

REPUBLIC OF KENYA



PARLIAMENT OF KENYA LIBRARY

PARLIAMENT

THE SENATE

TWELFTH PARLIAMENT

REPORT OF THE STANDING COMMITTEE ON FINANCE AND BUDGET

ON

THE APPROVAL FOR THE NATIONAL GOVERNMENT TO GUARANTEE LAIKIPIA COUNTY GOVERNMENT TO BORROW BY ISSUANCE OF KSHS. 1.16 BILLION INFRASTRUCTURE BOND

③ Hon. Speaker
Recommended for approval
for tabling.
15/6/22

Approved
15/6/2022

JUNE 2022

CLERK CHAMBERS
THE SENATE
PARLIAMENT OF KENYA
NAIROBI

② Cos.
Forwarded and
recommended for
your approval for
processing.
15/6/2022

DC-EG
Recommended & Forwarded for Approval
15/06/22

TABLE OF CONTENTS

| | |
|--|----|
| PREFACE | 3 |
| Mandate and Functions of the Committee | 3 |
| Membership of the Committee | 4 |
| ACKNOWLEDGEMENTS | 6 |
| CHAPTER ONE: | 7 |
| 1.0 INTRODUCTION | 7 |
| 1.1 Background | 7 |
| 1.2 Requirements for Guarantee | 7 |
| 1.3 Laikipia County Request..... | 8 |
| CHAPTER TWO | 10 |
| 2.0 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS | 10 |
| 2.1 Observations | 10 |
| 2.2 Recommendation | 11 |

PREFACE

Mandate and Functions of the Committee

Article 124 of the Constitution of Kenya, provides for the establishment of committees by either House of Parliament. Committees are central to the workings, roles and functions of Parliament as set out in Article 94 and more specifically in Article 96 of the Constitution as regards the Senate.

Parliamentary committees consider policy issues, scrutinize the workings and expenditure of the national and county governments and examine proposals for legislation. The roles of committees are twofold, investigative process and deliberative process. The end results of these processes are reports to the House in plenary on inquiry of certain issues under the mandate of a particular committee.

The Standing Committee on Finance and Budget is established pursuant to standing order 212(3) of the Senate Standing Order and is mandated –

- a) *To investigate, inquire into and report on all matters relating to coordination, control and monitoring of the county budgets and to examine –*
 - i) *the Budget Policy Statement presented to the Senate;*
 - ii) *report on the Budget allocated to Constitutional Commissions and independent offices;*
 - iii) *the Division of Revenue Bill, County Allocation of Revenue Bill, and cash disbursement schedule for county governments.*
 - iv) *to consider all matters related to resolutions and Bills for appropriations, share of national revenue amongst the counties and all matters concerning the National Budget, including public finance and monetary policies and public debt, planning and development policy and*

- b) *To pursuant to Article 228 (6) of the Constitution, to examine the report of the Controller of Budget on the implementation of the budgets of county governments.*

Further, the Public Finance Management Act, 2012 section 8 (1)(d) on the responsibility of the Senate Finance and Budget Committee in public finance matters provides that- *The Committee of the Senate established to deal with budgetary and financial matters has responsibilities to monitor adherence to the principles of public finance set out in the Constitution and the fiscal responsibility principles provided in the Act.*

Membership of the Committee

The Standing Committee on Finance and Budget was constituted by the House on Thursday, 14th December, 2017 during the First Session of the Twelfth Parliament. The Committee was later reconstituted on Wednesday, 24th June, 2020, during the Fourth Session of the Twelfth (12th) Parliament. The Committee as currently constituted, comprises the following Members –

- | | |
|--|--------------------|
| 1. Sen. Charles Kibiru, MP | - Chairperson |
| 2. Sen. (Dr.) Ochillo Ayacko, EGH, MP, | - Vice Chairperson |
| 3. Sen. Wetang'ula Moses Masika, EGH, MP | - Member |
| 4. Sen. Kimani Wamatangi, MP | - Member |
| 5. Sen. Mutula Kilonzo Junior, CBS, MP | - Member |
| 6. Sen. Aaron Cheruiyot, MP | - Member |
| 7. Sen. Rose Nyamunga, CBS, MP | - Member |
| 8. Sen. CPA Farhiya Haji, MGH, MP | - Member |
| 9. Sen. Millicent Omanga, MP | - Member |

The National Government through the Cabinet Secretary, National Treasury and Planning, submitted a request to Parliament seeking approval to guarantee Laikipia County Government to borrow Kshs. 1.16 Billion for infrastructure development. The documents submitted indicated that the County Government of Laikipia followed all laid down procedures and guidelines in application for guarantee to borrow a loan.

Article 212 of the Constitution provides that a county government may borrow a loan only if the national government guarantees and must get approval of the county government's assembly.

The PFM Act, 2012 under section 58 provides that the Cabinet Secretary responsible for finance may guarantee a loan of a county government or any other borrower on behalf of the National Government and that loan shall be approved by Parliament.

Section 58(2) provides the conditions under which guarantee for such borrowing/loans may be granted. The National Treasury and planning on 9th February, 2021 published guidelines on borrowing by the county governments.

The Cabinet Secretary, submitted the draft loan guarantee document to the Senate on 6th June, 2022 for consideration and approval. Thereafter, the documents were referred to the Standing Committee on Finance and Budget for consideration and recommendations.

The Committee considered the request by the Cabinet Secretary, National Treasury and Planning for National Government to guarantee Laikipia County Government to borrow by issuance of Kshs. 1.16 Billion infrastructure bond and recommends that the Senate approves the request.


This report is hereby submitted to the Senate for consideration and adoption pursuant to section 58 of the Public Finance Management Act, 2012 and Standing Order 213 of the Senate Standing Orders.

ACKNOWLEDGEMENTS

I acknowledge and appreciate all Members of the Committee for their patience, sacrifice, effort and commitment to public service, which enabled the Committee complete the assigned task within the stipulated time.

It is now my pleasant duty and privilege, on behalf of the Standing Committee on Finance and Budget, to present to the Senate, this Report of the Committee on the approval for the National Government to Guarantee Laikipia County Government to Borrow by Issuance of Kshs. 1.16 Billion Infrastructure Bond.

SIGNATURE:



SEN. CHARLES KIBIRU, MP.

(CHAIRPERSON, STANDING COMMITTEE ON FINANCE AND BUDGET)

DATE: 15th June, 2022

CHAPTER ONE:

1.0 INTRODUCTION

1.1 Background

1. Article 212 of the Constitution provides that a county government may borrow a loan only if the national government guarantees and must get approval of the county government's assembly.
2. The PFM Act, 2012 under section 58 provides that the cabinet secretary responsible for finance may guarantee a loan of a county government or any other borrower on behalf of the National Government and that loan shall be approved by Parliament.

1.2 Requirements for Guarantee

3. The loan shall however not be guaranteed unless:
 - a) the loan is for a capital project;
 - b) the borrower is capable of repaying the loan, and paying any interest or other amount payable in respect of it;
 - c) in the case of a private borrower, there is sufficient security for the loan;
 - d) the financial position of the borrower over the medium term is likely to be satisfactory;
 - e) the terms of the guarantee comply with the fiscal responsibility principles and financial objectives of the national government;
 - f) the Cabinet Secretary takes into account the equity between the national government's interests and the county government's interests so as to ensure fairness;
 - g) the borrower complies with any conditions imposed by the Cabinet Secretary in accordance with the regulations; and
 - h) the Cabinet Secretary has taken into account the recommendation of the Intergovernmental Budget and Economic Council in respect of any guarantee to a county government.

1.3 Laikipia County Request

4. Laikipia County submitted a request to the National Treasury for a guarantee to issue Kshs. 1.16 billion infrastructure bond.
5. Infrastructure bond is a type of a long-term borrowing that governments use to raise money by selling bonds to investors and in exchange repay the money with interest according to specified schedules. The bonds are issued by governments, government authorized infrastructure companies or non-banking financial companies.
6. The main objective of the Laikipia infrastructure bond is to implement projects that involve provision of water for production, improvement of business environment by upgrading markets and towns infrastructure which will provide additional jobs.
7. The purpose of the loan is to cater for the financing deficit of its development projects. These are capital investments in the upgrading of its 10 towns and market centres in accessibility, security, drainage and waste disposal systems and expanding two dams to provide adequate water for commercial and domestic use.
8. The National Treasury and planning on 9th February, 2021 published guidelines on borrowing by the county governments. Some of the conditions set in the guidelines and of which the county has met include:
 - a) Land acquisition, compensation and resettlement of persons affected and stakeholder management- the land is owned by the county and will require no compensation and resettlement exercise;
 - b) Detailed designs have been completed and relevant approvals obtained where applicable;
 - c) Necessary regulatory approvals have been granted;
 - d) Detailed resource requirement including sources of funding and personnel to operationalize the project have been planned for and
 - e) Undertaken to capture the project details in the pipeline of public investment management information system- Laikipia County has undertaken to manage the projects through Integrated Financial Management Information System and will be uploaded to other systems that the national government may provide.

9. The proposed Laikipia County Infrastructure bond is of seven years' tenor with an indicative interest rate of 12 per cent per annum, with a bullet repayment at the end of the 7-year maturity period. The actual pricing of the bond will be determined by the market when the issuance takes place.
10. The proposed infrastructure bond projects and the amount are as indicated in the table below-

| List of proposed infrastructure bond projects | | | |
|---|---|-------------------------|---------------|
| No. | Project | Amount (Kshs) | Location |
| 1 | Karuga- Infrastructure upgrade | 102,671,016.00 | Igwamiti |
| 2 | Nyahururu town- upgrading jua kali roads | 120,142,043.00 | Igwamiti |
| 3 | Nanyuki old bus park- rehabilitation | 31,127,626.00 | Nanyuki |
| 4 | Nkando -Laikipia road opening | 20,057,111.00 | Nanyuki |
| 5 | Kalalu- Infrastructure upgrade | 100,254,437.00 | Umande |
| 6 | Naibor- infrastructure upgrade | 90,911,525.00 | Segera |
| 7 | Pesi infrastructure upgrade | 59,251,157.00 | Salama |
| 8 | Matanya- Infrastructure Upgrade | 84,766,826.00 | Tigithi |
| 9 | Muwarak Infrastructure Upgrade and lighting | 87,641,531.00 | Sosian |
| 10 | Kinamba town- Infrastructure Upgrade | 89,500,354.00 | Githiga |
| 1 | Railway Road | 36,817,762.00 | Thingithu |
| 1 | Silent Road | 19,058,254.00 | Thingithu |
| 1 | Bemwaki towers roads | 46,869,614.00 | Thingithu |
| 1 | Wiyumiririe Town- Infrastructure Upgrade | 93,525,747.00 | Thingithu |
| 1 | Doldol Infrastructure Upgrade | 98,795,413.00 | Mukogodo East |
| 1 | Iipolei Dam | 67,500,000.00 | Mukogodo West |
| 1 | Wangwaci Dam | 98,736,939.00 | Olmoran |
| | Sub-Total | 1,247,627,355.00 | |

CHAPTER TWO

2.0 COMMITTEE OBSERVATIONS AND RECOMMENDATIONS

2.1 Observations

11. The Committee considered the request by the Cabinet Secretary, National Treasury and Planning for National Government to guarantee Laikipia County Government to borrow Kshs. 1.16 billion and made the following observations-

- a) That the infrastructure bond is intended to finance improvements in urban infrastructure and water supply in its ten (10) towns and market centres in accessibility, security, drainage and waste disposal systems and expanding two dams to provide adequate water for commercial and domestic use.
- b) That the total cost of the projects is Kshs. 1.247 billion which is more than the bond amount. This therefore indicates that the additional Kshs. 87 million will be financed from the county budget.
- c) That Laikipia County Government has accumulated pending bills amounting to Kshs. 720.50 million as at December 2021. However, further analysis of its fiscal performance indicates that it has the ability to repay the costs associated with the proposed infrastructure bond issue. This is informed by-
 - i) the average annual Own Source Revenue (OSR) collection for the county is averagely Kshs. 500 million.
 - ii) the equitable share for the Financial Year 2021/22 was Kshs. 5,136,265,679.
- d) That the request for guarantee by Laikipia County Government sets the precedence for county governments to issue infrastructure development bonds and will form a basis for future reference as well as inform approval for issuance of such similar bonds.

2.2 Recommendation

12. From the foregoing observations, the Committee recommends that the Senate approves the request by the Cabinet Secretary, National Treasury and Planning for National Government to guarantee Laikipia County Government to borrow by issuance of Kshs. 1.16 billion infrastructure bond.

MINUTES OF THE 287TH MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON WEDNESDAY, 15TH JUNE, 2022 ON ZOOM ONLINE PLATFORM AT 9.00 A.M.

PRESENT

- | | | |
|--|---|------------------|
| 1. Sen. Charles Kibiru, MP | - | Chairperson |
| 2. Sen. (Dr.) Ochillo-Ayacko, EGH, MP | - | Vice-Chairperson |
| 3. Sen. CPA Farhiya Haji, MBS, MP | - | Member |
| 4. Sen. Mutula Kilonzo Junior, CBS, MP | - | Member |
| 5. Sen. Rose Nyamunga, CBS, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|---|---|--------|
| 6. Sen. Kimani Wamatangi, MP | - | Member |
| 7. Sen. Aaron Cheruiyot, MP | - | Member |
| 8. Sen. Millicent Omanga, MP | - | Member |
| 9. Sen. Moses Wetangula Masika, EGH, MP | - | Member |

SECRETARIAT

- | | | |
|-----------------------------|---|----------------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Radoli | - | Legal Counsel |
| 4. Ms. Lucy Makara | - | Deputy Director, PBO |
| 5. Ms. Sharon Rotino | - | Researcher |
| 6. Ms. Yunis Amran | - | Fiscal Analyst |
| 7. Mr. William Wambiru | - | Fiscal Analyst |
| 8. Ms. Doris Nyambura Mburu | - | Intern |

MIN. NO. 4071/06/2022: PRELIMINARIES

The Chairperson called the meeting to order at 9.28 a.m. and thereafter followed by a word of prayer.

MIN. NO. 4072/06/2022: ADOPTION OF THE AGENDA

The agenda was adopted after it was proposed by Sen. Mutula Kilonzo Junior, CBS, MP, and seconded by Sen. CPA Farhiya Haji, MBS, MP.

MIN. NO. 4073/06/2022: CONFIRMATION OF MINUTES OF THE PREVIOUS SITTING

The minutes of the 286th sitting held on Thursday, 9th June, 2022 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee after having been proposed by Sen. Rose Nyamunga, CBS, MP, and seconded by Sen. CPA Farhiya Haji, MBS, MP.

**MIN. NO. 4074/06/2022: CONSIDERATION AND ADOPTION OF THE
REPORT ON THE APPROVAL FOR THE
NATIONAL GOVERNMENT TO GUARANTEE
LAIKIPIA COUNTY GOVERNMENT TO BORROW
KSHS. 1.16 BILLION BY ISSUANCE OF
INFRASTRUCTURE BOND**

The Committee considered and deliberated on the report on the approval for the National Government to guarantee Laikipia County Government to borrow Kshs.1.16 billion by the issuance of an infrastructure bond.

The Committee unanimously adopted the report after having been proposed by Sen. Rose Nyamunga, CBS, MP, and seconded by Sen. Mutula Kilonzo Junior, CBS, MP, with the recommendation that the Senate approves the request by the Cabinet Secretary, National Treasury, and Planning for National Government to guarantee Laikipia County Government to borrow Kshs. 1.16 billion by the issuance of infrastructure bond.

**MIN. NO. 4075/06/2022: CONSIDERATION AND ADOPTION OF THE
REPORT ON THE COUNTY GOVERNMENT
(EQUITABLE SHARE) CASH DISBURSEMENT
SCHEDULE FOR THE FINANCIAL YEAR 2022/23**

The Committee considered the report on the County Governments (Equitable Share) Cash Disbursement Schedule for Financial Year 2022/23.

The Committee unanimously adopted the report after it was proposed by Sen. CPA Farhiya Haji, MBS, MP, and seconded by Sen. Rose Nyamunga, CBS, MP, with the following recommendations-

- a) The Senate approves the County Governments (Equitable Share) Cash Disbursement Schedule for the Financial Year 2022/23 as tabled.
- b) The National Treasury should transfer equitable share to the counties as per the approved cash disbursement schedule without undue delay and without deduction as per Article 219 of the Constitution, and submit quarterly reports on the status of transfers to the Senate.
- c) Pursuant to Article 224 of the Constitution, the County Governments to ensure adherence to budget approval timelines including appropriation measures to ensure service delivery at counties and support smooth transition in view of the 2022 general elections.
- d) The National Treasury should disaggregate monthly exchequer releases to counties published in the Kenya Gazette. To enhance transparency and accountability, the breakdown to indicate transferred amounts under equitable share, specific grants, and loans by each development partner.
- e) In the next FY 2023/24 and going forward, National Treasury to prepare and submit a realistic County Cash Disbursement Schedule that recognizes budget

implementation and procurement plans by enhancing transfers in the first three quarters of the financial year to facilitate service delivery at the counties while mitigating against the accumulation of pending bills.

MIN. NO. 4076/06/2022: CONSIDERATION AND ADOPTION OF THE COMMITTEE'S 12TH PARLIAMENT EXIT REPORT

The Committee considered the exit report for the 12th Parliament as summarized below-

- a) The Committee held a total of two hundred and eighty-seven (287) sittings including meetings with various key stakeholders;
- b) The Committee conducted two county oversight visits to Uasin Gishu County and Vihiga County;
- c) The Committee was able to respond to all the thirty-eight (38) statements that were referred to the Committee;
- d) The Committee considered Six (6) Petitions and 27 Bills;
- e) Committee moved 17 motions; and
- f) Committee considered and tabled 57 reports.

The Committee unanimously adopted its exit report after having been proposed by Sen. (Dr.) Ochillo-Ayacko, EGH, MP, and seconded by Sen. CPA Farhiya Haji, MBS, MP.

MIN. NO. 4077/06/2022: ANY OTHER BUSINESS

- a) The Members of the Committee thanked the Secretariat for effectively facilitating the Committee in executing its mandate during the 12th Parliament.
- b) The Chairman appreciated the members for their dedication and commitment in ensuring committee's was effectively executed.

MIN. NO. 4078/06/2022: ADJOURNMENT

The Chairperson adjourned the meeting at 10:05 a.m.

SIGNATURE: _____

(CHAIRPERSON: SEN. CHARLES KIBIRU, MP.)

DATE: 15th June, 2022

MINUTES OF THE 286TH MEETING OF THE SENATE STANDING COMMITTEE ON FINANCE AND BUDGET HELD ON THURSDAY, 9TH JUNE, 2022 ON ZOOM ONLINE PLATFORM AT 9:00 A.M.

PRESENT

- | | | |
|---|---|-------------|
| 1. Sen. Charles Kibiru, MP | - | Chairperson |
| 2. Sen. CPA Farhiya Haji, MBS, MP | - | Member |
| 3. Sen. Mutula Kilonzo Junior, CBS, MP | - | Member |
| 4. Sen. Rose Nyamunga, CBS, MP | - | Member |
| 5. Sen. Moses Wetangula Masika, EGH, MP | - | Member |

ABSENT WITH APOLOGY

- | | | |
|---------------------------------------|---|------------------|
| 6. Sen. (Dr.) Ochillo-Ayacko, EGH, MP | - | Vice-Chairperson |
| 7. Sen. Kimani Wamatangi, MP | - | Member |
| 8. Sen. Aaron Cheruiyot, MP | - | Member |
| 9. Sen. Millicent Omanga, MP | - | Member |

SECRETARIAT

- | | | |
|-----------------------------|---|-----------------|
| 1. Mr. Christopher Gitonga | - | Clerk Assistant |
| 2. Ms. Beverlyne Chivadika | - | Clerk Assistant |
| 3. Ms. Lucy Radoli | - | Legal Counsel |
| 4. Ms. Sharon Rotino | - | Researcher |
| 5. Ms. Yunis Amran | - | Fiscal Analyst |
| 6. Mr. William Wambiru | - | Fiscal Analyst |
| 7. Ms. Doris Nyambura Mburu | - | Intern |

MIN. NO. 4065/06/2022: PRELIMINARIES

The Chairperson called the meeting to order at 9.20 a.m. and thereafter followed by a word of prayer.

MIN. NO. 4066/06/2022: ADOPTION OF THE AGENDA

The agenda was adopted after it was proposed by Sen. CPA Farhiya Haji, MBS, MP, and seconded by Sen. Rose Nyamunga, CBS, MP.

MIN. NO. 4067/06/2022: CONFIRMATION OF MINUTES OF THE PREVIOUS SITTINGS

- a) The minutes of the 282nd sitting held on Thursday, 19th May, 2022 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee after having been proposed by Sen. Rose Nyamunga, CBS, MP, and seconded by Sen. CPA Farhiya Haji, MBS, MP.
- b) The minutes of the 283rd sitting held on Thursday, 19th May, 2022 at 10:00 a.m. were confirmed as a true record of the proceedings of the Committee after having

been proposed by Sen. CPA Farhiya Haji, MBS, MP, and seconded by Sen. Rose Nyamunga, CBS, MP.

- c) The minutes of the 284th sitting held on Tuesday, 31st May, 2022 at 9:00 a.m. were confirmed as a true record of the proceedings of the Committee after having been proposed by Sen. CPA Farhiya Haji, MBS, MP, and seconded by Sen. Rose Nyamunga, CBS, MP.
- d) The minutes of the 285th sitting held on Tuesday, 31st May, 2022 at 10:40 a.m. were confirmed as a true record of the proceedings of the Committee after having been proposed by Sen. Rose Nyamunga, CBS, MP, and seconded by Sen. CPA Farhiya Haji, MBS, MP.

**MIN. NO. 4068/06/2022: CONSIDERATION OF THE NATIONAL
TREASURY REQUEST FOR APPROVAL TO
GUARANTEE THE LAIKIPIA COUNTY
GOVERNMENT TO BORROW KSHS. 1.16
BILLION**

The Committee was briefed as follows-

- a) The PFM Act, 2012 under section 58 provides that the Cabinet Secretary responsible for finance may guarantee a loan to a county government or any other borrower on behalf of the National Government and that loan shall be approved by Parliament.
- b) Laikipia County submitted a request to the National Treasury for a guarantee to issue Kshs. 1.16 billion infrastructure bond.
- c) Laikipia County was the first county to submit a request for the guarantee for the issuance of a domestic bond in the form of an infrastructure bond.
- d) The main objective of the Laikipia infrastructure bond is to implement projects including the provision of water for production, upgrading markets, and town infrastructure.
- e) The purpose of the loan is to finance the upgrading of its 10 towns and market centers in accessibility, security, drainage, waste disposal systems and expanding two dams to provide adequate water for commercial and domestic use.
- f) According to the National Treasury, the county has followed the laid down procedures of borrowing and conditions as per the PFM Act, 2012 and guidelines as set by the National Treasury.
- g) The National Government through the National Treasury supports Laikipia County issuance of an infrastructure bond of Kshs. 1.16 billion as it will be within the debt ceiling currently set at Kshs. 9 trillion.
- h) The proposed Laikipia County Infrastructure bond is of seven (7) years tenor with an indicative interest rate of 12 percent per annum, with a bullet repayment at the end of the 7-year maturity period.
- i) The actual pricing of the bond will be determined by the market when the issuance takes place.

- j) The total cost of the projects is Kshs. 1.247 billion which is more than the bond amount. This, therefore, indicates that the additional Kshs. 87 million will be financed from the county budget.
- k) The amount of the bond is informed by the ability of the county to repay based on the County's Own Source Revenue performance over the past seven years. The average OSR target for the period under review was Kshs. 680.11 million of which the county has managed to collect Kshs. 559.86 million representing a collection of 83%.
- l) A look at the recent bond issues both in the corporate and public sector shows that the coupon rate ranges between 10.8-13.75%.

The Committee resolved to recommend that the House approves the CS request to guarantee Laikipia County Government to borrow Kshs.1.16 billion. The Committee made the following observations-

- a) Laikipia County is the first county to submit a request for the guarantee for the issuance of a domestic bond in the form of an infrastructure bond. Therefore, approval of the request by the Committee shall serve as a reference for borrowing by other counties in the future.
- b) The financial position of the County is satisfactory based on the County's Own Source Revenue performance over the past seven years, increased allocations in form of an equitable share of revenue, and conditional grants. Thus, the County will be able to meet its debt service obligations when it falls due.
- c) Laikipia County government has accumulated pending bills amounting to Kshs. 720.50 million as at December 2021.
- d) Analysis of the fiscal performance of the County Government of Laikipia indicates that it has the ability to repay the costs associated with the proposed bond issue.

**MIN. NO. 4069/06/2022: CONSIDERATION AND ADOPTION OF
REPORT ON THE EFFICACY OF IFMIS AND ITS
APPLICATION ON DISBURSEMENT OF FUNDS**

The Committee considered the report on the efficacy of (Integrated Financial Management Information System) IFMIS and its application in the disbursement of funds.

The Committee unanimously adopted the report after having been proposed by Sen. CPA Farhiya Haji, MBS, MP, and seconded by Sen. Mutula Kilonzo Junior, CBS, MP, with the following recommendations-

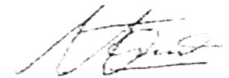
- a) The Ministry of Information, Communication and Technology should extend ICT infrastructure/ NOFBI in all counties and sub-counties to mitigate the frequent outages experienced within the counties while using the IFMIS system.

- b) In order to ensure smooth operations, the National Treasury should continuously engage with IFMIS users at both national and county levels of government with view of continuous capacity building on the upgrades that have been done on the system.
- c) The National Treasury should ensure IFMIS system has seamless integration with other systems operated by Kenya Revenue Authority, Controller of Budget and Office of the Auditor General. This will promote accountability and transparency for the purpose of integrity and elimination of fraud.
- d) The National Treasury should promote adherence to set guidelines on budgeting and reporting and ensure configurations of the IFMIS system does not permit the manual input of backdating transactions as previously been experienced.
- e) The National Treasury through Public Sector Accounting Standards Board (PSAB) should facilitate and ensure all the Ministries, Departments, Agencies and County governments adopt the accrual basis (or modified accrual basis) of accounting in order to promote accountability and reporting which is in harmony with the IFMIS.
- f) The National Treasury should operationalize the Asset Management Module for both national and county government entities within six (6) months of the adoption of this Report.
- g) The National Treasury should operationalize the Human Resource Management Module for both national and county government entities within six (6) months of the adoption of this Report.
- h) The National Treasury should fast-track the development of the IFMIS regulations and submit them to Parliament for approval.

MIN. NO. 4070/06/2022: ADJOURNMENT

There being no other business, the Chairperson adjourned the meeting at 10:11 a.m. The next meeting shall be by notice.

SIGNATURE: _____



(CHAIRPERSON: SEN. CHARLES KIBIRU, MP.)

DATE: 15th June, 2022