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County Fiscal Strategy Paper

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Requirements

- To be produced by 28 February
- Aligned with Budget Policy Statement
- Must be discussed with County Budget and Economic Forum, public, CRA
- Sets total revenue, expenditure
- Sets ceilings for sectors (ministries)



Further legal requirements: PFMA

- (3) In preparing the County Fiscal Strategy Paper, the County Treasury shall specify the broad strategic priorities and policy goals that will guide the county government in preparing its budget for the coming financial year and over the medium term.
- (4) The County Treasury shall include in its County Fiscal Strategy Paper the financial outlook with respect to county government revenues, expenditures and borrowing for the coming financial year and over the medium term.



Fiscal Responsibility Principles

- (a) the county government's recurrent expenditure shall not exceed the county government's total revenue;
- (b) over the medium term a minimum of thirty percent of the county government's budget shall be allocated to the development expenditure;
- (c) the county government's expenditure on wages and benefits for its public officers shall not exceed a percentage of the county government's total revenue as prescribed by the County Executive member for finance in regulations and approved by the County Assembly;
- (d) over the medium term, the government's borrowings shall be used only for the purpose of financing development expenditure and not for recurrent expenditure;



Principles continued

- (e) the county debt shall be maintained at a sustainable level as approved by county assembly;
- (f) the fiscal risks shall be managed prudently; and
- (g) a reasonable degree of predictability with respect to the level of tax rates and tax bases shall be maintained, taking into account any tax reforms that may be made in the future.



Additional considerations

- Fiscal risk related to debt, contingent liabilities, state corporations, pensions, etc. What happens if we suddenly lose money or owe more than expected?
- Fiscal sensitivity analysis: assessing what happens if our estimates for growth, etc. are wrong? How will the budget be affected?



Summing up: Key elements CFSP

- Alignment with fiscal responsibility principles
- Alignment with national objectives in BPS
- Review of budget implementation
- Estimates of growth, inflation, etc.

Medium Term

- Overall resource envelope (revenue, spend)
- Sector ceilings
- Fiscal and service priorities

