Gambling with our lives

Confronting global health and climate emergencies in the age of financialisation
Who we are

Citizens for Financial Justice

Informing, connecting and empowering citizens to act together to make the global finance system work better for everyone.

We are a diverse group of European partners – from local grassroots groups to large international organisations. Together, we aim to inform and connect citizens to act together to make the global financial system work better for everyone.

We are funded by the European Union and aim to support the implementation of the Sustainable Development Goals (SDGs) by mobilising EU citizens to support effective financing for development (FfD).

citizensforfinancialjustice.org

twitter.com/financing4dev

Authors and contributors

This report was compiled by Citizens for Financial Justice partners and other contributors, coordinated by Flora Sonkin and Stefano Prato, Society for International Development (SID); Peter Marshall, Ida Quarteyson and Matti Kohonen, Christian Aid; Nicola Scherer, Debt Observatory in Globalisation (ODG); and David Hillman, Stamp out Poverty. Special thanks to Karen Judd and Jo Johnston for copyediting.

Overview: Flora Sonkin, Society for International Development (SID); with editorial support and inputs from Stefano Prato (SID), Matti Kohonen, Christian Aid, Nicola Scherer, Debt Observatory in Globalisation (ODG) and David Hillman, Stamp out Poverty.

Health: Nicoletta Dentico, Society for International Development (SID).

Climate: Flora Sonkin, Society for International Development (SID); with contributions from Heron Belfon, Jubilee Caribbean.

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About this report

Why this report?

The current global health and climate emergencies expose the results of decades of hyper-globalisation and neoliberal policy choices that eroded peoples’ social and economic rights (the right to food, housing, work, health, education, and a healthy and safe environment). These policies have also progressively weakened public preparedness and social safety nets that have proven so essential to cope with crises. Now, market-led policy approaches increasingly used to deal with both climate and health emergencies are failing to protect those most vulnerable, gambling with our lives and actually deepening pre-existing inequalities.

This report seeks to provide its readers with a political economy perspective on the converging climate and health emergencies (from their root causes to their preparedness systems), introducing some of the key issues and trends that both have in common. It looks at how rising inequalities, economic instability and vulnerabilities to climate and health shocks have been driven and reproduced by skewed policy choices and unfair rules of the game, often dictated by private financial interests instead of guided towards the wellbeing of the general population. This systemic perspective demonstrates that climate and health emergencies cannot be addressed separately, as they are inherent to a failed global development model that has placed us in the precarious situation that we are in today. With this in mind, we aim to reinforce the need for worldwide recovery efforts to move away from the pre-pandemic environmentally unsustainable development path, building towards socially and environmentally healthy and just economies. Finally, through this report, we hope to contribute to the construction of a coherent and intersectional analysis which connects some of the dots between movements working on climate and economic justice and all those who are struggling to reclaim our economies, advance public goods and services, and protect our global commons.

Who is this report for?

This report is for climate, global health and economic justice activists and advocates from all parts of the world who are challenging dominant development narratives and fighting for a justice-oriented socio-ecological transformation. In particular, it has been designed to support activists and advocates who recognise the unequal ways in which our current economic system operates and who are keen to further their understanding of the ways in which their struggles for climate, global health and economic justice intertwine. The time is ripe for converging strategies to counter financialisation as one of the main drivers of inequalities, including its undeniable impacts on the global climate and health emergencies.

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Executive summary

The perfect storm created by the COVID-19 pandemic and the climate emergency lays bare the incompatibility of our current economic systems with the safeguarding of life itself. As people the world over, especially in the global South, struggle with limited access to healthcare, loss of jobs, unpaid care work, electricity and water cut-offs, risk eviction and brace for a looming food crisis, it is very clear that tackling the root causes of the converging crises is ever more urgent.

The processes of privatisation of essential public services and lowering social protection floors, paired with reliance on market-based policies to address health and climate emergencies, have significantly contributed to the weakening of states’ capacity to deal with current shocks and multiple crises. However, the limited capacity of many countries to respond to the COVID-19 pandemic, which also applies to their ability to deal with climate-related disasters, is not new. It is a result of long-standing policy decisions that have systematically reduced states’ fiscal space, led to austerity measures and limited public investment in essential public goods and services.

While the need to “Build Back Better” is becoming mainstream in policy dialogues at all levels, there is a serious risk that the economic recovery following the pandemic will further rely on private finance and market-led solutions that reinforce inequalities, maintain high levels of resource extraction and fail to challenge the flaws of financial capitalism. In turn, civil society organisations (CSOs) and social movements from all over the world are calling for a systemic transformation of the global financial architecture and global division of labour, towards a just, green and feminist recovery post-COVID-19.

This report casts a spotlight on the connections between the climate and health emergencies, starting from an analysis of the unholy alliance between the financial sector, governments and corporations that progressively weakened public preparedness and social safety nets that have proven so essential in the context of the converging crises. The first chapter overviews the policy choices that brought us here and that enable the concentration of wealth and growing inequalities while reducing governments’ fiscal space to deal with immediate and long-term effects of crises. We look at how a decades-long push for growth-oriented and market-led development has left countries facing chronic unpreparedness to manage global emergencies and meet people’s most basic human rights, and how this leaves us far behind on the commitments of the 2030 Agenda for Sustainable Development. These choices are then analysed under the lens of inequalities, focusing on their human rights implications and on how they perpetuate and deepen multiple inequalities within and between countries. In sequence, two chapters – health and climate – take a deeper dive into policy pathways in both areas, discussing the contradictions between private financial interests and the delivery of public preparedness and public goods and services. Finally, the report concludes with a reflection on the need to reclaim local and global governance spaces for social, ecological and financial justice. It also maps potential civil society groups and policy convergence spaces in which activists and advocates can take action towards building a more equitable, feminist and environmentally sustainable post-COVID-19 future.

1. Overview: a systemic perspective on climate, health and finance

“There is a single species responsible for the COVID-19 pandemic – us ... Recent pandemics are a direct consequence of human activity, particularly our global financial and economic systems that prize economic growth at any cost. We have a small window of opportunity, in overcoming the challenges of the current crisis, to avoid sowing the seeds of future ones.”

Leading experts of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, April 2020

It is still hard to grasp the full extent and long-term impacts of the COVID-19 pandemic on our lives. But the intersecting crises of global health and climate have been like salt in the already open wounds of our global economic, social and political systems, revealing their vulnerabilities and intrinsic inequalities.

Pandemics such as COVID-19 are a consequence of humanity’s destruction of nature. These so-called zoonotic diseases (passed from animals to humans) reveal a stark reality most of us have been conveniently overlooking for decades: how our damaging behaviour towards nature is harming our health and survival. From biodiversity loss (the sixth mass extinction), rising ocean levels caused by increasing temperatures and melting of glaciers, to extreme weather events such as fires, droughts and floods, climate change is causing devastation and loss of life at a global scale. Another example of this trend is the increase in chances of pathogens like viruses passing from wild and domestic animals to humans, amplified by the destruction of natural ecosystems. Alarmingly, some 75 percent of emerging infectious diseases worldwide are exchanged between humans and wild animals. Think of West Nile, Lyme, Ebola, Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), Zika and of course, COVID-19.

The inseparable nature of ecosystems and human health

For the Yanomami people in Brazil to the Maori in New Zealand, the Lenca people in Honduras to the Lakota in the US, the Sami in Norway, Sweden and Finland and so many indigenous peoples around the world, the survival of humankind – and its needs for food, water, and protection against disease – depends on its healthy relationship with nature and its part within different ecosystems. In contrast, the modern idea of ‘development’ has been operating at odds with this vision, seeing nature as a bundle of resources to be extracted and a vector for economic growth. And we all know where the modern ideal has taken us: to the era of climate collapse and alarming rates of zoonotic diseases.9

At last, the interconnection between human and environmental health seems to be gaining more traction within scientific and policy-making communities,10 as the consequences of human-led depletion of nature are no longer possible to ignore. Human-led activities have contributed to rising temperatures and have already resulted in extreme climatic and environmental changes,11 with more frequent severe storms and floods, prolonged heatwaves and droughts, new and emerging infectious diseases, and compounding threats to food security.12 The many interlinkages between human and environmental health have been documented numerous times and in the case of COVID-19 this is no different.13 Research suggests close links between air pollution particles and the spread of the disease,14 which adds to the existing evidence on the long-standing negative effects of air pollution on our respiratory systems.15 Moreover, new reports link mining sites to coronavirus outbreaks in several indigenous communities around the world, exposing yet another perverse connection between extractivism, ecosystem destruction and impacts on human health.16

In April 2020, nearly four billion people – half of the world’s population – were under stay-at-home orders to help slow the spread of the new strain of coronavirus.17 While these orders resulted in a sharp reduction in carbon emissions in many cases, this temporary positive outcome is likely to be quickly reversed if no system-wide transformations are made.18 Recognising that humanity vs nature is a false dichotomy and that both issues – global health and environmental health – are interlinked,19 helps to unveil their common drivers within our current economic system. As such they can point towards common policy pathways out of the overlapping crises we are in.

9 Ibid.
16 Voices from the Ground: How the Global Mining Industry is Profiting from the COVID-19 Pandemic, (Mining Watch Canada, June 2, 2020).
Rising vulnerabilities to health and climate shocks

The insufficient capacity of most countries to respond to the COVID-19 pandemic, which also applies to their ability to deal with climate-related disasters, is not new, but is a result of policy decisions that reduced states’ fiscal space, led to austerity measures, caused systematic underfunding of public services and culminated in the deterioration of socio-economic rights.20

Over the last four decades, donor-led international financial institutions – especially the International Monetary Fund (IMF) and the World Bank and their loan conditionalities – have guided macroeconomic and fiscal choices to support private corporations and the financial sector as engines of economic growth. Neoliberal policy reforms enacted worldwide for the past four decades (trade liberalisation, lower corporate income taxes, financial sector deregulation, privatisation of public services, among others) aimed at attracting foreign investments and creating an ‘enabling environment’ for private finance have in fact created the very conditions for both health and climate emergency preparedness systems to be failing right now.21 These policy reforms have indeed attracted more private investments to different sectors such as health, education and infrastructure, which used to be widely considered as the responsibility of states. The tricky part is that these types of investments are very often at odds with the delivery of public goods, being guided by profit instead of the impact on public wellbeing. Private deals in healthcare totalled US$78.9 billion in 2019 alone (see Figure 1),22 an amount almost 60 percent higher than the US$50 billion the World Bank Group pledged to disburse at the onset of the pandemic as a response to the health, economic and social shocks faced by the most vulnerable countries.23 But that rising interest by private investors to gamble in the health sector did not translate into increased access, quality and affordability of care, nor did it support the public preparedness for events such as the COVID-19 pandemic.

Figure 1: Private equity investors expand into healthcare assets24

<table>
<thead>
<tr>
<th>US$ in billions</th>
<th>Global buyout deal value (excluding add-on deals)</th>
<th>Healthcare share of global buyout deals by count (excluding add-on deals)</th>
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Notes: Excludes spin-offs, add-ons, loan-to-own transactions and acquisitions of bankrupt assets; based on announcement date; includes announced deals that are completed or pending with data subject to change; deal value does not account for deals with undisclosed values; total buyout deal values updated based on Dealogic 2019 sponsor classifications.

Sources: Dealogic; AVCJ; Bain analysis

21 More details on these policy choices and their impacts are found in the following sections of this report.
22 This number is likely under-reporting the real amount, as it only accounts for disclosed deals, yet many are not publicly disclosed.
When it comes to climate, the increasingly unregulated financial sector has poured over US$2.7 trillion to support the world’s largest polluting industries, financing fossil fuel companies that have been most aggressively expanding in new coal, oil and gas projects since the Paris Agreement on Climate Change (see Figure 2). This provides ample evidence about the contradictory relationship between private investment and its search for quick gains versus the long-term wellbeing of the majority.

Figure 2: Top 35 global banks’ investments in fossil fuel companies since the Paris Agreement on Climate Change (US$ bn)

While economic policy choices consistently promoted by the world’s leading international financial institutions – the IMF and the World Bank – have been based on the belief that a market-led economy would improve wellbeing and prosperity, they have actually continually failed to deliver on their promises. Instead, structural adjustments have exacerbated developing countries’ vulnerability to health epidemics and to social and economic shocks resulting from natural and human-made disasters. This is because these policy reforms were built and operated under a global financial architecture that allows for depletion of public resources through illicit financial flows, tax evasion and avoidance, benefiting instead the concentration of private capital and wealth. With reduced fiscal space and capacity for domestic resource mobilisation, the burden and responsibility for health and climate risk management have been increasingly transferred to countries in the global South and its citizens. In the next section, we dig deeper into some of these trends.

Gambling with our lives: Confronting global health and climate emergencies in the age of financialisation

Extractive finance – how did we get here?

There should be no mistake – extreme wealth and poverty, racism, unpaid care work, and environmentally destructive behaviour are not natural, but political choices. Finance capitalism, driven by the ideology of endless economic growth and a firm belief in global markets to deliver it, was built upon structural racism and the exploitation of workers, women, migrants, indigenous peoples and the environment, through the systematic extraction of wealth from the global South. Now, extractivism happens through less visible and opaque channels where financial actors and private investors speculate and gamble in search of the largest profit margins, enabled by investor-friendly policy and regulatory measures. Structural adjustment, financial sector deregulation and trade liberalisation have resulted in debt distress in developing countries, which in turn has led to under-investment in and privatisation of essential social services and systems. All this has increased governments’ reliance on private finance and hindered countries’ capacity to deal with the current crises.

Understanding financialisation

The expansion of financial assets and markets did not come out of thin air. While the beginnings of so-called financialisation can be traced back to the 1950s and 1960s with the rise of offshore financial centres, it was the fall of the Bretton Woods monetary system in the early 1970s that accelerated growth in global financial assets and prompted a surge of financial liberalisation and deregulation, leading to a surge of volatile and speculative financial capital.

The term ‘financialisation’, used to describe the increasing power of financial actors over the economy, became even more relevant after the 2008 global financial crisis hit. Although it is widely recognised that the 2008 financial crash was spurred by deregulated and unscrupulous financial speculation, national governments worldwide have since then doubled down on financial market deregulation and corporate income tax reduction. Instead of taking the crisis as a wake-up call for systemic change, the ill-conceived idea of a market-led global financial system has still not been seriously questioned.

After the crisis, major banks were bailed out while states neglected their basic human rights obligations, such as healthcare, education, water and sanitation and adequate housing. Meanwhile, the economic burden was transferred to citizens through austerity measures — reducing social spending and increasing taxation, which hurt underprivileged groups the most. The catastrophic health impacts of public spending cuts from social services imposed in Greece, Ireland, Portugal and Spain bear evidence to this reality. Harmful results were also felt by communities in the global South, through the intensified transformation of resources and rights, such as land and the environment, into new financial asset classes. Often introduced through development financing conditionalities, regulatory changes to attract transnational financial actors allow them to become a powerful political force able to create new markets for profit generation to the detriment of people’s livelihoods.
Where is the money going? Deregulating finance, accumulating wealth and power

The decades-long neoliberal mantra and its prescriptions of structural adjustment, corporate tax cuts, financial sector deregulation, and privatisation of essential services have been pushed North and South as the only economic policy option able to ensure social and economic ‘development’. These measures have largely benefited transnational corporations (TNCs) and their executives, bankers, asset managers and private investors, allowing them to accumulate more wealth to the detriment of workers’ wages and rights (see Figure 3). For instance, from the start of the COVID-19 pandemic to early June 2020 alone, seven of the world’s richest people had seen their fortunes increase by over 50 percent, while millions of people lost their jobs and countries face record unemployment rates. With a lot of extra money to spend, global elites reinvest it into lobbying and political campaigns that continue to further their wealth creation, privilege and influence over political processes and legislation. All of this has helped shape and maintain a highly undemocratic global financial architecture, where the decisions that affect all of us lack transparency and accountability and are made in secrecy by a small elite, mostly in the global North (see Figure 4).

Figure 3: Top 2,000 transnational corporations’ profit and the global labour income share, 1995–2015 (percentage point change in GDP)


Financial centres

Top 10 ranked according to industry benchmark that analyses five factors, including business, environment, infrastructure and reputation.

Offshore financial centres (OFCs)

OFCs are tax havens that attract and retain foreign capital

Fact: 1/6th of all the world’s private wealth is stashed away in tax havens
To this day, a small number of tax havens (also known as secrecy jurisdictions) receive disproportionately large volumes of profits extracted from economic activities elsewhere or act as safe vaults to hold undeclared and untaxed wealth outside the reach of tax authorities. These include several global North economies that host major financial centres such as the UK and the US. Estimates show that illicit financial flows strip low- and middle-income nations of revenue to the tune of US$416 billion per year.\(^39\) Globally this figure would be much higher, possibly double if we were to include also high-income countries in the equation. This is through practices including tax abuses and avoidance by TNCs and wealthy individuals, and tax losses due to tax evasion arising from companies who deliberately misprice goods and commodities to minimise tax liability. And even though only a small number of jurisdictions have gained from tax-motivated illicit financial flows for decades, policy responses from governments that have systematically lost revenues continue to fall short and tax competition between countries makes for ever-lower corporate tax rates.


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Deregulated and volatile finance hurts the global South the most

The deregulation of financial markets, or the reduction of government rules controlling the way that banks and other financial organisations operate, allows these organisations to engage in speculative activities worldwide that culminate in boom and burst cycles, such as what was behind the 2008 global financial crisis.\(^40\) These increased and unregulated financial flows (speculative money) contribute to financial instability and leave countries even more vulnerable to external financial shocks. Amid fears of the COVID-19 pandemic, the unprecedented outflows of financial capital from developing countries – with overseas investors pulling out US$100 billion since the beginning of the crisis – is yet another confirmation of this tendency. At the same time, the slowdown in global economic output is already hitting commodity-dependent countries in the global South the hardest. Prices for oil and industrial metals fell sharply at the start of the pandemic, leading to an instant fall in public funds available for governments dependent on commodity revenues. The decline in commodity-related revenues and capital flight are also increasing the likelihood of debt distress for many of the commodity-dependent economies, leaving governments forced to cut public expenditure. And this is at a time when they need it the most – to support citizens through the pandemic with cash transfers, unemployment benefits, and investment in public health systems.
Race to the bottom on taxation

Over the last decades, the push for liberalisation of the global economy has led to a race to the bottom among countries to attract foreign investments. But to compete in this race, business-friendly policy reforms and incentives enacted to create an ‘enabling environment’ for investors have been working against the fulfilment of human rights obligations. To offer the best comparative advantages and highest possible returns on private investments, policy reforms (such as relaxing environmental standards, restricting worker rights, increasing labour flexibilisation and lifting capital controls) and tax incentives (reducing or abolishing capital gains taxes and corporate income tax cuts, among others) have progressively reduced public revenues and limited governments’ capacity to invest in public services for its citizens. These services such as healthcare, emergency preparedness, housing, infrastructure and other social provisions are critical in the face of the current crises.

Corporate tax rates have been consistently declining worldwide over the past four decades (see Figure 5), but increasingly so since the 2000s. Of 138 tax jurisdictions around the world from which data from 2000-2019 is available, 113 have decreased corporate income tax rates in recent years, and this trend is on track to continue as part of some governments’ market-oriented response to COVID-19 economic slowdowns. This race to the bottom deeply undermines countries’ efforts to mobilise domestic resources in order to meet the Sustainable Development Goals (SDGs) by 2030, having contributed to a systematic under-investment in public health, care and social protection systems, now proving so essential. Ironically, the fiscal constraints on domestic resource mobilisation and public investment are one of the main reasons the international community has focused on attracting private capital as a silver-bullet for delivering on the 2030 Agenda.

Figure 5: Average corporate income tax rate by region and decade.

Notes: The number of countries included in the averages varies by year due to missing historic corporate tax rates. Source: Statutory corporate income tax rates were compiled from various sources.

Trapped in debt

The depth of inequalities within and between countries made even more visible by the pandemic and climate emergencies are not new. Many developing countries were already trapped in a cycle of indebtedness to multilateral (international financial institutions like the World Bank, IMF), bilateral (other governments) and private creditors (private banks, private bondholders, and other private financial institutions) before the pandemic and resulting economic crisis.

Recent analyses by Eurodad and the Jubilee Debt Campaign on the relationship between debt and health services in low- and middle-income countries (LMICs) paint a sobering picture: public healthcare systems suffer from systematic under-investment, with countries spending less on healthcare with respect to both debt and the minimum requirements of the 2030 Agenda. Debt service was prioritised over public health services in 64 countries in 2018, where more resources are spent servicing public debt than investing in their healthcare systems as a share of GDP. As shown in Figure 6, 46 countries in the low-income group spent on average 7.8 percent of GDP on public debt service and 1.8 percent of GDP on public healthcare services. And healthcare is not the only key area being deprioritised over debt servicing: 44 developing countries spend more on paying public debt than on social protection, and 23 developing nations spend more on debt payments than on education.

“Ultimately, the enablers of crippling foreign debt lie in a global economic system deliberately created to allow powerful sections of our society to extract enormous wealth from our communities without taking responsibility for the risks they create.”

Rosa Pavanelli, General Secretary of Public Services International – in its timely report on rentier capitalism (or financialisation) and debt.

Figure 6: Public debt service and healthcare expenditure in low-income economies (as a % of GDP – 2018).

Overall
Research by ActionAid shows that as a result of decades of detrimental IMF loan conditionalities and austerity measures, the debt crisis in Africa has left health systems highly underfunded and ill-prepared for the pandemic, with debt servicing far outstripping spending on health. Ghana has one of the highest debt servicing costs in the world, at 59 percent of GDP, spending US$4.1 billion on foreign debt payments compared to US$1.3 billion on health. Congo Brazzaville is spending five times as much (US$1.4 billion) on foreign debt repayments as on health (US$259 million). Despite lower infection and mortality rates in Africa (as of October 2020), the economic impacts may prove to be greater due to lower stimulus spending and high debt burdens.

**Austerity**

The same policy reforms promoted by the World Bank and the IMF that led developing countries around the world to lift capital controls, cut corporate income taxes, and facilitate foreign financial actors’ access into their economies actually made states poorer.\(^1\)\(^1\) Especially since the 2008 global financial crisis, trillions of dollars were used to support the financial sector, while the costs of fiscal adjustment and austerity were pushed upon populations in many countries. In parallel, limited fiscal space and a narrative of the supposed inefficiency of public services have paved the way for an extensive trend of privatisation and Public-Private Partnerships (PPPs), including on essential social services such as healthcare and education.\(^2\) PPPs were heavily promoted by international financial institutions as an efficient and less costly mechanism to deliver services, especially for indebted countries, however, they have been proven to be opaque, undemocratic and ultimately more expensive for taxpayers. While international financial institutions guided countries towards fiscal consolidation and reduced public spending, governments shifted their role from public goods and services providers and human rights duty-bearers towards becoming enablers of corporations and guarantors of private-sector risks.\(^3\)

**We are not all in the same boat: intersecting inequalities in global climate and health crises**

Both the climate and COVID-19 crises are global and unprecedented in their level of disruption, and both directly threaten lives and livelihoods around the world – with a staggering social divide. Despite the commonplace belief that climate-related disasters and virus infections are ‘great equalisers’, both crises, in fact, magnify pre-existing inequalities. It is no coincidence that the frontline communities hardest hit by COVID-19 and the climate crisis are the same.\(^4\)

In the case of the pandemic, the distribution of suffering and relief, as well as of profiteering and debt, have been highly skewed by intersecting dimensions of inequalities and structural discrimination such as class, gender, race, age, disability, migrant status and geographic location.\(^5\) The latest figures from the US (one of the global epicentres of the pandemic) show that black Americans have died from the disease at almost three times the rate of white people.\(^6\) In Brazil, the virus is decimating low-income and indigenous populations.\(^7\) Around the world, women are the most exposed to multiple burdens, being unpaid or underpaid and overrepresented in care, social, domestic, frontline health and food systems roles, as well as in the informal economy.\(^8\)

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Gendered impacts of financialisation, austerity and privatisation of public services

Decades of market deregulation have shifted the role of the state from the provider of public services to an enabler of private investments. This has also led to increasing corporate concentration and consolidation and facilitated the expansion of financial capitalism. What we now call financialisation or financial capitalism, a system which rewards speculative money-making to the detriment of investments in the productive economy, provides short-term financial gains for the few while transferring the heavy burden of austerity and a rigid notion of economic scarcity to workers and citizens, especially women. A feminist perspective unveils the reality of how especially in times of crisis and where privatisation policies and public spending cuts predominate, there is an increase in women’s workload inside and outside the home to ensure a livelihood in often adverse living conditions.

“The COVID-19 crisis worsens unpaid care work problem and overburdens women: Women have always taken on an overwhelmingly larger share of unpaid care work than men, combined globally spending 12.5 billion hours every day performing unpaid care and domestic work, valued at least US$10.8 trillion annually.”

Caroline Othim, Global Alliance for Tax Justice and Roosje Saalbrink, Womankind Worldwide, Co-Chairs of the GATJ Tax and Gender Working Group, 4 June 2020

61 Spotlight on financial justice, page 39.
As for the climate emergency, increasingly frequent and devastating climate-related disasters not only unequally affect already vulnerable communities the most, but also exacerbate pre-existing inequalities between global North and global South.72 Across the global South, those least responsible for greenhouse gas (GHG) emissions and extractive activities are also those most impacted by the climate emergency (see Figure 7). Women and young people are the hardest hit as communities struggle to survive increasingly devastating and frequent disasters. “In the Caribbean, the increasing ferocity of mega-storms like Hurricanes Irma, Maria and Dorian, are bringing devastation of catastrophic proportions to these tiny island nations. The destruction caused by Hurricane Dorian alone totals more than US$1.5 billion”, says Heron Belfon, from Jubilee Caribbean. The unmonetisable human suffering and the economic loss and damage from these disasters is also directly linked to citizens’ health and countries’ capacity to invest in public healthcare.73

Figure 7: Which region has contributed the most to global CO2 emissions?

North America
457 billion tonnes CO2
29% global cumulative emissions

USA
399 billion tonnes CO2
25% global cumulative emissions

Canada
12 billion t
2%

Mexico
15 billion t
1.2%

Hemispheric Total
457 billion t
29%

Russia
101 billion tonnes CO2
6% global emissions

EU-28
353 billion tonnes CO2
22% global cumulative emissions

EU-28 Total
200 billion t
12.7%

United Kingdom
1.1 billion t
0.7%

Spain
0.9 billion t
0.5%

Hemispheric Total
353 billion t
22%

India
48 billion t
3% emissions

Asia
457 billion tonnes CO2
29% global cumulative emissions

China
200 billion tonnes CO2
12.7% global cumulative emissions

Japan
62 billion t
4%

Russia
101 billion tonnes CO2
6% global emissions

China and Japan Total
262 billion t
16.7%

South Korea
16 billion t
1%

Indonesia
12 billion t
0.8%

Hemispheric Total
200 billion t
12.7%

Europe
514 billion tonnes CO2
33% global cumulative emissions

EU-28
353 billion tonnes CO2
22% global cumulative emissions

Russian Federation
101 billion tonnes CO2
6% global emissions

Africa
43 billion tonnes CO2
3% global emissions

South America
40 billion tonnes CO2
3% global emissions

South America
40 billion tonnes CO2
3% global emissions

Oceania
20 billion tonnes CO2
1.2% global cumulative emissions

Australia
8 billion t
0.5%

Hemispheric Total
43 billion t
3%

Source: Our World in Data.74 The size of each rectangle corresponds to the cumulative CO2 emissions from a country between 1751 and 2017. Combined, all rectangles represent the global total. Figures are based on production-based emissions and do not correct for emissions embedded in trade (i.e. consumption-based).

The heavy human toll taken by the pandemic reveals the contradictions of the current growth model: hyper-globalised and highly consolidated economies, where millions of people go hungry while farmers trapped in industrial food supply chains are forced to dump thousands of gallons of fresh milk and destroy millions of pounds of fresh food that they can no longer sell. A system in which unregulated markets allow the richest countries to outbid and prevent others from accessing enough medical supplies to protect citizens from infections while private manufacturers cash in; where billionaires and private equity investors pursue ways to profit off the crisis with no concern about the social impacts of their financial gambles. A model where countries and populations least responsible for driving climate change are disproportionately hit by more frequent extreme weather events and left to pay the bill while fossil fuel corporations receive bailouts. Social inequalities, unsustainable levels of debt, and dependence on self-destructive and ecologically unsustainable practices.

**Doubling down on market-led solutions can only fail to deliver public goods**

As we get off to a rocky start on the decade of delivery of the 2030 Agenda, lessons learned on the failures and risks of relying on private finance and unregulated markets to deliver public goods are yet to be acknowledged and implemented in a transformative way. Both climate and health risks have been increasingly dealt with by similar market-led responses pushed by private sector lobbying, donor countries and the international financial institutions’ ‘private-first’ approach. But the economic models shaped by a focus on attracting private investors, the pursuit of economic growth at all costs and ‘fiscal responsibility’ are now proving to be deadly in times of crises. Instead of public preparedness, one of the false solutions for addressing climate and health risks that appears to have significant policy traction is the expansion of private insurance penetration into new markets, hailed as a win-win for providing healthcare and increasing climate resilience.

**Privatising preparedness and essential social services**

Pressure on public finances is prompting many governments to impose healthcare spending cuts and seek out private insurance companies as intermediaries to manage spending and outcomes. For example, several countries in the Middle East have recently chosen to privatise health insurance. The US Department of Health and Human Services has been encouraging the use of managed care delivered through private insurance in its Medicare and Medicaid programmes. When it comes to climate risk, major development actors such as the World Bank and the G20 are facilitating the expansion of new markets for the insurance industry, acting as intermediaries for developing countries’ vulnerabilities and limited public resources.

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79 World’s Billionaires Have More Wealth Than 4.6 Billion People, Oxfam International.


82 Charlotte Petri Gornitzka, Charting the Course for SDG Financing in the Decade of Delivery, (World Economic Forum, October 17, 2018), https://www.weforum.org/agenda/2020/01/unlocking-sdgs-finance-


85 Ibid.

However, a reliance on the market and financial actors to deliver on public goods is tainted by a series of pitfalls:

1. **A contradiction between core incentives:** Services such as healthcare, climate resilience and public preparedness rely on long-term oriented investments driven by the delivery of a public good that should reach all people, independent of their economic status, gender, race, location; meanwhile, the interests of financial actors such as insurance companies are based on extracting the largest profit margins and to deliver services to those capable of paying for premiums. This often means that the quality of services provided is sacrificed to keep costs lower and to maintain returns on investments.\(^{88}\) For example, evidence from the increasingly privatised social care system in the UK shows that private providers have less training for staff, higher turnover and lower pay, while the private care market has also proven volatile, with private equity-owned businesses operating highly leveraged business models.\(^{89}\)

2. **Private insurance options tend to cover a limited number of risks and do not account for gradually increasing risks,** which is especially important in the context of climate emergency and its prolonged exacerbation of multiple kinds of risk such as drought, floods, pests, disease, tropical storms and so on. In contrast, public preparedness, long-term planning and investment in public services and social safety nets can offer more appropriate alternatives to deal with multiple risks and protracted crises.\(^{90}\)

3. **The increased reliance on financial actors such as banks and insurance companies to deliver healthcare and climate risk mitigation at the microlevel is extracting increasingly more wealth from households, who pay large shares of their income to cover insurance costs.** At the sovereign level, to pay insurance premiums, developing countries already facing severe budget constraints are forced to divert funds which could have otherwise been allocated to climate adaptation measures, climate-resilient infrastructure or social safety nets for its citizens.\(^{91}\)

Policy-makers’ trust in private insurance schemes is a risky gamble, as it often leaves those most vulnerable uninsured or trapped in debt. This market-led approach shifts responsibility from the state as a duty-bearer of the right to health and the right to a healthy environment, and misplaces the public good in the hands of profit-driven financial actors. Moreover, donor countries’ push for insurance solutions through earmarked funding undermines developing countries’ ability to determine their own priorities.\(^{92}\) In the case of climate disasters, while the most vulnerable countries and their taxpayers are already bearing the brunt of the majority of direct costs, now they are also being forced to pay for the ‘solution’ to the need to provide insurance for climate catastrophes.

In terms of both health and climate, unpreparedness and structural deficiencies that states now have to mitigate are the results of decades of regulatory capture which led to chronic under-investment in environmental protection, climate emergency mitigation, public health and fundamental research.

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89 Ibid.


91 Richards, Julie-Anne, and Liane Schalatek. *Not a silver bullet. Why the focus on insurance to address lost and damage is a distraction from real solutions*, (Heinrich Böll Stiftung North America, August, 2018), [https://us.boell.org/sites/default/files/not_a_silver_bullet_1.pdf](https://us.boell.org/sites/default/files/not_a_silver_bullet_1.pdf).

92 Ibid.
Economy versus life? From competition and extraction to cooperation and care

We are at a critical juncture – we can either worsen and exacerbate the current model by bailing out the fossil fuel industry, by making the world more financialised, privatised, by making work more precarious and societies more unequal; or we can coordinate the multiple social forces and movements fighting for social justice (including financial justice) locally and globally to put forward an alternative vision on how to recover from the crises, where the absurd question of protecting the ‘economy’ versus people’s lives will be a non-starter.

The right to health and a healthy environment should not be treated as a luxury for those who have financial resources to access private services, but as human rights, global public goods and commons that must be accessible and delivered to all. Now, in the context of a global pandemic and a real and even more devastating climate emergency, deeply rethinking the role of states in fulfilling human rights and delivering public goods and services as well as financing a just transition is ever more urgent. Our long-term planetary and human health continue to be conditional upon systemic transformations for social-ecological and financial justice: on the way we produce and consume, on how the global economy and global division of labour are structured.

“During moments of cataclysmic change, the previously unthinkable suddenly becomes reality. In recent decades, that change has mainly been for the worst – but this has not always been the case. And it need not continue to be in the future.”

Naomi Klein, author of *Coronavirus Capitalism—and How to Beat It*

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93 *World’s Billionaires Have More Wealth than 4.6 Billion People*, Oxfam International.

2. Locked down in chaos: the fashion of insurance schemes for health

“Financial people love to come at you with numbers, to cluck over the innumeracy of the populace and the press, to cite the tyranny of the anecdote and the superior risk-assessment calculus of the guy who has an understanding of stochastic volatility and some skin in the game – even when that skin is other people’s. But while risk and price are intertwined, value and values are something else entirely. It can be hard to find the right math for those.”

Nick Paumgarten, The Price of the Coronavirus Pandemic, The New Yorker, 13 April 2020

The abnormity of the COVID-19 pandemic is still unfolding. The true toll of COVID-19 will not be known for some considerable time to come, but in the meantime, the contagion continues to move through the global South, where much weaker health systems are in place. The global health disaster fuelled by the pandemic reflects a converging climate and economic crisis that has affected almost every country in the world, with varying degrees of risk. What we see across the world today, at every step, is that aggressively profit-driven healthcare arrangements, often in debt-ravaged nations, are likely to make this virus harder to manage and to defeat. What we have learnt since the work of German physician Rudolf Virchow, who did research on typhus in Upper Silesia in the mid-19th century, and of German philosopher and historian Friedrich Engels, who studied the conditions of the English working class, is crystal-clear. It is human policies that create the conditions that make people sick, and those who lack economic, social, and political power typically bear the greatest burden of disease.

These are ‘the most vulnerable’, a designation loaded with meanings that mirror the nature of the power relations. They are ‘the poorest’, often perceived as passive masses with no agency. These are the people and the countries that we need to support and for which, indeed, a powerful community led by the World Bank and the IMF, in alliance with public and non-state actors (national governments, the Bill & Melinda Gates Foundation, the International Finance Corporation (IFC), private investment corporations) continues to champion the transformation of health needs into investor-friendly asset classes. How? By de-risking opportunities for private capital, to expand corporate initiatives as the primary channel for driving economic growth forward in the developing world.

Foreign aid is being increasingly used to escort capital to ‘frontier markets’ and perform the mundane activity of converting social sectors into assets available to speculative capital flows.

In the midst of the COVID-19 storm, countries are taking phenomenal measures to contain the spread of economic losses, after the gigantic human toll produced by the pandemic, and they do so by acting as insurers of last resort and securing liquidity to individuals and corporations in distress. The insurance industry is now also forced to pay out claims, be it to people in dire straits because they have experienced perils to their life, or damaged enterprises and even sovereign countries. Insurance companies are made for reshaping stability in difficult financial situations, and they are indeed endowed with the means to comply with their mission. But this is not the end of the story...

95 The International Finance Corporation (IFC) is the World Bank’s private equity investment arm, aimed at unlocking private investment and creating markets and opportunities in LMICs. International Finance Corporation, https://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about_ifc_new.
Pandemic insurance schemes: reasons for healthy scepticism

As we write, the steering body of the World Bank’s Pandemic Emergency Financing Facility (PEF)97 has announced the allocation of US$195.84 million to 64 of the world’s poorest countries with reported cases of COVID-19 and that are members of the World Bank’s International Development Association (IDA). The PEF funds are expected to support the poorest nations in their response to the pandemic, including life-saving medical and protective equipment, therapeutics and medicine for health workers on the frontlines of the crisis, and with special attention given to areas with the most vulnerable populations, especially in fragile and conflict-stricken nations.98 Individual allocation of funds will be diversified based on population size and reported cases, with a minimum of US$1 million and a maximum of US$15 million going to each country, with a declared bias towards unstable and war-affected zones.

Catastrophe bonds and pandemic bonds

Health-related bonds have become an attractive tool of innovative financing and indeed an increasing trend since the Global Alliance for Vaccine Immunisation launched its vaccines bonds through the International Finance Facility for Immunisation in 2006.99 This type of bond normalises the distinctive acceleration and deepening of the ‘financialisation-development nexus’,100 as the financial sector engagement in ‘poorest countries’ is increasingly considered by mainstream development thinkers as a desirable state of affairs.

Like good old-fashioned insurance, catastrophe bonds are a way to transfer risk, often for natural disasters. Investors buy a high-yield bond issued by an insurance company. In the case of a specific qualifying catastrophic event taking place, for example, claims from a natural disaster that exceeds a certain amount (an ‘indemnity trigger’), the bondholders forfeit the capital of the bond, which goes to the insurer to help defray expenses. Catastrophe bonds are high-risk investments, which explains the high-interest rates they pay to investors for covering that risk.

Pandemic bonds are similar. One entity (like the World Bank) sells a bond which pays interest to the investors over time. If certain conditions occur to trigger the bond transfer, then the moneyed capital from the bond sale is quickly funnelled to medical efforts to contain and quell the disease outbreak. The time factor is considered key, at least in principle: affected regions need not wait for aid money to be raised and coordinated. Pandemic bonds are not triggered by losses, as in the case of the ‘indemnity triggers’ of catastrophe bonds, but rather by the actual, real-time spread of the disease. This implies, at least in theory, that capital can flow much faster than if it had to wait until insurance losses began rolling in. Indeed, the speed of capital flow to emergency response efforts (health clinics, aid workers, health personnel, contagion containment) is crucial in the case of pandemics. The high level of dysfunction of these arrangements has led, however, to increasing criticism within and beyond the health sector.

The PEF is a specialised financing umbrella intended to assist governments and aid agencies by supplementing the critical emergency funding required for the management of a pandemic outbreak. It was established in 2016, after the 2013-2016 Ebola outbreak that ravaged Sierra Leone, Guinea and Liberia and killed at least 11,300 people, to introduce an innovative mechanism that would speedily deploy funds where needed. The PEF was designed on the notion of creating an innovative market for pandemic risk insurance drawing on funds from the private sector in return for high-interest rates. The idea behind the bonds was to place some of the risks of a pandemic for low-income countries onto the financial markets, rather than their own governments’ budgets. Investors who bought the bonds would only lose money if certain trigger conditions relating to a pandemic were met. Under the PEF gap-bridging insurance scheme, investors that buy pandemic bonds receive coupons which annually pay annual interest at rates ranging from 6.5 percent

100 Mawdsley, Development Geography II: Financialisation, p. 265.
to 11.1 percent, according to risk class. The bonds are issued in two classes: Class A only applies to pandemic flu and coronavirus, and is subject to a higher threshold of deaths before the money will be paid out, making it a lower-risk investment. Class B has a higher risk. 101 A stringent set of parameters determines whether or not the bond may be triggered: the number of countries affected; the number of cases in each of those countries; the number of deaths; the percentage of confirmed cases to total cases, including suspected; and the growth rate of cases. The conditions necessary to trigger the bond must be in place for at least 12 weeks after the designated start of the event for payouts to happen. After that, they must be in place on a rolling 12-week basis.102 The bonds are not repaid in full and the money is used instead to help tackle the crisis in developing countries if this scenario materialises.

In 2017, the creation of PEF was hailed by the World Bank Group President Jim Yong Kim as follows: “We are moving away from the cycle of panic and neglect that has characterised so much of our approach to pandemics. We are leveraging our capital market expertise, our deep understanding of the health sector, our experience overcoming development challenges, and our strong relationships with donors and the insurance industry to serve the world’s poorest people. This creates an entirely new market for pandemic risk insurance.” The entirely new market was, indeed, generated. Less so, the benefit to the people affected by the disease, if we look retrospectively. Despite the institutional semantic propaganda promising a rapid intervention and the capacity to “boost response” in a spirit of “solidarity in the face of a common threat”, PEF came under scrutiny with the second-worst Ebola outbreak on record in the Democratic Republic of Congo (DRC) in 2018. There, where the virus has raged for two years now with 3,361 confirmed cases and the death of 2018. There, where the virus has raged for two years now with 3,361 confirmed cases and the death of 2,277 people, the outbreak is not over, and flare-ups remain likely.103 The PEF had stipulated a payout of US$45 million if the officially confirmed death toll had reached 250, but only in case of a cross-border spread of the disease, with at least 20 deaths occurring in a second country – a condition that has not materialised in such a vast and populous country like the DRC. The result is that no funds have been released through this insurance scheme to the African country and other funds (like the WHO Contingency Fund for Emergencies) had to pay out.

By contrast, the PEF had paid US$114.5 million in coupons to private investors, mainly financed through public funders (Australia, Germany, Japan and IDA) by mid-2019. The paradox was “an embarrassing mistake”, according to former World Bank chief economist Lawrence Summers.104 And it led the London School of Economics and Political Science (LSE) to issue a timely and pointedly critical report which states that the PEF seems to be serving private investors’ interests more than contributing to global health security.105 Catastrophe models are indeed controversial when designed by the private insurance industry through the tacit knowledge shared within closed and opaque circles.106 They don’t seem to function any better than guesswork, and they have become à la mode mainly due to lack of high-return options in more traditional stocks and corporate bonds.107 With the new exception of COVID-19, there are only two cases since 2006 when the insurance would have been triggered: the outbreak of Rift Valley fever in 2006 and Ebola in 2014-2016.108 The WHO lists only one multi-country outbreak as against 30 one-country-only epidemic events. Difficult access to funding is also related to the wrong timing of the intervention. As the LSE report concluded: “Rather than waiting for an outbreak to reach pandemic proportions, the PEF should consider reform of its insurance criteria to make it more aligned with the early prevention, rapid-response mantra of global health security.”109


109 Ibid.
As we have dramatically seen with COVID-19, reacting immediately to viral outbreaks is key to reduce the impact of the disease. This means that public money spent on the PEF scheme should be more efficiently used for enhancing surveillance, diagnostics and national public preparedness capabilities.\textsuperscript{110} The World Bank's reports demonstrate that low-income countries' investments in core veterinary and human public health systems could save millions of lives and bring returns of 25-88 percent yearly.\textsuperscript{111} The Bank can provide financial and technical support for such investments, in fact, it should be its priority. On the contrary, the COVID-19 shockwave has come at a time of IMF-imposed fiscal consolidation and the Bank's relentless use of PPPs to expand healthcare privatisation\textsuperscript{112} (linked to cuts in social spending and private sector involvement), thereby weakening public health systems.

Waiting for people to die is what finally has triggered the insurance scheme in the case of the COVID-19 pandemic. Under the PEF criteria on outbreak size and death tolls applicable in the context of "a global outbreak" like COVID-19 (defined as over 2,500 deaths across more than eight countries with a determined number of fatalities in each country), the bonds could not pay out until 31 March (12 weeks after the WHO had published its first "situation report"), when IDA countries accounted for 4,653 cases of reported COVID-19 cases globally. But the PEF bond started to lose half its value as the coronavirus outbreak in China fanned fears that investors could face hefty losses already in February (price offers quoted by one broker have slipped as low as 45 cents in the dollar).\textsuperscript{113} Moreover, growing coronavirus outbreaks around the world have prompted many of the investors who bought up the bonds to sell them off, as the conditions for the bonds not to be paid back were likely to be met.

The US$195.84 million is a grossly insufficient amount for 64 countries, in the face of such a menacing and unknown virus. A bond that comes too late and grants too little money – at times, no money at all – has hardly anything to do with global health. Instead, it has got to do with financialisation running wild.

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\textsuperscript{112} Spotlight on financial justice, p. 31.


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Nurses gather for a vigil in honor of healthcare workers fighting the coronavirus outbreak around the country, and calling for more personal protective equipment, outside Lincoln Hospital on Tuesday, April 14, 2020, in the Bronx borough of New York. Picture credit: Joe Piette.
Fearful of the doctor? The US healthcare system not insured to deal with a pandemic

The US healthcare system accounts for 17.8 percent of GDP (as of December 2019). Soaring costs, low-quality care, insurance reimbursements and co-payments confusing even to experts, and an ever-growing gap between rich and poor are just some of the problems. Ideologically, the country has failed to reach a consensus about the appropriate role of government in the provision of healthcare for its citizens, and US citizens now have to pay their way through the health emergency.

Roughly half of all US citizens obtain their insurance through an employer. Depending on the nature of the arrangement, these are subject to an often complex web of state and federal regulations. The federal government has taken on an ever-larger role in the regulation of insurance, culminating with the Affordable Care Act in 2010, and it also provides generous tax incentives to encourage the employer-sponsored provision of insurance at an annual cost exceeding US$260 billion. Still, more than half of the US population is not covered through employer-sponsored insurance, so requiring other more active forms of government involvement – Medicare for older people and some of those affected with disabilities (14% of the population), and the joint state-federal programme called Medicaid for the poor and near-poor (20% of the population). Programmes vary significantly across the states in terms of who is eligible and what benefits they have access to. At the end of 2018, there were 27.9 million people without health insurance, and now this figure is doomed to soar by millions because of record-high job losses triggered by the COVID-19 pandemic—and with them goes insurance coverage.

The pandemic has laid bare the weakness and failures of the US’ neoliberal healthcare patchwork (system) is not really the right word to describe it), which remains locked in market competition, pervaded by even deadlier racism, and unaffordable for many. The health insurance industry went on enjoying a Golden Age of growth, sales and profits thanks to the government subsidies for Americans to buy individual coverage, with top health insurers revenues soaring to almost US$1 trillion in 2019. That is precisely the landscape that is now putting the nation at risk. The US government and major health insurers claim that they are covering the high prices of COVID-19 testing and treatment. But fear of bankrupting medical bills – the bill for a test and treatment could amount to over US$30,000 before the Senate passed the Aid Package at the end of March – and the complexities of coverage conditions have dramatically discouraged people from accessing healthcare, contributing to increasing the pace of viral contagion.
In addition to the 30 million people who were already uninsured before COVID-19 hit the US, an unprecedented number of citizens are losing their jobs. In the US employer-dependent healthcare labyrinth, the Economic Policy Institute estimates that in two weeks as many as 3.5 million American are likely to have lost their health insurance because they were fired – or laid off – in the middle of the deadly global pandemic (the worst time to be left without health coverage). In the emergency, while companies are racing to capitalise on the blood samples that are essential for the creation of coronavirus antibody tests that could help end the lockdown, the only big idea of US policy-makers is to ensure public subsidies to the largely abusive insurance industry. As we write, House Democrats are pushing for a bill to fully cover overpriced premiums for COBRA, a health insurance scheme that allows workers to keep buying into their employer-sponsored plans after they are laid off. This means that, instead of considering the idea of expanding the public Medicaid system or pushing for an emergency version of the Medicare-for-All – which could repay all out-of-pocket costs for all necessary treatments during the pandemic – the highest expression of their political creativity, at a dire time of crisis, is to keep on lining the pockets of private insurers.

Extracting surplus from the sick: the dodgy business of financial inclusion

Under neoliberal globalisation, healthcare has become an area where capital has successfully tried to extort from the state new opportunities for wealth accumulation since in economic terms it represents something between 6 and 10 percent of GDP. This pathway has traditionally been paved by a solid medical-industrial complex (pharmaceutical industries, enterprises related to medical technologies, a variety of service providers), later combined with a thriving medical insurance industry, the new and most sophisticated form of capital formation of previously non-commodified assets. Paradoxically, international agencies have pressured countries from the global South to adopt the US healthcare system, starting in Latin America. Financialisation in health, like in other domains, not only represents a power shift from industrial corporations to the financial sector, but also a shift from social institutions to markets as the dominant organising principle.

The creation of new instruments of financialising risk in LMICs entails considerable complexity and significant added risk (speculation can also lead to losses, not only profits!). It also means partnering with a range of non-classical development actors which have not been noted for their commitment to poverty reduction: insurance and accountancy giants, management consulting firms, hedge funds, speculators and other players in derivative markets. Moreover, development agencies end up mitigating risks, but they generally prioritise the financial risks of the investors and not those of the countries and communities that are exposed to life or death situations and subject to weak healthcare systems. Hybrid state-capital alliances, increasingly expanding in the global South, are opening new vehicles for speculative financial investors. Even after the 2008 global financial crisis governments seem to be serenely complacent and wilfully blind to the inherently greater exposure to the volatility of the financial markets that these trends entail.

126 Ibid., pp. 52-56.
More recently, the concept of Universal Health Coverage (UHC) has been a recurring theme in the promotional apparatus that facilitates the brave new world of private finance in the healthcare sector through the implementation of the SDGs, where aspirational objectives are translated into policies with time-bound targets and estimated financing gaps. Through these activities, health needs in the global South have been reimagined as a diversified marketplace for investors to engage in. In healthcare, the drive steering investments arises from the mounting burden of chronic non-communicable diseases (NCDs) and the increased capacity of the middle-classes to pay for health services. The so-called ‘rise of the South’, the changing geographies of poverty and wealth and the legacies of the 2008 global financial crisis hitting mostly the global North, have all played a part in modifying the classical representation of the North-South divide that historically framed mainstream development imaginaries and interventions.

An overstretched public healthcare system forces millions of Indians to turn to the unregulated private healthcare sector. India’s total health expenditure amounts to 3.8 percent of GDP, and the share of the government expenditure on health hovers around 1.2 percent, one of the lowest in the world, way below the 6 percent criteria prescribed by the World Health Organization (WHO). For around 52 percent of households in urban areas, and 44 percent of households in rural areas, the private sector is the main source of healthcare when people are sick, according to government data. Meanwhile, the government policy of privatisation continues, as manifested in the 2017 decision to increase the role of private hospitals in treating NCDs in urban sites, with direct government disbursement to set up new hospitals in the country’s eight largest cities. Today, under-investment in the public health sector poses a major threat to India’s COVID-19 containment plans, as the neglect over the years
Catastrophic health expenditure occurs when: "people's health expenditure is so high in relation to income that it results in ‘financial catastrophe’". This means that the vast majority of Indians are exposed to health-related financial shocks.

Health expenditures keep people poor and push those just above the poverty line back into poverty. In 2011-2012, out-of-pocket health expenses drove 55 million Indians into poverty—a higher number than the entire population of South Korea (51.1 million). Some 38 million Indians were impoverished by expenditure on medicines alone. A 2017 World Bank report portrayed the level of 'catastrophic health expenditure' in India, which is the sixth-highest private healthcare spender among LMICs: 17.33 percent of India's population spends more than 10 percent, and 3.9 percent of the population spends more than 25 percent of their income on health costs. Health insurance coverage in India is poor because the private health insurance industry is at a nascent stage, and insurance premiums are high. Moreover, Indians, particularly those who live in rural areas, have very limited access to healthcare services such as hospitals or medical doctors, so they are less likely to buy health insurance.

The government has instructed that COVID-19 must be part of the insurance scheme and that beneficiaries of government-sponsored schemes get free test and treatment. But the majority of the population are outside these schemes, and once again face the menace of catastrophic expenditures for the same services in the private sector.

Likewise, the mantra of ‘financial inclusion’ has generated the opening up of a relationship between macro and micro circuits of financial interests, and the increase of dealings with low-income groups and marginalised populations, particularly through microfinance schemes. Microfinance has almost become synonymous with development over the last 20 years, and the sector has experienced tremendous growth. In the financialisation of development, microfinance programmes have been restructured and progressively integrated into global flows of financial technology and capital. In fact, the acceleration of efforts to create, scale up and connect poorer people and countries to regional and global structures of financialisation is seen as a way to democratise financial capital and to pursue financial inclusion. Both goals provide ample space for the proactive and increased engagement of the private sector, including in the latest turn towards the controversial digital finance for the poor in its different lending applications.

Most of the world's marginalised populations face enormous health and financial risks, even before the COVID-19 crisis. In this permanent scenario of uncertainty, insurance products for the poor are marketed as opportunities for both making profits and improving social welfare. However, this generally has a twofold complication: demand for insurance products is often scarce and insurers are worried about adverse selection and moral hazard, with the latter concern leading insurers to offer essential health packages, that is, very basic health services. That is why bundling insurance policies with products like microfinance loans have been seen as an efficient solution to tackle

135. Spotlight on financial justice, p.16.
both the low demand and the adverse selection problem. Microfinance institutions either serve as agents to a larger private insurance company, or they provide the insurance policy themselves. Indeed, many microfinance institutions have experimented with packaging classical health insurance mechanisms with their loans, promoting the paradigm with evangelical fervour especially in countries where out-of-pocket expenditures of the total healthcare cost remain high. The widespread belief is that integration of health insurance and microfinance may supplement governments’ efforts and help pave the way to universal health coverage.

Actually, this is not generally the case. No country in the world has ever achieved anything close to universal health coverage using voluntary insurance, and even Western-style, employment-based social health insurance schemes may not be the alternative solution in LMICs. Empirical evidence demonstrates that they are characterised by large-scale exclusion. As an Oxfam briefing paper reports: “Even rich countries struggled to achieve rapid scale-up via social health insurance – it took Germany 127 years to achieve UHC. People in poor countries cannot and should not have to wait that long.”

Equity and universality should be the inspiring principles, rejecting approaches that collect insurance premiums from people that are too impoverished to pay. Worldwide, the life shock that the pandemic lockdown has dealt to people in the informal sector and their vulnerability due to their exposure to contagion and hunger, can hardly be tackled through similar approaches.


142 Pioneer microinsurance is a case in point, as one of the biggest commercial microinsurance providers in the Philippines, with its 60-70% year-on-year growth, higher than the ordinary market growth. See: Dalal, Aparna. Rep. Case Brief: Pioneer Microinsurance. (Social Finance Programme Enterprises Department/ILO), http://www.impactinsurance.org/sites/default/files/CaseBrief_june2017_web_version.pdf.

143 Adrian, Marc. This Insurance Policy Only Cost ₱70 A Month! (iMoney.ph, July 9, 2019), https://www.imoney.ph/articles/microinsurance-philippines/.
supported by public authorities, at least as an interim arrangement that offers a way to increase access to healthcare. Through the government strategy on microinsurance, a path was opened for the private sector to participate in the UHC national agenda by offering affordable complementary and supplementary products, including MIUs. In April 2016, the Insurance Commission (IC) issued its “Regulations for the Provision of Health Microinsurance (MicroHealth) Products and Services”.

As a result, microinsurance companies are expanding their market share by offering new and cost-effective services in the healthcare sector. Several multinational companies and state-owned entities are actively taking advantage of the still untapped potential and the promising high returns of the low-market segment, a real opportunity in the country. Likewise, international cooperation programmes have been shaped along these lines, as is the case of the German development cooperation’s MicroHealth market initiative, endowed with a very enabling microinsurance distribution.

Ultimately, MIUs operate as substitutive rather than complementary or supplementary schemes. Research gathered so far confirms that they can alleviate the under-utilisation of healthcare. Yet, significant challenges remain in the microinsurance field, even when mutual and cooperative approaches are adopted. The non-borrowers remain the wider segment of society. Intense competition among microinsurance entities is growing, with problematic consequences. The most remote and marginalised regions continue to be neglected, as agents tend to focus on areas with higher economic growth and returns.

COVID19 and the defeat of health market ideologies

For quite some time, international evidence has demonstrated that universal access to healthcare has not been achieved anywhere through voluntary or contributory-based health insurance. And that such schemes, often promoted by the World Bank and other donors in LMICs, don’t serve the needs of the most disadvantaged and sick people. Instead, they serve the interests of private finance, which is allowed to extract profits from the health and social care sector. The belief that market competition in health would enhance efficiency, productivity and innovation has been bitterly defeated in the collision with the COVID-19 pandemic. All over the world, health and social care workers, local municipalities’ staff and people involved in the fight against COVID-19, who risk their lives every day on the frontlines of this pandemic, have not been inspired by competition and market forces, but by the values of serving the public interest, professional responsibility, solidarity and compassion. Almost overnight, COVID-19 has subverted the free-market orthodoxy that has so much wounded effective preparedness and care. The pandemic is the time to resurrect the paradigm of universal public health systems, based on equitable fiscal approaches, if we are to overcome inequalities in health. This is no longer a mere aspiration, but the most-effective vaccine the world needs to prepare for the next health-climate emergency.

3. Burning down the house: how market-led solutions fail to address the root causes of climate emergency

What can COVID-19 teach us about the climate emergency?

Climate change discussions and decision-making have been put on hold while governments, industry and people everywhere come together to combat a global pandemic. But despite attention being focused on the more immediate crisis at hand (COVID-19), global concern and action on the climate emergency should remain central. According to the findings of the Intergovernmental Panel on Climate Change (IPCC), we only have 10 years left to reduce emissions before reaching the critical 1.5°C red line and stopping irreversible damage from climate change.\(^1\) The challenge remains to ensure an intergenerational approach to the climate emergency, acknowledging that young people and future generations will be the most impacted by decisions and actions (or lack thereof) we take right now. With that in mind, COVID-19 should be used as a wake-up call for our lack of preparedness to deal with global crises, as a sort of drill and learning opportunity for an even larger crisis on the horizon.\(^2\)

The unprecedented destabilisation caused by the pandemic has pushed governments worldwide to a crossroads: either radically transform economic and social policy strategies for human and environmental health and the economic impacts of the crises, and address existing vulnerabilities of the global economy; or continue the market-led experiment and extractive capitalism, which have already shown themselves to be unfit to ensure a healthy life for the majority on the planet.

Who is weathering climate disasters and their human rights impacts?

The climate emergency is already wreaking havoc in countries across the global South, where the most vulnerable to its direct consequences are those who least contributed to its cause. Estimates are that over 120 million more people might be pushed into poverty by 2030 due to climate change and its impacts on the human right to food, land, water, healthcare, housing and education.\(^3\) According to the WHO, air pollution – just one aspect of our planetary climate emergency – currently kills seven million people every year.\(^4\) And this trend is unfortunately on track to continue. While widespread lock-down measures in response to the COVID-19 pandemic resulted in a temporary reduction in global emissions,\(^5\) a push towards weakening emission standards,\(^6\) environmental protection and regulations to save the fossil fuel economy will likely lead to a fast rebound.\(^7\)

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\(^1\) Global Warming of 1.5°C: Summary for Policymakers, Intergovernmental Panel on Climate Change, [https://www.ipcc.ch/sr15/chapter/spm/](https://www.ipcc.ch/sr15/chapter/spm/).


\(^4\) Air Pollution, World Health Organization, [https://www.who.int/health-topics/air-pollution](https://www.who.int/health-topics/air-pollution).


While the poorest half of the world’s population is responsible for just 10 percent of global carbon emissions, the richest 10 percent are responsible for a full half. Perversely, the richest people are also those best placed to adapt and cope with climate emergency, when those least responsible for historical emissions and extractive activities are forced to bear the brunt for more frequent and increasingly devastating extreme weather events. Since 2000, people in the global South have died from disasters at rates seven times higher than in global North countries.

Severe droughts, flooding and food shortages are affecting some 60 million people across southern and eastern Africa. In Mozambique, two deadly cyclones in 2019, Idai followed by Kenneth, tore through 1.7 million acres of farmland, washing away crops and destroying livelihoods, pushing the country into a food crisis. At the time, Mozambique, the world’s sixth poorest country, was already experiencing an illegitimate debt crisis which culminated in cuts to the tune of almost a third of public spending per person. On top of the unquantifiable suffering and loss of life, climate-related disasters cost about US$18 billion each year in LMICs through damage to power generation and transport infrastructure alone, costs which have so far been addressed by the international financial institutions largely through loans which keep countries further entrapped in debt.

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154 See Oxfam, World’s richest 10% produce half of carbon emissions while poorest 3.5 billion account for just a tenth, 2015.
156 Sitefane, Gaspar, and Heron Belfon, Climate Disaster Fund Needed to Stop Poverty Deepening, (Thomson Reuters Foundation, November 29, 2019), https://news.trust.org/item/20191129104451-put1m.
Figure 8: Global CO₂ emissions by income and region (2016).

By Income Group

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Population (billion)</th>
<th>Per capita carbon emissions (CO₂ per person per year)</th>
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<tr>
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<td>Low income</td>
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By Region

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<td>Latin America &amp; the Caribbean</td>
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<td>3.8 tCO₂/person/y</td>
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<tr>
<td>Africa</td>
<td>1</td>
<td>1.1 tCO₂/person/y</td>
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Source: Our World in Data.\textsuperscript{160}
The plight of the Caribbean: climate change, financial injustice and debt

By Heron Belfon, Jubilee Caribbean

The English-speaking Caribbean islands currently face a number of challenges; climate change is in the top two. As small islands, we are not only susceptible to external economic distress but also colossal physical damage due to climate change related events. In recent years, the two have formed a cause-and-effect relationship with climate change related disasters categorically affecting the economy.

In the aftermath of a natural disaster, in addition to having to repay external debts, the islands are also faced with major economic challenges which lead to more borrowing at high-interest rates. Most of the islands are ranked as “middle-income” or “upper-middle-income” countries on the IMF and World Bank hierarchies, which automatically disqualifies us form accessing grants and concessionary loans in the aftermath of natural disasters. The lack of access to affordable funding for natural disaster leads to more borrowing, trade deficits and little to zero growth in the period it takes to build back.

In 2017, Hurricane Maria destroyed Dominica and resulted in damages of US$1.3 billion; the World Bank and other organisations provided funding of US$115 million. This means that after Hurricane Maria, Dominica still needed to find additional sources for US$1.785 billion to get the country back to its pre-hurricane level. Just before Dominica was hit, Hurricane Irma completely flattened Barbuda, leading to a mass emergency evacuation of the island. The day after the hurricane, the twin-island state of Antigua and Barbuda sought a moratorium on a debt owed to the IMF but was refused. So, in less than 24 hours after sustaining US$150 million in damages, Antigua and Barbuda must make a US$2 million loan repayment on debts owed. While the sense of urgency to address the climate emergency is reverberating in the hallways of the world’s largest international financial institutions, namely the IMF and the World Bank, so far, the main climate solutions proposed have focused on unlocking private investments. This means relying on financial market mechanisms such as insurance schemes to deliver on public preparedness or carbon pricing to reach the Paris Agreement targets. Yet again, global leaders’ and financial actors’ best bet is on a similar market orthodoxy to that which characterised the response to the last major global crisis in 2008, and not only failed to deliver on “reduced poverty and shared prosperity” but actually led to widespread austerity measures and increased inequalities within and between countries over the last decade.

In 2019, Hurricane Dorian almost wiped out part of the chain of islands making up the Bahamas, leaving US$3.4 billion in damages. These experiences and the billions of dollars in loss and damages sustained in the region due to a phenomenon that we contribute next to nothing towards. It creates chaos and forever changes everyday life circumstance for many; not everyone recovers from the aftermath from massive natural disasters such as hurricanes.

The impact of stronger, more frequent storms during the hurricane season is now turning into all-year activities with the implementation of adaptation strategies in attempts to shorten recovery periods. Knowing that this is due to climate change when we contribute little to nothing towards the destruction of the environment but have to secure funds for both before and after the season is a plight not many islands will survive.

While the sense of urgency to address the climate emergency is reverberating in the hallways of the world’s largest international financial institutions, namely the IMF and the World Bank, so far, the main climate solutions proposed have focused on unlocking private investments. This means relying on financial market mechanisms such as insurance schemes to deliver on public preparedness or carbon pricing to reach the Paris Agreement targets. Yet again, global leaders’ and financial actors’ best bet is on a similar market orthodoxy to that which characterised the response to the last major global crisis in 2008, and not only failed to deliver on “reduced poverty and shared prosperity” but actually led to widespread austerity measures and increased inequalities within and between countries over the last decade.

164 Spotlight on Financial Justice.
Crowding-in false solutions

"If climate change is used to justify business-friendly policies and widespread privatisation, exploitation of natural resources and global warming may be accelerated rather than prevented.”

Philip Alston, former UN Special Rapporteur on extreme poverty and human rights

The long-standing mantra perpetuated by international financial institutions and global North governments (who are their main shareholders) portrays public-sector services or infrastructure provision as too costly and inefficient, justifying the mainstreaming of private-sector solutions in the climate change adaptation discourse and development practice. To address the climate crisis and achieve the goals set by the Paris Agreement and the 2030 Agenda, “crowding-in private investments” is religiously repeated by the World Bank Group and the IMF as the most promising solution. This narrative translates into government policy action and public finance primarily being used to ‘leverage’ or bring in the private sector, as the supposedly more efficient and less-costly solution, including via PPPs. These market-led approaches are touted as the answer to developing countries’ limited fiscal space. But a closer examination shows that an over-reliance on the private sector and private finance is often short-sighted. It fails to fill in the gaps in emergency public preparedness and comes at a high cost to public budgets and citizens’ human rights as well as shifts attention away from addressing the root causes of the climate breakdown.

Wilfully blind trust in the private sector

Each January, heads of governments and CEOs of the world’s largest corporations, including the biggest financial institutions and fossil fuel producers, fly into Davos, Switzerland on their private jets. During closed-door meetings, they discuss climate risks and plan for a carbon-free future. But the ideological commitment to market-led solutions advocated by the attendees at every World Economic Forum (WEF) has been a consistent block to progress in addressing the climate crisis. Now, Wall Street and the WEF billionaires are becoming increasingly vocal about their fears of climate-induced risks, including how the inevitable need to halt fossil fuel extraction and other polluting activities for the sake of life on the planet will affect their companies’ returns or how climate volatility will affect the financial market as a whole.

For instance, BlackRock, the world’s largest asset manager with a US$7.4 trillion portfolio (equivalent to more than the GPD of the UK, Canada and France combined), says it will make climate change central to its investment considerations.

There is no doubt that the private sector will have to play its part towards meeting the global commitments on climate change set in Paris and by the 2030 Agenda. However, that will largely depend on its willingness to literally stop doing ‘business as usual’ and start contributing to society at large, through much-needed radical shifts in private-sector regulations, transparency, accountability, taxation and overall priorities which are yet to be seen. Despite little to no changes that can showcase that corporations and banks are up to the challenge, private-sector interests remain front and centre in the investment and policy strategies of several governments and international financial institutions.

In 2017, the IDA, IFC and Multilateral Investment Guarantee Agency (MIGA), all vouched to catalyse private-sector investment in lower-income countries through a US$5.5 billion “private-sector window”. Through four facilities (risk mitigation, blended finance, local currency and guarantees), the private-sector window was created to derisk or blend private financing with public resources, essentially creating financial incentives to attract private capital in more challenging markets. The rationale behind it is the faith in the private sector as central to achieving the SDGs. But how sustainable are these investments?

As of 2019, the IFC boasts a total of US$5.8 billion in mobilisation and investment in 93 ‘climate-smart’ projects in 44 countries. One of its latest endeavours has been catalysing public and private funds for the HSBC’s Real Economy Green Investment Opportunity GEM Bond Fund (REGIO), which has raised US$474 million of new financing to support climate mitigation investments across emerging markets. HSBC and the IFC each committed US$75 million to the fund as anchor investors. In a 2020 press release, Noel Quinn, Group Chief Executive at HSBC, said: “At HSBC we have a long history of connecting markets with opportunities and we recognise that economic growth must be sustainable over the long term. Investors want more socially and environmentally responsible investment opportunities and funds such as REGIO are a way for them to achieve their sustainable objectives.” Philippe Le Houérou, CEO of the IFC, said: “The success of this fundraising is proof that investors remain committed to fighting climate change, even at this time of global pandemic.”

What the press releases conveniently omit is that HSBC is one of the top 12 worst global banks in terms of fossil fuel portfolios, having invested US$86.53 billion in fossil fuel companies since the pandemic. This is earmarked for high-carbon industries, with no emission-reduction strings attached.

The track record of the fossil fuel industry also paints a clear picture: the over-reliance on profit-driven actors will almost guarantee massive human rights violations. Research shows just 100 corporations have been the source of over 70 percent of the world’s greenhouse gas emissions since 1988. At the same time, just a handful of big oil companies – BP, Shell, Chevron and Exxon – have profited by almost US$2 trillion in the past three decades, while their exploitation of oil, gas and coal reserves has driven the planet to the brink of climate breakdown. Despite ample evidence of their destructive impacts, public and private financial support to these carbon-intensive companies continues at growing rates. Global banks have already poured over US$2.7 trillion into fossil fuel companies since the adoption of the Paris climate accord alone. So far, the majority of the economic stimulus money announced by governments around the world as a response to the economic impact of the COVID-19 pandemic – over half a trillion dollars worldwide (US$509 billion) – is earmarked for high-carbon industries, with no emission-reduction strings attached.

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Financialisation of nature: carbon markets, nature-based solutions and ecosystem services

One of the key solutions proposed by the international community as a way to slow and inhibit carbon emissions involves transforming emissions and carbon sequestration into tradeable assets in so-called ‘carbon markets.’ In these schemes, trees and forests are seen as financially valuable providers of ‘ecosystem services’ or as ‘carbon sinks’ which would take away carbon from the atmosphere and compensate (or offset) excessive emissions. However, since this so-called ‘financial innovation’ gained strength during the UN Rio+20 conference in 2012, it has been increasingly embraced by corporations and large polluter industries such as mining and aviation as a way to continue business as usual without addressing the issue of excessive and unsustainable resource use. Now, carbon markets and sequestration possibilities are pushed under a newer concept: nature-based solutions (NBs). Although NBs is a vaguely defined concept which includes many different approaches to nature conservation and climate mitigation, it still pursues “offsetting projects that can both hide emissions and greenwash the image of those doing the emitting, such as high-profile tree-planting campaigns.”

Many of these apparently apolitical approaches are based on the assumption that the financialisation of nature would generate dynamic investment and push companies to change business models and reduce emissions. But the transformation of carbon emissions into a new financial asset allows high-income countries and corporations to pay and trade their way out of stricter social and environmental regulations while burdening communities in the global South with the harsh consequences of nature’s depletion. Turning emissions into a commodity also exposes local communities to global commercial power structures and financial volatility, including financial interests competing for land, water, metal and forests, as well as new markets for extracting wealth from those depending on natural resources. This type of short-term solution to offset emissions ignores social and environmental consequences, such as forced displacement and disrespect for traditional livelihood practices, already documented in relation to carbon-capture projects such as tree plantations. Most importantly, these so-called solutions ignore the differentiated responsibility between countries and population groups when it comes to historical emissions and resource extraction and avoids dealing with a real reduction in overall consumption and carbon emissions from the global North.


178 Ibid (FOE report).
Catastrophe bonds

In the 1990s, after the Northridge earthquake in California and Hurricane Andrew along the US Gulf Coast, Wall Street invented the catastrophe bond, or CAT bond. The CAT-bond concept is simple: an insurer issues a special-purpose bond that offers relatively high yields and matures in the short to medium term, often between two and five years. The CAT bond covers a specific, triggering event, such as a major earthquake or named storm. If the major event hits within the specified timeframe and meets certain defining criteria, then the investors lose their principal, which is used to meet claims made on the insurer. If there is no relevant event during that short timeframe, then the CAT bond investors collect back their principal, after receiving large yields along the way. CAT bonds are a form of financialisation of climate risks, in the sense that they convert environmental risks grounded in a specific place into an intangible exchange value and financial asset. But by detaching financial value from the real-life context they seek to represent, the process of converting climate risks into financial assets to be exchanged fails to address the underlying problems that contribute to more frequent climate-related disasters in the first place. CAT bonds are representative of the broader trend for environmental problems to be addressed through financial market mechanisms, and its market has seen exponential growth in the past two decades, going from under US$2.8 billion in 2000 to over US$41 billion in 2020.179 It is yet another market-led experiment which continues to enable financial actors to increasingly concentrate wealth, by speculating and gambling with their excess capital with little regulation or accountability to future generations.

Figure 9: Catastrophe bond and ILS risk capital issued and outstanding by year

![Graph showing the issued and outstanding risk capital by year from 1997 to 2020]


“Some people say we should use more public-private partnerships. More insurance, more blended finance. But climate change cannot be addressed by private insurance. Insurance works best when the risk is uncorrelated, diversified, random, and you can spread the risk over time and across disasters. But what does climate change tell us? That disasters are at an increasing intensity and rising correlation. By definition, you cannot privately insure against that.”

Avinash Persaud, Head of Economic Reconstruction of Dominica post-Hurricane Maria, 16 April 2018, in Richards and Schalatek. Not a silver bullet.180

Climate risk insurance

As a way to ‘offset’ climate risks, one of the main market-led policy responses gaining traction is to expand private insurance coverage for developing countries and their citizens. The equation apparently is simple: as the climate emergency increases the number and severity of natural disasters, more people need insurance schemes to protect their homes, crops, businesses and livelihoods; and countries need such schemes to protect their public infrastructure and economies.

Not surprisingly, this insurance approach has been supported by global North donors as a business opportunity, with the world’s largest insurance and reinsurance companies coming from the US, Germany, France, Italy, Switzerland, Japan and China. At the UN Climate Conference of the Parties (COP23) in 2017, the G20 officially launched the InsuResilience Global Partnership for Climate and Disaster Risk Finance, intending to provide climate and disaster risk insurance coverage to 500 million more people by 2025. Since its launch, the G20's InsuResilience Global Partnership (IGP) has teamed up with the Insurance Development Forum (IDF), bringing in 300 leaders from the insurance business, and attracted 80 member organisations, including the EU, which collectively support 25 schemes across 78 countries.181 “Climate risk insurance has proven it works”, the Partnership claimed, citing the disbursement of US$200 million through “insurance solutions for poor and vulnerable people”. Donors have lined up to fund the approach. At the 2018 World Bank and IMF Annual Meetings in Bali, the governments of Germany and the UK, in partnership with the World Bank Group, announced a US$145 million Global Risk Financing Facility (GRiF) to contribute to the goals set by the IGP and as a member of its programme alliance.182 Influential reports highlighting the failure to anticipate natural disasters concluded conveniently that “premiums are the price of making sure we have funding when we need it.”183 While insurance coverage has a role to play in protecting households and public assets from loss and damage, this market-led solution has several pitfalls and should not be used as a one-size-fits-all substitute for adaptation and preparedness.

180 Richards and Schalatek. Not a silver bullet.
182 Ibid.
Privatising profits and sharing risks

Firstly, when governments turn to the privatisation of a social safety net and choose to rely on the private sector to deliver on a public good such as disaster preparedness, it transfers the burden of responsibility to individuals to fend for themselves in the case of catastrophe. In the context of already deep and multiple inequalities (economic, gender, geographic location, age, ethnicity), those already vulnerable are faced with yet another out-of-pocket expense which they might not be able to afford or that might detract from essential everyday expenses such as healthcare or food. This in turn can actually increase inequalities.

While the increasing number and intensity of extreme weather events also create more risks for the insurance industry itself, with the help of climate risk modelling, insurance companies calculate and integrate and transfer the risks by increasing their premiums, ensuring their profit margins won't suffer even with an increase in the volume of insurance payouts to the victims. However, more expensive premiums have ‘exclusionary effects’, meaning that insurance schemes can become too expensive for the lower-income groups of the population, who face the double burden of being the most vulnerable to climate change impacts and are often less financially able to bounce back from losing their livelihoods after a flood, hurricane, or prolonged drought. Also, as losses become too frequent, too costly or too unpredictable to insure, certain groups of people and/or places become uninsurable – too risky a gamble for insurance companies to cover. Yet these are the ones who most need it.

Climate (in)justice

Secondly, countries most vulnerable to and least responsible for a climate emergency are forced to pay twice for something they hardly contributed to in the first place: i) paying with their citizens’ lives and loss of livelihoods due to increasing extreme weather events; and ii) at the sovereign-level, instead of investing in long-term preparedness and adaptation to climate change, developing country governments utilise their scarce public resources to pay for high insurance premiums, and still incur the majority of direct costs of loss and damages.
**“Enthusiasm for insurance is self-serving on the part of developed countries and unsupported by the evidence on whether climate insurance provides benefits and is cost-effective. This support exists in spite of insurance not always being the most appropriate and most sustainable risk management mechanism in comparison with other approaches, such as investing in informal savings schemes, social safety nets, or cash transfer programs.”**

Julie-Anne Richards and Liane Schalatek, *Not a silver bullet: why the focus on insurance to address loss and damage is a distraction from real solutions*, 2018

**Distracting from systemic transformation**

Thirdly, insurance schemes, as a risk mitigation effort, shift the focus from transforming extractive and exploitative production and consumption models – the main drivers of the climate emergency – to merely dealing with the unwanted outcomes of maintaining the status quo. They also detract attention from the countries that caused the problems and mostly benefited from them in the first place – global North countries – and transfer the burden of responsibility to the global South to ‘buy-in’ to insurance schemes as a solution for climate change impacts. The blind trust in for-profit private sector responses also serves to distract from richer countries’ obligation to pay for their fair share of climate-related damages.

Instead of pushing for policy changes and systematic transformations in our high-carbon economy, insurers have primarily turned to investment opportunities and underwriting in addressing climate change risks. Also, insurance companies are among the largest asset owners in the global economy. In 2014, insurance companies held a total of US$29 trillion under management.\(^{184}\) This equals almost a third of the entire world’s GDP for the same year (US$79.3 tn).\(^{185}\)

As some of the world’s biggest investors, insurance companies have a large responsibility for the sustainable transformation of the global economy. Yet despite their rhetorical concern about climate change, most insurance companies are still major investors in the fossil fuel sector.

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**No climate justice without financial justice**

The system is not broken – it is flawed by design. Despite faulty economic principles that conveniently ignore so-called ‘externalities’ of its model – ecological destruction, lower wages and fewer worker rights, increased inequalities, negative impacts on public health, climate change, and so on – the growth-oriented market-led system has been maintaining itself thanks to a governance model based on secrecy jurisdictions, tax havens and opaque and undemocratic decision-making institutions. What remains clear is that while economic policy-making is captured by private-sector interests and decisions are made in undemocratic settings, outcomes will likely be skewed to maintain profits for elites already in power.

Technical fixes and financial mechanisms such as insurance schemes, CAT bonds and other market-based ‘solutions’, are only looking at the end of the story – trying to mitigate the climate problem without dealing with the extractive economic model based on maintaining inequalities at its roots. While unfettered fossil fuel and mineral extraction and its clear contribution to the climate crisis is a symptom that needs to be addressed (as are inequalities, mass extinction, food crisis, etc), the disease behind it is an economic system reliant on socially and environmentally aggressive extractivism, the maintenance of high levels of debt (held by citizens and certain countries) and extremely concentrated economic wealth and political power. These are inseparable conditions of our current times, and one cannot fully understand nor pretend to solve the current climate crisis while keeping in place the political and economic institutions responsible for it in the first place.
Rerouting development: rooting economies in social justice, human rights and planetary health

“Historically, pandemics have forced humans to break with the past and imagine their world anew. This one is no different. It is a portal, a gateway between one world and the next. We can choose to walk through it, dragging the carcasses of our prejudice and hatred, our avarice, our data banks and dead ideas, our dead rivers and smoky skies behind us. Or we can walk through lightly, with little luggage, ready to imagine another world. And ready to fight for it.”

Arundhati Roy, The Pandemic Is a Portal, Financial Times, 3 April 2020

Even before the pandemic, the world was already far off track from reaching the goals set in the 2030 Agenda. The converging health, climate and economic emergencies have made it impossible to continue ignoring how our development path was built on a collision course with human and planetary health, and how ill-prepared we were to cope with risks exacerbated by humanity’s destructive behaviour. The current emergencies also put a spotlight onto systemic structural inequalities, revealing for all to see how not all lives are valued equally.

Sustainable and well-directed finance will be needed to reach the goals of the 2030 Agenda and Paris Agreement on Climate Change. However, simply pouring more money into unsustainable social, political and economic systems which continue to rely on extractive industries and the maintenance of an unjust global division of labour, while enabling excessive consumption patterns of global elites, will not fix our issues. Decolonising and democratising policy-making at local, national and global levels is a necessary step if we aim to prioritise people’s wellbeing, environmental protection and human rights over profit maximisation. Putting care for people and the planet at the centre of all decision-making processes is essential if we are serious about eradicating poverty, reducing inequalities and fighting the climate emergency. And none of that will be possible without ensuring that countries have the appropriate fiscal and policy space to set their own development strategies and choose the best mix of policies for achieving sustainable and equitable economic development, including by ensuring publicly financed social protection, emergency preparedness systems and essential public services. We should not be dependent on speculative financial capital to deliver vital goods and services.

Now we have the chance to build a new collective immunity, letting go of practices that have failed us – namely, the false mantra of private finance and market-led development as the preferred solutions to global challenges. Instead we can reroute development paths and redesign a global economic architecture based on equity, human rights and true wellbeing and shared prosperity. Picking up where we left off before the crises will not make us more resilient or prepared to deal with new pandemics and climate-related disasters. Doubling down on failed strategies such as the privatisation of essential public services or the deregulation of global finance will not help us better cope with and overcome present and future shocks. We can rather take these crises as momentum for well-overdue change, converging collective power and uniting the struggles for socioeconomic and climate justice as inseparable parts of the same transformative trajectory.
How to get involved?

Collective action and convergence for a healthy, equitable and feminist future

Financial justice networks

- **Civil Society Financing for Development group** (including the Women Working Group on FFD): an open group bringing together CSOs, networks and federations that are interested and active in the Financing for Development process and its interrelated areas, including debt, illicit financial flows, private finance, tax, official development assistance, trade and systemic issues.\(^{187}\)

- **Tax and Gender Working Group**: this working group seeks to provide a space for discussing the usually under-reported impacts of political decisions on taxation and financial secrecy on women and girls around the world. The working group provides a space for members of the Global Alliance for Tax Justice (GATJ) regions to engage directly in the campaign and policy work on tax and gender with an aim strengthening the global integration of tax justice organisations as well as broaden the participation in GATJ's work.\(^{188}\)

- **Feminist Response to COVID-19**: feminist organisations and activists, working across global movements centred on human rights, sustainable development, and economic and social justice are collectively organising to outline key principles for a just and resilient recovery from the ongoing global pandemic, as well as to track responses and uplift collective action of feminists around the world.\(^{189}\)

- **Civil Society 20 (C20)**: one of the eight official engagement groups of the G20. It provides a platform for CSOs around the world to bring a non-government and non-business voice. It provides a space through which global CSOs can contribute in a structured and sustained manner to the G20.\(^{190}\)

- **DAC-CSO Reference Group**: the DAC-CSO Reference Group facilitates and coordinates engagement with the Organisation for Economic Co-operation and Development – Development Assistance Committee (OECD – DAC) by CSOs from both the global North and the global South, and to carry CSO positions in these spaces with the ultimate goal of promoting more and more effective aid and development finance. It serves as an avenue for members to plan and coordinate activities, positions and ways forward related to OECD – DAC engagement.\(^{191}\)

- **Red Latinoamericana por Justicia Económica y Social (LATINDADD)**: LATINDADD is made up of institutions, teams and campaigns from Latin American countries that work to solve the problems derived from the systemic crisis and to create conditions that allow the establishment of an economy at the service of the people, in which economic, social and cultural rights are made effective.\(^{192}\)

- **African Forum and Network on Debt and Development (AFRODAD)**: AFRODAD was created as a pan-African platform and organisation for lobbying and advocating for debt cancellation and addressing other debt-related issues in Africa. Today AFRODAD remains committed to contributing to the long-term development of the continent through its contribution to finding sustainable solutions to Africa's challenges in debt, resource management and financial development.\(^{193}\)

- **Asian Peoples' Movement on Debt and Development (APMDD)**: APMDD is a regional alliance of peoples’ movements, community organisations, coalitions, NGOs and networks. APMDD believes in a social transformation that is all-encompassing and interrelated: it is economic, political, cultural and environmental and has class, ethnicity/race and gender dimensions.\(^{194}\)

- **Eurodad**: Eurodad is a network of 49 CSOs from 20 European countries. Eurodad works for transformative yet specific changes to global and European policies, institutions, rules and structures to ensure a democratically controlled, environmentally sustainable financial and economic system that works to eradicate poverty and ensure human rights for all.\(^{195}\)

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192 Red Latinoamericana por Justicia Económica y Social, [https://www.latindadd.org](https://www.latindadd.org).
195 Eurodad, [https://www.eurodad.org](https://www.eurodad.org).

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Gambling with our lives: Confronting global health and climate emergencies in the age of financialisation
Climate and food justice networks

- **Fridays for Future**: the youth and student movement Fridays for Future (FFF) is active through independent local groups all over the world. The young activists mobilise through strikes and actions calling for structural change to fight the climate emergency. Look for your local group!196

- **Extinction Rebellion**: a global movement with many local groups which engage in climate and environmental policies through non-violent resistance and disobedience to fight the climate emergency and mass extinction. Look for your local group!

- **Climate Action Network**: the Climate Action Network (CAN) is a worldwide network of over 1300 Non-Governmental Organizations (NGOs) in more than 130 countries, working to promote government and individual action to limit human-induced climate change to ecologically sustainable levels.197

- **Civil Society Mechanism of the Committee on World Food Security**: the Civil Society and Indigenous Peoples’ Mechanism (CSM) for relations with the United Nations Committee on World Food Security (CFS) is the largest international space of for CSOs working to eradicate food insecurity and malnutrition. The CSM is an open and inclusive space and hence does not have formal members, but just participating organisations. Every organisation that belongs to civil society and works on food security and nutrition can join and participate.198

- **International Planning Committee for Food Sovereignty**: an autonomous and self-organised global platform of small-scale food producers and rural workers organisations and grassroots/community-based social movements to advance the Food Sovereignty agenda at the global and regional level.199

Health justice networks

- **Geneva Global Health Hub**: a membership-based association created in 2016 to enable CSOs to meet, share knowledge and create initiatives to advocate for more democratic global health governance. The values that guide and drive its work is a belief in democracy with equity in diversity, dignity, accountability and transparency, and ethics and justice. Join the movement and help build a strong civil society space in Geneva for more democratic global health.200

- **People’s Health Movement**: a global network bringing together grassroots health activists, civil society organizations and academic institutions from around the world, particularly from LMICs. They currently have a presence in around 70 countries. Guided by the People’s Charter for Health (PCH), PHM works on various programmes and activities and is committed to Comprehensive Primary Health Care and addressing the Social, Environmental and Economic Determinants of Health.201

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196 Friday for Future, [https://fridaysforfuture.org/](https://fridaysforfuture.org/).
197 Climate Action Network, [http://www.climatenetwork.org/about/about-can](http://www.climatenetwork.org/about/about-can).
199 International Planning Committee for Food Sovereignty, [https://www.foodsovereignty.org](https://www.foodsovereignty.org).
201 People’s Health Movement, [https://phmovement.org/about-3/](https://phmovement.org/about-3/).
Citizens for Financial Justice is a diverse group of European partners – from local grassroots groups to large international organizations – with a shared vision of informing and connecting citizens to act together to make the global finance system work better for everybody.

We are funded by the European Union and aim to support the implementation of the Sustainable Development Goals (SDGs) by mobilizing EU citizens to support effective financing for development (FfD).

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