

14 APR 2020

**REPUBLIC OF KENYA
THE NATIONAL TREASURY AND PLANNING**

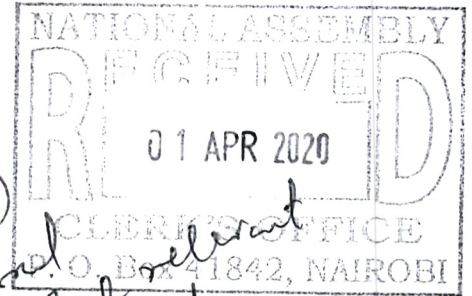
Telegraphic Address: 22921
Finance-Nairobi
Fax No.: 310833
Telephone: 2252299
When Replying Please Quote;

**THE NATIONAL TREASURY
P.O. Box 30007
NAIROBI**

Ref. No. AG /3/97/VOL.1/42

18th March, 2020

Mr. Michael Sialai, CBS
Clerk of the National Assembly
Parliament Buildings
P.O. Box 41842 – 00100
NAIROBI.



Dear *Sialai,*

DLP
1) For tabling in the House and referral to the relevant committee. COA 11/7/20

RE: THE PUBLIC FINANCE MANAGEMENT (COFFEE CHERRY ADVANCE REVOLVING FUND) REGULATIONS, 2020 LEGAL NOTICE NO. 29

The Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020 have been published vide Legal Notice No. 29 of 12th March, 2020.

Towards this end, the National Treasury is submitting the following documents in accordance with the Statutory Instruments Act, 2013 to the National Assembly for further necessary action:-

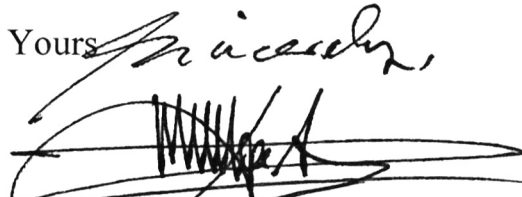
- a. The published Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020 Legal Notice No. 29 dated 12th March, 2020;
- b. A signed Explanatory Memorandum;
- c. The evidence of public participation while developing the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020 and the tool used to submit comments (*letter of invitation, list of attendance and format for submission of comments*); and
- d. The Presidential Taskforce Report on Coffee Sub-Sector Reforms.

2) Head, Table MCA

The purpose of this letter, therefore, is to submit the above mentioned documents to the National Assembly for your further necessary action.

Your prompt attention and action on this matter will be highly appreciated.

Yours



HON. (AMB.) UKUR YATANI, EGH
CABINET SECRETARY/NATIONAL TREASURY & PLANNING

Copy to: Hon. Peter Munya, EGH
Cabinet Secretary
Ministry of Agriculture, Livestock, Fisheries and Co-operatives
Kilimo House
NAIROBI

Hon. Paul Kihara Kariuki, CBS, SS
Attorney General
State Law Office & Department of Justice
Sheria House
NAIROBI

Julius Muia, PhD, CBS
Principal Secretary
National Treasury
National Treasury & Planning
NAIROBI

Mr. Ali Noor Ismail, CBS
Principal Secretary
State Department for Co-operatives
Ministry of Agriculture, Livestock, Fisheries & Co-operatives
P.O. Box 30547
NAIROBI.

Prof. Hamadi Boga
Principal Secretary
State Department for Crop Development & Agric. Research
Ministry of Agriculture, Livestock, Fisheries & Co-operatives
NAIROBI.

Kennedy Ogetto, EBS
Solicitor General
Office of the Attorney General
Sheria House
NAIROBI.

(Legislative Supplement No. 13)

LEGAL NOTICE NO. 29

THE PUBLIC FINANCE MANAGEMENT ACT

(No. 18 of 2012)

THE PUBLIC FINANCE MANAGEMENT (COFFEE CHERRY
ADVANCE REVOLVING FUND) REGULATIONS, 2020

ARRANGEMENT OF REGULATIONS

Regulation

PART I—PRELIMINARY

1. Citation.
2. Interpretation.

PART II—ESTABLISHMENT OF THE FUND

3. Establishment of the Fund.
4. Object and purpose of the Fund.
5. Sources of the Fund.
6. Expenditure of the Fund.

14 APR 2020

PART III—MANAGEMENT OF THE FUND

7. Functions of the Board
8. Administrator of the Fund.

PART IV—OPERATIONS OF THE FUND

9. Eligibility.
10. Application procedure.
11. Coffee advance approval thresholds.
12. Evaluation of applications.
13. Coffee advance payment rate.
14. Coffee advance disbursement procedure.
15. Recovery of administration costs.
16. Recovery mechanism.

PART V—FINANCIAL PROVISIONS

17. Bank accounts for the Fund.
18. Overdrawn accounts.

- 19 Expenditure of the Fund.
- 20 Withdrawals from the Fund.
- 21 Financial and procurement regulations.
- 22 Investment of the Fund.
- 23 Annual estimates.
- 24 Miscellaneous disclosures.
- 25 Quarterly reports.
- 26 Accounts of the Fund.
- 27 Audit of accounts.
- 28 Annual performance report.

PART VI—GENERAL PROVISIONS

- 29 Winding up of the Fund.
- 30 Offences and penalties.
- 31 Guidelines.
- 32 Revocation of L.N. No. 201 of 2019.

THE PUBLIC FINANCE MANAGEMENT ACT

(No. 18 of 2012)

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

THE PUBLIC FINANCE MANAGEMENT (COFFEE CHERRY
ADVANCE REVOLVING FUND) REGULATIONS, 2020

PART I—PRELIMINARY

1. These Regulations may be cited as the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020. Citation.

2. In these Regulations, unless the context otherwise requires— Interpretation.

“Act” means the Public Finance Management Act, 2012;

“administrator” means the person designated as the Administrator of the Fund under regulation 8,

“advance payment rate” means the advance payment rates set out in regulation 13;

“affiliation” means registered with the New Kenya Planters Co-operative Union Limited;

“agent” means a person contracted by New Kenya Planters Co-operative Union Limited, for the purposes of—

- (a) processing loan applications;
- (b) disbursing or recovery of loans advanced; and
- (c) any other function assigned by the New Kenya Planters Co-operative Union Limited;

“Board” means the New Kenya Planters Co-operative Union Board managing the New Kenya Planters Co-operative Union Limited;

“coffee” means cherry, *buni* or parchment;

“co-operative society” has the meaning assigned to it under the Co-operative Societies Act, Cap 490.

“Fund” means the Coffee Cherry Advance Revolving Fund established under regulation 3;

“New Kenya Planters Co-operative Union Limited” means the body incorporated under the Companies Act, 2015; No.17 of 2015.

“small holder coffee estate” means a grower licensed by the county government with an area of land or parcels land under coffee not less than five acres and not more than twenty acres; and

“small holder coffee grower” means a coffee grower with an area of land or parcels of land under coffee of not more than twenty acres.

PART II—ESTABLISHMENT OF THE FUND

3. There is established a Fund to be known as the Coffee Cherry Advance Revolving Fund. Establishment of The Fund.
4. The object and purpose of the Fund shall be to provide affordable, sustainable and accessible cherry advance to smallholder coffee growers and small holder coffee estates. Object and purpose of the Fund.
5. The Fund shall consist of— Sources of the Fund.
- (a) monies appropriated by Parliament for purposes of the Fund;
 - (b) recoveries for administration costs relating to coffee cherry advance by Fund;
 - (c) grants, donations, bequests or other gifts made to the Fund;
 - (d) monies from any other source approved by the Cabinet Secretary; and
 - (e) income derived from investment of surplus funds.
6. (1) There shall be paid out of the Fund payments in respect of any expenses incurred in pursuance of the objects and purpose for which the Fund is established. Expenditure of the Fund.
- (2) The expenditure 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 at the beginning of every Financial Year and approved by the Board.
- (3) Any revision of the approved work programmes and of any cost estimates shall be approved by the Board.

PART III—MANAGEMENT OF THE FUND

7. The functions of the Board with regards to this Fund shall be to— Functions of The Board.
- (a) oversee the administration of the Fund;
 - (b) develop policies relating to the general administration and management of the Fund;
 - (c) develop policies and procedures relating to application, disbursement and recovery of coffee cherry advances;
 - (d) develop a standard coffee advance agreement;
 - (e) approve the opening and closing of bank accounts in accordance with the Act;
 - (f) receive, review and approve the annual estimates of revenue and expenditure of the Fund and submit to the Cabinet Secretary responsible for the matters relating to co-operatives for concurrence and submit to the Cabinet Secretary for approval;

- (g) oversee the monitoring and evaluation of the programmes and activities of the Fund;
- (h) review the performance of the Fund and make recommendations on the operations of the Fund to the administrator of the Fund;
- (i) consider, review and approve the annual financial and non-financial statements of the Fund prepared in accordance with the Act in the format prescribed by the Public Sector Accounting Standards Board for submission to the Auditor General with a copy to the National Treasury, Commission for Revenue Allocation, and Controller of Budget;
- (j) consider, review and approve policies on the management of assets, equipment and all properties under the Fund;
- (k) consider, review and approve the investment policies for the investment of surplus funds;
- (l) receive, review and approve reports on the performance of the Fund;
- (m) decentralize its services, in so far as practically possible, to the coffee growing areas;
- (n) consult with the Cabinet Secretary on matters relating to the administration of Fund; and
- (o) perform any other functions that shall be assigned by the Cabinet Secretary.

3. (1) The Cabinet Secretary shall designate in writing, the Administrator of the Fund, in accordance with section 24(5) the Act.

Administrator of
the Fund.

- (2) The Administrator shall exercise the following functions—
- (a) supervise and control the administration of the Fund;
 - (b) develop a predictable, transparent and accountable financial internal control systems for the Fund;
 - (c) prepare estimates of annual revenue and expenditure of the Fund relating to its obligations and operational expenses and submit it to the Board for adoption;
 - (d) cause to be established proper systems of control and oversight under the provisions of the Act;
 - (e) consult and advise the Board on matters relating to the administration of the Fund;
 - (f) consult and advise with the Cabinet Secretary on matters relating to the administration of the Fund as may, from time to time, be necessary;
 - (g) prepare non-financial performance report of the Fund and submit it to the Board for adoption;
 - (h) be the custodian of the properties, assets and equipment of the Fund;

- (i) open individual loan ledger accounts for each loan approved by the Board;
- (j) cause to be kept proper books of accounts and other books and records relating to the Fund and the activities financed under the Fund;
- (k) 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 account relating to the Fund in such form as the Public Sector Accounting Standards Board established under the Act; and
- (l) furnish any additional information which is proper and sufficient for the proper discharge of the mandate of the Auditor-General.

PART IV--OPERATION OF THE FUNDS

9. (1) A small holder coffee estate or small holder coffee grower shall be eligible to benefit from the Fund if that person is — Eligibility.

- (a) a citizen of Kenya; and
- (b) a member of a registered coffee co-operative society; or
- (c) affiliated to New Kenya Planters Co-operative Union Limited.

(2) In addition to the eligibility criteria set out in sub-regulation (1), a person desirous of accessing the monies in the Fund shall apply for the coffee advance and meet the following conditions---

- (a) in the case of a member of a registered coffee co-operative society, have--
 - (i) a national identity card or passport; and
 - (ii) a membership card of a co-operative society;
- (b) in the case of a smallholder coffee estate, who is affiliated to New Kenya Planters Co-operative Union Limited, have--
 - (i) a national identity card or passport; and
 - (ii) a membership card of the New Kenya Planters Co-operative Union Limited.

10. (1) A person who meets the criteria and conditions set out in regulation 9 shall— Application procedure

- (a) in the case of a member of a registered coffee co-operative society, apply in the manner set out in Form 1A of the Schedule; and
- (b) in the case of a smallholder estate affiliated to New Kenya Planters Co-operative Union Limited, apply in the manner set out in Form 1B of the Schedule.

(2) The Board may provide further policies on the application procedure.

11. (1) The Board shall provide thresholds for coffee advances which may be approved by the Administrator. Coffee advance approval thresholds.
- (2) Any coffee advances approved under sub-regulation (1) shall be tabled by the Administrator in the subsequent meeting of the Board.
12. (1) Upon receipt of an application the Administrator shall evaluate the application to ensure compliance with these Regulations and coffee advance evaluation procedures approved by the Board. Evaluation of applications.
- (2) The Administrator shall, after evaluation of the application in sub-regulation (1), make recommendation to the Board to either approve or reject the application.
- (3) The Administrator shall process the applications on a first come first serve basis.
- (4) Where the Board rejects an application under these Regulations the Board shall give reasons for such decision within fourteen days of such decision.
- (5) An applicant whose application has been rejected may re-submit the application upon fulfillment of the requirements set in these Regulations.
- (6) Any decision of the Board shall be communicated to the applicant within fourteen days from the date of the decision of the Board.
- (7) Any applicant who is dissatisfied with the decision of the Board to reject his application for a coffee advance may apply to the Board for review of the decision.
13. (1) A member of a registered cooperative society or a smallholder estate affiliated to New Kenya Planters Co-operative Union Limited shall be advanced— Coffee advance payment rate.
- (a) forty per-centum of the prevailing average sales price at the Coffee Exchange;
- (b) twenty shillings per kilogram of cherry delivered; or
- (c) forty per-centum of the payment rate to members by a co-operative society for the immediate past crop year.
- (2) The Cabinet Secretary may review the rates provided under sub regulation (1) upon the recommendation of the Board.
14. (1) The Board shall develop the procedures for disbursement of approved coffee advances under these Regulations. Coffee advance disbursement procedure.
- (2) The Administrator shall inform—
- (a) the applicant; and
- (b) the registered coffee co-operative society,
- of approved coffee advances of successful applicants under them within fourteen days from the date of approval.
- (3) The Board shall disburse the approved funds directly to the bank account of the successful applicant using the details provided by the applicant in application form.

15. (1) Any coffee advance shall attract an administration cost of three per centum of each amount advanced. Recovery of administration costs.
- (2) The administration cost shall be met by the applicant and be deducted from the coffee advance.
16. (1) The Board shall develop procedures for recovery of coffee advances. Recovery mechanism.
- (2) The Board may appoint agents for purposes of recovery of the coffee advances in accordance with the procedures developed under sub-regulation (1).
- (3) The coffee advance shall be a first charge on the applicant's sale proceeds for coffee.
- (4) The applicant may repay the coffee advance through alternative sources of income in accordance with the procedures developed under sub-regulation (1).
- (5) Notwithstanding sub-regulation (4), the coffee advance shall be recovered after the sale of coffee.
- PART V—FINANCIAL PROVISION**
17. (1) The Administrator shall cause accounts in the name of the Fund to be maintained for the Fund in a bank within the Republic of Kenya in line with the Act and any Regulations made thereunder. Bank accounts for the Fund.
- (2) All moneys payable into the Fund shall be received into the bank accounts of the Fund.
- (3) The Fund's bank accounts shall be operated by the Administrator and two other persons nominated by the Administrator, and approved by the Board.
18. The Administrator shall ensure that no bank account of the Fund is overdrawn. Overdrawn accounts.
19. (1) The Board shall ensure that in any financial year expenditure from the Fund shall not exceed the annual income of the Fund together with any surplus income brought forward from a previous year. Expenditure of the Fund.
- (2) The records of expenditure relating to the Fund shall be kept and maintained in accordance with the provisions of the Act and Regulations made thereunder.
20. Withdrawals from the Fund shall only be for purposes of promoting the objects and purpose for which the Fund is established and in accordance with the approved estimates of revenue and expenditure. Withdrawals from the Fund.
21. The Fund shall be governed by all relevant financial and procurement laws and regulations as applicable. Financial and procurement Regulations
22. (1) The Board may with the consent of the Cabinet Secretary invest any of its surplus funds in Government securities. Investments of the Fund.

(2) The income derived from the investment of surplus funds under sub-regulation (1) shall be a source of the Fund.

23. (1) At least six months before the commencement of each financial year, the Board shall cause to be prepared estimates of the revenue and expenditure of the Fund for that year. Annual estimates.

(2) The annual estimates shall make provision for all estimated revenues into and expenditures from the Fund for the financial year and in particular, the estimates shall provide for—

- (a) revenues projected to be received by the Fund from the sources of funds provided for under these Regulations;
- (b) coffee advances;
- (c) monies for the administration expenses of the Fund; and
- (d) the payment of the allowances of the Board in respect to oversight of the Fund.

24. The Administrator shall publish and publicize all reports of the Fund approved by the Board in accordance with the Act. Miscellaneous disclosures.

25. (1) The Administrator shall prepare quarterly financial and non-financial reports in accordance with the format prescribed by the Public Sector Accounting Standards Board and the Act and submit them to the Board for approval. Quarterly reports.

(2) Upon approval, under sub-regulation (1), the Administrator shall submit the report to the National Treasury.

26. (1) The Board shall cause to be kept all proper books and records of account of the income, expenditure, assets, equipment and properties of the Fund. Accounts of the Fund.

(2) Within a period of three months from the end of each financial year, the Administrator shall submit to the Auditor-General with a copy to the National Treasury, Commission on Revenue Allocation and Controller of Budget the financial and non-financial statements of the Fund in accordance with the format prescribed by the Public Sector Accounting Standards Board and the Act.

27. The accounts submitted under regulation 26 shall be audited by the Auditor-General in accordance with the Constitution, the Act and the Public Audit Act. Audit of accounts.

28. The Board shall prepare annual performance report and submit to the Cabinet Secretary responsible for matters relating to Co-operatives. Annual performance report.

PART VI—GENERAL PROVISIONS

29. (1) The winding up of the Fund shall be in accordance with the provisions of the Act and the Regulations made on winding up of the Fund. Winding up of the Fund.

(2) The Administrator shall pay any amount remaining in the Fund into the National Exchequer Account for the credit of the national government.

(3) The Cabinet Secretary shall pay any deficit in the Fund from the funds of the national government in the National Exchequer Account with the approval of the National Assembly.

(4) Assets other than cash of the Fund shall be transferred to the accounting officer responsible for matters relating to co-operatives.

(5) The Cabinet Secretary shall submit a final statement of accounts to National Assembly and to the Auditor-General for audit within six months from the date of the decision to wind up the Fund.

30. (1) A person who fails to give information or gives inaccurate or misleading information or falsifies information or misrepresents information required under these Regulations commits an offence and shall upon conviction be liable to imprisonment for a term not exceeding five years or to a fine not exceeding ten million Kenya shillings, or to both.

Offences and penalties.

(2) A person who misappropriates any funds or assets of the Fund, or assists or causes any person to misappropriate or apply the funds otherwise than in the manner provided in these Regulations, commits an offence and shall, upon conviction, be liable to imprisonment for a term not exceeding five years or to a fine not exceeding ten million shillings, or to both.

31. Pursuant to section 12(2)(k) of the Act, the Cabinet Secretary may issue guidelines for the better administration of the Fund.

Guidelines

32. The Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2019 are revoked.

Revocation of L.N No. 26 of 2019.

<p>I authorise that the cherry advance be recovered from the proceeds of my coffee sales </p> <p>DECLARATION</p> <p>I certify that the above information is correct to the best of my knowledge and belief.</p> <p>Signature.....Date</p>			
PART B			
<p>Recommendation by Society</p> <p>I certify that the above information is correct to the best my knowledge and belief</p>			
<p>Authorised officers(s)</p> <p>CEO/Manager - Name in Full</p> <p>(Society Registration NO.....CS NO.....(attach certificate of registration)</p> <p>Signature</p> <p>Date</p> <p>Chairman - Name in Full</p> <p>Signature</p> <p>Date</p>			
<p>OFFICIAL STAMP /SEAL</p>			
<p>FOR OFFICIAL USE</p>			

REVIEWED BY FUND SECRETARIAT	
Name in Full	
Signature	
Date	
Comments if Any	
.....	
RECOMMENDED/NOT RECOMMENDED BY ADMINISTRATOR	
Name in Full	
Signature	
Date	
Comments if any	
.....	
APPROVED/NOT APPROVED BY THE BOARD Minute No.	
Name in Full	
Signature	
Date	

FORM 1 B.

(r.10 (1)(b))

**APPLICATION FORM FOR COFFEE ADVANCE BY A SMALL HOLDER ESTATE
AFFILIATED TO NEW KENYA PLANTERS COOPERATIVE UNION**

PART A	
1. Personal particulars	2. Estate Details
Full Name	Name of Estate
Gender Male	(attach copy of valid licence)
Female	County
ID NO. (attach copy)	Sub County
	Ward
Postal Address	Growers Code
Tel	
Email	

	Current Parchment production in (Kg) Delivery 1 Delivery 2 Delivery 3 Delivery 4 Total Record of previous deliveries and payment rate for past 2 years.		
	Year	1	2
	Delivery (kg)		
	Payment rate (KES/Kg)		
	Total amount paid (KES)		
Bank /FOSA account details (attach copy of the Bank Card Plate) OR Certificate from the Bank showing Account holder particulars Name A/C..... Bank Branch			
Farm Records i. Acreage under coffee..... ii. No. of Trees iii. Variety			
Other Incomes		Other Debts	
Source	Amount (KES)	Institution	Amount (KES)
I authorise that the cherry advance be recovered from the proceeds of my coffee sales DECLARATION I certify that the above information is correct to the best of my knowledge and belief. Signature.....Date			

PART B
Recommendation by the Administrator I certify that the above information is correct to the best my knowledge
Authorised officers(s) Administrator - Name in Full (New Kenya Planters Cooperative Union Licence No.....(attach copy of licence) Board minute number..... Date..... Signature Date Chairman - Name in Full Signature Date
OFFICIAL STAMP /SEAL
FOR OFFICIAL USE REVIEWED BY FUND SECRETARIAT Name in Full Signature Date Comments if any.....
RECOMMENDED/NOT RECOMMENDED BY ADMINISTRATOR Name in Full Signature Date Comments if any.....
APPROVED/NOT APPROVED BY THE BOARD Minute No. Date..... Name in Full Signature Date

Dated the 3rd March, 2020.



UKUR YATANI,
Cabinet Secretary for the National Treasury & Planning.

14 APR 2020

**EXPLANATORY MEMORANDUM FOR THE PUBLIC FINANCE
MANAGEMENT (COFFEE CHERRY ADVANCE REVOLVING FUND)
REGULATIONS, 2020**

.....

I. The Purpose of Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020.

- i. These Regulations propose to establish the Coffee Cherry Advance Revolving Fund under Section 24 of the Public Finance Management Act, to provide for affordable, sustainable and accessible coffee cherry advance to smallholder coffee growers.
- ii. Smallholder coffee growers have been facing a systemic delay to receive the proceeds of their cherry delivered to registered co-operative societies or licensed commercial marketing agents. Accordingly, this has led to coffee hawking at very low prices or uprooting of the coffee to plant other crops which have ready markets.
- iii. The Coffee Cherry Advance will address the challenge of systemic delays in proceeds from coffee farming and also facilitate the targeted farmers to cater for their immediate needs.
- iv. The Fund's strategic intervention will lead to increase in coffee production, improve the quality of coffee and address the immediate financial needs of the smallholder coffee growers as they wait for the coffee delivered to be marketed. This will also mitigate the delayed payments and cushion the smallholder coffee growers.
- v. To achieve this purpose, the Regulations in particular:
 - a. establish the Coffee Cherry Advance Revolving Fund;
 - b. specify the sources, expenditure, object and purpose of the Fund;
 - c. provide for the governance structure of the Fund, which include an oversight Boards, Administrator and Secretariat;
 - d. delegate the oversight role over the Fund to the New Kenya Planters Co-operative Union Limited, which is a State Corporation (under the State Corporations Act) established as a Company (under the Companies Act, 2015);
 - e. provide for the expenditures of the Fund;

- f. provide for the eligibility criteria for both the members of registered coffee co-operative societies, and for smallholder coffee estates, who are affiliated to New Kenya Planters Co-operative Union Limited;
- g. provide for coffee cherry advance approval thresholds, coffee advance payment rate and coffee advance disbursement procedure;
- h. provide for the recovery of administration costs by specifying, in regulation 15 (1) that “any coffee advance shall attract an administration cost of three per centum of each amount advanced and that amount shall be met by the farmers”;
- i. penalties and sanctions for abuse of Coffee Cherry Advance Revolving Fund by creating offences and penalties; and
- j. provide for the procedure of winding up of the Fund.

II. The Legislative Context:

- vi. The National Assembly delegated the duty to establish national public funds to the Cabinet Secretary responsible for finance with the approval of the National Assembly. This is provided for under Section 24 (4) of the Public Finance Management Act, 2012. Towards this end, this Fund is proposed to be established under this section.
- vii. The National Treasury also complied with the provisions of the Statutory Instruments Act on requirement for public consultations while preparing these Regulations.

III. Policy Background

- viii. Coffee plays a key role in Kenya’s economy due to its substantive contribution to foreign exchange earnings, family farm incomes, employment creation and also food security.
- ix. Coffee is among the leading foreign exchange earner for the country and is in the fifth position after tourism, tea, horticulture and diaspora remittances and it accounted for 4% of the marketed agricultural produce (Kenya Economic Outlook, 2018).
- x. The sub-sector directly supports approximately 5 million people through direct and indirect employment via forward and backward linkages (Kenya Economic Survey 2017) and its earnings have an enormous trickle effect to other sectors of the country’s economy.

- xi. Coffee is grown in 32 counties spread across Eastern, Coast, Nyanza, Central, Rift Valley and Western regions on both estates and small-scale farms.
- xii. In total we have an estimated 700,000 smallholder coffee growers who are clustered under 500 co-operative societies and approximately 2,000 smallholder coffee estates involved in coffee production.
- xiii. Towards this end, the Government constituted the National Task Force on Coffee Sub-Sector Reforms with a mandate to review the entire coffee value chain and identify areas that require interventions such as production, processing and marketing of coffee. It was also to examine the existing policy, institutional, legislative and administrative structures and systems in the coffee industry and recommend comprehensive reforms among other key issues.
- xiv. Among the recommendations by the National Taskforce on Coffee Sub-Sector Reforms under *Pillar Three* was the establishment of the Coffee Cherry Advance Revolving Fund to ensure farmers have money in their pockets as they wait for the coffee to be market to meet their immediate needs.

IV. Regulatory Impact Assessment.

- xv. The impact of establishing the Coffee Cherry Advance Revolving Fund will be ensure farmers access the Coffee Cherry Advance to mitigate against delay in coffee payment, which is a major problem that confronts farmers and dissuades the youth from coffee farming.
- xvi. Towards this end, coffee farmers will stop borrowing expensive loans which lowers their earnings from coffee millers, marketing agents and commercial banks.

V. Public Consultations

- xvii. Extensive consultations were done while preparing the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020 with key stakeholders and their input taken into account before finalization of these Regulations. The nationwide public consultations on the draft Regulations were organized for all the 32 coffee growing counties, which were **clustered into ten (10) zones (Nairobi,**

Murang'a, Kirinyaga, Nyeri, Meru, Kericho, Kisii, Nyamira, Kakamega and Eldoret).

- xviii. The key stakeholders consulted included Hon. Senators, Hon. Members of Parliament, Hon. Governors, Hon. Deputy Governors, CEC members, Hon. Members of County Assemblies (MCAs), Chairman/Vice chairman of the Coffee Co-operative Societies, representatives from the Coffee Unions, Coffee Estates, Coffee Millers, Faith based Organization, Community base Organizations, Civil Society, Government Officials (both at national and county level) and the coffee farmers. A total of about **1,411** stakeholders were consulted.
- xix. It is important to underscore that diverse views were received from the different stakeholders especially on the mode of implementation of coffee cherry advance initiative, but largely agreed on the need to operationalize the Fund under the Public Finance Management Act.

VI. Guidance

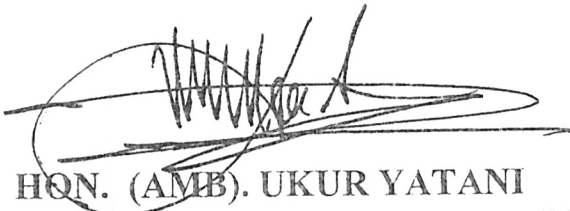
- xx. The National Treasury & Planning, Ministry of Agriculture, Livestock, Fisheries and Co-operatives and the New KCPU Board will sensitize stakeholders including Parliament, co-operative societies, coffee farmers and the general public, on the provisions of the Public Finance Management (Coffee Cherry Advance Revolving Fund) Regulations, 2020, the disbursement and recovery mechanism, the monitoring and evaluation mechanism and the need to ensure regular reporting to the Cabinet Secretary for the National Treasury and Planning and Parliament.

VII. Performance Monitoring and Evaluation of the Fund

- xxi. The National Treasury shall monitor the application of the Coffee Cherry Advance Revolving Fund resources. This will be done through quarterly reports submitted by the Administrator of the Fund. In addition, the New Kenya Planters Cooperative Union (KPCU) Limited shall be responsible for implementing the Fund and will also carry out regular monitoring and evaluation of the specific programmes, projects and develop policies relating to the general administration and management of the Fund.

VIII. National Treasury Contact Person.

- xxii. The contact person at the National Treasury & Planning is the Cabinet Secretary, Hon.(Amb.) Ukur Yatani or the Principal Secretary, Julius Muia, PhD, CBS.



**HON. (AMB.) UKUR YATANI
CABINET SECRETARY TO THE NATIONAL TREASURY AND
PLANNING**

Date. 6th March, 2020