

THE COUNTY ASSEMBLY OF NYERI



FINANCE AND ECONOMIC PLANNING COMMITTEE

COMMITTEE REPORT ON NYERI COUNTY MEDIUM TERM DEBT MANAGEMENT STRATEGY PAPER, 2018/19 -2020/21

DATED: MARCH, 2018

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1.0 Preface

Mr. Speaker Sir, On behalf of the Members of the Finance and Economic Planning Committee and pursuant to Standing Order 196 that establish the Committee as one of the Sectoral Committee in the County Assembly of Nyeri it is my pleasure and duty to present to the County Assembly of Nyeri with the Committee Report on Nyeri County Medium Term Debt Management Strategy Paper, 2018/19 -2020/21.

1.1 Committee Membership

The Finance and Economic Planning Committee Members are:-

1	Hon. Atanasio Gichohi Kabaire	Chairperson
2	Hon. Eric Mwangikahugu	Vice chairperson
3	Hon. James Kanyugo Mwangi	Member
4	Hon. Sabastian Mugo Theuri	Member
5	Hon. Margaret Muthoni Kuruga	Member
6	Hon. Lilian Wanjiku Gathua	Member
7	Hon. Gibson Wahinya Kuria	Member
8	Hon. Joseph Njiri Wanjira	Member
9	Hon. Ann Caroline Muthoni	Member

1.2 Committee Mandate

The Finance and Economic Planning Committee is mandated in accordance with Standing Order 196 (5) to:-

- (a) Investigate, inquire into, and report on all matters relating to the mandate, management, activities, administration, operations and estimates of the assigned departments;
- (b) Study the programme and policy objectives of departments and the effectiveness of the implementation;
- (c) Study and review all county legislation referred to it;

- (d) Study, assess and analyze the relative success of the departments as measured by the results obtained as compared with their stated objectives;
- (e) Investigate and inquire into all matters relating to the assigned departments as they may deem necessary, and as may be referred to them by the Assembly;
- (f) To vet and report on all appointments where the Constitution or any law requires the Assembly to approve, except those under Standing Order 189 (*Committee on Appointments*); and
- (g) Make reports and recommendations to the Assembly as often as possible, including recommendation of proposed legislation.

1.3 Examination of the Nyeri County Medium Term Debt Management Strategy Paper, 2018/19 -2020/21

Mr.Speaker Sir, theMedium Term Debt Management Strategy Paper(MTDMS), 2018/19-2020/21 was laid in the County Assembly on Thursday,1st March,2018 and consequently committed to the Finance and Economic Planning Committee for it to consider and make a report with recommendations to be tabled in the Assembly.

Mr.Speaker Sir, while reviewing the MTDMS the Committee held various sitting and consultation meeting with the Chief Officer in charge of Finance and Accounting Services and ChiefOfficer in charge of Economic Planning, Budgeting and Monitoring.

Mr.Speaker Sir, it is of important to note that the preparation of MTDMS is guided by County Fiscal Strategy Paper and County Budget Review and Outlook Paper (CBROP).

Mr.Speaker Sir, the MTDMS is intended to ensure accountability and transparency in management of the county public debt.

1.4 Acknowledgement

Mr. Speaker Sir, I would like to thank all the Members of the County Assembly for the support they accorded the Committee during the process of examination of MTDMS.

Mr. Speaker Sir, let me take this opportunity to thank the Members of the Finance and Economic Planning Committee for their dedication, untiring commitment and valuable contributions during the entire process of development of the Committee Report.

Allow me **Mr. Speaker Sir,** to thank your Office and the Office of the Clerk for the support received by the Committee as it discharged its mandate.

Allow me **Mr. Speaker Sir,** to thank the Chief Officer in charge of Finance and Accounting Services and Chief Officer in charge of Economic Planning, Budgeting and Monitoring for appearing before the Committee and providing valuable insights.

Mr. Speaker Sir, I wish to thank the Secretariat for their commitment which made the production of the report a success.

Mr. Speaker Sir,

It is now my pleasant duty and privilege, on behalf of Finance and Economic Planning Committee to table this report and recommend it to the Assembly for adoption.

Signed Date:

Hon. Atanasio Kabaire,
Chairperson, Finance and Economic Planning Committee.

2.0 Introduction

Mr. Speaker Sir, on 28th February, 2018, the Medium Term Debt Management Strategy Paper (MTDMS)2018/19 -2020/21 was submitted to this Assembly as required by Section 123 of the Public Finance Management Act, 2012. The document was then tabled in the Assembly on 1st March, 2018 and committed to Finance and Economic Planning Committee in accordance to First Schedule of the Standing Order. The Committee was required to consider the document and table a report in the Assembly on or before 15th March, 2018.

2.1 Examination of the Medium Term Debt Management Strategy Paper (MTDMS) 2018/19 -2020/21

Mr. Speaker Sir, during the scrutiny of the MTDMS the Committee noted that the statutory timeline for its submission was complied with. The document was submitted to the Assembly through the Office of the Clerk on the 28th February, 2018 in line with Section 123 of the Public Finance Management Act (PFM), 2012.

As required by Public Finance Management Act, 2012 the MTDMS should contain a statement on;-

- (a) The total stock of debt as at the date of the statement;
- (b) The sources of loans made to the county government;
- (c) The principal risks associated with those loans;
- (d) The assumptions underlying the debt management strategy; and
- (e) An analysis of the sustainability of the amount of debt, both actual and potential.

The MTDMS 2018/19 to 2020/21 had not included the sources of loans and the principal risks since the County Government of Nyeri have not borrowed any loan.

2.2 Committee Observations

The Committee made the following observation, that;-

1. The County Treasury is proposing to form a debt management Committee to verify all liabilities inherited from the defunct Local Authorities.
2. The County Treasury will strengthen the debt management committee to handle matters relating to borrowing and management of county debt.
3. The total stock of debt as at 30th June,2017 stood at kshs.1,305,251,731.67 which comprises of inherited debt from defunct Local Authorities kshs.592,807,561.54 and pending bills amounting to kshs.712,444,170.13.
4. The inherited debt from defunct Local Authorities is as follows ;-
 - i. Outstanding debt from defunct Karatina Municipal Council – kshs.137,505,036.75.
 - ii. Outstanding debt from defunct Othaya County Council – kshs.5,262,092.09.
 - iii. Outstanding debt from defunct County Council of Nyeri – kshs.100,917,404.70.
 - iv. Outstanding debt from defunct Municipal Council of Nyeri – kshs.349,123,028.
5. Pending bills arise due to late disbursement by the National Treasury and also failure by the County Government to achieve its local revenue target.
6. A subcommittee had been formed by the Governor to verify the pending bills and once they finalize the process their report will be submitted to the County Assembly.
7. Some of the strategies proposed in theMTDMS for dealing with the

debt includes;-

- i. Debt servicing through setting aside funds in the budget to settle some of the debts.
- ii. Debt restructuring as a method of dealing with huge debts particularly for bank loans and pension funds inherited from defunct Local Authorities whose payment can be spread over a period of time.
- iii. Prioritization of programmes by the department based on the cash flow to avoid the pending bills by the end of the financial year.

2.3 Committee Recommendations

The Committee therefore recommends;-

1. **That**, the County Executive Member for Finance and Economic Planning should fast track the process of taking over of County Assets and Liabilities which belonged to the defunct Local Authorities.
2. **That**, all departments should adhere to section 50 (1), (2) and (3) of the Public Finance Management Regulations in regard to commitment of goods and services which states that;-
 - (a) All commitments for supply of goods or services shall be done not later than the 31st May each year except with the express approval of the accounting officer in writing.
 - (b) Expenditure commitments for goods and services shall be controlled against spending and procurement plans approved by the responsible Accounting Officer, based on allocations and allotments from approved budgets.
3. **That**, the County Executive Member for Finance and Economic Department should work towards realizing the set target of local revenue so that implementation of projects is not hampered.

4. **That**, the projects and programs implementation should take into consideration the cash flow challenges and the previous period cash flow statements for various Departments in order to avoid debts since by the end of every financial year, not all revenue is realized or collected. This understanding could help in rolling out plans that can be funded within the fiscal year in question.
5. **That**, the Sub Committee formed by the Governor to verify the pending bills should fast track the process of verifying the pending bills so that those people who did contract with the County Government of Nyeri can be paid.
6. **That**, the County Treasury should in future submit the Debt Management Strategy Paper to this Assembly earlier than the statutory deadline of 28th February.