Towards a People's Recovery

Tracking Fiscal and Social Protection Responses to Covid-19 in the Global South

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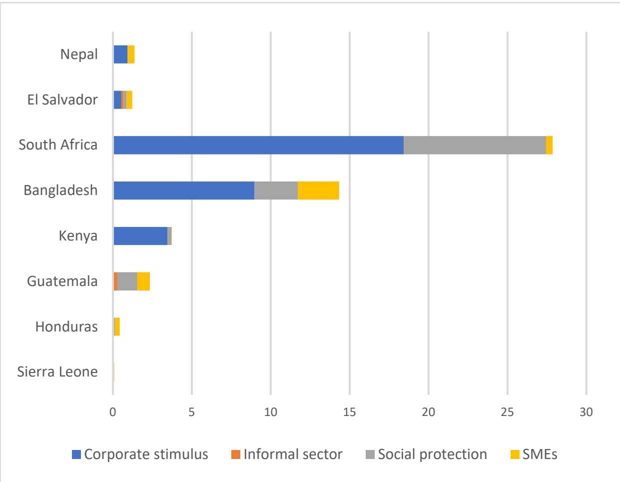
Executive Summary

Governments of nine countries in the Global South studied in this report have, on average, provided stimulus measures across the board equivalent to only 3.9 percent of their GDPs, with funds directed toward social protections totalling approximately 1 percent of their GDPs. The overall stimulus spending falls clearly short of the aim of 10 percent of GDP, as called for by the United Nations Secretary General Antonio Gutierrez in March 2020.[1]

Social protection spending to address the economic and social impacts of Covid-19is clearly inadequate, given the severity of the crisis. It is estimated that globally between 143 million to 163 million people will fall into extreme economic poverty by December 2021[2]. Already in 2020 124 million are likely to face extreme poverty. It is therefore critical that all Interventions, combine recovery stimulus with human rights safeguards and meeting peoples' needs[3].

Figure 1: Covid-19 recovery spending by composition, announced in $USbn

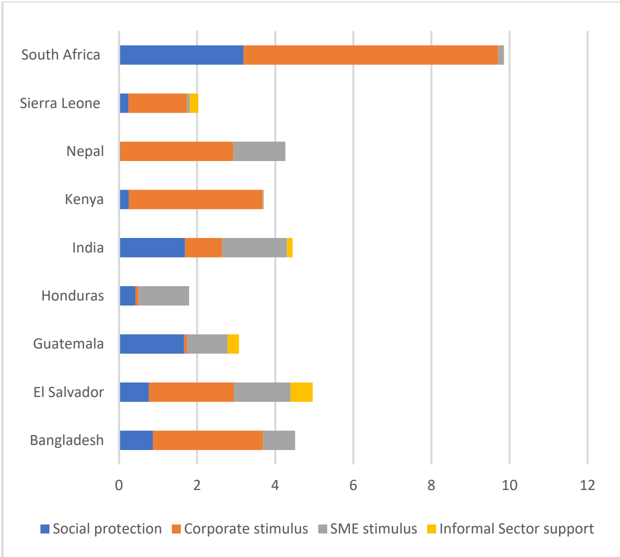


Source: various sources, authors' own analysis, as detailed in Annex 2 and associated dataset

The People's Recovery Tracker looked at stimulus packages in two ways. First, the Tracker examined the stimulus spending in totality, as well as stimulus funds provided to big corporates. The Tracker did this in all countries surveyed, except for India, where the government changed the definition of small- and medium-sized business enterprises, or SMEs, in order to open up relief funds for larger companies. All told, 63 percent of announced Covid-19 funds in these eight countries, which totalled US$51.4 billion, went to large corporations, rather than SMEs and social protection measures.

Second, the Tracker examined the different types of stimulus spending as a share of the actual, total stimulus spending per country. The Tracker found that, on average, just 22.4 percent of the announced recovery spending was in the form of social protection. This ratio is even more stark in countries like Nepal, where 99 percent of spending went toward companies, rather than toward social protection measures. Other countries, like Sierra Leone, were barely little better. The reverse was the case in Guatemala, where a slight majority of recovery funding went toward social protections, as Figure 2 illustrates.

Figure 2: Covid-19 recovery spending, announced as % of GDP



Source: various sources, authors' own analysis, as detailed in Annex 2 and associated dataset

As it pertains to loans during the pandemic, main largest single source in most countries was the IMF's emergency lending that also was not strictly earmarked, which sometimes allowed governments to expand social protection schemes. However, IMF loan agreements continue to come with the expectation of the resumption of fiscal austerity policies in the future, as seen in terminology like 'fiscal consolidation' or 'fiscal discipline' - language that has been represented in 84 percent of all loan agreements through October 2020.[4] Concerns remain centred on both quantity and quality of these loans, as the lending remains inadequate to meet the needs of a just and equitable recovery.

The Tracker discovered that, even when governments announced fiscal expansion policies, they did not always fully carry them out. In terms of announced spending, we found that the announced recovery packages proposed ranged from 1.6 percent to 9.9 percent of GDP, but actual spending was noticeably lower in certain cases. In the case of South Africa, for instance, this meant reducing the size of the stimulus package from 9.9 percent to 7.0 percent of GDP (see the South Africa country section for further details). Other countries also reported discrepancies between where and how funds were actually spent, or if they were spent at all, as SME loans in Guatemala and Bangladesh indicate.

Some loan or grant schemes were implemented in such a way that not all intended beneficiaries could access them due to conditions and eligibility criteria, or because of distribution difficulties. For example, our research in Bangladesh found that, by October 2020, just 32 percent of the allocations for SMEs had been disbursed. These loan schemes were implemented by private banks, despite the fact that they didn't have certain SMEs among their customer base. Similarly, in Guatemala, much of the SME financing was cited as allocated, but as the Central American Fiscal Studies Institute (ICEFI) discovered, those funds had been diverted to other projects. Governments in both cases lacked the capacity to execute such loan disbursements, as they did not have the development banks, agricultural banks, or other special funds.

Yet lack of follow-through is hardly the only concern uncovered by the Tracker. Significant concerns remain over the lack of governmental responsiveness in terms of gender rights and inequality in the response packages, as well as other areas of inequality. Some countries were more successful in ensuring that stimulus packages were gender responsive and addressed inequality, such as Guatemala, which successfully targeted low-income households with social protection and income protection schemes being doubled for 62% of the population for three months, with expanded eligibility criteria. But others, like South Africa, illustrated how recovery funds could exacerbate existing differences. Due to South Africa's blunt targeting, over 7 million women - mostly low-income Black African women - were denied access to South Africa's distress grants. That ineligibility stemmed directly from existing patriarchal social norms, which allocates childcare to women - and which left these women ineligible to receive the relief that millions of poor Black African men have been receiving.

Furthermore, there is a concern over the funds disbursed by the World Bank. While in principle they are committed to equity, including gender equality and progressive taxation, there are multiple instruments in both institutions that still are not aligned with equity considerations. For instance, the World Bank still publishes its Doing Business (DB) report, which assumes that businesses thrive in low-tax and lightly regulated environments - and which gives higher scores for lower corporate taxes and lower employer social security contributions. Similarly, the World Economic Forum's Global Competitiveness Report, drawing on the DB database among other sources, also gives higher scores for lower taxes on corporations and those earning high incomes. Governments wishing to attract foreign investments still look at these indicators as benchmarks, which means cutting vital taxes that enable universal social protection systems.

The International Finance Corporation (IFC), the private sector lending arm of the World Bank Group, has a prominent position at all stages of the Covid-19 response. The IFC is expected to account for around one-third of the Bank's response, including in health, suggesting that private markets will be prioritised over equitable public services.[5] IFC loans often require public subsidies to enable implementation. However, World Bank concessional lending and grants to governments have favoured infrastructure-led support, diverting public resources toward attracting private investment risks - all of which places increased fiscal pressure on government finances, rather than greater fiscal revenue mobilisation needed to address the rising rates of economic poverty and inequality.

Lastly, there is a concern over the transparency of the spending of recovery funds. It is vitally important for citizens to see where governments source their financing. It is also important to be able to track recovery financing in terms of implementation. As the Tracker uncovered, some governments publish spending and allocations of funds, but others published data only about allocated funds. Likewise, most international tracking of related funds only looks at initial public announcements, rather than tracking the actual expenditures, let alone how gender responsive or environmentally friendly they are or how well they respond to broader inequalities.

To address the dangerous imbalance in existing Covid-19 recovery and relief funds, the FTC together with its partners recommends seven key measures to national governments and to International Financial Institutions (IFIs).

Key Recommendations

- **National governments should implement a minimum corporate tax rates of at least 25 percent** together with public country-by-country tax reporting, in line with the proposal from the United Nations Financial Accountability, Transparency, and Integrity (FACTI) Panel.
- **Governments should create new solidarity taxes on wealth, corporations, and high-income earners**, as also echoed by IMF's recent proposals to introduce solidarity taxes. These higher taxes should be maintained at high rates to pay for the recovery and not only the immediate aftermath of the pandemic.
- **Governments should implement adequate universal social protection systems without delay**, along with other public services, working to slow and reduce the rising levels of poverty with greater social protection spending.
- **To improve transparency, governments should put in place public beneficial ownership registries and effective information exchange systems,** in order to reveal the owners of both wealth and companies, with lower thresholds for declaring assets in high-risk sectors like extractives and financial services.
- **International Financial Institutions (IFIs), such as the IMF and World Bank, should not impose regressive tax and social protection measures** in their loan conditionalities or grant programmes that undermine progressive policies by national governments, but rather support them with technical advice and sharing best practices.
- **The race to the bottom on tax rates should end**, and reports measuring business environments and global competitiveness should not reward countries cutting corporate taxes, employer social contributions, or taxes on those earning high incomes, as these are not in any way part of an equitable or responsible business environment.
- **Introduce effective accountability and tracking mechanisms to provide transparency on the disbursement of Covid-19 bailout funds**, including effective and transparent tracking of the disbursements and agreements by the IMF, the World Bank, and other multilateral development banks.

1. Introduction: Financing Unequal Recovery

1.1. Corporate Stimulus versus People's Recovery

Stimulus spending in the nine countries showed an important supplement in public spending in 2020. This should be read against the backdrop of the constrained environment of debt, revenue mobilisation and falling official development assistance trends. Fiscal policy guidance during the Covid-19 Pandemic has been mainly provided by the Organisation for Economic Cooperation and Development (OECD). Based on a study of a sample of high-income countries, OECD proposed a policy framework for fiscal stimulus spending in four phases, namely:

Phase 1: Initial response to the Covid-19 Pandemic focusing on liquidity and income support.
Phase 2: Sustained effort to reduce adverse impacts of containment and mitigation.
Phase 3: Shifting gradually towards recovery, while noting that in some instances containment and mitigation measures may need to be reinstated.
Phase 4: Once economies have recovered, a shift towards restoring public finances can be anticipated. There may be renewed attention for strengthening resilience.

In our analysis, this policy trajectory was followed only at its very beginning in terms of initially providing businesses with extra time to file their taxes, meet other obligations like filing annual accounts as most of the countries in this study did, and also providing support for individuals in terms of income support. In the beginning of the crisis, the mantra from the 2008 Global Financial Crisis of "go early, go hard and go to households"[6] was again followed by most countries for a limited duration of time during peak lockdown periods. However, many countries in this study didn't stop at providing temporary business tax deferrals, as they went on to provide permanent tax cuts, or even worse tax amnesties in Bangladesh and Honduras in foregoing interests and penalties and potentially important revenue as a result of tax investigations from past tax fraud for good.

These fiscal policy frameworks do not adequately address the duty of states to raise the maximum available resources required for the realisation of social and economic rights. In addition, considerations of transparency, non-discrimination, effectiveness and adequate execution of funds, all these issues can be framed as states' obligations according to the human rights framework summarising how all these matters can be framed as human rights obligations under the ICESR.[7]

The International Monetary Fund (IMF)'s policy analysis considers the differentiated realities of low-income countries in comparison with high-income countries, recognising how debt distress and weak revenue mobilisation places constraints in the design of recovery plans.[8] For instance, countries with fiscal space and major scarring from the Covid-19 Pandemic (e.g. large, long-term unemployment) should provide temporary fiscal stimulus while planning for what they call a fiscal adjustment (which we read as signalling fiscal austerity) over the medium-term. More widely, IMF analysed tax policy changes, i.e. whether they were 'inclusive' and 'growth friendly' without immediately telling how to manage the tension between both. Its analysis is mixed in terms of equity concerns as its supports single rate, value added taxes. In October 2020, for instance, IMF supported progressive tax and fiscal policies where economic 'rents' were made, to be allocated to address rising poverty and inequality. In April, the IMF supported short-term solidarity taxes on high incomes, wealth and corporate incomes in response to the crisis and to pay for equitable recovery measures.[9]

Some countries adopted parts of this policy trajectory proposed by OECD and the IMF, i.e. short fiscal expansion financed by either debt, where the country has access to borrowing at concessional rates or private creditor markets; or re-allocation of budgets to provide a short expansion of social protection. However, the OECD policy guidance states that such expansion should be short-lived so that it will not create expectations. Despite citing BEPS 2.0 in tackling tax abuses by multinational corporations, long-run fiscal policy expansion seems difficult to achieve, in OECD's words. Guatemala and South Africa followed largely OECD's guidance as they had some fiscal space, but like the advice tells us – long-term policy space is hard to find and they are both set to reduce fiscal spending in 2021 unless changes in international policy environments favouring progressive taxation and financial transparency are enacted.

Rights groups such as the Centre for Economic and Social Rights (CESR),[10] and other civil society groups, for instance, Tax Justice Network-Africa have promoted higher taxes on the wealthy and corporates during the crisis stating that the "COVID-19 pandemic has exposed systemic inequalities in the current social, political and economic systems. African countries are disproportionately bearing the brunt of the impacts of the pandemic as a result of decades of privatisation and austerity measures resulting in underfunding of social sectors."[11] Their proposals include reducing tax incentives, making tax systems more progressive by focusing on increasing corporate and wealth taxes, and reducing the structural gaps in the international tax system that deprive revenue from states in the form of tax abuse and tax evasion, and other forms of illicit financial flows. The Financial Transparency Coalition (FTC) as a global coalition, echoed these points and in addition measures needed to combat financial crime and corruption.[12]

This is echoed by other tax justice and financial transparency groups, including the Latin American Tax and Fiscal Justice Network, who started a continent-wide campaign on wealth taxes estimating in December 2020 that it could raise additional revenue worth US$26bn[13], citing figures that billionaires in the continent increased their wealth during first months of the pandemic by US$48bn. Indeed, wealth taxes could be collected across different governments in the continent for a just recovery, with the lead of Argentina implementing such a tax, and it became effective as of January 2021 with an estimated target of collecting US$2.8bn by limiting its scope to only the 12,000 wealthiest persons in the country.

Meanwhile, in Asia-Pacific the Tax and Fiscal Justice Network for Asia-Pacific stated that up to half a billion people could fall into poverty due to Covid-19, considering a higher poverty line than that of the World Bank's line. TAFJA recommends repealing regressive consumption taxes such as VAT and GST, the main policies promoted by the IFIs in raising revenues, and giving tax deferrals and credits to only micro-small and medium-sized enterprises (MSMEs), low-income earners, and their dependents, while shifting fiscal policy immediately to implement excess profit taxes, taxes on wealth and cancelling bilateral tax treaties that drain revenue due to making it a treaty offence to collect taxes such as capital gains taxes and other cross-border taxes from multinational corporations. The network also proposes introducing unilateral digital service taxes without waiting for the OECD to decide on their shape or form, even if this may mean trade-related and investment treaty related sanctions from OECD countries. The main forum where tax issues should be discussed is a proposed UN Tax Body.

1.2 Unresolved debt crisis

Public debt increased in 108 out of 116 developing countries in 2020. Countries that entered the crisis with the highest levels of public debt tended to experience the largest increases in 2020. While there was a lot of talk about debt relief in 2020, there was only a total of US$5.3bn in terms of debt servicing put on hold for 45 developing countries that requested it. They benefited from the G20 Debt Servicing Standstill Initiative (DSSI) intended only for bilateral government to government debt of countries in the World Bank IDA programme (mostly low-income countries), and the group of Least Developed Countries. This is 37.7 per cent of all payments due during this period for those 45 countries. This means that up to US$ 11.8 billion was still paid during those six months to private (US$ 6 billion) and multilateral (US$ 5.7 billion) creditors meaning that most debts were still being paid.

Debt levels were alarmingly high in 2020, with external debt servicing higher than public health spending in 62 developing countries[14]. Most countries in the global North enjoyed access to low-interest rate lending, including in the UK where it is concluded that ultra-low borrowing costs have helped the country over the crisis with additional borrowing with the UK's Treasury's debt managers can borrow money for 30 years for less than 0.9 per cent,[15] while when Guatemala raised a 12-year bond at 5.375% and a further 50-year US$700 million bond at 6.125% for a total funding of US$1.2 billion for the country's response to Covid-19.[16] Meanwhile, The rates on offer on the ten-year South African government bond is currently around 9%[17] - much higher than most other bonds, including in other emerging markets. Despite inflation being higher in Guatemala and South Africa, inflation adjusted returns are still over 3% in Guatemala and 5% in South Africa, thus costly ways of financing government expenditure. The most expensive debts are foreign-currency denominated sovereign bonds, called Eurobonds, where developing nations also shoulder the risk of currency volatility and depreciation, making debt servicing more costly.

The G20 Common Framework that is proposed to follow-on from the DSSI possibly by end of the year 2021 when the DSSI comes to an end still ignores mandatory private creditor participation, and it leaves out also multilateral creditors like the World Bank outside of debt relief efforts. Without a reduction in the debt burden, it will be difficult to avoid austerity policies in the developing countries with the highest debt servicing costs as a share of their revenue, these mostly being low-income or lower-middle income countries who have recently entered the foreign

1.3 The Role of the IMF and the World Bank

The World Bank (WB) places a high emphasis on a private sector-led recovery as highlighted in April 2021. The International Financial Corporation (IFC), the private sector lending arm of the World Bank Group, has a prominent position at all stages of the Covid-19 response. IFC is expected to account for around one third of the Bank's response, suggesting that private markets will be prioritised over equitable public services.[18] WB concessional lending and grants to governments has favoured infrastructure-led support, however, diverting public resources to attracting private investment risks placing increased fiscal pressure on government finances, rather than greater fiscal revenue mobilisation needed to address the rising rates of economic poverty and inequality.

When the said countries designed and enacted their recovery and stimulus packages in 2020, they also often relied on the lending from International Financial Institutions (IFIs), at least in the early phase of the response and recovery spending. As of March 2021, the IMF has extended lending of $107 billion to low-income and middle-income countries through its rapid financing and credit facilities, with the largest recipients being in the Latin America and Caribbean region. IMF lending comes with a loan agreement which establishes an agreement between the IMF and the borrowing country, which is not as strictly earmarked as WB loans. The IMF Headquarters staff aren't the ones who negotiate the individual loan agreements with countries which helps explain the disconnect between their global analysis and their country conditions, and the actual loan conditions are *by far* the determinative influence over government policy. Therefore, it is significant to note that contradiction between IMF leadership and specific departments from fiscal affairs to social protection promoting certain progressive tax policies and social protection and solidarity wealth taxes, while a recent study found out that 84 percent of IMF loan agreements included austerity expectations in the near term often after the immediate phase of the crisis is over.[19] This is despite a clear emphasis by IMF Headquarter staff on progressive fiscal policies[20], using fiscal policies to tackle inequality[21], and expanding social protection[22].

Research has shown that IMF conditionalities have led to a reduction of social spending. As Kentikelenis and others say "The conditionality apparatus of IMF lending programs has two forms: quantitative and structural conditions. The former take the form of quantifiable macroeconomic targets that countries must meet and maintain throughout the program, such as credit aggregates, international reserves, fiscal balances, and external borrowing, and make up the majority of conditionality up to the present. In contrast, structural conditions clearly specify the means that contribute to meeting the macroeconomic targets and other objectives. They concern a wider range of microeconomic reforms and afford governments less flexibility".[23] There are several channels through which both quantitative and structural conditions have negative impacts on social spending partly due to a assume growth model focus, rather than an equity and rights focus in such reform agendas.

Figure 3: 2020 Crisis lending and debt cancellation

Region	IMF Crisis lending $US million	Cancelling IMF Debt $US million
Africa	25,700	408
Asia-Pacific	2,300	16
Europe	6,300	0
Western and Central Asia	5,000	53
Latin America and the Caribbean	68,300	11
Total	**107,600**	**488**

Source: IMF Covid-19 Financing Tracker 2021[24]

For many countries, the main source of crisis financing has been new WB or IMF emergency lending. In 2020, WB announced $160 billion in additional lending capacity without a specific timeline on spending it (roughly $60 billion were committed in 2020[25]). In gross domestic product (GDP) terms, and within the context of the nine countries included in this research, the most significant source of financing was to Sierra Leone. IMF financing during 2020 was 4.87% of GDP, or roughly one third of the 2020 Sierra Leonean government budget. The IMF also extended debt cancellation during 2020 for Sierra Leone ($35.5 million or 0.8% of GDP) and Nepal ($8.9 million or 0.03% of GDP); both of which were wholly insufficient. India accessed no IMF lending at all, while South Africa accessed no WB lending. During the immediate Covid-19 response, 60 percent of WB support was allocated via IFC[26] and most of this support (68 percent) was towards financial institutions with the purpose of micro, small, and medium enterprises (MSME) lending.[27] This partly explains the large proportion of MSME lending in many of the countries analysed.

Two WB's public sector windows (International Development Association (IDA) for low-income countries) and International Bank for Reconstruction and Development for middle-income countries) had approved Covid-19 related operations in 108 countries.[28] These loans were critically important for Sierra Leone (5.3 percent of GDP), El Salvador (2.9 percent of GDP), and Nepal (3.7 percent of GDP) in terms of recovery spending during 2020. Much more was spent on dams and building roads than supporting people in economic crisis.[29] In Sierra Leone, some World Bank loans were used for public works purposes with a dual social protection function, i.e. employing unemployed youth. Further analysis of these WB IDA loans is important as details emerge. Only two WB loans in the immediate crisis window were towards social protection; both were with state governments in India.[30]

1.4 New fiscal Spending versus Reallocated Spending

As currently envisaged, much of the financing seems likely to come from either reallocation of existing budgets or from new issuance of debt, as other financing options (e.g. progressive taxation), lacks political will to implement them at all levels. In the case of South Africa, most of its financing comes from reallocation of planned social spending, deepening 7 years of 'austerity' budgeting which has severely affected levels of destitution. We see from IMF country reports that South Africa's debt is rising by 25 percent by 2023, Nepal by 15 percent, and El Salvador by 9 percent.[31] IMF staff reports estimate public expenditure cuts of 2.5 percent of GDP in South Africa, 1.8 percent in Nepal, and 1.4 percent in Bangladesh to finance Covid-19 responses. The stimulus is a case of cuts in other parts of the government expenditure to direct towards the Covid19 response and recovery spending. The new money found during the recovery may be in the form of easing monetary policy such as central bank lending rates, bank deposit ratios or outright guaranteeing and making loans available.

2. Private Sector Stimulus Measures

There are pros and cons in directing support (or "stimulus" or "bailouts") to the private sector, as some support may be indeed needed at the MSME sector of the private sector where most jobs are actually located to keep them trading and improve cash flow. Tax deferrals, and some MSME loans in a clearly targeted way, are justifiable as recovery measures from a rights and equity perspective, and in some cases even larger companies should have access, with clear social and environmental performance conditions, to job protection schemes to maintain their workforce during the lockdown and recovery periods.[32]

This should not be made at cost of more important social protection measures. However, we are opposed to blanket tax cuts and wide-ranging deregulation of entire business sectors that erodes rights of workers, including to social protection, in the cover of Covid19 pandemic, where citizen access to politicians, and decision makers, and ways of holding both private sector and governments to account are severely limited during movement restrictions. Also, business support should not outweigh the vital and life-saving support to individuals and households.

2.1. Tax Measures for private sector actors

Tax measures are possibly the hardest type of corporate stimulus to measure, given that tax cuts create future costs in depriving revenue in the next financial years to come. Nevertheless, they should be costed in the budget as 'revenue foregone'. Much of this stimulus is 'hidden', given to corporates in the form of tax cuts or permanent tax exemptions; in the case of Kenya, only costed in full. In El Salvador, Guatemala, and Bangladesh (where tax cuts were enacted), they were not costed at all. In Honduras, they were partially costed as they were VAT Rebates.

In the above regard, wide-ranging and permanent tax cuts were implemented in India prior to the crisis and in Kenya and Bangladesh during the crisis. One of the main cited impetus for tax cuts was to attract investment. E.g. South Africa's President's speech at the WEF in 2019[33]; Sierra Leone's Directorate of Science, Technology and Innovation also presents the policy aim of improving its DB score.[34] Meanwhile, in Bangladesh (at the launch of the DB 2020 report), the focus is on moving the country's ranking upwards to the top 100 countries from a current ranking of 168f[35]. However, there is evidence that tax rates are not at the top of investor priorities, most often citing political stability and security, predictable regulatory environment, access to skilled labour and other factors that are enabled by tax revenue collection came before any interest concerning tax rates.[36]

We suggest that if tax cuts are made during and in the immediate aftermath of the Covid-19 Pandemic, it becomes difficult to raise revenues for establishing the economy on a more just and green recovery footing. Businesses and high-income taxpayers easily become accustomed to tax cuts, and once implemented they are hard to roll back, not least because of their powerful lobbies. A similar risk exists with tax deferrals, as they can become tax exemptions if the tax authorities do not proactively pursue the deferrals from companies that are trading profitably enough to pay them. This is why it should be made harder to distribute dividends or lay off staff during the period that a company benefits any public subsidy let alone a corporate bailout or corporate loan before the principal is paid back to the government.

Tax amnesties for corporates, where past tax payments are settled either at face value or more often less than face value, without having to pay fines or interests, were made or extended in two countries in the research, namely in Honduras and in Bangladesh. It was not possible to estimate the extent to which they were used; in both cases, these measures are considered as extremely harmful for an equitable and a just recovery, as they erode the public and business confidence in the revenue collection system. Long-term, this erodes taxpayers' trust and confidence as this only creates a future expectation of further tax amnesties (thus only decriminalising tax evasion). In Bangladesh, this involved expanding the windows where 'black money whitening' can be spent, namely government allowed undisclosed money to be used for buying flats, land as well as investing in development projects and the stock market. Many civil society groups including Transparency International Bangladesh (TIB), deeming it legally discriminatory.[37]

Overall, tax related measures during the pandemic were a lost opportunity in these nine countries to make tax systems more just and equitable, only Nepal pursued past cases of tax abuse linking a local bottling company of Coca-Cola, sold from a South African investor group to the US-based headquarter, has led to a tax bill of NPR 11 billion (or US$91 million)[38]. This is much greater than the social protection measures in Nepal (only $US 10.4 million). The case is ongoing, and the taxes are not yet paid as it is disputed by both the seller and the buyer.

2.2 Private Sector Loan Measures, including to MSMEs

Loans to businesses were made in the majority of the nine countries researched. In some countries, this was the leading response measure, including in Bangladesh, South Africa, Nepal, El Salvador, and in India where significant MSME loan schemes were announced. However, in each of the cases of SME or MSME loans, implementation lagged from the actual announcements. Some of the loans have, therefore, not reached their intended beneficiaries.

In South Africa and Bangladesh, unspent MSME loans were especially a big part of the discrepancy between the actual and implemented recovery spending. In Guatemala, unallocated MSME loans were also a large part of the 'missing recovery'. It is unclear whether MSME loans reached the SMEs. In India, the loan criteria was extended to include larger companies so that companies up to Rs 250 crore or $US33 million in turnover (previously only Rs 100 crore, or US$13 million in turnover) were eligible for low-interest MSME loans from the government of India, effectively only excluding the largest conglomerates. This made measuring the extent of SME support almost impossible in India, as the definition now includes much larger companies and India is excluded from the measure of SME loans in the cross-country comparative.

Business loan guarantees are counted here in terms of their total value in the recovery spending since this is how governments tend to announce them, i.e. big-ticket recovery packages. Loan guarantees are not intended to materialise, and thus they can be seen to enable lending and investment to take place. The government taking on such guarantees is a further risk because guarantees are not really providing new financing. Overall, it is debatable whether these guarantees should be included here; we include the detailed breakdown in Annex 1.

2.3. Gender Responsiveness of Corporate Support Measures

Very few corporate stimulus measures had gendered considerations built into their proposals, only in Bangladesh were loans extended for female entrepreneurs[39]. However, this was only 5% of total amount of loans. In El Salvador, a programme called Women's City (*Ciudad Mujer*) received a small additional funding of $10 million, intended to mainly improve gender equality. It consists of offering aid to victims of violence against women, as well to provide access to women's healthcare services, financial advice, and career training. Centres across the country group government services in one single places. These include job training and financial loans to offer a chance for economic independence. In fact, it is a cross-cutting business support and social protection programme.

Overall, the lack of gender disaggregated data concerning economic impacts and recovery measures means that it is very difficult to understand the differentiated impact on women, and minorities during this crisis. To find gender disaggregation of recipients of MSME loans or other lending, we propose surveys at the programme delivery level to assess whether gender disaggregated data of the recipients. Gender disaggregated monitoring of beneficiaries of Covid-19 funding was implemented to some extent in Guatemala, but it excluded business stimulus measures. The argument still put forth by international bodies, rating agencies, business groups that business support packages will help people in economic crisis is unfounded without such disaggregated data, as we cannot rely on economic formula to assume that business loans (let alone tax cuts) benefit all.

3. Social Protection Measures

It is important to prioritise social protection measures at all stages of responses to the Covid19 pandemic. This then also includes support to the informal economy, albeit here a separate category for clarity, prioritising increasements in the coverage of universal social protection schemes is even more important. In general, it is absolutely crucial to reflect the scale of informal work and informal workers' limited access to social protection in this section. Especially as the majority of informal workers are women.[40]

3.1. Lack of Gender Responsiveness in Social Protection Measures

In the nine countries of focus, social protection schemes supporting the additional needs for unpaid care (performed mainly by women) was not recognised across the countries studied. The level of support to social protection measures overall was very low compared to the wider corporate and MSME support measures that were observed above.

A 2020 analysis by the United Nations Development Programme / UN Women[41], pertaining to gender responsiveness of governments, focused on unpaid care, violence against women and girls (VAWG), as well as support for women's economic security. This analysis linked to findings from the nine countries researched, largely reflecting a global inadequacy in governmental response to proven gender priorities. Additional care needs generated by the impacts of the Covid-19 Pandemic on health, childcare and access to services are the issues least addressed. Responses aimed at supporting women's economic security were more visible and still very limited. *Ciudad Mujer* in El Salvador was the did allocate funding based on these differentiated impacts. In South Africa, the child support grant (CSG) was topped up for a duration of six months. In Sierra Leone one of the beneficiary groups of direct cash transfers were orphans and children living in poverty, however with a target population of 11,000 this scheme was insufficient in scope.

There were more responses to VAWG, perhaps reflecting global concerns about what UN Women declared as a 'second pandemic'. In Bangladesh, for example, 14 government responses to VAWG included strengthened efforts to raise awareness of the issue and improve access to legal advice for instance; none appeared to be backed up by significant budget allocations. There was just one social protection measure in Bangladesh listed in which some benefits were targeted to very vulnerable women. In general, governments re-committed to social protection measures to prevent and address VAWG, however, without adequate budget allocations to enact policies aimed at ending VAWG, it is not realistic that these commitments will be met.

3.2. Income Protection Measures

Grant-based schemes were utilised in countries that had established social protection systems prior to the Covid-19 Pandemic. In Guatemala, the payments were tripled for a duration of 3 months. The local press cited "call to action" speeches and articles published by the IMF Managing Director who said that countries should "spend what you can"[42] adding to "keep the receipts" for accountability purposes. IMF Country Representatives[43] also emphasised the need for social protection spending and income support during a crisis. In Guatemala, advice from the IMF Managing Director and Country Representatives seems to have had an actual impact on government policy decisions.

In Kenya, there was a smaller and significant increase in social protection grants to elderly persons, persons living disabilities, among others. Its existing cash transfer programmes, (targeting over 1 million people), specifically, for economic support for elderly persons and orphans. It seems that both the IMF country analysis emphasised 'fiscal consolidation' and 'spending rationalization' as key policy objectives, thus a signal that less should be spent on social protection measures[44] . In El Salvador, special schemes were made for veterans as an identified group of persons who may be at greater risk of falling into economic poverty, but these were very small packages. In Bangladesh, social protection grants did target women and certain marginalised communities; it is not clear whether these women and communities were fully disbursed.

Between April and June 2020, the Sierra Leonean government provided cash transfers of SLL 4 billion to 11,000 persons which included persons living with disabilities, orphans and children who face greater poverty and inequality, and economically poor households. These initiatives are being scaled down afterwards in order to cut budget costs and will reduce coverage and allocation.

3.3. Job Retention Schemes

Wage subsidy programmes were commonly used, i.e. garment sector in Bangladesh, manufacturing sectors in South Africa and Guatemala, and qualifying SMEs in El Salvador. Cost sharing of income support schemes is equally important in order for companies not to pocket all the money and place phantom workers on its payroll. It appears factory owners did not pay the full wages to the workers between March and April 2020; also, the factory owners did not pay outstanding wages on time, forcing thousands of workers to demonstrate[45]. In March 2020, Bangladesh announced a stimulus package of BDT 5000 crore (US$590million) for the export-oriented garment sector, which should have enabled garments factory owners to pay wages of their (mostly female) employees. The Bangladesh government is to provide laid-off garment workers with 3,000 taka (US$35) a month for three months, in a relief programme backed by the European Union and Germany to the tune of US$134m, a major export market for Bangladeshi garments.[46]

The private sector was asked to share a part of the costs, and donors to pay into the scheme since many donor country companies are importers of Bangladesh garments. However, in terms of the size of the packages, tax cuts to corporate sector (including garment factories) in the long run unless repealed than the wage subsidy measures during Covid-19.

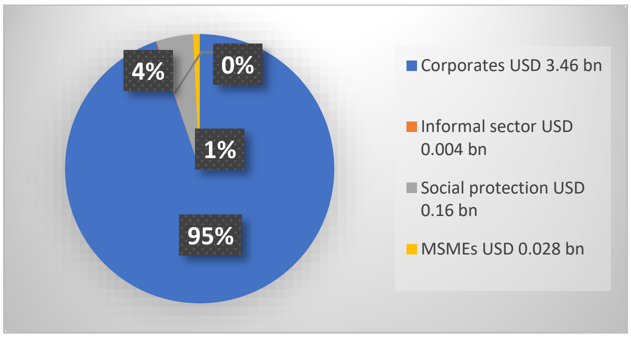
3.4. Policy measures and safeguards

We see the use of policy measures especially where fiscal space is limited, i.e. Sierra Leone had an eviction ban from private tenancy housing, a short-term increase to pay utility bills in Guatemala. Often, these measures were not backed by budget spending (the one in Guatemala was), rather with regulatory measures. Basically, utility companies, private landlords, or commercial banks provided more time in meeting obligations to pay utility bills or meet personal debt payment obligations. These policy measures were patchy, and not backed up by budgetary spending to make them effective.

4. Country Recovery Policy and Spending Analysis

4.1 Kenya – Short-term Progressive Spending with Insufficient Response

Figure 4: Kenya $US 3.7 bn / 3.7% of GDP



Kenya's first Covid-19 case was reported on 13th March 2020. A countrywide, night-time curfew became effective on 27th March 2020, with all movement prohibited for persons who were not authorised as medical or health personnel, or persons visiting essential shops and services. Informal workers, comprising 83 percent[47] of the population, bore the brunt of the Covid-19 Pandemic, as many lacked savings or access to social protection. Data is limited regarding the overall impact in terms of poverty and inequality (which previously had shown some signs of decreasing).[48]

Economic growth was steady in the years prior to 2020, accompanied by increasing inequality with Kenya's Gini coefficient reaching 41.6 in 2018. By 2020, the gap between the economically richest and economically poorest reached extreme levels. Less than 0.1 percent of the population (8,300 people) had more economic wealth than 99.9 percent of the population (more than 44 million people). The vast income disparity makes a case for solidarity taxes.

The Kenyan Government's response to the economic fallout caused by Covid-19 Pandemic was swift. There were 2 phases: (1) response package, amounting to just 0.19 percent of GDP; (2) stimulus plan for a longer-term recovery. The WB provided $50 million in immediate funding to support Kenya's Covid-19 Emergency Response Project[49]. Arguably, these loans were used to pay for government debts and fund government expenditure. Due to lack of transparency of how funds were spent, there were calls in 2021 to decline additional IMF loans since most Kenyans have not benefitted from these loans.[50]

Measures to safeguard the Kenyan economy included several tax reductions, namely, 100 percent tax relief for Kenyans earning gross monthly income of up to Ksh24,000 which benefitted many on low incomes. There was also a cut in corporation tax from 30 percent to 25 percent. Turnover tax rates (for MSMEs) were reduced from 3 percent to 1 percent; this unimplemented move was controversial and seen as punitive since proposed taxed was to be paid whether there was a profit or not[51].

A VAT reduction (from 16 percent to 14 percent) was perhaps the most beneficial measure for Kenyans on low incomes. However, prices tended not adjust immediately due to retailers maintaining prices. As a result of this measure, revenues foregone amounted to Ksh49.5 billion per quarter or about Ksh150 billion until December 2020 when the tax relief ended. Noted that, in December 2020, Kenyan lawmakers voted to halt tax cuts, stating that more is needed to help Kenyans impacted by the Covid-19 Pandemic.[52] The tax cuts were the largest single element of the Kenya's Covid19 response. They were estimated by the World Bank and those figures are included here.

Kenyan President Uhuru Kenyatta also launched an 8-point economic stimulus programme[53] worth Ksh53.7 Billion (or 0.51 percent of GDP) aimed at benefitting Kenyans on low incomes and sectors that employ large numbers of women. As a result, this programme created employment for young people, SMEs, public services, and infrastructure (see Figure 4 below):

Figure 5: Kenya's Recovery Plan

Spending item or area	Value (in Ksh bn)
Hiring of local labour for rehabilitation of access roads and footbridges	5.0
Hiring of teachers and information, communication and technology interns to support digital learning and acquisition of locally-made desks	6.5
To fast track VAT refunds and other pending payments to SMEs.	10.0
as seed capital for SME Credit Guarantee Scheme.	3.0
Expanding of bed capacity in public hospitals and hiring of 5,000 additional healthcare workers for 1 year	1.7
Supplying of farm inputs through e-vouchers which targeted 200,000 small scale farmers	3.0
Assisting flower and horticultural producers to access international markets.	1.5
Supporting the hotel industry	3.0
Engaging community scouts and conservation workers	2.0
For flood control measures	1.0
Greening Kenya Programme	0.54
Rehabilitating wells, water pans, and underground tanks in arid and semi-arid areas	0.85
Purchasing locally manufactures vehicles in support of the 'Buy Kenya Build Kenya' programmes	0.60
Total	**53.7**

Source: Government of Kenya[54]

Our research suggests that despite measures implemented to replace lost incomes targeted at vulnerable groups (e.g. women, persons living with disabilities, elderly persons), the response proved inadequate. Many people who had taken out domestic loans struggled to make repayments. By January 2021, for example, the number of loan defaulters had risen to Ksh14,035,718[55] *(from Ksh9,673,258 in August 2020)*[56]. Remittances from abroad kept many families alive as jobs and other sources of income stopped.

Social protection was also scaled up. Kenya also expanded its public works programme during the Covid-19 Pandemic, namely the Jobs in the Neighbourhood Initiative, where almost 40,000 youth (living in Nairobi's slums and informal settlements) contributed to street cleaning, fumigation, disinfection, garbage collection, bush clearance, and drainage unclogging services. Thus far, daily wages are about $6 per day, delivered via the Mpesa mobile money transfer platform[57].

In Kenya, there was an increase in social protection grants to elderly persons, persons living disabilities, among others. The existing cash transfer programmes were increased in terms of the support provided, (targeting over 1 million people), specifically, for economic support for elderly persons and orphans. However, these only amounted to Ksh400 million in additional spending and thus they were much lower than the measures targeted towards the business sector.

As well, to cushion the economic effects of Covid-19 Pandemic, the Ministry of Labour and Social Protection made available an additional Ksh10 billion for cash transfers. This was a continuation of the Inua Jamii cash transfer programme. On 19th February 2021, it was reported that Inua Jamii cash will give Ksh8.7 billion to 1.1 million Kenyans, arrears for the previous year.

4.2. Sierra Leone – Some Ebola Lessons Learned with Slow Implementation

Figure 6: Sierra Leone announced spending adjustment: $US 0.084 bn / 2.03% of GDP

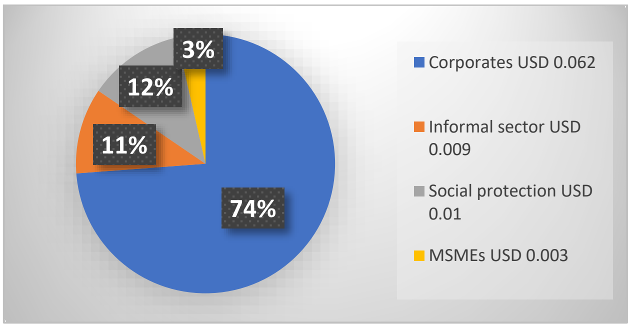
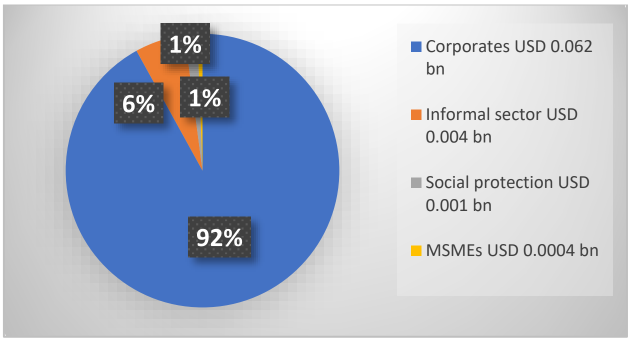


Figure 7: Sierra Leone actual spend $US 0.07 bn / 1.63% of GDP



In Sierra Leone, the devastating Ebola epidemic of 2014 prompted the government to take early action including to raise awareness about the epidemic and encourage its citizens to observe health protocols. As with many other national responses, support for social protection was a very small proportion of the overall country expenditure, however, there was a strong focus to support SMEs with some support for tackling youth unemployment.

In contrast, the Covid-19 Pandemic occurred against a backdrop of lower than usual crop production, in part because of climate extremes which had increased food prices in 2020.[58] This necessitated the preparation of the 2020 Supplementary Budget[59] aimed at saving lives / livelihoods and continued implementation of critical priorities from the 2020 Original Budget. The government's flagship recovery plan was a 5-pillar Quick Action Emergency Response Programme (QAERP).[60] The total resource envelope was SLL9.21 trillion. Reported QAERP achievements by end of 2020[61] included:

- **Pillar 1:** A Special Credit Facility provided by the Bank of Sierra Leone supported the production, importation and distribution of essential commodities. SLL500 billion was allocated and SLL499.72 billion accessed by 10 businesses at concessional rates of 7 per cent per annum. The National Revenue Authority also implemented a scheme to provide tax deferments to importers and manufacturers of locally consumed essential commodities; SLL108 billion was deferred.[62]

- **Pillar 2:** Tax deferrals granted to businesses (in the hospitality, aviation, transportation, education, security, and health sectors) to continue operations. The government also provided safety net support of SLL4.63 billion to 2,368 workers in the tourism and hospitality industry; each worker received SLL 1.8 million.[63]

- **Pillar 3:** To provide safety nets for vulnerable groups, affordable loans for SMEs were available through completion of the National Micro-Finance Programme. Credit provision of SLL30 billion will be provided by this Fund, of which SLL4 Billion was expended in 2020. The remaining amount will be disbursed in 2021. There was expansion of the cash transfer programme from 35,000 households to 70,000.

- **Pillar 4:** To create employment, advance payments were made for the rehabilitation of 1,835 kilometres of trunk roads nationwide and the completion of 109 kilometres of township streets. These works will provide jobs for about 5,000 young people.[64] Out of the $US 65.6 million budgeted, the government has disbursed $US 38.3 million.[65]

- **Pillar 5:** Assistance for local farm production included 324 metric tons of improved seed rice, 555 metric tons of fertiliser, 10 metric tons of assorted vegetable seeds, extension services, advice for land preparation and fertiliser application. The government also hired tractors for the ploughing and seed harrowing of 6,000 hectares of land for rice cultivation in 10 districts.

The National Commission for Social Action (NaCSA)[66] is championing the social security response targeting vulnerable citizens, with its resources and support from the WB and the European Union. Through the Covid-19 Ep Fet Po Programme (funded by the Government of Sierra Leone, the WB, and the United Nations Children's Fund), the government expanded its existing cash transfer programme implemented by NaCSA from 35,000 households to 70,000. Payments to 35,000 extremely (economically) poor households commenced in December 2020. In terms of implementation, transfers of SLL1.2 billion was completed in 2020.[67] The response, therefore, aimed to cushion the impacts on agricultural industries through disbursement of SLL14.3 billion, which was channelled to 25 SME agribusinesses.[6869] to boost food production and secure supplies of commodities at stable prices.[70]

QAERP faced challenges to it implementation due to a projected shortfall in tax revenues of SLL965 billion. However, with WB assistance ($US 7.5 million)[71], the Sierra

Leonean Government had, by the end of 2020, spent $US 115.05 million on the Covid-19 response which included the implementation of QAERP and social security measures for most marginalised groups. Additionally, the government prepared a comprehensive Covid-19 Health Sector Response Plan, including and allocation of SLL7.2 billion for 11,039 health care workers. Between April 2002 and June 2020 (due to the lockdown periods), the Government provided cash transfers of SLL4 billion to 11,000 orphans, persons living with disabilities, and vulnerable children, and economically poor households. With WB support, the COVID-19 Emergency Cash Transfer Programme also provided assistance totalling SLL37.96 billion to 29,000 informal sector workers[72]. The level of support was a one-off transfer of SLL1,309,000 (approximately $US 130) per household, counted as minimum wage for Freetown for 2 months. Food and other items were also distributed by the NaCSA to 10,000 persons living with disabilities, amputees, orphans, children with autism, and economically poor households. The Government provided a total of SLL4 Billion for this initiative.

In November 2020, the EU through the WB provided EUR4,650,000 to support an additional 36,000 informal sector workers (petty traders, lowly-paid workers and workers in the tourism sector). No disbursements were made in 2020.[73]

4.3. South Africa – Early Action But too Little Relief

Figure 8: South Africa announced spending adjustment: $US 34.55 bn / 9.86% of GDP

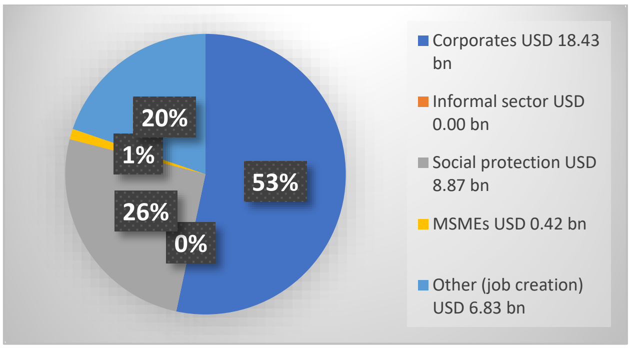
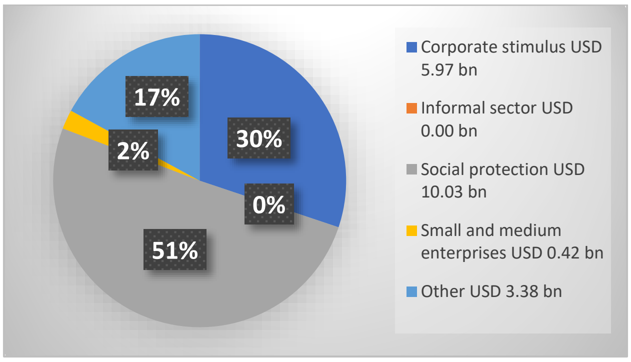


Figure 9: South Africa actual spending adjustment: $US 18.9 bn / 7.0% of GDP



When South Africans entered one of the world's most stringent lockdowns on 27th March 2020, their economy was already performing poorly. By the close of March 2020, there had been three consecutive quarters of declining GDP and the economy was heading for its 3rd recession in three consecutive years[74]. A 'lost decade' without growth in GDP per capita between 2009 and 2019, followed by an expected decline in GDP per capita if up to 10 percent during 2020, implies South Africans will on average be only 15 percent (economically) richer than they were in 1994. In fact, by 30th January 2021, the country had more than 1.4 million Covid-19 infections (then 15th in the world) and 43,951 deaths (then 14th in the world); also, there had been more than 125,000 excess deaths.[75] The National Treasury says the economy will recover to 2019 levels by 2024,[76]; it could take longer with a possible 2nd 'lost decade' until 2030. In this context, the mantra of global stimulus packages was to go hard, go early and go household[77]. Go hard meant that the stimulus should be at least equal to the expected shock to the economy. South Africa's response of about 2.7 percent of GDP was far below the expected shock to the economy, a GDP decline of about 8 percent.

Specifically, there are 3 ways to analyse the South African Government's Covid-19 response. First, one can look at the headline R500 billion allocation, the money that the government or the president had intended to spend. The announcements of relief allocations were initially understood to refer to new money to provide stimulus to the economic shock and decline. The package allocated R276.1 billion or 55.2 percent towards companies in the form of loan guarantees, tax measures and support for SMEs. The R50 billion allocation towards social grants aimed at benefitting the economically poor and most marginalised in society was equivalent to only 10 percent of the announced package. The R40 billion off-budget allocation towards those who were temporarily unemployed was equivalent to 8 percent of the package. The remaining R140 billion went to other government functions.

Second, one could only look at the R219.3 billion that was spent and the tax measures of R70 billion. The three components of actual spend were R145 billion by the government which included R48.7 billion on social grants and food aid; R56.8 billion that the Unemployment Insurance Fund (UIF) spent; and R17.5 billion on loan guarantees. The support for businesses was R93.6 billion or a 1/3 of actual spend, and tax measures of R289.3 billion. This comprised tax measures of R70 billion, support for SMEs of R6.1 billion) and loan guarantees of R17.5 billion. Spending on the temporarily unemployed and social grants was 19.6 percent and 17.3 percent of the total respectively.

One could look at the actual or real stimulus provided to the economy as well. The stimulus was R136.3 billion or 2.7 percent of GDP. It comprised of the R36 billion increase in non-interest spending by the South African Government; the tax cuts (as opposed to temporary tax deferrals) of R26 billion that resulted in lost revenue; R56.8 billion that was spent by the UIF and the loan guarantees of R17.5bn.

Third, a number of the funds were in fact reallocations away from social spend which complicates analysis of the progressive or pro-poor nature of the reallocations. Most of the above allocations were not new money. These were financed with equivalent budget cuts from national departments of R54.4 billion, provincial departments of R33.8 billion, and local governments of R12.6 billion. Other adjustments included a downward revision of R8.1 billion due to tax reductions (a tax holiday of the mandatory skills development levies) that were provided to companies. For example, the supplementary adjustment budget shows that there was an allocation of R21.5 billion for health; only R2.9 billion was new money. There was an allocation of R20 billion for municipalities, and only R11 billion was new money. There was an allocation of R12.5 billion for basic and higher education, whereas, the net spending cuts were R2.1 billion and R9.9 billion in basic and higher education.

Our research shows that 55.2 percent of this original relief package was targeted towards companies rather than people. The R50 billion allocation towards additional social grants (or social assistance revenue-funded cash payments) was equivalent to only 10 percent of the package. Five times more was allocated towards companies than what was supposed to go towards grants. The allocation towards companies was almost twice than what went to the economically poor. There were also provisional allocations of R19.6 billion for job creation and R3 billion for the Land Bank. The allocation towards the struggling Land Bank had nothing to do with the Covid-19 response, as it was an old policy.

The National Treasury announced a supplementary adjustment budget that allocated only R145 billion towards the Covid-19 response. Therefore, R45 billion of the R190 billion (referred to above) was not allocated. The R145 billion allocation itself was offset by budget cuts of R109 billion. This means that the increase in non-interest expenditure – the new money or real economic stimulus – was only R36 billion or 0.7 percent of GDP.

On 15th October 2020, South African President Cyril Ramaphosa announced a reconstruction and recovery plan. This plan recycled old infrastructure projects and committed no new money. On 28th October 2020, the medium-term budget policy statement (MTBPS) made no changes to the fiscal envelope. A further unplanned R10.5 billion allocation to South African Airways was financed through further budget cuts. The MTBPS included a R12.6 billion employment stimulus that would create 800,000 temporary jobs at the minimum wage of R3,500 a month. The extension of a social relief of distress (SRD) grant of R350 a month would cost R6.8 billion. MTBPS and SRD would be paid out of R19.6 billion which had been provisionally allocated during the supplementary budget for job creation. Of further concern is that the $US 100 billon that President Ramaphosa said would be spent on job creation, would now be spent over three years.[78] So some announced measures for 2020 were not intended to be implemented in the same year.

On 21st April 2020, President Ramaphosa said the South African Government would direct R50 billion towards relieving the plight of those who were most desperately affected by Covid-19. To reach the most vulnerable families, the government decided on a temporary 6-month social assistance means tested grant. This implied that child support grant beneficiaries would receive an extra R300 in May 2020; and from June 2020 to October 2020, they would receive an extra R500 each month. All other grant beneficiaries would receive an extra R250 per month for the next 6 months. In addition, a special social relief of distress grant of R350 a month for the next 6 months would be paid to individuals who are currently unemployed and did not receive any other form of social grant or UIF payment. Treasury provided further details of the financing; only R25.5 billion of the R40.9 billion allocation was new money (stimulus).[79] This was because R15.4 billion was not payable in the 2020/21 financial year due to early payment of social grants.

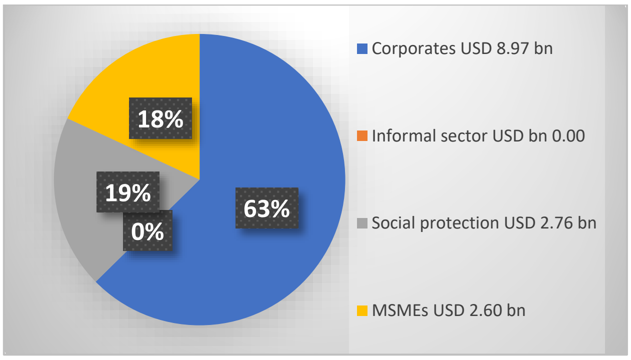
The government topped up the child support grant (CSG) aimed at 12.8 million beneficiaries, with a one-off top up by R300 in May 2020. Grants were to be received by adult caregivers on behalf of the minor targeted children; most being women caregivers to received R445 for each child *(below the official food poverty line of R585 a month)*. Treasury then announced that the South African Government would provide R500 to each caregiver and not to each beneficiary or child which is what many South Africans had understood President Ramaphosa to have said. As a result, the grant would go to 7.2 million beneficiaries which is far fewer than the 12.8 million proposed.

Notably, between May 2020 and October 2020, the government topped up all other existing social security payments by R250 = a month. The payments to caregivers and the top-ups were stopped by the close of October 2020. The SRD grant was further extended for 3 months until the close of January 2021 after much advocacy by social justice activists.

Our analysis shows that women directly received almost half of the R48 billion increase in social grants during the 2019/20 fiscal year. This related to payments for the 1-month top-up of the CSG and the caregiver grant, which was paid for 5 months. Women and men are beneficiaries of the other grants. However, women who received the CSG on behalf of children and the temporary caregiver's grant were not eligible to receive the SRD; and so the SRD is skewed towards men.

4.4. Bangladesh – Poor Uptake of Support to MSMEs

Figure 10 Bangladesh: Stimulus of $US 14.3 bn / 4.51% of GDP



A study by Citizen's Platform for SDGs estimates that the employment of at least 13 million people were at risk due to COVID-19, or about approximately 20 per cent of the Bangladesh labour force. [80] The Centre for Policy Dialogue (CPD) estimates that an additional 17.5 million Bangladeshi could have fallen below the economic poverty line as a result of the Covid-19 Pandemic, increasing the national (upper estimate) poverty rate to 35 percent (up from 24 percent in 2016).[81]

The Government of Bangladesh's response centred on minimising loss of life, avoiding hunger, retaining jobs and reducing loss of output. Monetary easing for banks and financial institutions, deferment of loan repayments, buying back of treasury bonds and increasing allocation to the Export Development Fund accompanied measures for cheaper credit to assist the economic recovery. Only a limited number of fiscal measures were taken, increasing allocation to the Ministry of Health and Family Welfare and removal of duties / taxes on imported goods required to fight COVID-19.

The government announced 21 stimulus measures amounting to BDT121,353 crore[82] in 2020.[83] This amount is equivalent to just 4.34 percent of the GDP.[84]. Most of these provided liquidity support.[85] By far the largest allocation went to providing working capital facilities for the affected large industries and service sector organisations (BDT 40,000 crore). There was a (BDT 20,000 crore) allocation to working capital facilities for SMEs, as well as a special fund (BDT 5,000 crore) for salary support to export oriented manufacturing industry workers (most of whom are female). Additional support to business enterprises included loans and credit guarantees. In total, direct support to business entities amounted to BDT 11,530 crore.

There have been also a number of fiscal measures announced in the 2021 national budget, including upwards revision of the annual tax-free threshold for personal income tax; and reduction of the corporate income tax rate to 32.5 percent for non-publicly traded companies and 25 percent (unchanged) for publicly traded companies. Tax holiday facilities were expanded for 7 newly-emerging manufacturing sectors and continued for 26 sectors. All import duties and taxes related to health services during the COVID-19 Pandemic were exempted, and duties rationalised. Import of raw materials were allowed at a concessional rate to provide protection and encourage expansion and diversification of a number of export-oriented sectors. The fiscal impact of these measures is unknown, and thus represents a hidden stimulus not included in the figures above, making the overall stimulus skewed towards business support in the form of tax cuts and tax holidays.

Overall, 80 percent of government support was earmarked more widely for business entities, with only a limited share for SMEs and the agriculture sector. Implementation of measures targeting SMEs, farmers, and small traders was surprisingly low. By October 2020, just 32 percent of the allocation of working capital facilities was to SMEs, and 45 percent of funds for agricultural refinancing was disbursed.[86] It was reported that about 76 percent of the MSMEs were not aware of the stimulus packages available from financial institutions.[87] SMEs and new as well as small entrepreneurs found it difficult to access the loans.[88] A cautious stance by lenders in view of the fragile health of SMEs could also have been a barrier.

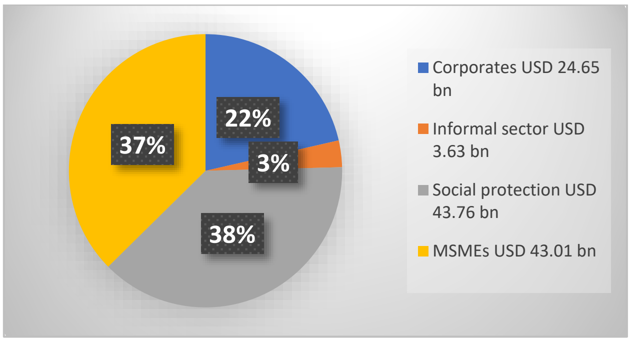
Twenty percent of the total allocation for stimulus measures was dedicated towards social protection. Amongst 11 social protection measures, only 4 were new while the rest were expansion or enhancement of already existing social safety net programmes (SSNPs). The new programmes include special honorarium to doctors, nurses, and health workers; health insurance and life insurance for frontline government employees; distribution of cash among the targeted populations and SSNPs for unemployed and low-income workers of export-oriented industries. Distribution of subsidised rice was well executed with 100 percent disbursement. By October 2020, a BDT 2,500 cash transfer to low-income households reached 3,497,353 households (25 percent female-headed; 75 percent male-headed) or (70 percent disbursement) despite facing technical and administrative challenges. Disbursement of agricultural subsidies was also satisfactory at 76 percent.[89]

Bangladesh's stimulus package was much lower when compared to most other countries in the Asia region. Bangladesh ranks 22nd among 31 Asian countries in terms of the size of stimulus packages and as a share of GDP. Pertaining to per capita allocation of stimulus, Bangladesh ranks 23rd.[90] The composition of Bangladesh's response was heavily skewed towards working capital loans with concessional interest rates. Given the current state of the economy, there are concerns about whether the recipients of these loans will be honoured, at least in the short-term.

The stimulus packages in Bangladesh had marginal impact on employment, reaching only an estimated 8 percent of the employed population by November 2020.[91] Slow implementation of packages for SMEs and agriculture resulted in missing the targets set for employment creation and protection. Regrettably, the packages did not provide adequate attention to marginal sectors as well as marginalised population or areas reflected from the utilisation rates. Indeed, the designs of these packages do not incentivise the employers to sustain employment.

4.5. India – Deregulatory Policies add to the Pro-Corporate Stimulus

Figure 11: India: $US 115.05 bn / 4.44% of GDP



Note: in the case of India, while announced MSME measures are included, we consider that we cannot actually distinguish SMEs from the rest of the corporate sector as SMEs after the revised definition encompass most private companies, from the micro to the larger-sized, essentially excluding only the largest corporates.

Although India's handling of the Covid-19 Pandemic (e.g. number of cases and deaths; efficacy of its lockdown) has been mixed, its fiscal response has been undoubtedly insufficient.[92] The lockdown policies revealed age old inequalities, especially the sheer number of urban informal workers having to return to their villages as their economic livelihoods were negatively affected. [93]

The stimulus package, announced by Indian Prime Minister Narendra Modi on 12th May 2020 proposed measures totalling around 10 percent of India's US$2.9 trillion economy. The size of the package directed towards social protection measures was estimated to be between 0.8 and 1.2 percent of India's total GDP.[94] In fact, after the round of stimulus announced on 12th November 2020, India's Finance Minister Nirmala Sitharaman said that the total stimulus (along with the measures taken by the Reserve Bank of India to create easier access to credit) titled as 'liquidity' amounting to approximately Rs30 lakh[95] crore, a figure covering 13% percent of GDP, mostly easing monetary policy to provide more loans

Equally important, the actual spending entailed by the package, as well as that portion of it exclusively directed towards social protection, is inadequate.[96] As well, the portion of the stimulus package for social protection was much lower than other fiscal measures. According to the IMF[97], in-kind and cash transfers to lower-income households amount to 1 percent of GDP; wage support and employment provision to low-wage workers take up about 0.5 percent of GDP; insurance coverage for workers in the healthcare sector; and healthcare infrastructure about 0.1 percent of GDP. However, these must be compared against the OECD's estimate of 0.8 percent in total going to social protection measures. The corporate stimulus is not measured adequately, as tax cuts and other business support beyond SME loans tend not to be costed.

Even in the most generous estimate of India's social protection measures during the Covid-19 Pandemic (about 2.2 percent of GDP), it is dwarfed by the below-the-line measures, implying measures that are not transparently budgeted (5.2 percent of GDP) and designed to provide liquidity as well as support to businesses. This shoring up of credit is not necessarily regressive, since it does support farmers, low-income households (focused especially on migrant and agricultural labour), as well as state-run electricity distribution companies.

A large amount of the credit relief provided by the stimulus package is directed towards the MSME sector, whereas, an attendant legislative policy with the relief package changed the definition of the various components of the MSME sector. This effectively increased the investment limit used to define MSMEs, in each case doubling the previously defined limit to allow much larger companies (in terms of investment and turnover), removing as well as the former distinction between manufacturing and service branches of the MSME sector. The economic rationale for increasing the limit in a fast-growing economy is evident. However, the government's amendment allows larger companies to access the bailout corpus intended for MSMEs, at the inevitable expense of smaller businesses.

Various other measures were taken by the government to facilitate businesses by definitional and substantive changes[98]. This commitment then indirectly includes reducing corporate income taxes and employer related social protection payments whilst creating a less protected labour market. Business support policies include the decriminalisation of various offences under the Companies Act, 2013, including inter alia, inadequacies in Board reporting, delay in filing defaults and the holding of annual general meetings. Furthermore, the government amended the Insolvency and Bankruptcy Code, 2016, to increase the threshold for initiating insolvency proceedings, and importantly, suspending all new claims of insolvency until the period of the Covid-19 Pandemic and excluding all Covid-19 related debt from the ambit of analysing default risk. These measures seek to prevent insolvency proceedings during this time also allows for companies that had been teetering on the edge of default (prior to the pandemic) to continue operations.

An important move by the government is the move to reform of the agriculture sector. It was, in fact, announced alongside the bailout package.[99] The new policy involved changes to the Essential Commodities Act, 1955; an act designed to control the production, supply and distribution of certain food commodities in order to avoid scarcity and hunger. The policy removes certain commodities including pulses, cereals, and edible oils from the list, allowing deregulation and enabling competition in the sector. The government also moved to remove the requirement for keeping stocks of these commodities. As well, the policy includes reforming the Agricultural Produce Market Committees, the monopoly market for agricultural products, ostensibly to reduce the profits made by middlemen and traders. However, farmers have protested the bill, arguing that it will allow for the entrance of large companies to set prices and thus make higher profits due to their market power and determine pricing at the whims of the market rather than stabilising prices to manage cash-flow and protect margins of small producers. The fate of these bills and the effects of the farmer protests are yet to be seen in the larger context of the Covid-19 response, liberalisation of India's economy and benefits towards corporate power.

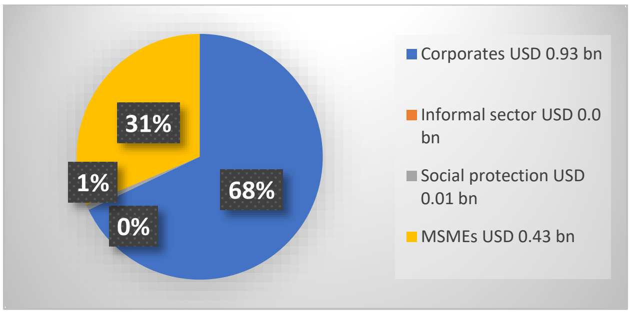
The national government increased its fiscal deficit allowance to 9 percent for 2021, and also revised the deficit allowance to 6.8 percent by 2022. This contravenes the Fiscal Responsibility and Budget Management Act, 2003, a key measure in the liberalisation of India's economy, revealing that in a crisis, some changes to past liberalisation policies can be made.[100] It has been argued[101] that even this deficit may not be sufficient, and that India's debt-to-GDP ratio is low enough (having risen from 68 to 85 percent during the Covid-19 Pandemic)., Given a healthy growth rate, India can easily afford to increase its fiscal deficit. Although the national government has promised to borrow more, resulting in an increased deficit, they have not declared any progressive measure to raise tax revenue such as increased and more efficient collection of wealth, capital gains or corporate taxes (or even reversing some of the tax holidays given in Special Economic Zones around the country).

Also, the Indian government declared that they would still follow through in its long-standing ambition of disinvesting in India's major public sector companies. In the 2020 budget, India's Finance Minister announced the privatisation of 2 public sector banks, a shift away from a previous policy goal of financial inclusion via public sector banks,[102] as private banks are less likely to invest in less profitable rural areas.[103] Public banks and financial institutions are important in terms of channelling loans to SMEs in India, and its success in channelling most of the planned loans is partly due to public sector enterprises who actually bank with small-scale farmers and some urban informal people and can thus extend credit.

Our analysis does not cover the many actions taken at the state level. An important issue in the relationship between the central government and states was the dispute over the payment of goods and services tax (GST) during the Covid-19 Pandemic.[104] Partly due to a GST revenue shortfall, many state governments have gone into further debt to expand social protection and, in some cases, are more tilted towards social protection.

4.6. Nepal – Political Crisis affecting Covid-19 Relief Efforts

Figure 12: Nepal: 1.37bn / 4.26% of GDP



Nepal was severely hit by a combination of lost remittances, plunging tourism and restrictions to cross border trade. The impact on SMEs were keenly felt, with 3 out of 5 employees losing their job. No specific support was provided for the tourist sector to reduce the impact. Women, who typically work in industries that are less tele-commutable (e.g. hospitality, wholesale, and retail) were disproportionately affected, and gender inequalities were compounded by pre-existing gender inequalities. UNDP survey results indicated that 28 percent of Nepali men lost their jobs during the lockdown, compared to 41 percent of Nepali women. This is at least partly due to women being more likely to being in informal sector work. Labour laws had prevented layoffs of men to some extent; workers still faced loss of pay and income protection or job protection schemes were not in place. While 31.5 percent of the total workers lost their jobs, 74 percent had not been paid since the lockdown started. Twenty percent of female respondents and 7 percent of male respondents were skipping meals[105].

Many of Nepal's economically poor survive on remittances from Nepali workers abroad. However, there has been a sharp improvement in remittances, initially on a massive plunge to NPR34.5 billion in April/May 2020[106] (from NPR79.2 billion in March/April previous year). Figures Central Bank state that remittance inflows for mid-July to mid-September 2020 has increased 8.1 percent to NPR165.73 billion in the review period against a decrease of 0.6 percent in the same period of the previous year. As wider knowledge on money inflows into Nepal suggests, the said increase has more to do with a reduction in informal Hundi money flows than with a real increase. Channelling of informal transfers to formal transfers due to movement and travel disruptions is one of the major reasons for the growth of amount. Hundi money flows tend to be transacted face-to-face; and are offset often against illicit and undeclared trade in goods. Hundi or illegal ways (including holding foreign earning abroad to avoid custom duty in Nepal, carry gold instead of cash by returnees for smuggling) of sending the money could be possible. Now some of these illegal transfers have gone through the banking system, providing an uptake in recorded money transfers.

To finance virus control and treatment, the Nepal Government diverted NPR136.60 billion of its 2019/20 budget allocation from 14 less critical budget lines.[107] NPR6 billion was set aside for control and management of the Covid-19 response and NPR12 billion to upgrade healthcare capacity. The overall budget of the Nepal Ministry of Health increased to NPR90 billion to address pre-existing disease burden. These were mainly funded by new lending from multilateral donors. The Asian Development Bank approved a $US 250 million concessional low-interest rate loan to help the Government of Nepal fund its response to the Covid-19 Pandemic. The World Bank provided $US 10.85 million to support learning and build resilient education sector.

The Nepal Government also set aside NPR50 billion to support SMEs with a particular focus on the tourism sector, including soft loans, rebates on income tax as well as electricity waivers for hotels and restaurants. Nepal Airlines was exempt from parking and infrastructure fees, and tax on aviation fuel was also waived for domestic carriers. The budget set aside NPR19 billion for the development of international airports, including preparations for Nijgad (a non-priority for many Nepalis).

There was an increase in concessional lending with the aim of developing new start-up companies, increasing production and creating employment through refinancing of businesses. For instance, NPR 87.87 billion was approved until mid-February 2021, with 60,879 borrowers benefitting by mid-January 2020. Out of this, NPR76.59 billion was disbursed to 33,817 borrowers in the agriculture and livestock sectors. On 29th April 2020, the Nepali Central Bank, Nepal Rastra Bank, and other financial institutions announced that loans repayable by individuals and businesses in mid-April 2020 could be postponed to mid-July 2020 and repaid in monthly or quarterly instalments without interest during this period.

Additional taxation measures included a 25 percent income tax exemption for persons earning up to NPR 1 crore and relaxations of VAT for businesses. SMEs with taxable financial transactions of NPR2 million enjoyed a 75 percent tax reduction; medium enterprises at NPR2.5 million had a 50 percent tax reduction; and large businesses had a 25 percent tax reduction. The tourism sector (e.g. airlines, transportations, hotels, travel agencies, and trekking companies) received a 20 percent reduction. However, thousands of small vendors and other informal businesses that were not registered for tax reductions were excluded.

According to the Annual Report 2019-2020[108] of the Inland Revenue Department, tax dues increased to NPR103.67 billion *(from NPR96.56 billion in the 2018/2019 fiscal year)*[109]. The highest dues are related to income tax followed by VAT and excise duty. As per the Section 21 (3) of the Financial Act 2020[110], the tax authority asked taxpayers to submit their tax details and pay the tax including a 50 percent fine on the top of the tax dues by mid-March 2022. A waiver of these fees and interests was then made in November 2020, when the tax authority also announced a similar scheme for the income taxpayers who had failed to submit tax details and taxpayers. As many as 280,638 taxpayers[111] were expected benefit.

Additionally, NPR1.5 million was allocated to insurance coverage under Beema Samiti (Insurance Regulatory Authority of Nepal) for protection of frontline workers, although there were complaints that this benefit did not compensate for increased risks and working hours, and many claimants still have not received benefits despite completing a lengthy application process. Of 1,711,000 Nepalis insured (up to 14th December 2020), 17,235 submitted claims and just 8,145 received compensation amounting to a total of NPR850 million.

Beema Samiti amended its Covid-19 insurance policy criteria after 5 months during the Covid-19 Pandemic. As per the amended policy, those staying at their home or in hotel isolation would receive only 25 percent of the insurance amount; and those receiving treatment (in hospital) would only receive 75 percent of the claimed amount. By 4th June 2020, the insurance policy that was included in the budget for fiscal 2020-21 has been put off by Nepal until further notice. However, the Government of Nepal decided to pay the premiums for government employees.

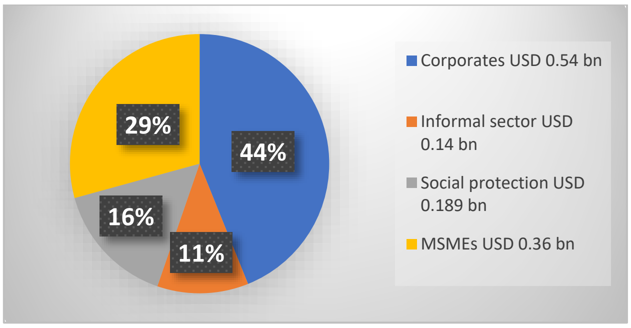
Support for vulnerable groups was mostly provided by provincial government allocations amounting to a total of NPR177.7 million. This package was offered in the initial months; there was nothing except hindrances to the economically-poor. By October 2020, for example, the government decided not to bear test and treatment expenses of Covid-19 patients. The Spokesperson at the Ministry of Health and Population said that the cost of the Covid-19 test and treatment for Covid-19 should be borne by the individual. The decision was made effective (on 18th October 2020) and applicable at all government and non-government hospitals / laboratories. In line with the federal government, the local bodies stopped tracing the contacts of the infected and started charging for isolation services. As a result, many economically-poor and marginalised people were denied their right to know about their Covid-19 status.

Moreover, two ministers were accused of corruption while procuring medical equipment to fight the Covid-19 pandemic. This was compounded with the ill-timed political controversy.[112] By and large, Nepali people have been negatively affected by the Covid-19 Pandemic while simultaneously protesting about the lack of transparency within government departments.

Many Nepalis feel that its government has been insensitive, partial and discriminatory towards them when it comes to providing patients access to health facilities; distributing relief materials / vaccines; and conducting rescue operations or testing for Covid-19. Many cite lack of financial strength within Nepal as primary contributor to the above irregularities.

4.7. El Salvador – Tax Cuts compounded Fiscal Deficit

Figure 13: El Salvador: $US 1.23 bn / 4.96% of GDP



The economic shock that accompanied the Covid-19 Pandemic and associated domestic / international mitigation measures saw 2019 GDP growth (in real terms) of 2.4 percent become a contraction of 7.9 percent in 2020. Household remittances also fell sharply, from $US 5.6million[113] in 2019 to $US 4.4million in 2020.[114] Estimates suggested a loss of approximately 60,000 jobs by the end of 2020[115] and an increase in the proportion of people living in poverty from 28.4 percent to 38.3 percent (to be reduced by transfers and government measures to 36.7 percent in the post-Covid period).[116] There is also an expected decline in middle-income (individuals with incomes between $US 12.5 and $US 62 per day) from 22.5 percent to 16.8 percent% of the population.[117]

El Salvador's 2020 tax revenues are estimated to be $US 4249.6 million, $US 623.6 million less than the expected. This was partly due to the decline in economic activity. However, there were also planned tax deferrals and exemptions. These included deferrals without surcharges, penalties or interest on payment of annual income tax declarations for 2019, with special emphasis on the tourism sector, electric power generation, provision of internet and television services. Income tax revenues were expected to be $US 1,877.6 million, $US 194.8 million less than the 2020 goal of $US 2,072.4 million. VAT collection also fell from the 2020 goal of $US 2,315.9 to $US 1,987.5 million by December 20202, a reduction of $US 328.4 million.

To support struggling companies in El Salvador, $US 600 million was allocated for granting loans to companies registered as employers in the Salvadoran Social Security Institute with priority for MSMEs $US 360 million and for entrepreneurs in the informal sector ($US 100 million). Additionally, $US 400 million was managed to reinforce the general budget for the refund of VAT to exporters, for an amount of $US 100 million and payment of obligations to private sector suppliers with an allocation of $US 300 million. There wa also an initiative to create loans for the agricultural sector.[118]

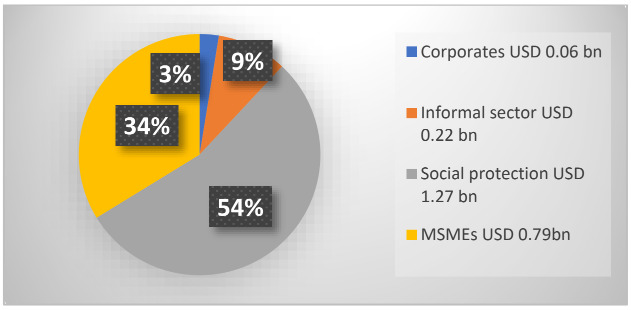
Temporary unemployment subsidy was granted to workers to preserve their purchasing power during periods of unemployment caused by the lockdown and closure of companies. The El Salvador Government created the Subsidy Programme for employees of MSMEs registered in the ISSS for up to $US 140 million. This provided a monthly allowance per company of up to $US 22,500 and a maximum benefit per employee of $US 500, over a maximum of 2 months. These corresponded to monetary transfers to households with an estimated level of 1.5 percent of GDP.

Grant transfers to households affected by the Covid-19 Pandemic (without employment or permanent income) were provided a one-time only transfer of $US 300 to households that consume less than 250 kilowatt hours of electricity. Cash transfers were complemented by food distribution, for which the Government of El Salvador invested about $US 28 million. The Ministry of Education delivered food to the families of 315,000 students enrolled in 83 municipalities living in economic poverty and with high levels of malnutrition. There were also measures to cap prices for essential food items and to defer or restructure loans to national banks.

In terms of financing these measures, El Salvador had an estimated reduction of tax collection of $US 623.6 million in comparison with goals approved for the year, mostly in reduced VAT collection and also in reduced corporate tax collection at an estimated $US 194.8 million. On the debt side, a new bond of $US 2 billion was issued to finance recovery efforts, while another bond of $US 1 billion was issued thereafter. The IMF approved a loan of $US 389 million from its emergency lending facilities, while the Inter-American Development Bank lent $US 515 million in two projects towards municipal financing, agriculture, mitigation and prevention of disasters, private sector investment, hospital construction, a assistance towards veterans and former soldiers as well as emergency and recovery efforts. Only assistance towards veterans and former soldiers as well as emergency and recovery efforts (worth $US 30 million) could be counted towards social protection measures. The Central American Economic Integration Bank provided $US 660 million in budget support, to be allocated to social protection measures. The World Bank lent $US 20 million, the same amount as International Bank for Reconstruction and Development.

4.8. Guatemala – Mainly People-centred Response in Narrow Fiscal Space

Figure 14: Guatemala: $US 2.34 bn / 3.07% of GDP



According to the United Nations Economic Commission for Latin America and the Caribbean (ECLAC), the Covid-19 Pandemic increased economic poverty rates in Guatemala from 48.6 percent to 51.6 percent in 2020. Extreme economic poverty increased by from 19.8 percent to 22.7 percent.[119] The Central American Institute for Fiscal Studies (ICEFI) estimated that just over 206,000 layoffs in Guatemala - 60,000 which taking place in the country's formal sector and the rest to the informal sector.

For 2020, the budgeted figures anticipated a tax share of GDP to fall from 10.4 percent to 10.1 percent of GDP, given the impacts of the lockdown measures on various economic activities. Under this scenario, the total impact on taxation in 2020 would be estimated to reach $US 483.2 million.

Financial sources for the Covid-19 response were approved by the Guatemalan Congress in Decree 12-2020, which was approved for $US 472.5 million for external public indebtedness.[120] Decree 13-2020 approved internal public debt for $US 1,417.0 million and Decree 20-2020 approved indebtedness for $US 662.0 million. There were also loans for justice sector modernisation ($US 16 million), road infrastructure ($US 5.2 million) and modernisation of the public ministry ($US 13.5 million). An IMF loan package was agreed in June 2020, worth $US 594 million.[121]

In response to the Covid-19 Pandemic, Congress approved three budget extensions totalling Q19.806 million ($US 2,551 million)[122] and amounting to 3.4 percent of Guatemala's 2020 GDP, providing support for vulnerable families, protection of employment and aid to companies. These extensions were approved through Decree 12-2020[123], Decree 13-2020[124] and Decree 20-2020.[125] In addition, Decree 12-2020 authorised municipalities to make direct purchases aimed at addressing the Covid-19 Pandemic. Despite timely approval by Congress, the Government of Guatemala delayed implementation, in some cases, adjusting the budget operations until June 2020 which generated citizen unrest as well as growing discomfort and disapprobation against the Government.

Business support measures were mainly in the form of loan provisions at preferential interest rates as outlined in Figure 15. Some were executed by the National Mortgage Credit Institution (CHN), a State-owned bank, to provide loans to businesses[126]. There is almost no information on actual execution and results. Some reports and press notes indicated that implementation was incomplete.

On 11[th] April 2020, the Government of Guatemala announced 10 measures to tackle the economic crisis:

Figure 15: Guatemala's Recovery Plan

Spending item or area	Value (in Q million)
Food delivery to families of primary-school children in lieu of spending to finance school refreshments for 2.4 million children for 3 months.	450
National Mortgage Credit Institution administered fund for working capital to deliver 60,000 loans to SMEs.	2,700
Extension of electricity social tariff subsidy for homes consuming up to 300 kilowatts (Q650 million estimated to benefit 2.8 million homes).	650
Risk bonus for health personnel working in hospitals	26
Support for around 1 million families having businesses in the informal sector	1,000
Bono Familiar (Family Grant) income support of Q1,000for 3 months for 2 million households	6,000
Fund administered by the Ministry of Agriculture, Livestock and Food and the Ministry of Social Development fund of $US 89.7 million for assistance to 3.8 million households	700
Extending a programme for elderly persons to assist 8,400 elderly adults.	50
Employment Protection Fund to support workers in the private formal sector.	2,000
Total	**13,576**

Source: Government of Guatemala, ICEFI analysis

The analysis of the disaggregated data of the School Feeding Programme reveals that the official reports are confusing and contain inconsistencies. The analysis of the disaggregation of the indicators and physical goals of the Guatemala Ministry of Social Development revealed serious anomalies in several programmes, since the data recorded in the official reports show that they are the result of an artificial or invented arithmetic operation which is why they are false. For example, in the indicators of the Family Grant, children under 13 are reported as direct beneficiaries of the programme. The number of Indigenous Mayan, Xinca or Afro-descendent Garífuna beneficiaries is exactly the same which is impossible. Only the School Feeding Programme and the Family Grant provided data disaggregated by sex, age and ethnicity.[127]

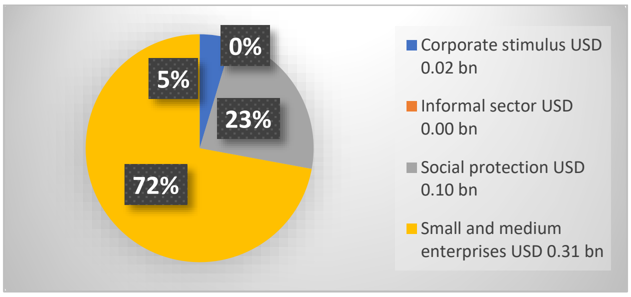
The authorities of both ministries showed openness to the ICEFI initiative in terms of scrutinising the disaggregated data, accepting the existence of the anomalies, listening to the recommendations made and promising to correct them improving the clarity of the reports as well as to guaranteeing the quality and veracity of the data. The Guatemala Ministry of Finance offered to work so that the disaggregation by sex, age and ethnicity appears as a commitment in 2020-2022, and ICEFI reiterated the need to include budget execution rules to establish it as an obligation during the fiscal year 2021, with improved standards to ensure coverage and quality of information.[128]

There was much discussion among civil society[129] and political opposition represented in Congress about whether these measures reached the most vulnerable population, and the slowness of their implementation was repeatedly questioned.[130] Protests erupted after the Government of Guatemala vetoed a law Congress had approved, providing for a moratorium on the payment of water, electricity, telephones and internet services, and also prohibiting cutting off of supplies during the Covid-19 Pandemic. The veto was rejected by Congress and the provision did enter into force. Companies providing said services agreed not to make cuts in essential public services and to offer payment agreements for the subsequent payment of debts accrued.

Serious corruption scandals erupted in the Ministry of Public Health and Social Assistance and in other key agencies. As well, serious fiscal opacity plagued the execution of some programmes, where the Central Government transferred financial resources to decentralised and autonomous entities, and in one case an international agency in charge of implementing the programmes. The situation derived in an important crisis in November 2020, when the approval of budget 2021 detonated fierce citizen demonstrations in rejection of it. The legitimacy crisis of Government of Guatemala forced the government to cancel the approved budget, reducing even more the fiscal possibilities to expand or improve a Covid-19 response.

4.9 Honduras – Tax Amnesty and Lack of Fiscal Space Resulted in an Inadequate Response

Figure 16: Honduras: $US 0.43 bn / 1.79% of GDP



According to estimates by ECLAC, economic poverty rates in Honduras will increase from 54.8 percent to 59.0 percent. Also, extreme economic poverty is estimated to rise by 3.5 percent.

The Government of Honduras' response to Covid-19 was to an increase in public spending which was financed by a 2 percent cut in all the majority of public spending; the areas of health, education, energy, security and defence were not affected. A spending plan of L6.0 billion included a Invest Honduras programme which had the greatest allocation of 35.2 percent towards agriculture, food security and the economic crisis, while 11.6 percent went towards social protection and employment. It is worth noting that Invest Honduras was the main target of alleged corruption investigations by civil society actors such as CAN during the Covid-19 Pandemic.[131]

The major governmental intervention during Covid-19 was assistance to SMEs. A guarantee fund (L2.5 billion) was opened in April 2020, financed largely by the Central American Economic Integration Bank. Further financing was provided by the Central Bank in terms of loan guarantees worth L5 billion, split evenly between larger businesses and MSMEs. World Bank provided a loan of $US 75 million towards rural enterprise development, and another $US 85 million for irrigation projects. The Inter-American Development Bank financed rural development and productivity with loans worth $US 90 million.

A significant tax measure in Honduras was the extension of a tax amnesty until 25 May 2020[132] which applied to all natural and legal persons with tax arrears. Customs tax amnesty was also provided for all unpaid taxes, with very little paperwork asked. This tax amnesty, an example of the hidden stimulus, is unknown in terms of its scale up to date. Honduras has had periodic tax amnesty programmes that tend to benefit the largest companies and wealthiest individuals in wiping out their tax debts and allowing them to present some unpaid taxes to be exempted of all past taxes evaded without much evidence if the right amount was paid in the end.

The Government of Honduras also decided to exempt tourist businesses from taxes, again following a pattern of choosing champion sectors in the economy. Again, the total amount of tax exemptions to tourist businesses were not calculated due to lack of data about tax revenue foregone. In terms of tax collection, it is estimated that tax collection dropped by 27.8 percent[133] representing a fall of L15.5 billion according to the Honduras Ministry of Finance, while the tax authority estimated a drop of tax collection by 23 percent.[134] The hole in revenue collection was filled mostly with new debt; in 2020, new debt totalling $US 3.5 billion was added to the public debt burden.

The Government of Honduras, with the support of the United Nations Development Program (UNDP), launched the Bono Único, a social protection initiative aimed at supporting the most vulnerable population affected by COVID-19 in Honduras. The Single Grant is a subsidy of $US 82 (2,000 Lempiras) delivered once through an electronic voucher that can be exchanged for food, medicine and / or medical supplies, benefitting to 260,000 people in the country for a duration of three months. The programme was worth L1.07 billion (an estimated $US 45,4 million). It is estimated that 57% of the Bono Unico grants were received by women.[135] The grant was transferred via a mobile phone platform, and the voucher could be used in certain supermarkets, pharmacies and other authorised points of sale for a duration of 30 days.

Meanwhile the "Honduras Solidaria" programme was a programme where food and other basic hygiene items were distributed to roughly 800,000 of the most vulnerable families in the country, accounting for about 3.6 million people (roughly one third of the population in three phases). The selection was based criteria including poverty, disability, elderly and early childhood, among others.[136] The implementation of this operation was in two parts, one was centralised (an estimated L659.5 million) where soldiers of the armed forces delivered the food parcels in the seven municipalities most affected by Covid-19, while the other part was decentralised (an estimated L728.7 million) where the remaining 292 municipalities arranged for the delivery of the parcels themselves.[137]

5. Conclusion

In the 9 countries analysed (Bangladesh, El Salvador, Guatemala, Honduras, India, Kenya, Nepal, Sierra Leone, South Africa), low social protection spending during the Covid-19 Pandemic is linked mainly to the lack of fiscal space, inadequate revenue collection and the high debt burden, or high cost of debt servicing which prevents borrowing as a long-term option. Despite the constrained fiscal space, in some countries, there was greater attention to social protection spending than others, showing that political choices matter at all levels.

We find also that OECD and IMF's international fiscal policy guidance provided a rationale for short-term fiscal expansion during the Covid-19 Pandemic. This was supported by crisis period lending in the case of the IMF, citing a similar policy trajectory. For the most part, this guidance did not seek to see the crisis as a possibility to challenge structural gaps and impediments, a matter pointed out repeatedly by civil society actors, the 2021 UN FACTI Panel final report[138] and by IMF in terms of support for at least temporary solidary taxes in April 2021. Much of the recovery discussion lacks a through discussion of structural constraints in the international architecture that defines the policy space for both tax justice and financial transparency issues.

In most cases, the shape of the recovery depended on available financing, and if IMF or WB loans favoured an infrastructure and a private sector-led recovery, then this was also implemented due to loans being earmarked for specific purposes. On one hand, there were positive signals from the IMF leadership in terms of expanding social protection spending during the Covid-19 Pandemic; this having led to increased pressure to do so, at least in Guatemala. On the other hand, a recent report (examining 91 IMF loans during the Covid-19 response) found that 76 included fiscal consolidation measures written into their conditionalities, raising the possibility of future fiscal austerity drives.[139] Private creditors, in some cases, financed the Covid-19 recovery in the form of treasury bonds at a very high cost to citizens in terms of future debt servicing, again without adequate international agreement on debt standstill and debt restructuring these debts will be payable at cost of future austerity policies.

Part of the reason for tax cuts lies in the policy advice by the WB's Doing Business (DB) report and the WEF's Global Competitiveness Report (GCR), focusing on cutting corporate taxes and employer social security contributions, even rewarding additional points for doing so. Bangladesh, Kenya, South Africa, and Sierra Leone the policy goal to improve their DB and/or GCR rankings, thus, indirectly, setting a goal of cutting capital income and gains as well as employer-related social security contributions to improve their scores. This is despite the WB having committed elsewhere to the SDG goal concerning progressive taxation. We consider that the WB is lacking consistency in deciding if it sides with progressive tax policies, and should revise its Doing Business indicator accordingly and drop the harmful goal of cutting taxes from the measures to improve business enabling environments.

Whereas social protection spending should provide sufficient measures to tackle rising poverty and to realise human rights; the adequacy of social protection measures with regard to human rights obligations is hardly measured. Social protection spending is more a factor of available resource mobilisation and existing institutional methods of channelling funds to those most impacted and most marginalised, rather than knowing if the funding is actually sufficient to tackle marginalisation. If the systems were not in place pre-Covid-19, they are hard to scale up during the crisis. There were very few social protection measures explicitly looking at the unpaid care work role that women often perform. In some cases, child- related benefits were increased as was the case of South Africa which was more of the exception, and most marginalised children, including orphans, were among the beneficiary group of social protection grants in Sierra Leone. The lack of disaggregated data means that it's hard to know if the most marginalised were reached, as shown in Guatemala where inadequacies of ethnicity specific data collection efforts showed equal results of beneficiaries across different ethnic groups.

In conclusion, we strongly promote permanent expansion fiscal and social protection systems, rather than a temporary expansion. To do so will require in all of the 9 countries analysed identifying also structural barriers in identifying who has economic wealth due to lack of public registries of beneficial owners in all cases, hence the emphasis on wider financial and fiscal transparency which would make implementing wealth taxes more feasible in terms of administrative resources. It also requires a shift in social norms towards promoting universal social protection systems, such as universal basic incomes and universal social protection floors to prevent anyone falling into poverty. This requires both resource mobilisation, as well as institutions built up to know who are potentially marginalised.

With such expansion, it would be necessary to have measures to tax those who can bear further taxes (i.e. larger corporates and wealthy individuals in terms of solidarity taxes, wealth taxes, or excess profit taxes). As well, permanent expansion of social protection systems requires a reverse of the false narrative which implies that low taxes are good for growth an investment to a nation. Low taxes do not enable global fiscal expansion, the curve cannot be bent in this way. Therefore, a People's Recovery that is just and promotes women's rights and rights of all minorities will begin to monitor and hold to account tax abusers and secretive corporates that drain a country's revenue, and allocate revenues towards social protection systems to prevent poverty and marginalisation.

6. Recommendations

6.1. National Governments

- Tax cuts (on corporates, high incomes or wealth) should not be made since these tax cuts are not progressive measures for recovery spending. Meanwhile, taxes that are in majority borne by women, marginalised persons such as the VAT should not the priority in revenue collection efforts.
- Temporary tax deferrals need to be carefully monitored so that these deferrals do not become permanent or rolled out to become tax exemptions.
- Tax exemptions on corporates, high incomes and wealth should be avoided since they benefit for mostly businesses that may or may not need support. Taxes that are borne by marginalised people with low incomes, can be used for relief measures.
- Increase efforts to prevent corruption, especially in assistance and recovery programs related with the Covid-19 pandemic.
- Critical attention must be paid in public procurement of goods and services for the health systems and for access to vaccines.
- Promote financial transparency, covering all areas of public finances, including procurement and expenditure in general, tackling instances of corruption and fraud; public beneficial ownership registries, public country by country reporting and automatic tax information exchange measures to enable efficient and equitable tax systems.
- Implement the 14 recommendations by the UN FACTI Panel; and adopt the 2020 report's findings, in particular, the proposals for a global minimum corporate tax rate and public beneficial ownership registries.
- Where direct support is given to corporates, provide conditions to this support such as reduced financial secrecy or no /lower dividend payments for a certain period.
- Corporate bailouts must be subject to public scrutiny and legislative oversight, human rights and environmental impact assessments as well as imposing limits on bailouts to businesses that use tax havens.
- Direct public funds to comprehensive social protection systems to ensure universal access to rights to social security.
- All countries should move towards a universal social protection system; if targeting is necessary, then targeting should be agreed upon through informed consultative processes.
- Gather data on the economic and social impacts of the Covid-19 Pandemic (disaggregated by sex, age, ethnicity, race, migratory status, disability and wealth) to better understand the pandemic's differential impacts and address inequalities.
- Recovery and stimulus spending should be allocated and spent transparently, to better understand additional lending from the IMF, WB or other MDBs.
- People's engagement and citizen participation is vital to ensure that the most impacted are included in longer-term recovery and crisis response packages.
- Where businesses receive bailout loans, these should be subject to public scrutiny.
- Before implementing investment attractive measures (especially potentially damaging austerity measures), there should be available alternatives.

6.2. International Financial Institutions

- IMF should systematically identify the likely human rights impacts of its loan conditions or policy advice particularly policy areas like social protection, public services, wage and labour reforms, and taxes[140].

- IMF should ensure that the negotiated loans (current and future) promote progressive fiscal policies among member states.
- IMF should make a decisive shift away from promoting narrowly-targeted social protection programmes. Social spending floors should be compatible with the realisation of human rights.
- IMF and World Bank should engage and support independent civil society in their efforts to fight corruption and impunity and develop open spaces for technical exchange and cooperation, in order to study and support civil society analysis and proposals to improve fiscal transparency, financial transparency and anti-corruption controls. The principles and other work already done by the Global Initiative for Fiscal Transparency (GIFT), supported by the World Bank and the IMF, may be used as an advanced starting point in this direction.
- Remove tax rate-related indicators from WB's DB report and the associated database used by WEF for its GCR-related tax indicators.
- Promote financial transparency in the form of public beneficial ownership registries, public (country by country) reporting and automatic tax information exchange measures to support efficient / equitable tax systems and tackle instances of corruption / financial crime.
- IMF and WB enforce the needed debt relief, and ensure that private creditors are among the actors. Provide further cancellation of developing country States' debts.
- Advocate that IMF and WB support a global minimum corporate tax rate and impose further transparency-related measures on all jurisdictions to eradicate issues of financial and tax secrecy including tax havens.

Annex 1: Methodology

The FTC Covid-19 People's Recovery Tracker quantifies selected categories of fiscal responses to Covid-19 to enable a cross-country comparison; also, to compare financial support provided to corporates, as separate from support to SMEs, informal sector and different social protection and safeguard measures directly to individuals. Our aim was to illustrate how funds provided to corporates, including through tax cuts and concessional loans, could have been potentially used in alternative ways for a more people-centred response, like measures directed towards achieving social justice, poverty alleviation and gender equality. The categories of supporting companies, SMEs, informal sector and individuals therefore were somewhat similar in terms of wording to make them more comparable.

We used data from 9 countries, across 3 continents, namely Kenya, Sierra Leone, South Africa, El Salvador, Honduras, Nicaragua, Bangladesh, Nepal, and India. The data we collected relates to the period of policies directed towards the Covid-19 recovery. Our reference period was from the 1st February 2020 to 31st December 2020, or in some cases, 31st January 2021 (depending on the data available nationally).

Wherever possible, primary sources (i.e. national budget documents) were used, complemented by official secondary sources. Secondary sources were used to analyse social protection data. More data was available from secondary data including from ILO, UNICEF, and UN Women. While the IMF and OECD collect some (albeit incomplete) data on reporting tax measures, they are inadequate for costing the measures in terms of tax expenditures especially in case of tax cuts. KPMG, PWC, and other accountancy and law firms provide data on certain tax measures, however, their pages do not cost tax-related measures or analyse beneficiaries. WB completed a study on analysing tax related measures in Kenya, which was helpful. Elsewhere, tax measures during the Covid-19 Pandemic are largely not costed, and noted as being therefore missing and down to further research.

The data is designed to quantify and compare all new spending adjustments (whether novel measures or the expansion of existing measures), as long as they were formulated explicitly to tackle the pandemic's impact and implemented during our reference period. We completed this in relation to 4 major sectors: 1) support to the formal private sector including tax, grant and loan measures; 2) support to micro, small and medium-sized enterprises in the form of again grants and loans; 3) support to the informal sector in terms of different modes of support observed; and finally; 4) social protection measures from income support, to job protection support, to basic services and financial services in restructuring personal loans. These sectors do not fit neatly into are not exhaustive, where this was not the case a category of other was introduced (e.g. in South Africa), while in India we could not differentiate between larger corporates and SMEs due to the change in definition of the SME during the Pandemic. Despite the challenges, we found that this categorisation is sufficiently encompassing of most government responses to the Covid-19 Pandemic, and it provided the basis for comparison.

There are various limitations associated with the methods and reporting used. Most importantly, the Covid-19 Pandemic is ongoing. Given that the largest economic responses to the pandemic were in the initial months of our reference period, we feel that the said methods present a depiction of the intentions of the 9 national governments analysed. Some discretion on the choice of measures was made. A further breakdown in the case of Sierra Leone and South Africa was made between announced and actual spending, while in the remaining 7 countries such distinction was not yet available across the board. This report presents only an initial step towards the comparative analysis of these bailouts, and more work will be needed to understand the differential impacts of recovery packages.

Annex 2: Key Tables

Table 1: Recovery Spending Support by Category, Announced and Actual (in $US bn unless stated)

	Corporate Support	Informal Sector Support	Social Protection	SME Support	Corporate, Informal, Social and SME Total	GDP	Fiscal Allocation (percentage of GDP)
Bangladesh	8.97	0	2.76	2.6	14.33	317.77	4.51
El Salvador	0.54	0.14	0.189	0.36	1.229	24.78	4.96
Guatemala	0.06	0.22	1.27	0.79	2.34	76.19	3.07
Honduras	0.02	0	0.1	0.31	0.43	23.98	1.79
India	24.65	3.63	43.76	43.01	115.05	2590	4.44
Kenya	3.46	0.004	0.25	0.028	3.742	101.05	3.70
Nepal	0.93	0	0.01	0.43	1.37	32.16	4.26
Sierra Leone *(announced)*	0.062	0.009	0.01	0.003	0.084	4.14	2.03
Sierra leone *(actual)*	0.062	0.004	0.001	0.0004	0.0674	4.14	1.63
South Africa *(announced)*	18.43	0.005	9.01	0.42	27.865	282.59	9.86
South Africa *(actual)*	5.97	0	13.4	0.42	19.79	282.59	7.00
Total *(announced)*	**57.122**	**4.008**	**57.359**	**47.951**	**166.44**	**3452.66**	**4.292**
Total *(actual)*	**44.662**	**3.998**	**61.74**	**47.9484**	**158.3484**	**3452.66**	**3.930**

Source: Various sources, authors' own analysis, as detailed in the associated dataset.

Table 2: Covid-19 Recovery Spending as a Percentage of Total Stimulus Spending

	Social Protection	Corporate Support	SME Support	Informal Sector Support
Bangladesh	19.26	62.60	18.14	0.00
El Salvador	15.38	43.94	29.29	11.39
Guatemala	54.27	2.56	33.76	9.40
Honduras	23.26	4.65	72.09	0.00
India	38.04	21.43	37.38	3.16
Kenya	6.68	92.46	0.75	0.11
Nepal	0.73	67.88	31.39	0.00
Sierra Leone *(announced)*	11.90	73.81	3.57	10.71
Sierra Leone *(actual)*	1.48	91.99	0.59	5.93
South Africa *(announced)*	32.33	66.14	1.51	0.02
South Africa *(actual)*	67.71	30.17	2.12	0.00
Total *(announced)*	**22.43**	**48.39**	**25.32**	**3.87**
Total *(actual)*	**25.20**	**46.41**	**25.06**	**3.33**

Source: Various sources, authors' own analysis, as detailed in the associated dataset.

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