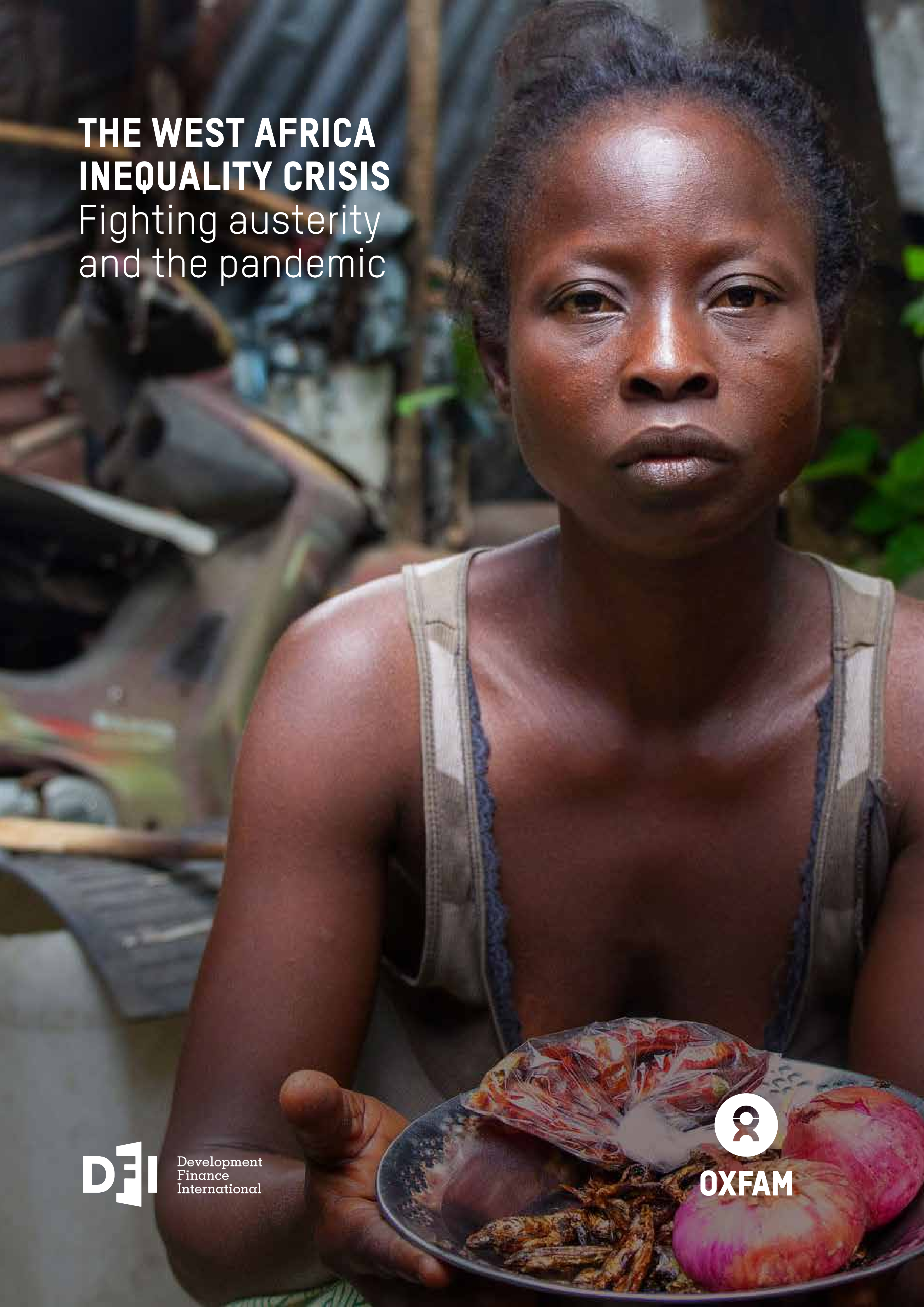
THE WEST AFRICA INEQUALITY CRISIS

Fighting austerity and the pandemic



Development Finance International

OXFAM

INTRODUCTION

The COVID-19 pandemic has revealed and worsened the depth of inequality in West Africa. It has pushed millions into poverty. There is no end in sight due to the obscene global vaccine inequality, which means that less than 4% of West Africans had been fully vaccinated against COVID-19 as at September 2021, compared to 52% in the United States and 57% in the European Union.[1]

In 2021, when COVID-19 infections are rising in West Africa, the critical support health and socioeconomic programmes put in place by most governments in 2020 are being rolled back and replaced with austerity. Many governments are following advice from the IMF and World Bank, reminiscent of the severe cuts in spending imposed under the structural adjustment policies of the 1980s and 1990s.

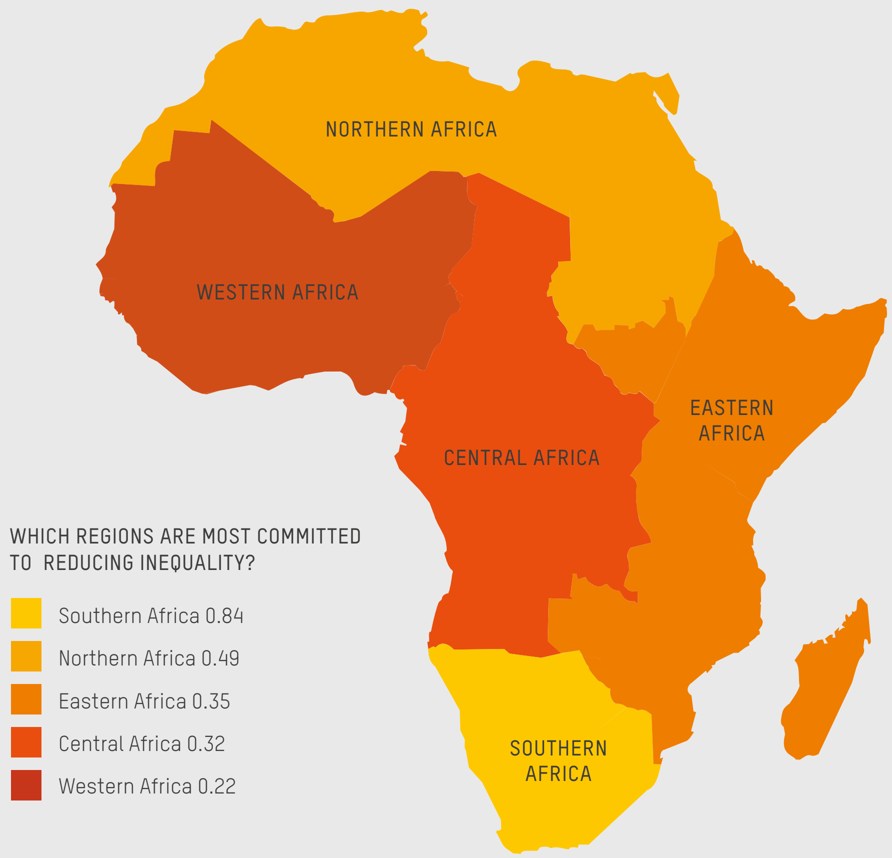
This pandemic, however, offers West African governments a once-in-a-generation opportunity to invest heavily in inequality-busting policies by boosting public spending (especially on healthcare, education and social protection), making tax systems more progressive, and tackling joblessness and precarious work.

EXECUTIVE SUMMARY

In 2019, Oxfam warned that West Africa's governments were the least committed to reducing inequality on the continent, despite crisis levels of inequality.[2] 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.[3]

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.[4] 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.[5] 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.[6] These cuts alone would be enough to buy and deliver vaccinations for 78% of West Africans.[7] 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.[8] Indeed, data for 2022–26 from 14 governments show plans to reduce public spending by $26.8bn compared to 2021.[9] 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.[10]

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.[11] 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.[12] 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.[13]

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.[14] 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.[15]

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.

1. 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.

Chapter 1 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.

Chapter 2 introduces the Commitment to Reducing Inequality Index (CRII) 2020, which analyses and ranks 158 countries on their commitment to reducing inequality both on paper and in practice.

Chapter 3 looks at the CRII for West Africa as a region. **Chapters 4** to **6** respectively analyse the focus countries on the three pillars of the CRII:

- public services;
- taxation; and
- labour policies.

Chapter 7 concludes the report with recommendations on pandemic recovery for West Africa's governments and regional institutions, including strong anti-inequality policies to radically reduce the gap between rich and poor, and for the international community to assist in this effort.

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.[16] Such inequality reduces economic growth,[17] and worsens health and other outcomes for populations.[18]

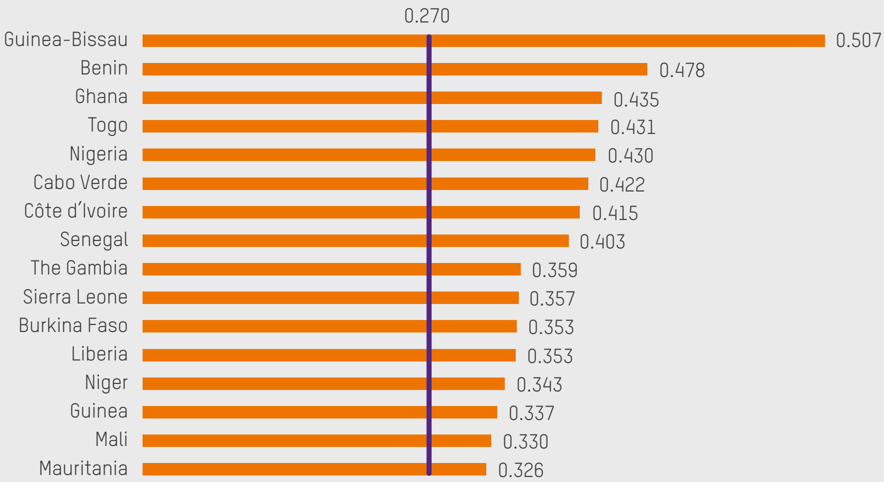
The situation has not improved according to the latest data. **Figures 1 and 2** show respectively the two most common ways of measuring inequality, namely the Gini coefficient, a number between 1 (total inequality) and 0 (total equality) based on income distributions,[19] and the Palma ratio, which compares the incomes of the top 10% and the bottom 40%).[20]

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.[21]

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.[22]

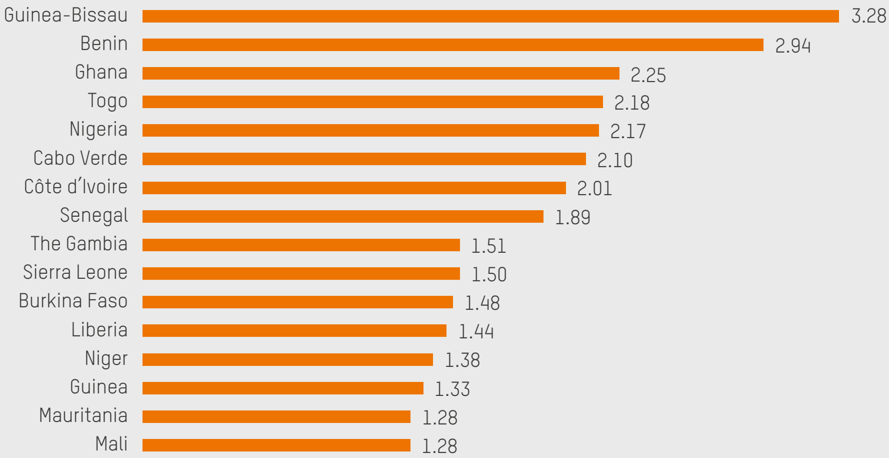
Oxfam research has shown that the richest man in Nigeria earns about 150,000 times more from his wealth alone than the poorest 10% of Nigerians spend on average in a year.[23] In Ghana, a thousand new US-dollar millionaires were created between 2006 and 2016; in the same period, nearly one million people, mostly from the Savannah Region, have been pushed into poverty.[24] 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.[25]

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.

1.2 THE IMPACT OF COVID-19 ON POVERTY AND INEQUALITY

The IMF,[26] UN[27] and World Bank[28] have all expressed alarm that the pandemic will sharply increase inequality and poverty.[29] 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).[30] As the African Development Bank (AfDB) has indicated,[31] 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.

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.[32] 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%.[33] 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.[34]

West Africa saw relatively low levels of COVID-19 infections and deaths in 2020.[35] 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.[36]

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.[37] 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.[38] Real GDP growth was -0.71% in ECOWAS region in 2020.[39]

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.[40] In another survey of five West African countries, 28% reported losing a job, business, or primary source of income during the pandemic.[41] 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.[42] 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.[43]

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.[44] 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.[45] 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.[46]

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.[47]

West Africa's governments have already seen from Ebola in 2014 how disease outbreaks can exacerbate poverty and inequality (see page 7). 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.[48]

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.[49] 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.[50] *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.[51]

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.[52] 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.[53]

People living in poverty were hardest hit. Inflation due to rising food prices hit their ability to buy basic goods.[54] 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.[55] 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.[56] They accounted for two thirds of all Ebola cases, lost access to healthcare, and were pulled out of education to provide care to families.[57] Overall, economic inequality increased by 6% in Liberia and 5% in Sierra Leone.[58]

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.[59] Further lending to fund the Ebola response led to spiralling debt and further cuts in social spending.[60]

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;[61] 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

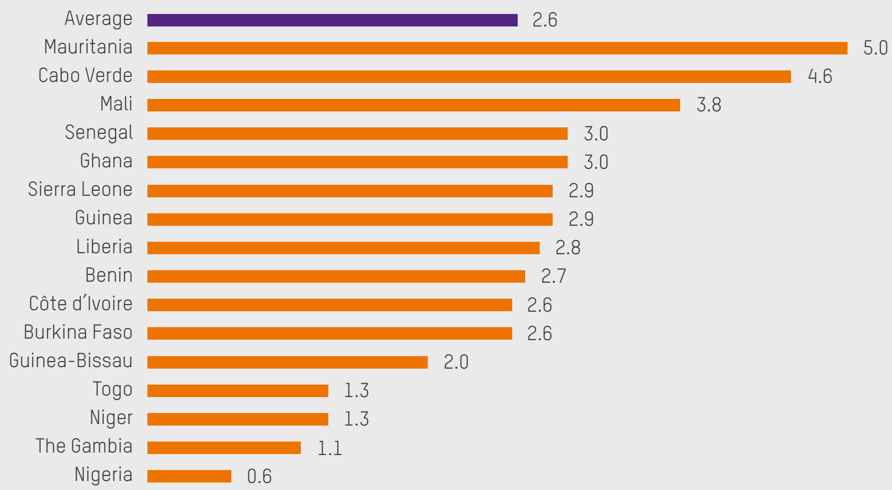
Country	Health spending (% gov't budget))	Universal healthcare access (% pop'n)	COOP payments (>10% of household income on healthcare) (% pop'n)	Social protection spending (% gov't budget)	Social Protection Coverage (% pop'n) covered by pension)	Workers with rights (% workers with formal contracts)
Benin	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.[62] In comparison, sub-Saharan African countries have spent an average of 3% of GDP, emerging markets 5%, and high-income economies over 10%.[63] **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.[64]

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.

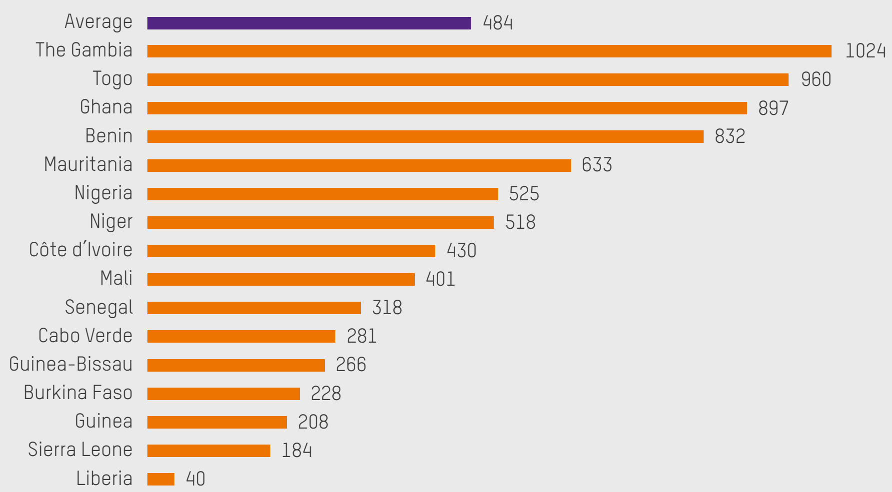
According to the World Bank, almost all countries have used a combination of cash transfers, food provision and waivers or reductions of utility bills to supplement their citizens' income. Some countries have used fewer tools (e.g. only cash transfers and utilities in Benin and Togo; food and utilities 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%.[65]

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[66] 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.[67] 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.

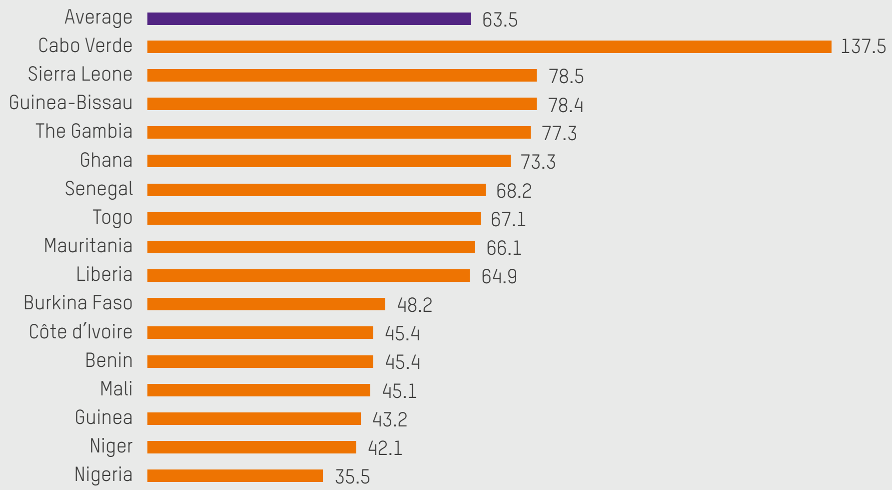
FIGURE 4: DEBT SERVICE COMPARED TO HEALTH SPENDING (2019, %)



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

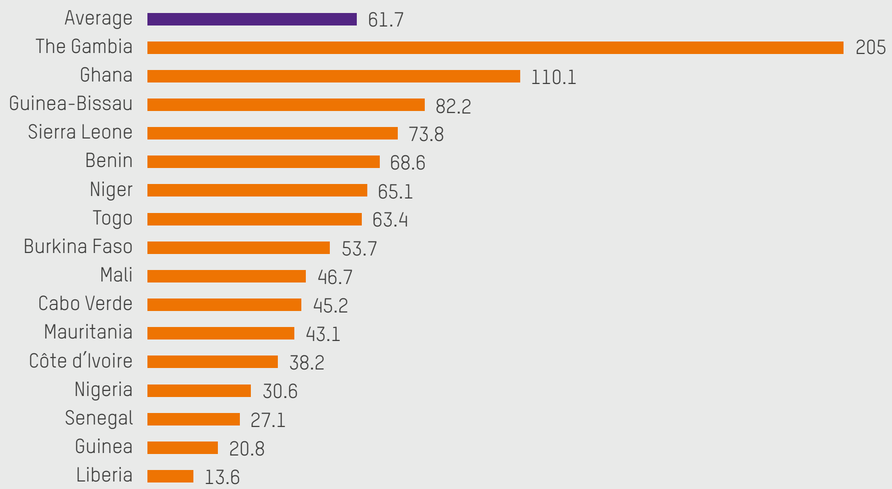
Many countries have had to borrow to fund their pandemic responses, at the same time as seeing their GDP stagnate or fall, and budget revenues collapse. **Figures 5** and **6** show debt as a proportion of GDP, and debt servicing as a proportion of revenues.[68] Debt-to-GDP averaged 63.5%, and debt service/budget 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);[69] 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.[70]
  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.[71]

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.[72]

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.[73] 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.[74] 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.[75] 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.[76] 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,[77] 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%.[78] 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,[79] 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.[80]

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.[81]

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.[82] 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.[83]

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.[84] 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,[85] 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.[86] 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.[87]

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?*'[88]

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.[89] 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.[90]

2. THE COMMITMENT TO REDUCING INEQUALITY INDEX 2020

The third edition of Oxfam and DFI's Commitment to Reducing Inequality Index (CRII) ranks 158 governments across the world on their commitment to reducing inequality. The global report was launched in November 2020.[91]

The CRII measures government policies and actions in three areas that are proven to reduce inequality significantly:

1. **Public services**, looking at education, health and social protection.
2. **Taxation**, looking at how progressive structures are on paper and in practice.
3. **Workers' rights**, with a particular focus on women's rights.[92]

While these three thematic pillars remain unchanged from earlier editions, there have been significant changes in methodology to organize the index more consistently and show impacts on inequality more clearly.[93] Each pillar now contains three levels of indicator:

1. **Policy commitment indicators**, which measure the commitment of governments through their policies (which may not always be implemented in practice).
2. **Coverage or implementation indicators**, which measure who is covered (or not) as a result of policy actions, or how well a government puts policies into practice.
3. **Impact indicators**, which measure the impact of policy actions on levels of inequality.

Figure 7 shows the CRII's three pillars and three levels. More details on the exact definitions of the indicators and data sources can be found in the methodology document on the CRII website at www.inequalityindex.org.

FIGURE 7 THE CRII PILLARS AND INDICATORS

	PUBLIC SERVICES SPENDING	TAX PROGRESSIVITY	LABOUR RIGHTS AND WAGES
Policy indicators	• PS1a Education • PS1b Health • PS1c Social protection	• T1a-Personal income tax • T1a-Corporate income tax • T1a-Value added tax • T1b-Harmful tax practices	• L1a Labour rights • L1b Women's labour rights • L1c Minimum wage
	Spending as % of total budget	Progressive tax structures	Governments' efforts to protect workers in law and practice
Implementation or coverage indicators	• PS2a Secondary education completion by poorest quintile • PS2b Universal health coverage and out-of-pocket expenditure • PS2c Pension coverage	• T2 Tax productivity across VAT, PIT & CIT	• L2a Unemployment • L2b Vulnerable employment
Impact indicators	• PS3 Impact of spending on inequality (Gini)	• T3 Impact of tax on inequality (Gini)	• L3 Impact of labour income (wage) on inequality (Gini)
Total CRI score	Average of 3 pillar scores		

The rest of this report provides a briefing on how the 16 ECOWAS+ countries are performing in commitment to reducing inequality. This regional briefing is accompanied by 16 country briefs, which contain more detailed policy analysis and recommendations. They can be found on the CRII website at http://www.inequalityindex.org/#/countryProfiles

BOX 2: THE IMPORTANCE OF AGRICULTURE

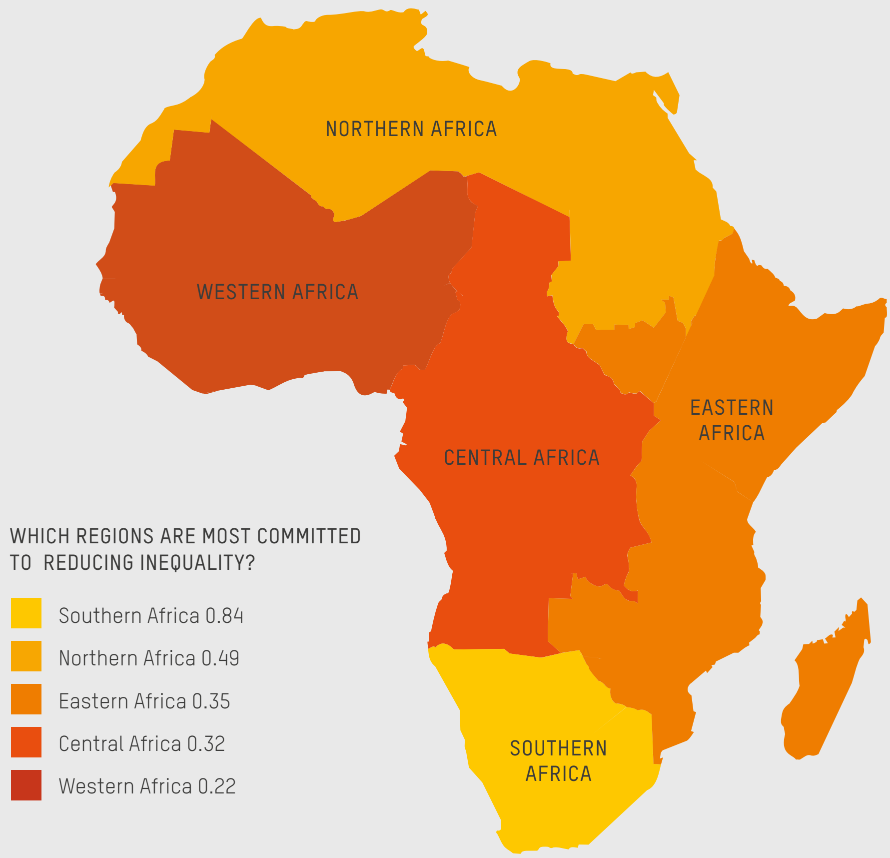
In many countries in the region, poverty is concentrated in rural areas: therefore, supporting smallholders and food production is essential in order to fight inequality, poverty and food insecurity in West Africa. This report therefore looks at the degree to which we can assess government spending on agriculture, given governments' commitments to the Comprehensive Africa Agriculture Development Programme (CAADP). This topic is covered in **Section 4.5**, as an addendum to the public spending pillar.

3. WEST AFRICA'S OVERALL CRII PERFORMANCE

Compared to the other regions of Africa, West Africa has the lowest commitment to reduce inequality as measured by the CRII. **Figure 8** shows the regional CRII scores for each of the five regions of Africa weighed by population, in which 1 represents the strongest anti-inequality record for each indicator.[94] The data show that the average citizen of West Africa is living under a government a quarter as committed to reducing inequality than their counterparts in Southern Africa. Some of these differences could be explained by income levels, with more upper-middle-income countries in Northern and Southern Africa, meaning that they have higher taxpaying capacity and thus more money to spend on public services. Nevertheless, West Africa's performance remains disappointing.[95]

FIGURE 8 COMMITMENT TO REDUCING INEQUALITY IN THE FIVE REGIONS OF AFRICA

FIGURE 8: COMMITTMENT TO REDUCING INEQUALITY IN THE FIVE REGIONS OF AFRICA



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.

Table 6 shows the ECOWAS+, Africa and Global CRII rankings for each country in the region (the rankings for all African countries can be found in **Annex 2**). None comes in the top half of the global index, and only Togo and Cabo Verde are in the top two thirds. Togo stands out at the top of the ECOWAS+ ranks, and as number 10 in Africa, even though it is still in the bottom half globally.

TABLE 6 REGIONAL, AFRICAN AND GLOBAL CRII RANKS FOR ECOWAS+ COUNTRIES

Country	ECOWAS+ CRII rank (16)	Africa CRII rank (47)	Global CRII rank (158)
Togo	1	10	82
Cabo Verde	2	11	91
Ghana	3	20	121
Mauritania	4	22	123
Mali	5	23	125
Benin	6	24	126
Senegal	7	25	127
The Gambia	8	27	132
Burkina Faso	9	29	134
Guinea	10	35	140
Côte d'Ivoire	11	36	141
Niger	12	37	142
Sierra Leone	13	39	145
Guinea-Bissau	14	42	150
Liberia	15	44	154
Nigeria	16	46	157

13 countries are in the bottom third of the index. Nigeria, second from the bottom of the global index, exemplifies the impact of a lack of government action to fight inequality. It continues to collect shockingly low levels of tax, has very low spending and coverage on public services, and is at the bottom of the rankings on labour rights.

Also in the bottom quarter of the Africa rankings are Liberia, Guinea-Bissau, Niger and Sierra Leone. Their governments' commitment to reducing inequality shows poor performance across all pillars – pulling down their CRII scores. Nevertheless, some countries in the bottom rankings are starting to turn this around: for instance, Sierra Leone's President Julius Maada Bio made tackling inequality and taxation the hallmark of his 2018 campaign, and has taken promising steps with increased spending on public services, action to improve the minimum wage, and cracking down on unnecessary tax incentives.[96] As a result, Sierra Leone's CRII ranking improved before the pandemic: but recent pandemic-induced fiscal actions as noted earlier in this report may hold back this progress going forward.

4. ARE WEST AFRICA'S PUBLIC SERVICES REDUCING INEQUALITY?

The public services pillar of the CRII (see **Chapter 2**) considers actions taken by governments related to education, health and social protection. In previous editions of the CRII, we looked only at spending as a percentage of government budgets and the impact spending had on a country's Gini coefficient. For the CRII 2020, we have added a new set of indicators to measure the coverage and equity of services – and found this to be an area in which many ECOWAS+ countries do very badly.

Table 7 shows the public services ranks (weighted by population) for Africa's five regions: West Africa comes last.

TABLE 7 PUBLIC SERVICES CRII REGIONAL SCORES AND RANKS

Region	CRII average scores	Africa rank
Southern Africa	0.60	1
Northern Africa	0.29	2
Eastern Africa	0.21	3
Central Africa	0.16	4
West Africa	0.12	5

Source: M. Martin, M. Lawson, N. Abdo, D. Waddock, J. Walker. (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/

Table 8 shows the ranks for the focus countries within ECOWAS+, Africa and the world. Only Cabo Verde comes in the top half of the world's CRII on public services; every other country is in the bottom third.

TABLE 8 REGIONAL, AFRICAN AND GLOBAL CRII RANKS FOR ECOWAS+ COUNTRIES' PUBLIC SERVICES

Country	ECOWAS+ public services rank (16)	Africa public services rank (47)	Global public services rank (158)
Cabo Verde	1	7	76
Ghana	2	15	113
Benin	3	19	118
Burkina Faso	4	20	121
Senegal	5	22	124
Liberia	6	25	128
The Gambia	7	27	131
Togo	8	28	132
Côte d'Ivoire	9	34	138
Mauritania	10	35	139
Sierra Leone	11	38	146
Guinea	12	40	149
Mali	13	41	150
Guinea-Bissau	14	42	151
Niger	15	44	154
Nigeria	16	46	156

Source: M. Martin, M. Lawson, N. Abdo, D. Waddock, J. Walker. (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/

Cabo Verde comes close to the international benchmark of spending 20% of state budget on education; tops the essential health coverage indicator in ECOWAS+, with nearly two thirds of the population covered; and has the highest social protection spending and coverage levels (with 85% of all those of pensionable age getting a pension). The government is using public services to reduce inequality significantly.

Nigeria ranks 156th globally, bottom in ECOWAS+, and second from bottom in Africa. This reflects very low levels of spending on education, health and social protection, resulting in low-quality public services with limited coverage, especially for Nigeria's poorest citizens. As a result, its policies on public services have very little impact on inequality.

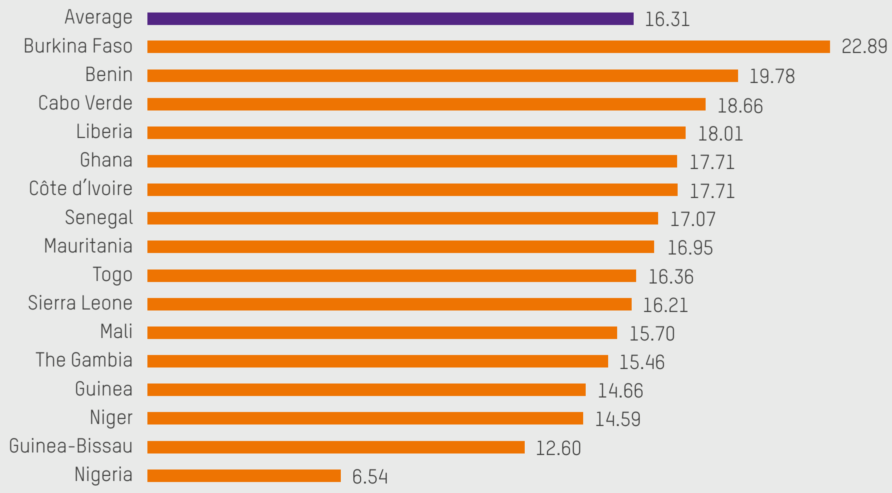
The rest of this chapter considers the proportion of national budgets spent on education, healthcare and social protection, the coverage of these services, and their impact on inequality, before also looking at the proportion of budgets spent on agriculture.

4.1 EDUCATION

A number of ECOWAS+ countries are spending near the internationally recommended 20% of budget target set for the Education for All partnership (see **Figure 9**). Burkina Faso currently spends 22.9%, which is the ninth-highest education share in the world: this has been rising recently as the government tries to make progress on providing universal secondary education.

However, four countries are spending less than 15% of their budgets on education. Nigeria stands out at 6.5%. It is home to the highest number of out-of-school children in the world, and has huge inequalities in education: 90% of the richest pupils complete secondary school, compared with only 15% from the poorest households.

FIGURE 9: EDUCATION SPENDING (% OF GOVERNMENT)



Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19.*

Table 9 shows that all West African countries perform very badly on the CRII indicator on equity of coverage, specifically the completion of secondary education for the poorest quintile. In Togo, Guinea, Benin, Niger and Burkina Faso, less than 1% of the poorest quintile of students complete secondary education. Ghana far outperforms other countries in West Africa, with one in five now completing secondary school; in part, this has been supported in recent years by the introduction of free secondary schooling.[97]

TABLE 9 EDUCATION COVERAGE INDICATOR

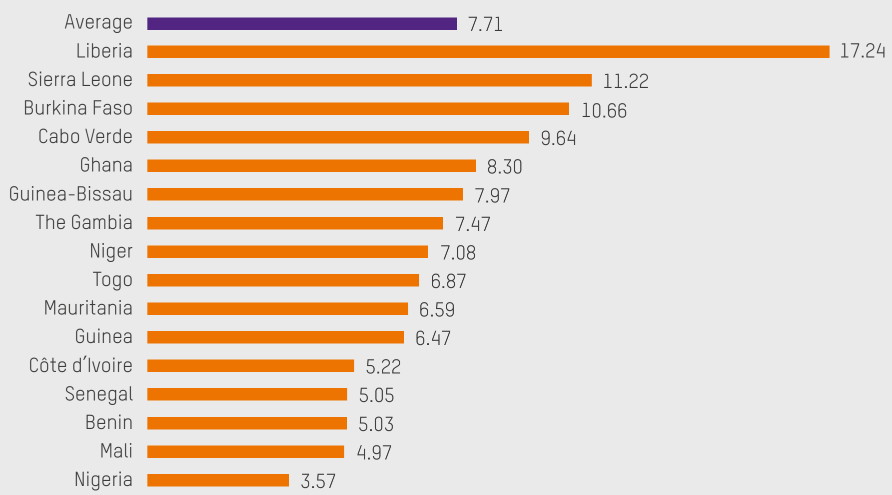
Country	Secondary school completion (%) by poorest 20%
Ghana	20.0
Nigeria	15.0
The Gambia	11.7
Mauritania	6.6
Guinea-Bissau	1.9
Côte d'Ivoire	1.8
Senegal	1.7
Liberia	1.4
Sierra Leone	1.1
Mali	1.0
Togo	0.9
Guinea	0.8
Benin	0.6
Niger	0.4
Burkina Faso	0.2

Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19.*

4.2 HEALTH

Figure 10 shows that national spending on health in West Africa is very low – well below the Abuja African Union commitment of 15% of budgets. Only Liberia, which has recently raised spending by more than a third to address long-standing low levels of investment, reaches the benchmark. Some of the worst-performing countries are working to increase spending: for example, health spending has nearly trebled since 2010 in Sierra Leone.

FIGURE 10: HEALTH SPENDING (% OF GOVERNMENT BUDGET)



Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19.*

Table 10 shows that (except in Cabo Verde) this underspending left more than half of West Africa's citizens uncovered by universal healthcare (UHC) when the COVID-19 pandemic hit. It has also caused very high levels of COOP health spending, defined as spending more than 10% of household income on healthcare.[98]

In some countries, this has particularly disastrous consequences. Worst is Liberia, where more than 60% do not have access to UHC, and 14% of the population are spending more than 10% of their income on accessing basic health services.

TABLE 10 EQUITY OF HEALTH COVERAGE INDICATOR

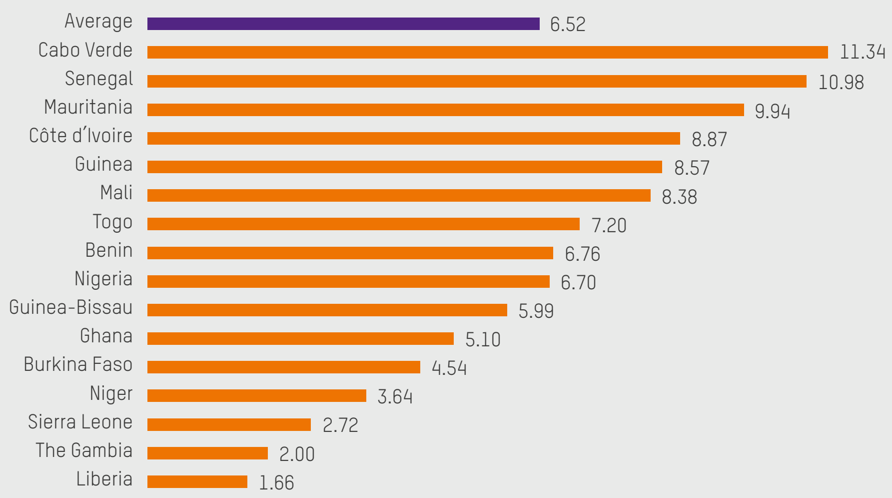
Country	UHC % covered	COOP	Countries	UHC % covered	COOP
Cabo Verde	69	6.99	Benin	40	10.92
Côte d'Ivoire	47	12.43	Guinea-Bissau	40	16.55
Ghana	47	1.11	Burkina Faso	40	3.13
Senegal	45	3.33	Sierra Leone	39	20.69
The Gambia	44	0.20	Liberia	39	14.10
Togo	43	12.46	Mali	38	6.48
Nigeria	42	10.73	Guinea	37	6.97
Mauritania	41	11.66	Niger	37	6.63

Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19.*

4.3 SOCIAL PROTECTION

As **Figure 11** shows, social protection spending falls below 10% of national budgets in all the focus countries except Senegal and Cabo Verde. In Ghana, Burkina Faso, Niger, Sierra Leone, the Gambia and Liberia it is at 5% or below.

FIGURE 11: SOCIAL PROTECTION SPENDING (% OF GOVERNMENT BUDGET)



Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19.*

The CRII coverage indicator for social protection uses pension coverage as a proxy for overall social protection coverage (due to a lack of data across programmes targeted to other groups). It measures the percentage of the population of pensionable age who are receiving a pension. As **Table 11** shows, only Cabo Verde has anything close to the universal social protection coverage that SDG 1 commits governments to achieving. Ten West African countries reach less than 10% of their population with any social protection.[99] Social protection spending and pension coverage are lowest in Liberia.[100]

TABLE 11 SOCIAL PROTECTION COVERAGE INDICATOR

Country	Pension coverage (% population)	West African countries	Pension coverage (% population)
Cabo Verde	85.82	Nigeria	7.76
Ghana	33.30	Côte d'Ivoire	7.70
Senegal	23.50	Guinea-Bissau	6.20
The Gambia	17.04	Niger	5.84
Togo	10.90	Burkina Faso	2.70
Benin	9.70	Mali	2.70
Mauritania	9.30	Sierra Leone	0.90
Guinea	8.80	Liberia	0.60

Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19.*

4.4. IMPACT OF PUBLIC SERVICES ON INEQUALITY

Evidence shows that public spending on education, health and social protection can reduce income inequality dramatically, especially by preventing people living in poverty from having to pay out of their own pockets.[101] However, the extent of redistribution depends on the scale and progressivity of spending. The CRII measures the impact of public service spending using country-specific studies of the incidence of spending on the Gini coefficient where these have been conducted (Benin, Ghana, Guinea, Mali, Niger, Senegal and Togo), or estimates based on the scale of spending and global average impact coefficients where they have not. All countries should aim to conduct country-specific incidence studies as soon as possible to have more accurate data.[102]

In the focus countries, Benin's public services have the most impact on reducing inequality (reducing the Gini coefficient by about 19%) followed by Togo (by 10.5%) and Cabo Verde (by 9.5%). They rank 3rd, 9th and 12th in Africa, respectively. Guinea, Mali, Niger and Nigeria come at the bottom of the Africa ranks for impact of public services on inequality, because they spend too little across the three sectors, and do not spend progressively.

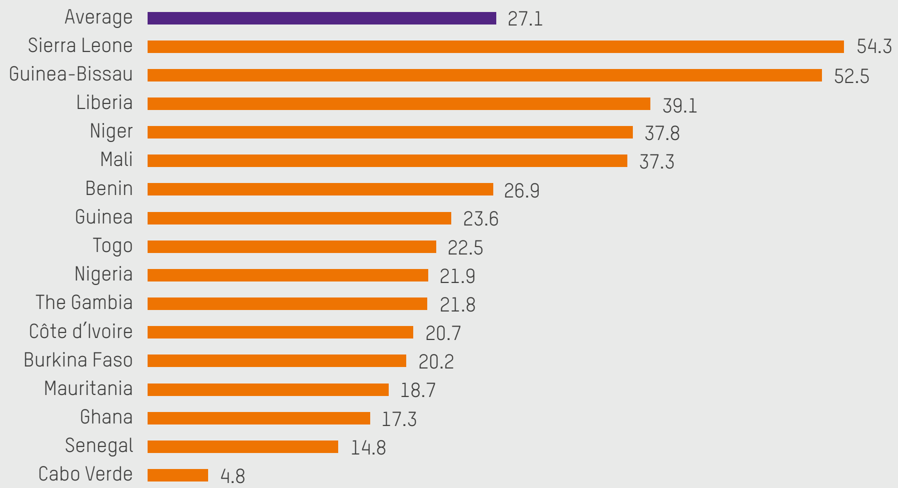
4.5 AGRICULTURE SPENDING ON SMALLHOLDERS AND FOOD

Agriculture spending can play a vital role in combating inequality, if it boosts the incomes of smallholder farmers and agricultural labourers, and reduces food insecurity.

Agriculture has declined in importance for West Africa's economy in recent decades, as growth in the sector has stagnated. Nonetheless, as shown in **Figures 12** and **13**, the sector still accounts for 27% of GDP and 38% of workforce. Relatedly, rural poverty remains higher than urban poverty in most countries, and food insecurity is very high: rural poverty and food insecurity are major drivers of inequality.[103]

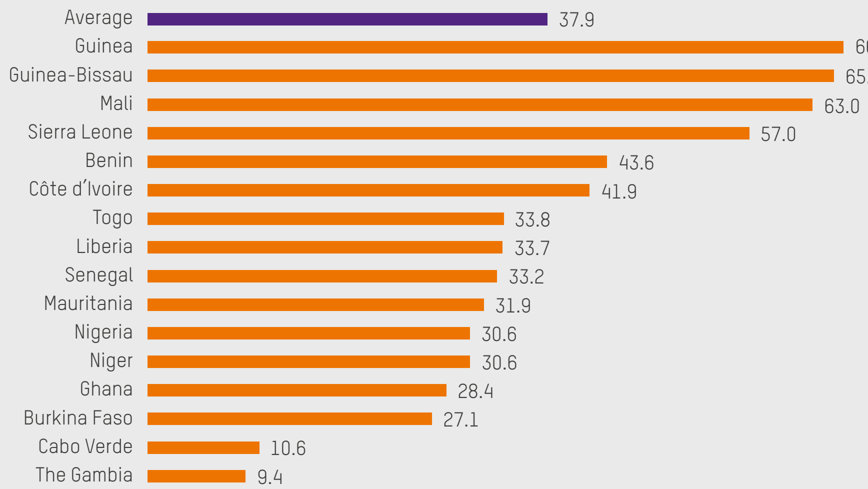
To reverse the stagnation of the sector and reduce rural poverty and food insecurity, in 2014 West African countries recommitted to the CAADP, which called for governments to increase their annual budgetary allocations to the sector to at least 10%.[104] As **Figure 14** shows, only Mali and the Gambia are meeting this target. Ghana, Cabo Verde and Nigeria are the worst performers, spending under 2% of their budget on agriculture.

FIGURE 12: AGRICULTURE (% SHARE OF GDP)



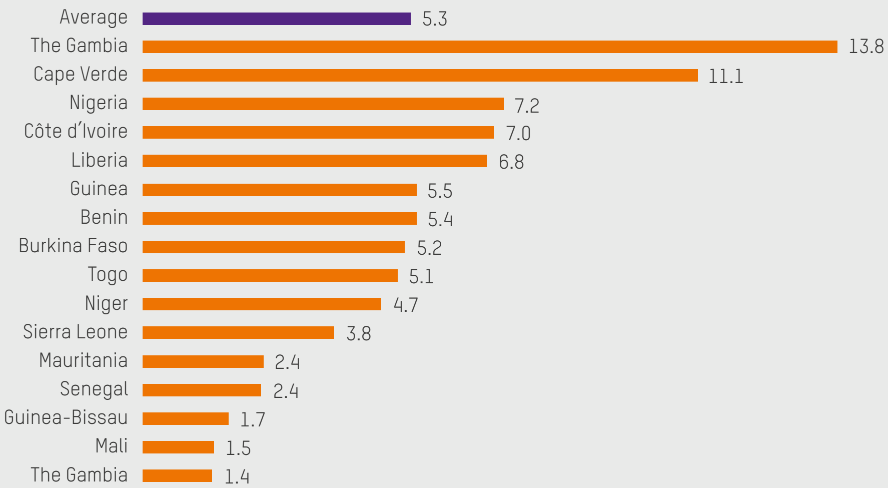
Source: World Bank. (n.d.). *Agriculture, forestry, and fishing, value added (% of GDP).* https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?

FIGURE 13: SHARE OF LABOUR FORCE IN AGRICULTURE (%)



Source: ILO. (n.d.). *Country profiles*. Share of labour force in agriculture, 2017. https://ilostat.ilo.org/data/country-profiles/

FIGURE 14: AGRICULTURE SPENDING (% OF GOVERNMENT BUDGET, 2020)



Sources: National budget documents for 2020.

Most of the data available does not allow a breakdown of agricultural spending into recipients – from smallholders to agribusinesses. This means it is not possible to assess whether the spending will help reduce rural poverty, nor whether it is targeted to food crops rather than export crops, and thereby reducing food insecurity.

Seven countries (Cabo Verde, the Gambia, Guinea, Guinea-Bissau, Mauritania, Nigeria and Senegal) provided breakdowns only by types of spending (recurrent vs capital) and sources of funds (governments vs donor). A further four (Burkina Faso, Liberia, Mali and Niger) disaggregate their data only by departments within the agriculture ministry. Three (Benin, Sierra Leone and Togo) disaggregate by departments and individual projects.

Only Côte d'Ivoire and Ghana provide a more 'programmatic' breakdown of some spending, from which we estimate that Ghana spends about 42% of its agriculture spending on food security,105 and 21% of Côte d'Ivoire's agricultural spending goes to export crops, compared to just 1% for food crops.106 Yet even in these countries the breakdowns are insufficient to assess the whole of the agriculture budgets. It should be a priority for governments in the region to disaggregate their spending in more detail so that it becomes easier to assess which programmes are likely to be helping combat rural poverty, food insecurity and inequality.

5. ARE WEST AFRICA'S TAX SYSTEMS REDUCING INEQUALITY?

The tax progressivity pillar of the CRII (see **Chapter 2**) assesses how well a country's tax policies and their implementation are reducing inequality. The indicators are:

1. **Progressivity of tax policies.** Are the main taxes – personal income tax (PIT), corporate income tax (CIT), and value-added tax (VAT) or general sales tax (GST) – designed to be progressive on paper? Does their burden fall more on those who can afford to pay?
2. **Implementation of tax policies.** How successfully does the country collect its main taxes and how progressive does this make tax collection in practice?
3. **Impact of tax on inequality.** What is the impact of the tax collected on income inequality, as measured by the Gini coefficient?

Table 12 shows that West Africa performs worst among African regions in terms of the average scores (weighted by country population) across the tax pillar. However, compared to the other pillars, they are relatively close – achieving scores at around half of those of the best performers. This reflects the fact that, as shown in **Table 13**, three countries (Togo, Mali and Benin) are in the top third of the global index. Only five (Côte d'Ivoire, Nigeria, Guinea-Bissau, Cabo Verde and Liberia) are in the bottom third. Among the top performers across the continent and even globally is Togo, mainly due to a progressive tax structure on paper (it does less well on tax collection, so it only reduces inequality moderately through its taxes).[107] At the other end of the table, Liberia has a much less progressive tax structure and low collection of income taxes.

TABLE 12 TAX PROGRESSIVITY CRII REGIONAL SCORES AND RANKS

Region	CRII average scores	Africa rank
Southern Africa	0.96	1
Eastern Africa	0.61	3
Northern Africa	0.57	2
Central Africa	0.54	4
Western Africa	0.49	5

TABLE 13 REGIONAL, AFRICAN AND GLOBAL CRII RANKS FOR TAX PROGRESSIVITY

Country	ECOWAS+ rank (16)	Africa rank (47)	Global rank (158)
Togo	1	2	2
Mali	2	10	27
Benin	3	12	42
Ghana	4	20	68
Guinea	5	21	73
Senegal	6	26	88
Niger	7	27	89
Mauritania	8	28	90
Burkina Faso	9	29	94
Sierra Leone	10	31	99
The Gambia	11	32	100
Côte d'Ivoire	12	38	120
Nigeria	13	39	127
Guinea-Bissau	14	40	132
Cabo Verde	15	45	141
Liberia	16	46	150

Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*.

Increasing tax revenue holds enormous potential for funding government programmes to reduce inequality. If the governments of West Africa were to increase their tax revenue by just 1% of GDP, this would raise $8.2bn in new revenue for 2021– enough to provide a quality primary education each year for more than 27 million children in the region.[108]

In addition, West Africa's citizens strongly support more progressive tax systems. **Table 14** shows the results of an Afrobarometer survey covering 10 of the 17 countries in this report, finding that 71% of citizens think it is fair to tax rich people at a higher rate to help pay for government programmes that benefit people living in poverty.

TABLE 14 SHARE OF PEOPLE WHO SUPPORT PROGRESSIVE TAXATION (PERCENTAGE WHO AGREE/STRONGLY AGREE)

Country	Percentage who agree
Benin	68
Burkina Faso	74
Cabo Verde	71
Cote d'Ivore	79
Ghana	73
Guinea	72
Mali	73
Nigeria	62
Sierra Leone	66
Togo	71
Average	70.9

Sources: 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 Burkinabè, demand equity*. Afrobarometer. [French], https://afrobarometer.org/fr/publications/ad437-imposer-le-paiement-des-impots-une-bonne-partie-des-burkinabe-reticents-demandent

5.1 PROGRESSIVITY OF TAX POLICIES ON PAPER

This indicator measures whether the main taxes (CIT, PIT, and VAT or GST) are structured in a progressive fashion, i.e. so that richer citizens pay a higher share of their income and the poorest citizens are largely exempt. On this measure, Togo, Mali, Benin and Guinea do well, whereas Cabo Verde, Niger and Mauritania perform poorly.

This indicator also includes an assessment of whether countries are promoting 'harmful tax practices' through their tax policies, such as acting like tax havens and depriving their own citizens (and those of other countries) of revenues. Most ECOWAS+ members are not engaging in such behaviour, but Liberia stands out as the only country which might be because of the very high levels of passive income and foreign direct investment it receives.

Looking in more detail at individual taxes, the average West African CIT rate is 28%, the same as the broader African average. However, as shown in **Figure 15**, six countries (Mauritania, Côte d'Ivoire, Guinea-Bissau, Ghana, Liberia and Cabo Verde) are below these averages, while only one (Guinea) is significantly above them.

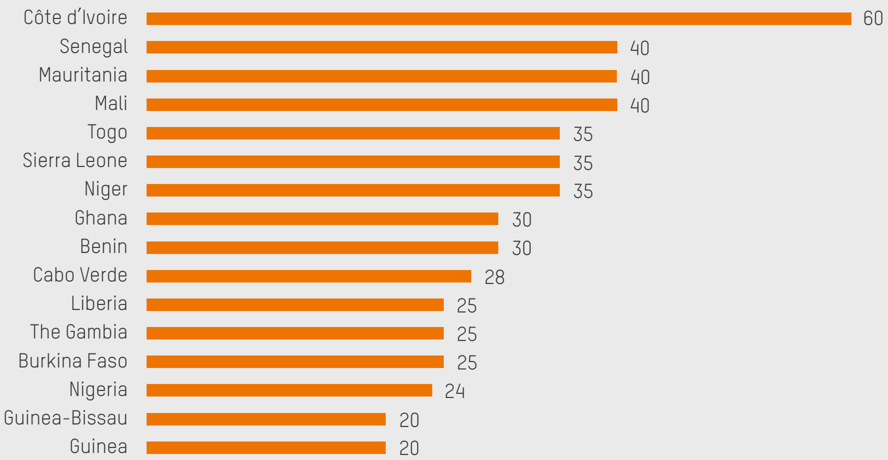
The West African average top rate of PIT is 32%, similar to the broader African and global averages. However, **Figure 16** shows that there is a wider range of top rates. Côte d'Ivoire's top rate is almost twice the regional average (though it applies to very few taxpayers), while Liberia, the Gambia, Burkina Faso, Nigeria, Guinea-Bissau and Guinea have rates substantially below.

The range of rates for VAT/GST is also wide (see **Figure 17**). These are regressive taxes, because people with less disposable income have to spend a much higher proportion of their incomes on the consumption it taxes. Therefore, countries receive higher CRII scores if they have lower rates. The eight member states of WAEMU have almost the same VAT rates, having agreed on a common range of 15–20% since 1998. The other countries have lower rates, especially Nigeria (5%, which has risen to 7.5% in 2021) and Liberia (10%).

FIGURE 15: CORPORATE INCOME TAX RATES (%)

Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and tax codes.

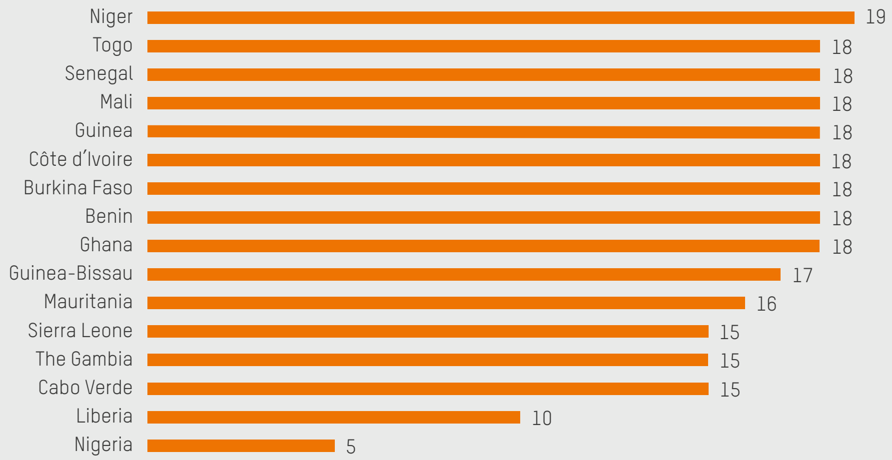
FIGURE 16: TOP PERSONAL INCOME TAX RATES (%)



Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and tax codes.

Two policy measures can make VAT less regressive and reduce its impact on inequality: exempting basic foodstuffs consumed by people living in poverty, and having a relatively high minimum threshold for companies to take VAT payments, which excludes smaller traders, reducing costs for poorer customers.[109] **Table 15** shows that only five countries (Benin, the Gambia, Ghana, Guinea and Mali) use both of these measures. Seven use only food exemptions, and four use only thresholds.

FIGURE 17: VAT OR GST RATES



Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and tax codes. Nigeria increased its rate to 7.5% in 2021.

TABLE 15 VAT EXEMPTIONS AND HIGH THRESHOLDS FOR ELIGIBILITY IN ECOWAS+ COUNTRIES

Country	Basic food exemptions	High thresholds
Benin	Yes	Yes
Burkina Faso	Yes	No
Cabo Verde	Yes	No
Côte d'Ivoire	No	Yes
The Gambia	Yes	Yes
Ghana	Yes	Yes
Guinea	Yes	Yes
Guinea-Bissau	Yes	No
Liberia	No	Yes
Mali	Yes	Yes
Mauritania	Yes	No
Niger	Yes	No
Nigeria	Yes	No
Senegal	Yes	No
Sierra Leone	No	Yes
Togo	No	Yes

Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and tax codes. Nigeria increased its rate to 7.5% in 2021.

One other important type of tax that can reduce inequality is a 'wealth tax'. Wealth taxes can cover various types of wealth – e.g. land, property, financial wealth or significant transactions (such as capital gains, inheritance and gifts). Taxes on wealth are important because, due mainly to financial income rising much faster than earned income globally, wealth inequality is higher than income inequality (Chatterjee et al., 2021).[110] Most West African countries do not have taxes on the stock of wealth. They do have property taxes, but these are at very low levels, are not progressive and/or are very ineffectively collected. Many countries have capital gains taxes that are lower than income taxes, and many lack inheritance or gift taxes, or levy them at very low levels. These types of taxes should be a priority for future consideration in the region.

5.2 TAX COLLECTION

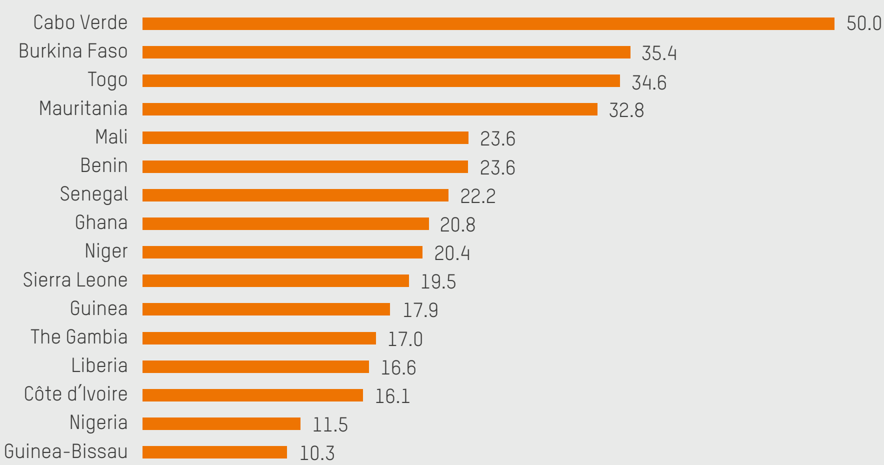
The tax collection indicator looks at 'productivity', i.e. the percentage of tax each country is collecting compared to what it should collect, based on tax rates and the tax base from which it is collected.[111] On this basis, almost all West African countries perform badly. Only Cabo Verde collects around half the tax it could, followed by Burkina Faso, Togo and Mauritania at one third (see **Figure 18**). Countries like Nigeria and Guinea-Bissau collect shockingly low levels – less than 15%. These low tax productivity levels translate into low tax/GDP ratios, for example, Nigeria's was only 3.6% in 2019.

Far too many countries remain largely dependent on consumption taxes for their tax revenue. All suffer from major shortfalls in collection of income taxes. These reflect five main factors:

- the excessive use of tax exemptions and holidays, mainly as incentives to attract (mostly foreign) investment, even though there is no evidence worldwide that such incentives are major factors in investment decisions;
- widespread tax dodging – illegal evasion or legal avoidance – and 'illicit financial flows' by major companies and high-net-worth individuals;
- the use of major deductions – especially for private education, healthcare and pensions – from wealthier citizens' PIT burdens;
- weak tax administrations with insufficient capacity to track and audit the tax liabilities of large taxpayers; and
- unbalanced tax treaties that deprive countries of the ability to collect taxes from multinational corporations.

Most ECOWAS+ countries have been trying to reduce exemptions and deductions, increase measures to combat tax dodging, renegotiate treaties and improve their tax collection capacity, as evidenced by the Directive Adopting the ECOWAS Tax-Transition in 2013. However, there is still much to do – not just at national level, but through international cooperation to share tax information, renegotiate tax treaties and to provide assistance with auditing and collection.

FIGURE 18: TAX COLLECTION 'PRODUCTIVITY' (%)

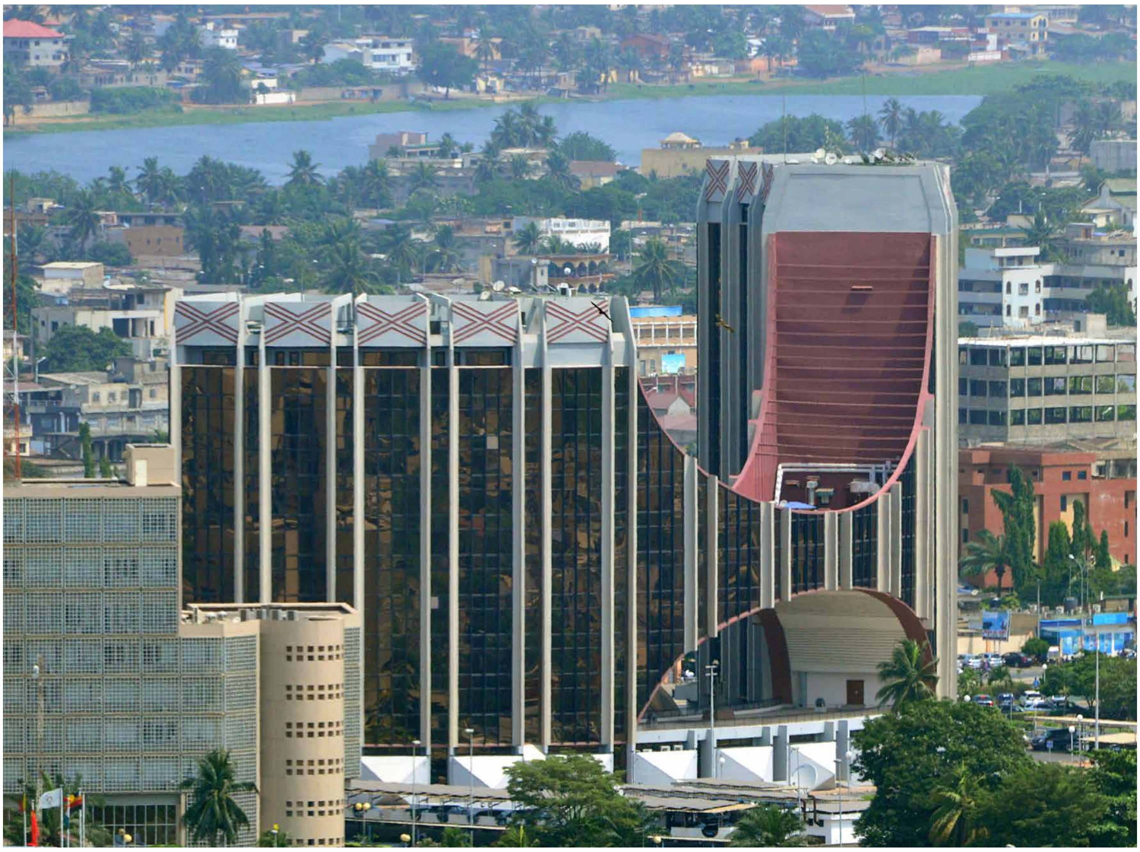


Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and IMF tax collection data.

5.3 IMPACT OF TAXES ON INEQUALITY

Evidence shows that income and wealth taxes tend to reduce inequality substantially because they are progressive and collect more from wealthier citizens[112] whereas most consumption taxes (e.g. VAT and GST) can increase inequality because they are regressive and collect more proportionally from lower-income citizens. The impact of tax on inequality varies hugely across countries because the extent of redistribution depends on both the structures of the taxes (rates, exemptions, thresholds etc), and the scale of their respective collection. The CRII measures this impact using country-specific studies of the incidence of taxes on the Gini coefficient where these have been conducted (Benin, Ghana, Guinea, Mali, Niger, Senegal and Togo), or estimates based on the collection of taxes and global average impact coefficients where they have not.

In ECOWAS+, all of the countries except Guinea have been found to have tax systems that reduce inequality, with Ghana reducing its Gini coefficient by about 3%; Mali, Niger and Togo by 2%, and Benin and Senegal by 1.5%. Guinea's tax system is virtually neutral in its effect on inequality. However, all of these reductions in inequality are very small, and far below the best performers in Africa – Tanzania reduces its inequality by 11% through taxes, and South Africa by 6%. The estimates for the other countries show that their systems are all regressive, particularly Burkina Faso, Cape Verde and Mauritania, but all countries should aim to conduct country-specific incidence studies as soon as possible to have more accurate data.



6. ARE WEST AFRICAN LABOUR POLICIES REDUCING INEQUALITY?

The labour rights and wages pillar of the CRII measures whether labour policies are reducing inequality at three levels:

1. **Labour policies**. Does legislation provide for labour and union rights, protection for women workers (i.e. on equal pay, non-discrimination, rape and sexual harassment, as well as length and levels of parental pay); and fair minimum wages?
2. **Labour rights coverage**. What proportion of workers have guaranteed rights through a formal labour contract? This excludes the unemployed and those in vulnerable and informal employment.
3. **Impact on wage inequality**. This is measured by the Gini coefficient of wages.

Table 16 shows that West Africa again comes bottom of Africa's sub-regions for its average weighted labour rights score. Governments in ECOWAS+ are doing less than 20% as much to reduce inequality through labour rights as Southern Africa. West Africa has a number of countries with very weak labour rights, especially for women. It also scores poorly due to the high proportion of people in vulnerable employment, and thus lack labour rights. On the other hand, it performs relatively well on minimum wages.

Table 17 shows that only one country in ECOWAS+, Cabo Verde, ranks well within Africa and the world. This reflects strong union and workers' rights, and lower levels of wage inequality. However, all the other countries are in the bottom third of the global index.

TABLE 16 LABOUR RIGHTS CRII REGIONAL SCORES AND RANKS

Region	Labour score	Africa rank
Southern Africa	0.63	1
Northern Africa	0.49	2
Central Africa	0.26	5
Eastern Africa	0.21	3
Western Africa	0.12	4

TABLE 17 REGIONAL, AFRICAN AND GLOBAL CRII RANKS FOR ECOWAS+ COUNTRIES' LABOUR RIGHTS

Country	ECOWAS+ rank (16)	Africa rank (47)	Global rank (158)
Cabo Verde	1	4	57
Mauritania	2	16	108
Togo	3	17	112
Senegal	4	19	120
The Gambia	5	20	121
Guinea-Bissau	6	24	126
Ghana	7	26	128
Liberia	8	28	132
Mali	9	29	133
Burkina Faso	10	30	134
Côte d'Ivoire	11	33	137
Niger	12	37	146
Benin	13	38	147
Sierra Leone	14	39	148
Guinea	15	40	150
Nigeria	16	47	158

6.1 LABOUR POLICIES

Togo, Liberia and Niger perform best on policies and laws that enhance labour rights in ECOWAS+, and rank in the top 10 globally. This reflects their high minimum wages and, in Togo's case, strong respect for worker and union rights in law and practice. At the other end of the rankings is Nigeria, bottom globally, pulled down by poor union rights and especially poor women's rights at work. Six countries score in the top third of the global index, and nine in the second third, making it the indicator on which West Africa performs best in the CRII.

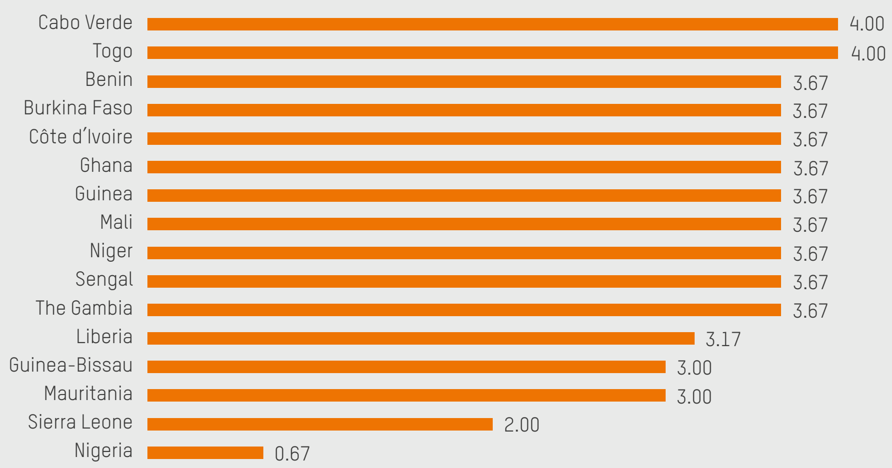
Cabo Verde, Togo and the Gambia are in the global top 30 for the Penn State University Labour Rights Indicators on worker and union rights. They have passed all the laws needed to allow freedom of association and collective bargaining rights, and only rarely violate them. In contrast, Nigeria, Senegal and Mauritania are all in the bottom third of this indicator: as of 2017 they were missing much critical legislation, and often violating legislation that existed.[113] Some countries progressed on this indicator between 2015 and 2017, notably the Gambia, while other went backwards – for instance, there were more labour rights violations in Nigeria, where court orders were increasingly used to stop strike actions.

Women require some specific protections to enhance their labour market participation and wage levels, compared to men. As a result, the CRII looks at how these rights are protected, by assessing whether laws exist to:

1. prevent discrimination in hiring;
2. prevent discrimination in the workplace;
3. ensure equal pay for work of equal value; and
4. protect women comprehensively against gender-based violence and sexual harassment.

As **Figure 19** shows, most countries in West Africa score well on this indicator, with Cabo Verde and Togo having high-quality laws in all four areas. Nine other countries were marked down for not including marital rape in their anti-rape laws. Guinea-Bissau does not have an equal pay law, and Mali and Mauritania do not have sexual harassment laws. Sierra Leone is one of only 10 countries globally with no equal pay or non-discrimination laws. Worst of all, Nigeria is missing three of the laws and does not include marital rape in its rape law.

FIGURE 19: WOMENS' LABOUR RIGHTS IN LAW (NUMBER OF HIGH-QUALITY LAWS)

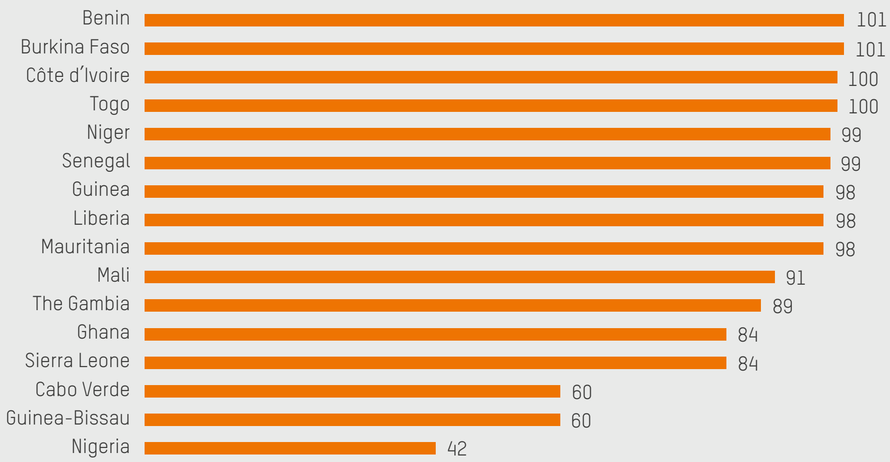


Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national labour laws

The second women's rights indicator is the number of days of paid parental leave provided. This is vital for parents to be able to undertake their care roles for children without losing income. We assess this indicator based on the number of days of paid leave multiplied by the percentage of the workers' prior income paid. As **Figure 20** shows, nine ECOWAS+ countries provide the equivalent of 100 days of full pay. However, the Gambia, Ghana, Mali and Sierra Leone provide only 84–92; Cabo Verde and Guinea-Bissau only 60; and Nigeria just 42 (which is 84 days at half-pay).

Another important indicator used globally to assess whether the burden of care for women is relieved is paternity leave: West Africa performs very badly on this, with only three days of paternity leave in Benin, Burkina Faso and Mali; two in Côte d'Ivoire and Togo; one in Niger and Senegal, and none at all in the other countries.

FIGURE 20: PARENTAL LEAVE (DAYS MULTIPLIED BY PAYMENT RATE)



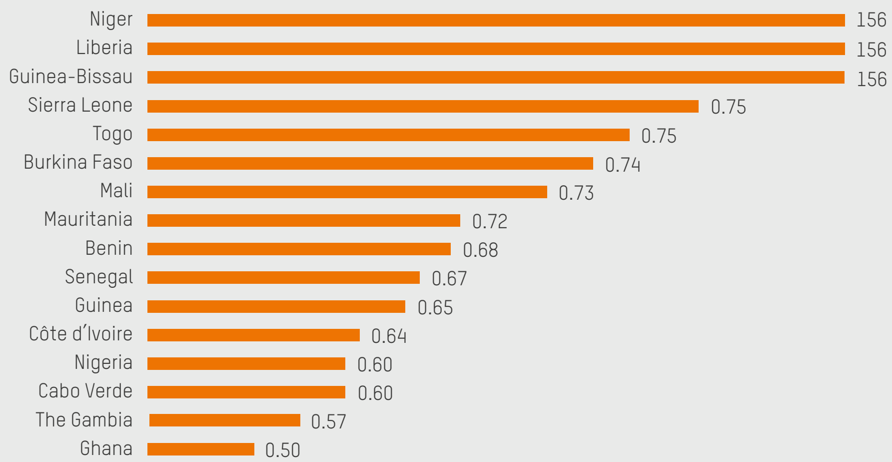
Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national labour laws.

The final indicator used to assess labour policies is a country's minimum wage. Ideally this would be assessed against the standard of a 'living wage' that allows workers to afford all the basic necessities of a decent life. However, living wages have not been calculated for most of the countries in West Africa, so instead we compare the minimum wages with per capita GDP: this has the added advantage (compared, for example, with average wages) of reflecting whether the minimum wage is helping to increase labour earnings' share of GDP.

As **Figure 21** shows, many ECOWAS+ countries perform relatively well on this indicator, with Niger, Liberia, Guinea-Bissau and Sierra Leone setting wages well above per capita GDP. This reflects large recent increases in minimum wages in policy.

At the bottom end of the scores are Ghana, the Gambia, Cabo Verde, Nigeria and Côte d'Ivoire – all have minimum wages below 50% of their per capita GDP. Cabo Verde, Ghana and Nigeria all increased minimum wages in 2019. The Gambia and Côte d'Ivoire have not since 2015.

FIGURE 21: MINIMUM WAGE (AS % OF PER CAPITA GDP)

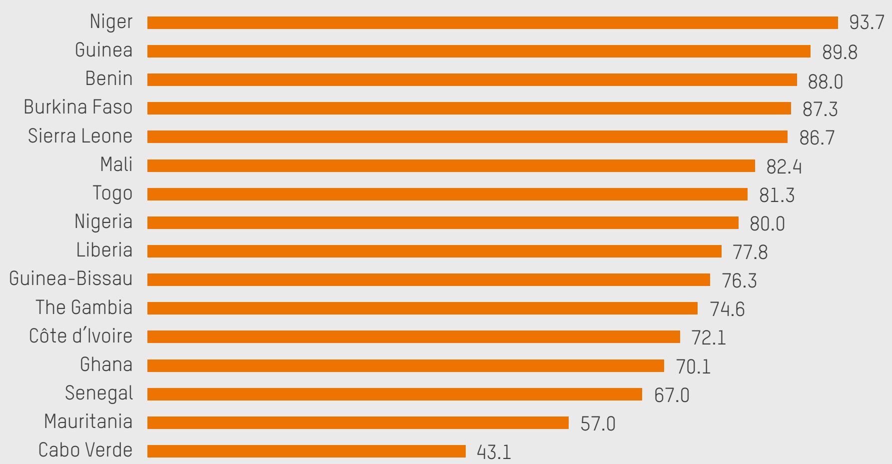


Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and tax codes. Nigeria increased its rate to 7.5% in 2021.

6.2 COVERAGE OF WORKERS' RIGHTS

As can be seen in **Figure 22**, in half of ECOWAS+ countries, under 20% of workers are covered by formal labour protections. Only in Cabo Verde do more than half of workers have formal legal protections. The countries with the highest proportion of unprotected workers are Niger, Guinea, Benin, Burkina Faso and Sierra Leone.

FIGURE 22: WORKERS WITH NO FORMAL LABOUR RIGHTS (%)



Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and tax codes. Nigeria increased its rate to 7.5% in 2021.

In Cabo Verde, the Gambia, Mauritania and Nigeria, the low coverage of workers' rights reflects higher levels of unemployment, at or above 10%. Most other countries in the region have official unemployment rates under 5%, although these do not account for widespread underemployment, especially in the informal sector.

6.3 IMPACT ON WAGE INEQUALITY

The main objective of anti-inequality labour policies is to reduce wage income inequality. To assess whether this is being achieved, we use International Labour Organization (ILO) estimates of the Gini coefficient for wages.[114] This works in the same way as the Gini coefficient for income – i.e. the higher the coefficient, the more unequal wages are across income levels.

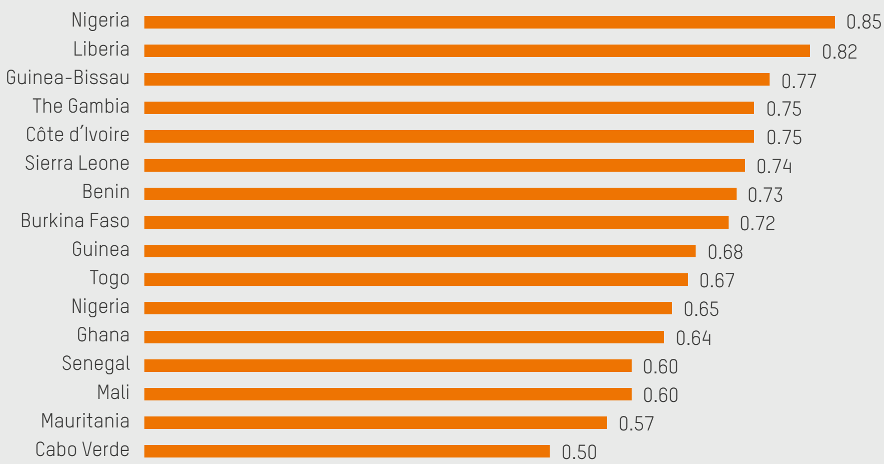
As shown in **Figure 23**, ECOWAS+ countries have some of the world's most extreme wage inequality: eight countries have above 0.7, putting them in the worst 20 countries worldwide. Only two countries (Cabo Verde and Mauritania) have scores below 0.6.

These very high wage Gini coefficients reflect two main factors:

- the poor enforcement of policies on women's rights and minimum wages; and
- the low wages earned by those in vulnerable or informal employment.

In turn, they show that largely unregulated labour markets are producing extreme levels of inequality. It will be virtually impossible for governments to reduce such high levels of market-produced inequality to levels that do not impact negatively on GDP by using spending and tax measures alone. This emphasizes the need for labour rights policies and implementation in West Africa.

FIGURE 23: WAGE INEQUALITY (GINI COEFFICENT OF WAGES)



Source: M. Martin et al. (2020). *Fighting Inequality in the Time of COVID-19*, based on national budget documents and tax codes. Nigeria increased its rate to 7.5% in 2021.

7. CONCLUSIONS AND RECOMMENDATIONS

There is nothing inevitable about the crisis of inequality that characterized West African societies before COVID-19, nor its dramatic worsening during the pandemic. However, without concerted efforts by governments and support from the international community, the crisis will deepen, and stop the region's governments from meeting most of the SDGs.

The pandemic must serve as a wakeup call to national, regional and global leaders for an inclusive recovery that tackles inequality aggressively. For the last decade, inequality has risen while they have made speeches but mostly not implemented strong policy measures to fight it. Only the combination of immediate measures to reverse the current rises in inequality, strongly reinforced national commitment to anti-inequality policies, and support from regional and international levels, can allow West Africa to emerge from the pandemic without a major increase in inequality and poverty – and resume its progress towards meeting the SDGs.

7.1 THE MOST URGENT RECOMMENDATIONS

Chapter 1 showed that the initial policy responses to the pandemic failed to tackle inequality systematically. The extra pandemic-related spending is being scaled back, and tax policies are becoming less progressive. The pandemic's macroeconomic consequences have accelerated a recent rise in debt burdens, crowding out anti-inequality spending. Most worrisome is the wave of austerity planned by most governments in the region, which could result in a cumulative cut to public budgets of nearly $26.8 bn by 2026. In a region in which CRII scores show that governments are already among the least committed to public spending that reduces inequality, this could be disastrous. It is therefore extremely urgent for governments in the region, their regional institutions, and the international community to take measures now to reverse these trends.

The most urgent measures should include:

- Accelerating the distribution of free COVID-19 vaccines to all ECOWAS+ countries, to ensure high levels of vaccine coverage by the end of 2021.
- Immediately reversing the planned fiscal austerity, with a particular emphasis on expanding spending levels for health, education and social protection to achieve the SDGs.

These enhanced spending efforts should be funded by:

- Increasing rates and collection of progressive income and wealth taxes in each country;
- transforming the current DSSI into cancellations of debt service due to all (including commercial and multilateral) creditors between 2020 and 2022;
- channeling significant portions of the $400bn of SDRs that have been issued to high-income economies to lower-income economies that need them more, on as concessional terms as possible and without conditionality;
- increasing aid flows to the region targeted at enhancing anti-inequality social spending.

Based on the mobilization of this financing, the IMF and World Bank should build their programmes and advice to countries around increasing spending, progressive taxation, debt relief and aid financing, to provide fiscal space for countries to reverse the sharp increases in inequality and poverty caused by the pandemic.

7.2 MEDIUM-TERM RECOMMENDATIONS FOR GOVERNMENTS

In recovering from the pandemic, it is vital for national governments, ECOWAS and WAEMU to prioritize national budgets and development plans that include the following measures:

1. Spend sufficiently on universal high-quality public services that reduce the gap between rich and poor, and between men and women

- Allocate a minimum of 20% of government budgets to free universal education, with a special emphasis on improving access to high-quality primary and secondary education.
- Allocate a minimum of 15% of government budgets to fund a public health sector that is free at the point of use, universal, easily accessible and of high quality; ensure that all citizens receive health coverage and avoid catastrophic out of pocket (COOP) health payments.
- Enact universal social protection programmes that are adequately funded to ensure protection for the working poor, children, people living with disabilities, unemployed people and other vulnerable groups, including pensioners.

2. Increase government support for small-scale food-producing agriculture

- Allocate at least 10% of government budgets to support agriculture, with as much as possible of this allocated to smallholders and food crops.
- Develop national agricultural investment plans that are gender-sensitive and seek primarily to support small-scale farmers in non-cash crop sectors, showing how each country will achieve food security and end rural poverty by 2030.

3. Redistribute through progressive taxation

- Make corporate and personal income taxes more progressive, raising all top rates to at least the West African average (28% for corporate and 32% for personal income tax).
- Strengthen other progressive taxes, such as those on capital gains, property, and financial transactions and income.
- Ensure that VAT and GST exempt basic food products and set high registration thresholds to exclude small traders.
- Introduce taxes on the stock of wealth, including wealth held offshore.
- Ensure multinational corporations pay their fair share of taxes by strengthening anti-tax avoidance policies, transfer-pricing legislation and countermeasures against tax havens.
- Stop the regional 'race to the bottom' on corporate taxation by scrapping unnecessary tax incentives for investors, and reviewing existing incentives and tax treaties.
- Strengthen the capacity of national revenue authorities to curb illicit financial flows, through corporate country-by-country reporting of income and exchange of information on offshore profits and wealth holdings.

4. Strengthen labour policies

- Ensure that people have rights to unionize, strike and bargain collectively, by introducing and respecting all laws needed to comply with ILO conventions.
- Legislate to enforce equal pay for equal work for men and women; non-discrimination in the workplace; and comprehensive anti-rape and sexual harassment laws.
- Increase parental leave to at least 18 weeks fully paid, in line with ILO recommendations, and expand paternity leave to reduce the burden of unpaid care on women.
- Increase minimum wages to match per capita GDP, and thereafter establish annual upward reviews to increase them in line with inflation.
- Invest far more in structures enforcing labour legislation.
- Setup systems to ensure that the informal sector progressively complies with the minimum regulatory requirements on working conditions and pay for women and men.
- Establish systems to gradually incorporate informal and vulnerable workers (and their micro-insurance arrangements) into social protection and insurance schemes.
- Increase investment in public sector jobs and public works to reduce unemployment.

7.3 RECOMMENDATIONS FOR ECOWAS AND WAEMU

The mandates of ECOWAS and WAEMU are different, but both aim towards regional economic convergence. Both organizations should put reducing inequality at the heart of future convergence programmes, by:

1. Recognizing and planning to remedy West Africa's inequality crisis

- Prioritize tackling inequality in the agendas of the ECOWAS and WAEMU commissions.
- Develop a joint regional action plan to increase commitment to fight inequality.
- Establish a robust mechanism to support and monitor the achievement of SDG 10 on reducing inequality.

2. Encouraging 'a race to the top' in policies to reduce inequality

- Establish a separate taxation unit within the ECOWAS Commission to advise on the coordination of tax policies and play a more active role in global tax reforms.
- Build an ECOWAS regional harmonization framework for tax systems based around those in WAEMU, with more progressive income taxes and VAT, and strengthened taxes on capital gains, property, financial income and wealth.
- Seek regional harmonization of investment and tax codes to curb harmful tax competition in the region, particularly by sharply limiting tax incentives.
- Develop common regional frameworks on measures to combat tax dodging and illicit financial flows, including regional transfer-pricing guidelines, corporate country-by-country tax reporting and information exchange on high-net-worth individuals' accounts.
- Develop and monitor compliance with regional norms on social spending on education, health, social protection and agriculture, as well as coverage of public services for people living in poverty.
- Develop and monitor compliance with regional norms on labour policies designed to reduce inequality, such as union rights, women's rights, minimum wages and policies to encourage job formalization.

7.4 RECOMMENDATIONS FOR THE INTERNATIONAL COMMUNITY

The international community should support national and regional efforts by:

- Providing comprehensive debt cancellation to ECOWAS+ countries to reduce their debt servicing to low levels and ensure that they have enough financing to achieve the SDGs, especially for universal health care, education and social protection.
- Establishing a global fund for social protection that supports lower middle-income countries to provide social protection for all by 2030.
- Introducing solidarity taxes in their own countries on wealth and income, as well as taxes on financial transactions and carbon emissions, from which part of the proceeds go to lower-income countries.
- Mandating the IMF and World Bank to ensure that all country strategies, operations and policy advice put inequality reduction at their centre; and that they are promoting specific and urgent measures to make tax, public services and labour policies reduce inequality more effectively.

ANNEX 1: WEST AFRICA INEQUALITY STATISTICS

Country	Gini coefficient	Poorest 40% share of income	Richest 10% share of income	Palma ratio
Mali	0.326	20.1	25.7	1.28
Mauritania	0.330	20.1	25.7	1.28
Guinea	0.337	19.8	26.4	1.33
Niger	0.343	19.6	27.0	1.38
Liberia	0.353	18.8	27.1	1.44
Burkina Faso	0.353	20.0	29.6	1.48
Sierra Leone	0.357	19.6	29.4	1.50
The Gambia	0.359	19.0	28.7	1.51
Senegal	0.403	16.4	31.0	1.89
Côte d'Ivoire	0.415	15.9	31.9	2.01
Cabo Verde	0.422	15.4	32.3	2.10
Nigeria	0.430	15.1	32.7	2.17
Togo	0.431	14.5	31.6	2.18
Ghana	0.435	14.3	32.2	2.25
Benin	0.478	12.8	37.6	2.94
Guinea-Bissau	0.507	12.8	42.0	3.28

Source: UNDP Human Development Index 2020 Country Profiles Inequality section, available at http://hdr.undp.org/en/countries

ANNEX 2: THE COMMITMENT TO REDUCING INEQUALITY INDEX 2020: RANKINGS OF AFRICAN COUNTRIES

Country	Global rank (158)	Africa rank (47)	Country	Global rank (158)	Africa rank (47)
South Africa	18	1	Senegal	127	25
Seychelles	21	2	Tanzania	130	26
Tunisia	48	3	The Gambia	132	27
Namibia	52	4	Rwanda	133	28
Lesotho	54	5	Burkina Faso	134	29
Botswana	60	6	Democratic Republic of Congo	135	30
Algeria	70	7	Ethiopia	136	31
Kenya	76	8	Republic of Congo	137	32
Mauritius	79	9	Zimbabwe	138	33
Togo	82	10	Cameroon	139	34
Cabo Verde	91	11	Guinea	140	35
Eswatini	96	12	Côte d'Ivoire	141	36
Malawi	97	13	Niger	142	37
Djibouti	101	14	Uganda	143	38
São Tomé and Príncipe	105	15	Sierra Leone	145	39
Egypt, Arab Rep.	113	16	Burundi	147	40
Mozambique	115	17	Madagascar	148	41
Angola	118	18	Guinea-Bissau	150	42
Morocco	120	19	Central African Republic	151	43
Ghana	121	20	Liberia	154	44
Zambia	122	21	Chad	155	45
Mauritania	123	22	Nigeria	157	46
Mali	125	23	South Sudan	158	47
Benin	126	24			

NOTES

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Senegal will see a less harsh austerity – a fall in spending in 2022-23 followed by an increase in 2024-25 producing an overall increase of 1.2% of GDP as opposed to the 0.2% in the table on austerity. This is because of Senegal government having decided to launch a new youth employment programme and mobilise more concessional funding to pay for it. The new forecasts of higher Covid-19 response and less adjustment were produced by the government and IMF only recently after the April 2021 World Economic Outlook database.

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

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