Sweden's Contribution to the Act-A Program:
The Need for Strong Donor Leadership in the Fight Against Covid-19

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This report is intended for the use of the Bill & Melinda Gates Foundation and is based on the opinions of Eurasia Group analysts and various in-country specialists. Eurasia Group is a private research and consulting firm that maintains no affiliations with governments or political parties.

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Executive summary

- Eurasia Group's analysis suggests that leaving low- and lower-middle-income countries, or LLMICs (see appendix for full country list), to fend for themselves amid the Covid-19 pandemic will cause significant economic damage that puts at risk decades of economic progress.
- The Access to Covid-19 Tools Accelerator (Act-A) program is the only "end-to-end," complete global solution across tests, treatments, and vaccines for tackling the pandemic. The world needs strong leadership and international cooperation to make this program a success. The Act-A program needs $38 billion, of which $28.2 billion is still currently outstanding.
- Rapid, widespread, and equitable vaccination, tests, and treatments will save countless lives in LLMICs, allowing policymakers' focus to return to the core development goals of raising living standards, empowering women, and marginalized communities, and strengthening institutions.
- Sweden is one of the world's largest donors of development aid and has long played a central role in global health initiatives, advocating for sexual and reproductive health, among other priorities, and mainstreaming gender issues in development aid programs.
- The Act-A program gives Sweden the opportunity to improve its economic and public health outlook while also contributing to positive developments worldwide. Through Act-A, the country can prioritize saving human lives and multilateral action to help the weakest through the crisis.
- This assistance will more than pay for itself in terms of economic gains for Sweden. The benefits are estimated to be in the range of 7 billion Swedish kronor ($767 million) in 2020-2021, and 19 billion kronor from 2020-2025 ($2.1 billion), with key exposure to LLMICs in the manufacturing and tourism industries.
- Equality and multilateralism are core tenets of Sweden's foreign aid policy; as such, Sweden should take a leadership role in Act-A to promote an equitable resolution to the global pandemic for the developing world.

Introduction

What is Act-A?
Act-A is the only end-to-end global solution that aims for equitable access, building on its public health expertise and offering risk mitigation for the investment made. It achieves this through four focal points: 1) vaccine risk pooling, to increase each country's chances of having access to the "winning candidate"; 2) limiting operational risk by bringing together the best global expertise across fields; 3) providing an end-to-end solution across tests, treatments, and vaccines; and 4) focusing on equitable access to ensure that Covid-19 tools will be delivered in the most efficient way to those who need them the most, restarting all economies and protecting international mobility, trade, and economic activity.

Sweden has historically been a strong proponent of multilateral aid. The country is a staunch supporter of the UN, and its official development assistance commitments to multilateral schemes account for more than one-third of its development spending. While the rise of nationalist sentiment in various regions has eroded faith in international institutions, Sweden remains dedicated to cooperation in resolving complex global issues. Indeed, it is one of the few countries to meet the UN's target of contributing more than 0.7% of its gross national income (GNI) to foreign aid. On average, Sweden spends about 1% of GNI on aid each year, making it the third-largest donor country in proportion to the size of its economy.

The Act-A program prioritizes some of the world's poorest countries by accelerating the development and production of a vaccine for Covid-19 and ensuring equitable access to it. Act-A upholds Swedish values by taking a needs-based approach to addressing the pandemic. Supporting Act-A and encouraging other governments to join would further demonstrate Sweden's commitment to development assistance, advancing the country's objectives of promoting equality and gender inclusivity, and most importantly, ensuring that no country is left behind in the fight against the virus.

This report explores the reasons why joining Act-A is the right course of action for Sweden and why its generous contributions are beneficial, from both a geopolitical and an economic perspective. The analysis suggests there is a clear self-interested case for Sweden's continued commitment. Supporting LLMICs (please see appendix for full country list) through contributions to Act-A would not only help avert deaths attributable to Covid-19 but also more than pay for itself through improved economic outcomes for Sweden. The following sections focus on three main themes associated with the country's

contributions to Act-A:

- Saving lives through a multilateral approach
- Sweden's leadership in foreign aid
- Economic benefits to Sweden of supporting LLMICs

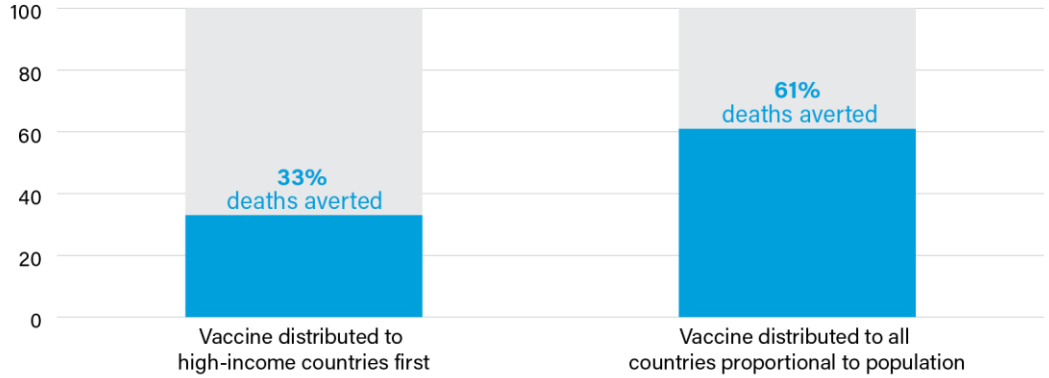
Saving lives through a multilateral approach

The coronavirus pandemic has had devastating effects on low- and lower-middle-income countries. Developing economies are less diversified than wealthier ones, and increased reliance on fewer industries means that lower-income states tend to struggle to generate revenue during times of economic volatility. In the wake of Covid-19, supply chains and tourism flows have been disrupted by travel restrictions, weaker demand has depressed global commodity prices, and lockdown measures have further dampened economic activity. Owing to fiscal and international liquidity constraints, many developing countries have also been unable to match the fiscal response of wealthier states, leaving already vulnerable populations with limited support in the face of the pandemic.

The situation is worsening economic inequalities, especially in marginalized communities. The pandemic is having a disproportionate effect on women's economic opportunities, in particular, as the majority of women in the developing world (close to 70%, according to UN estimates) work in the informal economy. In times of economic crisis, informal workers are often among the first to lose their jobs, and the informal sector generally takes longer to return to pre-crisis levels of activity than others. Women and girls also have unique health needs, and in countries with limited healthcare resources, attention has largely shifted to coping with the coronavirus, diverting funding and supplies away from essential clinics and other resources for women. Disruptions of pre-pandemic health priorities, such as ensuring basic vaccinations, could jeopardize the well-being of large parts of the population and will likely lead to higher rates of maternal and child mortality. Ending Covid-19 will therefore be necessary to ensure continued progress toward gender equality in developing countries.

Epidemiological modeling suggests that an equitable approach to distributing the Covid-19 vaccine could greatly reduce the number of deaths from the pandemic. Northeastern University's Laboratory for the Modeling of Biological and Socio-technical Systems has run counterfactual scenarios examining what would have happened if a vaccine had been available starting in mid-March 2020. In the first scenario, approximately 50 high-income countries received the first 2 billion doses (out of 3 billion) of an 80% effective vaccine. In the other scenario, all countries received 3 billion doses proportional to their populations. This exercise showed that equitable distribution would avert 61% of deaths, compared to just 33% of deaths averted with distribution to high-income countries first. This equates to tens of thousands of lives that could be saved with support for Act-A from Sweden and other developed states.

Modeled percentage of deaths (compared to no vaccine)*

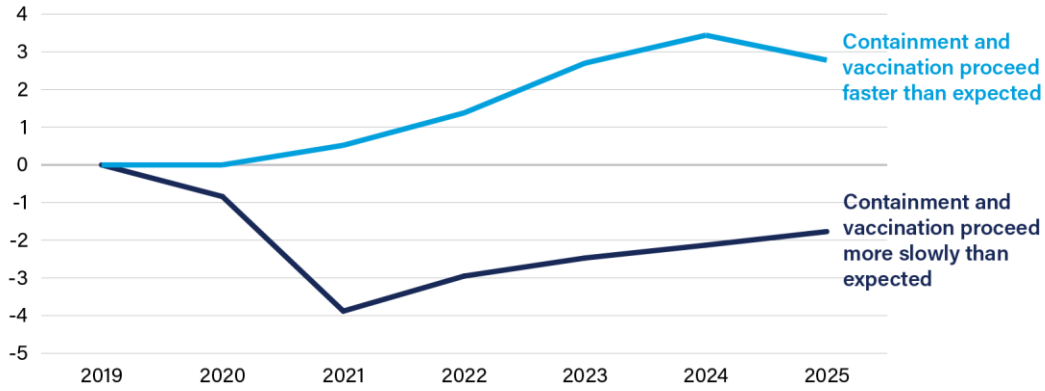


*Bill & Melinda Gates Foundation, 2020 Goalkeeper's Report

The economic challenges associated with Covid-19 raise the real possibility of negating decades of poverty reduction and other improvements to the quality of life in LLMICs, effectively canceling out the impact of the generous aid contributions already made by Sweden. In its latest forecasts, the IMF projects that low-income economies will contract by 1.2% in real terms in 2020, followed by a 4.9% rebound in 2021. Yet the IMF acknowledges that emerging markets' trajectories could diverge sharply from its

baseline forecasts depending on epidemiological developments. A best-case scenario, which would be more likely if a vaccine were distributed fairly, could see emerging-market real GDP climb to 0.5% above the IMF's base case by the end of 2021. Conversely, slower and less effective response to Covid-19 could pull emerging-market real GDP down by nearly 4% from the IMF's baseline (please see graph highlighting divergence from IMF baseline forecasts in each scenario). The difference in outcomes between best- and worst-case scenarios is a gaping 4.5% over two years, or the equivalent of billions of dollars, driven largely by differences in virus outcomes.

Emerging markets real GDP, difference to baseline forecast by scenario (%)



Note: Forecasts for emerging markets, not low and lower middle-income countries specifically
Source: IMF Global Economic Update.

Equitable vaccine distribution is key to reducing deaths globally, with a full return to normal not possible until the virus is contained and then eradicated across the world. Fair and rapid vaccine distribution will help prevent the worst-case outcomes, saving thousands of lives while also helping to improve economic prospects in developed and developing countries alike.

Sweden's leadership in foreign aid

Sweden's participation in the Act-A program will support the achievement of broader development goals, particularly in countries that are most at risk. As the Swedish government is well aware, an exclusive focus on domestic recovery fails to address the public health needs of LLMICs, which could exacerbate ongoing humanitarian crises and disrupt economically exposed populations.

Recent years have seen large upheavals in the international order, such as the withdrawal of the US from its central role in global politics, the rise of China's geopolitical ambitions, and the blow to European integration posed by Brexit. There is a clear leadership vacuum that is quickly being filled by other countries eager to influence international affairs without regard to liberal values or democratic norms. Sweden should take this opportunity to support the LLMICs on the path toward sustainable development, in line with inclusive and progressive values.

Sweden also has a unique opportunity to set the tone for European aid policy as the EU enters a period of political transition. Over the coming months, the UK will complete its departure from the union, ending its regulatory transition and blazing its own path forward. Germany, too, will soon enter a phase of political change, as Chancellor Angela Merkel approaches the end of her term. As a champion of multilateral cooperation, Sweden can continue to promote egalitarianism around the world by aiding countries in need and encouraging other donors to do so as well.

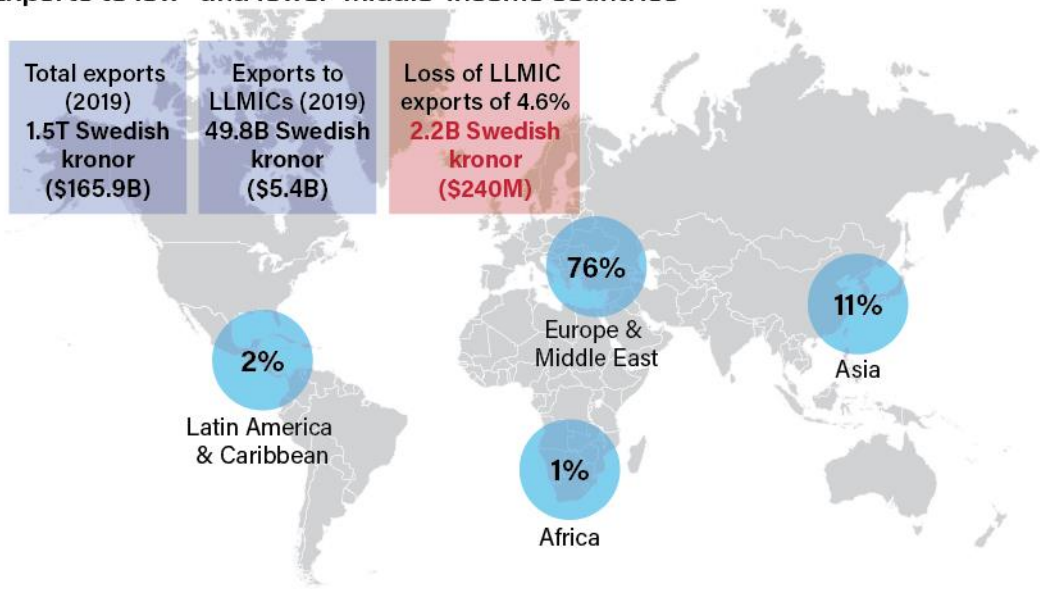
Contributing to Act-A and the Covax initiative will help to promote social stability in the developing world. By alleviating economic pressures and ensuring better human outcomes, Act-A and the Covax initiative could help prevent unrest, bolstering regional security, and equality of opportunity. This would likewise ensure continued progress toward achieving gender equality. Act-A represents a chance to draw global attention to gender-based issues exacerbated by the pandemic, such as women's economic empowerment and reproductive health, but also to ensure that advanced economies consider gender-inclusive solutions.

Economic benefits to Sweden

The country's economy is highly open and export-oriented; it is heavily dependent on high-value manufacturing as well. The main export industries include aerospace technology, vehicles,

pharmaceuticals, and other manufactured goods. Foreign tourism accounts for a small but significant portion of the activity, as do the financial services and information and technology industries.

Exports to low- and lower-middle-income countries



Note: World Bank – World Integrated Trade Solution data.
Source: Eurasia Group

Sweden last year exported about 49.8 billion kronor worth of merchandise to LLMICs eligible for vaccine financing through the Gavi Covax Advance Market Commitment (AMC). More than 10% of LLMIC exports were directed to countries in East and South Asia, with India the top destination, purchasing 11.9 billion kronor in Swedish goods. Because of these economic links alone, there is a strong case for supporting the LLMICs' recovery through Act-A, given the improvement in external demand that could be unlocked through equitable distribution of a vaccine. Just a 4.6% cumulative reduction of imports by LLMICs in 2020-2021—as implied by the downside scenario for emerging markets in the latest IMF forecasts—would equate to a reduction of exports exceeding 2.2 billion kronor ($239.8 million). This far exceeds Sweden's contribution of 179 million kronor ($21 million) to date to Covax-AMC.

Sweden's economic value at risk by sector

	International exposure (kr B)	Of which, derived from LLMICs	LLMIC exposure (kr B)	Potential economic losses (kr B, 2020-21)	Potential economic losses (kr B, 2020-25)
Tourism	162.9	7.3%	11.9	4.1	9.7
Education	5.6	23.9%	1.3	0.3	0.6
Manufacturing	1472.8	3.5%	50.8	2.3	7.6
Financial services	33.3	3.3%	1.1	0.05	0.16
IT	159.2	3.3%	5.2	0.2	0.8
Total				**7.0**	**19.0**

Source: Eurasia Group

Tourism: The majority of visitors to Sweden are from European countries, but more than 7.3% of foreign tourist arrivals come from outside Europe, making a substantial contribution to the tourism industry. Travel demand will be dampened in any scenario, but the risk of significant restrictions in countries with continued Covid-19 outbreaks could have an outsize effect. About 4.1 billion kronor in international tourism revenue could be lost owing to reduced travel from LLMICs in an inequitable vaccine scenario. Over a longer period, from 2020-2025, losses could rise to 9.7 billion kronor.

Education: More than 24,000 foreign university students studied in Sweden in 2019 and spent close to 5.6 billion kronor on tuition and living costs. Students from Covax-AMC-eligible LLMICs, who make up 24% of total foreign students, contributed about 1.33 billion kronor to the total. Students from South Asian countries, such as India, Pakistan, and Bangladesh, make up a vast portion of foreign students enrolled in Swedish universities. The third-largest source of international university students in 2019 was India, accounting for more than 8% of all international students.

Education has been disrupted by Covid-19 in 2020, leaving some foreign students unable to attend Swedish institutions. Lund University, a top university in Sweden, will continue to be severely affected by travel restrictions if developing countries cannot be vaccinated. Lund's international students come from nearly 150 different countries and represent 20% of the university's student population; moreover, 60% of all graduate students are international. Accounting for travel restrictions and the possibility of online learning, 314 million kronor is estimated to be at risk for Sweden's education sector in 2020-2021. From 2020-2025, that figure could rise to 629 million kronor in a scenario of inequitable vaccine distribution.

Manufacturing: Sweden has a strong manufacturing sector that accounts for more than 20% of GDP. Manufacturers have sizable exposure to LLMICs, which collectively purchase more than 3.5% of their exports, valued at 50.8 billion kronor per year. Swedish manufacturers' top Covax-AMC-eligible export market is India, which purchases close to 1% of total manufacturing exports. Swedish manufacturing is highly export-oriented, which leaves manufacturers exposed to swings in external demand; a scenario in which a lack of access to a vaccine in LLMICs continues to disrupt supply chains and depress foreign sales would have a considerable effect on the sector.

Volvo, the Swedish automaker, has a presence in about 190 countries and production facilities in 18. Brazil accounts for about 22.5% of Volvo's foreign sales, while the largest markets for some of its models include LLMICs such as Morocco and India. Electrolux, the world's second-largest appliance maker, operates in 120 markets, with Latin America representing 16% of its sales in 2019. Collectively, countries in the Asia-Pacific region, the Middle East, and Africa accounted for another 13%. Lastly, Ikea, the world's largest furniture retailer, relies heavily on emerging markets for revenue growth. In a downside scenario, in which vaccination efforts stall, Swedish producers could lose 2.3 billion kronor in manufacturing exports to Covax-AMC-eligible LLMICs in 2020-2021. From 2020-2025, this sum could rise to 7.6 billion kronor.

Financial services: About 1.1 billion kronor of Sweden's total financial services exports went to LLMICs last year. The top LLMIC market for Swedish finance is India, which purchases more than 53 million kronor in services each year. Major Swedish banks, such as Svenska Handelsbanken and SEB, have exposure to LLMIC markets in South and Southeast Asia, and financial shocks triggered by pandemic-induced distress could ripple unpredictably through emerging markets. During 2020-2021, Sweden stands to lose 50 million kronor if efforts to vaccinate the Covax-AMC-eligible LLMICs fail. By 2025, this sum could rise to 164 million kronor.

Information technology and communications: In 2019, Sweden exported 5.2 billion kronor in ICT services to Covax-AMC-eligible LLMICs. Sweden is home to global players in the telecommunications and technology space, such as Ericsson and Spotify, both of which have considerable exposure to LLMICs in Latin America and Asia. Reduced import growth brought on by a lack of vaccine access would put about 239 million kronor at risk in 2020-2021. From 2020-2025, the potential losses for the ICT sector could rise to 783 million kronor.

In addition to depressing foreign demand by exerting a drag on growth, the global pandemic will affect the supply of raw materials and disrupt the value chain on the supply side, potentially leading to upward price pressures on input prices for Swedish companies. Some Swedish multinationals have also allocated business process outsourcing and other support service activities to LLMICs (Ericsson, for example, has service delivery and R&D facilities in India). These links could multiply the losses to companies if the pandemic continues unabated in the developing world.

Conclusion

Sweden's continued support for Act-A could alter the course of the pandemic by saving lives in LLMICs and putting developing economies back on the path to growth. Sweden has a clear self-interested case to support Act-A, not only to demonstrate its leadership in global aid policy and advance its objectives in global health and gender policy but also to support external demand for Sweden's externally facing industries. The country's contribution could help avert close to 28% of coronavirus-related deaths, according to modeled projections. It would help boost real GDP by 3%-4% in LLMICs by the end of 2021. And it would unlock roughly 19 billion kronor ($2.1 billion) in economic benefits for Swedish firms over the next five years. Most importantly, Act-A embodies Swedish values of multilateralism and egalitarianism; Sweden's participation will encourage other wealthy countries to contribute to the only holistic global plan to end the pandemic.

Appendix: Methodology for economic analysis

Economic analysis is based on the expected negative effects of sustained outbreaks in LLMICs implied by the difference between the downside and baseline scenarios of the IMF's October 2020 World Economic Outlook forecasts. Each of the key affected sectors was calculated differently, with a focus on the impact of travel bans, lost export purchasing power, and—in the case of net energy exporters—affected global commodity prices.

In each case, the sector was assessed in terms of its contribution to the economy, as well as its exposure to global markets. Sector exposures were divided by the contribution provided by LLMICs to arrive at a total "LLMIC exposure" figure for the sector. This figure was then run through a baseline and downside scenario to calculate possible economic losses under better and worse virus scenarios in LLMICs.

The approach is summarized in the table below:

Travel bans	**Export purchasing power**	**Global commodity prices**
Lost spending in-country due to travel restrictions	*Lost in-country revenue due to lower exports*	*Lost in-country revenue due to reduced global prices*
Spending from international travelers	Manufacturing/services exports	Commodity outputs
Share of spending from LLMICs	% to LLMICs	Possible price change from lost LLMIC demand
		Possible reduction in exports to LLMICs owing to weaker demand
Product: exposure	**Product:** exposure	**Product**: exposure
Scenario 1: LLMIC travelers restricted	Scenario 1: worse trade growth outcome	Scenario 1: worse commodity price outcome; weaker demand
Scenario 2: travel largely normal	Scenario 2: better trade growth outcome	Scenario 2: better commodity price outcome; better demand
Delta: value at risk	**Delta**: value at risk	**Delta**: value at risk
Applied to: Tourism	**Applied to:** ICT, FS	**Applied to:** Energy

LLMIC country list

For the purposes of this analysis, LLMICs are defined as the low- and lower-middle-income countries that are eligible to access the Covid-19 vaccine through Gavi's AMC. This initiative aims to secure doses of vaccine for poorer countries through the Covax Facility, a mechanism to provide participating countries with access to the world's largest and most diverse Covid-19 vaccine portfolio.

Covax-AMC-eligible countries include all economies with GNI per capita under $4,000, in addition to other World Bank International Development Association (IDA)-eligible economies. The list includes the following **92 states**:

- **Low income:** Afghanistan, Benin, Burkina Faso, Burundi, the Central African Republic, Chad, the Republic of Congo, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, North Korea, Rwanda, Sierra Leone, Somalia, South Sudan, Syria, Tajikistan, Tanzania, Togo, Uganda, and Yemen
- **Lower middle income:** Angola, Algeria, Bangladesh, Bhutan, Bolivia, Cabo Verde, Cambodia, Cameroon, Comoros, the Democratic Republic of Congo, Cote d'Ivoire, Djibouti, Egypt, El Salvador, Eswatini, Ghana, Honduras, India, Indonesia, Kenya, Kiribati, Kyrgyzstan, Laos, Lesotho, Mauritania, Micronesia, Moldova, Mongolia, Morocco, Myanmar, Nicaragua, Nigeria, Pakistan, Papua New Guinea, the Philippines, Sao Tome and Principe, Senegal, the Solomon Islands, Sri Lanka, Sudan, Timor-Leste, Tunisia, Ukraine, Uzbekistan, Vanuatu, Vietnam, the West Bank and Gaza, Zambia, and Zimbabwe
- **Additional IDA eligible:** Dominica, Fiji, Grenada, Guyana, Kosovo, the Maldives, the Marshall Islands, Samoa, St. Lucia, St. Vincent and the Grenadines, Tonga, and Tuvalu

Appendix sources

Eurasia Group analysis leveraged numerous sources to compile the necessary data and assumptions underlying the report and its economic calculations.

Primary sources:

- IMF World Economic Outlook, October 2020
- Merchandise and services trade statistics from the UN Conference on Trade and Development and the World Trade Organization
- Swedish Agency for Economic and Regional Growth
- Swedish Education Authority
- Swedish Institute
- Sveriges Riksbank balance of payments statistics
- Sweden oil reserves, production, and consumption statistics from Worldometer
- World Integrated Trade Database
- International Air Transport Association, Outlook for Air Travel over the next five years
- QS Survey: How Covid-19 is affecting prospective international students across subject areas
- World Health Organization Universal Health Coverage indicators
- Bill & Melinda Gates Foundation, 2020 Goalkeepers Report

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