

THE GLOBAL ECONOMIC CRISIS: Impact on Africa's children*

The 2008 global economic crisis hit many countries in Africa and came on the back of the 2007/08 drastic increases in food and fuel prices. The financial crisis was also different to previous crisis in its global nature, the size of the shock and speed of transmission. As a result, developing countries experienced large falls in exports, foreign direct investment and income from tourism and remittances.

Growth in Africa slowed from 6.9% to 2.1% as exports fell 7% and private capital flows fell from \$US 26 billion to \$US 18 billionⁱ. Yet despite a growth slowdown, there were few outright recessions in the region (outright recessions were experienced in 10 out of the 44 countries in sub-Saharan Africa).

As a tentative recovery appears to take place, the short and medium term impacts of the crisis on developing countries are beginning to become clearer. The public budget situation across Africa has turned from surpluses pre-crisis, to large deficits post-crisis, but obviously patterns differ by country.

However, what is potentially of more concern is that even before the global financial crisis, only four out of 46 countries in Africa were meeting health spending targets and only 14 out of 37 countries had met the target of spending 20% of their budget on educationⁱⁱ.

Impact of economic crisis on Africa's social spending

The African Economic Outlook (2010) projected a major deterioration in total revenue and grants, whilst spending was expanding, leaving an average fiscal gap of 5% of GDP, with some 13 countries facing a deficit of more than 5%.

Whilst the impact of the global crisis on health and education budgets varies by country, a recent study in low-income countries showed that;

- Two-thirds of countries are cutting budget allocations in one or more of the priority social sectors of education, health, agriculture and social protection
- Education and social protection are particularly badly affected – average spending levels in 2010 are lower even than those in 2008
- Education spending fell in 2009 and only African countries with IMF programmes will have higher spending in 2010 than 2008
- Social protection spending fell in 2009 and will continue to fall in 2010ⁱⁱⁱ.

However, despite the impact of global economic crisis, some low-income countries have been able to maintain or even strengthen social spending. The IMF noted at the end of 2009 that of 27 low income countries with data available, 26 had managed to preserve or increase social spending – a significant achievement in the current environment. In Africa, higher social spending in Malawi and Zambia, and better targeting of social protection in Ghana have been observed.

Impact of economic crisis on child wellbeing in Africa

Whilst it is difficult at this stage to accurately document the true impact of the global economic crisis on Africa's children, using a variety of research methods a picture of the possible effects begins to emerge;

- Estimates of the impact of the financial crisis on infant mortality in Africa using the growth elasticity approach showed 30,000-50,000 more infant deaths per year in Africa^{iv}

- The number of children under five who are low weight or height for their age is steadily increasing in Sub-Saharan Africa as food and fuel prices remain higher than in the pre-2007 period, despite a general fall in prices in 2009-2010
- In Ghana rapid qualitative appraisal research has shown that due to the crisis remittances were delayed or cancelled which meant that children were returning late to school as raising funds for school fees took longer. If current trends persist families in Ghana have said they will need to take drastic measures including getting children involved in income generating activities to support the family
- In Kenya the hike in prices of food, rent, fuel, water and transport has led to changes in food consumption patterns and a reduction in the number of meals a household consumed – from 3 meals (January 2007) to barely one by February of 2009. Teachers in Kenya have also noted that enrolment was reducing whilst absenteeism increased, along with a growing number of children who beg for food in their schools
- In Zambia the impact of the food, fuel and financial crisis has resulted in increased prostitution among youths (due to poverty, lack of employment and family lack of income) and an associated increase in HIV/AIDS and STIs has been seen. There has been an increase in the number of school dropouts in rural areas due to seasonal hunger forcing children into casual labour to earn food and cash. Children are also reportedly being left unattended for long hours while mothers work longer and later to generate cash.^v

Evidence of the impact of past financial crisis on low income countries

Previous studies, although focused largely on Asia and Latin America, have much useful analysis to lend to the current situation in Africa. Studies have shown how many household's adopt coping mechanisms in times of financial crisis that include decisions affecting children.

There is strong evidence that financial crisis impacts the wellbeing of children including;

- Stunted growth, such as lesser height
- Delayed school enrolment and reduced grade completion
- Girls are more likely to drop out of school in both low/middle-income countries
- Infant mortality rates among girls exceed that of boys during economic downturn
- Major rural and urban variations exist with rural poor being hit harder during on-going global crisis as falling agricultural export commodity prices reduce rural employment and incomes^{vi}.

ⁱ IMF, World Economic Outlook 2010

ⁱⁱ IMF, World Economic Outlook 2010

ⁱⁱⁱ Martin, M and Kyrili, K (2010), *The Impact of the Global Financial Crisis on the Budgets of Low-Income Countries*, Oxfam.

^{iv} Friedman, J and Schady, N August 2009. *How Many More Infants are Likely to Die in Africa as a Result of the Global Financial Crisis?*. World Bank Policy Research Working Paper No 5023, Washington DC, World Bank.

^v Hossain et al, 2009, *Accounts of the Crisis*, IDS, Brighton; Oxfam, 2010, *The Global Economic Crisis and Developing Countries: Impact and Response*. Research Report. Oxfam UK/Australia; World Bank, *Rapid, qualitative assessments of the impacts of the economic crisis: Overview of findings from eight countries*, Washington DC, 2009.

^{vi} Conceicao, P et al, 2009. *Human Development in Crisis*, UNICEF Working Paper, New York, UNICEF.

* Based on a background paper written by Professor Andy Sumner, *Child Poverty and Wellbeing: Is the global economic crisis over in Sub-Saharan Africa*.