



**Global
Call to Action
Against Poverty**

People Rising to End Inequalities

Sustainable Equality for All Emerging from COVID-19

Global Call to Action Against Poverty (GCAP) Position Paper

September 2021

“The pandemic is a portal. We can choose to walk through it, dragging the carcasses of our prejudice and hatred, our avarice, our data banks and dead ideas, our dead rivers and smoky skies behind us. Or we can walk through lightly, with little luggage, ready to imagine another world. And ready to fight for it.”

~ Arundhati Roy, a Booker Prize-winning novelist, essayist and political activist¹

“Covid-19 is a wake-up call – and we are oversleeping.”

~ United Nations Secretary-General António Guterres²

This Is Not The World We Want

COVID-19 has turned the world upside down. But it is hardly the first crisis to affect the billions of people whose rights to health, security, food and a life of dignity are routinely denied on a daily basis. For more than 15 years, the Global Call to Action Against Poverty and its constituents across the globe have been fighting for justice by challenging the structures and institutions that perpetuate poverty and inequalities.

Since the pandemic began in December 2019, more than 200 million people have contracted COVID-19. Four and a half million individuals - sisters, brothers, parents, neighbours and friends - have died from the disease. These are the official numbers. The actual tally is likely much higher; many impoverished communities simply do not have the resources to provide a full accounting. At the same time, nearly 100 million people have been pushed into extreme poverty by the pandemic⁴.

COVID-19 is an Inequality Virus. The disparities are all around us: from unequal access to the vaccine to the fact that frontline workers - who face the greatest health risks - are predominantly women of colour as well as individuals from communities that face discrimination based on their work and descent. The education of an entire generation has been jeopardised, but students from affluent communities with good internet connection have fared better than others, while tens of millions of girls are danger of never returning to school.⁵ The world's richest billionaires have seen their wealth double over the past year,⁶ while low-paid and informal-economy workers have seen their income shrink or dwindle to zero.

“The pandemic has been like an X-ray showing up the horrific, systemic, institutionalised fault-lines of our egregiously unjust world,” writes Roy.

Over time, when people stand up to demand that leaders keep their promises - that resources be mobilised to achieve the Sustainable Development Goals, to provide the social protection needed to foster resilient communities, to compensate the victims of man-made climate change and prevent an irreversible warming of our planet, to assist refugees and stop gender and caste discrimination - they are often met by claims that the price tag is too, that the resources do not exist.

But the pandemic highlights once again that when crises hit the rich and powerful, resources can always be found and mobilised.

“Like slavery and apartheid, poverty is not natural,” Nelson Mandela proclaimed at GCAP’s outset. “It is man-made and it can be overcome and eradicated by the action of human beings.”

Mandela’s proclamation is as true today as it was in 2005. With the right policies in place, we can transform the hopes, dreams and lives of every person who has suffered the injustice of poverty and discrimination. We can emerge through Roy’s portal into a world that is fair, inclusive and green, a world where fossil fuels are left in the ground and youth have opportunities and jobs, where civil society is valued not persecuted, where every individual can live in peace and security without fear of violence at home or in the streets.

We face an opportunity and a challenge, but we, the people, will not be deterred.

This position paper highlights four areas of policy, where we can make a difference today - to guarantee free and universal access to the People's Vaccine, to create a Universal Social Protection Floor, to fight for Climate Justice and to ensure the financing needed to realise these goals. The background, goals and demands that follow are designed to be used by activists as we campaign at the local, national and international levels.

The work of GCAP National Coalitions and Constituency Groups at the local and national levels, particularly since the beginning of the COVID-19 crisis, has informed the findings and recommendations of this paper. For further information, please refer to the Faces of Inequality studies, including the Leave No Woman Behind, Leave No DWD Behind and Faces of Migration reports.⁷

Join us and let us stand together as we work to emerge from the pandemic in a world with Sustainable Equality for All, where No One is Left Behind!

I. Public Health: A People's Vaccine

Nowhere is the moral failure of the world's leaders to contain the pandemic, reverse rising inequalities and achieve the Sustainable Development Goals more evident than in the international community's approach to public health over the past two years.

Vaccine Inequality: The Facts

- 75 percent of all COVID-19 vaccine doses have gone to only 10 countries⁸
- COVID-19 vaccine coverage in Africa is less than 2 percent⁹
- The European Union and United States have each secured sufficient COVID-19 doses to fully vaccinate their populations five-times over¹⁰.
- At the current rate of vaccination, impoverished countries will not be able to inoculate the majority of their citizens until at least 2024¹¹, perhaps even later as the virus mutates and rich nations launch booster shots for their citizens.¹²

Universal access to healthcare, without discrimination, is a human right¹³. Yet in an age when access to a COVID-19 vaccine is critical for individual and public health, this fundamental right is being denied to billions of people and harming communities across the globe. No community is safe from the pandemic, until we are all safe. No nation can fully reopen, until every nation can.

- The US, EU, Japan and South Korea spent more than US\$100 billion of taxpayer dollars to develop COVID-19 vaccines.¹⁴ Russia and China also financed vaccine production.
- Moderna, Pfizer and BioNTech are reaping large profits. Moderna, for example, will sell more than US\$18 billion of COVID-19 vaccines in 2021. Moderna's profit margin is believed to be more than 40 percent, netting the company US\$8 billion.¹⁵

- The cost of vaccinating the world could be at least five times cheaper, if pharmaceutical companies were not profiteering from their monopolies on the vaccines.¹⁶
- The CEOs of Moderna and BioNTech are among 9 new COVID-19 billionaires, whose wealth skyrocketed thanks to the vaccine's development. In addition, eight existing billionaires, with pharma investments, have seen their combined wealth jump by more than US\$30 billion, enough to fully vaccinate everyone in India.¹⁷

Vaccine Inequality has an immense social and economic impact on countries with low vaccination rates. The world economy will lose US\$2.3 trillion as a result of delayed vaccinations, with the bulk of this loss shouldered by low- and middle- income countries.¹⁸

The Solution (in brief): Free and universal access to the COVID-19 vaccine - as well as the tools required to control the pandemic, including diagnostic tests; drugs, oxygen and other therapeutics; plus masks and personal protection equipment - for all, as soon as possible, but no later than September 2022.

4 Steps to Sustainable Vaccine Equality

1. Share the Knowledge!

The surest way to realise Vaccine Equality is to enable vaccine production across the globe, rather than in a few select countries. This can only happen, though, if the recipe is not secret. India and South Africa have petitioned the World Trade Organisation to temporarily waive Intellectual Property rights on COVID-19 vaccines, treatments and technologies until the pandemic is over. More than 100 nations support the proposal, but it is currently being blocked by the EU and UK. Obtaining international endorsement for the 'TRIPS Waiver' would enable every country to produce or buy vaccines at affordable rates.

2. Stop Hoarding Technology

Pharmaceutical companies argue that even if third-party producers can access their patents, they won't be able to successfully produce the COVID-19 vaccine. They say it's too complicated. The World Health Organisation doesn't think so. It has set up a programme called C-TAP,¹⁹ the COVID-19 Technology Access Pool, to enable the licensing and transfer of the technologies needed for vaccines to be manufactured world-wide. Big Pharma needs to take part.

3. Invest Immediately in Public Health

Large-scale investment is urgently needed to manufacture the vaccine, implement vaccination programmes and distribute medicines, test kits and personal protective equipment. Where will the funds come from? Fortunately, we have a plan. (Skip ahead to Section 3: Financing!)

4. Leave No One Behind

Governments across the globe have endorsed the principle, but then fail to take action. National and local governments must ensure free and universal COVID-19 vaccination for all. The only way to accomplish this is to provide additional resources and focus reaching communities that routinely face exclusion and discrimination, including refugees, migrants, Communities Discriminated on Work and Descent (CDWD), people with disabilities, LGBTQI+ and third-gender persons.

What is TRIPS?

A key issue in the fight for a People's Vaccine is the call for a 'TRIPS Waiver'.

TRIPS is an international agreement on Trade-Related Aspects of Intellectual Property Rights. Adopted in 1994 and administered by the World Trade Organisation, TRIPS introduced intellectual property rules into the international trading system for the first time. It requires member countries to respect patents and copyrights.

Unfortunately, TRIPS also enables pharmaceutical companies like AstraZenica, BioNTech, Moderna, Johnson & Johnson, Pfizer and Sinopharm to main a virtual lock on vaccine production.

GCAP supports India, South Africa and over 100 countries that are calling for a temporary TRIPS Waiver for the COVID-19 vaccines.

There is a precedent for waiving the TRIPS requirement: it was done nearly two decades ago to boost access and cut costs for HIV-AIDS treatments.²⁰

Discrimination Based on Work & Descent

The COVID-19 virus may not discriminate, but people do. Communities that have traditionally borne the brunt of xenophobic hatred, caste bigotry and modern-day slavery suffer higher COVID-19 infection and death rates, due to inadequate, inferior access to health care and lower vaccination rates. Nearly 90 percent of the municipalities where Quilombolas live in Brazil, for example, do not have a single Intensive Care Unit, where a critically-ill pandemic patient could be treated.²¹ In Colombia, half of all indigenous communities lack access to safe water, 'making frequent hand washing impossible, despite it being an essential measure to prevent infection'.²²

Across South Asia, individuals from marginalised communities have also been pushed into dangerous, frontline jobs - clearing carcasses from the roads, cleaning dead bodies prior to cremation - without being provided personal protective equipment like masks or gloves. For those who fall ill, there is no social safety net to support them.

Since the start of the pandemic, communities that suffer discrimination based on work and descent have been subjected to increased social isolation. In India, Dalits are falsely accused

of carrying the coronavirus; shopkeepers have refused to sell them essential food supplies, for fear of falling ill and dying, while access to public water and sanitation facilities is blocked on the premise that Dalits will ‘pollute’ the water by touching it. Students from DWD communities have been forced to drop out of school and return to bonded labour, after COVID-related slowdowns prevented government bureaucracies from renewing scholarships on time.

Refugees and Migrants

More than one out of every 100 people on earth has fled their home due to conflict or persecution.²³ More than 80 million people were forcibly displaced in 2020. Migrant encounters at the US-Mexico border are at their highest level in more than two decades.²⁴

Refugees and migrants are at a higher risk for contracting COVID-19 and a low priority to receive vaccinations and testing. They often live in overcrowded sites without protection or proper hygiene facilities, and are then accused of spreading the virus. Border closures have trapped people in countries and places of transit. Approximately 40 percent of national vaccination plans do not include, or are silent, about the need to vaccinate refugees and internally displaced persons.²⁵ Migrant status places these individuals in a situation of increased discrimination.

Access to documents has been a major obstacle for displaced persons during the pandemic, as government agencies slow down or even shut their doors due to social distancing restrictions and lockdowns. Without documentation, refugees and migrants are unable to access health services, income support measures, and ultimately vaccines.

Even when vaccinations are made available, undocumented migrants are often wary. In Malaysia, for example, Rohingya refugees fear that police will detain them on the way to or from the vaccination centre. Their fears are not unfounded. In March 2020, Malaysia arrested more than 2000 undocumented workers, after first promising an amnesty for those seeking COVID-19 testing. Malaysia’s immigration detention centres subsequently experienced COVID-19 outbreaks.²⁶

Gender

*“As an X-ray displays illness, COVID-19 has exposed the ugly consequences of existing socio-economic, civil and environmental inequalities affecting women.” ~ “Leave No Woman Behind: Impact of COVID-19 on Women and Girls”, published by GCAP and partners, July 2021.*²⁷

Women are more likely to be vaccinated than men in the United States, but the opposite is true in India and many other countries. Third-gender individuals are even less likely to receive the COVID-19 vaccine, as fear and stigma slows vaccination drives. The true cost of the pandemic, though, on women and girls is most evident when viewed through a different lens.

- A ‘shadow pandemic’ of gender-based violence has emerged in COVID-19’s wake. Countries from Colombia to Somalia have reported increases of 50 - 80 percent in calls made to helplines. This increase is occurring at the same time that public health services are being compromised by an overload of COVID-19 cases.²⁸

- 20 million girls from low- and middle- income countries have been unable to participate in home-based learning while their schools are closed. They may never return to the classroom.²⁹
- Child Marriage is on the rise, as the economic toll of the pandemic leads more families to marry off their children at a young age.
- In low-income countries, mortality from COVID-19 appears to be higher among men, creating a new generation of widows, many without financial support.

Migrant Workers

Millions of migrant workers have lost their livelihoods, or the ability to reunite with their families then return to work, due to COVID-19 travel restrictions. These rules often affect individuals regardless of their vaccination status. As vaccines become available, countries continue to discriminate based on the brand of vaccine received.

Seven COVID-19 vaccines have been approved for use by the World Health Organisation.³⁰ Yet many nations prohibit entry to individuals who received a Chinese vaccine, while China blocks travellers who are not vaccinated with a Chinese brand. This discrimination adversely affects migrant workers who cannot choose their vaccine, but only have access to the type that is available in their country. This discrimination is unfair and must stop.

II. Social Protection

In September 2019, UN Secretary-General António Guterres called for a ‘Decade of Action’ - an ‘ambitious global effort’ by the international community, local and national governments and people at all levels of society - to achieve the Sustainable Development Goals.

Less than three months later, China reported the first case of COVID-19 to the World Health Organisation. It would not take long for the pandemic to spread to every corner of the planet and, in the process, expose the decrepit state of social protection systems. Decades of broken promises, policies that prioritise profits over people and planet, and austerity programmes have gutted safety nets and essential public services.

While emergency programmes provide relief in times of crisis, they are stopgap measures.

The international community and national governments must create a comprehensive, social safety net - a Universal Social Protection Floor - if the Sustainable Development Goals are to be achieved and “Leave No One Behind” and “A Life of Dignity for All” more than mere slogans. This is a SDG commitment – Goal 1, Target 3 – and a human right.

Social protection systems are a proven, direct and fast-acting mechanism to end poverty and reduce inequalities. Social protection unleashes individual creativity and capacities and provides resilience in the face of ‘natural’ calamities, pandemics and economic crises. It is an investment in the long-term growth of countries and communities.

What is a Universal Social Protection Floor?

A Universal Social Protection Floor guarantees³¹:

- Access to quality, essential health care, including maternity care
- Income security for children, including access to quality education and nutrition
- Cash transfers for people who are unable to earn sufficient income, including the unemployed, people with disabilities and individuals on parental leave.
- Pension payments for the elderly

SDG 1.3 commits countries to “implement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable”. Indicators to measure the achievement of SDG 1.3 include disaggregated data showing the proportion of various sectors of the population, including women, children, the elderly and vulnerable, covered by social protection systems.

Social protection is a public good and a human right!

Building Universal Social Protection

1. A Global Fund

Social Protection costs money, but it’s affordable. The International Labour Organisation estimates that the funding shortfall in low-income countries is US\$79 billion. While this is nearly 16% of the countries’ GDP, it is equivalent to only half the amount of ODA provided by OECD countries last year.

A Global Fund for Social Protection will provide the technical, advisory and financial resources that low-income countries need to establish and maintain Social Protection Floors. It will also support capacity building so that countries can learn from each other and improve the resilience of the social safety net against external shocks.

The creation of a global fund was first proposed by two independent UN human rights experts - the Special Rapporteur on the Right to Food and the Special Rapporteur on Extreme Poverty and Human Rights - in 2012.³² It is needed now more than ever.

2. National Action

While international funding and support is important, it does not replace the responsibility of national and local governments to fund rights-based, national social protection floors.

Here are 6 National-Level DOs and DON'Ts:

- Put cash into the hands of people who need it the most, including excluded and marginalised communities, migrants and refugees, the aged, parents on parental leave, those unable to work and individuals who face gender discrimination.

- Allocate the resources needed to strengthen existing entitlement programmes and fund a social protection floor. One way to realise people’s rights is to provide a Universal Basic Income; means testing can be expensive and inaccurate.
- Ensure access to social protection to all citizens and residents, including vulnerable groups and refugees, by removing bureaucratic hurdles and prioritising ground-up practices.
- Educational opportunities and quality health provision are often the best way to break the poverty cycle. Ensure internet connectivity for low-income families and marginalised communities, particularly as COVID-19 necessitates home-based education, and provide scholarships for individuals who face discrimination based on work and descent. As schools reopen, implement policies to ensure that girls and students from low-income and marginalised communities can return to school.
- Do not politicise social protection. It is a right, not a carrot to curry political favour or a stick to withhold to punish political enemies.
- Invest in and produce disaggregated data to track progress and ensure accountability. Do not use data to target or profile groups and individuals.

III. Climate Justice³³

While global attention is focused on the COVID-19 pandemic, the climate and ecological crises continue unabated. Floods, fires, hurricanes, drought . . . “natural” disasters are devastating communities and entire ecosystems. Yet, there is nothing ‘natural’ about them. We are suffering the consequences of bad policy. Rising greenhouse gas emissions, caused by burning fossil fuels, are to blame. Even if existing promises are met, global temperatures are likely to rise by 3° Celcius, twice the acceptable level. We live in a changed climate and every fraction of a degree, every year and every action matters.³⁴

Calamities and rising temperatures push millions into poverty, and those least responsible for causing climate change are the hardest hit, and often the most overlooked. People who face discrimination based on work and descent are pushed to live in locations that are the most likely to flood or be affected by landslides and other disasters. Fisherfolk who lose their boats may be deservedly compensated, but the Dalits who provide their manpower receive nothing. Insurance and governments may reimburse large farmers for lost cattle, but impoverished families who cannot afford cows receive nothing for their lost goats and pigs. Women are among the most adversely affected, losing their livelihoods and families, but they are also at the forefront of change, offering solutions and demanding accountability.

“Build Back Better” is only a slogan, unless we create green economies that provide opportunities - in safe, clean communities - for all. The billions of dollars allocated for recovery must be invested in ways that ensure a just recovery that protects nature, cleans our air and water and creates safe and sustainable jobs.

Eight steps to create Sustainable Equality

1. Put People and Planet before Profits and respect the rights of Mother Earth.
2. Enshrine a Universal Right to a Healthy Environment (within the framework of the UN Human Rights Council).
3. Meet and exceed the Paris Agreement commitments. Work to ensure that global temperatures do not rise more than 1.5° C.
4. Encourage Net Zero Targets, but make sure they are defined by immediate, tangible change.
5. Leave fossil fuels in the ground. Eliminate and reallocate subsidies paid to the fossil fuel industry. Stop building new coal plants and retire the existing fleet.
6. Recognise the ecological debt owed by rich countries and previous generations.
7. Rich countries must finance the energy transition, and provide funding to prevent and recover from calamities, for low- and middle- income countries, as well as marginalised communities everywhere. They must honour their commitment to provide US\$100 billion annually for climate financing. \$100 billion is a floor, not a ceiling, and it must be provided as grants, not debt-inducing loans.³⁵
8. Stimulus measures must focus on green recovery and low-carbon investment. COVID-19 recovery packages present a major opportunity for the world to ‘build back better’ by addressing the climate crisis and biodiversity loss, and in particular their impact on marginalised and excluded communities, refugees and migrants, women and youth.

III. Financing for Sustainable Equality

To achieve Sustainable Equality two bold responses are needed:

1. **Short-term:** US\$2.5 trillion is needed to respond to the COVID-19 crisis in low- and middle- income countries. Wealthy countries have spent much more than this in their COVID-19 responses. Vaccinating 80% of the world population will cost US\$30-50 billion (though this could be substantially cheaper if the pharmaceuticals’ monopoly hold on the COVID-19 vaccine is broken by approving a TRIPS waiver). To finance this, we are asking for an additional allocation of more than 3 trillion of Special Drawing Rights from the IMF. (More about this below. Note that only one-third of SDRs are distributed to low- and middle-income countries).
2. **Annual Financing:** Closing the gap on social protection and establishing a Social Protection Floor is expected to cost US\$1.2 trillion per year.³⁶ In middle-income countries this must be largely financed through taxes, reforming tax systems and tackling illicit financial flows. We demand Tax Justice. Low-income countries need nearly US\$80 billion per year to finance a Social Protection Floor. This should be supported by the international community. US\$100 billion per year is also required in

additional climate financing, as agreed to, but not yet implemented, by donor countries.³⁷

While this is a lot of money, it's far less than the US and other wealthy countries have spent on COVID-related fiscal stimulus³⁸ and fortunately, there are several ways the international community can mobilise the needed funds.

A. Special Drawing Rights from the IMF (SDRs)

On 23 August 2021, the International Monetary Fund issued **US\$650 billion** in 'Special Drawing Rights' to boost global liquidity and 'help countries cope with the impact of the COVID-19 pandemic'.³⁹ Every IMF member⁴⁰ received a tranche, in proportion to their IMF quota. Translation: wealthy countries received the most. To find out how much your country received, check out this map.

What are SDRs?

Special Drawing Rights are a financial asset created by the IMF in 1969. Some people refer to SDRs as 'paper gold', because countries can add them to their international reserves (which usually consist of US dollars, gold and other major currencies). SDRs cannot be used to buy anything directly, but they can be converted into one of five currencies: the US dollar, British pound, euro, yen and yuan.

How can SDRs be used?

1. To supplement a country's foreign currency reserves.
2. As collateral to borrow money.
3. After converting into one of five currencies, a country can allocate the funds as it deems fit.
4. To pay off debts
5. Wealthy countries can donate their new SDR allocations to low- and middle-income nations.

Pitfalls & Roadblocks to Avoid:

- SDRs are not debt. But if countries use them to borrow money, they could fall into a new debt trap. Governments should use the SDRs to invest directly in their country's future, not as collateral to borrow more money.
- SDRs are usually issued to a country's central bank, not directly to its government. In some countries, this may mean that the two parties will need to reach an agreement in order for the government to access these funds. But there is no prohibition to doing so. If the right rules are in place at the national level, governments will be able to convert SDRs into US dollars or another currency, and spend the funds without incurring debt.⁴¹

- Some conventional voices may argue that SDRs cannot be spent, that they should be held exclusively by central banks in a country's reserves and should only be exchanged for balance of payments purposes. However, the last time SDRs were issued, in 2009, several low- and middle- income countries invested them in their people. The IMF also says SDRs should be used to address essential and urgent spending needs.⁴²

SDRs may seem technical - and it's true, they are an unusual instrument and there are a lot of rules to follow - but their creation presents a fantastic opportunity to finance vaccines and sustainable equality for all. Here are six steps to make this happen:

At the International Level (Rich Countries)

1. Donate the SDRs

Rich countries don't need the extra reserves, and they often don't use them either. But, due to the way the IMF is set up, they received nearly 60 percent of the new allocations. They must donate these SDRs to low- and middle- income countries to fight the pandemic and finance sustainable equality.

Even the IMF is encouraging rich countries to give away their SDR shares. Currently, this can be done in one of three ways: bilaterally (direct to a country), via an IMF programme called the Poverty Reduction and Growth Trust (PRGT) or through multilateral development banks. Unfortunately, the PRGT normally has conditions attached and is not accessible to all low- and middle- income countries. If the PRGT is to be used, we urge donors to channel the SDRs via its Rapid Credit Facility, which is an emergency financing vehicle.

Some civil society campaigners fear that if funds from the SDRs are donated to regional development banks, they may not reach their intended targets or those who need assistance the most. No matter which vehicle used to 're-channel the SDRs' (to use some official jargon), it needs to be transparent, accountable, and implemented without conditionalities and with debt-free financing.

2. Work with Civil Society

SDRs must be used to contribute to equitable sustainability, particularly in light of the urgent health, climate and economic crises affecting humanity. One of the best ways to ensure transparency and accountability is to engage civil society, by providing it with a voice in how funds are spent and a role overseeing the implementation.

3. SDRs Round #2

While the August 2021 issuance of SDRs is the largest in the IMF's history, it is still too small to meet the world's needs. More SDRs are needed and the cost of issuing them is low. Early in the crisis, the United Nations called for a US\$2.5 trillion COVID-19 package for developing countries.⁴³ On several occasions, the US House of Representatives has passed legislation calling for the issuance of up to 3 trillion SDRs (equivalent to US\$4.25 trillion).⁴⁴

At the National Level (Low- & Middle- Income Countries)

1. Invest Now (Saving for a Rainy Day? That day is today!)

Governments must use their SDR allocations to invest in vaccination programmes, public health initiatives and social protection. Be on the lookout, though: some fiscally-conservative governments and central banks may be tempted to save their SDR allocations to boost their country's financial reserves, while others may use the SDRs as collateral to borrow money, at the risk of creating a new Debt Trap. Don't let this happen! SDRs must be invested in a nation's people to ensure their right to health and a life with dignity.

2. Leave No One Behind

Governments must allocate additional resources to ensure that marginalised communities benefit from the SDR allocations. When these funds are invested in public health and social protection programmes, individuals from excluded communities must be involved in the programmes and processes, from start to finish, to ensure their success.

3. Transparency & Accountability: Nothing About Us, Without Us

Civic space in many countries is shrinking, as opposition voices and independent media are jailed, exiled, intimidated or worse. In some cases, sharing the 'wrong' social media post is sufficient to end up on the wrong side of the law. To ensure that resources are properly spent, and that ignored segments of the population are included, governments must provide civil society with the opportunity to provide input and oversight. Civil society experts can also provide technical guidance on how central banks can enable governments to access and invest SDRs in their nation's people.

B. Tax Justice

No one likes to pay higher taxes, particularly not the companies, finance traders and billionaires whose earnings and assets have skyrocketed over the past year. Many are adept at finding tax havens, legal or otherwise. There is movement afoot, though, to ensure that they pay a fairer share.

1. Minimum Global Corporate Tax (MGCT)

Multinational corporations routinely shift their profits to countries with lower tax rates. The digital economy has made this practice easier than ever, prompting a 'race to the bottom' by nations wishing to attract funds. These practices cost countries as US\$240 billion every year in lost revenue, according to the OECD.⁴⁵

More than 130 countries have now endorsed a plan, though, to set an effective global minimum tax rate of 15 percent on large MNCs (with annual revenue of at least US\$890 million). The rate is far too low. We agree with the Independent Commission for the Reform of International Corporate Taxation which proposes a 25% minimum global corporate tax. The other big problem is that this reform will not curb profit shifting effectively. That means that mainly a few rich countries will get the additional taxes. Especially lower income countries lose their tax revenues. Additionally, there are loopholes that allow financial firms,

oil companies and others in the extractive industries to avoid paying their fair share. These loopholes must be closed, just as tax havens and tax evasion need to be addressed. There is also the opportunity to enact the financial transaction taxes on currency trading, stocks, bonds and derivatives that could generate at least US\$200 billion per year.⁴⁶

GCAP's view

The creation of a Minimum Global Corporate Tax (MGCT) is in line with our earlier demands. Still the way it's done now has serious flaws and must be changed:

- 15 percent is simply not good enough. Even US President Joe Biden administration initially proposed a significantly higher rate. The Independent Commission for the Reform of International Corporate Taxation and many civil society organisations are demanding a MGCT of at least 25 percent to generate the resources needed for recovery.⁴⁸ We do agree with the 25 percent. There are also a number of countries with tax rates that are still below 15 percent;⁴⁷ they need to join the new tax regime in order for it to work.
- Extractive industry businesses are among the worst corporate human rights offenders.⁴⁹ They must not be allowed to evade the new tax rules as well. Oil and Mining Companies must pay their fair share!
- Only a very small amount of the additional taxes will be paid in low-income countries. This has to be changed: Multinational companies have to pay their taxes where they make profit.
- In October 2021, the G20 will discuss how to implement the new system and redistribute tax revenue. The G20 is a members-only, rich-country club. We need to ensure that low- and middle- income countries are not cut out of this process. In 2022, there will also be opportunities to campaign on the MGCT as the European Union and others debate its adoption and implementation.

2. Robin Hood Tax

GCAP has long advocated for a Financial Transactions Tax (FTT) on currency trading, stocks, bonds and derivatives that could generate at least US\$200 billion per year for critical programmes.⁵⁰ The Robin Hood Tax discourages excessive speculation, particularly high-frequency trading, while generating tax revenue and encouraging longer-term investments.

In July, nearly 125 prominent economists, including Koyu Furusawa, Stephany Griffith-Jones, Jeffrey Sachs and Oscar Ugarteche, called on major economies to implement FTTs and apply the tax to more trades.⁵¹ A major campaigning effort is also underway in New York, where activists are calling on the state legislature to impose a Robin Hood Tax on Wall Street.⁵² The time is right to push for the Robin Hood Tax's wide adoption!

C. Aid

Nearly 51 years ago, OECD nations made a commitment to spend 0.7 percent of their Gross National Income as Official Development Assistance.⁵³ While donor countries have reaffirmed this pledge several times over the years, including in 2015 when they signed on to the Sustainable Development Goals, they do not come anywhere close to realising their

commitments. In 2020, ODA (including loans) rose to 0.32 percent of Gross National Income, not even half of what has been promised. Their broken promises have cost impoverished nations US\$5.7 trillion in lost aid.⁵⁴

Our message to rich countries remains consistent: Keep your Promise! Meet and exceed the 0.7% aid target. Provide quality aid, without strings attached. ODA must reach the most marginalised communities and benefit women, youth, the aged and differently-abled. Local needs and participation are paramount to ensure inclusive development: Nothing about us, without us! Be transparent and accountable.

D. Debt Justice

Lower tax revenues and currency depreciations, coupled with higher expenditures to fight COVID-19 and address “natural” disasters, have led to a sharp increase in impoverished country debt. A portion of this debt is with multilateral institutions and countries like China, while a significant part is owed to private sector lenders.

Even before the pandemic, at least 25 countries were spending more servicing their debts than on healthcare, education and social protection combined.⁵⁵ Today, one in four low-income countries are currently unable to service their debts or are at a high risk of debt distress.⁵⁶ While much of the world has enjoyed an era of historically low-interest rates, impoverished nations consistently pay more to borrow needed funds.

In the face of the pandemic, companies like Blackrock, JPMorgan, HSBC and UBS continue to demand debt repayments from impoverished countries, forcing many to choose between maintaining their credit rating and paying for essential services.⁵⁷ At the same, these financial firms are making a fortune, netting nearly US\$15 billion between them in the 2nd quarter of the year.⁵⁸

Take the case of Zambia, which defaulted on a US\$42.5 million eurobond payment last year. Zambia signed on to the World Bank’s Debt Service Suspension Initiative (DSSI), which has provided some relief, yet many private sector lenders have refused to participate. The Jubilee Debt Campaign estimates these lenders stand to earn 250% returns on Zambian bonds.⁵⁹

The DSSI, meanwhile, is not a solution to the debt crisis. It offers an eight-month delay of payments, not debt cancellation. The initiative is also limited to 73 countries, ignoring the debts faced by middle-income countries.

The debt crisis is compounded by the fact that many of the loans are illegitimate - driven by predatory lending, saddled with onerous and unjust terms, failing to comply with legal and democratic norms, incurred by private corporations but assumed by the public sector, or simply stolen.⁶⁰

GCAP’s view

- Unconditional cancellation of public external debt payments by all lenders - bilateral, multilateral and private lenders - for all countries in need for at least the next four years.

- Indebted countries must prioritise social needs. They should not incur penalties if they suspend debt payments.
- We need a fair, transparent, binding and multilateral framework for debt crisis resolution, under the auspices of the United Nations, to address unsustainable and illegitimate debt.

GCAP's demand is clear: Cancel the Debt!

E. The Risk of Austerity

Austerity is a deadly policy. Never has this been more clear than today, when we find countries and communities ill-equipped to respond to the COVID-19 pandemic, in part because health budgets and other social programmes have been gutted during previous calls for fiscal restraint.

Sound health polices and social protection, including funding to ensure quality education for all, are needed now more than ever, as an increasing number of people across the globe are hurting directly from the pandemic and from its economic impacts. Yet, there is also an increasing risk of austerity programmes being imposed on low- and middle- income countries, as they come under pressure from the International Monetary Fund to balance budgets and pay debts.

“The high levels of expenditures needed to cope with the pandemic have left governments with growing fiscal deficit and debt,” write economists Isabel Ortiz and Matthew Cummins.⁶¹ “However, rather than exploring financing options to provide direly-needed support for socio-economic recovery, governments—advised by the IMF, the G20 and others—are opting for austerity.”

Budget cuts are expected in 154 countries in 2021 and several more nations in 2022. If these programmes are implemented, eighty-five percent of the world's population will be living under austerity conditions. Initial signs, as well, are that these budget cuts will be twice as large, as a percentage of GDP, as during the austerity waves that followed the 2008-2009 financial crisis.⁶²

“In every case, where countries have needed resources from the IMF, there is a commitment to establish austerity measures from 2021,” says Latindadd's Mario Valencia.

This stands in stark contrast to the United States, Europe and Japan, where governments are spending more than ever to cushion the blow of the pandemic and ensure that their economies fully recover.⁶³

Consider the case of Colombia. Faced with budget shortfalls and balance of payment issues, it's under pressure to cut spending and raise taxes. Colombia finds itself in the midst of an 'austerity trap' - it needs more loans to cover shortfalls, but this 'austerity trap' is a direct result of tax exemptions enacted previously at the IMF's behest.

In April, the government of President Iván Duque introduced tax increases, at the behest of the IMF, to raise US\$7.5 billion, largely from the middle class. Duque argued that the new taxes would finance social programmes, but a closer examination revealed that nearly 60

percent would be used to pay off debt. For now, that tax plan is off the table: nationwide strikes led Duque's government to retract it and forced the resignation of his Finance Minister.⁶⁴ In August, though, Duque introduced a watered-down version of the bill to Colombia's Congress.

GCAP's view

- Austerity programmes will undercut economic recovery. They will put the achievement of the Sustainable Development Goals in jeopardy and are likely to violate people's rights as essential services, including health and education, are cut.
- Austerity is not needed. There are plenty of alternative measures to pay for social protection, vaccination programmes, climate financing and balance budgets, including SDRs, a minimum global corporate tax, financial transaction taxes, ODA, debt cancellation and measures to eliminate tax havens and tax evasion.
- #EndAusterity. Say NO to government and multilateral austerity plans.

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