Canada and Global Health Leadership:
Doing Well by Doing Good

COMMISSIONED BY THE BILL & MELINDA GATES FOUNDATION

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CONTENTS

Executive summary	**2**
Introduction	**2**
Canadian global health leadership	**3**
Improving lives in developing countries	**3**
Economic benefits to Canada	**4**
Conclusion	**6**
Appendix: Methodology for economic analysis	**8**

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Executive summary

- Analysis suggests that leaving low- and lower-middle-income countries, or LLMICs, to fend for themselves in the Covid-19 pandemic will create significant economic damage, with drastic implications for growth, putting at risk decades of development progress. (The economic analysis in this report only includes Covax-AMC-eligible countries; see appendix for full country list.)
- 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.
- Canada has a key role to play in supporting the equitable distribution of the tools to fight the coronavirus—to reduce the severity of the pandemic, save lives, and help rebuild devastated LLMIC economies.
- Given the improved health and economic outcomes that can be achieved by fighting the virus equitably, contributions in support of LLMICs should be seen as more than a global health donation. They are in fact part of a domestic economic stimulus package, with substantial benefits for Canada.
- Thus far, Canada has committed US$290 million to the Gavi Covax Advance Market Commitment (AMC), which will help 92 eligible LLMICs to meet a portion of their vaccination needs. This assistance will more than pay for itself in economic gains for Canada.
- The benefits are estimated to be in the range of $29 billion dollars (US$22 billion) in 2020-21, and $79 billion dollars (US$60 billion) through 2025, with key exposures in the education, tourism, and energy sectors.
- Excluding the impact of lower commodity prices on the energy sector, the effects stand at $2.7 billion (US$2.1 billion) in 2020-21 and $5.7 billion (US$4.3 billion) cumulatively in 2020-25.
- To maximize these benefits, Canada has an incentive to support as much of the program as possible and encourage others to do so as well.

Introduction

Canada has used the Covid-19 crisis to reemphasize its role in and continued commitment to bilateral and multinational relationships. With internationalism and development efforts forming key tenets of the Canadian government's agenda, supporting lower-income countries must remain a key pillar of these efforts. The Act-A program offers Canada an opportunity to pursue these goals by taking a leadership position in the only true multilateral plan to tackle the pandemic on a global scale and to meaningfully move the needle in improving the virus recovery in developing countries.

Beyond the global perspective, there are considerable self-interested reasons for Canada to take robust action to ensure equity in the fight against Covid-19. This report explores why this is the right course of action for Canada, and why it would be beneficial for both Canada's geopolitical leadership and its economic outlook. The focus of the analysis is on Canada and Act-A's support for LLMICs specifically. Analysis suggests that such support would help reduce deaths, meaningfully improve people's lives, and pay for itself through better economic outcomes in countries with which Canada has economic links. The following sections focus on three main areas:

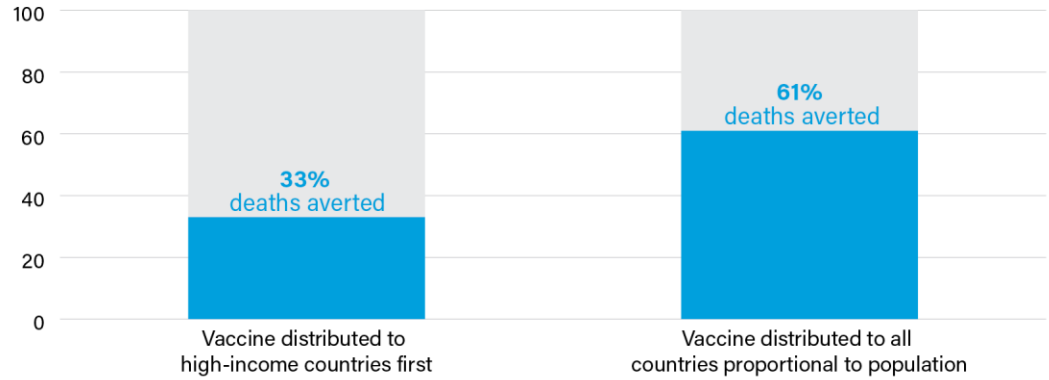
What is Act-A?
Act-A is the only end-to-end global solution that aims for equitable access, building on its public health expertise and offering risk mitigation for the investment made. It achieves this through four focal points: 1) vaccine risk pooling, to increase each country's chances of having access 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.

- Canadian global health leadership
- Improving lives in developing countries
- Economic benefits to Canada

Canadian global health leadership

With the US turning inward, the world is looking to countries such as Canada to lead the pandemic response. Canada has an opportunity to set an example and enhance its reputation for international presence through genuine leadership and commitment of resources—both of which Canada has available. The Act-A program is the only solution that tackles the Covid-19 challenge at a global level. The program will help reduce the pandemic's severity by providing for equitable distribution of vaccines globally. Epidemiological modeling suggests an equitable approach can significantly reduce deaths from Covid-19. 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 Canada's help.

Modeled percentage of deaths (compared to no vaccine)*



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

Taking this global approach is in the interest of all countries—the progression of the coronavirus thus far makes clear that it will not be fully solved anywhere until it is solved everywhere. Countries that have successfully curbed their own outbreaks cannot return to normal because of the need for restrictions on travel and other behaviors, as well as the fact that despite these measures, cases still arise, including through the importation of items. For Canada, taking a global approach is the best way to reduce risk abroad and at home.

The country's leadership role in this effort is also important for its international agenda. International aid is central to Canada's foreign policy, signifying a commitment to multilateralism and leadership on the global stage, and with it a position of geopolitical sway due to its strong diplomatic ties with many countries. Act-A provides the right avenue to fulfill this promise, and with additional geopolitical importance given the lack of US presence.

Improving lives in developing countries

Canada's leadership also provides the opportunity to genuinely move the needle on outcomes in developing countries. Covid-19 has taken a devastating toll on LLMICs. Whereas in some LLMICs—for instance, several countries in sub-Saharan Africa—the virus itself has yet to permeate populations to the same extent as it has in developed markets, the health risk remains severe, and many states are ill-equipped to deal with the building second wave.

Global coordination has helped to avert a global food supply crisis, which appeared likely during the early months of 2020. Still, as incomes have fallen, poverty has begun to rise despite years of progress, putting food security in peril for millions of people. In Kenya, the average number of days per week in which adults skipped a meal had grown from a pre-pandemic average of one to roughly two days per week by late May. Prior to the crisis, children were skipping meals 0.6 days per week on average, compared to a high of 1.4 days per week amid the pandemic.

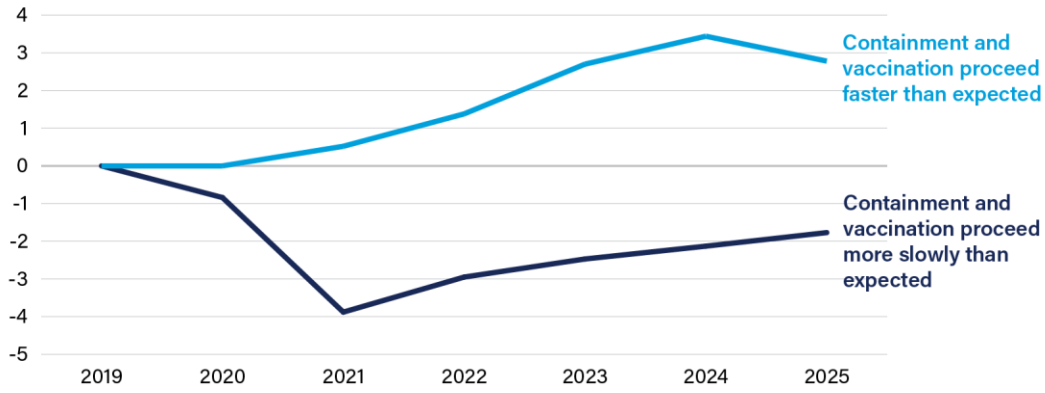
Canada's global presence makes this responsibility even more important. The country has links around the world that make it a key development partner. For example, Canada has substantial ties to LLMICs in

the Caribbean. Aside from official assistance, Canadian companies have a sizable presence—Scotiabank and Bank of Montreal are two of the largest retail banks in several developing countries in the region.

The economic challenges associated with Covid-19 create a real possibility of erasing decades of poverty reduction and other improvements in LLMICs, effectively canceling the return on already-made aid investments. As an example, Haiti—a country with deep ties to Canada—is at risk. It endured a worse virus outbreak than most Caribbean countries, and only 1.2% of real GDP growth is expected in 2021. At the same time, remittances make up 32% of Haiti's GDP, and the World Bank forecasts that these could fall by 20% because of Covid-19.

LLMICs, as noted, run a considerable risk of wiping out years of progress in poverty reduction and other areas, effectively negating the return on international development investments already made, including those by Canada. In its latest forecasts, the IMF projects low-income economies to contract by 1.2% in real terms in 2020, followed by a 4.9% rebound in 2021. However, the Fund acknowledges that emerging markets' trajectories could diverge sharply from this baseline forecast 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 baseline (please see graph highlighting divergence from IMF baseline forecasts in each scenario). The difference in outcomes between best- and worst-case scenarios is about 4.5% over two years, the equivalent of billions of dollars driven 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.

It is clear, therefore, that assisting with the virus recovery in developing countries is extremely important. And the ACT-A program offers the only true multilateral plan to accomplish this.

Economic benefits to Canada

With few details about longer-term recovery plans, Canada issued an economic update in early July detailing a federal deficit of 343 billion Canadian dollars—tenfold its pre-pandemic level—and a decline in GDP of 6.8% this year. While the fiscal picture is strained, the government has signaled its intent to continue to borrow and spend to prop up households and the economy through the crisis. It is likewise deepening federal investments in healthcare, emphasizing vaccine development and distribution, and a key goal of "building back better."

Looking at the likely trajectory of required health responses if the outbreak continues in LLMICs, most countries will see continued travel restrictions to Canada, and their economic growth will be lower, reducing demand for imports of Canadian goods and services. Eurasia Group estimates the benefits to Canada from curbing these outcomes by supporting LLMICs to be in the range of $29 billion dollars (US$22 billion) in 2020-21, far in excess of the country's US$290 million contributions to the program to date. These benefits alone comprise about 58% of the total US$38 billion costs of the entire Act-A program.

Canada's economic value at risk by sector

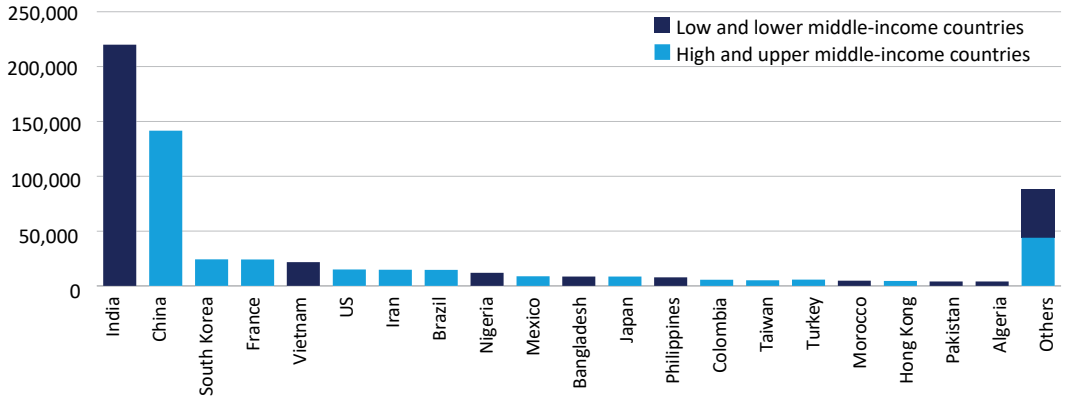
	International exposure (CA$ 'B)	Of which, derived from LLMICs	LLMIC exposure (CA$ 'B)	Possible economic losses (CA$ B, 2020-2021)	Possible economic loss (CA$ B, 2020-2025)
Tourism	26.9	2.5%	0.7	0.2	0.6
Education	22.0	44.0%	9.7	2.3	4.6
Manufacturing	280.1	1.9%	5.4	0.1	0.5
Financial services	12.0	2.6%	0.3	0.01	0.05
IT	11.6	2.6%	0.3	0.01	0.05
Energy	Calculated by global exposure, see appendix			26.5	73.7
Total				**29.2**	**79.3**
Total (Ex. Energy)				**2.7**	**5.6**

Source: Eurasia Group

Manufacturing: Canada exports about $5.4 billion each year to Covax-AMC-eligible LLMICs in manufactured goods—in particular, the country exported more than $3 billion to Asian Covax-AMC-eligible LLMICs in 2019, including more than $1.5 billion to India, $349 million to the Philippines, and $225 million to Vietnam. Helping LLMICs recover will boost the growth of these imports, providing an upside of over $144 million to Canada's companies – and more than $473 million over five years.

Education: Exposure to currently travel-restricted LLMICs poses a grave risk to Canada's world-renowned education system, a sector that employs 1.4 million people. Foreign students are a notable source of financial stability for institutions such as the University of British Columbia and McGill, receiving tens of thousands of dollars each year. New growth in foreign students largely comes from LLMICs. The countries representing the fastest growth in international student populations include Morocco, Bangladesh, Cote d'Ivoire, and Senegal. All told, Covax-AMC-eligible LLMIC-origin students in 2019 made up 44% of Canada's foreign student population and about $9.7 billion of the total of $22 billion that foreign students spent on tuition, accommodation, and discretionary purchases. As a result, Canada could lose more than $2.3 billion in spending in downside scenarios and more than $4.6 billion from 2020-25.

Foreign students by country (2019)



Source: Immigration, Refugees and Citizenship Canada (IRCC), Eurasia Group analysis

International tourism: Canada's tourism sector is highly exposed, with more than $680 million spent by visitors from Covax-AMC-eligible LLMICs in 2019, much of which could be recovered if travel restrictions could be eased. Canadian firms are already feeling the bite—Pearson International

Airport recently announced 500 layoffs as a result of the lack of travel activity, highlighting the risks to the 800,000 people employed in the transportation sector alone in Canada. Full recovery of this sector will not be possible until global travel can fully resume, and LLMICs form a key component of this equation. Without this, $230 million are at risk from continued travel restrictions on LLMICs in 2020-21, with $560 million at risk in total over the next five years.

Energy: Energy is an area of concern for the Canadian economy and a sector that would greatly benefit from a global recovery. Canada boasts the third-largest proven petroleum reserves and is the fourth-largest exporter of petroleum and natural gas. Provincial and federal reliance on employment and revenue from oil and gas production—which has suffered from low global market prices, a storage glut, and demand collapse owing to economic shutdowns—will lead to longer-term economic imbalance. This will ensure a slower and very likely incomplete recovery for oil and gas jurisdictions and the economy as a whole.

Change in provincial non-renewable resource revenue *(millions of Canadian dollars)*

Province	2020-21 change from 2019-20
Alberta	-4,713
Saskatchewan	-773
Newfoundland and Labrador	-560

The loss of revenue since the collapse of oil prices this year, in large part from Covid-19 demand destruction combined with a global price war, has been significant. As with all oil- and gas-producing jurisdictions, Canada's workers and governments stand to benefit considerably from a global recovery of oil and gas consumption from passenger vehicle and air travel usage.

By Eurasia Group's estimates, the impact of lower global energy prices on the value of Canadian oil and gas production will account for the lion's share of possible losses if equitable vaccine distribution to LLMICs cannot be ensured. The economic benefits at risk stand at roughly $26.5 billion in 2020-21 and $79.3 billion cumulatively over the next five years. In addition to imposing a considerable drag on the Canadian economy, energy-sector effects will also have repercussions for energy sustainability. Persistently low oil prices will make Canada's energy transition toward renewables more difficult, all but removing a big revenue stream for transition and resiliency investments.

Conclusion

The case is clear for Canada's full participation in Act-A and support of LLMICs. The program is the only real multilateral solution to tackle the Covid-19 challenge at a global level.This global approach is crucial to saving tens of thousands of lives, forestalling risks of a "lost decade" in developing countries, and making a real difference to the health and economic recoveries in the countries that need it most.

Canada has a responsibility, and an opportunity, to lead on this issue on the international stage. Doing so will enhance its international role at a time when it is needed most. For a fraction of the cost of Canada's domestic economic stimulus, it will also form a vital final component in a complete economic response to the pandemic—one that will more than pay for itself through more than $29 billion in economic benefits for the Canadian economy over the next year, and more than $79 billion total by 2025.

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:

Sector	International Exposure	LLMIC exposure	Baseline scenario	Downside scenario
International Tourism	Total in-country spending from international tourist arrivals, yearly	Share of spending from LLMIC inbound tourists	International travel is slightly dampened due to overall decline in global demand	LLMIC travelers restricted
World Events	Total in-country spending from excess International tourist arrivals for year of world event	Share of spending from LLMIC inbound tourists	International travel is slightly dampened due to overall decline in global demand	LLMIC travelers restricted, event capacity reduced to 50% for safety measures
Education	Total in-country foreign student spending, including tuition and living expenses, yearly	Share of spending from LLMIC foreign students	Study abroad Is slightly dampened due to overall decline in global demand	Study abroad from LLMICs restricted
Manufacturing	Total manufacturing exports, yearly	Percent of exports that go to LLMICs	Better trade growth outcome, based on IMF forecasts	Worse trade growth outcome, based on IMF forecasts
Financial Services	Total financial services exports, yearly	Percent of exports that go to LLMICs	Better trade growth outcome, based on IMF forecasts	Worse trade growth outcome, based on IMF forecasts
ICT	Total ICT exports, yearly	Percent of exports that go to LLMICs	Better trade growth outcome, based on IMF forecasts	Worse trade growth outcome, based on IMF forecasts
Energy	Commodity outputs	Possible price change from lost LLMIC demand	Better commodity price outcome, based on IMF forecasts	Worse commodity price outcome, based on IMF forecasts

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 Global Economic Update, June 2020
- OECD Economic Outlook
- https://www.cbc.ca/news/business/toronto-pearson-layoffs-1.5648723
- International Air Transport Association, Outlook for Air Travel over the next five years
- Destination Canada
- Immigration, Refugees, and Citizenship Canada
- CIC News, based on government of Canada research
- Statistics Canada
- QS Survey: How Covid-19 is affecting prospective international students across subject areas
- Government of Canada Trade Data Online
- WTO trade in services data
- Canadian Association of Petroleum Producers
- 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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