

Building Public Debt Domestic Accountability

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Why do we need more
domestic debt
accountability?



Why do we need more debt accountability?

- New debt crisis puts Sustainable Development Goals at risk. Almost half of humanity is living in countries that spend more on debt payments than health or education.
- Polycrisis impact: COVID-19, Ukraine war, climate, and macro shocks worsen situation.
- Shared responsibility among diverse creditors: international bondholders, South-South lenders, multilateral organizations, OECD governments, domestic creditors.
- One important factor has been **a lack of domestic accountability for borrowing and lending decisions.**

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, audit institutions, civil society, judiciary)

Early Findings from a Scoping Study

**Conducted by DFI*



Scoping Study: Methodology

Debt accountability is defined as:

“The ability and willingness of government to fulfil stakeholders' requirements for debt-related information and to explain and be accountable for debt management policy choices.”

Scoping Study: Methodology

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Supply Side

Ability and willingness of governments to fulfill stakeholders' requirements for accountability by supplying timely and accessible information

Actors:

- ☐ Government
- ☐ Debt Management Entity

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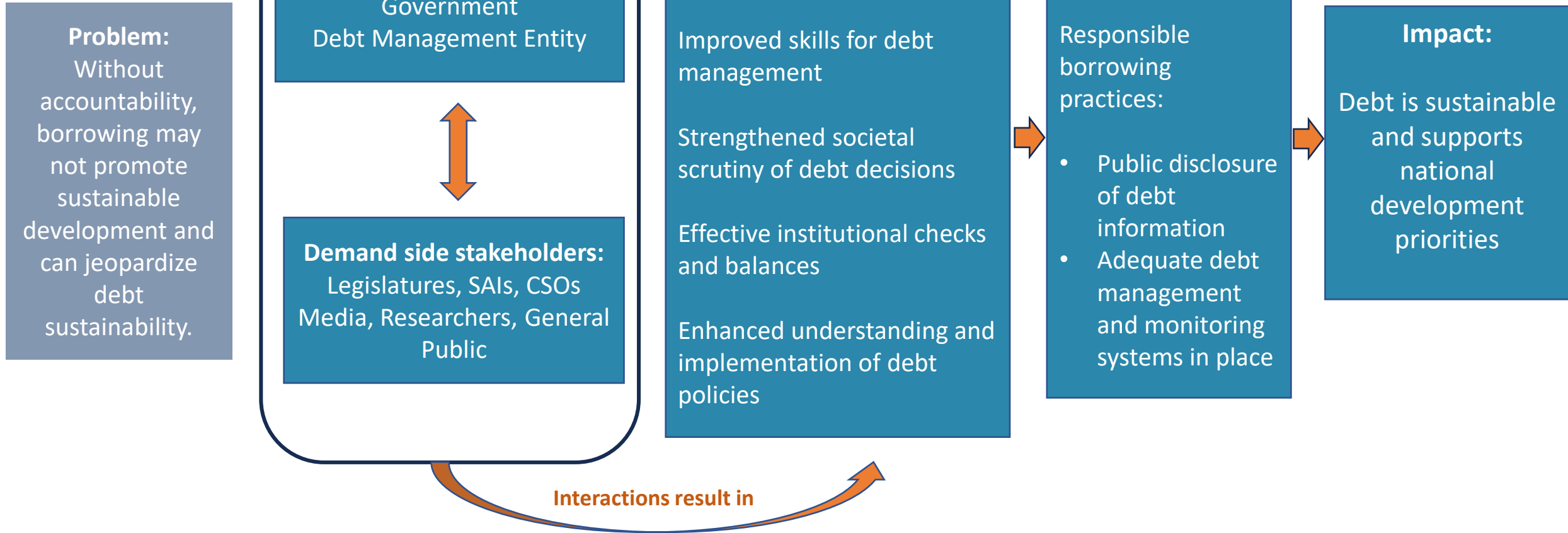
Demand Side

Ability of domestic stakeholders to demand information and use it to hold government accountable for debt management decisions

Actors:

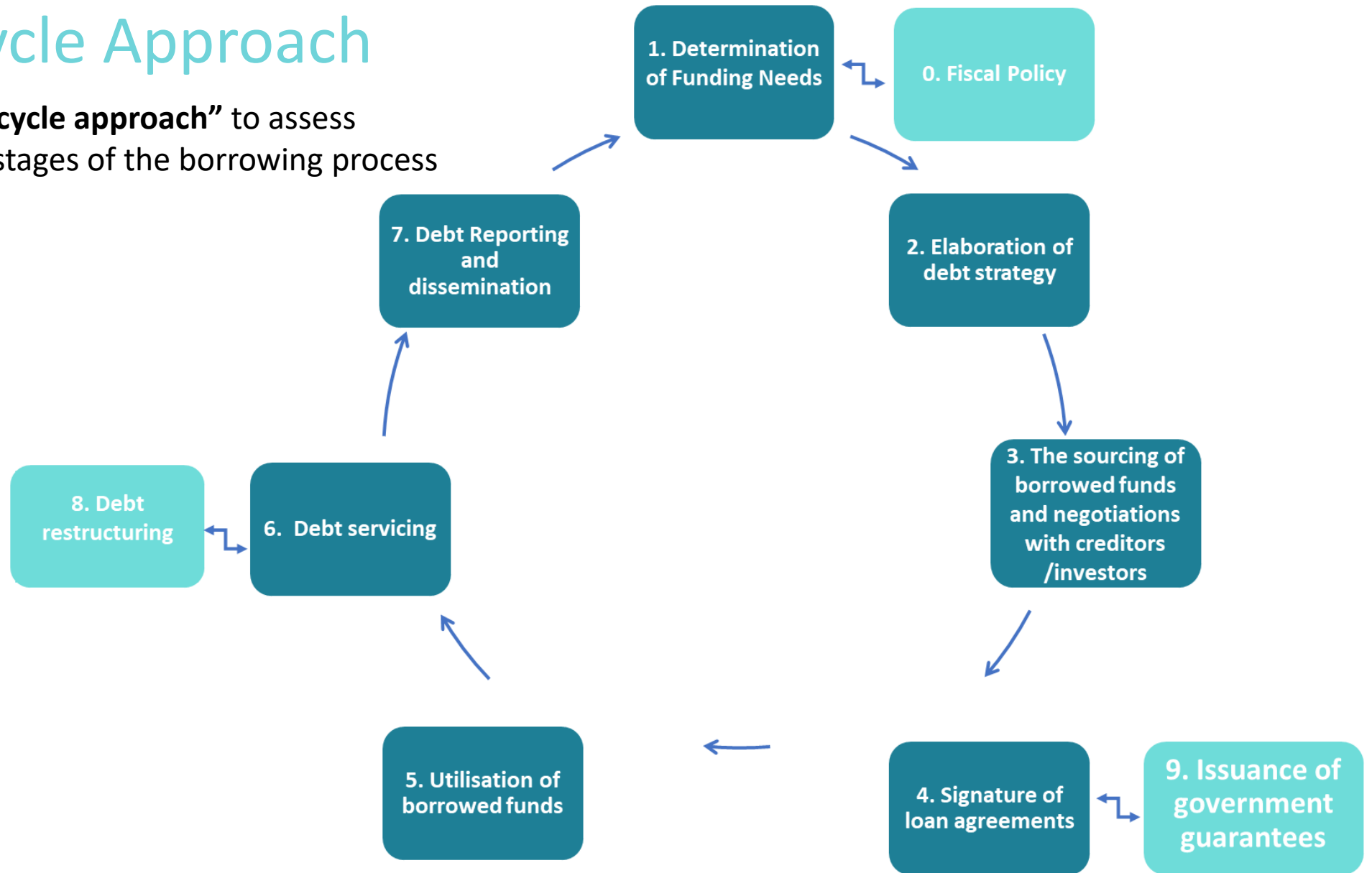
- ☐ Legislatures
- ☐ Supreme Audit Institutions
- ☐ Civil society
- ☐ Media
- ☐ Researchers
- ☐ General public

Theory of change



Borrowing Cycle Approach

Study uses a “**borrowing cycle approach**” to assess accountability at various stages of the borrowing process



Extension to
Borrowing Cycle

Supply Side Early Findings

- Debt management in developing countries focuses on technical aspects, statutory reporting, and meeting the needs of IFIs and investors.
- Gaps in legal frameworks, capacity issues, and lack of incentives hinder accountability.
- Debt accountability is linked to broader government efforts, such as fiscal responsibility laws.
- Current debt information often falls short on accountability requirements, especially regarding fund utilization and national development impact.
- Published data like Medium Term Debt Strategy (MTDS) and Debt Sustainability Analysis (DSAs) are often inaccessible to non-technical audiences.
- IT system providers and regional organizations are willing to enhance accountability by improving products and building capacity.

Demand Side Early Findings

- Urgent need for improved information presentation: focus on public disclosure, accessibility, and timeliness.
- Building stakeholder capacity (legislatures, CSOs, media) is vital for meaningful engagement in the borrowing cycle.
- Many institutions lack the power to challenge the executive on debt decisions.
- Judiciary or freedom of information laws can be crucial for accountability.
- Debt restructuring can be an opportunity to demand more accountability in the future.

Supply & Demand Interactions

- Many governments seek more domestic accountability in debt management.
- There are existing efforts to support both demand and supply sides; leverage these efforts and funds.
- Crucial to foster dialogue between government and local stakeholders for effective collaboration.
- There is limited impact on debt sustainability unless both borrowers and lenders are equally accountable.
- Accountability is likely incremental and a medium to long-term objective.

Potential Actions to Strengthen Debt Accountability



Potential Actions to Strengthen Debt Accountability

- **Diagnostic Tool**
 - Identifies accountability gaps and recommends actions
- **Advocacy and Engagement**
 - Advocacy with international and domestic institutions to address accountability gaps
 - Dialogue between supply and demand stakeholders at country level
- **Capacity Development**
 - Work with governments/debt management offices on legal and institutional changes, producing information
 - Training for legislators, media, CSOs, audit institutions, judiciary
- **Knowledge and Research**
 - Independent research to review debt management and debt policies
 - Debate improved laws and practices, including learning exchanges between countries

About IBP

The International Budget Partnership is a global partnership of budget analysts, community organizers, and advocates working to advance public budget systems that work for all people, not a privileged few.

Together, we generate data, advocate for reform, and build the skills and knowledge of people so that everyone can have a voice in budget decisions that impact their lives.



About DFI

Development Finance International (DFI) is a non-profit capacity-building, advocacy, advisory and research organisation working with more than 80 governments, international organisations and civil society organisations worldwide.

We help citizens and governments to mobilise the maximum and best quality financing for their development, which will end poverty and fight inequality, and encourage development partners to support them in reaching these objectives

(for more details, see www.development-finance.org)





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