

Strengthening Accountability for Public Debt Management

INTOSAI Working Group on Public Debt (WGPD) Annual Meeting
5 June 2024

A young girl in a white t-shirt and black headband is speaking into a microphone. She has a white cloth tied around her neck. In the background, a man in a colorful patterned shirt is looking on. The scene is indoors, possibly a community meeting.

The **International Budget Partnership (IBP)** partners globally with budget analysts, community organizers, and advocates working **to advance public budget systems that work for people**, not special interests.

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Domestic accountability systems for public debt decisions





Why do we need domestic accountability for public debt?

Unsustainable and unproductive public debt burdens are a recurring crisis that disproportionately impacts lower income countries and vulnerable populations:

- Half the world lives in countries that spend more on debt payments than on health or education.
- Over 50 countries have defaulted in the last decade.
- The proportion of low-income countries in debt distress, or at high risk of debt distress, has doubled to 60 percent from 2015.
- Public debt decisions may divert resources away from equitable and pro-poor spending.
- Current accountability efforts focus on transparency, which alone is insufficient for accountability.

Recent efforts for public debt transparency through regular statistics publication have an unclear impact on strengthening domestic accountability

Lack of accountability results in:

- ❑ Limited scrutiny in borrowing cycle
- ❑ Separation of debt management from broader public financial management
- ❑ Key actors unable to fulfill their roles (legislature, SAls, civil society, media)

What should a robust domestic accountability system for public debt look like?

- Clear legal frameworks and strong government institutions for debt management, disclosure of debt information, and public consultations on debt decisions.
- Dialogues between accountability actors and government around what information is needed and how it should be presented so that the public can understand.
- Robust understanding across accountability actors (parliamentarians, SAs, civil society, media) about debt management cycle, risks and key decisions.
- Spaces for public engagement and debate on debt decisions.

WFD Parliamentary Debt Management Assessment Toolkit (PDMAT)

- **Objective:**

- Measure parliament's capacity for public debt management oversight.
- Identify crucial reform areas for transparency and accountability.

- **Key Features:**

- Assesses capacity via 46 indicators from various PFM tools (DeMPA, World Bank's debt transparency heatmap).
- Scoring system to highlight priorities for strengthening parliamentary involvement.

Citizen Debt Audits

Philippines:

Freedom from Debt Coalition

- Objective to highlight corruption and misuse of funds; label illegitimate debts.
- Involvement of legislators to "open the books" for transparency on loans.
- Led to 2017 debt audit of 20 infrastructure projects.

Ecuador:

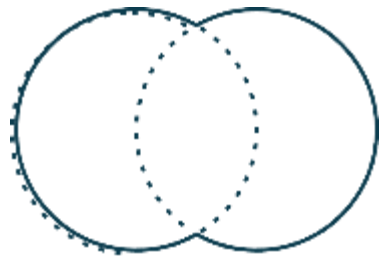
Comprehensive Debt Audit

- Civil society campaign for a comprehensive debt audit in 2007
- Established a "debt audit commission" of leading experts
- Established cases where debt decisions violated laws, suspended payments on two bonds, which saved US\$7 billion in debt service over 2008-30

Open budget practices and public debt decisions

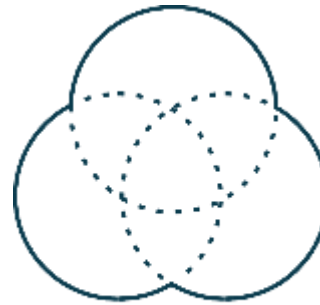


The OBS Measures Three Essential Pillars That Make Up The Public Budget Accountability Ecosystem:



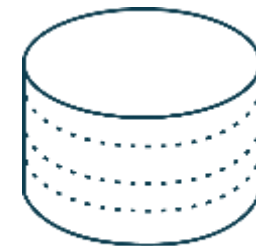
Transparency

Transparency of how public resources are raised, allocated and spent



Participation

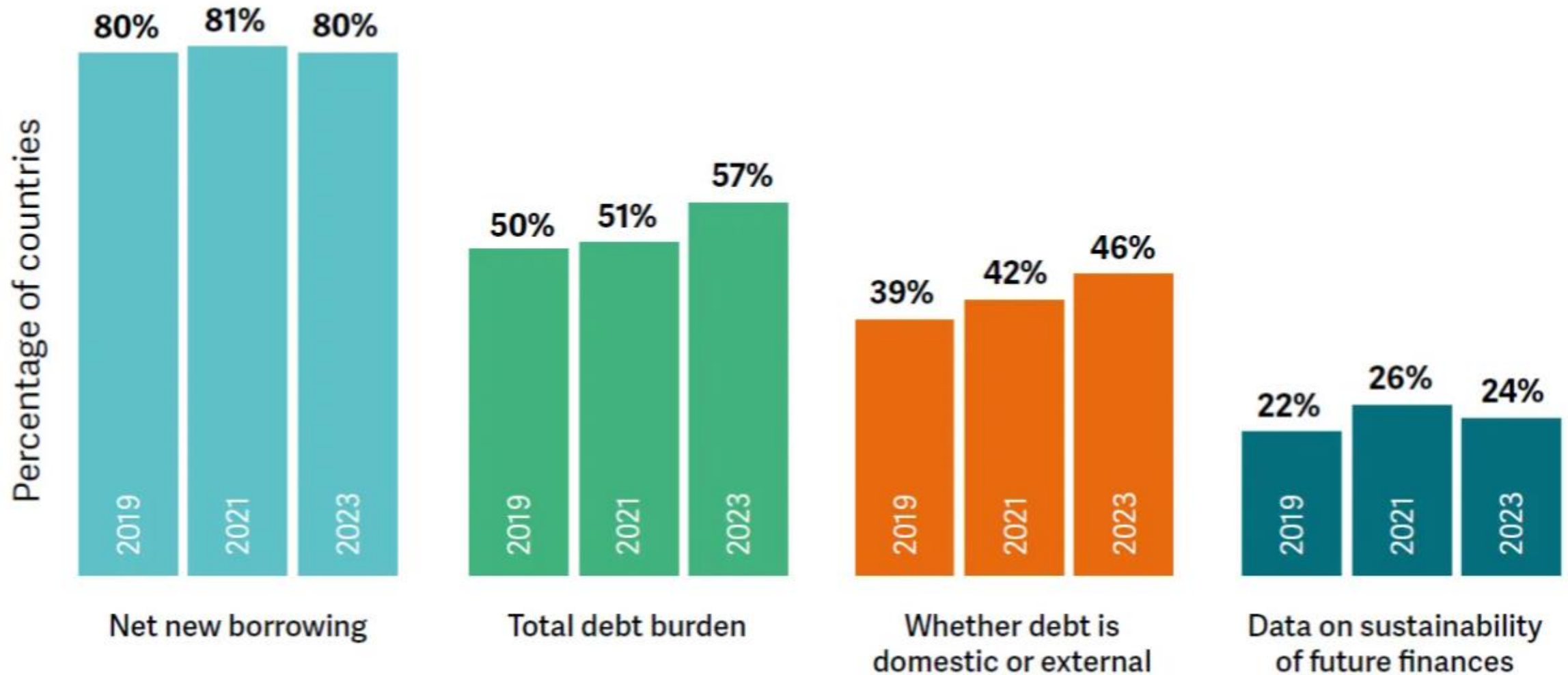
Opportunities for participation in the budget cycle and public policies



Oversight

Oversight by independent oversight entities and the legislature

How many countries provide information on select debt and fiscal risk indicators?



Fiscal Sustainability

EBP has core info on contingent liabilities (e.g., loan guarantees, insurance programs)

18%

A horizontal bar chart with a teal background. A teal segment on the left represents 18% of the total bar, and the remaining portion is a darker teal color.

EBP has core info on fiscal sustainability covering at least 10 years

11%

A horizontal bar chart with a teal background. A teal segment on the left represents 11% of the total bar, and the remaining portion is a darker teal color.

Good practices on debt reporting in budget documents



Kyrgyz Republic

In Kyrgyz Republic, gains in budget transparency overall have led to more debt transparency. The country is one of 18 that made strides in reporting out on debt execution information in the OBS 2023; as it initially strove to improve the transparency of its budget, it then began highlighting information on public debt.

What are the OBS Results in Your Country?

Go to:

[https://internationalbudget.org/
open-budget-survey/country-results](https://internationalbudget.org/open-budget-survey/country-results)

And select your country from the list

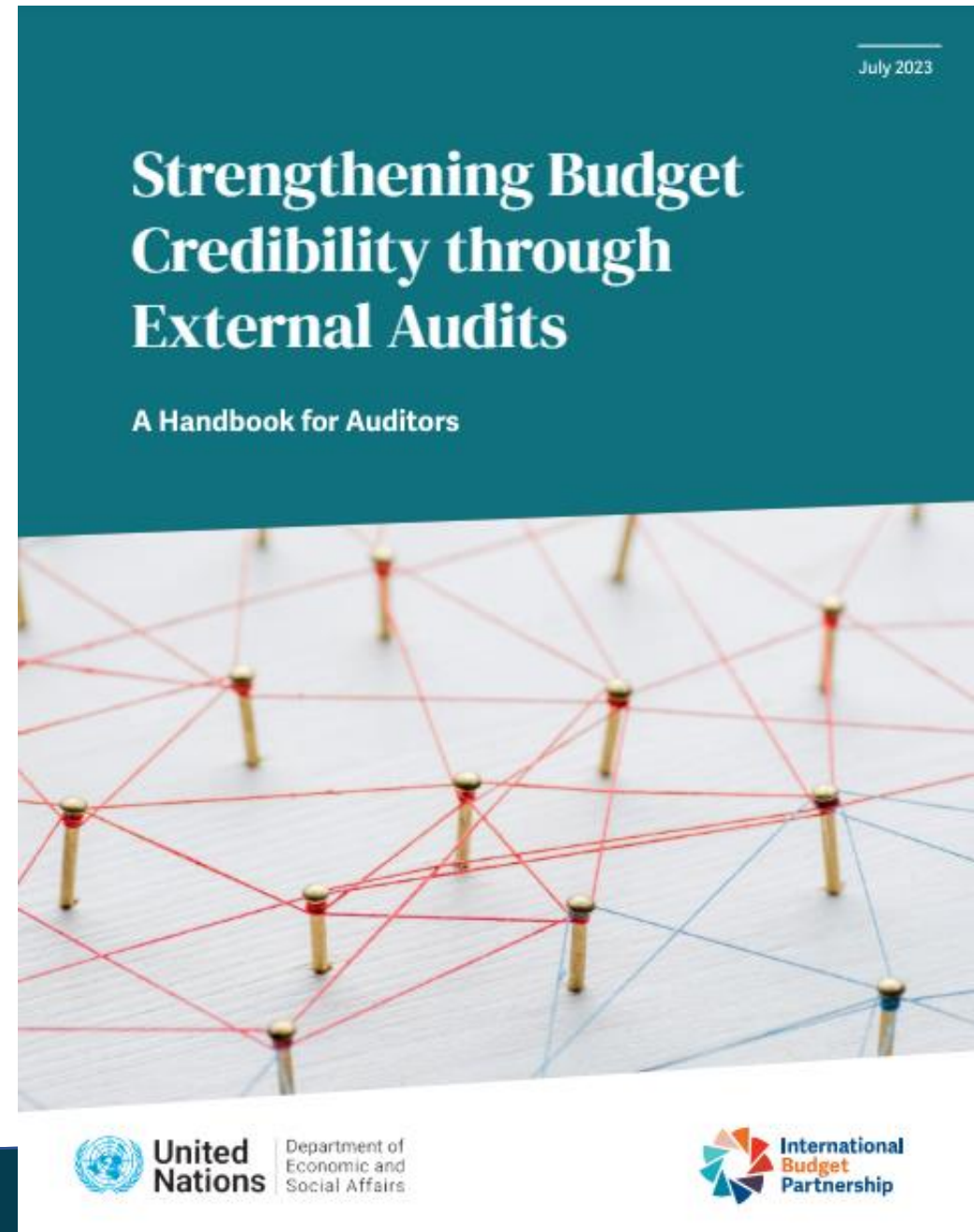
Role of SAls in promoting domestic debt accountability



Resource:
Handbook on
Strengthening
Budget Credibility
through External
Audits

Available online at:

<https://internationalbudget.org/wp-content/uploads/SAI-Handbook-Final.pdf>



Budget Credibility and Risks for Debt Management

- Budget credibility – or whether governments can meet their expenditure and revenue targets in a year – can be linked to higher debt risks when governments either overspend or under collect revenues as compared to initial plans.
- If governments can, and do, deviate from budgets, this can lead to unplanned deficits, which may have unseen risks or lead to unsustainable debt levels.
- Weak reporting systems can exacerbate credibility issues (e.g., lack of tracking and reporting on contingent liabilities)

Example: due to debt management targets, Costa Rica's Congress has introduced a chapter in the budget law that sets rules for systematic under-execution, which affects the achievement of annual goals and the efficiency of expenses.

Auditing Public Debt Can Increase Transparency and Budget Credibility

Annual audits of financial statements should include an analysis of debt, and SAIs can also do more detailed and systematic special audits.

Examples:

- PASAI conducted a regional audit on the transparency and accessibility of debt and fiscal information
- US GAO has issued a yearly report on fiscal sustainability for the past 7 years. It uses econometric modeling to identify scenarios of debt levels relative to GDP and related fiscal risks and makes recommendations to address those risks.
- SAI Zambia found that the debt management policy was not aligned with the medium-term fiscal strategy. Linking the debt management systems between the MoF and the Central Bank would help improve comprehensive reporting on the debt position and help make coordinated decisions on debt management.

Timely published audit reports are critical for civil society engagement

For the public and civil society to be aware of, and use, audit findings and recommendations on debt issues, it is critical that these reports are made public in a timely manner.

International standards set
a timeframe of less than

18 months

after the end of the
reporting period for audit
reports to be published

In OBS 2023,

35%

of the 125 countries
assessed failed to publish
the audit report on the
annual financial statements
within this timeframe

What comes next?

We are holding a wide range of stakeholder discussions about how we can work together to strengthen domestic accountability systems for debt decisions

- What do you think are the most important changes we can make to strengthen domestic accountability systems?
- How would you like to contribute to this effort?



Let's be in touch! Contact me at storbert@internationalbudget.org

THANK YOU

For more information, visit

www.internationalbudget.org

