

Digital Solutions to Support the COVID-19 Fiscal Policy Response

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Outline

- Introduction
- Why focus on Digital Solutions to support the COVID-19 response
- Three solution areas
 - Streamlining budget execution
 - Enhancing Cash Forecasting and Management
 - Strengthening Fiscal Transparency
- Four ways to track COVID-19 expenditures

Economic Impact of COVID-19 is being felt globally

- Significant decrease of economic growth expected globally
- Growth rate for 2020 in ASEAN down with 6.6% from 4.6% expected in January 2020 to – 2.0% in June 2020. Much worse than the global financial crisis 2008-2009
- In many ASEAN countries impact mainly through tourism and export sectors
- Strong rebound of growth expected in 2021

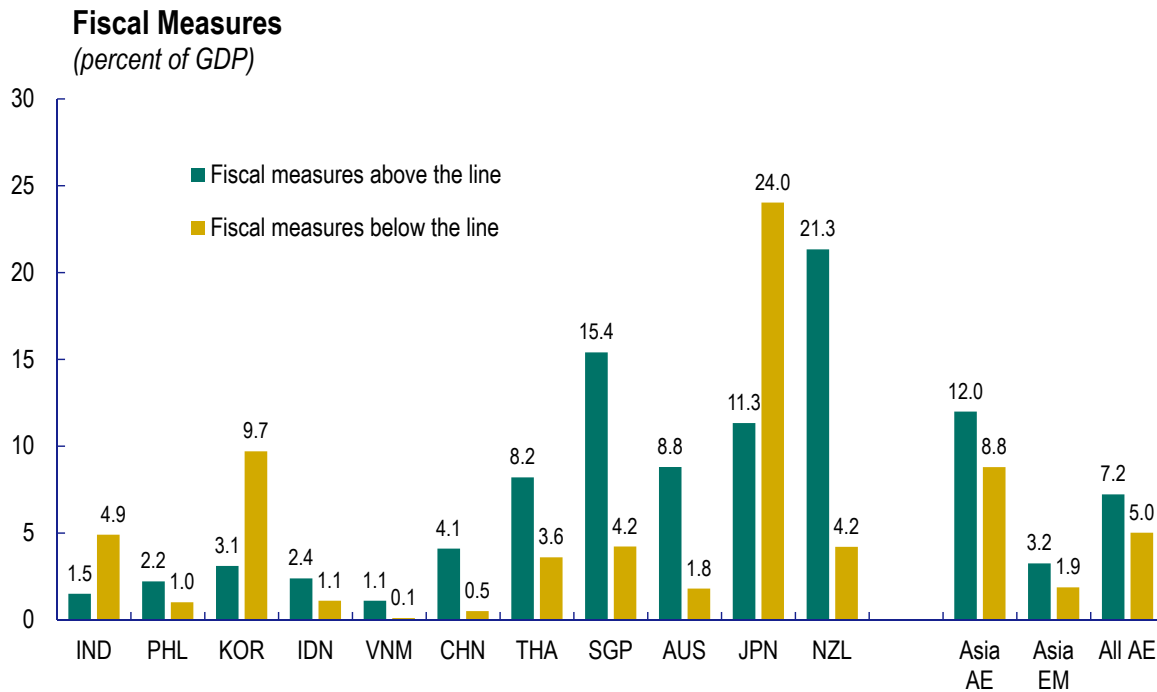
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Fiscal measures to support economies

- Focused on improving health care response, supporting the poorest in society and stimulating the economy
- Fiscal measures are sizeable, ranging from 1-2% of GDP to more than 10%
- Size depends on expected growth impact but also on fiscal space and availability of financing
- Typical COVID measures:
 - Enhanced health care spending
 - Social transfers (cash handouts, enhancement of social security)
 - Wage subsidies for employers
 - Tax cuts for private sector
 - Bailouts of severely impacted industries
 - Loans for SMEs

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Size of Fiscal Stimulus for Selected Countries



Sources: IMF Policy Tracker, WEO, and IMF staff calculations

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Why focus on Digital Solutions

- Critical to smooth, efficient and transparent implementation of the COVID-19 response
 - Provides essential information for fiscal and budgetary planning
 - Can help fast-track COVID expenditure, especially procurement and cash handout programs
 - Detailed expenditure tracking allows performance assessment and assures political and administrative accountability
 - Provides an audit trail and reduces the change of corruption
- IT systems not presently configured to deal with emergency response
 - Expenditure controls embedded in FMIS are often extensive, sequential and many times redundant
 - Virement processes restrict reallocation
 - Chart of accounts used by FMIS not capable of tracking COVID expenditures; Needed report formats unavailable
 - Certain key functionalities and interfaces presently unavailable

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Which solutions to tackle

- Changes feasible in limited time frame, 3-12 months
- Relatively low cost, low effort
- Aligned with present state of FMIS development
- Impacting COVID-19 priorities
- With long-term benefits for PFM reform

See more details on IMF's Special Series Notes on COVID-19: "[Enhancing Digital Solutions to Implement Emergency Responses](#)"

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Focus on solutions in three areas

- A. Streamlining FMIS expenditure execution and control processes, and improving their interaction with procurement platforms;
- B. Enhancing FMIS capacities for cash forecasting and management;
- C. Strengthening fiscal transparency through web portals, open data, and FMIS enabled reporting

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A. Streamlining, why and how

Why:

- Reallocation of low priority spending
- Procuring emergency health services/medicines
- Fast execution of emergency expenditure
- Processing of mass payments to poor households

How:

1. Adjusting embedded controls
2. Enhancing processing capacity
3. Strengthening procurement platforms

A.1 Adjusting expenditure control

- Single window control
- Higher thresholds
- Paperless
- Batched payments
- From ex-ante to ex-post control
- Greater autonomy for line ministries/agencies (payment and virement)

A.2 Enhancing Processing Capacity

- To accommodate:
 - More and faster procurement
 - Direct cash transfers to many citizens/poor households
- How:
 - Additional server capacity
 - Additional storage capacity
 - Strengthened internet connectivity
 - Utilizing cloud infrastructure

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A.3 Strengthening Procurement Platforms

- Simplified controls and approvals
- Integrating COVID identifiers
- Interface with FMIS to enhance:
 - Capital budget execution
 - Facilitate cash forecasting

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B. Enhancing Cash Forecasting and Management

Why:

- COVID will lead to higher expenditure and lower revenues
 - need to adjust cash planning
- Debt markets may be less accessible
- Need to consolidate cash balances more acute
- Avoid disruption of budget execution/cash rationing

How:

1. Enhancing cash monitoring
2. Strengthening cash forecasting and management
3. Using ETF's and other digital payments

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B.1 Enhancing Cash Monitoring

- Increase regularity, from monthly to weekly, from weekly to daily monitoring of cash balance
- Use preliminary, unreconciled data
- Integrate all government bank accounts, not just those in the TSA, into the FMIS through interfaces with bank systems – but no immediate need to integrate payment process
- Integrate bank account records through interfaces with bank system; use or develop automatic reconciliation

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B.2 Strengthening Cash Forecasting and Management

- Developing a cash forecasting module or standalone application interfaced with FMIS
 - If a commercial off the shelf solution, doable in a few months
 - Allows for easy exchange of data with FMIS
 - Enables forecasting based on trend analysis and modelling
 - Allows scenario analysis to help manage uncertainty in cash flows
 - Supports planning and scheduling of large COVID-related payments

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B.3 Using EFTs and other digital payment mechanisms

- EFTs more efficient, easier to reconcile, more secure
- Eliminates “float” and increase certainty over cash position
- Use credit and debit cards to reduce the needs for petty cash and other advances
- Improves accounting record and provides audit trail
- Supports social distancing

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C. Strengthening Fiscal Transparency - 1

FMIS can be instrumental in identifying, tracking and reporting COVID spending

- Will require amending charts of accounts – various options
 - Use of source of economic, source of fund, administrative, or administrative classification
- Will require configuring new reporting formats for a variety of users
 - Developed by users, by IT department?
 - Is a reporting tool available in the system?
 - Can data warehouse or business intelligence solutions be developed as applications?
- Can development partner spending be tracked through the FMIS

How will procurement information be shared?

- Through existing e-procurement system or dedicated web portal

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C. Strengthening Fiscal Transparency - 2

Fiscal Transparency Portals

- Can be linked to FMIS
- Users can be given access to data warehouse
- Use standard reports or develop own
- Download data series for own analysis

Portals can be refocused on COVID-19 expenditure

If data is unreliable or confidential, policy measures on COVID can be shared, such as done by the IMF in a summary fashion for the whole world here:

<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>

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Four ways to track COVID expenditure

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Why track COVID expenditure?

- Ensure that resources are going where intended both with respect to spending purpose and beneficiary. *For example: what actually arrives at the level of villages and communities?*
- Allows evaluating implementation efficiency and possibly expenditure performance (if spending monitoring is combined with performance indicators)
- Supports cash monitoring and forecasting
- Allows ex-post audit (“keep your bills”). Provides assurances of appropriateness of COVID-spending
- Allows accountability of Ministers towards National Assembly and international partners

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How to track COVID Expenditure - 1

Option 1: Add COVID specific “object” codes to the economic classification for selected ministries

- Useful if COVID expenditure only includes a few big ticket items for a few ministries
- Leaves execution, accounting and reporting practices in tact
- Becomes impractical if COVID expenditure is covers a wide range of spending items
 - >>> leads to duplication of coding items
 - >>> leads to difficulties in consolidation

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How to track COVID Expenditure - 2

Option 2: Establish a virtual COVID fund by adding a code in the Source of Fund segment of the COA

- This allows monitoring of all COVID expenditure using existing administrative and economic classifications
- Without a program classification it will be difficult to see the purpose of expenditures
- Does not allow identifying donor funded COVID expenditure (as donor funding is also identified by the source of funds segment)
- May need to be combined with Option 1 (adding specific economic codes for larger spending items)
- Requires limited changes to FMIS and reporting formats

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How to track COVID Expenditure - 3

Option 3: Establish COVID Units in all ministries to execute and account for COVID expenditure

- Allows use of the existing economic classification
- Provides highest assurances for accountability and audit
- May interfere with existing execution and accounting responsibilities.
- May provide difficulties in countries with decentralized budget execution
- May require separate bank accounts

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How to track COVID Expenditure - 4

Option 4: Establish a COVID-19 Program in the budget of each line ministry

- Within each Program/subprogram existing administrative and economic classification can be used
- May need to be combined with Option 1 (adding specific economic codes for larger spending items)
- Requires some changes to FMIS and reporting formats
- Similar to Option 2, but provides more info on expenditure purpose
- Can be combined with separate bank accounts for COVID expenditure

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Which COVID tracking option is best?

- Depends on the scale and diversity of the COVID expenditure
- Depends on how far the COA has already been developed
- Depends on the level of decentralization of budget execution and reporting
- Countries with weak capacity may choose option 2 (COVID-19 virtual fund), with additional coding for large expenditure items (option 1)
 - Limits changes to COA
 - Use of existing execution and accounting processes
 - Limited change to reporting formats
- More ambitious countries will go for option 4 (COVID-19 budget program)

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Questions?

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