



# ZEF POLICY BRIEF NO 41

## COVID-19 economic impacts and social protection in African low and middle income countries

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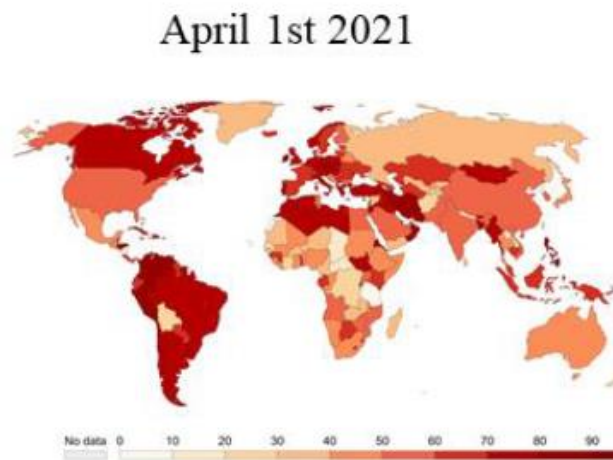
### Executive Summary:

- The COVID-19 crisis is estimated to have pushed an additional 160 million people into hunger and 88 million households into poverty. This trend is exacerbated by current international food price dynamics related to the Russian invasion of Ukraine.
- Studies in Ghana, Uganda, and Ethiopia using data collected during the early months of the COVID-19 pandemic show different economic trends across the three countries observed in the study. While all countries responded with social protection programs, post-COVID recovery was only observed in Ghana, but not in Uganda and Ethiopia.
- The COVID-19 impact on vulnerable households largely depended on a country's capacity to mitigate income shocks through social protection programs. The crisis required rapid responses. These programs need strengthening for effectiveness and efficiency.
- Local and regional food trade and value chains have proven to be remarkably resilient. Findings from three case studies show that income effects were more important than limited food availability for food and nutrition security during the COVID-19 pandemic.
- As a consequence of Covid-19, low and middle income countries require assistance, including emergency support to cope with the acute food crises as a result of slow economic recovery from the COVID-19 crisis and the consequences of the global food crisis related to the Russian invasion of Ukraine. Significant investments in local food systems, including infrastructure, must also be made to reverse current hunger trends and improve resilience capacity.

## Problem statement

**The COVID-19 pandemic massively slowed down worldwide economic growth and poverty increased.**<sup>1</sup>

At the onset of the pandemic, many governments put in place various containment measures such as restricting the free movements of people both within and between countries, and closing non-essential businesses and schools, among others. Food systems have been hit internally and externally by limiting international food supply and export earnings and later through economic slowdowns. The risks of food insecurity are manifested through limited availability and accessibility of food, while accessibility was hampered by retail food prices and lower incomes due to job losses and reductions in working hours.



**FIGURE 1: Stringency Index of the OxCGRT for different countries.**

*Data source: Hale et al. 2021 and visualizations by Our World in Data.*

Timelines of infection waves as well as pandemic responses varied significantly across countries. On average, the duration and strictness of COVID-19 responses in low and middle income countries (LMICs) were less restrictive than those observed in high-income countries (Figure 1).<sup>1</sup> This difference is due to the fact that the negative economic consequences of lockdown restrictions were more pronounced in LMICs, where a large share of the population depends

directly or indirectly on economic and social activities in public places.

After a steady decline in global hunger, progress has slowed recently mainly as a result of climate shocks and conflicts. The COVID-19 pandemic and, more recently, Russia's military attack on Ukraine are driving up international food prices and causing a severe increase in global hunger and malnutrition.<sup>2</sup> On the country level, food and nutrition security impacts vary depending on both the severity of the shock and the resilience of local food systems to adapt and recover.

This Policy Brief summarizes ZEF research on microeconomic consequences of the COVID-19 pandemic for LMICs and the role of social protection. Our research paper, which is published as a ZEF Working Paper, investigates the effects of the COVID-19 pandemic and associated lockdown measures on household consumption as well as job and income losses in selected African countries using household survey data.<sup>3</sup>

The findings presented here are based on three case studies from Ghana, Uganda, and Ethiopia. In Ghana, we expanded an ongoing data collection among urban dwellers in the three largest cities to the post-COVID period. In Uganda, we interviewed rural households in different parts of the country between July 2020 and July 2021. In Ethiopia, we collected data from relatively poorer households in three major cities through telephone surveys between August 2020 and April 2022.

## Food accessibility and availability during the COVID-19 pandemic

**Local food prices in LMICs have substantially increased since 2020 and further soared in 2021 as part of strong general inflation.** On average, food prices were more than 20% higher in 2020 than during the period 2017-2019 and another 6% higher in 2021. Price increases were strongest for non-perishable products, such as cereals and tubers and oil and oil

(school closures, workplace closures, and travel bans), rescaled to a value from 0 to 100 (100 = strictest).

<sup>1</sup> The Stringency Index is a composite that measures COVID-19 government responses based on nine response indicators

seeds, and less for dairy products, meat, and vegetables.<sup>4</sup>

Food price inflation during 2020-2021 is largely the cause of increased transaction costs. The stringency of epidemiological measures, particularly restrictions on internal movement and stay home requirements, were strongly associated with higher food price inflation. Despite early reductions in food availability due to supply chain disruptions and higher transaction costs, local and regional food trade and value chains have proven to be remarkably resilient.

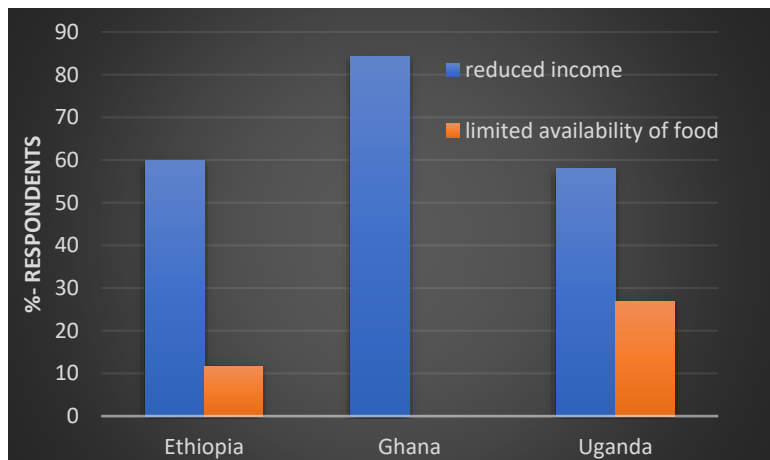
**Price effects indicate reduced food accessibility, but the impacts of the COVID-19 pandemic on livelihoods and food and nutrition security outcomes are context-specific and also depend on the resilience capacity of local food systems.** Although the majority of households reported an increase in the price of major food items, accessibility of staple foods was not significantly affected throughout the survey period.

### **Employment, income, and food consumption during the COVID-19 pandemic**

**The case studies provide a mixed picture of COVID-19 impacts on food and nutrition security. In all case studies, income effects were more important than limited food availability for food and nutrition security** (Figure 2). However, the containment measures and subsequent economic slowdowns have significantly affected household food security (diversity and quantity) through a reduction in wage income.

The data for Ghana shows a strong reduction in employment and wage income in July 2020. Dietary diversity and food expenditures increased in 2021 as compared to the period of the first months of the pandemic in 2020, while the food expenditure share declined. This result may be explained by the initial dramatic increase in food prices also due to food market closures, but also a fast recovery of the Ghanaian economy.<sup>5</sup>

In Ethiopia, survey data suggests that in the early months of the pandemic, employment and household income decreased significantly and remained low. Average monthly food consumption expenditure per capita has slightly declined since the beginning of the pandemic, but households' consumption diversity largely remained relatively reasonable in the Ethiopian context. This indicates that households may have cut food quality or other expenditures. We did not observe a similar recovery in Ethiopia from the early COVID-19 impacts, similar to what we observed in Ghana, which could be attributable to the civil conflict in the country at the time.



**FIGURE 2: Immediate COVID-19 effects on livelihoods in case study countries.**

*Data source: Primary data collected by ZEF in 2020.*

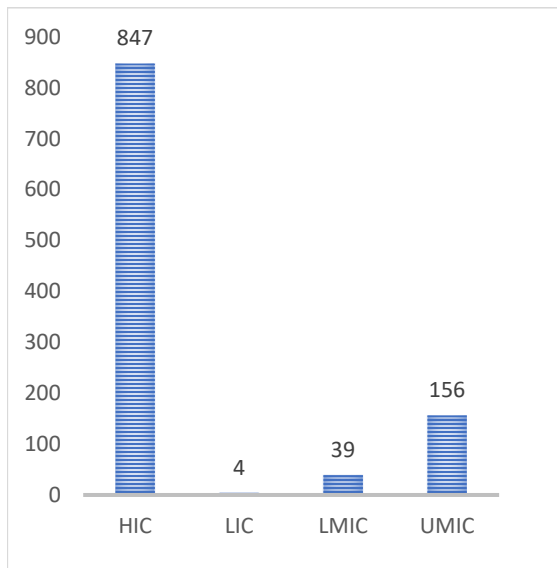
In Uganda, the government imposed one of the strictest lockdowns in Africa in March/April 2020 and again in June/July 2021. In both lockdowns, employment rates dropped, but less than in Ethiopia and Ghana. Although these lockdowns were targeted at urban centers, many rural households in Uganda were indirectly affected by reduced urban demand and a strong decline in remittances from urban areas.

More than half of the rural respondents in Uganda reported that they were affected by the pandemic and its containment measures in July 2020, signified by a marked difference in food expenditures as compared to unaffected households. In the subsequent months, dietary diversity remained relatively low and there was no observable difference between those households that were initially directly affected and those that did not report negative effects in July 2020. Even more so,

the second lockdown, which was less strict, but longer than the first lockdown, seemed to have stronger adverse effects on rural households that also faced severe dry spells and harvest failures during the 2020/2021 agricultural season.

## The importance of social protection

**The inability of food systems in LMICs, particularly in Africa, to respond to shocks and stress is reinforced by general market failures, such as imperfect credit and insurance markets, and the lack of social protection policies.** Social protection programs, such as unemployment benefits to cushion households where members have lost their jobs, are common in developed countries.



**FIGURE 3: Average social protection per capita spending across country income groups.**

*Data source: Gentilini et al. (2021).*

The World Bank has tracked social protection and job responses of governments and recorded that the vast majority of countries have implemented social protection measures at some point in time – primarily social assistance programs – at a level that is 4.5 times the investments made during the global economic crisis in 2008/2009.<sup>6</sup> The necessary rapid responses were more easily established by High Income Countries (HICs) with well-established social protection systems than for LMICs (Figure 3). Nevertheless, all countries had to use innovative practices to quickly reach

vulnerable populations despite the difficulties arising from lockdowns and other containment measures.<sup>7</sup>

In Ghana, the government responded quickly through the public absorption of water and electricity bills during April-June 2020 for low-income households. In addition, the government rolled out programs to improve access to credit for small and medium-sized businesses. For instance, the government increased the transfer amounts and expanded the number of existing beneficiaries of its cash transfer program in 2020. These measures seemed to have mitigated the COVID-19 impact on poorer households in Ghana.

In Ethiopia, the main social protection program is the Productive Safety Net Programme supplemented by a program for the urban poor. These programs have a strong public works component, making them difficult to maintain during lockdown periods.<sup>8</sup> Our data suggest that a relatively small number of urban households received social transfers, which has declined over the course of the pandemic, although these households were more likely to lose labor incomes at the beginning of the pandemic. This may be attributable to the short time the urban program has existed, its narrow targeting, and the less robust protection infrastructure of public works-focused programs.<sup>9</sup>

The Ugandan government implemented social protection programs alongside economic stimulus for businesses. During the first lockdown, in-kind food distribution in Kampala was accomplished. However, the existing social protection program was paused to enable safe cash disbursements, which worsened the situation of vulnerable households during the first months of the pandemic. In 2021, the urban cash-for-work program (financed by the World Bank) was introduced for about 500,000 vulnerable households, but some technical teething troubles emerged (e.g., targeting and disbursement infrastructure).<sup>10</sup> While being unable to mitigate the shocks of the COVID-19 pandemic, the development of a functioning protection infrastructure is important to address future shocks.

**In summary, there is an indication from the case studies and other related literature that the majority of LMICs expanded and implemented social protection programs as a COVID-19 response, with varying rates of success.** Effective short-term mitigation during the pandemic was observed in countries that could rely on a functioning social protection infrastructure (e.g., Kenya<sup>11</sup>) when complicated targeting was paused, and with a stronger focus on cash-based programs.<sup>12</sup>

## Outlook and recommendations

These results suggest that to assure the food security of poorer segments of the population, especially in anticipation of future shocks, governments need to invest more in effectiveness and efficiency of social protection (i.e., income, health, and consumption support).

The following course of action should be considered:

- Many African countries are highly indebted and unable to respond by expanding existing social safety net programs that partly mitigated COVID-19 impacts. Therefore, LMICs

require financial assistance, now that social protection systems are confronted with more severe fiscal constraints.

- The examples of our case studies signified the importance of social protection responses to mitigate the COVID-19 impacts on food and nutrition security.
- The crisis related to the COVID-19 pandemic opens a window of opportunity to implement and restructure social protection programs that make use of digital transfer techniques and mobile money as well as cost-effective targeting.
- Increased support is warranted for investments in the local food system, including infrastructure, and job creation to reverse current hunger trends and improve resilience capacity. Such investments will reduce the need for expanded social security spending in the long run.

## Endnotes

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<sup>1</sup> Yonza, Lakner, Mahler, Aguilar, Wu 2021. Available data and estimates of the impact of the COVID-19 pandemic on global poverty. Available at:

[https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2021/05/Mahler\\_Paper.pdf](https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2021/05/Mahler_Paper.pdf)

<sup>2</sup> Kornher and von Braun 2022. Higher and more volatile food prices – complex implications of the Ukraine war and the Covid-19 pandemic. ZEF Policy Brief 38

<sup>3</sup> Usman et al. 2022. The Effect of COVID-19 and Associated Lockdown Measures on Household Consumption, Income, and Employment: Evidence from sub-Saharan African Countries, ZEF Working Paper 218.

<sup>4</sup> Kornher, Raijkhowa, Usman 2022. The association between the Covid-19 pandemic and food price increases: how important is market integration? IAMO Forum 2022. Conference Paper.

<sup>5</sup> Danqua, Schotte, Sen 2020. COVID-19 and employment Insights from the sub-Saharan African experience. Available at <https://www.wider.unu.edu/publication/covid-19-and-employment>

<sup>6</sup> Gentilini, Almenfi, Orton, Dale 2021. Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures. World Bank, Washington, DC.

<sup>7</sup> Hammad, Bacil, Soares 2021. Next Practices — Innovations in the COVID-19 social protection responses and beyond. Research Report No. 60. New York and Brasília: United Nations Development Programme and International Policy Centre for Inclusive Growth.

<sup>8</sup> Sakketa and Kornher 2020. 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? (ZEF Policy Brief 33).

<sup>9</sup> Deshpande, Mulat, Mao W, et al 2022. Coverage of social assistance in Ethiopia during the COVID-19 pandemic: a time-to-event analysis. *BMJ Global Health* 2022;7:e008432

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<sup>10</sup> Maintains 2021. Towards shock-responsive social protection: lessons from the COVID-19 response in Uganda. Policy Brief. Available at: <https://www.opml.co.uk/files/Publications/A2241-maintains/sp-policy-note-lessons-from-the-covid-19-response-in-uganda-edited.pdf?noredirect=1>

<sup>11</sup> Strupat and Nshakira-Rukundo 2022. The Impact of Social Assistance Programmes in a Pandemic: Evidence from Kenya. ZEF Discussion Paper No.316.

<sup>12</sup> Vaziralli 2020. A social protection response to COVID-19 in developing countries. IGC Policy Brief, April 2020.

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