

How OGP Members Can Promote Transparent and Accountable Public Debt Management

This policy brief is part of a series by OGP and NDI analyzing openness and oversight measures that prevent or counter foreign covert influences.

Summary and Overview

This policy brief is centered on the importance of open and accountable debt management. Global sovereign debt is at a record level - the highest in 50 years - triple 2008 levels. Opaque debt is a growing problem. Loans are often taken on without parliamentary and public scrutiny, and in the worst cases without the existence of the loan being disclosed at all. Openness and oversight of public debt is essential to ensure that the funds are well-spent.

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What is Opaque Debt?

The concept of opaque debt is a broad one; nonetheless, it can be most clearly defined as: *non-transparent lending and borrowing that is done in such a way that the funds are unable to be tracked and neither governments nor lenders can be held accountable for their financial decisions.* In practice, opaque debt is found in a diversity of forms. Opaque debt includes debt that is simply not reported or incompletely reported (according to the World Bank, 44% of low-income countries have not published any sovereign debt data in the last two years) or kept from exposure by the inclusion of confidentiality clauses in loan agreements or non-market domestic debt issuance.¹

On this last aspect, domestic debt in low income states is generally opaque – with less than half using market-based auctions as the primary means for domestic debt issuance; even those that do use market-based auctions often have significant weaknesses in the disclosure of results. Moreover, the true size of a country's debt can be and regularly is hidden through its central bank and the various tools at their disposal, such as repurchase agreements.

Opaque debt also includes non-marketable loans such as resource-backed debt, i.e., when a government borrows against future resource-derivative revenue streams. These have grown significantly in popularity in recent years. The trend has been strongly exacerbated by the creation and expansion of China's Belt and Road Initiative (BRI), Beijing's infrastructure investment program, which has provided over \$400 billion in financing to countries in Central Asia, Africa, and Europe. Chinese loan deals typically feature confidentiality clauses meaning the terms cannot be disclosed by countries to the public or to other creditors.² Gulf states, such as Saudi Arabia and the United Arab Emirates provide loans and central bank deposits³ that are similarly opaque. Lending by private creditors, whose share of foreign debts of low- and middle-income countries has nearly doubled over the last ten years, also lacks sufficient transparency safeguards.⁴

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About NDI

NDI is a non-profit, non-partisan, non-governmental organization that works in partnership around the world to strengthen and safeguard democratic institutions, processes, norms and values to secure a better quality of life for all. NDI envisions a world where democracy and freedom prevail, with dignity for all.

About OGP

In 2011, government leaders and civil society advocates came together to create a unique partnership—one that combines these powerful forces to promote accountable, responsive and inclusive governance. Seventy-seven countries and a growing number of local governments—representing more than two billion people—along with thousands of civil society organizations are members of the Open Government Partnership (OGP). For questions or to set up interviews please contact communications@opengovpartnership.org.

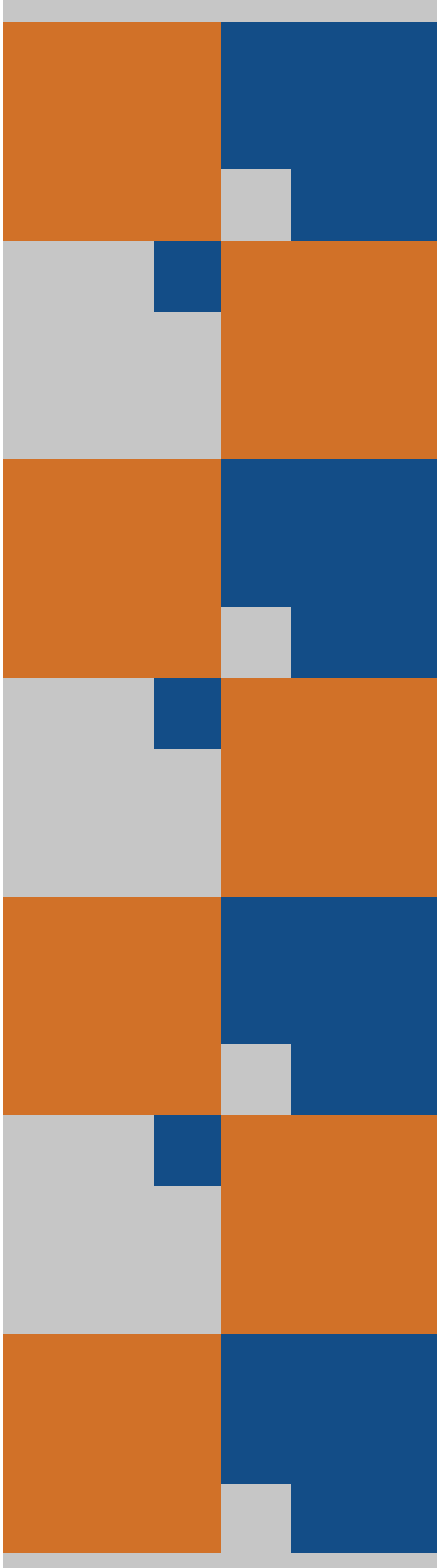
Resource-backed debt poses very distinct challenges in that it is regularly not classified as “debt” and is often negotiated through state owned enterprises (SOEs) that are outside of the purview of government statistical agencies. SOEs may treat these loans as an advance payment from a supplier rather than as a state liability. At the same time, there is often a political incentive to keep resource-backed debt hidden owing to the political sensitivity of committing national resources or assets to overseas lenders. Finally, even multilateral institutions such as the International Monetary Fund (IMF) and World Bank – entities that have taken a significant and strong leadership role against opaque debt in recent years – do not include collateralization in annual country reporting requirements.

Opaque debt is truly a global problem – with no region left untouched. Among the various cases of opaque debt that have been examined, Mozambique has been particularly well-documented.⁵ In 2016, it was discovered that the government of Mozambique had borrowed, but did not disclose, two loans totaling \$1.1 billion – roughly 9% of gross domestic product (GDP) at the time. Ecuador was found to have kept debts equal to that same percentage of GDP off of its official debt statistics.⁶ Greece was condemned in 2010 for providing false data as to the state of its finances.⁷ Togo was found to have failed to report debt equal to 7% of GDP.⁸ Sri Lanka is perhaps the most high-profile example, wherein Colombo handed over a strategic port to Beijing in 2017 after it was unable to pay off its debts to Chinese firms. As these cases depict, opaque debt is one of the leading public finance challenges of our time. Moreover, by its very nature and perhaps most worrying – the sheer scale of the problem of opaque debt is not fully known, heavily underscoring the importance of reform and “lifting the lid” on national debt realities.

Democratic Governance and Development Impacts of Opaque Debt

To the casual observer, the question of opaque debt might simply be waived off as a purely technical matter - of interest only to academics, treasury and finance officials, and central bankers. In reality, it can and does have significant implications for both national development and governance.

The implications of opaque debt on democratic governance are multiple and diverse.⁹ First, by its very nature, opaque debt creates increased opportunities for corruption. Second, the ability of the executive branch of government - and its various agencies, institutions, and (in many cases) enterprises - is further strengthened at the expense of legislators who are kept in the dark as to the true state of their country’s finances, thus weakening checks and balances. Finally, opaque debt inherently violates the principle of right to information, for legislators tasked with



oversight as well as for civil society, other lenders, and the public at large.

Understanding of the challenges of opaque debt and its implications has increased significantly over the last 40 years, pushed forward in salience by the role that it has played in myriad national, regional, and worldwide financial crises. Mexico's 1994 debt crisis led to new rules on an "absolute minimum" of data that member states were required to report to the IMF for the purposes of monitoring. The Asian Financial Crisis in the late 1990s provided further momentum to strengthen the provision of data on external borrowing - resulting in the creation of the World Bank's Quarterly External Debt Statistics (QEDS) database and the IMF's Data Quality Assessment Framework (DQAF) and a host of subsequent initiatives that yielded incremental improvements in data provision. More recently, opaque debt was a central aspect of the 2008 global financial crisis. With the significant rise in state borrowing caused by the Covid-19 pandemic, it is highly probable that opaque debt has further increased as governments have sought to meet fresh fiscal challenges in a period marked by declining state revenue with even greater demands placed on the public purse.

To move from the historical to the practical, the World Bank has identified opaque debt as a significant challenge to both macroeconomic stability as well as the achievement of the Sustainable Development Goals (SDGs) by the target date of 2030.¹⁰ In order to achieve the SDGs, it has been estimated that low income countries will have to invest 4.5% of GDP annually in the infrastructure sector (this figure does not include other areas where financing is also required).¹¹ The bulk of this financing will need to be acquired through borrowing. The lack of full public disclosure of the total extent of government debt pushes up borrowing costs, makes new debt harder to service, and in the event of payment challenges creates significant challenges in debt restructuring. Absent a sound debt management framework, the financial pre-requisites to meet SDG targets will either not be achievable or will be achieved but only through the creation of severe negative externalities and significant levels of risk that could easily pass a tipping point and, like an avalanche rushing down a mountainside, wipe out any gains made. In the context of a developmental landscape in which women and other marginalized groups comprise the most vulnerable groups in society, the impacts of opaque debt fall on those already carrying the heaviest burdens.

In addition, there is the question of the future of debt relief – a process that, by its very nature, requires governments to open their books. Chad provides a case in point – when attempting to restructure its debt, the Chadian government required a year to bring together the necessary data, owing to the limitations in national debt management procedures, which significantly slowed the process.¹²



Finally, as noted above, there is the question of economic recovery from the Covid-19 pandemic – an event that has created considerable uncertainty, decreased available fiscal space, while concomitantly requiring enormous levels of fresh funding that has and will continue, inevitably, to come from loans. A shift towards transparency is necessary in order to ensure that borrowing and lending is not based on asymmetric information (i.e., when one party to a transaction has more or superior information than another) and that debt is incurred at the lowest possible cost and within the boundaries of acceptable risk. In short, with increased pressures stemming from increased budgetary spending and the severe risks from continued opacity by borrowers and lenders – both governments and civil society need a complete understanding of the true level of public debt in their respective countries.

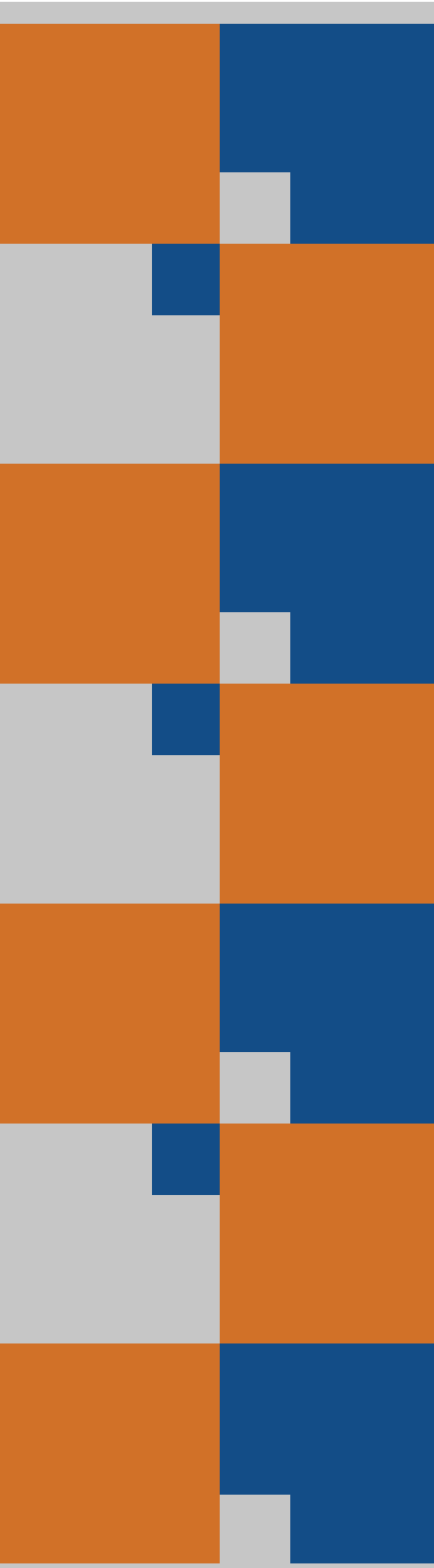
Countering Opaque Debt: The Value of Transparency

Before moving into the practical steps that can be taken to counter opaque debt and the avoidance of its deleterious consequences, it is useful to briefly examine the topic of transparency in general and debt transparency in particular and their salience in this policy arena.

The center of any policy solution to past, present, and future opaque debt is greater transparency. At its most broad definition, provided by Transparency International (TI), transparency is: the “characteristic of governments, companies, organizations and individuals of being open in the clear disclosure of information, rules, plans, processes and actions.”¹³ Debt transparency is simply the application of that definition to the world of state borrowing – serving as the bedrock of a system of fully accountable debt management. Fortunately, as is set out in subsequent sections of this policy brief, the practicalities of a debt transparency legal and policy framework have been considerably fleshed out in recent years such that legislators and civil society actors are able to gain much greater agency in their own work in countering opaque debt.

In terms of its salience, debt transparency is necessary if borrowing decisions are to be based on full information as well as to ensure both debt stability and macroeconomic stability. Moreover, transparent data is needed for the public sector in its entirety – not simply the central government – in order to better manage risk, avoid overly high borrowing costs, and for the proper determination of debt structure. By adopting and applying a debt transparency framework, creditors and investors are better able to evaluate the creditworthiness of states and thereby diminish or eliminate the high-cost risk premiums that are often included in lending as a hedge against uncertainty.

At the same time, the adoption of debt transparency management frameworks has also been shown to encourage fresh investment by increasing state credibility resulting in the provision of funding necessary



by investors that ensures that the state has the fiscal capacity to deliver necessary public services. The inability to do so can result in a loss of public confidence in both the state and elected officials.

Transparency Standards to Counter Opaque Debt

Within the existing body of research, and well set out by World Bank and others, debt transparency is understood to comprise two related aspects. The first of these is transparent debt reporting, specifically: “Debt reports should comprise comprehensive, timely, and consistent debt data at public sector level. To facilitate cross-country comparability and comprehensive debt analyses, public sector debt statistics (PSDS) should be compiled and reported based on internationally accepted statistical definitions and concepts.”¹⁴

Box 1: UNCTAD Standards on Borrower Disclosure and Publication.¹⁵

“Relevant terms and conditions of a financing agreement should be disclosed by the sovereign borrower, be universally available, and be freely accessible in a timely manner through online means to all stakeholders, including citizens. Sovereign debtors have a responsibility to disclose complete and accurate information on their economic and financial situation that conforms to standardized reporting requirements and is relevant to their debt situation. Governments should respond openly to requests for related information from relevant parties. Legal restrictions to disclosing information should be based on evident public interest and to be used reasonably.”

The second aspect is ensuring transparency in state borrowing operations. Again, the World Bank provides a clear summary of the issue: “Transparency around borrowing practices is needed to ensure that debt is contracted legitimately, shielded from undue political interference, and grounded on a sound analysis of the legal implications and financial cost and risks of the different borrowing alternatives.” See [Box 1 on UN Conference on Trade and Development Standards for Debt Disclosure](#) and [Box 2](#) for the types of loan information that should be publicly available.



Box 2: OECD Scope of Disclosure Standards:¹⁶

- ◆ Borrower (or equivalent) and initial recipient of financing (if not the borrower and known at signing)
- ◆ Guarantor/provider of indemnity (if any) or equivalent, the beneficiaries of the guarantees/indemnities or equivalent and maximum amount payable thereunder
- ◆ Type of financing (e.g. loan, bond, repo, etc.)
- ◆ For bilateral financings, the lender (or equivalent) at signing
- ◆ For syndicated financings, the mandated lead arrangers and the facility agent (or equivalent) in each case at signing
- ◆ *Applicable agent/trustee/transaction intermediary (for syndicated deals or those with multiple providers of financing/underwrites)*
- ◆ *Ranking (e.g. senior, subordinated etc.)*
- ◆ *Amount which can be borrowed/raised and details of disbursement period, if prolonged*
- ◆ *Applicable currency or currencies*
- ◆ *Repayment or maturity profile (including any puts or calls where applicable)*
- ◆ *Interest rate (or commercial equivalent), specified as falling within one of a number of specified ranges*
- ◆ *Intended use of proceeds on drawdown*
- ◆ *Governing law*
- ◆ *Extent of waiver of sovereign immunity*
- ◆ *Dispute resolution mechanism*
- ◆ *Applicable collateral/security/assets*

The degree to which a country is able to achieve these two outcomes is dependent on two additional factors. The first of these is the establishment of a public debt management legal framework (PDMLF) that is consistent with best practice. The collection and reporting of data needs to be based on a well-defined and complete set of binding legal requirements. See [Box 3 for the characteristics of a rigorous PDMLF](#).

Second, as has been recognized over decades of legal reform efforts across the development sector, “law on the books” does not inherently yield regulatory improvement, i.e., the supply of law alone is inadequate to achieve the desired policy outcomes. Thus, an effective and efficient set of debt management institutions and a functional operational framework is necessary. Specifically, capacity must be built among staff within the designated institutions ensuring: clear division of duties; the

avoidance of conflicts of interest; and “robust and integrated IT systems for debt recording and management.”¹⁷

Box 3: Characteristics of a Rigorous PDMLF:¹⁸

In order to be fit for purpose, a Public Debt Management Legal Framework will:

- ◆ *Specify the institutions that have the authority to borrow and the process of debt authorization;*
- ◆ *Define the institutional arrangements for the management of debt;*
- ◆ *Discloses national debt policies;*
- ◆ *Adopts the necessary reporting standards to ensure debt transparency;*
- ◆ *Specifies audit requirements;*
- ◆ *Defines the legal consequence for debt which is non-compliant with the set standards;*
- ◆ *Is available to the public; and*
- ◆ *Includes within its purview the public sector in full.*

In December 2021, the IMF conducted its first debt transparency training course, “Legal Foundations of Public Debt Transparency: Aligning the Law with Good Practices” which highlighted the diverse challenges in domestic legal frameworks that hinder debt transparency efforts.¹⁹ These include:

- ◆ Nonexistent or weak reporting requirements for public debt and contingent liabilities.
- ◆ Flawed legal definitions of public debt.
- ◆ Legal coverage over institutions and debt instruments that are overly narrow and incomprehensive.
- ◆ Determination of the legal classification of public sector institutions that are misaligned with international standards.
- ◆ Unclear or ambiguous borrowing powers and imprecise processes of delegation.
- ◆ Governance arrangements for debt monitoring, consolidation and disclosure that are ineffective.



- ◆ The use of broad confidentiality clauses in lending contracts that do not incorporate the necessary legal safeguards in order to limit the abuse thereof.
- ◆ Weak and incomplete accountability mechanisms.

This laundry list of issues serves as a useful basis upon which legislators and civil society actors can begin the process of review of lending practices in their own states and determine whether through piecemeal or whole-of-system reforms to enact the necessary legislation and regulatory frameworks to close gaps and begin to build a functioning, transparent debt management system.

Parliaments are an important actor in the debt management universe with two distinct roles in public debt management: a legislative role and an oversight role.²⁰ The legislative role includes approving and/or modernizing a legal framework for debt management, adoption of fiscal rules and ratification of loan agreements. The oversight role speaks to parliament’s responsibility for the scrutinizing of government spending through a debt management lens throughout the four stages of the budget cycle (which will be explained in detail in the following section). The effective fulfillment of these two roles requires that parliament effectively intervene into debt management at a number of different points.

The Commonwealth provides a clear approach for legislators seeking to develop a transparent debt management program – highlighting the need to enact debt management legislation that specifies “mandatory reporting and provides for performance and compliance audits in addition to financial audits.”²¹ In the context of mandatory reporting, they note – consistent with best practice – that this should include the tabling in parliament of a debt management strategy that puts in place procedures as to how government will achieve its debt management objectives and mandating the completion and annual submission of an annual report and statistical bulletin to parliament. In addition to this, such legislation should include provisions to ensure public access to these reports to ensure additional oversight by members of the public and civil society organizations. The role of state-owned enterprises and other public bodies should also be included in order to close the well-noted “SOE gap” and prevent the hiding of debt under SOE lending arrangements.

Additional steps to be taken include:

- ◆ Including in legislation the mandating of publishing an annual strategy on the projected evolution of debt in the medium term, inclusive of risk analysis and costs.

- ◆ Ensure that, if not already publicly available and easily accessible, the publication of macroeconomic indicators related to debt, e.g., annual debt to GDP ratio; the total stock of domestic and foreign debt; and the interest due. Data sources and methodological approaches utilized in these calculations should also be incorporated.
- ◆ Active engagement with multilateral institutions and other entities in order to provide necessary technical assistance for capacity building and support, when required, in the drafting of debt management legislation.
- ◆ Capacity building in audit institutions and allocation of the necessary funding to those institutions to ensure that they are able to successfully carry out their legal remit. The International Organization of Supreme Audit Institutions (INTOSAI), has initiated the training of its members and this institution is directly of use in the context of audit institution capacity building.
- ◆ When not already in existence establish debt management websites or improve those currently in existence. In many cases existing sites contain data that is years out of date and of no use for monitoring purposes.

Lenders also have a responsibility to support the public’s right to know what loans are being taken out in their name. Following the scandal in Mozambique²² discussed above — where two multinational banks arranged loans in secret — banks agreed in 2019 to voluntary disclosure principles.²³ A registry launched by the Organization for Economic Cooperation and Development (OECD) could serve as a useful platform for creditor transparency; however, as of May 2022, only two private lenders disclosed information through it. The G7 countries have also committed to publishing loan-by-loan data, a move that should be fully implemented and followed by all other governmental lenders.

Oversight Reforms and Lessons Learned

The realities of opaque debt in the context of governance constitute something of a vicious circle, whereby existing weaknesses in governance facilitate the taking on of additional opaque debt which, owing to its opacity, provides opportunities for corruption and fiscal mismanagement further eroding governance and state capacity and in many cases necessitating additional lending in order to service previously assumed debt.

The enactment of legislation consistent with best practice has been found to be essential for the establishment of binding transparency requirements that will, in turn, permit informed policy making and effective oversight.²⁴ A comparative case study demonstrated that only



those states that had enacted a public debt management law reported debt statistics completely and consistently over time.²⁵ In the absence of such laws, institutions designated as having purview over debt management were found to be unable to successfully compile complete data sets – the problem being particularly severe in the context of reporting debt from SOEs and public-private partnerships.

Civil society plays a critical role in advocating for transparency and leveraging available information to monitor implementation and push for sustainable policies. Investigative media also contribute to debt transparency by reporting on debt and translating technical subject matter into information that is accessible to a broad audience.

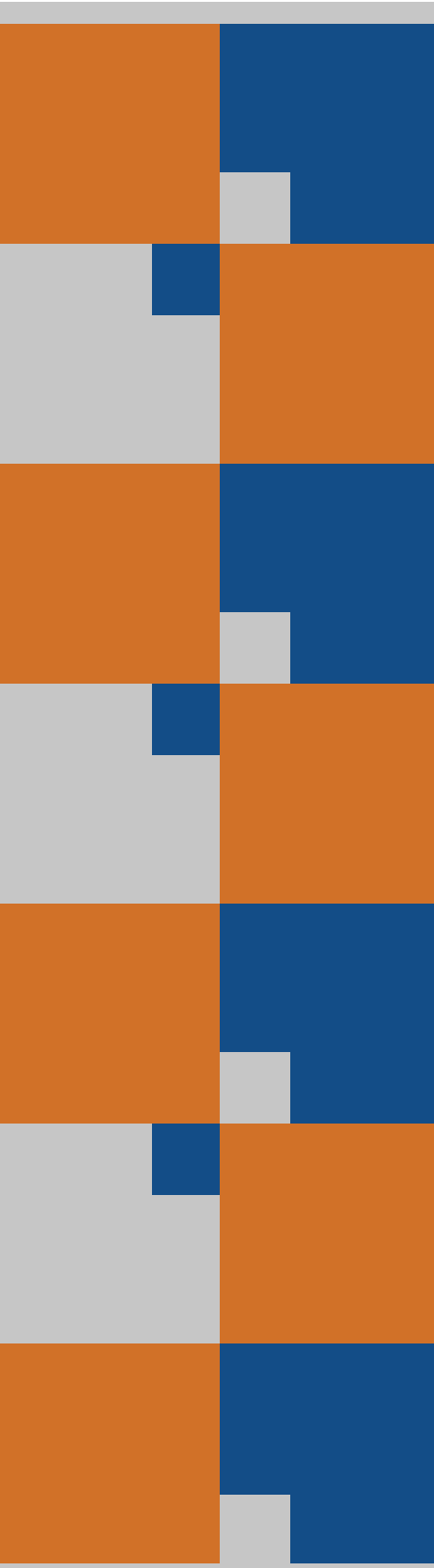
In terms of institutional organization for debt management, experience dictates that a single agency should be designated with the responsibility for this task. Regarding the borrowing process itself, debt should be negotiated and contracted by a front office; confirmed and recorded by a back office; and monitored, reviewed, and reported by a middle office. In the absence thereof, i.e., a context of fragmented borrowing, a coordinating entity needs to be established to ensure that information is provided on a timely basis and clear lines of accountability are established to ensure efficacy.

Finally, the perpetual challenge of institutional fragmentation – wherein responsibilities are divided across multiple entities – has been found to seriously impede the development of a comprehensive record of public debt. As this is more often the case than not, legislation needs to clearly define authority for debt management. An inadequate body of law has been found to create fresh and distinct problems in comparison to states with no public debt management law.

OGP Debt Transparency Commitments:

Georgia and Political Integrity

Georgia has been viewed for years as a regional leader on transparency, including its public financial management and mandatory asset declaration laws for public officials. In 2015, Georgia’s State Audit Office (SAO) uncovered billions of dollars of wasteful spending, exposing serious flaws in the management of public finances. That same year, in the Open Budget Survey, two-thirds of Georgians said the government failed to effectively inform them about public spending. Furthermore, public officials were able to easily hide or provide incorrect data regarding their assets, since there was no tool to monitor or audit their economic interests. Citizens needed more access to be able to hold the government accountable.



Reviewing Budgets and Reporting Wrongdoing

Georgia used its 2016 OGP action plan to increase citizen participation in supervision of public finances and assets. The SAO created an online platform budgetmonitor.ge to improve accountability and transparency of budget data.²⁶ The site now hosts data on public debt, major infrastructure projects, municipal budgets, and audits — all presented in an easy-to-understand format. The goal of this user-friendly website is to help the public become more familiar with budgeting and auditing processes, using information provided by the SAO. With this, they will be able to notify the office about any wrongdoing they uncover and any shortcomings in government service where budget allocation is not leading to a sufficient quality of governance.

The website features several pages that encourage public input and participation. For example, the “Fight Corruption” function allows citizens to report cases of corruption; these are then passed on to an auditor. This combines the means of understanding and reacting to government budgeting in one destination. Another section of the site, the “Citizen Page,” enables citizens to suggest government bodies to be audited as part of the following year’s Annual Audit Plan, even allowing users to select priority areas for examination.

The site has been popular with the public, initially tallying one thousand hits per day. The SAO estimates there have been more than 15,000 unique visitors, with an average of 400-500 unique users each month. As for the report functions, in its first six months, the site saw 23 reports submitted – more than *four* times the number of reports received following previous efforts at achieving transparency. These included reports of corruption and suggestions on how to make improvements to healthcare, education, and other public services.

Public Scrutiny of Asset Declarations

In the same action plan, Georgia committed to the implementation of the first independent monitoring system for public officials’ asset declarations. New amendments to the law introduced sanctions for violating asset declaration rules and the Civil Service Bureau (CSB) started monitoring public officials’ asset declarations; these were either selected randomly through the unified electronic system or reported as suspicious by external stakeholders.

In its inaugural year, 80% of declarations selected for verification were found to have violations. However, violations decreased to 45% in the monitoring system’s third year after the publication of detailed instructions for filing asset declarations. The work of the CSB in monitoring asset declarations of Georgian public officials constituted a major step forward for government accountability in the fight against



corruption in public service, especially considering the Bureau’s willingness to address the requests of external stakeholders to monitor suspicious declarations.

Parliamentary Engagement

The Parliament of Georgia has leveraged the OGP process by including debt-related commitments, for the first time, within its 2021-2022 Open Parliament Plan:

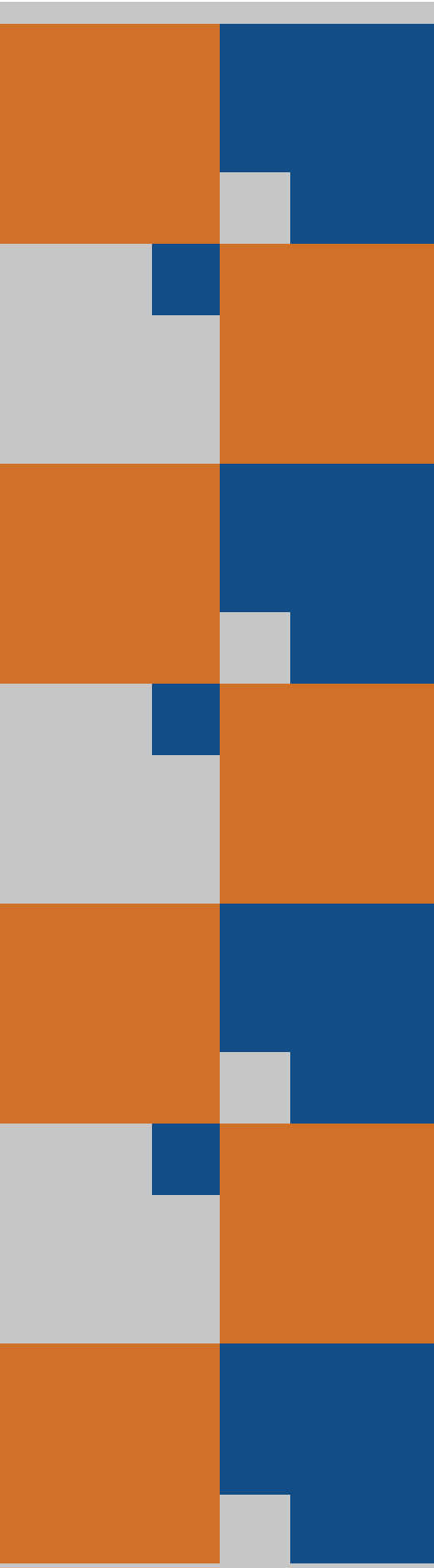
- ◆ Strengthen the capacity of parliament regarding public debt through awareness raising and effective use of oversight mechanisms;
- ◆ Increase access to public debt related information and ensure transparency.

These commitments have included the development of a step-by-step guide on debt-related processes for MPs and staff and a series of activities aimed at increasing public awareness and participation through webinars and the publication of informative materials on public debt statistics and policies. The implementation process of the commitments created momentum and laid the groundwork for the the Budget and Finance Committee to fulfill its oversight role and carry out its first-ever thematic inquiry on the impact of the pandemic on public debt and fiscal stability.

Budget and Debt Transparency in Morocco

Since 2018, Morocco has leveraged OGP action plan commitments and international standards, especially those set by the International Budget Partnership, to improve its practices for publishing budget information and reporting to the public and other branches of government, including data on the budget deficit and public debt. Morocco’s most recent action plan includes a commitment for more timely government releases of information and more robust and formal mechanisms for public and civil society input into budget processes.

Morocco included three budget transparency commitments in its inaugural OGP action plan in 2018. The first aimed to enrich the budget information available to parliament and the public by releasing regular performance reports, audit reports, and presenting three-year budgets for the state and ministerial departments in high detail. Morocco’s government, specifically the Budget Directorate of the Ministry of Economy, Finance and Administrative Reform, achieved the commitment in full and on time, publishing decrees, guides, information, budget plans for 2018, 2019 and 2020, and budget performance reports for three-year plans for 2019, 2020, and 2021.²⁷ The Ministry presented parliament with its audit report for the 2018 budget. The medium term planning and establishment of reports will support more stable public finance.



With the second commitment, Morocco sought to align its practices with standards set by the International Budget Partnership (IBP) by publishing additional budget reports and enriching the content of reporting with civil society input.²⁸ According to OGP's Independent Review Mechanism (IRM), Morocco implemented substantial portions of this commitment, publishing preliminary budget reports for 2019 and 2021 and citizen budgets for the years 2016 to 2020 by the end of the action plan period. Citizen budgets simplify key budget figures and allow members of the public to understand expenses and revenues, including the deficit and public debt levels. Morocco has continued the publication of these documents for 2021 and 2022, and its score in the Open Budget Survey, implemented by IBP every two years, rose from 45 in 2017 to 48 in 2021, slightly above the global average of 45. As of 2021, IBP reported Morocco has published all eight key budget documents for the first time ever, although it notes the pre-budget statement was published too late for impact on the budget process and its year-end report was only available for internal government use. IBP's score for the formal opportunities Morocco offers its citizens to meaningfully participate in budgeting rose accordingly, from 0 in 2017 to only 7 in 2021 (global average of 14). Its score for audit and parliamentary budget oversight rose from 31 (weak oversight) in 2017 to 46 (limited oversight) in 2021 (a score of 61 or higher is seen as adequate), with IBP highlighting the need for increased transparency on debt, particularly in terms of its composition.²⁹

Recommendations for OGP Members:³⁰

- ◆ Create a clear legal framework for public borrowing which includes transparency and oversight. Public debt management objectives, strategy, and processes should be publicly accessible and may be outlined in legislation.³¹ Such legislation should cover borrowing from private and public sources. Civil society and the public should have the opportunity to provide input on the draft legal framework.
- ◆ Publish an annual strategy defining how the composition of the debt is projected to evolve over the medium term.³² This should include an analysis of risk and cost, and take into account the constraints the country faces.
- ◆ Increase the transparency of macro-economic indicators related to debts, including the government debt-to-GDP ratio, debt-carrying capacity, the stock of domestic and external debts, and the interest due on these debts.³³ For each indicator, publish the underlying data sources and the method used in calculations.



- ◆ Increase transparency of parallel indicators, including current account balance, GDP growth, remittance payments, and reserve coverage.
- ◆ Conduct and publish debt sustainability analysis to assess debt vulnerabilities and minimize debt distress. Resources such as the IMF-World Bank Debt Sustainability Framework for Low-Income Countries can guide countries in such analysis.³⁴
- ◆ Disclose and publish terms and conditions of loan agreements to parliaments and the public citizens.
- ◆ Conduct and make public ex ante evaluations of the financial, operational, social, cultural and environmental implications of loan-financed projects.
- ◆ Ensure that the debt portfolio is subject to independent, professional, timely and periodic audits and that the findings are publicly available.
- ◆ Support enhanced public awareness and engagement through the provision of information that is presented in an accessible format, incorporate visual elements and disseminated through inclusive channels.



Endnotes

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