

THE WEST AFRICA INEQUALITY CRISIS

Fighting austerity
and the pandemic

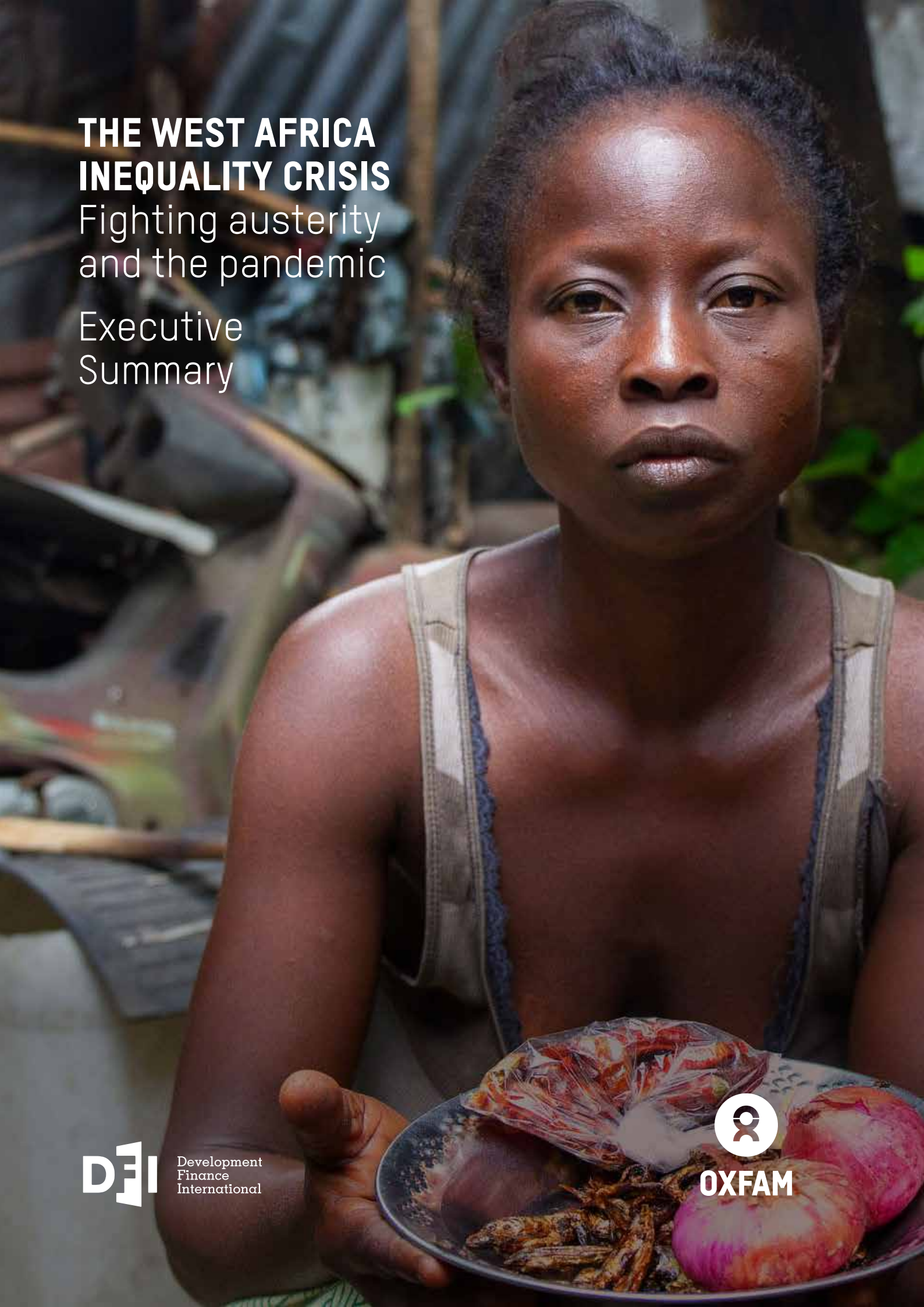
Executive
Summary



Development
Finance
International



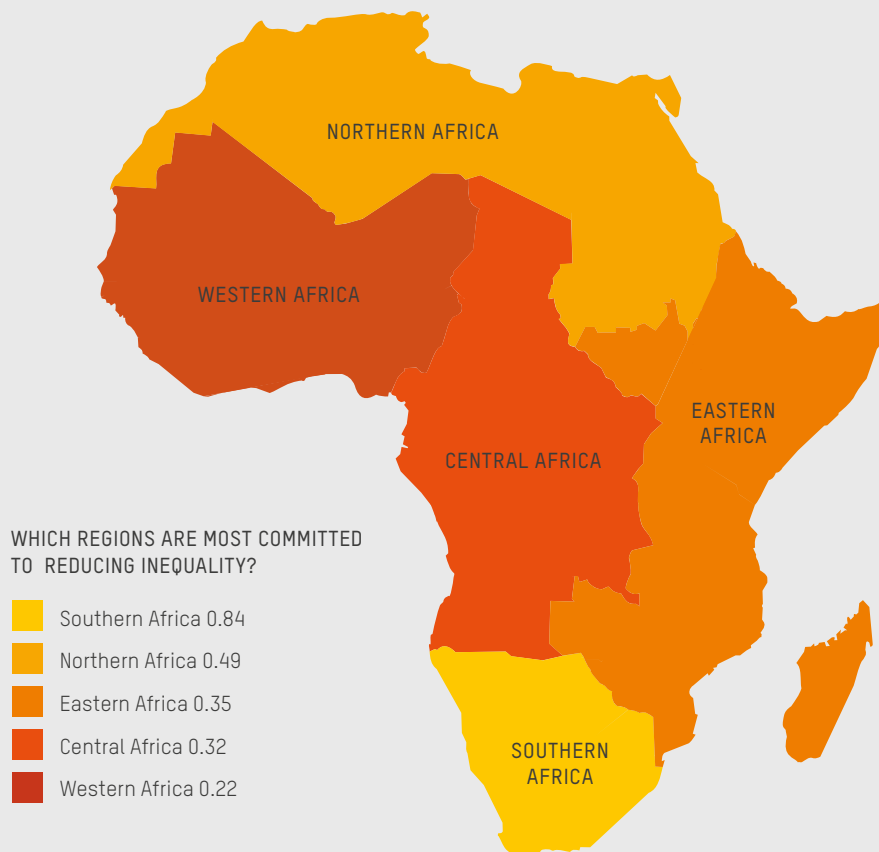
OXFAM



In 2019, Oxfam warned that West Africa's governments were the least committed to reducing inequality on the continent, despite crisis levels of inequality.¹ In 2021, using the Commitment to Reducing Inequality Index (CRII) framework devised by Oxfam and Development Finance International (DFI), we have found that the average West African citizen still lives under a government least committed to fighting inequality in Africa.

The CRI considers public spending; progressive taxation; protection of workers; policies to support agriculture and land rights; and approaches to debt distress; and the role of international financial institutions (IFIs) like the International Monetary Fund (IMF) and World Bank.

FIGURE I: CRII SCORES FOR AFRICA'S REGIONS



The scores for each region shown on the map reflect the average CRI index score for governments in each region, weighted by population. A score of 1 represents the maximum possible commitment to reduce inequality; a score of 0 represents the lowest possible commitment. By weighing the averages of the region by population, the regional CRII score expresses the commitment that the average citizens of each region experience from their government. For West Africa, this implies that Nigeria's CRII score is given more weight than that of Cabo Verde because of the large difference in population size between the two countries. Note that the low average score of West Africa is not driven solely by Nigeria's low CRII score, however: even if Nigeria is omitted from the West Africa average, the region still performs worse than Southern, Northern, and Eastern Africa, and only scores slightly higher than Central Africa. We have followed the UN geoscheme for the division of Africa's regions.

While West African governments' indifference towards inequality would be a tragedy at any time, it is more so during the COVID-19 pandemic, which is worsening inequality. On the face of it, West Africa has fared relatively well through the pandemic so far. While infections have been lower than elsewhere, it is increasingly becoming clear that the pandemic risks becoming the region's worst economic crisis in decades, pushing millions into poverty. No end is in sight due to the obscene global vaccine inequality, which means that less than 4% of West Africans have so far been fully vaccinated.²

The immediate economic impact of the pandemic was staggering, with West Africa losing \$48.7 bn in GDP and the loss of working hours corresponds to seven (7) million jobs in 2020 alone.³ The impact was widespread, with surveys from eight countries showing that more than 60% of citizens reported losing income or work due to COVID-19.⁴ The contact-intensive nature of the economic sub-sectors dominated by women means that lockdowns have worsened gender inequality.

Given limited fiscal space, the support programmes enacted by most governments in the region in 2020 are being scaled back in 2021, and replaced with austerity at the exact time that COVID-19 infections are increasing in most countries. In 2021, 11 West African governments will slash their budgets by a combined \$4.4bn.⁵ These cuts alone would be enough to buy and deliver vaccinations for 78% of West Africans.⁶ Oxfam's review of IMF's COVID-19 loans to 85 countries between March 1 2020 and March 15 2021 showed that the Fund has encouraged 73 countries to pursue austerity policies during recovery, amongst them are 14 West African countries.⁷ Indeed, data for 2022–26 from 14 governments show plans to reduce public spending by \$26.8bn compared to 2021.⁸ This would be enough for governments to provide full vaccination for West African citizens and provide one year of quality primary education for 71 million children.⁹

For some of the worst-affected countries, the scale of austerity is daunting. For example, the cuts planned by the government of Sierra Leone in 2022–26 are equivalent to two-and-a-half times its current annual government health budget, while the cuts planned by Ghana, Cabo Verde, the Gambia, Guinea Bissau and Liberia all surpass a full year of government spending on education.¹⁰ Reducing public budgets on this scale will almost certainly raise inequality and derail any chance of meeting the Sustainable Development Goals by 2030.

Women and girls tend to be impacted more severely by austerity.¹¹ According to UN Women, the COVID-19 pandemic underscores society's reliance on women both on the frontline of fighting the pandemic and at home, while simultaneously exposing structural inequalities that penalize them in every sphere, such as health, the economy, security and social protection. In times of crisis, when resources are strained and institutional capacity is limited, women and girls face disproportionate impacts.

The danger of austerity is compounded by another effect of the pandemic: the rapid rise in debt. Even governments able to increase their budgets or keep them relatively stable could face social spending cuts because of having to spend increasing shares on servicing debt. Even before the pandemic, debt servicing was reaching astronomical levels in many West African countries, with governments spending on average almost five times as much on domestic and external debt service as on health. In 2020–21, debt servicing took an average of 61.7% of government revenues in West Africa. The debt suspension initiatives enacted by the G20 countries in that year have proven to be woefully inadequate.

The combination of budget cuts, rising debt and a slow recovery due to global vaccine inequity risks bringing the West Africa inequality crisis to new heights.

However, it does not have to be this way. Increasing tax revenues hold enormous potential for funding government programmes to reduce inequality. If West Africa's governments increase tax revenues by just 1% of GDP for the five years (from 2022 to 2026), they would raise an additional \$56.89bn. This would allow them to cancel the planned \$26.8bn budget cuts, and to invest an additional \$30.9bn, which is enough to provide one year of quality primary education for more than 101 million children.¹²

Governments can raise this revenue in progressive ways that help fight inequality. Unfortunately, throughout the pandemic, West Africa has followed global trends – the richest people have dramatically increased their fortunes. For example, the three richest men in the region saw their wealth increase by \$6.4bn in the first 17 months of the pandemic, which is more than the funds it would take to vaccinate all West Africans.¹³ Taxing the wealthy and corporations would give governments a way out of the crisis, and surveys from 10 countries show

that more than 70% of citizens think it is fair to tax the rich more in order to fund programmes that benefit people living in poverty.¹⁴

Regional bodies such as ECOWAS and the broader international community can also help steer West Africa away from the destructive path of austerity, towards an inclusive and broad-based recovery. The IMF and World Bank in particular need to stop promoting austerity and regressive indirect taxation increases in the region, and instead encourage progressive taxes and help combat illicit financial flows. Urgent action needs to be taken for ambitious debt relief and to end the unacceptable vaccine inequality that is prolonging the crisis in West Africa and stalling the region's economic recovery.

West Africa is at a crossroads. Governments have charted a path that will lead to austerity, inequality and poverty. It is not yet too late to change direction. By rapidly increasing taxation on those that can best afford it, and providing urgent debt relief, West Africa can beat both austerity and the pandemic. The principle guiding governments, regional institutions and the global community should be a strong commitment to reduce inequality.



NOTES

All links last accessed March 2021, except where specified.

- 1 C. Hallum and K.W. Obeng. (2019). *The West Africa Inequality Crisis: How West African governments are failing to reduce inequality, and what should be done about it*. Oxfam. <https://www.oxfam.org/en/research/west-africa-inequality-crisis>
- 2 WHO, 2 September 2021
According to the WHO Regional Office for Africa, just 2% of the over five million doses of vaccine given globally under COVAX have been administered in Africa.
Data from Bloomberg (2021, August 21). *More Than 4.93 Billion Shots Given: Covid-19 Tracker*. <https://www.bloomberg.com/graphics/covid-vaccine-tracker-global-distribution/#global>.
Population data from World Bank (2021). *Population, total*. <https://data.worldbank.org/indicator/SP.POP.TOTL> was used to calculate the vaccine coverage for the 17 countries in the region.
- 3 This is estimated by comparing the IMF's forecasted real GDP growth for 2020 prior to the Covid-19 crisis (from October 2019) with the region's actual real GDP growth figures for 2020 from April 2021. The difference is taken to represent the economic loss to the region. Projections from 2019 are from IMF. (2019). *Sub-Saharan Africa Regional Economic Outlook: Navigating Uncertainty*. <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/10/01/sreo1019>
Actual GDP growth for 2020 is taken from IMF. (2021). *Regional Economic Outlook for Sub-Saharan Africa: Navigating a Long Pandemic*. <https://www.imf.org/en/Publications/REO/SSA/Issues/2021/04/15/regional-economic-outlook-for-sub-saharan-africa-april-2021>.
Data for Mauritania is from the IMF WEO database for October 2019 at <https://www.imf.org/en/Publications/WEO/weo-database/2019/October/weo-report?c=638,748,624,628,662,648,652,656,654,668,678,692,694,722,724,742,&s=NGDPD,&sy=2017&ey=2024&ssm=0&scsm=1&ssc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>.
- 4 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>
- 5 This is calculated from IMF projections of general government expenditure as a percentage of GDP, comparing the figures for 2020 with 2021, and converting into dollar amounts by comparing to GDP in current prices. Data is from IMF. (2021). *World Economic Outlook database: April 2021*. <https://www.imf.org/en/Publications/WEO/weo-database/2021/April/weo-report?c=638,748,624,628,662,648,652,656,654,668,678,692,694,722,724,742,&s=GGX,NGDP,&sy=2018&ey=2026&ssm=0&scsm=1&ssc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>
- 6 This is based on a two-dose programme with an estimated cost of \$7 for each dose for the 418.2 million citizens in the region. The estimated vaccine delivery cost is based on a World Health Organization estimate, see: Reuters (2021 April 28). *Donate \$7 for a COVID-19 vaccine to help end pandemic, WHO urges*. <https://www.reuters.com/article/health-coronavirus-who-donation/donate-7-for-a-covid-19-vaccine-to-help-end-pandemic-who-urges-idUSL8N2MK5MD>. Population data is from World Bank. (2021). *Population, total*. <https://data.worldbank.org/indicator/SP.POP.TOTL>
- 7 N. Tamale. (2021). *Adding Fuel to Fire: How IMF demands for austerity will drive up inequality worldwide*. Oxfam. <https://policy-practice.oxfam.org/resources/adding-fuel-to-fire-how-imf-demands-for-austerity-will-drive-up-inequality-worl-621210/>
- 8 This is calculated from IMF projections of general government expenditure as a percentage of GDP, comparing the figures for 2022–26 with expenditure levels in 2021, and converted into dollar amounts by comparing to GDP in current prices. Data is from IMF. (2021). *World Economic Outlook database: April 2021*. <https://www.imf.org/en/Publications/WEO/weo-database/2021/April/weo-report?c=638,748,624,628,662,648,652,656,654,668,678,692,694,722,724,742,&s=GGX,NGDP,&sy=2018&ey=2026&ssm=0&scsm=1&ssc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>
- 9 This is based on a two-dose programme with an estimated cost of \$7 for each dose for the 401.4 million citizens in the region. The estimated vaccine delivery cost is based on a World Health Organization estimate, see: Reuters (2021 April 28). *Donate \$7 for a COVID-19 vaccine to help end pandemic, WHO urges*. <https://www.reuters.com/article/health-coronavirus-who-donation/donate-7-for-a-covid-19-vaccine-to-help-end-pandemic-who-urges-idUSL8N2MK5MD>.
The cost of providing a quality primary education is estimated for the region's mix of low-income countries and lower-middle-income countries at \$305 using UNESCO. (2015). *Pricing the right to education: The cost of reaching new targets by 2030*. <https://en.unesco.org/gem-report/node/819>
- 10 This is based on comparing the cuts planned for 2022–26 as percentage of GDP with data from the World Bank on government health and education expenditures for the latest available year. See World Bank. (2021a). *Government expenditure on education, total (% of GDP)*. <https://data.worldbank.org/indicator/SE.XPD.TOTL.GD.ZS> and World Bank. (2021b). *Domestic general government health expenditure (% of GDP)*. <https://data.worldbank.org/indicator/SH.XPD.GHED.GD.ZS>
- 11 C. Coffey, P. Espinoza Revollo, R. Harvey, M. Lawson, A. Parvez Butt, K. Piaget, D. Sarosi and J. Thekkudan. (2020). *Time to care: Unpaid and underpaid care work and the global inequality crisis*. Oxfam. <https://oxfamlibrary.openrepository.com/bitstream/handle/10546/620928/bp-time-to-care-inequality-200120-en.pdf>
- 12 This is calculated using the general government revenue (% of GDP) for 2021 and converting this to dollars by comparing to GDP under current prices and calculating how much one more percentage point would correspond to. Calculated this way, expanding revenue by 1% of GDP in 2021 would yield an additional \$8.3bn for the region's countries, which would come to approximately \$56.89 bn over five years.
Data on general government revenue is from IMF. (2021). *World Economic Outlook database*. <https://www.imf.org/en/Publications/WEO/weo-database/2021/April/weo-report?c=638,748,624,628,662,648,652,656,654,668,678,692,694,722,724,742,&s=GGR,NGDP,&sy=2019&ey=2026&ssm=0&scsm=1&ssc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1>
The cost of providing one year of quality primary education is estimated at \$305.05 by UNESCO, with the figures adopted to the mix of low-income and lower-middle-income countries in West Africa. See UNESCO (2015). *Pricing the right to education: The cost of reaching new targets by 2030*. <https://en.unesco.org/gem-report/node/819>
- 13 This is based on analysis of Forbes data for the period 18 March 2020 to 31 July 2021 for Aliko Dangote, Mike Adenuga and Abdulsamad Rabiu, all billionaires based in Nigeria. See Oxfam. (2021, August 12). *One-off emergency tax on billionaires' pandemic windfalls could fund COVID-19 jobs for entire world*. Press release. <https://www.oxfam.org/en/press-releases/one-emergency-tax-billionaires-pandemic-windfalls-could-fund-covid-19-jobs-entire>
- 14 T. Isbell and L Olan'g. (2020). *Troubling tax trends: Fewer Africans support taxation, more say people avoid paying*. Afrobarometer. https://afrobarometer.org/sites/default/files/publications/Dispatches/ad428-tax_trends_in_africa-weaker_legitimacy_more_avoidance-afrobarometer_dispatch-20feb21.pdf
L. Ossé and O.D. Sambou. (2021). *Impose the payment of taxes – A large part of reluctant Burkina Faso, demand equity*. Afrobarometer. <https://afrobarometer.org/fr/publications/ad437-imposer-le-paiement-des-impots-une-bonne-partie-des-burkinabese-demandent>

© Oxfam International October 2021

This paper was written by Matthew Martin, Jo Walker, Kwesi W. Obeng and Christian Hallum. Oxfam acknowledges contributions by Anthony Kamande and Jonas Giefeldt and reviews and comments by Max Lawson, Susana Ruiz, Godfred Bokpin, Nadia Daar, Nabil Abdo and Oxfam country teams in Benin, Burkina Faso, Ghana, Liberia, Mali, Mauritania, Niger, Nigeria, Senegal, and Sierra Leone.

We acknowledge the assistance of Morten Bisgaard, Helen Bunting, Helen Wishart, Tom Fuller, Morgane Menichini, Nigel Willmott, Mouhamed Lamine Konde, Mame Diarra Senghor, Simon Trepanier, Robin Guittard and Sebastian Tiah in its production.

The paper also benefited from the collective wisdom of the members of the Steering Committee of the West Africa regional Commitment to Reducing Inequality (CRI) Index. They are Vanessa Ushie, Seydou Coulibaly, Babatunde Oladapo, Joel Akhator Odigie and Komlan Messie.

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

This publication is copyright but the text may be used free of charge for the purposes of advocacy, campaigning, education, and research, provided that the source is acknowledged in full. The copyright holder requests that all such use be registered with them for impact assessment purposes. For copying in any other circumstances, or for re-use in other publications, or for translation or adaptation, permission must be secured and a fee may be charged.

The information in this publication is correct at the time of going to press.

Published by Oxfam GB for Oxfam International under ISBN: 978-1-78748-819-9 in October 2021.
DOI: 10.21201/2021.8045

Development Finance International

Development Finance International is a non-profit capacity-building, advocacy, advisory and research group which works with more than 50 governments, international institutions and civil society organisations worldwide to help development financing fight poverty and inequality. For more details see www.development-finance.org and www.governmentspendingwatch.org

Photos

Cover: Florence Odjo, Benin. Photo: Alokpa Kodjovi
Page 4: Tantanon, Benin. Photo: Alokpa Kodjovi

Oxfam

Oxfam is an international confederation of 21 organizations, working with its partners and allies, reaching out to millions of people around the world. Together, we tackle inequalities to end poverty and injustice, now and in the long term – for an equal future. Please write to any of the agencies for further information or visit www.oxfam.org

Oxfam America (www.oxfamamerica.org)
Oxfam Aotearoa (www.oxfam.org.nz)
Oxfam Australia (www.oxfam.org.au)
Oxfam-in-Belgium (www.oxfamsol.be)
Oxfam Brasil (www.oxfam.org.br)
Oxfam Canada (www.oxfam.ca)
Oxfam Colombia (lac.oxfam.org/countries/colombia)
Oxfam France (www.oxfamfrance.org)
Oxfam Germany (www.oxfam.de)
Oxfam GB (www.oxfam.org.uk)
Oxfam Hong Kong (www.oxfam.org.hk)
Oxfam IBIS (Denmark) (www.oxfamibis.dk)
Oxfam India (www.oxfamindia.org)
Oxfam Intermón (Spain) (www.oxfamintermon.org)
Oxfam Ireland (www.oxfamireland.org)
Oxfam Italy (www.oxfamitalia.org)
Oxfam Mexico (www.oxfamexico.org)
Oxfam Novib (Netherlands) (www.oxfamnovib.nl)
Oxfam Québec (www.oxfam.qc.ca)
Oxfam South Africa (www.oxfam.org.za)
KEDV (www.kedv.org.tr)



Development
Finance
International



OXFAM