



REPUBLIC OF KENYA
THE NATIONAL TREASURY AND ECONOMIC PLANNING

THE REGULATORY IMPACT STATEMENT

IN THE MATTER OF PUBLIC PARTICIPATION ON:

THE DRAFT LEGAL NOTICE ON THE PUBLIC FINANCE MANAGEMENT (PRISONS ENTERPRISE FUND) REGULATIONS, 2025 BY THE MINISTRY OF INTERIOR & NATIONAL ADMINISTRATION AND THE NATIONAL TREASURY.

- 1. The objectives of and reasons for the proposed Legal Notice are mainly to provide funds to support the Kenya Prisons Service in Kenya, and in particular:**
 - a) facilitate the provision of funds for the development and implementation of training and rehabilitation programs for prisoners;
 - b) facilitate the development of the prison enterprises;
 - c) fund the purchase and maintenance of prison enterprises' equipment and machinery;
 - d) facilitate the provision of strategic marketing initiatives for products and services from the prison enterprise;
 - e) facilitate the development of human capital resources through capacity building of prison enterprises' staff;
 - f) fund any other relevant activities in the furtherance of the objects for which the Fund was established;
- 2. The effect of the proposed gazettelement of the Legal Notice includes the following:**
 - a. Designation of Kenya Prisons Service – Prisons Enterprises (Farms and Industries) as a strategic national resource and allocation of adequate funding from the national budget;
 - b. Inclusion of the economic value of Kenya Prisons Service – Prisons Enterprises (Farms and Industries) into the national income accounting, planning, and budgeting;
 - c. Promote retention of the benefits generated from Prisons Enterprises to develop and manage Kenya Prisons Service in achieving its core mandates;
 - d. Establishment of a fund to promote Rehabilitation and Revenue generation and management;
 - e. Promote access to innovative and sustainable utilization of prisoners' labour as an economic driver; and;
 - f. Mainstream Prisons Enterprise resources into the frameworks on blue and green economies.
- 3. Possible alternatives and practicable means of achieving the foregoing objectives, including other regulatory as well as non-regulatory options:**

- a. The development of these Regulations seeks to address the problems and challenges of the rehabilitation of inmates that the country currently deals with. The various mandates of the KPS need to be centrally coordinated and funded to achieve maximum benefit. The effects of not having a well-regulated and well-governed fund could lead to the proliferation of government overspending. Without a well-funded and regulated Fund, KPS may not be able to achieve some of its core mandates;
 - b. There is a need to provide a vehicle where the Kenya Prisons Service can supplement the Government revenue generation, as well as keep a safe country and pathway of mobilizing private partners in propping up prisoners' rehabilitation activities.
 - c. Executive Orders No.1 & 2 of 2022 and 2023, respectively, on Prisons Enterprise Policy place significant importance on the strategic importance of Prisons Enterprise as a tool to enhance agricultural plus industrial production in Kenya. The management of prison land, prisoners' labour, and funding can only be well coordinated through the Fund rather than the normal exchequer process, as envisioned by the then competent minds, which created the two defunct Revolving Funds currently driving the agenda; however, not effectively due to current restraints being addressed by this regulation.
- 4. Assessment of costs and benefits of the proposed Prisons Enterprise Fund Regulations, 2024.**
- a. The seed capital for the Fund will be appropriated by the National Treasury and Ministry of Interior & National Administration - State Department for Correctional Services/Kenya Prisons Services, propped by the existing assets of the two revolving funds being wound up, which are in a going concern status and will be transitioned to the new Fund.
Other revenues include income generated from prison enterprises, investments made by the Fund, grants, donations, bequests, or other gifts to the Fund.
 - b. The costs will be apportioned between Farms and Industries for furtherance of the rehabilitation and production/manufacturing agenda. The Fund shall raise, manage, and disburse funds to promote sustainable rehabilitation of prisoners as well as promote SMEs through technology transfer and production/manufacture of quality products from the farms and Industries, respectively.
The benefits include:
 - Enhanced skills transfer to prisoners and staff
 - Enhancing the contribution of KPS earnings to the country's reserves
 - Provision of ecosystem services through the raising of seedlings
 - Carbon dioxide sequestration through planting trees towards achieving the planting of 100million trees
 - Provision of quality farm produce, industrial products, portable fresh water, and air when the environment is conserved

5. Any other matters specified by the guidelines:

Overall, the net impact of the proposed Legal Notice on the Public Finance Management (Prisons Enterprise Fund) Regulations, 2025, by the Ministry of Interior and the Administration of the National Government, is positive. It is recommended that the proposed Regulations be adopted.

6. Draft copy of the proposed statutory instrument

Draft copies of the proposed Legal Notice can be downloaded from the National Treasury website www.treasury.go.ke.



HON. FCPA JOHN MBADI NG'ONGO, EGH
CABINET SECRETARY

