

Protecting and Transforming Social Spending
for Inclusive Recoveries

Financing Social Spending during COVID-19: Monthly Update #4

July 2021

This is the fourth monthly update of the Social Spending Monitor publication series, which aims to shed light on social spending during the COVID-19 era. Each monthly update links to the [accompanying dataset](#), which details the financial response to COVID-19 by country.

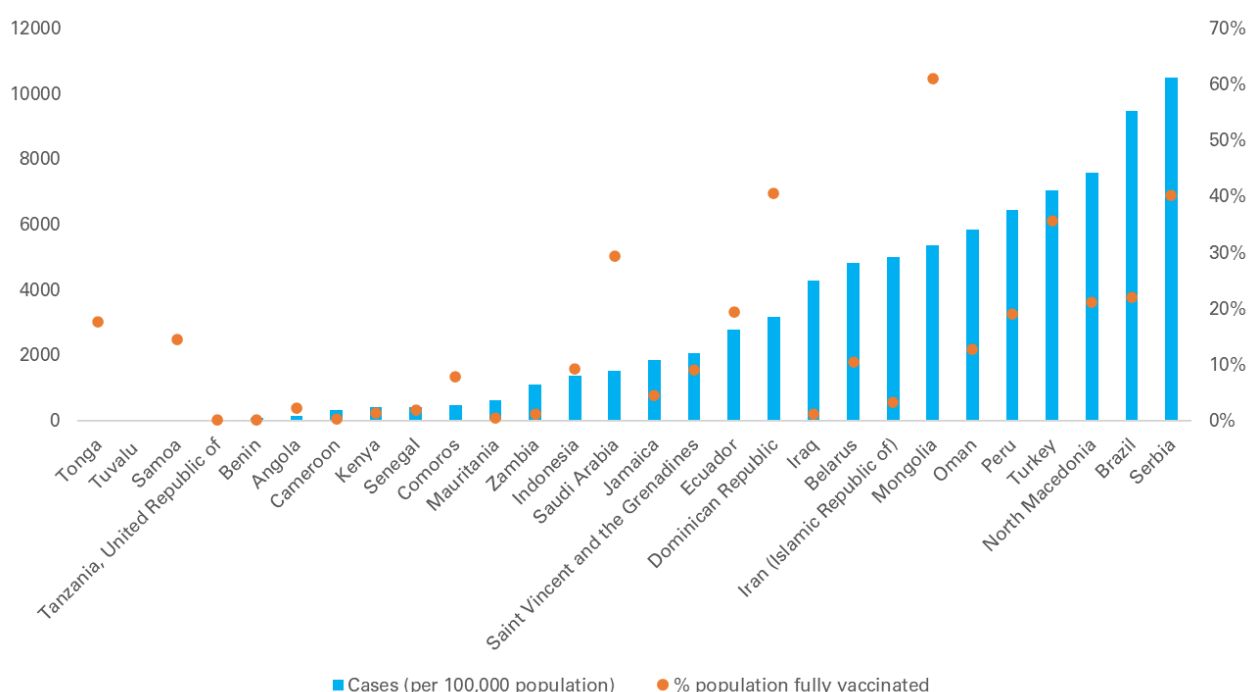
The analysis in this brief is based on data from the following countries: Angola, Belarus, Benin, Brazil, Cameroon, Comoros, Dominican Republic, Ecuador, Indonesia, Iran (Islamic Republic of), Iraq, Jamaica, Kenya, Mauritania, Mongolia, North Macedonia, Oman, Peru, Saint Vincent and the Grenadines, Samoa, Saudi Arabia, Senegal, Serbia, United Republic of Tanzania, Tonga, Turkey, Tuvalu, Zambia.

for every child, answers

Key messages

As many countries step up their COVID-19 vaccination campaigns, low- and middle-income countries, especially those in Africa, continue to have very low vaccination rates in July 2021. Among this group of countries, Benin, Cameroon, Mauritania and Tanzania have vaccinated less than 0.5 per cent of the population, with Iraq, Kenya, Senegal and Zambia achieving less than 2 per cent population coverage. Although case rates remain relatively low in these countries, poor vaccination rates make low- and middle-income countries particularly vulnerable to later waves of the pandemic and the prolonged economic impact of any further lockdowns (*see Figure 1*).

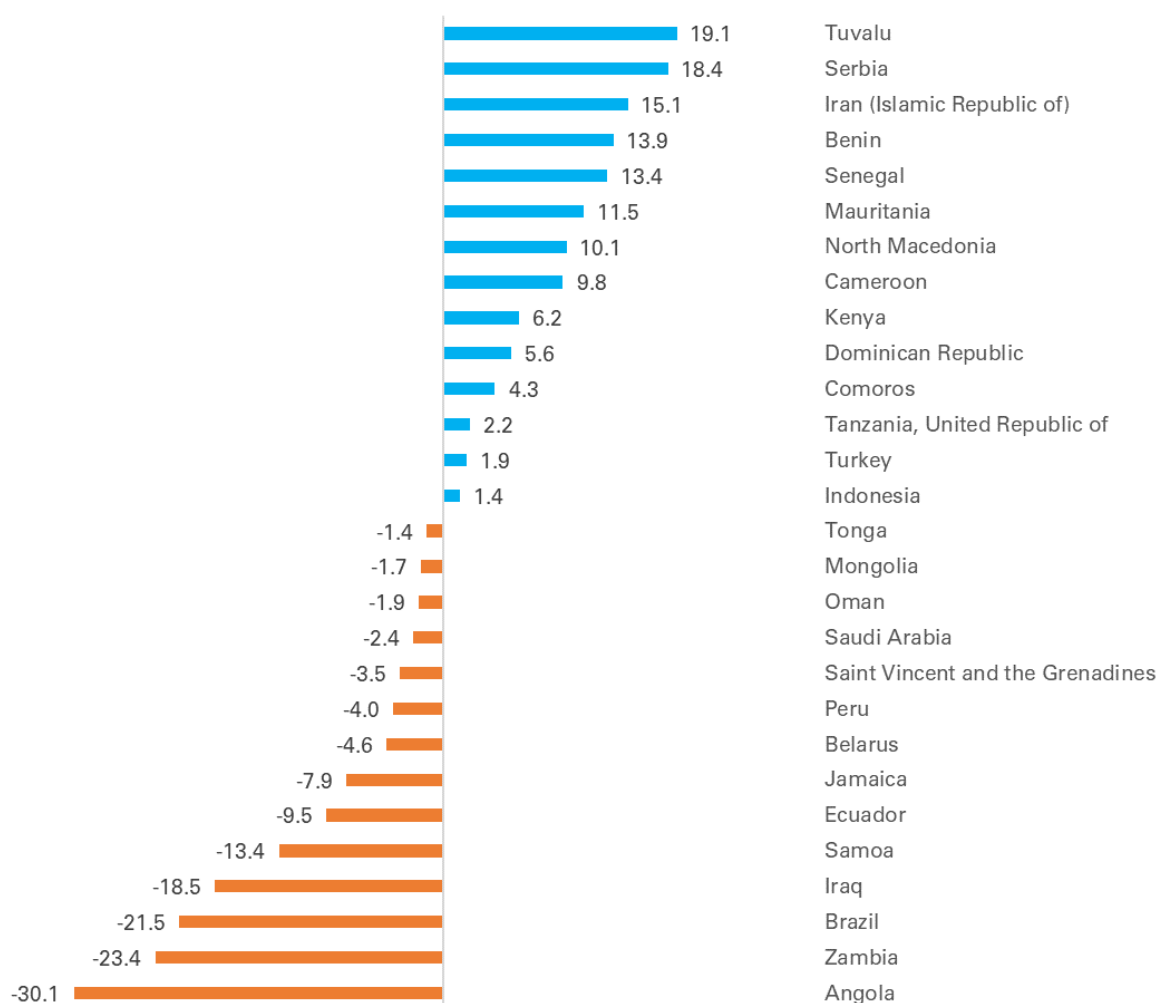
Figure 1. Cumulative COVID-19 cases and percentage of the population fully vaccinated



Sources: [WHO COVID Dashboard](#); [Our World in Data](#), using latest available data, July 2021

Half of the countries studied (14) have already faced significant economic decline since the start of the pandemic. In Angola, GDP per capita has fallen by 30 per cent since 2019, with Brazil and Zambia seeing falls of 22 per cent and 23 per cent respectively. To put this in context, in Angola and Zambia, [over half of households](#) were living on less than USD 1.90 a day, even before the start of the pandemic. On the other hand, some countries have continued to experience economic growth, with GDP per capita rising by over 15 per cent in Iran, Serbia and Tuvalu since 2019 (*see Figure 2*). This is despite Serbia having the highest cumulative COVID-19 case rate of this group of countries.

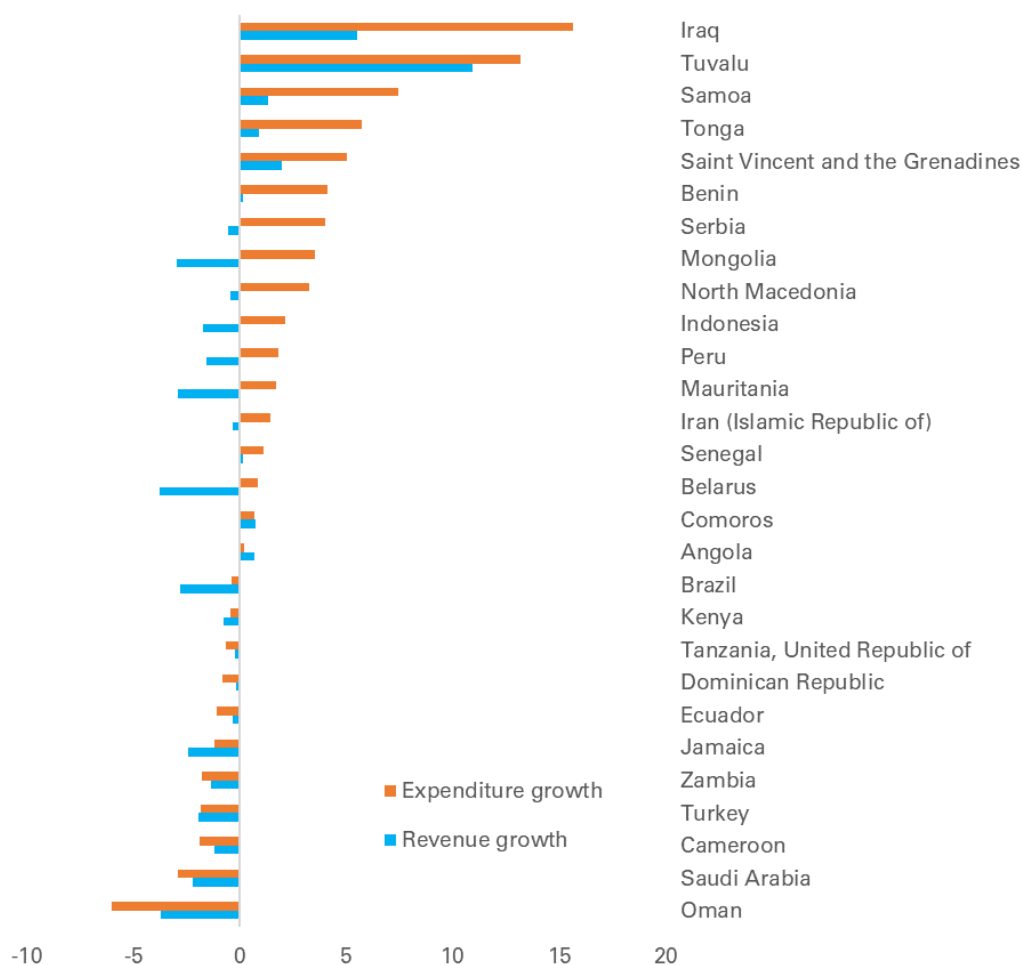
Figure 2. GDP per capita growth between 2019 and 2021



Source: [IMF World Economic Outlook](#), April 2021, author's calculations. Estimates start after 2019.

Almost [two thirds of the countries](#) studied have seen **government revenue** fall since 2019, with one quarter seeing revenue fall by over 2 per cent. Government revenue has fallen by almost 4 per cent in Belarus and Oman, and almost 3 per cent in Brazil, Mauritania and Mongolia. Declining revenue is associated with a fall in government expenditure in 11 of these 28 countries, with Cameroon, Oman and Saudi Arabia seeing the biggest cuts to overall expenditure during this period (*see Figure 3*). In addition, according to [recent reports from UNICEF country offices](#), seven of the 28 countries are reporting decreasing expenditures in one or more social sectors.

Figure 3. Growth in revenue and expenditure as a percentage of GDP between 2019 and 2021



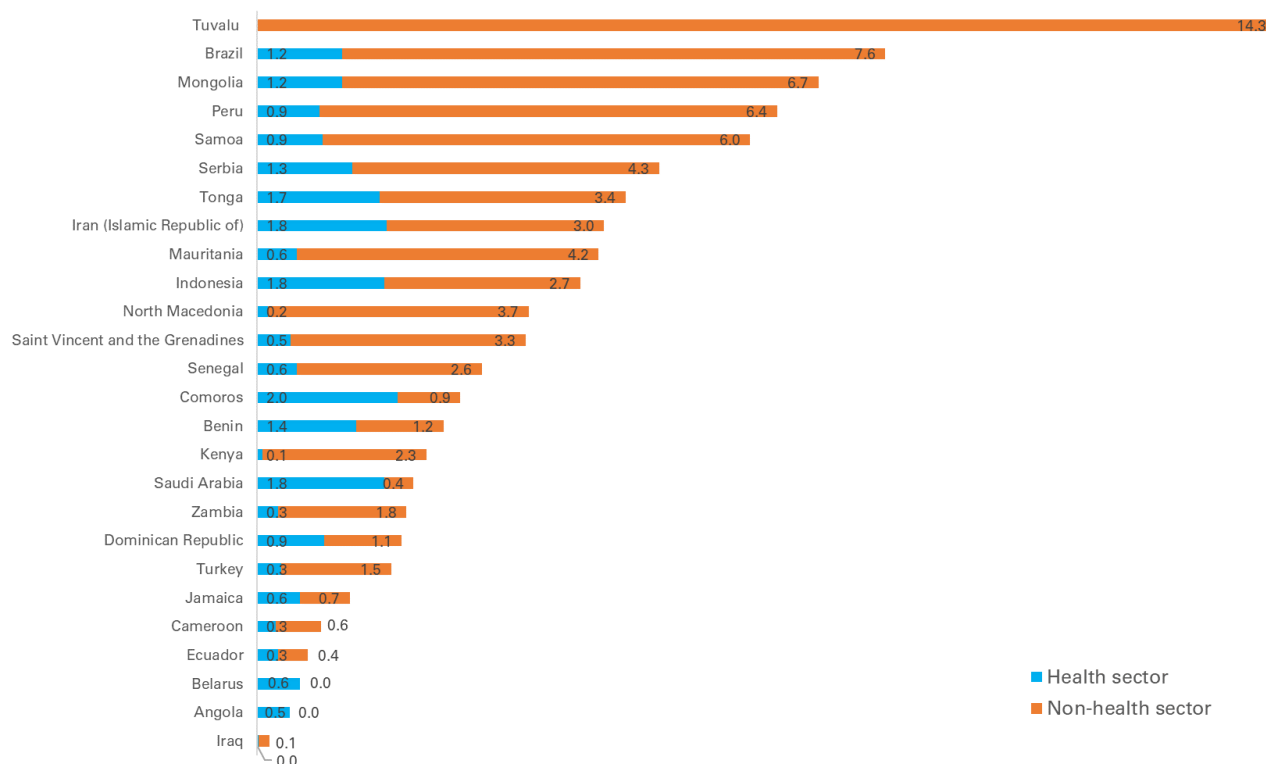
Source: [IMF World Economic Outlook](#), April 2021, author’s calculations. Estimates start after 2019.

Nonetheless, 26 out of 28 countries do report some level of **additional spending** or **foregone revenue** across the social sectors in response to COVID-19. On average, the cost of the COVID-19 response amounted to almost 4 per cent of GDP, with Brazil, Mongolia, Peru and Samoa diverting over 6 per cent of GDP to COVID-19 response, while Tuvalu has spent over 14.3 per cent of GDP, despite reporting no cases. According to a [recent UNICEF survey](#), 19 out of the 28 countries have increased health budget expenditures, 16 have increased social protection expenditure, and 12 have increased education expenditures (*see Figure 4*). [Reported measures](#) introduced in response to COVID-19 include: expanded health care facilities and procurement, including vaccines (12 countries); the introduction or expansion of cash transfers (8 countries); and foregone revenue in the form of tax relief and subsidies on public utility bills (9 countries).

The combined effect of a median revenue decline of –0.5 per cent with a median expenditure rise of +1 per cent has seen the

average **fiscal deficit** [more than double](#) for this group of countries: from –1.8 per cent of GDP in 2019 to –4.4 per cent of GDP in 2021. In 2021, Peru and Mauritania had fiscal deficits of more than –8 per cent, with Turkey and Tuvalu seeing deficits of at least –9 per cent.

Figure 4. COVID-19-related additional spending and foregone revenue as a percentage of GDP, by sector



Source: [Fiscal Policies Database in Response to COVID-19](#), IMF, accessed July 2021. Note. Data missing for Oman and Tanzania.

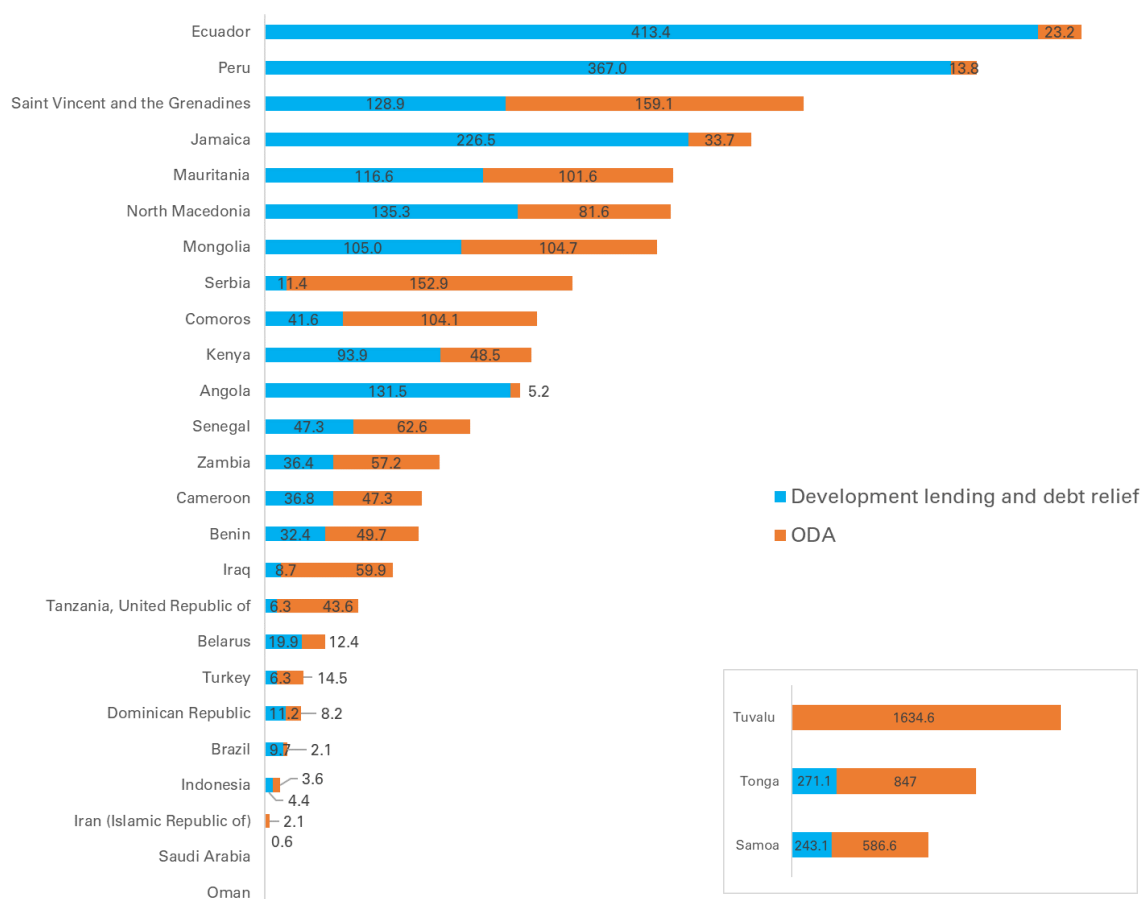
The question of how some of the countries studied will finance additional spending on top of growing fiscal deficits remains. Altogether they have accessed external finance estimated at around an average USD 48 per capita in ODA in 2020 and an additional USD 37 per person in IMF development lending since the start of the pandemic.¹ Small Island States in East Asia and the Pacific receive by far the highest per capita ODA, with the upper middle-income country Tuvalu receiving an estimated USD 1,635 in ODA per person in 2020, compared with under USD 60 per person in the lower income countries of Benin, Cameroon and Zambia.

Upper middle-income countries have also [received much higher levels of development lending](#), with Ecuador and Peru, for

¹ Author’s calculation based on IMF COVID lending; OECD DAC ODA and UN population figures. This figure includes multiyear grants. While a breakdown of ODA per country is not yet available for 2020, estimates are based on preliminary reports of an overall ODA growth rate of 3.5 per cent.

example, receiving USD 413.4 per capita and USD 367.0 per capita in IMF lending and debt relief respectively during this period (*see Figure 5*). However, not all development lending is concessional and, for many middle-income countries, these numbers reflect increasing debt levels during this period. One quarter are reported to be at high risk of debt distress (Cameroon, Kenya, Mauritania, Saint Vincent and the Grenadines, Tonga, Tuvalu and Zambia), with another two countries (Benin and Comoros) at moderate risk. Therefore, while upper middle-income countries may not face the same immediate financing constraints as lower middle-income countries, their future ability to maintain and increase social spending may also be at risk.

Figure 5. Per capita ODA, development lending and debt relief (USD) as part of the COVID-19 response in 2020



Source: Author's calculation based on [IMF COVID lending](#); [OECD DAC ODA](#) and [UN Population Prospects](#).