Donor responses to COVID-19: country allocations

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Key messages

- We examine IMF, World Bank and European Commission country allocations in response to the COVID-19 pandemic. IMF allocations cover around 1–1.5% of GDP whereas World Bank allocations are worth 0.1% of GDP.
- Whereas only a small portion of total funding is dedicated to loan facilities, grants and debt relief for the poorest economies, overall donors allocate more (as a share of GDP) to poorer countries. The IMF allocates more to countries that are more dependent on exports and remittances and to countries expected to see output cut the most.
- However, donors do not allocate more resources to countries with less health spending or that are overall more vulnerable.

Introduction

The confirmed number of coronavirus cases reached 3.5 million on 4 May, affecting 187 countries. The global economy is projected to contract by 3% (or 5% less than was forecast only four months ago). World trade may fall by up to 32%. The African region may witness its first recession since the 1970s.

The financing gaps in poorer countries have increased and, as these countries cannot afford a stimulus, they turn to donors. Already by 3 April, more than 90 countries had requested support from the IMF. This note provides an overview of donor responses since the outbreak, financial instruments, the regional coverage of funding and country allocations.

Financial instruments

We examine the IMF’s approved coronavirus funding commitments via the rapid credit facility rapid financing instrument and the catastrophe containment and relief trust, which provides debt relief to poorest countries.

Figure 1. IMF/World Bank funding instruments/facilities

Of the total approved World Bank coronavirus response committed to countries, 16% are funded via International Development Association grants and low-to zero interest loans to LICs; 40% are comprised of fast-track loans.

Meanwhile, other financing (e.g. existing project reallocation, activation of contingency funding of other projects) also has a relatively high share of 44%. We also examine EU proposed country allocation in the EU’s response.

Scale and regional coverage

As a share of 2018 GDP, the largest IMF allocations are in Europe and Central Asia (1.4%) and sub-Saharan Africa (1.3%); for the World Bank, the largest allocations are to East Asia and the Pacific (0.16%) and sub-Saharan Africa (0.12%) (Table 1).

Table 1. Donor commitment by region

<table>
<thead>
<tr>
<th>Region</th>
<th>IMF (45 countries, as of 24 April)</th>
<th>% of total commitment</th>
<th>% of GDP</th>
<th>% of total commitment</th>
<th>% of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>East Asia &amp; Pacific</td>
<td>22</td>
<td>0.02</td>
<td>1.00</td>
<td>755</td>
<td>0.47</td>
</tr>
<tr>
<td>Europe &amp; Central Asia</td>
<td>1,167</td>
<td>1.17</td>
<td>1.41</td>
<td>770</td>
<td>0.48</td>
</tr>
<tr>
<td>Latin America &amp; Caribbean</td>
<td>1,627</td>
<td>1.63</td>
<td>0.90</td>
<td>734</td>
<td>0.46</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>765</td>
<td>0.77</td>
<td>1.15</td>
<td>361</td>
<td>0.23</td>
</tr>
<tr>
<td>South Asia</td>
<td>1,422</td>
<td>1.42</td>
<td>0.39</td>
<td>1,575</td>
<td>0.98</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>4,306</td>
<td>4.31</td>
<td>1.26</td>
<td>466</td>
<td>0.29</td>
</tr>
<tr>
<td>Unallocated</td>
<td>90,691</td>
<td>90.69</td>
<td>145,338</td>
<td>97.09</td>
<td></td>
</tr>
</tbody>
</table>

Sources: IMF (as of 24 April) and World Bank (as of 27 April) based on websites

Weighted 2016 or latest GDP of recipient countries.

Source: ODI donor response tracker as of 30 April 2020; country allocation from IMF and World Bank websites; GDP data from WDI

Country allocations

So far the EU, World Bank and IMF rapid response programmes have allocated funds to 136 countries. Overall, these global donors are tending to provide more funding (as a percentage of GDP) to countries with lower incomes (Figure 2). The EU is allocating the largest share of its funding to LICs (46%), whereas the IMF and the World Bank are committing more than 60% of their current country allocations to LMICs (Figure 3).
There is evidence that donors are allocating resources according to other measures of vulnerability. The IMF is allocating more (as a percentage of GDP) to countries with a higher dependence on exports and remittances (Figure 4) and to countries expected to lose the most output in 2020 (Figure 5).

The ODI vulnerability index combines factors of direct impact of the outbreak through confirmed COVID-19 cases and travel restrictions, trade and tourism exposure to China and to the world, fiscal and monetary space and quality of health systems. It is less clear whether donors are responding according to overall economic vulnerability (as measured by the ODI index) of the recipient countries (Figure 6). There is also less funding for countries that currently have low health expenditure as a share of GDP (Figure 7).

In subsequent notes, we will update the analysis, examine other donors and consider issues such as additionality and speed of donor response.

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