COVID-19 Intervention Assessment Tool: Behind the scene

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Public Sector Accounting and Reporting Program

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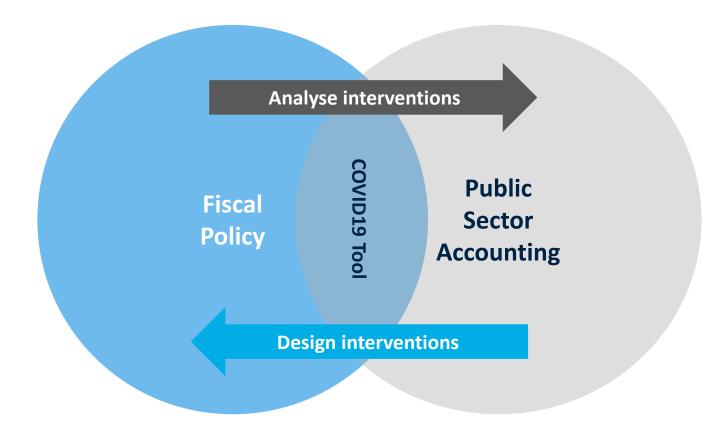
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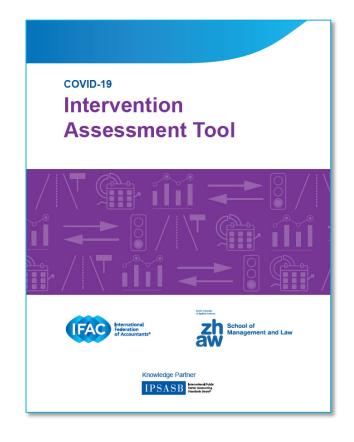
Federal Department of Economic Affairs, Education and Research EAER State Secretariat for Economic Affairs SECO

Behind the scenes



• Two approaches to the COVID19 Intervention Assessment Tool







• Analyse three moments in time



	Initial recognition	End of first reporting period	Following reporting periods
Intervention #1			
Intervention #2			

• Why? For most interventions, some of the accounting effects are only visible at later reporting dates



• Analyse Means of Financing separately



	Initia	recogn	ition	End of	first reporti	ng period	Followin	g reportin	g periods		Lao	c <mark>k of c</mark> as	sh
Intervention #1										Financing #1			
Intervention #2										Financing #2			

• Why? Financing, e.g. the increase of debt, is <u>not</u> directly linked to each intervention

• Only if necessary analyse the difference between full accrual and cash accounting

• Full accrual accounting

	Initial	recogn	ition	End of	first reporti	ng period	Followin	g reportin	g periods		Lac	k of cas	h
Intervention #1										Financing #1			
Intervention #2										Financing #2			

• Cash accounting

	Initial	recogn	ition	End of	first reportin	ng period	Followin	g reportin	g periods			Lac	k of cash	
Intervention #1										Finar	ncing #1			
Intervention #2										Finar	ncing #2			

• Why? The tool contains this mainly for jurisdictions which are still on pure cash basis

• Analyse the effect on each part of the financial statements



		Initial recognition (End of first reporting period Following periods)								
		Sta	tement o	f financial pos	sition	Statement of fina	Notes			
	ŀ	Assets	Lia	bilities						
	Cash	Non cash	Debt	Non debt	Net Assets/ Equity	Revenues	Expenses	Disclosures		
Intervention #1										

		Lack of cash									
		Stat	tement of	f financial po	sition	Statement of fina	Notes				
	1	Assets	Lia	bilities							
	Cash	Non cash	Debt	Non debt	Net Assets/ Equity	Revenues	Expenses	Disclosures			
Financing #1											

• Why? Analysis should include all elements

• Analyse the effect on each part of the financial statements



		Initial recognition (End of first reporting period Following periods)								
		Sta	tement o	f financial pos	sition	Statement of fina	ancial performance	Notes		
	ŀ	Assets	Lia	bilities						
	Cash	Non cash	Debt	Non debt	Net Assets/ Equity	Revenues	Expenses	Disclosures		
Intervention #1										

- Look up in tool which interventions suit you best
- IPSAS Accrual accounting standards avoid hiding of effects
- The tool can also be used if (full) IPSAS have not yet been implemented

The link to economic policy



• Do whatever it takes, but keep the receipts! (Manal Fouad, 2020)



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Country Specific D	- COVID-19: New IME Notes on Fiscal Issues (Batch 2). Main Measuring the Cost to Governments of COVID-19 April 22, 2020	Subscribe to our feed						
ther Links D FR & Development D logs acroeconomists' D ogs and at a size and at a size acroeconomists' D	"Do Whatever It Takes but Keep the Receipts"—the Public Financial Management Challenges	Contraction of the second seco						
arch Go IMF	Posted by Hanal Fouad, Gerd Schwartz and Claude Wendling[1] Governments around the world have been doing "whatever it takes" to provide massive fiscal support packages to address the adverse impact of the COVID-19 pandemic on people and firms. The Spring 2020 Fiscal Monitor supported the speedy response by governments, but also advised to "Keep the receipts." It takes this context, adhering to fiscal transparency, public accountability and institutional legitimacy are the key public financial management (FFM) challenges for keeping the receipts, that B, managing the fiscal and encount failuout from the pandemic.	Sour Mon Tues Weld Thu. Fill Sat 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16 17 18 19 20 24 22 23 24 25 26 27 28 29 30 Sep 20 Sep 20						
Fiscal Issues at the IMF Articles en Français	Transparency, accountability, and legitimacy underpin PPM frameworks in one way or another. Othen, these frameworks themselves originated in circumstances of crisis. As an example, the 1215 Magna Carta, which set the basis for financial accountability of the ruler, was written at a time when England was embroiled in a foreign war. 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 recegnized and mitigated. But this is not just about money: to be successful in addressing a crisis, government policy responses almed at safeguarding people and firms require building public trust, confidence, and support. A recent note published by the Fiscal Affairs Department, " <u>Keeping the Receipts: Transparency, Accountability, and Legitimacy in Emergency Responses</u> ", shows a way forward in this respect, building on good practice examples from different crises,							
En reduçais Articular In aspañol Internet Internet Edelogia a fondo	including the current one. Accordingly, transparency, accountability and legitimacy need to anchor design, implementation, and oversight of emergency support packages. Design. The specific challenges here emanate from the need to balance the demands of an urgent and timely response in a volatile economic environment with a high degree of transparency in the identification and communication of measures. Legal authorization of policy measures has to be obtained in a clear and transparent manner, according to each country's institutional framework - in most cases through a Supplementary Budget. Crisis-related measures must be presented in the budget with the adequate degree of granularity.							
	To example, to get of get on get on the so-called "protective sheld to manage the coronavirus pandemic" has been made available, both to Parliament in a more technical form and to the wider public, including detailed costing, eligibility criteria and presentation of administrative processes for each measure. Clear policy goals and performance indicators have to be set, adjusted to each country's capacity and institutional level. Governments should also strive to be transparent in presenting the impact of the crisis on public finances and the economy, even while acknowledging the numerous uncertainties. Even under strong time pressure, there is value in consulting with stakeholders, both to improve the design of the support package and to help build support amongst economic actors. Expert and independent civil society organizations (CSOs) can provide inputs to improve the design of fiscal measures or help target it to specific, at-risk constituencies. For example, <u>CEP in Mexico</u> developed proposals on various policy alternatives to realiscate budget resources and provide economic support in the present, period.							
	Implementation. A key challenge here is to provide adequate control and tracking/traceability of budget and off-budget interventions, to ensure that the emergency measures are deployed in line with their intended purpose - and if necessary, review measures if they are seen to be missing their objectives. Additional COVID-19 related spending should be tracked, ideally through dedicated programs or sections of the budget. This also applies to donors' funding, which should be channeled through	Srinivas Gurazada on Beyond Doctrine: Refocusing PFM for West Dublic Objectives						

https://blog-pfm.imf.org/pfmblog/2020/04/-do-whatever-it-takes-but-keep-the-receiptsthe-public-financial-management-challenges-.html

How to design economic interventions in the BSA?

The primary objective remains the economic effect

- Interventions have to achieve the economic policy goal!
- The goal is not defined by the Balance Sheet Approach (BSA) itself
- But there are always different *design options of economic interventions* and that is where the BSA should be considered
 - O Cash needs
 - O Asset acquisition
 - O Risk mitigation
 - O Financing without debt
- Some MDB programs particularly focus on fiscal policy design (e.g. World Bank, 2020, IDB, 2020)

How to design economic interventions in the BSA?

What is the effect of such a design?

- Primary effect: A stronger balance sheet going out of the crisis
- Secondary effects: Sustainability
 - O Less burden to future generations
 - O More capacity to absorb future economic shocks

• Always consider the effect on the government balance sheet, before deciding on the design of economic intervention. It does make a difference for future generations!

Screen cast in English: https://www.youtube.com/watch?v=Bod2BTfx4o4

Presentation in Spanish: https://www.zhaw.ch/storage/shared/upload/200428_balancesheeteconomicpolicy_covid_without_video_sp_final.pdf

Behind the scenes: Conclusions



- The IFAC-ZHAW COVID19 Intervention Assessment Tool supports analysis and design
- Economic Interventions should always consider their accounting effects!
- \rightarrow More sustainable economic policy



Thank you.

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