REPUBLIC OF KENYA

COUNTY GOVERNMENT OF LAIKIPIA

THE COUNTY TREASURY

COUNTY DEBT MANAGEMENT STRATEGY PAPER
2025/2026- 2027/2028

JANUARY 2025

COUNTY VISION AND MISSION

Vision

An Inclusive County with Sustainable Quality Life

Mission

Facilitate Integrated Social Economic Development for the People of Laikipia.

Core Values

Synergy

Servant Leadership

Mutual Accountability

Integrity

Effectiveness

Efficiency

FOREWORD

The Constitution of Kenya 2010 and the Public Finance Management Act, 2012 Section 123 mandates a County Government to prepare and table to its County Assembly a County Debt Management Strategy (CDMSP) on its anticipated borrowing over the medium-term.

The CDMSP is essential to prudent debt management, it informs the optimal strategy for funding fiscal deficits while considering the cost and risk of the borrowing.

The 2025 CDMSP specifies ways of acquiring debt and measures that will contribute to financial risk reduction as and when the County Government seeks medium term and long-term funding as guided by the Constitution of Kenya 2010, Article 212 and 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 an intervention. The County Budget will be balanced with the available resources and the Government will manage its cash flow through short-term borrowing from financial institutions to offset delays in disbursements of equitable share and shortfalls in own source revenue collection.

Wachira Gachigi
County Executive Committee Member,
Finance, Economic Planning and County Development.

ACKNOWLEDGEMENT

The CDMSP 2025 is prepared according to the PFM Act 2012. It sets out how debt will be managed in the fiscal year 2025/2026 and over the Medium Term.

The formulation of the CDMSP has been a comprehensive process that involved the assessment of current economic landscape as well as analyzing the county resource envelope against the proposed expenditure for the fiscal year 2025/2026. In line with this, the county does not intend to acquire debt/loans in the short run.

My sincere gratitude to H.E the Governor, H.E the Deputy Governor and Hon. Speaker and other members of the county assembly for their invaluable support during the formulation of the CDMSP. The participation of the members of the County Executive Committee, County Chief Officers, County Directors, and all other staffs is highly appreciated.

I want to acknowledge the technical teams from the Budget and Economic Planning directorates who worked diligently to put this paper together. Finally am grateful to all other stakeholders for their valued inputs.

Daniel Ngumi,
Chief Officer,
Finance and County Treasury.

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

Debt management is one of the most common challenges in public financial management. Public Finance Management Act, 2012 Section 123 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 2025 Debt Management Strategy aims at ensuring the financing needs and payments obligations of the County government and its entities are met at lowest costs over the medium term while maintaining sustainable debt levels whose purpose will be to improve livelihoods of Laikipia County residents.

The CDMSP is based on the premise of inadequate resources to meet the prioritized needs of the as detailed in the County Integrated Development Plan 2023-2027 and the Annual Development Plan 2025/2026.This resource gap may require the county to seek alternative funding sources in order to achieve the intended objectives.

The process of acquiring 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 as 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 aid in establishing a borrowing framework that will ensure 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

The Public Finance Management Act, 2012 Section 123 requires a County Government to present its CDMSP to the County Assembly by 28th February each year.

The CDMSP outlines the expected borrowing processes to support the county's development goals by addressing the resource gap within the planning framework. Consequently, the county must explore alternative financing methods to fund prioritized projects. The strategy takes into account legal provisions, the debt acquisition process, estimated debt costs, anticipated annual fluctuations in debt costs, and 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 government's debt in order to raise the required amount of funding to meet set objectives. The County Debt Management Strategy is a framework that will ensure debt levels stay affordable and sustainable.

1.3 Objectives of County Debt Management Strategy Paper

The primary objective of the CDMSP is to ensure that government meets its financing needs while maintaining fiscal sustainability and minimizing financial risks. In addition, the strategy incorporates initiatives to seek new funding sources, manage the cash flow and support the County Government priorities for socio-economic transformation while ensuring debt sustainability. The secondary objectives of the strategy include;

i. Ensuring that government meets its financing needs and payment obligations at the lowest cost over the medium to long term, consistent with a prudent degree of risk.
ii. Ensuring public debt remains sustainable without placing unbearable burden. In this regard, management of public debt will seek to safeguard County Government's ability to service debt without compromising the fiscal capability to fund provision of services and development projects.
iii. To ensure that the overall level of public debt does not exceed 20 percent of the county governments total revenue at any one time as stipulated in the Public Finance Management Regulation, 2015 section 25 sub section 1 (d).

1.4 Scope of the Strategy

The 2025/2026 CDMSP incorporates both debts and potential obligations. This includes all loans and other financial liabilities that require the County Government and its entities to repay the principal amount, with or without interest, to the creditor on specified future dates.

The CDMSP is prepared based on projected fiscal deficits and financial assumptions spelled out in the county planning frameworks. The key elements of this strategy will be incorporated into the County fiscal strategy paper (CFSP) 2025 and updated every year as part of the budget process. The Public Finance Management Act, 2012 Section 58 sub section 2 (a) provides that 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 or guaranteed and securities issued or guaranteed by the county government. The County debt policy is anchored in Constitution of Kenya, 2010 Article 212 specifically the principles of public finance. The policy enables the County Government and its entities to determine, establish and uphold legal and institutional frameworks that are put in place to guide its borrowing programme and address both the external and domestic public debt management within a county. It provides for an accountability framework in borrowing and management of the public debt portfolio. Parliament, National Treasury, Auditor General, Controller of Budget, Commission on Revenue Allocation and the Central Bank of Kenya play a key role in the management of county public debt and borrowing.

2.2 Responsibilities of County Treasury on Debt

PFM Act Section 107 (1), requires the County Treasury to manage its public finances in accordance with the principles of fiscal responsibility set out in subsection (2) and should not exceed the limits stated in the regulations. In doing so, the County Treasury shall ensure that; over the medium term, government's borrowings shall be used only for the purpose of financing development and not for recurrent expenditure and the county debt is maintained at a sustainable level as approved by the county assembly.

The PFM Act, 2012 Section 140 (1) permits the County Executive Committee member for Finance, to raise loans on behalf of the County Government 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) The Constitution of Kenya, 2010 Article 212 - A County Government may borrow only— (i) if the National Government guarantees the loan; and (ii) with the approval of the county assembly.

b) The PFM Act, 2012 Section 58 (1) authorizes 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) The PFM Act, 2012 Section 142; 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 entity. The borrowing should be repaid within a year from the date 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.

According to PFM regulations, 2015 section 177(2), a County Government may from time to time borrow within and outside Kenya such sums of money, on such terms and conditions as to interest, repayment, disbursement or otherwise as the County Executive Committee Member for finance 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 according to the PFM Act 2012 section 58.

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 shall be openness and accountability, including public participation in financial matters;

b) Public finance system shall promote an equitable society;

c) The burdens and benefits of the use of resources and public borrowing shall be shared equitably between present and future generations;
d) Public money shall be used in a prudent and responsible way; and
e) Financial management shall be responsible and fiscal reporting shall 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 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 Revenue Fund 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.
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 County corporations specifically the water companies with independent mechanisms for borrowing and application of the funds as per their specific board's approval have continued to engage financiers to support critical projects. In line with this the Nanyuki Water and sanitation company (NAWASCO) and Nyahururu water and sanitation (NYAHUWASCO) will continue to seek commercial financing to implement projects within their approved strategies. This financing may include the green bond financing mechanisms.

The county government had accumulated pending bills amounting to KShs. 1,685,608,663 as at 30th June, 2024 and has been using short-term borrowings from commercial banks to manage cash flows relating to salaries and wages at a cost of 0.5%. The County Government continues to prioritize payment of pending bills through enhanced allocation in the annual budget process.

The pending bills consist of statutory creditors, owing to merchants and contingent liabilities as illustrated in the table below.

Table 1: Summary of County Pending bills

S/No	Description	31st December, 2023	30th June , 2024
		KShs	KShs
1.	Construction of buildings	224,283,147	213,916,620
2.	Construction of civil works	497,377,134	607,571,816
3.	Supply of goods	811,443,652	463,465,914
4.	Supply of services	295,049,730	400,654,313
	Total	**1,828,153,663**	**1,685,608,663**

Source: Financial Statement as at 31st December, 2024

The pending bills are as a result of County Government-initiated projects whose payments have over-time been rolled over to successive financial years due to unmet revenue targets. Unstable economic conditions have negatively affected revenue mobilization leading to growth in pending bills. To reduce these un-honored commitments, the County has adopted various strategies; including

a) Providing annual budgetary allocation.
b) Timely remittance of statutory deductions and other obligations to avert any interest and penalties on late remittance or non-remittance.
c) Adhering to annual procurement plans and budgetary provisions to guide the county expenditures.

CHAPTER THREE

PRINCIPLES AND GUIDELINES FOR PUBLIC DEBT MANAGEMENT

Over the Medium Term, the government may raise resources through long term and short-term borrowing to finance its planned programs. Management of public debt will be in accordance with the Constitution of Kenya, 2010 and the PFM Act 2012.Any borrowing will be done while ensuring the debt levels are maintained at sustainable levels.

3.1 Purpose for Borrowing

According to the PFM Regulation, 2015 section 178, the county governments may borrow in pursuant to the requirements of sections 140 of the Act for the purpose of —

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.

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 shortfalls 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 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 on 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 not exceed twenty 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 per cent of the most recent audited revenue of that county government, as approved by county assembly (PFM regulation, 2015, 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's socio-economic transformation agenda and must be included in the Medium-Term Debt Strategy. 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 availability of land and wayleave acquisition for the project where necessary.
c) Confirm 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 gaps.
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 form 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 of 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 where 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 economy outlook to ensure that future borrowing will maintain outstanding debt within sustainable levels. The ratios to be monitored include solvency and liquidity indicators. These ratios are:

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 the fiscal responsibility guidelines of fit for purpose, an allowable source, and with acceptable terms and conditions.

3.7 Institutional and Operational Framework

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

3.7.1 County Debt Management Unit

The functions and responsibilities of the unit shall include:

a) Carrying out the government's debt management policy of minimizing cost and 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 county 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 to the County Executive Committee Member for Finance 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.

3.7.2 County Debt Management Advisory Committee

The County Debt Management Advisory Committee (CDMAC) will be chaired by the Chief Officer in charge of Finance 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 current CFSP.

3.8 Process for Approving Loan Proposals by the County Government

Pursuant to PFM Regulation 184, 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. After approval 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 county own source revenue which is 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 PFMA, 2012 section 58(2).

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 the decision to the County Assembly.

3.9 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 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 PFMA, 2012 section 58(2) (i).

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 Committee 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, the National Government will 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) The Kenyan economy is projected to expand in 2024 and 2025 as a result of rebound in agricultural activities, and robust growth of service sectors. It's expected that in the medium term, the macroeconomic framework underpinning the strategy will remain stable. The 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 2025 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 in event of borrowing.

e) The National Treasury is expected to minimize delays in disbursement of equitable share transfers.

CHAPTER FIVE

CONCLUSION

Managing public debt in any economy is an important component of the macroeconomic environment. It directly affects macroeconomic stability and has an impact on public spending.

Public debt management objectives are to ensure that the county government's financing needs and its 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.

County government of Laikipia 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 interest rate, refinancing and settlement risks.

The Government will institute and 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 of pending bills on the growth of the economy, the government aims to minimize the pending bills.

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.