COUNTY GOVERNMENT OF BUNGOMA

COUNTY ASSEMBLY OF BUNGOMA

COUNTY ASSEMBLY DEBATES

THE DAILY HANSARD

WEDNESDAY 12TH APRIL, 2023

Morning Sitting

COUNTY ASSEMBLY OF BUNGOMA

HANSARD OFFICIAL REPORT

WEDNESDAY 12TH APRIL, 2023

The House met at 9:30 a.m.

(Mr. Speaker [Hon. Emmanuel Situma] in the Chair)

PRAYER

PAPERS

REPORT BY SECTORAL COMMITTEE ON FINANCE AND ECONOMIC PLANNING ON THE BUNGOMA COUNTY INTEGRATED DEVELOPMENT PLAN 2023-2027

Hon. Jack Kawa: Thank you, Honorable Speaker. On behalf of the Committee on Finance, I hereby table a report on Bungoma County Integrated Development Plan 2023-2027.

Mr. Speaker: Honorable member, the report by the Committee on Finance and Economic Planning on the Bungoma County Integrated Development Plan 2023-2027 is hereby tabled and it becomes property of the House.

NOTICES OF MOTION

REPORT BY THE SECTORAL COMMITTEE ON FINANCE AND ECONOMIC PLANNING ON THE BUNGOMA COUNTY INTEGRATED DEVELOPMENT PLAN 2023-2027

Hon. Jack Kawa: Mr. Speaker, I'm here to give a notice of motion that this House adopts the report by the Sectoral Committee on Finance and Economic Planning on the Bungoma County Integrated Development Plan 2023-2027.

Mr. Speaker: The committee having issued a notice of motion on its report on Bungoma County Integrated Development Plan 2023-2027, I direct the table clerks to share this report with honorable members. It will form business on our Order Paper in the course of the week or early next.

STATEMENTS

STATEMENT IN RELATION TO THE STATUS OF THE CONSTRUCTION OF MISANGA DISPENSARY AND MAKUTANO HEALTH CENTRE IN SOYSAMBU/ MITUA WARD

Hon. Stephen Wamalwa: Thank you, Honorable Speaker. I rise pursuant to the provisions of Standing Order 47 (2) (c) of Bungoma County Assembly Standing Orders to seek for a statement from the Chairperson Sectoral Committee on Health and Sanitation in relation to the two health facilities earmarked for construction under Ward Based Projects in the Financial Year 2017-2018.

Aware that Misanga Dispensary and Makutano Health Centres were allocated Kshs. 6 M and Kshs. 15 M shillings respectively in the financial year 2017-2018.
I seek that the chairperson inquiries into and report on the following;

1. Name of the company that was given the contract and the directors of the company and they should provide CR12 forms for proof
2. The agreed contract period for the two projects. Provide contract agreement for verification
3. Why the Chief Officer then discontinued the construction of the two projects
4. State how much was paid to the contractor for each of the two projects.
5. Provide the Bill of Quantities for construction of Misanga Dispensary and Makutano Health Centre and Evaluation reports or certificates that informed payments to ascertain whether the level of works is equivalent to the amount of money paid
6. Confirm whether there was value for money as provided for in Article 201 (d) of the Constitution of Kenya 2010 which requires that public money be used in prudent and responsible way
7. State whether the contractor had capacity to undertake such contracts and if no, explain why the contract has not been terminated and given to another contractor with capacity to complete the construction. Lastly…
8. Explain in details the remedial action the department is taking to complete the construction of the two health facilities. To provide the expected period when the contractor will be on site and timelines for completion of the project.

Hon. George Makari (Chairperson, Health): Thank you, Honorable Speaker. I wish to request the Honorable Deputy Speaker to give us 14 days starting from tomorrow to come up with a response to the statement.

Mr. Speaker: Honorable members, in view of what we have been doing, it is the CECM to appear before the House and give us a response. We intend to spare a Tuesday at 2:30 p.m. for such responses to be done. I'm looking at our Calendar; this will take us up to 25th of this month which is 13 days. As we do so, the table clerks you must send out the invitation immediately.

I have heard a complaint from the Executive that they are only sending statements without invitation. Therefore, a response is prepared but aware that they are supposed to appear before the House the way we did last week. Also forward the invitation to the relevant CECM alongside the statement.

MOTION

REPORT BY THE BUDGET AND APPROPRIATIONS COMMITTEE ON THE COUNTY MEDIUM TERM DEBT MANAGEMENT STRATEGY PAPER FOR FINANCIAL YEAR 2023-2024, 2025-2026

Hon. Charles Nangulu (Vice Budget Committee): Thank you. Mr. Speaker. I hereby present a report by the Budget and Appropriations Committee on County Medium Term Debt Managment Strategy Paper for Financial Year 2023-2024, 2025-2026.

Preamble

It is my pleasure to present the report on the Medium Term Debt Management Strategy Paper for the period of three years 2023/24 to 2025/26 which was tabled on 28th February, 2023 at 2.30 pm and committed to Budget and Appropriations Committee for consideration.

The Mandate of the committee

Budget and Appropriations Committee is established under Standing Order 210 of the County Assembly of Bungoma and is mandated to:

a) Discuss and review the estimates and make recommendation to the County Assembly;
b) Examine the County Fiscal Strategy Paper presented to the County Assembly;
c) Examine the County Debt Management Strategy Paper presented to the County Assembly;
d) Examine Bills related to the County Budget, including Appropriations Bills; and
e) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

Committee Membership

The Committee on Budget and Appropriation as currently constituted comprises the following Members:-

1.	Hon. Jack Wambulwa, MCA	Chairperson
2.	Hon. Charles Nangulu, MCA	Vice chairperson
3.	Hon. Anthony Lusenaka, MCA	Member

4. Hon. Joan Kirong, MCA Member
5. Hon. Meshack Simiyu, MCA Member
6. Hon. Sudi Busolo, MCA Member
7. Hon. Ali Machani , MCA Member
8. Hon. Milliah Masungo, MCA Member
9. Hon. Grace Sundukwa, MCA Member
10. Hon. Polycap Wandabusi, MCA Member
11. Hon. Caleb Wanjala, MCA Member

Acknowledgment

The Committee would like to pay special compliment to the following:

The Committee appreciates the Offices of the Speaker and that of the Clerk of the County Assembly for making this undertaking a success through facilitation and other Logistics offered during report writing. The Committee would also like to register its appreciation to the members of staff who worked with us for their untiring commitment to ensure the success of the committee report.

It is therefore my pleasant duty and privilege, on behalf of the Budget and Appropriations Committee, to table this report and recommend it to the Assembly for consideration.

The report is signed by Honorable Jack Wambulwa, Chairperson Budget and Appropriations Committee.

Mr. Speaker: Order members. Kindly consult in law tones.

Hon. Charles Nangulu: Guiding principles in the examination of the Debt Management Strategy Paper

Legal Framework

The Debt Management strategy paper has been developed in accordance with Section 123 of the Public Finance Management Act, 2012 which provides as follows:

"(1) On or before the 28th February in each year, the County Treasury shall submit to the County Assembly a statement setting out the debt management strategy of the county government over the medium term with regard to its actual liability and potential liability in respect of loans and its plans for dealing with those liabilities.

(2) The County Treasury shall include the following information in the statement –

(a) The total stock of debt as at the date of the statement;

(b) The sources of loans made to the county government;

(c) The principal risks associated with those loans;

(d) The assumptions underlying the debt management strategy; and

(e) An analysis of the sustainability of the amount of debt, both actual and potential.

(3) As soon as practicable after the statement has been submitted to the County Assembly under this section, the County Executive Committee Member for Finance shall publish and publicize the statement and submit a copy to the Commission on Revenue Allocation and the Intergovernmental Budget and Economic Council.

Further, Article 212 of the Constitution of Kenya provides for borrowing powers by Counties on guarantee by the National Government."

Regulation 182(2) (d) of the Public Finance Management (County Governments) Regulations 2015 requires the preparation of the County Medium Term Debt Strategy to be consistent with the County Fiscal Strategy Paper.

Further **Section 140(1) (c) (d) of the Public Finance Management Act 2012** provides that

(1) A County Executive Committee member for finance may, on behalf of the county government, raise a loan for that Government's purposes, only if the loan and the terms and conditions for the loan are set out in writing and are in accordance with—

(a) Article 212 of the Constitution;

(b) Sections 58 and 142 of this Act;

(c) The fiscal responsibility principles and the financial objectives of the county government set out in its most recent County Fiscal Strategy Paper; and

(d) The Debt Management Strategy Paper of the county government over the medium term.

(2) A loan may be raised either within Kenya or outside Kenya.

Article 212 provides that "A county government may borrow only—

a) If the national government guarantees the loan; and

(b) With the approval of the County government's Assembly

Section 142 of **Public Finance Management Act 2012 states that:**

1) The County Assembly may authorize short term borrowing by county government entities for cash management purposes only.

(2) Any borrowing under subsection (1) may not exceed five percent of the most recent audited revenues of the entity.
(3) A county government entity that has any such borrowing shall ensure that the money borrowed is repaid within a year from the date on which it was borrowed.
It is worth noting that the linkage between the County Fiscal Strategy Paper (CFSP) and Medium Term Debt Management Strategy Paper (MTDMSP) cannot be overlooked and this explains why the two documents are tabled on the same day.
It should be understood that approving the Medium Term Debt Management Strategy Paper does not in itself authorize the County Government to borrow but it only gives a framework and an additional strategy which the County Government can pursue to fund deficit in its budget.
The National Government is guarantor for all debts accrued by the County Governments therefore County government can borrow only if and when the National Government approves. These powers are vested in the Cabinet Secretary for Finance who guarantees the loans by County Governments and this is approved by Parliament.

However, the County loans will be guaranteed by the National Government only if the following Fiscal Responsibility Principles are adhered to:

1. Over the medium term a minimum of thirty percent of the County Government shall be allocated to the development expenditure.
2. The County Government expenditures on wages and benefits for its public officers shall not exceed 35% of the County Government total revenue.
3. Over the medium term the County Government's borrowing shall be used only for the purposes of financing development expenditure and not for recurrent expenditure.
4. The County debt shall be sustained at 20% of the most recently audited revenues and the cost of debt shall not exceed 15%.
5. A reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained taking into account any tax reforms that may be made in the future.
6. The fiscal risk shall be managed prudently.

Procedure for borrowing by the County Government
Pursuant to Section 58 PFMA, the following procedure will apply when County Government wants to borrow especially long term borrowing:

a) The County Executive Committee Member for Finance shall submit the borrowing proposal to the County Executive Committee for approval of the borrowing including its terms and conditions;
b) After approval by the County Executive Committee, the County Executive Committee Member for Finance shall submit the signed loan agreement and a sessional paper to the County Assembly for approval of the borrowing, including its broad terms and conditions;
c) After obtaining the approval of the County Assembly, the County Executive Committee Member for Finance shall submit the final draft loan financing agreement and the

approval of the County Assembly to the Cabinet Secretary requesting for the guarantee of the final loan financing agreement;

d) The Cabinet Secretary, after receiving the request from the county government, shall seek the recommendations of the Inter-governmental Budget and Economic Council;
e) The Cabinet Secretary to the National Treasury, after receiving recommendations of the Inter-governmental Budget and Economic Council, shall seek the recommendations of the Attorney-General;
f) The Cabinet Secretary may, upon taking into account the recommendations of the Intergovernmental Budget and Economic Council and the Attorney-General, approve or reject the request;
g) The Cabinet Secretary shall reject a request for loan guarantee with reasons and communicate the same to the concerned County Executive Committee Member for Finance.
h) Upon approval of a loan guarantee request, the cabinet secretary shall submit a sessional paper to parliament with recommendations seeking its approval;
i) The Cabinet Secretary shall communicate the decision of Parliament on the draft loan guarantee to the respective County Executive Committee Member for Finance; and
j) Upon approval by the parliament the Cabinet Secretary shall issue a loan guarantee.
k) After receiving the communication of the decision of the Parliament on the draft loan guarantee, the County Executive Committee Member shall report to the County Assembly of the decision.

SCRUTINY OF THE MEDIUM TERM DEBT MANAGEMENT STRATEGY PAPER FOR FY 2023/24 TO FY 2025/26

Introduction

The Medium Term Debt Strategy paper provides directions and benchmarks for managing the county's debt portfolio. It will guide the County Government to ensure that debt levels stay affordable and sustainable, that any borrowing is for a good purpose and that the costs and risks of borrowing are minimized.

The County Government has not done any borrowing to date. With this strategy in place, and with National Government guarantees, the county is expected to initiate borrowing externally and domestically to finance the budget deficit. Government debt or borrowing includes the contracting or guaranteeing of domestic and external (foreign) debt through loans, financial leasing, on-lending and any other type of borrowing, including concessional and non-concessional borrowing, irrespective of the source.

The County MTEF budget for FY 2023/24 and the medium term projections shows an enlarging financing gap and with the County administration focussing in completing flagship projects there justification for this paper and county borrowing. The proposed MTEF ceiling stood at Kshs. 40.2 billion for both recurrent and development. In reference to the approved CFSP the County

Government of Bungoma can finance 68.3% of the total recurrent requirements and only 28.7% of total development requirement.
This paper has also highlighted the magnitude outstanding financial obligations resulting from the pending bills across the department totalling to Kshs. 1.05 billion affecting the debt carrying capacity of the County.

Scope and Objectives
The debt management strategy covers three years with provisions for annual review. The main objectives of the Medium Term Debt Management Strategy Paper are as follows:

a) To meet the County Governments financing requirements at the least cost with a prudent degree of risk
b) To guide county government debt management operations in the FY 2023/24 to FY 2025/26.
c) To balance cost and risk of county debt while taking into account the County Government financing needs by incorporating initiatives to seek new funding sources, support the County Government development priorities and achieve debt sustainability.
d) To diversify the governments funding sources and their investment portfolio.
e) To advance measures to maintain and develop an efficient domestic debt market.

Potential Financing Sources
The potential sources of loans for Bungoma County Government will fall under two categories:

Domestic sources of loans
Potential sources of domestic funding will consist of borrowing from local financial and non-financial institutions.

External sources of loans
The main sources of funding for external sources will include loans and grants from bilateral and multilateral organizations which can be either on commercial or concessional terms.

Strategies for management on Debt in the Medium Term
The County Debt Management Strategy presents three main strategies that County Government of Bungoma will explore in the next three years in debt management. These strategies include;

Strategy 1: External Financing (Semi and concessional) and some domestic bond financing.

External debt refers to the loans raised through foreign lenders, such as foreign commercial banks, foreign government and international financial institutions. In the case of external debt all payments must be in currency in which the debt was issued.

This strategy evaluates the cost and risk aspects of a continuation of current borrowing practices for Bungoma County which will form a benchmark for examining different approaches. This strategy is based on current practice of external and domestic borrowing and therefore does not best address the priority issues of foreign exchange risk, liquidity and repayment risk, creditor concentration risk and refinancing risk.

The following are the risks associated with this strategy:

a) **Affects economic growth:** Economic growth occurs when governments and companies incur capital expenditures that boost production and increase output and income levels. If large amounts of external debt need to be repaid, then there is less money left for investment purposes. It hampers future economic growth.

b) **Long gestation period:** Gestation period is the interim period between the initial investment in a project and the time the project becomes productive. When external debt is used to fund infrastructure projects, it takes a few years for the project to start giving a return on the investment. However, the debt will need to be repaid, along with interest, within a provided time of receiving the loan. Thus, government will face the pressure of repaying the loan even before the project starts yielding a stable return.

c) **Unexpected devaluation of domestic currency:** If the currency of the borrowing country depreciates with respect to that of the lending country, then the real value of interest will rise.

d) **The Vicious Cycle of Debt**: The most crucial disadvantage of external debt is that it often leads to a vicious cycle of debt. The debt cycle refers to the cycle of continuous borrowing, accumulating payment burden, and eventual default. When a government's expenditure exceeds how much it earns in a year, it faces a fiscal deficit. In order to finance the adverse gap, the government borrows money from another country. In the next year, with the additional expense of interest payment and loan repayment, the government might face a deficit again and be forced to take another external loan. In subsequent years, there might be a situation where it borrows money in order to repay its previous loans.

Strategy 2: Negotiated domestic borrowing and utilization of securities market

Domestic borrowing involves the borrowing in the local markets. It is done through the issuance of securities like treasury bills, which are short term debt instruments with tenure ranging from 91 to 364 days and treasury bonds with a maturity period of more than a year.

The risks associated with this strategy are as listed;

a) Domestic borrowing could lead to pressure on institutional investors and banks to absorb "too much" government debt and this may have a negative effect on financial stability.

b) Expanding the market for domestic government bonds may have the risk that the public sector may crowd out private issuers.
c) Finally, there are political economy reasons that may make domestic debt more difficult to restructure. In fact, a few highly indebted countries which were able to use debt relief initiatives to address their external debt problems are still burdened with high levels of domestic debt.

Strategy 3: External financing and some domestic bond financing

This is where the County combines both external and domestic financing in order to take advantage of the medium to high risk mainly due to the foreign exchange factor and low to medium cost in relation to County revenues. With gradual development of the domestic market this would provide a more balance composition of the public debt with less external debt and more domestic debt.

Bungoma County intends to use the third option which allows the county to source funding from both External and Internal sources of funding but with emphasis on domestic borrowing in order to minimize the risks associated with external borrowing.

Baseline projections and best practices in debt management

The county fiscal policy is a primary tool to improve income distribution through both its revenue and spending policies. Fiscal policy is designed to support macroeconomic stability, correct market failures and provide public goods or services.

To ensure prudent debt management, the county will pursue with improvements the following measures:

a) Improving estimation of funding ceilings based on realistic assessments of revenue raising capacity, budget support and development assistance, and where appropriate prudent borrowing;

b) More careful assessing and managing of appropriate levels of public debt and cash reserves required to create fiscal space to respond to shocks and unforeseen events;

c) Improving budget allocation across sectors by better analysis, prioritization and discussions to better align funding allocations to departmental/agency corporate plans based on the County Strategic Development Framework (CSDF) and overall available funding;

d) Improving quality of expenditure by ensuring commitments are properly cost and funded, restricting ad hoc funding additions during the year, improved financial management and reporting, linked to reporting on progress against sectoral plan indicators.

e) Establishment of Debt Unit: The County should establish a Debt Management Unit which will be in charge of debt audit, managing debtors and creditors' information.

f) Payment of creditors: The Bungoma County Government to pay its creditors promptly to maintain good cordial relationship with them and to reduce the risk of accruing interest which becomes a burden in the long run.

g) Monthly savings: The departments should spend prudently monthly by reducing unnecessary expenditure even those budgeted for and use the monies for debt payment and in economic development subject to approval by the county assembly.

h) Stakeholders' Involvement: Some activities such as cleaning the environment, tree planting to be undertaken through involvement of the community. This will be a strategy to minimize debts arising through wages and allowances.

Monetary policy is a preserve of the Central Bank of Kenya. However, the monetary decisions of the CBK affect the debt portfolio of counties. The roles of monetary policy include

a) ensuring sound financial institutions

b) maintaining adequate foreign reserves

c) protecting external balance

d) supporting price stability

e) Facilitating growth of the domestic economy.

f) The capping of interest rates

There are several downside risks to the baseline macroeconomic outlook. These include the risk of not securing the mandatory National Government guarantees for borrowing; remittances and revenue not increasing as robustly as expected; the county not being able to control the wage bill. These risks are likely to dampen growth prospects, and lead to a rise in domestic and/or external borrowing needs.

RISK SCENARIO TESTING

There are many inherent risks in any debt portfolio. The County Government of Bungoma should employ measures to mitigate these risks and to minimize the impact of various exogenous shocks on the debt portfolio. These risks include;

Creditor Concentration Risk: This refers to risks associated with most of the debt portfolio being held by one or two creditors. Those who hold a large proportion of debt could have a vested interest in the course of a county's affairs and could potentially have an undue influence in policy development hence the investor base should be diversified and expanded.

Credit Risk of on-lent and guaranteed loans: When the level of outstanding on-lent loans from County Government of Bungoma is high, there is an implicit exposure to default and non-payment of obligations even when the loans are guaranteed. Deeper analysis and oversight required on this transaction.

Operational Risk: This arises from a small staff size and limited capacity. The difficulty in developing and retaining skilled staff in the Debt Management office is a risk for Treasury and the County Government of Bungoma in general. It can also mean inadequacies or failures in internal controls, or in systems and services; reputation risk; legal risk; security breaches; or natural disasters that affect business activity.

Strategic Risk: Strategic risk is the risk that decisions made about management of the debt portfolio have a high opportunity cost. If the County Government of Bungoma decides not to borrow, then it could miss out on grant funding. If decisions to borrow for particular projects do not match expectations, then this money could have been better spent elsewhere on more beneficial projects. Money spent on servicing debt might be better spent on providing essential services.

Financial Risk: In this case, County Government of Bungoma's portfolio management is so poor that it creates a source of instability for the private sector; less money is available for servicing the county's basic needs which could undermine development. A build-up of debt arrears might negatively influence investor confidence, weakening private sector activity, leading to a withdrawal of investment in the county, a decline in growth prospects and a further increase in debt to revenue ratios. This is an extreme risk.

Market Risk: Refers to the risks associated with changes in market prices, such as interest rates, exchange rates, commodity prices, on the cost of the government's debt servicing.

Rollover Risk: The risk that debt will have to be rolled over at an unusually high cost or, in extreme cases, cannot be rolled over at all. To the extent that rollover risk is limited to the risk that debt might have to be rolled over at higher interest rates, including changes in credit spreads, it may be considered a type of market risk.

Liquidity Risk: This refers to a situation where the volume of liquid assets can diminish quickly in the face of unanticipated cash flow obligations and/or a possible difficulty in raising cash through borrowing in a short period of time.

Credit Risk: Risk of non-performance by borrowers on loans or other financial assets or by a counterparty on financial contracts

Settlement Risk: Refers to the potential loss that the government, as counter-party, could suffer as a result of failure to settle, for whatever reason other than default, by another counter party.

Operational Risk: This includes a range of different types of risks, including transaction errors in the various stages of executing and recording transactions.

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS:

Committee Observations

The committee after analyzing the Debt Management Strategy Paper made the following observations;

1. The Medium Term Debt Management Strategy Paper is a robust framework for prudent debt management that will provide a systematic approach to decision making on the appropriate composition of debt finance taking into account both cost and risk.
2. The Medium Term Debt Management Strategy Paper for FY 2023/24 – FY 2025/26 provides a framework and an additional strategy which the County Government can pursue to fund its budget deficits.
3. The County Government of Bungoma's decision to borrow is vested in the County Assembly of Bungoma as the 1st approver. If the County Assembly is of the opinion that the county government's borrowing carries substantial financial risk, may attract high cost of servicing and is a threat to the County's budgeting and service delivery, then the Assembly can deny approval for the borrowing.
4. The Committee notes that the county pending bills is indicated as Kshs. 544,539,799 for recurrent expenditure and Kshs. 509,386,003for development expenditure totaling

to Kshs. 1,053,925,802.

5. The County Government of Bungoma has not adhered to most of the Fiscal responsibility principles reducing the ability of the County to borrow.

Committee's Recommendations

After keen scrutiny of the Bungoma County Medium Term Debt Management strategy paper the committee recommends as follows;

1. **THAT**, the County Government of Bungoma adopts Strategy 3; **External financing and some domestic bond financing**, **which will allow the** county to source for funding from both External and Internal sources of funding but with emphasis on Domestic borrowing in order to minimize the risks associated with external borrowing.
2. **THAT,** as per the 1st Supplementary Budget, the total pending bill across all departments was Kshs. 3,502,264,363 and only Kshs 875,564,091 that is 25% was provided for leaving out an outstanding the pending bill of Kshs. 2,626,700,272 that is contrary to Kshs, 1,053,925,802 indicated in the Debt Management Strategy Paper. The County Treasury should be consistent on the total amount of pending bills for easy planning and budgeting because pending bills should be given first charge and once all the pending bills are cleared, the credit worthiness of the county with improve.
3. **THAT**, the County government should purpose to adhere to the fiscal responsibility principles and all the provisions of the law guiding borrowing and general debt management.
4. **THAT,** the County Executive Committee Member for Finance should fast tracker the establishment of debt management unit to be in charge of debt audit, manage debtors and creditors' information

Conclusion

The approval of this Medium Term Debt Management Strategy Paper for the period FY 2023/24 -2025/26 by this Honorable House will provide the much needed framework for the County Government of Bungoma to pursue for additional funds to finance its budget deficits especially on developments.

We have the draft Bungoma County Medium Term Debt Management Strategy Paper for FY 2023/24 and FY 2025/26 as annexure.

Adoption schedule attached, that brings us to the end of that report. I wish to call upon Honorable Grace Sundukwa to second the Motion.

Mr. Speaker: Thank you Hon. Charles Nangulu for moving the Motion on behalf of the Committee of Budget and Appropriation.

Hon. Grace Sundukwa: I rise to second the report for Medium Debt Management Strategy Paper. This paper is prepared to guide the County Government on how to manage debts and borrowings. It also guides on how it can sustain the debts for each financial year and over the medium term.

It also helps the County Government to oversee any deficit in budget making thus this helps during the Budget process to make sure they can get enough money to attain the Government objectives. I second.

Mr. Speaker: Thank you Hon. Grace for seconding the Motion. Honorable Members, allow me proceed ad be able to propose a Motion for the House to debate.

Honorable Members, a Motion has been moved and seconded that this House adopts the report by the Budget and Appropriation Committee on the County Medium Term Debt Management Strategy Paper for financial year 2023/2024 and 2023/2026.

(Question proposed)

Hon. Joseph Nyongesa: Thank you for giving me this opportunity to say a word on this Medium Term Strategy Paper. Allow me to appreciate the vice Chair of Budget Committee for taking us through this document.

Additionally, I want to appreciate the Members of this House because last Month we had the same exercise for approving the issue of borrowing.

As I appreciate the Committee for this, we have some few gaps so the Committee when replying, they should also to tell us, some of the factors contributing to the wage bill. As I have been reading this document partially, the Committee has not come out strongly to tell us the percentage at which we are operating at because it also affects borrowing.

Although you have just said not being able to control the wage Bill, I don’t know if it is low or high, they should also be in a position to inform the House that as per now, we are operating at maybe 48% or 35% so that at least as we pass the document knowing the current situation.

About the issue of the private sector, they could have also come up clearly on it so that they recommend to the Executive, what should be done but leaving it the way it is, to me they have not assisted this House.

Lastly, this one should be taken very seriously because the issue of pending Bills which came up clearly during the first supplementary, that we were operating at 3.5 Billion, the executive and the Treasury has told us the pending Bills is 1Billion. It is through the Committee to invite the treasury to shed light on this because they should only be inviting the treasury during budgeting but this crucial document they are not inviting.

Reading at the recommendation number 4, it says that as per the first supplementary budget, the total pending Bill across all the departments was Kshs 3.5 Billion provided leaving out outstanding bills of Kshs2.6 Billion that is 25%, but it is upon the committee to tell us whether the Treasury is telling us the right thing or not.

Otherwise, I support the document but in future, let them be hands-on so that the Treasury is invited whether during the Medium-Term Paper or during the budget, it will be better for this House. I support.

Hon. Stephen Wamalwa: Thank you, Honourable Speaker. I was impressed when the seconder came to support the same. I realized that our little sister Hon. Grace is very much informed of what she should be doing and commend her for that.

Mr. Speaker: Hon. Stephen, these are teachers; they prepare schemes of work on daily basis. Proceed.

Hon. Stephen Wamalwa: Thank you, Honourable Speaker. You know sometimes you can be a teacher but it doesn't come out just like that. This is a hands-on teaching and I want to commend her for that. I just have one thing to mention, that there is a correlation between revenue generation and spending and as we support this document, it was critical for the committee to highlight these issues and as they mentioned, generation of revenue and expending of the same, they will be talking about issues of revenue because when you look at page 17 there is this statement that says '*there are several downside risks to the baseline micro economic outlook, this includes the risk of not securing the mandatory National Government guarantees for borrowing then remittances and revenue not increasing as robustly as expected*.' I am on that issue of revenue not increasing as robustly as expected. I think this was the time that the committee could come out strongly to make proposals on how we can increase the revenues in a way that is commensurate with the desires, so that it can help in achieving the goals of what is envisaged.

I want to commend the committee but say that in future let us also try to look at such critical areas and come out strongly so that we can inform the proposer and implementer so that we can move forward and achieve our goals.

Hon. Ali Machani: Thank you, Honourable Speaker for allowing me to add more flesh on what has been raised. I also want to appreciate the efforts of the committee and the chair who has pronounced it on the floor of this House.

Debt management is a document that will always give a leeway for any government to access finances within the laid down rules and procedures. I am happy the senior most mentioned something partially that the law allows the Budget Committee to invite if need be and if there is no need, they can still have information now that the world is more digital, and I am happy all those procedures were observed. The best approach he has raised is that we need in future to point out how we are going to reduce some of these loopholes. We are aware that the economy is affecting all the 47 counties and when we talk about Kenya, then we talk about a shilling against the dollar, it is a challenge to all of us and as Budget committee.

It is now high time for us to think outside the box, that this now be the first time through the wisdom ignited by the speaker that now the County government of Bungoma can access the borrowings. All these procedures were approved some 5 years down there but now that we have this document that will always guide us and now that the County Government is also now engaging into borrowings, how do we adjust our spending? How do we increase and work out on these measures. We are aware that last year we were in elections, we were still working on a document that was approved last year and within this financial year we are only highlighting areas that we need to tighten and that is why in the wisdom of the chair and the committee they have done well but I can't say we have done 95 per cent but if any student is within 92% it means that is the best approach.

The most critical area is for us now to find a way of improving revenue collection that is the only thing that will assist this county. As much as we always invite borrowings, we always talk about debt management but any government that will depend much on borrowings is a collapsed government so we as Bungoma County Government as much as we want to approve this document then the Committee on Finance as a mother committee in terms of working on measures of raising revenue needs to go outside the box. The Budget committee will always work out on budget and the plans and other guidelines but if those dealing with collection are not tightening those areas it will be difficult to facilitate the budget.

This County Government has so many programmes wants to run, it will require more money and this should not be an opening of giving it a lee way to borrow more but let us work out on raising revenue within ourselves in areas like Trade by creating more markets. When they are selling tenders, they need to work out we know how money is being raised, when they give fertilizer, we want during harvesting time to know how we reaped so that money can circulate within our ministries, that is why we have Appropriation in Aid, money generate from within the ministry and it can raise the collection in the ministry. When we combine that it can help this county not to access much of the borrowings.

This is a document that is showing us how we need to run a government, the good thing is that we have two arms in the County Government so there is no body who is outside the government because we have the legislative and executive arm, the law does not talk much of the opposing and those not opposing. It is all about assisting each other on how the government can run within approved guidelines.

I want to thank you Speaker because as I see the mood of the House, they are more than willing to approve it without any amendment

Mr. Speaker: Hon. Ali Machani, I have not seen that mood.

Hon. Kennedy Wanyama: Thank you, Mr. Speaker for that opportunity. My senior has already touched on what I wanted to say but will just emphasize. Just the other day when we were approving the budget ceilings or rather the ceilings for spending, I noted here that own source revenue had gone down by almost 50%. This is a good paper in terms of managing our short-term borrowing and so I want to support it but with a word of caution; the executive needs to put money where their mouth is. A department like Trade for example generates a lot of revenue for the County Government, so let us put more resources through departments that actually generate revenue to this County Government, so that we can reduce on the amount of borrowing. We need to do this because it is not encouraging to borrow money to pay for recurrent expenditure; we need to be able to pay for recurrent expenditure using our own source revenue. So let us encourage the executive to invest money where they can get more revenue.

Hon. Jack Kawa: Thank you, Honourable Speaker for allowing me also to put my voice on the report before us. Hon. Ali Machani has just mentioned something; we can look at our country, where it is heading. As much as we support that we want to do some borrowing, when we borrow, let us put money where it is supposed to be, because we cannot borrow money intending to buy an *Oppo* phone then we divert the money to buying another thing.

Secondly, I want to request as the Leader of Majority has said, our Budget committee that when they invite the CEC to appear before them, let them not be polite on them. When it comes to contracts, let us give them to residents of Bungoma County, so that money can circulate within us. If we are giving contracts to someone coming from Mombasa or Kisii, are we adding value to us? No.

Then we must also make sure that the loopholes are closed, or avenues for those people who know how to reap where they have not planted. That is what I can say because very much borrowing is getting this County to a wrong direction.

Mr. Speaker: Hon. Kawa, County or Country.

Hon. Jack Kawa: Country, we can see the mood of this country; it is not getting to a place where we can be happy, and it is because of the many borrowings and money is not doing the intended purpose. So as we support the document, we must also be vigilant because we are the eyes of the residents of this county. I support.

Hon. Johnston Ipara: Thank you, Honourable Speaker. I rise to support this Medium-term Debt Strategy report because it gives out good guidelines on how we can undertake a financial undertaking within the County. Why support is because the report outlines how the county government intends to borrow and manage debts and with that it will put the County Government in accountability channel that everyone of us will be knowing that they intend to borrow this at this given time and they want to manage it like this.

Secondly, this also gives an outline on how the County Government needs to make one payment, when you take a debt, you negotiate either it is broken into several installments or one but for our case, it gives a one way of paying that installment on agreed period of time.

Thirdly, it also may enable the government be able to secure low interest loans; this particular strategic paper gives it leeway to negotiate for a lower interest. Even though there is a fixed interest rate; but they can also negotiate for a lower interest rate and it is also likely to save a lot of money, because when you are given a discount on a debt that you have taken and that discount you transfer it in terms of cash, it means that you are saving some money and when you are saving some money; that money saved will cater for other services that were not previously budgeted within the county.

Lastly, it gives also the credit scorer, it sees how it's performing in the performing market; and if that gives guidelines, I want to believe that we shall survive this particular period of time. I want to say this; all over the world; all institutions and countries exist and achieve good results through the support they receive through credit institutions around the world. I support the report.

Mr. Speaker: Thank you, Hon. Johnstone Ipara. The mover of the motion.

Hon. Charles Nangulu: Thank you, Mr. Speaker. First, I will go to one member who mentioned about the wage bill. As you know, our wage bill was supposed to be at 35%. As it is now, Bungoma County we are at 48% meaning we are over and above; and that is why we are not able to have such facilities offered to us as borrowing, so we urge and wish that we bring back to where it is supposed to be at 35%.

This committee also has a mandate of doing budget tracking which is underway. We are going to give a report in this House on how we tracked the budget; have them explain the money that has been appropriated to their departments. When we come with that budget tracking report, we will be able to come up with so much, one being our revenue collection as one member mentioned.

Our revenue estimation was at Kshs 700 Million and as for last year, the collection was only at Kshs 350 Million. We need to put more on trade so that we are able to up this to 100% as per our projection, so that we can access these borrowings. No county, no government, no home will grow without borrowing. So borrowing is almost mandatory so that we can now work on one or two things.

When we come up with our report on budget tracking; most of these questions that have been raised will be answered and in that respect, I just hope that this House approves this motion without any amendments.

(Applause)

Mr. Speaker: Thank you the Vice Chair of Budget and Appropriation Committee. Honourable members now allow me proceed and be able to put a question to the said motion for this House to make its decision.

(Question put and agreed to)

(Applause)

The report is hereby adopted by this House accordingly.

Honourable members, looking at our Order Paper, that was the only motion we had. For now we will adjourn and resume our sitting at 2:30 p.m accordingly.

(House Adjourns)