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Taking the political economy of borrowing seriously: constraints on parliamentary oversight of government debt

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Executive summary

Developing country government borrowings are primarily a function of the financing requirements that emerge from annual budgets. If fiscal policies determine annual borrowing needs in the first place, how can parliamentary oversight mechanisms improve debt outcomes? Any answer to this question must take seriously the relationship between fiscal policy – and specifically the political interests that determine fiscal policy – and annual government borrowings. In other words, the political economy of how and why governments borrow each year must be accounted for in policy recommendations regarding oversight of government debt.

This paper outlines a political economy framework for thinking through how the annual fiscal policymaking process gives rise to political constraints on annual borrowing decisions, and thus debt composition and levels over time. The fact that debt outcomes depend in large part on policymakers' fiscal preferences and political interests is a complex issue that oversight efforts must address if they are to be effective. Difficult but important questions arise about political time horizons, political incentives, time-inconsistency problems, and institutional independence for those interested in promoting institutional oversight of debt via parliamentary entities. Annual borrowing strategies are devised by Debt Management Offices (DMOs) to avoid political conflict, since borrowing plans that would yield immediate fiscal or other policy adjustments are unlikely to be ratified by parliament. Medium-Term Debt Strategies, Debt Sustainability Analyses, and internal benchmarks can be used as points of reference if and when DMOs or other entities lobby fiscal policymakers to adjust their fiscal policies in the name of debt sustainability, but any such adjustments depend on the political will of policymakers themselves rather than any enforcement capacity of other actors. While DMOs may gain some forms of institutional independence, the effect of politically-determined fiscal policy and other macroeconomic preferences on DMO borrowing strategies – and thus subsequent effects on debt levels and composition – remains unavoidable. In short, parliamentary oversight of debt in developing countries requires parliamentary accountability for the effect of fiscal and other macroeconomic policy preferences on debt in the first place.

To make these points the paper (1) illustrates how annual borrowings are a component of the annual fiscal policymaking process and thus a function of fiscal policy preferences and related political constraints then (2) considers the challenges and obstacles these political realities create for efforts to identify feasible and effective parliamentary oversight mechanisms in government debt.

KEYWORDS: POLITICAL ECONOMY; SOVEREIGN DEBT; FISCAL POLICY; DEBT OVERSIGHT; DEBT SUSTAINABILITY

1. Introduction

Developing country governments have more borrowing options than ever before. From the 1990s through 2020, many gained reliable bond market access (Brown and Sienaert, 2019, page5) and new volumes of capital became available from multilateral and bilateral lenders like the World Bank and China (Dreher and others, 2022). Accordingly, developing country sovereign debt levels have increased, particularly after the 2008 financial crisis as low benchmark interest rates incentivised yield-seeking investors to hold riskier assets. By 2018, 26 African sovereigns were in or near debt distress (Mustapha and Prizzon, 2018) and many South American sovereigns faced debt sustainability questions due to expansive fiscal policy in the midst of falling commodity prices (Vegh and others, 2017).

This was before the 2020 Coronavirus pandemic led to a further explosion in developing country sovereign debt. Fiscal and other economic stimulus efforts drove low-and-middle income country debt-to-export ratios up nearly 30 percentage points in 2020 alone (World Bank, 2021, pages 20–21). Dozens of sovereigns faced rating downgrades and at least five (a record) defaulted that year (Fitch, 2021; Standard and Poor’s, 2020). By the end of 2021 over half of the world’s low-income sovereigns likely needed debt restructuring and 50 developing countries opted into the International Monetary Fund (IMF) debt repayment moratorium scheme ('The Economist', 2022). In 2022 interest rate increases further intensified sovereign debt pressures outside of the rich world as foreign capital moved home, new debt became more expensive, and rollovers more difficult to ensure. Meanwhile, Chinese lending volumes also decreased to a two-decade low (Moses and others, 2023). By 2023, 53 developing country governments were spending more than 10% of their revenues on debt repayments to creditors, the majority of which spend more interest payments than on healthcare and education (UNCTAD, 2024).

This has given rise to questions about managing, overseeing, or otherwise governing the ways in which developing country sovereigns accumulate debt. After all, the pandemic did not cause but rather intensified pre-existing trends toward unsustainable debt levels. How can developing country sovereign debt cycles, where debt repeatedly builds up over time to create detrimental effects on developing country economies and societies (Reinhart and Rogoff, 2009), be avoided or at least mitigated?

One intuitive place to look is domestic institutional oversight of debt accumulation. Oversight of debt could make policymakers and technocrats more accountable for the long-term implications of the debt that they take on today. In this joint Westminster Foundation for Democracy (WFD) and African Forum and Network on Debt and Development (AFRODAD) project, the specific focus is on what role *parliamentary* oversight might serve in making debt accumulation – and subsequent debt levels and debt composition – more sustainable.

This contribution to the project seeks to highlight the importance of political constraints in any analyses of, and subsequent proposals for, parliamentary oversight mechanisms in sovereign debt. It provides a political economy framework for thinking practically about the ways in which parliamentary oversight is likely or unlikely to help make government debt accumulation more sustainable. In particular, the framework emphasises the political constraints that implicitly and explicitly emerge through the annual fiscal policymaking process. If parliamentary oversight of debt is to alter the trajectory of sovereign debt in developing countries, any oversight mechanisms must account for the fact that *it is the political interests of policymakers, often in parliament, that set annual borrowing requirements in the first place*. The fact that debt outcomes depend in large part on the political interests that determine policymakers' fiscal and other macroeconomic policy preferences is a complex issue that parliamentary oversight efforts must address if they are to be effective.

To make these points the paper illustrates how annual borrowings are a component of the annual fiscal policymaking process and thus a function of fiscal policy decisions, then considers the challenges and obstacles these political realities create for efforts to identify feasible and effective parliamentary oversight mechanisms in government debt. The paper concludes with brief suggestions for pushing the political economy of borrowing further, with the aim of identifying spaces where oversight is more likely to be effective. These include unpacking the particulars of the relationship between legislative and executive branches in fiscal policymaking in different contexts and identifying different aspects of debt composition that are more or less likely to be affected by parliamentary oversight.

2. The political economy of debt accumulation

Fiscal policy preferences are a primary determinant of developing country sovereign borrowings. This is because (1) fiscal policy determines how much and for what governments need to borrow each year and (2) political preferences can steer bureaucrats into borrowing from creditors that do not offer optimal long-run terms. Moreover, while not all fiscal policymaking arrangements are consistent across countries, the influence of fiscal policy decisions on annual borrowings is unavoidable regardless of whether the parliament/legislature or the executive has primary control over, or responsibility for, the budget.[1]

This section introduces Debt Management Offices (DMOs) and outlines some of the main ways in which political preferences present implicit and explicit constraints on the volume and types of debt that DMOs, and thus governments, accumulate over time.[2] The following section uses this framework for thinking through what this political economy of borrowing means for discussions of parliamentary oversight of sovereign debt.

[1] Put differently, fiscal policy choices (and other macroeconomic policy preferences) present consistent constraints on borrowing, regardless of whether they come from MPs or the executive.

[2] The discussion and framework is adapted from previous research (Cormier, 2021, 2024).

Fiscal policy is sequentially prior to borrowings

DMOs are the executive institutions, typically but not necessarily located in finance ministries, responsible for planning and executing governments' annual borrowing transactions. The core DMO aims are "to finance the government's borrowing needs… and to ensure that the government's debt-servicing obligations are met" (Wheeler, 2004, page 13). Ideally DMOs pursue both goals by borrowing at the lowest possible cost each year, and at longer maturities, easing subsequent repayment pressures. Low-cost and long-maturity debts are particularly important for developing country DMOs borrowing foreign-denominated debt from external sources like Eurobond markets or multilateral and bilateral creditors.

The main determinant of what DMOs borrow each year is the borrowing requirement that emerges from annual budgets. At a minimum this is the deficit, the difference between revenues and expenditures. Other DMO operations (like benchmarking in a new market) may bring debts on to national balance sheets that are not a direct function of fiscal policy, but these are the exceptional operations that highlight how DMOs primarily borrow to finance budgetary expenditures (Fatás and others, 2019; World Bank, 2015, page10).

Since annual financing needs are a function of budgets, fiscal politics is a necessary starting point for understanding how governments borrow each year (Cormier, 2021, 2024, Chapter 2). Sequentially, DMOs are recipients of, rather than shapers of, borrowing requirements. Deficit size and the budget items DMOs need to borrow for each year are determined by fiscal policymakers. DMOs must fund whatever borrowing requirement emerges from politicians' budgets. This makes both the annual increase in total debt a "political decision" (World Bank, 2015, page 8) and the level of outstanding debt over time a "consequence of… fiscal policies… not under the control of debt managers" (Das and others, 2011, page 365). Other constraints stem from the fact that DMOs must borrow from sources that do not adjust or threaten the items in those budgets, nor the wider policy preferences of the policymakers that made those budgets.

During annual budget deliberations, DMOs may advise fiscal policymakers – MPs or otherwise – about how their projected budgets will affect public debt sustainability over time (Wheeler, 2004, page31). But the degree to which providing such information and advisory input does or does not affect final budgets and ultimate financing requirements is at least partly a function of political will, which DMOs cannot force onto policymakers. The purpose and amount of sovereign debt accumulated annually is determined by fiscal policymakers, not DMOs tasked with executing borrowings each year.

A model of political constraints on borrowing

This sequential relationship between fiscal policymaking and borrowings gives rise to a set of significant political constraints on DMOs. Figure 1 depicts this in a model of how governments borrow. The constraints highlighted are not an exhaustive list but include some of the main political constraints on DMOs.

Three political constraints on developing country borrowings emerge directly from the pre-borrowing stage of the annual fiscal process: (1) DMOs cannot control the amount of debt needed or what items it will pay for; (2) minimal or flexible fiscal and debt laws often have little constraining effect on budgets; (3) guarantees give rise to other debts that a DMO did not coordinate or negotiate.

First, as discussed earlier, DMOs are recipients of, rather than shapers of, financing requirements given their role in the fiscal process. DMOs cannot control what is being borrowed for. Fiscal policymakers are responsible for this through their fiscal policy decisions.

Second, the relationship between fiscal policy preferences and debt accumulation is reinforced by the flexible nature of fiscal and debt laws in many developing countries. It is possible that laws minimise the latitude politicians have when making budgets, placing a check on fiscal policy in the name of debt sustainability. But in many developing countries fiscal and debt laws are constantly altered, unenforceable, or otherwise less-constraining than intended (Eyraud and others, 2018; Kopits, 2001; Lledó and Poplawski-Ribeiro, 2013). For example, where laws are set as a percentage of the deficit or GDP, these laws incentivise procyclicality (Bova and others, 2014; Milesi-Ferreti, 2000). Moreover, subjective forecasts or reduced transparency can help partisans pass the budgets they prefer regardless of rules (Milesi-Ferreti, 2000). Finally, escape clauses and exceptions are commonly used to override legislation if MPs wish to do so (Eyraud and others, 2018, page 18), with implications for debt (Cormier, 2024, Chapter 5 provides examples). The nature of fiscal rules ultimately reinforces the point that it is primarily fiscal policymakers' preferences and interests that determine borrowing needs each year.

Third, guarantees of public or private sector debts may be granted by politicians. At best, guarantees are explicit and increase debt with a DMO's knowledge. But often guarantees are implicit and DMOs may not be informed of them until after the debt is incurred. Even where guarantee processes are formal and transparent, it is difficult for a DMO to do more than rely on politicians' accountability in keeping use of guarantees minimal (see Ülgentürk, 2017).

Three additional political constraints emerge after DMOs are handed annual financing requirements, when DMOs set out to negotiate with creditors and finalize borrowing plans.

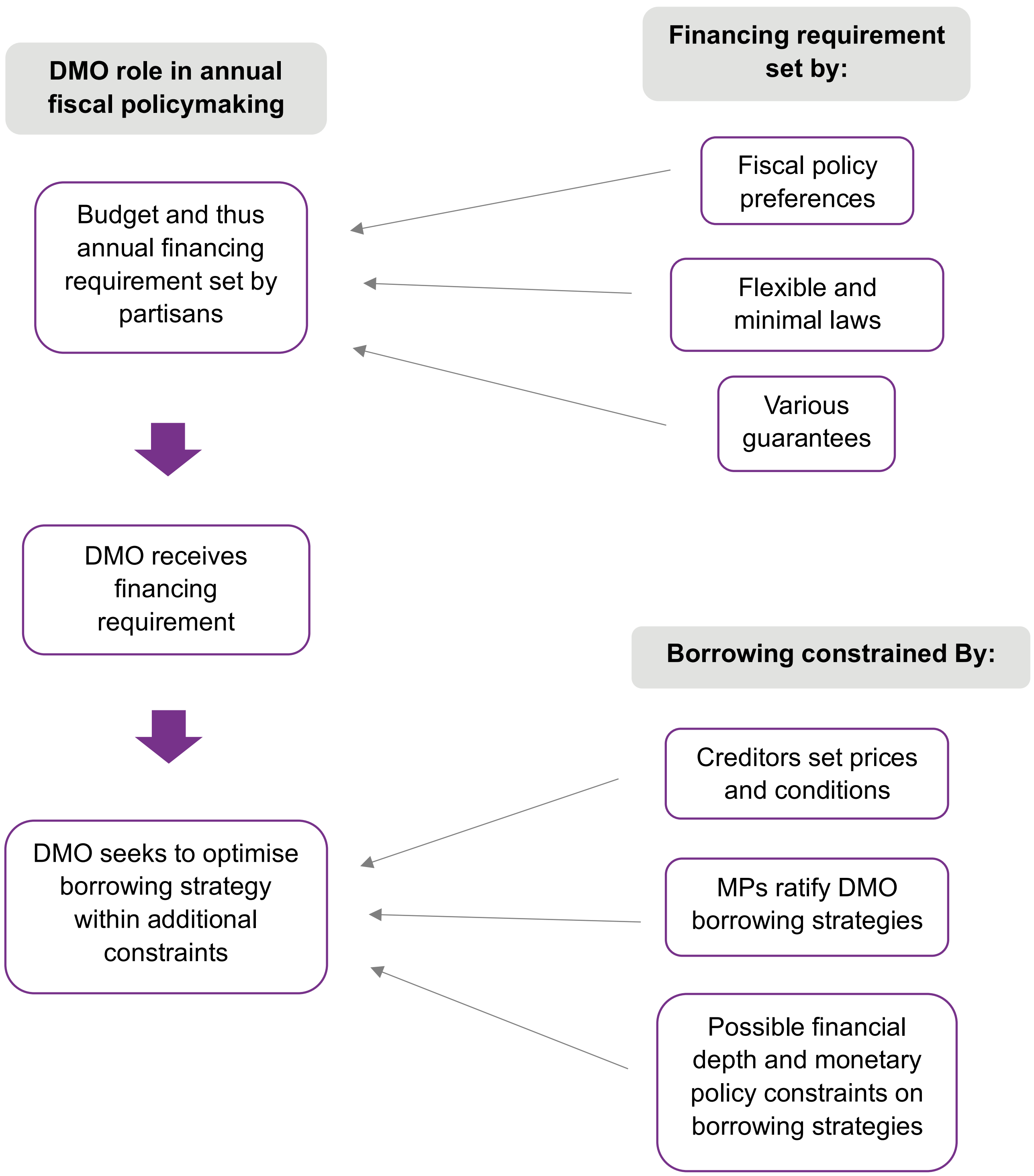
First, developing country DMOs borrowing from external sources are constrained by implicit and explicit political interests when deciding whether and how to mix external financing options. This is because after borrowing strategies are devised, ministers and legislators retain ratification power (Melecky, 2007, page 3; World Bank, 2015, page 7). This means fiscal policymakers retain power over final borrowing decisions. For example, some politicians may explicitly reject certain multilateral or bilateral credit options, despite the DMO wanting to take advantage of the cost, maturity, or other benefits many of them provide (Cormier, 2023a, 2024).

Second, financial markets set the terms of bond market access (Cormier and Naqvi, 2023; Mosley, 2003, Chapter 4) while international political relationships affect access to and terms of multilateral credit (Clark and Dolan, 2021; Dreher and others, 2015; Lim and Vreeland, 2013) and bilateral credit (Dreher and others, 2011). These supply side forces mean that DMOs likely have little effect on the price, conditions, and volume of the finance that markets and official creditors offer to them. Policymakers' policy preferences, on the other hand, could affect the terms offered by various creditors (Barta and Johnston, 2018; Cormier and Naqvi, 2024; Vaaler and others, 2006; Winter and others, 2022).

Third, borrowing may be constrained by the operations of other state institutions that do not prioritise debt sustainability. For example, some suggest central banks prioritising monetary stability may advocate for issuing more foreign-denominated debt or more variable-rate debt because bearing this repayment risk would signal that the government is committed to low inflation (Aguiar and others, 2013, page 9). DMOs would typically prefer to avoid this borrowing strategy (Blommestein and Turner, 2012, pages 21–22). While this relationship is not a function of fiscal policymaking and thus not the focus of this paper, it is important to note such possible inter-institutional and other policy constraints on DMO control over borrowing operations.

Figure 1 summarises these constraints in a model of annual emerging markets sovereign debt accumulation. It is a stylised procedural depiction of the many ways in which DMOs, the ministerial institutions ostensibly responsible for managing public debt, face significant and inevitable political constraints as borrowing decisions are made each year.

Figure 1: Model of annual sovereign debt accumulation and borrowing in developing countries



Note: Adapted from Cormier (2024).

Exemplifying political constraints: developing country external borrowings

To illustrate how constraints emerge in practice, this section reviews how domestic policymakers constrain DMO external borrowing decisions. This is a useful example given the fact that many developing countries historically depend in large part on external debts when financing annual budgets. As indicated in Figure 1 and described below, the borrowing choices that DMOs make each year, and thus the composition of external debt that developing countries build over time, are shaped by domestic political constraints because fiscal policymakers determine budgets and maintain ratification over DMO borrowing decisions.

When turning abroad for finance, developing countries can choose between bond markets or official multilateral and bilateral creditors. As noted in the introduction, bond markets and official multilateral or bilateral borrowing options have expanded in recent decades. Borrowings from these sources are of course subject to important supply-side constraints. Both bond markets and official lenders have interests and preferences that determine the volume and cost of capital that they make available to developing country borrowers. But these are not the only constraints on foreign borrowings made by DMOs. As detailed below, recent studies explain how domestic partisan politics – and thus policymakers' political interests – also constrain foreign borrowing decisions in ways that may lead to sub-optimal debt composition.

One important trade-off governments face when borrowing externally each year is between official lenders and bond markets. On one hand, official creditors lend at cheaper terms and longer maturities than bond markets. On the other hand, however, accepting these beneficial terms comes at the cost of accepting conditions that limit borrower policy autonomy.

How do governments borrow externally, then, given this trade-off? Given the cost and maturity benefits of official credit, why do so many governments issue bonds and thus borrow from more expensive sources? Key is that some governments prioritize avoiding conditionality from official creditors – at the cost of borrowing via more expensive bond markets. This might be the case if conditionality would adjust domestic macroeconomic policies, state institutions, or legal and other governance structures in ways that would negatively affect governing party leaders and/or their constituencies.

For example, left-leaning governments – which promote state intervention in markets, expansionary macroeconomic policies, and fiscal as well as other macroeconomic policies that support labour – may resist the conditionality frequently attached to Western loans because those conditions may undermine their capacity to pursue these policy priorities. This incentivises DMOs to avoid cheaper and longer-term official credit when left-leaning governments are in power. Left-leaning governments, in other words, lead DMOs to accumulate more expensive and shorter-term debt via bond markets than they might otherwise prefer (Cormier, 2024).

This partisan constraint is evident in developing countries in Africa and elsewhere. In South Africa, despite junk bond ratings and widely acknowledged debt sustainability concerns, the DMO primarily uses more expensive bond markets because the left-leaning governing party will not ratify conditional official loans. Borrowing from official creditors "for the price benefit… is more trouble than it is worth" because MPs will push back on the use of official loans (Cormier, 2024, page 87). In contrast, the conservative governing party in Botswana incentivises its DMO to use official creditors. The government does not resist conditionality, allowing the DMO to use cheaper and longer-term official credit. Indeed, when the DMO brings borrowing plans to parliament for ratification, there is "very little debate" because policymakers' policy preferences match those of the official creditors in the first place (Cormier, 2024, page 97).

The same partisan political constraints on external borrowing decisions are evident outside of Africa. In Peru, the DMO has been constrained into different borrowings than it would prefer to make because left-leaning parties have had repeated electoral success since the 2000s. When left-leaning parties are in government, the Peruvian DMO faces pressure from policymakers to simply issue bonds. The DMO "[wants] to take even more from [official creditors]" but cannot do so due to legislator resistance (Cormier, 2024, page 104). Similarly, Thailand's DMO is only able to use official creditors when right-leaning governments are in power. When left-leaning governments are in power, the DMO must use more expensive bond markets because the "political transaction costs" of using official creditors are insurmountable (Cormier, 2024, page 133).

Moreover, the political constraints on external debt accumulation do not depend on the relative power of the legislature vis-a-vis the executive (at least given existing evidence).[3] This is because fiscal and macro preferences present consistent constraints on borrowing, regardless of whether they come from MPs or the executive. Even where strong executives are more influential in fiscal and other macroeconomic policymaking processes than MPs, the same partisan constraints emerge because the executive's preferences would have the same constraining effects on DMOs.

Far-reaching political constraints

Partisanship is not the only political constraint on DMO borrowing decisions. For example, less-transparent governments borrow more from China vis-à-vis Western official creditors because less-transparent governing parties wish to avoid Western pressure to become more transparent (Cormier, 2023a) – and thus take advantage of Chinese loans that are not conditional on improved transparency (Gelpern and others, 2021; Horn and others, 2021). Less-transparent governments also borrow more from bond markets to avoid multilateral conditionality (Mosley and Rosendorff, 2023). Indeed, a debate has emerged about the exact ways in which politicians' interests constrain DMOs, affect annual borrowings, and thus help determine sovereign debt outcomes over time (in the international political economy literature, see Bunte, 2019; Cormier, 2023a, 2023b, 2024; Humphrey and Michaelowa, 2013; Mosley and Rosendorff, 2023; Zeitz, 2022).

There is thus increasing recognition that annual government borrowing decisions are a function of political factors. This makes the political economy of sovereign debt accumulation an important topic not only for understanding debt composition, but for understanding whether and how sovereign debt may become more sustainable given such political influence.

[3] Though see further discussion in the concluding section.

3. Implications of the model for parliamentary oversight of debt

The fact that annual external borrowing decisions and thus debt composition over time depends in large part on policymakers' fiscal preferences, other macro preferences, related partisan interests, and other political considerations is a complex issue that oversight efforts must address if they are to be effective. The above discussion on politicised external borrowing is particularly relevant to Low Income and Middle-Income Countries where external debt is central to capital flows into government and subsequent risk – but the general point that borrowing is a function of politicised fiscal processes applies across even large emerging markets since fiscal policy remains a primary determinant of the size and purpose of annual financing requirements.

Across these developing country contexts, then, the challenge for proposing *parliamentary* oversight of debt is that such proposals necessarily encounter the question of how parliament might oversee *itself*, particularly where it is the primary determinant of fiscal policy and other macroeconomic policy choices. How and why would MPs increase accountability for the effects their current policy preferences have on future debt? Even where executives have greater influence on macroeconomic policies, effective parliamentary oversight likely depends on adjusting executive-determined inputs that inform annual borrowings rather than presuming there is something technical that they can oversee in DMO operations.

Core themes to grapple with in addressing questions about effective oversight are political incentives, political time horizons, time-inconsistency problems, and limits to the importance of institutional independence. These forces can impede the impact of some debt management best practices designed to improve public debt accountability and sustainability.

Indeed, many technocratic tools have been adopted as best practices for increasing accountability for how policy decisions today affect debt sustainability tomorrow. Medium-Term Debt Strategies (MTDS) devise forward-looking borrowing plans, with an eye to minimising medium-term debt risk.[4] But borrowing strategies, even when previously planned, still ultimately require ratification by MPs and/or ministers. These policymakers can ignore a past MTDS or similar pre-existing guidelines if they have a short-term interest in doing so. The political constraints on annual borrowings remain.

Similarly, Debt Sustainability Analyses (DSA) are commonly used to identify and provide information about a sovereign's debt structure and corresponding future risk. While providing information to markets, DSAs may also be used as a domestic accountability tool, should DMOs or other actors seek to have more information with which they may alter MP policy choices in the name of debt sustainability. But any such adjustments depend on the political will of the fiscal

[4] For World Bank and IMF MTDS work, see https://www.worldbank.org/en/programs/debt-toolkit/mtds (accessed July 24, 2024).

policymakers themselves—DMOs and other actors cannot enforce policy adjustments using MTDSs or DSAs.

Moreover, DMOs may set internal benchmarks for sustainable debt. But, as with DSAs or MTDSs, these are not enforceable. DMOs cannot point to technocratic benchmarks with any certainty that they will alter politicians' preferences (Cabral, 2015, page 25). DMOs can hope benchmarks encourage governments to take debt risks into consideration in budget deliberation or borrowing strategy ratification, but again, whether DMO benchmarks alter fiscal policy and debt accumulation remains up to the pre-existing political will of policymakers themselves.

Finally, following research and practice emphasising the gains from central bank independence in recent decades, some have suggested that formal-legal independence of DMOs may alter debt and borrowing outcomes (Sadeh and Porath, 2020), or even that debt management is so technical that it is apolitical (Fastenrath and others, 2017; Schwan and others, 2021; Trampusch, 2019). But this paper reviews the many ways in which such a view has limited application in developing countries (Cormier, 2021, 2024). Regardless of the formal-legal arrangements governing national debt management or degrees of "professionalization" of a DMO in a country, essential aspects of developing country sovereign debt remain primarily a function of political constraints that emerge through the fiscal policymaking process. Put differently, the politics that inform fiscal and other macroeconomic policy preferences inevitably feed into the work that DMOs do when they borrow each year. Accordingly, even where DMOs may gain legal independence, the effect of politically determined fiscal policy and other politically informed macroeconomic preferences remain inevitable constraints on DMO borrowing decisions and subsequent debt levels and composition over time.

In sum, existing best practices in debt reporting do not resolve the first-order issue that fiscal policy is responsible for how governments borrow in the first place. Parliamentary oversight mechanisms, then, face the same challenge as the accountability tools available to DMOs. A key question for proposals for *parliamentary* oversight of debt is thus what incentives or institutions can make fiscal policymakers (whether based in the legislature or the executive) accountable for *their own role in determining debt outcomes*, particularly given that the important implications typically only arise in future years?

4. Ways forward?

These big-picture points about how governments borrow present significant practical challenges for proposals regarding oversight of debt. Two initial suggestions for thinking practically about parliamentary oversight of debt are to consider (1) different ways in which institutions interact during the budget process and (2) different aspects of debt accumulation and composition which may be more subject to oversight than others.

Different institutional roles in the budget process

The core point above is that fiscal policymakers control the size and items for which DMOs borrow each year. These fiscal choices, and the political interests that underpin them, constrain annual DMO borrowing decisions in important ways. Whatever actors across legislative and executive branches are involved in constructing, negotiating, and finalizing annual budgets, then, are the primary determinants of how governments borrow each year.

However, the interaction between legislatures and executives – specifically their roles and relationships during budget negotiations, before handing DMOs financing requirements – varies across countries. Properly studying this relationship lies outside the scope of this paper, but unpacking the ways in which different institutional arrangements affect the salience of the long-term implications of debt can refine discussion about how parliaments may oversee debt outcomes. Certain institutional roles and partisan combinations[5] may allow more scope for more effective parliamentary oversight of the financing requirements handed to DMOs each year. This is ultimately a fiscal policymaking question, but one with clear implications for debt.

It remains true that regardless of precise arrangements, whatever actors inform and determine the budget present a political constraint on DMOs and thus how governments borrow. But different relationships between those actors may provide contexts in which or conditions under which parliamentary oversight in the name of debt can have more of an effect than others.

Deconstructing debt

Another possible approach is to deconstruct debt into its constituent parts when considering oversight. This is because different aspects of debt accumulation and subsequent debt composition are not likely subject to the same political constraints, making forms of oversight potentially more effective over some aspects of debt than others.

For example, given a focus on developing countries, it is important to prioritise discussion of external debt. The political constraints on external borrowings are established above. But other areas of debt composition such as currency of debt, maturity structure, or residency of bondholders

[5] For example, if the executive has primary control over the budget but the legislature maintains ratification powers, and the party in control of the legislature is different from the executive, the legislature may be in a position to force budget adjustments in the name of debt sustainability before approving the budget.

may be less subject to political constraints or at least subject to different political constraints. Breaking down sovereign debt composition into such constituent parts may allow those interested in parliamentary oversight of debt to identify components of sovereign debt that are more plausibly affected by parliamentary oversight, rather than aggregate debt levels and external borrowing decisions.

In other words, emphasising the importance of the political economy of borrowing does not mean oversight is impossible. But thinking practically about how oversight mechanisms can ultimately improve sovereign debt sustainability depends on understanding whether and how political factors constrain different aspects of annual borrowings. This paper provides a political economy model for beginning to think about how and why governments borrow, the ways in which political constraints inform borrowing outcomes through that process, and thus a procedural policymaking framework for thinking about effective oversight mechanisms in developing country sovereign debt.

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Annex 2: About the author

Ben Cormier is a lecturer and Chancellor's Fellow in the Department of Government and Public Policy at the University of Strathclyde. His research focuses on the international political economy of finance and development. He is particularly interested in sovereign debt, financial markets, capital flows, aid flows, loan conditionality, government transparency, and economic development.

His book 'How governments borrow: partisan politics, constrained institutions, and sovereign debt in emerging markets', on the politics of government borrowing decisions in developing countries, is with Oxford University Press. Related work is published in '*British Journal of Political Science', 'Governance', 'International Organization', 'International Studies Quarterly', 'Journal of Politics', 'Review of International Organizations',* and other outlets. His research has been funded by the Carnegie Trust and he has worked with NGOs and international organisations such as the International Budget Partnership (IBP) and Collaborative African Budget Reform Initiative (CABRI) on public debt management and governance in developing countries.

He was member of the Reference Group for WFD's Public Debt Management Assessment Tool for Parliaments (PDMAT 2.0).

Annex 3: Public Debt Integrity series 2025

The role of parliaments in public debt oversight in Africa

This paper is published as part of the “Public Debt Integrity Series”, a joint knowledge building initiative of AFRODAD, the African Forum and Network on Debt and Development, and WFD. The papers in this series research different aspects of the role of parliaments in public debt oversight in Africa. The full list of papers is:

1. Bernard Njiri, Ruth Kendagor, Veronicah Ndegwa, Martin Kabaya, Charles Gichu, Davis Wachira: **Outcomes, constraints and examples in parliament’s role in debt oversight during the different phases of the budget cycle**.
2. Oke Edward Epia: **Legislative oversight and the inverse proportionality of debt and development**
3. Abraham E. Nwankwo: **Remedying a gap in African parliaments’ oversight of public debt**
4. Philip Mwiinga: **Strengthening Zambia's Debt Oversight: Lessons from a Comparative Analysis with Sub-Saharan Legislatures**
5. Ernest Ereke: **The National Assembly and sustainable debt management in Nigeria**
6. Ben Cormier: **Taking the political economy of borrowing seriously: constraints on parliamentary oversight of government debt**
7. Mitchell O’Brien: **Pivoting Parliamentary Scrutiny of Climate Finance from Approval to Performance Oversight: A potential role for parliaments in enhancing investor confidence in future Sustainability-Linked Sovereign Bond (SLSB) Issuances in Africa?**
8. Tesfaye Merra and Danny Cassimon: **The Political Economy of debt in Ethiopia: Assessing the Role of Parliaments in Public Debt oversight**
9. Robert Tumukwasibwe: **Legislative oversight of public debt in Uganda: a critical appraisal**
10. Grieve Chelwa, Paolo de Renzio, Ntazana Kaulule: **Accountability Failures: Investigating the origins of Zambia’s 2020 debt crisis**
11. Sally Torbert, Elena Mondo, Jean-Pierre Degue, Ivy Kihara: **Parliaments’ engagement with civil society, and the public more generally, in public debt management**
12. Jaime Guiliche: **The Role of Parliament in Overseeing Public Debt Management in Mozambique**
13. Abdul-Gafar Tobi Oshodi: **Parliamentary oversight and Chinese loans in Africa: The case of Ghana and Nigeria**

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