EXPLANATORY MEMORANDUM

EXPLANATORY MEMORANDUM FOR THE PUBLIC FINANCE MANAGEMENT (TEACHERS SERVICE COMMISSION SECRETARIAT STAFF CAR LOAN AND MORTGAGE SCHEME FUND) REGULATIONS, 2026

PART I

Name of instrument: Public Finance Management (Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund) Regulations, 2026.

Name of Parent Act: The Public Finance Management Act *(No. 18 of 2012,* Cap. 412A

Enacted Pursuant to: Section 24 (4) of the Public Finance Management Act, 2012 and Regulation 127 (1) of the Public Finance Management (National Government) Regulations, 2015.

Name of Ministry: The National Treasury / Ministry of Education

Gazetted on: As gazetted by the Cabinet Secretary, National Treasury and Economic Planning, with approval of the National Assembly

Tabled on: To be advised by the Clerk of the National Assembly.

PART II

1. Purpose of the Statutory Instrument

This Statutory Instrument establishes a Fund known as the Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund and provides a comprehensive framework for its administration, management, and use in accordance with the Public Finance Management Act.

Specifically, the Regulations provide for the Fund to—

(a) purchase of a residential property for the occupation of the borrower;

(b) improvement of a residential property occupied by the borrower;

(c) development of a residential property for the occupation of the borrower;

(d) purchase of land and development of a residential property on the land for occupation by the borrower;

(e) equity release for improvement or development of a residential property; and

(f) the purchase of cars for personal use by the borrower.

2. Legislative Context

Section 24(1) of the Public Finance Management Act establishes the framework for creating national public funds, while section 24(4) empowers the Cabinet Secretary responsible for the National Treasury to establish such funds by Regulations, subject to National Assembly approval.

The Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund is established under these Regulations in accordance with Section 24(4) of the Public Finance Management Act and Regulation 127 (1) of the Public Finance Management (National Government) Regulations, 2015. The Regulations set out the legal, institutional, and financial framework needed to effectively operationalize the Fund.

The development of these Regulations therefore falls within section 24(4) of the Public Finance Management Act and is subject to the public participation requirements under the Statutory Instruments Act.

3. Policy Background

The Car Loan and Mortgage Scheme Funds in Kenya were established as part of the broader Government policy to improve public officers' remuneration and welfare through structured employee benefits. The schemes aim to provide affordable financing for motor vehicles and housing, enhance public officers' welfare, and support the attraction and retention of qualified personnel in the public service.

The constitutional foundation for the schemes is Article 230 of the Constitution of Kenya, 2010, which establishes the Salaries and Remuneration Commission

and mandates it to set and regularly review the remuneration and benefits of all State officers. The Commission must also advise the national and county governments on the remuneration and benefits of other public officers. This mandate provides the broader policy basis for employee benefits such as car loans and mortgage facilities.

The Salaries and Remuneration Commission developed a framework for providing Car Loan and Mortgage Loan Schemes for State Officers and other Public Officers. In December 2014, SRC issued a circular establishing and implementing the Car Loan and Mortgage Schemes. The framework sought to standardize access to these benefits and set clear parameters for eligibility, loan limits, repayment periods, interest rates, and scheme administration. The policy aimed to address disparities in how the public sector provided these benefits while ensuring the schemes remained affordable and sustainable.

The policy framework was subsequently operationalized within the Public Finance Management (PFM) framework. In particular, Regulation 127(1) of the Public Finance Management (National Government) Regulations, 2015, provides mechanisms for public officers to access loans, including car loans, mortgage loans, motorcycle loans, bicycle loans, and housing loans. This brought the schemes within the Government's broader public financial management architecture and provided a basis for their financing, administration, accountability, and reporting.

For the National Government, establishing the State Officers and Public Officers Motor Car Loan Scheme Fund provided an institutional mechanism to administer the car loan benefit. The Fund was established through Legal Notice No. 195 of 2015, under the PFM Act framework. The Fund was established to ensure that resources allocated for car loans were managed separately and used for their intended purpose. It also provided a mechanism to receive government appropriations and loan repayments and to re-lend the funds to eligible officers.

The Government's employee welfare policy also includes a mortgage and housing component. The underlying policy objective is to facilitate public officers' access to home ownership by providing financing at relatively favorable terms compared with conventional commercial borrowing. The schemes therefore constitute an employee benefit while also operating as revolving loan arrangements, since beneficiaries' repayments can finance subsequent loans, subject to the applicable legal and administrative framework.

The policy framework has continued to evolve as the Government reviews public officers' remuneration and benefits, as well as the mechanisms for administering the schemes. The Salaries and Remuneration Commission has periodically issued circulars and reviewed the terms applicable to car and mortgage benefits, while the National Treasury has developed regulations and

administrative arrangements governing the respective funds. More recent reforms have also sought to strengthen governance, accountability, sustainability and compliance in the management of the schemes

4. Guidance

The Teachers Service Commission, the Ministry of Education, and National Treasury shall sensitize the National Assembly and the general public on the objectives of the Teachers Service Commission Secretariat Staff Car Loan and Mortgage Scheme Fund.

5. Stakeholder Consultations

The National Treasury will hold targeted consultations with key stakeholders and their input will be taken into account before finalization of these draft Regulations. These stakeholders include the general public and the Teachers Service Commission Secretariat.

In accordance with section 5 of the Statutory Instruments Act, the National Treasury, the Teachers Service Commission, and the Ministry responsible for matters relating to education shall undertake public participation before publishing the Regulations.

Consultations are to be targeted at institutions and the general public directly affected by the operationalization of these Regulations.

Public participation will include inviting key stakeholders through an advertisement posted on the National Treasury website and published in the My Gov section of the newspaper on 3rd November, 2026. Written submissions on the Regulations should be sent to ps@treasury.go.ke and jona.wala@treasury.go.ke.

6. Impact Assessment

An impact assessment has been prepared for this Statutory Instrument in accordance with the Statutory Instruments Act.

The assessment evaluates the social, economic, and administrative impact of establishing and operationalizing the Child Welfare Fund, including anticipated benefits such as improved child welfare outcomes, strengthened family systems, reduced reliance on institutional care, and enhanced accountability in the use of public resources.

7. Review

The National Treasury shall monitor the application of the Regulations. This shall be done through the quarterly and annual reports prepared by the Fund and forwarded to the National Treasury.

8. Contact

The contact person for matters relating to this Statutory Instrument shall be the Cabinet Secretary or Principal Secretary of the National Treasury.

Made on the ……, 2026

HON. FCPA JOHN MBADI NG'ONGO, EGH
Cabinet Secretary for the National Treasury