Ending the Covid-19 Pandemic:
The Need for a Global Approach

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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 (LLMICs) to fend for themselves amid the Covid-19 pandemic will cause significant economic damage that puts decades of economic progress at risk.
- 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 in funding, of which $28.2 billion is still currently outstanding. Without contributions from advanced economies to fill that gap, Act-A will not be able to provide LLMICs with the life-saving tests, treatments, and vaccines they need.
- 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.
- There is also a clear self-interested case for advanced economies to contribute to Act-A, and in particular, to the Gavi Covax-Advance Market Commitment (AMC), which aims to secure doses of Covid-19 vaccines for 92 LLMICs through the Covax Facility.
- On the basis of the IMF's October 2020 World Economic Outlook forecasts, Eurasia Group has estimated selected industry-level impacts for ten donor economies to quantify the economic impact of equitable vaccine distribution to Covax-AMC-eligible LLMICs. The US, the UK, Germany, Japan, and France were chosen based on their track record as the five largest donors in the world; Canada, Qatar, South Korea, Sweden, and the UAE were chosen to provide broader coverage across geographies and donor profiles.
- This analysis suggests that the economic benefits of an equitable vaccine solution accrued by these ten donor countries alone would be at least $153 billion in 2020-21 (at constant exchange rates). Over the next five years, this sum rises to a cumulative $466 billion, more than 12 times the $38 billion total estimated cost of the Act-A program.
- Apart from the clear economic benefits, each country involved stands to gain geopolitically—not only by taking a leading role in a coordinated multilateral response to Covid-19, but also by promoting prosperity and stability in the potential growth economies of the future.

Introduction

With the world approaching 60 million cases of Covid-19 since the beginning of the year, this unprecedented global pandemic now touches virtually every corner of the globe. The effects of Covid-19 are wide-ranging, worsening access to education, basic healthcare, and social protection, and exacerbating poverty and inequality, especially in the developing world. As the IMF notes in its latest World Economic Outlook report, Covid-19 has led to a deep global recession, with a quick recovery possible only through strong international cooperation to create, share, and produce Covid-19 vaccines at scale.

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.

Act-A has the potential to help developing countries through an equitable, multilateral approach to fighting Covid-19 through tests, treatments, and vaccines. Through Act-A's Covax-AMC program, 92 eligible LLMICs (please see appendix for full country list) will have access to financing to procure a portion of the vaccine doses needed to end the pandemic. However, this financing is possible only with the support of wealthier donor countries. The following global summary report suggests that participation in Act-A is a critical step toward returning the world to normal. It also finds that there is a clear self-interested case for countries to contribute to Act-A, and in particular, to the Covax-AMC initiative. Supporting LLMICs will not only meaningfully alter the course of the pandemic and save human lives, but, based on Eurasia Group's analysis, Act-A also will more than pay for itself by laying the groundwork for a rapid economic recovery.

The report is divided into three sections, which focus on the following themes:

- The impact of equitable access to tests, treatments, and vaccines
- The geopolitical benefits of a global approach
- The economic benefits of contributing to Act-A

Impact of equitable access to tests, treatments, and vaccines

The coronavirus pandemic has dealt a severe blow to the global economy and threatens to undermine progress in critical areas including global health, education, climate change, and development. For low-income countries, there is a serious risk that Covid-19 could lead to long-term scarring. States with smaller and less diversified economies, which rely heavily on trade in commodities, volatile services receipts, or remittance flows from abroad, will struggle to recover. As a result of global liquidity constraints and limited fiscal space, many LLMICs also lack the resources to protect businesses and wage-earners and build-out the health-care infrastructure needed to cope with Covid-19.

Against this backdrop, the risk of instability and humanitarian crisis in the developing world is real. Foreign aid to LLMICs is expected to decline over the coming years, with donor countries focused on domestic stimulus. This interruption of aid at a critical time will mean that poverty and inequality are more likely to rise, and that years of development could be negated. At the household level, loss of income and unexpected health expenses—both considerable risks in the midst of a recession and a pandemic—are the most prominent reasons for slipping into poverty. These risks could limit social mobility for millions of people for years to come.

Policymakers' focus on Covid-19—particularly in states where government capacity and public resources are limited—has the potential to divert resources away from other critical challenges. IMF research and the findings of other multilateral organizations suggest that Covid-19 is having a disproportionate impact on women and children, informal sector workers, and marginalized communities. Members of these groups already faced considerable challenges prior to Covid-19. Moreover, many low-skill, low-income wage-earners in LLMICs also work in industries heavily reliant on external demand, such as agriculture, hospitality and tourism, and low-cost manufacturing. These sectors have been especially hard hit by the need for lockdowns, social distancing, and travel bans, and will take time to recover once the pandemic subsides.

However, an improved public health outlook, made possible by Act-A's comprehensive toolbox to fight Covid-19—including enabling equitable global access to tests, treatments, and vaccines—is likely to pave the way for a better economic one. As the global economy regains its footing, development policy can return to its central objectives, and standards of living and quality of life will begin to rise once again. Act-A's objective is to ensure that no one is left behind on the road to recovery. To control and end the pandemic, countries need to protect front-line health workers and reinforce health systems to allow countries to test, trace and isolate cases, and be ready to implement treatments and vaccines once they become available. The program aims to solve the coordination challenge inherent in providing a global public good, like fair and affordable access to vaccines, tests, and treatments, so that everyone—not just the citizens of the world's wealthiest countries—can return to normal life as quickly as possible.

The geopolitical benefits of a global approach

Countries will be remembered for how they stepped up to help others during this unprecedented crisis. While there is a clear humanitarian case for supporting Act-A, the program is likely to yield other benefits for major donor countries as well. The Act-A program is a unique opportunity to both save lives and build diplomatic capital that will last a generation.

For **France** and **Germany**—which together form the core of the euro area and of the broader European project—contributing to Act-A provides an opportunity to shape EU foreign policy as the UK completes its departure from the union. Over the coming years, France and Germany will both benefit from a sovereign, independent, and multilaterally-engaged EU, as the US has stepped away from its role in global politics, and other powers, such as Russia and China vie for influence in the developing world.

For the governments of **Canada,** the **UK**, and **Sweden,** Act-A is a chance to reinforce their countries' commitment to global leadership and champion their respective political priorities. 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. Meanwhile, the UK has an opportunity to chart a new path after Brexit by embracing free trade and investment and looking beyond Europe and North America—and toward

the fast-growing economies of Asia, Africa, and Latin America—for new opportunities. For Sweden, one of the world's most generous donor countries, Act-A provides an opportunity to bring attention to issues overshadowed by the pandemic, such as gender equality and women's empowerment in LLMICs, as well as sexual and reproductive health. Sweden's participation in Act-A will help to ensure that gender equality is a central part of the conversation on equitable vaccine distribution.

For the Asian economies, Act-A's multilateral approach to addressing Covid-19 will help to anchor political stability in the Asia-Pacific region, providing an alternative to the rising influence of China and reinforcing the diplomatic and commercial ties that these countries have already cultivated in Southeast Asia. Early action in support of Act-A will send an important signal to trade and investment partners within ASEAN that the region is committed to helping LLMICs. For **Japan,** this will be especially important ahead of the 2021 Olympics, which will see an influx of tourist arrivals, including many from Southeast Asian countries. For **South Korea**, public health diplomacy may prove to be a novel new form of development assistance. Moreover, equitable vaccination could improve national security in the region. Covax-AMC may provide a channel for engagement with North Korea, helping to ease tensions on the Korean peninsula and reducing the risk of instability in the North.

And in the Middle East, the Act-A program provides a chance to expand the Gulf countries' support for vulnerable LLMICs and promote stability in the region. The Gulf states have increased their donor pledges considerably in recent years, showing their commitment to LLMICs—particularly in Africa, South Asia, and the Middle East—as well as their desire to take on a leadership role. The boost to LLMICs will undoubtedly impact oil and gas revenues and international tourism, especially ahead of major gatherings—including the 2021 Hajj in Saudi Arabia, the 2022 World Cup in Qatar, and the 2021-22 Dubai Expo in the UAE—which will put the region in the international spotlight.

The need for a multilateral approach

This unprecedented global crisis has shed light on the lack of international cooperation and preparedness in tackling the pandemic. The uncoordinated responses by countries around the world not only highlighted the decline of globalism in recent years, but also reaffirmed the rise of populism that has threatened heretofore multilateral efforts, including climate change and open trade. The geopolitical order was already feeling some strain prior to the pandemic, with US-China tensions at an all-time high, but this crisis can serve as an important wake-up call for government leaders to recognize that international cooperation and multilateralism are the international community's only weapons to fight truly global threats.

The world has come together previously during global crises of this scale, in particular after World War II when the United Nations was established. That pivotal moment in history shows how important international cooperation is for rebuilding economies and navigating global crises. The current UN Secretary-General, Antonio Guterres, has openly called for countries to come together again, saying "The Covid-19 pandemic is a tragic reminder of how deeply connected we are." Through the Act-A program, the world has a real chance of ending the pandemic and equipping countries with the exhaustive tools needed to fight this health crisis.

Early on in the year, we saw glimpses of this crucial international cooperation, with some countries sending aid and medical supplies to others in need. However, the lack of a coordinated international response has raised the potential for vaccine nationalism. With the largest portfolio of tools in the world, including diagnostics, hospital treatments, and testing, Act-A increases the greatest chance that individual countries have of accessing a viable vaccine. While bilateral agreements are important, they do not maximize the probability of ending the pandemic on a global scale. Therefore, countries should heavily invest in the Act-A program to not only end the pandemic domestically and globally, but accelerate the road to economic recovery.

Economic benefits and contributions to Act-A

In addition to the geopolitical benefits of contributing to Act-A, Eurasia Group's research suggests that there will be significant economic benefits for donor countries if equitable vaccination in the LLMICs can be achieved quickly and efficiently. To quantify these effects, Eurasia Group conducted a sector-level analysis of the ten major donor countries described in the previous sections. Our estimates focus on the internationally-derived revenues of core economic sectors with sizeable external exposure.

- For **France, Germany, Japan, South Korea, Sweden,** and the **UK**—all advanced economies and net energy importers—our estimates focus on tourism, education, manufacturing, financial services, and information, communications, and technology (ICT).

- For the North American economies of the **US** and **Canada**, which are both highly diversified and large fossil-fuel producers, we add the value of oil and gas production to our estimates.

- For the Gulf region, we chose to focus on the economies of the **UAE** and **Qatar**, looking at the core industries of oil and gas production, travel and transport, financial services, and ICT.

The framework uses the October 2020 IMF World Economic Outlook (WEO) forecasts—which include a baseline forecast for global growth and a downside scenario in the event that global vaccination efforts stall—to approximate the export earnings derived from LLMICs under each scenario. Eurasia Group also uses the IMF forecasts to infer downside oil and gas prices in order to estimate the effects of equitable and inequitable vaccine distribution on energy production values.

The analysis also examines the potential effects of Covid-19 on four major international events—the 2021 Olympics, 2021 Hajj, 2021-22 Dubai Expo, and 2022 World Cup—as all are expected to have significant impact on the tourism and travel sector of their respective countries and regions.

For each country and sector, the analysis projects the cumulative losses incurred in 2020-21 (at constant exchange rates) and over a five-year period, from 2020-25. Our findings are summarized in the following table:

Economic benefits at risk by country (US$, B)

	2020-21	2020-25	Act-A contributions
Canada	22.4	60.8	0.290
France	3.4	9.3	0.147
Germany	3.0	9.1	0.618
Japan	4.6	12.5	0.229
Qatar	14.6	73.4	0.020
South Korea	5.4	17.0	0.011
Sweden	0.8	2.1	0.021
United Arab Emirates	18.1	69.7	0
United Kingdom	1.9	5.1	1.047
United States	78.8	207.1	0
Total	**153.0**	**466.1**	**2.383**

Source: Eurasia Group

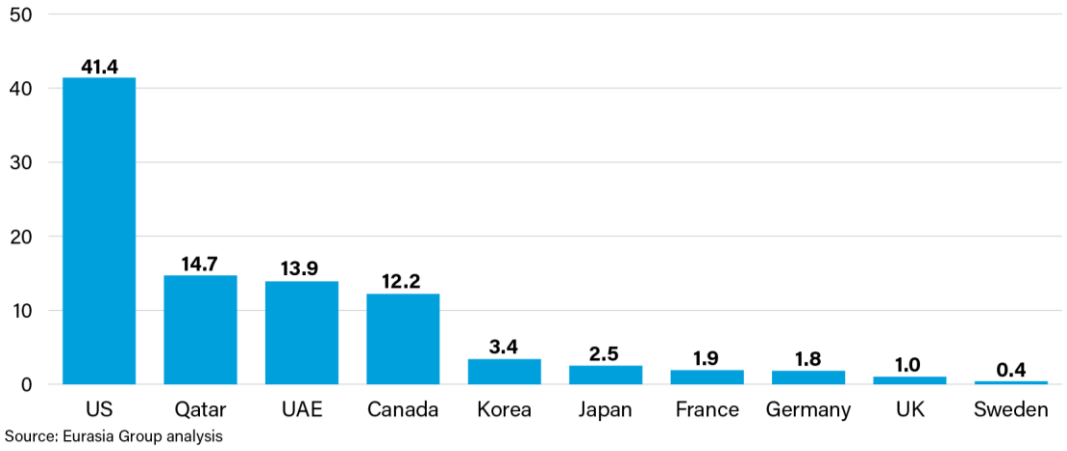
Note: Act-A contributions only Include those announced as of 17 November 2020

For the ten countries examined, in a small subset of industries, the total economic benefits at risk are projected to be approximately $153 billion in 2020-21 and $466 billion cumulatively in 2020-25. The oil and gas sectors account for the most significant potential losses, as failure to vaccinate the Covax-AMC-eligible LLMICs will not only reduce energy import demand from these countries, but also depress global economic sentiment, pulling down international oil and gas prices.

In 2020-25, total losses to the oil sector of the net-energy exporters are estimated at $190.4 billion and total losses to the gas sector are estimated at $181.4 billion. Consequently, the US, Canada, Qatar, and the UAE are expected to endure the greatest losses if LLMICs do not get widespread access to a vaccine for Covid-19. After energy production, manufacturing and foreign tourism are the most affected industries due to their significant exposure to global markets and travel. All told, the manufacturing sector could lose $14.1 billion in 2020-21 and $46.3 billion cumulatively in 2020-25. For international tourism, the losses amount to $9.3 billion in 2020-21 and $26.1 billion in 2020-25. These losses rise to $24.0 billion in 2020-21 and $41.7 billion in 2020-25 if major events—the 2021 Olympics in Japan, 2021 Hajj, 2021-22 Dubai Expo, and 2022 World Cup in Qatar—are considered.

The Act-A program needs $38 billion in funds, of which $28.2 billion is still outstanding. According to the analysis, the benefits of these ten donor countries are 12 times the $38 billion. For the Covax-AMC initiative, over $2.1 billion has been raised in commitments from national governments, private companies, foundations, and philanthropic donors. This funding will allow Covax-AMC to reserve and access one billion doses of the vaccine for Covid-19 for eligible LLMICs. However, at least $5 billion more is needed in 2021 to procure additional doses once a vaccine is available. Given the sizable economic benefits at risk over the next year and through 2025, a positive return on national contributions would be realized very quickly. For the UK, for instance, the economic benefits in 2020-25 that could be unlocked by equitable vaccination are roughly equal to the entire Covax-AMC funding gap in 2021, of which the UK would only be expected to meet a portion. For Japan, the benefits over five years are 2.5 times the financing required by Covax-AMC. Meanwhile, for the UAE and Qatar, the ratio of benefits to funding rises to about 14:1.

Ratio of economic benefits (2020-25) to current $5B funding gap for Covax-AMC



Source: Eurasia Group analysis

What about the US?

A contribution to Act-A from the United States—the world's largest donor in absolute terms—is essential in order to meet the program's $38 billion goal. The US would be likely to gain more than any other country according to our economic analysis, with $78.8 billion in economic benefits at risk in 2020-21 and $207.1 billion at risk from 2020-25. Moreover, contribution and participation from the United States would also expand the ability of poorer countries to secure doses from the pool of promising vaccine candidates currently being developed by US companies.

President-elect Joe Biden has pledged to rejoin the World Health Organization (WHO) once he takes office, and the Biden administration appears likely to participate in Act-A. However, the former US vice president has not yet explicitly committed to join Act-A or make a contribution to Covax-AMC. The Act-A program provides a significant opportunity for the Biden administration to reaffirm the US's role as a multilateral leader on the world stage, defend billions of dollars in earnings for American workers and companies, and join the ranks of other major donor countries and support equitable vaccination in the LLMICs.

Conclusion

As the previous sections of this global summary have argued, only a holistic, multilateral approach to equitable vaccine distribution, tests, and treatments will make it possible to end Covid-19 around the world. Developing countries, and particularly LLMICs, face dire humanitarian and economic consequences if the pandemic cannot be contained and eradicated, paving the way for economic recovery and a renewed focus on core development issues. The ethical imperative to help countries in need should be reason enough for wealthy nations to join Act-A and contribute to Covax-AMC.

There are also clear, self-interested reasons to invest in the health and prosperity of LLMICs. From a geopolitical perspective, the Act-A program will help to ensure political stability, deepen commercial and diplomatic ties with LLMICs, raise donor countries' international profile, and promote liberal norms. From an economic perspective, donor countries will be able to unlock a sizable boost to external demand over the next five years at a fraction of the cost of domestic economic stimulus. For just a handful of industries in ten advanced economies, $5 billion to fund Covax-AMC and $38 billion to finance Act-A entirely could produce over $466 billion in economic benefits over five years. Act-A and Covax-AMC are therefore the perfect opportunity to do well by doing good and to

make sure that no one is left behind.

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
Product: LLMIC exposure	**Product:** LLMIC exposure	**Product**: LLMIC exposure
Scenario 1: LLMIC travelers restricted until mid-2022	Scenario 1: worse trade growth outcome	Scenario 1: worse commodity price outcome
Scenario 2: LLMIC travelers restricted until mid-2021	Scenario 2: better trade growth outcome	Scenario 2: better commodity price outcome
Delta: economic losses	**Delta**: economic losses	**Delta:** economic losses
Applied to: Education, Tourism	**Applied to:** Manufacturing, IT, Financial Services	**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
- Bill & Melinda Gates Foundation, 2020 Goalkeeper's Report

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

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