

Fundamental Components that Foster Successful debt Management NDI

Debt Legal Framework



- The Act on public debt management must be enshrined in the constitution.
- The Act must be backed by the highest law of the land to ensure legality and legitimacy. This reduces contestation and increases accountability, transparency and the rule of law.



Transparency and Accountability in Debt Contraction Process

Independent Debt Management Office with the requisite competencies to study loan agreements, provide advise on loans in terms of repayment periods and interest, contingent liabilities, and regular tracking and reporting mechanisms associated with all loans and guarantees

Debt Database

- Oversight of public debt management starts with timely access to information about public debt levels.
- According to the World Bank, 40 percent of the low-income developing countries did not report data on their sovereign debt over the past two years.

Debt Database

The Public needs to know

- The purpose for which the loan is being contracted
- How much is being borrowed
- Duration of the loan
- Interest rates to be paid
- Who the lender is
- Terms of lending etc

Debt Database

- Following the World Bank's Debt Transparency Heat Map, the data base should include reports on several dimensions related to public debt statistics
- Easily accessible data;
- Debt reporting covering both external and domestic debt as well as guarantees;

Debt Database

- Frequency of debt reporting – referred to as periodicity; and
- The time lag between the period reflected in the data and the publication date of that data.



Parliamentary oversight of Debt Contraction

When it comes to exercising its oversight role over public debt and public debt management, parliament has a significant role to play in all four stages of the budget cycle —

- formulation,
- approval,
- execution and
- budget oversight.

Parliamentary oversight of Debt Contraction

- The formulation stage is generally viewed as the purview of the executive branch, as budget executioner, while the legislative branch is responsible for approval of the budget (oversight).
- Nonetheless, parliament has a significant role to play in the oversight of public debt during the formulation phase, in addition to the approval phase.

Parliamentary oversight of Debt Contraction

- Furthermore, by monitoring the government's mid-year report, parliament can also exercise influence during the execution phase of the budget.
- Audit/oversight phase tends to be the conventional phase in which many parliaments exert a strong oversight role relative to other phases.

Parliamentary oversight of Debt Contraction

- According to international best practices, the government should produce budgetary documents throughout the budget cycle.
- Many of these documents will include critical information regarding public debt that parliament can review as part of the approval and oversight phases of the budget cycle

Civil Society Role in Debt Contraction Processes

- Advocacy
- Research
- Checks and balances
- Community sensitisation
- Engagements with Governments
- Engagements with IFIs and Bilateral Lenders etc