Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses

The Spring 2020 Fiscal Monitor called on governments “to do what it takes” in launching emergency measures to address the adverse impact of the COVID-19 pandemic on people and firms, “but to keep the receipts.” Commensurate with the magnitude of the economic and health crisis, massive fiscal support packages have been adopted by governments, including a variety of revenue and expenditure measures (e.g., additional expenditure on healthcare, cash transfers to households and businesses, loan guarantees, and equity injections). This note argues that ensuring fiscal transparency, public accountability, and institutional legitimacy are the main pillars of “keeping the receipts.” It provides guidance and best public financial management (PFM) practices, drawing on cross-country examples.

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I. FISCAL TRANSPARENCY, PUBLIC ACCOUNTABILITY AND LEGITIMACY

In the context of the COVID-19 pandemic, governments are “doing what it takes” to extend massive economic support packages to people and firms in record time. The exceptional response in terms of scale and speed has challenged traditional approaches to ensuring fiscal transparency, safeguarding public accountability, and maintaining institutional legitimacy. Yet, all three are key for the success of the COVID-19 fiscal policy response, including by (i) enabling citizens and economic actors to understand the objective, size and cost of the policy package and how it will affect them; (ii) helping to sustain widespread support for the overall policy

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2 An overview of measures taken is available under the IMF Policy-Tracker.
package and confidence that it is not misused; (iii) getting a clear picture of the medium- to long-term risks associated with the policy response; and (iv) bolstering market confidence, notably by highlighting the strength of the short-term response and its consistency with long-term fiscal prudence. To achieve these objectives, attention will have to focus on three aspects of the support package:

- **Design.** The key challenge is to balance urgency and timeliness of the response in a volatile economic environment with achieving transparency in the identification and presentation of the response measures.

- **Implementation.** The key challenge is to have adequate control and tracking/traceability of budget and off-budget interventions, to ensure that the agreed emergency measures are deployed effectively and in line with their intended purpose and – if needed – give the opportunity to revise and adapt the set of measures to changing circumstances.

- **Oversight to ensure that objectives are met.** The key challenge is to put in place comprehensive and transparent reporting and public accountability procedures that oversight institutions (e.g. Parliament, the Supreme Audit Institution (SAI), independent fiscal councils (IFCs), civil society organizations, and the public at large are able to enforce while the support measures are being designed and implemented.

II. **DESIGNING THE SUPPORT PACKAGE**

Notwithstanding the need for speed and flexibility, the design of the support package should follow standards of transparency. This is needed to maintain public support and build institutional legitimacy, ensure the effectiveness of the package, and avoid any misappropriation of funds disbursed in an emergency situation (Box 1). Important points to take into account include:

- **Ensuring parliamentary scrutiny and securing legal authorization of policy measures.** All budgetary spending should have a clear authorization under the legal framework, with ex ante authorization or ex post approval by the legislature, as needed. Some countries will use a supplementary budget to secure legal authorization of the emergency response measures and associated funding needs, which provides greater transparency. This should not lead to excessive delays, as many countries manage to produce and vote a supplementary budget in less than a week. If convening parliament for approving a supplementary budget is not an option, other forms of parliamentary scrutiny could be considered, such as a dedicated hearing in the parliamentary Finance or Budget Committee. Some countries may be able to use emergency provisions as authorized in their PFM legislation, which allow for a certain discretion in reallocation of appropriations. For example, this can be done through décrets d’avances in Francophone PFM frameworks or through presidential and executive decrees in other countries – mostly together with parliamentary ratification. These emergency provisions should remain clearly circumscribed and, where permitted and invoked, be transparently reported. The full emergency support package – budgetary as well as extra-budgetary measures – should be presented, debated and authorized by Parliament.

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3 See the IMF’s Fiscal Transparency Code.

4 See also forthcoming FAD Note on Vulnerabilities to Corruption.

5 See also Preparing Public Financial Management Systems for Emergency Response Challenges.

6 In an emergency, the Executive may use décrets d’avances, which are decrees to reallocate appropriations between programs or line-items, or even create new appropriations, subject to ratification of the décrets (decrees) by Parliament in the next budget law (loi de finances).
• Specifying crisis-related measures in the budget with clear eligibility criteria and ensuring granularity of information. Emphasis should be put on a very detailed and granular presentation of measures including costing and transparent eligibility criteria. In Finland for example, the proposal submitted to Parliament includes itemized details of additional spending and the impact of supplementary appropriations on the government’s net borrowing and debt stock. Similarly, Japan’s supplementary budget provides granular programmatic information on COVID-19 related spending and its financing sources. In Germany, a detailed presentation of the so-called “protective shield to manage the coronavirus pandemic” has also been made available, both to Parliament in a more technical form and to the wider public in digital, easily accessible format, including detailed costing, eligibility criteria and presentation of administrative processes by measure.

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<th>Box 1: Fiscal Transparency as a Tool to Reduce Vulnerabilities to Corruption and Misuse</th>
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<td>Emergency situations can offer a fertile ground for vested interests to use public funds for private gain, making it critical that vulnerabilities to corruption and misuse be recognized and mitigated. Misuse of funds during humanitarian crises including Hurricane Katrina and the Ebola outbreak attest to such vulnerabilities. For example, in 2015, the Sierra Leone Auditor General released an audit of domestic donations made to the government for the Ebola relief effort providing evidence of mismanagement by public officials in the distribution of these funds. Payments for supplies and sensitization efforts were duplicated and undocumented, money was paid out to private individuals rather than to organizations and procurement procedures were widely disregarded. Audits of international development organization spending showed there was also failure to provide rightful healthcare workers’ salaries and bonuses which were paid out to private individuals by those charged with distribution. In the United States, corruption and misuse of funds in the wake of Hurricane Katrina in 2005 and Hurricane Maria in 2017 have led to more than a thousand prosecutions, the ousting of government officials, and the adoption of new practices by U.S government agencies to reduce such vulnerabilities.</td>
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Transparency and public accountability play a crucial role in this respect, with the following areas most vulnerable to risks of corruption and misuse:

- **Cash transfers or provision of basic goods to households:** Allocation criteria for cash transfers and procurement of goods should be transparent. This is particularly important for aid-in-kind, given the logistics and procurement implications. One option to enable transparency is the use of digital payments or mobile banking to pay cash transfers. In Nigeria, the government has used digital payments or mobile banking options to direct conditional cash transfers to the poorest and most vulnerable use the digitalization in a number of states.

- **Procurement of goods and services in the health sector:** This can be highly vulnerable to mismanagement by public officials. A main concern (apart from outright corruption) relates to the acquisition of defective material or theft in the distribution or procurement of goods and services. To mitigate risks (e.g. hidden contracts, overpricing, and collusion), governments should: (i) publish all public contracts; (ii) use open and competitive bidding, and use emergency non-competitive processes only when followed by adequate forms of control, auditing and reporting scrutinizing such processes; (iii) publish beneficial ownership information of companies that are awarded contracts; (iv) empower existing anti-monopoly agencies to monitor market conditions in critical sectors, and (v) foster cooperation among various authorities and with the civil society on matters related to transparency of public finances and the delivery of goods and services. It is important that the government publicize ex ante measures (e.g., publication of the plans on the use of emergency funding) and define ex post measures (e.g., publication of all information on attribution of procurement contracts or selective audit of procurement contracts once the crisis abates). For example, Ukraine has successfully launched the e-procurement platform ProZorro which has processed some health sector contracts and resulted in clear savings; also in Ukraine, Transparency International has recently reported on an attempt of non-compliant procurement that was identified through publicly available information, which allowed the State Audit Service to promptly confirm the violation. Colombia has also used open procurement data to track and manage emergency spending.

- **Loan and Guarantees Programs:** Existing liquidity programs of national development banks may be expanded to provide easy access to loans for affected companies. Emergency loans and guarantee programs may be directed towards the wider economy, or towards a subset of economic actors (small and medium sized enterprises; specific sectors; state-owned
enterprises; local government, and the use of public trust funds). These instruments often involve complex financial schemes that are prone to corruption. In all cases, transparent criteria for selecting beneficiaries are necessary, and transparent approval and reporting processes should be followed. For example, the existing liquidity programs of Germany’s Kreditanstalt für Wiederaufbau (KfW) will be expanded to provide access to loans for affected companies and guarantee bond issues, with the precise nature and legal form of the guarantee, guarantee fees and all further details relative to eligibility and process clearly specified in an administrative text. Records of guarantees and loans should be complete, accurate, updated and reconciled monthly, and published along with the names of beneficial owners. (See Note on Public Banks’ Support to Households and Firms).

**Health workforce recruitment and management:** Transparency in payroll management needs to be ensured. For example, bonuses to healthcare workers for exceptional strain and risks incurred may be diverted to officials less involved in “frontline” tasks. For the Red Cross alone, reports suggest that 5 percent of total disbursements for health workers were lost to fraud. Ex-post audits by SAIs would need to check the correct utilization of the amounts earmarked for this purpose.

**Wage subsidy schemes:** Wage subsidy schemes can also be abused, requiring a proactive approach ensure to safeguard the amounts at stake. Hong Kong has promised high transparency when employers apply to the government’s HK$80 billion wage subsidy scheme to keep paying some 1.5 million workers through the coronavirus crisis. Employers will have to fill out application forms and be criminally liable for false declarations regarding the number and salaries of employees.

**Service delivery level:** Forms of corruption such as informal payments, over-prescribing, and nepotism are likely to be exacerbated during a pandemic as the system experiences a greater patient load. To reduce bribery in service delivery, information on how emergency relief funds are spent should be available to internal and/or independent auditors. Priority auditing should be given to critical areas such as health, public procurement, infrastructure and social security expenditures. For example, the International Federation for Red Cross and the Red Crescent Societies (IFRC) have already put in place a full-time auditor for its COVID-19 response following the fraud it uncovered during the Ebola outbreak. Similarly, the U.S. Federal Emergency Management Agency (FEMA) provided training to states and individuals on how to counter bribery and extortion by public officials and false benefits claims and identity theft that occurred during Hurricane Katrina. If FEMA fund recipients do not conduct rigorous self-audits, they can lose access to automated reimbursements.

**Research and development:** There is a global call to advance research and development of diagnostics, therapeutics and vaccination to address the COVID-19 outbreak and considerable amounts of public money is being spent in this area. This may give rise to opportunity of misuse by vested interests. Transparency in allocation of these resources and monitoring their use can mitigate this risk. An adequate protection for whistleblowers is in this respect of major importance.

Finally, to complement the transparency and accountability efforts described here, countries should continue implementing and strengthening their existing anti-corruption and anti-money laundering frameworks.

processes such as the EU’s Stability and Convergence Programs. For example, Finland will publish its new macroeconomic forecasts, taking into account the consequences of the COVID-19 pandemic, in accordance with EU rules. In other cases, exceptional transparency efforts can be made. In The Netherlands, the Independent Fiscal Institution (CPB, Bureau for Economic Policy Analysis) has made public on March 26, 2020 a study with four scenarios outlining the possible impact of the COVID-19 pandemic on the economy and fiscal position in 2020/2021 according to the length and scope of disruption to normal economic activity, taking into account the support measures already announced by the government. In the United States, the Congressional Budget Office also reported on the potential impact of the U.S. support packages on the federal deficit over the next ten years until 2030.

- **Consulting with key stakeholders to ensure appropriate design and targeting of policy measures.** While standard legislative good practice would require a wide consultation with stakeholders and the general public to tailor a given measure and fine-tune its parameters, the nature of the COVID-19 pandemic does not lend itself well to extensive consultations. Some consultations (for example with employers’ and employees’ unions, or representatives of a sector especially affected by the crisis), however, could usefully take place to improve the design of the support package. The process should be managed well to avoid delays in policy finalization and implementation, and in a transparent manner to prevent any potential influence from vested interest groups on the policymaking process. Hence, for the sake of transparency and expediency, it is better to consult with professional unions or organizations representing industries rather than with individual companies, and to request written contributions that can be made public, as well as feedback on the proposals. For example, Cote d'Ivoire, before announcing its pandemic policy response at the end of March 2020, held consultations at the level of the Minister of Finance with banks and employers’ unions. Expert and reputable Civil Society Organizations (CSOs) can also provide inputs to improve the design of fiscal measures or help target them to specific, at-risk constituencies. For example, CIEP (Centro de Investigacion Economica y Presupuestaria, Center for Economic and Fiscal Studies) in Mexico produced proposals on various policy alternatives to reallocate budget resources and provide economic support in the present crisis.

### III. IMPLEMENTING THE SUPPORT PACKAGE

**Fiscal transparency also requires controlling and tracking the implementation of the policy measures, and providing sufficient information to the public. Elements contributing to this outcome include:**

- **Tracking additional COVID-19 related spending through dedicated programs or sections of the budget.** This may allow, through the use of the country’s Financial Management Information System (FMIS), real-time tracking of implementation measures. In Colombia for example, an Emergency Mitigation Fund (FOME), placed under the responsibility of the Ministry of Finance, has been created to manage resources used to mitigate the impact of the current crisis with a dedicated portfolio that is separated from other funds and resources within the general budget.

- **Channeling donor funding through the budget with full transparency on its utilization.** This would ensure that donor funds are subject to the same scrutiny and reporting practices as other budget-financed expenditure. For example, South Africa requires that all donor funding received be paid into a specific

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7 When support is provided through existing channels (e.g. as a top-up on an existing social transfer program) fully isolating new spending is not necessarily relevant and practical. A solution may be to tag COVID-19 related appropriations in the FMIS but implement them on pre-existing programs or line items already used for pre-existing schemes.
Reconstruction and Development Fund and used strictly in accordance with the purpose set by the regulations and the intent of the donors. In Francophone systems, the so-called *Fonds de concours* (Voluntary Contribution Fund) is a legal instrument that provides for clear and transparent management of donor and individual contributions to the budget to address emergencies. In addition, specially designed disclosures on donor funds received—their source, purpose, target beneficiaries, and conditions for use—may be provided on a regular basis on the government website. Likewise, more granular high-frequency reports can be introduced to inform donors, and the public at large, on the utilization of such funds and their progress in achieving spending goals.

- **Applying international standards of transparency to the implementation of off-budget measures.**
  Given the fiscal risks associated with such schemes and their weight in support packages, transparent criteria for determining beneficiaries and actions eligible for support need to be set up front, enforced during implementation, and clearly communicated. For example, *Australia* established during the global financial crisis (GFC) through its Reserve Bank a website to provide information on the operations of the guarantee scheme for large deposits and wholesale funding by identifying guaranteed liabilities by institution, issue size, date of extension of the guarantee, liability class, currency, program/product name, security identifier and maturity. In the same vein, *France* has set up in the current crisis a bank loan guarantee scheme. Access criteria and processes are well publicized; all guarantees for large corporations will be authorized by a (published) ministerial decision. A 12-member committee (with representatives from Parliament, business associations, local governments, and the SAI), created at the request of the Parliament, will report on implementation of the guarantee scheme one year after its launch.

- **Where relevant, ensuring transparent when adapting existing rules to provide more flexibility in the implementation of actions.**
  Emergency implementation mechanisms should be based on an adequate framework giving clear criteria on the exercise of discretion by decision-makers. *South Africa* has activated the flexibilities under a pre-existing Disaster Management Act to manage actions for fighting COVID-19 and has emergency procurement tools available under its PFM Act in case of need. In the absence of a pre-established framework, *Spain* passed a series of emergency legal texts (*royal legislative decrees*, or specific legislation for which the Parliament has authorized the executive, subject to parliamentary approval at a later stage) expanding existing mechanisms (e.g. centralized procurement for health-related products) and adapting others (temporary lay-offs with access to benefits) to mitigate the impact of the COVID-19 crisis.

- **Strengthening ex-post controls when ex ante and upstream controls are streamlined for rapid response.**
  The SAI may be enabled to play a key role in the control of the support package, possibly supplementing, streamlined or already weak ex ante control mechanisms. Ex post control would have to be reinforced while allowing for ex ante flexibility in some cases, notably related to procurement of health equipment. In cases where existing internal control and internal audit mechanisms are weak, external control can undertake a more proactive stance. For example, *Peru* has reinforced the SAI’s to enable it to conduct concurrent monitoring when processes are being implemented as opposed to just ex-post (for example during the procurement process it will monitor activities to prevent misuse and to help implement timely corrective action) under the framework of the COVID-19 emergency. The SAI is also adapting deadlines for

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8 GFS recommends recording in-kind revenue (from donors) and the corresponding expenditure (to households). In countries with cash-based accounting systems, where integration of aid-in-kind (medical services, material) into the budget is not easily feasible, the specially-designed disclosure should also apply to aid-in-kind kept outside the budget framework.
concurrent control in public purchases in relation to the emergency and controlling in situ the first needs goods’ distribution by municipalities.

- Informing citizens about policy measures that are available and how to access them. This is both to facilitate outreach to possible beneficiaries (households and businesses) and to build confidence in the relief effort. Disseminating information on support measures through a dedicated portal, including precise criteria on the eligibility for benefits, is a useful option.\(^9\) Peru has created a webpage where citizens can find information on their eligibility to access the vulnerable household aid. Similar webpages have been created by other countries including Iceland, Indonesia and the UK. In Malaysia, the Ministry of Finance published an Economic Stimulus Package Booklet on its website, carrying relevant details of the package.

### IV. OVERSIGHT OF THE SUPPORT PACKAGE TO ENSURE THAT OBJECTIVES ARE MET

The usual instruments and processes may need to be adjusted for ensuring effective oversight, including regular and timely reports on the implementation of the COVID-19 related policy measures, and monitoring by oversight institutions for public accountability. Finance or Budget Committees within Parliament and the SAI, and IFCs, depending on their remit, usually put more emphasis on the budget process, fiscal rules and fiscal sustainability and on monitoring established policies. To scrutinize the fiscal impact of a multidimensional crisis, some adjustments may be needed, which could include:

- **Regularly reporting on the progress of implementing the support package — both on and off-budget operations.** Reporting requirements have to be taken into account right from the start so as to well articulate ex ante reporting (on presentation of the objective, rationale and full costing of individual measures) and ex post reporting, using the tools put in place to track implementation and providing more granularity on specific expenditure items, data on number of beneficiaries and amounts per recipient, as well as performance indicators if possible. Reporting has to be adjusted in its frequency to the intensity of the crisis: while very frequent reporting (possibly weekly) may be required at the most acute time in the crisis, a longer time interval can be accepted as the crisis subsides and support mechanisms are gradually winding down. Creation of a dedicated portal to report on government’s implementation of policy measures and related spending, possibly including a spatial dimension showing where the money is actually spent, can also be considered, on the model followed by France and by the United States during the GFC. Providing open data access to granular information on spending is also key to allow tracing of expenditure. In the Philippines, local government authorities are required to prepare monthly reports on the utilization and status of implementation of COVID-19 related special grants. The reports are required to be published on their respective website and posted at minimum three conspicuous public places in the community. The chief executive of the local authority is required to send a written notice informing the Congress and relevant Congressional committees of the publication of reports.

- **Instituting parliamentary oversight of implementation either through conventional or specific tools.** Specific monitoring or oversight committees may have more specific expertise and may be less burdened by “current affairs” than the Finance or Budget Committee in its standard role of oversight of the budget process; such committees, however, should coordinate with standing committees to benefit from institutional memory and have a more lasting impact. New Zealand established a new parliamentary select committee — the

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\(^9\) For more details, see Note on Digital Solutions for Direct Cash Transfers in Emergencies.
Epidemic Response Committee — which will meet remotely to scrutinize the Government’s response to COVID-19 while the House is not sitting. The 11-member Committee will be chaired by the Leader of the Opposition and will have 6 opposition members. **France** also created, both during the GFC and during this crisis, specific monitoring committees of various composition but with a prominent role for members of Parliament, tasked notably with oversight of the guarantee mechanisms put in place.

- **Involving civil society organizations in monitoring and ex post assessments.** Civil society organizations (CSOs) may supplement limited capacity within the SAI and other existing control mechanisms, providing also a “grass-roots vision” of how a support package has actually been implemented. CSOs have been asked in some countries, such as **Nigeria** and **Ghana**, to help provide information to citizens about the disease and prevention measures, and there has been discussion about using these opportunities to also inform citizens about support policies and how to monitor them. Observatorio Fiscal of **Chile** has been analyzing controversial procurement decisions related to the pandemic. A CSO (ICEFI) in **Guatemala** is instrumental in monitoring the implementation of emergency measures.

**References:**


