

Debt Management Forum, Berlin

Role of Parliament in Debt Management

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Outline

1. Introduction
2. Strengthening Parliament's Role in Debt Management
3. Parliamentary approval of DMS
4. Fostering relationships with Parliament

1. Introduction

- Kenya's Public Finance Management (**PFM**) law requires:
 - The Cabinet Secretary to submit to **Parliament for approval** the Medium Term **Debt Management Strategy** (DMS).
- Parliament through the relevant Parliamentary Committee (s) invites the Cabinet Secretary or the Principal Secretary (accounting officer of the National Treasury) to discuss the proposed DMS.
 - Kenya has a **Parliamentary Committee on Public Debt Management**.

...cont., Introduction

- Parliamentary Budget Office (**PBO**) provides the technical support to **the Parliamentary Committees** while the **PDMO** supports the **Minister** at the proceedings on DMS.
- The **approach of engagement with Parliament on DMS** has evolved over the years.
- In the early years, the National Treasury - PDMO - **adopted a pro-active approach** to reach out to the relevant committee of Parliament (**through the PBO**) to encourage discussions on MDS.

2. Is there **space for strengthening parliament's** role in debt management?

Legal reforms:

- Need for **strong legal framework** that strengthens accountability and transparency in management of public debt;
- Debt management should be **anchored on best practices.**
- Constitution of Kenya 2010 outlines **key principles of public finance** to include:
 - ✓ ***public participation,***
 - ✓ ***prudence*** in the use of public resources; and
 - ✓ ***equity and fairness*** in sharing benefits and burdens over generations.

...cont.;...**strengthening Parliament's role**

- The **public finance principles cascaded down** to PFM legislations and others that establishes institutions responsible for public finance, clarifying roles and responsibilities.
- Strengthen **institutional arrangement** that supports Parliament in public debt management, especially *PDMO, Auditor General, Controller of Budget and other oversight and law enforcement agencies*.
- DMS is a **public participatory process** with a high level of disclosure; it is highly publicized process where Parliament invites comments from the general public – for **transparency**.

Direct participation of citizens in matters public debt further reinforces effectiveness of Parliament in debt management.

..cont., **strengthening parliament's** role

Challenges

- ✓ Legal reforms are slow and difficult to implement;
 - ✓ Requires strong political will.
 - ✓ Limited technical expertise in public debt management
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- Kenya adopted a **gradual approach**.
 - **Anchored on broader public finance and legal sector reform** program supported by the *World Bank and other development partners*.
 - Public debt is both a **highly technical and an emotive subject** in the political arena. Sustained capacity building in the PDMO on debt management

3. Would **parliamentary approval of the DMS** increase the likelihood that it serves as a **meaningful guide** for borrowing decisions?

1. **Provides visibility** of public debt management and reinforces citizens, lenders / investor confidence.
2. Entrenches **accountability, transparency** and **prudence** in borrowing decisions.
3. **Contributes to refinement of DMS.**

4. What actions can **debt managers** take to **foster** a constructive working **relationship** with **parliament**?

- Pro-actively **promote information flow** on public debt between the National Treasury / Ministry of Finance and Parliamentary Committees including general public.
 - ✓ ***Comprehensive, accurate, and timely information flows builds trust and confidence.***

What actions can **debt managers** take to foster a constructive working **relationship** with **parliament**?

- **Promote collaboration with institutions and other stakeholders** like Auditor General Office, PBO, media and general public that work closely with Parliament in addressing or responding to operational and strategic debt management issues.
 - ✓ It provides opportunity for the debt managers to have **constructive engagements on DMS among other debt issues** with Members of Parliament .

What actions can **debt managers** take to foster a constructive working **relationship** with **parliament**?

- **Promote capacity building or sensitization** in debt management in relevant Parliamentary Committees, *to create understanding of the subject matter* e.g., through retreats to discuss emerging and relevant issues on debt and borrowing.

Caveat: success depends on the broader working relationship between the **executive and parliamentary arm** of the government.

Thank you !