G20 at a Crossroads

Oxfam Media Backgrounder

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Meeting in Rome at a time of public health and economic turmoil accentuated by an ongoing climate crisis, G20 leaders have a choice: they can choose to do all they can to end the COVID-19 pandemic and avert its destructive impacts by dramatically increasing manufacturing and access to vaccines and promoting a fair economic recovery, while committing to lower their dangerous greenhouse gas emissions and help the poorest countries adapt to the climate change already happening. Or they can continue doing what they have been doing: talking some of the talk but walking none of the walk.

The impacts of the pandemic are different – and the inequalities starker – in some places more than others. While rich countries are reopening their economies, the rest of the world is struggling to get access to the vaccines that would enable them to do so, or even stay alive.

The pandemic has both highlighted and exacerbated our broken and unequal economic system. Billionaire fortunes returned to their pre-pandemic highs in just nine months, while recovery for the world's poorest people could take over a decade. The carbon footprint of the richest top one percent is 175 times that of the poorest ten percent. Violence against women is soaring in many places during lockdowns, with more than 243 million women and girls reporting sexual, physical, and emotional violence during the pandemic. And sexual and reproductive health and services are side-lined with healthcare systems overwhelmed with COVID-19.

Worse yet, as of July 2021, 11 people are dying of hunger every single minute on our watch. The hunger that more than 800 million people face now, the lack of access to adequate health facilities, and the unsustainable nature of the old economic model are not a result of a lack of resources, they are products of political choices.

The divides within the G20 are also clear, with some members supporting the sharing of intellectual property to enable wider vaccine production and distribution at lower prices. But others – the UK, EU and Germany especially – continue to block progress in this area, while G20 host Italy, remains ambiguous on its positioning. To make things worse, rich countries are letting vaccines expire, while only 2 percent of people in low-income countries have any access at all. This is an inexcusable economic, public health, and gender justice failure.

But another world is possible. There is enough food in the world to feed everyone. We could manufacture vaccines for everyone, in all parts of the world. Healthcare and social protection can be extended for all. Gender justice is possible. Climate action is possible. And it can all be paid for through debt cancellation, tax justice, Special Drawing Rights (SDRs) and other financial mechanisms described in this backgrounder.

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G20 leaders indeed have choices. In Rome, they need to demonstrate the political will to take action to address the pandemic, tackle climate change and hunger, and champion collective economic recovery.

Rhetoric is not enough. Together, the G20 can make a dramatic difference, show political will, and use its multi-lateral leadership to act and create the better future that the world is crying out for.

Oxfam will be following the G20 on the ground in Rome and will have several spokespeople available there and (around the world) for interviews in English, Italian, and German. For interviews and media inquiries, please use the contacts below.

G20 Media Contacts:

In Rome: Mariateresa Alvino +39 348 9803541 mariateresa.alvino@oxfam.it

In Nairobi: Florence Ogola +254 733770522 florence.ogola@oxfam.org

In Washington: Laura Rusu +1 202 459 3739 laura.rusu@oxfam.org

THE G20, COVID-19, AND ACCESS TO VACCINES

"We already don't have enough health workers and now our doctors and nurses are dying. Those left working on the front line are in fear for their lives and many are severely traumatized from losing patients and colleagues." Dr. Patrick Kagurusi, a doctor from Uganda.

To date, only 0.88 percent of the population of Uganda is fully vaccinated. The price of a single dose of the Pfizer/BioNTech charged to the African Union is the same as Uganda spends per citizen on health in a whole year. People across low-income countries are facing the pandemic without protection.[1]

Just 1.8 percent of people in low-income countries are fully vaccinated, compared to 63 percent in high-income countries. Around 7,000 people are dying from COVID-19 each day.[2]

From the beginning of the pandemic, rich country leaders promised that any successful vaccine would be a global public good. They said, "No one is safe until everyone is safe." But instead, rich countries and pharmaceutical corporations have created an unnecessary and deadly vaccine apartheid.

Only 0.7 percent of all manufactured vaccines doses have gone to low-income countries

Rather than support common sense solutions to share the rights and the technology to scale up vaccine manufacturing around the world and ensure everyone has access, rich countries have hoarded more doses than they need. To distract from their opposition to the real solutions to global vaccination, rich countries made inadequate, but headline-seeking promises of donated doses, and then failed to deliver.

The G7 and the EU[3] promised 1.8 billion donated doses. Just 14 percent of them have been delivered so far.

Meanwhile, pharmaceutical corporations overinflated their production estimates while selling their limited available doses to the highest bidder in pursuit of record-breaking profits. Together, Johnson and Johnson, AstraZeneca, Pfizer/BioNTech and Moderna claimed they would manufacture an estimated 7.5 billion doses this year, yet as of October 12, they have only delivered 3.7 billion doses. The companies are projected to manufacture only 6.2 billion doses in 2021, a 17 percent shortfall of their own projections, which translates into more than 1.3 billion missing doses this year. They have also undermined COVAX – first by not selling enough to the scheme, and then by failing to deliver promised doses. None of the four companies have sold more than 25 percent of their global supply this year to COVAX; none have delivered even half of their already inadequate committed doses.

Pfizer/BioNTech and Moderna have sold less than 2 percent of their global supplies to COVAX. The global facility to distribute doses to the developing world has received zero doses to date from either Moderna or Johnson and Johnson.

Pharmaceutical monopolies of the COVID-19 vaccine technology and know-how prevent other capable and qualified manufacturers around the world from producing them. This limits supply, drives up prices, and results in inequality in access. Pharmaceutical corporations exploit their monopolies by charging excessive prices and rich countries pay them to get to the front of the queue. Experts have estimated that the mRNA vaccines could be produced for as little as $1.18 a dose. Pfizer/BioNTech and Moderna have charged prices up to 24 times this amount. Worse yet, prices are increasing for subsequent orders. The EU could have paid €31 billion more than the estimated cost for the mRNA vaccines, equivalent to 19 percent of the total EU 2021 budget.

Pfizer/BioNTech and Moderna have charged governments up to 24 times the estimated cost of producing the mRNA vaccines.

Without an immediate change in course, the world will see many more needless deaths, especially as new waves surge and new variants emerge. As the inventor of the Oxford/AstraZeneca vaccine has warned, vaccine inequality increases the risk of vaccine resistant variants. Vaccine inequality means no one is safe.

The COVID-19 pandemic confirms that the system allowing pharma companies to dictate who gets vaccines and who doesn't based on profit maximization, is unjust, immoral, against human rights principles and our collective interests and security.

Dramatic inequality in vaccination rates exists even among G20 countries. In South Africa and India – champions of the TRIPS waiver at the WTO – only 19 and 22 percent of the population is fully vaccinated respectively. In Germany and in the UK – blockers of the waiver – the share of the population that is fully vaccinated is 66 and 67 percent respectively.

The pandemic has been a tragedy and about five million lives have been lost globally. Many of these deaths could have been prevented had successful vaccine technology been shared.

The need for G20 action to counter inequality in global access to COVID-19 vaccines

COVID-19 has demonstrated that the lessons learned from previous pandemics have not been followed. Governments cannot protect pharmaceutical monopolies in the midst of global health emergencies. The time is running out and we need urgent, global, courageous and determined action to reverse vaccine apartheid and end this pandemic.

G20 achievements and/or failures

The Rome Declaration adopted by the G20 Leaders at the Global Health Summit in May and the Rome Pact adopted by the G20 Health Ministers in September affirmed important principles on vaccines as global public goods, development of common global strategies to support research, development and equitable distribution of vaccines, increase and diversification of production capacity, support for multilateral initiatives such as COVAX.

Unfortunately, beyond the affirmation of these principles, no decisive or concrete political decisions were taken regarding the response to the COVID-19 pandemic, neither in the short term in order to fill the gap in the access to vaccines nor in the medium and long-term to build the strategies and tools to help us face future pandemics. It would be inexcusable at the G20 Rome summit for leaders to continue to turn their back on vaccine apartheid and ignore the demands of over 100 countries, including many G20 members. We need solutions for vaccine access for everyone, everywhere now, and a fast track to ending the pandemic.

Still time for action

Oxfam calls on G20 leaders to:

- **Suspend intellectual property rights** for COVID-19 vaccines, tests, and treatments, by agreeing to the proposed waiver of the TRIPS Agreement at the World Trade Organization.
- Demand, and use all their legal and policy tools to require pharmaceutical corporations to **share COVID-19 data, know-how, and technology** with the COVID-19 Technology Access Pool and WHO-South Africa mRNA Technology Transfer Hub.
- **Invest in decentralized manufacturing hubs worldwide** to move from a world of vaccine monopolies and scarcity to one of vaccine sufficiency and equity in which developing countries have direct control over production capacity to meet their needs.
- **Immediately redistribute existing vaccines equitably** across all nations to achieve the WHO target of vaccinating 40 percent of people in all countries by the end of 2021 and 70 percent of people in all countries by mid-2022.
- **Scale up sustainable global investment in public health systems** for upgrading and expanding public health systems especially primary health care and for paying for the millions of additional health workers needed for a successful vaccine roll out and for delivering everybody's right to health care. Health services should be free at the point of use, and all user fees eliminated so to increase accessibility of the vaccines to all genders and marginalized groups. Sustained financing of healthcare is urgently needed to ensure global security from emerging diseases and realize the goal of Universal Health Coverage and achieve the right to health for all.

THE G20, COVID-19, AND HUNGER

"*This virus will starve us before it makes us sick.*" – Micah Olywangu, a taxi driver from Nairobi, Kenya, who is father of three young children Micah's experience is that of millions of people around the world today. More than a year and a half after the Coronavirus pandemic was declared, the economic decline caused by lockdowns and closures of borders, businesses and markets has worsened the situation for the most disadvantaged people and led to a spike in hunger. Today, deaths from hunger are outpacing the virus.[4]

As of July 2021, 11 people are likely dying every minute from acute hunger, outpacing COVID-19 fatalities.[5]

More than 40 million people experienced extreme levels of hunger primarily due to economic shocks largely caused by the pandemic. This is a near 70 percent increase over the previous year.[6] Mass unemployment and severely disrupted food production have led to a 40 percent surge in global food prices – the highest rise in over a decade.[7] This surge has been driven by increased demand for biofuels, as well as lockdowns and border closures that continue to disrupt food flows.

Food inflation is making food unaffordable for many people even when it is available. Higher prices have not necessarily generated higher profits for food producers, especially small-scale farmers who cannot afford to buy seeds and fertilizers or transport their produce to markets. Without adequate storage facilities or access to markets, farmers have been forced to sell at whatever price they could, even at a loss, or watch their crops rot.

The most marginalized people, including women, informal workers, the urban poor, and those living in informal settlements, have been the hardest hit by the pandemic. The global employment loss for women was 5 percent, compared to 3.9 percent for men. This cost women around the world at least $800 billion in lost income in 2020. An additional 47 million more women worldwide are expected to fall into extreme poverty in 2021.[8]

The number of people living in famine-like conditions has increased *sixfold* since the pandemic.

One key lesson from the pandemic is that social protection programs for people in need – like cash or food assistance – are important tools to be used in addressing hunger. However, today only 47 percent of the global population are effectively covered by at least one social protection benefit, while 53 percent obtain no income security at all from their national social protection system. This massive social protection gap is a real and daily threat to 4.1 billion people's lives and well-being.[9]

The human right to social security is not yet a reality for more than half of the world's population.

The need for G20 action to counter the hunger crisis

The shock of COVID-19 has demonstrated the need for deeper action to address inequalities in food systems. We need a systematic, scalable response for now and for the future.

G20 achievements and /or failures

The *Matera Declaration* adopted in June by the G20 Foreign and Development Ministers shows some good political commitment, for instance by supporting a call for enhancing social protection schemes for smallholder farmers and recognizing women and youth in rural areas as key players for an effective response to the crisis, but it totally lacks of any concrete action plan and indication on possible sources of financing. Without any follow up in the Leaders' Summit, this Declaration could go down in history as nothing more than a rhetorical exercise.

Still time for action

Keeping in mind that social protection is not just a cost but is also an investment to allow Sustainable Development Goals (SDGs) to be fully realized, Oxfam calls on G20 leaders to:

- Create **permanent social protection systems** that can be flexibly scaled to address health, climate and economic shocks such as the pandemic. G20 members should both ensure well designed social protection systems in their own countries but also support the creation of social protection systems in developing countries. Social protection has **to be universal** and accessible to all in need, and it must **be flexible** so that it can be expanded based on emerging needs.
- Design social protection schemes **to be gender transformative**, by dismantling social structures and gender norms that keep women in poverty and targeting support to women in such a way that it will help them overcome poverty and become more resilient to shocks.

- **Link social protection with programs aimed to promote agriculture development**, for example through public procurement schemes that stimulate local agriculture production while getting nutritious food to those in need.
- I**ncrease funding for social protection** through a strong reorientation of public policies priorities, supported by an increasing component of ODA addressed to social services, by temporary pandemic excess profits taxes, and other innovative sources of finance. Oxfam calls on the G20 to lay the groundwork for the creation of a Global Fund for Social Protection that would offer technical assistance to countries willing to provide income security to all their citizens throughout the life-cycle (i.e., child, maternity, disability and old-age benefits), and provide temporary co-financing to some countries for such schemes.

Africa will not achieve its goal for agricultural development without taking into account the developmental needs of women. Women comprise around 50 percent of the agricultural labor force in Sub-Saharan Africa. Yet, women and girls face significant economic, social, and cultural barriers that limit their access to productive resources and economic opportunities in agriculture. Improving women's access to economic development will also have a higher impact on other development outcomes. Oxfam calls on G20 leaders to:

- Provide support for a real women empowerment: W**omen should be at the center of any recovery plan** (at national and international level), considering them not only as a vulnerable group, but as essential actors for an effective response and recovery to the crisis. Their voices must be equally represented in decision-making and dialogue frameworks, as they know their context and needs and are directly concerned by the decisions taken.

G20 countries are called on to show their full support to all the issues above within the framework of the decision-making processes of the FAO Committee on World Food Security and within the United Nations system, which is the most inclusive platform for discussion at global level on the issues of food security and nutrition.

THE G20, COVID-19, AND ECONOMIC RECOVERY IN DEVELOPING COUNTRIES

The outbreak of the COVID-19 pandemic has posed unprecedented challenges for governments all over the world. Massive public stabilization packages – around 16 trillion USD in announced fiscal actions worldwide[10] between April 2020 and April 2021– have been deployed to enable health systems, flatten the contagion curves and provide emergency lifelines to households and firms. Saving and protecting lives, supporting income, mitigating the contraction in economic activity, while fostering systemic transformations towards more sustainable, resilient, and inclusive economies are key public policy objectives to pursue, adapting to the highly uncertain evolution of the pandemic.

While the challenge is huge for the advanced economies, it has been and still is extremely more daunting for developing countries severely limited in their ability to unlock adequate fiscal spaces. The discrepancy in financing abilities between countries is striking: Throughout 2020 advanced economies spent about 20 percent of their combined GDP to support their people, whereas the emerging markets' and LICs' support stood at only 5 percent and 2 percent respectively. To help developing countries cope with the pandemic and move to a more sustainable future and grant every citizen a fair shot at a dignified life, the international community needs to address, equitably and effectively, the constraints and the distress caused by high levels of indebtedness and shortage in domestic resources in the most vulnerable contexts of the globe.

Debt

The COVID-19 crisis has put a spotlight on the high and rising levels of indebtedness affecting developing countries of all income categories. At the end of 2018 total debt stocks, external and domestic, public and private, almost doubled their combined GDP, the highest level on record.[11] Prior to the pandemic more than a quarter of all public revenues in developing countries went to debt servicing. Forty-six countries were spending on average four times more money on paying debts than they were on public health services at the beginning of 2020, when the coronavirus was firstly spreading. Ghana was spending 11 times more on servicing its debts than it is on health.[12]

Throughout this decade, the developing world will be facing extremely high debt repayments, over 330 billion in USD in the next five years alone, under extremely difficult economic circumstances. Lack of adequate and coordinated action on debt relief and restructuring could lead to further unsustainable debt burdens resulting in cascading sovereign insolvencies and economic and social turmoil across the most indebted countries. As with most of the negative effects of the pandemic, this will disproportionately impact poor and marginalized communities.

At the beginning of 2020, when the coronavirus was firstly spreading, forty-six countries were spending on average four times more money on paying debts than they were on public health services.

G20 achievements and/or failures

In mid-April 2020, the G20 launched its *Debt Service Suspension Initiative (DSSI),* providing developing countries with an exemption from official bilateral debt service payments (including principal and interest) from the beginning of May 2020 until the end of 2020. The relief period was then extended until the end of 2021. Since it took effect, the initiative granted 5 billion USD in debt-payments-suspension to more than 40 countries among the 73 primarily Low-Income Countries (LICs) eligible to borrow from the International Development Association (IDA) or classified as Least Developed Countries by the UN. The initiative is conditional on a country's active borrowing status with (or a request for financing from) the IMF and on the use of freed resources for health and economic spending in response to the COVID-19 crisis.

The initiative came together with a call – so far fully neglected – on private creditors to join the scheme on comparable terms. While the DSSI is a welcome initiative, providing urgently needed breathing space to crisis-stricken Low-Income Countries, it has "dismissed," with a few exceptions, the unsustainable debt burdens and potential financial meltdowns in Middle-Income Countries and has prioritized, at its launch, new or ongoing borrowing (i.e., new debt) over robust debt relief.

Temporary standstills, such as the one provided by the DSSI, are designed to address immediate and short-term liquidity pressures. They need to be combined with sovereign debt reprofiling and restructuring to resolve problems of long-term debt sustainability and structural insolvency. To address this structural need, in November 2020, the G20 has endorsed, together with the Paris Club (the consensus of the official bilateral creditors), the so-called *Common Framework (CF) for debt treatment beyond the DSSI (Common Framework)*. The CF represents an initiative – driven by requests from eligible debtor countries – that considers debt treatment on a case-by-case basis and entails a coordinated and transparent approach to address solvency challenges with a long-term perspective. It requests the participation of private sector creditors and of other official creditors through the comparability of treatment clause which implies that they provide debt treatments on terms as least as favorable as those granted by the CF bilateral creditors.

As of today, the implementation of the Common Framework has seen only one country, Chad, formally apply and receive a green light from an ad hoc formed Creditor Committee to restructure its sovereign debt in line with a country-specific IMF-supported program. The process has stalled due to the unwillingness of Chad's private creditor to engage in any debt restructuring.

What should be done

Debt in developing countries poses a considerable threat to the fight against COVID-19, as it represents a clear opportunity cost to resources that should be going to public health and economic recovery. Every public cent that goes to repaying public or private creditors in the middle of a major global crisis is a cent that cannot be used to mitigate the impacts of that crisis. There is no credible reason for rich countries and companies to continue extracting resources from the world's poorest countries and people during an unprecedented global catastrophe. However, so far, no international framework for handling sovereign debt restructuring has been effectively established. The institutional vacuum has been filled by ad hoc approaches with considerably strong biases towards the borrowers, especially in the developing world, and have been proven incapable of dealing with the current situation.

This must change. Long-lasting resistance by a few rich countries to fundamental reform of the international financial architecture must be overcome with the G20 jumpstarting a process to create an international, autonomous organization mandated to oversee both the temporary standstills and the case-by-case long-term debt sustainability with consequent relief and restructuring agreements. This institution must have binding authority and be led by a body of experts independent of any creditor and debtor interests.

Special Drawing Rights (SDRs)

To address the huge liquidity needs associated with the pandemic and the post-crisis recovery, the global financial community has come together around the idea of a speedy and unconditional boost to countries' foreign currency reserves by means of a new allocation of Special Drawing Rights (SDRs), the supplementary foreign exchange reserve assets created and maintained by the IMF.

G20 achievements and/or failures

In April 2021, G20 Ministers of Finance granted their support to a new general allocation of SDRs equivalent to $650 billion. Its swift implementation by the end of August has been further urged at the G20 Finance Ministers' meeting in Venice. In early August, the global liquidity booster got the approval of the Board of Governors of the IMF, becoming effective as of August 23 with the newly created SDRs allocated to IMF member countries in proportion to their existing quotas in the Fund. According to the IMF, SDRs equivalent to about $375 billion have been distributed to advanced economies, whereas the reserves of the emerging market and developing economies have seen an increase of about $275 billion, with the LICs entitled to only about $21 billion. This amount is not nearly enough to meet the $450 billion that the IMF estimates LICs will need to meet the pandemic-related costs over the next 5 years and that's why many have been urging for a broader allocation, in the order of 3 trillion USD.

Still time for action

To significantly magnify the impact of the allocation, the G20 has called for countries to voluntarily channel a share of their allocated SDRs to help most vulnerable countries finance more resilient, inclusive, and sustainable economic recoveries and health-related expenditures. In doing so the G20 Finance Ministers have insisted not only on the voluntary basis for SDRs recycling, but also on the transparency and accountability in the use of the SDRs and on the preservation of the "reserve asset characteristic" of the Special Drawing Rights. In October's G20 Finance Ministers' meeting, the G20 endorsed the PRGT (Poverty Reduction and Growth Trust) as one option for channeling and several countries committed to channel some SDRs through there, and the G20 Finance Ministers also gave the IMF the green light to create the new Resilience and Sustainability Trust as an additional channel which would be to support balance of payments needs and have climate and pandemic preparedness objectives, and be accessible for vulnerable Middle-Income Countries as well as Low-Income Countries.

Along with many civil society actors, academics and experts, we urge G20 countries to:

- Ensure **a generous reallocation of SDRs from richer countries to the developing ones**, including the middle-income ones – at least $100bn worth. In doing so, **the SDR channeling options should align with a basic framework of principles**: They need to constitute debt-free financing, refrain from tying transfers to direct or indirect policy conditionalities, include transparency and accountability safeguards on both providers and recipients.
- Ensure that **SDR contributions are additional to existing ODA and climate finance commitments** and prioritize the SDR use that expands international grant funding for combatting the pandemic through budget supports for health, social protection and promoting a fair recovery that supports climate justice and tackles multidimensional inequalities, exacerbated by the COVID-19 crisis.

The PRGT option of the IMF is one of the channels agreed and we see that if the emergency facility (rapid credit facility) were to be used it would come slightly closer to the principles we are promoting. With regards to the new RST, we urge G20 to ensure this new lending mechanism has a predictable and extremely low or zero interest rate; long repayment schemes (around 30 years); extensive grace periods; and importantly is free of conditionality.

Tax

Domestic revenue mobilization is critical to fund governmental expenses, to provide public services and infrastructure, and to support development. This is true now more than ever at the time of the severe COVID-19 shock.

Developing countries are more reliant on corporate tax revenues: They comprise, on average, 19.2 percent of all tax revenues in Africa and 15.6 percent of all tax revenues in Latin America and the Caribbean against an average of 10 percent in the OECD area.[13] They are as well more exposed to tax avoidance by multinational firms than countries with higher level of economic and institutional development.

Multinational corporations (MNCs) tend to be more profitable than domestic companies, implying that they should also pay effective higher taxes. Far too often, it is just the opposite and they are found not paying their fair share of taxes on profits generated in countries where their economic activity takes place and value is created. Rather, they exploit a decades-old system not fit for the reality of business in the XXI century, allowing companies to exploit the harmful tax competition among countries and artificially move profits to low-tax jurisdictions, hence “optimizing” their global tax burden and depriving governments all over the world of vital resources.

Furthermore, as the digitalization of the economy gains pace, multinationals are more and more able to operate remotely, disallowing countries the right to tax profits realized through immaterial activity in their markets. While every country stands to lose to corporate tax abuse, experts[14] suggest that developing countries are disproportionately much more exposed to tax avoidance by multinational firms than countries with higher levels of economic and institutional development. The reform of the international corporate tax system, under the G20 and OECD mandate, was supposed to lead to a change, effectively addressing harmful tax competition, ending profit shifting and finding robust responses to the tax challenges posed by an increasingly digitalized economy. However, the international agreement endorsed by the G20 produces a change that is way less transformative and equitable than needed.

G20 achievements and/or failures

At their October meeting, G20 Finance Ministers formally endorsed the key features of the reform’s two pillars as set out in the statement[15] adopted on October 8 by 136 out of the 140 country members of the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting, the official international negotiating forum.

Under the first pillar, market jurisdictions are assigned a portion of residual profits (and the right to tax them) reported on consolidated financial accounts of the largest and most profitable MNCs with jurisdictional sales providing the relevant reallocation key. The second pillar aims to attenuate the harmful race to the bottom on corporate taxation and discouraging profit shifting to low-tax jurisdictions by establishing a level of minimum effective taxation at the 15 percent rate. MNCs’ undertaxed profits under the new rules would be subject to a top-up tax the countries of residence of the MNCs will be primarily entitled to.

The agreement has been labelled as historic, yet in its current form, it displays a rather low level of ambition and little fairness according to many experts and activists. The extent to which the new rules might hamper harmful tax competition is highly questionable, while their poor redistributive features underline the limited importance assigned by the most powerful negotiating actors to equity considerations.

For example, the redistribution of profits of the largest and most profitable MNCs, envisaged by the agreement in Pillar 1, is an innovative idea, proving it is possible and realistic to tax large corporations on their global profits. This was meant to ban the old and outdated status quo in corporate taxation where MNCs were considered as separate entities for tax purposes to now move into taxing their global profits apportioned between market jurisdictions. Unfortunately, the proposal has set up such a limited redistribution of global profits that would, according to Oxfam, affect less than 70 global MNCs.

Furthermore, it comes with a strong conditionality attached: the commitment to remove existing digital services taxes (DSTs) – i.e. taxes on selected domestic gross revenue streams of large digital companies - and not to introduce similar measures in the future. The extent of the foreseen redistribution leaves countries outside the advanced economies club with crumbs and scraps. Net extra-revenues are estimated by Oxfam and Oxford Economics do not to go beyond 0.01 percent of GDP on average for 52 low- and low-medium income countries. Nigeria, which has refused to sign the OECD deal, stands to receive as little as 0.02 percent of its GDP in additional money each year – equivalent to 48 cents per citizen.

In addition, by adopting a level of minimum effective taxation that MNCs have to comply with in Pillar 2, the agreement puts forward a valid anti-profit-shifting and anti-tax-dumping intervention. However, the 15 percent rate, applicable to a tax base subject to generous deductions, sets the bar of ambition too low. While such a rate would certainly hit jurisdictions with no corporate taxation, such as Bermuda, it also normalizes most aggressive low-tax jurisdictions, such as Ireland or Singapore, risking the transformation of the current race to the bottom into a race towards the new minimum. Furthermore, the G7 and the EU will take home two-thirds of the new cash arising from undertaxed corporate entities, while the world's poorest countries will recover less than 3 percent, despite being home to more than a third of the world's population. A more ambitious rate could have led to higher extra-revenues for those most in need. Fixing the rate at 25 percent could raise nearly $17 billion more for the world's 38 poorest countries (for which data is available) than with the 15 percent rate.

What should be done

Many developing countries are struggling with fiscal distress, as they face COVID-19 debt, spending and tax challenges. To avoid a new era of austerity, the G20 should use all means to encourage and support a coordinated agenda that would help developing countries increase their legitimate and own revenues in a progressive way. After decades of ignoring how to tax wealth and capital, this is the right time for G20 leaders to activate a comprehensive agenda that would tackle tax competition and avoidance, as well as fair tax instruments.

When it comes to corporate taxation and the challenges of the digitalization of the economy, the agreed package of tax reforms must not be seen as the end of the road. We still have ways to go to recover fairness, close the loopholes of profit shifting and curb the damaging effects of tax competition. There are no reasons to consider the work on this finished.

THE G20, COVID-19, AND CLIMATE CHANGE

"*Climate change for us is real. It is already here. It is causing great hunger*". Lucy Njeri is a farmer who lives in the Rift Valley in Kenya and is experiencing climate change effects on her crops while hunger is dramatically increasing.

The climate crisis is affecting every country on every continent, but it is the poorest people – those with fewest resources and who have done the least to cause the problem. In the 2030s, large parts of Southern, Eastern Africa and South and East Asia will experience greater exposure to droughts, floods, and tropical storms. Cutting emissions to limit global warming below 1.5°C must be coupled with efforts to help vulnerable communities around the world cope with mounting climate impacts, such as deadly heatwaves, extreme droughts, flooding, and monster storms.

Since 2000 there has been a sharp rise in the number of droughts, floods, and wildfires. The UN estimates that 4.2 billion people have been affected and 1.23 million lives have been lost.

Most rich industrialized countries, including the US, Australia, and Canada, must raise their 2030 ambition in order to address the emissions gap. Major emitters, including China and India, also need to step up and submit more ambitious Nationally Determined Contributions (NDCs) ahead of the COP26 in Glasgow. Most developed countries have submitted new national plans but none are commensurate with their fair contribution toward a global effort needed to prevent an increase no more than 1.5˚C. Updated national plans from the US, Canada and Japan also continue to fall short of the necessary ambition. And according to Climate Action Tracker, Australia, Brazil, Indonesia Mexico, New Zealand, Russia, Singapore, Switzerland, and Vietnam have failed to lift ambition at all, having submitted the same or even less ambitious 2030 targets than they had put forward in 2015.

The latest UNFCCC NDC Synthesis report shows that the combined climate plans submitted by countries (191 parties) will likely lead to a 16 percent increase in global emissions by 2030, which is way off track from the targeted 45 percent reduction needed to limit global warming below 1.5 degrees, and to avoid disastrous impacts on vulnerable communities. According to the Intergovernmental Panel on Climate Change, such an increase in global emissions will lead to 2.7˚C of warming by the end of the century.

The Climate Finance Delivery Plan published this week confirms that rich nations will fail to meet the $100 billion finance target until 2023, three years after the goal should have been met. Oxfam estimates that the shortfall, which started to accumulate in 2020, will likely amount to several tens of billions of dollars. These are achievable amounts of money — governments have spent trillions on COVID-19 fiscal recovery packages, which show their ability to act in an emergency. This is an emergency.

Rich countries must not only improve the quantity of their international climate finance commitments, but also the quality. In 2018, three quarters of reported climate finance was provided in the form of loans or private finance, instead of grants. This is set to continue through to 2025, which risks further indebting developing countries. It also means that a large proportion of climate finance in the context of the $100 billion goal will eventually be shouldered by vulnerable countries themselves – as they pay back the loans.

Over the last decade weather-related disasters fueled by climate change were the number one driver of internal displacement, forcing an estimated 20 million people a year – one person every two seconds – to leave their homes[16].

Still time for action

The climate crisis is real, but we still have time to reverse course and prevent the worst impacts. The G20 Summit must be part of that course reversal.

- G20 countries are responsible for 80 percent of global emissions. To limit warming to 1.5 °C and avert the worst impact of the climate crisis, G20 countries must **submit – based on their fair share – ambitious NDCs ahead of COP26.**
- Wealthy countries (especially the G7) should urgently **increase their pledges of climate finance** to deliver on their long-standing collective target of $100 billion per year. At least 50 percent of climate finance should be spent on adaptation – in other words, on helping countries become more resilient and adapt to the dangerous effects of climate change, rather than just on reducing their emissions.

NOTES

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[1] All data in this section are taken from Oxfam, 2021, *Dose of Reality: How rich countries and pharmaceutical corporations are breaking their vaccine promises*, https://app.box.com/s/kygk0i850bo18l33vk5p3qwyq9umk527
[2] Coronavirus (COVID-19) Vaccinations and Deaths - Statistics and Research - Our World in Data (last accessed October 26th)
[3] EU here refer to TEAM Europe, that is EU+ Iceland and Norway.
[4] Oxfam, 2021, *The Hunger Virus multiplies*, https://oi-files-d8-prod.s3.eu-west-2.amazonaws.com/s3fs-public/2021-07/The%20Hunger%20Virus%202.0_media%20brief_EN.pdf
[5] According to Johns Hopkins University's Center for Systems Science and Engineering (CSSE), the average daily number of confirmed COVID-19 deaths during the week from June 14, 2021 to June 20, 2021 was 9,967. This is equivalent to 7 deaths per minute. Source: COVID-19 Data Repository by the Center for Systems Science and Engineering (CSSE) (last accessed June, 2021). Oxfam has applied the IPC crude death rate cut offs for IPC 3 phase to the Global Report on Food Crises (GRFC) 2021 global figure of 155 million people in IPC3+ to calculate the number of people who could die from hunger every minute. This will equal 7,750-15,345 per day (5-11 per minute). Please note that in the last GRFC update (released in September 2021) the global figure is increased to 161 million people in IPC 3 phase.
[6] FSIN and Global Network Against Food Crises, 2021.*Global Report on Food Crises 2021*. http://https://www.fsinplatform.org/sites/default/files/resources/files/GRFC2021.pdf
[7] FAO Food Price Index, http://www.fao.org/worldfoodsituation/foodpricesindex/en/
[8] Oxfam calculations are based on the ILO and the UN Women data on the 47 million newly poor women since the pandemic. Oxfam International (2021). "COVID-19 cost women globally over $800 billion in lost income in one year". Oxfam international, 29 April 2021.
[9] ILO, 2021, *World Social Protection Report 2020–22: Social protection at the crossroads – in pursuit of a better future,* https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_817572.pdf
[10] IMF Fiscal Monitor. *A Fair Shot*, April 2021 - https://www.imf.org/en/Publications/FM/Issues/2021/03/29/fiscal-monitor-april-2021
[11] UNCTAD, 2020*, From the Great Lockdown to the Great Meltdown*, https://unctad.org/webflyer/great-lockdown-great-meltdown-developing-country-debt-time-COVID-19
[12] Oxfam, 2020, *Dignity not destitution*. https://www.oxfam.org/en/research/dignity-not-destitution#:~:text=It%20prioritizes%20helping%20people%20directly,taxes%2C%20can%20pay%20for%20this
[13] The data refer to 2018. See OECD (2021), *Corporate Tax Statistics* - https://www.oecd.org/tax/tax-policy/corporate-tax-statistics-third-edition.pdf
[14] See N. Johannesen, T. Tørsløv, L. Wier (2019), Are Less Developed Countries More Exposed To Multinational Tax Avoidance? Method and Evidence from Micro-Data. *The World Bank Economic Review*, Volume 34, Issue 3, October 2020, Pages 790–809, https://doi.org/10.1093/wber/lhz002
[15] The statement is available at https://www.oecd.org/tax/beps/statement-on-a-two-pillar-solution-to-address-the-tax-challenges-arising-from-the-digitalisation-of-the-economy-october-2021.htm
[16] Oxfam, 2019, *Forced from Home: Climate fuelled displacement*, https://www.oxfam.org/en/press-releases/forced-from-home-eng