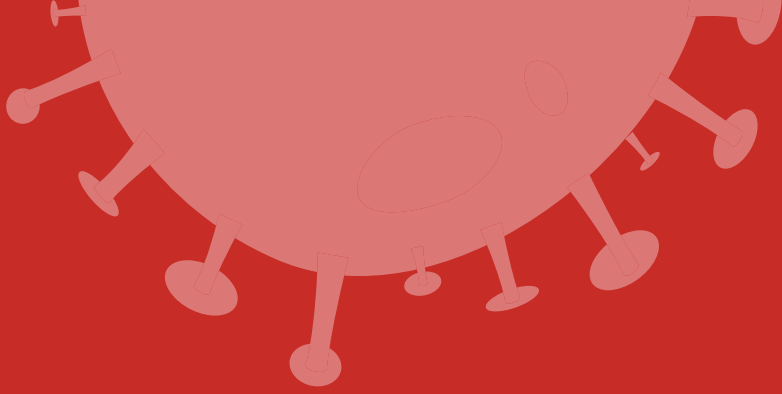


COVID-19 Africa Public Finance Response Monitor



**Budgeting in the context of
COVID-19: Trends and tools
of reallocations**

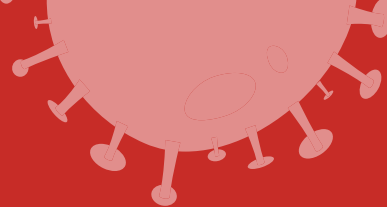
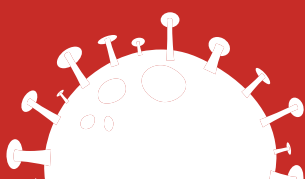


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Acknowledgements

This report forms part of a series of publications informed by CABRI's COVID-19 Africa Public Finance Response Monitor. The reports support policymakers in responding to crises by providing insight into managing and mitigating crises, what elements of PFM systems need to be strengthened and how systems can prove more resilient and lower the cost associated with exogenous crises in the future. This report was written by Claire Potdevin and reviewed by Danielle Serebro and Philipp Krause of the CABRI Secretariat.



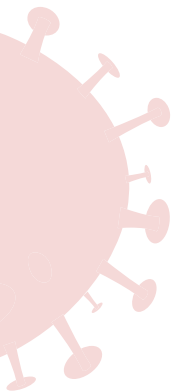
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Acronyms and abbreviations

CAPEX	Capital Expenditure	MTEF	Medium-Term Expenditure Framework
CAR	Central African Republic	NGN	Nigerian naira
COVID-19	Coronavirus SARS-Cov-2	OECD	Organisation for Economic Co-operation and Development
CVE	Cabo Verde Escudo	PBB	Programme-Based Budgeting
DH	Moroccan dirham	PEFA	Public Expenditure and Financial Accountability
DRC	Democratic Republic of the Congo	PFM	Public Finance Management
ETB	Ethiopian birr	SBL	Supplementary Budget Law
XOF	West African CFA franc	SR	Seychellois rupee
FMIS	Financial Management Information Systems	SSA	Sub-Saharan Africa
FY	Fiscal Year	UGX	Ugandan shilling
GDP	Gross Domestic Product	USD	United States dollar
G&S	Goods & Services	WASH	Water, Sanitation and Hygiene
IMF	International Monetary Fund	W&S	Wages and Salaries
MDA	Ministry, Department and Agency	ZAR	South African rand
NGO	Non-Governmental Organisation		





Introduction



In 2020, the coronavirus (COVID-19) pandemic resulted in both a global health and an economic crisis. As a result, budget authorities faced an increase in fiscal pressure caused by a sudden drop in revenues related to the global and local economic slowdowns, and a sharp increase in expenditure stemming from the new health and economic needs. This situation, without precedence at such a large scale, forced the governments to reorganise their budgets to adapt to the rapidly changing context.

Nations have responded by increasing allocations in key sectors like health, as well as water, sanitation and hygiene (WASH); extending social assistance programmes; introducing cuts in tax; and providing liquidity through credit and credit guarantees to alleviate the pressure on households and businesses. Many African countries entered the pandemic with limited fiscal space and often a pre-existing debt burden. To limit the widening of their fiscal gap and the risk of an uncontrolled increase in debt, they resorted to cuts and shifting across budget programmes and lines, often passing a revised budget.

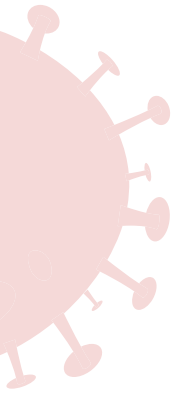
Budget reallocation is a standard tool of public financial management (PFM). The Organisation for Economic Co-operation and Development (OECD) defines reallocation as “the readjustment of expenditures in relation to the current budgetary or medium-term estimates” (OECD, 2004). Financial systems and legal frameworks include rules and mechanisms to make it possible, with limits to preserve the credibility of the budget. Extensive in-year movement is often symptomatic of poor planning and budgeting capacity and can hinder the transparency and accountability of the government’s management of the budget. However, reallocations can become key in the face of an unexpected event like the 2020 pandemic.

This practice of reallocating finances to face a change of context is common, but the exceptionally large scale of the current circumstances allows us to compare reallocation practices at a new level. Studying reallocations in the

context of the pandemic can bring a new light on the use of reallocations as a budget tool. First, it allows us to study and compare the budget mechanism used across the continent in responding to a sudden, unexpected and large disruptive event which caused a surge in fiscal pressure. Second, comparing trends in reallocation between countries highlights whether common practices can be identified. It can also help to identify broad factors leading to a specific budget response over another, such as specific institutional frameworks, political agendas or existing budget rigidities. Finally, assessing countries’ capacity to respond to sudden change in budget estimates and forecasts can highlight how easily existing PFM systems can accommodate these large budgetary shifts, in terms of decision making, accountability, traceability and reallocation efficiency.

Using available budget data, and in particular CABRI’s COVID-19 Public Finance Response Monitor database, this paper offers an analysis of budget changes recorded in 2020 to better understand the mechanisms, driving forces and impact of the emergency budget revisions that occurred in response to the COVID-19 pandemic. We acknowledge that trends in budget reallocation are dependent on a large number of factors, which include the specificities and quality of the PFM system in place, the political context, variations in revenues, and changes in external financing such as donor aid flows or debt relief. This paper focuses on state budgets and does not integrate movements in off-budget funding, including bilateral and multilateral funding, except when mentioned otherwise. The next section offers a summary of the trends in budget reprioritisation, after giving an overview of the budget tools available for reallocating funds. The paper then details the risks associated with in-year budget reallocations, followed by some lessons learned.

Many African countries entered the pandemic with limited fiscal space. To limit the widening of their fiscal gap and an uncontrolled increase in debt, they resorted to cuts and shifting across budget programmes and lines.



Reprioritisation: Where, how and by whom was the money moved in the early response to the pandemic?



a. Overview of the budget tools available to respond to COVID-19

In 2020, all nations faced unexpected budgetary pressure related to increased spending needs in response to the pandemic and associated falling revenue, limiting their fiscal capacity to fund the response. Furthermore, most African nations entered 2020 with narrow fiscal space, which limited their capacity to increase spending to fund the emergency response. High levels of poverty limit the size of the tax plate, and states often suffer from high levels of tax evasion (OECD, 2019). In 2019, 9 out of 35 Sub-Saharan African (SSA) nations were classified as being at high risk of debt distress and 7 were already in debt distress. This meant facing potentially higher borrowing costs than other nations.

This makes the need for careful, efficient reallocation all the more important. While rebudgeting is in normal circumstances a fairly regular process, and sometimes an established part of the budget annual cycle, the scope and magnitude of the budget modifications required to respond to the COVID-19 pandemic have been like no other before. Nations had to work to short timelines to revise their budget, with limited information about the needs and consequences of the pandemic, and often with the additional challenge of having to practise social distancing. It took place for some in a complex political context, sometimes just after national elections, for instance in Togo, Guinea and Mali (UNODC, 2020).

Different emergency response mechanisms are available, but their modalities and legal requirements vary between countries. Regulations defining the use of contingency funds, reprioritisations through virements or advance spending differ according to the PFM legislation and institutional framework of each nation. Budget departments had to identify what mechanisms were available to them, and under which limits. Lack of clarity or absence of past experiences in using these tools was at times problematic. In the Seychelles, while the Constitution clearly states the legality and modalities of budget supplements, it does not mention rules for amending budgets, which initially led to a debate in Parliament about the legality of the amended budget proposed by the government (Lepathy, 2020). In Morocco, the process of amending the budget had not occurred in 30 years.

Different tools exist to allow in-year adjustment under the limits of some predefined rules and were used for short-term response while a new budget was being prepared.

These tools include virements, retroactive funding and transfers. They allow for dealing with uncertainties and unforeseen events, as well as inaccuracies in the estimates of the original budget, often without having to go through Parliament's approval. Virements are often abundantly used in countries with weaker PFM systems, as a response to the limited planning and budgeting capacity, with the number of annual virements amounting sometimes to thousands. A monthly budget execution document published by Cabo Verde's Ministry of Budget traced the reallocation to the Ministry of Health of 63 million Escudos (USD676 000), which were previously allocated to the Ministry of Planning (CABRI, 2021). Guinea, which voted a supplementary budget law (SBL) for fiscal year (FY) 2020 as late as November, relied on internal movements of funds and advances for most of the year to be able to fund the COVID-19 activities, and without going through Parliament. Gambia, Lesotho and Seychelles all reported having used virements as a response to financing in the early days of the pandemic (CABRI, 2021).

Rectification and supplementary budgets were the main instruments of response, with most countries having the legal option to go back to Parliament to deal with unexpected events or a change in fiscal situation. An SBL is usually the only way to modify expenditure and revenue estimates in a significant manner. The scope of the crisis and the limitations rules applying to virements and advances meant that almost all nations decided to eventually prepare at least one new budget, and in some cases several. Out of 50 countries, 36 produced a supplementary budget in response to the crisis (see Table 1).

While ideally a budget rectification process should follow similar rules of transparency as the original budget, in practice supplementary budget procedures are often simplified. Kenya's 2012 PFM law makes no provision for the supplementary budget to be published and does not require the government to provide a justification as to why the requested allocations were not foreseen in the original budget (Lakin, 2012). In Morocco, the Parliament had only 15 days to review and adopt the revised budget law, instead of 58 days for a regular budget (Abou El Farah,

2020). In some cases, the oversight of the Parliament was entirely by-passed, as in Cameroon, a presidential system with a highly centralised budgetary system, where

the 2020 budget was revised by a presidential decree (*Ordonnance N°2020/001*).

Table 1: List and scale of rectification budgets adopted in response to COVID-19

Adopted a supplementary budget law 36 countries		Did not adopt an SBL		
Increased SBL (% change)		Decreased SBL (% change)		
25 countries Average increase: +10%		11 countries Average decrease: -13%		13 countries
Benin	15%	Algeria	-31%	Botswana*
Central African Republic	15%	Angola	-11%	Burundi*
Cote d'Ivoire	4%	Cabo Verde	-16%	Comoros
Djibouti	8%	Cameroon	-11%	Egypt*
Gambia	13%	Congo	-9%	Guinea Bissau
Ghana	14%	Chad	-6%	Equatorial Guinea
Guinea	0.4%	DRC	-43%	Libya*
Lesotho*	2%	Gabon	-7%	Mozambique*
Madagascar	4%	Kenya*	-4%	Namibia*
Malawi*	6%	Liberia*	-3%	Rwanda*
Mali	9%	Sao Tome	-7%	South Sudan*
Mauritania	16%			Tanzania
Mauritius*	24%			Zimbabwe
Morocco	1%			
Niger	11%			
Nigeria	5%			
Senegal	8%			
Seychelles	14%			
Sierra Leone	12%			
Somalia	44%			
South Africa*	2%			
Togo	4%			
Tunisia	5%			
Uganda*	14%			
Zambia	6%			

* Countries for which the FY differs from 1 January–31 December.

Notes: eSwatini adopted a non-expansive SBL, with large reallocations to the COVID-19 response but no change in total estimates; the table records the first SBL adopted after March 2020, and excludes SBL adopted prior to 1 March and after December 2020. Some countries produced a Mid-Term Budget Review which led to reallocations without changing budget estimates (e.g. Namibia), while others passed additional SBL later in the year (e.g. Niger).

Many PFM legal systems include contingency funds and emergency funding accessible under a specific set of circumstances. Contingency funds are designed to ensure rapid access to liquidity in the face of unforeseen events, with the law defining the context under which the fund can be used (OECD, 2004). For instance, Liberia's 2009 PFM law limits the contingency appropriation to 5 percent of total annual domestic revenues (*Public Financial Management Act of 2009*, 2009). Some countries resorted to using their contingency fund for the COVID-19 response. Tanzania accessed a contingency reserve of USD3.2 million to finance some of the health spending. Similarly, in Uganda, the contingency fund allowed for financing of around one-fifth of the Ministry of Health Preparedness and Response Plan from January to June 2020 (OECD, 2020). Seychelles had signed an agreement establishing access to disaster funding, working as a form of contingency credit available for disasters (see Box 1).

Box 1: Seychelles and the use of a deferred contingency fund lending

Seychelles's 2020 budget had limited financial buffers for risk management, with the contingency line in the budget being both limited in amount and earmarked. In prior years, Seychelles had signed with the World Bank Development Policy Loan for a Catastrophe Deferred Drawdown Option (CatDDO) of US\$7 million, which could be mobilised to provide rapid access to liquidity and bridge financing in case of emergency spending for disasters, while waiting for other sources of funding to be mobilised (IMF, 2017). The agreement applied to health disaster, which allowed Seychelles to unlock the financing and to become the first African country to use this mechanism. In a context of high costs of borrowing, this agreement also secured access to debt at cheaper prices.

b. Reprioritisation: Who were the main winners?

Several supplementary budgets registered a reduction in final budget, reflecting the fall in revenues and leading to large cuts and reallocations across programmes and entities. About a third of supplementary budgets registered a downward trend, averaging -13 percent of the initial budgets. Among them, Benin, Algeria and Angola reduced their initial budgets by, respectively, 13 percent, 6 percent and 9 percent. The Republic of the Congo made an even more drastic reduction of 50 percent (CABRI, 2021).

A majority of countries that passed revised budgets increased their total allocations. Despite the increased revenue constraints and limited fiscal space, a large number of countries decided nonetheless to increase their expenditure estimates. The range of variation was large, with significant increase in some countries like Somalia, which increased its budget by almost half, and very minor increase for countries like Guinea or Morocco.

The reallocation towards the health sector was the most immediate decision for all countries. Sub-Saharan African countries spend an average of only 5.1 percent of their gross domestic product (GDP) on health, compared to 9.9 percent for the rest of the world (WHO, 2018). To address this gap, most nations made large transfers to the health sector (see Figure 1). This immediate response was similar during the Ebola crisis, for which Liberia increased health expenditure by 111 percent (up to 60 percent of the budget). For COVID-19, large investments were announced for the prevention and treatment needs, such as personal protective equipment, testing kits, ventilators, and isolation or quarantine facilities. Health spending as a share of budget allocation was positively impacted, reaching 12.1 percent for Mozambique, against an average 8.9 percent in the last decade ((UNICEF, 2020a). Even Seychelles, which already had the highest level of expenditure on health per capita on the continent, at US\$792 per head in the pre-COVID context, increased the share of recurrent expenditure allocated to health from 16.8 percent to 17.3 percent, while it decreased for most other budget heads (WHO, 2021; Ministry of Finance, Trade, Investment and Economic Planning of Seychelles, 2020).

Health reallocation went to goods and services, recruitments and sometimes infrastructure, but always focusing on COVID-19-related activities. Ethiopia raised its health budget by 46 percent in 2020, with the health sector budget reaching ETB18.7 billion (USD450 million, or 0.53 percent of GDP) during the FY 2020/2021, up from 12.64 billion Birr (USD304 million) in FY 2019/2020 (see Figure 2). Kenya reallocated USD9.4 million towards employment of new health workers. A significant share was also allocated to health staff, either for salary supplements or hiring of extra staff, for example in Kenya, Malawi, South Africa and Zambia (UNICEF, 2020a). By end of March, Ghana had already allocated USD56 million of its Coronavirus Alleviation Programme to health workers and the pharmaceutical industry. Cabo-Verdean authorities announced CVE76 million (USD0.8 million) to an emergency plan aiming to cover additional expenses for personnel, training and medical equipment (CABRI, 2021).

Figure 1: 2020 Allocation to the ministry of health as percent of GDP, before and after the 2020 supplementary budget

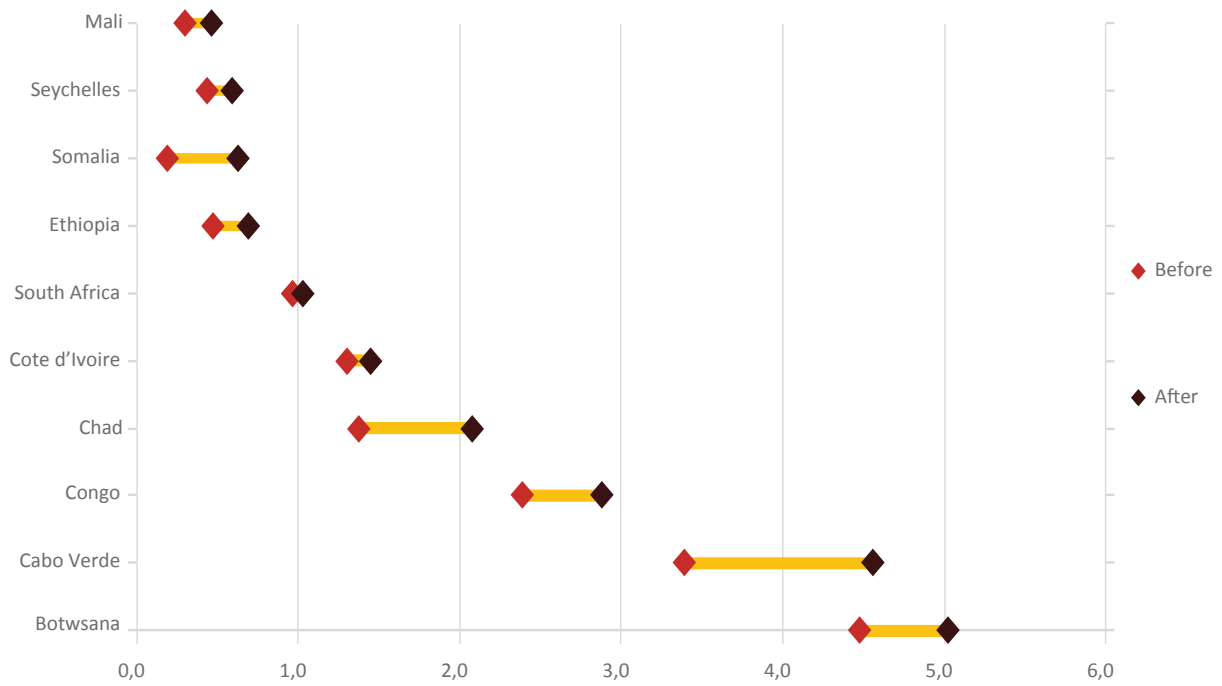
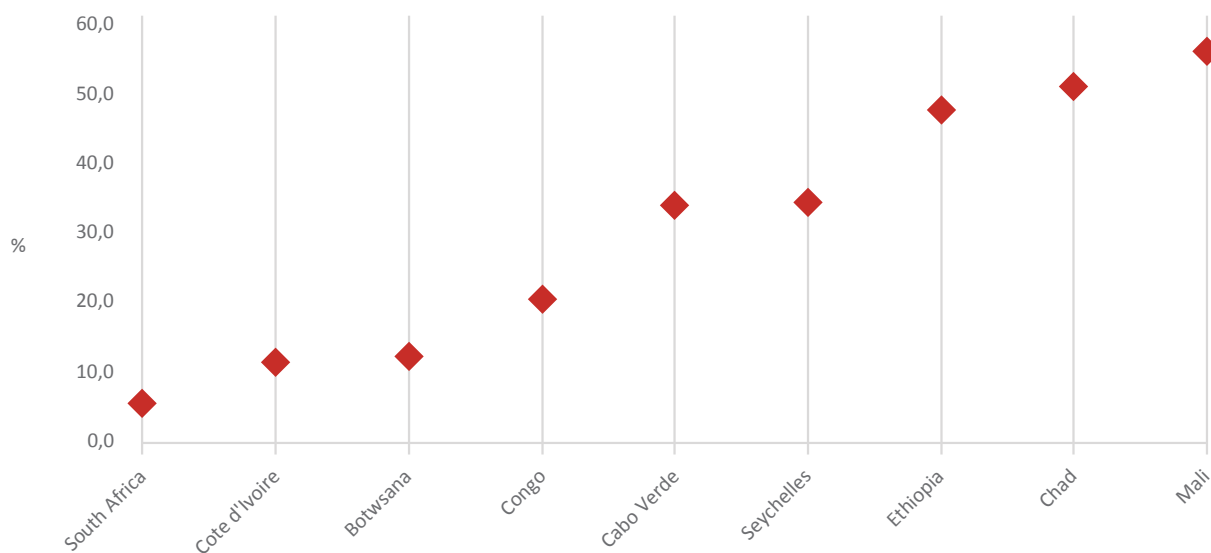


Figure 2: Percentage increase to ministry of health in the 2020 supplementary budget



Source: 2020 Finance Laws and Supplementary Finance Laws; World Development Indicators

Note: GDP = 2019 Gross Domestic Product (current)

The pandemic also highlighted the lack of investments in the sector of WASH. In a continent where over 750 million people do not have access to improved sanitation, practising barrier gestures is a challenge (AfDB, 2020). Many countries invested in sanitation facilities in public places. Government health departments included products like sanitisers and soap, classified as essential goods, in their operational budgets, reduced imports duties (Burkina Faso, Comoros), or distributed it to the population (Mali, Madagascar, Senegal) (CABRI, 2021).

Some states reinforced the roles played by local governments through increased transfers. Local and regional governments can play an important role at the front line, enforcing the quality of service delivery and monitoring at the sub-government level (Sharif & Saiz, 2020). While governments usually favoured a centralised response, a few countries delegated partly to local administrations. South African municipalities received additional financing to improve water infrastructure, sanitation, and to organise food and housing provision to the homeless. In Uganda, funds allocated for surveillance, sample collection, and contact tracing for districts were channelled through local governments (CABRI, 2021). Around 13 percent of the supplementary expenditure allocated to the COVID response was allocated to local governments (Parliament of Uganda, 2020b).

The consequences on employment of the response have also forced governments to massively increase budgets for social protection through economic and social package supports. A survey of 21 SSA countries found that individuals and small and medium-size businesses were the main beneficiaries of budget reallocations, before the health and WASH sectors, followed by large businesses and industries (UNODC, 2020). On the continent as a whole, socioeconomic support packages announced in 2020 ranged in cost from about 0.02 percent of GDP in South Sudan to 10.4 percent of GDP for South Africa (Milken Institute, 2021). In April 2020, South Africa announced the allocation of ZAR40 billion for wage support, while Seychelles allocated RS1.1 billion to guarantee salaries. A significant number of countries supported food security through cash, stamps and in-kind support, like Liberia, which reappropriated USD25 million to facilitate food distribution (CABRI, 2021).

The use of transfers took centre-stage as a major tool for social protection. Several countries, such as Togo and Mali, organised direct cash and in-kind transfers for vulnerable households and those who had lost their source of employment. Nigeria, which was already implementing transfers prior to the pandemic to provide support to vulnerable households, extended the coverage to an additional 1 million beneficiaries (CABRI, 2021). For most countries, these were new, one-off measures, meant to be temporary. Cash transfers can be an important burden for the budget, which few countries are able to implement for

an extended period of time. Gambia's, Kenya's and Congo's cash transfers ranged between 41 percent and 47 percent of the monthly GDP per capita (Gentilini et al., 2020). The Seychelles government had to cancel a job retention financial scheme earlier than previously announced to limit the widening of the fiscal deficit in 2021 (Ministry of Finance, Economic Planning and Trade, 2021).

Budget reprioritisation also happened on the revenue side, with a series of fiscal stimulus packages to ease pressure on businesses. Cancelling or postponing tax payments can reduce liquidity pressure on small and medium businesses, many of which had to close temporarily or saw their activity drastically reduced. Governments announced tax measures early on. By mid-2020, Angola had announced the reduction of the Industrial Tax, Burkina Faso had suspended the Management Learning Tax for transport companies and hotels, and Congo had announced a free extension of penalty payment. VAT and custom duties exemption were also used widely on certain products, like humanitarian aid and food support (Angola, Chad), COVID-19-affected sectors (Senegal, Zambia) and medications (Democratic Republic of the Congo – DRC, Sudan, Tanzania, Tunisia, Zambia) (CABRI, 2021). Some also provided fiscal stimuli in the form of concessional loans and grants, like Senegal and South Africa, which allocated, respectively, 0.5 percent and 0.4 percent of GDP to a loan guarantee scheme (CABRI, 2021). Nigeria's support through loans and loan guarantees reached up to 7.50 percent of GDP (Gondwe, 2020).

c. Budget cuts: Who were the main losers?

Many countries performed important cuts in their recurrent spending through the goods and services (G&S) appropriation category, particularly on what were considered "non-essential budget items". Obvious budget cuts concerned travel, sports and entertainment (Ghana, Cabo Verde, Lesotho), which had become temporarily superfluous in a context of lockdown and closing of borders (CABRI, 2021). In April, Cabo Verde announced cuts in allocations for travel, training, recruitment, office supplies and promotions in the civil service. Seychelles reduced both wages and salaries (W&S) as well as G&S allocations by, respectively, 1.5 percent and 6.3 percent, through cuts in cultural events, entertainment and travels. A 50 percent reduction was applied to all minor capitals budgets, saving SR27.1 million (1.8 million USD) (Ministry of Finance, Trade, Investment and Economic Planning of Seychelles, 2020). Algeria's supplementary finance bill drastically reduced recurrent spending by 50 percent. Some countries temporarily postponed the final decision, like Angola, which temporarily froze 30 percent of its G&S budget, pending completion of a budget review (CABRI, 2021).

Wages and salaries were in some cases targeted. The nature of the expense makes it difficult to cut drastically, and large civil servant wage bills are often considered a source of rigidity in a country's budget. To minimise the weight of W&S, several governments announced the freezing of new recruitment and promotion in the civil services, as in Tunisia and Cabo Verde, or below inflation salary adjustments like eSwatini. Some countries took it further, like Seychelles, which applied a freeze on recruitment and the scrapping of the 13th month pay. As the latter is mandatory by law in the private and public sectors, the Attorney General prepared a legislative amendment to allow its temporary suspension, saving the government SR541 million (USD36.6 million), or 5.8 percent of the original budget (Pointe, 2020). In countries like Botswana and Malawi, government officials had to pledge a share of their salaries to be transferred to COVID-19 response funds.

The decision on capital expenditure (CAPEX) was not unanimous, with an overall trend towards reducing capital allocation but also many exceptions. Countries under financial pressure often decide to cancel or postpone public investment projects, as they provide easy access to large lump sums (Tandberg & Allen, 2020). The context of the pandemic made these cuts more attractive, as the movement restrictions measures were likely to slow down any public works, at least in the short term. Similar decisions were made during the Ebola crisis, during which Liberia and Sierra Leone announced large decreases in their capital budgets. In the same way, many countries announced cuts in CAPEX in 2020, including Angola, Seychelles, Ghana and Djibouti (CABRI, 2021). Cuts usually targeted specific sectors, as in Lesotho which reprogrammed the equivalent of 0.35 percent of its GDP from transportation infrastructure CAPEX to the health and social response of COVID-19. However, other countries made the decision to increase CAPEX allocations, like Chad and Morocco (see Box 2), by 19 percent and 9.5 percent, respectively (CABRI, 2021) (see Figure 3).

Experts warn that cuts in CAPEX should be well targeted and done in a transparent manner. Projects with a low cost but high economic and social return should preferably be maintained. Countries like eSwatini moved CAPEX allocation from less urgent work towards refurbishing hospitals and completing new hospitals. Experts also warn that avoiding cuts in operations and maintenance is important to limit long-term impact (Tandberg & Allen, 2020). Some basic rules can help avoid sunk costs, for instance by limiting cuts in CAPEX to projects that were not started yet, as was done in Cabo Verde.

Box 2: Morocco's investment in CAPEX, a trade-off between investments and recurrent spendings

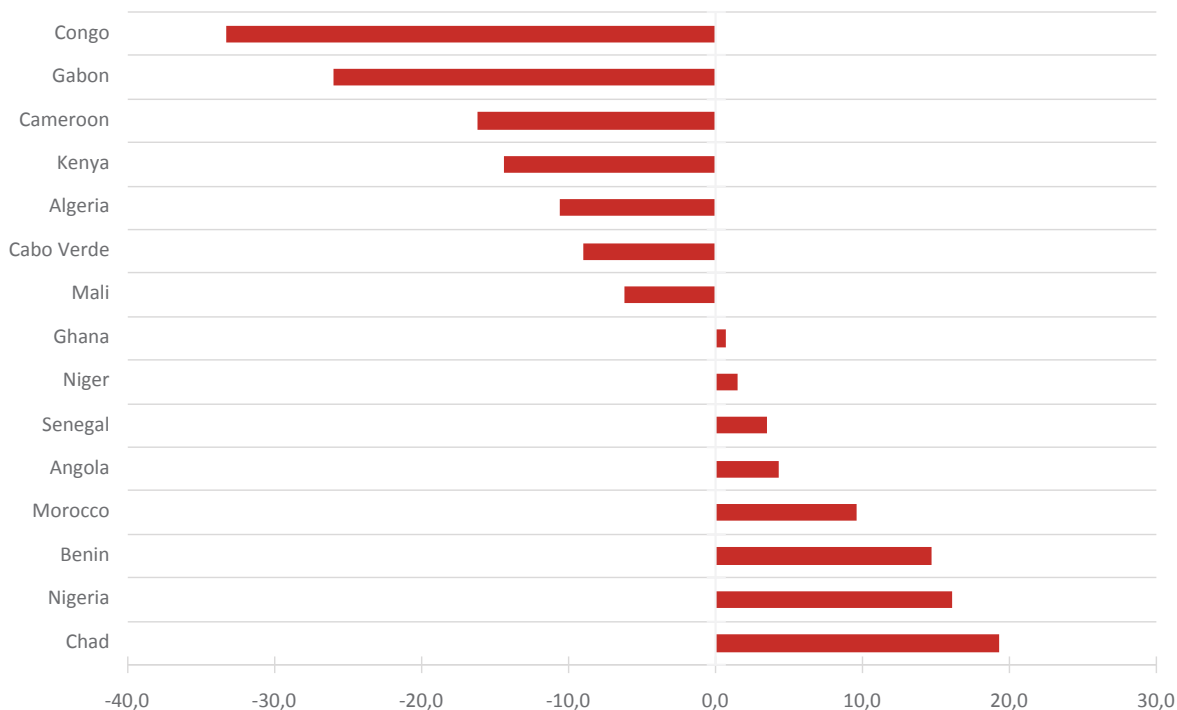
To finance emergency measures and account for the reduced revenues, the government announced a "rationalisation" of public finances. Budget cuts were made in a number of targeted allocations classified as "non-essential", including transport, ceremonies and international events, while maintaining others like civil servants' salaries and social spending. Unlike many other countries, the government decided not to cut into CAPEX, despite important cuts across most budget heads, including a total of DH5.0 billion (USD1.4 billion) taken from the education sector. Instead, the revised budget showed an increase in public investment spending by 9.6 percent, mostly in the chapter of Charges Communes (a type of allocation targeting primarily economic and social measures which do not fall under a specific institution), for which the CAPEX allocation increased by 71 percent. This was an ambitious move given the constraints specific to 2020 (social distancing, reduced imports impacting supply), and aimed to support the economic activity recovery. Ultimately, capital spending execution for 2020 reached 104.9 percent, against 78 percent in 2019 (Trésorerie Général du Royaume du Maroc, 2021).

Social and human capital sectors were also often negatively impacted. Reprioritising funds towards the COVID-19 response has also at times crowded out spending in other non-health key areas, such as education and nutrition. Education was often a big loser, in particular in a context of schools closing for several months or functioning under measures of social distancing, which would have led to additional costs to ensure continuous education services (Al-Samarrai, 2020). Countries like Burundi, Zimbabwe and Zambia announced large decreases in the education budget, with a cut in spending per person estimated at 33 percent, 23 percent and 18 percent, respectively (UNICEF, 2020a). This again was not a universal trend, as some countries included additional education spending in their fiscal stimulus packages, like Equatorial Guinea and Ethiopia (IMF, 2020a). Overall, large variations can be observed between countries (see Figure 4 and Figure 5). Some, like Algeria, ensured that social spending remained untouched, while Cameroon applied a 20 percent cut to all administrative heads but excluded social administrations (health, education, promotion of women and family, employment and professional training, and advanced education) (Matock, 2020). Closing of schools also impacted other social sectors, including

health and nutrition, with the interruption of deworming programmes and school feeding programmes. School feeding, which is funded at 30 percent in lower-income

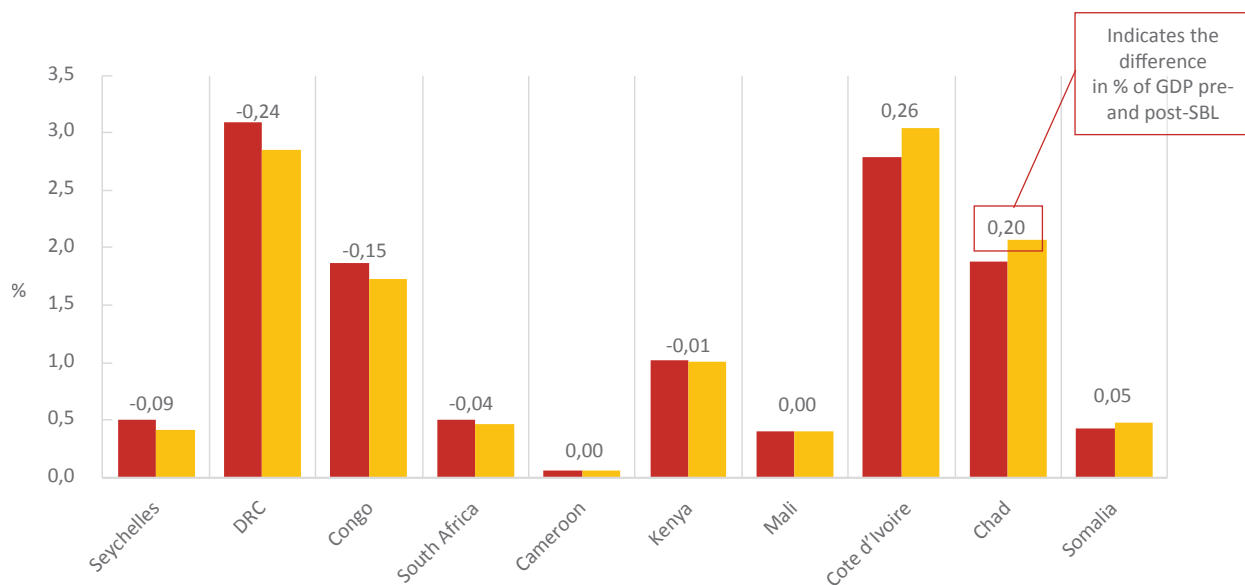
countries, and up to 90 percent in low-middle-income countries, might have been directly affected by budget cuts (WFP, 2020).

Figure 3: Percentage change to capital expenditure in the 2020 supplementary budget



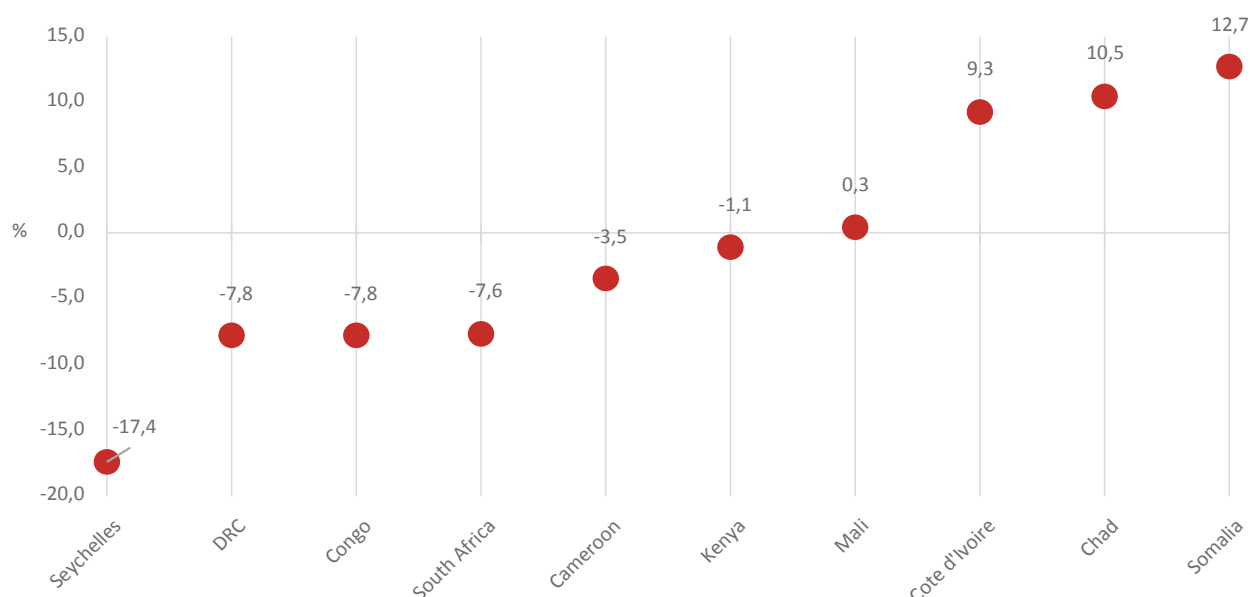
Source: Various budget laws and supplementary budget laws

Figure 4: 2020 Allocation to the ministry of education as percent of GDP, before and after the 2020 supplementary budget



Notes: GDP = 2019 Gross Domestic Product (current); the data is not always comparable across countries, as it indicates allocations to education sector or only to the ministry of primary and secondary education, depending on budget data available.

Figure 5: Percentage change in allocation to ministry of education, before and after 2020 supplementary budget



Source: Various Budget Laws and Supplementary Budget Laws; World Development Indicators
 Note: GDP = 2019 Gross Domestic Product (current)

The reprioritisation to the health response did not usually translate into an increase for other non-COVID-related health programmes. Instead, the focus on the COVID-19 response sometimes translated into a neglect of other diseases. Despite the momentum of transferring funding towards health, other programmes have at times been adversely impacted. In Zimbabwe, resources were allocated from HIV/AIDS programmes to COVID-19 preparedness (UNICEF, 2020a). Research has also highlighted the impact of budget reallocation on malaria prevention and treatment programmes. Countries highly impacted by malaria, like Côte d'Ivoire, Comoros and Ghana, all deferred their nets and indoor-spraying campaigns during the COVID-19 pandemic (Guerra et al., 2020; Rogerson et al., 2020).

The lack of details in many budgets provides limited information about the actual content of the cuts. The opacity of the reappropriation was particularly noticeable in line-budgeting systems, in which reports of cuts or movements carried out at the line-item level provided little to no information about the nature of the activity being impacted. To face the drop in revenue and free funding for the COVID-19 response, Liberia reduced its budget by 23 percent by conducting dramatic cuts across all institutions' recurrent expenditure, reporting the changes only at the budget head/appropriation category level. It shows that the Ministry of Education's allocation was reduced by 8 percent, including a 50 percent cut in goods and services meant for the "administration", but with limited data on

the services impacted. This increases the risks of cuts being applied to essential services and highlights the lack of prioritisation that went into the budgeting process.

d. Reallocation: Who made the decisions?

In response to the need for rapid action, many countries introduced new regulations and frameworks to manage the crisis, including on the budgetary side. Some declared a state of emergency which unlocked access to additional funds and created high-level committees with special powers to lead and monitor the COVID-19 response and make decisions regarding resource allocations. Benin, Comoros, eSwatini, Guinea, Mozambique, Nigeria, Seychelles, Chad and Togo all established such committees (Nabyonga-Orem et al., 2020). The establishment of a well-functioning body (or bodies) of decision makers to organise effective coordination with ministries, departments and agencies (MDAs) and subnational entities was key to ensuring that funding for the emergency COVID-related activities was appropriately allocated (Saxena & Stone, 2020).

The modalities of the decision-making framework differed between countries, with varying levels of centralisation and stakeholder inclusion. While the Ministry of Finance was always part of the budget decision, a variable number of other actors were also involved. Highly centralised bodies, such as the Presidential

Task Force against COVID-19 in Nigeria and the Crisis Committee led by the president in the Central African Republic (CAR), were charged with most COVID-19-related activities, including the implementation of the response plan and budget reallocation. Senegal established two high-level committees, one in charge of monitoring the implementation of the response plan for COVID, and one in charge of strategic decision making. These two committees included members from the government (e.g. ministers of finance and budget, health, local development), members of the national Parliament and representatives from civil society (*Décret N° 2020-965*). Some governments established additional, more operational subcommittees to address specific dimensions of the challenge. Cameroon created a consultation framework between the Ministry of Finance and the Ministry of Economy and Planning, inviting the main economic players, who were specifically charged with mitigating the effects of the crisis and encouraging economic recovery. Angola chose to reduce the government from 28 to 21 ministries, to reduce costs and enhance government efficiency (Kunicova, 2020).

Countries took initiatives to address the challenges related to top-down communication. In some countries, decisions on how to reallocate resources and use emergency funds were made by senior officials in ministries of finance, with limited consultation of all concerned parties (Tobert et al., 2020). To avoid this issue, several countries established coordination mechanisms. In Gambia, committees were formed to improve the coordination between the budget office and relevant MDAs at subnational and central government levels, bringing together heads of relevant departments, one at a technical level and the other at a Cabinet level. Zimbabwe eased the delegation rules and allowed MDAs to make more flexible use of funds by rechannelling them towards COVID-19 health services as advance payments (CABRI, 2021). Algeria directly sent funding from the central fund to subnational levels, while Comoros created subnational-level committees with the authority to make resource allocations. In Benin, consultative platforms were established to discuss resource mobilisation and allocation decisions in a participatory and transparent manner (Nabyonga-Orem et al., 2020).

Some lessons can be drawn from the experience of coordination mechanisms during previous public health crises, such as the 2014–2015 Ebola outbreak. The Ebola crisis highlighted the difficulty of properly integrating and organising a coordination and decision-making framework. In Liberia, the geographic distance between the different response bodies, the lack of internet access and the limited number and size of meeting spaces impeded good communication, and created bottlenecks in decision making (Schreiber, 2017). To improve the communication between health and finance teams, the Ministry of Finance moved some of its staff to the Ministry of Health (Bedasso & Cole, 2020). The government then established weekly meetings between government agencies, donors and

non-governmental organisations (NGOs) for information sharing and coordination, which proved to be successful (Kunicova, 2020). During the 2020 pandemic, Senegal was able to apply lessons learned during the last Ebola crisis (see Box 3).

Box 3: Senegal’s pandemic management lessons from Ebola

Senegal learned important lessons from the Ebola crisis, which manifested in its handling of the COVID-19 pandemic. In 2014, Senegal set up the Health Emergency Operation Center to respond to the Ebola outbreak in West Africa – it later became a model in West Africa (CDC, 2016). Further investments were made, and by early 2020 the Center had 23 staff, including five doctors, and had been coordinating for the past six years with the Ministry of Health and international organisations, which facilitated the communication and coordination of activities for the health response when the new pandemic started. In addition, the government created a leading committee in April, in charge of following the implementation of the Economic and Social Resilience Plan prepared in response to the crisis. The committee was composed of members of the government, including the ministries of health and economy, but also of representatives of the leading and opposition groups in Parliament, and members of civil society. The objective was to provide clear political guidance, based on a consensus between all actors, which contributed to the successful health response.

e. Oversight: Who approved the budget decisions?

A large number of countries declared states of emergency or public health emergency, therefore giving considerably more decision-making power to the executive. While in Senegal and Botswana, the parliaments voted for the activation of the state of emergency, in Gabon and South Africa, the state of emergency was declared by the president. A survey of 21 countries in West and Central Africa found that 62 percent had adopted emergency support packages by executive decrees approved by the executive power. The remaining 38 percent involved their national parliaments for the adoption of COVID-19 emergency support packages, which included items like tax rebates and cash or in-kind support (UNODC, 2020).

National parliaments had to adapt their oversight role. In the urgency of the context, governments sometimes requested legislators to shorten budget processes.

Previous crises like the 2007 global financial crisis showed that emergency situations can lead to the creation of “improvised” budget procedures (Schick, 2010). Nevertheless, parliaments often managed to maintain at least part of their authority. The government of Tunisia withdrew the supplementary budget bill after Parliament criticised it for being too costly (Reuters, 2020). The government of Seychelles requested disallowing the seven days provided to Parliament to review the supplementary budget, but Parliament refused that request (Pillay, 2020). The Ugandan Parliament increased the health allocation proposed by the government from UGX82.5 billion (USD23.2 million) by more than UGX20 billion (USD5.6 million), considering the amount insufficient (CABRI, 2021).

Some governments bypassed the legislative power using the state of emergency exceptional rules. For instance, the revised budget 2020 in Senegal was never approved by Parliament, as the Law 20/13 on the state of emergency, voted by Parliament, significantly increased the power of the president. This allowed the head of state to approve the revised budget by ruling, even though under normal circumstances the amplitude of the budget revisions would have required the approval of Parliament.

f. Planning: Were accurate estimates and forecasts produced?

Some countries revised their medium-term estimates when revising their budget, but the majority did not. The task of reprioritising the budget allocations was an extremely complex one, often in a context of limited capacity for planning and budgeting. The reallocation of funds to health and essential services necessitated producing estimates of resource requirements for the health and economic response on the one hand, and identifying low-priority spending on the other. Ideally, the resource reallocation exercise would consider the impact on the medium-term budget framework. Countries with more robust PFM systems like Morocco, South Africa, Nigeria and Uganda, attached an adjusted Medium-Term Expenditure Framework (MTEF) to the supplementary budget submitted to Parliament (see Box 4). However, the majority of countries did not provide revised estimates and forecasts when presenting their budget to Parliament.

Several countries applied large cuts across all sectors and items, sometimes with limited linking to policy priorities. High-priority expenditure, including to support the vulnerable and to meet essential items, such as debt service, should not be adversely impacted. Moreover, cuts would ideally limit the impact on sectors already largely impacted by COVID-19, such as tourism and small businesses. Several countries, like Liberia, CAR and Congo,

resorted to large cuts across the board, with the risk of adversely affecting the delivery of essential services. Liberia, for instance, decreased the G&S budget allocation of all budget heads, with a small number of exceptions such as the ministries of health and finance and the National Food Agency.

Box 4: Nigeria’s revised budget was supported by significant background documentation

As the pandemic hit, an amended budget was rapidly prepared and submitted to the National Assembly on 28 May 2020, reducing the expenditure ceiling from NGN10.6 trillion (USD27.3 billion) to NGN10.5 trillion (USD27.1 billion). It was submitted along with a revised 2020–2022 Medium-Term Fiscal Framework (MTFF), which accounted for the reduced oil barrel benchmark price and related fall in mineral revenue, the depreciation of the national currency and the relative reduction in non-oil revenue forecasts. After review by the National Assembly, it was signed into law on 10 July 2020 (Federal Government of Nigeria, 2020a). The 2020 amended budget included a COVID-19 intervention programme, which facilitates the tracking of budget allocations for COVID-19 interventions. Sixty-seven intervention programmes were created, for a total allocation of NGN500 billion, with each programme placed under the responsibility of a specific institution, for activities that included those related to investment in the health systems laboratory procurement for testing, and economic measures of support to Micro, Small and Medium Enterprises (Federal Government of Nigeria, 2020b). A COVID-19 Crisis Intervention Fund was created and added as a line on budget (presented in economic classification and divided between a recurrent expenditure allocation). The Fund’s objectives included funding for healthcare facilities, subnational government support interventions, public works projects and social interventions (Ejiogu et al., 2021).

Planning for emergency is made more difficult by long-term rigidities in the budget. High staff bills or important ratios of earmarked revenues make budget reallocations more difficult. For instance, Ghana has over 11 arrangements of revenue earmarking (Boakye, 2016). Additionally, compensation of employees, interest payment and grants to other government units represented, respectively, 31 percent, 23 percent and 18 percent of the 2020 resource allocation (Amankwah-Poku, 2020), leaving little freedom of movement for reprioritisation.

The lack of details in budget documents also complicates the process of reallocation. Budgets usually provide information on overall sector budgets, but often give no or limited details about programmes or sectoral activities. This complicates the task of policymakers to identify priority spending. Budgets organised in programmes can facilitate this exercise, but in general, the link between strategies, annual plans, sector policies and budgets is weak. A survey of 28 countries assessed that although 21 had adopted a programme-based budgeting (PBB) structure, less than half of them provided a narrative of how the budget connects to and supports the achievement of policy objectives (International Budget Partnership, 2020). In Uganda, the supplementary budgets provided some information about the source of the funding and the justification for the additional spending, but with limited details. The Ministry of Finance indicated that it would use a EUR600 million (USD716 million) loan previously voted by Parliament as well as the fiscal space created by the cancellation of some non-essential activities in the last quarter of the FY 2019/2020. No details were provided regarding the number, nature and costing of these activities (Parliament of Uganda, 2020a).

g. Tracking: How was it recorded?

A detailed analysis of the budget reallocation is complicated by the lack of disaggregation in some supplementary budgets. The lack of detailed allocation associated with special funds, or the absence of disaggregated data in supplementary budgets, blurs the tracking of the funds. A similar issue was pointed out after the Ebola crisis, with a lack of clarity over how the funds had been used. In Sierra Leone, official data showed that the administrative unit for “Miscellaneous Services” was significantly overspent during the crisis. There were no details or explanations on how the funds had been disbursed (Tobert et al., 2020).

Ideally, countries that use a PBB system will record COVID-19-related expenditures within the classification by programme. The option recommended by PFM experts was to integrate COVID-related spending in the existing programme structure, or at default to create specific COVID-19 sub-programmes under the ministries involved in the COVID-19 response, for instance by adding a COVID-19 sub-programme to a Ministry of Health’s programme focusing on infectious disease and pandemic prevention (Hélis et al., 2020). This was done by South Africa, which increased by 12 percent and 21 percent respectively the communicable and non-communicable diseases and primary healthcare programme (UNICEF, 2020b). The creation of specific COVID-19 programmes in different ministries was also an option if a response plan was already developed and with a designed leading entity for each action. Finally, the creation of a single interministerial COVID-19 programme was another solution, preferable

if the government did not yet have a clear costed plan. South Africa, whose PBB is well established, used existing programmes, and allowed provinces to reprioritise up to ZAR1 billion (USD70.7 million) within existing programme envelopes for COVID-19 expenditure. Mali created a “COVID Response” programme under the Ministry of Health through its SBL. Similarly, Angola established an interministerial commission to manage the COVID-19 response and introduced a specific COVID-19 programme in the budget classification.

Tracking COVID-19-related expenditures through administrative classifications was another, sometimes simpler option. Many countries have not yet started and properly transitioned towards PBB. Governments resorted to amending the administrative classification by creating a budget line for COVID-19 under the ministries involved. In Guinea, subsections were created under the administrative classifications, which allow coding of all COVID-19 expenses by administrative, functional and economic classification (CABRI, 2021).

Countries often resorted to including COVID-19-related expenditures in a new line under economic classifications. The classification (debt, W&S, G&S, etc.) should be able to absorb any new budget allocations, under the condition that the Chart of Account is modified to realign these with the other modified classifications, like Seychelles which adjusted its PFM rules and processes to allow existing budget lines to be used for COVID-19 expenditure (CABRI, 2021). However, several countries chose to create a new COVID-19 line. Nigeria introduced two lines under CAPEX related to a COVID-19 Crisis Intervention Fund, while W&S and G&S activities were reported under “Other Service Wide Votes” in recurrent expenditure. Similarly, Kenya created a new economic classification category entitled “Economic Stimulus”.

Some governments used their financial management information system (FMIS) in an innovative way to track the reallocation. In Benin, the FMIS was modified and coupled with other mechanisms to be able to track in-kind donations made to the COVID-19 fund. Senegal’s FMIS monitors COVID-related spending on a daily basis, while Togo’s tracks the cash transfer payments to beneficiaries, reducing the risk of fraud or delays (Imbert et al., 2021).

Many countries resorted to the use of special extra-budgetary funds, which can create additional difficulties in the tracking of COVID-19-related revenue and expenses. Extra-budgetary funds were used to accommodate funding from numerous sources, including public funds, development partners and private donations, some of them earmarked for specific spending. This can complicate the tracking of revenue and expense (Boukezia & Wendling, 2020). These funds, often newly created, also did not always fall under the regular tracking mechanisms and FMIS.

h. Quality of delivery

Although it is still early to assess the impact on service delivery of the emergency budget reallocations, assessing the quality of the spending will be key to learning from the crisis response. The context of increased fiscal pressure enhances the importance of efficient budget spending, including that of reallocations. The analysis is made more difficult by the lack of data on service delivery, often missing in African budget documents (PEFA, 2020). The limited progress of PBB reforms, which when well implemented can facilitate the evaluation of the quality of spending on specific activities, is a factor. The context of emergency and poor quality in the recording of COVID-19-related spending is an additional challenge.

A limited number of countries have released reports on COVID-19-related reallocation and spending. Large differences between policy announcements and the actual implementation of social protection responses were reported by donors and NGOs (UNICEF, 2020a). Monitoring progress in the disbursement of funds allocated to specific programmes can inform on the level of implementation, although few countries have monitored and released COVID-19-specific budget execution reports to date. A few governments provided regular updates on the progress against their COVID-19-related spending. Mauritania published regular progress reports on COVID-19 response activities, classified by interventions and with the detail of each measure, such as electricity vouchers, in-kind distribution and cash transfers, and the number of recipients (Ministry of Finance of Mauritania, 2021). Some countries, like Mali, included the tracking of the COVID-19 programme in the regular quarterly in-year reports (Ministère de l'Économie et des Finances du Mali, 2021).

Rates of execution tend to follow previous trends, with some counter-performance on capital spending. The case of Ebola showed that countries tend to maintain past trends in budget execution when dealing with a response crisis. An analysis of the PEFA score in Sierra Leone and Liberia during the Ebola response year showed that although they adjusted their budgets to the new context, in similar ways to what we see now for COVID-19, budget implementation practices followed similar trends as in earlier years. Deviations in specific sectors (overspending or underspending) remained similar after the reprioritisation (Tobert et al., 2020). Countries with a history of project execution problems, like Botswana, saw this issue exacerbated by COVID-19 restrictions (RSM Botswana, 2021). Some countries reported spending beyond their initial COVID-19 allocations, like Mauritania, which could be a sign of initial underbudgeting. Reports on COVID-19 allocation showed that CAPEX funds were generally the most underspent, due to issues related to project design, contracting and project monitoring.

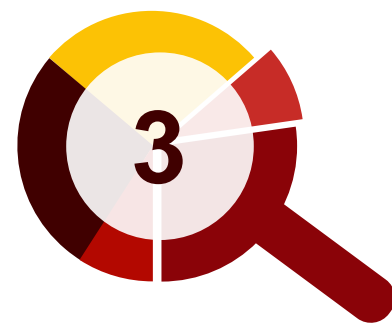
When data availability allows, conducting a more in-depth assessment of the resource and expenditure tracking will provide valuable PFM lessons. For example, a case study of Uganda showed that the supplementary budgets allocated to national and regional referral hospitals were allocated under a relatively prescriptive activity-based approach, which limited the flexibility of the response by the health staff, and complicated reallocations when those were needed (Margini et al., 2020). A report by the Budget Bureau also highlighted a lack of prioritisation (see Box 5). In Burkina Faso, the government acknowledged that an issue of fragmented health financing arrangements and a lack of coordination between sectoral bodies had been a major challenge in the financing of the health response in that country, which had one of the highest COVID death rates in Africa in 2020. Limited transfer of funds from the Ministry of Health to health facilities was identified as one of the issues (Think Well Global, 2020).

Box 5: Ugandan government budget reviews show a lack of prioritisation and funding for the response to shocks in 2020

A report by the Budget Bureau highlighted the limited response for Covid-19 but also for events like the locust invasions in 2019/2020 (Ministry of Finance, Planning and Economic Development, 2020). Another analysis showed that the budget 2020/2021 did not properly address allocations towards critical budget items in the health sector, such as key medical equipment, while other items like workshops and seminars, travel abroad, and furniture, received large allocations and sometimes increased ones (Budget Monitoring and Accountability Unit, 2020). These show the limited forward planning for unexpected, non-incremental expenses, and the difficulty of developing credible budgets under rapidly changing circumstances. Furthermore, the approval of a supplementary budget only three months after the vote of the original budget, which includes the ratification of an extra spending of UGX1.357 trillion, and an additional allocation of UGX1.982 trillion for classified expenditure and capital investment, also raises the question of the use of ratification budgets as a way to push forward spending under more limited parliamentary scrutiny (The Independent, 2020).



Associated risks and how to mitigate them



a. Reprioritising in a context of crisis: The risk of misappropriation

Emergency situations like COVID-19 can lead to reduced discussions and scrutiny over budget reallocations.

Governments can also use the opportunity to push ahead parallel agendas in their process of budget reallocation, either by not requiring parliamentary approval of significant in-year budget reallocations, or by emphasising the urgency of the situation to accelerate the passing of new budget bills without proper scrutiny. In Uganda, the opposition in Parliament and civil society organisations (CSOs) denounced the fact that the supplementary budget adopted between March and June 2020 had allocated the largest share to the sectors of defence and security (see Box 6). A report by the Malawian ombudsman found that the COVID-19 coordination committee, in charge of coordinating the COVID-19 response, had allocated almost 80 percent of its funds to staff allowances and benefits (Office of the Ombudsman, 2020). In Cameroon, despite its pledge to use funds transparently as part of a requirement to receive International Monetary Fund (IMF) funding, the government published no information on the allocation of the funds deposited into two COVID-19 funds prior to starting spending (Transparency International, 2021).

Some states used the crisis to push through political agendas when revising their budgets. The passing of emergency supplementary budgets, often prepared under less scrutiny and presented as a response to a situation of national challenge, gave governments opportunities to push through non-COVID-related reforms. Both Uganda and Kenya included in their SBL high increases in their defence and security budgets. Nigeria used it as an opportunity to pass difficult fiscal reform, namely the suppression of subsidies on oil, which is likely to have significant social effects and had previously been met with large demonstrations, forcing the government to postpone the measure (Ejiogu et al., 2021).

The reallocation process can also go awry because of policy errors.

In contexts of crises, policymakers and budget officers must make quick decisions regarding fund reprioritisations, often with gaps in data and information. This can lead to cuts which end up impacting essential service delivery. Budget reallocations often lead to taking funding away from the provision of essential services, including in health, education and other basic services. Budget analyses showed that funds were taken from essential health services to fund the COVID-19 response in Chad, Niger and DRC (Global Financing Facility, 2021). In Kenya's first 2020/2021 supplementary budget, allocations towards social protection and the number of beneficiaries were reduced (Ochieng & Kinuthia, 2021). Organisations also warned about the fiscal impact on local governments and municipalities, which are often responsible for essential service delivery to citizens at the local level. According to some estimates, local governments in Africa could lose up to two-thirds of their financial resources (Oumar et al., 2020).

The overall lack of public consultation during the process of budget revision should be highlighted.

This is in part explained by the measures of lockdown and social distancing, which reduced opportunities for consultations, but a few examples of good practices show that ways can be found. While already low for initial budgets, with an average score of 10.7 in the 2019 Open Budget Survey in SSA compared to 13.8 for the world average, opportunities for the population to participate in in-year budget decisions became almost non-existent (Open Budget Survey - Data Explorer, 2019). Many of the 2020 SBL contained no information about revised fiscal or policy objectives. Information was occasionally provided in the executive speech to the Parliament chamber, but overall little was done to explain the changes to citizens and engage them on a series of issues that were very directly impacting them.

Box 6: Uganda's use of supplementary budgets to push non-COVID-19 agendas with limited transparency

The Ugandan Constitution (art. 156) allows the preparation of a supplementary budget when an allocation defined by the Appropriation Act is insufficient or when a new need for expenditure arises which was not planned for. The government presented in total four successive addendums to the budget between March and June 2020; however, the largest amount of the supplementary budget voted by Parliament was not related to the COVID-19 response. Large amounts of the rectification budgets related to shortfalls in wage estimates (201 billion) and defence CAPEX for the procurement of classified defence equipment (400.0 billion). Comparatively, the amendment related to COVID-19 amounted to 284.0 billion. Some members of Parliament also pointed out the government's use of budget revisions within the 3 percent supplementary limit for non-critical expenditures, resorting later to the supplementary budget for critical expenditure like wage allocation gaps and COVID-19 response, undermining the oversight of Parliament on budget allocations (Parliament of Uganda, 2020a). Additional movements below the 3 percent ceiling requiring Parliament approval were presented to the chamber, which did not apply to COVID-19 activities.

Under the COVID-19 supplementary budget allocation adopted by the SB Addendum 2, security was the main recipient at 29 percent, against 22 percent for health. The government originally requested an additional UGX82.6 billion for the health sector (USD23.2 million, or 3.2 percent of the Ministry of Health's original budget), far below the initial request from the Ministry for UGX464 billion (USD130 million), and was revised upward to UGX104.2 billion (USD29.3 million) by Parliament. NGOs and opposition members in Parliament criticised the lack of prioritisation, with the largest share of the COVID-19 response going to the security sector, and pointed out that a lot of the security activities should be funded either by the initial budget, like patrols and surveillance, or fall under the Ministry of Health's activities, such as contact tracing (Africa Freedom of Information Centre, 2020).

The lack of details in budget reallocations, the extensive use of classified budgets, and the absence of reporting on budget execution, hinder the transparency and credibility of the budget and increase the risks of fund misuse. While details of all activities with costing were provided for the health sector, the budgetary estimates for the security sector were limited to the institutions (Uganda Police Force, Prison Services, etc.) and general economic classification (recurrent or capital), without detailing by activity (Parliament of Uganda, 2020a). An analysis of the government procurement portal also showed that only about 6 percent of the budget allocated to the COVID-19 response was published on the portal, of which 95 percent was awarded directly to suppliers. The Parliament of Uganda was reportedly also involved in the irregular allocation of 10 billion shillings to MPs' personal bank accounts, which later had to be returned by court ruling to the National Taskforce on COVID-19, the district taskforces or the Parliamentary Commission which had dispatched the money (Africa Freedom of Information Centre, 2020 Parliament of Uganda, 2020a).

Countries need to set up the right framework by reinforcing scrutiny and discussion over reallocation and budget movements. Keeping parliaments informed of budget movements, even when the legal requirement is lifted under a state of emergency, is an important way to maintain legislative oversight over the budget. Publishing documents related to the allocation of COVID-19 spending and its use also enables citizens and CSOs to play a controlling role. Several countries have taken the initiative in that direction. Gabon and Cote d'Ivoire announced that they would organise an independent audit of all COVID-19-related spending, while Kenya's Senate ad hoc committee on COVID-19 requested the Auditor General and Budget Controller to conduct special audits on the utilisation

of COVID-19 funds by county governments, after allegations of COVID-19 funds being diverted to non-COVID-19 interventions (CABRI, 2021; Mueni, 2020). The examples of Nigeria's subnational government – an Amended Citizen Budget 2020 by the Nigerian states of Ondo and Kwara, and Citizen Engagement meetings for COVID-19 in Adawama State – are worth noting as examples of rare best practice (Adamawa State, 2020; Kwara State Government, 2020; Ondo State, 2020).

b. Multiple movements in the budgets: The importance of keeping track

Tracking the movements of funds can be challenging.

In a context of emergency procedures, which require accelerated budget preparation and approval, opening of credit advances, and important volumes of virement, this increased flexibility needs to be reinforced by an increase in ex-post controls, in particular audits. Crises like COVID-19 or Ebola require large flows of cash and in-kind support to be provided under short timelines to alleviate the pressure on the population (Boukezia & Wendling, 2020). It can be challenging to keep track of fund movements when processing large movements for countries with weaker PFM systems. As witnessed during the Ebola crisis, emergency responses and the financial response they bring can open windows of opportunity for misuse (Torbert et al., 2020).

Establishing a transparent, documented and auditable budgeting process is key to limiting the opportunities for fund misuse during and after the process of reprioritisation.

Several countries, including eSwatini, CAR and Nigeria, indicated when requesting support from the IMF that they would use specific budget lines to facilitate the tracking and reporting of the release of funds of all crisis-mitigation spending (CABRI, 2021). Looking back at the case of Ebola, the Open Budget Survey (OBS) assessment covering this period in Liberia and Sierra Leone found that both countries' transparency scores declined as compared to the previous assessment, with some basic budget documents not published or published late, and often with gaps in information. For example, Sierra Leone's in-year reports showed inconsistencies between the expenditure and the initial budgets and were presented under different classifications (functional and economic, while the original budget was approved according to administrative classifications), making the comparability impossible. Supreme Audit Institutions in both countries published audits of emergency funds and highlighted fund mismanagement, but neither report could explain all changes made to the budgets, due to lack of information received from the government (Tobert et al., 2020).

The lack of budget documentation to track and justify the movement of funds needs to be addressed.

As the pandemic and its impact grew, many governments announced new policies, but without citing the source of funding or the amount. Very few countries provided a detailed costed action plan with their proposed budget law rectification, a justification of the increase or decrease, the source of funding for new expenses, or the estimated fiscal impact. eSwatini's supplementary budgets provided data on the movements between budget heads, including budget cuts to all ministries for reallocation to health, education and the Deputy Prime Minister's Office, but without justification or description of the activities. The lack of budget documentation also applies to movements between funds. This issue was already observed during the Ebola crisis, during which basic budget documentation needed for basic monitoring was often unavailable. None of the mid-year reports published in 2020 by Cameroon, DRC or Tunisia contained specific disaggregated sections allowing for control of COVID-19-related expenditure.¹ A few countries published some information, but often in an incomplete manner. Kenya published monthly reports for May and December, but with several gaps in-between. Some countries are publishing data which to some extent allows for the tracking of funds. Mali's end-of-year report includes in the annex a report of the appropriation and execution of COVID-19 measures at programme level, and the country has published monthly reports on the activity of the special Solidarity Fund.²

The lack of budget movement tracking can lead to other issues beyond transparency, such as difficulties of cash management and accumulation of arrears.

A crisis can often be a tipping point at which public finances are destabilised. Tracking the potential sources of fiscal risk is part of the budget preparation, and they need to be assessed continuously (CABRI, 2017). A high number of virements and related arrears can lead to misalignment between the appropriated budget and spending. It can, for instance, increase the risk of missing information on debt and new liabilities, particularly in a context where governments are increasing their debts to respond to the need for increased financing brought about by the pandemic. Several countries reported putting in place measures to clear and prevent the accumulation of arrears (CABRI, 2021). In Benin, for example, the Ministry of Finance has the power to open imprest accounts (*Régies d'Avance*), which are put under the control of selected administrators, for urgent expenditure.³ The rules related to the reporting of these advance accounts seem to be loosely followed, which results in important untracked arrears (PEFA, 2014).

1 Cameroon (Exécution Budgetaire a Fin Septembre); DRC (DG des Politiques et Programmation Budgétaire, Commentaires sur les Etats de Suivi Budgétaire à Fin Octobre 2020); Tunisia (Résultats provisoires de l'Exécution du Budget de l'Etat, Août 2020).

2 Rapport d'Activités du Fond Spécial de Solidarité et de Soutien

3 Décret n°2003-657 du 14 août 2003 relatif aux Régies de Recettes et aux Régies d'avances de l'Etat.



Budget adjustments: Looking forward



a. Budget 2021: What are the main trends in reallocation?

The budgets for the new fiscal year had to be prepared, once again, in a situation of high uncertainty about the future and under the pressure of rising deficits. But now, beyond the first emergency response implemented in health, social protection and support to the private sector, countries also need to plan for medium-term recovery while re-anchoring on their fiscal objectives. It is also an opportunity to communicate with MDAs on needs and priorities. Revised budgets were prepared in haste in 2020 and might not have allowed sufficient discussion and strategising. Instead, the 2021 budget (and incoming 2021/2022 budgets) had to re-evaluate the need for prioritising policies in a context of continuously reduced fiscal space, prepare the medium-term recovery and deal with a largely degraded fiscal position (IMF, 2020b). The FY 2021 also represents an opportunity to improve the accountability of COVID-19 measures, as well as the traceability of the response, based on lessons learned from the previous year.

Fiscal constraint is going to remain a problem, making the prioritisation of sectors a recurrent issue. As countries transition out of emergency mode, the importance of reassessing prioritisation in a context of huge deficits, and the return to normalcy in budgeting, must be planned carefully. Emergency spending is likely to continue in many countries for at least another year. Restoring regular management and control procedures will be key and will require progressively integrating any COVID-19-related spending back into the budget. Countries need to revise MTEFs and medium-term plans, review the prioritising of large capital investments, and reassess rigidities and the relevance of big-ticket items. In Botswana, to strengthen the efficiency of government spending in the light of COVID-19, the Ministry of Finance introduced a Zero-Based-Budgeting approach during the preparation of the 2021/2022 budget to the MDAs, with support to help them assess their base spending without relying on an incremental approach.

Despite a higher deficit in almost all countries, several governments passed an increased budget in 2021 to fund the economic recovery. Countries recorded budget increases of 3.1 percent for Morocco, 11.2 percent for Cameroon and up to 30.2 percent for Nigeria. Governments had to

further reprioritise accordingly to find the fiscal space, often confirming trends recorded in 2020. Overall, most 2021 budgets registered an increase in health (compared to the initial 2020 budget) and in the social sector in general, with medium-term forecasts indicating a slight fall in the subsequent years. The health sector in Cameroon received an increased allocation of 3.6 percent (year-on-year), 6 percent in Morocco and 46 percent in Egypt. In some cases, increased budgets reflect the challenge of the value loss of the national currency experienced by many African economies in 2020, which impacts the price of imports and debt servicing. In Seychelles, the increase recorded for budget 2021 is due in large part to the Rupee losing 50 percent of its value in 2020 (Ministry of Finance, Economic Planning and Trade, 2021). In Lesotho, the 2020/2021 budget increased by almost 14 percent nominally, but 8 percent when accounting for inflation (UNICEF Lesotho, 2020).

CAPEX made a large return in most budgets. The need to kick-start the economy again has resulted in governments reinforcing public investment budgets. Allocations for CAPEX compared to initial 2020 budget laws increased by 8 percent in Cameroon, 16 percent in Morocco, 23 percent in Benin, and a booming 68 percent in Nigeria. As in 2020, there were exceptions, like Morocco, which went against the general trend again and reduced CAPEX allocation by 10 percent, despite a 3 percent overall budget increase.

Reversing the 2020 trends, non-health social sectors saw large increases in the 2021 budget. After suffering from cuts in many countries in 2020, the education sector saw a rebound in budget allocations, generally above the initial 2020 budget. Governments decided to expand spending in social sectors. In Seychelles, the Ministry of Education received one of the largest shares of the 2021 budget, at 25.8 percent of the total budget, registering a 9.0 percent increase year-on-year. Tunisia increased the allocation to education by 31.4 percent, and to social affairs by 19.9 percent. Togo increased the allocation to education by 10.0 percent, to the water sector by 66 percent and to agriculture by 21.9 percent. Similar movements can be observed in other countries which, despite increased financing deficits, are partially catching up on the reduced 2020 expenditure caused by the pandemic by enhancing investments in human capital sectors.

b. Main lessons learned from 2020 budget reallocation in response to COVID-19

The role of the budget as a tool to face unexpected events can be further strengthened.

Mechanisms to face unexpected events exist, but there is room for improvement in how they are being used.

The development of the pandemic remains unclear, and the capacity to anticipate and respond to shocks is likely to be tried again. The experience of the pandemic has shown that the use of reallocation mechanisms can be improved. For instance, contingency funds were largely non-existent. Although a contingency fund would not have been able to provide a sufficient buffer given the scale of the crisis, it can still provide a readily accessible reserve in times of need, allowing more planning time for reprioritisation of budget allocations. Generally, states are likely to face a prolonged context of fiscal uncertainty as the development of the pandemic evolves. Policymakers must stay vigilant on the use of resources, and reactive budget modifications might be needed for the coming years following the evolution of the pandemic and its consequences. Early in 2021, Nigeria had to prepare an emergency SBL after failing to plan and budget appropriately for the procurement of vaccines (Onuah, 2021). On the other hand, some countries have already integrated lessons from the previous health crises (see Box 7).

Box 7: Senegal's lessons learned and integrated in the 2021 budget preparation

The Senegal 2021 budget integrates lessons on the need to prepare flexible budgets and pre-emptively identify potential fund reallocation. This came with the creation of additional reserve appropriations, therefore predefining freezing of specific non-priority items, for which allocations get unlocked only when revenue collected meets a certain level or when predetermined actions have been completed. This approach requires a strong collaboration between the Ministry of Finance and Line Ministries and Agencies to identify specific budget items to be put on hold as well as the conditions to make the funds available for spending. The 2020 revised budget also includes contingencies appropriation, to address the high uncertainty regarding the evolution of the pandemic in the second half of the year.

New tools to facilitate strategic reallocations and budget reprioritisation need to be developed.

Mechanisms to facilitate more strategic rebudgeting need to be introduced.

Budget managers will continue to be confronted with changing circumstances and variation in budget pressures. Making budgets more responsive to crises would provide African states with emergency and adaptable budget reallocation tools to respond to future disasters, the risk of which is increasing. Lessons learned from COVID-19 successes and failures of budget emergency reallocations must be further studied. Budgeting accurately for emergency measures requires competencies and data to allow appropriate and targeted emergency budget reprioritisation. Some are calling for a redesigning of the rules for emergency budgeting, for instance by developing mechanisms which would make budgetary appropriations contingent on specific economic or emergency scenarios (Anessi-Pessina et al., 2020). In addition, differentiating between “core” budget allocations related to “non-essential services” during the budget preparation phase, rather than in the midst of a crisis requiring rapid budget reprioritisation, could lead to more efficient and rapid decision making. Implementing mechanisms of emergency loans contingent on the occurrence of a disaster could be further explored.

Coordination between agencies is key. Because of the scale and complexity of the crisis, most decision making was done in a heavily centralised way, often under the head of state's office or in the Ministry of Budget or Finance. While the involvement of the health ministers was key, involving the ministries of education, social affairs and public works should also have been considered, given their role in the delivery of basic services and social protection. Similarly, this raises questions about the financial autonomy of agencies and subnational-level entities.

Traceability and transparency ought to be reinforced when reallocating funds.

The traceability of budget reallocations so far has been insufficient, with limited data published regarding the budget movements, including prior to the publication of revised budgets.

Methods must be developed that are adapted to PFM systems at an early stage of development. Ideally, a government will be able to track the movements of funds within existing programmes; however, many African countries do not yet have the PFM capacity to do so. The development of simpler solutions, such as the creation of a fund with solid control and IFMIS tracking in place, or the opening of a new line under administrative classifications, can provide a good alternative to avoid money going “off the radar”. This requires developing a clear definition of what qualifies as COVID-19-related allocations.



Conclusions



The COVID-19 pandemic put unequalled pressure on states' budgets across the world, but African nations faced the pandemic with extra challenges. They often entered the crisis from a context of limited fiscal space, weaker social protection systems and a history of underinvestments in health systems compared to richer countries. Ministries of finance had to react immediately to respond to the dual pressure of emergency expenditure and plummeting revenues, which required making radical reprioritisation choices on the existing budget allocations, to try to minimise an inevitable increase in fiscal deficits and debt levels.

Transfers and virements, as well as in some cases contingency funds, provided initial buffers, but did not suppress the need for supplementary budgets. A vast majority of countries resorted to passing supplementary budgets, as most PFM laws limit the volume and directions of virements to a certain ceiling, beyond which the changes must be presented to Parliament, and/or require revising the budget estimates when significant differences in revenue and expenditure projections occur.

A majority of countries increased their initial budget through an SBL, despite reduced revenues, leading to larger fiscal deficits. The reallocation trends were overall similar across countries, with large reappropriations of funds towards the health sector, social protection schemes for both individuals and businesses, as well as tax relief for individuals and employers. Most other sectors suffered budget cuts, in particular G&S and minor capital. This applied to social sectors like education, nutrition and non-COVID-related health services. W&S posts were usually protected, with savings nonetheless effected through the freezing of new recruitments and promotions.

Most countries applied budget cuts to “non-essential services”, although the definition of what fell into that category varied. Expenses related to events and travel were the first to be cut, in a context of general confinement and social distancing. Reprioritisation of capital investments varied between countries, with some governments applying large cuts to redirect to the short-term COVID-19 response, while other reinforced the CAPEX allocations to support employment and much-needed health infrastructure. Reallocations to CAPEX showed a focus on health, WASH and transport. A few countries resorted to applying across-the-board cuts with

little prioritisation or planning, with the risk of impacting essential service delivery.

Supplementary budgets and virements often lacked transparency due to a lack of publication of basic budget documents. Most SBL budgets were published with limited background documentation (e.g. revised MTEF, Citizen Budget). Few countries published an exhaustive report of the budget movements related to COVID-19 cuts and reappropriation. The adopted SBL did not systematically allow for an easy comparison of appropriations between the original and the revised budgets.

Parliamentary oversight and public consultation were minimal, below normal budget levels. Parliaments were often forced to expedite their review, and in some cases were not consulted at all, with governments making use of the extra power of decision granted by the state of emergency contexts, which allowed them to resort to decrees to pass new budgets. Public consultations were virtually non-existent. While the pandemic context brings in additional challenges such as social distancing, which makes the role of scrutiny conducted by Parliament and civil society more difficult, a few examples of good practice prove that alternative solutions exist.

Emergency reallocations come with risks of misallocation and misalignments with policy objectives, but these can be mitigated by establishing solid tracking systems. Publishing an exhaustive, disaggregated list of budget revisions allows for ex-post analysis and review, both by audit bodies to assess the transparency of budget movements, and by the Ministry of Finance and line ministries to assess the efficiency of the reallocation with regard to the quality of service delivery.

Lessons can be drawn from this experience to reinforce the role of the budget as a tool to respond to unexpected events. This can be done during the initial budget preparation process: 1) by anticipating risks with emergency reserves, flexible contingency funds and predefined “essential spending”; and 2) if an emergency reallocation needs to occur, by establishing frameworks which allow for transparent decision making and good coordination between agents, maintaining a form of public and legislative scrutiny, producing enough information to enable efficient tracking of the funds, and yet offer sufficient flexibility to allow for a rapid intervention.

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