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OFFICE OF THE VICE-CHANCELLOR

DATE: 2nd February, 2026

OUR REF: VCs-SEC/VCs/ VOL. VI

Hon. John Mbadi, EGH,
Cabinet Secretary,
National Treasury & Economic Planning,
NAIROBI.

Through

Dr. Chris K. Kiptoo, CBS,
The Principal Secretary,
National Treasury,
NAIROBI.

Through

Mr. Julius Migos Ogamba, EBS,
The Cabinet Secretary,
Ministry of Education,
NAIROBI.

Through

Dr. Beatrice Muganda Inyangala, PhD., CBS,
Principal Secretary,
State Department for Higher Education, Ministry of Education,
NAIROBI.

SUBJECT: **PROPOSED PUBLIC UNIVERSITIES STAFF CAR LOAN AND MORTGAGE SCHEME**

We make reference to the above-captioned matter and write on behalf of the Joint Negotiations Committee (JNC), which comprises the Inter-Public Universities Councils Consultative Forum (IPUCCF) of the Federation of Kenya Employers together with the Universities' Academic Staff Union (UASU), Kenya Universities Staff Union (KUSU) and KUDHEIHA Workers.

It is noteworthy that the signed and registered 2021-2025 Collective Bargaining Agreements (CBAs) of 23rd November, 2024 between IPUCCF and the aforesaid Unions expressly provided for the establishment and implementation of a Car Loan and Mortgage Scheme for staff in Public Universities as part of the agreed non-wage welfare benefits framework.

Further, the proposed Car Loan and Mortgage Scheme is intended to respond to the persistent challenges faced by staff in accessing affordable credit facilities under prevailing commercial lending rates which have continued to expose staff in the Public University Sector to unsustainable personal debt and financial distress with direct implications on staff morale, productivity and institutional stability across the Public University Sector.

While the CBAs provide the contractual mandate for the Car Loan and Mortgage Scheme the legal authority for establishing and operationalising the Scheme is anchored in the following national instruments:

1. Legal Notice No. 195 of 2015 on the *Public Finance Management (State Officers and Public Officers Car Loan and Mortgage Scheme Fund) Regulations* which establish the mandatory national framework for governance and administration of Public Sector loan schemes;
2. Section 24(4) of the *Public Finance Management Act, 2012* which empowers the National Treasury to establish and regulate public funds and requires such schemes to operate under approved regulations, proper accounting systems and clear oversight mechanisms; and
3. Article 230(4) of the *Constitution, 2010* which vests the Salaries and Remuneration Commission (SRC) with exclusive authority to prescribe interest rates and loan ceilings for public officers.

Consequently, any staff loan or mortgage scheme implemented without SRC concurrence on interest rates and loan ceilings would be unconstitutional and vulnerable to adverse audit findings. Public Universities have, however, already

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received the requisite policy clearance *vide* the SRC Advisory of 25th September, 2025 read together with the SRC Circular dated 17th December, 2014.

In operational terms, the proposed Car Loan and Mortgage Scheme shall be administered as a centralised revolving fund under an approved governance framework with participating Public Universities consistently deducting and remitting loan repayments to the designated Scheme account in a timely manner. The Fund Management Committee shall be responsible for oversight, compliance and reporting while the Government shall facilitate the onboarding of newly established Public Universities.

In addition, the Fund Management Committee shall collaborate with relevant Government agencies to facilitate access to affordable housing units under the Affordable Housing Programme financed through the Affordable Housing Levy thereby aligning the Scheme with national housing and development priorities.

It is projected that if all 27,320 eligible employees in the Public University Sector apply for both loans upon launch of the Car Loan and Mortgage Scheme the total projected requirement will be **KES 323.505 billion** broken down as follows:

i. Mortgage Loans of KES 275.935 billion; and
ii. Car Loans of KES 47.570 billion

However, in order to ensure fiscal prudence and phased implementation the Public Universities request that the Government provides the seed capital of **KES 2.017 billion** in the Financial Year 2026/2027, as illustrated in **Table 1**, followed by annual top-ups of similar amounts until the full rollout is achieved for the Scheme. Thereafter, the Scheme shall operate on a self-sustaining revolving fund basis.

Table 1: First Year Allocation in the Financial Year 2026/2027

Loan Category	Amount (KES Millions)
Mortgage Loans	1,517.6
Car Loans	499.5
TOTAL	**2,017.1**

In support of the foregoing, we attach herewith for your consideration:

i. Draft Public Universities Staff Car Loan and Mortgage Scheme Regulations, 2026;
ii. Motor Vehicle Loan Application Form;
iii. Mortgage Loan Application Form; and
iv. Proposed Implementation Budget.

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In light of the above considerations, we respectfully seek approval and concurrence for the adoption of the Public Universities Staff Car Loan and Mortgage Scheme, endorsement of the proposed funding and governance framework and authorisation to operationalise the Scheme across all Public Universities in Kenya.

Thank you.



Prof. Daniel Mugendi, EBS,
Secretary to IPUCCF of FKE,
Chairperson, Vice-Chancellors' Committee, and
Vice-Chancellor, University of Embu,
EMBU.

Copy to: **Prof. Fred Simiyu Barasa, Chairperson, IPUCCF-JNC**

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The abbreviations herein denote as follows:

- **IPUCCF of FKE**- Inter-Public Universities Councils' Consultative Forum of the Federation of Kenya Employers
- **JNC-** Joint Negotiations Committee
- **UASU**- Universities' Academic Staff Union
- **KUSU**- Kenya Universities' Staff Union
- **KUDHEIHA Workers**- Kenya Union of Domestic, Hotels, Educational Institutions and Hospitals Workers
- **SRC**- Salaries and Remuneration Commission
- **CBA**- Collective Bargaining Agreement

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