

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

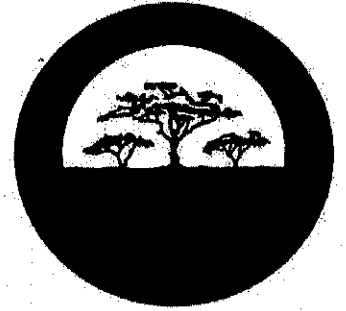
ON

KENYA FORESTRY
RESEARCH INSTITUTE

FOR THE YEAR ENDED
30 JUNE, 2023



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2023



22 MAR 2024

KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2023

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KENYA FORESTRY RESEARCH INSTITUTE
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1. KEY INSTITUTE INFORMATION AND MANAGEMENT

a) Background Information

Kenya Forestry Research Institute (KEFRI) is a state corporation established in 1986, under the Science and Technology Act (Cap 250) of the laws of Kenya, which has since been repealed by Science, Technology and Innovation Act No. 28 of 2013. The Institute's mandate is to carry out research in forestry and allied natural resources. It is under the Environmental Protection, Water and Natural Resources Budgetary Sector. It has an obligation to generate and promote improved technologies for sustainable management, conservation and development of forests. KEFRI is ISO 14001:2004 certified and thus operates in conformity with international standards on Environmental Management Standards (EMS) and relevant national legislations.

(b) Principal Activities

KEFRI's mandate is recognized under Forest Conservation and Management Act 2016 as follows;

- a) Develop forestry research and development programmes and strategies for the country.
- b) Conduct expert training courses in forestry and allied natural resources.
- c) Disseminate research findings, innovations, and technologies for sustainable development of forestry and allied natural resources.
- d) Participate in the development and monitoring of national forest standards.
- e) Establish partnership and collaborate with research organizations, institutions of higher learning, development partners and the private sector in joint research, training, and resource mobilization.
- f) Submit report to the Cabinet Secretary on; -
 - i. Matters relating to Research and Development
 - ii. Declaration of any tree species / family to be protected and cause that information to be disseminated, and
 - iii. advisory on reversal of (ii) above

i) Our Vision

A research centre of excellence in forestry and allied natural resources for sustainable development.

ii) Our Mission

To conduct research in forestry and allied natural resources for sustainable development through innovations, capacity building and technology transfer.



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iii) Our Core Values

- **Excellence:** committed to high standards of professionalism
- **Creativity:** promote and support new ideas, methods, and products
- **Integrity:** uphold honesty, high moral standards, and intolerance to corruption
- **Teamwork:** build cordial working relations and team spirit
- **Inclusivity:** equal access to opportunities and resources
- **Networking:** strive to attain sustainable networks and partnerships
- **Customer Focus:** oriented to customer needs and satisfaction

iv) Domicile

The Institute is domiciled in Kenya.

v) Core Strategic Objectives and Goals

1. Generate technologies to enhance productivity of forests and agroforestry systems through; -
 - Tree seed technology and certification
 - Biotechnology
 - Tree breeding of selected indigenous tree species for drought tolerance, resistance to pests and diseases for climate change mitigation and adaptation
 - Silvicultural research
 - Tree seed sources establishment.
 - Tree nursery establishment and certification
2. Production and distribution of high-quality tree germplasm for 15B tree growing initiative.
3. Enhance Forest Health Surveillance through; -
 - Integrated management of forest pests, diseases, and fires
 - Prevention of Cross boarder pests and diseases through phytosanitary requirements
4. Generate technologies for management and conservation of:
 - Degraded forest and ASAL landscapes
 - Soil and water conservation
 - Tree seedling conservation
 - Restoration and rehabilitation
 - Mangroves ecosystem
 - Bamboo development
 - Climate change and carbon market research
 - Invasive species (Prosopis) management.
5. Develop technologies and innovations for;-
 - Bio prospecting and IPR



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- Development of efficient processing and utilization of forest and non-wood timber products.
 - Protocol development, refining, registration, reward, and recognition
 - Incubation and linkages to SSMEs and SMEs
 - Contribute to setting standards for forest products.
 - Generate information and contribute to the development of policies, regulations, and frameworks to enhance governance, inclusivity and gender in the forest sector through conducting market surveys and movement of forest products.
- 6. Provide technical support services, conduct expert training courses, and disseminate research findings to support forestry development.
 - Knowledge management and digitization
 - Space technologies
 - Remote sensing and satellite imagery
 - Unmanned aerial vehicles (Drones) for forests assessment and monitoring and restoration.
 - Aerial seeding and seed ball technology
 - Software applications
 - Jazamiti and Commercial Forest innovation Apps
 - Forestry training and capacity building center
 - Graduate school
 - Social forestry training
- 7. Establish and enhance partnerships and linkages for resource mobilization.
- 8. Enhance corporate branding and visibility.
- 9. Strengthen the corporate services and institutional capacity for effective service delivery.



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(c) Management

KEFRI'S day- to- day management is under the following key organs.

- The Board of Directors
- The Director who is the Accounting Officer and Chief Executive Officer
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were: -

NO	Designation	NAME
1.	The Chief Executive Officer	Joshua K. Cheboiwo (PhD)
2.	Senior Deputy Director- Research & Development	Dr. Jane W. Njuguna
3.	The Senior Deputy Director - Corporate Services	CPA. George Otieno
4.	The Deputy Director –Forestry Research Support Services	Dr. Tito Mbuvi
5.	The Deputy Director - Forest Biodiversity and Environment Management	Dr. James K. Ndufa
6.	The Deputy Director -Forest Product Development Research	Dr. George Muthike
7.	The Deputy Director - Social Economic Policy & Governance	Dr. Joram Kagombe
8.	The Deputy Director - Forest Productivity & Improvement	Dr. James Kimondo
9.	The Deputy Director -Corporate Affairs & Quality Assurance	Dr. Jackson M. Mulatya
10.	The Deputy Director - Human Resource	CHRP. Evelyn I. Oroni
11.	The Deputy Director – Finance	FCPA. Rose B. Osoro
12.	Manager- Supply Chain Management	Mr Paul Nyathore
13.	Principal Administrative Officer – Administration	Mr. Fredrick Odhiambo
14.	Corporation Secretary & Principal Legal Officer	Mr. Philip M. Kichana



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(e) Fiduciary Oversight arrangements

KEFRI Board of Directors has established four (4) oversight committees as required by Section 9, of the State Corporations Act, Cap 446, Laws of Kenya which states as follows:

BOARD COMMITTEE AND MANDATE
Research & Development Committee This committee oversees the core business of the Institute. It coordinates, directs and controls the research and development policies of the Institute.
Finance & Administration Committee The Finance Committee provides financial oversight for the Institute in areas such as financial planning & budgeting and financial reporting. It also ensures prudent resources allocation and utilization. Administration issues include security services, transport, infrastructural development, repair and maintenance
Human Resource Committee The committee provides strategic input on Human Resources Management issues such as recruitment, human resources development, promotion, performance management and staff welfare.
Audit Committee The committee assists the board in fulfilling its corporate governance responsibilities and in particular to strengthen the effectiveness of the internal audit function and maintain oversight on internal control systems and risk management.

(f) KEFRI Headquarters

Off Nairobi/Nakuru Highway – Muguga
P.O. Box 20412 – 00200 Nairobi

(g) KEFRI Contacts

Tel: +254202010651/2
+254722157414
+254714259781/2
+254734251888
Email: director@kefri.org
Website: www.kefri.org

(h) KEFRI Bankers

Kenya Commercial Bank Ltd
Sarit Centre Branch
P.O. Box 14959-00800, Nairobi

Co-operative Bank Ltd
Westlands Branch
P.O. Box 66589-00800, Nairobi

Equity Bank,
Equity Centre, 9th Floor
Hospital Road, Upper Hill.
P.O. Box 75104-00200
Nairobi, Kenya.



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NCBA Bank

Upper Hill,
Mamlaka Road Branch
P.O. Box 44599-00100, Nairobi

Family Bank

Kikuyu Branch
P.O. Box 74145-00200, Nairobi

- i) Independent Auditors**
The Auditor General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084-00100, Nairobi


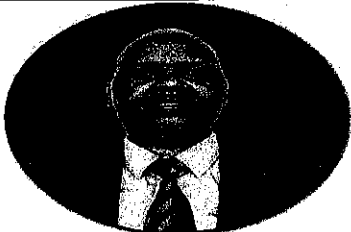

- l) Principal Legal Adviser**
The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200, Nairobi



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2. THE BOARD OF DIRECTORS

Ref	DIRECTOR	DETAILS
1	 Gen (Rtd) Samson Mwathethe Chairman -KEFRI BoD Chairman of the Board of Directors	Date of birth: 27th December 1958 Work experience: Over 30 years Currently, a retired Chief of Defence Forces (CDF) of the Kenya Defence Forces (KDF). He has held various command appointments, including Vice Chief of the Defence Forces, Commander Kenya Navy, Deputy Commander Kenya Navy, Kenya Navy Logistics Commander, Base Commander Mtongwe and Fleet Commander. Other appointments included Chief of Systems & Procurement, Department of Defence, Command of individual Kenya Navy Ships, Staff Officer Operations at Navy Headquarters, 86 Squadron Commander and Staff Officer I Coordination at the Department of Defence. 1991 - 1992. Military Observer in Kuwait/Iraq and Yugoslavia with the United Nations. Non-Executive Chairman
2	 Mr. Alexander Lemarkoko '(ndc)' Chief Conservator of Forests	Date of Birth: 01/01/1967 Area of expertise: Forestry He is the Chief Conservator of Forests (CCF) and Chief Executive Officer (CEO) at the Kenya Forest Service (KFS). A principal member of KEFRI Board. Executive Director
3	 Isaiah Nakoru Alt. PS Ministry of Environment, Climate Change and Forestry	Date of Birth: 01/01/1965 Area of expertise: Governance Work summary: - He is a widely experienced public servant who has worked throughout the Republic of Kenya.

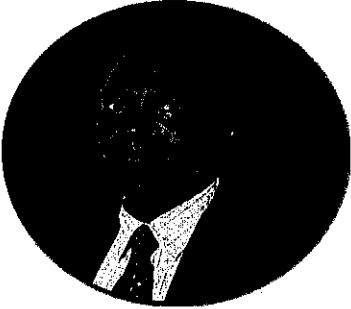

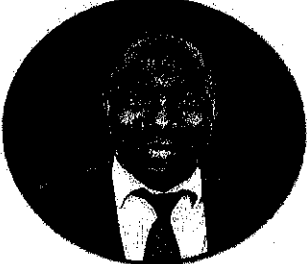


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4	 Prof. Walter Odhiambo Oyawa Director General of the National Commission for Science, Technology & Innovation (NACOSTI).	<p>Date of Birth: 23rd August 1965</p> <p>Work experience: Over 20 years,</p> <p>A Professor of Civil Engineering, a holder of a Ph.D. in Civil Engineering, M.Sc. Civil Engineering from the University of Nairobi. A Professional Engineer and a Lead Expert-NEMA.</p> <p>Serves in various senior leadership and management positions. He is endowed with vast experience in research/scholarly work, as evidenced by publications in peer reviewed papers, conference papers, reports, and presentations. He has supervised many postgraduate students and undertaken impacting research in the area of sustainable construction materials.</p> <p>Executive Director</p>
5	 Mr. Elley Ongei Director Alt. CS The National Treasury	<p>Date of Birth: 12th December 1965</p> <p>Work experience: Over 20 years</p> <p>Key Qualification: Economics</p> <p>Holds a master's degree in economics.</p> <p>A professional in budget planning, preparation, and execution; public expenditure reviews, policy analysis, programme implementation, development and review of strategic plans, monitoring and evaluation, and resource analysis. He is also an expert in proposal development and report writing.</p> <p>He currently serves as the Director of Pensions in at the National Treasury and as Secretary to the Defence Forces Tribunal Assessment Board and Defence Forces Appeal Board.</p>






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6	 <p>Chrislogus A. Makokha</p>	<p>Date of birth: 10/11/1969</p> <p>Area of expertise: Economics and Statistics</p> <p>Work experience: Over 20 years</p> <p>Work summary: - Holds a Master of Business Administration (MBA) degree in his field of study. A professional in advising boards and management of state corporation on corporate governance and compliance issues, monitoring performance of state corporations, management audits, and undertaking surcharge for restitution of misappropriated public funds. He is currently a Senior Deputy Inspector General of State Corporations in the Inspectorate of State Corporation, Office of the President.</p>
7	 <p>Davies Musau Ndambuki</p>	<p>Date of Birth: 1/11/1974</p> <p>Area of expertise: Agricultural Engineering & Global Supply Chain Management</p> <p>Work summary: Holds a B.sc in Agricultural Engineering (Egerton university) and a master's on Procurement and Marketing (University of Nairobi) and has worked with the United Nations on procurement issues. He currently works at the Nairobi Hospital. He has 23 years in mechanized agriculture, automotive industry and marketing and public procurement.</p> <p>Independent Board Director</p>
8	 <p>Mr. Metett Kibet Robert</p>	<p>Date of Birth: 5/5/1974</p> <p>Area of expertise: Economics & Statistics</p> <p>Work summary: - Holds a BA in economics and statistics (Egerton University) and MBA International Business management (University of Nairobi) He has great strength over 22 years developing and building brands and technologies. He has worked for top leading companies in the region in the communication sector.</p> <p>Independent Board Director</p>




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9	 Justin L. K. Miano	<p>Date of Birth: 09/09/1963</p> <p>Area of expertise: Environmental Conservation</p> <p>Mr. Kabuiku is an independent member of the Board. He holds a master's degree in environmental Conservation & Conflict Resolution and has worked in the Kenyan environmental sector with Kenya Forest Service and the National Environmental Management Authority.</p> <p>Independent Board Director</p>
10	 Mrs Hamara Ibrahim Aden	<p>Date of Birth: 30/12/1966</p> <p>Area of expertise: Management & Leadership</p> <p>Work Summary: - Holds a master's degree and has previously worked at the Interim Independent Electoral & Boundaries Commission (IIEBC) as a commissioner and has vast experience in her field.</p> <p>Independent Board Director</p>
11	 Dr. Joshua K. Cheboiwo Professional/Academic qualification: PhD. Environmental Economics	<p>Date of Birth 20th August 1958</p> <p>Key Qualification: Expertise in socioeconomics, policy and governance research.</p> <p>Work experience: Over 35 years</p> <p>Executive Director Chief Executive Officer</p>



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12	 <p>Mr. Philip M. Kichana</p> <p>Professional/Academic qualification: CPS, Advocate of High Court of Kenya</p>	<p>Date of birth: 26th July 1971</p> <p>Key Qualification: Master of Laws degree LL.M (Public International Law) Bachelor of Laws degree (LL.B) Diploma (Kenya School of Law) Membership: ICPSK & LSK</p> <p>Corporation Secretary</p> <p>ICPSK NO. 1451</p>
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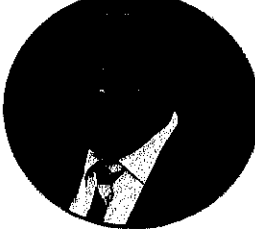

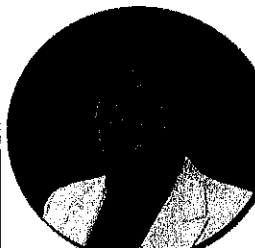
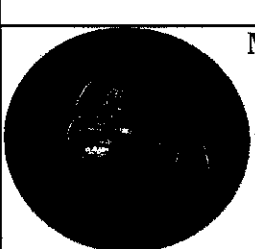
3. MANAGEMENT TEAM

Ref	Management	Details
1	 <p>Dr. Joshua K. Cheboiwo Professional/ Academic qualification: Ph.D. Environmental Economics.</p>	Director KEFRI
2	 <p>Dr. Jane W. Njuguna Professional/Academic qualification: Ph.D – Forest Science</p>	Senior Deputy Director-Research & Development
3	 <p>Mr. George Otieno MBA – Finance CPA (K) Member of ICPAK and The Institute of Internal Auditors</p>	Senior Deputy Director – Corporate Services
4	 <p>Dr. James Kimondo PhD. in Dryland Agroforestry</p>	Deputy Director- Forest Productivity Improvement
5	 <p>Dr. Musingo Tito E. Mbuvi PhD. in Environmental Sciences from Kenyatta University, Kenya.</p>	Deputy Director – Forestry Research Support Services (FRSS).



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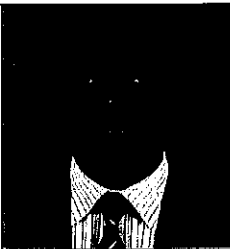


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5	 <p>Dr. James Kamiri Ndufa Ph.D – Biological Sciences</p>	Deputy Director – Forest Biodiversity and Environment Management
6	 <p>Dr. George Muthike Ph.D – PhD. in Biomechanical and Environmental Engineering</p>	Deputy Director – Forest Products Development
7	 <p>Dr. Joram Kagombe Ph.D – Environmental Studies</p>	Deputy Director – Socioeconomics, Policy and Governance
8	 <p>Dr. Jackson M. Mulatya Ph.D – Tree Ecology and Agroforestry system interactions and management</p>	Deputy Director – Corporate Affairs and Quality Assurance
9	 <p>FCPA Rose B. Osoro MBA Strategic Management CPS (CS), FCPA (K) Member of ICPAK No. 4555</p>	Deputy Director- Finance and Accounting
10	 <p>Mrs. Evelyn I. Oroni MBA – HRM HND – Human Resource Management</p>	Deputy Director – Human Resource Management



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11		<p>Mr. Fredrick Odhiambo Ochieng</p> <p>BA – Public Administration and Sociology HND- in Human Resource</p>	Senior Administrative Officer
12		<p>Mr. Paul Nyathore</p> <p>MBA – Procurement and Supplies Chain Management, CIPS-UK, PRINCE 2 Practitioner, Licensed practitioner in Supply Chain Management KISM No. K717/2017</p>	Manager - Supply Chain Management
13		<p>Mr. Philip M. Kichana</p> <p>CPS, Advocate of High Court of Kenya, Master of Laws degree LL.M (Public International Law) Diploma (K.S.L) Membership: ICPSK & LSK</p>	Corporation Secretary & Principal Legal Officer



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4. CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, Kenya Forestry Research Institute (KEFRI), I am delighted to present to you the Annual Report and Financial Statements for the year ended 30th June 2023 in accordance with the provisions of Section 82 of the Public Finance Management Act, No.18 of 2012.

KEFRI is established under the Science, Technology & Innovation Act of 2013 as a body corporate with perpetual succession with power to sue and be sued in its corporate name and to acquire, hold and dispose of movable and immovable property. *The KEFRI Finance Manual* states that the Board of Directors shall provide an oversight role in the financial management of the Institute and ensure; proper management of the Institute's fiscal affairs; preparation of financial statements that give a true and fair view of the Institute's state of affairs and its operating results; accountability for monies, financial business and management of the Institute; and provide policy guidelines on financial issues.

In the Financial Year 2022/2023, the Board continued to hold hybrid meetings, where members except the Board Chairman and Committee Chairpersons attended physically and virtually depending on their circumstances. The challenge faced by the Board and its Committees during the year ending 30th June 2023 was the fact that five independent Board members who would normally chair committee meetings were not appointed until 16th June 2023. This meant the Board had to improvise and innovate by using provisions under the Interpretation and General Provisions Act, Chapter 2, Laws of Kenya to continue its operations.

During the period the Board approved the Annual Budget and Annual Consolidated Procurement Plan and monitored the Institute's performance and sustainability by holding four regular Board Meetings and Special Board Meeting. Above all, the Board ensured that the Institute's strategy is aligned with its statutory mandate which is laid down in the Forest Conservation & Management Act No. 34 of 2016 and national strategic direction. The Board assessed implementation of the 2018-2022 Plan and found it to have been successfully implemented at 86% out of 100%.

In the Financial Year ending 30th June 2023, the Board did not have independent Board members. The term of the then members ended on 29th May 2023. The Board was forced to amalgamate the Human Resource Committee with the Finance & Administration Committee. Therefore, during the period, the Board undertook its business through three committees namely: Research & Development committee, Finance & Development Committee, and Audit Committee.



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KEFRI's income trends showed that the Government of Kenya (GoK) finances over 90% of the Institute's budget. Internally generated funds and resources mobilized from Development partners/donors account for only 10% of the budget. This means that any time the Government undertakes austerity measures, KEFRI is only able to pay salaries with minimal scientific research. Therefore, the Board intends to continue enhancing establishment of strategic linkages and partnership to increase its resource mobilization capacity. During the period KEFRI continued to implement strategic intervention on tree seed infrastructure technology development. This is aimed at expanding tree seed management within the Institute to support the 10% tree cover, which the Government is reported to have made and is now considering setting a new target.

Looking ahead, we are optimistic that we are staying on a course focusing on efficiency in resource application and mobilization. With dwindling exchequer releases, the Board is alive to the fact internally generated revenue, innovative approaches for collaboration and partnerships for resource mobilization is the way in the coming financial years.

In conclusion, I wish to acknowledge the unwavering support of each Board member & their alternates and thank them for their commitment and valuable contribution in very uncertain times. They have maintained the high level of governance that the Institute enjoys.

A special thank you to the management team lead by the Chief Executive Officer, Dr. Joshua K. Cheboiwo whose efforts ensured that the board seamlessly performed their role through effective facilitation.

I also wish to recognize the support of government institutions led by our parent ministry, the State Department of Forestry and the National Treasury for the steadfast support accorded to the Institute.

Finally, I would like to thank all employees for their continued resilience and receptiveness to adoption to change that guaranteed superior service delivery.

I hope and look forward to a better performance surpassing targets set in the Performance Contract for the next financial year.


.....
Gen (Rtd) Samson J. Mwathethe

CHAIRMAN - KEFRI BOARD OF DIRECTORS

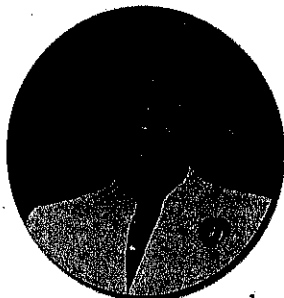
Date 18 March 2024



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5. REPORT OF CHIEF EXECUTIVE OFFICER



The Kenya Forestry Research Institute (KEFRI) is a State Corporation which was established in 1986 under the Science and Technology Act (Cap 250), which has since been repealed by the Science, Technology, and Innovation Act No.28 of 2013, as a lead agency in carrying out research in forestry for development.

The Forestry sector plays a key role in Kenya's social and economic development and forestry research is a major driver in the whole process. In fulfilling its mandate, the Institute continued being guided by its 7th Strategic Plan (2022 to 2027) in its mission to conduct research in forestry and allied natural resources for sustainable development through innovations, capacity building and technology transfer. The 7th Strategic Plan 2022-2027 adopts an integrated thematic and programme research approach in line with the National Forest Programme (NFP). The Plan is supported by five technical strategic themes; Forest Productivity and Improvement (FPI), Forest Biodiversity and Environment Management (FBEM), Forest Products Development (FPD), Socioeconomics, Policy, and Governance (SPG), and Forest Research Support Services (FRSS). The core thematic areas are supported by; Human Resource Management (HRM); Finance and Accounts (F&A), Supply Chain Management (SCM), Administration, Internal Audit and Risk Management (IA&RM), Legal Services, Monitoring and Evaluation (M&E) and Corporate Affairs and Quality Assurance (CA&QA), Revenue Generations Services (RGS), and Resource Mobilization and Partnership Development (RM&PD).

The Strategic Plan facilitates the Institute to achieve its three strategic goals: Develop quality forest and tree germplasm towards achieving and maintaining a minimum of 30% tree cover by 2032; Develop forest and tree-based technologies and innovations for sustainable forest management, blue economy and climate change mitigation and adaptation; and, Improve forest based livelihoods through gender sensitive Nature Based Solutions (NBS) for sustainable socio-economic development and wealth creation. The plan is also the framework for the Government National Tree Growing and Rangeland Restoration Programme That aims to plant 15 billion trees.

KEFRI continued to play a key role in generating Nature Based Solution technologies, innovations and information; to support relevant programmes and projects. The output of the research informed decision makers in policy formulation with a view of assisting Kenya to meet the relevant targets of forestry resources.



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Towards the 15 billion trees initiative KEFRI produced 47,192kg of seed across its 18 seed centres countrywide and distributed tree seeds and potting bags to specific users in various zones countrywide. It also monitored and verified tree growing and survival through Jazamiti App. KEFRI provided tree seeds and seedlings through partnership with the communities and County governments to ensure the country achieve the 30% tree cover by 2032. In addition, our engagement with stakeholders, especially farmer training sessions continued through digital means.

Financial Performance

During the financial year 2022/2023, the Institute received Kshs. 1, 441,000,000 as recurrent grants and development grant of Kshs. 215,612,405. Development fund was meant for seed infrastructure technology development, a national strategic initiative. The Institute generated Kshs. 112,316,746 as Internally Generated Revenue and Donor grants received amounted to Kshs. 121,397,425. KEFRI continues to expand institute linkages and partnerships to enhance resource mobilization and technical capacity.

Technical performance

KEFRI has aligned its strategic focus to include the Kenya Kwanza Government Manifesto, Vision 2030 Flagship Project and Sustainable Development Goals through; Demonstration of technologies for Rehabilitation of water towers; Management & control of invasive species; Production of tree seed species for increased tree cover, food security, health and creation of green jobs; Bamboo conservation and development for industrial use, housing and food security; Raising planting materials for difficult to propagate indigenous tree species for afforestation; Increase tree seed source acreage to achieve at least 30% tree cover by 2032; and Dissemination of forestry technology and information for adoption and up scaling forestry development.

Human Capital

The Institute has continued to attract, motivate and retain competent human capital in order to ensure efficiency and effectiveness in its service delivery. KEFRI employees are categorized as Permanent and Pensionable that forms the majority, contract and casual short-term engagement mostly engaged at field level. We recognize that employees are key drivers in the realization of the strategic objectives, such as, operational efficiency and delivering service to our customers. We ensure that our staff feel connected with our purpose and are empowered and recognized. Safety and wellness amidst the current environment; Ongoing skilling, reskilling and upskilling especially for digital transformation



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and other emerging forestry initiatives. Focus on gender equality and cultural diversity and inclusion remained in the fore.

During the year, the institute implemented the ERP and started the construction of the data centre. The data centre supports the digitization process aimed at safeguarding forestry research assets accumulated since 1938.

Further, we continued with the implementation of four (4) human resource management instruments that obtained approval from the State Corporations Advisory Committee (SCAC) in the previous year.

Forestry Research Institutional Capacity and Infrastructural Improvements

During the year under review, the Institute continued to facelift its existing facilities in headquarters and its research centres. The following seed infrastructure developments meant to improve institutes capacity for tree seed collection, testing and distribution in pursuit of attaining the 30% tree cover were completed namely: Tiva, Kibwezi, Kakamega, Rumuruti, Marigat, Maseno, Garissa and Migori. Those in phase one but not yet completed are at different stages of completion as follows; Nyeri (80%), Gede (85%) and Taita Taveta (75%). They are expected to be complete by 31st October 2023. Fencing of research experimental plots in Tiva (0.7km), Kibwezi (1.5km) and Rumuruti (1.05km).

The Institute continued its quest for securing land meant for forestry research in Baringo, Migori, Wajir, Taita Taveta, Lamu and Hola stations; For Migori & Wajir, allotment letters were obtained and for Taita Taveta & Lamu, title deeds secured.

On business re-engineering the Institute continued with the implementation of an Enterprise Resource Planning (ERP) and completion of the data centre aiming at automation. The projects are change makers and with completion date being Financial Year 2023/2024.

Development Partners

During the FY 2022/2023, the Institute received support from the World Bank, JICA-Capacity Development Project for Sustainable Forest Management in Kenya (CADEP), Biofuel4 Kenya Project, Dutch-Sino/INBAR-East Africa Bamboo Development Project, UNDP-FAO support to Commercial Forestry Investment and Expo Forum, AHRC/IIED, TWENDE, KCSAP, GATSBY Africa and Darwin Initiative. This augmented the Institute's financial and research capacity.



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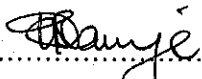
Challenges

In the period under review, the Institute was faced with the following challenges:

- Staff resourcing with an ageing staff compliment and inadequate specializations in emerging disciplines.
- Lack of legislative support for forestry research and access mechanism to research land from gazetted forests.
- Limited automation of processes.
- Increased degradation due to encroachment of forestry land coupled with low funding of forestry research sector.
- Inadequate coordination framework between the county and national government over management of natural resources; and
- Declining budget allocations put a lot of strain on operations and maintenance.

In conclusion, I wish to appreciate the Board of Directors for continued strategic direction and oversight. They have spent immense time guiding us on various matters. Our clientele for relentless support, our service providers for their continued collaboration and loyalty, and finally, the dedicated and talented staff who have shown unwavering commitment to their work, without whom our objectives may not have been achieved.

I also extend our gratitude to the Government of Kenya, through The National Treasury and the Ministry of Environment and Forestry; Development Partners and all other stakeholders for their cooperation and support in accomplishing the Institute's mandate.


.....

Dr. Jane W. Njuguna

AG. DIRECTOR, KEFRI



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6. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

To implement its mandate KEFRI, has adopted a two-prong approach, namely,

1. Thematic approach that mainly focuses on themes according to the National Forest Policy 2016-2023, as per *figure 1*

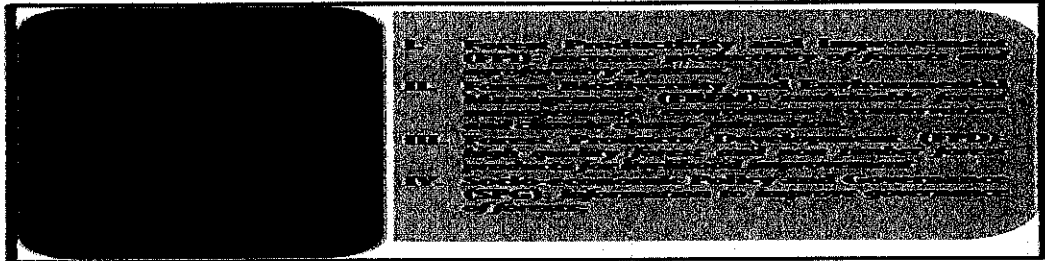


Figure 1 Thematic Approach

2. Ecological Approach focusing on a specific ecological niche and ecosystem of the Kenyan landscape as per *figure 2*.

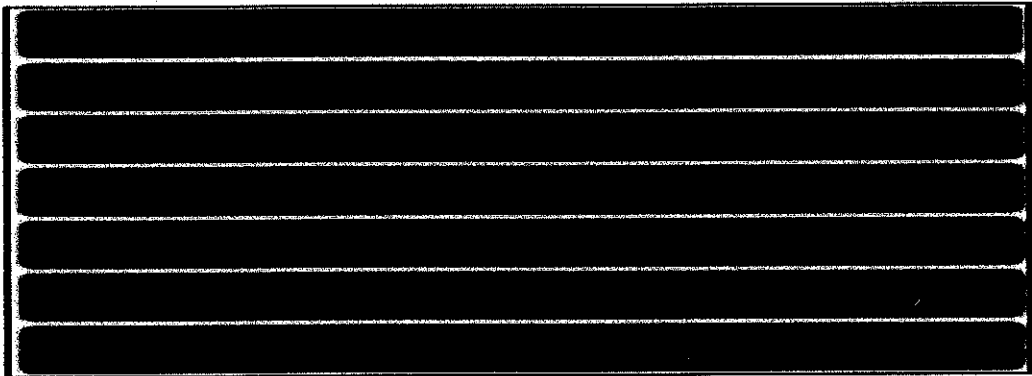
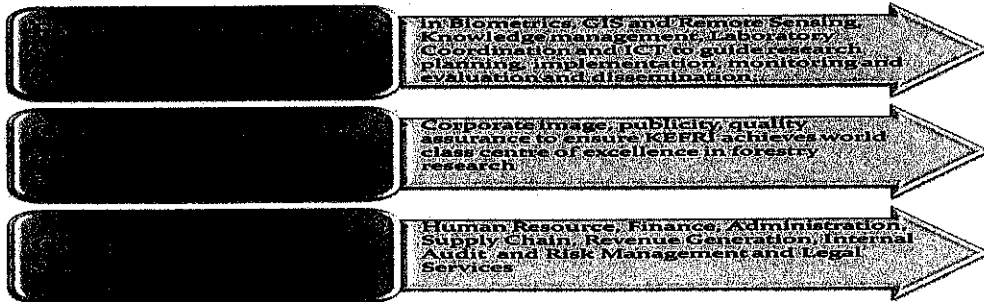


Figure 2 Ecological Approach

3. Supported by; -





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STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2022/2023 - cont'd

KEFRI has 14 strategic directorates/themes/departments within its Strategic Plan for the FY 2022-2023 to 2026/2027. These strategic themes, directorates and departments are as follows.

- Directorate 1: Research and Development Department 1: Corporate Affairs and Quality Assurance
- Directorate 2: Corporate Services Department 2: Resource Mobilization and Partnerships Development
- Theme 1: Forest Productivity, Health and Tree Improvement Department 3: Corporate Services
- Theme 2: Forest Biodiversity, Climate Change & Environment Mgt Department 4: Internal Audit and Risk Management
- Theme 3: Forest Products and Entrepreneurship Development Department 5: Supply Chain Management
- Theme 4: Socio-Economics, Policy and Governance Department 6: Corporation Secretary and Legal Services
- Theme 5: Forest Research Support Services Department 7: Monitoring and Evaluation

KEFRI develops its annual work plans based on the above 2 directorates, 5 themes and 7 departments. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Institute achieved its performance targets set for the FY 2022/2023 period. The table below shows major and summarized performances of 5 Strategic Themes and 4 Strategic Departments.

To enhance production of superior germinulum for priority tree species for afforestation - 5000 ha zones	Quantity of high-quality tree seeds collected	Practice 60,250 kg of tree seeds from various species from all the regions	47,219 kg of tree seeds were collected from various tree species in FY 2022/2023
	No of tree seed source acreage	Increase tree seed source acreage by 116.5 ha	93,32 ha of seed orchards and seed stands were established and maintained in various ecological regions



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<p>To generate technologies for forestry conservation and rehabilitation of ecosystems</p>	<p>Number of tree seedlings raised</p>	<p>Produced 1.1 million tree seedlings of assorted tree species</p>	<p>199 million tree seeds were produced across various ecological tree nurseries</p>
<p>To generate technologies for management and conservation of forest landscapes and resilience to climate change for sustainable development</p>	<p>Number of grafts of difficult to propagate tree species</p>	<p>Raise 75,000 planting material of difficult to propagate tree species</p>	<p>88,095 planting materials were propagated for various indigenous tree species including:</p>
<p>To develop 42 new forestry technologies and refine ongoing forestry technologies</p>	<p>No. of forestry technologies developed</p>	<p>To develop 42 new forestry technologies and refine ongoing forestry technologies</p>	<p>32 new forestry technologies were developed in the field and across various research laboratories in KEFRI for adoption by stakeholders</p>
<p>Establish 5 ha and 15 ha of demonstration plots for rehabilitation of Mau water tower and River Sabaki in Kilifi respectively</p>	<p>Number of ha of demonstration plots established for rehabilitation of water towers</p>	<p>Establish 5 ha and 15 ha of demonstration plots for rehabilitation of Mau water tower and River Sabaki in Kilifi respectively</p>	<p>30 ha of demonstration plot established for rehabilitation of Mau Forest (5 ha) and 25 ha of River Sabaki</p>
<p>Conduct 3 trainings on Bamboo propagation and nursery management & Utilization</p>	<p>Number of trainings on Bamboo propagation and nursery management & Utilization</p>	<p>Conduct 3 trainings on Bamboo propagation and nursery management & Utilization</p>	<p>3 trainings were conducted in Nandi, Meru and Kilifi on bamboo utilization and management</p>
<p>Control and management of invasive tree species (dodder, Ipomoea hildebrandtii and Opuntia stricta) was done in Kajjado and Laikipia County</p>	<p>Number of invasive tree species managed and controlled</p>	<p>Demonstrate control and management of dodder, Ipomoea hildebrandtii and Opuntia stricta</p>	<p>Control and management of invasive tree species (dodder, Ipomoea hildebrandtii and Opuntia stricta) was done in Kajjado and Laikipia County</p>
<p>Develop 4 forest products and follows Lam Lam Vangueria fruits, natural dye from Mangrove Herbal tea from Zanthoxylnuchtblbaum leaves and soap from bamboo leaf</p>	<p>Number of forest products developed</p>	<p>Develop 4 forest products and follows Lam Lam Vangueria fruits, natural dye from Mangrove Herbal tea from Zanthoxylnuchtblbaum leaves and soap from bamboo leaf</p>	<p>4 forest products were developed</p>



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	<p>Number of SMEs trained on making tree products to SMEs</p>	<p>Link developed tree products to 3 SMEs</p>	<p>Cape chestnut lotion and soap in Kiari, bamboo handicraft technologies for a women group in Kawangware, Linking of refined Indigenous fruit processing and aloe products to SMEs in West Pokot.</p>
<p>To generate information to guide development of policies, regulatory and institutional frameworks to enhance governance in the forest sector for socio-economic development.</p>	<p>No. of policy documents developed</p>	<p>Developed policy on Commercial Forestry Investment Centre</p>	<p>Policy on Commercial Forestry Investment Centre was developed.</p>
<p>To provide technical support services, conduct expert training courses and disseminate research findings to support forestry development</p>	<p>No. of field days carried out</p>	<p>To organize 41 field days to demonstrate forestry technologies for adoption</p>	<p>39 field days were conducted as in various eco-regional centers of KEFRI</p>
	<p>No. of publications produced</p>	<p>To produce 13 peer reviewed journal papers, technical notes, guidelines and policy briefs</p>	<p>15 publications were developed and published in peer-reviewed journals, technical notes, guidelines and policy briefs.</p>
<p>To enhance partnerships and linkages for implementation of joint activities and resource mobilization</p>	<p>Number of MoUs signed with partners</p>	<p>Develop and sign 5 MoUs with partners</p>	<p>KEFRI drafted and signed 4 MoUs with Turkana County, Lukenya University, JKUAT and COBEC</p>
	<p>No. of resource mobilization concepts developed</p>	<p>Develop 18 resource mobilization concepts to fundraise for purposes of research and capacity building of stakeholders to enhance livelihoods</p>	<p>18 resource mobilization concepts were developed and submitted for funding by various donors and partners.</p>



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<p>To strengthen institutional capacity for Research & Development</p>	<p>Framing needs assessment reports: No of staff trained</p>	<p>To carry out staff training Needs Assessment</p>	<p>Training needs assessment was conducted</p>
	<p>To execute interventions to address the identified skills gaps and training needs through recruitment, outsourcing, capacity building/training</p>	<p>Recommendations of JNA report was carried out in form of training, mentorship and recruitment</p>	
	<p>To undertake staff performance appraisal</p>	<p>Staff appraisal was done for all staff in FY 2022/2023</p>	
	<p>Number of attachment and internship opportunities offered</p>	<p>Offer 140 of attachment and internship opportunities to students</p>	<p>321 attachment and internship opportunities were offered</p>
	<p>No of infrastructural development works</p>	<p>Construction of seed processing and storage facilities in Nyeri, Rumuruti, Margat, Kakamega, Maseno, Migori, Kisumu, Garissa, Taita Taveta, Gede and Londiani</p>	<p>The 11 seed centres were constructed during the FY</p>
	<p>Amount of money raised through A-in-A</p>	<p>Raise Ksh. 80 million through sale of sale of forest produce; hire of facilities; house rent and sale of water and Laboratory analysis</p>	<p>3 km of Iruva station was fenced in FY 2022/2023</p>
	<p>% absorption of funds allocated by Govt and donors</p>	<p>Ensure absorption of 100% of allocated funds</p>	
	<p>% pending bills incurred</p>	<p>Ensure pending bill do not exceed 1% of approved budget</p>	<p>0.29%</p>
	<p>Access to Government Procurement Opportunities</p>	<p>Ensure that at least 30% (KShs 216,121,363) of the total procurement budget is reserved</p>	<p>KSh. 75,142,920 worth of procurement of goods and services was awarded to PWDs</p>
<p>To undertake management of the procurement function, office technical</p>			



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<p>advice on procurement issues and ensure compliance with procurement policies, rules and regulations</p>	<p>Promotion of Local Content in Procurement</p>	<p>and awarded to the youth, Women and Persons with Disabilities</p>	<p>Ksh. 364,266,581 worth of procurement of goods and services procured locally</p>
<p>To enhance corporate publicity for increased visibility and ensure quality of research and service delivery</p>	<p>Promotion of Local Content in Procurement</p>	<p>Reserve at least 40% of procurement budget for local goods and services</p>	<p>Ksh. 364,266,581 worth of procurement of goods and services procured locally</p>
<p>To enhance corporate publicity for increased visibility and ensure quality of research and service delivery</p>	<p>No. of publicity activities carried out</p>	<p>Carry out 22 dissemination activities of forestry technologies through exhibitions, print and electronic media</p>	<p>14 publicity and exhibition activities were done in ASK shows, Radio talks and TV talks</p>
<p>To enhance corporate publicity for increased visibility and ensure quality of research and service delivery</p>	<p>Improvement of service delivery</p>	<p>Carry out use of internal and external audit of the quality management system (ISO 9001:2015) and environmental management system (ISO 14001:2015)</p>	<p>Surveillance audit was done by SGS-K and internal audits were also conducted for continual improvement of the Integrated Management System</p>
<p>To enhance corporate publicity for increased visibility and ensure quality of research and service delivery</p>	<p>No. of national and international fora participated</p>	<p>To participation in 4 National and International Environmental and Forest forums</p>	<p>Participated in the following forums: National Tree Planting Day; World Environment Day (WED); International Day of Forests (IDF); World Food Day (WFD); and National tree planting campaigns</p>



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7. CORPORATE GOVERNANCE STATEMENT

The KEFRI Board is established under the Science Technology & Innovation Act No. 28 of 2013 and the State Corporations Act, Cap 446 Laws of Kenya. However, KEFRI's mandate is found in Section 22 of the Forest Conservation & Management Act, which states that KEFRI shall be the national agency in forestry research and development.

The Institute is managed by the Director/CEO under the foresight and oversight of the Board of Directors. The KEFRI Board embraces the principles of good governance espoused in Article 10 of the Constitution 2010 which include fostering a culture of integrity, accountability, and transparency.

The Board derives further guidance from Mwongozo: The Code of Governance for State Corporations. The Board also conforms to regular Government Circulars and seeks advice from the State Corporations Advisory Committee (SCAC) and the Salaries & Remuneration Commission (SRC) whenever required.

The Board performs its role through Committees and oversees corporate governance, advises management on developing financial plans, determines the strategic direction, goals and objectives as well as evaluating management's performance in pursuing and achieving those goals.

a) The Board Size, Composition, and Independence

The KEFRI Board of Directors consists of a non-executive Chairman appointed by H.E The President and eleven (11) directors out of which five (5) are independent non-executive directors appointed by the Cabinet Secretary in charge of the State Department of Forestry. The other six (6) members are appointed by various government departments and agencies in accordance with the law. The Board Members have diverse skills and competencies and except for financial year ending 2023, Board committees are chaired by independent non-executive members. The Chairman and Independent Board members are appointed for an initial term of three (3) years and are eligible for reappointment for a further and final one term.

b) Board Meetings Held in the Year

The Board meets at once in every three months or more in accordance with the requirement of the business to be conducted. The Board work plan and calendar of meetings is prepared in advance and shared with the parent Ministry and the State Corporations Advisory Committee (SCAC). At least 14 days' notice of meetings is given, and Board papers are circulated in good time and the quorum of any meeting shall be two-thirds of the members present physically or virtually.



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The table below details membership and attendance as per scheduled Board meetings during the year.

S/No.	Name	FB	SB	R&D	F&A	Audit	Total
1	Dr. John Waithaka	1	1	Non-member	Non-member	1	3
2	Gen. (Rtd) Samson J. Mwathethe	2	0	Non-member	Non-member	1	3
3	Mr. Chrislogus Makokha	4	1	5	5	2	17
4	Mr. Elly Ongei	4	1	Non-member	5	2	12
5	Mr. Gideon Kirui	4	1	Non-member	5	2	12
6	Mr. Peter Waweru	3	0	2	4	1	10
7	Dr. Lucy Nga'ng'a	2	1	4	Non-member	2	9
8	Mr. Julius Kamau	0	0	2	0	Non-member	2
9	Mr. Isaiah Nakoru	1	0	1	1	0	3
10	Mr. Alex Lemarkoko	1	0	1	0	0	2
11	Mrs. Hamara I. Aden	1	0	0	0	0	1
12	Mr. Davies Ndambuki	1	0	0	0	0	1
13	Mr. Justin Kabuiku	1	0	0	0	0	1

**FB- Full Board Meeting; SB- Special Board Meeting; R&D- Research and Development Committee Meeting; F&A- Finance and Administration Committee meeting; Audit Committee Meeting*

c) Board Structure

The Board operates under a comprehensive structure made up of committees established to assist in discharging its responsibilities and obligations. The committees assist the Board in carrying out its functions and ensuring that there is independent oversight of internal controls and risk management. The Board Committees are: -

- i. **Research and Development Committee-** This committee offers policy guidelines and strategic direction in forestry research and technologies for sustainable development of forestry and allied natural resources for socio-economic development.
- ii. **Finance and Administration Committee-** The committee ensures prudent financial management through reviews of the annual budget and financial reports and ensures availability of adequate resources for the achievement of the organization's objectives. The committee also provides oversight on infrastructural development, repair and maintenance, security services and transport.
- iii. **Human Resource Committee -** The committee provides strategic inputs on human resources management issues such as recruitment, human resources development and training, promotion, performance management, succession planning and staff welfare.



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- iv. **Audit Committee** - The committee assists in enhancing internal controls and risk management to improve efficiency, transparency, and accountability; ensures compliance with regulatory framework and ethical guidelines; reviews audit issues raised by Internal and External Auditors; resolve unsettled and outstanding/un-remediated audit issues; enhance communication between management, internal and external audit and fostering effective internal audit function.

d) Roles and Functions of the Board

The Board offers strategic guidance, leadership, and control of the Institute by defining the strategic intent, its objectives and values, reviews the strategic direction and adopts the work plans proposed by Management. With retention of full and effective control over the Institute, the Board monitors Management's implementation of the plans and strategies, ensures ethical behaviour and compliance with relevant laws & regulations, audit and accounting principles, corporate policies & procedures, and the Code of Ethics.

The Board evaluates the performance of Management against targets and objectives and benchmarks the performance of the Institute against best international practices. The Board considers and approves the Institute's overall budget, annual procurement plan and specific proposals for capital expenditure. The Board approves reports and the performance of each Board Committee. It further approves the quarterly and annual financial statements.

Further, it reviews succession planning for the management team and approves senior executive appointments and their remuneration in accordance with the Salaries & Remuneration Commission (SRC) Guidelines and oversight organizational changes.

e) Board Remuneration

Remuneration of the Chairperson and the Board members is determined by the State Corporations Advisory Committee, under section 10 of the State Corporations Act, Cap 446 of the Laws of Kenya. Remuneration of the Chief Executive Officer is determined by the Board within SCAC guidelines, under section 5(3) of the State Corporations Act, Cap 446 of the Laws of Kenya.

f) Code of Conduct and Ethics

As guided by the Mwongozo Code of Governance, the Board adheres to the highest standard of behaviour and ensures development and adherence to the Institute code of conduct by staff.

g) Induction

Upon appointment, new Directors embark on a detailed programme to familiarize themselves with the Institute's research activities and operating environment. Corporate literature is provided, and meetings arranged with the senior Management team. Visits to Eco-regions are also organized.



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h) Continuous Professional Development

During the year, the audit committee did not hold its annual capacity building workshop to enhance their skills and knowledge, as well as keep abreast of the developments in risk analysis & mitigation and audit due to budgetary austerity measures. However, this is expected to resume in the next financial year.

i) Board Member Performance and Evaluation

The Board conducts an annual evaluation for the chairman, individual members and the Chief Executive Officer. This is done in accordance with guidelines provided by the State Corporations Advisory Committee (SCAC). During the year, an evaluation tracker is maintained to monitor implementation of recommendations on evaluation. The evaluation of the Board during the financial year ending 30th June was conducted on Friday 21st July 2023.

j) Conflict of Interest

Every Director is under a legal obligation to disclose to the Board a real or potential conflict of interest which comes to his/her attention, whether direct or indirect. The directors make an oral declaration of whether they have an interest or a conflicting interest in any Board business. Further, they sign a declaration of interest register during every meeting to maintain a written record of their interest or lack of interest.



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8. MANAGEMENT DISCUSSION AND ANALYSIS

This Annual Report captures the overall performance of the Institute based on its key strategic objectives and the annual performance contract in line with the KEFRI Strategic plan 2018-2022. The report comprises of the operational and financial performance of the Institute for the last three years. A discussion of key projects and investments undertaken or on-going is also included. The detailed management discussion and analysis is as stated below.

1.) OPERATIONAL AND FINANCIAL PERFORMANCE

i) Operational Performance .

During Financial Year 2022/2023, the Institute implemented various projects and programmes that focused on development of forest technologies, dissemination of research findings to the stakeholders and improved infrastructural facilities. The programmes and projects were mainly funded through government grants, development partners and internally generated funds. Funds from the Government were mostly used for personnel emoluments, capital projects and maintenance services. Donor funds were used for development of research technologies as per partnership agreements. Internally generated funds were used to cater for utility bills within the Institute.

At the macro level the depreciation of the Kenya shilling, increase of fuel prices and possible supply chain disruptions had elevated business risk. Additionally, the unpredictable weather (drought) remains a great concern. Forex risk and poor weather conditions continued to negatively affect inflation further complicating the operational efficiency at Institute level.

b) Financial performance

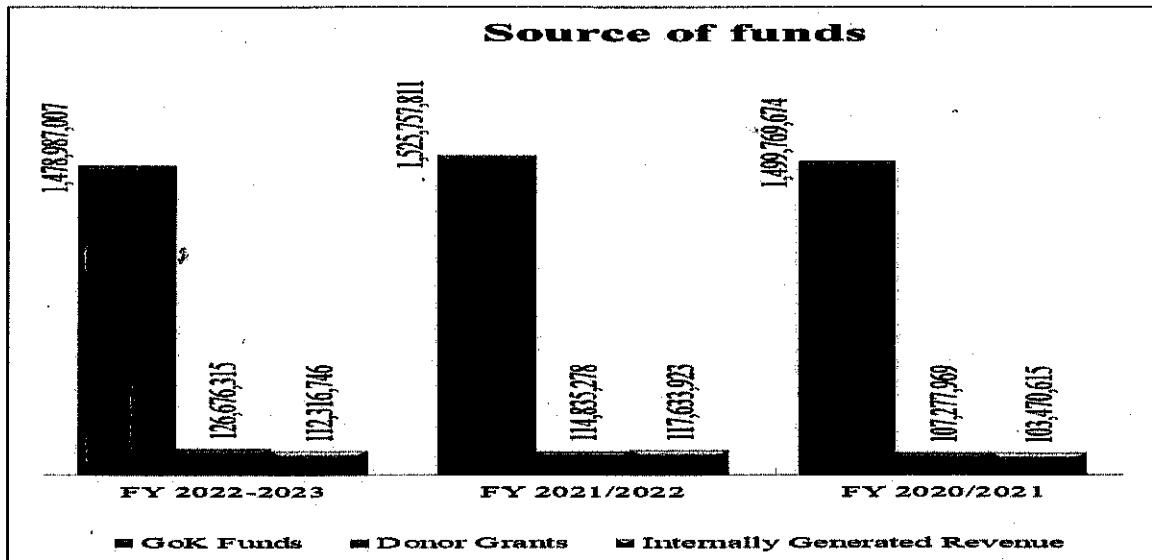
i) Income Trends

Over the years the Institute financial performance has remained relatively unchanged. The following is a summary of the income the Institute has received in the last three financial years: -

Source of Funds	FY 2022-2023 (Kshs)	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)
GoK Funds	1,478,987,007	1,525,757,811	1,499,769,674
Donor Grants	126,676,315	114,835,278	107,277,969
Internally Generated Revenue	112,316,746	117,633,923	103,470,615



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ii) Absorption rate

During the year, the Institute fully absorbed the budgeted funds from government grant, donor grant and internally generated revenue. There were no pending bills.

iii) Employee costs

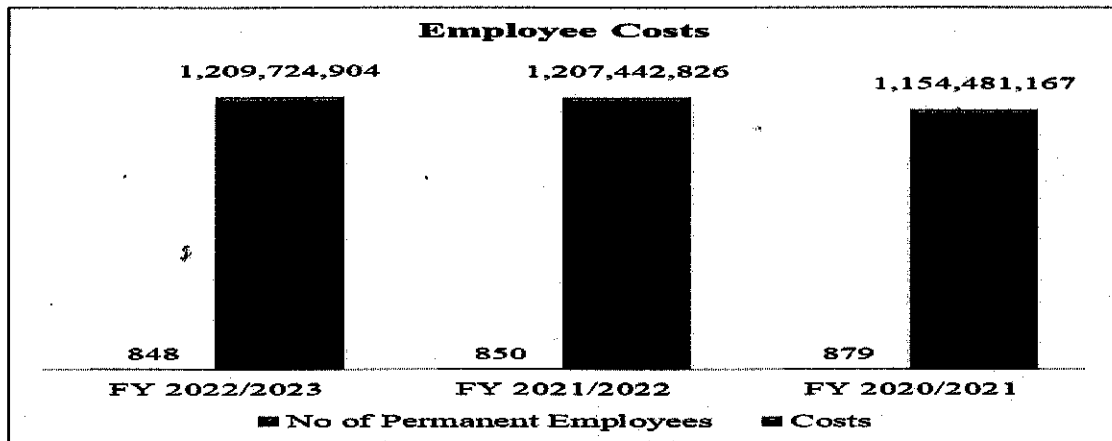
As of 30th June 2023, the Institute had 848 employees compared to 850 in 2021/2022 and 879 in the outer year. The employee costs have remained flat year after year since the Board and National Treasury approved replacement of critical staff leaving service.

The trend is as shown below: -

Particulars	FY 2022/2023	FY 2021/2022	FY 2020/2021
No of Permanent Employees	848	850	879
Costs (Kshs.)	1,209,724,904	1,207,442,826	1,154,481,167



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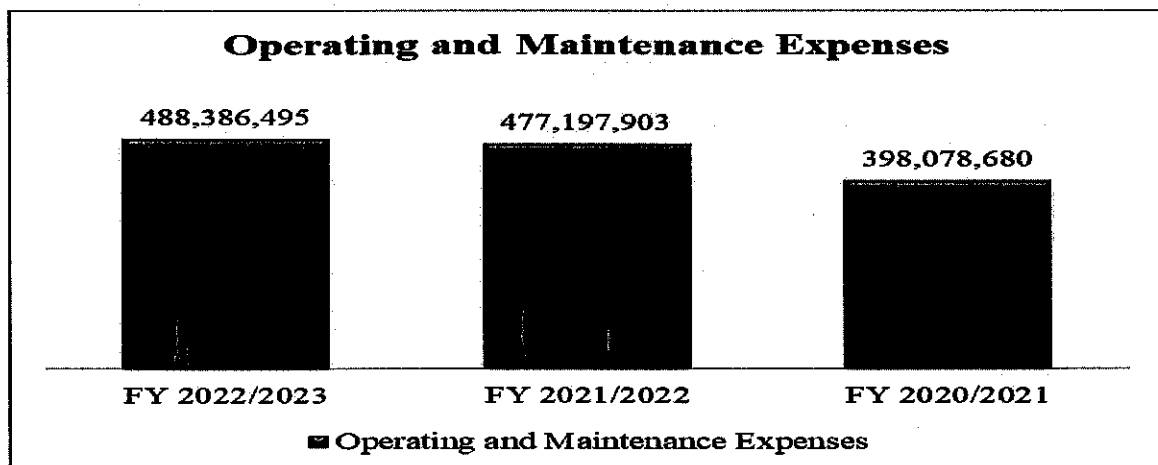


iv). Operating and Maintenance costs

Operating costs cater for day-to-day operations of the Institute including, research materials, supplies for production, chemicals and laboratory materials, electricity, water and conservation, telephone, internet, and communication expenses, traveling and accommodation, advertising & publicity, training expenses, fuel and lubricants, security, insurance etc. Repairs and Maintenance caters for maintenance of plant, equipment, and vehicles. These expenses increased from Kshs. 477,197,903 Kshs 488,386,495 to because of increased activities release of exchequer which was better than previous year.

The trend is as shown below: -

Particulars	FY 2022-2023 (Kshs)	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)
Operating and Maintenance Expenses	488,386,495	477,197,903	398,078,680





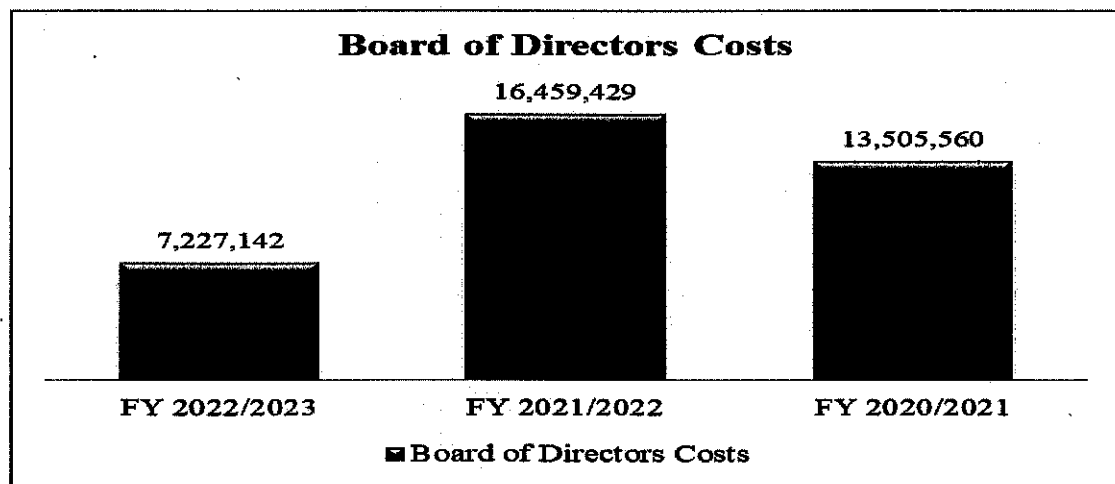
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v) Board of Management Expenses

The expenses cater for allowances, meetings expenses and medical insurance. The decrease was because of the decrease in board activities and there were no independent board members.

The trend is as shown below: -

Particulars \$	FY 2022-2023 (Kshs)	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)
Board of Directors Costs	7,227,142	16,459,429	13,505,560



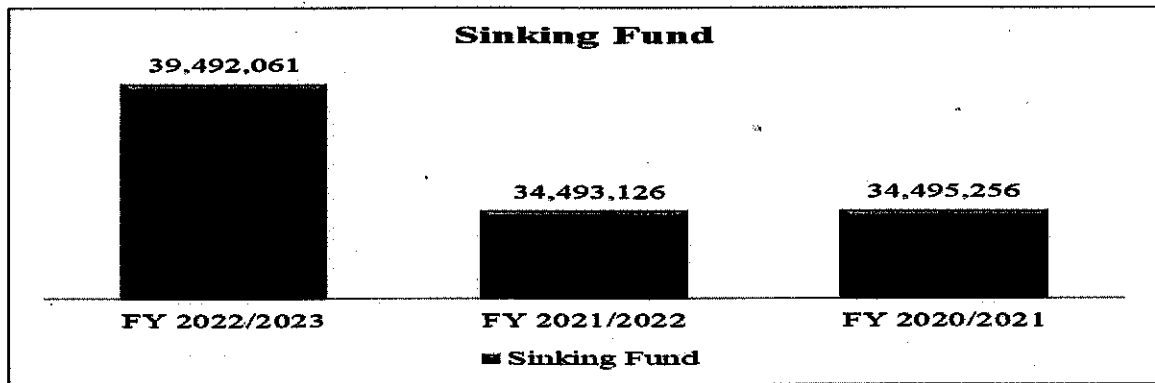
vi) Sinking Fund

The Institute sets aside a determined amount of money every year from its internal sources to the sinking fund account for the purpose of purchasing and maintenance of capital assets. The amount contributed every year for this purpose is determined by the availability of funds. The funds may be invested to boost the fund with interest earned.

Period	FY 2022-2023 Kshs)	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)
Sinking Fund	39,492,061	34,493,126	34,495,256



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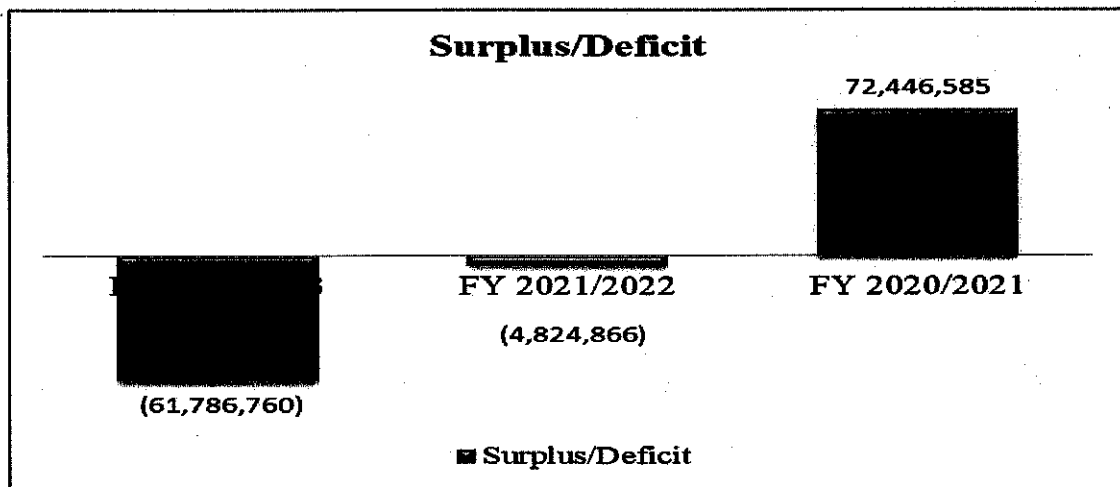
vii) Surplus/ (Deficit)

During the year, the Institute had a deficit of Kshs. 61,786,760 from a deficit of Kshs. 4,824,867.

This was because of reduced incomes from unreleased exchequer.

The trend is as shown below: -

Period	FY 2022-2023 (Kshs)	FY 2021-2022 (Kshs)	FY 2020/2021 (Kshs)
Surplus/Deficit	(61,786,760)	(4,824,867)	72,446,585



c) Supply Chain Management

Supply Chain facilitates the acquisition of goods and services required to meet the needs of achieving corporate and strategic objectives. Supply chain management is a significant cost and value driver in the delivery of the best prices, highest quality, and the best availability of requirements through the development of an agile supply base.



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d) Asset Management

The Institute has continued to make the best use of equipment, machinery, tools, and buildings to maximize value. This has been done through: -

i) Inventory Management:

The Institute has an automated system for maintaining and controlling its assets. As at 30th June 2023, asset book value was Kshs. 5.844 billion as compared to Kshs. 5.765 billion in the previous year.

ii) Repairs and maintenance

Activities geared towards restoring assets, equipment, and tools to usable condition after damage or wear have been expedited. These activities include service contracts for specialized lab equipment, motor vehicles and minor alterations of buildings and stations.

iii) Disposal of Assets

Disposal at the Institute is done in full conformity with the Public Procurement and Asset Disposal Act 2015 and Environmental Management Act.

e) Institute's compliance with statutory requirements

The Board has continued to comply with statutory requirements including remittance of statutory deductions such as Pay-As-You-Earn, National Hospital Insurance Fund, National Social Security Fund, Higher Education Loans Board and Pension Scheme. In addition, the Institute has adhered to other legal requirements such as the Public Finance Management Act, 2012 (PFM), NEMA Act, Labour Relations Act as well as Treasury Circulars issued from time to time.

f) Key projects the Institute is implementing or ongoing

The key projects funded by the Government include: -

- i) Development of Forest Research Technologies.
- ii) Strategic intervention on tree seed infrastructure technology development.
- iii) Establishment of Farmers Resource Centre including Migori and Taita Taveta
- iv) Construction of glass and greenhouses.
- v) Renovating and equipping research laboratories.
- vi) Conservation activities towards 30% tree cover.
- vii) Development of Tiva Management Plan for dryland forestry.
- viii) Kenya Climate Smart Agriculture Project (KCSAP)



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The Bottom-Up Economic Transformation Agenda (BETA)

The 7th Strategic Plan is anchored on the Institute's mandate and guided by the Bottom-up Economic Transformation Agenda (BETA) and The Fourth Medium Term Plan 2023-2027.

The Government's BETA aims to increase investments in at least five sectors envisaged to have the largest impact and linkages to the economy as well as on household welfare. These include:

- 1) Agricultural Transformation and inclusive growth.
- 2) Micro, Small and Medium Enterprise (MSME).
- 3) Housing and Settlement.
- 4) Healthcare; and
- 5) Digital Superhighway and Creative Industry

The Institute will contribute to the BETA agenda as follows:

1. Agricultural Transformation and inclusive growth

- i) Enhance development of agroforestry technologies and uptake in rural and urban areas
- ii) Enhance trees in agro-silvo-pastoral systems.
- iii) Undertake research on appropriate tree crop interaction in farm forestry.
- iv) Undertake species trial on emerging plantation species in the drylands and the high potential areas.
- v) Undertake studies of governance models in forestry and evaluate their contribution to forest management and livelihood improvement.
- vi) Mitigate climate change through enhanced processing and utilization of biomass energy.
- vii) Enhance bamboo production.
- viii) Improve the quality of wood and bamboo products.
- ix) Improve bamboo harvesting and timber logging technologies.
- x) Optimise utilization of timber and bamboo products
- xi) Enhance management and control of invasive species.
- xii) Improve forest and livestock management in natural forests and woodlands.
- xiii) Enhance livelihoods through agro ecology.
- xiv) Strengthen capacity and skills of stakeholders in climate change.
- xv) Develop forest landscape climate change mitigation technologies.
- xvi) Enhance conservation of wetlands and riparian ecosystems
- xvii) Enhance tree breeding and improvement.



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- xviii) Enhance forest germplasm and tree seed production.
- xix) Enhance forest germplasm and tree seed distribution and conservation.
- xx) Provision of forest as habitat for birds, insects, and other food crop pollinators.

2. Micro, Small and Medium Enterprise

- i) Promote forest innovations hubs and link them to forest based industries.
- ii) Identify/develop and document forest and tree-based innovations for sustainable development.
- iii) Register patents on forest and tree-based innovations.
- iv) Undertake studies on investment opportunities and models in forestry.
- v) Build capacity of stakeholders on potential financing and trade options
- vi) Enhance forest investment opportunities for livelihood improvement.
- vii) Strengthen information exchange on commercial forestry investments and innovations.
- viii) Link and promote developed products and technologies to MSMEs
- ix) Build capacity of innovators and MSMEs
- x) Conduct expert training in forest products development.
- xi) Enhance Non-Timber Forest products development and standardization for uptake by SSMEs.
- xii) Provide raw materials for furniture, tools, utensils, for cosmetics, wood processing, curing and seasoning.
- xiii) Contribute to employment to youth and women in Small and Medium Enterprises such as soap making, food stabilizers, briquette and Eco-stove.

3. Housing and settlement

- i) Strengthen conservation and sustainable use of mangroves. Mangroves act as a source of building materials.
- ii) Enhance biodiversity conservation and sustainable use of woodlands and rangelands.
- iii) Enhance forest landscapes restoration and rehabilitation.
- iv) Enhance conservation of wetlands and riparian ecosystems
- v) Enhance soil and water conservation.
- vi) Strengthen biodiversity conservation and sustainable use of natural forests.
- vii) Environmental education to youth and communities on tree growing as sources of raw materials for housing.
- viii) Provision of raw materials such as timber, poles, ropes, and grass.



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4. Health Care (Forest health)

- i) Surveillance and management of pests and diseases
 - ii) Contribution to the pharmaceutical industry through medicinal and herbal products
 - iii) conservation of herbal medicinal plants
 - iv) Establish lactating and baby care centres
 - v) Enhance provision of psycho-social support to staff
 - vi) Provide a clean, safe, and conducive work environment.
 - vii) Provision of water for domestic use to both staff and local communities.
 - viii) Provision of forests that act as habitat for bees for honey and bees wax production.
- i) Forest mitigates climate change thus reversing the conditions for disease bearing vectors e.g., mosquitoes.
 - ii) Provision of forest that act as wind break thus taming down dust and air drift that would otherwise cause diseases; forest has therapeutic effects on human beings particularly stress reducing effects.
 - iii) Forest food production that includes bamboo, *prosopis* and indigenous fruits with high nutritional values.
 - iv) Forest increases resilience and acts as safety nets during drought and lean times and substitutes foods for vulnerable groups.
 - v) Biodiversity conservation improves pest control leading to improved and sustainable farm production.

5. Digital Superhighway and Creative Economy

- i) Develop applications to support research and development.
- ii) Automation of Institute processes through the Enterprise Resource Planning (ERP) systems; Finance & Accounts, Supply Chain Management, Human Resource Management, Research and Development etc
- iii) Automate the delivery and payment for services and products through online interaction interface.
- iv) Establish forestry innovations and incubation centres
- v) Implement conferencing solutions.
- vi) Establish digital resource centres
- vii) Disseminate scientific information through e-platforms.



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g) Major risks facing the Institute

The Institute is committed to risk management as an integral part of its corporate governance and operations by developing strategies and systems to minimize risks.

The Institute is committed to:

- i) Developing a 'risk aware' culture in which people are encouraged to identify risks and respond to them quickly and effectively.
- ii) Ensuring our key stakeholders recognize that we manage risks responsibly.
- iii) Developing consistent risk management practices
- iv) Organizational growth is cognizant of the inherent risks associated with strategy execution.

Key risks the organization is exposed to: -

i) Financial risk

The Institute's activities expose it to a variety of financial risks including credit, liquidity, and market risks. The Institute's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimize the potential adverse effects of such risks on the Institute's performance by setting acceptable levels of risk. The Institute does not hedge against any risks.

- **Credit risk** refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Institute. The Credit risk also arises from bank balances, trade receivables and amounts due from related parties.
- **Market risk** is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price and comprises two types of risk: currency risk and interest rate risk. The institute is exposed to market risk because of transactions in foreign exchange.
- **Liquidity risk** is the risk that the Institute will not be able to meet its financial obligations when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the Institute's reputation. The Institute ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted.



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ii) Operational Risk

Operational risk is the risk of indirect loss arising from a wide variety of causes associated with the Institute's processes, personnel, technology and infrastructure, external factors other than credit, market, and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Institute's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Institute's reputation with overall cost effectiveness and to avoid any control procedures that restrict initiative and creativity in the Institute.

iii) Political/Legislation risk

This affects service delivery due to the uncertainty caused in every election cycle.

Change in Government legislation and policies affects organizations in implementing strategic objectives.

iv) Information security Risk

With increased digitization, the Institute is exposed to information technology risk of cyber security compromises and fraud exposing KEFRI data assets to risk.

h) Material arrears in statutory/financial obligations

The Institute did not have any material pending statutory obligation as at the end of the financial year.

i) The Institute financial probity and serious governance issues

The Institute did not have any serious governance issues as at the end of the financial year.



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9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

KEFRI exists to transform lives. That purpose is the driving force behind everything we do. It's what guides us to deliver on strategy, putting the customer/citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

a) Sustainability Strategy and Profile

KEFRI is committed to conserving natural resources by spearheading its sustainability through the research programs. KEFRI Board of directors and management are dedicated in taking cognizance of ultimate impact of our research programs. Initiatives undertaken during the financial year 2022/2023 were as follows; -

- Collection and distribution of high-quality tree seeds of various species amounting to 47,213 Kg to stakeholders to achieve the 30% tree cover by 2032 from the current 12.13%.



Figure 3 Tree seed

- Five hectares of model demonstration plots of indigenous tree species for rehabilitation of degraded Mau water tower ecosystem was established. This was active restoration undertaken in Mau Forest, at Kibaara in Kericho forest to act as

a demonstration site for rehabilitation degraded forest lands.

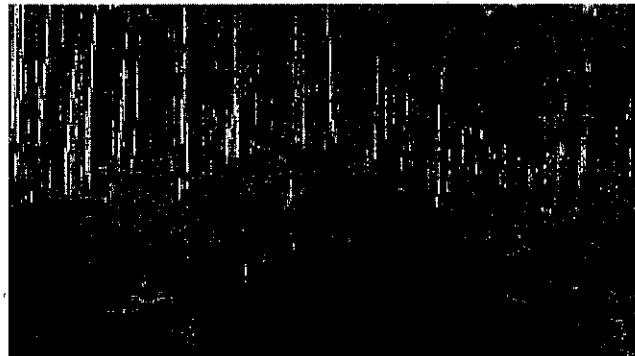


Figure 4 Tree seed Orchard

- 93 hectares of tree seed stands, and seed orchards were maintained for valuable tree species such as casuarina, pine, eucalyptus among others. These act as conservation stands where seeds can be collected and propagated to rehabilitate forests and ensure sustainable tree seed sourcing. This also provides a measure to obtain seeds of improved genetic quality and eases seed collection.
- Dissemination of forestry technology and information for adoption and up scaling forestry development through 14 dissemination activities including ASK shows, radio



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talks, TV talks, newsletters, annual reports. These offered platform to showcase and disseminate cutting edge research findings for KEFRI to the public.

- 45 publications were developed including: peer review journals, technical notes, guidelines and policy briefs to disseminate technical forestry research findings.
- Capacity building for KEFRI partners and communities for adoption and up scaling of forestry technologies for environmental conservation and livelihood improvement were carried out through various trainings such as commercial tree nursery and urban forestry, Payment of Eco System Services, nature-based strategies on climate change resilience and mitigation, bamboo utilization and value addition, propagation and nursery techniques, on-farm tree establishment and management among other capacity building activities.

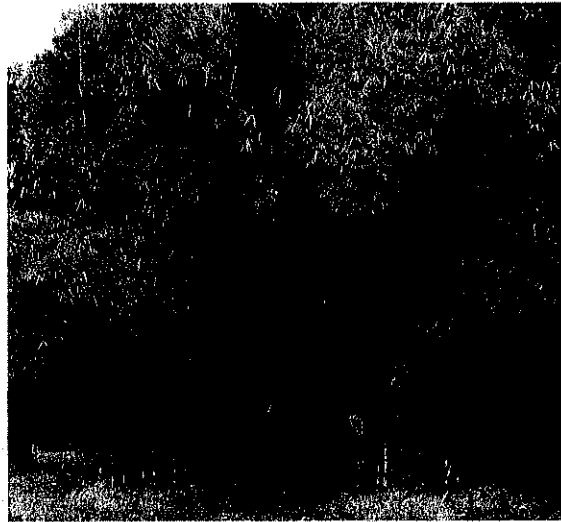


Figure 5 Bamboo plantation

- Raising planting materials for difficult to propagate indigenous tree species - 80,095 planting materials tree species like bamboo seedlings, *Yushania alpine*, *Vitex payos*, *Melia volkensii*, *D. melanoxylon*, *Zanthoxylum giletti*, *Terminalia brownii*, *Maesopsis eminii* were propagated. This ensures sustainability of near threatened tree species, indigenous fruit trees or those with germination difficulties.

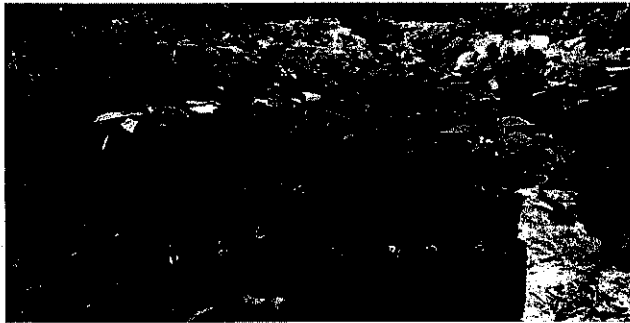


Figure 6 Tree Nursery



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- Developed 18 resource mobilization concepts to fundraise for purposes of forestry research on various disciplines such as tree health, biotechnology, pathology, wood science, chemistry, tree breeding among others.



Figure 7 Gums and Resins



Figure 6 Forest Products ready for SSME adoption

b) Environmental Performance

The Institute maintains its focus on environmental performance with an emphasis on process improvement, development of operational standards, improved service delivery and quality audits across all functions. KEFRI has been certified to two ISO standards namely, ISO 9001:2015 and ISO 14001:2015. Implementation of Environmental and Quality Management Systems as an integrated system started in 2016 and has been maintained to date with the Institute being certified by SGS, a globally recognized ISO certification body. The KEFRI management is commitment to effective implementation of the integrated system as evidenced in the Environmental and Quality Management Policy. The key highlights in the policy include:

- i) The commitment to establish, implement and review quality and environmental objectives on annual basis.
- ii) Satisfaction of customer requirements and compliance with relevant legal and other applicable requirements
- iii) Conduct its activities in a manner that enhances environmental protection and enhance proper waste management strategies.
- iv) Enhance communication of the policy to internal and external stakeholders to boost effective implementation of the integrated system.

Areas of focus include -

- i) Minimize carbon footprints through reduced energy use.
- ii) Conformance to Quality Management System (ISO 9001:2015) and Environment Management System ISO (14001:2015)



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- iii) Waste management mechanisms to reduce negative environmental impacts. This includes hazardous waste, e-waste, non-hazardous solid waste as well as effluent discharge from laboratories.
- iv) Awareness, training, and protection of environment
- v) Compliance to legal and regulatory requirements regarding environmental management
- vi) Safety Promotions and Campaigns
- vii) Continual improvement through regular management reviews, internal and surveillance audits

Employee Welfare

The Institute has continued to attract, motivate, and retain competent human capital to ensure efficiency and effectiveness in its service delivery. KEFRI successfully developed, received, and implemented approval for 4 human resource management instruments from State Corporations Advisory Committee (SCAC) namely: Grading and Organization Structure, Staff Establishment, Career Progression Guidelines and Human Resource Management Policies and Procedures Manual. The Institute also made concerted efforts to fill staffing gaps in its staff establishment through the appointment of 83 new staff, staff rationalization, training and development, mentorship programmes. The Institute also engaged 25 graduates on internship program and 321 students on attachment. During the period, 3 Research Scientists graduated with Doctorate degree thus bringing the total number of PhD holders to 33 in the Institute. In compliance with the one-third ($\frac{1}{3}$) gender rule, the Institute staff gender representation stands at 38% (Female) and 62% (Male).

Currently, the Institute has put in place Occupational Safety and Health policy and an operationalized safety committee which ensures that matters on Safety and Health are monitored, and management advised on the best practices and corrective actions. KEFRI has also registered its workplaces and attained workplace permit from Directorate of Occupational Safety Health and continued to conduct annual safety audits and inspections. The Institute has developed an Occupational Health and Safety procedure that is incorporated in its Integrated Management System. The procedure puts in place all measures to address occupational safety and health principles including occupational accidents, incidents, first aid, fire safety, safety inspections, trainings among others and ensure safe working environment. All employees, contractors, sub-contractors, and other interested parties have to adhere to Occupational Safety and Health Act of 2007 and permit to work issued for non-routine activities where necessary to ensure adherence to safety standards.



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d) Marketplace practices

The Institute outlines the market practices as follows; -

i) Responsible Supply chain and supplier relations

The Institute has maintained good working relationships with suppliers by ensuring the following.

- Payment of suppliers within a period of 30 days
- Ensuring fairness, transparency, and competitiveness in carrying out its procurement where suppliers get feedback on the outcome of the process enhancing future improvement.
- Sensitization of suppliers on procurement processes and government contracting.
- Continuous registration of suppliers into the Institute list of registered suppliers has enabled good working relations.
- Filling of complaint forms which enables building of better relations with suppliers.
- Ensuring supplier evaluation and appraisal is done annually.
- Compliance with affirmative action in public procurement by reserving and awarding 30% of procurement budget to Youths, Women and Persons with Disability

ii) Responsible marketing and advertisement

The Institute has advertised numerous tenders through MyGov and published the tender notices in Public Procurement Information Portal and KEFRI's website where suppliers are able to assess the tenders within the timelines of advertisement, download the tenders without paying and are allowed to register their mail address where communication can be done in case of any clarification. Through the same portals, the Institute has also been able to publish the results of the tendering process. Suppliers can monitor the procurement process and may request for debriefing of the process.

iii) Marketplace practices

The Institute has been able to implement the PPADA, 2015 and PPADR, 2020 and use of best market practices in sourcing of goods and services. Market surveys are conducted to enable comparison of prices for goods- enhancing value for money. This in turn allowed fairness, transparency, and competitiveness.



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iv) Responsible competition practice.

The Institute registers suppliers for goods and services improving on fairness, transparency and competitiveness by rotating suppliers on need basis. This way all the suppliers are able to participate at particular time until the list is exhausted. The Institute publishes tender reports through website detailing reasons for unsuccessful bidding.

v) Product stewardship

The Institute has been able to maintain product stewardship by ensuring goods and services for specialized equipment are restricted to manufacturers and authorized dealers.

vi) Corporate Social Responsibility / Community Engagements

We purpose to be a catalyst for economic change to those whom we interact with. Apart from ensuring forest and allied natural resource protection and conservation, we also focus on accelerating economic growth, human development and making a better life for our communities. KEFRI's CSR activities are making a significant contribution to the sustainable development of Kenya. By protecting forests, improving community livelihoods, and educating the public, KEFRI is helping to create a more sustainable future for all Kenyans. In line with its vision, mission and core values, the Institute focused its CSR activities along initiatives that seek to promote a clean and healthy environment and reach out to the vulnerable society to assist, both in material and non-material ways through the Corporate Affairs Office. KEFRI is committed to corporate social responsibility (CSR), and its CSR activities are focused on the following areas:

- **Environmental protection:** KEFRI works to protect Kenya's forests and natural resources through its research and development activities. For example, KEFRI has developed technologies and practices for sustainable forest management, afforestation, and reforestation. KEFRI also works to raise awareness of the importance of environmental protection among the public and policymakers.
- **Community development:** KEFRI works to improve the lives of people living in and around forests by providing them with access to knowledge, resources, and opportunities. For example, KEFRI provides training on sustainable forest management and income-generating activities to forest communities. KEFRI also supports community-based forest management initiatives.



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- Education and awareness: KEFRI works to educate the public about the importance of forests and sustainable forest management. KEFRI does this through a variety of activities, such as publishing educational materials, conducting workshops and seminars, and organizing public events.
- KEFRI has established several community tree nurseries, which provide seedlings to communities for planting and provides training to farmers on how to integrate trees into their farming systems. The Institute works with communities to develop and implement sustainable forest management plans as well as support the development of forest-based businesses and enterprises. KEFRI provides educational materials and workshops on forestry and sustainable forest management to schools and community groups. Moreover, the Institute KEFRI works with the media to raise awareness of the importance of forests and the challenges facing them.

During the last financial year, below are the highlights of the main CRS activities carried out by KEFRI:

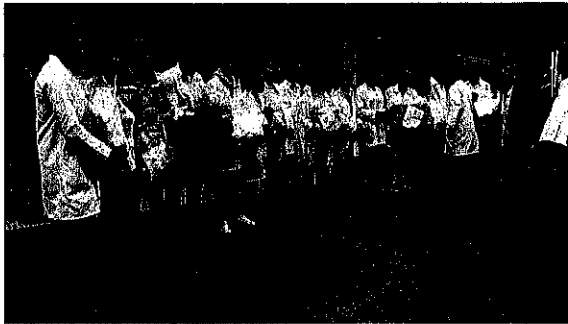


Figure 9 Tree seed distribution

Distribution of 2.2 tons of tree seeds to Technical and Vocational Education and Training (TVET) institutions. Event officiated by the Principal Secretary, State Department of Forestry Mr. Ephantus Kimotho on 9th May 2023.

The Institute donated 150 kilograms of seeds, equivalent to 2.9 million, as well as 290,000 potting tubes for use by 28 TVETs in Western Kenya on 15th April 2023. The event was officiated by the Principal Secretary (PS), State Department of Forestry Mr. Ephantus Kimotho.



Figure 10 Tree seed distribution to TVETS



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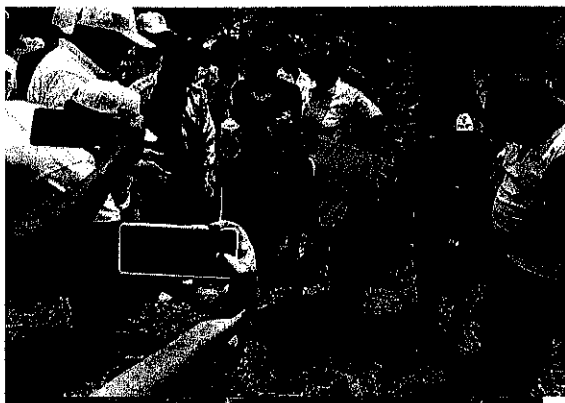


Figure 11 Tree growing

2 million pieces of potting bags and 1,067.7 kgs of assorted tree seeds were donated to Tana and Athi Rivers Development Authority (TARDA) as part of 'The National Strategy for Achieving and Maintaining over 10% tree cover by 2022'. The event took place on 12th October 2022.

KEFRI in conjunction with the Ministry of Environment and Forestry donated 1 million potting bags and 221.3 Kgs tree seed to 100 schools in Nandi County. Distributed to 4800 schools, 66 prisons and over 200 community groups to establish tree nurseries



Figure 12 KEFRI staff and the community

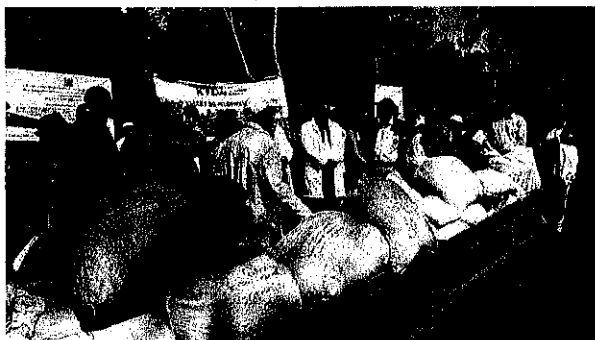


Figure 13 The 30% tree cover Presidential Directive

1.2 tons of Seeds approximated at Kshs.19,000,000 donated to 6 Kerio Valley Development Authority Regional stations countrywide. Officiated by the then PS, Ministry of Environment and Forestry Dr. Chris Kiptoo and Dr. Bellio Kipsang on 15th July 2022



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Figure 14 Supporting the community to grow trees.



Figure 7 Cabinet Secretary donating tree seedling to the community.

KEFRI donated 2 Water Tanks and 6,000 tree seedlings including Vetiver grass to restore the Wetland at Enkongu Enkare Spring in Naroosura, Narok County on 2nd February 2023. The event was officiated by Hon. Soipan Tuya.



Figure 16 Community Cleanup

The Institute participated in World Clean-up Day on 17th September 2022 in Diani - Kwale County. KEFRI donated 1000 pieces of Mangroves seedlings to rehabilitate Kibuyuni-Shimoni degraded site.



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10. REPORT OF THE BOARD OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Institute's affairs.

Principal activities

The principal activities of the Institute are to conduct research in forestry and allied natural resources, disseminate research findings, build stakeholders capacities and establish partnerships and collaborate with research organizations and institutions of higher learning in joint research and trainings as provided for in legislation.

Results

The results of the Institute for the year ended June 30, 2023, are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page ix and x. During the year the H.E The President appointed Prof. Erastus Gatebe as Chairman of KEFRI Board of Directors with effect from 28th April 2022. Dr. John Waithaka, (PhD) was appointed to replace Prof. Erastus Gatebe with effect from 28th July 2022. With changes made by the government elected in August 2022, Gen (Rtd) Samson J. Mwathethe was appointed as the Chairman, KEFRI Board of Directors replacing Dr. Waithaka whose appointment was revoked.

Auditors

The Auditor General is responsible for the statutory audit of the Institute in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2023.

By order of the Board.

PHILIP M. KICHANA

CORPORATION SECRETARY

Date: 13/03/24



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11. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and Sections 14 and 15 of the State Corporations Act 446, require the Directors to prepare financial statements in respect of the Institute, which give a true and fair view of the state of affairs of the Institute at the end of the financial year and the operating results of the Institute for the year. The Directors are also required to ensure that the Institute keeps proper accounting records which disclose with reasonable accuracy the financial position of the Institute. The Directors are also responsible for safeguarding the assets of the Institute.

The Directors are responsible for the preparation and presentation of the Institute's financial statements, which give a true and fair view of the state of affairs of the Institute for and as at the end of the financial year ended on June 30th, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective, throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Institute; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Institute; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Institute's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Public Sector Accounting Standards (IPSAS) and in the manner required by the PFM Act 2012 and the State Corporations Act. The Directors are of the opinion that the Institute's financial statements give a true and fair view of the state of Institute's transactions during the financial year ended June 30th, 2023, and of the Institute's financial position as at that date.

The Board of Directors further confirm the completeness of the accounting records maintained in the Institute, which have been relied upon in the preparation of the Institute's financial statements as well as the adequacy of the systems of internal financial control.

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



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Approval of the Financial Statements

The KEFRI financial statements were approved by the Board on 28/9/2023 and signed on its behalf by:

Gen (Rtd) Samson J. Mwathethe
CHAIRMAN- BOARD OF DIRECTORS

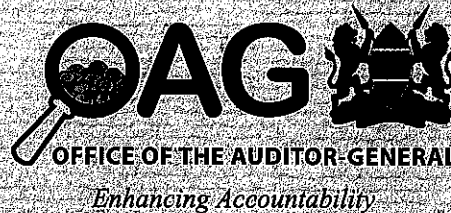
Dr. Jane W. Njuguna (PHD)
AG. DIRECTOR - KEFRI

Date 18 March 2024

Date 18/3/2024

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA FORESTRY RESEARCH INSTITUTE FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kenya Forestry Research Institute set out on pages 1 to 41, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual

amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kenya Forestry Research Institute as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Science, Technology and Innovation Act, 2013 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Property, Plant and Equipment - Unsupported Land Balance

The statement of financial position reflects property, plant and equipment totalling Kshs 5,844,888,912. However, as previously reported, the amount excludes the value of properties on various parcels of land measuring 2,847 hectares across the Country. These include parcels of land owned by Kenya Forest Service, Maseno University, Ministry of Agriculture, Counties Governments of Kitui, Lamu, Migori and Karura where the Institute has a wood chemist facility.

Further, the amount excludes the value of the Institute's Headquarters which is built on land registered under the Ministry of Environment and Natural Resources.

In addition, title deeds for twenty-one (21) parcels of land possessed by the Institute were not provided.

In the circumstances, the accuracy, completeness and ownership of property, plant and equipment totalling Kshs 5,844,888,912 could not be confirmed.

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

Emphasis of Matter

Contingent Liabilities

Note 20 to the financial statements reflects contingent liabilities totalling Euro 333,167.60 in respect of ineligible costs incurred under Water Towers Project funded by European

Union (EU). The Institutes Board approved the payment of EU claim in a meeting held on 29 June, 2023.

The liquidity of the Institute is likely to be affected if the payment is made to the European Union.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs) 2315 and 2330. The Standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all

material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Institute's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Institute to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Institute to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 April, 2024



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2023

12. STATEMENT OF FINANCIAL PERFORMANCE FOR YEAR ENDED 30TH JUNE 2023

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023			
	Notes	2022-2023 Kshs.	2021-2022 Kshs.
REVENUE			
Revenue from non-exchange transactions:			
Government Grants	3	1,478,987,007	1,525,757,811
External Grant for Research	4	126,676,315	114,835,278
Deferred Income from Donated assets	5(b)	18,140,179	19,761,368
Revenue from exchange transactions:			
Sale of Goods and Services	6	112,316,746	117,633,923
TOTAL REVENUE		1,736,120,247	1,777,988,380
EXPENSES			
Employee Costs	7	(1,209,837,910)	(1,207,442,826)
Operating Expenses	8	(488,386,495)	(477,197,903)
Board of Directors Expenses	9	(7,227,142)	(16,459,429)
Establishment Cost(Sinking Fund)	10(a)	(5,000,000)	-
Depreciation charge	5(a)	(80,356,688)	(77,625,146)
Amortization on Intangible Asset	11	(1,935,502)	(2,419,377)
TOTAL EXPENSES		(1,792,743,737)	(1,781,144,682)
OTHER GAINS/(LOSSES)			
Exchange Gain/(Loss)	12	(5,163,270)	(1,668,565)
		(5,163,270)	(1,668,565)
Surplus/(Deficit) for the Year		(61,786,760)	(4,824,867)
<div style="display: flex; justify-content: space-between; margin-top: 20px;"> <div style="width: 30%;"> <p><i>Jane</i> Dr. Jane W. Njuguna Ag. Director KEFRI</p> <p>Date <u>18/3/24</u></p> </div> <div style="width: 30%;"> <p><i>Rose Osoro</i> FCPA Rose Osoro Deputy Director F & A ICPAK No.:4555 Date <u>18/03/2024</u></p> </div> <div style="width: 30%;"> <p><i>Samson Mwachethe</i> Gen (Rtd) Samson Mwachethe Chairman: KEFRI Board of Directors Date <u>18/3/24</u></p> </div> </div>			



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE 2023

13. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2023			
		2022-2023	2021-2022
		Kshs.	Kshs.
ASSETS	Notes		
CURRENT ASSETS			
Cash and cash equivalents	13(a)	509,906,910	598,185,826
Receivables from exchange transactions	14(a)	48,326,314	35,994,466
Receivables from non- exchange transactions	14(b)	704,903	1,271,339
Inventories	15	144,379,080	145,626,635
		703,317,207	781,078,266
NON-CURRENT ASSETS			
Property, Plant & Equipment	5(a)	5,844,888,912	5,765,320,360
Intangible Assets	11	7,742,008	9,677,510
		5,852,630,919	5,774,997,870
TOTAL ASSETS		6,555,948,126	6,556,076,136
LIABILITIES			
CURRENT LIABILITIES			
Payables from exchange transactions	16	4,494,276	9,343,416
Auditor General- accrued audit fee	16(c)	660,000	660,000
Unexpended External Donor Grants	4	57,824,314	155,800,578
Medical Scheme Funds	17	345,205	345,205
		63,323,794	166,149,199
NET ASSETS			
Government Grants for capital assets	18(a)	1,598,716,690	1,421,091,292
Deferred Income on Donated Assets	5(b)	476,359,998	494,500,177
Sinking Fund	10(b)	39,492,061	34,493,126
Revaluation Reserves	18(b)	4,467,199,488	4,467,199,488
Revenue Reserves	18(e)	(89,143,906)	(27,357,146)
		6,492,624,332	6,389,926,937
TOTAL NET ASSETS & LIABILITIES		6,555,948,126	6,556,076,136
..... Dr. Jane W. Njuguna Ag. Director KEFRI FCPA Rose Osoro Deputy Director F & A ICPAK No.:4555 Date 18/03/2024 Gen (Rtd) Samson Mwathethe Chairman: KEFRI Board of Directors Date 18/3/24	



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023.

	2022-2023					Total Kshs.
	Government Grants for Capital Assets Kshs	Deferred Income on Donated Assets Kshs	Revenue Reserves Kshs.	Revaluation Reserves Kshs	Sinking Fund Kshs.	
Balance as at 1st July 2021	1,143,349,103	514,261,545	(22,532,279)	4,467,199,488	34,494,191	6,136,772,048
Prior period adjustment						-
As restated	1,143,349,103	514,261,545	(22,532,279)	4,467,199,488	34,494,191	6,136,772,048
Surplus/(Deficit) for the year	-	-	(4,824,867)	-	-	(4,824,867)
Adjustments						-
Transfers from Sinking fund					(1,065)	(1,065)
Sinking Fund expenses						-
Additions during the year	362,500,000					362,500,000
To Income & Expenditure	(84,757,811)					(84,757,811)
Deferred Income for the year		(19,761,368)				(19,761,368)
Balance as at 30th June 2022	1,421,091,292	494,500,177	(27,357,146)	4,467,199,488	34,493,126	6,389,926,938
Balance as at 1st July 2022	1,421,091,292	494,500,177	(27,357,146)	4,467,199,488	34,493,126	6,389,926,938
Prior period adjustment						-
As restated	1,421,091,292	494,500,177	(27,357,146)	4,467,199,488	34,493,126	6,389,926,938
Surplus/(Deficit) for the year	-	-	(61,786,760)	-	-	(61,786,760)
Adjustments						-
Transfers from Sinking fund					(1,065)	(1,065)
Sinking Fund expenses						-
Additions during the year	215,612,405				5,000,000	220,612,405
To Income & Expenditure	(37,987,007)					(37,987,007)
Deferred Income for the year		(18,140,179)				(18,140,179)
Balance as at 30th June 2023	1,598,716,691	476,359,998	(89,143,906)	4,467,199,488	39,492,061	6,492,624,332



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023			
	NOTES	2022-2023 Kshs.	2021-2022 Kshs.
Cash Flows from Operating Activities			
Cash from Recurrent Grants	3	1,441,000,000	1,441,000,000
Cash from Development Grants	3	215,612,405	362,500,000
Cash from donor grants	4	121,397,425	129,136,819
Cash receipt from customers -Exchange Transaction		128,847,323	113,174,548
Cash receipts from Insurance		4,495,013	12,451,710
Cash receipts from employees	14(b)	-	20,816
Cash paid to employees(Salaries)	8	(1,209,837,910)	(1,207,442,826)
Cash paid for operations		(493,262,815)	(473,836,431)
Cash paid to board members	9	(7,227,142)	(16,459,429)
Cash refund to donor		(95,912,024)	(3,361,804)
Cash paid to employees as outstanding	14(b)	(213,040)	(1,271,339)
Cash paid to employees as outstanding		(491,863)	-
Cash paid for Insurance (prepaid)		(29,140,960)	(21,999,110)
Cash paid to employees for personal accident		(3,620,088)	(9,584,502)
Net cash from operating activities		71,646,324	324,328,453
Cash Flows from Investing Activities:			
Purchase of property, plant, and equipment	5(a)	(159,925,240)	(180,535,947)
Purchase of Intangible asset	11	-	-
Net Cash from Investing activities		(159,925,240)	(180,535,947)
Net increase in cash and cash equivalents		(88,278,916)	143,792,506
Cash and cash equivalents at beginning of period	13(a)	598,185,826	454,393,320
Closing Cash and cash equivalents at end of period		509,906,910	598,185,826
<i>Jane W. Njuguna</i>	<i>Rose Osoro</i>	<i>Samson Mwathethe</i>	
Jane W. Njuguna (PhD) Ag. Director KEFRI	FCPA Rose Osoro Deputy Director Finance ICPAK Member Number:4555	Gen(Rtd) Samson Mwathethe Chairman: KEFRI Board of Directors	
Date: 18/3/24	Date 18/03/2024	Date 18/3/24	



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023
17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL FOR THE
YEAR ENDED 30TH JUNE 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023							
	Notes	Original budget	Adjustments/Supplementary	Full budget	Actual on Comparable	Performance difference	Budget Vs Actual
		2022-2023	2022-2023	2022-2023	2022-2023	2022-2023	%
		Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue							
Recurrent Grants	3	1,584,000,000	-	1,584,000,000	1,441,000,000	123,000,000	92.14
Development Grants	3	383,850,480	127,939,205	511,789,685	215,612,405	296,177,280	42.13
Research Grants	4	131,555,065	-	131,555,065	128,676,315	4,878,750	96.29
Deferred income from donors	5b	18,140,179	-	18,140,179	18,140,179	(0)	100.00
Sale of Goods and Services	6	186,000,000	-	186,000,000	112,316,748	73,683,254	60.39
Total Income		2,283,545,724	127,939,205	2,411,484,929	1,913,745,646	497,739,283	79.36
Development Grants: Income Recognised		37,987,007	-	37,987,007	37,987,006.88	-	100.00
NET TOTAL INCOME		2,321,532,731	127,939,205	2,449,471,936	1,951,732,652	497,739,283	79.68
Expenses							
Employees Costs	7	1,300,000,000	-	1,300,000,000	1,209,837,910	90,162,090	93.06
Operation Expenses	8	536,059,833	-	530,325,160	488,386,495	41,938,665	92.09
Board Expenses	9	13,000,000	-	13,000,000	7,227,142	5,772,858	55.59
Establishment Cost(Sinking Fund)	10	5,000,000	-	5,000,000	5,000,000.00	-	100.00
Depreciation	5a	76,850,878	-	80,356,688	80,356,688	-	100.00
Amortization Expenses	11	1,935,502	-	1,935,502	1,935,502	-	100.00
Total Expenditure		1,854,059,833	-	1,930,617,350	1,792,743,737	137,873,613	92.86
Other Gains/(Losses)							
Exchange Gain/(Loss)	12b	(5,163,270)	-	(5,163,270)	(5,163,270)	-	100.00
Surplus/(Deficit) for the period without capital assets		472,636,167	127,939,205	524,017,855	153,825,645	359,865,671	
Development Grants	3	383,850,480	127,939,205	511,789,685	215,612,405	296,177,280	
Surplus/(Deficit) for the period		88,785,687	-	12,228,170	(61,786,760)	63,688,391	
Capital Expenditure		345,863,473	127,939,205	473,802,678	177,625,398	296,177,280	
Notes.							
1. GoK : Development Grant						Kshs	
Budget Estimates						511,789,685	
Less: Received from Exchequer						(215,612,405)	
Variance in Development budget is because we did not receive exchequer release for Q1,2 and 3						296,177,280	
The increase in Supplementary is for (100M) under Article 223 of the constitution and (27.9M) JICA revenue for drilling of Boreholes in Tiva							
2. The low expense in Board item is because we didn't have a fully constituted Board.							
3. Budget adjustment was done during internal reallocation of funds							
4. Operating and Maintenance Includes funds from opening balances and other donor funded projects recognized as income and expenditure							



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

18. NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: GENERAL INFORMATION

a. Incorporation

Kenya Forestry Research Institute (KEFRI) is a state corporation established in 1986, under the Science and Technology Act (Cap 250) of the laws of Kenya, which has since been repealed by Science, Technology and Innovation Act No. 28 of 2013. It is wholly owned by the Government of Kenya and is domiciled in Kenya. The Institute's principal activity is Forestry Research.

b. Statement of compliance and basis of preparation - IPSAS 1

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the entity's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 2. (r) (i&ii).

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Institute.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)

1. Adoption of New and Revised Standards

- i. *New and amended standards and interpretations in issue effective in the year ended 30 June 2023.*

Standard	Effective from
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held. • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity’s risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>The management is in the process of assessing its impact on the Financial Statement and once completed necessary action will be taken.</p>
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

Description	Impact on Financials
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>The standard is not relevant to the Institute</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>The amendments on the standards noted and adhered to</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p>The improvements on the standards noted and adhered to</p>



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

ii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in year 2022/2023.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Pronouncements from the Public Sector Accounting Standards Board (PSASB)

The Public Finance Management (PFM) Act 2012 Section 192 provided the setting up of the Public Sector Accounting Standards Board (PSASB). The Cabinet Secretary National Treasury, gazetted members of the Board through Gazette Notice No. 1199 of 28 February 2014. Following the Board's approval on the adoption of the International Financial Reporting Standards (IFRS) for state organs operating as Commercial Business Entities and The International Public Sector Accounting Standards (IPSAS) for non-commercial entities, the Institute has adopted the pronouncements made by the IPSAS board in preparation of its current year financial statements. The Financial Statements have therefore been prepared in accordance with the Accrual basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

(b) Property, Plant and Equipment- IPSAS 17

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

ii) The Institute undertakes revaluation of its property (land, buildings and heavy machines including heavy vehicles) after every five years per category of property, plant, and equipment subject to funds availability.

iii) Depreciation on property, plant and equipment is recognized in the income statement on a reducing balance basis to write down the cost of each asset or the re-valued amount to its residual value over its estimated useful life.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The annual rates in use are:

Assets	Rate
Land	-
Buildings	2 ½%
Boreholes, Water Equipment & Plant	12 ½%
Loose Tools	12 ½%
Telephone Equipment, Apparatus & Instruments	12 ½%
Furniture and Fittings	12 ½%
Bicycles	12 ½%
Heavy Vehicles and Tractors	37 ½%
Motorcars and Motorcycles	25%
Computer, Photocopiers, Fax Machines, Calculators and IT Equipment	33 ⅓%
Medical & Dental Equipment	12 ½%

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

iii) Donated Assets - IPSAS 23

Donated Assets are deferred as income and recognized as such annually over their useful lives on a reducing balance method. This is as stipulated by IPSAS 23 for non-exchange revenue. Their useful lives are listed below: -

Assets	Years
Buildings	40
Water Equipment & Plants	8
Loose Tools	8
Telephone Equipment	8
Lab Equipment Apparatus & Electronics	8
Furniture & Fittings	8
Bicycles	8
Heavy Vehicles and Tractors	2.67
Motorcars and Motorcycles	4
Computer, Photocopiers, Fax Machines, Calculators	3
Medical & Dental Equipment	8



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) i) Intangible Assets - IPSAS 31

Intangible assets including computer software acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Amortization is calculated on the reducing balance basis at the rate of 20% over the expected useful life of the intangible assets.

ii) Research and development costs

The Institute expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Institute can demonstrate: the technical feasibility of completing the asset so that the asset will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits or service potential; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

(d) Income Recognition - IPSAS 23

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Institute and can be measured reliably.

i) Grants from the Kenya Government are recognized when received. Development Grants received for specific purposes are treated as capital grants and credited to the statement of financial performance when the activities for which they were provided for have been undertaken.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The development grants that are capital in nature are treated as deferred income and recognized as income annually over their useful lives on a reducing balance method. The development grants which are meant for research are expensed within the year received.

ii) Donor/ Projects Grants are treated as deferred income and credited to Income & Expenditure Account to the extent they have been spent, otherwise the unused balance is carried forward as unexpended grants.

iii) **Interest income** Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

c) Inventories - IPSAS 12

i) Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Institute.

ii) The Institute's Forests Plantations are for research (experimental) and not for commercial purposes. They are therefore disposed of after the end of experiment. The change in forest plantations value within the year is taken as cost of sale less estimated cost of completion that includes purchase of research materials, supplies for production and labour cost.

iii) **Seed & Seedlings**

The change in the seed and seedlings within the year is taken as cost of sale and netted to production cost which includes seed collection, processing, and distribution, and potting and maintenance of tree nurseries.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Employees Benefit Obligation: IPSAS 25

Retirement benefit plans

i) The Institute operates a defined contribution Retirement Benefit Scheme for all its employees on permanent and pensionable terms. The assets of the scheme are held in a separate trustee fund which is administered by the scheme's trustees. It is funded by contributions from both the Institute (sponsor) and employees. The Institute will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

ii) The Institute has a Medical Insurance cover for its employees.

(g) Taxation

The Institute is established in Kenya under the Science & Technology Act, Cap.250 and is exempt from the corporation tax.

(h) Foreign Currency Transaction

Transactions in foreign currencies during the year are converted into the functional currency i.e. Kshs using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from such transactions are recognized as such in the year of the transactions.

i) Receivables

Receivables are recognized initially at fair value. A provision for impairment/Doubtful Debts is recognized in the comprehensive income statement in the year in which the recovery of the amount due as per original terms is doubtful. The provision is provided by identifying individual debtors who are likely to go bad given the age of the debt.

Debtors who have been outstanding for more than one year are provided for 100% otherwise written off. Recoveries after write offs are recognized as incomes during the year received. Inter-departmental debts outstanding at the end of the financial year are all written off at the end of each year.

(j) Trade payables

Trade payables are not interest bearing and are stated at their fair value.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Currency

The financial statements are presented in Kenya Shillings which is the functional and reporting currency of the Institute, and all values are rounded to the nearest Shilling.

(l) Cash and Cash Equivalent

Cash and cash equivalents comprise cash in hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers which were not surrendered or accounted for at the end of the financial year.

m) Financial risk management objectives: IPSAS 30

The board has put in place an internal audit function to assist it in assessing the risk faced by the Institute on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

The Institute Funds' activities expose it to a variety of financial risks including credit and liquidity risks and the effects of changes in foreign currency. The fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Institute does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Institute's financial risk management objectives and policies are detailed below:

i. Credit and market risk management

The Institute has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Institute's management based on prior experience and their assessment of the current economic environment.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The carrying amount of financial assets recorded in the financial statements representing the Institute's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	2022-2023		2021-2022	
	Fully performing	Past due	Fully performing	Past due
Cash at banks	509,906,910	-	316,838,433	-
Receivables from exchange transactions	32,217,542	16,108,771	20,658,568	15,335,898
Receivables from non- exchange transactions	704,903		1,271,339	-
Total	542,829,355	16,108,771	325,565,915	38,798,807

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Institute has recognized in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The Institute has a significant concentration of credit risk on amounts due from Receivables from exchange transactions. The board of directors sets the Institute's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

ii) Liquidity risk management

Liquidity risk is the risk that the Institute will not be able to meet its financial obligations when they fall due. The Institute's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or at the risk of damaging the Institute's reputation. The Institute ensures that it has sufficient cash on demand to meet expected operational expenses; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. All liquidity policies and procedures are subject to review and approval by the board of Management. All capital expenditures are funded by general reserves, and grants from the Government and our development partners.

The table below provides a contractual maturity analysis of the Institute's financial liabilities:



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

At 30th June 2023	2022-2023		2021-2022	
	1-6 months	6-12 months	1-6 months	6-12 months
Financial liabilities				
Trade payables	1,498,092	2,996,184	3,114,472	6,228,944
Auditor General- accrued audit fee	330,000	330,000	660,000	
Payables from non-exchange transactions	-	-	-	-
Unexpended External Donor Grants	-	57,824,314	-	155,800,578
Medical Scheme Funds	-	345,205	-	345,205
	1,828,092	61,495,703	3,774,472	162,374,727

iii) Market risk

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the Institute's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Institute's Internal Audit and Finance Departments are responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the Institute's exposure to market risks or the way it manages and measures the risk.

a) Foreign currency risk

The Institute has transactional currency exposures. Such exposure arises through purchases of goods and services that are made in currencies other than the local currency. Invoices denominated in foreign currencies are paid 30 days after the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The carrying amount of the Institute's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Ksh	Euro - rate Ksh.124.02	Dollar- rate Ksh.117.83
At 30th June 2022			
Financial assets - cash	8,369,483	17,375	52,743



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Institute manages foreign exchange risk from future commercial transactions and recognizes assets and liabilities by projecting expected sales proceeds and matching the same with expected payments.

	Ksh	Euro - rate Ksh.152.98	Dollar- rate Ksh.140.52
At 30th June 2023			
Financial assets - cash	8,868,119	9,340	52,941

b) Interest rate risk

Interest rate risk is the risk that the Institute’s financial condition may be adversely affected because of changes in interest rate levels. The Institute’s interest rate risk arises from bank deposits. This exposes the Institute to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Institute’s deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with institutions that offer favorable interest rates.

Fair value of financial assets and liabilities

Financial instruments not measured at fair value.

Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

iv). Capital Risk Management

The objective of the Institute’s capital risk management is to safeguard the Board’s ability to continue as a going concern. The Institute capital structure comprises of the following funds:

	2022-2023	2021-2022
	Kshs.	Kshs.
Revaluation reserve	4,467,199,488	4,467,199,488
Retained earnings	(61,786,760)	(27,357,146)
Capital reserve	1,598,716,691	1,950,084,596
Total funds	6,004,129,419	6,389,926,938



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

o) Impairment of cash-generating assets - *IPSAS 26*

An impairment loss of a cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount. An impairment loss shall be recognized immediately in surplus or deficit of the year and all other treatments shall be as permitted by the IPSAS.

p) Impairment of non-cash-generating assets - *IPSAS 21*

An impairment loss of non-cash generating asset is the amount by which the carrying amount of an asset exceeds its recoverable serviceable amount. An impairment loss shall be recognized immediately in surplus or deficit the year and all other treatments shall be as permitted by the IPSAS.

(q) Budget information: *IPSAS 24*

The original budget for FY 2022-2023 was approved by the Board of Directors on 25th March 2022. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. The Institute's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on an accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under page 5 of these financial statements.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Significant judgments and sources of estimation uncertainty: IPSAS 1

The preparation of the Institute's financial statements in conformity with IPSAS 1 requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

i) Judgments

In the process of applying the Institute's accounting policies, management has made judgments, which have the most significant effect on the amounts recognized in the financial statements.

ii) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Institute based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Institute. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- i) The condition of the asset is based on the assessment of experts employed by the Institute.
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- iii) The nature of the processes in which the asset is deployed.
- iv) Availability of funding to replace the asset.
- v) Changes in the market in relation to the asset.

s) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

t) Provisions: IPSAS 19

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

Where the Institute expects some or all a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

(i) Contingent liabilities

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

(ii) Contingent assets

The Institute does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Institute in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

u) Subsequent events: IPSAS 14

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023

v) Ultimate and holding entity

The Institute is a State Corporation under the Ministry of Environment, Climate Change and Forestry. Its ultimate parent is the Government of Kenya.



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

w) Sinking Fund

The Institute's Management shall establish a Sinking Fund account for the replacement of worn-out fixed assets in future. The amount to be contributed every year for this purpose shall be determined by the availability of funds.

x) Financial instruments: IPSAS 29

a. Financial assets

Initial recognition and measurement

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

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

Impairment of financial assets

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



KENYA FORESTRY RESEARCH INSTITUTE

ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Evidence of impairment may include the following indicators:

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

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate.

The Institute determines the classification of its financial liabilities at initial recognition. All financial liabilities *are recognized initially at fair value* and, in the case of loans and borrowings, plus directly attributable transaction costs.

Note 3: Transfers from National Government

			2022-2023	2021-2022
NOTE 3: GOVERNMENT GRANTS RECEIVED			Kshs.	Kshs.
Recurrent Grants			1,441,000,000	1,441,000,000
Development Grants			215,612,405	362,500,000
Totals			1,656,612,405	1,803,500,000
(b) Recognised Income				
Recurrent : Income & Expenditure			1,441,000,000	1,441,000,000
Development Grants: Income Recognised			37,987,007	84,757,811
To Income & Expenditure			1,478,987,007	1,525,757,811
Deferred Income -GoK Development Grants for capital assets			177,625,398	277,742,189
Totals			1,656,612,405	1,803,500,000



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023
Note 4: External Donor Grants for Research 2022/2023

KENYA FORESTRY RESEARCH INSTITUTE												
NOTES TO THE FINANCIAL STATEMENTS (Continued)												
NOTE 4: EXTERNAL DONOR GRANTS FOR RESEARCH 2021-2022												
	US DOLLAR (KSHS)	EURO A/C (KSHS)	ITKILLED PROJECT A/C-HQTS (KSHS)	BAMBOO PROJECT (KSHS)	GIZ PROJECT - LODWAR (KSHS)	KEFRU REGIONAL TRAINING (KSHS)	KENYA WATER TOWERS PROJECT HQTS (KSHS)	KENYA WATER TOWERS PROJECT ADAPTATION FUND PROJECT (KSHS)	KENYA WATER TOWERS PROJECT MASENO (KSHS)	COMMERCIAL FORESTRY (KSHS)	TOTAL (KSHS)	
Balance b/f 1st July 2022	35,146,663	6,214,668	2,154,815	648,043	10,820,645	1,802,280	159,482	85,644,360	10,285,729	(1)	2,926,913	155,800,576
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-
Received during the Year	55,365,392	3,067,492	50,994,333	-	2,420	-	-	-	-	-	12,007,788	121,397,425
Refund to the Donor	-	-	-	-	-	-	-	(85,631,359)	(10,280,665)	-	-	(95,912,024)
Inter account transfers (MSB)	12,892,500	-	-	-	-	-	-	-	-	-	(12,892,500)	-
Transfer from Dollar A/C	3,345,277	(3,345,277)	-	-	-	-	-	-	-	-	-	-
Transfer from Euro A/C	1,774,010	-	(53,385,942)	-	51,611,932	-	-	-	-	-	-	-
Available during the Year	108,523,842	5,956,883	(286,794)	648,043	62,432,577	1,804,680	159,482	10,001	5,064	(1)	2,042,201	181,285,979
Spent during the Year	(70,118,759)	(2,505)	(4,115)	(648,043)	(62,408,145)	(1,801,688)	(2,100)	(1,685)	(1,165)	-	(1,688,110)	(128,676,315)
Adjustment-Exchange gain	-	1,484,881	-	-	-	-	-	-	-	-	-	-
Balance c/f as at 30th June 2023	38,405,083	7,439,259	1,428,860	0	10,024,432	2,992	157,382	8,336	3,879	(1)	354,091	57,824,314



KENYA FORESTRY RESEARCH INSTITUTE
ANNUAL REPORT AND FINANCIAL STATEMENT FOR FY ENDED 30TH JUNE, 2023

NOTE 5 (A) FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2022

NOTE 5(a): FIXED ASSETS SCHEDULE AS AT 30 TH JUNE 2022														
ACCOUNT	311001	311021	311052	311113	311104	311107	311091	311074	311075	311071	1310	311103	311029	
COST VALUATION	LAND	BUILDINGS	WATER EQUIP & PLANTS	LOOSE TOOLS	TELEPHONE EQUIP	LAB. EQUIP APPARATUS & ELECT. EQUIP.	FURNITURE AND FITTINGS	BICYCLES	HEAVY VEHICLE AND TRACTORS	MOTOR CARS & CYCLES	COMPUTERS OFFICE AND ICT EQUIPMENT	MEDICAL & DENTAL EQUIP.	PROGRESS WORK-IN-PROGRESS	TOTAL
(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2021	4,123,385,000	1,976,971,250	89,231,891	4,780,891	9,077,898	361,165,976	113,071,019	177,430	44,095,346	317,987,885	239,533,247	36,317	54,499,317	7,319,889,457
Adjustment	-	59,166,347	2,726,694	128,300	6,499	598,879	2,372,684	-	-	16,289,989	8,012,716	-	-	101,435,947
Acquisition during the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2022	4,123,385,000	2,036,137,597	91,958,585	4,909,191	9,084,397	361,724,855	115,443,703	177,430	44,095,346	334,277,874	247,546,063	36,317	95,078,699	7,443,745,647
Depreciation	-	635,169,490	50,938,210	3,946,198	7,334,006	275,714,840	96,030,082	171,427	41,069,813	274,375,743	216,639,721	30,840	-	1,600,990,341
As at 1st July 2021	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination on revaluation	-	35,023,653	2,707,558	117,849	218,789	10,751,252	2,426,706	750	1,104,950	14,970,530	10,302,114	865	-	77,625,146
Change for the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2022	-	670,193,443	53,005,768	4,064,047	7,652,885	286,466,092	98,469,789	172,178	42,194,783	289,346,273	216,941,935	31,524	-	1,678,425,467
Net Book Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2022	4,123,385,000	1,365,934,154	48,997,907	824,944	1,551,582	75,256,763	16,983,944	5,225	1,841,563	44,941,891	29,694,228	4,793	95,078,699	5,765,200,300
As at 30th June 2021	4,123,385,000	1,367,681,988	21,544,270	903,848	1,833,019	36,812,217	16,784,959	6,868	79,253	59,749,695	29,796,179	6,269	48,513,699	5,759,408,850
5(b): Deferred Income Schedule on Donated Assets (See Note 18 (a) (ii))	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Donated Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1st July 2021	-	456,347,818	3,573,573	17,245	40,714	42,590,946	1,658,989	6,157	292	9,395,927	714	-	-	514,261,545
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income	-	456,347,818	3,573,573	17,245	40,714	42,590,946	1,658,989	6,157	292	9,395,927	714	-	-	514,261,545
To Income & expenditure for the year	-	11,423,897	446,697	2,165	5,089	5,323,868	212,562	770	109	2,346,482	238	-	-	19,761,398
As at 30th June 2022	-	444,924,181	3,126,876	15,080	35,625	37,267,078	1,455,537	5,387	192	7,039,445	476	-	-	494,500,177



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NOTE 8(b): FIXED ASSETS SCHEDULE AS AT 30TH JUNE 2023															
(a) Depreciation															
ACCOUNT	3110201	3110201	3110201	3110201	3110201	3110201	3110201	3110201	3110201	3110201	3110201	3110201			
COST VALUATION	LAND	BUILDINGS	WATER EQUIP & PLANTS	TOOL	LOOSE TOOLS	TELEPHONE EQUIP	LAB. EQUIP APPARATUS & ELECT. EQUIP.	FURNITURE AND FITTINGS	BICYCLES	HEAVY VEHICLE AND TRACTORS	MOTOR CARS & CYCLES	COMPUTERS OFFICE AND ICT EQUIPMENT	MEDICAL & DENTAL EQUIP.	PROGRESS WORKING- PROGRESS	TOTAL
	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)	(KSHS)
As at 1st July 2022	4,123,385,000	2,036,127,597	71,938,675	4,888,891	15,900	9,084,397	361,726,853	115,443,703	177,630	44,036,346	334,327,064	247,546,063	38,317	96,078,689	7,443,745,847
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Acquisition during the Year	-	220,069	280,000	15,900	-	-	157,955	1,180,747	-	-	18,407,999	14,662,044	-	124,921,116	159,935,240
Disposed Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to completed buildings	-	146,232,233	-	-	-	-	-	-	-	-	-	-	-	-	(146,232,233)
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal during the Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2023	4,123,385,000	2,176,360,719	72,217,655	4,904,891	15,900	9,084,397	361,882,810	116,624,450	177,630	44,036,346	352,735,063	262,208,107	38,317	79,767,342	7,603,671,067
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1st July 2022	-	670,132,443	53,005,795	4,964,047	-	7,552,305	296,466,092	86,456,759	172,778	42,194,763	293,346,273	226,941,835	31,524	-	1,578,425,497
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Elimination on revaluation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Charge for the Year	-	37,659,676	2,402,736	105,105	-	191,449	9,427,050	2,270,961	657	600,554	15,852,397	11,756,424	959	-	80,356,688
As at 30th June 2023	-	707,853,119	55,408,504	4,169,153	-	7,744,254	295,893,161	100,727,720	172,834	42,865,367	309,198,671	238,697,259	32,123	-	1,739,782,175
Net Book Value	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 30th June 2023	4,123,385,000	1,468,727,599	16,819,151	735,738	15,900	1,300,149	65,989,629	15,900,730	4,906	1,150,989	47,557,792	23,510,848	4,194	79,767,342	5,844,888,912
As at 30th June 2022	4,123,385,000	1,365,934,154	18,952,907	824,944	-	1,531,592	75,236,763	16,986,944	5,522	1,841,563	44,911,591	20,604,228	4,793	95,078,809	5,765,230,360
5(b): Deleted Income Schedule on Donated Assets (See Note 16 (a) (i))															
Donated Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
As at 1st July 2022	-	445,524,181	3,126,876	15,890	-	35,625	37,267,078	1,485,837	5,367	182	7,033,445	476	-	-	494,506,177
Additions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Deferred Income	-	445,524,181	3,126,876	15,890	-	35,625	37,267,078	1,485,837	5,367	182	7,033,445	476	-	-	494,506,177
To Income & expenditure for the year	-	11,136,105	390,050	1,895	-	4,453	4,655,385	163,730	673	68	1,759,861	159	-	-	16,140,179
As at 30th June 2023	-	456,660,286	2,736,917	13,204	-	31,172	32,662,663	1,300,107	4,714	114	5,273,584	317	-	-	476,339,999



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NOTE 5 (B) FIXED ASSETS SCHEDULE AS AT JUNE 2023 – WORK IN PROGRESS

	2022-2023	2021-2022
	Kshs.	Kshs.
Work -in - Progress		
Balance b/fwd	95,078,609	54,450,317
	95,078,609	54,450,317
Add: additions within the year-		
Work-In-Progress Gede	14,942,013	574,785
Work-In-Progress Tiva Management Plan - Kitui,	17,291,459	16,781,850
Work-In-Progress Meru	284,600	-
Work-In-Progress Nyeri	9,202,717	5,017,158
Work-In-Progress Wajir	451,434	-
Work-In-Progress Kakamega	9,508,957	3,808,558
Work -in - Progress-Lamu	495,433	-
Work -in - Progress Marigat	2,642,134	10,748,660
Work -in - Progress Lodwar	465,433	-
Work-In-Progress Garissa	9,438,066	5,589,051
Work in Progress Maseno	14,714,022	8,692,785
Work in Progress Londiani	277,250	-
Work -in - Progress-Migori	9,376,708	8,802,114
Work -in - Progress Taita	7,221,791	5,600,605
Work -in - Progress- Green Houses Muguga	4,851,865	-
Work -in - Progress- Rumuruti	2,898,731	7,958,697
Work -in - Progress Kibwezi	10,293,824	7,347,895
Work -in - Progress-Rongo	204,431	1,776,872
Work -in - Progress-Chebororwa	1,755,449	-
Work -in - Progress-ERP	8,604,799	8,604,799
Additions for the year	124,921,116	91,303,829
Total for the year	219,999,725	145,754,146
Transfer to finished buildings	(140,232,382)	(50,675,537)
Balance C/fwd	79,767,343	95,078,609



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Annual Report and Financial Statements for FY Ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
	Notes	2022-2023	2021-2022
		Kshs.	Kshs.
NOTE 6(a): SALE OF GOODS AND SERVICES			
Sale of Forestry Produce	6(b)	34,516,019	41,724,993
Other Income/Tenders and Hire of Grounds		769,000	848,950
Nominal Income (Rent, Water & Electricity)		4,967,635	5,344,638
Surcharges		1,934,558	554,672
Commission Income		203,038	68,473
Bus Charges (Income)		626,425	745,795
Sale of Stores		9,220	39,150
Hire of KEFRI Facilities	6(c)	67,273,458	67,146,357
Clinic Revenue		661,950	407,392
Lab Analysis	6(d)	1,355,444	753,503
Project Administration Fees		-	-
Totals		112,316,746	117,633,923
NOTE 6(b): ANALYSIS OF FOREST PRODUCE INCOME			
Sale of Forestry Produce		4,257,292	4,267,483
Sale of Seeds		15,258,676	25,033,579
Karura Revenue		5,010,424	5,655,426
Londiani Income		2,132,042	1,123,228
Gede Income		930,000	1,551,740
Turbo Income		1,103,175	132,240
Kibwezi Income		1,487,670	1,242,880
Kakamega Revenue		284,985	387,540
Nyeri Income		2,707,277	666,650
Kuja River Revenue		73,338	59,745
Ramogi Revenue		108,400	57,620
Garissa Revenue		43,200	3,650
Migori Revenue		748,960	532,260
Taita Taveta Revenue		370,580	295,545
Total		34,516,019	41,724,993
NOTE 6(c): HIRE OF TRAINING FACILITIES			
Hire of Training Facilities - Training[Muguga]		17,743,881	13,255,543
Kitui Revenue		13,163,303	17,495,943
Lodwar Revenue		7,516,357	4,878,406
Marigat Revenue		14,404,259	15,337,453
Lamu Revenue		9,277,960	5,361,876
KEFRI House Income		5,167,698	10,817,136
Total		67,273,458	67,146,357
NOTE 6(d): LAB ANALYSIS			
Muguga Laboratory Revenue		440,000	395,800
Maseno Revenue		915,444	1,073,110
Total		1,355,444	1,468,910



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NOTES TO THE FINANCIAL STATEMENTS (Continued)		2022-2023	2021-2022
	Notes	Kshs.	Kshs.
NOTE 7: EMPLOYEE COSTS			
Salaries and Wages	7(b)	724,421,241	731,590,548
Gratuity Costs		18,855,262	20,390,354
Staff Pension Cost/Administration	7(c)	130,952,620	126,728,137
House Allowances		139,354,067	138,370,521
Medical Allowance N/A		25,500	42,900
Other Personal Allowances	7(d)	92,137,843	90,412,749
Staff Medical Costs (In-Patient)		351,925	1,408,026
Refund of Medical Expenses - Exgratia		243,925	-
Leave & Passage Expenses		5,406,235	5,099,134
Transfer Expenses		3,451,876	2,526,590
Group Life Insurance Premium		6,372,980	4,704,239
Group Personal Accident		283,830	1,275,852
Group Personal Accident Premium- Casuals		-	137,038
Medical Insurance Cover for Staff		87,867,600	84,756,738
Total		1,209,724,904	1,207,442,826
NOTE 7(b): SALARIES & WAGES			
Basic Salaries		689,417,092	693,739,367
Contractual Employee		-	-
Casual Labour		35,004,149	37,851,181
Total		724,421,241	731,590,548
The number of employees as at		848	850
NOTE 7(c): STAFF PENSION			
Pension Employer Cost		127,028,619	126,052,037
Insurance Cover for Pension		-	-
NSSF Employer		3,924,001	676,100
Total		130,952,620	126,728,137
NOTE 7(d): OTHER			
		Kshs.	Kshs.
Honoraria		148,500	-
Acting Allowance		241,154	436,344
Hardship Allowance		9,267,771	8,240,344
Special Duty Allowance		746,394	445,029
Incentive Allowance		8,245,225	7,993,926
Entertainment Allowance		4,342,672	4,391,229
Responsibility Allowance		8,929,890	8,326,294
Other Allowances		6,117,694	7,289,621
Risk Allowances		2,781,038	2,633,745
Commuter Allowance		51,317,506	50,656,217
Total		92,137,843	90,412,749



KENYA FORESTRY RESEARCH INSTITUTE

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		2022-2023	2021-2022
NOTE 8: OPERATING EXPENSES	Notes	Kshs.	Kshs.
Electricity Expenses		30,494,356	21,846,100
Water & Conservancy		2,277,319	3,300,270
Telephone, Telex & Mobile Phone		3,262,599	3,056,008
Internet Costs		5,616,406	10,054,595
Postal Courier & Telegrams		1,028,599	801,859
Travelling & Accommodation Expenses		168,422,306	107,407,004
Strategic Plan		-	6,134,930
External Travelling Costs		3,331,746	3,938,847
Printing & Publishing		2,752,440	2,205,564
Subscription, Newspapers & Periodicals		823,374	1,039,001
Advertising & Publicity		6,059,856	11,071,625
Trade Show and Exhibitions		2,440,609	2,354,372
Training Expenses and Attachment fee		3,926,231	5,202,166
Cost of Conference & Seminars		662,600	485,071
Purchase of Coffin		464,000	625,292
Insurance of Buildings & Equipment		1,944,628	2,575,415
Insurance of Motor Vehicles		564,345	3,099,340
Supplies of medical Drugs		1,381,657	1,208,050
Supplies of Dressings		26,797	430,531
Fungicides & Insecticides		312,075	608,925
Purchase of Utensils and Cutlery		339,339	599,135
Purchase of Research Materials	8(b)	4,181,118	5,723,921
Library Expenses		38,390	175,040
Food & Ration		37,538,543	52,768,644
Staff Uniform Expenses		1,441,914	2,440,378
Purchase of Supplies for Production		63,915,906	76,660,866
Stationery Expenses		4,490,604	4,488,435
Computer Expenses		5,467,092	5,347,410
Sanitary & Cleaning Material		3,761,230	4,340,913
Fuel & Lubricants Expenses	8(c)	42,635,777	30,422,437
Bank Charges	8(d)	464,084	1,368,001
Membership Fees to Statutory Organization		12,563,860	3,498,942
Legal Dues, Arbitration and Compensation Payments		760,002	6,885,442
Contracted Professional Services	8(e)	11,015,272	15,521,116



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NOTE 8: OPERATING EXPENSES (Continued)	Notes	2022-2023 Kshs.	2021-2022 Kshs.
Audit Fees		794,560	776,000
Security Operations		23,016,258	23,123,448
Write Offs/Bad Debts Expenses		-	69,000
Maintenance Expenses	8(f)	40,170,604	53,004,381
Land Rent & Rates		-	176,000
Donations		-	2,363,431
Total Operating Expenses		488,386,495	477,197,903
NOTE 8(b): PURCHASE OF RESEARCH MATERIALS			
Chemicals & Industrial Gases		1,486,488	2,423,086
Workshop Materials		828,567	601,912
Laboratory Materials		1,123,538	1,218,147
Photographic & Audio Visual Material		742,525	1,480,776
Total		4,181,118	5,723,921
NOTE 8(c): FUEL EXPENSES			
Fuel & Lubricants Expenses		39,914,528	27,832,640
Other Fuels (wood, charcoal, gas etc.)		868,700	1,148,525
Fuel for Generators		1,852,549	1,441,272
Total		42,635,777	30,422,437
NOTE 8(d): BANK CHARGES			
Recurrent		352,752.25	1,261,641
Development		17,388.60	10,925
Various Projects		11,963.40	20,228
Sinking Fund		1,065	1,065
Gold Plus Savings		1,065	1,065
Gold Plus Revenue		24,127.15	37,593
KEFRI US Dollar Account		2,505.16	7,768
EURO A/C		4,114.58	4,649
KEFRI IT/IIED PROJECT A/C-HQTS		2,141.68	5,244
Bamboo Project		3,764.60	4,665
GIZ Project Lodwar		3,863.00	2,312
KEFRI/REGIONAL TRAINING		2,100.17	720
KENYA WaTER TOWERS PROJECT HQTS		1,665.00	1,065
ADAPTATION FUND PROJECT		1,185.00	1,985
KENYA WaTER TOWERS PROJECT MASENO		-	700
KEFRI Enterprise A/C		33,303.60	-
COMMERCIAL FORESTRY INVESTMENT		1,080.00	6,376
Totals		464,084	1,368,001



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NOTE 8: OPERATING EXPENSES (Continued)	2022-2023	2021-2023
	Kshs.	Kshs.
NOTE 8(e): CONTRACTED PROFESSIONAL SERVICES		
Contracted Professional Services - Valuation	-	2,846,200
Contracted Prof. Services- Others	8,385,417	8,739,248
Contracted Prof. Services- Consultancy	61,000	1,020,901
Contracted Professional Services - EMS surveillance Audit	496,480	487,920
Technical Services	2,072,375	2,426,847
Total	11,015,272	15,521,116
NOTE 8(f): MAINTENANCE EXPENSES		
Vehicle Maintenance Expenses	17,006,291	24,044,016
Maintenance of Plant & Machinery	3,700,357	3,572,270
Maintenance of Furniture	372,604	377,086
Maintenance of Buildings - Residential	906,497	1,546,848
Maintenance of Buildings and Stations	13,485,076	15,087,457
Maintenance of Roads	89,061	83,030
Minor Alterations	35,000	92,550
Maintenance of Computer Software	4,032,717	7,643,411
Maintenance of Water Supplies & Sewage	543,002	557,713
Total	40,170,604	53,004,381
NOTE 9: BOARD OF DIRECTORS EXPENSES		
Board Costs	5,370,743	14,945,573
Conferences	1,856,399	1,137,240
Medical Insurance Cover for Board Members	-	376,616
Total	7,227,142	16,459,429
NOTE 10(a) ESTABLISHMENT COST	Kshs.	Kshs.
Sinking Fund	5,000,000	10,000,000
The Establishment cost relates to the contributions for the year to the Sinking Fund Account. Each year's contribution is dependant on the availability of funds. The fund is for future replacement on wornout assets.		
NOTE 10(b): SINKING FUND	Kshs.	Kshs.
Balance b/f	34,493,126	34,494,191
Received during the Year	5,000,000	-
Available during the Year	39,493,126	34,494,191
Spent during the Year	(1,065)	(1,065)
Balance c/f	39,492,061	34,493,126
NB: See Note 2(v). The fund was established by Management for the replacement of worn out fixed assets in future. The Institute contributes a determined amount every year to the fund account for this purpose.		
NOTE 11: INTANGIBLE ASSETS - COMPUTER SOFTWARE	2022-2023	2021-2022
Cost	Kshs.	Kshs.
At the beginning of the year-Net	9,677,510	12,096,887
Additions for the year	-	-
	9,677,510	12,096,887
Amortization on Intangible Assets - Software	(1,935,502)	(2,419,377)
At the end of the year	7,742,008	9,677,510
This represents costs related to the acquisition of computer software and expenditure incurred towards enhancing and extending the benefits and lives of computer software programs beyond their original specifications.		



KENYA FORESTRY RESEARCH INSTITUTE

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NOTES TO THE FINANCIAL STATEMENTS (Continued)			2022-2023	2021-2022
			Kshs.	Kshs.
NOTE 12: EXCHANGE GAIN(LOSS)				
Exchange Gain			3,214,649	586,215
Exchange Loss			(8,377,918)	(2,254,779)
Total			(5,163,270)	(1,668,565)
NOTE 13: CASH AND CASH EQUIVALENT - CASH AT BANK			2022-2023	2021-2022
Name of Bank Account	Acct. Number	Bank	Kshs.	Kshs.
Recurrent	1106971361	KCB	72,301,669	58,565,430
Development	1106749944	KCB	257,176,887	208,741,151
Various Projects	1106750012	KCB	44,594,085	42,220,375
Sinking Fund	1106972643	KCB	39,492,061	34,493,126
Gold Plus Savings	1107063272	KCB	25,496,265	25,496,265
Gold Plus Revenue	1107063558	KCB	34,167,056	108,900,273
KEFRI US Dollar Account	1107182857	KCB	7,439,257	6,214,668
EURO AC	1107064929	KCB	1,428,862	2,154,815
KEFRI IT/ MED PROJECT AC- HQTS	01136151733102	Co-op	-	648,042
BAMBOO PROJECT	1206326104	KCB	10,024,432	10,820,648
GIZ Project Lodwar	1183017367	KCB	2,991	1,802,260
KEFRI REGIONAL TRAINING	6433340016	CBA	157,382	159,482
KEFRI WATER TOWER PROJECT- HQTS	1176894080	KCB	8,336	85,641,360
KEFRI ADAPTATION FUND	1176886856	KCB	3,880	10,285,730
KEFRI COMMERCIAL FORESTRY INVESTMENT	102000035970	KCB	354,091	2,042,201
KEFRI ENTERPRISE	1178145238	KCB	17,259,657	-
Totals			509,906,910	588,185,826



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2023

NOTE 14: DEBTORS SCHEDULE (RECEIVABLES) & PREPAYMENTS			
14(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS			
		2022-2023	2021-2022
	Notes	Kshs.	Kshs.
Water and Electricity Debtors		3,205,024	2,719,846
Kenya Forest Service		7,000	97,000
Plan International		18,250	18,250
FAO Kenya		322,000	322,000
ICRAF		159,000	559,700
World Vision		644,850	551,700
Sundry Debtors		1,419,300	292,100
Kitui County Government		-	391,750
Child Fund		222,000	117,000
Agricultural Devept. Support Program.		954,350	679,550
TANATHI		210,000	210,000
Pastoral Resilience		79,840	79,840
Baringo County Government		895,600	1,650,750
Turkwel CIP		30,200	30,200
GIZ SIF Programme		421,700	421,700
ILRI		33,900	33,900
IEBC		151,850	129,000
Groots Kenya		870,800	613,600
Kenya Red Cross.		33,000	33,000
Marie Loreto		50,920	50,920
Friends of Lake Turkana-FOLT		137,500	137,500
IRC (International Rescue Committee)		172,000	100,000
Homestay Safari Group Ltd		10,000	10,000
Catholic Diocese of Machakos		81,500	81,500
KCB Kitui/Marigat		27,000	-
Kenya Revenue Authority		30,000	30,000
African Population Health Research Centre		50,000	50,000
United Nations Office for Project Services		70,400	70,400
Turkana County Assembly		315,000	-
Kitui Law Courts		131,500	-



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NOTES TO THE FINANCIAL STATEMENTS (Continued)		
14(a) RECEIVABLES FROM EXCHANGE TRANSACTIONS	Kshs.	Kshs.
National Aid Control Council	504,920	-
Pure African Delights	14,000	14,000
Sapcome	226,500	181,500
ADS North Rift	66,000	66,000
Centre for Enhancing Democracy	54,000	54,000
Turkana Veterinaries	35,000	35,000
KOAN	45,600	45,600
Tower Tech	77,450	77,450
Ministry of Agriculture-Turkana	-	582,500
KENGEN	480,000	252,000
KCSAP	540,000	190,300
Lamu County Government	235,500	-
NEMA-Baringo	11,000	11,000
Career centre	-	60,000
State Department of Planning	190,500	-
ACTED-Marigat	192,000	192,000
SHA	177,300	165,900
Micro and Small Enterprises	100,000	100,000
NANCHA	450,000	450,000
Legal Resource Centre	136,200	-
Nicholas Siano	36,100	36,100
The National Treasury	890,000	-
ERLP	325,300	346,300
Ewaso Ngiro South Dvt Authority	354,500	354,500
Relief & Recon DVT Org	41,000	41,000
Reconcile	271,200	271,200
Midrift Hurinet	144,000	42,000
MGIC Nairobi	-	332,400
CHEB Kitui	-	123,200
Woody Weeds	428,000	180,000
PANAFRICARE	154,400	154,400
CARITAS	270,600	85,800
REREC	70,000	70,000
APAD	25,000	-
King Foundation	71,700	-
Turkana University	600,400	-
ACDI/VOCA	162,000	-
Search for Common Ground	337,100	-
Ethics and Anticorruption Commission	84,000	-
CRC-University of Bonn	272,000	-
ACT	357,600	-
Sub-Total	19,185,354	13,995,356
PREPAYMENTS		
Prepaid Motor vehicle, Building and Personal accident Insurance	7,151,760	-
Prepaid Staff medical Insurance	21,989,200	21,999,110
Sub-Total	29,140,960	21,999,110
Total	48,326,314	35,994,466



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NOTES TO THE FINANCIAL STATEMENTS (Continued)				
	Notes	2022-2023	2021-2022	
14(b) RECEIVABLES FROM NON- EXCHANGE TRANSACTIONS(Cont)		Kshs.	Kshs.	
Travelling Imprest		192,040	349,700	
Station/Special Imprest		21,000	746,962	
Salary in Advance		231,466	-	
Salary Advance		260,397	174,677	
Total		704,903	1,271,339	
Total Debtors		49,031,217	37,265,805	
14(c) AGING ANALYSIS FOR RECEIVABLES FROM EXCHANGE TRANSACTIONS				
	Kshs		Kshs	
	Current	% of the total	Comparative	% of the total
Description	FY 2022/2023		FY 2021/2022	
Less than 1 year	12,657,244	66%	3,707,646	26%
Between 1- 2 years	4,719,050	25%	1,013,000	7%
Between 2-3 years	653,800	3%	2,663,750	19%
Over 3 years	1,155,260	6%	6,610,960	47%
Total	19,185,354	100%	13,995,356	100%
14(d) AGING ANALYSIS FOR RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS				
	Kshs		Kshs	
	Current	% of the total	Comparative	% of the total
Description	FY 2022/2023		FY 2021/2022	
Less than 1 year	704,903	100%	1,271,339	100%
Between 1- 2 years	-	0%	-	0%
Between 2-3 years	-	0%	-	0%
Over 3 years	-	0%	-	0%
Total	704,903	100%	1,271,339	100%
NOTE 15: INVENTORIES				
		Kshs.	Kshs.	
Drugs & Dressings		577,505	292,088	
Cutlery & Utensils		10,466	-	
Laboratory Chemicals		10,670	490,086	
Food Stuff		27,339	63,576	
Supplies for production		634,700	-	
Uniforms & Clothings		106,989	69,908	
Stationery/Computer Accessories		3,467,329	2,381,231	
Motor Vehicle Spare Parts & Fuel		113,000	72,000	
Hardware, Electricals & Cleaning Materials		3,047,793	6,140,206	
Seeds & Seedlings		66,692,748	75,431,381	
Forest Plantations	1. (e)(ii)	69,690,541	60,686,160	
Total		144,379,080	145,626,635	
NB: Note 1. (e) ii) The institute's Forests Plantations are for research purposes (experiments) and not for commercial use. The plantations are harvested at the end of the experiment hence the provision of IPSAS 27 are not applicable.				



KENYA FORESTRY RESEARCH INSTITUTE

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NOTES TO THE FINANCIAL STATEMENTS (Continued)			
NOTE 16: CREDITORS SCHEDULE	Notes	2022-2023	2021-2022
		Kshs.	Kshs.
Sundry Creditors - Merchants		990,616	4,702,857
Accruals - (KPLC)		55,111	1,436,822
Insurance Compensation		2,894,388	2,867,208
Miscellaneous Recovery (Unpaid June BTLs)	16(b)	554,161	336,529
Totals		4,494,276	9,343,416
NOTE 16(b): MISCELLANEOUS RECOVERIES			
KEFRI Staff Welfare Society		183,601	183,000
Family Remittance		20,000	-
Londiani Welfare Society		130,137	-
University loan (HELB)		924	-
Trade Union (UNRISK)		27,870	-
Afya Co-operative		1,200	-
Jubilee Insurance		72,230	-
CIC Insurance		-	106,969
NARC - Rent		49,400	-
Saham Insurance		-	46,560
Director NVRC-House & Electricity Charges		35,200	-
PS Min.of Roads & Pub. Works- Rent		15,900	-
Union of civil servants		8,400	-
COTU		2,299	-
Kenya Professional Association of Women in Agriculture		1,200	-
KENASA		5,800	-
Total		554,161	336,529
NOTE 16(c): Auditor General- accrued audit fee			
Auditor General- accrued audit fee		660,000	660,000
NOTE 17: KEFRI MEDICAL SCHEME FUND			
Items contributing to Fund balance:			
Contribution to the Fund		-	-
Items Reducing Fund balance:			
Medical scheme refunds to employees		-	5,788,044
Bank charges		1,065	1,065
Reduction to the Fund		1,065	5,789,109
Fund Surplus/(Deficit)		(1,065)	(5,789,109)
Current Assets:			
Cash at Bank		23,777,221	23,778,286
Debtors: GoldPlus Savings Account		345,205	345,205
Fund Net Assets		24,122,426	24,123,491
Fund Balance as at 01.07.2022		24,123,491	29,912,600
Surplus /(Deficit) for the year		(1,065)	(5,789,109)
Fund Balance as at 30.06.2023		24,122,426	24,123,491



KENYA FORESTRY RESEARCH INSTITUTE

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NOTE 18: Nature and Purpose of Reserves				
The Institute creates and maintains reserves in terms of specific requirements.				
a) CAPITAL GRANTS/DEFERRED INCOME & RESERVES				
(i) Deferred Income from Government Grants for Capital Assets			2022-2023	2021-2022
Government Grants for Capital Assets /Donations			Kshs.	Kshs.
	Notes			
Balance b/fwd			1,421,091,292	1,143,349,103
Transfers from Sinking fund			-	-
Additions	3		177,625,398	277,742,189
Balance C/d			1,598,716,690	1,421,091,292
(a) (ii) Deferred Income from External Donors on Donated Assets				
Balance b/fwd			494,500,177	514,261,545
Deferred Income	5(b)		(18,140,179)	(19,761,368)
Balance C/d			476,359,998	494,500,177
(b) Revaluation Reserves				
The Revaluation Reserves cater for the revalued amount in the cost of Property, Plant and Equipment. The amount in the Reserve Account includes revalued amount of the Institute's land and buildings as indicated below:				
REVALUATION SURPLUS RESERVE				
LAND PARCEL NO.				Date
23877				29/03/1999
23879				29/03/1999
23883				29/03/1999
TOTAL				
BUILDINGS ON LAND PARCEL NO.				
23877				29/03/1999
23879				29/03/1999
23883				29/03/1999
TOTAL				
Total Gain on revaluation				
Revaluation on heavy vehicles				30/6/2013
Balance b/f 1/7/2013				
Revaluation gain on Land				
Nos. 23877/23879/23883	Muguga			30/6/2014
Nos. 24600	Kitui-Tiva			30/6/2014
Block 11/127	Kitui-Hqis			30/6/2014
Revaluation gain on Buildings				
Muguga Hts/Seed Centre				30/6/2014
Kitui-Hqis/Kitui-Tiva				30/6/2014
Revaluation gain for the year 2014				
Balance c/f 30/6/2014				
(b) Revaluation Reserves (Continued)				
The institute has the following title deeds:				
Location	L.R. No.	Hectares		
North West of Kikuyu Township	23879 IR 77468	122.90		
North West of Kikuyu Township	23883 IR 79467	46.66		
North West of Kikuyu Township	23877 IR79471	134.60		
Kyangwithya/Misewani-Kitui	Kyangwithya/Misewani/1414	0.20		
Kitui Municipality-Kitui	Leasehold land ref 127,Block 11/127	6.06		
Kitui-Tiva	Leasehold land ref 24600 IR 86318	1,150.90		
Total		1,461.32		
With Title but no valuation figure				
Kamagambo	Migori			0.70
Total with Title Deeds				1,462.02



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2023

NOTES TO THE FINANCIAL STATEMENTS (Continued)			
NOTE 18: Nature and Purpose of Reserves (Continued)			
The Institute does not have ownership documents for the land amounting to 1,385.01 hectares where it has put up developments. The developments are on gazetted forests. The Institute has acquired specific use license as per the Forest Conservation & Management Act:			
Region			Size in Hectares
Rift Valley			
Londiani			500.00
Turbo			100.00
Marigat			4.45
Lodwar			2.70
			607.15
Central Highlands			
Muguga			220.00
Nyeri			50.00
Rumuruti			9.71
			279.71
Coastal Region			
Gede			200.00
Lamu			1.78
Taita Taveta			4.05
			205.83
Lake Basin			
Maseno			4.05
Kakamega			50.00
Migori			4.45
Ramogi			100.00
Kuja River			8.09
			166.60
Drylands			
Kitui			0.28
Garissa			2.43
Wajir			2.02
Kibwezi			100.00
Hola			21.00
			125.73
Grand Total without title deeds			1,385.01
Grand Total of Land			2,847.03



KENYA FORESTRY RESEARCH INSTITUTE

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NOTE 18: Nature and Purpose of Reserves (Continued)				
(c) Sinking Fund (See Note 10(b))				
The Institute sets aside a determined amount of money every year from its internal sources to the fund account for the purpose of purchasing and				
			2022-2023	2021-2022
Sinking Fund			Kshs.	Kshs.
Balance b/f			34,493,126	34,494,191
Received during the Year			5,000,000	-
Available during the Year			39,493,126	34,494,191
Spent during the Year			(1,065)	(1,065)
Balance c/f			39,492,061	34,493,126
(d) External Grants Reserve				
The External Grant Reserve captures the unspent Donor Funds. Most of the Donor Grants cover a period of over one year. It is on this basis that the				
(e) Accumulated Surplus / (Deficit)				
Accumulated Deficit is as a result of the depreciation charge per year which does not have any monetary effect on Income and Expenditure statement. Any				
			2022-2023	2021-2022
Accumulated Surplus / (Deficit)			Kshs.	Kshs.
Balance b/f			(27,357,146)	(22,532,279)
Adjustments			-	-
Surplus/(Deficit) for the Year			(61,786,760)	(4,824,867)
Balance c/f			(89,143,906)	(27,357,146)
NOTE 19: IPSAS 20 Related Party Disclosures				
Nature of related party relationships				
Entities and other parties related to the Institute include those parties who have ability to exercise control or exercise significant influence over its operating				
Government of Kenya				
The Government of Kenya is the principal shareholder of the Institute, holding 100% of the Institute's equity interest. Other related parties include:				
i) The Ministry of Environment and Forestry	iv) Key management			
ii) The National Treasury	v) Board of Directors			
iii) Kenya Forest Service				
			2022-2023	2021-2022
RELATED PARTY TRANSACTIONS	Notes		Kshs.	Kshs.
Remuneration and other costs of Board of Management	9		7,227,142	16,459,429
Transfers from GoK- Ministry of Environment and Forestry	3		1,656,612,405	1,803,500,000
Salaries and other staff employment benefits of Senior Management	7		12,098,379	12,074,428
Staff receivables	14b		704,903	1,271,339
Total			1,676,642,829	1,833,305,196
NOTE 20: Contingent Liabilities				
The Institute wishes to disclose an amount of Euro 333,167.60 being an ineligible costs incurred under the Water Towers Project. The amount was incurred outside of the contract agreement on ineligible expenses and procurement of Motor Vehicles. The amounts ought to be refunded to European Union by the Institute. KEFRI is consulting with the parent Ministry and National Treasury on amicable settlement between the parties				



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2023

19. APPENDIX

Appendix 1: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATION

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

a) Reference No. on the external audit report b) Issue/Observation from Auditor	Management Comments	Focal Point person to resolve the issue	Status - Resolved/Not Resolved	Remarks/Time frame
	2021/2022 Report.			
a) Property, Plant and Equipment	The value of the land equivalent to 1,385.01 ha was not recorded in the fixed assets register nor reported in the Financial Statements. This is due to lack of Title deeds (ownership documents). As explained in previous responses, the Institute has been pursuing the issue of land with KFS. With the new conservation and Management Act 2016 part 1, which defines KEFRI Mandate, we expect 10% of KFS land to be set aside for forestry research in future	Director KEFRI	Resolved	Institute has acquired specific use license as per Forest Conservation & Management Act for land use on forestry research
b) Inventories	The valuation of inventories of Kshs. 145,626,635 on Seeds, seedlings & Forest plantations were not fairly stated	Director KEFRI	Resolved	For FY 2022/2023, the valuation has properly been done.
c) External donor research grants	A variance of Kshs. 1,417,271 has not been reconciled or explained with NEMA	Director KEFRI	Resolved	Reconciliation between NEMA and the Institute was done

.....
Gen (Rtd) Samson J. Mwachethe
Chairman: KEFRI Board of Directors

Date: 18/3/2024

.....
Dr. Jane W. Njuguna
Ag. Director KEFRI

Date: 18/3/2024



KENYA FORESTRY RESEARCH INSTITUTE

Annual Report and Financial Statements for FY Ended 30th June 2023

Appendix II: PROJECTS IMPLEMENTED

Appendix II : Projects Implemented by KEFRI AS AT 30th June 2023

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

	Project title	Number	Donor	Period/ Duration	Donor commitment	Separate donor reporting (yes/no)	Consolidated in the Financial Statements (YES/NO)
1	Upgrading Sustainable Land Management Technologies		World Bank	3 Years	1,600,870	No	YES
2	Validation and Promotion Mixed Trees Shrubs		World Bank	3 Years	3,262,730	No	YES
3	Climate Smart Beekeeping for improved incomes, food and Nutrition Security in Kajiado and Tharaka Nithi Counties		World Bank	3 Years	267,384	No	YES
4	Development, Validation and promotion of climate smart indigenous Climate technologies for improved productivity		World Bank	3 Years	1,778,350	No	YES
5	Climate Smart Technologies for Restoration of Degraded ASALs and Enhancement of Communities Resilience in South Eastern Kenya		World Bank	3 Years	908,000	No	YES
6	Enhance Propagation And Conservation Of Sandalwood In Laikipia		NRF	3 Years	239,409	No	YES
7	Strength And Treatability Properties Of Various Eucalyptus Species For Electricity - Kericho, Gilgil And Kakui		NRF	3 Years	117,269	No	YES
8	Promotion Of Terminalia Brownii Propagation For Agroforestry, Livelihood Improvement And Resilience To Climate Change In Kiambu		NRF	3 Years	1,100,388	No	YES
9	Enhancing Productivity Of Plantation Forests In Kenya Through Tree Improvement- Nationwide		NRF	3 Years	631,279	No	YES
10	Integrated Collaborative Research On Climate Change, Water Resources And Food Security In Upper Ewaso Ng'iro		NRF	3 Years	6199,781	No	YES
11	Season Project				1,497,892	No	YES
12	Soils				1,439,100	No	YES
13	Fao - Gef6		FAO	4 Years	9,661,317	No	YES
14	British Academy		IED	4 Years	209,238	No	YES
15	Arts & Humanities Research Council (Ahrc)		IED	4 Years	392,227	No	YES
16	Cabi Prosopis		CABI International	3 Years	3,443,207	No	YES
17	Swedish Research Council		SRC	3 Years	804,386	No	YES
18	Cabi Kakui		CABI International	3 Years	318,850	No	YES
19	Foundation Frontina		IED	4 Years	2,199,930	No	YES
20	Uclan - Qr - Gref		University of Central Lancashire	3 Years	2,592,577	No	YES
21	Twende		IUCN	3 Years	15,687,936	No	YES
22	Hippo		JICA	3 Years	1170,347	No	YES
23	Darwin		IED	3 Years	10,083,286	No	YES
24	The Nature Conservancy		The Nature Conservancy	3 Years	538,600	No	YES



KENYA FORESTRY RESEARCH INSTITUTE

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Appendix II Projects Implemented by KEFRI AS AT 30th June 2023							
Projects implemented by the State Corporation SACA Funded by development partners and/or the Government.							
	Project title	Number	Donor	Period/ Duration	Don or commitment	Separate donor reporting(yes/no)	Consolidated in the Financial Statements YES/NO
25	Tree		EU	3 Years	1,774,367	No	YES
26	Biofuel 4 Kenya				3,236,205	No	YES
27	U.C.N Grant - Purchase Of Grinder		UCN	1 Year	566,100	No	YES
28	Ministry Of Energy - Karura		MCE	2 Years	1,498,500	No	YES
29	Forest Grazing Management Plan		USFS	2 Years	1,917,825	No	YES
30	Gatsby		GATSBY International	5 Years	5,130,452	No	YES
31	University Of Edinburgh		UCE		1,488,200	No	YES
32	Floral		UNDP	1 Year	12,832,500	No	YES
33	E. A Inhar Bamboo		Dutch Sino	5 Years	22,172,513	No	YES
34	Commercial Forestry		Various Donors		3,000,621	No	YES
35	Installation of Water hydrants in Migaga and Kibii Centre	1108104000	GOK	12 Years	45,000,000	No	YES
36	Construction of Glass Houses-Regional centres (Greenhouses)	1108104000	GOK	10 Years	75,230,000	No	YES
37	Construction of Farmer's Resource Centres in Taita/Tavela	1108103900	GOK	12 Years	175,230,000	No	YES
38	Construction of Farmer's Resource Centres in	1108103900	GOK	12 Years	81,730,000	No	YES
39	Development of TIVA Forest as a centre of excellence for Dryland	1108104200	GOK	12 Years	170,500,000	No	YES
40	Development of Forest Research Technologies	1108104300	GOK	Continuous	193,500,000	No	YES
41	National Tree Growing and Rangeland Restoration Campaign (Strategic Intervention)	1108106602	GOK	13 Years	208,000,000	No	YES
42	Construction of tree seed processing units (Strategic Intervention)		GOK	9 Years	519,600,000	No	YES
43	Construction of Boreholes, Nursery, Water Supply systems and Water Desalination		GOK	2 Years	5362,405	No	YES



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STATUS OF PROJECTS COMPLETION

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Source
1 Upscaling Sustainable Land Management Technologies	1,600,870	1,600,870	100	1,600,870	1,600,870	World Bank
2 Validation And Promotion Mixed Trees Shrubs Climate Smart Beekeeping For Improved Income, Food And Nutrition Security In Kajiado And Tharaka Nithi Counties	3,862,730	3,862,730	100	3,862,730	3,862,730	World Bank
3 Development Validation and promotion of climate smart indigenous Chicken technologies for improved productivity	267,586	267,586	100	267,586	267,586	World Bank
4 Climate Smart Technologies For Restoration Of Degraded Areas And Enhancement Of Communities Resilience In South Eastern Kenya	3,778,350	3,778,350	100	3,778,350	3,778,350	World Bank
5 Enhance Propagation And Conservation Of Sandalwood In Lushoto	902,000	902,000	100	902,000	902,000	World Bank
6 Strength And Treatability Properties Of Various Eucalyptus Species For Electricity - Kericho, Kakuzi And Kakuzi	2,393,429	2,393,429	100	2,393,429	2,393,429	NRF
7 Promotion Of Temirasia Brown Propagation For Agroforestry, Livelihood Improvement And Resilience To Climate Change In Kiisi	1,177,299	1,177,299	100	1,177,299	1,177,299	NRF
8 Enhancing Productivity Of Plantation Forests In Kenya Through Tree Improvement- Nationwide Integrated Collaborative Research On Climate Change, Water Resources And Food Security In Uluwer, Ewaso	1,100,588	772,588	70	1,100,588	772,588	NRF
9 Uluwer Ewaso	633,279	633,279	100	633,279	633,279	NRF
10 Season Project	6,299,781	6,299,781	100	6,299,781	6,299,781	NRF
11 Sotho	1,497,892	1,497,892	100	1,497,892	1,497,892	NRF
12 Fao - Gaf 6	1,439,100	0	0	1,439,100	-	
13 British Academy	9,665,317	9,665,317	100	9,665,317	9,665,317	FAO
14 Arts & Humanities Research Council (Ahrc)	209,398	209,398	100	209,398	209,398	IIED
15 Cabi Prosope	392,227	392,227	100	392,227	392,227	IIED
16 Swedish Research Council	3,443,207	1,578,985	46	3,443,207	1,578,985	CABI International
17	801,386	0	0	801,386	-	SRC



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STATUS OF PROJECTS COMPLETION							
18	Cabi/Kairo	318,850	48,200	15	318,850	48,200	CABI International
19	Foundation Frankina	2,199,900	848,800	39	2,199,900	848,800	IFED
20	Uclan - Or - Grcf	2,592,577	2,096,150	81	2,592,577	2,096,150	University of
21	Twende	15,687,936	8,380,572	53	15,687,936	8,380,572	IUCN
22	Ifiro	1,170,747	1,114,311	95	1,170,747	1,114,311	JICA
23	Darwin	10,083,296	4,107,397	41	10,083,296	4,107,397	IFED
24	The Nature Conservancy	538,600		0	538,600		The Nature Conservancy
25	Tue	1,774,767	0	0	1,774,767		EU
26	Biofuel 4 Kenya	3,236,205	3,236,205	100	3,236,205	3,236,205	
27	U.O.N Grant - Purchase Of Grinder	566,100	563,200	99	566,100	563,200	UON
28	Ministry Of Energy - Karua	1,498,580	0	0	1,498,580		MOE
29	Forest Grazing Management Plan	1,917,825	1,792,425	93	1,917,825	1,792,425	USFS
30	Gatsby	5,130,452	80,901	2	5,130,452	80,901	GATSBY Information
31	University Of Edinburgh	1,488,200	0	0	1,488,200		UOE
32	Elarak	12,892,500	12,892,500	100	12,892,500	12,892,500	UNDP
33	E.A Inbar Bamboo	22,172,515	22,172,515	100	22,172,515	22,172,515	Dutch Sino
34	Commercial Forestry	3,010,621	2,682,621	89	3,010,621	2,682,621	Various Donors
35	Installation of Water hydrants in Mbuga and Kinnu Centre	105,000,000	45,000,000	43	2,000,000	500,000	GOK
36	Construction of Glass Houses-Regional centres (Casea houses)	130,000,000	75,250,000	58	5,000,000	1,250,000	GOK
37	Construction of Farmer's Resource Centers in Thait-Tharab	348,000,000	175,250,000	50	5,000,000	1,250,000	GOK
38	Construction of Farmer's Resource Centers in Miroot	217,000,000	81,750,000	38	5,000,000	1,250,000	GOK
39	Development of IVVA Forest as a centre of activities for District	215,000,000	170,500,000	79	4,000,000	1,000,000	GOK
40	Development of Forest Research Technologies	1,425,000,000	193,500,000	14	20,000,000	5,000,000	GOK
41	National Tree Growing and Rangeland Restoration Campaign (Strategic Intervention)	225,000,000	208,000,000	92	60,000,000	30,000,000	GOK
42	Construction of tree seed processing units (Strategic Intervention)	1,315,000,000	519,600,000	40	280,000,000	70,000,000	GOK
43	Construction of B orchards, Nursery, Water Supply systems and Water Distribution	27,939,205	5,362,405	19	27,939,205	5,362,405	GOK
	Total	4,133,683,316	1,569,259,934		534,683,316	210,659,934	



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Appendix III- TRANSFER FROM OTHER GOVERNMENT ENTITIES

Name of the MD/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Environment and Forestry	22nd August, 2022	Recurrent	360,250,000	360,250,000	-	-	-	-	360,250,000
Ministry of Environment and Forestry	22nd November, 2022	Recurrent	360,250,000	360,250,000	-	-	-	-	360,250,000
Ministry of Environment and Forestry	02nd March, 2023	Recurrent	360,250,000	360,250,000	-	-	-	-	360,250,000
Ministry of Environment and Forestry	06th June, 2023	Recurrent	360,250,000	360,250,000	-	-	-	-	360,250,000
Ministry of Environment and Forestry	13th June, 2023	Development	95,250,000	44,059,833	51,190,167	-	-	-	95,250,000
Ministry of Environment and Forestry	30th June, 2023	Development	115,000,000	-	115,000,000	-	-	-	115,000,000
Ministry of Environment and Forestry	30th June, 2023	Development	5,362,405	-	5,362,405	-	-	-	5,362,405
GIZ Lodwar	Various dates	Donor Fund	2,420	2,312	-	108	-	-	2,420
Adaptation Fund	Various dates	Donor Fund	-	-	-	-	-	-	-
Commercial Forestry	Various dates	Donor Fund	12,892,500	12,892,500	-	-	-	-	12,892,500
Various Projects	Various dates	Donor Fund	108,502,505	54,050,096	-	54,452,409	-	-	108,502,505
Total			1,778,009,830	1,552,004,741	171,552,572	54,452,517	-	-	1,778,009,830



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 Appendix IV: REPORTING OF CLIMATE RELEVANT EXPENDITURE

University of Central Lancashire (UCLan) Global Challenge Research Fund (GCRF) quality-related research (QR)	Expanding the contribution of Kenya's Community Forest Associations (CFAs) to the Zero Carbon transition in response to the challenges posed by rates of urbanization of UN Sustainable Development Goals	Undertake research on the role of CFAs on zero carbon transition, forest and tree based coping mechanisms to the impacts of climate change, evaluating level of mechanization of CFAs on climate change, CFA and climate change mitigation and adaptation in response to Kenya's	-To examine potential of forest and tree-based activities undertaken by CFAs disaggregated by youth and gender in climate change mitigation and adaptation in response to Kenya's NDCs.	345,900	985,000	617,650	Quality Related Global Challenge Research Fund (GCRF) USD 300,000	University of Central Lancashire in the UK, Mangrove Ecosystem Research Community Forest Association Frontiers of Forest Association, Kenya Community Forest Association, Tanga Community Forest Association, Uplands Community Forest Association, Nyegile Hills Community Forest Association
		to Kenya's	Evaluate and validate forest and tree-based climate resilient livelihood activities undertaken by CFAs disaggregated by youth and gender. Synthesize capacity requirements among CFAs in response to forest value chain and climate change.					
			Undertake baseline survey on role of CFAs in zero carbon transition. Field workshops to share the findings. Validate and upscale climate resilient interventions among selected CFAs groups.					
			Support the CFAs with livestock, fruit trees, nursery establishment and dairy goats to cope with climate change. Train CFAs on tree nursery management, climate change and value chain of selected non-timber forest products					



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 Appendix V: REPORTING OF CLIMATE RELEVANT EXPENDITURE - Cont'd

Kenya Climate Smart Agriculture Project (KCSAP)	Integrated Programme to Build Resilience to Climate Change and Improve Capacity of Vulnerable Communities in Kenya & Enhancing Climate Resilient Agricultural Agri-ecosystems to Improve Food Security in selected counties	Working activities	Indicators	1,601,570	-	3,011,800	89,650	-	Kenya University
		Promote high value trees and establish seedlings in agroforestry systems. Promote and train farmers in agroforestry practices. Conduct site visits, identify best practices. Conduct site visits, conduct dialogue forum with stakeholders. Review and analyze practices affecting agroforestry systems and success.							Kenya University
		Climate smart best practices for promotion of high value trees and agroforestry systems. Promote and train farmers in agroforestry practices. Conduct site visits, identify best practices. Conduct site visits, conduct dialogue forum with stakeholders. Review and analyze practices affecting agroforestry systems and success.		208,150					Kenya University, Eastern Kenya University, Egerton University, Bahari Agricultural College, The Hives Limited
		Development and promotion of climate smart integrated chicken production using Moringa as a source of protein. Assessment of existing business models and establishment of service farmers.		200,000	157,700				Kenya University
		Integrated land & water management strategies: restoration and protection of water sources in agro-pastoral systems. Management of grazing lands and extension of services.							Kenya University
		Climate smart technologies for establishment & maintenance of experimental plots in Egerton, Kericho, and Kisumu Counties. Establishment of demonstration plots in the two counties to validate and scale out climate smart technologies on integration of trees into agro-pastoral systems using Moringa, Sesame, and other species.					90,000		Kenya University, Egerton University, Conservation Agriculture Network
		Validation & promotion of sustainable energy & bioplastic production & utilization technologies for improved agro-pastoral systems.							Kenya University, Egerton University



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 Appendix IV: REPORTING OF CLIMATE RELEVANT EXPENDITURE- Cont'd

Dutch-Swiss East Africa Bamboo Development Programme (Phase II)	The Programme is being implemented by the International Bamboo and Rattan Organisation (INBAR). It is a programme aimed at Enhancing Climate Change Mitigation and Adaptation benefits by developing inclusive and sustainable livelihoods and SME bamboo value chains resulting in enhanced livelihood opportunities, food security and environmental management in East Africa.	1. Develop pro-poor industry and SME value-chains by upgrading the existing value chains and diversification into new value-chains. 2. Restore and sustainable manage bamboo ecosystems contributing to decreased deforestation, enhanced resilience and increased climate resilience of ecosystem and livelihoods. 3. Improved business environment, market development, policy and regulatory framework for increased public and private sector investment.	Activity 1.1: Capacity development and technology transfer for value-chain development Activity 1.2: Bamboo Common Treatment and Processing Hub Activity 1.3: Model enterprise for bamboo charcoal and biomass Activity 1.4: Research and development of new market-oriented products Activity 2.1: Strategies Bamboo Planting Manual Activity 2.2: Production Systems Activity 2.3: Large scale and smallholder extension and sustainable management of bamboo forests and farms Activity 2.4: Capacity building of the department, local communities on bamboo nursery, on-farm planning, restoration and sustainable management Activity 2.5: Quantifying E. Africa region bamboo carbon sinks and ecosystem services and establishing mechanisms to finance increased CC mitigation Activity 3.1: Market-oriented supply-chains for bamboo products developed to serve SMEs and industries from low market level production to efficient and integrated bamboo value chain Activity 3.2: Standards and certification mechanism developed Activity 3.3: Inclusive market development Activity 3.4: National assessments for market development Activity 3.5: Investment and trade promotion Activity 4.1: Support to establish and operationalize bamboo units / departments Activity 4.2: Support to strengthen bamboo associations Activity 4.3: South-South Knowledge Transfer and capacity building for policy makers and practitioners	4,492,140	20,983,633	27,000,563	Dutch and INBAR, ICRR (in China), Chinese government agencies through INBAR, KEFRI, KFS, KWS, KWTU, CBOs, NGOs, Government (MSEA), (Ministry of Agriculture), Government, Cooperatives and Association
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KENYA FORESTRY RESEARCH INSTITUTE

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Appendix V: REPORTING OF CLIMATE RELEVANT EXPENDITURE - Cont'd

<p>Torarak Leading Drought Resilience: JWEANDE PROJECT</p>	<p>TWEANDE Project (Towards Ending Drought Emergencies: Resilient Based Adaptation in Kenya's Arid and Semi-Arid Lands) funded by Green Climate Fund (GCF) and Co-financed by the Government of Kenya and other project partners aims to build resilience of livelihood and other land use sectors through landscape restoration and supporting priority value chains in semi-arid regions of Kenya.</p>	<p>The project KEFRI-TWEANDE project has a focus on supporting germ and semi value chain by providing value chain inputs and market development for products harvested from natural habitats</p>	<p>Undertake two baseline studies on value chain analysis involving of germ and semi value chains and a study on socio-economic, environmental and resource assessment of germ and semi in four counties (Meru, Isiada, Siaya and Garissa)</p>	<p>1,287,215.00</p>	<p>3,255,680.00</p>	<p>2,653,647.00</p>	<p>1,389,329.00</p>	<p>100%</p>
<p>Natural Tree Covering and Rangeland Restoration Campaign</p>	<p>Natural Project of Protection and Distribution of seeds and raising of trees leading to meet 30% tree cover by 2032</p>	<p>To attain 30% Tree Cover by 2032</p>	<p>Collection, Processing and distribution of tree seed raising of tree seedlings for increased tree cover which will act as carbon sink and combat climate change</p>				<p>30,000,000</p>	<p>60%</p>
<p>Development of Forestry Research Technologies</p>	<p>This is KEFRI's core mandate which is to conduct research in forestry and allied natural resources for socioeconomic development.</p>	<p>The purpose is to generate forestry technologies to guide sustainable management, conservation and development of forests and allied natural resources for various socioeconomic benefits to Kenyan.</p>	<p>The outcomes include Increased forest cover, improved livelihoods, and substitution of degraded lands, increased water flows, increased forest products supply and maintaining vegetation against climate change and reduced soil erosion.</p>				<p>50,000,000</p>	<p>60%</p>
<p>Development of TIVA as a centre of excellence for drylands</p>	<p>The project is meant to develop technologies for drylands for increased forest and tree cover, rehabilitation of woodlands, development of drought tolerant tree species for improved health care, food & nutrition security, affordable housing, industrialization, research, science and agro-processing.</p>	<p>The purpose of this project is to advance KEFRI's strategic goals of developing research implementation activities and dissemination of forestry technologies to stakeholders in Kenya and its adjacent countries in the spirit of decarbonization and meeting climate change needs.</p>	<p>Development of Drought Tolerant Maize and Sorghum. Demonstration of Dryland Forestry Technologies with an aim of increasing forest cover, increasing yields from forest products and services and increasing accessibility to high quality tree seed in the arid/semi arid dryland region</p>				<p>300,000</p>	<p>60%</p>



**KENYA FORESTRY RESEARCH INSTITUTE
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Appendix VI: TRANSFER FROM MINISTRY OF ENVIRONMENT & FORESTRY IN THE FINANCIAL YEAR 2022-2023

Appendix VI: TRANSFER FROM MINISTRY OF ENVIRONMENT, CLIMATE CHANGE & FORESTRY IN THE FINANCIAL YEAR 2022-2023			
NAME: KENYA FORESTRY RESEARCH INSTITUTE			
Break down of Transfers from the Ministry of Environment, Climate Change & Forestry			
FY 2022/2023			
a. Recurrent Grants			
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
22/08/2022	360,250,000	2022/2023	
21/11/2022	360,250,000	2022/2023	
3-Feb-23	360,250,000	2022/2023	
6-Dec-23	360,250,000	2022/2023	
Total	<u>1,441,000,000</u>		
b. Development Grants			
Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
13/06/2023	95,250,000.00	2022/2023	
6/30/2023	115,000,000.00	2022/2023	
6/30/2023	5,362,405	2022/2023	
Total	<u>215,612,405</u>		
The above amounts have been communicated to and reconciled with the parent Ministry			
Head of Accounts KEFRI		Head of Accounting Unit State Department of Forestry	
Sign		Sign	
Date	18/03/2024	Date	18/3/2024