

GOVERNMENT OF BUSIA  
P. O. BOX PRIVATE BAG-50400  
BUSIA, KENYA  
COUNTY TREASURY



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27<sup>TH</sup> FEBRUARY, 2026

THE CLERK TO THE COUNTY ASSEMBLY,  
COUNTY ASSEMBLY OF BUSIA

**RE: DEBT MANAGEMENT STRATEGY PAPER 2026/2027**

Forwarded herein please find the Busia County Debt Management Strategy Paper 2026/2027 for your necessary action. This is in accordance with section 123 of the Public Finance Management Act, 2012.

Thank you.

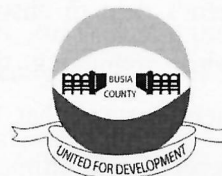
HON. ANDREW M. NAKITARI  
COUNTY EXECUTIVE COMMITTEE  
COUNTY TREASURY AND ECONOMIC PLANNING

CC:

- H.E The Governor
- H.E The Deputy Governor
- County Secretary
- Chief Officer - Finance



COUNTY GOVERNMENT OF  
BUSIA  
P.O.BOX PRIVATE BAG-50400  
BUSIA, KENYA  
COUNTY TREASURY



**MEDIUM TERM DEBT MANAGEMENT STRATEGY PAPER**

**FINANCIAL YEAR 2026/2027**

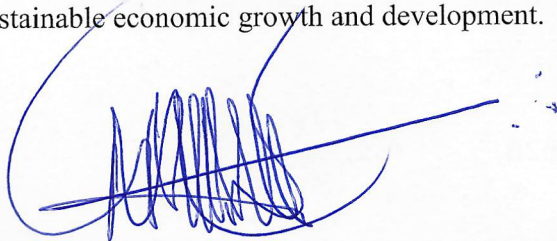
**FEBRUARY 2026**

## FOREWORD

Public Debt Management is the process of establishing and executing a strategy for managing the Government's debt to ensure that the necessary funding is raised to meet any arising budget deficit while achieving the county government's development objectives. Effective debt management ensures that borrowing is done at the lowest possible cost while maintaining a prudent level of risk, ultimately promoting fiscal sustainability and economic stability.

The Debt Strategy Paper serves as a guideline for debt management practices within the County Government, providing a framework for the issuance process, management of the debt portfolio, and adherence to the legal and regulatory requirements governing debt contracting and management. It helps structure the County's public debt portfolio by balancing cost and risk considerations to achieve an optimal borrowing strategy. Through this approach, the county aims to maintain financial discipline and enhance transparency in debt-related decisions.

Over the years, the Government has implemented various development programs within the available fiscal space, ensuring that resources are allocated efficiently to meet priority areas. In the medium term, as the Government pursues its agenda for socio-economic transformation, efforts will be made to enhance resource mobilization strategies and expand fiscal space. This will be achieved through increased own-source revenue collection, strengthening partnerships with development partners, initiating Public-Private Partnerships (PPPs), and accessing concessional loans to support key infrastructure and service delivery projects. These measures will ensure that the County government meets its financial obligations while fostering sustainable economic growth and development.



**HON. ANDREW NAKITARI**  
**COUNTY EXECUTIVE COMMITTEE MEMBER**  
**COUNTY TREASURY AND ECONOMIC PLANNING.**

## ACKNOWLEDGEMENT

The Medium-Term Debt Management Strategy (MTDS) 2026 is prepared by the County Government under the requirement of Section 123 of the PFM Act, 2012. It sets out the debt management strategy for the County Government of Busia in the fiscal year 2025/2026 and over the Medium Term.

The Busia Debt Management strategy will play a major role in guiding on the optimal process of procuring debts/loans and management of the same in a way that optimizes benefits and minimizes costs and risks.

The Strategy paper is informed by a fiscal policy supportive of the macro-economic stability and growth. It highlights strategies to be explored in seeking funding for the enormous financial needs from either internal or external sources to deliver the programs. Currently, the County Government's public debt is nil.

I would like to acknowledge the overall guidance provided by CECM Finance and the director budget throughout the preparation period of this debt management strategy. The Budget team spent a significant amount of time to put together the report. In this regard, I'm grateful for their technical input and commitment to the success of the process.



**AHMED ADAN HEFOW**  
**CHIEF OFFICER – COUNTY TREASURY**

## Table of Contents

FOREWORD .....	i
ACKNOWLEDGEMENT .....	ii
EXECUTIVE SUMMARY .....	1
<b>1. INTRODUCTION AND LEGAL FRAMEWORK .....</b>	<b>3</b>
<b>1.1 Background .....</b>	<b>3</b>
<b>1.2 Legal and Policy Framework .....</b>	<b>3</b>
1.2.1 Constitution of Kenya, 2010.....	3
1.2.2 Public Finance Management Act, 2012 .....	4
1.2.3 Public Finance Management Regulations, 2015.....	4
<b>1.3 Objectives of the Medium-Term Debt Management Strategy Paper.....</b>	<b>5</b>
<b>1.4 Scope and Coverage of the Strategy .....</b>	<b>5</b>
<b>2. BUSIA COUNTY ECONOMIC AND FISCAL CONTEXT .....</b>	<b>7</b>
<b>2.1 Overview of the Economic Environment .....</b>	<b>7</b>
<b>2.2 Revenue Performance and Outlook .....</b>	<b>7</b>
<b>2.3 Expenditure Trends and Budget Execution .....</b>	<b>8</b>
<b>2.4 Cash Flow Management and Liquidity Considerations .....</b>	<b>8</b>
<b>2.5 Implications for Debt and Liability Management .....</b>	<b>9</b>
<b>3. CURRENT DEBT AND LIABILITY POSITION .....</b>	<b>10</b>
<b>3.1 Overview of the County Debt Profile .....</b>	<b>10</b>
<b>3.2 Stock of Pending Bills .....</b>	<b>10</b>
<b>3.3 Composition of Pending Bills .....</b>	<b>12</b>
3.3.1 By Financial Year .....	12
<b>3.4 Causes of Pending Bills Accumulation.....</b>	<b>12</b>
<b>3.5 Debt and Liability Risk Assessment .....</b>	<b>13</b>
<b>4.1 Overview of Debt Sustainability .....</b>	<b>14</b>
<b>4.2 Assessment of Loan Debt Sustainability .....</b>	<b>14</b>
<b>4.3 Sustainability of Pending Bills Clearance .....</b>	<b>14</b>
<b>4.4 Fiscal and Liability Risk Analysis .....</b>	<b>15</b>
4.4.1 Liquidity Risk .....	15
4.4.2 Revenue Risk .....	15
4.4.3 Expenditure Commitment Risk .....	15
4.4.4 Legal and Contingent Liability Risk.....	16

<b>4.5 Stress Considerations and Risk Mitigation</b> .....	16
<b>4.6 Overall Debt Sustainability Assessment</b> .....	16
<b>5.1 Overview of the Strategy</b> .....	17
<b>5.2 Strategic Objectives</b> .....	17
<b>5.3 Policy on Borrowing</b> .....	17
<b>5.4 Pending Bills Clearance Strategy</b> .....	18
5.4.1 Guiding Principles .....	18
5.4.2 Prioritization Criteria.....	18
5.4.3 Medium-Term Clearance Approach.....	18
<b>5.5 Prevention of New Pending Bills</b> .....	19
5.5.1 Strengthened Commitment Controls.....	19
5.5.2 Improved Cash Flow Management .....	19
5.5.3 Realistic Revenue Forecasting.....	20
<b>5.6 Institutional Arrangements for Debt and Liability Management</b> .....	20
<b>5.7 Transparency and Reporting</b> .....	20
<b>6. IMPLEMENTATION, MONITORING AND REPORTING FRAMEWORK</b> .....	21
<b>6.1 Implementation Arrangements</b> .....	21
<b>6.2 Monitoring Framework</b> .....	21
<b>6.3 Reporting and Accountability</b> .....	22
<b>6.4 Review of the Strategy</b> .....	22
<b>7. CONCLUSION</b> .....	23

## EXECUTIVE SUMMARY

The Medium-Term Debt Management Strategy Paper (DMSP) for the period FY 2026/27–FY 2028/29 sets out the County Government of Busia’s approach to managing its debt and debt-related obligations in a prudent, sustainable, and transparent manner. The Strategy is prepared in accordance with the Public Finance Management Act, 2012 and the accompanying Regulations, and provides a framework for managing the County’s actual and potential liabilities over the medium term.

At present, the County Government of Busia has **no outstanding loan obligations**, either domestic or external. The County’s debt exposure is therefore not driven by loan financing but is largely characterized by **pending bills arising from expenditure commitments**, including payments owed to suppliers, contractors, and service providers and statutory arrears. These obligations pose liquidity and service delivery risks and, if not effectively managed, may undermine fiscal sustainability and the County’s credibility with stakeholders.

In this context, the primary focus of this Strategy is on the **management, gradual clearance, and prevention of accumulation of pending bills**, while maintaining a conservative approach to borrowing. Over the medium term, the County Government does not envisage undertaking external or commercial borrowing. However, borrowing may be considered **only under exceptional circumstances**, subject to compliance with constitutional and statutory requirements, approval by the County Assembly, and demonstration that such borrowing is affordable, sustainable, and aligned with the County’s development priorities.

The Strategy is anchored on the County’s medium-term fiscal framework as outlined in the County Fiscal Strategy Paper (CFSP) and is informed by projected revenue performance, expenditure pressures, and cash flow trends. It emphasizes the importance of aligning expenditure commitments with available resources, strengthening commitment controls, and enhancing cash management to reduce fiscal stress and avoid the build-up of new liabilities.

Key strategic priorities under this DMSP include:

- Maintaining a prudent and cautious borrowing posture, with preference for non-debt financing options where feasible;
- Implementing a structured and transparent plan for the settlement of verified pending bills over the medium term;
- Strengthening financial controls and accountability mechanisms to prevent the accumulation of new pending bills;
- Enhancing monitoring, reporting, and disclosure of debt-related information to support oversight and informed decision-making.

Through the implementation of this Strategy, the County Government of Busia reaffirms its commitment to fiscal responsibility, sound public financial management, and sustainable service delivery. The DMSP provides a clear framework for managing existing liabilities and guiding any future borrowing decisions, ensuring that debt remains affordable, sustainable, and supportive of the County's long-term socio-economic development objectives.

## **1. INTRODUCTION AND LEGAL FRAMEWORK**

### **1.1 Background**

Sound debt management is a critical component of public financial management, as it ensures that a government's financing needs and payment obligations are met in a manner that is sustainable, affordable, and consistent with fiscal responsibility principles. For county governments, effective debt management goes beyond the management of loans and includes the prudent handling of all financial obligations that may have implications for fiscal sustainability.

The County Government of Busia prepares this Medium-Term Debt Management Strategy Paper (DMSP) to provide a structured framework for managing its actual and potential liabilities over the medium term. The Strategy guides decision-making on debt-related matters, including the management of expenditure obligations, assessment of fiscal risks, and consideration of borrowing options where necessary.

Currently, the County Government of Busia has no outstanding loan obligations, either domestic or external. However, the County faces debt-like obligations in the form of pending bills arising from expenditure commitments made in previous financial years. These obligations present liquidity, operational, and reputational risks and therefore require a deliberate and well-articulated management strategy. Accordingly, this DMSP places emphasis on the effective management, clearance, and prevention of pending bills, while maintaining a cautious and conservative approach to borrowing.

### **1.2 Legal and Policy Framework**

The preparation and implementation of this Medium-Term Debt Management Strategy Paper is guided by the Constitution of Kenya, 2010, the Public Finance Management Act, 2012, and the Public Finance Management Regulations, 2015 (County Governments).

#### **1.2.1 Constitution of Kenya, 2010**

Article 201 of the Constitution establishes the principles of public finance, including openness, accountability, and responsible financial management. These principles require that public

resources be used prudently and that public debt be managed in a manner that safeguards both current and future generations.

Article 212 of the Constitution provides that a county government may borrow only if the loan is guaranteed by the national government and approved by the county assembly. This constitutional requirement underscores the need for caution and thorough assessment in any borrowing decisions undertaken by a county government.

### **1.2.2 Public Finance Management Act, 2012**

Section 123 of the Public Finance Management Act, 2012 requires the County Treasury to submit to the County Assembly, on or before 28th February of each year, a statement setting out the County Debt Management Strategy for the current financial year and over the medium term. The statement must outline the county's actual and potential liabilities in respect of loans and the plans for managing those liabilities.

In accordance with Section 123(2) of the Act, the Strategy is required to include:

- The total stock of debt as at the date of the statement;
- The sources of loans made to the county government, if any;
- The principal risks associated with those liabilities;
- The assumptions underlying the debt management strategy; and
- An analysis of the sustainability of the county's debt, both actual and potential.

Further, Section 107 of the PFM Act sets out the fiscal responsibility principles that guide county governments, including the requirement that public debt be maintained at a sustainable level as approved by the County Assembly. These principles inform the County's approach to managing both borrowing and expenditure obligations.

### **1.2.3 Public Finance Management Regulations, 2015**

The Public Finance Management Regulations, 2015 (County Governments) provide operational guidance on borrowing, debt management, and fiscal discipline at the county level. The

Regulations outline the conditions under which a county government may borrow, the applicable debt limits, and the procedures for approval and reporting.

The Regulations also emphasize the importance of aligning debt management strategies with the County Fiscal Strategy Paper and the annual budget process, ensuring that debt-related decisions are consistent with the County’s overall fiscal framework.

### **1.3 Objectives of the Medium-Term Debt Management Strategy Paper**

The primary objective of this Medium-Term Debt Management Strategy Paper is to provide a coherent and forward-looking framework for managing the County Government of Busia’s debt and debt-related obligations over the medium term.

Specifically, the Strategy seeks to:

- Ensure that the County’s financing needs and payment obligations are met in a timely and sustainable manner;
- Guide the management and gradual clearance of pending bills and other expenditure arrears;
- Maintain a prudent and cautious approach to borrowing, with borrowing considered only under exceptional circumstances and in full compliance with the law;
- Identify and manage fiscal risks associated with liabilities, cash flow constraints, and revenue performance;
- Enhance transparency, accountability, and oversight in debt and liability management.

### **1.4 Scope and Coverage of the Strategy**

This Medium-Term Debt Management Strategy Paper covers the period FY 2026/27–FY 2028/29 and is prepared on a rolling basis in line with the budget cycle.

For the purposes of this Strategy, county debt and liabilities are broadly defined to include:

- Loan obligations, whether domestic or external, where applicable;
- Guaranteed or contingent liabilities, where applicable; and

- Pending bills and expenditure arrears arising from contractual and statutory obligations.

By adopting this broad definition, the Strategy provides a comprehensive framework for managing all obligations with potential implications for the County's fiscal sustainability.

## **2. BUSIA COUNTY ECONOMIC AND FISCAL CONTEXT**

### **2.1 Overview of the Economic Environment**

The fiscal performance of the County Government of Busia is influenced by both national and local economic conditions. At the national level, economic performance affects the size and timing of equitable share transfers, conditional grants, and the overall fiscal space available to county governments. At the county level, economic activity directly affects own source revenue (OSR) performance and the County's ability to meet its expenditure obligations.

Busia County's economy is largely driven by agriculture, trade, and small-scale enterprises, with cross-border trade playing a significant role in local economic activity. While these sectors provide important livelihood opportunities, they are also sensitive to economic fluctuations, enforcement capacity, and market conditions, which in turn affect the predictability and growth of county revenues.

Given this context, prudent fiscal management and conservative debt policies are essential to safeguard service delivery and maintain fiscal stability.

### **2.2 Revenue Performance and Outlook**

The County's primary source of financing remains the equitable share of revenue raised nationally, complemented by own source revenue and conditional grants. Over the medium term, equitable share transfers are expected to continue providing the bulk of county funding, although the timing of exchequer releases has at times posed cash flow challenges.

Own source revenue contributes a smaller but critical share of total resources. While efforts have been made to enhance OSR collection through improved administration and enforcement, performance has at times fallen short of projections. Overly optimistic revenue targets can create budget execution pressures and contribute to the accumulation of unpaid obligations when actual collections do not materialize as expected.

This Strategy therefore emphasizes the importance of realistic revenue forecasting, strengthened revenue administration, and alignment of expenditure commitments with actual cash inflows.

## **2.3 Expenditure Trends and Budget Execution**

The County's expenditure profile is characterized by significant recurrent spending obligations, particularly personnel emoluments and essential operational costs. These fixed expenditures reduce fiscal flexibility and limit the resources available for development spending and settlement of outstanding obligations.

Budget execution has also been affected by cash flow mismatches arising from delayed transfers and uneven revenue inflows during the financial year. In some instances, expenditure commitments have been undertaken in advance of available cash, leading to the accumulation of pending bills, particularly in respect of goods, services, and development projects.

Effective expenditure prioritization, strict commitment controls, and improved cash planning are therefore critical to strengthening budget credibility and avoiding the recurrence of unpaid obligations.

## **2.4 Cash Flow Management and Liquidity Considerations**

Liquidity management remains a key fiscal challenge for the County. Delays in the release of funds from the National Treasury and shortfalls in own source revenue collections can constrain the County's ability to meet payment obligations as they fall due.

In the absence of borrowing, liquidity pressures are managed through prioritization of payments and deferral of non-essential expenditures. While this approach supports fiscal prudence, it can also result in the accumulation of pending bills if not accompanied by strong commitment controls and realistic budgeting.

This DMSP therefore recognizes cash flow management as a central element of debt and liability management and emphasizes the need to align procurement, contracting, and expenditure commitments with available and projected cash resources.

## **2.5 Implications for Debt and Liability Management**

The prevailing economic and fiscal conditions have direct implications for the County's debt management strategy. In the absence of loan financing, the primary fiscal risk arises from the accumulation of expenditure arrears rather than debt service obligations.

Accordingly, the County's debt management approach over the medium term focuses on:

- Managing liquidity risks associated with delayed revenue inflows;
- Gradually reducing the stock of pending bills in a manner consistent with available fiscal space;
- Preventing the accumulation of new liabilities through strengthened financial controls; and
- Maintaining a cautious approach to borrowing, with any consideration of debt financing subject to strict affordability and sustainability assessments.

### 3. CURRENT DEBT AND LIABILITY POSITION

#### 3.1 Overview of the County Debt Profile

As at the date of this Strategy, the County Government of Busia has **no outstanding loan obligations**, whether domestic or external. The County has not contracted any commercial, bilateral, or multilateral loans, and has not issued any debt securities. Consequently, the County is not exposed to interest rate risk, exchange rate risk, or refinancing risk associated with loan financing.

Notwithstanding the absence of loan debt, the County carries **debt-like obligations in the form of pending bills, Rollovers, staff salary arrears and pending statutory deductions** arising from expenditure commitments and underperformance in Owns Source Revenue during budget implementation. These obligations constitute the County's primary liability risk and are therefore the main focus of this Medium-Term Debt Management Strategy Paper.

#### 3.2 Stock of Pending Bills

Pending bills represent verified and unverified payment obligations owed to suppliers, contractors, and service providers for goods and services delivered or works completed. These obligations arise when expenditure commitments are not settled within the financial year in which they are incurred. As at **30<sup>th</sup> June, 2025**, the total stock of verified total liabilities including pending bills, Rollovers, salary arrears and statutory deductions was **Kshs.5.263 Billion** which constitute of **ksh.3.055 billion** for recurrent expenditure and **ksh.2.208 billion** for development expenditure.

**Table 1: Summary of Total County Liabilities as at 30th June 2025**

No	Description	Recurrent (Kshs)	Development(Kshs)	Total(Kshs)
1.	Pending Bills	1,395,958,621	1,258,115,665	2,654,074,286
2.	Rollovers	61,271,128	950,235,394	1,011,506,522
3.	Statutory deductions	928,735,248	0	928,735,248
4.	KRA Arrears	668,695,384	0	668,695,384
<b>Total</b>		<b>3,054,660,381</b>	<b>2,208,351,059</b>	<b>5,263,011,440</b>

*Table 2: Summary of Recurrent Pending Bills as at 30<sup>th</sup> June, 2025*

<b>Department</b>	<b>Verified Outstanding Pending Bills</b>
Agriculture	6,529,378.58
County Attorney	32,970,773.15
Education	94,886,576.76
Finance	188,586,007.51
Governorship	158,045,579.87
Health	456,045,963.96
Lands	69,180,047.52
Public Service Board	43,909,755.80
Public Service Management	135,821,228.70
Public Works	44,013,056.20
Strategic Partnership	17,262,513.70
Sports	61,771,302.96
Trade	24,686,228.30
Water	62,250,207.84
<b>Total</b>	<b>1,395,958,620.85</b>

*Table 3: Summary of Development Pending Bills as at 30<sup>th</sup> June, 2025*

<b>Department</b>	<b>Verified Outstanding Pending Bills</b>
Agriculture	524,917,722.68
Education	34,855,937.50
Governorship	14,621,373.00
Health	151,314,083.00
Lands	73,497,752.00
Public Works	249,879,900.01
Sports	10,485,453.00
Trade	37,842,330.00
Water	160,701,113.50
<b>Total</b>	<b>1,258,115,664.69</b>

### 3.3 Composition of Pending Bills

#### 3.3.1 By Financial Year

Pending bills are distributed across multiple financial years, with a portion relating to obligations carried forward from previous periods.

*Table 4: Pending Bills by Financial Year*

Financial Year	Development	Recurrent	Total
2013 -2014	2,206,185.50	382,187.52	2,588,373.02
2014 -2015	-	-	-
2015 -2016	10,998,594.00	-	10,998,594.00
2016 -2017	7,043,781.00	1,360,000.00	8,403,781.00
2017 -2018	3,984,500.00	10,686,300.00	14,670,800.00
2018 -2019	20,286,273.20	53,135,017.21	73,421,290.41
2019 -2020	44,126,689.60	40,631,436.50	84,758,126.10
2020 -2021	85,871,901.90	64,426,619.00	150,298,520.90
2021 – 2022	117,026,736.70	111,023,570.13	228,050,306.83
2022 – 2023	57,434,914.18	207,584,957.62	265,019,871.80
2023 – 2024	317,983,853.75	367,922,511.73	685,906,365.48
2024 – 2025	591,152,234.86	538,806,021.14	1,129,958,256.00
<b>Total</b>	<b>1,258,115,664.69</b>	<b>1,395,958,620.85</b>	<b>2,654,074,285.54</b>

This distribution underscores the importance of a structured and time-bound clearance strategy to address legacy obligations while preventing further accumulation.

### 3.4 Causes of Pending Bills Accumulation

The accumulation of pending bills in the County is attributable to a combination of structural and operational factors, including:

- Cash flow mismatches arising from delayed exchequer releases;
- Revenue underperformance relative to budget projections;
- Expenditure commitments undertaken ahead of available cash;
- Multi-year projects not adequately phased within budget ceilings;
- Court awards and legal obligations that were not fully budgeted for in the relevant financial years.

These factors highlight the need for improved cash planning, realistic budgeting, and strengthened commitment controls.

### **3.5 Debt and Liability Risk Assessment**

Although the County does not face loan-related risks, pending bills pose significant fiscal and operational risks, including:

- Liquidity pressure and constrained fiscal space;
- Disruption of service delivery;
- Exposure to litigation, penalties, and interest costs;
- Reputational risk and reduced supplier confidence.

To assess these risks, the County monitors a set of liability indicators, including:

- Pending bills as a percentage of total expenditure;
- Pending bills relative to equitable share and own source revenue;
- Trends in pending bills accumulation and clearance over time.

### **3.6 Implications for Debt Sustainability**

The absence of loan obligations places the County in a favorable position with respect to traditional debt sustainability metrics. However, the persistence of pending bills can undermine fiscal sustainability if not addressed in a systematic manner.

Accordingly, the County's debt sustainability assessment under this Strategy focuses on:

- The affordability of clearing existing pending bills within available fiscal space;
- The impact of pending bills on future budgets and service delivery; and
- The County's capacity to prevent the accumulation of new obligations.

## 4. DEBT SUSTAINABILITY AND RISK ANALYSIS

### 4.1 Overview of Debt Sustainability

Debt sustainability refers to the ability of a government to meet its current and future debt and debt-related obligations without compromising service delivery or requiring exceptional financing measures. For the County Government of Busia, debt sustainability analysis under this Strategy is undertaken in the context of **non-borrowing**, with a focus on **expenditure-related liabilities**, particularly pending bills.

The absence of loan obligations places the County in a strong position with respect to conventional debt sustainability indicators such as debt-to-revenue and debt service ratios. However, the presence of pending bills introduces fiscal pressures that, if unmanaged, can weaken budget credibility and constrain future fiscal space.

### 4.2 Assessment of Loan Debt Sustainability

As the County Government of Busia has no outstanding domestic or external loans, traditional loan-based sustainability indicators such as:

- Debt-to-Gross County Product ratios
- Debt-to-revenue ratios; and
- Debt service-to-revenue ratios

are not applicable during the Strategy period.

Accordingly, the County's debt sustainability assessment places emphasis on **liquidity and affordability considerations** rather than solvency risks associated with borrowing.

### 4.3 Sustainability of Pending Bills Clearance

The sustainability of the County's liability position is assessed by evaluating its capacity to:

- Gradually clear existing pending bills; and
- Finance ongoing operations without accumulating new arrears.

This assessment considers:

- Projected equitable share transfers
- Expected revenue performance
- Statutory and unavoidable recurrent expenditures; and
- Development expenditure priorities.

Pending bills clearance is considered sustainable where repayment is aligned with realistic revenue projections and does not crowd out essential service delivery or core operational expenditures.

#### **4.4 Fiscal and Liability Risk Analysis**

##### **4.4.1 Liquidity Risk**

Liquidity risk arises from mismatches between the timing of cash inflows and payment obligations. Delayed exchequer releases and uneven revenue collection can limit the County's ability to settle obligations as they fall due, contributing to the accumulation of pending bills.

##### **4.4.2 Revenue Risk**

Revenue risk relates to the possibility that actual revenues fall short of budget projections. Overestimation of own source revenue or delays in conditional grant disbursements can create financing gaps that translate into unpaid obligations.

##### **4.4.3 Expenditure Commitment Risk**

Weak expenditure controls, particularly where procurement and contracting decisions are not fully aligned with available cash and approved budgets, increase the risk of accumulating new liabilities.

#### **4.4.4 Legal and Contingent Liability Risk**

Court awards and legal settlements pose potential fiscal risks where obligations are not adequately budgeted for or where adverse judgments arise unexpectedly. These obligations can exacerbate pending bills if not proactively managed.

#### **4.5 Stress Considerations and Risk Mitigation**

While the County does not undertake formal stress testing associated with borrowing scenarios, the Strategy considers the potential impact of:

- Delays in revenue transfers;
- Underperformance of own source revenue; and
- Emergence of unplanned obligations.

Risk mitigation measures under this Strategy include:

- Conservative revenue forecasting;
- Strengthened commitment and cash controls;
- Prioritization of expenditure within available resources; and
- Phased clearance of pending bills in line with fiscal capacity.

#### **4.6 Overall Debt Sustainability Assessment**

Based on the analysis, the County Government of Busia's debt position is assessed as **sustainable** over the medium term, provided that:

- The existing stock of pending bills is addressed through a structured and affordable clearance plan; and
- Measures are implemented to prevent the accumulation of new liabilities.

The County's continued avoidance of borrowing, coupled with improved fiscal discipline and cash management, supports long-term fiscal sustainability.

## **5. MEDIUM-TERM DEBT MANAGEMENT STRATEGY AND POLICY DIRECTION**

### **5.1 Overview of the Strategy**

The Medium-Term Debt Management Strategy for the County Government of Busia is anchored on the principle of **fiscal prudence** and seeks to ensure that the County meets its financial obligations in a sustainable manner while safeguarding service delivery.

Given the absence of loan obligations, the Strategy focuses primarily on the **management, clearance, and prevention of pending bills**, while maintaining a cautious approach to borrowing. The Strategy aligns debt and liability management decisions with realistic revenue projections, available fiscal space, and the County's development priorities.

### **5.2 Strategic Objectives**

The key objectives of the Medium-Term Debt Management Strategy are to:

- Clear existing pending bills in a structured, transparent, and affordable manner;
- Prevent the accumulation of new pending bills through strengthened financial controls;
- Maintain debt at sustainable levels by avoiding unnecessary borrowing;
- Manage fiscal risks arising from liquidity constraints and revenue volatility; and
- Enhance accountability and oversight in debt and liability management.

### **5.3 Policy on Borrowing**

The County Government of Busia adopts a **conservative borrowing policy** over the medium term.

In line with the Constitution of Kenya, 2010 and the Public Finance Management Act, 2012, the County shall only consider borrowing under exceptional circumstances where:

- The borrowing is for clearly defined development purposes;
- The loan is guaranteed by the National Government;
- Approval is obtained from the County Assembly; and

- A comprehensive affordability and sustainability assessment demonstrates that the borrowing will not compromise fiscal stability or service delivery.

During the Strategy period, the County does not envisage contracting any domestic or external loans and shall prioritize the use of available revenues and grants to finance expenditure and meet existing obligations.

## **5.4 Pending Bills Clearance Strategy**

### **5.4.1 Guiding Principles**

The clearance of pending bills shall be guided by the following principles:

- **Verification:** Only verified and legitimate obligations shall be considered for settlement;
- **Transparency:** The process of prioritization and payment shall be open and well documented;
- **Affordability:** Clearance shall be aligned with available fiscal space;
- **Equity:** Payments shall be made fairly, without undue preference or political influence.

### **5.4.2 Prioritization Criteria**

Pending bills shall be prioritized based on:

- Age of the obligation
- Nature of the expenditure (essential services and statutory obligations given priority)
- Impact on service delivery
- Risk of litigation or penalties; and
- Availability of budgetary provision.

### **5.4.3 Medium-Term Clearance Approach**

The County shall adopt a **phased approach** to clearing pending bills over the medium term by:

- Allocating a defined portion of annual fiscal space to pending bills clearance;
- Ring-fencing resources for verified obligations in the annual budget;

- Avoiding the use of borrowing solely for the purpose of settling pending bills; and
- Ensuring that new commitments are not undertaken without confirmed budgetary provision.

*Table 6: Indicative Medium-Term Pending Bills Clearance Plan* in the FY 2025/2026 Supplementary Budget, the County has allocated **Ksh. 1.240 Billion** for the payment of pending bills

In the proposed County Fiscal Strategy Paper 2026/2027, the County has **provided Ksh. 600 Million** for pending bills in compliance with Busia County pending bills payment plan that had projected to provide at least **Ksh 592.5 million** from FY 2026/2027 to FY 2030/2031

***Table 6: provision for pending bills, rollovers and Medium-Term Clearance Plan***

ITEM DESCRIPTION	FINANCIAL YEAR	AMOUNT(KSH)
Supplementary Budget	2025/2026	1,739,901,870
Proposed CFSP	2026/2027	600,000,000

## **5.5 Prevention of New Pending Bills**

To prevent the accumulation of new liabilities, the County shall implement the following measures:

### **5.5.1 Strengthened Commitment Controls**

- Enforce strict adherence to approved budgets and cash plans;
- Ensure that procurement and contracting decisions are aligned with available resources;
- Strengthen the use of IFMIS commitment controls.

### **5.5.2 Improved Cash Flow Management**

- Prepare and regularly update cash flow forecasts;
- Align expenditure execution with projected cash inflows;

- Prioritize essential expenditures during periods of cash constraint

### **5.5.3 Realistic Revenue Forecasting**

- Adopt conservative own source revenue projections;
- Regularly monitor revenue performance against targets;
- Adjust expenditure plans where revenue shortfalls arise.

### **5.6 Institutional Arrangements for Debt and Liability Management**

The County Treasury shall be responsible for overall debt and liability management, including:

- Preparation and updating of the Debt Management Strategy Paper;
- Monitoring of pending bills and other liabilities;
- Advising the County Executive on debt-related matters; and
- Reporting to the County Assembly and relevant oversight institutions.

Line departments shall be responsible for:

- Ensuring commitments are made within approved budgets;
- Submitting timely and accurate information on obligations incurred; and
- Supporting the verification and clearance of pending bills.

### **5.7 Transparency and Reporting**

The County shall enhance transparency and accountability by:

- Regularly reporting on the stock and clearance of pending bills;
- Disclosing debt and liability information in budget documents and financial statements;  
and
- Subjecting debt management practices to internal and external audit.

## **6. IMPLEMENTATION, MONITORING AND REPORTING FRAMEWORK**

### **6.1 Implementation Arrangements**

The implementation of this Medium-Term Debt Management Strategy Paper shall be coordinated by the County Treasury, which bears primary responsibility for debt and liability management in the County Government of Busia.

Key implementation actions include:

- Integrating the debt management strategy into the annual budget and Medium-Term Expenditure Framework (MTEF) process;
- Ensuring that pending bills clearance plans are reflected in approved budget ceilings;
- Strengthening commitment and cash management controls to prevent the accumulation of new liabilities; and
- Coordinating with line departments to ensure compliance with approved budgets and cash plans.

Line departments shall support implementation by ensuring that all expenditure commitments are undertaken strictly within approved budgets and in line with cash availability.

### **6.2 Monitoring Framework**

The County Treasury shall establish a monitoring framework to track the implementation of the Debt Management Strategy and assess progress in managing liabilities over the medium term.

Monitoring shall focus on:

- Trends in the stock of pending bills;
- Progress in the clearance of verified obligations;
- Adherence to borrowing policy and debt limits;
- Revenue performance relative to projections; and
- Effectiveness of commitment controls and cash flow management measures.

Monitoring results shall be used to inform corrective actions and adjustments to the Strategy where necessary.

### **6.3 Reporting and Accountability**

To enhance transparency and accountability, the County shall regularly report on debt and liability management through:

- Annual Debt Management Strategy Papers;
- County Fiscal Strategy Papers;
- Budget Estimates and Appropriation Accounts; and
- Annual Financial Statements.

The County Treasury shall submit debt and liability reports to the County Assembly and relevant oversight institutions in accordance with the Public Finance Management Act and applicable regulations.

### **6.4 Review of the Strategy**

This Medium-Term Debt Management Strategy Paper shall be reviewed annually and updated on a rolling basis to reflect changes in the County's fiscal position, revenue performance, and liability profile.

Any significant deviations from the Strategy, including consideration of borrowing, shall be subject to appropriate approvals and disclosure.

## **7. CONCLUSION**

The Medium-Term Debt Management Strategy Paper provides a structured and forward-looking framework for managing the County Government of Busia's debt and debt-related obligations over the medium term.

In the absence of loan financing, the Strategy places emphasis on the effective management and clearance of pending bills, strengthened fiscal discipline, and improved cash flow management. By maintaining a conservative borrowing stance and aligning expenditure commitments with realistic revenue projections, the County aims to safeguard fiscal sustainability and protect service delivery.

The successful implementation of this Strategy will require strong institutional coordination, adherence to financial controls, and continued oversight by the County Assembly and other stakeholders. Through these measures, the County Government of Busia is well positioned to manage its liabilities responsibly and sustain sound public financial management practices over the medium term.