



TIMING, TARGETS, AND TRANSPARENCY

Foreign and Domestic Resource Mobilization to Combat COVID-19

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As the COVID-19 pandemic began spreading globally in March, national governments and the international donor community mobilized quickly to cushion the impact. The speed, uncertainty, and potential severity of the crisis meant that many disbursement approvals occurred faster than usual, and it was difficult to gain a clear picture of where money was going, how different donors were targeting their resources, and how effectively such resources were being utilized. Many governments also began establishing their own funding baskets to respond to COVID-19, often by encouraging donations from politicians, celebrities, businesspeople, and everyday citizens, sometimes without full transparency.

Drawing on data collected for 33 countries within IFPRI's COVID-19 Policy Response Portal (CPR), this project note reviews how foreign aid was distributed across sectors and where different types of donors targeted their aid. It highlights how high levels of funding could pose challenges for the absorptive capacity of many low-income states, i.e., their ability to use such resources effectively and efficiently. Likewise, transparency in the use of both foreign aid and domestic COVID-19 funds remains a major concern. The note concludes by observing that planned reductions in foreign aid by some donors will heighten the need for greater domestic resource mobilization and complementary accountability mechanisms.

TIMING AND TARGETING OF RESOURCE ALLOCATIONS

The disbursement of foreign aid occurred relatively early into the pandemic. In fact, by early April, more than 90 countries had requested emergency assistance from the IMF (HRW 2020). The trend was particularly notable in Africa, where many feared that the region would be overwhelmed by the crisis. As seen in Figure 1, with fewer than 0.5 cumulative COVID-19 cases per 100,000, the African countries in the CPR had received US\$4 billion¹ for COVID responses by the middle of April, a figure that skyrocketed to almost an additional \$7 billion just two weeks later. Between March and December, Nigeria was the biggest recipient of foreign aid among countries in the CPR, receiving more than \$4 billion, followed by Egypt and

Burkina Faso. Notably, Burkina Faso's COVID-19 cases were far outstripped by many other African countries, but nonetheless it became one of the main aid beneficiaries in the region.

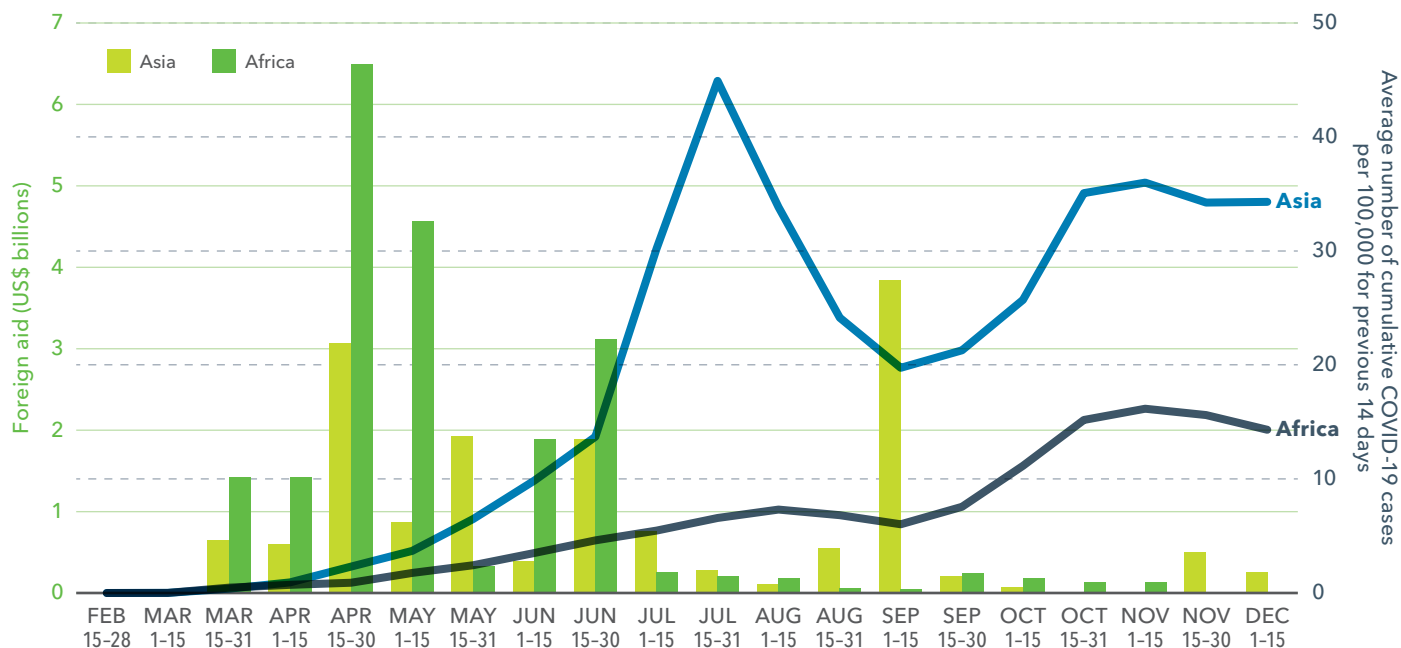
Donor aid to combat COVID-19 and support the recovery process has targeted a variety of sectors, though three stand out (Figure 2). Out of a total of \$38.9 billion captured in the CPR, a little more than \$21.3 billion has been allocated to countries to address the negative economic impacts of COVID-19.² Many of the necessary measures taken by governments to contain the transmission of COVID-19, such as lockdowns and restrictions on business, have come at a significant economic cost to firms, households, and governments. Policies to provide relief to consumers and businesses through delayed or reduced tax payments and fees have reduced important sources of government revenue, while increased expenditures on health measures, social protection, and consumer and business loans have triggered fiscal and debt sustainability concerns and balance of payment crises. Much of the economic aid comes from the IMF and is directed toward governments to deal with these challenges. A smaller subset of aid is focused on scaling up existing government programs that target relief to small and medium enterprises.

Equipment and medical supplies have also been a common focus, with aid often in the form of in-kind donations of personal protective equipment (PPE), medicines, and testing equipment. Ethiopia was one of the biggest recipients of such

¹ All amounts are in US dollars.

² These figures are as of the CPR's December 2, 2020 update.

FIGURE 1 Comparison of aid commitments and COVID-19 cases in CPR countries in 2020



Sources: IFPRI (2020) and European Centre for Disease Prevention and Control.

Note: "Africa" refers to Burkina Faso, Egypt, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Nigeria, Rwanda, Senegal, Tunisia, Uganda, and Zambia. "Asia" refers to Bangladesh, East Timor, India, Kazakhstan, Kyrgyzstan, Nepal, Pakistan, Papua New Guinea, Sri Lanka, Tajikistan, and Uzbekistan.

in-kind support, with at least 20 large-scale donations from 13 different donors. The broader health sector is the third biggest focus of aid commitments. Such aid aims to rectify underlying deficiencies in public health systems and may support upgrading laboratory systems, establishing contact tracing and event-based surveillance, and technical support for response, preparedness, and community engagement.

Agriculture, social protection, and water and sanitation make up a far smaller subset of foreign aid allocations. The lack of resources for the agriculture sector remains concerning, given its oversized importance in the economies of lower-income countries and its vulnerability to market closures due to lockdowns. There are also examples of knock-on effects from closed borders and limited international trade on agricultural input supply chains (Saini 2020), with likely impacts on subsequent planting seasons (Ayanlade and Radeny 2020). For instance, in Mali, many farmers decided to forgo planting cotton this season in view of the low price offered by the main marketing board, the Malian Company for the Development of Textiles (CMDT); as a result, farmers' access to the fertilizer usually provided by CMDT decreased, which is expected to undermine their ability to cultivate cereal crops in the next agricultural season (Koné et al. 2020). Moreover, inadequate and uneven social protection programs may not cover informal agricultural laborers and small farmers, leaving millions in the agriculture sector vulnerable (Roy, Boss, and Pradhan 2020).

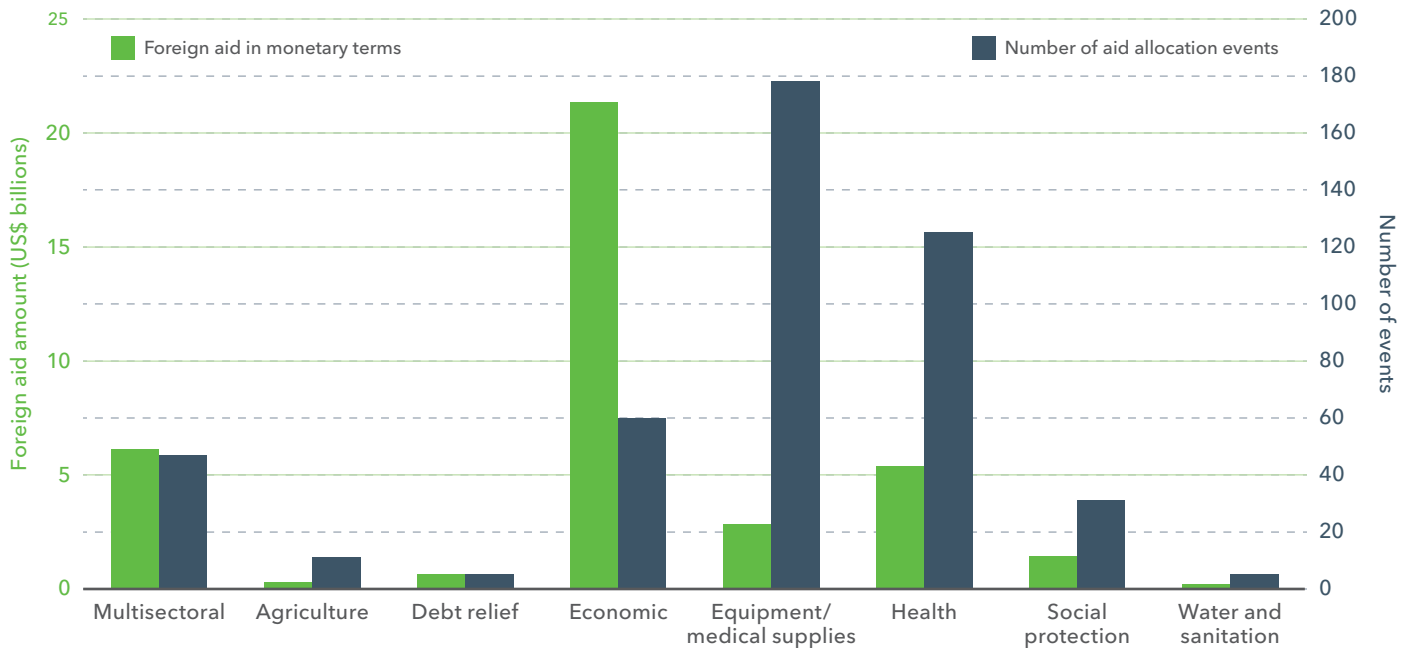
VARIATION IN DONOR RESPONSES

Multilateral donors were responsible for approximately \$32.4 billion of the \$39 billion in foreign aid contributions recorded in the CPR. The largest share was provided by the IMF, which has allocated almost \$15.6 billion, primarily for economic support. The World Bank has also supplied about \$7.4 billion toward the COVID-19 response, though its contributions were more varied, targeting health, agriculture, social protection, and economic activities.

Bilateral foreign aid allocations up to now have totaled almost \$6.4 billion, with the bulk of this funding coming from OECD Development Assistance Committee (DAC) countries. Of these countries, France and the United States offered the largest share of total aid at \$2.7 and \$1.9 billion, respectively. In part, this reflects traditional links between donors and recipients, with France disproportionately favoring countries such as Burkina Faso, Mali, and Tunisia. However, France also committed \$238.5 million to support India's social protection response.

The CPR also captures the emergence and increasing importance of numerous "nontraditional" donors. China in particular stands out, not only for its numerous bilateral donations of equipment and medical supplies to both Asian and African countries, but also because of contributions made by several Chinese private companies in the African countries where they operate, including Huawei in Zambia, Henan China in Senegal, and Huajian Group in Ethiopia. These contributions

FIGURE 2 Sectoral targeting of foreign aid for CPR countries, Jan-Dec. 2020



Note: Multisectoral donations refer to those that target more than one sector and for which the dollar amount is not clearly divisible. The data includes the 33 countries within the CPR (see IFPRI 2020).

were primarily in-kind contributions of PPE and medical supplies. While many foundations have been generous during the pandemic, the e-commerce giant Alibaba’s founder Jack Ma and his foundation have been especially active in Africa, supplying coronavirus test kits, ventilators, and PPE.

ABSORPTIVE CAPACITY AND TRANSPARENCY IN SPENDING

Absorptive capacity has long been a concern in the foreign aid literature (Bourguignon and Sundberg 2008; Dreher et al. 2018). Lower-income countries may lack the skills, institutions, and oversight capacity needed to manage large sums of funding, and these skills cannot be scaled up rapidly to implement large aid-supported programs. This lack of absorptive capacity undermines aid effectiveness (Feeney and de Silva 2013). Increasingly, development assistance programs try to mitigate the risks associated with limits on absorptive capacity through a range of protocols and oversight mechanisms, including accountability metrics and ex ante assessments of governance indicators; gradual scaling-up of resources is also viewed as a way to address capacity constraints (Presbitero 2016).

The speed and uncertainty of the pandemic, however, created a sense of urgency within the donor community to demonstrate responsiveness by disbursing large sums of money and supplies as quickly as possible. In some cases, this involved re-allocating project funds that had already been approved for a country to more targeted health and social protection interventions. In others, however, decisions about allocations

were rushed, and social distancing requirements limited the ability of parliamentary oversight committees and supreme audit institutions to meet (OECD 2020a). The IMF’s emergency assistance, for instance, typically is disbursed with fewer oversight reviews than its standard programs (HRW 2020).

Corruption allegations emerged in countries with already weak transparency. Zambia, for instance, has suffered several aid “freezes” in recent years because of misuse and mismanagement of funds (see Reuters 2018; Usher 2010). In June 2020, the country’s health minister was arrested on suspicion of stealing \$2.5 million from his ministry (Gagné-Acoulon 2020). The CPR data show that the country had received more than \$200 million in foreign assistance in both monetary terms and as health supplies and equipment. In Kenya, medical professionals went on strike in September due to poor working conditions and low pay, even as allegations surfaced of the misappropriation by the health ministry of approximately \$400 million in COVID-19 foreign aid, including funds from the Jack Ma Foundation (Dahir 2020). Similar stories have emerged in Nigeria and Uganda, among other countries (ARB 2020).

There have also been many domestic efforts to raise funds from citizens and businesses. For example, Mali established the COVID-19 Special Fund, and encouraged all private and public organizations, associations, NGOs, and individual citizens, inside and outside Mali, to contribute through this fund to fight the pandemic. In Senegal, a Response and Solidarity Fund, known as Force-COVID-19, was established in the Ministry of Finance, and by the end of March, more than \$2.4 million in donations had been collected. Other

examples include Ethiopia's COVID-19 National Resource Mobilization Committee, which specifically targeted members of the diaspora, as well as Ghana's CARES Program, East Timor's COVID-19 Fund, Nepal's Coronavirus Control and Treatment Fund, and India's PM CARES Fund managed by the Prime Minister's Office. The governments of at least nine countries in the CPR requested cabinet members and civil servants to donate a portion of their salaries to support these efforts. Yet, just as with foreign assistance, concerns have emerged about how these funds are overseen and who is verifying that collected donations are allocated for pandemic-related needs. India's Fund, for instance, raised more than \$1 billion by June 2020, but a lack of information on the use of the money has sparked questions from opposition parties and transparency activists (Pandey 2020).

CONFRONTING DONOR FATIGUE

Reducing aid dependence and mobilizing more domestic revenue have been key objectives under the Sustainable Development Goals and a commitment of many governments under the 2015 Addis Tax Initiative. The importance of such initiatives will become more pronounced as some donor countries are beginning to restrict their foreign aid to grapple not only with mismanagement in recipient countries but also with the impacts of the pandemic on their own domestic economies. The United Kingdom, for instance, recently announced that it would need to slash its aid as a share of GNP from 0.7 percent to 0.5 percent next year due to the economic contraction caused by the coronavirus (Wintour 2020). Similarly, Chinese infrastructure lending, particularly to Africa, is expected to slow in the next one to two years as fears of a looming debt crisis are prompting more cautious lending in that region (Olander 2020). In addition, inflows of external private finance are projected to decline by \$700 billion compared to 2019 (OECD 2020b). These trends will make it more difficult for low-income countries to rebuild after the pandemic. Efforts may center on mobilizing more resources from citizens, either through traditional tax instruments or solicited donations, and will therefore require high levels of transparency and mechanisms of accountability to ensure that they foster trust, build the social contract, and generate the basis for a more resilient future.

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