

# TRANSPARENCY, ACCOUNTABILITY AND INCLUSIVENESS OF THE USE OF EMERGENCY FUNDING FOR COVID-19

## Beyond keeping receipts

‘Notwithstanding the need for speed and flexibility, the design of the support package should follow standards of transparency. This is needed to maintain public support and build institutional legitimacy, ensure the effectiveness of the package, and avoid any misappropriation of funds disbursed in an emergency situation’

---

(Fiscal Affairs Department, International Monetary Fund (IMF 2020)).

At the very start of the COVID-19 pandemic, the director of the International Monetary Fund, Kristalina Georgieva, told governments:

‘Spend as much as you can, but keep the receipts. We don’t want accountability and transparency to take a back seat in this crisis’

---

(Georgieva and Rice 2020).

The message was clear – public spending and public sector interventions will help countries navigate through the COVID-19 crisis. Public spending will help save both lives and livelihoods. Nonetheless, the IMF was also clear that this spending must be done with transparency and accountability in mind.



**PUBLIC SPENDING AND PUBLIC SECTOR INTERVENTIONS WILL HELP COUNTRIES NAVIGATE THROUGH THE COVID-19 CRISIS**

The Public Expenditure and Financial Accountability (PEFA) Secretariat assesses transparency in public finances through measuring whether there is 'comprehensive budget classification, transparency of all government revenue and expenditure, including intergovernmental transfers, published information on service delivery performance, and ready access to fiscal and budget documentation' (PEFA 2020). Using the International Budget Partnership's definition of transparency, the Open Budget Survey found that, before the crisis began in 2019, only 31 of the 117 countries included in the survey had 'sufficient levels of budget transparency' (International Budget Partnership 2019).

During the COVID-19 pandemic, this has been critical because greater public trust in government will help in the fight against the virus through measures for containment, mitigation and recovery (OECD n.d.). For supreme audit institutions (SAIs), this transparency is especially important for ensuring that effective audits can take place both in real-time and later.

This is a pivotal moment, which requires public audits that support transparency because concerns about COVID-19 emergency spending are increasing:

**'Emergency responses to the COVID-19 pandemic have resulted in huge expenditures by governments circumventing the standard operating procedures and approval processes. This may create new vulnerabilities and leakages that may only come to light after the initial containment phase has passed. In the short term, procedures that strengthen accountability will have to be balanced with the urgent need for governments to respond to the crisis'**

---

(World Bank Group 2020a).

The nature of the pandemic has meant that many countries have dedicated resources to tackling the crisis using processes outside their regular budget and reporting systems – often through extrabudgetary funds (Rahim et al. 2020). While some countries have created transparency safeguards, such as oversight mechanisms or open data systems, many have created frameworks that give transparency a back seat – often leaving SAIs without the mandates they need to conduct effective audits (Rahim et al. 2020).


**'Although technically outside the budget, extrabudgetary funds are governmental in nature and thus should be subject to the same audit requirements as are applied to other government programs'**

---

(Ramkumar n.d.).

For SAIs, compliance audits of the transparency of COVID-19 spending rely on the varying levels of information provided in national or local rules, regulations, policies and legislation, specifically covering emergency spending. It will therefore be important to understand whether emergency spending can – and should – bypass existing rules. Unique forms of policy, rule or regulation may need to be considered specifically for the COVID-19 crisis – particularly for the rules created for extrabudgetary funds or emergency loan agreements.

**THE NATURE OF  
THE PANDEMIC  
HAS MEANT THAT  
MANY COUNTRIES  
HAVE DEDICATED  
RESOURCES TO  
TACKLING THE CRISIS  
USING PROCESSES  
OUTSIDE THEIR  
REGULAR BUDGET AND  
REPORTING SYSTEMS**



## Examples

Jurisdiction	Selected examples of varying transparency rules
<p><b>KENYA</b></p>	<p>The Public Finance Management (COVID-19 Emergency Response Fund) Regulations 2020 (as part of the 2012 Public Finance Management Act) (Government of Kenya 2020)</p> <p><i>Part II – Establishment of the Fund</i></p> <p>3. There is established a Fund to be known as the COVID-19 Emergency Response Fund</p> <p>9. (1) The Administrator of the Fund shall be the Principal Secretary for the time being responsible for matters relating to finance.</p> <p>(2) The Administrator of the Fund shall exercise the following functions</p> <p>(g) prepare, sign and transmit to the Auditor-General financial statements in accordance with the Act; and</p> <p>(h) furnish any additional information which is proper and sufficient for the proper discharge of the mandate of the Auditor-General.</p>
<p><b>THE PHILIPPINES</b></p>	<p><b>Bayanihan to Recover as One Act 2020</b></p> <p><i>Section 14. Reportorial Requirement and Creation of an Oversight Committee</i></p> <p>The President, every first Monday of the month, shall submit a monthly report to Congress and to the Commission on Audit (COA) of all acts performed pursuant to this Act during the immediately preceding month... The terms and conditions of any loan entered into by the government to finance the programs and projects to implement this law shall likewise be included in the Report.</p>
<p><b>GABON</b></p>	<p><b>IMF – Request for purchase under the Rapid Financing Instrument April 2020 (IMF 2020b)</b></p> <p>As part of the IMF and Gabon’s fiscal support agreement during COVID-19, the minister of economy and finance of Gabon wrote to the IMF executive director outlining his ‘Intent on Economic and Financial Policies’:</p> <p><i>The government will continue to publish information on revenue and expenditure performance on a regular basis, and to provide a separate reporting mechanism for COVID-19 expenditures in order to assure transparent accounting of all the funding received to combat the pandemic. We commit to report[ing] quarterly on the spending of emergency funds and to commission[ing] an independent, third-party audit of this spending within six months of disbursement and [to] publish[ing] the results.</i></p>

For COVID-19, SAI audits of COVID-19 emergency spending will help provide clarity about and accountability for the way that fiscal responses to the pandemic were carried out and to ensure that all forms of finance – including international aid or loans – were spent according to the rules and have been fully disclosed. A number of international civil society organisations have expressed concern about the risks associated with a loss of transparency when spending at speed and public auditors are often cited as an important for achieving accountability (Transparency International et al. 2020).

There is a concern with COVID-19 that SAIs have not been given the required mandate and information to audit these funds effectively. Designating SAIs as the auditors of emergency funds ‘would significantly enhance the credibility of the oversight’ (Zannath and Gurazada 2020). Additionally, the IMF recommends separating COVID-19 funds from regular spending to help define the necessary audit trail (Rahim et al. 2020). Critically, the conclusions provided through public audits can give accountability for past spending and ensure lessons are learned for future emergencies to protect both public money and public trust.

## Other resources

- Sandeep Saxena and Michelle Stone (IMF Public Financial Management Blog) (2020) – *Preparing Public Financial Management Systems to Meet COVID-19 Challenges*
- Barroy, H, Wang, D, Pescetto, C and Kutzin, J (2020), *How to Budget for COVID-19 Response? A Rapid Scan of Budgetary Mechanisms in Highly Affected Countries*
- Khasiani et al. (2020) – *Budget Execution Controls to Mitigate Corruption Risk in Pandemic Spending*
- INTOSAI Development Initiative et al. (n.d.) – *COVID-19 Implications for SAI Strategic Management*
- World Bank Group (2020b) – *Role of Supreme Audit Institutions in Governments Response to COVID-19: Emergency and Post Emergency Phases*
- Gurazada et al. (2020) – *Getting Government Financial Management Systems COVID-19 Ready*

---

## References

Barroy, H, Wang, D, Pescetto, C and Kutzin, J (2020), *How to Budget for COVID-19 Response? A Rapid Scan of Budgetary Mechanisms in Highly Affected Countries* [WHO website], 25 March <[https://www.who.int/docs/default-source/health-financing/how-to-budget-for-covid-19-english.pdf?sfvrsn=356a8077\\_1](https://www.who.int/docs/default-source/health-financing/how-to-budget-for-covid-19-english.pdf?sfvrsn=356a8077_1)>, accessed 28 April 2021.

Georgieva, K. and Rice, G. (2020), *Transcript of International Monetary Fund Managing Director Kristalina Georgieva's Opening Press Conference, 2020 Spring Meeting* [IMF website], 15 April <<https://www.imf.org/en/News/Articles/2020/04/15/tr041520-transcript-of-imf-md-kristalina-georgieva-opening-press-conference-2020-spring-meetings>>, accessed 28 April 2021.

Government of Kenya (2020), *The Public Finance Management (Covid-19 Emergency Response Fund) Regulations, 2020* <[http://kenyalaw.org/kl/fileadmin/pdfdownloads/PUBLIC-FINANCE-MANAGEMENT-\(COVID-19\)EMERGENCYRESPONSE.pdf](http://kenyalaw.org/kl/fileadmin/pdfdownloads/PUBLIC-FINANCE-MANAGEMENT-(COVID-19)EMERGENCYRESPONSE.pdf)>, accessed 28 April 2021.

Gurazada, S., Kristensen, J.K., Sjoblom, M.C., Piatti, M. and Farooq, K. (2020), *Getting Government Financial Management Systems COVID-19 Ready* (World Bank blog), 20 March <<https://blogs.worldbank.org/governance/getting-government-financial-management-systems-covid-19-ready>>, accessed 28 April 2021.

IMF (International Monetary Fund) (2020a), *Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses* Downloadable from <<https://www.imf.org/en/Search#q=Keeping%20the%20receipts&sort=relevancy>>, accessed 28 April 2021

IMF (2020b), *Gabon: Request for a Purchase Under the Rapid Financing Instrument-Press Release; Staff Report; and Statement by the Executive Director for Gabon*. Downloadable from <<https://www.imf.org/en/Publications/CR/Issues/2020/04/16/Gabon-Request-for-a-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-Report-49336>>, accessed 28 April 2021.

International Budget Partnership (2019), *Open Budget Survey 2019* <[https://www.internationalbudget.org/sites/default/files/2020-04/2019\\_Report\\_EN.pdf](https://www.internationalbudget.org/sites/default/files/2020-04/2019_Report_EN.pdf)>, accessed 28 April 2021.

INTOSAI Development Initiative; Strategy Performance Measurement and Reporting; and Swiss Confederation (n.d.), *COVID-19 Implications for SAI Strategic Management: Guidance Note for Supreme Audit Institutions* <<https://www.idi.no/elibrary/well-governed-sais/strategy-performance-measurement-reporting/1033-covid-19-implications-for-sai-strategic-management/file>>, accessed 28 April 2021.

Khasiani, K., Koshima, Y., Mfombouot, A. and Singh, A. (2020), *Budget Execution Controls to Mitigate Corruption Risk in Pandemic Spending*. Downloadable from <<https://www.imf.org/en/Publications/SPROLLS/covid19-special-notes>>, accessed 28 April 2021.

OECD (Organisation for Economic Co-operation and Development) (n.d.), *Trust in Government* [website article] <<https://www.oecd.org/governance/trust-in-government.htm>>, accessed 28 April 2021.

PEFA (Public Expenditure and Financial Accountability Secretariat) (2020), *Transparency of Public Finances* [website article] <<https://www.pefa.org/global-report-2020/report/global-pfm-performance#transparency-of-public-finances>>, accessed 28 April 2021.

Rahim, F., Allen, R., Barroy, H., Gores, L. and Kutzin, J. (2020), *COVID-19 Funds in Response to the Pandemic*. Downloadable from <<https://www.imf.org/en/Publications/SPROLLS/covid19-special-notes>>, accessed 28 April 2021.

Ramkumar, V. (n.d.), *Can Supreme Audit Institutions and Civil Society Organizations in Latin America Work Together to Strengthen Oversight on Government Budgets?*

Saxena, S. and Stone, M. (2020). *Preparing Public Financial Management Systems to Meet COVID-19 Challenges* [IMF blog], <[https://blog-pfm.imf.org/pfmblog/2020/03/preparing-public-financial-management-systems-to-meet-covid-19-challenges.html?utm\\_source=feedburner&utm\\_medium=email&utm\\_campaign=Feed%3A+pfmblog+%28PFM+blog%29](https://blog-pfm.imf.org/pfmblog/2020/03/preparing-public-financial-management-systems-to-meet-covid-19-challenges.html?utm_source=feedburner&utm_medium=email&utm_campaign=Feed%3A+pfmblog+%28PFM+blog%29)>, accessed 28 April 2021.

Transparency International, Human Rights Watch and Global Witness (2020), *Re Urgent Need for Anti-corruption Measures in IMF Response to COVID-19 Crisis* (Letter to IMF Executive Board, 8 April) <[https://images.transparencycdn.org/images/TI\\_HRW\\_GW\\_Letter\\_IMF\\_COVID19\\_Emergency\\_Funding.pdf](https://images.transparencycdn.org/images/TI_HRW_GW_Letter_IMF_COVID19_Emergency_Funding.pdf)>, accessed 28 April 2021.

World Bank Group (2020a), *Enhancing Government Effectiveness and Transparency: The Fight against Corruption, September, as revised 3 October*. <<http://documents1.worldbank.org/curated/en/235541600116631094/pdf/Enhancing-Government-Effectiveness-and-Transparency-The-Fight-Against-Corruption.pdf>>, accessed 28 April 2021.

World Bank Group (2020b), *Role of Supreme Audit Institutions (SAIs) in Governments' Response to COVID-19: Emergency and Post Emergency Phases* <<https://openknowledge.worldbank.org/bitstream/handle/10986/33901/COVID-19-Role-of-Supreme-Audit-Institutions-SAIs-in-Governments-Response-to-COVID-19-Emergency-and-Post-Emergency-Phases.pdf?sequence=5&isAllowed=y>>, accessed 28 April 2021.

Zannath, S. and Gurazada, S. (2020), *Advancing Accountability for Special Emergency Funds to Address COVID-19* [World Bank blog], 6 May <<https://blogs.worldbank.org/governance/advancing-accountability-special-emergency-funds-address-covid-19>>, accessed 28 April 2021.