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Managing Public Finance in Times of Crisis in Africa
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State of Public Finance Management capacity in Africa for resilient crisis response: Institutions, legislative and regulatory frameworks, systems, processes and tools.

Earlier crises like the Ebola crisis, commodity price shocks, the global financial crisis, social unrest, and natural disasters exposed institutional weaknesses in PFM at many levels. The COVID-19 pandemic is yet another checkpoint to understand which weaknesses persist and what progress has been made to date. In many cases, African countries showed flexibility and successfully overcame traditional weaknesses. In others, these weaknesses persisted and serve as an impetus for reform.

I will focus on existing PFM institutions, legislative and regulatory frameworks, systems, processes and tools that aided or hindered crisis response efforts, based on CABRI's research findings since the start of the crisis.

I will begin with some of the regulatory and institutional fundamentals that are key for how countries responded to the PFM aspects of the COVID-19 crisis and then move on to how the systems, processes and tools of PFM fared during formulation and execution of COVID-19-related budgets and some of the transparency and accountability measures that have been put in place. Throughout I will consider how these policies, practices and processes can be strengthened to increase the resilience of PFM systems ahead of future crises and will conclude with the same.

1. Regulatory and institutional frameworks

In crisis situations, countries benefit from having strong, adaptable and transparent legal and institutional foundations, however, our research found that m**ost African countries did not have the emergency PFM, procurement or institutional architecture needed for crisis response.** More specifically, many countries did not have business continuity strategies, crisis management or disaster risk institutions that were readily available and well equipped to deal with the crisis when it happened.

Some countries were able to use or repurpose existing legislation to show flexibility in addressing COVID-19 needs. For example, South Africa 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 single-source contracts (CABRI, 2021c).

Institutional frameworks for business continuity in Africa are at nascent stage and the importance of business continuity planning was exposed by the crisis. 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.

Strongly underpinning business continuity has been the **use of digital tools** – building on existing practices, introducing new practices, and most certainly changing the way we will work going forward. As we increasingly move to a more digital way of working, we should not neglect the lessons that we have learnt from the design and implementation of previous digital systems. These being, over-specification, lack of broad consultation to achieve buy-in, and the need for ongoing contract management.

2. Systems and processes used for reformulating budgets and reforecasting revenues

Several African countries do not budget for contingency situations. Despite our countries being prone to natural and human-made disasters, contingency reserves are not a common feature, and where these are in place, they are often underfunded. A contingency reserve is an important tool for a government to intervene in crises, in that it allows for the timely allocation of additional resources to increase social transfers and other crisis-related expenditures.

The pandemic e**xpenditure needs were primarily attended to through virements, reprioritisation within existing budgets and supplementary budgets, as well as in some cases contingency funds.** The majority of countries increased their initial budget through supplementary budgets, despite reduced revenues, leading to larger fiscal deficits. The reallocation trends were overall similar across countries, with large reappropriations of funds towards the health sector, social protection schemes for both individuals and businesses, as well as tax relief for individuals and employers. However supplementary budgets and virements often lacked transparency due to a lack of publication of basic budget documents. Few countries published an exhaustive report of the budget movements related to COVID-19 cuts and reappropriation. The adopted supplementary budget law did not systematically allow for an easy comparison of appropriations between the original and the revised budgets. Parliamentary oversight and public consultation were minimal, below normal budget levels.

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

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

3. Systems, processes, and tools for uninterrupted budget execution

3.1. Treasury and payment continuity

The emergency nature of the pandemic necessitated **emergency disbursement and payment approvals.** These included shifting from ex-ante to ex-post controls; cash advances to MDAs; and disbursing petty cash to MDA' operational bank accounts.

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 treasury 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.

3.2. Cash management

During the crisis it was necessary to **ensure adequate cash** was available to meet crisis needs and maintain efficient cash management. Our countries faced the triple challenge of finding liquidity to fund unforeseen COVID-19-related expenditure, forecasting evolving cash requirements, and recalibrating debt and revenue in the months following the onset of the pandemic. Some of the efforts to ensure adequate cash available to meet crisis needs and maintain efficient cash management, included:

- Adjusting borrowing programmes to provide bridging finance. 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.
- Debt relief and emergency financing from organisations such as the World Bank and IMF somewhat offset liquidity issues for countries in the short term, especially to finance health response.
- Setting up dedicated COVID funds to speed up disbursement of cash and facilitate accountability. An example is Ghana, where private funds are collected through separate bank accounts, but are transferred to the national Coronavirus Alleviation Programme which is managed by the Treasury.

3.3. Procurement

Our governments do 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).

Our governments have used the exceptions allowed in their existing public procurement legislations to purchase COVID-19 related goods and services. These emergency procurement processes came into operation right at the start of the crisis and included: (i) shorter bidding times; (ii) retroactive financing; (iii) advance and direct payments; and (iv) single-source, pooled, centralising and decentralising procurement. E-procurement assisted the crisis response, and where this wasn't adequately set up, continuity of the procurement process was gravely affected. This is due to the inability to conduct bids virtually and the cumbersome nature of the procurement process, arising from a procurement law aimed at stifling corruption.

4. Transparency and accountability

Emergency expenditure and procurement processes and the scale of the crisis response necessitated enhanced transparency and accountability practices, including publishing COVID-19 procurement contracts; publishing names of companies awarded contracts; publishing beneficial ownership information of companies receiving contracts; validation of delivery of products and services; more frequent internal audits; specific COVID-19 external audits; and specific budget lines for COVID-19 reporting

Overarching issues of weak legislative oversight, coupled with extra-budgetary funding through newly created funds and ongoing hesitancy by development partners to use local systems will continue to weaken transparency and accountability. There must be renewed discussions on accounting for all funding flows in a country to ensure transparency and accountability. In this regard, the ongoing role of CSOs is crucial, especially in countries where the audit function is weak.

5. Looking forward

In order to build the resilience of PFM legal and regulatory frameworks, systems, processes and tools, we need to consider:

- Placing more emphasis on disaster risk financing and frameworks for disaster risk mitigation and business continuity
- Where PFM legislation and accompanying policies were found to be either unnecessarily cumbersome or there were gaps in roles and responsibilities, these need to be reviewed at a country level to ensure greater pragmatism and efficiency.
- Strengthening the role and capabilities of legislatures and SAIs and increasing the responsiveness of governments to public participation.
- Strengthening budget inputs and public finance capabilities of MDAs, even though we acknowledge that top-down budgeting may be required going forward.

- Finding ways to protect CAPEX in reprioritisation exercises and getting back to pre-pandemic levels of financing to CAPEX.
- Embracing advances in digitalisation to enhance efficiency and accountability in PFM.
- Where innovative and effective practices emerged during the crisis, such as greater flexibility, streamlining through digitalisation, enhanced reporting, procurement transparency, governments need to find ways to ensure these are institutionalised.
- While priorities related to the short-term response should be clearly identified and communicated, national development plans and objectives should continue to guide allocation.
- And finally, the weaknesses exposed by the crisis should be the impetus for locally and problem-driven reform.

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