

REPUBLIC OF KENYA



COUNTY GOVERNMENT OF BOMET

THE COUNTY TREASURY

COUNTY DEBT MANAGEMENT STRATEGY PAPER

FOR FINANCIAL YEAR 2026/2027

FEB 2026

MISSION

A prosperous and competitive County in economic, social and political development offering high quality services to its people

VISION

To transform the livelihoods of Bomet County residents through innovative and dynamic leadership, efficient and effective mechanisms, viable partnerships while ensuring equity, integrity and community participation in a clean, secure and sustainable environment.

CORE VALUES

Integrity, Respect, Responsibility, Compassion & Servant Leadership

FOREWARD

The County Debt Management Strategy (CDMSP) paper has been prepared as per the requirement of Public Finance Management (PFM) Act, 2012. It covers a period of three years 2026/2027 to 2028/2029. The MTDMS sets out the debt management strategy of the County Government over the medium term with respect to actual and potential liabilities. Regular preparation and publication of the MTDMS promotes transparency in the conduct of budget financing and public financial management.

The policy is meant to act as a guideline for debt management practices of the County Government including the issuance process, management of the debt portfolio, and adherence to various laws and Regulations governing debt contracting and management.

The Debt Strategy Paper ensures fiscal prudence in management of county resources to ensure debt is sustainable and is met at the lowest possible cost and with a prudent degree of risk. The County Government of Bomet has consistently ensured expenditures and commitments are in line with the available resources. However, due to delays in the Exchequer release and failure to meet our own resource revenue targets, we have ensured that manage the available resources prudently.

Finally, regular reviews of the 2026 DMSP will be undertaken as a demonstration of commitment to prudence and accountability in the management of the County debt to ensure sustainability in the long run. DMSP 2026 is aimed at outlining strategies to address the payment challenges of unpaid sums to contractors and suppliers, ultimately delivering tangible benefits to the residents of Bomet County.

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COUNTY EXECUTIVE MEMBER FOR FINANCE, ICT & ECONOMIC PLANNING

ACKNOWLEDGEMENT

The Medium-Term Debt Management Strategy (CDMSP) 2026 has been prepared by the County Government of Bomet in compliance with the requirements of the Public Finance Management (PFM) Act, 2012. The Strategy outlines the County's debt management approach for FY 2026/2027 and the medium term, providing a structured framework for prudent and sustainable borrowing.

The preparation of the CDMSP involved a rigorous technical process, including the application of an analytical tool to assess the existing debt portfolio, its associated risks, and alternative borrowing options. This analysis enabled the determination of an optimal borrowing strategy, taking into consideration the macroeconomic assumptions contained in the 2026 County Fiscal Strategy Paper.

The development of this Strategy was spearheaded by the County Treasury and the Department of Economic Planning. I extend my sincere appreciation to the staff, Heads of Economic Planning Departments, as well as other stakeholders whose valuable contributions enriched the preparation of this document.

I also wish to acknowledge the overall guidance and leadership provided by the County Executive Committee Member (CECM) for Finance, ICT and Economic Planning throughout the preparation period. Their technical input, strategic direction, and commitment were instrumental to the successful completion of this Strategy. I thank all those involved for their dedication and exemplary support.

MILCAH C. RONO

CHIEF OFFICER ECONOMIC PLANNING

EXECUTIVE SUMMARY

This Strategy covers the period FY 2026/2027 to FY 2028/2029, during which the County Government aims to achieve and maintain an optimal debt portfolio. The 2025 Medium-Term Debt Management Strategy (CDMSP) has been prepared in the context of a challenging global economic environment characterized by elevated inflation, largely driven by supply chain disruptions and tightening monetary conditions.

The Strategy is aligned with the 2026 County Fiscal Strategy Paper (CFSP), which seeks to support economic recovery through a growth-friendly fiscal consolidation framework aimed at revitalizing the local economy and improving service delivery to the residents of Bomet County.

Table 1 Budget Summary for FY 2026/27 – 2028/29

To achieve the above vision Bomet County requires an estimated Kshs 16.66 billion for the period 2026-2027. However, the county projects to receive revenue totaling to Kshs 9.63 billion for the same period. This gives a resource gap of Kshs 7.3 billion as CADP deficit as Summarized in the table below.

Item Name	Requirement 2026/2027	Allocations 2026/2027	Projection 2027/2028	Projection 2028/2029	% Available 2026/2027
Recurrent	11,496,193,500	6,671,876,417	6,726,263,945	6,860,789,224	58%
Development	5,164,956,500	2,964,275,835	2,847,611,352	2,904,563,579	57%
Total	16,661,150,000	9,636,152,252	9,573,875,297	9,765,352,803	58%

In FY 2026/2027 and over the medium term, the County Government plans to implement priority economic policies, structural reforms, fiscal consolidation measures, and sectoral expenditure programmes as outlined in the 202 CFSP. These interventions are geared towards economic turnaround and inclusive growth. Emphasis will be placed on job creation, equitable distribution of resources, empowerment of Micro and Small Enterprises (MSEs) through access to credit, expansion of critical infrastructure, and enhancement of Own Source Revenue collection.

This Debt Management Strategy Paper (DMSP) has been prepared in accordance with **Section 123** of the Public Finance Management Act, 2012, which requires the County Treasury to submit a statement setting out the debt management strategy of the county government over the medium term to the County Assembly on or before the 28th February in each year, and covers the period

FY 2026/2027 to FY 2028/2029, during which the County seeks to attain an optimal and sustainable debt structure. Currently, the County's present value of public debt stands at 0.00 percent of the County Gross Domestic Product (CGDP), indicating a relatively low debt burden. However, the accumulation of expenditure arrears (pending bills) remains a significant public financial challenge. The County has experienced liabilities arising from delayed payments to suppliers and contractors. To address this, there is a need to strengthen the management of pending bills by aligning procurement plans with realistic cash flow projections, ensuring adequate budgetary provisions, and prioritizing settlement of arrears on a First-In, First-Out (FIFO) basis.

The Strategy is organized into five chapters:

Chapter One provides the introduction and background information.

Chapter Two outlines the objectives of the Debt Management Strategy Paper.

Chapter Three discusses the principles and guidelines for public debt management.

Chapter Four presents the medium-term debt management strategies, while

Chapter Five provides the conclusion.

LEGAL BASIS FOR THE PUBLICATION OF THE DEBT MANAGEMENT STRATEGY

Section 104 of the Public Finance Management (PFM) Act, 2012 in Kenya outlines the General Responsibilities of a County Treasury. Subject to the Constitution, Section 104(1) mandates that a County Treasury shall:

- **Monitor, Evaluate, and Oversee:** Manage public finances and economic affairs of the county government.
- **Budget Implementation:** Regularly report on the implementation of the annual budget.
- **Compliance:** Enforce fiscal responsibility principles and financial standards.
- **Internal Controls:** Develop and implement effective financial management systems for county entities.
- **Asset Management:** Act as the custodian of county assets and liabilities.

Essentially, this section establishes the County Treasury as the central authority responsible for financial oversight and reporting at the county level. The information in the statement shall include –

- The total stock of debt as at the date of the statement.
- The sources of loans are made by the county government.
- The principal risks are associated with those loans.
- The assumptions underlying the debt management strategy; and
- An analysis of the sustainability of the amount of debt, both actual and potential.

Other sections that guide on the management of the county debt in the Act include:

- I. Section 140 on authority for borrowing by county governments requires that borrowing by county governments is undertaken in accordance with the debt management strategy of the county government over the medium term
- II. Section 141 on obligations and restrictions to county borrowing, requires that a county government should ensure that its financing needs and payment obligations are met at the

lowest possible cost in the market that is consistent with a prudent degree of risk, while ensuring that the overall level of public debt is sustainable.

- ✓ Section 142 deals with borrowing by county government entities.
- ✓ Section 143 deals with people who are authorized to execute loan documents at county government level.
- ✓ Section 144 deals with issuance of county government securities such as maintaining a sustainable level of debt as approved by the county assembly, which is highlighted as one of the fiscal responsibility principles, under Section 107 of the Act.

ABBREVIATIONS AND ACRONYMS

AGMs – Annual General Meetings
AI - Artificial Insemination
AIMIS – Artificial Insemination Management Information System
BIDP – Bomet Integrated Development Plan
BIDP - Bomet Integrated Development Programme
BPS - Kenya Budget Policy Statement
CA – County Assembly
CBEF-County Budget Economic Forum
CBET - Competency Based Education and Training
CBK - Central Bank of Kenya
CBK – Central Bank of Kenya
CBM - Christian Mission for Blind
CBOs – Community Based Organization.
CBROP – County Budget Review and Outlook Paper
CCIs – Child Care Institutions
CCIS - Climate institutional support
CCRI - Climate Change Resilience Invest
CCTV – Closed-Circuit Television
CCU - County Climate Change Unit
CFSP - County Fiscal Strategy Paper
CHPs - Community Health Promoters
CHPs - Community Health Promoters
CIDPs - County Integrated Development Plans
CIDU – County Irrigation Development Unit
COG – Council of Governors
COTs - Certificate of Transport
CPSB – County Public Service Board
DMSP - Debt Management Strategy Paper
ECDE – Early Childhood Development and Education.
FLLoCA – Financing Locally Led Climate Action
FMD - Foot & Mouth Disease
FY – Financial Year
GAVI – Global Alliance for Vaccines and Immunization
GBV – Gender Based Violence
GCP - Gross County Product
GCP - Gross County Product
GDP - Gross Domestic Product
HDU – High Dependency Unit
HIV/AIDS – Human Immunodeficiency Virus

ICT – Information and Communication Technology
IDEP – African Institute for Economic Development and Planning
IFMIS – Integrated Financial Management and Information System
IGRTC – Inter- Governmental Relation Technical Committee
IT – Information Technology
KABDP - Kenya Agriculture Business Development Project
KDSP - Kenya Devolution Support Programme
KEMSA - Kenya Medical Supplies Authority
KfW – Kreditanstalt für Wiederaufbau
KICOSCA – Kenya Intercounty Sports and Cultural Association
KISIP – Kenya Informal Settlement Project
KNBS - Kenya National Bureau of Statistics
LAN – Local Area Network
LIS - Land Information System
LPO – Local Purchase Order
LREB – Lake Region Economic Block
LSD - Lumpy Skin Disease
MOU – Memorandum of Understanding
MPC - Monetary Policy Committee
MSEs - Micro and Small Enterprises
MTEF – Medium – Term Expenditure Framework
NAVCDP - National Agriculture Value Chain Development Project
NI - Nutrition International
NTSA – National Transport and Safety Authority
PDP - Part Development Plans
PFMA - Public Finance Management Act
PPDA – Public Procurement and Asset Disposal Act.
PWDS – Persons Living with Disabilities.
QASO – Quality Assurance and Standards Officer
REREC – Rural Electrification and Renewable Energy Corporation
SHA - Social Health Authority
SNIs – Special Needs Institution
TB – Tuberculosis
VTCs – Vocational Training Centre
WASH - Water Hygiene and Sanitation

TABLE OF CONTENTS

MISSION i

VISION i

CORE VALUES..... i

FOREWARD..... ii

ACKNOWLEDGEMENT iii

EXECUTIVE SUMMARY iv

LEGAL BASIS FOR THE PUBLICATION OF THE DEBT MANAGEMENT STRATEGY vi

TABLE OF CONTENTS x

LIST OF TABLES **Error! Bookmark not defined.**

CHAPTER ONE.....1

INTRODUCTION1

CHAPTER TWO.....3

2.0 OBJECTIVES OF DEBT MANAGEMENT STRATEGY3

2.3 Status of the County Debt.....3

CHAPTER THREE4

PRINCIPLES AND GUIDELINES FOR PUBLIC DEBT MANAGEMENT4

3.0 Overview4

3.1 Responsibilities of the County Treasury in Debt Management5

3.2 Purpose of Borrowing5

3.3 Debt Strategy.5

4.0 MEDIUM TERM DEBT MANAGEMENT STRATEGIES6

4.2 Institutional and Operational Framework6

4.3 DEBT MANAGEMENT STRATEGIES7

CHAPTER FIVE.....8

5.0 MACRO-ECONOMIC ASSUMPTIONS AND KEY RISKS8

5.1. Macro-economic Assumptions8

5.2. Key Risks to the Debt Management Strategy.....8

5.2.1 National Economic Growth8

5.2.2 Stable Exchequer Releases8

5.2.3 Revenue Generation9

5.2.4 Favourable Weather and Reliable Rain Patterns.....9

5.2.5 Political stability	9
5.2.6 Strategic partnerships	10
CHAPTER SIX	10
6.0 CONCLUSION	10

CHAPTER ONE

INTRODUCTION

The County Medium Term Debt Management Strategy (CDMSP) is a key priority for the County Government of Bomet due to the widening gap between development resource needs and available budget allocations. The strategy provides a structured framework for prudent borrowing and sustainable debt management in support of the county's development agenda.

The County Integrated Development Plan (CIDP) 2023–2027 focuses on increasing household income for sustainable livelihoods. This will be achieved through enhanced agricultural productivity, value addition and commercialization, improved access to water, quality healthcare services, economic empowerment of youth, women and persons with disabilities, and secure land tenure alongside planned urbanization.

To effectively implement the CIDP 2023–2027, the County Government is strengthening resource mobilization both internally and externally. Between 2017 and 2022, the county implemented programmes within available resources, resulting in minimal debt carryovers. However, growing development needs require diversified and innovative financing approaches.

Going forward, the County will mobilize funds through Own Source Revenue, development partners, public-private partnerships, concessional loans, and diaspora engagement. External financing will be limited to high-impact and productive sector projects that stimulate economic growth, expand the revenue base, and improve the county's creditworthiness.

The CDMSP provides direction for managing the county's debt portfolio by ensuring debt remains affordable, sustainable, and aligned with the Medium-Term Budget Framework. Borrowing may include domestic and external loans, financial leasing, on-lending guarantees, and both concessional and non-concessional financing. The CDMSP provides directions and benchmarks for managing the county's debt portfolio. This will lead to the 'preferred debt composition' considering constraints posed by the economic and market environment. Government debt or borrowing includes the contracting or guaranteeing of domestic and external (foreign) debt through loans, financial leasing, on-lending and any other type of borrowing, including concessional and non-concessional borrowing, irrespective of the source.

The Debt Management Strategy is a framework that will guide the County Government to ensure that debt levels stay affordable and sustainable, that any borrowing is for a good purpose and that the costs and risks of borrowing are minimized. Most economies in the world whether developed or developing resort to borrowing to address any financing needs.

This is a useful source of financing, however; it is worth noting that reliance on debt must be closely monitored and strategized.

Debt can be sustainable or unsustainable. By sustainable debt, it implies that the debt can be serviced without resorting to exceptional financing (such as debt relief) or a major future correction in the balance of income and expenditure while unsustainable debt simply means that debt inflows are exerting severe burdens on the economy in the future. Unsustainable levels of debt lead to adjustments in expenditure levels, with a view to obtaining additional resources which are then directed towards the repayment of debt and associated interest payments. These reallocations negatively impact on the implementation of priority Programmes, local investment, and poverty reduction initiatives.

CHAPTER TWO

2.0 OBJECTIVES OF DEBT MANAGEMENT STRATEGY

The County Debt Management Strategy Paper (CDMSP) provides comprehensive guidelines and direction to support sound debt management decisions anchored on strong public financial management practices for long-term fiscal sustainability. The primary objective of the CDMSP is to meet the County Government's financing needs at the lowest possible cost while maintaining a manageable level of risk. The Strategy will guide the County Government's debt management operations for FY 2026/2027 and over the medium term. It aims to strike an appropriate balance between cost and risk in the county's debt portfolio, considering prevailing financing requirements. Additionally, the Strategy incorporates measures to diversify funding sources, align borrowing with development priorities, and ensure long-term debt sustainability.

2.1 Scope of the Medium-Term Debt Management Strategy

The planning horizon of the Medium-Term Debt Management Strategy (MTDS) is focused on FY 2026/2027 and the medium term, thereafter, providing a forward-looking framework for managing existing and potential liabilities in a prudent and sustainable manner.

2.2 Goals for the Debt Management Strategy

The primary aim of the County Debt Management Strategy Paper (CDMSP) is to support the implementation of the FY 2026/2027 budget and the medium-term fiscal framework by ensuring that the County Government's financing requirements and payment obligations are met at the lowest possible cost, with a prudent level of risk, in accordance with the Public Finance Management (PFM) Act, 2012. Additionally, the Strategy seeks to provide a comprehensive framework for guiding the County Government's debt management over the medium term, particularly regarding managing actual and potential liabilities arising from loans, guarantees, and other borrowing instruments. It also outlines clear plans and mechanisms for addressing these liabilities in a sustainable and fiscally responsible manner.

2.3 Status of the County Debt

At present, the county stands free of any outstanding loans and there are no immediate plans to pursue additional borrowing. This circumstance underscores the critical importance of effectively utilizing existing resources within the county. With a focus on prudent financial management, the county will allocate its resources efficiently to address pressing needs and priorities effectively. This includes prioritizing investments in the six development pillars (Food Security, Water Access, Healthcare, Aggregation & Industrial Parks, Appropriately

Nurtured & Skilled Human Capital and Planned Urban Development) while maintaining a balanced budget and fiscal discipline.

CHAPTER THREE

PRINCIPLES AND GUIDELINES FOR PUBLIC DEBT MANAGEMENT

3.0 Overview

Public debt management in the County Government of Bomet will be guided by established fiscal responsibility principles, legal frameworks, and best practices aimed at ensuring debt sustainability and fiscal discipline. In the medium term, the County will adopt a prudent approach to borrowing by prioritizing affordable, concessional, and well-structured financing options that support development objectives while minimizing costs and associated risks.

The County Government will ensure that all borrowing decisions are aligned with the Public Finance Management (PFM) Act, 2012, the County Fiscal Strategy Paper (CFSP), and the Medium-Term Expenditure Framework (MTEF). Borrowing will only be undertaken for productive and high-impact projects that contribute to economic growth, improved service delivery, and socio-economic transformation of the county.

The guiding principles of public debt management will include maintaining debt at sustainable levels, ensuring transparency and accountability in debt operations, minimizing refinancing, interest rate and foreign exchange risks, and strengthening institutional capacity for debt recording, monitoring, and reporting. Additionally, the County will prioritize settlement of pending bills, enhance Own Source Revenue mobilization, and strengthen commitment controls to prevent accumulation of unsustainable liabilities.

The County's debt management framework seeks to balance cost and risk, safeguard fiscal stability, and ensure that current borrowing does not compromise the financial sustainability and service delivery capacity of future generations. In the Medium Term, the Government will finance the budget deficit through the following five major sources: -

Strengthening of the Own Source Revenue: It is the preferred source of financing the debt through tightening revenue leakages and improving revenue targets.

Loans and Grants from development partners: This shall be done through writing proposals.

Public-Private partnerships: The county will develop mechanism of partnering with private sector by undertaking some projects this will spread the cost and reduce the pressure on the county budget.

Exchequer releases: Under this strategy preference shall be given to settlement of previous pending bills before initiating new projects.

3.1 Responsibilities of the County Treasury in Debt Management

Pursuant to Public Finance Management (PFM) Act,2012, the Bomet County Treasury is mandated to uphold fiscal responsibility by ensuring sound borrowing practices and financial stability.

Under the PFM Act 2012, Kenyan county debt management requires strict adherence to fiscal responsibility principles, limiting borrowing to development projects with National Government guarantees. County Treasuries must manage liabilities sustainably, with oversight from the County Assembly and the requirement to align with national debt strategies, ensuring loans are only for productive investment.

3.1 Managing Costs and Risks

The Debt Strategy paper will guide public borrowing considering the cost and risks associated with the various borrowing options. Borrowing decisions will be taken after a critical and comprehensive cost benefit analysis of the debt involved, its purpose, amount, repayment terms, currency of contract, and any other risks associated with the loan. Short-term borrowings will be for management of temporary cash flow fluctuations during the financial year and will be limited for a period of twelve months. Development/capital expenditures will be financed through long-term borrowing to maximize the benefits of long repayment periods of these types of loans. The County Government will maximize borrowing loans whose benefits have potential for self-liquidating i.e. where the use of loan funds will generate proceeds that directly or indirectly repay the loan. This implies that the social and economic returns on borrowed funds exceed the cost of such capital. In this regard, a cost benefit analysis will be undertaken for all projects before a loan is accepted. To ensure sustainability of loan repayment.

3.2 Purpose of Borrowing

In line with the PFM Regulations, Bomet County can access loans from local and international sources to finance critical development projects and emerging re-current expenditure. All borrowing must align with the County's socio-economic priorities and be integrated into the Medium-Term Debt Strategy. The County Treasury ensures that each loan undergoes pre-feasibility and feasibility assessments, resource availability verification, and a due diligence review before approval by the county assembly.

3.3 Debt Strategy.

To be able to process any loan, Departments and entities should.

- ✓ Present a feasibility study report informing the project economic viability, costing and design and social and environmental risks mitigation plans,
- ✓ Confirm on availability of land and wayleave acquisition for the project where necessary.
- ✓ Confirm on availability of adequate human resources capacity for project implementation. Where there is a shortfall, the Departments must commit to developing a strategy to fill the gap.

All project proposals should be forwarded to County Treasury to review all documents and independently assess the cost/benefits analysis submitted and evaluate the sources of financing. The County Treasury shall ensure Conditions Precedent (CPs) are met first or done in parallel before signing the financing agreements.

CHAPTER FOUR

4.0 MEDIUM TERM DEBT MANAGEMENT STRATEGIES

In the event, the county seeks debt to finance its operations; the following shall be adhered to

1. **Debt shall be Sustained at Affordable Levels;** To realize this, the county will ensure it pursues grant funding and budget support and where grants are unavailable, or where a loan element of grant funding for priority development projects is mandatory, limited concessional borrowing will be sought.
2. **Concessional loans:** Borrowing will be limited to concessional loans from local banks
3. **Loan purpose;** Any new borrowing shall follow fiscal responsibility guidelines for a fit purpose; from an allowable source and with acceptable terms and conditions.

4.2 Institutional and Operational Framework

Debt management in the County is coordinated through a structured and well-resourced institutional framework that ensures fiscal discipline, transparency, and sustainability. The framework establishes clear roles, responsibilities, and reporting lines for all stakeholders involved in public debt operations.

The County Treasury is responsible for planning, and sectoral departments ensure that financing needs are realistic, cash flow projections are accurate, and procurement plans align with available resources. Departments provide project feasibility studies, counterpart funding commitments, and technical documentation necessary for loan approvals and compliance with financing agreements. Its key functions include:

- Maintaining a centralized, accurate, and up-to-date debt database covering all domestic and external liabilities, guarantees, and contingent obligations.
- Monitoring debt servicing schedules to ensure timely payment and avoid arrears.
- Conducting risk assessments of borrowing options, including interest rate, refinancing, and foreign exchange risks.
- Preparing periodic reports (monthly, quarterly, and annual) on debt levels, obligations, and compliance with debt limits.
- Providing technical input for the preparation, review, and updating of the County Debt Management Strategy and annual borrowing plan.

4.3 DEBT MANAGEMENT STRATEGIES

During the implementation period of this DMSP, the County government will resort to the following debt management strategies in its endeavor to bring debts to manageable levels.

Strategy 1: Verification of arrears: To boost validity and reduction of fraudulent claims, the available data will be verified by an appointed pending bills committee to undertake verification.

Strategy 2: prioritize allocation for pending bills: Budgetary allocation on the pending vote will be prioritized and the same decentralized to all departments. This will enable all departments to pay their pending bills promptly.

Strategy 3: Repayment Plan: The County government will during the period come up with a detailed, realistic repayment plan, which will be adopted / approved in clearing the pending bills. The plan will prioritize payment based on urgency, availability of funds and the age of the payment.

Strategy 4: Enhancing credibility and realism of the budget: The County will strengthen the realism of the annual budget based on the robust assumptions and forecasts in the fiscal framework, which determines the budget. Local revenues will be realistic and in tandem with the expenditure. The County will enhance revenue collection while setting realistic targets. This will help address the pending bills issues given that in the past, one of the causes of increased pending bills has been unrealistic revenue projections that encourage procurement of goods and services beyond the County's ability to finance payments.

Strategy 5: Strengthening commitment controls: Commitment controls are part of the internal control system, which should prevent the County from initiating expenditure without available budget and cash. IFMIS as an efficient tool of financial management shall enforce commitment control to ensure that expenditure incurred in a financial year is in tandem with the budget. In this way, the rising pending bills will be contained.

Strategy 6: Strengthening legal and regulatory framework: The legal or related regulations should clearly define payment terms (and when a payment is in arrears); reporting requirements; controls at the budget authorization, commitment, and payment stages; and the sanctions associated with any breach of those provisions.

Strategy 7: Advisory on deficit: In the event the County Treasury realizes a likelihood of a deficit in OSR and late disbursement, it will give an advisory on the kind of projects to be implemented to avoid commitments to the entire budget and even have some projects to be re- scheduled for subsequent years.

Strategy 8: Reconciliation to be done to ascertain the amounts and even beneficiaries.

CHAPTER FIVE

5.0 MACRO-ECONOMIC ASSUMPTIONS AND KEY RISKS

5.1. Macro-economic Assumptions

A debt management strategy is anchored on realistic macroeconomic assumptions that guide borrowing, repayment, and sustainability analysis. These assumptions typically include projected economic growth, inflation rates, interest rates, exchange rate stability, and revenue performance. Stable GDP growth is assumed to support increased revenue collection and improved debt servicing capacity, while moderate inflation is expected to maintain the real value of debt obligations. Interest rate assumptions are based on prevailing market trends and monetary policy outlook, influencing the cost of borrowing. The strategy also assumes a stable exchange rate to minimize the burden of external debt servicing. In addition, fiscal discipline, predictable intergovernmental transfers, and improved own-source revenue performance are considered critical assumptions for maintaining debt sustainability at the county level.

5.2. Key Risks to the Debt Management Strategy

Despite careful planning, several macroeconomic and fiscal risks may affect the successful implementation of the debt management strategy. Major risks are.

5.2.1 National Economic Growth

National economic growth projections form a key macroeconomic assumption in any debt management strategy, and deviations from these projections present a significant risk to fiscal sustainability. When projected national GDP growth is lower than expected, it leads to reduced revenue performance due to lower tax collections, decreased economic activity, and weakened fiscal space. This directly affects the government's ability to meet debt servicing obligations and may result in increased borrowing to finance budget deficits. Conversely, overly optimistic growth projections can create unrealistic borrowing plans and debt sustainability risks if actual growth underperforms.

5.2.2 Stable Exchequer Releases

Stable and timely exchequer releases from the National Treasury are a key assumption in debt management, especially for county governments that rely heavily on equitable share and conditional grants. Predictable disbursements support effective cash flow planning, timely debt servicing, and smooth implementation of development programmes. When

exchequer releases are consistent and in line with approved budgets, the county can meet its financial obligations, avoid accumulation of pending bills, and reduce the need for short-term borrowing. However, delays or fluctuations in exchequer releases pose a major fiscal and debt management risk. Irregular disbursements can lead to cash flow constraints, delayed debt repayments, and increased reliance on overdrafts or expensive short-term financing. This may result in accumulation of arrears, higher debt servicing costs, and weakened fiscal discipline. In extreme cases, prolonged delays can disrupt service delivery and compromise the county's creditworthiness.

5.2.3 Revenue Generation

Sustainable revenue generation, both from equitable share and own-source revenue (OSR), is another critical assumption underpinning debt sustainability. Strong revenue performance enhances the government's capacity to finance expenditures, service debt, and reduce excessive borrowing. Growth in local revenue sources such as fees, licenses, and service charges strengthens fiscal autonomy and reduces overdependence on transfers from the national government.

Nonetheless, revenue generation is subject to several risks, including economic slowdown, weak revenue administration systems, policy changes, and non-compliance by taxpayers. Underperformance in own-source revenue and shortfalls in national transfers can create budget deficits, increase borrowing needs, and elevate the debt-to-revenue ratio. This weakens the overall fiscal position and may threaten long-term debt sustainability.

5.2.4 Favourable Weather and Reliable Rain Patterns

Favourable weather conditions and reliable rainfall patterns are a critical macroeconomic assumption for Bomet County due to its strong dependence on agriculture and natural resources. The county experiences relatively high and well-distributed rainfall throughout most of the year, with annual rainfall averaging between about 1,100mm and 1,500mm and only a short dry season around January and February. This consistent rainfall, supported by the county's high altitude and proximity to the Mau highlands, keeps the region green for most months and sustains tea farming, dairy production, maize, beans, and horticulture, which form the backbone of the local economy and household incomes.

5.2.5 Political stability

Political stability is a key macroeconomic assumption in Bomet County's debt management strategy, as it supports consistent policy implementation, smooth budget execution, and reliable revenue generation. A stable political environment enhances investor confidence, ensures timely exchequer releases, and promotes continuity in development programmes, thereby strengthening the county's capacity to service its debt obligations. However, political instability, especially during election periods or governance transitions, may disrupt budget processes, delay project implementation, and weaken fiscal discipline, leading to revenue shortfalls, accumulation of pending bills, and increased borrowing pressures. Therefore, maintaining political stability is essential for sustaining economic growth, safeguarding fiscal performance, and ensuring long-term debt sustainability in the county.

5.2.6 Strategic partnerships

The County Government will advance the existing good working relationship with Development Partners and Non-State Actors. This provides a Favourable environment to mobilize stakeholders and resources to support the county development.

CHAPTER SIX

6.0 CONCLUSION

Public debt management forms an integral part of macroeconomic environment in any economy. It has implications for public expenditure and has a direct bearing on macroeconomic stability.

Public debt management objectives are to ensure that the county government's financing needs and payment obligations are met at the lowest possible cost over the medium-to long term, with a prudent degree of risk, while ensuring the equitable sharing of benefits and burdens of public debt between the current and future generation.

As the county enhances its resource mobilization in the medium term, the county will ensure when funding to programmes is done through debts it will be sustainable and the County will meet its debt obligations in a timely manner. Government borrowing will be guided by the need to lower costs and minimize risks, particularly foreign exchange, interest rate, refinancing and settlement risks.

The Government will endeavor to implement sound policies and structural reforms to strengthen its credit rating to enhance its access to a wider array of sources of financing at lower cost and risk while maintaining overall debt within sustainable levels.

The increase in debt stock strains public service delivery, as resources available for financing other social and development needs are limited. The need to adequately coordinate borrowing activity and establish guidelines to monitor debt levels is crucial in debt management.

The strategies proposed in the CDMSP will ensure low-cost funding with high returns, thereby promoting socio-economic well-being of the citizens. This is expected to contribute to economic growth both at the county and national level and ensure delivery of CIDP for enhanced socio-economic transformation.