



# POLICY BRIEF: Debt for What? Strengthening Accountability, Outcomes, and Intergenerational Equity in Public Borrowing

## 1. Introduction

Public debt has become an increasingly central feature of development financing, particularly in low- and middle-income countries. While much of the policy debate focuses on the amount : [growing twice as fast in developed economies since 2010 to 31 trillion in 2024](#); and sustainability of public debt, as depicted in the [Debt Sustainability Analyses\(DSAs\)](#) there is growing recognition that [equal attention must be paid to how debt is used, managed, and translated into development outcomes](#). From a child-focused perspective, the management of public debt is especially critical, as borrowing decisions today shape both current service delivery and future fiscal space available for investments in children.

This analysis is grounded in the principle that public debt should be managed responsibly and used effectively to achieve sustainable development outcomes while respecting intergenerational fiscal equity. Borrowing today must deliver value for money and tangible benefits that justify the repayment obligations

placed on future generations. Recognising the significant risks that unresolved debt in developing countries pose to the wellbeing and opportunities of future generations. UNICEF calls for coordinated global action to [‘break the cycle’](#) of an indebted generation. Where debt is inefficiently utilised or fails to generate adequate returns, it creates an intergenerational transfer of burden without a corresponding transfer of benefits.

Supreme Audit institutions play a critical role in assessing how public resources—including [borrowed funds](#)—are utilised. Their reports provide independent, evidence-based insights into the implementation of public expenditure, highlighting gaps between intended and actual outcomes. This brief draws primarily on Kenyan and Zambian Auditor-General national government reports from the period [2019 to 2025](#), including annual debt reports and special audits, to examine how debt is being used in practice and why this is relevant for children.



The independent oversight provided by Auditor-General institutions in Kenya and Zambia is a valuable foundation for this analysis and reflects the strength of public accountability systems in both countries.<sup>1</sup>

A few key points to note on public debt in both Kenya and Zambia

- 1.** Public debt has grown rapidly in both Zambia and Kenya, increasing from ZMW 433.2 billion (USD 33.6 billion) in 2020 to ZMW 697.6 billion (USD 26.7 billion) in 2024 in Zambia and from KES 6.37 trillion (USD 62.5 billion) in FY 2019/20 to KES 10.58 trillion (USD 73.0 billion) in FY2023/24 in Kenya, equivalent to increases of over 60 percent in both countries (Zambia: 61%; Kenya: 66%). This pattern reflects rising fiscal pressures and the need for borrowed resources to translate into meaningful development outcomes.
- 2.** Debt servicing pressures have intensified in both Zambia and Kenya over the same period. In Zambia, total debt service increased by approximately 95 per cent, rising from ZMW 59.3 billion (USD 3.3 billion) in 2020 to ZMW 115.8 billion (USD 4.4 billion) in 2024. In Kenya, debt servicing grew even more rapidly, increasing by 127 per cent, from KES 704.8 billion (USD 6.9 billion) in FY 2019/2020 to KES 1.60 trillion (USD 11.0 billion) in FY 2023/2024. This rapid escalation in debt service obligations highlights the growing pre-commitment of public resources to repayment and reinforces the need to ensure that borrowed funds deliver sufficient development outcomes.
- 3.** Debt service now absorbs a substantial share of government ordinary/domestic revenues in both countries; this reached approximately 74 per cent in Zambia in 2024 and 70 percent in Kenya in FY 2023/2024, which underscores the increasing pre-commitment of public resources to debt repayment and the resulting constraints on financing essential services.

<sup>1</sup> Audit reports are typically submitted to Parliament for further scrutiny by the relevant committees, after which follow-up action may be undertaken by the responsible government departments. This brief draws on audit reports solely as credible indications of public financial management challenges. In some instances, audit queries may remain unresolved or may not result in a consolidated determination of responsibility, as they are often addressed on a case-by-case basis.

## 2. Debt for what?

### Conceptual framework

Public debt is often justified as a tool to finance development across sectors; however, the key consideration is not only what debt is intended to finance, but how effectively it delivers results.<sup>2</sup> Legal and policy frameworks in Kenya and Zambia allow for a wide and flexible use of debt, ranging from financing budget deficits and recurrent expenditure to supporting large-scale infrastructure and strategic investments.<sup>3</sup> While this flexibility enables governments to respond to diverse financing needs, it also places a strong responsibility on institutions to ensure that debt is used effectively, aligned with national priorities, and delivers tangible outcomes.

A central distinction in the use of public debt is between capital and recurrent expenditure. Capital expenditure, such as infrastructure and long-term investments, is generally considered appropriate for borrowing, as it is expected to generate economic and social returns over time. In contrast, recurrent expenditure includes ongoing costs such as compensation to employees, operations, and maintenance which comprise a significant part of recurrent-heavy sectors like education and health. Save in times of crisis, financing these recurrent needs through debt raises sustainability concerns, as they require continuous funding rather than one-off investment.

Rising debt-service burdens necessitate borrowing to deliver measurable outcomes. Nevertheless, evidence from audit reports taken from Kenya and Zambia shows that, in practice, debt-financed investments do not always translate into expected results. This mismatch, arises from a range of factors, including inadequate planning, limited feasibility assessment, and inefficiencies in resource utilisation. At the same time, repayment obligations continue to rise, placing pressure

on public resources. This highlights a central concern: debt should be assessed not only by its intended purpose, but also by the outcomes it delivers. These outcomes may include improved road networks that support efficient mobility, greater access to safe and adequate water resources, and stronger food security. Where borrowing does not yield the anticipated benefits, it can create fiscal pressures that are not matched by corresponding gains, thereby creating lasting setbacks for children and future generations.

The use of public debt carries direct tangible impacts on children's lives and implications for intergenerational fiscal responsibility. Sovereign borrowing creates future obligations and therefore necessitates that today's debt delivers lasting and equitable benefits through investments that generate long-term economic and social value. Where debt is used effectively, it can support development and expand opportunities for future generations; however, where debt is not utilised optimally, burdensome financial obligations may be passed on without corresponding gains. Thus, responsible borrowing is not only a matter of fiscal management, but of fairness; ensuring that future generations inherit the benefits of debt and not just the costs.



<sup>2</sup> Kose, M. Ayhan, Peter Nagle, Franziska Ohnsorge, and Naotaka Sugawara. 2021. Global Waves of Debt: Causes and Consequences. Washington, DC: World Bank. doi:10.1596/978-1-4648-1544-7. Available at <https://openknowledge.worldbank.org/server/api/core/bitstreams/dfe3e974-564c-533a-b5f6-b416905eef92/content>

<sup>3</sup> Government of Zambia, Public Finance Management Act, 2018, Available at: [https://www.zambialaws.com/Zambia\\_Acts\\_yearPdf/Zambia2018Pdf/ACT-2018-14.pdf](https://www.zambialaws.com/Zambia_Acts_yearPdf/Zambia2018Pdf/ACT-2018-14.pdf) and Public Debt Management, 2022 [https://www.parliament.gov.zm/sites/default/files/documents/acts/ACT%20No.%2015%20OF%202022%2C%20The%20Public%20Debt%20Management\\_0.pdf](https://www.parliament.gov.zm/sites/default/files/documents/acts/ACT%20No.%2015%20OF%202022%2C%20The%20Public%20Debt%20Management_0.pdf)

## 3. Key Challenges in Debt Utilisation

### 3.1 Borrowing Without Readiness

A key challenge identified by the Auditor General across both Kenya and Zambia is the contracting of debt before sufficient project readiness and implementation capacity are in place. This affects sectors such as infrastructure, energy, and social services, in which projects often require detailed planning, land acquisition, procurement preparation, and institutional coordination before funds can be effectively utilised. When borrowing occurs ahead of these processes, it can contribute to lower absorption of funds, implementation delays, and additional costs such as commitment fees. This can reduce the efficiency of public spending and limit the link between borrowing and development outcomes.

Evidence from Kenya (Table 1) shows that the government incurred commitment fees on undrawn loans due to delays in project implementation, while in Zambia (Table 2), externally financed projects recorded very low absorption rates, at times as low as 4 per cent. These inefficiencies mean that resources

intended to support development remain idle, delaying the delivery of essential services. These delays can postpone the benefits that borrowing is intended to deliver, particularly services such as health and education that children require to thrive. Moreover, when benefits of loans are delayed, future generations may be required to repay debt without experiencing the benefits; this raises questions about the fair distribution of benefits and costs across generations.

**Table 1: Kenya Commitment Fees on Undrawn Loans (FY 2023/2024)**

| Key Projects Affected             | Commitment Fees Paid (USD)* |
|-----------------------------------|-----------------------------|
| Kenol–Sagana–Marua Road Project   | 340,237                     |
| Bagamoyo–Horohoro Phase 1 Project | 241,475                     |
| Mombasa–Mariakani Highway (Lot 1) | 86,016                      |
| Other Projects                    | 10,252,294                  |
| <b>Total Commitment Fees Paid</b> | <b>10,917,260</b>           |

Source: [Auditor-General's' summary Report on National-Government 2023-2024.pdf](#), para 1.5.7

\*USD 1=KES 145

**Table 2: Zambia Absorption Rates of Funds to selected projects funded by external borrowings (2023)**

| No. | Project                                                                              | Sector      | Funds Available (USD) | Funds Used (USD)  | Rate of Utilisation (%) |
|-----|--------------------------------------------------------------------------------------|-------------|-----------------------|-------------------|-------------------------|
| 1   | Africa Centres for Disease Control Regional Investment Financing Project (ACDCP)     | Health      | 26,344,800            | 4,533,966         | 17%                     |
| 2   | Zambia COVID-19 Emergency Response and Health Systems Preparedness Project (ZCERHSP) | Health      | 49,000,000            | 23,379,635        | 48%                     |
| 3   | Africa Environmental Health Pollution Management Project (AEHPMP)                    | Environment | 1,179,935             | 539,554           | 46%                     |
| 4   | Global Alliance for Vaccines and Immunisation (GAVI)                                 | Health      | 1,138,733             | 43,225            | 4%                      |
| 5   | Zambia Enhancing Early Learning                                                      | Education   | 5,354,686             | 475,186           | 9%                      |
| 6   | Expanded Response to Climate Resilience in Development (ERCRID)                      | Environment | 472,809               | 227,713           | 48%                     |
|     | <b>Total</b>                                                                         |             | <b>83,490,963</b>     | <b>29,199,280</b> | <b>29%</b>              |

Source: [Zambia Report of the Auditor General on the Accounts of the Republic for the Financial Year Ended 31st December 2023, page 406 Table 4](#)

## 3.2 Weak Alignment with Needs

Another major challenge is the weak alignment between debt-financed investments and actual sector needs. This is particularly evident in social sectors such as education, where investments require careful coordination between infrastructure, equipment, and human capacity. Where borrowing is not fully informed by comprehensive needs assessments or system readiness, resources may be allocated less effectively, which can lead to underutilisation of assets. This can limit

the effectiveness of debt and its potential to generate meaningful outcomes.

For example, in Zambia, audit findings revealed that computers procured through borrowed funds were delivered to schools without electricity, and vocational tools were supplied to institutions not offering the relevant programmes. The lack of coordination and alignment in these instances highlights ways in which expected improvements in learning environments and service delivery are hindered.

**Table 3: Zambia List of Computers to Schools without Power Source identified after a physical inspection carried out in August and September 2023.**

| No. | Province      | No. of Districts | No. of Schools | Item Description | Quantity | Amount (USD) |
|-----|---------------|------------------|----------------|------------------|----------|--------------|
| 1   | Luapula       | 5                | 20             | Laptops          | 100      | 390,000      |
|     |               |                  |                | Desktops         | 99       | 386,100      |
| 2   | Western       | 5                | 55             | Laptops          | 72       | 249,600      |
|     |               |                  |                | Desktops         | 285      | 1,111,500    |
| 3   | North-Western | 3                | 4              | Desktops         | 20       | 19,500       |
|     |               |                  |                | Laptops          | 16       | 62,400       |
| 4   | Central       | 1                | 1              | Desktops         | 1        | 3,900        |
|     |               |                  |                | Laptops          | 1        | 3,900        |
| 5   | Muchinga      | 5                | 37             | Desktops         | 44       | 171,600      |
|     |               |                  |                | Laptops          | 155      | 604,500      |
| 6   | Southern      | 9                | 50             | Desktops         | 199      | 776,100      |
|     |               |                  |                | Laptops          | 56       | 218,400      |
| 7   | Copperbelt    | 7                | 31             | Desktops         | 27       | 105,300      |
|     |               |                  |                | Laptops          | 8        | 31,200       |
| 8   | Northern      | 6                | 78             | Desktops         | 63       | 94,500       |
|     |               |                  |                | Laptops          | 15       | 58,500       |
|     | Total         | 41               | 276            |                  | 1,161    | 4,287,000    |

Source: [Zambia Special-Report-of-the-Auditor-General-on-Public-Debt-from-2006-to-2022](#)

## 3.3 Procurement Inefficiencies

Procurement inefficiencies represent another significant challenge, particularly in capital-intensive sectors such as infrastructure and education. Weak procurement systems, inadequate price benchmarking, and poor contract management can contribute to higher project costs and reduced value for money. When debt-financed projects experience cost overruns or excessive contract variations,

governments may need to borrow more than originally planned to achieve the same outputs, increasing fiscal pressure without corresponding improvements in outcomes.

In Kenya (Table 4), infrastructure projects experienced contract variations exceeding legal thresholds, in some cases increasing costs by over 40 percent, contrary to Section 139(4)(e) of the Public Procurement and Asset Disposal Act, 2015.

**Table 4 Kenya Auditor General finding on Variation of Contract price beyond 25 % Threshold**

| Project                   | Lot                  | First Contract Date | % Increase as at June 2024 |
|---------------------------|----------------------|---------------------|----------------------------|
| Kenol–Sagana–Marua Road   | LOT 1 (Kenol–Sagana) | 05 Aug 2020         | 33.32%                     |
| Kenol–Sagana–Marua Road   | LOT 2 (Sagana–Marua) | 30 Jul 2020         | 49.58%                     |
| Mombasa–Mariakani Highway | LOT 1                | 23 Sep 2016         | 89.6%                      |

Source: [Auditor General report 2023/24 page16 para 33.1 & 2](#)

In Zambia, audit findings identified overpricing of ICT equipment by approximately USD 96 million across two years.

**Table 5: Zambia Auditor General finding on Variation of Contract price beyond ZPPA Price index**

| Year | Item Description    | Quantity | ZPPA* Price Index (USD) | Amount Charged (USD) | Overpricing (USD) |
|------|---------------------|----------|-------------------------|----------------------|-------------------|
| 2021 | Laptop Computer     | 10,000   | 630                     | 3,900                | 32,696,500        |
| 2021 | Desktop Computer    | 30,000   | 830                     | 1,500                | 20,100,000        |
|      | <b>Total (2021)</b> |          |                         |                      | <b>52,796,500</b> |
| 2022 | Laptop Computer     | 10,000   | 714                     | 3,900                | 31,855,100        |
| 2022 | Desktop Computer    | 30,000   | 1,125                   | 1,500                | 11,259,150        |
|      | <b>Total (2022)</b> |          |                         |                      | <b>43,114,250</b> |
|      | <b>Grand Total</b>  |          |                         |                      | <b>95,910,750</b> |

\* Zambia Public Procurement Authority (ZPPA)

Source: [Zambia Special-Report-of-the-Auditor-General-on-Public-Debt-from-2006-to-2022](#)

Weaknesses in contract management and oversight have, in some instances, contributed to implementation delays, cost overruns, and failure to achieve intended project outcomes. These challenges can reduce the resources available for expanding services in sectors critical to children, such as education and health. Higher procurement costs may mean that future taxpayers service higher levels of debt without proportionate additional value, raising concerns about fairness across generations.

### 3.4 Delayed and Incomplete Delivery

Delays and incomplete implementation of debt-financed projects further weaken the effectiveness of public borrowing. This challenge is particularly evident in infrastructure and public service delivery sectors, where projects are expected to deliver tangible outputs within defined timelines.

Delays may arise from factors such as land acquisition issues, contractor performance, or weak project management, while incomplete projects may result from funding gaps or contract failures. In both cases, the intended development benefits may be postponed or not fully realised.

In Kenya, several infrastructure projects, including roads and water systems, have experienced prolonged delays, while in Zambia, cases were identified where payments were made for goods that were not delivered or projects that remained incomplete. These delays directly affect service delivery, limiting access to essential services across communities, including for children. At the same time, debt obligations remain unchanged, meaning that governments continue to service loans for projects that have not delivered expected benefits. This raises equity concerns, as future generations may bear the cost of investments whose benefits did not fully materialise.



### 3.5 Weak Oversight and Accountability

Weak oversight and accountability mechanisms are a cross-cutting challenge affecting the entire debt utilisation process. Effective oversight, through parliamentary scrutiny, public participation, and institutional monitoring, is essential to ensure that borrowed funds are used as intended and deliver value for money. Where these systems are weak, there is an increased risk of misallocation, inefficiency, and misuse of resources across sectors.

Audit findings from Kenya highlight gaps in monitoring and the absence of completion tracking, as well as limited public participation in project planning. In Zambia, the auditor identified instances where borrowed funds in the years 2014 and 2015 were appropriate without parliamentary approval, undermining established governance processes. These weaknesses may reduce transparency and limit accountability for how debt is used. Weak oversight can reduce access to quality services for children and raises concerns, as future generations may be required to repay debt incurred without adequate oversight or assurance of impact.

## 4. Recommendations

### 4.1 Debt for Recurrent Expenditure

While public debt may be used to support recurrent expenditure in critical child-focused sectors, such as education and school feeding programmes, —these must be sustainably

financed to ensure continuity and reliability. Children depend on consistent access to services such as nutrition, schooling, and healthcare, which should not be disrupted by fiscal instability. Governments should therefore prioritise financing these essential services through stable domestic resources, ensuring that borrowing does not create future risks that could undermine children's well-being.

### 4.2 Ensuring Readiness to Deliver

Borrowing decisions should be guided by clear evidence that investments will produce tangible benefits. This requires ensuring that programmes are fully prepared, aligned with actual needs, and supported by the necessary infrastructure and capacity. Meaningful citizen participation, particularly involving community members and front-line service providers helps ground borrowing decisions in lived realities and identify readiness gaps early, such as the availability of electricity, trained teachers, safe facilities, and maintenance systems before funds are committed.

For example, investments in education should be informed by community-level assessments using social accountability models (monitoring, feedback systems and local oversight) to confirm that schools have the basic conditions needed to effectively use additional resources rather than assuming readiness based on national plans alone. Strengthening citizen participation and accountability before borrowing helps prevent situations where children are denied expected benefits due to poor planning.

### 4.3 Securing Value for Money

Every unit of borrowed resources should deliver maximum social value and measurable development results. Weak procurement systems and inflated costs reduce the resources available for essential services such as education, health, and child protection. Strengthening procurement practices, including adherence to market prices and effective contract management, ensures that debt-financed investments translate into more classrooms, better services, and improved

outcomes for children, rather than being lost through inefficiencies. Oversight actors, including citizens and parliament, should call for analysis of completion rates for debt-funded projects and assess the extent to which those projects achieve their intended outcomes.

## 4.4 Strengthening Oversight and Accountability

Parliamentary oversight and broader accountability mechanisms should ensure that debt is used in ways that directly benefit future generations. This includes not only approving borrowing, but actively monitoring whether investments are implemented as planned and deliver intended outcomes. Legislatures should require evidence that proposed borrowing will improve services for children and ensure follow-up to track delivery. Strong oversight is essential to safeguard children's rights and ensure that they do not bear the burden of debt without receiving its benefits.

To strengthen accountability, parliaments should amend debt-related legislation to institutionalise independent public audits of debt at least every five years, enabling a systematic review of how borrowed resources have been utilised, the extent to which they have delivered intended outcomes, and the implications for future borrowing and repayment. [The Special Audit Report of the Auditor General on External Public Debt of the Republic of Zambia for the period 1 January 2006 to 31 December 2022](#) provides a strong accountability tool that could be adapted to other contexts and timeframes.

New global debt and debt sustainability initiatives under the [Seville Commitment](#), such as the [Borrowers' Platform](#), upon operationalisation, can provide countries with a space to share good practices in debt management, expand access to technical assistance and capacity-building on oversight and accountability.

## 5. Conclusion

The findings of this brief point to a critical need to strengthen accountability around how public debt is used to ensure maximum benefit for children and future generations. As borrowing continues to shape fiscal space and development priorities, children must be placed at the centre of decisions on debt acquisition and utilisation. This includes ensuring that debt-financed investments are assessed not only for their purpose, but for their ability to deliver value for money, measurable outcomes, and long-term benefits. Greater efforts are needed to involve child-focused stakeholders, including civil society and communities, in scrutinising how debt is planned and used, to reduce inefficiencies and ensure that resources translate into real improvements in children's lives.

At the same time, the growing cost of debt servicing reinforces the need for more responsible and selective borrowing. Where governments are committing to repay debt with interest, such borrowing must be undertaken sparingly and only where there is clear evidence of readiness, value, and impact. As children not only depend on today's services but will also bear the burden of tomorrow's repayments. Strengthening advocacy for responsible borrowing is therefore essential to help ensure that debt delivers equitable benefits, supports value for money, and upholds the principle of intergenerational fiscal equity.



### CONTACT