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debt and development

Arrested development
International Monetary Fund lending and austerity post Covid-19

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Executive Summary

"We need to recognize that this crisis is telling us to build resilience for the future. That means investing in education, digital capacity and human capital – the health systems and the social protection systems. We need to make sure the other crises in front of us – like the climate crisis – are well integrated and addressed. And we need to prevent inequality and poverty – including gender inequality – from raising their ugly heads again."

Kristalina Georgieva, IMF Managing Director
Event of the Finance Ministers on Financing for Development in the Era of Covid-19 and Beyond, convened by the United Nations, 8 September 2020

A review of International Monetary Fund (IMF) staff reports for 80 countries, conducted by Eurodad, illustrates a dismal decade ahead for developing countries. The IMF reports were prepared as part of the process of approval for financial assistance between March and September of 2020. They reveal an insufficient and inadequate multilateral response to the Covid-19 pandemic which will lock a large number of countries in a decade-long crisis of debt and austerity. The need to protect and increase investment to achieve the Sustainable Development Goals (SDGs) and a fair and green recovery features in every public intervention by IMF officials. However, these commitments are difficult to find in IMF program design. IMF programs are on track to arrest development efforts in the next decade.

Main findings of the review:

- Austerity: Harder, faster, wider. 72 countries are projected to begin a process of fiscal consolidation as early as 2021. Tax increases and expenditure cuts are to be implemented in all 80 countries by 2023. Between 2021 and 2023, these countries will implement austerity measures worth on average 3.8 per cent of GDP. The adjustment will be front-loaded, leaving no time to recover. More than half of the projected measures, equivalent to 2 per cent of GDP, will take place in 2021. The synchronised nature of the adjustment calls into question the likelihood of a strong recovery as forecasted by the IMF.
- A hampered Covid-19 response: 80 countries implemented Covid-19 response packages amounting to 2.2 per cent of GDP in 2020. Failure to provide grant financing and provide upfront debt relief has forced 40 of these countries to cut public budgets to afford a response to the pandemic. These countries have implemented off-setting expenditure cuts worth 2.6 per cent GDP in 2020.
- Paying for the costs of the pandemic four times over: Austerity is IMF's answer to the fiscal implications of

the pandemic. Austerity is designed to free up resources to stabilise debt levels and meet debt service. 59 countries have fiscal consolidation plans over the next 3 years that are larger than the Covid-19 response packages implemented in 2020. Fiscal consolidation represents 4.8 times the amount of resources allocated to Covid-19 packages in 2020.

- Shifting the burden on to the vulnerable: Adjustment programs aim to increase revenues through an increase of indirect taxes, and specifically VAT. Increases in indirect taxation have been proven to have negative impacts on income and gender inequality. This calls into question the IMF's calls for a fair and equitable recovery. For a group of 59 countries for which data is available, 39 are set to increase the share of indirect taxes in total government revenues. 40 countries are expected to increase indirect tax collection by 0.4 per of GDP with respect to pre-crisis levels.
- Slashing public services: Reduction of public expenditure accounts for three quarters of the total adjustment. Expenditure is set to decline by 2.6 per cent of GDP between 2020 and 2023. At least 41 countries will be left with below pre-crisis public expenditure levels. The cuts are substantial relative to the provision of public services. 40 countries are expected to implement expenditure cuts equivalent or greater than their current healthcare budget.
- Heavier debt burdens and vulnerabilities: 56 countries will be left with higher public debt levels by 2023. 55 will end up with higher debt service payments to their creditors. 30 countries will pay every year an additional amount equivalent to their 2020 Covid-19 packages to their creditors as increased debt service by 2023. IMF Debt Sustainability Assessments (DSA) characterise these debt dynamics as "sustainable" in 76 countries.
- Arrested development: A decision to prioritise debt payments and follow through with fiscal consolidation will cripple development efforts in the 2020's. The achievement of the SDGs and the commitments of the Paris Climate agreement by 2030 will be irremediably out of reach. For 46 countries for which data is available, a decade of austerity measures will reduce public expenditures from 25.7 to 23 per cent of GDP between 2020 and 2030. Public expenditures in 2030 are projected to stabilise at below pre-crisis levels. At the same time, increased debt service requirements will have 20 countries paying their creditors additional amounts equivalent to a Covid-19 response package every year for the rest of the decade.
- All debt and no sustainable development: IMF programs explicitly prioritise payments to creditors over the needs of the local population. This is a result of a flawed debt sustainability methodology that is unable to account for the financing requirements to achieve the SDGs and the commitments of the Paris Agreement on Climate Change. Out of 80 IMF staff reports, only 20 refer to climate change. Only seven mention the SDGs. In just one case, Samoa, is climate change included as a consideration in debt sustainability assessments.

This report illustrates the dramatic failure of the IMF and the international community to respond to the Covid-19 pandemic. The measures adopted to tackle the ongoing economic downturn fall far short of the effort needed to meet the current scale of need in the global south. The IMF projections and recommendations for fiscal consolidation set the tone for yet another "lost decade" for development. The situation we face in the wake of the pandemic means even greater need for concerted global action that puts human rights, sustainable development, gender equality and climate justice at its core.

Arrested development: International Monetary Fund lending and austerity post Covid-19

Introduction

A review of International Monetary Fund (IMF) staff reports for 80 countries, conducted by Eurodad, illustrates a dismal decade ahead for developing countries. The IMF reports were prepared as part of the process of approval for financial assistance between March and September of 2020. They reveal an insufficient and inadequate multilateral response to the Covid-19 pandemic which will lock a large number of countries in a decade-long crisis of debt and austerity.

The report demonstrates that 72 countries that have received IMF financing are projected to begin a process of fiscal consolidation as early as 2021. Tax increases and expenditure cuts are to be implemented in all 80 countries by 2023. These countries will implement austerity measures worth on average 3.8 per cent of Gross Domestic Product (GDP) between 2021 and 2023. The adjustment will be front-loaded, leaving no time to recover. More than half of the projected measures, equivalent to 2 per cent of GDP, will take place in 2021. The synchronised nature of the adjustment calls into question the likelihood of a strong recovery as forecasted by the IMF. As a result of this situation, IMF program countries will have larger debts and fewer resources to finance their development.

The need to protect and increase investment to achieve the Sustainable Development Goals (SDGs) and a fair and green recovery features in every public intervention by IMF officials. However, these commitments are difficult to find in IMF program design. IMF programs are on track to arrest development efforts in the next decade.

This report consists of six sections. Section one describes the data sources. In section two the report provides an overview of IMF financial assistance since the outbreak of the Covid-19 pandemic. Section three analyses the immediate impact of Covid-19 on debt and public budgets, while section four reviews the IMF fiscal consolidation projections for program countries and their implications for 2020-2023. Section five provides an analysis of the consequences of IMF emergency financing by 2030 and finally, section six concludes with Eurodad's policy recommendations.

1. Data sources

Official requests for financial assistance by IMF member countries are handled by the IMF Executive Board. The formal approval of a request by the Board is based on a report prepared by IMF staff. The staff report provides an assessment of the in-country situation and criteria required for a member to receive financial support. Upon approval of the request for financial assistance by the Board, the IMF staff report is published alongside an official announcement.

This study is based on the review of IMF staff reports for 80 countries[1]. These were prepared as part of the process of approval of IMF financial assistance in the period between March and September of 2020. During this period, the IMF approved 96 programs for 81 countries[2] for a total of US$ 95 billion. 54 of these countries are eligible for participation in the G20 Debt Service Suspension Initiative (DSSI)[3]. The remaining 27 represent high and middle-income countries excluded from this initiative[4]. From the total figure, 17 countries are Small Island Developmental States (SIDS). The list of countries included in the analysis can be found in the annex and the online dataset.

2. An overview of IMF financial assistance

Since the onset of the Covid-19 pandemic, IMF lending has been approved through a combination of new arrangements and augmentations of existing programs. New arrangements are composed mostly of credits provided through the Rapid Credit Facility (RCF) and the Rapid Financing Instrument (RFI). Augmentations include the provision of additional financing through existing Stand-By-Agreements (SBA), Extended Credit Facility (ECF), Extended Fund Facility (ECF) and Flexible Credit

Table 1 - IMF financing facilities by amount approved and country risk of debt distress

				Country risk of debt distress		
Financing Facility	**Conditionality**	**Consessionality**	**Programs approved**	**In distress / High / Unsustainable***	**Moderate / Low / Sustainable**	**Amounts approved (US$ billion)**
Rapid Credit Facility (RCF)	No or limited**	Yes	43	22	21	7.3
Rapid Financing Instrument (RFI)	No or limited**	No	36	2	34	21.7
Standby Credit Facility (SCF) / Extended Credit Facility (ECF)	Yes	Yes	5	4	1	0.4
Stand-By Arrangement (SBA) / Extended Fund Facility (EFF)	Yes	No	8	2	6	13.1
Flexible Credit Line (FCL)	No	No	3	0	3	52.1
Total	**-**	**-**	**95*** **	**30**	**65**	**95**

* Includes countries assessed by the Market Access Country Debt Sustainability Analysis (MAC DSA) as having a sustainable public debt but not with high probability.

** Programs may include prior actions (see Box 1).

*** At least 26 countries have received financing through more than one facility according to data as of September 25, 2020.

Source: Eurodad calculations based on IMF staff country reports.

Lines (FCL)[5]. Table 1 provides a summary of the distribution of financing amongst the different facilities.

There are three issues raised by the figures in Table 1 that need to be addressed. Firstly, the amounts effectively disbursed by the IMF are a fraction of the approved figures. 55 per cent of the approved lending corresponds to the FCL. This is a pre-approved credit line to which only Chile, Colombia and Peru have access. To date, no country has approached the IMF to access available funds through the FCL[6]. As a result, emergency financing effectively provided by the IMF is minimal compared to the headline figure. Only US$ 36.1 billion have been disbursed so far[7].

The second issue relates to the role of conditionalities as part of the program design and approval. Conditionalities refer to policy adjustments required by the IMF in order to grant access to financing. IMF conditionalities have been proven to undermine domestic policy space[8] and limit the ability of governments to provide public services and fulfil their human rights obligations towards citizens[9]. Three of the financing facilities, the RCF, RFI and FCL, do not involve the use of ex-ante conditionalities to unlock IMF financing. These arrangements account for 82 per cent of the financing facilities approved by the IMF since the start of the pandemic. As a result, fiscal projections included in these programs represent non-binding commitments (Box 1).

The provision of emergency financing free of conditionalities to a large number of countries is a positive development. However, at least 14 countries are at serious risk of requiring a long-term program from the IMF. This relates to the third issue to be addressed, which refers to the debt distress risk profile of countries receiving IMF financing. 30 loans, mostly under the RCF, have been approved to 26 countries either considered at high risk, in debt distress by the IMF Low Income Country

Debt Sustainability Framework (LIC DSF), or their debt is not considered sustainable under the IMF Market Access Country Debt Sustainability Assessment (MAC DSA)[13]. From this group, 13 countries already have a long term IMF program in place: SCF, SBA, ECF or EFF[14]. The remaining 14 have only received financial assistance through either the RCF or the RFI. This group comprises large African countries, including Chad, Ghana, and Kenya[15]. Several high and middle income countries whose debts are classified as sustainable, but have a high degree of vulnerability, are also at risk of transitioning to a long-term IMF program. Countries with large financing requirements in the coming years will also likely require additional loans from the IMF (See Section three).

The high degree of vulnerability of these countries means that even a slight deterioration of their financing conditions could be enough to push them into debt distress. They are prime candidates for transition into a full IMF program. Fiscal targets and policies included in RCF, RFI and FCL arrangements would cease to be non-binding. Countries requesting additional financing above the quota limits established for these facilities, through a SCF, SBA, ECF or EFF, would be subject to conditionalities in the form of prior actions, performance criteria and structural benchmarks. The implications of such a development will be explored in sections four and five of this report. The analysis now turns to the impact of the crisis on debt and public budgets.

Box 1 - Conditionalities present in IMF Covid-19 financial assistance programs

Most IMF programs are linked to conditionalities. The IMF justifies their use as a mechanism to ensure progress in program implementation and to reduce risks to the Fund resources[10]. Conditionalities may take different forms:

- Prior actions: These are measures that a country agrees to take before the IMF's Executive Board approves financing or completes a review.
- Quantitative Performance Criteria (QPC): Specific and measurable conditions that have to be met to complete a review. QPCs target macroeconomic variables under the control of the government requesting financing. These include fiscal balance, international reserves, and external borrowing, among others.
- Indicative targets: In cases of high uncertainty, these may be established in addition to QPCs as quantitative indicators to assess progress of a program.
- Structural benchmarks: Include (often non-quantifiable) reform measures. These include reforms in broad areas of public administration, including labor markets and social security, that the IMF considers critical to achieve program goals[11].

IMF Covid-19 financial assistance programs include various degrees of conditionality. Only four RCF and RFI arrangements require prior actions. These include Ecuador, Liberia, Papua New Guinea and Ukraine[12].

Eight programs required modifications to conditionalities of existing arrangements, including QPCs, indicative targets and structural benchmarks. These include Armenia, Georgia, Angola, Gambia, Senegal, Barbados, Honduras and Ukraine.

Eighteen programs include a review of conditionalities under existing arrangements, without introducing modifications. These comprise Mauritania, Pakistan, Somalia, Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Côte d'Ivoire, Ethiopia, Gabon, Guinea, Liberia, Mali, Malawi, Niger, Sao Tome and Principe and Togo.

The IMF can enforce conditionalities through existing arrangements for the second and third group of countries. Programs for these groups of countries represent 27 per cent of the total approved by the IMF since the onset of the pandemic.

3. Covid-19, debt and public budgets

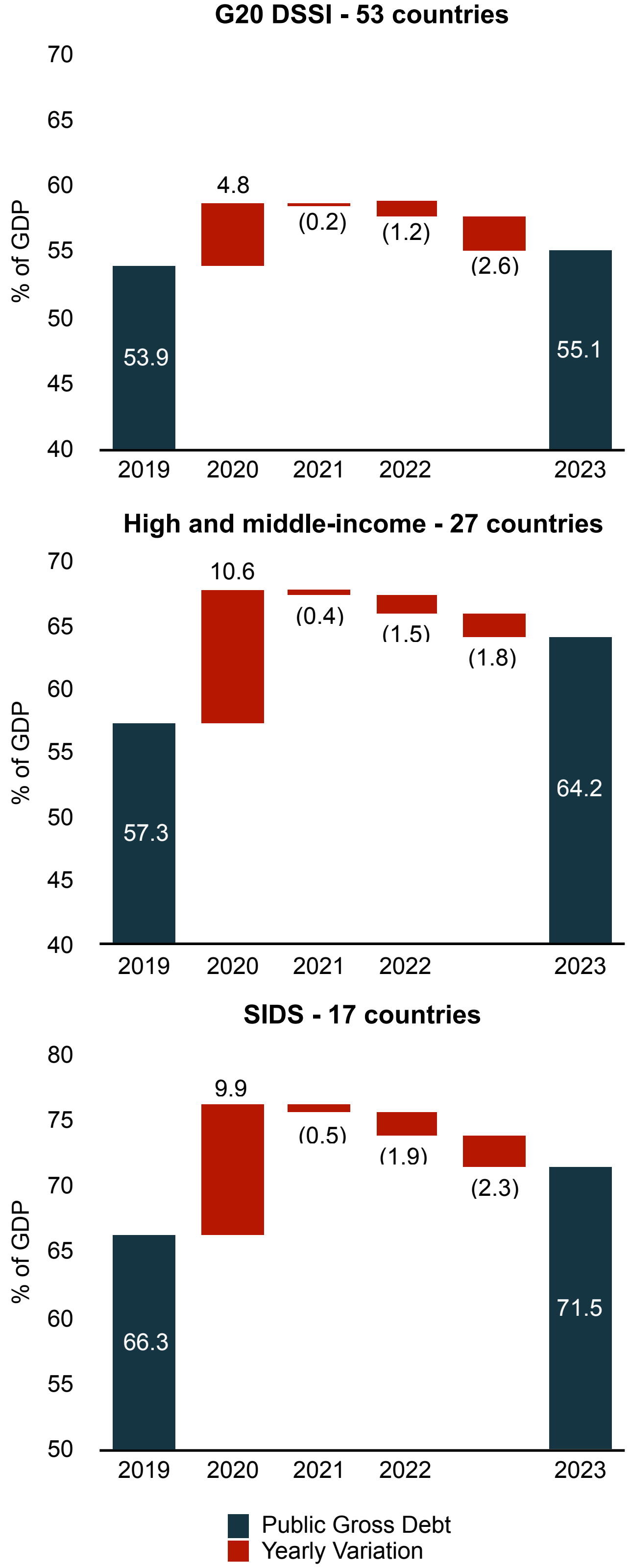
The Covid-19 pandemic is projected to have a substantial and immediate impact on public debt levels. For the group of 80 countries included in the analysis, public gross debt is expected to increase from 55 to 62 per cent of GDP between 2019 and 2020[16]. The impact varies depending on the country group category (Figure 1). Countries eligible for the G20 DSSI are projected to increase their public debt from 52.9 to 58.7 per cent of GDP. High and middle-income countries will climb from 57.3 to 67.9 per cent of GDP. SIDS public debts will rise from 66.3 to 76.2 per cent of GDP.

A key factor that explains the different national trajectories is the impact of the crisis on economic growth. Emerging market economies are expected to contract by up to 3 per cent of GDP in 2020. In the meantime, low-income economies that account for the large majority of the G20 DSSI group, are expected to contract by 1 per cent of GDP[17]. IMF projections in the context of the pandemic have been criticised as being inconsistent and over-optimistic[18].

As a result of these growth projections, IMF medium-term debt forecasts have an observed downward bias (Figure 1). For all three country groups, debt is expected to stabilise at below the figure reached in 2020, but above pre-crisis levels observed in 2019. 56 countries are projected to have public debt greater than levels recorded in 2019. The decline in debt levels forecasted by the IMF gives the impression that the crisis is under control. An analysis of country cases, fiscal policy and financing implications shows how inaccurate and dangerous this impression is, and will be, for the development efforts of the countries in question.

The projected increase in public debt is substantial for many countries for the period between 2019 and 2023 (Figure 2). Of the top twenty countries with the largest increase, half are high and middle-income countries. The other half comprises countries eligible for the G20 DSSI. Even after optimistic growth forecasts, at least seventeen countries are expected to have double digit increases of

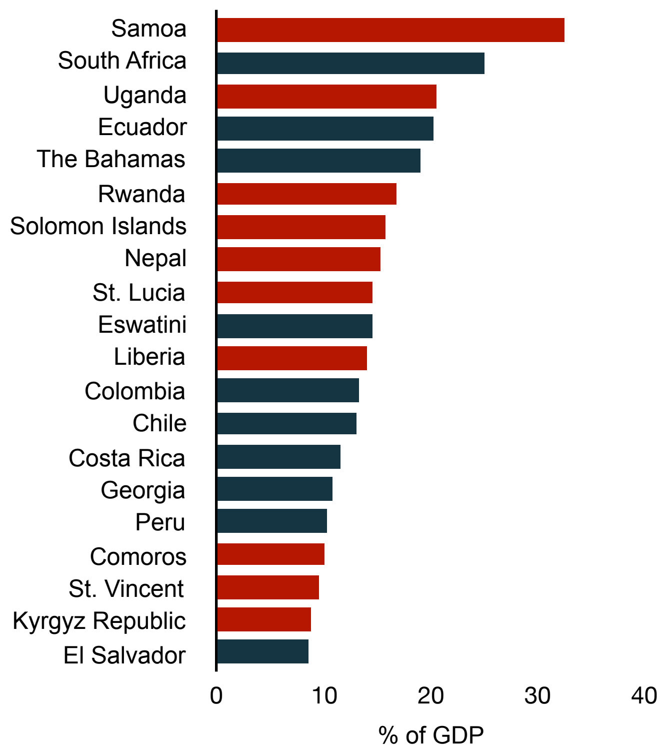
Figure 1: Evolution of public gross debt as % of GDP (2019 - 2023)



Figures in brackets denote a decrease.
Source: Eurodad calculations based on IMF staff country reports.

their public debt levels. These dynamics highlight the failure of the multilateral response to the crisis on two accounts. Firstly, middle-income countries have not been provided with any meaningful assistance from the Global Financial Safety Net (GFSN). This is particularly relevant for countries in Latin America[19]. Secondly, the G20 DSSI is too narrow in terms of creditor eligibility and has a too short timeline to provide support to countries badly affected by the crisis[20].

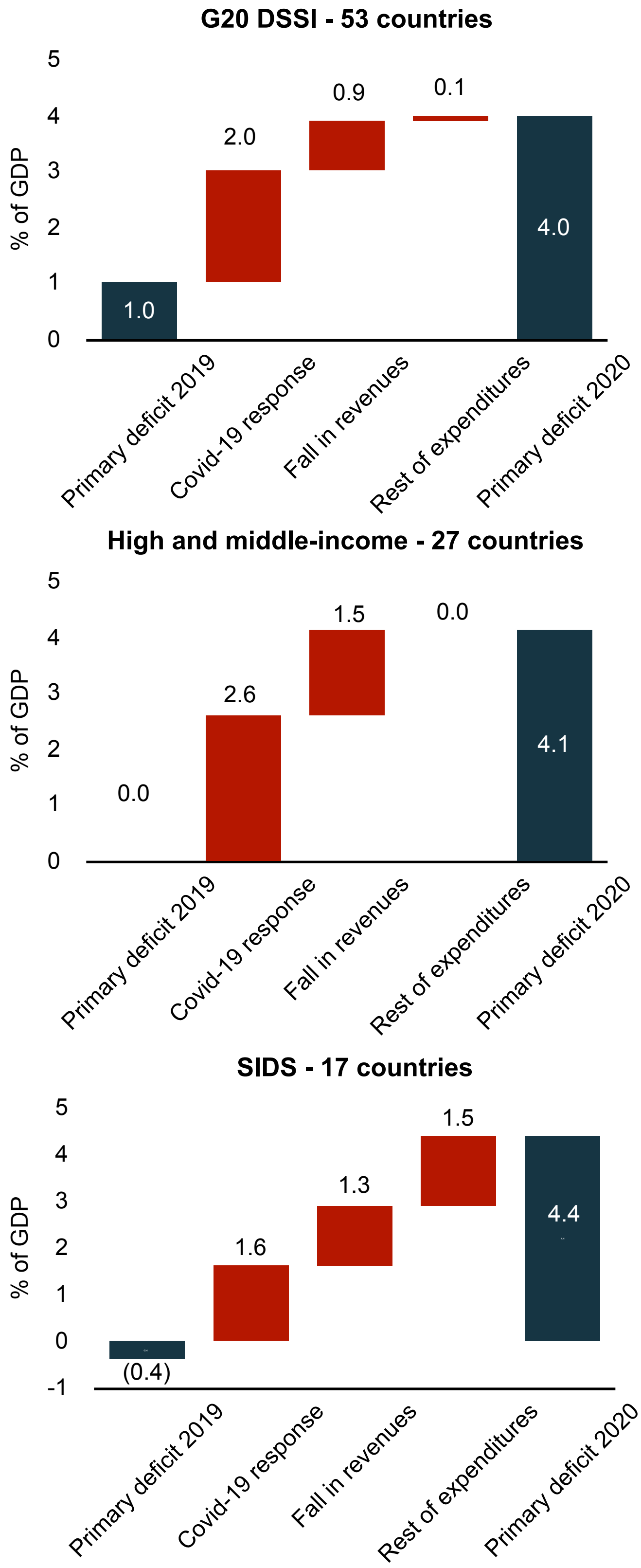
Figure 2: Largest increase of public debt as % of GDP (2019 - 2023)



Red color denotes G20 DSSI elegible countries
Source: Eurodad calculations based on IMF staff country reports.

An analysis of the fiscal impact of the crisis in 2020 shows that the IMF is likely to underestimate the immediate increase in debt levels. For the group of 80 countries, the primary fiscal deficit[21] is expected to increase from 0.7 to 4.1 per cent of GDP between 2019 and 2020. The deterioration in the fiscal position follows slightly different patterns by country group (Figure 3).

Figure 3: Primary deficit change (2019-2020)



Primary deficit is presented as a positive figure. Figures in brackets denote a primary balance surplus.
Source: Eurodad calculations based on IMF staff country reports.

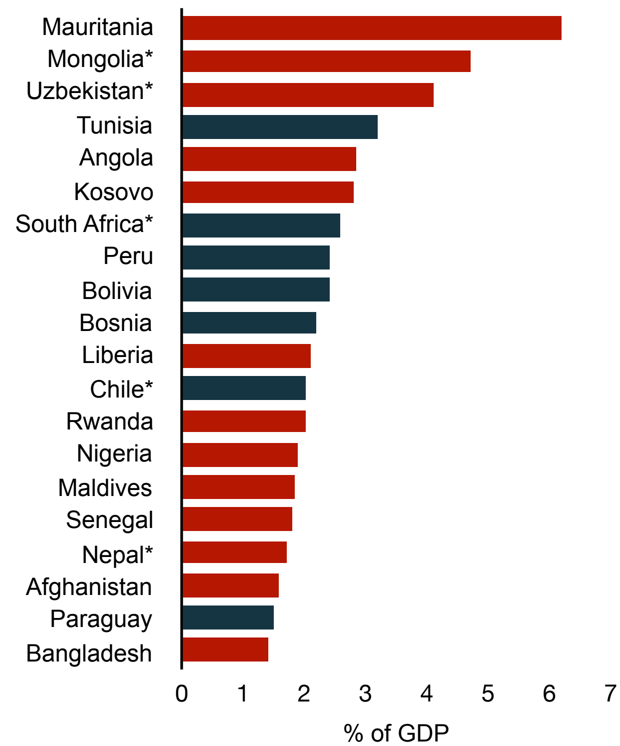
Countries eligible for the G20 DSSI are projected to increase their primary deficit from 1 to 4 per cent of GDP. The deterioration in the fiscal position can be disaggregated in three components. First, Covid-19 response packages for these countries amount on average to 2 per cent of GDP[22]. Second, government revenues have fallen by 0.9 per cent of GDP. Finally, other government expenses have increased by 0.1 per cent of GDP.

In the case of high and middle-income countries, the primary deficit increased from 0 to 4.1 per cent of GDP. Covid-19 response packages account for 2.6 per cent of GDP. The greater economic response to the Covid-19 pandemic of this group of countries is a result of higher levels of income per capita and larger public sectors. A fall in revenues accounts for most of the remaining deterioration, equivalent to 1.5 per cent of GDP.

SIDS present an increase in their primary balance from a surplus of 0.4 of GDP to a deficit of 4.4 per cent of GDP. Covid-19 response packages account for 2 per cent of GDP, while a decline in revenues and increase in other expenditures account for the remaining 1.3 and 1.5 per cent of GDP, respectively.

While the group averages provide useful information regarding the aggregate fiscal patterns, they also obscure the implications of Covid-19 response packages for a number of countries. Financing difficulties have forced at least forty countries to implement expenditure cuts in other areas of public budgets in order to afford a response to the pandemic. Figure 4 illustrates the magnitude of the expenditure cuts taking place in the middle of the pandemic. Of the twenty countries with the largest expenditure cuts, thirteen are eligible to the G20 DSSI and seven correspond to the high and middle-income group. This set of countries is projected to enact expenditure cuts equivalent, on average, to 2.6 per cent of GDP in 2020.

Figure 4: Largest public expenditure cuts to offset Covid-19 response packages as % of GDP (2020)



Estimated as size of Covid-19 response package minus overall change in public expenditure between 2019 and 2020. A positive figure indicates that other expenditures have contracted to create fiscal space for the response.

*Covid-19 responses include revenue measures. Figure 4 may overestimate offsetting expenditure cuts as a result.

Red color denotes G20 DSSI elegible countries.

Source: Eurodad calculations based on IMF staff country reports.

The implausible magnitude of the required expenditure cuts indicates that the IMF is likely to underestimate the immediate impact of the crisis both in its economic and human dimensions. South Africa provides an example of the problematic character of this dynamic. At a time when decisive public health and social protection measures are most needed, the government has been forced to implement off-setting expenditure cuts by 2.6 per cent of GDP in 2020. This figure is equivalent to 60 per cent of the public health budget of the country. The difficult conditions have caused health workers to protest and threaten with mass public worker strikes[23]. To date, 16,667 people have died of Covid-19 in South Africa. The country has the highest Covid-19 death toll in Africa and ranks at 13th overall in the world[24].

After the pandemic, many countries will be left in a situation of heightened vulnerability and increased debt burdens. In the case of vulnerabilities, Gross Financing Needs (GFN)[25] increased substantially in 2020 (Table 2). They are expected to remain at concerning levels in 2021, with a decline by 2023. At least 17 countries are expected to have GFN above 15 per cent of GDP in 2021[26]. This group includes developing countries with large populations such as Egypt, Pakistan and South Africa. A second wave of the pandemic or sudden deterioration of national financing conditions would create significant problems for these countries. Without multilateral measures to address debt burdens and financing requirements, the financial stability of these countries rests on a knife-edge.

A key driver of this dynamic is the evolution of public debt service. Larger debts will increase the debt burdens of most countries over the coming years. Even after assuming a decline in debt levels by 2023, debt service will stabilise at above pre-crisis levels (Table 2). Countries eligible for the G20 DSSI will experience an increase of annual debt service requirements of 1.9 per cent of GDP per year by 2023. This figure is 1.7 per cent in the case of high and middle-income countries and 1 per cent for SIDS.

To place these figures in context, thirty countries will pay an additional amount equivalent to their 2020 Covid-19 packages to their creditors as increased debt service by 2023[27]. IMF Debt Sustainability Assessments (DSA) characterise these debt dynamics as “sustainable” in 76 countries[28]. In most cases, sustainability is premised on the capacity of countries to deliver on the implementation of austerity measures on a breathtaking scale over the

Table 2 - Evolution of gross financing needs and public debt service (2019 - 2023)

Gross Financing Needs (GFN)

Country group	# of countries	2019	2020	2021	2022	2023
G20 DSSI	53	8.2	12.3	10.9	10.2	9.8
High and middle-income	27	11.0	15.9	13.0	11.3	11.0
All countries	80	9.1	13.5	11.5	10.5	10.2
SIDS	17	9.6	16.0	14.5	12.6	11.9

Public debt service

Country group	# of countries	2019	2020	2021	2022	2023
G20 DSSI	53	7.1	8.3	8.4	8.8	9.0
High and middle-income	27	9.9	11.6	11.8	11.5	11.6
All countries	80	8.4	9.4	9.5	9.5	9.9
SIDS	17	10.9	11.7	11.8	11.3	11.9

Debt service includes payments of principal and interest on domestic and external debt, including the stock of short term debt at the end of period.

Source: Eurodad calculations based on IMF staff country reports.

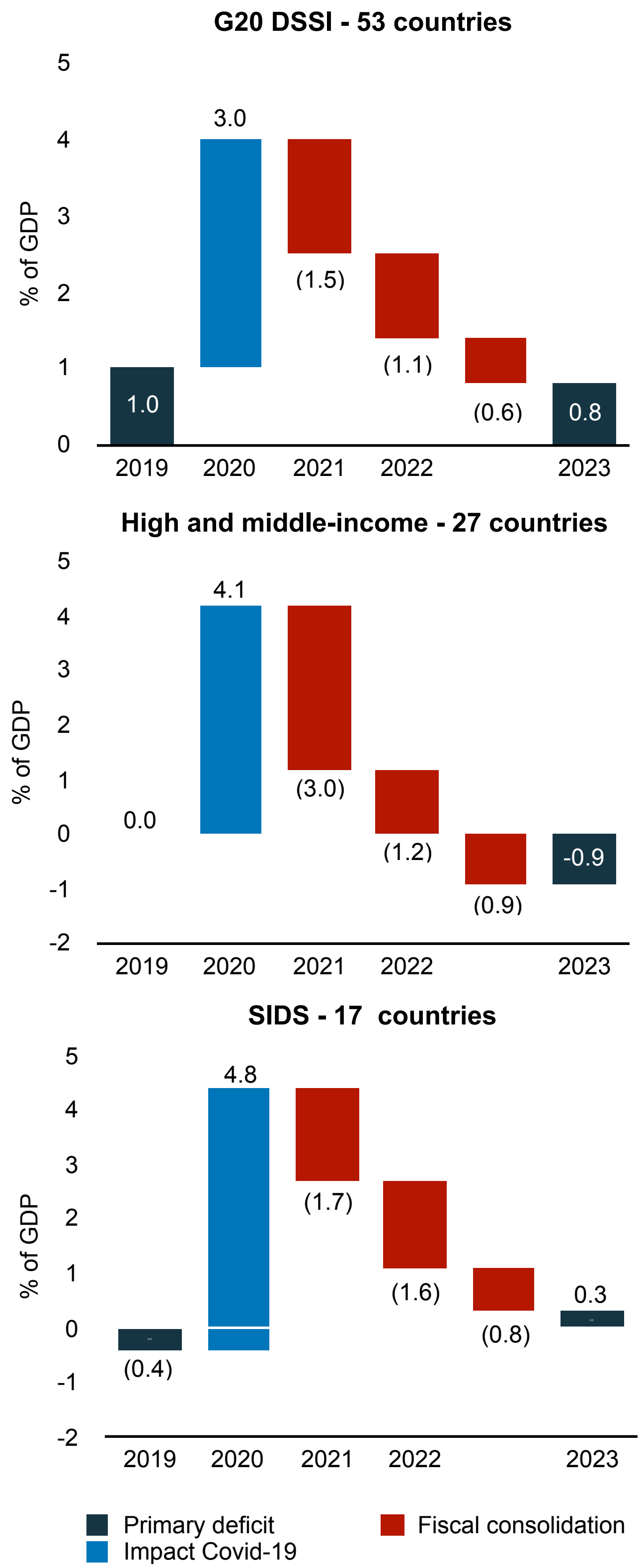
coming years. These measures will only deepen the crisis for hundreds of millions of people across the globe. Their plight will represent the mirror image of the sustainability criteria used by the IMF.

4. IMF Covid-19 financial assistance programs and austerity: harder, faster, wider

Developing countries are about to embark on an unprecedented and synchronised exercise of fiscal consolidation. 72 countries are expected to begin a process of fiscal consolidation as early as 2021, with austerity measures to be implemented in all 80 countries by 2023. Between 2021 and 2023, these countries will implement austerity measures worth on average 3.8 per cent of GDP. The adjustment will be front-loaded, leaving no time to recover. More than half of the projected measures, equivalent to 2 per cent of GDP, will take place in 2021.

The scale, speed and reach of the planned adjustment raises serious concerns regarding its impact on country and global growth prospects. IMF staff research shows that front-loaded fiscal consolidations in credit constrained environments[29] which rely on expenditure cuts have a negative impact on growth[30]. An analysis by the IMF Independent Evaluation Office (IEO) of the impact of IMF programs on growth found that both growth and fiscal targets fell short of the expected outcomes across countries during the 2008-2019 period[31]. IMF program design in the aftermath of the Covid-19 pandemic does not take these patterns into account. Almost all programs rely on optimistic growth projections[32], front loaded adjustments and rely mostly on expenditure cuts (see below). Thus, even by the IMF's own criteria for fiscal adjustment design, the programs approved in recent months represent a policy blunder with potentially catastrophic repercussions. A cascade of negative feedback effects between fiscal consolidation and growth is bound to create spillover effects amongst developing economies. This will place further pressure on country level adjustment requirements to stabilise debt levels.

Figure 5: Evolution of primary deficit as % of GDP (2019-2023)



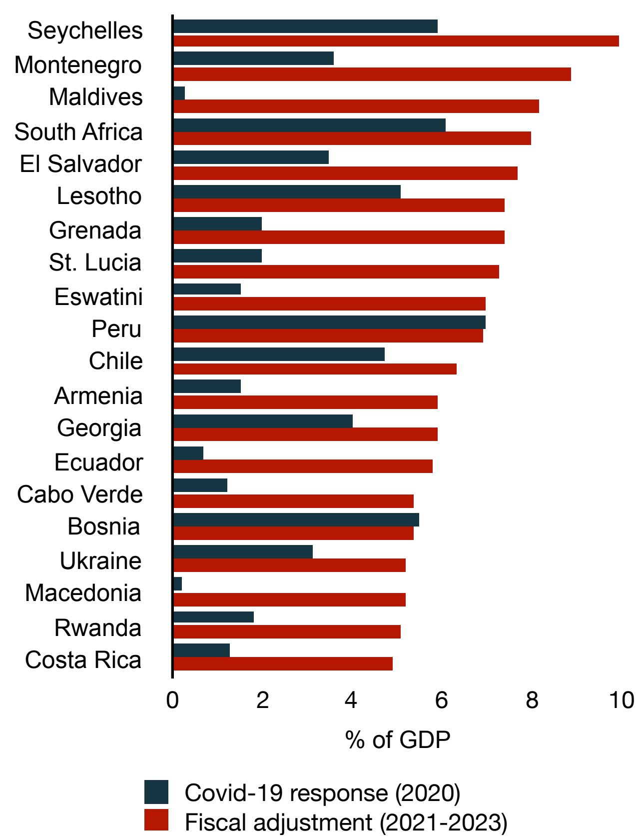
Primary deficit is presented as a positive figure. Figures in brackets denote deficit reduction / primary surplus.
Source: Eurodad calculations based on IMF staff country reports.

It is clear that the IMF has not considered the systemic implications of its programs. This can be evidenced by the similar nature of adjustment across country groups during the 2021-2023 period (Figure 5). Countries eligible for the G20 DSSI are projected to implement austerity measures worth 3.2 per cent of GDP over the next three years. The brunt of the adjustment, equivalent to 2.6 per cent of GDP will take place over 2021 and 2022. High and middle-income countries face an even tougher challenge. This group is expected to implement austerity measures worth 5.1 per cent of GDP. These countries are projected to enact measures for 3 per cent of GDP just in 2021. SIDS will impose measures worth a total of 4.1 per cent of GDP. Of this figure, fiscal consolidation for 3.3 per cent will take place in 2021 and 2022.

The IMF is explicitly forcing countries to shift the cost of the crisis, in terms of weaker fiscal positions and larger debts, on to the shoulders of the most vulnerable. This is a direct result of the inadequate multilateral response to the crisis, as most countries have been left to fend for themselves. 59 countries have fiscal consolidation plans for the next three years that are larger than the Covid-19 response packages implemented in 2020. To offset the impact of the response to the pandemic, fiscal consolidation plans for the next three years represent 4.8 times the amount of resources allocated to the emergency response. Country specific fiscal consolidations projected by IMF staff are substantial (Figure 6).

Ecuador offers an example of the implications of this approach. The country implemented a Covid-19 response package worth 0.7 per cent of GDP in 2020. This figure is well below the group average for high and middle income countries of 2.6 per cent of GDP. The response was financed with off-setting expenditure cuts worth 0.3 per cent of GDP. Struggling with the economic impact of the Covid-19 pandemic, expenditure cuts and a debt crisis, the healthcare system of the country collapsed[33]. Despite having a population of only 17 million people, the country has registered a total of 11,312 deaths from Covid-19, placing Ecuador as the 16th highest ranking country for Covid-19 death rates in the world[34]. While dead bodies were piling up on the streets[35], the country embarked on a renegotiation of its debts with private creditors. Ecuador completed the process on September 1, 2020, exchanging bonds for a value of US$ 17.4 billion and the participation of 98.5 per cent of the bondholders[36]. The IMF explicitly endorsed the outcome of the negotiations with a staff level agreement that provides the country with US$ 6.5 billion in additional financing[37]. The success of the debt restructuring and IMF program is premised on the ability of the country to deliver on austerity measures worth 5.8 per cent of GDP over the next three years[38]. This figure is eight times the resources the country was able to mobilise to protect the lives of its citizens in 2020.

Figure 6: Largest fiscal consolidation plans and Covid-19 response packages as % of GDP (2020)



Source: Eurodad calculations based on IMF staff country reports.

Fiscal consolidation is achieved through a combination of measures aimed at raising revenues and reducing expenditures. The following subsections provide an overview of the expected evolution of revenues and expenditures in the context of IMF programs over the next three years.

Revenue mobilisation in IMF Covid-19 financial assistance programs

Government revenues for countries receiving IMF financing are projected to fall on average by 1.1 per cent of GDP in 2020. Revenues are expected to return to pre-crisis levels by 2023. On aggregate, revenue mobilisation is expected to represent a quarter of the total adjustment. This pattern is consistent across country groups (Table 3). Given the context, characterised by a reduction of commodity prices, large scale failure of small and medium-sized enterprises (SMEs) and substantial increases in unemployment, the projected recovery in national revenues will require substantial efforts by governments.

The current crisis provides an opportunity to tackle a broken and outdated international corporate tax system. This would require measures to address tax havens, international tax dodging and other illicit financial flows[39]. In addition, governments could be encouraged to adopt a progressive tax agenda based on property and capital income taxation. However, an analysis of the IMF programs indicates a different strategy. Adjustment programs aim to increase revenues through an increase of indirect taxes, and specifically Value Added Tax (VAT). For a group of 59 countries, for which data is available, 39 are set to increase the share of indirect taxes in total government revenues[40]. For the entire group, indirect taxes are set to increase their share in government revenues from 29.2 to 30.8 per cent between 2019 and 2023. Country group dynamics follow this pattern (Table 4). The most noticeable increase in the share of indirect taxes in government revenues takes place in SIDS. The shift in tax burdens towards local consumption is linked to the expected impact of the crisis on tourism revenues and commodities.

The shift in the composition of government revenues is reflected in the share of indirect taxation as a percentage of GDP. A total of forty countries are expected to increase indirect taxes as a percentage of GDP[41]. For the entire group, indirect taxes are set to increase to 7.4 per cent of GDP by 2023. This represents an increase of 0.4 per of GDP with respect to pre-crisis levels. The different country groups follow the aggregate trend pointing to the existence of a systematic pattern (Table 4).

Table 3 - Evolution of government revenues as % of GDP (2019 - 2023)

					Variation	
Country group	# of countries	2019	2020	2023	2019-2023	2020-2023
G20 DSSI	53	22.0	21.1	22.2	0.2	1.1
High and middle-income	27	26.5	25.0	26.5	0.0	1.5
All countries	80	23.5	22.4	23.6	0.1	1.2
SIDS	17	26.0	24.7	26.1	0.1	1.4

Source: Eurodad calculations based on IMF country staff reports.

Table 4 - Evolution of government revenues as % of GDP (2019 - 2023)

		Indirect taxes (VAT) as % of revenues		# of countries with increase	Indirect taxes (VAT) as % of GDP		# of countries with increase
Country group	**# of countries**	**2019**	**2023**		**2019**	**2023**	
G20 DSSI	39	29.2	30.7	23	6.8	7.2	27
High and middle-income	20	29.3	31.0	16	8.5	8.9	13
All countries	59	28.7	30.3	39	7.3	7.6	40
SIDS	13	28.6	30.6	9	7.8	8.2	7

Source: Eurodad calculations based on IMF country staff reports.

This dynamic is troublesome for at least two reasons. It ratifies counterproductive IMF bias towards indirect taxation. IMF programs have been found to shift the structure of taxation toward indirect taxes without increasing overall revenues[42]. It also raises questions regarding the IMF commitment towards a fair and equitable recovery. Increases in VAT rates have been shown to have a negative impact on income[43] and gender equality[44]. More recently, the Organisation for Economic Co-operation and Development (OECD) has highlighted that raising VAT taxes in the aftermath of the Covid-19 pandemic is not desirable from an equity perspective[45]. The foreseen increase of indirect taxes in IMF program countries fails to address the structural problems that have been known to hamper domestic revenue mobilisation in developing countries. Even worse, this increase of indirect taxes raises the prices of basic goods and services in a time of crisis. This is set to cause unnecessary harm to the most vulnerable populations.

Expenditures in IMF Covid-19 financial assistance programs

Government expenditures are projected to increase by 2.3 per cent of GDP in 2020. As discussed in the previous section, Covid-19 response packages account for most of the variation. Over the following three years, countries that have received IMF financial assistance are expected to reduce expenditures by 2.6 per cent of GDP. Expenditure reduction in the aftermath of the pandemic is expected to take place in 71 countries. The decline in expenditures will take government spending to below pre-crisis levels in 41 countries[46].

Table 5 - Evolution of government primary expenditures as % of GDP (2019 - 2023)

					Variation	
Country group	**# of countries**	**2019**	**2020**	**2023**	**2019-2023**	**2020-2023**
G20 DSSI	53	23.0	25.1	23.0	0.0	-2.1
High and middle-income	27	26.6	29.1	25.6	-0.9	-3.5
All countries	80	24.2	26.5	23.9	-0.3	-2.6
SIDS	17	25.6	29.1	26.3	0.7	-2.8

Source: Eurodad calculations based on IMF country staff reports.

The country groups included in the analysis follow different patterns (Table 5). Countries eligible for the G20 DSSI are projected to reduce expenditures by 2.1 per cent of GDP over the coming years. Expenditure levels are expected to return to pre-crisis levels by 2023. Forecasts for high and middle-income countries indicate the largest reduction in expenditure amongst the three groups. Expenditures are set to decline by 3.5 per cent of GDP, taking expenditures to below 2019 levels. Finally, in the case of SIDS, expenditure cuts will reach 2.8 per cent of GDP. Total expenditure for SIDS will remain above 2019 levels.

An additional element of analysis that is provided in the IMF staff reports refers to public sector wages in government expenditure. For a group of 72 countries for which data is available, public sector wages are expected to retain a constant share of government expenditure, equivalent to 29 per cent of the total. As a result of the overall reduction of expenditure, public wages are expected to decline by 0.2 per cent of GDP compared to pre-crisis levels. The pattern of evolution of public wages varies across country groups. For countries eligible to the G20 DSSI and SIDS, public wages are expected to remain stable, both as a share of expenditure and GDP. In the case of high and middle-income countries, public wages are expected to decline by 0.4 per cent of GDP between 2019 and 2023. The decrease is projected to take place in 16 countries. As part of IMF financing, public workers in countries such as Costa Rica, South Africa and Tunisia can expect extensive layoffs and reductions of their wages over the coming years. Large reductions in the public sector workforce will further erode the coverage and quality of public services. As public services play a critical role in advancing human rights and reducing income and gender inequalities, this will cause long-term harm to local populations[47].

The impact of austerity on the provision of public services will be substantial. The size of the planned expenditure cuts is concerning when compared to the resources allocated to basic public services such as healthcare (Figure 7). At least forty countries are expected to implement expenditure cuts equivalent to their current healthcare budget[48]. Most of the countries with the largest expenditure cuts are countries eligible for the G20 DSSI, such as Chad, Mali and Kenya. Austerity will be implemented at the same time that these countries are scheduled to resume and pay back suspended debt service payments to official creditors. This reveals the long-term costs of the DSSI, especially as countries transition from IMF emergency financing to fully-fledged programs. Without measures to address the financing requirements and debt burdens of participant countries, the IMF is forcing countries to choose which public services to provide and when. The fact that this is taking

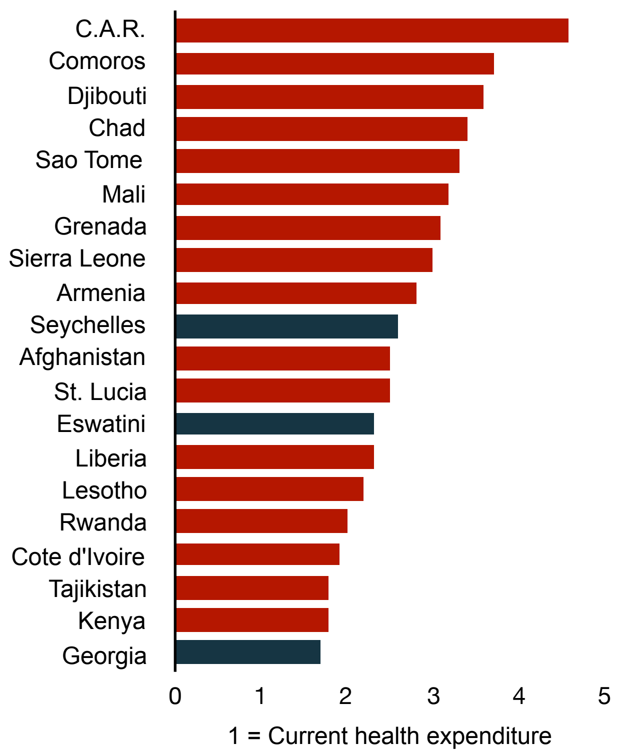
Table 6 - Public wages as a share of government expenditures and % of GDP (2019-2023)

		Public sector wages as % of expenditures		# of countries with decrease	Public sector wages as % of GDP		# of countries with decrease
Country group	**# of countries**	**2019**	**2023**		**2019**	**2023**	
G20 DSSI	45	29.0	28.9	22	7.0	7.0	20
High and middle-income	27	28.8	28.9	12	7.5	7.1	16
All countries	72	28.9	28.9	34	7.2	7.0	36
SIDS	16	32.1	31.7	10	8.4	8.4	7

Source: Eurodad calculations based on IMF country staff reports.

place as the world faces a pandemic and the worst economic crisis for over a century represents, at the very least, a dereliction of duty by the international community.

Figure 7: Largest expenditure cuts relative to current public health expenditure (2020-2023)



Red color denotes G20 DSSI eligible countries.
Source: Eurodad calculations based on IMF staff country reports.

5. Arrested development: IMF austerity and the SDGs in the 2020's

The year 2030 marks the end-point of the United Nations (UN) Agenda for Sustainable Development[49]. The Agenda is composed of a set of 17 goals and 169 targets. These are commonly known as the SDGs. These include, among others, the eradication of poverty and hunger as well as the universal provision of quality health care, education and social protection. The UN estimates that developing countries face a financing gap of US$ 2.5 trillion per year to achieve the SDGs[50].

In this context, the IMF low income-countries debt sustainability framework (LIC DSF) represents a useful tool to assess the impact of the Covid-19 crisis on the progress towards the SDGs. The LIC DSF analyses the evolution of debt dynamics in low-income countries over a twenty year horizon. This framework is used in 46 IMF staff reports covered in the review. An analysis of this subset of programs shows a dismal picture by the end of the decade. The baseline scenario assumes a strong economic recovery and fulfillment of fiscal targets. These projections show a future characterised by heavy debt burdens, under-funded public sectors and a global failure to achieve the goals of the 2030 Agenda and the Paris Agreement on Climate Change.

For 46 countries eligible for the G20 DSSI, public debt levels are expected to stabilise at above pre-crisis levels by 2030 (Table 7). Public debt is projected to increase from 52.8 to 55.9 per cent of GDP between 2019 and 2030. The increase is more noticeable for SIDS included in this group. The public debt level will increase from 60.7 to 67 per cent over the same period, and this increase will be widespread within the group. Thirty countries will have higher debt levels by the end of decade, with notable cases including Ghana (69.6 per cent of GDP), Kenya (69.8 per cent of GDP) and St. Vincent and the Grenadines (84.8 per cent of GDP).

Higher debt levels translate into heavier debt burdens. Countries eligible for the G20 DSSI are projected to increase debt service payments from 6.5 per cent to 8.4 per cent of GDP between 2019 and 2030. SIDS follow a similar pattern, with an increase of debt service from 6.2 to 8.5 per cent of GDP. The direct long-term consequence of the crisis will be an even greater transfer of resources from public sectors to their creditors compared to that observed before the crisis. The projected transfer is on a massive scale. 33 countries are projected to end the decade with higher debt service payments. 21 countries will pay their creditors additional amounts equivalent to an average Covid-19 response package every year of this decade between 2023 and 2030. This group includes countries such as Bangladesh, Kenya and Myanmar[51].

Table 7 - Government debt, debt service and primary expenditures as % of GDP (2019-2030)

		Government debt			Debt service			Primary Expenditure		
Country group	# of countries	2019	2020	2030	2019	2020	2030	2019	2020	2030
G20 DSSI	46	52.8	58.5	55.9	6.5	7.8	8.4	23.6	25.7	23.0
SIDS	10	60.7	69.1	67.0	6.2	8.9	8.5	27.4	30.5	28.2

Source: Eurodad calculations based on IMF country staff reports.

Stabilising debt levels and meeting higher debt service requirements will result in countries having to abandon the active pursuit of the 2030 Agenda and the commitments of the Paris Agreement on Climate Change. IMF research on a subset of SDGs estimates that low-income countries will require additional spending, equivalent to 15 percent of GDP[52]. United Nations Conference on Trade and Development (UNCTAD) research found similar results and has highlighted the need for an SDG debt relief program to alleviate financing pressures[53]. However, the projected evolution of expenditures will leave no fiscal space to fund the required investments in the SDGs and Paris Climate agreements. For the countries eligible for the G20 DSSI, public expenditures will decline from 23.6 to 23 per cent of GDP between 2019 and 2023. Expenditure levels for SIDS will follow a different path. Expenditures in these countries will increase from 27.4 to 28.2 per cent of GDP during this period. In the case of SIDS, the increase is too small to accommodate for minimum investment requirements in climate change[54]. 28 countries are projected to have expenditure below pre-crisis levels by 2030. This group includes large countries such as Bangladesh, Ethiopia and the Democratic Republic of Congo and SIDS such as Cabo Verde and Papua New Guinea[55].

Failure to account for development financing requirements is not a bug, but a feature of the IMF DSA. From its inception in the 1950s, the framework of debt sustainability used by the IMF and the World Bank has been grounded in the assessment of the commitment of governments to adjust domestic resource use to levels compatible with meeting creditor claims[56]. This feature explains why the high levels of debt observed in many countries are considered sustainable by the IMF. Debt is sustainable as long as the country is able to meet creditors' claims without incurring a large policy adjustment, even at the expense of resource mobilisation towards the SDGs[57].

The IMF DSA methodology has direct implications for program design. The IMF pays little to no attention to the fiscal implications of its programs on the 2030 Agenda and Climate commitments. This happens at the same time that both topics are featured heavily in public interventions by IMF officials. The review of 80 IMF staff reports, comprised of well over 4,000 pages of documentation, show that the SDGs are mentioned a total of ten times in seven country reports[58]. The SDGs are not once mentioned as part of DSAs. The issue of climate change receives slightly more attention[59]. The IMF focuses on two types of climate. Business and investment climate is mentioned 45 times across 17 reports. Climate change and events are mentioned a total of 87 times within twenty country reports[60]. Climate change is cited as a consideration in a DSA in only one country report (Samoa).

With this in mind, it is clear that failure to achieve the SDGs in the aftermath of Covid-19 will not be the result of the pandemic. Rather, it will be a result of the conscious choice to privilege creditors' claims over the future of hundreds of millions of people.

6. Conclusion

This report illustrates the dramatic failure of the IMF and the international community to respond to the Covid-19 pandemic. The measures adopted to tackle the ongoing economic downturn fall far short of the effort needed to meet the current scale of need in the global south[61]. The IMF projections and recommendations for fiscal consolidation set the tone for yet another "lost decade" for development. The situation we face in the wake of the pandemic means even greater need for concerted global action that puts human rights, sustainable development, gender equality and climate justice at its core. Concrete actions are required to avert the dismal future portrayed in IMF staff reports:

- **Stop austerity and prioritise Covid-19 response and recovery efforts:** Austerity measures requested by the IMF are incompatible with an effective response and recovery effort in the aftermath of Covid-19. Fulfillment of IMF program targets undermines the provision of basic public services, increases income and gender inequality and hampers growth prospects. Additional measures are required to avoid a harmful process of fiscal consolidation. These include, among others, a new allocation of Special Drawing Rights (SDR)[62], increases in Official Development Assistance (ODA)[63], and the establishment of effective global governance[64] to tackle tax avoidance, evasion, illicit financial flows and sovereign debt resolution.
- **Systemic assessment of IMF financial assistance:** Even by the IMF's own criteria for fiscal adjustment design, the programs approved in recent months represent a policy blunder of historical proportions. A cascade of negative feedback effects between fiscal consolidation and growth is bound to create spillover effects amongst developing economies. This will place further pressure on country-level fiscal targets and adjustment requirements to stabilise debt levels. The IMF needs to develop a systemic assessment of the implications of its programs and proceed to a thorough review of recently approved financial assistance.
- **Complete overhaul of DSAs:** IMF DSA methodology forces countries to abandon the active pursuit of the 2030 Agenda and the commitments of the Paris Agreement on Climate Change in order to meet creditor claims. Post Covid-19 debt relief needs cannot be assessed under this premise. A review of the methodology is needed. DSA's must explicitly incorporate countries' long-term financing needs to pursue the SDGs, climate goals, human rights and gender equality commitments[65].
- **Develop a post-Covid-19 debt relief and sustainability initiative:** IMF lending coupled with G20 DSSI simply postpones the inevitable acknowledgement of the unsustainable nature of debts in many countries across the world. Debt sustainability consistent with the SDGs and human rights can be achieved through an ambitious process of debt relief, including extensive debt cancellation. Relief must be granted to all countries in need and assessed with respect to their development financing requirements.
- **A systemic reform to address the crisis:** Multilateral discussions need to make progress towards the establishment of a permanent multilateral framework under UN auspices to support systematic, timely and fair restructuring of sovereign debt, in a process convening all creditors[66].

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Annex - Country list & IMF staff reports

		Country group classification				
Country	Income level	Region	G20 DSSI	SIDS	Risk of debt distress	IMF Report
Bangladesh	Low-income	Asia and Pacific	Yes	-	Low	https://bit.ly/33ve9NF
Maldives	Upper-middle income	Asia and Pacific	Yes	Yes	High	https://bit.ly/3ixdGi4
Mongolia	Lower-middle income	Asia and Pacific	Yes	-	Sustainable	https://bit.ly/33rXSsS
Myanmar	Lower-middle income	Asia and Pacific	Yes	-	Low	https://bit.ly/2Sowdmp
Nepal	Low-income	Asia and Pacific	Yes	-	Low	https://bit.ly/33uIxHQ
Papua New Guinea	Lower-middle income	Asia and Pacific	Yes	Yes	High	https://bit.ly/3leQiaW
Samoa	Upper-middle income	Asia and Pacific	Yes	Yes	High	https://bit.ly/30BD7Jw
Solomon Islands	Lower-middle income	Asia and Pacific	Yes	Yes	Moderate	https://bit.ly/3jxjKsq
Afghanistan	Low-income	Middle East and Central Asia	Yes	-	High	https://bit.ly/2EZVH6j
Armenia	Upper-middle income	Middle East and Central Asia	Yes	-	Sustainable	https://bit.ly/30y8TH3
Djibouti	Lower-middle income	Middle East and Central Asia	Yes	-	High	https://bit.ly/3leXjc4
Egypt	Lower-middle income	Middle East and Central Asia	-	-	Sustainable withouth high probability	https://bit.ly/2Soiax8
Georgia	Upper-middle income	Middle East and Central Asia	-	-	Sustainable	https://bit.ly/36zb0hB
Jordan	Upper-middle income	Middle East and Central Asia	-	-	Sustainable	https://bit.ly/3l8K4JC
Kyrgyz Republic	Lower-middle income	Middle East and Central Asia	Yes	-	Moderate	https://bit.ly/2HYBcYX
Mauritania	Lower-middle income	Middle East and Central Asia	Yes	-	High	https://bit.ly/3cXmLj6
Pakistan	Lower-middle income	Middle East and Central Asia	Yes	-	Sustainable	https://bit.ly/2HNiPpF
Somalia	Low-income	Middle East and Central Asia	Yes	-	High	https://bit.ly/3iunXM7
Tajikistan	Low-income	Middle East and Central Asia	Yes	-	High	https://bit.ly/2SoOlwk
Tunisia	Lower-middle income	Middle East and Central Asia	-	-	Sustainable	https://bit.ly/2Sph18z
Uzbekistan	Lower-middle income	Middle East and Central Asia	Yes	-	Low	https://bit.ly/3jyF3cX
Angola	Lower-middle income	Sub-Saharan Africa	Yes	-	Sustainable	https://bit.ly/3nhk0Ol
Benin	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/3iwT3mf
Burkina Faso	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/3jxYJh8
Cabo Verde	Lower-middle income	Sub-Saharan Africa	Yes	Yes	High	https://bit.ly/30z7K20
Cameroon	Lower-middle income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/3cXnj8E
Central African Republic	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/36sK1o6
Chad	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/3jxJEfJ

Country group classification

Country	Income level	Region	G20 DSSI	SIDS	Risk of debt distress	IMF Report
Comoros	Low-income	Sub-Saharan Africa	Yes	Yes	Moderate	https://bit.ly/33wVPUm
Congo DRC	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/2GttSnA
Cote d'Ivoire	Lower-middle income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/3jrJLt7
Eswatini	Lower-middle income	Sub-Saharan Africa	-	-	Sustainable	https://bit.ly/3cXoll2
Ethiopia	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/30yUFGe
Gabon	Upper-middle income	Sub-Saharan Africa	-	-	Moderate	https://bit.ly/33tgicC
Gambia	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/3d0L2F8
Ghana	Lower-middle income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/3l8MkAA
Guinea	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/2Suocwd
Kenya	Lower-middle income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/3ivXA8K
Liberia	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/33vSa9t
Lesotho	Lower-middle income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/30wNj5Q
Madagascar	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/3d1HWk0
Mali	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/36w92yy
Malawi	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/2F6WyCs
Mozambique	Low-income	Sub-Saharan Africa	Yes	-	Debt distress	https://bit.ly/3li5qVh
Niger	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/33t38MW
Nigeria	Lower-middle income	Sub-Saharan Africa	Yes	-	Sustainable	https://bit.ly/36KVcsz
Rwanda	Low-income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/2HY1cDO
Sao Tome and Principe	Lower-middle income	Sub-Saharan Africa	Yes	Yes	Debt distress	https://bit.ly/33x59HT
Senegal	Lower-middle income	Sub-Saharan Africa	Yes	-	Moderate	https://bit.ly/3nfY3zj
Seychelles	High-income	Sub-Saharan Africa	-	Yes	Sustainable	https://bit.ly/30yWAdK
Sierra Leone	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/3lbaeLW
South Africa	Upper-middle income	Sub-Saharan Africa	-	-	Sustainable	https://bit.ly/3iwD8V9
Togo	Low-income	Sub-Saharan Africa	Yes	-	High	https://bit.ly/3lbQMyG
Uganda	Low-income	Sub-Saharan Africa	Yes	-	Low	https://bit.ly/3d0alHx
The Bahamas	High-income	Latin America & Caribbean	-	Yes	Sustainable	https://bit.ly/34nHEAh
Barbados	High-income	Latin America & Caribbean	-	Yes	Sustainable	https://bit.ly/36zzwzs

Country group classification

Country	Income level	Region	G20 DSSI	SIDS	Risk of debt distress	IMF Report
Bolivia	Lower-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/34iEBsU
Chile	High-income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/34tuIJj
Colombia	Upper-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/30yX182
Costa Rica	Upper-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/3d0bDIR
Dominica	Upper-middle income	Latin America & Caribbean	Yes	Yes	No staff report	
Dominican Republic	Upper-middle income	Latin America & Caribbean	-	Yes	Sustainable	https://bit.ly/3iqe6He
Ecuador	Upper-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/3izZoNM
El Salvador	Lower-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/36x6Qa9
Grenada	Upper-middle income	Latin America & Caribbean	Yes	Yes	Debt distress	https://bit.ly/30u8Jkb
Guatemala	Upper-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/33vtLRh
Haiti	Low-income	Latin America & Caribbean	Yes	Yes	High	https://bit.ly/2Ss7oG6
Honduras	Lower-middle income	Latin America & Caribbean	Yes	-	Low	https://bit.ly/2F5j7r8
Jamaica	Upper-middle income	Latin America & Caribbean	-	Yes	Sustainable	https://bit.ly/36u6r8t
Panama	High-income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/33vFPSL
Paraguay	Upper-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/30xKmlD
Peru	Upper-middle income	Latin America & Caribbean	-	-	Sustainable	https://bit.ly/3itwIGd
St. Lucia	Upper-middle income	Latin America & Caribbean	Yes	Yes	Sustainable	https://bit.ly/36u7u8t
St. Vincent and the Grenadines	Upper-middle income	Latin America & Caribbean	Yes	Yes	High	https://bit.ly/36xwBan
Albania	Upper-middle income	Europe	-	-	Sustainable	https://bit.ly/3lfcq5i
Bosnia and Herzegovina	Upper-middle income	Europe	-	-	Sustainable	https://bit.ly/2SoTHYq
Kosovo	Upper-middle income	Europe	Yes	-	Sustainable	https://bit.ly/34n4JD6
Moldova	Lower-middle income	Europe	Yes	-	Low	https://bit.ly/2Su2Mzo
Montenegro	Upper-middle income	Europe	-	-	Sustainable	https://bit.ly/3iyzvhr
Republic of North Macedonia	Upper-middle income	Europe	-	-	Sustainable	https://bit.ly/2HWSJAO
Ukraine	Lower-middle income	Europe	-	-	Sustainable	https://bit.ly/2GEaDHG

Endnotes

[1] For an up-to-date list of countries that have received IMF financial assistance and links to individual IMF staff country reports, see, IMF. (2020). COVID-19 Financial Assistance and Debt Service Relief. https://bit.ly/3jwppin.

[2] The IMF Executive Board approved financial assistance to Dominica on April 28, 2020. However, as of October 2020, the IMF has not published a staff report for this program.

[3] For an overview of the G20 DSSI, see: Eurodad. (2020). The G20 Debt Service Suspension Initiative: Draining out the Titanic with a bucket? https://bit.ly/34d08U3.

[4] Five high-income economies have received IMF financial assistance. This group includes Chile, Panama, Seychelles, The Bahamas and Barbados. The last three countries are also classified as SIDS.

[5] For an overview of the characteristics of the different IMF lending facilities, see, IMF. (2020). IMF Lending. https://bit.ly/2SkStxs.

[6] Colombia is rumored to be in discussions with the IMF to access US$ 5 billion. See, Bloomberg. (2020). Colombian Bonds Rally as Nation Weighs $5 Billion IMF Loan. https://bloom.bg/30hIuNL.

[7] Stubbs, T., Kring, W., Laskaridis, C., Kentikelenis, A., & Gallagher, K. (2020). Whatever it takes? The global financial safety net, Covid-19, and developing countries. *World Development*. https://bit.ly/2S7suth.

[8] Kentikelenis, A. E., Stubbs, T. H., & King, L. P. (2016). IMF conditionality and development policy space, 1985-2014. *Review of International Political Economy*, *23*(4), 543-582.

[9] Eurodad. (2018). Unhealthy conditions: IMF loan conditionality and its impact on health financing. https://bit.ly/2vHIydK.

[10] IMF. (2016). *IMF Conditionality*. https://bit.ly/2GeyJt1.

[11] The IMF Independent Evaluation Office (IEO) had recommended the discontinuation of the use of structural benchmarks as they undermine country ownership. See, IMF IEO. (2018). Structural Conditionality in IMF-Supported Programs - Evaluation Update. https://bit.ly/2HKRV1F.

[12] Ukraine entered into a SBA on June 9 2020.

[13] The LIC DSF and MAC DSA provides an assessment of risk of debt distress using two sets of categories. The LIC DSF categories of risk include low, moderate, high and in debt distress. The LIC DSF is used in 46 IMF staff reports covered in this review. The remaining countries are covered by the IMF MAC DSA. The MAC DSA uses a different set of categories. These include sustainable, sustainable but not with high probability and unsustainable.

[14] These include Cameroon, Central African Republic, Egypt, Ethiopia, Gambia, Liberia, Malawi, Mauritania, Sao Tome and Principe, Sierra Leone, Somalia and Togo.

[15] The group includes Afghanistan, Cabo Verde, Chad, Djibouti, Ghana, Grenada, Haiti, Kenya, Maldives, Mozambique, Papua New Guinea, Samoa, St. Vincent and the Grenadines, Tajikistan.

[16] Public gross debt is defined as the domestic and external liabilities of the public sector.

[17] IMF. (2020). World Economic Outlook Update, June 2020. https://bit.ly/3jeIsgV.

[18] Sandefur, J., & Subramanian, A. (2020). The IMF's Growth Forecasts for Poor Countries Don't Match Its COVID Narrative. CGDEV. https://bit.ly/2EKsYm3.

[19] For a description and analysis of the GFSN, see: Mühlich, L., Fritz, B., Kring, W. N., & Gallagher, K. P. (2020). *The Global Financial Safety Net Tracker: Lessons for the COVID-19 Crisis from a new interactive dataset*. https://bit.ly/2EHXrku.

[20] Eurodad. (2020). The G20 Debt Service Suspension Initiative: Draining out the Titanic with a bucket? https://bit.ly/34d08U3.

[21] Primary deficit is defined as public expenditure, excluding interest, minus revenues. This indicator captures the evolution of fiscal policy excluding the impact of public debt.

[22] Covid-19 response packages as reported in IMF staff reports. Data on country-by-country Covid-19 responses is available in the online dataset at www.eurodad.org.

[23] Aljazeera. (2020). South Africa healthcare workers protest, threaten strike. https://bit.ly/30vbp0J.

[24] Worldmeters Covid-19 update as of September 25, 2020. https://bit.ly/36mp91F.

[25] GFN measures the resources needed by the public sector to cover its financing needs. It is defined as the primary deficit plus debt amortization and interest plus short term debt stock at the end of the period. A large GFN indicates a high degree of vulnerability to financing conditions, including capital sudden stops.

[26] The group comprises Seychelles, Egypt, Pakistan, St. Lucia, Eswatini, Haiti, Gambia, South Africa, Sao Tome and Principe, Albania, Republic of North Macedonia, Rwanda, Samoa, Jordan, Kyrgyz Republic, Kenya and Malawi. Figures available in the online dataset at www.eurodad.org

[27] The group includes Bangladesh, Burkina Faso, Cabo Verde, Congo DRC, Costa Rica, Dominican Republic, Egypt, Gabon, Haiti, Honduras, Jordan, Kenya, Kyrgyz Republic, Liberia, Madagascar, Malawi, Maldives, Mali, Moldova, Mongolia, Myanmar, Nigeria, Papua New Guinea, Republic of North Macedonia, Rwanda, Sao Tome and Principe, Sierra Leone, South Africa, Tunisia, Uganda. Figures available in the online dataset at www.eurodad.org.

[28] Only four countries are considered to have unsustainable debts or be sustainable without high probability. The former category includes Grenada, Mozambique and Sao Tome and Principe. The latter comprises Egypt.

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[37] The IMF staff report on the new agreement has not been made public as of September 25, 2020.

[38] Figures from the IMF staff country report published on May 28, 2020.

[39] Reyes, E., Ryding, T., & Rangaprasad, P. (2020). No more excuses: a time for global economic solutions. https://bit.ly/33i9Hlj.

[40] Comparability of tax data across IMF staff reports is hampered by the use of different tax classification systems and disaggregation levels at the country. Data reported in this section uses VAT data when reported. Indirect tax data are used in case VAT data, or its equivalent, is not reported.

[41] This group includes Albania, Armenia, Bangladesh, Bolivia, Cabo Verde, Cameroon, Central African Republic, Colombia, Côte d'Ivoire, Dominican Republic, Egypt, Eswatini, Ethiopia, Gabon, Gambia, Grenada, Guinea, Jordan, Kosovo, Lesotho, Malawi, Maldives, Moldova, Mozambique, Myanmar, Nigeria, Pakistan, Papua New Guinea, Paraguay, Republic of North Macedonia, Samoa, Senegal, Sierra Leone, Somalia, St. Lucia, Tajikistan, The Bahamas, Tunisia, Uganda, Ukraine, Uzbekistan. Figures available in the online dataset at www.eurodad.org.

[42] Reinsberg, B., Stubbs, T., & Kentikelenis, A. (2020). Taxing the People, Not Trade: the International Monetary Fund and the Structure of Taxation in Developing Countries. *Studies in Comparative International Development*, 1-27. https://bit.ly/3n4EPwm.

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44 Oxfam. (2019). A short guide to taxing for gender equality. https://bit.ly/2ENwcVK.

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46 This group includes Angola, Bangladesh, Bolivia, Cabo Verde, Cameroon, Chile, Colombia, Costa Rica, Côte d'Ivoire, Djibouti, Ecuador, El Salvador, Eswatini, Ethiopia, Gambia, Georgia, Ghana, Jamaica, Kenya, Kosovo, Kyrgyz Republic, Lesotho, Liberia, Maldives, Montenegro, Nepal, Niger, Nigeria, Pakistan, Panama, Papua New Guinea, Paraguay, Republic of North Macedonia, Rwanda, Senegal, Sierra Leone, South Africa, St. Lucia, Tajikistan, Tunisia, Uzbekistan. 26 of these countries are eligible for the G20 DSSI. Figures available in the online dataset at www.eurodad.org.

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58 These include Nepal, Mauritania, Tajikistan, Ghana, Sao Tome and Principe, Haiti and Honduras.

59 Similar findings have been reported by other researchers. See, Gallagher, K., & Maldonado, M. (2020). The Role of IMF in the Fight Against COVID-19: The IMF COVID-19 Recovery Index. https://bit.ly/3ihJac8.

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