**EVENT REPORT:**

**PEMPAL Budget Community of Practice (BCOP)**

**Workshop on Budget-Related Response to Covid-19 Emergency**

**April 9, 2020, Videoconference**

***Contents***

[1. Background and Event Objective 1](#_Toc38390881)

[2. Overview of Approaches and Advice on Covid-19 Emergency Response of International Organizations 1](#_Toc38390882)

[Core Objectives of Government’s Emergency Related Economic Policy Response 2](#_Toc38390883)

[Ensuring Business Continuity in the Ministries of Finance and Treasuries 2](#_Toc38390884)

[Post-Pandemic Recovery and Fiscal Resilience Building 3](#_Toc38390885)

[3. Fiscal Transparency in Times of Emergency 3](#_Toc38390886)

[4. Roundtable Discussion on Budget-Related Response in BCOP Countries 4](#_Toc38390887)

[Key Budgeting Challenges and Measures Introduced and Planned in BCOP Countries 4](#_Toc38390888)

[Measures to Reorganize Business Processes in the Ministries of Finance in BCOP Countries 6](#_Toc38390889)

[Key Risks and Opportunities 6](#_Toc38390890)

[5. Online Resources of International Organizations Relevant for PFM Response to Covid-19 Emergency 7](#_Toc38390891)

# **Background and Event Objective**

**This event report provides a summary of the presentations and discussions delivered during the BCOP Workshop on Budget-Related Response to Covid-19 Emergency held on April 9, 2020**, via videoconference. This workshop was organized based on the decision taken by the BCOP Executive Committee and the Resource Team.

**The objective of the event was to examine and exchange experiences on the approaches, challenges, and advice on budget-related responses to the Covid-19 emergency among BCOP member countries and to share international organizations’ advice.** The meeting gathered BCOP representatives of Ministries of Finance (MOFs) from 7 BCOP member countries in the Europe and Central Asia (ECA) region: Belarus, Bulgaria, Croatia, Georgia, Kyrgyz Republic, Russian Federation, and Uzbekistan. Representatives from other five BCOP countries registered for the event but had to cancel their participation due to urgent obligations in their Ministries. [[1]](#footnote-1)

# **Overview of Approaches and Advice on Covid-19 Emergency Response of International Organizations**

An overview of possible options of PFM response to Covid-19 emergency based on international experience and the latest World Bank and the International Monetary Fund (IMF) papers /blogs was presented by Iryna Shcherbyna, World Bank Senior Public Sector Specialist and BCOP Resource Team Coordinator.

# **Core Objectives of Government’s Emergency Related Economic Policy Response**

**In the first part of her remarks, Ms. Shcherbyna gave an overview of the core objectives of governments’ emergency-related economic policy response that directly impact public financial management (PFM) and budgeting.** The core three objectives include: i) ensuring the functioning of essential emergency-related public services and sectors of economy (such as health care, food production, essential infrastructure, utilities etc.); ii) providing aid to households impacted by the crisis (including expanded unemployment benefits and social welfare cash transfers), and iii) preventing extensive economic disruptions (including aid to private firms in the forms of conditioned wage subsidies, tax payment postponements and waivers, and access to financing). The specific design of implemented package of measures depends from country specificities.

**Policies in support of households, businesses, and the financial sector could involve a mix of liquidity and solvency measures**. Liquidity measures include providing access to loan financing and postponement of financial obligations/debt repayment, while solvency measures include transfers of real resources/financial transfers. Ministries of Finance across the world are facilitating the rapid availability and flow of funds and resources for Covid-19 through allowing current budgets allocated for the health sector and other sectors to be used for emergency related response with the option of ex-post budget reallocation; channeling funds from existing contingency budgets and national disaster response funds for the emergency expenditures needs; issuing supplementary grants; and requesting additional financing for existing donor-funded operations and requesting new investment and policy lending operations from international financial organizations.

# **Ensuring Business Continuity in the Ministries of Finance and Treasuries**

**Ms. Shcherbyna next presented the WB’s overview of the common challenges and options related to ensuring the business continuity in the Ministries of Finance and Treasuries.** Ensuring business continuity requires responsiveness and flexibility, whilst providing the necessary controls to support value for money, minimize fraud and corruption, and maintain citizen trust and confidence. The World Bank stresses that past health crises in developing countries, including Ebola and SARS, indicate that although accountability and transparency requirements may need to be modified during emergency situations, the guiding principles must remain. There are four major areas in which Ministries of Finance need to act to ensure business continuity: internal coordination, business process review, consistent communication, and monitoring and responding to feedback.

**Efficient internal coordination is needed to maximize the switch to partial home-based work mode and to change core business processes in Ministries of Finance.** To maximize home-based work mode, Ministries of Finance are advised to develop detailed procedures that can be issued by email or phone including arrangements and timing for receipt of required documentation, to issue instructions on receiving official postal mails and transmitting them to homes of officials/staff where relevant, to assess technologies available for document management systems and consider how Financial Management Information Systems (FMIS) can be used to assist the procedures. To change business processes, the existing emergency provisions should be evaluated, critical business functions identified, business process review carried out, and finally interim instructions for procedures in Ministry of Finance, Treasury and spending units developed.

**It is critical to review cash management, Treasury Single Account (TSA) and fund flow processes and adjust to emergency needs**. Possible considerations advised by the WB include: i) to consolidate all public sector funds into the TSA, including those of central bank and SOEs in respective balance sheets as an emergency measure to meet potential liquidity challenges; to review and adjust spending authorizations to allow emergency service funds to flow more quickly during emergency period, i.e. loosening spending authorization procedure (e.g. in India, Ministry of Finance have provided blanket spending authority to the health department); to send additional funds through the inter-government transfer system for decentralized emergency services; to set up pooled or simplified procurements at the central level for emergency acquisitions (e.g. in Ukraine, simplified procedures for procurement during the emergency are announced, while still maintaining mandatory reporting in the e-procurement system); and to plan ahead the procedures related to flow of funds from additional sources of loan and donor financing to ensure no overlapping with other funds is possible regardless of whether such funds will enter the TSA or be managed separately as extra-budgetary funds (e.g. South Africa established a Reconstruction and Development Fund to ensure transparent, coordinated and accountable use of donor funds).

**Ministries of Finance and Treasuries should jointly consider payment processing options**. Many developing countries, including some countries in ECA region, may not have technological requirements to facilitate payment processing within a home-based work mode of operations. Thus, in addition to prioritization of payments, which is an obvious need for all countries, specific procedures for fast-tracking Covid-19 related payments should be given priority, given that staffing is below normal levels. It is also important to enable simple tools to receive digital documents, making arrangements for accepting digital documents for payment processing (such as a scanned attachment to an email address opened specially for this purpose). These documents could be accepted as interim documents and used for payment processing, subject to final delivery of paper documents at a later point.

**Reporting and audit also require special attention**. The WB highlights that the Ministry of Finance and Treasury should work closely to ensure that Covid-19 related expenditures can be reported through appropriate budgeting and accounting codes. FMIS should be adjusted to reflect these changes at the appropriate level. Ministries of Finance should also institute mechanisms for enhanced ex-post reviews through internal audit. A typical approach is to perform a virtual post-audit completed immediately after the transactions are recorded in the FMIS.

# **Post-Pandemic Recovery and Fiscal Resilience Building**

**Adequate PFM responses will be required for post-pandemic recovery and fiscal resilience building.** In addition to macro-fiscal stability and debt management issues, which will be in the center of PFM post-pandemic considerations, there are several other considerations Ministries of Finance could take into account, as advised in the recent WB paper. These include:i) establishment of contingency funds and open special purpose accounts to channel donations; ii) expansion of the coverage of the Treasury Single Account; iii) strengthening of post-audit (given that many payments during the response phase are likely to go through expedited channels, by-passing many ex-ante controls, it is important to ensure post-audit of these payments in partnership with internal, third party independent agents, and external audit); iv) promoting GovTech in PFM (since an overwhelming majority of countries use bank accounts for disbursement of payments, the pandemic offers an opportunity to explore different forms of digital payments – G2G, G2P, G2B – through different channels, for example focusing on mobile money and ATM cards); v) strengthening IT security for home-based access; and vi) incorporating lessons learned in a more comprehensive Business Continuity Plan of Ministries of Finance.

# **Fiscal Transparency in Times of Emergency**

A summary of latest advice from the Global Initiative for Fiscal Transparency (GIFT) on keeping transparency and citizen engagement during Covid-19 was presented by Deanna Aubrey, BCOP Resource Team member.

**Ms. Aubrey explained that GIFT has recently released advice about fiscal transparency in times of the Covid-19 emergency.** They stressed these times call for critical roles of international financing institutions, Ministries of Finance, and civil society organizations.Fiscal transparency in emergency situations is complex and difficult given the need to make rapid decisions on different aspects of public finances. However, decision-making and approval related to fiscal and budgetary efforts needs to be as transparent as possible.IMF also noted in recent advice that greater intervention by the government is justified in such emergency situations for as long as the Covid-19 crisis continues but must be provided in a transparent manner and with clear sunset clauses. Specific recommendations from GIFT are to determine who needs the information (e.g. internal to government required for decision-making, or external, e.g., individuals, families, businesses, investors, credit agencies, CSOs, audit institutions) and to determine what information is needed.

**GIFT provides examples of three types of information that Ministries of Finance may want to consider sharing on their fiscal transparency portals or other dedicated websites established to outline emergency responses**. Firstly, transparency is needed in informing what budget reallocations and reprioritization have or will be done.For example, what source of funds are being accessed such as contingency funds, transfers from other programs, or program reallocations. To support transparency and accountability, supplementary appropriations should outline these budget reallocations and reprioritizations and GIFT cites an example from USA of the ‘Proposed Coronavirus Preparedness and Response Supplemental Appropriations Act 2020’ as a good example. Secondly, transparency is needed in what countercyclical and other measures are being adopted to retain and reactivate economic activity. GIFT cites the Canadian Government, which has announced a Covid-19 economic response plan. GIFT also cites Ministry of Finance of France, which has announced a comprehensive support package, along with information on its impact on public debt. Thirdly transparency is needed for the additional financing needs for the emergency and stimulus measures. GIFT cites the South African government which has announced that donor funds received to assist with the crisis will be paid into a Reconstruction and Development Fund, to support their accountable and transparent use. GIFT recommends that Ministries of Finance should be transparent about the impact on the deficit and how it will be covered. This includes if any additional debt will be contracted, what are the conditions, term and future implications of this debt.

**GIFT also notes that Ministries of Finance will face challenges in consolidating the data that are made public and ensuring it is regularly updated.** It is important to identify the objectives of providing the information and to define the different audiences and prioritize the information. GIFT has a series of webinars and resources on its website to guide fiscal transparency and engagement efforts in this area, and links have been provided throughout the presentation of examples of good practice.

**In regards to citizen engagement, GIFT notes it is difficult in this time of social distancing but it recommends engaging academia and CSOs in the design of policy responses, and to keep citizens informed through innovative ways.** GIFTrecommends a mix of formal and informal approaches to keep citizen engagement according to the stages of the emergency and post-emergency response. One example is using open data and mapping as recommended by the World Bank to engage health sector professionals and management to identify where redistribution of health resources is required across different geographical locations. Other examples include engagement of academia and specialized organizations, which could help model the repercussions of different budget reallocation scenarios and their implication for financial stability and sustainable development. Civil society and academia could also provide important insights into designing tax relief and stimulus measures including focusing on impacts on marginalized groups (GIFT provides an example from the Budget Justice Coalition of South Africa). Many countries have a dedicated website that collates together all the relevant Covid-19 information for citizens including health advice, fiscal relief packages, and other useful information/links. Additional efforts have also been made to keep citizens updated through various interactive platforms: phone hotlines for individuals, businesses, and families to access relief packages; special mobile applications; Facebook group sites; direct texts to mobile phones; and links to job sites for people who have lost their jobs.

# **Roundtable Discussion on Budget-Related Response in BCOP Countries**

The core part of this meeting included a round table discussion in which participants from BCOP countries gave remarks on the budget-related measures introduced and planned as a Covid-19 response in their countries and on the measures introduced and planned to reorganize the business processes in the Ministries of Finance and budgeting departments. Key challenges, risks, and opportunities were also discussed. After the round table discussions, key discussion outcomes were presented by Naida Carsimamovic, BCOP Resource Team member, and they are summarized below.

# **Key Budgeting Challenges and Measures Introduced and Planned in BCOP Countries**

**Budget planning and related departments/devisions in Ministries of Finance in PEMPAL countries face challenging and expanded workload amidst the Covid-19 emergency.** That is given their regular key role in monitoring the execution of budget appropriations, and the core role in operationalizing governments’ response in terms of new emergency measures and large budget expenditure pressures coupled with fall in revenues. Tasks include those related to budget appropriation restructuring and/or budget rebalances on both expenditure/outlay and revenue/receipt side of the budget to reflect the increase in budget spending for emergency public services and governments’ new economic and social policy measures, budget savings on other spending categories, decrease in tax and commodity-related revenues, and increase in additional sources of financing, such as loans, grants, extra-budgetary funds, and activating emergency reserve spending. These tasks are additionally complicated by the urgency to design and implement the measures quickly, while at the same time operating in extremely high uncertainty in terms of projections of budget revenues and the economic and social impact of the crisis. In addition, there are procedural budgeting challenges related to the length of time needed for emergent budget restructuring and reallocation to go through executive and legislation adoption procedures.

**PEMPAL countries already face large budget expenditure pressures, which are three-fold**. First, additional resources are needed for emergency public services. This in PEMPAL countries includes foremost the health sector needs in terms of equipment, supplies, and staffing/overtime work, but also other emergency response needs, such as those related to police, defense, border management, civil protection etc. Second, additional resources are needed for alleviating the crisis’ impact on households and individuals. Examples from PEMPAL countries include increased funding of unemployment benefits and benefits for families with children, as well as ensuring the stability in payment of regular pensions and social welfare benefits amidst the fall in revenues. Third, additional resources are needed for governments’ support to the private/real sector of the economy to retain jobs and prevent economic losses. All participating PEMPAL countries already started implementing some measures targeted at the real sector, while additional stronger measures are being planned or considered. Participating BCOP countries presented measures in their countries in detail. Note that the details for all PEMPAL countries and most countries globally can be followed on IMF’s and OECD’s Policy Tracker – links are given in the final section of this report.

**Overall, measures that are being implemented or planned in PEMPAL countries for the private sector can be broadly grouped into three categories.** These include: i) measures to relieve/subsidize private sector payments, ii) measures related to financing of private sector, and iii) measures alleviating foreign trade and transport of essential supplies used by the private sector. Measures are in some cases targeted to specific sectors (most notably in the industry whose work is explicitly prohibited under emergency state, such as the hospitality industry) or have specific conditionalities attached to them, such as reduction of revenues that a business must have in order to qualify for an aid/subsidy. The condition of retaining employees is usually also applied for a business in order to qualify for an aid/subsidy.

**Measures introduced or considered for introduction by PEMPAL countries related to relieving/subsidizing private sector payments range from less to more extensive in terms of their scope** as follows: postponing deadlines for tax form and financial statement submissions; delaying or waiving rent payments for renting public assets; deferring tax payments; waiving payments of certain taxes and/or parafiscal fees; subsidizing personal income taxes and contribution on employees’ salaries; subsidizing net salaries of employees in part or in full (e.g. up to minimum salary amount or up to a certain percentage of net salary).

**Measures related to financing of private sector are implemented in several PEMPAL countries through central banks, national development banks, and commercial banks mechanisms**. Measures include postponement of repayment of loans and providing affordable and quick emergency loans for the private sector for working capital and liquidity purposes. Loans are guaranteed by the state in many cases and implemented through the commercial banks or national development banks.

**Measures related to alleviating foreign trade and transport of essential supplies used in part of in full by the private sector have also been implemented by PEMPAL countries**. These measures include simplification/waiving of import duties and/or facilitation of transportation for medical supplies and other supplies related to essential needs.

### **Measures to Reorganize Business Processes in the Ministries of Finance in BCOP Countries**

**Several internal business process reorganizations have been implemented in Ministries of Finance in BCOP countries including rotating teams between office and home based work.** In most PEMPAL countries, the work in budgeting departments/sectors is reorganized into several teams of staff, based on their necessity, with the primary/A teams continuing to work from the Ministry of Finance facilities in smaller teams and on rotating basis (e.g. in two-week shifts). Secondary teams mostly conduct home based work.

**To support staff home-based work, BCOP countries have facilitated remote work by utilizing information communication technologies (ICT)**. This includes increased reliance on e-archive, electronic workflow system, enabling documentation and forms to be submitted electronically, and enabling access to programs, software, and electronic databases that were previously accessible only from Ministry of Finance offices.

**Moreover, measures to simplify other procedures have been implemented.** This for example includes simplification of procurement processes for procuring emergency supplies, as well as additional and/or simplified intergovernmental transfers to subnational level for their implementation of emergency related measures and public services. In addition, in some cases deadlines for submission of 2019 financial reports to Ministry of Finance have been extended.

### **Key Risks and Opportunities**

**Participants identified several risks related to budgeting work amidst Covid-19 crisis, aside from the most obvious risks of fiscal sustainability and debt management that will be in the center of PFM in the aftermath of the pandemic.** As noted above, there are procedural budgeting challenges related to the length of time needed for emergent budget restructuring and reallocation to go through executive and legislation adoption procedures. As a result, in some countries there are emergency measures enforced to simplify the adoption procedures, including in some cases by circumventing the parliamentary procedures, which may pose a risk. In this respect, a careful balance must be found to try to ensure faster adoption procedures while simultaneously ensuring some legislative oversight remains in force. Another risk connected to this is the risk of decreased transparency towards the public and citizen engagement amidst the urgency in designing and implementing emergency measures and the excessive work burden of emergency measures on the Ministry of Finance staff, which may not leave enough time to be devoted to publishing all information and engaging citizens. As discussed above under GIFT recommendations, it is important to ensure public oversight and adequate communication with the public, noting that information and data that need to be provided publicly can be prioritized so that most important information is shared in timely matter. In terms of citizen engagement, some good examples shared by PEMPAL countries included engagement of academia, CSOs, and private sector representatives in governments’ task forces that propose emergency measures, as well as hotlines being opened to provide answers to the private sector on how they can apply for subsidies and other measures. Moreover, there are risks related to the significant increase in requests for additional/reallocated budgets from spending units, subnational government units, and/or extrabudgetary units. Given reduced staff and availability of time of priority staff in budgeting departments/sectors to conduct the usual detailed analyses of these requests, there is a high risk that many will be approved without proper scrutiny, leading to a significant increase in budgets. Finally, in the medium term, there are risks related to government strategies and national goals and performance targets needing to be revised and extended in terms of targeted timelines to adjust for post-Covid realities.

**Participants also noted that the crisis related to the Covid-19 emergency provides important opportunities for improving PFM business processes and more broadly public sector improvements**. This most obviously includes accelerated progress towards digitalization of PFM and more broadly public sector working procedures. Sizable additional employment of IT experts is already taking place in some PEMPAL countries. The switch to extended e-governance and provision of electronic services for citizens is also expected, as well as the overall simplification of the processes of citizens’ application for public services. As an example, submission of applications for elementary schools have been simplified and is conducted electronically in one BCOP country. An additional opportunity in the long term may be that lessons learned from the reorganization of work conducted due to the crisis may highlight which areas of ministries/departments are understaffed and in which areas potential redundancies could be made, which may be useful in future public administration restructuring efforts. Finally, the crisis can reveal/reconfirm inefficiencies and weaknesses of certain public services, which may be useful to inform future improvements in government spending effectiveness within performance budgeting efforts.

# **Online Resources of International Organizations Relevant for PFM Response to Covid-19 Emergency**

1. World Bank Advice and Response: <https://www.worldbank.org/en/who-we-are/news/coronavirus->[covid19](https://www.worldbank.org/en/who-we-are/news/coronavirus-covid19)
2. World Bank: Planning for the Economic Recovery from COVID-19: A Sustainability Checklist for Policymakers: <https://blogs.worldbank.org/climatechange/planning-economic-recovery-covid-19-coronavirus-sustainability-checklist-policymakers>
3. IMF Global Policy Tracker: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>
4. IMF Advice and Response: <https://www.imf.org/en/Topics/imf-and-covid19>
5. OECD Advice and Country Policy Tracker: <http://www.oecd.org/coronavirus>[/](http://www.oecd.org/coronavirus/)
6. GIFT Advice: <http://www.fiscaltransparency.net/publish/fiscal-transparency-in-times-of-emergency-response-reflections-for-times-of-covid-19/>
7. GIFT Resources and Webinars: <http://www.fiscaltransparency.net/>
8. European Commission’s Response and Research: <https://ec.europa.eu/info/live-work-travel-eu/health/coronavirus-response_en>
9. Council of the European Union Measures: <https://www.consilium.europa.eu/en/press/press-releases/2020/03/30/covid-19-council-adopts-measures-for-immediate-release-of-funds>[/](https://www.consilium.europa.eu/en/press/press-releases/2020/03/30/covid-19-council-adopts-measures-for-immediate-release-of-funds/)
1. This event report was prepared by Naida Carsimamovic, BCOP Resource Team Member with inputs provided by Iryna Shcherbyna, BCOP Resource Team Coordinator and Deanna Aubrey, BCOP Resource Team Member. [↑](#footnote-ref-1)