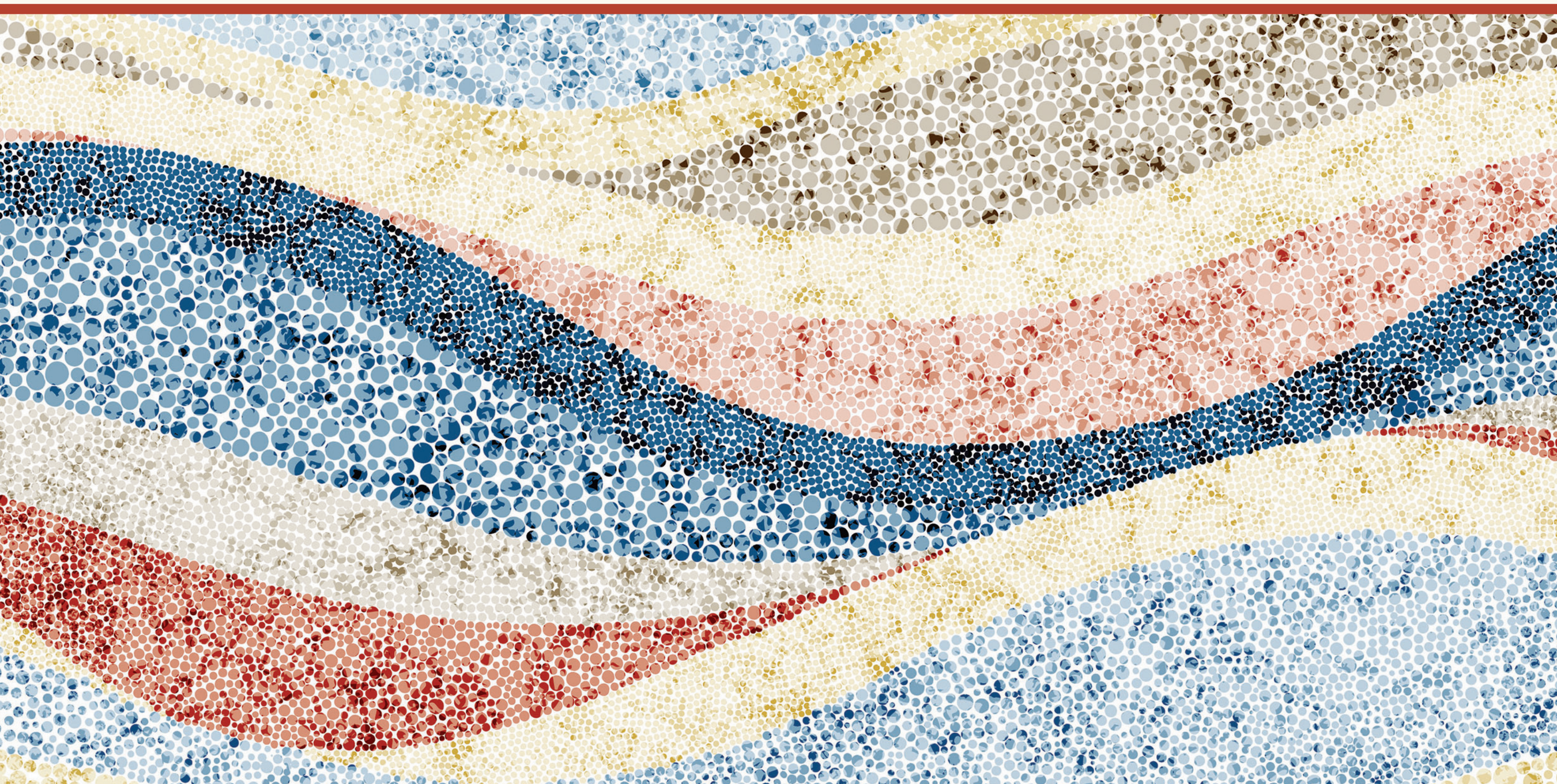
BRIEF 4

Debt Decision-Making and Oversight in Emergency Contexts



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Debt Decision-Making and Oversight in Emergency Contexts

Geoff Dubrow, MA, MPA | March 2022

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Developed by the National Democratic Institute (NDI) and the Westminster Foundation for Democracy (WFD), this publication is one in a series of four briefs on public debt management intended for parliamentarians and parliamentary staff.

This paper was written by Geoff Dubrow and externally reviewed by Nathan Coplin, Senior Policy Advisor, Accountable Development Finance, Oxfam America and Johan Krynauw, Programme Manager, Public Debt, Collaborative Africa Budget Reform Initiative (CABRI). The publication was peer-reviewed by Kristen Sample, Corina Rebegea, Frieda Arenos, Caroline Hubbard, Ketevan Goletiani and Benedictus Rono at NDI, and Christopher Levick, Lucy Armstrong and Franklin De Vrieze at WFD.

About the Author

Geoff Dubrow is a WFD Associate-Expert and Principal Consultant at Nexus PFM Consulting Inc. Geoff has 20 years' experience strengthening the nexus between Public Financial Management (PFM) and parliamentary oversight. Areas of focus and expertise include the roles of parliament in public debt management and gender-responsive budgeting as well as strengthening the role of parliament in all stages of the budget process.

Table of Abbreviations

Abbreviation	Meaning
AFROSAI-E	African Association of Supreme Audit Institutions (for English-speaking countries)
CCRIF	Caribbean Catastrophe Risk Insurance Facility
GBV	Gender-Based Violence
KEMSA	Kenya Medical Supplies Authority
MDAs	Ministries, Departments and Agencies
PBO	Parliamentary Budget Office
PAC	Public Accounts Committee
PFM	Public Financial Management
SAI	Supreme Audit Institution

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Executive Summary

Emergency contexts present substantial risks to countries in terms of the accumulation of public debt. When states accumulate high levels of public debt as a result of emergency response efforts, their long-term fiscal sustainability can be jeopardized, and policy options constrained. From natural disasters to the COVID-19 pandemic, different emergencies will require different responses, but by understanding the processes and procedures by which parliaments can consider public debt in emergency contexts, parliamentarians can be better prepared to defend the public interest when the going gets tough.

This brief discusses the legislative and oversight roles of parliament in emergency contexts. While emergencies may see the delegation of legislative powers on a time-limited basis, parliament can take proactive steps to ensure a strong legislative framework guides government action in an emergency context. Escape clauses for fiscal rules, contingency funds and other sources of emergency assistance are important elements for parliamentarians to understand before a crisis hits. The brief also covers key parliamentary committees and other bodies that can supplement and complement the business of parliament in emergency contexts: Public Accounts Committees supported by Supreme Audit Institutions, special parliamentary committees and Parliamentary Budget Offices.

Because emergency contexts and responses thereto can both produce different outcomes for men, women, boys and girls, this brief discusses the relationship between gender-based analysis and parliamentary oversight of public debt in emergency contexts.

1. Introduction and Context

This brief provides an overview of parliament's role as a decision-making and oversight body as it relates to public debt in emergency contexts. The brief reviews emergency contexts and parliament's role, sources of funding for emergency programs, the place of fiscal rules[1] in emergency contexts, the delegation of legislative powers, parliamentary oversight of debt and analyzing gendered effects arising from emergency contexts and ensuing public debt levels. The conclusion summarizes the recommendations of the brief. Each section contains a series of questions for parliamentarians to consider in exercising their responsibilities.[2]

As discussed throughout the brief, parliament has a variety of direct and indirect roles to play in emergency contexts. Parliament can work to ensure that the legislative frameworks guiding emergency response measures balance flexibility and expediency with accountability and transparency. The brief addresses the different ways in which parliament can approve legislative delegation of specific powers, as well as the oversight roles that parliament can fulfill to ensure that government actions are subjected to careful scrutiny.

1.1. Public Debt in Emergency Contexts

Debt is an important consideration for parliaments and governments alike because public debt can limit the fiscal and policy-related options available to countries. When states accumulate high levels of public debt, economic development and social spending efforts can be limited because of debt-servicing obligations.[3] These are not only short-term risks, but extend into the future, as commitments to ongoing spending programs can impact debt sustainability over the long term.[4] Different kinds of exogenous shocks require different kinds of government responses, and paying attention to the implications of emergency measures on public debt can help mitigate the medium- and long-term debt-related risks resulting from high levels of emergency spending.

High levels of public debt taken on during an emergency context can have medium- and long-term implications for fiscal sustainability while also limiting policy options. For example, Figure 1 shows the rapid rise in debt during the COVID-19 pandemic.[5]

As will be discussed later in the brief, the gendered implications of emergency contexts must also be considered, as the financial and social aspects of disasters can have differential impacts on men, women, boys and girls. For example, austerity programs can lead to service cuts disproportionately impacting women's lives, gender-based violence (GBV) may increase during times of emergency due to heightened stress and social isolation and male-dominated industries may recover more quickly after an economic downturn. These reasons demonstrate the importance of recognizing the gendered aspects of emergency contexts, including as relates to public debt and government spending.

1 Fiscal rules adopted as a matter of domestic policymaking should not be confused with externally imposed conditionalities.

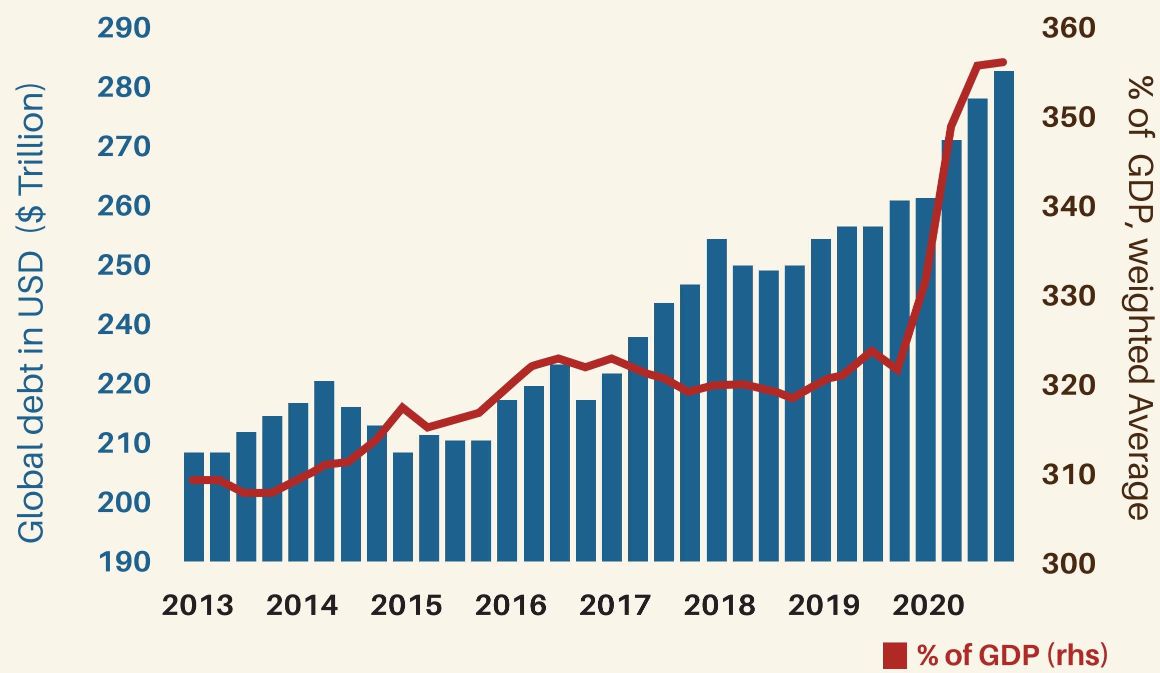
2 The questions contained in each section were adapted from sources published by the World Bank, Organization for Economic Cooperation and Development and National Democratic Institute (Richard Sutherland and Leah April, *Disaster Response: A Public Financial Management Review Toolkit*, (The World Bank. November 2019), https://www.pefa.org/resources/disaster-response-public-financial-management-review-toolkit; OECD, *OECD Sovereign Borrowing Outlook 2020*, (Paris: OECD Publishing, July 2020), https://www.oecd-ilibrary.org/governance/oecd-sovereign-borrowing-outlook-2020_dc0b6ada-en; Kevin Deveaux, Natália Švecová, and Tim Baker, *Parliaments Responding to a Pandemic: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-responding-pandemic-lessons-learned-emergency-planning; Krisztina Csillag, David Pechefsky, Kevin Deveaux, et al., *Parliament's Role in Emergency Fiscal Policy: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-role-emergency-fiscal-policy-lessons-learned-emergency-planning).

3 Geoff Dubrow, *Weathering the COVID-19 Crisis and Beyond: The Role of Parliament in Public Debt Management*, (London: Westminster Foundation for Democracy, May 2020), https://www.wfd.org/what-we-do/resources/role-parliament-public-debt-management, p.12.

4 Interview with Mostafa Askari, Chief Economist at the Institute of Fiscal Studies and Democracy and former Deputy Parliamentary Budget Officer, Canada. May 2021.

5 Emre Tiftik and Khafija Mahmood, *Global Debt Monitor: COVID Drives Debt Surge—Stabilization Ahead?* (Institute of International Finance, February 17, 2021), https://www.iif.com/Portals/0/Files/content/Global%20Debt%20Monitor_Feb2021_vf.pdf.

Figure 1: Global Public Debt as a Percentage of GDP



Source: IIF, BIS, IMF, National sources

1.2 Types of Emergencies

Exogenous shocks such as a pandemic or natural disaster can result in an emergency context or situation requiring a rapid government response. There are many different types of such unpredictable events that are beyond a country's control but nevertheless have substantial implications.

> **"Exogenous shocks have historically had a negative effect on GDP growth, and by extension, on debt accumulation."**
>
> *—WFD Publication on the Role of Parliament in Public Debt Management*

Natural disasters — including storms, floods, hurricanes, earthquakes and so on — pose a substantial risk to human populations and national economies because the immediate damage is often accompanied by both new demands on public recovery spending and a decline in economic growth.[7] These extreme weather events typically take place over a short period of time, but recovery efforts may require the mobilization of resources over a long period of recovery.

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6 Geoff Dubrow, *Weathering the COVID-19 Crisis and Beyond: The Role of Parliament in Public Debt Management*, (London: Westminster Foundation for Democracy, May 2020), https://www.wfd.org/what-we-do/resources/role-parliament-public-debt-management.

7 Sebastian Acevedo, *Debt, Growth, and Natural Disasters: A Caribbean Trilogy*, (International Monetary Fund, July 2014), https://www.imf.org/external/pubs/ft/wp/2014/wp14125.pdf.

Climate change was already recognized as "the biggest market failure the world has seen"[8] and the associated long-term economic impacts on public borrowing and debt are only recently becoming clear. Vulnerability and resilience to climate change "have a significant impact on the cost of sovereign borrowing,"[9] and a high-emission scenario could see 63 nations experience climate-induced credit downgrades and up to an additional USD $205 billion in interest payments on sovereign debt by 2100.[10]

The COVID-19 pandemic marks an unprecedented emergency when it comes to public debt, as countries around the world have taken on high levels of new debt. In Lebanon, the exogenous shock arising from COVID-19 led to the first debt default in the country's history, halting the payment of a USD $1.2 billion Eurobond in early March 2020.[11] High levels of debt incurred during the pandemic may limit fiscal space available to governments in the medium and long term.

Questions to consider:

The following list of questions can be used by parliamentarians and/or researchers to prepare suggested questions for parliamentary committee hearings:

- Does the legal and regulatory framework for PFM include mechanisms for defining disasters and their termination? Does the framework specify phases such as response, recovery and reconstruction?
- Does the government ensure pre-established contract arrangements to minimize time to mobilize resources?
- Are mission-critical functions and systems defined in a hierarchy of organizational importance?
- Has an impact assessment of system failure been undertaken?
- How resilient are data centers to a variety of natural disaster threats?
- Does the government engage in preemptive planning for emergency contexts, including annual and multi-annual procurement that includes provisions for disaster events?
- What flexibility is built into procurement procedures to expedite disaster responses?
- How is disaster-related contracting carried out in disaster situations? What processes are established in the government's standard operating procedures?
- What protocols ensure timeliness, transparency and accountability in reporting the details of disaster-related contracting?
- What mechanisms are employed to determine vendor eligibility in disaster contexts?

8 Nicholas Stern, "The Economics of Climate Change," *American Economic Review* 98, no. 2 (2008): 1-37, n.d., https://www.aeaweb.org/articles?id=10.1257/aer.98.2.1.

9 Serhan Cevik and Joao Tovar Jalles, *This Changes Everything: Climate Shocks and Sovereign Bonds*, (International Monetary Fund, June 2020), https://www.imf.org/en/Publications/WP/Issues/2020/06/05/This-Changes-Everything-Climate-Shocks-and-Sovereign-Bonds-49476.

10 Patrycja Klusak, Matthew Agarwala, Matt Burke, et al., *Rising Temperatures, Falling Ratings: The Effect of Climate Change on Sovereign Creditworthiness*, (University of Cambridge, Bennett Institute, March 2021), https://www.bennettinstitute.cam.ac.uk/publications/rising-temperatures-falling-ratings/#:~:text=Working%20paper-,Rising%20Temperatures%2C%20Falling%20Ratings%3A%20The%20Effect%20of%20Climate%20Change%20on,downgrades%20as%20early%20as%202030.

11 Geoff Dubrow, *Weathering the COVID-19 Crisis and Beyond: The Role of Parliament in Public Debt Management*, (London: Westminster Foundation for Democracy, May 2020), https://www.wfd.org/what-we-do/resources/role-parliament-public-debt-management.

2. Emergency Preparedness for Parliament

The World Bank's *Public Financial Management Review Toolkit* for disaster response highlights that a robust disaster response begins with enshrining disaster preparedness in legislation and institutional arrangements. Because emergencies are typically accompanied by uncertainty and confusion, "The efficacy of post-disaster response depends on clear rules and is accompanied by institutional arrangements for planning, mobilizing, appropriating and executing financial resources to support post-disaster relief and recovery."[12] Legislation should identify how budget processes are to function in an emergency context, and how long these post-disaster rules remain in effect.[13]

While clear and streamlined institutional mechanisms are important for a rapid response to an emergency,[14] it is important that accountability and transparency remain core values. One way to promote this balance is by protecting the crucial legislative and oversight roles of parliament.[15] Particularly with regards to debt, this means that the expedited timelines for approving spending should not be done at the expense of parliament's ability to scrutinize, where possible, the medium- and long-term implications of disaster response expenditures. Proper record-keeping throughout the execution phase and robust ex post oversight through the audit process can also ensure that values of accountability and transparency are brought to bear on the relationship between public debt and disaster responses.

Parliament's legislative role includes providing clear guidance to the executive branch through the legal and statutory frameworks relevant to emergency responses. As will be noted in the sections relating to fiscal rules and ratification of loan agreements, decisions made ex ante can determine the degree of flexibility available to the executive branch during crises. While key emergency measures will be undertaken by the executive branch rather than parliament, parliamentarians need to understand the role of the executive branch in emergency situations in order to effectively conduct their scrutiny role. To this end, Annex I identifies the different sources of financial assistance available to fund emergency responses.

Questions to consider:

Here is a list of possible questions for parliamentarians to consider that relate to the legislative framework established by parliament:

- How can parliament continue to operate during or immediately after an emergency? What does it need to do to remain functional?
- What is the legal framework under which disaster management is implemented? What is parliament's role?
- Does existing legislation establish an approach for accessing and sequencing disaster risk financing?
- What mandates exist for audit and oversight of disaster-related expenditures?

Here is a list of possible questions for parliamentarians to consider posing to the executive branch:

- What is the government's plan of action in dealing with the emergency? How will this plan be monitored?
- Is the correct data being collected regarding the impact of the emergency to enable officials to know if the response is effective?

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12 Richard Sutherland and Leah April, *Disaster Response: A Public Financial Management Review Toolkit*, (The World Bank, November 2019), https://www.pefa.org/resources/disaster-response-public-financial-management-review-toolkit, p. 9.
13 Ibid, p.10.
14 Ibid.
15 Kevin Deveaux, Natália Švecová, and Tim Baker, *Parliaments Responding to a Pandemic: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-responding-pandemic-lessons-learned-emergency-planning, p. 11.

- Who is most impacted by the emergency and its aftermath — men, women, youth, seniors, marginalized groups? How can the response of the government be tailored to ensure those most impacted are receiving the benefits of the response?
- Are the disaster-related powers and duties of public finance officers defined in existing legislation?
- Does the disaster recovery plan include a comprehensive information technology recovery plan? (Consider computer room environment, hardware, connectivity, software applications, and data protection and restoration, including for hardcopy files.)
- What are the known vulnerabilities for the critical PFM systems?
- What data backup routines are followed for risk mitigation in the context of PFM information technology systems?
- What controls are in place for post-disaster spending commitments?
- How are disbursement agreements monitored in the post-disaster phase?

3. Delegation of Legislative Powers in Emergency Contexts

Along with its oversight responsibility, a parliament's legislative role is a key function related to debt. Unlike the suspension of budgetary norms and fiscal rules — which occurred in response to other exogenous shocks (such as the 2008-2009 global financial crisis) — the COVID-19 pandemic brought an unprecedented change in parliament's legislative role as elected bodies delegated legislative powers to the executive branch and streamlined deliberative processes related thereto. In the context of an emergency, the delegation of legislative powers to the executive branch can have substantial implications on debt-related and non-debt-related matters alike.

For example, in Norway, parliament adopted the *Enabling Act*, which empowered the government to temporarily assume a number of powers conventionally held by the legislative branch.[16] Namely, the government could add to or depart from existing laws and institute new regulations. These changes would be submitted to the members of parliament and if one-third of members objected in writing to the changes, they would be brought before parliament for approval.[17] Subsequent amendments brought forward by parliament applied a one-month time limit to the extraordinary powers of the Norwegian government in the name of protecting the democratic rights of citizens.[18]

Originally proceeding from the government's declaration of a state of emergency in April 2020, the parliament of Botswana extended the president's authority to rule by decree — first to March 2021 and then again to September 2021.[19] The government has approved the extensions to the state of emergency while holding a majority in the National Assembly.[20]

All told, over 100 nations declared states of emergency, with some opting for limited or longer-term periods of rule by decree and others introducing fast-track processes for legislation. Measures introduced for public health considerations often posed logistical limitations to parliamentary input into legislation, as physical distancing measures limited in-person attendance capacity until parliaments were able to adapt and adopt virtual or hybrid models.[21]

Questions to consider:

Here is a list of possible questions for parliamentarians to consider when deliberating on the powers that should be delegated to the executive branch:

- What provisions are in place to ensure that delegation of parliamentary authority to the executive branch is temporary and can be revoked by parliament?
- Is it possible to have a state of emergency where parliament routinely approves its extension (e.g., monthly; quarterly)?
- Should there be a time limit on the validity of executive decrees before parliament must approve?
- Should there be a sunset clause requiring any delegation of authority to end by a specific deadline?
- What are the critical decisions that must be transferred to the executive during the emergency? What is the authority that can still be maintained by the parliament?

16 Ibid.
17 Stortinget, "The Corona Act," (Stortinget, last modified March 26, 2020), https://www.stortinget.no/en/In-English/About-the-Storting/News-archive/Front-page-news/2019-2020/the-corona-act/.
18 Sirianne Dahlum, Carl Henrik Knutsen, and Tore Wig, "Erna Solberg as Dictator?" (Peace Research Institute Oslo, March 2020), https://blogs.prio.org/2020/03/erna-solberg-as-dictator/.
19 International Monetary Fund, "Responses to COVID-19: Policy Tracker—Botswana," (IMF, last modified July 2021), https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#B.
20 Mqondisi Dube, "Botswana Parliament Votes to Extend COVID Emergency to March," VOA News, September 29, 2020, https://www.voanews.com/a/africa_botswana-parliament-votes-extend-covid-emergency-march/6196516.html.
21 For more information related to the logistical considerations related to the operations of parliaments during COVID-19, in terms of adaptations to the pandemic itself and enacted public health regulations, see: Kevin Deveaux, Natália Švecová and Tim Baker, *Parliaments Responding to a Pandemic: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-responding-pandemic-lessons-learned-emergency-planning, p. 10-11.

4. Fiscal Rules and Emergency Contexts

A fiscal rule is an important legislative tool for parliament to influence the level of public debt and spending because parliamentarians can set a fiscal rule that limits spending beyond a particular percentage of GDP and a debt rule that limits the debt-to-GDP ratio. Fiscal rules are often enshrined in the constitution or in primary or secondary legislation, meaning that the limits prescribed cannot easily be changed.[22] Overly frequent revision of the fiscal rules can signal weak fiscal discipline on the part of a government, which can have negative market reactions (e.g., higher costs of borrowing).[23] To mitigate the potential negative effects, best practice recommends that revision processes be transparent and subject to parliamentary approval.[24]

While the constraints of fiscal rules can be positive in promoting prudent public financial management, these constraints also limit the ability of governments to take necessary action in addressing emergency contexts. Inflexible rules may be broken rather than bent, either through ad hoc neglect, arbitrary suspension or abolition. As an alternative, "escape clauses" can be included as a central tenet of a fiscal rule, in order to recognize the possibility of required flexibility.

> **"Without well-designed escape clauses, rules are often put in abeyance following large shocks, or countries resort to ad hoc measures to accommodate them. But country experiences show that, to be credible and effective, escape clauses need to be precisely defined to cover events that are truly outside the government's control."** [25]
>
> *—Luc Eyraud, Xavier Debrun, Andrew Hodge, Victor Lledo and Catherine Pattilo, IMF Staff Discussion Note*

The inclusion of flexible yet precise escape clauses that permit the suspension of fiscal rules in certain circumstances is a hallmark of the so-called "second generation" fiscal rules, which arose largely after the 2008-2009 global financial crisis. That crisis made it abundantly clear that incorporating flexibility in fiscal rules would lead to a more resilient fiscal environment and provide operational guidance in times of crisis.[26] Alternatively, rather than setting precise conditions, the fiscal rule may state that time-limited suspensions may be approved by parliament. The subsections that follow discuss the suspension of fiscal rules in a variety of circumstances, including the COVID-19 pandemic.

Where escape clauses or suspensions of fiscal rules are subject to parliamentary approval, it is important for parliamentarians to consider the budgetary and debt-related impacts, in order to verify that the escape clause is applied properly.[27] In the absence of an escape clause in the fiscal rule framework, parliaments can establish the

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22 Geoff Dubrow, *Weathering the COVID-19 Crisis and Beyond: The Role of Parliament in Public Debt Management*, (London: Westminster Foundation for Democracy, May 2020), https://www.wfd.org/what-we-do/resources/role-parliament-public-debt-management.

23 William Gbohoui and Paulo Medas, *Fiscal Rules, Escape Clauses, and Large Shocks*, (International Monetary Fund, April 2020), https://www.imf.org/-/media/Files/Publications/covid19-special-notes/enspecial-series-on-covid19fiscal-rules-escape-clauses-and-large-shocks.ashx, p. 6.

24 Ibid.

25 Luc Eyraud, Xavier Debrun, Andrew Hodge, et al., *Second-Generation Fiscal Rules: Balancing Simplicity, Flexibility, and Enforceability*, (International Monetary Fund, April 2018), https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/04/12/Second-Generation-Fiscal-Rules-Balancing-Simplicity-Flexibility-and-Enforceability-45131.

26 Mahama Samir Bandaogo, *Fiscal Rules in Times of Crisis*, (World Bank Group, July 2020), https://openknowledge.worldbank.org/handle/10986/34217.

27 William Gbohoui and Paulo Medas, *Fiscal Rules, Escape Clauses, and Large Shocks*, (International Monetary Fund, April 2020), https://www.imf.org/-/media/Files/Publications/covid19-special-notes/enspecial-series-on-covid19fiscal-rules-escape-clauses-and-large-shocks.ashx, p. 3.

conditions for a temporary deviation from fiscal rules and outline monitoring protocols.[28] (However, these ad hoc efforts may have limited time for consultation and consideration.) The IMF recommends that the approvals of any deviation be time-limited but refrain from suggesting a specific time period.[29] To illustrate:

- One example of a second-generation fiscal rule with an escape clause requiring parliamentary approval is Paraguay's Fiscal Responsibility Law. This fiscal rule features ambitious targets limiting spending increases and deficits, but includes clearly defined escape clauses whereby greater deficit spending is possible.[30] Parliament plays a central role in determining the use of the escape clause, and may request additional information from different actors across the debt management universe: "The headline deficit ceiling can reach up to three percent of GDP in cases of national emergency, international crises, or negative growth. This increase would require Congressional approval, and in some cases, a report by the central bank and the approval of the national economic team."[31]

- Some nations with escape clauses in their fiscal rules employed these mechanisms during the COVID-19 pandemic. In Brazil, where debt and expenditure rules permit Congress to approve the use of escape clauses in case of natural disasters or exceptional economic conditions,[32] the government responded to the outbreak of the pandemic with a request for Congress to declare a state of "public calamity" that would permit the exceeding of its fiscal deficit target until the end of 2020.[33]

- Other countries addressed the financial impacts of COVID-19 by employing targeted escape clauses for particular areas of spending: for example, in Costa Rica, where "the government temporarily invoked the emergency escape clause embedded in the fiscal rule only for health-related institutions."[34]

- The employment of an escape clause within a fiscal rule is not the same as the elimination of that fiscal rule, a detail highlighted by the European Union Commission when they activated the general escape clause of the Stability and Growth Pact in 2021 for the first time since its inception. In a statement, the Commission clarified that the engagement of the escape clause was not a suspension of the rules but a targeted use of flexibility within the Pact, saying that the general escape clause "will allow the Commission and the Council to undertake the necessary policy coordination measures within the framework of the Pact, while departing from the budgetary requirements that would normally apply."[35]

Questions to consider:

Here is a list of possible questions for parliamentarians to consider posing during legislative debates related to fiscal rules:

- Do our fiscal rules include escape clauses that permit flexibility for emergency responses?

- Do any oversight mechanisms exist related to the invocation of the escape clause?

- Are escape clauses triggered by parliamentary approval, executive decree or statistical thresholds related to public debt, economic performance or other factors?

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28 Ibid, p. 6.

29 Ibid.

30 Victor Lledó, Sungwook Yoon, Xiangming Fang, et al., *Fiscal Rules at a Glance*, (International Monetary Fund, March 2017), https://www.imf.org/external/datamapper/fiscalrules/Fiscal%20Rules%20at%20a%20Glance%20-%20Background%20Paper.pdf, p. 60.

31 Antonio C. David and Natalija Novta, *A Balancing Act: Reform Options for Paraguay's Fiscal Responsibility Law*, (International Monetary Fund, November 2016), https://www.imf.org/en/Publications/WP/Issues/2016/12/31/A-Balancing-Act-Reform-Options-for-Paraguays-Fiscal-Responsibility-Law-44410#:~:text=A%20Balancing%20Act%20%3A%20Reform%20Options%20for%20Paraguay's%20Fiscal%20Responsibility%20Law,-Author%2FEditor%3A&text=Summary%3A,provide%20space%20for%20countercyclical%20policies.

32 Victor Lledó, Sungwook Yoon, Xiangming Fang, et al., *Fiscal Rules at a Glance*, (International Monetary Fund, March 2017), https://www.imf.org/external/datamapper/fiscalrules/Fiscal%20Rules%20at%20a%20Glance%20-%20Background%20Paper.pdf, p. 15.

33 Mahama Samir Bandaogo, *Fiscal Rules in Times of Crisis*, (World Bank Group, July 2020), https://documents1.worldbank.org/curated/en/929971594958133343/pdf/Fiscal-Rules-in-Times-of-Crisis.pdf.

34 OECD, "Costa Rica," in *OECD Economic Outlook, Volume 2020 Issue 1* (OECD, June 2020), https://www.oecd-ilibrary.org/sites/5ec29249-en/index.html?itemId=/content/component/5ec29249-en.

35 European Commission, *Communication from the Commission to the Council on the Activation of the General Escape Clause of the Stability and Growth Pact*, (Brussels: European Commission, March 30, 2020), https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52020DC0123.

5. Disaster Provisions in Loan Agreements

The addition of escape clauses to fiscal rules can offer a degree of built-in flexibility that allows a fiscal rule to bend without removing it entirely. Similarly, the inclusion of disaster provisions in loan agreements can "help preempt the need to restructure by reducing debt service burdens at times when sovereign finances are tightest, allowing the sovereign's economy time to rebound from the shock before they need to resume debt service."[36] In such instances, both the borrower and lender are protected from the negative effects of a sovereign debt crisis. To provide a clearer example of how these clauses work in practice, Box 1 introduces the case study of Grenada, the first country to introduce natural disaster clauses. [37]

Box 1: Case Study: Grenada's Natural Disaster Clause

Grenada's fiscal worries emerged literally overnight, following the impact of Hurricane Ivan. The financial cost of the widespread destruction caused was over double the national GDP, damaging 80 percent of the buildings on the island and 73 of the 75 public schools.

During its 2015 debt restructuring, Grenada took a proactive step to mitigate future economic disaster by adopting a natural disaster clause in its US dollar bonds, permitting a deferral of debt service payments for up to one year in the event of a hurricane causing over USD $30 million in damages (or six months for a hurricane causing $15-30 million in damages). The Caribbean Catastrophe Risk Insurance Facility (CCRIF) is established as the body that establishes the estimated level of damages. The clause sets a limit of three payment deferrals over the 15-year period covered by the bond.

Source: World Bank, "Grenada: Dealing with the Aftermath of Hurricane Ivan," WB Press Release, September 23, 2009, https://reliefweb.int/report/grenada/grenada-dealing-aftermath-hurricane-ivan; Sui-Jim Ho and Stephanie Fontana. "Sovereign Debt Evolution: The Natural Disaster Clause." Emerging Markets Restructuring Journal 11(1); 1-14 https://www.clearygottlieb.com/-/media/files/emrj-materials/issue-11-spring-2021/article_natural_disaster_clause_v3-pdf.pdf; Charles Cohen, S. Ali Abbas, Myrvin Anthony, et al., The Role of State-Contingent Debt Instruments in Sovereign Debt Restructurings, (International Monetary Fund, November 19, 2020), https://www.elibrary.imf.org/downloadpdf/journals/006/2020/006/article-A001-en.xml; IMF Staff Discussion Notes, November 19, 2020, https://www.elibrary.imf.org/downloadpdf/journals/006/2020/006/article-A001-en.xml.

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36 Sui-Jim Ho and Stephanie Fontana, "Sovereign Debt Evolution: The Natural Disaster Clause, " *Emerging Markets Restructuring Journal* 11, no. 1 (2021): 4, n.d., https://www.clearygottlieb.com/-/media/files/emrj-materials/issue-11-spring-2021/article_natural_disaster_clause_v3-pdf.pdf.

37 A recent IMF staff discussion paper on state-contingent debt instruments reflected on the possibilities of disaster clauses as a mechanism for automatic extensions and/or forbearance following a verifiable crisis event. However, the IMF also notes that the lower market appetite for agreements with disaster clauses and similar measures may result in higher interest rates. See: Charles Cohen, S. Ali Abbas, Myrvin Anthony, et al., *The Role of State-Contingent Debt Instruments in Sovereign Debt Restructurings*, (International Monetary Fund, November 19, 2020), https://www.elibrary.imf.org/downloadpdf/journals/006/2020/006/article-A001-en.xml.

6. Gendered Effects of Public Debt in Emergency Contexts

Parliamentary oversight of emergency measures should focus on the gendered effects of emergency situations as well as the responses to the emergency measures. Recognizing the extent to which shocks affect women, girls, men and boys in specific ways is fundamental to understanding the impacts of an emergency and policy responses that should be used to address it. When emergency response programs lead to a high or unsustainable rate of public debt, women can be exposed disproportionately to risks over a longer time horizon. As noted by the UN Independent Expert of Foreign Debt and Human Rights, Juan Pablo Bohoslavsky, the austerity and fiscal consolidation policies that are undertaken in response to high or unsustainable debt levels are often disproportionately detrimental to the lives of women, exacerbating existing inequalities and limiting access to basic human rights.[38]

Any fiscal rules or targets designed to limit debt accumulation beyond a certain level need to also be accompanied by a rigorous gender-responsive budgeting methodology that assesses whether the spending that is taking place within the limits defined by the fiscal rule or target is benefiting women and other vulnerable population groups.

The precise information about the gendered impacts of an emergency or its responses may be difficult to obtain but is essential for parliamentarians to consider in their deliberations around emergency response programs and in preparing for future adverse events.

6.1 The Gendered Impacts of COVID-19: Public Debt and Beyond

In some instances, the effects of an emergency may disproportionately impact women. In others, even where the negative consequences of the emergency appear to be roughly equal in their impacts, the recovery measures may be slower to support women. For example, at the outset of the COVID-19 pandemic, frontline healthcare workers in Canada who faced a greater infection risk were disproportionately women (including 90 percent of personal support workers), indicating a disproportionate risk facing women. Conversely, whereas Canadian employment losses were "evenly split" between women and men during the first wave, during the subsequent reopening period, "employment increased more than twice as fast among men than women" perhaps owing to "the fact that women are more likely to continue with caregiving responsibilities."[39]

In response to the COVID-19 pandemic, UN Women and its partners initiated a large-scale data collection campaign to understand the gendered impacts of COVID-19.[40] UN Women highlighted in a report on Mozambique that the hidden debt crisis predating the pandemic's arrival in the country limited the government's ability to enact new programs in response to the crisis. Gender inequality in Mozambique similarly predated the pandemic but has been exacerbated by a lack of state response.[41] The research conducted by UN Women can, in turn, inform debates in parliaments by providing insights into the gendered effects of the pandemic.[42]

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38 Juan Pablo Bohoslavsky, *Effects of Foreign Debt and Other Related Financial Obligations of States on the Full Enjoyment of All Human Rights, Particularly Economic, Social, and Cultural Rights*, (United Nations Human Rights Council, July 2018), https://socialprotection-humanrights.org/resource/effects-of-foreign-debt-and-other-related-financial-obligations-of-states-on-the-full-enjoyment-of-all-human-rights-particularly-economic-social-and-cultural-rights-a-73-179/.

39 Ministry of Finance (Canada), "Annex 1: GBA+ Summary for Canada's COVID-19 Economic Response Plan," Government of Canada, July 2020, https://www.canada.ca/en/department-finance/economic-response-plan.html.

40 As of December 2020, rapid gender assessment surveys had been completed in 52 countries, with a target of 87. Cited in: Jessamyn O. Encarnacion, *Monitoring Use Cases of the Rapid Gender Assessment Surveys on the Impacts of COVID-19*, (UN Women, February 2021), https://data.unwomen.org/sites/default/files/documents/Publications/RGA_Guidance-use-cases_Final.pdf.

41 UN Women, *Rapid Gender Assessment (RGA) on the Impact of COVID-19 on Women and Men in Mozambique*, (UN Women. May 2021), https://data.unwomen.org/publications/covid-19-rapid-gender-assessment-mozambique.

42 Krisztina Csillag, David Pechefsky, Kevin Deveaux, et al., *Parliament's Role in Emergency Fiscal Policy: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-role-emergency-fiscal-policy-lessons-learned-emergency-planning, p. 28.

Substantial increases in GBV have been reported during the pandemic, leading UN Women to call violence against women during COVID-19 "the shadow pandemic." For example:

- Reports of domestic violence increased by 30 percent in France, and emergency calls for domestic violence increased by 25 percent in Argentina;
- Similarly, domestic violence helplines in Cyprus and Singapore reported increases of over 30 percent; and
- Emergency shelter demands saw substantial increases in Canada, Germany, Spain, the United Kingdom and the United States.[43]

The true extent of intensification in GBV may never be known, as much of the violence may be hidden from official channels. For example, a nurse in Ethiopia reported that "due to COVID-19 people were not going to the police."[44] Drivers of intensified domestic violence include security, health, and money worries; cramped living conditions; isolation with abusers; movement restrictions; and, deserted public spaces.[45]

Questions to consider:

Here is a list of possible questions for parliamentarians to consider posing to the executive branch. Opportunities to pose such questions could include committee hearings and Question Period:

- How are gender-equitable fiscal policies incorporated into expedited processes and emergency response measures?
- How are emergency measures designed to meet the unique needs of marginalized and vulnerable communities?
- Does the government collect sex-disaggregated data to assess the impact of disaster-response programs?
- How is the impact of emergency expenditures on marginalized communities evaluated?
- What protocols are employed by the government and ministries, and departments and agencies (MDAs) to assess how vulnerable segments of the population are affected by emergency interventions? Are existing inequalities addressed or exacerbated?

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43 UN Women, *COVID-19 and Ending Violence Against Women and Girls*, (UN Women Headquarters, 2022), https://www.unwomen.org/sites/default/files/Headquarters/Attachments/Sections/Library/Publications/2020/Issue-brief-COVID-19-and-ending-violence-against-women-and-girls-en.pdf.

44 Simret Tesfaye, "From Where I Stand: 'Due to COVID-19 People Were Not Going To the Police," UN Women, June 1, 2020, https://www.unwomen.org/en/news/stories/2020/6/from-where-i-stand-simret-tesfaye.

45 UN Women, "The Shadow Pandemic: Violence Against Women During COVID-19," UN Women, May 27, 2020, https://www.unwomen.org/en/news/in-focus/in-focus-gender-equality-in-covid-19-response/violence-against-women-during-covid-19.

7. Parliamentary Oversight of Debt in an Emergency Context

The oversight role of parliament is especially important because of the increased speed at which policies and spending commitments may be adopted in an emergency context. The IMF warned countries of this risk, saying that "Emergency situations can offer a fertile ground for vested interests to use public funds for private gain, making it critical that vulnerabilities to corruption and misuse be recognized and mitigated."[46] Tracking government spending in emergency contexts ensures that parliaments can properly scrutinize expenditures and consider the effects of spending on public debt. In warning countries about the possibilities for misuse of funds, the IMF offers two examples of challenges that have arisen in emergency spending contexts, in response to the Ebola outbreak in West Africa and Hurricane Katrina in the United States:

- "In 2015, the Sierra Leone Auditor General released an audit of domestic donations made to the government for the Ebola relief effort providing evidence of mismanagement by public officials in the distribution of these funds. Payments for supplies and sensitization efforts were duplicated and undocumented, money was paid out to private individuals rather than to organizations, and procurement procedures were widely disregarded. Audits of international development organization spending showed there was also failure to provide rightful healthcare workers' salaries and bonuses, which were paid out to private individuals by those charged with distribution";[47] and
- "In the United States, corruption and misuse of funds in the wake of Hurricane Katrina in 2005 and Hurricane Maria in 2017 have led to more than a thousand prosecutions, the ousting of government officials and the adoption of new practices by U.S. government agencies to reduce such vulnerabilities."[48]

As audit reports are released related to the COVID-19 pandemic, similar outcomes are likely to be uncovered. Under the subsection below related to Supreme Audit Institutions, we will review the case of fiscal mismanagement by KEMSA, the Kenya Medical Supplies Authority.

These fiscal lapses may arise because the emphasis on the speed of a country's response can lead to an unmooring from principles of transparency and accountability. The key is in making sure that everyone is "keeping the receipts."[49] More specifically, this can involve specifying crisis-related measures with clear criteria and ensuring that information presented for consideration includes sufficiently granular detail. For example, in Finland, a proposal submitted to parliament for pandemic spending "includes itemized details of additional spending and the impact of supplementary appropriations on the government's net borrowing and debt stock."[50] Ensuring the presentation of debt-related implications of spending measures can assist parliamentarians in appreciating the medium- and long-term debt-related implications of emergency measures.

Parliaments can employ a variety of mechanisms to balance expediency on the one hand with accountability and transparency on the other. Some solutions may be incorporated into non-emergency contexts. For example, in Brazil and Serbia, IT systems were developed before the pandemic to permit parliamentarians to receive real-time updates on fiscal and spending matters.[51] These tools were of central utility in tracking the emergency spending measures undertaken by governments in both contexts. The OECD report on Legislative Budget Oversight of Emergency Responses during the pandemic offers further suggestions that may be implemented in future emergency contexts:

- The establishment of special COVID-19 committees or granting additional powers to existing committees;

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46 Ibid.
47 Ibid.
48 Ibid.
49 Elliot, Larry. "Spend What You Can to Fight Covid-19, IMF Tells Member States." The Guardian. Guardian News and Media, April 15, 2020. https://www.theguardian.com/business/2020/apr/15/spend-what-you-can-to-fight-covid-19-imf-tells-member-states.
50 Ibid.
51 Kevin Deveaux, Natália Švecová, and Tim Baker, *Parliaments Responding to a Pandemic: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-responding-pandemic-lessons-learned-emergency-planning, p. 17.

- Legislatures setting limits on emergency spending;
- Legislatures insisting upon sunset clauses and contingent renewal as accountability mechanisms for extraordinary delegated powers;
- Additional monitoring and reporting requirements to support parliamentary scrutiny; and
- The early engagement of national auditors by legislatures in assessing emergency response measures.[52]

The following sections will discuss how four particular entities relate to parliamentary oversight in an emergency context: the Public Accounts Committee, special committees, Supreme Audit Institutions, and Parliamentary Budget Offices.

7.1 The Role of the Public Accounts Committee

The Public Accounts Committee (PAC) is "the preeminent oversight committee of parliament."[53] While the specific name can vary from jurisdiction to jurisdiction, the three primary review mandates of the committee are:

- To review the audited version of the financial or consolidated financial statements to establish whether the financial statements are represented fairly and in compliance with international standards;
- To assess whether government collected or spent funds for the purposes intended by parliament; and
- To determine whether government programs were implemented with due regard to economy, efficiency and effectiveness.[54]

When PACs issue reports or recommendations, parliament can support these issues by debating their substance. PACs can issue recommendations to the legislature to adopt, support or supplement SAI recommendations. Parliament can request a government response to PAC recommendations. The PAC can also hold follow-up meetings and issue reports on the adoptions of prior recommendations issued by the PAC, SAI or parliament.[55]

While we might expect PACs to play a substantial role in providing **ex post oversight** of COVID-19-related spending programs, some institutions have broadened the scope of PAC activity to permit engagement in oversight across the budget cycle. This can ensure that parliamentary oversight remains robust while also permitting an expeditious response to an emergency context. For example:

- In Kenya, public concerns about the potential risk of waste and corruption in pandemic relief programs were raised through the media. This led to the PAC directing the auditor general to report biweekly to the committee and ordering a forensic audit of pandemic relief spending.[56]
- In the United Kingdom, the PAC has delivered a number of reports to parliament throughout the pandemic. The first such report, published between the first and second waves of the pandemic, spoke directly to the necessity of whole-of-government contingency planning for future waves of the pandemic,

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52 Organization for Economic Co-operation and Development, *Legislative Budget Oversight of Emergency Responses: Experiences During the Coronavirus (COVID-19) Pandemic*, (OECD, September 2020), https://www.oecd.org/coronavirus/policy-responses/legislative-budget-oversight-of-emergency-responses-experiences-during-the-coronavirus-covid-19-pandemic-ba4f2ab5/#section-d1e24, pp. 11-14.
53 Geoff Dubrow, *Weathering the COVID-19 Crisis and Beyond: The Role of Parliament in Public Debt Management*, (London: Westminster Foundation for Democracy, May 2020), https://www.wfd.org/what-we-do/resources/role-parliament-public-debt-management.
54 Ibid.
55 Canadian Audit and Accountability Foundation, *Parliamentary Oversight—Committees and Relationships: Attributes of an Effective Public Accounts Committee*, (CCAF-FCVI, 2010), https://caaf-fcar.ca/images/pdfs/research-publications/PAC-AttributesOfAnEffectivePAC-EN.pdf.
56 Krisztina Csillag, David Pechefsky, Kevin Deveaux, et al., *Parliament's Role in Emergency Fiscal Policy: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-role-emergency-fiscal-policy-lessons-learned-emergency-planning), p. 20.

including the economic impacts of public health emergencies.[57] The PAC has continued to advocate for transparency in value-for-money analyses of pandemic response measures and government procurement processes.[58]

- In India's Karnataka state, the Public Accounts Committee submitted a report to the state legislature outlining complaints received around procurement efforts related to the COVID-19 pandemic. As part of follow-up hearings, the PAC heard testimony from the state's comptroller and auditor general and then requested a government response to allegations of mismanagement. The situation heightened after the PAC rejected the government responses,[59] though the minister of health and medical education stands by government processes.[60]

- The PAC in Pakistan raised concerns about reappropriations across budget lines related to COVID-19 response measures.[61]

7.2 The Role of Supreme Audit Institutions

The Supreme Audit Institution (SAI) is an integral part of oversight in the ex post phase of the budget cycle, producing key reports about government spending and programming. There are three main types of audit reports produced by SAIs:

- Financial audits, which verify the extent to which an entity's financial information complies with financial reporting and regulatory frameworks, drawing on sufficient evidence to express an opinion about whether the financial information is free from material misstatement caused by fraud or error;

- Compliance audits, which verify whether an entity's activities, transactions and information are compliant with the relevant regulatory frameworks, laws, rules, budgetary resolutions, codes, terms, conditions and best practices; and

- Performance audits, which assess whether an entity's activities are performing in line with the principles of economy, efficiency and effectiveness, and outline areas for improvement.[62]

Emergency contexts can produce substantial challenges for audit work. In this light, the World Bank warns that SAIs must ensure their independence, maintain effective communication with all stakeholders, and assert a comprehensive mandate to review all public funds spent and programs developed to respond to emergency situations.[63] Similarly, the African Association of Supreme Audit Institutions (for English-speaking countries) AFROSAI-E released a guidance and considerations handbook to provide SAIs with key principles and observables throughout the disaster cycle.[64]

57 House of Commons Public Accounts Committee, *Whole of Government Response to COVID-19: Thirteenth Report of Session 2019-21*, (House of Commons, July 2020), https://committees.parliament.uk/publications/2024/documents/22788/default/.

58 Meg Hillier, "Lessons of the Covid Procurement Process," The House, PoliticsHome, October 1, 2021, https://www.politicshome.com/thehouse/article/lessons-of-the-covid-procurement-process.

59 Akram Mohammed, "Karnataka Public Accounts Panel to Reject Health Department Responses on COVID Equipment Procurement," The Deccan Herald, August 31, 2021, https://www.deccanherald.com/state/top-karnataka-stories/karnataka-public-accounts-panel-to-reject-health-department-responses-on-covid-equipment-procurement-1025574.html.

60 Afshan Yasmeen, "'PAC Charges on COVID-19 Management Politically Motivated,'" The Hindu, October 4, 2021, https://www.thehindu.com/news/national/karnataka/pac-charges-on-covid-19-management-politically-motivated/article36815763.ece.

61 Malik Asad, "Public Accounts Committee Questions Ministries Over Undue COVID Package Spending," July 27, 2021, https://www.dawn.com/news/1637106.

62 Geoff Dubrow, *Are Supreme Audit Institutions Fit for Purpose in the Age of COVID-19 and Beyond?* (London: Westminster Foundation for Democracy, October 2020), https://www.wfd.org/what-we-do/resources/are-supreme-audit-institutions-fit-purpose-age-covid-19-and-beyond.

63 Moad M. Alrubaidi, Leah April, Papia Bhatachaarji, et al., *Role of Supreme Audit Institutions (SAIs) in Governments' Response to COVID-19: Emergency and Post Emergency Phases*, (World Bank, June 11, 2020), 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.

64 AFROSAI-E, *Pocket Guide for Supreme Audit Institutions: Considerations on Responses to Disaster Situations*, (AFROSAI-E, November 2020), https://afrosai-e.org.za/wp-content/uploads/2020/11/Pocket-Guide-for-SAIs_Considerations-for-Responses-to-Disasters.pdf.

With respect to SAI audits related to COVID-19:

- The auditor general of Bermuda has committed to producing "public interest reports" on the government's handling of the COVID-19 pandemic, the first of which was submitted to the Speaker of the House of Assembly in February 2021. The auditor general reports that, "We undertook this work not only because of queries from the public, but also because we recognize the importance of independent reporting to the parliament and the public."[65] In addition to reviewing the performance of the Bermudan government, the auditor general discusses the fiscal- and debt-related implications of the government's pandemic response, noting that the government increased its debt ceiling twice during the pandemic, secured USD $170 million in lines of credit from corporate banks to fund unbudgeted expenses related to unemployment benefits and procurement efforts, and raised USD $1.35 billion through the issuance of two notes to repay the short-term borrowings (including the USD $170 million lines of credit).[66]

- In Kenya, the auditor general produced a special audit report on the Kenya Medical Supplies Authority (KEMSA), at the request of multiple parliamentary committees. The report reached three main findings, which are outlined in Box 2.

Box 2: Kenyan Auditor General Findings into KEMSA

According to the findings of the auditor general's special audit report on KEMSA:

1) "Management of KEMSA violated provisions of the PPADA, 2015 [Public Procurement and Asset Disposal Act, 2015] in all material respects";

2) "The budgetary process for capital budgets did not comply with PFMA, 2012 [Public Finance Management Act, 2012]"; and

3) "Given the inefficiencies in the procurement process and the fact that 97 percent of supplies procured were still in KEMSA warehouses at the time of the audit, there was no value for money realized."[67]

The report included a series of recommendations, including further investigations into criminal and anti-corruption implications.

7.3 The Role of Special Committees

Special committees are purpose-defined entities in parliament, focused on a particular issue. In the case of the Canadian parliament, the role of special committees is outlined in Box 3.

Box 3: Mandate of Special Committees in Canada

"Special committees are appointed by the House to carry out specific inquiries, studies or other tasks that the House judges to be of special importance. Each special committee is created by means of an order of reference adopted by the House. This motion defines the committee's mandate and usually enumerates its powers, membership and the deadline for submitting its final report. A special committee ceases to exist once its final report has been presented to the House or at prorogation."[68]

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65 Heather Thomas, *Government of Bermuda's Response to COVID-19: Public Interest Report*, (Office of the Auditor General Bermuda, February 2021), https://cloudfront.bernews.com/wp-content/uploads/2021/03/Public-Interest-Report.pdf.

66 Ibid.

67 The Auditor General of Kenya, *Special Audit Report on Utilization of COVID-19 Funds by Kenya Medical Supplies Authority (KEMSA) for the Period 13 March-31 July 2020*, (Office of the Auditor General of Kenya, September 2020), https://www.oagkenya.go.ke/wp-content/uploads/2021/09/UTILIZATION-OF-COVID-19-FUNDS-BY-KEMSA-2020.pdf.

68 House of Commons (Canada), About Committees," Parliament of Canada, n.d., https://www.ourcommons.ca/Committees/en/About.

In a bicameral system, members from both houses may sit on a joint special committee.

Special committees established to monitor emergency measures can call for documents related to spending initiatives, hear testimony from experts and draw attention to the medium- to long-term fiscal implications of expenditures. This information may lead to greater awareness among parliamentarians of the debt-related impact of emergency programs.

Examples of special committee activity related to COVID-19 include:

- In Armenia, the national assembly established a special committee tasked with oversight and inquiry into the government's pandemic response.[69] While the government currently holds a majority in the national assembly, the opposition factions requested the committee, and an opposition member is the committee chair. While the business of the committee was delayed due to a military conflict, the committee began its work in January 2021 and expects to hear testimony from experts, lawyers and economists on the implications of government restrictions and spending programs in response to the pandemic.[70]

- In New Zealand, a special "Epidemic Response Committee" was established to undertake ongoing observation and oversight regarding government response measures. This cross-party committee has a majority of opposition members and is chaired by the leader of the opposition.[71] During the committee's period of activity from March 25, 2020 – May 26, 2020, the committee issued two reports, including a review of the government's major COVID response bill.[72]

- Because Israel's March 2020 elections resulted in a political stalemate, a temporary Special Committee for Dealing with the Novel Coronavirus was established on March 24. After partisan negotiations in May led to the formation of a new government (dissolving the temporary special committee), a new special committee was formed.[73]

7.4 The Parliamentary Budget Office

Parliamentary Budget Offices (PBOs) are, like fiscal councils, an example of independent fiscal institutions that participate in governance and oversight by providing non-partisan assessments and advice. The specific functions of the PBO include:

- Independent analysis, review and monitoring of government's fiscal policies, plans and performance;

- Developing or reviewing macroeconomic and/or budgetary projections; and

- Costing of budget and policy proposals.[74]

PBOs play an important role in addressing the informational imbalance between government and parliament in the case of emergency contexts and the COVID-19 pandemic is no exception. To illustrate:

- In South Africa, the PBO advised the government on their parliamentary relief package implementation, and testified before the finance committee to speak to the continued need for support for households,

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69 Krisztina Csillag, David Pechefsky, Kevin Deveaux, et al., *Parliament's Role in Emergency Fiscal Policy: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-role-emergency-fiscal-policy-lessons-learned-emergency-planning, p. 21.

70 Sossi Tatikyan, "The Impact of COVID-19 Related Emergency Measures on the Democracy and Human Rights in Armenia," *IALS Student Law Review* 8, no. 1 (2021): 66-78, https://doi.org/10.14296/islr.v8i1.5272.

71 Kevin Deveaux, Natália Švecová and Tim Baker, *Parliaments Responding to a Pandemic: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-responding-pandemic-lessons-learned-emergency-planning.

72 Epidemic Response Committee, *COVID-19 Response (Further Management Measures) Legislation Bill: Report of the Epidemic Response Committee*, (New Zealand House of Representatives, May 2020), https://www.parliament.nz/en/pb/bills-and-laws/bills-proposed-laws/document/BILL_97676/covid-19-response-further-management-measures-legislation.

73 Inter-Parliamentary Union (IPU), "Country Compilation of Parliamentary Responses to the Pandemic," IPU, last modified October 16, 2020, https://www.ipu.org/country-compilation-parliamentary-responses-pandemic.

74 Geoff Dubrow, *Strengthening the Role of Parliament in the Budget Process: The Role of Parliamentary Budget Offices*, (Westminster Foundation for Democracy, October 2020), https://www.wfd.org/wp-content/uploads/2020/09/Budget-policy-brief-5.pdf.

micro- to medium-sized businesses and the overall economy.[75] The PBO testified again during committee hearings on the Appropriations Bill, stating that continued fiscal consolidation would likely perpetuate the trend of missing debt-reduction targets (instead recommending economic growth and supports for households and small businesses), and identifying public and private debt accumulation as risk factors for financial crises, among other matters.[76]

- In Australia, the PBO's report on fiscal sustainability observes that "the coronavirus pandemic and associated policy responses have led to the largest deterioration in the commonwealth government's fiscal position since the Second World War" and states that the debt is likely to remain at a sustainable but high position for a generation.[77] The PBO will continue to monitor the situation and provide updates on Australia's public debt.

These PBO reports can inform parliamentary questioning of the government's future plans for spending and debt management.

Questions to consider:

Here is a list of possible questions for parliamentarians to consider during debates on parliament's emergency preparedness:

- Does the parliament have the resources and capacity to allow committees to continue to function during or immediately after an emergency? Can the committee(s) work remotely? What is required to allow parliament to function under such circumstances?
- Do the permanent committees have the necessary authority and resources to conduct effective oversight during an emergency? If not, is there a need for a special or ad hoc committee with defined powers to conduct oversight?
- How can parliament, its committees and individual MPs access the information and data they need to conduct effective oversight? Is the executive continuing to produce and publish such information? If not, are there other sources, such as civil society, to access the knowledge?
- What capacity does the parliament have to conduct fiscal analysis? Is this capacity resilient during times of an emergency? If not, what needs to be done to ensure it can function under such circumstances?
- How can the parliament function in a more collaborative manner, across party lines, to conduct oversight during an emergency?

75 Krisztina Csillag, David Pechefsky, Kevin Deveaux, et al., *Parliament's Role in Emergency Fiscal Policy: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-role-emergency-fiscal-policy-lessons-learned-emergency-planning, p. 23.
76 Parliamentary Budget Office (South Africa), *Comments on the 2021 Appropriation Bill and Supplementary Appropriation Bills, 5 May 2021*, Parliament of the Republic of South Africa, May 2021, https://pmg.org.za/files/210602PBO_Appropriations_Bills.pptx.
77 John Clark, Cameron Chisholm, and Anthea Guthrie, *Fiscal Sustainability: Long-Term Budget Scenarios*, (Parliamentary Budget Office (Australia), April 2021), https://apo.org.au/sites/default/files/resource-files/2021-04/apo-nid311985.pdf.

8. Recommendations for Parliamentarians

Based on the material covered in this briefing note, here are a number of recommendations for parliamentarians to consider related to public debt in emergency contexts. While some recommendations are largely legislative in nature, others relate to parliamentary oversight of fiscal decisions made throughout the budget cycle.

Parliament's Legislative Role

- Legislation should clearly spell out budget processes in emergency contexts in order to mitigate uncertainty;[78]
- In countries where budgetary resources and private donations both fund emergency responses, legislation should dictate how these streams are handled and tracked; [79] and
- Fiscal rules should include clearly defined escape clauses, to allow flexibility in emergency contexts.[80] Invoking an escape clause should require parliamentary approval and the maximum time limit for which the escape clause is in effect should be established by law.[81]

Parliament's Oversight Role

- Parliament should maintain its role in approving budgetary reallocations during emergency contexts;[82]
- Proper record-keeping through the execution phase and robust ex post oversight through the audit phase can ensure accountability and transparency are adhered to during an emergency context;[83]
- Parliament can establish special committees, empower existing committees to oversee emergency spending or direct/request the PBO or SAI to produce reports to ensure that parliamentarians have the necessary information to scrutinize emergency spending programs;[84] and
- Oversight and monitoring in an emergency context must pay attention to the different gender-based impacts of both the emergency and the emergency response measures (in the immediate, medium- and long-term).[85]

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78 Richard Sutherland and Leah April, *Disaster Response: A Public Financial Management Review Toolkit*, (The World Bank, November 2019), https://www.pefa.org/resources/disaster-response-public-financial-management-review-toolkit, p. 9.

79 Fazeer Rahim, Richard Allen, Helene Barroy, et al., *COVID-19 Funds in Response to the Pandemic,* (International Monetary Fund, August 2020), https://www.imf.org/-/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-covid-19-funds-in-response-to-the-pandemic.ashx.

80 Luc Eyraud, Xavier Debrun, Andrew Hodge, et al., Second-Generation Fiscal Rules: Balancing Simplicity, Flexibility, and Enforceability, (International Monetary Fund, April 2018), https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/04/12/Second-Generation-Fiscal-Rules-Balancing-Simplicity-Flexibility-and-Enforceability-45131.

81 William Gbohoui and Paulo Medas, *Fiscal Rules, Escape Clauses, and Large Shocks*, (International Monetary Fund, April 2020), https://www.imf.org/-/media/Files/Publications/covid19-special-notes/enspecial-series-on-covid19fiscal-rules-escape-clauses-and-large-shocks.ashx, p. 6.

82 Richard Sutherland and Leah April, *Disaster Response: A Public Financial Management Review Toolkit*, (The World Bank, November 2019), https://www.pefa.org/resources/disaster-response-public-financial-management-review-toolkit, p. 10.

83 Kevin Deveaux, Natália Švecová, and Tim Baker, *Parliaments Responding to a Pandemic: Lessons Learned for Emergency Planning*, (National Democratic Institute, June 2021), https://www.ndi.org/publications/parliaments-responding-pandemic-lessons-learned-emergency-planning, p. 11.

84 Organization for Economic Co-operation and Development, *Legislative Budget Oversight of Emergency Responses: Experiences during the Coronavirus (COVID-19) Pandemic*, (OECD, September 2020), https://www.oecd.org/coronavirus/policy-responses/legislative-budget-oversight-of-emergency-responses-experiences-during-the-coronavirus-covid-19-pandemic-ba4f2ab5/#section-d1e24, pp. 11-14.

85 E.g., Ministry of Finance, "Annex 1: GBA+ Summary for Canada's COVID-19 Economic Response Plan," in *Economic and Fiscal Snapshot 2020*, (Government of Canada, July 2020), https://publications.gc.ca/site/eng/9.888827/publication.html?wbdisable=true.

Annex I: Sources of Emergency Financial Assistance

A significant portion of the financing for disaster relief and recovery is channeled through the national budget. Ex ante budgeting for potential disaster scenarios can boost savings, reduce risk exposure and promote aggregate stability. Within a flexible budgetary framework, redeployment of resources can take place to alleviate challenges in a post-disaster context. Such redeployments must be transparently presented to ensure government accountability.[86] The World Bank's *Public Financial Management Review Toolkit* for disaster response offers a series of sources for funding and budgetary flexibility:

- Sources for funding:
    - Contingent budget lines (earmarked budget lines, standby appropriations or unallocated provisions);
    - Extra-budgetary funds (contingency funds, national disaster funds, trust funds or special funds); and
    - External standby facilities (risk transfer instruments, parametric or asset insurance, contingent loan/grant facilities or disaster bonds).[87]
- Budget flexibility opportunities:
    - Supplementary provisioning (subsequent appropriations provided when disaster-response expenditures require funds beyond original allocations);
    - Advance provisioning (measures taken in preparation for an emergency event);
    - Budget amendments within ministerial, departmental and agency budgets;
    - Reallocations of budget provisions between ministries, departments and agencies; and
    - Interim finance directives that are able to guide decision-making in emergency contexts informed by broader public financial management principles.[88]

Considering how these different sources of funding may be integrated into a country's crisis response before a disaster occurs can improve overall emergency preparedness and mitigate confusion in the disaster period. One strategy to clarify the emergency funding situation is for the ministry of finance to provide a guidance document outlining mechanisms available to the government within the existing legislative framework. For example, in 2019, the Jamaican Ministry of Finance and the Public Service produced a report entitled the *Post-Disaster Budget Execution Guidelines*.[89] This document clearly demonstrates how different financial sources fit together in the context of emergency preparedness. Box 4 discusses this case study.

86 Richard Sutherland and Leah April, *Disaster Response: A Public Financial Management Review Toolkit*, (The World Bank, November 2019), https://www.pefa.org/resources/disaster-response-public-financial-management-review-toolkit, p. 10.

87 Ibid, p. 17.

88 Ibid, p. 18.

89 Darlene Morrison, *Government of Jamaica: Post-Disaster Budget Execution Guidelines*, (Ministry of Finance and the Public Service (Jamaica), June 2019). https://documents1.worldbank.org/curated/en/194591594113173864/pdf/Jamaica-Post-Disaster-Budget-Execution-Guidelines.pdf

Box 4: Excerpt from Post-Disaster Budget Execution Guidelines: Ministry of Finance and the Public Service, Jamaica

Funding sources available for the government of Jamaica in responding to disaster situations:

- Virement: Reallocation of budget lines within a ministry, department or agency, subject to certain parameters.
- Deposit Fund advances: Minister of finance may authorize the use of deposit funds when advances are in the public interest and recoverable in less than one year.
- National Disaster Fund: A specially established fund under the Disaster Risk Management Act (composed of annual funds from parliament, a sum paid to local authorities as building fees, donations and grants, and funds raised by the National Disaster Risk Management Council).
- Contingencies Fund: A fund held in the Bank of Jamaica with a rolling balance limited by the House of Representatives at JMD $10 billion.
- Supplementary Estimates/Appropriations: A mechanism whereby parliament authorizes the reallocation of approved budget allocations or the allocation of additional resources to an existing budget.
- Caribbean Catastrophe Risk Insurance Facility: A parametric insurance designed to provide short-term liquidity in response to a catastrophic disaster, with payments based on the intensity of the event and losses following a pre-agreed calculation model.

Source: Darlene Morrison, Government of Jamaica: Post-Disaster Budget Execution Guidelines, (Ministry of Finance and the Public Service (Jamaica), June 2019), pp. 3-5.

In the case of the COVID-19 pandemic, an IMF survey found that countries accessed a variety of sources to finance their emergency spending. While the World Bank Toolkit discussed above focuses most directly on sources of funding that a country may control on their own (e.g., introducing supplementary provisioning bills, establishing contingency funds), the IMF survey of COVID-19 emergency response programs found that these state-controlled financing strategies were complemented by other sources of funding, including international aid programs and private sector donations. While these sources of funding may contribute substantially if available to a country's response to an emergency context, countries do not have the same level of ex ante control over the amounts. Several examples from the IMF survey of funding sources used in response to the COVID-19 pandemic are listed below, including those suggested in the World Bank Toolkit as well as alternative sources:

- In Jordan, Mauritius and South Africa, private donations played a substantial role in financing emergency responses;
- In Kenya and Uganda, "the establishment of the COVID-19 funds has been supported by donors in order to ring-fence external financing of the emergency response and to reduce fiduciary risk";
- Several countries, including Colombia, have increased capacity by pooling funds, such as existing contingency funds or reserves;
- Honduras deployed an infrastructure investment fund to finance the purchase of medical supplies and other COVID-19-related expenses; and
- In Liberia and Uruguay, governments "have used earmarked taxes (on public sector wages) as one of the sources of financing for their COVID-19 funds."[90]

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90 Fazeer Rahim, Richard Allen, Helene Barroy, et al., *COVID-19 Funds in Response to the Pandemic*, (International Monetary Fund, August 2020), https://www.imf.org/-/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-covid-19-funds-in-response-to-the-pandemic.ashx.

Nations employing both private donations and budgetary resources encountered a challenge during the COVID-19 pandemic, as many national legal frameworks lacked clarity on how those different funding streams could be integrated. For example, in Benin, the government elected to administer private funds separately from budgetary funds, tracking them through an ad hoc system and targeting the amounts for the provision of specific services. Conversely, in Ghana, private funds have been transferred back to the budget system to support the overall public response.[91]

International funding sources can also play an important role in financing emergency response measures. For example, the World Bank pledged $80 million to support the Republic of Georgia with COVID-19 prevention, detection and response programs in April 2020, further supported by an additional $100 million co-financed between the World Bank and Asian Infrastructure Investment Bank at the same time.[92] Subsequently, the World Bank announced $34.5 million to strengthen Georgia's vaccination rollout.[93]

Questions to consider:

Here is a list of possible questions for parliamentarians to consider posing to the executive branch:

- Does the budgetary framework establish extra budgetary funds for emergency contexts (e.g., permanent funds such as contingency funds and national disaster funds, or temporary funds such as trust funds or special funds)?
- Does the government set up external standby facilities that can support disaster response and recovery efforts (e.g., risk transfer instruments such as parametric insurance and asset insurance, contingent loan/grant facilities and disaster bonds)?
- How much flexibility exists within the budget to facilitate disaster response and recovery? (Consider supplementary and advance provisioning, within-MDA budget amendments and virements, cross-MDA reallocations and interim finance directives.)
- What contingency measures can be enacted to ensure operational continuity in disaster contexts?
- Are contingent budget lines established for the possible emergency contexts (e.g., earmarked budget lines, standby appropriations or unallocated provisions)?
- How are budgetary arrangements for disaster response coordinated?
- What mechanisms exist to verify the eligibility and legality of disaster-related expenditures?
- When parliament transfers emergency powers to the executive branch, are fiscal decisions subject to the scrutiny of the budgetary process (in time or retroactively)?

91 Ibid.

92 The World Bank, "World Bank Pledges $80 Million to Support Georgia's Response to COVID-19 Pandemic," The World Bank, April 29, 2020, https://www.imf.org/-/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-covid-19-funds-in-response-to-the-pandemic.ashx.

93 The World Bank, "Georgia's Vaccination Rollout to be Strengthened with $34.5 Million Additional Financing from World Bank," The World Bank, June 7, 2021, https://www.worldbank.org/en/news/press-release/2021/05/27/georgia-s-vaccination-rollout-to-be-strengthened-with-34-5-million-additional-financing-from-world-bank.