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4/10 of Covid recovery funds went to big corporations in developing countries, instead of social protection – new report

- **Only 37 percent of Covid-19 recovery funds in 21 developing countries analyzed went to urgent social protection measures. Women received half as much funds as men, almost no help for informal workers.**
- **Overall, Covid support last year was one-third less than 2020, even as needs grew.**
- **FTC calls for leaders to tackle global crises at IMF/World Bank Annual Meetings on October 10-16 via progressive economic measures instead of austerity.**

WASHINGTON D.C. – A new report found that 39 percent of Covid-19 recovery funds in 21 developing countries went to big corporations instead of social protection, smaller businesses and informal workers. The new report by the Financial Transparency Coalition (FTC) and partners entitled *"Recovery at a Crossroads: how countries spent Covid-19 funds"* also found that one-third less money was spent last year compared to 2020, down to 2.4 percent of GDP on average, due to the worsening economic situation, even as the needs kept growing.

This is happening as more than 85 percent of the world's population will live in the grip of stringent austerity measures by next year. In total, between 75 to 95 million people are expected to be pushed into extreme poverty this year alone due to the Covid-19 pandemic and the cost-of-living crisis spurred by the Ukraine war amid rising inequality, according to the UN.

Matti Kohonen, director of the Financial Transparency Coalition, said: "Despite the cost-of-living crisis, governments in developing countries, often with their hands tied by international financial institutions, are putting big corporations ahead of the people. Nearly 40 percent of Covid-19 recovery funds went to big companies including loans and tax cuts, meaning that those most impacted by the pandemic, especially women and informal workers, have been left behind with inadequate social protection coverage."

The report also found:

- Women, who have particularly impacted by the crisis, only received half as much support as men, increasing gender inequality. Meantime informal workers only received 4 percent of funds overall, despite representing the vast majority of the workforce in many countries like Bangladesh and Kenya.
- Zambia which now faces a debt crisis, allocated less than 5 percent of stimulus funds to social protection, spending around 90 percent supporting big businesses. Sri Lanka that faces an economic collapse also mostly spent its recovery in tax cuts to corporates.
- Only eight countries of the 21 analysed – Brazil, Chile, El Salvador, Guatemala, Lebanon, India, Malawi and Ghana – spent more than half of funds on social protection. However

some of the countries topping this list like Lebanon and Malawi spent equal or less than 1 percent of GDP in recovery measures, less than half the average for other countries.

The report warns that pressure by international institutions such as the International Monetary Fund (IMF) to introduce austerity measures and cut funding for basic public services in return for debt restructuring is making things worse. For instance, in Zambia austerity cuts in public spending and rises in Value-Added Taxes (VAT) that hurt the poorest are being imposed as part of the IMF loan program.

Matti Kohonen said: “Nearly 100 million people are expected to be pushed into extreme poverty this year, and things will get worse as many countries like Ghana and Brazil which have allocated significant funds to social protection are now planning to sharply reduce their social stimulus packages. Meantime many others are planning cuts in essential healthcare, education and social protection, as they run out of money due to lower economic growth and in the face of tough lending criteria from the IMF and other institutions.

“Next month’s IMF/World Bank Annual Meetings should promote a people-centered recovery with progressive tax policies on windfall profits of large corporates and wealth of top 1% of the population, instead of failed austerity measures, otherwise more countries may collapse economically like Zambia and Sri Lanka which benefitted big companies and now face severe debt crises,” he added.

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The FTC is calling for all countries and international institutions such as the IMF and World Bank to implement alternative policies to bring a people-center recovery instead of austerity. They include taxing excess windfall corporate profits; introducing progressive levels of income and wealth taxes; eliminating illicit financial flows by implementing public beneficial ownership registries for all sectors and public country-by-country reporting especially those at high risk of money laundering and tax abuses; and increasing social security contributions and coverage.

END

For any additional information or interview requests, contact [add name] from the [add organisation name] communications and media department, email: [add email]

A media launch event of the report will be held during the End Austerity Festival where alternatives to austerity will be presented on Wednesday September 28, with high level speakers. Registration details can be found here.

NOTES TO EDITORS:

- The Financial Transparency Coalition (FTC) is a global civil society network, operating as a collaborative coalition of eleven civil society organizations based in every region of the world. The FTC works to curtail illicit financial flows through the promotion of a transparent, accountable and sustainable financial system that works for everyone.

- The Financial Transparency Coalition members are: Asian Peoples Movement on Debt and Development, Centre for Budget and Governance Accountability, Christian Aid, European Network on Debt and Development, Fundación-SES, Global Financial Integrity, Latin American Network on Debt, Development and Rights, Pan-African Lawyers Union, Tax Justice Network, Tax Justice Network Africa, and Transparency International.

TABLE: Percentage Covid-19 recovery funds, by sector

	Social protection	**Incentives large companies**	**SMEs**	**Informal workers**
Bangladesh	12%	60%	18%	10%
El Salvador	54%	18%	20%	7%
Guatemala	51%	3%	36%	11%
Honduras	30%	5%	65%	0%
Nicaragua	13%	87%	0%	0%
Jordan	18%	0%	63%	19%
Afghanistan	12%	74%	4%	11%
Zambia	5%	95%	0%	0%
Ghana	70%	20%	10%	0%
Uganda	4%	87%	8%	1%
Lebanon	94%	0%	6%	0%
Costa Rica	25%	41%	34%	0%
Colombia	9%	50%	26%	15%
Argentina	18%	68%	0%	14%
Brazil	58%	35%	7%	0%
Ecuador	25%	39%	36%	0%
Chile	51%	28%	19%	2%
Sri Lanka	23%	76%	1%	0%
Nepal	28%	23%	49%	0%
India	93%	0%	7%	0%
Malawi	86%	12%	3%	0%
TOTAL	**37%**	**39%**	**20%**	**4%**