

THE CRISIS OF EXTREME INEQUALITY IN SADC

Fighting austerity
and the COVID-19
pandemic



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FOREWORD: FAITH REFLECTIONS ON INEQUALITY: EQUALITY IS A DIVINE MESSAGE

Since the dawn of history, poverty and human deprivation have been recognized as the most central challenges and constraints to the development of human society and human beings. Sitting alongside these is the issue of wealth, its creation, possession, distribution, and our attitude towards it.

Theological teachings tell us that all human beings are created in the Image of God. For Him, we are equal. But we see that disparities between the rich and the poor in many parts of the world, including in southern Africa, are rising sharply. Fewer people are becoming increasingly 'successful' and 'wealthy' while a disproportionately large population is becoming even poorer. Ironically, this is happening in a world that God has blessed with abundance, enough to allow every living soul on earth to have a decent and comfortable life.¹ Mahatma Gandhi once said: 'The world has enough for everyone's needs, but not for everyone's greed'.²

As vicegerents of God on earth,³ human beings are stewards of creation, which they have to use to promote the public good. But we have abandoned divine guidance and adopted systems that are self-centred and promote materialism. Systems that reward corruption, speculation and laziness at the expense of hard work, innovation and creativity. Systems that pride in making some people masters over others, sustaining slave-master relationships. Today's economic system upholds inequalities, allowing a few to capture wealth and force millions of people to live in deprivation. Inequality fuels poverty. It provokes violence and insecurity. It denies millions of people their right to live full lives with dignity. Inequality challenges our societies as we know them today.

Eradicating poverty and creating economically equal societies that are prosperous and just requires the collective efforts of the privileged and less privileged, empathizing with each other, bonded together with the one goal of removing mankind from the slavery of another into being proud and dignified servants of the one true God. We recognize the primary responsibility of states to protect their citizens, by fulfilling human rights and guaranteeing social protection for all. We also understand taxation to be a fundamental instrument to reduce inequality, through redistributing wealth and financing the common good, so that all can live dignified lives and so that the state's accountability to citizens is upheld.⁴ As people of faith, we have centuries of experience responding to people's needs. We provide healthcare and education, and act when humanitarian crises appear. As faith leaders we bring hope and direction. We speak up against poverty, injustice and inequality.

Now we ask the governments of southern African countries, and beyond, to read this report and commit to reducing inequality. Together with movements of people from all over the world, we add our voices to the demand for fairer redistribution of wealth, gender justice, and social protection as a matter of justice and human rights.

Signed by representatives from Southern African faith communities:

Nelson Kisare, Bishop at Tanzania Mennonite Church and Chair of the Interfaith Standing Committee on Economic Justice and Integrity of Creation (ISCEJIC)

Rev. Fr. Henry Saindi, Secretary General for the Episcopal Conference of Malawi

Sheikh Yussuf Ayami, Team Leader, Family Development Initiatives, Zambia

Fr. Alex Muyebe, S.J. Executive Director – Jesuit Centre for Theological Reflection (JCTR), Zambia

Rev. Canon Emmanuel Chikoya – General Secretary, Council of Churches in Zambia

Rev. Dr. Daniel Ntoni-a-Nzinga – President of Tchota (National Movement on Natural Resources), Angola

ABSTRACT

The COVID-19 pandemic has worsened the extreme inequality in Southern African Development Community (SADC) countries, and pushed millions into poverty. The economic crisis continues due to the obscene global vaccine inequality. As of end March 2022, a dismal 14% of SADC citizens had been fully vaccinated against COVID-19, compared with 65.5% in the United States and 73% in the European Union.⁵

In 2021, with infections rising in SADC, the critical health, social protection and economic programmes put in place by most governments in 2020 were rolled back and replaced with austerity, in the context of growing debt burdens and lack of external support for country budgets. Such austerity has been built into IMF programmes in the region.

Recovering from the pandemic, however, offers SADC governments a once-in-a-generation opportunity to do what their citizens want: increase taxes on the wealthy and large corporations, boost public spending (especially on healthcare, education and social protection), and increase workers' rights as well as tackling joblessness and precarious work. With external support, including through debt relief and aid, they could reduce inequality drastically and eliminate extreme poverty by 2030.



EXECUTIVE SUMMARY

In 2018, Development Finance International (DFI) and Oxfam warned that southern Africa was the most unequal region in Africa, while highlighting that some of its governments had realized the need to take stronger measures to reduce inequality.⁶ In 2022, using their Commitment to Reducing Inequality Index (CRI) framework, this report by DFI, Norwegian Church Aid (NCA) and Oxfam finds that many Southern African Development Community (SADC) member governments⁷ are showing considerable commitment to fighting inequality – but still nowhere near enough to offset the huge inequality produced by the market and exacerbated by the COVID-19 pandemic.

Although the extractive industry contributes about 10% of SADC's GDP, 25% of regional exports, about 7% of direct employment and 20% of national government revenues,⁸ the industry has often exacerbated inequality and poverty. This is in large due to limited mechanisms to promote public participation along the extractive industries value chain, from contract negotiation/licensing and free prior informed community participation leading to conflict and evictions, corruption and state capture, unfair taxation, illicit financial flows and smuggling.

Before the pandemic, SADC member states were on average lagging 33% behind their North African counterparts in their CRI scores, and were doing less than half as well as the best performers globally. SADC governments performed relatively well on progressive taxation, but this did not translate into public services reaching people living in poverty, and labour rights remained inadequate. Several SADC member countries (South Africa, Namibia, Eswatini, Botswana and the Seychelles) have been hard hit by the pandemic (with death rates in the top 64 in the world), and infection and death rates throughout the region rose sharply between April and mid-August 2021. It is also increasingly becoming clear that the pandemic is the region's worst economic crisis in decades, pushing millions into poverty and exacerbating inequality. The crisis continues due to the obscene global vaccine inequality, which means that only 14% of SADC citizens had been fully vaccinated as of end of March 2022.⁹

The immediate economic impact of the pandemic was staggering, with SADC losing \$80bn in GDP¹⁰ and 35.5 million jobs (26% of end-2019 jobs), according to one study.¹¹ Surveys from six countries showed that more than 60% of citizens lost income or work due to COVID-19.¹²

Across the region, austerity is being introduced in many countries at the exact time that COVID-19 infections are increasing. Due to limited fiscal space, nine governments scaled back spending in 2021. Across SADC as a whole, budgets were cut by \$12.1bn,¹³ well over twice the amount (\$5.1bn) it would cost to buy and deliver vaccinations for all SADC citizens.¹⁴ Data for 2022–26 show plans to reduce public spending by \$30.2bn, equivalent to an annual cut of \$6bn for each of the five years, compared to 2021.¹⁵ This would be enough money for governments to raise health expenditure by 28%, from the present average of \$177 per capita to \$226 per capita, and keep it at that level until 2026.¹⁶

For some of the worst-affected countries, the scale of austerity is daunting. For example, the cuts planned by the government of Zambia in 2022–26 are equivalent to five times its annual health budget; in Malawi, Mozambique and the Seychelles, they are twice their health budgets.¹⁷ Reducing public budgets on this scale will almost certainly fail to reverse the pandemic-driven increase in inequality and will prevent the large rises in social spending needed to meet the Sustainable Development Goals (SDGs) by 2030.

The danger of austerity is compounded by another effect of the pandemic: the rapid rise in debt. Governments have had to constrain social spending due to increasing debt service payments. Even before the pandemic, debt servicing was reaching astronomical levels in most SADC countries, with governments spending on average almost three times as much on domestic and external debt service as on health. In 2020–21, debt servicing took 42.2% of government revenues on average in SADC. The debt suspension initiatives enacted by the G20 countries in 2020–21 have proven to be woefully inadequate.

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

However, it does not have to be this way (see **Chapter 7** for recommendations). Increasing tax revenues holds enormous potential for funding government programmes to reduce inequality. If SADC governments were to increase their tax revenues by just 1% of GDP for the next five years (2022–26), they would raise an additional \$44.3bn or an average of \$8.9bn per year. This would be enough to provide quality education to nearly 15 million primary school children each year.¹⁸

Governments can raise this revenue in progressive ways that help fight inequality, by increasing income tax rates and collection, and reinforcing wealth taxes. This would also offset the massive gains in income and wealth by southern Africa's richest people during the pandemic. For example, the five richest men in the region saw their wealth increase by \$3.2bn in the first 19 months of the pandemic, which is more than the funds it would take to fully vaccinate 60% of SADC citizens.¹⁹ Surveys from eight SADC countries show that more than three-quarters of citizens think it is fair to tax the rich more in order to fund programmes that benefit people living in poverty.²⁰ The extractives industry could play a huge role in raising the necessary revenue for spending in the pro-poor sectors. Southern Africa needs a "developmental state" that moves from being a provider of favourable conditions for (largely foreign) investors towards being a regulator and an economic player that can affect redistribution and facilitate the achievement of equality.

It is also vitally important that tax revenues are spent transparently on the public services that reduce inequality the most (education, health, social protection and smallholder food-producing agriculture). However, most SADC member states are falling far short of the spending needed to reach the SDGs for universal coverage of education, health and social protection, and Comprehensive Africa Agriculture Development Programme (CAADP) targets for agriculture spending.

There is a limit to what government budgets can do to reduce the extremely high inequality produced by labour markets. Many SADC countries are among those that have the world's highest wage inequality, and high levels of unemployment, informal and vulnerable employment which deprive workers (especially women) of labour rights. Governments will need to work harder to extend and enforce labour rights, and to tackle the structural causes of inequality, notably in access to assets such as land and financial services.

Statistical comparisons with global governance indexes (the Corruption Perception Index and Open Budget Index) show strong correlations between low corruption, transparent budgets and high commitment to tackling inequality, especially in SADC, so anti-inequality policies need to be accompanied by anti-corruption and budget transparency measures in order to succeed.

Regional bodies such as SADC, and the broader international community, can also help steer countries away from the destructive path of austerity, towards an inclusive and broad-based recovery. The IMF and World Bank in particular need to encourage progressive tax increases, measures to combat tax dodging, higher funding for public services, and improved labour rights and social protection. To prevent austerity and free up money for social spending, the international community needs to deliver much more funding, through urgent and ambitious debt relief and more aid. It is also worth considering regular issuances of IMF Special Drawing Rights over the coming decade.

SADC governments' efforts to reduce poverty and inequality have been thrown off course by the COVID-19 pandemic, and post-pandemic austerity would make this much worse. It is not yet too late to change direction. By increasing taxes on those who can best afford them, and receiving urgent debt relief and external funding, SADC countries can spend more on public services and enhance workers' rights. Additionally, the benefits of the extractive industry must be shared equitably through national budgets financing towards essential service delivery whose dire state have been exposed by the COVID-19 pandemic, and productive sectors like agriculture that host most of the population in the region. This will allow them to beat austerity, and protect their populations better against future pandemics: but it will happen only if governments, regional institutions and the global community drastically increase their commitments to reduce inequality by 2030.

1 INEQUALITY AND THE COVID-19 PANDEMIC IN SADC

Oxfam, Norwegian Church Aid (NCA) and Development Finance International (DFI) have produced this report to encourage member governments of the Southern African Development Community (SADC)²¹ to scale up their efforts to reduce inequality.

Chapter 1 assesses how the COVID-19 pandemic is exacerbating existing high inequalities in SADC, and how the region’s governments have responded. It also considers the impact of the pandemic on debt levels, and the advice of the IMF and World Bank.

Chapter 2 introduces the Commitment to Reducing Inequality Index (CRI) 2020, which analyses and ranks 158 countries on their commitment to reducing inequality, both on paper and in practice. **Chapter 3** looks at the CRI for SADC as a region. **Chapters 4 to 6** in turn analyse the focus countries on the three CRI pillars: public services, taxation and labour policies.

Chapter 7 provides recommendations on post-pandemic recovery: for SADC governments to introduce strong anti-inequality policies to reduce the gap between rich and poor people, and for regional institutions and the international community to support them.

1.1 INEQUALITY IN SADC BEFORE COVID-19

Southern Africa is the most unequal region in Africa. **Figures 1 and 2** show, respectively, the two most common ways of measuring inequality: the Gini coefficient, a number between 1 (total inequality) and 0 (total equality) based on income distribution,²² and the Palma ratio, which compares the incomes of the top 10% and bottom 40%.²³ SADC countries perform similarly on both indicators, with South Africa, Namibia and Zambia being the most unequal, and Mauritius, Tanzania and Democratic Republic of Congo (DRC) the least.

SADC contains the world’s three most unequal countries (South Africa, Namibia and Zambia), and another 3 of the 10 most unequal (Eswatini, Mozambique and Botswana). All SADC member states, except Tanzania and Mauritius, are in the top 50 most unequal countries. Though SADC countries have seen impressive economic growth in the past two decades, and significant reductions in poverty in 11 countries, at least half have seen a widening gap between the richest and the poorest people.²⁴

Such inequality reduces economic growth,²⁵ and worsens health and other outcomes for populations.²⁶

Figure 1 also shows that the Gini coefficient in all the countries exceeds 0.27, the level at which the IMF estimates that inequality undermines growth.²⁷

FIGURE 1: SADC INCOME GINI COEFFICIENTS

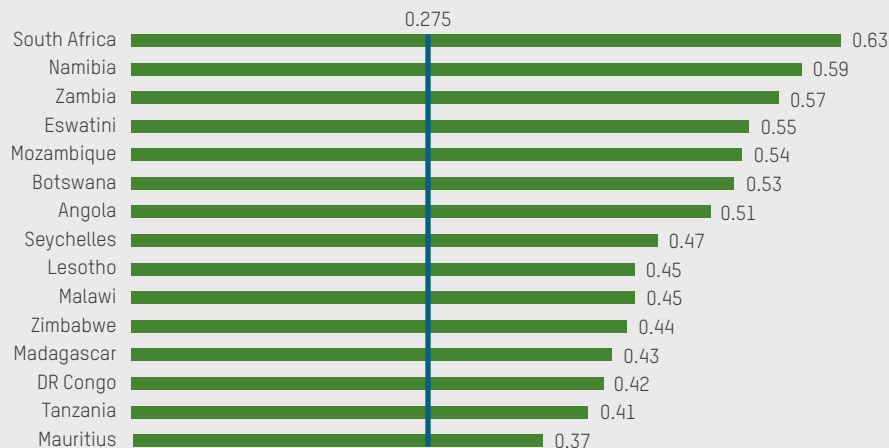
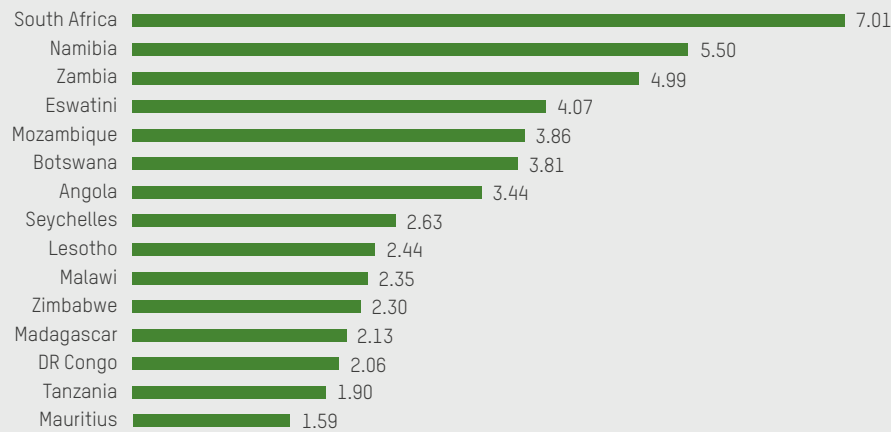


FIGURE 2: SADC INCOME PALMA RATIOS



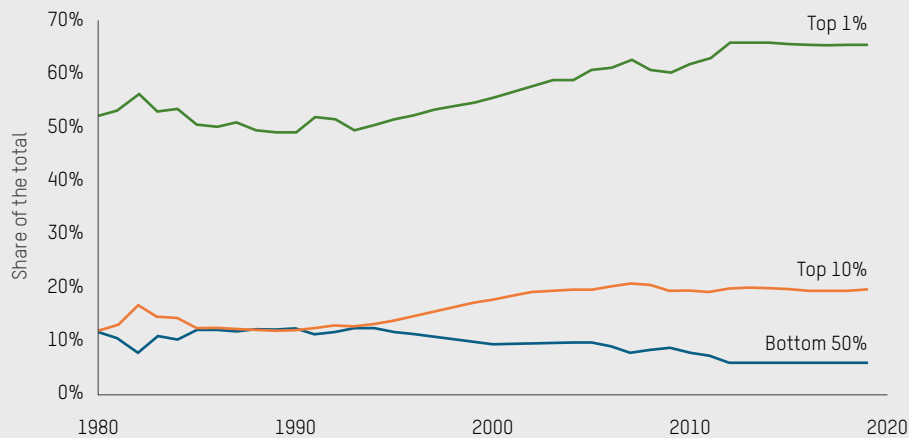
Source for both graphs: UNDP (n.d.) Human Development Reports country database.²⁸ Years for data vary by country and are from the latest household surveys conducted by each government.

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. The richest 10% earn around or above 60% of national income in eight countries, and 50% in the other seven. In all SADC countries, the top 1% earn more than 14% of national income, rising to 25% in Angola, Malawi and Mozambique.²⁹

Income inequality has been on the rise in southern Africa (excluding Tanzania and DRC) for the past 30 years. As **Figure 3** shows, between 1990 and 2019, the pre-tax income share of the top 10% of earners grew by a third, from 49% to a staggering high of 65%. In contrast, the pre-tax income share of the bottom 50% fell by more than 50%, from 12.2% to a dismal 5.9% – the sharpest decline in any region of Africa.³⁰ In Tanzania, inequality has also risen sharply, with the income share of the top 1% rising by more than half to 18%, while that of the bottom 50% fell by a fifth to only 13%. On the other hand, inequality remained stable (though from a very high starting point) in DRC.

In South Africa, while the racial income gap has narrowed since the end of apartheid in 1994, income inequality has grown. Between 1993 and 2019, the top 10% of earners saw their pre-tax income share increase from 46% to 65%.³¹ The pre-tax income of the top 1% grew by 82%, while that of the poorest 50% fell by more than 45%.³² The economic might of the country's super-wealthy individuals has also reached extreme levels. For example, South Africa's richest person, Nicky Oppenheimer, could afford to support more than 3 million workers at the national minimum wage from the income he receives each year on his wealth.³³

FIGURE 3. INCOME INEQUALITY IN SOUTHERN AFRICA (PRE-TAX), 1980–2019



Source: World Inequality Database

1.2 THE IMPACT OF COVID-19 ON POVERTY AND INEQUALITY

The IMF,³⁴ UN³⁵ and World Bank³⁶ have all expressed alarm that the pandemic will sharply increase inequality and poverty.³⁷ 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) by the end of 2021.³⁸ As the African Development Bank (AfDB) has indicated,³⁹ 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 these newly poor people.

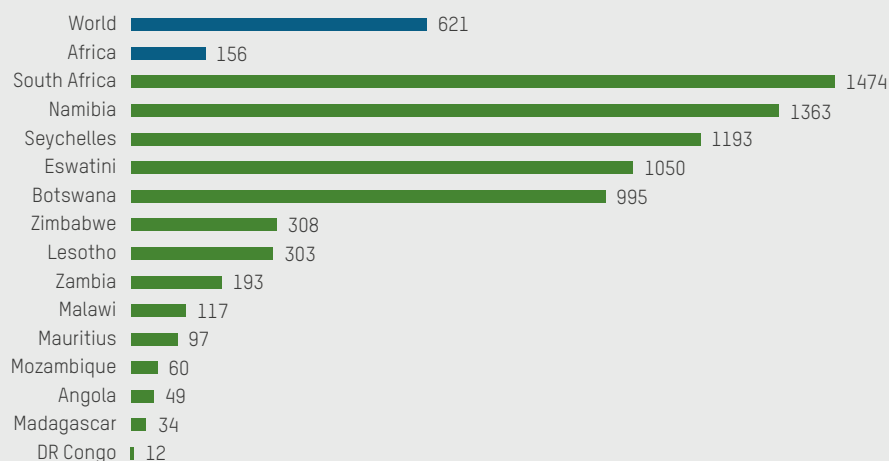
The AfDB has pointed to a set of secondary consequences of the pandemic that could worsen poverty and inequality even further over the longer term. These include:

- 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 2020 and the end of July 2021.⁴⁰ The IMF has therefore suggested that COVID-19 could increase inequality in lower-income countries (a group which includes all the countries in this report), as measured by the average Gini coefficient, by more than 6%.⁴¹ The World Bank has indicated that the increase in poverty due to COVID could take more than a decade to reverse, erasing all hope of countries meeting their national development plan targets to reduce poverty and inequality by 2030. However, if countries act decisively against inequality, the impact of the crisis could be reversed in just three years.⁴²

As **Figure 4** shows, several SADC member countries (South Africa, Namibia, Eswatini, Botswana and the Seychelles) have been hard hit by the pandemic (with death rates well above the global average), but deaths in the other countries have been much lower.

FIGURE 4: CUMULATIVE COVID DEATHS (PER MILLION POPULATION)



Source: Our World in Data (2022, 30 March).⁴³

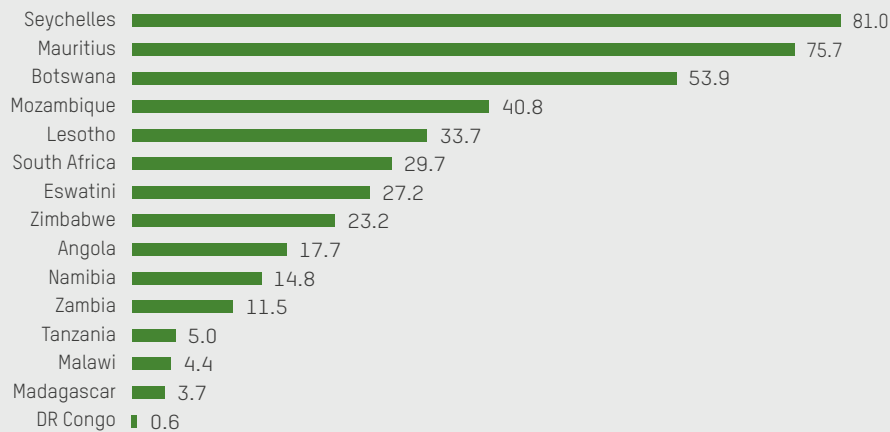
SADC member states have also suffered massive economic fallout from the pandemic. We estimate the economic loss from lower-than-expected growth in the region to have been \$80bn in 2020, which is equivalent to around \$220 for every SADC citizen.⁴⁴ The IMF estimates that SADC has been the hardest hit region in Africa, with a 4.7% decline in real GDP in 2020. Only Tanzania and, marginally, Malawi managed to maintain positive growth in 2020, with Mauritius (-14.9%), the Seychelles (-12.9%), Botswana (-8.5%), Zimbabwe (-4.1%), Namibia (-8%) and South Africa (-6.4%) hardest hit.⁴⁵

The economic shock resulting from the pandemic is not reflected only in economic indicators such as GDP. It is being felt in the day-to-day lives of citizens across SADC, and will be for years to come. For example, a survey by Gallup in late 2020 and early 2021 showed that, on average, more than 60% of citizens in six SADC countries (Mauritius, Namibia, South Africa, Tanzania, Zambia and Zimbabwe) reported lost income and work, among the highest impact on work and earnings seen globally.⁴⁶ In another survey of four SADC countries, 30% of citizens reported losing their jobs or businesses entirely.⁴⁷ A study of the impact of COVID-19 on employment showed that as many as 35.5 million people in SADC countries lost jobs in 2020 due to COVID-19, equivalent to 26% of 2019 employment numbers.⁴⁸ DRC, Madagascar and Tanzania were the hardest hit, with over five million lost jobs in each country.

The loss of jobs and income has pushed millions into poverty. In some countries, the pandemic will leave major increases in poverty if current policies are not drastically changed. For example, the UN estimates that the pandemic will result in 11 million more people living in poverty in DRC by 2030 and nearly 3 million in Angola.⁴⁹ The region's prospect of achieving its agenda 2030 and Agenda 2063 seem significantly unattainable as the current pace of progress is inadequate due the pandemic.

Lower growth continued in 2021, and may do so into 2022, though its severity will depend largely on the global rollout of COVID-19 vaccines, which has been shockingly slow in most SADC countries.⁵⁰ As **Figure 5** shows, only the Seychelles, Mauritius and Botswana have vaccinated more than 50% of their population, with four countries having vaccinated under 10%.⁵¹ Partly as a result, the IMF projected that SADC GDP would grow by only 2.7% in 2021.⁵²

FIGURE 5: FULLY VACCINATED PEOPLE (% OF POPULATION)



Source: Our World in Data (30 March, 2022). <https://ourworldindata.org/covid-vaccinations>

While the majority of SADC citizens have suffered from the pandemic and its effects, the story is different for the region's wealthiest people. The five wealthiest men in SADC – three in South Africa and one each in Tanzania and Zimbabwe – saw their wealth expand from \$13.5bn in March 2020 to \$16.7bn by September 2021. This increase is more than enough to fund a full vaccine programme for more than 60% of the SADC's 363 million people.⁵³

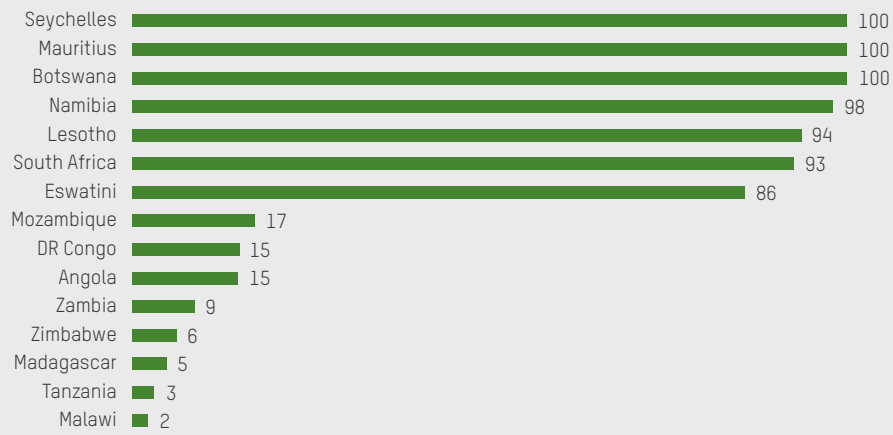
1.3 SADC COUNTRIES WERE UNPREPARED FOR THE CRISIS

COVID-19 has exposed how woefully unprepared for a pandemic around half of SADC member states were. As **Figures 6 to 9** show, many countries had:

- limited access to essential health services, reaching under 50% of the population in seven countries, and forcing 5.4% of people to spend catastrophic proportions (i.e. more than 10%) of their income on healthcare across the region. These poor indicators reflected low commitments to healthcare spending, with this accounting for under 10% of government budgets in Zambia, Mozambique, Malawi, Madagascar and Tanzania;
- very variable access to social protection benefits (using pension coverage as a proxy), with eight countries covering under 20% of their populations.⁵⁴ Social protection spending accounted for only 12.8% of government budgets on average, and under 10% in Eswatini, Madagascar, Botswana, Malawi, Mozambique and DRC; and
- low proportions of workers with formal contracts and rights (and therefore access to sick pay, job protection, etc.), with fewer than 40% having such rights in Malawi, Zimbabwe, Angola, DRC, Zambia, Tanzania, Mozambique and Madagascar.
- Worsening food security compounded by high staple food price hikes across all SADC countries.

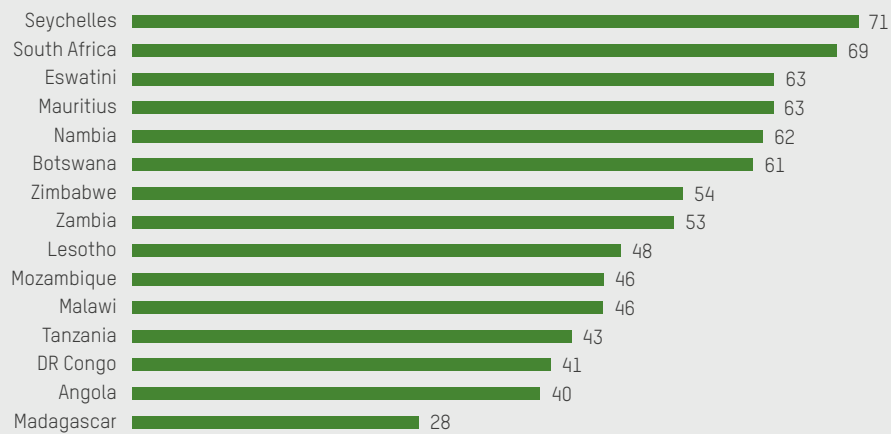
In short, when COVID-19 hit, citizens in half of SADC countries had inadequate access to healthcare, and lacked the social protection and labour rights to cope.

FIGURE 6: PENSION COVERAGE (% POPULATION, 2019)



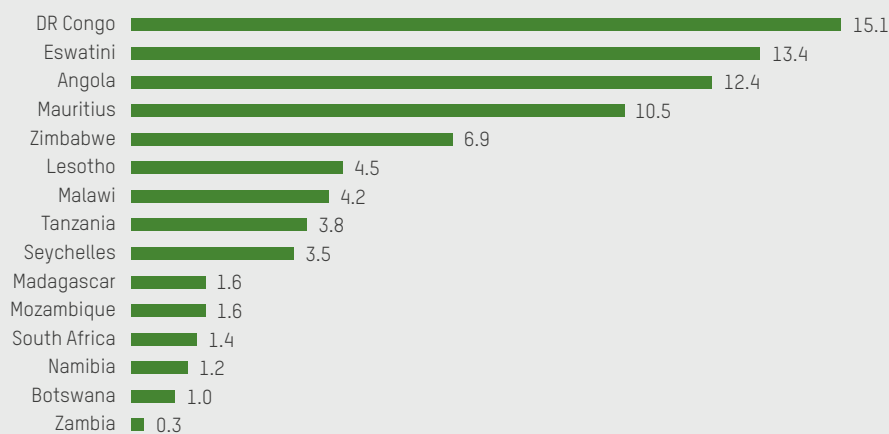
Source: Based on CRI 2020 database.

FIGURE 7: HEALTH COVERAGE (% POPULATION, 2019)



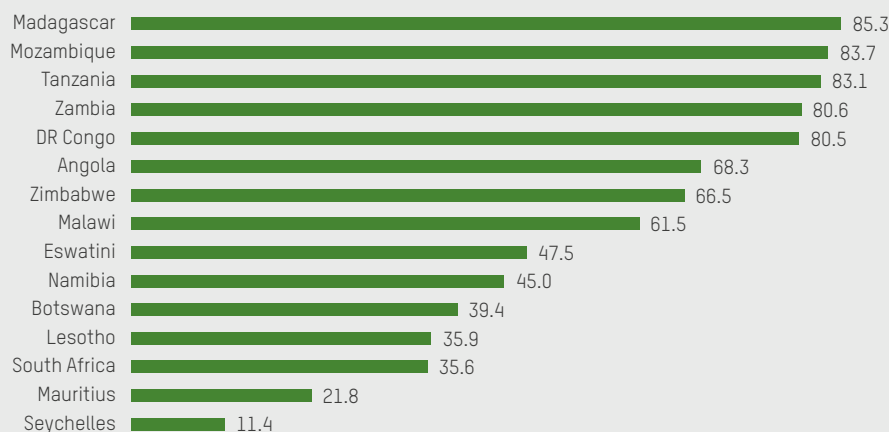
Source: Based on CRI 2020 database.

FIGURE 8: CATASTROPHIC OUT-OF-POCKET HEALTH PAYMENTS (% POPULATION, 2019)



Source: Based on CRI 2020 database.

FIGURE 9: WORKERS WITH NO FORMAL LABOUR RIGHTS (% LABOUR FORCE, 2019)

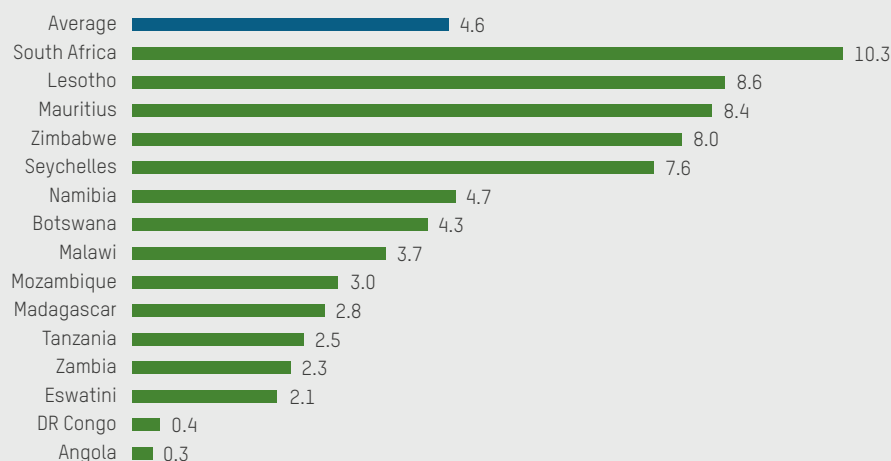


Source: Based on CRI 2020 database.

1.4 GOVERNMENTS' PANDEMIC RESPONSES

SADC members have responded to COVID-19 with fiscal support packages of very varied sizes. They average 4.6% of GDP, twice as high as West Africa, but 75% less than advanced economies (17.3% of GDP), due to many countries' limited ability to borrow additional funds.⁵⁵ **Figure 10** shows the scale of states' responses, ranging from well below 1% in Angola and DRC (reflecting pre-COVID economic crises and very limited fiscal space) to 10.3% in South Africa. It is important to note that at least six countries funded part of their COVID-19 response by cutting other spending (Angola, DRC, Lesotho, Namibia, the Seychelles and South Africa).⁵⁶

FIGURE 10: COVID-19 RESPONSE SPENDING (% GDP)



Source: IMF country programme documents (2020–21).⁵⁷

The nature of the responses has varied between countries. All have spent on health measures to fight the pandemic, but none designed plans to invest much more in health systems and preparedness beyond 2021. All countries have also increased social protection spending, but some (DRC and Zambia) have done so only marginally due to budget constraints. In most countries, more than half of the COVID-19 response spending has been used to boost the private sector and the economy, including wage subsidies.

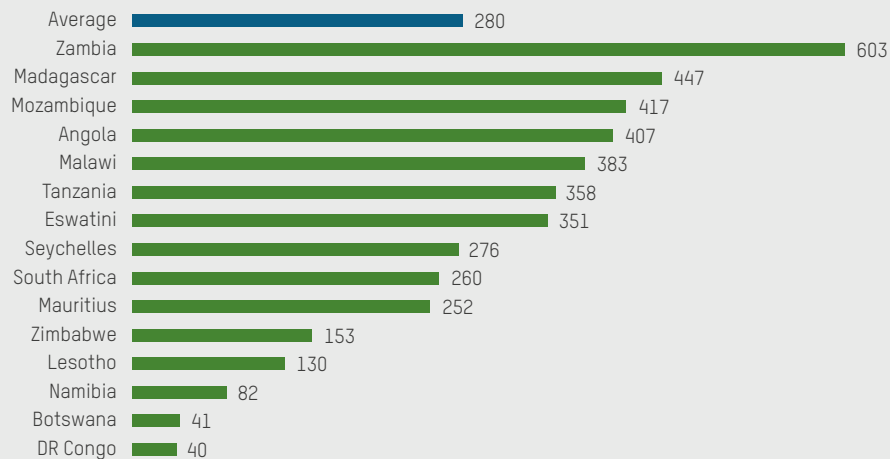
According to the World Bank, around half of SADC members have used a combination of cash transfers, food provision, and utility bill waivers or reductions to supplement their citizens' income. Some countries have used fewer tools (only cash transfers and utility reductions in DRC, Mauritius and Namibia; food and utilities in Botswana and Eswatini; and cash transfers in South Africa and Tanzania). Madagascar and Zimbabwe have provided public works employment. Most of the wealthier SADC states with better developed social protection systems have enhanced unemployment pay, health insurance and/or pension payments, as well as waiving or subsidizing social security contributions. A similar group (apart from Eswatini) have subsidized wages for enterprises. Angola, DRC, Madagascar and Zimbabwe have increased the number of people receiving cash transfers by more than 1000% (albeit from extremely low levels), with Lesotho doing so by 168% and South Africa by 40%.⁵⁸

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. In addition, citizens seem to be very unsatisfied with the support. Afrobarometer found that four-fifths of those surveyed in Mauritius, South Africa, Zambia and Zimbabwe said they had not received any government support during the pandemic, with the rate being highest in Zimbabwe (90%) and Zambia (93%), and on average, half of citizens believed that support has been unfairly distributed.⁵⁹ These polls are a worrying indication that governments' temporary support mechanisms in the region have failed to benefit those most in need nor have they contributed to the countries social economic resilience .

1.5 THE IMPACT OF THE DEBT CRISIS ON INEQUALITY

Many governments are having to use an increasing share of their budget to service growing debts, rather than investing in their populations. Even before COVID-19, debt servicing was at astronomical levels in many SADC countries, draining revenues away from public spending to reduce inequality. **Figure 11** shows that in 2019, on average, SADC countries spent three times as much on domestic and external debt service as on health, with Zambia spending six times as much. Only DRC, Botswana and Namibia spent more on health than on debt service.

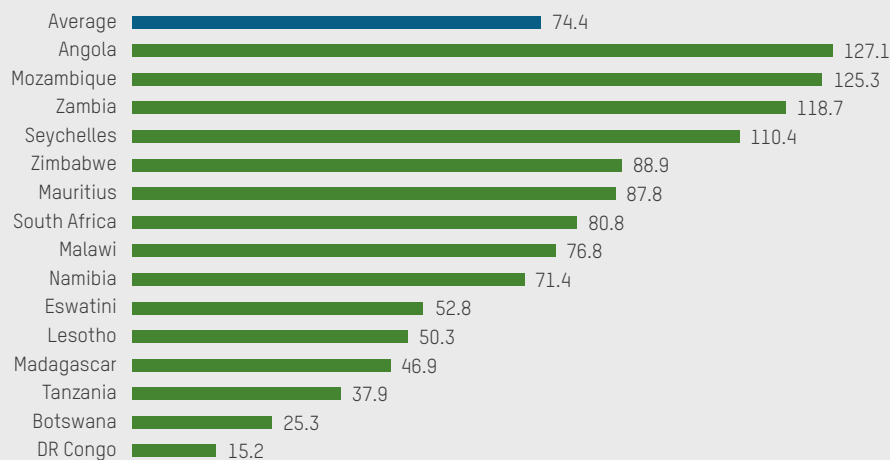
FIGURE 11: DEBT SERVICE COMPARED TO HEALTH SPENDING (% , 2019)



Source: Health spending from CRI data; debt servicing from IMF/World Bank Debt Sustainability Analyses 2020–21,⁶⁰ IMF country documents and national budgets 2019–20.

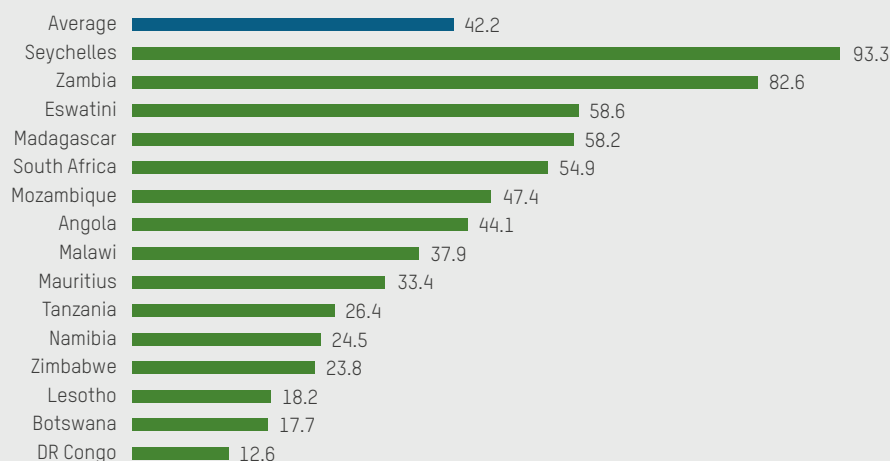
Many countries have had to borrow to fund their pandemic responses, at the same time as their GDP has fallen and budget revenues have collapsed. **Figures 12 and 13** show debt as a proportion of GDP, and debt servicing as a proportion of revenues, averaging 74% and 42% respectively by 2020–21.⁶¹ The highest debt service costs are for the Seychelles, Eswatini, Zambia, Madagascar and South Africa, all of which are spending more than half their tax revenues on debt.

FIGURE 12: PUBLIC DEBT COMPARED TO GDP (% , 2020–21)



Source: IMF (2021b).⁶²

FIGURE 13: DEBT SERVICE COMPARED TO TAX REVENUES (% , 2020–21)



Sources: IMF/World Bank (n.d.) Debt Sustainability Analyses 2020–21, IMF country programme documents and national budgets, 2020/22.

To date, the global response in terms of debt relief has been limited to:

- the cancellation of debt servicing to the IMF for 25 countries during 2020–21 (including DRC, Madagascar, Malawi, Mozambique and Tanzania in SADC);⁶³ and
- a postponement of payments to G20 governments during the same period through a debt service suspension initiative (DSSI), for which eight SADC countries have applied.⁶⁴ However, this does not provide genuine long-term relief, as creditors will continue to add interest to debts during the suspension period.

The G20 has also established a new Common Framework to try to improve coordination among creditors.⁶⁵ However, most countries must continue to pay their debt 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. As a result, countries still accessing global bond markets, such as Botswana, Mauritius, Namibia, the Seychelles and South Africa, would not apply for relief, because to do so would mean facing major credit rating downgrades or losing their market access. In addition, nothing is being done to reduce domestic debt levels, the servicing of which accounts for a large share of the burden in most SADC 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 to the end of 2022, given the delay in global vaccinations, transformed into a cancellation, and include all multilateral and commercial creditors. However, this alone will not stop debt levels crowding out social spending and undermining progress towards the Sustainable Development Goals (SDGs) over the longer term. Many countries will need comprehensive debt cancellation and reductions 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.⁶⁶

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.⁶⁷

To a considerable degree, they are already helping countries with financing to respond to COVID-19. All of the SADC countries have received extra emergency financial assistance from the IMF and the World Bank.⁶⁸ Such financing, combined with enhanced flows from the AfDB, the UN and bilateral partners, has been vital to fund pandemic response packages – but it is much less than wealthier countries’ borrowing on commercial markets to fight COVID-19 (see **Section 1.4**).

This multilateral support was scaled up in the third quarter of 2021. In early August 2021 the IMF approved an issuance of \$650bn worth of Special Drawing Rights (SDRs), which could be used to support spending or pay down domestic debts.⁶⁹ SADC countries received \$11.3bn⁷⁰ worth of SDRs, a little less than the planned budget cuts for 2021. Wealthier countries that do not need their \$400bn share of these SDRs are being encouraged to reallocate them to low- and lower-middle-income countries who need the resources more. However, as currently planned, these resources will be channelled as loans rather than as grants, and will come attached to conditionality-based IMF programmes, unlike normal SDRs which have no conditionality.⁷¹ In addition, even with this reallocation, the amount received by developing countries will be much less than is needed: many analysts and advocates⁷² have estimated that an issuance of SDR \$3tn would be desirable.⁷³ Given their currently very low cost (an interest rate of 0.05% at the time of publication and with no repayment of principal necessary), it is worth considering regular large issuances of SDRs and their transfer to lower-income countries, which could be an effective way to fund global development over the next decade.

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

None of the current IMF programme documents in the region contain any significant analysis of inequality.⁷⁴ This is reflective of the IMF’s general country-specific operations, where there is no systematic treatment of equality as being macro-critical, that is, 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 underpinning country programmes in Article IV consultation and lending programme documents.

The lack of inequality-specific analysis was perhaps understandable in the IMF’s emergency COVID-19 response programmes, which aimed to fill emergency financing gaps without conducting much detailed analysis and without heavy conditionalities. However, even in these programmes, the IMF could have avoided pushing for fiscal consolidation, and instead supported 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’-based increases in progressive taxes to fund COVID-19 responses and recovery,⁷⁵ but there is no sign yet that such recommendations are feeding into IMF programming in SADC countries.

The only significant planned tax rate changes described in IMF documents have been a regressive increase of 2% in value-added tax (VAT) in Botswana, and a new progressive ‘social contribution levy’ in Mauritius to fund pension increases. Most of the remaining tax plans rely on reducing tax exemptions (Angola, DRC, Madagascar and the Seychelles), enhancing measures against tax haven status and tax avoidance (Mauritius and the Seychelles) and more effective collection, especially of VAT. Mauritius does not have an IMF programme, so the only IMF progressive suggestion is a rise in property taxes in DRC to fund social protection.⁷⁶

While the initial pandemic-related health and social protection spending may have helped to mitigate some of the pandemic-induced inequality, in most countries (except Angola and Mauritius) these programmes are being wound down in future years. In a context of budget austerity in almost all countries (see **Section 1.7**), it will be extremely hard to protect such spending, let alone to increase it dramatically to fight inequality and reach the SDGs.

The World Bank’s Systematic Country Diagnoses of SADC countries have contained a great deal of analysis of poverty, but considerably less of inequality. They include only limited measures to increase spending on education (with a focus on early childhood development and skills training) and targeted social protection programmes helping only a small percentage of people living in poverty. They contain virtually none of the policy recommendations needed to fight income inequality more successfully, and do not clearly show how countries will achieve the SDGs for universal health care or universal social protection floors by 2030.⁷⁷

The World Bank and the IMF have analysed the impact of taxes and spending on poverty and inequality in seven SADC countries.⁷⁸ However, neither has followed up such analysis with recommendations for country-specific

reforms that would make their systems more progressive. There has also been no effort to reverse earlier anti-union and labour rights policies inspired by the now discontinued World Bank's Doing Business Index, which has been widely criticized for encouraging deregulation and corporate tax cuts.⁷⁹ Indeed, a recent IMF working paper on labour policy for South Africa suggested lower minimum wages especially for youth, and decentralizing collective bargaining to the firm level.⁸⁰

The emergency loans provided by the World Bank in the health sector have been found to be inadequate in their own analysis of poverty and inequality. Oxfam found in September 2020 that only 8 of out 71 World Bank COVID-19 health projects worldwide had included any measures to reduce financial barriers to accessing health services.⁸¹ The CRI has shown that this is a major issue in most SADC member countries, with such expenditures bankrupting millions of people each year and excluding them from treatment. In SADC countries, none of the three World Bank projects (in Eswatini, Lesotho and Malawi) included measures to increase the affordability of services in their design.⁸²

On social protection support, while there have been considerable increases in the reach of cash transfers in some SADC 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, as envisaged in the SDGs.⁸³ There has also been no analysis in World Bank loans of how such programmes can be made permanent or further expanded to achieve the goal of universal social protection coverage by 2030. This suggests that they could be reduced or abandoned once the impact of the pandemic subsides.

The leaders of both the IMF and the World Bank have given strong speeches on inequality.⁸⁴ Both institutions have conducted comprehensive analyses stressing the risk that the pandemic will increase inequality, as well as the need to prevent this. However, their responses in country operations have largely ignored inequality, and by omission as well as by explicit policy advice, are contributing to its increase. This tendency needs to be reversed in 2021–22, with both organizations turning speeches and analysis into strong anti-inequality policy recommendations at the country level.

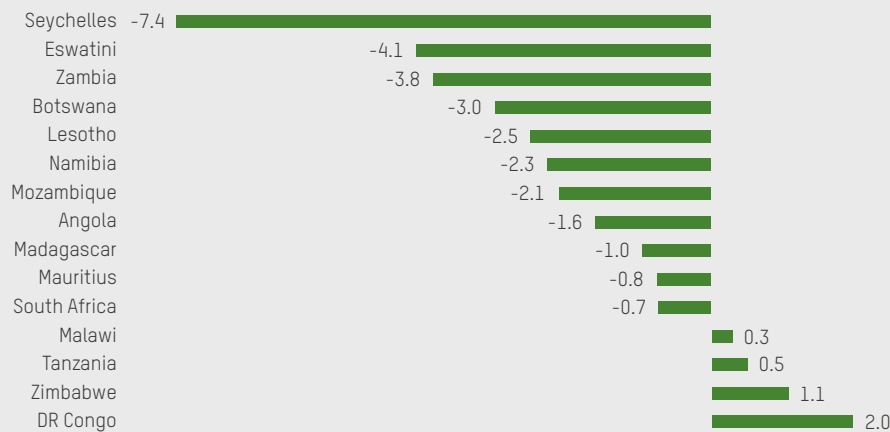
1.7 THE RETURN OF AUSTERITY

While SADC governments responded to the pandemic in 2020 with fiscal support packages, these are proving to be short-lived. IMF projections for the expenditure of the 15 SADC governments analysed in this report show that nine cut spending as a percentage of GDP in 2021. In total, spending was \$12.1bn lower,⁸⁵ well over twice the amount (\$5.1bn) it would cost to buy and deliver vaccinations for all SADC citizens.⁸⁶ This happened at a time when COVID-19 infections and deaths were at their highest in the region.

Even more concerning than the quick withdrawal of emergency spending are the long-term plans for austerity in southern Africa. **Figure 14** shows IMF projections for 15 SADC countries in 2022–26. They show that all but four countries will be further reducing government expenditure.⁸⁷ The combined cumulative reduction in government budgets in SADC by 2026 is expected to be \$30.2bn. This would be enough to increase government health expenditure by 28% on average for the five years to 2026, from the current per capita of \$177 to \$226.⁸⁸

For eight countries, the planned cuts exceed their annual health budgets; in three (Malawi, Mozambique and the Seychelles) they are twice as high, and in Zambia they are more than five times. Avoiding such austerity would allow these countries to make massive extra investments in health and social protection to protect their citizens against future pandemics.

FIGURE 14: AVERAGE ANNUAL GOVERNMENT EXPENDITURE CUTS IN SADC COUNTRIES (2022–26, % GDP)



Source: IMF (2021a).⁸⁹ Cuts are calculated in current prices, using 2021 expenditure (% of GDP) as the baseline.

Austerity is being encouraged in IMF policy assessments and programmes, by providing advice to reduce overall spending during or immediately after the pandemic in order to achieve smaller deficits and reduce debt levels, rather than sharply increasing spending on health, education, social protection and food security to fight inequality.⁹⁰ Within these cuts, efforts are being made within IMF programmes to protect core social spending, especially in some lower-income countries, but this is defined differently across countries and in many does not include social protection. If SADC governments carry out the planned austerity, the result is likely to be catastrophic for poverty and inequality, especially in the aftermath of a pandemic: the IMF's own research shows that countries that implemented austerity during and after recent epidemics saw their income inequality increase three times as much as countries that did not.⁹¹ As the World Bank and others have shown, whether and to what extent countries manage to keep inequality in check following the pandemic will be crucial to lifting millions of people out of poverty again.⁹²

Extractive Industry and Inequality

The extractive industry is an economic bedrock in the resource-rich countries of Southern Africa. The mining sector accounts for about 10% of the SADC's GDP, 25% of its regional exports, about 7% of its direct employment and 20% of national government revenues.⁹³ In Zambia, copper accounts for over 80% of export earnings, while diamonds account for 20% of Botswana's GDP and over 90% of its exports.⁹⁴ In Mozambique, extractives account for 30% of total exports, equivalent to 3.5% of GDP or 20.6% of total government revenue.⁹⁵

If harnessed well, the industry can play a meaningful role in poverty reduction, inclusive growth and social development.⁹⁶ Unfortunately, poverty and inequality are worsening in the region despite the abundance of resource wealth. The sector has failed to ensure that benefits accruing from resource endowments create new opportunities and positive multiplier effects for citizens. This stems from limited mechanisms to promote public participation along the extractive industries value chain, from contract negotiation/licensing; to free, prior and informed community participation; mineral production; fiscal and revenue management; and combatting illicit financial flows.

The capture of the extractive industries by politics and corruption is the main cause of the poor contribution of the sector to development of the region's people and rising inequality.⁹⁷ In Angola, for over 20 years, former President Dos Santos and his family conducted what may prove to be a masterclass in corruption all along the natural resource value chain – a pattern uncovered in 2020 by the International Consortium of Investigative Journalists in its "Luanda Leaks".⁹⁸

Unfair taxation is denying Southern Africans their rightful share of the proceeds from extractives. SADC countries have generally failed to put in place tax regulatory regimes that ensure an equitable share of the rents, particularly windfall rents.⁹⁹ This is due either to a lack of state capacity, or the subversion of that capacity with the aim of producing overly investor-friendly outcomes. In 2021, the government of Zimbabwe granted a five-year tax holiday to Great Dyke Investments, a platinum mining operation,¹⁰⁰ at a time of a tight fiscal space made worse by the pandemic.¹⁰¹

Illicit financial flows (IFF) are another major challenge for many resource-rich countries including those in SADC. Zambia's government estimates that it has been losing as much as US\$2 billion annually because of tax avoidance and profit shifting by multinationals.¹⁰² Smuggling is especially rife in the artisanal mining particularly of gold and diamonds given how most SADC countries have not formalized it. More than \$1.5 billion of gold is estimated to be smuggled out of Zimbabwe every year, depriving the cash-strapped economy of crucial foreign-exchange revenues.¹⁰³ Commendably, South Africa has developed the Draft Artisanal and Small-Scale Mining Policy 2021.

Fairness and inequality issues are increasingly being raised in relation to the allocation of benefits paid directly by the extractive industries to the communities where operations take place to ensure that local- and national-level concerns and interests are balanced. There is a demand for revenue-sharing mechanisms between the central government and host communities, as the current way of operating has left resource-rich communities beset by under-development in the essential areas of health, education, water, sanitation and transport.

Extractives are contributing to rising public debt. Governments in the region have resorted to taking out loans to gap-fill budget deficits. Some of these loans are pegged to extractives and are known as resource-backed loans (RBLs). These are loans provided to a government or a state-owned company in which the repayment is made in the form of natural resources.¹⁰⁴ Currently, 11 sub-Saharan African countries have taken out RBLs, including Zimbabwe, Angola and DRC.¹⁰⁵ However, commodity prices not only fluctuate to extremes, but can do so unpredictably. Price crashes can mean that a country needs to produce more resources to repay the loan, thereby thwarting any benefits to communities and citizens in general.

The exponential increase in exploration and extraction of natural resources on the continent brings a major risk of human rights violations.¹⁰⁶ Some of these violations include dispossession of land and displacement of communities; weak or minimally beneficial terms of concession; environmental degradation; and poor labour rights protection.

In the beginning of the 2010s, Africa's largest natural gas deposits were discovered off the coast of northern Mozambique in the remote Cabo Delgado province, putting Mozambique on the map of oil and gas geography. The development of the gas fields was accompanied by displacement, evictions and the destruction of livelihoods, exacerbating and deepening inequalities between a lucky few and the many disempowered citizens. Since 2017, an Islamist militia widely known to locals as al-Shabaab ("the youth") has waged a sophisticated and violent campaign against the Mozambican government throughout Cabo Delgado.¹⁰⁷ At least 2,700 people have been killed and an additional 700,000 forced to flee their homes. This conflict is a source of growing and staggering inequality.

Box 1: Racial inequality in South Africa

Black South Africans suffered dispossession during colonialism, which stripped them of their assets such as land, livestock and access to critical natural resources including water, forestry, fishing rights and minerals. In the 1940s, structured apartheid policies kicked in, leading to further marginalization of the Black majority due to restrictive economic and social policies. The Black population was dispossessed of land for farming and grazing their livestock which was fertile and had water resources. They were forced to move to land far away from the main economic centres of the time. To survive, a great number of men sought work on title deed farmlands as labour tenants.¹⁰⁸ While the post-1994 democratic dispensation put land reform policies in place that were meant to reverse this trend and allocate land to Black South African women and men, these policies have been largely unsuccessful.

It is for this reason that when mining companies want land, they have been able to obtain it without respecting the relevant provisions in South African law – including the need to ensure that the White landowners selling or leasing their land to mining companies do so with full respect for the **Free, Prior and Informed Consent (FPIC)** rights of labour tenants. The Interim Protection of Informal Land Rights Act 31 of 1996, which provides for the temporary protection of certain rights to and interests in land which are not otherwise adequately protected by law, is routinely disregarded with impunity.

As a result, in post-apartheid South Africa, labour tenants and citizens in communal land rights settings have suffered further dispossession of grazing lands, land for growing crops for sustenance, and the destruction of their homes. In 2018, five families on Kliprand Farm near Newcastle were left homeless when their homes were destroyed to make way for mining.¹⁰⁹ To date, these historic injustices of colonialism and apartheid without redress remain the main drivers of race-based economic inequality in South Africa.

Despite these issues being rife, regional bodies and national governments still lack the capacity to monitor extractive projects, ensure that they do not adversely affect the environment and lives of local communities, and enable redress for human rights abuses. In some instances, these human rights violations and the failure to ensure the public participation have fueled conflict in the region.

Government in the region can harness extractives for the common good of their citizens, not just the very few. Labour rights and job security are threatened in many African countries, and public services are under strain, especially because of the pandemic. Women are particularly affected in their roles as primary caregivers for children and the elderly, as key users of health services, and as most of the workforce in artisanal and small-scale mining.

The extractives industry could play a huge role in raising the necessary revenue for spending in pro-poor sectors such as health, education and social protection, and in environmental mitigation and adaptation. To end human rights violations in the industry, national governments and the SADC should come up with practical solutions such as meaningful public engagement. Corruption and state capture should be dismantled, while tax loopholes should be sealed, and unnecessary tax breaks scrapped to ensure the extractive industry contributes to the well-being of the local communities and the nation at large. The benefits of the industry must be shared equitably through national budget financing of essential service delivery, the dire state of which has been exposed by the COVID-19 pandemic.

2 THE COMMITMENT TO REDUCING INEQUALITY INDEX 2020

The third edition of Oxfam and DFI’s CRI ranks 158 governments across the world on their commitment to reducing inequality. The global report was launched in November 2020.¹¹⁰

The CRI measures government policies and actions in three areas (called ‘pillars’) 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.¹¹¹

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 the impacts on inequality more clearly.¹¹² 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 15 shows the CRI’s three pillars and three levels.¹¹³

FIGURE 15: THE CRI PILLARS AND INDICATORS

	PUBLIC SERVICES SPENDING	TAX PROGRESSIVITY	LABOUR RIGHTS AND WAGES
Policy indicators	<ul style="list-style-type: none"> • PS1a Education • PS1b Health • PS1c Social protection 	<ul style="list-style-type: none"> • T1a-Personal income tax • T1a-Corporate income tax • T1a-Value added tax • T1b-Harmful tax practices 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • PS2a Secondary education completion by poorest quintile • PS2b Universal health coverage and out-of-pocket expenditure • PS2c Pension coverage 	<ul style="list-style-type: none"> • T2 Tax productivity across VAT, PIT & CIT 	<ul style="list-style-type: none"> • L2a Unemployment • L2b Vulnerable employment
Impact indicators	<ul style="list-style-type: none"> • PS3 Impact of spending on inequality (Gini) 	<ul style="list-style-type: none"> • T3 Impact of tax on inequality (Gini) 	<ul style="list-style-type: none"> • L3 Impact of labour income (wage) on inequality (Gini)
Total CRI score	Average of 3 pillar scores		

The rest of this regional report assesses how 15 SADC member countries¹¹⁴ are performing in terms of their commitment to reducing inequality. The report is accompanied by 15 country briefs, which contain more detailed policy analysis and recommendations.¹¹⁵

Box 2: The importance of agriculture and governance

In addition to the core policies of the CRI, this report considers two additional policy areas.

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. 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) (in **Section 4.5**, as an addendum to the public spending pillar).

In addition, many commentators on the 2018 and 2020 global CRI reports have suggested that good governance may be a key driver of anti-inequality commitment for governments, making them more responsive to citizen's needs. We therefore look at two key indicators of governance – budget transparency and corruption – to see whether they are correlated with anti-inequality policies (see **Box 3**).



3 SADC MEMBER STATES' OVERALL CRI PERFORMANCE

Compared to the four other regions of Africa, SADC has the second-highest commitment to reduce inequality as measured by the CRI. **Table 1** shows the regional CRI scores for each of the regions¹¹⁶ weighted by population, in which 1 represents the strongest anti-inequality record for each indicator.¹¹⁷ The data show that the average SADC citizen is living under a government 33% less committed to reducing inequality than their counterparts in North Africa, but slightly more committed than those in other regions. The two main reasons for this are:

- income levels, as there are more upper-middle-income and high-income countries in SADC, meaning that they have higher taxpaying capacity and thus more money to spend on public services; and
- that many countries in SADC are among the most unequal in the world, and so have made efforts to reduce inequality central in their policy making (see **Section 1.1**).

It is important to note that SADC on average is doing less than half as much to fight inequality as the best performers globally, so its member states are showing a lot less commitment than they could – partly because their income levels are lower than many of the best performers.

TABLE 1: OVERALL CRI REGIONAL SCORES AND RANKINGS

Region	Overall score	Africa ranking
North Africa	0.53	1
SADC	0.36	2
West Africa	0.33	3
East Africa	0.32	4
Central Africa	0.30	5

TABLE 2: SADC, AFRICAN AND GLOBAL CRI RANKINGS FOR SADC COUNTRIES

Country	SADC ranking (15)	Africa ranking (47)	Global ranking (158)
South Africa	1	1	18
Seychelles	2	2	21
Namibia	3	4	52
Lesotho	4	5	54
Botswana	5	6	60
Mauritius	6	9	79
Eswatini	7	12	96
Malawi	8	13	97
Mozambique	9	18	116
Angola	10	19	119
Zambia	11	22	123
Tanzania	12	26	130
DRC	13	30	135
Zimbabwe	14	33	138
Madagascar	15	41	148

Table 2 shows the SADC, Africa and Global CRI rankings for each country in the region (see **Annex 1** for the rankings for all African countries).

Six of the wealthier SADC countries come in the top half of the global index. South Africa and the Seychelles are the best performers at 18th and 21st, reflecting good performance across all three pillars. South Africa stands out for progressive taxation, especially due to high tax collection, which reduces its pre-tax inequality by about 5%. The Seychelles is especially strong on labour rights (due to very low unemployment and vulnerable employment).

However, seven countries are in the bottom third of the index, showing poor performance across all pillars. Madagascar is the worst performer, 41st in Africa and 10th from bottom globally. It scores 157th of 158 countries for coverage of public services, collects far too little tax, and has very high levels of informal workers with no rights.

Since DFI and Oxfam began the CRI in 2017, some countries' performance has improved markedly, notably:

- South Africa, which has introduced a minimum wage (albeit with lower wages for domestic and farm workers) and increased its top personal income tax rate in 2017;
- Namibia, which has increased social protection spending and its minimum wage substantially; and
- Mauritius, which has dramatically increased pension spending.



4 ARE SADC COUNTRIES' PUBLIC SERVICES REDUCING INEQUALITY?

The public services pillar of the CRI considers actions taken by governments related to education, health and social protection. Previous editions of the CRI looked only at spending as a percentage of government budgets and the impact spending had on a country's Gini coefficient. For 2020, a new set of indicators were added to measure the coverage and equity of services – and this was found to be an area in which many SADC countries do badly.

Table 3 shows the public services rankings (weighted by population) for Africa's five regions: SADC comes second, scoring 10% less than North Africa but twice as high as Central and West Africa. It is doing only a quarter of what the world's best performers do to reduce inequality through public services.

Table 4 shows countries' rankings within SADC, Africa and the world. Namibia, South Africa, the Seychelles and Botswana come in the top third of the index, but eight countries are in the bottom third.

Namibia comes top for public services in SADC, and 34th globally. It spends 53% of its budget on education, health and social protection, resulting in very high social protection coverage and high health coverage, and reducing its inequality by one third.¹¹⁸

Madagascar ranks bottom in SADC and 147th globally for public services. It spends only 33% of its budget on education, health and social protection combined, and this money is not reaching the poorest people: only 11% of children finish secondary school, 28% of citizens have access to healthcare, and 5% access to pensions. Public services reduce inequality by only 3%.

TABLE 3: CRI PUBLIC SERVICES SUB-REGIONAL SCORES AND RANKINGS

Region	Overall score	Africa ranking
North Africa	0.29	1
SADC	0.27	2
East Africa	0.22	3
Central Africa	0.12	4
West Africa	0.12	5

TABLE 4: SADC, AFRICAN AND GLOBAL CRI RANKINGS ON PUBLIC SERVICES FOR SADC COUNTRIES

Country	SADC ranking (15)	Africa ranking (47)	Global ranking (158)
Namibia	1	1	34
South Africa	2	2	44
Seychelles	3	3	45
Botswana	4	4	48
Mauritius	5	5	63
Eswatini	6	6	73
Lesotho	7	8	84
Zimbabwe	8	15	113
Zambia	9	19	118
Mozambique	10	24	126
Malawi	11	30	134
DRC	12	31	135
Angola	13	33	137
Tanzania	14	34	138
Madagascar	15	39	147

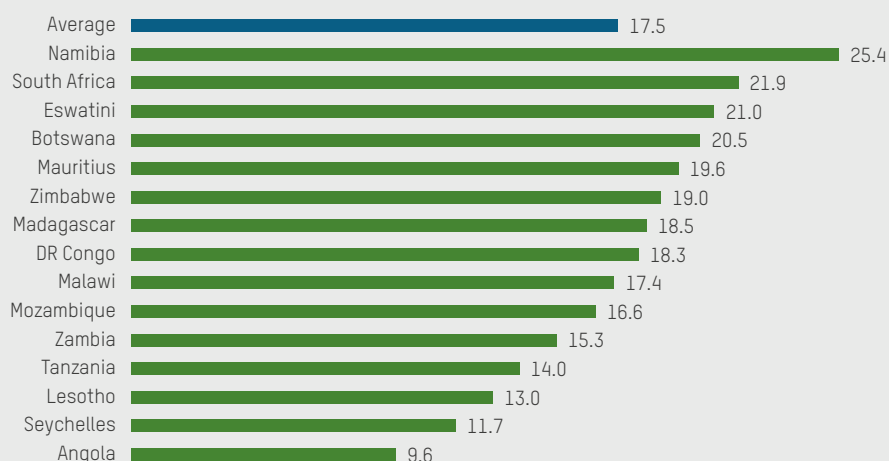
Source: M. Martin et al. (2020).¹¹⁹

The rest of this chapter considers in more detail spending and coverage for education, healthcare and social protection; their impact on inequality; and spending on agriculture.

4.1 EDUCATION

Around half of SADC countries are spending near the internationally recommended 20% of their national budgets, as set by the Education for All partnership (Figure 16). Namibia currently spends 25.4%, which is the third-highest education share in the world.

FIGURE 16: EDUCATION SPENDING (% GOVERNMENT BUDGET)



Source: M. Martin et al. (2020).

TABLE 5: EDUCATION COVERAGE INDICATOR

Countries	% of poorest 20% completing secondary school
Seychelles	91.2
Botswana	81.6
Mauritius	35.4
South Africa	22.6
Eswatini	12.6
Namibia	7.8
DRC	7.2
Malawi	2.8
Angola	1.9
Zambia	1.5
Zimbabwe	0.8
Lesotho	0.5
Tanzania	0.2
Madagascar	0.1
Mozambique	0.0

Source: M. Martin et al. (2020).

However, four countries are spending less than 15% of their budgets on education. Angola spends the lowest proportion, at just 9.6%, as a result of which only 1.9% of children from the poorest households complete secondary education.

Table 5 shows that most SADC member countries perform badly on the CRI indicator on equity of coverage: the completion of secondary education for the poorest quintile. In Mozambique, Madagascar, Tanzania, Lesotho and Zimbabwe, less than 1% of the poorest quintile of students complete secondary education. The Seychelles and Botswana do much better, due in large part to primary and secondary schooling being free to families.

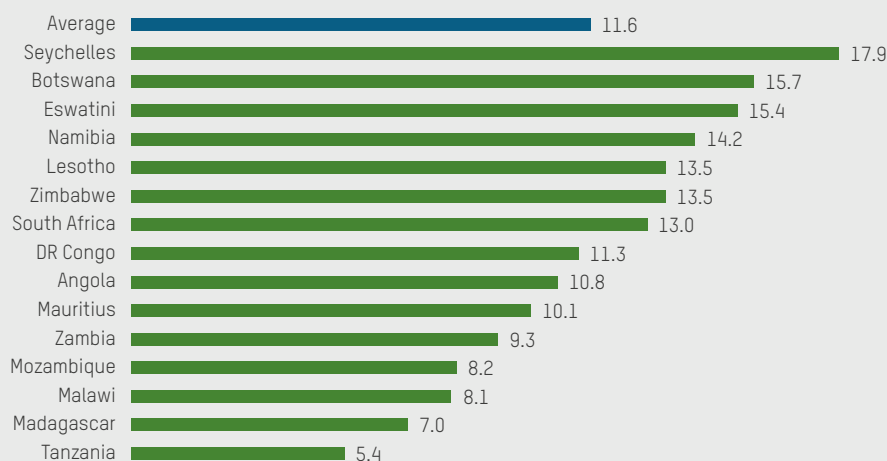


4.2 HEALTH

Figure 17 shows that average spending in SADC on health is well below the Abuja African Union commitment of 15% of national budgets. Nevertheless, the Seychelles, Botswana and Eswatini exceed the target, and four other countries come close. On the other hand, Tanzania, Madagascar, Malawi, Mozambique and Zambia allocate less than 10% of their budgets to health.

Table 6 shows that due partly to this underspending, all SADC countries are falling well short of the SDG of universal health coverage, with seven countries not having reached 50% coverage when the COVID-19 pandemic hit. DRC, Eswatini, Angola and Mauritius also have extremely high levels of ‘catastrophic out-of-pocket’ (COOP) health spending, defined as households spending more than 10% of their income on healthcare.¹²⁰

FIGURE 17: HEALTH SPENDING (% GOVERNMENT BUDGET)



Source: M. Martin et al. (2020).

TABLE 6: EQUITY OF HEALTH COVERAGE INDICATORS

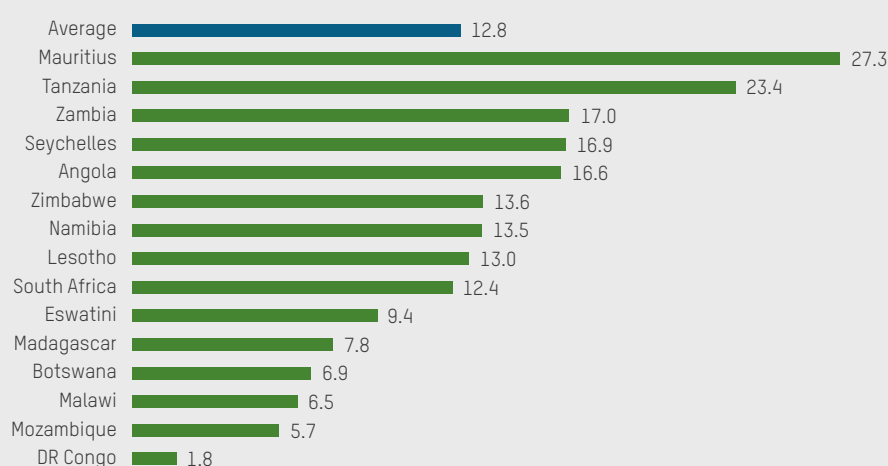
Country	% pop'n able to access healthcare	COOP (% pop'n)
Seychelles	71	3.48
South Africa	69	1.41
Eswatini	63	13.39
Mauritius	63	10.46
Namibia	62	1.22
Botswana	61	1.00
Zimbabwe	54	6.85
Zambia	53	0.29
Lesotho	48	4.51
Malawi	46	4.21
Mozambique	46	1.61
Tanzania	43	3.79
DRC	41	15.13
Angola	40	12.38
Madagascar	28	1.64

4.3 SOCIAL PROTECTION

As **Figure 18** shows, pre-pandemic social protection spending averaged only 12.8% of national budgets in SADC, and fell below 10% in DRC, Mozambique, Malawi, Botswana, Madagascar and Eswatini.

The CRI 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 receiving a pension. As **Table 7** shows, three countries (Botswana, Mauritius and the Seychelles) have universal pension coverage, and four others are not far from the SDG goal. On the other hand, eight countries provide fewer than 20% of their elderly population with a pension – with the lowest being 2.3% in Malawi.¹²¹

FIGURE 18: SOCIAL PROTECTION SPENDING (% GOVERNMENT BUDGET)



Source: M. Martin et al. (2020).

TABLE 7: SOCIAL PROTECTION COVERAGE INDICATOR

Countries	Pension coverage (% population)
Botswana	100
Mauritius	100
Seychelles	100
Namibia	98.4
Lesotho	94.0
South Africa	92.6
Eswatini	86.0
Mozambique	17.3
DRC	15.0
Angola	14.5
Zambia	8.8
Zimbabwe	6.2
Madagascar	4.6
Tanzania	3.2
Malawi	2.3

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.¹²² However, the extent of redistribution depends on the scale and progressivity of spending. The CRI 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 (Botswana, Eswatini, Lesotho, Namibia, South Africa, Tanzania and Zambia), 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.¹²³

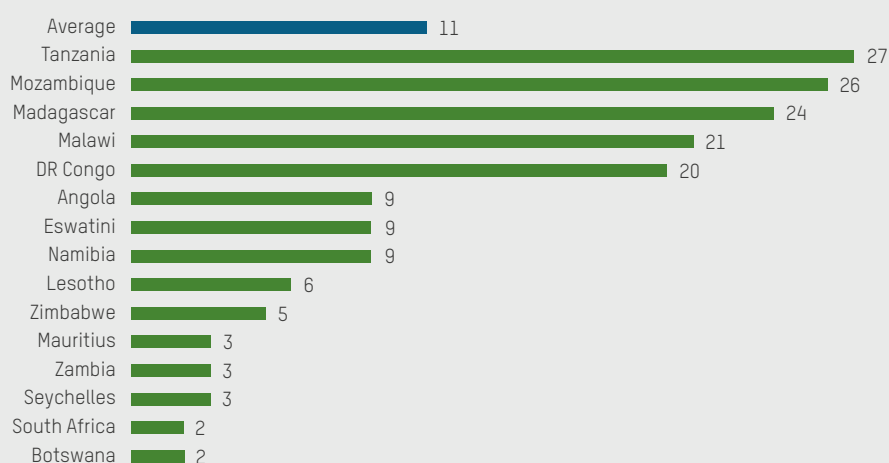
In SADC, Namibia’s public services have the most impact on reducing inequality as measured by the Gini coefficient (34%), followed by South Africa (22%), Lesotho (14%) and the Seychelles (13%). At the other end of the rankings are DRC, Zimbabwe, Tanzania, Madagascar and Zambia, where public services reduce inequality by less than 5%, 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.

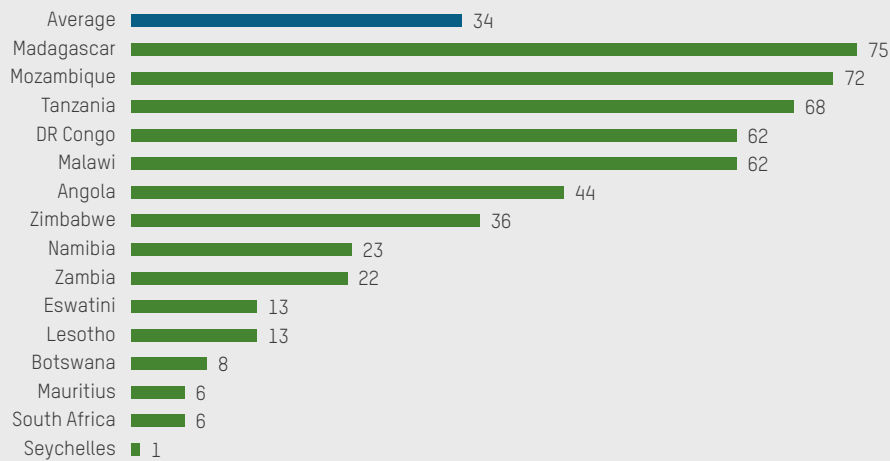
Agriculture has declined in importance for many SADC economies in recent decades, as growth in the sector has stagnated. Nonetheless, as shown in **Figures 19 and 20**, it still accounts for 11% of GDP and 34% of the workforce on average, and is still a vital sector for workers in DRC, Madagascar, Malawi, Mozambique, Tanzania and Angola. In addition, rural poverty remains higher than urban poverty in most countries. Food insecurity is very high, and rural poverty and food insecurity are major drivers of inequality.¹²⁴

FIGURE 19: SHARE OF AGRICULTURE IN GDP (%)



Source: World Bank (n.d.).¹²⁵

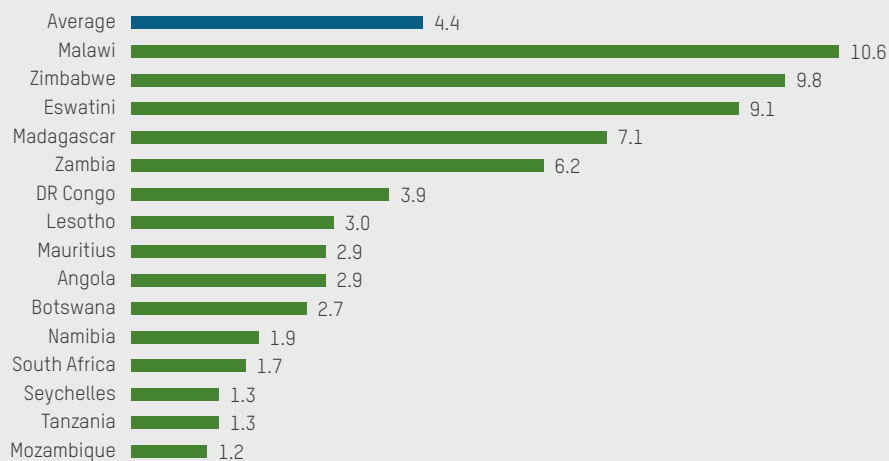
FIGURE 20: SHARE OF LABOUR FORCE IN AGRICULTURE (%)



Source: ILO (n.d.).¹²⁶ Share of labour force in agriculture in 2017.

To reverse the stagnation of the sector and reduce rural poverty and food insecurity, in 2014 SADC countries recommitted to the CAADP, which called for governments to increase their annual budgetary allocations to agriculture to at least 10%.¹²⁷ As **Figure 21** shows, only Malawi is meeting this target, though Zimbabwe and Eswatini are coming close. Mozambique and Tanzania are the worst performers, even though agriculture is especially vital to household incomes in these countries.

FIGURE 21: AGRICULTURE SPENDING (% GOVERNMENT BUDGET 2019)



Sources: National budget documents for 2019.

The data available do not allow a breakdown of agricultural spending into recipients: how much goes to smallholders and how much to agribusinesses is not known. 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. It should be a priority for governments in the region to disaggregate their spending in more detail so that it is easier to assess which programmes are likely to be helping combat rural poverty, food insecurity and inequality.



5 ARE SADC COUNTRIES' TAX SYSTEMS REDUCING INEQUALITY?

The tax progressivity pillar of the CRI 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 8 shows that SADC performs best among African regions in terms of the average scores (weighted by population) across the tax pillar – though the other regions are not far behind. It achieves an average score almost two-thirds that of the world's best performers. This reflects the fact that, as shown in **Table 9**, seven countries (South Africa, the Seychelles, Lesotho, Angola, Tanzania, Zambia and Mozambique) are in the top third of the global index. Only five (Mauritius, Madagascar, Zimbabwe, Eswatini and DRC) are in the bottom third.

Due to a progressive tax structure and high tax collection, South Africa's tax system has the most impact in the world on reducing inequality. Nevertheless, the government could do much more to make its system more progressive, for example by introducing a wealth tax, improving property taxes and collecting more tax from large corporations and wealthy individuals by combating tax dodging effectively.¹²⁸ At the other end of the SADC rankings is Mauritius, due to low corporate tax of only 15%, very low personal income tax rates and several tax haven-like harmful tax practices.

TABLE 8: TAX PROGRESSIVITY CRI REGIONAL SCORES AND RANKINGS

Region	CRI average scores	Africa ranking
SADC	0.64	1
East Africa	0.63	2
North Africa	0.58	3
Central Africa	0.53	4
West Africa	0.49	5

TABLE 9: REGIONAL, AFRICAN AND GLOBAL CRI RANKINGS FOR TAX PROGRESSIVITY

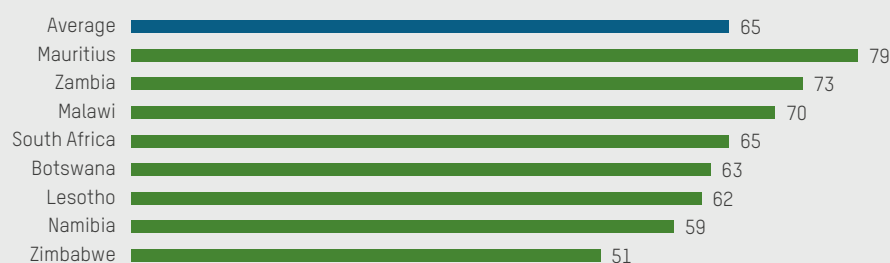
Country	SADC ranking (15)	Africa ranking (47)	Global ranking (158)
South Africa	1	1	1
Seychelles	2	6	15
Lesotho	3	8	20
Angola	4	9	25
Tanzania	5	11	39
Zambia	6	13	44
Mozambique	7	14	48
Malawi	8	15	54
Botswana	9	17	56
Namibia	10	18	59
DRC	11	33	107
Eswatini	12	36	116
Zimbabwe	13	41	133
Madagascar	14	42	134
Mauritius	15	44	138

Source: M. Martin et al. (2020).

Increasing tax revenue holds enormous potential for funding government programmes to reduce inequality. If the governments of SADC had increased their tax revenue by just 1% of GDP, this would have raised \$6.5bn in new revenue for 2021 – enough to provide a quality primary education each year for more than 10 million children in the region.¹²⁹

In addition, SADC’s citizens strongly support more progressive tax systems. **Figure 22** shows the results of an Afrobarometer survey covering 8 of the 15 countries in this report, which found that nearly two-thirds 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.¹³⁰

FIGURE 22: SHARE OF POPULATION SUPPORTING PROGRESSIVE TAXATION (%)



Source: Afrobarometer Round 8 surveys.

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, so that richer citizens are intended to pay a higher share of their income and the poorest citizens are largely exempt. On these aspects, DRC, Malawi and Zambia do particularly well, but Mauritius and Madagascar do 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 SADC members are not engaging in such behaviour, but Mauritius and, to a lesser extent, Namibia and the Seychelles are.

Looking in more detail at individual taxes, the average SADC CIT rate is 27.4%, slightly below the African average of 28%. However, as shown in **Figure 23**, eight countries (Zambia, Namibia, Mozambique, DRC, Malawi, Tanzania, the Seychelles and Angola) are above this level, while three (Mauritius, Madagascar and Botswana) are significantly below.

The SADC average top rate of PIT is 31.4%, again slightly below the broader African and global averages of 32%. **Figure 24** shows a wide range of top rates. Zimbabwe’s top rate is a third higher than the averages, while Mauritius, Angola and Madagascar have very low top rates.

The range of rates for VAT/GST is also wide (**Figure 25**). 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 CRI scores if they have lower rates. Madagascar has the highest VAT rate (20%), which combines with low income tax rates to make its tax system regressive. Botswana had the lowest VAT rate of 12% in 2020, but increased this to 14% in the 2021 budget.

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.¹³¹

FIGURE 23: CORPORATE INCOME TAX RATES (%)

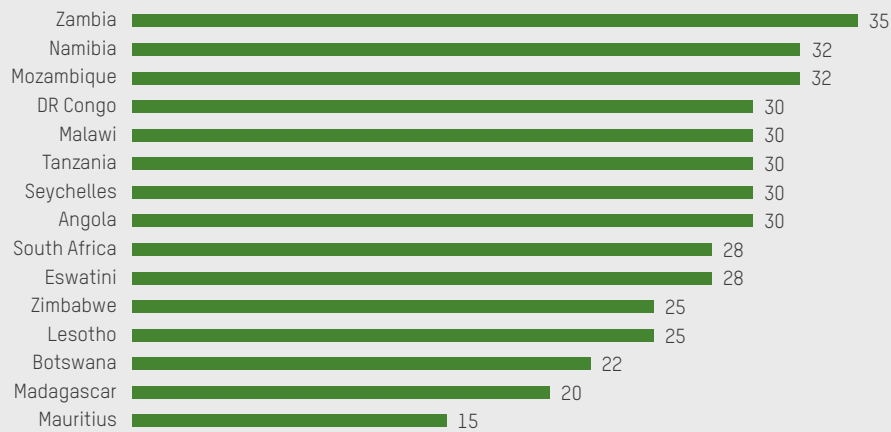
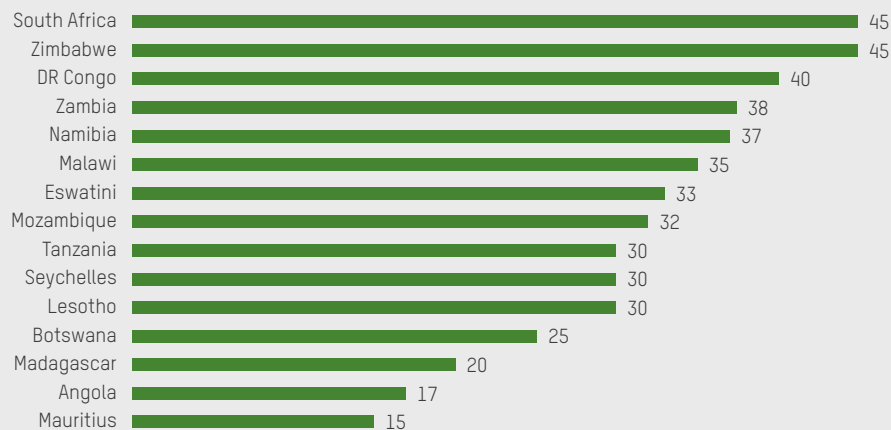


FIGURE 24: TOP PERSONAL INCOME TAX RATES (%)



Source: M. Martin et al. (2020), based on national budget documents and tax codes.

Table 10 shows that seven SADC countries (Angola, Botswana, DRC, Lesotho, Malawi, Mauritius and Zambia) use both of these measures. Five use only food exemptions, and two use only thresholds. A more detailed calculation for South Africa shows that only two-thirds of the food basket of the poorest citizens is exempt from VAT.*

FIGURE 25: VAT OR GST RATES (%)



Source: M. Martin et al. (2020), based on national budget documents and tax codes. Botswana increased its VAT to 14% in 2021. South Africa's food exemptions calculated as proportion of basic foods consumed by poorest quintile.

TABLE 10: VAT EXEMPTIONS AND HIGH THRESHOLDS FOR ELIGIBILITY IN SADC COUNTRIES

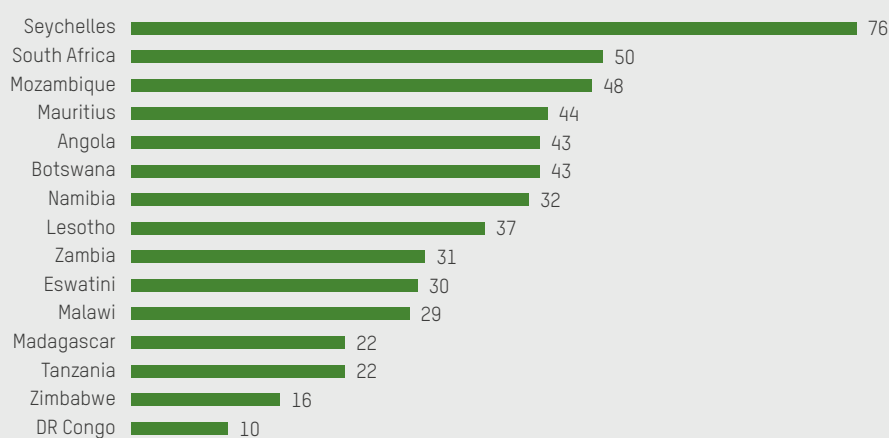
Countries	Basic food exemptions	High thresholds
Angola	Yes	Yes
Botswana	Yes	Yes
DRC	Yes	Yes
Eswatini	Yes	No
Lesotho	Yes	Yes
Madagascar	No	Yes
Malawi	Yes	Yes
Mauritius	Yes	Yes
Mozambique	Yes	No
Namibia	Yes	No
Seychelles	Yes	No
South Africa	2/3*	Yes
Tanzania	No	Yes
Zambia	Yes	Yes
Zimbabwe	Yes	No

Wealth taxes are also vital to reducing inequality. They can cover various types of wealth – (such as 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.¹³² No SADC country has a tax on the stock of wealth. All have property taxes, but these are often at low levels, are not progressive, and/or are very ineffectively collected. Many countries have capital gains taxes but these are lower than their 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. As an example, a progressive wealth tax on the top 1% of South African citizens could raise revenue of between 1.5% and 3.5% of South African GDP: the higher figure would allow South Africa to increase both its health and social protection budgets by 50%.¹³³

5.2 TAX COLLECTION

The tax collection indicator looks at ‘productivity’ – 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.¹³⁴ On this basis, almost all SADC countries perform poorly. Only the Seychelles collects most (76%) of what it could, with around five other countries at about 50% (**Figure 26**). Seven countries collect less than a third of what they could, with DRC at 10% and Zimbabwe at 16%. These low tax productivity levels translate into low tax/GDP ratios; for example, DRC’s tax/GDP ratio in 2019 was only 6.8%.¹³⁵

FIGURE 26: TAX COLLECTION ‘PRODUCTIVITY’ (%)



Source: M. Martin et al. (2020), based on national budget documents and IMF tax collection data.

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.
- Unbalanced tax treaties that deprive countries of the ability to collect taxes from multinational corporations. Mauritius in particular has been criticized for signing tax treaties with other African countries which allow corporations to pay lower tax rates.¹³⁶

Most SADC countries have been trying to reduce exemptions and deductions, increase efforts to combat tax dodging, renegotiate treaties and improve their tax collection. However, there is still much to do – not just at national level, but through international cooperation to share tax information, renegotiate treaties and provide help with auditing and collection.

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,¹³⁷ whereas most consumption taxes (e.g. VAT and GST) 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 it depends on both the structures of taxes (rates, exemptions, thresholds etc), and the scale of their respective collection. The CRI measures this impact using country-specific studies of the incidence of taxes on the Gini coefficient where these have been conducted (Botswana, Eswatini, Lesotho, Namibia, South Africa, Tanzania and Zambia), or estimates based on collection of taxes and global average impact coefficients elsewhere.

In SADC, only four countries have tax systems that reduce inequality, with Tanzania reducing its Gini coefficient by about 11%, South Africa by 6%, Namibia by 2% and Lesotho by 1%. The other 11 are regressive – actually increasing inequality by between 1% (DRC and Malawi) and 9% (the Seychelles) Given that 10 of these calculations are estimates, all countries should conduct country-specific incidence studies as soon as possible to have more accurate data.¹³⁸



6 ARE SADC COUNTRIES' LABOUR POLICIES REDUCING INEQUALITY?

The labour rights and wages pillar of the CRI 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 11 shows that SADC comes second among Africa's sub-regions for its average weighted labour rights score. Governments in SADC are doing only three-quarters of what North Africa is doing, and only a third as well as the world's best performers. SADC 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 or unemployed, who lack labour rights. On the other hand, it performs relatively well on minimum wages.

Table 12 shows that only two countries (the Seychelles and Mauritius) rank in the top third of the global CRI. This reflects strong union and workers' rights, and lower levels of wage inequality. However, seven countries are in the bottom third of the global index.

TABLE 11: LABOUR RIGHTS CRI REGIONAL SCORES AND RANKINGS

Region	Labour score	Africa ranking
North Africa	0.49	1
SADC	0.36	2
East Africa	0.17	3
Central Africa	0.16	4
West Africa	0.12	5

TABLE 12: REGIONAL, AFRICAN AND GLOBAL CRI RANKINGS FOR SADC COUNTRIES' LABOUR RIGHTS

Country	SADC ranking (15)	Africa ranking (47)	Global ranking (158)
Seychelles	1	1	29
Mauritius	2	2	50
South Africa	3	3	53
Lesotho	4	6	76
Malawi	5	7	85
Eswatini	6	9	97
Botswana	7	12	100
Namibia	8	14	104
Mozambique	9	18	118
DRC	10	21	122
Angola	11	23	125
Madagascar	12	27	129
Zimbabwe	13	31	135
Zambia	14	34	139
Tanzania	15	35	144

Source: M. Martin et al. (2020).

6.1 LABOUR POLICIES

DRC, Malawi and Mozambique perform best on policies and laws that enhance labour rights in SADC, and rank in the top 10 globally. This reflects their high minimum wages and strong laws on paper. At the other end of the rankings are Botswana, Zimbabwe, Eswatini, Angola and Tanzania, which are pulled down by poor union rights and lower minimum wages. However, most SADC member countries' overall labour pillar score is then brought further down by high levels of unemployment and informal or vulnerable employment, as well as high wage inequality. These issues reflect the fact that policies are not effectively implemented.

Malawi, Lesotho and the Seychelles are in the global top 50 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, Zimbabwe, DRC, Tanzania, Eswatini, Botswana and Zambia are all in the bottom third on this indicator: as of 2017 they were missing much critical legislation, and often violating legislation that did exist. In SADC, 11 countries progressed on this indicator between 2015 and 2017, notably Eswatini and Zimbabwe, while others went backwards – notably Mauritius, Angola and Tanzania, which saw more violations of labour rights.¹³⁹

Women require additional specific protections to enhance their labour market participation and wage levels. As a result, the CRI 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 27** shows, most countries in SADC score well on this indicator, with seven countries having high-quality laws in all four areas. Seven countries are marked down for not including marital rape in their anti-rape laws, Angola is marked down for not having a sexual harassment law, and Botswana for not having an equal pay law.

FIGURE 27: WOMEN'S LABOUR RIGHTS IN LAW (NUMBER OF HIGH-QUALITY LAWS)

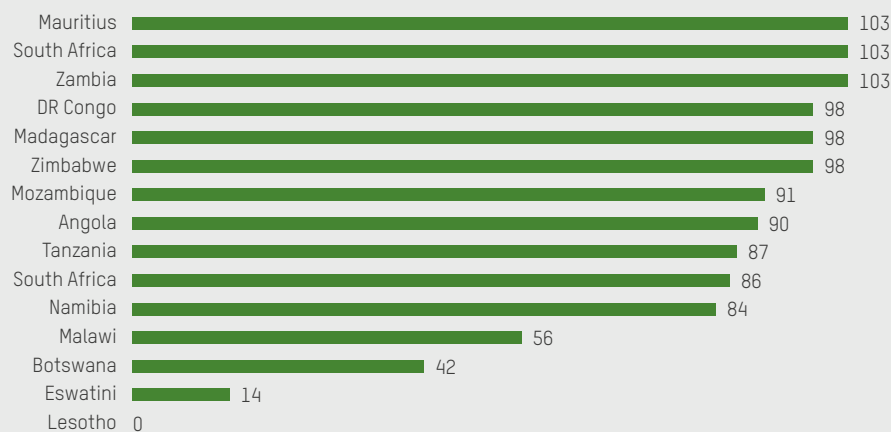


Source: M. Martin et al. (2020), based on national labour laws.

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 childcare roles without losing income. This indicator is assessed based on the number of days of paid leave multiplied by the percentage of workers' prior income paid. As **Figure 28** shows, three SADC countries provide 100 days or more of full pay. However, five countries provide only 80–91 days, Malawi provides 56, Botswana 42, and Eswatini a paltry 14 days. Lesotho is the only country in the region and one of five countries in the world which do not provide any parental leave.

Another important indicator used globally to assess whether the burden of care for women is relieved is paternity leave: SADC performs badly on this indicator, with eight countries having no paternity leave. Mozambique provides only one day; Botswana and Tanzania provide three; Mauritius, the Seychelles and Zambia five; and South Africa provides 10 days (paid at 66% of prior salary).

FIGURE 28: PARENTAL LEAVE (DAYS X % PRIOR SALARY PAID)

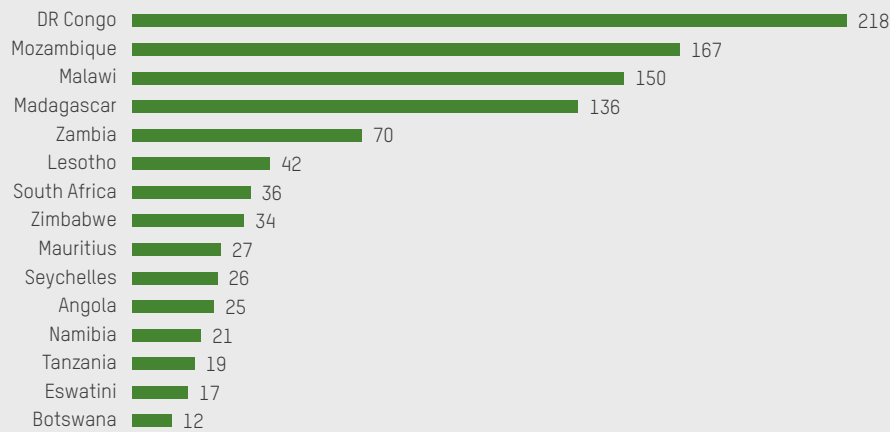


Source: M. Martin et al. (2020), based on national labour laws.

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 SADC, 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 29** shows, four SADC countries perform relatively well on this indicator, with DRC, Mozambique, Malawi and Madagascar setting wages well above per capita GDP. This reflects large recent increases in minimum wages. However, 10 countries do much less well, with minimum wages below 50% of their per capita GDP, including South Africa, which introduced a national minimum wage in 2020 (but with lower wages for domestic workers – so we use this lower level to measure its minimum wage).

FIGURE 29: MINIMUM WAGE AS % PER CAPITA GDP



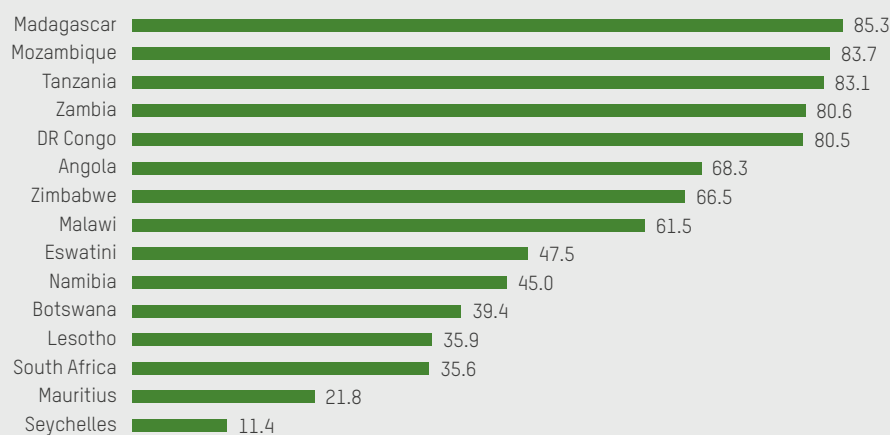
Source: M. Martin et al. (2020), based on national wage laws.

6.2 COVERAGE OF WORKERS' RIGHTS

As can be seen in **Figure 30**, in eight SADC countries, fewer than half of workers are covered by formal labour protections. Only in Mauritius, South Africa and Lesotho do more than two-thirds of workers have formal employment rights. The countries with the highest proportion of unprotected workers are Madagascar, Mozambique, Tanzania, Zambia and DRC.

In Botswana, Eswatini, Lesotho, Namibia, South Africa and Zambia, the low coverage of workers' rights reflects higher levels of unemployment, which stand at or above 10%. South Africa has the highest unemployment at 29%. Most other countries in the region have unemployment rates under 5%, although these figures do not reflect widespread underemployment, especially in the informal sector.

FIGURE 30: WORKERS WITH NO FORMAL LABOUR RIGHTS (% LABOUR FORCE, 2019)



Source: M. Martin et al. (2020), based on ILO data.

6.3 IMPACT ON WAGE INEQUALITY

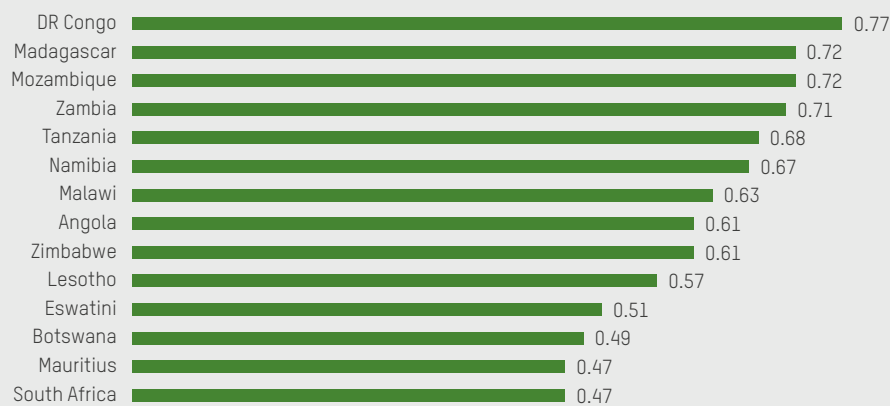
To assess whether anti-inequality labour policies are reducing wage income inequality, we use ILO estimates of the Gini coefficient for wages.¹⁴⁰ This works in the same way as the Gini coefficient for income – the higher the coefficient, the more unequal wages are across income level, up to a maximum of 1.

As shown in **Figure 31**, four countries have Gini coefficients above 0.7, which puts them in the worst 20 countries worldwide. Only five (South Africa, Mauritius, Botswana and Eswatini) have scores below 0.55, which put them in the least unequal half of global country scores.

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.

They thus reflect that largely unregulated labour markets are producing extreme levels of inequality, with the countries having the highest wage inequality (such as Mozambique and Zambia) being those with the least capacity to enforce rights which exist on paper. It will be virtually impossible for governments to reduce such high levels of market-produced inequality to levels that do not have a negative impact on GDP by using spending and tax measures alone. This emphasizes the need for stronger labour rights policies and their enforcement in SADC countries.

FIGURE 31: WAGE INEQUALITY (GINI COEFFICIENT)



Source: M. Martin et al. (2020), based on ILO estimates. No data are available from ILO for the Seychelles.

Box 3: Are there links between governance and commitment to reduce inequality?

In comments received on the 2018 and 2020 global CRI reports, DFI and Oxfam were urged to analyse whether good governance – in particular a commitment to budget transparency and fighting corruption – made governments more focused on fighting inequality. The hypothesis is that good governance would see citizens more involved in state budget decisions, meaning distribution was less determined by wealth, power or bribery among a small elite. However, the causality might be reverse: that policies which aim to reduce inequality also get citizens more involved in governing the country.

We have tested the correlations between countries' CRI scores (overall and on different pillars), and two other well-respected indexes, the International Budget Partnership's Open Budget Index (OBI) and Transparency International's Corruption Perception Index (CPI).¹⁴¹ Neither index covers all CRI countries, with the CPI covering 152 and the OBI 106.¹⁴²

There are not sufficient data points to make full econometric testing worthwhile, but simple statistical analysis shows relatively high correlations with the overall CRI and public services pillar. As shown in **Table 13**, for the full global set of countries, all correlation coefficients exceed 0.628 (the highest possible correlation would be 1). The strongest relationship is between the CRI public services pillar and the CPI (0.743). We also tested the tax pillar of the CRI against the two other indexes, but found virtually no correlation, at 0.053 with the CPI and 0.140 with the OBI. We did not test the labour pillar because there was not a credible hypothesis that anti-corruption policies or budget transparency would influence labour policies.

We then looked more closely at the correlations for SADC countries, and found that they are even higher (at or above 0.8) for the CPI, but slightly lower for budget transparency than the global scores. The tax scores are also higher, at 0.407 for the OBI and 0.331 for the CPI.

These findings indicate that both perceptions of corruption and budget transparency have strong links to higher CRI scores. However, higher CPI correlations imply that lower perceptions of corruption are even more closely linked to anti-inequality public services than budget transparency. These effects appear to be particularly strong in SADC countries. We cannot conduct causality testing to determine whether governance influences anti-inequality policies or vice versa, but it is clear that anti-inequality policies should be accompanied by strong efforts to fight corruption and make budgets transparent if they are to succeed.

TABLE 13: CORRELATIONS BETWEEN CRI SCORES AND SCORES IN GLOBAL GOVERNANCE INDEXES

CRI scores used for testing	CRI–CPI correlation	CRI–OBI correlation
Global CRI overall scores	0.697	0.633
Global CRI public services scores	0.743	0.628
Global CRI tax scores	0.053	0.140
SADC CRI overall scores	0.799	0.598
SADC CRI public services scores	0.851	0.566
SADC CRI tax scores	0.331	0.407

Sources: CRI from www.inequalityindex.org; CPI from www.transparency.org/en/cpi/2020/index; OBI from survey.internationalbudget.org/#home

7 CONCLUSIONS AND RECOMMENDATIONS

There is nothing inevitable about the crisis of extremely high inequality that characterized SADC 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. In spite of strong anti-inequality efforts by some governments in the region, market-produced inequality due to poor labour rights and structural factors such as unequal access to land and credit have kept inequality far too high. Only the combination of immediate measures to reverse pandemic-related rises in inequality, strongly reinforced national commitment to anti-inequality policies, and support from regional and international levels, can allow SADC countries to emerge from the pandemic without a major increase in inequality and poverty – and resume their 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 pandemic's macro-economic consequences have accelerated a recent rise in debt burdens, absorbing 42% of government revenue and 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 \$75bn by 2026, in part due to a failure to increase sustainable financing from progressive taxation. In a region where CRI scores show that many governments are among the world's least committed to anti-inequality spending, this will be disastrous. It is therefore extremely urgent for SADC governments, 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 SADC countries, to ensure high levels of vaccine coverage by the middle of 2022; and
- immediately reversing the planned fiscal austerity, with a particular emphasis on increasing spending 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 creditors (including commercial and multilateral) between 2020 and 2022;
- reallocating the \$400bn of SDRs issued to high-income economies, to lower-income economies, on highly concessional terms and with minimal conditionality; and
- increasing aid flows to the region targeted at enhancing anti-inequality social spending.

Based on mobilizing this financing, the IMF and World Bank should build their programmes and advice to countries around increasing social 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 and make faster progress towards the SDGs.

7.2 MEDIUM-TERM RECOMMENDATIONS FOR GOVERNMENTS

The country profiles accompanying this report contain detailed measures for each country analysed.¹⁴³ However, across the region, in recovering from the pandemic, it is vital for national governments and the SADC as a whole to prioritize national budgets and development plans that include the following measures:

- 1) In response to the coronavirus pandemic, governments must dramatically improve their efforts on progressive spending, taxation and workers' pay and protection as part of National Inequality Reduction Plans under SDG 10. These plans must have timebound and measurable targets for reducing inequality, agreed with citizens.

2) Spend sufficiently on universal high-quality public services that reduce the gap between rich and poor people, 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 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.
- To the extent possible, use the SDRs allocated to them in August 2021 to increase public investments in social protection, health, education and water. This should be done in a way that is transparent and accountable to parliament and citizens.

3) Increase government support for small-scale food-producing agriculture

- Allocate at least 10% of government budgets to support agriculture, especially in countries where agriculture is a key sector for employment and incomes, 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.

4) Redistribute through progressive taxation

- Make corporate and personal income taxes more progressive and increase top rates in particular.
- Strengthen other progressive taxes, such as those on capital gains, property, and financial transactions and income.
- Ensure that value added and general sales taxes 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 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.

5) 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 include marital rape in anti-rape laws, and in Angola to penalize sexual harassment, and in Botswana to enforce equal pay for equal work for women and men.
- Increase parental leave to at least 18 weeks (126 days) fully paid at 100% of prior salary, in line with ILO recommendations, and expand paternity leave significantly 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 national structures enforcing labour legislation.
- Set up 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.

6) Strengthen budget accountability and fight corruption

- Enhance budget transparency and accountability by strengthening public participation in the budget process, and oversight by the legislature and supreme audit institutions.
- Strengthen anti-corruption measures and citizen monitoring of expenditure to ensure anti-inequality spending reaches its intended beneficiaries.

7.3 RECOMMENDATIONS FOR SADC

The mandate of the SADC Secretariat includes sustainable development and poverty eradication, which cannot be achieved in the region without reducing inequality drastically.¹⁴⁴ Specific aspects of its 2020–30 plan include social and human capital development, with a cross-cutting focus on gender equality.¹⁴⁵ As such, SADC should put reducing inequality at the heart of its future work, by:

1) Recognizing and planning to remedy SADC's extreme inequality crisis

- Prioritize tackling inequality in the agendas of ministerial meetings and the Secretariat.
- Develop a joint regional action plan to increase commitment to reducing 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

- Enhance the role of the SADC Secretariat in advising members on the coordination of tax policies, by building a SADC regional harmonization framework for tax systems similar to those which exist in the East African Community and the West African Economic and Monetary Union, involving 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:

- Immediately stop blocking the proposal TRIPS waiver of intellectual property on COVID-19 vaccines, treatments and technology and support the mandatory sharing of vaccine technology and know-how by Pharmaceutical firms, including the sharing of mRNA technology with the WHO mRNA hub in South Africa.
- Mandating the IMF and World Bank to ensure that all SADC country strategies, programmes and policy advice focus on reducing inequality, and contain specific measures to make tax, public services and labour policies achieve this more effectively, and that they must stop promoting austerity.
- Providing comprehensive debt cancellation to SADC 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.
- Consider issuing regular large annual amounts of SDRs during the next decade, targeted and reallocated to developing countries to enhance their ability to spend progressively.
- Establishing a global fund for social protection that supports lower-middle- and low-income countries to provide social protection for all by 2030.
- Introducing solidarity taxes in their own countries on wealth, income, financial transactions and carbon emissions, with part of the revenue going to lower-income countries.
- Assisting developing countries to collect more taxes by reversing the global 'race to the bottom' on corporate tax rates, and ending tax treaties which reduce tax collection.
- Ensuring that all global tax reforms provide a fair share of their benefits to developing countries, by making all profits taxed where they have been created, and through a process where developing countries are equally represented.

ANNEX 1: THE COMMITMENT TO REDUCING INEQUALITY INDEX 2020: RANKINGS OF AFRICAN COUNTRIES

Country	Global ranking (158)	Africa ranking (47)	Country	Global ranking (158)	Africa ranking (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	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

All links last accessed November 2021, except where specified.

- 1 John 10:10.
- 2 World Council of Churches, ACT Alliance, Lutheran World Federation, Interfaith standing Committee on Economic Justice and Integrity of Creation, Norwegian Church Aid, Christian Aid (2021). *Theological Reflection on Inequality and Poverty*. Retrieved 1 December 2021, from https://www.youtube.com/watch?v=bzr0J-S8_0
- 3 *Qur'aan 2:30*.
- 4 *Diakonia in the Time of Inequality: Sigtuna Statement on Theology, Tax and Social Protection, January 2017*. Retrieved 1 December 2021, from <https://www.kirkensnodhjelp.no/globalassets/lanserte-rapporter/2017/diakonia-in-a-time-of-inequality.pdf>
- 5 Our World in Data. (2022, 30 March). *Coronavirus (COVID-19) Vaccinations*. <https://ourworldindata.org/covid-vaccinations>
- 6 See M. Lawson and M. Martin. (2018). *The Commitment to Reducing Inequality Index 2018: A Global Ranking of Governments Based on What They are Doing to Tackle the Gap Between Rich and Poor*. <https://policy-practice.oxfam.org/resources/the-commitment-to-reducing-inequality-index-2018-a-global-ranking-of-government-620553>
- 7 This report analyses 15 of the 16 SADC member governments. Comoros is excluded due to lack of sufficient public data for it to be included in the Commitment to reducing Inequality Index.
- 8 I. Ramdoo. (2020). *The Impact of COVID-19 on Employment in Mining*. IGF. The International Institute for Sustainable Development. Available at <https://www.iisd.org/publications/brief/impact-covid-19-employment-mining>
- 9 Data from Our World in Data. (2022). *Coronavirus (COVID-19) Vaccinations*. See also WHO (2021, 2 September). *Eight in 10 African Countries to Miss Crucial Covid-19 Vaccination Goal*. According to data from Airfinity, just 33% of the over 1.45bn doses of vaccine given globally under COVAX have gone to Africa.
- 10 This is estimated by comparing the IMF's forecasted real GDP growth for 2020 prior to the COVID-19 crisis (from October 2019) with the region's actual real GDP growth figures for 2020 from October 2021. The difference is taken to represent the economic loss to the region. Projections for 2019 are from IMF. (2019). *Sub-Saharan Africa Regional Economic Outlook: Navigating Uncertainty*. <https://www.imf.org/en/Publications/REO/SSA/issues/2019/10/01/sreo1019>. Actual GDP growth for 2020 is taken from IMF. (2021a). *World Economic Outlook Database: October 2021*. <https://www.imf.org/en/Publications/WEO/weo-database/2021/October>
- 11 I. Strauss, G. Isaacs, and J. Rosenberg. (2021), 'The Effect of Shocks to GDP on Employment in SADC Member States During COVID-19 Using a Bayesian Hierarchical Model', *African Development Review*, 33, S221–S237.
- 12 J. Ray. (2021, 3 May). *COVID-19 Put More Than 1 Billion Out of Work*. Gallup. <https://news.gallup.com/poll/348722/covid-put-billion-work.aspx>
- 13 This is calculated from IMF projections of general government expenditure as a percentage of GDP, comparing the figures for 2020 with 2021, and converting into dollar amounts by comparing to GDP in current prices. Data from IMF. (2021a). *World Economic Outlook Database: October 2021*.
- 14 This is based on a two-dose programme with an estimated cost of \$7 for each dose for the 418.2 million citizens in the region. The estimated vaccine delivery cost is based on a WHO estimate, see: Reuters. (2021, 28 April). *Donate \$7 for a COVID-19 Vaccine to Help End Pandemic, WHO Urges*. <https://www.reuters.com/article/health-coronavirus-who-donation/donate-7-for-a-covid-19-vaccine-to-help-end-pandemic-who-urges-idUSL8N2MK5MD>
Population data is from World Bank. (2021). *Population, Total*. <https://data.worldbank.org/indicator/SP.POP.TOTL>
- 15 This is calculated from IMF projections of general government expenditure as a percentage of GDP, comparing the figures for 2022–26 with expenditure levels in 2021, and converted into dollar amounts by comparing to GDP in current prices. Data from IMF. (2021). *World Economic Outlook Database: October 2021*.
- 16 The projected new per capita government health expenditure is based on sum of current per capital health expenditure and the average annual expenditure cut for the five years between 2022 to 2026. Per capita general government expenditure from WHO Global Health Expenditure Database has been used to arrive at the general government health expenditure (nominal US\$ at current prices).
- 17 This is based on comparing the cuts planned for 2022–26 as percentage of GDP with data from the CRI database on government health expenditures for the latest available year.
- 18 This is calculated using the general government revenue (% of GDP) for 2021 and converting this to dollars by comparing to GDP under current prices and calculating how much one more percentage point would correspond to. Calculated this way, expanding revenue by 1% of GDP in 2021 would yield an additional \$8.9bn on average each year for the five years to 2026, which would come to approximately \$44.3bn over five years. Data on general government revenue are from IMF. (2021a). *World Economic Outlook Database: October 2021*. The average annual cost of providing quality primary education for the five years between 2022 to 2026 is estimated at \$596 using the figures from the UNESCO and adopting them for lower-middle-income countries which better capture SADC countries. See UNESCO. (2015). *Pricing the Right to Education: The Cost of Reaching New Targets by 2030*. <https://en.unesco.org/gem-report/node/819>
- 19 This is based on analysis of Forbes data for 18 March 2020 to 30 September 2021 for five billionaires: Koos Bekker, Nicky Oppenheimer and family, and Patrice Motsepe, all from South Africa, and Mohammed Dewji and Strive Masiyiwa from Tanzania and Zimbabwe, respectively.
- 20 This is based on Round 8 surveys by Afrobarometer in eight SADC countries: South Africa, Zimbabwe, Zambia, Mauritius, Malawi, Lesotho, Namibia, and Botswana. https://afrobarometer.org/publications?field_author_value=8&title=round+8&field_publication_type_tid=437&field_publication_country_nid=All&field_language_tid=All
- 21 Throughout this report, 'SADC' refers to 15 of the 16 SADC member states – Angola, Botswana, Democratic Republic of Congo (DRC), Eswatini, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, the Seychelles, South Africa, Tanzania, Zambia and Zimbabwe. Comoros is not included in the CRI or in this report due to lack of data.
- 22 Sources for all data are the UNDP Human Development Report country database at <http://hdr.undp.org/en/countries>

- 23 If the Palma ratio is 1, it means that the richest 10% and the poorest 40% receive the same amount of income; if it is 2, it implies that the richest 10% receive twice as much income as the poorest 40%, and so on. Sources for all data are the UNDP Human Development Report country database at <http://hdr.undp.org/en/countries>
- 24 Data from <http://iresearch.worldbank.org/PovcalNet/pov0nDemand.aspx>
- 25 See J.D. Ostry, A. Berg and C.G. Tsangarides. (2014). *Redistribution, Inequality, and Growth*. IMF Staff Discussion Note. <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2016/12/31/Redistribution-Inequality-and-Growth-41291>;
A. Berg and J.D. Ostry. (2011). *Inequality and Unsustainable Growth: Two Sides of the Same Coin?* IMF Staff Discussion Note. <https://www.imf.org/external/pubs/ft/sdn/2011/sdn1108.pdf>
- 26 R. Wilkinson and K. Pickett. (2010). *The Spirit Level: Why Equality is Better for Everyone*. Second edition. London: Penguin.
- 27 F. Grigoli and A. Robles. (2017). *Inequality Overhang*. IMF Working Paper. <https://www.imf.org/en/Publications/WP/Issues/2017/03/28/Inequality-Overhang-44774>
- 28 UNDP. (n.d.) Human Development Reports country database. <http://hdr.undp.org/en/countries>.
- 29 Data in this and the following paragraphs are from country surveys compiled by the World Inequality Lab. <https://wid.world/world>
- 30 Data from the World Inequality Database. <https://wid.world/data>
- 31 Data from [the World Inequality Database](https://wid.world/world). See also The Economist. (2021, 25 September). *Unpicking Inequality in South Africa*. <https://www.economist.com/middle-east-and-africa/2021/09/23/unpicking-inequality-in-south-africa>
- 32 Data from the World Inequality Database.
- 33 Oxfam South Africa. (2020). *Reclaiming Power: Women's Work and Income Inequality in South Africa*. <https://www.oxfam.org.za/wp-content/uploads/2020/11/oxfam-sa-inequality-in-south-africa-report-2020.pdf>
- 34 K. Georgieva. (2020, 29 September). *No Lost Generation: Can Poor Countries Avoid the Covid Trap? The Guardian*. <https://www.theguardian.com/business/2020/sep/29/covid-pandemic-imf-kristalina-georgieva>
- 35 A. Guterres. (2020, 18 July). *Tackling the Inequality Pandemic: A New Social Contract for a New Era*. UN Nelson Mandela Lecture at <https://www.un.org/sg/en/content/sg/statement/2020-07-18/secretary-generals-nelson-mandela-lecture-%E2%80%9Ctackling-the-inequality-pandemic-new-social-contract-for-new-era%E2%80%9D-delivered>
- 36 D. Malpass. (2020, 8 October). *Reversing the Inequality Pandemic: Speech by World Bank Group President David Malpass*. Speech at Frankfurt School of Finance and Management. <https://n14worldbank.org/2020/10/08/reversing-the-inequality-pandemic-speech-by-world-bank-group-president-david-malpass>
- 37 For more details on the global impact on inequality, see Chapter 2 of the global CRI report: M. Martin, M. Lawson, J. Walker and N. Abdo. (2020). *Fighting Inequality in the Time of COVID-19: The Commitment to Reducing Inequality Index 2020*. Oxford: Oxfam and DFI. <https://policy-practice.oxfam.org/resources/fighting-inequality-in-the-time-of-covid-19-the-commitment-to-reducing-inequality-621061>
See also E. Berkhout, N. Galasso, M. Lawson, P.A. Rivero Morales, A. Taneja and D.A. Vázquez Pimentel. (2021). *The Inequality Virus: Bringing Together a World Torn Apart by Coronavirus Through a Fair, Just and Sustainable Economy*. Oxfam. <https://www.oxfam.org/en/research/inequality-virus>
- 38 C. Lakner, N. Yonzan, D. Gerszon Mahler, R.A. Castaneda Aguilar and H. Wu. (2021, 11 January). *Updated Estimates of the Impact of COVID-19 on Global Poverty: Looking Back at 2020 and the Outlook for 2021*. World Bank Data Blog. <https://blogs.worldbank.org/opendata/updated-estimates-impact-covid-19-global-poverty-looking-back-2020-and-outlook-2021>
- 39 See Chapter 1 of African Development Bank (AfDB). (2021). *African Economic Outlook 2021: From Debt Resolution to Growth: The Road Ahead for Africa*. <https://www.afdb.org/en/knowledge/publications/african-economic-outlook>
- 40 Oxfam. (2021, 12 August). *One-off Emergency Tax on Billionaires' Pandemic Windfalls Could Fund COVID-19 Jobs for Entire World*. <https://www.oxfam.org/en/press-releases/one-emergency-tax-billionaires-pandemic-windfalls-could-fund-covid-19-jobs-entire-world>
- 41 IMF. (2020a). *World Economic Outlook: A Long and Difficult Ascent*. October edition. <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>
See also: G. Cugat and F. Narita. (2020, 29 October). *How COVID-19 Will Increase Inequality in Emerging Markets and Developing Economies*. IMF blog. <https://blogs.imf.org/2020/10/29/how-covid-19-will-increase-inequality-in-emerging-markets-and-developing-economies/>
- 42 N. Yonzan, C. Lakner, D. Gerszon Mahler, R.A. Castaneda Aguilar and H. Wu. (2020, 9 November). *The Impact of COVID-19 on Global Poverty Under Worsening Growth and Inequality*. World Bank Data Blog. <https://blogs.worldbank.org/opendata/impact-covid-19-global-poverty-under-worsening-growth-and-inequality>
- 43 Our World in Data. (2022, 30 March). *Coronavirus (COVID-19) Deaths*. <https://ourworldindata.org/covid-deaths>. Tanzania is omitted from the figure because the government banned reporting of COVID-related deaths between May 2020 and August 2021 so no reliable data are available.
- 44 This is estimated by comparing the IMF's forecasted real GDP growth for 2020 prior to the COVID-19 crisis (from October 2019) with the region's actual real GDP growth figures for 2020 (from April 2021). The difference is taken to represent the economic loss to the region. Data for 2019 forecasts are from IMF. (2019a). *Sub-Saharan Africa Regional Economic Outlook: Navigating Uncertainty*. <https://www.imf.org/en/Publications/REO/SSA/Issues/2019/10/01/sreo1019>. Data for 2021 are from IMF. (2021a). *World Economic Outlook Database: October 2021*.
- 45 All data from IMF. (2021a). *World Economic Outlook Database: October 2021*.
- 46 J. Ray. (2021, 3 May). *COVID-19 Put More Than 1 Billion Out of Work*.
- 47 Data from Round 8 surveys conducted by Afrobarometer, available at https://afrobarometer.org/publications?field_author_value=&title=round+8&field_publication_type_tid=437&field_publication_country_nid=All&field_language_tid=All. The four countries were South Africa, Zimbabwe, Zambia and Mauritius. The share of those who reported losing a job, business or source of income was highest in Zimbabwe (47%) and lowest in Mauritius (24.5%).

- 48 I. Strauss, G. Isaacs, and J. Rosenberg. (2021), *The Effect of Shocks to GDP on Employment in SADC Member States During COVID-19 Using a Bayesian Hierarchical Model*.
- 49 H. Karas and M. Dooley. (2021). *Extreme Poverty in the Time of COVID-19*. UN Virtual Inter-agency Expert Group. https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2021/05/KHARAS_paper1.pdf
- 50 See, for example, the OECD global economic projections, in which the base scenario projects recovery in 2021, but the downside scenario sees it taking until the end of 2022: OECD. (2021). *Strengthening the Recovery: The Need for Speed. Interim Report March 2021*. <http://www.oecd.org/economic-outlook> See also the IMF and World Bank forecasts, which indicate that GDP levels will remain around 3–5% below pre-pandemic projections at the end of 2021: IMF. (2021d). *World Economic Outlook Update: Policy Support and Vaccines Expected to Lift Activity*. January update. <https://www.imf.org/en/Publications/WE0/Issues/2021/01/26/2021-world-economic-outlook-update>
World Bank. (2021). *Global Economic Prospects: January 2021*. <https://www.worldbank.org/en/publication/global-economic-prospects>
- 51 Data from Our World in Data. (2022) *Coronavirus (COVID-19) Vaccinations*.
- 52 IMF. (2020b). *Regional Economic Outlook: Sub-Saharan Africa*. <https://www.imf.org/en/Publications/RE0/SSA/Issues/2020/10/22/regional-economic-outlook-sub-saharan-africa>
- 53 This is based on analysis of Forbes data for 18 March 2020 to 30 September 2021 for five billionaires who are on both lists: Koos Bekker, Nicky Oppenheimer and family, and Patrice Motsepe, all from South Africa, and Mohammed Dewji and Strive Masiyiwa from Tanzania and Zimbabwe, respectively. Newcomers or individuals who exited the Forbes billionaires list between the two periods are not included.
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This report was written by Matthew Martin. Oxfam, DFI and Norwegian Church Aid acknowledge the assistance of Anthony Kamande, Romao Xavier, Dailles Judges, Daud Kayisi, Mathias Kafuda, Helen Bunting, Helen Wishart and Max Lawson from Oxfam and Kjetil Abildsnes, Silje Margrete Ander, Felix Ngosa and Nelson Joao from Norwegian Church Aid in its production.

Norwegian Church Aid is an ecumenical diaconal organisation for global justice working with partners in more than 22 countries. We work to help the poorest and those in need, regardless of their creed, race, political or religious affiliation. <https://www.kirkensnodhjelp.no/en/>

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

Published by Oxfam GB for Oxfam International under ISBN 978-1-78748-879-3 in May 2022.
DOI: 10.21201/2022.8793

Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

Development Finance International

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Photos

Cover photo: Martha stands with her baby in her small plot of farmland in Phalombe, Malawi. At the time this photo was taken, Martha's family had been severely affected by the drought in their community and they were facing food shortages as a result of a poor harvest. Photo: Aurelie Marrier d'Unienville/Oxfam AUS.

Page 4: Francisca, in DRC, uses the kit she received from Oxfam to wash her hands. 'Water is a problem in the commune of Kinshasa', she says. 'Thanks to this can, I can reserve a large quantity to prepare my squash and the soap helps me wash my hands to avoid Covid and do the housework.' Photo: Anastasie Langu/Oxfam.

Page 23: A portrait of Sarah near her field in Nyanyadzi, Chimanimani, Zimbabwe. Sarah has been farming for 25 years. 'A lot has changed since I started farming. The rain now comes late. There is not enough water.' Photo: Cynthia Matonhodze/Oxfam.

Page 25: Cecilia stands in front of the remains of what used to be the main building of her homestead in a village in southern Malawi. The house, where she lived with her six children and two grandchildren, collapsed in flooding caused by Cyclone Idai. Photo: Philip Hatcher-Moore/Oxfam.

Page 28: Praise Nsema at her pre-school in Kambuwe, Mchinji, Malawi. Photo: Håvard Bjelland/NCA 2021.

Page 33: In Mozambique, Rita and Fatima's farms and their whole village were swept away by flooding caused by Cyclone Idai. Photo: Elena Heatherwick/Oxfam.

Page 39: Veronica on her farm in Lusaka, Zambia, preparing the land for the planting of cassava stems. Photo: Loliwe Phiri/Oxfam.

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