REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

THE COUNTY TREASURY

2023 COUNTY DEBT MANAGEMENT STRATEGY PAPER

FEBRUARY 2023

COUNTY VISION AND MISSION

Vision

The greatest County with the best quality of life

Mission

To enable every household in Laikipia County lead a prosperous life

Core Values

People-centeredness

Equity

Accountability

Efficiency

Professionalism

Integrity

Innovativeness

Passion

FOREWORD

The Constitution of Kenya 2010 and Section 123 of the Public Finance Management Act, 2012, requires a County Government to prepare and table to the County Assembly a statement setting out the Debt Management Strategy on the anticipated borrowing over the medium-term.

The CDMSP is an integral part of prudent debt management that informs optimal strategy for funding of the fiscal deficits taking into account the cost and risk implications of the borrowing.

The 2023 CDMSP outlines ways of acquiring debt and measures that will assist in financial risk reduction as and when the County Government seeks medium term and long-term funding either locally or internationally in order to accelerate development programmes as guided by Article 212 of the Constitution as well as the provisions of the Public Finance Management Act, 2012.

The County Government of Laikipia has no immediate plans of incurring debt however the same will be considered when market conditions and county fiscal position is favorable for such intervention. The County's Budget will be balanced with the available resources. However, the Government will continuously manage its cash flow through short term lending from commercial banks to offset delays in equitable share disbursements and own source revenue mobilization.

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27 FEB 2023
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ACKNOWLEDGEMENT

The County Debt Management Strategy 2023 is prepared as required by the PFM Act 2012. It sets out the debt management strategy for the County Government of Laikipia in the fiscal year 2023/24 and over the Medium Term.

This Debt Management strategy will play a major role in guiding on the process of procuring debts/loans and how to manage them in a way that optimizes benefits and minimizes costs and risks.

It provides avenues to be explored in seeking funding to close the county financing gaps from internal and external sources in order to deliver the prioritized programmes. Currently the county has not incurred any debt in accordance with the definition provided by the PFM act.

I would like to acknowledge the overall guidance provided by CECM Finance planning and economic development and the technical support from the Budget and Planning teams that put together this document. I'm also grateful to all other stakeholders for their valued inputs.

COUNTY GOVERNMENT OF LAIKIPIA
CHIEF OFFICER
27 FEB 2023
FINANCE & ECONOMIC PLANNING

Daniel Ngumi,
Chief Officer,
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LIST OF ABBREVIATIONS

ADB	African Development Bank
CDMSP	County Debt Management Strategy Paper
CECM	County Executive Committee Member
CFSP	County Fiscal Strategy Paper
CIDP	County Integrated Development Plan
DMAC	Debt Management Advisory Committee
DMU	Debt Management Unit
DSA	Debt Sustainability Analysis
IBEC	Inter Government Budget and Economic Council
IMF	International Monetary Fund
MDGs	Millennium Development Goals
NPV	Net Present Value
SDGs	Sustainable Development goals
SDR	Special Drawing Rights
PFMA	Public Finance Management Act
WB	World Bank
GDP	Gross Domestic Product
GCP	Gross County Product

EXECUTIVE SUMMARY

One of the most common challenges in public financial management (PFM) is debt management. Section 123 of Public Finance Management Act (2012) requires the County Treasury to prepare and submit a Debt Management Strategy over the medium term to the County Assembly on or before 28th February each year.

The 2023/24 Debt Management Strategy main objective is to ensure that the county government's financing needs and its payments obligation are met at lower costs over the short, medium and long term. In addition, debt levels are sustainable and borrowed funds are used to improve the wellbeing of Laikipia County residents.

The basis of the CDMSP is on the premise of inadequate resources to meet the prioritized needs of the people of Laikipia as enumerated in the County Integrated Development Plan 2023-2027 and the Annual Development Plan 2023/24.

The process of procuring debt and the attendant servicing risks require clear guidance to ensure intended objectives are met. The county will only borrow when the cost of debt is reasonable. High cost of debt and inability to honor repayment plans have a negative impact on debt affordability and sustainability. Measures proposed herein will strengthen debt management and assist to establish a borrowing framework that ensures the county meets the legal, fiscal, institutional and operational requirements thus increasing transparency and accountability in the process.

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CHAPTER ONE

PUBLIC DEBT MANAGEMENT

1.1 Introduction

Section 123 of the Public Finance Management Act, 2012 requires the County Government to table in the County Assembly the Debt Management Strategy Paper (DMSP) by the 28th day of February each year.

This strategy provides a roadmap for anticipated borrowing processes that may be undertaken to support the county development agenda. This is premised on the existing resource gap within the county planning framework, therefore the county requires to seek alternative financing mechanisms to fund implementation of some of the prioritized projects.

The strategy factors the provisions of the law, the process of acquiring debt, the projected costs of debt, the projected annual variability of the debt costs and their potential budgetary risks.

1.2 Description of the County Debt Management Strategy

Public debt management is the process of establishing and executing a plan for managing the government's debt in order to raise the required amount of funding to meet objectives set by the government. The County Debt Management Strategy is a framework that will guide the County Government to ensure that debt levels stay affordable and sustainable.

1.3 Objectives for Public Debt Management

The main objective of the CDMSP is to ensure that management of the county governments' financing requirements and payment obligations are met on a timely basis, at the lowest possible cost over the medium term consistent with a prudent degree of risk resulting into equitable sharing of benefits and burdens of public debt between the current and future government.

This strategy aims at ensuring public debt sustainability and minimizing the level of contingent liabilities through the adoption of robust strategies that mitigate further growth of the debt.

1.4 Scope of the Strategy

The 2023/24 County Debt Management Strategy aims at providing a policy direction that will facilitate county's access to financial markets as well as supporting future development of a well-functioning debt policy and debt management operations over the medium-term.

The County Debt Management Strategy is developed based on projected fiscal deficits and financial assumptions spelled out in the county planning frameworks. The key elements of the County Debt Management Strategy will be incorporated into the CFSP 2023 and updated every year as part of the budget process. Section 58 sub section 2 (a) of the Public Finance Management Act, 2012 provides that the County Government borrowing should only be for development (capital) expenditure.

CHAPTER TWO

COUNTY PUBLIC DEBT

2.1 Debt Portfolio Statement

County public debt comprises all financial obligations attendant to loans raised and securities issued by the county government. A debt policy enables a county to determine, establish and uphold legal and institutional frameworks that are put in place to guide its borrowing programme and addresses both the external and domestic public debt management within a county. The policy is anchored in the Article 212 of Constitution of Kenya 2010, specifically the principles of public finance. It provides for a strong accountability framework in borrowing and management of the public debt portfolio. Parliament, Auditor General, Controller of Budget, Commission on Revenue Allocation and the Central Bank of Kenya play a key role in the management of public debt and borrowing.

2.2 Responsibilities of County Treasury on Debt

Pursuant to PFM Act Section 107 (2), the County Treasury is mandated to manage its public finances in accordance with the principles of fiscal responsibility. In doing this the County Treasury shall ensure; over the medium term, the government's long-term borrowings are used financing development expenditure and the county debt is maintained at a sustainable level as approved by the county assembly.

Section 140 (1) of the PFM Act, authorizes the County Executive Committee member for Finance, to raise loans to implement Government programs, 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; - A county government may borrow only— (i) if the national government guarantees the loan; and (ii) with the approval of the county government's assembly
b) Section 58 (1) of the PFM Act; Mandates the Cabinet Secretary (National Treasury) to guarantee loans for county governments or any other borrower on behalf of the national government with approval by Parliament.
c) Section 142 of PFM Act; the County Assembly may authorize short-term borrowing by County Government entities for cash management purposes only. However, such borrowing shall not exceed five per cent of the most recent audited revenues of the

county. The borrowing should be repaid within a year from the date on which it was borrowed.

d) The fiscal responsibility principles and the financial objectives of the county government set out in its most recent County Fiscal Strategy Paper; and
e) The debt management strategy of the county government over the medium term.

Pursuant to PFM regulations 177(2), a county government may from time to time borrow within and outside Kenya such sums of money in such amount and on such terms and conditions as to interest, repayment, disbursement or otherwise as the County Executive Committee Member may think fit, in any of the following ways— (a) By issuing County Treasury bonds; (b) By bank overdraft facility from the Central Bank of Kenya; and (c) By any other loan or credit evidenced by instruments in writing.

Borrowing through Issuance of County Treasury bonds and any other loan or credit evidenced by instruments in writing shall require a national government guarantee pursuant to Section 58 of the PFM Act.

2.3 Principles of Public Finance

The Constitution of Kenya 2010 (Article 201) stipulates the following principles to guide all aspects of public finance management. The principles will apply to public borrowing and debt management.

a) There will be openness and accountability in borrowing and management of public debt;
b) Public debt management will promote an equitable society;
c) The burdens and benefits of the use of resources and public borrowing will be shared equitably between present and future generations;
d) Public money will be used in a prudent and responsible way; and
e) Borrowing and management of public debt will be responsible and fiscal reporting will be clear.

2.4 Audit of Public Debt and Borrowing

The office of the Auditor General will audit all public debt management activities annually in accordance with the Public Audit Act and the Public Finance Management Act, with the aim of promoting value for money and accountability of public funds.

2.5 Control of Loan Proceeds and Payments

The Controller of Budget will authorize withdrawal of funds for debt management operations (receipts and payments) and prepare reports on public debt and borrowing in accordance with the law.

2.6 Settlement of Debt Service Obligations

The County Government undertakes to timely honor all public debt obligations entered into directly with the aim of minimizing fiscal cost and risks that may arise out of undue defaults. The county government commits to ensure that all laws governing public debt management are adhered to.

2.7 Proceeds of Borrowing

All loan proceeds will be credited into the County Exchequer Account or any other account as provided by law.

2.8 Disclosures

Public debt and borrowing processes will be conducted in a transparent and open manner. In enhancing fiscal transparency, the County Treasury will: -

a) Publish and publicize debt reports and information as guided by the relevant laws;
b) Set-up and avail relevant information on the County Government website;
c) Be responsive to the public on debt management issues;
d) Engage as needed with the potential lenders, creditors/investors in Government securities and media; and
e) Undertake any other necessary measures to achieve this objective

2.9 County Public Debt Portfolio

The County government of Laikipia has not contracted any debt as defined in the Public Finance Management Act 2012; however the county government has accumulated pending bills amounting to Kshs 1,680,915,846 as at June 2022. The County has constituted a pending bills committee to verify this amount whose payments will be factored through annual budget process.

The pending bills consist of unpaid liabilities at the end of the financial year arising from supply of goods, services and contracted works during the financial year as illustrated in the table below.

Table 1: Summary of County Pending bills, 2021-2022

S/No	Description	30th June, 2021 KShs	30th June, 2022 KShs
1.	Construction of buildings	97,136,494	178,765,515
2.	Construction of civil works	373,664,527	562,177,239
3.	Supply of goods	158,116,257	563,510,499
4.	Supply of services	80,926,950	376,462,593
	Total	**709,844,228**	**1,680,915,846**

Source: Financial Statement as at 30th June, 2022

The county government-initiated projects whose payments have over-time been rolled over to successive financial years. Unstable economic conditions and the prolonged drought have negatively affected revenue mobilization leading to growth in pending bills. To reduce these un-honored commitments, the county government has adopted various strategies including;

a) Verification of outstanding claims to ensure validity.
b) Provide a budgetary allocation on the pending bills vote.
c) Robust assumptions and forecasts in the fiscal framework as a means of enhancing credibility and realism of the annual budget.
d) Timely remittance of statutory deductions and other obligations to avert any interest and penalties on late remittance or non-remittance.
e) Adhering to annual procurement plans and budgetary provisions to guide the county expenditures.

CHAPTER THREE

PRINCIPLES AND GUIDELINES FOR PUBLIC DEBT MANAGEMENT

In the Medium Term, the government may raise resources through long term and short-term borrowing to finance the programs in the budget. This will be done while ensuring the debt levels are maintained at sustainable levels. The management of public debt will be in accordance with the constitution of Kenya 2010 and the PFM Act 2012.

3.1 Purpose for Borrowing

The County Government borrowings will be for the following purposes;

a) Financing government budget deficits;
b) For cash management;
c) To finance development projects including on-lending to approved entities;
d) To mitigate against adverse effects caused by urgent and unforeseen events in cases where the emergency fund is depleted;
e) Meeting any other development policy objectives that the County Executive Committee Member for Finance shall deem necessary, consistent with the law and as cabinet and county assembly approve.

The County Executive Committee Member for Finance will ensure that the level of fiscal deficits set out in the County Fiscal Strategy Paper is consistent with the principles of public finance as set out in the Constitution of Kenya 2010 and the objectives of Medium-Term Debt Strategy Paper.

3.2 Managing Costs and Risks

The Debt Management Strategy Paper will guide public borrowing taking into account the cost and risks associated with the various borrowing options. Borrowing decisions will be taken after a critical and comprehensive cost benefit analysis of the debt involved, its purpose, amount, repayment terms, currency of contract, and any other risks associated with the loan.

Short-term borrowings will be for management of temporary cash flow fluctuations during the financial year and will be limited for a period of twelve months. Development/capital expenditures will be financed through long-term borrowing to maximize the benefits of long repayment periods of these type of loans.

The County Government will prioritize borrowing loans whose benefits can generate proceeds to directly or indirectly repay the loan. This implies that the social and economic returns on borrowed funds must exceed the cost of such capital. In this regard, a cost benefit analysis will be undertaken for all projects before a loan is requested. In order to ensure sustainability of loan repayment, the following guidelines will be applied:

a) Commercial borrowing will not be used to finance social projects;
b) The social internal rate of return of loan funded projects should be high enough to justify the cost of the loan; and effort should be made to objectively quantify this measure;
c) The time it takes for the project to start producing its outputs, outcome, or impact should be shorter than or equal to the grace period of the loan; and
d) Short-term loans should be limited to commercial or revenue generating projects as well as for financing projects of strategic value.

3.3 Borrowing Limits

Pursuant to PFM regulation 25(d); the county public debt shall never exceed twenty (20%) per cent of the county government's total revenue at any one time. At any time, the annual debt service cost of a county government shall not exceed fifteen (15%) per cent of the most recent audited revenue of that county government, as approved by county assembly (PFM regulation 179 (2).

3.4 Process of seeking loans;

For a project to be financed, it should support the achievement and meet the objectives of Government socio-economic transformation agenda and must be included in the Medium-Term Debt Strategy. In order to be able to process any loan, Departments and entities should;

a) Present a feasibility study report detailing the project economic viability, costing and design and social and environmental risks mitigation plans,
b) Confirm on availability of land and wayleave acquisition for the project where necessary.
c) Confirm on availability of adequate human resources capacity for project implementation. Where there is a shortfall, the Departments, must commit to develop a strategy to fill the gap;

d) Demonstrate prioritization and commitment of the counterpart funding by the respective department where necessary. This should not be less than 15 percent of the total project cost. Funding, including but not limited to land and wayleave compensations among others that from part of counterpart funding must be prioritized under the department's allocation through the normal Medium Term Expenditure Framework (MTEF) budgeting process in accordance with the requirements of the loan agreement.

e) Present a due diligence report to ascertain the financial, technical and legal competency for the firm procured competitively to undertake the project implementation.

f) Present any other requirements depending on either Bilateral or Multilateral Framework Agreement with the respective Development Partner;

All project proposals should be forwarded to County Treasury. The County Debt Management Unit will review all documents and independently assess the cost/benefits analysis submitted and evaluate the sources of financing. The implementing units shall work with County Treasury to ensure Conditions Precedent (CPs) are met first or done in parallel before signing of the financing agreements.

3.5 Analysis of Debt Sustainability

In deciding whether or not to contract new debt in the medium term, emphasis will be placed on monitoring the level of total public debt, and to assess the potential cost and risk of new debt measured against the available fiscal space and the vitality of the economy to ensure that future borrowing will maintain outstanding debt within sustainable levels. The ratios to be monitored include solvency and liquidity indicators. These ratios include:

a) Debt to Gross County Product;
b) Debt service to Gross County Product;
c) Debt Service to County Revenues
d) Interest payments to County Revenues
e) Interest payments to Gross County Product;

3.6 Debt Management Strategies

In the event, the county seeks debt to finance its operations; the following shall be adhered to;

1) **Debt shall be sustained at affordable Levels**; to realize this, the county will ensure it pursues grant funding and budget support and where grants are unavailable, or where a loan element of grant funding for priority development projects is mandatory, limited concessional borrowing will be sought.
2) **Concessional loans**; Borrowing will be limited to concessional loans from multi- or bilateral donors or development partners
3) **Loan purpose;** any new borrowing shall follow fiscal responsibility guidelines for a fit purpose; from an allowable source and with acceptable terms and conditions.

Any borrowing sought by the County will be for;

a) Managing county cash flow.
b) Investing in the productive sectors of the County;
c) Funding priority core infrastructure and development initiatives as identified in CIDP
d) Specific purpose projects identified as a high priority in the county. Preference shall be given to projects that have the chance to stimulate growth and development of all other sectors and no borrowing will be done to fund shortfalls in recurrent expenditure.

3.7 Institutional and Operational Framework

Debt management in the county will be handled by the County Debt Management Unit which will provide secretariat services to the County Debt Management Advisory Committee (CDMAC). The functions and responsibilities of the unit shall include:

a) Carrying out the government's debt management policy of minimizing cost taking account of risk;
b) Maintaining debt data base for all loans taken by the county government
c) Preparing and updating the annual medium term debt strategy and debt sustainability analysis;
d) Preparing and implementing the county government borrowing plan including servicing of outstanding debts;

e) Monitoring and evaluating all borrowing and debt related transactions to ensure that they are within the guidelines and risk parameters of the debt management strategy;

f) Preparing, updating and executing the annual medium-term debt management strategy including debt sustainability analysis in accordance with regulations;

g) Participating in negotiation meetings with government creditors, and provide technical support to the CECM Finance on public debt operations;

h) Assessing the risks in issuing any guarantees including contingent liabilities inherent in public private partnership projects (PPP), and prepare reports on the method used for assessment and the results thereof for the attention of the CECM Finance;

i) Facilitating the recovery of any payments including interest and other costs incurred by government due to the honoring of outstanding guarantees;

j) Preparing annual debt management report which shall include outstanding guarantees, outstanding lending and government on-lending by government;

k) Monitoring and keeping track of debt levels;

l) Advise on all debt servicing obligations of government;

m) Preparing and publishing debt statistical bulletins regularly;

n) Preparing forecasts on government debt servicing and disbursements as part of the yearly budget preparation;

o) Compiling, verifying and reporting on all government debt arrears and design a strategy for the settlement of those arrears;

p) Monitoring that the disbursements of loans raised by government are in accordance with agreed disbursement schedules;

q) Formulating external resources policy;

r) Assessing, mobilizing, negotiating and allocating all external resources including the consolidation of the donor commitment register in the annual national budget;

s) Examining and scrutinizing proposals for financing projects of a county government entity from an accounting officer;

t) Formulating an external resource mobilization strategy to guide the county in external resource mobilization including monitoring;

u) Formulating guidelines and procedures for reporting and recording budget estimates and expenditure for external resource;

The County Debt Management Advisory Committee will be responsible for recommending and ranking acceptable proposals to be submitted by the County Executive Committee Member for Finance to the County Executive Committee for considerations and approval. The approved proposals will then be submitted and incorporated as part of the budget approval and appropriation process after signing by the CEC member for finance. Borrowing will not be legal unless it has been signed off by CEC member for finance.

3.8 County Debt Management Advisory Committee

The County Debt Management Advisory Committee (DMAC) will be chaired by the Chief Officer in charge of Finance and Economic planning with membership of technical officers from County Treasury and Chief Officers from the relevant project host and linking departments. The Debt Management Advisory Committee will evaluate borrowing proposals and make recommendations to the CECM for finance as to whether borrowing should or should not proceed.

The County Debt Management Advisory Committee is mandated to assess the volume and risk characteristics of debt to ensure that:

a) Debt is sustainable and affordable;
b) Debt is within the established thresholds;
c) Debt is from an acceptable source;
d) Debt is for a good purpose and the funded project is a high priority in the CIDP
e) The project to be funded has a positive Net Present Value or helps achieve county objectives.
f) The cost of any contingent liabilities and obligations such as tied procurement are factored into the cost and risk of debt;
g) Loan terms and conditions are acceptable and achieve the best cost and risk outcome
h) Borrowing aligns with the CFSP.

3.9 County Debt Management Unit

There shall be a County Debt Management Unit (CDMU) under the County Treasury of Laikipia county government. The Debt Management Unit will provide secretariat services to the County Debt Management Advisory Committee (CDMAC). The functions and responsibilities of the County Debt Management Unit will include:

a) Making debt payments on time and for the correct amount,

b) Keeping timely, comprehensive and accurate records of outstanding government debt, guarantees, contingent liabilities and new borrowing in a single debt database;

c) Publishing, in a timely manner,· monthly (and quarterly) reports showing the status of outstanding debt, debt payments, and projected debt payment obligations;

d) Preparing, reviewing and updating the Debt Strategy and Preparing an annual borrowing plan

e) Assessing the risks in issuing any guarantees, and prepare reports on the method used for each assessment and the results thereof for the attention of the CECM Member for Finance;

f) Submitting all debt reports and debt management strategy to CDMAC for consideration and recommendation.

3.10 Process for Approving Loan Proposals by the County Government

Pursuant to Section 184 of PFM Regulations the County Executive Committee Member shall undertake the following;

a) Submit the borrowing proposal which will include its terms and conditions to the County Executive Committee for approval of the borrowing; 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 deliberation and approval.

b) After obtaining the approval of the County Assembly, the County Executive Committed Member for Finance shall submit the final draft loan financing agreement and the approval of the County Assembly to the Cabinet Secretary, National Treasury requesting for the guarantee of the final loan financing agreement;

c) The Cabinet secretary (National Government) shall participate in the negotiations on the contracting of a guaranteed loan by advising the County Government on the best financial terms available and shall sign on behalf of the National Government all agreements on the issuance of a government guarantee.

In guaranteeing the loans, the County must demonstrate the following;

1. That the project could not be financed on reasonable terms and conditions without a government loan
2. The County has adopted a unified approach in project cycle management that includes the preparation, appraisal and management of public investment projects
3. Conditions precedent for the implementation of the project have been met including
   i. Land acquisition, compensation and resettlement of persons affected and stakeholder management
   ii. Detail designs have been completed and relevant approvals obtained where applicable;
   iii. Necessary regulatory approvals have been granted
   iv. Detailed resource requirement including sources of funding and personnel to operationalize the project have been planned for
   v. Project details have been captured in the Integrated Financial Management Information System
4. Provide the projected cash flow clearly setting out the projected disbursement schedule and repayment plan
5. Contribute a substantial portion of project funds from the own county resources not less than 15 percent
6. Demonstrate that the proposed feasible project(s) have been approved by the County Government as required by county legislation

While the Cabinet Secretary is guaranteeing the loans, He/she shall take into account the recommendation of the Intergovernmental Budget and Economic Council IBEC in respect of any guarantee. This is in line with section 58(2) of the PFMA, 2012.

i. The Cabinet Secretary after receiving recommendations of the IBEC shall then seek the recommendations of the Attorney General

ii. The Cabinet secretary to the National Treasury upon taking into account the recommendations of IBEC, the cabinet and the Attorney General may recommend for approval or rejection of the request

iii. Upon rejection of a loan request, the cabinet secretary shall give reasons and communicate the same to the county executive committee member for finance.

iv. Upon approval of a loan guarantee request, the Cabinet Secretary shall submit a sessional paper to Parliament with recommendations seeking its approval;

v. The Cabinet Secretary shall communicate the decision of Parliament on the draft loan guarantee to the respective County Executive Committee Member for finance; and

vi. Upon approval by Parliament the Cabinet Secretary shall issue a loan guarantee.

vii. After receiving the communication of the decision of Parliament on the draft loan guarantee, the County Executive Committee member shall report to the County Assembly of the decision

3.11 Procedure for submission of County Treasury Bonds guarantee request.

While seeking funding through treasury bonds, the CECM Finance shall follow the following process;

a) The County Executive Committee Member for finance shall develop and submit the cash plan, indicating the borrowing requirements 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 cash plan referred to above to the County Assembly for approval of the borrowing including its terms and conditions;

c) Upon approval by the County Assembly, the County Executive Committee Member shall submit the final cash plan and the approval of the County Assembly to the Cabinet Secretary requesting for the guarantee of the Treasury Bond and their inclusion in the issuance calendar;

d) The Cabinet Secretary to the National Treasury, after receiving the request from the county government, shall seek the recommendations of the Intergovernmental Budget and Economic Council in fulfillment of the requirements of section 58(2) (i) of the Act;

e) The Cabinet Secretary to the National Treasury may, upon taking into account the recommendations of the Intergovernmental Budget and Economic Council and the Attorney General may approve or reject the request;

f) The Cabinet Secretary shall reject a request for loan guarantee with reasons and communicate the same to the concerned County Executive Member;

g) Upon approval of a loan guarantee request, the Cabinet Secretary to the National Treasury shall submit the request to Parliament with recommendations seeking its approval;

h) The Cabinet Secretary to the National Treasury shall communicate the decision of Parliament on the draft loan guarantee to the respective County Executive Committee Member for finance;

i) Upon approval by Parliament, the Cabinet Secretary shall include such authorized Treasury Bonds in the overall national issuance calendar.

j) Once the issuance calendar is known, when the national governments advertise its bond issuance for a specific month it shall also incorporate those to be issued on behalf of county governments;

k) On the issuance day, the county whose bond is being issued, shall be represented in the auction committee meeting by the County Executive Committee Member or his or her representative; and

l) After the National Treasury and the county government sign an on-lending agreement, the National Treasury shall transfer the proceeds of the Treasury Bond to the Revenue Fund of that county government and such on-lending transactions shall attract a fee to be determined by the National Treasury.

CHAPTER FOUR

MACROECONOMIC ASSUMPTIONS OF THE MEDIUM-TERM DEBT MANAGEMENT STRATEGY

This section describes the medium-term strategy assumptions considered during preparation and those that are to affect the realization of the proposed management strategies.

4.1 Debt strategy assumptions

a) As the County and National Economy continues to rebound from the negative effect of COVID 19 pandemic, and the continued harsh ecological conditions, it's expected that in the medium term, the macroeconomic framework underpinning the strategy will remain stable during the medium-term period. Forecasted GCP, GDP growth rates and variables such as inflation rates, interest rates amongst others are expected to remain stable in the medium term.

b) The macro-economic framework underpinning the medium term is consistent with projections included in the 2023 County Fiscal Policy Strategy Paper.

c) The political, social and economic environment is expected to remain stable during the implementation of the strategy.

d) As per the constitution, the national government is expected to guarantee county government loans; and

e) The National Treasury is expected to sustain the efforts towards minimizing the delays in disbursement of equitable share transfers and other factors which might lead to escalation of demand for short-term finance by the counties

CHAPTER FIVE

CONCLUSION

Public debt management forms an essential part of macroeconomic environment in any economy. It has implications on public expenditure and a direct bearing on macroeconomic stability.

Public debt management objectives are; to ensure that the county government's financing needs and payment obligations are met at the lowest possible cost over the medium to long term, with a prudent degree of risk, while ensuring the equitable sharing of benefits and burdens of public debt between the current and future generation.

Laikipia County will ensure that debt used to fund programmes is sustainable and the county will meet its debt obligations in a timely manner. Government borrowing will be guided by the need to lower cost and minimize risks, particularly of foreign exchange, interest rate, refinancing and settlement risks.

The Government will endeavor to implement sound policies and structural reforms to strengthen its credit rating to enhance its access to a wider source of financing at lower cost and risk while maintaining overall debt within sustainable levels.

Increase in debt stock strains public service delivery, as resources available for financing other social and development needs are limited. The need to adequately coordinate borrowing activity and establish guidelines to monitor debt levels is crucial in debt management.

The strategies proposed in this CDMSP will ensure low-cost funding with high returns, thereby promoting socio-economic well-being of the citizens. This is expected to contribute to economic growth both at the county and national level and ensure delivery for enhanced socio-economic transformation

Given the negative effect pending bills have on the growth of the economy, the government strategy is to ensure that there is no increase in pending bills and those verified are prioritized for payments.

At the opportune time , the county government of Laikipia will work with the National Treasury IBEC, Attorney General, National and County Assemblies to actualize the implementation of this strategy.