



JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLOGY

DEBT MANAGEMENT POLICY

JUNE 2011



VISION

A University of global excellence in Training, Research and Innovation for Development.

MISSION

To offer accessible quality training, research and innovation in order to produce leaders in the fields of Agriculture, Engineering, Technology, Enterprise Development, Built Environment, Health and other Applied Sciences to suit the needs of a dynamic world.

MOTTO

Setting Trends in Higher Education, Research and Innovation.



Overview

In support of its mission, JKUAT maintains a long-term strategic plan. The strategic plan establishes University-wide priorities as well as University-wide and divisional programmatic objectives. To support these priorities and objectives the University develops a capital plan.

The University's use of debt plays a critical role in ensuring adequate funding for the capital plan as well as providing a cost-effective source of funding for other purposes. By linking the objectives of its Debt Policy to its strategic objectives, the University ultimately increases the likelihood of achieving its mission.

Effective debt management maximizes the cash flows from each area of the business and minimizes the risk of bad debts. The Debt Management Policy provides the guidelines for effective operations of the debt profiles of the University.

The Debt Policy is intended to be a "living" document that will evolve over time to meet the changing needs of the University.

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VICE CHANCELLOR



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1.0 DEFINITION OF TERMS

For the purpose of this document:

- (i) **“University”** – refers to Jomo Kenyatta University of Agriculture and Technology
- (ii) **“Debt”** – refers to money owed to the University for goods provided and/or services rendered
- (iii) **“Debtors”** – refers to individuals, organizations or institutions owing the money for goods provided and/or services rendered.
- (iv) **“Staff”** – refers to employees of the University on permanent, contract or casual employment
- (v) **“Students”** – refers to a person who is registered as a student of the University during a current academic year for a first or higher degree, diploma, certificate or such other qualification or course of the University as may be approved by the Senate as qualifying person for the status of a student, but does not include a student of an affiliated institution who is registered for examinations leading to a degree, diploma, certificate and other academic award of the University.
- (vi) **“Fees”** – refers to the amount of money paid by the student to the University for educational and other services provided by the University.



2.0 ACRONYMS

CEP Continuing Education Programme

JKUAT Jomo Kenyatta University of Agriculture and Technology



3.0 SCOPE

This policy specifically covers 4 specific classes of Debtors namely:

- i) Students
- ii) Institutional (e.g. Continuing Education Programs)
- iii) Internal (Staff), and
- iv) External customers



4.0 AIMS OF THE DEBT MANAGEMENT POLICY

Under this policy, debt is being managed to achieve the following goals:

- (i) Maintaining access to financial markets: capital, money, and bank markets.

- (ii) Managing the University's credit rating to meet its strategic objectives while maintaining the highest acceptable creditworthiness and most favorable relative cost of capital and borrowing terms;

- (iii) Optimizing the University's debt mix (i.e. short-term and long-term, fixed-rate and floating-rate, traditional and synthetic) for the University's debt portfolio;

- (iv) Managing the structure and maturity profile of debt to meet liquidity objectives and make funds available to support future capital projects and strategic initiatives;

- (v) Coordinating debt management decisions with asset management decisions to optimize overall funding and portfolio management strategies.

The University may use debt to accomplish critical priorities by more prudently using debt financing to accelerate the initiation or completion of certain projects, where appropriate. As part of its review of each project, the University evaluates all funding sources to determine the optimal funding structure to achieve the lowest cost of capital.



The Office of the Finance Officer is responsible for implementing this policy and for all debt financing activities of the University.

5.0 POLICY STATEMENT

This policy establishes a control framework to ensure that appropriate discipline is in place regarding debt management and debt authorization. It establishes guidelines to ensure that existing and future debt issues are consistent with financial resources to maintain the proper leverage, a strong financial profile and credit rating.

6.0 OBJECTIVES OF THE POLICY

The objectives of this policy are to:

- (i) Outline the University's philosophy on debt
- (ii) Establish a control framework for approving and managing debt
- (iii) Define reporting guidelines
- (iv) Establish debt management guidelines

The Debt Policy formalizes the link between the University's Strategic Plan and the issuance of debt. Debt is a limited resource that must be managed strategically in order to best support University priorities.



The policy establishes a control framework to ensure that appropriate discipline is in place regarding capital rationing, reporting requirements, debt portfolio composition and debt authorization. It establishes guidelines to ensure that existing and proposed debt issues are consistent with financial resources to maintain an optimal amount of leverage, a strong financial profile, and a strategically optimal credit rating.

7.0 INTERNAL DEBTS

7.1 Fees Debtors

All students shall be invoiced by the University for the courses/programmes they have been admitted. The invoice shall either be in form of a letter of admission in case of a new student or through the semester statement/invoice.

a) Fees Debt Collection

- (i) Demand notes shall be written to all students with fees balances. Any fees balances must be paid before the commencement of the next semester. A student will not be allowed to sit for examination for a particular semester before fees is paid in full.
- (ii) A student who has withdrawn from the University for Non-payment of fees shall be required to pay the outstanding debt immediately.
- (iii) In addition to section (i) and (ii)) above, students are subject to the University Fee Payment Policy.



7.2 Staff Members Debts

Staff members' debts fall into the following categories:

7.2.1 Medical bills over and above NHIF rebate and University contribution

a) Staff members are entitled to medical cover both in and out-patient to various limits.

The in-patient covers doctor's charges, cost of drugs, cost of X-rays, etc as per the Staff Terms of Service. There is a limit however to the cost of bed charges.

b) Where a staff member has exceeded his/her limit (after NHIF Rebate and University Contribution), the staff member is invoiced for the amount owed to the University.

c) The amounts owed shall be recovered from the payroll within a maximum period of one year.

7.2.2 Outstanding Imprests

a) Staff shall be granted imprest/advances for specific tasks. Such imprests shall be used for the purpose for which it was granted.

b) An imprest shall not be granted to a member of staff unless and until he/she has surrendered any other imprest previously granted, except with the approval of the Deputy Vice Chancellor (Administration, Planning and Development) or Finance Officer and, in the case of a Campus, the Campus Principal.



- c) All imprests shall be surrendered to the Revenue Section in Finance Department within fourteen calendar days or after procuring goods and/or services and entered in the official register maintained by the Revenue Section.
- d) All imprests for the purchase of goods or services shall be made in accordance with the Public Procurement and Disposal Act, 2005 and the relevant Regulations.
- e) Where an imprest is not surrendered/accounted for as per the Financial Rules and Regulations then full recovery measures shall be instituted within one month from the due date.

7.2.3 Salary Advances

- a) Staff members shall be granted salary advances for specific needs or tasks.
- b) Staff members are allowed a maximum of one month's salary as an advance upon approval by the Finance Officer
- b) An advance shall not be granted to a member of staff unless and until he/she has completed any prior advances previously granted, except with the approval of the Deputy Vice Chancellor (Administration, Planning and Development) or Finance Officer and, in the case of a Campus, the Campus Principal.
- c) Salary advances must be recovered in full within six months.

7.2.4 Other Debts

These include such debts as:

- i) Bookshop deductions. This applies where staff take goods on credit from the University Bookshop



- ii) Engineering Workshop deductions. This applies where staff members either buy or have services rendered to them on credit from the Engineering Workshops Department
- iii) Farm deductions. This applies where staff members buy farm products on credit.
- iv) Chemistry Production Centre deductions. This applies where staff members buy goods on credit from the CPC
- v) Surcharges. This applies when the University recovers amounts from a staff member for such cases as loss of property, damage to property or any other reason as may deem fit.

These debts are to be recovered in full within six months.



8.0 EXTERNAL DEBTS

8.1 Institutional Debtors

These are the CEP Centres, with which JKUAT has collaborations with. They offer JKUAT courses and in-turn pay to JKUAT her share of the fees. Some of the percentage shares include:

i)	Application fees	50%
ii)	Registration fees	50%
iii)	Tuition fees	35%
iv)	Examination fees	100%
v)	Library fees	30%

These Institutions are invoiced at the beginning of the semester. They are required to pay within 90 days of the invoice date. Failure to pay will result in action taken as provided under Section 9.0 below.

8.2 Rental Income Debtors

A number of small businesses use JKUAT buildings to run their operations and we invoice them for the rent.

They are invoiced quarterly and are required to pay within 90 days of the invoice date. Failure to pay will result in action taken as provided under Section 9.0 below.



8.3 External Medical Invoices

These include:

i) Fundilima SACCO

Fundilima SACCO is invoiced for the use of JKUAT's hospital services by its staff members.

ii) Nearby Schools

Nearby schools such as Mang'u High School and Juja Senior and Preparatory School are invoiced for the use of the JKUAT Hospital by their students.

iii) JKUATES

JKUATES is invoiced for the use of JKUAT's hospital services by its staff Members.

These are invoiced at the end of the month and as debtors, are required to pay within **30 days**. Failure to pay will result in action taken as provided under Section 9.0 below.

8.4 Companies, Organisations and other Public and Private Universities

These are invoiced for services offered or goods bought on credit. This includes invoicing for training by some of the University's teaching



departments. Other institutions/ universities hire JKUAT facilities, including laboratory usage and graduation gowns.

These category of debtors are required to settle their debts within a period of **30days**. Failure to pay will result in action taken as provided under Section 9.0 below.

9.0 ACTION ON OVERDUE DEBTS

The following action shall apply in cases of over due debts.

9.1 Grace period

A grace period of 15 days is granted on over due debts.

9.2 Action after Grace Period

An interest rate of 2.5% is charged on the outstanding amount.

9.3 Action after Default

A debt will be in default when no action to repay the debt has been taken one month after the due date. To recover the debt the following action shall be taken:

- 1) Send out reminder notes demanding for payment;
- 2) Failure to 1 above, the University shall engage a debt collector;
- 3) Failure to 1 and 2 above, the University shall engage a lawyer to take legal action.

