UNICEF EASTERN AND SOUTHERN AFRICA
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COVID-19: A Catastrophe for Children in Sub-Saharan Africa

Cash Transfers and a Marshall Plan Can Help

SUMMARY NOTE – NOVEMBER 2020

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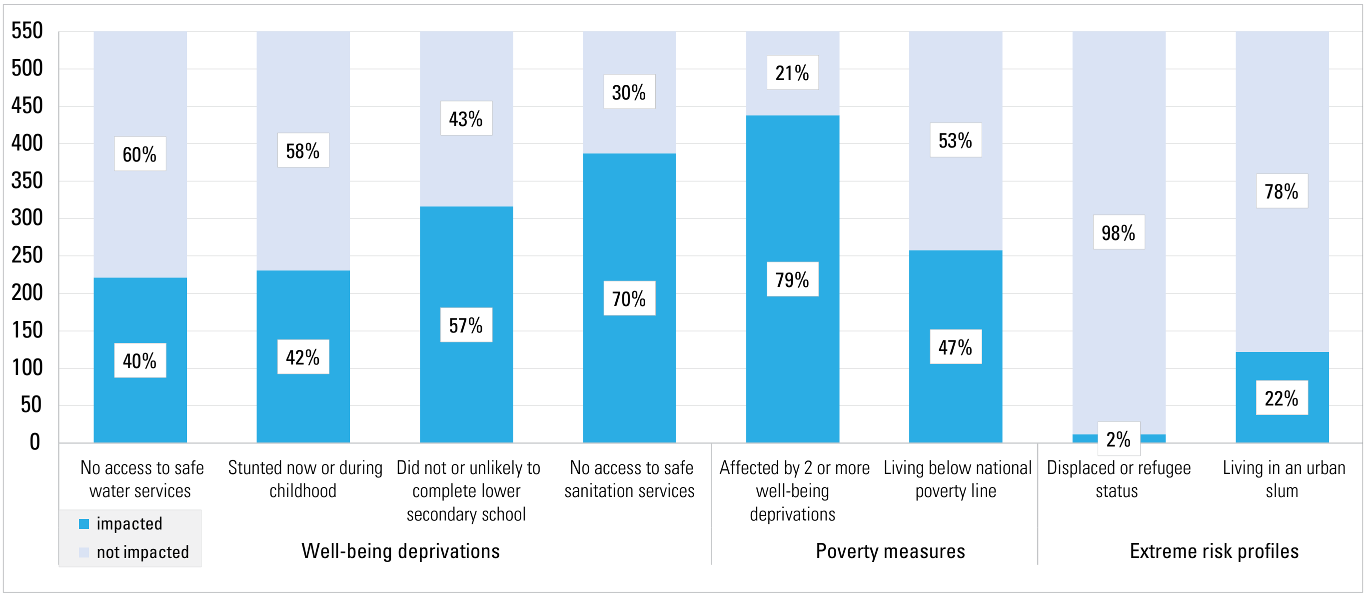
This report investigates how COVID-19 and other shocks have impacted child well-being in Sub-Saharan Africa (SSA) during 2020 and the potential role of cash transfers and external resources to help children and economies. It reviews the latest social, economic and financial information from a range of global databases and modelling exercises, draws on emerging country-level reporting and carries out projections where recent data are unavailable. Although information remains incomplete and things are quickly evolving, the outlook is alarming.

Child well-being is under siege from all directions

Before COVID-19 arrived, SSA was a challenging place for many of its 550 million children. The situation had improved in previous decades, best captured by the halving of the child mortality rate since 2000. Nonetheless, at the start of 2020, an estimated 40% of children were without access to basic water services or adequate nutrition, while closer to two out of every three lacked a safe place to use the toilet and had little hope of completing enough education to compete in the 21st century labor market (Figure 1). At the same time, up to four out of five children – or approximately 440 million lives – struggled with two or more such challenges with close to half also living in monetary poor households. And, whether recently displaced, living as a refugee or residing in a slum, at least one in four children faced exceptional risks on a daily basis.

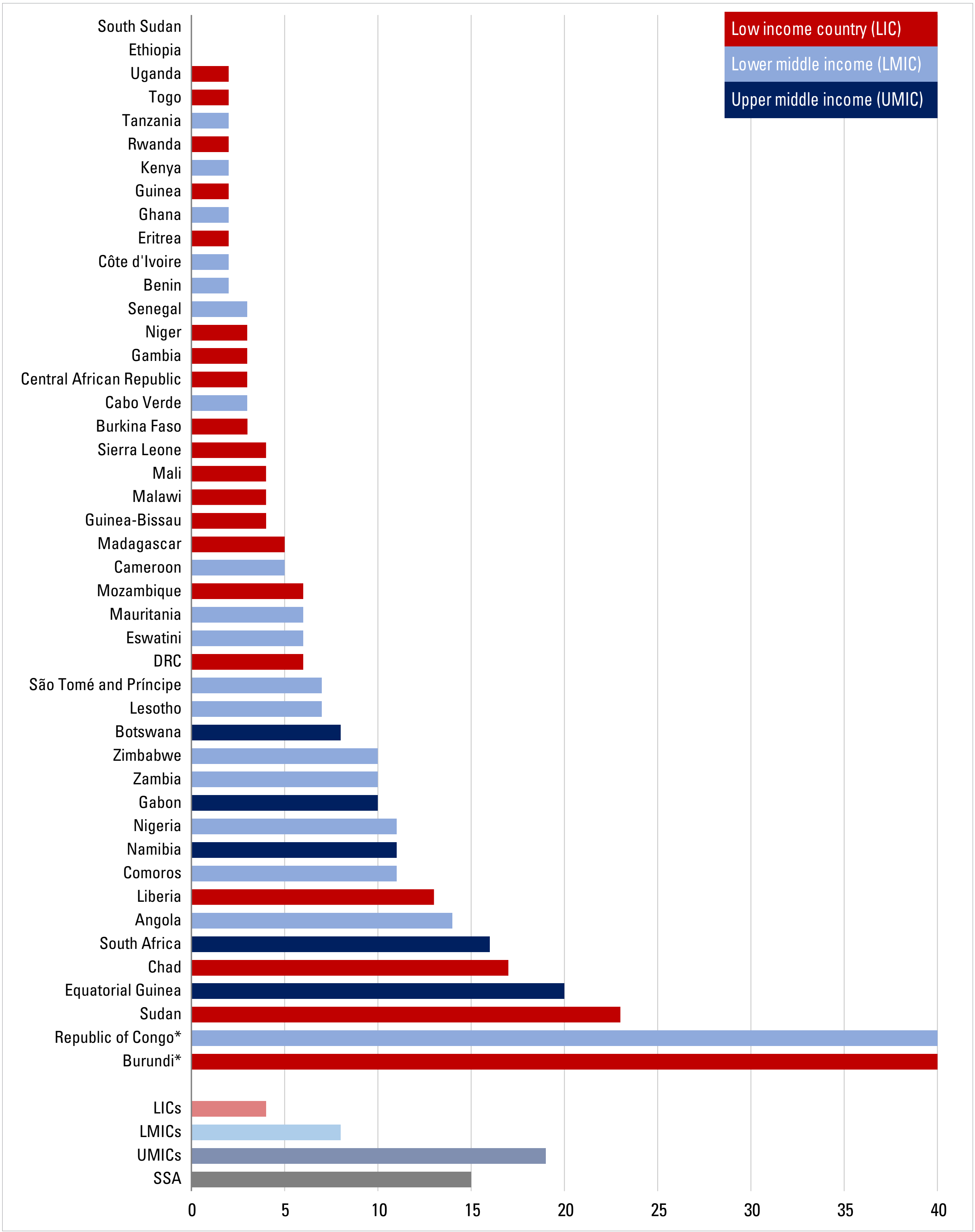
Figure 1. Snapshot of key child well-being measures in SSA, 2020 pre-pandemic projections (in millions and % of 0-17-year-olds)



Sources: Based on data presented in Figures 2-8 in the main report.

As it commenced, 2020 was characterized by intense economic pain in SSA. Before the pandemic surfaced, the economy was moving so slow that it would have taken the average person around 45 years to double their income. Then, almost instantly, more than 6% of per capita economic growth disappeared, on average, and with it 15 years of income progress (Figure 2). The region is now going through its first-ever economic recession, and not a single country has been spared. Upcoming economic forecasts could get worse.

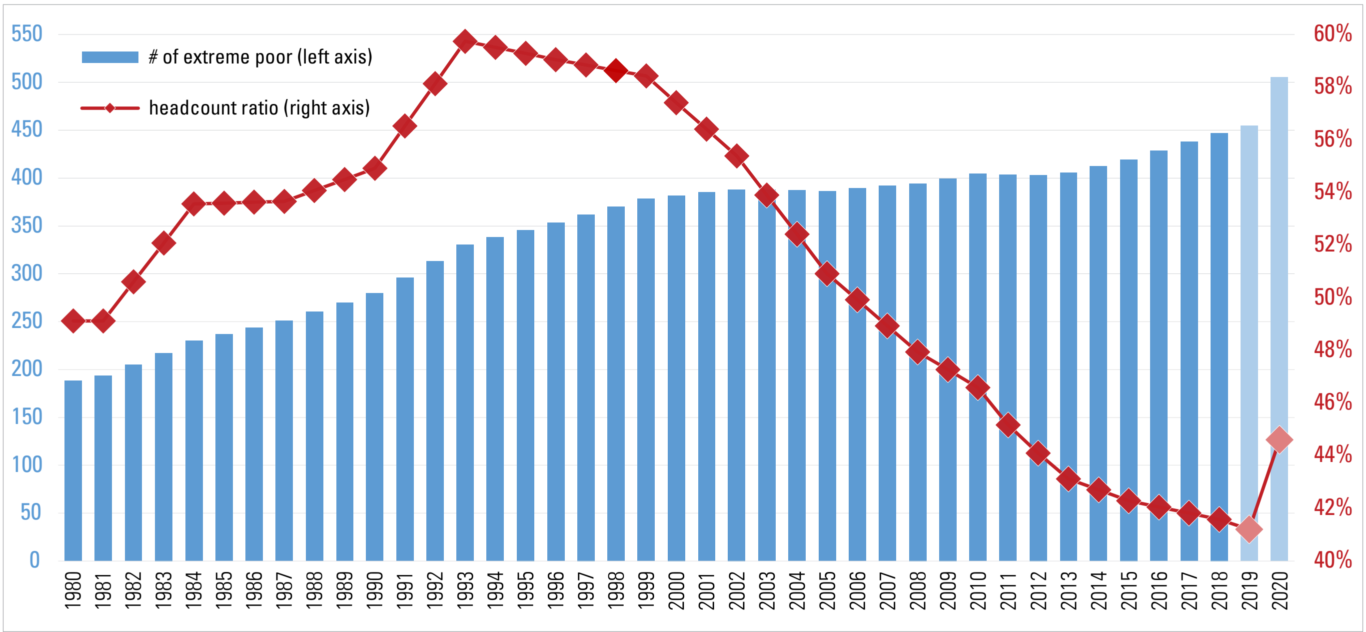
Figure 2. Number of years since per capita GDP equaled projected levels for 2020 (in 2017 PPP $)



Sources: IMF World Economic Outlook Database (October 2020 Edition).
* Projected per capita GDP in 2020 is lower than levels in 1980.

The economic situation is causing poverty records to be shattered. Using the $1.90/day international definition (2011 purchasing power parity [PPP]), an estimated 50 million people have been pushed into extreme poverty in SSA since the start of the year (Figure 3). This is the largest single year change ever recorded in either absolute or percentage terms – and by a wide margin. Compared to the food, finance and fuel (3F) crisis a decade ago, the poverty impacts of the current crisis could be around tenfold greater. The total number of extreme poor living in SSA has now likely crossed the 500 million mark, which is close to double the number in 1990 when progress against the Millennium Development Goals (MDG) started to be measured.

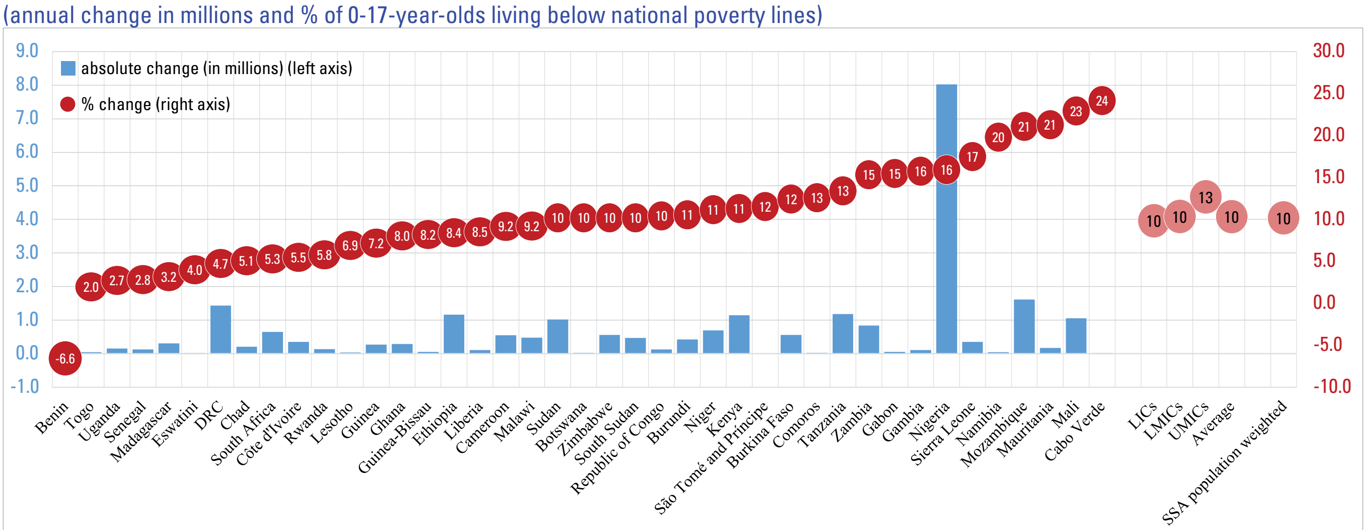
Figure 3. Extreme monetary poverty trends and projections in SSA, 1980-2020 (in millions and % of persons living below $1.90/day in 2011 PPP)



Source: Author's estimates based on average of the latest poverty projections for 2020 by Save the Children (April 9), IFPRI (April 16), UNECA (April 24), World Bank (June 8), UNU-WIDER (June 12) and AfDB (July 7); World Bank PovcalNet for historical poverty data; and UNDESA World Population Prospects (2019 Revision) for changes in total population.
Notes: (i) PovcalNet presents headcount ratios and population estimates for 16 individual years between 1981 and 2018; the other years are estimated through interpolation and nearest neighbor imputation; (ii) The 2019 estimate is based on a linear forecast of the regional headcount ratio for 2013, 2015 and 2018 (this predicts 41.2% in 2019 compared to 41.6% in 2018) and then applying this ratio to 2019 population estimates (this adjusts the 2018 population value in PovcalNet by the population growth rate estimate for 2019 from UNDESA); (iii) The 2020 estimate is derived by applying the average projected increase in the number of extreme poor based on the average of the latest poverty projections by six institutions (50.6 million persons) to the number of poor estimated for 2019 and again adjusting the total population based on the UNDESA population growth rate estimate.

Child poverty has also gotten a lot worse. Based on national definitions, poverty rates among the 0-17-year-old population have likely jumped by 10% since the start of 2020, which could rise to 20% or more in five countries (Figure 4). This translates to an increase of 26 million and points to a regional total of more than 280 million children currently living in monetary poverty. In low-income countries, child poverty rates are around 60%, on average.

Figure 4. Monetary child poverty projections in SSA countries, 2020 (annual change in millions and % of 0-17-year-olds living below national poverty lines)

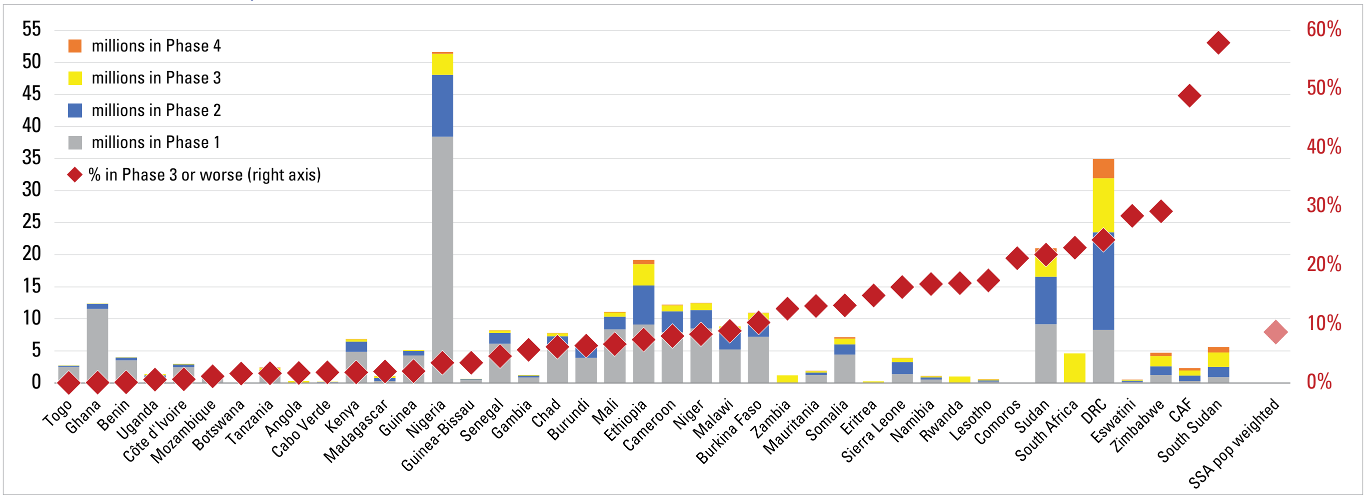


Source: UNICEF and Save the Children (June 29, 2020) and UNDESA World Population Prospects (2019 Revision).
Notes: (i) The simulation accounts for the proportion of children living in poor households as defined by national standards (combining the proportion of the population living below the national poverty line with data from MICS and DHS on the distribution of children by deciles); (ii) The country estimates reflect the most pessimistic scenario, which is based on a combination of two factors: (a) the worst per capita GDP projection released by either the IMF or World Bank in their June 2020 updates and (b) a full distribution effect of the GDP shock, which applies actual observed changes of the historical distribution of consumption by decile based on UNU-WIDER's World Income Inequality Database (May 2020 Update); (iii) Projections are unavailable for five developing countries in SSA (Angola, Central African Republic, Equatorial Guinea, Eritrea, Somalia); (iv) Country-level projections had not been publicly released at the time of publication.

Beyond lower consumption, children in SSA have faced many other challenges during 2020. There are, of course, the additional side effects of COVID-19, which include rising prices of basic goods and services, movement restrictions and disruptions to crucial social services. But the list also includes climate shocks (droughts, floods and locust invasions) and conflict (instability and displacement), which existed before the pandemic but have intensified since the start of the year. The multitude and reinforcing impacts on most children have led to staggering losses of human capital, starting with malnutrition and lost learning.

In the case of nutrition, an estimated 280 million children – or more than half of the child population – are dealing with some level of food insecurity in the second half of 2020 (Figure 5). 48 million of those could be in a severe situation and 7.5 million in an emergency, with risks for famine possibly developing in several places. Compared to the start of the year, the number of children confronting high acute food insecurity may have risen by 14%, on average. School closures have further heightened food insecurity fears. By April 2020, more than 50 million students had lost access to free, daily meals, with more than 40 million of those affected for at least six months.

Figure 5. Child population affected by different levels of food insecurity in SSA, projections for July-December 2020 (in millions and % of 0-17-year-olds)



Source: IPC Analysis Portal (accessed September 29, 2020), select UNICEF and WFP reports (October 2019 to September 2020), and UNDESA World Population Prospects (2019 Revision).

Notes: (i) Child estimates are derived by applying the share of children in the population to the total number of food insecure in each category; (ii) Five countries had no cases identified or did not have recent estimates available and are therefore not presented (Equatorial Guinea, Gabon, Liberia, Republic of Congo, São Tomé and Príncipe).

On the education front, school closures impacted around 250 million students in SSA. Learning completely stopped for most of them, which has already reduced their lifelong earning potential. Even more worrisome, millions of students will end up as permanent dropouts, adding to the 100 million out of school children before the pandemic. School closures have also removed a protective environment for many children. Recent country reporting, although limited, is validating decades of experience and research of increased sexual, physical and emotional abuse when children are out of school for prolonged periods.

Emerging signals raise additional alarm bells. These range from greater vulnerability to basic health threats, like diarrhea and malaria, to rising teenage pregnancies and child marriages, to lost shelter and unsafe living conditions, among others. When bringing the available evidence together, there is no question that COVID-19, climate, conflict and other shocks have jeopardized child well-being during 2020. The important question is: How can we reverse the damage and protect millions more from being impacted?

Getting cash to vulnerable populations

The promising news is that social protection can help a lot. The evidence base, built over more than a decade of implementation on the continent, shows that delivering cash transfers to households can mitigate and even prevent most of the current challenges facing children. Not only that, but they can also accelerate economic growth, achieve future cost-savings from emergency-driven responses, provide vulnerable populations with a minimum base to access services and support economic inclusion. In SSA, the number of cash transfer programs has grown significantly over the past 20 years. Yet, on an overall basis, coverage remained low prior to 2020, at around 10%, on average.

Cash transfers have been used to respond to the current crisis in SSA, but funding constraints have severely limited their potential impact. Available data suggest that, if implemented, announced plans could temporarily expand coverage up to 14% of the population, on average, reaching 11% in select low-income countries and 18% in lower-middle-income countries (Figure 6). However, as extreme poverty is affecting somewhere around 45% of all people in the region, many vulnerable populations are not being supported. Committed cash support has also been short (four months, on average) given the ongoing challenges and anticipated length of recovery.

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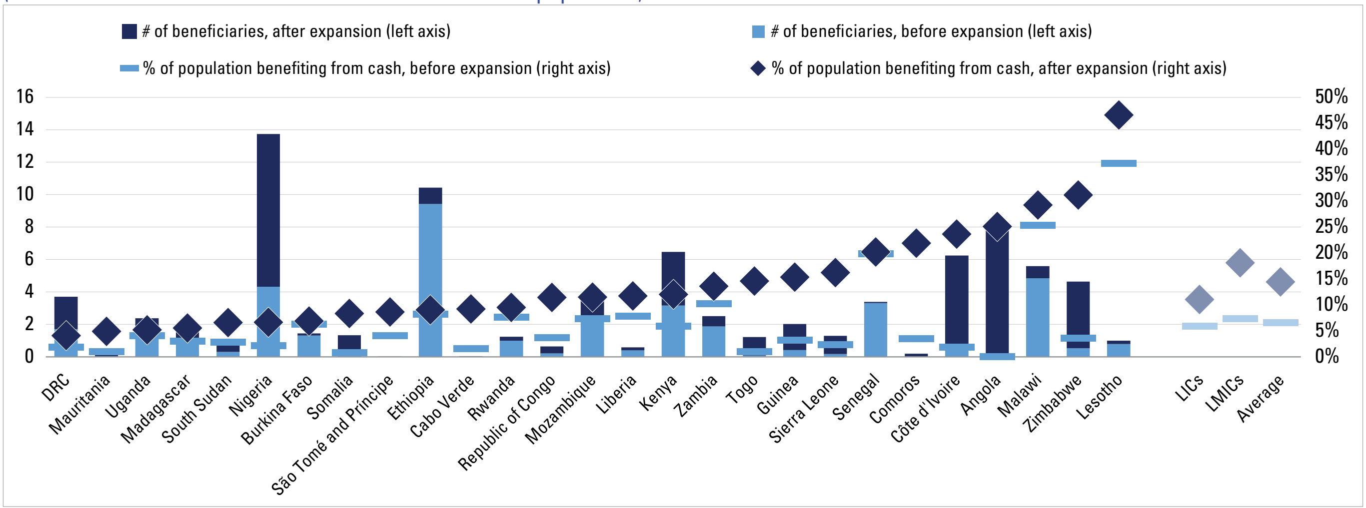
Figure 6. Coverage of announced expansion of cash transfer programs in select SSA countries, April-September 2020 (in millions of direct and indirect beneficiaries and % of population)

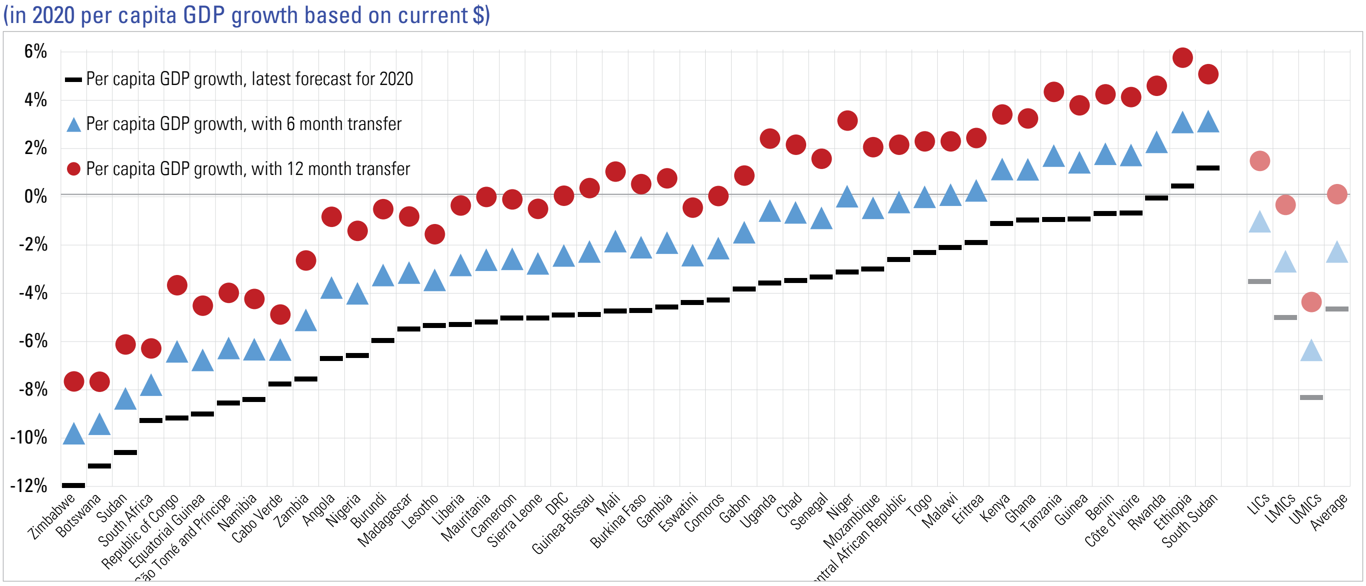


Sources: Gentilini et al. Global Database on Social Protection and Jobs Responses to COVID-19 (September 18, 2020, version 13), IFPRI COVID-19 Policy Response Portal (September 4, 2020 Update), ILO Social Protection Responses to COVID-19 Crisis Around the World Database (September 1, 2020 Update) and UNDESA World Population Prospects (2019 Revision).
Notes: (i) Data refer to the number of persons who may benefit from a transfer (i.e. the number of persons in a household) and not the number of individual transfers; (ii) Some programs may also include persons benefiting from vertical expansion since it is not always possible to differentiate; (iii) Data on horizontal expansions are based on announced or planned expansions, and each individual country requires verification; (iv) The baseline estimates for 2020 are derived by applying the coverage rates of cash programs from Beegle et al. (2018) to 2020 population projections.

Cash transfers are not a panacea, but they deserve more attention in the region. The impacts will partly depend on their interaction with other social protection interventions, social services and local markets, which require strong systems that facilitate coordination and linkages. Effectively responding to the crisis also requires broader measures to contain the pandemic, reopen the economy and protect vulnerable populations. However, given the strength of the evidence base in terms of socio-economic benefits, this policy option should feature at the center of recovery and development plans and financing discussions. The timing is also right. The crisis has revealed the coverage gaps in social protection programs more generally, which means that cash transfers can help people today and strengthen systems for tomorrow.

One strategic option to increase cash support is to provide transfers to all children under five. As an illustration, giving a cash equivalent to 20% of the average monthly income of a country to all children under five for six months would cost between 1.3% of gross domestic product (GDP) in wealthier countries to 1.6% of GDP in the poorest, on average. When accounting for the catalytic effects on local supply and demand forces (i.e. economic multipliers), such a program could potentially boost per capita GDP by 2.4%, on average, and help offset much of the current downturn. Extending for a full year could catapult many economies back into positive territory (Figure 7). Beyond purely economic arguments, this program design can be justified by its proven contributions to child well-being – protecting them from shocks in the immediate term and developing their human capital in the long term – as well as building opportunities to strengthen the capacity of social protection systems to respond to future shocks.

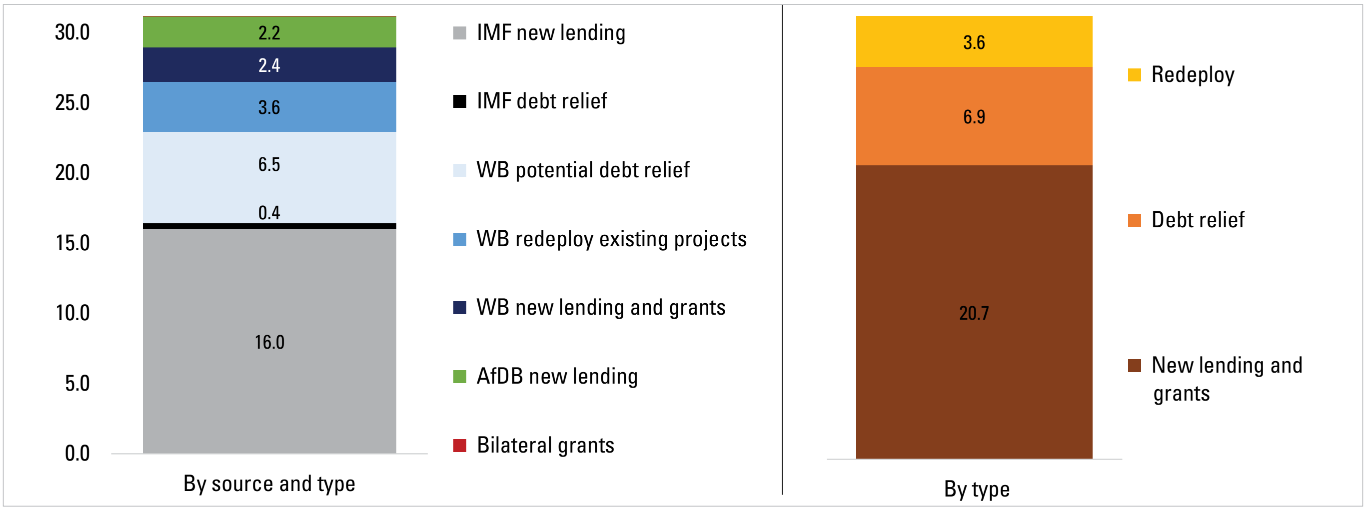
Figure 7. Projected economic impact of providing cash transfers to all children under five in SSA countries under different scenarios (in 2020 per capita GDP growth based on current $)



Sources: Author's calculations based on IMF World Economic Outlook Database (October 2020 Edition) and UNDESA World Population Prospects (2019 Revision).
Notes: Assumes that the average nominal income multiplier is 1.53, which is arrived by taking the average value found in 10 child grant programs in SSA (1.91) and then adjusting downward by 20% to account for the initial impact of new cash on local markets, whereby supply may be unable to respond immediately and fully to the increase in demand; the downward revision also helps account for the uncertainty of benefits when scaling an intervention nationally.

Financing the scale up of cash transfers is financially viable if combining domestic and external resources. On the domestic front, budget reprioritization can be a good start. This is especially true where spending on regressive or cost-ineffective items is high (energy subsidies, the military, low-return infrastructure projects, etc.) and political will is strong. But most of the funding can be provided by the international financial institutions. As of the end of September 2020, less than 12% of global funding capacity had been tapped by the International Monetary Fund (IMF) and World Bank to support countries in need, and only around $14 of the $20 billion of approved new emergency funding and project redeployment for SSA countries had been disbursed (Figure 8). This signals strong potential for re-programming approved funding as well as for obtaining new funding for cash transfers.

Figure 8. Committed external emergency financial support to SSA, as of September 2020 (by source and type, in billions of current $)



Sources: AfDB COVID-19 Response Facility (as of October 15, 2020), IMF COVID-19 Financial Assistance (October 15, 2020 update), IMF Debt Service Relief from the Catastrophe Containment and Relief Trust (October 15, 2020 update), World Bank Operational Response to COVID-19: Projects List (accessed October 15, 2020), World Bank COVID-19: Debt Service Suspension Initiative (September 30, 2020 update) and Devex Funding the Response to COVID-19 Database (October 11, 2020 update).

A global funding facility for children in Sub-Saharan Africa

The reality is that most governments do not have fiscal space to protect children and vulnerable populations right now. The IMF estimates that African countries require $345 billion of additional financing to recover from the pandemic over the next few years, which is on top of an annual funding gap of up to $1.2 trillion to deliver on development objectives. And while governments have reallocated as much as they can to respond to the crisis that started beyond its borders, it is not nearly enough. To gain some perspective, even when adding total approved external assistance and announced fiscal stimulus plans, the average person in SSA benefits from around 2% of the amount of emergency support received by citizens of the Group of Twenty (G20) countries ($38 versus $1,652).

Children in the region need a Marshall Plan level of investment and action, urgently. The rationale is compelling. Children and human capital were underdeveloped before the crisis and are currently under attack largely by forces that originated in faraway places. Given the domestic funding constraints, the outlook for children – and the economies and political stability of much of the region – will be dire in the absence of an immediate and extraordinary surge of external resources.

A global funding facility for children in SSA would enable governments to protect the biggest victims of the current crisis and better invest in human capital. It could be resourced by debt relief savings, global emergency funds and donor grants, as well as by more out-of-the-box approaches like selling IMF gold reserves, issuing bonds, and introducing cross-border fractional taxes. If operationalized quickly, the facility could support the safe reopening of schools and economies as well as the scaling of national cash transfer programs and strengthening of social protection systems. In doing so, it could offer hope for children, economies and the continent as they contend with COVID-19 among many other shocks, both today and tomorrow.

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