Climate Action DIGEST

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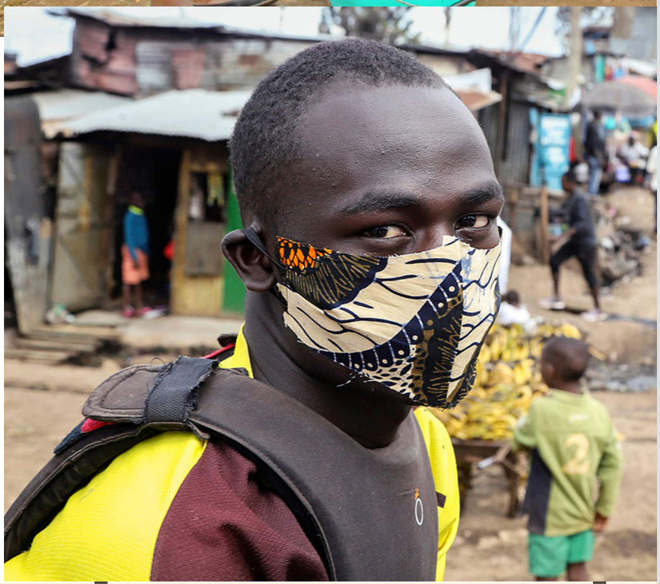

An individual wearing a mask as he traverses the highly and densely populated slum areas in a city in Africa. Majority of the slum dwelleres depend on the informal sector for survival of their daily needs.

THE COVID-19 AND INFORMAL SECTOR: STRATEGIC FRAMEWORK & METHODOLOGY FOR INTERVENTION IN AFRICA THROUGH THE CLIMATE ACTION LENS

Since the first case of COVID-19 was confirmed in Africa in late February, the impact on the economy continues to unfold. As at March 2020, a 1.4% decline in GDP equivalent to $29 billion has been reported. These losses, which translate to lost jobs, income and enterprise opportunities to the over 1.2 billion people in Africa, have far and wide-reaching effects in compounding a very precarious socioeconomic scenario in the continent – from food insecurity, to youth unemployment, to inadequate health, to low, stagnated and declining economic productivity – which is the overarching consequence. The urgency to buffer economies against these impacts is at an all-time high. In Africa, this buffering is incomplete, without a deep dive into the informal sector and how it is coping.

The COVID-19 and informal sector: Strategic Framework and Methodology for Intervention in Africa through the Climate Action Lens

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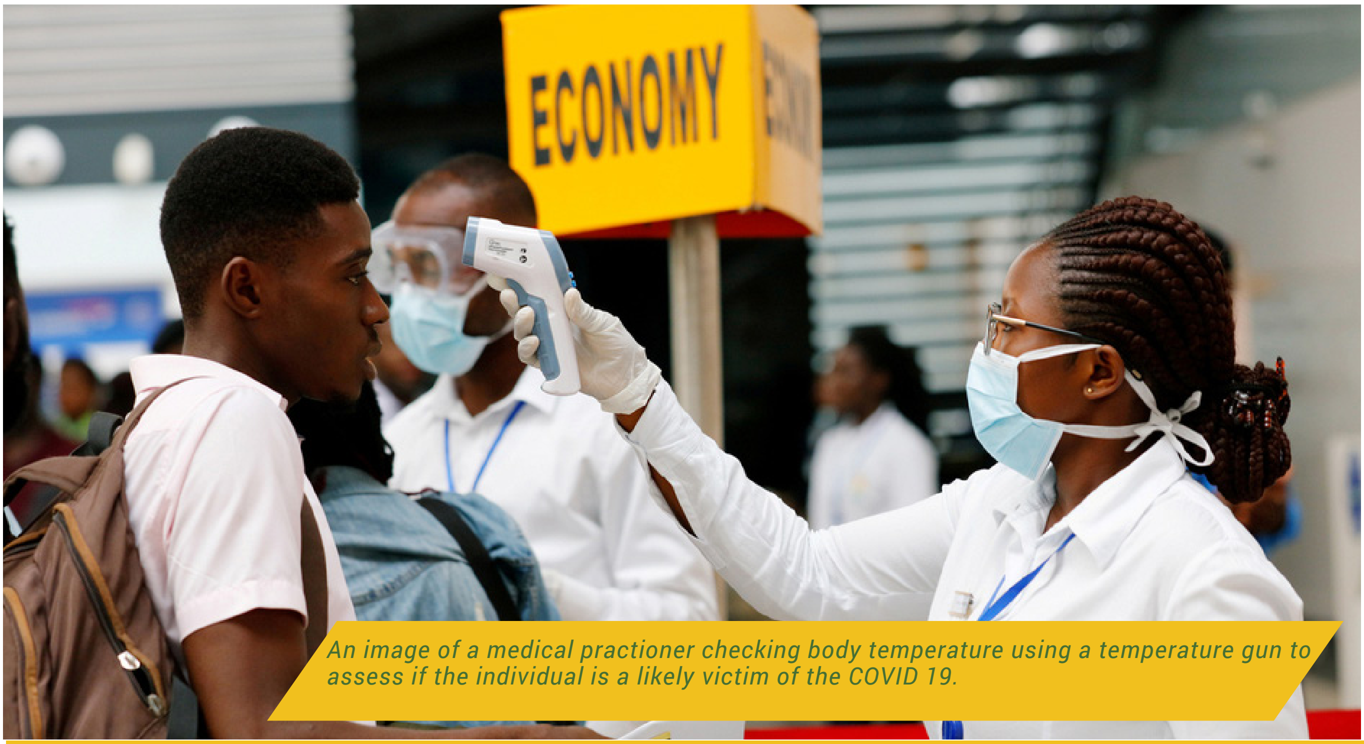


An image of a medical practioner checking body temperature using a temperature gun to assess if the individual is a likely victim of the COVID 19.

The informal sector accounts for over 80% of all employment in sub-Saharan Africa. This constitutes small-scale grocers, retailers, small scale traders in rural and urban areas. They are manufacturers and young entrepreneurs steeping into the scene. These are the people who supply household goods and services. These are a critical group without whom life in our cities would come to a stand-still. This group has been most vulnerable as COVID-19 has meant slowed down their small enterprises. For example, small retailers, groceries, open-air traders, stall owners, who trade under $150 daily, who are the fabric of the informal sector across Africa, have been hit hard. So how will this vulnerable group cope during such shutdowns?

Since the first case of COVID 19 was confirmed in Africa in late February, numbers have grown to over 4,108 and 48 countries in just one month, with 108 fatalities. The impact on the economy continues to unfold. As at March 2020, a 1.4% decline in GDP equivalent to $29 billion has been reported. These losses, which translate to lost jobs, income and enterprise opportunities to the over 1.2 billion people in Africa, have far and wide-reaching effects in compounding a very precarious scenario – where the region already needs to create about 13 million jobs every year.

Africa's informal sector accounts for over 80% of all employment in sub-Saharan Africa. This therefore means anything that that hard hits this informal sector needs to be taken with grave consideration. This is a sector that doesn't understand the language of bank accounts, VAT, and many more but at the end of the day this is the sector that drives the realities of Africa's economies. These are the unsung heroes and heroines of Africa's growth and have been so for a long time. Over 90% of new jobs created in Africa during the 90s for instance were in the informal economy. This sector has also been described as the "present and future" of work in Africa. Under COVID-19 however, this informal sector has been hit hard. At local groceries, shortages in critical consumer goods – driven first by panic buying and second, by the slowing down of the global supply chain in replenishing what was consumed – are becoming common feature.

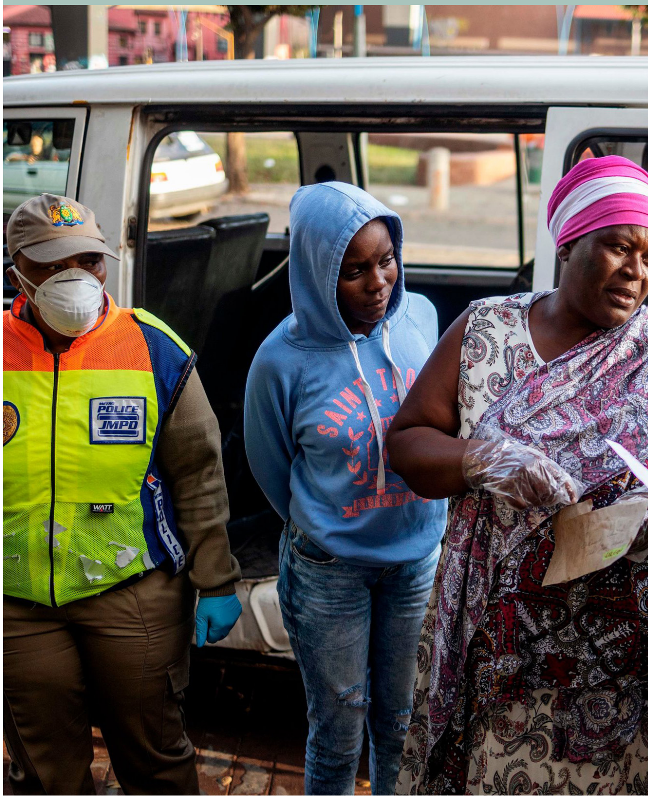
How will these people, who depend upon daily sales for their sustenance, be able to provide for themselves and their families? For those who deal in perishable food items, how will they buffer the losses of rotting stock that ends up unsold due to reduced clientele?

Across the G-20 and indeed globally, countries are framing policy responses to buffer their economies and populations against the repercussions of the COVID-19. The "stimulus package" has arisen as among most formidable policy measures to buffer economies, with some countries offering as high as 20% of GDP as emergency COVID 19 stimulus. The US for instance has announced a package of some $2 trillion. Germany has announced $800 billion. Canada has announced over $50 billion, and the list goes on. Africa has been estimated to need no less than $100 billion.

Countries such as Kenya have taken the first step down this worthy road. But even more important for Africa, a continent whose productivity lags competitors in the global economy by up to 20times, is how such emergency measures can be maximized as investments to accelerate the ongoing charge towards unlocking globally competitive climate action enterprises in the continent under the changing climate.

For example, Africa's agro-market is estimated to be worth up to $150 billion each year in 5 years' time. While it is open to global competition, empowering the local informal sector to take lead in developing competitive local products, that can compete for shelf-space with goods from elsewhere, offers an opportunity for developmental strides in the continent. Enabling this long-term perspective is the trajectory that stimulus packages in Africa should take. Not short-term cash transfers as is the traditional approach currently been used. And for this, the following policy measures can be taken;

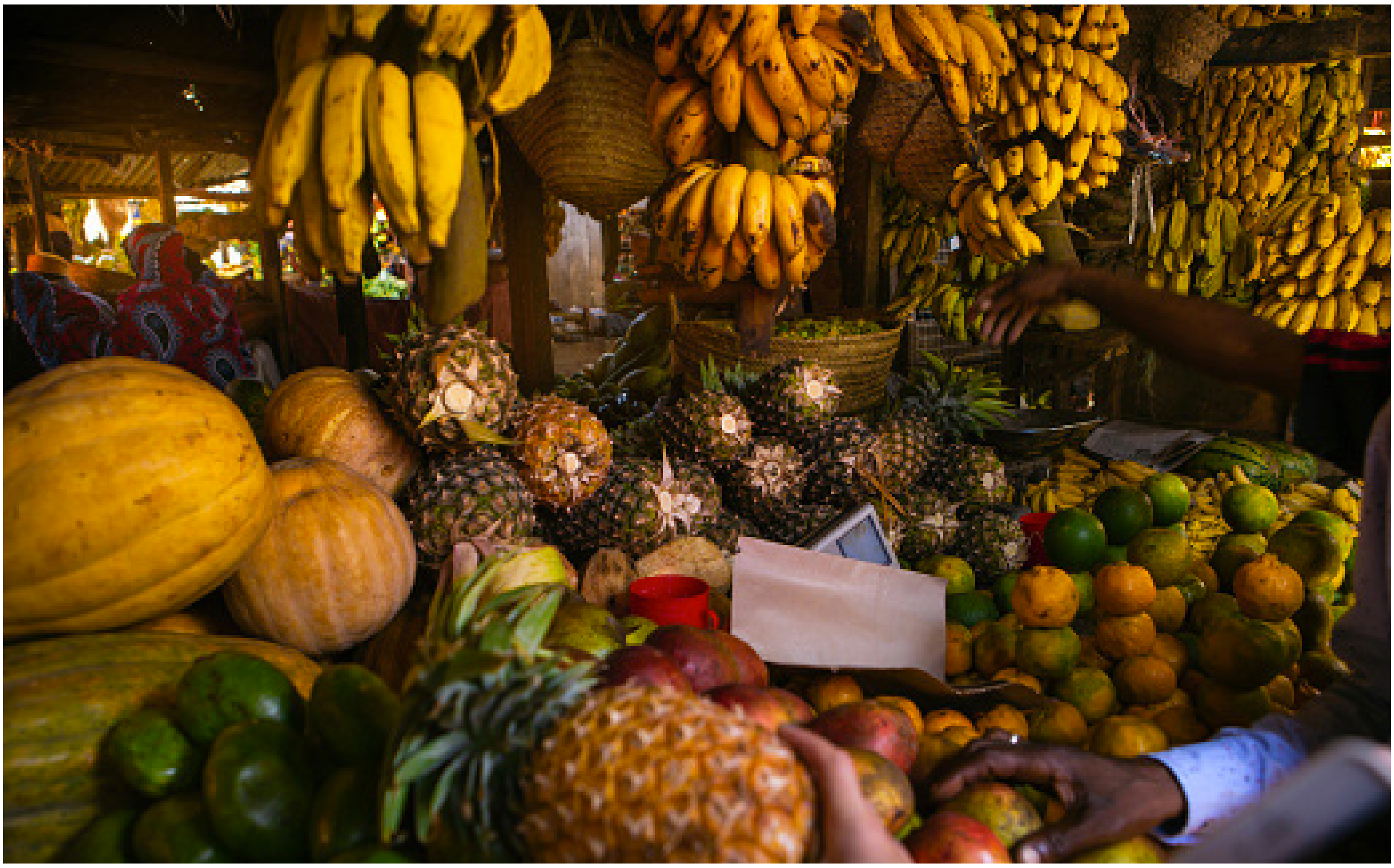
First, prioritize buffering informal sector players in the continent's catalytic sectors. These are economically inclusive sectors – meaning they engage majority of the population. This implies that maximizing their productivity thorough value addition means putting more money in more pockets.



An image illustrating the level of awareness of COVID 19 protection measures and also a part of the population who are still not compliant.

> "Maximizing their productivity thorough value addition means putting more money in more pockets"

A solar dryer showcasing how different produce can be dried and increase their shelf life upon harvesting thus offering new opportunities through renewable energy



An open air market in Africa, the open air market forms the largest majority of the informal sector and mostly deal with fresh produce from small scale farmers

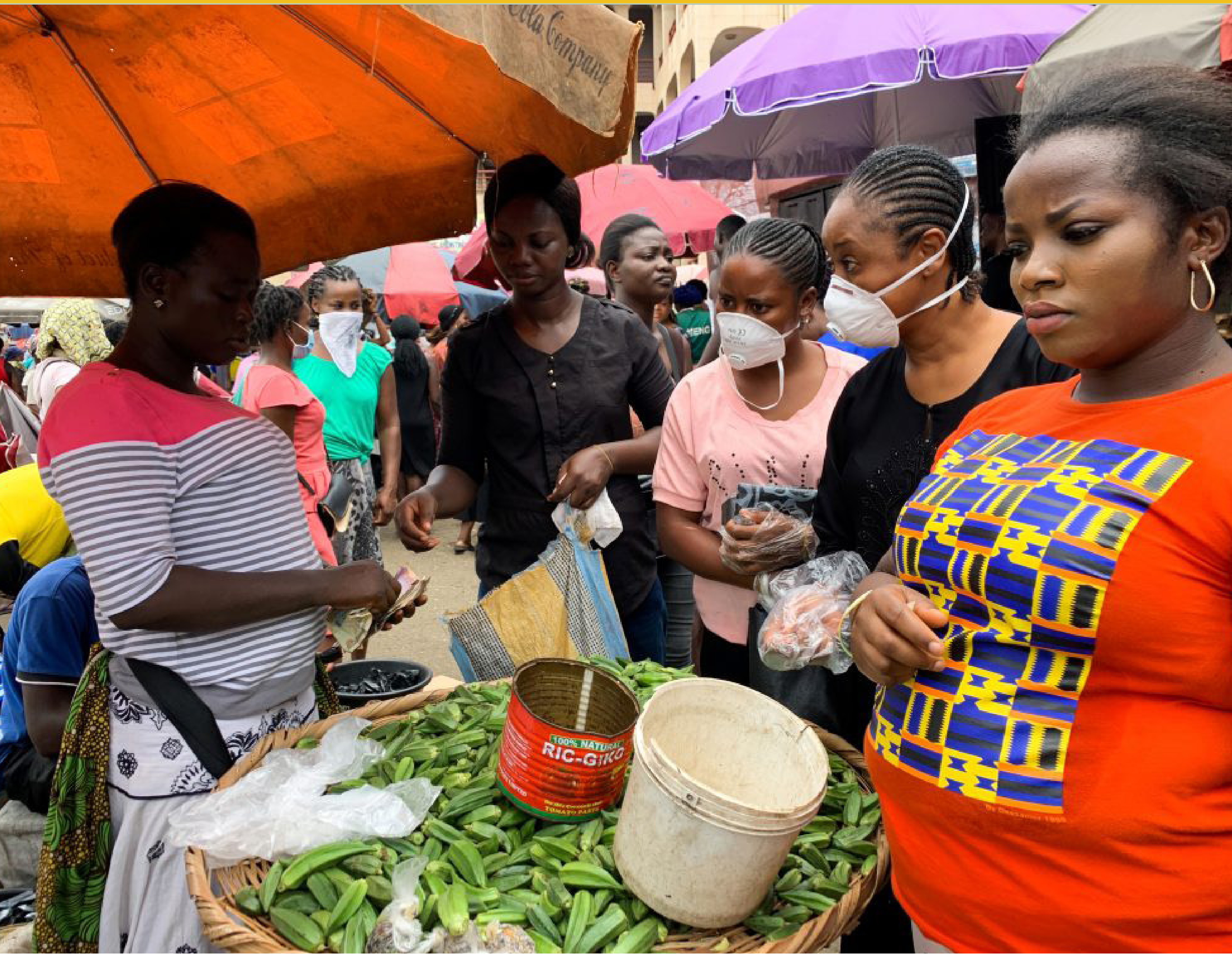
In addition, these sectors can meet both climate and socioeconomic priorities simultaneously. For example, decentralizing solar driers among cassava farmers – where cassava is converted into dried cassava chips that can be preserved for longer, sold to millers to be further processed into cassava flour or eaten as is / or fried into cassava chips, has seen incomes increase by 150% and reduce loss by 30%. Use of solar driers to dry rice has proven to be 48times faster than traditional open sun drying and result in better quality, cleaner, more hygienic rice that fetches more in the market. Decentralizing solar driers to farmers in local markets, to enable them to dehydrate and preserve their harvest that remains unsold at end of day and sell when demand peaks is not only cutting postharvest losses but increasing earning up to 30times.

All these are delivered by innovatively applying an accessible climate solution – solar dryers – which enhances incomes without piling on the emissions that exacerbate climate change in the first place. Stimulus packages being discussed should aim to buffer these players by targeting the structures that they use to conduct their trade. For example, cooperatives are grounded community financing structures for these players. The stimulus could be targeted at cushioning cooperatives against liquidity crunches hence ensure that delayed payments that may arise out of such a slow-down, do not render them insolvent and close them down.

Second is prioritising human capital. A skilled person, capable of turning challenges, into enterprise opportunities is 4 times the value of produced capital and 15 times the value of natural capital. Over years, Africa has overlooked its most important capital – its people, and prioritised physical resources instead

Youth need to be supported to refine, improve and adapt their skills – regardless of disciplinary backgrounds - for application in establishing enterprises in the "catalytic areas of the economy. Stimulus packages should therefore go to create incentives in the form of tax breaks, reliefs, holidays, rebates – to enterprising youth already engaged in these areas, to encourage them and keep them afloat during these turbulent times.

Third, is more in the long term. Even as we ride through the emergency response period, the continent must invest purposefully towards unlocking credit opportunities in the informal sector. But this remains untapped because formal credit structures, the commercial banks, remain reluctant to invest in measuring credit worthiness of players in the informal economy. Over 95% of their transactions are still in cash. Modern technologies such as block-chain offer a way out to evaluate transactions in the informal sector through block chain governance.



COVID 19 is already affecting the socioeconomic advances of the continent. There is the need to drive practical action that will unlock the social, economic and enterprise benefits of various social enterprises in Africa through various intervention policies and how climate action policies can ensure there is better standards in social enterprises and thus also improves quality of life.

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