COUNTY GOVERNMENT OF BUSIA

P.O. BOX PRIVATE BAG-50400

BUSIA, KENYA

COUNTY TREASURY

BUSIA COUNTY DEBT MANAGEMENT STRATEGY PAPER 2024

MARCH 2024

Foreword

I am pleased to present this debt management strategy paper for the County Government of Busia, Kenya. The purpose of this document is to provide a comprehensive framework for managing the County's debt portfolio in a sustainable and responsible manner.

As a growing county with diverse needs, Busia has the potential to attract significant investment through borrowing. However, this also comes with the responsibility to manage its debt portfolio prudently and ensure that the County's financial stability is not compromised.

This strategy paper provides a clear and concise roadmap for managing the County's debt portfolio. It outlines our policies, objectives, and strategies for borrowing, debt servicing, risk management, and governance. We have also analyzed the County's debt portfolio and provided recommendations for optimization.

We recognize that debt management is a continuous process and requires constant monitoring and evaluation. We are committed to implementing this strategy paper with the highest level of diligence and transparency. We will continue to engage stakeholders, including development partners, financial institutions, and the public, in our debt management efforts.

I would like to acknowledge the efforts of the team that has worked tirelessly to prepare this strategy paper. I urge all stakeholders to support the implementation of this strategy and work towards a financially sustainable future for Busia County.

Topister N. Wanyama
County Executive Committee Member
Department of County Treasury & Economic Planning

Preface

Debt is an essential tool for development, enabling governments to invest in critical infrastructure and social services. The County Government of Busia, like many other county governments in Kenya, faces the challenge of managing its debt portfolio sustainably. To address this challenge, the County Government has developed a debt management strategy paper that is guided by the Constitution of Kenya and the Public Finance Management Act 2012.

The Constitution of Kenya provides the framework for public finance management, requiring that all public funds be used in a responsible and accountable manner. The Public Finance Management Act 2012, on the other hand, provides the legal and regulatory framework for public finance management, including debt management.

This debt management strategy paper is the result of a collaborative effort by various stakeholders, including the County Treasury. The paper provides a comprehensive framework for managing our debt portfolio prudently and responsibly, while balancing our need for investment with our obligation to ensure the County's financial stability.

The strategy paper outlines our approach to borrowing, debt servicing, risk management, and governance. It provides an analysis of our debt portfolio, including the types of debt instruments we use, their terms and conditions, and the risks they pose. It also provides a borrowing plan that outlines the timing and amount of borrowing. We will continue to monitor and evaluate our debt portfolio regularly to ensure that we are on track to achieve our objectives.

I would like to thank all those who contributed to the development of this debt management strategy paper. I urge all stakeholders to support the implementation of this strategy and work towards a financially sustainable future for Busia County

CPA Gypson Wafula
Chief Officer
Department of County Treasury

Definition of Key Words

i) **Debt:** The amount of money borrowed by a county government from another entity, usually with the agreement to pay back the amount borrowed plus interest.

ii) **Debt management:** The process of planning, coordinating, and monitoring a county government's borrowing and debt repayment activities to minimize the risk and cost of debt, while ensuring the county government's ability to meet its financial obligations.

iii) **Debt sustainability:** The ability of a county government to meet its current and future debt obligations without incurring excessive debt or defaulting on its debt payments.

iv) **Fiscal responsibility:** The principle of managing a county government's public finances in a way that ensures the sustainability of government debt, promotes economic growth, and provides for the effective use of public resources.

v) **Non-performing loan:** A loan that is in default, meaning that the borrower has failed to make payments on the loan as scheduled or agreed.

vi) **Public Private Partnership (PPP):** A contractual agreement between a county government and a private sector entity to provide a public service or undertake a public project, with the private sector entity assuming some of the financial, technical, and operational risks.

vii) **Standby arrangement:** A financing agreement between a county government and an international financial institution or other creditor to provide financial assistance to the county government in case of an economic crisis or budget shortfalls.

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CHAPTER 1: INTRODUCTION

1.1 Background

Busia County Government recognizes the importance of debt as a tool for financing development projects and programs. However, debt can also become a burden if not managed prudently and sustainably. Busia County Government has experienced challenges in managing its debt portfolio, which has led to increased debt service costs, crowding out of other expenditures, and a risk to the County’s financial stability.

To address these challenges, Busia County Government has developed this Debt Management Strategy paper. This strategy paper outlines the policies, objectives, and strategies for managing the County's debt portfolio sustainably, prudently, and in compliance with relevant laws and regulations.

1.2 Purpose

The purpose of this Debt Management Strategy paper is to provide a comprehensive framework for managing the County’s debt portfolio. The paper provides guidance on how to borrow prudently, service debt, manage risks associated with debt, and monitor and evaluate the County’s debt portfolio. The paper is intended to guide decision-making related to debt management and ensure that the County’s borrowing is sustainable, affordable, and in compliance with relevant laws and regulations.

1.3 Scope

This Debt Management Strategy paper applies to all debt instruments issued or guaranteed by Busia County Government. The paper covers the following types of debt instruments:

i. Loans and borrowings from local and foreign lenders

ii. Bonds and other securities issued in the domestic and international markets iii. Lease financing and other forms of structured financing

The paper applies to all stages of the debt management process, including borrowing, debt servicing, risk management, and governance.

1.4 Legal and Regulatory Framework

The County Government of Busia shall comply with the legal framework for debt management, which includes the Constitution of Kenya, 2010, the Public Finance Management Act, 2012, the County Government Act 2012, and other relevant laws and regulations. The County shall ensure that its debt management practices are consistent with the legal framework for debt management and that all borrowing is authorized by law.

The County Government of Busia shall comply with the fiscal responsibility guidelines, which include the following:

i) Debt ceiling: The County shall maintain a debt ceiling, which is the maximum amount of debt that the County can incur. The debt ceiling shall be set based on the County's debt sustainability analysis and long-term debt sustainability objectives.

ii) Debt-to-revenue ratio: The County shall maintain a debt-to-revenue ratio, which is the ratio of the County's debt to its revenue. The debt-to-revenue ratio shall be within the range recommended by the Public Finance Management Act, 2012.

iii) Annual debt servicing limit: The County shall maintain an annual debt servicing limit, which is the maximum amount that the County can allocate to debt servicing in its annual budget. The annual debt servicing limit shall be based on the County's debt servicing capacity and long-term debt sustainability objectives.

iv) Prudent borrowing: The County shall ensure that its borrowing is necessary and prudent, and that it does not expose the County to undue risk. The County shall also ensure that its borrowing does not exceed the debt ceiling and that the debt- to-revenue ratio remains within the recommended range.

v) Reporting requirements: The County shall comply with the reporting requirements of the Public Finance Management Act, 2012, and other relevant laws and regulations. The County shall regularly report on its debt portfolio, borrowing activities, and debt management practices.

1.5 Objectives

The objectives of Busia County Government's Debt Management Strategy are:

i) To ensure that the County's borrowing is sustainable and affordable

ii) To manage the County's debt portfolio prudently and in compliance with relevant laws and regulations

iii) To minimize the cost of debt and maximize the value of borrowed funds

iv) To manage risks associated with debt, including interest rate and currency risks

v) To ensure transparency and accountability in debt management

vi) To promote stakeholder participation in debt management

1.6 Key Principles

Busia County Government's Debt Management Strategy is based on the following key principles:

a) Sustainability: The County's borrowing should be sustainable in the long run, taking into account the County's ability to service debt, the impact of debt on the County's fiscal position, and the impact of debt on the County's development agenda.

b) Prudence: The County's debt portfolio should be managed prudently, taking into account the risks associated with borrowing, the costs of debt, and the County's financial stability.

c) Transparency: The County’s debt management practices should be transparent, with information on debt and debt management available to stakeholders.

d) Accountability: The County's debt management practices should be accountable, with clear lines of responsibility and reporting to relevant stakeholders.

e) Participation: Stakeholders should be involved in the debt management process, with opportunities for feedback and consultation.

CHAPTER 2: Busia County Debt Management Framework

2.1 Overview

Busia County Government's debt management framework provides a comprehensive approach to managing the County's debt portfolio. The framework outlines the policies and strategies for managing the County's debt portfolio sustainably, prudently, and in compliance with relevant laws and regulations.

2.2 Policy Statement

The County Government of Busia recognizes that debt is an important tool for financing development projects and programs. However, debt can also become a burden if not managed prudently and sustainably. The County Government is committed to managing its debt portfolio sustainably, prudently, and in compliance with relevant laws and regulations. The County Government will ensure that its borrowing is affordable and consistent with its development priorities and fiscal sustainability objectives.

2.3 Scope

The Debt Management Framework applies to all debt instruments issued or guaranteed by Busia County Government. The framework covers the following types of debt instruments:

- Loans and borrowings from local and foreign lenders
- Bonds and other securities issued in the domestic and international markets
- Lease financing and other forms of structured financing

The framework applies to all stages of the debt management process, including borrowing, debt servicing, risk management, and governance.

2.4 Borrowing Policy

Busia County Government's borrowing policy is guided by the following principles:

i. Borrowing should be consistent with the County's development priorities and fiscal sustainability objectives.
ii. Borrowing should be undertaken in a transparent and accountable manner, with opportunities for stakeholder participation and consultation.
iii. Borrowing should be sustainable and affordable, taking into account the County's ability to service debt, the impact of debt on the County's fiscal position, and the impact of debt on the County's development agenda.
iv. Borrowing should be prudently managed, taking into account the risks associated with borrowing, the costs of debt, and the County's financial stability.

2.5 Debt Management Strategies

The County Government of Busia shall adopt a prudent borrowing strategy that balances its funding needs with the risk associated with borrowing. The County's borrowing strategy shall be guided by the Public Finance Management Act, 2012, which requires the County Government to ensure that its borrowing does not expose it to undue risk.

The County Government of Busia shall diversify its borrowing sources to reduce reliance on a single source of funding. The County shall also consider the terms and conditions of borrowing, including interest rates, repayment period, and any associated fees.

Busia County Government's debt management strategies include the following:

i. Diversifying the County's sources of funding to reduce reliance on a single source of funding and manage risks associated with debt.
ii. Managing interest rate and currency risks through the use of appropriate financial instruments, such as interest rate swaps and currency forwards.

iii. Developing a debt servicing plan that ensures timely payment of debt and minimizes the cost of debt.
iv. Monitoring and evaluating the County's debt portfolio to ensure that it remains sustainable and affordable.
v. Managing the County

2.6 Debt Management Policies

County Government of Busia's debt management policies provide the guiding principles for borrowing, debt servicing, and risk management. The policies are based on the principles of sustainability, prudence, transparency, accountability, and participation.

2.7 Debt Management Procedures

County Government of Busia's debt management procedures provide the detailed guidance for implementing the debt management policies. The procedures cover the following areas:

2.7.1 Borrowing Procedures

The borrowing procedures cover the following:

- Identification of borrowing needs and sources of funding
- Preparation of borrowing proposals and feasibility studies
- Negotiation and execution of loan agreements and other debt instruments
- Approval and registration of debt instruments

2.7.2 Debt Servicing Procedures

The debt servicing procedures cover the following:

- Preparation of debt servicing schedules and projections
- Establishment of sinking funds and other sources of funds for debt servicing

- Management of debt servicing accounts and payments
- Monitoring and reporting of debt servicing activities

2.7.3 Risk Management Procedures

The risk management procedures cover the following:

- Identification and assessment of risks associated with debt
- Implementation of risk mitigation strategies, including hedging and diversification
- Monitoring and reporting of risks associated with debt

2.8 Governance and Oversight

Busia County Government's debt management practices are governed by the Public Finance Management Act 2012 and the County Government Act 2012. The County Government is responsible for developing and implementing policies and strategies for managing its debt portfolio. The County Treasury is responsible for day-to-day debt management operations, including borrowing, debt servicing, risk management, and reporting.

The County Assembly provides oversight over the County Government's debt management practices. The County Assembly approves the County's borrowing plan and debt servicing plan and monitors the County's compliance with relevant laws and regulations governing debt management. The County Assembly also receives regular reports on the County's debt portfolio and debt management practices.

Busia County Government's debt management framework includes the governance and oversight mechanisms to ensure that the County's debt management practices are transparent, accountable, and in compliance with relevant laws and regulations.

The governance and oversight mechanisms include the following:

2.8.1 County Debt Management Committee

The County Debt Management Committee is responsible for overseeing the County's debt management practices. The committee is composed of senior officials from the County Treasury, the County Assembly, and other relevant departments.

2.8.2 Reporting and Disclosure

The County Government of Busia is committed to transparency and accountability in debt management. The County will publish periodic reports on debt and debt management practices, including debt portfolio analysis, borrowing plans, debt servicing plans, and risk assessments. The County Government will also provide regular updates to stakeholders on debt management activities.

2.8.3 Monitoring and Evaluation

County Government of Busia will monitor and evaluate its debt management practices regularly to ensure that they are effective, efficient, and in compliance with relevant laws and regulations. The County will conduct periodic reviews of its debt portfolio, borrowing plans, and debt servicing plans to identify areas for improvement and make necessary adjustments.

CHAPTER 3: Borrowing and Debt Issuance

3.1 Introduction

Busia County Government may borrow to finance its development projects and programs, subject to the provisions of the Public Finance Management Act 2012 and other relevant laws and regulations. This chapter outlines the procedures for borrowing and debt issuance by the County Government of Busia.

3.2 Borrowing Procedures

The County Government of Busia may borrow from local and foreign lenders subject to the following procedures:

i. The County Treasury shall prepare a borrowing plan that outlines the County's borrowing requirements, the sources of funding, and the terms and conditions of borrowing.

ii. The borrowing plan shall be submitted to the County Executive Committee for approval and thereafter submitted to the County Assembly for approval.

iii. The County Assembly shall consider the borrowing plan and approve the County's borrowing limit, the types of debt instruments to be issued, and the terms and conditions of borrowing.

iv. The County Treasury shall prepare a loan agreement that specifies the terms and conditions of borrowing, including the interest rate, repayment schedule, and security for the loan.

v. The loan agreement shall be signed by the authorized County Government officials and the lender.

vi. The County Treasury shall ensure that the proceeds of the loan are used for the purposes for which the loan was obtained.

3.3 Debt Issuance

The County Government of Busia may issue bonds and other securities in the domestic and international markets, subject to the following procedures:

i. The County Treasury shall prepare a prospectus that outlines the terms and conditions of the bond issuance, including the size of the bond issue, the interest rate, and the repayment schedule.
ii. The prospectus shall be submitted to the Capital Markets Authority and the Nairobi Securities Exchange for approval.
iii. The County Treasury shall appoint a lead arranger and other intermediaries to manage the bond issuance process.
iv. The bond issuance shall be marketed to potential investors, and the County Treasury shall ensure that the proceeds of the bond issuance are used for the purposes for which the bond was issued.
v. The County Treasury shall ensure that the bond issuance is in compliance with relevant laws and regulations governing debt issuance.

3.4 Debt Servicing

The County Government of Busia shall ensure that it has sufficient resources to meet its debt servicing obligations. The County shall allocate resources to debt repayment in its annual budget to avoid default on its debt obligations. The County shall also consider the impact of debt repayment on its other development priorities and ensure that debt repayment does not compromise its development agenda.

The County Government of Busia shall ensure that its debt servicing obligations are met in a timely manner. The County Treasury shall prepare a debt servicing plan that outlines the schedule for debt repayment and the sources of funds for debt servicing. The debt servicing plan shall be submitted to the County Executive Committee and the County Assembly for approval. The County Treasury shall ensure that debt servicing obligations are met on time and in accordance with the terms and conditions of borrowing.

3.5 Debt Restructuring

The County Government of Busia may consider debt restructuring if it faces difficulties in servicing its debt obligations. Debt restructuring may involve renegotiating the terms of borrowing, such as extending the repayment period or lowering the interest rate. The County shall only consider debt restructuring after assessing its financial position and the impact of debt restructuring on its long-term debt sustainability.

3.6 Debt Reporting

The County Government of Busia shall prepare and publish regular reports on its debt portfolio and debt management practices. The reports shall be prepared in accordance with the Public Finance Management Act 2012 and other relevant laws and regulations. The reports shall provide information on the County's borrowing activities, debt servicing obligations, and the impact of debt on the County's fiscal position and development agenda. The reports shall be submitted to the County Executive Committee and the County Assembly for review and approval. The County Government shall also provide regular updates on its debt portfolio and debt management practices to the public through its website and other communication channels.

CHAPTER 4: Debt Monitoring and Evaluation

4.1 Introduction

Effective debt management requires a robust monitoring and evaluation framework that enables the County Government of Busia to assess the impact of debt on its fiscal position, development agenda, and overall economic performance. This chapter outlines the debt monitoring and evaluation framework for the County Government of Busia.

4.2 Debt Monitoring

The County Government of Busia shall establish a debt monitoring system that enables it to track its debt portfolio and debt management practices. The debt monitoring system shall provide regular updates on the County's borrowing activities, debt servicing obligations, and the impact of debt on the County's fiscal position and development agenda. The debt monitoring system shall be integrated with the County's budgeting and financial reporting systems to ensure that debt management considerations are taken into account in the County's budgeting and financial planning processes.

The County Government of Busia shall further establish a monitoring and evaluation framework to track the implementation of the Debt Management Strategy. The framework shall include the following:

a) Key Performance Indicators: The County shall develop key performance indicators to measure progress towards achieving the objectives of the strategy. This includes indicators related to debt sustainability, debt servicing, and borrowing.

b) Reporting: The County shall regularly report on the implementation of the strategy to the County Executive Committee, County Assembly, and external stakeholders. The reports shall include information on debt portfolio, borrowing activities, and debt management practices.

c) Review: The County shall review the implementation of the strategy periodically to ensure that it remains relevant and effective.

4.3 Debt Evaluation

The County Government of Busia shall evaluate its debt management practices periodically to assess their effectiveness and identify areas for improvement. The debt evaluation process shall involve a comprehensive analysis of the County's debt portfolio, debt servicing obligations, and debt management practices. The debt evaluation process shall also assess the impact of debt on the County's fiscal position, development agenda, and overall economic performance.

4.4 Debt Sustainability Analysis

The County Government of Busia shall conduct a debt sustainability analysis to assess its ability to meet its debt servicing obligations in the long term. The debt sustainability analysis shall consider the County's current and projected debt levels, debt servicing obligations, and revenue streams. The debt sustainability analysis shall also take into account external factors that may affect the County's ability to service its debt, such as changes in interest rates and economic growth rates.

4.5 Debt Management Review

The County Government of Busia shall conduct a comprehensive review of its debt management practices periodically to ensure that they remain effective and responsive to changing economic conditions. The debt management review shall consider the County's debt portfolio, debt servicing obligations, debt management practices, and debt monitoring and evaluation systems. The debt management review shall also take into account changes in the County's fiscal position, development agenda, and overall economic performance.

Effective debt management requires a robust monitoring and evaluation framework that enables the County Government of Busia to assess the impact of debt on its fiscal position, development agenda, and overall economic performance. The debt monitoring and evaluation framework outlined in this chapter will help the County Government of Busia to manage its debt effectively and ensure that it contributes to the County's development goals.

CHAPTER FIVE: County Debt Management Strategy

5.1 Introduction

The County Government of Busia shall adopt a comprehensive debt management strategy that guides its borrowing and debt management practices. This chapter outlines the County's debt management strategy and the key principles that shall guide its debt management practices.

5.2 Key Principles of Debt Management

The County Government of Busia shall adhere to the following principles in managing its debt:

i) Prudent borrowing: The County shall only borrow what is necessary to finance its development projects and operational expenses. The County shall ensure that its borrowing does not expose it to undue risk.

ii) Diversification of funding sources: The County shall diversify its funding sources to reduce reliance on a single source of funding. The County shall also consider the terms and conditions of borrowing, including interest rates, repayment period, and any associated fees.

iii) Effective debt monitoring: The County shall maintain a robust debt monitoring system that tracks its debt portfolio, including the outstanding debt, interest payments, and repayment schedule.

iv) Long-term debt sustainability: The County shall ensure that its borrowing and debt management practices are consistent with its long-term debt sustainability. The County shall avoid borrowing beyond its capacity to repay.

v) Transparent and accountable debt management: The County shall maintain transparency and accountability in its debt management practices. The County shall regularly report on its debt portfolio, borrowing activities, and debt management practices.

5.3 Debt Management Strategy

The County Government of Busia's debt management strategy shall be guided by the principles outlined above. The County shall adopt the following strategies in managing its debt:

i. Debt analysis and forecasting: The County shall conduct regular debt analysis and forecasting to assess its debt position and evaluate its borrowing needs.

ii. Debt sustainability analysis: The County shall conduct regular debt sustainability analysis to ensure that its borrowing and debt management practices are consistent with its long-term debt sustainability.

iii. Cost-effective borrowing: The County shall borrow on favorable terms, considering the interest rates, repayment period, and any associated fees.

iv. Debt servicing: The County shall ensure that it has sufficient resources to meet its debt servicing obligations. The County shall allocate resources to debt repayment in its annual budget to avoid default on its debt obligations.

v. Risk management: The County shall manage the risks associated with borrowing, including interest rate risk, currency risk, and credit risk. The County shall adopt appropriate risk management practices to mitigate these risks.

vi. Debt restructuring: The County may consider debt restructuring if it faces difficulties in servicing its debt obligations. Debt restructuring may involve renegotiating the terms of borrowing, such as extending the repayment period or lowering the interest rate. The County shall only consider debt restructuring after assessing its financial position and the impact of debt restructuring on its long-term debt sustainability.

The County Government of Busia's debt management strategy shall guide its borrowing and debt management practices. The County shall adopt a prudent borrowing strategy and ensure that its debt management practices are consistent with its long-term debt sustainability. The County shall maintain transparency and accountability in its debt management practices and regularly report on its debt portfolio, borrowing activities, and debt management practices.

The successful implementation of the Busia County Government's Debt Management Strategy requires the involvement of various stakeholders and the establishment of a monitoring and evaluation framework and a capacity building program. The County shall ensure that the implementation of the strategy is consistent with its long-term debt sustainability objectives and that it remains relevant and effective. The County shall also ensure that its staff has the necessary skills and knowledge to effectively manage its debt portfolio.

CHAPTER SIX: Implementation Strategy

6.1 Introduction

he success of the Busia County Government's Debt Management Strategy relies on its effective implementation. This chapter outlines the implementation strategy for the strategy, which includes the roles and responsibilities of various stakeholders, the monitoring and evaluation framework, and the capacity building program.

6.2 Roles and Responsibilities

The successful implementation of the Debt Management Strategy requires the involvement of various stakeholders.

The following are the roles and responsibilities of the stakeholders:

I. County Executive Committee

The County Executive Committee shall be responsible for the overall implementation of the strategy. This includes the development of action plans, coordination of activities, and monitoring of progress.

The County Executive Committee member (CEC) responsible for finance will have a key role in the debt management process. Their responsibilities include:

a) Developing debt management policies: The CEC will work with the County Treasury and the Debt Management Unit to develop debt management policies that align with the County's long-term debt sustainability objectives. These policies will guide the County's borrowing practices and ensure that borrowing is done in a sustainable and affordable manner.

b) Approving borrowing proposals: The CEC will be responsible for approving borrowing proposals submitted by the County Treasury. They will ensure that borrowing proposals are consistent with the County's debt management policies and are affordable and sustainable.

c) **Monitoring debt portfolio:** The CEC will monitor the County's debt portfolio to ensure that it remains within the approved limits and is consistent with the County's debt sustainability objectives. They will work with the Debt Management Unit to track debt levels, interest rates, maturity dates, and other relevant factors.

d) **Reporting:** The CEC will provide regular reports to the County Assembly, the County Executive, and other stakeholders on the County's debt portfolio, including its borrowing activities, debt levels, and debt servicing costs.

e) **Budgeting:** The CEC will ensure that debt service costs are included in the County's annual budget and that they are consistent with the County's long-term debt sustainability objectives.

f) **Compliance:** The CEC will ensure that the County's debt management practices comply with relevant laws and regulations, including the Public Finance Management Act 2012 and the Constitution of Kenya.

Overall, the CEC responsible for finance will play a crucial role in ensuring that the County's debt management practices are consistent with its long-term debt sustainability objectives and that its debt portfolio is managed in a prudent and sustainable manner.

II. Busia County Treasury

The County Treasury shall be responsible for the day-to-day management of the County's debt portfolio. This includes the monitoring of debt servicing, the management of debt refinancing, and the reporting on debt portfolio.

The County Treasury will have a critical role in the debt management process. Its responsibilities include:

a) **Developing debt management policies:** The County Treasury will develop debt management policies that align with the County's long-term debt sustainability objectives. The policies will guide the County's borrowing practices and ensure that borrowing is done in a sustainable and affordable manner.

b) Borrowing: The County Treasury will be responsible for borrowing on behalf of the County government. It will ensure that the terms and conditions of borrowing are consistent with the County's debt management policies and are affordable and sustainable.

c) Managing debt: The County Treasury will manage the County's debt portfolio, including monitoring debt levels, interest rates, and maturity dates. It will ensure that debt service payments are made on time, and debt refinancing is done in a timely and cost-effective manner.

d) Reporting: The County Treasury will provide regular reports to the County Executive Committee, County Assembly, and other stakeholders on the County's debt portfolio, including its borrowing activities, debt levels, and debt servicing costs.

e) Compliance: The County Treasury will ensure that the County's debt management practices comply with relevant laws and regulations, including the Public Finance Management Act 2012, and the Constitution of Kenya.

f) Budgeting: The County Treasury will ensure that debt service costs are included in the County's annual budget, and that they are consistent with the County's long-term debt sustainability objectives.

Overall, the County Treasury will play a critical role in ensuring that the County's debt management practices are consistent with its long-term debt sustainability objectives and that its debt portfolio is managed in a prudent and sustainable manner.

III. County Assembly

The County Assembly shall oversee the implementation of the strategy and ensure that it is consistent with the County's long-term debt sustainability objectives. This includes the approval of borrowing proposals and the monitoring of debt servicing.

The County Assembly will play an important role in the debt management process. Its responsibilities include:

a) **Approval of borrowing proposals:** The County Assembly is responsible for approving borrowing proposals submitted by the County Treasury. They will review the proposals and ensure that they are consistent with the County's debt management policies and are affordable and sustainable. The Assembly will also ensure that the borrowing proposals are in line with the County's overall development plans.
b) **Oversight of debt management practices:** The County Assembly will provide oversight of the County's debt management practices, including monitoring debt levels, interest rates, and maturity dates. They will ensure that the County's debt portfolio is managed in a prudent and sustainable manner, and that debt service payments are made on time.
c) **Approval of debt management policies:** The County Assembly will review and approve the County's debt management policies. They will ensure that the policies are consistent with relevant laws and regulations, including the Public Finance Management Act 2012 and the Constitution of Kenya.
d) **Reporting:** The County Assembly will receive regular reports from the County Treasury on the County's debt portfolio, including its borrowing activities, debt levels, and debt servicing costs. The Assembly will also ensure that the reports are made available to the public.
e) **Budgeting:** The County Assembly will ensure that debt service costs are included in the County's annual budget, and that they are consistent with the County's long-term debt sustainability objectives.

The County Assembly will play a critical role in ensuring that the County's debt management practices are consistent with its long-term debt sustainability objectives and that its debt portfolio is managed in a prudent and sustainable manner.

IV. County Debt Management Unit (DMU)

The Debt Management Unit shall be responsible for the implementation of the strategy. This includes the development of policies and procedures, the monitoring of debt portfolio, and the reporting on debt management practices.

The Debt Management Unit (DMU) will have the following responsibilities:

a) Developing policies and procedures: The DMU will develop policies and procedures for the management of the County's debt portfolio. These policies will be in line with the County's long-term debt sustainability objectives and will be reviewed periodically.
b) Monitoring debt portfolio: The DMU will be responsible for monitoring the County's debt portfolio to ensure that it remains within the approved limits and is consistent with the County's debt sustainability objectives. This includes tracking debt levels, interest rates, maturity dates, and other relevant factors.
c) Reporting: The DMU will be responsible for preparing regular reports on the County's debt portfolio and debt management practices. These reports will be submitted to the County Executive Committee, County Assembly, and external stakeholders as required.
d) Evaluating borrowing proposals: The DMU will evaluate borrowing proposals and make recommendations to the County Treasury and County Assembly. The DMU will ensure that borrowing proposals are consistent with the County's long-term debt sustainability objectives and that they are affordable and prudent.
e) Managing debt refinancing: The DMU will manage the County's debt refinancing program, which includes restructuring existing debt, negotiating new loan terms, and managing debt repayment schedules.
f) Capacity building: The DMU will be responsible for building the capacity of the County's staff in debt management practices. This includes providing training and workshops on borrowing, debt servicing, and debt portfolio management.

g) **External engagement:** The DMU will engage with external stakeholders, including lenders, credit rating agencies, and investors. The DMU will ensure that the County's debt management practices are consistent with their requirements and expectations.

Overall, the DMU will play a crucial role in ensuring that the County's debt management practices are consistent with its long-term debt sustainability objectives and that its debt portfolio is managed in a prudent and sustainable manner.

V. External Stakeholders

External stakeholders, including lenders, credit rating agencies, and investors, shall be responsible for ensuring that the County's debt management practices are consistent with their requirements and expectations.

External stakeholders in the County's debt management process include:

a) **Creditors:** Creditors, such as banks and other financial institutions, are external stakeholders in the County's debt management process. Their role is to provide the County with the necessary funds to finance its development projects. Creditors will assess the County's creditworthiness before lending, and will require the County to meet certain conditions before providing funding.

b) **Rating agencies:** Rating agencies assess the County's creditworthiness and assign credit ratings that indicate the County's ability to repay its debts. The County's credit rating will affect its borrowing costs and its ability to attract funding from creditors.

c) **Donors and development partners:** Donors and development partners may provide grants or concessional loans to support the County's development projects. These stakeholders will often have specific requirements and conditions that the County must meet to access funding.

d) **Auditors:** External auditors will provide an independent assessment of the County's financial management practices and its compliance with relevant laws and regulations.

The role of external stakeholders will vary depending on their specific involvement in the County's debt management process. Generally, their role will involve monitoring the County's debt management practices and assessing the County's creditworthiness. Their involvement will also ensure that the County's borrowing practices align with international best practices and that the County's debt portfolio is managed in a prudent and sustainable manner.

6.3 Proposed Implementation for FY2024/2025

- Establish the Debt Management Unit (DMU) and deploy staff to support its operations.
- Develop the DMU's organizational structure and identify roles and responsibilities.
- Develop an action plan for the implementation of the debt management strategy.
- Conduct a debt sustainability analysis to assess the county government's ability to meet its current and future debt obligations.
- Develop debt management guidelines and procedures.
- Review existing debt contracts and identify potential refinancing opportunities.
- Develop a debt database to track the county government's debt obligations and payments.
- Develop a system for monitoring and reporting on the county government's debt portfolio.
- Develop a strategy for managing non-performing loans and other distressed debt.
- Conduct a capacity-building workshop for county government staff on debt management.

- Establish a debt advisory committee to provide expert advice on debt management issues.
- Develop a communication strategy to raise awareness of the debt management strategy among stakeholders.
- Review the county government’s public-private partnership (PPP) framework and develop guidelines for PPP projects.
- Develop guidelines for issuing short-term debt securities.
- Develop a strategy for managing the county government’s exposure to foreign exchange risks.
- Develop a debt issuance strategy to guide the county government’s borrowing activities.
- Develop a strategy for managing contingent liabilities, such as pending bills.
- Review the county government’s investment policy and develop guidelines for investing surplus funds.
- Develop a strategy for managing the county government’s exposure to interest rate risks.
- Develop a strategy for managing the county government's exposure to credit risks.