

COUNTY GOVERNMENT OF KISUMU



COUNTY ASSEMBLY OF KISUMU

THE HANSARD

SECOND ASSEMBLY – FIFTH SESSION

Thursday, 16th September, 2021

House met in the Main Chamber at 2:30 p.m.

(The Temporary Speaker (Hon. Seth Okumu) in the Chair)

PRAYERS

The Temporary Speaker (Hon. Okumu): Mr. Clerk take us through the Order Paper of the day.

PAPER LAID

THE PLANNING, INDUSTRIALIZATION AND ICT COMMITTEE REPORT ON THE STATEMENT SOUGHT BY HON. CAREN MUGA REGARDING DEMOLITION OF KISUMU BOYS HIGH SCHOOL PERIMETER WALL.

BY

HON. GEORGE OGUTU

The Temporary Speaker (Hon. Okumu): What is it Hon. George Ogutu.

Hon. Ogutu: Thank you Mr. Speaker. Allow me to lay this Paper on behalf of Hon. George Olwal.

The Temporary Speaker (Hon. Okumu): Proceed.

Hon. Ogutu: Pursuant to the provisions of the Kisumu County Assembly Standing Order No. 182 (6), I wish to table today Thursday 16th September, 2021, Planning, Industrialization and ICT

Committee report on the Statement sought by Hon. Caren Muga regarding demolition of Kisumu Boys High School perimeter wall. Thank you.

The Temporary Speaker (Hon. Okumu): Honourable Members, I wish to acknowledge the Planning, Industrialization and ICT Committee report on the Statement sought by Hon. Caren Muga regarding demolition of Kisumu Boys High School perimeter wall. I want to direct that it follows the appropriate procedure as per our Standing Orders. Next order!

NOTICE OF MOTION

THE PLANNING, INDUSTRIALIZATION AND ICT COMMITTEE REPORT ON THE
STATEMENT SOUGHT BY HON. CAREN MUGA REGARDING DEMOLITION OF
KISUMU BOYS HIGH SCHOOL PERIMETER WALL.

BY

HON. GEORGE OGUTU

The Temporary Speaker (Hon. Okumu): Hon. George Ogutu.

Hon. Ogutu: Thank you Mr. Speaker. Allow me to give a Notice of Motion on Planning, Industrialization and ICT Committee report on the Statement sought by Hon. Caren Muga regarding demolition of Kisumu Boys High School perimeter wall on behalf of Hon. George Olwal.

The Temporary Speaker (Hon. Okumu): Proceed.

Hon. Ogutu: Pursuant to the provisions of the Kisumu County Assembly Standing Order No. 45, I wish to give a Notice of Motion on the Planning, Industrialization and ICT Committee report on the Statement sought by Hon. Caren Muga regarding demolition of Kisumu Boys High School perimeter wall. Thank you.

The Temporary Speaker (Hon. Okumu): Thank you. Next order!

MOTION

BUDGET AND APPROPRIATIONS COMMITTEE REPORT ON THE KISUMU COUNTY
DEBT MANAGEMENT STRATEGY PAPER 2021-2024

BY

HON. STEVE OWITI

CHAIRPERSON, BUDGET AND APPROPRIATIONS COMMITTEE

The Temporary Speaker (Hon. Okumu): What is it Hon. Aslam Khan?

Hon. Khan: Thank you Mr. Speaker. Allow me to move this motion on behalf of the Chairperson, Hon. Steve Owiti.

The Temporary Speaker (Hon. Okumu): Proceed.

Hon. Khan: Mr. Speaker Sir and Hon Members of the Second Assembly, The Kisumu County Debt Management Strategy Paper (KCDMSP), for FY 2021-2024 was committed to my Committee in accordance to Section 123(1) of the PFM Act, 2012. This follows its laying in the House on 2nd March, 2021.

The Debt Management Strategy of the County Government Spells out a statement of debt over the medium term, clearly showing its actual liabilities in respect of loans and its plan for dealing with those liabilities.

It provides guidance on the amount and type of borrowing to undertake over the medium term. It also evaluates the costs and risks of various debt management strategies and provides recommendations on optimal strategy for implementation since it will have an impact on future borrowings.

The strategy further outlines priorities that will assist in the reduction of Financial Risk. It is for this purpose that the County Government of Kisumu recognizes the need for prudence in debt management to avoid unwarranted financial risks that emanate from poor management strategies of debt.

Mr. Speaker Sir and Hon. Members, based on our analysis of the Kisumu County Debt Management Strategy Paper, County Government of Kisumu does not have any debt. The highlighted ‘debts’ as per the document is a Composition of County pending bills portfolio as at 25th February, 2021. In accounting principles, such amounts owed can be entered in books of accounts as debts. However, in the legal aspect a ‘Public Debt’ with guidelines from the Provisions of Article 212 and 214(2) of the Constitution of Kenya, 2010 and Section 123 of the PFM Act, 2012 means all financial obligations with respect to loans raised and or guaranteed and securities issued or guaranteed by the National Government. So far the County has not acquired any loans/borrowings.

Finally a County debt can only realize sustainability if a prudent debt management and borrowing policy is adopted. It is also important to note that the document has been prepared on a background of global Covid -19 health pandemic which has put more strain on the County Resources.

Purpose of a Debt Strategy Paper.

1. A debt strategy paper guides the government on how, where, when and what to borrow in order to finance the budget deficit.

2. As per PFM Act Section 123, counties are required to prepare and submit a debt management strategy over the medium term to the County Assembly on or before 28th February every year. This is in regard to its actual and potential liabilities in respect of loans and its plans of dealing with those liabilities.

3. The County Debt Management Strategy Paper sets out the framework for the management of county public debt. The strategy is formulated annually on a three year rolling basis and will be revised when market conditions change.

Definition of a Debt in line with relevant legal Provisions

Pursuant to the provisions of Article 214 (2) of the Constitution of Kenya 2010, “Public Debt” means all financial obligations attended to loans raised or guaranteed and securities issued or guaranteed by the National Government

Objective of Debt Management Strategy as Per the PFM Act, 2012

1. The principal objective of the County government debt management is to meet its financing requirements at the least cost possible with a prudent degree of minimal risk.
2. The secondary objective is to enable the government to deal with the existing debt portfolio to release resources to service delivery.

THE COMPOSITION AND MANDATE OF THE KISUMU COUNTY BUDGET AND APPROPRIATIONS COMMITTEE.

The Committee as currently constituted comprises of the following Hon Members;

Committee Members

- | | | |
|--------------------------|---|------------------|
| 1. Hon. Steve Owiti | - | Chairperson |
| 2. Hon. Aslam Khan | - | Vice Chairperson |
| 3. Hon. Kenneth Onyango | - | Member |
| 4. Hon. Joachim Oketch | - | Member |
| 5. Hon. Benny Pete Oiko | - | Member |
| 6. Hon. Jacktone Ojwang’ | - | Member |
| 7. Hon. Beatrice Odongo | - | Member |
| 8. Hon. Seth Okumu | - | Member |
| 9. Hon. Nancy Owiti | - | Member |
| 10. Hon. Vincent Jagongo | - | Member |
| 11. Hon. Paul Okiri | - | Member |
| 12. Hon. Seth Kanga | - | Member |
| 13. Hon. Joseph Olale | - | Member |
| 14. Hon. Maurine Otiang’ | - | Member |

15. Hon. Johnson Guya - Member

Secretariat

1. Peter Anditi - Senior Clerk Assistant
2. Isaac Omollo - Committee Clerk
3. Zablun Otiende - Hansard
4. William Ogada - Serjeant-at-Arms

Mandate of the Committee

The County Budget and Appropriation derives its mandate from the provision of County Assembly Standing Orders No. 189 (3) which states as follows;

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

COMMITTEE MEETINGS

The Committee held five special meetings deliberating on the document.

The Committee while interrogating the Kisumu County Fiscal Strategy Paper FY 2021/2022 was guided by the following TORs:

- a) Ascertain whether the document presented before the Assembly adhered to the provision of section 123(1) of the PFM Act, 2012 and the Standing Order No. 208.
- b) Cost and risk characteristics of county government debt portfolio as at the end of FY 2019/2020.
- c) Potential Sources for Financing.
- d) Cost and Risk Analysis of alternative debt management strategies.
- e) Implementation of the Debt Management Strategies

ACKNOWLEDGEMENT

The Committee would like to take this opportunity to applaud the Office of the Speaker and that of the Clerk for the invaluable support accorded to us by providing conducive atmosphere and

slotting adequate time to ensure that the Committee executes its mandate and that this document is analyzed and presented to the House on time.

Further, the Committee would wish to convey gratitude to its members who took time out of their busy schedule to honor committee sittings and offered their valuable input on this report.

Finally, the Technical staff who worked tirelessly to ensure that logistics were put in place and the final report is produced.

The Committee during its Committee sittings adhered to the WHO COVID-19 Containment Measures. Thank you.

LEGAL FRAMEWORK FOR PREPARATION OF THE DEBT MANAGEMENT STRATEGY PAPER

The Committee was guided by the Provisions of Article 212 and 214 (2) of the Constitution of Kenya 2010, Section 123 of the PFM Act, 2012 and Standing Order No. 189 of the Kisumu County Assembly Standing Orders to ensure that the proposed Debt Strategy Paper met the required legal threshold.

The Committees Observations are as follows;

S/NO	LEGAL PROVISION	Compliance by the Executive	Committee Recommendations
1	The KCDMSP be submitted to the Assembly by 28 th , February each year	The CECM for Finance and Economic Planning submitted vide a letter reference KC/FIN/C. ASSEMBLY/VOL. III/117 Dated 26 th February, 2021 the KCDMSP to the assembly (see annex i)	The Executive should avoid submitting such timeline documents on the deadline dates.

THE TOTAL COUNTY DEBT PORTFOLIO (SUMMERY OF ALL DEBTS)

Mr. Speaker sir and Hon Members, in accordance with the KCDMSP, the County's Pending Bills portfolio stands at Kshs 2,621,461,212.

The Composition of the County Pending Bill Portfolio as at 25th February, 2021 is as shown below;

S/NO	Description	Kshs	% of Total debt
1.	Recurrent (Suppliers)	451,454,079.00	17
2.	Development (Contractors)	956,287,376.00	36
3.	NSSF	288,000,000.00	11
4.	Unremitted retention	70,426,518.00	3
5.	KRA unremitted taxes	31,239,288.00	1.1
6.	Gratuity	365,000,000.00	14
7.	Medallion	5,400,000.00	0.9
8.	LAPFUND	206,794,398.00	8
9.	Legal Fees and Court Decrees	246,859,553.00	9
	Total	2,621,461,212	100

COMMITTEE FINDINGS

1. Based on the Committee analysis most of the highlighted “debts” as per the strategy paper do meet the threshold of a definition of debt.
2. Pursuant to the provisions of Article 214 (2) of the Constitution of Kenya 2010, “Public Debt” means all financial obligations attended to loans raised or guaranteed and securities issued or guaranteed by the National Government.
3. Further, the provisions of section 123(2) of the PFM Act, 2012 states that the County Debt Management Strategy Paper shall include the following information;

S/NO	LEGAL PROVISIONS	OBSERVATIONS	RECOMMENDATIONS
1.	The total stock of debt as (at) per the date of the statement	-According to the items provided as “debts” the County Government doesn’t have any debt	The County Government should seek guidance from National Debt Management Office as stipulated in Section 65 of the PFM Act, 2012 to

			get clarity on what constitutes a public debt
2.	The sources of loans made to the county Government	As indicated in the KCDMSP, THE County Government does not have any loans	The County Government to adhere to the provisions of Article 214 (2) of the Constitution of Kenya 2010 for future borrowing needs
3.	The principal risks(associated with) linked to those loans	N/A	
4.	The assumptions underlying the debt management strategy	Global Economic Growth is expected to recover to 5.5% in the FY 2021/2022 from a contraction in FY 2020/2021 due to the effects of Covid 19 Pandemic.	- The County should come up with appropriate post Covid 19 strategies to enhance Economic Growth and recovery
		Delay in disbursements by the National government due to economic challenges may force the creditors to charge interest on pending bills and the suppliers increase their prices.	- The National Treasury to ensure timely disbursement of funds
		There is a high risk of litigation	-The County Government to comply with court orders and rulings

		Risk of non-completion of development projects leading to no value for money	-The County to improve their M/E on development projects -Priority be accorded to projects in the uncompleted projects in the previous FYS
		Risk of the County Government's defaced corporate image due to unsettled debts	-Pending bills be prioritized as first charge in the subsequent budgets.
5.	An analysis of the sustainability of the amount of debt, both actual and potential	The County stock of debt is currently at Kshs. 2,621,421,212.00 which translates to 25.14% of the Total County Revenue which is above the stipulated annual debt portfolio ceiling of 20% in line with the Provisions of Section 179(1) of the PFM Regulation of 2015.	-The Executive to maintain and comply with the law by having a sustainable debt level -The County debt be described as provided by the Constitution and the PFM Act, 2012. -The County Assembly to approve the County Debt Level in accordance to Section 141(2) of the PFM Act, 2012.

County Debt from Previous Financial Years

DEBT CATEGORY	2017/2018	2018/2019	2019/2020	GRAND TOTAL

Pending bills Development	-	406,844,203.00	549,440,173.00	956,287,376.00
Pending Bills Recurrent	187,191,641.00	-	264,262,437.00	451,454,079.00
Unremitted Retention	46,604,527.00	-	23,821,990.00	70,426,518.00
Outstanding Gratuity			365,000,000.00	365,000,000.00
Outstanding Medallion			5,400,000.00	5,400,000.00
Unremitted LAPFUND			206,794,398.00	206,794,398.00
Unremitted KRA			31,239,288.00	31,239,288.00
Unremitted NSSF			288,000,000.00	288,000,000.00
Legal Fees and Court Decrees	-	246,859,553.00	-	246,859,553.00
Total	233,796,168.00	653,703,756.00	1,733,921,286	2,621,461,212.00

BACKGROUND TO MEDIUM TERM DEBT MANAGEMENT STRATEGY

History of County Government of Kisumu Debts

Mr. Speaker sir and Hon Members, one of the major causes of pending bills accumulation is the County's challenges in meeting revenue targets. The pressure on need to spend increases day by day while the resource envelope continues to shrink because of the inability to meet targeted revenue. Explicit example is the revenue performance of FY 2019/2020 where the county realized 56% of the projected local revenue of Ksh.1, 438,478,604.

Below is consolidated report on the Local Revenue Collection for the Previous Financial Year 2019/2020

REVENUE STREAMS	BUDGET FY 2019/2020	ACTUALS FY 2019/2020	SURPLUS/DEFICI T	EFFICIENC Y
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				%
Locally Collected Revenue				
Main Revenue Streams				
Land Rates	207,354,454.00	142,399,103.00	(64,955,351.00)	68.67
Rents	43,572,630.00	19,350,062.00	(24,222,568.00)	44.41
Boda-Boda Self-Regulation Fees	30,000,000.00	1,870,750.00	(28,129,250.00)	6.24
Trade License Fees ²	140,000,000.00	122,243,700.00	(17,756,300.00)	87.32
Bus Park Fees	157,211,827.00	79,706,245.00	(77,505,582.00)	50.70
Parking Fees	118,253,127.00	41,650,982.00	(76,602,145.00)	35.22
Market Fees	118,436,119.00	53,722,630.00	(64,713,489.00)	45.36
Building Plans	30,926,085.00	36,422,731.00	(5,496,646.00)	117.77
Sign Boards Promotion etc	82,000,000.00	48,927,654.00	(33,072,346.00)	59.67
Sundry Revenue and other sources	55,104,362.00	73,771,889.00	(18,667,527.00)	133.88
Over Payment of Bulk Revenues	-	-	-	0.00
Public Health and Others	3,000,000.00	3,811,290.00	811,290.00	127.04
Sub-total	985,858,604.00	623,877,036.00	(361,981,568.00)	63.28
Revenue from Departments				
Health	320,000,000.00	141,830,179.00	(178,169,803.00)	44.32

Agriculture, Livestock and Fisheries	15,000,000.00	6,236,524.00	(8,763,476.00)	41.58
Tourism, Trade and Heritage	1,750,000.00	2,219,000.00	(530,680.00)	69.68
Water	10,000,000.00	-	(10,000,000.00)	0.00
Lands, Housing and Physical Planning	3,000,000.00	6,242,659.00	(3,242,659.00)	208.09
Education, Culture, Youths and Sports	8,000,000.00	10,516,800.00	(2,516,800.00)	131.46
Industrialization/Cooperatives	70,000.00	-	(70,000.00)	0.00
Liquor Licenses	30,000,000.00	10,462,750.00	(19,537,250.00)	34.88
Green Energy	4,500,000.00	-	(4,500,000.00)	0.00
Energy and Mining	2,300,000.00	-	(2,300,000.00)	0.00
Roads, Transport and Public Works	56,000,000.00	2,063,613.00	(53,936,387.00)	3.69
Environment	2,000,000.00	1,939,073.00	(60,927.00)	96.95
Sub-total	452,620,000.00	180,510,936.00	(634,090,632.00)	39.88
Grand Total	1,438,478,604.00	804,387,972.00	(634,090,632.00)	55.92

Committee Observations

The County Government collected a paltry 55.92 of its total local revenue projection.

Committee Recommendations

1. The Department of Finance and Economic Planning should come up with realistic revenue targets.
2. Prior to undertaking demolitions, the County Government should come up with Relocation Action Plan (RAP) to ensure that the County Government own source revenue is not lost.

3. The County Government should establish Boda Boda COOPERATIVE SOCIETIES that will ensure that Revenue from the sector is realized.

General debt risk analysis table

Debt category	Nature of risk	Level of risk	Mitigation action taken so far
Employee pension Schemes	Compliance risk	High critical	Ensure compliance with the laws and legislation.
Other Employee Benefits	Reputation risk	High	Increase tangible benefits specifically to senior staff.
Court Awards/ Fees	Legal risk Financial Risk	High	Ensure strict compliance with court ruling.
Other Suppliers and Service Providers	Reputation risk Legal risk	High	Adhere to customer service charter.
Contractors	Legal risk	Highly critical	Timely payment of suppliers through internal control systems

POTENTIAL SOURCES OF BORROWING

Mr. Speaker sir and Hon Members, the principle sources of financing County government programs remains own revenue and share of national revenue considering the cost and risk of other sources of financing. However, financial resources will always be scarce taking into account the fact that some development programs require huge capital outlay. This would prompt the County to resort to other alternative sources of financing and may include;

- i. Borrowing from commercial banks: This has not been applied in Kisumu County. However, the County can pursue borrowing from commercial banks or Central Bank of Kenya. Borrowing from the CBK attracts low interest rate but requires the National Treasury to formulate guidelines. So far the County Government has not acquired any loans or borrowing.

- ii. Valuation roll: updating of valuation roll whose implementation has been temporarily injuncted by the High Court, expects an additional 30,000 new rate payers which when enforced will earn an additional own source revenue to the County.
 - iii. Modernization of markets: The construction and modernization of various markets within the County will greatly enhance the ability of the County to tap more revenue.
 - iv. Maximizing collection of local revenues: The County has not fully exploited the local sources of revenue nor has it maximized the revenue collection. Various revenue enhancement strategies i.e review of the valuation roll, enhancing collections of single business permits, review all regulatory legislations, passing of legislation on boda boda taxes and strengthening revenue collection enforcement system are being undertaken to raise more resources financing development and management of debt portfolio.
 - v. External borrowing/Grants: External financing is usually at concessional rates and for longer periods compared to commercial banks. The county should embark on aggressive collaboration with international organizations to get grants to finance programs of huge outlay like water, health and infrastructure development.
 - vi. Borrowing from the money and capital market: The County may borrow from the money market and capital market through issuance of County bonds.
- v. Public Private Partnership Projects: The County should engage in public- private partnerships and joint ventures to finance projects.
- vi. Contribution in lieu of Rates: This is a source of revenue inherited by the Counties from the defunct Local Authorities as rate struck charged. It is supported by the Valuation for Rating Act, Cap 266 and Rating Act, Cap 267 both of which are alive and applicable.
- vii. Disposal of idle/boarded Assets: boarded/unused assets lying idle should be disposed of according to the *Public Procurement and Disposal of Assets Act, 2015* and the proceeds applied to defray part of the outstanding liabilities.

COST AND RISKS ANALYSIS OF ALTERNATIVE DEBT MANAGEMENT STRATEGIES

Mr. Speaker sir and Hon Members, in implementing the potential finance strategies preference should be given to those favorable in terms of cost-benefit analysis. Cost and risk of implementation of the strategies are as tabulated bellow:

Table 9: Cost-benefit Analysis of Strategies

Strategy	Risk	Cost
Borrowing from commercial banks	Capped interest rate	Minimal
Maximizing collection of local revenues	Legislation non – full compliance by stakeholders	Minimal
External borrowing/Grants	Tight borrowing/ implementation conditions	High
Borrowing from the money and capital market	Non ratification by National Government	Minimal
Public Private Partnership Projects	Ring fenced repayment projected revenue may not be met by the County	High
Contribution In lieu Of Rates	Delayed legislation and logistics	High
Disposal of idle/boarded Assets	Proceeds may not match the debts	Minimal

Committee Observations

- I. The Current County Debt Level is high due to unnecessary cost such as interests and penalties

Committee Recommendations

- i. The County Executive should ensure that the County borrowings are capped at 10% of total revenues realized in the previous year subject to approval by the County Assembly in accordance with Section 141(2) of the PFM Act 2012.
- ii. County Government should negotiate with Commercial Banks for fixed interest rate on borrowings made with them over the medium term.
- iii. The County Government should seek guidance from National Debt Management Office as stipulated in Section 65 of the PFM Act, 2012 to enable it to execute its mandate efficiently.

DEBT SUSTAINABILITY

Mr. Speaker Sir and Hon Members, the sustainability of debt is guided by the PFM Act, 2012 Section 107 (2) (e) and Section 107 (4). As per Section 107 (2) (e) the county debt shall be maintained at sustainable level as approved by the County Assembly. Section 107 (4) further states that “every county government shall ensure that its level of debt at any particular time does not

exceed a percentage of its annual revenue specified in respect of each financial year by resolution of the County Assembly”.

COMMITTEE OBSERVATIONS

- i. That, the total Composition of County Pending Bills stands at Kshs 2.61billion as at 25th February, 2021. These bills are owed to suppliers of goods and services, contractors, staff, statutory institutions and court awards.
- ii. That, the County presently does not have any loans or long term borrowing from commercial banks.

COMMITTEE RECOMMENDATIONS

- I. That, the County Executive should embrace strong fiscal responsibility measures such as paying recurrent bills and a sizeable portion liabilities pertaining to development activities.

IMPLEMENTING THE DEBT MANAGEMENT STRATEGIES 2021

Mr. Speaker sir and Hon Members, the County Treasury intends to adopt modalities such as debt servicing, prioritization of debts and debt rescheduling in dealing with its debt in the medium term. These are considered in the matrix below

Pending Bill Repayment Plan for FY 2020/2021-2021/2022

Category	Actual debt Kshs	Phase I plan 2020/2021 Kshs	% age	Phase II plan 2021/2022- 2022/2023 Kshs	% age
Personnel Deductions	494,794,398.00	247,397,199.00	50	247,397,199.00	77.72
Suppliers of goods and services	1,407,741,455.00	325,727,040.00	23	1,082,014,415.00	38.27
Court awards/legal fees	246,859,553.00	100,000,000.00	40.5	146,859,553.00	100
Gratuity & Medallion	370,400,000.00	50,000,000.00	13.5	320,400,000.00	100

KRA	31,239,288.00	31,239,288.00	100	-	-
Unremitted Retention	70,426,518.00	70,426,518.00	100	-	-
TOTAL	2,621,461,212.00	824,790,045.00		1,796,671,167.00	

Mr. Speaker sir and Hon Members, other action plans that the county intends to implement include;

1. Verification of arrears - Once data on the outstanding debts has been collected; the data is being verified to ensure that such payments are genuine transactions to avoid payment of fraudulent claims.
2. Improving cash and debt management - Reliable cash projections to ensure that liquidity is available to meet payment obligations as they arise. For effective cash management, the County Treasury is adopting “Programme Based Budgeting” and accurate cash flows projections.
3. Preparation of a realistic budget- A major remedy in addressing the recurring debt problem is preparation of a realistic annual budget.

New Strategies to be considered by the County Government in dealing with the tax Burden are as indicated;

1. Additional Taxation: The simplest measure of debt redemption is to impose new taxes and get the required revenue to pay the debts.
2. Creation of a Sinking fund: it is a fund created by the government and revenue in such a way that it would be sufficient to pay off the funded debt at the time of maturity.
3. E-procurement: This will ensure that all LSOs are committed in IFMIS in order to reserve funds.

GENERAL FINDINGS

1. That, the County does not have any loans/borrowings. The highlighted “debts” as per the strategy paper do meet the threshold of a definition of debt. The provisions of Article 214 (2) of the Constitution of Kenya 2010, “Public Debt” means all financial obligations attended to loans raised or guaranteed and securities issued or guaranteed by the National Government.
2. That, in the Debt Management Strategy Paper its indicated that in the FY 2020/2021 Kshs. 305 Million was budgeted for Pending Bills while the Approved Budget Estimates

FY 2020/2021 indicates that Kshs. 413 Million was allocated for payment of Pending Bills.

GENERAL RECOMMENDATION

1. That, a detailed Pending Bill Payment Plan be submitted to the House by the CECM, Finance and Economic Planning for scrutiny and approval. The plan should explicitly outline how the current pending bills are being addressed.
2. That, the CECM Finance and Economic Planning to explain the variation of Kshs. 108 Million resulting from Kshs. 413 million indicated in the approve budget FY 2020/2021 for payment of Pending Bills against Kshs. 305 Million indicated in the debt management strategy paper as an allocation for payment of pending bills in the FY 2020/2021 Budget.
3. The County Executive to obey Court Orders and Rulings to minimize litigation risk.
4. That, the County Executive to improve its Monitoring and Evaluation on Development Projects to eliminate risk of non-completion of development projects leading to no value for money.
5. That, the CECM, Finance and Economic Planning to submit to the Assembly the entire list of individual beneficiaries for all the composition of pending bills owed by the County.

CONCLUSIONS

Mr. Speaker and Hon. Members, I would like to implore this House to consider adopting this report on the Kisumu County Debt Management Strategy Paper for FY 2021-2024 laid on the table of this Assembly and ensure proper implementation of the Recommendations contained herein. Thank You. May I call upon Hon. Benny Pete Oiko to second?

The Temporary Speaker (Hon. Okumu): Hon. Oiko.

Leader of Minority (Hon. Oiko): Thank you Mr. Speaker. I rise to second the report as read by the Chairperson. We have been given the picture of the total pending bills of the County and the effort the government is putting in place to ensure that the pending bills are paid. The issue of the pending bills is always very crucial. What we can say as a House Committee is that the County government should pull up its socks so that our contractors and suppliers get their funds in time so that their businesses are not interrupted.

We have seen in this report that the County government has not been able realize its Own Source Revenue as anticipated in the budget. It is our hope that more effort will be put in place by the County Executive to ensure that good amount is collected so that implementation of projects is effected smoothly. Another issue we have in the report is that, we want to tax the *boda-boda* and this has not been easy. An estimate of Kshs. 30 million a small amount money is being collected. This means that a lot needs to be done in this department. The Select Committee has recommended that boda- boda be grouped in Cooperative Societies to enable the County Government manage them.

Mr. Speaker, in this report we are told that the Kisumu County government doesn't owe any bank loan, which is a plus to the government. The challenge they are facing is that they aren't collecting enough hence make them fall into debts when they are unable to pay their contractors and suppliers but doesn't have loans that accrue interests. We are also aware that the County Government of Kisumu wanted to enhance its revenue collection by improving on its Valuation Roll. This was brought to the Assembly for approval but some Kenyans challenged it in court and it was stopped. The picture we have is that if the Valuation Roll issue shall have been handled, the County Government of Kisumu will collect more revenue because they have targeted additional new rent payers. Its success will raise the revenue.

Consequently, Mr. Speaker, the County government is also making an effort by working on the modernization of markets. When the *Kibuye, Jubilee and Uhuru* markets are operational, more traders will occupy these market spaces and the County government will be able to collect more taxes and revenue will increase. This report might have some anomalies that we are aware of and we shall put the Department of Finance and Economic Planning to task to explain the differences contrary to the approved budget. The pending bill amount was Kshs. 305 million and yet we are seeing Kshs 413 million. The department must explain where the mistake occurred. Otherwise, with those few remarks, I beg to support the report, thank you.

The Temporary Speaker (Hon. Okumu) Thank you honorable members, a report from the Select Committee on County Budget and Appropriations on its consideration for the Kisumu County Debt Strategy Paper for the FY 2021-2024, was tabled in this House. The motion has been moved by Hon. Aslam Khan on behalf of Hon. Steve Owiti, Chairperson of the Select Committee of Budget and Appropriations, and seconded by Hon. Benny Pete Oiko, the Leader of Minority. I want to propose that we open the report for debate.

The Temporary Speaker (Hon. Okumu) Yes, Hon. Philemon Juma Ojuok

Hon. Ojuok: Thank you Mr. Speaker, I want to say that Debt Management is one of the key things that the County government must be serious with. The report is very well done just like the others are often done but the major challenge is often on the implementation of these reports. As Hon. Pete the Leader of Minority has put it, the Department of Finance and Economic Planning should account for the difference. When we reach such times, we drag our feet so much. It is quite unfortunate that there was a report that was brought and debated upon regarding Pending Bills but we performed dismally on it. It is not even something to talk about. I want to urge this House that we take this matter seriously. This county is almost two budgets away from a crash. The Absorption Rate is going down because we are not able to pay pending bills. There are some departments that are stuck purposely with the delay from the Treasury. Nearly every supplier or contractor cannot give any more debts to this county.

When you go to the Department of Roads, you will find machines stuck there. Contractors cannot complete their projects because they have not yet been paid. On the ground, we are being accused of having embezzled funds meant for the projects.

The issue of debt management is at the core of management of this county. The issue of the list of pending bills is something we have been seeking from time to time but we have only been getting excuses. We need a pending bill list clearly stating what is owed and we restrict ourselves that we pay as per that list. Thank you.

The Temporary Speaker (Hon. Okumu): Yes, Hon. Deputy Majority Whip, Hon. Obonyo.

Deputy Whip (Hon. Obonyo): Thank you Mr. Speaker. I wish to call the Mover to reply.

The Temporary Speaker (Hon. Okumu): Yes, Hon. Aslam Khan.

Hon. Khan: Thank you Mr. Speaker. As it had been articulated nicely by the report presented to this House which is very up to date and the articulation by the Leader of Minority, especially on the collection of Own Source Revenue we need the County Executive to pull up its socks and take measures that are required. The same applies to the retake on boda-boda as they will be forming Co-operative Societies and we want to see that this becomes a reality. As it had been said that, there are no loans and this applies to us but that does not mean that we should indulge in loan taking when it will lead the County into disrepute. What we are ready for is the Valuation Roll which will bring up the 30,000 new tax payers and I believe that this will go a long way unless it is just overcharging and over burdening.

Mr. Speaker, we also want this Hon. House and Members to look at the variation on the pending bills as it has been articulated by Hon. Pete that there is a deficiency of 180 million and we want a proper explanation on the same. The same applies to what Hon. Ojuok has said on the implementation report. We need the House to make sure that this report are taken into consideration whenever they are passed in this House. Thank you.

The Temporary Speaker (Hon. Seth Okumu): Thank you Hon. Members. The report from Budget and Appropriations Committee on Debt and Management Strategy Paper 2021/2024 moved by Hon. Khan, seconded by the Leader of Minority debated by Hon. Members. I therefore want to put a question on the adoption of the same.

(Question put and agreed to)

The Temporary Speaker (Hon. Okumu): The report from Budget and Appropriations Committee on Debt and Management Strategy Paper 2021/2024 is hereby adopted today 16th September 2021 at 1538 hours.

Consequently, I want to direct that the recommendations of the report be copied and taken to the Department of Finance and Economic Planning and any other relevant department that the report is recommending actions as appropriate.

The Temporary Speaker (Hon. Okumu): Next Order!

ADJOURNMENT

The Temporary Speaker (Hon. Okumu): There being no any other business to transact, the House stands adjourned to 21st September 2021 at 2.30 p.m.

(House rose at 3.41 p.m.)

Addendum

The Hansard Team

Zablon Otiende – Senior Hansard Reporter

Edward Odanga – Hansard Reporter

Fanuel Okode – Hansard Reporter

Patrick Okoyo – Hansard Reporter

Jacklyne Otieno – Hansard Reporter

Denis Onyango – Hansard Reporter

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