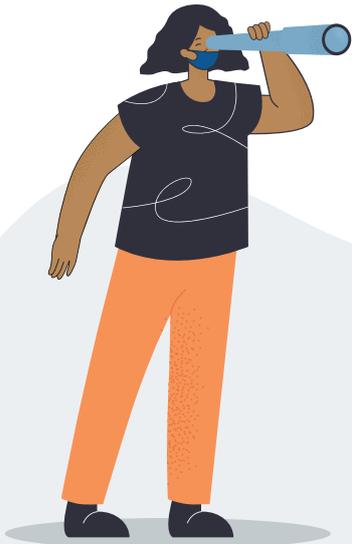




ADDRESSING POVERTY AND VULNERABILITY IN AFRICA DURING THE COVID-19 PANDEMIC

ECONOMIC REPORT
ON AFRICA

ERA 2021

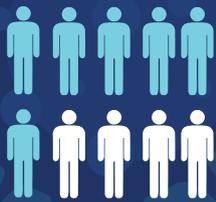


▶ INTRODUCTION

ERA 2021 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. The report developed a vulnerability–poverty–resilience framework, providing national estimates of people vulnerable to falling into poverty in different country clusters. 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 ERA 2021 is the emphasis on the centrality of risk and vulnerability to shocks in the design of poverty reduction strategies in Africa.

KEY FINDINGS ▶

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.



● 58 MILLION

non-poor Africans are extremely vulnerable to falling into poverty unless supported by cash or food transfers.

Fiscal space to mitigate poverty impacts is tight.

The impact of the pandemic on poverty and vulnerability varies by country, government responses and policies.



● 15 AFRICAN COUNTRIES AT RISK OF DEBT DISTRESS

EGYPT, MAURITIUS AND SEYCHELLES

are likely to experience low poverty and vulnerability



● WOMEN

are more vulnerable to falling into poverty.

Governments' socioeconomic policy responses to the COVID-19 pandemic have accentuated gender inequalities.

ETHIOPIA AND NIGERIA

are the source of most of the "new poor" created by the pandemic



BREAKING POINT

Households' coping strategies are at a breaking point. The pandemic's adverse shocks have interacted with existing vulnerabilities, exacerbating the continent's pre-pandemic socioeconomic challenges.

THE CENTRAL ARGUMENT OF ERA 2021 RESTS ON FOUR CONCEPTUAL PILLARS

1. Most poor people move into and out of poverty because of



2. Consumption volatility arises from exposure to uninsured risks.

RISK EXPOSURE



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



POVERTY REDUCTION



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



ECONOMIC AND SOCIAL TRENDS DURING THE COVID-19 PANDEMIC

POVERTY



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

GDP

growth slowed to

3%

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.

INFORMAL EMPLOYMENT



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

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.

CONNECTIVITY

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.

THE NEXUS OF POVERTY, RISK AND VULNERABILITY

EXTREME POVERTY



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

NIGERIA & DRC

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

VULNERABILITY

▶ **50%** of the people in Africa most vulnerable to staying in poverty live in **East Africa**.

▶ **60%** live in **low-income countries**.

58 million are extremely vulnerable to falling into poverty.



MULTIDIMENSIONAL POVERTY



of people in the region who live in multidimensional poverty are deprived of health, education and living standards.



live in households where at least one person is malnourished.



lack access to safe drinking water.

IMPROVING RISK MANAGEMENT AND BUILDING RESILIENCE

EXPENDITURE ON SOCIAL ASSISTANCE
(average per capita)

AFRICA \$ 10
WORLD \$ 197



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 completion rates are 70%-80% and internet penetration is high.

1.7 MILLION VULNERABLE

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



EGYPT

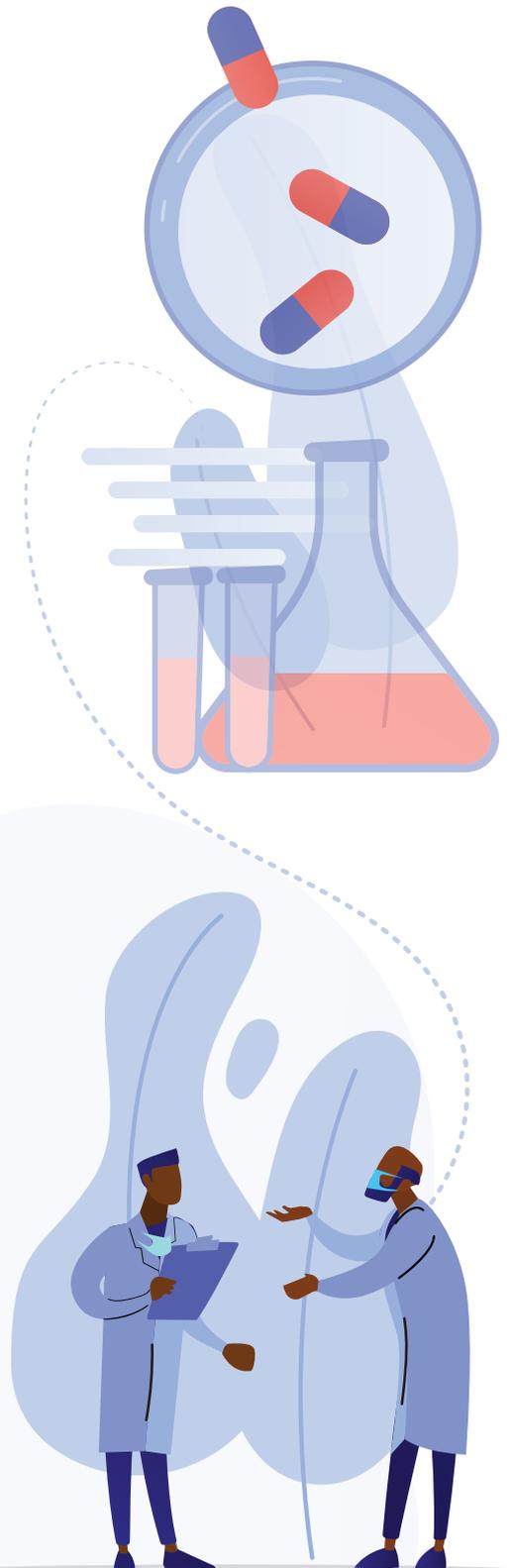
has strong fundamentals likely to help its 2.2 million vulnerable people.

POLICY RECOMMENDATIONS

THE WAY FORWARD: IMPROVING RISK MANAGEMENT AND BUILDING RESILIENCE

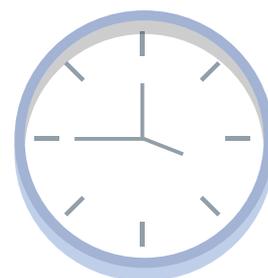
This report offers the following policy recommendations for African governments

- **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**



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.



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.
- Introduce or expand gender-sensitive public policies.
- Leverage continental initiatives. The African Continental Free Trade Area is a key business blueprint to “build forward better.”



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 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.

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.

STRENGTHENING AFRICAN COOPERATION FOR VACCINE RESEARCH AND PRODUCTION

- Africa needs to find its own solutions.
- Build domestic capacity for vaccine production.
- Establish a consortium of African medical schools and research universities for vaccine research and production of medical supplies.
- Establish an African Pandemic Preparedness Fund.

