AFRICAN BORROWING CHARTER
Effective Tool For Debt Advocacy

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INTRODUCTION

AFRICAN BORROWING CHARTER PUBLICATION
INTRODUCTION

• The Borrowing Charter aims
  • to sustainably balance public debt levels with the necessity to accelerate inclusive development and enhance public service delivery in Africa,
  • to contribute to improvements in the transparency of the political, institutional and administrative processes used; and the accountability of the State actors involved in; the contraction and management of public debt, the issuance of public guarantees, the selection and implementation of debt financed projects and the formulation and execution of overall fiscal policy, within the context of strengthened legal frameworks and the rule of law.

• All the actions and expected commitments set out are in pursuit of the African shared vision of “The Africa We Want: Agenda 2063” for “A prosperous Africa based on inclusive growth and sustainable development”
TRANSPARENCY AND ACCOUNTABILITY

• The process for obtaining financing and assuming public debt obligations and liabilities shall be transparent and accountable.

• African Governments have a responsibility to put in place and implement a comprehensive legal framework that clearly defines procedures, responsibilities and accountabilities.

• They should particularly put in place arrangements to ensure the proper approval and oversight of official borrowings and other forms of financing, including guarantees made by State-related entities.
When tabling the annual national budget, the minister responsible for finance shall, in relation to public debt:

• Indicate estimates of interest and debt servicing charges and any repayments on loans
• Indicate intentions regarding borrowing and other forms of public liability, which shall increase the public debt during that year and future financial years; and
• Accumulated borrowings for previous financial years.
RESTRICTION ON USE

• A loan obtained by government shall be applied solely for the purpose for which it was obtained and in accordance with the terms and conditions under which it was obtained, unless parliament is consulted and votes in favor of applying the funds towards another purpose.
DEBT MANAGEMENT STRATEGY

The minister of finance shall submit to parliament a debt management strategy over the medium term with regard to actual liability and potential liability in respect of loans and guarantees and its plans for dealing with those liabilities. The information in the debt management strategy should include:

- The total stock of debt as at the date of the statement;
- The sources of the loans made to the government and the nature of the guarantees given by the government;
- The principle risks associated with those loans and guarantees;
- The assumptions underlying the debt management strategy; and
- An analysis of the sustainability of the amount of debt, both actual and potential
DEBT MANAGEMENT STRATEGY

• African governments have a responsibility to put in place and implement a debt sustainability and management strategy and to ensure that their debt management is adequate and effective monitoring systems to ensure achievement of planned development results.

• An audit institution should conduct independent, objective, professional, timely and periodic audits of debt portfolios to assess quantitatively and qualitatively the recently incurred obligations.

• The findings of such audits should be publicized to ensure transparency and accountability in debt management. Audits should also be undertaken at sub-national levels.
LEGAL FRAMEWORK

- Public debt contraction and use shall be anchored in constitutionalism; backed by a legal framework and rule of law; based on coherent and coordinated structures with predictable rules and regulations, supported by debt strategy for long term debt sustainability.

- Violations of relevant laws and regulations shall attract sanctions and penalties.
WHO SHOULD CONTRACT?

- All public debt shall only be contracted through the minister responsible for finance.
- A public institution shall not be allowed to borrow, guarantee a loan or commit public finances unless such is authorized under an Act of Parliament or law relating to that institution.
In order to give increase efficient and effective debt management African countries should establish a Public Debt Management Office as a body whose functions include:

- Preparing a Medium Term Debt Management Strategy;
- Preparing and publishing an annual borrowing plan;
- Advising the Minister of Finance on all government borrowings;
- **Appraising** all loans and guarantees provided, undertaking annual debt sustainability analyses; and
- Preparing forecasts of public debt.
REPORTING/KEEPING THE PUBLIC INFORMED/CONSULTED

- The government should consult the public whenever contemplating borrowing substantial amounts of money.
- The minister of finance shall be required to report at the end of every month in Government Gazette and public media actual borrowings for that period and for the financial year up to the end of that year.
REPORTING/KEEPING THE PUBLIC INFORMED/CONSULTED

The minister of finance shall report to parliament every six months (or at such reasonable intervals) on all loans acquired by the government. The report should include:

- The names of the parties to the loans;
- The amount of the loan and the currency in which it is expressed and in which it is repayable;
- The terms and conditions of the loan, including interest and other charges payable and the terms of repayment;
- The amount of the loan advanced at the time the report is submitted;
- The purpose for which the loan was/is used and the perceived benefit of the loan and such other information as the Members of Parliament may consider appropriate.
The report to Parliament shall further include a record of all guarantees given by the government within the reporting period as well as the cumulative figures of the guarantees. With regard to each guarantee, the record should include:

- Names of parties to the loan that is guaranteed;
- The principal amount of that loan; and
- Terms and conditions applicable to the loan.
CONSEQUENCES OF VIOLATION

- Where a person or entity lends money to a public institution in violation of the constitution or an Act of Parliament, the state and that public institution shall not be bound by the contract.
- Criminal sanctions against responsible public officials
ENFORCEMENT

• The national constitutions/laws shall give *locus standi* to any person to apply to court to enforce the provisions of the constitution or an Act of Parliament relating to public finance and public debt.
USE OF THE CHARTER

• How do we make use of the Charter to influence debt policies at the national, sub-regional, and Africa levels?
THANK YOU!