

# COUNTY GOVERNMENT OF TAITA TAVETA



MEDIUM TERM

## COUNTY DEBT MANAGEMENT STRATEGY PAPER

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## **Foreword**

The 2024 Debt Management Strategy (DMS) has been prepared in accordance with the Public Finance Management Act 2012 section 123 (1). It is provided that 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 clearly showing its actual liability in respect of loans and its plan for dealing with those liabilities.

Analysis of Taita Taveta County liabilities indicate that there are no outstanding external loans pending by the County Government

This paper therefore only provides a statement of Pending Bills most of which are historical in nature spanning over the past financial years

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## **Acknowledgement**

This Medium Term Debt Management Strategy sets out the debt management strategy for the County Government.

We are particularly grateful to the County Executive Committee Member for Finance and Economic Planning for his role, direction and guidance in developing this document, County Executive Committee Members, Chief Officers, County Treasury Staff and Technical Team for their input in providing much needed information to the team working on this paper.

Finally, it is our sincere conviction that this 2024 Medium Term Debt Management Strategy will guide the debt management strategy for Taita Taveta County Government.

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## **EXECUTIVE SUMMARY**

The 2024 County Government Debt Management Strategy is prepared in line with section 123 of the Public Finance Management Act 2012. The law stipulates that 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.

This Paper is structured in two chapters: Chapter one provides an overview of the Debt Management Strategy by defining debt and debt management.

Chapter two provides the characteristics of the County Government's public debt with emphasis on specific strategies the County Government intends to employ in dealing with debts. It further provides details of Debt reduction policies and strategies designed to assist the County in its effort to reduce debts in a fast and prudent manner.

An analysis of the County Government's debts indicates that there are no external loans owed by the County Government of Taita Taveta. The only form of liability that the county has is the outstanding pending bills.

The question of pending bills as a liability continues to bedevil most counties since the inception of devolution and Taita Taveta is no exception.

Further, the continued non-payment of bills owed to contractors and suppliers as observed by the Pending Bills Committee, not only dents the image of the County Government but has affected the economy and disrupted its operations. This also exposes the county to the risk of litigation.

## **LEGAL BASIS FOR THE PUBLICATION OF THE DEBT MANAGEMENT STRATEGY**

The Debt Management Strategy is published in accordance with section 123 of the Public Finance Management Act, 2012. The Law states that: 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.

The County Treasury shall include the following information in the statement- a)

- a) The total 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 assumption underlying the debt management strategy; and
- e) An analysis of the sustainability of the amount of debt; both actual and potential.

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.

## **CHAPTER 1: OVERVIEW OF DEBT MANAGEMENT STRATEGY**

### **Introduction**

The 2024 Taita Taveta County Debt Management Strategy is aimed at guiding sustainable debt management and demonstrates sound financial management practices, in the interest of the citizenry, credit institutions, investors and other stakeholders. The document is prepared in accordance with the provisions of the PFM Act Section 123.

The main objective of debt management strategy is to enable the county government to prudently meet its financial obligations with sustainable risk levels.

### **Goals for the debt management strategy**

The Debt Management Strategy spells out the Government's debt financing plans for FY 2024-25.

In addition, the strategy provides policy framework for liability management and thus enables the county government to meet both recurrent and capital financing needs as well as financing statutory obligations.

The Debt Management Strategy is also expected to provide debt ceilings for the county government. The limit must:

- a) Not exceed the nominal value of the total public debt that is determined in accordance with fiscal responsibility principles.
- b) Be specified annually in the county fiscal strategy paper and the medium term debt management strategy
- c) Guide the level of new annual government debt to ensure it is consistent with that limit
- d) Guide the amount of county government debt(s) that are not denominated in shillings after they are recalculated at the prevailing exchange rate of the Central Bank of Kenya for the purposes of monitoring compliance with debt limits.



## **Debt Management Strategy Financing Principles**

The debt management strategy will address the County government's financing requirements at the lowest cost and a prudent degree of risk by adhering to the following principles:

- a. Financing must be taken up in a balanced way to ensure debt sustainability over Long term.
- b. Prudence must be observed when contracting debt while taking into account the Cost and risk implications.
- c. Debt must be contracted to support expenditure in the identified County priority; Areas that are geared towards poverty reduction and promotion of overall County development.
- d. Debt must be guaranteed.
- e. The debt must be for capital projects.

## **CHAPTER 2: COUNTY PUBLIC DEBT SITUATION**

### **Analysis of Taita Taveta County Government's Public Debt**

Analysis of Taita Taveta County liabilities indicate that there are no external loans pending by the County Government.

#### **Pending Bills**

Pending bills continue to be an issue of concern for both the national and county governments. In Taita Taveta County, the outstanding bills are historical spanning over past financial years.

According to the County Treasury, as at 30th June 2023, the County Government reported pending bills of Kshs. 1.39 Billion. The pending bills are mostly as a result of completion of projects initiated in the previous financial years.

In the approved FY 2023-24 Supplementary I budget estimates, the provision for pending bills stands at Kshs 222 Million, comprising of Kshs 22 Million for recurrent and Kshs 200 Million for development. Further, in the 2024 County Fiscal Strategy Paper, Kshs 222 Million has been provided for the settlement of pending bills.

#### **Debt reduction strategies**

The county will apply the following strategies towards the reduction of its debts.

- a. Ensure total adherence to the budgetary ceilings during budget implementation.
- b. Stakeholder participation during projects planning, monitoring and evaluation will be strengthened to avoid project variations and changes.
- c. Embrace austerity measures to manage recurrent expenditure by departments and promote the savings for capital investments.
- d. Enhance revenue generation by departments by exploring and exploiting new and wider revenue streams.
- e. Encourage cost sharing especially for services like extension services in all sectors.
- f. Contract management should be conducted in adherence to all statutory requirements as well as full adoption of e-Procurement.
- g. Strengthen county audit and legal offices.
- h. Reduce the role of the county government in business related ventures and allow for private sector and Public /Private Partnership (PPP).