

THE IMPACT OF COVID-19 ON THE FIGHT AGAINST INEQUALITY

Prepared

by:

RESEARCH:

Chama B. Mundia (Program Manager), Modester T. Mwanza (Program Officer) and Aristide Murwanashyaka (Social & Economic Development Volunteer).

EDITORIAL TEAM:

Given Phiri (Library & Information Officer) Layout and Design supported by Bernard Mwaba (Media & Information Intern).

The Jesuit Centre for Theological Reflection is a faith based organization and a Ministry of the Society of Jesus (Jesuits) operating in Zambia since 1988 to promote social justice. Our work is underpinned by the Church Social Teaching.

TABLE OF CONTENT

1.0 Introduction	5
2.0 Background	6
3.0 Brief Overview on Macroeconomic Indicators in the face of COVID-19	7
4.0 COVID-19 and Inequality	9
4.1. The Implications of COVID-19 on the Cost of Living	10
4.1.1 The Impact of Covid-19 on Health Inequality	11
4.1.2 Prices of Goods and Services and Cost of Living	13
4.2 The Impact of COVID-19 on Health Inequality	14
5.0 Conclusion	16
6.0 Recommendations	16
References	17



THE IMPACT OF COVID-19 ON THE FIGHT AGAINST INEQUALITY

1.0. Introduction.



The world has been hit by a virus that is very infectious and claiming the lives of a significant number of people. The World Health Organisation has referred to it as the Novel Coronavirus that is causing the Coronavirus disease of 2019 or COVID-19. This virus causes respiratory problems and is affecting people of all ages, most especially individuals that have compromised immune systems and underlying respiratory problems.

While it is true that COVID-19 impacts span various facets of human life, this policy brief zeros in on the possible impact of the COVID-19 outbreak on the fight against inequality through the lens of the cost of living and health outcomes in Zambia. The paper ends with policy recommendations that could be adopted by Government in order to minimize the negative effects of COVID-19 on the fight to reduce the ever-widening gap between the rich and the poor.

2.0. Background



The Coronavirus was first recorded in Wuhan, a city in the Hubei Province of China towards the end of 2019. The virus later rapidly spread to other parts of China. By the beginning of 2020, the country recorded more than 80,000 COVID-19 cases with the majority of those from Hubei and the surrounding provinces. Following the rapid spread of the virus, on 30th January, 2020, the WHO declared the 2019-2020 coronavirus outbreak a public Health Emergency of International Concern. Later, a joint World Health Organisation (WHO)-China fact finding mission estimated that the epidemic in China peaked between late January and early February 2020.

Sadly, the virus quickly spread to other parts of the world. Cases have since been reported in all continents, with over 200 countries having confirmed cases. The disease was declared a world pandemic on 11th March 2020. This caused most countries to put up strict measures in order to reduce the spread of the virus.

The symptoms of this disease as outlined by WHO include; fever, cough and shortness of breath. In more severe cases, the infection can cause pneumonia, Severe Acute Respiratory Syndrome (SARS) and sometimes death. The virus is transmitted through respiratory droplets that are released from the body when someone who is infected sneezes or coughs and the droplets fall on surfaces and hands. The spread of the virus can be managed by the following measures, frequent washing of hands, social distancing, covering coughs and sneezes into a

tissue or inner elbow and avoiding touching ones face, are advised to help prevent the spread of the virus.

3.0. Brief Overview on Macroeconomic Indicators in the Face of COVID-19



Cognizant that the cost of living and other social indicators like health are tied to macroeconomic factors, a look at macroeconomic indicators in the wake of COVID-19 is instructive. Zambia's macroeconomic indicators have been affected by both global and domestic increase in the number of coronavirus cases. One of the macroeconomic indicators affected is the exchange rate of the Zambian Kwacha. While it is true that the performance of the Kwacha was poor even before the pandemic and the local currency has been losing value against major currencies since end of 2019, COVID-19 has further exacerbated this.

Another macroeconomic indicator therefore impacted is public debt. How the kwacha trades against the dollar poses a challenge on the country as a significant proportion of the country's debt is US Dollar denominated. Depreciation of the local currency is therefore likely to contribute to large capital outflows. Most developing countries were already facing heightened debt vulnerabilities and rising debt costs even before the COVID-19 outbreak. The scale of the public health crisis and need for rapid policy responses means vital government resources must be urgently directed towards the needs of the populace and not diverted to creditors. The outbreaks of COVID-19 so far show that time is essential. Governments need to have resources for decisive action today. Any delay will make the pandemic more difficult to control and repair of economic damage costly.

On the revenue side, in view of COVID-19, budgeted revenue is estimated to fall short of target by at least K14.8 billion or 19.7 % of the approved 2020 budget according to the Ministry of Finance. In the 2020 National Budget presented in September 2019, a huge composition amounting to 90% of the budget was allocated towards emoluments and debt servicing. Obligations that government cannot afford to default on. The remaining 10% of the budget allocated to all other sectors will therefore be greatly affected by any severe budget deficits that may arise. Social sectors such as health, education and the much-needed empowerment schemes for the poor and vulnerable under Social Protection Programmes for example; Social Cash Transfer and the Farmer Input Support Programme will be severely affected. In the event of reduced budgetary allocations, the agricultural sector one of the largest livelihood providers to the rural based populations is also projected to suffer significant setback. Without financial support, small scale farmers will not be able to ensure stability in the food value-chain thus threatening national food security.

Additionally, Zambia is experiencing supply shocks due to the fact that the country is more import than export oriented. The closing of borders by other countries where most of the imports come from, has led to panic buying by some individuals pushing the prices of goods up. The financial market has equally been stressed and the economy might go into a recession pushing the poor deeper into poverty. The Minister of Finance in a statement on the 26th March 2020 alluded to some of these effects.

In a joint statement issued on the 25th of March, 2020 to the G20 concerning debt relief for the poorest countries, the World Bank and the International Monetary Fund (IMF) warned that the coronavirus outbreak is likely to have severe economic and social consequences for International Development Association (IDA) countries, home to a quarter of the world's population and two-thirds of the world's population living in extreme poverty. In the wake of the COVID-19 pandemic, the IMF Executive Board adopted some immediate enhancement to its Catastrophe Containment Relief Trust. This Adoption was meant to help the Fund to provide debt relief to some low-income countries following the economic turmoil that the pandemic has put on most countries. This move will enable countries with per capita lower than the World Bank's operational threshold for concessional support to qualify for debt relief for up to two years. However, the fund has stated that this will only apply when a life-threatening global pandemic inflict severe economic disruptions across the member countries and create a balance of payment need (IMF, 2020).

Zambia is however, not part of the Low-Income Countries (LICS) but is Lower-Middle Income country and hence does not qualify for the Catastrophe Containment Relief Trust. Nonetheless, the Minister of Finance in his 20th April statement to the nation on COVID-19 did indicate that they were seeking to engage the IMF with the view to benefit from other appropriate programs or facilities to which the country qualifies (Ministry of Finance 2020).

4.0. COVID-19 and Inequality



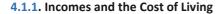
Zambia, like the rest of the world, already faces high levels of inequality independent of COVID-19. According to the UNDP (2019) Zambia's Human Development Index (HDI) was 0.591 in 2018 and was ranked number 143 in the world. Using the gender inequality index, in 2017, Zambia's index was 0.517 and it was ranked 125 out of the 160 countries in that index. The two indices show that the country's fight against inequality is still far from being won. The HDI uses three main indicators; education, life expectancy and income.

The population of Zambia, like many other sub-Saharan African countries is faced with numerous challenges contributing to widening the gap between the rich and the poor. Poverty is but one of the challenges. Poverty compromises of education, life expectancy and income outcomes. In Zambia, over 50 percent of the country's population is living in poverty. Over 70 percent of the country's poor is based in the rural areas while over 20 percent of the urban population is poor.

4.1 The Implications of COVID-19 on the Cost of Living



With the macroeconomic perspective in mind, one notable area likely to be impacted by COVID-19 is the cost of living which has been on a steady rise even prior to the pandemic. The COVID-19 pandemic is likely to affect the cost of living as experienced by households through one or both of these scenarios. The first scenario will be loss or reductions in household incomes due to the pandemic's impact on employment. The second scenario will be increased prices of goods and services due to the pandemic. In both scenarios, it is the poor that are likely to be made worse off (as will be demonstrated below) given already existing disadvantages.





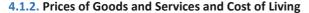
On the income side, the cost of living is likely to be impacted by both domestic and international factors. Zambians already face the challenge of low incomes and fail to meet the most basic needs. The 2015 Living Conditions Monitoring Survey (LCMS) estimates the national average monthly household income at K1, 801. Beyond this average, disaggregated data evidently showed the high levels of inequality for example by location and by gender that exist in our society. The average income for a rural household stood at an estimated K810 compared to K3, 152 for households in urban areas. Further, on average, male-headed households earned more than female-headed households (K1, 928 compared to K1, 378, respectively). Figures obtained from the JCTR on the estimated cost of living for a family of 5 using the Basic needs and Nutrition Basket tool indicates that this is way below the minimum cost of living. For example, since March 2019 the Lusaka basket moved from K5, 543.16 to K7158 in April 2020.

At both international and domestic levels, measures have been instituted that are likely to impact on the incomes of many and consequently on the cost of living. Domestically, the Government has over the last few weeks come up with measures to try and curb the spread of the virus. The measures include, among others, the closing of bars, casinos and gyms and the removal of street vendors.

Additional measures include working from home under the campaign "stay home, stay safe". These measures are likely to affect the income levels of the poor in our society. For example, in Lusaka, places such as informal restaurants are highly dependent on the movements of people from one place to the other relying on the influx of large numbers of people. With more people working from home, the informal sector is going to experience losses in incomes. This is problematic given that the sector is already characterised by uncertain incomes, uncertain cash flows and little or no insurance protection to cushion against any loss in income.

Internationally, as the cases of the pandemic continue to increase, several countries are coming up with measures to try and contain and also stop the spread of the disease. Some of the measures include limiting or completely putting a stop to international flights, and in some cases, lockdowns of cities and towns. This move has brought about the reduction in economic activities which has led to the prediction of a global recession that is going to hit almost all the countries in the world. Most countries are seeing or experiencing what is been referred to as supply shock. Commodity markets and prices are collapsing, financial markets are being stressed and economies are shrinking.

One sector significantly affected by these international restrictions is the tourism sector which can be said to have come to a complete stop given the restriction and the travel bans that most countries have put in place. Hence, some instituted COVID-19 measures while holding promise to help contain the disease, come with other consequences particularly with respect to employment which has a trickledown effect on the standard of living. The hospitality/entertainment industry is only but one example of what may be happening in various sectors of the economy. For example, due to domestic and international travel restrictions coupled with the ban on public gatherings, the hospitality industry has witnessed a significant reduction in its client base. A case in point, Management at one named lodge in Livingstone, informed employees that the lodge would only be able to pay 40% of the salaries beginning April 2020 ultimately implying a 60% salary cut. The Zambia Governance Foundation (2020), using an example of South Luangwa notes the impact of COVID-19 on people that are working as safari guards, waiters, bar men, drivers, receptionists, front office personnel as well as the people whose businesses rely on the influx of tourists. It is highlighted that with the cancellation of bookings, the lodges are struggling and therefore unable to retain a number of employees.





Related to incomes, prices of various goods and services will not remain unscathed by the pandemic. This rise in prices will compound the situation of households where incomes have either reduced or been lost completely. One factor contributing to increase of various goods and services is Zambia's reliance on imports of some essential items. Over the next few months, imports may be restricted by prolonged specific country lockdowns. A case in point is reliance on the South African market for fruits whose prices may further be strained by exchange rates and limited supply induced by travel restrictions. High costs of such items will likely compel households to compromise on nutrition. Balanced nutrition, especially in terms of adequate vitamin, mineral and protein intake, remains key at household level as it enhances resistance against infections. Measures to substitute imported products with local products can only be realized if a key sector like agriculture is adequately supported. However, over the years, Zambia has not recorded significant investments in horticulture even though it has been a policy recommendation for many years. Additionally, for goods supplied locally, increased costs of certain imported input materials and domestic travel restrictions are likely to contribute to an upward adjustment in prices of goods and services.

Furthermore, in the event that the pandemic escalates in Zambia and is quenched by August 2020 as alluded to by the Minister, the impact on the most poor and vulnerable households will indeed be devastating beyond 2020. Devastating impacts are highlighted by the JCTR Basic Needs and Nutritional Basket that stands at over K7,000 for the bare minimum of basic food and non-food items. This amount is exclusive of additional costs occasioned by the pandemic such as expenses for items such as hand sanitisers, soap and masks. Thus, with job losses and increased prices of goods and services, the gap between the rich and the poor will widen leaving the poor in a worst position post COVID-19.

4.2 The Impact of COVID-19 on Health Inequality



Another critical area in which the impact of COVID-19 is likely to be witnessed is in health outcomes. The current pandemic is therefore likely to not only reveal existing inequalities but also worsen health outcomes of the poorest. The Zambian Government while having made strides towards provision of basic health care services for all, has still not reached the capacity to meet the needs of everyone regardless of their economic status. The pandemic has exposed the inequalities that exist in Zambia's health care system. Already, testing facilities are largely available along the line of rail in a few places. It has further exposed the under-investment in free public healthcare for all, which means that access to quality care will for some be based on their ability to access medical care and not actually medical need.

While the virus is infecting all classes of people in society, the poor will be affected most due to the longstanding segregation by income. With reduced economic activities and its impact on both formal and informal sectors, this segregation may likely worsen. Further, in a time of economic crisis such as this one, characterised by increases in the prices of basic need items such as food, soap and other hygiene products, the poor remain vulnerable to the effects of the virus on their health and standard of living. Rising prices of various goods will strain income levels and make it difficult for the poor to afford essential commodities. This in turn will make it difficult for them to fight diseases and to live dignified lives.

Research suggests that those in the lower economic strata are likely to catch this disease. They are also likely to die from it. And, even for those who remain healthy, they are likely to suffer loss of income as a result of quarantines and other measures, potentially on a sweeping scale. It is only right to ask, how are we supposed to wash our hands regularly if we have no running water or soap? How can we implement 'social distancing' if we live in a slum or a refugee camp? How are we supposed to stop crossing borders if we are fleeing from war? How are those with pre-existing health conditions going to take extra precautions if they already cannot afford or access the treatment they need? Everyone is affected by the COVID-19 pandemic, but the impact may be felt by some more than others.

As earlier alluded, a significant portion of the poor are absorbed in occupations negatively affected by COVID-19 with devastating impacts on their incomes. The poor comprise the significant proportion of those who are underpaid, overworked and deprived of sick leave, as well as those who are unable to work from home. Some categories of informal sector employees such as taxi drivers, domestic workers, bus drivers, and the self-employed, are at high risk of getting into contact with people that may be infected with the virus. This poses a great challenge as these workers are largely not entitled to statutory sick pay and might in some cases lack access to health care. They may, however, also be the ones delivering essentials to increasingly self-isolating populations, putting their own health at risk for low reward. Others include restaurant and retail staff and food preparation jobs - businesses that rely on people and customers leaving their homes and spending. In addition to the health risks that come with such occupations, the economic uncertainties that also characterise the sectors on which the poor and marginalised depend further present negative effects.

With the poor increasingly putting themselves at high risk of contracting COVID-19, cases arising among the poor, densely populated neighbourhoods is an increasing concern. In this type of situation, if health facilities don't have the appropriate capacity to treat patients, then the death toll could be significant. This is made even more crucial by the possibility that COVID-19 could decrease resources for treating other diseases such as malaria and for ensuring maternity and child healthcare. Access to healthcare and the capacity of health systems will be a heightened concern at this time for those already living in poverty or experiencing income inequality, especially as the pandemic brings additional economic risks for low-income or less secure workers.

5.0 Conclusion

Evidently, COVID-19 presents challenges for all peoples across the world. However, the greater concern is the fate of the poor and marginalised who already face challenges particularly in the areas of incomes and health outcomes. As COVID-19 spreads, it will continue to impact on the cost of living at the backdrop of reduced incomes and unemployment due to the pandemic. It is also clear that in this pandemic, certain groups may be at risk of contracting the virus but may not access needed health care due to various challenges. Linked to the cost of living that confronts the poor, with countries instituting lockdowns, the poor are unable to stock up on adequate food and other necessities and may likely be more willing to leave their homes in search for food even in the face of a heightened risk of contracting COVID-19. What is worse is that, even after the worst of the health crisis has passed, many people will face a job crisis. Widened income inequalities and job instability amidst economic challenges across the world will further widen the gap between the rich and the poor negating many of the gains made over the years.

6.0. Recommendations

1. Large scale testing of the population especially in high density townships is particularly of importance. The identification and isolation of each case is crucial in ensuring the risk of the disease spreading is lowered.

- 2. Provision of food packs for the poorest is of utmost importance in order to cushion the poor in the face of lost or reduced incomes.
- 3. Putting in place measures such as targeted community clinics that will allow for the unreached populations to access healthcare is now more than ever needed.
- 4. The Government through the Ministry of Health should prioritise consistent provision of COVID-19 information and protective equipment for ALL health personnel beginning with the areas in which COVID-19 has been recorded given their high level of risk in contracting the disease.
- 5. The Government must intensify mass sensitisation of communities on COVID-19 and the importance of the measures that have been put in place such as social distancing and wearing of face masks.

References

I. M.F. (2020, March 27). International Monetary Fund. Retrieved from International Monetary Fund Web site: http://www.imf.org/en/News/Articles

UNDP. (2019). UNDP. Retrieved from UNDP Web site: hdr.undp.org

ZGF. (2020, April 23). The effects of a paralysed tourism sector in communities surrounding the South Luangwa National Park. Retrieved from The Zambia Governance Foundation Web site: info@zgf.org.zm

