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WIDER Webinar | Andy Sumner | Kings College London
Chair: Kunal Sen
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COVID-19: A long crisis or new normal in developing countries?

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Long Crisis or New Normal?
Global Poverty & COVID-19

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1.Introduction

- Two pandemics – one gets a lot of attention; one less though rising
- Our estimate is 100m-500m could fall into poverty due to the poverty pandemic
- Why? Many people live just above the poverty line; every 10c = 100million people
- This *could* mean reversal of 10 years of global poverty reduction and 30 years in Sub-Saharan Africa
- Crucially depends on income shock & what governments do…

COVID-19 and Global Poverty

	COVID-19 pandemic	Poverty impact
Global attention	High	Initially low and now rising
Impact	Numbers vs coping capacity	Even small losses have high impact near poverty line
Serious/critical cases	Currently 2m? & rising (if 50% hospitalization)	100m-600m people
How to reduce R (transmission)	Lockdown	Open up
Policy until vaccine *	Lockdown, test, trace, etc, etc.	Global funds; national safety nets

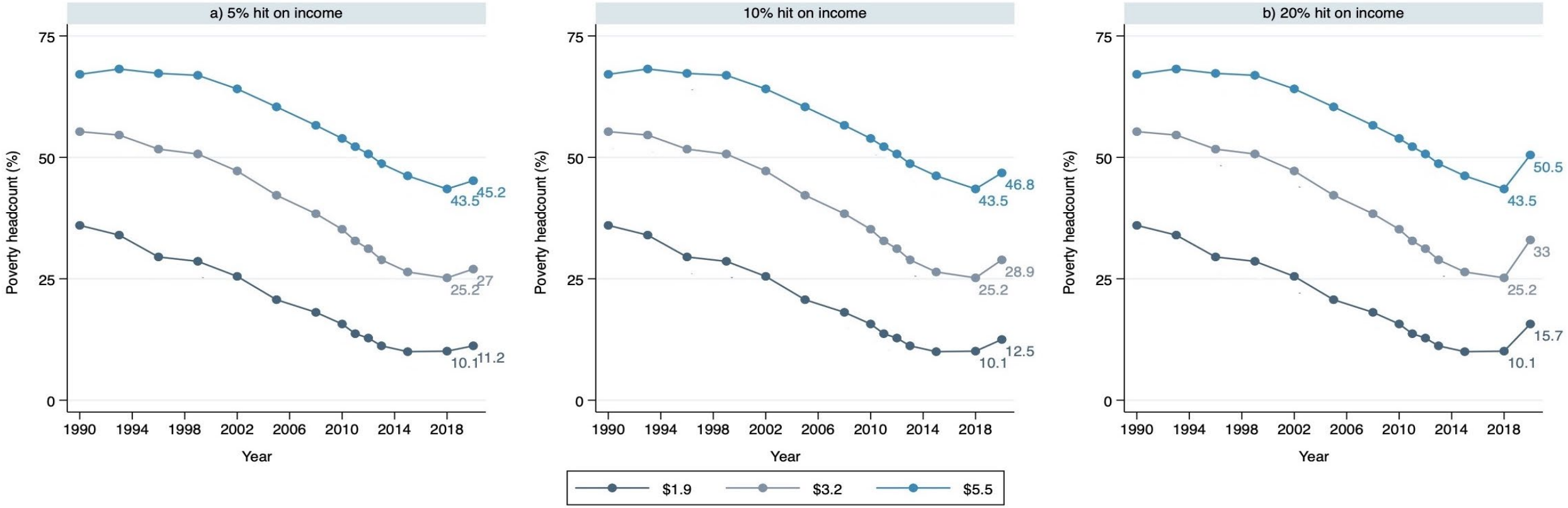
* = hopefully

2. Estimating the poverty impact of COVID-19

- We assessed how different contractions to household per capita income/consumption could impact global poverty using the World Bank's PovcalNet dataset.
- We used three scenarios of per capita income or consumption contraction as a result of the ongoing COVID-19 pandemic: 5%, 10%, and 20% contraction
- We capture contractions by increasing the value of the poverty line as follows: That is, for a per capita income or consumption contraction of x per cent, the poverty line z is adjusted upwardly as $z/(1-x)$.
- We use the World Bank's US$1.90, US$3.20, and US$5.50 per day poverty lines which are average for low, lower-middle and upper-middle income countries

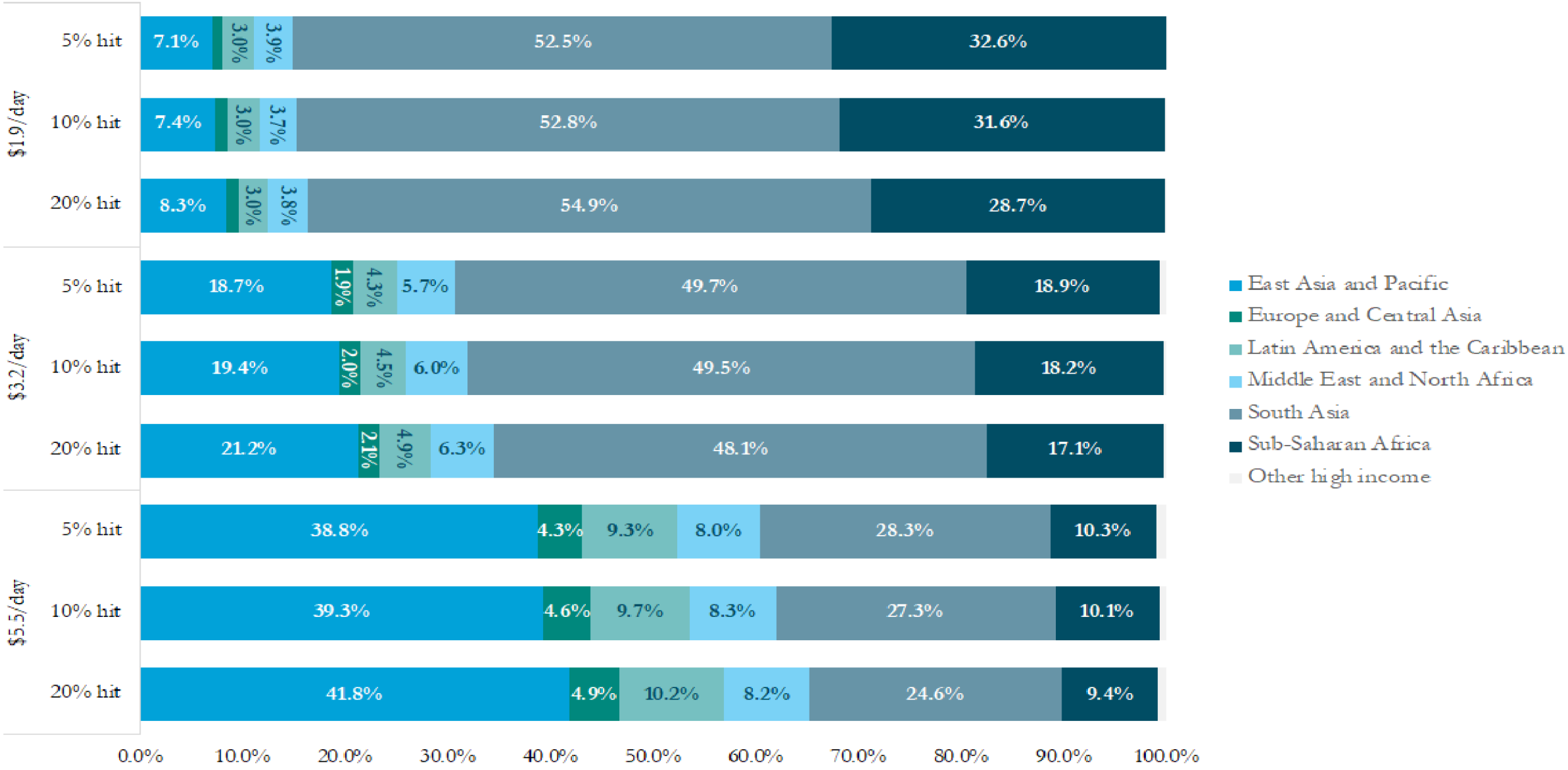
Global poverty estimates

Contraction	People living in poverty (millions)			Additional people living in poverty (millions)		
	$1.9/day	$3.2/day	$5.5/day	$1.9/day	$3.2/day	$5.5/day
5%	844.1	2,033.8	3,399.5	84.9	135.3	123.7
10%	940.8	2,176.9	3,524.4	181.6	278.4	248.6
20%	1,178.1	2,479.9	3,799.3	419.0	581.4	523.5

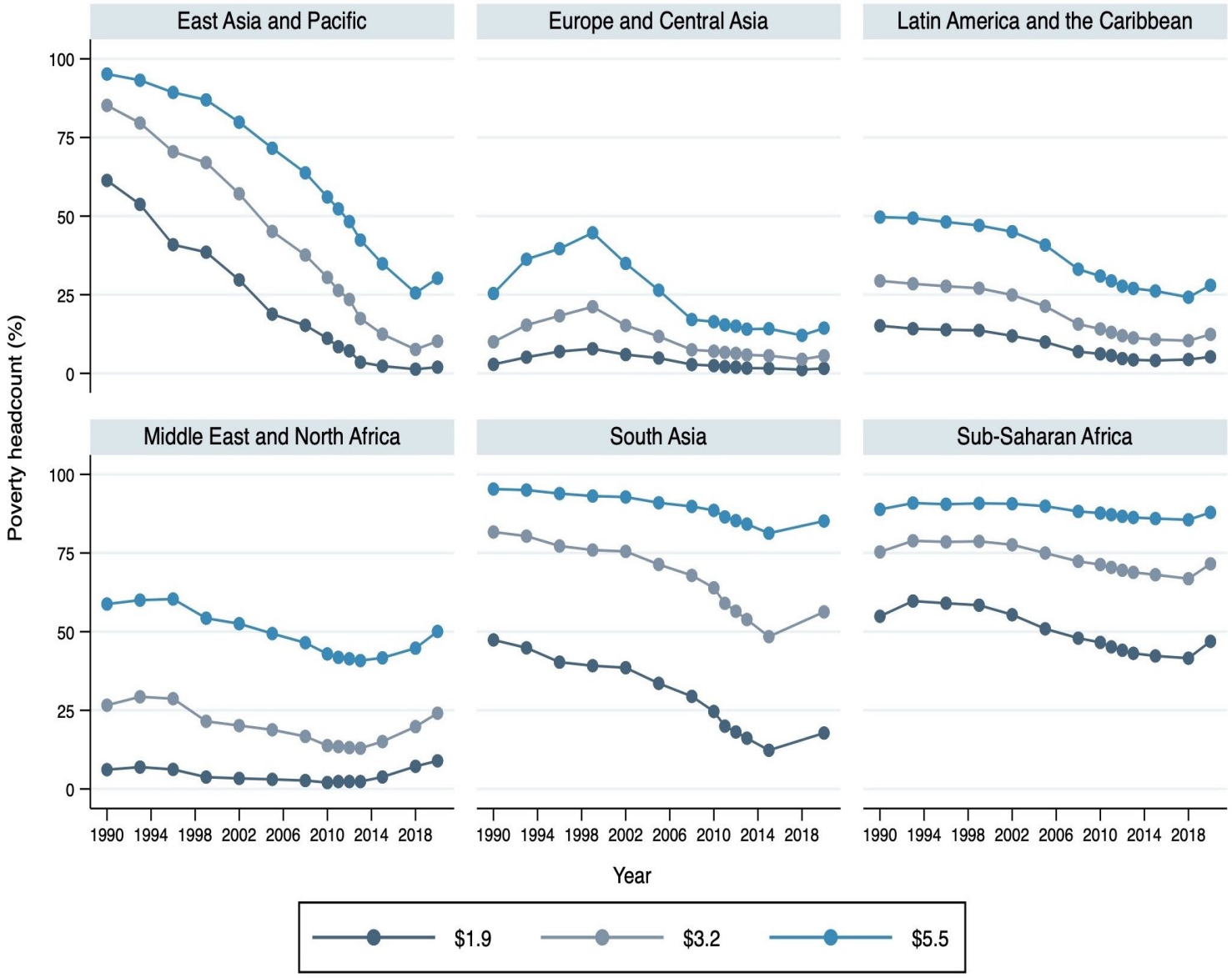


Source: Sumner, A., Hoy, C., and Ortiz-Juarez, E. (2020) Estimates of the impact of COVID-19 on global poverty. UNU-WIDER Working Paper 43/2020. UNU-WIDER: Helsinki.

Where will the new poor live?



Poverty estimates by region



Source: Sumner, A., Hoy, C., and Ortiz-Juarez, E. (2020) Estimates of the impact of COVID-19 on global poverty. UNU-WIDER Working Paper 43/2020. UNU-WIDER: Helsinki.

Comparable Studies on $1.90 Poverty

	Sumner, Hoy, and Ortiz-Juarez (2020)	Lea (2020)	Mahler et al. (2020)
Forecast method	Upwards adjustment of poverty line	GDP Growth semi-elasticity of poverty	Contraction applied to interpolated household surveys
Shock assumed	5%	IMF WEO forecasts	IMF WEO forecasts
New poor ($1.90 poverty line)	84.9m	72.0m	61.9m

What kind of contraction is forecast in IMF WEO (April 2020) where world's poor live?

- 10 countries = 65% of global $1.90 poverty (472.6m); average GDP growth pc forecast in 2020 = -1.9%;
- We expect the household consumption per capita contraction among the poor/near-poor to be bigger than the GDP contraction, especially so in the poorest countries.

3. Health or economic crisis?

- Developing countries generally have a lower proportion of higher risk people in terms of age (>70 years), hence the economic shock may be more significant

- However: much weaker health systems; higher COVID-19 death rates potentially linked to poverty, ethnicity, pollution, and malnutrition; unknown link to TB, HIV, chronic malaria, and respiratory problems due to indoor cooking

- Is a lockdown the only option and feasible in high density urban areas or when people neither have income nor access to food? Dingel and Neiman (2018, p. 6) estimate how many jobs can be done at home: only 5% in Mozambique, 25% in Mexico vs 40% in US or Finland

4. Long Crisis or New Normal?

- Currently no vaccines for any corona viruses and immunity after infection not yet guaranteed. What if COVID-19 has no vaccine or one that is less than 100% effective?

- The pandemic will proceed in waves, perhaps six to ten waves. Even if a vaccine is discovered, rolling it out to the entire global population of 7.8bn would presumably take 5-10 years. No guarantee everyone would get the vaccine and whether it would be publicly funded in all countries

- COVID-19 could be a 'super accelerator' of existing changes – e.g. remote working could lead to Baldwin's tele-migrating in tradeable services; acceleration of automation on health grounds

5. A set of policy questions

- Global policy questions – beyond additional ODA and technical assistance; what role for global public goods or ‘global solidarity fund’; New Bretton Woods; Note: IMF 100+ requests for funds
- National policy questions – e.g. safety nets, usual cash transfers or pay-to-stay-home (UBI?) and pay-to-test? Oil-to-cash: Good time to replace highly regressive fossil fuel subsidies with poverty transfers given oil prices?
- All depends on length of crisis? If it is a new normal, then an opportunity for new global architecture – all pay in, pay out by need; new governance (see Glennie et al., 2020)
- New public debt beyond the immediate crisis (weaker exports/remittances/extractives/tourism/capital flows & higher spending) >> austerity or higher taxes soon? (and on whom – richer groups/capital?)

6. Conclusions

- Likely to be a substantial poverty impact of COVID-19
- Looking further ahead: **questions of if/when a vaccine**, its effectiveness, who gets it and who doesn't (who pays), time to roll it out to 7.8bn

Three scenarios for global poverty:

- Best case: **A 100% effective vaccine is developed** within two years, gets publicly funded and rolled out globally – universal coverage in perhaps five to ten years
- New normal case: **A 100% effective vaccine is developed** within two years and rolled out globally – **universal coverage in rich countries and out-of-pocket payment in developing countries** leads to separation between those vaccinated and those who aren't; issuance of 'immunity passports'; different labour markets, citizenship status, etc.
- Long crisis case: **No vaccine is ever developed or only a partially effective one**, better treatment drugs perhaps become available – waves of COVID-19 continue until immunity levels rise sufficiently to slow transmission