

COVID-19: A TIPPING POINT IN THE FIGHT AGAINST POVERTY

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COVID-19 hit the African continent at a point when it was seeing a reduction in poverty, in line with the objectives of the 2030 Agenda for Sustainable Development and the African Union's Agenda 2063. The ramifications of COVID-19 are expected to cause the first increase in global poverty since 1998 and to overturn progress in poverty reduction globally as well as in Africa. The current measures to prevent the spread of COVID-19 will contribute to putting livelihoods at risk and exacerbating poverty, and sub-Saharan Africa will bear the brunt of an increasing number of poor and declining living standards. Efforts to mitigate the socio-economic impact of COVID-19 are insufficient for the lack of social safety nets and limited fiscal space. The present crisis is an alert. But it is also an opportunity for the continent to consider what to improve to make sure no one is left behind on the road towards the Agenda 2063 First Ten Year Implementation Plan in 2023 and the SDGs in 2030.

COVID-19: an expected increase in poverty

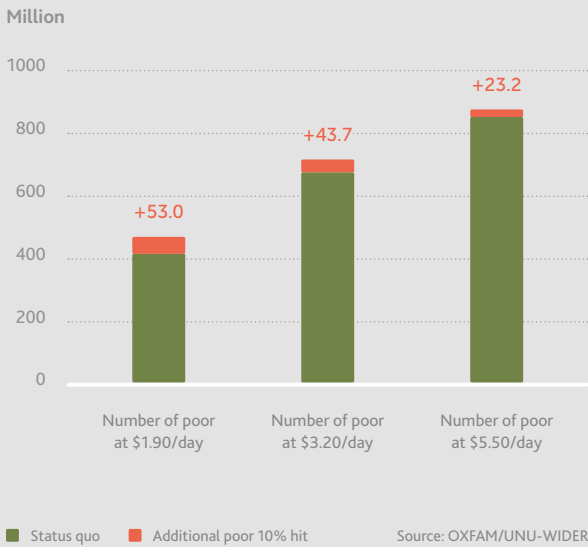
The continent has made good progress in fighting poverty over the last decade, signalling that Africa was on the right development path, steered by the 2030 Agenda for Sustainable Development and the African Union's Agenda 2063. But the ramifications of COVID-19 are expected to overturn progress in poverty reduction globally as well as in Africa.

A forecast by the World Bank reveals that COVID-19 is expected to cause the first increase in global poverty since 1998.

Globally, it is expected that the COVID-19 crisis will result in 49 million people being pushed into extreme poverty, with 23 million of these living in sub-Saharan Africa. The United Nations Economic Commission for Africa (UNECA) estimates that 48% fewer people will be lifted out of poverty in Africa due to COVID-19. Vulnerable households affected by COVID-19 face an increased probability of moving into transient poverty by 17.1%, a 4.2% increased probability of staying in poverty for a decade or longer, and a fall in the probability of moving out of poverty by 5.9%. According to Brookings, of the 13 countries globally with an expected increase in extreme poverty rates due to COVID-19 greater than three percentage points, nine are in Africa: Congo, Eritrea, Liberia, Niger, Nigeria, São Tomé and Príncipe, Sierra Leone, Sudan and Zimbabwe.

Using different scenarios of income loss, Oxfam and UNU-WIDER tell a similar story. In the worst-case scenario of a 20% income loss caused by the effects of COVID-19, 44.6 million additional people in sub-Saharan Africa would have to live on less than \$5.50 a day. The numbers are even higher for those in extreme poverty: a 10% income drop could lead to 53 million more people having to live with less than \$1.90 per day in sub-Saharan Africa.

Sub-Saharan Africa: Impacts of COVID-19 on numbers of people living in poverty (2020)



A decline in living standards

Not only will the poor suffer from income loss caused by COVID-19 but they will also be exposed to a domino effect on their standards of living and access to education or health services. According to the 2019 Global Multidimensional Poverty Index (MPI), in 2018, 560 million people in sub-Saharan Africa, accounting for 35.1% of the population, already lived in poverty and faced deprivation with regards to health, education, and standards of living.

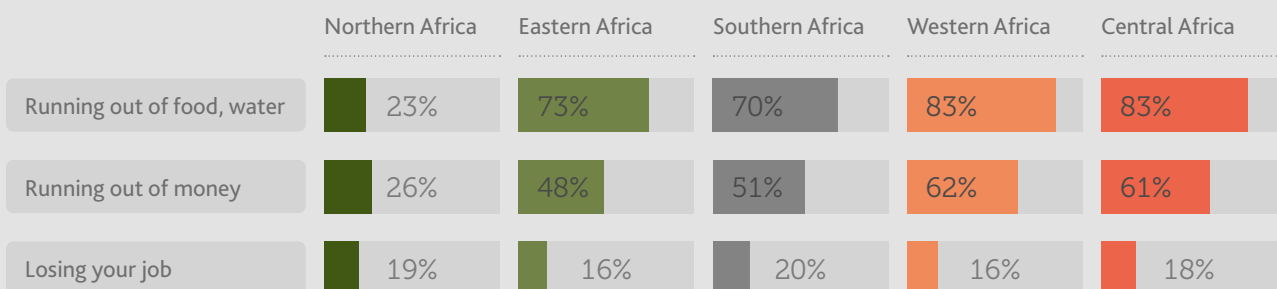
Results from an Afrobarometer study show that the improvement in consumption-based estimates of poverty as used by the World Bank has been matched by an improvement in Africans' living standards: **between 2005 and 2015 access to basic necessities had steadily improved on the African continent.** However, the most recent surveys, conducted between 2016 and 2018, deliver warning signs. Although most citizens are still experiencing less lived poverty than 15 years ago, **there has been a deprivation of basic necessities in about half of the 34 surveyed countries since 2015. This is a trend likely to be accelerated by the economic impacts of COVID-19.**

Lockdowns: threatening livelihoods?

Lockdowns pose considerable economic costs that, in turn, threaten lives, put livelihoods at risk and exacerbate poverty. About 600 million people, 43.5% of Africa's total population **live in urban areas, and localised or national lockdowns were in place in at least 42 African countries as of 4 May 2020, of which 38 lockdowns had been in place for at least 21 days.** The Partnership for Evidence-Based Response to COVID-19 (PERC), a consortium of global public health organisations and private sector firms, conducted surveys across 28 cities in 20 African Union member states to assess the socio-economic impact of lockdowns. Among the findings, respondents estimated that on average they would run out of money in 12 days and food in 10 days if public health and safety measures were implemented. In Kenya and Nigeria, people have violated lockdown orders in order to get hold of food. **In all regions but North Africa, 70.0% or more named running out of water or food as a barrier to staying at home for 14 days.**

In African countries, barriers to stay-at-home orders are high

Percentage that would face barriers to a 14-day stay-at-home order



Source: PERC

About **56% of Africa's urban population are living in overcrowded and poorly serviced slum dwellings** (excluding North Africa), and lockdowns in such contexts are challenging to put in place, if not impossible. A UNECA survey of close to 2,000 residents living under lockdown in five slums in Kenya shows that **76% of respondents considered food the most unmet need with 98% stating the situation was a result of COVID-19.**

Moreover, as 71% of Africa's workforce is employed in the informal sector, **working from home is not an option for the very large majority.** Informal workers depend on day-to-day work activity and access to markets to make ends meet and to be able to provide for their families at the end of the day.

The PERC survey finds that in terms of COVID-19 regulations respondents were most strongly opposed to the shutting down of markets. In Burkina Faso and Malawi, citizens have protested against market closures. Ghana lifted its lockdown in late April, claiming that the country's large informal economy makes a lockdown beyond three weeks impossible as people need to go outside to earn their living.

Closed borders reduce food supply

Africa remains heavily dependent on food imports despite the fact that agriculture represents the continent's main employer, contributing up to 60.0% of African jobs and roughly one-third of the continent's GDP. At the continental level, agriculture constitutes around 12.0% of imports by value and around 9.0-10.0% of exports.

Eight African countries fill 90.0% of their demand with imports: Botswana, Cabo Verde, Djibouti, Gambia, Lesotho, Mauritania, Seychelles and Somalia. Increased food demand and changing consumption habits has led to rapidly rising net food imports, expected to more than triple within 10 years: from \$35.0 billion in 2015 to over \$110.0 billion by 2025. While this could be offset by increased African production, Africa shows small progress in the Ibrahim Index of African Governance (IIAG) sub-category *Rural Sector* over the 2008-2017 decade, with even a **decline in scores between 2013 and 2017, issuing warning signs.**

Mobility restrictions and the closure of borders impact delivery times and reduce the availability of even the most basic food items. Food crisis countries that rely heavily on food imports to cover consumption requirements, such as DRC and Sudan, both already weakened by ongoing or post-crisis situations, already experience rising food prices. In Kenya,

COVID-19-related measures have affected the fight against the locust infestation as pesticide deliveries are held up on closed borders. The closure of borders and restrictions on movement could interrupt the availability of the agricultural labour force. For example, the Niayes region in Senegal and northern Ghana depend on regular flows of agricultural workers.

The lack of social safety nets aggravates the impact of COVID-19

The microeconomic effects of COVID-19 will be more severely felt where governments do not provide welfare and social protection schemes for their citizens. Although the Africa Social Protection Strategy 2012-22 emphasises the importance of safety nets to reduce chronic poverty and limit the impact of shocks on poor and vulnerable households, **results from the 2018 IIAG show that the continent needs to step up its efforts.** The low 2017 African average score for the IIAG indicator *Social Safety Nets* should be a focus for governments, as this is one of the most highly correlated indicators in the IIAG with *Overall Governance* ($r=+0.83$).

Countries with government social safety nets to assist the elderly, the unemployed, those who can't work due to a permanent or temporary illness or health condition, with compensations for unemployment and social risks and with equality of opportunities tend to have a better Overall Governance score.

African countries also invest less in public social protection than other regions. For persons of working age, in the five African countries with the largest social expenditure, budgets range from 3.4% of GDP (Tunisia) to 1.5% (Morocco). In Europe, the five countries with the largest expenditure budgets range from 6.9% of GDP (Belgium) to 6.1% (Sweden), and in Latin America & the Caribbean from 5.1% of GDP (Argentina) to 2.5% (Bolivia).

Despite efforts, COVID-19 budgets and social protection measures are still limited

According to research by the consultancy firm Development Reimagined, 36 African countries have dedicated a budget of \$37.8 billion in total (as of 27 April 2020), on average 1.1% of their GDP, to stem health-care costs, boost social protection and to mitigate the economic impacts of COVID-19. **However, just two countries account for 84% of the \$37.8 billion budget: South Africa (69%) and Egypt (15%).**

Forty-four countries on the continent have introduced a total of 156 welfare and social protection measures. Most measures introduced relate to strengthening social safety nets or can remove access to essential services: 29 countries introduced tax relief measures, 21 utility bill freezes and 20 cash transfers to vulnerable groups. Kenya and Morocco are the only countries to have created open air, safe socially distanced markets.

According to the study, six countries have neither set aside a specific budget for COVID-19-related expenses nor introduced social safety measures: Burundi, São Tomé

and Príncipe, Sierra Leone, South Sudan and Tanzania.

Despite commitment, efforts by African countries to mitigate the socio-economic impact of COVID-19 remain insufficient, due to the lack of social safety nets and limited fiscal space. The present crisis, and the threat it poses to livelihoods, is an alert. But it also an opportunity for the continent to consider what to improve to make sure no one is left behind on the road towards the Agenda 2063 First Ten Year Implementation Plan in 2023 and the SDGs in ten years' time.

Number of African countries using each social protection measure (2020)

Source: Development Reimagined

29

Tax relief



0

Universal cash transfer



21

Utility bill freezes



1

Rent/mortgage freezes or holidays



20

Cash transfers to vulnerable groups



2

Creation of safe markets for informal workers



17

Financial support for SMEs/informal sector



2

Gender focussed policies



16

Food and/or water distribution



3

Regulations preventing dismissal of workers

