



CENTRO DE INTEGRIDADE PÚBLICA
Anticorrupção - Transparência - Integridade

THE GOVERNMENT MUST BE HELD ACCOUNTABLE FOR BUDGET SUPPORT USED TO COMBAT COVID-19

Civil society should be actively involved in monitoring these resources

1. CONTEXT

On 24 April 2020, the International Monetary Fund (IMF) approved a USD 309 million loan under its Rapid Credit Facility (RCF) to help Mozambique meet the urgent balance of payments and fiscal needs arising from the COVID-19 pandemic.

This action is the result of a worldwide initiative that is underway to create more “fiscal space” (to be able to postpone certain expenditures and use them for other purposes) for the countries affected by COVID-19, especially in Africa.

In a context where Mozambique needs to combat COVID-19 and the Government does not have sufficient liquidity, these resources will be used to deal with health emergencies, such as: ventilators, additional beds in hospitals, ambulances, rehabilitation of health facilities in general and strengthening of social safety nets.

At a meeting on 22 April 2020 between the IMF

and civil society organizations (CSOs) in Africa, where the Center for Public Integrity (CIP) was one of the invited organizations, one of the points mentioned was the role of CSOs in monitoring funds that are to be applied in the health and other social sectors to combat COVID-19.

Meanwhile, effective monitoring by civil society is hampered by the fact that, fundamentally, the Executive limits the scope for public participation¹, and the level of budget transparency² is rather limited.

In principle, the Government is monitored by the Court of Auditors (Tribunal Administrativo, TA) and through external audits of specific projects when requested by a donor. However, the audits by the TA are limited in scope. In 2018 the sample selected was only 13% of the final allocation³ to the sampling universe, and indeed the amount audited represented only 3.7% of total expenditure in that year. Moreover, the TA's recommendations are not sufficiently discussed in open debate, and usually end up being shelved without being implemented.

¹ The open budget index for 2017 gives a score of 7/100 for public participation and it seems certain that the 2019 score will not be much higher.

² The open budget index for 2017 gives a score of 41/100 for budget transparency and it seems certain that the 2019 score will not be much higher.

³ Audited sample of about 10.8 billion meticaís, of a final allocation of 82.6 billion meticaís.

Therefore, the above aspects combined make access to information difficult for CSOs for more productive monitoring, as they often depend on published official information.

Hence, in order to ensure effective monitoring of these resources, it is necessary for the Government to formalize an environment in which civil society has a relevant enough role that allows access to detailed information on planning and implementation on a timely basis and to be able to participate in meetings where consensus is reached on the mechanisms to be adopted.

Mozambique has a poor track record of fiscal management, aggravated by the hidden debt crisis. The funds now made available under the IMF RCF present a very important opportunity for the Government to demonstrate openness to public participation in the actual management of public finances and to prove that it is willing to change its posture.

It should be noted that the current economic scenario is one of global uncertainty and requires the involvement and combined efforts of all active forces in society, in order to ensure compliance with the basic principles of transparency, integrity and effective combating of corruption.

It is in this context that CIP presents this document with concrete proposals for the effective monitoring of these funds, based on best international practices in resource management.

Proposals and Recommendations for Monitoring of Resources

To the Government

- Drafting by the Government of an Amended Budget that incorporates the use of the USD 309 million obtained from the IMF;

- Full compliance with Decree 77/2017 of 28 December, which introduces reforms for the process of issuing and managing public debt and state guarantees through the provision of detailed information on public debt and any respective debt forgiveness. This information should be placed in the public domain;

- Considering that the Government has announced in the proposal for the 2020 Government Budget, already approved, that it intends to adopt an exceptional public procurement regime for the acquisition of goods and services urgently needed to control and combat the pandemic, there is a need to make publicly available a list of possible goods and services as well as of the beneficiaries of the contracts. This will reduce the risk of abusive recourse to this public procurement regime (that could include goods and services unrelated to the needs of the pandemic) and minimize conflict of interest.

- Provide access to information on the Government's foreign currency deposits (notably in USD) with the Bank of Mozambique (BM);

- Publish the Health Sector Program (an amended Health Sector PES), with all its details for the fight against COVID-19 and respective quantification of activities, linked in particular to the use of the resources obtained from the IMF, i.e., the updated and budgeted contingency plan to cope with COVID-19. This plan should cover the social sectors that will benefit from the resources in question, through a matrix of activities to be financed.

- Set up a task force to implement the new program to combat COVID-19. Depending on how the funds are managed (centralized or not), various risks may arise. Centralized: concentrates power in the hands of certain people that can make it inflexible to respond to a number of ad hoc requests, but can facilitate monitoring. Decentralized: accountability becomes more complicated (locally, the propensity to use funds for non-emergency issues but justify them as emergency spending is greater) and opens the door for greater deviations that present accountability issues. At this point, it is recommended that the task force team be nationally representative, allowing for analysis of specific contexts to be taken into account;

- Demonstrate, in a comprehensive and timely manner, the incorporation of the measures identified in the Report on Transparency,

Governance and Corruption⁴, published together with the IMF in the use of resources earmarked for the fight against Covid-19;

To the IMF

Persuade the Government on the need for active involvement of civil society in monitoring the resources channeled to address the COVID-19 pandemic, in order to prevent that the resources

provided exacerbate corruption;

Due to the possibility of carrying out various expenses that are not part of the emergency -- since the categories used for the classification of expenditures that mitigate disasters are very general -- it is recommended that there be a guide outlining the areas and activities that can be covered by these funds.

⁴ Government of Mozambique, "Report on Transparency, Governance and Corruption", July 2019, prepared with the assistance of the Legal and Fiscal Affairs Departments of the International Monetary Fund.



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