

Building back with justice

Dismantling inequalities after Covid-19

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aid

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Christian Aid exists to create a world where everyone can live a full life, free from poverty. We are a global movement of people, churches and local organisations who passionately champion dignity, equality and justice worldwide. We are the changemakers, the peacemakers, the mighty of heart.

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Cover: A woman in Nigeria arranges her money and verification card. She has received NGN22,000 (£44.50) from a Covid-19 rapid response project run by Christian Aid and its partners. This project is supporting vulnerable households with basic needs during lockdown, including cash and voucher assistance.

Photograph: Christian Aid/Jerry Clinton

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List of Acronyms

COP	Conference of the parties
Covid-19	coronavirus disease 2019
DRC	Democratic Republic of Congo
GDP	gross domestic product
GNI	Gross National Income
ILO	International Labour Organization
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
PPE	personal protective equipment
SDGs	Sustainable Development Goals
SDR	Special Drawing Right
UHC	universal health coverage
UN	United Nations
UNCTAD	UN Conference on Trade and Development
WHO	World Health Organization

‘The pandemic has been a sharp reminder to us in the UK of the value of our own health and social services. Our hearts therefore go out to those in countries and communities where there is no safety net to catch them at such times of crisis – they are all too often left to face unimaginable poverty and sickness. This report from Christian Aid pulls no punches in its call for a coordinated global response to help our brothers and sisters who are in such dire need. Unprecedented times require an unprecedented response and I urge our government to show compassion and generosity to fulfil its international responsibilities.’

The Most Rev John DE Davies, Archbishop of Wales

‘This report highlights the disparate impact of the Covid-19 pandemic on marginalised groups within the richest countries as well as on the world’s poorest people. As we begin to re-imagine what our future might be like, we can join with the wider faith and civil society movement in urging our leaders to prioritise issues of justice, equality and care for creation. Throughout history, massive upheavals have led to societies taking momentous decisions. Following the Second World War, the UK Government established the welfare state and the NHS to aid national recovery. The upheaval of the pandemic brings the opportunity to make equally momentous decisions, such as cancelling debt for the poorest nations in our world, as the report recommends.’

The Rt Rev Dr Martin Fair, Moderator of the Church of Scotland’s General Assembly

‘I welcome this timely report and commend it as a serious contribution to the conversation we all need to join. The Coronavirus pandemic and Black Lives Matter movement have highlighted the systemic injustices within our national and global communities. They have challenged us all to think about the role we have in building a better future. It is a task which calls Christians to speak boldly for the values of God’s kingdom and to be purposeful in working with others to secure a more hopeful future.’

Canon Yemi Adedeji, Director, One People Commission, Evangelical Alliance UK

‘Covid-19, and this report, offer us another glimpse into the destruction caused by humanity through a reckless collision with nature, as we exploit and marginalise the poor whilst destroying our common home. Equally dangerous has been the virus of greed and uncontrolled consumption. Christians, people of every faith and all those of good will must come together to call a halt to our self-destruction and together heal our broken world. As Pope Francis says: “Use the tears to irrigate tolerance. Use your losses to train patience. Use your mistakes to sculptor serenity. Use pain to plaster pleasure. Use obstacles to open windows of intelligence.” Together, we must shape and work for a better world to hand on to our children and grandchildren. This report is a great step in the right direction.’

The Rev Bob Fyffe, General Secretary of Churches Together in Britain and Ireland

‘Given the link between the long-standing social and economically disadvantaged situation of people in poor countries and the disproportionate impact of Covid-19 on them, it is imperative to ask that richer nations should take measures to redress these inequalities. This should be through appropriate mechanisms and in collaboration with developing countries, for workable and long-term sustainable solutions. This report has properly highlighted the relevant issues and made the case for recovery efforts to be approached in ways that make for positive turnaround for all the people of the world.’

Dr Marcus Chilaka, Assistant Provincial Pastor and National Ecumenical Lead, The Redeemed Christian Church of God

‘As we emerge out of the eye of this current pandemic storm, what are the new glimpses of the kingdom that we catch out of the corner of our eye? This report both points the way and outlines the programme we must follow to build back better.’

The Rev Ruth Harvey, Leader, the Iona Community

Foreword

The coronavirus disease 2019 (Covid-19) pandemic has highlighted existing socio-economic inequalities – and is greatly exacerbating them. The global health crisis has also wrought an unprecedented economic crisis, deeper and wider than any since the Great Depression, with still no certainty of how prolonged, severe and widespread the damage will be. What we do know is sobering, if not terrifying: globally, extreme poverty is rapidly increasing; hunger is more widespread; health conditions are worsening even beyond the spread of the coronavirus infection; livelihoods and incomes have been destroyed, many never to be fully or partly regained; relational inequalities, such as gender, are worsening; and power imbalances are increasing as various governments seize the opportunity for greater centralisation, control and suppression of dissent.

In this crisis, the poorest and most marginalised people have been hit hardest. The concerns are greater in developing countries, where the worst of the pandemic is yet to come, but the adverse effects of climate change are already being felt, adding to material distress. These countries are economically devastated, but face constraints in undertaking the necessary macroeconomic policies that would enable recovery. The debt burden in developing countries has become unsustainable, and public spending is constrained by inadequate tax revenues that already place disproportionate burdens on the poor.

This appears like a truly dystopian situation – but it need not be. The world has come together before to address grave problems and seemingly insurmountable differences. In the aftermath of the Second World War, the bloodiest conflict in history, the experience of loss and destruction was met with a bold international commitment to a better future.

We need even greater levels of vision and ambition to face potentially existential crises for humanity and prevent catastrophe. That is essential to enable a broad-based and equitable global recovery that radically transforms our economic and social relations and puts people and the planet at its centre.

The solutions set out in this report require international co-operation, which currently seems to be in short supply. But ultimately governments must respond to their people, which is why it is so important to create the wider political demand for such bold measures and for a genuinely multilateral, internationalist approach. Civil society organisations like Christian Aid have a critical role in this conversation and in mobilisation for these goals, given their work on the ground, and their ability to recognise and give voice to people's experience of poverty, insecurity and inequality.

This report captures the essence of the problems, while suggesting viable solutions that must find wider acceptance. It is an important and timely contribution to the essential discussion on how we can recover from this grave and urgent crisis.

Jayati Ghosh, Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University, India

Foreword

The outbreak of the new coronavirus in December 2019 heralded a new chapter in humanity. Nothing in recent times has brought the world together in the fight against a common enemy like Covid-19. The impact of the pandemic is unprecedented and analysts are still trying to understand what the effects will be globally.

Covid-19 is also a wake-up call for humanity, causing fear and anxiety across the globe. But it has also been revelatory. Economic, financial and health systems in every society have been stretched. What we thought before were strong systems in certain strong economies have proved to be just as fragile in the face of this pandemic. With the containment measures, we have heard of a dramatic increase in violence against women and children. People with disabilities are not cared for properly, and those who have recovered from the disease face stigma in their own communities.

Both church and society have been challenged to rethink the way we live and how we cooperate, and to evaluate our responsibilities in the world. The churches' calling to practical *diakonia* has been rekindled. We are now more aware of the connectedness and interdependence of the world than ever before. We are called to remember Jesus' saying that the way we serve him is through serving those among us who seem the least. 'Truly I tell you, just as you did it to one of the least of these who are members of my family, you did it to me.' (Matthew 25:40)

It seems then that a greater understanding and appreciation of our connectedness might be what we need – as world citizens who can, and indeed should, be stronger in building a new humanity that stands united against future threats. Ahead of us lies that open door to a new world. Leadership of a different sort will be required to reject old systems based on who gets there first, and instead to those that ask, 'How do we all get there'? For we have already seen that when we are not united on any global challenge, we are bound to fail. We cannot squander this opportunity to reshape our world and reimagine a future that considers the intrinsic God – given the worth of each individual as a starting point.

This report succinctly captures those key elements that need to be considered for this kind of world. Christian Aid has used its strength in expert analysis to ask the important questions and not shy away from proposing hard answers. The information and proposals in this report will serve not just in strategic and policy direction change, but also to support a very needed prophetic voice to accompany those changes.

**The Venerable JW Kofi deGraft-Johnson,
General Secretary, Council of Anglican Provinces of Africa**

Executive summary

The coronavirus disease 2019 (Covid-19) pandemic and the fallout from measures to control it have created the biggest global social and economic shock since the end of the Second World War. The virus has infected millions and killed hundreds of thousands of people. Its spread is accelerating. The health systems of the richest countries have been put under intense pressure and their economies face the deepest recession since the 1930s. Massive government intervention by the UK and other industrialised economies has staved off the worst impacts on people's jobs and incomes, but the social impact has already been profound and has yet to fully unfold.

These impacts have been multiplied for the world's poorest people. Economic contagion from the lockdowns in East Asia, Europe and North America devastated livelihoods in poor countries that depend heavily on trade, remittances and tourism. Subsequent measures by developing country governments to limit the spread of the virus increased the suffering. For the first time this century, extreme poverty is rising rapidly, with the potential to set the world back to where it was in 1990.

The pandemic has exposed and reinforced deep inequalities that long pre-date it. People who were already poor, in insecure work or on the margins of society have been first and worst affected. Members of discriminated groups in every society have been disproportionate victims of both Covid-19 and its aftershocks.

Without immediate and decisive action, a crisis in the poorest countries threatens to escalate into a catastrophe that will cause untold human suffering, entrench inequalities and slow any recovery. While the G20 countries mobilised \$5tn in the early stages of the pandemic, in order to combat the virus, save jobs and stabilise their economies, this has not been matched by a coordinated global response for people in extreme poverty. Governments in the poorest countries are being squeezed between falling revenues, rising debts and spiralling social needs. Appeals for international support are being met with a slow and piecemeal response that is deepening the suffering of hundreds of millions of people.

The pandemic, its impact on societies and the way that governments have responded, reflect deep failures in how our world is ordered. Before Covid-19 spread, that world was characterised by over-consumption, mass deprivation and environmental destruction. It was neither sustainable nor justifiable. As governments look to control the pandemic and lay the foundations for recovery, we have the opportunity to chart a path to a world that is more equal, just and green, and promotes human flourishing. In the coming months, choices taken by governments around the world will decide whether that path is taken. This report sets out what that agenda looks like, and argues for why it is the right thing to do.

The impact of Covid-19

The coronavirus pandemic has already claimed many lives. While the initial toll was heaviest in richer countries in East Asia, Europe and North America, its spread is now accelerating in poorer regions of the world. While it is too soon to know what the precise

'The pandemic has exposed and reinforced deep inequalities that long pre-date it... Without immediate and decisive action, a crisis in the poorest countries threatens to escalate into a catastrophe that will cause untold human suffering, entrench inequalities and slow any recovery'

impacts will be, healthcare in countries as diverse as Brazil and India has already been put under severe strain.

In many countries, the disruption to non-Covid related healthcare could cause more deaths than the virus itself. Routine immunisation has been disrupted. Maternal and child facilities and sexual and reproductive health have been affected. The pandemic has underscored the importance of universal health coverage (UHC) in allowing societies to prepare for, prevent and respond to health emergencies.

Covid-19 has laid bare the extent to which poverty and inequality can be classed as 'pre-existing conditions'. In the UK, the disproportionate impact on black and Asian people is a case in point. Around the world, marginalised groups, from Dalits in India to migrants in Central America, have been especially vulnerable both to the virus, and to its economic consequences.

The economic fallout from the pandemic response has been huge, and its suddenness is unprecedented. The world now faces the deepest economic contraction since the Great Depression. In a scenario where consumption falls by a fifth, between 420 million and 580 million people could be plunged into poverty this year. Millions more people who were already poor will see their lives become even harder.

The crisis has hit people's jobs and livelihoods especially hard, with tens of millions of people becoming unemployed in India alone in March. For 2 billion workers in the informal sector, reliant on daily earnings and without any formal job security, the impact on incomes has been profound. Falling incomes and disruption to trade and transport have made food increasingly unaffordable for many people in the poorest countries. Coupled with the impact of food crises affecting parts of Africa and the Middle East, this could lead to a doubling in 2020 of the number of people facing acute hunger, to more than a quarter of a billion.

There is a real danger that people in poverty are forced to take short-term measures to cope with the crisis, from selling assets to withdrawing their children from school, that carry long-term costs and deepen already extreme wealth inequalities. These impacts are likely to fall most heavily on women and girls, widening the disparity with men and boys.

Without swift and effective government intervention, human suffering will be prolonged, and individuals and societies will face a much bigger challenge in recovering from the pandemic. Richer countries have been able to act, and have done so on an extraordinary scale, setting aside economic orthodoxies to protect jobs and incomes, safeguard essential services, support businesses, and stabilise markets. Poor countries, with few resources, limited safety nets and weak essential services, have not had the same space to act.

A comprehensive public finance response

An effective social and economic recovery from the pandemic, which tackles poverty and inequality, and is environmentally sustainable, will require a mobilisation of resources by governments on a scale not seen since post-Second World War reconstruction.

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While the G20 and other richer countries have mobilised extraordinary sums for their own economies, poorer countries have been placed in a very different position. For example, Germany has spent upwards of 40 times what Malawi has committed to stimulus and recovery, as a percentage of gross domestic product (GDP). Low-income countries are starting from a point where essential services were already grappling with a legacy of underinvestment.

A growing burden of unsustainable debt before the pandemic has now become a major brake on public spending. The G20 debt standstill only postpones, rather than cancels, debt servicing in poorer countries. At the same time, steep falls in commodity prices and a halt to most international tourism have hit the revenues of many of the poorest countries. Capital outflows of \$100bn from emerging markets in February and March added to the pressure.

The international financial institutions and donor countries have been slow to support the ability of the poorest countries to respond to the crisis. The piecemeal debt relief so far on offer, the failure to agree on a new issue of Special Drawing Rights at the International Monetary Fund (IMF), and the underfunding of the United Nations (UN) request for additional assistance, all reflect a response that has been nationally focused, and has neglected the needs of people in poverty. A parochial response to the crisis by richer countries carries long-term risks for the world at large, by deepening the current impact of the pandemic and economic slump, and stymying recovery efforts.

While the world's richest countries need to step up to the plate, the biggest factor in the ability of countries to respond to the pandemic and forge a sustainable recovery is their ability to raise domestic revenues. The current crisis presents an opportunity to mend a global tax system that was already deeply dysfunctional and regressive. In some of the African countries worst affected by the global economic downturn triggered by the pandemic, revenues lost to tax abuses exceed public expenditures in key sectors. Taxation has increasingly fallen on lower income groups, as major corporations and the wealthy have taken advantage of ever more elaborate tax avoidance measures, or simply evaded tax.

Plans to recover from the crisis should begin with a commitment to tackle tax abuse, and to ensure that tax and spending is progressive, with those people and businesses with the broadest shoulders paying the most into the system. With private wealth having grown spectacularly in recent decades, now is the time to introduce wealth taxes that can help to fund the recovery and narrow the gaps in polarised societies. International financial institutions and governments must work to close corporate tax loopholes, and ensure that bailout funding provided to businesses is made conditional on their tax record.

Strengthening public service provision

The response to Covid-19 has been most effective in countries that have invested in public health and social care. The UN Sustainable Development Goals (SDGs) for 2030 include a target of universal health coverage. The pandemic must be a wake-up call to governments, and lead to a redoubling of efforts to achieve this. Despite the World Health Organization (WHO) recommendation that

'The current crisis presents an opportunity to mend a global tax system that was already deeply dysfunctional and regressive'

countries invest at least 5% of their GDP in healthcare, most of the countries in which Christian Aid works spend well below this level, and many are going backwards. What they do spend often fails to reach those in greatest need. Donor countries have an important role to play in helping to increase investment in quality public health and social care, and in supporting action to remove barriers, including user charges, that stop people in poverty from receiving essential care.

One of the lasting positive legacies of the current crisis could be a major shift in how states help to protect their citizens during times of crisis. Around the world, 190 countries have introduced new social protection measures to help support incomes, food and jobs. The crisis has highlighted the importance of social protection programmes reaching people in need quickly, and in tackling gender disparities. Governments can learn valuable lessons in both of these areas from humanitarian emergencies.

Need for a green recovery

The climate crisis has not abated during the pandemic. Indeed, for many of the poorest countries, the pandemic and its economic effects have been a crisis within a crisis. Countries such as Bangladesh have faced climate-related disaster, in the form of Cyclone Amphan, at the same time as they have dealt with rising Covid-19 rates and a decimated export sector.

The reduction in carbon emissions during lockdown has reduced air pollution and pointed towards the benefits of a cleaner and greener world. But the fall in emissions this year is likely to be roughly half of what the Intergovernmental Panel on Climate Change (IPCC) estimates is needed annually to keep the world within the Paris Agreement target of 1.5°C, and it will not arrest the effects of the long-term atmospheric accumulation of greenhouse gases. The last financial crisis should serve as a warning – an initial dip in emissions led to a rebound and acceleration.

By postponing urgently needed international UN talks on climate and diversity, and by providing cover for some political leaders to roll back or ditch climate-related commitments, Covid-19 may well exacerbate the climate crisis. Yet there is also an opportunity, as the world looks ahead to the shape of a post-pandemic recovery, to invest in a green recovery that is based on low-carbon technology and jobs, an end to energy poverty for 800 million people, protection and restoration of the natural world, and a pathway to a zero-carbon economy. There is compelling evidence that a green recovery can be faster and more equitable, as well as more sustainable than alternative strategies. To make a green recovery a practical reality, governments around the world need to send clear signals to business, rapidly transition out of fossil fuels, and support the poorest countries with the funding and technology they need to pursue development in ways that are truly sustainable.

Governance

The pandemic has underscored the critical role of effective and accountable government in a crisis. The scale and suddenness of the impacts, and the complex trade-offs between health and wider social and economic goals, have tested governments around the world. So far, the performance of governments has been mixed.

'A green recovery can be faster and more equitable, as well as more sustainable than alternative strategies'

Many have opted to limit the freedom of the media and civil society, sometimes by citing concerns over misinformation, and have often weakened public trust in their response to the virus in the process.

Restrictions on media and civil society have created an environment in which other rights abuses have proliferated, often with impunity. Police and other public authorities have often resorted to extreme violence to enforce lockdowns, curfews and other social restrictions. Typically, the poorest people and those who belong to discriminated groups have been most affected. Members of political opposition parties have been harassed and detained, and oversight of executives by legislatures has been weakened. These measures make it less likely that pandemic response and recovery plans are either effective or equitable.

On the positive side, Covid-19 has catalysed new forms of civic mobilisation, networking and collaboration, including mutual aid initiatives, campaigns to fight disinformation, and new advocacy tactics. These green shoots in civil society have a vital role to play in tackling the false information that has been identified by the WHO as a major threat to the pandemic response. In settings where trust in government is low, and the state has limited capacity, local civil society organisations, with faith communities often at the forefront, have a crucial part to play in giving people the timely and accurate information they need to protect themselves and others.

Covid-19 has shown no respect for national borders and has been a powerful reminder of our interdependence. Yet the response of governments so far has been shaped more by competition than by collaboration. The WHO has seen support withdrawn by its largest funder, the US, over a dispute over its early handling of the pandemic. The G7 countries and China have failed to support, and in some cases sought to undermine WHO efforts to pool new medicines and technology, including any future vaccine, so that they are accessible to the poorest countries.

The IMF's extremely modest response to the debt crisis has been shaped by the inability of its major shareholders to agree on more far-reaching debt cancellation. As recovery plans begin to take shape, it is critically important that international financial institutions move away from austerity policies and promote progressive tax and spending policies to support universal access to essential services and equitable, green outcomes. Governments in wealthy countries have the fiscal space to make these choices and must not deny poorer countries the same opportunity.

Recommendations

Christian Aid is calling for a global response package to deal with the immediate impacts of the crisis to build social and economic resilience to future crises, tackles poverty and inequality, and set the world on a trajectory to meet the Paris climate commitments. Governments and multilateral institutions should take the following actions:

- **Strengthen essential services**, by rolling out free testing and treatment of Covid-19; protecting health services for non-Covid-19 needs; ensuring accurate and timely information to help people minimise the spread of the virus; protecting women from violence as part of Covid-19 plans; scaling up social protection

'Restrictions on media and civil society have created an environment in which other rights abuses have proliferated'

programmes that bolster livelihoods and incomes; and taking steps to prevent a food security crisis and acute hunger.

- **Urgently mobilise public finance** for the response to the crisis, by cancelling unpayable debts falling due in 2020 for the poorest countries; preventing vulture funds from exploiting debt distress; agreeing an issuance of Special Drawing Rights at the IMF; fully funding the UN's assistance to the most vulnerable; and introducing wealth taxes to help deliver the resources that are needed.
- **Promote accountable governance**, by limiting emergency powers to what is needed to halt the spread of the virus; actively upholding human rights and access to justice; and ensuring that all assistance for the crisis response is transparent and accountable, enabling civil society and media to play their full role, and for citizen voices to be heard.
- **Lay the groundwork for a sustainable future**, by ensuring that any bailouts of business, as part of recovery efforts, are used to promote tax reform, a reduction in carbon emissions, and responsible and accountable business behaviour.
- **An effective global response to the end the pandemic**, by supporting efforts to pool research, patents and technology so that all countries have the means to tackle Covid-19; attaching public interest conditions to pharmaceutical research and development; and supporting the WHO to deliver effectively on its mandate.

Beyond these immediate, short-term actions, we are calling on governments and multilateral institutions to support an equitable and sustainable global recovery plan by taking the following actions:

- **Public finance reform**, by coordinating a comprehensive cancellation of all debts due in the next two years; creating a sovereign debt restructuring process; supporting comprehensive tax reform through a UN process; reforming the World Bank and IMF policies and approach to crisis and recovery; and taking action to accelerate progress towards universal health coverage and universal social protection.
- **Investment for a sustainable future**, by supporting practical steps to create a low-carbon economy and society, on the way to a zero carbon future; revising national climate plans that are in line with the 1.5°C target; rapidly transitioning away from fossil fuels; expanding investment in renewable energy; and meeting existing climate funding commitments, as a first step towards mobilising climate finance in line with current and historic responsibilities to tackle the crisis.

Introduction

At the beginning of 2020, Sunil Yadav moved from his home village in the Indian state of Jharkhand to take up a job 1,200 km away in Delhi. He had defied the odds of growing up in poverty, and being a member of India's marginalised Adivasi community, to complete his schooling and secure a paid apprenticeship. The money he was able to send back home was a lifeline for his wife, two children and elderly parents.

Three months later, his world collapsed. On 25 March 2020, the Indian prime minister announced a three-week complete lockdown in response to the spread of coronavirus disease 2019 (Covid-19). Sunil immediately lost his job, and without any savings, had no means to house himself, eat or return home. A week later, after calling a migrant helpline, he received emergency supplies of flour, rice and lentils, allowing him to subsist during the strictest phase of lockdown. In early May, he was placed on a government bus together with 35 other colleagues, first to the border with Bihar, and then on to Jharkhand. Three days after setting out, he reached his home village and now has to confront the challenge of how he will support himself and his family.

The upending of daily life for Sunil has been replicated many millions of times across every continent. Since Covid-19 was first declared a pandemic by the World Health Organization (WHO) on 12 March 2020, it has reshaped our world profoundly, in ways that few people anticipated. The virus has infected millions of people and killed hundreds of thousands. As country after country has announced stringent measures to control its spread, health services have been stretched to breaking point, schools have been shuttered, unemployment has skyrocketed, trade and travel barriers have been erected, elections postponed, and fundamental rights suspended.

A huge amount remains uncertain. While many governments are starting to relax physical distancing measures, and are shifting their attention to social and economic recovery, infections continue to rise rapidly, centred on some of the world's most populous countries, from Bangladesh to Brazil. Projections vary, but in the absence of an effective vaccine, hundreds of thousands more deaths are likely, and millions more are at risk.¹ A second wave of the pandemic is possible in countries that have already been severely affected. The true cost to human life may not be known for many years. Meanwhile, the economic, social and political impacts are only starting to unfold.

What is known is that the world now confronts a crisis unlike anything experienced since 1945. The World Bank projects that every region except East Asia will be plunged into recession.² The most vulnerable countries are those that were already struggling economically, and those that rely heavily on trade, tourism and remittances for their income.

Hundreds of millions of people will be pushed into poverty as a result, while poverty will deepen further for millions more who were already struggling to survive.

'The world now confronts a crisis unlike anything experienced since 1945'

Covid-19 does not discriminate, but societies do. The pandemic has been layered onto, and made more visible, deep inequalities and deprivations that existed before the virus struck. The disproportionate number of black and ethnic minority people dying from Covid-19 in the UK, US and other rich countries has rightly sparked public outcry about the impacts of racial discrimination and injustice. A similar pattern of discrimination and deprivation exists in poorer countries too. In India, up to 80 million migrant workers, most of them from Dalit and scheduled caste backgrounds, have lost their work in cities and been forced to return to rural areas, without any obvious means of survival.³ In Bangladesh, already marginalised Rohingya refugees are seeing their food supplies cut.⁴ Everywhere, the pandemic threatens to entrench disparities between women and men, and boys and girls. And in every society, the direct health impacts and the wider economic effects have hit people in poverty hardest.

In richer countries, such as the UK and Ireland, state-funded safety nets have provided people with a buffer against the worst effects of the crisis, and governments have invested heavily in stimulus packages to protect jobs and incomes. But in most poorer countries, safety nets are weak or non-existent, miss many people in urgent need, and are often under-funded.

In a few months, the pandemic and its social and economic fallout have set back the SDGs by many years. The goals to end poverty and protect the planet by 2030 were already off track.⁵ Now, in the absence of a coordinated global effort to recover from the crisis, they risk becoming unachievable.

It is not only the immediate impacts of Covid-19 that are undermining progress to end poverty. The structural barriers to fighting poverty have also increased. Governments in the poorest countries are grappling with a legacy of low public spending at a time when investment, in essential services, infrastructure and social protection is urgently needed. In many countries, the political conditions for governments to take bold and difficult decisions are absent. Climate change is an accelerating threat to human life and the future sustainability of our world. In exposing and deepening inequalities, at a point when many rights have been suspended because of the pandemic, Covid-19 threatens to further polarise societies and weaken the cooperation within and between societies.

Covid-19 has rightly been described as a turning point. In which direction will the world turn? Any plan for recovery needs to build from an effective response to the immediate crisis. The worse the poverty impacts of the pandemic now, the more difficult any future recovery will become. In many cases, much more needs to be done to support the poorest countries to minimise the spread of the virus, mitigate its poverty impacts (especially on vulnerable groups), protect existing humanitarian aid for crises and to uphold human rights.

Any recovery needs to start from a recognition that the situation before the pandemic struck was far from normal. The widespread poverty, inequality, violence and environmental destruction that shaped the world in which the virus took hold is not a model for the future. The coming months will be a narrow window in which far-reaching political choices are made. The unprecedented nature of

the stimulus packages put together in recent months demonstrates a capacity and willingness to rethink the rules governing the economy. Governments now need to seize the opportunity to build back better, by creating a greener, more just and peaceful world, in which the climate crisis is tackled and poverty is sustainably reduced.

As a Christian organisation committed to ending poverty by tackling the underlying injustices that cause it, we believe the current moment represents an opportunity to restore relationships that have been broken – between people, and with God and creation. The current crisis is a moment where we should be seeking not simply to restore our society but to renew it, by explicitly recognising the innate worth of every human being.

Christian Aid was set up in 1945 by the British and Irish churches, in the aftermath of the bloodiest conflict the world has ever seen, as an expression of that commitment to renewal. It was a period of history when visionary changes in economy and society – from the creation of the UN and the Universal Declaration of Human Rights, to the creation of a National Health Service in the UK – spurred major social gains, and inspired political emancipation. In the face of one of the biggest economic and social shocks of the last 75 years, the world now faces a similar moment, where the choices we make will shape our common future, for good and ill.

Exacerbating inequalities: the devastating impacts of the Covid-19 crisis

‘Public services that secure our wellbeing and underpin our economies have been ravaged by years of austerity. Neoliberal policies have shrunk the role of government. This has made economies unequal, insecure, and unsustainable. Across the world, deteriorating public health infrastructure, precarious labor markets, heavy and unequal burdens of care work, and weak social protections have all made it harder to respond to COVID-19— making the virus deadlier as a result’

Center for Economic and Social Rights⁶

The impact on health systems

At the time of writing, Covid-19 has caused hundreds of thousands of deaths and infected millions of people. While most countries in East Asia and Europe have suppressed the virus and are easing restrictions on daily life, the spread of the virus in many poorer countries is accelerating. A lot is still not known about the threats posed by Covid-19 and how it might spread in countries with younger populations and different underlying health conditions. Mortality data is patchy, and reported infection rates are often low. However, the World Bank has warned that the situation in richer and poorer countries is likely to converge, with the developing country share in global fatalities potentially rising more than threefold, to almost 70%.⁷

The lesson from richer countries is that the nature of the virus puts health systems under severe strain, with many people requiring extended hospital care and the high risk of infection for health workers and other hospitalised patients without Covid-19. The challenge is far greater for poorer countries, which typically confront the pandemic with weak health systems, often undermined by years of underinvestment.

Some countries in the global South have mounted strong responses. Ghana’s testing has attracted international praise, and it has increased health spending in response to the pandemic.⁸ In Vietnam, effective testing has limited the spread of the virus.⁹ Yet in many countries Covid-19 has spiralled out of control, and put healthcare under enormous pressure. Within two months of Brazil’s first case, the virus was well-established in the favelas.¹⁰ In early May, Manaus in the state of Amazonas was facing a total collapse of its public healthcare and funeral systems.¹¹ By mid-May, São Paulo’s health system was also on the verge of collapse.¹² Brazil’s death toll is the second highest in the world as of June, and continues to rise.¹³ India, which also saw early spread of the virus in the slums of Mumbai, is now the new epicentre for the disease in Asia.¹⁴ Media reports in May showed crowded hospitals in Mumbai struggling to cope, with bodies lying next to patients undergoing treatment.¹⁵ In Delhi, Mumbai and Chennai, hospitals are running out of beds and have too few clinicians to treat the unprecedented numbers of patients.¹⁶ A

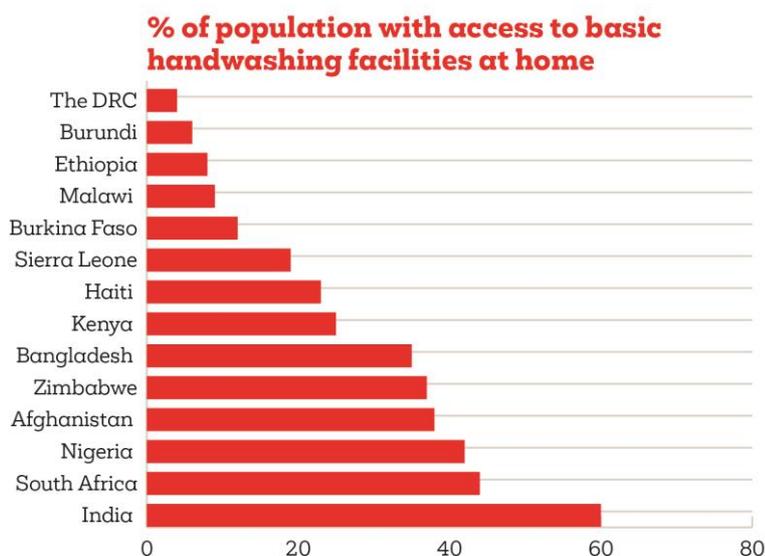
similar situation has emerged in Bangladesh, where infections are estimated to be far above the official tally.¹⁷

In many countries, the disruption to non-Covid-19-related healthcare could cause more deaths than the virus itself. The Ebola epidemic in Sierra Leone and Liberia had a severe impact on the provision of maternal and child health and sexual and reproductive health services, leading to an increase in infant and maternal deaths.¹⁸

A recent survey in Bangladesh highlighted growing barriers to essential healthcare.¹⁹ Almost half of women respondents were unable to access health and nutrition services; 43% of healthcare workers heard of mothers dying in their area within the last week, and 25% of them noted women were not coming into healthcare facilities.

A similar threat is posed by the decision to halt routine immunisation in an effort to limit the spread of Covid-19, with services disrupted in at least 68 countries, affecting around 80 million children.²⁰ One study estimated that for every life saved from Covid-19 by suspension of routine immunisation in Africa, upwards of 29 children could die.²¹ This is especially worrying, given that routine childhood immunisation is an established gateway to regular use of healthcare over a lifetime.

Figure 1



Source: WHO and UNICEF, 2019. Progress on household drinking water, sanitation and hygiene 2000-2017.

If the pandemic points to the critical importance of a strong health system in stopping the spread of disease and saving lives, it has also underscored the critical need for effective sanitation, especially in situations where physical distancing is a major challenge, such as for the 1 billion people living in slum-like conditions.²² The WHO is emphasising frequent and thorough handwashing to reduce the risk of catching the virus. Yet 3 billion people, about 40% of the global population, do not have access to a basic handwashing facility at home.²³ In Ethiopia and the Democratic Republic of Congo (DRC), sub-Saharan Africa's second and third most populous countries,

fewer than 1 in 10 people can wash their hands at home (see figure 1).

Covid-19 and inequality

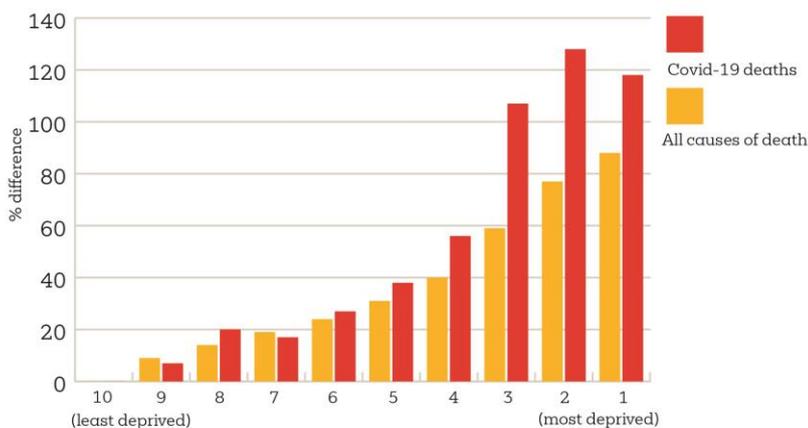
Covid-19 has laid bare the extent to which poverty and inequality can be classed as ‘pre-existing conditions’ that have significant implications for people’s ability to avoid infection and survive the pandemic. Poverty renders people more vulnerable to catching the disease – whether because of cramped, unsanitary living conditions, the inability to self-isolate or the obligation, as a low-income worker, to keep working, despite the higher risk of exposure. Longstanding associations between poverty and ill-health also increase the likelihood that the poor will become sicker or die if infected.

The impacts of the virus are highly unequal within countries, including wealthy ones. In England, Covid-19 death rates have mapped closely on to the deprivation of local areas, to an even greater extent than for other health conditions (see figure 2). The starkly disproportionate impact in the UK on racial and ethnic minorities has rightly generated a public outcry, and highlighted the ways in which poverty and racial discrimination has reinforced economic and health inequalities.²⁴

Figure 2

Covid-19 deaths compared to all deaths in England

Death rate as % difference from least deprived area



Source: Office for National Statistics, UK (Deaths occurring between 1 March and 17 April 2020).

In South America, this situation is echoed in fears for the disproportionate health impacts on indigenous people, and people from mixed African and indigenous backgrounds, such as the Quilombolas in Brazil. There are reports from Brazil, Colombia, Peru and Ecuador of indigenous groups self-isolating and restricting entry into villages and reservations. However, in early April, media outlets were already reporting outbreaks in indigenous communities in Brazil and Colombia.²⁵ These are highly vulnerable populations with little access to health services, higher rates of mortality and chronic malnutrition, and more underlying health conditions.²⁶

‘Covid-19 has laid bare the extent to which poverty and inequality can be classed as “pre-existing conditions” that have significant implications for people’s ability to avoid infection and survive the pandemic’

In many countries in the global South, there are too many data gaps to be able to draw any firm conclusions about how poverty and inequality are shaping the pattern of infection, and who dies from Covid-19. However, it is clear that measures to contain its spread have had a major economic and social impact on people in poverty, in ways that have entrenched existing inequalities.

Migrant populations have been especially vulnerable, because of both the insecure and poorly paid work they tend to do, and their often crowded living conditions. The experience of India's informal workforce, including street hawkers, rickshaw drivers, cleaners, domestics and construction workers, is a case in point.

Of the estimated 120 million people made unemployed in April, 90 million were small traders and labourers, many of them working in India's major cities, having migrated from rural areas, and often from Dalit backgrounds.²⁷ When the lockdown was introduced, up to 80 million of these people lost their source of income and, without any clear means of support, they headed to their family villages, often by foot.²⁸ More than 50 days into the lockdown, thousands of migrants were still walking to try to reach home (see box).²⁹ The situation not only represented a significant threat in terms of transmission of the virus from urban to rural areas, but has also deepened poverty and vulnerability among people already exposed to forced and bonded labour, dangerous work, long working hours, very low wages and discrimination.³⁰

In Central America, migrants have faced similar risks. Many people, displaced by violence from El Salvador, Honduras and Guatemala, who were escaping north to Mexico and the US, have been trapped by lockdowns and, unable to escape to safety, are now at renewed risk of exploitation by criminal gangs.³¹ The US Government's continued deportations of migrants to Central America have added to the crisis, helping to bring infections into countries with some of the weakest health systems in Latin America.³²

People in refugee camps could suffer especially heavily from a virus that spreads easily in cramped and unsanitary conditions. In Bangladesh, more than 850,000 Rohingya refugees fleeing violence in Myanmar live in makeshift camps in the Cox's Bazar district. There are growing fears both about the spread of Covid-19, and the worsening living conditions for people who already suffer from poor health, and limited access to healthcare and sanitation (see box overleaf).³³ One Covid-19 case was confirmed in the host community in Cox's Bazar district on 25 March 2020. By early June there were 35 confirmed cases in the camps, with widespread concern that many more cases are going undetected. There are now fears the virus will spread rapidly through this densely populated area, with the ability to mount an effective response hampered by an internet ban that is fuelling panic and rumour.³⁴

Rising poverty and wealth inequality

While the economic impact of the virus has been dramatic across the globe, the poorest countries are facing a crisis that could become a catastrophe if left unaddressed. Lockdowns and a sudden and major fall in economic activity in richer countries in March and April had a severe impact on poorer countries, especially those that rely heavily on exports, tourism and remittances.³⁵ This was soon

Supporting migrants in Jharkhand

When the lockdown was introduced in India, Christian Aid UK's partner PHIA Foundation worked with the government in Jharkhand, one of India's poorest states, to establish a Covid-19 Migrants Helpdesk.

Since late March, a toll-free helpline has been available to migrants stranded across the country due to the lockdown. A response team of 200 people drawn from government and civil society provides 24-hour cover, with a cloud-based application used to record calls and monitor follow-up, as well as to generate data about stranded migrants and their locations and situation. This is used to link migrants to a wide range of government and civil society support services.

As of June 2020, the helpdesk had registered more than a million migrants as having received support, including counselling and information, ensuring immediate access to food, water and shelter, and support for safe travel back to their homes.

compounded by lockdowns, curfews and other measures that were introduced in an effort to limit the spread of the virus.

The hit to livelihoods and incomes has been sudden and extreme. The most immediate effects were on people who were already living in poverty, often reliant on daily wages and with few buffers in terms of savings or food stocks. Millions more people, already living precariously just above the extreme poverty line, were plunged into poverty, with many of these newly poor people living in Asian countries.³⁶ In a scenario where consumption falls by a fifth, the number of people living in extreme poverty could increase this year by between 420 million and 580 million.³⁷ In effect, the pandemic could wipe out three decades of progress in tackling extreme poverty and require a fundamental reset of efforts to achieve the SDGs.³⁸

Deepening concerns about the poverty effects of the pandemic have increasingly been coupled with fears of a major spike in hunger. Before the pandemic, the picture was already bleak, with 135 million people in 55 countries, including 73 million people in Africa, facing a food crisis.³⁹ Many of the worst affected countries, including the DRC, Afghanistan, Ethiopia, South Sudan, Syria and Nigeria, face a complex crisis driven by conflict and insecurity and climate change. In April, the World Food Programme estimated that by the end of 2020 the number of people facing acute hunger could double, to over a quarter of a billion, unless there is urgent humanitarian support.⁴⁰ In July, the organisation's director of emergencies said that newer predictions 'confirm our fears and paint an even bleaker picture as the coronavirus pandemic takes its toll'.⁴¹

Similarly, there are fears about the impact of the pandemic and its economic fallout on food systems. Rising food prices are already hitting some countries, with parts of Afghanistan seeing 20% rises in wheat prices as a result of border closures and export bans.⁴² The UN Food and Agriculture Organization is particularly concerned about medium to long-term impacts, including countries' ability to import food, and planting for the next season, where access to inputs and labour has been disrupted.⁴³ These are substantial threats that must be taken seriously in governments' responses to the pandemic, to avert the even larger risks to health and survival posed by hunger and malnutrition.

The ways in which many people are being forced to respond to falling incomes and rising hunger threatens their prospects of an escape from poverty, and any wider economic and social recovery. When people are forced to sell income-generating assets, or eat less, it can carry a long-term cost for earnings and health. The disruption to education – more than 90% of the world's students have lost part of their schooling as a result of the pandemic – carries similar long-term risks and is likely to widen the attainment gap between income groups.⁴⁴ In poorer countries especially, many children will never resume their schooling or may never enrol. Girls are likely to be worst affected. Experience from the West African Ebola epidemic shows that school closures led to higher rates of permanent drop-out for girls, and to a rise in child labour, neglect, sexual abuse, teen pregnancies and early marriage.⁴⁵

Without swift and effective government intervention, the pandemic risks making already stark inequalities become even more extreme, and will leave societies facing a much bigger challenge in recovering

Responding to Covid-19 in Cox's Bazar

Christian Aid has been providing integrated humanitarian assistance to Rohingya refugees in Bangladesh since the major influx from Myanmar in 2017. Working with local partners Dhaka Ahsania Mission and Dushtha Shasthya Kendra, Christian Aid supports health, water, sanitation and hygiene, food security and livelihoods, and shelter for 150,000 refugees and 50,000 people in the host community.

Since the outbreak of the virus, Christian Aid and partners have adapted. To reduce transmission risk and support social distancing, operations in the camps have been reduced, to focus on essential services and minimise the movement of people.

Partner organisations have trained people in the dissemination of key messages about how to limit infection, installed handwashing stations, provided hygiene kits, trained health teams in infection prevention and control, and distributed basic personal protective equipment to help the health team to operate safely within the camps.

from the current crisis. Richer countries have so far been able to mitigate the worst economic impacts through job protection schemes, support to businesses, and social safety nets. In many poorer countries, social protection schemes are more limited, and governments' capacity to borrow and spend is much more constrained. Many of the interventions they have made so far have involved stroke-of-the-pen measures, such as tax relief, that have disproportionately benefited higher income groups.⁴⁶

Experience of previous pandemics shows that they tend to widen the gap between rich and poor, with job losses disproportionately harming workers with only basic levels of education.⁴⁷ Evidence from the UK already shows that the crisis has exacerbated economic inequalities, with households on lower incomes more likely to have funded themselves through lockdown by taking on debt. In contrast, people in wealthier households have been more likely to hold onto jobs and were better able to save money while working from home.⁴⁸ The global financial crisis in 2008 triggered a concentration of wealth, as hedge funds, private equity firms and rich individuals moved to buy up housing, land and companies, as businesses failed and people lost ownership of their homes.⁴⁹ The danger now is of a repeat, with collapsing businesses and weak safety nets further skewing ownership of assets. The effects are likely to be greatest in the poorest countries, where states have less capacity to protect incomes, jobs and businesses. A further widening of the inequalities that existed before the pandemic threatens to put yet more power in the hands of wealthy elites, fray social fabric, polarise politics, and weaken the foundations of any economic and social recovery.

The impacts of Covid-19 on women and girls

While men who contract Covid-19 are significantly more likely to die than women, there is growing evidence that women are bearing the heaviest social and economic burden during the crisis.⁵⁰ Women do most social care and health work – in Brazil more than 80% of nurses are women – and they tend to work in the lowest-paid roles in these sectors, where they have been particularly affected by the risks of inadequate personal protective equipment.⁵¹ In the home, the care burden also falls most heavily on women and girls, especially in poorer countries, with school closures in particular increasing the pressure on women.⁵² In most low and lower-middle income countries, women are more likely to work in the informal economy, and less likely to benefit from safety net measures mainly designed for workers on regular wages.⁵³ In richer countries, women work disproportionately in sectors like hospitality and retail, where the risk of job losses is greater.⁵⁴

Violence against women tends to increase during times of economic crisis, and there is clear evidence that this has been exacerbated by the lockdown. In El Salvador, cases of gender-based violence have increased more than threefold, compared to the period before the national lockdown. At least 14 femicides have been reported by the authorities during this period (see box).⁵⁵

The impact of Covid-19 on women and girls reflects deep-seated inequalities that pre-date the crisis. But there is also widespread evidence that crises can set back the status of women further, by excluding them from decision-making spaces and limiting access to

Covid-19 and gender-based violence in El Salvador

In El Salvador, Christian Aid's partner ORMUSA has an ongoing programme to tackle gender-based violence. As part of its Covid-19 response, they have delivered food, hygiene and sexual health kits to more than 200 families in San Salvador and La Paz.

ORMUSA is also working on an information campaign for women being abused, and operates a legal centre via phone and social media. These approaches are helping to narrow the information divide and mitigate the effects of gender-based violence, which can be stepping stones towards addressing the structural causes of violence.

information.⁵⁶ In the recovery from the pandemic and the current economic crisis, it is critically important that women's rights are safeguarded, and that gender-disaggregated data and analysis are used to drive policy choices.

A comprehensive public finance response

'The COVID-19 pandemic has exposed systemic inequalities in the current social, political and economic systems. African countries are disproportionately bearing the brunt of the impacts of the pandemic as a result of decades of privatisation and austerity measures resulting in underfunding of social sectors. The crisis has also exacerbated the weak monetary and fiscal systems, with a limited fiscal capacity to respond. African countries are now also experiencing reduced tax revenues due to reduced economic activities as a result of the loss of export earnings and commodity price collapses'

Tax Justice Network-Africa⁵⁷

An effective social and economic recovery from the pandemic, which tackles poverty and inequality, and sets the world on a path to an environmentally sustainable future, will require a mobilisation of resources by governments on a scale not seen since reconstruction after the Second World War.

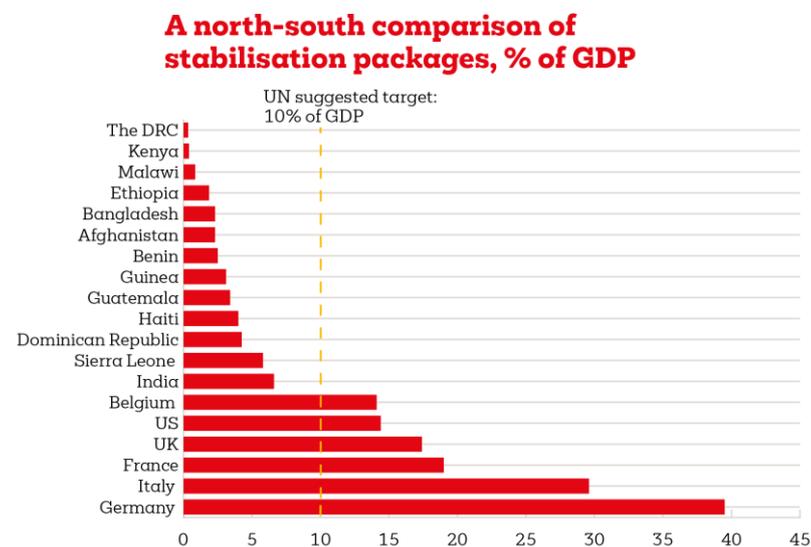
Governments in many richer economies have already shown themselves willing and able to take extraordinary measures to stabilise economies, and protect jobs and incomes. The economic orthodoxy that drove austerity after the 2008 global financial crisis has been cast aside, and governments have massively boosted public spending, temporarily taking responsibility for the salaries of millions of employees, providing gigantic loan guarantee funds, bailing out businesses and expanding and increasing cash transfers and other social safety nets. Governments have shown that they have a wide variety of levers to respond to a crisis of this scale and that, with central bank support, they can respond swiftly where necessary.

Poorer countries simply do not have the same levers available to boost public spending. The stabilisation packages created in the global South pale into insignificance in comparison to the global North (see figure 3). While Italy and Germany have mobilised around 30% of GDP, countries such as Malawi, Kenya and the DRC have spent less than 1% of GDP in the packages they have announced so far.⁵⁸ The UN Secretary-General has stated that countries should be creating response and recovery packages equivalent to at least 10% of GDP.⁵⁹ Many countries remain far below this target and many have not even committed to any additional spending as yet.

Poorer countries' limited access to emergency finance risks deepening the immediate impact of the pandemic and stymying efforts to recover from it. Many countries, especially in Africa, have already experienced rapid capital outflows, estimated at \$100bn from emerging markets in February and March – more than three times larger than for the same period in the global financial crisis.⁶⁰ This sudden outflow, combined with a massive decline in export and tourism revenues, collapsing commodity prices, currency depreciations and falling remittances, has left many developing

countries facing an extreme squeeze, lacking the ability to service external debt and even to finance necessary imports.

Figure 3



Source: These figures are from Christian Aid's own calculations, based on the IMF's Policy Tracker: Policy responses to COVID-19 (<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19>) and IMF COVID-19 Financial Assistance and Debt Service Relief regarding debt cancellation figures (<https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker#ftn>)⁶¹

The global financial crisis and lessons for Covid-19

The 2008 financial crisis, led to an enormous bailout of financial institutions in a bid to stabilise the global economy, which in turn led to soaring public debts. In many countries, governments responded by implementing stringent public spending cuts to reduce fiscal deficits. The experience of Africa and Latin America, which experienced enormous social and economic damage under IMF and World Bank structural adjustment programmes in the 1980s and 1990s, was replicated on a global scale after 2008.⁶²

In wealthier countries, such as the UK, austerity contributed to high child poverty rates and frayed social safety nets.⁶³ In Ireland, the rate of children experiencing material deprivation doubled.⁶⁴

From 2010, governments in many developing countries cut wage bills and social protection budgets, phased out subsidies, introduced pension reforms, and cut or slowed investment in healthcare, education and other essential services.⁶⁵ These measures caused deep and widespread harm, while many of the institutions and individuals responsible for the financial crisis remained heavily protected.⁶⁶

Weakened public services and high levels of poverty and inequality have hampered many countries' response to the pandemic, and worsened the health and economic impacts. As governments around the world begin to look towards a post-pandemic world, it is critical that they do not repeat the costly mistakes made after the global financial crisis, and instead invest in a broad-based, equitable and

environmentally sustainable recovery, rooted in decent work and quality essential services.

Tackling the debt crisis

‘This is a world where defaults by developing nations on their debt is inevitable’

Richard Kozul-Wright, director, UN Conference on Trade and Development’s Division on Globalisation and Development Strategies⁶⁷

Before the pandemic, many of the world’s poorest countries were already struggling with a growing burden of unsustainable debt. Since 2011, developing country government debt payments have increased by 125%, with 31 countries fully in debt crisis in 2019, and a further 82 countries at risk.⁶⁸ A combination of reckless lending, in a period of high liquidity and low interest rates, and unaccountable borrowing sowed the seeds of the current crisis. Unlike the previous debt crisis in low-income countries, which was partly addressed by the World Bank–IMF Heavily Indebted Poor Country Initiative, much of the borrowing over the last decade has been from commercial lenders, and from China and other creditors outside the Organisation for Economic Cooperation and Development group of industrialised countries. Although their funding has become a smaller part of the development finance picture globally, multilateral agencies remain significant lenders for many of the low-income developing countries.

The effect on public spending has been very similar to the debt crises of the 1980s and 1990s, with debts putting growing pressure on investment in healthcare and other essential services. In some cases, as in Sierra Leone, these pressures were added to by borrowing in response to recent health emergencies (see box). At the start of the pandemic, 64 low and lower-middle income countries were spending more on external debt payments than healthcare (see figure 4).⁶⁹ If a growing debt crisis has weakened the ability of countries to respond to Covid-19, the economic fallout from the pandemic has now intensified the problem to the point where it threatens to thwart any recovery. In the first quarter of 2020, Nigeria’s scheduled debt payments were equivalent to 99% of revenues.⁷⁰ The UN Conference on Trade and Development (UNCTAD) has reported that developing countries ‘will be facing a wall of debt service payments’ in the absence of debt relief.⁷¹ It estimates that in 2020 and 2021 high-income developing countries are scheduled to repay between \$2tn and \$2.3tn, while middle- and low-income countries are facing repayments between \$700bn and \$1.1tn.

Debt defaults on a major scale are an increasing risk. The combination of currency depreciations, capital outflows, a collapse in investor confidence and much higher borrowing costs will make it practically impossible for many countries to refinance debts. Left unaddressed, there is also a threat that vulture funds will increase purchases of distressed debt at large discounts and refuse to participate in any future restructuring agreements. Litigation by commercial creditors could follow, with low-income countries potentially pursued for the face value of the debt, as well as interest,

Christian Aid’s call for cancellation of Sierra Leone’s Ebola debt

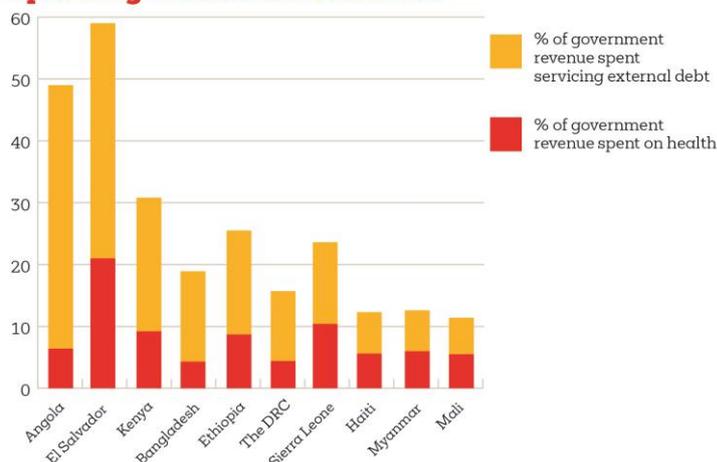
Sierra Leone was the country worst affected by the largest Ebola epidemic in history, which killed almost 4,000 people in the country and devastated an already frail health system. During the epidemic, the government had little choice but to accept loans from the IMF to help it cope with the emergency. However, multilateral debt repayments have left the country with even less money to fund its health system. By 2019 Sierra Leone was paying 13.2% of government revenue to service external debts, while devoting only 10.4% of its revenue to health (see figure 4). IMF forecasts made before the Covid-19 pandemic estimated that Sierra Leone’s debt repayments would spiral to almost one-fifth of revenue by 2022.

Jubilee Debt Campaign and Christian Aid’s Sierra Leonean partner Budget Advocacy Network repeatedly warned that more lending in response to the Ebola epidemic would lead to a future debt crisis, and advocated for debt relief and donor grants. During the Ebola response, these warnings were ignored. Together with Jubilee Debt Campaign and partner Budget Advocacy Network, Christian Aid has called for all Sierra Leone’s debts on the loans it received for fighting the Ebola outbreak to be written off.⁷²

arrears and penalties. Given that 90% of African government external bonds are owed under British law, the UK has a particular responsibility to prevent this.⁷³

Figure 4

Comparing debt servicing and health spending in selected countries



Source: Based on figures collated by the Jubilee Debt Campaign, 2019.

Without the space to make the fiscal and monetary choices available to richer countries, debt cancellation could be one of the fastest ways to free up resources for some of the countries worst affected by the pandemic and its economic impacts. The G20's decision to suspend bilateral debt payments from May to the end of 2020 for low-income and least developed countries, and the IMF's decision to provide relief for the 25 poorest countries on 6 months of payments, totalling about \$243m, for the 25 poorest countries were important first steps in responding to the crisis.⁷⁴ However, they are temporary and the G20 deal involves rolling payments over to the point when governments would need to be investing to recover from the pandemic.⁷⁵ Such rolled over payments would then be due in 2022 and will accrue interest, seeding an even bigger debt crisis later. Meanwhile, the World Bank has not committed to any debt relief, despite being a more significant creditor of developing countries than the IMF; and though private creditors have been encouraged by G20 leaders to suspend debt payments this is entirely voluntary and has not taken place.

Christian Aid is calling for a 12-month cancellation of debt principal and interest for 76 low-income countries, including all bilateral and multilateral debt, and all debt owed to private creditors. We estimated this at \$40.6bn in April, and new data from the World Bank shows this may now be \$42.7bn.⁷⁶ The UK Government must act now to protect poor countries by renewing existing legislation that has prevented predatory legal action by vulture funds and other private creditors in UK courts. In the longer term, the international financial institutions and the G20 need to collaborate in a UN-led permanent mechanism that can fairly restructure and reduce public and private debt to sustainable levels.

Development finance and post-pandemic recovery

While debt cancellation has the potential to create fiscal space for poorer countries as they respond to and recover from the pandemic and its economic effects, other forms of financial support and aid will continue to have a key role. UNCTAD and the IMF have estimated that developing country liquidity and financial needs amount to at least \$2.5tn.⁷⁷ Yet so far the G20 countries, which have the capacity to lead a mobilisation of this funding, have been divided and slow to act.

A fresh issue of Special Drawing Rights (SDRs) – the supplementary monetary reserve currency created by the IMF – would help to meet these needs, but a recent proposal from the IMF to create 500 million SDRs was vetoed by the US and India.⁷⁸ Civil society organisations have called for a new issuance of at least 1 trillion SDRs. Given that SDRs are distributed according to each country's IMF quota, any new issuance would need to be accompanied by changes to ensure that the poorest countries are significant beneficiaries. A new mechanism, such as a multilateral trust is one option, to enable high-income countries to donate unused SDRs to low-income countries.⁷⁹

Both the IMF and World Bank announced enhanced lending facilities in response to the crisis, and by early July the IMF had lent a total of \$83m.⁸⁰ While these give poorer countries more rapid access and attach fewer conditions, the eligibility criteria – including on debt sustainability – threaten to limit their uptake, while they could potentially add to the problem of debt creation at a point when many of the poorest countries need to have their debt cancelled.⁸¹

While medium to long-term solutions are sought to help meet the financing needs of the poorest countries, a rapidly mobilised aid package is needed to better support health systems, social protection, and existing humanitarian interventions. The UN has estimated that an additional \$90bn is needed to meet the needs of the most vulnerable 10% of people in the world's poorest countries.⁸² With the major OECD economies projected to shrink by between 6% and 11.5% in 2020, aid budgets are likely to come under increasing pressure, at a point when donor countries collectively give only 0.3% of Gross National Income (GNI) in aid – less than half of the 0.7% GNI target.⁸³ Yet in a context where an estimated \$7.4tn is hidden untaxed in offshore havens⁸⁴ and where in March the G20 countries collectively injected \$5tn in fiscal spending to mitigate the crisis, it is difficult for the wealthiest countries to make a credible case that such needs are unaffordable.

Christian Aid is calling for an IMF issuance of \$1tn in SDRs as an immediate global economic stimulus measure, and for the World Bank and IMF to provide additional emergency finance that does not create new debt in the global South. Donor governments must ensure that UN funding needs are fully met, in the context of progress towards meeting their 0.7% GNI aid target.

Fair taxation and building back better

‘Governments are constrained in their resources because they tolerate widespread tax evasion and avoidance. Knowingly or unknowingly, they have allowed companies and wealthy individuals to escape from paying their fair share of taxes – sometimes illegally, but very often completely legally – taking advantage of legal loopholes and using tax arbitrage practices that exploit differential tax rates and the existence of tax havens’

Jayati Ghosh, Professor, Centre for Economic Studies and Planning, Jawaharlal Nehru University, India⁸⁵

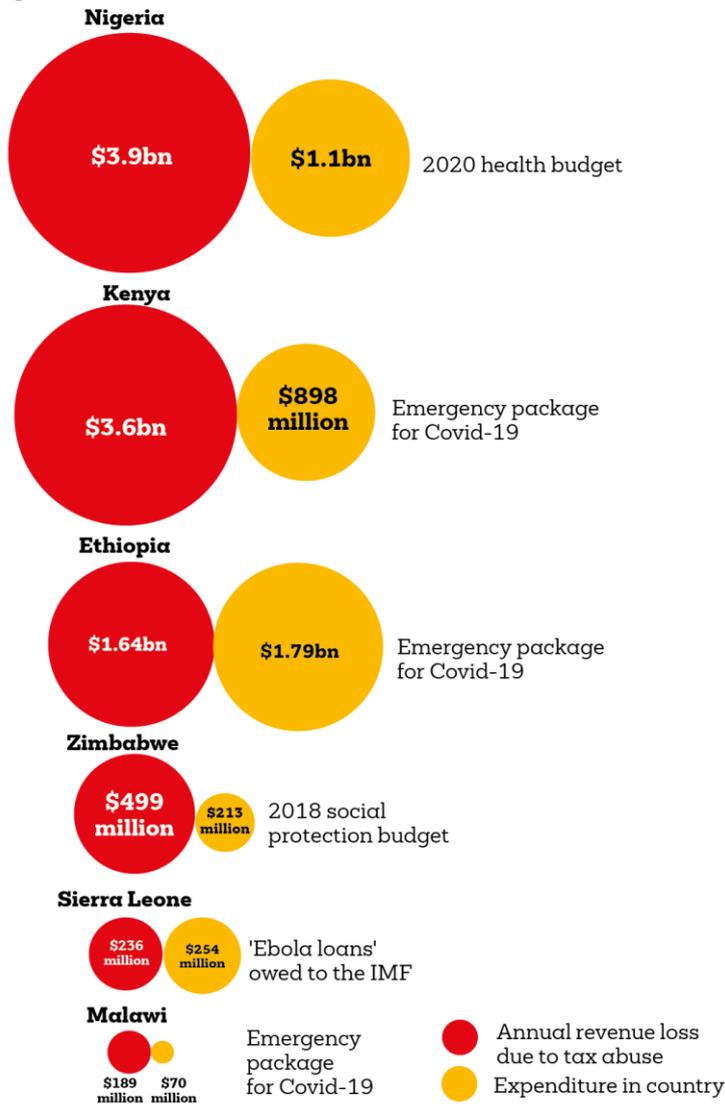
The ability of countries to respond to the pandemic and to forge a recovery hinges on their ability to raise domestic revenues. Yet for the poorest countries especially, the need for public investment has increased at the same time as these revenues are being squeezed. This fiscal squeeze is made doubly difficult because of systemic tax avoidance, tax abuse and outright tax evasion.

Tax abuses and tax avoidance are not unique to multinational corporations, but as influential economic actors they often shape the framework within which abuses and avoidance take place. The societal cost of tax rules that allow companies to shift profits from countries where they conduct their economic activities to zero or low-tax secrecy jurisdictions, and the negotiation of tax holidays as a condition of investment, have been well documented, both in richer and poorer countries.⁸⁶ They have now brought into sharp relief by the Covid-19 crisis. In some of the African countries worst affected by the global economic downturn triggered by the pandemic, revenues lost to tax abuses exceed public expenditures in key sectors. For example, in Nigeria annual losses from tax abuse are three times the annual health budget, and in Kenya such losses are 10 times the value of their emergency package for Covid-19 (see figure 5). Christian Aid has calculated that losses due to tax abuses in countries in the global South amount to around \$416bn annually, in addition to the \$370bn a year that the WHO estimates is needed to achieve UHC globally.⁸⁷ It is increasingly clear that the current international tax rules are unaffordable and unjustifiable.

New forms of taxation of assets and wealth could raise significant amounts of revenue, to aid pandemic response and recovery (see box, p33). Private wealth has risen spectacularly since the 1970s, while governments have generally become more burdened by public debt.⁸⁸ Property price rises, higher returns to financial assets and the widespread privatisation of public assets have all played a part in this shift.⁸⁹ These imbalances have led to a position where private finance is dominant and is widely touted by the international financial institutions as the main way in which development financing needs will be met.⁹⁰ Instead, we need to see a return to a financing for development agenda that recognises the centrality of progressive taxation, not only as a matter of economic necessity, but also as a human rights imperative. Progressive taxation, at global and national levels, needs to be treated as both a measure of and a spur to post-pandemic recovery.⁹¹

Figure 5

The costs of a broken international tax system in the context of the Covid-19 crisis



Please note this figure is not to scale.

Sources: Annual tax losses are from Christian Aid's own calculations (see Annex A), expenditure in country is from Nigeria Health Watch, IMF Policy Tracker: Policy Responses to Covid-19, UNICEF Zimbabwe and Christian Aid.⁹²

The prospect of mass bailouts of large companies, in the context of the Covid-19 crisis, has prompted new debates around tax behaviour. Many question if firms that have avoided paying their fair share of taxes should access public funding, and point out that government stimulus and recovery packages could be a moment of maximum leverage to introduce tax reform. Some governments have moved to put conditions on bailouts, including Argentina, Denmark, France and Belgium which have banned firms that are registered, or with subsidiaries, in offshore tax havens from accessing public funds.⁹³ The Scottish Parliament and the Welsh Assembly have approved similar measures.⁹⁴

Time to tax wealth

Progressive taxation on wealth is a key way in which inequality can be reduced, laying the foundation for a broad-based recovery from the pandemic and the economic crisis. It also has enormous potential to help bridge the revenue gap facing many poorer countries, and to help support stimulus and recovery in wealthier countries.

In India, a wealth tax on the ultra rich could raise just over 1% of GDP.⁹⁵ These projections are based on taxing only 953 ultra-rich families with a flat rate 4% wealth tax. Such a tax would enable the government to double its health budget, given public spending on health has hovered at around 1% of GDP for years, far short of its spending target of 2.5% of GDP, which it has never met.

In South Africa, it is estimated that a wealth tax on the richest 1% of the population – 354,000 individuals – could raise ZAR143bn (\$8.4bn), equivalent to 29% of the cost of the relief package that has been announced in the country to date.⁹⁶ This would be a highly progressive measure in a country where half of the adult population survives either in debt or with

near-zero savings, while only 3,500 individuals own 15% of the country's wealth.⁹⁷

In Brazil, a broad cross-section of civil society, including Christian Aid partner SOF, has launched a campaign called Tax Wealth to Save Lives.⁹⁸ Various proposals have been put forward by senators including one to tax wealth above BRL52.2m (\$9.8m) at a rate of 0.5%, and a more ambitious proposal to tax wealth above BRL22.8m (\$4.3m) with marginal rates up to 1%.⁹⁹ Analysis shows such taxes would raise between BRL40bn (\$7.5bn) and BRL272bn (\$51bn).¹⁰⁰ If coupled with measures to increase transparency and close avoidance loopholes, these taxes would raise significant revenues. Civil society is calling for this revenue to support a universal basic income and investment in the health system.

In the UK, a wealth tax could raise an estimated £174bn to help tackle Covid-19, and make a significant dent in the £280bn budget deficit predicted for 2020/21.¹⁰¹ In Ireland, it is estimated that a 0.5% wealth tax on the richest 1% could raise €2bn, while a 5% tax on the richest 5% could raise €20bn.¹⁰²

The UK Government has so far shown little appetite for adopting bailout conditions, beyond vague appeals to companies benefiting from a Covid Corporate Financing Facility to 'show restraint on the payment of dividends and other capital distributions and on senior pay'.¹⁰³ It has already provided more than £16bn in financing for companies with links to tax havens.¹⁰⁴

Christian Aid is calling for all governments to take action now to implement progressive tax policies, to help meet the funding needs of a post-pandemic recovery, and ensure that the recovery is broad based and equitable. These policies should include excess profits taxes and new forms of wealth and asset taxation. Christian Aid is calling for governments to refuse bailouts to companies that practise aggressive tax planning or tax abuses, and to insist on full tax transparency. Over the long-term, governments must work together to promote tax cooperation, including setting a minimum effective corporate tax rate and eliminating all tax breaks on profits, to halt a harmful race to the bottom.

Strengthening public service provision

‘This pandemic shows that we are all at risk, because we are only as strong as the weakest health system’

António Guterres, UN Secretary-General¹⁰⁵

The vital role of public health systems

Covid-19 has reminded the world that health is a global public good, and that the health or sickness of one person impacts on the health or sickness of others. Every country’s experience of the pandemic speaks positively or negatively to the importance of investment in universal health coverage (see box overleaf). Basic healthcare is a human right that should be accessible to all, regardless of income. It is also a smart investment in a stable and sustainable future. The pandemic should be an accelerant to efforts to achieve UHC in every country, and to efforts to strengthen pandemic preparedness and response.

The impact of Covid-19 on health and social care in the UK and Ireland

Despite having some of the most advanced healthcare in the world, the coronavirus pandemic has exposed weaknesses in both the UK and Irish health systems. In the UK, parts of the National Health Service have been under-staffed, under-funded and ill-equipped, after increasing fragmentation of the system.¹⁰⁶

Shortages of personal protective equipment (PPE) have left some health workers risking their lives. Testing and contact tracing has been slow to be scaled up.

Major failures have been exposed in social care, with high death rates in care homes, limited PPE to protect carers and a reliance on poorly paid workers. These problems reflect a decade of cuts to local government funding, and widespread outsourcing to for-profit companies, many of them with complex and risky financial structures.¹⁰⁷

Ireland has had its own challenges, with a two-tier health system, and a heavy reliance on private healthcare operators to deliver care. It was only in 2018 that all political parties finally reached agreement on Sláintecare, a 10-year costed plan to deliver UHC.¹⁰⁸ The pandemic has exposed the limitations of a private healthcare system in the face of a health emergency on the scale of Covid-19, and there is a growing debate about the creation of an Irish National Health Service.¹⁰⁹

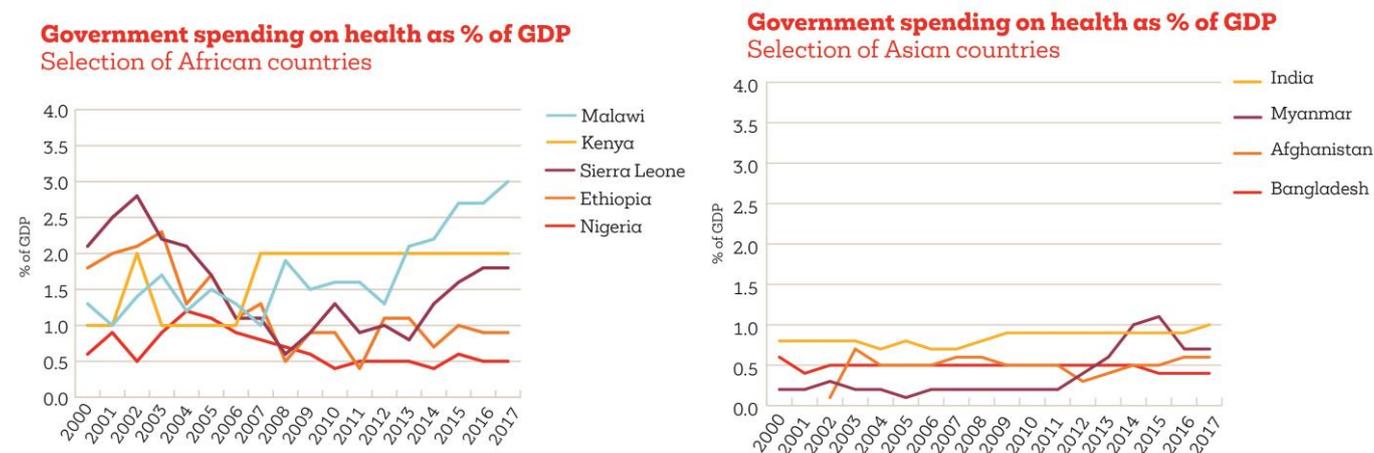
Both countries’ experiences of the pandemic underscore the need for preparedness, a coherent service focused on the long-term public good, well-supported staff and sustained investment, and highlight the dangers of privatisation and marketisation. These lessons hold even more true in poorer counties, where the resilience of many health systems is being severely tested.

With coronavirus creating immense challenges in the most advanced health systems, there are understandably grave fears about the ability of low and middle-income countries to cope. Whereas the UK and Ireland have approximately 30 doctors per 10,000 people, Malawi and Sierra Leone have 70 times fewer.¹¹⁰ Health systems in poorer countries are often underfunded, under-regulated and

overstretched, and lack sufficient trained staff, functioning facilities, diagnostic capacity and supplies of equipment and medicines. Most health spending is private, and much of it is out-of-pocket payment at the point of use, which creates barriers to access for people in poverty.¹¹¹ In Nigeria, Myanmar, Afghanistan and Bangladesh, more than 70% of all health expenditure comes directly out of people's pockets.¹¹²

Despite commitments by governments to scaling up health financing – such as the Abuja health target to spend 15% of government budgets on health, adopted by the African Union in 2001 – the overall pace of progress has been disappointingly slow.¹¹³ The WHO recommends that developing country governments spend at least 5% of GDP on health to 'get close to universal health coverage' and to protect people from health costs that push them into poverty, or make them poorer.¹¹⁴ In many of the countries where Christian Aid works, governments have generally fallen far below the 5% of GDP target (see figure 6). Long-term declines in health budgets in some of the poorest countries – such as Sierra Leone, Ethiopia, Nigeria and Bangladesh – and chronic underfunding in India urgently need to be addressed as part of the response to the pandemic. Long-term recovery, and better preparedness for future health emergencies, will rely on sustained investment in health care, as part of a deliberate strategy to achieve UHC by the UN target date of 2030.

Figure 6



Source: WHO, Global Health Expenditure Database. (Based on the database indicator: Domestic General Government Health Expenditure [GGHE-D] as % of GDP.)

In many cases, fiscal constraints will need to be lifted in order to achieve UHC. IMF-backed cuts to health expenditures have had major impacts during the pandemic in countries such as Brazil, Ecuador, Egypt and South Africa.¹¹⁵ In low-income countries especially, more donor aid will be needed; development assistance for health has been more or less stagnant since 2008.¹¹⁶ Lifting fiscal constraints on health will be especially critical as countries look to meet gaps in capacity and skills in health workforces.¹¹⁷ Across the world, an estimated 10 million additional health workers are needed to achieve UHC.¹¹⁸ Many of these workers are needed in low- and middle-income countries where there is a severe shortage of

doctors, nurses, midwives, pharmacists, laboratory assistants and other health workers.

Social care faces even greater capacity gaps. A growing number of middle-income countries have rapidly ageing populations, with 53% of the world's elderly living in Asia. Most care for elderly people is provided by unpaid female family members, often at the cost of being able to earn an income outside the home. This care burden is exacerbated by a global shortfall of care workers, estimated by the International Labour Organization (ILO) to be 4.5 million in Asia and the Pacific alone.¹¹⁹ At a time when global recession is creating mass unemployment, investment in training and recruitment of health social care workers could be an important part of stimulus and recovery, by meeting two urgent needs, of improving social outcomes, and creating decent jobs. The ILO estimates that investment to transform unpaid social care into formal work could generate 13.6 million jobs globally, as well as reducing the unequal burden on women, of care for sick and elderly family members.

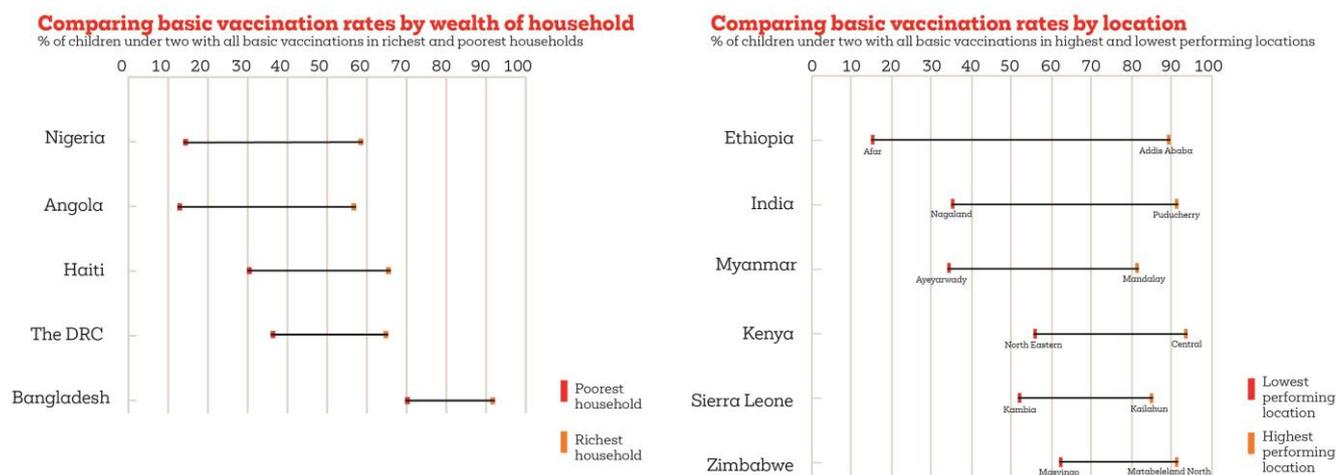
As the world seeks to recover from the pandemic, and apply lessons, governments in many countries will also need to fundamentally shift their own health spending priorities. In poorer countries, healthcare financing is often doubly regressive. Out-of-pocket payments are the biggest funding source for healthcare in low-income countries, and flat fees are least affordable for the poor households.¹²⁰ At the same time, tertiary care, which tends to be in major cities and makes significant demands on public spending, is often out of reach of poorer rural populations. Low-cost preventive interventions and primary healthcare tend to be neglected, especially in rural areas (see figure 7).

Advocating for universal health coverage in Nigeria

In Nigeria, Christian Aid is working with partners, Nigeria Health Watch, Nigeria Joint Learning Network, Legislative Network and Health Sector Reform Coalition to engage citizens and support them in advocating for policy reforms that expand financial protection for vulnerable populations needing healthcare.

The project has enabled communities to participate in public hearings, which contributed to the passage of the State Social Health Insurance Scheme Act in 2018. In partnership with NINERELA, Christian Aid is also working with faith leaders to build their capacity to advocate for UHC.

Figure 7



Source: The Demographic and Health Survey Program (latest available data 2013-2018), <https://www.dhsprogram.com>

While 59% of Nigerian children from the richest 20% of households receive all basic vaccinations in Nigeria, this drops to only 15% of children from the poorest households. Similarly, 89% of children under two receive all basic vaccinations in the Ethiopian capital, Addis Ababa but this drops to only 15% in Afar, in the remote northeast region. These disparities in coverage translate into grossly unequal outcomes. In Nigeria and Myanmar, children from the

poorest 20% of households are more than three times more likely to die before their fifth birthday than children from the richest households. In Guatemala, indigenous children under five are twice as likely as non-indigenous children to suffer chronic malnutrition.¹²¹ Healthcare inequalities on this scale are unjust, and reinforce other forms of social and economic disadvantage. In the context of a pandemic, they also form a global health security risk.

Health innovation in the public interest: Covid-19 as a litmus test¹²²

The pandemic has laid bare many of the ways in which public interest is sacrificed for private gain in health systems. Health innovations, including in the pharmaceutical sector, crystallise many of these problems. Patents held for respirator masks, test kits and promising treatments have restricted access to production and supply.¹²³ Price hikes for PPE and other medical equipment have been challenges for many countries, but have much larger implications for poorer countries with weaker health systems.¹²⁴

The scramble to produce ventilators for intensive care units has highlighted how unaffordable some equipment is for low-income countries. For example, Burkina Faso has just 11 ventilators for 19 million people.¹²⁵ Ventilator technology has become progressively more expensive and complex. Publicly funded efforts in the US led to the design of a simpler and much more affordable model.¹²⁶ But the private company awarded the contract to produce the design was bought by a larger manufacturer and the project was terminated. It is possible to have technological innovation that delivers low-cost health solutions, but

only if governments are willing to play an active role in markets to shape those outcomes.

The search for a vaccine for Covid-19 is raising similar challenges and concerns. Given the track record of the pharmaceutical sector, there is a risk that patents become a barrier to the rapid and equitable roll out of any new vaccine.¹²⁷ While governments are significant funders of health research and development, typically pharmaceutical companies are granted patents regardless of public contributions.¹²⁸

Now that a huge, publicly funded effort is underway to support Covid-19 vaccine research, lessons from the past must be learnt urgently. Governments need to actively shape and regulate the pharmaceutical sector. Unless strict rules are adopted regarding intellectual property, pricing and manufacturing, the process for Covid-19 vaccine development could leave poor countries and vulnerable populations excluded. It is vital that a new approach is taken with the pharmaceutical industry to ensure there is equitable, universal access, free at the point of use, to a Covid-19 vaccine across the globe.

Christian Aid is calling on governments to ensure that access to Covid-19 testing and treatment services are universally free at the point of use, and to support the global call for a people's vaccine made at the World Health Assembly in May 2020.

Covid-related efforts must form part of a broader push, supported by multilateral institutions, to scale up investment in public health and accelerate progress towards UHC. To achieve UHC, governments must design policy and budgets to reduce inequalities in health coverage and outcomes, and remove specific barriers facing structurally disadvantaged groups. Strengthening the health and social care workforce should be a key part of stimulus and recovery efforts.

Social protection for all

‘The world is realising that there are many millions of workers who have fallen through the cracks of the existing social protection systems. They are not in forms of protected employment, yet they are not poor enough to fall into the often quite narrow and shallow [existing] anti-poverty programmes. Countries with very fragile systems, with big coverage gaps, are scrambling to find solutions and are clearly behind the curve’

Luca Pellerano, Senior Social Protection Specialist, ILO¹²⁹

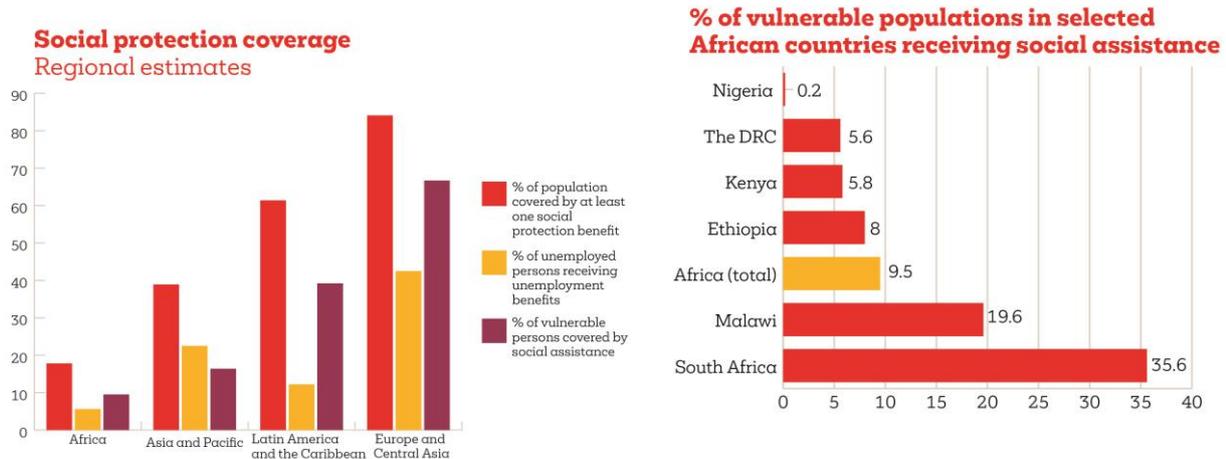
The impact of the pandemic on jobs is already proving to be devastating. More than 42 million people found themselves unemployed within an 11-week period in the US, with major knock-on effects for the global economy as American consumer demand was hit.¹³⁰ In April alone, more than 120 million Indians lost their jobs.¹³¹ The ILO estimated that in April, 81% of the world’s workforce were affected by lockdowns and other restrictions on movement, and that the crisis could wipe out the equivalent of 195 million full-time jobs globally in just the second quarter of 2020.¹³² By June, the ILO had upgraded these estimates to 400 million full-time jobs.¹³³

This huge surge in unemployment and underemployment – on a scale not seen since the Great Depression, and at an unprecedented speed – comes at a time when few of those people affected are well-placed to cope. Labour markets in most countries have failed to deliver secure employment, decent jobs and adequate incomes for a majority of people. In richer countries, the growth of low-wage and casual labour has led to the growth of in-work poverty.¹³⁴ In poorer countries, the informal sector and smallholder agriculture provide mostly low and unpredictable incomes, with risky and insecure work. Wage earners in poorer countries have often been the victims of a damaging race to the bottom on workers’ wages and conditions.¹³⁵

This crisis has brought the importance of social protection systems into sharp focus.

Some richer countries have invested heavily to protect jobs, but governments are struggling to respond in most poorer countries. Around the world, only 45% of people are covered by at least one social benefit.¹³⁶ While a growing number of middle-income countries have developed their social protection policies in the last decade, in poorer countries such schemes are the exception rather than the rule. Only 18% of Africa’s population receive at least one social protection cash benefit, far behind other regions (see figure 8). Many of these do not reach the poorest people, with fewer than 1 in 10 very vulnerable people in Africa receiving social assistance before the pandemic. Fiscal constraints in most African countries have meant that social protection programmes have relied heavily on donor funding, and have often been run as pilots or been limited to humanitarian emergencies. In recent years, some poorer countries have been scaling down safety nets, narrowing their targeting and reducing benefits, leaving schemes ill-equipped to respond when the pandemic struck.

Figure 8



Source: ILO World Social Protection Report 2017-19 (data from latest available year).

The pandemic has changed that. Since its onset, 190 countries have set up or adapted new social protection measures.¹³⁷ While wealthier countries have instituted more comprehensive packages of support, including new cash transfers, increases in the levels and scope of existing benefits, and payment of some wages, poorer countries are also taking action.¹³⁸ Ethiopia is building on its large public works programme to expand protections, as well as putting in place in-kind support in some locations. Malawi has increased the coverage of its social protection system and topped up and fast-tracked benefits. Sierra Leone, Mali and Myanmar are introducing relatively small-scale, in-kind support programmes.

In some countries, more robust, adaptable and universal social protection schemes could potentially emerge as a positive lasting legacy of Covid-19. However, for that to happen, the specific challenges facing poorer countries will need to be taken into account. Wage earners are easier to target and protect than workers in the informal economy, where 2 billion people in poorer countries earn a living.¹³⁹ Yet this is where the need is often most urgent; the ILO estimates that 60% of informal workers saw a collapse in their wages in the first month of the crisis.¹⁴⁰ Smallholder farmers may also face a drop in income, as demand for food is expected to decrease over the coming months and food prices will likely fall.¹⁴¹ A fall in income can often be better absorbed in rural areas, where people can feed themselves, but even among the poorest rural African households, almost half of all food is normally purchased.¹⁴²

The speed with which social protection schemes adapt is key in the current crisis. Targeting can be unjustifiably slow and cumbersome when there is a sudden drop in economic activity, and often ends up bypassing the 'newly poor'. The World Bank and IMF are increasingly active in the social protection sector. They promote the use of proxy means tests, but these have often been found to be highly inaccurate and often exclude a majority of intended beneficiaries.¹⁴³ In contrast, universal social protection schemes have a better track record of benefiting people in poverty, safeguarding social and economic rights, and having positive social, economic and political impacts.¹⁴⁴ With a need to contain the spread of the

virus, traditional in-kind social programmes that distribute food or provide people with work can also become a risk. Important lessons can be learned from the experience of delivering rapid cash and voucher assistance, often using digital channels, which have been trialled with refugees and in emergency situations (see box).¹⁴⁵

Most of the current World Bank and IMF programmes in poorer countries are notable for their low budgets, limited coverage, inadequate benefits and high exclusion rates. Covid-19 demands the opposite – a comprehensive, universal response. The crisis has forced a revisiting of ideas, including minimum income guarantees and a universal basic income, and has shifted the debate in many settings.¹⁴⁶ Any step-up in social protection has obvious budget implications and reinforces the case for tax reforms that provide governments with a stable, progressive revenue base.

Humanitarian social protection: Christian Aid's programming experience

Increasingly, cash transfers and vouchers are being used by international humanitarian actors to support people affected by disasters, conflicts and forced displacement, to help them secure their rights to food, shelter and other basic needs. In Bangladesh, Christian Aid, working with UN Women, supported 4,200 vulnerable, female-headed households with cash, alongside services to help restart income generation, as part of its flood response programme in 2019 across three districts of the country.

In India, Christian Aid UK worked with partners, including Indo Global Social Service Society, to support households affected by the 2018 floods in Kerala. Around 3,780 households from Dalit, Adivasi and other excluded and marginalised communities received cash-based assistance, with priority given to people with multiple vulnerabilities (such as single women, people with disabilities, pregnant women and breastfeeding mothers and the elderly). This initiative was designed to reach people outside of the official shelters and camps, who were not receiving the state social protection package, and matched the level of support from the government scheme.

Christian Aid's response also included a focus on non-food items, emergency shelter and providing water, sanitation and hygiene facilities to affected villages.

More recently, Christian Aid has provided emergency cash assistance to migrant workers and their families in Myanmar as part of the response to Covid-19, working with local partners Karen Baptist Convention, PSSAG and Myanmar Physically Handicap Association.

The evidence from cash transfers in emergencies shows that they have helped to maintain access to healthcare, protect consumption, support protection and recovery of livelihoods, and sustain investments in human capital.¹⁴⁷ Christian Aid's own experience confirms this. Cash-based programmes put decisions firmly in the hands of affected communities and can have significant multiplier effects, contributing to faster recoveries in local economies. Cash transfers have the added benefit of being fast and relatively cheap to administer, especially where they build on and complement existing gaps in national social protection systems.

Christian Aid is calling for governments to act fast to scale up social protection responses, ensuring they reach those in greatest need and take account of gender and other potential barriers to access and impact. Where necessary, governments should use localised responses, harnessing the capabilities of local non-governmental organisations and community groups to deliver direct support. International humanitarian actors

should support governments in these efforts, ensuring that they go beyond temporary short-term measures and purposefully build up effective national systems. In the longer term, donor governments and multilateral institutions must support the poorest countries to build up comprehensive and effective universal social protection systems.

A crisis on top of a crisis: the need for a green recovery

'The current chaotic global economy is an example of what happens when nature forces a hard stop to business as usual. Climate change threatens a similar change but currently countries are not acting fast enough to ensure the transition to cleaner, more sustainable forms of development is well managed. The post-coronavirus recovery packages are an opportunity to radically reshape national economies. Governments should use this moment to make that switch'

Mohamed Adow, Director, PowerShift Africa, Kenya

Multiple crises and a double challenge

In mid-May Cyclone Amphan made landfall across India and Bangladesh, destroying lives, homes, and livelihoods. It was India's biggest climate-related disaster in 20 years and the first super cyclone to form in the Bay of Bengal since 1999. The storm left more than 14 million people without power, while flooding prevented millions of people from accessing essential services. One hundred people lost their lives. The devastation in Kolkata, according to the West Bengal chief minister, was 'a bigger disaster than Covid-19'.¹⁴⁸ In Bangladesh, the cyclone hit as the government and aid organisations, including Christian Aid, were struggling to respond to the coronavirus outbreak in refugee camps that are home to nearly a million people. The storm struck rural Bangladesh, destroying homes and newly sown crops. More than 2.5 million people were displaced, adding pressure to an already over-stretched humanitarian response.¹⁴⁹

This storm was a reminder that the climate crisis, and the threats it brings to livelihoods, life and the natural environment have not abated during the pandemic. In recent months, some countries have had to contend with the complex challenge of keeping people safe from both Covid-19 and climate-related disasters. In Bangladesh and India, the lockdown had already forced people to rely on food aid, even before Cyclone Amphan. In East Africa, the largest locust swarms in a generation have decimated crops as the growing season gets underway, with the changing climate widely believed to be a factor. This now threatens widespread hunger in countries that already rely heavily on food aid, and are reeling from the impact of Covid-19 on trade, tourism and remittances. Responding to humanitarian emergencies in ways that do not increase the risk of spreading the virus presents huge challenges. In situations where governments and aid agencies would normally evacuate people to camps or shelters, or distribute food parcels, there are concerns that this could trigger outbreaks. In some cases, as in Ethiopia and South Sudan, fear that aid workers could spread coronavirus have spilled over into physical violence against non-governmental organisations and health workers.¹⁵⁰

As a changing climate drives up sea and land temperatures, the frequency and intensity of extreme weather events is increasing, with the UN warning in 2019 that climate disasters were happening

at the rate of one a week. A week before Cyclone Amphan, Typhoon Vongfong slammed into the Philippines, destroying hundreds of buildings, including health facilities, along with crops and fishing boats, and displacing tens of thousands of people. In early April, Cyclone Harold destroyed key infrastructure, houses, schools, water and power supplies, and agricultural areas and crops in Vanuatu, the Solomon Islands, Fiji and Tonga. These crises, affecting mainly low- and middle-income countries, exacerbate pre-existing vulnerabilities, entrench inequalities and threaten to blunt the effectiveness of any recovery from the pandemic.

A setback for climate action

Covid-19 has its origins in another unfolding environmental disaster, of biodiversity loss and the destruction, degradation and fragmentation of ecosystems. Like many other zoonotic diseases, it is thought to have spread from wild animals. Limiting further damage to nature has climate and biodiversity benefits and, crucially, could also help avert the next pandemic.

In the meantime, an indirect effect of the pandemic is to set back efforts to tackle biodiversity loss and climate change. According to Brazil's space research agency, in April, deforestation in the Amazon increased by 64%, compared to the same month last year.¹⁵¹ From January to April this year, 1,202 km² of forest, an area more than 10 times the size of Manchester, was destroyed. The media and political focus on coronavirus provided the government with cover to actively encourage more intense exploitation of the Amazon. At the same time, the restrictions introduced to deal with the pandemic made it difficult for local indigenous communities and environmental and human rights defenders to monitor and report illegal activity.

The pandemic has led some governments to relax environmental protections, threatening the prospects for a green recovery. The US is the world's second biggest carbon emitter, but the US Government has argued that companies will not be able to meet normal compliance and reporting requirements during the crisis.¹⁵² In March and April, the US eased fuel efficiency standards for new cars rules for soot pollution and for carcinogenic benzene emissions.¹⁵³ This is a worrying trend and follows the revoking of 60 environmental rules and regulations in the last three years.¹⁵⁴

The pandemic has also interrupted international efforts to address the climate crisis. This was set to be a critical year for international climate action. The UN climate talks originally planned for November in Glasgow have been delayed for 12 months. At the Conference of the Parties (COP 26) meeting, governments were expected to agree ambitious plans to reduce global emissions and renew their commitments to the Paris Agreement goal of keeping the rise in global temperature below 1.5°C. Above all, COP 26 was supposed to be the moment when all countries agreed to far more ambitious national plans than those submitted in 2015, which left the world on track for catastrophic warming of more than 3°C. Meanwhile a major UN conference on biodiversity has also been postponed. Delay to new goals for tackling extinction and biodiversity loss has potential effects for the climate. Not only do many of the world's poorest people rely on natural ecosystems for food and fuel, but biodiverse

ecosystems are more effective at storing carbon and reducing the emissions that drive climate change.¹⁵⁵

Carbon emissions during the pandemic

From March 2020, lockdowns brought most travel and much trade and industry to a halt in the largest industrialised economies. Carbon emissions fell sharply as a result. In April, daily global CO₂ emissions dropped by 17%, compared to the same month last year.¹⁵⁶ Demand for oil declined to levels last seen in 1995 and prices slumped.¹⁵⁷ The fall in demand for fossil fuels may have positive structural consequences – some planned extractive investments may no longer be viable because of the low oil and gas costs, helping to keep fossil fuels in the ground. In countries where renewables are granted favoured grid access, such as the UK, Covid-19 has led to a period of at least two months where coal played no role in the UK energy mix.

Yet while the slump in energy use has improved air quality, the fall in economic activity over a few months will not arrest the long-term accumulation of greenhouse gases in the atmosphere, or the inbuilt momentum towards a heating climate. In May, the level of CO₂ was 418 parts per million, the highest ever recorded in human history.¹⁵⁸

There is less than a decade to halve global emissions to meet the 1.5°C target set in the Paris climate agreement. In its landmark report approved by governments in 2018, the IPCC warned that rises beyond this level will lead to devastating effects.¹⁵⁹ To meet the Paris target, global greenhouse gas emissions will need to fall by 7.6% every year. However, by the end of 2020, a decline in global emissions of no more than 4–7% is expected, depending on how lockdowns are eased and economies restart.¹⁶⁰ The experience of the 2008 global financial crisis should serve as a warning. After an initial drop in emissions, there was a rapid rebound in 2010 as the economy recovered, to a growth rate above the pre-crisis level.¹⁶¹

Even if the pandemic had triggered a fall in emissions sufficient to set the world on track for the 1.5°C target, it is clear that the kind of economic contraction seen during the pandemic is not a socially or politically sustainable way of tackling climate change. It is also not necessary. Instead, governments need to purposefully plan a post-pandemic recovery based on low-carbon technology, which tackles poverty and meets people's needs, as the world transitions to sustainable models of production and consumption.

A global green recovery

Economic recovery policies that governments adopt in response to Covid-19 will impact on the trajectory of emissions for decades to come. If governments go back to business as usual in the coming months, the world will be on track for a catastrophic 3°C rise in average global temperatures. Large parts of the world will be made uninhabitable – a 3°C average global rise is projected to entail a 5°C rise in Africa – and climate change will become irreversible, undermining the web of life on which humanity depends.

Past stimulus packages cannot be the model for a post-Covid-19 recovery. The stimulus packages created in the 2008 financial crisis – in particular the support from governments for carbon-intensive

industries – led to the biggest rise in annual net increase of carbon emissions in 50 years in 2010.¹⁶² Some governments appear to be repeating past mistakes, with China approving more coal-fired power plants in March than in the whole of 2019 as it emerged from lockdown.¹⁶³ The Czech Republic, which is largely dependent on coal, has asked the EU to delay Green New Deal programmes.¹⁶⁴ European car manufacturers are also requesting looser vehicle emission standards.

Now, more than ever, a green recovery is needed. The level of the challenge should not be underestimated. However, the crisis has also demonstrated that governments can intervene decisively when the scale of an emergency is clear and the public supports action. The aim must be to decouple growth from greenhouse gas emissions, and to halve global emissions by 2030 and be carbon free by 2050. To achieve this, rapid foundational changes will be needed to economies, transport and energy infrastructure, as well as to agriculture and other land use, as the world transitions from fossil-based energy to green and renewable energy.

There is compelling evidence that a green recovery can be faster, more equitable and more sustainable than alternative strategies. Following the financial crisis in 2008, the renewable energy sector generated jobs at more than three times the rate than fossil fuels, boosting income and spending.¹⁶⁵ Investment in green projects produced greater returns in both the short- and long-term than conventional high-carbon projects.¹⁶⁶ In the last decade, green energy technologies have become less expensive and more widely available, bringing the transition to a low-carbon economy closer.

Many countries have already prepared ‘shovel-ready’ projects through their Nationally Determined Contributions, national development strategies and master plans, which could provide an important spur to recovery. Governments should be developing plans now for producing renewable energy, retrofitting buildings for energy efficiency, creating sustainable transport infrastructure, investing in water treatment and sanitation, and preserving or restoring natural areas. Using renewable energy technology to connect almost 800 million energy-poor people to power, mostly in Africa and Asia, could be a major spur to low-carbon growth and poverty reduction.¹⁶⁷ Similarly, providing the infrastructure and incentives for clean cooking technology to 2.8 billion people who currently rely on dirty fuels, such as kerosene, coal and wood, could transform the lives of people in poverty, by cleaning air in homes, freeing women and children from time consuming collection of fuel, and protecting the natural environment. Other interventions in poorer countries, including in sustainable agriculture and ecosystem regeneration, and measures to increase resilience in the face of climate-related disasters, could have a dramatic impact on social and economic recovery for some of the poorest communities at relatively low costs.¹⁶⁸

Governments need to send strong signals to business that a green recovery is the way forward, by creating the right incentives for climate-smart investments. At the moment, the signals are confusing. Direct government support for fossil fuels still totals \$400bn a year, more than twice what governments spend subsidising renewable production.¹⁶⁹ Continuing fossil-fuel subsidies

will make the transition to clean energy harder, by making fossil fuels an artificially cheap ‘quick fix’ to kick-start the global economy. Governments should use the pandemic recovery to switch support to renewable energy, energy efficiency and energy access for the poorest households, both domestically and abroad, where aid budgets and export credit facilities continue to support fossil fuels,

Just as government bailouts of business during the current crisis can help to leverage reforms to the tax system, they can also help to initiate a path to a green recovery. At the moment, the UK Government is providing financing for large businesses with no green conditions of any kind, including the airline, oil and gas, and transport sectors, which have received no-strings support totalling more than £5bn (see table 1). Going forward, bailouts for fossil-fuel dependent industries should be contingent on time-bound plans to transition to net-zero emissions. Since many of these businesses are multinational companies with a large global footprint, such conditions could have a positive global impact beyond the UK.

Table 1: UK Government support packages under the Covid Corporate Financing Facility

Company	Size of loan, £m
Airline sector	
easyJet PLC	600
Ryanair DAC	600
British Airways PLC	300
Wizz Air	300
Oil and gas sector	
Baker Hughes UK Funding Company	600
Schlumberger PLC	150
Transport sector	
Nissan Motor Co Ltd	600
Toyota Financial Services (UK) PLC	365
First Group PLC	300
Mitsubishi Corporation Finance PLC	300
National Express Group PLC	300
Stagecoach Group PLC	300
Rolls Royce PLC	300
Honda Finance Europe PLC	75
Total	5,090

Source: <https://www.bankofengland.co.uk/markets/bank-of-england-market-operations-guide/results-and-usage-data>

Note: Data correct as of 5 June 2020.

While a green recovery in industrialised economies will have a significant impact on global carbon emissions, the actions of these

countries cannot stop at their borders. Northern governments also have a clear responsibility to support poorer countries to address both the Covid crisis and the climate crisis. Poor people around the world are already paying the heaviest price for greenhouse gas emissions and ecological destruction that has been caused primarily by the world's richest countries, corporations and people. Therefore, the major emitters, including the UK, must pay their fair share in getting global emissions under control – based on their current and historic emissions. By taking a 'fair shares' approach, recent research indicates that the UK must not only reduce emissions by 100% against its 1990 levels, but must also take action beyond its borders to make an equivalent, additional level of emissions reductions globally.¹⁷⁰

Donor countries must act now to fulfil their longstanding promise of mobilising \$100bn per year to help the poorest countries adapt to the climate crisis and pursue low-carbon development strategies. Donor countries must also commit to significantly higher levels of climate finance going forward. By 2030, developing countries will need up to \$300bn a year simply to adapt to existing climate impacts, and many times more than this to develop their economies in ways that do not further contribute to climate change.¹⁷¹ Otherwise it is unlikely that the climate targets set out in the SDGs, Paris Agreement and the Convention on Biological Diversity will be met. The poorest countries need this financing now more urgently than ever.

Christian Aid is calling for governments and multilateral institutions to apply all levers at their disposal to support a global recovery that is also green. This will require all countries to draw up more ambitious national climate plans in line with the Paris Agreement and to make sure any economic stimulus packages are consistent with these climate plans. Northern governments and multilateral institutions must cease all support for fossil fuels and increase their investments in renewable energy instead. Given their historic contribution to the climate crisis, northern governments must also significantly increase climate finance to the world's poorest countries.

Addressing governance challenges

The national response to the pandemic

Covid-19 has underscored the critical role of effective and accountable government in a crisis. The scale and suddenness of the impacts, and the complex trade-offs between health, and wider social and economic goals, have tested governments around the world.

In many countries, the role of the state has expanded dramatically, as restrictions on movement have been introduced and governments have intervened in the economy. As the world looks to recovery, the capacity and accountability of governments will continue to be tested, as societies face difficult choices in balancing security and freedom, and short-term recovery and long-term sustainability.

The performance of governments has varied widely during the pandemic. While some have moved decisively to protect their citizens, in others the response to the spread of the virus has been slow and ineffective and contributed to its spread. Mass unemployment has been prevented in some places, but in others social safety nets have been found wanting. In most countries, governments have put in place emergency measures that restrict rights and freedoms, and place control over economic activity. Yet in many instances, these restrictions have also been used as a pretext to gag the media, counter political opposition and constrain civic space.

The UN High Commissioner for Human Rights has voiced concerns about the ways in which governments have clamped down on media and civil society scrutiny of their pandemic responses, with at least 12 Asian countries arresting people on charges of spreading false information.¹⁷² In Zimbabwe, opposition activists have been abducted, beaten and sexually assaulted.¹⁷³ Many governments have enacted emergency laws vesting extra powers in the executive, at the expense of oversight by legislatures.¹⁷⁴ In many respects, these changes have simply accelerated negative trends that were already being seen around the world, with civil society organisations and human rights defenders increasingly targeted, and more restrictive legislation silencing independent and critical voices.¹⁷⁵

Limits on freedom of speech and movement have created an environment in which other rights abuses have proliferated. In Brazil, the pandemic has coincided with a wave of violent police incursions into the favelas.¹⁷⁶ In Nigeria, 18 civilians have been killed by police as part of lockdown enforcement.¹⁷⁷ In Kenya, police have killed at least 15 people for alleged breaches of lockdown rules, sparking protests in Nairobi.¹⁷⁸ Migrant workers in India have been the victims of police extortion and assault, and sprayed with disinfectant.¹⁷⁹ In many cases, police action in India has had a caste or religious dimension, with disproportionate numbers of Muslims being arrested and widely portrayed in the media as Covid-19 vectors, in ways that could further inflame social tensions and reinforce discrimination.¹⁸⁰

Supporting civil society to monitor Covid-19 responses in Honduras and Sierra Leone

To tackle Covid-19, the government of Honduras has allocated more than US\$2.5bn from the national budget and received a similar sum in aid from the IMF and World Bank.¹⁸¹ In a country that was recently shaken by a massive fraud where hundreds of millions of dollars were stolen from the social security system, and which regularly ranks as one of the most corrupt in Latin America, public spending on the pandemic creates obvious opportunities for misuse.¹⁸² Irregularities in the use of Covid-19 emergency response funds have already come to light and investigations are likely.

Christian Aid partner Project HondurACTion is participating in social audit processes across several municipalities to monitor closely whether local governments are using the funds for their stated purposes. Project HondurACTion's work includes activities to properly prepare and support young people's participation in social audits. Biosafety kits are provided to help keep people in the youth network safe as they continue with this important work to increase transparency and tackle corruption.

In Sierra Leone, the SABI programme is supporting communities and individual citizens to hold providers and local government accountable for the delivery of essential services. In a country with low levels of literacy, this is done using proven tools, including Participatory Rural Appraisal, with information being collected digitally.

SABI collates and analyses this data, and uses it to engage with the Ministry of Health and Sanitation and other parts of government, to help shape policy making and budget setting and ensure that communities' voices are heard.

The value of SABI's approach has become even more apparent in the pandemic, and has helped to influence the Sierra Leone Government's response (see www.sabi-sl.org). Together with the work Christian Aid is doing on public financial management, SABI has helped to create a climate of expectation of proper use of public funds, and made it less likely that misuse or shortfalls in funding goes unnoticed or is left unaddressed.

The pandemic has been accompanied by an 'infodemic' of misinformation and disinformation, with rumours about the virus and fake cures circulating widely.¹⁸³ The clampdown on independent media where censorship laws have been introduced, and the financial challenges facing many media outlets during lockdown, have contributed to a lack of scrutiny of government performance, and a loss of trust in official information sources. Often, it is the poorest and most vulnerable communities that most lack access to timely, accurate and accessible information. Christian Aid's experience has shown that faith actors have a distinctive and powerful role in tackling misinformation, including within their own institutions, and bringing about positive behavioural and social change.¹⁸⁴ By working with faith leaders and faith-based organisations, governments, donors and international institutions can strengthen public health responses at the community level, minimise social tensions and support a culture of transparency and accountability.

The current crackdown on civic space comes at a time when transparency and accountability is of paramount importance. This is critical not only to enabling an effective response to the pandemic, but also to ensuring that rights that have been curtailed in recent months are restored, and that unprecedented levels of public spending during recovery are properly scrutinised and used equitably and efficiently. Social accountability initiatives need

continued support as part of the recovery. Encouragingly, despite the setbacks to civil society, the pandemic has also fostered new forms of civic mobilisation, networking and collaboration, including mutual aid initiatives, campaigns to fight disinformation and new advocacy tactics.¹⁸⁵ These new forms of engagement will be critically important in helping to ensure that recovery plans build back better.

Christian Aid is calling for governments to limit the use of emergency powers to regulate daily life to what is necessary to combat the pandemic, and to be transparent and accountable about their use and the point at which any temporary measures will end. Governments must work with independent media and civil society, including faith actors, to encourage timely, accurate and accessible public health information, and make active efforts to reach the most isolated communities. Governments must take action to counter stigma and discrimination during the pandemic response. Donors must include strict transparency and accountability measures in all assistance packages.

International cooperation

Covid-19 has shown no respect for borders, and has been a powerful reminder of our interdependence. Yet the response to the pandemic has happened largely at the national level, and been characterised more by competition than collaboration. Many political leaders, especially those in authoritarian states or elected on populist platforms, have appealed to nationalist sentiment and taken an isolationist approach. With the world's two most powerful countries, the US and China, increasingly at odds on global issues, the UN and the international financial institutions have played a relatively marginal role in the response to the pandemic.

Going forward, this matters for the effectiveness of recovery efforts. The scale of the crisis, and the fact that every part of the world has been affected by the economic fall-out, means that without a coordinated global effort, any recovery is likely to be slower and reinforce inequality, as countries with fewer resources are marginalised. A two-track recovery, with wealthier countries bouncing back relatively quickly and poorer countries facing a prolonged economic downturn, is not only unjust, but would also seriously threaten the social and political stability on which any durable exit from the crisis will depend.

The limited response of the IMF and World Bank to the debt crisis has been symptomatic of this problem. Because of a lack of agreement among the major shareholders on the IMF board, the IMF drew on its Catastrophe Containment and Relief Facility to provide a temporary suspension of debt payments, worth only \$243m so far. More far-reaching action, such as selling off part of the IMF's \$150bn gold reserves to provide much more significant debt cancellation, would have required a vote at the board.

Meanwhile, the WHO has been left in a particularly difficult position, under pressure and under-supported when it is called on to coordinate an effective global response to the biggest global health challenge in a generation. The WHO plays a critical role in pandemic surveillance and preparedness, promotes an equitable distribution between countries of supplies of medicines and equipment, and

coordinates the sharing of medical technology and knowledge. For example, it has released a 'solidarity call to action' to encourage countries to pool knowledge, intellectual property and data about the detection, prevention, treatment and response to the virus (see box).¹⁸⁶ Yet the US has now signalled its intention to withdraw from the WHO and terminate funding.¹⁸⁷ With the US being the leading funder of the WHO, and many low-income countries depending on WHO support to source PPE, test kits and other essentials, the US decision is a reckless act that is likely to cost lives.

Pooling patents for a Covid-19 vaccine

With vaccination for Covid-19 potentially playing a key role in ending the pandemic and enabling an effective social and economic recovery, more than 120 programmes to find an effective vaccine are underway. In an effort to ensure that it is made available quickly and affordably to all countries, whoever develops it first, the WHO and Costa Rica have launched a Covid-19 Technology Access Pool. However, the proposal to create a global patent pool, which would encourage the production of coronavirus drugs that are affordable for the poorest countries, was opposed at the World Health Assembly in May by the US, UK and Switzerland, perhaps reflecting their status as the homes of the world's largest pharmaceutical companies.¹⁸⁸ While a large number of poorer countries have so far joined the voluntary pool, so far China and the G7 countries are conspicuous by their absence.¹⁸⁹

Effective cooperation between governments and the IMF and World Bank, as well as other regional and global financial institutions, will be critical to an effective recovery. So too will a more flexible approach to public investment and financial stabilisation than these institutions have shown in the past. After the global financial crisis, austerity policies were promoted by the IMF, despite evidence that these were counter-productive and slowed recovery by creating unemployment, lowering incomes and causing widespread social harm.¹⁹⁰ With some IMF staff questioning this approach, there is hope that the international financial institutions will take an investment-led approach to recovery, and promote responsible borrowing, and progressive taxation and expenditure to support it.¹⁹¹ Governments in wealthy countries have the fiscal space to make these choices. They also have a human rights obligation not to constrain the fiscal space of poorer countries to do so.¹⁹²

Christian Aid is calling on the UK and other G20 governments to coordinate a global response to the pandemic, and agree a recovery plan at the UN. The UK and other G20 countries must support the WHO initiative to pool research and create a global patent pool, ensuring that all drugs related to the testing, treatment, prevention and response to Covid-19 are immediately accessible and genuinely affordable to all countries. Governments must ensure that multilateral institutions end austerity, with the IMF and World Bank making funding available for low- and middle-income countries without harmful conditionalities. Their policies must prioritise debt relief, progressive taxation and sufficient investment in public services.

Conclusion

‘Radical reforms – reversing the prevailing policy direction of the last four decades – will need to be put on the table. Governments will have to accept a more active role in the economy. They must see public services as investments rather than liabilities, and look for ways to make labour markets less insecure. Redistribution will again be on the agenda; the privileges of the elderly and wealthy in question. Policies until recently considered eccentric, such as basic income and wealth taxes, will have to be in the mix’

Financial Times editorial, 3 April 2020¹⁹³

It is becoming ever clearer that the impacts of Covid-19 are layered onto those of other crises. The global financial crash in 2008 should have been a wake-up call to change the global economic order to serve the common good. While governments came together to stabilise financial markets, the warning went largely unheeded. The climate crisis is driving poverty and inequality, as it wreaks growing damage from fires, floods, droughts and storms. The earth’s alarm systems are signalling an emergency, yet the world is on a trajectory towards irreversible climate catastrophe. It would be a deep mistake to treat the current pandemic and its economic fall-out as a one-off, exceptional event, or to respond to it in isolation from how we respond to the wider challenges of ending poverty and protecting the planet.

There is much to fear in this current moment, in the impact on health, hunger, jobs, livelihoods and human rights. Experience of past pandemics and of economic crises is that, left unchecked, they entrench existing inequalities, introduce new inequalities, create avoidable human suffering, destabilise societies and weaken any subsequent recovery.

The crisis has laid bare the interdependence and fragility of life, and the need for deep solidarity between people. We have seen how underinvestment in public health in one country is a threat to the health of the rest of the world. How a recession in one region of the world creates economic contagion for another, destroying jobs and stripping away government revenues. How assaults on political freedoms rob us of the transparency and accountability needed to combat the pandemic.

It is a truism that one should never waste a good crisis. It is more true now than ever before. The levels of poverty, inequality and damage to the planet pre-Covid-19 were socially, politically and environmentally unaffordable, and ethically unjustifiable. Building back better from the crisis, with a just recovery that tackles deep underlying inequalities between countries, and within societies, should be treated as an imperative. This recovery can only be equitable and sustainable if it is also a green recovery, that accelerates the transition from fossil fuels, protects and improves the natural environment, and provides new economic opportunities based on low-carbon technologies.

Now is not the time to be timid. The crisis reinforces the urgent need to deliver on commitments that have already been made, for

‘No volveremos a la normalidad, porque la normalidad era el problema’

(‘We won’t go back to normal because normal was the problem’)

Graffiti projected onto an apartment block in Santiago, Chile, by visual artist Matías Segura¹⁹⁴

universal health coverage, social protection, good governance and environmental sustainability. If a vaccine is successfully developed, ensuring equitable and rapid delivery to the poorest countries will be one of the greatest public health challenges we have faced in recent generations. It will also be a test of cooperation, requiring governments, international institutions, business and civil society to work together in entirely new ways, with the profit motive taking a back seat to the public interest.

Delivering on these priorities calls for a massive public finance response. While we are seeing the wealthiest countries taking unprecedented action to halt the spread of the virus within their own borders, protect their economies and safeguard jobs and incomes, these countries have so far woefully under-supported the response in the poorest countries. A comprehensive, coordinated global recovery plan is urgently needed, that provides low-income countries with debt cancellation and emergency aid. Long overdue reform of international tax rules should be used to help usher in progressive taxation that enables a sustainable recovery. It is reasonable and fair that those countries and people most capable of contributing should meet the largest share of funding for response and recovery plans.

In many parts of the world, government action, supported by the actions taken by millions of people to protect themselves and others, has already saved countless lives. This should give cause for hope. In the months to come fundamental decisions will be made about the kind of world we want to live in. Failure to seize the opportunity this presents will be far more costly than any recovery plan. Covid-19 should be a pivot point, where we turn towards a different future, in which people and planet are protected, and human flourishing is promoted.

“The only consolation is that this mosaic of emergencies is out in the open: those who had the privilege of confining themselves at home, could not help but see the magnitude of the disaster, the horrifying injustice and shame of being part of a society like this.... What may happen in the coming weeks and months, depends on each of us, not only in India but everywhere: will we fall back on the same tracks, or fight for change? ”

Arundhati Roy, Indian author and human rights and environmental activist¹⁹⁶

‘I hope COVID-19 is a wake-up call for all our leaders and all of us that the current world as we know it must change towards equality and justice to serve all of us. We know now for sure, that when our systems don’t serve the majority of us, they are likely to fail us all’

Dinah Musindarwezo, Director of Policy and Communications, Womankind Worldwide¹⁹⁵

Recommendations

Christian Aid is calling for a global response package to deal with the immediate impacts of the crisis that helps to lay the foundations for a long-term global recovery plan. Action needs to be taken at all levels to build social and economic resilience to future crises, tackle poverty and inequality, and set the world on a trajectory to meet the Paris climate commitments.

We are calling on governments and multilateral institutions to take the following actions as part of an immediate global response package.

Immediate actions to strengthen essential services

Governments should urgently scale up spending on public health, social protection and humanitarian responses. Transparency and accountability measures must accompany all emergency spending. Donor governments must support the efforts of the poorest countries to deliver on these priorities.

- Governments should ensure access to Covid-19 testing and treatment services are free at the point of use for all.
- Governments should maintain essential health services, including routine immunisation, maternal and child health, sexual and reproductive health and mental health, and ensure that these are free at the point of use.
- Governments should ensure that all communities receive timely, accurate and accessible public health information, with proactive efforts to reach the most isolated populations. Response plans should actively involve civil society, including community-based organisations and faith actors.
- Governments should include measures to protect women from violence, particularly domestic violence, as an essential part of Covid-19 response plans, including through remote referral pathways and case management.
- Governments should swiftly scale up social protection responses, ensuring that they provide adequate and timely support, and reach women and girls, especially in already marginalised settings, and expand coverage to include informal workers, the newly poor and those vulnerable to poverty
- Governments should ensure there is direct support provided to vital sectors, such as food production and distribution, to pre-empt a food crisis.

Urgent public finance measures

The following actions are needed to create immediate fiscal space for countries to confront the Covid-19 crisis:

- The G20 should work with the IMF, World Bank and other international financial institutions, to agree a \$42.7bn debt cancellation package for the world's 76 poorest countries that covers all creditors and all debt payments owed for 2020.
- The UK Government should immediately legislate to ensure that vulture funds that refuse to agree to debt restructuring of distressed country debt are banned from profiting from the new debt crisis through UK courts.

- The IMF should issue \$1tn in Special Drawing Rights as an immediate global economic stimulus measure. The World Bank and IMF should provide additional emergency finance that does not create debt.
- Governments in the global North should increase aid in line with the UN's estimated additional funding of \$90bn for the poorest countries. They should take clear steps to reach the target of allocating 0.7% of GNI to Overseas Development Assistance.
- Governments should immediately introduce a windfall tax that increases corporate taxation on excess profits for larger companies, earmarked for national and global recovery efforts.
- Governments should introduce wealth taxes to help generate the resources needed for a comprehensive recovery, and reduce extreme economic inequalities.

Accountable governance

- Governments should limit use of emergency powers to what is strictly needed to limit the spread of Covid-19, be transparent and accountable about the criteria for lifting restrictions, and actively uphold human rights and access to justice.
- Donors and governments should ensure that all Covid-19 assistance follows international human rights standards, and should enable and support civil society efforts to monitor Covid-19 assistance and to advocate. Donors should include transparency and accountability measures in assistance packages, which ensure that:
 - All Covid-19 relief funding is independently audited, and audits are published and subject to parliamentary scrutiny.
 - Value for money measures require 4 Es – economy, efficiency, effectiveness and equity.
 - Detail of expenditures is published, in sufficiently clear and disaggregated format, to clearly inform citizens on how money is being spent.
 - All procurement is transparent, with competitive bidding, contracts published online and successful bidders disclosed, including the beneficial ownership of firms.
 - The media is free to report on government initiatives without fear of reprisal. Misinformation must be countered.
 - Political and personal empowerment of women and excluded groups is actively progressed through the Covid-19 response.

Bailout conditions: laying the groundwork now for a sustainable future

The Covid-19 crisis presents a unique opportunity to reshape our economy in pursuit of the public interest and to lay a foundation for a more equitable and sustainable future. This must start immediately with conditions attached to all bailouts. Governments should:

- Refuse bailouts to companies who practise aggressive tax planning, tax abuse or tax avoidance. Ensure every bailout agreement includes full tax transparency commitments (including publishing a binding tax policy that explicitly shuns tax avoidance and the artificial use of tax havens, public country-by-country

reporting, and publishing corporate ownership and beneficial ownership data).

- Ensure bailout agreements address financialised practices – ban the payment of dividends, share buybacks, merger and acquisitions and bonus payments for any company that receives a bailout, until public money is fully repaid.
- Ensure companies in receipt of bailout funds commit to responsible business practices. This must include plans to reduce their greenhouse gas emissions in line with limiting global warming to 1.5°C, maximising retention of staff, payment of living wages, addressing gender pay gaps and committing to gender-sensitive human rights due diligence.
- Embed long-term conditions into bailout agreements related to the transition to a green- and rights-based economy. For firms operating in carbon-intensive sectors that have no long-term future, such as the fossil fuel industry, governments should reject bailouts and consider taking equity stakes to manage a just transition.

An effective global response to end the pandemic

Governments and international institutions need to work with the private sector and civil society to halt and reverse the spread of the virus, and end the pandemic, in order to enable a durable recovery from the current crisis. The following actions are needed:

- Governments should provide full support for the WHO initiative to pool research, create a global patent pool and ensure that all drugs related to the testing, treatment, prevention and response to coronavirus are produced patent-free.
- Governments should attach public interest conditions to all research and development funding for the pharmaceutical industry, based on the principles of affordability, accessibility and equity.
- Governments should support the WHO, as the only organisation with the global mandate to coordinate the public health response to Covid-19, while supporting an impartial and independent review of its handling of the crisis, as agreed at the World Health Assembly.

Beyond these immediate, short-term actions, we are calling on governments and multilateral institutions to support an equitable and sustainable global recovery plan, in the following areas.

Public finance reform, to ensure universal access to essential services and effective social protection

- A full, coordinated cancellation of all bilateral, multilateral and private sovereign debt repayments due in 2020 and 2021 for the poorest countries.
- Create, through the UN, a systematic, comprehensive and enforceable process for sovereign debt restructuring. This process must begin before the debt standstill initiative from the G20 runs out by end of 2020.

- Governments and multilateral institutions should ensure that tax regains its rightful place at the top of the SDG financing agenda. Priority actions include:
 - A minimum effective tax rate agreed that halts the race to the bottom in corporate income tax rates.
 - Taxation on multinationals set from the perspective of treating them as single entities, with sharing of taxable income on an equitable basis between the countries where operations take place.
 - Tax rules discussed at the UN level, with the UN-led Covid-19 Economic Recovery negotiations supporting the establishment of an intergovernmental tax body under the auspices of the UN, where countries engage on an equal footing.
- The IMF and World Bank should abandon austerity policies, treat climate change as a macroeconomic risk and, through their funding, promote tax and spending policies that are progressive, tackle inequality, promote universal access to essential services and are gender sensitive.
- Governments and multilateral institutions should scale up investment in public health systems to accelerate progress towards UHC, reduce health inequalities and increase health resilience.
- Governments and multilateral institutions must scale up investment to strengthen developing countries' social protection systems, progressively working towards universal schemes.

Investment for a sustainable future

Governments and multilateral institutions should apply all levers at their disposal to support a global green recovery and make the critical transition to a net-zero economy. Investment should include renewable energy, energy efficiency for homes and buildings, preservation or restoration of natural areas, sustainable food systems, water and sanitation, and clean transport.

- All governments should submit revised and far more ambitious national climate plans by the end of 2020, in line with the Paris Agreement. Together, these should reduce global emissions by at least half by 2030. Governments should ensure that their economic stimulus plans are consistent with their revised climate plans.
- The UK Government should invest at least £30bn a year in green projects to create jobs and put the country on track to achieve its climate targets. This investment should address the inequalities and deprivation that have been made worse by the pandemic.
- Governments in the global North and multilateral institutions should immediately cease all public support for fossil fuels globally (including the use of overseas aid budgets and export credits) and invest in renewable energy, especially energy access for the poorest.
- Public and private investors in the expanding renewable energy sector must protect the human rights of local populations through mandatory, gender-sensitive due diligence tests, to avoid reproducing the abuses of past economic models.

- Governments in the global North must meet their commitment to raise \$100bn a year of climate finance for poorer countries from 2020 and build on this by mobilising significant levels of additional funding, in line with the scale of the climate crisis and their historic contribution to it.

Annex A: Calculating tax losses from illicit financial flows

Table 2: Annual tax revenue losses of selected African countries, \$m

Company	Offshore wealth	Trade mispricing (low-end estimate)	MNC tax avoidance	Total tax losses
Burkina Faso	21.7	197	180	399
Burundi	20.2	27	62.7	110
Ethiopia	39.8	494	1,108.4	1,642
Kenya	2,061.9	470	1061	3,593
Malawi	27.1	76	86.2	189
Nigeria	1,534.1	2,392	n/a	3,926
Sierra Leone	19.2	109	107.9	236
Zimbabwe	289.7	131	78.3	499

Note: These are Christian Aid calculations for tax revenue loss as a result of three types of illicit financial flows: offshore wealth, trade mispricing and corporate tax avoidance. These are based on data from 2015 and 2017 and show an estimated annual amount of lost tax revenue for each country. Data for revenue lost in Nigeria due to corporate tax avoidance is not available. The analysis of global data based on these sources can be found in Christian Aid's 2019 report *Trapped in Illicit Finance*.

Data sources

Offshore wealth data is from research by Gabriel Zucman in 2015, see: <http://gabriel-zucman.eu/richeesse-cachee> and the updates for 2017 <http://gabriel-zucman.eu/files/Zucman2017LivreTableauxGraphiques.xlsx>

Trade mispricing figures are taken from Global Financial Integrity for 2015, see: <https://gfintegrity.org/report/2019-iff-update>

Corporate tax avoidance figures are based on research by Alex Cobham and use data from 2015, see: <https://www.taxjustice.net/2017/03/22/new-estimates-tax-avoidance-multinationals> and the UNUWIDER paper <https://www.wider.unu.edu/sites/default/files/wp2017-55.pdf>

Endnotes

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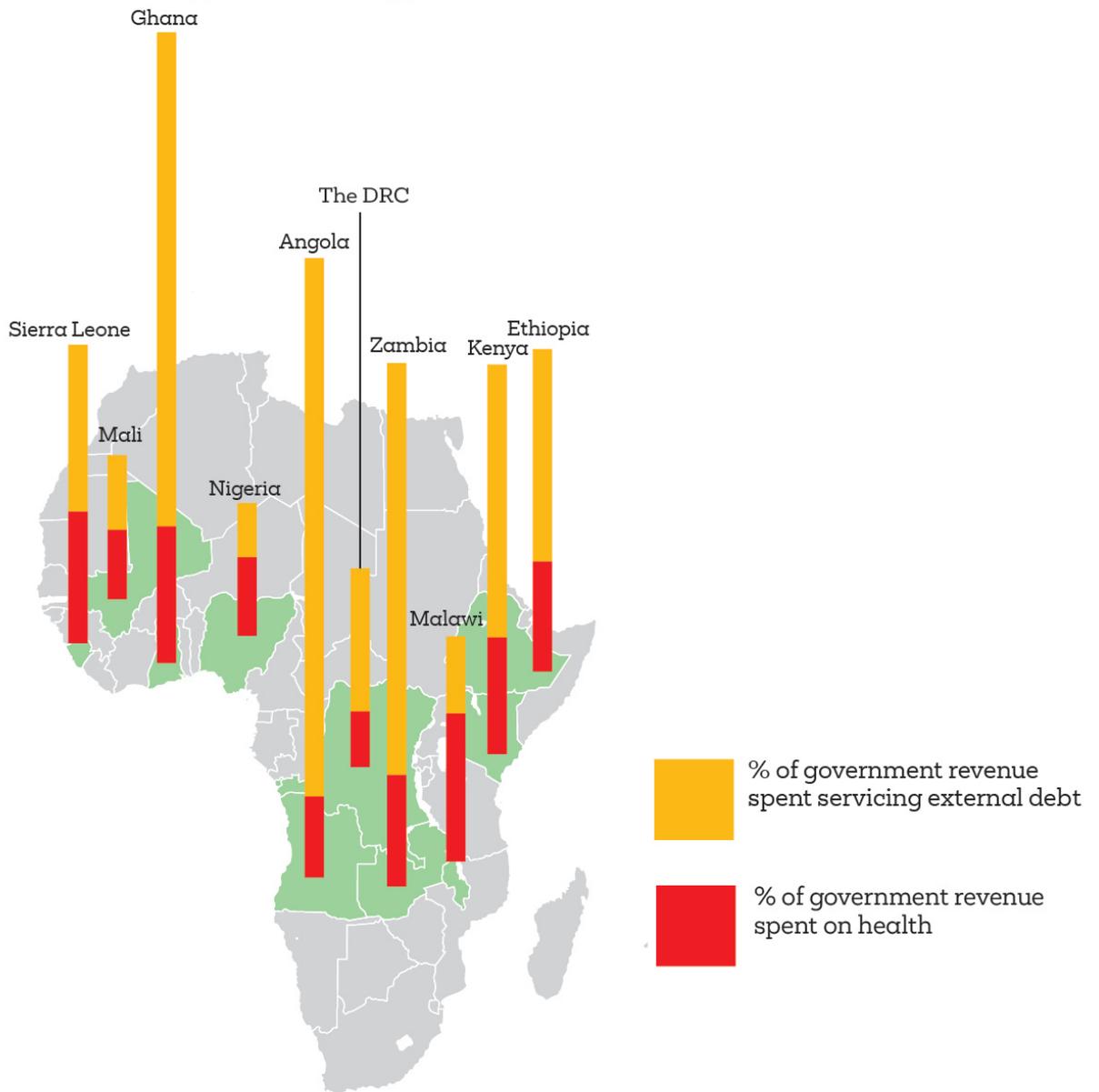
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