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Sustainability of Western Balkans rising public debt becomes questionable

Podgorica, September 19th - Today, the regional study Public Debt on western Balkans was released in the framework of “Balkan Monitoring Public Finance” project. At the same time this was an occasion to discuss with the representatives of World Bank, Parliament of Montenegro, Western Balkan civil society organizations and prominent media from the region how to jointly tackle the unsustainable levels of public debt in Western Balkans.

The presented study shows that the rising trend of public debt triggered alarm bells concerning the long-term sustainability of public finances, especially given that the debt tolerance level is lower for lower income economies. The average debt in the analyzed countries went up from 25% of GDP in 2007 to 51% in 2016. Kosovo is the only country that has managed to keep debt lower than its pre-crisis level. All other countries are struggling to get their fiscal positions back on track. Unsustainable public finances and rising public debts are a threat to some of these countries. Thus, closely monitoring the debt movements is necessary and a timely response to unsustainable developments is of crucial importance for maintaining macroeconomic stability.

One of the authors of the study, Andreja Zivkovic from Wings of Hope, BiH, highlights that ‘The debt management activities should be audited annually by external auditors and audits of government financial statements should be conducted regularly and publicly disclosed. The State Audit Office should have a legal obligation to inform and educate citizens in finance issues, of the fiscal performance of governments and state institutions and of the work of the Audit Office itself’.

Often debt does not serve the needs of the citizens and puts limitations on democracy in a sense that does not imply involvement of citizens and NGOs in the process of decision making in the area of public finances and at the same time is characterized by a low level of transparency. Ajda Pistotnik from EnaBanda, Slovenia who is one of the authors of the study stated that “Greater participation by citizens in affairs that directly concern them is in itself a public good and is a stimulus to greater transparency and accountability in public finance”.

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