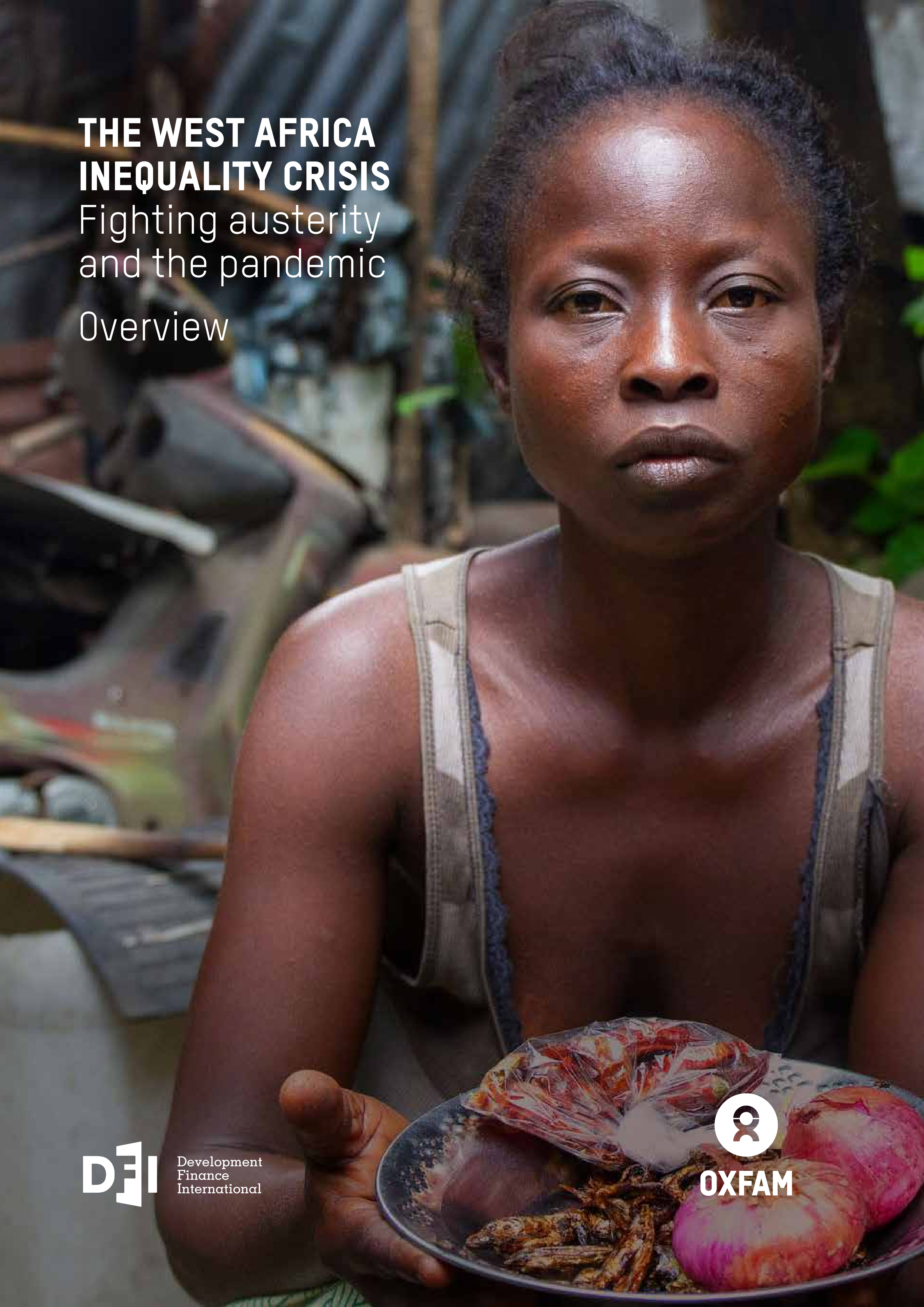


THE WEST AFRICA INEQUALITY CRISIS

Fighting austerity and the pandemic

Overview

Development Finance International

OXFAM

INEQUALITY AND THE COVID-19 PANDEMIC IN WEST AFRICA

Oxfam and Development Finance International (DFI) have produced this report to encourage West African governments to scale up their efforts to reduce inequality, which was a serious problem before the COVID-19, and is only getting worse.

This overview assesses how the COVID-19 pandemic is exacerbating inequalities in West Africa, and how the region's governments have responded to the pandemic. It also considers the impact of the pandemic on debt levels, and the degree to which the IMF and World Bank are taking inequality into account.

Note: 'West Africa' and 'ECOWAS+' will be used interchangeably to refer to 16 countries, Benin, Burkina Faso, Cabo Verde, Côte d'Ivoire, the Gambia, Ghana, Guinea, Guinea-Bissau, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, Sierra Leone and Togo.

1.1 INEQUALITY IN WEST AFRICA BEFORE COVID-19

West Africa has seen impressive economic growth in the past two decades; in many countries, this has been matched by a significant reduction in poverty. However, most have also experienced rapid growth in the gap between the richest people and the poorest, and the benefits of economic growth have gone to too few. Our previous CRII report in 2019 showed that the wealthiest 1% of West Africans owned more than everyone else in the region combined.[1] Such inequality reduces economic growth,[2] and worsens health and other outcomes for populations.[3]

The situation has not improved according to the latest data. **Figures 1 and 2** show respectively the two most common ways of measuring inequality, namely the Gini coefficient, a number between 1 (total inequality) and 0 (total equality) based on income distributions,[4] and the Palma ratio, which compares the incomes of the top 10% and the bottom 40%).[5]

Countries perform similarly in both, with Guinea-Bissau and Benin being the most unequal, and Mali and Mauritania the least. **Figure 1** shows that the Gini coefficient in all the countries exceeds 0.27, the level at which the IMF estimates that inequality is likely to undermine growth.[6]

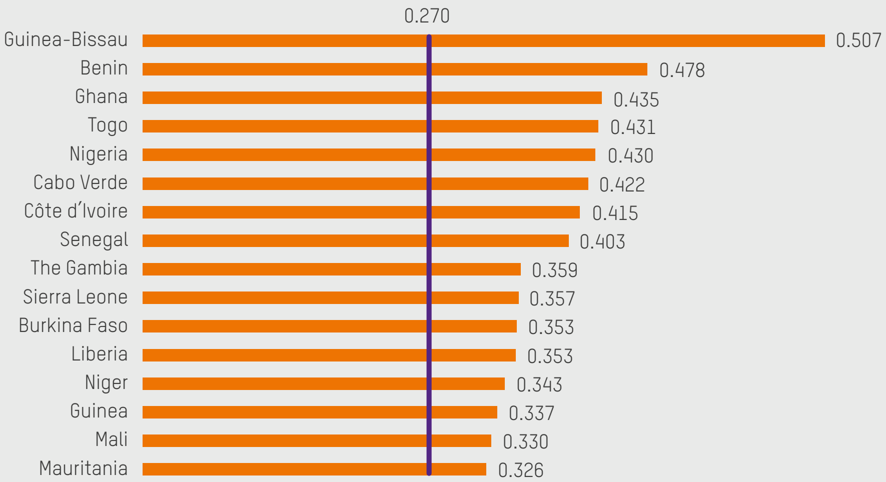
In some countries, the concentration of wealth has led to a small but growing group of fantastically rich people, and a majority struggling to meet their most basic needs, such as quality education, healthcare and decent jobs. In Guinea-Bissau, the top 10% earn 60% of national income, in Benin 55%, and in all other countries 40% or above. In all countries except Mali, the top 1% earn more than 10% of national income, rising to 17% in Benin, Cote d'Ivoire and Guinea-Bissau.[7]

Oxfam research has shown that the richest man in Nigeria earns about 150,000 times more from his wealth alone than the poorest 10% of Nigerians spend on average in a year.[8] In Ghana, a thousand new US-dollar millionaires were created between 2006 and 2016; in the same period, nearly one million people, mostly from the Savannah Region, have been pushed into poverty.[9] In Mali, Burkina Faso and Niger insufficient and inequitable access to wealth, livelihoods and natural resources have been shown to be driving a surge in violent conflict.[10]

1.2 THE IMPACT OF COVID-19 ON POVERTY AND INEQUALITY

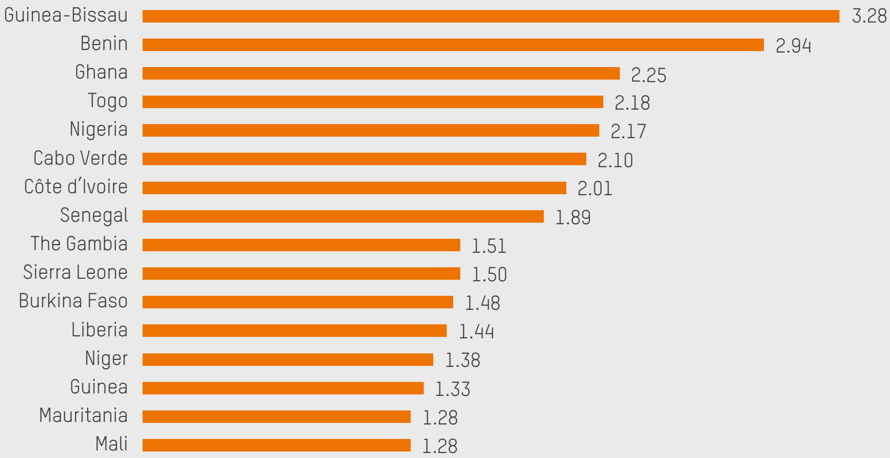
The IMF,[11] UN[12] and World Bank[13] have all expressed alarm that the pandemic will sharply increase inequality and poverty.[14] The World Bank estimates that the pandemic could drive 51 million people in sub-Saharan Africa into extreme poverty, raising the total to 491 million (42.1% of the population).[15] As the African Development Bank (AfDB) has indicated,[16] most of the people falling into extreme poverty have lower levels of education and fewer assets; are in vulnerable employment, informal or low-skilled jobs; or were already in precarious situations (e.g. affected by locust invasions or drought). These groups are more exposed to COVID-19 because they often work in contact-intensive sectors such as retail, or in labour-intensive manufacturing activities with fewer opportunities to socially distance or work from home. Women and female-headed households will represent a large proportion of the newly poor.

FIGURE 1: WEST AFRICA'S INCOME GINI COEFFICIENTS



Source: UNDP Human Development Report country database at http://hdr.undp.org/en/countries. Years for data vary by country and are from the latest household surveys conducted by each government.

FIGURE 2: WEST AFRICA'S INCOME PALMA RATIOS



Source: UNDP Human Development Report country database at http://hdr.undp.org/en/countries. Years for data vary by country and are from the latest household surveys conducted by each government.

The AfDB has pointed to a set of secondary consequences of the pandemic that could worsen poverty and inequality even further over the long-term. These include:

- protracted school closures, exacerbating learning inequalities and school dropout rates (especially for the poorest people and for girls);
- disruptions in non-pandemic healthcare services and reduced ability to pay for healthcare, undermining treatments for other diseases; and
- disproportionately high job and income losses among women that will degrade human capital through lowered investment in children's health, nutrition and education.

On the other hand, global stock market booms saw billionaires' wealth increase by $5.5tn between 18 March and end of July 2021.[17] The IMF has therefore suggested that COVID-19 could increase inequality in lower-income countries (a group which includes all countries in this report), as measured by the average Gini coefficient, by more than 6%.[18] The World Bank has indicated that the poverty increase could take more than a decade to reverse, erasing all hope of countries meeting their national development plan targets to reduce poverty and inequality by 2030. However, if countries act against inequality, the impact of the crisis could be reversed in just three years.[19]

West Africa saw relatively low levels of COVID-19 infections and deaths in 2020.[20] As **Table 1** shows, the average incidence rates in West Africa are significantly lower than all but one other region of Africa.

TABLE 1 AVERAGE COVID-19 INCIDENCE RATES IN THE FIVE REGIONS OF AFRICA

Region	Average incidence rate (people infected per 100,000)
Central Africa	492
Western Africa	564
Eastern Africa	1,489
Northern Africa	2,114
Southern Africa	3,951

Source: The average incidence rates are calculated from data from Johns Hopkins University (2021, August 21).
https://gisanddata.maps.arcgis.com/apps/opsdashboard/index.html#/bda7594740fd40299423467b48e9ecf6

However, there are concerning signs that infections are on the rise. 2021 has seen record new COVID-19 daily infection rates, and the WHO has warned that deaths are currently at their highest in West Africa since the pandemic started.[21]

Regardless, West Africa has not been spared the economic fallout from the pandemic. We estimate the economic loss from lower-than-expected growth in the region to have been $48.7 bn in 2020, which is equivalent to around $77 for every West African citizen.[22] The IMF expects growth to have been virtually nil in 2020 in the West African Economic and Monetary Union (WAEMU) zone, and -2.5% in ECOWAS. Only five countries (Benin, Cote d'Ivoire, Ghana, Guinea and Niger) are expected to have had positive growth, with Cabo Verde (-6.8%) and Nigeria (-4.3%) hardest hit.[23] Real GDP growth was -0.71% in ECOWAS region in 2020.[24]

The effect of the economic shock brought by the pandemic is not just seen in economic indicators such as GDP. It is being felt in the day-to-day lives of citizens across West Africa, and will in some cases be felt for years to come. For example, a survey conducted by Gallup in late 2020 and early 2021 showed that, on average, more than 60% of citizens in eight West African countries reported losing income and work (see **Table 2**), among the highest impacts on work and earnings seen globally.[25] In another survey of five West African countries, 28% reported losing a job, business, or primary source of income during the pandemic.[26] Across the West Africa region, the ILO estimates that COVID-19 resulted in loss of working hours of 6.4% in 2020 compared to 2019, which is the equivalent of 7 million full time jobs.[27] Such loss of jobs and income is pushing millions into poverty throughout West Africa. In some countries, the pandemic will leave lasting and significant effects on poverty levels if current policies are not drastically changed. For example, the UN estimates that the pandemic will result in 16.5 million more people living in poverty in Nigeria in 2030, while the same number for Burkina Faso is expected to be 2.3 million more people.[28]

CASE HISTORY **FATIMATA ZORÉ**

Fatimata Zoré, a 29-year-old displaced woman from Dori, Burkina Faso, told Oxfam: *"COVID-19 really made us suffer a lot. Before this disease, we used to go from door to door to find work. We did the laundry, cleaned people's houses and earned enough to feed ourselves every day. But when the disease came, we were told to stay at home. We could no longer go out to look for food. To tell you the truth, we suffered a lot. It's difficult to find food. What you used to be able to get, you can't anymore. Everything has dried out."*

TABLE 2 THE IMPACT OF COVID-19 ON INCOME AND WORK IN EIGHT WEST AFRICAN COUNTRIES

Country	Percentage of workers stopping work temporarily	Percentage of workers who worked fewer hours	Percentage of workers who earned less than usual
Benin	52	56	61
Burkina Faso	71	64	61
Ghana	60	60	65
Guinea	57	61	61
Cote d'Ivoire	63	66	64
Nigeria	60	66	68
Senegal	63	65	65
Togo	58	66	65
Average	**60.5**	**63**	**63.75**

Source: J. Ray. (2021, May 3). *COVID-19 Put More Than 1 Billion Out of Work*. Gallup. https://news.gallup.com/poll/348722/covid-put-billion-work.aspx
The surveys are based on at least 1,000 adults aged 15 or older in each country and conducted in the latter half of 2020 and early 2021.

Lower growth will continue in 2021, though its severity will depend on the speed of global rollout of COVID-19 vaccines.[29] Unfortunately, as **Table 3** shows, no country in West Africa except Cabo Verde and the Gambia has fully vaccinated more than 5% their population as of August 2021, with a shockingly low 1.5% of the region covered.[30] The IMF projects that West Africa's GDP will still be 6% below pre-COVID projections by the end of 2022, while the African Economic Outlook predicts West Africa's growth will be only 2.8% in 2021.[31]

TABLE 3 COVID-19 VACCINES ADMINISTERED IN WEST AFRICA (AUGUST 2021)

Country	Percentage of population fully vaccinated
Benin	0.4
Burkina Faso	0.2
Cabo Verde	23.8
Cote d'Ivoire	2.4
Gambia	6.7
Ghana	2.1
Guinea	3.6
Guinea-Bissau	0.9
Liberia	1.2
Mali	0.7
Mauritania	3.1
Niger	1.0
Nigeria	1.0
Senegal	4.5
Sierra Leone	1.4
Togo	3.3

Data on vaccines were taken from 21 August 2021 from Bloomberg: https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution/
Data on COVID-19 incidence rates were also from 21 August 2021, taken from Johns Hopkins University COVID-19 Dashboard: https://gisanddata.maps.arcgis.com/apps/dashboards/bda7594740fd40299423467b48e9ecf6

While the majority of West African citizens have been battered by the effects of the pandemic, the story is quite different for the region's wealthiest people. The three wealthiest men in the region – all based in Nigeria – have seen their wealth expand from $16.8bn in March 2020 to $23.2bn by July 2021. Their gain would be more than enough to fund a full vaccine programme for all the region's people.[32]

West Africa's governments have already seen from Ebola in 2014 how disease outbreaks can exacerbate poverty and inequality (see page 2). The same will be true for COVID-19 unless governments act to reverse these trends.

BOX 1 POVERTY AND INEQUALITY DURING THE EBOLA EPIDEMIC

Previous epidemics have sharply exacerbated poverty and inequality. The major pre-COVID communicable disease crises of the 21st century led to a persistent 2% increase in countries' Gini coefficients. The share of incomes going to the richest citizens rose for many reasons, but the most important was that poorer workers had less access to healthcare and social protection, less capacity to work from home, and less education to support them in changing jobs. As a result, their income, health and employment all suffered as they lost jobs or were pushed into informal work.[33]

West Africa has seen this for itself. The 2013–16 Ebola epidemic was driven in part by existing inequalities. Vulnerable groups were less resilient to socioeconomic shocks, and stark rural–urban disparities accelerated the transmission of the virus.[34] A chronic lack of affordable healthcare facilities in rural areas made it impossible to identify and isolate cases, and made it easy for the virus to spread across communities. In Liberia, 71% of survey respondents said that, during the Ebola crisis, government hospitals in their area were completely or partially closed. Where health services were available, 68% of respondents could not afford to pay for healthcare.[35] *The Lancet* in 2015 found that weak health systems were a key reason for Ebola's rapid spread, and that this itself reflected past IMF policy advice, which had limited health spending, and capped wages and worker numbers.[36]

Ebola worsened inequality in Guinea, Liberia and Sierra Leone. The largest economic effects were not a result of the direct costs of the illness (i.e. death or ill health) but the measures put in place to contain the epidemic.[37] By the end of 2015, the World Bank estimated the epidemic to have reduced the combined GDP of Sierra Leone, Guinea and Liberia by $3–4bn.[38]

People living in poverty were hardest hit. Inflation due to rising food prices hit their ability to buy basic goods.[39] Their household incomes dropped due to job losses, the loss of harvests, temporary market closures and restrictions on movement. In Liberia, for instance, nearly half of those working in March 2014 no longer had jobs by early November.[40] The proportion of households with savings dropped from 61% before Ebola to 27% afterwards. Poor women (who make up 70% of small traders) were especially hard hit by travel restrictions, which limited access to key markets.[41] They accounted for two thirds of all Ebola cases, lost access to healthcare, and were pulled out of education to provide care to families.[42] Overall, economic inequality increased by 6% in Liberia and 5% in Sierra Leone.[43]

Finally, the Ebola epidemic crippled chronically stretched public budgets: the amount spent on Ebola was 150% more than the annual budgets of Sierra Leone, Guinea and Liberia combined.[44] Further lending to fund the Ebola response led to spiralling debt and further cuts in social spending.[45]

The lessons that should have been learned from the Ebola pandemic were:

- maximize efforts to prevent spread by reducing inequality and providing universal free healthcare, paid sick leave, broader social protection and education for the poorest to improve their job flexibility;
- design policy responses to reduce inequality, channelling help to the poorest citizens by protecting their jobs, providing social protection, and making sure healthcare is accessible and free;
- change IMF programme advice to support these preparatory and responsive policies; and
- provide bilateral and multilateral financial support preferably through grants rather than loans, especially for the poorest countries, to avoid increasing debt burdens.

1.3 WEST AFRICA WAS UNPREPARED FOR THE CRISIS

COVID-19 has exposed how woefully unprepared for a pandemic West Africa was, in spite of its earlier experience of Ebola. **Table 4** shows that most countries had:

- low levels of spending on healthcare, at 7.7% of government budgets;
- low access to essential health services, available to only 43% of the population;
- high levels of Catastrophic Out of Pocket (COOP) payments, with 9% of people spending more than 10% of household income on healthcare;
- very low social protection spending of only 6.5% of government budgets;
- limited access to social protection benefits (using pension coverage as a proxy), at just 15% of the population;[46] and
- very low proportions of workers with formal contracts and rights.

Health spending in West Africa was one-third lower than global averages, as was access to universal healthcare; the proportion of households making COOP payments was 10% higher; social protection spending was two-thirds lower; the proportion of workers covered by pensions 75% lower; and the proportion of workers with formal rights (e.g. sick pay, job protection etc.) was 60% lower.

In other words, when COVID-19 hit, most of West Africa's citizens had inadequate access to healthcare, and lacked social protection and labour rights to cope with the pandemic.

TABLE 4 SOCIOECONOMIC SITUATION IN WEST AFRICA BEFORE COVID-19

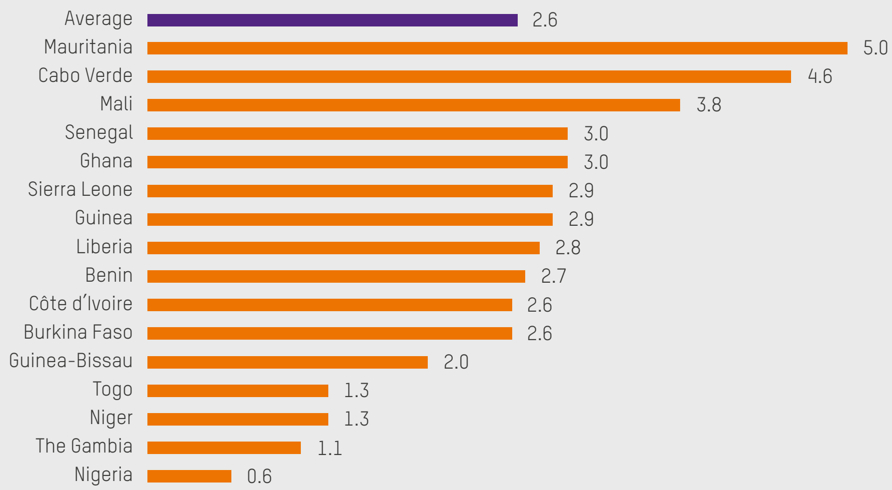
Country	Health spending (% gov't budget))	Universal healthcare access (% pop'n)	COOP payments (>10% of household income on healthcare) (% pop'n)	Social protection spending (% gov't budget)	Social Protection Coverage (% pop'n) covered by pension)	Workers with rights (% workers with formal contracts)
Benin	5.0	40.0	10.9	6.8	9.7	12.0
Burkina Faso	10.7	40.0	3.1	4.5	2.7	12.7
Cabo Verde	9.6	69.0	7.0	11.3	85.8	56.9
Cote d'Ivoire	5.2	47.0	12.4	8.9	7.7	27.9
Gambia	7.5	44.0	0.2	2.0	17.0	25.4
Ghana	8.3	47.0	1.1	5.1	33.3	29.9
Guinea	6.5	37.0	7.0	8.6	8.8	10.2
Guinea-Bissau	8.0	40.0	16.5	6.0	6.2	23.7
Liberia	17.2	39.0	14.1	1.7	0.6	22.2
Mali	5.0	38.0	6.5	8.4	2.7	17.6
Mauritania	6.6	41.0	11.7	9.9	9.3	43.0
Niger	7.1	37.0	6.6	3.6	5.8	6.3
Nigeria	3.6	42.0	10.7	6.7	7.8	20.0
Senegal	5.1	45.0	3.3	11.0	23.5	33.0
Sierra Leone	11.2	39.0	20.7	2.7	0.9	13.3
Togo	6.9	43.0	12.5	7.2	10.9	18.7
ECOWAS+average	7.7	43.0	9.0	6.5	14.6	23.3
Global average	11.0	64.4	8.4	18.8	55.34	55.7

Source: M. Martin, M. Lawson, J. Walker and N. Abdo. (2020). *Fighting Inequality in the Time of COVID-19: The Commitment to Reducing Inequality Index 2020*. Oxfam and DFI. https://policy-practice.oxfam.org/resources/fighting-inequality-in-the-time-of-covid-19-the-commitment-to-reducing-inequali-621061/

1.4 GOVERNMENTS' PANDEMIC RESPONSES

ECOWAS+ countries have responded to the crisis with relatively small fiscal support packages (averaging only 2.6% of GDP), due to their constrained ability to borrow additional funds to support spending.[47] In comparison, sub-Saharan African countries have spent an average of 3% of GDP, emerging markets 5%, and high-income economies over 10%.[48] **Figure 3** shows the scale of individual countries' responses, ranging from only 0.6% in Nigeria, which was undergoing a fiscal crisis pre-COVID due to oil price falls, to 5% in Mauritania.

FIGURE 3: COVID-19 RESPONSE SPENDING (% OF GDP)



Source: IMF country programme documents (2020–21), available at https://www.imf.org/en/Countries
For more detailed sources, see the country profiles accompanying this report.

It is also important to note that four ECOWAS+ countries funded at least part of their COVID-19 response by cutting other spending. Mauritania, Liberia, Nigeria and Senegal were swift to implement the largest up-front cuts in other spending in order to fund their response.[49]

The nature of the responses has varied between countries. All have spent on health measures to fight the pandemic, but only a few (Benin, Ghana, Mali, Senegal and Togo) have designed plans to invest more in health systems and preparedness beyond 2021. All countries have also increased social protection spending, but in the Gambia and Nigeria, this has been very limited due to budget constraints.

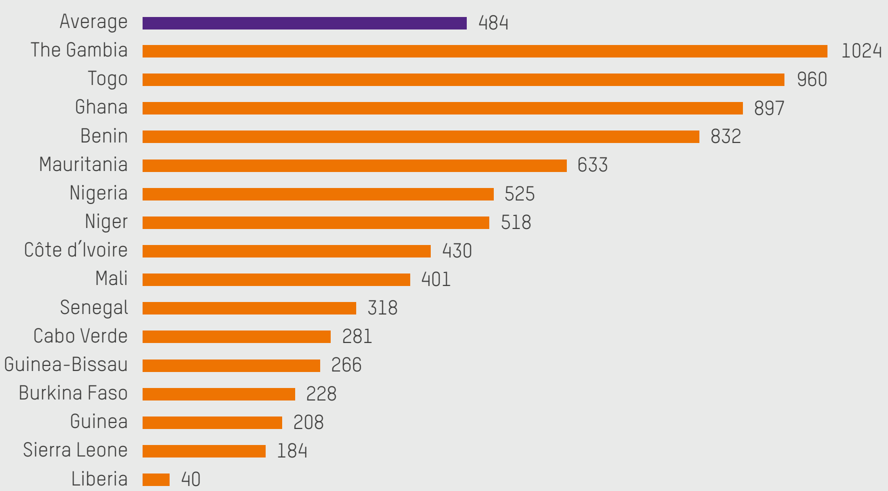
According to the World Bank, almost all countries have used a combination of cash transfers, food provision and waivers or reductions of utility bills to supplement their citizens' income. Some countries have used fewer tools (e.g. only cash transfers and utilities in Benin and Togo; food and utilities in Guinea-Bissau, Liberia and Senegal; and cash transfers and food in Sierra Leone). Ghana, Guinea and Nigeria have added public works and jobs spending; Benin, Sierra Leone and Togo have subsidized wages for small enterprises. Cabo Verde is the only country to have had the resources to subsidize wages and social security contributions. Sierra Leone has doubled the amount provided in each cash transfer, and Guinea has more than tripled the number of people receiving cash. Côte d'Ivoire has reached 3% of the population with a new cash transfer programme, and Togo 8%.[50]

In spite of dramatic increases in the scale of social protection in some countries, in most cases these are from a very small base, and are also designed to be temporary, reducing their impact on inequality. Surveys from seven countries in West Africa[51] reveal that an average of almost 70% of citizens believe that support has been unfairly distributed. Of the surveyed citizens, only an average of 30.7% reported having received any government support. In Niger, those that did not live in poverty were twice as likely to have received government support as those that did. In Sierra Leone, it is estimated that 92% the government's support was spent on corporations, with only 1.5% going on social protection for its citizens.[52] While these numbers show some important variation between countries, they are nonetheless a worrisome indication that the temporary government support mechanisms in the region have failed to benefit those most in need.

1.5 THE IMPACT OF THE DEBT CRISIS ON INEQUALITY

Many governments are having to use an increasing share of their budget to service growing debts rather than investing in their populations. Even before COVID-19 hit, debt servicing was reaching astronomical levels in many West African countries, draining revenues from woefully low levels of public spending to reduce inequality. **Figure 4** shows that, on average, ECOWAS+ countries were spending almost five times as much on domestic and external debt servicing as on health.

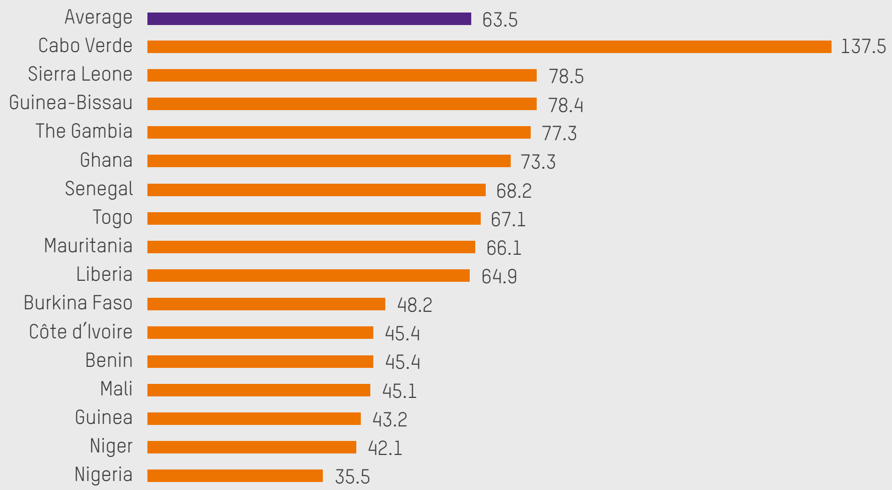
FIGURE 4: DEBT SERVICE COMPARED TO HEALTH SPENDING (2019, %)



Source: IMF World Economic Outlook database April 2021, at https://www.imf.org/en/Publications/WEO/weo-database/2021/April

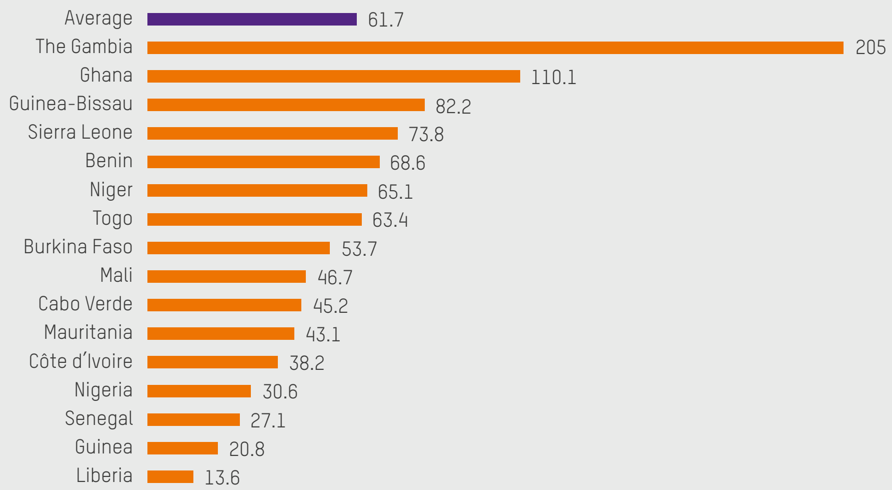
Many countries have had to borrow to fund their pandemic responses, at the same time as seeing their GDP stagnate or fall, and budget revenues collapse. **Figures 5** and **6** show debt as a proportion of GDP, and debt servicing as a proportion of revenues.[53] Debt-to-GDP averaged 63.5%, and debt service/budget revenue 61.7% by the end of 2020. The worst-affected countries are the Gambia, Ghana, Guinea-Bissau and Sierra Leone, but only Guinea and Liberia are less likely to see debt service crowding out essential spending on recovery and progress towards the Sustainable Development Goals (SDGs). To indicate what could be done with the savings, in Ghana, cancelling external debt payments in 2020 would enable the government to give a monthly cash grant of $20 to each of the country's 16 million children, disabled and elderly people for six months.

FIGURE 5: DEBT AS % OF GDP (2020-21)



Source: IMF World Economic Outlook database April 2021, at https://www.imf.org/en/Publications/WEO/weo-database/2021/April

FIGURE 6: DEBT SERVICE AS % OF BUDGET REVENUE (2020-21)



Source: IMF/World Bank Debt Sustainability Analyses 2020–21, available at https://www.imf.org/en/publications/dsa

So far, the global response in terms of debt relief has been limited to:

- the cancellation of debt servicing to the IMF for 25 countries during 2020 (including Benin, Burkina Faso, the Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Sierra Leone and Togo);[54] and
- a postponement of payments to G20 governments during the same period through a debt service suspension initiative (DSSI), for which 14 of the ECOWAS+ countries have applied.[55]
  However, this latter initiative does not provide genuine relief: the creditors will continue to add interest to the debt during the suspension and repayment period.

The G20 has established a new Common Framework to try to improve coordination among creditors. However, most countries must continue to pay their service, especially to commercial creditors, such as bondholders, and multilateral creditors other than the IMF, which show no signs of participating in the DSSI or providing relief under the new G20 framework, though the initiators have called on these creditors to join the scheme on similar terms. In addition, nothing is being done to reduce domestic debt levels, though their servicing accounts for a large share of the debt service burden in most ECOWAS+ countries due to high domestic interest rates.

It is now clear that the economic impact of the pandemic will be felt well into the future in most low- and lower-middle-income countries. To allow maximum space for recovery, the DSSI should be extended into 2022, transformed into a cancellation and include all multilateral and commercial creditors. However, this will not stop debt levels crowding out social spending and undermining progress to the SDGs over the longer term. Many countries will need comprehensive debt cancellation and reduction to ensure that their debts are sustainable, so that they can invest to tackle inequality and build resilience against future pandemics through education, health, social protection and food security measures.[56]

1.6 THE IMF AND WORLD BANK RESPONSE

The IMF and World Bank are mandated by the UN and the G20 to mobilize financing to fight the pandemic. However, they should also be continuing to play their longer-term roles in putting countries back on track for the SDGs and reducing inequality.[57]

To a considerable degree, they are already helping countries with financing to respond to COVID-19. All of the ECOWAS+ countries have received extra emergency financial assistance from the IMF and the World Bank (for more details, see the country profiles accompanying this report). Such financing, combined with enhanced flows from the AfDB, the UN and bilateral partners, has been vital to fund pandemic response packages. However, these are much smaller than those possible for wealthier countries borrowing on commercial markets (as discussed in **Section 1.5**).

This multilateral support was scaled up in the third quarter of 2021 when the IMF issued $650bn of Special Drawing Rights (SDRs), which could support spending or pay down domestic debt. There are discussions underway for wealthier countries that do not need their $400bn share of these SDRs to channel them to low and middle income countries who need the resources more: however, as currently being envisioned, these resources will be channeled as loans rather than as grants, and will come attached to conditionality-based IMF loan programmes , unlike the SDR issuance itself which has no conditionality.[58] In addition, even with such channeling, the amount received by developing countries will be much less than is needed for a rapid recovery from the COVID-19 pandemic and continued investment in the SDGs. Many analysts and advocates have estimated that an issuance of SDR $3tn would have been desirable.[59] Given their currently very low cost (0.05% at time of publication and no repayment of principal necessary), it is worth considering regular large issuances of SDRs which could be an effective way to fund global development over the next decade.

In terms of policy prescriptions, the pandemic responses of the IMF and World Bank have been largely limited to immediate and short-term actions through extra health, social protection and economic stimulus spending, rather than looking to stop inequality from soaring during the crisis.

None of the current IMF loan documents in the region contain any significant analysis of inequality.[60] More alarmingly, Oxfam's analysis shows that as of 15 March 2021, 85% of the 107 COVID-19 loans negotiated between the IMF and 85 governments around the world, the Fund has encouraged - and in some cases conditioned - countries to adopt austerity measures once the health crisis abates. This trend has been observed in the loan documents for 14 of the 16 West African Countries.[61] This is reflective of the Fund's general country specific operations where there is no systematic treatment of equality as being macro-critical, i.e. vital to future growth and stability (which it is, given that inequality levels are above those assessed by the IMF as pulling down GDP), and therefore central to the analysis and policies underpinning country programmes in Article IV consultation and lending programme documents..

This is perhaps understandable in the IMF's emergency COVID-19 loans, whose objective was to fill emergency financing gaps without conducting much detailed analysis and many of which came without the usual terms and conditions. However, even in these loans, the IMF could have avoided the adamant, and in some cases rapid and strict, push for fiscal consolidation, and instead advocated key policies needed to build fiscal space and fight inequality, including increases in progressive taxation, anti-inequality spending and labour rights. The IMF fiscal affairs department has suggested 'solidarity' increases in progressive taxes to fund COVID-19 responses,[62] but there is no sign yet that such recommendations are feeding into IMF programming in West Africa. .

Indeed, the only significant tax rate changes have reduced progressive direct taxes and increased less progressive indirect taxes. Some non-WAEMU countries cut corporate taxes in their 2021 budgets: the Gambia cut its corporate tax rate from 31% to 27%; Sierra Leone from 30% to 15% for manufacturing companies outside Freetown, and its capital gains tax rate from 30% to 25%.[63] Others have been increasing indirect taxes. For example, Ghana increased VAT by 2% in its 2021 budget (half of which was a 'COVID-19 health levy'), which leaves it with the highest VAT rate in the region, at 19.5%. Even though Ghana's VAT has been assessed by the World Bank not to be exacerbating inequality, because it has exemptions for basic foodstuffs and a high threshold for registration,[64] this move will be increasing poverty. Nigeria already increased its VAT rate from 5% to 7.5% in the 2020 budget, and this is likely to be more regressive than in Ghana, because it does not exempt small traders from payment.

While the initial pandemic-related health and social protection spending may have helped to mitigate some of the pandemic-induced inequality, in most countries these programmes are being wound down. In a context of budget austerity, it will be extremely hard to protect such spending, let alone increase it to fight inequality.

The World Bank's Systematic Country Diagnoses of West African countries have contained a lot of analysis of poverty, but considerably less of inequality. They include only limited measures to increase spending on education (with a focus on early childhood development and skills training) and targeted social protection programmes helping only a small percentage of people living in poverty. They contain virtually none of the policy recommendations needed to fight income inequality more successfully, and do not show clearly how countries will achieve the SDGs for universal health care or universal social protection floors by 2030.[65]

The World Bank and the IMF have analysed the impact of taxes and spending on poverty and inequality. However, both institutions have mostly failed to follow up such analysis with recommendations for major reforms of tax and spending systems that would make them more progressive. There has also been no effort to reverse earlier anti-union and labour rights policies inspired by the Doing Business Index, nor to eliminate the Doing Business criterion that encourages corporate tax cuts.[66]

The emergency loans provided by the Bank in the health sector have also been found to be inadequate in their own analysis of poverty and inequality. Oxfam found in September 2020 that only eight of 71 World Bank COVID-19 health projects worldwide had included any measures to reduce financial barriers to accessing health services.[67] The CRII has shown that this is a major issue in most West African countries, with such expenditures bankrupting millions of people each year and excluding them from treatment. In West Africa, five World Bank projects did raise the issue of affordability of services, but their response was limited to actions on COVID-19 services: fee waivers in Ghana, Mali and Sierra Leone; covering health insurance payments for the poor in Cote d'Ivoire; and a vague commitment to 'support mechanisms to eliminate financial barriers' to accessing services in Liberia.[68]

On social protection support, while there have been considerable increases in the size and reach of cash transfers in West African countries, the emphasis in World Bank loans has been on 'safety net' programmes narrowly targeting the poorest people, rather than comprehensive social protection floors providing citizens with security throughout their lives, in line with the SDGs.[69] There has also been no analysis in World Bank loans of how these programmes will be made permanent or further expanded to achieve the goal of universal social protection coverage by 2030. This suggests that they could be reversed and abandoned once the impact of the pandemic subsides.

Overall, both the IMF and the World Bank have seen strong speeches by their leaders,[70] and conducted comprehensive analyses stressing the risk that the pandemic will increase inequality, as well as the need to prevent this. However, their responses in country programmes have largely ignored the issues of inequality, and by omission have contributed to its increase. This tendency needs to be reversed in 2021, with both organizations turning speeches and analysis into strong anti-inequality policy recommendations at country level.

1.7 THE RETURN OF AUSTERITY

While West Africa's governments responded to the pandemic in 2020 with fiscal support packages, these are proving to be short-lived. IMF projections for government expenditure for 12 of the 16 ECOWAS+ governments show that 2021 spending will be nearly $4.4bn lower.[71] This enormous reduction in public spending is happening at a time when infections rates and deaths from COVID-19 are at their highest yet in the region.

Even more concerning than the quick withdrawal of emergency spending are the long-term plans for austerity in West Africa. **Table 5** shows IMF projections for 14 countries for which there are data to 2026. The projections show that the combined reduction in government budgets in West Africa is expected to be $26.8bn, with the largest cuts in 2023 and 2024. This would be enough money to vaccinate every West African, and provide one year of quality primary education to more than 71 million of the region's children.[72]

TABLE 5 GOVERNMENT EXPENDITURE IN 16 WEST AFRICAN COUNTRIES, 2022–26

Expenditure cuts in current US$ bn, using 2021 expenditure (% of GDP) as the baseline.						
Country	**2022**	**2023**	**2024**	**2025**	**2026**	Total cuts
Benin	- 0.23	- 0.21	- 0.29	- 0.32	- 0.42	- 1.47
Burkina Faso	- 0.06	- 0.20	- 0.39	- 0.34	- 0.28	- 1.27
Cabo Verde	- 0.07	- 0.12	- 0.15	- 0.17	- 0.19	- 0.69
Côte d'Ivoire	- 0.85	- 1.34	- 1.53	- 1.75	- 1.78	- 7.25
The Gambia	- 0.04	- 0.07	- 0.10	- 0.13	- 0.14	- 0.47
Ghana	- 1.04	- 1.52	- 1.62	- 1.73	- 3.71	- 9.63
Guinea	0.12	0.24	0.32	0.45	0.41	1.54
Guinea-Bissau	- 0.03	- 0.04	- 0.05	- 0.06	- 0.06	- 0.25
Liberia	- 0.06	- 0.10	- 0.14	- 0.14	- 0.18	- 0.62
Mali	- 0.33	- 0.52	- 0.75	- 0.80	- 0.86	- 3.26
Mauritania	- 0.02	- 0.01	- 0.02	- 0.02	- 0.01	- 0.08
Niger	- 0.24	- 0.42	- 0.41	- 0.37	- 0.38	- 1.82
Nigeria	–	- 2.68	- 1.51	–	4.82	0.63
Senegal	- 0.18	- 0.28	- 0.23	0.04	0.09	- 0.56
Sierra Leone	- 0.14	- 0.15	- 0.17	- 0.19	- 0.21	- 0.86
Togo	- 0.14	- 0.21	- 0.17	- 0.14	- 0.10	- 0.77
Grand total	**- 3.31**	**- 7.61**	**- 7.23**	**- 5.67**	**- 3.00**	**- 26.83**

Source: IMF. (2021). *World Economic Outlook database: April 2021.*

The only countries not making cuts are Guinea and Nigeria, which already made large spending cuts in 2019–20. The level of planned cuts for 2022–26 are concerning. For example, the cuts planned by the government of Sierra Leone over the period are equivalent to two and a half times its annual health budget; those planned by governments in Ghana, Cabo Verde, the Gambia, Guinea-Bissau and Liberia all surpass a full year of government spending on education.

Austerity is being encouraged in IMF policy assessments, programmes and advice on reducing overall spending during or immediately after the pandemic in order to achieve smaller deficits, rather than sharply increasing spending on health, education, social protection and food security to fight inequality. Action Aid has questioned the IMF's approach: '*the IMF's own Independent Evaluation Office report on the IMF's response to the 2007/8 financial crisis celebrated its role in supporting a global financial stimulus and criticised the IMF for endorsing a premature return to fiscal consolidation. Surely the IMF will not make the same mistake again?*'[73]

For members of WAEMU, another consideration is the regional convergence criteria, which oblige member states to have budget deficits below 3% of GDP, inflation under 3% and debt below 70% of GDP. WAEMU has suspended these criteria until 2023 because of the pandemic, but countries are nonetheless continuing to target austerity in order to reach the deficit and debt targets by 2023 where possible.

If West African governments carry out the planned austerity, the result is likely to be catastrophic for poverty and inequality. This is not least so during a pandemic. New research from the IMF shows that countries that implemented austerity during and after recent epidemics saw their income inequality increase three times as much as countries that did not.[74] As the World Bank and others have shown, whether and to what extent countries manage to keep inequality in check following the pandemic will be crucial to lifting the millions of people that the pandemic has pushed into poverty out of it again.[75]

NOTES

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This paper is part of a series of papers written to inform public debate on development and humanitarian policy issues. The paper builds on Oxfam's global Commitment to Reducing Inequality (CRI) Index, published in October 2020.

For further information on the issues raised in this paper, please email advocacy@oxfaminternational.org

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