COUNTY GOVERNMENT OF BUNGOMA

COUNTY ASSEMBLY OF BUNGOMA

COUNTY ASSEMBLY DEBATES

THE DAILY HANSARD

TUESDAY, 9TH APRIL, 2024

Afternoon Sitting

COUNTY ASSEMBLY OF BUNGOMA

THE HANSARD- OFFICIAL REPORT

TUESDAY, 9TH APRIL, 2024

The House met at the County Assembly Chamber at 2:30 p.m.

(Mr. Deputy Speaker [Hon. Stephen Wamalwa] in the Chair)

PRAYER

COMMUNICATION FROM THE CHAIR

1. EID- AL-FITR

Honorable Members, as you are aware we have been with the Muslim brothers and sisters during the holy month and tomorrow they mark a very important event. To that effect, we have an announcement.

This is the Kenya Gazette VOL.CXXV1 and the notice reads; the Public Holiday Act, CAP 110, Declaration of Public Holiday. It is notified for the general information of the public that in exercise of the powers conferred by Section (2) (1) of the Public Holidays Act, the Cabinet Secretary for Interior and National Administration declares that Wednesday, the 10th April, 2024 shall be a public holiday to mark Eid al-Fitr. This is by Hon. Kithure Kindiki- the Cabinet Secretary for Interior and National Administration.

2. REORGANIZATION OF BUSINESS OF THE HOUSE

Honorable Members, this informs the rescheduling of our Business, and therefore, the next Business of the House shall be on Thursday 11th April, 2024, and it will be done by the House Business Committee.

You didn't understand? I said that the next business shall be scheduled by the House Business Committee sitting on Thursday, 11th at 9:00 a.m. Next Order?

PAPERS

1. REPORT ON THE CONSIDERATION OF THE COUNTY EXECUTIVE EMPLOYEES' CAR LOAN AND MORTGAGE SCHEME FUND, REGULATIONS, 2023

Paper laid by Hon. Martin Chemorion

Mr. Deputy Speaker: Honorable Members, a report on the consideration of the Public Finance Management, Bungoma County Executive Employees' Car Loan and Mortgage Scheme Fund, Regulations, 2023 having been laid, it now becomes the property of the House. Next item.

2. THE COUNTY GOVERNMENT LOCAL FISCAL DEVELOPMENT PLANS FOR BUMULA, SIRISIA, LWAKHAKHA, CHEPTAIS, CHWELE, TONGAREN, AND BRIGADIER

Paper laid by Hon. Joseph Nyongesa (Leader of Majority)

Mr. Deputy Speaker: Honorable Members, the documents having been laid stand committed to the Committee on Lands for processing and reporting back to this Assembly.

NOTICE OF MOTION

1. NOTICE OF MOTION BY THE COMMITTEE ON DELEGATED COUNTY LEGISLATION

Hon. Martin, Chemorion: Hon. Speaker, I stand to issue a notice of motion that the House adopts the report by the Committee on Delegated County Legislation on the consideration of the Public Finance Management, Bungoma County Executive Employees' Care Loan and Mortgage Scheme Fund Regulations, 2023.

Mr. Deputy Speaker: Thank you, Hon. Martin Cheseto Chemorion, Member for Cheptais. Honorable Members, a notice of motion having been issued in a procedural manner; I thus direct this report to be circulated to all Honorable Members of this House for their perusal and in-depth consumption as it would form part of the Business to be considered by this House after being scheduled by the House Business Committee.

MOTION

1. REPORT ON THE BUNGOMA COUNTY MEDIUM-TERM DEBT MANAGEMENT STRATEGY PAPER FOR FINANCIAL YEAR 2024-2025 TO 2026-2027

Hon. Charles Nangulu (Vice chairperson, Budget and Appropriations Committee): Thank you Hon. Speaker, I am here to move this motion on the Medium-Term Debt Management Strategy Paper for the period for financial year 2024-2025 to 2026-2027. Hon. Speaker, I will be very fast.

Preamble

Chapter One

Honorable Speaker, it is my pleasure to present the report on the Medium-Term Debt Management Strategy Paper for the period of three years, 2024-2025 to 2026-2027, which was tabled on 28th February, 2024 at 2:30 p.m. and committed to the Budget and Appropriations Committee for consideration.

The mandate of the Committee

The Budget and Appropriations Committee is established under the Standing Orders of the County Assembly of Bungoma and is mandated to;

i. Discuss and review the estimates and make recommendations to the County Assembly,

ii. Examine the County Fiscal Strategy Paper presented to the County Assembly
iii. Examine the Debt Management Strategy Paper presented to the County Assembly
iv. Examine bills related to the County Budget, including Appropriations Bill; and
v. Evaluate tax estimates, economic and budgetary policies and programs with direct budget outlays.

Committee Membership

The Committee of Budget and Appropriations Committee as currently constituted comprise of the following members;

1. Hon. Jack Wambulwa……………Chairperson
2. Hon. Charles Nangulu……………V. Chairperson
3. Hon. Anthony Lusenaka………….Member
4. Hon. Joan Kirong…………………Member
5. Hon. Meshack Simiyu…………….Member
6. Hon. Sudi Busolo………………….Member
7. Hon. Ali Machani………………….Member
8. Hon. Milia Masungo……………….Member
9. Hon. Grace Sundukwa……………..Member
10. Hon. Polycarp Wandabusi…………Member
11. Hon. Caleb Wanjala………………..Member

Acknowledgement

The Committee would like to pay special compliment to the following; the Committee appreciates the Office 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 the report writing.

The Committee also registers its appreciation to the members of the 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 and adoption.
Signed by Hon. Jack Wambulwa, MCA- Chairperson, Budget and Appropriation Committee

CHAPTER TWO

Guiding Principles in the Examination of the Debt Management Strategy

Legal Framework

Mr. Speaker Sir, the Debt Management Strategy Paper has been developed in accordance with Section 123 of the Public Finance Management Act, 2012 which provides as follows:
123 *(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.

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 sub-section (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 per cent 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 per cent of the most recently audited revenues and the cost of debt shall not exceed 15 per cent.
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 of the PFMA, the following procedure will apply when the 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.

CHAPTER THREE

SCRUTINY OF THE MEDIUM TERM DEBT MANAGEMENT STRATEGY PAPER FOR FY 2024/25 TO FY 2026/27

Introduction

Mr. Speaker Sir, 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 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 2024/25 and the medium term projections shows an enlarging financing gap and with the County administration; focusing in completing flagship projects hence justification for this paper and county borrowing. The required budget for the FY 2024/25 stood at Kshs35.4 billion for both recurrent and development. In reference to the approved CFSP, the County Government of Bungoma can finance 66.74 per cent of the total recurrent requirements and only 21.17 per cent of total development requirement.

This paper has also highlighted the magnitude outstanding financial obligations resulting from the pending bills across the department totaling to Kshs1.94 billion affecting the debt carrying capacity of the County.

The County government has a short-term arrangement with the Kenya Commercial Bank, Bungoma Branch, to facilitate salary payments to avoid any delay in paying salaries. This was approved by the County Assembly.

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 2024/25 to FY 2026/27.
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:

1 Domestic sources for loans

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

2 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.

Mr. Speaker Sir, External debt refers to loans that a country or entity borrows from foreign lenders, which can include foreign commercial banks, foreign governments, and international financial institutions such as the International Monetary Fund (IMF) or the World Bank. One key characteristic of external debt is that all payments, including interest and principal repayments, must be made in the currency in which the debt was issued. This means that if a country borrows in US dollars, for example, it must repay the loan and interest in US dollars, which can expose it to currency exchange rate risks.

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.

Mr. Speaker Sir, 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 (as denominated in the domestic currency) 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

Mr. Speaker Sir, domestic borrowing refers to a government raising funds within its own country's financial markets. This is typically done through the issuance of various securities such as treasury bills and treasury bonds. Treasury bills are short-term debt instruments with maturities ranging from 91 days to 364 days, while treasury bonds have longer maturity periods, typically exceeding one year. These securities are used by governments to meet short-term funding needs (treasury bills) or to finance long-term projects and expenditures (treasury bonds).

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

Mr. Speaker Sir, 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 this 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.

3.5 FISCAL POLICY AND MONETARY POLICY

Mr. Speaker Sir, Fiscal policy refers to the government's use of taxation and expenditure to influence the economy. It involves decisions related to government spending on public goods and services, taxation levels, borrowing, and debt management. Fiscal policy aims to achieve various macroeconomic objectives such as economic growth, price stability, employment, and income distribution

Governments use fiscal policy tools to achieve specific economic goals. Expansionary fiscal policy involves increasing government spending and/or reducing taxes to stimulate economic growth and employment during periods of economic downturns. Conversely, contractionary fiscal policy involves reducing government spending and/or increasing taxes to cool down an overheated economy and control inflation.

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

a) Improve estimation of funding ceilings based on realistic assessments of revenue raising capacity.
b) Assessing and managing appropriate levels of public debt and cash reserves to create fiscal space to respond to shocks and unforeseen events.
c) Improving budget allocation across sectors by prioritization and align funding allocations to departmental/agency corporate plans.
d) Improving quality of expenditure by ensuring commitments are properly cost and funded, restricting *ad hoc* funding additions during the year.
e) 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 Government to pay its creditors promptly to maintain good relationship 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.

Mr. Speaker Sir, Monetary policy refers to the actions taken by a country's central bank or monetary authority to manage the money supply, interest rates, and credit conditions in the economy. 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.

3.6 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.

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 these transactions.

Operational Risk: These arise from a small staff size and limited capacity. The difficulty in establishing the Debt Management office is a risk for Treasury and the County Government of Bungoma in general.

Strategic Risk: Strategic risk is the risk that decisions made about management of the debt portfolio have a high opportunity cost. If the CGoB 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, CGoB'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: This is the risk of non-performance by borrowers on loans or other financial assets or by a counterpart on financial contracts.

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

CHAPTER FOUR

COMMITTEE'S OBSERVATIONS AND RECOMMENDATIONS:

4.1 Committee Observations

Mr. Speaker Sir, the Committee after analyzing the Debt Management Strategy Paper made the following observations;

1. This Medium Term Debt management Strategy Paper (MTDMSP) is the sixth to be prepared by the County Government since devolution and the Assembly notes the absence of an established public debt management unit.
2. 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.
3. The Medium Term Debt Management Strategy Paper for FY 2024/25 – FY 2026/27 provides a framework and an additional strategy which the County Government can pursue to fund its budget deficits.
4. The County Government of Bungoma decision to borrow is vested in the County Assembly of Bungoma as the first approver. If the County Assembly is of the opinion that the County Government borrowing carries substantial financial risk, may attract high cost of servicing and it threats the county's budgeting and service delivery, then the Assembly can deny approval for the borrowing.
5. The Committee knows that the county's pending bills is indicated as Kshs762,703,954 for the recurrent expenditure and Kshs1,183,405,835 for development expenditure totaling to Kshs1,946,109,790.
6. The County Government of Bungoma expenditure on wages and benefits for its public officer as captured in the CSFP 2024 is at 45.9 per cent. The County Government's total revenue benefit is not adhered to the fiscal responsibility principle of not exceeding 35per cent of the wages and benefits of its public officers, hence reducing the ability of the county to borrow. The County Government has a short-term borrowing arrangement with the Kenya Commercial Bank Bungoma branch to facilitate salary repayments to avoid any delay in paying salaries; but the report indicates the county has no loan.

Committee's Recommendations

Based on the above observations, the Committee recommends as follows.

1. That the County Government should establish a Public Debt Management Unit, PDMU, in the next financial year 2024-2025 to be in charge of developing and implementing strategic plans for borrowing, pending bill settlement and recruit and restructuring. Further, this entity

will be responsible for assessing the government's financing needs, evaluating funding options and designing strategies to minimize borrowing costs and risks.

2. That the County Government of Bungoma adopts strategy three, that is external financing and some domestic bond financing which will allow the county to source for funds from both external and internal sources of funding; but with emphasis on domestic borrowing in order to minimize the risks associated with external borrowing.

3. That the County Treasury should come up with strategies of validation of all pending bills and currently amounts to Kshs1,946,109,790; that is for both recurrent and development together with a comprehensive work plan on how to settle them and report back to the Assembly within 60 days from the date of adoption of this report.

4. That the county treasury should demonstrate how the County Government intends to comply with the fiscal responsibility principle for not exceeding 35 per cent of the County Government total revenue on wages and benefits of its public officers, which currently stands at 45.9 per cent as a requirement for borrowing; and report back to the County Assembly within 60 days from the date of adoption of this report.

5. That the county treasury should clarify if the current arrangement between County Executive and the Kenya Commercial Bank- the Bungoma branch on salaries falls within its potential financial borrowing strategy. Further, state how much it has borrowed under this arrangement and how much has been repaid and balances due, if any; and report back to the County Assembly within 14 days from the date of adoption of this report.

In conclusion, the approval of this Medium-Term Debt Management Strategy Paper for the financial year 2024-2025 to 2026-2027 by this House will provide the framework for the County Government of Bungoma to pursue for additional funds to finance its budget deficit, especially on development expenditures.

That brings me to the end of my report. We have annexure one and two, the adoption schedule, which is signed by all members; and then we have annex two- the draft of the Bungoma County Medium-Term Debt Management Strategy Paper 2024-2025 for financial year 2026-2027. Thank you, Mr. Speaker.
With that, I call upon *Mheshimiwa* Sudi to second the report.

(Applause)

Mr. Deputy Speaker: Thank you, the Hon. Charles Nangulu, Member for Namwela and Vice-Chair, Budget and Appropriations Committee. He is behaving like a teacher and the selection of the Hon. Sudi to second this is a testament to that.

Hon. Sudi Busolo- Member for South Bukusu and Deputy Majority Whip?

Hon. Sudi Busolo: Thank you Hon. Speaker. First of all, I wish to appreciate my Vice-Chair for Budget Committee for taking us through a report; he has done it very well and was very eloquent. I rise to second the motion that has been well read by the Vice-Chair of the Committee and because I participated in making the report to what it is, I wish to leave it to other members who are not members of the Budget Committee to debate.

(Laughter)

(Applause)

Yes, so my cardinal responsibility is just to second and I request members that as you ventilate on the report, let us pass it. Thank you.

(Applause)

Mr. Deputy Speaker: Thank you, Hon. Sudi Busolo Isaiah, for the proper seconding; and he is actually eliciting a lot of passion from the way he seconds. Thank you so much.

Motion proposed

We start with our Majority Leader, the Hon. Joseph Juma.

Hon. Joseph Nyongesa: Thank you, Speaker, for giving me this opportunity to say a word on this document. First of all, allow me to appreciate the mover of this report, Hon. Nangulu for taking us through and also thank the Hon. Sudi for seconding and indeed he told us that them as the Budget Committee, they are aware of the content. So for us who are not in that Committee, we can have time to say one or two. The document is meant for allowing the County Government of Bungoma to borrow some funds if at all there is need to fund its programs.

As we appreciate the Committee, I have gone through and I have seen that the Committee has not allowed the County Government to borrow. To me it is okay because we have been passing it and it is like the Executive have no need apart from maybe engaging KCB Bank for settling the issue of salaries as it is done in Observation number seven; which was approved by this House.

Though they say that the County Government has a short-term borrowing arrangement with the Kenya Commercial Bank, Bungoma branch, to facilitate salary payments and to avoid any delays in paying salaries, but the report indicates that the county has no loan. When we were passing that document in this House, we say that within one month, purposely, when the National Government releases the funds; then the issue of that borrowing will be settled and that is also done by the County Assembly of Bungoma and so it will not be captured as if we are in debt.

I am saying that the report has curtailed the County Government to borrow when you read recommendation number four, which is quite impossible. There is no way the wage will go down from 45.9 to 35. So automatically, the County Government of Bungoma cannot be allowed to borrow when…

(Laughter)

The Chair is looking at me...

(Laughter)

But you can go through it because this recommendation is that the County Treasury should demonstrate how the County Government intends to comply with the fiscal responsibility principle of not exceeding that 35 per cent of the County Government's total revenue on wages and benefits for its public officers; which currently stands at 45.9 per cent. So that is quite impossible and they won't explain because there is no way it will go back to 35 per cent.

Another recommendation on the issue of the pending bills; based on my understanding, that a comprehensive work plan on how to settle them and report back to the County Assembly within 60 days from the date of adoption of this report. Actually, the time frame is okay, but settling Kshs1.9 billion, is impossible. So I agree with the Committee's recommendation that we budget and implement our programs based on what we have. I support.

(Applause)

Mr. Deputy Speaker: Thank you, the Hon. Leader of the Majority. Online we have the Member for Kimaeti, Hon. Jack Wambulwa Ouma, who is the Chair of Budget and Appropriations Committee.

Hon. Jack Wambulwa: Thank you, Hon. Speaker. I wish to appreciate my Vice Chair, Hon. Nangulu for having taken us through the report and the leader for raising the concerns over the same. As a Committee, the biggest challenge we are having and we are telling this House is that we need to have a Debt Management Unit in our County, so that we are able to tell when we have any pending bills and if at all we have any negotiations with the local banks on how we are borrowing and whether we are servicing our debts on time or not.

I wish to urge the House, that we should push the Treasury to come up… especially the Finance Committee, to come up with that Debt Management Unit that will be helping us on matters pending bills. As you are aware, pending bills is a big animal in this County. As we are talking, we have not been able to verify how much is owed, to whom, at what time, and why. Nobody can explain! For us to avoid that, I wish to urge the leadership of the Finance

Committee to ensure that that unit is constituted with immediate effect to make our work easy; and so that we are able to be accountable to the residents of Bungoma. I support the report.

Mr. Deputy Speaker: Thank you, the Hon. Jackson Wambulwa Ouma, Member for Kimaeti and Chairperson, Budget and Appropriations Committee. The Hon. Edwin Wekesa Opwora, Member for Luuya Bwake and Chair, Tourism.

Hon. Edwin Opwora: Thank you, Mr. Speaker Sir. First of all, I wish to laud the Vice-Chair for reading the reports in a slow and careful manner that each member was able to get what is in the report. But, my attention is actually drawn on the pending bills. We need to really scrutinize and ask ourselves why we are having these pending bills increasing every time and when we look at how some of these projects are being run, you note that there is always a lot of variations. Money taken, or projects, or different vote heads paid, other than the specific assigned vote heads.

So it is important that the Executive sticks to the set budget other than having these different vote heads, or money moving from one vote to another. I believe this is one of the reasons why we end up having pending bills.

Another issue is the quality of work being done and the inspections by the different departments of the Executive. They are not executed within the specified time and this contributes to the pending bills. So, we really need to push the Executive to actually have a keen eye and ensure that in the next financial year, we reduce this animal in the House. Otherwise, I support the report. Thank you.

(Applause)

Mr. Deputy Speaker: Thank you. I now call upon Hon. Charles Nangulu Simiyu to make a reply to the same. Proceed.

Hon.Charles Nagulu: Thank you Hon. Speaker. I take this particular moment to applaud members who have contributed to this motion. Coming from one member, actually, about the pending bills, as you can see from our recommendations; we have given the Executive 60 days to come up with a declared setting, a plan of how they are going to settle the bills so that the House knows exactly how much the pending bills are.

As you know very well, we have this issue where departments keep on giving pending bills in different values when asked. But with these reports, if they are able to give us the exact pending bills, the declared ones, and also give us a plan on how they are going to settle them in 60 days, that would be better. As my Chair just mentioned, the Debt Management Unit is an important office where we are able to manage and see how we are working with the pending bills.

If the County really wants to borrow, and as you can see in our recommendation number four, about the wage bill. The wage bill is actually 45.5 per cent, and yet in law it is supposed to be on 35 per cent. We have counties in this Republic who are managing at 35 per cent and I don't see why Bungoma should be an exception. So, with the Debt Management Unit in place, the Assembly in place, and us working with the Executive working, we should try and bring this wage bill to that 35 per cent; so that we can have this window of borrowing so that we can develop our County. In that respect, I urge the House to adopt this report without any amendments.

Mr. Deputy Speaker: Thank you, the Hon. Nangulu for your reply. Honourable Members, it is now time that I rise to put a question to the House.

(*Question put and agreed to)*

The same is adopted by this House. Our Clerks-at-the-Table will ensure that the action is taken after the adoption.

Honourable Members, that was the last item on the Order Paper. But while we were going on, some development arose.

Interruption of Business

COMMUNICATION FROM THE CHAIR

3. ATTENDEES FOR THE MADARAKA DAY CELEBRATIONS

The Office of the Speaker is in receipt of information that each Honourable Member of this House is called upon to forward three names; for the elected Members from your wards and for the specially elected Members from their wards again… not outside your wards, to the Office of the Clerk for vetting, for purposes of attending the Madaraka Day celebrations scheduled to take place here in Bungoma. Otherwise, they will not be allowed to attend. That is, I think, the purpose of the request.

4. CAF CONSULTATIVE MEETING FOR THE DEPUTY LEADERSHIP OF THE HOUSE

Honourable Members, the House Leadership; that is the Deputy House Leadership; the Deputy Leader of Majority, the Deputy Majority Whip, the Deputy Minority Leader and the Deputy Minority Whip are called upon to attend the CAF consultative meeting, which will be held in Nairobi between the 10th and 13th day of April this year. Therefore, it is notified of them to prepare. Travelling is supposed to be on the 10th, and travelling back from Nairobi is on 13th and so the Deputy Leadership of the House should be notified appropriately.

Resumption of Business

ADJOURNMENT

There being no other Business, the House stands adjourned. The next sitting will be on Thursday, the 11th, April, 2024 at 2:30 p.m.

(The House rose at 3:46 p.m.)