

**The Legal and Institutional  
Frameworks Governing Sovereign  
Debt Contraction and Management  
Ethiopia, Malawi, Ghana and Chad**

**A Synthesis Brief**



**AFRICAN FORUM AND NETWORK  
ON DEBT AND DEVELOPEMNT**





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## Acronyms

ABP	Annual Borrowing Plan
AFRODAD	African Forum and Network on Debt and Development
CEMAC	Economic and Monetary Community of Central Africa (Communauté Économique et Monétaire de l'Afrique Centrale)
CETP	Public Securities Issuance Unit (Chad)
CONAD	National Commission for Debt Analysis (Chad)
DGTCP	General Directorate of Treasury Services and Public Accounting (Chad)
DSA	Debt Sustainability Analysis
DSR	Debt Sustainability Report
EAC	East African Community
ETAVID	Technical Team for Debt Sustainability Analysis (Chad)
FDI	Foreign Direct Investment
HoPR	House of People's Representatives (Ethiopia)
ILP	International Lawyers Project
IMF	International Monetary Fund
LAMC	Liability and Asset Management Corporation (Ethiopia)
MoF	Ministry of Finance
MTDS	Medium-Term Debt Strategy
PDMO	Public Debt Management Office (Ghana)
SOE	State-Owned Enterprise
USD	United States Dollar

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## Introduction

Taking on debt is one of the most important decisions a country can make. Borrowed funds can finance critical infrastructure, stimulate economic activity, and lay the foundation for long-term growth. However, debt is not free money, it entails repayment obligations that, if mismanaged, can lead to severe economic consequences. When borrowing becomes unsustainable, countries are often forced to adopt austerity measures, cutting back on essential public services when they are needed most. A strong legal and institutional framework is essential to keep debt at sustainable levels and prevent debt distress.

The African Forum and Network on Debt and Development (AFRODAD) and International Lawyers Project (ILP) have worked on studies analysing the legal and institutional framework governing the contraction and management of sovereign debt in Chad, Ethiopia, Ghana and Malawi. This synthesis report serves as a comparative analysis of the findings therefrom. The selection of the four countries as case studies offers a critical lens through which to examine the evolving landscape of sovereign debt governance in Africa. These countries, while diverse in economic structure, political institutions, and historical experiences, collectively represent the challenges and opportunities that define debt management on the continent. While Chad and Ethiopia are in high risk of debt distress, Ghana and Malawi are in debt distress (Table 1). This reduces the ability of these countries to access finance on international markets and constrains the ability of those countries to finance public services and social protection measures as funds raised are used to service debt obligations.<sup>1</sup>

Through a comparative analysis of the legal and institutional frameworks governing sovereign debt in Chad, Ethiopia, Ghana, and Malawi, this Synthesis Report explores the key trends and opportunities that can inform these countries' future sovereign debt contraction and management strategies. The first section highlights trends identified. The second section highlights the key gaps existing within the four countries' sovereign debt governance frameworks and presents practical recommendations to address the identified gaps and the third summarises the paper.

Overall, this Synthesis Report underscores the need for reforms to balance centralised authority with accountability. In addition, the Report also maintains that enhancing transparency, reinforcing oversight mechanisms, and better alignment of debt practices with long-term fiscal sustainability will be essential for advancing sovereign debt governance. Future reform efforts should thus focus on strengthening institutional capacity and refining accountability structures to ensure more resilient sovereign debt management in these countries. The analysis also paints a picture of a general African position on debt in this regard. Finally, the report makes a case for the development of a model African loan contract to mitigate the lack of capacity when negotiating debt contracts.

Table 1: Country Public Debt-to-GDP Ratios in 2023

Country	Debt-to-GDP Ratio
Ethiopia	38.7% <sup>2</sup>
Malawi	91.3% <sup>3</sup>
Ghana	72.3% <sup>4</sup>
Chad	32.7% <sup>5</sup>

<sup>1</sup> Yongquan Cao, Vitor Gaspar, Adrian Peralta Alva, "Costly Increases in Public Debt when  $r < g$ ," IMF Working Papers, 12 January 2024, accessed 28 Jan. 2025, <https://www.imf.org/en/Publications/WP/Issues/2024/01/12/Costly-Increases-in-Public-Debt-when-r-g-543718>

<sup>2</sup> IMF, "Central Government Debt," IMF Data Mapper, accessed 28 Jan. 2025, [https://www.imf.org/external/datamapper/CG\\_DEBT\\_GDP@GDD/CHN/FRA/DEU/ITA/JPN/GBR/USA/TCD](https://www.imf.org/external/datamapper/CG_DEBT_GDP@GDD/CHN/FRA/DEU/ITA/JPN/GBR/USA/TCD)

<sup>3</sup> IMF, "Ethiopia," IMF Data Mapper, accessed 28 Jan. 2025, <https://www.imf.org/external/datamapper/profile/ETH>

<sup>4</sup> Ghana Ministry of Finance, "2024-2027 Medium-Term Debt Management Strategy (MTDS)," Ministry of Finance News & Events, 16 July 2024, accessed 28 Jan. 2025, <<https://mofep.gov.gh/news-and-events/2024-07-16/2024-2027-medium-term-debt-management-strategy-mtds#:~:text=Public%20debt%20accumulation%20has%20slowed,to%20a%20sustainable%20debt%20path>

<sup>5</sup> IMF, "General government gross debt," IMF Data Mapper, accessed 28 Jan. 2025, [https://www.imf.org/external/datamapper/GGXWDG\\_NGDP@WEO/MWI?zoom=MWI&highlight=MWI](https://www.imf.org/external/datamapper/GGXWDG_NGDP@WEO/MWI?zoom=MWI&highlight=MWI)



## Section One

# Comparative Analysis

- Authority to borrow
- State owned enterprises debt
- Role of Auditor General
- Debt management strategies
- Transparency



## 1.1 Authority to borrow

In Ghana, Malawi and Ethiopia, the constitution grants the respective governments the authority to borrow. Central to this process is the Minister of Finance, who is responsible for the execution of loan agreements. The National Assembly is then mandated to approve loans in these countries. Despite these similarities, there exist nuances in each country's approaches to the oversight of this borrowing power as described below.

**Ethiopia's** legal framework is marked by a unique feature: the Ministry of Finance can conclude sovereign debt contracts independently without the direct involvement of the House of People's Representatives (HoPR), provided the borrowing serves specific purposes, including repayment, conversion, redemption, or consolidation of existing loans.<sup>6</sup> In addition, the HoPR's approval is also not necessary where the loan is for the management of the consolidated funds.<sup>7</sup> Moreover, the Ministry of Finance (MoF) is mandated to prepare annual and medium-term external borrowing requirements along with debt repayment plans before the contraction of external debt. External borrowing can only take place if borrowing requests align with the country's Debt Management Strategy.<sup>8</sup>

**Malawi's** its sovereign debt governance framework requires the Minister of Finance to consult with the Reserve Bank and secure a written legal opinion from the Attorney General on the loan agreement before proceeding with any borrowing.<sup>9</sup> To be approved, the loan must serve the public interest and comply with the principles of fiscal responsibility as outlined in the Public Finance Management Act 2022.

**Ghana's** borrowing authority is primarily centralised under the Minister of Finance, who contracts loans on behalf of the central government, subject to parliamentary approval. Parliament holds ultimate authority to authorise all government borrowing through Acts or resolutions, ensuring compliance with the Public Financial Management Act, 2016 (Act 921).<sup>10</sup> However, the Executive's dominance over Parliament has weakened legislative oversight, reducing Parliament's role in approving executive proposals without rigorous scrutiny. The Public Debt Management Office (PDMO), under the Ministry of Finance, is tasked with assessing borrowing risks and feasibility. However, its lack of autonomy due to the Minister's control limits its effectiveness in promoting prudent debt management. This centralisation of borrowing authority highlights the need for stronger institutional safeguards to balance executive power and ensure fiscal discipline.

**Chad** stands apart as its national legislation relating to public debt is principally derived from the transposition of directives under the harmonised public management framework (CEMAC). Chad's constitution is silent on debt contraction and management, save for the mention that the resources of the collectivités autonomes include proceeds of borrowings both from domestic sources and external sources with the agreement of the national monetary authorities.<sup>11</sup> There is no legally enshrined duty for Chad's parliament to approve debt issuances and contracts. Parliament's involvement is limited to voting on the annual budget. There is, however, a backdoor Parliamentary approval for certain debt issuances. This requires Parliamentary debate despite the fact that this approval is not technically required by law. Decree N° 37/PR/PMMFB/2024 sets out the framework for issuing public debt in Chad. The State Minister of Finance, Budget, Economy and Planning is ultimately responsible for the issue of public debt and negotiating loan agreements. Issues of public debt are however required to align with the state's mid-term strategy and Annual Borrowing Plan (ABP) as prepared by the public treasury as well as the public debt management policy.<sup>12</sup> Chad is also unique in that for any debt contracted, the National Commission for Debt Analysis (CONAD) has the sole authority to issue opinions on financing, including domestic and foreign loans or those backed by state guarantees.<sup>13</sup> Referral to CONAD is mandatory for any financing involving the State, branches of the State and public or para-public companies, as well as in respect of any State guarantee or retrocession of public debt.<sup>14</sup> It is also responsible for opining on debt and debt renegotiation decisions relating to the State.<sup>15</sup> Comprised of members representing various sectoral ministries and institutions,<sup>16</sup> CONAD is supported by two technical bodies: the Technical Team for Debt Sustainability Analysis (ETAVID) and the Permanent Secretariat of the Debt Directorate. Supporting CONAD to issue informed opinions, ETAVID conducts debt viability studies and analyses loans and other files submitted to CONAD. The Permanent Secretariat organises meetings for CONAD and ETAVID and liaises with the institutions making the application to CONAD. While this institutional setting aligns Chad with the regional monetary union's broader goals of policy standardisation, it also raises concerns over accountability as the lack of legislative oversight could result in less public scrutiny over debt accumulation. The Public Securities Issuance Unit (CETP) manages issues of public securities on the sub-regional financial market without the pre-approval by CONAD.<sup>17</sup> It should however be noted that the IMF sits as an observer on a structure within the General Directorate of Treasury Services and Public Accounting (DGTCP) created in 2017.

6 Proclamation No. 648/2009, art 43 (1).

7 Proclamation No. 648/2009, art 44.

8 Proclamation No. 648/2009, art 49; Financial Administration Council of Ministers Regulation No 190/2010, art 45(2).

9 The Public Finance Management Act, s 74.

10 Sarah Brierley, "Party unity and presidential dominance: Parliamentary development in the fourth republic of Ghana," *Journal of Contemporary African Studies*, 2012, 30(3), 419-439, <https://www.tandfonline.com/epz.lib.cam.ac.uk/doi/full/10.1080/02589001.2012.701844>.

11 Constitution of Chad, art 266.

12 Decree No. 37/PR/PMMFB/2024.

13 Decree No. 408/PR/PM/MFB/2014, art 2 (g); Decree N° 37/PR/PMMFB/2024, art 28.

14 Decree No. 408/PR/PM/MFB/2014, art 3; Decree N° 37/PR/PMMFB/2024, art 28.

15 Decree No. 408/PR/PM/MFB/2014, art 2 (h).

16 Decree No. 408/PR/PM/MFB/2014, art 4.

17 Decree No. 408/PR/PM/MFB/2014.









Across Ghana, Malawi, Ethiopia, and Chad, the frameworks for sovereign debt management reveal a blend of centralisation and accountability mechanisms, each shaped by distinct historical and institutional contexts. Ghana and Malawi emphasise parliamentary oversight, with both requiring loan agreements to be scrutinised by their legislatures. However, Ghana’s parliamentary authority is undermined by executive dominance, whereas Malawi’s framework balances executive power with legal checks, including consultations with the Reserve Bank and Attorney General. Ethiopia stands apart by allowing the Ministry of Finance significant autonomy to contract loans, contingent on alignment with predefined debt strategies. Chad—unique in its reliance on regional frameworks like CEMAC—delegates debt evaluation to technocratic bodies such as CONAD, raising concerns over limited legislative scrutiny. Collectively, these differences highlight the trade-offs between centralised efficiency and democratic accountability, underscoring the importance of adaptive reforms to balance fiscal discipline with public transparency.

## 1.2 State owned enterprises debt

With respect to state-owned enterprise (SOE) debt guaranteed by the government, there are varying approaches across the four countries.

 <p>Ethiopia has taken a more structured approach to managing the debt of state-owned entities. To mitigate the sovereign debt burden of public enterprises, the Liability and Asset Management Corporation (LAMC) was established under Minister of Council Regulation No. 483/2021. LAMC is tasked with assuming the liabilities of public enterprises, as identified by the Ministry of Finance, and servicing this debt using capital from the Industrial Development Fund, revenue from its own business operations, and other available resources. The Corporation is also responsible for investing the capital provided by the government for debt repayment, ensuring that resources are effectively managed until they are allocated for loan servicing.</p>	 <p>In Malawi, the Ministry of Finance (MoF) is authorised to provide such guarantees. The Minister is only required to report the issuance of the guarantee or indemnity to the National Assembly within seven days of its approval.<sup>18</sup></p>
 <p>In Ghana, SOEs may borrow independently without direct recourse to the central government, provided they obtain the approval of the Minister of Finance and adhere to the borrowing limits established under the Public Financial Management Act 2016.</p>	 <p>In Chad, the State Minister of Finance, Budget, Economy, and Planning is responsible for providing for loans to be guaranteed by the state after getting the opinion of CONAD.<sup>19</sup></p>

The governance of SOE debt across Ghana, Malawi, Ethiopia, and Chad reflects varying degrees of state intervention and oversight. Malawi and Chad adopt a relatively laissez-faire approach, with Malawi requiring only post-approval reporting to Parliament, while Chad mandates CONAD’s opinion but lacks legislative scrutiny. Ghana allows SOEs to borrow independently under ministerial oversight, striking a balance between autonomy and control. Ethiopia stands out with a proactive strategy—the Liability and Asset Management Corporation (LAMC) centralises SOE debt management, reducing fiscal risk. These differences illustrate the trade-offs between flexibility, accountability, and long-term fiscal sustainability in public sector borrowing.

## 1.3 Role of Auditor General

In all the case studies, the oversight role of the Auditor General in public debt contraction is notably constrained as his role is ex post facto. The Auditor General’s mandate is confined to ensuring that prudent financial management and accounting practices were followed during the borrowing process. The Auditor General’s role in the respective countries should be expanded.

18 Public Finance Management Act, s 82.  
 19 Decree N° 408/PR/PM/MFB/2014, art 2(g).



## 1.4 Debt management strategies

Across the four countries, there is a common requirement for the periodic development of long-term debt management strategies and ABPs. These frameworks aim to guide the management of public debt, maintain a balance between cost and risk, and promote fiscal sustainability. The cornerstone of debt management is the Medium-Term Debt Strategy (MTDS), which outlines a government's debt management objectives over a three-to five-year period. It defines the desired composition of the public debt portfolio and sets out strategies to achieve the desired composition. An effective MTDS incorporates a country's current and projected fiscal position, its monetary policy stance, the development of its domestic financial markets, and its access to international capital markets.



In Ethiopia, the MTDS plays a pivotal role in shaping the desired composition of sovereign debt. This strategy is supported by an annual Debt Sustainability Analysis (DSA), which evaluates whether the country's sovereign debt levels remain within its repayment and solvency capacity. The findings of the DSA are published on the Ministry of Finance's website. Complementary to the above mechanism is the Debt Management Strategy, which is updated every five years and reviewed annually based on data from the Macro Economic and Fiscal Framework. Together, these instruments form the backbone of Ethiopia's strategy to promoting fiscal responsibility and maintaining debt sustainability. The latest MTDS was for 2015/16-2019/20.<sup>20</sup> A new one is being developed in collaboration with the IMF and World Bank.



In Malawi the MTDS is developed by the Minister of Finance. This is then subjected to the Cabinet for approval before being published in the Malawi Gazette. The MTDS ensures that the financing and repayment needs of the Government are met on a timely basis, and that borrowing costs to the Government are as low as possible over the medium to long term and consistent with a prudent degree of risk. It also considers future borrowing needs. An ABP detailing the planned borrowing needs for the year, the borrowing instruments to be used and the indicative timing of borrowings is also legally required. The ABP is not used to address future debt to be contracted, but only the servicing of existing debt. The current MTDS runs from 2022-2026.



Ghana's unique approach to debt management is marked by the establishment of the PDMO, a specialised body within the Ministry of Finance. Tasked with overseeing the government's debt operations, this PDMO conducts risk and feasibility assessments for all borrowing and credit agreements undertaken by the government. This is then submitted to the Minister of Finance for review and is subsequently sent to the Cabinet for approval. All subsequent debt management activities are required to align with this approved strategy to ensure coherence in the government's borrowing practices. Additionally, the strategy must be updated at least annually, reflecting evolving economic conditions and fiscal priorities.<sup>21</sup>



In Chad, its debt management strategy is largely shaped by its MTDS and ABPs. This framework is reinforced by a legislative decree which seeks to ensure alignment among the issues of public debt, MTDS and ABPs. The Ministry's MTDS was most recently updated in June 2024.

Across Malawi, Ethiopia, Ghana, and Chad, debt management strategies reflect the fundamental goal of balancing fiscal sustainability with manageable risk. However, the countries differ in the specifics of their frameworks and implementation processes. Malawi's approach centres on a well-defined MTDS and ABP, both designed to manage borrowing costs and repayment needs. This structure, approved by the Cabinet, ensures financial discipline while focusing on near-term obligations. Ethiopia, by contrast, incorporates a comprehensive DSA alongside its MTDS, emphasising the alignment of sovereign debt with repayment capacity. This strategy is updated annually, with collaboration from international partners like the IMF and World Bank. Ghana's model stands out with the creation of the PDMO, a dedicated entity overseeing risk assessments and ensuring all borrowing aligns with government-approved strategies. Chad, similar to Malawi, links its MTDS and ABP but introduces legislative oversight to reinforce consistency and transparency in debt management, although no legal text expressly mandates parliamentary approval.

20 Ministry of Finance, Medium Term Debt Management Strategy 2016-2020 (Debt Management Directorate, 2019), accessed 28 Jan. 2025, [https://www.mofed.gov.et/media/filer\\_public/da/95/da95d15b-fca3-4ca8-a4be-7f3c22022d26/ethiopias\\_final\\_mtds\\_2016-2020\\_for\\_mof\\_website\\_january\\_2019.pdf](https://www.mofed.gov.et/media/filer_public/da/95/da95d15b-fca3-4ca8-a4be-7f3c22022d26/ethiopias_final_mtds_2016-2020_for_mof_website_january_2019.pdf)

21 Public Financial Management Act, 2016 (Act 921), s 59.



## 1.5 Transparency

The role of transparency in public debt management is pivotal in cultivating international trust and attracting foreign direct investment (FDI). Effective transparency not only reassures investors but also enhances international cooperation, while opacity can undermine these crucial relationships. Examining the transparency measures of Malawi, Ethiopia, Chad, and Ghana reveals both common practices and distinctive approaches in their strategies.



In Ethiopia in addition to publishing the MTDS and ABP, the Ministry of Finance (MoF) is required to maintain a comprehensive record of domestic and external debt.<sup>22</sup> The MoF is also required to publish the Public Sector Debt Statistical Bulletin.



In Malawi, the Public Finance Management Act emphasises transparency, mandating that key documents like the MTDS and the ABP be publicly accessible.

In Ghana, transparency in debt management is driven by statutory requirements for the PDMO to issue semi-annual Statistical Bulletins, the MTDS and ABP.<sup>23</sup> These bulletins, which provide timely and accurate data on debt stocks, service costs, and associated risks, are accessible through multiple platforms, including government websites.



Chad's Decree N° 37/PR/PMMFB/2024 takes a similar approach, mandating the publication of reports such as the Debt Sustainability Report on a quarterly and annual basis.<sup>24</sup> This regular reporting is intended to enhance transparency and ensure that both domestic and international stakeholders are kept informed of Chad's debt management practices.



Comparing these frameworks, we observe that while all four countries make strides toward transparency, the effectiveness of their efforts is contingent upon the interplay between legal mandates, institutional capacity, and public engagement. Ethiopia and Ghana's more structured approach demonstrates a commitment to providing regular, detailed debt data, which could foster investor confidence if coupled with active stakeholder involvement. Malawi's legal provisions, while theoretically robust, highlight the critical importance of practical implementation in ensuring that transparency translates into accountability. Chad's transparency efforts, although legislatively sound, face significant obstacles in the form of institutional weaknesses, which may limit their overall impact.



The effectiveness of the efforts of Ethiopia, Malawi, Ghana and Chad towards transparency is contingent upon the interplay between legal mandates, institutional capacity, and public engagement.

<sup>22</sup> Proclamation No.970/2016, art 52.

<sup>23</sup> Public Financial Management Act 2016 (Act 921), s 17.

<sup>24</sup> Debt Management Directorate, Public Sector Debt Statistical Bulletin No. 46 (2018/19 - 2022/23) (Ministry of Finance, 2023), accessed 28 Jan. 2025, <[https://www.mofed.gov.et/media/filer\\_public/3e/be/3ebe0ba1-0ecf-4ec7-87a7-7f0090be5646/final\\_public\\_sector\\_debt\\_statistical\\_bulletin\\_no\\_46\\_1.pdf](https://www.mofed.gov.et/media/filer_public/3e/be/3ebe0ba1-0ecf-4ec7-87a7-7f0090be5646/final_public_sector_debt_statistical_bulletin_no_46_1.pdf)>.

## Section Two

# Gaps in the Existing Legal and Institutional Frameworks

- › Statutory limits on amount of debt and terms
- › Accountability
- › Transparency
- › Public Participation
- › Parliamentary Oversight
- › Implementation of Legal Safeguards
- › Role of Auditor General
- › Oversight of State-Owned Enterprises Debt
- › Limited Negotiation Capability
- › Development and Adoption of Minimum Terms
- › Linking of Debt Incurred to Projects

A comparative analysis of the four countries' sovereign debt legal and institutional frameworks reveals plenty of gaps in their legal frameworks regarding public debt contraction and management.

## 2.1 Statutory limits on amount of debt and terms

In Malawi, Ethiopia, and Ghana, there are no clear statutory limits on the amount of debt that can be contracted. In these countries, debt contracting processes also lack defined monetary thresholds or ratios to restrict borrowing. While Ethiopia ensures that each loan is aligned with the Ministry of Finance's DSA, there is no explicit borrowing limit. Similarly, Malawi's legal framework does not set quantitative constraints. In Ghana, any standards or limits on borrowing are typically embedded in debt management strategies rather than formal legal provisions.

Chad stands out with its implementation of a debt-to-GDP threshold of 70%, aligned with CEMAC's convergence criteria, which has been legislatively enacted through Decree N° 37/PR/PMMFB/2024. However, even in Chad, the ceiling on the quantum of debt primarily reflects fiscal policy guidelines rather than legal stipulations, and the effectiveness of this threshold in limiting excessive debt remains contingent on broader governance practices.

The absence of clear statutory debt limits in Malawi, Ethiopia, and Ghana points to a broader challenge in formalising quantitative constraints on borrowing. Although Ethiopia integrates DSA into its debt management process, and Ghana embeds borrowing standards within strategies rather than legal provisions, the lack of explicit statutory thresholds may limit the ability to pre-emptively manage excessive debt accumulation. In contrast, Chad's legislative enactment of a debt-to-GDP threshold represents a proactive approach to embedding fiscal discipline within legal frameworks.

Looking ahead, these countries could benefit from exploring more formalised statutory debt limits to enhance fiscal discipline and manage borrowing risks more effectively. Establishing clear, legally binding thresholds or ratios could provide stronger safeguards against excessive debt and improve overall fiscal stability. Although there are regional debt-to-GDP thresholds for different regional economic communities (e.g., the EAC debt-to-GDP ratio target at 50%), these are non-binding. These, however, can serve as useful referencing guide for the development of such statutory requirements at the national level. Equally important is to introduce statutory requirements for minimum terms and conditions in sovereign debt contracts. This would standardise non-negotiable terms to protect national interests and prevent potentially exploitative terms favouring lenders. Additionally, integrating comprehensive monitoring and enforcement mechanisms could further ensure that debt management practices align with long-term economic objectives and enhance investor confidence. Such developments could contribute to more resilient and transparent public debt management frameworks across these countries.





## 2.2 Accountability

Accountability within sovereign debt management systems across the case study countries is largely underdeveloped and unused.

In Ethiopia, there are no specific penalties for violation of the law when contracting and managing debt. There are, however, general sanctions for violating the law during the management of public money. These include sanctions for persons responsible for collecting, managing and disbursing public money, receipt of payment for the performance of their official duty, collusion to defraud the government among others. The sanctions for this are a fine not less than birr 25,000 (~USD 200) and not more than birr 35,000 (~USD 280) and rigorous imprisonment for a term of not less than 10 years and not more than 15 years.<sup>25</sup> Sanctions for persons employed by a public body to collect, manage or disburse public money that demand and accepting payment for payment or gift are liable to a fine not less than birr 25,000 (~USD 200) and not more than birr 35,000 (~USD 280) and to rigorous imprisonment for a term of not less than 15 years and not more than 25 years.<sup>26</sup> In addition, persons employed by a public body to collect, manage or disburse public money who has knowledge of fraudulent activity and fails to report it is liable to a fine not more than birr 10,000 (~USD 80) and rigorous imprisonment for a term of not more than 5 years.<sup>27</sup> It is unclear if these provisions have ever been applied to anyone. In any case the ability of the sanctions to act as a deterrent is limited given how small the fines are.

In Malawi and Chad, there are no specific penalties for violation of the law during the contraction and management of debt. Without clear sanctions and enforcement procedures, public officials may act with impunity, undermining efforts to ensure lawful and transparent debt contraction and management. Strengthening these elements could contribute to more effective and transparent debt management.

In Ghana, the Public Finance Management Act, 2016 provides for sanctions in the event of contravention of the Act including a fine of not less than one hundred and fifty penalty units and not more than two hundred and fifty penalty units and/or a jail term of between six months and not more than two years or both, personal liability for debt contracted and dismissal, demotion or suspension.<sup>28</sup> The enforcement of these provisions has not taken place thus far.

## 2.3 Transparency

A critical shortcoming across the four countries is the lack of transparency in both debt incurrence processes and the disclosure of outstanding liabilities. Information presented in MTDs and ABPs is often aggregated, particularly regarding domestic financing, obscuring the visibility of individual loans and the extent of guarantees linked to SOEs. None of the countries make individual loan contracts publicly available, which compromises public oversight and accountability. Establishing public disclosure standards on debt contraction and management trends and decisions as well as developing reporting templates would be essential to enhance transparency.

## 2.4 Public Participation

Public participation in sovereign debt contracting is notably absent in Malawi, Ethiopia, Chad, and Ghana. In these countries, while none of their legal frameworks provides for public participation, parliamentary scrutiny is often superficial, with little to no involvement from civil society organisations or the broader public. In Ethiopia, for instance, civil society groups have minimal influence over government activities related to sovereign debt, largely due to the absence of participatory mechanisms in the debt approval process.

To address these challenges, the countries could consider implementing more detailed disclosure requirements and institutionalising public participation schemes. Developing these mechanisms would not only improve transparency but also build greater trust and legitimacy in the sovereign debt management process. One way of enhancing public participation is through publication of debt contracts for public scrutiny and invitation of comments from the public on the same.

25 Proclamation 648/2010, art 70 (1).

26 Ibid, 70(2).

27 Ibid, 70(3).

28 Public Finance Management Act 2016 (Act 921), s 98





## 2.5 Parliamentary Oversight

Parliamentary approval of public debt in the majority of these countries often amounts to a rubber-stamping exercise. In Malawi and Ethiopia, parliamentary scrutiny of debt agreements is notably lacking with limited interrogation and debate on the terms of the loans. Chad's framework further compounds this issue by entirely excluding parliamentary approval and relying solely on annual budget votes to impose a ceiling on interest payments. In Ghana, the situation is exacerbated by the Executive's significant influence over Parliament. The President's constitutional authority to appoint a majority of Ministers from among parliamentary members, coupled with strong party loyalties, undermines the separation of powers and weakens the system of checks and balances. This dynamic has led to a scenario where Parliament frequently acts as a conduit for approving loan agreements without substantive consideration of fiscal prudence or long-term implications. In Chad, no legal text mandates parliamentary approval.

All four countries should ensure that Parliament plays a significant role not only in the contracting but also in the management of sovereign debt. Several development directions could be considered. Firstly, enhancing the parliamentary approval process by instituting more rigorous scrutiny and debate of debt agreements would help ensure that fiscal decisions are made with due diligence. In Ghana, reforming the current arrangement to better separate executive and legislative powers could restore the effectiveness of parliamentary oversight. Implementing measures to diminish executive dominance, such as revising appointment procedures or strengthening parliamentary independence, could improve the balance of power and accountability. Additionally, establishing independent oversight bodies or enhancing existing ones could provide a more robust check on debt management practices, contributing to a more transparent and accountable fiscal environment. Overall, strengthening parliamentary oversight during both phases would bolster accountability and oversight in debt management processes.

## 2.6 Implementation of Legal Safeguards

In terms of safeguards, there are significant enforcement gaps across the four countries. In Malawi for instance, consultation with the Reserve Bank of Malawi on debt matters is often neglected. To enhance accountability in sovereign debt management, Malawi could benefit from implementing mandatory consultations with the Reserve Bank of Malawi for all public debt contracts. This requirement would ensure that debt agreements are in alignment with the country's monetary policies, thereby mitigating potential risks and reinforcing financial stability.

In Chad, there are instances where public debt projects bypass CONAD, the debt oversight body, undermining the legislative framework meant to ensure sound debt management. Chad may consider addressing lapses in adherence to procedural rules by ensuring strict compliance with pre-approval processes by CONAD. Mechanisms to monitor and enforce CONAD's recommendations should be established to ensure they are respected in all public debt transactions.

## 2.7 Role of Auditor General

Constrained by its ex post facto nature and power prescribed by their legislative and institutional settings, the monitoring role of the Auditor General in public debt management is notably limited. All the case study countries should consider expanding the role of the Auditor General to include more rigorous monitoring of the use of borrowed funds. This expanded mandate would involve regular audits to ensure that borrowed resources are utilised effectively and in accordance with established guidelines.





## 2.8 Oversight of State-Owned Enterprises Debt

While Ghana provides significant autonomy to SOEs in borrowing, Ethiopia employs a more centralised or structured approach to manage the associated fiscal risks of SOE debt—with Chad and Malawi falling somewhere in between. However, a common challenge across all countries is ensuring that SOE borrowing aligns with broader fiscal policies and sustainability objectives.

Government guarantees for SOE debt are often issued with limited scrutiny or reporting requirements, increasing the risk of unsustainable debt accumulation. To address these gaps, it is critical to strengthen the reporting and monitoring of SOE debt. This should include mandatory evaluations of SOEs' financial capacity before authorising new borrowing, as well as mechanisms to ensure debt management aligns with national fiscal policies and sustainability goals. By enhancing institutional oversight and fostering greater accountability, governments can better balance SOE autonomy with fiscal responsibility.

## 2.9 Limited Negotiation Capability

A key issue across all four countries is the lack of capacity when negotiating sovereign debt contracts and handling disputes arising out of these contracts. Regarding negotiation, limited legal expertise results in the adoption of debt agreements that favour the lenders rather than protecting national interests. On dispute resolution, arbitration abroad is the general practise. This is often extremely expensive with developing countries also facing the challenges related to lack of capacity.

To address this challenge, all four countries should invest in capacity-building initiatives to develop expertise in sovereign debt negotiation. This would involve training and developing skilled personnel to ensure that the terms and conditions of debt contracts are negotiated in the best interest of the country and not unduly skewed in favour of lenders.

## 2.10 Development and Adoption of Minimum Terms

Minimum terms in loan contracts need to be developed to guide governments. A model loan contract or a set of guidelines or principles in developing public debt contracts for instance would be helpful in mitigating the lack of capacity when negotiating debt contracts. This would guide the Minister of Finance and Parliament during the negotiation of loan contracts and would safeguard against the inclusion of unfavourable terms.

## 2.11 Linking of Debt Incurred to Projects

Finally, there should be linking of debt incurred with the projects that the loans were borrowed to finance. This would mitigate the siphoning-off of debt to the private purses of government officials. In addition, it would reduce the occurrence of debt being borrowed to simply repay previous debt rather than funding any particular project.



## Conclusion

In conclusion, the sovereign debt frameworks of Malawi, Ethiopia, Chad, and Ghana exhibit considerable inadequacies. Gaps including absence of statutory borrowing limit, inadequate accountability mechanisms, constrained parliamentary oversight, weak institutional oversight, lack of public participation, restricted role of Auditor General, and low capacity to negotiate terms of debt would all compromise fiscal accountability and transparency.

To address these vulnerabilities, all four countries should consider reform efforts to establish binding debt thresholds and introduce standardised, non-negotiable terms for sovereign borrowing. Such measures would reduce the risk of excessive debt accumulation and provide a clearer legal foundation for debt management strategies. Equally relevant are enhancing parliamentary scrutiny, separating executive influence from legislative processes, and introducing public participation mechanisms. These measures would strengthen oversight and enhance accountability. Institutionalising transparency by making loan records and debt strategies publicly accessible could further contribute to more resilient and accountable debt management frameworks.

Additionally, it would be essential for all four countries to invest in capacity-building for sovereign debt negotiation to counterbalance the power of lenders and safeguard national interests. By fostering a cadre of skilled professionals capable of negotiating favourable terms, these countries can protect themselves from exploitative conditions and enhance their bargaining power in international financial markets.

Looking forward, a coordinated approach that includes strengthening legal frameworks, enhancing institutional safeguards, and building negotiation capacity will be key to fostering sustainable sovereign debt practices. Such developments would not only stabilise public finances but also position these countries to manage future borrowing more prudently and ensure that their sovereign debt management and governance structures align with their long-term economic objectives and national development goals.



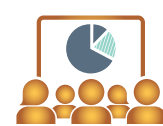
Establish binding debt thresholds and introduce standardised, non-negotiable terms for sovereign borrowing.



Enhancing parliamentary scrutiny, separating executive influence from legislative processes, and introducing public participation mechanisms.



Institutionalising transparency by making loan records and debt strategies publicly accessible



Invest in capacity-building for sovereign debt negotiation to counterbalance the power of lenders and safeguard national interests.





Section Three

# Summary of Findings

- ▶ Comparative Analysis of Country-specific findings  
Ethiopia | Malawi | Ghana | Chad



	Ethiopia	Malawi	Ghana	Chad
<p><b>Authority to borrow</b></p> <p><b>General Trend:</b> A blend of centralisation and accountability mechanisms, each shaped by distinct historical and institutional contexts</p>	<p>Allowing the Ministry of Finance significant autonomy to contract loans, contingent on alignment with predefined debt strategies</p>	<ul style="list-style-type: none"> <li>» Emphasise parliamentary oversight</li> <li>» Require loan agreements to be scrutinised by their legislatures</li> <li>» Balances executive power with legal checks, including consultations with the Reserve Bank and Attorney General</li> </ul>	<p>Emphasise parliamentary oversight, requiring loan agreements to be scrutinised by their legislatures, but undermined by executive dominance</p>	<ul style="list-style-type: none"> <li>» Unique in its reliance on regional frameworks like CEMAC</li> <li>» Delegates debt evaluation to technocratic bodies such as CONAD</li> </ul>
<p><b>State owned enterprises debt</b></p> <p><b>General Trend:</b> Varying degrees of state intervention and oversight</p>	<p>Proactive strategy — the Liability and Asset Management Corporation centralises SOE debt management, reducing fiscal risk</p>	<ul style="list-style-type: none"> <li>» Laissez-faire approaches</li> <li>» Requiring only post-approval reporting to Parliament</li> </ul>	<p>Allows SOEs to borrow independently under ministerial oversight</p>	<p>Mandates CONAD's opinion but lacks legislative scrutiny</p>
<p><b>Role of Auditor General</b></p> <p><b>General Trend:</b> Oversight role of the Auditor General in public debt contraction is notably constrained</p>	<p>Ex post facto role</p>	<p>Ex post facto role</p>	<p>Ex post facto role</p>	<p>Ex post facto role</p>

	Ethiopia	Malawi	Ghana	Chad
<p><b>Debt management strategies</b></p> <p><b>General Trend:</b> All four countries' frameworks reflect the fundamental goal of balancing fiscal sustainability with manageable risk. However, the countries differ in the specifics of their frameworks and implementation processes.</p>	<p>» Incorporates a comprehensive DSA alongside its MTDS, emphasising the alignment of sovereign debt with repayment capacity</p> <p>Updated annually, with collaboration from international partners like the IMF and World Bank</p>	<p>Well-defined MTDS and an Annual Borrowing Plan (ABP) designed to manage borrowing costs and repayment needs</p>	<p>Stands out with the creation of the PDMO, a dedicated entity overseeing risk assessments and ensuring all borrowing aligns with government-approved strategies</p>	<p>Links its MTDS and ABP but introduces legislative oversight to reinforce consistency and transparency in debt management.</p>
<p><b>Transparency</b></p> <p><b>General Trend:</b> While all four countries make strides toward transparency, the effectiveness of their efforts is contingent upon the interplay between legal mandates, institutional capacity, and public engagement.</p>	<p>» More structured approaches</p> <p>» Demonstrates a commitment to providing regular, detailed debt data, which could foster investor confidence if coupled with active stakeholder involvement</p>	<p>Theoretically robust but highlights the critical importance of practical implementation in ensuring that transparency translates into accountability</p>	<p>» More structured approaches</p> <p>» Demonstrates a commitment to providing regular, detailed debt data, which could foster investor confidence if coupled with active stakeholder involvement</p>	<p>Theoretically robust but highlights the critical importance of practical implementation in ensuring that transparency translates into accountability</p>





Section Four

# Summary of Findings

- ▶ Gaps & Recommendations  
Ethiopia | Malawi | Ghana | Chad
- 

## Statutory limits on amount of debt and terms

### Gaps

In Malawi, Ethiopia, and Ghana, there are no clear statutory limits on the amount of debt that can be contracted.

### Recommendations

- Explore more formalised statutory debt limits to enhance fiscal discipline and manage borrowing risks more effectively
- Establish clear, legally binding thresholds or ratios could provide stronger safeguards against excessive debt and improve overall fiscal stability
- Introduce statutory requirements for minimum terms and conditions in sovereign debt contracts
- Standardise non-negotiable terms to protect national interests and prevent potentially exploitative conditions favouring lenders with reference to regional standards (e.g., the EAC debt-to-GDP ratio target at 50%)
- Integrate comprehensive monitoring and enforcement mechanisms which could further ensure that debt management practices align with long-term economic objectives and enhance investor confidence

## Accountability

### Gaps

- Accountability within sovereign debt management systems across the case study countries is largely underdeveloped and unused.
- In Malawi and Chad, there are no specific penalties for not complying with the law during the contraction and management of debt.

### Recommendations

- Impose specific penalties for violation of the law during the contraction and management of debt
- Remove impunity for officials' violation of related debt contraction and management laws

## Transparency

### Gaps

All four countries reflect lack of transparency in both debt incurrence processes and the disclosure of outstanding liabilities.

### Recommendations

- Establish public disclosure standards on debt contraction and management trends and decisions
- Develop reporting templates
- Publication of debt contracts for public scrutiny and comments

## Public Participation

### Gaps

Public participation in sovereign debt contracting is notably absent in Malawi, Ethiopia, Chad, and Ghana.

### Recommendations

- Ensure that Parliament plays a significant role not only in the contracting but also in the management of sovereign debt
- Enhance the parliamentary approval process by instituting more rigorous scrutiny and debate of debt agreements to ensure that fiscal decisions are made with due diligence.
- Implement measures to diminish executive dominance, such as revising appointment procedures or strengthening parliamentary independence
- Establish independent oversight bodies or enhance existing ones
- Ghana: reforming the current arrangement to better separate executive and legislative powers could restore the effectiveness of parliamentary oversight



## Legal Safeguards

### Gaps

There are significant enforcement gaps across the four countries.

### Recommendations

- Implement mandatory consultations with the Reserve Bank for all public debt contracts to ensure that debt agreements are in alignment with the country's monetary policies, thereby mitigating potential risks and reinforcing financial stability
- Chad: establish mechanisms to monitor and enforce CONAD's recommendations

## Role of Auditor General

### Gaps

Monitoring role of the Auditor General in public debt management is notably limited in all four countries.

### Recommendations

- Expand the role of the Auditor General to include more rigorous monitoring of the use of borrowed funds
- Conduct regular audits to ensure that borrowed resources are utilised effectively and in accordance with established guidelines

## Oversight of State-owned Enterprises Debt

### Gaps

There exist misalignments of SOE borrowings with broader fiscal policies and sustainability objectives in all four countries.

### Recommendations

- Strengthen the reporting and monitoring of SOE debt
- Conduct mandatory evaluations of SOEs' financial capacity before authorising new borrowing
- Enhance institutional oversight and foster greater accountability

## Specialised Legal Expertise

### Gaps

All four countries experience shortages of talents with specialised legal expertise in negotiating sovereign debt contracts and handling disputes arising out of these contracts.


### Recommendations

- Invest in capacity-building initiatives to develop expertise in sovereign debt negotiation
- Develop a set of guidelines/principles that public debt contracts should adhere to and/or a model debt contract
- Conduct training and develop skilled personnel to ensure that the terms and conditions of debt contracts are negotiated in the best interests of the country and not unduly skewed in favour of lenders

## Other General Recommendations

- Incorporate minimum terms in loan contracts
- Develop model loan contract to guide the Minister of Finance and Parliament during the negotiation of loan contracts and safeguard against the inclusion of terms that disadvantage debtor nations
- Link debt incurred with the projects that the loans were borrowed to finance to mitigate the siphoning-off of debt to the private purses of government officials





**The Legal and Institutional  
Frameworks Governing Sovereign  
Debt Contraction and Management  
Ethiopia, Malawi, Ghana and Chad**

