UK Contributions to the Act-A Program:
Global Britain and the Last Mile of Economic Recovery

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CONTENTS

Executive summary	**2**
Introduction	**2**
Saving lives through a global approach	**3**
Rebuilding the UK economy	**3**
Enhancing Global Britain	**5**
Conclusion	**5**
Appendix: Methodology for economic analysis	**6**

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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.
- The UK has already announced a commitment of $1.047 billion to this program, adding to already-made significant commitments to the global Covid-19 fight.
- The country's contributions are more than a global health donation—they should be seen as part of a domestic economic stimulus package that provides substantial benefits to the UK. Given LLMICs' major links to the British economy, this assistance will pay for itself in economic gains for the UK.
- The benefits are estimated to be in the range of £1.5 billion ($1.9 billion) in 2020-21 and £3.9 billion ($5.1 billion) in 2020-25, concentrated in the tourism, education, and manufacturing sectors. The government, therefore, has a clear incentive to be a leading funder of the program, while also ensuring other countries similarly step up to the challenge.
- Furthering the concept of a "Global Britain" is another advantage. By expanding the impact of the Act-A program, the UK can boost its global health R&D leadership and showcase British values in the multilateral system.

Introduction

The progression of the coronavirus pandemic makes clear that it will not be fully contained until it is contained everywhere. The Act-A program is the only truly multilateral plan that seeks to tackle this challenge at the global level. Such an approach will be necessary for the UK—a highly globalized economy—to ensure a lasting recovery.

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.

This report explores the reasons why this approach is the right one for the UK, and why it is beneficial for improving both the UK's geopolitical leadership and its economic robustness. The focus of this whitepaper is on the UK and Act-A's support for LLMICs. Through Act-A, 92 LLMICs will be eligible to receive vaccine assistance through the Covax-AMC program. Analysis suggests there is a clear self-interested case for the UK's contributions. Supporting LLMICs through contributions to Act-A will help to reduce the incidence and severity of the pandemic, boost Global Britain's ambitions to be a multilateral leader on the most important issue of the day, and more than pay for itself through improved economic outcomes in key future trade and investment partner countries. The following sections focus on three main areas:

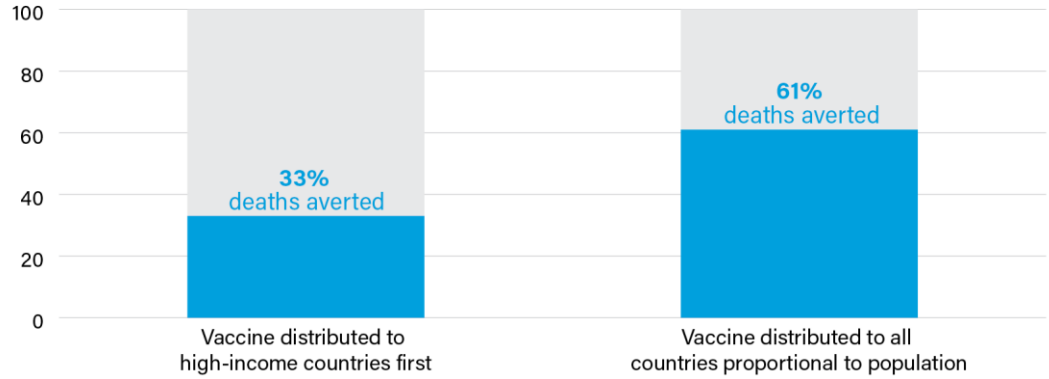
- Saving lives through a global approach
- Rebuilding the UK economy
- Enhancing "Global Britain"

Saving lives through a global approach

Given the speed of Covid-19's spread, equitable approaches to vaccine distribution and the capacity to test for and treat new cases are critical to stopping the pandemic.

Time is of the essence to save lives. Epidemiological modeling suggests the equitable approach can significantly reduce 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. 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 the 3 billion doses proportional to their populations. This exercise showed that equitable distribution would avert 61% of deaths, compared to just 33% that would be averted with distribution to high-income countries first. This equates to tens of thousands of lives that can be saved with the UK's assistance.

Modeled percentage of deaths (compared to no vaccine)*



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

Equitable distribution of vaccines and other tools also protects UK citizens at home. While authorities in most countries are focused on containing domestic outbreaks, people remain at risk—and under stringent restrictions governing public gatherings and foreign travel—until the progression of the virus elsewhere is halted. This is evident in countries experiencing relatively small outbreaks: they continue to suffer new infections largely because of imported transmission. Consequently, reducing health risks at home requires a global approach.

The same applies to economic risk. Advanced economies, such as the UK and its G7 counterparts, will not be able to return to normal until the global outbreak is brought under control, including in LLMICs.

Rebuilding the UK economy

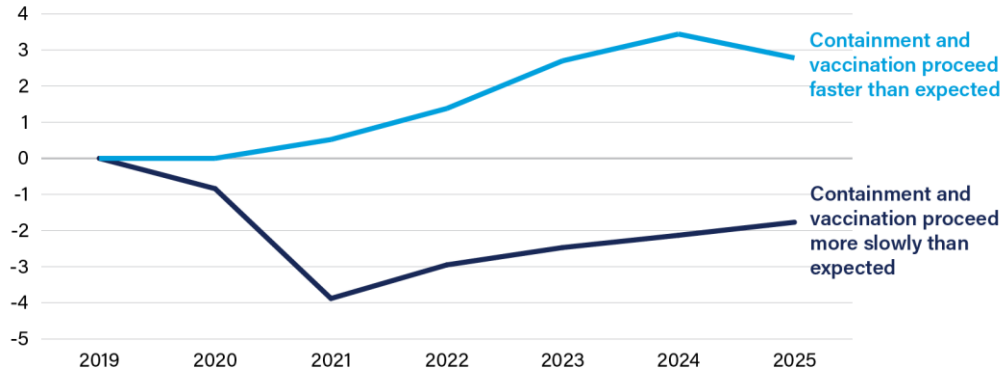
The UK has taken robust action to backstop businesses and households, including £176.7 billion in immediate stimulus spending thus far, and more than double this amount in deferrals, guarantees, and other forms of liquidity. The Act-A program should be seen as forming a small, but a key part of the package required to safeguard the UK economy, addressing the "last mile" of economic risk in the UK's exposure to LLMICs. When viewed as a necessary part of the domestic economic recovery, the UK's share of the global costs of Act-A can be seen as a highly cost-effective investment, amounting to less than 1% of current stimulus spending.

Given the UK's close ties to several fast-growing LLMICs, the contribution will pay for itself. This is because of the drastic divergence in respective outcomes in a scenario associated with equitable vaccine distribution as opposed to one in which only some countries can vaccinate and treat Covid-19 effectively.

Under current conditions, LLMICs run a real risk of erasing decades of progress in poverty reduction and other development areas, effectively negating the return on international development investments already made, including by the UK. 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. However, 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 Fund'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.

The UK economy has substantial links to LLMICs through tourism flows, foreign students, exports, and the presence of British firms in countries around the world. Global British firms such as Standard Chartered, Anglo America, Rolls Royce, and Vodafone all have a deep economic interest in supporting African and other global LLMICs. The importance of the UK to these countries is indisputable, and the reliance goes both ways.

Based on overall exposure in the UK economy, the benefits of aiding LLMICs in their recovery are equal to about £1.5 billion in 2020-21. This alone is three times the UK's contribution to date to the Act-A program. Over time, the benefits to the UK economy would grow considerably, reaching a cumulative £3.9 billion in 2025 compared to a scenario in which vaccine distribution proceeds inequitably among Covax-AMC-eligible LLMICs.

The UK's economic benefits at risk by sector

	International exposure (£ B)	Of which, derived from LLMICs	LLMIC exposure (£ B)	Possible economic losses (£ B, 2020-21)	Possible economic losses (£ B, 2020-25)
Tourism	28.4	8.4%	2.4	0.82	1.95
Education	22.6	15%	3.4	0.12	0.24
Manufacturing	255.4	3.9%	10.1	0.46	1.51
Financial services	59.9	0.7%	0.4	0.02	0.06
IT	22.2	2.8%	0.6	0.03	0.09
Total				**1.5**	**3.9**

Source: Eurasia Group

International tourism: Travel restrictions have had a big impact on the UK's tourism sector. Modeling by Visit Britain suggests a central scenario of a decline of £15.1 billion in international tourism GDP based on a gradual recovery from August. A key part of rebuilding the industry includes developing countries. Visitors from LLMICs spend about £2.4 billion in the UK each year, led by tourists from India, Nigeria, and Pakistan. The UK stands to lose as much as one-third of these tourism receipts in 2020-21, or £820 million if equitable vaccine distribution efforts are unsuccessful. During 2020-25, the figure could rise to £1.95 billion in a scenario of inequitable vaccine distribution. Moreover, companies such as British Airways will continue to suffer until the return of air travel is possible at a global level.

Education: The UK's world-renowned education system has been badly disrupted by travel restrictions and limitations on in-person teaching, putting the continued attendance of more than 70,000 LLMIC students in jeopardy. In a worst-case scenario, approximately £120 million in student spending could be lost, as well as the advantages that international student populations enable such as building ties with future global leaders and spreading British values. Over a longer period, in 2020-25, losses could rise to £240 million.

Manufacturing: Emerging markets have been a key source of growth for the UK manufacturing sector in recent years, and IMF forecasts suggest that averting the second wave of infections could raise their import demand by more than four percentage points in 2020-21. In a downside scenario, in which vaccination efforts stall, we estimate that British producers could lose £461 million in manufacturing exports to Covax-AMC-eligible LLMICs in 2020-21. In 2020-25, this sum could rise to £1.51 billion.

Financial services: The British financial sector—a global leader in the industry—has considerable exposure to the developing world. The UK exports nearly £60 billion in financial services annually, with £400 million in receipts coming from non-OECD countries. Over the period 2020-21, the UK stands to lose £20 million if efforts to vaccinate the Covax-AMC-eligible LLMICs fail. This sum could rise to £65 million over the period 2020-25.

In total, the benefits of supporting LLMICs are clear for the UK, with improved economic outcomes outweighing the cost of the program and ensuring the significant ethical and geopolitical benefits can be gained through a contribution that pays for itself.

Enhancing Global Britain

The UK has historically played a prominent role in global aid efforts. Where Act-A is concerned, other powers—in particular, the US, China, and Russia—are conspicuously absent, enhancing both the need and opportunity for UK leadership.

As the country prepares to leave the EU and chart its own course, Act-A provides an ideal forum to practically demonstrate its ability to lead multilaterally while projecting its values in both international development and its key role in global health R&D. UK leadership in Act-A would demonstrate the reach of an independent Global Britain with a meaningful investment in global health security. It would reaffirm the UK's alignment with the UN Development Goals and build goodwill with high-potential emerging markets. Supporting these countries economically can further, pave improved opportunities for British companies to pursue growth in markets beyond Europe and North America.

As Foreign Secretary Dominic Raab said in the introduction to the Queen's speech debate in January: "Whilst we will always serve the interests of the small businesses and the citizens of this country, we also look to reinforce our national mission as a force for good in the world … we're proud of our ability to make a difference to the poorest, the oppressed, the most vulnerable around the world, and we will continue that effort every day of every week. Because that is our calling as a country. And that is the mission of this Conservative government."

Leadership in the Act-A program provides a forum to achieve this mission while reinforcing global health security and pandemic response in the future.

Conclusion

The UK has a clear self-interest in contributing to Act-A, which would help to safeguard domestic public health and ensure a holistic economic response. Most importantly, this approach would save thousands of lives in the developing world.

The world cannot return to normal until the pandemic is contained everywhere. Support for LLMICs is a key component of the global virus response and, as the UK continues its domestic economic response, a key part of an economic recovery package. The UK's economic links to LLMICs ensure this contribution will pay for itself. The benefits to domestic pandemic management and the projection of Global Britain at this crucial juncture add further weight to the case.

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. The impact on 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 the analysis, Eurasia Group defines LLMICs as the low- and lower-middle-income countries that are eligible to access the Covid-19 vaccine through Gavi's Advance Market Commitment (AMC), which aims to secure doses of Covid-19 vaccines for poorer countries through the Covax Facility, a mechanism to enable participating countries to have access to the world's largest and most diverse Covid-19 vaccine portfolio.

Covax-AMC-eligible countries include all economies with Gross National Income (GNI) per capita under US$ 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, Central African Republic, Chad, Dem. Rep. of Congo, Eritrea, Ethiopia, Gambia, Guinea, Guinea-Bissau, Haiti, Dem. People's Rep. of Korea, Liberia, Madagascar, Malawi, Mali, Mozambique, Nepal, Niger, Rwanda, Sierra Leone, Somalia, South Sudan, Syrian Arab Republic, Tajikistan, Tanzania, Togo, Uganda, Yemen
- **Lower-middle income:** Angola, Algeria, Bangladesh, Bhutan, Bolivia, Cabo Verde, Cambodia, Cameroon, Comoros, Rep. of Congo, Côte d'Ivoire, Djibouti, Egypt, El Salvador, Eswatini, Ghana, Honduras, India, Indonesia, Kenya, Kiribati, Kyrgyz Republic, Lao PDR, Lesotho, Mauritania, Fed. Sts. of Micronesia, Moldova, Mongolia, Morocco, Myanmar, Nicaragua, Nigeria, Pakistan, Papua New Guinea, Philippines, São Tomé and Principe, Senegal, Solomon Islands, Sri Lanka, Sudan, Timor-Leste, Tunisia, Ukraine, Uzbekistan, Vanuatu, Vietnam, West Bank and Gaza, Zambia, Zimbabwe
- **Additional IDA eligible:** Dominica, Fiji, Grenada, Guyana, Kosovo, Maldives, Marshall Islands, Samoa, St. Lucia, St. Vincent and the Grenadines, Tonga, 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
- UK Office of National Statistics
- UNCTAD statistical database
- WTO statistical database
- https://www.bruegel.org/publications/datasets/covid-national-dataset/#uk
- Visit Britain
- International Air Transport Association, Outlook for Air Travel over the next five years
- Times Higher Education
- Higher Education Statistics Agency
- QS Survey: How Covid-19 is affecting prospective international students across subject areas
- World Integrated Trade Database
- WTO trade in services data
- IMF Policy Tracker
- Bill & Melinda Gates Foundation, 2020 Goalkeeper's Report
- Center for Effective Global Action: How deep is the Covid-19 recession in low-income countries—evidence from Kenya

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