

The impact of COVID-19 on foreign aid

by Stephen Brown

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Vuniivi settlement in Lami, Fiji.

Photo Credit: Katherine Drakeford/United Nations Office for Disaster Risk Reduction

Across the Global South, the COVID-19 pandemic has reversed years of socioeconomic progress, disproportionately harming poor people. Low- and lower-middle-income countries in particular are struggling more than ever to find the resources to support their citizens' health and wellbeing at this time of crisis. Moreover, disruptions to trade, investment and remittances have caused a drop in international sources of development finance.

Foreign aid is therefore more important than ever. A growing number of studies has documented how aid has responded to the new dynamics at the local and national level. But what impact has the COVID pandemic had on foreign aid globally?

New trends

One of the first new trends to emerge after the COVID pandemic hit has been the increased focus on the health sector and on social assistance. Foreign aid clearly plays a key role in providing COVID-related medical care and supplies, including treatments and vaccines. Social assistance has also proved crucial for mitigating the secondary effects of the pandemic and preventative measures such as lockdowns, which have **pushed** 100 million people into extreme poverty.

For the past decade or more, foreign aid had been placing increasing emphasis on long-term growth as a means of poverty reduction, including through spending on large-scale infrastructure projects. With the pandemic, the pendulum has swung back towards meeting more immediate health and material needs.

However, without an increase in overall aid budgets, the reallocation of resources to social spending could hobble important work in other sectors. Moreover, if funds already earmarked for other health-related areas are redirected to fighting COVID, a range of important activities would have to be sacrificed, from maternal and child

health to HIV/AIDS prevention and treatment, thereby increasing the burden of other diseases.

Reinforced trends

Most other COVID-related foreign aid trends are not new, but rather an acceleration of pre-existing ones. For instance, according to OECD [data](#), the proportion of aid committed to the humanitarian sector had already been growing, from about 5% of official development assistance in the early 2000s to an average of 13% in 2016–2018. The COVID crisis has further boosted spending on emergency assistance.

A loss of revenue, paired with the need to increase expenditures, has caused large government budget deficits around the world. Although most countries in the Global North can manage additional borrowing, the COVID crisis has pushed debt in many developing countries, already a growing problem over the past decade, to a crisis level. Debt relief is back on the agenda, but with little action to date. G20 countries have [postponed](#) the servicing of debt, but have not cancelled any. More significant measures will have to follow in 2021 and beyond.

An additional reinforced trend is the growing emphasis on global public goods. Increasingly, donor countries are not just seeing their role as “helping” developing countries, but dedicating considerable funds to addressing problems that affect people around the world, such as global warming. COVID-19 is a perfect example of a new problem that requires a global response. To a certain extent, aid donors have recognised this, for example by funding [COVAX](#), a facility that will distribute vaccines to all countries who request it, regardless of ability to pay.

However, donor countries have displayed a very high degree of “vaccine nationalism”, [locking up](#) the vast majority of supplies and prioritising the vaccination of their entire populations before releasing surpluses to protect even the most vulnerable populations in the Global South. According to [The Economist](#), most Africans won't be vaccinated for another two or even three years.

Relatedly, the pandemic has subverted North-South hierarchies. The United States and European countries have proved the least able to prevent COVID transmission at home. Much pandemic assistance, from protective equipment to medical assistance and vaccines, has flowed not from the Global North to the Global South, but from Southern countries such as China, India and Cuba to other countries in the South and, in some cases, in the North.

The interruption of international travel has also increasingly forced Northern aid actors, both in government and NGOs, to rely on local staff not only for project

implementation but also program design, management and monitoring. Development actors from the Global South and their allies in the North had increasingly been advocating the “localisation” of foreign aid. COVID dramatically accelerated the process.

Finally, the COVID crisis has reinforced the decade-long donor trend of increasingly framing their foreign aid as being in their own interest. Donors often repeat the mantra that “no one is safe until everyone is safe”. Although presumably effective in rallying support in donor countries for the global fight against COVID-19, the increased place of self-interest as a justification for aid – at the expense of altruism, global solidarity or concerns for justice – leaves room for aid cuts once the COVID crisis is over or in areas where donor interests are less directly at play, such as gender equality in the Global South.

The post-COVID aid landscape

The fate of foreign aid in the coming years depends above all on donor government’s political will. Many of the trends outlined above could be considered positive. If they are to endure and progress further in the post-COVID aid landscape, donors will need to recognise their value. Moreover, as outlined above, some COVID-related trends have created new risks to the global development agenda, including the cannibalisation of existing aid-funded programs.

These negative effects can only be mitigated by additional aid spending. Some donors, notably the United Kingdom, have enacted **radical cuts** to their aid programs. Others, such as Germany, have responded by **increasing** aid budgets. Once the COVID crisis is over, donor countries will be under tremendous domestic pressure to rein in spending, and official development assistance will be a tempting target. Thus, although COVID-19 has reinforced foreign aid’s role on the international stage, its medium-term effects might undermine it, at least for traditional donors.

This blog summarises analysis that the author initially presented in a journal article available [here](#).

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