

309



PARLIAMENT OF KENYA LIBRARY

REPUBLIC OF KENYA THE NATIONAL TREASURY

Telegraphic Address: 22921 Finance - Nairobi FAX NO. 310833 Telephone: 2252299

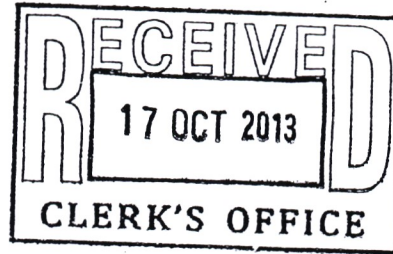
THE NATIONAL TREASURY P O BOX 30007 - 00100 NAIROBI

When Replying Please Quote

REF: AG/13/78 Vol.1 (20)

17th October, 2013

Mr. Justin N. Bundi Clerk of the National Assembly Parliament Buildings NAIROBI



Dear Clerk,

RE: UWEZO FUND REGULATIONS

The National Treasury has reviewed the draft Regulations establishing the UWEZO FUND which was developed by the Ministry of Devolution and Planning and has been cleared by the office of the Attorney General.

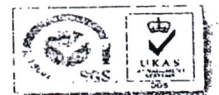
The regulations have now been finalized and are hereby submitted to your office together with the explanatory memorandum for approval of the National Assembly in accordance with clause 24 of the Public Finance and Management Act, 2012.

Yours Sincerely,

[Handwritten signature of Henry K. Rotich]

Henry K. Rotich CABINET SECRETARY THE NATIONAL TREASURY

D / LAP Pse prgan for tabled and reference to the relevant committee CNR 17/10



ISO 9001:2008

LEGAL NOTICE NO.

*Paper laid
by Hon. Aden
Dulle
on 22/10/13
[Signature]*

**THE PUBLIC FINANCE MANAGEMENT ACT
(No. 18 of 2012)**

IN EXERCISE of the powers conferred by section 24(4) and (11) of the Public Finance Management Act, 2012, the Cabinet Secretary for the National Treasury makes the following Regulations –

**THE PUBLIC FINANCE MANAGEMENT (UWEZO FUND)
REGULATIONS, 2013**

Citation. 1. These Regulations may be cited as the Public Finance Management (Uwezo Fund) Regulations, 2013.

Interpretation. 2. In this Regulations, unless the context otherwise requires-

No. 18 of 2012. "Act" means the Public Finance Management Act, 2012;

"administrator of the Fund" means a person designated as such under regulation 11 of this Regulations;

"Board" means the Uwezo Fund Oversight Board established under regulation 3 of these Regulations;

"Cabinet Secretary" means the Cabinet Secretary for the time being responsible for matters relating to youth and women affairs;

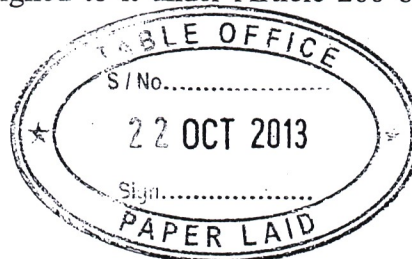
"eligible administrative cost" means administrative expenditure allowable as determined by the Board;

"evaluation criteria" means criteria used to evaluate group applications under these Regulations;

"Ministry" means the Ministry for the time being responsible for matters relating to youth and women affairs;

"table banking" means group based financial transactions usually governed by rules set out by the group and where such transactions, including deposits, contributions, payments and loans issuance are done during the meeting of the group with all members present;

"youth" has the meaning assigned to it under Article 260 of the Constitution; and



“woman” means a person of the female gender who is above 18 years of age.

Establishment of the Fund.

3. (1) There is established a Fund to be known as the Uwezo Fund.

(2) The Fund shall consist of-

- (a) monies appropriated by Parliament;
- (b) grants and donations;
- (c) income generated from the proceeds of the Fund.

(3) There shall be paid out of the Fund payments in respect of any expenses incurred in pursuance of the objects and purposes for which the Fund is established.

Objects and purpose of the Fund.

4. The objects and purpose for which the Fund is established are-

- (a) to expand access to finances in promotion of youth and women businesses and enterprises at the constituency level for economic growth towards the realization of the goals of Vision 2030;
- (b) to generate gainful self-employment for the youth and women; and
- (c) to model an alternative framework in funding community driven development.

Establishment of the Board.

5. (1) There is established a board to be known as the Uwezo Oversight Board.

(2) The Board shall consist of-

- (a) the chairperson of the Board who shall be nominated by the Cabinet Secretary and appointed by the President;
- (b) the Principal Secretary in the Ministry for the time being responsible for matters relating to youth and Women affairs;
- (c) the Principal Secretary in the Ministry for the time being responsible for matters relating to finance;
- (d) the Principal Secretary in the Ministry for the time being responsible for matters relating to interior and national

coordination;

- (e) two persons appointed by the Cabinet Secretary;
- (f) one person representing women appointed by the Cabinet Secretary;
- (g) one person with disability nominated by the National Council for Persons with Disability and appointed by the Cabinet Secretary; and
- (h) one person representing religious institutions and appointed by the Cabinet Secretary.

(3) A person shall not be nominated or appointed to the Board by the appointing authority unless that person –

- (a) holds a university degree in economics, finance, entrepreneurship, law or any other relevant subject;
- (b) meets the requirement of Chapter Six of the Constitution; and
- (c) has five years experience in the relevant area of expertise.

(4) A member of the Board, apart from ex-officio member, shall hold office for a period of three years and shall be eligible for re-appointment for one further term of three years.

(5) The Cabinet Secretary shall provide such public officers as may be necessary for secretariat services to the Board.

(6) The quorum at any meeting of the Board shall be five members and the Board shall meet four times in each financial year.

Functions of the Board.

6. The Board shall-

- (a) provide overall management, design and oversight of the Fund;
- (b) consider, verify and approve funding to the constituencies;
- (c) approve disbursement to the Constituency Uwezo Fund Management Committees;
- (d) receive reports on the performance of the Fund from the Constituency Uwezo Fund Management Committee established under regulation 15 of these Regulations;
- (e) develop relevant guidelines and review them as the need arises,

to guide the operations and implementation of the Fund;

- (f) develop and facilitate sectoral linkage on the Fund;
- (g) monitor and evaluate of the programmes and activities under the Fund;
- (h) prepare an annual report on the operations and performance of the Fund to the Cabinet Secretary;
- (i) oversee the management and administration of the Fund including recoveries from loans beneficiaries; and
- (j) put in place necessary mechanisms for sanctions and their enforcements in case of loan repayment default.

Capital of the Fund.

7. The initial capital of the Fund shall be six billion shillings as shall be appropriated by Parliament in the financial year 2013 /2014.

Expenditure on the Fund.

8. (1) The expenditure incurred on the Fund shall be on the basis of and limited to annual work programmes and cost estimates which shall be prepared by the administrator of the Fund, and approved by the Board at the beginning of the financial year to which they relate.

(2) Any revision of the approved annual work programme, and of any cost estimate, shall be referred to the Board for approval.

Retention of receipts.

9. All receipts, earnings and accruals to the Fund, and the balance of the Fund at the close of each financial year, shall be retained by the Fund for use for the purpose for which the Fund is established.

Application of Government Regulations and procedures.

10. Subject to the provisions of the Act, existing Government Regulations and Procedures shall apply in the administration of the Fund.

Administration of the Fund.

11. (1) The accounting officer of the Ministry for the time being responsible for the matters relating to youth and women shall be designated as the administrator of the Fund.

(2) The administrator of the Fund shall-

- (a) open and operate a bank account at the Central Bank of Kenya or a bank to be approved by the National Treasury;
- (b) supervise and control the administration of the Fund;
- (c) consult with the Cabinet Secretary and the Board on matters relating to the administration of the Fund;

- (d) cause to be kept proper books of accounts and other books and records in relation to the Fund, of all activities and undertakings financed from the Fund;
- (e) prepare, sign and transmit to the Auditor-General, in respect of each financial year and within three months after the end thereof, a statement of accounts relating to the Fund and submit a copy to the National Treasury and the statements shall be prepared in such a manner as the Public Sector Accounting Standards Board shall prescribe;
- (f) furnish additional information as he or she may consider to be proper and sufficient for the purpose of examination and audit by the Auditor-General in accordance with the provisions of the Public Audit Act; and
- (g) prepare a quarterly report on the receipts into and issues out of the Fund and submit it to the Cabinet Secretary for Gazettement by the 21st of every fourth month.

No.12 of 2003.

(2) Every statement of account shall include details of the balance between the assets and liabilities of the Fund, and shall indicate the financial status of the Fund as at the end of the financial year concerned.

National champion and patron.

12. (1) The President shall be the national champion and overall patron of the Fund and shall provide leadership, overall policy, direction and enhance the Fund's prestige and profile.

(2) In furtherance to paragraph (1), the President shall-

- (a) receive annual report on the performance of the Fund and review the implementation progress;
- (b) set the overall agenda for the Fund, by ensuring commitment at the highest level of government; and
- (c) recognize the Fund's success stories through an annual awards ceremony.

County and constituency patron.

13. The County Woman Representative of the National Assembly shall be the patron of the Fund at the County level and the constituency Member of Parliament shall be the patron of the Fund at the Constituency level.

(2) The patrons shall have the following responsibilities-

- (a) provide linkage between the Fund and the public at the county and constituency level;
- (b) mobilise target beneficiaries to participate in the Fund;
- (c) appoint ward representatives to the membership of the Constituency Uwezo Fund Management Committee;
- (d) publicise and raise awareness on the Fund.

The role of the Ministry.

14. The Ministry responsible for youth and women affairs shall facilitate, and oversee the operations of the Board in the implementation of the Fund and in particular shall-

- (a) develop policy measures relating to the Fund;
- (b) give guidelines on the fund allocation formula for distribution to the constituencies;
- (c) through its local offices, liaise with local business and corporate enterprises and encourage peer mentoring engagements for all Fund recipient groups;
- (d) be responsible for capacity building to Fund recipients on table banking, business entrepreneurship, and public procurement and other business development areas.

Establishment of Constituency Uwezo Fund Committee.

15. (1) There is established a Committee to be known as the Uwezo Fund Management Committee (hereinafter referred to as "Committee") in every Constituency.

- (2) The Committee shall consist of-
 - (a) the sub-county Commissioner or his representative;
 - (b) the sub-county Development Officer or his representative;
 - (c) a sub-county accountant responsible for national government operations within that constituency;
 - (d) the sub-county representative of the national government Ministry responsible for youth and women affairs;
 - (e) a representative from each ward in the Constituency nominated following consultation between the County Women Representative of the National Assembly and the Constituency Member of Parliament;

(f) one person with disability per Constituency; and

(g) the Constituency Development Fund Manager who shall be an ex-officio and the secretary of the committee.

(3) The Constituency Development Fund Committee shall provide administrative support to the Committee in each constituency.

(4) The total number of ward representatives shall have equal number of either gender with the women quota providing for at least one female youth.

(5) The Cabinet Secretary shall cause the names of persons constituting the Committee to be published in the Gazette.

(6) On the first meeting of the Committee, there shall be an election of the chairperson from the representatives from the ward.

(7) The Constituency Development Fund Manager, one officer from the Ministry and the sub-county development officers shall provide the necessary secretariat services to the Committee.

(8) The secretariat shall be primarily responsible to ensure compliance of the set guidelines on managing the Fund, facilitate the disbursement of the funds and recovery of the same.

Functions of the
Committee.

16. (1) The functions of the Committee shall be to-

- (a) identify the targeted groups within the Constituency using guidelines as provided;
- (b) receive applications from the groups;
- (c) evaluate applications based on the guidelines for evaluation of applications;
- (d) receive project proposals from religious institutions and consider the same for funding;
- (e) make a decision on the groups that will receive funds;
- (f) recommend disbursement of funds to qualified target groups and religious institutions;
- (g) undertake monitoring of the activities including making official impromptu visits to the beneficiary groups and religious institutions;

- (h) manage and oversee the implementation of the Fund at the constituency level;
- (i) compile, update and forward progress reports to the Board on a quarterly basis;
- (j) provide oversight to the disbursements in their respective constituencies.

(2) The Committee shall meet not less than twice a month to deliberate on applications.

Bank accounts.

17. (1) The sub-county accountant shall open the following bank accounts-

- (a) the Uwezo Fund Main Account;
- (b) the Uwezo Fund Administration Account; and
- (c) the Uwezo Fund Loan Repayment Account.

(2) The above bank accounts shall be operated by a minimum of two signatories, of whom the sub-county accountant shall be a mandatory signatory to all bank accounts.

(3) The Board may designate any other signatory to the bank accounts where necessary.

Fund allocation.

18. (1) The initial capital of the Fund shall be allocated as follows-

- (a) a one off three per cent administration fee shall be charged on the total fund allocated and shall be retained by the Board for purposes of facilitating both national and constituency level administrative functions;
- (b) an amount not exceeding eight per cent shall be earmarked for capacity building of the Fund beneficiaries and target groups;
- (c) for the balance of the Fund to constituencies-
 - (i) seventy five per cent shall be allocated equally across all constituencies;
 - (ii) twenty five per cent shall be disbursed on the basis of the Kenya National Bureau of Statistics poverty index for equalization purposes;

- (d) for each constituency's share-
 - (i) twenty per cent for religious institutions as a grant to administer to women and youth groups within their jurisdictions;
 - (ii) sixty per cent as loans; and
 - (iii) twenty percent as a grant for each beneficiary group.

- (e) for administration of the Fund-
 - (i) the access by eligible groups of the Fund, shall be on a first come first served basis, subject to assessment and approval of the application;
 - (ii) the eligible qualifying amounts for a group, shall be a minimum of fifty thousand and a maximum of five hundred thousand shillings at any one time.

(2) In determining the total amount a group is eligible to receive, the following criteria shall be applied-

- (a) the length of time the group has been in existence;
- (b) the total amount contributed by the group;
- (c) the current status of contribution; and
- (d) the proposed financial plan for the loan applied.

(3) Religious institutions shall administer to women and youth groups within their jurisdictions under the terms stipulated in paragraphs (1) (e) and (2) above and the Fund guidelines issued under these Regulations.

Fund disbursement.

19. The funds shall be disbursed under the following conditions-

- (a) all disbursement from the Fund shall be approved and minuted by the Board;
- (b) all disbursements from the Fund shall be to the successful groups and religious institutions within the constituency;
- (c) all disbursements from the Uwezo Fund Main Account shall be made through the constituency bank accounts maintained for every constituency;

- (d) the record of the amounts received by each constituency and the record of expenditure of amounts so received shall be submitted to the Board within thirty days after the close of the relevant financial year, together with a copy of the relevant bank statements and no disbursements for the succeeding financial year shall be made into the accounts until the said records are duly received;
- (e) the Board shall set out general conditions and requirements for release of funds, to ensure efficient and effective management of resources;
- (f) the Board may impose reasonable requirements, including restrictions, on a particular constituency and such restrictions or requirements shall be reported together with the monthly returns to be submitted to the Cabinet Secretary.

Interest rates.

20. (1) The interest for Fund Loan component shall be a maximum of one per cent.

(2) The Board shall set the annual interest rates applicable in consultation with the Cabinet Secretary and gazette the interest rates.

Repayment of loan.

21. (1) The repayment period for each loan element shall be determined by the following-

- (a) the amount of money borrowed;
- (b) the size of the group;
- (c) the proposed financial plan for the loan repayment.

(2) All groups shall be allowed a six months grace period before commencement of repayment of the loan element but all loans shall be payable within two years from the expiry of the grace period.

(3) Loan recipients' shall deposit by cash or cheque their monthly repayments for loan proceeds into the Uwezo Fund Repayment Account and submit a copy of the deposit slip to the Committee who shall issue and acknowledge receipt to the recipient group.

(4) Upon verifiable proof of loan repayment of all loan proceeds, the Committee shall issue a discharge certificate to the recipient group with respect to the loan repayment.

Eligibility criteria for applicants.

22. (1) Applicants shall qualify for Fund loan application if-

(a) for a group -

- (i) is registered with the department of social services, Cooperatives or the Registrar of Societies.
- (ii) has members aged between 18 and 35 years whereas the women's groups shall be made up of women aged eighteen years and above;
- (iii) has been in existence for at least six months;
- (iv) is based and operational at the constituency it seeks to make an application for consideration;
- (v) operates a table banking structure where members make monthly contributions according to the groups' internal guidelines (evidence of monthly contributions shall be a requirement).
- (vi) hold a bank account in the name of the group;
- (vii) is recommended by the Chief of the location or the assistant chief of the sub-location.

(b) for a religious institution-

- (i) is a registered entity;
- (ii) is recommended by the Inter-religious Council of Kenya;
- (iii) has listed youth and women groups within it.

(2) An application for the funds shall be accompanied by-

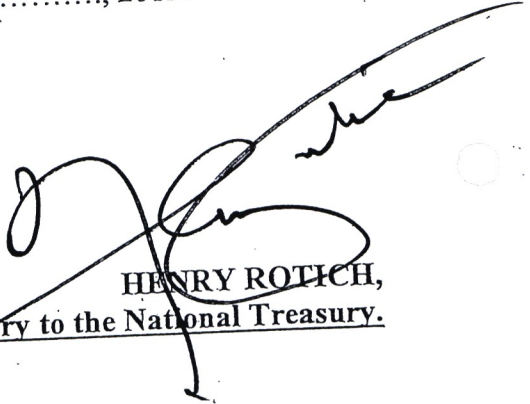
- (a) a signed guarantee form executed by each member of the women or youth group individually committing to repay the loan requested by the group.
- (b) individual group member reference letters from recognized leaders in business, religious organizations, national or county government administration in the location validating the member's credibility.

(3) On behalf of the Government, the Committee shall enter into an agreement with the identified beneficiary groups on the terms of the loan repayment prior to release of funds through signing a prescribed form.

Winding-up of the
Fund.

23. In the event of winding up of the Fund, the cash balances shall be transferred to the National Exchequer Account while other assets of the Fund shall be transferred to the Ministry for the time being responsible for matters relating to finance.

Made.....*17th October*....., 2013.


HENRY ROTICH,
Cabinet Secretary to the National Treasury.

EXPLANATORY MEMORANDUM TO THE PUBLIC FINANCE MANAGEMENT
(UWEZO FUND) REGULATIONS, 2013

1.0 Background

1. The Uwezo Fund stems from the pledge His Excellency the President made to allocate the Kshs. 6 billion that was meant for the presidential run-off to youth and women groups. Following from this, the National Treasury allocated and Parliament approved the sum of Kshs. 6 Billion to go towards this Fund in the budget covering the Financial Year 2013/14.
2. His Excellency the President, the national champion and overall Patron of Uwezo officially launched the Fund on 8th September 2013.
3. The objectives of the Fund are:
 - a. To expand access to credit to promote youth and women business and enterprises at the constituency level and thereby enhance economic growth towards the realization of the goals of Vision 2030;
 - b. To generate gainful self-employment for the youth and women;
 - c. To model an alternative framework in funding community driven development.
4. The Uwezo Fund will employ the principles of table banking and revolving Funds to create a unique blend of financing for youth groups and will be disbursed at the constituency level modelled along the Constituency Development Fund framework. This will enable women and youth to access the Fund at the local level thereby reducing the transaction costs that they would have otherwise incurred.

2.0 UWEZO Fund Operational Framework

5. The implementation modalities for Uwezo Fund will be supported by the following structure:



- i. **Uwezo Fund Oversight Board** to primarily provide overall management, design and oversight of the Fund. The Board will be supported by a secretariat
- ii. **The Ministry responsible for Youth and Women affairs** will facilitate and oversee the operations of the Uwezo Fund Oversight Board in the implementation of the Uwezo Fund. Specifically, the Ministry will be responsible for capacity building to Uwezo Fund recipients on table banking, business entrepreneurship, public procurement and other business development areas.
- iii. **Constituency Uwezo Fund Management Committee (CUFMC):** UWEZO Fund will be modelled along the Constituency Development Fund framework. The role of the Constituency Development Fund Committee shall be to facilitate the establishment of the Constituency Uwezo Fund Management Committees (CUMC) to manage the Fund at the Constituency level.
- iv. Membership of the Constituency Uwezo Fund Management Committee in every constituency shall include:
 - a) The Sub-County Commissioner or their representative;
 - b) The Sub-County Development Officer or their representative;
 - c) A Sub-County Accountant responsible for National Government operations within that constituency;
 - d) The Sub-County representative of the National government responsible for youth and women;
 - e) A Representative from each ward in the Constituency appointed following consultation between the County Women Representative of National Assembly and the Constituency Member of Parliament;
 - f) The representatives from the wards will comprise of youth and women;
 - g) The total tally of representatives from the wards must have equal number of males and women, of whom the women quota shall have a third of women youth as minimum;
 - h) One person with disability per Constituency;
 - i) The CDF Fund Manager will be an ex-officio member of the committee and the Secretary.

3.0 UWEZO Fund Allocation

6. From the total Fund allocation of Kshs. 6 billion, a one off administration charge of 3% will be deducted while Kshs. 500 Million will be earmarked for capacity building of groups, in order to ensure that the recipients are capacitated on the skills, knowledge and market linkages necessary to run respective group enterprises.
7. The balance of the funds thereafter will be divided between all the constituencies with 75% shared equally among all constituencies and 25% being shared on the basis of the poverty index for equalization purposes.
8. Of the total amount received per constituency, 20% will be earmarked for religious institutions as a grant to administer to women and youth groups within their jurisdictions. The balance per constituency thereafter will be administered as a 75% loan, and 25% grant for each beneficiary group.

3.0 Fund Administration

9. The monies will be payable only to a group, from a minimum of Kshs. 50,000 and not exceeding Kshs 500,000 at a time.
10. Interest rate on the loan component of the Fund will be set annually, and charged between 0% to a maximum of 1%. The interest rate chargeable this financial year (FY2013/14) is 0%.
11. The Fund will be distributed on a first come first served basis, depending on eligibility of the application.
12. In determining the total amount a group is eligible to receive, the following considerations will be made:
 - i. The total amount contributed by the group;

- ii. The current status of contribution;
 - iii. The proposed plan for the loan;
 - iv. The length of time the group has been in existence (Preference will be granted to groups that have been in existence for at least six (6) months).
13. The repayment period for the loan element will be determined by the following:
- i. The amount of money borrowed;
 - ii. The size of the group;
 - iii. The proposed plan for the loan.
14. Groups will be allowed a 6 month grace period before commencement of repayment of the loan component.
15. All loans components will be payable within 2 years from the end date of the grace period.

4.0 UWEZO Fund Eligibility

16. All registered Youth and Women groups and religious organizations are eligible to participate in the Uwezo Fund.
17. For women and youth groups to qualify, they must:
- i. Be registered with the Department of Social Services or the Registrar of Societies.
 - ii. The youth group membership must be between 18 and 35 years of age. The women's group must be made up of all women.
 - iii. Preference will be granted to groups that have been in existence for at least three (3) months.
 - iv. Be based and operating within the Constituency it seeks to make an application for consideration.
 - v. Operate a table banking (chama) structure where members make monthly contributions according to the groups' internal guidelines (evidence of monthly contributions will be a requirement).

- vi. Hold a bank account in the name of the group.
- vii. Recommended by the Chief of the location.
- viii. For religious institutions to qualify, they must be:
 - Registered entities;
 - Recommended by the Inter-religious Council of Kenya;
 - Have listed youth and women groups.
- ix. An application to the Uwezo Fund shall be accompanied by:
 - i. A signed guarantee form executed by each member of the women or youth group individually committing to repay the loan component requested by the group.
 - ii. Individual group member reference letters from recognized leaders in business, religious organizations, national or county government administration in the location validating the member's credibility.