PRESS RELEASE: EMBARGOED UNTIL 00.00
THURSDAY APRIL 22, 2021

FINANCIAL TRANSPARENCY COALITION

Covid bailout cash in developing countries goes to big companies, not the poor – new research

- **63 percent of pandemic funding going to big businesses in 8 out of 9 countries surveyed**
- **Only a quarter of funds went to social protection, almost none to informal economy**
- **Lack of transparency also means millions unaccounted for**

Washington, D.C. – The vast majority of Covid-19 recovery funds have gone to big corporations instead of toward welfare, small firms, or those working in the informal economy, according to the first major analysis of public bailout funds disbursed in developing countries during the pandemic.

The report from the Financial Transparency Coalition (FTC) and partners analysed data from a total of nine countries: Kenya, South Africa, Sierra Leone, Bangladesh, India, Nepal, Honduras, Guatemala, and El Salvador. The report found a staggering 63 percent of pandemic-related funds went on average to big businesses in eight of the nine surveyed countries, while only a quarter of the funds went to social protection.

However, the total corporate stimulus is likely to be even larger, as these numbers do not include expected revenue shortfalls from tax cuts, especially in Bangladesh and India, or the cost of tax amnesty programmes, as in Bangladesh and Honduras.

Matti Kohonen, director of the Financial Transparency Coalition, said: “By the end of 2021, 150 million people are expected to fall into extreme poverty due to the pandemic. But in most countries the main bailout funds are going to big corporations, while those most impacted by this crisis in the Global South – the poor, informal workers, and smaller businesses – are being left out. This threatens to further widen the gap between rich and poor, and increase countries’ mounting debt, all while undermining countries’ healthcare and social protections systems.”

In addition, the report also found:

- In Kenya, 92 percent of Covid-related bailout funds went to big corporations, rather than to those facing poverty. This made Kenya’s corporate tax rate the lowest in East Africa, fuelling tax competition. Sierra Leone fared slightly better, with 74 percent of announced funds going to big trading corporations - but that proportion increased to 92 percent when taking into account funds that have actually been allocated.

- Only one country surveyed, Guatemala, spent more bailout money on social protections than on other categories, totalling 54 percent, followed by India (38 percent), South Africa (32 percent), and Honduras (23 percent).
- Only two percent of funds in the countries surveyed went to support workers in the informal sector, even though they often make most of the workforce. Some countries - like Bangladesh, South Africa, Nepal, and Honduras - did not allocate *any* funds for these workers. This comes despite the fact that, for instance, Bangladesh sees 87 percent of its workforce work in the informal sector, similarly to Kenya.

Additionally, much of the money *allocated* to small and medium sized businesses never reached these companies. In Bangladesh, for instance, only a third of funds allocated for smaller businesses had been disbursed by the time of the FTC's survey. Similarly, in Guatemala much of the money allocated to small and medium sized businesses was diverted to other projects.

The FTC's new report also warns about a lack of transparency of the recovery funds, including those provided by the World Bank and the International Monetary Fund. In Kenya, for instance, the World Bank provided $50 million in immediate funding to support the country's emergency response – funds that are now unaccounted for. This is partly due to most international monitoring systems looking at initial funding announcements, rather than tracking the actual disbursement of funds.

Matti Kohonen, FTC's director, added: "Recovery packages averaged 3.9 percent of GDP across surveyed countries, far below the 10 percent target announced by the UN Secretary-General António Guterres. This has happened against a backdrop of rising poverty, economic recession, and ongoing austerity measures - much of which we saw even before the pandemic started."

To address the dangerous imbalance in existing Covid-19 relief funds, the FTC recommends the following:

- Implement a minimum corporate tax rate of at least 25 percent, in line with the proposal from the United Nations Financial Accountability, Transparency and Integrity (FACTI) Panel.
- Adopt or raise taxes on the wealthy, corporations, and high-income earners to ensure those who can afford to pay would shoulder the lion share cost.
- Implement public beneficial ownership registries, to know who benefits from recovery spending, and profits made during the pandemic.
- Introduce greater accountability to provide transparency on the conditions attached and disbursements made of Covid-19 recovery funds, including World Bank funds.

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For any additional information or interview requests, contact [add details]

Notes to Editors

- The Financial Transparency Coalition (FTC) is a global civil society network, operating as a collaborative coalition of eleven civil society organisations 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 1: Percentage of total pandemic expenditures, by sector

	Corporate stimulus	Informal private sector	Social protection	SME
Bangladesh	63%	0%	19%	18%
El Salvador	44%	11%	15%	29%
Guatemala	3%	9%	54%	34%
Honduras	5%	0%	23%	72%
India	21%	3%	38%	37%

Kenya	92%	0%	7%	1%
Nepal	68%	0%	1%	31%
Sierra Leone (announced)	74%	11%	12%	4%
South Africa (announced)	66%	0%	32%	2%