France's Contribution to the Act-A Program:
The Need for Strong and Multilateral Leadership

COMMISSIONED BY THE BILL & MELINDA GATES FOUNDATION

25 NOVEMBER 2020

CONTENTS

Executive summary	**2**
Introduction	**2**
Saving lives through a multilateral approach	**3**
France's critical leadership	**4**
Economic benefits to France	**5**
Conclusion	**7**
Appendix	**8**

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

Report issued 25 November 2020

© 2020 Eurasia Group, 149 Fifth Avenue, 15th Floor, New York, NY 10010

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.
- France has already made a major contribution to this initiative, pledging €123.5 million ($147 million) in funding, and has ardently stressed that the developing world should not be left out of any global Covid-19 response.
- France has long been a key player in global development aid, contributing to efforts to tackle some of the world's toughest security and health challenges. The Act-A program offers the opportunity to champion multilateral health initiatives and prioritize human lives.
- France's contribution to Act-A should be seen as more than a donation, as its funding commitment will not only advance health and prosperity across the developing world but also provide substantial benefits to major outward-facing French industries.
- This investment will more than pay for itself in terms of economic gains for France. The benefits are estimated to be in the range of €3.1 billion ($3.4 billion) in 2020-21 and €8.3 billion ($9.3 billion) in 2020-25.
- France has a clear incentive to prioritize Act-A and should continue its efforts at the forefront of the program, ensuring that other countries also step up and follow through on their commitments.

Introduction

Despite considerable progress in containing and treating Covid-19 in recent months, the fight against the virus is far from over. Currently, many countries are focusing on ending outbreaks at home, neglecting multilateral efforts to fund treatment and vaccination at the expense of human lives in developing countries. But the world is facing an unprecedented challenge, and unilateral efforts will be insufficient to address the problem. By the end of 2021, demand for a Covid-19 vaccine will surpass the current global capacity for production and distribution, leaving some countries without access.

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.

As a bastion of liberalism in an increasingly nationalist world, France is taking part in a multilateral approach to ending Covid-19 by supporting Act-A. The program will assist some of the world's poorest countries by accelerating the development and production of a vaccine while also ensuring equitable access. France has long been a key player in global health, supporting efforts to tackle threats like HIV/AIDS, tuberculosis, and malaria. France's leadership and contributions to low- and lower-middle-income countries (LLMICs), particularly in regions that look to France and Europe for support, are at the center of these efforts. The Act-A program provides the French government with an opportunity to reaffirm its commitment to LLMICs by taking a leadership position in a holistic plan to make sure no one is left behind.

This report explores why it is in France's best interest to support Act-A, and in particular, the Gavi Covax Advance Market Commitment (AMC), which will help to ensure that eligible LLMICs' vaccination needs are met. France's contributions are beneficial both from a geopolitical perspective

and an economic one. The analysis suggests that there is a clear self-interested case for France's continued commitment. Contributing to Act-A and encouraging other countries to do so would not only reduce the loss of life attributable to Covid-19, but it would also more than pay for itself through improved economic outcomes in key trade partners and France. The following sections focus on three main themes associated with France's contributions to Act-A:

- Saving lives through a multilateral approach
- France's critical leadership
- Economic benefits to France

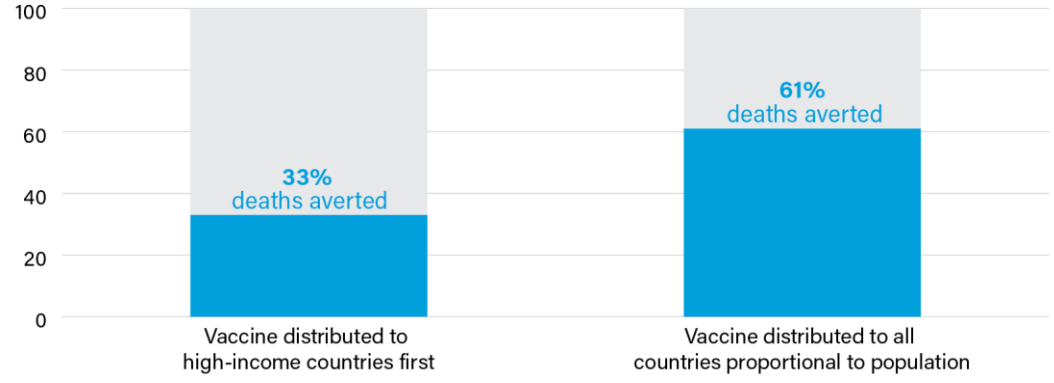
Saving lives through a multilateral approach

The pandemic has had devastating effects on low- and lower-middle-income countries. Poverty has begun to rise after years of improvement, food security is in peril for millions, and the outlook for LLMICs remains bleak. Many countries declared stringent domestic measures to counter Covid-19 early on, such as lockdowns, stay-at-home orders, and business closures. However, the varying responses and response timelines have widened disparities across the world. Poorer countries have been unable to match the fiscal response of wealthier nations, leaving them at an even greater disadvantage in fighting the pandemic.

The burden is higher in countries with fewer health care resources, such as hospital beds, medical equipment, and frontline workers. Moreover, disruptions to other health priorities, like basic vaccinations, will likely lead to significant increases in maternal and child deaths. As was the case with other epidemics, many children may not be able to return to schools immediately as they reopen. In addition, the spillover effects from the contraction in advanced economies will take a severe toll on low-income countries through the channels of reduced trade and investment. Nations reliant on oil and other commodity exports, as well as volatile services receipts in sectors such as tourism, will face a more difficult recovery than others. Lastly, the pandemic could fuel a backlash against globalization and further reduce trade and education opportunities that have played an important role in reducing poverty in emerging markets across the world.

Epidemiological modeling suggests that an equitable approach to the Covid-19 vaccine could significantly reduce deaths from the pandemic. Northeastern University's Laboratory for the Modeling of Biological and Socio-technical Systems has simulated 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 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 could be saved with support for Act-A from France and other developed nations.

Modeled percentage of deaths (compared to no vaccine)*

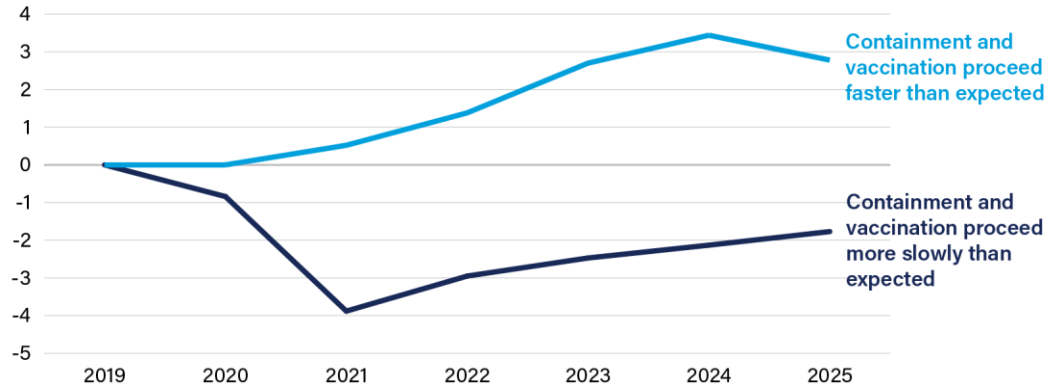


*Bill & Melinda Gates Foundation, 2020 Goalkeeper's Report
Source:

The economic challenges associated with Covid-19 raise the possibility of negating decades of poverty reduction and other improvements, effectively canceling out the impact of aid contributions already made by France. 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 4.5% over two years, driven largely by differences in epidemiological 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 and protecting livelihoods, with a full return to normal not possible until the virus is contained and then eradicated across the world. In this context, France's leadership is needed now more than ever, not only to promote solidarity with pandemic-stricken nations but also to reinvigorate a global approach to public health and development policies.

France's critical leadership

Global crises require global leadership, and France's early and vocal support of the Act-A program showcases its commitment to the LLMICs that are most at risk. Unlike other nations that are focused more squarely on domestic recovery, France is actively encouraging other wealthy countries, particularly those in the EU, to take a far-sighted approach by supporting LLMICs as well.

There is a unique role for France and an independent Europe at this time. In the current international order, multilateralism is at risk. The US has stepped away from its central role in global politics, and social and economic instability is on the rise in developing countries. These developments leave many LLMICs vulnerable to the influence of other geopolitical powers whose interests are often at odds with those of liberal, Western countries, such as Russia and China.

Meanwhile, Europe is entering a period of political transition. Against a backdrop of heightened geopolitical uncertainty, the von der Leyen Commission has set out a foreign policy agenda predicated on stability and European sovereignty. Over the coming months, the UK will complete its departure from the union, ending its regulatory transition period and blazing its own path outside of the EU. Germany, too, will soon enter a phase of political change, as Angela Merkel approaches the end of her mandate. In this context, the direction of the European project will depend on France in 2021, making it critical that the French government continues to lead by example.

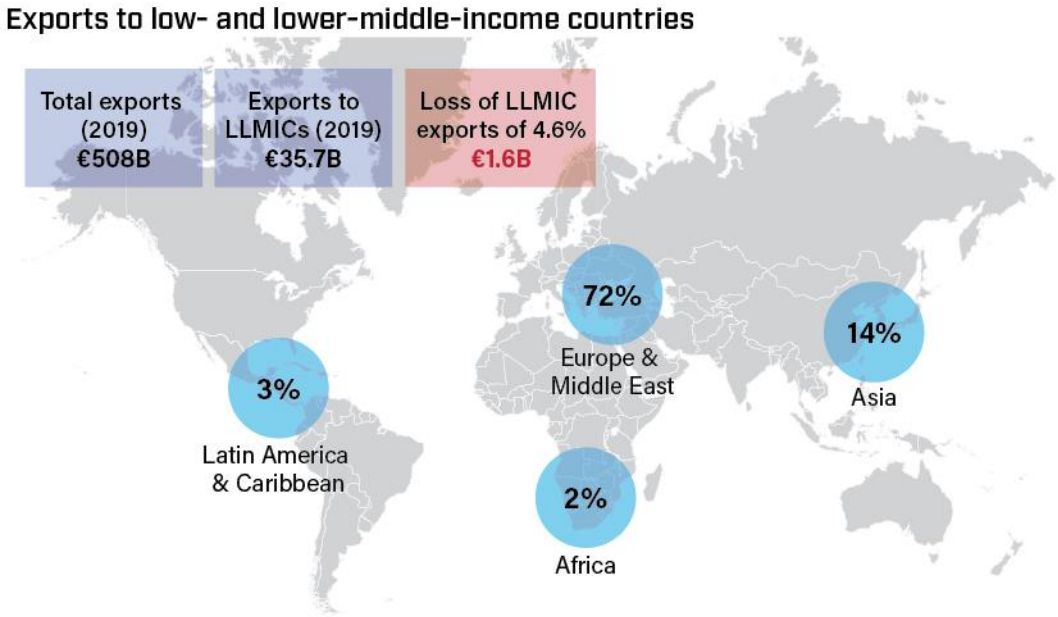
An important part of agenda-setting at the EU level will be promoting European values through France's aid policies. Contributing to Act-A and the Covax-AMC initiative will help to promote social stability in the Mediterranean Basin, the Sahel, and Subsaharan Africa. In addition to saving lives and ensuring better economic outcomes, Act-A and Covax-AMC could help to prevent unrest, bolstering regional security in Europe's near abroad. A greater degree of prosperity and stability would be likely to reduce migratory pressures on the EU over the medium term. They would also help to sap the allure of radicalization.

More broadly, commitment from Western countries—and particularly, from France and Europe—would provide the most transparent and collaborative approach to ensure that no one is left out of

the solution to Covid-19. It would also ensure that a Covid-related economic disaster in the developing world, which could have long-term, highly detrimental effects, can be averted.

Economic benefits to France

The French economy is dynamic and diversified, and along with Germany, forms the core engine of the euro area. France is a global manufacturer of automotive, aerospace, and machinery products and a major producer of cosmetics and luxury goods, as well. France is also at the forefront of the global tourism industry, attracting more foreign visitors per year than any other country with its rich cultural heritage, which will remain inaccessible to many potential visitors in the absence of a vaccine. Moreover, the French economy has substantial links to LLMICs in the Middle East and North Africa (MENA) – particularly Morocco and Algeria – through tourism flows, trade, and direct investments. Limited access to a vaccine in LLMICs, including those with which France enjoys close ties, would mean dampened external demand and continued travel restrictions, threatening France's economic recovery.



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

Turning to the numbers, France's total merchandise exports to LLMICs eligible for vaccine financing through Covax-AMC stood at about €35.7 billion per year prior to Covid-19. The majority went to LLMICs in the MENA region, with Algeria and Morocco each purchasing over €5 billion in French products. Over 32% of LLMIC exports went to countries in East and South Asia, however, India the top destination, buying €4.9 billion in exports in 2019. There is a strong case for supporting the LLMICs' recovery through Act-A given these economic linkages alone and the improvement in external demand that could be unlocked through equitable distribution of a vaccine. Just a 4.6% cumulative loss of exports to LLMICs in 2020-21—as implied by the latest IMF forecasts for emerging markets, assuming slow progress on vaccination—would equate to a reduction in receipts of €1.6 billion. By 2025, cumulative losses to French exporters could rise to €5.4 billion, dwarfing France's contribution to Covax-AMC of €123.5 million ($147 million) to date.

France's economic value 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	36.5	7%	2.5	0.9	2.1
Education	5.8	53.3%	3.1	0.7	1.5
Manufacturing	404.9	7.6%	30.6	1.4	4.6
Financial services	10.5	4.7%	0.5	0.02	0.08
ICT	16.9	3.3%	0.6	0.03	0.09
Total				**3.1**	**8.3**

Source: Eurasia Group

Tourism: As one of the top destination countries for global tourism, France receives €36.5 billion in foreign tourist spending annually. The majority of visitors to France come from European countries, but over 20% of foreign tourist arrivals are from outside of Europe. Meanwhile, about 7% of foreign tourists come from Covax-AMC eligible LLMICs. Travel demand will be dampened in any scenario, but the risk of continued restrictions on unvaccinated poorer countries could have an outsize effect on the sector. We estimate that about €876 million in international tourism revenues will be lost due to reduced travel from LLMICs in 2020-21. By 2025, lost tourism spending could rise to €2.1 billion cumulatively in an inequitable vaccination scenario.

A number of major French companies are significant players in the tourism sector. France's Accor, the largest hospitality company in Europe and the sixth-largest worldwide, is heavily exposed to the MENA region, which accounts for the second-largest regional share of management and franchise revenue for the company, or €107 million per year. Meanwhile, TransDev, a public transportation company that operates on 6 continents, has coach bus lines in Chile and Colombia and is developing tramway lines in Morocco; these countries accounted for 5% of TransDev's revenues in 2019. Latin America is an important growth market for large companies in France's tourism industry, which could see its expansion inhibited by delayed vaccination.

Education: About 358,000 foreign students studied in France in 2019 and spent close to €5.8 billion on tuition and living costs. Students from LLMICs, who comprise 53% of total foreign students, contributed about €3.1 billion to that total. Students from MENA and Sub-Saharan Africa also make up a significant portion of foreign students enrolled in French universities. Over 22% of foreign students come from Sub-Saharan Africa and 29% from the MENA region, with Morocco (11.6%) and Algeria (8.7%) the two largest sending countries.

Travel restrictions will take a serious toll on France's education sector. Education has been disrupted by Covid-19, forcing classes to move online and leaving some foreign students unable to attend. Sciences Po, a prestigious university that hosts the highest percentage of international students in the country, could face substantial disruption, as about 45% of its student body is foreign, hailing from over 150 countries. INSEAD, a top global business school, also hosts large shares of students from the Asia Pacific region (36% of total international students), South America (7%), and the MENA region (8%). Accounting for travel restrictions and the possibility of online classes, we estimate France could lose €732 million in a downside scenario in 2020-21. During 2020-25, total student spending lost could rise to €1.5 billion.

Manufacturing: The manufacturing sector has significant exposure to Covax-AMC-eligible LLMICs, which collectively purchase 7.6% of its exports, valued at €30.6 billion each year. Top LLMIC markets for French manufacturers include India (buying 1.2% of total manufacturing exports), Morocco (0.9%), Algeria (0.8%), Tunisia (0.7%) and Egypt (0.3%). French manufacturing is highly diversified, which has resulted in the outsourcing of many activities. A scenario in which a lack of access to a

vaccine in LLMICs continues to disrupt supply chains and depress demand would have a considerable impact on the sector.

French manufacturers also have significant business operations in countries outside of Europe. Sanofi, a leading healthcare company, recorded 22.7% of its net sales in emerging markets excluding China. Renault, France's top automotive manufacturer, relies on Morocco and India as major growth markets; the two rank among Renault's top 15 markets worldwide. Likewise, France's largest luxury goods and cosmetic companies, Christian Dior and L'Oréal are heavily exposed to the Asia Pacific region, which accounts for 30% and 41% of annual revenues, respectively. L'Oréal has a large presence in Latin America, which accounts for 8% of its total revenue, as well. In a downside scenario, in which vaccination efforts stall, we estimate that France could lose €1.4 billion in manufacturing exports from Covax-AMC-eligible LLMICs in 2020-21. Over the next five years, manufacturing export losses could rise to a cumulative €4.6 billion.

Financial services: Just under €500 million of France's financial services exports go to LLMICs, which account for about 5% of foreign financial services receipts annually. Top Covax-AMC-eligible markets for French finance include Egypt (about €53 million in annual exports), Morocco (€39 million), India (€30 million), Nigeria (€17 million), and the Philippines (€5.4 million). French banks and other financial firms have sought growth opportunities in emerging markets and have considerable exposure to LLMICs as a result. For example, roughly one-third of the countries in which Société Générale operates are in located Africa. These countries accounted for 7% of the company's €24.7 billion global net banking income in 2019. Natixis' LLMIC exposure is primarily concentrated in its Asia-Pacific markets, which include India, Indonesia, and Thailand**.** In a downside economic scenario for the LLMICs, France's financial sector could stand to lose €23 million in services exports in 2020-21 due to this exposure. In 2020-25, cumulative losses could rise to €75 million.

Information technology and communications: France exports €565 million in ICT services to Covax-AMC-eligible LLMICs each year, equivalent to 3.3% of total ICT receipts from foreign markets. The top LLMICs for French ICT exports are Morocco (€300 million per year), India (€178 million), and Egypt (€123 million). Reduced import growth brought on by a lack of vaccine access will put about €26 million in receipts at risk in 2020-21, and losses could rise to €85 million by 2025. In addition to depressing foreign demand, the global pandemic will affect the supply of raw materials and disrupt the electronics value chain on the supply side, potentially leading to upward price pressures on inputs for French companies.

Conclusion

The Act-A program offers France the opportunity to continue its long track-record of multilateral leadership in global health. Supporting Act-A and in particular, its vaccine pillar could meaningfully alter the course of the pandemic by saving lives in LLMICs and putting developing economies back on the path to growth. France's contribution would also demonstrate the geopolitical influence of a sovereign and independent Europe, helping to counter the efforts of China and Russia to curry favor with developing countries as the US steps away from the world stage. Global crises require global solutions, and France understands this more than any country; its position at the core of the European project and its contributions to poverty alleviation, security, and anti-terrorism efforts, and the eradication of other deadly diseases in LLMICs showcase French values and the country's commitment to providing global public goods.

Act-A is not only a solution for developing countries, however, and France stands to benefit as well. France's €123.5 million ($147 million) contributions to the Act-A program would help avert close to 28% of Covid-related deaths according to modeled projections. It would help to boost real GDP by 3-4% in LLMICs in 2020-21. And it would unlock roughly €8.3 billion in economic benefits for French firms and their employees in 2020-25. France should use Act-A to showcase its sense of purpose and 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. 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 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
- UNCTAD and WTO merchandise and services trade statistics
- French Ministry for the Economy and Finance travel statistics
- Bank of France balance of payments statistics
- Campus France education statistics
- France 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
- WHO Universal Health Coverage indicators
- Bill & Melinda Gates Foundation, 2020 Goalkeepers Report

Brasília London New York San Francisco São Paulo Singapore Tokyo Washington D.C.

This confidential report is intended solely for the internal 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.

Report issued 25 November 2020 | © 2020 Eurasia Group