

# chapter 4

## crisis financing to the

# Covid-19 pandemic response

In 2020, the Covid-19 [coronavirus] pandemic has increased the global need for humanitarian assistance, compounding existing crises and creating new ones. More than half of countries targeted by the UN's Covid-19 Global Humanitarian Response Plan (GHRP) [34 of 63 countries] are experiencing protracted crisis.<sup>1</sup> Of these 34 countries, three quarters are assessed to be at high (17) or very high risk (8) from the impacts of the Covid-19 pandemic.<sup>2</sup>

All resources, including official development assistance (ODA), are set to fall. Commercial and private flows such as foreign direct investment and remittances, which are crucial for some developing countries, are already in decline. Our analysis suggests that the revenues of countries experiencing protracted crisis may fall 7% in 2020. The global economic downturn brought about by the Covid-19 pandemic is also likely to undermine one of ODA's most valuable qualities – its ability to scale up effort in response to rising needs when other resources retreat. Our analysis finds that ODA could fall from US\$153 billion in 2019 to US\$134 billion by 2021, in the worst of three scenarios, and cuts may continue beyond 2021 as governments re-assess domestic priorities.<sup>3</sup>

Humanitarian needs are currently higher than ever before. At the end of June 2020, with the addition of needs related to Covid-19, total UN-coordinated appeal requirements for 2020 had already reached US\$37.7 billion. This is 25% higher than in June 2019 and constitutes the single largest increase in funding requirements since 2014. An additional US\$578 million has been committed to UN-coordinated appeals so far this year, compared to the same point in 2019. This funding appears to be supporting both the Covid-19 pandemic response and other needs not related to the pandemic.

The call for financial support has been answered by bilateral, multilateral and private donors. At the end of June 2020, at least US\$3.8 billion in humanitarian and development grants had been reported. Among the 20 largest recipients of this grant funding, 18 are countries experiencing protracted crisis.

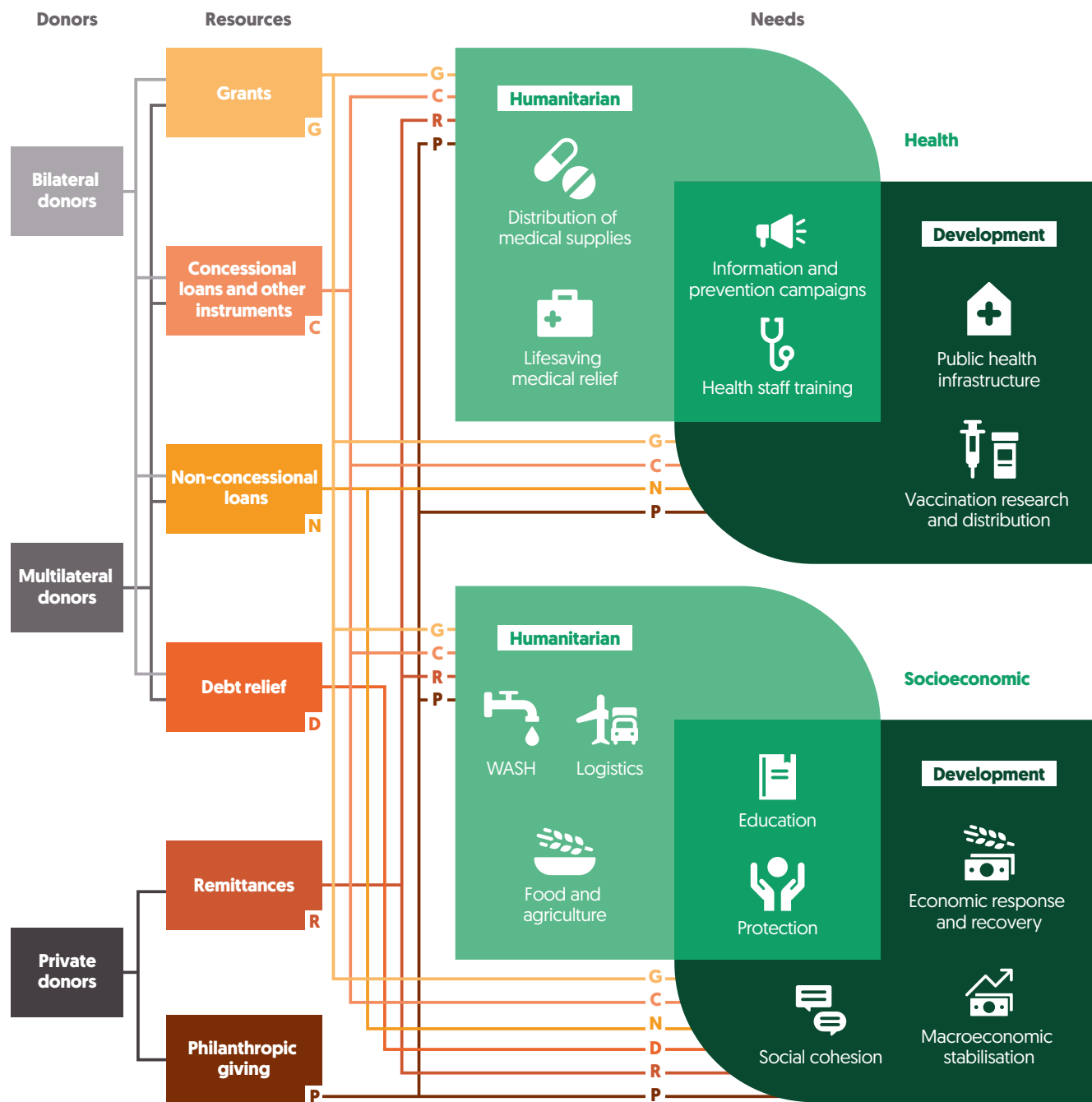
Lending has also been substantial. Total support in the form of grants and loans provided by five development finance institutions, including the World Bank and the International Monetary Fund, for the Covid-19 pandemic response amounts to US\$47.9 billion. Of this, over a third (36%, US\$17.0 billion) was directed to 31 countries experiencing protracted crisis, which are also targeted by the GHRP.

# Resource flows for Covid-19 pandemic response

**Figure 4.1**

A joined-up and transparent approach to financing is critical to meeting the different needs emerging from the Covid-19 pandemic

Resource flows to address needs emerging from the Covid-19 pandemic



**Note:** WASH: Water, sanitation and hygiene. The different needs reflected in the figure are indicative and not an exhaustive list.

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Official development assistance (ODA), targeted at immediate humanitarian need and broader socioeconomic and health needs, will be critical in addressing the impacts of the Covid-19 (coronavirus) pandemic on the world's most vulnerable people. Bilateral and multilateral grants and concessional and non-concessional public lending are providing resources to countries experiencing humanitarian crisis associated with the Covid-19 pandemic, for some areas of humanitarian need as well as wider health and socioeconomic support. In addition, support to enable the use of domestic fiscal resources to respond to the pandemic has been made available through short-term suspension of debt repayments and through grants to cover debt repayment (for instance through the Catastrophe Containment and Relief Trust of the International Monetary Fund [IMF]).

The scale of assistance and the most appropriate mix of resources required, including the proportion of grant and loan assistance, will vary depending on the context of each country, considering in particular recipients' needs, capacity to respond and capacity to manage rising debt. This is particularly important for countries already experiencing humanitarian crisis, where domestic resources are often already limited<sup>4</sup> and capacity to withstand shocks depleted.

This range of international financial support directly targets immediate and longer-term needs, yet constitutes only a relatively small part of the mix of international resource flows to countries in humanitarian crisis. In 2017, humanitarian assistance accounted for 8% of international flows to such countries, whereas developmental ODA accounted for 20%.<sup>5</sup> Other international flows, while functioning differently from ODA, are important. For countries with humanitarian appeals for two or more consecutive years, remittances are the single largest flow, making up 37% of all international flows, while foreign direct investment (FDI) constitutes 12%.<sup>6</sup>

### **Impact of the Covid-19 pandemic on national and international resources**

One particular advantage of ODA, and public finance more widely, is that it can directly target the people and places most in need, even when crises drive down or deter other types of investment. However, the global economic downturn induced by the Covid-19 pandemic is likely to see substantial reductions in ODA. As the economies of donor governments contract, international concerns may struggle to compete with domestic priorities.

Projections calculated by Development Initiatives (DI) indicate that total ODA may fall from 2019 levels of US\$153 billion to, at best, US\$143 billion in 2020, recovering to US\$149 billion in 2021. At worst, total ODA may fall to US\$139 billion in 2020 before falling further to US\$134 billion (a 12% reduction) in 2021. These projections are based on economic forecasts made in June 2020 by the Organisation for Economic Co-operation and Development of three pandemic scenarios (a short outbreak, a longer outbreak and a second outbreak).

The projected immediate reductions in ODA are likely to severely affect countries already facing humanitarian crisis. ODA represents more than a quarter of all government expenditure for a third of countries within the Global Humanitarian Response Plan (GHRP) (37%, or 23 of 63 countries); and more than half of these are in a state of protracted crisis. Seven of the ten countries with the highest proportion of ODA as government expenditure are GHRP countries (Somalia, Chad, Central African Republic (CAR), Sierra Leone, Liberia, Niger and Democratic Republic of Congo (DRC)); of these, five (Somalia, Chad, CAR, Niger and DRC) are experiencing protracted crisis.

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This comes at a time when other resources are also set to fall substantially. Growth projections – that continue to be revised down – could lead to significantly lower government revenues, even in the absence of additional debt, for countries experiencing protracted crisis before the Covid-19 pandemic. Revenues for such countries are projected to fall in aggregate absolute terms by some US\$155 billion in 2020. This represents a 7.1% fall over 2019, almost double the 3.7% projected across developing countries more widely. The impacts of the Covid-19 pandemic are expected to severely interrupt progress. By 2021, aggregate revenues in these countries could be around US\$500 billion lower than the level predicted prior to pandemic outbreak.

Other international resource flows are also projected to fall sharply, and particularly so for countries experiencing protracted crisis. Remittances and FDI have already fallen sharply and DI calculates a projected fall in remittances, FDI and tourism combined by 27% in 2020, to countries experiencing protracted crisis.

### **Needs emerging from the Covid-19 pandemic and funding requirements for the response**

The UN's GHRP sets out the funding requirements for the 63 countries identified as most in need of humanitarian assistance as a result of the Covid-19 pandemic. These countries include 55 with existing humanitarian needs identified through Humanitarian Response Plans and Regional Response Requirements, plus 8 additional countries in which humanitarian need has arisen solely as a result of the pandemic. More than half of these countries (34 of 63 countries) are experiencing protracted crisis with the established challenges that this entails to broader socioeconomic development, government capacity and long-term resilience. The potential impacts of the Covid-19 pandemic on these countries is severe. Of these 34 countries experiencing protracted crisis, three quarters are assessed to be at high (17) or very high risk (8) from the impacts of Covid-19.<sup>7</sup> The pandemic also risks pulling additional countries into long-term crisis. For these countries in particular, deciding how to finance humanitarian and development assistance will require consideration of current conditions but also the likely impact of persistent crisis and future global economic circumstances.

Total requirements for the GHRP stand at US\$7.3 billion, with 21% met as of 29 June 2020. The scale of need varies, with individual country requirements ranging from US\$506 million for Ethiopia to US\$17 million for Benin, excluding need identified through Regional Response Plans. Fourteen countries have requirements in excess of US\$100 million.<sup>8</sup> As of the end of June 2020, the extent to which funding requirements had been met for countries within the GHRP varied widely, from 0% in Benin to 54% in Palestine.

In addition to these specifically humanitarian needs, the UN is seeking funding of US\$1.2 billion for the World Health Organization (WHO) to address public health needs, as well as further funding for the UN's Framework for the Immediate Socioeconomic Response to Covid-19 to support nine months' activity to the end of 2020 in developing countries.<sup>9</sup>

These different funding plans highlight both the immediate humanitarian and wider socioeconomic response required to address the impacts of the Covid-19 pandemic. Therefore, coordination and collaboration will be vital between humanitarian and development actors, as well as with peacebuilding actors in unstable or conflict-affected contexts [see Box 4.2, Covid-19 response and the 'triple nexus'].

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## Tracking financial flows for the Covid-19 pandemic response

By the end of June 2020, significant financial assistance, beyond pledges, has been mobilised for the Covid-19 response, although more and better-targeted assistance is needed. This analysis draws on data from UN OCHA's Financial Tracking Service (FTS), the International Aid Transparency Initiative (IATI) and major development finance institutions (DFIs) collated by the Centre for Disaster Protection.<sup>10</sup>

- At the end of June 2020, US\$3.8 billion of international (humanitarian and development) grant assistance (disbursements and commitments) has been allocated to the Covid-19 pandemic response.
- Of this US\$3.8 billion, US\$2.8 billion is humanitarian grants, US\$658 million is development grants and US\$383 million is unspecified grants in support of the pandemic response.
- US\$1.6 billion of reported international grant support has been provided to support global initiatives or without reporting on the destination location.
- Conversely, US\$2.2 billion (58%) of the grant support committed to the Covid-19 pandemic response was allocated to specific countries, with an additional 2% (US\$65 million) allocated to specific regions.

By the end of June 2020, international grant assistance had already been directed to more than one hundred countries. As the pandemic spreads and the impact on incomes and food security becomes apparent, this international grant assistance may be required in greater volumes as impacts worsen and affect more countries.

- The US\$2.2 billion of country-specific assistance was allocated to 127 countries, with US\$1.8 billion directed to 58 GHRP countries. Among GHRP countries, the 33 countries already experiencing protracted crisis received US\$1.5 billion.

In addition to humanitarian and development grant funding, DFIs are providing support for health and socioeconomic needs, primarily in the form of loans (concessional and non-concessional), with some additional grant assistance.

- Total loan (concessional and non-concessional) support provided by five major DFIs, including the World Bank and IMF (as of 10 June 2020) to the Covid-19 pandemic response amounts to approximately US\$46.7 billion.
- Over half (59%, or US\$27.5 billion) of this DFI financing is directed to 50 countries included under the GHRP to Covid-19 and the remaining US\$19.2 billion is directed to 63 other countries or regions. Some US\$17.0 billion (loans and grants) is directed to 31 countries experiencing protracted crisis.

This data provides only a partial view of all financing to the Covid-19 response, with reporting and data publishing to international platforms and standards not yet complete or fully coherent (see Box 4.1, How are resource flows for the Covid-19 response reported and what does this mean for tracking flows?). Multiple data sources and an absence of standardised reporting makes it challenging to reconcile data and create a clear and full picture. Beyond the analysis in this report, DI continues to track, reconcile and piece together these different financing elements, which will include updates to the analysis on Covid-19 financial flows in this report.<sup>11</sup>



#### **Box 4.1**

##### **How are resource flows for the Covid-19 response reported and what does this mean for tracking flows?**

For humanitarian grant flows, UN OCHA's FTS provides the primary platform for tracking. It records pledges, commitments and paid contributions, capturing funding within UN appeals, including the GHRP, as well as additional humanitarian grants outside appeals, reported by donors, UN agencies and NGOs. Humanitarian grants as well as development grants and loans are published to IATI,<sup>12</sup> a common data standard for humanitarian and development activities. Publishing to IATI in general and for Covid-19 activities is increasing but there are gaps in coverage. Accessing and interpreting IATI data, and managing for double counting when aggregating reported funding, can be challenging.

More broadly, reconciling and aligning funding data on Covid-19 reported to FTS, published to IATI and in implementers' own funding updates can be equally challenging. As we highlight below in the section on 'Who is providing funding for Covid-19 pandemic response?', large volumes of financing in the form of grants, loans, debt relief and other financial instruments are also being provided towards the Covid-19 response by DFIs. While some of this financing is captured by IATI, and to a much lesser extent by FTS, more comprehensive reporting of financing by institutions such as the IMF is reported independently through their respective websites. Some progress is being made providing a clearer picture of financing to the pandemic response. For instance, a data visualisation prototype has been recently released, pooling data from FTS, IATI and WHO, which begins to show how these different sources of data can be understood alongside one another.<sup>13</sup> However, the Covid-19 pandemic throws into sharp relief the persistent difficulties of coherently tracking and thereby coordinating international humanitarian and development assistance.



## **Box 4.2**

### **Covid-19 response and the 'triple nexus'**

How can approaches to financing the humanitarian–development–peace nexus be improved in response to the Covid-19 pandemic?

A global pandemic straddles the priorities of humanitarian, development and peace (HDP) actors. An effective response therefore demands joined-up working that brings together these actors – and the frameworks they operate within. Short-term humanitarian responses alone will not address the longer-term implications of Covid-19. What is required is simultaneous support to national health and social protection systems, market opportunities and peacebuilding through wider resource flows, including public and private flows beyond ODA.

DI's ongoing country research in Cameroon, Somalia and Bangladesh, working with the Norwegian Refugee Council and the UN Food and Agriculture Organization, to be published later in 2020, has highlighted lessons on how HDP actors are collaborating in addressing people's risk and vulnerability to the impacts of the Covid-19 pandemic and other crises. Financing plays a pivotal role within this.

There are four emerging priorities to address silos in humanitarian and development planning and funding that are crucial in enabling an effective response to the Covid-19 pandemic.

#### **1. Joined-up assessments, planning and programming**

Joined-up (or at least complementary) assessments and coordinated planning between HDP actors, with leadership from the national government, is vital for an effective response to Covid-19. Research in Cameroon has shown that planning for longer-term socioeconomic impact and recovery in parallel to the immediate health response is crucial. Here, local actors and informal local coordination mechanisms are playing a key role in coordinating and delivering the response.

#### **2. Budget flexibility enabled by decentralised decision-making**

Flexibility to reallocate budgets to adapt, scale up and shift focus as necessary in response to changing vulnerability and crisis needs, such as in response to Covid-19, is crucial for both development and humanitarian actors. Country staff are however constrained by centralised budgetary decision-making, earmarking and demarcations between humanitarian and development budget lines. Decentralised budgetary decision-making and simplified systems enabling budget reallocation is crucial for a more flexible and timely response.

#### **3. Scaling up contingency funding**

While budget flexibility is important, reallocating existing budgets can threaten to shift focus away from existing priorities. Access to additional funding enabling scale-up in response to unforeseen crisis, such as Covid-19, is also vital. Contingency financing mechanisms can support this, through in-built programmatic risk financing mechanisms or pooled funding at the national level. There is a pressing need for development actors to incorporate such financing mechanisms as a default programmatic design feature.

#### **4. Mobilising blended and risk finance**

Grant funding is often slow and short-term in nature, and smaller than the volume of financing available outside the aid sector. Several new blended finance mechanisms have been announced over recent months in response to the pandemic. Examples include social bonds from the African Development Bank, the Covid-19 response plan of the World Bank, and concessional lending through the Rapid Credit Facility of the IMF. It is crucial that decisions on how to allocate finite grant funding – through risk financing mechanisms or support to national systems – should be driven by an understanding of comparative impact on the lives of vulnerable people, and based on evidence of impact.

# Which countries are receiving international funding for response to Covid-19, and in what volumes?

**Figure 4.2**

Humanitarian and development grants for Covid-19 target countries at high risk of impact and those experiencing protracted crisis

20 largest recipients of humanitarian and development grants for Covid-19 pandemic response, with markers for risk of impact from the pandemic and for protracted crises, June 2020



**Sources:** Development Initiatives based on UN Office for the Coordination of Humanitarian Affairs (OCHA) Financial Tracking Service (FTS) and International Aid Transparency Initiative (IATI) data downloaded on 24 June 2020 and on International Federation of Red Cross and Red Crescent Societies (IFRC) donor response updates as of 15 June 2020. Data on grants by development finance institutions (DFIs) was collated and analysed by the Centre for Disaster Protection.

**Notes:** DRC: Democratic Republic of the Congo. Only grant assistance allocated directly to countries is included in this graph. For humanitarian grants, volumes capture assistance reported to UN OCHA's FTS that is directed towards the international humanitarian response, including a small number of funding flows provided by domestic governments.



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To understand if needs are being effectively met, it is imperative to have a clear picture of where and when funding is being provided, particularly in the rapidly evolving context of the Covid-19 pandemic.

- The US\$2.2 billion grants committed to the Covid-19 pandemic response allocated to specific countries represents 58% of total international grant support. An additional 2% (US\$65 million) was allocated to specific regions.
- The remaining US\$1.6 billion of reported international grant support has been provided at the global level or without reporting on the destination location.
- US\$500 million of the global-level support has been disbursed. More information on the remaining US\$1.1 billion should become available, enabling identification of its final destinations and how much is implemented at country level, as commitments turn into disbursements.

International grant funding for the Covid-19 response is being directed to countries that have also been large recipients of international humanitarian assistance in recent years.

- At the end of June 2020, 18 of the 20 largest recipients of international grant assistance for the Covid-19 pandemic response were countries experiencing protracted crisis.
- INFORM's Covid-19 risk index<sup>14</sup> assessed 17 of these 20 countries as being at very high [5] or high [12] risk from the impacts of the Covid-19 pandemic.
- The group of 10 largest recipients of assistance related to Covid-19 in 2020 includes 9 of the 10 largest recipients of international humanitarian assistance in 2018 [see Chapter 2, Figure 2.6]. Only Jordan does not feature as a large recipient of Covid-19 funding.
- Among the 20 largest recipients, Iran and Côte d'Ivoire are the only two countries that have not received large volumes of international humanitarian assistance in recent years.
- Only one country, Côte d'Ivoire, is not currently included in the UN's GHRP, although it was highlighted in the GHRP's May update as at risk of needing humanitarian assistance and is considered high risk by INFORM's Covid-19 Risk Index. At the end of June, little humanitarian assistance was reported to have been provided to Côte d'Ivoire, with the vast majority identified as development assistance, from the IMF's Catastrophe Containment and Relief Trust to relieve fiscal stress from debt repayments.

By the end of June 2020, most countries had received the majority of their reported international grant support as humanitarian assistance. This international grant support for response to Covid-19 is currently more widely distributed, and less concentrated among a small group of large recipients, than most international humanitarian assistance typically is.

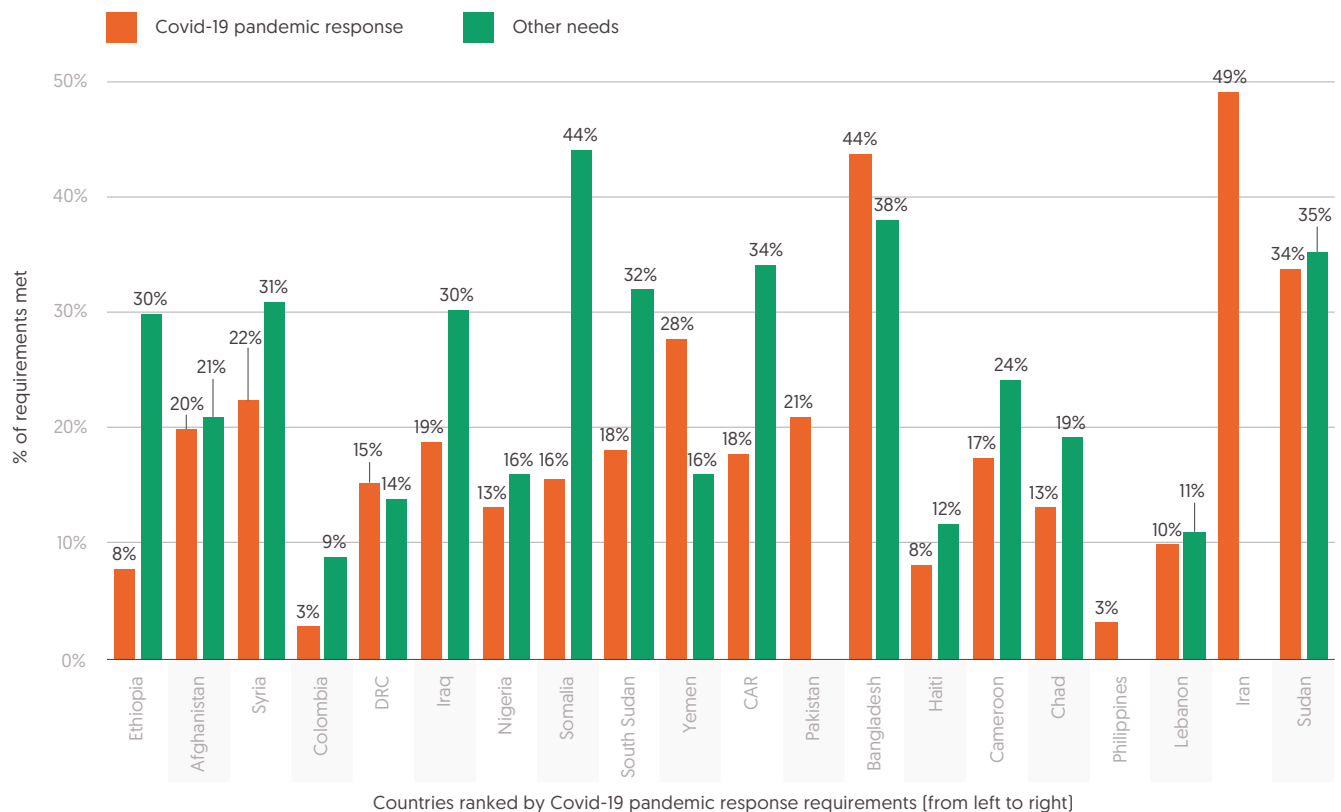
- The three largest recipients of reported international grant support for response to Covid-19 were Somalia (US\$236 million), Afghanistan (US\$125 million) and Syria (US\$102 million). In total, this accounts for 21% of all assistance allocated directly to countries. This is roughly half the 40% of assistance allocated directly to countries provided to the three largest recipients of international humanitarian assistance in 2018 [see Chapter 2, Figure 2.6].
- Of the 20 largest recipients, three received more than half of their grant support in the form of development assistance: Côte d'Ivoire, Mali and Haiti.
- Somalia received a large World Bank grant of US\$138 million, which was not specified as humanitarian or development, but appears to support overall crisis recovery through social protection, the construction of health facilities and irrigation.

# Requirements and funding: how do responses to the Covid-19 pandemic and other humanitarian crises compare?

**Figure 4.3**

Coverage of appeal targets varies widely but both Covid-19 pandemic response and other humanitarian needs are receiving funding

Requirements met for Covid-19 pandemic response, compared with other needs, June 2020



The Covid-19 pandemic is putting increased strain on already limited funding for humanitarian response. In June 2020, UN appeal requirements (not including those related to the pandemic) of US\$30.4 billion were already slightly higher than mid-year requirements in 2019, of US\$30.2 billion.<sup>15</sup> With the addition of Covid-19 requirements, total UN humanitarian appeal funding requirements for 2020 have already reached US\$37.7 billion, 25% higher than in June 2019. Even with no further adjustments to appeal requirements, this would constitute the single largest increase in funding needs since 2014.

However, donors are stepping up. As of 29 June 2020, 20% of all total appeal requirements had been met, totalling US\$7.5 billion, with the same proportion, on average, of requirements fulfilled for the Covid-19 appeal and for other humanitarian appeals. While this is lower than the proportion of appeals met at the same time in 2019 (23%), volumes disbursed are US\$578 million higher than the US\$6.9 billion allocated by mid-year (20 June) in 2019. Given the urgent need to respond to the onset of the Covid-19 pandemic and the impact on donor country economies, the key question is whether funding levels can be sustained in the second half of 2020.

**Source:** Development Initiatives based on UN OCHA FTS data.

**Notes:** Countries are ranked by Covid-19 requirements as reported to UN OCHA FTS. Data is in current prices and was downloaded on 29 June 2020.

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The manner in which international humanitarian assistance is allocated for Covid-19, determined by the type of response required for a global health emergency, is evident in a lower proportion being allocated directly to countries than for other assistance, along with a sixth of total allocations going to global support services.

- By June 2020, of the total appeal funding to Covid-19 response with information on its component, almost three quarters (74%, US\$833 million) was allocated directly to countries' plans (HRPs, flash and appeals specific to Covid-19), 17% (US\$195 million) was to global support services, while 8% (US\$91 million) went to regional response plans.
- This compares to other appeals, not related to Covid-19, of which 83% (US\$5.3 billion) went directly to country plans, and 17% (US\$1.1 billion) was multi-country.

While the pandemic is placing additional strain on scarce humanitarian resources, 2020 allocations to date do not suggest that donors are prioritising the response to Covid-19 over pre-existing crises. In aggregate, both types of appeal requirements have been fulfilled to a similar degree. And among the countries with the highest appeal requirements for Covid-19 funding, at end of June 2020, it was clear that the majority had received higher proportions of their other requirements.

- Among the 20 countries with the highest Covid-19 appeal requirements, 17 also had other humanitarian appeals. 14 of these 17 countries had higher proportions of their other requirements fulfilled, while only 3 appeals had higher proportions of their requirements for response to Covid-19 met.

However, by the end of June 2020, the extent to which Covid-19 and other requirements had been met varied significantly between appeals. As with funding in previous years to UN humanitarian appeals, there is no clear pattern determined by size of appeal requirements or profile of crisis. Coverage of funding requirements (for appeals components not focused on Covid-19) are varied in 2020, as observed every year (see Chapter 2, Figure 2.2). These range from 44% in Somalia to 9% in Colombia. However, the variance in coverage is greater for Covid-19 components of appeals, ranging from 54% of requirements met in Palestine to 0% in Benin.

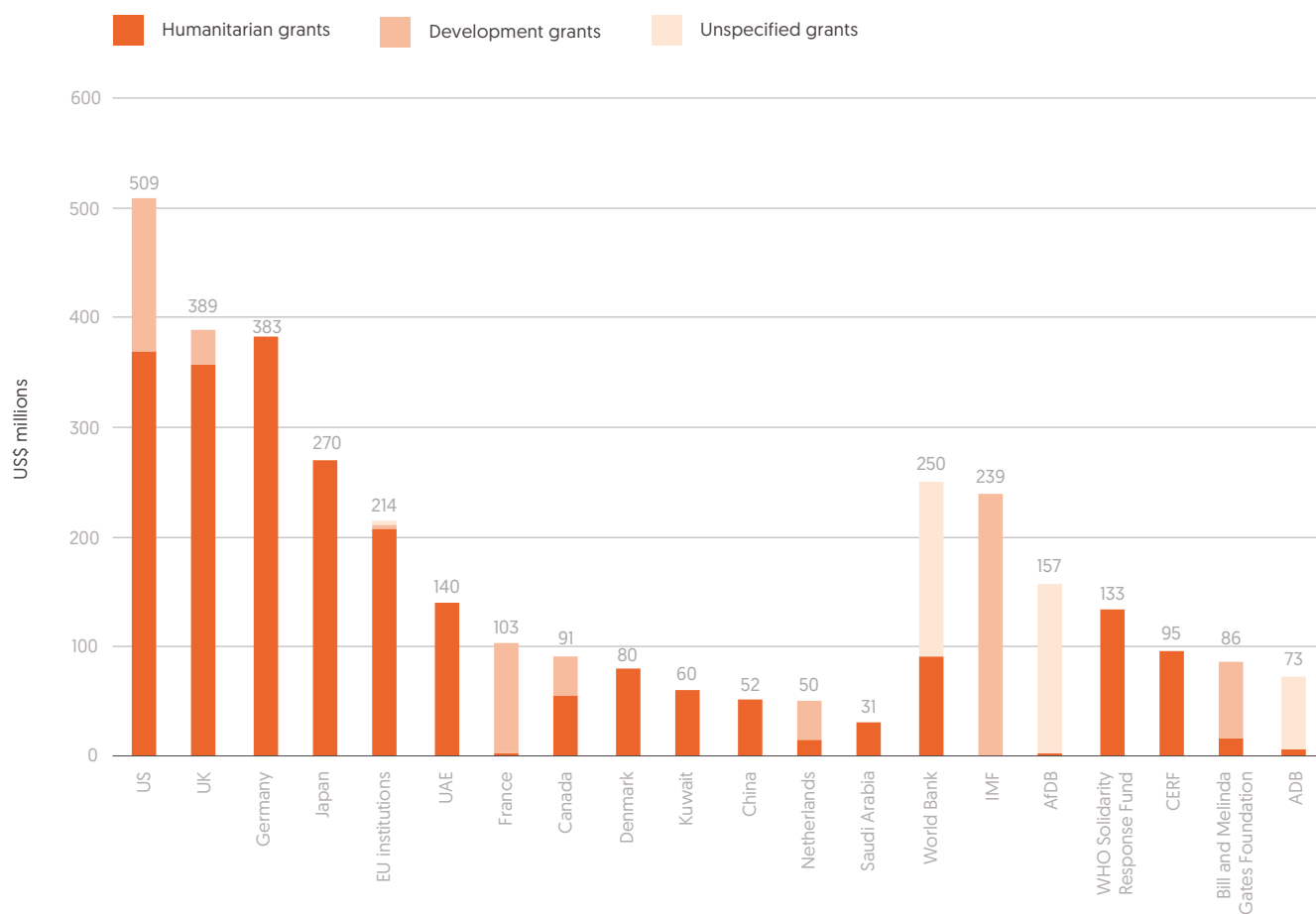
- At the end of June 2020, seven countries had received more than 30% of their Covid-19 appeal requirements: Palestine (54%), Mali (53%), Iran (49%), Burkina Faso (46%), Bangladesh (44%), Sudan (34%) and Myanmar (32%).
- Conversely, 13 countries had received 10% or less of Covid-19 requirements, including 7 that had received 5% or less: Benin (0%), Liberia (1%), Colombia (3%), Burundi (3%), Philippines (3%), DPR Korea (3%) and Sierra Leone (4%).
- The combined variation in meeting either Covid-19 or other humanitarian needs reveals a group of countries where funding requirements for both sets of appeals are failing to be met. As of June 2020, a third (6 of 17) of the countries with the largest Covid-19 appeal requirements fell into this category.
- Among the 20 countries with the largest Covid-19 appeal requirements, 6 had received less than 20% of both Covid-19 and other funding requirements: Colombia (3% of Covid-19 and 9% of other requirements met) Haiti (8%, 12%), Lebanon (10%, 11%), Nigeria (13%, 16%), Chad (13%, 19%) and DRC (15%, 14%).
- Of these six countries receiving low proportions of combined appeal requirements, three were identified in the European Civil Protection and Humanitarian Aid Operations' (ECHO's) most recent assessment of forgotten crises in 2019:<sup>16</sup> Chad, Colombia and Haiti.
- Two countries were, however, particularly well-funded, having received more than 30% of their Covid-19 and other funding requirements: Bangladesh (with 44% of Covid-19 and 38% of other requirements met); and Sudan (34% and 35%), which in 2019 was identified by ECHO as a forgotten crisis.

# Who is providing funding for Covid-19 pandemic response?

**Figure 4.4**

Humanitarian and development grant funding patterns for Covid-19 pandemic response broadly reflect funding for other humanitarian crises

20 largest donors of international humanitarian and development grants for Covid-19 pandemic response, June 2020



The call for financial support to those in need as a result of the Covid-19 pandemic has been answered by bilateral, multilateral and private donors. At the end of June, just three and a half months since the WHO declared the Covid-19 outbreak to be a pandemic, commitments of at least US\$3.8 billion in humanitarian and development grants have been reported. More is likely to have been committed but not yet reported.

- Based on preliminary data from UN OCHA's FTS, IATI and development finance institutions collated at the end of June 2020, over 150 donors have so far provided US\$3.8 billion of international grant assistance to the Covid-19 pandemic response. This includes US\$2.5 billion from 44 different governments and inter-governmental institutions.
- Of this US\$3.8 billion, US\$2.8 billion is humanitarian grants, around US\$658 million is development grants and US\$383 million is unspecified grants in support of the pandemic response.

**Sources:** Development Initiatives based on UN OCHA FTS and IATI data downloaded on 24 June 2020 and on IFRC donor response updates as of 15 June 2020. Data on DFIs was collated and analysed by the Centre for Disaster Protection.

**Notes:** ADB: Asian Development Bank; AfDB: African Development Bank; CERF: Central Emergency Response Fund; UAE: United Arab Emirates; WHO: World Health Organization. IATI data on humanitarian and development grants is included where it could be identified as additional to FTS data. For more information, please see our online 'Methodology and definitions'.

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With the pandemic continuing to spread across the world and needs escalating, the timeliness with which this funding reaches those most in need is critical.

- Of the total grant support captured in the DI dataset, roughly a third (35%, US\$1.3 billion) is reported as having been disbursed. The remaining funding of US\$2.5 billion (65%) has been committed or approved.

While the majority of grant funding for the Covid-19 pandemic response comes from a small number of donors, there has been a slight widening in the share of the global response compared to funding patterns for other humanitarian crises. The three donors providing the largest volumes of international humanitarian assistance in 2019 are the largest donors to the Covid-19 response.

- The US, Germany and the UK provided 44% of total grants from public donors to the Covid-19 pandemic response. In comparison, in 2019 these same three donors provided 58% of total international humanitarian assistance from public donors.

Other large bilateral donors to the Covid-19 pandemic feature regularly among the largest donors of international humanitarian assistance, with two exceptions.

- China has provided US\$52 million in humanitarian grants for the Covid-19 response, and features as the eleventh-largest bilateral donor of reported grant assistance.
- France has contributed the seventh-largest volume of reported grant funding by bilateral donors, although the vast majority of this has been provided as development rather than humanitarian grants.

Some grant funding from multilateral donors is identifiable, with DFIs being the largest contributors. The majority of DFI support is provided in the form of loans however (see Figure 4.5), and further investigation is required to disaggregate DFI grant contributions further.

Humanitarian grant funding is relatively well reported but data on development grants is not comprehensively published on interagency reporting platforms, or data standards such as the IATI Standard, although reporting on the Covid-19 pandemic response is improving. There is likely to be an additional amount of development grants being provided to the pandemic response. Total pledges made in the 'Global Goal' summit convened by the European Commission in support of the pandemic response amount to around US\$14.3 billion for Covid-19,<sup>17</sup> indicating that significant funds are yet to be released or reported. DI is working to collate available data on funding for the response to the [Covid-19](#) pandemic on an ongoing basis and will provide regularly updated analysis on our website.



### **Box 4.3**

#### **How is funding with greater flexibility being provided for the Covid-19 response?**

The Grand Bargain obliges its signatories to increase the use of flexible funding in its commitments to provide more flexible multi-year funding and more flexible funding through reduced levels of earmarking. The onset of the Covid-19 pandemic has forced donors and implementing agencies to adapt to ensure that existing humanitarian programmes can continue and so that new funding can be negotiated and disbursed as quickly and easily as possible. In the face of an increasingly challenging environment, considerable flexibility has been introduced to some existing and new funding arrangements.

On 30 March 2020, the UN Inter-Agency Standing Committee (IASC) Results Group 5 on Humanitarian Financing issued its 'Interim key messages on flexible funding for humanitarian response and Covid-19'.<sup>18</sup> This set out key requests for donors and documented the steps that IASC members (UN agencies and INGOs) were taking to increase flexibility of the funding they pass on. These key messages were framed around the concepts of flexibility (for existing funding through re-programming and new funding, through timely, light processes of negotiation and disbursement), and simplification (through the lightening and fast-tracking of processes of grant management, such as due diligence and reporting).

Building on these interim messages, the IASC published a 'Proposal for a harmonized approach to funding flexibility in the context of Covid-19' on 30 June 2020.<sup>19</sup> This sets out common actions that UN agencies and partners will seek to pursue. It puts forward nine areas for action, including: simplified procedures for no-cost extensions; allowing budget-line flexibility, ideally up to 20%; covering direct unrecoverable costs incurred due to Covid-19; adopting a remote approach to due diligence and risk management; and introducing reduced reporting requirements.

#### **In practice how has increased funding flexibility been provided?**

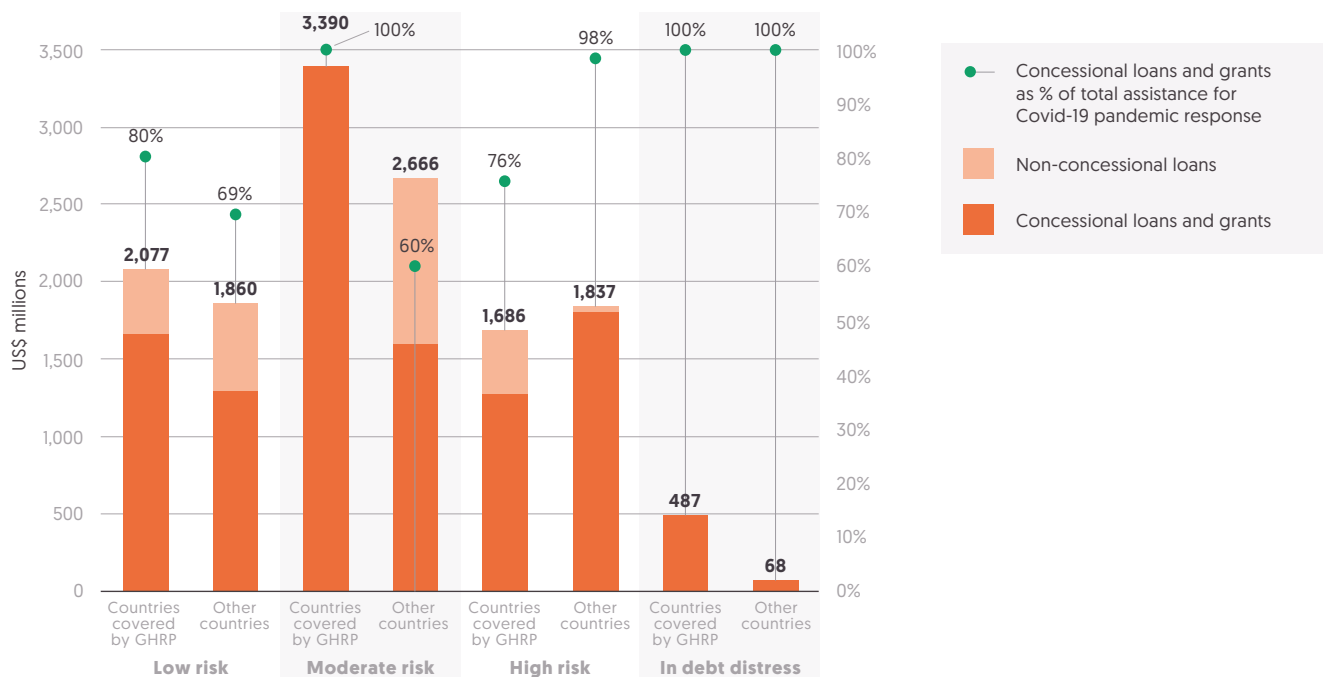
In response to the onset of the Covid-19 pandemic, UN OCHA's Country Based Pooled Funds (CBPFs) adopted new Flexibility Guidance on 6 April 2020.<sup>20</sup> This guidance seeks to support the CBPF's partners to continue operating and to adapt to the altered operating environment. The guidance includes features such as: allowing for re-programming to new locations or activities; allowing cost extensions to scale up activities for Covid-19 response; allowing new projects to include a 4% contingency budget line; broadened cost eligibility; and allowing 15% budget-line flexibility to be applied to staff costs. The CBPFs have indicated that they intend to adopt elements of the flexibility guidance for application beyond Covid-19, on the basis of a review of implementation.

Increased flexibility in donor funding arrangements has been provided. Practice has varied between donors, with changes to official guidance in some instances and in others the adoption of an open, flexible position through which a range of measures are possible on a case-by-case basis. Examples of enhanced flexibility include: increased budget-line flexibility, for instance the Norwegian Agency for Development Cooperation increasing the threshold for pre-approval of changes to annual budgets from 10% and 20%;<sup>21</sup> and altered cost eligibility, for instance Global Affairs Canada allowing operational partners to cover up to 30 days of local staff costs where projects are suspended due to Covid-19.<sup>22</sup>

**Figure 4.5**

**Countries experiencing humanitarian crisis resulting from Covid-19 are reached by DFI support but volumes vary**

Concessionality of DFI loans and grants for Covid-19 pandemic response by risk of debt distress and by Global Humanitarian Response Plan (GHRP) coverage, June 2020



Loans constitute the single largest financial flow to help countries address the economic and health impacts of the Covid-19 pandemic. Loans, while not necessarily directly targeting humanitarian need, form a potentially important element of the wider resource mix available to countries, alongside humanitarian and development grants (see section above on 'Resource flows for Covid-19 pandemic response'), where countries have the capacity to sustainably manage debt repayments. DFIs are the largest source of Covid-19 lending, while in some cases also providing smaller volumes of grants.

Analysis of support provided by five major DFIs, building on data collated by the Centre for Disaster Protection,<sup>23</sup> indicates that the volume of financing from these five institutions varies significantly between countries within the GHRP.<sup>24</sup>

- Total support provided by these five DFIs to the Covid-19 pandemic response amounts to US\$47.9 billion. About \$1.4 billion of this is in the form of grants, and the rest is loans (concessional and non-concessional).
- Over half of this support (58%, US\$28.0 billion) is directed to 53 countries included under the GHRP to Covid-19, including 31 countries experiencing protracted crisis which received US\$17.0 billion (loans and grants). The remaining US\$19.9 billion is directed to 62 other countries or regions. This volume compares to total GHRP appeal requirements of US\$7.3 billion for humanitarian need.

**Source:** Development Initiatives based on data collated and analysed by the Centre for Disaster Protection from publicly available sources and on IMF data. For more detail, please refer to our 'Methodology and definitions'.

**Notes:** Global Humanitarian Response Plan. Concessional loans include those that are a blend between concessional and non-concessional financing. Loan data is included for financing of the Covid-19 pandemic response by the World Bank Group, the International Monetary Fund, Asian Development Bank, African Development Bank and Interamerican Development Bank. Included are only countries for which there is information on their level of debt distress as per the IMF's list of debt sustainability analyses as of 30 April 2020. Data is in current prices, as of 10 June 2020.

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The volume of DFI support varies significantly between countries covered by the GHRP.

- Five GHRP countries receive half [50%] of all support from the five DFIs: Nigeria, Egypt, the Philippines, Pakistan and Kenya. These countries account for an estimated 10% of country-specific requirements for the Covid-19 response under the GHRP.<sup>25</sup>
- Ten countries included in the GHRP have received no support from these five DFIs.
- Of these, four have country-specific GHRP requirements (Libya, Syria, Venezuela and DPR Korea). For Libya and Syria, the requirements are 29% and 22% covered at the end of June 2020, and in the case of DPR Korea, only 3% covered.<sup>26</sup>

Beyond a small group of middle-income countries receiving a large proportion of total lending to GHRP countries, there is no clear pattern of where and on what scale DFI support is provided, when compared to humanitarian need and funding. In aggregate, lower volumes and more concessional forms of support are directed to countries at high risk of or in debt distress. However, the volumes received by individual countries assessed to have the same level of debt distress vary, while experiencing protracted crisis does not appear to clearly impact on whether and to what extent DFI support is provided.

- South Sudan and Somalia are both in debt distress and have large GHRP requirements of US\$217 million and US\$226 million, respectively. However, the volume of support they have received differs greatly. South Sudan received just US\$7.6 million while Somalia received US\$148 million.
- South Sudan's GHRP requirements are 18% met and it has received US\$7.6 million in grants from the World Bank, while Somalia's GHRP requirements are 16% met and it has received US\$138 million in grants from the World Bank and \$10 million in loans from the African Development Bank.

Some GHRP countries are receiving relatively larger volumes of DFI support and humanitarian grants. Where this is the case, this support has to be coherently planned to ensure that resources are channelled effectively to need. Some limitations in how funding is distributed restrict the amount available for individual countries.

- Ethiopia and Afghanistan have the largest country-specific requirements under the GHRP, at US\$506 million and US\$396 million, respectively. The extent of fulfilment of these requirements differs, with Ethiopia having 8% of requirements met and Afghanistan, 20%.
- Both countries are among the larger recipients of funds from DFIs among GHRP countries, with Ethiopia receiving US\$505 million and Afghanistan receiving US\$524 million.

In other contexts, the level of DFI support is lower. In contexts of high debt distress or instability, low levels of lending, if not grant support, may be appropriate. Here, donors and humanitarian actors need to take into account the wider resource picture in making their allocation decisions.

- Syria (US\$384 million requirements under the GHRP, 22% funded), Iraq (US\$263 million, 19%), Yemen (US\$179 million, 28%) and CAR (US\$153 million, 18%) are all conflict-affected states with relatively large requirements for the humanitarian response to the Covid-19 pandemic.
- Syria has received no DFI support, while Iraq, Yemen and CAR have received US\$34 million, US\$47 million (including US\$27 million under the GHRP) and US\$52 million (including US\$2.5 million under the GHRP), respectively.



For countries facing humanitarian crisis from the Covid-19 pandemic, their long-term capacity to manage debt, whether concessional or at commercial rates, is critical. This is particularly so for those already experiencing protracted crisis caused by other emergencies (such as conflict, natural disaster and displacement).

- Of countries in the GHRP in receipt of DFI support for the Covid-19 pandemic, 15 are at high risk of debt distress or in debt distress. Of these, 11 are experiencing protracted crisis.
- All DFI support for Covid-19 response to countries in debt distress has been made on concessional terms or as grants. World Bank support to countries in debt distress will be solely in the form of grants.
- While all loans to countries within the GHRP at medium risk of debt distress were concessional (some with grant components), close to a quarter (24%) of support to countries in the GHRP considered at high risk of debt distress was in the form of non-concessional loans.

## Channels of delivery for funding the Covid-19 pandemic response

**Figure 4.6**

Multilateral agencies receive nearly three quarters of Covid-19 international humanitarian assistance  
Channels of delivery for international humanitarian assistance for Covid-19 pandemic response, June 2020



**Source:** Development Initiatives based on UN OCHA FTS data.

**Notes:** RCRC: International Red Cross and Red Crescent Movement. Data is in current prices and was downloaded on 24 June 2020. The chart shows first-level funding as part of the Covid-19 pandemic response as reported to FTS.

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Responding to humanitarian need in the Covid-19 pandemic has challenged how assistance is typically delivered, not least through the retrenchment of international staff presence on the ground, which has focused greater attention on the central role that local and national actors should play. Data on the channels of delivery of assistance presents only a partial picture of how funding is being delivered, as data beyond the first recipient is incomplete. However, the available data indicates that patterns of funding to the Covid-19 response are concentrated even further through certain channels, compared to other humanitarian funding in recent years, with significantly higher proportions going to multilateral agencies and lower shares channelled through governments and NGOs.

- As of 24 June 2020, almost three quarters (73%, US\$1.9 billion) of the total international humanitarian assistance to the Covid-19 response was channelled through multilateral organisations. This compares to an average of 61% directed to multilateral organisations by governments in response to other humanitarian crises over the period 2014 to 2018.
- Of this humanitarian Covid-19 grant funding to multilateral organisations, 92% was provided to just four UN agencies. The WHO received US\$746 million (38% of funding to UN agencies and other multilateral organisations); the UN International Children's Emergency Fund (Unicef), US\$465 million (24%); the World Food Programme (WFP), US\$328 million (17%); and the UN High Commissioner for Refugees (UNHCR), US\$246 million (13%).
- In part, this higher than typical proportion of funding may be explained by 38% of total Covid-19 assistance (US\$1.0 billion) being directed to global support services, such as logistics and transportation of supplies, rather than being allocated to specific countries.
- NGOs and CSOs, both international and national, in comparison, have received substantially lower proportions of funding – just 5.1% (US\$134 million) of the total international humanitarian assistance for Covid-19 – compared to an average of 19% directed to NGOs and CSOs by governments between 2014 and 2018.
- Five INGOs received nearly a third of all funding to NGOs and CSOs: Save the Children (13%, US\$17 million), Norwegian Refugee Council (6.3%, US\$8.5 million), Catholic Relief Services (4.6%, US\$6.2 million), International Medical Corps (4.2%, US\$5.6 million) and Relief International (4.1%, US\$5.5 million).
- The International Red Cross and Red Crescent Movement received 7.3% (US\$193 million) of total assistance, with similar volumes directed to ICRC (US\$93 million) and IFRC (US\$89 million).
- Less than 5% (US\$119 million) of total international humanitarian assistance to the Covid-19 response was channelled through public sector institutions. Ten national governments, of which only four are targeted through the GHRP, accounted for more than half of this assistance: Mauritania (US\$10 million, 8.4%), Yemen (US\$10 million, 8.4%), China (US\$7.6 million, 6.4%), Serbia (US\$5.8 million, 4.9%), the Maldives (US\$5.0 million, 4.2%), Iran (US\$4.7 million, 3.9%), Tajikistan (US\$4.5 million, 3.8%), Kyrgyzstan (US\$4.0 million, 3.4%), Sierra Leone (US\$4.0 million, 3.4%) and Kenya (US\$3.7 million, 3.1%).



#### Box 4.4

##### How can data on funding be traced from donor to final recipient?

The traceability of funding describes the ability to track funding through the delivery chain of international assistance – for instance, governments might fund UN agencies who then partially sub-grant components to NGOs for implementation. Tracking funding in this way is crucial to show where international assistance is ultimately implemented and by whom. This is particularly important for understanding the progress made towards Grand Bargain commitments to provide more funding – and more flexible, multi-year funding – to local and national actors.

If the quality of data is good enough, it can be used to coordinate the response and to identify populations in need that are left behind. In the context of a global pandemic with far-reaching consequences for humanitarian and socioeconomic needs, effective coordination and gap analysis with the help of globally consistent data is more important than ever.

To balance reporting requirements and the need for transparency, it is useful to distinguish between weak and strong traceability. To achieve **weak traceability**, implementing organisations have to report all funding flows received and sub-granted, without necessarily connecting the two. **Strong traceability** requires a reporting organisation to link individual outgoing funds with the corresponding incoming funding flows. The minimum ambition should be to achieve weak traceability for as much international assistance as possible. This would provide data on where funding is ultimately directed to, and for what. For some aspects of the response, strong traceability might be necessary to ensure accountability – for instance, to evidence whether multi-year funding is cascaded down to second-level recipients. Both FTS and IATI, as the two main interagency platforms for reporting on the Covid-19 pandemic response, have the technical capacity to capture data on weak and strong traceability.

##### How good is the reporting of data that allows funding to be traced?

Progress on the Grand Bargain transparency commitments has been significant, with 87% of signatories now publishing to IATI and 93% of those publishing humanitarian-related data. However, progress on traceability has been slow. From June 2017 to May 2020, 19 organisations that were Grand Bargain signatories [35%] were publishing IATI traceability information, identifying the funding provider and recipient for each activity across the delivery chain. Only 7 organisations [13%] were providing granular data on Grand Bargain commitments such as cash, localisation and earmarking.<sup>27</sup>

On FTS, 2019 data shows that there was only US\$410 million of second-level funding provided by UN agencies, the Red Cross and Red Crescent Movement and NGOs. This accounts for only 1.5% of total humanitarian funding that year. Of that amount, it is possible to link outgoing funds with incoming funding flows for only US\$29 million.



### **Box 4.4 (continued)**

#### **How well can funds be traced for the Covid-19 pandemic response?**

At the time of writing, at the end of June 2020, there is little data available on FTS on the Covid-19 response that allows funds to be effectively traced. Large volumes of funding have been reported as commitments at the global level but without data on where they are to be directed. Given that the international response to the Covid-19 pandemic is in its early stages, this is not surprising. However, reporting this information in the future will be critical for effective coordination.

For IATI data, an online prototype visualisation has been developed that provides a snapshot of funding traceability by organisation.<sup>28</sup> It visualises incoming and outgoing funds by reporting the organisation for all activities relevant to Covid-19. However, large implementers, such as WFP, UNHCR or UNICEF, have not yet published sufficient data to allow comprehensive assessment of where funding is directed to, the needs it is addressing, or to whom it is sub-granted.

At the end of June 2020, FTS recorded only seven funding agreements, with a total volume of US\$4.1 million, that contain information on second-level funding as part of the Covid-19 pandemic response. This is only 0.2% of the total funding reported to FTS as part of the response. However, discussions are already underway to improve the volume and quality of second-level reporting, so more traceability data is likely to be available in future.

The Covid-19 pandemic throws into stark relief the inadequate reporting of data on development and humanitarian assistance, preventing the effective tracing of funding flows. Donors and aid agencies must rectify this, so that the response to the Covid-19 pandemic and other crises is informed by a clear picture of where and how funding is being allocated.

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# notes

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## chapter 4

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1. Development Initiatives defines countries experiencing protracted crisis as countries with at least five consecutive years of UN-coordinated humanitarian or refugee response plans as of the year of analysis.
2. As assessed by INFORM Covid-19 Risk Index. Available at: <https://ec.europa.eu/jrc/en/publication/annual-reports/inform-covid-19-risk-index>
3. Development Initiatives, 2020. Covid-19 and financing projections for developing countries. Available at: <https://devinit.org/resources/covid-19-and-financing-projections-developing-countries/>
4. Development Initiatives, 2019. Global Humanitarian Assistance Report 2019, page 44. Available at: <https://devinit.org/resources/global-humanitarian-assistance-report-2019/>
5. See note 4.
6. See note 4.
7. As assessed by INFORM Covid-19 Risk Index. Available at: <https://ec.europa.eu/jrc/en/publication/annual-reports/inform-covid-19-risk-index>
8. The 14 countries with country-specific requirements in excess of US\$100 million as of 29 June 2020 are: Ethiopia, Afghanistan, Syria, Colombia, DRC, Iraq, Nigeria, Somalia, South Sudan, Yemen, CAR, Pakistan, Bangladesh and Haiti.
9. UN Framework for the immediate socio-economic response to Covid-19. Available at: <https://unsdg.un.org/resources/un-framework-immediate-socio-economic-response-covid-19>
10. World Bank Group (including IDA, IBRD, IFC and MIGA) [WBG], International Monetary Fund [IMF], African Development Bank [AfDB], Asian Development Bank [ADB] and Inter-American Development Bank [IADB].
11. Development Initiatives, 2020. The challenges of data on the financing response to Covid-19. Available at: <https://devinit.org/resources/challenges-data-financing-response-covid-19/>
12. For more information on publishing to IATI, see IATI Publishing Guidance. Available at: <https://iatistandard.org/en/news/publishing-data-covid-19-using-iat-standard/>
13. Covid-19 data visualisation prototype. Available at: <https://devinit.org/what-we-do/news/new-covid-19-funding-data-visualisation-launched/>
14. INFORM Covid-19 Risk Index. Available at: <https://ec.europa.eu/jrc/en/publication/annual-reports/inform-covid-19-risk-index>
15. UN OCHA, 2019. Global humanitarian overview 2019. Mid-year status report, June 2019. Available at: [https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/gho\\_statusreport\\_20jun2019-en\\_v2.pdf](https://www.humanitarianresponse.info/sites/www.humanitarianresponse.info/files/documents/files/gho_statusreport_20jun2019-en_v2.pdf)

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16. ECHO, 2019. Forgotten crisis assessment. Available at: [https://ec.europa.eu/echo/sites/echo-site/files/annex\\_4\\_fca\\_2019.pdf](https://ec.europa.eu/echo/sites/echo-site/files/annex_4_fca_2019.pdf)
  17. More information on the breakdown of political and financial pledges made at the 'Global Goal' summit is available at: [https://ec.europa.eu/commission/presscorner/detail/en/qanda\\_20\\_1216](https://ec.europa.eu/commission/presscorner/detail/en/qanda_20_1216)
  18. IASC, 2020. IASC interim key messages: flexible funding for humanitarian response and Covid-19. Available at: <https://interagencystandingcommittee.org/iasc-task-team-humanitarian-financing/interim-key-messages-flexible-funding-humanitarian-response>
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  21. NORAD. Covid-19 guidance for implementing partners. Available at: <https://norad.no/en/front/funding/>
  22. Global Affairs Canada, Guidance on eligibility of Covid-19 potential costs. Available at: <https://www.international.gc.ca/development-developpement/partners-partenaires/bt-oa/guidance-covid-guide.aspx?lang=eng>
  23. Centre for Disaster Protection, Funding Covid-19 response, <https://www.disasterprotection.org/funding-covid-19-response>
  24. Analysis is based on data from: World Bank Group (including IDA, IBRD, IFC and MIGA) (WBG), International Monetary Fund (IMF), African Development Bank (AfDB), Asian Development Bank (ADB) and Inter-American Development Bank (IADB).
  25. Nigeria, the Philippines and Pakistan receive 32% of DFI support and account for 10% of all country-specific requirements. Egypt and Kenya have relatively small requirements for other humanitarian needs as country components of regional response plans, however data for country-specific requirements for the Covid-19 pandemic response for all countries in regional plans is not yet available.
  26. At the end of June 2020, funding to Venezuela for response to the Covid-19 pandemic was not being tracked on UN OCHA's FTS, so it was not possible to identify the coverage of appeals requirements.
  27. For more information, please refer to DI's progress report, Supporting Grand Bargain signatories in meeting commitments to greater transparency, available at: <https://devinit.org/resources/supporting-grand-bargain-signatories-meeting-commitments-greater-transparency/>
  28. The data and corresponding visualisation is available at: <http://covid19.humportal.org/flows/>