

# **Poverty and COVID-19 Related Global Development Policies for Least-Developed Countries (LDCs)**

**OUPA MUNASHE MUCHENGA**

This paper gives the views of the author, and not necessarily the position of the Zhejiang University.

# Poverty and COVID-19-related Global Development Policies for Least-Developed Countries (LDCs)

**Oupa Munashe Muchenga**

Zhejiang University, School of Public Affairs.  
Social Policy Studies.

The last year can arguably be placed on the contemporary history of crises as one of the toughest years experienced in recent times, due to the health shock, economic and social impacts that the COVID-19 ravaged the world. The impacts of this pandemic were felt everywhere and affected both the categories Developed Countries and the Least-Development Countries. No country was spared as the pandemic shook the health sector tremendously, with a year witnessing staggering numbers of death due to the novel virus. As a means to contain the spread of the virus, all countries affected the total shutdown lockdowns that meant shutting down of many economic structures that in turn havocked the economies and social structures worldwide. This paper will seek to highlight how the COVID-19 pandemic crisis affected the LDCs and exacerbated the poverty situation in the LDCs. In this paper, the direct impacts of the pandemic in the context of the poverty situation in LDCs will be scrutinized and the measures put in place by intergovernmental institutions to address the global crises. Lastly, the paper will offer a balanced analysis of the current global development initiatives in terms of global social policies in line with the poverty situation in LDCs as a result of the impacts of the COVID-19 pandemic.

**Keywords:** *Coronavirus (COVID-19), Global Social Policies, Global Development, Intergovernmental Organisations, Least-Developed Countries (LDCs), Poverty, United Nations (UN), Sustainable Global Development (SDG), World Bank*

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## 1. Introduction.

In 2020 the world was hit by the novel coronavirus disease (COVID-19) pandemic, with which the consequences of the novel virus had not been experienced for decades and more now. Even the categorised Developed Countries that managed to contain and keep the effects and impacts of the COVID-19, also suffered the severe socioeconomic consequences of the lockdowns and the shockwave that generated through the global economy. Consequently, Least-Developed Countries (LDCs) due to the slump on the global economy as well as the exacerbated situation of economic halt that was brought by total shutdown lockdowns, the LDCs heavily suffered the blows. Intergovernmental organisations such as the UN and other institutions such including the World Bank, WHO raised their concerns about the negative impacts that the COVID-19 pandemic had on the LDCs from the onset of the crisis in early 2020 (United Nations, 2020)<sup>1</sup>. Even before the crisis, LDCs including the most marginalised countries, the tale tells of it pointed to a trail that they were unlikely to achieve the global development initiative of the SDGs as expected by 2030. Thus, beyond the potentially severe consequences for the sustainable development prospects of LDCs, the COVID-19 crisis worsened the repercussions of achieving those goals and arguably placing LDCs at a more precarious place to deal with their development issues with one of the main issues being poverty eradication (SDG#1).

## 2. The conceptualisation of Least-Developed Countries (LDCs).

### Overview of LDCs and COVID-19 Pandemic Impacts.

According to the United Nations Department of Economic and Social Affairs Economic Analysis (UN DESA), Least Developed Countries (LDCs) are defined as low-income countries confronting severe structural impediments to sustainable development. They are highly vulnerable to economic and environmental shocks and have low levels of human assets<sup>2</sup>. The list of countries that compose these LDCs is determined by The Committee for Development Policy (CDP) which is mandated by the General Assembly (GA) and the Economic and Social Council (ECOSOC) to review the list of LDCs every three years and to make recommendations on the inclusion and graduation of eligible countries using the following criteria; Income of the country, human assets the country possess, and the

economic and environmental vulnerability of the country. Generally, the LDCs is composed largely of African and South American countries. In that regard, due to the severe structural obstacles to sustainable development for these countries have heavily been affected by the COVID-19 pandemic the most.

### 2.1. Impact of COVID-19 Pandemic on LDCs

#### The Contemporary Poverty Situation in LDCs

One of the major impacts of the COVID-19 pandemic on LDCs was the health shock that consequently exposed so many socioeconomic vulnerabilities of these countries. According to the data from CPD World in Data reports (CPD, 2020)<sup>3</sup>, LDCs appear to be less affected by the COVID-19 pandemic than other developing countries, and far less than developed countries. However, as compared with developed countries in dealing with the pandemic and in LDCs there is a huge gap and in that gap, it exposed the socioeconomic vulnerabilities of the countries particularly in the health sectors. The health shock tremendously also exposed the impoverished societies in LDCs that already did not have proper healthcare or access to health services they got affected more with the COVID-19 resulting in large mortality rates for such societies. In most cases, the sole breadwinners and providers of families got infected with the coronavirus and due to lack of healthcare or access to health services they died leaving many families without being taken care of leading to the increase in poverty margins for LDCs.

On the other hand, as the global economy was being ravaged by the pandemic, LDCs faced reduced external demand, falling prices of key commodities such as oil, a dramatic decrease in tourism activity, weakening FDI, debt challenges and an expected fall in remittances — which is a key source of foreign funding and support for household incomes in many LDCs. This disruption of international economic transmission channels severely hurt LDCs and consequently leading to the increase in poverty margins in the countries by large margins. The COVID-19 pandemic disrupted global trade, affecting many, if not all LDCs more severely than other countries. The exports of those LDCs dropped sharply in April and May 2020 and have not yet fully recovered<sup>4</sup>. In the second quarter of 2020, when the impact of the pandemic on trade was most severe, the value of world merchandise trade declined by about 21%. Further, the pandemic had an impact on global trade by disrupting global value chains, which were already affected by trade tensions between China and the United States of America and by technological changes. There is evidence that the pandemic affected countries with forwarding

1 United Nations, Committee for Development Policy, "COVID-19 and graduation from the LDC category", 12 May 2020.

2 United Nations Department of Economic and Social Affairs Economic Analysis (UN DESA) <https://www.un.org/development/desa/dpad/least-developed-country-category.html>

3 <https://www.un.org/development/desa/dpad/least-developed-country-category/lcds-at-a-glance.html> (accessed on July 7, 2021)

4 UN Committee for Development Policy Reports 2020

linkages (those with exports that will be integrated into a final product) more, as shown by the decline in output, suggesting that the shock has been more severe on-demand than on the supply (World Bank, 2020a)<sup>5</sup>. LDCs countries such as Bangladesh and Myanmar fell into some of this category and were argued to have been deeply affected by the pandemic fallout on global trade (Blanchard and Olney, 2020)<sup>6</sup>. Such national economic slumps had a severe impact on the ordinary people who witnessed price hikes in basic commodities, inflation rates and unstable economies in many of these LDCs that increased the poverty margin.

Using data provided from Committee for Development Policy shows that earnings fell drastically in LDCs households particularly in Sun-Saharan countries like Kenya, Nigeria and Ethiopia almost 1 in 3 household enterprises closed on the onset of the pandemic. In countries like Gabon, Ghana, South Sudan, Mali, Malawi, Madagascar and Zambia revenue declined for more than 70% of household business. Moreover, in the Agriculture sector, the income also fell due to the decline in farm prices, closure of markets and the restrictions of transport. On a global scale, the economic impact of the pandemic also translated to a fall in remittances which heavily affected most LDCs. Likewise, food insecurity increased. Comparing with the numbers in the previous year that showed that food security tripled in sub-Saharan African countries, with more than half of the households running out of food in the 30 days before the survey that was conducted after the pandemic hit<sup>7</sup>.

Other vulnerable groups that heavily bear the impacts of the pandemic are women, young and less-educated workers. These groups were disadvantaged in the labour market even before the shock and are most likely to lose their jobs in the immediate aftermath of the pandemic. In the CDP recent study, using data collected at the onset of the crisis in 34 low and middle-income countries – in which they account for a combined population of 1.4 billion; the study stated that, relative to men, women are 11% likely to lose their jobs; similarly, the same gap can be drawn between tertiary-educated workers and those with primary education or less. In the same regard, older and younger employees suffer the same conundrum in face of the pandemic's jobs effects as compared to the prime-age workers<sup>8</sup>.

Meanwhile, as many LDCs managed to implement emergency social transfers in a bit to alleviate the negative welfare impact of the pandemic, these measures have

not been enough to match the impacts of the pandemic. For example, LDCs spend an average of \$6 per Person on COVID-19-related social protection, on the other hand developing countries spend an average of \$26 per person. Thus, as a result, in LDCs the job losses mean that two-thirds of households on average (particularly with women, young and less-educated workers) are more deprived of basic needs. With such analysis, the crisis screams for LDCs in the aftermath of the COVID-19 that calls for proper social policies to protect vulnerable communities and groups like the above-mentioned categories.

### 3. Conceptualisation of Poverty.

#### Definition of Poverty in the context of LDCs.

Definition of the term poverty varies from one scholar to the other, usually, depending on that debate the scholar wishes to structure the debate or argument. Poverty has been conceptualised differently ranging from poverty as a material concept – limited or lack of resources and lack of basic needs; economic circumstance – low standards of living, economic position, and inequality and social circumstances – lack of entitlements, dependency and exclusion. Defining poverty in terms of needs are closely linked to resources; every need is a need for something. Poverty can be taken to refer to circumstances in which people lack the income, wealth or resources to acquire or consume the things which they need. (Booth, 1971)<sup>9</sup>. It is possible to hold to a definition of poverty as limited resources while accepting the preceding definitions; poverty can be a form of need caused by limited resources. The UN has defined poverty as a condition characterized by severe deprivation of basic human needs, including food, safe drinking water, sanitation facilities, health, shelter, education and information. It depends not only on income but also on access to services. (UN 1995: 57)<sup>10</sup>. It is in this contextualisation of the term poverty that this paper will seek to address the impacts of COVID-19 and how social policies implemented to alleviate global development for LDCs has been imperative in this pandemic time. The COVID-19 pandemic severely affected LDCs by disrupting the way of life for locals who mostly lived below the poverty datum line of \$1.90 per day. Due to the hard lockdowns that were implemented in trying to curb the spread of the virus, many families in LDCs saw their livelihoods cut through cut of income which severely affected their basic needs supplies leading to the identification of their livelihoods to be living under poverty in many LDCs. This deprivation can be explained in Townsend's definition of poverty, he states

5 World Bank (2020)

6 Blanchard and Olney (2020)

7 <https://blogs.worldbank.org/voices/how-covid-19-affects-households-poor-est-countries-insightsphone-Surveys> (Accessed on 12 July 2021)

8 <https://blogs.worldbank.org/voices/developing-countries-covid-19-crisis-has-not-affected-everyoneequally> (Accessed on 12 July 2021)

9 The 'poor' are those whose means may be sufficient, but are barely sufficient, for decent independent life; the 'very poor' those whose means are insufficient for this according to the usual standard of life in this country. (Booth 1971: 55). Booth, C. (1971), "Charles Booth's London", ed. A. Fried and R. Elman, Harmondsworth: Penguin.

10 United Nations (1995) The Copenhagen Declaration and Programme of Action, New York: United Nations.

that “individuals, families and groups in the population can be said to be in poverty when they lack the resources to obtain the type of diet, participate in the activities and have the living conditions and amenities which are customary, or at least widely encouraged, or approved, in the societies to which they belong.” (Townsend, 1979). Meanwhile due to the economic cut off that was brought by the COVID-19 pandemic impacts on LDCs economies and day to day lives in efforts for sustainable livelihoods, families and groups saw a rise of poverty margin due to the lack of economic means to sustain themselves. As Sen (1992), state that “poverty is not a matter of low well-being, but the inability to pursue well-being precisely because of the lack of economic means.”

Therefore it is imperative to highlight that poverty was exacerbated by the impacts or effects the COVID-19 posed on the vulnerable economies of LDCs which subsequently led to an increase in poverty margin in these countries that called for necessary global public policies that would alleviate the situations in these LDCs. The poverty situation led to a global initiative spearheaded by intergovernmental institutions such as the UN, WHO and World Bank in trying to alleviate the impacts. However, more global social policies concerning poverty and COVID-19-related impacts are needed.

## 4. Global Social Policies and Global Development Initiatives.

### 4.1. Current State of Global Anti-Poverty Policies.

#### 4.1.1. UN Sustainable Development Goals<sup>11</sup>

(Goal 1: End poverty in all its forms everywhere)

Preceding the Sustainable Development Goals (SDGs) were the Millennium Development Goals (MDGs) that were adopted from the years 2000 – 2015 by the United Nations. In 2015, September, The UN members agreed to set the post-2015 SDGs, setting their milestones, eradication of extreme poverty globally in all forms, was their first and foremost goal. Both mandate and objective of the SDG reflect the increasing recognition of the idea that poverty is a multi-dimensional concept that reveals multiple deprivations in many aspects of well-being.

According to global statistics, the number of people who were recorded to be living in the category of 'extreme poverty decreased from 36% in 1990 to only 10% in 2015. According to the reports by UNCTD, FAO and UN the decrease was also a result of the implementation of the MDGs in 2000. However, the pace of this decline faces a

deceleration due to the COVID-19 crisis that threatens to reverse the decades of progress in the fight against poverty globally, particularly in LDCs. According to recent researches, the fallout from the prevailing global pandemic is likely to increase global poverty by an estimate of half a billion people; that is 8% of the total human population globally<sup>12</sup>. In translation, if these projections are true, this will be the first time in 30 years, since 1990, poverty has increased in such a magnitude.

When this paper is written, statistics state that more than 700 million people, that is 10% of the world's population is still living in extreme poverty, struggling to fulfil the most basic needs like health, education, and access to water and sanitation, to name a few. The majority of people living on less than \$1.90 a day live in sub-Saharan Africa and most LDCs. Globally, the poverty rate in rural areas is 17.2% — more than three times higher than in urban areas<sup>13</sup>. In 2018 UN reports stated that 8% of people in formal and informal jobs in LDCs, their income did not guarantee a decent living as they (with their families) worldwide, lived in extreme poverty. 1 out of 5 children in LDCs live in extreme poverty, henceforth it is of great significance to ensure effective global social policies to ensure social protection of all children and other vulnerable critical groups in poverty reduction initiatives.

### 4.1.2. Commission on Global Poverty

In 2013, the World Bank announced two goals that would define and guide their development work globally. First, was the goal to end extreme poverty – to decrease the number of people living in extreme poverty, defined as those living on less than (in 2011 Purchasing Power Parity), to a margin less than 3% of the world population by 2030. Secondly, was the goal to boost shared prosperity, which was defined as promoting the growth of per capita real income of the poorest (majority of people in LDCs) of the population in each country.

In this context, the World Bank's economists and policymakers convened a high-level commission, with the objective of which was to advise the Bank on how to measure and monitor global poverty with the above background in mind. The Commission's final report provided advice to the World Bank more broadly in October 2016 which then became known as the Commission on Global Poverty. The Commission focused on relatively 2 main areas that are detailed as follows:

1. Seeking to “holding constant” the poverty line. Since the goal of trying to end extreme chronic poverty by

11 United Nations Sustainable Development Goals (2018) <https://www.un.org/sustainabledevelopment/poverty/>

12 UNU World Institute for Development Economics Research Report (2020)  
13 <https://www.un.org/sustainabledevelopment/poverty/> (Accessed on 12 July 2021)

2030 had already been set by the UN, the Commission sought advice on the relatively technical side of it on how to hold a constant to the poverty line. In this goal, the Commission sought to address the important question of how will the poverty line remain constant at \$1.25 PPP-adjusted (2005) in face of price changes and exchange rates globally. In 2015, the international extreme poverty line was updated to \$1.90 in 2011 PPP to reflect newly available price data.

2. Aim to advise accordingly on how to track target commitments and encourage the use of guide policies. This goal aimed to ask the Commission to go beyond and above poverty measures to more general advice on other kinds of poverty. In this regard, questions raised include, if the Bank be concerned about the depth of poverty below the line and maybe increase the line mark or is there a need for data collection and collation on the many human and social dimensions of poverty that goes beyond money metric. Thus, in trying to answer all of these questions, data collection and analysis will be imperative and the Commission would give the needed advice on these data gaps.

In essence, the World Bank plays a significant role in shaping global debates on fighting poverty; and through the indicators and the data the Banks collates, it facilitates the shaping of opinions and policies for countries, which makes the Commission on Global Poverty essential to the fight against poverty in LDCs particularly in this times of recovery from the impacts of COVID-19 pandemic and may offer the reliable opinions and analysis to be used to develop policies.

#### 4.2. Current State of Anti-Poverty Policies on LDCs in response to COVID-19

##### UN COVID-19 Response<sup>14</sup>

Least-Developing Countries are the most vulnerable during – and in the aftermath of the COVID-19 pandemic, not only in terms of health crisis but as a devastating social and economic crisis for months and even years to come. UNDP states that income losses are to be expected to exceed \$220 Billion in LDCs (developing countries) and with a rough estimate of 55% on the global population to lack and even no access to social protection entirely. Therefore, is imperative to provide support to the poorest and vulnerable communities, that the UN issued the Framework for the immediate socioeconomic response to

COVID-19. This Framework will call for an extraordinary scale-up of international support and the political commitment to guarantee that people across the globe have the access to essential services and social protection. Further, the United Nations decommissioned the UN COVID-19 Response and Fund that aims at specifically supporting low – and middle-income countries as well as the vulnerable groups who are excessively bearing the socio-economic impacts caused by the pandemic. The UN Deputy Secretary-General Amina Mohammed reinforced, calling for support for the UN roadmap for social and economic recovery and for fulfilling funding the UN Response and Recovery Fund.

#### 5. Analysis.

##### Why focus on Social Policies in LDCs in response to the COVID-19 Pandemic?

The projections from World Bank last year suggested remarkably that the COVID-19 and the associated economic crises in LDCs could push between a range of 71 and 100 million people into extreme poverty. These are staggering numbers considering the global development initiatives that were in place in trying to address poverty crises globally in the Sustainable Development Goals. To give more effective support in trying to address poverty and assisting victims of this unfortunate phenomenon, there is a significant need to understand who the victims (people affected with poverty) are, where they live and work and how they have been affected by the COVID-19 pandemic that plunged them into the poverty category. Henceforth, understanding these questions and addressing them is the starting point for effective and viable social policies that are imperative in addressing the issues faced in the LDCs that was caused by the COVID-19 pandemic.

According to a report by the Committee for Development Policy the suggested Global Monitoring Database (GMD) can be utilised — a collection of harmonized national household surveys used for global poverty monitoring that contains information, among others, on expenditures per capita, household and household head demographics, housing conditions, and location — to identify and profile the 'new poor'. To understand this poverty phenomenon brought by the effects of COVID-19 there is a need to compare the world in 2020 11th and without COVID-19, thus creating a baseline of study to fully dissect this poverty phenomenon. According to the anti-poverty global development initiatives such as SDGs, before the COVID-19 pandemic, the share of poor was projected to fall, whereas now the projections point in the opposite direction. The conceptualised 'new poor' can be drawn from this analysis which can be defined as a combination of (a) those who had exited the poverty category in the absence of COVID-19 but now is projected to remain poor

<sup>14</sup> United Nations Sustainable Development Goals (2020) <https://www.un.org/sustainabledevelopment/poverty/>

due to the effects of the pandemic, and (b) those projected to fall into the category of poverty because of COVID-19. In essence, this model or approach will heavily rely on the use of GDP growth projections of LDCs from the January 2020 GEP and June GEP in a but to create poverty profiles in LDCs with and without COVID-19 using the Global Monitoring Database (GMD) to aggregate the information into the global profile of the 'new poor' demographic.

In this line, many of the 'new poor' victims will probably be found in urban areas meanwhile the category of 'existing poor' will be found in the rural parts according to the GDM demographic profiles<sup>15</sup>. Therefore, for global policymakers to protect households from the impacts of COVID-19, this will require the implementation of policies and programs that reach both 'existing' and 'new poor'. Making the analysis above to wholly understand the targeted categories and how to identify them making it more imperative. Understanding the given differences the two groups present, an effective response may call for the adaptation for safety net programs that can be designed to support the distinct groups using particularly the innovative targeting and delivery mechanisms and for

an economic recovery that will reach those in the informal sectors both in the rural and urban areas of the LDCs.

## 6. Conclusion

To sum up, although infection rates have not been as high as in other regions of LDCs, the economic consequences of the COVID-19 (coronavirus) pandemic in LDCs have been severe due to the combination of declining global demand and local efforts to contain the disease. In what is already a very vulnerable environment, many people are facing the serious challenge of acquiring fast and effective intervention that must be carried out affordably in the context of a rapidly shrinking fiscal space. Henceforth, the crisis provides a reform opportunity to, once and for all, address the global development issues that have continued to be an outstanding case in the LDCs. Whereas policy efforts should not lose sight of mitigating the short-term negative impacts of the pandemic on the most disadvantaged groups, they can also work on fostering an inclusive recovery and strengthening people's resilience to future shocks through better access to opportunities for all.

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<sup>15</sup> <https://blogs.worldbank.org/developmenttalk/new-poor-are-different-who-they-are-and-why-it-matters?> (Accessed on 12 July 2021)