Draft Statement of the Under Secretary-General and Executive Secretary of the Economic Commission for Africa (ECA)

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Chairperson,

Excellencies,

Ladies and Gentlemen,

It is a great honour and a privilege to address this august Committee and speak to the timely theme of "***Rising global inequalities: turning promises into action***" from the perspective of the African region.

It should be recalled that, over the past twenty-five years, Africa has made impressive progress in reducing poverty. Between 1993-2018, Africa reduced poverty by 0.8 per cent per year, only slightly less than the global average of 1 per cent per year. During 2002-2014, when the rate of poverty reduction picked up everywhere, Africa closely matched the global average of 1.25 per cent per year.

The progress on poverty reduction, however, began to slow down after 2014, well before COVID-19, as the rate of poverty reduction both globally and in Africa dropped to less than half a per cent per year. Even prior to COVID-19, extreme poverty was declining much too slowly for Africa to meet the Sustainable Development Goal of eliminating extreme poverty by 2030 (SDG 1) by 2030. Because of COVID-19 these numbers will change, though the top 10 poorest countries in the world in 2030 will continue to be African.

Our various studies on poverty reduction attribute the causes for the slow decline of poverty in Africa to several structural factors, including: incomplete demographic transition; limited job creation and economic diversification; high levels of initial inequality; high depth of poverty; inadequate public spending on the social sectors; and constraints of gender equality and women's economic empowerment.

The COVID-19 pandemic that the continent is grappling with also exposed existing vulnerabilities that risk amplifying the effects of the crisis in Africa. Many countries were hit hard by the collapse in commodity prices and slowdown in global demand, which resulted in poorer export performance, and limited net financial inflows. Further, these countries were beset by limited public and private investment, high levels of debt, fragile fiscal situations, and political instability and long-standing crises. Owing to these structural challenges, many countries had very limited fiscal space to address successfully the social and economic consequences of the pandemic.

In the face of disappointing performance in poverty reduction, the COVID-19 pandemic hit the continent unexpectedly in early 2019. ***ECA estimates that COVID-19 has pushed some 55 million people into extreme poverty in Africa in 2020, wiping out the gains of the last decade.*** This trend is expected to continue well into 2022. An estimated 12.6 per cent more people are likely to be pushed into poverty in one year alone than the combined total of the additional poor since 1999. With low vaccination rate in the continent, the effect of the pandemic could be long lasting, with huge consequences to the economy and households' wellbeing.

Measures to reduce poverty and minimize the negative consequences of the pandemic are both urgent and necessary and need to be pursued alongside those that enable households to better manage risks and reduce their vulnerability to falling into poverty. As countries now rebuild their economies after emerging from long periods of implementing extensive containment measures, strengthening economic resilience acquires increased policy importance for accelerating poverty reduction in the time of COVID-19.

The disruption caused by COVID-19 has harmed poorer people and poorer countries the most, particularly in Africa, pushing an estimated 55 million people into extreme poverty in 2020 and reversing more than two decades of progress. The adverse household-level impact of COVID-19 through a combination of supply and demand shocks has caused a decline in economic activity, job losses, and decline in incomes.

The poor with mean consumption level of 10 percent below the $1.90 poverty line are likely to stay in poverty because of the pandemic unless supported by cash and/or food transfers. A very small consumption volatility can be enough to push them into poverty. Those that rely on the informal economy, women, those living with disabilities, refugees, and the displaced will suffer the most. These group do not qualify for social assistance transfers that go to households assessed to be poor prior to the pandemic. This group is the source of most of the ***'new poor'*** because of COVID-19, reversing the gains of the last decade.

The widespread containment measures have shifted the responsibility for the provision of basic services such as education, health and long-term care to households, placing an additional burden on women who had already a disproportionate burden for care. The economic consequences of COVID-19 outweigh the health impact.

The large proportion of informal workers in most countries such as traders, retail workers, and manual labourers usually ***have unstable jobs and irregular incomes and are likely to slip into poverty with prolonged lockdowns and disruption of economic activity***. They typically live and work in precarious conditions, without adequate access to water, sanitation, and workplace protection equipment, and are unlikely to take many of the precautions such as social distancing or self-isolation.

The overall economic impact of COVID-19 pandemic on individual consumption and well-being depends on the size, duration and frequency of the risk, exposure to risk and the ability to manage risk. Limited options to manage risks may mean the variance of household consumption over time remain high, particularly in risky environments. Separating out the parts of poverty that are structural versus those that are the results of risks to shocks has important implication from a policy perspective. In this regard, COVID-19 has provided a useful opportunity to focus on improving risk management of vulnerable households as a means to factor in vulnerability in antipoverty policy.

Recovery from the COVID-19 shock will be greatly facilitated by how quickly people can go back to their jobs or find new ones. Nearly 60 per cent of the African countries evaluated (23 out of 38) are vulnerable on this count on two of the three indicators – vulnerable employment, employment-to-population ratio, and skilled labour force. Given the demographics of Africa, with large percentages of young people, ***any strategy for strengthening resilience of the population to future shocks needs to focus on the specific vulnerabilities faced by the youth***.

Over the long term, however, countries can build resilience through investing in health protection for all. These include, among others: investing in building the *supply of skilled health personnel and in health infrastructure*; prioritizing *equitable access to health-care services* through tax levies and through contribution-based social or national health insurance schemes. Doing so will not only have a positive impact on health outcomes but also generate millions of jobs in the provision of health-care services and in the provisioning of related global and regional supply chains.

Most African countries implemented expansionary monetary policies to maintain consumption and demand and prevent job losses and mitigate the effects of the COVID-19 pandemic. By June 2020, over twenty African central banks had reduced the central bank policy rates, and over thirty had announced policy measures in response to the economic and market effects of the COVID-19 pandemic. Expansionary monetary policy and reduction in lending rates were by far the most commonly used measures.

In terms of fiscal stimulus, Africa has so far spent $2.2 billion on various fiscal stimuli. Still, Africa's average per capita spending is $28, far less than the $4,253 spent in North America, or the $629 spent in Europe. As a result, fiscal deficit is estimated to reach a historical high of 8.1 per cent of GDP in 2020, which could take up to 2024 to return to the pre-COVID-19 situation. Debt-to-GDP ratio will take an additional year to drop to the 2019 level and will remain above the nominal 60 per cent level considered sustainable for African countries.

With regard to social assistance, the prospects for a rapid recovery from COVID-19 and resilience against future crises can be greatly enhanced when countries transform their ad hoc and temporary fiscal measures into comprehensive social protection systems. The overall aim of public policy should be to ensure that a temporary crisis does not push vulnerable people into a poverty trap.

Due to high levels of informal and vulnerable employment in Africa, cash transfers remain the main form of governmental assistance for protecting the poor while unemployment benefits, wage subsidies and job retention schemes helped support incomes of workers in the formal sector and maintained employment rates. ***In Africa, cash and in-kind social assistance transfers constitute 74 per cent of all social protection programmes, much higher than the global average of 62 per cent***. Yet, the average amount of social transfers prior to the start of COVID-19 is insufficient to increase consumption of the poor and enable them exit poverty.

The COVID-19 pandemic represents a major public health challenge that has had a serious impact on economies and societies. The pandemic has exposed the fragility of health and socio-economic systems across the world, including Africa. Governments face the dual challenge of containing the pandemic while responding to its devastating economic and social effects. As countries prepare to exit their self-imposed lockdowns, they need to put in place several measures to ensure sustainable economic recovery and building the resilience of households against future exogenous shocks.

In the short term, governments can help people by adopting measures that will prevent a temporary crisis from pushing vulnerable people into permanent poverty. We at ECA, are encouraging governments to adopt measures that include rolling out cash and in-kind transfers to those segment of the population who usually have unstable jobs, such as manual laborers, informal vendors, and retail workers, and who are likely to slip into poverty with prolonged lockdowns. Small businesses who operate with small profit margins, can also be assisted with tax relief; extending short-term lending; imposing rent control during the duration of the health crisis; subsidizing water and electricity bills.

For us, long-term measures for reducing poverty and strengthening resilience should include getting the development fundamental right by pursuing prudent macroeconomic, structural and social policies. This is critical for generating economic growth and reducing poverty. In this regard, leveraging continental initiatives such as the African Continental free trade Agreement (AfCTA) is critical. The scaling up of intra-Africa trade in the health could create millions of jobs while strengthening African capacity in the production of health products and services.

Social protection policy must also be an integral part of a sound long-term development policy. There is a broad recognition that social protection measures can serve as powerful economic and social stabilizers while stimulating aggregate demand in times of crises and beyond.

Over the long term, countries can build resilience through investing in health protection for all. This requires upgrading health infrastructure and systems, investing in building a supply of skilled health personnel—doctors, nurses, laboratory technicians, virologists, infectious disease specialists, testing and treatment specialists—and strengthening health infrastructure, such as hospitals, community-level clinics, and state of the art laboratories.

We strongly believe that building a national health emergency preparedness and response system is one critical element of fighting future pandemics. This requires identifying and assessing risks; assessing national capacity to respond to risks; procuring essential lifesaving equipment and tools; and developing detailed plan for prevention, mitigation, recovery, and protection; and strengthening institutional and human capacity. As part of this strategy, there is a need to build an effective communication and outreach strategy to mobilize the public toward a shared goal in crisis prevention.

Finally, building domestic capacity for vaccine production should be given the utmost priority. Several African countries have already reached agreements with the leading European and American companies to manufacture vaccine under a PPP or sub-contracting arrangement. As part of the recent initiative by the African Union and the African Centre for Disease Control to build domestic capacity for vaccine production, greater effort must be made to engage the leading African medical schools and universities to deepen and expand medical research, vaccine development and other essential medical supplies by leveraging their physical and human resources. In addition, African countries must establish an ***African Pandemic Preparedness Fund***, which may be derived from the 0.02% levy on imports from African countries by the African Union. A certain portion of the receipts can be allocated towards the pandemic fund.

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