

REPUBLIC OF KENYA
COUNTY ASSEMBLY OF UASIN GISHU

THE HANSARD

Wednesday, 20th May, 2020

The House Met at the Assembly Chambers at 11.20 am

[The Speaker (Hon. David Kiplagat) in the Chair]

PRAYER

COMMUNICATION FROM THE CHAIR

UASIN GISHU COUNTY PROPOSED BUDGET ESTIMATES FOR FINANCIAL YEAR 2020-2021

The Speaker (Hon. David Kiplagat): Honourable Members, we have received from the Executive, County Government of Uasin Gishu; the Department of Treasury, the proposed budget estimates for the Financial Year 2020-2021. I hereby commit the same to the Committee on Budget and Appropriation for purposes of consideration and tabling to this House.

Thank you.

PAPER LAID

THE UASIN GISHU COUNTY DEBT MANAGEMENT STRATEGY PAPER (CDMSP) 2020

The Speaker (Hon. David Kiplagat): Chair for budget.

I can see the Vice Chair.

(Silence)

Okay, Chair Budget.

Hon. Ngetich: Thank you, Mr. Speaker Sir. I would like to table the following paper:

The Committee on Budget and Appropriation Fourth Report on The Uasin Gishu County Debt Management Strategy Paper (CDMSP) 2020.

(Hon. Jonathan Ngetich laid the Report at the Table)

The Speaker (Hon. David Kiplagat): Thank you.

NOTICE OF MOTION

ADOPTION OF THE UASIN GISHU COUNTY DEBT MANAGEMENT STRATEGY PAPER (CDMSP)
2020

The Speaker (Hon. David Kiplagat): Chair Budget.

Hon. Ngetich: Thank you, Mr. Speaker Sir. I rise to give Notice of the following Motion:

That this County Assembly do adopt the Committee on Budget and Appropriation Fourth Report on The Uasin Gishu County Debt Management Strategy Paper (CDMSP) 2020 dated 19th May, 2020 and tabled in the House today 20th May, 2020 with or without amendments.

Thank you.

MOTION

ADOPTION OF THE UASIN GISHU COUNTY DEBT MANAGEMENT STRATEGY PAPER (CDMSP)
2020

The Speaker (Hon. David Kiplagat): Chair Budget.

Hon. Ngetich: Thank you, Mr. Speaker Sir. I rise to move the following Motion:

That this County Assembly do adopt the Committee on Budget and Appropriation Fourth Report on The Uasin Gishu County Debt Management Strategy Paper (CDMSP) 2020 dated 19th May, 2020 and tabled in the House today 20th May, 2020 with or without amendments.

Thank you.

Mr. Speaker Sir, allow me to read the report and later make some comments on the same.

Mr. Speaker Sir, Honourable Members, invited guests and members of public present, today, I present to the Assembly the report of the Uasin Gishu County Debt Management Strategy Paper, 2020. I do this in fulfillment of the requirements of Section 123 of the Public Finance Management Act, 2012.

Committee Membership

Mr. Speaker Sir, the Committee on Budget and Appropriation as constituted by this Honourable House is comprised of the following members:

1. Hon. Jonathan Ngetich - Chairperson
2. Hon. Francis Muya - Deputy Chair
3. Hon. Josphat Lowoi - Member
4. Hon. Zipporah Maiyo - Member
5. Hon. Isaac Kemboi - Member
6. Hon. Amos Kiptanui - Member
7. Hon. Patrick Bundotich - Member
8. Hon. Hillary Rono - Member

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| 9. Hon. Joseph Korir | - Member |
| 10. Hon. Hellen Jeptoo | - Member |
| 11. Hon. Sarah Malel | - Member |
| 12. Hon. Nicholas Lelei | -Member |
| 13. Hon. Hosea Korir | - Member |

Committee Mandate

Mr. Speaker Sir, the County Assembly is a creation of Article 176 of the Constitution of Kenya. The Constitution under Article 185 provides that the legislative authority of a county is vested in, and exercised by the County Assembly. In order to give effect to Chapter eleven of the Constitution, Parliament enacted the County Governments Act (No. 17 of 2012) (hereinafter referred to as “the Act”) to provide for County Governments’ powers, functions and responsibilities to deliver services. The Committee of Budget and Appropriation is responsible under Standing Order No. 187 to:

- a) Investigate, inquire into, and report on all matters related to coordination, control and monitoring of the county budget;
- b) Discuss and review the estimates and make recommendations to the County Assembly;
- c) Examine the County Budget Policy Statement presented to County Assembly;
- d) Examine Bills related to the County budget, including Appropriation Bills; and
- e) Evaluate tax estimates, economic and budgetary policies and programmes with direct budget outlays.

Committee Sittings

The committee held its sittings on 11th, 15th and 19th May, 2020 to deliberate on the Proposed Uasin Gishu County Debt Management Strategy Paper (CDMSP) 2020.

The Members of the Budget and Appropriation Committee appended their signatures for affirmation

Introduction

Mr. Speaker Sir, the County Debt Management Strategy Paper (CDMSP) 2020 sets the framework for the management of County public debt. Section 123 of the Public Finance Management (PFM) Act 2012 requires counties to prepare and submit a debt management strategy over the medium term to the County Assembly on or before 28th February of each year. This is in regard to its actual and potential liabilities in respect of loans and how it plans to deal with those liabilities.

The strategy paper has been prepared taking into consideration the borrowing needs of the County governments and adherence to fiscal responsibility principles set out in Section 107 of the PFM Act 2012. It is however of importance to note that the County government will be implementing a balanced budget over the medium-term and thus does not envisage any borrowing.

Objective of County Debt Strategy Paper

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Mr. Speaker Sir, the objective of public debt management is to ensure that the County government financing needs and payment obligations are met at the lowest possible cost over the medium to long term, with prudent degree of risk, and to promote development of the domestic debt market while ensuring the sharing of benefits of public debt between the current and future generation. Further, it aims at facilitating County's access to the financial markets as well as supporting development of a well-functioning vibrant debt policy.

Legal Frameworks for Borrowing

Mr. Speaker Sir, the County Governments draw borrowing powers from Article 212 of the Constitution of Kenya that allows them to borrow on guarantee by national government and approval by the County assembly. The County government borrowing is particularly guided by the following sections of the PFM Act 2012: -

- Section 58 provides the requirement the County governments must meet before seeking National Government guarantees to borrow.
- Section 107 provides the use on County government's borrowings that shall be used only for the purpose of financing development expenditure and not for recurrent expenditure.
- Sections 140 and 141 provides for the role of the County Executive Committee Member for Finance on matters of borrowing by the County government.
- Section 142 spells out terms for short term borrowing by County Government entities for cash management purposes only.
- Section 143 provides for County government to issue securities, whether for money that it has borrowed or for any other purpose.

Mr. Speaker Sir, the County government borrowing is also guided by the following provisions of the PFM Regulations 2015: -

- 176 County government borrowing shall be guided by the following principles—
 - a) need to ensure stability of domestic financial markets;
 - b) promotion of inter-generational equity in the sharing of burdens and benefits of public borrowing;
 - c) determination of thresholds of borrowing rights for both levels of government;
 - d) use of objective criteria for evaluating county government eligibility for national government debt guarantee; and
 - e) prudence and equity in setting limits for debt stock levels for each county government.
- 177. (1) The County Executive Committee Member derives powers to raise loans for the County Government from section 140 of the Act.

(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 manners—

- 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.

(3) Any borrowing by a County Government under paragraph (2) (a) and (c) of this regulation shall require a national government guarantee pursuant to section 58 of the Act.

(4) Any borrowing under paragraph (2) (b) of this regulation, shall be in accordance with section 142 of the Act and shall be deemed guaranteed by the Cabinet Secretary and that guarantee shall be secured by the county equitable share of the revenue raised nationally.

- 178. The county governments may borrow pursuant to the requirements of sections 140 of the Act for the following purposes:
 - a) financing county government budget deficits; or
 - b) cash management; or
 - c) refinancing outstanding debt or repaying a loan prior to its date of repayment; or
 - d) mitigation against adverse effects caused by an urgent and unforeseen event in cases where the Emergency Fund has been depleted; or
 - e) meeting any other development policy objectives that the County Executive Committee Member shall deem necessary, consistent with the law, and as County Assembly may approve.
- 179. (1) Pursuant to section 50(5) of the Act, a county public debt shall not exceed twenty percent (20%) of the county government's most recent audited revenues, as approved by county assembly.

County total public debt threshold

- 179. (2) the annual debt service cost of a county government shall not exceed fifteen (15%) percent of the most recent audited revenue of that county government, as approved by County Assembly.
- 179. (3) Parliament may review the limit under paragraph (1) of this regulation five years after the commencement date of these Regulations.
- 180. (1) Pursuant to Section 141 (2) of the Act, 2012, the debt limit at any given time shall not exceed the nominal value of the total county public debt that is determined by the county assembly within the limits set under Section 50 (5) of the Act and in accordance with fiscal responsibility principles under regulation 25 of the these Regulations.

Setting Debt Limit in the County Medium Term Debt Management Strategy Section 141

- 180. (2) the debt limit under paragraph (1) of this regulation shall be specified annually in the county fiscal strategy paper and the medium term debt management strategy paper.
- 180. (3) the annual new government debt shall be consistent with the debt limits set out under paragraph (1) of this regulation.
- 180. (4) For the purposes of monitoring compliance with the limits under paragraph (1), the amount of county government debts which are not denominated in Kenya shillings shall be recalculated at the prevailing exchange rate of the Central Bank of Kenya.

County's Debt Portfolio

Mr. Speaker Sir, the County fiscal policy anticipates a balanced budget and thus sees no need for borrowing. That is according to the report given by the Executive. However, any need that may arise and require borrowing will be addressed by strategies laid out in section 4 of this paper. The County government is considering setting up of an asphalt mixing plant and constructing housing units through debt financing in the FY 2020/21. Partnership will be forged with the County Pension Fund to undertake the housing project.

County's Debt Management Strategy

Mr. Speaker Sir, the debt strategy for the 2020/21 MTEF period shall include: -

- The County Government may seek both short-term borrowing for cash flow management and long-term funding from local or international lenders to finance capital projects;
- The County Government will establish a debt management office in the County Treasury to manage County's debts;
- The County Treasury will create an enabling environment for County entities and corporations to borrow; and
- Any borrowing by the County Government will be in line with the provisions of law indicated in section 2.0 of this paper and the borrowing framework by sub nationals as adopted by Inter-governmental Budget and Economic Council (IBEC).

Committee Recommendations

Mr. Speaker Sir, we recommend the adoption of the proposed County Debt Management Strategy Paper 2020 as proposed by the County Executive Committee Member in Charge of Finance and Economic Planning.

Mr. Speaker Sir, the 2020 County Debt Management Strategy Paper therefore lays a framework for prudent debt management in the County over the next budget year. It is imperative that the County government will continue to implement prudent debt management practices and policies for a sustainable debt position.

Mr. Speaker Sir, at this point I thank my colleagues for their support and common understanding during deliberation and preparation of this report. I also thank my secretariat and the budget team for the hard work, innovation and selfless efforts devoted in the preparation and finalization of this report.

Mr. Speaker Sir, finally, the personal efforts, guidance and hands-on involvement by both you (The Speaker) and The Clerk made it possible to prepare this report in a thorough-going and substantial manner. It has been a privilege and a pleasure to work with the office of the Speaker and that of the Clerk.

It is now my distinguished honour to submit the Committee's report to this Honourable House on the proposed Uasin Gishu County Debt Management Strategy Paper, 2020 for approval.

Mr. Speaker Sir, we received the report on time.

It is now my distinguished honour to submit the committee's report of this Honorable House on the proposed Uasin Gishu Debt Management Strategy Paper 2020 for approval.

We received the by 20th of February together with the CFSP. As presented by the CECs, we expect a balanced budget for 2020/2021.

Mr. Speaker Sir, the resource envelop that we have together with the proposed expenditure balances, we are receiving money from the National Government through the CARA, that is, the equitable share together with our local revenue collection. As proposed by the CECs, we are not expected to borrow any money for now, because we are doing a balanced budget.

Mr. Speaker, the only challenge right now is the effect of Covid 19 pandemic in terms of the local revenue collection. Mr. Speaker Sir, we might not achieve our targets in terms of revenue collection, because the businesses are not thriving right now, so it might affect us adversely. It does not, however, warrant that we borrow money for the short term financing but in case of anything, we can do supplementary budget so that we can revise our programmes to be in line with the budget or the resource envelop. As provided by the law we can borrow for development purpose only, guaranteed by the National Government and approved by the County Assembly.

Mr. Speaker, though they have mentioned the housing unit, we might not as a County do it per se. If we are to do it, maybe we can do it in line with the housing programme of the County Government.

With all those many remarks, I move the Motion that we approve this forth report of the Budget and Appropriation Committee on the debt management strategy paper 2020 and request Honorable Hosea Lamai to second.

The Speaker (Hon. David Kiplagat): Thank you, chair Budget.

Hon. Hosea: Thank you, Honorable Speaker. I rise to second the Motion, in view of us and the whole House considering the fourth report on the Debt Management Strategy Paper.

From the onset, Honorable Speaker, I want to appreciate the Committee on Budget and Appropriation, led by our able Chair and the Committee Members, for having taken a short period to discuss this document. Given, Honorable Speaker, that we don't have any debt as of now as it has been said by Honorable Chair, this is to cushion our budget; it will not be wrong for the Government of Uasin Gishu to go the borrowing way. We did it the other time on machinery. If there is anything that we need to achieve as fast as possible I think this Honorable House is more than ready. With the approval of the National Government and the County Assembly, we can as well still go for this borrowing. For this reason, Honorable Speaker, the report is almost self-explanatory to all of us and for any capital project that the

County Government intends to engage in, I think this Honorable House is ready to pass any borrowing. For now, Honorable Speaker, I rise to support this Report.

Thank you.

The Speaker (Hon. David Kiplagat): Thank you, Deputy Speaker.

Honourable Members, now that this Motion has been moved and seconded, I propose the question.

(Question proposed)

The Speaker (Hon. David Kiplagat): Ensuing Debate.

Hon. Muya: Thank you very much, Mr. Speaker.

First of all, I want to congratulate the Committee of Budget and Appropriation led by our able Chair Honorable Jonathan, whom I deputize, and all Members in that Committee. They are very committed and up to the task, so congratulations.

Before I also contribute to the report before us, Mr. Speaker, I want to sincerely from the bottom of my heart apologize for a statement I made last week concerning our senior Member. Little did I know it would not go down well with him because of the Covid issue. You know when it started we were being encouraged by the ministry that at a given age should not ---. But I want to report here it was not out of malice. I know senior Members are very resourceful in this House and we really depend on them, including the mentioned Member. little did I know it did not go down well with him. But because he is a gentleman, he came and told me, "My brother my son, I think next time do not mention". Therefore with all due respect, I tender my apology to the said Member about the age that I referred.

Going back to the ---

The Speaker (Hon. David Kiplagat): Do you have any specific ---?

Hon. Muya: Yes, he was Hon. Korir from Ziwa and he is a father; he is so senior; he is a Member whom I respect. When he stands to make contribution and he is equal to the task. As the saying goes old is gold, the likes of Ramadhan Ali are very resourceful.

The Speaker (Hon. David Kiplagat): Maybe Hon. Korir, do you have something to add on that apology from Hon Muya, which is coming from the bottom of heart?

Hon. Korir, K: Thank you, Mr. Speaker. I want to say that I was annoyed and I was in the House but later on, I said that because we had a debate on the report by the department of lands, I decided to pull him aside in the House. The Hon. Member mentioned Hon Kesumo and I saying that these people of sixty should have been at home and yet I have been elected by my people from Ziwa Ward. You know that was a message that really mocked me and was sarcastic language ---

The Speaker (Hon. David Kiplagat): Maybe you can go to the apology directly.

Hon. Korir, K: I have accepted his apologies fully.

The Speaker (Hon. David Kiplagat): Thank you. Proceed, Hon. Muya.

Hon. Muya: Thank you for accepting my apology, Senior Member Hon Korir. I did not do it

Hon. Kigen: Point of Order!

The speaker (Hon. David Kiplagat): What is out of Order, Hon. Pius?

Hon Kigen: Did I hear it clearly from Hon Korir that “I apologise” or he said that “I have accepted the apologies”?

Hon. Korir, K: I excused him, Hon. Speaker. Anyway I have forgiven the Hon. Member.

Hon. Speaker (Hon. David Kiplagat): It should go on record that Hon. has accepted the apologies and Hon. Muya has apologized for that remark.

Proceed, Hon. Muya.

Hon. Muya: Thank you very much, Mr. Speaker. That is the way to go on the Floor of the House.

Going back to the Motion, I want to support the report that is before us and I want to commend the leadership of Uasin Gishu led by His Excellency Jackson Mandago because it is not like other counties; there are counties which have huge debts , very huge debts but in our county, as the report read by the chair states, we do not have, as per now, have any debts and the departments concerned are looking into it to ensure that the county Government of Uasin Gishu we have not got ourselves into debt issues that would make us find ourselves in bad books. However, going forward if as a county Government will have a very noble project, it is allowed in law as long as it does not exceed the given limits as it has been read in the report. If we have a very meaningful thing that we want to implement for the great people of Uasin Gishu, it is encouraged by law that county Governments can go for a debt so long as they have made proper arrangement on how the payment can be done.

Mr. Speaker, I want to urge this Hon. House to approve this Report that has been prepared by our able Committee of Budget and Appropriation and it needs to go on record that we are commending the good job that is being done by the Finance Department not to leave this government that is being led by His Excellency Jackson Mandago on debt issue so that whoever will come as the next Governor will not have excuses, that he found debts that are limiting him from serving the people of Uasin Gishu.

With those very many remarks, I support the report.

The Speaker (Hon. David Kiplagat): Thank you, Hon Muya. Hon Pius.

Hon. Kigen: Thank you so much, Hon speaker. I stand first to congratulate the Committee on Budget for coming up with this report in a short time.

Hon. Speaker, developing County Debt Management Strategy Paper is mandatory for all the counties as per the constitution. It is provided in section 123 of the PPM Act 2012 and allows county Governments to borrow debts. CDMSP is a very important tool for the county Government and indeed it is important that the county Assembly do approve. Thus I would like to urge and persuade them that they do approve this paper . The approval of this Paper does not mean that it will give the county Government license to borrow the way they want. This is a formality so that in that in the event that the county would need some cash-flows to finance some short loans. They will be within the law to borrow as long as they follow the

laid down procedures. We know that other developments may be costly and may require partners particularly on the long term. And that will also need long time loans. It has been mentioned that the County envisages in the near future they will enter into some partnership with pension schemes for long-term loans. I want to persuade the Honorable Members that we pass this paper for the County Government to be within the law should they want to borrow.

Thank you.

The Speaker (Hon. David Kiplagat): Thank you, Honorable Pius. Leader of Government Business.

Hon. Lowoi: Thank you, Mr. Speaker. I also stand here to support the report brought by the Committee on Budget and Appropriation.

I wish to thank the Committee for the good work they have done. Though we are in a period where people are not converging, they have met severally through video conferencing and physical meetings that ensured that the report is here today. As you see, it is a well repaired report.

As said by Members, we need to commend our county for not engaging in so much debts or planning to borrow money any time soon because anybody who lives beyond his own means will one day not proceed well with life. By living within your means, means everything is manageable. I commend the department but they should not be fear to borrow if we can manage to pay within our own means, even borrowing just for development issues like we did for machineries back then - and not cash issues. This is the way to go. The only thing is that the County, as much as we don't need to borrow, we need to set the limits of borrowing so that just in case something comes up we have the maximum (amount) in our strategy paper So that we don't just close ourselves up completely. It is a good thing to do this and it is constitutional that we have this paper before the 28th February of every year. It has come and we need to approve it so that we allow the county to move as required by law.

I support this report and I call upon all the Members to support this report. Thank you.

The Speaker (Hon. David Kiplagat): Thank you, Leader of Government Business. The mover of the Motion, you have a right of reply.

Hon. Ngetich: Thank you, Honorable Speaker. I want to thank Honorable Members for approving the report moved by Budget and Appropriation Committee on the County Management Debt Strategy Paper. We also thank the executive for not engaging in unnecessary debts and loans; even for cash management purposes they have tried to manage their cash portfolio and we thank them.

Once again we say thanks to Honorable Members. Thank you.

The Speaker (Hon. David Kiplagat): Thank you, Chair. There being no further contributions, I put the question.

(Question put and agreed to)

BILL

UASIN GISHU COUNTY INUA BIASHARA FUND AMENDMENT [BILL NO.14], 2020

(First Reading)

The Speaker (Hon. David Kiplagat): Now that the Uasin Gishu County *Inua Biashara* Fund Amendment [Bill No.14], 2020 has been read for the first time I commit the same to the Committee of Trade for consideration.

Thank you.

ADJOURNMENT

The Speaker (Hon. David Kiplagat): There being no other business, the House is hereby adjourned until this afternoon. Thank you.

The House Rose 12.05 pm