THE INEQUALITY CRISIS IN EAST AFRICA

Fighting austerity and the pandemic

Summary

Development Finance International

OXFAM

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EXECUTIVE SUMMARY

In 2018 and again in 2020, Development Finance International and Oxfam warned that East Africa[1] had high levels of inequality, and governments in the region showed low commitment to reducing it.[2] In 2021, using the Commitment to Reducing Inequality Index (CRII) framework devised by DFI and Oxfam to focus on East Africa in more details, this report finds that this continues.

In this report, we analyse COVID-19's impact on growth, poverty and inequality, as well as the responses of governments, their creditors and the IMF and World Bank. We also assess whether governments were well-prepared to deal with a pandemic, based on their commitment to fighting inequality through public services, progressive taxation and workers' rights, and the role of governance in influencing this commitment.

Before the COVID-19 pandemic, East African countries on average were lagging 33% behind North Africa and 30% behind Southern Africa in their commitment to fighting inequality, and were doing only a third as well as the best performers globally. They performed relatively well on progressive taxation, but this was not translating into public services that reached people living in poverty. The poorest people also suffered from very weak or non-existent labour rights. Comparative analysis with global governance indices (the Corruptions Perception Index and Open Budget Index) shows high correlations, indicating that corruption and budget transparency have a strong relationship with commitment to anti-inequality policies.

Most countries in East Africa seemed to be less hard hit by the COVID-19 pandemic in 2020, but the first half of 2021 saw a surge in infection and death rates, forcing some countries to reintroduce containment measures. Health systems which were extremely weak before the pandemic have been stretched to the limits. Protracted school closures have affected millions of learners, especially the poorest who could not switch to online learning. While COVID-19 has since slowly abated, there is still the risk of another resurgence due to global vaccine inequality. By mid-January 2022 a paltry 4% of the region's population had been fully jabbed.[3]

In addition, it is clear that the pandemic is the region's worst economic crisis in decades, pushing millions into poverty and exacerbating inequality. The immediate economic impact of the pandemic was huge, with East Africa losing $15.7bn in GDP in 2020 due to lower-than-expected growth,[4] and losing working hours corresponding to 10 million jobs. Households were hit particularly hard, with surveys from four countries showing that more than 60% of citizens reported losing income or work due to COVID-19.[5]

The fiscal support programmes enacted by governments were limited by high levels of debt and budget deficits before COVID-19, and even these programmes will be rolled back in most countries by 2022. In addition, to reduce their budget deficits, five governments in the region are planning to introduce a daunting level of austerity in the next five years: on average, they will cut annual spending massively, by $4.7bn compared with 2021.[6] Oxfam's review of IMF COVID-19 loans to 85 countries between March 1 2020 and March 15 2021 showed that the IMF has encouraged 73 countries to pursue austerity policies during recovery, among them five East African countries.[7] Restoring these cuts would be enough for these governments to quadruple their health expenditures and keep them at that higher level through to 2026.[8] In South Sudan, a country of 13 million people with more military generals than doctors pre-COVID-19,[9] health spending could rise by 13 times.

Spending cuts on this scale will dramatically narrow the fiscal space for social spending essential to attaining the Sustainable Development Goals, exacerbate COVID-19-induced vulnerability, and increase inequality and poverty. This will be especially true for women and girls, already especially hard hit by the pandemic, which has increased the burden on women at the frontline of health and social care, while slashing other earnings in the labour-intensive sectors dominated by women during lockdowns.[10]

Debt servicing is another growing pressure on government budgets. Even before COVID-19, it was reaching astronomical levels in most East African countries, with governments spending on average five times as much on domestic and external debt service as on health.[11] In 2020–21, debt service accounted for 35.2% of government revenue in East Africa, a burden which the G20 Debt Service Suspension Initiative was woefully inadequate in reducing (**see Section 1.5**).

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

However, building back during and after the pandemic offers East African governments a once-in-a-generation opportunity to do what their citizens want: to avoid this austerity and make their economic systems fairer. Raising more revenue through progressive taxation could allow governments to increase the social sector spending needed to reduce inequality and poverty, without increasing the budget deficit. If they increase their tax revenues by just 1% of GDP, they would raise an additional $4.9bn each year on average for the next five years, which is enough to raise health spending by an average 77% each year across the region.[12]

For most of the countries in the region, tax revenue has been chronically low for years. In 2019, average national tax revenue in the region was only 12.8% of GDP, with only Kenya over 16%.[13] In addition, an average of 56% of tax revenue comes from indirect taxes on goods and services, which generally hit people living in poverty harder.[14] Governments can do much more to raise this revenue in progressive ways that help fight inequality, by increasing income tax rates and collection, sealing tax loopholes, strengthening tax authorities, and reinforcing wealth taxes. Taxing the wealthy and corporations would give governments a way out of the crisis, and surveys from three of the nine countries show that more than 71% of citizens think it is fair to tax the rich more in order to fund programmes that benefit people living in poverty.[15]

It is also important that tax revenues are spent transparently on public services that reduce inequality the most. Currently most East African countries are falling far short of the spending targets set at African Union summits based on calculations of needs to reach the UN Sustainable Development Goals (SDGs) for universal coverage of education, health and social protection, and the Comprehensive Africa Agriculture Development Programme targets for agriculture spending.

However, there is a limit to what government spending alone can do to reduce the very high levels of inequality produced by the market in many East African countries. These have some of the world's highest levels of informal or vulnerable employment, which deprives workers of their labour rights. So governments will need to create and enforce legislation to improve labour rights (especially for women) and minimum wages. They will also need to work harder to tackle structural causes of inequality, notably unequal access to assets like land or financial services.

Regional and international organizations could also help steer countries away from the destructive path of austerity towards an inclusive and broad-based recovery. The East African Community could, for example, agree common minimum income tax rates and rules sharply reducing tax incentives in order to encourage faster progress towards regional convergence targets, as the West African Economic and Monetary Union has already done. The African Union could help by monitoring much more closely the social and agricultural spending commitments made at previous AU summits, and by advocating even more loudly for the debt relief and new financing measures needed to accelerate SDG progress. The IMF and World Bank need to encourage countries to increase progressive taxes and combat tax dodging to fund stronger public services. They should also push for improved labour rights and social protection. Urgent and ambitious debt relief is needed to prevent austerity and free up money for social spending. More aid is needed to end unacceptable vaccine inequality.

East Africa is at a crossroads. The pandemic has dramatically increased poverty and inequality in the region, and post-pandemic austerity will make this worse. It is not yet too late to change direction. By increasing taxation on those who can best afford it, and receiving more comprehensive debt relief and urgent external funding, East African countries can spend more on public services and enhance workers' rights. This will allow them to beat both austerity and the pandemic, and better protect themselves against future pandemics. But it will happen only if governments, regional institutions and the global community drastically increase their commitment to reduce inequality and eliminate poverty by 2030.

1. INEQUALITY AND THE COVID-19 PANDEMIC IN EAST AFRICA

Oxfam and Development Finance International (DFI) have produced this report to encourage East African governments[16] to scale up their efforts to reduce inequality.

This chapter assesses how the COVID-19 pandemic is exacerbating inequalities in East Africa, and how the region's governments have responded. It also considers the impact of the pandemic on debt levels, and the advice of the IMF and World Bank.

1.1 INEQUALITY IN EAST AFRICA BEFORE COVID-19

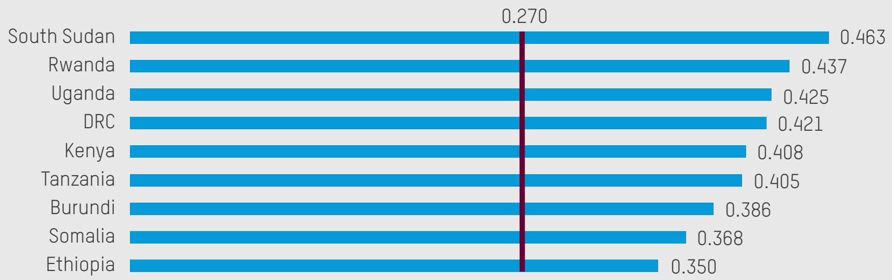
East Africa is a region high in inequality: it is less unequal than Southern Africa, but more unequal than West Africa. **Figures 1** and **2** respectively show the two most common ways of measuring inequality; namely the Gini coefficient, a number between 1 (total inequality) and 0 (total equality) based on income distributions,[17] and the Palma ratio, which compares the incomes of the top 10% and the bottom 40%.[18] East African countries perform similarly on both indicators, with South Sudan, Rwanda and Uganda being the most unequal, ranking among the world's 40 most unequal countries. Kenya, Tanzania, Burundi and Somalia are in the most unequal third of countries. Only Ethiopia has below-average inequality.

Though East African countries have seen impressive economic growth in the past two decades, and significant reductions in poverty in most of the countries, three (Burundi, Ethiopia and Tanzania) have seen a widening gap between the richest and poorest people, and there has been little progress in reducing inequality in the other countries.[19]

Such inequality reduces economic growth,[20] and worsens health and other outcomes for populations.[21] **Figure 1** includes a line representing a Gini coefficient of 0.27, the level at which the IMF estimates that inequality undermines growth.[22]

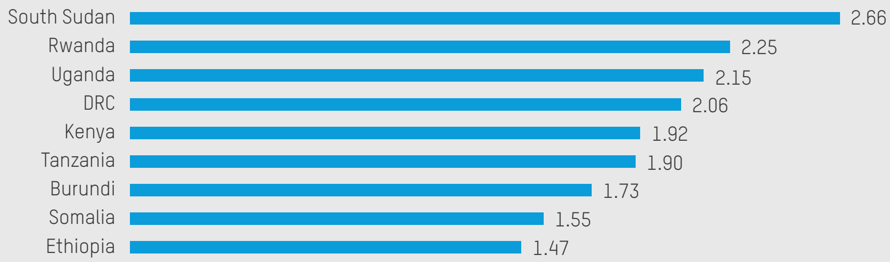
Income is also increasingly concentrating in the hands of a tiny few, even as a majority are struggling to meet their most basic needs, such as education, healthcare and decent jobs. The richest 10% receive an average of 47% of pre-tax national income across the region. For the richest 1%, their average share of income across the region is 15.7%, 2.5 percentage points more than the poorest 50% of citizens earn. In Rwanda, the richest 1% of the population earns 20% of national income, nearly double the share held by the bottom 50%.[23]

FIGURE 1: EAST AFRICAN 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: EAST AFRICAN 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.

1.2 THE IMPACT OF COVID-19 ON POVERTY AND INEQUALITY

The COVID-19 pandemic will sharply increase poverty and inequality. The IMF, World Bank and UN have all sounded the alarm.[24] Recent estimates show that the bottom 40% of the world's citizens have seen a 5% fall in their income compared to pre-pandemic projections, and will see a further 5% fall in 2021 due to the lingering impact of COVID-19.[25] At the same time, the world's richest 20% will have recovered any income and wealth losses sustained during the pandemic by the end of 2021. Global stock market booms saw billionaires' wealth increase by $5.5tn between 18 March 2020 and 31 July 2021.[26] 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%.[27] The World Bank has indicated that this 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 decisively against inequality, the impact of the crisis could be reversed in just three years.[28]

In sub-Saharan Africa, poverty is forecast to increase by 2.5% between 2019 and 2021, more than double pre-pandemic projections. In absolute terms, 52 million people in sub-Saharan Africa will be pushed into extreme poverty between 2019 and 2021, raising the number of people living in extreme poverty to 491 million (42.1% of the population).[29]

With very few assets, lower education levels, precarious employment and low skills, most of the new extreme poor people were already just a shock away from extreme poverty. These groups (and especially women and female-headed households) 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.[30]

In East Africa, the situation has been further compounded by the locust infestations that swept across some countries in 2020, destroying food crops and livestock pastures.[31] Erratic weather patterns including drought and flooding have not helped, bringing severe food insecurity especially for rural and nomadic communities. In Kenya, 2.1 million,[32] and 2.8 million people[33] in Somalia, are at risk of starvation due to raging drought.

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.

Most countries in East Africa seemed to be less hard hit by the COVID-19 pandemic in 2020, but the first half of 2021 saw a surge in infection and death rates, forcing some countries to reintroduce containment measures. Health systems which were extremely weak before the pandemic have been stretched to the limits. Protracted school closures have affected millions of learners, especially the poorest who could not switch to online learning. While COVID-19 has since slowly abated in all Africa's regions, there is still a strong risk of another resurgence due to global vaccine inequality (see below).

East African countries have also suffered major economic fallout from the pandemic. We estimate the economic loss from lower-than-expected growth in the region to have been $15.7bn in 2020.[34] Data from the IMF show that on average, East African countries have seen GDP fall by 2.7% in 2020. Only Ethiopia[35] (6.1%), Tanzania (4.8%) and Democratic Republic of Congo (1.7%) managed to maintain positive growth in 2020. All other countries saw negative growth, with the worst being in South Sudan (-6.6%) and Rwanda (-3.4%).[36]

The economic shock from the pandemic is reflected not just in economic indicators such as GDP: it is being felt in the day-to-day lives of citizens across East Africa, and will be felt for years to come. For example, a survey by Gallup in late 2020 and early 2021 showed that, on average, more than 60% of citizens in four East African countries reported losing income and work (see **Table 1**), among the highest impact on work and earnings seen globally. In Kenya, more than 70% of workers lost income or hours, and 64% of workers lost their job or business entirely. Across East Africa, the International Labour Organization (ILO) estimates that COVID-19 resulted in the loss of 7.2% working hours in 2020 compared with 2019, which is the equivalent of 10 million full-time jobs.[37] The loss of jobs and income has pushed millions into poverty. For example, the UN estimates that the pandemic will result in 11 million more people living in poverty in the Democratic Republic of Congo (DRC), as well as 6 million in Tanzania and 2.4 million in Uganda.[38] The World Bank estimates that 900,000 Rwandans (7% of the population) will have fallen into poverty in 2020–21.[39]

TABLE 1: THE IMPACT OF COVID-19 ON INCOME AND WORK IN OUR EAST AFRICA COUNTRIES

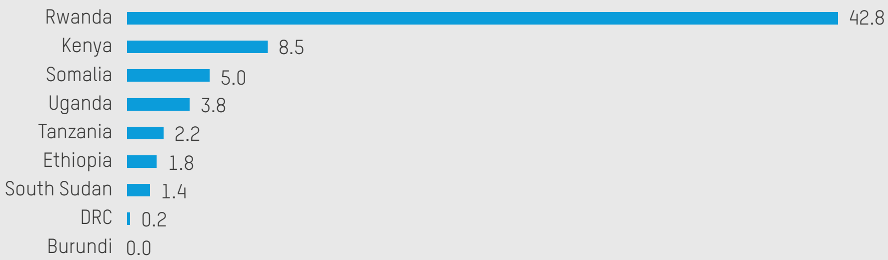
Countries	Percentage of workers stopping work temporarily	Percentage of workers who worked fewer hours	Percentage of workers who earned less than usual
Ethiopia	67	54	61
Kenya	71	73	74
Tanzania	53	55	54
Uganda	66	66	72
Average	**64.3**	**62**	**65.3**

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 reach country and conducted in the latter half of 2020 and early 2021.

Lower growth will continue in 2022, though its severity will depend mainly on the rollout of COVID-19 vaccines, which has been shockingly slow in most East African countries.[40] As of mid-January 2022, a dismal 4% of the population had been fully vaccinated in the region.[41] As **Figure 3** shows, only Rwanda had vaccinated more than 40% of its population. Burundi was the last East African country to acknowledge the seriousness of the pandemic and to request vaccines, and therefore launched its vaccination campaign only on 31 October 2021.[42]

Unequal global access to vaccines is hampering rollout in the region: wealthy countries are buying more doses than they can use, while vaccine manufacturers deprioritise poorer countries and COVAX, the global vaccine facility intended to ensure vaccine distribution to poorer countries. New massive 'booster shot' campaigns in wealthier countries could delay this further, posing a serious risk if the virus mutates into more deadly variants.

FIGURE 3: PERCENTAGE OF POPULATION FULLY VACCINATED, MID-JANUARY 2021



Source: Our World in Data. https://ourworldindata.org/covid-vaccinations

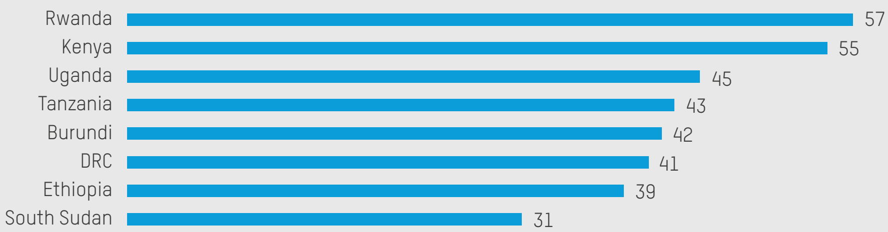
1.3 EAST AFRICAN COUNTRIES WERE UNPREPARED FOR THE CRISIS

COVID-19 has exposed how woefully unprepared East African governments were for a pandemic. **Figures 4–7** show that countries had:

- limited access to essential health services, reaching fewer than 60% of the population in all countries;
- an average of 7% of people spending catastrophic proportions (more than 10%) of their income on healthcare;
- limited commitment to spending on healthcare, with under 10% of government budgets dedicated to health in all countries except Ethiopia, Burundi and DRC;
- extremely low access to social protection benefits (using pension coverage as a proxy), with only 10.5% coverage on average, and under 10% in six countries;[43]
- very low social protection spending of only 7% of budgets (only 40% of the global average); and
- an average of 20% of workers on formal contracts (34% less than the global average), therefore having rights to sick pay, job protection, etc.

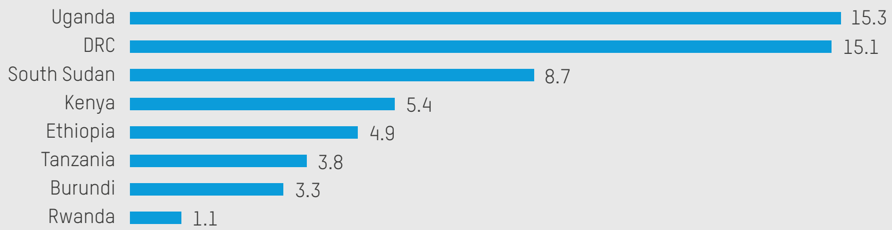
In short, when COVID-19 hit, half of East Africa's citizens had inadequate access to healthcare, 90% lacked social protection and 80% lacked labour rights to cope with the pandemic.

FIGURE 4: UNIVERSAL HEALTH CARE COVERAGE (2019, % OF POPULATION)



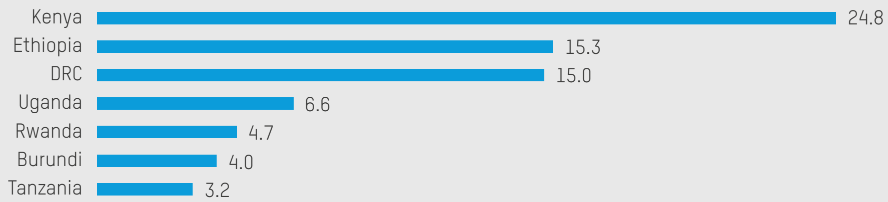
Source: Development Finance International and Oxfam *Commitment to Reducing Inequality Index* database 2020 at www.inequalityindex.org, based on WHO and ILO sources. Health data not available for Somalia.

FIGURE 5: CATASTROPHIC HEALTHCARE PAYMENTS (2019, % OF POPULATION)



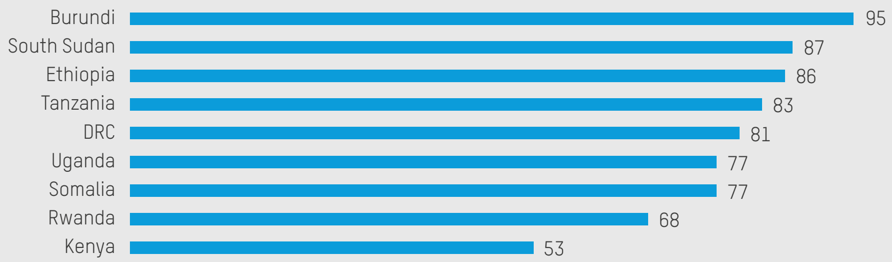
Source: Development Finance International and Oxfam *Commitment to Reducing Inequality Index* database 2020 based on WHO and ILO sources. Health data is not available for Somalia.

FIGURE 6: PENSION COVERAGE (% OF POPULATION)



Source: Development Finance International and Oxfam *Commitment to Reducing Inequality Index* database 2020 based on WHO and ILO sources. Social protection data is not available for Somalia and South Sudan.

FIGURE 7: WORKERS WITH NO FORMAL LABOUR RIGHTS (% OF WORKFORCE)

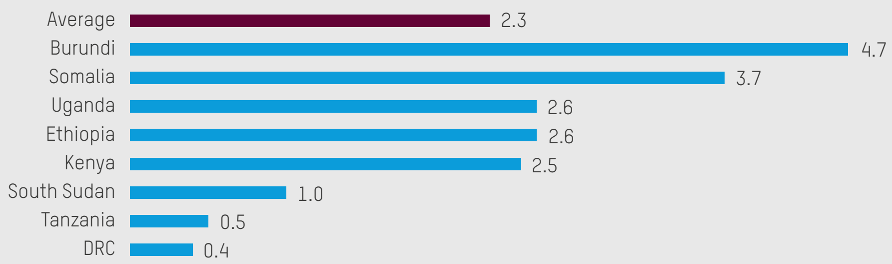


Source: Development Finance International and Oxfam *Commitment to Reducing Inequality Index* database 2020 based on WHO and ILO sources.

1.4 GOVERNMENTS' PANDEMIC RESPONSES

East African countries have responded to COVID-19 with a range of fiscal support packages. These average only 2.3% of GDP, about the same level as in West Africa, but half that of SADC countries, and one quarter of those in high-income countries, due to many countries' constrained ability to borrow additional funds.[44] **Figure 8** shows the scale of states' responses. They range from well below 1% in DRC and Tanzania, up to over 3% for Burundi and Somalia. Most countries in the region already had high debt levels and very limited fiscal space to respond. The governments of Burundi and Tanzania downplayed the prospective impact of COVID-19 for most of 2020 – and Burundi launched a response only in 2021. All countries except Tanzania funded part of their COVID-19 response by cutting other spending.[45]

FIGURE 8: COVID-19 RESPONSE SPENDING (% GDP)



Source: IMF country programme documents (2020–21), available at https://www.imf.org/en/Countries.

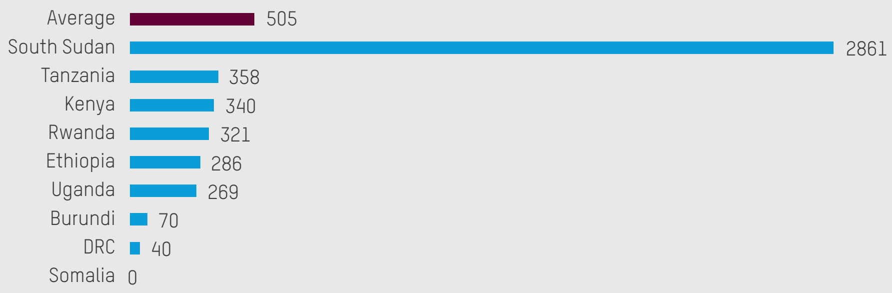
The nature of responses has varied between countries. All have spent on health measures to fight the pandemic, but only Rwanda has included plans to invest more in health systems and preparedness beyond 2021 (until 2024). Somalia increased its health spending tenfold between 2009 and 2021, to 5% of total federal spending.[46] All countries have also increased social protection spending, but some increases (e.g. in DRC, South Sudan and Tanzania) have been very limited. In contrast to other African regions, most spending has been on health and social protection responses rather than the broader economy.

According to the World Bank, only Ethiopia and Rwanda have used a range of social assistance mechanisms (cash transfers, public works, food provision, and waivers or reductions of utility bills) to supplement citizens' income. Most countries have used fewer tools: cash transfers, public works and food in Uganda; cash transfers, public works and utility bills in Kenya; cash transfers and utilities in DRC; cash transfers and food in Somalia; only cash transfers in South Sudan and Tanzania; and only support with utility bills in Burundi. Rwanda and Kenya have massively increased the numbers of people receiving cash transfers, by 654% and 211% respectively,[47] but from a very small base and only temporarily, thereby dramatically reducing their impact on reducing inequality.

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, debt servicing was at astronomical levels in many East African countries. **Figure 9** shows that, on average in 2019, East African countries were spending five times as much on domestic and external debt servicing as on health, with South Sudan spending 28 times as much. Only Burundi, DRC and Somalia spent more on health than debt servicing.[48]

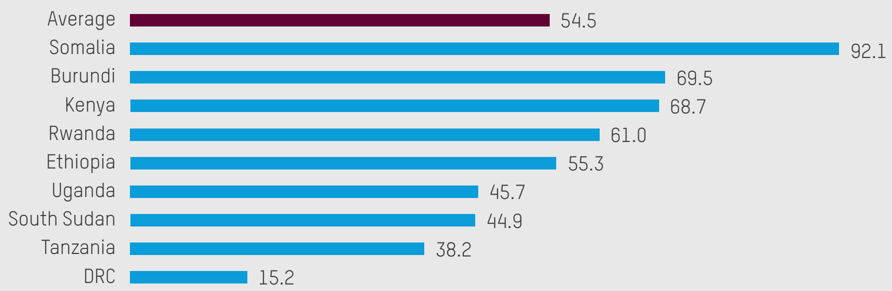
FIGURE 9: DEBT SERVICE PAYMENTS COMPARED TO HEALTH SPENDING (% VALUE, 2019)



Source: Health spending from CRII data; debt service from IMF/World Bank Debt Sustainability Analyses, at https://www.imf.org/en/publications/dsa, IMF Programme Documents and country budget documents 2019-20.

Many countries have had to borrow to fund their pandemic responses, at the same time as GDP has fallen and budget revenues have collapsed. **Figures 10** and **11** show debt as a proportion of GDP, and debt service compared to budget revenues.[49] Debt-to-GDP averaged 54.5%, and debt service/budget revenue 35.2% by 2020–21. The highest debt service costs are for South Sudan, Kenya, Uganda and Rwanda, which are spending around or over half their revenue. Only in Somalia, DRC and Burundi is debt absorbing less than 25% of revenues.

FIGURE 10: PUBLIC DEBT COMPARED TO GDP (%, 2020–21)



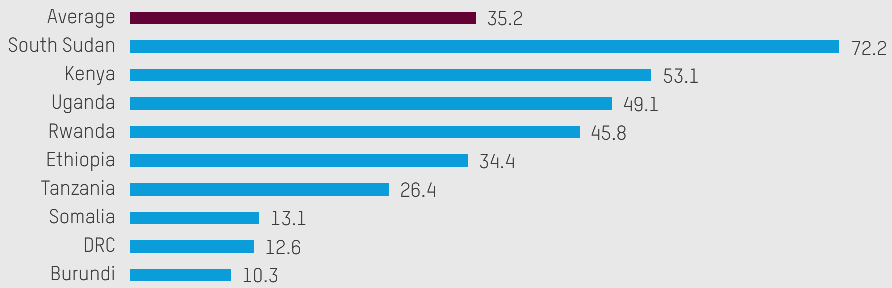
Source: IMF WEO database April 2021, at https://www.imf.org/en/Publications/WEO/weo-database/2021/April

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

- the cancellation of debt servicing to the IMF during 2020–21 (including for Burundi, DRC, Ethiopia, Rwanda and Tanzania in East Africa);[50] and
- a postponement of payments to G20 governments during the same period through a debt service suspension initiative (DSSI), to which six East African countries have applied.[51] However, this initiative does not provide genuine long-term relief: the creditors continue to add interest to debt during the suspension and repayment period.

Somalia is also receiving comprehensive external debt relief, which will reduce its debt by around 90% and its debt service to only 7% of budget revenue in 2022–24.[52] However, this is occurring as part of the Heavily Indebted Poor Countries Initiative, which was designed 20 years ago and has nothing to do with the international response to COVID-19.

FIGURE 11: DEBT SERVICING COSTS COMPARED TO TAX REVENUES (%, 2020–21)



Sources: IMF/World Bank Debt Sustainability Analyses 2020–21, at https://www.imf.org/en/publications/dsa, IMF Country Programme Documents and country budget documents 2021–22

The G20 has established a new Common Framework, whereby most major creditor governments will meet to try to improve coordination. However, as relief does not yet involve commercial creditors or multilateral creditors other than the IMF (which account for the bulk of debt service in many countries), countries must continue servicing their debts to these groups. As a result, countries still accessing global bond markets, such as Rwanda, would not consider applying for Common Framework relief, because they might face major credit rating downgrades or lose their market access.[53] 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 East African countries, due to high domestic interest rates.[54]

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 from a suspension into a cancellation initiative and include all multilateral and commercial creditors. However, this alone will not stop debt levels crowding out social spending and undermining progress towards the UN Sustainable Development Goals (SDGs) over the longer term. Many East African countries (apart from perhaps Burundi and DRC) will need comprehensive debt cancellation and reductions to ensure that their debts are sustainable, as part of a package including additional new concessional financing, so that they can invest to tackle inequality and build resilience against future pandemics through education, health, social protection and food security measures.[55]

1.6 FAILING TO THINK ABOUT INEQUALITY: THE IMF AND WORLD BANK RESPONSE IN EAST AFRICA

The IMF and World Bank are mandated by the UN and the G20 to mobilize financing to fight the pandemic. However, they should also continue to play their longer-term roles of putting countries on track to achieve the SDGs and reduce inequality.[56]

All East African 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 packages have been much smaller than those possible for wealthier countries borrowing on commercial markets (see **Section 1.4**).

Multilateral support was further scaled up in the third quarter of 2021. In early August, the IMF approved an issuance of $650bn of Special Drawing Rights (SDRs), an international reserve asset from the IMF which countries could use to support spending or pay down domestic debt.[57] The nine countries in East Africa have received a combined $4.63bn of SDRs, equivalent to 1.2% of 2021 regional GDP. The four poorest countries in the region will receive a major boost, with South Sudan receiving 10.3% of its GDP, Burundi 6.6%, Somalia 4.1% and DRC 2.7%. The resources will go some way to mitigating the pandemic-induced health and economic fallout by providing space to increase social spending or procure much-needed vaccines. In DRC and Ethiopia, for example, the SDRs each country received are more than enough to buy and deliver vaccines to every citizen.

There are plans for wealthier countries that do not need their $400bn share of these SDRs to reallocate them so that more IMF financing will be available to low- and middle-income countries. However, as recently agreed by the IMF Governors in October 2021, some of these SDRs will be channelled via concessional loans by the IMF (through the Poverty Reduction and Growth Trust and the new Resilience and Sustainability Trust), with multilateral development banks also being considered as a channel. All these loans would contain policy conditions, unlike general SDR issuances which have no conditionality.[58] In addition, even with this reallocation, the amount received by developing countries will be much less than is needed for a full recovery from COVID-19 and a just and green recovery to accelerate progress to the SDGs. Many analysts and advocates have estimated that an issuance of SDR $3tn would be desirable for these purposes.[59] Given their very low cost (an interest rate of 0.05% at the publication time and no repayment of principal necessary), regular large issuances of SDRs (say US$650 billion every two years) could be a very effective way to fund global development over the next decade.

In terms of policy prescriptions, the responses of the IMF and World Bank have been largely limited to immediate short-term actions through extra health, social protection and economic stimulus spending.

Most current IMF loan documents in the region contain no significant analysis of inequality.[60] However, some loan documents noted the likely increases in poverty estimated by the World Bank. Additionally, the latest IMF report on Uganda draws on work by the Uganda Bureau of Statistics to assess the impact of COVID-19 on poverty and inequality.[61] Given that inequality is 'macro-critical', that is vital to future growth and stability, examining its trends and designing policy responses should be central to the analysis and policies underpinning IMF Article IV and lending programme documents in all East African countries.

The lack of inequality-specific analysis is perhaps understandable in the IMF's emergency COVID-19 response loans, which aim to fill emergency financing gaps without conducting much detailed analysis, and many of which came with far fewer terms and conditions. However, even in these loan documents, the IMF could have advocated key priority policies needed to fight inequality, including increases in progressive taxation, anti-inequality spending and labour rights. In line with this, the IMF fiscal affairs department has suggested 'solidarity' increases in progressive taxes to fund COVID-19 response and recovery,[62] but there is no sign that such recommendations are feeding into IMF programming in East Africa.

On the other hand, there are some encouraging signs that the IMF is beginning to focus on making taxation more progressive in East Africa. Kenya's initial response to COVID-19 was, against IMF advice, to cut all taxes – the government cut the top rate of personal income tax (PIT) and main rate of corporate income tax (CIT) in the 2020 budget; both from 30% to 25%, and reduced value-added tax (VAT) from 16% to 14%. However, in January 2021, with IMF support, it reversed these cuts.[63] Rwanda is also planning to increase the progressivity of its personal income tax with IMF technical assistance.[64] South Sudan is planning to increase all of its tax rates gradually over the next few years to bring them closer to the levels in other EAC countries, starting by increasing its business profits tax from 20% to 30%, with top PIT (and regressive VAT) rate increases to come. Most of the other countries covered in this report plan to rely on reducing tax exemptions (DRC, Ethiopia, Kenya, and Uganda) and more effective collection of taxes. It would be desirable to see the IMF advising all other countries on how to make taxes more progressive.

While the initial pandemic-related health and social protection spending may have helped to mitigate some of the pandemic-induced inequality, in almost all countries (except Uganda, where an increase of 0.7% of GDP in health and education spending is planned), these programmes are to be wound down by the end of 2021. Burundi is somewhat exceptional, as it did not acknowledge the severity of the pandemic until mid-2021, and therefore will be increasing spending in 2021-22 before bringing it back down again. In a context of budget austerity in almost all countries (see **Section 1.7**), it will be extremely hard to protect social spending, let alone to increase it dramatically to fight inequality and reach the SDGs.

The World Bank's Systematic Country Diagnoses of East African countries have contained a great deal 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 clearly show how countries will achieve the SDGs for universal healthcare 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 in four East African countries.[66] However, neither has followed up such analysis with recommendations for country-specific reforms that would make their systems more progressive. There has also been no effort to reverse earlier anti-union and labour rights policies inspired by the now discontinued Doing Business Index which has been widely criticized for encouraging deregulation and corporate tax cuts.[67]

The emergency loans provided by the World Bank in the health sector have 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.[68] The CRII has shown that this is a major issue in most East African countries, with such expenditures bankrupting millions of people each year and excluding them from treatment. For the countries covered in this report, none of the five World Bank projects (in Burundi, DRC, Ethiopia, Kenya and Rwanda) included measures to increase the affordability of services in their design.[69]

On social protection support, while there have been considerable increases in the reach of cash transfers in some East African countries (see **Section 1.4**), 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, as envisaged in the SDGs.[70] There has also been no analysis in World Bank loans of how such programmes can be made permanent or further expanded to achieve the goal of universal social protection coverage by 2030. This suggests that they could be abandoned and reversed as soon as the pandemic subsides, and Oxfam's analysis finds that the IMF is encouraging such reversals in some countries.[71]

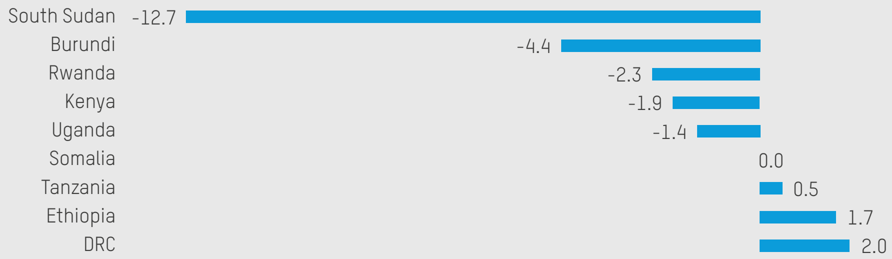
The leaders of the IMF and the World Bank have given strong speeches on inequality.[72] Both institutions have conducted comprehensive analyses stressing the risk that the pandemic will increase inequality, as well as the need to prevent this. However, their responses in country operations have largely ignored the issues of inequality, and by omission as well as by explicit policy advice contributing to its increase. This tendency needs to be reversed in 2021–22, with both organizations turning speeches and analysis into strong anti-inequality policy recommendations at the country level.

1.7 COMPOUNDING COVID-19 DRIVEN INEQUALITY: THE IMF PUSHES FOR THE RETURN OF AUSTERITY IN EAST AFRICA

While East African governments responded to the pandemic in 2020 with fiscal support packages, in some countries these are proving to be short-lived. Some countries have increased their spending as a proportion of GDP in 2021, but Kenya, Rwanda, Somalia and Tanzania have been cutting spending as COVID-19 infections and deaths continue to rise.[73]

Even more concerning are the long-term plans for austerity in the countries covered by this report. DRC, Ethiopia, South Sudan and Tanzania had already seen overall expenditure cuts in 2020, and **Figure 12** contains IMF projections for nine East African countries in 2022–26, showing that they plan to reduce annual public spending by 4.7% of GDP on average compared with 2021.[74] Not implementing these cuts would be enough for these five governments to quadruple health spending and keep it at that level until 2026. South Sudan, where there were more generals than doctors before COVID-19, could multiply its health spending by 13 times.[75]

FIGURE 12: AVERAGE ANNUAL GOVERNMENT SPENDING CUTS IN EAST AFRICA (2022-2026, % OF GDP)



Source: IMF. (2021). World Economic Outlook database: October 2021. Cuts are calculated in current US dollars, using 2021 expenditure (% GDP) as the baseline.

In all countries, the planned cuts exceed annual health budgets; they are twice as high in Uganda, four times in Burundi, and 34 times in South Sudan.[76]

Austerity is being encouraged in IMF policy assessments, loans and advice on reducing overall spending immediately after the pandemic in order to achieve smaller deficits and reduce debt levels, rather than sharply increasing spending on health, education, social protection and food security to fight inequality.[77] Within these cuts, efforts are being made in IMF programmes to protect core social spending, especially in most East African countries using social spending floors, but these are defined differently across countries, and in many do not include social protection. If East African governments carry out the planned austerity, the result is likely to be catastrophic for poverty and inequality, especially in the aftermath of a pandemic: the IMF's own research 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.[78] 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 millions of people out of poverty again.[79]

NOTES

All links last accessed 2022, January 17, except where specified.

1 In this report, East African regional averages for the CRII scores are calculated using data from the six members of the East African Community (Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda) plus Ethiopia and Somalia. The listings of country and regional policy specifics (and their related averages) also include DRC, which for the purpose of CRII regional overall and pillar averages is included in SADC. Unfortunately, insufficient data were available to include Eritrea.

2 See M. Martin et al. (2020), *Fighting inequality in the Time of COVID-19: The Commitment to Reducing Inequality Index 2020.* http://powerofpublic.org/Inequality_Index_Reports/index.html; and M. Lawson, M. Martin and J.Walker (2019), *The Commitment to Reducing Inequality Index 2018: A global ranking of governments based on what they are doing to tackle the gap between rich and poor*. Oxfam. https://policy-practice.oxfam.org/resources/the-commitment-to-reducing-inequality-index-2018-a-global-ranking-of-government-620553/

3 Our World in Data. (2021, December 9).

4 This is estimated by comparing the 2020 real GDP growth which the IMF forecast prior to the COVID-19 pandemic (in October 2019) with actual growth figures for 2020 (as of October 2021). The projections from 2019 are from IMF (2019), *Sub-Saharan Africa Regional Economic Outlook* imf.org/en/Publications/REO/SSA/Issues/2019/10/01/sreo1019. Actual GDP growth for 2020 is taken from IMF. *World Economic Outlook Database, October 2021* https://www.imf.org/en/Publications/WEO/weo-database/2021/October

5 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

6 The five countries are Kenya, Uganda, Burundi, Rwanda and South Sudan. This is calculated from IMF projections of general government expenditure as a percentage of GDP, comparing the figures for 2022–26 with spending levels in 2021, and converted into dollar amounts by comparing to GDP in current prices. Data on spending are from IMF (2021). Data on per capita general government health spending at current US$ prices are from WHO. (n.d.). *Global Health Expenditure Database*. https://apps.who.int/nha/database

7 N. Tamale. (2021). *Adding Fuel to Fire.*

8 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/

9 TRT World. (2020, June 22). With more generals than doctors, *Covid-19 threatens S Sudan health systems*. https://www.trtworld.com/africa/with-more-generals-than-doctors-covid-19-threatens-s-sudan-health-systems-37475

10 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://oxfamilibrary.openrepository.com/bitstream/handle/10546/620928/bp-time-to-care-inequality-200120-en.pdf

11 Data for 2019 from DFI's Government Spending Watch at https://www.governmentspendingwatch.org/spending-data

12 This is calculated using the general government revenue for 2021, converting this to dollars by comparing to GDP at current prices and calculating how much one more percentage point would raise. Data on general government revenue and GDP at current prices are from IMF (2021), and data on per capita general government health spending are from WHO *Global Health Expenditure Database.*

13 Data from the CRII revenue database, in turn based on the latest IMF country programme or Article IV documents, referring to 2019. The average includes only South Sudan's non-oil tax revenue, because its oil revenue is a share of sales by oil companies, rather than tax. If South Sudanese oil revenue were to be included, the regional average would be 16.4%.

14 Data from the CRII revenue database, based on the latest IMF programme or Article IV documents, referring to 2019.

15 Afrobarometer Round 8 surveys conducted between 2018 and 2020, available at https://afrobarometer.org/publications?field_publication_type_tid=437

16 Throughout this report, East African regional averages for the CRII overall and pillar scores are calculated using data from the six members of the East African Community (Burundi, Kenya, Rwanda, South Sudan, Tanzania and Uganda) plus Ethiopia and Somalia. The listings of country and regional policy specifics (and their related averages) also include DRC, which for the purpose of CRII regional overall and pillar averages is included in SADC. Unfortunately, insufficient data were available to include Eritrea in the report.

17 Sources for all data are the UNDP Human Development Report country database at http://hdr.undp.org/en/countries

18 If the Palma ratio is 1, it means that the richest 10% and the poorest 40% receive the same amount of income; if it is 2, it implies that the richest 10% receive twice as much income as the poorest 40%, and so on. Data source is the UNDP Human Development Report country database at http://hdr.undp.org/en/countries

19 GDP growth data from IMF. (2021). *World Economic Outlook Database: April 2021*. Trends in poverty and inequality from World Bank povcalnet database at http://iresearch.worldbank.org/PovcalNet/povOnDemand.aspx

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22 F. Grigoli and A. Robles. (2017). *Inequality Overhang*. IMF working paper. https://www.imf.org/en/Publications/WP/Issues/2017/03/28/Inequality-Overhang-44774

23 Data from country surveys compiled by the World Inequality Lab, at https://wid.world/world

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A. Guterres. (2020, July 18). *Tackling the Inequality Pandemic: A new social contract for a new era*. UN Nelson Mandela Lecture. https://www.un.org/sg/en/content/sg/statement/2020-07-18/secretary-generals-nelson-mandela-lecture-%E2%80%9C-tackling-the-inequality-pandemic-new-social-contract-for-new-era%E2%80%9D-delivered
D. Malpass. (2020, October 8). *Reversing the Inequality Pandemic*. nl4worldbank.org/2020/10/08/reversing-the-inequality-pandemic-speech-by-world-bank-group-president-david-malpass/
For more details on the global impact on inequality, see Chapter 2 of the global CRII report: 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/. See also E. Berkhout, N. Galasso, M. Lawson, P.A. Rivero Morales, A. Taneja and D.A. Vázquez Pimentel. (2021). *The Inequality Virus: Bringing together a world torn apart by coronavirus through a fair, just and sustainable economy*. Oxfam. https://www.oxfam.org/en/research/inequality-virus

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26 P. Espinoza Revollo. (2021). *The Inequality Virus: Methodology note*. Oxfam. https://policy-practice.oxfam.org/resources/the-inequality-virus-bringing-together-a-world-torn-apart-by-coronavirus-throug-621149/

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30 See Chapter 1 of African Development Bank. (2021). *African Economic Outlook 2021: From Debt Resolution to Growth: The Road Ahead for Africa*. https://www.afdb.org/en/knowledge/publications/african-economic-outlook

31 See https://www.bbc.com/future/article/20200806-the-biblical-east-african-locust-plagues-of-2020

32 See https://www.theguardian.com/global-development/2021/sep/15/drought-puts-21-million-kenyans-at-risk-of-starvation and https://www.fao.org/kenya/news/detail-events/en/c/1418809/

33 See https://www.ifrc.org/emergency/somalia-hunger-crisis-2021

34 This is estimated by comparing the IMF's forecast real GDP growth for 2020 prior to the COVID-19 crisis (from October 2019) with the region's actual growth figures for 2020 (from April 2021). The forecasts in 2019 are taken from IMF (2019 *Sub-Saharan Africa Regional Economic Outlook*. The actual 2020 data are 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

35 Data for Ethiopia are for the fiscal year 2020/21, which is when the impact of COVID-19 was felt.

36 Data from IMF *World Economic Outlook Database. October 2021*.

37 International Labour Organization. (2021). *ILO Monitor: COVID-19 and the world of work. Seventh Edition*. https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_767028.pdf

38 H. Karas and M. Dooley. (2021). *Extreme Poverty in the Time of COVID-19*. UN Virtual Inter-agency Expert Group. https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2021/05/KHARAS_paper1.pdf

39 See https://pubdocs.worldbank.org/en/366631492188168425/mpo-rwa.pdf

40 See, for example, the OECD global economic projections, in which the base scenario projects recovery in 2021, but the downside scenario sees it taking until the end of 2022: OECD. (2021). *Strengthening the recovery: The need for speed*. Interim report March 2021. http://www.oecd.org/economic-outlook. See also the IMF and World Bank forecasts, which indicate that GDP levels will remain around 3–5% below pre-pandemic projections at the end of 2021: IMF. (2021c). *World Economic Outlook Update: Policy Support and Vaccines Expected to Lift Activity*. January update. https://www.imf.org/en/Publications/WEO/Issues/2021/01/26/2021-world-economic-outlook-update
World Bank. (2021). *Global Economic Prospects: January 2021*. https://www.worldbank.org/en/publication/global-economic-prospects

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42 See https://campaigneffectiveness.org/october-2021-burundi-begins-covid-19-vaccination-campaign/

43 Pension coverage is used as a proxy because data on overall social protection coverage are not available for all countries.

44 Data for spending by other African regions taken from DFI/Oxfam 2021 West Africa and Southern Africa CRII reports. Data for spending by high-income economies taken from IMF. (2020b). *Regional Economic Outlook: Sub-Saharan Africa*. https://www.imf.org/en/Publications/REO/SSA/Issues/2020/10/22/regional-economic-outlook-sub-saharan-africa. These data are now somewhat out of date, so spending in other groups is likely to be 25-50% higher.

45 Data for East African country spending is taken from IMF programme or Article IV documents for each country during 2020-21, as well as 2020 and 2021 national budget documents, and supplemented where necessary by IMF. (2021d). *Policy responses to COVID-19*. https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#U.

46 World Bank (June 2021), *Somalia Economic Update*. documents1.worldbank.org/curated/en/926051631552941734/pdf/Soma-

lia-Economic-Update-Investing-in-Health-to-Anchor-Growth.pdf

47 See: U. Gentilini, M. Almenfi, I. Orton and P. Dale. (2020). *Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures – December 11 Update*. World Bank. https://openknowledge.worldbank.org/handle/10986/33635 . Somalia also introduced a major new cash transfer programme but this was planned pre-COVID and so is not counted as part of its COVID response.

48 Somalia did not pay any debt service in 2019 as all its debt was in arrears.

49 Data sources are the latest debt sustainability analyses conducted by the IMF and World Bank, see: https://www.worldbank.org/en/programs/debt-toolkit/dsa or https://www.imf.org/external/pubs/ft/dsa/lic.aspx. For Ethiopia and Somalia, these were supplemented by analysis of 2019, 2020 and 2021 budget documents.

50 For more details, see: IMF. (2021e). *COVID-19 Financial Assistance and Debt Service Relief*. https://www.imf.org/en/Topics/imf-and-covid19/COVID-Lending-Tracker. Somalia also received debt service relief from the IMF as part of the IMF's contribution to its HIPC Initiative assistance, but this was not part of a COVID-19 response.

51 Burundi, DRC, Ethiopia, Kenya, Tanzania and Uganda. For details, see World Bank, *COVID 19: Debt Service Suspension Initiative*. https://www.worldbank.org/en/topic/debt/brief/covid-19-debt-service-suspension-initiative

52 See https://www.imf.org/en/Publications/CR/Issues/2020/03/26/Somalia-Enhanced-Heavily-Indebted-Poor-Countries-HIPC-Initiative-Decision-Point-Document-49290

53 Kenya was also reluctant to participate in the DSSI during 2020 but agreed to do so from 2021 as part of the discussions around agreeing a programme with the IMF In 2021.

54 See M. Martin (2021, December), *A New Nordic Response to the New Global Debt Crisis*, available at www.development-finance.org.

55 Ibid.

56 For detailed descriptions of these mandates and statements on the IMF and World Bank's commitments to reducing inequality, see: New Rules for Global Finance. (2013). *Global Financial Governance and Impact Report 2013*. https://new-rules.org/storage/documents/global_financial_governance__impact%20report_2013%20.pdf

57 IMF. (2021, August 2). *IMF Governors Approve a Historic US$650 Billion SDR Allocation of Special Drawing Rights*. https://www.imf.org/en/News/Articles/2021/07/30/pr21235-imf-governors-approve-a-historic-us-650-billion-sdr-allocation-of-special-drawing-rights

58 For agreement on the plans to reallocate SDRs see https://www.imf.org/en/News/Articles/2021/10/14/communique-of-the-forty-fourth-meeting-of-the-imfc. For more details of the problems with the proposed approach and proposals for how to improve it, see the multi-agency *Open Letter to G20 Finance ``ministers, Central Bank Governors and the IMF: Civil Society Organizations Call for Quick Special Drawing Rights Allocation*, 18 April 2021. https://gcap.global/news/open-letter-to-g20-finance-ministers-and-the-imf-civil-society-organizations-call-for-quick-special-drawing-rights-allocation/

59 Various global leaders have called for urgent issuance of up to $3tn in SDRs, including: E. Macron, A. Merkel, M. Sall, A. Guterres, C. Michel and U. von der Leyen. (2021, February 3). *Multilateral Cooperation for Global Recovery*. Project Syndicate. https://www.project-syndicate.org/commentary/multilateralism-for-the-masses-by-emmanuel-macron-et-al-2020-02; Communique of Intergovernmental Group of Twenty-Four on International Monetary Affairs and Development. (2020, October 13). https://www.g24.org/wp-content/uploads/2020/10/G-24-Communique-Final-Annual-Meetings-2020.pdf
UN Conference on Trade and Development (UNCTAD). (2020). *Trade and Development Report 2020: From global pandemic to prosperity for all: Avoiding another lost decade*. https://unctad.org/webflyer/trade-and-development-report-2020

60 Based on an analysis of all country programme documents – whether emergency programmes such as the Rapid Credit Facility and Rapid Financing Instrument or longer-term programmes such as Extended Credit Facility and Policy Support Instruments. The individual documents can be found at https://www.imf.org/en/countries**.** For references to the individual documents, see the country briefs accompanying this report.

61 See https://www.imf.org/en/Publications/CR/Issues/2021/06/30/Uganda-Request-for-a-Three-Year-Arrangement-Under-the-Extended-Credit-Facility-Press-461347

62 For the IMF suggestions on tax policy for COVID-19 recovery, see: R. de Mooij, R. Fenochietto, S. Hebous, S. Leduc and C. Osorio-Buitron. (2020). *Tax Policy for Inclusive Growth after the Pandemic*. IMF. https://www.imf.org/-/media/Files/Publications/covid19-special-notes/en-special-series-on-covid-19-tax-policy-for-inclusive-growth-after-the-pandemic.ashx

63 EY Global. (2021). *Kenya enacts significant tax measures for 2021*. https://www.ey.com/en_gl/tax-alerts/kenya-enacts-significant-tax-measures-for-2021

64 See https://www.imf.org/en/Publications/CR/Issues/2021/07/22/Rwanda-Fourth-Review-of-the-Policy-Coordination-Instrument-and-Request-of-an-Extension-of-462561

65 Based on an analysis of World Bank Systematic Country Diagnostics (SCDs) conducted for this paper. The SCDs are available at: https://openknowledge.worldbank.org/handle/10986/23099. For references to the individual documents, see the country briefs accompanying this report.

66 Ethiopia, Kenya, Tanzania and Uganda. These analyses have been conducted jointly with the Commitment to Equity Institute at Tulane University, and are available at https://commitmentoequity.org/

67 I. Richards. (2021, September 24). *With the World Bank's 'Doing Business' Out of Business, What Should Come Next?* Inter Press Service. https://www.ipsnews.net/2021/09/world-banks-business-business-come-next/

68 See Chapter 2 of M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*.

69 K. Malouf Bous, A. Marriott, E. Seery and R. Shadwick. (2020). *From Catastrophe to Catalyst: Can the World Bank make COVID-19 a turning point for building universal and fair public healthcare systems?* Oxfam. https://policy-practice.oxfam.org/resources/from-catastrophe-to-catalyst-can-the-world-bank-make-covid-19-a-turning-point-f-621113/

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and S. Chaudhary. (2021). *The State of Economic Inclusion Report 2021: The Potential to Scale.* World Bank. https://openknowledge.worldbank.org/handle/10986/34917

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72 For the speeches, see for example: L. Elliott. (2020, September 29). *IMF chief: Covid will widen inequality without global action. The Guardian*. https://www.theguardian.com/business/2020/sep/29/imf-chief-covid-inequality-kristalina-georgieva ; World Bank. (2020, December 12). *Remarks by World Bank Group President David Malpass at the Climate Ambition Summit 2020.* https://www.worldbank.org/en/news/speech/2020/12/12/remarks-by-world-bank-group-president-david-malpass-at-the-climate-ambition-summit-2020

73 This is calculated from IMF projections of general government expenditure as a percent of GDP, comparing the figures for 2020 with 2021, and converted into dollar amounts by comparing to GDP in current prices. Data are from IMF (2021). *World Economic Outlook Database: April 2021*.

74 The five countries are Kenya, Uganda, Burundi, Rwanda and South Sudan. 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 on spending and GDP are from IMF *World Economic Outlook database: October 2021 at* imf.org/en/Publications/WEO/weo-database/2021/October. Data on per capita general government health spending at current US$ prices are from WHO. *Global Health Expenditure Database*. https://apps.who.int/nha/database.

75 TRT World. (2020, June 22). *With more generals than doctors, Covid-19 threatens S Sudan health systems.*

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

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Photos

Front cover: Pastoralist Fatuma outside her home in Tana River County, Madogo division. An infestation of locusts destroyed all of her livestock's pastureland.
Photo: Lameck Ododo

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