Protecting and Transforming Social Spending for Inclusive Recoveries

Financing Social Spending in Lower and Middle-Income Countries during COVID-19: Monthly Update #1

April 2021

This is the first 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 a dataset detailing the financial response to COVID-19 by country. Four countries per UNICEF region (a total of seven regions) will be added each month, starting with the countries with the highest monetary poverty in each region.

The data is displayed in three sheets:

- Demographic and finance: demographic data organised by region, income group, child poverty, population, COVID-19 cases and deaths; and financial data on government expenditure and revenue, GDP, borrowing and ODA.
- Additional financing: details on extra-budgetary financing introduced in response to COVID-19: below the line measures i.e. IMF loans and debt relief; and above the line items by sector (health, education, social protection, WASH and vaccines/COVAX).
- Budget and Programme response: details on budget response by country and sector based on the UNICEF COVID-19 dashboard and the IMF COVID-19 Policy Tracker.

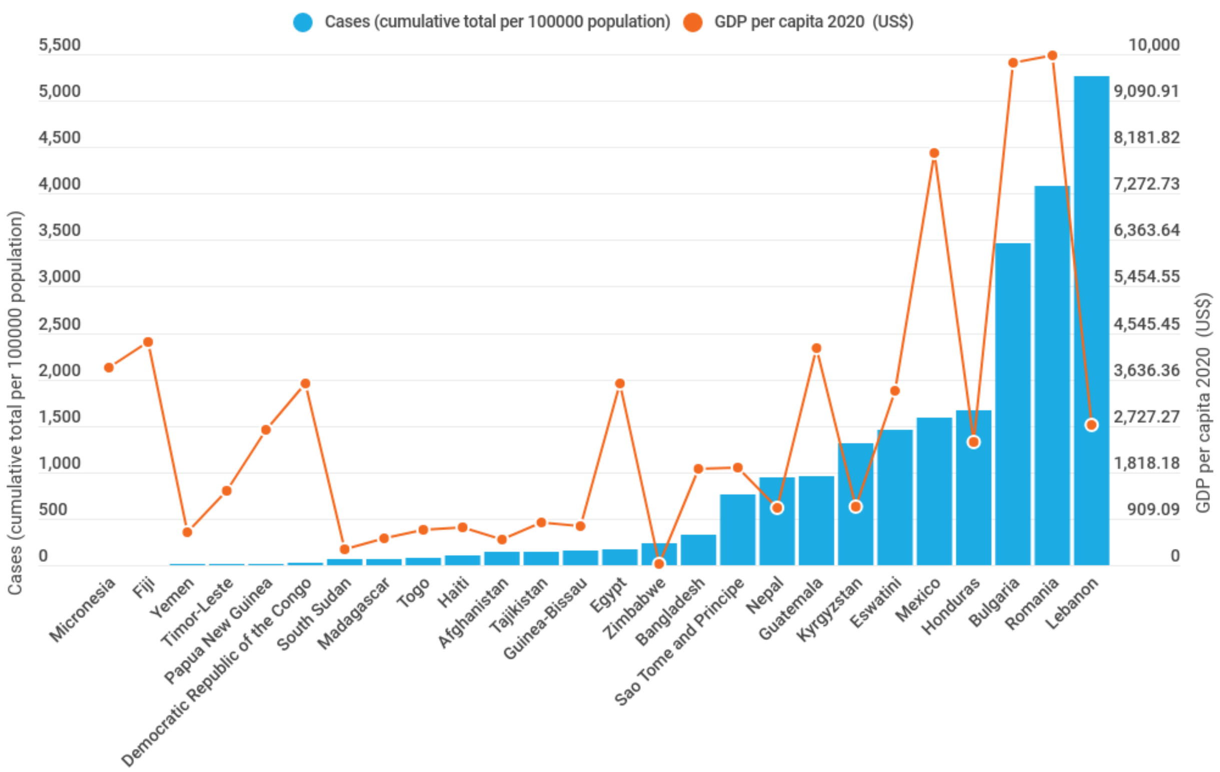
for every child, answers

Key messages

While COVID-19 caseloads in poorer countries have not been significantly higher than elsewhere (*see Figure 1*), the pandemic has disproportionately affected growth prospects for their economies in 2021.[1] With global GDP [forecast to rise]() by 5.5 per cent this year, the average **GDP** growth forecast for this group of low- and middle-income countries (LMICs) stands at just 2.4 per cent. One in five of the countries included here are projected to see a fall in GDP, with a median decline of -11.2 per cent (*see Figure 2*).

Figure 1. Despite lower COVID-19 case rates, poorer countries have been hard hit by the economic impact of the pandemic

Cumulative COVID-19 cases versus GDP per capita (US$) in 26 countries, 2020

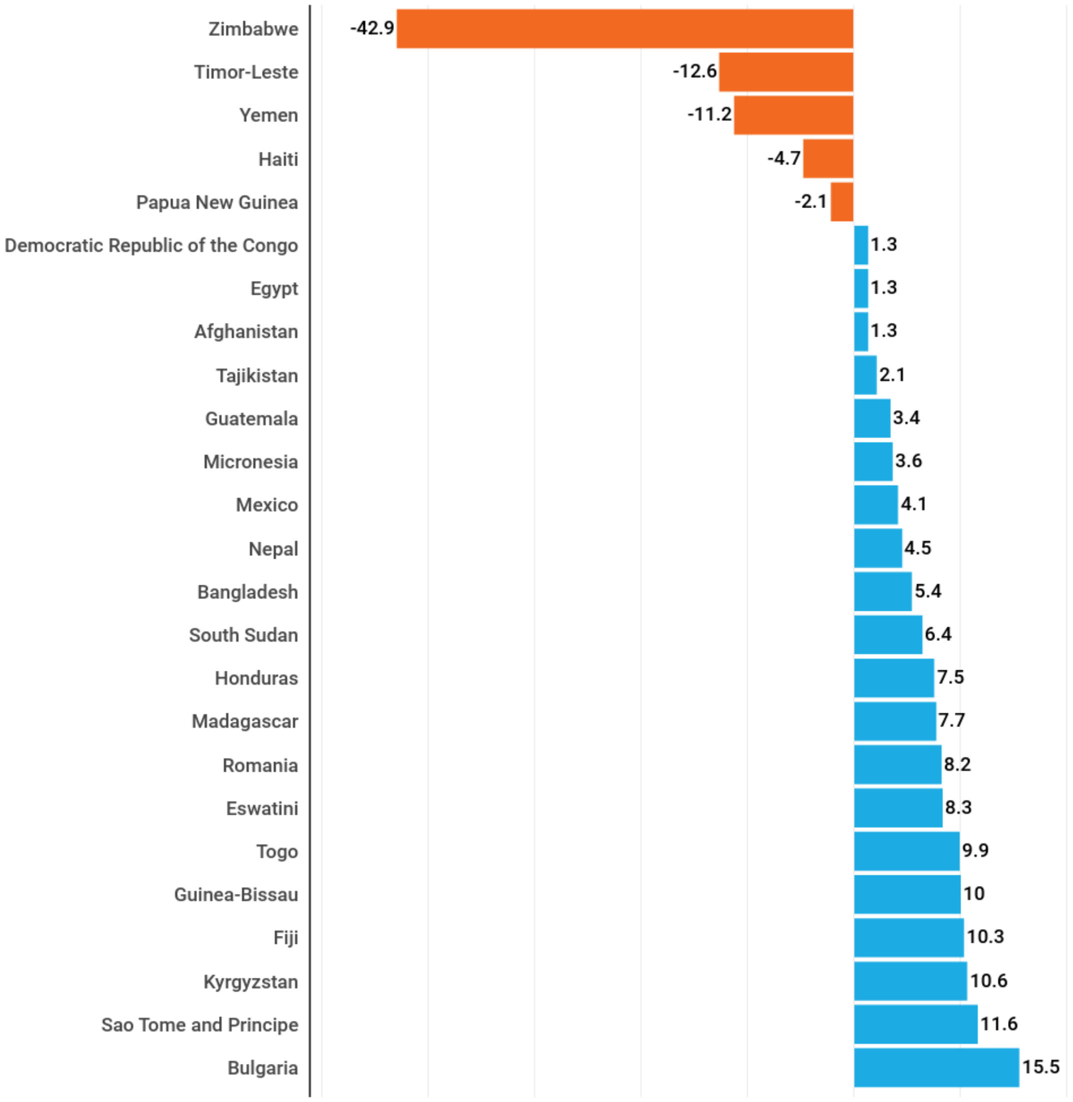


Sources: [WHO COVID Dashboard](); [IMF World Economic Outlook]()
Note: COVID-19 cases in low-income countries and countries in conflict may be under-reported due to low rates of testing. Data is missing for Pakistan and State of Palestine.

[1] This update is based on data from the four poorest countries in each region.

Figure: 2. Zimbabwe, Timor-Leste, Yemen and Haiti projected to take the greatest economic hit

Projected GDP change per capita (US$) in 25 countries, 2020–2021



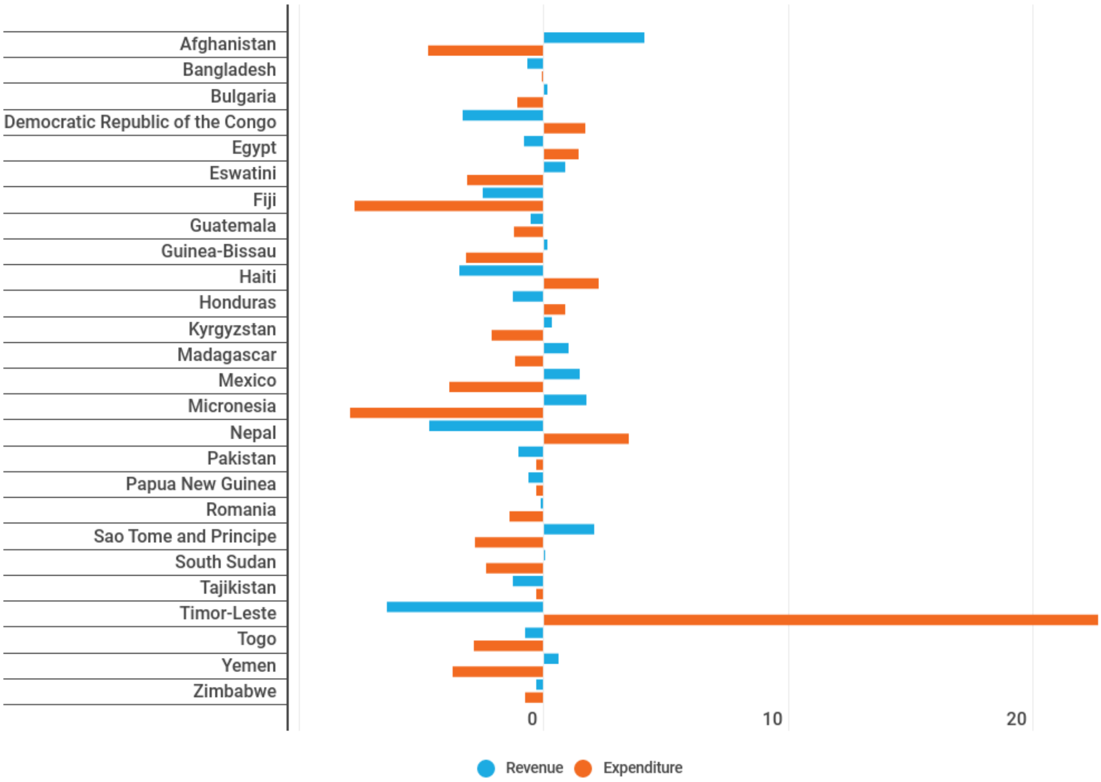
Source: [IMF World Economic Outlook]
Note: Data is missing for Lebanon, Pakistan and the State of Palestine

A much higher proportion – over half of the countries – are expected to see a decline in overall projected **government revenue** between 2020 and 2021. The Democratic Republic of the Congo, Haiti, Nepal and Timor-Leste have been hardest hit, with government revenue, already under threat in 2020, predicted to decline further, by between 3 to 6 per cent of GDP in 2021 (*see Figure 3*).

Over three-quarters of the countries with data available (20 out of 25 countries) plan to cut **public expenditure** between 2020 and 2021, meaning average cuts of 2.5 per cent of GDP across the board. The four countries seeing the greatest cuts to expenditure – Afghanistan, Fiji, Mexico and Micronesia – will see cuts of between 4 to 8 per cent of GDP. Overall, the countries in this group face a median fiscal deficit of -4.5 per cent.

Figure 3. Three-quarters of 26 poor countries plan to cut public expenditure, up to 8% of GDP

Change in projected Government Revenue and Expenditure as a percentage of GDP, in 25 countries, 2020–2021



Source: [IMF World Economic Outlook]
Note: Data is missing for Lebanon, Pakistan and the State of Palestine.

While richer nations have spent an estimated [US$10,000 per capita] on fiscal stimulus packages to protect spending, initial estimates based on this dataset suggest that LMICs have only been able to access under US$60 per head in **additional financing.**[2]

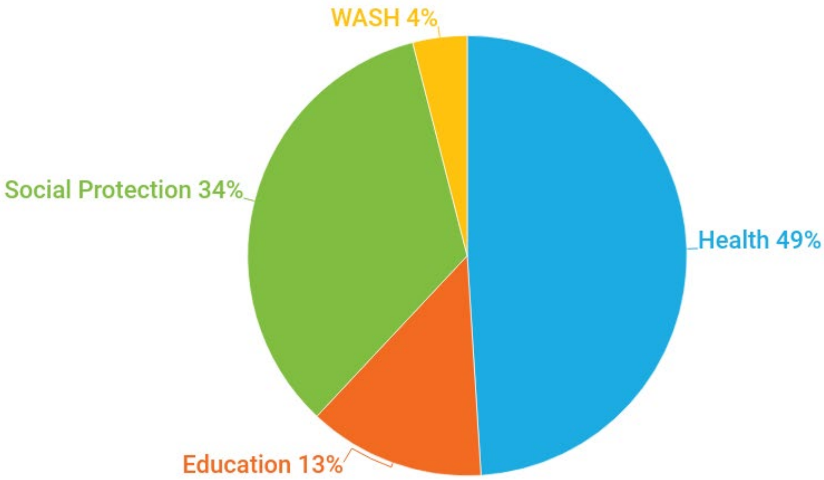
Development finance in the form of IMF lending (concessional and non-concessional) and debt relief makes up just under two thirds of this additional financing, with **sector-specific ODA** grants and increased government social spending comprising the remaining third. Almost half of sector-specific additional financing has gone to the health sector, with social protection receiving a third of the COVID-19 grants recorded here. The education and WASH sectors in this group of countries have received 13 and 4 per cent respectively of additional financing (*see Figure 4*).

Figure 4 shows the percentage of additional COVID-19 financing, including development finance and ODA, going to health, education, social protection and WASH sectors, based on available data from 28 countries.

[2] This estimate is based on publicly available data. Limitations of the data are outlined in the dataset under metadata.

Figure 4. Education and WASH sectors receive least additional financing

Percentage of additional COVID-19 financing, based on data in 28 countries



Sources: Author's calculations based on latest available data from: DEVEX; IMF Lending Tracker; DSSI; World Bank Projects; EU Institutions Response to COVID; USAID and FCDO

UNICEF data suggests that over a quarter of these countries have already made cuts to planned budget expenditure in either health, education, social protection or WASH. It will be important to maintain social spending across all the key social sectors as countries enter COVID-19 recovery.