

Emergency financing for Low-Income Economies (LIEs) to tackle COVID-19

Cost estimates for the impact of the crisis and emergency financing requirements¹

This briefing provides cost estimates for the impact of the crisis and emergency financing requirements for 69 Low-Income Economies (LIEs²) in 2020 under three different scenarios:

- 1. In a baseline scenario, the impact of the crisis will force at least 45 LIEs to request US\$ 93.8 billion in emergency financing to face the pandemic. Without a suspension of external debt payments, US\$ 21.8 billion in emergency financing would be diverted away from COVID-19 response efforts towards creditors. For countries receiving support, provision of loan financing would increase public debt as a share of Gross Domestic Product (GDP) on average by 14.2 percentage points. This would represent an average increase of 36.6 per cent over current debt levels.*
- 2. In an alternative scenario, based on the International Monetary Fund (IMF) and World Bank proposals for a suspension of official bilateral debt payments in 2020, the number of countries requiring emergency financing would drop to 41 and financing needs to US\$ 82.8 billion. Continuation of debt payments on private and multilateral creditors and use of loan financing would have negative impacts on LIEs. An estimated US\$ 9.4 billion of emergency funding would be diverted to debt repayments. Public debt as a share of GDP would increase on average by 14.2 percentage points. This would represent an increase of 37.6 per cent over current levels.*
- 3. In a progressive scenario that assumes a complete cancellation of external public and private debt service and full grant financing, the number of countries requiring emergency financing would drop to 29 and require US\$ 73.2 billion to tackle the crisis. Under this scenario, all emergency financing would support the policy response to the crisis.*

These estimates highlight the moral and economic value of an immediate cancellation of debt payments and provision of grant financing to LIEs to tackle the COVID-19 crisis. Bold and unprecedented actions will be required to protect the most vulnerable amongst us. The cost of delays and inadequate responses will be measured in human losses. Time is of the essence.

The COVID-19 crisis has the potential to devastate the lives and livelihoods of 1.2 billion people in the 69 countries covered by this briefing. Protecting the most vulnerable people in our society will require the adoption of measures at an unprecedented scale. This analysis builds on

¹ Prepared by Daniel Munevar; information valid as of 31 March 2020. Briefing will be updated as new information becomes available. For questions and suggestions, please email dmunevar@eurodad.org.

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² As defined by the IMF, LIEs include 59 countries that are eligible for international financial institution (IFI) concessional financing, 13 high-income small states and four countries that have graduated from concessionality eligibility since 2010. This analysis includes 69 countries where data was available. The announcement by IFIs covers a total of 76 countries. Not included in this analysis are five so-called 'blend countries' (which can access both concessional and non-concessional lending) and two inactive countries. The countries not included in the assessment are Fiji, Kosovo, Mongolia, Nigeria, Pakistan (blend countries) and Eritrea and Syria (inactive countries).

previous research by Eurodad.³ It provides an initial estimate of the emergency financing requirements faced by 69 countries in 2020 as a result of the crisis. Furthermore, it considers the implications of different policy proposals currently under consideration in terms of the scale, conditions and efficiency of the use of multilateral resources.

The analysis is organised as follows. The first section analyses the implications of three different scenarios for the crisis and emergency response: a baseline scenario where the crisis triggers the need for emergency financing provided as loans and without a suspension of debt payments; an alternative scenario, based on IMF and World Bank proposals, where payments of official bilateral debts are suspended and emergency financing is provided as loans; and a progressive scenario, based on proposals from civil society organisations (CSOs), where external public and private debt service for 2020 is cancelled and emergency financing is provided as grants. The second section provides an analysis of the relevant policy issues raised by the different scenarios. An annex to this report provides a description of the methodology used for this briefing and also provides country by country figures.

1. Cost estimates and scenarios for emergency financing for LIEs

The COVID-19 crisis is already on track to have an even greater economic impact than the Global Financial Crisis (GFC) of 2008. There are three channels of transmission that could trigger a crisis in a developing country. First, the public health channel, where an outbreak of the epidemic and ensuing quarantine measures could bring economic activity to a halt over several weeks. Second, a financial channel, where a sudden stop in capital flows could bring domestic credit and finance to a halt. Third, a trade channel, through which a large drop in export revenues limits the capacity of a country to access necessary foreign currency to provide critical imports.

Available data shows that the current crisis is operating simultaneously over these different channels in a number of countries.⁴ This briefing tries to quantify the impact of the crisis over these different channels in order to provide a sense of the scale of response needed to tackle the crisis. The large degree of uncertainty regarding the short- and long-term impacts of COVID-19 precludes the possibility of highly accurate projections. The projections and number of countries at risk identified in this report represent at best a lower boundary of the impacts of the crisis.

Scenario 1 (baseline): Emergency loan financing – no grants, no debt suspension

With this caveat in mind, the first scenario paints a troubling picture of the challenges faced by LIEs. Assuming that the current crisis has a similar degree of impact to the GFC in terms of financial, trade and fiscal variables in LIEs, at least 45 out of 69 countries would require emergency

³ Eurodad, 'A debt moratorium for Low Income Economies', 2020. Retrieved from <https://eurodad.org/files/pdf/1547157-a-debt-moratorium-for-low-income-economies-.pdf>

⁴ Eurodad, 'COVID-19 and debt in the global south: Protecting the most vulnerable in times of crisis II', 2020. Retrieved 30 March 2020, from https://eurodad.org/covid19_debt2

financing over the next nine months (see Table 1). Unfortunately, these countries do not have the luxury of time. Foreign reserves represent only 10 weeks of imports. Their capacity to withstand a prolonged shutdown of either global or local economic activity caused by COVID-19 is extremely limited. This has direct implications for the medical response in case of an outbreak and for servicing external debts. In the case of the former, countries' ability to redirect resources towards critical medical imports is non-existent. In the case of the latter, a default on their external debts is not a matter of *if*, but *when*. A simultaneous default by such a large number of countries has not taken place since the debt crisis in the 1980s.⁵

The scale of emergency financing required to support LIEs is in stark contrast to the narrow window of time available to mount an international response. The 45 countries that are most at risk would require a total of US\$ 93.8 billion in emergency financing from multilateral institutions for foreign reserve requirements and budget support for 2020. The risks faced by these countries are materializing rapidly. As of April 1st, 6 LIEs have officially requested IMF support to tackle the crisis for a total of US\$ 515.5 million.⁶ To place these figures in context, the IMF Rapid Credit Facility (RCF) currently has US\$ 10 billion available for low-income countries (LICs).⁷ This highlights the need for an immediate and significant expansion of available resources to multilateral institutions in general, and the IMF in particular, in order to effectively support countries in need.⁸

⁵ Beers, D., & De Leon-Manlagnit, P. 'The BoC-BoE Sovereign Default Database: What's New in 2019?', 2019, Retrieved from www.bank-banque-canada.ca

⁶ Gambia, Ghana, Guinea, Senegal, Honduras and Kyrgyz Republic have approached the IMF since March 1st of 2020. The first 4 countries are correctly identified at risk by the model. Honduras is not marked at risk while incomplete data from the IMF DSA precluded the possibility of a complete risk assessment for Kyrgyz Republic. IMF, 'What's New', 2020. Retrieved from <https://www.imf.org/external/what/whatsnewenglish/what.aspx>

⁷ IMF, 'Questions and Answers on the IMF's \$50 billion Rapid-disbursing Emergency Financing Facilities', 2020. Retrieved from <https://www.imf.org/en/About/FAQ/50-billion-rapid-disbursing-emergency-financing-facilities>

⁸ Countries requesting support under the IMF's RCF can access resources of up to 50 per cent of their quota. In some cases this may prove insufficient to cover emergency financing needs. As a result, countries could be required to simultaneously apply for different credit facilities which may delay the process of approval and disbursement of emergency financing.

Table 1: Estimate of impact of COVID-19 crisis on 69 LIEs in 2020 – baseline scenario

Countries by risk of debt distress	# of countries	# of countries that require FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Official Debt Service	Impact of EF on Public Debt (% of GDP)	Increase of Public Debt (%)
			(US\$ Billions)	(Average)	(Average)	(Average)	
In debt distress	9	6	26.1	9.5	10.0	31.5	28.8
High	24	17	26.6	24.0	39.6	12.1	54.2
Moderate	23	14	20.0	15.4	23.2	14.0	29.7
Low	13	8	21.1	30.6	42.4	6.3	16.7
Total	69	45	93.8	20.4	30.8	14.2	36.6

Source: Eurodad estimates based on IMF country Debt Sustainability Assessments (DSA) (latest available); IMF World Economic Outlook (WEO) (2019); World Bank World Development Indicators (WDI); World Bank International Debt Statistics (IDS).

There are further considerations regarding the provision of emergency financing. Without a suspension of debt payments, US\$ 21.8 billion could end up being diverted away from COVID-19 response efforts towards external debt creditors. This is both morally unacceptable and a financially questionable use of public resources. In addition, the provision of emergency financing as loans provided by the IMF and the World Bank would have a substantially negative impact on public debt levels. For countries receiving financing under any of the credit facilities made available by these multilateral institutions, public debt as a share of GDP would increase on average by 14.2 percentage points. This would represent an average increase of 36.6 per cent over current debt levels.

Scenario 2: Emergency loan financing – no grants, suspension of official bilateral debt service due in 2020

A second scenario assumes an international response based on calls made by the IMF and the World Bank to the G20 in late March.⁹ In this scenario, countries in need would agree with their bilateral official creditors on a suspension of external debt repayments due in 2020. The adoption of this policy by donor countries – including the US, UK, EU countries and China – would reduce the number of countries in need of international support from 45 to 41 (see Table 2). Total financial requirements would also decrease to US\$ 82.8 billion. While this represents a marginal improvement over the previous scenario, both the number of countries in an emergency situation and the total financing envelope would remain large.

⁹ IMF, 'Joint Statement World Bank Group and IMF Call to Action on Debt of IDA Countries', 2020. Retrieved from <https://www.imf.org/en/News/Articles/2020/03/25/pr20103-joint-statement-world-bank-group-and-imf-call-to-action-on-debt-of-ida-countries>

Table 2: Estimate of impact of COVID-19 crisis on 69 LIEs in 2020 – alternative scenario (IMF and World Bank proposal)

Countries by risk of debt distress	# of countries	# of countries that require FX & Budget Support	Emergency Financing (US\$ Billions)	% of EF for Private Debt Service	% of EF for Multilateral Debt Service (Average)	Impact of EF on Public Debt (% of GDP)	Increase of Public Debt (%)
In debt distress	9	6	24.8	10.4	1.3	29.6	27.6
High	24	15	23.7	22.6	12.2	11.9	58.5
Moderate	23	13	17.7	9.5	5.5	14.2	30.1
Low	13	7	16.6	36.6	10.1	5.8	15.8
Total	69	41	82.8	18.8	10.5	14.2	37.6

Source: Eurodad estimates based on IMF country DSA (latest available); IMF WEO (2019); World Bank WDI; World Bank IDS.

The problems with the baseline scenario in terms of diversion of emergency funding and negative impact on debt levels would also remain. Payments to external private and multilateral creditors would imply a diversion of US\$ 11.2 billion in emergency financing, equivalent to 13.5 per cent of the total, away from COVID-19 response efforts. In addition, the provision of loan financing would increase public debt levels on average by 14.1 per cent of GDP. This would represent an increase of 37.6 per cent over current levels of public debt.

Scenario 3: Emergency financing through grants – cancellation of all external debt service due in 2020

A third scenario, designed along the lines of the proposal put forward by Eurodad and partner CSOs,¹⁰ as well as the United Nations Conference on Trade and Development (UNCTAD),¹¹ would involve the cancellation of all external debt payments in 2020 and provision of grants to fully cover emergency financing needs. In this scenario, the number of countries requiring emergency financing would drop to 29 (see Table 3). Total emergency financing required to meet foreign reserve and budget support requirements would amount to US\$ 73.2 billion. The preemptive cancellation of all external debt repayments for 2020 would ensure that no financing is diverted from emergency response requirements. The provision of grants would ensure that the initial emergency response would not add further debt burdens on fragile economies.

¹⁰ Eurodad, 'A debt moratorium for Low Income Economies', 2020. Retrieved from <https://eurodad.org/files/pdf/1547157-a-debt-moratorium-for-low-income-economies-.pdf>

¹¹ UNCTAD, 'The Covid-19 Shock to Developing Countries: Towards a whatever it takes programme for the two-thirds of the world's population being left behind,' 2020. Retrieved from https://unctad.org/en/PublicationsLibrary/gds_tdr2019_update_coronavirus.pdf

**Table 3: Estimate of impact of COVID-19 crisis on 69 LIEs in 2020 – progressive scenario
(civil society proposal)**

Countries by risk of debt distress	# of countries	# of countries that require FX & Budget Support	Emergency Financing (US\$ Billions)
In debt distress	9	6	23.8
High	24	7	20.9
Moderate	23	10	15.5
Low	13	6	13.1
Total	69	29	73.2

Source: Eurodad estimates based on IMF country DSA (latest available); IMF WEO (2019); World Bank WDI; World Bank IDS.

2. Policy implications

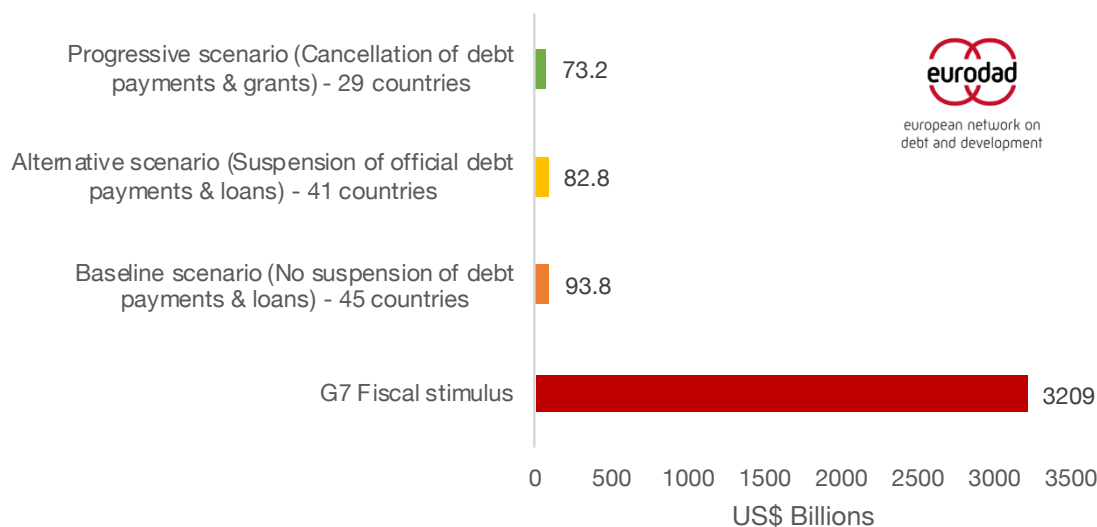
The scenarios developed in this briefing raise several policy issues that need to be taken into account as part of the ongoing discussions for a multilateral response at relevant policy forums such as the UN, G-20 and at the forthcoming IMF/World Bank Spring Meetings.

- Prioritise provision of emergency medical support and supplies:** Provision of abundant financing will not help to address the challenges posed by COVID-19 to LIEs unless it is matched by a large-scale mobilisation of real resources for the production of required medical equipment and technical support. The World Health Organization (WHO) estimates that an effective response to COVID-19 will require a 40 per cent increase in Personal Protective Equipment for medical personnel. Over the coming months, an additional 89 million medical masks, 76 million examination gloves and 1.6 million goggles will be required.¹² Without a concerted mobilisation effort, shortages and market manipulation will price out LIEs from accessing these materials. The impact of available financing could be greatly enhanced by the production at scale of these resources in the EU and China and by a multilateral initiative to lift export bans on critical medical equipment currently present in at least 24 countries.¹³

¹² Health Policy Watch, 'World Bank Commits US\$ 12 Billion To COVID-19 Battle As Death Rate Inches Higher; 40% Shortage in Health Worker Protective Gear', 2020. Retrieved from <https://www.healthpolicy-watch.org/covid-19-death-rate-higher-than-previously-reported-world-faces-40-shortage-in-health-worker-equipment/>

¹³ Everett, S. 'Export restraints on medical supplies during a pandemic', 2020. Retrieved from <https://voxeu.org/article/export-restraints-medical-supplies-during-pandemic>

Figure 1: Cost estimates of emergency financing under different scenarios and G7 fiscal measures (US\$ billions)

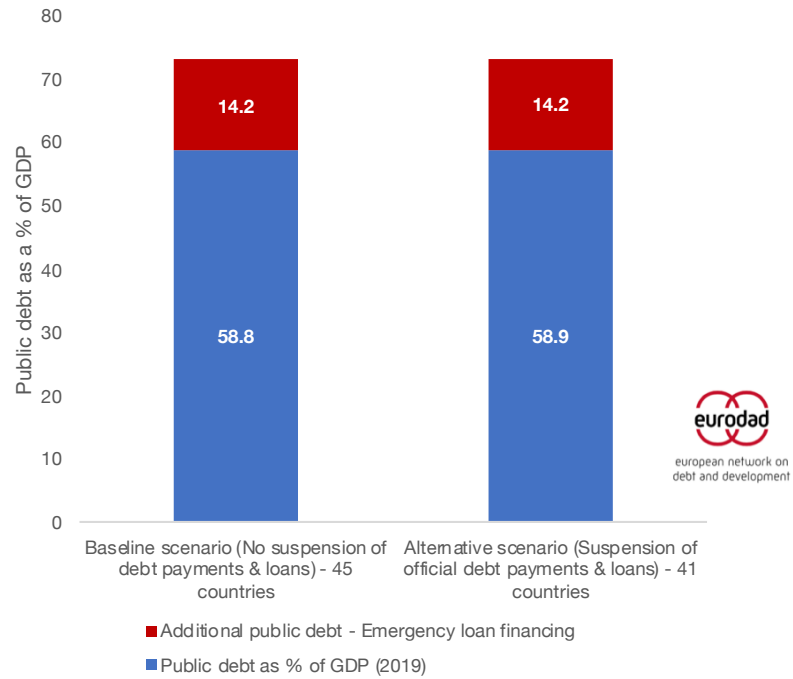


Source: Eurodad estimates, Institute of International Finance (IIF) COVID-19 Global Policy Response Summary

- Systematic emergency financing through grants not loans:** Tackling the early stage of the crisis will require substantial resources. However, this initial investment must be considered in the context of the broader efforts undertaken by G7 countries to protect their population and economies (Figure 1). The conditions under which these resources will be provided will have long-term implications. Given the large negative impacts on public debt burdens identified in this analysis (Figure 2), the current debate on the need to increase IMF resources has to expand to discuss mechanisms that allow for the provision of large-scale grant financing through this institution. Failure to do so would further reinforce the vicious cycle of large debt burdens and weak public capacity that is at the heart of the current crisis.¹⁴

¹⁴ Eurodad. 'Out of service: How public services and human rights are being threatened by the growing debt crisis', 2020. Retrieved from <https://bit.ly/3crkRGS>

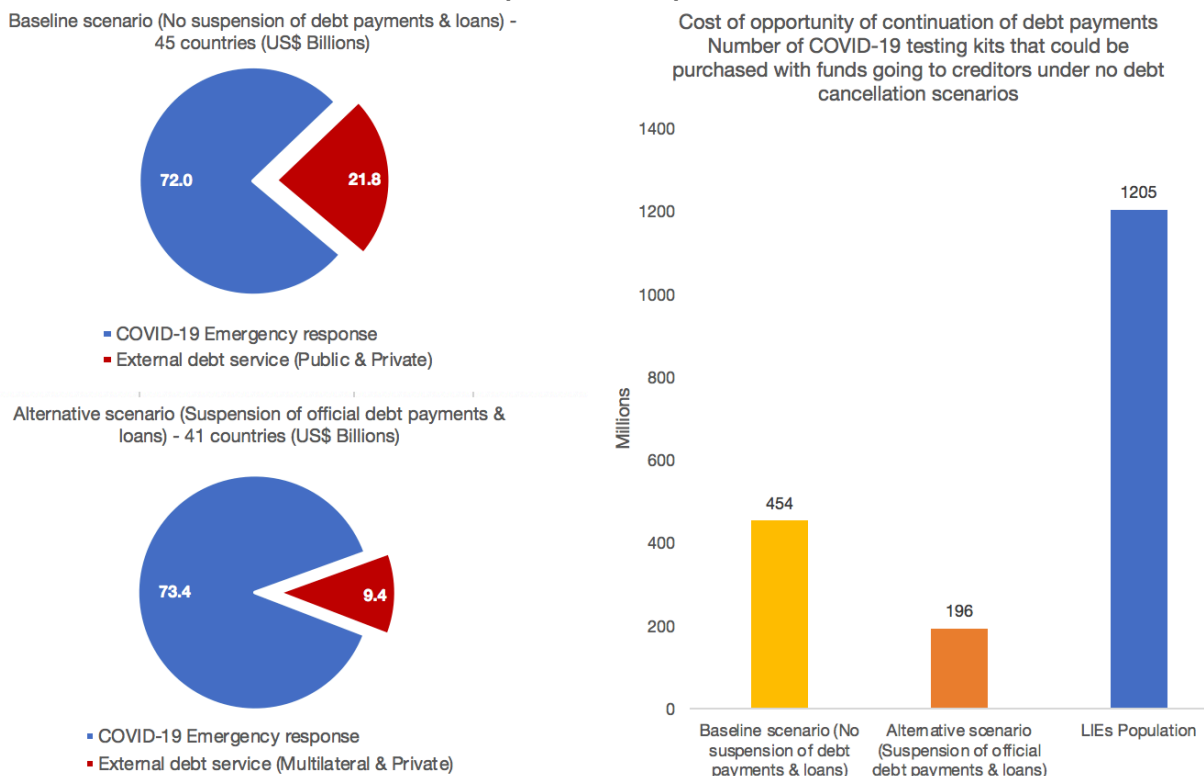
Figure 2: Impact of emergency loan financing on public debt levels in LIEs (% of GDP)



Source: Eurodad estimates.

- Cancel debts to protect vital public resources:** Financing requirements to meet critical needs during the duration of the crisis must be prioritised over competing claims such as debt service. Debt payments have the potential to divert an important share of emergency financing away from crisis response (Figure 3). This is both morally unacceptable and a financially questionable use of public resources. Urgent public policy priorities to meet populations’ needs must be prioritised over creditors. Given the narrow window of time available for many countries to react, countries at risk should adopt a unilateral suspension of debt service while a multilateral solution is convened. Official multilateral and bilateral lenders should offer an immediate cancellation of all principal, interest and charges for the remainder of 2020 for all countries in need.

Figure 3: Impact of external debt service on allocation of emergency financing for LIEs (US\$ billions)



Source: Eurodad estimates.

- Legal protection for debtors:** At least 45 LIEs are at risk of defaulting on their external debts with private creditors over the coming months. These defaults will not be a matter of choice but will be a necessity. The international community – led by the US, UK and the EU – must adopt measures to provide legal protection to both public and private debtors in LIEs from foreign creditors. These can include pauses on legal actions on countries under an IMF programme or amendments to Collective Action Clauses (CACs).¹⁵
- Provide emergency financing free of economic policy conditionality:** Given the external character of the shock, the crisis should not be used by the IMF and World Bank as an excuse to impose extensive economic policy conditionalities on countries requesting emergency financing. Even though emergency financing windows of the IMF, such as the Rapid Credit Facility and the Rapid Financing Instrument, have limited conditionality requirements, it is very likely that most of the countries accessing these facilities will end up transitioning towards a full IMF programme with extensive conditionalities. Using a global public health emergency to further promote market-friendly policy reforms in the global south, as intimated by the President of the

¹⁵ Buchheit, L., & Hagan, S. 'From coronavirus crisis to sovereign debt crisis', 2020. Retrieved 31 March 2020, from <https://ftalphaville.ft.com/2020/03/25/1585171627000/From-coronavirus-crisis-to-sovereign-debt-crisis/>

World Bank, is markedly at odds with available evidence in terms of the impact of these policies on public health as well as the necessary scaling up of state capacity to combat the impact of COVID-19.¹⁶

- **Address longer term debt relief when crisis recedes:** The emergency financing outlined in this analysis represents only the first step of a much larger multilateral effort that will inevitably require substantial debt relief. Given the large degree of uncertainty regarding the length and impacts of the crisis, the IMF and the World Bank should consider longer term debt relief efforts once the acute crisis recedes, for at least two reasons. First, the focus in the short-term must be placed on providing as much emergency financing as required. Second, prevailing uncertainty undermines the reliability of debt sustainability analysis. Without reliable estimates and an adequate framework that takes into account the financing needs of the Agenda 2030 (the achievement of Sustainable Development Goals), it is very likely that the debt relief provided would be insufficient.
- **A multilateral debt restructuring framework in the longer term:** The large number of countries that will likely face a debt default calls for a renewed push towards the establishment of a comprehensive, fair and transparent international framework to deal with debt restructuring under the auspices of the UN.¹⁷ Such a framework could speed up the process of global economic recovery by reducing the losses imposed on debtors by the current non-system of debt crisis resolution.

¹⁶ Eurodad, 'Unhealthy conditions: IMF loan conditionality and its impact on health financing', 2019. Retrieved from <https://bit.ly/2vHlydK>

¹⁷ Eurodad, 'We can work it out: 10 civil society principles for sovereign debt resolution', 2019. Retrieved from <https://bit.ly/2TqjGjr>

Annex – Methodology and Country Figures

Methodology

The estimates provided in this briefing are based on a Balance of Payments and fiscal analysis of sources and uses of funding. Two separate but related benchmarks are set to identify the need for emergency financing in foreign currency. The first is a foreign currency reserves to imports ratio of three months. The IMF uses this as one of its standard benchmarks to measure reserve adequacy. It identifies the short-term availability of resources to pay for critical imports of food, medicines and fuel.¹⁸ The second benchmark is a gross financing need of the public sector above 5 per cent of GDP. This criteria is meant to identify cases where substantial budget support is needed in order to avoid large-scale central bank financing of public deficits.

The reserve benchmark is estimated by matching available sources and uses of external funding. Sources of funding include foreign direct investment (FDI) and portfolio flows in addition to available foreign reserves. Uses of funding include the current account balance and debt service on external debt. The model assumes a shock to the different variables using recent estimates of the impact of COVID-19 and data from the impact of the Global Financial Crisis (GFC) in 2008. Countries that breach the foreign reserve threshold after the shocks are applied are considered to be in need of emergency financing. Emergency financing for reserves is estimated as the amount of resources required to secure reserves equal to three months of imports by the end of the year.

The budget support benchmark is estimated by matching available sources and uses of public funding. Available sources of funding include external and domestic financing in addition to domestic currency cash buffers. Uses of funding include the primary fiscal balance and debt service on public debt. External and domestic debt service needs are netted out. External debt service is included in the first benchmark. Domestic debt service nets out with domestic financing, including central bank financing. The model assumes a shock to public revenues and expenditures. Countries that breach the gross financing need threshold after the shocks are applied are considered to be in need of emergency financing. Emergency financing for budget support is estimated as the amount of resources required to maintain gross financing needs of the public sector below 5 per cent of GDP. Total emergency financing is defined as the sum of emergency financing for reserves and budget support.

¹⁸ IMF, 'Guidance note on the assessment of reserve adequacy,' 2016. Retrieved from <http://www.imf.org/external/pp/ppindex.aspx>

Threshold definitions

- **FX threshold**

$$PPG \text{ External Debt Service (PPG EDS)} = PPG \text{ EDS Bilateral (PPG}_B) + PPG \text{ EDS Multilateral (PPG}_M) + PPG \text{ Private (PPG}_P) \text{ (1)}$$

Public and Publicly Guaranteed (PPG) External Debt Service (EDS) Bilateral: Sum of principal repayments and interest payments on public and publicly guaranteed external debt to bilateral creditors. Figures for 2020 correspond to an estimate made using the average ratio of external debt service on bilateral debt to public debt service per country from 2016 to 2018. The ratio is applied to IMF DSA projections of public debt service for 2020 and converted to US dollars using IMF WEO estimations.

PPG EDS Multilateral: Sum of principal repayments and interest payments on public and publicly guaranteed external debt to multilateral creditors. Figures for 2020 correspond to an estimate made using the average ratio of external debt service on multilateral debt to public debt service per country from 2016 to 2018. The ratio is applied to IMF DSA projections of public debt service for 2020 and converted to US dollars using IMF WEO estimations.

PPG EDS Private: Sum of principal repayments and interest payments on public and publicly guaranteed external debt to private creditors including bonds and commercial bank loans. Figures for 2020 correspond to an estimate made using the average ratio of external debt service on private debt to public debt service per country from 2016 to 2018. The ratio is applied to IMF DSA projections of public debt service for 2020 and converted to US dollars using IMF WEO estimates.

$$\text{External Debt Service} = PPG \text{ EDS} + \text{Private EDS (P EDS)} \text{ (2)}$$

Private EDS: Sum of principal repayments and interest payments on private external debt to private creditors including bonds & commercial bank loans. Figures for 2018 from World Bank IDS.

$$\text{Current Account}_{\text{non interest}}(CA_{ni}) = \text{Export (X)} - \text{Import (I)} + \text{CA Transfers}_{\text{net}}(CAT_n) + \text{CA Other}_{\text{net}}(CAO_n) \text{ (3)}$$

Exports: Exports of goods and services. Figures for 2019 from IMF country DSAs. Shock applied corresponds to country level variation of exports in US\$ between 2008 and 2009. Figures from World Bank WDI.

Imports: Imports of goods and services. Figures for 2019 from IMF country DSAs. Shock applied corresponds to country level variation of imports in US\$ between 2008 and 2009. Figures from World Bank WDI.

Current Account transfers: Figures for 2019 from IMF country DSAs. Shock applied corresponds to variation of remittances for developing countries between 2008 and 2009. Figures from World Bank (2010).¹⁹

Current Account others: Other current account flows excluding transfers and interest payments. Figures for 2019 from IMF country DSAs. Shock applied corresponds to a 5 per cent decline in flows.

$$\text{Gross External Financing Requirement (GEFR)} = \text{EDS} - \text{CA}_{ni} \quad (4)$$

$$\text{External Financing (EF)} = \text{FDI}_{net} + \text{Equity}_{net} + \text{Debt}_{net} + \text{Other} \quad (5)$$

Foreign Direct Investment (FDI net): Net flows of FDI in the Financial Account. Figures for 2019 from IMF country DSAs. Shock applied corresponds to a 30% decline in net flows in the current crisis. Figure from UNCTAD (2020).²⁰

Equity net: Net flows of equity portfolio investment in the Financial Account. Figures for 2018 from World Bank WDI. Shock applied corresponds to variation of net flows for developing countries between 2007 and 2008. Figure from Gurtner (2010).²¹

Debt net: Net flows of debt securities in the Financial Account. Shock applied corresponds to a full sudden stop, with net flows set at 0.

$$\text{EF} + \text{FX}_{t-1} - \text{GEFR} \geq \text{FX Threshold}_t \quad (6)$$

Foreign exchange reserves: Foreign exchange reserves available at the end of 2019. Figures from IMF country DSAs.

Foreign exchange threshold: Defined as the value in US\$ of three months of imports for 2019. Figures from IMF country DSAs. Emergency financing for reserves is estimated as the amount of resources required to meet this threshold.

¹⁹ Figures from World Bank, 'Outlook for Remittance Flows 2010-2011,' 2010. Retrieved from <http://documents.worldbank.org/curated/en/150751468181478293/pdf/586260BRIOMigr10BOX353808B01PUBLIC1.pdf>

²⁰ Gurtner, B. 'The Financial and Economic Crisis and Developing Countries', *Revue Internationale de Politique de Développement*, 2010, 1(1), 189–213. <https://doi.org/10.4000/poldev.144>

²¹ UNCTAD, 'Investment Trends Monitor, 2020. Retrieved from https://unctad.org/en/PublicationsLibrary/diaeiainf2020d3_en.pdf

- **Budget support threshold**

$$PPG \text{ Debt Service (PPG DS)} = PPG \text{ EDS} + PPG \text{ Domestic Debt Service (PPG DDS)} \quad (7)$$

PPG domestic debt service: Sum of principal repayments and interest payments on domestic debt. Figures for 2020 correspond to an estimate made using IMF DSA projections of public debt service for 2020 and converted to US dollars using IMF WEO estimates.

$$Gross \text{ Financing Needs (GFN)} = PPG \text{ DS} - Primary \text{ Fiscal Balance (PB)}$$

Primary fiscal balance: Difference between public revenues (including grants) and primary non-interest expenditure. Figures for 2019 from IMF country DSAs. Shock applied corresponds to country level variation of revenues and primary expenditures as a share of GDP between 2008 and 2009. Figures from IMF WEO.

$$PPG \text{ Financing (PPG F)} = Debt_{net} + Domestic \text{ Debt}_{net} + Other \quad (8)$$

Domestic debt net and other: Defined as net issuance of debt instruments and loans in domestic financial markets and other sources of funding, including central bank financing. Analysis assumes that PPG debt service nets out with domestic financing, including central bank financing.

$$PPG \text{ F} + Cash_{t-1} - GFN \geq Budget \text{ Support Threshold (BST)} \quad (9)$$

Cash buffers: Available cash buffers of the public sector in domestic currency. Due to data availability constraints, this variable is set at 0.

Budget support threshold: Emergency financing for budget support is estimated as the amount of resources required to maintain gross financing needs of the public sector below 5 per cent of GDP. Total emergency financing is defined as the sum of emergency financing for reserves and budget support.

Country figures

**Table 1: Scenario 1 (baseline) – emergency loan financing, no grants, no debt suspension
LIEs in debt distress**

Countries	Requires FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Official Debt Service	Impact of EF on Public Debt	Increase of Public Debt
	(Yes = 1)	(US\$ Billions)			(% of GDP)	(%)
Congo, Republic of	1	3.8	2.0	10.4	32.6	40.8
Gambia, The	1	0.2	1.1	21.8	10.7	13.1
Grenada	0	0.0	0.0	0.0	0.0	0.0
Mozambique	1	11.2	3.8	4.4	74.0	63.3
São Tomé and Príncipe	1	0.1	-	-	29.8	31.7
Somalia	-	-	-	-	-	-
South Sudan	-	-	-	-	-	-
Sudan	1	9.7	0.0	3.7	31.5	14.9
Zimbabwe	1	1.1	40.8	9.8	8.6	12.1
Total	6	26.1	9.5	10.0	31.5	28.8

**Table 2: Scenario 2 – emergency loan financing, no grants, suspension on official
bilateral debt service due in 2020 – LIEs in debt distress**

Countries	Requires FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Multilateral Debt Service	Impact of EF on Public Debt	Increase of Public Debt
		(US\$ Billions)			(% of GDP)	(%)
Congo, Republic of	1	3.4	2.2	0.3	29.3	36.7
Gambia, The	1	0.2	1.4	4.2	8.7	10.7
Grenada	0	0.0	0.0	0.0	0.0	0.0
Mozambique	1	10.8	3.9	0.9	71.4	61.0
São Tomé and Príncipe	1	0.1	-	-	29.8	31.7
Somalia	-	-	-	-	-	-
South Sudan	-	-	-	-	-	-
Sudan	1	9.4	0.0	0.0	30.4	14.3
Zimbabwe	1	1.0	44.7	1.2	7.8	11.0
Total	6	24.8	10.4	1.3	29.6	27.6

Table 3: Scenario 3 – emergency financing through grants, cancellation of all external debt service due in 2020 – LIEs in debt distress

Countries	Requires FX & Budget Support	Emergency Financing
		(US\$ Billions)
Congo, Republic of	1	3.3
Gambia, The	1	0.1
Grenada	0	0.0
Mozambique	1	10.3
São Tomé and Príncipe	1	0.1
Somalia	-	-
South Sudan	-	-
Sudan	1	9.4
Zimbabwe	1	0.5
Total	6	23.8

**Table 4: Scenario 1 (baseline) – emergency loan financing, no grants, no debt suspension
LIEs at high risk of debt distress**

Countries	Requires FX & Budget Support (Yes = 1)	Emergency Financing (US\$ Billions)	% of EF for Private Debt Service	% of EF for Official Debt Service	Impact of EF on Public Debt (% of GDP)	Increase of Public Debt (%)
Afghanistan	1	8.3	0.1	0.3	44.1	639.4
Burundi	0	0.0	0.0	0.0	0.0	0.0
Cameroon	1	1.6	55.7	74.7	4.1	10.0
Cabo Verde	0	0.0	0.0	0.0	0.0	0.0
Central African Republic	1	0.0	0.3	100.0	0.7	1.5
Chad	1	3.1	8.5	3.9	27.7	63.3
Djibouti	1	0.1	100.0	100.0	3.6	5.0
Dominica	1	0.0	2.6	12.9	5.3	6.3
Ethiopia	1	4.9	4.5	6.1	5.3	9.4
Ghana	1	0.3	100.0	100.0	0.5	0.7
Haiti	1	0.2	1.9	29.0	2.1	5.9
Kiribati	1	0.0	0.0	0.0	14.0	37.9
Lao P.D.R.	1	4.5	9.5	12.4	23.5	40.5
Maldives	1	0.8	7.5	18.9	14.3	18.7
Marshall Islands	0	0.0	0.0	0.0	0.0	0.0
Mauritania	1	1.7	0.0	18.9	30.8	31.5
Micronesia	0	0.0	0.0	0.0	0.0	0.0
Samoa	1	0.1	0.0	37.9	6.5	11.3
Sierra Leone	0	0.0	0.0	0.0	0.0	0.0
St. Vincent and the Grenadines	1	0.0	16.5	100.0	4.0	5.6
Tajikistan	0	0.0	0.0	0.0	0.0	0.0
Tonga	1	0.1	0.1	22.9	16.3	30.2
Tuvalu	0	0.0	0.0	0.0	0.0	0.0
Zambia	1	0.9	100.0	35.5	3.6	3.8
Total	17	26.6	24.0	39.6	12.1	54.2

Table 5: Scenario 2 (alternative) – emergency loan financing, no grants, suspension on official bilateral debt service due in 2020 – LIEs at high risk of debt distress

Countries	Requires FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Multilateral Debt Service	Impact of EF on Public Debt	Increase of Public Debt
	(Yes = 1)	(US\$ Billions)			(% of GDP)	(%)
Afghanistan	1	8.3	0.1	0.2	44.1	638.7
Burundi	0	0.0	0.0	0.0	0.0	0.0
Cameroon	1	0.5	100.0	12.0	1.2	2.9
Cabo Verde	0	0.0	0.0	0.0	0.0	0.0
Central African Republic	1	0.0	0.6	100.0	0.4	0.8
Chad	1	3.0	8.8	0.5	26.8	61.2
Djibouti	0	0.0	0.0	0.0	0.0	0.0
Dominica	1	0.0	2.6	1.7	5.3	6.3
Ethiopia	1	4.6	4.8	1.2	5.1	8.9
Ghana	1	0.3	100.0	41.4	0.5	0.7
Haiti	1	0.2	1.9	5.6	2.1	5.9
Kiribati	1	0.0	0.0	0.0	14.0	37.9
Lao P.D.R.	1	4.0	10.7	0.9	20.8	35.8
Maldives	1	0.7	9.2	0.6	11.7	15.2
Marshall Islands	0	0.0	0.0	0.0	0.0	0.0
Mauritania	1	1.4	0.0	2.0	25.5	26.1
Micronesia	0	0.0	0.0	0.0	0.0	0.0
Samoa	1	0.1	0.0	7.5	6.5	11.3
Sierra Leone	0	0.0	0.0	0.0	0.0	0.0
St. Vincent and the Grenadines	0	0.0	0.0	0.0	0.0	0.0
Tajikistan	0	0.0	0.0	0.0	0.0	0.0
Tonga	1	0.1	0.1	2.8	13.0	23.9
Tuvalu	0	0.0	0.0	0.0	0.0	0.0
Zambia	1	0.6	100.0	6.0	2.5	2.6
Total	15	23.7	22.6	12.2	11.9	58.5

Table 6: Scenario 3 – emergency financing through grants, cancellation of all external debt service due in 2020 – LIEs at high risk of debt distress

Countries	Requires FX & Budget Support (Yes = 1)	Emergency Financing (US\$ Billions)
Afghanistan	1	8.2
Burundi	0	0.0
Cameroon	0	0.0
Cabo Verde	0	0.0
Central African Republic	0	0.0
Chad	1	2.7
Djibouti	0	0.0
Dominica	0	0.0
Ethiopia	1	4.3
Ghana	0	0.0
Haiti	0	0.0
Kiribati	0	0.0
Lao P.D.R.	1	3.5
Maldives	1	0.6
Marshall Islands	0	0.0
Mauritania	1	1.4
Micronesia	0	0.0
Samoa	0	0.0
Sierra Leone	0	0.0
St. Vincent and the Grenadines	0	0.0
Tajikistan	0	0.0
Tonga	1	0.1
Tuvalu	0	0.0
Zambia	0	0.0
Total	7	20.9

**Table 7: Scenario 1 (baseline) – emergency loan financing, no grants, no debt suspension
LIEs at moderate risk of debt distress**

Countries	Requires FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Official Debt Service	Impact of EF on Public Debt	Increase of Public Debt
	(Yes = 1)	(US\$ Billions)			(% of GDP)	(%)
Benin	0	0.0	0.0	0.0	0.0	0.0
Bhutan	0	0.0	0.0	0.0	0.0	0.0
Burkina Faso	1	0.3	1.2	74.7	2.0	4.5
Comoros	1	0.1	0.0	8.3	4.3	19.2
Congo, Democratic Republic of	1	4.9	0.2	11.1	10.0	46.9
Côte d'Ivoire	1	0.0	100.0	100.0	0.0	0.1
Guinea	1	1.2	1.5	14.7	8.9	19.7
Guinea-Bissau	0	0.0	0.0	0.0	0.0	0.0
Guyana	1	1.2	5.1	7.9	30.0	52.9
Kenya	1	4.5	22.7	32.6	4.5	7.2
Kyrgyz Republic	0	0.0	0.0	0.0	0.0	0.0
Lesotho	1	0.6	0.0	9.8	22.0	44.4
Liberia	1	1.3	0.7	2.5	40.5	78.2
Malawi	1	2.0	0.0	4.6	26.1	42.2
Mali	1	0.8	0.0	19.2	4.3	11.5
Nicaragua	0	0.0	0.0	0.0	0.0	0.0
Niger	1	2.2	0.0	16.8	23.6	43.6
Papua New Guinea	0	0.0	0.0	0.0	0.0	0.0
Solomon Islands	1	0.0	83.7	18.2	2.5	21.2
St. Lucia	0	0.0	0.0	0.0	0.0	0.0
Togo	1	1.0	0.8	4.9	17.9	24.5
Vanuatu	0	0.0	0.0	0.0	0.0	0.0
Yemen, Republic of	0	0.0	0.0	0.0	0.0	0.0
Total	14	20.0	15.4	23.2	14.0	29.7

Table 8: Scenario 2 (alternative) – emergency loan financing, no grants, suspension on official bilateral debt service due in 2020 – LIEs at moderate risk of debt distress

Countries	Requires FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Multilateral Debt Service	Impact of EF on Public Debt	Increase of Public Debt
	(Yes = 1)	(US\$ Billions)			(% of GDP)	(%)
Benin	0	0.0	0.0	0.0	0.0	0.0
Bhutan	0	0.0	0.0	0.0	0.0	0.0
Burkina Faso	1	0.3	1.2	23.9	2.0	4.5
Comoros	1	0.1	0.0	6.1	4.3	19.2
Congo, Democratic Republic of	1	4.4	0.2	1.6	9.0	42.4
Côte d'Ivoire	0	0.0	0.0	0.0	0.0	0.0
Guinea	1	1.1	1.6	4.3	7.9	17.5
Guinea-Bissau	0	0.0	0.0	0.0	0.0	0.0
Guyana	1	1.1	5.5	0.1	27.6	48.8
Kenya	1	3.4	29.8	11.8	3.5	5.5
Kyrgyz Republic	0	0.0	0.0	0.0	0.0	0.0
Lesotho	1	0.6	0.0	4.9	20.8	42.1
Liberia	1	1.3	0.7	2.3	40.4	78.0
Malawi	1	1.9	0.0	1.8	25.3	41.0
Mali	1	0.7	0.0	6.0	3.7	9.9
Nicaragua	0	0.0	0.0	0.0	0.0	0.0
Niger	1	1.9	0.0	2.6	20.2	37.3
Papua New Guinea	0	0.0	0.0	0.0	0.0	0.0
Solomon Islands	1	0.0	83.7	5.3	2.5	21.2
St. Lucia	0	0.0	0.0	0.0	0.0	0.0
Togo	1	0.9	0.9	0.8	17.2	23.5
Vanuatu	0	0.0	0.0	0.0	0.0	0.0
Yemen, Republic of	0	0.0	0.0	0.0	0.0	0.0
Total	13	17.7	9.5	5.5	14.2	30.1

Table 9: Scenario 3 – emergency financing through grants, cancellation of all external debt service due in 2020 – LIEs at moderate risk of debt distress

Countries	Requires FX & Budget Support (Yes = 1)	Emergency Financing (US\$ Billions)
Benin	0	0.0
Bhutan	0	0.0
Burkina Faso	0	0.0
Comoros	0	0.0
Congo, Democratic Republic of	1	4.3
Côte d'Ivoire	0	0.0
Guinea	1	1.0
Guinea-Bissau	0	0.0
Guyana	1	1.1
Kenya	1	2.0
Kyrgyz Republic	0	0.0
Lesotho	1	0.5
Liberia	1	1.3
Malawi	1	1.9
Mali	1	0.6
Nicaragua	0	0.0
Niger	1	1.9
Papua New Guinea	0	0.0
Solomon Islands	0	0.0
St. Lucia	0	0.0
Togo	1	0.9
Vanuatu	0	0.0
Yemen, Republic of	0	0.0
Total	10	15.5

Table 10: Scenario 1 (baseline) – emergency loan financing, no grants, no debt suspension

LIEs at low risk of debt distress

Countries	Requires FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Official Debt Service	Impact of EF on Public Debt	Increase of Public Debt
	(Yes = 1)	(US\$ Billions)			(% of GDP)	(%)
Bangladesh	1	5.1	12.6	47.1	1.6	4.6
Cambodia	0	0.0	0.0	0.0	0.0	0.0
Honduras	0	0.0	0.0	0.0	0.0	0.0
Madagascar	1	0.6	15.0	100.0	4.6	9.9
Moldova	0	0.0	0.0	0.0	0.0	0.0
Myanmar	1	4.4	1.3	35.7	6.6	17.4
Nepal	1	7.7	0.1	6.2	25.7	77.6
Rwanda	1	0.5	43.9	9.3	4.4	8.0
Senegal	1	0.3	100.0	82.6	1.1	1.7
Tanzania	1	1.3	46.0	34.0	2.1	4.8
Timor Leste	0	0.0	0.0	0.0	0.0	0.0
Uganda	1	1.4	26.1	24.0	4.5	9.9
Uzbekistan	0	0.0	0.0	0.0	0.0	0.0
Total	8	21.1	30.6	42.4	6.3	16.7

Table 11: Scenario 2 (alternative) – emergency loan financing, no grants, no grants, suspension on official bilateral debt service due in 2020 – LIEs at low risk of debt distress

Countries	Requires FX & Budget Support	Emergency Financing	% of EF for Private Debt Service	% of EF for Multilateral Debt Service	Impact of EF on Public Debt	Increase of Public Debt
	(Yes = 1)	(US\$ Billions)			(% of GDP)	(%)
Bangladesh	1	3.5	18.1	24.1	1.1	3.2
Cambodia	0	0.0	0.0	0.0	0.0	0.0
Honduras	0	0.0	0.0	0.0	0.0	0.0
Madagascar	0	0.0	0.0	0.0	0.0	0.0
Moldova	0	0.0	0.0	0.0	0.0	0.0
Myanmar	1	2.9	2.0	2.4	4.4	11.4
Nepal	1	7.3	0.2	2.2	24.6	74.4
Rwanda	1	0.4	44.8	7.6	4.4	7.8
Senegal	1	0.3	100.0	13.1	1.1	1.7
Tanzania	1	1.0	58.7	15.7	1.6	3.8
Timor Leste	0	0.0	0.0	0.0	0.0	0.0
Uganda	1	1.1	32.4	5.9	3.6	8.0
Uzbekistan	0	0.0	0.0	0.0	0.0	0.0
Total	7	16.6	36.6	10.1	5.8	15.8

Table 12: Scenario 3 – emergency financing through grants, cancellation of all external debt service due in 2020 – LIEs at low risk of debt distress

Countries	Requires FX & Budget Support	Emergency Financing
	(Yes = 1)	(US\$ Billions)
Bangladesh	1	2.1
Cambodia	0	0.0
Honduras	0	0.0
Madagascar	0	0.0
Moldova	0	0.0
Myanmar	1	2.8
Nepal	1	7.2
Rwanda	1	0.2
Senegal	0	0.0
Tanzania	1	0.3
Timor Leste	0	0.0
Uganda	1	0.7
Uzbekistan	0	0.0
Total	6	13.1