



ADDRESSING POVERTY AND VULNERABILITY IN AFRICA DURING THE COVID-19 PANDEMIC

**ECONOMIC REPORT
ON AFRICA**

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United Nations
Economic Commission for Africa

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FOREWORD

COVID-19 is the biggest health crisis to hit the world in a century. It is not just a severe health emergency. It is also a grave socioeconomic crisis with an unprecedented global spread. In Africa, it has induced an economic contraction of 3.2 per cent and pushed an additional 55 million into poverty, reducing progress towards the goals of the 2030 Agenda for Sustainable Development and the African Union's Agenda 2063 through supply and demand shocks. And it has caused job losses, reduced income and further limited households' ability to manage risks.

The main messages of this *Economic Report on Africa* are that poor households move into and out of poverty because of exogenous shocks like the COVID-19 pandemic and that their inability to manage uninsured risks only increases their vulnerability. So, achieving sustained poverty reduction requires thoroughly understanding the nexus of poverty, risks and vulnerability. Non-poor people and those living just above the extreme poverty line (\$1.90 in purchasing power parity terms a day) are the most likely to fall into poverty because of the pandemic. Indeed, an estimated 58 million Africans whose mean consumption is \$1.90–\$2.09 a day (0–10 per cent above the poverty line) are very vulnerable to falling into and staying in poverty because of the pandemic. This group is the source of most of the “new poor” caused by the pandemic; workers in the informal sector and vulnerable employment are most at risk of falling into poverty.

The impact of the COVID-19 pandemic on poverty and vulnerability varies by country, based on the size of vulnerable and poor populations. The largest proportion of people most vulnerable to falling into poverty are in West Africa (6.6 per cent) and East Africa (5.6 per cent). The differences across countries depend largely on government policies (ex-ante) and steps to mitigate the pandemic's impact (ex-post) by providing public goods—such as healthcare, education and social protection—and intervening in the labour market. Egypt, Mauritius and Seychelles have had low poverty and vulnerability because of sound policies and strong steps to mitigate the pandemic's impact. By contrast, Ethiopia and Nigeria, lacking sound socioeconomic policies before and during the pandemic, have experienced the opposite.

In response to the COVID-19 pandemic, African governments have on average doubled fiscal spending, to 3.3 per cent of gross domestic product (GDP), an increase of \$2.2 billion. They have also increased social assistance as part of fiscal spending to poor and vulnerable people. Cash and in-kind transfers remain the main form of government assistance to protect poor people. Starting from a low base, such transfers constitute 74 per cent of social protection programmes, higher than the global average of 62 per cent.

The size of the response in Africa has revealed limited fiscal space, and fiscal deficits have suddenly jumped. They peaked at 8.1 per cent of GDP in 2020 before narrowing to 5.4 per cent in 2021. And they could take several years to return to their pre-COVID-19 pandemic levels, as could debt-to-GDP ratios (perhaps a year longer), and even then, debt will remain above the 60 per cent threshold that the International Monetary Fund considers sustainable for African countries.

In response to the deteriorating fiscal deficits and debt situation in Africa, the United Nations Economic Commission for Africa (ECA) consulted Member States and stakeholders to find ways to support building forward better. A result of those consultations is the Liquidity and Sustainability Facility, conceived and designed to compress liquidity premiums and improve sovereign access to international bond markets for African countries through a repo market for the region, on par with international standards. The facility has the potential to save an estimated \$11 billion in borrowing costs over the next five years.

ECA also advocated for an extension of the G20 Debt Servicing Suspension Initiative to the end of 2021 and the Common Framework to help countries restructure debt and deal with insolvency and protracted liquidity problems as they kick-start recovery by freeing up resources to pay for much-needed vaccines and improve their buffers to sustainable debt.

Africa can achieve the Sustainable Development Goals and Agenda 2063 after the COVID-19 pandemic. While governments have chosen country-specific options, they have several lessons to build on. The fiscal and monetary responses recognize the socioeconomic impacts of the pandemic, not just the health crisis impacts. The swift policy actions by Member States were a response to the pandemic but must lead to a more structured, sustainable response. Hedging against the risks of income losses must now factor into social investments. Clear programmatic and strategic links from social investments to labour markets and productivity gains are essential. And continental initiatives, such as the African Continental Free Trade Area, are an investment blueprint for faster economic growth, improved welfare and greater resilience.

The COVID-19 pandemic has exposed the fragility of health and socioeconomic systems across Africa. Governments face the dual challenge of containing the pandemic while responding to its devastating socioeconomic effects. Given the depth of the crisis, fiscal space in many African countries remains constrained. As countries prepare to exit the pandemic and begin the difficult task of reviving their economies, greater effort is required to mobilize domestic and external resources to kick-start economic growth and build households' resilience against future shocks. But with fiscal space tight, there is a limit to how much governments can insulate poor people from future risks. That makes it urgent to explore innovative and affordable market-led insurance schemes in close collaboration with the private sector. This opportunity, less explored so far, will be a priority in our analytical work.



Vera Songwe

Under-Secretary General and

Executive Secretary, United Nations Economic Commission for Africa

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GLOSSARY

Chronic poverty is typically described as extreme poverty that persists over long periods.

Consumption or income measures are adjusted for inflation over time and for price differences between countries based on purchasing power parity (PPP).

Covariate risk means that neighbouring households suffer similar shocks.

Depth of poverty is the average poverty gap in the population as a proportion of the extreme poverty line (\$1.90 in PPP terms a day). It is measured by the poverty gap index and considers how far, on average, poor people are from the poverty line.

Extreme poverty gap is the mean shortfall in income or consumption from the extreme poverty line (\$1.90 in PPP terms a day), counting non-poor people as having zero shortfall, expressed as a percentage of the poverty line.

Extreme poverty rate is the share of people living below the international poverty line (\$1.90 in constant 2011 PPP terms a day). The terms “poor” and “extreme poor” are used interchangeably to indicate consumption below \$1.90 PPP a day.

Idiosyncratic risk is a specific or unsystematic risk that can negatively impact individual securities or the value of a very specific group of assets, such as stocks or collateralized mortgage obligations.

Resilience is the ability to cope with or recover from a shock and implies an ability to bounce back after being adversely affected by a shock.

Risk coping is resilience against future shocks.

Risk mitigation is insuring against the adverse effects of a shock.

Risk reduction is the ex-ante reduction of probability of adverse shocks.

Vulnerability is exposure to risk or shock.

EXECUTIVE SUMMARY



“Addressing poverty and vulnerability in Africa during the COVID-19 pandemic” is the theme of the 2021 **Economic Report on Africa**. The report provides a perspective of the causes and consequences of increased poverty due to the COVID-19 pandemic, as well as from other shocks such as an oil price collapse, within a vulnerability–poverty–resilience framework, providing national estimates of people vulnerable to falling into poverty in different country clusters.

The principal messages of this report are that poverty in Africa is highly dynamic and that poor people move into and out of poverty because of consumption volatility arising from exposure to risks caused by shocks like the COVID-19 pandemic and that their inability to manage uninsured risks only increases their vulnerability. Poverty in Africa is also geographically centralized, and two commodity-exporting countries—the Democratic Republic of the Congo and Nigeria—account for a large share of the continent’s poverty (Hamel, Tong and Hofer, 2019).

The framework provides useful insights into the micro-level factors associated with moving into and out of poverty and why some households remain poor for a prolonged period. These insights

can guide evidence-based policies. A major contribution of the report is the emphasis on the centrality of risk and vulnerability to shocks in the design of poverty reduction strategies in Africa.

According to data from the United Nations Economic Commission for Africa (ECA), the disruptions caused by the COVID-19 pandemic pushed an estimated 55 million Africans into extreme poverty in 2020 and reversed more than two decades of progress in poverty reduction on the continent. The adverse household-level impact of the pandemic, through a combination of supply and demand shocks, has caused a decline in economic activity, jobs and income. Non-poor people whose consumption is \$1.90–\$2.09 a day (0–10 per cent above the poverty line) are likely to fall into poverty due to the pandemic because even a small amount of consumption volatility can push them into poverty. Poor people with few assets, limited access to credit, informal employment and low wages are particularly vulnerable and have been severely hit by pandemic-containment measures. With low vaccination rates on the continent, the pandemic’s effect could be long lasting in many countries, with huge consequences to economies and households’ well-being.



GOVERNMENT RESPONSES TO THE POVERTY IMPACTS OF THE COVID-19 PANDEMIC

African countries responded to the poverty effects of the COVID-19 pandemic in part through expansionary fiscal and monetary policies to maintain consumption and aggregate demand and prevent firm closures and job losses. By June 2020, more than 20 African central banks had reduced policy rates, and more than 30 had announced policy measures in response to the pandemic's economic and market effects. Expansionary monetary policy and reduced lending rates were initially the most used macroeconomic measures by far.

African countries spent \$2.2 billion on fiscal stimulus in 2020, comprising increased expenditure and extended payment deadlines on overdue loans and reduced taxes. On average, fiscal spending in response to the COVID-19 pandemic has doubled, to 3.3 per cent of gross domestic product (GDP). Still, average per capita spending is \$28, far less than the \$4,253 in North America and \$629 in Europe. The continent's fiscal deficit peaked at an

estimated 8.1 per cent of GDP in 2020, and it will take several years to return to the pre-pandemic rate, as it will for the public debt-to-GDP ratio (perhaps a year longer). The ratio of debt-to-GDP will remain above the 60 per cent threshold that the International Monetary Fund considers sustainable for African countries, given their elevated gross financing needs.

African governments increased social assistance to poor and vulnerable people. Given the high rates of informal and vulnerable employment in Africa, cash and in-kind social assistance transfers remain the main forms of government assistance for protecting poor people from the effects of the COVID-19 pandemic. Starting from a low base, such transfers constituted 74 per cent of all social protection programmes in 2020, much higher than the global average of 62 per cent. Yet the average amount of social transfers was too small to increase poor people's consumption and enable them to exit poverty.

Unemployment benefits, wage subsidies and job-retention schemes have helped support the income of workers in the formal sector and, to a degree, helped maintain that sector's employment rates. But informal workers have not benefitted from government-funded social protection or tax breaks.

MAIN FINDINGS OF THE REPORT

KEY FINDINGS

THE PANDEMIC HAS EXACERBATED THE CONTINENT'S SOCIOECONOMIC CHALLENGES

58 MILLION
are extremely vulnerable to falling into poverty.

15 AFRICAN COUNTRIES
are at risk of debt distress.

WOMEN
are more vulnerable to falling into poverty.

47%
In South Africa, 47% of employed women in the poorest tercile reported losing their jobs compared with 36% of employed men in the same tercile.

EGYPT, MAURITIUS AND SEYCHELLES

are likely to experience low poverty and vulnerability.

ETHIOPIA AND NIGERIA

are the source of most of the “new poor” created by the pandemic.

CHAD, ETHIOPIA AND ZAMBIA

have applied for debt relief under the G20 Common Framework.

The key findings of the report are:

- **Workers in the informal sector and vulnerable employment are most at risk of falling into poverty.** People who rely on the informal economy—particularly women, people living with disabilities, refugees and displaced people—have suffered the most from the economic shocks of the COVID-19 pandemic. People in vulnerable employment, worsened by the pandemic, are most at risk of falling into poverty, owing to job losses. Roughly 58 million non-poor Africans whose consumption is \$1.90–\$2.09 a day (0–10 per cent above the poverty line) are extremely vulnerable to falling into poverty because of the pandemic, unless supported by cash or food transfers.
- **The impact of the COVID-19 pandemic on poverty and vulnerability varies by country.** This variation is based on the status of vulnerable and low-income groups and depends heavily on ex-ante government policies and ex-post steps taken to mitigate the pandemic’s impact through state provision of public goods such as healthcare, education and social protection; interventions in the labour market; and individual agency through, for example, savings.

- **The poverty effects of the COVID-19 pandemic also vary with government responses and policies.** The report identifies six groups of countries with differing levels of poverty and vulnerability and finds that the countries with low initial poverty and vulnerability, capacity to generate enough jobs, low youth and old-age dependency ratios, a highly educated labour force and good internet infrastructure to support a digital economy—for example, Egypt, Mauritania and Seychelles—are likely to experience low poverty and vulnerability during a shock and thus possess a strong ability to manage risks. The opposite is true for countries without these critical attributes and that can seldom afford social assistance—such as Ethiopia and Nigeria. This group is the source of most of the “new poor” created by the pandemic. The fact that poor people move into and out of poverty because of consumption volatility arising from exposure to risks implies that the pandemic radically changed those baseline conditions in 2020 and likely shifted the location and scale of vulnerability, as well as the people affected by it.
- **Fiscal space to mitigate poverty impacts is tight.** Because of the COVID-19 pandemic, fiscal space remains severely constrained in many African countries amid both increasing government borrowing to mitigate the pandemic’s impacts and diminishing government revenue. Some 15 countries are at risk of debt distress, and Chad, Ethiopia and Zambia (among the 5 debt-distressed African countries) have applied for debt relief under the G20 Common Framework. Over the longer term, countries aiming to revamp their economies, accelerate growth and reduce public debt will need to increase their revenue and invest in productive sectors of the economy.
- **Women are more vulnerable to falling into poverty.** Governments’ socioeconomic policy responses to the COVID-19 pandemic have accentuated gender inequalities. In South Africa, 47 per cent of employed women in the poorest tercile reported losing their jobs compared with 36 per cent of employed men in the same tercile. Women without a tertiary education and employed in the poorest tercile suffered the most. Among those who remained in employment, women saw a larger drop in working hours and cuts in wages than men. Women also took on more of the additional burdens of home-schooling children and related duties and of caring for the sick.
- **Households’ coping strategies are at a breaking point.** The economic impact of the COVID-19 pandemic on individual consumption and well-being depends on the size, duration and frequency of risk; exposure to risk; policy responses; and households’ ability to manage risk. Households that have little or no access to formal insurance or credit often rely on informal coping strategies to mitigate the impact of income reduced by shocks. Their weakened ability to use pre-pandemic coping mechanisms to smooth consumption, such as transfers and remittances, asset liquidation and migration, has increased their vulnerability to falling into poverty. The pandemic’s adverse shocks have interacted with existing vulnerabilities, exacerbating the continent’s pre-pandemic socioeconomic challenges.

Poverty and vulnerability are interconnected, and policy interventions must therefore address them together. The COVID-19 pandemic has confirmed the need to focus on improving vulnerable households’ risk management and building their resilience. Anti-poverty strategies should not be limited to reducing immediate poverty ex-post but should also reduce vulnerability to poverty ex-ante and strengthen resilience against future shocks. Measures for consideration include expanding social assistance, encouraging families to build household assets, generating productive jobs, establishing or expanding contributory social protection programmes and investing in social infrastructure to promote growth. As important in the long term is linking social protection to productivity gains and employment opportunities. Finally, separating out the parts of poverty that are structural versus those that stem from exposure to shocks is important for future policy initiatives.

THE WAY FORWARD: IMPROVING RISK MANAGEMENT AND BUILDING RESILIENCE

The COVID-19 pandemic has exposed the fragility of health and socioeconomic systems across the world, including those in Africa. Governments face the dual challenge of containing the pandemic while responding to its devastating socioeconomic effects. As countries prepare to exit self-imposed lockdowns, they need to put in place measures that ensure sustainable economic recovery and that build households' resilience to future exogenous shocks.

POLICY RECOMMENDATIONS

- **Access to targeted social protection**
- **Improve access to labour markets**
- **Promote employment for young people**
- **Provide social assistance to the vulnerable**
- **Ensure health protection**
 - Upgrade health infrastructure
 - Build skilled health personnel
 - Provide equitable access to healthcare systems
- **Build a health emergency system for future pandemics**
- **Domestic vaccine production**
- **Create decent jobs**

This report offers the following policy recommendations for African governments:

- **Adopt targeted social protection.** Governments need to put in place mechanisms that give vulnerable groups, including those earning just above \$1.90 a day, access to targeted social protection linked to productive employment. Social protection measures can serve as socioeconomic stabilizers while stimulating aggregate demand in crises and beyond. It is imperative to tie social protection to improved access to labour markets and hence active labour market programmes. This link will allow investments in human capital accumulation to be inputs and complementary to business development and promotion and to employment creation, especially among young people. Ultimately, this measure will require greater domestic revenue mobilization.
- **Provide short-term social assistance to the most vulnerable people.** In the immediate term, governments need to put in place policies and support programmes that will prevent vulnerable people from falling into permanent poverty. These could include rolling out cash and in-kind transfers to people who usually have unstable jobs and are thus likely to fall into poverty under prolonged lockdowns, such as manual labourers, informal vendors, small business owners and retail workers. Additional social assistance measures could include offering tax relief to small businesses (which often operate on small profit margins), extending the period of short-term lending for small and medium enterprises, imposing rent controls for the duration of the health crisis and subsidizing water and electricity bills.
- **Ensure health protection for all.** Over the longer term, African countries need to build resilience by investing in health protection for all, which also offers high potential for employment creation. Areas include upgrading health infrastructure and systems, building the supply of skilled health personnel (doctors, nurses, laboratory technicians, virologists, infectious disease specialists and testing and treatment specialists) and prioritizing equitable access to healthcare services through tax levies and contribution-based social or national health insurance schemes.
- **Build a national and regional health emergency preparedness and response system for future pandemics.** Countries will need to identify and assess risks; assess national capacity to respond to risks; procure essential lifesaving equipment and tools; develop detailed plans for protection, prevention, mitigation and recovery; and generally strengthen institutional and human capacity. A communication and outreach strategy will also be needed to mobilize the public towards a shared understanding of crisis prevention.
- **Build domestic capacity for vaccine production through initiatives such as the Partnerships for African Vaccine Manufacturing.** About 99 per cent of vaccines available in Africa are still imported. Some countries have already reached agreements with leading European and North American firms to manufacture vaccines under public-private partnerships or subcontracting arrangements. This initiative should draw financing from the International Monetary Fund's Special Drawing Rights allocation for Africa (an estimated \$33 billion) announced in January 2021 for leveraging resources from the private sector and financial institutions.
- **Leverage the African Continental Free Trade Area and other Africa-wide initiatives to create decent jobs and reduce poverty.** In this way, African countries could improve labour mobility across national borders, encouraging workers to upgrade their skills and move to more productive jobs. Finally, the pooled procurement of pharmaceutical products could pave the way for building global and regional supply chains in medical supplies, offering the potential to create many jobs.

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Hamel, K., B. Tong and M. Hofer. 2019. "Future of Development: Poverty in Africa Is Now Falling but Not Fast Enough." Brookings blogs, 28 March. <https://www.brookings.edu/blog/future-development/2019/03/28/poverty-in-africa-is-now-falling-but-not-fast-enough/>.

CHAPTER 1.

INTRODUCTION



Under current projections, the pandemic is likely to increase the number of people living in extreme poverty, in Africa and globally.

The COVID-19 pandemic is the biggest health crisis to hit the world in the past 100 years. The first case of COVID-19 in Africa was reported on 14 February 2020, and within three months, the virus had reached every country on the continent (WHO, 2020). The World Health Organization declared it a global pandemic in March 2020. It was soon evident that the pandemic was not just a severe health emergency but also a grave socioeconomic crisis with an unprecedented global spread that presented a serious, almost existential, challenge to every country in the world.

In most countries, the pandemic threatened to overwhelm already weak national health services, worsen health outcomes and decrease living standards. Nearly a year and a half after the World Health Organization pandemic declaration, Africa had 5.2 million confirmed cases and about 140,000 deaths attributed to COVID-19, which constituted about 3 per cent of the world's confirmed cases and less than 4 per cent of all deaths—figures that seem low given that Africa has nearly 17 per cent of the world's population. To preserve lives and restrict the virus's spread, African governments responded quickly and decisively through strict lockdowns, border closures, social distancing regulations and economic and fiscal stimuli.

As a continent, Africa may have been spared the worst of the COVID-19 health crisis so far, largely because of its young age profile, though different countries are at different stages of the pandemic. The economic impact, however, has been far more widespread and devastating as lockdowns and other measures have inevitably disrupted economic activity, livelihoods and basic service delivery. The economic contraction has hurt household income and well-being across countries and increased both poverty and inequality, in major setbacks to the 2030 Agenda for Sustainable Development, especially Sustainable Development Goal 1, to end poverty in all its forms everywhere. Under current projections, the pandemic is likely to increase the number of people living in extreme poverty, in Africa and globally. But because of the pandemic's continuously changing nature and the emergence of fresh data, there is little agreement on how many people are likely to fall into poverty. The key questions are how far will people fall below the poverty line and will it be transient or chronic poverty? The socioeconomic cost of the pandemic, with full lockdowns, has been estimated at up to 2.5 per cent of gross domestic product (GDP), or about \$65.7 billion a month (ECA, 2020a).



How far will people fall below the poverty line and will it be transient or chronic poverty

CONSUMPTION VOLATILITY

Most poor people move into and out of poverty because of consumption volatility.

RISK MANAGEMENT

Consumption volatility arises from exposure to uninsured risks.

VULNERABILITY

Exposure to risks leads to vulnerability, or an increased likelihood of adverse consequences in the future.

POVERTY REDUCTION

Poverty reduction in Africa can be accelerated by policies and programmes that strengthen resilience against future shocks and protect the most vulnerable.

ORGANIZING FRAMEWORK OF THE REPORT

The COVID-19 pandemic and associated containment measures have undermined the economic well-being of households by triggering job and income losses. The adverse household-level impacts have occurred through a combination of supply and demand shocks that have reduced economic activity, jobs and real income and caused the prices of basic goods to soar.

The central argument of this report rests on four conceptual pillars:

- Most poor people move into and out of poverty because of consumption volatility.
- Consumption volatility arises from exposure to, and inadequate ability to manage, uninsured risks.
- Exposure to risks leads to vulnerability, or an increased likelihood of adverse consequences in the future (vulnerability is an ex-ante state, whereas poverty is an ex-post one).
- Poverty reduction in Africa can thus be accelerated by policies and programmes that strengthen resilience against future shocks and not only lift people who are currently poor out of poverty but also protect vulnerable people (that is, non-poor people whose consumption is within 10 per cent of the poverty line) from falling into poverty.

THE MAIN RESEARCH QUESTIONS

Viewing the impact of the pandemic on household well-being and poverty through a risk management lens provides an opportunity to devise policies that enable households to better manage risks and sustain consumption above the poverty threshold, reduce vulnerability to falling into poverty and strengthen resilience to future shocks.

Thus the 2021 *Economic Report on Africa* attempts to answer the following questions:

- Are the “new poor”—those likely to become poor because of the COVID-19 pandemic—new to poverty?

POVERTY AND VULNERABILITY

- How many people are vulnerable to falling into poverty? Which countries and subregions are the “new poor” likely to come from? From which consumption bands?
- What characteristics make the “new poor” vulnerable to poverty because of shocks like the COVID-19 pandemic? How quickly will the “new poor” be able to bounce back, and how many of them will live in chronic poverty?
- What have countries done to mitigate the adverse impacts of the COVID-19 pandemic on household income and well-being?
- How can the challenge posed by the COVID-19 pandemic become an opportunity to strengthen resilience against future shocks and build forward better after the pandemic?

These questions recognize that poverty is the result of a drop in consumption because of low-income households’ inability to manage risks and smooth consumption, owing to limited or non-existent access to credit or a social safety net. The report contends that many of the “new poor” had recently emerged from poverty before the COVID-19 pandemic but were pushed back into poverty during the pandemic. So they are not “new” to poverty, in the sense of experiencing poverty for the first time. Rather, their recent success at exiting poverty is fragile, requiring that interventions distinguish between people living in chronic poverty and people living in transient poverty (Baulch and McCulloch, 1998).

The report provides policy recommendations for Member States to devise policies that not only reduce immediate poverty (ex-post) but also reduce vulnerability to poverty (ex-ante). Recommendations do not just aim to expand social assistance but also to build assets and strengthen social infrastructure to promote growth and improve households’ capacity to manage risks and maintain resilience against future shocks. Such capacity is particularly important for building forward better after the COVID-19 pandemic.

Poverty dynamics

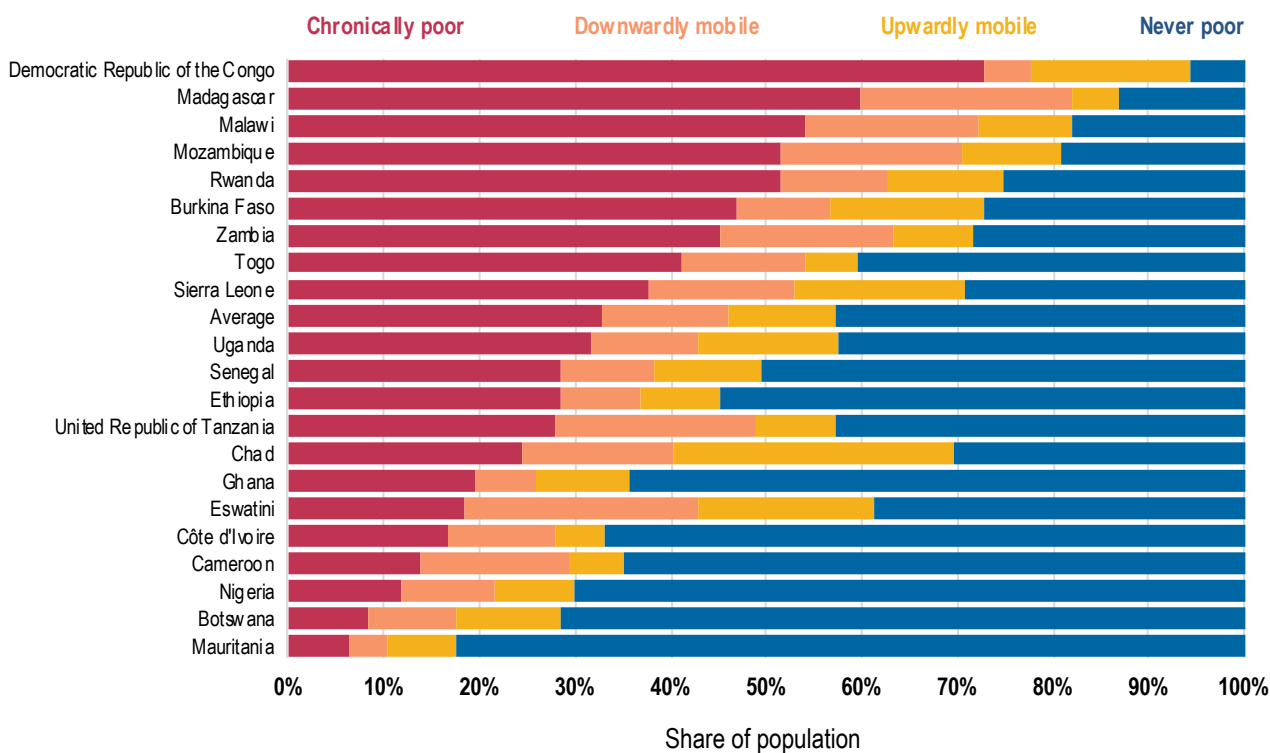
Poverty is dynamic, meaning that poor people move into and out of poverty because of consumption volatility—transient poverty. For this reason, poverty estimates using static poverty measures fail to distinguish between individuals who have been living in poverty all their lives and individuals who had a misfortune in the year before the measurement.

At the individual and household level, poverty can be transient or chronic. For instance, Uganda experienced the second-fastest rate of poverty reduction in Africa from 2006 to 2013, but for every three people who moved out of poverty during the period, two people fell back into it (Ssewanyana and Kasirye, 2013). In the United Republic of Tanzania, 27 per cent of people transitioned into and out of poverty between 2008 and 2012, while 12 per cent remained poor; the high mobility indicates that poverty in that country is largely transient, not chronic (World Bank, 2020). In Malawi, 17 per cent of poor people exited poverty in 2010–2013, but 15 per cent fell into poverty in that time (World Bank, 2017); thus the increase in those falling into poverty offset the progress in moving people out of poverty. People living in transient poverty are vulnerable to falling into poverty because of a shock. A protracted shock like the COVID-19 pandemic can push into poverty even those who are some distance from the poverty line as their buffers are eventually depleted.

In Africa, about 60 per cent of poor people live in chronic poverty, and 40 per cent live in transient poverty (Christiansen and Hill, 2019). In countries with comparable data, an estimated 33 per cent of poor households live in chronic poverty, with variations across countries. The Democratic Republic of the Congo has more than twice that proportion, and Rwanda, Mozambique, Malawi and Madagascar have 1.5–2 times that proportion (figure 1.1).

In Africa, about 60 per cent of poor people live in chronic poverty, and 40 per cent live in transient poverty.

Figure 1.1 Shares of chronic and transient poverty in selected African countries, various years



Source: Dang and Dabalen (2018).

Given such substantial flows of households into and out of poverty, even when net numbers remain largely static, this report applies a vulnerability–poverty–resilience framework to analyse the COVID-19 pandemic’s impact on household well-being in Africa. To understand the effects of economic growth, to design effective poverty reduction policies and interventions and to identify the key micro-level constraints to reducing poverty, a focus on poverty dynamics—the inter-temporal changes in poverty of specific households—presents important advantages for policy.

First, poverty dynamics capture heterogeneity in poverty, identifying people who are persistently poor and the most vulnerable. Governments often target poor people using static welfare indicators, but appropriate policies may differ fundamentally by the nature of the target subpopulation’s poverty. Second, poverty dynamics provide useful insights into the micro-level factors associated with movements into and out of poverty and why some households remain poor for long periods. In short, designing the right policies for a given poor population depends on accurately understanding poverty dynamics. Barrett (2005), for example, describes how policies for helping people climb out of poverty (“cargo net” policies) differ from those that help them avoid falling into chronic poverty (“safety net” policies).

The forces that result in some individuals remaining stuck in poverty for years (that is, in chronic poverty) differ from those that randomly push some people into poverty for a brief period. With chronic poverty, the focus should be on longer-term interventions aimed at breaking the persistence of poverty by expanding assets and ensuring public services that are free at the point of delivery. Households with few or no assets are often the most likely to live in chronic poverty.

In contrast, transient-poverty policy responses are about reducing risks and smoothing consumption—for example, by extending safety nets, including employment insurance, until people living in transient poverty secure a decent-paying job (Baulch and McCulloch, 2000). Therefore, building assets and generating income opportunities, as well as developing effective risk management strategies, are all important for reducing poverty.

Vulnerability and risks

Two components drive the classification of vulnerability: the household's expected welfare and its expected variation in welfare in the future. Several types of vulnerability can be drawn from these two components. On the one hand, there are vulnerable households that are currently poor and expected to remain poor in the future. These households are often categorized as living in chronic poverty. On the other, vulnerable households that are currently non-poor but face large income risks and are likely to fall into poverty in the future may be classified as living in transient poverty. For example, a small-scale farmer who cultivates cash crops may not be recorded as poor after a season with normal weather, but with less favourable weather the following season, the farmer may fall into poverty. This farmer could therefore be classified as non-poor today but as vulnerable to falling into poverty in the future.

The risk of falling into poverty is one factor influencing the dynamics of wealth and poverty. Poor people are often among the most vulnerable in society because they are the most exposed

The risk of falling into poverty is one factor influencing the dynamics of wealth and poverty. Poor people are often among the most vulnerable in society because they are the most exposed to a wide array of risks.

to a wide array of risks (see annex table A1.1). Their extremely low income means they cannot save and accumulate assets, are unable to access financial markets and lack access to insurance mechanisms—all severely restricting their ability to deal with a shock when it strikes.

For example, in 2015, drought reduced consumption by a third in Malawi, by 15 per cent in Uganda and by 9 per cent in Ethiopia (McCarthy, Brubaker and de la Fuente, 2016). Worsening real producer prices contributed to poverty increases in Madagascar from 2005 to 2010 (Thiebaud, Osborne and Belhaj Hassine Belghith, 2016). Urban households in Ethiopia with little or no education reduced consumption by 10–13 per cent because of higher food prices in urban markets at the end of 2010 (Hill and Porter, 2016). Malaria alone reduces income by 10 per cent when it goes undetected and untreated (Dillon, Friedman and Serneels, 2014). And poverty in African countries increased by 2.5 per cent on average during 2010–2015 because of out-of-pocket health payments (Eozenou and Mehta, 2016).

Households in low-income countries are exposed to economic, political, social and environmental shocks, and such exposure is one of the main causes of vulnerability to poverty (World Bank, 2001). Shocks can cause poverty, increase its depth and influence poverty and wealth dynamics (Dercon and Krishnan, 2000; Tesliuc and Lindert, 2004). Shocks can be classified in multiple ways. First, shocks can be natural (such as drought and flooding) or human-induced (such as conflict). Second, shocks can affect individuals or households in an unrelated manner (idiosyncratic) or be correlated among individuals or households (covariate) over time (repeated) or with other shocks (bunched).

A better understanding of the link between vulnerability and susceptibility to falling into poverty in Africa is vital to understanding the extent of household consumption volatility, quantifying its impact on poverty and identifying risk-sharing gaps and policy solutions. A household's exposure to shocks and its ability to cope with them defines its vulnerability (Elbers and Gunning, 2003). Vulnerability to shocks can

induce precautionary behaviour in which poor households rationally trade off higher expected earnings for reduced exposure to risk, thereby remaining trapped in poverty. Shocks can have different impacts on different subpopulations or household types. People living in, or close to, extreme poverty have few opportunities to insure against future setbacks and limited means of coping when adverse events occur.

EXPANDING THE CONCEPT OF VULNERABILITY

The COVID-19 pandemic has highlighted the key role of risk management in poverty reduction. The 2021 *Economic Report on Africa* considers the COVID-19 pandemic not as a unique event but as a routine risk pushing vulnerable people into poverty because of their limited ability to manage risks. It argues that reducing vulnerability to risks ex-ante is critical for enhancing well-being and sustaining poverty reduction. Such an approach is important for two reasons.

First, in a risky environment, poorer households live under the constant threat of shocks that result in risk-averse behaviour—to cope with uninsured risks—and that has long-term costs for them through forgone income and earnings. Second, the cost of reducing exposure to shocks through prevention (ex-ante) is often lower than the cost of managing the shock after it occurs (ex-post), so preparedness for pandemics and other shocks needs to be beefed up. Hence the importance of locating the COVID-19 pandemic and its impact in a larger framework aimed at the measures needed not only to reduce poverty but also to reduce vulnerability to poverty.

In essence, vulnerability refers to the risk that some future event will negatively affect household well-being, though multiple approaches to defining and assessing vulnerability have been problematic (for example, Pritchett, Suryahadi and Sumarto, 2000). Hoddinott and Quisumbing (2003) identify three main categories: vulnerability as expected poverty, as low expected utility and as uninsured exposure to risk. For poor households, dealing with risk and uncertainty preoccupies their livelihoods, and their inability to effectively deal with shocks often lies at the core of their poverty (Hoogeveen et al., 2004). Risk and vulnerability analysis, therefore, complements traditional poverty analysis that focuses on assessing welfare losses due to negative shocks (box 1.1).

Box 1.1 Expanding the concept of vulnerability, and its use in this report

Even though the term is frequently covered in social sciences, defining and analysing vulnerability are problematic. Academic literature offers no consistent interpretation or application of the term, and more widely, there is no comprehensive consensus on its definition. Often, the word vulnerability is presented without definition and as seemingly self-evident.

Vulnerability has moved out of its limited association with disaster risk assessment and is often applied to a wide range of disciplines, from economics to analysis of environmental change. It is now increasingly recognized that reducing vulnerability—however precisely defined—is necessary to improve human well-being, particularly in the face of multiple risks, including climate change. Vulnerability has come to be viewed as a multidimensional concept applied to numerous disciplines and sectors, with many ways to define and measure it (see annex table A1.2) (Sumner and Mallett, 2011).

At the macro level, vulnerability is studied in the context that certain risks may adversely affect a country's or region's economy. These may be natural, like an earthquake, or artificial, like the 2008 global financial crisis. Identifying and measuring the potential occurrence of risks are important. From an economic perspective, a country's exposure to macroeconomic shocks, such as the 2008 global financial crisis or a sudden drop in export demand, generally depends on its reliance on exports, its degree of export diversification and its openness to financial flows.

In the microeconomics literature—and the approach used in this report—vulnerable refers to people whose income is above the poverty line but who are at risk of falling into poverty if faced with an adverse shock.

Although vulnerability is an unobservable ex-ante state, whether an individual vulnerable to falling into poverty does so depends on the type and duration of the shock, which can vary by country often because of differences in government response—such as, with the COVID-19 pandemic, the extent of containment measures and fiscal stimulus.



ANALYTICAL APPROACHES OF THE 2021 ECONOMIC REPORT ON AFRICA

The analysis draws on five main approaches:

- **Micro-analysis with the individual or household as the unit of focus.** The report focuses on economic vulnerability as it affects individual and household well-being. At this level, concern about vulnerability refers primarily to vulnerability to poverty and should be seen alongside the more general concern with the concept and measurement of poverty.

- **Analysis of vulnerability to poverty without estimating probabilities.** The report uses a simple rule of thumb of distance of consumption from the poverty line to estimate individual or household vulnerability to falling into or remaining in poverty. The report does not estimate transition probabilities—that is, the likelihood or probability of falling into or remaining in poverty.

- **Mainly money-metric analysis.** The overall approach uses money-metric analysis, or the income or consumption poverty line, but with heavy emphasis on the multidimensional nature of poverty.

- **Use of the international poverty line for comparability across countries.** The report uses the World Bank's international poverty line of \$1.90 (in constant 2011 purchasing power parity terms) per person per day for comparability across countries. Policymakers, however, rely on national poverty lines.

- **Inequality is implicit, not explicit, in the analysis.** The COVID-19 pandemic has had a varied impact on individuals and households across the income distribution, accentuating existing inequalities. The report does not, though, explicitly analyse outcome indicators of inequality.

ANALYTICAL APPROACHES OF THE 2021 ECONOMIC REPORT ON AFRICA



Micro-analysis with the individual or household as the unit of focus.



Analysis of vulnerability to poverty without estimating probabilities.



Mainly money-metric analysis.



Use of the international poverty line for comparability across countries.



Inequality is implicit, not explicit, in the analysis.

STRUCTURE OF THE REPORT

The report is organized into six chapters. Chapter 2 reviews the key socioeconomic trends in Africa before the outbreak of the COVID-19 pandemic in early 2020 and in the year that followed. Chapter 3 reviews the nature and extent of the health and socioeconomic crises arising from COVID-19, including economic and other consequences of the pandemic, and countries' fiscal and monetary responses.

Chapter 4 analyses the nexus of poverty, risk and vulnerability in Africa. Chapter 5 focuses on improving risk management and building resilience. Chapter 6 concludes with policy recommendations.

Annex table A1.1 Typology of risks

	<div style="display: flex; justify-content: space-between; align-items: center;"> ← Idiosyncratic Covariant → </div>		
Type of risk	Risks affecting an individual or household (micro)	Risks affecting groups of households (meso)	Risks affecting regions or countries (macro)
Natural		Rainfall Landslide Volcanic eruption	Earthquake Flood Drought Tsunami
Health	Illness Injury Disability Old age Death	Epidemic (such as the Ebola crisis)	Pandemic (such as COVID-19)
Social	Crime Domestic violence	Terrorism Gang activity	Civil strife War Social upheaval
Economic	Job and income loss	Unemployment Resettlement Harvest failure (sometimes due to locust)	Change in food price Growth collapse Hyperinflation Balance-of-payments, financial or currency crisis (as in 2008) Technology shock Terms-of-trade shock Transition costs of economic reform
Political		Riots	
Environmental	Weather	Pollution, deforestation or nuclear disaster	Climate change

Source: Adapted from World Bank (2001).

Annex table A1.2 Selected approaches to vulnerability, by discipline or sector

Discipline or sector	Sample definition	Approach to vulnerability
Anthropology	“The insecurity of the wellbeing of individuals, households, or communities in the face of a changing environment” (Moser and Holland, 1997, p. 5).	<ul style="list-style-type: none"> • Social rather than economic vulnerability. • Emphasis on household characteristics rather than specific measures of economic outcomes. • Importance of links between vulnerability and access to or ownership of assets. • Role of social ties and institutional arrangements.
Development studies	“Vulnerability to poverty... can be referred to as the probability of stressful declines in the levels of wellbeing triggering the: individual’s fall below a benchmark level which represents a minimum level of ‘acceptable’ participation in a given society at a specific period” (Guimarães, 2020, p. 239).	<ul style="list-style-type: none"> • Conceptualized at the individual or household scale. • Common use of multidimensional measures of vulnerability (social, economic and political). • Possible tension between locally sensitive definition and operational definition.
Disaster management	“The characteristics of a person or group in terms of their capacity to anticipate, cope with, resist, and recover from the impact of a natural disaster” (Blaikie et al., 1994, p. 8).	<ul style="list-style-type: none"> • Usually defined in relation to hazards rather than outcomes. • Vulnerability to an underlying condition. • Since 1990s, risk seen as a function of hazard and vulnerability. • Hazard becomes a risk only when its impacts interact with a population.
Economics (micro)	“The propensity to suffer a significant welfare shock, bringing the household below a socially defined minimum level” (Kuhl, 2003, p. 5).	<ul style="list-style-type: none"> • Primarily measured by income or consumption poverty. • Focus on the dynamics of consumption patterns and the factors that influence them. • Vulnerability arises from covariant shocks (community-wide) and idiosyncratic shocks (household-specific). • Poverty does not necessarily correlate with vulnerability.
Economics (macro)	“Economic vulnerability of a country can be defined as the risk of a (poor) country seeing its development hampered by the natural or external shocks it faces” (Guillamont, 2009, p. 195).	<ul style="list-style-type: none"> • A country’s vulnerability depends on existence of certain “inherent” features (such as economic openness, export concentration and import dependency). • Exogenous vulnerability arises from structural economic factors.

Environment	The degree to which a system is susceptible to, or unable to cope with, adverse effects of climate change inducing climate variability and extremes. Vulnerability is a function of the character, magnitude, and rate of climate variation to which a system is exposed, its sensitivity, and its adaptive capacity” (Houghton et al., 2001, p. 6).	<ul style="list-style-type: none"> • Perturbation has multiple and compound origins—that is, it is not solely environmental. • Interaction between human activity and environmental processes. • Usually vulnerability from a hazard.
Food security	The combined effects “of risk and of the ability of an individual or household to cope with those risks and to recover from a shock” (Maxwell et al., 2000, p. 9). Usually defined in relation to a negative nutrition-related outcome (such as hunger or malnutrition).	<ul style="list-style-type: none"> • Use of proxy indicators (such as child malnutrition and consumption). • Vulnerability depends in part on geographic characteristics of an area (such as rainfall patterns and soil fertility). • Importance of political factors and entitlement failures.
Geography	“The vulnerability of people to fall into or remain in poverty owing to being at a particular place” (Naude, Santos-Paulino and McGillivray, 2009, p. 250).	<ul style="list-style-type: none"> • Vulnerability is a function of economic-geography and socio-political determinants in each geographic region. • It considers multiple sources of risk. • Emphasis is on interaction of factors.
Health	“Vulnerable populations are defined as being at risk of poor physical, psychological and/or social health” (Aday, 1993).	<ul style="list-style-type: none"> • Certain demographic groups, particularly vulnerable to poor health outcomes. • Influenced by a range of background characteristics. • Recognition of links between poor health and wider social factors.
Livelihoods	Vulnerability relates to “the ability to avoid, or more usually to withstand and recover from, stresses and shocks” or to maintain the natural resource base (Chambers and Conway, 1992, p. 10). Stresses include seasonal shortages and rising populations; shocks include floods and epidemics.	<ul style="list-style-type: none"> • Vulnerability viewed as a broad concept. • Measurement of livelihoods capabilities (five types of livelihood capital: human, natural, financial, social and physical) and tangible and intangible assets.

Source: Compiled by Sumner and Mallett (2011).

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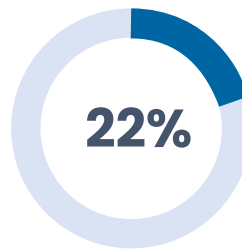
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CHAPTER 2.

ECONOMIC AND SOCIAL TRENDS DURING THE COVID-19 PANDEMIC

KEY MESSAGES

POVERTY



of the population would still be in extreme poverty in 2030, even before the pandemic

GDP

growth slowed to in 2019



FISCAL DEFICIT

Africa's fiscal deficit could take until 2024 to return to its pre-pandemic level and its debt-to-GDP ratio until 2025

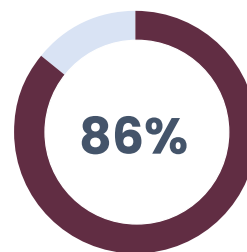
HEALTH

Private household spending remains the largest component of total health expenditure in Africa making it hard for low-income households to access and afford healthcare

GENDER INEQUALITY

Gender inequalities have been widened by governments' economic and social policy responses, despite gender equality being a key factor in producing higher economic growth

INFORMAL EMPLOYMENT



of total employment in Africa is informal and remains the main source of income

Key Messages

1. Before the COVID-19 pandemic, the poverty rate on the continent (excluding Algeria, Egypt, Morocco and Tunisia) fell from 59.4 per cent in 1999 to 40.2 per cent in 2018 (World Bank, 2020a), though progress slowed after the 2015 commodity price shock. Yet, with a large share of the population hovering just above the extreme poverty line (\$1.90 in purchasing power parity terms a day), the gains are highly vulnerable to adverse shocks.
2. In the run-up to the COVID-19 pandemic, many African countries were already experiencing declining revenue, rising debt stress and increasingly constrained fiscal space, trends worsened by the pandemic. In 2019, overall GDP growth slowed to 3.0 per cent, with some countries recording less than 1 per cent growth and so seeing a decline in living standards in real terms. Commodity-dependent countries were under particular stress.
3. Before the COVID-19 pandemic, most countries pursued an accommodative monetary policy as inflation declined and remained stable. During the pandemic, most countries maintained or further cut the policy rate to stimulate aggregate demand. However, with supply chains disrupted by the crisis, inflation rose in some countries, prompting them to increase the policy rate.
4. The COVID-19 pandemic increased high fiscal deficits and debt, narrowing countries' fiscal space as they increased spending to cushion the pandemic's effects, including income tax exemptions, food subsidies and financial support to households and small and medium enterprises. They boosted spending amid shrinking sources of revenue as exports dwindled.
5. Many countries made uneven progress in social development. Their health systems remained weak: out-of-pocket spending on health is still the largest component of healthcare spending, on average, making it hard for people to access health services and increasing their risk of falling into poverty. Further, education systems have produced mixed results: although school enrolment has risen, inclusive access is low, and learning outcomes are weak.
6. Gender inequalities remain common and have been widened by governments' economic and social policy responses—notably as women disproportionately take care of home schooling and related duties and look after sick and older household members. Women were also disproportionately represented in the informal sector, which was very badly hit by the COVID-19 pandemic.
7. Informal employment remains high, and workers are especially vulnerable to external shocks and crises. Given their poor working and living conditions, and often little or no access to social protection programmes, it has been tough for them to take the precautions suggested by health authorities to reduce or halt COVID-19's spread.

ECONOMIC TRENDS

The COVID-19 pandemic has heavily disrupted the movement of people, goods, services and capital, and its impacts led Africa's GDP to contract by an estimated 3.2 per cent in 2020. The pandemic is expected to weigh further on already slow economic growth, immediately declining oil and commodity prices and growing fiscal deficits and external debt, which together are likely to narrow the fiscal space required to tackle pandemic-related challenges.

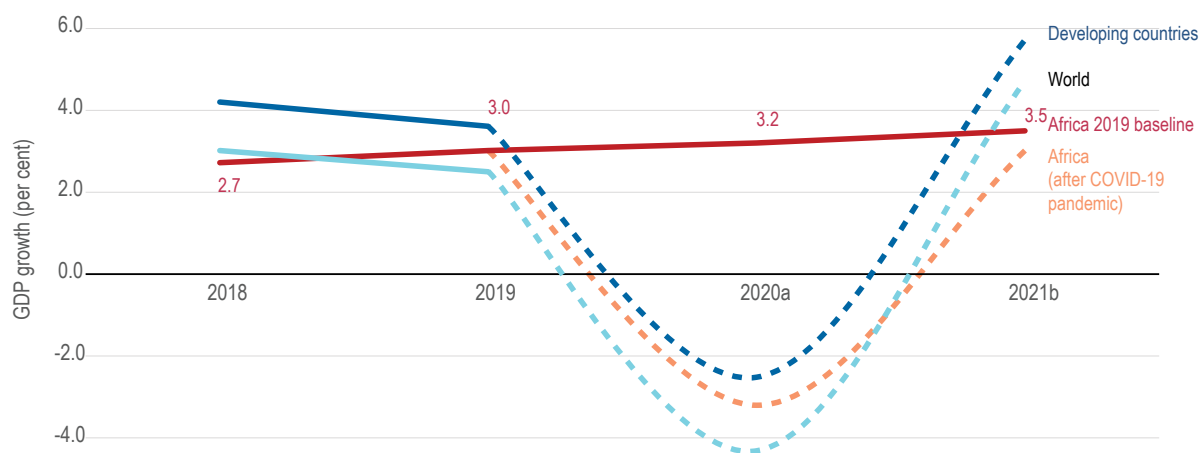
Globally, the COVID-19 pandemic has slowed economic activity, with the size and timing of the impact varying by country, depending on its exposure to the global economy in general and its dependence on exports of primary commodities, on tourism and on foreign direct investment in particular (UNOCHA, 2020). A close sectoral analysis of how this contraction varies across sectors and how it translates into employment losses shows that for some African countries, the shock was already felt before the pandemic, owing to the global economic slowdown.

GDP growth

Africa saw rising GDP growth rates before the COVID-19 pandemic, though they were insufficient to achieve the Sustainable Development Goals by 2030. In some previous years, it was the second fastest growing region in the world, after developing Asia. Before the pandemic, GDP growth was projected to increase moderately, from 3.0 per cent in 2019 to 3.2 per cent in 2020, before accelerating to 3.5 per cent in 2021. Africa was once again projected to be among the top-performing regions, with growth rates above global and developing-country averages (figure 2.1). However, the pandemic has damaged the continent's growth prospects, leading to a contraction of 3.2 per cent in 2020—less severe than that of the overall global economy, which contracted by 4.3 per cent. The continent's growth is expected to rebound to 3.0 per cent in 2021 and 3.5 per cent in 2022 (ECA, 2021a). More important, for some countries the pandemic not only caused a temporary slowdown but also reduced potential growth, owing to lower human capital accumulation and less investment in infrastructure and other development needs.

The continent's growth is expected to rebound to 3.0 per cent in 2021 and 3.5 per cent in 2022.

Figure 2.1 Actual and projected growth rates for Africa, with and without the COVID-19 pandemic, and for all developing countries and the world, 2018–2021



a. Estimated. b. Projected.

Source: ECA (2020b).

Before the COVID-19 pandemic, economic growth in Africa's largest economies had already started contracting or slowing: in 2018, Angola's GDP decreased by 0.3 per cent, and GDP growth slowed to 2.3 per cent in Nigeria and 0.9 per cent in South Africa. Several countries reported economic contractions in 2019, despite natural resource endowments: Equatorial Guinea (4.6 per cent), Libya (19 per cent), Sudan (2.6 per cent) and Zimbabwe (7.1 per cent). These outcomes reflect low economic diversification and prospects of continued civil conflict. South Africa, one of the continent's leading economies, grew at 0.6 per cent in 2019, with shrinking manufacturing and mining output, due partly to strikes, and growth in retail sales trending down. The country has experienced a decline in real GDP per capita every year since 2015.

Strong growth rates of more than 7.5 per cent in Côte d'Ivoire, Ethiopia and Rwanda in 2019 did little to reverse the three-year decline in Africa's GDP growth. Per capita growth falling from 1.7 per cent in 2020 to less than 1 per cent in 2021 was too little to accelerate economic and social progress and partially explains the slow pace of poverty reduction on the continent.

Africa's recovery since the second quarter of 2021 is slightly losing momentum, with GDP growth projected to rebound to 3.0 per cent in whole-year 2021, below the 3.5 per cent growth projected at the start of the year. Persistence of the pandemic and disruptions to the labour market have offset increased external demand, higher than expected commodity prices and supportive financial conditions in some countries.

In Ghana, Mauritius, Rwanda and South Africa, growth in agriculture, manufacturing and services accelerated and industrial production indices rose as restrictions eased in 2021. Across the continent, some industries—such as transport, insurance, fishing, financial intermediation, post and telecommunications, public administration and defence, and agro-livestock and forestry—have bounced back strongly or are still buoyant. However, disruption in global and domestic supply chains continues to raise cost-push inflation and fuel inflationary pressures on the continent.

Commodity exporters were among the most affected by the pandemic

GDP growth in commodity and non-commodity African economies contracted in 2020, with oil-exporting countries the most affected (contracting by about 3.0 per cent), owing to lower commodity prices, oil production cuts, decelerating investment in extractive sectors and weakened demand from the largest economies (UNDESA, 2021). For many oil-importing countries, momentum in 2020 was also weaker than expected (with about a 0.5 per cent GDP contraction), reflecting declining exports and investment that were offset only partly by lower oil prices, accommodative monetary policies and fiscal support.

Declining oil prices

The price of oil, which accounts for about 40 per cent of the value of African exports and 7.4 per cent of GDP, fell by more than 50 per cent in the first quarter of 2020, to its lowest level since 2003, particularly hurting oil exporters. Nigeria, for example, depends on crude oil for 90 per cent of its exports and for a large part of government revenue. In Angola, oil accounts for around 90 per cent of export income and 75 per cent of government revenue. Other countries reliant on oil receipts include the Republic of Congo, Libya and South Sudan. The price drops also worsened the shortage of foreign currency in these countries. However, lower oil prices benefited some poor households in low- and middle-income countries by reducing, for example, transport costs and the prices of basic goods, though much of this impact was offset by other inflationary pressures.

Oil prices rose continuously through much of 2021, from an average of \$53 a barrel in January to \$73 in September. This trend has exerted inflationary pressure on most oil-importing countries in Africa; coupled with food price rises and currency depreciation, it has made imports more expensive for most countries, generally widening oil importers' current account deficits.

Declining non-oil commodity prices

Africa benefited from slight increases in some key primary commodity prices in 2019, but as with oil prices, commodity prices plummeted for most of Africa's exports as the severity of the COVID-19 pandemic increased in early 2020. Non-oil commodity prices declined after January 2020, with natural gas prices dropping by 30 per cent and metal prices by 4 per cent over the first quarter, to April 2020, creating problems for countries dependent on such primary commodity exports.

A downward trend in demand had already reduced prices for tea and coffee, particularly for away-from-home consumption in major import markets such as the United States and the European Union. In April 2020, cocoa prices had fallen by 6 per cent from the start of the year (ECA, 2020b). Metal prices fell by 20 per cent from end-December 2019, and cotton prices had fallen by 26 per cent since the start of 2020. Declines in international commodity prices heavily affected countries that export these commodities (Benin, Burkina Faso, Cameroon, Chad, Côte d'Ivoire, Mali, Nigeria and Togo). Prices have, however, been rising since the second half of 2020, to above pre-COVID-19 pandemic levels in the second half of 2021.

Monetary policy performance

In 2018 and 2019, before the COVID-19 pandemic, most African countries had accommodative monetary policy as inflation remained stable or declined. Inflation rates declined significantly in Burkina Faso, Côte d'Ivoire, Mali and Mauritius and stayed lower than usual in the Central African Economic and Monetary Community and the West African Economic and Monetary Union, with some member countries such as Côte d'Ivoire recording deflation. Algeria, Cabo Verde, Rwanda, Senegal and Namibia stabilized inflation in the single

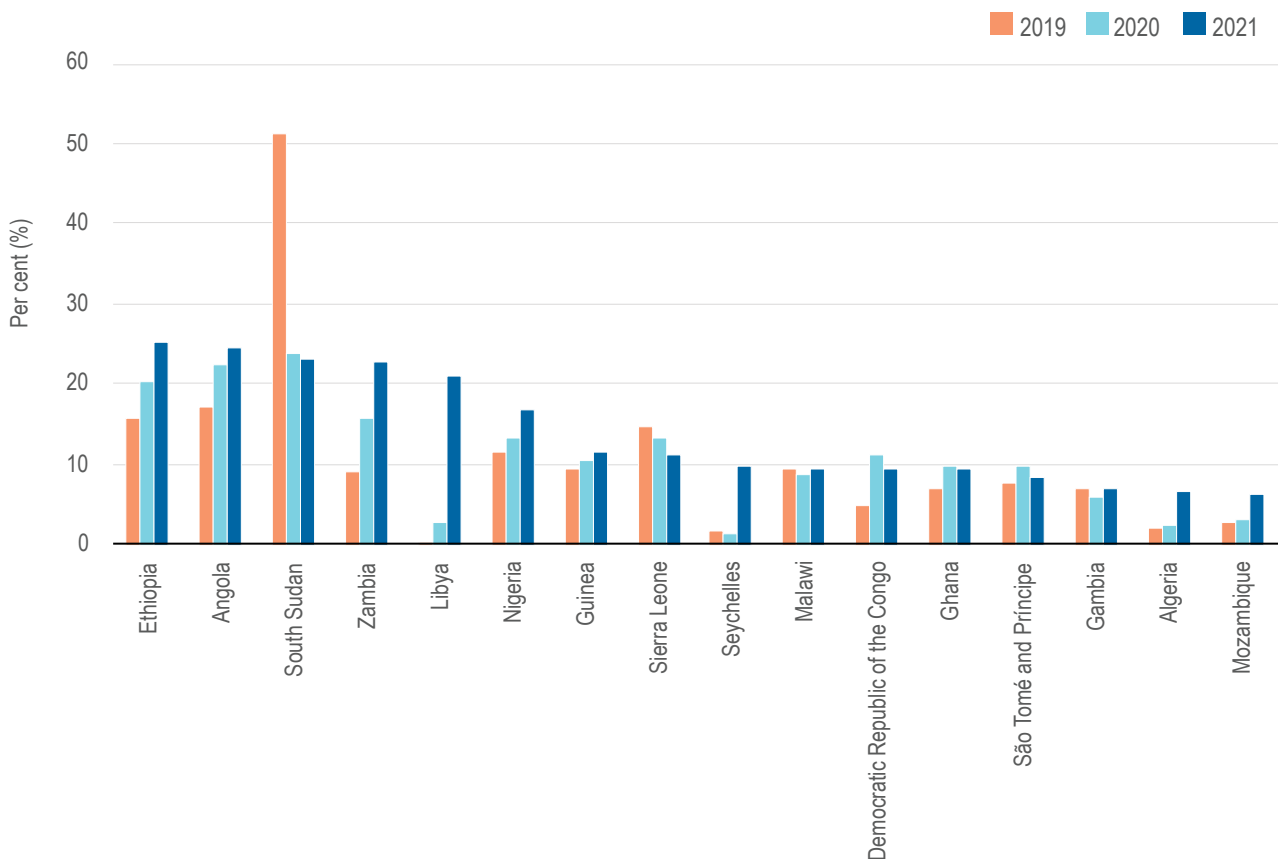
digits, underpinned by their central banks' independence. However, the pandemic increased inflationary pressures, primarily because of supply chain disruptions, rising commodity prices (including oil and food) and increasing macroeconomic vulnerabilities stemming from reduced remittances from abroad, falling tourism revenue and deteriorating broader financing conditions. These issues now pose real difficulties for most countries in Africa (ECA, 2021a).

Most African countries implemented expansionary monetary policies to curb the effects of the COVID-19 pandemic, contributing to an increase in the continent's average inflation, from 11.0 per cent in 2019 to 14.5 per cent in 2020, with a projected decline to about 9 per cent in 2021. These policies were the monetary counterparts to higher fiscal spending. Loan deferrals and collateral requirements were adopted in 2020 to support businesses, despite weaker consumption and investment spending damping inflationary pressures around the world during most of the year.

Inflation in 2021 is estimated to have stayed in the double digits in Ethiopia, Angola, South Sudan, Zambia, Libya, Nigeria, Guinea and Sierra Leone, reflecting the impact of higher food prices, depreciating exchange rates and rebounding global energy prices (figure 2.2). Stronger inflationary pressures have caused some countries, such as the Democratic Republic of the Congo, to abruptly reverse their monetary policy stance and increase policy rates, undermining financial stability and economic recovery (ECA, 2020b). In Ethiopia, inflation remained high in 2020 because of the widening trade balance associated with infrastructure projects and reduced foreign currency reserves and liquidity (FEWS NET, 2020). In South Sudan, inflation has been high since 2015 due to the monetization of deficits by the central bank and the country's fragile peace situation (AfDB, 2020).

Inflation in 2021 is estimated to have stayed in the double digits in Ethiopia, Angola, South Sudan, Zambia, Libya, Nigeria, Guinea and Sierra Leone, reflecting the impact of higher food prices, depreciating exchange rates and rebounding global energy prices.

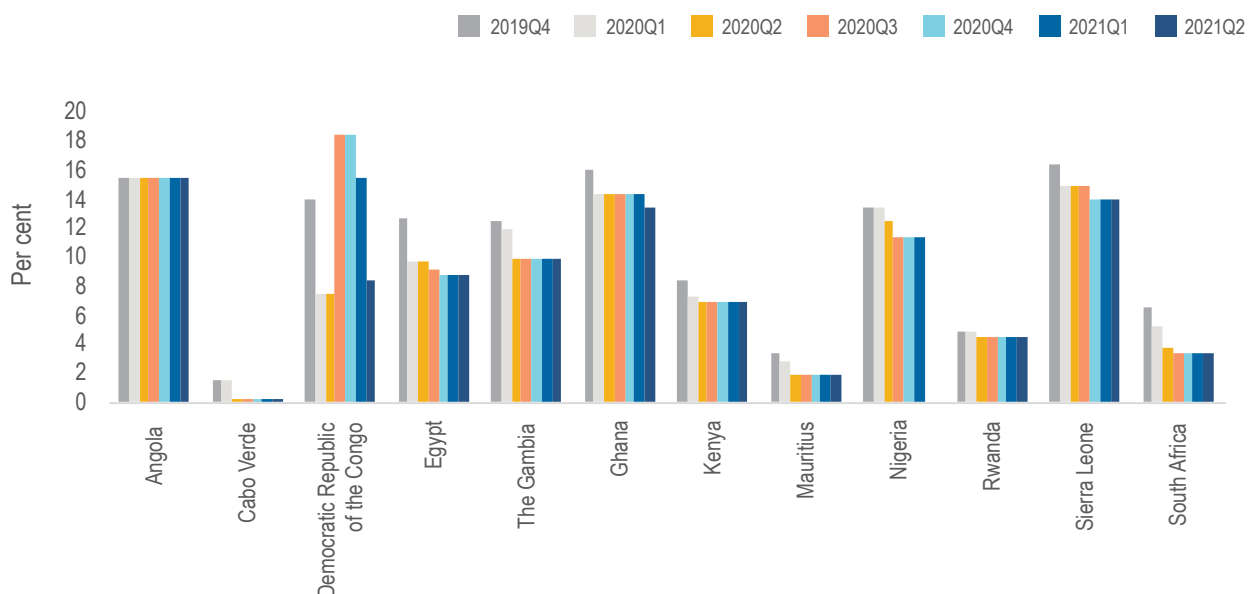
Figure 2.2 Inflation in selected African countries, 2019–2021



Source: International Monetary Fund's World Economic Outlook database, 2021.

Policy rates remain below their 2019 levels in most countries (figure 2.3). Central banks in Africa's major economies—Egypt, Nigeria and South Africa—have continued to lower their rates, although since the start of 2021, policy rates have been on hold in most countries, in an attempt to balance maintaining price stability, reducing exchange-rate pressures and stimulating the domestic economy (ECA, 2021a).

Figure 2.3 Policy rates in selected African countries, 2019–2021



Source: ECA calculations based on data from the International Monetary Fund's International Financial Statistics, 2021.

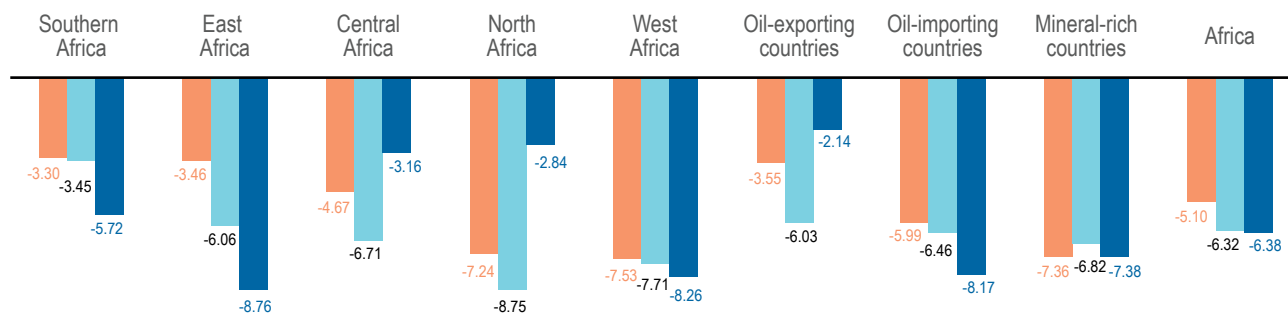
Difficult macroeconomic conditions before the COVID-19 pandemic in Burundi, Somalia, South Sudan and to some extent Ethiopia elevated staple commodity prices, while weakening local currencies increased imported food prices and slowed imports. High inflation and local currency depreciation have severely affected households' access to food during the pandemic, especially in the Gambia, Guinea, Liberia, Nigeria and Sierra Leone.

The increased price of imported products has been transmitted to local products (WFP, 2020), especially in Liberia and some areas of Mali, Mauritania and Nigeria, where food prices rose

by more than 50 per cent above their five-year average in 2020 (RPCA, 2020). Libya was among 20 countries in the world where the cost of a basic food basket increased by more than 10 per cent between the first two quarters of 2020 (WFP, 2021).

By subregion, Central, North and West Africa were the most affected by widening current account deficits in 2020, reflecting lower commodity prices and collapsed revenue in tourism-dependent countries (figure 2.4). East, Southern and West Africa are estimated to be the most affected in 2021.

Figure 2.4 Current account deficits, by African subregion and economic grouping, 2019–2021



a. As of the third quarter.

Source: ECA calculations based on data from the International Monetary Fund's World Economic Outlook, October 2021.

Exchange rate performance

In 2019, many African countries experienced exchange rate volatility as their currencies depreciated, mainly on trade-related uncertainties and capital outflows, as well as country-specific factors such as widening fiscal deficits, declining foreign exchange reserves and lower capital inflows. These fluctuations stabilized in 2020 in most countries as central banks intervened to support their currencies (ECA, 2020b).

The Democratic Republic of the Congo faced a shortage of foreign currency reserves as its exports of coffee, tobacco, cacao and metal fell, owing to subdued export demand and disruptions to logistical services because of the COVID-19 pandemic. This reduced funds for public spending and caused the local currency to decline against the US dollar by 14 per cent from April to June 2020, leading to higher food prices (FAO, 2020b). In 2021, some African countries continued to see exchange rate depreciation and a weak external trade position, while others began to record exchange rate appreciation, reflecting their monetary and fiscal policies. A sharp rise in copper prices has helped Zambia, the continent's second-largest copper producer, maintain higher export revenue, reducing the rate of the kwacha's depreciation against the US dollar. South Sudan experienced the sharpest exchange rate depreciation, owing mainly to depleted foreign exchange reserves.

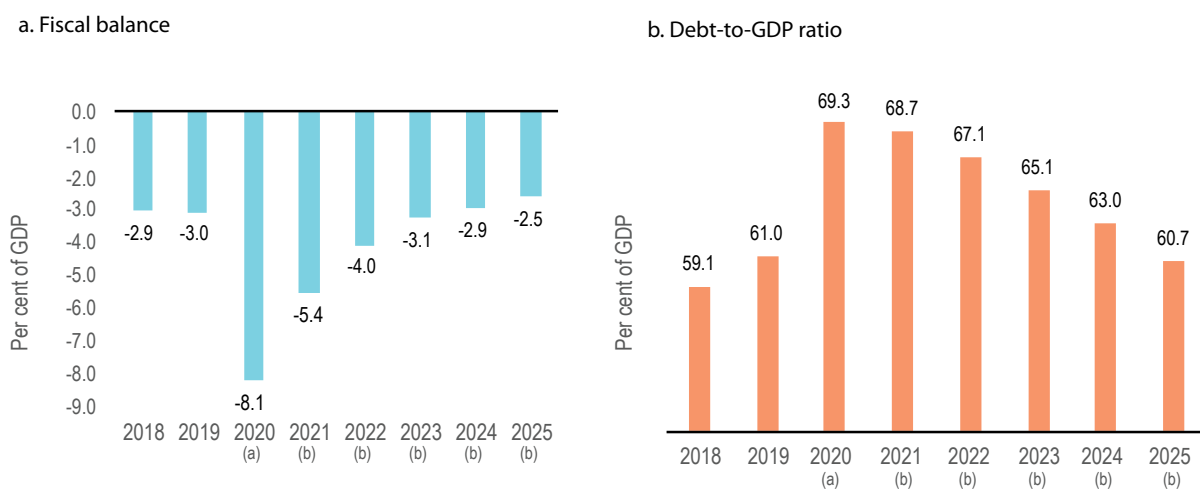
Rising fiscal deficits and external debt

Africa's fiscal deficit narrowed from 5.3 per cent of GDP in 2017 to 3.0 per cent in 2019, mainly because of government fiscal consolidation efforts, such as reduced subsidies; recovering oil prices and increased oil production in Angola, Chad, Ghana and Nigeria; widening tax bases and automation of tax administration in the

Republic of Congo, Lesotho, Malawi and Nigeria; and improved global economic conditions. Since the COVID-19 pandemic's onset, however, fiscal space in Africa has faced headwinds, and fiscal deficits were estimated to have reached a record 8.1 per cent of GDP in 2020 before narrowing to 5.4 per cent in 2021 (figure 2.5a). African countries have increased spending to cushion the health and socioeconomic impacts of the pandemic, while the major sources of revenue were put on hold as most countries provided income tax exemptions, food subsidies, aid and donations to individuals, households and small and medium enterprises. In Benin, tax revenue fell to 6.5 per cent of GDP, and Niger, Nigeria and Sierra Leone also recorded revenue shortfalls arising from reduced economic activity. Most African countries are facing these fiscal headwinds, raising concerns about debt sustainability.

Africa's fiscal deficit increased marginally, from 2.9 per cent of GDP in 2018 to 3.0 per cent in 2019, and debt as a share of GDP (weighted) increased from 59.1 per cent to 61.0 per cent (figures 2.5a and 2.5b). Both metrics jumped in 2020 as countries attempted to respond to the fiscal challenges of the COVID-19 pandemic. Africa's fiscal deficit could take until 2024 to return to its pre-pandemic level (see figure 2.5a) and its debt-to-GDP ratio until 2025 (see figure 2.5b), and even then, debt will remain just above the nominal 60 per cent threshold that the International Monetary Fund considers sustainable for African countries. Despite the debt-suspension and debt-relief programmes offered to African countries, the International Monetary Fund put Africa's additional financing needs for an adequate pandemic response at around **\$285 billion until 2025**, while the African Development Bank estimated the financing gap that African governments needed to plug in fiscal year 2020/2021 to be about \$154 billion (AfDB, 2021; IMF, 2021b).

Figure 2.5 Africa's fiscal balance and debt-to-GDP ratio, 2018–2025



a. Fiscal balance

a. Estimated.

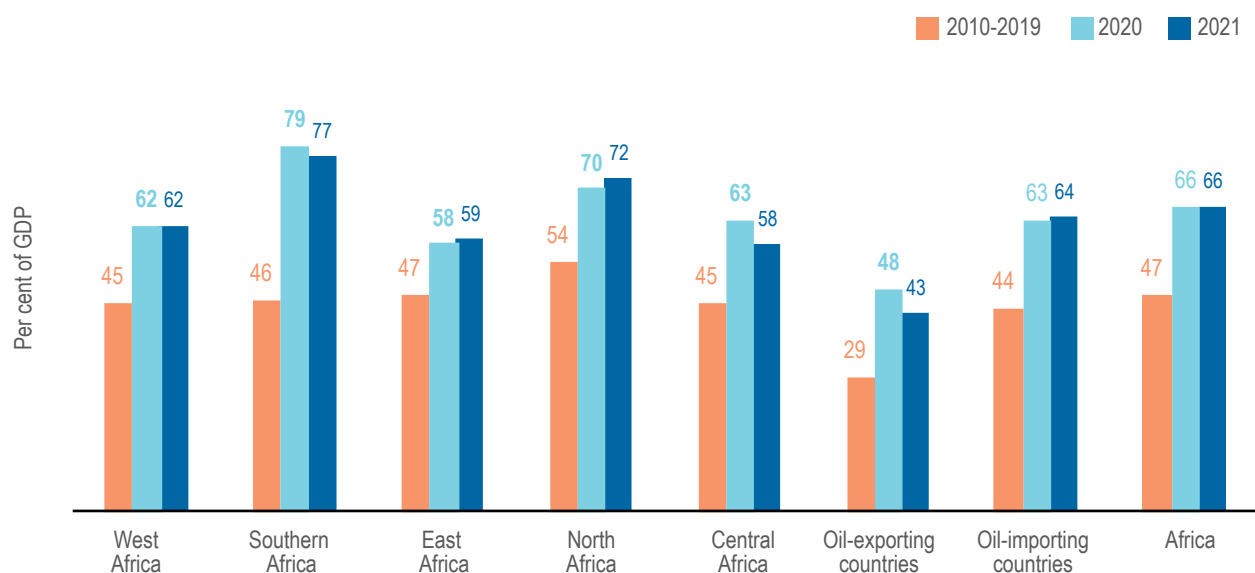
b. Debt-to-GDP ratio

b. Projected.

Source: ECA calculations based on data from the International Monetary Fund.

Debt-to-GDP ratios rose in Africa between the 2010–2019 average and 2020 or 2021, nearly doubling in Southern Africa (figure 2.6). Africa's debt-to-GDP ratio was projected to reach 66 per cent in 2021, up 19 percentage points from the 2010–2019 average. Southern Africa had the highest estimated debt ratio, 77 per cent in 2021, influenced largely by the oil- and mineral-exporting countries of Angola, Mozambique and Zambia. Some 15 African countries were at risk of debt stress as of 30 June 2021, of which 5 severely debt-stressed African countries have applied for debt relief under the G20 Common Framework (IMF, 2021b).

Figure 2.6 Debt, by African subregion and economic grouping, 2010–2021



Source: The International Monetary Fund's World Economic Outlook database, 2021.

Most African governments have strengthened their debt management procedures, but those with high public debt will struggle to mobilize resources to respond to the COVID-19 pandemic because meeting current debt obligations takes away critical resources, reinforcing the loss of revenue for those dependent on commodity exports.

Public debt exceeds 100 per cent of GDP in Angola, Cabo Verde, Eritrea, Mozambique, Seychelles, Sudan and Zambia. As of June 2021, the International Monetary Fund classified the Republic of Congo, Mozambique, São Tomé and Príncipe, Somalia and Sudan as being in debt distress and Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, Djibouti, Ethiopia, the Gambia, Ghana, Guinea-Bissau, Kenya, Mauritania, Sierra Leone, South Sudan and Zambia as being at high risk of debt distress (IMF, 2021b).

Constrained fiscal space makes it hard to respond to the pandemic’s impacts

Few African countries have much fiscal space. A 2019 ECA analysis for 2016–2018 estimated fiscal space as the difference between a country’s debt limit and current debt at two thresholds: 50 per cent of GDP, as recommended by the International Monetary Fund for developing countries, and 40 per cent, the African average. Fiscal space was an estimated –9.6 per cent of

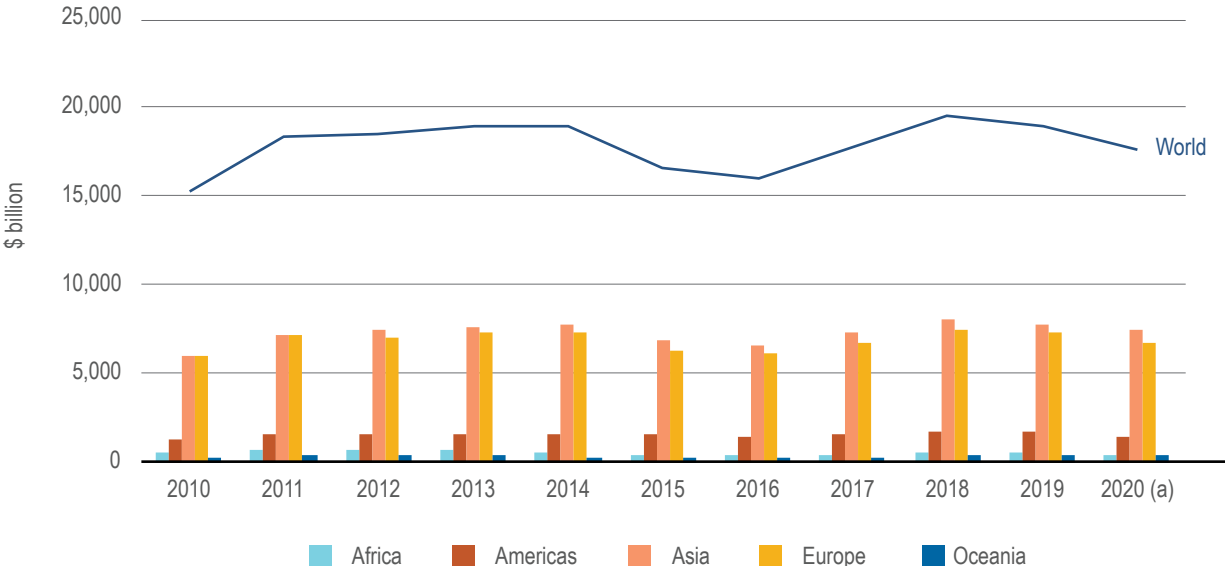
GDP for the 50 per cent threshold and –19.6 per cent for the 40 per cent threshold. At the 50 per cent threshold, only 40 per cent of African countries had positive fiscal space, and at the 40 per cent threshold, only 30 per cent did. Botswana had the most fiscal space, while Sudan was the most constrained (ECA, 2019b).

The macroeconomic instabilities amplified by the COVID-19 pandemic, in particular fiscal deficits and debt, are also subject to uncertainties caused by the effectiveness of policy responses to mitigate the spread of the virus and reinvigorate growth and by the reaction of people and policymakers to the development and roll-out of COVID-19 vaccines. Further, the pandemic has raised concerns of the duration of expansionary fiscal measures, amid higher debt in many African countries, which will affect vulnerable and poor people in particular, especially because savings and remittances have become severely limited as consumption-smoothing possibilities (see below).

Africa’s trade trends

Global trade decreased from 2019 to 2020 because of COVID-19 restrictions such as lockdowns, border closures, travel restrictions and disruptions in global value chains (figure 2.7).

Figure 2.7 Merchandise exports, by global region, 2010–2020



Source: ECA calculations based on data from the United Nations Conference on Trade and Development’s UNCTADstat database, 2021.

The share of global exports decreased from 2010 to 2019 in Africa but increased in other global regions. The continent’s share fell from 2.48 per cent in 2019 to 2.14 per cent in 2020, though Asia and Europe were resilient, owing partly to continued supplies of consumer goods and medical goods during the COVID-19 pandemic.

In 2020, African exports were valued at \$375.4 billion, down from \$471 billion in 2019, and imports at \$509.8 billion, down from \$582.9 billion. Nonetheless, with the ongoing roll-out of COVID-19 vaccines, falling infection rates and relaxed containment measures, a rebound was expected in 2021. Global trade in goods was expected to increase by 8.0 per cent in 2021, with African exports estimated to pick up by 8.1 per cent and imports by 5.5 per cent (WTO, 2021).

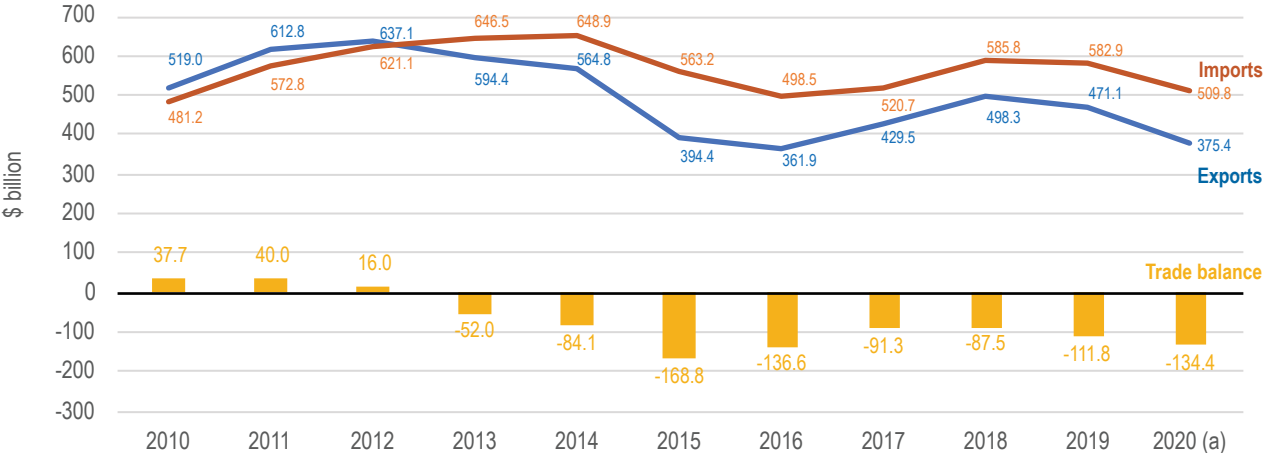
Africa has shown a merchandise trade deficit since 2013 (figure 2.8), reflecting continued dependence on exports of low-value-added commodities and imports of high-value manufactured goods, reinforcing its vulnerability to external shocks during a crisis.

The African Continental Free Trade Area is an opportunity to build forward better

Most African countries still depend on exports of raw materials and on imports of essential goods such as food items and pharmaceuticals. The African Continental Free Trade Area (AfCFTA), however, has huge potential to reduce this dependence. If AfCFTA is effectively implemented, intra-Africa trade is expected to be about 35 per cent higher than without the grouping by 2045 (ECA, 2021b). Large gains are expected in all main sectors, along with strong potential to promote industrialization. For instance, intra-Africa trade could increase by about 40 per cent in agri-food, industry and services and by about 16 per cent in energy and mining.

Because the composition of intra-Africa trade is dominated by industry (unlike extra-Africa exports, which are concentrated in fuels and other primary commodities), the AfCFTA would help Africa industrialize and diversify, reducing trade dependence on external partners and boosting the share of intra-Africa trade from roughly 15 per cent today to over 26 per cent.

Figure 2.8 Merchandise trade in Africa, 2010–2020



a. Estimated.

Source: ECA calculations based on data from the United Nations Conference on Trade and Development’s UNCTADstat database, 2021.

The goods sectors with the greatest potential for expanding intra-Africa trade are milk and dairy; cereals and crops; livestock; sugar; vegetables, fruit and nuts; processed food (for agri-food); wood and paper; metals; vehicles and transport equipment; and textiles, apparel and leather products (for industry).

Service sectors would also strongly benefit in relative terms, though less so in absolute terms. Financial, business and communication services would increase by over 50 per cent, tourism and transport by around 50 per cent and health and education by just over 33 per cent.

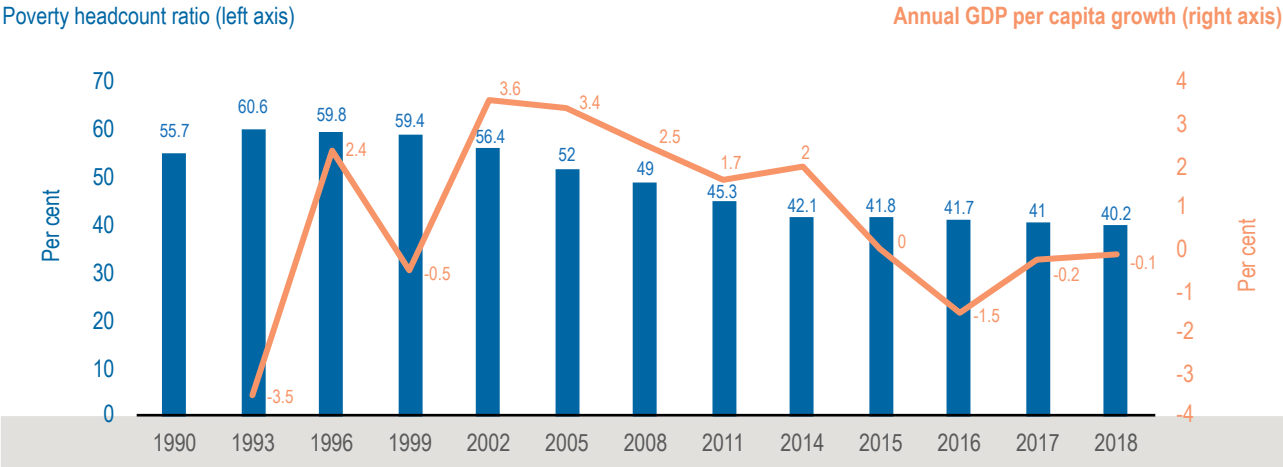
The AfCFTA is expected to cushion the adverse effects of the COVID-19 pandemic by supporting regional trade and value chains through reductions in tariffs and the removal of non-tariff barriers to trade. The main rationale is that enhanced continental integration will enable the economies of scale and investment needed to develop wide-reaching regional value chains and support industrialization, increasing resilience to future shocks. The AfCFTA could lift about 30 million people out of extreme poverty and raise the income of 68 million others who live on less than \$5.50 a day (World Bank, 2020b).

ECONOMIC GROWTH AND POVERTY REDUCTION IN AFRICA

Even though Africa’s poverty-reducing effect of growth is low, economic growth is key to reducing poverty. The period 2002–2014 was the best for poverty reduction in Africa: the poverty rate declined on average by 1.2 percentage points a year, though the continent still added about 13 million new poor people in this period. Poverty reduction was helped by a satisfactory economic outturn, with average GDP per capita increasing by 2.64 per cent in the period. Since 2014, the decline in growth in GDP per capita to below zero has not been good for poverty reduction (figure 2.9).

The period 2002–2014 was the best for poverty reduction in Africa: the poverty rate declined on average by 1.2 percentage points a year...

Figure 2.9 Africa’s poverty headcount ratio and GDP growth per capita, selected years in 1990–2018



Source: ECA calculations based on data from World Bank (2020a).

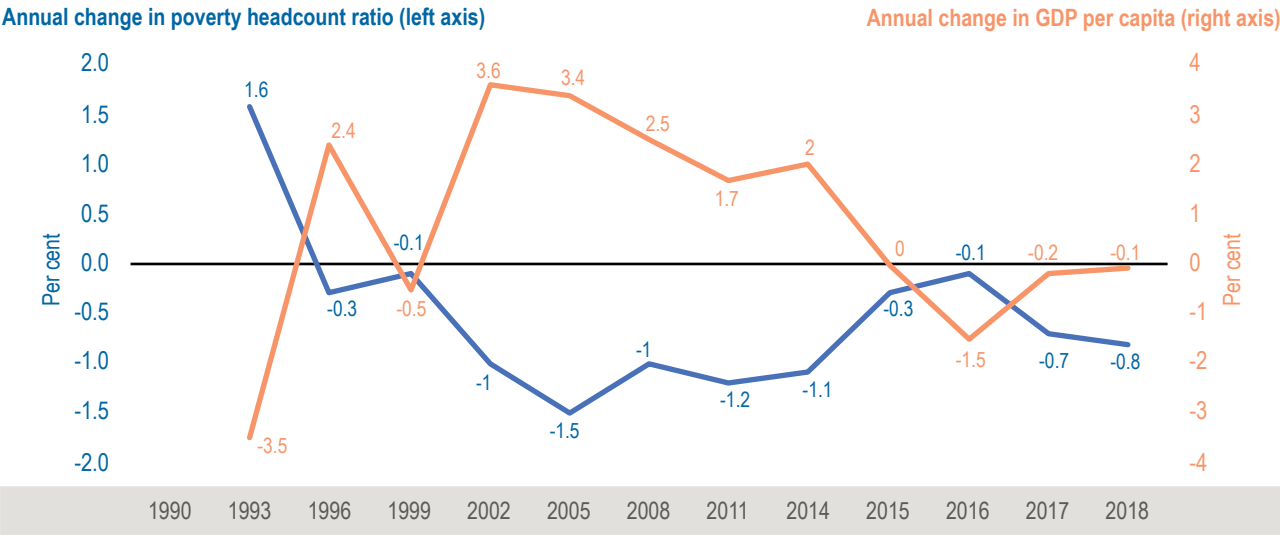
The change in the poverty headcount ratio and the growth in GDP per capita are in opposite directions in Africa (figure 2.10), suggesting a link among real GDP growth, population growth and poverty reduction. Since 2015, growth in GDP per capita in Africa has been negative, averaging -0.45 per cent. The latest 2018 poverty numbers—the last before the COVID-19 pandemic—reflect this decline in economic performance, with the drop in Africa’s poverty rate slowing to less than 0.5 percentage point a year in 2014–2018. Hence, based on the latest available poverty numbers, Africa was already off track for achieving Sustainable Development Goal 1, to end poverty in all its forms everywhere by 2030, even before the pandemic. About 22 per cent of the population would still be in extreme poverty in 2030, even with assumed real growth in consumption of 6.5 per cent a year (AfDB, 2015).

Rapid population growth driven by high fertility, a high poverty gap ratio, high initial inequality and low growth in agriculture have all contributed to tamping down the poverty-reducing impact of Africa’s growth (ECA 2017).

The extent to which growth in GDP per capita translates into poverty reduction has also been lower in most African countries than in other regions. The poverty-reducing effect of growth—a measure of the extent to which GDP growth per capita decreases poverty—ranged from -0.30 to -0.60 in selected African countries between 1997 and 2016. Countries with low initial development tend to have lower poverty elasticity of growth, as do countries with high inequality (Bourguignon, 2003; Ravallion, 2012). Rapid population growth driven by high fertility, a high poverty gap ratio, high initial inequality and low growth in agriculture (where the bulk of poor people work) have all contributed to tamping down the poverty-reducing impact of Africa’s growth (ECA 2017).

The most recent forecasts suggest some recovery of aggregate GDP growth, to 3.1 per cent in 2021 and 3.5 per cent in 2022, and of GDP per capita growth, to 1 per cent (ECA, 2021a). But the upturn in aggregate GDP growth barely makes up for the decline since 2014, reflecting the commodity-price shock, and projected GDP per capita growth remains well below the 2002–2014 average of 2.6 per cent a year. Before the COVID-19 pandemic, in 2014–2019, poverty reduction in Africa lagged well behind that during 2010–2013, as well as what is required to achieve Sustainable Development Goal 1.

Figure 2.10 Change in poverty headcount ratio and growth in GDP per capita in Africa, selected years in 1990–2018, selected years



Source: Data from the World Bank’s World Development Indicators database.

SOCIAL TRENDS

Struggling health systems

Private household spending remains the largest component of total health expenditure in Africa (at 36 per cent in 2019, the most recent year with data), making it hard for low-income households to access and afford healthcare. Beyond that, few informal workers have insurance, so they have to bear the costs of COVID-19 testing and treatment themselves. In 2019, household out-of-pocket spending on health reached over 70 per cent of current health spending in Cameroon, Comoros, Equatorial Guinea, Guinea-Bissau, Nigeria and Sudan (World Bank, 2019). Even before the COVID-19 pandemic, access to healthcare, even free healthcare, was largely out of reach for informal workers, as the cost of missing even one day of work is too high (Gerdin and Kolev, 2020).

Health systems in most African countries are weaker than those in other regions. Africa has among the lowest densities of skilled health professionals. The global average is 23 per 10,000 population, but 13 African countries with data (Central African Republic, Chad, Ethiopia, Guinea, Liberia, Madagascar, Malawi Niger, Senegal, Sierra Leone, Somalia, Togo and United Republic of Tanzania) have fewer than 5; among them, Niger and Somalia have fewer than 2 (ECA, 2019b).

Over 2000–2010, 26 of these countries recorded declines in their supply of health workers, owing to steep reductions in nursing and midwifery personnel. International migration of skilled health workers is also a factor in the declines. Because people are free to move in search of better economic opportunities, countries need to invest more in training and medical education and to strengthen their human resource capacities in order to retain health professionals (ECA, 2019a).

In 2020, spending on health increased as governments set aside funds to sustain health systems and absorb costs related to the COVID-19 lockdowns. In a best-case scenario (with a halt to the spread of the virus and tight, early physical-distancing measures), an estimated \$44 billion is required for testing, personal protective equipment and treatment of COVID-19 patients requiring hospitalization and intensive care in Africa (ECA, 2020a).

Health systems in most countries labour under insufficient and inequitably distributed resources. The poorest countries bear a disproportionately high share of Africa's burden of disease and injury yet have fewer resources for financing healthcare (ECA, 2019a). Hence, when the COVID-19 pandemic began, many African healthcare systems already faced inadequate staffing, out-of-date equipment and the like, forcing them to rely on disease prevention and stringent lockdown measures, damaging the economy.

Declining access to education

Africa's education system shows mixed results: solid gains in enrolment, from pre-school to tertiary levels, but still-weak inclusive access and learning outcomes. Skills obtained in secondary school are critical for structural transformation and industrialization and for achieving the goals of the 2030 Agenda for Sustainable Development and Africa 2063.

Africa has seen an impressive increase in the share of students enrolled in primary school, though starting from a low base, from 54.2 per cent in 1970 to more than 98 per cent in 2019. Girls' enrolment was above 96 per cent in 2019. Yet for most young Africans, education still ends with primary school: despite increases in secondary school enrolment, in 2018 lower-secondary school enrolment was only 32 per cent and upper-secondary school enrolment was only 22 per cent (UNICEF, 2019).

The continent suffers from wide within- and between-country differences in access to secondary school. For example, in 2019, 80 per cent of students in Botswana, Cabo Verde and South Africa attend secondary school compared with 20 per cent in the Central African Republic, Chad and Niger. Completion rates stand at 42 per cent for lower-secondary school students and 30 per cent for upper-secondary school students. Inequalities in access are a chronic vulnerability in Africa: as secondary school enrolment has increased, so too have gender disparities in access to secondary school education. The biggest beneficiaries of secondary school education are wealthier, urban boys. Access of rural dwellers, women and low-income groups is limited by cost-sharing requirements: the share of the household budget devoted to primary school-related spending on transport, books and uniforms can top 30 per cent, out of reach for many families in the bottom income quintiles.

In Africa overall, the household proportion of spending on children's education is 29 per cent, which tends to exclude students from poorer quintiles, girls, internally displaced students and refugees, and students with disabilities. In Malawi, only 5 out of every 100 of the poorest rural girls attend secondary school, and barely 1 completes secondary school. In Nigeria, 3 per cent of the poorest rural girls complete secondary school compared with 92 per cent of the wealthiest urban boys.

School closures, even brief ones, have long-term consequences for human capital accumulation and economic growth. Online learning substitutes are rarely on hand for children from low-income households because of limited access to digital technology and poor internet penetration rates in rural and remote areas. Continued school closures under a prolonged COVID-19 pandemic will have a serious impact on education and the productivity of national labour forces in the medium term. Previous shocks, such as HIV /AIDS in the 1990s and intermittent droughts, have reduced learning outcomes and led to substantial income losses over the lifetimes of those affected (Alderman, Hoddinott and Kinsey, 2006).

The longer school closures remain in effect, the more likely children, mostly girls and children from the bottom quintiles, will drop out of school altogether (UN, 2020a). This would only add to Africa's already high school dropout rates. Girls will probably be especially hard hit because they are more likely to face physical abuse and less likely to have access to online learning and return to school. For some girls, schooling provides much-needed protection against early marriage and pregnancy (UN, 2020a). Children may also face lack of access to nutrition and food with the loss of school feeding programmes, because many children from poor households rely on school for their only nutritious meal of the day.

Increasing gender inequalities

Gender inequalities in Africa are wide and have been accentuated by governments' economic and social policy responses to the COVID-19 pandemic. The responses and the pandemic's socioeconomic effects disproportionately affected women through increased time spent on home schooling and related duties and on caring for sick and older family members—yet gender equality is a key factor in producing higher economic growth, particularly in Africa (Blackden et al., 2006).

In South Africa, as elsewhere, women have been more heavily affected by the COVID-19 pandemic. While women accounted for fewer than half the employed in February 2020, they suffered two-thirds of net job losses between February and April that year (Casale and Posel, 2021). Among those who remained employed, women saw a steeper drop in working hours than men. The most vulnerable groups—informally employed people, poor formal workers, those in the lower earnings terciles and those without a tertiary education—were affected more. In the poorest tercile among the employed, 47 per cent of women reported losing their job compared with 36 per cent of men. In the richest tercile among the employed, 15 per cent of women and 10 per cent of men had lost their jobs by April. More women (73 per cent) than men (66 per cent) living with children reported spending more time than usual on childcare (Casale and Posel, 2021).

High rates of informal employment

About 86 per cent of total employment in Africa, on average—and 91 per cent in West Africa— is informal (ILO, 2020). The share of informal labour in total employment ranges from 43 per cent in Gabon to 98 per cent in the Democratic Republic of the Congo, with 95 per cent in Mozambique, 90 per cent in the United Republic of Tanzania, 88 per cent in Ghana and 47 per cent in Ethiopia.

Informal workers typically live and work in precarious conditions, with inadequate access to water, sanitation and workplace protection

equipment. Given their overall poor working and living conditions, informal workers are unlikely to take many of the precautions suggested by health authorities, such as social distancing or self-isolation.

Informal employment is, however, the main source of income in Africa, which has the highest share of informal labour in the world: 86 per cent of workers—about 20 percentage points higher than in emerging markets and developing economies. In Africa, 95 per cent of young and older people are informal workers, much higher than the average for emerging markets and developing economies (85 per cent) and worldwide (77 per cent) (Nguimkeu and Okou, 2020).

In East Africa, the informal economy accounts for an estimated 61 per cent of employment and 93 per cent of new jobs created (AfDB, OECD and UNDP, 2016). Informal employees, who often survive on wages paid daily, have been heavily hit by COVID-19 response measures, such as stay-at-home orders and closures of street markets (FAO, 2020a).

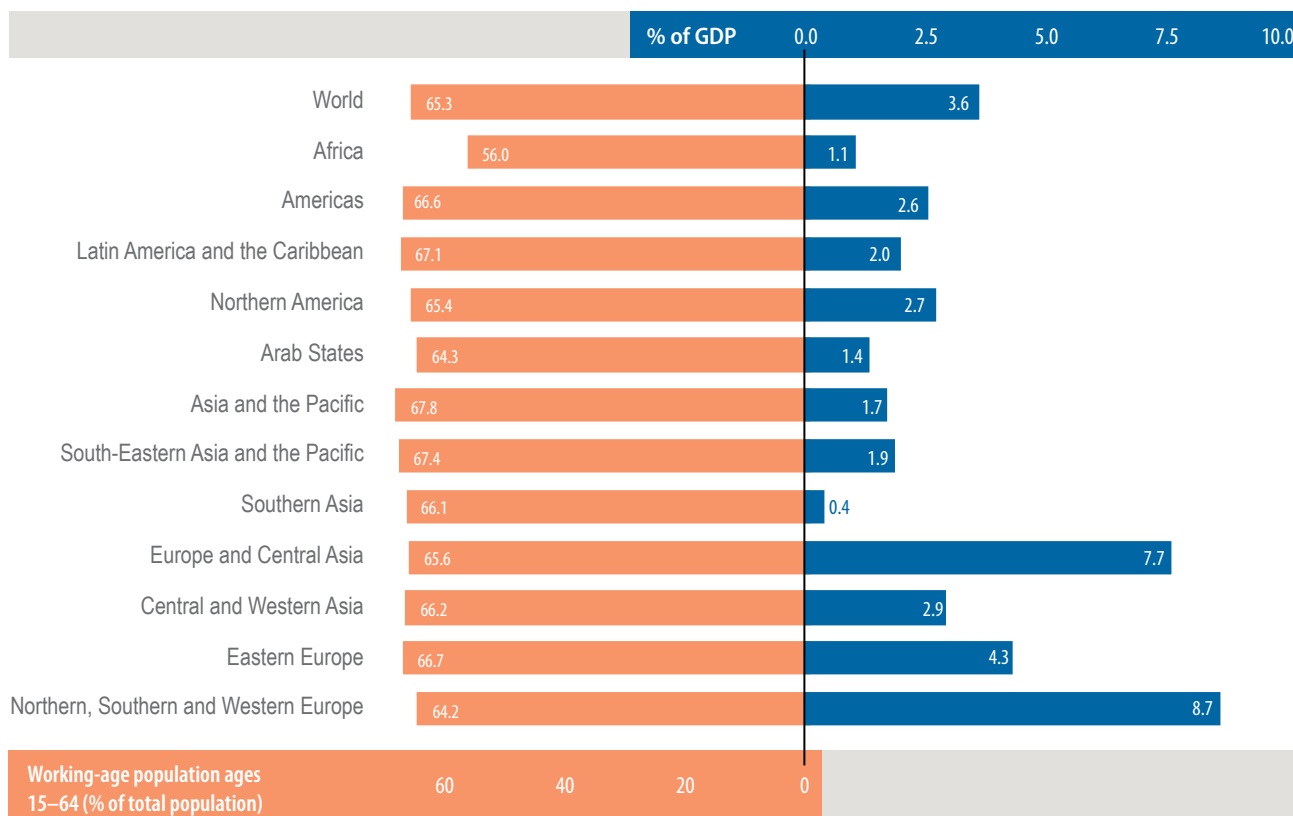
Although mobility restrictions were instrumental in limiting the spread of COVID-19, they had devastating repercussions on livelihoods in Africa, where 81 per cent of the economy is informal (IOM, 2020). Containment measures are expected to have hit particularly hard in urban and peri-urban areas, where most people rely on daily work, casual labour, petty trade and food-vending activities.

Limited social protection programmes

In 2020, an average of 3.6 per cent of worldwide GDP was spent on non-health social protection, to ensure income security during people’s working lives; in Africa, the share was 1.1 per cent and covered a little over half of the working-age population (figure 2.11). Social protection includes unemployment, employment-injury, disability and maternity benefits, as well as general social assistance. In Africa, social assistance covers only 7 per cent of people identified as vulnerable (ILO, 2020).

Many social protection programmes in Africa have embedded designs that reflect earlier socioeconomic crises, such as the HIV/AIDS pandemic. Such designs, along with political considerations, have restricted programmes’ ability to adapt to new types of exogenous shocks and have limited their fiscal efficacy. Most social protection programmes also exclude informal workers, leaving most of the working-age population in Africa particularly exposed to the impacts of economic and social policy responses.

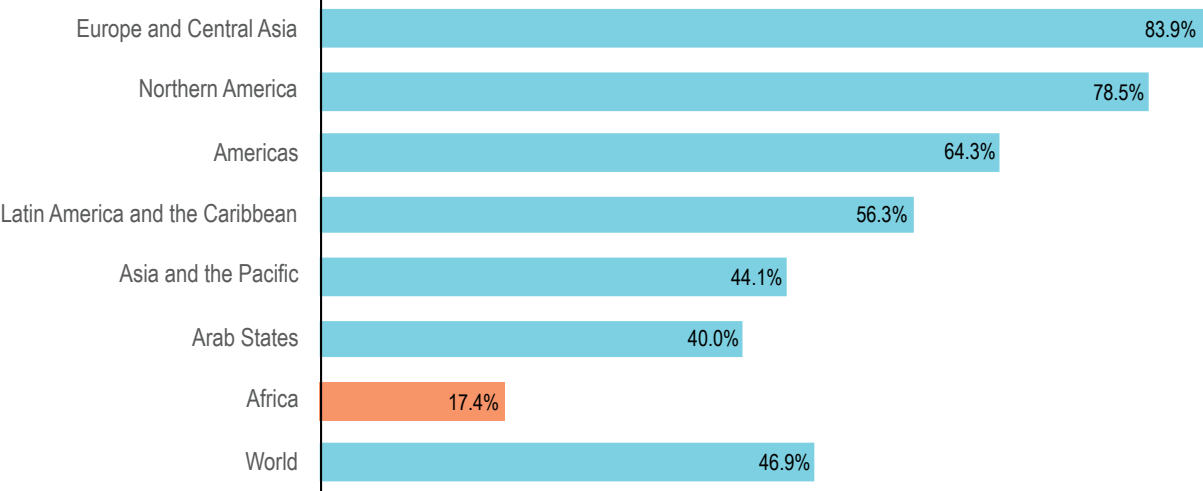
Figure 2.11 Share of working-age population in the total population and public social protection spending as a share of GDP, by global region, 2020 or latest year available



Source: ILO (2020).

About 83 per cent of Africans lack any social protection benefit (figure 2.12) (ILO, 2020), and only a small share of the economically active population is covered by statutory social security schemes, most of which are for old-age pensions.

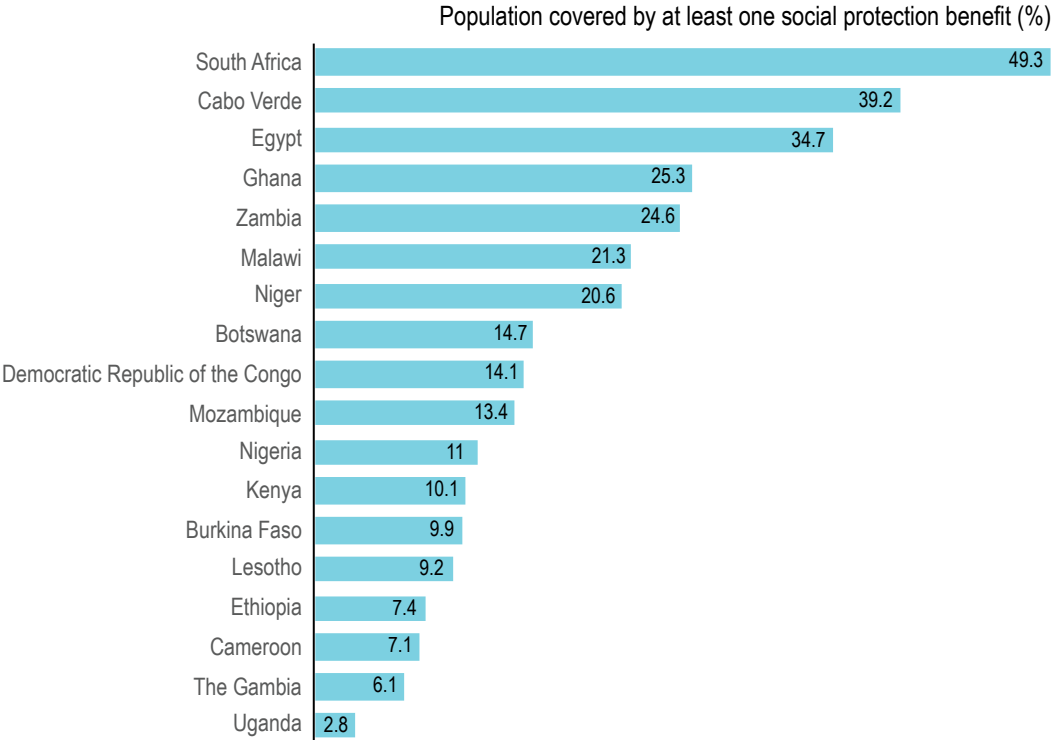
Figure 2.12 Population covered by at least one social protection benefit, by global region, 2020 or latest year available.



Source: ILO (2020).

Access to social protection varies widely in Africa (figure 2.13).

Figure 2.13 Access to social protection in selected African countries, 2020 or latest year available



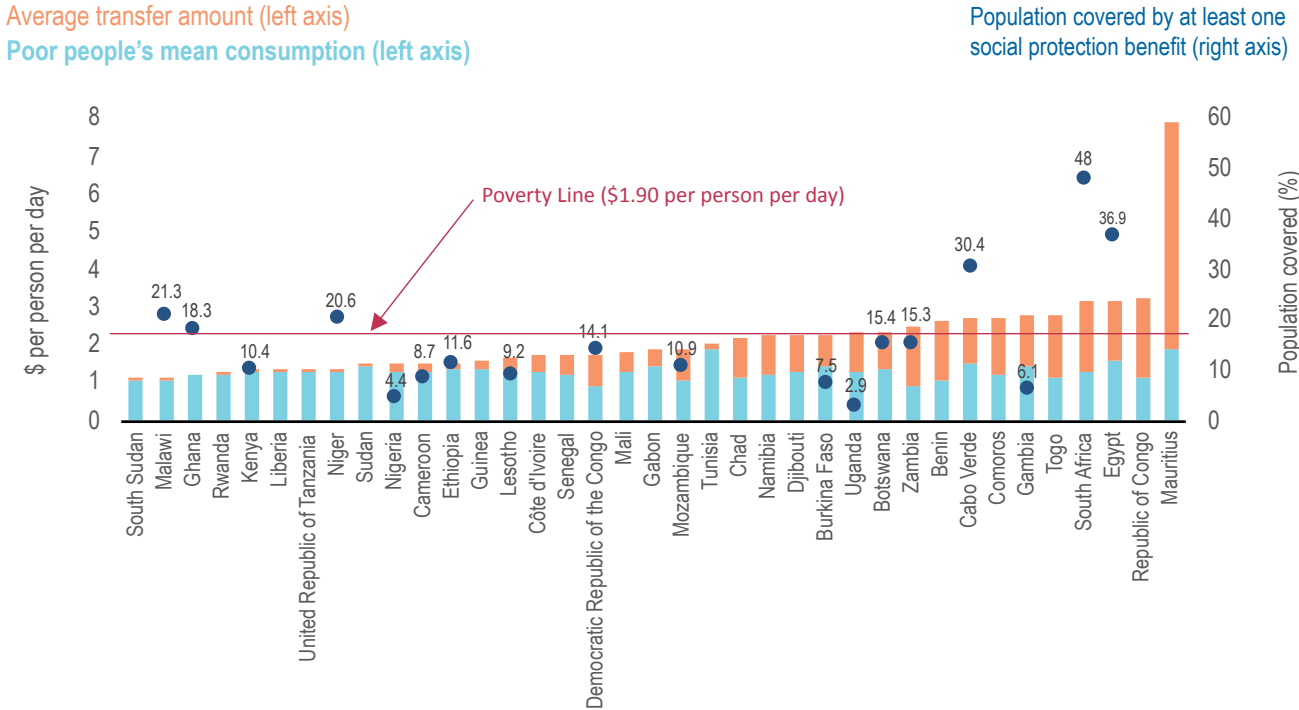
Source: ILO (2020).

The average amount of social transfers globally is \$0.87 (in purchasing power parity terms) per person per day, with \$0.64 in low-income countries and \$1.01 in middle- and high-income countries (ILO, 2018). Even if the coverage of social protection benefits were increased, the amount of social transfers in 20 of the 37 African countries with data is insufficient to increase poor people’s consumption and help them exit poverty (figure 2.14). A probable reason for the limited impact on poverty could be the high depth of poverty (see chapter 3), as poor people’s mean consumption is on average 22 per cent below the poverty line. The depth of poverty and the reduction in poverty due to social transfers are negatively but weakly correlated (-0.34).

The COVID-19 pandemic has exposed the slow progress in improving social outcomes for the most vulnerable people in Africa. Trends in human asset building, including social protection coverage, leading up to 2019 were too little and too late to offset the pandemic’s impact the poor people.

The COVID-19 pandemic has exposed the slow progress in improving social outcomes for the most vulnerable people in Africa.

Figure 2.14 Average social transfer amounts, poor people’s mean consumption and population covered by social protection in selected African countries, 2020



Source: ECA calculations based on data from the International Labour Organization’s World Social Protection database.

Growing urbanization

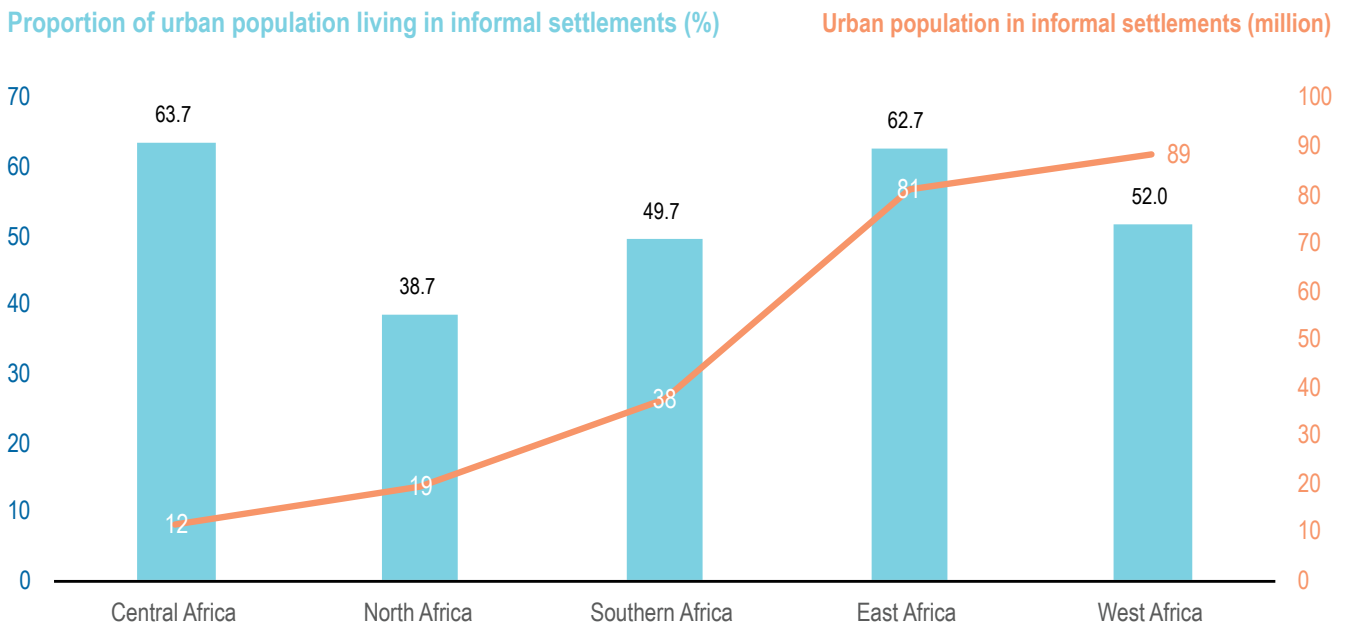
Urbanization is transforming Africa (UN-Habitat, 2020). Major cities are growing fast, with millions of people seeking opportunities in Abidjan, Cairo, Johannesburg, Kinshasa, Lagos and Nairobi and in fast-growing smaller hubs such as Lilongwe and Niamey. Urbanization is creating new demand for goods and services, supporting new ideas and initiatives and attracting investors to help create more competitive, innovative and efficient markets (Pimenta, 2020).

Nearly 56 per cent of Africa’s urban residents live in informal settlements (figure 2.15). The majority of urban households live in a single room (71 per cent in Kampala, for example), lack potable water (80 per cent lack it in Lagos) and reside in overcrowded neighbourhoods (the population density in Johannesburg is 9,000 people per sq. km), and only 34 per cent of people in Africa have access to handwashing facilities (ECA, 2020a). Such conditions accelerate COVID-19

transmission and present major impediments to response. The UN socioeconomic framework for the immediate response to COVID-19 considers the urban informal sector and self-employed workers among those at risk of experiencing a high degree of socioeconomic marginalization.

Africa’s densely populated informal settlements bring the two intersecting health and economic vulnerabilities to the fore. With limited access to handwashing and sanitation facilities and few options for maintaining social distancing, dwellers are at higher risk of contracting COVID-19. At the same time, containment measures such as lockdowns, curfews and quarantines have hurt the urban-based manufacturing and service sectors, which account for 64 per cent of the continent’s GDP and provide informal employment and livelihoods to most urban residents (UN-Habitat, 2020).

Figure 2.15 Urban population living in informal settlements, by African subregion, 2020



Source: ECA calculations based on data from UN-Habitat (2020).

Continuing importance of migrants' remittances

In Africa, one in five people sends or receives international remittances (IFAD, 2020). Since 2009, remittance flows to African countries have nearly doubled as a share of GDP, to more than 5 per cent, in 15 African countries. In 2019, migrant workers sent about \$85 billion to the continent (World Bank, 2020a). Millions of vulnerable people in Africa use remittances to cover essential needs, and an estimated three-quarters of those remittances are used to buy nutritious food or to cover healthcare, education and housing expenses (ECA, 2020a; UNDESA, 2019).

Around half of global remittances go to rural areas, where three-quarters of the world's poor and food-insecure people live. Poor households and those headed by women are more likely than wealthier households and households headed by men to spend remittances to buy essential goods and services. While migrants make up less than 4 per cent of the global population, they represent at least 8 per cent of the population in 6 of the 10 countries with the most COVID-19 cases (World Bank data as of 5 June 2020). The wealthy economies of North America, Europe and the Middle East host a large share of African migrants and are the source of more than half the remittances sent to Africa.

Yet for their part, millions of remittance senders have found it hard to send money to relatives during lockdowns. In Africa, remittance flows declined by

an estimated 21 per cent in 2020, to \$67 billion, wiping out gains from six years of increasing flows (ECA, 2020a). The world has 1.7 billion unbanked adults, 75 per cent of whom own a mobile phone that could increase their access to financial services (World Bank, 2020a). Financial technology companies, including telecommunication firms, could help lower remittance costs by improving access to and speeding up the clearing and settlement of transactions (UN, 2020b).

Remittances support family consumption during adverse shocks by diversifying sources of household income and are a vital source of funds for tens of millions of Africans and others. Ethiopian households that receive international remittances are, for example, less likely than other households to sell productive assets, such as livestock, to cope with food shortages (UNDESA, 2019). Remittances have also helped smooth household consumption of rural farmers in Ghana and helped households in Mali respond positively to shocks. In 2019, remittances accounted for 34.1 per cent of GDP in South Sudan (\$1.3 billion), 24 per cent in Lesotho and 8.1 per cent in Zimbabwe. In Somalia, an estimated 40 per cent of the population receives remittances, mainly people in urban settings, who sometimes forward money to rural relatives. These remittances account for up to a third of Somalia's \$6 billion GDP (Migration Data Portal, 2020; UNDESA 2019; World Bank, 2020a).

CONCLUSION AND POLICY IMPLICATIONS

The adverse shocks from the COVID-19 pandemic are colliding with existing vulnerabilities and exacerbating the continent's pre-pandemic socioeconomic challenges. With an estimated contraction of 3.2 per cent of GDP in 2020, African countries' policy priority should be addressing the pandemic's health and socioeconomic effects to help them rebound to above the estimated 3.1 per cent growth for 2021. Growth is expected to be supported by the gradual removal of restrictions, despite having been derailed by new COVID-19 variant waves; by growth in global demand for commodities; and by recovery in commodity prices, which is set to boost exports from commodity exporters.

In the short to medium term, monetary policies are expected to remain largely accommodative, though fiscal space remains severely constrained amid increasing government spending and diminishing revenue in many African countries. With 20 countries in debt distress or at high risk of distress, the debt position remains extremely challenging, with Chad, Ethiopia and Zambia applying for debt relief under the G20 Common Framework. Several countries also face liquidity pressures. To boost the continent's slow growth rate, reduce debt and ensure a resilient recovery, African governments should strengthen their domestic resource mobilization efforts to increase revenue and invest in their economies' productive sectors.

With weak fiscal and foreign exchange buffers, African countries should pursue comprehensive macroeconomic policy responses and structural reforms to strengthen health systems, relieve the economic burden of the COVID-19 pandemic and stimulate economic recovery to achieve the Sustainable Development Goals by 2030. Yet given African countries' tough financing choices, the international development community needs to support their policy responses to combat the pandemic. Failure to act decisively will exacerbate vulnerabilities and likely compromise countries' economic recoveries. Targeted and coordinated monetary and exchange rate policies are needed to maintain the flow of liquidity and credit to African economies, while reducing the risk of financial instability. Strengthening weak health systems, increasing investment in digital technologies and fast-tracking the AfCFTA will be important for fostering economic recovery, both now and after the pandemic.

Accelerating vaccine acquisition, speeding vaccination roll-out, increasing fiscal stimulus packages and financial support, restructuring public debt and increasing international financial flows to the continent, whether bilateral, multilateral or private, would boost countries' responses to the COVID-19 pandemic and vaccination coverage rates. In addition, countries should implement transformative post-pandemic plans with bold structural reforms that prioritize investment and job creation to nurture growth potential and consolidate the economic recovery.

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CHAPTER 3.

THE COVID-19 PANDEMIC, THE CONSEQUENCES AND THE RESPONSE

POVERTY

55 million people

can fall into poverty in 2020

JOBS

33% formal workers

can lose their jobs because of the pandemic

INEQUALITY

WOMEN, PERSONS WITH DISABILITIES and REFUGEES

will suffer the most

INSECURITY

70% working WOMEN

have informal jobs

ACCESS TO INTERNET

Only

30% of African people

have access to internet. This is the principal constraint to working from home

FISCAL MEASURES

BUSINESS, HOUSEHOLD and HEALTHCARE

are the main categories of fiscal support to maintain consumption, prevent job losses and cushion the socioeconomic impacts of the pandemic

Key Messages

1. The disruption caused by the COVID-19 pandemic has harmed poorer people and poorer countries, particularly in Africa, the most, pushing an estimated 55 million people into extreme poverty in 2020 and reversing more than two decades of progress. Labour markets were the key transmission channel of the shock to households.
2. Some 9–18 million formal jobs in Africa could be lost because of the COVID-19 pandemic. A further 30–35 million formal jobs are at risk of reduced wages and working hours because of lower demand and enforced lockdowns. This puts the jobs of a third of Africa’s formal workers at substantial risk. In manufacturing, tourism, construction, and retail and wholesale, the jobs of more than half the workforce could be affected.
3. The adverse household-level impacts of the COVID-19 pandemic, through a combination of supply and demand shocks, have reduced economic activity, jobs and income. People who rely on the informal economy, women, people living with disabilities, refugees and displaced people will suffer the most.
4. Widespread containment measures have shifted responsibility for providing basic services such as healthcare, education and long-term care to households, placing an additional burden on women, who already had a disproportionate burden of care.
5. Despite limited resources, African governments responded rapidly to the COVID-19 pandemic by adopting targeted policy interventions or stimulus packages to reinvigorate growth, boost productivity and employment, protect poor and vulnerable people and offset the socioeconomic impact of the pandemic. Forty-five African countries have adopted a combined 442 measures to inject liquidity, ease monetary conditions, support the banking sector and its borrowers, stabilize financial markets, support non-bank financial institutions and underpin payments systems.
6. Social assistance spending has increased. Average per capita spending on social protection, based on data from 30 African countries, was \$10, far less than the \$442 spent in North America or the \$300 spent in Europe. Nearly 74 per cent of social protection programmes in Africa were cash and in-kind transfers, involving school feeding and subsidized utilities.

NATURE AND EXTENT OF THE COVID-19 PANDEMIC IN AFRICA

The COVID-19 pandemic has spread disproportionately across different regions of the world and across Africa. Sixteen months after the first case was detected in Egypt, Africa had the second lowest number of confirmed cases and fatalities in the world, after the Western Pacific region, in absolute numbers and per 100,000 people (table 3.1).

Table 3.1 Spread of COVID-19 across the world, as of 23 June 2021

Region ^a	Total cases	Cases per 100,000	Total deaths	Deaths per 100,000	Share of global total (per cent)	
					Cases	Fatalities
Americas	70,925,159	3,908	1,864,612	73	39.7	48.2
Europe	55,418,292	6,688	1,175,318	123	31.0	30.4
South-East Asia	34,182,792	1,962	474,870	13	19.1	12.3
Eastern Mediterranean	9,282,516	4,891	166,795	46	5.2	4.3
Africa ^b	5,227,792	938	137,950	14	2.9	3.6
Western Pacific	3,418,284	720	52,505	8	1.9	1.4
Global	178,503,429	2,290	3,872,457	50	100	100

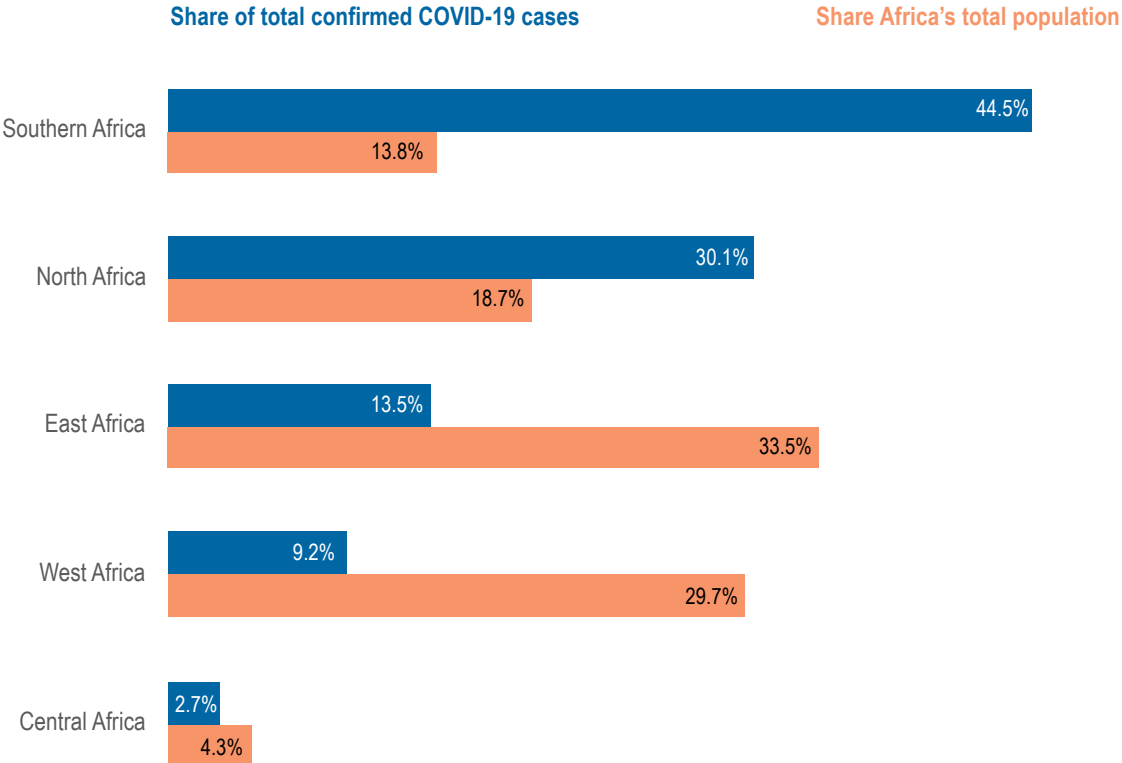
a. World Health Organization regions.

b. Data have been reconfigured to cover 54 countries.

Source: ECA calculations using data from the World Health Organization's COVID-19 Weekly Epidemiological Update.

In Africa, the number of cases is distributed unevenly; some subregions and countries have been hit harder than others. With less than 14 per cent of the continent's population, the Southern Africa subregion has nearly 44.5 per cent of confirmed cases. Much of this is due to one country, South Africa, which has the most cases in Africa, at nearly 1.8 million. The North Africa subregion is the next worst hit, with 30 per cent of the continent's cases (figure 3.1).

Figure 3.1 Spread of COVID-19, by African subregion, as of 23 June 2021



Economic and Social Affairs (for population data), 2019.

Ten countries with half of Africa's population (South Africa, Morocco, Tunisia, Egypt, Ethiopia, Libya, Kenya, Nigeria, Algeria and Zambia) have 78.5 per cent of the continent's confirmed COVID-19 cases (figure 3.2). Five of these countries are in North Africa. The 10 countries with the fewest cases (United Republic of Tanzania, Mauritius, São Tomé and Príncipe, Liberia, Guinea-Bissau, Comoros, Sierra Leone, Chad, Burundi and Eritrea) have on average less than 0.7 per cent of the total confirmed cases.

To get a balanced sense of the spread of COVID-19, it is important to normalize the incidence per unit of population. On this basis, Seychelles has the highest number of confirmed cases per 100,000 population, followed by Cabo Verde, both with nine times the African average of 938 cases.

Figure 3.2 Number of COVID-19 cases by African country, as of 23 June 2021



Source: ECA calculations using data from the World Health Organization's database, 2020.

Do income and age influence the number of COVID-19 cases?

Income. Because pandemics intensify existing health inequalities, they generally have the greatest effect on low-income and lower middle-income countries and on socially disadvantaged people. During the 1918 influenza pandemic, racial minorities had higher all-cause mortality and influenza mortality rates than Caucasians (Hutchins et al., 2009). In the 2009 H1N1 influenza pandemic, minority groups had higher rates of serious infection requiring hospitalization than non-minority groups (Africa CDC, 2021).

Still, more COVID-19 cases and deaths have been reported in high-income and upper middle-income countries. This trend is borne out in Africa as well, which may be because these countries have more resources and facilities for testing, which suggests that the number of cases may increase with more testing. To date, countries with higher testing rates have experienced lower infection rates, but limited capacity has made it difficult to discern accurate transmission, hospitalization and mortality rates. Testing in Africa remains lower than in other regions, and there is concern that irregular testing over time may be masking the true spread of the virus.

There are wide variations in testing rates in Africa, and while some countries have reduced testing, others have maintained or even increased it at different points during the COVID-19 pandemic. Of the biggest countries, South Africa has done the most, whereas Nigeria has conducted relatively few tests per capita. Some countries have insufficient or no data on testing. With the evolving epidemiology of the pandemic, these trends may shift.

Age. While the true size and impact of the COVID-19 pandemic may be understated because of limited testing and accurate monitoring of pandemic-related deaths, with a clearer picture emerging only later, younger Africans seem less vulnerable to COVID-19 than older ones (Nguimehu and Tadadjeu, 2020).

Africa's population is young, with a median age of 19.7 years and 59 per cent of people younger than age 24. Though the epidemiology of the COVID-19 pandemic is still being developed, the continent's young population may have limited the severity of the epidemic by reducing the number of infections that lead to severe symptoms. This is evident from the strong negative correlation (-0.64) between the proportion of the population below age 25 and the number of COVID-19 cases per 100,000 people and the strong positive correlation (0.43) between the proportion of the population older than age 65 and the number of COVID-19 cases per 100,000 people.

This result is also borne out by Nguimehu and Tadadjeu (2020), who find the proportion of population age 65 and older, along with population density and urban population, to be positively associated with the number of active COVID-19 cases. But Africa's seeming advantage due to its demographic profile could narrow or reverse as the pandemic evolves, unless it has sufficient access to a medical solution such as vaccines. This predicament calls for awareness and strategies to implement mitigation efforts and suitable containment measures to avoid squandering Africa's demographic-related advantage.

The analysis of the COVID-19 health risk is important because it highlights the emerging binary distinction in Africa between older people, who are more likely to face a health risk from COVID-19, and younger people, who generally face an economic impact.

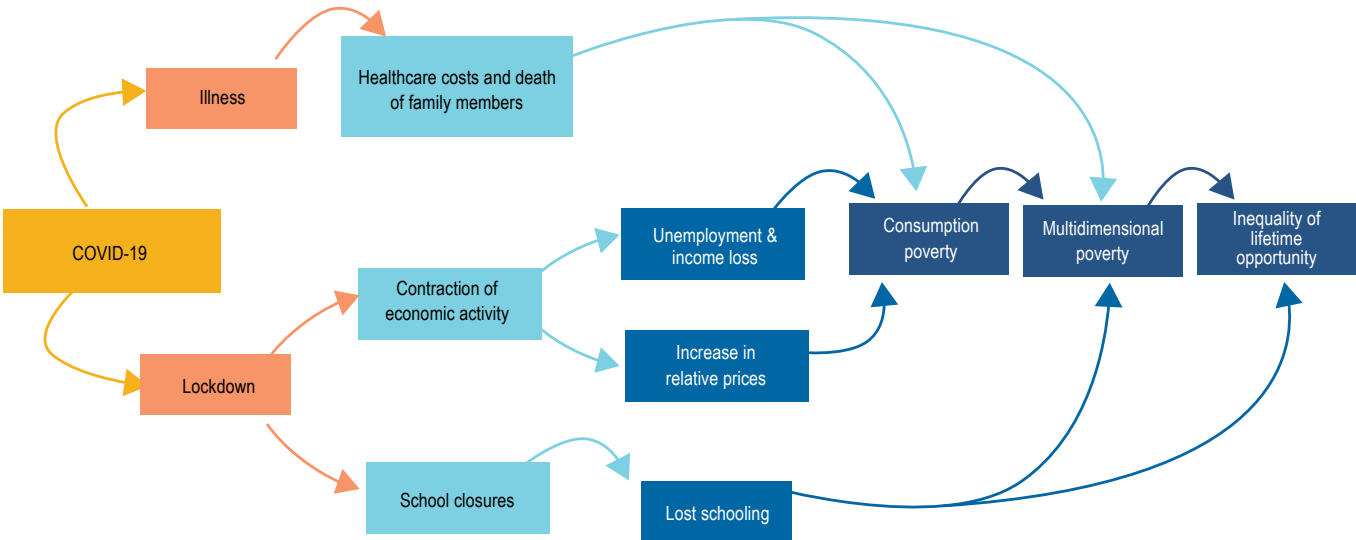
TRANSMISSION FROM PANDEMIC TO POVERTY

COVID-19 and the containment measures to curb its spread undermine economic well-being by triggering job and income losses. The decline in worker mobility due to social distancing and lockdowns can reduce the labour force, leading to a decline in output as firms close or change their production plans and to lower demand for goods and services as households balance their expenditures (see box 3.2 later in the chapter).

The adverse household-level impacts are felt through a combination of supply and demand shocks that reduce economic activity, jobs and income, leading to economic contraction. This macroeconomic shock then results in a decline in average per capita spending at the household level. Depending on its distributional impact, the fall in per capita household spending leads to higher poverty (figure 3.3).

The economic impact of the COVID-19 pandemic starts as a negative supply shock through restrictions on activity caused by the lockdowns needed to suppress the disease. This supply shock reduces production capacity, which could eventually lead to lower demand for goods and services or a demand shock (Hausmann, 2020). In countries with incomplete markets and liquidity-constrained consumers, the initial supply shock leads to amplified demand shocks (Guerrieri et al., 2020). Virus suppression policies can save lives, but long-term effects include sustained job losses and disrupted supply chains (Eichenbaum, Rebelo and Trabandt, 2020).

Figure 3.3 How COVID-19 affects the incidence of poverty



Source: Kharas and Dooly (2020).

On the demand side, heightened COVID-19-induced uncertainty and unemployment raise financing costs and hold back business investment. Households also reduce spending on goods and services and increase precautionary savings, shifts that weigh on consumer demand. Thus, as buyers become scarce, informal workers face a sharp drop in income and are exposed to income and health risks, with little capacity to mitigate them. They are also particularly vulnerable to these pernicious effects because their income is unstable, they often lack skills for alternative livelihoods and they typically lack social protection (Amin and Okou, 2020).

Lockdowns increase the prices of some basic goods, either permanently as supply is affected or temporarily because of hoarding by individuals and traders. These price changes affect many households' ability to meet their basic needs, even when their income does not come primarily from the sectors affected. The disruption in supply chains may change relative prices, making food and other essentials more expensive and thus increasing consumption poverty. Lower income and higher prices reduce purchasing power and increase the incidence and depth of poverty. The timing of income and price effects will vary across countries—and across households within countries, depending on the sectors in which they earn their income.

The household-level impact further depends on the sector of employment (discussed in a later section), reliance on remittances and the impact on fiscal spending. For some households, the initial

size of this shock is minimal; for others, it is much larger. When income losses or higher prices kick in, households will run down their savings, rely on transfers from better-off relatives and friends and take loans at increasingly high interest rates to cover spending on basic needs (Kazianga and Udry, 2006). Some households will depend on government support or assistance provided by aid agencies.

Household consumption will fall, often with larger reductions among women and children, resulting in lower food consumption, increased morbidity and long-run damage to children's cognitive and physical development. These larger reductions reflect both intrahousehold power dynamics and the resultant higher burden of consumption drops on women and children. When households can engage in markets again, they will sell productive assets to manage income shortfalls. But unlike idiosyncratic shocks that affect only an individual or small groups, the COVID-19 pandemic is a covariate shock affecting individuals, neighbourhoods, communities and countries at the same time, limiting the options for consumption smoothing by borrowing, selling household assets or reverting to informal sources of financing.

Contraction in economic activity and the consequent impact on consumption poverty play out on at least two additional levels simultaneously—illness and death, and closure of schools—increasing multidimensional poverty and inequality (box 3.1).

...the COVID-19 pandemic is a covariate shock affecting individuals, neighbourhoods, communities and countries at the same time, limiting the options for consumption smoothing by borrowing, selling household assets or reverting to informal sources of financing.

Box 3.1 Multidimensional impact of COVID-19 on household well-being

Illness from COVID-19 leads to higher healthcare costs, lower labour productivity, the need to care for sick relatives, death of “breadwinners,” and bereavement and other emotional distress. These impacts directly increase both consumption poverty and multidimensional poverty in affected households. The size of this shock depends on health sector capacity, and the distribution of this shock depends on how affordable and accessible health services are.

There is a direct effect of lost earnings because of illness or the need to take care of sick household members. Often those who are widowed or orphaned also experience asset loss. The death of the main breadwinner may push families into destitution. A rise in the out-of-pocket costs of healthcare for those directly affected by COVID-19 may reduce spending on other essential goods, food or education. In a normal year, out-of-pocket health payments impoverish an estimated 1.4 per cent of the population in low-income countries (Wagstaff, 2019).

School closures, even relatively brief ones, may have long-term consequences. During the peak period of lockdown in 2020, over 60 per cent of the world’s student population was out of school. That is lower than the 93 per cent (or 1.6 billion students) in mid-April 2020, when 191 countries fully shut all schools. Online learning substitutes are rarely available, and even though schools are now beginning to open, there will be a serious medium-term impact on the education and productivity of national workforces. A large proportion of female learners (an estimated 47–49 per cent in Cameroon, Egypt, Ethiopia and Nigeria and 52 per cent in South Africa) reaffirms that adolescent girls are more likely to exit the education system, with severe consequences for their labour force participation rate and a decrease in their consumption.

Previous shocks that reduced learning outcomes resulted in substantial income losses over the lifetimes of those affected (Alderman, Hoddinott and Kinsey, 2006). The longer that schools remain closed, the more likely that children will drop out of school altogether, especially if the economic recession is deep and recovery slow.

Children may also lack access to nutrition and food, because many rely on school to provide their only meal. School closures will impact working parents, especially women whose ability to work crucially depends on having childcare and schooling for their children while they are working (UN, 2020). When income losses are large for some households, a return to school is unlikely. Girls are especially hard hit: they are more likely to face abuse and less likely to have access to online learning and to return to school. For some girls, schooling is a much-needed protection against early marriage and pregnancy.

School closures lead not only to lost education but also to greater demand for care-time, from mothers especially, and to disruptions in school-based nutrition feeding (a valuable boost to household consumption) in many countries. Closures have contributed to higher multidimensional poverty and, by hampering human capital formation and lifetime opportunities, may have contributed directly to long-run inequality, too.



Containment measures

People face multiple and overlapping vulnerabilities, as discussed in chapter 5. COVID-19 is the biggest immediate threat to their economic well-being. But the survival and livelihoods of many Africans are, at the same time, threatened by other conditions, ranging from poverty and food insecurity to natural disasters and production shocks (such as the locust attack before the COVID-19 pandemic in large parts of East Africa) and conflict. The additional risks can increase the pandemic's overall impact on household well-being, reduce the effectiveness of social distancing policies and cause infection rates to spike again. Thus, an economic recession brought on by a covariate shock like the COVID-19 pandemic can push large numbers of people into consumption poverty.

African government responses to curb the spread of COVID-19 have been very severe and persistent since February 2020, often with adverse effects on goods and services production, on people's mobility and on employment. Though restrictions varied across African countries, most moved swiftly, implementing unprecedented containment measures, including travel bans, restrictions on public gatherings, and closures of workplaces, schools and bars. Most containment measures were intended to be brief but strict, with curfews enforced by police and soldiers.

The decline in worker mobility due to social distancing and lockdowns can reduce the labour force, leading to lower output as firms closed or changed their production plans and lower final demand for goods and services as households balanced their spending (box 3.2).

Box 3.2 Voluntary social distancing can suppress production and demand

Voluntary social distancing is a manifestation of what is referred to as aversion behaviour—that is, people avoiding activities where they might catch the virus. Both lockdowns and voluntary social distancing reduce mobility. In low-income countries, about two-thirds of the effect on mobility was from lockdowns. In higher income countries, the effect was more balanced across the two. Modelled estimates of a potential flu pandemic reveal that people's efforts to avoid infection are five times more important than the risk of death and more than twice as important as illness (Burns, van der Mensbugghe and Timmer, 2006).

Aversion behaviour is among the largest sources of economic costs in epidemics. The impact of the Ebola pandemic on GDP in the three countries most affected (Guinea, Liberia and Sierra Leone) arose largely because of the fear that the pandemic brought and the aversion behaviour that resulted (World Bank, 2014). An estimated 80–90 per cent of the economic costs of epidemics owe to the aversion behaviour they induce rather than to the direct costs of healthcare and lost labour (Lee and McKibbin, 2003). One study attributed about two-thirds of the impact of risk to the ex-ante effect (that is, the behavioural response to risk) and one-third to the impact of disasters when they occur (Elbers, Gunning and Kinsey, 2007).

Even without formal social distancing measures, voluntary social distancing is likely to take place as people limit contacts and exchanges to avoid contamination. The pattern and strength of the voluntary behaviour affect the speed at which service delivery and the economy rebound and return to normal after formal restrictions are lifted. Persistent avoidance behaviours in countries where the epidemic might be only loosely controlled can hamper the rebound beyond the end of the outbreak.

Source: Evans and Over (2020); Pfister, Koschmieder and Wyss (2020).

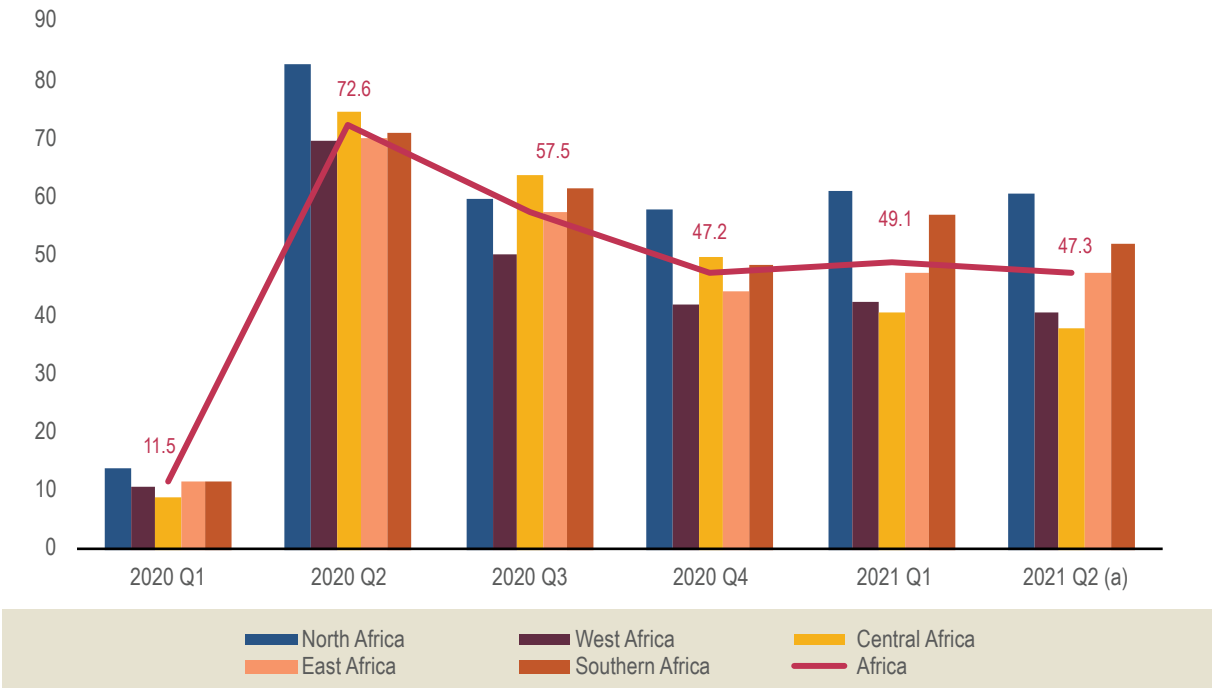
Many high-income countries have greatly reduced the number of hospital admissions, patients in intensive care and deaths from the virus. These benefits may be very different in Africa, given the proximity in which most poor households live to one another. In Europe, lockdowns allowed policymakers to buy time and put in place strategies to contain the spread of the virus while promoting economic recovery. These strategies often relied on massively expanding testing capacity, as well as tracking, tracing and monitoring infection rates in different parts of a country.

Blanket lockdowns in many countries in Africa and Asia to contain the spread of the virus were rarely accompanied by a massive national or international economic response. Informal workers such as traders, retail workers and manual labourers were among the hardest hit after lockdowns forced them out of work. Their jobs are conducted in-

person, and very few can move online. Often, daily earnings are small and insufficient. For example, 93 per cent of informal firms surveyed in Kampala operated below the poverty line during the COVID-19 pandemic. Lockdowns threaten their survival, and containment can lead to a stark trade-off for informal workers between death from hunger or from the virus (ILO, 2020).

African countries' responses can be seen in the variation in the Government Stringency Index (GSI). The second quarter of 2020 was particularly disruptive: the average GSI value was more than 72 on a scale of 0 to 100 (figure 3.4). April 2020 saw the highest average GSI value for Africa, at 78.1, with half the countries (27) having a value of above 80, including nine with a value above 90. The relative effectiveness of the different strategies across the region will be known only in time.

Figure 3.4 Average Government Stringency Index value, by African subregion, 2020–2021



a. For the period 1 April–23 June 2021.

Source: ECA calculations using data from the Oxford Government Stringency Index.

ECONOMIC CONSEQUENCES OF CONTAINMENT MEASURES

Countries in North Africa generally adopted the most stringent measures (see figure 3.4)—a seemingly reasonable strategy because about 30 per cent of COVID-19 cases on the continent are in North Africa (see figure 3.1), though more detailed research would be required to establish causal links between stringency measures and their impact on curbing the spread of the virus. Compounding the impact of other shocks, COVID-19 pandemic-induced movement restrictions disrupted demand for labour and exports of commodities and services, constrained physical access to income sources and reduced remittances.

The public complied with requests to exercise social responsibility in containing the spread of the COVID-19. With these measures, countries have been managed the outbreak; however, new cases are beginning to occur, likely from travellers returning home. Countries have thus adopted more stringent measures on social distancing.

Countries have gradually opened different sectors and businesses since the third quarter of 2020 (as suggested in figure 3.4). Many seem to have taken a middle-of-the-road approach to prevention, maintaining some economic activity. Ghana (average GSI value of 42.5, peak GSI value of 76.7) opted for a partial lockdown for a limited period and closely monitored people's movements, providing sanitary facilities and free water to the most vulnerable people. Botswana (average GSI value of 53.6, peak GSI value of 85.3) focused on boosting the livelihoods of vulnerable households by buying food from local communities. Finding the correct balance between the twin priorities of lives and livelihoods has been extremely challenging for most countries.

The containment measures associated with the COVID-19 pandemic have had multiple economic consequences for national economies. They have disrupted labour markets, raised unemployment, cut supply and food chains, tightened credit, frozen regional and international trade, heightened uncertainty, weakened domestic and foreign direct investment, led to a sudden cessation of foreign remittances, contracted business and consumer demand and buffeted oil markets, threatening the livelihoods of large swathes of the population.

Sectoral impact

Africa's GDP declined by 3.2 per cent in 2020, with varying impacts across sectors, and may not recover before 2024 given countries' slow pace in loosening containment measures (see figure 3.4) (ECA, 2020c). The economic contraction may depend heavily on the duration and size of the measures, as well as the speed of lifting them and the possibility of further outbreak waves. The contraction has resulted in the underutilization of factors of production (labour and capital), declines in productivity and external demand and a drop in final consumption owing to social distancing and lockdowns. The variations in the impact of these measures across countries and sectors can be explained by differences in output.

Finding the correct balance between the twin priorities of lives and livelihoods has been extremely challenging for most countries.

Economic activity and the associated growth drivers, such as employment and income, were severely affected in almost all subsectors in Africa (ECA, 2020b). Widespread losses in economic activity have been recorded across sectors, with the largest decline in industry (-34.3 per cent), followed by services (-26.2 per cent) and agriculture (-14.5 per cent). Most industry subsectors, representing more than 50 per cent of Africa's GDP, have been severely affected, with huge losses in economic output in 2020.

As seen, social distancing and lockdowns have heavily affected Africa's jobs and growth drivers,

which account for poverty reduction and the achievement of the Sustainable Development Goals. Loss in economic activity tends to be larger for sectors with higher employment and lower labour productivity (table 3.2). In fact, sectors such as wholesale and retail trade, manufacturing, construction, real estate and administrative businesses, accommodation, other services and agriculture, which all tend to have higher employment, experienced a substantial decline in output—a pattern that could generate a large increase in unemployment and a sharp drop in income and consumption demand, which may translate into spikes in inequality and poverty rates.

Table 3.2 Change in economic activity, employment and labour productivity in Africa, by subsector, 2020

Sector and subsector	Change in activity (per cent)	Employment (thousands)	Labour productivity (output [\$] per worker per hour)
Agriculture, Hunting, forestry, fishing	-15	223,497	1.8
Industry			
Utilities (electricity, gas and water supply)	-10	1,970	43.4
Mining and quarrying	-30	6,077	31.4
Manufacturing	-45	31,791	8.6
Services			
Human health and social work activities	25	7,506	4.5
Public administration, defence and other compulsory services	10	13,139	15.2
Transport, storage and communications	-16	10,627	23.1
Financial intermediation	-19	2,609	35.9
Real estate and business administrative activities	-27	10,139	17.5
Other services	-33	27,457	4.2
Education	-38	16,755	4.7
Wholesale and retail trade	-42	67,134	5.0
Construction	-45	20,480	7.5
Accommodation and food service activities	-63	17,090	3.6

Source: ECA staff calculations and estimates and the International Labour Organization's ILOSTAT database for data on employment.

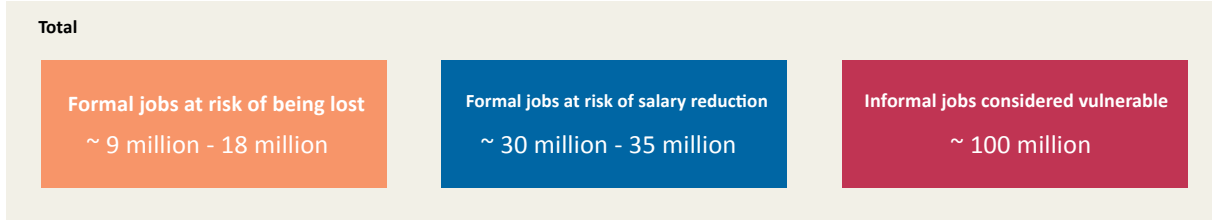
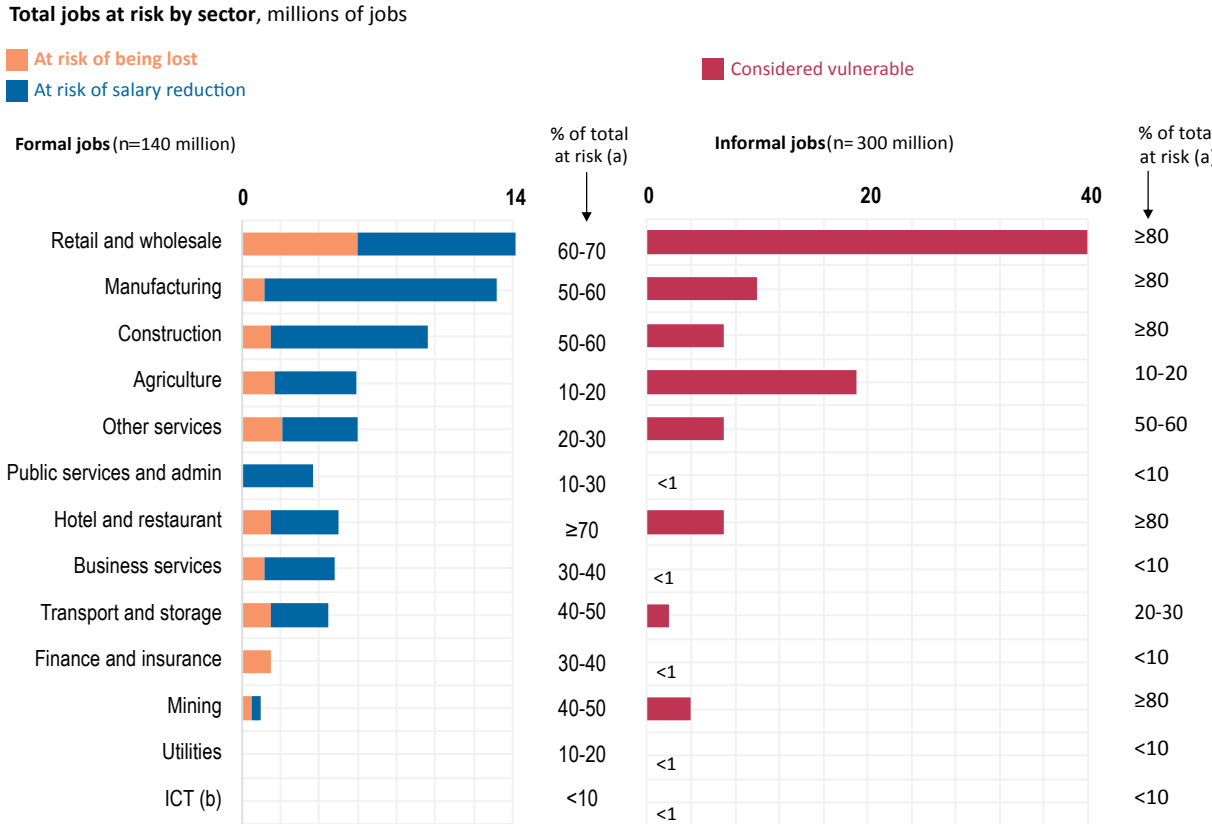
Africa’s formally employed workforce numbers about 140 million—less than a third of the total labour force of about 440 million. The remainder of the workforce is in informal employment.

Some 9–18 million formal jobs in Africa could be lost or their holders made redundant by the COVID-19 pandemic (Jayaram et al., 2020). A further 30–35 million formal jobs are at risk of lower wages and working hours because of reduced demand and enforced lockdowns. These figures suggest that the jobs of one-third of Africa’s formal workers are at substantial risk. In manufacturing, retail and wholesale, tourism

and construction, the jobs of more than half the workforce could be affected.

In addition, some 100 million informal jobs—again, one-third of the total—are in occupations and sectors that are vulnerable to loss of income during the COVID-19 pandemic (figure 3.5) (Jayaram et al., 2020). Most of Africa’s informal workforce is involved in subsistence agriculture and, fortunately, is less likely to be affected. But as many as 35 million informal sales and service jobs in the wholesale and retail sector are vulnerable, as are about 15 million casual craft, trade and plant-operating jobs in manufacturing and construction.

Figure 3.5 Jobs in Africa at risk because of the COVID-19 pandemic, by sector, 2020



a. Percentage of total jobs in sector impacted or considered vulnerable.

b. Information and communications technology.

Source: Jayaram et al. (2020).

The hardest hit sectors, including wholesale and retail trade, account for almost 60 per cent of Africa's GDP and are mainly activities that require physical interactions, that could not be carried out remotely or that experienced considerable supply chain disruption. These negative effects were severe (contraction of about 50–75 per cent) in tourism-related industries (especially accommodation and food service activities and travel) and large (contraction of about 25–50 per cent) in construction, manufacturing, wholesale and retail trade, other services (art, entertainment, community services), real estate and professional services, education, and mining and quarrying. Financial intermediation, transport and communications, agriculture and utilities experienced mild effects (contraction of less than 20 per cent) while economic activity increased in public administration and health sector activities (see table 3.2).

Expectedly, the impact of the COVID-19 pandemic in terms of estimated income loss due to lockdowns and social distancing measures (assuming the change in economic activity translates into income loss) is not homogeneous across sectors. For instance, as discussed in the next section, sectors that can operate remotely with limited personal interactions or that can easily digitize are likely to be less affected than those that involve physical interactions (Dingel and Neiman, 2020). Further, some sectors are likely to experience greater disruption in economic activities owing to supply chain disruptions after mobility restrictions that unduly affect small businesses with limited inventory.

By June 2020, the proportion of small businesses that had stopped operating temporarily was 45 per cent in Nigeria, 17 per cent in Uganda, 8 per cent in Ethiopia and 6 per cent in Malawi (Weberamparo, Palacios-Lopez and Contreras-González, 2020). Although few rural activities in Nigeria depend on the internet, most activities can occur with limited personal interactions and hence may be less prone to COVID-19-induced restrictions and lockdowns. Yet the supply disruptions could affect the supply of agricultural inputs, in turn adversely impacting productivity and hence income.

Thus, households relying on small businesses engaged in retail, food services and similar activities are likely to experience disproportionately higher negative impacts. In Ethiopia, Malawi, Nigeria and Uganda, 256 million people, or about three-quarters of the population, were in households that lost income in 2020 (Josephson, Kilic and Michler, 2020). The share of working women fell in all four countries. Household income losses were not limited to own-labour earnings. Across countries, more than 60 per cent of households receiving remittances before the COVID-19 pandemic reported a drop. The lower a country's per capita GDP, the more likely households are to report partial or no payment of wages and an adult going without food for a day in the previous week (Sánchez-Páramoambar and Narayan, 2020).

THE SOCIAL AND ECONOMIC CONSEQUENCES OF THE COVID-19 PANDEMIC IN NIGERIA

COVID-19 pandemic-induced lockdowns and social distancing measures adversely affect income by reducing economic and livelihood activities, which directly affect households' consumption spending.

ECA (2020a) assesses the socioeconomic impact of COVID-19 and the effectiveness of social protection policies on household welfare in Nigeria using data from the country's latest nationally representative Household Living Standard Survey, which allows measurement of poverty and the effectiveness of social protection interventions in the country.¹ It follows a simple impact assessment framework combined with a microeconomic analysis approach to quantify the effect of COVID-19 on household poverty, using the national poverty line based on the latest Nigeria Living Standard Survey (2018/2019). The analysis assumes that the COVID-19 pandemic started in the beginning of March 2020 and continued throughout 2020, with major lockdowns for varying times across states and continued social distancing measures countrywide.

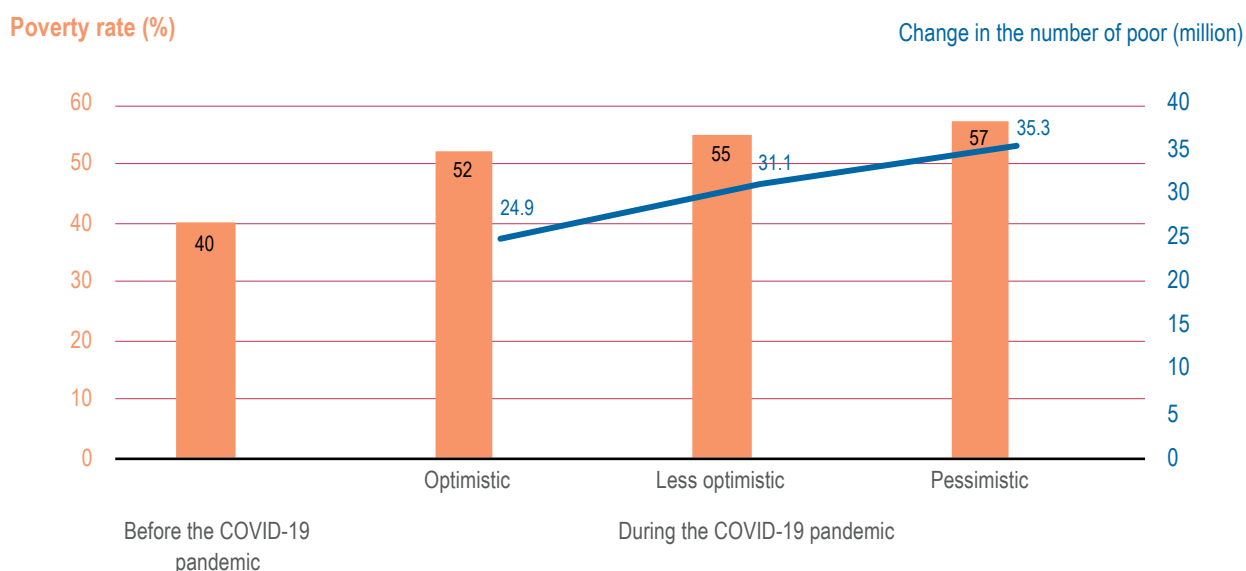
Poverty rates

The estimated poverty rate in Nigeria before the COVID-19 pandemic was 40 per cent, or 83 million people (figure 3.6). The poverty rates during the pandemic were computed based on simulated consumption at the end of 2020 and account for COVID-19-induced shocks (see table 3.2), which led to income losses.

Assuming no new social protection interventions, Nigeria's poverty rate increases dramatically from 40 per cent before the COVID-19 pandemic to 52 per cent in the optimistic scenario during the pandemic, 55 per cent in the less optimistic scenario and 57 per cent in the pessimistic scenario (see figure 3.6). With no new social protection measures, an additional 25 million Nigerians could fall into poverty because of the pandemic. The results are close to Adam et al's (2020) estimate of a 9 percentage point increase (assuming eight weeks of lockdown) but lower than the World Bank's (2020a) projections.

The pessimistic scenario presents the upper bound estimates, with the largest number of affected households. These results arise directly from the assumption that all Nigerian households belong to the sector most affected by the COVID-19 pandemic. The poverty rate in this scenario is very close to 57 per cent yet lower than the United Nations Development Programme's (UNDP, 2020) poverty-growth elasticity-based estimate of 70 per cent (which assumes three months of national lockdown and GDP contraction of 3.64 per cent). In contrast, the optimistic scenario presents lower bound estimates, with the shocks translating from the sector least affected by the pandemic for all households. In this case, the poverty rate is still high, at 52 per cent, representing about 25 million new individuals falling into poverty because of the pandemic.

Figure 3.6. Poverty in Nigeria before and during the COVID-19 pandemic without new social protection interventions



Source: ECA estimates based on data from the Nigeria Living Standard Survey 2018/2019 and simulation results, 2021.

Spatial and gender dimensions

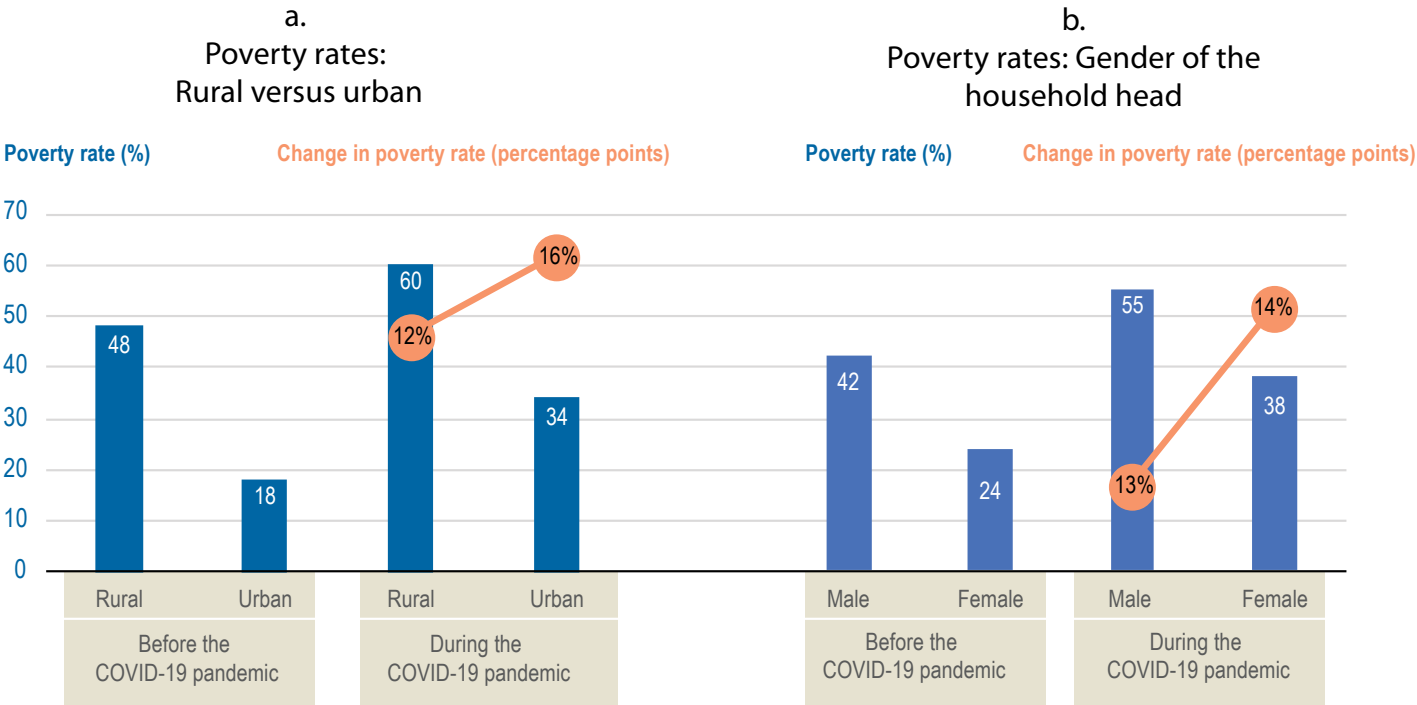
The economic impacts of business interruptions due to the COVID-19 pandemic are felt throughout urban and rural areas in Nigeria but are heterogeneous by household location and gender of the household head. Urban households and female-headed households are more adversely affected than rural and male-headed households, which is in line with expectations, because containment measures are stringent in urban areas. Likewise, female-headed households are largely involved in non-farm activities and in urban areas.

In urban areas of Nigeria, average consumption losses are about 23 per cent. Most urban jobs affected by lockdowns are family businesses, over 80 per cent are not officially registered

and 40 per cent conduct business at home (figure 3.7a). The proportion of poor households increases from 18 per cent before the COVID-19 pandemic to 34 per cent during the pandemic in urban areas and from 48 per cent to 60 per cent in rural areas. Though poverty in both rural and urban areas increased during the pandemic, the impact was felt more heavily in urban areas because the agricultural sector, which most of the rural population is involved in, was least affected.

The COVID-19 pandemic hit female-headed households in Nigeria more than male-headed ones. Despite the poverty headcount ratio being lower for women than men, it increased from 24 per cent before the pandemic to 38 per cent during the pandemic for female-headed households and from 42 per cent to 55 per cent for male-headed households (figure 3.7b).

Figure 3.7 Poverty rates in Nigeria before and during the COVID-19 pandemic under no fiscal stimulus, by residence and gender of the household head: Optimistic scenario



Note: Qualitatively, the results show that the poverty rates are severe, going from optimistic to less optimistic and to pessimistic scenarios. The quantitative results can be obtained from the authors upon request.

Source: ECA estimates based on data from the Nigeria Living Standard Survey 2018/2019 and simulation results, 2021.

These results show that the COVID-19 pandemic and related containment measures reduced economic activity in Nigeria, leading to income losses that translated into lower purchasing power and hence consumption losses and higher poverty. The findings are in line with those in the recent literature for other countries (ECA, 2020a; World Bank, 2020a), based on macroeconomic estimates of the increase in poverty due to the GDP contraction associated with the pandemic.

The simulations suggest that the COVID-19 pandemic results in consumption losses that increase poverty in Nigeria by between 50–57 per cent without a fiscal stimulus and that the negative impact is highest in urban areas and for female-headed households. Unlike idiosyncratic risks that households usually face and for which they have coping strategies to prevent a decline in consumption, the pandemic is a covariate risk that makes risk management (for example, through borrowing from family, friends and neighbours) difficult for poor and vulnerable people and so increases poverty.

OTHER CRITICAL CONSEQUENCES

Several unexpected externalities have arisen during lockdowns because of the unequal impact of the COVID-19 pandemic on different social groups, though these unintended consequences might provide opportunities after the pandemic. These include increased digitization, which supports working from home—a trend that gathered pace during lockdowns but increased women’s workload and care responsibilities.

The digital economy offers opportunities for increased productivity, entrepreneurship, innovation and job creation in Africa.

Increased digitization

The COVID-19 pandemic has catalysed the adoption of digital technologies in Africa, which are helping connect businesses with customers and suppliers, link students and teachers and convene families and friends. While some of these trends were apparent before the pandemic, digitization of payments was widely adopted during lockdowns because it not only helped slow the progression of the epidemic by reducing the circulation of cash but also stimulated economic activity and helped governments and the diaspora support those in need with social transfers and remittances (box 3.3).

The digital economy offers opportunities for increased productivity, entrepreneurship, innovation and job creation in Africa. For example, in Ethiopia and Senegal, tech start-ups are using three-dimensional printing to develop face shields and ventilator valves. South Africa is using mobile phones for contact tracing, as opportunities for telehealth also open. One report estimated that by 2025, the digital economy has the potential to account for \$180 billion, or 5.2 per cent, of Africa’s GDP (IFC and Google, 2020). At about 400 million, Africa has the most registered mobile accounts in the world,² and about 160 million unbanked adults own a mobile phone. Still, Africa’s digital potential remains largely untapped.

Digital technologies can also help governments expand coverage of social safety nets and safeguard beneficiaries, in line with social distancing requirements. In many countries, governments can already quickly transfer cash to citizens’ mobile accounts. And where digital payments are not possible in the short term, administrators of cash-transfer programmes can stagger physical payments and adjust frequencies to reduce crowds and provide handwashing facilities where payments take place (Bodewig et al., 2020).

Box 3.3 Country examples of digitization

To slow transmission of COVID-19, several start-ups have developed digital solutions, such as remote mobile app DiagnoseMe in Burkina Faso and COVID-19 Triage Tools in Nigeria. Education ministries in at least 27 African countries have set up e-learning platforms for students affected by school closures.

The collaboration between Côte d'Ivoire's state-run COVID-19 emergency fund and Orange has allowed poor households to rapidly receive targeted assistance via mobile money.

The National Bank of Rwanda has instituted a range of policy measures to support firms and individuals, while encouraging the use of digital payments. Person-to-person mobile money transfers in Rwanda increased fourfold during the first month of lockdown, from mid-March to mid-April 2020, as contactless payments became the “new normal.”¹

In Togo, the government has deployed a new social assistance scheme called Novissi (“solidarity” in the local dialect) to provide mobile money cash transfers to support Togolese informal workers. It allows them to receive a state grant worth at least 30 per cent of the minimum wage. Over 1.3 million people registered in 2020, with women receiving the highest pay-outs because they play an essential role in child duties.

Source: Carboni (2020).

Digital infrastructure is the backbone of the internet economy around the globe and in Africa. According to Internet World Stats, at the end of 2019, Africa had an internet penetration rate of 39.3 per cent, the lowest among all continents, followed by Asia, at 53.6 per cent. The penetration rate was 87.2 per cent in Europe and 94.6 per cent in North America. An estimated 10 percentage point increase in mobile internet penetration can increase GDP per capita by 2.5 per cent in Africa, compared with 2 per cent globally. Increasing internet penetration to 75 per cent in Africa could create 44 million new jobs there (IFC and Google, 2020).

The COVID-19 pandemic has exposed the inherent inequalities in the digital divide between and within countries, including the long-standing gender digital divide, which have exacerbated inequities in education and opportunities. At 37 percentage points, Africa has the world's second-widest gender digital gap (after South Asia), preventing women from accessing life-enhancing services for education, health and financial inclusion in a world that has become almost virtual.

Africa needs a workforce equipped with the digital skills to harness the opportunities of the digital transformation. As the number of Africans ages 15–29 with upper secondary or tertiary education rises from 77 million today to a projected 164 million in 2040, the demand for more jobs by over one-fifth of the global labour force will keep growing. By itself, the digital sector will be of little help: start-ups typically create few opportunities—usually for highly qualified innovators. The solution lies in the widespread dissemination of digital innovation across the continent.

Working from home

The spread of COVID-19 has led to the widespread adoption of social distancing in countries around the world. Since social distancing frequently involves closing workplaces to limit interpersonal contact, the ability to work from home is a key factor for determining the economic consequences of social distancing (Gottlieb et al., 2020).

Whether a job can be performed from home is a key determinant of labour market vulnerability given the widespread shutdowns, mobility restrictions and social distancing policies. The feasibility of home-based work for most occupations, in turn, is likely to depend on internet access, which is much lower in developing countries, especially for informal workers and their communities. Poor people, who are more vulnerable to start with, are thus more likely to shoulder the labour market burden of the COVID-19 pandemic. With highly stringent containment measures in numerous countries, survival for many is threatened not only by the health impact of COVID-19 but also by the inability to find work.

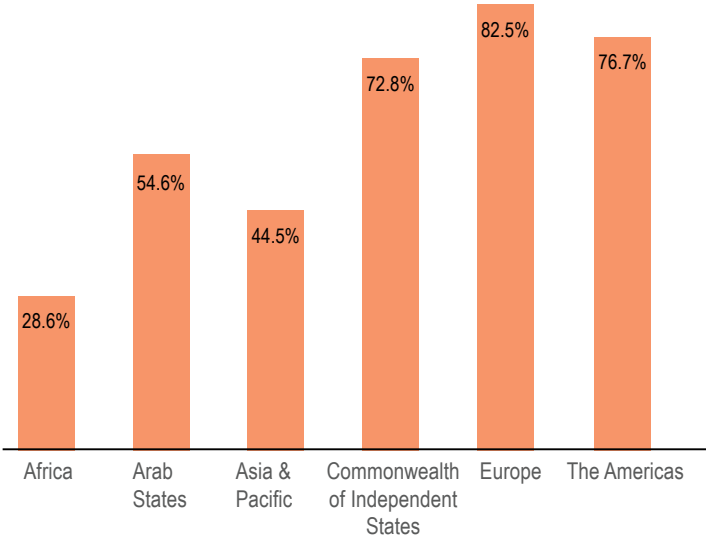
Various researchers have measured work from home ability in developed countries, finding that about 40 per cent of jobs could be carried out from home. However, these measures cannot be directly extrapolated to developing countries, as the task content of occupations varies widely across contexts (Lo Bello, Sanchez Puerta and Winkler, 2019). Some jobs may feasibly be done at home in the United States but not in many African countries. Teachers, for example, are classified as able to work from home by Dingel and Neiman (2020), but in many African countries, most primary and secondary teachers cannot work from home given scarce internet access for both teachers and students (Kerr and Thornton, 2020). Lawyers and

business owners in developing countries may rely more on in-person interactions (instead of online ones) than their peers in developed countries (Hatamaya, Viollez and Winkler, 2020).

Yet understanding the potential for working from home in these countries is critical, as low-income countries have also adopted extensive social distancing (Hale et al., 2020). The feasibility of working from home varies strongly across broad occupation groups. Overall, 9.3 per cent of urban employment could be done remotely in the 10 Skills Toward Employability and Productivity countries. Work from home ability varies not only at the occupation level but also across personal and job characteristics. Labour market vulnerability is inversely correlated with educational attainment: workers with tertiary education are much more likely to be able to work from home in all countries and regions.

For many jobs, a principal constraint to working from home is internet access. Even when a job is in principle amenable to working from home, the option may not be available in practice if the worker does not have internet access at home. Globally, Africa has the lowest proportion of individuals using the internet, less than 29 per cent in 2019, far below the global average of 51.5 per cent and almost one-third the rate of Europe (figure 3.8).

Figure 3.8 Proportion of individuals using the internet, by global region, 2019



Source: International Telecommunication Union World Telecommunication/ICT Indicators database.

Internet penetration in Africa is 39.3 per cent, though in six countries (Burundi, Chad, Democratic Republic of the Congo, Eritrea, Madagascar and South Sudan), less than 10 per cent people have access to the internet. Five of these countries are in East Africa, which also has the African country with the highest internet penetration—Kenya—at 87.2 per cent.

Increase in women's workload

There are concerns that the COVID-19 pandemic is threatening to push back the limited gains made on gender equality and exacerbate the feminization of poverty, vulnerability to violence, and women's equal participation in the labour force (UN, 2020). Deepening existing inequalities, in particular gender inequalities, may have long-lasting social and economic consequences for women and girls.

While the COVID-19 pandemic has drawn attention to women's role as paid workers in formal healthcare systems, a large share of the work that goes into maintaining the health and well-being of children, older people and other family members is provided on an unpaid basis, even in normal times. This work is particularly time-consuming and cumbersome for women in low-income contexts where housing is crowded and often unsafe, basic infrastructure such as running water and electricity is lacking and formal health systems are already overburdened (UNGA, 2019). Recent data also show that adolescent girls spend far more hours on domestic work than adolescent boys do, which can have negative implications for their educational attainment (UNICEF, Plan International and UN Women, 2020).

More than 70 per cent of women in the African labour force face insecurity, as they more often work in the informal sector as market traders, street vendors, domestic workers or subsistence

farmers or in the service and hospitality industries. School closures, joblessness and supply disruptions require women to keep homes and communities together, often at a personal cost.

Women make up 70 per cent of the paid global healthcare workforce (Boniol et al., 2019). Among this workforce, community health workers are a neglected group at the forefront of the health response, particularly in developing countries. In Africa, nearly 70 per cent of community health workers are women (Cattaneo, Licata and Montefiori, 2019). Yet most receive little or no compensation and often spend their own income to perform their professional caregiving responsibilities (UNGA, 2019).

Evidence from previous epidemics illustrates that women and girls take on the bulk of unpaid or poorly paid care work in families and communities when formal health systems are unable to cope with the rising tide of infections (Harman, 2015). During the Ebola response in Liberia, women monitored the health of family and other community members (Abramowitz et al., 2015). Emerging evidence from UN Women's rapid assessment surveys suggests that with families confined to their homes, men are doing more unpaid care and domestic work, but women continue to do the lion's share.

More than ever, the spread of COVID-19 has highlighted the critical role of unpaid care work. The widespread containment measures implemented globally have shifted responsibility for providing basic services such as healthcare, education and long-term care to households, placing an additional strain on women who were already assuming a disproportionate burden for care. This burden can undermine their ability to generate income, by reducing their hours available for paid work, forcing them to leave the labour market altogether or acting as an impediment to their entry, thus also limiting their access to social protection measures.

The worsening care crisis also has a major impact on paid domestic work, where women are overrepresented owing to deregulation of the sector, challenges to collective bargaining and the low value afforded to this work by society. Yet while the COVID-19 pandemic has disproportionately affected women, they are fundamental to the recovery effort as caregivers.

The huge amount of unpaid and paid care and domestic work done predominantly by women has fast become the backbone of the response to the COVID-19 pandemic, yet it is rarely recognized. Failing to make care work visible and include it in policies and measures to mitigate the effects of the pandemic and its aftermath could have disastrous effects for women's autonomy and overall well-being. In contrast, carefully planned investments in social protection for women in the care economy are strategic for recovering from the pandemic with greater equality in paid employment and additional capacities.

The deepening crisis of care and its disproportionate impact on women demonstrate an immediate need to update information on policy initiatives, methodologies, tools and knowledge products relating to gender dimensions and the care impact of COVID-19. The care economy must be made visible to policymakers to promote effective and sustainable gender-responsive social policy and social protection responses. Sharing care responsibilities among the state, the market and families is crucial to integrating the gender perspective into broader measures for socioeconomic response and recovery.

FISCAL AND MONETARY RESPONSE TO THE COVID-19 PANDEMIC

African governments responded rapidly to the COVID-19 pandemic by adopting targeted policy interventions or stimulus packages to reinvigorate growth, boost productivity and employment, protect poor and vulnerable people and offset the negative socioeconomic impact of the pandemic (box 3.4).

Box 3.4 Africa's swift and coordinated response helped contain the initial spread of COVID-19

Africa reacted in a timely and collective manner once the first cases of COVID-19 were reported in Egypt on 14 February 2020. On 22 February 2020, the Africa Centres for Disease Control and Prevention (Africa CDC) convened an emergency meeting of all ministers of health at the headquarters of the African Union Commission. The ministers adopted a joint continental strategy with three goals: limit transmission, limit deaths and limit social and economic harms and impacts on other endemic diseases, underpinned by the need to coordinate, cooperate, collaborate and communicate efforts across Africa. The Africa Taskforce on Coronavirus was established to help implement the strategy and endorsed by the Bureau of the Heads of State and Governments of the African Union, a validation at the highest level of the continent. This approach helped blunt the early spread of COVID-19.

There was clarity on the course of action by the time that several African countries began reporting imported cases of COVID-19 in March 2020. As part of the task force, the Africa CDC rapidly supported member states in establishing diagnostics capacity and expanding testing capacity from 2 countries in February to more than 43 by the end of March, through competency-based training at reference centres in Dakar, Senegal, and Johannesburg, South Africa. The coordinated approach—leaning on an ECA-led initiative in association with the African Export-Import Bank and the African Continental Free Trade Area pharma project based on pooled procurement, local production and quality assurance—assured harmony in response strategies, for which the establishment of the African Medical Supply Platform on pooled procurement of COVID-19-related products decreased international prices by about 30 per cent.

Most governments adopted a comprehensive surveillance strategy early in the outbreak, with rigorous tracing of all case contacts followed by rapid quarantining. Widespread testing was adopted, so a patient suspected of having COVID-19 could be quickly tested. Healthcare facilities instituted strict infection control practices, and healthcare workers were provided with adequate personal protective equipment. Communication of information to the population was clear and transparent.

Source: Maeda and Nkengasong (2021).





Monetary policy responses

African central banks took a leading role in developing a policy response to the COVID-19 pandemic for ensuring financial sector stability and preventing financial fallout for businesses and households. In many countries, central banks responded swiftly and deployed several tools, including lowering policy rates, reducing capital requirements, providing various liquidity support measures to the banking sector and allowing loan deferrals and refinancing frameworks for distressed firms. Most countries also relied on injections of liquidity and extended deadlines for repaying loan securities held by credit institutions. Additionally, many African central banks introduced mobile money and e-payment support measures to facilitate economic activity during lockdowns and to slow the spread of COVID-19 by limiting contact with paper money and coins. Expansionary monetary policy and reductions in lending rates were by far the most common measures (table 3.3).

According to the World Bank dashboard on financial sector measures, 45 African countries adopted a combined 442 measures to inject liquidity, ease monetary conditions, support the banking sector and its borrowers, stabilize financial markets, support non-bank financial institutions and underpin payments systems. Of these, 28 countries approved a combined 174 measures targeting the banking sector. Regulators and supervisors in those countries took prudential measures to temporarily relax key regulatory and supervisory requirements and to support critical economic sectors and solvent borrowers facing the supply and demand shocks induced by COVID-19 pandemic-induced lockdowns. The measures included introducing credit repayment moratoria, supporting or facilitating loan restructuring, relaxing the classification or provisioning of non-performing assets and releasing or deferring existing capital buffers.

Table 3.3 Monetary policy responses to the COVID-19 pandemic by African central banks (through December 2020)

Monetary policy measure	Number of central banks adopting this measure	Examples
Policy rate reduction	27	In Morocco and South Africa, interest rates dropped to record lows. Algeria, the Gambia, Kenya, Mauritius, Morocco, Mozambique, Uganda and Zimbabwe reduced the key policy rate twice. Eswatini, Lesotho, Namibia and South Africa reduced the interest rates three times.
Reduction in bank capital requirements	17	The Bank of Botswana reduced the primary reserve requirement to 2.5 per cent from 5 per cent, which is expected to release P1.6 billion (about \$130 million or 2.7 per cent of GDP) in liquidity to support economic activity. The Central Bank of the Gambia reduced the statutory reserve ratio by 2 percentage points, to 13 per cent, which released over D700 million (about \$14 million or 0.8 per cent of GDP) in liquidity. The Central Bank of Lesotho deferred implementing elements of Basel II.
Additional liquidity support measures	27	The National Bank of Angola extended guarantees of the overnight lending facility for commercial banks up to Kz100 billion (about \$171 million or 1.7 per cent of GDP) in an attempt to ensure market stability. The Bank of Malawi provided an Emergency Liquidity Assistance facility for banks. The Bank of Sierra Leone created an Le500 billion (about \$51 million or 1.3 per cent of GDP) Special Credit Facility to offer a concessionary interest rate and double the reserve requirement maintenance period to 28 days. The Central Bank of Seychelles extended the loan maturity period for banks for up to three years.
Loan deferral and refinancing frameworks	22	Egypt, Eswatini, Ethiopia, Kenya, Lesotho, Mauritius and Morocco allowed commercial banks to restructure existing loan portfolios. The Bank of Botswana provided a collateral pool with a predetermined haircut for all corporate bonds listed on the stock exchange. The Democratic Republic of the Congo created a dedicated collateralized funding facility. The Bank of Central African States announced guarantee schemes for refinancing for bank loans. The West African Regional Central Bank provided a three-month refinancing window for selected companies registered in member states.
Exchange rate measures	Most central banks maintained a floating exchange rate regime; six central banks introduced measures to stabilize their exchange rates	The Central Bank of Nigeria adjusted its exchange rate by 15 per cent in response to the sudden shock to the foreign exchange supply. Morocco doubled the allowed fluctuation of the dirham to +/-5 per cent.
Mobile payment and financial technology support measures	16	Egypt, Ghana, Kenya and the United Republic of Tanzania increased maximum limits on daily transactions. Egypt, Lesotho, Liberia, Malawi, Mozambique, Nigeria, Rwanda, the United Republic of Tanzania and Tunisia completely waived or reduced mobile payment fees.

Source: Data from COVID-19 Africa Watch, the Milken Institute and the International Monetary Fund Policy Tracker.

Fiscal response to the COVID-19 pandemic

All countries provided substantial fiscal support to maintain consumption, prevent job losses and cushion the socioeconomic impacts of the COVID-19 pandemic. Measures included direct cash transfers (Cabo Verde, Namibia, Rwanda and Uganda), food distribution (Burkina Faso, Niger, Nigeria and Senegal) and fee waivers for basic services to households and businesses (Democratic Republic of the Congo, Gabon, Mali and Togo). Ghana provided several months of free water and free or subsidized electricity services to public utility customers; soft loans to qualified micro, small and medium enterprises; and an initiative, implemented in partnership with faith-based organizations, to provide free food and other essentials to those in need in Accra and Kumasi during the partial lockdown. The government of Ghana also leveraged its main social safety net programmes to support the country's poorest and most vulnerable families (Dadzie and Raju, 2020).

The range of fiscal support measures falls into three broad categories: support for businesses, support for households and additional healthcare spending (table 3.4; see also annex table A3.1).



Table 3.4 Fiscal responses to the COVID-19 pandemic (through December 2020)

Fiscal stimulus measure	Number of countries adopting the measure	Examples
Support for businesses		
<p>Corporate tax relief</p> <p>Targeted temporary tax reduction, deferral or moratorium measure, in addition to lowering value added tax and import duties and waiving late payment fines and penalties</p>	<p>More than 40</p>	<ul style="list-style-type: none"> • Ethiopia extended tax amnesty to all corporate tax debts incurred before 2019. • Senegal suspended tax payments for up to 24 months and allowed write-offs on certain kinds of tax debts. • Botswana allowed businesses to defer 75 per cent of tax payments to 2021. • Nigeria and Zambia relieved tax penalties and fees for hard-hit sectors. • Chad, the Republic of Congo, the Democratic Republic of the Congo, Eswatini, Ethiopia, Malawi, Mauritania, Somalia, South Africa, Togo, Uganda, Zambia and Zimbabwe exempted or reduced import tax duties for medical supplies and essential goods, such as rice and other food items.
<p>Corporate subsidies and other support measures</p> <p>Some form of corporate guarantees or provided subsidies, reduced government licensing fees or suspended regulatory inspections, among other corporate support measures</p>	<p>34</p>	<ul style="list-style-type: none"> • Targeted support measures towards strategic sectors, such as agriculture and food supply (Burundi, Chad and Côte d'Ivoire) and hospitality and tourism (Egypt, Mauritius and Seychelles). • Ethiopia offered free railway transport between Ethiopia and Djibouti to streamline cross-border trade.
<p>Financing support measures</p> <p>Corporate financing support to help keep businesses afloat during the economic downturn caused by the COVID-19 pandemic</p>	<p>3</p>	<ul style="list-style-type: none"> • Botswana and Gabon provided direct financing or loan guarantees from the pooled resources by the government and local banks. • Mauritius implemented need-financing support measures, including Rs4 billion (\$100 million) equity investments for troubled corporations planned by the Mauritius State Investment Corporation and Rs200 million (\$5 million) short-term liquidity cash injections by the Mauritius Development Corporation.
<p>Small and medium enterprise support measures</p> <p>Combination of tax waivers, loans, and wage subsidies</p>	<p>30</p>	<ul style="list-style-type: none"> • Mali, Mauritania and South Africa provided small and medium enterprise support guarantee funds. • Mozambique, Rwanda and Zimbabwe provided direct liquidity subsidy or subsidized loans to troubled small and medium enterprises. • Lesotho provided a loan guarantee facility for small and medium enterprises. • Ghana provided a first-loss guarantee instrument to protect small and medium enterprises. • Chad cut business licensing fees by 50 per cent for small and medium enterprises in 2020. • Lesotho provided grants and rent subsidies to troubled small and medium enterprises. • Gabon provided about \$200 million (1.3 per cent of GDP), including subsidies for electricity and water payments. • Guinea exempted utility bills of troubled small and medium enterprises in the hospitality and tourism sector). • Angola, Lesotho, Malawi and Seychelles provided assistance to small and medium enterprises in the informal sector. • Burkina Faso, Burundi, Cabo Verde, Cameroon, Central African Republic, Chad, the Republic of Congo, Côte d'Ivoire, Equatorial Guinea and Eswatini provided various support measures.

Fiscal stimulus measure		Number of countries adopting the measure	Examples
Support for households			
Cash transfers	Cash-transfer programmes to help vulnerable households provide for urgent needs during lockdowns and compensate for job losses	36	<ul style="list-style-type: none"> • South Africa created an emergency grant programme that covered 44 per cent of households and provided R350 (about \$20) a month to all unemployed citizens ages 19–59. • Egypt created a targeted cash-transfer programme that provided EGP500 (\$32) for three months and increased pensions by 14 per cent for 1.6 million recipients. • Cameroon increased the monthly cash allowance from CFAF2,800 to CFAF4,500 (\$5–\$8) for the most vulnerable families. • Malawi directed \$50 million (0.6 per cent of GDP) of donor funding to emergency cash-transfer programmes.
Food assistance		18	<ul style="list-style-type: none"> • The Gambia distributed food assistance to about 84 per cent of vulnerable households (1.9 million people). • Eswatini's food assistance programme reached 26 per cent of the population (300,000 people). • Ethiopia's food support reached 14 per cent of the population (15 million people). • Kenya distributed food assistance to over 8 per cent of the vulnerable population (3.8 million people).
Individual tax relief	Tax relief to individuals as well as to businesses	6	<ul style="list-style-type: none"> • Morocco allowed tax exemptions for up to 50 per cent of monthly salary and allowed households to defer income tax payments until 30 September 2020. • Kenya relieved personal income taxes for those who earn \$225 per month or less, regardless of sector. • Rwanda allowed personal income tax exemptions for hospitality and school sector employees. • Algeria, Ethiopia, Morocco, Namibia and Rwanda extended filing deadlines for 2020 personal income taxes.
Additional healthcare spending			
Additional healthcare spending	Expanded healthcare spending packages	39	<ul style="list-style-type: none"> • Sudan allocated \$542 million (1.6 per cent of GDP) to prevent collapse of the country's health system. • Central African Republic, Seychelles and Togo planned multi-year programmes that accounted for more than 10 per cent of government budget spending to strengthen the healthcare sector and COVID-19 pandemic response capability. • Eswatini and Gabon redirected low-priority budget spending to healthcare response. • Angola, Mali, Nigeria and Sierra Leone strengthened the health sector.

Source: Data from COVID-19 Africa Watch, the Milken Institute and the International Monetary Fund Policy Tracker.

SOCIAL ASSISTANCE

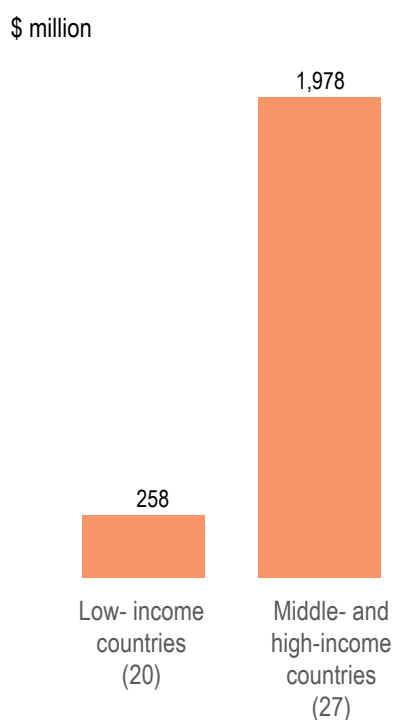
In Africa, the average fiscal stimulus announced in middle-income countries (\$1.978 billion) was nearly eight times that in low-income countries (\$258 million) (figure 3.9). On a per capita basis, the average fiscal stimulus is \$71, but with a wide variation from \$0.30 in South Sudan to \$922 in Seychelles.

Cash and in-kind transfers appear to have been most effective in protecting poor people, while unemployment benefits, wage subsidies and job retention schemes have supported formal workers' income and maintained employment rates.

Social assistance accounts for 62 per cent of global responses, with cash transfers the most widely used form of social assistance recorded in the World Bank database, followed by 24 per cent for social insurance and 14 per cent for labour markets (World Bank, 2020b). In Africa, the narrow tax base, along with high informality and high debt levels, makes social assistance more popular, accounting for nearly 74 per cent of social protection programmes (figure 3.10).

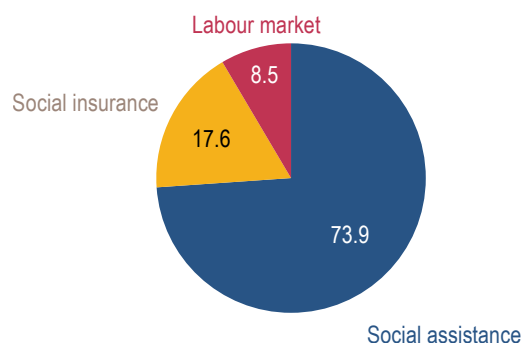
Figure 3.10 Social protection and social assistance programmes in Africa, 2020

Figure 3.9 Average announced fiscal stimulus, excluding new health spending, in Africa, 2020

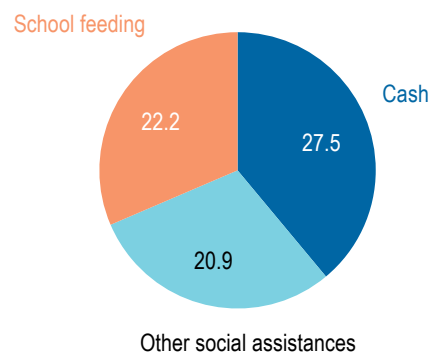


Source: ECA calculations using data from COVID-19 Africa Watch.

Breakdown of social protection programmes in Africa



Breakdown of social assistance programmes in Africa

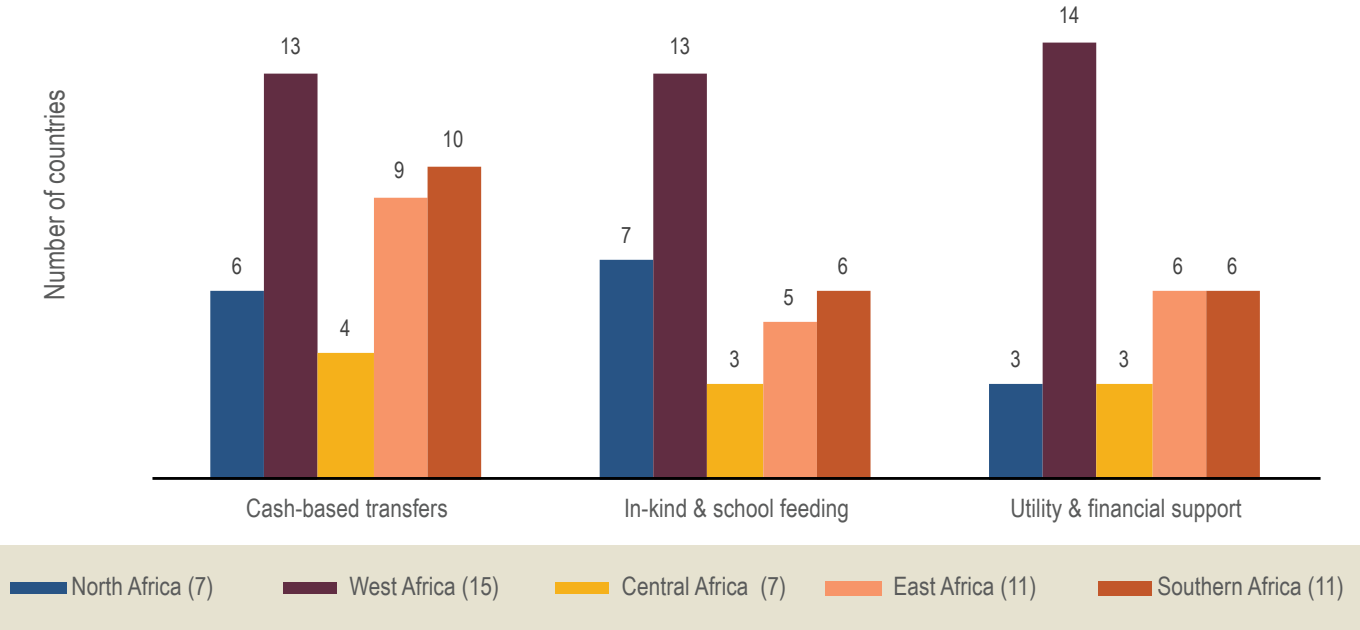


Source: ECA calculations based on data from Gentilini et al. (2021).

While cash-based transfers are equally widespread across all subregions except Central Africa, in-kind and school feeding, and utility and financial support, seem to be the instruments of choice in West Africa (figure 3.11). For instance, the Togolese government introduced Novissi, a limited-duration cash-transfer programme, for those most affected by the COVID-19 pandemic shock, with a larger benefit for women. Countries in Central Africa had few initial social programmes on which to build a response to the pandemic. No African country provides social assistance to older people or people with disabilities. Four countries have no social assistance at all. In countries with such programmes, the assistance of international partners is highly significant.

In responding to the COVID-19 pandemic, governments have used a combination of policy instruments to stimulate the economy, ensure livelihoods and improve the link between orthodox social assistance policies and economic performance, as illustrated by the government of Mozambique (box 3.5).

Figure 3.11 Social assistance responses, by African subregion, 2020



Note: Numbers in parentheses are the number of countries providing data.
Source: Compiled from Gentilini et al. (2021).



Box 3.5 Beyond orthodox social assistance: A comprehensive response to the COVID-19 pandemic in Mozambique

The government of Mozambique responded to the COVID-19 pandemic with a range of policy interventions. It increased the budget allocation for health from about MT2 billion (0.2 per cent of GDP) to about MT3.3 billion (0.3 per cent of GDP). On 22 March 2020, it announced measures to support financial markets and encourage prudent loan restructuring by introducing a foreign currency credit line of \$500 million for nine months for institutions participating in the Interbank Foreign Exchange Market and by waiving until 31 December 2020 the constitution of additional provisions by credit institutions and financial companies during renegotiations of loan terms and conditions before maturity for clients affected by the pandemic. To ease liquidity conditions, the central bank reduced reserve requirements by 150 basis points for both foreign currency and domestic currency deposits (to 11.5 per cent and 34.5 per cent, respectively) and later announced measures to ease payment system transactions and liquidity conditions by lowering fees and charges for digital transactions through commercial banks, mobile banking and e-currency for three months and by waiving some provisions on foreign currency loans until 31 December 2020.

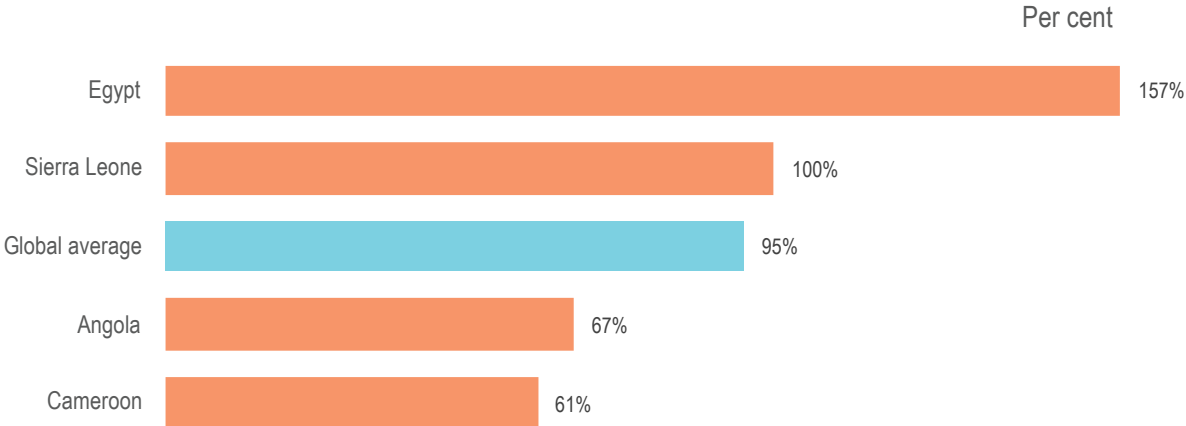
These were complemented by expanded social safety net coverage in urban and peri-urban areas to directly benefit more than 1.5 million families. The programme provides a single cash transfer equivalent to three months of regular subsidies to beneficiaries of the Basic Social Assistance Programme and the Productive Social Protection Programme. The initiative covers more than 560,000 households across the country at an estimated cost of \$25.4 million. In addition, the government is also implementing the Post Emergency Direct Cash Transfers Programme for 990,000 new beneficiaries, representing almost 40 per cent of the poor urban population. This programme provides unconditional cash transfers of MT1,500 per month (about \$21) for six months to low-income families and informal workers in urban and peri-urban areas. The government has secured funding for the first phase covering 290,000 families in priority urban areas at a total cost of \$45 million.

Source: KPMG (2020).

Size of transfers

Cash transfers represent 32 per cent of monthly global GDP per capita on average, a rate that varies between 26 per cent in upper middle-income countries and 86 per cent in low-income countries (Gentilini et al., 2021). Globally on average, cash-transfer benefits nearly doubled (up 95 per cent) from pre-COVID-19 pandemic levels, ranging from 61 per cent in Cameroon to 157 per cent in Egypt (figure 3.12).

Figure 3.12 Increase in the size of cash transfers relative to pre-COVID-19 pandemic levels in selected African countries



Source: Compiled from Gentilini et al. (2021).

Size of fiscal spending on social protection during the COVID-19 pandemic

As discussed in chapter 2, the average size of social transfers before the COVID-19 pandemic was insufficient to increase poor people’s consumption and help them exit poverty (see figure 2.10). For instance, while Cameroon increased cash transfers by 61 per cent of pre-pandemic levels (see figure 3.12), that would still increase the transfer by a paltry \$0.12 and lift poor people’s consumption to only \$1.62, still far below the \$1.90 a day poverty threshold. With poor people 10 per cent below the poverty line on average and less than 9 per cent of the population in Cameroon covered by at least one social protection benefit, the increased size of transfer is unlikely to dent poverty figures.

Social assistance spending across country income groups and regions varies widely (table 3.5), from \$1.3 billion in low-income countries to \$1.6 trillion in high-income countries and from \$2.2 billion in Africa to \$1.3 trillion in North America. Among the 17 low-income countries for which data are available, none registered spending on social insurance and active labour market programmes. Those differences are also reflected in per capita spending, which ranges from \$4 in low-income countries to \$847 in high-income ones. After South Asia, the 33 African countries for which data are available spend the lowest amount per capita, \$28, on social protection.

Table 3.5 Social protection spending by country income groups and regions, 2019

Country income group or region	Social assistance (\$ billion)	Social insurance (\$ billion)	Labour markets (\$ billion)	Total spending (\$ billion)	Spending per capita (\$)
Low income (17)	1.3	—	0.012	1.3	4
Lower middle income (35)	8.5	0.9	1.5	10.9	30
Upper middle income (46)	69.7	286.5	10.4	366.7	156
High income (53)	1,650.0	649.7	263.8	2,563.4	847
Africa (33)	2.2	3.5	0.2	6.0	28
East Asia and Pacific (25)	198.4	268.3	19.1	485.9	369
Europe and Central Asia (37)	90.7	52.2	193.5	336.4	629
Latin America & the Caribbean (36)	49.1	13.1	1.1	63.3	239
Middle East & North Africa (13)	8.8	2.0	4.1	14.9	161
North America (2)	1,376.0	597.9	57.0	2,030.0	4,253
South Asia (5)	4.05	0.1	0.6	4.7	17
Total (151)	1,729.0	937.1	275.7	2,942.0	345

— is not available.

Note: Components may not sum to totals because of rounding. Numbers in parentheses are the number of countries providing data.

Source: Gentilini et al. (2020).

The uneven size and composition of the fiscal response reflect the greater fiscal space of developed economies, as well as the timing and severity of the COVID-19 pandemic. Developed economies responded to the outbreak of the pandemic and the related economic slowdown with huge monetary and fiscal support, including record off-budget assistance in the form of liquidity support and guarantees. In contrast, COVID-19 spread later in many developing countries, including those in Africa, and responses were limited given tighter financing constraints (UNDESA, 2021).

African countries have on average doubled fiscal spending in response to the COVID-19 pandemic, to 3.3 per cent of GDP. Many countries have scaled up cash transfers, such as Madagascar, which is targeting 150,000 households with \$27 a month, and Kenya, which has existing cash-transfer programmes targeting more than a million people with 2,000 Kenyan shillings (\$19) a month. The national treasury allocated an additional 10 billion shillings to this programme to support vulnerable groups, including older people and orphans, during the pandemic. In parallel, there is a committee of private sector and development partners called

“shikilia,” (“hold together” in Swahili) discussing raising funds for mobile money cash transfers in urban areas.

The additional spending may even help prevent people living in extreme poverty from falling further towards abject destitution, but it operates alongside pre-existing structural gaps in social protection. It is unclear how it will prevent increased incidence of poverty, both because of its small size and because of the absence of targeting to those vulnerable to falling into poverty and who require income support during the COVID-19 pandemic.

Also, weighed against the potential downside, the stimulus measures announced to date are small, amounting to 1–1.5 per cent of GDP. In some cases, these measures have been matched with reduced government spending of 1–1.5 per cent of GDP. Even with well-targeted fiscal-stimulus measures, which can have a multiplier effect on the economy, countries could still face a gap of 5 percentage points of GDP growth to return to pre-crisis levels and 1–2 percentage points to avoid economic contraction (Jayaram et al., 2020).

FINANCING THE SCALE-UP EFFORTS

Limited fiscal space is one of the structural constraints in many African countries that lack the resources needed to implement or sustain a robust fiscal response to the COVID-19 pandemic (Almenfi et al., 2020; ECA, 2020a). Although financial assistance from international financial institutions remains crucial, domestic efforts to cushion the pandemic's impact have gained more traction among policymakers, fitting into the tendency of domestically funded social assistance programmes transferring higher payments to beneficiaries than those financed by international partners. Before the pandemic, the average amount of social assistance transferred by domestically funded programmes was \$73.97, or nearly four times the \$19.72 average for donor-funded programmes (table 3.6).

A cursory view of the distinction between domestic and externally financed social protection before the COVID-19 pandemic suggests that half the projects implemented by governments are fully financed pilots by international partners (table 3.7). Almost all social assistance programmes implemented by governments and fully financed from domestic resources are not pilots and signal long-term sustainability. The macro conditions of high debt and fiscal deficits mentioned above and in chapter 1 do not provide enough fiscal space for the preferred domestic financing and indicate some trade-off between sustainability and the immediate response to mitigate the impacts of the pandemic.

Table 3.6 Donor and domestic spending on social assistance cash transfers to participants, 2020

Source of funding	Number of social assistance programmes	Average	Monthly cash transfer (2011 \$ in purchasing power parity terms)	
			Minimum	Maximum
Donor	6	19.72	6.28	40.95
Donor and domestic	2	19.32	2.50	36.22
Domestic	19	73.97	14.82	302.39

Source: ECA (2020a) based on data from the United Nations Development Programme's Social Assistance in Africa Data Platform.

Table 3.7 Donor and domestic spending on institutionalizing social assistance, 2020

Source of funding	Number of social assistance programmes	Pilot	Not a pilot
Donor	8	4	4
Domestic	27	2	25

Source: ECA calculations based on data from the United Nations Development Programme's Social Assistance in Africa Data Platform.

Sources of financing social protection

The request for funds was much higher than effective delivery. The external financing to the COVID-19 pandemic response ranged from less than 10 per cent of funds requested in some countries to 19 per cent in Cameroon to 33 per cent in the Central African Republic.

The institutional arrangements of the initial pre-COVID-19 pandemic social assistance and social protection programmes were instrumental in deciding the fiscal response. Most of these programmes are embedded at different levels of government, attract a share of the national budget and do not change across political cycles. The pilot programmes introduced as emergency response largely through international partners face the challenge of evaluating the feasibility of these social assistance programmes prior to full-scale implementation. Domesticating some of the responses to ensure sustainability remains an important call for regenerating economic growth.

Based on information for 31 countries and 70 data points, the sources were divided into domestic and international, each including subcategories (tables 3.8 and 3.9). The most prevalent domestic modality was restructuring or re-prioritizing budget lines (15 countries), followed by incurring domestic debt or undertaking deficit spending (14 countries) and tapping state reserves, contingent funds or fiscal savings (7 countries). The strategies were not mutually exclusive, and 48 per cent of countries pursued mixed-source financing. About 32 per cent of countries tapped domestic sources as the only source of financing, and 19 per cent relied on external resources only.

While not mutually exclusive, external finance remains the most important source of revenue for the scaled-up social assistance programmes in Africa. All nine countries for which data are available have relied on international financial institutions for additional resources to increase their allocation for the predominantly social assistance programmes. Five of them have also relied on bilateral and multilateral development partners (see table 3.8).

Table 3.8 Sources of social protection financing for selected countries, 2020

Countries	Domestic financing			External financing	
	Spending reallocation	Debt and deficit	State reserves, contingent funds or fiscal savings	International financial institutions	Bilateral and multilateral development partners
Republic of Congo				X	X
Egypt	X			X	
Kenya				X	X
Liberia				X	X
Mauritania		X		X	X
Morocco	X		X	X	X
Nigeria	X			X	
Sierra Leone				X	
South Africa	X			X	
Africa	4	1	1	9	5
World	15	14	7	21	13

Source: Gentilini et al. (2020).

Table 3.9 Announced COVID-19 pandemic support for Africa from international development partners, as of 14 December 2020

Development partner	Total announced support for Africa (\$ million)
International Monetary Fund	28,608
African Development Bank	10,000
World Bank	7,602
European Union	3,532
African Export-Import Bank	3,000
Agence Française de Développement	1,315
Global Fund to Fight AIDS, Tuberculosis and Malaria	570
Islamic Development Bank	529
Global Partnership for Education	331
West African Development Bank and the Central Bank of West African States	330
United Nations (Country-based Pooled Funds and Central Emergency Response Fund)	118
Arab Bank for Economic Development in Africa	100
European Commission	76
US Agency for International Development	61

Source: *Global Response Funding Tracker* (<https://covid19africawatch.org/global-response-funding-tracker/>).

It is probably too early to fully assess the impacts of these measures, but collectively they underscore the gravity of the economic challenge that African countries face. The continent's fiscal response to the COVID-19 pandemic was more comprehensive than expected. Within the fiscal deficits and debt faced, the link between protecting employment and providing social assistance remains a continuing challenge.

CONCLUSION

This chapter has analysed the economic and social consequences of the COVID-19 pandemic in Africa and governments' responses to mitigate its noxious effects on the population. Although it is still too early to fully capture the consequences for human well-being and the health of the economy, certain conclusions can already be drawn.

Two come out very strongly. The first concerns the importance of a comprehensive national social protection policy as the cornerstone of any risk mitigation and recovery strategy. Working poor people, non-poor people and other vulnerable groups require access to targeted social protection that uses improved targeting methods so that earlier gains by households are not lost. An adaptive social protection framework linked to active labour market programmes becomes the cornerstone of the response along with investments in human capital accumulation and business development and promotion, especially among young people. These adaptive social protection and labour market strategies are explored in detail in the next chapter.

The second centres on the effect of the global slowdown on countries' import capacity. The hit on consumption is far larger and more persistent than the effect of lockdowns on domestic production and spending. Recovery depends on how public finances are restored to sustainability. Raising taxes and cutting spending make for a slow private sector recovery, especially if spending cuts fall on public investment and the maintenance of the public capital stock. This is particularly so where tax systems are narrowly based and plagued by leaks and exemptions. In such circumstances, there are no easy public policy options, though the mix of monetary policy and fiscal stimulus did target support to both lives and livelihoods in most countries. External financing remains needed to supplement domestic revenue mobilization.

Annex table A3.1 Government responses to the COVID-19 pandemic

Revenue measures	Expenditure measures	Other measures
<p>Temporary tax reduction—6 Botswana, Democratic Republic of the Congo, Kenya, Madagascar, Mauritius, Senegal</p>	<p>Cash transfers to households—13 Algeria, Benin, Kenya, Lesotho, Madagascar, Mauritius, Namibia, Rwanda, São Tomé and Príncipe, South Africa, Togo, Tunisia, Zimbabwe</p>	<p>Loan guarantees—4 Botswana, Cabo Verde, Namibia, South Africa</p>
<p>Acceleration of tax refunds—6 Botswana, Cabo Verde, Eswatini, Kenya, Namibia, South Africa</p>	<p>Wage subsidies—7 Algeria, Benin, Botswana, Eswatini, Lesotho, Namibia, Seychelles</p>	<p>Subsidized loans—1 Rwanda (for companies in distress)</p>
<p>Extension of tax or value added tax payment deadlines—9 Cabo Verde, Comoros, Republic of Congo, Egypt, Eswatini, Mozambique, Senegal, Tunisia, Zambia</p>	<p>Utility subsidies—7 Democratic Republic of the Congo, Gabon, Mali, Namibia, Niger, Senegal, Togo</p>	<p>Payment holiday for individual borrowers—3 Botswana, Mauritius, Namibia</p>
<p>Exemption or deferral of social contribution—11 Angola, Botswana, Burundi, Cabo Verde, Cameroon, Democratic Republic of the Congo, Ethiopia, Lesotho, Madagascar, Rwanda, Tunisia</p>	<p>In-kind transfers—11 Djibouti, Eswatini, Gabon, Guinea-Bissau, Liberia, Madagascar, Mali, Niger, Rwanda, Senegal, South Africa</p>	
<p>Fiscal stimulus for taxpayers—2 Morocco, Nigeria</p>		

Source: International Monetary Fund COVID-19 Policy Tracker.

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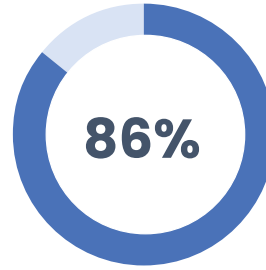
CHAPTER 4.

THE NEXUS OF POVERTY, RISK AND VULNERABILITY

EXTREME POVERTY

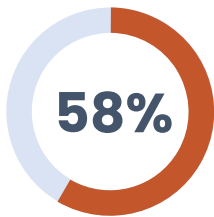
NIGERIA & DRC

will account for more than half of Africa's poor people

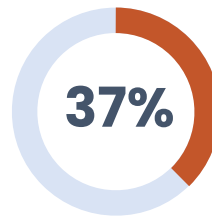


of the world's people living in extreme poverty will be in Africa (by 2030)

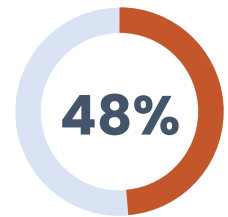
MULTIDIMENSIONAL POVERTY



of people in the region who live in multidimensional poverty deprived in all three dimensions of health, education and living standards



live in households where at least one person is malnourished



lack access to safe drinking water

VULNERABILITY

50.2%

of the people in Africa most vulnerable to staying in poverty live in

East Africa

60.3%

live in

low-income countries

58 million are extremely vulnerable to falling into poverty

Key Messages

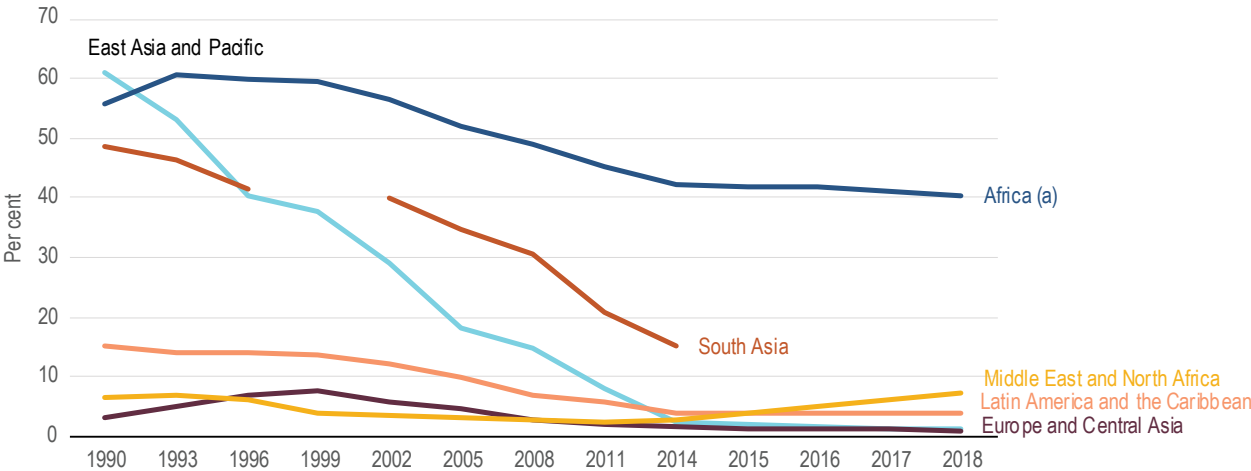
1. The main message of the 2021 *Economic Report on Africa* is that most poor people move in and out of poverty because of consumption volatility arising from both exposure to and inadequate ability to manage uninsured risks, which together lead to vulnerability, or an expectation of adverse consequences in the future.
2. An estimated 51 million people in Africa could fall into poverty because of the COVID-19 pandemic. Today's non-poor households may be tomorrow's poor households, and efforts to reduce poverty in the future need to target households that are already poor as well as non-poor households that can be prevented from falling into poverty.
3. The overall economic impact of the COVID-19 pandemic on individual consumption and well-being depends on the size, duration and frequency of the risk; exposure to the risk; and ability to manage the risk.
4. For more than 61 million people whose mean consumption is \$1.90–\$2.09 in purchasing power parity terms a day (0–10 per cent above the extreme poverty line), the gains of the last decade are likely to be reversed. These people may fall into poverty, especially those in Ethiopia and Nigeria.
5. Countries with low dependency ratios (as in developed countries), a highly educated labour force, the capacity to generate jobs and high-quality internet infrastructure to support a digital economy are likely to experience low poverty and reduced vulnerability, suggesting a strong ability to manage risks. The opposite is the case for countries without these critical attributes.

PROGRESS IN POVERTY REDUCTION IN AFRICA: A MIXED PICTURE

Despite strong economic growth in most African countries since the early 2000s, the pace of poverty reduction has been far slower than in other regions of the world (figure 4.1). The true poverty incidence in Africa is a controversial issue, with competing views centred around the use of household surveys or national accounts (Deaton, 2005). The approach used by the World Bank (and others) draws distributional information and average welfare (per capita income or per capita consumption) from household budget surveys to compute income-based poverty. In contrast,

Bhalla (2002) for India and Pinkovskiy and Sala-i-Martin (2013, 2014) for Africa argue that survey-based methods overstate initial poverty and understate the pace at which it has declined. Based on mean income drawn from national accounts, initial poverty in Africa in 1990 was about 34 per cent and declined steadily to about 21 per cent in 2021—or almost 2 per cent a year. Under both methods, extreme poverty in Africa is a major challenge that the COVID-19 pandemic has exacerbated.

Figure 4.1 Extreme poverty rates, by global region, 1990–2018



a. The original source refers to Sub-Saharan Africa. Here it refers to Africa because almost all the poverty in Africa is in the sub-Saharan region. Countries in North Africa are included in the Middle East and North Africa category.

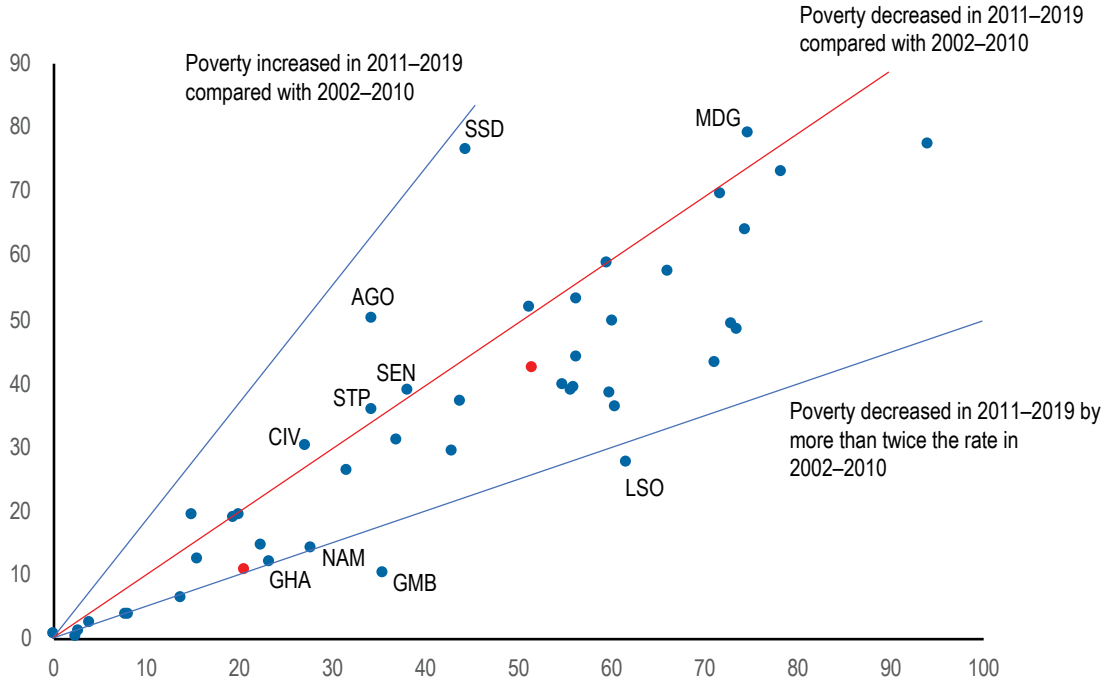
Note: The extreme poverty rate refers to the proportion of the population whose mean consumption is less than \$1.90 in purchasing power parity terms a day.

Source: Data from World Bank (2020).

PROGRESS IN POVERTY REDUCTION ACROSS AFRICA HAS BEEN UNEVEN

Poverty reduction in Africa has seen some progress. Eight countries—Cabo Verde, Gabon, the Gambia, Lesotho, Mauritania, Morocco, Namibia and Tunisia—have halved poverty and are on track to reach the goal of eliminating poverty set out in the 2030 Agenda for Sustainable Development. But in Angola, Comoros, Côte d’Ivoire, Madagascar, São Tomé and Príncipe, Senegal and South Sudan, poverty has worsened (figure 4.2).

Figure 4.2 Change in extreme poverty rates in selected African countries, 2002–2010 to 2011–2019



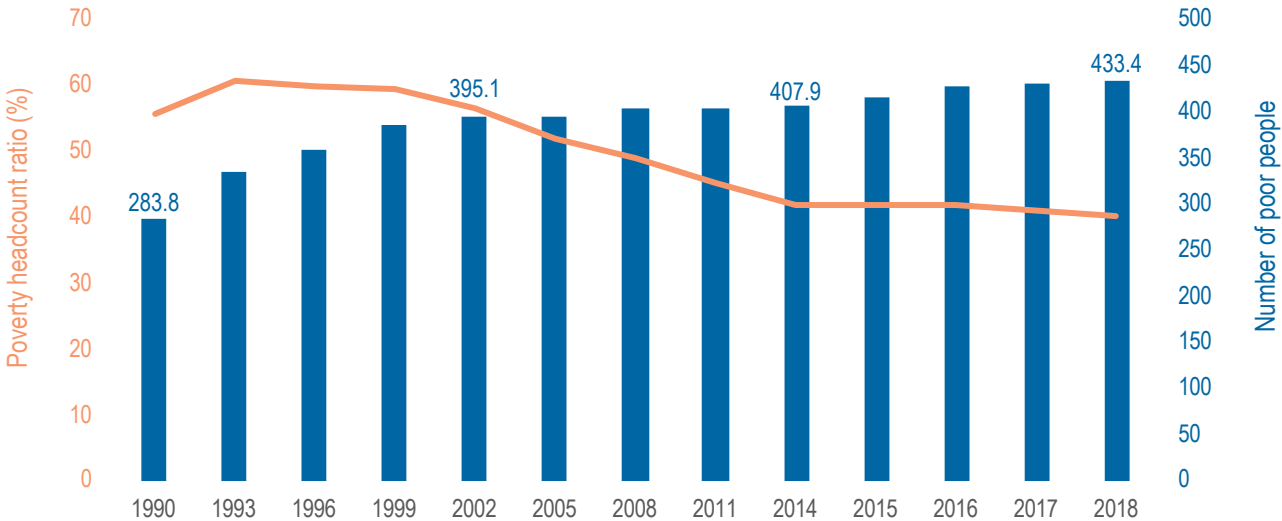
Note: The extreme poverty rate refers to the proportion of the population whose mean consumption is less than \$1.90 in purchasing power parity terms a day.

Source: Compiled from the World Bank’s World Development Indicators database.

While the share of the population living in extreme poverty has fallen since 1990, nearly 150 million more Africans are living in poverty today than 30 years ago (figure 4.3). Africans accounted for 62 per cent of the world’s poor people in 2017, up from less than 15 per cent in 1990 (Christiansen and Hill, 2019). By 2030, almost 86 per cent of the world’s people living in extreme poverty will be in Africa (World Bank, 2020). Thus, even before the onset of the COVID-19 pandemic, Africa was unlikely to meet Sustainable Development Goal 1 (to eradicate extreme poverty by 2030).

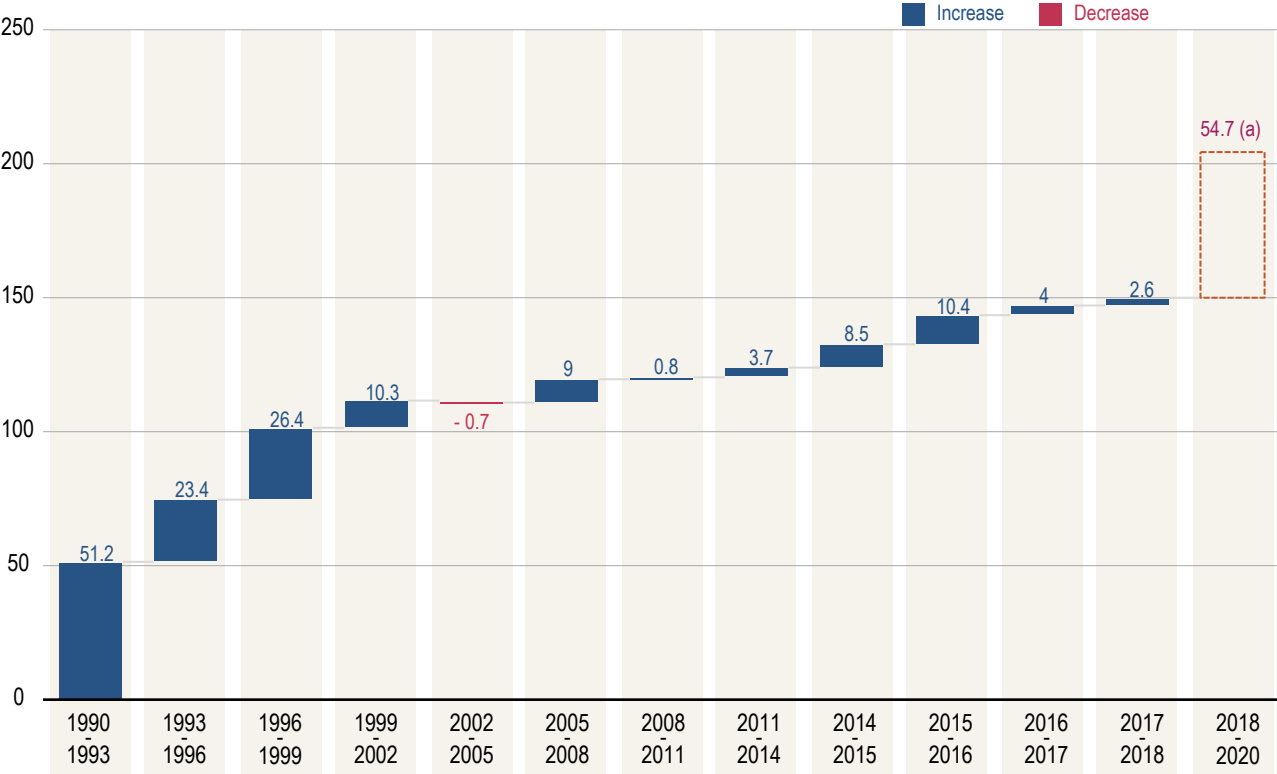
The number of people living in extreme poverty has risen since 1990, but the rate of increase has declined considerably since 2002 (figure 4.4). Africa added more than 9 million poor people a year in 1990–2002, only a little more than 1 million a year in 2002–2014 and 6.4 million people a year in 2014–2018 (figure 4.5). This trend is set to undergo a drastic change because of the COVID-19 pandemic: Africa could have added up to 55 million new poor people in 2020 (ECA, 2021). In other words, 12.6 per cent more people are expected to fall into poverty in 2020 alone than the total number of people pushed into poverty since 1999. At this point, it is difficult to predict the likelihood of these people exiting poverty in the future.

Figure 4.3 Poverty headcount ratio and number of people in Africa, selected years from 1990 to 2018



*Note: Poverty refers to mean consumption of less than \$1.90 in purchasing power parity terms a day.
Source: Data from World Bank (2020).*

Figure 4.4 Number of additional poor people in Africa, from 1990–1993 to 2018–2020

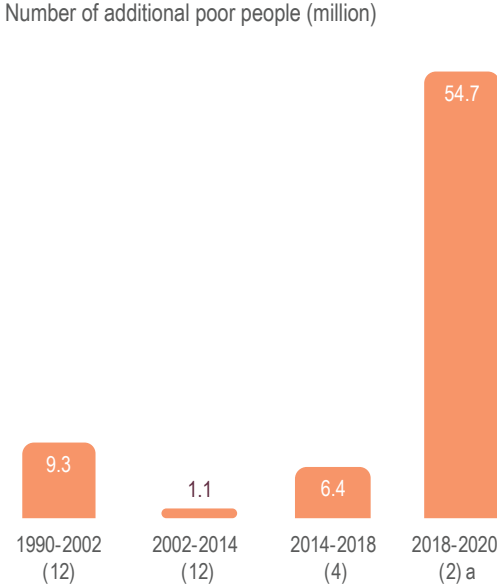


a. ECA estimate of the increase because of the COVID-19 pandemic. Most of the increase is likely to have taken place in 2020.
 Note: In the original source, the data refer to Sub-Saharan Africa. Here the data refer to Africa because almost all the poverty in Africa is in the sub-Saharan region. Poverty refers to consumption of less than \$1.90 in purchasing power parity terms a day.
 Source: ECA calculations using data from World Bank (2020).

The increase in the number of poor people in Africa due to the COVID-19 pandemic must be seen in the context of the longer trend of slow poverty reduction. While the increase itself is not unusual, the estimated size of the increase in one year due to the pandemic—nearly nine times the annual increase in 2014–2018—is exceptional. It accentuates the challenge of reducing poverty

in Africa, which is huge—and varied. In early 2018, Nigeria overtook India as the country with the most people living in extreme poverty, and the Democratic Republic of the Congo could soon reach the number two spot. People living in extreme poverty in those two countries will account for more than half of Africa’s poor people by 2030.

Figure 4.5 Number of additional poor people per year in Africa since 1990



a. Most of the increase is likely to have come in 2020.

Note: In the original source, the data refer to Sub-Saharan Africa. Here the data refer to Africa because almost all the poverty in Africa is in the Sub-Saharan region. Numbers in parentheses refer to the number of years.

Source: ECA calculations from World Bank (2020).

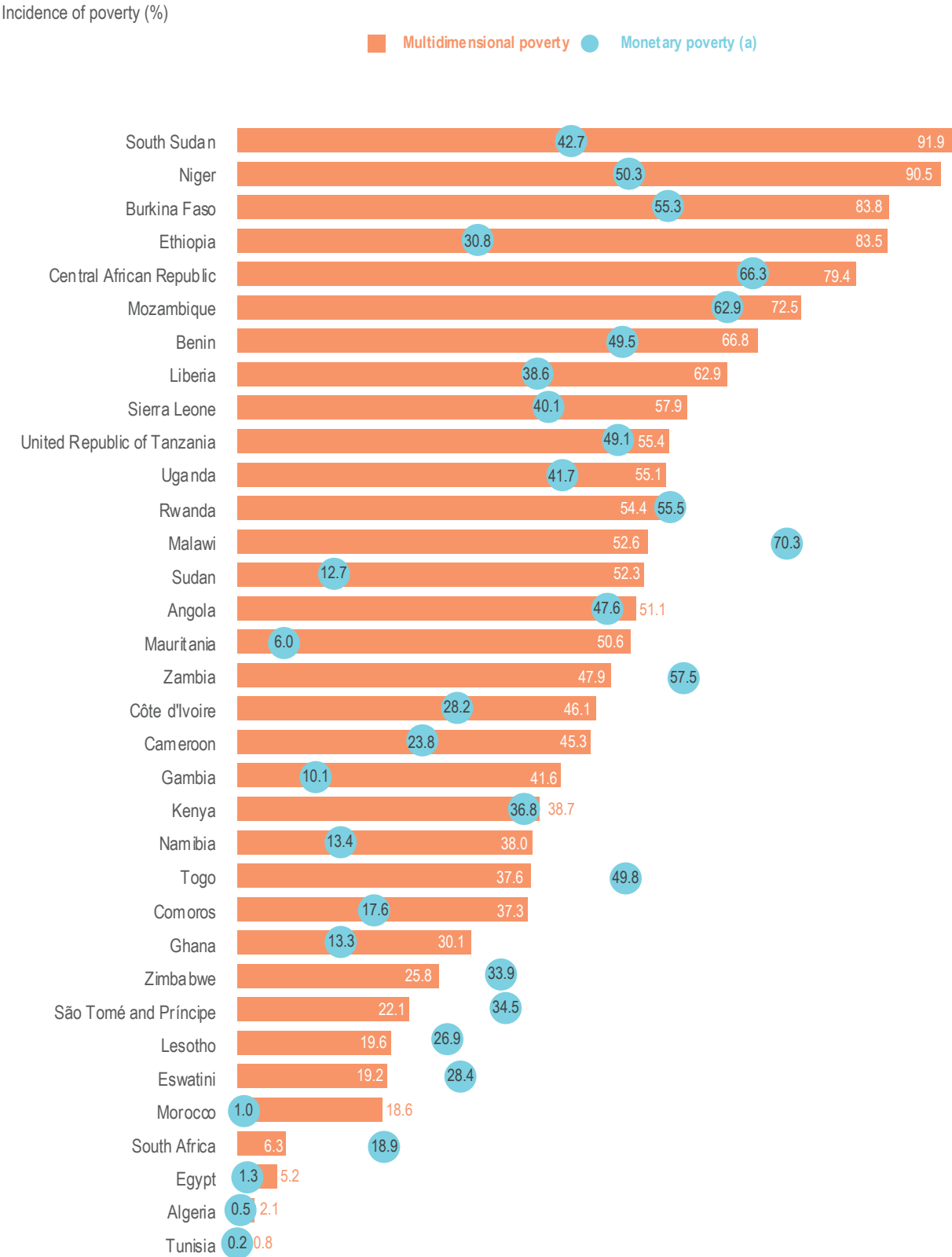
MULTIDIMENSIONAL POVERTY

Poverty is complex and multifaceted, involving health, education and living standards. As with monetary poverty, Africa has the highest deprivation in multidimensional poverty, with more than half the population living in multidimensional poverty (figure 4.6). Other regions also show non-monetary deprivations that are considerably higher than monetary poverty. In Latin America and the Caribbean, the share of the population in households living in multidimensional poverty is almost double the share of households living in monetary poverty.

There are stark overlaps in the forms of deprivation afflicting households in Africa, with 58 per cent of people in the region who live in multidimensional poverty—21 per cent of the

region’s total population—deprived in all three dimensions of health, education and living standards (World Bank, 2020). This overlap is lower in other regions: 11 per cent of the people living in multidimensional poverty in Latin America and the Caribbean are deprived in all three dimensions, as are 22 per cent in the Middle East and North Africa. More than 90 per cent of people living in monetary poverty in Africa are also deprived in basic infrastructure, education or both. More than 375 million people in the region (37 per cent) live in households where at least one person is malnourished, and 487 million people (48 per cent of the region’s population) lack access to safe drinking water. A key aspect of household poverty is the escalating cost of basic food items.

Figure 4.6 Incidence of multidimensional poverty and monetary poverty in selected African countries, 2020



a. Refers to people whose mean consumption is less than \$1.90 in purchasing power parity terms a day.
 Source: Alkire et al. (2020).

A key policy priority for Africa after the pandemic is to recover quickly from the adverse shock of the pandemic and accelerate poverty reduction, which requires overcoming deep-rooted structural challenges as well.

The total number of people at high risk for multidimensional poverty ranges from 5,000 in São Tomé and Príncipe and 69,000 in Gabon to 40 million in Ethiopia. The five countries with the most people at high risk—Ethiopia (40 million), Nigeria (36 million), the Democratic Republic of the Congo (24 million), the United Republic of Tanzania (12 million) and Uganda (9 million)—are home to 60 per cent of the total high-risk population in Africa.

The five countries with the highest proportions of people at high risk for multidimensional poverty are Ethiopia (37 per cent), Niger (35 per cent), Chad (32 per cent), the Democratic Republic of the Congo (29 per cent) and Burundi (26 per cent). These shares are above the population-weighted average for Africa, 20 per cent.

Even as some parts of the world slowly emerge from lockdowns, the COVID-19 pandemic is ongoing in many countries, and the number of confirmed cases and mortality rates keep increasing. Countries in Africa face hard policy choices with limited resources as they plan their recovery. A key policy priority for Africa after the pandemic is to recover quickly from the adverse shock of the pandemic and accelerate poverty reduction, which requires overcoming deep-rooted structural challenges as well.

FACTORING THE IMPACTS OF RISKS AND SHOCKS IN POVERTY REDUCTION

Households are typically exposed to a wide range of potential idiosyncratic and covariate shocks that can cause substantial fluctuations in income and consumption. Today's non-poor households may be tomorrow's poor households, and future efforts to reduce poverty need to target households that are already poor as well as non-poor households that can be prevented from falling into poverty in the future.

Limited options to manage risks may mean that variation in household consumption over time remains high, particularly in risky environments (Gunther and Harttgen, 2009). In these cases, current poverty status is not necessarily a good indicator of poverty status in future years. Separating the parts of poverty that are structural from the parts that result from risks to shocks has important implications from a policy perspective. While social assistance programmes may be more appropriate for poverty alleviation, supporting households' main livelihoods might be a more efficient way of preventing households from falling into poverty in the future.

Households in risky environments have developed various ex-ante and ex-post risk-coping strategies to reduce income fluctuations or to insure consumption against fluctuations. Because many poor households have limited or no access to formal insurance and credit, they rely on informal coping strategies, including transfers and remittances, asset liquidation, income diversification and migration (Barnett and Skees, 2008).

These strategies are incomplete, however. Large covariate shocks such as natural disasters can overwhelm households' capacity, partly because households affected by the shock may be unable to support each other, in which case, they may have to reduce consumption and take other measures such as withdrawing children from school or selling productive assets. These actions can have long-term, possibly irreversible, impacts on human capital accumulation and future productivity for household members in general and for children in particular (Carter and Maluccio, 2003; Jacoby and Skoufias, 1997).

WHO IS AT RISK OF FALLING INTO POVERTY?

This section answers three key questions: How many people are vulnerable to falling into poverty because of shocks like COVID-19? Where are they located? And why are they vulnerable? The chapter helps answer the question posed at the start of the report: Where are the people pushed into poverty by the COVID-19 pandemic likely to be?

In the absence of reliable and comparable panel data, vulnerability is proxied by the distance from the poverty line. This means that the closer a non-poor person's consumption is to the poverty line, the higher the likelihood of falling into poverty

because of a shock. Similarly, the closer a poor person's consumption is to the poverty line, the higher the likelihood of exiting poverty in the future, in the absence of a shock. This approach, despite many caveats, provides a quick handle for assessing the country-wide magnitude of the challenge of reducing not only poverty but also long-term vulnerability to poverty.

The overall economic impact of the COVID-19 pandemic on individual consumption and well-being depends on the size, duration and frequency of the risk; exposure to the risk; and ability to manage the risk. The covariate nature of the pandemic—with effects on both demand and supply—means that long-term effects are difficult to measure but risk of consumption volatility is quantifiable. The limited ability to use pre-pandemic coping mechanisms such as smoothing consumption exacerbates pandemic-induced vulnerability.

Ability to manage risks depends on many factors. The chapter builds on the discussion of Sumner, Hoy and Ortiz-Juarez (2020), who focus on vulnerability to poverty—or what they call precarity. As discussed in chapter 1 of the current report, most poor people move in and out of poverty, so the distance from the poverty line is time variant, meaning that a person's vulnerability changes over time. Three kinds of movements are relevant in analysing vulnerability: the movement of non-poor people into poverty, the movement of poor people out of poverty and chronic continuation of poor people below the poverty line. The static poverty headcount ratio provides a snapshot of the net sum of these movements at a particular time.

The headcount ratio presents estimates of the potential impact of the pandemic on poverty using a range of shocks in household per capita consumption or income.

RANGE OF SHOCKS: THREE SCENARIOS

This chapter extends the analysis in Sumner, Hoy and Ortiz-Juarez (2020) by using an augmented or bidirectional concept of vulnerability where vulnerability is the likelihood of becoming poor in the future. This is possible through the three movements above—so vulnerability to chronic or long-term poverty is akin to a 100 per cent likelihood of future poverty; susceptibility to exiting poverty is akin to a 0 per cent likelihood of future poverty; and vulnerability of non-poor people to falling into poverty, which declines as distance from the poverty line increases, is akin to falling into poverty (box 4.1).

On the third point, the closer that the consumption of a non-poor person is to the poverty line, the higher the likelihood of falling into poverty. This provides a broad estimate of the number of people who are vulnerable to falling into poverty and thereby provides a sense of the scale of the problem. Using this premise as the basis for the subsequent analysis, the chapter uses three

scenarios where individuals whose consumption is 0–10 per cent above the poverty line are the most vulnerable to falling into poverty, those whose consumption is 11–25 per cent above are less vulnerable and those whose consumption is 26–33 per cent above are even less vulnerable. The chapter analyses vulnerability to extreme poverty, so the three movements relate to the \$1.90 poverty line.

While seemingly arbitrary, the three scenarios capture a range of shocks to well-being for individuals in the bottom income quintile. A key assumption is that the impact on well-being among people living in poverty and people living in extreme poverty far exceeds the impact on national economies because COVID-19 is both a demand and supply shock and because of Africa's high informality, under-employment and fragmented social protection system, where only 18 per cent of people have access to at least one social protection benefit.

Box 4.1 Three scenarios to capture the range of shocks

In the absence of an established benchmark, the number of vulnerable people is estimated both above and below the extreme poverty line (\$1.90 in purchasing power parity terms a day) at different levels—namely, +/- 10 per cent of the extreme poverty line, +/- 25 per cent and +/- 33 per cent. Individuals whose consumption is 0–10 per cent, 11–25 per cent and 26–33 per cent above the extreme poverty line are considered vulnerable to falling below the poverty line, depending on the size and duration of the shock and the impact on the economic sector where the individual works. Individuals whose consumption is more than 33 per cent above the poverty line but below \$5.50 (in purchasing power parity terms) a day are poor based on that poverty line but are considered the least vulnerable to falling into extreme poverty.

Similarly, individuals whose consumption is 10 per cent, 25 per cent and 33 per cent below the extreme poverty line are vulnerable to staying in poverty. Those closer to the poverty line, within 25 per cent or 33 per cent, could exit poverty soon but are likely to be adversely affected by the economic downturn accompanying the COVID-19 pandemic and unable to exit poverty for some time. Those whose consumption is more than 33 per cent below the poverty line (that is, less than \$1.30) would require very high growth elasticity of poverty to exit poverty. They are likely to remain in poverty over the long term.

VULNERABILITY TO POVERTY IN AFRICA

A key limitation of the analysis is that the impact is distribution-neutral and is assumed to have a uniform effect on all individuals within a particular consumption band. Thus, consumption is assumed to be at a single point at \$2.09 (10 per cent above the \$1.90 poverty line). The results thus understate the vulnerability to falling into poverty and overstate the Poverty Gap Index, but only by degree and without taking away from the central argument.

The most important point of this analysis is that whether an individual is vulnerable to falling into poverty depends on the precise nature and duration of the crisis, which can differ in each country because of differences in government response. The latter depends on the extent of lockdowns imposed (the Government Stringency Index) and the size and duration of the fiscal stimulus analysed in chapter 2.

...whether an individual is vulnerable to falling into poverty depends on the precise nature and duration of the crisis, which can differ in each country because of differences in government response.

This section presents the headcount of the population likely to fall into poverty because of a shock like COVID-19, expressed in both absolute numbers and percentage of the total population. This is consistent with research that measures vulnerability as an ex-ante expectation of household-level poverty, which is then aggregated to the population level (Pritchett et al., 2000). However, in the absence of comparable household panel data for all African countries, the vulnerable headcount is estimated directly from population-level data.

The likelihood of staying in poverty increases as an individual's consumption moves further away from \$1.90 and closer to \$1.30 (top half of table 4.1). The likelihood of falling into poverty increases as an individual's consumption moves closer to \$1.90, and even a small shock is enough to push the household below the poverty line (bottom half of table 4.1). However, these numbers become difficult to gauge in the context of a COVID-19-induced global recession and the associated increase in the cost of living. The \$1.90 a day threshold does not capture the depth of poverty and vulnerability, particularly given many African countries' lack of well-funded social protection programmes.

Table 4.1 Distribution of poor people and people vulnerable to staying in or falling into poverty in Africa in different consumption bands, by African subregion and country income group, 2019

Direction of increasing vulnerability	Consumption band (2011 \$ in purchasing power parity terms)	Distance from the extreme poverty line (%)	Subregion (%)					Income group (%)			
			North Africa (6)	West Africa (15)	Central Africa (5)	East Africa (12)	Southern Africa (11)	Low income (21)	Lower middle income (22)	Upper middle income (4)	High income (2)
Living in extreme poverty and vulnerable to staying in poverty	<1.30	< -33	1.4	19.5	24.4	33.3	34.6	32.2	18.2	14.5	0.1
	1.30-1.40	-25 to -33	0.9	5.8	4.9	5.6	5.5	5.5	4.7	3.5	0.0
	1.41-1.71	-10 to -25	2.7	11.1	8.9	10.4	9.3	10.1	8.9	8.1	0.9
	1.72-1.90	0 to -10	2.2	6.8	5.2	6.2	5.5	6.0	5.5	5.9	0.8
Not living in extreme poverty but vulnerable to falling into poverty	1.90-2.10	0-10	3.2	6.6	5.2	5.6	4.8	5.5	5.5	5.0	1.3
	2.10-2.40	10-25	6.0	8.3	6.6	6.8	6.2	6.9	7.3	7.6	1.4
	2.40-2.50	25-33	4.0	4.4	3.6	3.5	3.0	3.6	4.0	3.9	2.0
Least vulnerable	2.51-5.50	> 33	79.5	37.6	41.2	28.7	31.0	30.1	46.0	51.6	93.4
Total			100	100	100	100	100	100	100	100	100

Note: Numbers in parentheses are the number of countries providing data. Percentages may not sum to 100 because of rounding.

Source: ECA calculations using consumption data from the World Bank's PovcalNet.

Table 4.2 Distribution of poor people and people vulnerable to staying in or falling into poverty across African subregions and country income group, by consumption band, 2019 (%)

Consumption band (2011 \$ in purchasing power parity terms a day)	Subregion						Income group				Total
	North Africa (6)	West Africa (15)	Central Africa (5)	East Africa (12)	Southern Africa (11)	Total	Low income (21)	Lower middle income (22)	Upper middle income (4)	High income (2)	
<1.30	0.8	26.1	4.0	50.2	19.0	100.0	60.3	37.7	2.1	0	100.0
1.30-1.40	2.4	37.6	3.9	41.5	14.6	100.0	50.2	47.4	2.4	0	100.0
1.41-1.71	3.7	38.5	3.8	40.9	13.2	100.0	49.1	47.9	3.0	0	100.0
1.72-1.90	5.0	38.9	3.6	39.6	12.0	100.0	48.0	48.4	3.5	0	100.0
1.90-2.09	7.5	39.4	3.8	37.5	11.9	100.0	45.7	51.1	3.2	0	100.0
2.10-2.50	10.8	38.5	3.7	35.1	11.8	100.0	44.3	52.0	3.7	0	100.0
2.51-5.50	13.4	37.9	3.8	34.1	10.8	100.0	43.3	53.1	3.6	0	100.0
>5.50	26.2	31.7	4.2	27.2	10.7	100.0	35.4	60.0	4.6	0	100.0

Note: Numbers in parentheses are the number of countries providing data. Percentages may not sum to 100 because of rounding.

Source: ECA calculations using consumption data from the World Bank's PovcalNet.

The subregions in which the people most vulnerable to staying in poverty (or living in chronic poverty) account for the largest share of the total population are Southern Africa (34.6 per cent) and East Africa (33.3 per cent). Unsurprisingly, the country income group in which the people most vulnerable to staying in poverty because of a shock account for the largest share of the total population is the low-income group (33.2 per cent) (table 4.1). About 50.2 per cent of the people in Africa who are most vulnerable to staying in poverty live in East Africa, and 60.3 per cent live in low-income countries (table 4.2).

Susceptible to exiting poverty

More than 413 million people whose consumption is \$1.30–\$1.90 a day are both poor and vulnerable (see figure 4.3). This figure has been climbing in recent years (World Bank, 2020). Their daily consumption is 10–33 per cent below the extreme poverty line, and the likelihood of exiting poverty decreases as consumption moves away from \$1.90. So, all other things being equal, individuals whose consumption is only 10 per cent below the poverty line are more likely to exit poverty in the future than those whose consumption is 25 per cent or 33 per cent below.

For the more than 61 million people whose consumption is \$1.90–\$2.09 (0–10 per cent above the poverty line), the gains of the last decade are likely to be reversed, and many may fall further into poverty because of the COVID-19 pandemic. An equal number of these people (24 million) are in East and West Africa, led by Nigeria (12.6 million) and Ethiopia (7.6 million) and followed by the United Republic of Tanzania (4 million), the Democratic Republic of the Congo (3.6 million), Kenya (3.2 million), Uganda (2.9 million) and South Africa (2 million). More than 62 per cent of people whose consumption is 10 per cent below the poverty line are from these seven countries. This group requires increased social sector spending, with targeted support to preserve earlier gains and prevent households from having to resort to adverse coping strategies such as pulling children out of school, which will jeopardize their future exit from poverty.

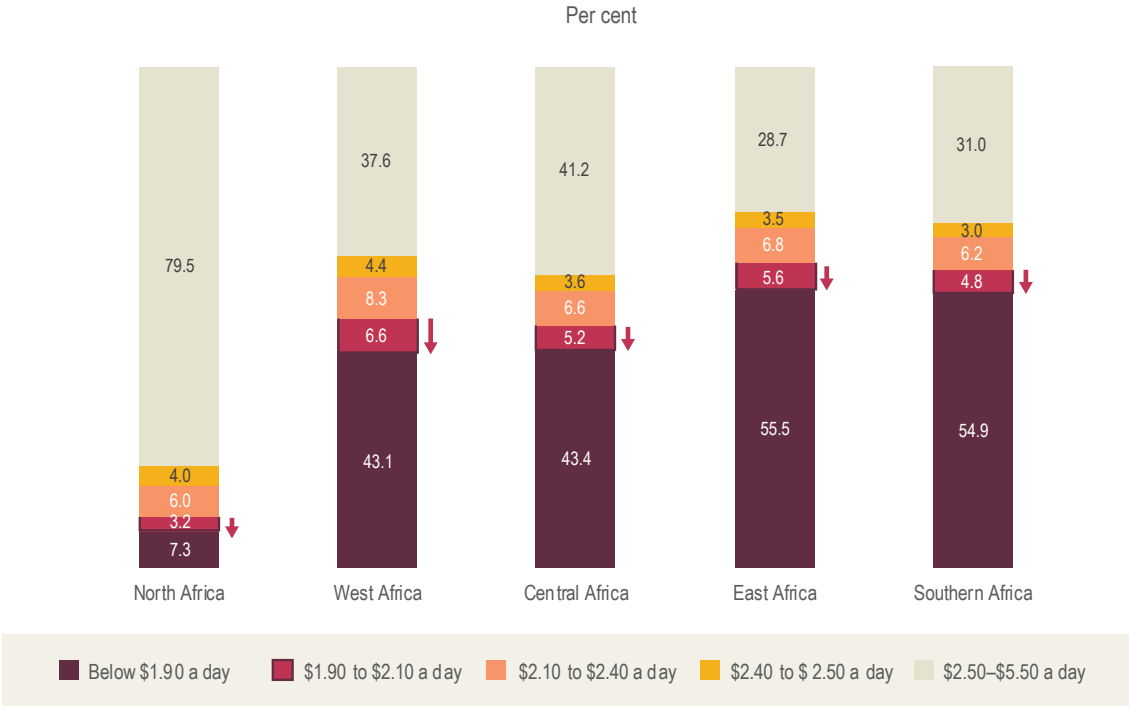
Given the high internet penetration in these countries, social registries and digital financial infrastructure should be universalized, instead of social assistance, and strengthened to transfer cash benefits directly to the beneficiaries, as Nigeria and Togo are doing. Increasing women's financial literacy and access to digital platforms and bank accounts can greatly improve targeting, and these actions are emphasized to directly receive the transfers. At present, only 42 per cent of adults in Africa have a bank account, with a 12.5 percentage point gender gap in account ownership (Statista, 2020). Further, only 29 per cent of individuals use the internet, the lowest proportion in the world. Only 20 per cent of women in Africa use the internet (Lucini, 2017).

Vulnerable to falling into poverty

About 175 million people have consumption 10–33 per cent above the extreme poverty line and are not poor but are vulnerable to falling into poverty, depending on the distance from the poverty line. All else being equal, individuals whose consumption is 10 per cent above the poverty line are more likely to fall into poverty in the future than individuals whose consumption is 25 per cent or 33 per cent above.

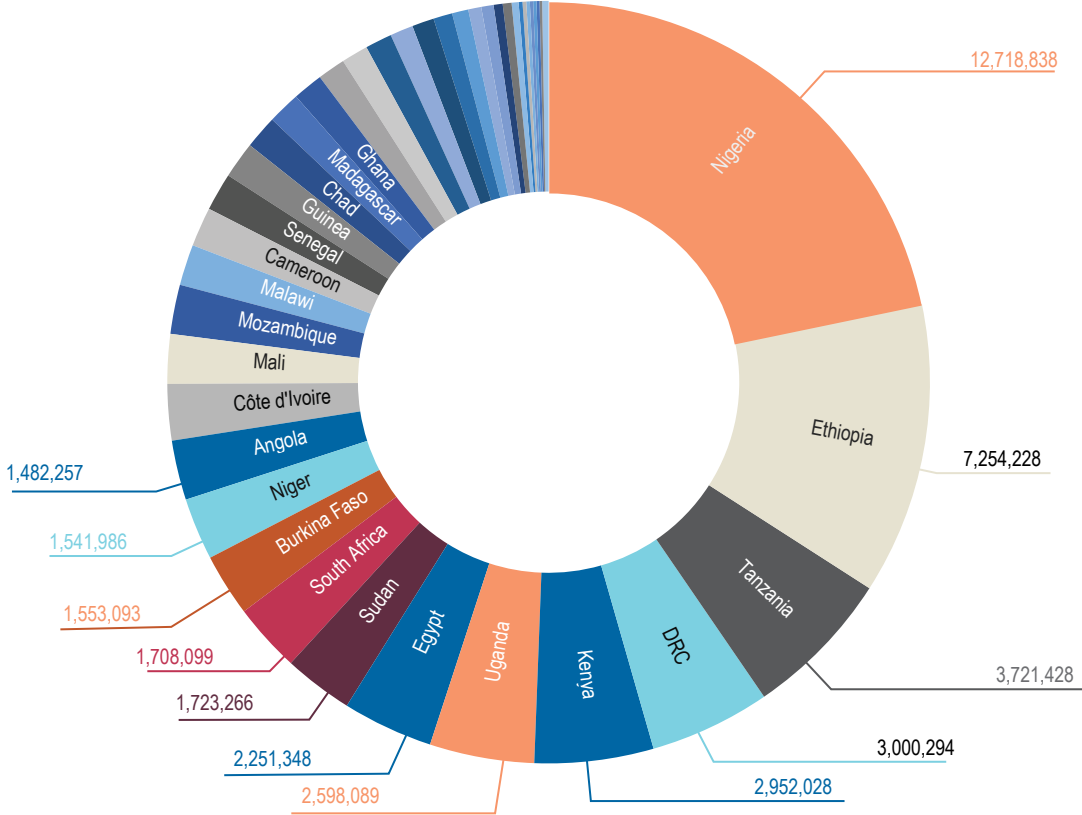
About 58 million are extremely vulnerable to falling into poverty because their mean consumption is only 0–10 per cent above the poverty line, and a very small drop in consumption could be enough to push them below the line. This group makes up most of the population that is newly poor because of the COVID-19 pandemic. The subregions with the largest proportions of people most vulnerable to falling into poverty are West Africa (6.6 per cent) and East Africa (5.6 per cent) (figure 4.7), led by Nigeria and Ethiopia, owing to shocks (figure 4.8). About 55 per cent of people in African countries with data who are vulnerable to falling into poverty are in the 29 middle- and high-income countries; only 45 per cent are in the 20 low-income countries (table 4.3). Overall, the low-income countries have a higher density of vulnerable people (50,493 per million) than the middle- and high-income countries (40,853 per million).

Figure 4.7 Proportion of poor people and people who are vulnerable to falling into extreme poverty, by consumption band and African subregion, 2020



Source: ECA calculations using consumption data from the World Bank’s PovcalNet.
 Note: Red arrows indicate the proportion people who are vulnerable to falling into extreme poverty.

Figure 4.8 Distribution of people vulnerable to falling into poverty in Africa, 2020



Source: ECA calculations using data from the World Bank’s PovcalNet database.

Table 4.3 Ten African countries with the highest absolute number of people vulnerable to falling into poverty and highest density of vulnerable people, 2020

Absolute number			Density		
Country	Subregion	Million	Country	Subregion	Per million population
Nigeria	West	12.7	Burkina Faso	West	74,300
Ethiopia	East	7.2	Guinea	West	69,200
United Republic of Tanzania	East	3.7	Sierra Leone	West	68,600
Democratic Republic of the Congo	East	3.0	Liberia	West	64,000
Kenya	East	2.9	Niger	West	63,700
Uganda	East	2.6	Ethiopia	East	63,100
Egypt	North	2.2	United Republic of Tanzania	East	62,300
Sudan	North	1.7	Nigeria	West	61,700
South Africa	Southern	1.7	Mali	West	60,700
Burkina Faso	West	1.5	Uganda	East	56,800

Source: ECA calculations using data from the World Bank's PovcalNet database.

The non-poor but vulnerable group requires social protection through an adaptive social protection framework that uses improved targeting methods. The social protection programmes need to link to productivity gains and decent employment. This allows investments in human capital accumulation to be inputs and complementary to business development and promotion, as well as employment creation, especially among young people. In addition, the African Continental Free Trade Area and other continental interventions need to be leveraged to improve labour mobility across national borders, including for regional public works. Further, the pooled procurement of pharmaceutical products is expected to create an estimated 16 million jobs while enhancing the skills of young people in the labour force.

The African Continental Free Trade Area and other continental interventions need to be leveraged to improve labour mobility across national borders, including for regional public works.

DRIVERS OF TRANSIENT POVERTY AND VULNERABILITY

The drivers of transient poverty and vulnerability are many. They include ill health, unemployment, lack of access to schooling and high cost of living. In the context of the COVID-19 pandemic and its impact on poverty and vulnerability, the focus here is on vulnerable employment and low wages as drivers. For monoculture economies in Africa, instability in the world economy could have a devastating effect on poverty.

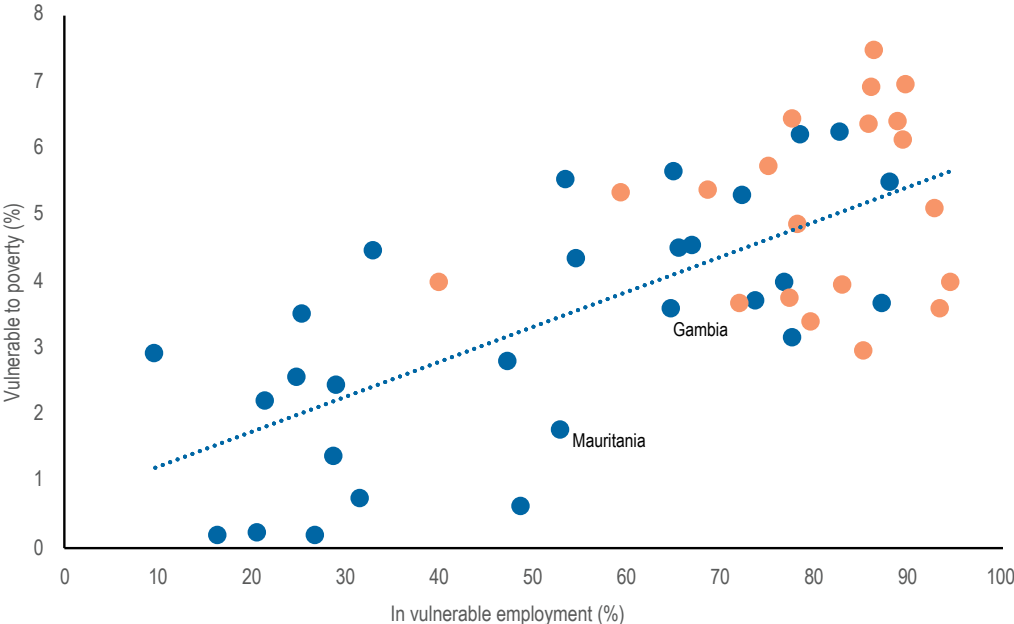
Vulnerable employment

This section explores the nature of vulnerable employment and its association with poverty and vulnerability. Such employment looms large because of the direct impact of the COVID-19 pandemic on informal workers. Accounting for more than 80 per cent of jobs, the informal sector is the main source of employment in Africa. The urban informal economy is particularly important

for young people (95.8 per cent of people ages 15–24 in urban areas work in the informal economy) and women (92.1 per cent) and is a major contributor to poverty reduction. Vulnerable employment and vulnerability to poverty show a high positive correlation (0.76) (figure 4.9), though Mauritania and the Gambia record high vulnerable employment with low poverty.

Vulnerable employment is often characterized by inadequate earnings (see figure 4.9) and low productivity. Many people in vulnerable employment engage in own-account work or in family firms with limited or no access to social protection, including social assistance. The COVID-19 pandemic has highlighted the vulnerability of informal workers because lockdown measures that helped contain the spread of the virus have also led to job losses, food insecurity and increased vulnerability to poverty. For many, staying indoors is a luxury they cannot afford.

Figure 4.9 Vulnerable employment is strongly correlated with vulnerability to poverty



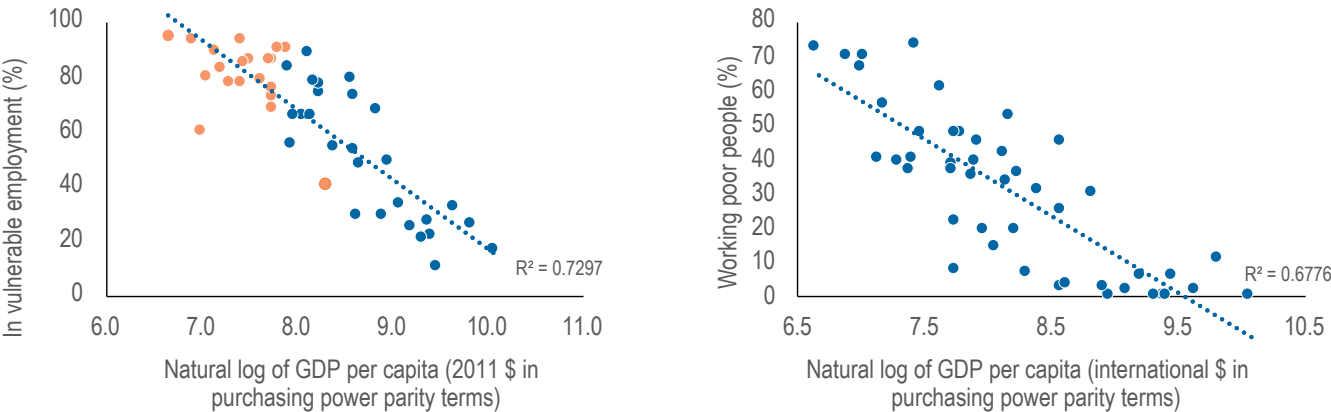
Note: Orange dots are low-income countries, and blue dots are middle- and high-income countries, per World Bank criteria. Source: ECA calculations using the International Labour Organization’s statistical database (ILO 2020b) for employment data and the World Bank’s World Development Indicators database for poverty data.

The informal sector is heterogeneous and has limited but varying capacity to cope with economic shocks. Those working in it who are below the poverty line depend on social protection transfers from the government, though in Africa, only 18 per cent of these working poor people have access to at least one social protection benefit. Informal sector workers who are relatively, but only marginally, better off typically use accumulated savings to smooth consumption. Also called the “missing middle,” they lack the protection that formal workers receive from social insurance (Sharif et al., 2020). And uncertainty around the COVID-19 pandemic makes it difficult for them to make savings last for the duration of lockdowns, which has increased their vulnerability to falling into poverty.

Informality and vulnerability

The shares of people in vulnerable employment and of working poor people decline sharply as GDP per capita increases (figure 4.10). In Africa, the share of workers in informal employment is 86 per cent (ILO, 2018) and decreases as household affluence and the proportion of formal employment rises. A large proportion of wage employees who earn minimum wage or less hold informal jobs, and many of them live in low-income households.

Figure 4.10a Vulnerable employment and the number of working poor people decline sharply as income rises



Note: Orange dots are low-income countries, and blue dots are middle- and high-income countries, per World Bank criteria.

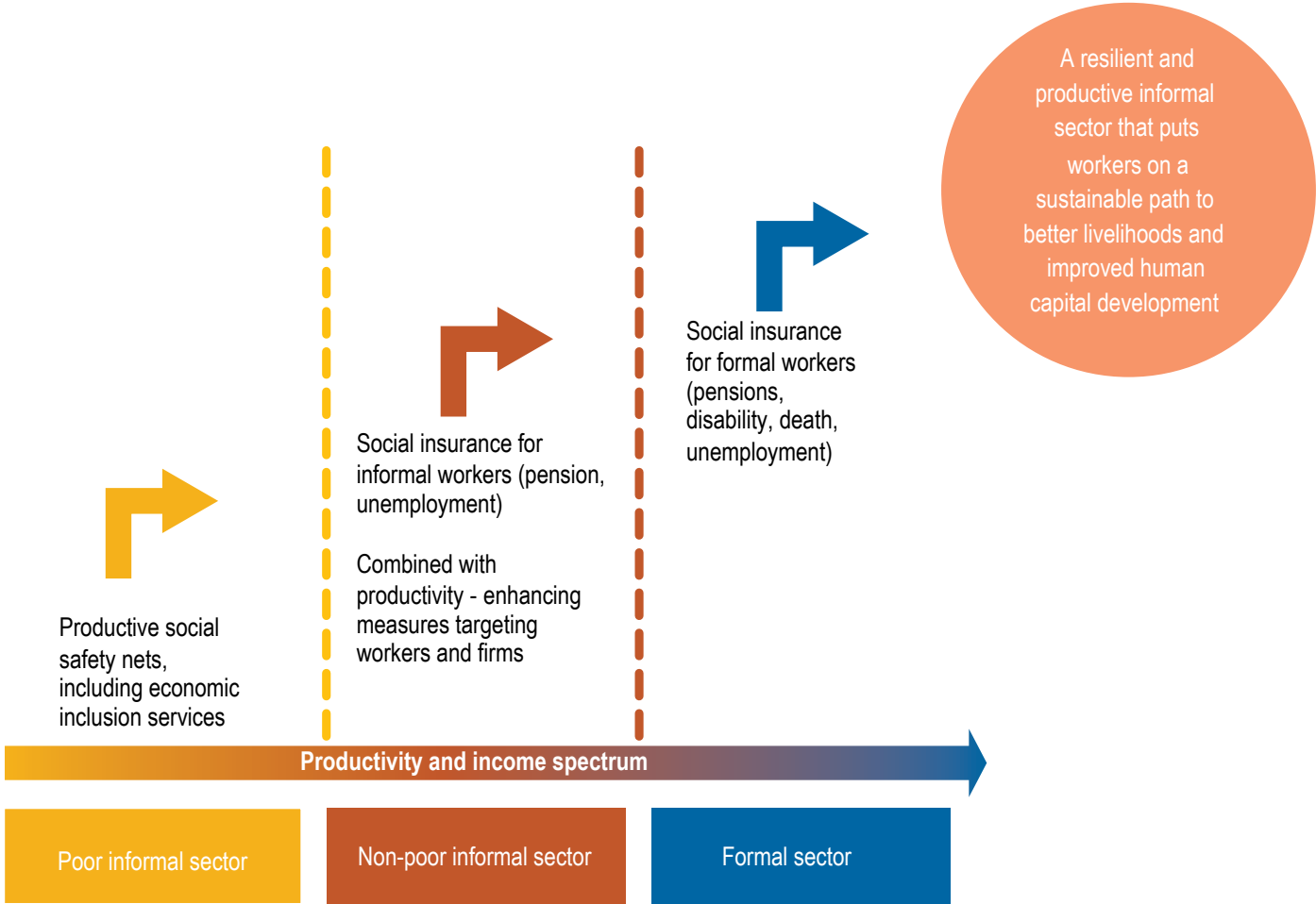
Source: ECA calculations using the International Labour Organization’s statistical database (ILO 2020b) for employment data and the World Bank’s World Development Indicators database for poverty data.

Non-wage informal employment is the dominant category across all income deciles in Africa. Only 13.5 per cent of workers are classified as wage employees in formal employment, and most of them are in the top deciles of the household income distribution. About 65.4 per cent of wage employees are in informal employment, and 38.5 per cent of them earn minimum wage or less, while non-wage employment (formal and informal) accounts for 79.4 per cent of all employment in African countries for which data are available (ILO, 2020a).

Vulnerability to falling into poverty depends on the pattern of prevailing household risks. The variation across countries in household impacts of

the COVID-19 pandemic depends on government policies (ex-ante) and steps to mitigate the pandemic’s impact (ex-post). These policies and steps generally reflect state provision of public goods such as healthcare, education and social protection; market-driven interventions, such as in the labour market; and individual agency through savings. Yet the COVID-19 pandemic radically changed these baseline conditions in 2020 and likely shifted the location and scale of vulnerability, as well as the people affected by it. Vulnerability increases because of inadequate risk insurance. Reducing vulnerability should thus be about limiting exposure to risks and better managing risks through mitigation or coping (figure 4.11).

Figure 4.11 Social protection instruments across the income spectrum



Source: Guven and Karlen (2020).

Vulnerability to global economic instability

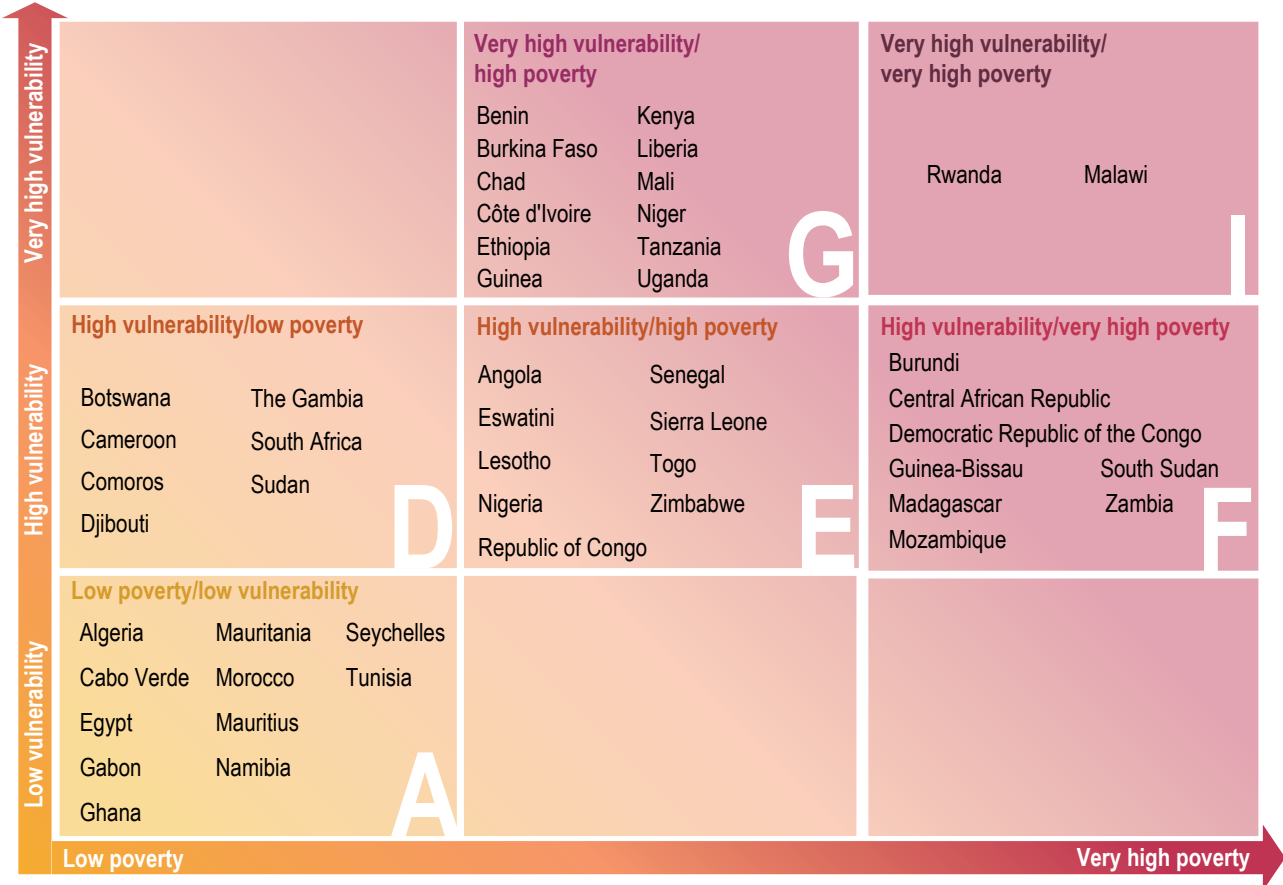
Several structural factors restrict Africa’s capacity to reduce poverty and manage COVID-19 pandemic-induced shocks. Many countries were hit hard by the collapse in commodity prices and slowdown in global demand, which resulted in poorer export performance and lower net financial inflows. Further, these countries were hurt by limited public and private investment, high debts, fragile fiscal situations, and political instability and long-standing crises. Because of these structural challenges, many countries had limited policy space to confront the pandemic. The pandemic also exposed existing vulnerabilities that risk amplifying the effects of the crisis in Africa.

THE SPATIAL DISTRIBUTION OF POVERTY AND VULNERABILITY

To assess the spatial distribution of poverty and vulnerability in Africa, countries were placed into six groups based on several attributes along the poverty and vulnerability axes (figure 4.12). Four of those groups are discussed below.

Group A—low vulnerability and low poverty. This group has 11 countries exhibiting four important features that contribute to low poverty and low vulnerability: widespread access to formal jobs providing a decent wage, which is key to reducing poverty and vulnerability; low dependency ratios,

Figure 4.12 Distribution of countries along the poverty and vulnerability axes



Note: Vulnerable to poverty is the proportion of people whose consumption is 0–10 per cent above the poverty line (\$1.91–\$2.09 a day). Both axes are divided into three equal parts (terciles), containing the bottom third, the middle third and the top third of values. Source: ECA calculations from the World Bank’s PovcalNet database.

similar to those in developed countries, suggesting low probability of intergenerational transfer of poverty; improved quality of labour supply, which increases the likelihood of employment in the formal labour market; and a high internet access rate, which increases the prospect of job creation in a digital economy and suggests higher ability to work from home. Together, these attributes suggest a strong ability to manage risks. Further, these resilient features also point towards building back better.

Group F—high vulnerability and very high poverty.

The eight countries in this group lack the important enabling features of Group A countries. They have high poverty (52.7–78.9 per cent) and have struggled to exit low-income status because of low mean consumption of less than \$1 a day—or 48 per cent below the extreme poverty line. In the Central African Republic, the Democratic Republic of the Congo, Madagascar and Zambia, mean daily consumption is \$0.95 or less. Thus, poor people in these four countries are so far below the poverty line that they are chronically poor. Moreover, 85 per cent of the labour force in these countries is in vulnerable employment, with 65 per cent classified as working poor. The high fertility rate (4.5 births per woman) and high dependency ratio (1.23) keep households poor and increase the likelihood of intergenerational transfer of poverty. There is little human capital investment, as reflected in the low Human Capital Index value of 0.36. Two additional factors exacerbate the countries' high vulnerability: high

out-of-pocket spending on health and spending of less than 1 per cent of GDP on social protection. Thus, poor people in these countries—home to 15 per cent of Africa's population—are vulnerable to staying in poverty.

Groups E and G (high vulnerability and high poverty). The contrast between Group E (with 6 countries) and Group G (with 15 countries) reveals the drivers of poverty and vulnerability in Africa. The countries in Group G, with 49.1 per cent of Africa's population and the largest number of countries, are in the Sahel and feature agro-climatic vulnerabilities and a high fertility rate (4.5 births per woman).

The difference between the two groups arises in the indicators that relate to employment and skills (circled in red in table 4.4)—informal employment and the share of working poor people are considerably lower in Group E than in Group G, and the share of the skilled workforce in total employment is much higher. This points to higher worker productivity and may explain the higher mean consumption and average GDP per capita in Group E countries, even though the poverty headcount ratio for both groups is similar. Therefore, policy recommendations vary from country to country depending on each country's standing along the poverty and vulnerability axes. No countries fall into the very high poverty/low poverty axes, as shown in the three blank boxes of figure 4.12.

Table 4.4 Average values interconnected factors across country groups

Country group ^a	Population (thousand)	P0	Mean consumption of people whose consumption is less than \$1.90 a day (\$)	Employment to population ratio (%)		Vulnerable employment (48) (%)	Working poor people (% of total employment) (46)	Skilled labour force (41)	GDP per capita, 2019 (current international \$ in purchasing power parity terms)	GDP contraction (%)	Dependency ratio	Internet penetration (%)	Human Capital Index value
				Youth (ages 15–24)	Adult (ages 25 and older)								
A (11)	237,330	4.2	1.44	24.2	55.8	30.1	1.8	47.3	12,909	9.0	0.58	56	0.50
D (7)	136,330	16.8	1.34	18.8	51.7	47.6	10.8	28.0	7,258	8.0	0.69	36	0.41
E (6)	64,828	38.7	1.79	22.4	57.1	62.4	28.7	26.4	4,543	4.9	0.82	32	0.41
F (8)	196,774	66.1	0.99	46.4	76.1	85.0	64.9	17.1	1,668	4.6	1.23	17	0.36
G (15)	643,549	41.2	1.30	41.8	70	80.9	37.1	17.3	2,885	5.5	0.86	35	0.38
I (2)	32,082	63.6	1.15	45.8	68.9	64.1	56.5	17.3	1,716	5.6	0.79	30	0.40

Note: Numbers in parentheses are the number of countries in the group.

a. See figure 4.12.

Source: ECA calculations.

The analysis of these country groups suggests two main conclusions. First, poverty, depth of poverty and vulnerability are interconnected, so development policy needs to address them together. Second, countries with low dependency ratios, a highly educated labour force, the capacity to generate jobs and high-quality internet infrastructure to support a digital economy are likely to experience low poverty and reduced vulnerability, suggesting a strong ability to manage risks—countries in Groups A and D. The opposite is the case for countries without these critical attributes, such as those in Groups E, F, G and I.

Complementarity between hedging against risks for non-poor people not to fall into poverty and orthodox ex-ante poverty reduction strategies is critical, especially given that 40 per cent of poor people in Africa live in transient poverty and the likelihood of their increasing in number through exogenous shocks like the COVID-19 pandemic. Further, given the scale of informality, lack of adequate social protection and employment opportunity as an exit strategy, hedging against risks to reducing poverty and vulnerability remain fundamental features of African labour markets.

CONCLUSION

This chapter has emphasized that a large share of the population in Africa was vulnerable to poverty before the COVID-19 pandemic and that the pandemic has intensified these vulnerabilities. Vulnerability is an expectation of future poverty based on conditions prevailing at the baseline. Risks in social, economic, health, environmental and other dimensions that households face at a given time determine their vulnerability to poverty in the future. With the pandemic, households face greater risks than before.

The worsened conditions of the COVID-19 pandemic caused many people who were vulnerable before the pandemic to become poor in 2020. And many people who avoided falling into poverty despite the shock of COVID-19 are now vulnerable to future poverty because the pandemic increased household risks; their vulnerability to poverty might become actual poverty in 2021. Forecasts by ECA, the African

Development Bank and the World Bank suggest that poverty is likely to increase, reversing gains since 2002. While these forecasts are based on macroeconomic estimates, the reduction of household risks will determine whether current vulnerability translates into actual poverty.

Entering 2022, many households will have depleted their resources to cope with prolonged impacts of the COVID-19 pandemic, as well as other risks and shocks that might have arisen even without the pandemic. The pandemic has highlighted the state's role in managing covariate risks. Governments responded initially with fiscal and monetary stimulus to mitigate risks and have addressed health shocks. Their attention is now on accessing vaccines for their populations. The next chapter develops a dashboard to assist countries in identifying areas that need attention and in monitoring progress to better manage covariate and idiosyncratic risks.

Annex table 4.1 Risk management strategies

Objective	Informal mechanisms		Formal mechanisms	
Reducing risk	<ul style="list-style-type: none"> Preventive health practices Migration More secure income sources 	<ul style="list-style-type: none"> Collective action for infrastructure, dikes, terraces Common property resource management 		<ul style="list-style-type: none"> Sound macroeconomic policy Environmental policy Education and training policy Public health policy Infrastructure (dams, roads) Active labour market policies
Mitigating risk				
Diversification	<ul style="list-style-type: none"> Crop and plot diversification Income source diversification Investment in physical and human capital 	<ul style="list-style-type: none"> Occupational associations Rotating savings and credit associations 	<ul style="list-style-type: none"> Savings accounts in financial institutions Microfinance 	<ul style="list-style-type: none"> Agricultural extension Liberalized trade Protection of property rights
Insurance	<ul style="list-style-type: none"> Marriage and extended family mutual support Buffer stocks 	<ul style="list-style-type: none"> Investment in social capital (networks, associations, rituals, reciprocal gift giving) 	<ul style="list-style-type: none"> Old age annuities Accident, disability, and other insurance 	<ul style="list-style-type: none"> Pension systems Mandated insurance for unemployment, illness, disability and other risks
Coping with shocks ^a	<ul style="list-style-type: none"> Sale of assets Loans from money lenders Child labour Reduced food consumption Seasonal or temporary migration 	<ul style="list-style-type: none"> Transfer from networks of mutual support 	<ul style="list-style-type: none"> Sale of financial assets Loans from financial institutions 	<ul style="list-style-type: none"> Social assistance Workfare Subsidies Social funds Cash transfers

Note: The light shaded area shows household and community responses through informal mechanisms to improve risk mitigation and coping. The dark shaded area shows publicly provided mechanisms for insuring against risk and coping with shocks—the social safety net.

a. Publicly provided coping mechanisms can also serve risk mitigating purposes if they are permanent.

Source: World Bank (2020).

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CHAPTER 5.

IMPROVING RISK MANAGEMENT AND BUILDING RESILIENCE



EXPENDITURE ON SOCIAL ASSISTANCE
(average per capita)

AFRICA \$ 10
WORLD \$ 197

KEY MESSAGES



Risk management is vital in poor and low-income households given the multitude of risks they face.

Any strategy for strengthening resilience to future shocks needs to focus on the vulnerabilities that young people face.

22 million non-poor

people highly exposed to risks from the COVID-19 pandemic

5.2 million non-poor

face less exposure to risks because GDP per capita is higher, health spending and health infrastructure are above average, lower-secondary school completion rates are 70%–80% and internet penetration is high

Egypt

has strong fundamentals likely to help its 2.2 million vulnerable people

1.7 million vulnerable

people in Sudan are not well placed to manage risks from the COVID-19 pandemic

Key Messages

1. This chapter develops a dashboard to monitor indicators that track progress on risk management. The dashboard covers reducing risks, which lowers ex-ante the probability of adverse shocks; mitigating risks, which insures against the adverse effects of a shock once it occurs; and coping with risks, which provides resilience against future shocks. The dashboard highlights the need for closer national analysis of risk profiles to extract key, country-specific policy recommendations.
2. Nearly 22 million non-poor people from 12 countries who have average daily consumption within 10 per cent of the poverty line are highly exposed to risks from the COVID-19 pandemic. These countries are in the bottom terciles on at least four of the five indicators for risk reduction—health spending, health infrastructure, education spending, lower-secondary completion rate and internet penetration—greatly increasing ex-ante risks. These 12 countries stand in sharp contrast to Egypt and Kenya, where state provision of these essential services is much better, thus reducing exposure to risks.
3. Given Africa’s demographics, with large shares of young and working-age people, any strategy for strengthening resilience to future shocks needs to focus on the vulnerabilities that young people face. It is therefore imperative that access to targeted social protection, active labour market programmes, investment in human capital development and entrepreneurship opportunities become the cornerstone of risk reduction strategies addressing idiosyncratic risks, especially among young people.

INTRODUCTION

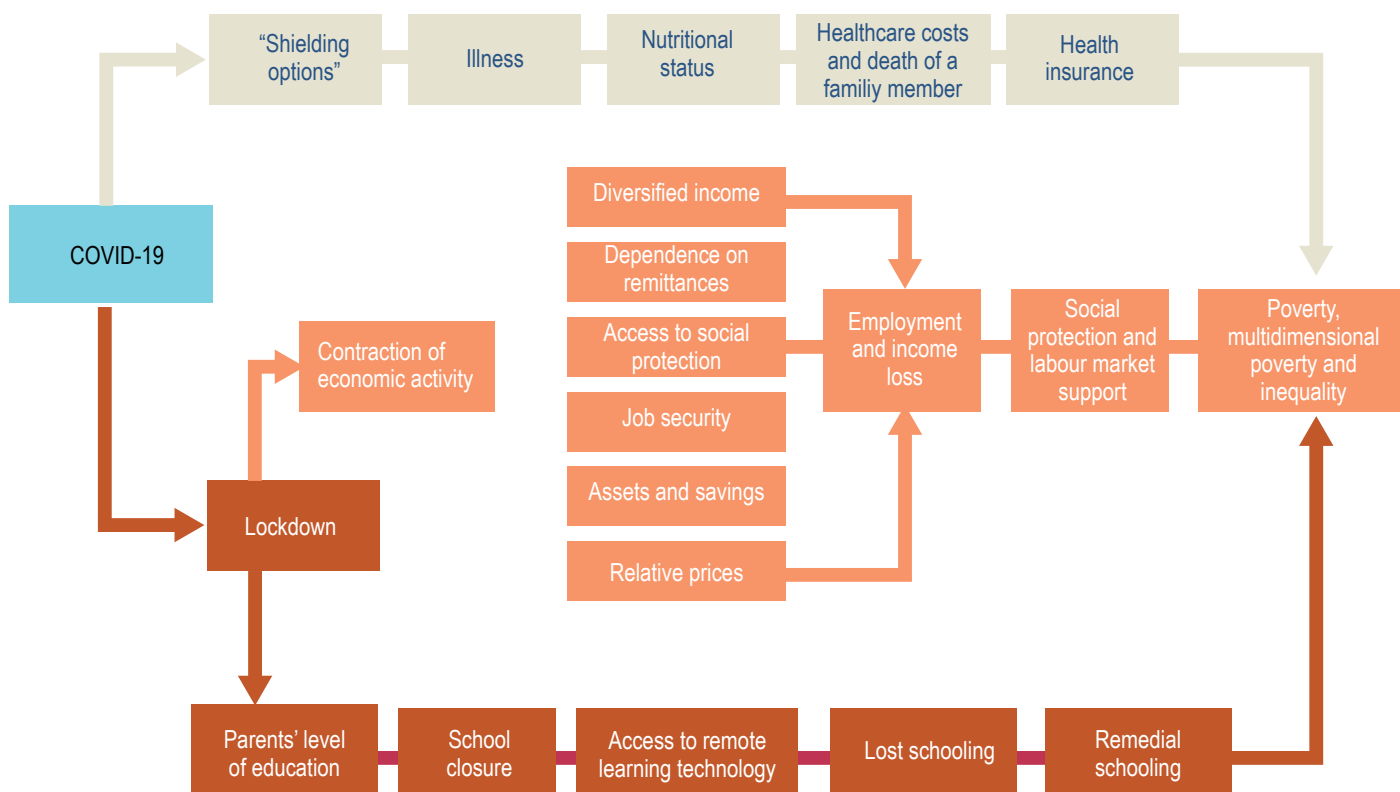
Chapter 4 highlighted consumption volatility and showed that most poor households move in and out of poverty. Consumption volatility is a consequence of households' insufficient capacity to manage risks and has been amplified by the COVID-19 pandemic. This chapter therefore presents a simple, colour-coded dashboard to monitor progress in improving vulnerable households' risk management and in including vulnerability in anti-poverty programmes in order to strengthen households' resilience against future shocks.

THE VULNERABILITY-POVERTY-RESILIENCE FRAMEWORK

This chapter presents the concepts of vulnerability, poverty and resilience in a common framework so that suitable policies for sustained and rapid poverty reduction encompass vulnerability (ex-ante) and resilience (ex-post). It is costly not to do so. Whether individuals can manage risks and exit poverty depends on the state (government policies), market (including labour market interventions) and individual human agency.

Figure 5.1 extends the static poverty framework discussed earlier into a vulnerability-poverty-resilience framework and displays the same three channels of transmission—illness, contraction of income and lost schooling due to school closures. It also introduces sources of vulnerability and resilience in green. (Some of the effects are ex-ante because they existed before the COVID-19 pandemic.)

Figure 5.1 The vulnerability-poverty-resilience framework for the socioeconomic impact of the COVID-19 pandemic on household well-being



Source: ECA (2020).

RESILIENCE

In the health transmission channel, exposure to COVID-19 risks is not uniform. It depends on whether people can shield themselves, which differs by, for example, the nature of their work and the quality of their housing. Pre-existing nutrition and health status affects resilience to the virus. Expanding health insurance coverage would also strengthen resilience.

In the economic transmission channel, the shock from the COVID-19 pandemic is exacerbated by pre-existing vulnerabilities to income—specifically, the extent of income diversification and dependence on remittances, given that labour mobility is restricted. Access to social protection—particularly when non-means tested—supports resilience, such as old-age allowance. Job security, especially when formal, is an important pre-existing vulnerability to having employment hours cut, wages reduced or being laid off. Assets and savings help in coping with the economic shock.

In the education channel, parent education is a source of resilience when schools shut and children depend on home-schooling. Access to remote learning, such as through online tools, helps mitigate some of the impact for some children but requires internet access. Remedial schooling could help build resilience in learning in the coming years.

In addition, the COVID-19 pandemic has exposed existing vulnerabilities that risk amplifying the pandemic's effect in Africa. Many countries were hit hard by the collapse in commodity prices and slowdown in global demand, which hurt export performance and net financial inflows. The decline in foreign direct investment and high debt service payments further contributed to fragile fiscal situations, leaving many countries with very little fiscal space to confront the effects of the pandemic.

How much a country or household is at risk of being hurt by an external shock depends not only on its vulnerability but also its resilience. Resilience refers to the ability to cope with or recover from a shock (Bruguglio et al., 2006)—that is, movement out of poverty. The aphorism “building forward better” is predicated on the concept of resilience.

Economists have distinguished between ex-ante and ex-post coping strategies. Ex-ante, households attempt to diversify sources of income, and ex-post, households often rely on various forms of insurance to reduce the negative impact of the event (for example, Dercon, 2005; Fafchamps, 2003). Both sets of strategy require policy support in the form either of access to public goods, such as healthcare, education and social protection, or to labour-market-based interventions, in addition to individual agency through, for instance, personal or household savings and social capital to boost resilience.

Coping capacity in this sense can broadly be understood as “resilience” and as such cannot be thought of as distinct from vulnerability. Resilience and vulnerability do not represent opposite ends of the spectrum; rather, they form part of the same equation (Sumner and Mallett, 2011). Resilience is a set of capacities that enables households to remain out of poverty over the long term, even in the face of shocks and stresses. It requires the ability of individuals, households, communities, systems and countries to reduce, mitigate, adapt to and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates inclusive growth.

The decline in foreign direct investment and high debt service payments further contributed to fragile fiscal situations, leaving many countries with very little fiscal space to confront the effects of the pandemic.

TRACKING RISK MANAGEMENT

Better risk management to address vulnerability entails risk reduction, risk mitigation and risk coping—or resilience (table 5.1). Resilience is concerned with more than the immediate impact of a shock; it also responds to the dynamics of moving into and out of poverty and strengthens the capacity to maintain well-being in the face of risk manifested in a range of anticipated or unanticipated shocks (Barnett and Skees, 2008). Indicators for monitoring progress in risk management fall into three categories.

- **Risk reduction** is the ex-ante reduction of the probability of adverse shocks. Reducing the probability typically increases expected income and reduces income variability.
- **Risk mitigation** is insuring against the adverse effects of a shock once it occurs. These strategies are adopted before the shock occurs. Various strategies are available to households to reduce the potential impact of shocks.

- **Risk coping** (or resilience against future shocks) relieves the impact of a shock once it has occurred. Common coping strategies include reducing consumption, selling assets, seeking help from friends and family, borrowing, working longer hours and relying on support from government programmes. Some adverse coping strategies, such as pulling children out of school, may have grave long-term consequences and make a household susceptible to future adverse shocks or poverty. Here, risk coping is an ex-post strategy that can reduce the likelihood of future risk and thus become an ex-ante risk reduction strategy before the next shock.

A better assessment of the risks facing individuals and households will help in devising suitable policies to reduce poverty and vulnerability. Five indicators each are used to monitor risk reduction and risk mitigation, and four indicators are used to monitor risk coping. The choice of the 14 indicators may seem arbitrary, but it is rational.

Table 5.1 Monitoring progress in risk management

	Risk reduction	Risk mitigation	Risk coping (resilience)
Purpose	Ex-ante reduction of exposure to risk	Ex-ante implemented strategies for ex-post reduction of impact ("insurance")	Ex-post reduction of impact after the occurrence of the shock ("resilience")
Strategy	Investments in education, health, infrastructure and technology	Health insurance, formal employment and access to decent wages	Social assistance or social protection
Indicators	<ul style="list-style-type: none"> • Current health spending per capita (\$ in purchasing power parity terms) • Skilled health personnel (per 10,000 population) • Government spending on education (% of GDP) • Lower-secondary education completion rate • Internet penetration (internet users as % of population) 	<ul style="list-style-type: none"> • Out-of-pocket spending on health per capita (\$ in purchasing power parity terms) • Share of women with a bank account (%) • Vulnerable employment (% of total employment) • Skilled labour force (% of total labour force) • Employment-to-population ratio (ages 25 and older) 	<ul style="list-style-type: none"> • Public spending on non-health social protection (% of GDP) • Social protection coverage (% of population receiving at least one contributory or non-contributory cash benefit) • Ratio of youth employment (ages 15–24) to working-age population • Share of young people not in education, employment or training (%)

Source: ECA (2020); World Bank (2001).

Indicators are divided into three equal parts, or terciles: a top, middle and bottom third. But instead of having an approximately equal number of countries in each part, the parts are equal subdivisions of the range. This allows a crude assessment of a country's performance relative to others.

Risk reduction

Risk-reduction strategies minimize the downside variance in income and increase overall expected average income. Common strategies include investments in health and education infrastructure and in technology solutions. Improving health service delivery and access to healthcare, including public health measures, can reduce morbidity rates and reduce the spread of disease and infection. The selection of the indicators is because health and education are key drivers of labour productivity, and their specificity is internationally acknowledged to capture policy and outcomes. Internet penetration provides infrastructure and access to communication technologies that are particularly relevant in selected African countries to provide services that reduce cost of delivery and improve targeting of poverty reduction programmes.

Five indicators measure the effectiveness of reducing risks (see table 5.1): health spending per capita, skilled health personnel per 10,000 population, government spending on education as a percentage of GDP, secondary education completion rates and internet penetration as percentage of the population. All five are important factors to consider in a risk reduction strategy.

Risk mitigation

Risk-mitigation strategies are implemented before a shock and reduce the impact once it occurs. Households diversify their livelihood strategies to minimize the impact of the risk. For instance, health insurance helps minimize the impact of

the shock of an illness by providing replacement income. Formal employment, a decent wage and access to social insurance can help mitigate the adverse impact of a shock, as often seen with a skilled labour force and a high adult employment-to-population ratio. (Domestic and international migration are also important risk mitigation strategies but are not considered in the dashboard because of limited data.)

Five indicators measure the effectiveness of mitigating risks:

1. **Out-of-pocket spending on health per capita.** This usually indicates absence of health insurance, so the higher the amount, the higher the risk of falling into poverty.
2. **Share of women with a bank account.** Access to banking services enables women to accumulate savings and improve their productive capacity. During a crisis, access to banking services enables social assistance benefits to be directly transferred to women and helps mitigate the impact of the crisis.
3. **Vulnerable employment.** People in vulnerable employment are often in informal work, characterized by inadequate earnings, low productivity and lack of social protection.
4. **Skilled labour force.** A reflection of the quality of the labour force, this indicator is generally characterized by the possession of at least a secondary education and skills acquired through training to perform complex tasks and the ability to adapt quickly to technological changes and thus to command higher wages.
5. **Employment-to-population ratio.** Showing the proportion of the adult working-age population in employment, this ratio provides information on an economy's ability to create jobs. Countries with low shares of vulnerable employment, high shares of a skilled labour force and a high adult employment-to-population ratio are likely to quickly emerge from the economic shock of a crisis.

Risk coping

Risk-coping strategies reduce the impact on households of shocks that they cannot protect themselves against, owing to lack of assets, lack of access to risk-coping instruments, or the nature and size of the shock.

Four indicators measure risk coping or building resilience:

- 1. Public spending on non-health social protection.** This reflects government spending on social protection programmes that reduce poverty and vulnerability by lowering people's exposure to, and enhancing their capacity to manage, economic risks.
- 2. Social protection coverage.** This is measured as the proportion of the total population receiving at least one contributory or non-contributory cash benefit.
- 3. Ratio of youth employment to working-age population.** The ratio of young people ages 15–24 who are employed to the working-age population reflects the population's ability to bounce back from a crisis. Countries with a high youth employment to working-age population ratio (and a low share of young people not in education, employment or training; see below) are likely to be resilient to future extraneous shocks.
- 4. Share of young people not in education, employment or training.** This indicator reflects a broad array of vulnerabilities among young people, touching on unemployment, early school leaving and labour market discouragement, and provides another perspective on the population's ability to bounce back from a crisis.

The dashboard in annex 5.1 uses three colours to visualize partial groupings of countries according to performance on these indicators (see annex 5.2 for details on groupings).

Findings from the dashboard

The dashboard yields several important observations:

- **Twelve countries are highly exposed to risk.** Nearly 22 million non-poor people in 12 countries (Angola, Chad, Côte d'Ivoire, Democratic Republic of the Congo, Ethiopia, Guinea, Madagascar, Malawi, Mauritania, Niger, Rwanda and Uganda) whose mean daily consumption is within 10 per cent of the poverty line are highly exposed to risk from the COVID-19 pandemic. These countries are in the bottom terciles on at least four of the five indicators for risk reduction, with low health and education spending, poor health infrastructure and lower-secondary school completion rates, and low internet penetration. These positions reflect the weakness of state provision of access to basic services that contribute greatly to increasing the risks ex-ante.
- **Two countries are moderately exposed to risk.** Egypt and Kenya, where 5.2 million non-poor people are within 10 per cent of the poverty line, face less exposure to risk because GDP per capita is higher, health spending and health infrastructure are above average, lower-secondary school completion rates are 70–80 per cent and internet penetration is high.
- **One country has strong fundamentals to assist its vulnerable population.** In Egypt, only 21 per cent of the working population is in vulnerable employment, 55 per cent of the labour force is skilled, social protection spending is nearly 10 per cent of GDP and more than 36 per cent of the population is covered by at least one social protection benefit. These indicators suggest that the country has strong fundamentals likely to help its 2.2 million vulnerable people (non-poor people whose consumption is within 10 per cent of the poverty line) manage the risks

arising from the COVID-19 pandemic. Still, much about the trajectory of the pandemic remains unknown, and the situation may change if the pandemic continues to affect key employment-intensive sectors such as construction and tourism.

- **One country has poor capacity to manage risks.** The 1.7 million vulnerable people in Sudan are not well placed to manage risk from the COVID-19 pandemic, as half the labour force are in vulnerable employment, less than a quarter of workers have sufficient skills and nearly a third of young people are not in education, employment or training. Thus, Sudan will require much fiscal support from donors to mitigate the pandemic's impact on its vulnerable population, and the recovery may last long after the pandemic ends.

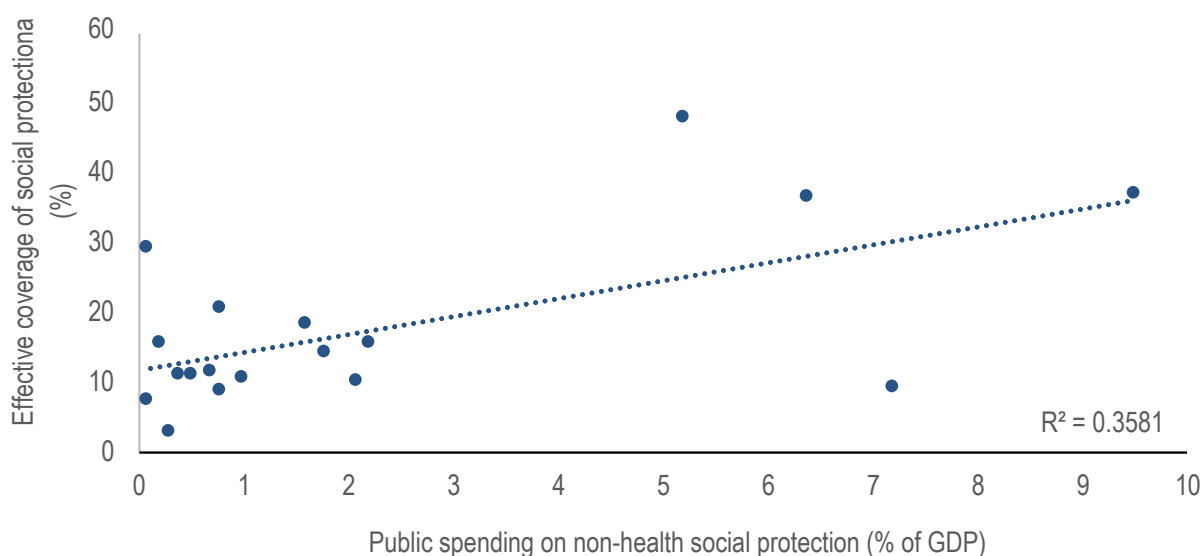
These findings show that measures of monetary vulnerability alone are not enough to explain higher COVID-19 incidence. Instead, understanding the links between labour markets and youth and gender variables better explains vulnerability to

the COVID-19 pandemic and consequently helps improve and target policy measures. Still, the dashboard highlights the need for more careful national analysis of risk profiles to extract key, country-specific policy recommendations.

IMPROVING RISK COPING

Providing social protection benefits to the vulnerable population can greatly assist in coping with the COVID-19 pandemic. Even though the average public spending on social protection (excluding health) as a share of GDP and its effective coverage are low, there is a strong positive correlation (0.60) between such spending and coverage (figure 5.2). But of 18 countries with data, 11 (Angola, Botswana, Burkina Faso, Cameroon, Democratic Republic of the Congo, Ethiopia, Kenya, Mozambique, Nigeria, Uganda and Zambia) have both low public spending (near or below 2 per cent of GDP) and low social protection coverage (less than 20 per cent).

Figure 5.2 Public spending on social protection and effective coverage show a strong positive correlation



a. The proportion of the total population receiving at least one contributory or non-contributory cash benefit.

Source: ECA calculations.

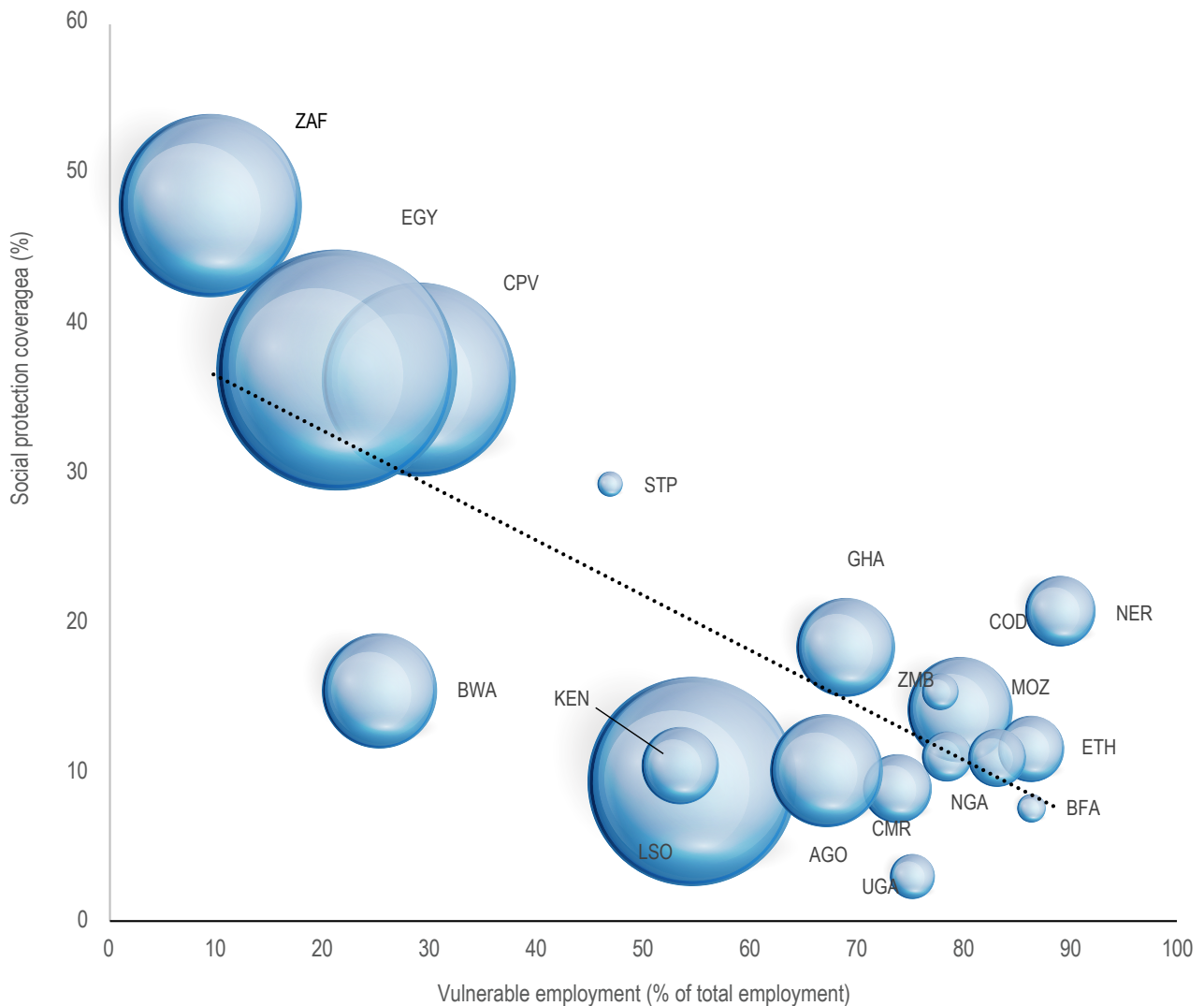
Financing social protection

In some countries, vulnerability has been increased by stringent government measures (see chapter 3), notably on poor and vulnerable people. These countries should increase access to social assistance, with an emphasis on vulnerable groups.

Gentilini et al. (2020) estimate that countries are spending an average of \$176 per capita on social protection measures in response to the COVID-19 pandemic, though the amount of spending varies by country, with South Africa, Egypt and Cape

Verde spending more on social assistance than their peers on the continent (figure 5.3; see also annex 5.1). Africa has spent the least of all global regions, \$10 per capita, largely on social assistance. The same estimates for per capita spending reveal that African countries, with about 17 per cent of the world's population, have spent \$8.36 billion, or little more than 1 per cent of the global total, on protecting people from the adverse economic impact of the pandemic.³ (Not all countries report data on spending, and some countries report on planned, not actual, spending.)

Figure 5.3 People in countries with highly vulnerable employment have the least access to social protection



a. The proportion of the total population receiving at least one contributory or non-contributory cash benefit.

Source: ECA (2020).

PROMOTING RECOVERY FROM THE COVID-19 PANDEMIC

Recovery from the COVID-19 pandemic shock will be greatly facilitated by how quickly people can go back to their jobs or find new ones. In 17 countries, two indicators—vulnerable employment and employment-to-population ratio—are relatively high (countries shown in red in annex 5.1), so going back to work may be hard for people who were in vulnerable employment before the pandemic.

Of the 22 countries, 15 countries are in a difficult economic situation. The economic crisis is particularly debilitating in Angola, Burkina Faso, Cameroon, Ethiopia, Mozambique and Nigeria. The vulnerable population in these countries has access to only limited social protection. Nine other countries (Côte d'Ivoire, Eswatini, the Gambia, Liberia, Mauritania, Niger, Senegal, Sierra Leone and Zimbabwe) lack data on social protection coverage, but the other indicators remain a cause for concern. People in all 15 countries have few prospects for employment, reflected in a high rate of vulnerable employment and a low employment-to-population ratio and mostly low skilled labour force. In these countries, recovery from the COVID-19 pandemic will be difficult and could take longer than expected.

Building resilience against shocks from fluctuations in the world economy

The COVID-19 pandemic has exposed the continent's vulnerability to external shocks. With most African countries depending heavily on exports of unprocessed commodities and minerals, many were hit hard by the collapse in commodity prices and slowdown in global demand. These countries already had to contend

with limited public and private investment, high debt, fragile fiscal balances, political instability and sometimes other long-standing crises. Owing to these structural challenges, many countries had very limited policy space to tackle the pandemic. Measures to protect against these external shocks must be part and parcel of a vulnerability-poverty-resilience framework.

Building resilience against future shocks

Given Africa's demographics, with large shares of young and working-age people, any strategy for strengthening resilience to future shocks needs to focus on the vulnerabilities that young people face.

As expected, the two youth-focused indicators (ratio of youth employment to working-age population and share of young people not in education, employment or training) are strongly negatively correlated (-0.72). The share of young people not in education, employment or training is more than 40 per cent in Mauritania and about 33 per cent in Botswana, Cabo Verde, Côte d'Ivoire, Djibouti, Eswatini, the Gambia, Ghana, Namibia, Senegal, South Africa and Sudan.

In Côte d'Ivoire, Mauritania, Senegal and Sudan, both youth-focused indicators (ratio of youth employment to working-age population and share of young people not in education, employment or training) are in the bottom tercile, suggesting that young people in these countries are likely to remain outside the formal job market. Urgent efforts are therefore required to build young people's skills, increasing human capacity and labour productivity.

CONCLUSION

The dashboard crafted for this chapter is useful for developing anti-poverty programmes and enabling governments to strengthen households' resilience against future shocks. Such risk management is vital in poor and low-income households given the multitude of risks they face. Indeed, households' coping strategies often have adverse implications for vulnerability and poverty. Poor households are frequently unable to avoid many risk sources or to evade the full brunt of shocks.

Reducing risks and building resilience against future shocks require ability at all levels—individuals, households, communities, systems and countries—to reduce, mitigate, adapt to and recover from shocks and stresses in a manner that reduces chronic vulnerability and facilitates

inclusive growth. A combination of state provision of public goods such as access to healthcare, education and social protection; market-driven interventions such as in the labour market; and other complementary government actions to stimulate the economy are the cornerstone of any recovery strategy. Governments must have strong planning capacity and effective institutions that can prepare for the “unknowns,” mobilize resources and spring into action when an emergency hits. Planning must therefore focus on crisis prevention rather than crisis management because being reactive is too costly in human and financial resources. It is impossible to prevent all crises, but greater investment in coping mechanisms and scenario planning is needed in Africa.

Annex 5.1 Dashboard for tracking progress on risk management

Country	POVERTY AND VULNERABILITY		REDUCING RISKS (5 indicators)					MITIGATING RISKS (5 indicators)					COPING WITH RISKS (4 indicators)			
	Poverty headcount ratio ^a	Population most vulnerable to falling into poverty ^b	Health spending per capita	Health infrastructure (skilled health personnel)	Education spending, 2017-2019	Lower-secondary completion rate, 2014-2019	Internet penetration (internet users)	Out-of-pocket spending on health per capita	Share of women with a bank account, 2017	Vulnerable employment ^f	Skilled labour force ^g , 2015-2018	Employment-to-population ratio (ages 25 and older)	Public spending on non-health social protection ^e , most recent year available	Social protection coverage ^h	Ratio of youth employment (ages 15-24) to working-age population	Young people not in education, employment or trainings ⁱ
Algeria	0.5	0.2	963	31.2			58.0	314	29.3	26.8	40.4	42.1	4.8		18.9	21.0
Egypt	3.2	2.2	614	22.5		80.2	48.1	382	27.0	21.3	54.9	48.2	9.5	36.9	17.9	27.6
Libya				90.0			74.2		59.6	5.7		49.9	4.4		8.4	31.9
Mauritania	6.0	1.7	190	7.9	1.9	46.1	20.9	99	15.5	52.8	5.8	51.6	3.3		17.6	40.1
Morocco	1.0	0.6	467	14.9			64.3	219	16.8	48.8	18.7	47.1	4.5		20.6	22.1
Sudan	12.7	3.9	293	42.2		51.2	29.9	194	10.0	40	22.8	51.9			18.1	32.3
Tunisia	0.2	0.2	912	39.6		74.2	66.8	355	28.4	20.6	54.9	44.1	10.7		18.4	24.9
North Africa subregion	3.9	1.5	573.2	35.5	1.9	62.9	52.0	260.5	26.7	30.9	32.9	47.9	6.2	36.9	17.1	29.2
Benin	49.5	5.5	83	7.5	2.9	74.2	31.4	37	28.6	88	17.1	84.4	1.5		40.0	14.6
Burkina Faso	43.7	7.4	112	6.8	5.4		17.7	40	34.5	86.4	3.9	72.7	0.1	7.5	47.1	23.2
Cabo Verde	3.2	1.4	400	20.4	5.2		63.3	112		28.8	59.8	62.2	6.4	36.2	24.9	31.3
Côte d'Ivoire	28.2	5.3	176	6.2	3.3	28.3	45.3	69	35.6	72.4	25.5	65.5	0.2		27.4	35.3
The Gambia	10.1	3.6	81	17.3	2.4	45.8	18.3	24		72.3	12.3	64.3		6.1	35.7	33.2
Ghana	13.3	2.4	168	10.2	4	47.4	37.8	63	53.7	28.9	28.6	77.4	1.6	18.3	37.5	31.0
Guinea	35.3	6.9	109	4.4	2.3	26.3	18.4	66	19.7	89.9		70.7	0.5		39.5	22.4
Guinea-Bissau	67.1	4.8	123	7.3		17.1	12.7	92		78.4		80.7			49.6	17.8
Liberia	40.9	6.4	12,643	4.8	2.6		12.3	5,283	28.2	77.7	21.1	84.0	0.4		54.1	13.3
Mali	49.7	6.1	90	5.3	3.8	27.5	61.6	31	25.7	89.6	4.7	73.2	3.2		49.4	26.1
Niger	44.5	6.4	78	1.6	3.5		11.5	38	10.9	89	1.8	78.6	0.8	20.6	61.1	26.0
Nigeria	53.5	6.2	233	18.3		62.5	61.2	178	27.3	78.4	35.2	63.2	0.4	11.0	27.8	27.2
Senegal	38	5.6	146	3.8	4.8	29.6	58.2	82	38.5	65.1	10.9	51.5	3.0		25.9	37.8
Sierra Leone	40.1	6.9	257	3.4	7.7	44.1	13.1	115	15.4	86.3	15.2	71.0	1.5		25.5	11.4
Togo	49.8	3.7	109	3.6	5.4	47.5	12.2	62	37.6	77.4	47.6	73.3	0.5		23.4	10.3
West Africa subregion	37.8	5.2	987.3	8.1	4.1	40.9	32.0	419.5	29.6	73.9	21.8	71.5	1.5	16.6	37.9	24.8
Cameroon	23.8	3.7	134	6.0	3.1	47.2	23.1	101	30.0	73.8	19.8	85.1	0.8	8.7	51.7	17.0
Central African Republic	66.3	3.6	97	3.0			13.6	40	9.7	93.6		80.4	0.3		51.2	20.5
Chad	38.4	5.1	79	3.5	2.5	13.9	6.3	49	14.8	93.1		79.6	0.1		52.8	21.6
Republic of Congo	37.0	4.0	125	10.5	5.5	50.6	13.3	66	21.0	76.9	43.1	76.9	0.2		33.0	19.4

Country	POVERTY AND VULNERABILITY		REDUCING RISKS (5 indicators)					MITIGATING RISKS (5 indicators)					COPING WITH RISKS (4 indicators)			
	Poverty/headcount ratio ^a	Population most vulnerable to failing into poverty ^b	Health spending per capita	Health infrastructure (skilled health personnel)	Education spending, 2017-2019	Lower-secondary completion rate, 2014-2019	Internet penetration (internet users)	Out-of-pocket spending on health per capita	Share of women with a bank account, 2017	Vulnerable employment ^c	Skilled labour force, 2015-2018	Employment-to-population ratio (ages 25 and older)	Public spending on non-health social protection, ^e most recent year available	Social protection coverage ^f	Ratio of youth employment (ages 15-24) to working-age population	Young people not in education, employment or training ^g
Equatorial Guinea			697				25.4	525		55.8		70.0			26.2	24.9
Gabon	3.4	0.7	491	33.0			58.8	113	53.7	31.5	35.5	53.9			11.9	30.3
São Tomé and Príncipe	34.5		214		5.1	33.8	29.1	32		46.9		61.9	0.1	29.1	27.4	22.8
Central Africa subregion	33.9	3.4	262.3	11.2	4.1	36.4	24.0	132.3	25.8	67.4	27.7	72.5	0.3	18.9	36.3	17.0
Burundi	71.8	4.0	66		5.1	27.2	9.7	17	6.7	94.7	2.5	92.1	0.2		52.1	4.3
Comoros	17.6	3.6	134				20.5	100	17.9	64.6		56.1			12.4	27.3
Democratic Republic of the Congo	76.6	3.3	31	10.5	1.5	54.4	8.3	13	24.2	79.7	43.1	76.5	1.8	14.1	32.6	21.9
Djibouti	17.1	2.8	135	7.9	3.7		55.5	39	8.8	47.3		61.6	2.0		30.8	33.2
Eritrea			74				8.3	36		78.2		80.0			60.7	25.6
Ethiopia	30.8	6.3	67	2.8		21.4	17.8	24	29.1	86.0	6.8	83.2	0.7	11.6	67.9	11.2
Kenya	36.8	5.5	179	17.9	5.3	70.5	87.2	42	77.7	53.5	40.5	89.4	1.0	10.4	39.4	14.7
Madagascar	77.6	2.9	79	3.6	2.8	26.5	9.5	22	16.3	85.3	18.5	91.2	1.0		71.8	5.7
Rwanda	55.5	5.3	170	9.0	3.1	27.9	46.2	18	45.0	68.7	17.1	92.4	4.4		62.6	5.3
Seychelles	1.1	0.1	1,549	54.2			72.5	365			94.2		6.0			
South Sudan	42.7	3.6	114				7.9	25	4.7	87.3		71.1			49.3	20.3
United Republic of Tanzania	49.1	6.2	112	4.4	3.7	28.7	38.7	27	42.2	82.7	5.0	88.8	0.2		68.6	16.7
Uganda	41.7	5.7	139	7.4	2.1	26.2	40.4	53	52.7	75.2	37.1	81.0	0.3	2.9	49.8	16.7
East Africa subregion	43.2	4.1	219.1	13.1	3.4	35.4	33.0	60.1	29.6	75.3	29.4	80.3	1.8	9.8	49.8	13.8
Angola	47.6	4.5	165	15.9		36.5	21.5	61	22.3	67.1	10.2	86.4	2.1	9.9	47.0	9.6
Botswana	16.1	3.5	1,089	31.1			47.5	36	46.8	25.3	34.0	70.0	2.2	15.4	28.1	35.0
Eswatini	28.4	4.4	696	15.3		50.5	57.3	78	27.4	32.9	17.9	54.6	1.2		13.5	36.2
Lesotho	26.9	4.3	309		7.0	26.6	31.9	50	46.5	54.7		61.4	7.2	9.2	28.2	30.1
Malawi	70.3	5.3	120	3.5	4.7	21.8	14.2	13	29.8	59.5	18.0	81.5		21.3	56.1	9.3
Mauritius	0.2	0.2	1,381	53.5	4.7		67.0	670	87.1	16.3	61.1	59.2	6.8		31.8	21.3
Mozambique	62.9	3.9	118	4.6	5.5		20.9	11	32.9	83.1	7.0	86.2	0.5	11	57.4	17.7
Namibia	13.4	2.5	883	31.3			53.0	74	80.7	24.8	67.0	60.9	1.2		18.2	33.9
South Africa	18.9	2.9	1,129	60.5	6.5	87.7	55.0	87	70.0	9.7	51.2	49.2	5.2	47.8	10.9	32.7
Zambia	57.5	3.1	208	9.8	4.6	51.1	53.7	21	40.3	77.8	40.0	80.4	0.2	15.3	41.2	19.8
Zimbabwe	33.9	4.5	198	12.4	5.9	53.9	56.5	48	51.7	65.6	13	84.8	3.5		67.9	16.0

Country	POVERTY AND VULNERABILITY		REDUCING RISKS (5 indicators)					MITIGATING RISKS (5 indicators)					COPING WITH RISKS (4 indicators)			
	Poverty/headcount ratio ^a	Population most vulnerable to falling into poverty ^b	Health spending per capita	Health infrastructure (skilled health personnel)	Education spending, 2017–2019	Lower-secondary completion rate, 2014–2019	Internet penetration (internet users)	Out-of-pocket spending on health per capita	Share of women with a bank account, 2017	Vulnerable employment ^c	Skilled labour force ^d 2015–2018	Employment-to-population ratio (ages 25 and older)	Public spending on non-health social protection, ^e most recent year available	Social protection coverage ^f	Ratio of youth employment (ages 15–24) to working-age population	Young people not in education, employment or training ^g
	%	%	\$ in purchasing power parity terms	per 10,000 population	% of GDP	%	% of population	\$ in purchasing power parity terms	%	% of total employment	%	% of GDP	% of population	%	%	
Southern Africa sub-region	34.2	3.6	572.4	23.8	5.6	46.9	44.0	104.5	48.7	47.0	31.9	70.4	3.0	18.6	36.4	22.4
AFRICA AVERAGE	33.8	3.9	562.1	17.0	4.2	42.9	36.0	206	33.3	61.9	28.0	70.2	2.4	17.2	37.3	21.8

Note: Red cells denote countries in the bottom third for performance, yellow cells the middle third and green cells the top third. Empty cells reflect data gaps. In the 17 countries in red, where vulnerable employment and employment-to-population ratios are relatively high, going back to work may be hard for people who were in vulnerable employment before the COVID-19 pandemic. For the remaining 34 countries, one of the two indicators provides a more specific feature of importance in assessing vulnerability in the labour market and how high public spending on social protection and high social protection coverage before the pandemic have mitigated the effect.

- a. Proportion of population with income or consumption below \$1.90 in purchasing power parity terms a day. Data are from the World Bank's World Development Indicators database (World Bank, 2020).
- b. Population with mean consumption of \$1.90–\$5.50 in purchasing power parity terms a day. Data are from the World Bank's World Development Indicators database (World Bank, 2020).
- c. Employed people engaged as unpaid family workers and own-account workers. Data are from the International Labour Organization's ILOSTAT database (ILO, 2020).
- d. Members of the labour force ages 15 and older with intermediate or advanced education, as classified by the United Nations Educational, Scientific and Cultural Organization's International Standard Classification of Education. Data are from the International Labour Organization's ILOSTAT database.
- e. Data are from the International Labour Organization's World Social Protection database.
- f. Population receiving at least one contributory or non-contributory cash benefit. Data are from the International Labour Organization's World Social Protection database.
- g. Young people who do not have access to education or training and are unemployed.

Annex 5.2 Technical note on the colour-coded dashboard

The dashboard allows partial grouping of countries by indicator, a better approach than complete grouping by a composite measure, such as an index that combines multiple indicators after normalization. A complete grouping depends on how component indicators are combined, but a partial grouping does not require assumptions about normalization, weighting or the functional form of the composite index. A partial grouping may depend on the predefined values used as thresholds for grouping, such as what is considered good performance or a target to be achieved.

For each indicator in the dashboard, countries are divided into three groups, taking the entire range of values, with the minimum and maximum values at the two endpoints of the range. The range is then divided into three equal parts, or terciles: a top, middle and bottom third. But the parts are equal subdivisions of the range instead of there being an approximately equal number of countries in each part.

The intention is not to suggest thresholds or target values for the indicators but to allow a crude assessment of a country's performance relative to others. A country in the top third performs better than at least two-thirds of countries, for example.

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CHAPTER 6.

CONCLUSION AND POLICY RECOMMENDATIONS



COVID-19 is a once-in-a-century public health crisis having a massive impact on economies and societies worldwide. Governments face the dual challenge of protecting public health and minimizing the pandemic's economic and social effects, particularly on household welfare. Since the World Health Organization's declaration of the COVID-19 outbreak as a global pandemic on 11 March 2020, African governments have risen to that challenge.

Now, as African countries exit their self-imposed lockdowns and chart their recoveries, they need to put in place additional measures to accelerate the economic recovery and to ensure that the people pushed into poverty by the COVID-19 pandemic can also exit that status at the soonest. In addition, they must extend strategies to protect the well-being of the poorest and most vulnerable people and focus on ensuring sustainable economic recovery and resilience against future exogenous shocks. These strategies entail a range of policy options, from immediate social assistance and income support to long-term employment creation.

UNDERTAKING SHORT-TERM RISK-MITIGATION MEASURES

Governments, depending on their administrative capacity, should help people now by adopting measures that will prevent the COVID-19 pandemic from pushing vulnerable people into permanent poverty, while helping those in chronic poverty to exit it.

- **Identify vulnerable people rapidly and properly.** Ensuring that those directly affected by the COVID-19 pandemic are in fact the potential beneficiaries of government assistance is difficult. Direct income support verification, proxy means testing and propensity score matching have been used widely across Southern Africa for targeting cash-transfer recipients. These must now be rapidly adapted to fit the characteristics of newly vulnerable groups.
- **Roll out cash and in-kind transfers, especially for vulnerable groups and the informally employed.** Those facing job losses could be given cash transfers and wage subsidies to meet their immediate needs. Unemployment insurance could be temporarily improved by extending its duration, increasing the benefit amount or relaxing eligibility requirements. In addition, providing one-off monetary compensation for a fixed period is an option that Egypt used. Substantial targeted policies are needed to support vulnerable people, particularly those working in the informal sector, during the COVID-19 pandemic and to help them recover once it recedes. The roll-out of cash transfers needs to be linked to the participation of vulnerable groups in productive income-earning activities in the economy. The conditionality of cash transfers towards asset building linked to labour market demand needs to be implemented.

UNDERTAKING SHORT-TERM RISK-MITIGATION MEASURES

- Help people now by adopting measures that will prevent the COVID-19 pandemic from pushing vulnerable people into permanent poverty, while helping those in chronic poverty to exit it.
 - Identify vulnerable people rapidly and properly.
 - Roll out cash and in-kind transfers, especially for vulnerable groups and the informally employed.
 - Expand the use of digital platforms for identifying beneficiaries for social assistance
 - Other measures like tax relief for enterprises, short-term interest-free lending to businesses, rent controls and bans on evictions, and subsidies for drinking water and utilities.
- **Expand the use of digital platforms** for identifying beneficiaries for social assistance, especially those belonging to newly vulnerable groups; enhancing the transparency and accountability of cash transfers to vulnerable groups; and prioritizing accelerating payments to the beneficiaries.
 - **Other measures could include, for set periods:** tax relief for enterprises, short-term interest-free lending to businesses, rent controls and bans on evictions, and subsidies for drinking water and utilities.

MOVING TO LONG-TERM MEASURES TO REDUCE POVERTY AND BOOST RESILIENCE: GET THE DEVELOPMENT FUNDAMENTALS RIGHT

Economic growth is essential to reducing poverty. African countries must implement comprehensive macroeconomic, structural and social policies to stimulate economic recovery to achieve the Sustainable Development Goals. Targeted and coordinated monetary and exchange rate policies are needed to maintain the flow of liquidity and credit to the private sector. In addition, governments must strengthen their domestic resource mobilization to increase revenue and encourage the private sector to invest in the productive sectors. The countries that pursue sound economic policies, generate jobs and have lower youth and old-age dependency ratios than developed countries are likely to experience low poverty and less vulnerability, suggesting a strong ability to manage risks.

- **Introduce or expand gender-sensitive public**

policies. A multisectoral approach based on engagement with the private sector, especially small and medium enterprises, and seen through a gender lens is important in order to roll back vulnerable and informal employment, as are asset building, formal employment and healthcare coverage among women.

- **Leverage continental initiatives.** The African Continental Free Trade Area is a key business blueprint to “build forward better.” An internal African market of 1.3 billion people and \$3.4 trillion GDP presents huge economies of scale. In health alone, localized production, pooled procurement and quality assurance have demonstrated 43 per cent saving on a

MOVING TO LONG-TERM MEASURES TO REDUCE POVERTY AND BOOST RESILIENCE: GET THE DEVELOPMENT FUNDAMENTALS RIGHT

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budget of \$1.3 billion for maternal and child health products in nine participating countries through the Global Fund for Pooled Procurement Mechanism: 5–15 per cent efficiency gains through health delivery systems and a 10 per cent increase in local production (ECA 2019). Scaling up intra-Africa trade in other sectors and using it to build economic resilience through continental domestication are imperative.

ADOPTING SOCIAL PROTECTION AS AN INTEGRAL PART OF DEVELOPMENT POLICY

The COVID-19 pandemic has highlighted gaps in social protection coverage across the world, particularly in Africa, where public spending on non-health social protection is less than 1.1 per cent of GDP and 83 per cent of the working-age population does not receive even one social protection benefit. There is broad recognition worldwide that social protection measures can serve as powerful economic and social stabilizers, while stimulating aggregate demand in a crisis and beyond.

- **Establish cost-effective social protection programmes.** Rapid recovery from the COVID-19 pandemic and resilience to future shocks will be greatly enhanced when countries transform their ad hoc and temporary fiscal measures into comprehensive and fiscally sustainable social protection systems that reduce the burden of non-contributory social assistance on the treasury, especially in highly indebted countries. Specifically, recalibrating social protection towards those ages 15–64 and links to active labour market programmes have the dual effect of employment as an exit strategy from vulnerability and a shift from social assistance to a more sustainable, contributory social protection system.
- **Use digital platforms extensively to improve targeting and reduce the cost of administering social protection programmes.** Priority must be given to accelerated payments and, in some instances, to in-kind food support (as in Ghana). Creating a digitized cash transfer system for vulnerable households would help mitigate increased poverty, identify beneficiaries faster and more accurately, and improve governance.

ADOPTING SOCIAL PROTECTION AS AN INTEGRAL PART OF DEVELOPMENT POLICY

- Social protection measures can serve as powerful economic and social stabilizers, while stimulating aggregate demand in a crisis and beyond.
- Establish cost-effective social protection programmes.
- Use digital platforms extensively to improve targeting and reduce the cost of administering social protection programmes.

STRENGTHENING HEALTH SYSTEMS AND HEALTH INFRASTRUCTURE

Over the long term, countries should aim to build resilience by investing in health protection for all. This will not only improve health outcomes but also generate millions of jobs in providing healthcare services and in supplying related global and regional supply chains.

- **Undertake comprehensive health system reforms.** This entails upgrading health infrastructure and systems to strengthen technical and financial resilience to future pandemics. Besides the need to invest heavily in building up health infrastructure and expanding health services, governments should also seek to expand partnerships with the private sector, nongovernment organizations and philanthropic bodies. Such partnerships are critical for catalysing financial commitments and support from global, African and local businesses.

Comprehensive health system reform must also prioritize equitable access to healthcare services through risk pooling based on fair financing mechanisms, such as funding through tax levies and through contribution-based national health insurance schemes.

- **Build a supply of skilled health personnel and strengthen health infrastructure.** Skilled health personnel include doctors, nurses, laboratory technicians, virologists, infectious disease specialists, and testing and treatment specialists; health infrastructure includes hospitals, community-level clinics and state-of-the-art laboratories. Government schemes that indirectly promote good health practices—for example, by subsidizing water bills for key government workers and health personnel—are vital. From an operational perspective, such support might include recruiting temporary health workers for quarantine shelters and improving triage training and the orientation of health workers.

STRENGTHENING HEALTH SYSTEMS AND HEALTH INFRASTRUCTURE

- Aim to build resilience by investing in health protection for all.
- Undertake comprehensive health system reforms.
- Build a supply of skilled health personnel and strengthen health infrastructure.
- Create a new Africa Public Health Order.

- **Create a new Africa Public Health Order.** Governments support the Africa Centres for Disease Control and Prevention's call for a new Public Health Order that calls for continental collaboration to bolster African manufacturing capacity for vaccines, diagnostics and therapeutics and to strengthen the capacity of health institutions to tackle future pandemics on the continent. One key aspect of the new order is fully implementing the Africa Medicine Agency, whose aims are enhancing regulatory oversight and facilitating access to safe and affordable medicines across the continent. The recent ratification of the agency should stimulate greater intra-Africa trade in health products, complementing localized production and pooled procurement that will lower costs and improve welfare.

STRENGTHENING HEALTH EMERGENCY PREPAREDNESS AND RESPONSE

Many African countries lack sound national health emergency preparedness and response systems. The capacity to prepare for and respond to emergencies is weak at the national and local levels. Besides poor human capacity, the infrastructure and basic tools required to respond to a COVID-19-type pandemic, such as laboratories for testing and treatment, ventilators, oxygen and a basic supply of masks and gloves, are not readily available.

- **Build national health emergency preparedness and response systems.** These efforts must draw on lessons from the current pandemic to control the spread of future pandemics. They require systemic ability to identify and assess risks; assess national capacity to respond to risks; build human capacity; procure essential equipment and tools; and develop detailed plans for protection, prevention, mitigation and recovery. Chapter 5's dashboard will be useful in this area.
- **Strengthen institutional and human capacity.** National health emergency preparedness and response frameworks must bring together all key actors—including community groups, religious institutions, non-government organizations, philanthropic bodies, health professionals, law enforcement agencies, fire and rescue departments and social-service providers—to coordinate activities. The frameworks should aim to craft a shared understanding of the roles and responsibilities of all actors, from the president or prime minister's office down to the local fire station, enabling all actors to coordinate activities and share information. Governments also need to invest more in critical occupations, including epidemiologists, laboratory technicians, healthcare workers, researchers and infectious disease specialists.

STRENGTHENING HEALTH EMERGENCY PREPAREDNESS AND RESPONSE

- Build national health emergency preparedness and response systems.
- Strengthen institutional and human capacity.
- Build national industrial capacity to produce essential medical supplies.
- Construct communication and outreach strategies.

- **Build national industrial capacity to produce essential medical supplies.** National responses must focus on building domestic industrial capacity to produce such supplies. A strategy to repurpose manufacturing capacity during an emergency to produce these supplies is an important first step in fighting a virus, for example, and saving lives. In the COVID-19 pandemic, with the closing of borders to international trade, Ethiopia reoriented and repurposed some of its industrial parks to produce essential medical supplies.
- **Construct communication and outreach strategies.** Nationwide public communication and outreach strategies are vital for spreading important and timely government instructions on how to respond to a health emergency. Media outlets must work closely to broadcast regularly updated public health information. These strategies will make it easy for law enforcement institutions to keep public order and enforce government directives on the health emergency.

STRENGTHENING AFRICAN COOPERATION FOR VACCINE RESEARCH AND PRODUCTION

- The COVID-19 pandemic has intensified competition among some advanced countries for access to supplies and vaccines, contrary to the principle of global problems requiring global solutions, as argued, for instance, by the World Health Organization at the 2020 World Health Assembly. Africa needs to find its own solutions.
- **Build domestic capacity for vaccine production.** The African Union Commission and the Africa Centres for Disease Control and Prevention launched the Partnerships for African Vaccine Manufacturing on 12–13 April 2021. The centres will lead the initiative to meet the African Union's aim to manufacture on the continent about 60 per cent of its vaccines by 2040. To achieve this ambitious goal, the centres will have to take bold decisions and ensure that member states take concrete actions. Already, Algeria, Egypt, Morocco, Senegal and South Africa have reached agreements with several European and North American companies to manufacture vaccines under public–private partnerships or subcontracting arrangements; some of these countries have started clinical trials. This initiative should draw financing from the International Monetary Fund's Special Drawing Rights allocation for Africa (an estimated \$33 billion) approved in January 2020, as a base to leverage additional resources from the private sector and financial institutions to strengthen vaccine research so that the continent can respond to future pandemics with greater independence.
- **Establish a consortium of African medical schools and research universities for vaccine research and production of medical supplies.** As part of the Partnerships for African Vaccine Manufacturing, greater efforts must be made to engage leading African medical schools and universities to expand their medical research, including development of vaccines and production of other essential medical supplies, by leveraging their human and physical resources. Collaborative research hubs should be organized and connected institutionally to share

STRENGTHENING AFRICAN COOPERATION FOR VACCINE RESEARCH AND PRODUCTION

- Africa needs to find its own solutions.
- Build domestic capacity for vaccine production.
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- Establish an African Pandemic Preparedness Fund.

research results, with feedback to health ministries and private health providers.

- **Establish an African Pandemic Preparedness Fund.** African governments should consider establishing such a fund, financed with a share of the 0.02 per cent levy on imports from African countries collected by the African Union.

The COVID-19 pandemic has exposed the fragility of health and economic systems around the world and in Africa. Health systems Africa-wide had deteriorated badly before the pandemic's outbreak, owing to years of neglect and underinvestment. On the economic front, failure to build basic social protection systems increased poor people's vulnerability and exposure to risks. The costs of tackling the pandemic have been high in lives lost, livelihoods ruined and futures shattered. Trust between governments and populations has also been eroded and needs to be rebuilt.

Looking forward, governments must draw lessons from the pandemic and start to strengthen the capacity of key institutions to manage risks and build resilience in society.

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The 2021 Economic Report on Africa assesses poverty and vulnerability in Africa during the COVID-19 pandemic. It provides perspective of the causes and consequences of increased poverty due to the pandemic, as well as from other shocks such as an oil price collapse, within a vulnerability–poverty–resilience framework. This framework provides useful insights into the micro-level factors associated with moving into and out of poverty and why some households remain poor for a prolonged period—insights that can guide evidence-based policies. A major contribution of the report is emphasising the centrality of risk and vulnerability to shocks in the design of poverty reduction strategies in Africa. The report’s principal messages are that poverty in Africa is highly dynamic, that poor people move into and out of poverty because of volatile consumption and that their inability to manage risks only increases their vulnerability.



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