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PUBLIC CONSULTATIONS ON THE AMENDMENT OF THE PUBLIC DEBT LIMIT

The Committee on Fiscal Studies is the University of Nairobi's premier research department producing and leading on scholarship, training and practices on fiscal law and policy issues in Africa and elsewhere in the global south. We are dedicated to the reform and strengthening of tax systems in the global south generating research needed for knowledge transfer towards policy formulation, strengthening institutions, capacity building and trainings. We are based at the Faculty of Law, University of Nairobi.

We have the following comments on the amendment proposed to the public debt limit. Justifications for our further proposals follow thereafter.

PROPOSED AMENDMENTS

We propose further amendments to the new subparagraph (c) as proposed in the Public Finance Management (National Government) (Amendment) Regulations, 2023 as follows:

(c) the Cabinet Secretary shall at all times maintain public debt at a level not exceeding 55% of GDP in present value terms:

(d) the Cabinet Secretary shall engage with relevant stakeholders, including civil society organisations, private sector actors, and other government agencies, to develop and implement measures to prevent breaches of this threshold. The engagement shall include regular consultation with stakeholders to discuss the current level of public debt, its sustainability, and the measures required to maintain it within the threshold:

Provided that if, at any time, the public debt exceeds the threshold in subparagraph (c) due to unforeseen circumstances, the Cabinet Secretary shall submit a written report to Parliament explaining the cause of the breach and outlining a comprehensive remedial plan that prioritises the protection of Kenyan citizens and their well-being, AND that:

- (i) the remedial plan shall include measures to increase transparency, reduce government expenditure, increase revenue, and mitigate the impact of the breach on the Kenyan economy and people;

- (ii) the Cabinet Secretary shall also engage with relevant stakeholders, including civil society organisations and the private sector, to seek their input and support in implementing the remedial plan; and
- (iii) Parliament shall oversee the implementation of the remedial plan and hold the Cabinet Secretary accountable for its effective and timely implementation.

We also propose a new regulation by inserting the following new regulation immediately after regulation 26(1):

26(1A). Reporting to Parliament

- (a) The Cabinet Secretary shall provide regular reports to Parliament on the status of public debt, its sustainability, and the measures being taken to maintain it within the threshold in regulation 26 (1) (c).
- (b) The reports shall be submitted to Parliament at least once every six months or as required by Parliament.
- (c) The reports shall include information on the level of public debt, its composition, the terms and conditions of borrowing, and the measures being taken to manage public debt.
- (d) Parliament may require the Cabinet Secretary to provide additional information or reports on public debt management as it deems necessary.

JUSTIFYING THE PROPOSED AMENDMENTS

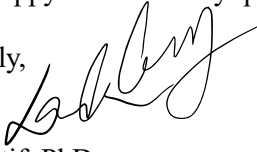
These amendments will serve the interests of the Kenyan people and our nation in several ways:

- (a) Sustainable debt management: By setting a clear limit on public debt at 55% of GDP in present value terms, the amendments will ensure that our country does not become overburdened with debt. This will facilitate sustainable economic growth and protect Kenyans from potential adverse effects of excessive borrowing.
- (b) Stakeholder engagement: The proposed amendments require the Cabinet Secretary to actively engage with a diverse range of stakeholders, including civil society organisations, private sector actors, and other government agencies. This will ensure that our debt management policies are inclusive, transparent, and well-informed by the perspectives of various groups that have a stake in our country's economic future.
- (c) Accountability and transparency: By mandating regular reports to Parliament on the status of public debt, its sustainability, and the measures being taken to maintain it within the set threshold, the amendments will enhance the transparency of our fiscal management. This will enable Parliament to effectively oversee the government's efforts in managing public debt and hold the Cabinet Secretary accountable for its successful implementation.
- (d) Flexibility in unforeseen circumstances: The amendments acknowledge that extraordinary circumstances may sometimes cause public debt to exceed the established threshold. In such cases, they provide for a comprehensive remedial plan that prioritises the protection of Kenyan citizens and their well-being. This demonstrates a balanced approach to debt management, recognising that flexibility is necessary in times of crisis while maintaining a strong commitment to fiscal responsibility.
- (e) Economic resilience: The proposed amendments also emphasise the need for measures to increase transparency, reduce government expenditure, increase revenue, and mitigate the impact of any breach on the Kenyan economy and people. These measures will contribute to the overall resilience of our economy, ensuring that we are better prepared to weather any future economic challenges.

The proposed amendments to the Public Finance Management (National Government) (Amendment) Regulations, 2023 will strengthen our country's fiscal management and promote sustainable economic growth. By setting clear limits on public debt, enhancing stakeholder engagement, and promoting transparency and accountability, these amendments will ensure that our debt management policies serve the best interests of all Kenyans.

I'd be happy to answer any queries arising from our further proposed amendments.

Sincerely,



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