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THE COVID-19 PANDEMIC CRISIS AND POOR PEOPLE'S STRUGGLE FOR SURVIVAL: HOW SHOULD GOVERNMENTS IN LOW-INCOME COUNTRIES RESPOND AND WHAT RESOURCES ARE NEEDED?

As COVID-19 expands its geographical footprint across the globe with increasing speed, also many low- and middle-income countries are confronted with the urgent task to identify and implement means to combat the life-threatening pandemic. To slow down the spread of the virus, schools and workplaces were closed and physical distancing was imposed. Major cities in Africa, such as Kampala, Cape Town, and Lagos are under a complete lockdown. Many countries, amongst other Ethiopia and Sierra Leone, have declared the state of emergency. The Economist in its March 26th 2020 edition wrote that "Africa is woefully ill-equipped to cope with COVID-19" emphasizing the fact that "people cannot stay away from work if they have no money". Hence, COVID-19 not only brings the risk of a huge death toll, but fighting the spread of the virus inevitably affects the livelihoods of the most vulnerable people, the global poor, who are at the brink of starvation once they are deprived of their income opportunities. As such, the dilemma African governments are facing is to balance the trade-offs between saving lives in the short term and saving livelihoods for long-term survival.

The [International Labor Organization](#) estimates that 2 billion workers (about 60% of the global workforce) are employed in the informal sector and at risk of losing their jobs amidst the Covid-19 crisis. This has already begun to manifest in the form of large-scale employment contraction (both at extensive and intensive margins) in many countries. For instance, according to new global estimates, working hours in Africa will decline by 5 % in the second quarter of 2020, which is equivalent to 22 million full-time workers ([assuming a 40-hour working week](#)); this occurs mainly in the hardest-hit sectors such as retail, tourism, and food services as well as in the manufacturing industry.

In response to the pandemic, governments have started introducing, expanding, and modifying existing welfare programs, an attempt which is urgently needed to safeguard those on the breadline. Delivering disaster relief assistance for those hit hardest by the lockdown or by disruptions of economic activities through established national social safety nets is thus an urgent policy priority equal to containing the spread of the disease itself. The severity of the situation is further exacerbated by the fact that for some regions of Africa the COVID-19 pandemic emerged at a time when millions are already suffering from multiple shocks ranging from conflicts to droughts and other weather-related shocks which endanger incomes and food security, for instance, the desert locusts plague currently spreading over East Africa where

it threatens both crop production and pasture availability.

The principal goal of policy measures in this time must be to alleviate the hardships faced by those who are deprived of their livelihoods. If this goal is not met there is a risk that global efforts to poverty alleviation of the last 30 years could be revoked according to a recent study by [UNU-WIDER](#). Past experiences suggest that shock responsive social protection programs for the poorest and most vulnerable households, such as prevention via national safety nets and intensive disaster risk reduction, are an important investment with great return in areas of chronic emergency such as the prevention of large increases in mortality.

What can be done and how much money is needed?

Governments in low-income countries make use of a range of different social protection polices, which include [cash transfers and in-kind distribution, school meal programs and public works programs as we show in a recent synthesis paper](#). As stated earlier, a quick approach adopted by countries in response to the crisis is the introduction and adoption as well as the expansion of social protection programs, particularly social assistance programs, in terms of their coverage, adjusting the conditionalities of the existing programs and improving their targeting. Yet, school meal programs do not work if schools are closed and asking inhabitants to stay home makes it impossible to continue public works programs. Therefore, governments are asked to consider a wide range of new or adjusted social protection programs for the livelihood of their most vulnerable population groups. These programs need to consider the protection of life by avoiding (or minimizing) human interactions but also taking into account the livelihoods that depend on markets for income generation.

Policy responses: Dos and Don'ts

The following responses could be vital in the fight against COVID-19:

1. Targeting is costly and takes time. Unless only selected groups are affected by the economic slowdown and poverty levels are moderate, targeting should be omitted (Figure 1, left).
2. Use virtual money (e.g. mobile money transfers) instead of cash pick-up to avoid human interactions and to reduce travel needs.

- Keep food systems functioning and value chains intact as long as possible and use cash transfer programs to increase the purchasing power of those most affected (Figure 1, right).
- Identify bottlenecks in the supply chain and support collecting agricultural products from the farm gate to sustain food supply to urban areas.
- Use in-kind distribution of food and other essentials if (food) supply is highly centralized and avoid crowds of people receiving their in-kind transfer at the same time (Figure 1, right).
- Prioritize policy options that work fast using existing institutions and infrastructure, for instance suspending billing for basic needs, such as electricity, water, mobile communication.

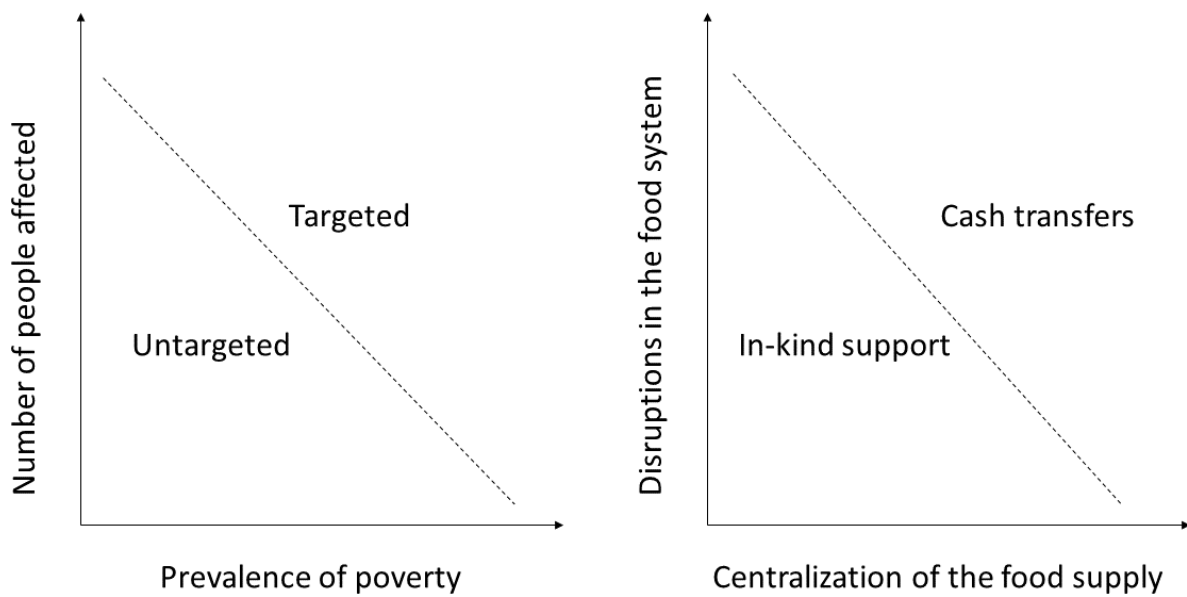


Figure 1: Policy options under different circumstance
 Source: Developed by authors

Estimating public cost of providing social assistance during the pandemic

The cost-efficiency of different transfer modalities is crucial in providing social assistance. By cost-efficiency, we mean how much it costs to provide a cash or a food for a government to a beneficiary. For instance, the so-called total cost transfer ratio measures the cost-efficiency of a program and appears to differ by location of distributions (urban vs rural), size of transfers, scale of projects, number of benefi-

ciaries, level of preparedness as well as transfer modalities and means used (see Figure 2). From existing social protection programs, it is known that it costs usually between 1.1 and 1.8 units to transfer 1 unit (e.g. 1 USD; or the in-kind equivalent) to the recipient. In the case of cash transfer programs implemented in complex emergency situations in remote regions, this cost ratio could increase up to 2.82.

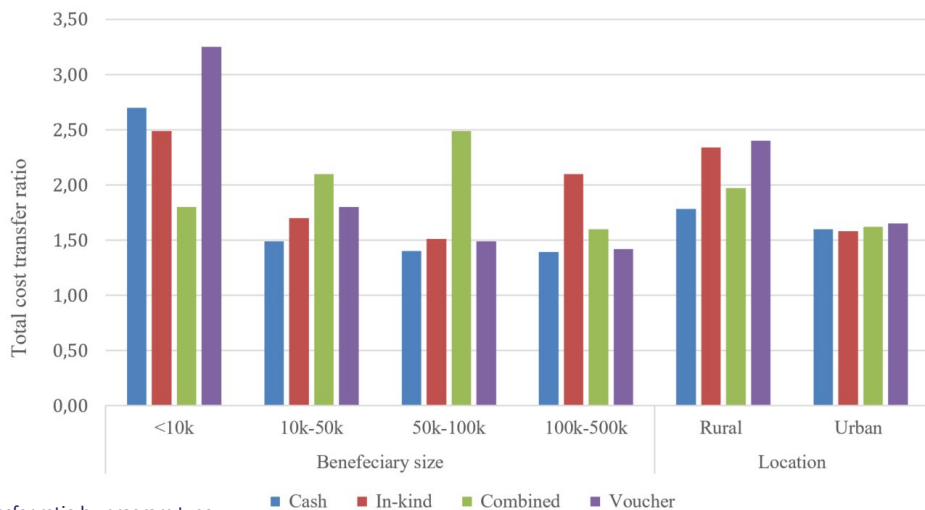


Figure 2: Average total cost transfer ratio by program type.
 Source: Authors' compilation from different sources

Based on economic considerations and assumptions that relate to the economic damage induced by this pandemic as well as insights from a micro-based estimation approach, it is possible to estimate the costs of large-scale social protection programs for the most vulnerable. Unless there are profound estimates on how many people are affected by the economic lockdown, estimates for urban poverty give a hint on how many people need urgent support. An additional marker is the magnitude of the international poverty line (for extreme poverty) of 1.9 USD a day.

Based on the [World Bank](#) poverty estimates, currently 413 million sub-Saharan Africans live in extreme poverty. Given that about 40% of the population lives in urban areas, the urban poor currently amount to about 165 million. According to the latest estimates by [IFPRI](#), the COVID-19 pandemic is expected to push at least an additional 3 million people in urban areas in the region into poverty, thus increasing the number of sub-Saharan Africans, who live in urban areas in extreme poverty, to 168 million. The total costs of a 1.9 USD-transfer largely depend on the number of beneficiaries (urban individuals who are affected and eligible) and existing infrastructure. If cash transfers will be paid to 50% of all people in urban areas, the costs would be between 177-289 million USD a day, subject to the cost-efficiency of the program. Paid for 30 days, the costs would quickly increase to 5.3-8.6 billion USD. The cost estimates increase with the number of urban poor who are affected by the lockdown and would double if 100% of the people in urban areas needed assistance (Figure 3). However, a significant cost reduction can be obtained if mobile cash transfer approaches and cost-efficiency drivers indicated above are systematically designed and employed.

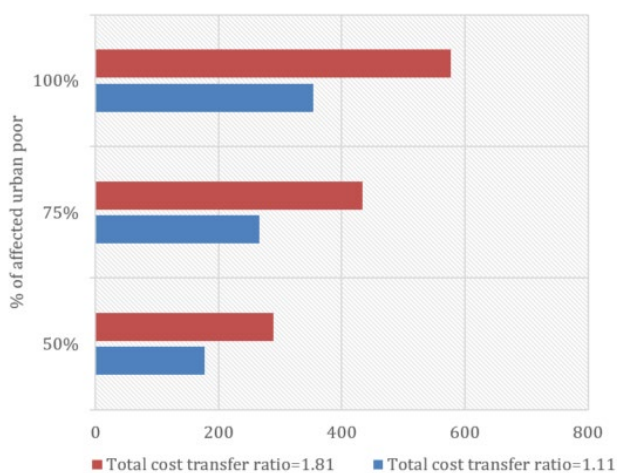


Figure 3: Estimated daily costs in SSA. Source: Authors' computation.

Funding social protection programs: Fiscal space of governments and what to do about it?

By various measures, African economies remain fragile. Given the projected cost estimates of multiple billion USD, the question is eminent how governments in sub-Saharan Africa would be able to finance these social protection programs. The current financial situation for many African governments is already difficult and will be tightening given the projected economic downturn of -2.1 to -5.1% in 2020. In addition, export earnings could drop if prices of agricultural raw materials, like cocoa and coffee.

Many high-income countries finance their massive fiscal investment programs through additional public debt. The European Union even considers introducing so-called [coronabonds](#) to gain additional liquidity in highly indebted member states. For African countries, however, it will not be possible to get cheap loans on the credit market. Moreover, there will be a massive outflow of capital from the Global South back to industrialized countries which makes it hard to believe that African countries would be able to lift the financial burden on their own. Hence, the development community and international donor countries are asked to fill the finance gap, thus also ensuring that the investments in global health, food security, and poverty reduction made over the course of the last 30 to 50 years will not be nullified.

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