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# COVID-19 Africa Public Finance Response Monitor

## Exposing systemic weaknesses in PFM: COVID-19, opportunities for reflection and impetus for functional reform

# Contents



## 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 Aashna Jamal, with research assistance from Awab Elmesbah, and reviewed by Philipp Krause and Danielle Serebro of the CABRI Secretariat.

## Tables and boxes



## Acronyms and abbreviations

| | |
|---|---|
| **AU** | African Union |
| **CABRI** | Collaborative Africa Budget Reform Initiative |
| **CAPEX** | Capital Expenditure |
| **CAT DDO** | Catastrophe Deferred Drawdown Option |
| **CDC** | Centre for Disease Control and Prevention |
| **CSO** | Civil Society Organisation |
| **DMA** | Disaster Management Agency |
| **DSSI** | Debt Service Suspension Initiative |
| **FMIS** | Financial Management System |
| **FY** | Financial Year |
| **GDP** | Gross Domestic Product |
| **IMF** | International Monetary Fund |
| **IT** | Information Technology |
| **MDA** | Ministry, Department, Agency |
| **MEPD** | Ministry of Economic Planning and Development |
| **NDMA** | National Disaster Management Agency |
| **OBS** | Open Budget Survey |
| **OECD** | Organisation for Economic Cooperation and Development |
| **PEFA** | Public Expenditure and Financial Accountability |
| **PFM** | Public Financial Management |
| **PPE** | Personal Protective Equipment |
| **TSA** | Treasury Single Account |
| **UNDP** | United Nations Development Programme |
| **USAID** | United States Agency for International Development |
| **WAEMU** | West African Economic and Monetary Union |

# Introduction

The COVID-19 pandemic, like the Ebola crisis six years earlier, has reiterated how crucial public financial management (PFM) systems are for effectively responding to health crises through i) mobilising funds from ex-ante and new sources of financing; ii) timely disbursement of said funds to new programmes, healthcare facilities, extra-budgetary funds, and vulnerable populations through social transfers; and iii) monitoring and audit of the use of these funds. The COVID-19 pandemic has also acted as something of a stress test for PFM systems and provides an opportunity to reflect on underlying challenges in PFM systems in African countries.

With the emergence of the pandemic, countries started facing fiscal deficit pressures, worries of realisations of contingent liabilities, stressed foreign exchange reserves and revenue shortfalls, just as they needed to increase spending on health, create fiscal stimulus packages and support vulnerable populations. Many oil-dependent nations like Cameroon and Chad were already reeling under a borrowing crisis and had approached the International Monetary Fund (IMF) for financing before the pandemic (Bauer & Mihalyi, 2020). Earlier crises like the oil price shocks in Nigeria and Chad, the global financial crisis and cyclones in Madagascar (CABRI, 2018, p. 10) exposed institutional weaknesses at many levels. The COVID-19 pandemic is yet another checkpoint to understand which issues persist and what progress has been made to date.

This paper discusses the broad PFM issues countries face, how they were exposed by the crisis and impacted governments' responses. In many cases countries showed flexibility and successfully overcame traditional weaknesses. In others, these weaknesses persisted and serve as an impetus for reform. This paper was produced using data collected for the Collaborative Africa Budget Reform Initiative's (CABRI) COVID-19 Public Finance Response Monitor, online research and primary interviews with PFM practitioners across African countries. The paper also looks at different corners of the continent – Zimbabwe, Guinea-Bissau, eSwatini, Ghana and Liberia – to get an understanding of how states are dealing with the crisis. Vignettes are introduced throughout the paper.

The paper adapts the Post-disaster PFM Review Evaluation Framework (World Bank, 2019) to discuss PFM systems in African countries. The COVID-19 pandemic tested PFM system resilience in ways akin to a natural disaster, so this framework will be fitted for this paper. The Annexure includes more information on this framework, which is based on system readiness, in other words, what existed when a crisis hit. The paper assesses which practices, institutions and policies existed, the underlying weaknesses that may have stopped them from being functional, and whether countries were able to adapt and overcome them. It also discusses the way forward based on the early evidence gathered one year after the start of the pandemic.

The report is organised as follows: section 2 discusses the four main pillars of our framework: legal and institutional foundations, budget formulation and funding, ensuring budget implementation, and financial management controls. These subsections look at underlying issues, actions taken by countries with illustrative case studies and the way forward. Section 3, the conclusion, summarises the learnings from this exercise. The Annexure includes the methodology, followed by the references.

***The COVID-19 pandemic, like the Ebola crisis six years earlier, has reiterated how crucial public financial management (PFM) systems are for effectively responding to health crises.***

# 2 Challenges to PFM systems and responses

African countries witnessed an exacerbation of existing PFM challenges and the rise of new ones during the COVID-19 pandemic. The following sections discuss challenges, country responses, what worked and what issues remain, and options going forward.

## 2.1 Legal and institutional foundations

In crisis situations, countries benefit from having strong, adaptable and transparent legal and institutional foundations; 'clear rules and institutional arrangements for planning, mobilizing, appropriating, and executing financial resources' can strengthen a government's response (World Bank, 2019, p. 9).

### 2.1.1 Legal and institutional challenges to crisis response

**Most countries did not have the emergency PFM, procurement or institutional architecture needed for crisis response.** Procurement of medical supplies, equipment and supplies became an immediate need at the beginning of the crisis. The responses of African finance ministries indicated that they did not necessarily have pre-existing comprehensive emergency procurement measures in place but their existing PFM laws and regulations did allow for deviations (CABRI, 2021b). Most countries did not have crisis management or disaster risk institutions that were readily available and well equipped to deal with the crisis as soon as it began.

**There is also a persistence of weak legislative power across countries.** A 2017 study used Open Budget Survey (OBS) findings to show that in 74 percent of 23 surveyed African countries the 'executive can shift funds between administrative units without legislative approval or input' (International Budget Partnership & UNICEF, 2017, p. 52). Legislatures in 61 percent of the surveyed African countries face severe limitations in their capacity to influence and oversee the budget (International Budget Partnership & UNICEF, 2017, p. 50). Political crisis also impairs legislative action in times of crisis, as seen in Guinea-Bissau (Box 1).

**Box 1: Guinea-Bissau's weak institutions**

Due to political upheavals, Guinea-Bissau does not have the legal or institutional foundations to react to a health crisis effectively. The latest World Bank public expenditure review noted that the National Assembly had not functioned between 2015 and mid-April 2018 with an approved government programme or budget (World Bank, n.d.). The Ministry of Economy and Finance made budgets for 2016/17 based on 2015 estimates.

The 2020 budget was only passed in September 2020 and faced criticism for issues such as misestimation of salaries. This meant that most of the COVID-19 spending was done based on an unapproved budget (Practitioner interview, Guinea-Bissau, 2021).

### 2.1.2 How countries responded: What worked and what issues remain

This section describes various aspects of country response organised by theme.

*Legal provisions to respond to the crisis*

**Some countries were able to use or repurpose existing legislation to show flexibility in addressing COVID-19 needs.** South Africa has ensured flexible implementation of COVID-19 spending under a pre-existing Disaster Management Act. Uganda adopted two fiscal rules based on an existing Charter for Fiscal Responsibility which allowed for deviations based on unanticipated economic shocks or unforeseen events (Bulime & Munyambonera, 2020). Kenya's COVID-19 Emergency Response Fund was formed using regulatory guidelines within the ambit of existing PFM regulations. Ghana's procurement laws provided for emergency procurement processes like sole-sourcing contracts (CABRI, 2021c).

**However, legal provisions for disaster or crisis financing were not true across the board.** In the absence of existing legal provisions that did not support swift action, countries resorted to executive decision making to respond. A state of health emergency or national disaster was declared in at least 30 African countries, providing greater power to the executive. This included presidential decrees in most Francophone countries, establishing extra-budgetary COVID-19 funds and streamlined procurement and disbursement procedures. Countries like Togo were also allowed by the legislature to rule by decree to speed up decision making (CABRI, 2021c).

*Emergency decision making*

**While swift decision making was important to combat the crisis, there are concerns that emergency executive provisions may persist given weak legislatures and oversight institutions.** This was pointed out during a Global Initiative for Fiscal Transparency (GIFT) webinar, where civil society organisations (CSOs) expressed concern about changes during COVID-19 becoming institutionalised (GIFT, 2020).

**Emergency executive decision making faced checks in the legislature in some cases.** Speedy expenditure decisions can be questioned later by parliaments. If rejected, ministries of finance face issues since the money has already been spent. In Ghana, the parliament raised questions against budget reallocations that had been previously approved by the executive (Practitioner interview, Ghana, 2021). In other cases, parliaments may increase spend if they do not agree with Ministry of Finance budget allocations to line ministries. In Uganda, although the Ministry of Health had requested UGX464 billion to respond to the pandemic, the minister of finance allocated it UGX82.5 billion in the request to parliament. However, parliament decided that this was insufficient and increased the amount by more than UGX20 billion (Nambatya, 2020).

*Institutional structures to respond to COVID-19*

**Many countries that had faced health and natural disasters previously did not have existing institutional provisions in place that could immediately tackle COVID-19.** This includes countries that faced Ebola – Sierra Leone, Liberia and Guinea. Zimbabwe, which had faced natural disasters like cyclones in the past, had no strong institutional provision for emergency response. A large part of the response was managed by development partners, as in the past, given the country's limited fiscal space (Practitioner interview, Zimbabwe, 2021).

**When there were not existing institutional structures for the health crisis response, other agencies (e.g. disaster management agencies) were repurposed to work on COVID-19 response.** Countries like Chad and the Comoros also created new committees with special powers for COVID-19 response. In Lesotho, it was proposed that the Disaster Management Agency (DMA) that would implement COVID-19 support be established into an independent entity (CABRI, 2021c). One issue is that new agencies or committees formed for emergency measures often do not have appropriate accountability mechanisms in place. In South Africa, the public questioned the legal and constitutional status of the National Coronavirus Command Council, a natural disaster advisory body that coordinated the COVID-19 response (African School on Decentralisation, 2020).

*Regional rules*

**Regional unions adjusted their rules to give countries flexibility for their COVID-19 response.** The West African Economic and Monetary Union (WAEMU) declared a temporary suspension of its convergence criteria, including the 3 percent of gross domestic product (GDP) fiscal deficit rule, to help member countries cope with the fallout of the COVID-19 pandemic (CABRI, 2020c). While this a definite relief, this should not be used by countries as an excuse to revert to old ways that necessitated these controls in the first place. The latest IMF country report states that WAEMU countries are expected to revert to the 3 percent target by 2023, but given that the regional fiscal deficit was nearly 6 percent in 2020, this will need to be reconsidered along the way. Fiscal consolidation will need to take into account country-specific risks, debt sustainability and stabilisation of reserves while improving budgetary processes and fiscal transparency (IMF, 2021b).

*Provisions for procurement*

**When specific emergency procurement laws did not exist, countries had to apply for exemptions from their current PFM rules for COVID-19-related procurement purchases.** However, the emergency procurement measures had to go beyond any established emergency procurement rules to respond effectively to the particular procurement challenges associated with COVID-19-related purchases (CABRI, 2021b) (see section 2.3 on procurement).

**Box 2: eSwatini's repurposed DMA for COVID-19**

eSwatini's Disaster Management Act 2006 empowers the prime minister to declare a national emergency in consultation with the relevant minister. A national emergency was declared in March 2020 but the existing Act's emergency provisions do not provide for the checks and balances that would be implemented in the ordinary legislative process (Shongwe, 2020).

COVID-19 operations are currently managed by the Deputy Prime Minister's Office through the pre-existing National Disaster Management Agency (NDMA) that acts under its direction. Funds are transferred by the Ministry of Economic Planning and Development (MEPD) to the NDMA, which then transfers it to ministries, departments and agencies (MDAs) as per the NDMA's budget plan for COVID-19 response. While the Treasury pays for the receipts, the actual budget plan and execution against it is not under its purview. The NDMA does not have the reporting mechanism and capacity to track COVID-19 fund usage. The IMF has asked the government to be more transparent (OBS score for transparency was 3/100 in 2017). Forgoing use of regular reporting mechanisms (under the MEPD/Treasury) is going to make it all the more difficult for the MEPD, development partners and citizens to track fund usage (Practitioner interview, eSwatini, 2021).

### 2.1.3 Going forward

Most countries showed great flexibility and speed in responding to the COVID-19 pandemic. Going forward, countries will need to inspect the adequacy of their PFM, procurement, fiscal transparency and crisis management-related legislation for emergency situations. This means ensuring flexibility, while creating or maintaining checks and balances through pre-designated crisis or new response measures. The experience from this crisis also shows the need for the creation and funding of institutions related to crisis management and response. Regional unity in tackling a crisis is a definite plus, but often regional organisations and treaties cannot overwrite the persistent issues that are individual to country contexts. This includes uncertain political environments that often lead to legal and institutional problems, described above.

## 2.2 Budget formulation and funding

A significant portion of the COVID-19 response in Africa was funded through country budgets. Budgets try to allocate funds between competing needs. Appropriate existing provisions can mitigate the impact of fiscal duress and ensure business continuity (World Bank, 2019).

As the pandemic hit, African countries faced the twin problems of i) finding funds to finance COVID-19 needs through budget reallocation or new sources of financing, and ii) ensuring funds are executed in a timely manner to respond to the pandemic. While the latter will be judged based on audited expenditure information, we have enough information on the former to discuss challenges and response.

### 2.2.1 Budget formulation and funding challenges to crisis response

**The first-order effect of the crisis was its immediate impact on the macroeconomic environments of nations across the continent.** Oil-dependent countries like Nigeria faced a large decrease in forecasted revenue as oil prices fell, which had cascading effects on its smaller trading partners on the continent. This led to a decrease in domestic revenue projections, eliciting worries about how countries would fund their planned budgets and finance new requirements for the COVID-19 response.

**While the decline in revenue associated with the pandemic was inevitable, the degree of the decline was understandably difficult to forecast.** Many African countries lack adequate capabilities and processes for reliable revenue forecasting (CABRI et al., 2011). Forecasting revenue during crises is an inherently difficult exercise, particularly in the current environment due to uncertainty in how the pandemic would unfold in countries and globally. It is therefore likely that inaccurate revenue forecasts in African countries will be reflected as an impediment to financing the crisis response in line with governments' budgets.

**An important function of finance ministries is to estimate additional in-year resource requirements, which is difficult to do in many countries.** This involves costing of inputs, quick information sharing from line ministries or subnational governments about any new services they plan to provide, and reliable revenue forecasts (Barroy et al., 2020; CABRI et al., 2011; Gurazada et al., 2020; Saxena & Stone, 2020). Many African countries still do not have the tools for costing government plans, which are more apparent in times of crises. There is evidence for the same during Ebola; estimates of the response jumped from US$4.8 million to US$2 billion in just a few months as new information came in (Studzinski et al., 2019).

**Many African countries do not budget for contingency situations.** Unlike some Pacific countries, African countries, which are also prone to natural and human-made disasters, do not have contingency reserves, and where these are in place, they are often underfunded. A contingency reserve is an important tool for a government to intervene in crises by quickly allocating additional resources to increase social transfers and other crisis-related expenditure.

**Ministries of finance oversee budget preparation but are often not engaged in setting national or sector objectives, which becomes an added function for them in times of crisis** (CABRI, 2011). Ministries of finance may therefore not have deep understanding of the priorities of line ministries, yet crises like these often put the onus of quick response of budget reallocations and cuts on the Ministry of Finance or budget, without enough time for proper consultations with sector MDAs.

**The government at central and subnational level is responsible for providing essential health services in many African countries, which comes with coordination challenges.** The COVID-19 response required more coordination than usual, especially between ministries of finance and ministries of health, and between national and subnational governments, to quickly identify the funding needs, smoothly appropriate funds and ensure service delivery (Barroy et al., 2019; Gurazada et al., 2020).

**Many countries in sub-Saharan Africa receive significant development-partner funding which is often extra-budgetary.** Given complicated country systems, development partners often work with individual MDAs. This leads to 'fragmentation in external financing flows', which can make budget preparation complex for ministries of finance which often do not know about these parallel systems (CABRI, 2011). In times of crisis, this is even more pronounced, which can undermine proper coordination and financial management controls.

### 2.2.2 How countries responded: What worked and what issues remain

This section describes various aspects of country response organised by theme.

*Estimating resource requirements and funding them*

**A key issue was a fall in revenue and uncertain future projections.** In many cases ministries of finance received external help to estimate additional resource requirements. Many development partners stepped in to complete rapid assessment surveys to estimate social protection needs, such as the United Nations Development Programme (UNDP) in eSwatini (UNDP, 2020). COVID-19 funding estimates have been frequently revised as reflected in data collected for the COVID-19 PF Response Monitor; Burundi, Cameroon and Niger approximately doubled their estimated financing requirements between March and May 2020 (CABRI, 2020c).

**Many African countries borrowed from multilateral organisations, regional banks and central banks.** Countries which were eligible for concessional emergency financing borrowed from multilateral organisations. These included the IMF (Rapid Financing Instrument, Catastrophe Containment and Relief Trust) and the World Bank (COVID-19 Strategic Preparedness and Response Program). In April 2020, the IMF mobilised US$1 trillion lending capacity, jointly estimating with the World Bank that Africa would need US$114 billion to fight COVID-19 (IMF, 2020d) (see section 2.3 on cash management for regional and central bank borrowing).

**As indicated above, most African countries did not have sufficient contingent reserves to respond to the crisis.** If countries are not able to finance reserve funds through the budget, an alternative is to utilise an option like the World Bank's Catastrophe Deferred Drawdown Option (CAT DDO), not dissimilar to an insurance mechanism, but essentially a contingent source of liquidity. Kenya withdrew US$130 million from its US$200 million CAT DDO to finance its response to the COVID-19 pandemic. The funds were transferred to the Kenyan government's bank account within 48 hours of the request (World Bank, 2020a). The ability to quickly tap into these funds has contributed to the Kenyan government's widely praised response to the pandemic. CAT DDOs were also used by the Seychelles, Maldives and Morocco, amongst others (Wahba et al., 2020).

**Governments were forced to look at all possible sources of financing to fund their crisis response.** In some cases, anomalous features of an economy allowed flexibility in government response. While Zimbabwe receives low scores on budget credibility, there is a high degree of fungibility in the budget. Due to high inflation levels, Zimbabwe was in a unique position to move funds between salaries and wages denominated in domestic currency and capital expenditure (CAPEX) denominated in forex as the inflation rate moves (Practitioner interview, Zimbabwe, 2021). The government was able to provide an economic stimulus programme which was 9 percent of GDP when announced (Ministry of Finance and Economic Development, Zimbabwe, 2020a); the actual value of this package has declined substantially since, due to inflation.

*Extra-budgetary funding*

Dedicated COVID-19 funds were used across the board, a mix of on-budget and extra-budgetary/off-budget funding, with funds sourced from public, private and external sources. Ghana instituted a COVID-19 National Trust Fund asking for private donations and dipped into its Heritage Fund. Reallocations from the Heritage Fund and private donations were put on budget and recorded on government systems and will be a part of the mid-year review (Practitioner interview, Ghana, 2021). Over 40 low and middle-income countries (LMICs), including ones from Africa, instituted such funds (IMF, 2020a) (see Table 1). Development-partner funding was mostly extra-budgetary and no formal estimates are available of the overall quantum of financing for African countries (see section 2.4 on financial management controls).

**Table 1: Use of COVID-19 funds**

| Off-budget | Off-budget using regular PFM and procurement mechanisms | On-budget | Primarily publicly funded | Primarily funded through private sector | Mix of public, private and external |
|---|---|---|---|---|---|
| Cameroon, Democratic Republic of the Congo, Côte d'Ivoire, Gabon, Kenya, Lesotho, Mali, Niger, Sierra Leone, South Africa, Tunisia, Uganda | Benin, Botswana, Djibouti, Equatorial Guinea, Ghana, Liberia, Mauritius, Togo, Zimbabwe | Chad, Mauritania, Morocco, Nigeria, Senegal, Zambia | Liberia, Sierra Leone, Zambia | Benin, Cameroon, Gabon, Ghana, Mali, Mauritius, Niger, South Africa, Tunisia, Uganda, Zimbabwe | Botswana, Chad, Democratic Republic of the Congo (DRC), Côte d'Ivoire, Djibouti, Equatorial Guinea, Kenya, Lesotho, Mauritania, Morocco, Nigeria, Senegal, Togo |

Source: Cole, 2020

*Coordination between ministries of finance and MDAs*

**Ministries of finance were the front-runners in the immediate fight against COVID-19 even though other MDAs were then responsible in implementing COVID-19-related policies.** Many ministries of finance operate in environments where consultation is not an easy process given lack of capacity on the part of ministries and slow procedures (Saxena & Stone, 2020).

**In some cases, MDAs were asked to present savings by introducing budget cuts themselves, while in others, ministries of finance took a more authoritative stance and enforced cuts or directed MDAs to perform certain functions.** The former approach prevailed in Zimbabwe, where the government created different funds to be administered by line ministries for the COVID-19 response in their sector (Treasury redirected $1.8 billion from the 2020 National Budget towards such expenditures). MDAs were also asked to internally reallocate funds. As certain line items became available – those related to travel or service delivery – there were obvious cuts that could be made by MDAs (Practitioner interview, Zimbabwe, 2021). The latter approach is illustrated by the example of Ghana where budget reallocations were done using a top-down approach and line ministries were not requested to submit revised cash or expenditure plans. It is probable that this will impede the efficient and effective execution of supplementary budgets (Practitioner interview, Ghana, 2021).

**In countries with decentralisation reform, there were issues in sharing responsibilities and funding when there was overlap in function between the centre and subnational government bodies.** In Ethiopia, states were slow in their response given the 'centralisation tendency of the federal government', though the health function is a shared one (African School on Decentralisation, 2020). In Uganda, there was an overlap between funds sought by local governments for operational expenses when those items had been accounted for in the Ministry of Health response (Nambatya, 2020).

*Budget reallocation decisions*

**The first line of defence taken by ministries of finance of many African countries was supplementary budgets, followed by reallocations to the health sector** (by virements and transfers). In the Central African Republic, a COVID-19 Preparedness and Response Plan was drawn up with an indicative budget under the revised PFM law. In Gabon, the president of the republic instructed the government to draw up an Amended Finance Law for the 2020 financial year and a plan for economic and social support (CABRI, 2021c).

**Several countries were in the process of debating their new budgets for financial year (FY) 2020/21 and were able to revise them and include provisions for COVID-19.** In others, the FY 2019/20 budget plan was revised/recast by means of supplementary budgets. In some cases, revisions were not out of the ordinary, as historically those countries end up using supplementary budgets as a tool to combat poor budgeting and planning. For example, eSwatini, which had passed the FY 2020/21 budget by the time the COVID-19 pandemic hit, created another supplementary budget in April 2020 with a similar ceiling but reallocated expenditure for health. eSwatini stated that low-priority recurrent spending and some capital expenditure would be redirected towards COVID-19 efforts (CABRI, 2021c).

**There were across the board cuts and reallocations in recurrent expenditure** (e.g. Goods and Services, especially categories like foreign travel made redundant by travel bans during COVID-19). As discussed in Box 3, Liberia reduced compensation to public sector employees, diverting savings to COVID-19-related expenditure. South Africa reversed its agreements with trade unions to divert funds for COVID-19 spending (CABRI, 2020a).

**As was the case in the Ebola crisis, facing limited fiscal space, countries made cuts in CAPEX expenditure.** Angola announced additional healthcare spending of US$40 million to be funded, in part, by freezing 30 percent of its goods and services budget and suspending CAPEX until completion of the Budget Review (CABRI, 2020c). In Zimbabwe, the Treasury announced that it would redirect most of the country's 2020 capital expenditure budget towards health and water supply and sanitation programmes (Ministry of Finance and Economic Development, Zimbabwe, 2020b). While CAPEX expenditure is a reasonable cut during a pandemic with social distancing measures, these budgets are traditionally underspent and this will affect the continent's US$68–108 billion infrastructure financing gap (CABRI, 2020c).

**Countries created packages for high-priority expenditure such as transfers to support vulnerable populations, but did not necessarily have sufficient funds to support them.** This included sectors which the IMF predicted would be heavily affected such as tourism and business (IMF, 2020c). In many cases, countries have been dealing with structural issues and an added shock hurt them more. Countries will need to balance long-term restructuring with reacting to short-term cyclical shocks (CABRI, 2018). This will continue to impact their ability to finance high-priority expenditure.

**Many countries have committed to PFM reforms around medium-term expenditure planning and programme budgeting, which had varying levels of success during the pandemic.** Some countries were able to use their existing programmes and add sub-programmes related to COVID-19 response (Barroy, 2020). However, anecdotal evidence from practitioners suggests that ministries of finance faced difficulty in making adjustments to medium-term expenditure frameworks (MTEFs) and programme information (GIFT, 2020). Ongoing or newly introduced reform processes may make implementation difficult for ministries that are trying to act swiftly while attempting to conform to reform processes.

**Box 3: Liberia's wage bill issues**

Liberia has faced the unique challenge of cutting its substantial wage bill. The wage bill had risen significantly (over 50 percent of the budget) as wages were not standardised or structured. Additionally, there were instances of nepotism, ghosts on wage bills and double dippers – people who get renumerated from different government agencies. After the wage harmonisation exercise in 2019, the government now has clearly delineated steps and ranks in the public service career progression. Multilateral donors had also made this a conditionality to get further loans (Practitioner interview, Liberia, 2021).

A domestic revenue shortfall, projected at US$119 million in June 2020 (IMF, 2021a), forced the government to take extraordinary measures to finance its immediate needs. Like many other developing countries, Liberia taxed a part of the public sector and private wages for two months to fund a COVID-19 Emergency Fund.

Going forward, it will have to continue to pursue its long-term objective of reducing the wage bill. However, in subsequent budgets it will face tradeoffs between reducing budget deficits and increasing allocations to health, social protection and other sectors hit by COVID-19. Its underlying structural issues and financing crunch make it hard for it to react to all sectoral needs.

### 2.2.3 Going forward

While countries on average were able to make budget cuts and reallocations for COVID-19 expenditure, preparedness was not uniform across the board. Governments have the chance to use this crisis to develop plans and standard operating procedures ahead of time for ministries of finance and MDAs. These could outline emergency response responsibilities, strategies for reallocation and mechanisms for emergency consultations. Countries may need to invest in capacity to model resource requirements for crisis situations.

Weak macroeconomic environments and underlying structural issues will continue to affect governments' abilities to fund budgets or raise money through external debt. It is commonly understood that countries had to do what they did, given time constraints. It will be important to inspect their year-end reports/audited financial statements for sufficient information to justify deviations from the budgets.

Government responses to crises such as Ebola and COVID-19 are dependent on allocations to health. Sub-Saharan African countries allocate an average of 7 percent of their general government budget to health, compared to 15 percent for OECD countries (CABRI, 2020a). The pandemic has demonstrated the need to increase allocations for health, particularly pandemic and epidemic preparedness.

Reallocations in budgets have impacted capital development budgets the most. Development partners and governments should work together to prepare a plan for how this shortfall can be met in the coming few years.

Despite the easing of fiscal rules and other binding PFM requirements, countries must act prudently. Extra-budgetary funding through newly created funds and development-partner aid will continue to stay outside the purview of the government system. There must be renewed discussions on accounting for all funding flows in a country to ensure transparency and accountability.

## 2.3 Ensuring budget implementation

In many African countries, budgets are better made than executed (Andrews, 2010). There are historical tendencies for underspending which may be exacerbated in a crisis, when social protection spending is needed the most. Many countries underspend in the sub-Saharan Africa region including Gabon, Niger, Guinea-Bissau, Madagascar, Côte d'Ivoire, Liberia, Mali, Kenya, Mozambique and Tanzania. Budget execution rates in health averaged below 80 percent during the period 2008–2016 (Centre for Global Development, 2020). Another report showed that 30 percent of 22 surveyed countries spent less than 30 percent of their immunisation budgets (Ramkumar, 2020). Reasons for under-execution of budgets include delays in disbursement of funds from central financing agencies, limited absorptive capacity within implementing agencies, political interference and rigidities in PFM systems.

There is a very real threat that even within limited budgets allocated for the response, ministries of finance and implementing agencies may not be able to disburse and spend health and social protection funding in line with the planned COVID-19 response. Timely crisis response requires the procurement of goods and services through expedited procedures and good cash management (World Bank, 2019). The three pillars for ensuring budget implementation in times of crisis are business continuity, cash management and procurement.

### 2.3.1 Business continuity

#### 2.3.1.1 Business continuity challenges to crisis response

**The COVID-19 pandemic increased the need for intergovernmental coordination, in the face of lockdown and physical distancing measures that curtailed physical deployment of personnel.** In situations where major budget execution functions such as approvals of salary payments, procurement, fund transfers or borrowing auctions are conducted manually, it was challenging to ensure continuity (Balibek, 2020; Saxena & Stone, 2020). Lack of information technology (IT) infrastructure and non-existent or outdated business continuity plans impeded business continuity.

#### 2.3.1.2 How countries responded: What worked and what issues remain

**Countries with some crisis management plans in place to ensure business continuity found it easier to adapt, despite not having planned for the magnitude of the pandemic.** However, these plans usually focused on infrastructural disruptions (IT, electricity), rather than natural or human-made crises. South Africa had a plan in place but found it inadequate for the pandemic (CABRI, 2021a).

**Countries were involved in fire-fighting business continuity issues and came up with tailored solutions as and when situations arose.** Ghana was able to expedite fund disbursement by introducing special teams to review and authorise expenditure. Ethiopia gave advance payments to service delivery units, streamlining payment management processes, and disbursing petty cash to line ministries' operational bank accounts. In Gabon, a public accountant was designated by the Ministry of Finance to facilitate disbursement of COVID-19-related health funds. Gambia adopted fast-track expenditure authorisation, changing expenditure controls from ex ante to ex post, and streamlining payment management processes (CABRI, 2021c).

**Many countries adapted fast to secure critical payments processes.** To ensure business continuity during the response, Rwanda digitised payment processes in which authorisations could be made electronically and sent to the Treasury for approval and payment at the Central Bank. Zambia implemented measures for its officers to work remotely, ensuring cash and payroll continuity (CABRI, 2020c). However, Rwanda is a special case where digitisation reforms had been proceeding rapidly in recent years.

**Countries took different approaches to social distancing measures.** Some, such as Rwanda, permitted 30–50 percent of the staff to come to work, while Liberia at one point suspended work for four months. Data packages and electronic devices were usually given to certain employees deemed essential for important business processes. Issues such as erratic power supply and internet access continue to be problems in countries with varying levels of lockdown. The slowdown in certain business processes affected budget releases and procurement when there was need for swiftness.

**High-level committees with special powers to lead and oversee the COVID-19 response and to make decisions regarding resource allocations were very common on the continent.** For instance, Benin, Chad, Comoros, eSwatini, Mozambique, Niger, Sudan, Seychelles and Togo all established such committees. Nigeria, Gambia and Ethiopia formed committees to coordinate between the Ministry of Finance and subnational governments in particular (CABRI, 2020c).

#### 2.3.1.3 Going forward

In the absence of existing mechanisms and business continuity plans, countries managed to swiftly create crisis management structures. More investigation could be done into the success of these new coordination structures. Countries with a high level of digitisation like Rwanda were able to adapt quickly but others must think about upgrading business continuity plans, assigning responsibilities and creating standard operating procedures to rely on a smaller number of staff during crisis (Balibek, 2020). There are fears of automated processes, many of which have introduced efficiencies, being reversed post lockdown. The pandemic is an opportunity to harness productivity gains from digitisation, and cost savings from reduction in travel.

### 2.3.2 Cash management

#### 2.3.2.1 Cash management challenges to crisis response

**Cash management is important for governments to meet their obligations and ensure smooth budget execution, but is often a difficult process across countries** (Allen et al., 2020; Gardner & Olden, 2013). Many countries already faced issues like i) inadequate cash-flow forecasting capabilities; ii) misalignment with borrowing plans; iii) consequent unnecessary borrowing, constrained liquidity and related delays; and iv) delays in and insufficient fund disbursements (Barroy et al., 2019; CABRI, 2020b). Cash-flow forecasting relies on the ability to forecast events that may impact cash flows (Seeds, 2018). Calculating the probability of crises and their likely impact is tough, and often not done in developing countries (CABRI, 2020d). Weak macroeconomic environments and revenue collection abilities also impact cash-flow forecasting. Debt management and Treasury functions are often not overlapping which makes cash management harder (African Development Bank Group, 2020).

Countries faced the twin challenge of finding liquidity to fund unforeseen COVID-19-related expenditure, and forecasting evolving cash requirements and recalibrating debt in the months following the onset of the pandemic (IMF, 2020b).

#### 2.3.2.2 How countries responded: What worked and what issues remain

This section describes various aspects of country response organised by theme.

*Cash management during revenue shortfalls and debt stress*

**Cash management became a major challenge as countries faced macro fiscal and debt pressures along with sudden downward revenue projections.** As described in section 2.2, forecasting for the pandemic was difficult and countries on the CABRI COVID-19 PF Monitor have kept on changing estimates, which means cash management plans are also evolving.

**Countries with low cash buffers were put in vulnerable positions as they did not have sufficient incoming revenue to finance regular business operations and emergency COVID-19 relief.** The IMF expects these revenue shortfalls to contribute to sizeable deficits, with an average of 7.6 percent of GDP for the sub-Saharan African region (IMF, 2020c). All these issues will continue to exacerbate cash management issues in the future, with debt recalibration being the biggest challenge for countries.

**Debt relief and emergency financing from organisations such as the World Bank and IMF offset liquidity issues for countries in the short term, especially to finance health response.** However, debt had been rising pre crisis in sub-Saharan Africa with a change 'from concessional and long term financing … towards short term maturities and market-led debts with non-traditional creditors', resulting in a near doubling of debt service costs between 2011 and 2018 (Njoroge, 2020, p. 1). Countries like Mozambique, Angola, Cabo Verde, Congo, Djibouti and Egypt all had higher than 100 percent external debt to GDP ratios (UN, 2020). The crisis exposed such countries to 'market led risks amid tightening fiscal space' (UN, 2020).

**Countries now face the challenge of recalibrating debt amidst high costs of borrowing while managing rising fiscal deficits.** The new debt crisis is worrying, as in 2020 the IMF estimated a financing gap of about 'US$290 billion to ensure a rebound of Sub-Saharan African economies, and a further US$410 billion to pay off all foreign debts by 2023' (Njoroge, 2020, p. 8). The IMF and the World Bank Group have tried to lobby the G20 creditors to suspend repayment of official bilateral debt through the G20 Debt Service Suspension Initiative (DSSI). This was done to free up cash flows in countries and allow them to redirect public funds towards their response to the COVID-19 pandemic (World Bank, 2020b).

**The DSSI initiative cannot force the arm of private creditors and non-Paris club creditors to suspend debt repayments.** Debt managers in countries will have to balance the short-term benefit of debt suspension – greater liquidity – with the potential medium and long-term implications, particularly in terms of creditworthiness (CABRI, 2020f). These fears are real as Moody's downgraded Ethiopia after it participated in the DSSI (Moody's, 2020).

**There have been some positive advances in debt restructuring, with non-Paris creditors potentially coming on board.** Chad has requested debt restructuring from its major public creditors, and other countries like Zambia and Ethiopia may follow. A common framework on debt agreed upon by central bank governors and finance ministers in a November G20 meeting may mean that it will be used for all debt conversations with countries, with China having agreed to be a part of the conversations as well (Rouaud, 2021). Going forward, countries will face the difficult task of negotiating terms of debt relief, restructure and debt repayment postponements while ensuring they have funding for critical expenditure in their economies.

**Countries adjusted existing borrowing to improve liquidity while using cash management structures to oversee them.** Ethiopia and Nigeria adjusted borrowing plans to provide bridging finance, recalibrated cash buffer levels, placed measures to clear and prevent arrears, and introduced emergency meetings for cash management committees. Nigeria formed two new committees to improve communication between ministries of finance and MDAs. Gambia and Seychelles adopted emergency meetings for cash management committees to ensure liquidity and efficiency (CABRI, 2021c).

**As countries faced debt-related issues, central and regional banks assisted governments to shore up their cash reserves.** The African Development Bank Group set up a COVID-19 Response Facility for the same. It gave a 188 million Euro loan to Mauritius to finance a budget support programme. Other supported countries include Comoros, Sudan, Zimbabwe, Morocco, Tanzania and Kenya (African Development Bank Group, 2020). Central banks helped fund crisis response in Ghana, Mauritius and the Democratic Republic of the Congo (DRC), which the IMF cautions against as a last resort (IMF, 2020c).

***Cash management became a major challenge as countries faced macro fiscal and debt pressures along with sudden downward revenue projections.***

*Cash management reform: Old issues and innovations*

**In some countries, governments faced issues in recovering revenue from MDAs because either they do not directly flow to a treasury single account (TSA) or actors do not comply with the rules and regulations.** In Nigeria and Ghana, the government has previously tried to bring state-owned enterprises and reluctant MDAs into the financial management system (FMIS). CABRI research found that state owned enterprises (SOEs) with own revenue in Nigeria had a low incentive to get onto the government FMIS. Guinea-Bissau does not have a TSA, which means that many MDAs operate individual accounts, and the Treasury does not have complete revenue information for cash forecasting, for example fishing licence revenue is often retained by the Ministry of Fisheries. Issues like these create uncertain information on revenue flows and impede government ability to recover them, which is crucial information for funding a crisis response.

**Countries have varying levels of cash management reforms, and some countries used COVID-19 as an opportunity to accelerate them.** Countries like Rwanda have TSAs and regular cash-flow forecasting abilities, but it is more complicated in countries with fiscal decentralisation, such as Ethiopia, Uganda and Liberia (as discussed in Box 4). Mali requested the IMF to accelerate setting up a TSA at the onset of the pandemic in early 2020 (Djongue et al., 2021).

**Box 4: Liberia's issues with cash management**

Liberia's 2009 PFM law has provisions for the legislature to approve 5 percent of total annual domestic revenues for contingency purposes (Government of Liberia, 2009). However, Liberia does not have substantial buffers from previous years. While the PFM law may have significant provisions, Liberia's large macroeconomic imbalances, low fiscal reserves, and depleted foreign-exchange buffers limited the government's options for addressing the COVID-19 crisis. The government's financing of COVID-19 has increased the balance of payments gap and it is set to be dependent on multilateral donors for financing in 2020 and 2021 (World Bank, 2020c).

Liberia has a TSA, but the Treasury system is heavily centralised. During COVID-19, the Ministry of Finance was overwhelmed with payments processing, given low capacity at subnational level, despite fiscal decentralisation reform. The IFMIS captures all financial transactions, but delays in payment processing during crises impact social transfers and health service delivery at the subnational level (Practitioner interview, Liberia, 2021).

**From an operational angle, countries instituted new and faster procedures to improve cash management and ensure liquidity.** In Ethiopia, the government made advance payments and cash advances to service-delivery units and disbursed additional petty cash to line ministries' operational bank accounts. Lesotho made adjustments to the invoicing purchase order requirements to ensure more efficient cash management (CABRI, 2021c).

#### 2.3.2.3 Going forward

Debt relief and emergency finance have been short-term fixes for the cash management issue. Treasury and debt managers in ministries of finance need to work together to assess debt sustainability, while considering implications of addressing short-term severe liquidity constraints imposed by the pandemic. Ongoing cash management reform must focus on improvements in cash-flow forecasting abilities as well as creating cash management committees that are well informed and empowered to make critical decisions in crises. Underlying issues in cash management will continue to impede government response unless they are tackled at the earliest. The debt crisis in African countries will need a concerted effort by central and regional banks, ministries of finance, public and private creditors, and multilateral organisations to ensure that these countries are able to finance crisis responses without crippling their prospects through downgrades in creditworthiness and high debt service costs.

### 2.3.3 Procurement

#### 2.3.3.1 Procurement challenges to crisis response

**Public procurement systems are often complex, with issues of transparency, lack of uniformity in prices, overly cumbersome processes and wasteful expenditure.** Countries around the world were forced to speed up procurement of medical supplies. In theory, flexible systems should allow for adapting to crisis situations, for example using single-source procurement or quick procurement procedures (Gurazada et al., 2020). In the absence of accountability and transparency measures, these can leave room for corruption (CABRI et al., 2011; Marchessault, 2020).

**African governments did not appear to have extensive emergency procurement processes in place.** The African Union (AU) devised emergency procurement guidelines in 2018, using lessons from the Ebola outbreak. However, the specific procurement pressures introduced by the COVID-19 pandemic, such as increased competition, have further been complicated by high levels of uncertainty and a rapidly changing landscape (OECD, 2020). It therefore called for unprecedented emergency procurement processes (CABRI, 2021b).

#### 2.3.3.2 How countries responded: What worked and what issues remain

**African governments used the exceptions allowed in their pre-existing public procurement legislations to apply to purchase COVID-19 works, goods and services.** While some countries like Ghana had existing provisions for emergency procurement, others like Zimbabwe and Mozambique reviewed their procurement laws (CABRI, 2020c). In Malawi, the Public Finance Management Reforms (Chuma Cha Dziko) programme assisted in drafting emergency procurement procedures and ensuring that ex-post checks were fully integrated to properly direct goods and services. Ethiopia adjusted PFM rules and processes to establish pooled procurements at a central level (CABRI, 2021c).

**Countries introduced specific new emergency procurement processes for COVID-19-related purchases.** South Africa used instruction notes for procurement and provided upfront credit to suppliers for bulk orders. Gambia relaxed certain procedures and approval for procurement could be sought from the Procurement Regulation via WhatsApp. Cape Verde introduced fast-track emergency procurement for emergency goods, with shorter bidding time, retroactive financing, no bidding security, advance payments and direct payments on a case-by-case basis.

**Many reports of corruption have come along with speedy procurement successes.** This is true for countries with weak PFM systems as well as those with strong ones on paper (CABRI, 2020c). These include the DRC, Kenya, Lesotho, Mauritius, Mozambique, Namibia, Senegal, South Africa, Uganda and Zimbabwe (discussed further in Box 5). South Africa came under the scanner for personal protective equipment (PPE) procurement for contracts of more than R7.5 billion (CABRI, 2021c; Phagane, 2020).

**Box 5: Procurement in Zimbabwe**

Zimbabwe put in place measures to make procurement swifter, such as i) instructing the procurement agency to review procurement regulations to facilitate speedy procurement of essential goods and services, ii) allowing providers to make more flexible use of funds, and iii) rechannelling funds to COVID-19 health services as advance payments (CABRI, 2021c).

At the same time, Zimbabwe has been rocked by news of corruption in the procurement of medical supplies, involving high-level officials such as the minister of health and the president's son. Organisations like Transparency International Zimbabwe and the Zimbabwe Coalition on Debt and Development have published recommendations for the government to put in place mechanisms to ensure transparent and accountable use of funds (CABRI, 2021c).

**The publication of contract details, including the beneficial owners, has been proposed by most African countries.** Other measures such as validation of goods and services, publication of expense reports and COVID-19-specific audits were also adopted (CABRI, 2021b). Some of the measures are in response to mandates received from funding agencies like the IMF (see section 2.4 and Box 6).

**Box 6: eSwatini's reporting on COVID-19 procurement**

After receiving IMF funding, the government committed the eSwatini Public Procurement Regulatory Agency to undertake separate compliance and value-for-money audits of all procurement activities related to COVID-19 spending, and publish the results on its website. By February 2021, the agency had published i) a list of suppliers approved by the NDMA and the Ministry of Health, and ii) procurement details alongside contract value and names of companies contracted between February and May 2020 (ESPPRA, n.d.).

**Responses were also coordinated at regional level.** In 2020, the AU came together to ease resource mobilisation, transport, logistic support and public health response by establishing a steering committee and technical working groups to deal with these issues (CABRI, 2020g). Southern African Development Community (SADC) member states also established national emergency operations centres and pooled procurement services for pharmaceuticals and medical supplies.

**The AU had to improvise to meet procurement challenges.** The AU had developed internal emergency procurement guidelines based on learning from the Ebola crisis. But it became difficult to source appropriate suppliers due to the procurement challenges. The AU then used UN systems – UNICEF for procurement of PPEs and other COVID-19-related items, and the UN food programme for distribution services. It reverted to its traditional procurement processes when the emergency part of the crisis was over.

**Procurement of vaccines needs newer controls.** As African countries move towards vaccine procurement, many through the GAVI COVAX Advanced Market Facility, mostly funded through development-partner assistance, procurement controls in place will be imperative (Berkley, 2021). The Africa Centres for Disease Control and Prevention (Africa CDC) has designed a COVID-19 Vaccine Development and Access Strategy which discusses regulatory process optimisation (Africa CDC, 2021).

**Several countries digitised their procurement process after being forced to do so by the COVID-19 pandemic.** However, this is not true across the board. As countries move towards vaccine procurement, regional coordination and increased digitisation will be important to mitigate corruption in pooled procurement measures (Africa CDC, 2020).

### 2.3.3.3 Going forward

The COVID-19 pandemic presented unique challenges to emergency procurement processes with supply side shortages and unprecedented levels of competition for similar supplies. There was a substantial justification to deviate from standard public procurement processes, but this should not become a norm.

It is an opportunity for countries to revise their laws to make room for emergency procurement and develop standard operating procedures for the next crisis. The AU has emergency procurement guidelines in place, and is centralising procurement through the Africa Medical Supplies Platform. It will be important to refine and update these innovative processes and structures to repurpose them for the future.

Instances of corruption question the efficacy of accountability measures. The establishment of framework agreements with pre-approved suppliers was advanced as an optimal measure to mitigate against the corruption risks of emergency procurement. Other measures such as validation of goods and services, publication of expense reports and COVID-19-specific audits should continue to be implemented till the pandemic is over (CABRI, 2021b).

## 2.4 Financial management controls

The management of public resources in response to crises should ensure that stakeholders are held accountable for the way they use public resources and exercise authority (World Bank, 2019).

### 2.4.1 Financial management control challenges to crisis response

**The Ebola epidemic demonstrated the weakness in accountability structures in African countries** (Studzinski et al., 2019), including: i) extra-budgetary funds that were not subject to budgetary controls, ii) fragmented resources controlled by temporary crisis agencies, iii) procurement diverted from centralised control to many smaller players who were not able to follow all the PFM regulations, and iv) lack of ex-post verification controls and weak monitoring (Khasiani et al., 2020).

**Lack of fiscal transparency and audit remains a concern in many African countries.** WAEMU and the Economic and Monetary Community of Central Africa (CEMAC) have spearheaded laws on fiscal transparency which have been adopted by nearly all Francophone countries. But adoption of de jure regulations does not immediately translate into one-to-one (1:1) adoption (Lienert, 2018). Countries that have 'extensive mentions of transparency in their budget legislation', such as Liberia and Sierra Leone, typically have poor Public Expenditure and Financial Accountability (PEFA) scores in actual practice (de Renzio & Kroth, 2011).

**Legislative oversight and executive action on audits are stumbling blocks in many African countries, especially Francophone and Arab countries** (Andrews, 2010; International Budget Partnership & INTOSAI, 2020). The 2019 OBS survey showed similar results where Francophone Africa scored high on institutional framework because of recent changes like the WAEMU and Central African Economic and Monetary Union (CAEMU) transparency reforms, but very low on executive response to audit findings (International Budget Partnership, 2019). Lack of financial independence of the audit organisation and the long-term appointments of heads of such organisations are a few factors that subvert the institutional mandate for auditors to be independent.

**The Ebola crisis also demonstrated the issue of the audit of funding that did not flow through country financial systems.** Many African countries receive development-partner funding which is channelled through non-governmental organisations or development partners. For example, in the Liberian Ebola case, the government audit did not cover the donations by international organisations – including the World Bank and the United States Agency for International Development (USAID) – that did not flow through the National Ebola Trust Fund (Reuters Staff, 2015). Many development partners scrambled to start their own audits when reports of their fund mismanagement came to light. In some cases, it was challenging to manage large volumes of funds during crises without pre-existing administrative capacity (CMI, 2015; Freudenthal, 2020).

**The role of CSOs is important in the face of unwillingness of the executive to publish or engage with audits.** The OBS 2019 survey showed that regardless of income level, executive follow-up on audit is low (International Budget Partnership & INTOSAI, 2020). Many African Francophone countries are 'either single dominant parties or [have an] excessively personalised and fractionalised party landscape' (Lienert, 2018). This compounds the problem as the executive is engaged in maintaining power rather than spearheading transparency.

### 2.4.2 How countries responded: What worked and what issues remain

**In the wake of receiving emergency external financing and accompanying audit requirements, some governments have committed to a proper audit of COVID-19 expenditure.** Comoros, Ghana, Gambia, Lesotho, Mauritius and Nigeria have committed to internal audits. Djibouti, Benin, Ethiopia, Gabon, Kenya, Liberia, Mali, Mauritania, Mauritius, Mozambique, Seychelles, Gambia and Uganda, among many others, are committed to ex-post audit of all COVID-19 expenditure (CABRI, 2021c).

Guinea-Bissau, in response to emergency financing for COVID-19 from the IMF, committed to a fiscal consolidation plan to improve debt sustainability and publish pandemic-related expenditure and procurement (Mirage News, 2021). However, the starting point is low as political instability has hampered information access since 2015. The last public expenditure review on Guinea-Bissau reported that the government website had not been updated since 2015 and others like that of the Ministry of Economy and Finance, the National Assembly and the Auditor General either did not work or had limited information (World Bank, n.d.).

**But not all countries have demonstrated this commitment.** Out of countries in the region that received IMF financial assistance and debt relief, Senegal, Guinea-Bissau, Burkina Faso, Côte d'Ivoire, Ghana and Tunisia still do not have any anti-corruption measures in place (Transparency International, n.d.). Some countries' internal political and structural issues impede their ability to fully commit to this tracking.

**Tracking COVID-19 funding will be important both for transparency and for assessing the efficiency of response efforts in the future.** Many countries were able to create COVID-19-related codes or programmes to track spending. Seychelles adjusted PFM rules and processes to allow budget lines to be used for COVID-19 expenditure. Malawi and the Central African Republic adjusted their charts of accounts to track COVID-19 expenditure and ensure rapid delivery of COVID-19-related goods and services. A new budget line for COVID-19 response was allocated approximately US$35 million in Kenya (CABRI, 2021c).

**Issues of corruption apparent during earlier crises are again rearing their heads** (see section 2.3). In some cases, countries have demonstrated learnings from earlier crises – Guinea's COVID-19 Response and Economic Stabilization Special Fund is kept in the Central Bank, unlike the Ebola fund that was a Special Earmarked Budget (CABRI, 2021c). However, not all countries that have faced similar crises are managing to combat financial management issues in this pandemic, with Liberia continuing to experience difficulties in financial control (Box 7).

**Box 7: Liberia's issues with financial controls during Ebola and COVID-19**

There was a high degree of fund mismanagement during the Ebola crisis, which was not surprising given Liberia's weak oversight systems. It received a very low score on accounting, recording and reporting, and external scrutiny and audit PEFA indicators (PEFA Secretariat, 2016). The Central Bank and the Ministry of Finance and Development Planning announced in April 2020 that they intend to conduct a post-crisis audit of COVID-19 expenditure by an independent auditor (CABRI, 2021c).

However, there are already inconsistencies in COVID-19 spend. A preliminary audit report by the Internal Audit Agency notes that the budget spent by the National Public Health Institute of Liberia and the Ministry of Health was not approved by the legislature in line with the PFM Law of Liberia (Turay, 2020).

**There are also success stories of governments making timely reports on COVID-19 expenditure.** The Nigerian Office of Accountant-General publishes all inflows and outflows for the funds on a daily basis. A monthly budget performance report is to be published on the Open Treasury Portal no later than 14 days after the end of the month (CABRI, 2021c).

**Many governments have been publishing data on public procurement, which is often a key source of financial mismanagement.** Benin, Cameroon, Djibouti, DRC, eSwatini, Ethiopia, Gabon, Guinea, Lesotho, Liberia, Kenya, Mali, Mauritania, Mozambique, Nigeria, Rwanda, Sierra Leone, South Africa and Uganda have committed to publishing COVID-19 procurement contracts above a minimum value (CABRI, 2020e).

**COVID-19 funds created by countries in response to the pandemic were often extra-budgetary.** Some countries have demonstrated learning from earlier crises. The Auditor General of Sierra Leone has committed to an interim audit of its COVID-19 fund. This is an improvement, since it faced irregularities during the Ebola crisis.

**Experts have cautioned about the use of these funds.** If created as standalone funds, they often escape the purview of government internal audit and are not very transparent. Many do not have any 'sunset clauses' – end dates – which means that they could be repurposed in the future without any oversight (IMF, 2020a).

**Many countries are dependent on development-partner funding to finance their expenditure which is extra-budgetary.** Given liquidity and fiscal constraints, many partners stepped in with in-kind and funding support. Extra-budgetary development-partner funding leads to two issues: i) there is no overarching reporting on the support received by a country, and ii) without being under the purview of the Treasury, these funds can suffer from financial mismanagement and pass under the radar. Some countries displayed good practice in this regard, for example, Cameroon created a special appropriation account to manage all resources made available by funders for COVID-19 response (CABRI, 2021c). But even then, early reports indicate secrecy surrounding the full amount paid into the fund (Saadoun, 2020). In certain cases, the political environment and weak trust in government systems forced development partners to work outside them (see Box 8).

**Box 8: Guinea-Bissau's weak audit and oversight mechanisms**

The lack of audit and oversight mechanisms has severely eroded the trust of the international community in the government (World Bank, 2014). This lack of trust in government systems continued during COVID-19. A large part of COVID-19 funding was funnelled through the World Health Organization (WHO) and other UN organisations. A US$15 million loan from the Islamic Development Bank will be implemented through the WHO and other partner organisations (Practitioner interview, Guinea-Bissau, 2021).

The country received low PEFA scores in the past for financial information provided by donors for budgeting and reporting on project and programme aid and the proportion of aid managed by use of national procedures (World Bank, 2014). This compounds the issue of using extra-budgetary funds, which are often not transparent and traceable, as was apparent during the Ebola crisis.

**There are CSOs that are managing to hold government accountable.** These tend to be from countries with better PFM systems. GIFT reported on the Budget Justice Coalition, a group of CSOs, which asked the South African government to establish clear standards for information disclosure (Guerrero, 2020). The IMF also reported on similar measures in Nigeria – iFollowTheMoney, which provides tools to citizens to monitor COVID-19 fund usage (Wendling & Guerrero, 2020). Nigeria and Liberia also used rap artists to disseminate information on COVID-19 (Accountability Lab, 2020). In Nigeria, the CSO BudgIT has created the CovidFundTracka (African Development Bank, n.d.).

**There is encouraging evidence that governments are taking steps to engage CSOs, which creates informal accountability between them.** For example, Côte d'Ivoire, before announcing its pandemic policy response at the end of March 2020, held consultations between the minister of finance and banks and employers' unions (IMF, 2020a). But GIFT mentioned that many CSOs reported that ministries of finance shied away from working with them during the pandemic. This may be due to lack of standard operating procedures on engaging CSOs for help during crises (Practitioner interview, GIFT, 2021).

**There is a 'fiscal transparency effectiveness gap' between the information governments publish and the information CSOs need to do a good job** (International Budget Partnership, 2016). There is greater need for fiscal information, both for transparency as well as for better decision making. GIFT has created a COVID-19 Fiscal Transparency Guide, with data on emergency policy response and economic recovery.

### 2.4.3 Going forward

The COVID-19 pandemic has forced PFM practitioners to look again at African financial management control systems. While weak country systems are often cited by development partners as a reason to work outside them, they must work with governments in the future to ensure two-way accountability. In the interim, they should enforce strong systems for fund management and mitigation of mismanagement, and report regularly.

As seen in the Ebola crisis, fiscal transparency remains an issue especially in countries with weak audit and reporting systems, and slow or no follow up by the legislature and the executive. Governments need to report in a timely fashion on COVID-19 expenditure and audit institutions must ensure that audits are thorough and available to both CSOs and the public.

Organisations providing debt relief or external financing have mandated that countries commit to timely reporting, ex-post or interim audit reform (African School on Decentralisation, 2020). While these accountability measures are welcome, they will need to be well thought through and monitored. Otherwise, the combination of weak legislative and audit strengths, and low commitment on the part of the executive, will ensure that these remain de jure measures that are not cemented into practice.

***Tracking COVID-19 funding will be important both for transparency and for assessing the efficiency of response efforts in the future.***

# Conclusion

The pandemic tested PFM systems across the African continent. While countries demonstrated flexibility in adapting to the challenge, underlying weaknesses often persisted, which should give countries an impetus for reform. Countries often did not have adequate legal and institutional provisions to tackle the pandemic head on. Executive decisions were used to respond to the crisis in these cases, which is indicative of historical trends where the executive has been able to bypass the legislature. While countries were able to repurpose existing agencies for the COVID-19 response or create new agencies, they should use this an opportunity to inspect the adequacy of their PFM laws for crisis situations. This includes provisions for crisis response, emergency procurement and fiscal transparency. However, weak political environments and capability of actors to implement these provisions will continue to be challenges in the future.

While countries on average were able to make budget cuts and reallocations for COVID-19 expenditure, preparedness was not uniform across the board. Governments have the chance to use this crisis to develop plans and standard operating procedures ahead of time for ministries of finance and MDAs. These could outline emergency response responsibilities, strategies for reallocation and mechanisms for emergency consultations. Countries may need to invest in capacity to model resource requirements for crisis situations.

Weak macroeconomic environments will continue to affect government's ability to fund budgets or raise money through external debt. Despite easing of fiscal rules and other binding PFM requirements, countries must act prudently.

Business continuity in manual environments was a challenge. Countries adapted by creating special small teams to deliver essential functions. Only a few countries had an advanced level of digitisation to deliver crucial government functions remotely. There are fears of automated processes being reversed post lockdown, many of which have introduced efficiencies.

Debt relief and emergency finance have been short-term fixes for the cash management issues. Treasury and debt managers in ministries of finance need to work together to assess debt sustainability, while taking into account implications of addressing short-term severe liquidity constraints imposed by the pandemic.

Instances of corruption question the efficacy of accountability measures. The establishment of framework agreements with pre-approved suppliers, validation of goods and services, publication of expense reports and COVID-19-specific audit should continue to be implemented till the pandemic is over.

Overarching issues of weak legislative oversight and executive action on audit will continue to weaken financial management. Extra-budgetary funding through newly created funds and development partner aid will continue to stay outside the purview of the government system. There must be renewed discussions on accounting for all funding flows in a country to ensure transparency and accountability. CSOs have taken governments to account in many countries over issues of corruption in procurement. Their role will be crucial in the future, especially in countries where the audit function is weak.

***The pandemic tested PFM systems across the African continent. While countries demonstrated flexibility in adapting to the challenge, underlying weaknesses often persist.***

# Annexure

### Framework

The paper adapts the Post-disaster PFM Review Evaluation Framework (World Bank, 2019) to discuss PFM systems in African countries. Table 2 describes a snapshot of sub-themes that have been explored in the paper.

**Table 2: Framework for discussing response of PFM systems to COVID-19**

| Legal and Institutional Foundations | Budget Formulation and Funding | Ensuring Budget Implementation | Financial Management Controls |
|---|---|---|---|
| • Were there legislation and procedures about specfic budgetary steps in the context of crises, outlining when these budgetary steps should be taken, and who is responsible? If not, what was done?<br>• Were there institutional mechanisms in place to execute the financing of crises in accordance with the legal and regulatory framework? If not, what was done? | • Was there any forward planning for the crisis ?<br>• What funding sources did governments use for crisis response?<br>• What were the ways to supplement and/ or reallocate approved appropriations across and within the budgets of government MDAs in response to the crisis?<br>• Did the budget frameworks allow flexibility to redeploy expenditures across budget lines? | • How did government systems adapt to ensure business continuity? Was there existing flexibility in the system?<br>• How was the emergency procurement managed?<br>• How was cash managed by the government to ensure business continuity? | • Were there sufficient expenditure controls and supervision? If not, what was done?<br>• Were practices instituted for tracking, interim and ex-post verification of financial transactions if they did not exist?<br>• Was reporting and accounting done in a timely manner?<br>• Was there adequate record keeping allowing for proper monitoring and audit? This includes legislative oversight, supreme audit institutions and external audits. |

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