



**INCOME GENERATING UNITS POLICY  
AND  
PROCEDURES MANUAL**

<b>Version</b>	<b>1.0</b>
<b>Short description</b>	<b>IGU Policy</b>
<b>Relevant to</b>	<b>All stakeholders</b>
<b>Approved by</b>	<b>University Council</b>
<b>Responsible officer</b>	<b>Vice Chancellor</b>
<b>Responsible office</b>	<b>Office of the Vice-Chancellor</b>
<b>Date introduced</b>	<b>September, 2019</b>

## **Related University documents**

University Charter, Statutes, Consultancy Policy, Finance Policy and other relevant University Policies

## **Related legislation Constitution of Kenya,2010, Public Finance**

Relevant government circulars, Public Finance Management Act, 2012, Public Finance Regulations, 2015, Public Audit Act, 2003, State Corporations Act, Cap 446, Universities Act,2012.

**Key words:** Income Generating Units, Revenues, Expenses



## APPROVAL

The University of Eldoret having been awarded its Charter on 11th February 2013 has set on a growth path guided by its vision of "*being a Premier University that nurtures global leaders and innovators*". As part of laying its foundation, the University developed its Statutes in November 2013 followed by its first strategic plan which will be rolled out in 2014.

The university has gone through 6 years since the award of charter. During this time, a number of income generating activities have been carried out by the university, some without much success. This needs an enabling environment, which can be provided by a policy on income generation. Given the need to improve, increase and diversify income streams for the university, it has become prudent to develop this particular policy on income generation

My special thanks go to all those who put in their time, effort and skills to develop this Policy.

By virtue of the authority vested in me as the Chairman of Council of the University of Eldoret and in reference to the approval granted by Council in its meeting of 11<sup>th</sup> September 2019, I hereby sign this Income Generation Activities Policy this ...11<sup>th</sup>... day of September 2019.



Dr. David Ojaka, PhD

CHAIRMAN OF COUNCIL

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## **LIST OF ACRONYMS**

A-I-A	Appropriation in Aid
DVC	Deputy Vice-Chancellor
PRE	Planning Research and Extension
UoE	University of Eldoret
IFRS	International Financial Reporting Standards
IGU	Income Generating Unit
IGA	Income Generating Activity
PFM	Public Financial Management Act
SPV	Special Purpose Vehicle
MOU	Memorandum of Understanding



## FOREWORD

The University of Eldoret Income Generating Units Policy sets out the approach to identify, evaluate, regulate and motivate income generating Units within the university.

This policy is expected to align the university to not only nurture and produce entrepreneurs, but also be a role model in increasing and diversifying revenue streams of the university. The benefits of such a scenario will not only improve delivery of service, but also improve the overall standing of the university within the community through enablement of outreach to the community.

This policy will also streamline existing IGAs, provide opportunities for their growth identification and nurturing of new ones.

  
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VICE-CHANCELLOR



## **DEFINITIONS**

**Autonomous IGUs:** Are those that, to a certain extent, operate independently from the direct control of the university management.

**Accounting documents:** The physical object upon which transactions are made; or records evidencing the transaction. These include cheque books, receipt books, invoices, payment vouchers and bank statements.

**Asset:** A resource with economic value owned or controlled by the Income Generating unit and from which future economic benefits are expected.

**Budget:** A formal written statement of the Income Generating Unit's plans for a specified period of time expressed in financial terms.

**Council:** The University of Eldoret Council.

**Expenditure:** The outflow of economic benefits arising in the course of ordinary activities of the Income Generating Unit.

**Fixed assets:** Tangible assets acquired with the intention of use on a continuous basis for a period beyond 1 year.

**Financial Statements:** A collection of financial reports that show an organization's financial performance and condition. A complete set of Financial Statements contains a Statement of Financial Position, a Statement of Comprehensive Income, a Statement of Changes in Equity, a Statement of Cash flows and Notes to the accounts.

**Income Generating Unit:** Any entity, enterprise, section or project established for the sole purpose of generating income for the University.

**Income Generating Activity:** Any event, product or service, initiated within an existing IGU, Department or School with the purpose of generating income for the University.

**Income:** The difference between total revenues and total costs.

**International Financial Reporting Standards:** Principles of Accounting adopted by The Institute of Certified Public Accountants of Kenya.



**Semi-autonomous IGU:** Are those that shall have direct control and direction from the university management, shall not own capital resources and shall not be allowed to run a bank account and shall exist to supplement other university operations.

**University:** The University of Eldoret



## **1.0 Background**

The university of Eldoret has increased in size of its operations since inception in 2013. For these operations to run smoothly, adequate finances are needed. However, government funding is subject to many factors, which have led to decline in capitation. As a consequence, the university may not be able to sustain her operations unless other sources/income streams are brought on board. Income Generating Activities and units have existed within the university setup, but has not expanded to become a serious income stream due to lack of policies/guidelines which provide incentives for sustaining and improving such streams.

An income generation policy with clearly defined goals, objectives and strategies will lead to more efficient coordination and resource allocation mechanism for the IGUs.

### **1.1 Legal Authority**

As the funding from the exchequer continues to be constrained, it is important for the university to diversify and see how else it will be able to enhance revenues through A-I-A. The PFM Act gives the entity the leeway to look for ways of improving the revenue streams.

### **1.2 Vision, Mission and Core values**

#### **Vision**

A premier University of Science, Agriculture and technological innovations

#### **Mission**

To provide quality education, training, research and consultancy in Science, Agriculture and Technology to meet the needs and aspirations of dynamic society

#### **Core Values**

- Integrity
- Innovativeness
- Customer Satisfaction
- Competitiveness
- Equity and
- Responsiveness
- Inclusivity

### **1.3 Mandate of the University**

The mandate of University of Eldoret is enshrined in its **objects** and **functions** and its Charter. According to University of Eldoret Charter of 2013, UoE is mandated to:

- (a) Provide directly or indirectly or in collaboration with other institutions of higher learning, facilities for quality training, research and innovation in agriculture, engineering, technology, enterprise development, health sciences, social sciences and other applied sciences, and integration of teaching, research and effective application of knowledge and skills to the life, work and welfare of citizens of Kenya;
- (b) Promote technological innovation as well as discovery, preservation, transmission and enhancement of knowledge and to stimulate the intellectual life in the economic, social, cultural, scientific, and technological development;
- (c) Play an effective role in the development of science, technology, engineering, agriculture and natural resource management in conjunction with the industry and to provide extension services so as to contribute to the social and economic development of Kenya;
- (d) Develop market driven programmes of study including those that culminate with degrees, diplomas and certificates.

#### **1.3.0 Objectives of the IGU policy**

To identify, promote, operationalize and profitably manage income generating units and activities to support the improvement of the infrastructure and financial viability and stability of the University.

#### **1.3.1 Specific Objectives**

- (i) To provide a structure for the formation of income generating units (IGUs) in the University
- (ii) To provide a framework for identification and administration of income generating activities at the University
- (iii) To provide guidelines on the sharing of IGU income with members of staff
- (iv) To provide guidelines on the operationalization of income generating activities
- (v) To facilitate management of IGUs to operate profitably or at least at breakeven level.

#### **1.3.2 Scope of the policy**

This policy shall:

- (i) Cover all income generating units and/or activities of the university which shall be classified into two broad categories; Autonomous and Semi-autonomous.
- (ii) Cover all other IGA that maybe created in future to advance the objectives of the IGU as maybe approved by council from time to time.

#### **1.4 Establishment of an IGU**

- 1.4.1 There shall be a general guiding procedure of the establishment of an Income Generating Unit to ensure standardization and proper coordination in the establishment of an IGU.
- 1.4.2 The standardization shall focus on the IGU initiation framework, business planning and operational requirements.
- 1.4.3 Depending on the category of the Income generating Unit, the following general procedures shall be followed:
  1. Initiation of an IGU idea by any school, department, institute or individual from research or teaching or from any other source.
  2. Development of a business plan with a risk matrix by the relevant school, department, individual or institute using the laid down guidelines
  3. Deliberations of the business plan by the IGU board and the decision shall be communicated to the relevant department, school individual or institute.
  4. Request and loaning of seed money to the relevant school, department, individual or institute for starting up the Income Generating Unit or Activity.
  5. The duration of approval from the date of submission of the business plan shall be subject to proof of sustainability, availability of funds and approval by council.
  6. The procurement department shall, on priority basis give preference to the items and materials of the IGU following the standard procurement procedures.
- 1.4.4 The amount of seed money advanced shall be as per the IGU business plan and shall be recouped within a period of two years from the date the money is advanced.

#### **1.5 Planning, control and administration of IGUs**

- 1.5.1 An IGU shall be based in a School, Department, Institute, Centre or shall comprise collaborating staff with requisite expertise to develop specific products and services from University of Eldoret



- 1.5.2 The Income Generating Units shall be run and managed by a board (herein after referred to as IGU board), responsible for the coordination of all Income Generating Activities of the University on behalf of the Directorate of Industrial linkages.
- 1.5.3 The Board shall act as a link between the University and the IGU through the office of the Deputy Vice Chancellor; Planning, Research and Extension
- 1.5.4 The IGU shall be run by a Director assisted by a board. The Board shall comprise members with relevant educational background in business and enterprise management. The Director shall be the Secretary to the board.

## **1.6 The IGU Policy Framework**

The policy shall address itself to the following Key issues

- i. Financial and other resource mobilization strategies
- ii. The planning, control and administration of IGUs
- iii. The description and categories of Income Generating Units and/or Activities
- iv. The procedure for the establishment of an Income Generating Unit and/or Activity
- v. Marketing and commercialization of IGUs products and services
- vi. The distribution of surplus generated by the IGUs and,
- vii. The dispute resolution mechanism of the IGU

### **1.6.1 Core components of policy**

- 1.6.1.1 All employees of the autonomous IGU shall be hired on contract terms which will be renewed based on performance.
- 1.6.2.2 All employees on Semi-autonomous shall be compensated as per the consultancy policy.
- 1.6.3.3 That all the IGU for the University shall be profitable or at least operate at breakeven level.
- 1.6.4.4 That there shall be an IGU Board to oversee the formation and running of IGUs in the University

### **1.6.2 Governance**

- 1.6.2.1 All IGUs shall operate and espouse the principles of good governance; accountability, transparency, professionalism and on the basis of existing legislation.
- 1.6.2.2 All the operations of the IGUs shall be in compliance with the university's vision, mission and core values

### **1.6.3 The Policy Implementation Framework**

#### **1.6.3.1 Financial and other resource mobilization**

- a) The IGU shall mobilize its financial resources from several sources including but not limited to multilateral and bilateral sources, international and local sources both public and private.
- b) The mobilization shall be encouraged and facilitated at individual, departmental, school, institute and inter-institutional levels.
- c) Agreements shall be entered into between the University and potential IGUs, facilitated and coordinated by the Directorate of Industrial Linkages.
- d) The University shall provide seed funds or initial start-up capital to support IGU development where applicable which shall be utilised as specified by the university.
- e) The IGU projects for University funding shall be selected on the basis of priority, business plan and viability.

#### **1.6.4 The Management of the IGU**

The IGU shall be run and managed by a director with the help of the IGU board. The Director shall normally be a member of staff of the University.

The director shall have business and management experience and expertise at the position of senior lecturer.

#### **1.6.4.1 The functions of the Director, IGU**

The IGU Director, in ensuring smooth and efficient operations of the IGU shall perform the following functions:

- a) Carry out research to Identify income generation opportunities for the University
- b) Coordinate the establishment of IGUs at the University
- c) Facilitate and coordinate operations of all income generating units
- d) Provide and review as need arises, the IGU policy
- e) Facilitate and mobilize financial and other resources for the IGUs
- f) Review and approve budgetary support to the university's IGUs
- g) Organize and coordinate capacity building programmes for university's IGUs
- h) Carry out monitoring and evaluation of the performance of Income generating units and their activities
- i) Develop and recommend ways of enhancing IGU's performance to ensure profitability
- j) Monitor the expenditure of the IGU and recommend prudential measures
- k) Coordinate the marketing and commercialization of IGU products and activities
- l) Facilitate the distribution of surplus IGU income

m) Arbitrate in dispute resolution on matters affecting the IGUS

#### **1.6.5 The IGU Board**

All IGUs shall be run by an IGU board. The board shall comprise members of staff appointed by the Vice Chancellor with experience and expertise in business management, resource mobilization and co-opted selected business leaders from the community.

The board shall comprise independent members with no interest directly or indirectly in the operations of the IGU.

#### **1.7 General Operations and Reporting of IGUs**

An Income Generating Unit as an entity, enterprise, section or project established for the sole purpose of generating income for the University may be:

- i. Engaged in one or more business activities thus generating income
- ii. Considered Income Generating when it provides a means to recoup all its costs, including personnel emoluments or a portion thereof as shall be determined by the IGU board
- iii. Required to make surplus from delivery of a service or product over and above its core function.

#### **1.7.2 Types of IGAs**

The following activities shall constitute Income Generating activities among others for the time being:

- a) Teaching activities; direct entry degree programmes, short courses, centres or campuses
- b) Commercialization of research outputs
- c) patents
- d) Non-Teaching activities such as Catering, Farm, Food products, Tailoring products and Scientific Products, Centre
- e) Professional services offered at a fee
- f) Consultancy services

#### **1.7.3 Categories of IGUs**

The IGUs shall be broadly categorized into two; autonomous and semi-autonomous.

**1.7.3.1 Autonomous IGUs** shall be those that, to a certain extent, operate independently from the direct control of the university management.

	They shall have management with freedom to act according to their own judgement and shall own capital resources and run a bank account and shall report to the board.
1.7.3.2	A semi-autonomous IGU shall have direct control and direction from the university management, shall not own capital resources and shall not be allowed to run a bank account. They shall exist to supplement other university operations.

## 1.8 Marketing of Products and Services from IGAs

### 1.8.1 Methods of Marketing

The following methods shall be used for marketing products from IGAs:

- (i) Launching of products
- (ii) Quality standardization and marks of quality.
- (iii) Branding and re-branding

### 1.8.2 Types of Markets

#### 1.8.2.1 Internal market

This essentially refers to members of University of Eldoret community. An outlet shall be created for the purpose of availing to the community the products from IGAs for sale. The target are members of staff, students and those able to reach the outlet.

#### 1.8.2.2 External Market

The University will be responsible for external markets of products from IGAs. The business plan developed by the IGA will guide the university on marketing of the products.

## 1.9 Distribution of Income

In order to ensure motivation of all stakeholders, a distribution formula shall be adopted in determining how funds generated by an IGA can be utilized in paying for overheads, remuneration of staff and further investment.

For purposes of distribution, income shall be the difference between total revenue collected by the IGU less the total expenses incurred to generate that income.

### **1.9.1 Sharing Ratio**

The sharing ratios of the income generated shall be as prescribed in the UoE Consultancy Policy and PSSP policy and shall be revised from time to time as economic conditions shall allow.

Generally, and for the time being 70:30 ratio shall be adopted in the sharing of the surplus income between the IGU and University respectively or as may be agreed between the IGU and the University from time to time.

## **2.0 Monitoring and Evaluation**

The IGU shall undergo periodic monitoring and evaluation by the IGUs board and the university council to ensure adequate control and sustainability of its operations and reported performance.

### **2.1 Review**

This policy shall be reviewed at appropriate intervals, usually five years to ensure its continued application and relevance.

### **2.2 Conversion of an IGU into a Limited Company**

An IGU established under this policy may be converted into a company limited by shares and wholly owned by University of Eldoret.

## **2.3 Implementation Rules and Regulations**

### **2.3.1 The implementation Date**

This policy herein referred to as the IGU policy shall become effective from the date of approval by the university Council and shall be reviewed within a reasonable period.

The policy shall apply to new agreements entered into by the university and pre-existing agreements shall, at the time of renewal be required to comply with this policy

### **2.3.2 Governing Rules and Regulations**

This policy shall be interpreted in a manner consistent with other University Policies.

### **2.3.3 Exemptions, Review and Amendments**

This policy shall be reviewed every five (5) years. Exemptions and amendments of this policy may be initiated by the IGU or any other interested party through the IGU Board

### **2.3.4 Dispute Resolution Mechanism**

The IGU board shall, in the event an IGU is aggrieved about the University, on the handling and/or the interpretation of this policy, establish an arbitration and dispute resolution mechanism.

### **2.3.5 Appeals**

Further, in the event that the party is not satisfied with the outcome of the review, by the IGU board, he/she shall have a right of appeal to the Vice-Chancellor who shall appoint a board of at least five members to deliberate the dispute.

The appeals board so appointed by the Vice Chancellor shall exclude members of the IGU Board.

Where the unit is still aggrieved, it shall have a right of appeal to the Council through the chairman of council.

## **2.4 Transition**

The university shall ensure that existing IGUs transit and adopt this policy as circumstances of their operations may allow.

## **2.5 Exit strategy**

The university under this policy shall, through mutual consent, commence the process of terminating an IGU.

### **2.5.1 Reasons for termination**

- (i) Engagement in fraudulent activities
- (ii) Impossibility of performance
- (iii) Mutual mistake as to the interpretation of the contract
- (iv) Breach of contract

## **3.0 Risk Management**

The risks associated with the operationalization of the IGU shall be managed in line with the risk management policy of the University.

## *Appendix I*

### **1. Existing**

- i. Farm
- ii. Hotel Academia
- iii. Central mess (Catering)
- iv. Outreach centre
- v. Fish Farm
- vi. Labs & Workshop
- vii. Bookshop
- viii. Animal Science Department
- ix. Transport
- x. The sports ground/Field
- xi. Mushroom production unit

### **2. Potential**

- i. Short courses
- ii. Botanical Garden (Nature Trail)
- iii. The boat in Kisumu (Impala Sanctuary)

## *Appendix II*

That the Procedures for formulation of IGU shall be as follows:

- I. Any member of staff or individual can identify an IGA
- II. The person with the idea for an IGA shall prepare a business plan and present it to the University IGU overall board
- III. The IGU Board shall review the Business plan and present it to the University Management Board.
- IV. After approval of the Business plan by the University Management, the University shall lend seed money to the Unit.

