21124000			Global Alliance for Vaccines Initiative (GAVI)
21125000			Food and Agriculture Organization (FAO)
21126000			International Fund for Agricultural Development (IFAD)
21127000			Nordic Development Fund (NDF)
21128000			Investment Climate Facility (ICF)
21129000			Alliance For a Green Revolution in Africa (AGRA)
Code	Level		
	1	2	3
22000000	External sources - Loans		
22100000		Bilateral Development Partners	
22101000			Government of Denmark (DENMARK)
22102000			Government of Norway (NORWAY)
22103000			Government of the Netherlands (NETHERLANDS)
22104000			Government of Sweden (SWEDEN)
22105000			Government of Switzerland (SWITZERLAND)
22106000			Government of Finland (FINLAND)
22107000			Government of Belgium (BELGIUM)
22108000			Government of Luxembourg/Ireland
22109000			Government of Greece
22110000			Government of Italy (ITALY)
22111000			Government of Spain (SPAIN)
22112000			Government of Austria
22113000			Government of Germany (KFW-GERMANY)
22114000			Government of Germany (GIZ-GERMANY)
22115000			Government of France (AFD-FRANCE)
22116000			Government of Iran
22117000			Kuwait Fund for Arab Development (KUWAIT)
22118000			Saudi Fund for Development (SAUDI ARABIA)
22119000			Abu Dhabi Fund
22120000			Government of Japan (JAPAN)

Code	Level		
	1	2	3
22121000			Government of Australia
22122000			Government of India (INDIA)
22123000			Government of South Korea (SOUTH KOREA)
22124000			Government of China (CHINA)
22125000			Government of Pakistan
22126000			Government of Thailand
22127000			Government of Malaysia
22128000			Government of the Philippines
22129000			Government of Canada (CANADA)
22130000			Government of the United States of America (USAID/USA)
22131000			US Embassy
22132000			Rockefeller Foundation (ROCKEFELLER FDN)
22133000			FORD Foundation (FORD)
22134000			Baylor College of Medicine, USA (BCM (USA)
22135000			International Development Research Center (IDRC)
22136000			Clinton Foundation (CLINTON FDN)
22137000			United States Trade & Development (UST&D)
22138000			United Kingdom (DFID-UK)
22139000			OXFAM - UK
22200000			Multilateral Development Partners
22201000			International Development Association (WORLD BANK/IMF)
22202000			Global Environmental Trust Fund (GETF)
22203000			Global Fund
22204000			African Union (AU)
22205000			European Development Fund (EDF/EEC)
22206000			European Investment Bank (EIB)
22207000			Intergovernmental Authority on Development (IGAD)
22208000			Common Market for Eastern and Southern Africa (COMESA)
22209000			Economic Commission of Africa
22210000			African Development Fund (ADB/ADF)
22211000			Islamic Development Bank
22212000			Arab Bank for Economic Development in Africa (BADEA)
22213000			Organization of Petroleum Exporting Countries (OPEC)
22214000			United Arab Emirates
22215000			Catholic Relief Services (CRS)
22216000			International Labour Organization (ILO)
22217000			United Nations Development Programme (UNDP)
22218000			United Nations Educational, Scientific, and Cultural Organization (UNESCO)
22219000			United Nations Fund for Population Activities (UNFPA)
22220000			United Nations Industrial Development Organization (UNIDO)
22221000			United Nations Environmental Programme (UNEP)
22222000			United Nations International Children's Education Fund (UNICEF)
22223000			World Food Programme (WFP)

Code	Level		
	1	2	3
22224000			Global Alliance Vaccines Initiative (GAVI)
22225000			Food and Agriculture Organization (FAO)
22226000			International Fund for Agricultural Development (IFAD)
22227000			Nordic Development Fund (NDF)

5.3. How the Sources of Funds segment works

By selecting a code in this segment, users identify the Source from where funds are received, or from where funds to support a particular expense, for other recurrent and development costs are obtained.

5.4. Examples

From **Box 1: Sample transaction**, record the source of funds for the transaction as follows:

2 External sources – Grants
1 Bilateral Development Partners
038 United Kingdom (DFID-UK)
017 Tackling Chronic Poverty

Segments	No. of digits								
Source of Funds	8	2.1.038.017							
Class	1		X						
Vote	5			XXXXX					
Administrative	10				XXXXX.XXX.XX				
Programme	8					XX.XX.XX.XX			
Project	9						XX.XXXX.XXX		
Geographical Location	8							XXXX.XX.XX	
Economic	7								X.X.X.XX.
Extended Reporting	4								

6. Class segment

Also known as the Budget Type segment, the Class segment is transactional in nature. It is used to categorize the various budget items. Budgets broadly fall under the following categories:

Revenue Budget – identifies budgeted receipts anticipated to be collected through other Exchequer and Appropriation–in-Aid (AIA), which represents domestic and external revenues collected directly by Agencies.

Expenditure Budget – these codes identify **recurrent and development budgets** as required by the PFM Act. The Government's National and County Budgets have always been categorized into Recurrent and Development. This feature has been retained in the new SCOA.

County Government allocations: These codes are used to denote funds transferred to County Governments from the National Treasury

Funds and Deposits (Below the line (BTL) items) – This denotes transactions held for specific purposes not derived from the Estimates of Expenditure/ Appropriation Act, i.e., the Budget. Identification of such transactions is essential for accounting purposes and includes trust funds, third-party deposits, imprests, and other similar transactions. Cash transfers, which do not affect appropriated items, are also classified as BTL items. This feature is currently included in the chart of accounts and has been retained in the new SCOA.

6.1. The structure of the Class segment

This segment has the following structure:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Class	0	- Distinguishes the type of budget against which a transaction is performed – revenue budget, recurrent budget, and development budget. It also enables the identification of transactions that do not affect the budget	1	1

6.2. How the class segment works

Users identify the budget being affected by the transaction they are posting by making a selection in this segment.

	A	B	C	D
	Old code	New code	Description	Guidance
1				
2	0	0	Recurrent Expenditure	Use this code while processing transactions on the recurrent budget. [Refer: SCOA Manual: recurrent and development]
3	1	1	Development Expenditure	Use this code while processing transactions on the development budget. [Refer: SCOA Manual: recurrent and development]
4	2	2	Revenue	Use this code while processing transactions on the revenue budget. [Refer: SCOA Manual: class segment]
5	3	3	County Allocation	Use this code while transferring funds to the county governments. [Refer: SCOA Manual: class segment]
6	4	4	Funds & Deposits (BTL)	Use this code while processing unappropriated authorised transactions. [Refer: SCOA Manual: class segment]
7				

6.3. Examples

From **Box 1: Sample transaction**, record the budget class for the transaction as follows:

1 Development Expenditure

Segments	No. of digits								
Source of Funds	8	X.X.XXX.XXX							
Class	1	X.X.XXX.XXX	1						
Vote	5			XXXXX					
Administrative	10				XXXXX.XXX.XX				
Programme	8					XX.XX.XX.XX			
Project	9						XX.XXXX.XXX		
Geographical Location	8							XXXX.XX.XX	
Economic	7								X.X.X.XX.
Extended Reporting	4								

6.4. Distinguishing between recurrent and development expenditure

a) Introduction and laws governing the classification of development and recurrent expenditure

The Constitution of Kenya 2010 introduces the terms development and recurrent expenses in Kenya's PFM systems. Article 220 of the Constitution requires that budgets of the national and county governments shall contain estimates of revenue and expenditure, differentiating between recurrent and development expenditure.

Section 2 of the PFM Act, 2012, defines what is recurrent and development expenditure as follows:

Recurrent expenditure refers to expenditures incurred in operating the services provided by governments at the national and county levels.

Development expenditure refers to expenditure for the creation or renewal of assets.

Furthermore, Section 15(2) requires the National Treasury to enforce fiscal discipline. The elements of fiscal discipline include, amongst other requirements:

- Over the medium term, a minimum of thirty percent of the national and county governments' budget shall be allocated to the development expenditure;
- Over the medium term, the National Government's borrowings shall be used only for financing development expenditure and not for recurrent expenditure;

-
- iii. the requirement that grants be used only to finance programmes within the integrated development plan, in other words, only for development purposes.

The Act further requires that all budget estimates must present their planned expenditure by vote and by Programme, clearly identifying other recurrent and development expenditures.

Regulation 41 of the PFM (National Government) Regulations, 2015, further clarifies that budget estimates must be prepared, accounted for, and reported in accordance with the government of Kenya's budget classification and chart of accounts, as issued by the National Treasury. Regarding budgetary reallocations, it is a requirement that we cannot reallocate funds between recurrent and development expenditures, e.g., from development to recurrent expenditure, or even within recurrent expenditure items, e.g., from wage to non-wage expenditures.

Furthermore, the regulations stipulate that where the Constitution or an Act of Parliament specifies specific categories of expenditure as a direct charge on the Consolidated Fund, such expenditures must be included in the recurrent budget estimates of the National Government as part of the Consolidated Fund Services.

b) What is Recurrent Expenditure?

The National Treasury defines recurrent expenditures as cash outflows incurred in operating the services provided by the government. The government has two levels: national and County (www.treasury.go.ke). Recurrent expenditures do not result in the acquisition of long-term assets. They are expenditures for operations and maintenance. These include personal emoluments, fuel, insurance, rent, and subsistence allowances, among others. Theoretically, these expenditures do not directly contribute to the country's economic development. As stated above, consolidated fund services, as defined by the Constitution and the PFM Act, are recorded as non-developmental or recurrent expenditure. These include pensions for retirees, debt repayment, and salaries for constitutional officeholders.

c) What is Development Expenditure?

Development expenditure is defined as capital expenditure. These are expenditures incurred in the acquisition of assets that provide services in the medium to long term, i.e., over one year. In the past, development expenditure has included both capital and recurrent expenditures; however, development expenditure should be of a capital nature. The PFM Act, 2012 defines development expenditure as “capital” expenditure, so eventually, the two should mean the same thing in Kenyan budget documents. Furthermore, developmental expenditure refers to the government's expenditure that contributes to economic development by increasing production and real income in the country.

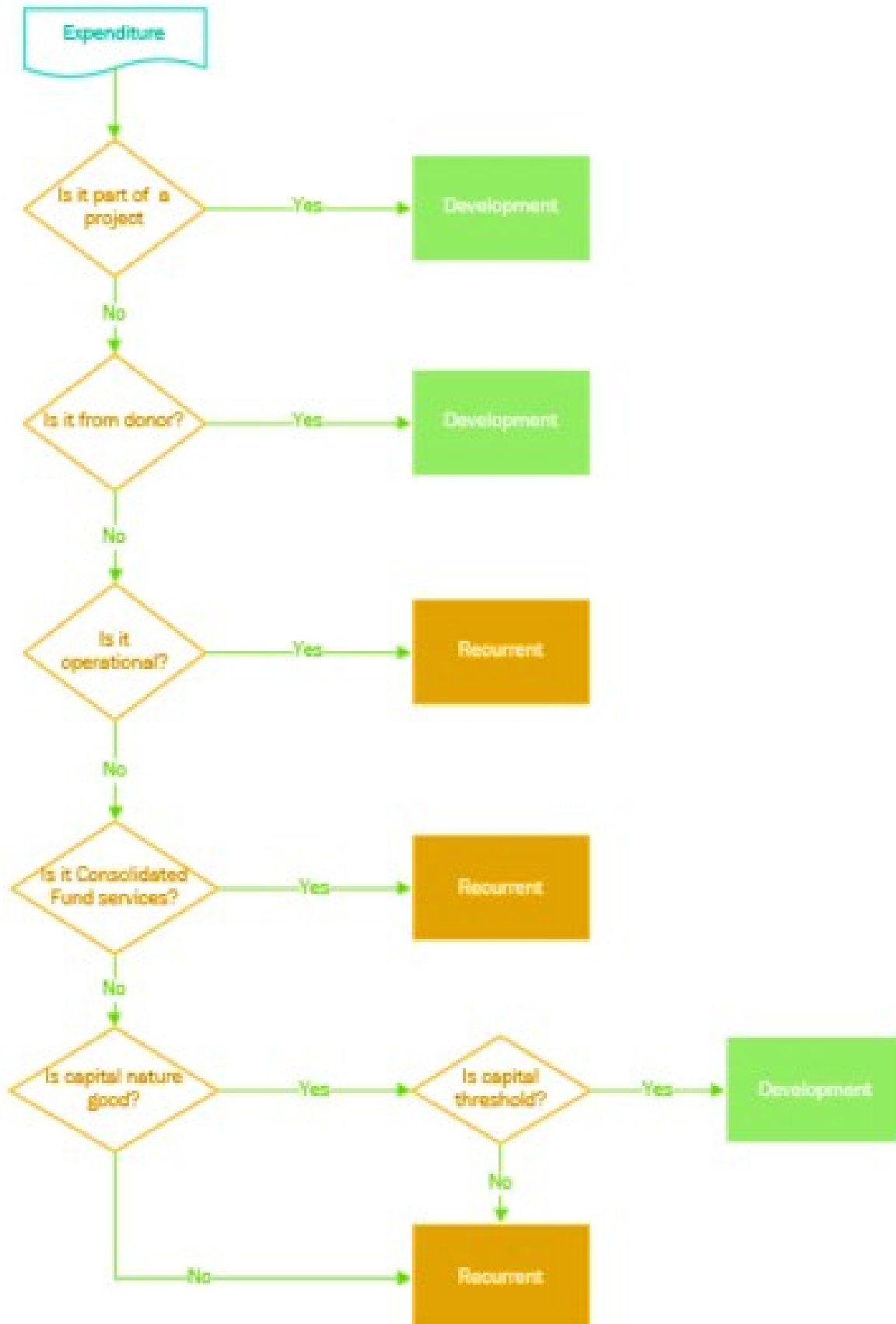
d) Decision table about what is recurrent and what is development

- The decision on whether to classify an item as development or expenditure is based on the characteristics of the expenditure and is guided by law or policy.
- The table below summarizes decision points derived from the characteristics of recurrent and development expenditure as explained above and from our engagement with various stakeholders involved in the PFM cycle.

Decision point	Yes	Conclusion
1. Is the expenditure for consolidated fund services? i.e., pension, loan repayment, etc.	√	Recurrent
2. Is the expenditure or operational activity for the general provision of government services?	√	Recurrent
3. Is the expenditure of a capital nature? i.e., does the expenditure result in the development of medium to long-term assets?	√	Development
4. If the expenditure is for a capital asset, does the amount meet the capitalization policy?	√	Development
5. Is the expenditure funded by a development partner? Grant or loan?	√	Development
6. Does the expense help directly in the economic development of the country? i.e., a project with activities, targets, set objectives, and outcomes?	√	Development
7. Does the expenditure provide social and community services, economic services, and developmental assistance to lower-level governments?	√	Development
8. Does the expenditure have definite objectives, including a target to achieve during the financial year?	√	Development

e) Decision tree about what is recurrent and what is developmental

The purpose of the decision tree below is to provide a user-friendly and practical guide for practitioners in determining whether to classify an item as development or recurrent.



7. Programme segment

A sound relationship must exist between the policy-making process, the budget, and the budget execution processes, as the budget serves as a policy statement and an instrument of economic and fiscal interventions.

The budget process takes into account policies already formulated and is the main instrument to operationalize them. The strength of the budget-policy link is therefore crucial in determining how strategies to achieve national and sectoral policies are implemented. The Programme-Based Budget is a mechanism for facilitating this link.

The Programme/Sub-Programme segment is hierarchical and provides the means to show the purpose of spending, i.e., why we are spending the money. - to achieve the objectives and policies of the Government. The segment also provides accountability for the results of the spending, examining what was achieved with the funds as well as the amount spent. Programme budgets also provide a means for reallocating resources from past policy objectives to new policy objectives.

Programme budgeting involves budgeting and reporting by programmes, taking into account the performance of these **programmes**.

- Programmes: classifying expenditures of similar services with similar objectives
- An alternative to administrative line budgeting
- Resources allocated to **policy priority areas**
- Improved **focus on performance/results**

Significant shifts from the previous budgeting system to PBB:

- Improved linkage of strategic planning to policy;
- Management and evaluation linked to PBB are in place;
- A strategic budgeting phase is part of budget preparation, giving MDAs more discretion at the finalization stage of budget preparation.
- The National Assembly/Parliament is given better information to link the budget to performance during budget approval and budget oversight;
- In-year internal and public reporting is not only on financial information but on progress towards the achievement of the targeted results; and
- Audit practices will change over time to include an audit of performance information, value for money, efficiency, and effectiveness of spending

7.1. The structure of the Programme segment

The Programme segment has five levels and ten digits, and the structure is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Programme		- Provides for classification of expenditures by programmes and sub-programmes, i.e., against which GOVERNMENT Programme/ Sub-Programme is the transaction recorded	5	10
	Sector	- MTEF sectors as derived from COFOG		2
	Programme	- Facilitates Programme-Based Budgeting, execution, and reporting of programmes and sub-programmes.		2
	Sub-Programme			2
	Indicators			2
	Spare			2

7.2. Distinguishing between Programmes and Projects

1. The newly developed PIM Guidelines describe a project as a temporary developmental undertaking that delivers specific products, services, or results within a given budget timeframe.
2. A Programme is a group of related activities that are managed together to achieve a clear and singularly identifiable objective. The outputs achieved through activities result in outcomes that contribute to the objectives identified by the Programme.
 - a. A sub-programme is a sub-grouping of a Programme into specific, standalone objectives that themselves feed into the overall Programme objective. These sub-programmes comprise a logical grouping of activities whose outputs collectively contribute to the sub-programme's objective.
 - b. Key criteria that differentiate programmes from projects:

	Criterion	Definition
1	Specificity	Project: specific and exact components; well-defined scope, goals, and indicators; clear path to achievement Programme: less precise components; more all-encompassing and broad strategic scope and goals; complex to achieve
2	Focus	Project: single, focused output Program: Typically, it cannot be achieved with only one intervention. Multiple project outputs can complement and even overlap in their contribution to achieving the goal.
3	Budget	Project: clear budget and schedule Programme: rolling and unclear budget, and unclear schedule for the achievement of objectives
4	Duration	Project: Projects typically have a shorter life span; they have a defined start and end date. Programme: Undertaken over long periods; can span decades
5	End product	Project: tangible outputs Programme: intangible outcomes

Donor programmes – although often referred to as programmes – are established to address the outcomes of government programmes. As such, they are government projects and should be classified as such.

7.3. How the Programme segment works

The programme and sub-programme structure are hierarchical; the key performance indicators track contribution to the overall outputs and outcomes of the programme and sub-programme. Generally, each programme will comprise several sub-programmes, but a programme must have a minimum of one sub-programme.

The coding of programmes is done by Sector, rather than by Vote. As per the indicative PBB MTEF, the Government has ten Sectors. A comprehensive Programme-Based Budgeting (PBB) Manual was developed for reference by government entities in the formulation of programs and sub-programs. New Programmes and Sub-Programmes may be identified during the Budget Formulation. The Sector or Line Ministry Budget Committee will propose new Programmes and appoint the Programme Manager. Within the Programmes, new Sub-Programmes may be identified by the Programme Manager for effective achievement of the Programme's Policy Objective.

Guidelines for formulating Programmes and Sub-Programmes will be included in Treasury Circulars, particularly the annual Budget Call Circulars. When a new Programme is requested, it will also need at least one new Sub-Programme. When requesting a new Programme/Sub-Programme, the request will be made to the Budget Supplies Department, including the following information:

- Name of New Programme and Narrative Description
- Policy Objective and Expected (Measurable) Outcome of the Programme
- Name of New Sub-Programme and Narrative Description
- Programme to which the Sub-Programme relates/reports
- Objective of the Sub-Programme (Measurable Outputs)
- COFOG Classification
- Output name and description, plus details of the Sub-Programme to which it contributes
- Activity name and description, plus details of the Output to which it contributes

Below is the numbering outline for the segment with illustrative coding as has been drawn from the Agriculture, Rural, and Urban Development sectors:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	
1	Old Code	Sector	Programme	SubProgram	Indicators	New Code									Guidance
2	0100000	1	0	0	0	0	0	0	0	10000000	Agriculture, Rural & Urban Development				
3	0106000/ 0107000/ 0117000	1	0	0	1	0	0	0	0	10010000	General Administration Planning and Support Services				
4	0106010/ 0117010/ 0120010	1	0	0	1	0	1	0	0	10010100	General Administration Planning & Support Services				
5	Null	1	0	0	1	0	1	0	1	10010101	Agricultural Research policies developed				
6	Null	1	0	0	1	0	1	0	2	10010102	research programs supported				
7	Null	1	0	0	1	0	1	0	3	10010103	compliance of expenditure within set budgetary ceiling				
8	Null	1	0	0	1	0	1	0	4	10010104	quarterly reports				
9	Null	1	0	0	1	0	1	0	5	10010105	policy and strategy implementation.				
10	Null	1	0	0	1	0	1	0	6	10010106	financial and non financial reports				
11	Null	1	0	0	1	0	1	0	7	10010107	Financial Services				
12	Null	1	0	0	1	0	1	0	8	10010108	Employee and customer satisfaction				
13	Null	1	0	0	1	0	1	0	9	10010109	Monitoring and evaluation				
14	Null	1	0	0	1	0	1	1	0	10010110	Term supply contracts procured				
15	Null	1	0	0	1	0	1	1	1	10010111	Monitoring and evaluation				
16	Null	1	0	0	1	0	1	1	2	10010112	Policies formulated				
17	Null	1	0	0	1	0	1	1	3	10010113	Survey on Mapping of local innovative building materials in Kenya				
18	Null	1	0	0	1	0	1	1	4	10010114	Buildings Safety Testing and Quality Assurance				
19	Null	1	0	0	1	0	1	1	5	10010115	works designs completed				
20	Null	1	0	0	1	0	1	1	6	10010116	Percentage score in employee satisfaction survey				
21	Null	1	0	0	1	0	1	1	7	10010117	monitoring and evaluation reports				
22	Null	1	0	0	1	0	1	1	8	10010118	staff sensitized on HIV and AIDS				
23	Null	1	0	0	1	0	1	1	9	10010119	Quarterly Financial Reports prepared				
24	Null	1	0	0	1	0	1	2	0	10010120	Final Accounts and quarterly financial statements prepared				
25	0106020	1	0	0	1	0	2	0	0	10010200	Procurement, Warehousing and Supply				
26	Null	1	0	0	1	0	2	0	1	10010201	Rehabilitation of Supplies branch				
27	Null	1	0	0	1	0	2	0	2	10010202	County Government Headquarters completed				
28	0107010	1	0	0	1	0	3	0	0	10010300	Agricultural Policy, Legal and Regulatory Frameworks				
29	Null	1	0	0	1	0	3	0	1	10010301	Staff skills and competences improved				

The first two digits is the sector: Agriculture, Rural and Urban Development, the **second two digits:** Programme: General Administration, Planning and Support Services, **third two digits:** Sub-programme, General Administration, Planning and Support Services and Procurement, Warehousing and Supply, the **fourth two digits:** Key Performance Indicators e.g.: Buildings, Safety testing and Quality Assurance and Rehabilitation of Supplies Branch.

By selecting a code in this segment, each transaction is assigned the programme, sub-programme, and key performance indicators that relate to it. This achieves the benefit of linking the government's actual expenditure to its KPIs and strategic objectives.

7.4. COFOG Functional Classification

The 10 functional classifications divisions are listed below: Further detailed guidance is provided in the GFS Manual 2014.

General public services

Refer to the administration, operation, or support of executive and legislative organs, financial and fiscal affairs, and external affairs. It also includes foreign economic aid to developing countries and economic aid routed through international organizations. This category also encompasses general services, including personnel services, overall planning, statistical services, and basic research and development (R&D) in the public sector.

Defense

This includes the administration, operation, and support of military and civil defense, as well as the operation of military aid missions accredited to foreign governments or attached to international military organizations. Applied R&D related to defense is also included.

Public order and safety

This encompasses police services, fire protection services, justice, law courts, prisons, and related research and development.

Economic Affairs

Covers government spending associated with the regulation and more efficient operation of the business sector. This category encompasses general economic affairs, commercial and labor affairs, agriculture, forestry, fishing and hunting, fuel and energy, mining, manufacturing and construction, transportation, communication, and related research and development.

Environmental affairs

This relates to the protection of biodiversity and landscapes – specifically, the protection of habitats, including the management of natural parks and reserves, as well as waste management, wastewater management, pollution abatement, and related research and development (R&D).

Housing and community amenities

This includes the administration of housing and community development affairs and services, as well as water supply, street lighting, and related research and development.

Health

This includes spending on services provided to individual persons and services provided on a collective basis. This specific function diverges from GFSM 2001, as agreed upon between the Government and the World Bank. The functional groups used are Primary, Secondary, and tertiary healthcare.

Recreation and Culture

This is provided to the community through recreational and sporting services, cultural services, broadcasting and publishing services, and other community services. The function also covers related R&D.

Education

This includes spending on services provided to individual pupils and students, as well as services provided on a collective basis. It encompasses pre-primary, primary, secondary, and tertiary education, as well as supplementary services to education and related research and development.

Social protection

This covers services supplied directly to communities, households, or individuals, and includes transfers for sickness and disability, old age, survivors, families, children, unemployment, support to households to meet the cost of housing, and related research and development.

As an extension of the purpose of spending prescribed through government programs and subprograms, the COFOG (Classification of Outlays by Functions of Government) classification provides an international standard for classifying government functions. The COFOG classification is mapped in the system and is therefore applied automatically when entering the sub-programme; so, it is not necessary to enter this classification against the respective transaction. The COFOG mapping will be created when a new sub-programme is established and will be categorized at the COFOG Group (level 2) classification.

This is an extension of programme segment 5 – each sub-programme is mapped to a specific COFOG to aid reporting under GFSM 2014. It identifies the purpose of spending, such as health, Education, and economic development, and supports policy analysis and the alignment of implementation with policy. Reporting under COFOG facilitates international comparisons of government spending. It ignores Organizational administrative boundaries and changes in ministry structures.

The functional classification complements the Economic Classification. It serves to distinguish transactions by policy purpose or type of outlay. This is also referred to as expense by output. Its main purpose is to facilitate understanding of how funds available to the government have been spent. COFOG enables the examination of trends in government outlays for specific functions or purposes over time.

COFOG is detailed in three levels: Division, Group, and Class. The Government has opted to classify its expenditure into the first two levels of functions, i.e., Division and Group. The sub-programmes are mapped to the COFOG Group (level 2). This provides analysis by the COFOG Group without users needing to enter this information against transactions.

7.5. Mapping of Sub-COFOG Functional Classification

Policies are formulated largely on economic sectoral and functional lines. Programmes are generally quite large and will comprise multiple functional (COFOG Group - Classification of Outlays by Function of Government) classifications. Within the system, Sub-Programmes will be mapped to the COFOG Group. When establishing a new Sub-Programme, it will be necessary to categorize the Sub-Programme according to its COFOG Group classification.

When setting up a new Sub-Programme, the Programme Manager will liaise with the Budget Department to agree on the appropriate COFOG Division and Group, based on the functional nature of the Sub-Programme. It is mandatory to provide the appropriate COFOG Group when setting up a new Sub-Programme.

There may be occasions when a Sub-Programme spans more than one COFOG Group. In these instances, following GFSM 2014, the Sub-Programme can be mapped (i) either to the largest COFOG Group or (ii) apportioned on a percentage basis between the COFOG Groups.

Summarized overleaf is a mapping of i) COFOG to MTEF and ii) MTP to MTEF.

CLASSIFICATION OF FUNCTIONS OF THE GOVERNMENT(COFOG)	MEDIUM-TERM EXPENDITURE FRAMEWORK (MTEF SECTORS)	MEDIUM-TERM PLAN (MTP SECTORS)
1. Economic Affairs	a. Agriculture, Rural and Urban Development	1) Agriculture, Livestock & Fisheries 2) Population, Urbanization, and Housing
	b. Energy, Infrastructure, and ICT	3) Business Process Outsourcing & ITES 4) Oil and Other Mineral Resources (<i>Added during MTPII</i>)
	c. General Economic and Commercial Affairs	5) Manufacturing 6) Tourism 7) Trade 8) Financial Services
2. Health	d. Health	9) Health
3. Education	e. Education	10) Education and Training
4. Public Sector & Safety	f. Governance, Justice, Law and Order	11) Governance and the Rule of Law
5. General Public Service	g. Public Administration and International Relations	12) Devolution
6. Defense	h. National Security	<i>-Considered as an enabler and not a sector under MTP</i>
7. Recreation, Culture, and Social Protection	i. Social Protection, Water and Natural Resources	13) Gender, Youth, and Vulnerable Groups 14) Sports, Culture, and Arts
8. Community Amenities	j. Environment Protection, Water and Natural Resources	15) Environment, Water, and Sanitation

7.6. Examples

From **Box 1: Sample transaction**, specify the Sector, Programme, Sub-Programme, and Indicators served by the transaction as follows:

10 Agriculture, Rural & Urban Development
 07 Crop Development and Management
 01 Land and Crops Development
 20 yields of products in supported value chains

Segments	No. of digits								
Source of Funds	8	X.X.XXX.XXX							
Class	1	X.X.XXX.XXX	X						
Vote	5	X.X.XXX.XXX	X	XXXXX					
Administrative	10	X.X.XXX.XXX	X	XXXXXX	XXXXXX	XXXX.XX			
Programme	8	X.X.XXX.XXX	X	XXXXXX	XXXXXX	XXXX.XX	10.07.01.20		
Project	9							XX.XXXX.XXX	
Geographical Location	8								XXXX.XX.XX
Economic	7								X.X.X.XX.
Extended Reporting	4								

8. *Project segment*

A separate segment for Projects has been created. Projects will be linked to implementing Ministries through the Vote and Admin segments; however, they will not be hard-coded per ministry, unlike the current setup.

This segment should be used to capture all projects, including those funded by the Government of Kenya and those supported by donors.

8.1. *The structure of the Project segment*

The project segment has two levels and nine digits. The 9-digit project code consists of 2 digits representing the year of the project agreement, 4 digits for the specific project code, and the last 3 digits representing a project's components.

The structure of the segment is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Project		- Provides for classification of expenditures by projects, i.e., against which government project the transaction is recorded	3	9
	Year of inception	-		2
	Project	-		4
	Component	-		3

8.2. High-level project segment codes

New code	1	2
100000000	FY	2009/2010
100001000		Kenya Agricultural Productivity & Sustainable Land Management Project
100002000		Kenya's Adaptation to Climate Change in Arid and Semi-Arid
100003000		SHDP Small-Scale Horticulture Development Project
100004000		Eastern African Agriculture Productivity Project (EAAPP)
100005000		Mainstreaming Sustainable Land Management (SLM) in Agro-Pastoral Production
100006000		Health Sector Support Project (Component 1)
100007000		
100008000		Regional Pastoral Livelihood Resilience Project
100009000		Smallholders Dairy Commercialization Programme
100010000		Standards and Market Access Programme (SMAP)
100011000		
100012000		Trade Mark East Africa Programme
100013000		Extractive Industries for Sustainable Development in Kenya
100014000		NOFBI and e-Government Expansion Project
100015000		Deepening Foundation for Peace Building and Community Security
100016000		Standards and Labelling Programme
100017000		Ministry of Health, Reproductive and Maternal Services
100018000		Training of Health Personnel
100019000		Rehabilitation of Ahero, Tharaka, and Nyambeni Hospitals
100020000		Rehabilitation of Ngong Sub-District Hospital
100021000		Rehabilitation of Muhoroni Sub-District Hospital
100022000		Rehabilitation of Likoni Sub-District Hospital
100023000		Communication for Development
100024000		Nutrition
100025000		Environmental Health Services
100026000		Food and Nutrition Support to Vulnerable Populations Affected by HIV
100027000		Procurement of Equipment for NYS
100028000		Small Holder Horticulture Empowerment Project
100029000		Integrated Protective Services
100030000		Family-Based Care for Vulnerable Children
100031000		Judiciary Transformation Support Project
100032000		Social Policy and Research
100033000		Economic Empowerment Programme
100034000		Judicial Performance Improvement Project (JPIP)
100035000		Capacity Development for the Supreme Court of Kenya
100036000		National Biodiversity Strategy and Action Plan (NBSAP) Project
100037000		Support for the enhancement of Quality and Relevance in Higher Education Science and Technology (HEST) Project
100038000		Support for Technical and Vocational Education and Training for Relevant Skills Development Project
100039000		The Netherlands Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) Project
100040000		Cash Transfer for Orphans and Vulnerable Children (CT-OVC) Programme – Grant
100041000		Regional Pastoral Livelihood Resilience Project
100042000		Smallholders Dairy Commercialization Programme
100043000		Standards and Market Access Programme (SMAP)
150000000	2015	
150001000		Project XYZ
160000000	2016	
160001000		Project XYZ
170000000	2017	

New code	1	2
170001000		Kenya Off-Grid Solar Access Project for Underserved Counties
170002000		National Agriculture and Rural Inclusive Growth Project (NARIGP)
170003000		Instrument for Devolution Advice and Support (IDEAS)
170004000		Kenya Development Response to Displacement Impacts Project (KDRDIP)
170005000		Agricultural Sector Development Support (ASDSP) II
170006000		Kenya Urban Support Programme
170007000		Global Fund Hiv Aids New Funding Model (NFM)
170008000		Infrastructure Finance and Public Private Partnerships (IFPPP) Project- IDA CREDIT NO 61210
170009000		Global Fund - To accelerate the reduction of TB, Leprosy, and lung disease burden in Kenya
170010000		To contribute to Achieving Vision 2030 Through Universal access to Comprehensive HIV Prevention, Treatment, and Care
170011000		To reduce morbidity and mortality caused by malaria in the various epidemiological zones by two-thirds of the 2015 level by 2020
170012000		Kenya Youth Employment and Opportunities Project
170013000		Secondary Education Quality Improvement Project (SEQUIP)
170014000		Coastal Region Water Security and Climate Resilience Project
170015000		Kenya Climate Smart Agricultural Project (KCSAP)
170016000		Support To the National Land Commission in The Delivery of Its Land Reform Mandate
180000000	2018	
180001000		Kenya Petroleum Technical Assistance Project (KEPTAP)
180002000		Kenya Electricity Expansion Project Credit No. 4743 KE
180003000		Kenya Electricity Modernization Project
180004000		Kenya Off-Grid Solar Access Project for Underserved Counties
180005000		National Agriculture and Rural Inclusive Growth Project (NARIGP)
180006000		Instrument for Devolution Advice and Support (IDEAS)
180007000		Kenya Development Response to Displacement Impacts Project (KDRDIP)
180008000		Thwake Multipurpose Water Development Program
180009000		Kenya Water Security & Climate Resilience Project
180010000		Kenya, Italy, Debt for Development
180011000		Upper Tana Natural Resources Management Project
180012000		Institutional Strengthening of the Ozone Depleting Substances Project
180013000		501066 Lake Victoria Environment Management Project (LVEMP Phase 11)
180014000		System for Land-Based Emissions Estimation in Kenya
180015000		Sound Chemicals Management Mainstreaming & UOPs Reduction in Kenya
180016000		Kenya Transport Sector Support Project
180017000		National Urban Transport Improvement Project
180018000		Northern Corridor Transport Improvement Project
180019000		East Africa Trade and Transport Facilitation Project - KRC Component
180020000		East Africa Trade and Transport Facilitation Project - MOT Component
180021000		Kenya Transport Sector Support Project
180022000		National Urban Transport Improvement Project
180023000		East Africa Regional Transport Trade & Development Facilitation Program
180024000		Kenya Cereal Enhancement Programme (KCEP)
180025000		Drought Resilience and Sustainable Livelihood Programme
180026000		Rice-Based Market-Oriented Agriculture Promotion Project
180027000		Agricultural Sector Development Support (ASDSP) I
180028000		Agricultural Sector Development Support (ASDSP) II
180029000		Strengthening Fertilizer Quality and Regulatory Standards in Kenya
180030000		Small Scale Irrigation and Value Addition Project (SIVAP)
180031000		Government/UNICEF Education and Young People Programme
180032000		Food Assistance to Primary and Pre-Primary Schools in Semi-Arid Areas and Disadvantaged Urban Children Project

New code	1	2
180033000		Kenya Primary Education Development Project
180034000		Kenya Italy for Development Program
180035000		Kenya National Safety Net
180036000		Nairobi Metropolitan Services Improvement Project
180037000		Korogocho Slum Upgrading Program
180038000		Kenya Municipal Program
180039000		Kenya Informal Settlement Improvement Project
180040000		Kenya Urban Support Programme
180041000		East Africa Public Health Laboratories Networking Project
180042000		Global Fund HIV AIDS Single Stream Funding
180043000		Global Fund HIV Aids New Funding Model (NFM)
180044000		Global Fund Tuberculosis
180045000		Global Fund Malaria Round 10
180046000		Kenya Health Support Project (EMMS/KEMSA Component)
180047000		Global Fund Single Stream Funding Tuberculosis Round 5
180048000		Kenya Health Sector Support Project – SWAP Secretariat
180049000		Kenya Health Sector Programme Support III
180050000		Output-Based Approach
180051000		Reproductive Health for the Entire Country Project
180052000		East Africa's Centre of Excellence
180053000		Kenya, Italy for Debt
180054000		Transforming Health Projects for Universal Care projects
180055000		Technical Support Programme
180056000		Micro Finance Sector Support Credit Project
180057000		Public Finance Management Reform (PFMR)
180058000		Infrastructure Finance and Public Private Partnerships (IFPPP) Project- IDA CREDIT NO 51570
180059000		Infrastructure Finance and Public Private Partnerships (IFPPP) Project- IDA CREDIT NO 61210
180060000		Global Fund Malaria Round 10: Scaling Up Malaria Control Interventions from Impact.
180061000		Global Fund - Expanding HIV Prevention, Care and Treatment Services to reach universal access.
180062000		Global Fund - To accelerate the reduction of TB, Leprosy, and lung disease burden in Kenya
180063000		Global Fund - TB MDG - To steer the country towards achievement of TB MDG in line with the Global Stop TB strategy
180064000		To contribute to Achieving Vision 2030 Through Universal access to Comprehensive HIV Prevention, Treatment, and Care
180065000		To reduce morbidity and mortality caused by malaria in the various epidemiological zones by two-thirds of the 2015 level by 2020
180066000		Kenya Petroleum Technical Assistance (KEPTAP) Project
180067000		Study and Capacity Building Fund
180068000		Programme For Rural Outreach of Financial Innovations and Technologies
180069000		Financial Sector Support project
180070000		Kenya Petroleum Technical Assistance Project (KEPTAP)
180071000		Kenya Youth Employment and Opportunities Project
180072000		Kenya Youth Employment and Opportunities Project
180073000		Eastern and Southern Africa Higher Education Centers of Excellence (ACEII) Project
180074000		Secondary Education Quality Improvement Project (SEQUIP)
180075000		Coastal Region Water Security and Climate Resilience Project
180076000		Cash Transfer for Orphans and Vulnerable Children (CT-OVC) Programme Grant
180077000		Kenya Climate Smart Agricultural Project (KCSAP)
180078000		Support to the National Land Commission in the Delivery of its Land Reform Mandate

8.3. How the project segment works

By selecting a code in this segment, users identify the Project for which funds are received or for which a particular expense is incurred.

Below is the numbering outline for the segment with illustrative coding:

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
	Old Code	Financial Yr.		Project				Component			New code	(project components to be added for every project)		
1												1	2	3
2	Null	1	0	0	0	0	0	0	0	0	100000000	FY2009/2010		
3	Null	1	0	0	0	0	1	0	0	0	100001000	Kenya Agricultural Productivity & Sustainable Land Management Project		
4	Null	1	0	0	0	0	2	0	0	0	100002000	Kenya Adaptation To Climate Change In Arid And Semi-Arid		
5	Null	1	0	0	0	0	3	0	0	0	100003000	SHDP Small-Scale Horticulture Development Project		
6	Null	1	0	0	0	0	4	0	0	0	100004000	Eastern African Agriculture productivity Project (EAAPP)		
7	Null	1	0	0	0	0	5	0	0	0	100005000	Mainstreaming Sustainable Land Management (SLM) In Agro Pastoral Production		
8	Null	1	0	0	0	0	6	0	0	0	100006000	Health Sector Support Project (Component 1)		
9	Null	1	0	0	0	0	8	0	0	0	100008000	Regional Pastoral Livelihood Resilience Project		
10	Null	1	0	0	0	0	9	0	0	0	100009000	Smallholders Dairy Commercialisation Programme		
11	Null	1	0	0	0	1	0	0	0	0	100010000	Standards and Market Access Programme (SMAP)		
12	Null	1	0	0	0	1	2	0	0	0	100012000	Trade Mark East Africa Programme		
13	Null	1	0	0	0	1	3	0	0	0	100013000	Extractive Industries for Sustainable Development in Kenya		
14	Null	1	0	0	0	1	4	0	0	0	100014000	NOFBI and e-Government Expansion Project		
15	Null	1	0	0	0	1	5	0	0	0	100015000	Deepening Foundation For Peace Building And Community Security		
16	Null	1	0	0	0	1	6	0	0	0	100016000	Standards and Labelling Programme		
17	Null	1	0	0	0	1	7	0	0	0	100017000	Ministry Of Health Reproductive and Maternal Services		
18	Null	1	0	0	0	1	8	0	0	0	100018000	Training of Health Personnel		
19	Null	1	0	0	0	1	9	0	0	0	100019000	Rehabilitation of Ahero,Tharaka and Nyambeni Hospitals		
20	Null	1	0	0	0	2	0	0	0	0	100020000	Rehabilitation of Ngong Sub-District Hospital		
21	Null	1	0	0	0	2	1	0	0	0	100021000	Rehabilitation of Muhoroni Sub-District Hospital		
22	Null	1	0	0	0	2	2	0	0	0	100022000	Rehabilitation of Likoni Sub-District Hospital		

8.4. Examples

From **Box 1: Sample transaction**, specify the Project served by the transaction as follows:

16 2016

0001 Project XYZ

000 Component ABC

Segments	No. of digits	
Source of Funds	8	X.X.XXX.XXX
Class	1	X.X.XXX.XXX X
Vote	5	X.X.XXX.XXX X XXXXX
Administrative	10	X.X.XXX.XXX X XXXXX XXXXX.XXX.XX
Programme	8	X.X.XXX.XXX X XXXXX XXXXX.XXX.XX XX.XX.XX.XX
Project	9	X.X.XXX.XXX X XXXXX XXXXX.XXX.XX XX.XX.XX.XX 16.0001.000
Geographical Location	8	
Economic	7	
Extended Reporting	4	

9. Geographic location segment

Geographical categorization within the Government of Kenya has been varied and non-standardized over time. Currently, there are at least three different geographical classifications that serve as service delivery units. A large proportion of these identified areas, though they have the same name, do not refer to the same geographical zone. This varied categorization poses a challenge for stakeholders who want to track total expenditures for a specific area. Furthermore, it is unclear how financial information for the county, categorized under various spending areas for different spheres of government, would be aggregated.

There is an ongoing effort to harmonize geographic categorization across the various government spheres in the country. Until this exercise is complete, the former Geographic segment will apply.

This segment will be updated once the harmonization exercise is complete.

Box 2: Structure of the Geographical Categorization of the Spheres of Government

1. **Sub-county National:** As gazetted in the Kenya Gazette Vol. CXIX—No. 80 **No. 5853**, the National Government has established administrative unit levels as follows:
 - a. County
 - b. Sub-County
 - c. Divisions
 - d. Locations
 - e. Sub-locations
2. **Sub- County:** These are established through the County Government Act and are as defined in the legal framework of the Counties. The administrative unit levels are as follows:
 - a. County
 - b. Sub-County
 - c. Ward
 - d. Village
3. **Constituency:** These are as defined by the Independent Electoral and Boundaries Commission (IEBC)
 - a. Constituency
 - b. Ward

9.1. The structure of the Geographic Location segment

The geographic location segment has three levels and eight digits, and the structure is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Geographical Location		- The Geographical Location segment defines the location of the source of revenue and the location of the beneficiary of government expenditure	3	8
	County	- Categorizes Geographical locations into Nationwide and county-specific		4
	Constituence	- To be realigned to the Subcounty according to the harmonized constitutional and legal alignment		2
	Ward	- Lowest geographical location identifiable on SCOA		2

9.2. How the Geographic Location Segment Works

Each transaction will be aligned to a National Code (all transactions here are coded National – transactions abroad are located under the Vote segment). Thereafter, a constituency, district, and ward are selected to indicate where the financial transaction is being implemented.

By selecting a code in this segment, each transaction is categorized hierarchically, through assignment to the National or County, Constituency/district, and finally a Ward.

9.3. Examples

From **Box 1: Sample transaction**, specify the Geographical Location served by the transaction as follows:

0000 Nation-Wide
01 National Government
08 Nairobi Area

Segments	No. of digits								
Source of Funds	8	X.X.XXX.XXX							
Class	1	X.X.XXX.XXX							
Vote	5	X.X.XXX.XXX	XXXXX						
Administrative	10	X.X.XXX.XXX	XXXXX	XXXXX.XXX.XX					
Programme	8	X.X.XXX.XXX	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX				
Project	9	X.X.XXX.XXX	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX			
Geographical Location	8	X.X.XXX.XXX	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	0000.01.08		
Economic	7								X.X.X.XX
Extended Reporting	4								

10. *Economic segment*

GFSM 2014 Compliance

The Economic Classification of government transactions serves to provide policymakers with information about sources of revenues and their uses. Broadly, the primary purpose of government operations is to use public resources to:

- Regulate relevant aspects of society and the economy;
- Provide services to the community in areas where there is market failure;
- Build, improve, and maintain infrastructure;
- Redistribute wealth according to nationally determined criteria.

To fulfill these functions effectively, the government must raise revenue and spend it wisely. The economic classification is an analytical presentation of government receipts and payments. On the receipt side, the economic classification indicates whether receipts originate from taxes or other sources, such as sales of goods and services, dividends, or interest. On the payment side, it shows how the receipts have been used according to the type of object or input, such as employee compensation, interest payments, goods, and services, among others.

The budget balance, which is the most crucial analytical item in government finance statistics, is derived from the economic classification. If a deficit is shown, the budget balance provides information about the scale of financial resources required to finance the government's operations. When in surplus, it shows the economic resources the government makes available to other sectors, for example, by reducing its debt.

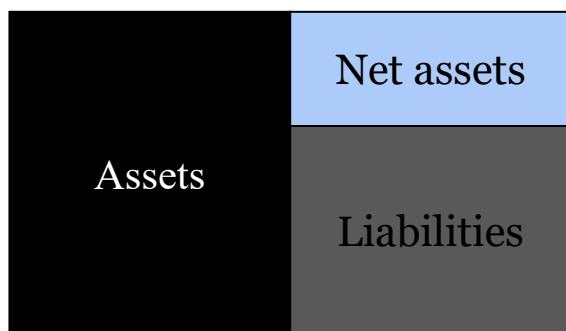
The economic classification is a statistical representation of government transactions and expenditures. The economic classification should not be confused with the functional classification of government spending. Whereas the economic classification focuses on the inputs, the functional classification serves to distinguish expenditure by policy purpose or type of outlay; this is also referred to as expenditure by output. The primary objective of the functional classification is to facilitate an understanding of the purpose for which funds have been spent, such as health, education, administration, judicial services, and other related areas.

IPSAS Compliance

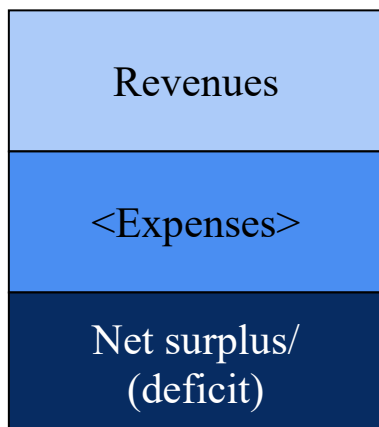
The objective of general-purpose financial statements is to provide information about an entity's financial position, performance, and cash flow that is useful to a wide range of users in making decisions about the allocation of resources and to demonstrate the entity's accountability for the resources entrusted to it. The objectives according to IPSAS 1 § 15:

- Provide information about the sources, allocation, and uses of financial resources;
- Provide information about how the entity financed its activities and met its cash requirements;
- Provide information that is useful in evaluating the entity's ability to finance its activities and to meet its liabilities and commitments;
- Provide information about the financial conditions of the entity and changes in its financial conditions; and
- Provide aggregate information helpful in evaluating the entity's performance in terms of service costs, efficiency, and accomplishments.

Below is an illustration of financial position and performance:



- Complete information on the utilization of resources (assets).
- Complete information on total borrowing and indebtedness.



- Information about the total actual cost of policies and activities.
- Comparison of revenue from «contributors» and the cost of policies and activities.

10.1. The structure of the Economic segment

The new economic segment is designed in accordance with the following key concepts:

1. Statement of Financial Position: mapping to GFS 2014 stock accounts (GFS table 4.4)
2. Statement of Financial Performance: mapping to Statement of Operations (GFS table 4.1)
3. Adapted to specific IPSAS requirements (structure & completeness)
4. Inspiration from international best practice
5. Retain, where possible, the old SCOA codes
6. Four types of accounts:
 - Cash only
 - Statistical only
 - Common - Modified cash, accrual, and statistical
 - Accrual only

The main objective of the work performed on the SCOA economic segment is to have sufficient accounts to populate the Statement of Financial Position, Statement of Financial Performance, and the notes with a specific focus on:

- using and maintaining as much as possible the existing SCOA structure,
- retaining as much as possible the existing audit trail in the accounting system,
- efficient reporting procedures (as automated as possible),
- minimize the efficiency of processes and procedures as much as possible.

Accrual accounting will inevitably impact the existing SCOA, which was developed in 2012.

The economic segment has five levels and seven digits, and the structure is as follows:

Segments	Sub-Segments	Definition & Content	No. of levels	No. of digits
Economic		- Provides the natural accounts for generating statistical and financial reports, i.e., it identifies the nature of the receipt and/or payment being made. The values are aligned to GFSM 2014 and IPSAS accrual basis.	5	7
	Parent	- Categorizes transactions into revenue, expenditures, assets, liabilities, funding flows, and equity.		1
	Chapter	- Further breakdown		1
	Sub-Chapter	- Further breakdown		1
	Item	- Further breakdown		2
	Sub-Item/ Account	- Provides specific line items/ accounts for posting transactions		2

10.2. High-level Economic segment codes

10.2.1. Revenues and Expenditure

Code	Description	Code	Description
1000000	REVENUES	2000000	EXPENDITURE
1100000	TAX REVENUES	2100000	COMPENSATION OF EMPLOYEES
1110000	Taxes on Income, Profits, and Capital Gains	2110000	Salary and Wages
1120000	Taxes on Payroll and Workforce	2120000	Social Security contributions
1130000	Taxes on Property	2130000	Pension- Defined benefit plans
1140000	Taxes on Goods and Services	2140000	Pension- Defined contribution plans
1150000	Taxes on International Trade and Transactions	2150000	Other personnel entitlement
1160000	Other Taxes (not elsewhere classified)	2200000	USE OF GOODS AND SERVICES
1200000	SOCIAL SECURITY CONTRIBUTIONS	2210000	General goods & services
1210000	Social Security Contributions	2220000	Routine Maintenance
1300000	GRANTS	2230000	Amortization and net impairment of non-fin
1310000	Grants from foreign governments	2240000	Impairment of financial assets
1320000	Grants from International Organizations	2250000	Cost of concessionary lending
1330000	Grants from other levels of government	2260000	Audit fees
1400000	EXCHEQUER TRANSFERS	2300000	TRANSFER EXPENSES & SUBSIDIES
1410000	Recurrent grants	2310000	Exchequer transfers
1420000	Deemed Income – Development Grant	2320000	Social support transfers (Inua Jamii)
1430000	Conditional Additional Allocation	2330000	Grants and Other Transfers to International
1500000	NON-TAX REVENUE	2340000	Other Transfers and Contingencies Relief
1510000	Property Income	2350000	Subsidies to Public Corporations
1520000	Sale of goods and services	2360000	Subsidies to Private Enterprises
1530000	Fines, Penalties, and Forfeitures	2400000	OTHER OPERATING EXPENSES
1540000	Gain on sale of non-financial assets	2410000	Budgetary contingency reserve
1550000	Voluntary Transfers other than grants	2420000	Other expenses
1560000	Other receipts not classified elsewhere	2500000	DEPRECIATION
1570000	Interest revenue (Net)	2510000	Depreciation expenses
1580000	County Government Own Source Revenue	2520000	Eliminated on revaluation
1600000	OTHER REVENUE	2530000	Eliminated on disposal
1610000	Dividends	2540000	Net Impairment losses
1620000	Donations	2600000	FINANCE COSTS
1630000	Net gains/(losses) on financial assets	2610000	Interest on Foreign Borrowing
1640000	Sale of Royalties	2620000	Interest on Domestic Borrowing
1650000	Concession in Leases	2630000	Interest on Borrowing from Other Governm
1660000	Extraordinary items	2700000	TAX EXPENSE
1700000	OTHER COMPREHENSIVE INCOMES	2710000	Tax Expense
1710000	Revaluation of Pension Plans	2800000	FINANCIAL GUARANTEE EXPENSE
1720000	Revaluation of Physical Assets	2810000	Financial Guarantee Expense
1730000	Revaluation of Investments		
1740000	Gain/(Loss) on Foreign Exchange transactions		
1750000	Gain/(Loss) on other instruments		
1760000	Gains/(Loss) on Sale of Assets		
1770000	Gains/(Loss) on Sale of Investments		
1800000	SURPLUS/DEFICIT		

1810000	Share of Surplus/(Deficit) of Associates and Joint ventures
1820000	Surplus/(Deficit) for the year from continuing operations
1830000	Surplus/(Deficit) for the year from discontinued operations
1840000	Surplus/(Deficit) attributable to controlling interests
1850000	Surplus/(Deficit) attributable to non-controlling interests

10.2.2. Transactions in Financial and Non-financial Assets and Financial Liabilities

Code	Description	Code	Description
3000000	INVESTMENT IN NON-FINANCIAL ASSETS	4000000	TRANSACTIONS IN FINANCIAL ASSETS
3100000	ACQUISITION OF NON-FINANCIAL ASSETS	4100000	ACQUISITION OF FINANCIAL ASSETS
3110000	Acquisition of Fixed Assets	4110000	Domestic Lending and On-lending
		4120000	Domestic Equity Participation
3120000	Acquisition of Stores, Stock, and Commodities		Other Domestic Accounts Receivable
3500000	SALE OF NON-FINANCIAL ASSETS	4140000	Receivable
3510000	Receipts from the Sale of Fixed Assets	4150000	Foreign Lending and On-Lending
3520000	Receipts from the Sale of Inventories	4160000	Foreign Equity Participation
		4170000	Other Foreign Accounts Receivable
3530000	Disposal and Sale of Non-Produced Assets	4500000	DISPOSAL OF FINANCIAL ASSETS
5000000	TRANSACTIONS IN FINANCIAL LIABILITIES		Repayment from Domestic Lending and On-Lending
5100000	INCURRENCE OF FINANCIAL LIABILITIES	4510000	Repayment of Principal from
		4520000	Foreign Lending & On-Lending
5110000	Domestic Borrowing		Sales and Disposals of Equity Holdings
	Currency and Deposits, Accounts Payable,	4530000	
5120000	Clearing Transfers, and Other Liabilities	4540000	Reimbursements and Refunds
5500000	SETTLEMENT OF FINANCIAL LIABILITIES	4550000	Returns of Equity Holdings
5510000	Repayments on Borrowings from Domestic		
5520000	Principal Repayments on Guaranteed Debt		
5610000	Repayments on Borrowings from Other Domestic Creditors		

10.2.3. Assets and Liabilities

Code	Description	Code	Description
6000000	ASSETS	7000000	LIABILITIES
6100000	NON-CURRENT ASSETS	7100000	CURRENT LIABILITIES
6101000	Land	7101000	Payables
6102000	Tangible natural resources held for conservatio	7102000	Bank Overdraft
6103000	Intangible assets & Goodwill	7103000	Social Benefits Liabilities
6104000	Investment Property	7104000	Provisions
6105000	Rights of Use Assets	7105000	Lease Liabilities
6106000	Roads Infrastructure	7106000	Public Debt
6107000	Railway Infrastructure	7107000	Financial Guarantee Liability
6108000	Electricity Generation & Other Infrastructure	7108000	Employee Benefit Obligations
6109000	Building & Building Improvements	7109000	Current Tax Liabilities
6110000	Heritage and Cultural Assets	7110000	Deferred Tax Liabilities
6111000	Biological Assets	7111000	Liabilities arising from Assets Held for Sale
6112000	Property, Plant and Equipment	7112000	Other Liabilities
6113000	Service Concession Assets	7200000	LONG-TERM LIABILITIES
6114000	Deferred Tax Assets	7201000	Payables
6115000	Prepayments	7202000	Social Benefits Liabilities
6116000	Investment in Associates	7203000	Provisions
6117000	Investments in Joint Ventures	7204000	Lease Liabilities
6118000	Investments	7205000	Public Debt
6119000	Net investment in Finance Lease	7206000	Financial Guarantee Liability
6120000	Loans and Advances	7207000	Employee Benefit Obligations
6121000	Receivable from Binding Arrangements	7208000	Deferred Tax Liabilities
6122000	Receivable from Non-Binding Arrangement	7209000	Other Liabilities
6200000	CURRENT ASSETS	8000000	NET WORTH
6201000	Other Assets	8101000	Consolidated Fund (national exchequer acc)
6202000	Deferred Tax Assets	8102000	County Revenue Fund
6203000	Current Tax Assets	8103000	Receivers of Revenue
6204000	Prepayments	8103000	E-citizen (revenue accounts)
6205000	Inventories	8104000	East Africa Visa
6206000	Assets held for Sale	8105000	Special Funds
6207000	Investments	8106000	Designated Accounts
6208000	Net Investment in Finance Lease	8107000	Accumulated surpluses/deficits
6209000	Loans and Advances	8108000	Revaluation Reserves -PPE
6210000	Receivable from Non-Binding Arrangements	8109000	Revaluation Reserves – Defined Benefit Plan
6211000	Receivable from Binding Arrangement	8110000	Other Reserves
6212000	Cash and Cash Equivalents	8111000	Total Equity attributable to taxpayers
		8112000	Non-Controlling private interest

10.3. How the Economic segment works

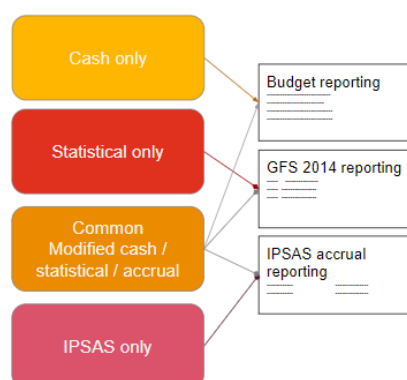
The economic segment defines the accounting nature of transactions, including revenue, expense, investment, and financing fund flows, as well as assets, liabilities, and reserves. The classification in this revised economic SCOA segment is in accordance with GFSM 2014 and will also enable reporting under International Public Sector Accounting Standards (IPSAS). This classification supports both the current budgeting (on a Cash Basis of Accounting) and financial reporting (on an Accrual-Based Accounting basis).

Budget - Cash basis	Reporting - Accrual basis
<p>Budgets and cash accounting-based financial statements lay out a <i>public entity's spending</i> and <i>cash receipts</i>.</p> <p>Measures financial results for a period as the difference between cash received and cash paid.</p>	<p>Accrual accounting measures a <i>public entity's financial performance</i> and presents its <i>financial position</i>.</p> <p>Distinguish expenditure that provides economic benefits or service potential in the short term (i.e., for current consumption) from that which will benefit the entity well into the future (i.e., capital expenditure). Reflects an entity's obligations (including long-term obligations such as pension and financial liabilities) in the financial statements.</p>

The classification and the sub-segments of the economic segment were initially inspired by IPSAS and the Government Financial Statistics Manual 2001 (GFSM 2001). The sub-segments relate in a parent-child hierarchical manner. Depending on the level, the account is used to record accounting transactions or to aggregate totals and subtotals.

The setup of revenues and expenses is done according to nature (rather than function). Other segments can be combined with the economic segment to produce functional revenue and expense reports.

To support different reporting needs, accounts in the economic segment have been divided into various groups, as follows:



GOVERNMENT ledgers are the basis of dedicated reporting. The ledgers applicable to GOVERNMENT are **accrual-based ledgers (for reporting)** and **cash-based ledgers** (for budget accounting). Each ledger is populated using transactions on ledger-dedicated accounts, which are:

- Accrual-only accounts => accrual-based ledger
- Cash-only accounts => cash-based ledger
- Common accounts => accrual-based ledger and cash-based ledger
- Reporting accounts => those are technical accounts that have been set up purely for cash reporting purposes and don't contain any transactions

The interpretation of "Cash-only" refers to accounts that are used solely for cash-based accounting and reporting. These accounts are excluded from GFS reporting and are also not relevant for IPSAS accounting and reporting.

To the extent possible, all accounts have been mapped to the fixed GFS structure. However, the GFS structure cannot be fully populated based on the SCOA (e.g., the other economic flows).

10.4. Similarities, differences, and purpose of the different frameworks

The table below illustrates the IPSAS and GFS guidelines:

	GFS	IPSAS
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Objectives	Evaluate economic impact	Evaluate financial performance and position
Reporting Entity	Institutional units and sectors. Consolidation based on industries.	Economic entity and consolidation based on control.
Recognition criteria	Economic events recognized	Past events with probable outflows recognized (past economic events, where the amount can be reliably estimated, and future outflows are probable).
Valuation (Measurement)	Current market prices	Current operational value, historic cost, and cost to fulfilment
Revaluation	Record all revaluations and changes in volume in the Statement of Other Economic Flows	Realized and unrealized gains and losses
Presentation	GFS sets out a minimum level of detail for a comprehensive list of standard line items that all entities must report in their GFS statements.	IPSASs establish a minimum set of standard line items while providing principles and guidance on further line items that a reporting entity may need to report

10.5. Distinguishing between AIA and Sale of Property and Other Property Income

In simple terms, AIA is revenue held by the revenue-generating entity to defray its budget-associated expenditures. AIA is mainly provided for in the Appropriation Act and includes the Sale of Goods and Services. For example, a hospital that raises funds through user fees may be permitted, through the legal framework, to use those funds to finance its costs. The PFM Act, however, requires that these funds be channeled through the County Revenue Fund (CRF) before being sent back to the entity, for example, the hospital in the above example.

Appropriations in Aid – or AIA – was established in the Constitution in Article 206:

- 206.** (1) There is established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the national government, except money that—
- (a) is reasonably excluded from the Fund by an Act of Parliament and payable into another public fund established for a specific purpose; or
 - (b) may, under an Act of Parliament, be retained by the State organ that received it for the purpose of defraying the expenses of the State organ.

AIA is further defined in Section 2 of the Public Finance Management Act, 2012, and Regulation 60 of the Public

Section 2: “any revenue, which a [national or county] government entity receives and is approved by Parliament for application by that entity to finance its activities”

Regulation 60 “The following shall be the basic principles in deciding whether sums shall be applied as Appropriation-in-Aid—

- (a) receipts arising directly out of expenditure on a service, the primary purpose of which is not collection of revenue (including user charges, user fees, and sale of stores) and may be Appropriated in Aid of the vote from which expenditure on the service is met;*
 - (b) Appropriations in Aid shall be applied against a vote;*
 - (c) where miscellaneous receipts are individually and collectively small, and circumstances of receipt unimportant in themselves, such receipts may be credited to Appropriations in Aid; and*
 - (d) sums due as Appropriations in Aid in the previous year shall be credited to the Appropriations in Aid head of the year in which they are actually received.*
- (2) Despite the provision under paragraph (1), the Cabinet Secretary/ County Executive Committee Member may designate any type of Appropriations in Aid as revenue in furtherance of certain [county] government policies.”*

Finance Management (National Government) Regulations, 2015.

10.5.1. Sale of Assets

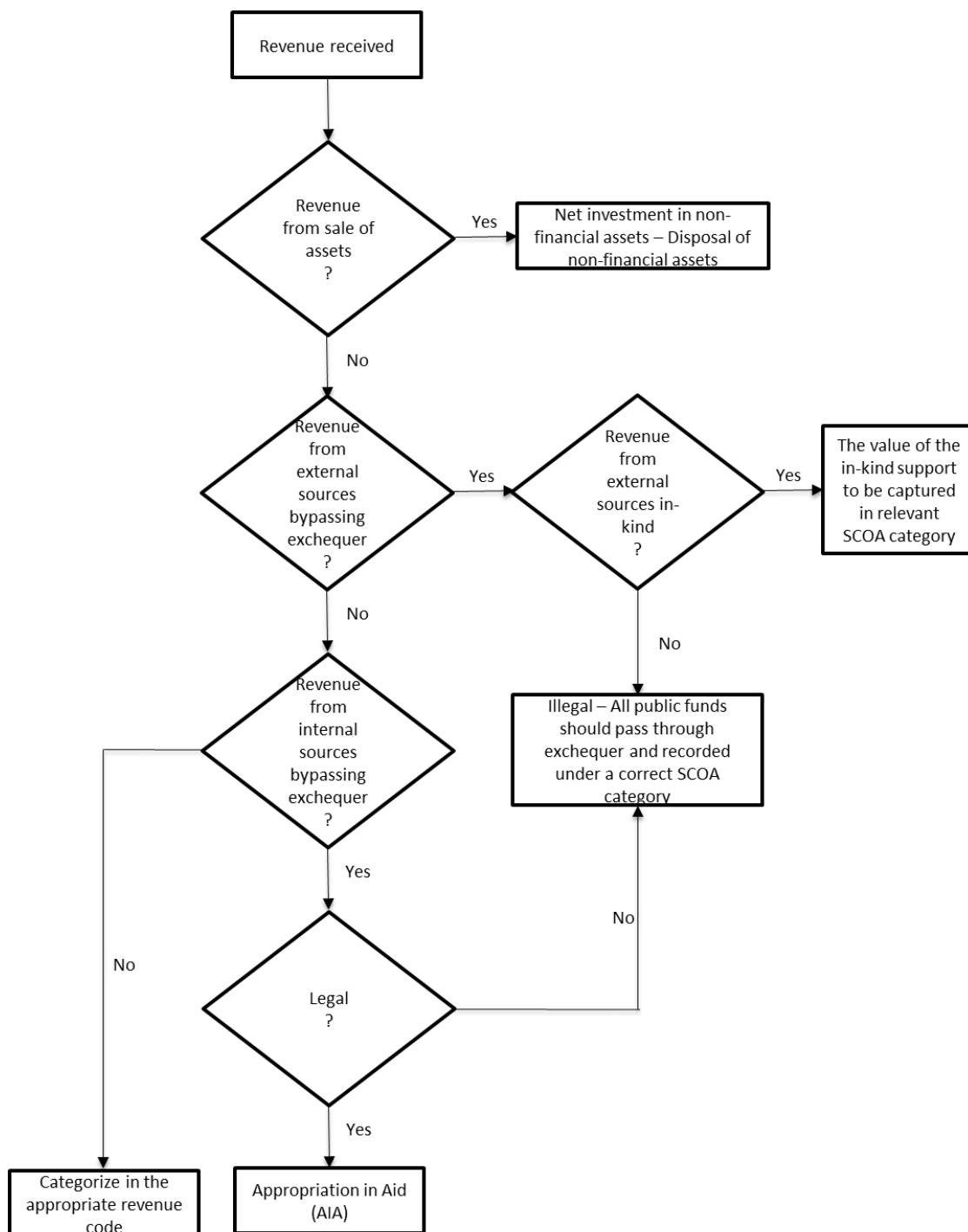
GFS introduced a new classification dedicated to net investment in non-financial assets resulting from transactions, as they are not classified as revenue or expense in the GFS 2014 framework. This classification includes consumption of fixed capital because it represents a decline in the value of fixed assets (See Figure 1). All sales of assets should therefore be classified here.

IPSAS considers a surplus or loss from the sale of an asset to be the difference between the sale price and the book value. When profits result from the sale of an asset, these profits can be categorized as revenue. Conversely, if a loss occurs, it can be classified as an expense.

The current challenge is that when some government agencies sell assets, they categorize those funds as AIA and use them to offset their costs (See Box 2 above). Funds from the Sale of Assets are not AIA and should not be treated as such.

10.5.2. Other Property Income

Like the Sale of Assets, Other Property Income is often used as AIA (See Box 2 above). This is highly irregular and should be discontinued.



10.6. Guidance

10.6.1. Category 1: Revenues

Revenue is:

Increase the entity's net financial position, excluding increases arising from ownership contributions (IPSAS Conceptual Framework, para 5.29).

IPSAS 47 clarified and refined the accounting principles and concepts to account for revenue transactions in the public sector. This standard increased transparency related to the substance of an entity's revenue transactions by introducing a more robust and objective approach to the recognition and measurement of revenue.

It requires one to identify the revenue transaction and then make a decision on whether there exists a binding arrangement or not. A binding arrangement is an arrangement that confers both rights and obligations, enforceable through legal or equivalent means, on the parties to the arrangement. Revenues with Binding Arrangement (confers both enforceable rights and enforceable obligations) are accounted for as per IFRS 15. A binding arrangement in IPSAS 47 is broader than a contract in IFRS 15 since public sector entities do enter into arrangements that are in substance the same as contracts involving third party beneficiaries but are not legal contracts.

Revenues without binding arrangement are accounted for on a cash basis. A significant volume of revenue transactions in the public sector are expected to be without binding arrangements, such as taxes. In a transaction without binding arrangements, the entity does not have both an enforceable right and an enforceable obligation, but may have an:

- Unenforceable right, and unenforceable obligation e.g. a donation, where an entity (aid organization) is not able to enforce payment from a resource provider (donor), and is not required to use the donation in a specific way;
- Enforceable right, but unenforceable obligation – e.g., income taxes, where an entity (national government) is able to enforce payment from a tax payer, but is not required to use the tax revenue to provide specific services to the tax payer;
- Unenforceable right, but enforceable obligation – e.g., an education grant, where an entity (university) is not able to enforce payment from a resource provider (national government), but is required to provide the grant to students that meet predetermined eligibility criteria.

Government revenue is received from the Receivers of Revenue and deposited in the National Exchequer Account from the following holding accounts:

- The Deposit Accounts at the Central Bank of Kenya through which domestic loan proceeds from Treasury Bonds, Treasury Bills, and commercial financing are held before deposit to the National Exchequer Account,
- The Overdraft account at the Central Bank of Kenya
- The Receivers of Revenue collection accounts at the Central Bank of Kenya,
- Special Project Accounts (externally funded) at the Central Bank of Kenya,
- E-Citizen revenue Accounts

For example, the Receivers of Revenue appointed by the Cabinet Secretary, National Treasury, and Economic Planning to receive national government revenue pursuant to Section 75 (1) of the Public Finance Management Act, 2012, for the FY 2023/2024 were as follows:

No	Code	Receiver of Revenue
1	01101	Principal Secretary to the National Treasury – Taxes
2	01102	Principal Secretary to the National Treasury – Public Debt
3	01103	Principal Secretary to the National Treasury – Pensions
4	01104	Director General - Public Investment and Portfolio Management- Dividends, Interest
5	01200	Principal Secretary/State Department for Lands and Physical Planning- Stamp duty, rent, conveyance, valuation, registration
6	02300	Chief Registrar/The Judiciary- Interest, fines, penalties, forfeiture, etc
7	01400	Principal Secretary/State Department for Internal Security and National Administration

No	Code	Receiver of Revenue
8	01900	Solicitor General, State Law Office- marriages, societies, public trustee,
9	02400	Principal Secretary/Ministry of Defence – Reimbursements
10	01800	Principal Secretary/ Blue Economy and Fisheries – Fishing rights
11	01500	Principal Secretary/ State Department for Mining
12	02500	Principal Secretary/ State Department for ASALs – agricultural produce
13	02200	Principal Secretary to the State Department for Immigration and Citizen Services – Births, IDs, Visas, passports, work permits, EAC Tourist Visa
14	02000	Business Registration Services-official receiver, company registration, business name searches

Classification

The classification of Revenues follows closely follows the requirements of IPSAS 47, Revenues with broad elements for Revenues without binding arrangements and Revenues with binding arrangements. *Presentation of Financial Statements*. The classification of Revenues without binding arrangements is as follows:

Chapter	Economic Classification of National Government Revenues Without Binding Arrangements
1100000	Tax revenues
1200000	Social Security Contributions
1300000	Grants
1400000	Exchequer Transfers
1500000	Non-tax Revenue
1600000	Other Revenue
1700000	Other Comprehensive Incomes

10.6.1.1. Tax Revenue

The approach adopted in the GFS system is to sub-classify taxes mainly by the base on which the tax is levied. Taxes are grouped into six major categories: (i) taxes on income, profits, and capital gains; (ii) taxes on payroll and workforce; (iii) taxes on property; (iv) taxes on goods and services; (v) taxes on international trade and transactions; and (vi) other taxes. There is no public sector-specific reason for IPSAS to depart from this sub-classification.

Following this principle, the classification of tax revenue is as follows:

Sub-Chapter	Economic Classification of Tax Revenue
1110000	Taxes on Income, Profits, and Capital Gains
1120000	Taxes on Payroll and Workforce
1130000	Tax on Property Income
1140000	Taxes on goods and services
1150000	Taxes on international trade and transactions
1160000	Other Taxes (not elsewhere classified)

10.6.1.1.1. Taxes on Income, Profits and Capital Gains

Taxes on income, profits, and capital gains generally are levied on (i) interest, dividends, rent, and royalty incomes; (ii) capital gains and losses, including capital gain distributions of investment funds; (iii) profits of corporations, partnerships, sole proprietorships, estates, and trusts; (iv) taxable portions of social security, pension, annuity, life insurance, and other retirement account distributions; and (v) miscellaneous other income items.

These taxes are further subdivided into individual and corporation taxes.

Following this principle, the classification of Taxes on Income, Profits, and Capital Gains is as follows:

Item	Economic Classification of Taxes on Income, Profits, and Capital Gains
1110100	Receipt of Income Tax from individuals
1110200	Income Tax from Corporations and Other Enterprises
1110300	Receipts from Withholding Tax
1110400	Exemptions on Income Tax
1110500	Income Tax Share of LATF

10.6.1.1.2. Taxes on Payroll and Workforce

This category comprises taxes collected from employees or the self-employed, either as a percentage of payroll size or as a fixed amount per person, and that are not earmarked for social security schemes.

Item	Economic Classification of Taxes on Payroll and Workforce
1120100	Payable by Individuals- PAYE

10.6.1.1.3. Tax on Property Income

This item includes taxes on the use, ownership, or transfer of wealth.

However, taxes on immovable property that are levied based on a presumed net income are recorded as taxes on income, profits, and capital gains. Also, Taxes on capital gains resulting from the sale of property are included in taxes on income, profits, and capital gains.

Following this principle, the classification of Tax on Property Income is as follows:

Item	Economic Classification of Taxes on Property Income
1130100	Recurrent Taxes on Immovable Property
1130200	Receipts from Taxes on Financial and Capital Transactions
1130300	Receipts from Other Taxes on Property
1130400	Taxes on financial and capital transactions

Recurrent taxes on immovable property

This item covers taxes levied regularly on the use or ownership of immovable property, which includes land, buildings, and other structures. The taxes can be imposed on proprietors, tenants, or both. The amount of the tax is usually a percentage of the assessed property value, based on a notional rental income, sales price, capitalized yield, or other characteristics such as size or location.

Receipts from taxes on financial and capital transactions

This item covers taxes on transfers of property at death and on gifts made during a person's lifetime. Taxes on the transfer of property at death include estate taxes, which are usually based on the size of the total estate, and inheritance taxes, which may be determined by the amount received by beneficiaries and/or their relationship to the deceased.

Receipt from other taxes on property

This item covers taxes levied regularly on net wealth, which is usually defined as the value of a wide range of movable and immovable property less liabilities incurred on that property. It includes taxes on net wealth levied to meet emergency expenditures or to affect the redistribution of wealth; taxes on property, such as betterment levies, that take account of increases in land values due to government permission to develop the land or the provision by government of additional local facilities; taxes on the revaluation of capital; and any other exceptional taxes on particular items of property. Also includes any recurrent taxes on property, such as recurrent gross taxes on personal property, jewelry, cattle, other livestock, other particular items of property, and external signs of wealth.

Taxes on financial and capital transactions

This item includes taxes on the transfer of ownership of property, except for those classified as gifts, inheritances, or estate transactions. Included are taxes on the issue, purchase, and sale of securities, taxes on checks and other forms of payment, and taxes levied on specific legal transactions, such as the validation of contracts and the sale of immovable property.

10.6.1.1.4. Taxes on goods and services

Included in this item are all taxes levied on the production, extraction, sale, transfer, leasing, or delivery of goods and rendering of services. Also included are taxes on the use of goods and on permission to use goods or perform activities. Taxes on goods and services include:

- Value-added taxes
- General sales taxes, whether levied at the manufacturer/production, wholesale, or retail level;
- Single-stage taxes and cumulative multistage taxes, where “stage” refers to the stage of production or distribution;
- Excises;
- Taxes levied on the use of motor vehicles or other goods;
- Taxes levied on permission to use goods or perform certain activities;
- Taxes on the extraction, processing, or production of minerals and other products.

Following this principle, the classification of Taxes on goods and services is as follows:

Item	Economic Classification of Taxes on goods and services
1140100	VAT on Domestic Goods and Services
1140200	VAT on Imported Goods and Services
1140300	Excise Taxes
1140400	Taxes on Specific Services
1140500	Receipts from Permission to Use the Goods or to Perform Services and Activities
1140600	Royalties
1140700	Taxes on Goods and Services Collected as AIA
1140800	Other Taxes on Goods and Services

VAT on domestic goods and services

This item includes value-added tax levied on domestically produced goods and services. It is in addition to any other taxes, such as customs and import duties, or taxes on exports. It is levied on the production, leasing, delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services.

VAT on imported goods and services

This item includes value-added tax levied on imported goods and services, in addition to any other applicable taxes, such as customs and import duties. It is levied on the delivery, sale, purchase, or other change of ownership of a wide range of goods and the rendering of a wide range of services.

Excise Taxes on wealth

Excises are taxes levied on particular products or a limited range of products that are not classifiable elsewhere under Sub-Chapter 114. Included are special taxes on individual products, such as sugar, beetroot, matches, and chocolates; taxes levied at varying rates on a specific range of goods; and taxes imposed on tobacco products, alcoholic beverages, motor fuels, and hydrocarbon oils. If a tax collected principally on imported goods also applies or would apply, under the same law, to comparable domestically produced goods, then the revenue therefrom is classified as arising from excises rather than from import duties. This principle applies even if there is no comparable domestic production or if such production is not feasible. Taxes on electricity, gas, and energy are considered taxes on goods and are classified under excises.

Taxes on specific services

One of the regulatory functions of government is to prohibit the ownership or use of certain goods or the pursuit of certain activities unless specific permission is granted, typically through the issuance of a license or other certificate, for which a fee is required. Suppose the issue of such permits involves little or no work on the part of the government, with licenses being granted automatically upon payment of the due amounts. In that case, they are likely simply a device to raise taxes, even though the government may provide a certificate or authorization in return.

Receipts from Permission to Use the Goods or to Perform Services and Activities

The category includes taxes on the use of motor vehicles or the permission to use them. It does not include taxes on motor vehicles as property or net wealth or tolls for the use of roads, bridges, and tunnels. Business and professional licenses are included in this category. Such permits can take the form of taxes on permission to conduct a business in general or a specific business or profession. General business taxes or licenses, levied in a fixed amount, on a schedule according to the type of business, or based on various indicators such as floor space, installed horsepower, capital, or shipping tonnage, would be included. It would not cover business taxes levied on gross sales, which would be classified under general taxes on goods and services.

Taxes on Goods and Services Collected as AIA

These are taxes on goods and services collected by entities directly without passing through the exchequer and used by such entities to support their activities, and which are permitted for use as Appropriation in Aid.

Other taxes on goods and services

This item includes taxes on the extraction of minerals, fossil fuels, and other exhaustible resources from deposits owned privately or by another government and any other taxes on goods or services not included in the categories above. Taxes on the extraction of exhaustible resources are typically a fixed amount per unit of quantity or weight, but can also be a percentage of the value. The taxes are recorded when the resources are extracted.

10.6.1.1.5. Taxes on International trade and transactions

This category comprises taxes levied under the customs tariff book, including import duties applied to imported goods and surcharges. This category also includes withholding taxes levied on services rendered by “non-resident”¹ Individuals or business enterprises can reverse charge VAT on those services, and demurrage charges on imported goods collected by KRA on behalf of the government. Export taxes and price adjustment taxes also fall under this category. Rebates on exported goods are treated as “negative tax” and are debited to the relevant ledger account. Airport taxes and air space navigation charges are also included in this category.

Following this principle, the classification of Taxes on International trade and transactions is as follows:

Item	Economic Classification of Taxes on International Trade and Transactions
1150100	Customs and Other Import Duties
1150200	Exports Levies
1150300	Exemptions on Customs and Other Import Duties
1150400	Other Taxes on International Trade and Transactions (IDF Fee)

Receipts from customs and other import duties

This item covers revenue from all levies collected on goods entering the country or services delivered by non-residents to residents. The levies may be imposed for revenue or protection purposes and may be determined on a specific or ad valorem basis. Still, they must be restricted by law to imported products. Included are duties levied under the customs tariff schedule and its annexes, including surtaxes based on the tariff schedule, consular fees, tonnage charges, statistical taxes, fiscal responsibilities, and surtaxes not based on the customs tariff schedule.

Export Levies

This category includes all levies based on whether goods are being transported out of the country or services are being delivered to non-residents by residents. Rebates on exported goods that are repayments of previously paid general consumption taxes, excises, or import duties are deducted from the gross amount receivable from the respective taxes, not from amounts receivable in this category.

Exemptions on Customs and Other Import Duties

This category covers exemptions granted from levies on customs and other import duties, as specified under code 1150100.

Other Taxes on International Trade and Transactions (IDF Fee)

This category covers taxes that are not specifically covered under codes 1150100 and 1150200. Included in this category is the tax charged on the import declaration.

10.6.1.2. Receipt on Social Security Contributions

Social contributions are actual or imputed receipts, either from employers on behalf of their employees or from employees, self-employed individuals, or non-employed persons on behalf of their dependents or survivors, that secure entitlement to social benefits for the contributors, their dependents, or their survivors. The contributions may be compulsory or voluntary. Social contributions are classified as social security contributions or other social contributions, depending on the type of scheme to which they are allocated.

Following this principle, the classification of Receipt on Social Security Contributions is as follows:

¹ Non-resident = in terms of taxation laws, this technically means a person who is not ordinarily resident in the country and therefore not a locally established taxpayer.

Sub-Chapter	Economic Classification of Receipt on Social Security Contributions
1210000	Receipts from Employee Social Contributions

10.6.1.2.1. Social Security Contribution

Following this principle, the classification of Employee Social Contributions is as follows:

Item	Economic Classification of Receipts from Employee Social Contribution
1210100	Affordable Housing Levy Contributions
1210200	Social Health Insurance Fund Contributions
1210300	Contributions to Social & Welfare Schemes

Affordable Housing Levy Contribution

Included in this category are the compulsory and voluntary employee contributions to the affordable housing levy, currently pegged at 1.5% of the employee's monthly gross salary. The employer adds another 1.5%. The amount is a tax-allowable expense.

Social Health Insurance Fund Contributions

Included in this category are the compulsory and voluntary employee contributions to the social health insurance fund. Employees currently contribute 2.75% of their gross salary. The amount is a tax allowable expense.

Contributions from Government. Employees for Social & Welfare Schemes

Included in this category are the voluntary employee contributions for social welfare schemes organized at the entity or government-wide level.

10.6.1.3. Grants

This item consists of all voluntary receipts from third parties. Thus, an entry should be made under this item when the government does not provide anything of similar value directly in return for the transfer from the other party, and the transfer is voluntary.

Grants are noncompulsory recurrent or development transfers received by a government unit from either another government unit or an international organization.

Grants are classified first by the type of unit paying the grant and then by whether the grant is a direct or sector budget support, as well as whether it is an institutional grant primarily supporting development projects. Other recurrent and development grants and transfers are included in this item.

Grants are recorded when all requirements and conditions for receiving them are satisfied and the receiving unit has an unconditional claim.

Grants-in-kind should be valued at their current operating value (COV). If COV prices are not available, the value should be the explicit costs of replacement that will be incurred.

Following this principle, the classification of revenue from grants and transfers is as follows:

Sub-Chapter	Economic Classification of revenue from grants
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1310000	Grants received from a foreign government
1320000	Grants received from international institutions
1330000	Grants received from other levels of government

10.6.1.3.1. Grants received from foreign government

This represents grants received from foreign governments to support national budgets or sector budgets directly or in kind.

Following this principle, the classification of grants from foreign governments is as follows:

Item	Economic Classification of grants from a foreign government
1310100	Grants from Foreign Governments. - Cash through Exchequer
1310200	Grants from Foreign Governments. - Direct Payments

Grants from foreign governments – cash through the exchequer

These are cash grants received from foreign governments through the Exchequer for onward exchequer transfers by the National Treasury.

Grants from foreign governments – direct payments

These are grants received directly by an entity from foreign governments in the form of direct payments. These are treated as Appropriations in Aid (AIA).

10.6.1.3.2. Grants received from international organizations

This represents grants received from international institutions, either to support the national budget or sector budgets directly or in kind.

Following this principle, the classification of grants from international institutions is as follows:

Item	Economic Classification of grants from international institutions
1320100	Grants from International Organizations - Cash through the Exchequer
1320200	Grants from International Organizations - Direct Payments

Grants from foreign governments – cash through the exchequer

These are cash grants received from foreign governments through the Exchequer for onward transfers by the National Treasury.

Grants from foreign governments – direct payments

These are external grants received from international organizations, which are made directly to the National Treasury or institutions on their behalf. These are treated as Appropriations in Aid (AIA).

10.6.1.3.3. Grants from other levels of government

This represents grants received by entities from other levels of government in the form of other cash and direct payments, and is further classified as follows:

Item	Economic Classification of grants from other levels of government
1330100	Grants received by the National Government from other National Government entities

1330200	Grants received by the County government from other County government entities
1330300	Grants received by the County government from a National Government entity (Conditional)
1330400	Grants received by Fund Accounts from the National Government
1330500	Grants to other National Government entities from Fund Accounts
1330600	Grants from one public entity to another public entity.

Grants received by the National Government from other National Government entities

These are grants received by central government ministries and agencies from other levels of government.

Grants received by the County government from the National government entity (conditional)

These are grants received by the County government from national government entities, as per the County Government Additional Allocation Act.

Grants received by Fund Accounts from the National Government

These are grants received by Fund accounts from the National government to finance the activities of the Fund.

Grants to and from one public entity to another public entity.

These are grants issued or received from one public entity to another public entity, with the transfer of funds to undertake specific public activities.

10.6.1.4 Exchequer Transfers

Sub-Chapter	Economic Classification Exchequer Transfers
1410000	Recurrent Grants
1420000	Deemed Income – Development Grants
1430000	Conditional Additional Allocation

Government revenue is received through designated Receivers of National Government Revenue as appointed by the Cabinet Secretary to the National Treasury, according to Article 209 of the Constitution. The Receivers of Revenue are responsible for receiving, accounting for, and remitting the revenues to the Consolidated Fund. Section 50 (6) of the PFM Act, 2012 also requires the National Treasury to remit the proceeds of any loan raised under the provisions of the PFM Act, 2012 into the Consolidated Fund. The Receivers of Revenue may appoint Collectors of Revenue (Kenya Revenue Authority, e-Citizen) to help in revenue collection and administration.

Recurrent grants

Article 221 of the Constitution requires that at least two months before the end of a financial year, the Cabinet Secretary responsible for the National Treasury shall submit to the National Assembly estimates of the revenue and expenditure for the national government. When the estimates of national government expenditure, the equitable share for county governments, and estimates for the Judiciary and Parliament have been approved by the National Assembly, the Appropriation Act, Division of Revenue Act, and County Allocation of Revenue Act are enacted. This enables the National Treasury and the Controller of the Budget to transfer funds as Recurrent grants or Development grants to National and County government public entities. The public entities receipt the same as revenue.

Deemed Income – Development Grants

The only development revenue that is recognized as revenue is that part that has been consumed.

Conditional Additional Allocation

These are additional allocations made by the national government to the county government to support crucial services.

10.6.1.5. Non-Tax Revenue – Includes Revenue with Binding Arrangements

The classification of other revenues is as follows:

Sub-Chapter	Economic Classification of Other Revenues
1510000	Property Income
1520000	Sale of goods and services
1530000	Fines, penalties, and forfeits
1540000	Gain on sale of non-financial assets
1550000	Voluntary Transfers other than Grants
1560000	Other Receipts Not Elsewhere Classified
1570000	Interest revenue (Net)

10.6.1.5.1. Property Income

Property income includes a variety of forms of revenue earned by a general government unit when it places financial and/or non-produced assets that it owns at the disposal of other units. Revenue in this category may take the form of interest, dividends, or rent.

Following this principle, the classification of property income is as follows:

Item	Economic Classification of Property Income
1510100	Interest received
1510200	Profits and dividends
1510300	Withdrawals from Income of Quasi-corporations
1510400	Rental income on land, houses, and buildings
1510500	Other Property Income collected as AIA

Interest received

This item consists of the receipts associated with ownership of interest-bearing financial instruments, such as bank deposits, loans extended to others, and bills and bonds issued by others. A financial instrument is a legal right or obligation with a monetary value, or a record of a monetary transaction.

Profits and dividends

This item consists of the receipts associated with ownership of a productive unit, typically a state-owned enterprise. Dividends come in the form of receipts from shares and the distribution of profits to the owner. Gains/losses associated with valuation changes should not be included in the amount reported here. This is relevant for other realized and unrealized gains and losses. For entities using the modified cash basis accounting, realized valuation changes should be included in the value of the asset sold, and unrealized modifications should not be recorded in the government account. However, the realized valuation change should be recorded separately under the relevant heading for entities using accrual accounting, such as trading entities.

Withdrawals from Income of Quasi-corporations

This item comprises transfers from quasi-corporations related to unconditional withdrawals by the government, excluding borrowings.

Rent on land, houses, and buildings.

This item consists of the receipts due to the ownership of land. Suppose it is not possible to distinguish receipts due to ownership of land from receipts due to ownership of fixed structures on that land (for example, a building). In that case, the whole amount should be recorded under sales of goods and services produced by the government (excluding capital assets). This item also includes all receipts due to ownership of sub-soil assets and other commercially exploitable naturally occurring *assets such as virgin forests, game, and fisheries*.

Other Property Income collected as AIA

This relates to income from property that is received directly by an entity and used in support of that entity's activities as Appropriation in Aid.

10.6.1.5.2. Sale of goods and services

This category consists of sales by government units, provided that the government has produced the good or service. It is essential to note that sales of capital assets are not included in this category, but rather under *sales of capital assets*, even if a government unit has produced them. *Sales of capital assets* are excluded from this category. (Capital assets are goods that are expected to be used during more than one reporting period and from which future economic benefits or service potential are expected to flow, but excluding assets below the capitalization threshold as provided for under the Government financial procedures manual. Expenditure above this limit should be included as capital assets. Examples of capital assets are buildings, vehicles, used machinery, and so on.)

Rental received from the ownership of buildings and fixed structures is classified as *sales of goods and services produced by the government (excluding capital assets)*, even though a sale of a building or fixed structure is recorded under *sales of capital assets*. This is because receipts from ownership of buildings imply the provision of a service in the form of the use of a building.

Following this principle, the classification of revenue from the sale of goods and services is as follows:

Item	Economic Classification of revenue from the Sale of goods and services
1520100	Sales by market establishments
1520200	Administrative fees
1520300	Administrative charges collected as AIA
1520400	Incidental Sales by Non-Market Establishments
1520500	Incidental Sales by Non-Market Establishments Collected as AIA
1520600	Receipts from the Sale of Incidental Goods

Sales by market establishments

A market establishment implies a Budget Agency that sells its goods or services at economically significant prices. The fee charged must be in line with prices in the private market. An example of a sale of a market establishment is if a government unit provides rental services by making a building or a house available to another party. Rental of floor space for vending machines and sales of farm products of farms acquired for land distribution are other examples of sales receipts belonging to this category. The provision of hospital services should also be recorded here, as well as the sale of any other goods or services at market prices. Sales of items purchased from another economic unit and then resold should also be included under this item.

Administrative fees

This item consists of receipts collected for sales of regulatory or administrative services and is sometimes referred to as license fees. In this category, the government must exercise some regulatory or administrative function. For example, it may verify the competence of the license holder or the safe functioning of the equipment used. It is essential to note that if the amount collected is not in proportion to the cost of producing the service, the item should be recorded here, not under tax receipts. (Taxes are defined above.)

Administrative fees collected are considered sales by the government. Examples are trading, games, fishing, and driver's licenses, as well as court fees, passport fees, identity document fees, and examination fees.

Administrative Charges collected as AIA

This category relates to administrative fees received within the definition of Item 14202 above, but which are received by the entity directly without passing through the exchequer and are authorized for use to fund the entity's activities.

Incidental Sales by Non-Market Establishments

This category pertains to the sale of goods and services by an entity that is sold at a price that is not determined by market forces. Generally, entities within the general government that provide chargeable goods or services offer them at prices below the market price, as their primary aim is not to generate a profit. Such sales are recorded under this category.

Incidental Sales by Non-Market Establishments Collected as AIA

This category relates to sales by non-market establishments, as defined in Item 14204 above, which are received directly by the entity without passing through the exchequer and are authorized for use to fund the entity's activities.

Receipts from the Sale of Incidental Goods

10.6.1.5.3. Fines, Penalties, and Forfeitures

This item consists of all compulsory receipts imposed by a court or quasi-judicial body. Out-of-court settlements are also included in this category. As with taxes, this item consists of compulsory transactions where the recipient government unit does not provide anything in return for these receipts.

Following this principle, the classification of revenue from fines, penalties, and forfeitures is as follows:

Item	Economic Classification of revenue from fines, penalties, and forfeitures
1530100	Fines
1530200	Penalties
1530300	Forfeitures

10.6.1.5.4. Voluntary transfers other than grants

This category includes gifts and voluntary donations from individuals, private nonprofit institutions, nongovernmental foundations, corporations, and any other source, excluding governments and international organizations.

Following this principle, the classification of voluntary transfers other than grants is as follows:

Item	Economic Classification of Voluntary Transfers Other Than Grants
1540100	Current Grants from International NGOs paid through the Exchequer.
1540200	Capital Grants from International NGOs are paid through the Exchequer.

1540300	Current Grants from International NGOs collected as AIA
1540400	Capital Grants from International NGOs collected as AIA
1540500	Other Voluntary Transfers for Current purposes
1540600	Other Voluntary Transfers for Capital purposes

Current Grants from International NGOs paid through the Exchequer.

This relates to contributions received from international organizations in support of government recurrent expenditure, such as contributions received by the government for food, blankets, and medical supplies for relief purposes, which are received through the exchequer.

Capital Grants from International NGOs are paid through the Exchequer.

This relates to contributions received from international organizations in support of government capital expenditure and received through the exchequer, such as contributions received by the government for the construction or purchase of hospitals, schools, museums, theaters, and cultural centers and gifts of land, buildings, or intangible assets such as patents and copyrights.

If it is not clear whether the transfer is current or capital, it is classified as current.

Current Grants from International NGOs collected as AIA

This relates to contributions received from international organizations in support of government recurrent expenditures, such as contributions received by the government for food, blankets, and medical supplies for relief purposes, which are received directly by a general government entity.

Capital Grants from International NGOs collected as AIA

This relates to contributions received from international organizations in support of government capital expenditure and received directly by a general government entity, such as contributions received for the construction or purchase of hospitals, schools, museums, theaters, and cultural centers and gifts of land, buildings, or intangible assets such as patents and copyrights.

If it is not clear whether the transfer is current or capital, it is classified as current.

Other Voluntary Transfers for Current purposes

This category refers to transfers received by the government to support its recurrent budget from sources other than those mentioned under Items 14401 to 14404.

Other Voluntary Transfers for Capital purposes

This category relates to transfers received by the government to support its capital expenditure budget from other sources, voluntarily, other than those mentioned under Items 14401 to 14404.

10.6.1.5.5. Other receipts not elsewhere classified

The classification of other receipts not elsewhere classified is as follows:

Item	Economic Classification of other receipts not elsewhere classified.
1550100	Paid to Exchequer
1550200	Receipts Not Classified Elsewhere

Paid to Exchequer

Included in this category are revenues received directly into the agency bank accounts, for which the source and revenue type could not be established. These items may be reclassified to an appropriate category once adequate details necessary for reclassification of the revenues are available within the financial year.

Receipts Not Classified Elsewhere

This Chapter includes revenues that do not fit into any other category. Items that might appear here are insurance payments received for damage to government property other than payments from a judicial process, and any revenues for which adequate information is not available to permit their classification elsewhere. Receipts under this category typically relate to extraordinary expenses of a one-time nature. Sales of used military equipment should be recorded under this Miscellaneous Item, as these are not capital in nature. Note that purchases of military equipment are recorded under goods and services and not under the acquisition of fixed assets. On the contrary, the purchase of police equipment should be recorded under the acquisition of fixed assets.

10.6.1.6. Other revenue

The classification of other revenue is as follows:

Sub-Chapter	Economic Classification of Other Revenue
1610000	Dividends
1620000	Donations
1630000	Net gains/(losses) on financial instruments
1640000	Sale of Royalties
1650000	Concession in Leases
1660000	Extraordinary items

Dividends

Dividend revenue from investments is recognized when the government's rights as a shareholder to receive payment have been established.

10.6.1.7. Other Comprehensive Incomes

The classification of other revenue is as follows:

Sub-Chapter	Economic Classification of Other Comprehensive Incomes
1710000	Revaluation of Pension Plans
1720000	Revaluation of Physical Assets
1730000	Gains on foreign currency translations
1740000	Other movements

COUNTY OWN SOURCE REVENUE

County-own source revenues have been classified as per the powers and functions of County Governments contained in the fourth schedule of the Kenya Constitution.

Sub-Chapter: County Own Source Revenue

Item	Economic Classification of County Own Source Revenue
1581000	County Taxes (Revenue) and Agricultural Services -Cess
1582000	County Health Services
1583000	Outdoor Advertising, Trade development & regulation
1584000	Public entertainment & Public Amenities
1585000	Other County Own Source Revenue

Sub-Item	Economic Classification of County Taxes (Revenue) and Agricultural Services-Cess
1581001	Taxes on Immovable Property
1581002	Stand premium on Town plots.
1581003	Plot rates – Local Authority taxes
1581004	Tax on property transfer and sales
1581005	Taxes on specific county-related services
1581006	Betting tax
1581007	Casino tax
1581008	Entertainment Tax
1581009	Penalty and interest on county taxes
1581010	License Fees
1581011	Surcharge Fees
1581012	Agency fees
1581013	Lottery permit fee
1581014	Other Administrative Fees – Revenue
1581015	Other Administrative Charges – A in A
1581016	Game Park fees
1581017	Single Business Licenses
1581018	Parking fee
1581019	Market fee
1581020	Fines, penalties, forfeitures, and other charges
1581021	Land rates
1581022	Land rates penalties
1581023	Land rates interest
1581024	Land valuation fees
1581025	Land registration fees
1581026	Land search fees
1581027	Land boundary dispute fees
1581028	Land adjudication and case fees

1581029	Plot application fee
1581030	Plot transfer fee
1581031	Plot subdivision fee
1581032	Document search fee
1581033	Consent to charge fee/Property certification fee (Use as Collateral)
1581034	Technical services fees/ Physical planning & development
1581035	Beacon search pointing fees
1581036	Survey fee
1581037	Sale of county planning documents
1581038	Occupational permits/Certificate fee
1581039	Enforcement/Demolition charges
1581040	Architectural designs by county officers
1581041	Hoarding fees
1581042	Land amalgamation fee
1581043	Other property charges
1581044	Construction site board fee
1581045	Building plan preparation fee
1581046	Building plan approval fee
1581047	Building inspection fee
1581048	Renovation permit fee
1581049	Poll rates
1581050	Poll rates penalties
1581051	Poll rates interest
1581052	Other local levies
1581053	Hotel Levy
1581054	Miscellaneous fees & charges
1581055	Administrative services fees
1581056	Refuse collection fee
1581057	Dumpsite fees/Tipping charges
1581058	Garbage collection fees
1581059	Public cemetery fees
1581060	Disposal of carcasses fee
1581061	Noise control fee
1581062	Annual waste collection permit
1581063	Recycling/Incinerator permit
1581064	Waste policy management fines

1581065	Solid Waste Management Fee
1581066	Dog licenses
1581067	Slaughtering fee
1581068	Hides & Skins administration fee
1581069	Manure sale fee
1581070	Agricultural Cess
1581071	Tea Cess
1581072	Coffee Cess
1581073	Rice Cess
1581074	Wheat & Maize Cess
1581075	Sugarcane Cess
1581076	Potatoes Cess
1581077	Milk Cess
1581078	Fish Cess
1581079	Sand Cess
1581080	Miraa/Muguka Cess
1581081	Fruits & Vegetables/Produce Cess
1581082	Pyrethrum Cess
1581083	Wattle Bark Cess
1581084	Log Cess
1581085	Charcoal Cess
1581086	Water Cess
1581087	Livestock Cess
1581088	Pozzolana Cess
1581089	Manure Cess
1581090	Poultry Cess
1581091	Ballast Cess
1581092	Other Cess
1581093	Forest receipts
1581094	Receipts from the sale of agricultural goods
1581095	Weighbridge charges
1581096	Produce inspection fees

Sub-Item	Economic Classification of County Health Services
1582001	Public health & sanitation services fees
1582002	Malaria prevention services fees

1582003	Inoculation fee
1582004	Rodent/Pest control/Fumigation fees
1582005	Mortuary fees
1582006	Research and attachment fees
1582007	Meat inspection fees
1582008	Food quality inspection
1582009	Food preparation premises hygiene services fees
1582010	Health clearance fees
1582011	Sanitary inspection fees
1582012	Medical certificate fees
1582013	General hospital fees
1582014	Public health facilities' operations fees
1582015	Health center service fees
1582016	Maternity services fees
1582017	Laboratory service fees
1582018	Public health license
1582019	Slaughterhouse inspection
1582020	Ambulance services
1582021	Public cemetery
1582022	Public toilets
1582023	Burial fees
1582024	Hearse services fee
1582025	Other health & sanitation charges

Sub-Item	Economic Classification of County Outdoor Advertisement, Trade & Development
1583001	Receipt from permission to use goods or perform a service
1583002	Liquor license
1583003	Licenses under the Stage Plays and Cinema Act
1583004	Receipts from the use of goods & services
1583005	Timber royalties
1583006	Royalties on fuel wood
1583007	Royalty on carbon dioxide gas
1583008	Royalties on mineral extraction
1583009	Royalty on oil exploration
1583010	Royalties on oil exploration training fees
1583011	Royalties on Geothermal Development

1583012	Receipts from royalties – other
1583013	Mining royalties
1583014	Magadi soda royalty
1583015	Base Titanium royalty
1583016	Sales of goods and services
1583017	Sales of market establishment
1583018	Administrative fees
1583019	Slaughterhouse, Stage fees
1583020	Business permits
1583021	Business permits late payment penalties.
1583022	Business permit application fees
1583023	Local levies
1583024	Hotel levies
1583025	Engineering works levy
1583026	Business subletting/transfer fees
1583027	Isolation fees (Surcharge on business permit)
1583028	Agency fees
1583029	Weights & measures fees
1583030	Advertising fees
1583031	Various fees
1583032	Ambulant hawkers' licenses
1583033	Court fines
1583034	Impounding charges
1583035	Sales of county laws
1583036	Tender documents sale
1583037	Natural resources exploitation fees
1583038	Sand fee
1583039	Quarry extraction fees
1583040	Clinker extraction fees
1583041	Garbage dumping fees
1583042	Game and Nature Park fees
1583043	Sale of County assets
1583044	Sale of old vehicles
1583045	Sale of plant & machinery
1583046	Sale of buildings
1583047	Sale of incidental assets

1583048	Sale of biological assets
1583049	Market/Trade Centre & vehicle parking fees
1583050	Market entrance/ gate fees
1583051	Market plot rent
1583052	Market shops rent
1583053	Market kiosks rent
1583054	Market stall rent
1583055	Market shelter rent
1583056	Incidental sales from non-market establishments - Revenue
1583057	Incidental sales from non-market establishments – A in A
1583058	Sales from incidental goods
1583059	Vehicle parking fees
1583060	Bus Park fee
1583061	Seasonal parking fees
1583062	Other vehicles' parking fees
1583063	Street parking fees
1583064	Clamping fees
1583065	Towing fees
1583066	Storage fees
1583067	Transit toll charges
1583068	Right of Way/Way-leave fee
1583069	Removal and Storage Charges
1583070	Street light pole advertisement fee
1583071	Road cuttings & reinstatements
1583072	Street pavement encroachment fine
1583073	Sign boards & Advertisement fee
1583074	Clamp tampering fee
1583075	Motorcycle sticker
1583076	Loading zone fees
1583077	Parking bay hire
1583078	School fees
1583079	Nursery school fees
1583080	Training & Learning Center fees
1583081	Vocational/Training School fees
1583082	Other education-related fees
1583083	Library services fee

1583084	Education sponsorship fee
1583085	Children's alimentation fee (porridge fee)
1583086	Registration fees – learning institution
1583087	Other education revenues
1583088	Examination & Tuition Fees
1583089	Educational visits fees
1583090	Course fees and hostel charges

Sub-Item	Economic Classification of Public Entertainment & Public Amenities
1584001	Rents on land
1584002	Rent on County office & commercial buildings
1584003	Rent on County Houses
1584004	Ground/Plot Rent
1584005	Booths/Stand Rent
1584006	Temporary occupational license
1584007	Other property income (Revenue)
1584008	Other property income (A in A)
1584009	Other land revenue
1584010	Lease/Rental of County infrastructure assets
1584011	Lease of water distribution network
1584012	Lease of Sewerage collection/treatment facility
1584013	Chamber hire
1584014	County premises occasionally hire
1584015	County vehicle hires
1584016	Social premises use hire.
1584017	Social Hall hire
1584018	Stadium hire
1584019	Stadium entrance fee
1584020	County property damages/eviction fee
1584021	Water connection fee
1584022	Industrial water connection charge
1584023	Metered water charge/rates
1584024	Meter rent
1584025	Meter sales
1584026	Meter cleaning services

1584027	Reconnection fees
1584028	Connection separation charges
1584029	Penalties for illegal connection
1584030	Water Kiosk sales
1584031	Sewerage connection fee
1584032	Sewerage connection charge
1584033	Exhauster Services charge
1584034	Receipts from solid waste management
1584035	Firefighting services
1584036	Fire special services
1584037	Boating fees/Lease
1584038	Storage charges

Sub-Item	Economic Classification of Other County Own Source Revenue
1585001	Receipts from Health Insurance
1585002	Funds received from the national government Fund's
1585003	Property Income
1585004	Dividends and Profits – Public Financial Enterprises
1585005	Dividends and Profits – Public Non-Financial Enterprises
1585006	Dividends and Profits – Other
1585007	Sales of Tender Documents
1585008	Refund from Insurance Providers
1585009	Other local levies
1585010	Insurance claims recovery
1585011	Donations
1585012	Fundraising events
1585013	Other miscellaneous revenue

10.6.2. Parent 2: Expenditure

Expense is:

Decrease in the net financial position of the entity, other than decreases arising from ownership contributions (IPSAS Conceptual Framework para 5.30).

Governments are under growing pressure to manage their funds effectively and show that their management has been effective. Article 201 of the Kenya Constitution 2010 states that the following principles shall guide all aspects of public finance in the Republic –

- a) there shall be openness and accountability, including public participation in financial matters;
- b) the public finance system shall promote an equitable society, and in particular-

- i. the burden of taxation shall be shared fairly;
- ii. revenue raised nationally shall be shared equitably among national and county governments; and
- iii. **expenditure** shall promote the equitable development of the country, including by making provision for marginalized groups and areas;
- c) the burden and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;
- d) public money shall be used in a prudent and responsible way; and
- e) financial management shall be responsible, and fiscal reporting shall be clear.

To achieve this, the government needs complete information about its expenses and expenditures to assess its revenue requirements, the sustainability of its programs, and flexibility.

The term expenditure is differentiated from the term disbursements/transfer payments. Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets/equity, other than those relating to distributions to owners. A public entity will incur disbursements, expenditures, and expenses. The accrual basis of accounting influences the definitions adopted and determines the recognition criteria for transactions or events included in a public entity's financial statements.

Materiality and Aggregation

The analysis of expenses in the statement of financial performance may be given by nature or function. Public entities in Kenya are required to present their financial statements in a standardized format. The National Treasury will determine materiality and aggregation/disaggregation as needed. Items that are material by virtue of their size but which have the exact nature may be aggregated. Immaterial amounts should be aggregated with amounts of a similar nature or function and need not be presented separately.

Economic Classification of Expenditures

The classification of Expenditures follows closely the requirements of IPSAS 1, *Presentation of Financial Statements*. The Economic Classification of Expenditure is as follows:

Chapter	Economic Classification of Expenditure
2100000	Compensation of employees
2200000	Use of goods and services
2300000	Transfer expenses & subsidies
2400000	Other operating expenses
2500000	Depreciation
2600000	Finance costs
2700000	Minority interest

10.6.2.1. Compensation of employees

Government units need to distinguish between the two components of gross remuneration: salaries and social contributions.

Salaries are paid to employees in the current accounting period, but the social contribution is paid into a pension fund on their behalf. Thus, salaries affect the disposable income immediately available to households, whereas social contributions are not available until a later period. Therefore, the economic effects of the two transactions are different.

Employee entitlements to salaries and wages, annual leave, extended service leave, retiring leave, and other similar benefits are recognized as expenditures when they accrue to employees. Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for long-term employee entitlements is reported as the present value of the estimated future cash outflows.

Termination expenses are recognized only when there is a demonstrable commitment to either terminate employment before the expected retirement date or as the expense arises as a result of an offer to encourage voluntary redundancy. Termination expenses settled within 12 months are reported at the amount expected to be paid; otherwise, they are reported as the present value of the expected future cash outflows.

Sub-Chapter	Economic Classification for Compensation of Employees
2110000	Salaries and Wages -
2120000	Social Contributions
2130000	Pensions- Defined benefit plans
2140000	Pensions- Defined contribution plans
2150000	Other employee entitlements

10.6.2.1.1. Salary and Wages

This item includes all payments of salaries to all government-salaried employees except social contributions. The item, salaries include:

- Salaries payable at regular weekly, monthly, or other intervals. This includes payments by results and piecework payments, as well as enhanced payments or special allowances for working overtime, at night, at weekends, or in other unusual hours. It also encompasses allowances for working away from home or in disagreeable or hazardous conditions, as well as expatriation allowances for working abroad. Remuneration to staff members employed on a contractual basis and who are not on the government payroll is included under **Item Code 2110200**.
- Supplementary allowances payable regularly, such as housing allowances or allowances to cover the costs of travel to and from work.
- Salaries payable to employees who are away from work for short periods, for example, holiday leave
- Ad hoc bonuses or other exceptional payments made, for example, under incentive schemes
- Salaries payable to government employees engaged in a current or capital project, for example, building a new road.

The item salaries do not include:

- Reimbursements of payments incurred by employees on tools, equipment, uniforms, and other items that are needed to enable them to carry out their work. For example, uniforms provided to police officers do not fall under the *category of employee compensation, but rather under the category of goods and services*. Similarly, allowances to employees to purchase items such as uniforms, which will be used primarily at work, are classified as *goods and services*.
- Payments for travel and subsistence while on government duty away from the duty station. These are classified under goods and services depending on how the travel and substance were utilized.
- Purchases of services provided by people who are not government employees, for example, consultants, architects, and occasional workers. These are classified under goods and services.
- Social benefits to former employees. Retirement and medical payments to retired employees and their families do not constitute compensation for work but are unrequited transactions.

It is essential to note that only the remuneration of employees should be included under the item 'Compensation of Employees'. In practice, this typically means payments from the government's payroll systems. Payments to people who are not employees constitute purchases of services and are recorded under *goods and services*. Examples of such individuals include consultants, architects, engineers, and occasional workers who are not on the government's payroll.

The following is the classification of salaries and wages:

Item	Economic Classification of Salaries and Wages
2110100	Basic Salaries - Permanent Employees
2110200	Basic Wages - Temporary Employees
2110300	Personal Allowances are paid as part of the salary.
2110400	Personal Allowances paid as reimbursements
2110500	Personal Allowances provided in kind

10.6.2.1.2. Social contributions

This item is the second component of the broad payment category, *compensation of employees*. The item includes the government's contribution (but not the employees' contribution) to social insurance schemes paid on behalf of current employees. These social insurance schemes include social security funds, unemployment insurance funds, pension and provident funds, as well as medical aid schemes. *Social contributions* are typically made on behalf of current employees, but can also be paid on behalf of former employees.

The classification of social contributions is as follows:

Item	Economic Classification of Social Contributions
2120100	Employer Contributions to Compulsory National Social Security Schemes
2130200	Employer Contributions to Compulsory Health Insurance Schemes
2130300	Employer Contributions to Social Benefit Schemes Outside Government

- **Compulsory National Social Security Schemes:** This category consists of contributions payable to social security schemes as part of the government's contribution to the employee's compulsory contribution to the government-approved social security funds, such as the National Social Security Fund and Local Government Security Fund. The National Social Security Fund Act provides that the pension contribution for each employee is at the rate of twelve percent (12%) of the employee's salary, made up of two equal portions of six percent (6%) from the employee and six percent (6%) from the employer subject to an upper limit of Kshs 2160.
- **Compulsory Health Insurance Schemes:** This category consists of contributions (if any) payable to health insurance schemes as part of the government's contribution to the employee's compulsory contribution to the government-approved health insurance schemes, such as the National Hospital Insurance Fund.
- **Employer Contributions to Social Benefit Schemes outside Government:** This category comprises contributions made to social benefit schemes as part of the government's contribution to the employee's private social security funds.

10.6.2.2. Use of Goods and Services

This item includes expenditures for all goods and services to be used by a government unit, excluding purchases of capital assets.² Purchases of capital assets fall under Category 3: Investment in assets.

All goods to be used by a government unit other than capital assets are included under this category.

The items, *goods*, and *services* include the following:

² (Capital assets are goods that are expected to be used during more than one reporting period and from which future economic benefits or service potential are expected to flow, but excluding assets below the capitalization threshold. The capitalization threshold as provided for under the Government financial procedures manual is Kshs 100,000. Expenditure above this limit should be included as capital assets. Examples of capital assets are buildings, vehicles, used machinery, and so on.).

Goods to be included in *goods and services* are, for example, petrol, coal, small tools and equipment, stationery, foodstuffs, and electricity. In addition, goods purchased for resale fall under this category, such as postcards to be resold by government-owned museums. Examples of services to be included are hostels, canteens, transportation, communication, banking, business services, consultants' fees, market research, staff training, as well as the rental of buildings, other fixed structures, equipment, and vehicles.

Consultants' fees comprise the payments to experts engaged for a specific period to complete a given set of tasks. This includes costs, such as those incurred by individuals contracted to write a policy document, as well as other similar expenses.

The items, *goods, and services* also include:

- Reimbursements of payments incurred by employees on tools, equipment, uniforms, and other items that are needed to enable them to carry out their work. Uniform allowances are also included here if the employee is required to use it to purchase a uniform that will be used at work.
- Reimbursement of payments incurred by employees when they take up new jobs or are required by their employers to move their homes, for example, payments for travel and moving.
- Payments for travel and subsistence while on government duty away from the duty station. Daily subsistence and out-of-town allowances fall under this category.
- Bursaries and other direct support are paid to employees to study at universities or other tertiary institutions. For a payment to be classified as a bursary, it must comply with all the conditions and objectives outlined in the department's bursary policy. Additionally, all conditions outlined in the contract with the bursary holder must have been met. Direct support includes fees, textbooks, and accommodation at the university residence. An employee bursary is classified as *a good or service because the budget agency will ultimately benefit from the increased knowledge gained by the employee.*
- Subscription fees to international organizations if the payment is in proportion to the benefit and the purpose is to obtain something in return. If the payer receives something in return for the fee, for example, gains access to a network or obtains information in exchange for subscribing to the international organization, the transaction should be classified as a good or service, provided that the cost is in proportion to the benefit. Suppose the purpose is to support the organization, or the cost of subscribing far exceeds the benefit. In that case, the transaction should be classified as *a transfer to foreign governments and international organizations.*

The classification of the use of goods and services is as follows:

Sub-Chapter	Economic Classification of Use of goods and services
2210000	General goods & services
2220000	Routine Maintenance
2230000	Amortization and net impairment of non-financial assets
2240000	Impairment of financial assets
2250000	Cost of concessionary lending
2260000	Audit fees

10.6.2.2.1. *General goods and services*

Includes the following:

Item	Economic Classification of general goods and services
2210100	Utilities, Supplies, and Services
2210200	Communication
2210300	Domestic Travel Subsistence and Other Transportation Costs
2210400	Foreign Travel Subsistence and other transportation costs

2210500	Printing, Advertising, and Information Supplies and Services
2210600	Rentals/Leasing of Produced Assets
2210700	Training Costs
2210800	Hospitality supplies and services
2210900	Insurance costs
2211000	Specialized materials and supplies
2211100	Office and general supplies and services
2211200	Fuel oil and lubricants
2211300	Bank charges
2211400	Professional services and consultancies

Utilities, supplies, and services

This account will include the cost of metered Water, utilized other than for bottled drinking water (which will be treated as a beverage), and the cost of energy services, which will encompass electricity, firewood, charcoal, fuels, gas, etc.

Communication

This account shall be charged with the cost of telephones, whether fixed or Mobile lines, telegraphs, or Faxes. Included here, too, shall be the cost of equipment, if in the form of cables. Large switchboards shall not be included here. These shall be included under the acquisition of assets: 2314 ICT (Equipment, Software, and Other ICT Assets).

This account shall also be charged with the costs of postage, stamped envelopes, postal registry, and money order fees, as well as postage meter impressions and parcels delivered by post or courier, under the ICT program, including recurrent costs for information and communications technology, Internet, Email, and LAN maintenance.

Domestic Travel Subsistence and other transportation costs

This account shall be charged with expenses related to in-country official travel, including per diem, transportation (bus and taxi fares or fuel), accommodation, and other related costs. Additionally, this account shall be charged with expenses related to overseas travel, including per diem, air tickets, local transportation, accommodation, meals, and warm clothing.

This account will also be charged with the costs of freight, haulage & clearing of goods and supplies procured by government units to their place of work. Included herewith will be the cost of vehicle hire for persons and/or goods.

This account shall also be charged with the cost of gasoline, petrol, diesel, grease, Oil, etc., if these costs are incurred while in a travel status.

Foreign Travel Subsistence and other transportation costs

This account shall be charged with expenses related to out-of-country official travel, including per diem, transportation (bus and taxi fares or fuel), accommodation, and other related costs. Additionally, this account shall be charged with expenses associated with overseas travel, such as per diem, air tickets, local transportation, accommodation, meals, and warm clothing.

Printing, Advertising, and Information Supplies and Services

Radio/TV/Newspaper/Newsletters/ etc. advertisements designed to promote a unit or a particular program being undertaken by the unit (for sensitization purposes), provided such program does not have its own budget. Advertisement expenses relating to recruitment shall be charged to this account.

Rental/Leasing of produces assets.

This account is to be used to record Rent for produced assets received from Government units, including buildings (such as barracks and dormitories), Plant, Equipment, Machinery, etc. Charged here too, real estate taxes paid on leased premises as part of the lease agreement, and commissions paid to real estate agents for negotiating leases and subletting rented property.

Training costs

This account shall be used whenever a distinct course is identified or routine meetings occur, and the costs included shall be those related to specialized training programs, whether on a group or individual basis, including the cost of materials and related educational materials, travel expenses, etc.

This account shall also be charged with costs incurred at Workshops and/or Seminars. The costs included will be those incurred as a direct result of such workshops and seminars, including the hire of a venue, projectors, LCDs, transport for participants, banquets, and meals. The Workshops/Seminars can range from Sensitization Sessions to instructional meetings, both internal and external.

Hospitality supplies and services

This account shall be charged with the cost of consumable medical services and goods associated with health and hygiene, such as medication, laundry costs, etc.

This account shall also be charged with expenses related to the provision of official entertainment, whether within the country or abroad. Official entertainment can range from a simple provision of soft drinks to large international banquets, provided that they are given in their own right, i.e., not under an item with its budget line.

Expenses related to the purchase of clothing and uniforms necessary for employees to perform their duties should be charged to this account. This should also include uniform allowances or reimbursement paid to employees if they are required to use it to purchase a uniform that will be worn at work.

Insurance Cost

This account shall be debited with Insurance premium payments for Property, Vehicles, Equipment, Plant, aircraft, boats, etc. Included here, too, will be premiums paid for insurance against fidelity, burglary, cash shortages, and other similar risks.

Specialized materials and supplies

Charges to this account include costs directly associated with the provision of security by the state security organs. This shall consist of the procurement of weapons: e.g., bullets, rockets, missiles, and related warheads, etc. It shall not be charged with the salaries, uniforms, and other recurrent items paid in respect of servicemen. Also excluded from here are weapons or armored vehicles acquired by police and internal security organizations, which are treated as acquisitions of fixed assets.

Charges to this account also include payments for the security and guarding of government units' properties (whether empty or occupied), installations, and equipment.

This account is also to be charged with the cost of consumable veterinary drugs and agricultural supplies (including laboratory supplies) provided to the final user by departments responsible for buying, stocking, selling, or distributing them. Note that costs incurred to acquire these drugs and agricultural supplies in bulk for future use are not debited to this account but rather debited to inventories. It is when these drugs and supplies are issued to the final users that this account will be debited and inventories credited.

This account is also to be charged with a general supply of goods and services, including sanitary, foodstuffs, etc. This account should be debited when goods are acquired for immediate use by the final user. Still, if they are acquired in bulk for future use, then they should initially be debited to the inventory account, and when issued from the stock to the final user, the inventory account will be credited, and this account will be debited.

Office and general supplies and services

Expenses charged under this account shall be supplies used as record books, binders, forms, printing and printing supplies, letterheads, envelopes, paper (writing, photocopying, duplicating, etc.), business cards, inks, pens, pencils, typewriters and adding machine ribbons, rubber stamps, staples, office pins, markers, etc. Also included here will be

the cost of document production and binding into hard copies. Charges under this account shall also be subscriptions or payments for Periodicals, newspapers, and books supplied on a periodical and regular basis.

Fuel Oil and Lubricants

Included in this category are the costs of refined fuel and lubricants for transportation and production, as well as other fuels such as wood, charcoal, and cooking gas.

10.6.2.2.2. Routine Maintenance

This includes the following:

Item	Economic Classification of Routine Maintenance
2220100	Routine Maintenance -Property, plant & equipment
2220200	Routine Maintenance -Road Infrastructure
2220300	Routine Maintenance -Electricity Infrastructure
2220400	Routine Maintenance – Heritage assets
2220500	Routine Maintenance - Buildings
2220600	Routine Maintenance – Leased Assets
2220700	Routine Maintenance – Public-Private Partnership
2220800	Routine Maintenance and Repairs - Other Assets

Routine Maintenance – Property, plant, and equipment

This account should also be charged for maintenance of vehicles, ICT equipment, furniture (Including cycles), repairs (e.g., Garage services), etc.

Maintenance and repairs

This account includes the cost of materials, supplies, and parts used in the repair, minor rehabilitation, or restoration of infrastructure, such as buildings, Grounds, Roads, Bridges, etc. Additionally, it covers expenses for repairs and maintenance of equipment and machinery, as well as furniture and fixtures.

The cost associated with purchasing spare parts for vehicles, machinery, and equipment should be charged here. Such costs include vehicle tires, brake parts, electrical coils, and other related components.

Under this account shall be included small equipment, which, although not consumables, cannot be classified as fixed assets. Examples include small calculators, stapling machines, pen holders, punches, paper trays, pin and staple holders, and more.

Under this account shall be included small tools and equipment used in production that cannot be classified as fixed assets. Examples include items such as spanners, pliers, and test tubes.

10.6.2.2.3. Amortization and net impairment of non-financial assets

This includes the following:

Item	Economic Classification of Amortization & Net Impairment
2230100	Amortizations
2230200	Net Impairment of non-financial assets

This account shall be associated with holding/translation losses/(gains) arising from variations in exchange rates for transactions denominated in foreign currencies. The gains arising from exchange rate variations should be credited to this account, whereas the losses should be debited to the same account.

10.6.2.3. Transfer Expense & Subsidies

IPSAS 48, *Transfer Expenses*, defines a transfer expense as an expense arising from a transaction, other than taxes, in which an entity provides a good, service, or other assets to another entity, without directly receiving any good, service, or other asset in return. IPSAS 48, *Transfer Expenses*, provides two accounting models based on the existence of a binding arrangement. The accounting treatment for transfer expenses is determined by whether the transaction results in an enforceable right for the transfer recipient to satisfy their obligation.

Most transactions in the public sector in Kenya involve transfer expenses arising from transactions without a binding arrangement. The public entity would first need to consider whether it has a constructive or legal obligation (such as the Appropriation Act, a Relevant Act, or a contract) related to the transaction. If so, the public entity recognizes an expense and a provision under IPSAS 19, *Provisions, Contingent Liabilities, and Contingent Assets*. The subsequent transfer of resources to the transfer recipient settles the provision.

Sub-Chapter	Economic Classification of Transfer Expenses & Subsidies
2310000	Exchequer transfers
2320000	Social support transfers (Inua Jamii)
2330000	Grants and Other Transfers to International Organizations
2340000	Other Transfers and Contingencies Relief
2350000	Subsidies to Public Corporations
2360000	Subsidies to Private Enterprises

10.6.2.3.1. Exchequer Transfers

Article 206 (1) of the Constitution of Kenya established the Consolidated Fund into which shall be paid all money raised or received by or on behalf of the National Government except money that:

- is reasonably excluded from the Fund by an Act of Parliament and payable to another public fund established for a specific purpose.
- may, under an Act of Parliament, be retained by the State organ that received it to defray the expenses of the State organ. Such includes Appropriation in Aid (AIA).

The National Treasury prepared and submitted to the National Assembly for approval “Estimates of Revenue, Grants, and Loans of the Government of Kenya for the year ending 30th June 2024”. Revenues raised are then deposited in the National Exchequer Account.

Section 17 of the Public Finance Management Act, 2012 mandates the National Treasury to account for the Consolidated Fund in the National Exchequer Account at the Central Bank of Kenya. The Consolidated Fund receives the proceeds of taxation (income tax, value-added tax, customs duties, excise tax), tax-type revenues such as fines, penalties, fees, license fees, dividends, visa fees, and certain other government receipts, as well as all loans and grants raised by the National Government.

Further, Article 206 (2) of the Constitution of Kenya stipulates that money may be withdrawn from the Consolidated Fund only:

- in accordance with an appropriation by an Act of Parliament;
- in accordance with Article 222 or 223; or
- as a charge against the Fund as authorized by the Constitution or an Act of Parliament.

Furthermore, Section 17(4) of the Public Finance Management Act, 2012, requires the National Treasury to seek approval from the Controller of Budget for any withdrawal from the Consolidated Fund. The entities that received funds from the Consolidated Fund include National Government Ministries, Departments, and Agencies, as well as county governments. These entities are responsible for the administration of their respective budgets.

Therefore, payments from the Consolidated Fund are transfers issued to government departments to finance their net expenditures. Parliament votes on the necessary financial provisions typically through the “Estimates of Recurrent/Development Expenditure for the year” process, which confers formal statutory authority through the Appropriation Acts that follow. Sometimes, there is a need for an additional allocation of expenditure, and a Supplementary Estimates is voted.

Item	Economic Classification of Exchequer Transfers
2310100	Transfers to MDAs - Recurrent
2310200	Transfers to MDAs -Development
2310300	Transfers to County Governments -CRF
2310400	Transfers to Consolidated Fund Services

10.6.2.3.2 Social Support Transfers

The goal of social protection is to ensure that all Kenyans live in dignity and can fully utilize their human capabilities for their own social and economic well-being. As part of the government’s initiatives to improve and enhance social protection, much focus and attention have been placed on the cash transfer social assistance programs through the establishment of the National Safety Net Program (NSNP).

Item	Economic Classification of Social Support Transfers
2320100	Inua Jamii social support program
2320200	Other social support programs

10.6.2.3.2. Grants to International organizations

This item includes grants provided to international organizations. If the payment is in proportion to the benefit and the purpose is to obtain something in return, such as information or access to a network, the transaction should be classified as a goods and services transaction.

The following is the classification of grants to international organizations:

Item	Economic Classification of grants to international organizations
2330100	Membership Fees and Dues
2330200	Subscription to International bodies

10.6.2.3.3. Other transfers and emergency reliefs

Following is the classification of Transfers to other Ministries, Departments, and Agencies:

Item	Economic Classification of Transfers to Other Ministries, Departments, and Agencies
2640100	Scholarships and Other Educational Benefits
2640200	Emergency Relief and Refugee Assistance
2640300	Grants to Small Businesses, Cooperatives, and Self-Employed
2640400	Other Current Transfers, Grants, and Subsidies
2640500	Other Capital Grants and Transfers

10.6.2.3.3 Subsidies to Public Corporations

For a country to realize its full economic potential, education is paramount. A population with the ability to read and write is crucial for economic growth. In Kenya, free primary education was introduced in 1963; however, it was not until 2003 that the Free Primary Education program was fully implemented.

The government launched the Free Day Secondary Education program, aimed at reducing financial barriers to secondary education and ensuring a hundred percent transition from primary education. This initiative subsidizes school fees and provides essential study materials, particularly textbooks, to students who previously could not afford secondary education. The program has several positive outcomes, most notably a significant increase in enrollment.

Item	Economic Classification of Subsidies to Public Corporations
2350100	Free primary education
2350200	Free day junior school education
2350300	Free day secondary school education

10.6.2.3.4. Subsidies to Private Enterprises

Following is the classification of subsidies to Private Enterprises:

Item	Economic Classification of Subsidies to Private Enterprises
2360100	Subsidies to Private Enterprises – Non-Financial
2360200	Subsidies to Private Enterprises - Financial

10.6.2.4. Other Operating Expenses

This item includes the total value of Other Operating Expenses.

The following is the classification of other operating expenses:

Sub-Chapter	Economic Classification of Other Operating Expenses
2410000	Budgetary contingency reserve
2420000	Other expenses

10.6.2.4.1. Budget contingencies reserve

A budgetary contingencies reserve is a portion of a budget set aside to cover unexpected costs or risks that were not initially anticipated when the budget was planned. These reserves help ensure that a public entity can handle unforeseen expenses or financial shortfalls without disrupting the overall financial plan.

10.6.2.5. Depreciation

Depreciation refers to the process of allocating the cost of a tangible fixed asset over its useful life. It is an accounting method used to spread the expense of an asset over several periods, reflecting the wear and tear, obsolescence, or reduction in value of an asset as it is used over time. Depreciation is significant because it allows the public sector to match the cost of using an asset with the revenue it generates.

There are several methods used to calculate depreciation, including:

- Straight-line depreciation (annual depreciation charge is calculated by dividing the cost of the asset by the useful life). Same depreciation charges each year.
- Reducing balance depreciation (a more accelerated method where depreciation is higher in the earlier years).
- Sum-of-the-years'-digit depreciation (a more accelerated method where depreciation is higher in the earlier years).

- Units of production depreciation (depreciation is based on the asset usage or output, such as the number of units it produces).

The depreciation rates per class of assets are indicated below as per the approved Road Map to Accrual Accounting:

Asset Category	Valuation Method	Ownership	Depreciation Method	Depreciation Rate@ Sub-Item	Capitalization threshold
Non-Produced Fixed Assets					
Land (IPSAS 45)					
Freehold	Historical cost/Ministry of Lands Valuation	Title/Vesting Documents or Control of Access	Nil	Nil	1 Kshs
Leasehold	Historical cost/Ministry of Lands Valuation	Title/Vesting Documents or Control of Access	Reducing balance	Amortization for the remaining period	1 Kshs
Community	Historical cost/Ministry of Lands Valuation	Title/Vesting Documents or Control of Access	Nil	Nil	1 Kshs
Tangible natural resources					
Natural resources with finite lives	Historical Cost/Current Operational Value (deemed cost at point of initial recognition)	Title/Vesting Documents or Control of Access	Based on the type of asset	Based on the type of asset	1 Kshs
Natural resources with infinite lives	Historical Cost/Current Operational Value (deemed cost at point of initial recognition)	Title/Vesting Documents or Control of Access	Assess impairment	Based on impairment	1 Kshs
Other naturally occurring assets	Historical Cost/Current Operational Value (deemed cost at point of initial recognition)	Title/Vesting Documents or Control of Access	Based on the type of asset	Based on the type of asset	1 Kshs
Intangible assets (IPSAS 31)					
Software purchased	Historical Cost/Current Operational Value	Receipts/Vesting Order	Amortization for the remaining period Below 5 years 5 – 8 years	12.5% 20%	Kshs 1

Easements, Licenses, & Rights	Historical Cost/Current Operational Value	Receipts/Vesting Order	Number of years in the contract	As applicable	Kshs 1
Patents	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance Below 7 years 7-10 years	10% 14.3%	Kshs 1
Copyrights	Deemed cost	For 50 years after the author/recording/work dies/ends	As applicable	As applicable	Kshs 1
Industrial Design	Deemed cost	Owned for 5 years & below Owned for 5 to 15 years	Reducing balance	6.67% 20%	Kshs 1
Utility models	Deemed cost	Owned for 5 years & below Owned for 5 to 15 years	Reducing balance	6.67% 20%	Kshs 1
Other intellectual	Deemed cost	Owned for 5 years & below Owned for 5 to 15 years	Reducing balance	6.67% 20%	Kshs 1
PRODUCED FIXED ASSETS					
Roads Infrastructure IPSAS 45					
Land under the road and within road reserves	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	Amortization for the remaining period	1 Kshs
Roads and Bridges	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Seal Coat – 20% Gravel – 20% Asphalt – 10% Concrete – 3.3 Bridge Timber - 10% Bridge Metal – 3.33% Bridge Concrete – 2% Bridge Movable- 2% Timber redecking – 8.33%	1 Kshs

				Concrete redecking – 4% Formation – 2% Pavement (structure) – 2% Pavement (surface) – 10% Tunnels – 4% Drainage – 10% Culverts/Subways -4% Capital Work in Progress – 0%	
Road Traffic Control installations	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Signals – 6.67% Traffic facilities -6.67%	1 Kshs
Road amenities	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Street Trees & Vegetation – 2% Bike lanes-10% Public Art – 2% Parklet – 10% Outside seating - 25% Sidewalk -10%	1 Kshs
Work in Progress	Historical Cost/Current Operational Value	Receipts/Vesting Order	N/A	N/A	1 Kshs
Railway Infrastructure IPSAS 45					
Land under railways/railway reserves	Historical cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	2%	1 Kshs
Railways and Bridges	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	SGR -2% Meter Gauge 2% Railway Infrastructure 2% Buildings 2% Capital Work in Progress 0%	1 Kshs
Railway Traffic Control Installations	Historical Cost/Current	Receipts/Vesting Order	Reducing balance	2%	1 Kshs

	Operational Value				
Railways amenities	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	2%	1 Kshs
Electricity Generation & Other Infrastructure IPSAS 45					
Electricity Generation	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Geothermal stations 10% Hydro stations 10% Wind farms 10% Solar Generations 10%	1 Kshs
Electricity Distribution	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Electricity distribution networks 10%	1 Kshs
Water Infrastructure IPSAS 45	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Collection 2% Purification 10% Storage 10% Pipeline 10% Drainage 10%	1 Kshs
Solid Waste & Sewage Disposal IPSAS 45	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Buildings 2% Waste facilities 10% Pipe network 10% Drainage 10%	1 Kshs
Sea Walls & Jetties IPSAS 45	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Buildings 2% Sea Walls & Jetties 5%	1 Kshs
Other Infrastructure IPSAS 45	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	10%	1 Kshs
Leased assets (under finance lease/right of use) IPSAS 43					

Leased assets	Present Value	Lease agreement	Reducing balance	Based on the lease period	1 Kshs
Right of Use	Present Value	Lease agreement	Reducing balance	Based on the lease period	1 Kshs
Heritage and cultural assets IPSAS 45					
Historical sites	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Archaeological sites	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Paleontological items	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Monuments	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
National Library Collections	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
National Archives	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Other heritage assets	Historical Cost/Current Operational Value	Receipts/Vesting Order	Reducing balance	Finite useful life- based on the type of asset Indefinite useful life- assess for impairment	1 Kshs
Biological assets IPSAS 27					

Livestock	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Crops	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Agricultural produce	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Trees & Plants	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Fish in aquaculture	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Other biological	Fair value less costs to sell	N/A	N/A	N/A	1 Kshs
Public-Private Partnership assets					
PPP Assets created by a Private Entity					
Public Assets Used by Private Entity					
BUILDINGS & BUILDING IMPROVEME					
Permanent	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	Housing Stock 2% School property 2% Hospitals 2% Prisons 2% Fire Stations 2% Police Stations 2% Offices' 2%	Kshs 1
Semi-Permanent	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	5%	Kshs 1
Temporary	Historical Cost/Current Operational Value	Title/Vesting Documents or Control of Access	Reducing balance	10%	Kshs 1
Property, Plant, and Equipment IPSAS 45					
Motor Vehicles and other transport equipment	Historical Cost/Current Operational Value	Logbook/Vesting Documents or Control of Access	Reducing balance	Saloon vehicles 16.67% Heavy-duty utility vehicles 12.5%	Kshs 1

				Lorries 10% Aircraft 10% Ships 10% Others 10%	
Computers and other equipment and ICT	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Computers 33.3% Laptops 33.3% Printers 33.3% Others 33.3%	Kshs 1
Office equipment	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Safes 12,5% Air conditioners 12.5% Shredders 12.5% Storage Equip 12.5% Others 12.5%	Kshs 1
Furniture and Fittings	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Furnishings 12.5% Desks 12.5% Tables 12.5% Chairs 12,5% Bookshelves 12.5% Others 12.5%	Kshs 1
Plant & Machinery	Historical Cost/Current Operational Value	Receipts/Vesting Documents or Control of Access	Reducing balance	Plant & Equipment	Kshs 1
Inventories IPSAS 12	Lower of cost or net realizable/current replacement cost	Receipts/Vesting Documents or Control of Access	N/A	Consumable stores Finished goods Raw materials Goods in transit	Kshs 1
Service Concession Arrangements IPSAS 32	Fair Value	N/A	N/A	Tangible Intangible (Depreciation based on underlying assets)	Kshs 1

IPSAS 45 states that the depreciation method shall reflect the pattern in which the asset's future economic benefits or service potential is expected to be consumed by the public entity. The depreciation method shall be reviewed at least at each annual reporting date, and if there has been a significant change in the expected pattern of the consumption of the future economic benefits or service potential embodied in the asset, the method shall be changed to reflect the changed

pattern. Such a change shall be accounted for as a change in accounting estimate in accordance with IPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors*.

All four methods will be available in IFMIS, but the default depreciation method will be reducing balance depreciation.

Impairment

A public entity is required to determine whether an item of property, plant, and equipment is impaired annually in accordance with IPSAS 21 *Impairment of Non-Cash Generating Assets* and IPSAS 26 *Impairment of Cash Generating Assets*.

Depreciation Classification

Sub-Chapter	Economic Classification of Depreciation
2510000	Depreciation expenses
2520000	Eliminated on revaluation
2530000	Eliminated on disposal
2540000	Net impairment losses

10.6.2.6. Finance Costs

Finance costs refer to the expenses incurred by a public sector entity for borrowing money. It is the amount the public sector entity must pay on outstanding debt, such as Treasury Bills and Bonds, Sovereign Bonds, bilateral loans, and multi-lateral loans, to the lender as compensation for the use of the borrowed funds. Interest expenses are typically recorded on the Statement of Financial Performance as operating or non-operating expenses, depending on the nature of the debt.

Sub-Chapter	Economic Classification: Finance Costs
2610000	Interest on foreign borrowing
2620000	Interest on domestic borrowing
2630000	Interest on borrowing from other government units



10.6.3. Parent 3: Investment in Non-Financial Assets

Items under this Category refer to the acquisition and disposal of capital Items, also referred to as fixed assets. Capital expenditure³ consists of the outflows to acquire or develop assets that are used repeatedly or continuously for longer than one fiscal year (fixed assets), as well as repayment of long-term institutional loans. Technically, capital expenditure consists of outflows, which cause no increase or decrease in the government's net assets/net worth because the reduction in cash or cash equivalent results in an equal increase in a fixed asset. Similarly, the reduction in cash or equivalent to repaying public debt results in an equal decrease in government liabilities.

Items under this Chapter refer to Capital Payments made in respect of:

Chapter	Economic Classification of Investment in Non-Financial Assets
3100000	Acquisition of Non-Financial Assets
3500000	Receipt from the sale of Non-Financial Assets

Items under this Chapter are appropriated and as such feature in Appropriation Accounts or Budget Comparison Reports.

10.6.3.1. Acquisition of Non-Financial Fixed Assets

The classification of the acquisition of Non-Financial Fixed Assets is as follows:

Sub-Chapter	Economic Classification of Acquisition of Non-Financial Fixed Assets
3110000	Acquisition of Non-Financial Capital Assets
3120000	Acquisition of Inventories, Stock, and Commodities
3130000	Acquisition of Land and Intangible Assets

10.6.3.1.1. Acquisition of Non-Financial Capital Assets

The classification of the acquisition of Non-Financial Capital Assets is as follows:

Item	Economic Classification of Acquisition of Non-Financial Capital Assets
3110100	Purchase of Buildings
3110200	Construction of a Building
3110300	Refurbishment of Buildings
3110400	Construction of Roads
3110500	Construction and Civil Works
3110600	Overhaul and Refurbishment of Construction and Civil Works
3110700	Purchase of Vehicles and Other Transport Equipment
3110800	Overhaul of Vehicles and Other Transport Equipment
3110900	Purchase of Household Furniture and Institutional Equipment
3111000	Purchase of Office Furniture and General Equipment
3111100	Purchase of Specialized Plant, Equipment, and Machinery
3111200	Rehabilitation and Renovation of Plant, Machinery and Equipment

³ (Capital assets are goods that are expected to be used during more than one reporting period and from which future economic benefits or service potential are expected to flow, but excluding assets below the capitalization threshold as set out on the Government financial procedures manual. Expenditure above this limit should be included as capital assets. Examples of capital assets are buildings, vehicles, used machinery, and etc.)

3111300	Purchase of Certified Seeds, Breeding Stock, and Live Animals
3111400	Research, Feasibility Studies, Project Preparation and Design, Project Supervision
3111500	Rehabilitation of Civil Works
3111600	Purchase of Specialized Plant

Purchase of buildings

This account includes the cost of acquiring residential and nonresidential buildings, as well as other structures. The purchase price should include all incidental expenses, such as legal fees and negotiation fees. Fixed assets acquired under a financial lease, typically machinery and equipment, are treated as if they were purchased and owned by the user or lessee, rather than the legal owner, the lessor.

Construction of buildings

This account encompasses the cost of constructing residential and nonresidential buildings, as well as other structures. The cost of construction should include the costs of site clearance and preparation, as well as the value of all fixtures, facilities, and equipment that are integral to the structure.

Refurbishment of buildings

This account encompasses the cost of significant improvements to residential and nonresidential buildings, as well as other structures, that enhance their productive capacity and/or extend their service life. In contrast, the use of goods and services for the maintenance and repair of fixed assets constitutes an expense under Category 2. By definition, however, significant improvements do not lead to the creation of new assets that can be separately identified and valued. Instead, the value of such an improvement is added to the existing value of the underlying asset.

The following features distinguish significant improvements to assets: (a) the decision to renovate, reconstruct, or enlarge an asset is a deliberate investment decision that may be undertaken at any time and is not dictated by the condition of the asset and (b) the renovations or enlargements increase the performance or capacity of existing assets or significantly extend their previously expected service lives.

Construction of roads

Included in this category are the costs of constructing all categories of roads, including highways, streets, major roads, and access roads.

Construction and civil works

This includes all structures other than buildings and roads and includes, bridges, tunnels, railways, subways, airfield runways Sewers, waterways, harbors, dams, and other waterworks, Shafts, tunnels, and other structures associated with mining subsoil assets, Communication lines, power lines, and pipelines, Outdoor sport and recreation facilities.

Overhaul and refurbishment of construction and civil works

This account comprises the cost of major construction and civil works improvements, as outlined in Item 31105. Such cost must have the effect of increasing the productive capacity and/or extending their service lives; otherwise, such cost should be accounted for as the use of goods and services under Category 2. By definition, however, significant improvements do not lead to the creation of new assets that can be separately identified and valued. Instead, the value of such an improvement is added to the existing value of the underlying asset.

The following features distinguish significant improvements to assets: (a) the decision to renovate, reconstruct, or enlarge an asset is a deliberate investment decision that may be undertaken at any time and is not dictated by the condition of the asset and (b) the renovations or enlargements increase the performance or capacity of existing assets or significantly extend their previously expected service lives.

Purchase of vehicles and other transport Equipment

Included in this account is transport equipment consisting of equipment for moving people and objects, including motor vehicles, trailers and semitrailers, ships, railway locomotives and rolling stock, aircraft, motorcycles, and bicycles.

Overhaul and refurbishment of vehicles and other transport Equipment

This account comprises the cost of significant improvements to vehicles and other transport equipment, as defined under Item 31107. Such cost must have the effect of increasing the productive capacity and/or extending their service lives; otherwise, such cost should be accounted for as the use of goods and services under Category 2. By definition, however, significant improvements do not lead to the creation of new assets that can be separately identified and valued. Instead, the value of such an improvement is added to the existing value of the underlying asset.

The following features distinguish significant improvements to assets: (a) the decision to renovate, reconstruct, or enlarge an asset is a deliberate investment decision that may be undertaken at any time and is not dictated by the condition of the asset and (b) the renovations or enlargements increase the performance or capacity of existing assets or significantly extend their previously expected service lives.

Included in this account is transport equipment consisting of equipment for moving people and objects, including motor vehicles, trailers and semitrailers, ships, railway locomotives and rolling stock, aircraft, motorcycles, and bicycles.

Purchase of household furniture and institutional equipment

Included in this account are household furniture and appliances for use in residential and non-residential buildings, including air conditioners, seating, tables, cabinets, refrigerators, etc.

Purchase of office furniture and general equipment

Included in this account are office equipment, furniture, and fittings, such as shredding machines, air conditioners, office chairs and tables, cabinets, and refrigerators.

Included in this account is communication technology equipment such as desktop computers, laptops, printers, internet connectivity equipment, Phone handsets, Mobile phones, External storage devices, Computer software, and other ICT equipment.

Purchase of specialized plant, equipment, and machinery

Included in this account are costs of purchase of special-purpose machinery not classified elsewhere, such as electrical machinery, medical appliances, precision and optical instruments, musical instruments, and sports equipment. Also included here are purchases of military defense items that can also be used for civilian purposes, just as they are used for military purposes, such as in colleges, hospitals, and office machinery. Weapons acquired by police and internal security services are recorded under this Item even though expenditures on the same kind of equipment by the military would be treated as use of goods and services.

Rehabilitation and renovation of plant, machinery, and equipment

This account comprises the cost of significant improvements to plant, machinery, and equipment, as defined under Item 31111. Such cost must have the effect of increasing the productive capacity and/or extending their service lives; otherwise, such cost should be accounted for as the use of goods and services under Category 2. By definition, however, significant improvements do not lead to the creation of new assets that can be separately identified and valued. Instead, the value of such an improvement is added to the existing value of the underlying asset.

The following features distinguish significant improvements to assets: (a) the decision to renovate, reconstruct, or enlarge an asset is a deliberate investment decision that may be undertaken at any time and is not dictated by the condition of the asset and (b) the renovations or enlargements increase the performance or capacity of existing assets or significantly extend their previously expected service lives.

Included in this account is transport equipment consisting of equipment for moving people and objects, including motor vehicles, trailers and semitrailers, ships, railway locomotives and rolling stock, aircraft, motorcycles, and bicycles.

Purchase of Certified Seeds, Breeding Stock, and Live Animals

Included in these accounts are the costs of purchasing cultivated assets. Cultivated assets consist of animals and plants that are used repeatedly or continuously for more than one year to produce other goods or services. The types of animals included in this category include breeding stock fish and poultry, dairy cattle, sheep, or other animals used for wool production, and animals used for transportation, racing, or entertainment. The types of plants in this category include trees, vines, and shrubs cultivated for fruits, nuts, sap, resin, bark, leaf products, and seeds.

Research, Feasibility Studies, Project Preparation and Design, Project Supervision

This includes the cost of research and feasibility studies, as well as related expenses, where the benefits to be derived exceed one year.

10.6.3.1.2. Acquisition of Inventories, Stock, and Commodities

The classification of the acquisition of Non-Financial Capital Assets is as follows:

Item	Economic Classification of Acquisition of Inventories, Stock, and Commodities
3120100	Acquisition of strategic stock
3120200	Acquisition of other inventories

Strategic stocks

This account encompasses the purchase of goods held for strategic and emergency purposes, as well as goods held by market regulatory organizations, and commodities of special importance to the nation, such as grain and petroleum.

Other inventory

This account pertains to goods held by producers for sale in the form of either work-in-progress, finished goods, or goods purchased for resale, use in production, or other purposes at a later date. These include materials and supplies such as books printed or acquired for distribution to students, veterinary and medical goods, Inventories for the repair and maintenance of buildings and other structures, Information Technology equipment, Furniture, and other machinery and equipment.

10.6.3.1.3. Acquisition of land and intangible assets

The classification of the acquisition of land and intangible assets is as follows:

Item	Economic Classification of Acquisition of inventories, stock, and commodities
3130100	Acquisition of land
3130200	Acquisition of other intangible assets

Acquisition of land

Land is the ground itself, including the soil covering, associated surface water, and major improvements that cannot be physically separated from the land, but excluding the following:

- Buildings and other structures constructed on the land or through it, such as roads, office buildings, and tunnels;
- Cultivated plantations of trees, animals, and crops;
- Subsoil assets; and

- Water resources below the ground.

Subsoil assets are proven reserves of oil, natural gas, coal (including anthracite, bituminous, and brown coal), metallic mineral reserves (including ferrous, nonferrous, and precious metal ores), and nonmetallic mineral reserves (including stone quarries, clay and sand pits, chemical and fertilizer mineral deposits, and deposits of salt, quartz, gypsum, natural gem stones, asphalt, bitumen, and peat). These are already included in 342 (subsoil assets) of this Chart of Accounts.

Intangible Assets

Intangible fixed assets consist of mineral exploration, computer software, entertainment, literary, and artistic originals, and miscellaneous other intangible fixed assets. Expenses on research and development, staff training, market research, and similar activities are not treated as intangible fixed assets, even though some of these may yield future benefits.

10.6.3.2. Receipt from sale of Non-Financial Fixed Assets

The classification of the sale of Non-Financial Fixed Assets is as follows:

Sub-Chapter	Economic Classification of Sale of Non-Financial Fixed Assets
3510000	Receipts from the Sale of Fixed Assets
3520000	Receipts from Sales of Inventories
3530000	Disposal and Sale of Non-Produced Assets

10.6.3.2.1. Receipts from the Sale of Fixed Assets

The classification of receipts from the sale of fixed assets is as follows:

Item	Economic Classification of Sale of Fixed Assets
3510100	Receipts from the Sale of Buildings - Paid to Exchequer
3510200	Receipts from the Sale of Buildings
3510300	Receipts from the Sale of Other Assets – Paid to the Exchequer
3510400	Receipts from the Sale of Other Assets
3510500	Receipts from the Sale of Vehicles and Transport Equipment - Paid to Exchequer
3510600	Receipts from the Sale of Vehicles and Transport Equipment
3510700	Receipts from the Sale of Plant Machinery and Equipment - Paid to Exchequer
3510800	Receipts from the Sale of Plant Machinery and Equipment
3510900	Receipts from Sale of Certified Seeds and Breeding Stock - Paid to Exchequer
3511000	Receipts from the Sale of Certified Seeds and Breeding Stock

Sale of buildings

This account comprises receipts from the sale of residential and non-residential buildings, as well as other structures. The purchase price should include all incidental costs, such as legal fees and negotiation fees.

Sale of other assets

Included in this account are the sales of household furniture and appliances for use in residential and non-residential buildings, including air conditioners, seating, tables, cabinets, refrigerators, and other related items.

Also included in this account are office equipment, furniture, and fittings, such as shredding machines, air conditioners, office chairs and tables, cabinets, refrigerators, etc.

Also included in this account is communication technology equipment such as desktop computers, laptops, Printers, Internet connectivity equipment, Phone handsets, Mobile phones, External storage devices, Computer software, and other ICT equipment.

Sale of any other item that cannot be placed explicitly in other categories within this Subchapter is placed here.

Sale of vehicles and other transport Equipment

Included in this account are sales proceeds of transport equipment, which consists of equipment for moving people and objects, including motor vehicles, trailers and semitrailers, ships, railway locomotives and rolling stock, aircraft, motorcycles, and bicycles.

Purchase of plant, equipment, and machinery

Included in this account are the costs of purchase of special-purpose machinery not classified elsewhere, such as electrical machinery, medical appliances, precision and optical instruments, musical instruments, and sports equipment. Also included here are purchases of military defense items that can also be used for civilian purposes, just as they are used for military purposes, such as in colleges, hospitals, and office machinery. Weapons acquired by police and internal security services are recorded under this Item even though expenditures on the same kind of equipment by the military would be treated as use of goods and services.

Sale of Certified Seeds, Breeding Stock, and Live Animals

Included in these accounts are proceeds from the sale of cultivated assets. Cultivated assets consist of animals and plants that are used repeatedly or continuously for more than one year to produce other goods or services. The types of animals included in this category include breeding stock fish and poultry, dairy cattle, sheep, or other animals used for wool production, and animals used for transportation, racing, or entertainment. The types of plants in this category include trees, vines, and shrubs cultivated for fruits, nuts, sap, resin, bark, leaf products, and seeds.

10.6.3.2.2. Receipts from Sales of Inventories

The classification of the sale of Non-Financial Fixed Assets is as follows:

Item	Economic Classification of Sale of Non-Financial Fixed Assets
3520100	Receipts from the Sale of Strategic Reserves Stocks
3520200	Receipts from the Sale of Other Inventories, Stocks, and Commodities
3520300	Receipts from the Sale of Inventories, Stocks, and Commodities

Strategic stocks

This account includes sales of goods held for strategic and emergency purposes, goods held by market regulatory organizations, and commodities of special importance to the nation, such as grain and petroleum.

Other inventory

This account pertains to goods held by producers for sale in the form of either work-in-progress, finished goods, or goods purchased for resale, use in production, or other purposes at a later date. These include materials and supplies such as books printed or acquired for distribution to students, veterinary and medical goods, Inventories for the repair and maintenance of buildings and other structures, Information Technology equipment, Furniture, and other machinery and equipment.

10.6.3.2.3. Disposal and Sale of Non-Produced Assets

The classification of the sale of Non-Financial Fixed Assets is as follows:

Item	Economic Classification of Sale of Non-Financial Fixed Assets
3530100	Receipts from the Sale of Land
3530200	Receipts from the Sale of Other Naturally Occurring Non-Produced Assets
3530300	Receipts from the Sale of Intangible Non-Produced Assets
3530400	Receipts from the Sale of Non-Produced Assets Collected as AIA

Sale of land

Land is the ground itself, including the soil covering, associated surface water, and major improvements that cannot be physically separated from the land, but excluding the following:

- Buildings and other structures constructed on the land or through it, such as roads, office buildings, and tunnels;
- Cultivated plantations of trees, animals, and crops;
- Subsoil assets; and
- Water resources below the ground.

Receipts from the Sale of Other Naturally Occurring Non-Produced Assets

Naturally occurring non-produced assets are proven reserves of oil, natural gas, coal (including anthracite, bituminous, and brown coal), metallic mineral reserves (including ferrous, nonferrous, and precious metal ores), and nonmetallic mineral reserves (including stone quarries, clay and sand pits, chemical and fertilizer mineral deposits, and deposits of salt, quartz, gypsum, natural gem stones, asphalt, bitumen, and peat).

Receipts from the Sale of Intangible Non-Produced Assets

Intangible assets that are not produced mainly comprise any form of rights for mineral exploration and land exploitation.

Receipts from the Sale of Non-Produced Assets Collected as AIA

This represents receipts of tangible and intangible non-produced assets that are appropriated for direct utilization by the receiving entity.

10.6.4. Parent 4: Investment in Financial Assets

Chapter	Economic Classification of Transactions in Financial Assets
4100000	Acquisition of Financial Assets
4200000	Disposal of Financial Assets

10.6.4.1. Acquisition of Financial Assets

The classification of the acquisition of financial assets is as follows:

Sub-Chapter	Economic Classification of Acquisition of Financial Assets
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4110000	Domestic Lending and On-lending
4120000	Domestic Equity Participation
4130000	Other Domestic Accounts Receivable
4140000	Foreign Lending and On-Lending
4150000	Foreign Equity Participation
4160000	Other Foreign Accounts Receivable

10.6.4.1.1. Domestic Lending and On-lending

The classification of domestic lending and on-lending is as follows:

Item	Economic Classification of Domestic Lending and On-lending
4110100	Domestic Loans to Other Levels of Government
4110200	Domestic Loans to Non-Financial Public Enterprises
4110300	Domestic Loans to Financial Institutions
4110400	Domestic Loans to Individuals and Households
4110500	Other Domestic Lending and On-Lending

Domestic Loans to Other Levels of Government

Included in this account are monies lent by the government or its agencies to other levels of government.

Domestic Loans to Non-Financial Public Enterprises

Included in this account are monies lent by the government or its agencies to non-financial public corporations.

Domestic Loans to Financial Institutions

Included in this account are monies lent by the government or its agencies to financial corporations.

Domestic Loans to Individuals and Households

Included in this account are monies lent by the government or its agencies to members of the general public.

Other Domestic Lending and On-Lending

Included in this account are monies lent by the government or its agencies to any other category not specifically mentioned elsewhere in this Sub-Chapter.

10.6.4.1.2. Domestic Equity Participation

The classification of domestic equity participation is as follows:

Item	Economic Classification of Domestic Equity Participation
4120100	Equity Participation in Domestic Public Non-Financial Enterprises
4120200	Equity Participation in Domestic Public Financial Institutions
4120300	Other Domestic Equity Participation

Equity Participation in Domestic Public Non-Financial Enterprises

Included in this account are purchase costs of shares and other equity held in a domestic non-financial public corporation.

Equity Participation in Domestic Public Financial Institutions

Included in this account are the purchase costs of shares and other equity held in a domestic financial public corporation.

Other Domestic Equity Participation

Included in this account is the acquisition of an ownership stake of a nature other than the one mentioned elsewhere in this sub-category.

10.6.4.1.3. Other Domestic Accounts Receivable

The classification of other domestic accounts receivable is as follows:

Item	Economic Classification of other domestic accounts receivable
4130100	Advances to Government Employees
4130200	Payables from Previous Financial Periods

Advances to Government Employees

Included in this account are advances, imprest, and other obligations resulting from advances to employees of the institution.

10.6.4.1.4. Foreign Lending and On-Lending

The classification of foreign lending and on-lending is as follows:

Item	Economic Classification of foreign lending and on-lending
4140100	Lending to Foreign Government (future use)
4140200	Lending to International Organization (future use)
4140300	Lending to Foreign Non-Financial Enterprises and Financial Institutions (future use)
4140400	Other Foreign Lending (future use)
4140500	Foreign Equity Participation

Foreign Loans to Other Levels of Government

Included in this account are monies lent by the government or its agencies to other levels of government.

Foreign Loans to Non-Financial Public Enterprises

Included in this account are monies lent by the government or its agencies to non-financial public corporations.

Foreign Loans to Financial Institutions

Included in this account are monies lent by the government or its agencies to financial corporations.

Foreign Loans to Individuals and Households

Included in this account are monies lent by the government or its agencies to members of the general public.

Other Foreign Lending and On-Lending

Included in this account are monies lent by the government or its agencies to any other category not specifically mentioned elsewhere in this Sub-Chapter.

10.6.4.1.5. Foreign Equity Participation

The classification of foreign equity participation is as follows:

Item	Economic Classification of Foreign Equity Participation
4150100	Equity Participation in International Institutions.
4150200	Equity Participation in Foreign Financial Institutions
4150300	Equity Participation in Other Foreign Enterprises
4150400	Acquisition of Other Financial Assets
4150500	Bonds Paid for Guarantee Agreements
4150700	Payable from Previous Financial Periods

Equity Participation in International Institutions

This relates to the purchase of equity in a foreign company outside Kenya by a government or a government entity.

Equity Participation in Foreign Financial Institutions Operating Abroad

This relates to a purchase by a government or a government entity of equity of a foreign financial institution operating outside Kenya.

Equity Participation in Other Foreign Enterprises

This relates to a purchase by a government or a government entity of equity of a foreign entity other than that specifically mentioned elsewhere in this subchapter.

Acquisition of Other Financial Assets

This relates to a purchase by a government or a government entity of other forms of ownership of financial assets other than equity and is not mentioned elsewhere in this subchapter.

Bonds Paid for Guarantee Agreements

Relates to bonds paid to foreign entities for a guarantee agreement.

10.6.4.1.6. Other Foreign Accounts Receivable

The classification of other foreign accounts receivable is as follows:

Item	Economic Classification of other foreign accounts receivable
4160100	Payable from Previous Financial Periods

10.6.4.2. Disposal of financial assets

The classification of the disposal of financial assets is as follows:

Sub-Chapter	Economic Classification of Financial Assets
4510000	Repayment from Domestic Lending and On-Lending
4520000	Repayment of Principal from Foreign Lending & On-Lending
4530000	Sales and Disposals of Equity Holdings
4540000	Reimbursements and Refunds
4550000	Returns of Equity Holdings
4560000	Returns of Equity Holdings

10.6.4.2.1. Repayment from Domestic Lending and On-Lending

The classification of the disposal of domestic lending and on-lending is as follows:

Item	Economic Classification of domestic lending and on-lending
4510100	Repayments from Loans to Government Agencies and Other Levels of Government
4510200	Loans to Non-Financial Public Enterprises
4510300	Repayments from Domestic Loans to Individuals and Households

10.6.4.2.2. Repayment of Principal from Foreign Lending & On-Lending

The classification of repayment of principal from foreign lending and on-lending is as follows:

Item	Economic Classification of repayment of principal from foreign lending and on-lending
4520100	Repayments from lending to foreign governments.
4520200	Repayments from lending to International Organizations.
4520300	Repayments from lending to Foreign Non-Financial Enterprises. & Financial Institutions.
4520400	Repayments from Other Foreign Lending

Repayments from lending to foreign governments

This relates to the repayment of borrowing from foreign governments.

Repayments from lending to International Organizations

This relates to the repayment of borrowing from international multilateral organizations

Repayments from lending to Foreign Non-Financial Enterprises & Financial Institutions

This is related to the repayment of borrowings from foreign nonfinancial enterprises and financial institutions

Repayments from Other Foreign Lending

This relates to repayment of foreign borrowing not elsewhere classified under this sub-chapter

10.6.4.2.3. Sales and Disposals of Equity Holdings

The classification of the sale and disposal of equity holdings is as follows:

Item	Economic Classification of Sales and Disposal of Equity Holdings
4530100	Sales and Disposals of Equity Holdings in Domestic Public Non-Financial Enterprises
4530200	Sales and Disposals of Equity Holdings in Domestic Public Financial Institutions
4530300	Sales and Disposals of Other Equity Holdings
4530400	Sales and Disposals of Equity Holdings in Foreign Financial Institutions and Domestic Financial Institutions operating abroad
4530500	Sales and Disposals of Equity Holdings in Foreign Enterprises. Financial Institutions and Domestic Financial Institutions operating abroad
4530600	Redemption/ Disposal of Other Financial Assets
4530700	Refund of Bonds paid as Deposits for Guarantees

Sales and Disposals of Equity Holdings in Domestic Public Non-Financial Enterprises

This relates to the sale of equity holdings in a domestic public non-financial enterprise.

Sales and Disposals of Equity Holdings in Domestic Public Financial Institutions

This relates to the sale of equity holdings in a domestic public financial institution.

Sales and Disposals of Other Equity Holdings

This relates to a sale of other equity holdings not elsewhere classified under this sub-chapter

Sales and Disposals of Equity Holdings in Foreign Financial Institutions and Domestic Financial Institutions operating abroad

This relates to the sale of equity holdings in foreign institutions and domestic financial institutions operating abroad.

Redemption/ Disposal of Other Financial Assets

This relates to the disposal of other financial assets not elsewhere classified in this sub-chapter

Refund of Bonds paid as Deposits for Guarantees

This relates to the refund received from the issue of bonds paid as a deposit for guarantees

10.6.4.2.4. Reimbursements and Refunds

The classification of reimbursements and refunds is as follows:

Item	Economic Classification of Reimbursments and Refunds
4540100	Reimbursements and Refunds

Reimbursements and Refunds

This relates to reimbursements and refunds received by a government agency

10.6.4.2.5. Returns of Equity Holdings

The classification of returns of equity holdings is as follows:

Item	Economic Classification of returns on equity holdings
4550100	Returns of Equity Holdings in International Organizations

Returns of Equity Holdings in International Organizations

This relates to dividends received as a result of equity holdings in international organizations

10.6.4.2.6. Returns of Equity Holdings

The classification of returns of equity holdings is as follows:

Item	Economic Classification of returns on equity holdings
4610100	Special Accounts
4610300	Recurrent Bank Accounts
4610400	Development Bank Accounts
4610500	Deposit Bank Accounts
4610600	District - Development Bank Ac
It46107	Project-Specific Bank Accounts

Special Accounts

This relates to interest received on funds deposited in special accounts

Recurrent Bank Accounts

This pertains to interest earned on funds deposited in recurring bank accounts.

Development Bank Accounts

This relates to interest received on funds deposited in development bank accounts.

Deposit Bank Accounts

This relates to interest received on funds deposited in interest-bearing deposit bank accounts.

District - Development Bank Ac

This relates to interest received on funds deposited in district development bank accounts.

Project-Specific Bank Accounts

This relates to interest received on funds deposited in specific project bank accounts

10.6.5. Parent 5: Transactions in Financial Liabilities

This category refers to Capital Receipts from drawing down capital/principal from approved Loans. These items are appropriate and therefore feature in the Appropriate Accounts. Under the Cash Basis of Accounting, these items are "taken to revenue" and consequently reflected in the Annual Surplus or Deficit, which is cleared to Reserves at the end of the Financial Year. Also included in this category are payments concerning the settlement of borrowings.

Items under this Category are appropriated and as such feature in the Performance Statement. These items are reflected in the Annual Surplus or Deficit (irrespective of cash or accrual basis of accounting), which is cleared to Reserves at the end of the Financial Year.

Chapter	Transactions in Financial Liabilities
5100000	Incurrence of Financial Liabilities
5500000	Settlement of Financial Liabilities

10.6.5.1. Incurrence of Financial Liabilities

These items refer to Capital Receipts from drawing down capital/principal from approved Loans. These items are appropriated and therefore feature in the Appropriate Accounts. Under the Cash Basis of Accounting, these items are "taken to revenue" and consequently reflected in the Annual Surplus or Deficit, which is cleared to Reserves at the end of the Financial Year.

The classification of loan borrowing is as follows:

Sub-Chapter	Economic Classification of incurrence of financial liabilities
5110000	Domestic Borrowing
5120000	Currency and Deposits, Accounts Payable, Clearing Transfers, and Other Liabilities

10.6.5.1.1. Domestic Borrowing

Following is the classification of Domestic Borrowing:

Item	Economic Classification of Domestic Borrowing
5110100	Borrowing within the General Government
5110200	Borrowing from the Monetary Authorities (Central Bank)
5110300	Other Domestic Depository Corporations (Commercial Banks)
5110400	Borrowing from Other Domestic Financial Institutions
5110500	Borrowing from Other Domestic Creditors
5110600	Domestic Currency and Domestic Deposits
5110700	Domestic Accounts Payable

Borrowing within the General Government

This relates to borrowing by the government or a government entity from entities within the general government. See Chapter 1 of this manual for the definition of general government.

Borrowing from the Monetary Authorities (Central Bank)

This relates to government borrowing from the Central Bank of Kenya.

Other Domestic Depository Corporations (Commercial Banks)

This refers to government borrowing from commercial financial institutions

Borrowing from Other Domestic Financial Institutions

This refers to government borrowing from domestic financial institutions other than those mentioned explicitly under this sub-chapter

Borrowing from Other Domestic Creditors

This refers to borrowings from other domestic creditors, excluding financial institutions.

Domestic Currency and Domestic Deposits

This relates to deposits made by entities to government accounts that are refundable.

Domestic Accounts Payable

Included in this account are the domestic accounts payable of the government and agencies arising from the consumption of goods and services.

10.6.5.1.2. Currency and Deposits, Accounts Payable, Clearing Transfers, and Other Liabilities

Following is the classification of Domestic Borrowing:

Item	Economic Classification of Currency and Deposits, Account Payable, Clearing Transfers & Other Liabilities
5120100	Foreign Borrowing - Drawdown Through Exchequer
5120200	Foreign Borrowing - Direct Payments
5120300	Foreign Currency and Foreign Deposits
5120400	Other Foreign Accounts Payable

Foreign Borrowing - Drawdown through Exchequer

Comprises drawing from the equity of foreign reserves

Foreign Borrowing - Direct Payments

This relates to foreign borrowing that is remitted to the government through direct payments.

Foreign Currency and Foreign Deposits

These are funds deposited with the government by foreign entities that are repayable.

Other Foreign Accounts Payable

These are accounts payable arising from the consumption of goods and services supplied by foreign entities

10.6.5.2. Settlement of Financial Liability

These items refer to Capital Payments for repayment/settlement of Loan Principal but exclude interest payments on the Loans (Classified under Chapter 24). Loan Repayments are appropriated and therefore feature in the Appropriate Accounts. Under the Cash Basis of Accounting, these items are "expensed" and consequently reflected in the Annual Surplus or Deficit, which is cleared to Reserves at the end of the Financial Year.

The following is the classification of Foreign Borrowing:

Sub-Chapter	Economic Classification of settlement of financial liability
5510000	Repayments on Borrowings from Domestic
5520000	Principal Repayments on Guaranteed Debt taken over by the Government
5530000	Repayments on Borrowings from Other Domestic Creditors

10.6.5.2.1. Repayments on Borrowings from Domestic

The classification of repayment of domestic loan borrowing is as follows:

Item	Economic Classification of repayment of domestic borrowings
5510100	Repayments on Borrowings from the General Government
5510200	Repayments on Borrowings from Monetary Authorities (Central Bank)
5510300	Repayments on Borrowings from Other Domestic Depository Corporations (Commercial Banks)
5510400	Repayments on Borrowings from Other Domestic Financial Institutions
5510500	Repayments on Borrowings from Other Domestic Creditors
5510600	Principal Repayments on Foreign Borrowing

Included in this account are government and agencies' domestic borrowing that includes Treasury bills, corporate bonds, corporate loans, treasury bonds, Loans from Local Banks, and Loans from the respective category of lenders under the applicable Item in this Sub-Chapter.

10.6.5.2.2. Principal Repayments on Guaranteed Debt Taken over by Government

The classification of repayment of guaranteed debt taken over by the government is as follows:

Item	Economic Classification of repayment of domestic borrowings
5520100	Principal Repayments on Guaranteed Domestic Debt taken over by the Government.
5520200	Principal Repayments on Guaranteed Foreign Debt taken over by the Government.

Included in this Sub-Chapter is the repayment of guaranteed domestic and foreign debts taken over by the government from various public entities.

10.6.5.2.3. Repayments on Borrowings from Other Domestic Creditors

The classification of repayment of borrowings from other domestic creditors is as follows:

Item	Economic Classification of repayment of borrowing from other domestic creditors
5610100	Repayments on Borrowings from Other Domestic Creditors - Private Enterprises
5610200	Repayments on Borrowings from Other Domestic Creditors - Public Enterprises

Included in this account are government and agencies' domestic borrowing that includes Treasury bills, corporate bonds, corporate loans, treasury bonds, Loans from Local Banks, and Loans from the respective category of lenders under the applicable Item in this Sub-Chapter.

10.6.6. Parent 6: Assets, Bank, Cash, and Receivables

These items reflect the double-entry accounts for payment and receivable transactions. They reflect the balances on Bank Accounts, Cash Accounts, and incidental Receivables (Trade Debtors, Minor Unappropriated Advances, Suspense, and Clearing Accounts), but exclude more material Assets, such as Loans/Advances to Public Enterprises (even the current element of such loans), where the Loan/Advance is appropriated. This latter item would be classified under Investment in Financial Assets.

As stated above, these items are not appropriated and therefore do not feature in the Appropriation Accounts or Performance Statements. These items are featured in the Balance Sheet (regardless of the cash or accrual basis of accounting), and Balances are carried forward year after year.

The classification of Assets – Bank, Cash, and Receivables is as follows:

Chapter	Economic Classification of Assets
6100000	Non-Produced Fixed Assets
6200000	Produced Fixed Assets
6300000	Buildings & Building Improvement
6400000	Work In Progress
6500000	Investments
6600000	Inventories
6700000	Receivable
6800000	Bank Accounts

10.6.6.1. N- Produced Fixed Assets

Following is the classification of N-Produced Fixed Assets:

Sub-Chapter	Economic Classification of Non-Produced Fixed Assets
6110000	Land
6120000	Tangible natural resources
6130000	Other naturally occurring assets
6140000	Intangible assets

Sub-Chapter	Economic Classification of Non-Produced Fixed Assets

10.6.6.1.1. Land

Item	Economic Classification of Land
6110000	Freehold
6120000	Leasehold
6130000	Community

The classification of the Sub-Item of land:

Sub-Item	Economic Classification of Land
6130101	Land – Community
6130131	Land - Accumulated Impairment
6130139	Land - Other (B - Accumulated Impairment)
6130151	Land - Accumulated Revaluation
6130159	Land - Other (B - Accumulated Revaluation)
6130199	Land - Other (B - GBV

10.6.6.1.2. Tangible Natural Resources

The classification of Tangible Natural Resources is as follows:

Item	Economic Classification of Tangible Natural Resources
6120100	Natural Resources with a Finite Life
6120200	Natural Resources with Infinite Life
6120300	Other tangible natural resources

10.6.6.1.3. Other Naturally Occurring Assets

The classification of Other Naturally Occurring Assets is as follows:

Item	Economic Classification of Other Naturally Occurring Assets
6130100	Natural Resources with Finite Lives

10.6.6.1.4. Intangible assets

The classification of Intangible Assets is as follows:

Item	Economic Classification of Intangible Assets
6140100	Software
6140200	Easements, Licenses, & Rights
6140300	Patents
6140400	Copyrights
6140500	Industrial Design
6140600	Utility models
6140700	Other intellectuals

10.6.6.2.4. Produce Fixed Assets

Sub-Chapter	Economic Classification of Produced Fixed Assets
6210000	Property, Plant & Equipment
6220000	Roads Infrastructure
6230000	Railways Infrastructure
6240000	Electricity Generation & Other Infrastructure
6250000	Leased Assets (under finance lease/right of use)
6260000	Heritage and Cultural assets
6270000	Biological assets
6280000	Public-Private Partnership assets

The classification of Property, Plant, and Equipment is as follows:

Item	Economic Classification of Property, Plant & Equipment
6210100	Motor Vehicles & Other Transport Vehicles
6210200	Computers & Other ICT equipment
6210300	Office equipment
6210400	Furniture & Fittings
6210500	Plant & Machinery

The classification of Motor Vehicles & Other Transport Vehicles is as follows:

Sub-Item	Economic Classification of Motor Vehicles & Other Transport Vehicles
6210101	Saloon vehicles
6210109	Accumulated Depreciation – Saloon Vehicles
6210110	Heavy-duty utility vehicles

Sub-Item	Economic Classification of Motor Vehicles & Other Transport Vehicles
6219119	Accumulated Depreciation – Heavy utility vehicles
6210120	Lorries
6210129	Accumulated Depreciation –Lorries
6210130	Aircraft
6210139	Accumulated Depreciation –Aircraft
6210140	Ships
6210149	Accumulated Depreciation –Ships
6210150	Others
6210159	Accumulated Depreciation –Others

The classification of Computers and Other ICT equipment is as follows:

Sub-Item	Economic Classification of Computers and Other ICT Equipment
6210201	Computers
6210209	Accumulated Depreciation –Computers
6210210	Laptops
6210219	Accumulated Depreciation –Laptops
6210220	Printers
6210229	Accumulated Depreciation –Printers
6210230	Scanners
6210239	Accumulated Depreciation –Scanners
6210240	Others
6210249	Accumulated Depreciation –Others

The classification of Office equipment is as follows:

Sub-Item	Economic Classification of Office Equipment
6210301	Safes
6210309	Accumulated Depreciation –Safes
6210310	Air conditioners
6210319	Accumulated Depreciation – Air conditioners
6210320	Shredders
6210329	Accumulated Depreciation - Shredders
6210330	Storage Equipment

Sub-Item	Economic Classification of Office Equipment
6210339	Accumulated Depreciation –Storage Equipment
6210340	Others
6210349	Accumulated Depreciation –Others

The classification of Furniture and Fittings is as follows:

Sub-Item	Economic Classification of Furniture and Fittings
6210401	Furnishings
6210409	Accumulated Depreciation –Furnishings
6210410	Desks
6210419	Accumulated Depreciation –Desks
6210420	Tables
6210429	Accumulated Depreciation -Tables
6210430	Chairs
6210439	Accumulated Depreciation -Chairs
6210440	Bookshelves
6210449	Accumulated Depreciation –Bookshelves
6210450	Others
6210459	Accumulated Depreciation –Others
6210460	Office Partitions
6210469	Accumulated Depreciation –Office Partition

The classification of Plant & Machinery is as follows:

Sub-Item	Economic Classification of Plant & Machinery
6210501	Plant
6210509	Accumulated Depreciation –Plant
6210510	Machinery
6210519	Accumulated Depreciation –Machinery

The classification of Roads Infrastructure is as follows:

Item	Economic Classification of Road Infrastructure
6220100	Land under the Road and within Road Reserves
6220200	Roads and Bridges
6220300	Roads Traffic control installations

Item	Economic Classification of Road Infrastructure
6220400	Road's amenities

The classification of Roads and Bridges is as follows:

Sub-Item	Economic Classification of Roads and Bridges
6220201	Seal Coat Road
6220209	Accumulated Depreciation- Seal Coat Road
6220210	Gravel Road
6220219	Accumulated Depreciation –Gravel Road
6220220	Asphalt Road
6220229	Accumulated Depreciation- Asphalt Road
6220230	Concrete Road
6220239	Accumulated Depreciation –Concrete Road
6220240	Bridge - Timber
6220249	Accumulated Depreciation- Bridge -Timber
6220250	Bridge - Metal
6220259	Accumulated Depreciation –Bridge - Metal
6220260	Bridge - Concrete
6220269	Accumulated Depreciation- Bridge Concrete
6220270	Bridge - Movable
6220279	Accumulated Depreciation –Bridge Movable
6220280	Tunnels
6220289	Accumulated Depreciation –Tunnels
6220290	Drainage/Culverts
6220299	Accumulated Depreciation –Drainage/Culverts

The classification of Road Traffic Control Installations is as follows:

Sub-Item	Economic Classification of Road Traffic Control Installations
6220301	Signals
6220309	Accumulated Depreciation- Signals
6220310	Traffic facilities
6220319	Accumulated Depreciation –Traffic Facilities
6220320	Toll Stations
6220329	Accumulated Depreciation- Toll Stations

Sub-Item	Economic Classification of Road Traffic Control Installations
6220330	Road cameras
6220339	Accumulated Depreciation –Road cameras

The classification of Road Amenities is as follows:

Sub-Item	Economic Classification of Roads Amenities
6220401	Street Trees & Vegetation
6220409	Accumulated Depreciation- Street Trees & Vegetation
6220410	Bike lanes
6220419	Accumulated Depreciation –Bike Lanes
6220420	Road Public Art
6220429	Accumulated Depreciation- Road Public Art
6220430	Roadside seating
6220439	Accumulated Depreciation –Road Outside Seatings
6220440	Pavements
6220449	Accumulated Depreciation –Pavements

The classification of Railway Infrastructure is as follows:

Item	Economic Classification of Railways Infrastructure
6230100	Land under the Railway and within Railway Reserves
6230200	Railways and Bridges
6230300	Railways Buildings
6230400	Railway Traffic Control Installations
6230500	Railway's amenities

The classification of Railway and Bridges is as follows:

Sub-Item	Economic Classification of Railway and Bridges
6230201	Standard Gauge Railway Track
6230209	Accumulated Depreciation- Standard Gauge Railway Track
6230210	Meter Gauge Railway
6230219	Accumulated Depreciation –Meter Gauge Railway
6230220	Railway Bridges & Infrastructure
6230229	Accumulated Depreciation- Railway Bridges & Infrastructure
6230240	Diesel/Electric Multiple Units & Roll Stock

Sub-Item	Economic Classification of Railway and Bridges
6230249	Accumulated Depreciation –Diesel/Electric Multiple Units & Roll Stock
6230250	Railway Civil Works
6230259	Accumulated Depreciation –Railway Civil Works
6230260	Railway system -Intangible
6230269	Accumulated Depreciation –Railway System Intangible
6230270	Railway equipment
6230279	Accumulated Depreciation –Railway equipment

The classification of Railway Buildings is as follows:

Sub-Item	Economic Classification of Railway Buildings
6230301	Railway Buildings - Terminus
6230309	Accumulated Depreciation- Railway Buildings - Terminus
6230310	Railway Buildings – Offices & Control Stations
6230319	Accumulated Depreciation –Railway Buildings – Control Stations
6230320	Railway Buildings – Residential Buildings
6230329	Accumulated Depreciation –Railway Buildings –Residential Buildings

The classification of Railway Traffic Control Installations is as follows:

Sub-Item	Economic Classification of Railway Traffic Control Installations
6230401	Signaling & Communication
6230409	Accumulated Depreciation- Signaling & Communication
6230410	Traffic facilities
6230419	Accumulated Depreciation –Traffic Facilities
6230420	Railway cameras
6230429	Accumulated Depreciation –Railway cameras

The classification of Railway Amenities is as follows:

Sub-Item	Economic Classification of Railway Amenities
6230501	Street Trees & Vegetation
6230509	Accumulated Depreciation- Street Trees & Vegetation
6230510	Side lanes
6230519	Accumulated Depreciation –Side Lanes
6230520	Railway Public Art

Sub-Item	Economic Classification of Railway Amenities
6230529	Accumulated Depreciation- Railway Public Art
6230530	Railway Outside seating
6230539	Accumulated Depreciation –Railway Outside Seatings
6230540	Railway Pavements
6230549	Accumulated Depreciation –Railway Pavements

The classification of Energy Generation & Other Infrastructure is as follows:

Item	Economic Classification of Energy Generation & Other Infrastructure
6240100	Geothermal Station
6240200	Hydroelectric Station
6240300	Wind Farms
6240400	Solar Generations
6240500	Thermal Energy
6240600	Electricity Transmission
6240700	Water and Sewerage Infrastructure
6240800	Sea Walls & Jetties
6240900	Other Infrastructure

The classification of the Geothermal Station is as follows:

Sub-Item	Economic Classification of Geothermal Station
6240101	Rigs & water supply infrastructure
6240109	Accumulated Depreciation – Rigs & Water Supply Infrastructure
6240110	Access roads to wells
6240119	Accumulated Depreciation – Access roads to wells
6240120	Geothermal wells
6240129	Accumulated Depreciation – Geothermal wells
6240130	Plant, Machinery, and Equipment – Geothermal Power substation
6240139	Accumulated Depreciation – Geothermal Plant, Machinery & Equipment
6240140	Land & Buildings for Geothermal stations
6240149	Accumulated Depreciation – Geothermal Land & Buildings

The classification of a Hydro-Electric Station is as follows:

Sub-Item	Economic Classification of Hydro-Electric Station
6240201	Hydro Plants
6240209	Accumulated Depreciation – Hydro Plants
6240210	Internal transmission lines
6240219	Accumulated Depreciation – Transmission lines
6240220	Access roads to Hydro Plants
6240229	Accumulated Depreciation – Access Roads
6240230	Plant, Machinery, and Equipment – Hydro-Power substation
6240239	Accumulated Depreciation – Hydro Plant, Machinery & Equipment
6240240	Land & Buildings for Hydro stations
6240249	Accumulated Depreciation – Hydro Land & Buildings
6240250	Intake and tunnels
6240251	Accumulated Depreciation – Intake and tunnels

The classification of Wind Farms is as follows:

Sub-Item	Economic Classification of Wind Farms
6240301	Wind Farms
6240309	Accumulated Depreciation – Wind Farms
6240310	Internal transmission lines
6240319	Accumulated Depreciation – Internal transmission lines
6240320	Access roads to Wind Farms
6240329	Accumulated Depreciation – Wind Farms Access
6240330	Plant, Machinery, and Equipment – Wind Power substation
6240339	Accumulated Depreciation – Wind Plant, Machinery & Equipment
6240340	Land & Buildings for Wind stations
6240349	Accumulated Depreciation – Wind Land & Buildings

The classification of Solar Generation is as follows:

Sub-Item	Economic Classification of Solar Generation
6240401	Solar Farms
6240409	Accumulated Depreciation – Solar Farms
6240410	Internal transmission lines
6240419	Accumulated Depreciation – Internal transmission lines
6240420	Access roads to Solar Farms

Sub-Item	Economic Classification of Solar Generation
6240429	Accumulated Depreciation – Solar Farms Access
6240430	Plant, Machinery, and Equipment – Solar Power substation
6240439	Accumulated Depreciation – Solar Plant, Machinery & Equipment
6240440	Land & Buildings for Solar stations
6240449	Accumulated Depreciation – Solar Land & Buildings

The classification of Solar Generation is as follows:

Sub-Item	Economic Classification of Thermal Energy
6240501	Thermal Energy Plant
6240509	Accumulated Depreciation – Thermal Energy Plant
6240510	Internal transmission lines
6240519	Accumulated Depreciation – Internal transmission lines
6240520	Access roads to the Thermal Energy Plant
6240529	Accumulated Depreciation – Thermal Energy Plant Access
6240530	Plant, Machinery, and Equipment – Thermal Energy Plant substation
6240539	Accumulated Depreciation – Thermal Plant, Machinery & Equipment
6240540	Land & Buildings for Thermal Energy Plant stations
6240549	Accumulated Depreciation – Thermal Energy Plant Land & Buildings

The classification of Electricity Transmission is as follows:

Sub-Item	Economic Classification of Electricity Transmission
6240601	Electricity Transmission Lines
6240609	Accumulated Depreciation – Electricity Transmission Lines
6240610	Substations
6240619	Accumulated Depreciation – Substations
6240620	Plant, Machinery, and Equipment – Electricity Transmission lines
6240629	Accumulated Depreciation - Plant, Machinery & Equipment lines

The classification of Water Infrastructure is as follows:

Sub-Item	Economic Classification of Water Infrastructure
6240701	Water Collection Dams/Pans
6240709	Accumulated Depreciation – Water Collection Dams/Pans
6240710	Water Purification Substation

Sub-Item	Economic Classification of Water Infrastructure
6240719	Accumulated Depreciation – Water Purification Substations Water Storage Substation Accumulated Depreciation – Water Storage Substations
6240720	Plant, Machinery, and Equipment – Water Transmission pipes
6240729	Accumulated Depreciation - Water Transmission pipes
6240730	Water Sewerage System
6240739	Accumulated Depreciation – Water Sewerage System

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for some time in exchange for a consideration. Subleases will be treated as a separate lease. The classification of Leased Assets is as follows:

Item	Economic Classification of Leased Assets
6250100	Finance Leases
6250200	Operating Leases
6250300	Right of Use Assets
6250400	Service Concession Arrangements: Grantor

Sub-Item	Economic Classification of Right-of-Use Assets
6250301	Right of Use Assets – Medical Equipment
6250309	Accumulated Depreciation – Right of Use – Medical Equipment
6250310	Right of Use Assets – Property, plant, and equipment
6250319	Accumulated Depreciation – Right of Use –Property
6250320	Right of Use Assets – Motor Vehicles and other transport equipment
6250329	Accumulated Depreciation – Right of Use Motor Vehicles
6250330	Right of Use Assets - Buildings and office space
6250339	Accumulated Depreciation – Right of Use Buildings/Office space

Heritage and cultural assets are classified as follows:

Item	Economic Classification of Heritage & Cultural Assets
6260100	Cultural property
6260200	Intangible culture
6260300	Natural heritage

Item	Economic Classification of Heritage & Cultural Assets
6260400	Digital heritage

Sub-Item	Economic Classification of Cultural Property
6260101	Heritage sites
6260110	Archaeological sites
6260120	Paleontological items
6260130	Monuments
6260140	National Library Collections
6260150	National Archives
6260160	Other Heritage Assets

10.6.6.2.5. Buildings and Building Improvements

Buildings have been classified as a separate Chapter because of their significance in governance. Government buildings are far more than functional spaces – they stand as powerful symbols of authority, governance, and national identity. These structures are the nerve centers of a nation’s administrative and legislative functions, from city halls, parliament buildings, supreme court buildings, KICC, and embassies.

Sub-Chapter	Economic Classification of Buildings and Building Improvements
6310000	Permanent
6320000	Semi-Permanent
6330000	Temporary

Item	Economic Classification of Permanent Buildings
6310100	Residential buildings
6310200	Educational buildings
6310300	Offices buildings
6310400	Assembly buildings
6310500	Court houses
6310600	Stadiums
6310700	Police Stations
6310800	Storage Buildings
6310900	Industrial Buildings

Sub-Item	Economic Classification of Residential Buildings
6310101	Apartments
6310109	Accumulated Depreciation - Apartments
6310110	Camps
6310119	Accumulated Depreciation -Camps
6310120	Villas
6310129	Accumulated Depreciation -Villas
6310130	Mansions
6310139	Accumulated Depreciation -Mansions
6310140	Bungalows
6310149	Accumulated Depreciation -Bungalows

Sub-Item	Economic Classification of Educational Buildings
6310201	Classrooms Block
6310209	Accumulated Depreciation – Classroom Block
6310210	Administration Block
6310219	Accumulated Depreciation -Administration Block
6310220	Toilets
6310229	Accumulated Depreciation -Toilets
6310230	Dormitories Block
6310239	Accumulated Depreciation – Dormitories Block
6310240	Library Block
6310249	Accumulated Depreciation -Dormitories Block
6310250	Laboratories
6310259	Accumulated Depreciation - Laboratories
6310260	Kitchen
6310269	Accumulated Depreciation - Kitchen

Sub-Item	Economic Classification of Office Buildings
6310101	Class 5
6310109	Accumulated Depreciation – Class 5

10.6.6.2. Investments

Investments are classified based on the intention to hold them, with the primary classification being “investment in associates (accounted for using the equity method) and “investment property,” which can be measured at either fair value or cost, depending on the specific circumstances.

Investment in Associates (IPSAS 36)

When a public sector entity has significant influence over another entity, the investment is classified as an “associate” and is accounted for using the equity method.

Investment Property (IPSAS 16)

Property held primarily for capital appreciation or rental income is classified as “investment property” and can be measured at fair value or cost. IPSAS 41 allows for the fair value measurement of investment property through the surplus or deficit.

Regardless of the classification, entities are required to disclose details of their investments, including the accounting policies used, fair value information, and any significant risks associated with the investment.

The Sub-Chapter of Investments is as follows:

Sub Chapter	Economic Classification of Investments
6510000	Securities other than shares
6520000	Lending and On-lending
6530000	Equity accounted investments
6540000	Investments in controlled enterprises
6550000	Foreign equity participation
6560000	Investment Properties
6570000	Social and Student Loan Scheme

10.6.6.2.1. Investment – Securities other than shares

The classification of securities other than shares is as follows:

Sub Item	Economic Classification of securities other than shares
6510101	Securities other than shares < 1Y
6510102	Securities other than shares < 1Y – accumulated revaluation.
6510103	Securities other than shares < 1Y - accumulated impairment
6510104	Securities other than shares > 1Y
6510105	Securities other than shares > 1Y - accumulated revaluation.
6510106	Securities other than shares > 1Y - accumulated impairment.

10.6.6.2.2. Lending and on-lending

The classification of lending and on-lending is as follows:

Sub Item	Economic Classification of lending and on-lending
6520101	Urban Transport Infrastructure -- Local Authorities

Sub Item	Economic Classification of lending and on-lending
6520102	Local Government Loans Authority
6520103	Domestic Loans to Other Levels
6520104	Loans to Public Universities
6520105	Loans to Kenya Airways
6520106	Loans to the Coffee Board of Kenya
6520107	Loans and Grants to the Pyrethrum Board of Kenya
6520108	Domestic Loans to Kenya Meat Commission
6520109	Micro Finance Institutions
6520110	Car loans to Members of Parliament
6520111	House loans to Members of Parliament and their staff
6520112	Housing loans to public servants
6520113	Loans from the Higher Education Loans Board
6520114	Car loans to Public Servants
6520115	Loans to Semi-Autonomous Government Agencies
6520116	Loans to affiliate companies of Parastatals
6520117	Telcom Kenya

10.6.6.2.3. *Equity accounted investments*

The classification of equity-accounted investments is as follows:

Sub Item	Economic Classification of Equity Accounted Investments
6530101	Equity Participation
6530102	Equity Participation < 1Y – Accumulated revaluation.
6530103	Equity Participation < 1Y – Accumulated Impairment.
6530104	Equity Participation > 1Y - Accumulated revaluation.
6530105	Equity Participation > 1Y - Accumulated Impairment.
6530106	Kenya Petroleum Refineries Limited
6530107	National Housing Corporation
6530108	Pan African Paper Mills
6530109	National Oil Corporation of Kenya
6530110	Safaricom (Telkom Kenya)
6530111	Kenya Commercial Bank
6530112	National Optic Fiber Backbone Infrastructure (NOFBI)
6530113	Equity Participation in Telkom(K) Ltd

Sub Item	Economic Classification of Equity Accounted Investments
6530114	Kenya Airways
6530115	Equity Participation in Uchumi
6530116	East African Marine Systems Limited (TEAMS)
6530117	Kenya Commercial Bank
6530118	Consolidated Bank
6530119	National Bank of Kenya
6530120	Equity Participation - Other (Budget)
6530121	Equity Participation in the African Development Bank
6530122	Equity Participation in the East African Development Bank
6530123	Equity Participation in East and Southern Africa Trade and Development Bank
6530124	Equity Participation in Africa Reinsurance Corporation
6530125	Equity Participation in the African Import Export Bank
6530126	Africa Risk Capacity Insurance Company
6530127	Africa50 Fund Development
6530128	De La Rue

10.6.6.2.4. Investment in controlled enterprises

The classification of investment in controlled enterprises is as follows:

Sub Item	Economic Classification of Investment in Controlled Enterprises
6540101	Kenya Petroleum Refineries Limited
6540102	National Housing Corporation
6540103	Pan African Paper Mills
6540104	National Oil Corporation of Kenya
6540105	Safaricom (Telkom Kenya)
6540106	Kenya Commercial Bank
6540107	National Optic Fiber Backbone Infrastructure (NOFBI)
6540108	Equity Participation in Telkom(K) Ltd
6540109	Kenya Airways
6540110	Equity Participation in Uchumi
6540111	East African Marine Systems Limited (TEAMS)
6540112	Kenya Commercial Bank
6540113	Consolidated Bank
6540114	National Bank of Kenya

Sub Item	Economic Classification of Investment in Controlled Enterprises
6540115	Kenya Petroleum Refineries Limited
6540116	National Housing Corporation
6540117	Pan African Paper Mills
6540118	National Oil Corporation of Kenya
6540119	Safaricom (Telkom Kenya)
6540120	Kenya Commercial Bank
6540121	National Optic Fiber Backbone Infrastructure (NOFBI)
6540122	Equity Participation in Telkom(K) Ltd

10.6.6.3. Inventories

Following is the classification of Inventories:

Sub-Chapter	Economic Classification of Inventories
6610000	Stores
6620000	Stock
6630000	Commodities

Item	Economic Classification of Stores
6610100	Materials and supplies
6610200	Work in progress
6610300	Finished goods
6610400	Goods for resale
6610500	Military inventories

Item	Economic Classification of Stock
6620100	Materials and supplies
6620200	Work in progress
6620300	Finished goods
6620400	Goods for resale
6620500	Military inventories

10.6.6.4. Receivables

The following is the classification of accounts receivable:

Sub-Chapter	Economic Classification of Accounts Receivable
6710000	Trade and Other receivables
6720000	Tax receivables
6730000	Reinsurance receivables
6740000	Social benefit receivables
6750000	Levies, finance, and penalties receivable
6760000	Foreign debtors & Advances
6770000	Other debtors & prepayments
6780000	Accrued income & deferred charges
6790000	Imprests

10.6.6.4.1. Other debtors & prepayments

The classification of Domestic Debtors & Advances is as follows:

Item	Economic Classification of Other Debtors & Prepayments
6770100	Debtors' Prepayments- Employees

This relates to amounts owed by employees to salary advances or other services provided to the entity, and which have fallen due.

10.6.6.4.2. Foreign Debtors & Advances

The classification of Foreign Debtors & Advances is as follows:

Item	Economic Classification of Repayment of Foreign Debtors & Advances
6760100	Debtors & Advances – Overseas Government

This relates to amounts owed by the foreign government to the entity for services or goods provided to the foreign government and which have fallen due.

10.6.6.4.3. *Government Imprests*

The classification of Government Imprests is as follows:

Item	Economic Classification of Government Imprests
6790100	Imprests

This relates to imprests advanced to entities or employees to carry out particular activities. These are only reversed after the liquidation of the imprest.

10.6.6.5. Bank Accounts

The following is the classification of bank accounts:

Sub-Chapter	Economic Classification of Bank Accounts
6810000	Special Purpose Accounts: Bank accounts
6810000	TSA, Exchequer, E-Citizen bank accounts
6810000	Recurrent Bank Accounts
6810000	Development Bank Accounts
6810000	Third-party deposit bank account
6810000	District - Bank Account
6810000	Project-specific bank accounts
6810000	M-Pesa and Cash in Hand
6810000	

10.6.6.5.1. Special Accounts

The classification of special accounts is as follows:

Item	Economic Classification of Special Accounts
6810005	Special Project Bank Account

This classification should be utilized for bank accounts handling special account funds.

10.6.6.5.2. Treasury Bank Accounts

The classification of treasury bank accounts is as follows:

Sub Chapter 652	Economic Classification of Treasury Bank Accounts
Item 65201	Treasury bank accounts

This series should be utilized for bank accounts handled by the National Treasury.

10.6.6.5.3. Recurrent Bank Accounts

The classification of recurrent bank accounts is as follows:

Sub Chapter 653	Economic Classification of Recurrent Bank Accounts
Item 65301	Recurrent bank accounts

This series should be utilized for bank accounts handling funds meant for the recurrent budget.

10.6.6.5.4. Development Bank Accounts

The classification of development bank accounts is as follows:

Sub Chapter 654	Economic Classification of Development Bank Accounts

Item 65401	Development bank accounts
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This series should be utilized for bank accounts handling funds meant for the development budget.

10.6.6.5.5. Deposit Bank Account

The classification of a deposit bank account is as follows:

Sub Chapter 655	Economic Classification of Deposit Bank Account
Item 65501	Deposit bank accounts

This series is reserved for entity deposit bank accounts.

10.6.6.5.6. District - Development Bank Ac

The classification of district development bank accounts is as follows:

Sub Chapter 656	Economic Classification of District Development Bank Account
Item 65601	District development bank account

This series of accounts is reserved for the district development bank account

10.6.6.5.7. Project-Specific Bank Accounts

The classification of project-specific bank accounts is as follows:

Sub Chapter 657	Economic Classification of project-specific bank accounts
Item 65701	Project-specific bank account

Entity-specific project bank accounts should be opened under this series.

10.6.6.5.8. Cash in Hand

The classification of cash in hand is as follows:

Sub Chapter 658	Economic Classification of cash in hand
Item 67101	Cash in hand

Petty cash transactions are processed through this account.

10.6.6.5.9. Foreign Currency and Foreign Deposits

The classification of foreign currency and foreign deposits is as follows:

Sub Chapter 659	Economic Classification of foreign currency and foreign deposits
Item 65901	Foreign bank accounts

Bank accounts denominated in a foreign currency should be managed through this account.

10.6.7. Category 7: Liabilities

Liabilities are:

Present obligations of a public entity to transfer resources as a result of past events.

Historically, the government has focused on Public Debt as a primary measure of its liabilities. Other commitments and obligations give rise to government liabilities. These include financial guarantee contracts (including letters of comfort), employee benefits liabilities, and liabilities related to assets (such as SCL, limitation of liabilities, Provisions, and Deferred Income).

The Accounting Officer is obligated to establish comprehensive liabilities register as the first step towards accounting, recognizing, and reporting liabilities in the balance sheet. The registers are essential because they:

- (a) Assist public officers in making complex decisions on spending, assumption of liabilities, and repayments;
- (b) Provide structured and detailed information about the nature, level, and financial data on values, payments, nominal and effective rates, and the public entities involved;
- (c) Simplify accounting processes and facilitate a holistic view of the financial consequences of government activities;
- (d) Integration with liabilities management and accounting.

The classification scheme applied has been configured in accordance with IPSAS accrual, with the possibility of mapping to GFSM requirements.

For a liability to exist, three criteria must be satisfied:

- (a) The public entity has an obligation
- (b) The obligation is to transfer resources
- (c) The obligation is a present obligation arising from one or more past events

The measurement basis for liabilities is:

- (a) Historical cost;
- (b) Cost of fulfillment; and
- (c) Fair value.

Liabilities Reporting

1. Identification	2. Classification	3. Collection of Data	4. Recognize & Measure
<ul style="list-style-type: none">- Government's obligation to pay/transfer resources. There must be a legal instrument or constructive (practice or norms)	Distinguish liabilities based on their use and function through the application of the classification of the revised SCOA.	<ul style="list-style-type: none">- Assign a unique identification number that is comprehensible in the systematic logic and ideally linked to the revised SCOA.- Record technical, valuation, and ownership information of liabilities in the register	Items that are liabilities and can be measured: <ul style="list-style-type: none">- Public Debt- Constructive (promises)- Unfunded pension liabilities- Announcement of new programs\- etc.

	Description	Classes
1.	Liabilities from operations	<ul style="list-style-type: none"> - Accruals - Creditors/Suppliers (Pending Bills) - Court awards - Receipts received in advance/third-party deposits
2.	Liabilities related to assets	<ul style="list-style-type: none"> - Service concession liabilities - Leased liabilities
3	Liabilities related to taxes, grants, and transfer expenses	<ul style="list-style-type: none"> - Tax liabilities - Grant liabilities - Transfer liabilities
4.	Financial liabilities	<ul style="list-style-type: none"> - Public debt - Financial guarantees
5.	Employees benefits	<ul style="list-style-type: none"> - Short-term employee benefits - Post-employment benefits - Long-term employee benefits
6.	Social benefits	<ul style="list-style-type: none"> - Social benefits payable
7.	Provisions, contingent liabilities, and contingent assets	<ul style="list-style-type: none"> - Provisions - Contingent liabilities - Contingent assets

The classification of Liabilities is as follows:

Sub-Chapter	Economic Classification of Liabilities
7100000	Long Term Liabilities
7200000	Issued Currency/Overdraft
7300000	Current Liabilities

10.6.7.1. Long Term Liabilities

The classification of long-term liabilities is as follows:

Item	Economic Classification of Long-Term Liabilities
7110000	Public Debt and Financial Guarantees
7120000	Leased liabilities
7130000	Development Grant liabilities (Deemed Income)
7140000	Post-employment benefits
7150000	Long-term employee benefits
7160000	Provisions

10.6.7.1.1. Public Debt

Article 214 (2) of the Constitution defines public debt as all financial obligations attendant to loans raised or guaranteed, and securities issued or guaranteed by the national government. These include

- Domestic debt
- External debt
- Public and publicly guaranteed debt (with Parliament approval)
- Public non-guaranteed debt
- Fiscal commitments and contingent liabilities (mainly from PPP projects)

Section 80 (2) (d) requires the National Treasury to include in the consolidated financial statements:

- (d) a statement of the total amount of debt of the national government that is outstanding at the end of the financial year.*

The principles that apply to public borrowing and debt management are as follows:

- a) Openness and accountability in borrowing and management of public debt;
- b) Promotion of an equitable society;
- c) Equitable sharing of the burdens and benefits of the use of resources and public borrowing between present and future generations;
- d) Prudent and responsible use of public money; and
- e) Responsible borrowing and management of public debt, as well as accurate fiscal reporting.

A debt incurred by the national government is a charge on the Consolidated Fund, unless the Cabinet Secretary for National Treasury determines, by regulations approved by Parliament, that all or part of the public debt is a charge on another public fund.

Item	Economic Classification of Public Debt
7111000	Domestic debt
7112000	External debt
7113000	Government-guaranteed debt
7114000	Public non-guaranteed debt
7115000	Fiscal commitments and contingent liabilities

Sub-Item	Economic Classification of Domestic Debt
7111100	Treasury Bills
7111200	Treasury Bonds
7111300	Pre-1997 Government Debts
7111400	CBK Over-draft
7111500	Others

Sub-Sub-Item	Economic Classification of Treasury Bills
7111110	90 days -Treasury Bills
7111111	180 days -Treasury Bills
7111112	360 days -Treasury Bills

Sub-Sub-Item	Economic Classification of Treasury Bonds
7111210	Fixed Coupon – Treasury Bonds
7111220	Infrastructure – Treasury Bonds
7111230	Zero Coupon – Treasury Bonds

Sub-Item	Economic Classification of External Debt
7112100	Multi-Lateral
7112200	Bilateral
7112300	Commercial
7112400	International Sovereign Bond holder
7112500	Suppliers Credit

Sub-Sub-Item	Economic Classification of Multi-lateral
7111101	IDA – International Development Association – Instrument 1
7111140	IMF- International Monetary Fund – Instrument 1
7111160	TDB- Trade Development Bank – Instrument 1
7111170	ADB- African Development Bank- Instrument 1
7111180	Others – Instrument 1

Sub-Sub-Item	Economic Classification of Bilateral
7112201	China– Instrument 1
7112240	France– Instrument 1
7112250	Japan– Instrument 1
7112260	United States– Instrument 1
7112270	United Kingdom– Instrument 1
7112290	Others– Instrument 1

Sub-Sub-Item	Economic Classification of Commercial Loans
7112301	Bank 1 – Instrument 1
7112302	Bank 2– Instrument 1
7112303	Bank 3– Instrument 1
7112304	Bank 4– Instrument 1
7112305	Bank 5– Instrument 1
7112306	Bank 6– Instrument 1

Sub-Sub-Item	Economic Classification of International Sovereign Bonds
7112401	Euro Bonds 1
7112402	Euro Bonds 2
7112403	Euro Bonds 3
7112404	Euro Bonds 4
7112405	Euro Bonds 5
7112406	Euro Bonds 6

Public and Publicly Guaranteed Debt Stock

Regulation 201 of the Public Finance Management (National Government) Regulations, 2015, sets out the mechanisms by which the national Treasury may issue a Government Guaranteed Debt. The National Treasury issues guarantees to support private sector development, small-scale entrepreneurs, infrastructure projects, and to promote agriculture. While the use of guarantees by the government to intervene or provide support may be seen as costless due to a lack of initial cash outflows, such interventions introduce significant financial risks and impacts for governments in the event of default by other entities.

Sub-Item	Economic Classification of Government Guaranteed Debt
7113100	Bilateral
7113200	Commercial
7113300	Multilateral

Sub-Sub-Item	Economic Classification of Bilateral-Government Guaranteed Debt
7113101	China– Instrument 1
7113120	Japan– Instrument 1
7113130	Denmark– Instrument 1
7113140	Britain– Instrument 1

Sub-Sub-Item	Economic Classification of Commercial-Government Guaranteed Debt
7113201	Bank 1– Instrument 1
7113202	Bank 2– Instrument 1
7113203	Bank 3– Instrument 1
7113204	Bank 4– Instrument 1

Sub-Sub-Item	Economic Classification of Multilateral-Government Guaranteed Debt
7113301	IDA– Instrument 1
7113302	IMF– Instrument 1
7113303	TDB– Instrument 1
7113304	ADB– Instrument 1

Sub-Item	Economic Classification of Public Non-Guaranteed Debt Stock
7114100	Bilateral
7114200	Commercial
7114300	Multilateral

Sub-Sub-Item	Economic Classification of Bilateral-Public Non-Guaranteed Debt Stock
7114101	China– Instrument 1
7114120	Japan– Instrument 1
7114130	Denmark– Instrument 1
7114140	Britain– Instrument 1

Sub-Sub-Item	Economic Classification of Commercial-Public Non-Guaranteed Debt Stock
7114201	Bank 1– Instrument 1
7114202	Bank 2– Instrument 1
7114203	Bank 3– Instrument 1
7114204	Bank 4– Instrument 1

Sub-Sub-Item	Economic Classification of Multilateral-Public Non-Guaranteed Debt Stock
7114301	IDA– Instrument 1
7114302	IMF– Instrument 1
7114303	TDB– Instrument 1
7114304	ADB– Instrument 1

10.6.7.1.2. Leased liabilities

Regulation 128 (1) of the Public Finance Management (National Government) Regulations, 2015 defines a lease as a contract that gives the lessee (the renter) the right to the use of property, plant and equipment for a fixed period with a fixed schedule of payments to the lessor (the owner). Examples of leases in the public sector include:

- The lease of medical equipment
- The lease of police motor vehicles
- The lease of office space

Leased Liabilities represent the present value of future lease payments that a lessee is obligated to make under a lease agreement. They arise when a public entity uses an asset, like a motor vehicle, equipment, or office space, without actually owning it. IPSAS 43 introduces a right-of-use model that replaces the risks and rewards incidental to ownership model that was used to be in place under IPSAS 13. IPSAS 43 requires that lessees recognize:

- A right-of-use asset because they control the right to use the underlying asset.
- A lease liability because they have a present obligation to make future lease payments per the lease contract.
- The classification of currency overdrafts is as follows:

Sub-Items	Economic Classification of Leased Liabilities
7121000	Lease of medical equipment
7122000	Lease of motor vehicles
7123000	Lease of specialized equipment
7124000	Lease of office space

10.6.7.1.3. Development Grant Liabilities (Deemed Income)

This is a Kenya-specific guidance where revenue is received from the National Treasury as exchequer transfers for multi-year development purposes. Ideally, idle money should not be given out. The National Treasury is implementing the Treasury Single Account to resolve this issue in cash management.

Sub-Item	Economic Classification of Development Grant Liabilities
7131000	Development grant liabilities

10.6.7.1.4. Post-Employment Benefits

Post-employment benefits are compensation provided to employees after their employment relationship with the public entity ends. These benefits typically include retirement benefits, such as pensions and lump-sum payments, as well as other forms of compensation, including post-employment life insurance and medical care. They are formally or informally arranged between the employer and employee.

Sub-Item	Economic Classification of Post-Employment Benefits
7141000	Pension liability
7142000	Lump-Sum payments
7143000	Life Insurance
7144000	Medical care
7145000	Gratuity
7146000	Deferred-compensation arrangement (service anniversary)

10.6.7.1.5. Long-term employee benefits

Long-term employee benefits are provided with approval by the Salaries and Remuneration Commission. They are non-salary compensation and perks provided to employees that are not expected to be fully settled within 12 months after the end of the reporting period in which the employee provides the related service. These benefits include long-term disability, long-service or sabbatical leave, or bonus plans.

Sub-Item	Economic Classification of Long-term Employee Benefits
7151000	Long-term disability
7152000	Sabbatical leave
7153000	Bonus plans
7154000	Deferred remuneration

10.6.7.1.6. Provisions

IPSAS 19 defines provisions as a liability of uncertain timing or amount. They include doubtful debts, warranties, depreciation, restructuring liabilities, legal claims, income taxes, and environmental remediation.

Legal claim

Sub-Item	Economic Classification of Provisions
7161000	Accumulated Depreciation
7162000	Doubtful debts
7163000	Warranties or guarantees
7164000	Legal claims
7165000	Income taxes
7166000	Inventories Obsolescence
7167000	Environment remediation

10.6.7.1.7. Issued Currency (Overdrafts)

Currency is a liability to the central bank that issues it – a promise to stand behind the currency's value in the future. Overdrafts are forbidden in Kenyan law.

Sub-Item	Economic Classification of Issued Currency/Overdrafts
7210000	Bank overdrafts
7220000	Issued Currency

10.6.7.2. Current Liabilities

Current liabilities (also called short-term liabilities) are liabilities a public entity must pay within a normal operating cycle, usually less than 12 months. These include accrued expenses, taxes payable, short-term debt, and payroll liabilities.

The classification of current liabilities is as follows:

Item	Economic Classification of Current Liabilities
------	------------------------------------------------

7310000	Accruals
7320000	Creditors/ Suppliers (Pending Bills)
7330000	Court awards
7340000	Receipts received in advance (third-party deposits)
7350000	Service concession liabilities
7360000	Tax liabilities
7370000	Transfer liabilities
7380000	Short-term employee benefits
7390000	Social benefits payable

10.6.8. Category 9: Accumulated Reserves

Items under this Category relate to In-Year and Cumulative Date Balances of Surpluses and Deficits against the Accumulated Reserve Reserves. These items are not appropriated and therefore do not feature in the Appropriation Accounts or Performance Statements. These items are featured in the Balance Sheet (regardless of the cash or accrual basis of accounting), and Balances are carried forward year after year.

The classification of Reserves is as follows:

Category 9	Economic Classification of Accumulated Reserve
Chapter 99	Reserves

10.6.8.1. Reserves

The classification of reserves is as follows:

Chapter 99	Economic Classification of Reserves
Sub Chapter 991	Provisions
Sub Chapter 992	Opening balance
Sub Chapter 993	Prior year adjustment

10.6.8.1.1. Provisions

The classification of provisions is as follows:

Sub Chapter 991	Economic Classification of Provisions
Item 99101	General Provisions
Item 99102	Exchequer provisions
Item 999998	Vote control account
Item 999999	Consolidated Fund

General Provisions

The classification is used while making general provisions.

Exchequer provisions

The classification is used while making exchequer provisions.

Vote control account

The classification is used while making adjustments to the vote account.

Consolidated fund

The classification is used while making adjustments to the consolidated fund.

10.6.8.1.2. Opening balance

The classification of opening balances is as follows:

Sub Chapter 992	Economic Classification of Provisions
Item 99201	Bank & cash Adjustment
Item 99202	Receivables Adjustment
Item 99203	Payables Adjustment

Included in this account are opening balances related to new Ministries, Departments, and Agencies that have opening balances and are also utilized by Ministries, Departments, and Agencies during migration to a new accounting system (e.g., Smart FMIS). The opening balances must equal the closing balances of the previous accounting software. These balances are further categorized as bank and cash opening balances, receivables opening balances, and payable opening balances.

10.6.8.1.3. Prior year adjustment

The classification of prior year adjustments is as follows:

Sub Chapter 993	Economic Classification of Provisions
Item 99301	Bank & cash Adjustment
Item 99302	Receivables Adjustment
Item 99303	Payables Adjustment

Included in this account are prior-year adjustments relating to bank and cash, receivables, and payables.

10.7. Examples

From **Box 1: Sample transaction**, specify the nature of the transaction as follows:

Debit

6	ASSETS
1	FIXED ASSETS
1	Fixed Capital Assets - GBV
07	Vehicles and Other Transport Equipment - GBV
01	Motor Vehicles - GBV

Credit

6	ASSETS
5	BANK ACCOUNTS
1	Special Accounts
01	Special Project Bank Accounts
01	Special Project Bank Account-01

Segments	No. of digits								
Source of Funds	8	X.X.XXX.XXX							
Class	1	X.X.XXX.XXX	X						
Vote	5	X.X.XXX.XXX	XXXXX						
Administrative	10	X.X.XXX.XXX	XXXXXX	XXXXX	XXX.XX				
Programme	8	X.X.XXX.XXX	XXXXXX	XXXXX	XXX.XX	XX.XX.XX.XX			
Project	9	X.X.XXX.XXX	XXXXXX	XXXXX	XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX		
Geographical Location	8	X.X.XXX.XXX	XXXXXX	XXXXX	XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	XXXX.XX.XX	
Economic	7	X.X.XXX.XXX	XXXXXX	XXXXX	XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	XXXX.XX.XX	Dr:6.1.1.07 Cr:6.5.1.01
Extended Reporting	4								

11. Extended reporting

Several requests for reports that inform policy-making, support negotiations, or guide related decisions will be encountered during the administration of the IFMIS modules and will continue to be made. These include, but are not limited to, providing reports on government expenditure on ICT, HIV/AIDS, Climate Change, and Gender-Specific initiatives, among others. These transactions are characterized by the relatively widespread distribution of their possible components across most of the seven segments of the SCOA. This wide distribution makes it difficult to create the aforementioned reports. For instance, the whole of the government's expenditure on ICT can be analyzed as follows:

Example of how ICT expenses are dispersed in the SCOA:

S/n.	SCOA Segment	Remarks
	Class	Expenditures in ICT may be incurred under either recurrent or development budgets.
	Source of Funds	Funding initiatives may be sourced from other domestic and external sources. For example, salary and recurrent components are typically locally funded, while project and capital components may be financed either locally or by external partners.
	Funds	Funds for ICT may be derived from any Public Fund being legally operated by any government agency.
	Vote and Administrative	<ul style="list-style-type: none"> ICT support units are strewn across ALL MDAs and Counties. Specific votes champion ICT policy in government, e.g., the Ministry of ICT and similar departments in the counties. IFMIS serves all the government, but its costs are retained at the National Treasury.
	Programme	<ul style="list-style-type: none"> The General Administration programme, which houses ICT support units in MDAs, is pervasive. The Ministry of ICT and related SAGAs are generally in the GECLA sector. The Programme "Primary Education" run by the Directorate of Basic Education is championing the rollout of the "Laptops for Class 1 Pupils" initiative of the Jubilee Administration. IFMIS and related services are anchored in PFM programmes of the National Treasury.
	Geography	Expenditures may fall across any ward(s) or nationally.
	Economic	<ul style="list-style-type: none"> Compensation for the officers in ICT units cuts across. Specific ICT items like Software licenses, Purchase of Computers & Printers, Connectivity charges may be used by any MDA/County.

From the table above, the following conclusions are made:

- All financial data needed on the subject is adequately and very likely, appropriately captured on the system and can be drawn out in a report.
- Adequate insight is needed formulate such a report given the dispersion of data captured across the SCOA.

A report drawn this way is likely to be hard-coded and heavily reliant on the support of IT specialists to derive. The pace of arriving at an acceptable output may further depreciate if the eventual users question and alter the parameters populating the data on the report, e.g., to exclude salaries for ICT support units in various or all MDAs, etc. These interrogations, especially between multiple parties seeking to guide the IT specialists in formulating the reports, result in a slow turnaround time for obtaining the information needed to guide other dependent processes.

Analytical reporting, with minimal IT support and high accuracy, is therefore a critical area and a highly demanded service for the majority of SCOA users and their immediate stakeholders. The Extended Reporting segment in the new SCOA provides a mechanism to entrench such a response capacity in the Government IFMIS, using the following approach:

- building an analytical reporting segment in the SCOA,
- implementing that segment with minimal costs in the IFMIS,
- raising the capacity/awareness of users on the existence and operations of the analytical reporting feature.

11.1. The structure of the Extended Reporting segment

The Extended Reporting segment is an additional segment in the SCOA. However, it is not a transactional segment as is the case with the other segments. Its structure aligns with the current scheme of the SCOA. Adequate coding space has been allocated within this segment to accommodate a wide range of analytical reporting requirements.

The segment consists of three levels and four digits as shown above.

- Level 1 – Shows the main cause/subject of analysis or tracking, e.g., ICT, Gender, Children, or Climate Change
- Level 2 – Shows the major divisions in the subject of analysis, e.g., in ICT, software, security, capacity, etc., are possible expenditure groupings that can be tracked. Expenditure on Gender can be analyzed under the broad categories of male and female.
- Level 3 – Defines specific areas under the divisions. For example, expenditure on Children can be analyzed under the divisions of male and female, as well as in specific areas such as nutrition, vaccinations, sanitation, etc.

Segments	Sub-Segments	Definition	No. of levels	No. of digits
Extended Reporting		- Identifies the analytical reporting needs in government, i.e., against which expenditure area or government priority area was revenue received or expenditure incurred, e.g., climate change, HIV/AIDS, etc.	3	4
	Cause	- Shows the main cause/subject of analysis, e.g., climate change		2
	Division	- Shows the major divisions in the cause, e.g., climate change adaptation or climate change mitigation		1
	Area	- Defines specific areas under the divisions, e.g. principle & significant climate change contributions		1

11.2. How the Extended Reporting segment works

The full illustration of coding for this segment is shown below and modeled for a case of tracking government transactions (receipts and expenditures) under Climate Change finance, Children, HIV&AIDS, and Gender:

	A	B	C	D	E	F	G	H	I
	Cause	Division	Area	New code	1	2	3		Guidance
2	1	0	0	0 1000	No Cause Tracked				Use this code while processing budgets that can be adequately reported from the main transactional segments. [Refer: SCOA Manual: Extended Reporting]
3	1	0	1	0 1010	No Cause Tracked				Use this code while processing budgets that can be adequately reported from the main transactional segments. [Refer: SCOA Manual: Extended Reporting]
4	1	0	0	1 1001	No Cause Tracked				Use this code while processing budgets that can be adequately reported from the main transactional segments. [Refer: SCOA Manual: Extended Reporting]
5	1	1	0	0 1100	Climate Change				Use this code while processing budgets that contribute to climate change. [Refer: SCOA Manual: Extended Reporting]
6	1	1	1	0 1110	Adaptation				Use this code while processing budgets that contribute to climate change adaptation activities. [Refer: SCOA Manual: Extended Reporting]
7	1	1	1	1 1111	Principle Adaptation				Use this code while processing budgets that contribute more than 65% to climate change adaptation. [Refer: SCOA Manual: Extended Reporting]
8	1	1	1	2 1112	Significant Adaptation				Use this code while processing budgets that contribute more than 25% to climate change adaptation. [Refer: SCOA Manual: Extended Reporting]
9	1	1	2	0 1120	Mitigation				Use this code while processing budgets that contribute more than 25% to climate change mitigation. [Refer: SCOA Manual: Extended Reporting]
10	1	1	2	1 1121	Principle Mitigation				Use this code while processing budgets that contribute more than 65% to climate change mitigation. [Refer: SCOA Manual: Extended Reporting]
11	1	1	2	2 1122	Significant Mitigation				Use this code while processing budgets that contribute more than 25% to climate change mitigation. [Refer: SCOA Manual: Extended Reporting]
12	1	1	3	0 1130	Cross-cutting (both mitigation and adaptation)				Use this code while processing budgets that contribute to cross-cutting climate change activities. [Refer: SCOA Manual: Extended Reporting]
13	1	1	3	1 1131	Principle Cross-cutting				Use this code while processing budgets that contribute more than 65% to cross-cutting climate change activities. [Refer: SCOA Manual: Extended Reporting]
14	1	1	3	2 1132	Significant Cross-cutting				Use this code while processing budgets that contribute more than 25% to cross-cutting climate change activities. [Refer: SCOA Manual: Extended Reporting]
15	1	1	4	0 1140	Enabling environment				Use this code while processing budgets that contribute to climate change enablers. [Refer: SCOA Manual: Extended Reporting]
16	1	1	4	1 1141	Principle Enabling environment				Use this code while processing budgets that contribute more than 65% to climate change enablers. [Refer: SCOA Manual: Extended Reporting]
17	1	1	4	2 1142	Significant Enabling environment				Use this code while processing budgets that contribute more than 25% to climate change enablers. [Refer: SCOA Manual: Extended Reporting]
18	1	2	0	0 1200	Children				

The role of the reporting segment is to facilitate the process of grouping all budgets and transactions that are aligned to a particular cause or subject and make reporting easy, responsive and accurate. This segment is recommended to be implemented as a mapping table in the IFMIS system. It is easier to implement it in the analytical Hyperion Plan-to-Budget module than in the Oracle E-Business Suite ledger system. This is because:

- It is easier, faster and therefore much less costly to develop the required analytical infrastructure in Hyperion Planning rather than in the Ledger system,
- The P2B module usually extracts expenditure data daily from the ledger and can therefore give a complete view of the budget performance,
- The P2B system has ready developed analytical capability inbuilt similar to Pivot Tables in Excel and is tailored for analytical users. It also has a facility to capture comments, attach documents and breakdown actual line item amounts to smaller figures that may not be suitable for reflection in the budget directly except as aggregate figures.

11.3. Illustration

The Extended Reporting segment is used for extended analytical reporting purposes only. This means that transactions may not be mandatorily captured against its codes. Such transactions will always default to code 1000 in the illustration above. The envisaged typical stream of events of operating with this analytical segment is as follows:

11.3.1. Budgeting

- a) Capture allocations across the mandatory transactional segments as usual.
- b) If the allocation is for a cause or subject area such as ICT, HIV&AIDS, Climate Change, etc. and a code already exists for that cause and the user is aware of it, they can also select that code for the given transaction and save their work.
- c) If the allocation being captured is not being tracked for a specific coded cause, there is no need to make a selection on the Extended Reporting segment. The system will automatically default the segment value to 1000 - No Cause tracked.
- d) If there was not enough information on the details of a cause during the budget data entry exercise or other factors such as deadline-pressure occasion the user to focus on completing the budget data entry, the user may skip selecting a value for analytical segment meaning that the system will default it to 1000 - No Cause Tracked.

(NB: the aim here is to provide a flexible and interactive way of clustering allocations or related expenditures against the principle purpose for which they were incurred. This is for providing reports to suit certain strategic reporting needs.)

- e) Should there be need to review certain expenditures and cluster them as about a specific cause, or if the user did not specify any analytical values during budget data capture, the system allows them to map those allocations to the appropriate analytical segment value to reflect the relationship with cause for which they regard essential.
- f) Analytical reports can then be run for the strategic users to use as per their requirements. These reports will provide a breakdown of all items, programs, heads/sub-heads, sources of funding, or geographical wards, along with any comments and attached documents that comprise their data definition, allowing for closer scrutiny by users.
- g) If there is dissatisfaction, the mapping can be redone and the reports re-run. Once satisfied, the code selections can be frozen to avoid manipulation and provide an authoritative reference. This is the typical budgeting process.

11.3.2. Expenditure

- a) Expenditure should be carried out exclusively in the transactional segments of the SCOA.
- b) During this time, analysis of expenditures will be facilitated by retrieving expenditure data from the budget module and performing analysis based on the code selection of the budgetary segments in the analytical segment.
- c) In later years (after 2 or 3 years), the settings in the analytical segment of the SCOA can be configured into the IFMIS Ledger (Oracle Financials (EBS)). This will occur after the analytical reporting requirements for the Government are refined and standardized through repeated use.
- d) Analytical reports would then also be run against the Extended Reporting segment values from the ledger system.

The analytical needs of users are less compared to transactional ones. The insight needed to flag or cluster allocations or expenditures on the system to facilitate reporting is also considerable. It varies with each analysis subject (e.g., Gender, HIV/AIDS, ICT, Climate Change). Some may require proof from project engineers, like BOQs, etc., to inform accurate clustering.

Awareness and capacity building of users on the analytical capabilities available in the system can be raised through a series of steps as listed below:

1. Pilot with the system administrator first - a select set of causes are assigned codes first, e.g., climate change can be assigned code 1100, HIV/AIDS can be assigned code 1300, Gender can be assigned code 1400, ICT can be assigned code 1700, etc. This is also updated on the system. The criteria for classification are then provided to the system administrator as a basis for clustering the allocations and expenses. Then reports are run based on the clustering.
2. Identify various Cause champions in the MDAs in which they operate.
3. Organize and inform and demonstrate to them, and their Accounting Officers, of the availability and functioning of the Extended Reporting segment.
4. Conduct training on the operation of the Extended Reporting segment
5. The Extended Reporting segment is hereby included in the SCOA manual.

The fewer the number of users and their related needs, the easier it is for the form of capacity building to be adapted to their own readiness. This is useful for making it more meaningful, rather than conducting mass training that is limited in its applicability to many users.

11.4. Examples

From **Box 1: Sample transaction**, specify the course that the transaction aims to address/ achieve as follows, for analytical reporting:

11 Climate change

- 1 Adaptation
- 2 Significant Adaptation

Segments	No. of digits										
Source of Funds	8	2.1.038.017									
Class	1	X.X.XXX.XXX	1								
Vote	5	X.X.XXX.XXX	X	11601							
Administrative	10	X.X.XXX.XXX	X	XXXXX	11601.010.01						
Programme	8	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	10.07.01.20					
Project	9	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	16.0001.000				
Geographical Location	8	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	0000.01.08			
Economic	7	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	XXXX.XX.XX	Dr:6.1.1.07.01 Cr:6.5.1.02.14		
Extended Reporting	4	X.X.XXX.XXX	X	XXXXX	XXXXX.XXX.XX	XX.XX.XX.XX	XX.XXXX.XXX	XXXX.XX.XX	X.X.X.XX.XX	1112	
Full code	60	2.1.038.017	1	11601	11601.010.01	10.07.01.20	16.0001.000	0000.01.08	Dr:6.1.1.07.01 Cr:6.5.1.02.14		1112

12. *The new SCOA Governance and Maintenance framework*

This section sets out the responsibilities and procedures for requesting and updating new SCOA segment values. The Chart of Accounts needs to be controlled centrally to avoid inconsistencies and errors creeping in.

The purpose of standardized governance of the chart of accounts is to:

- Create and maintain consistency for the structure of the elements and segments of the chart of accounts;
- Create and maintain consistency in how the chart of accounts segments are used to facilitate standard reporting;
- Provide a governance structure that is independent of the maintenance of the accounting system; and
- Utilize the center of expertise's knowledge regarding the various financial and non-financial stakeholders involved with each segment of the chart of accounts.

12.1. The SCOA Technical Committee

There will be a committee known as the Technical Committee for the Standard Chart of Accounts, which is a structure within the National Treasury.

12.1.1. Composition

The SCOA Committee shall consist of:

- i. A chairperson: DG Accounting Services (alternate- DG Budget, Fiscal and Economic Affairs);
- ii. A deputy chairperson to be proposed from the membership below;
- iii. Six other members, each representing the functional areas of Accounting Services, Budget, Intergovernmental relations, IFMIS, Debt department, and Macro-Fiscal department
- iv. Representatives from the Controller of Budget, KNBS, CRA, COG, and a representative of the County Governments; and
- v. such further members as the Permanent Secretary considers necessary

The Director-General for Budget, Fiscal and Economic Affairs is proposed to be the designated chairperson of the SCOA Committee. The DG Accounting Services and Quality Assurance will act as an alternate chairperson.

A member referred to above may nominate an alternate to act in that member's stead if unavailable.

The deputy chairperson of the SCOA Committee shall act in the place of the chairperson of the Committee if unavailable.

The Accounting Services Department is proposed to house the SCOA. The chairperson of the committee can designate staff within the National Treasury to provide secretarial services

12.1.2. Functions of SCOA Committee

We have categorized the functions of SCOA in three broad areas as follows:

12.1.2.1. SCOA framework

- i. review the classification framework and, where required, make recommendations to the Permanent Secretary on amendments to that framework;
- ii. Approve a designated process and timeframes (i) to propose changes; (ii) to have them reviewed by key stakeholders; and (iii) to sign off and publish changes, so that all users are advised. Any cyclical process for updates should be no more frequent than quarterly.
- iii. Identify the impact of any proposed changes to the SCOA, including whether they fit with the core principles and agreed structure of the SCOA. All changes to the SCOA must be consistent with the configuration, i.e., there will be no departure from how the segments are defined or the parent-child relationship.
- iv. review the implementation of the standard chart of accounts in government as a whole to ensure the alignment of the standard chart of accounts provided for in this Manual and the standard chart of accounts applicable in the National and County governments;
- v. Review the usage of chart segments and values annually. Rarely used values may be closed to maintain the efficiency of the Chart

12.1.2.2. Data Migration

- i. sign off a plan for data migration to ensure that historical data is not lost or corrupted when a new or updated COA is implemented; and
- ii. Sign off on the process of reconfiguring the historical financial reports to align them with the new structure, thus providing useful historical data for comparison purposes.

12.1.2.3. Capacity building of SCOA users and change management

- i. Review and approve training and capacity building mechanisms for SCOA users all users across government should be adequately trained. Training staff is a fundamental requirement when introducing any modification to procedures and processes. The introduction of changes to the SCOA must be communicated effectively to the relevant staff throughout the government.
- ii. The SCOA Committee should ensure development and sign off change management strategy. The change management strategy should:
 - a. securing explicit support from the highest levels of government at an early stage of reform;
 - b. identifying the organizational changes necessary to implement the new processes and changed rules and procedures, clearly articulating the benefits of the changes;
 - c. identifying documentation changes, including input (e.g., payment vouchers) and output documents (e.g., management reports, budget monitoring reports, etc.);
 - d. identifying human capacity development needs and developing a plan, including a training program, to address existing capacity constraints;
 - e. identifying key change agents in the ministry of finance and line agencies; and
 - f. developing a plan for sensitizing various users to the new systems and procedures.
- iii. undertake such other functions relating to the implementation of SCOA as may be direct

12.1.3. Meetings

The chairperson of the SCOA Technical Committee or the Permanent Secretary may, as required, convene meetings of the Committee, but the Committee must convene at least once a year.

12.2. Maintaining and Updating the SCOA

The SCOA Manual is a dynamic document that requires continuous updates to ensure it remains relevant for government financial operations and responsive to the changing information needs of stakeholders on an ongoing basis.

The process for updating the CoA is triggered when a segment value required for budgeting and/or accounting is not found in the existing SCOA. The NGA/CGA will request an update from the respective segment administrator, as detailed in this SCOA Manual.

12.2.1. Responsibilities for maintaining and updating SCOA

12.2.1.1. Economic Item Segment

The significant day-to-day changes will be in respect of adding new Sub-Items in the Economic Item Segment, and the majority of these additional items will most likely be required during both budget formulation and budget execution. Given their accounting nature, responsibility for making changes under the Economic Segment falls under the Accountant General Department (AGD). The DG AGD will be responsible for approving these changes. He/ she may delegate the responsibility as appropriate.

Requests will be submitted to AGD via a template provided in Figure 11.1 below. The request form shall be populated manually; however, the IFMIS team will consider developing a web form to facilitate web-based requests. The web form would describe the required sub-item or the Item Itself. The request should detail the reasons and justification for adding the new account (often, this justification will also help define the item and identify whether there is already an item that adequately relates to the particular transaction in question).

The AGD will review the request and ensure the item does not already exist (e.g., under a slightly different name). The account will be added as required, and the Manual will be updated, or advice will be given regarding the correct account to use. This procedure is further illustrated in figure 11.3 below:

12.2.1.2. Programs, Sub-Programs and COFOG mapping

Within the general Program (and Sectoral) framework, Ministries will identify their required Programs and Sub-Programs. When a new Program or Sub-Program is needed, the request will be sent to the Budget Supplies Department (BSD), which will be responsible for maintaining this segment. Responsibility for creating a new Budget Agency or making changes to programs, Sub-programs, and COFOG mapping falls under the Director of BSD, who may delegate this responsibility as appropriate.

The request form (template provided under Figure 11.2 below) shall be populated manually; however, the IFMIS team will consider developing a web form to facilitate web-based requests. The web form would describe the required Program or Sub-Program. The Request should detail the reasons and justification for adding the new account (often this justification will also help define the addition and identify whether there is already a program/sub-program which adequately relates to the one requested).

The Directorate of Budget will review the request and ensure the program/sub-program does not already exist (e.g., under a slightly different name). The Directorate of Budget will then map the Sub-Program to the relevant COFOG. The Program and/or Sub-Program will then be added as required, and the SCOA will be updated, or advice will be given regarding the correct Program and/or Sub-Program to use. This procedure is further illustrated in figure 11.3 below.

Line Ministries (and Counties) will request that the Outputs and activities be assigned to specific Sub-Programs; these will be entered centrally into IFMIS by the designated BSD staff. The requesting Ministry will channel the request through the Director, BSD, who will then instruct the IFMIS Department on the amendments to effect.

12.2.1.3. Vote/ Administrative Classification

During budget formulation, when a new Ministry or vote needs to be added, this will be handled directly by staff in BSD under the direction of the Director. In coordination with the new Ministry or Vote, they will ensure that all relevant Programs and sub-programs, as well as COFOG mapping, are assigned and the SCOA is updated.

12.2.1.4. Geographic Segment

As described in the preceding sections, this segment is used to track revenue and expenses to a specific location or geographic area. This segment is updated should there be changes in the Government structure, as communicated in various statutes, such as the Constitution and Acts of Parliament.

12.2.2. Procedure

12.2.2.1. SCOA structural change

No	Procedure Steps	Position Responsible
1	Initiate a request for change to or creation of the coding element and forward to the agency or the county's financial management. First, staff need to fill out the 'Chart of Accounts Maintenance Form' by indicating the new type of request. Then indicate the segment where the value relates.	Users of SCOA
2	Evaluate the change request for need and compliance with SCOA Guidelines. Forwards approved request to SCOA Committee Secretarial Team	Agency/ County Financial Management Unit
3	Evaluate the change request and forward it to the relevant NT functional unit.	SCOA Committee Secretariat
4	Evaluates change request for consistency, completeness, alternatives, need, and compliance with SCOA guidelines If the request meets the need standard and SCOA guidelines, it is forwarded to the SCOA Committee for decision.	NT functional units depending on the segment
5	Review and approve the change request. OR Reviews and disapproves of the change request.	SCOA Committee
6	If approved by the SCOA secretariat, it notifies the agency/ county and respective NT unit to proceed with implementation If the Disapproved SCOA secretariat notifies the agency, giving rationale and recommended alternative	SCOA Committee Secretariat
7	Coordinate the implementation of approved change and notify the requesting agency when done. Notify all SCOA users of the change and facilitate relevant capacity building	SCOA Committee Secretariat

12.2.2.2. SCOA Modification changes

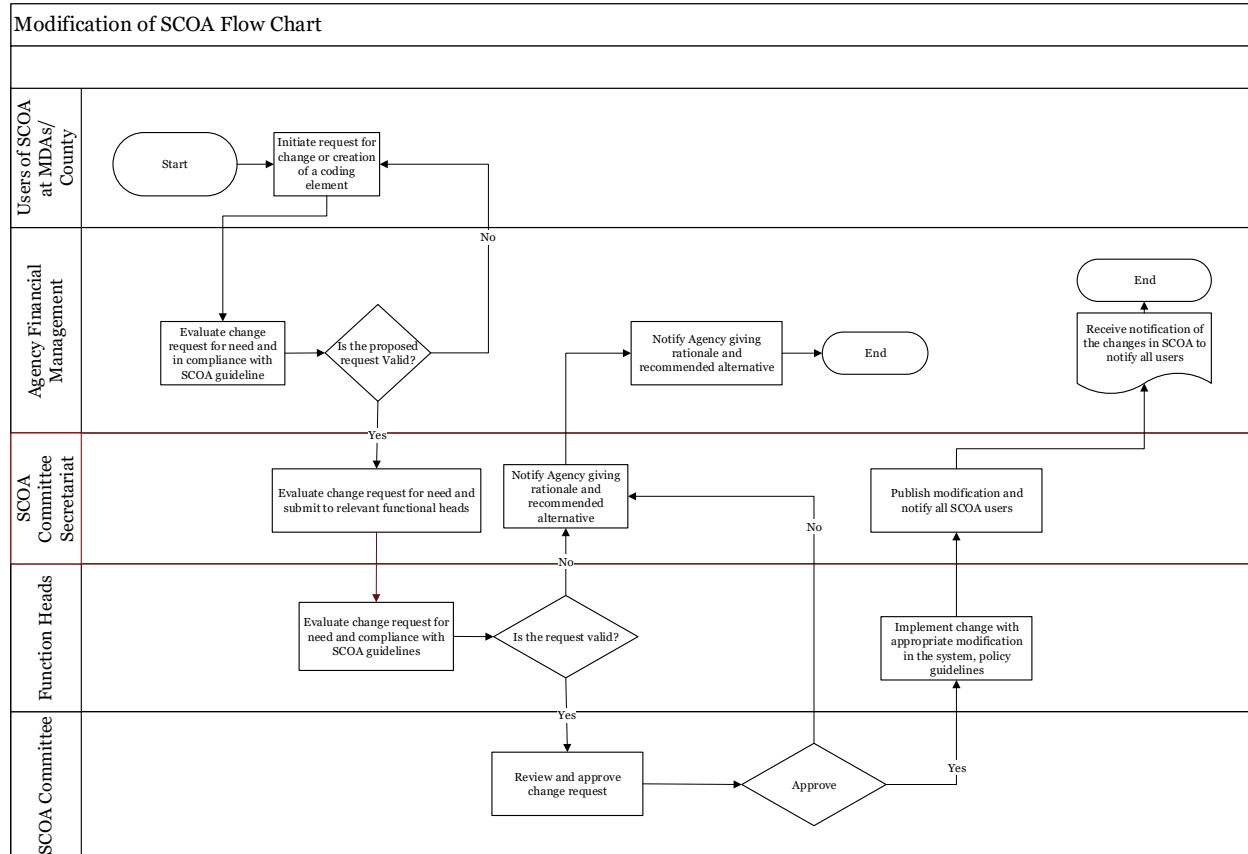
No	Procedure Steps	Position Responsible
1	Initiate a request for change to or creation of the coding element and forward to the agency or the county's financial management. First, staff needs to fill out the 'Chart of Accounts Maintenance Form' by indicating the new type of request. Then indicate the segment where the value relates.	Users of SCOA
2	Evaluate the change request for need and compliance with SCOA Guidelines.	Agency/ County Financial Management Unit

No	Procedure Steps	Position Responsible
	Forwards approved request to SCOA Committee Secretarial Team	
3	Evaluate the change request and forward it to the relevant NT functional unit.	SCOA Committee Secretariat
4	Review the change request for consistency, completeness, alternatives, need, and compliance with SCOA guidelines If the request meets the need standard and SCOA guidelines, propose addition	NT functional units depending on the segment
5	Review and approve the change request. OR Reviews and disapproves change request	Head of functional unit
6	If approved, notifies agency/ county and respective NT unit to proceed with implementation If Disapproved SCOA secretariat, notifies agency giving rationale and recommended alternative	SCOA Committee Secretariat
7	Coordinate implementation of approved change and notify requesting agency when done Notify all SCOA users of the change and facilitate relevant capacity building	SCOA Committee Secretariat

12.2.3. Process flows

12.2.3.1. SCOA structural changes

This relates to instances where segments are added or deactivated in the SCOA.

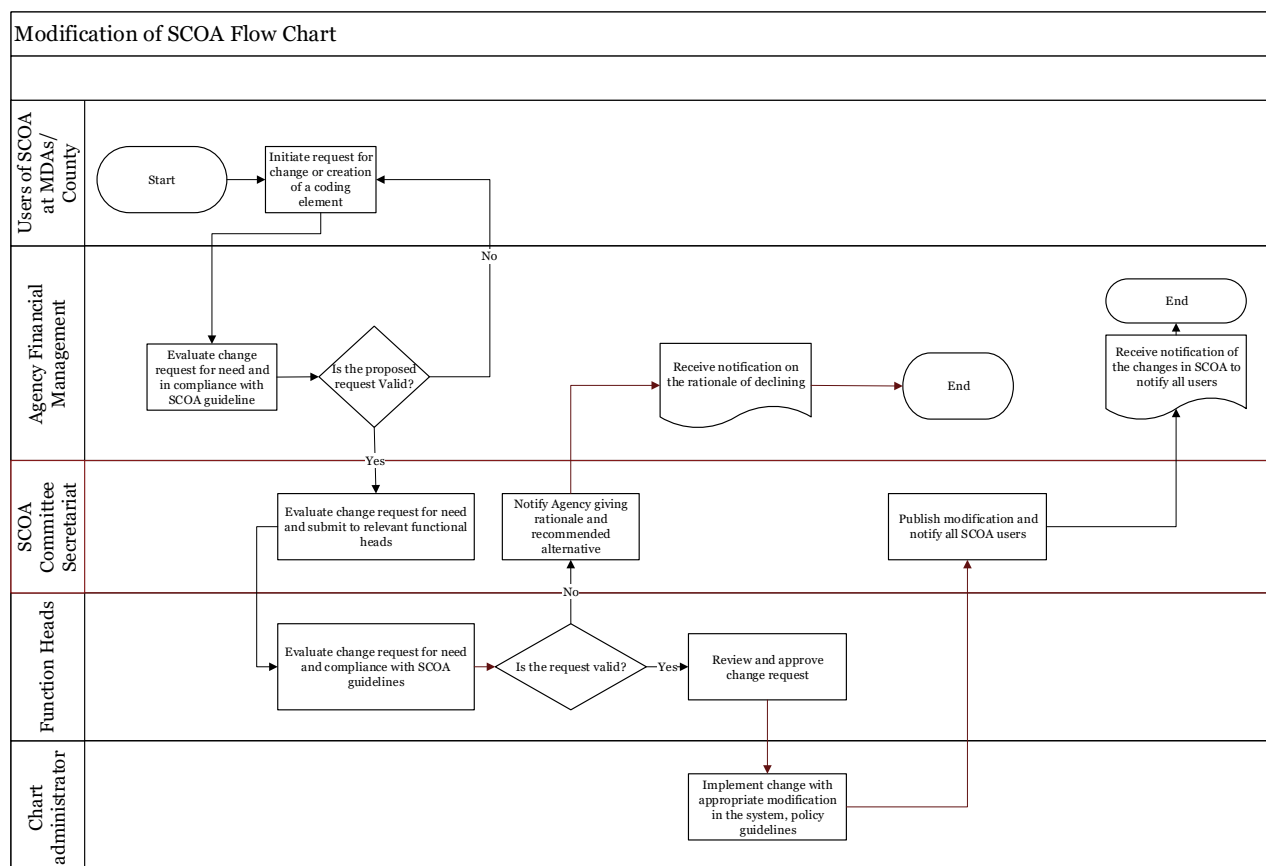


Responsible functional Heads at NT for each of the segments are:

- Programme- BSD
- Economic- AGD
- Vote & Admin- BSD
- Geographic- IGFRD
- Sources of Fund- BSD
- Class- BSD

12.2.3.2. SCOA Modifications changes

This relates to changes in SCOA where Accounts are added/ deactivated within existing accounting segments




Responsible functional Heads at NT for each of the segments are:

- Programme- BSD
- Economic- AGD
- Vote & Admin- BSD
- Geographic- IGFRD
- Sources of Fund- BSD
- Class- BSD

12.2.4. Templates

Figure xxx: Item addition request form – Economic Item

	<h3>Chart of Account</h3> <h3>Item Addition Request Form</h3>			
	Name of Requesting Entity: _____			
The request should be sent to the Accountant General Department, Ministry of Finance				
General Description of reason for addition:				
Class	Chapter	Sub-Chapter	Item	Sub-Item name (Put a brief description here)
Completed by: _____ Designation: _____ Contact number: _____ Email address: _____ Request approved by Director of Finance: _____ <div style="display: flex; justify-content: space-between; margin-top: 10px;"> <div style="width: 40%;"> Signature _____ </div> <div style="width: 40%;"> Date _____ </div> </div>				

Authorization by Accountant General

Signature:

Date:

Chart Amended by Chart Administrator

Signature:

Date:

Figure xxx: Item addition request form – Program and Sub-Program

	Chart of Account Item Addition Request Form
	Name of Requesting Entity: _____
The request should be sent to the Director, Budget Supplies Department, Ministry of Finance	
General Description of reason for addition:	
Program	Sub-Program
Output	Activity
Completed by: _____ Designation: _____ Contact number: _____ Email address: _____ Request approved by Head of Finance: _____	

Signature	Date
-----------	------

Authorization by Director, Budget Supplies Department

Signature:

Date:

Chart Amended by Chart Administrator

Signature:

Date:

13. Appendices

The new SCOA Codes

See the attached SCOA Codes workbook for the codes. Each worksheet contains a separate segment.

