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Parallel meetings for an in-depth review of progress made and peer learning on the sub-themes of the Regional Forum: Parallel meeting on the sub-theme of reduced inequalities

Background paper on Goal 10: Reduced inequalities

Key messages of the sub-theme

1. The following are the key messages emerging from the integrated analysis of the Sustainable Development Goals, set out in the 2030 Agenda for Sustainable Development, and the corresponding goals of Agenda 2063: The Africa We Want, of the African Union that are covered by this sub-theme:

- The slow reduction in income inequality in Africa was stalled and reversed by the coronavirus disease (COVID-19) pandemic.
- Structural deficits of inequality in access to health and education were deepened through the pandemic.
- The quantity and quality of fiscal policies designed to reduce inequalities need to be strengthened to advance the fulfilment of the 2030 Agenda.
- The dimensions of migration and human mobility must be mainstreamed across sectoral and macroeconomic analysis to provide opportunities and minimize risks.
- Investment must be made in novel approaches and systematic migration data collection and analysis mechanisms with a view to achieving an effective migration governance system.

A. Introduction

2. The present background paper was prepared by the Economic Commission for Africa (ECA) with contributions from the United Nations Development Programme (UNDP) and the International Organization on Migration (IOM).

3. The paper focuses on Goal 10 of the 2030 Agenda for Sustainable Development, namely "Reduce inequality within and among countries". Reducing inequalities and ensuring that no one is left behind is integral to achieving the Sustainable Development Goals. Inequality within and among countries is a persistent cause for concern. Despite some positive signs pointing towards reduced

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inequality in some dimensions, such as reduced relative income inequality in some countries and preferential trade status benefiting lower-income countries, the inequality of income and opportunities persists and has been deepened by the COVID-19 pandemic.

4. Reducing inequality is a theme addressed under several aspirations of Agenda 2063, in particular aspiration 1: “A prosperous Africa based on inclusive growth and sustainable development”. It is also covered by the other aspirations where they strive to leave no one behind and to promote inclusion in jobs and access to services and resources. This is of particular significance to Goal 1 of aspiration 1, calling for a high standard of living, quality of life and well-being for all citizens, and Goal 4, calling for transformed economies and jobs. Significantly, there are references to migration in the Africa 2063 aspirations as set out in the African Union policy frameworks on labour migration governance for development and integration, and public-private partnership for jobs creation and inclusive development.[1]

B. Interlinkages and synergies between the targets of Goal 10 and those of other Goals

5. Goal 10 is closely aligned with many other Sustainable Development Goals and progress on those Goals can therefore facilitate the achievement of Goal 10. First of all, the effects of economic performance as translated into poverty reduction are related to the level of income inequality. Thus, poverty-reducing efforts are affected by the level of income inequality, demonstrating the seamless link between Goal 10 and Goal 1. In addition, given the cost burden to households of the provision of public services and the contribution of these costs to inequalities of opportunities, there are also clear links with Goal 3 and Goal 4 on health and education respectively.

6. Furthermore, progress in the reduction of inequality is linked with indicator 1.3.1 of Goal 1, which relates to the proportion of population covered by social protection floors/systems, by sex, distinguishing children, unemployed persons, older persons, persons with disabilities, pregnant women, newborns, work injury victims and the poor and the vulnerable. In particular, Goal 8, on the promotion of sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all, Goal 3, on ensuring healthy lives and promoting well-being for all at all ages, and Goal 4, on ensuring inclusive and equitable quality education and promoting lifelong learning opportunities for all, are aligned with the eradication of poverty through the provision of basic services and the creation of jobs.

7. There are also clear linkages between Goal 5, on achieving gender equality and empowering all women and girls, and Goal 10, in view of the unequal opportunities for women both in terms of access to public services and labour force participation through the disproportional representation of women in vulnerable groups and in informal employment. Lastly, progress towards the reduction of inequalities must be aligned with the provision of preferential measures to promote their participation in labour markets.

C. Key trends and progress towards the achievement of selected Goal 10 targets

8. The COVID-19 pandemic has exposed significant gaps that have developed over past years. Thus, in 2020, the growth in African gross domestic product (GDP) of just above 3.2 per cent was insufficient to accelerate economic and social progress

[1] See International Labour Organization, Africa’s Agenda 2063. Available at https://www.ilo.org/africa/areas-of-work/labour-migration/policy-frameworks/WCMS_671946/lang--en/index.htm.

and reduce poverty. Growth per capita measures some 0.7 per cent and job creation has not kept pace with the need to provide opportunities to the 29 million young people gaining working age each year.[2] Since 2000, the continent's GDP growth has largely been driven by domestic demand (69 per cent of the total), rather than increases in productivity. African labour productivity, expressed as a percentage of the United States level, stagnated between 2000 and 2018, and the Africa-to-Asia labour productivity ratio declined from 67 per cent in 2000 to 50 per cent in 2019.[3] Furthermore, as the continent's exposure to international commodity price drops of 50 per cent in commodities constituting more than 67 per cent of its exports, and in petroleum oils, representing 40 per cent of its exports and 7.4 per cent of its GDP, has had considerable fiscal implications.[4]

9. Even prior to the pandemic, despite their gains in terms of poverty reduction and lifespans, African countries had struggled to reduce income inequality. The latest available data showed that incomes of the bottom 40 per cent of the population in 7 of the 13 countries in Africa with comparable data increased much more slowly than that of the total population between 2008 and 2015. Globally, in 64 per cent of the countries from which data are available, the income of the poorest 40 per cent of the population grew more rapidly than the national average. In Africa, the comparable figure is much lower, measuring only 46 per cent,[5] coupled with persistently high shares of inactive youth (not in employment, education, or training), wide inequality in education, and large deficits in economic opportunities for women. COVID-19 is expected to exacerbate inequality even more than past crises since measures to contain the pandemic have had disproportionate effects on vulnerable workers and women.

10. In Africa, the high-income inequality expressed as a Gini coefficient is 0.44, nearly 12 per cent higher than for the rest of the developing world.[6] There is a very high likelihood that income inequality will increase still further, owing to the impact of COVID-19. First, the ability to work from home, which has been key during the pandemic, is lower among low-income workers, in particular in the informal sector. Second, the envisaged drop in economic performance has significant distributional effects, with recent estimates reporting a rise in the Gini coefficient of developing economies from 0.39 to 0.42, reverting to the 2008 level, with a probable similar increase in Africa.[7] The estimated effect from COVID-19 on income distribution is much larger than that of past pandemics, in particular in Africa, owing to the complementary inequalities of access to social services by low income groups, gender based factors and rural dwellers.[8]

11. In a manner similar to its effects on income inequality, the COVID-19 crisis has exposed the previous vulnerabilities of access to public services. Inequalities in access to health and health outcomes are particularly evident in Africa. This variation

[2] African Union Commission and Organisation for Economic Co-operation and Development, *Africa's Development Dynamics 2018: Growth, Jobs and Inequalities*, OECD Publishing, Paris; African Union Commission (Addis Ababa, 2018).

[3] African Union Commission and Organisation for Economic Co-operation and Development, *Africa's Development Dynamics 2019: Achieving Productive Transformation* (Paris, OECD Publishing; Addis Ababa, African Union Commission, 2019).

[4] Grace Gondwe, "Assessing the impact of COVID-19 on Africa's economic development" (Geneva, United Nations Conference on Trade and Development, 2020).

[5] Economic Commission for Africa, "COVID-19 in Africa: protecting lives and economies" (Addis Ababa, 2020).

[6] Economic Commission for Africa, *Economic Report on Africa 2017: Urbanization and Industrialization for Africa's Transformation* (Addis Ababa, 2017).

[7] Gabriela Cugat and Futoshi Narita, "How COVID-19 will increase inequality in emerging markets and developing economies", IMF Blog, 29 October 2020. Available at https://blogs.imf.org/2020/10/29/how-covid-19-will-increase-inequality-in-emerging-markets-and-developing-economies/.

[8] Economic Commission for Africa, *Healthcare and Economic Growth in Africa* (Addis Ababa, 2019).

is accounted for by such factors as place of residence (namely, whether rural or urban), wealth and the level of education of the mother. African countries also show significant variation when absolute and relative health inequality measures are applied to compare different groups of people in terms of place of residence, and wealth quintiles (see table 1).

Table 1
Inequality in health for selected African countries

Country		**Under-5 mortality rate (probability of children under 5 dying, per 1,000 live births)**								
		Place of residence			**Wealth quintiles**			**Education level of the mother**		
	Year of demographic and health survey	*Rural*	*Urban*	*Rural-urban ratio*	*Lowest*	*Highest*	*lowest-highest ratio*	*Lowest*	*Highest*	*Lowest-highest ratio*
Cameroon	2011	153	93	1.6	184	72	2.6	175	52	3.4
Chad	2015	149	141	1.1	161	138	1.2	149	131	1.1
Ethiopia	2016	83	66	1.3	90	67	1.3	86	42	2.0
Ghana	2014	63	56	1.1	92	64	1.4	84	54	1.6
Kenya	2014	56	57	1.0	57	47	1.2	58	51	1.1
Malawi	2015	77	61	1.3	83	60	1.4	78	57	1.4
Senegal	2017	69	45	1.5	71	37	1.9	76	30	2.5
Zambia	2013	85	72	1.2	82	43	1.9	109	43	2.5
Egypt	2014	34	23	1.5	42	19	2.2	41	19	2.2
Morocco	2003	69	38	1.8	78	26	3.0	63	32	2.0
Nigeria	2018	155	86	1.8	173	53	3.3	170	56	3.0
South Africa	2016	56	47	1.2	67	41	1.6	75	45	1.7

Source: ECA calculations based on demographic and health survey programme and multiple indicator cluster survey (MICS).

12. In terms of income, the very high out of pocket expenditure (36 per cent) partly accounts for the marginalization of low-income groups from access to health[9] in the continent. Furthermore, gender variation in access to health is of critical importance to the marginalization of women from health. For example, in Central Africa, household wealth matters more than other factors in determining observed inequality in access to basic immunizations. There is substantial variation within this subregion, with an average contribution of household wealth at 73 per cent in Gabon but only 23 per cent in the Congo. Female education emerges as the predominant factor in Cameroon and Chad, contributing on average over 50 per cent to relevant aspects of inequality.

13. Men and women experience the negative effects of health and economic crises unevenly because they typically have different roles in the labour market and the home. In previous recessions, men have tended to suffer greater job losses than women, while women have borne the brunt of increased austerity and cutbacks in

[9] Ibid.

public services because of their role in unpaid (care) work.[10] Early predictions about the COVID-19 crisis, however, cautioned that women would be disproportionately affected in both the workplace and the home.[11] This is because women predominate in many of the retail and service occupations deemed "non-essential" that have been severely affected by the crisis and that cannot be performed remotely, such as those in the personal care, restaurant, hospitality and domestic work sectors.[12] The unprecedented closure of schools and childcare facilities and the scaling back of many non-COVID-19 health-care services resulted in a dramatic increase in care work within households. Given entrenched social norms about who should be responsible for care, it has been predicted that women would bear much of this additional workload.[13]

14. The size of fiscal revenues – as indicated by the tax to GDP ratio – measuring 13.4 per cent of GDP in 2018 in Africa was lower than that of Asia (14 per cent), Europe (25 per cent) and Latin America (18 per cent). Overall, average tax revenues on the continent consistently decreased by 2.8 percentage points from 16.2 per cent of GDP in 2014 to 13.4 per cent of GDP in 2018.

15. In terms of the effectiveness of fiscal policy in reducing inequality, the allocations to health and education of approximately 4–5 per cent of GDP are considered insufficient, given the financing needs and financing gaps estimated at $66 billion for health and $21 billion for education.[14] Increased fiscal allocations are needed to meet such critical needs as increased spending on unemployment benefits, health system strengthening and medical insurance payments; direct support to critical sectors like tourism, hospitality and travel affected by the COVID-19 pandemic, including through loan guarantees, tax exemptions and waivers and reduced utility charges; consumer demand support, such as deferred income tax payments, reductions in and exemptions from value added tax (VAT) and exemptions and waivers of utilities charges and duty waivers on imports of protective personal equipment (PPE), vaccines, COVID-19 test kits and pharmaceuticals.[15]

16. In Africa, social assistance programmes include cash transfers (both unconditional and conditional), food transfers (but not school feeding schemes or emergency food aid) and public works projects. Public works programmes are the second most frequent instrument in all African regions except Central Africa, where they are the most frequent. These may be cash or food-for-work programmes that are permanent. This means that the number of public works programmes counted does not include those cash or food-for-work programmes that are temporary and introduced in response to a crisis. Almost half of African countries have such public works programmes.

17. Cash transfers dominate in the social assistance toolkit and most are unconditional, in contrast to the practice in Latin America, where conditional cash transfers are dominant. West Africa reports the highest number of conditional cash transfers and most of these are conditional on school attendance and health check-ups. Some programmes have both a conditional and an unconditional component. For instance, the Livelihood Empowerment against Poverty initiative in Ghana is

[10] Clare Wenham, Julia Smith and Rosemary Morgan, "COVID-19: the gendered impacts of the outbreak", *Lancet,* vol. 95, No. 1022, pp. 846–848.

[11] Titan Alon and others, "The impact of COVID-19 on gender equality", NBER Working Paper 26947, National Bureau of Economic Research (Cambridge, MA, 2020).

[12] Claudia Hupkau and Barbara Petrongolo, "Work, care and gender during the Covid-19 crisis", Paper No. 002, Centre for Economic Performance, London School of Economics and Political Science (London, May 2020).

[13] Titan Alon and others, "The impact of COVID-19 on gender equality", and Sarah Cattan and others, "Trying times: how might the lockdown change time use in families?" IFS Briefing Note BN284, Institute for Fiscal Studies (London, 2020).

[14] Economic Commission for Africa, *Healthcare and Economic Growth in Africa*.

[15] Economic Commission for Africa, "COVID-19 in Africa: protecting lives and economies".

unconditional for people over 65 years old and conditional for children, who must enrol and attend school and receive vaccinations. In 2015, only two regions had operational social assistance programmes that had been running since the 1980s, and it was not until the 2000s that all African regions had at least one social assistance programme that was still running in 2015. It should be noted that, in West Africa, most programmes are not national (in the sense of nationwide), but run in some districts and not others, and are designed and financed by development partners rather than domestic local resources. They are therefore not yet institutionalized in the way that programmes in Southern Africa are.

18. One important and positive element in this situation is that social protection programmes across Africa are considered policy instruments for poverty and inequality reduction. Furthermore, the life-cycle approach in this regard is applied universally across all age groups and therefore meets the aim of leaving no one behind. This notwithstanding, only 1.1 per cent of GDP is allocated to such programmes as maternity benefits, unemployment benefits, employment injury benefits, disability benefits, and general social assistance and these cover only slightly over half the working-age population. Only 7 per cent of those identified as vulnerable are covered by social assistance. The continent’s moderately good economic growth since 2014 has not resulted in a concomitant increase in job opportunities and has instead further entrenched the situation of vulnerable and informal workers in Africa. This is further exacerbated by the lack of coverage of informal workers by social protection. The International Labour Organization (ILO) estimates that 82 per cent of Africans are without social protection: 61per cent in North Africa and 87 per cent in the rest of Africa, and only a small part of the economically active population is covered by statutory social security schemes, most of which are old-age pension schemes.

19. As an immediate response to the outbreak of COVID-19, fiscal outlays on social protection were stepped up, including on such temporary measures as the three-month wage subsidy in Egypt or the suspension of taxes on small enterprises by Uganda. Implementation of a more resilient set of social protection policies to deal with exogenous shocks of the magnitude of the COVID-19 pandemic constitutes a significant challenge, however.

20. In this regard, Africa has three distinct advantages: its relatively young population; a progressively improving connectivity in terms of both infrastructure and communication; and the greater freedom of movement within its regional economic communities. Migration within Africa almost doubled over the decade from 2008 to 2017, rising from 13.3 million to 25.4 million migrants, an average annual growth rate of 7.5 per cent. Working-age migrants, who totalled 19.7 million in 2017, predominate in the international migrant stock in Africa.[16] Research also shows the increasing feminization of migration in Africa and the heightened vulnerability of migrant women throughout the migration cycle, compared to their male counterparts. Through the African Union Migration Policy Framework for Africa and Plan of Action, 2018–2030, African Union member States acknowledged the positive contribution of migrants to development in the countries of both origin and destination and committed themselves to promoting cooperation and implementing policy and operational measures to address identified challenges faced by migrants.[17]

21. Member states in the Economic Community of West African States (ECOWAS), the Southern African Development Community (SADC), the East African Community (EAC), the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS), the Intergovernmental Authority for Development (IGAD), the Arab Maghreb Union and

[16] International Organization for Migration, *Africa Migration Report. Challenging the Narratives* (IOM, Addis Ababa, 2020).

[17] African Union, “The revised migration policy framework for Africa and plan of action (2018–2027), draft” (Addis Ababa, 2018).

the Community of Sahelo-Saharan States (CEN–SAD) have all taken steps to facilitate free movement of persons, services, and goods within their regions. The key instruments designed to facilitate free trade and free movement of people are the African Union Protocol on the Free Movement of Persons, the Agreement Establishing the African Continental Free Trade Area, Agenda 2063 and the 2018 renewed Migration Policy Framework for Africa.[18]

22. National and regional migration policies, encompassing cross-cutting thematic issues, such as dual citizenship laws, diaspora engagement policies, border management, immigration and labour migration for effective migration management, have demonstrated the potential for the alignment of migration management and governance in the development priorities of African States and regional economic communities. There have been developments, at the levels of both regional economic communities and individual States, in the establishment and the strengthening of key migration governance architectures, such as relevant regional consultative processes, the Interministerial Committee on Migration in IGAD, and national coordination mechanisms in such countries as Ethiopia and Kenya.

23. Many African States have signed, and others have ratified, these instruments. As a result, according to conclusions by the African Development Bank drawn from its visa openness index for 2020, there has been good progress in the openness of, and easing of admission to, African Union member States. African travellers enjoyed liberalized access to 54 per cent of the countries on the continent. The leading countries in Africa where visa openness is concerned were Benin, the Gambia and Seychelles, which now offer visa-free access to all travellers from African countries (see table 2). The number of African countries offering e-visa services also rose from 17 per cent in 2016 to 44 per cent in 2020. In terms of regional progress in visa openness, 16 of the top 20 most visa-open countries in Africa were in East Africa and West Africa, and four in North Africa and Southern Africa. Eight of those countries were in East Africa: Comoros, Djibouti, Ethiopia, Kenya, Rwanda, Seychelles, Somalia and Uganda; eight in West Africa: Benin, Cabo Verde, Gambia, Ghana, Guinea-Bissau, Nigeria, Senegal and Togo. Only one of the 20 countries was in North Africa: Mauritania; and the remaining three were in Southern Africa: Madagascar, Mauritius and Mozambique (see table 2). To date, 33 African countries – representing 61 per cent of the African Union’s member States – have ratified the Agreement Establishing the African Continental Free Trade Area. The Protocol to the Treaty Establishing the African Economic Community Relating to Free Movement of Persons, Right of Residence and Right of Establishment has been signed by 32 countries, constituting 59 per cent of all the continent’s member States. Meanwhile, subregional protocols on free movement – such as those of ECOWAS and EAC – have reduced formalities related to visas or border crossing and facilitated migrant mobility within the respective subregion’s labour markets, in particular for cross-border traders and low-skilled migrants.

24. Although COVID-19 has resulted in travel restrictions and lockdowns in African member States, affecting human mobility within and beyond borders, the relaxation of laws to allow free movement of people on the continent following the start of trading under the African Continental Free Trade Area from 1 January 2021 will lead to greater intra-African migration. To date, 34 countries have signed up to the Single African Air Transport Market, which will contribute to greater air travel connectivity through increased air travel for business and tourism.

25. Integrated border management – an approach deigned to expedite the movement of persons and goods across borders – is gaining ground in Africa. The strengthening of border management information systems and increased efforts to ensure the interoperability of customs and immigration systems – such as the Automated System for Customs Data (ASYCUDA) – are key to this endeavour, as the movement of persons, goods and services are intrinsically intertwined. The one-

[18] International Organization for Migration, *Africa Migration Report. Challenging the Narrative*, p. 95.

stop border-post concept, which continues to gain ground across Africa, represents a coordinated and integrated approach to facilitating trade, the movement of people and security. With about 80 such posts planned or in operation, the approach is set to revolutionize cross-border trade and mobility between countries and the wider regional economic communities. It is important that the interests of human mobility continue to be served by the operation of such one-stop border posts, in particular in the context of the COVID-19 pandemic.[19]

Table 2

Top 20 African countries in terms of visa openness and ratification of regional trade and migration protocols

Country	*Country visa openness rank, 2020*	*Offers e-visa*	*Ratified AfCFTA*	*Agreed to join SAATM*	*Signed PFMP*
Seychelles	1	-	-	-	-
Benin	1	Yes	Yes	-	-
Gambia	1	-	Yes	Yes	Yes
Senegal	4	Yes	Yes	Yes	Yes
Ghana	5	-	Yes	Yes	Yes
Rwanda	6	Yes	Yes	Yes	Yes
Uganda	7	Yes	Yes	Yes	Yes
Guinea Bissau	8	-	-	-	-
Nigeria	8	-	Yes	Yes	-
Cabo Verde	10	-	-	Yes	-
Kenya	11	-	Yes	Yes	Yes
Togo	11	-	Yes	Yes	Yes
Mozambique	13	Yes	-	Yes	Yes
Mauritania	14	-	Yes	-	-
Mauritius	15	Yes	Yes	-	-
Ethiopia	16	-	Yes	Yes	-
Comoros	17	Yes	-	-	Yes
Somalia	17	Yes	Yes	-	Yes
Djibouti	19	Yes	Yes	-	Yes
Madagascar	19	-	-	-	-

Notes: AfCFTA – African Continental Free Trade Area

SAATM – Single African Air Transport Market

PFMP – Protocol Relating to Free Movement of Persons, Right of Residence and Right of Establishment

Source: African Development Bank, *Africa Visa Openness Report 2020*, Abidjan, 2020.

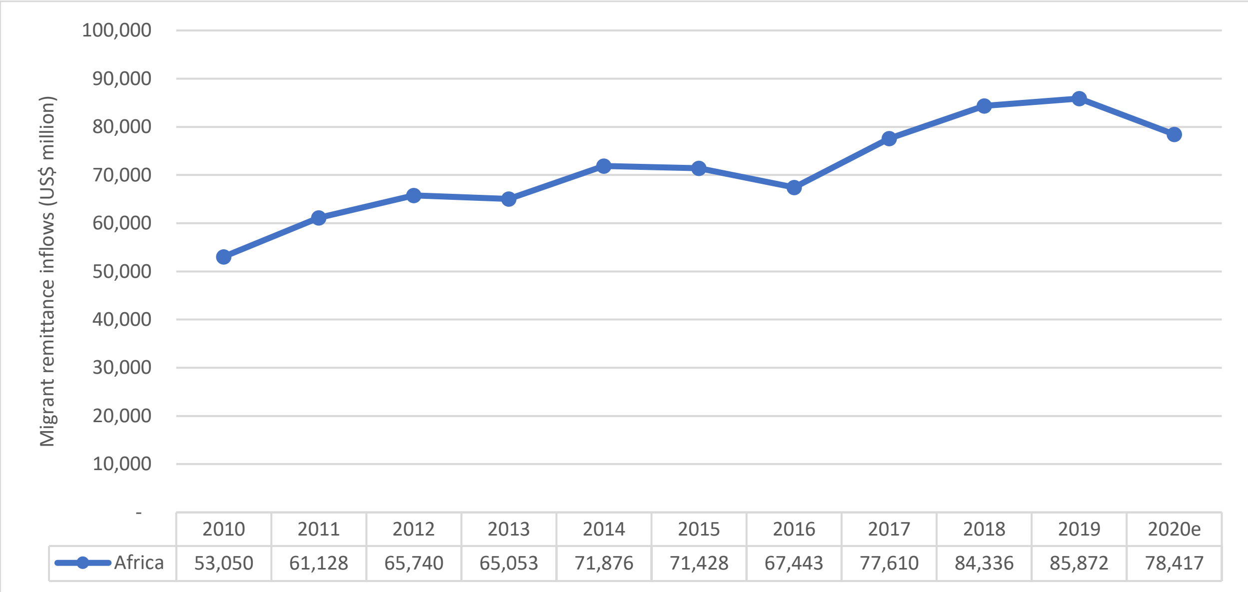
26. The African Union migration centres – the African Migration Observatory in Rabat (inaugurated in December 2020), the African Centre for the Study and Research on Migration, in Bamako, and the Continental Operational Centre in Khartoum, for combating irregular migration – aim to advance the knowledge base of the African continent on migration and mobility and contribute to evidence-based

[19] On the issue of COVID-19 and its impact on migration, see Dilip Ratha and others, “Phase II: COVID-19 crisis through a migration lens”, Migration and Development Brief 33 (Washington, D.C., World Bank, October 2020).

policies and interventions on migration. In addition, as migration data and statistics become increasingly important, the African Union Institute for Statistics, the national statistics offices of African member States and migration data hubs in Africa continue to coordinate, harmonize variables and streamline migration data management processes.

27. Most of the remittances to Africa come from North America, Europe and the countries of the Gulf Cooperation Council, the last of which remits large amounts to North Africa.[20] Within Africa, cross-border traders and travellers move with money that is often not reflected in official transactions and therefore not reflected in official remittance data. The COVID-19 pandemic is expected to lead to a decline in remittances to Africa for 2020. The official World Bank figures, most recently updated in October 2020, show a slight downwards trend, although the final figures from December 2020 are not included (see figure 1).

Figure 1
Migrant remittance inflows to Africa from 2010 to October 2020

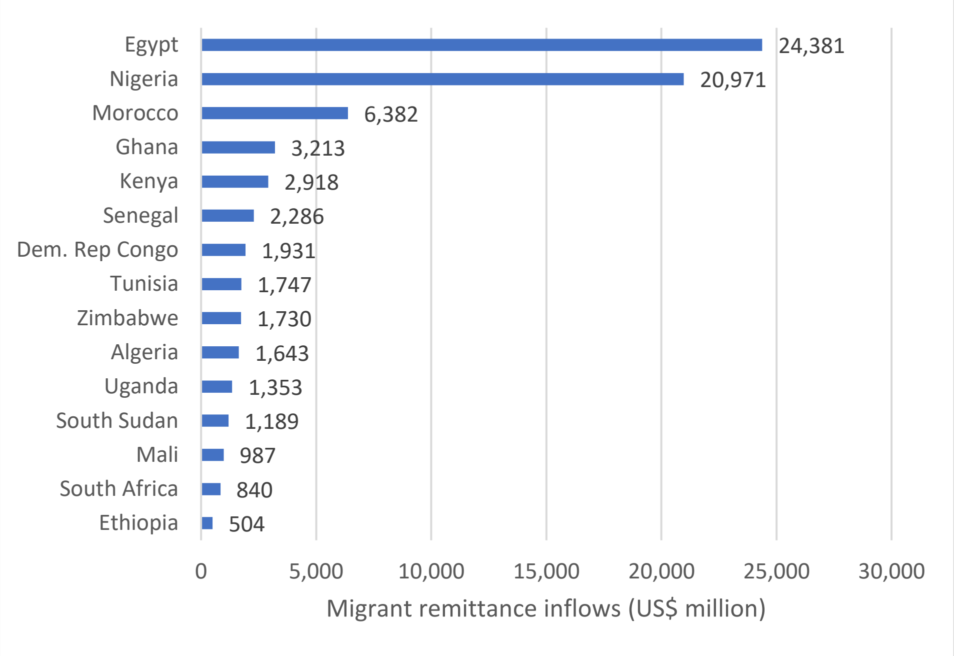


Source: World Bank, "Migration and remittances data (updated as of October 2020). Available at https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed on 18 January 2021).

28. The remittances inflows into the 15 leading African countries in absolute terms are shown in figure 2. The five leading receiving countries are Egypt, Nigeria, Morocco, Ghana and Kenya. The top six countries listed in figure 2, comprising the five leading economies and Senegal, are relatively stable democracies with large diaspora populations in Europe, North America and the Gulf Cooperation Council countries. Of this last group, Egypt has the largest number of workers from other African countries. The remaining countries in the list of the top 15 countries shown in figure 2 are mostly countries with long periods of post-independence internal instability that may have caused many of their nationals to leave in search of opportunities elsewhere (except for South Africa and Algeria).

[20] International Organization for Migration, *World Migration Report* (Geneva, 2019).

Figure 2
Top 15 countries in Africa in terms of remittances from abroad in absolute figures in 2020 (up to October)



Source: World Bank, "Migration and remittances data" (updated as of October 2020). Available at https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data (accessed on 18 January 2021).

29. South Sudan, one of the youngest independent countries in Africa, tops the list of countries in Africa in terms of the percentage share of remittances to their national GDP, with 35.5 per cent of its GDP deriving from remittances. It is followed by Lesotho (20.6 per cent), the Gambia (14.9 per cent), Cabo Verde (11.7 per cent), and the Comoros (10.8 per cent). All five of these countries had remittances accounting for more than 10 per cent of their GDP. They all have large diaspora populations who left the countries mostly in the post-independence years for a variety of reasons. The high percentage of their GDP derived from remittances renders these countries particularly vulnerable to shocks affecting remittances such as the COVID-19 pandemic.[21]

30. Remittances are estimated to constitute 65 per cent of the income of receiving countries and senders spend an estimated 15 per cent of their income on remittances.[22] The cost of remittances to Africa are higher than those to other regions of the world. According to the World Bank, the average cost of remitting the amount of US$ 200 to sub-Saharan Africa in the third quarter of 2020 was 8.5 per cent, well above the global average of 6.8 per cent. The average cost of remitting US$ 200 to the Middle East and North Africa region in 2020 was 7.5 per cent. The cost of remittances to most African countries is higher than the average, however, and is estimated at around 10 per cent.[23]

[21] African Development Bank, *African Economic Outlook 2020. Supplement: Amid COVID-19* (Abidjan, 2020), p. 2.

[22] International Organization for Migration, *World Migration Report*, p. 119.

[23] World Bank, "Migration and remittances data", p. 17.

31. The high costs of such remittances to Africa, with banks levying the highest charges,[24] combined with the identification requirements for sending via official channels, compels many African migrants to use unofficial channels for their remittances. Such informal channels are estimated to account for 50 per cent of the remittances in Africa. The countercyclical increases in remittances to countries such as Egypt and Kenya during the COVID-19 pandemic appear to support this view, as migrants were compelled to use official channels because travel restrictions limited the scope for hand-carrying and the use of other informal channels. Other factors accounting for this may include the favourable exchange rates available to senders as a result of the weakening of currencies in the receiving countries under the impact of the pandemic.

32. The use of digital transfers and the creation of an appropriate technological framework can bring remittance costs down, largely thanks to lower physical infrastructure requirements, as has been the case with mobile money transfers in sub-Saharan Africa. The COVID-19 pandemic provides an opportunity, by increasing digitization and expanding the migrant and diaspora financial ecosystem to enable greater financial inclusion.

33. The Establishment of the African Institute of Remittances in 2015 as a specialized unit of the African Union with its offices in Kenya provides an opportunity for African countries to use evidence-based approaches in implementing interventions that can help to reduce the cost of remittances. Mobile money transfer offers an opportunity for dramatic cost savings. There are significant regulatory hurdles to be overcome, however, as countries retain foreign currency transfer restrictions that impede the widespread use of mobile fund transfers between African countries.

D. Gaps, constraints and emerging issues

34. The main gaps and constraints to achieving the reduction in inequality remain, first, the chronic lack of effective means of implementation – finance, technology and capacity development; second, a lack of reliable data to measure and track progress, including a lack of clear methodologies of sharp increases in inequality; and, third, poor governance, weak institutions and a lack of institutional arrangements for the achievement of the targets. Those gaps and constraints have, to a certain extent, been brought to light by the COVID-19 pandemic.

E. Stepping up the pace and scale of implementation: opportunities for accelerated actions and transformative pathways

35. The pursuit of sustainable development and a clear focus on the economically vulnerable are critical if African countries are to achieve sustained economic growth and reduce inequality. With only 10 years to go until the 2030 deadline for the achievement of the Sustainable Development Goals, more needs to be done to accelerate implementation of the 2030 Agenda. The COVID-19 pandemic, which has hampered economic activity around the world, provides an opportunity for African countries to reassess their priorities and build back better by adopting sustainable and inclusive, resource-efficient and climate-resilient consumption and production patterns in all sectors of their economies.

36. A recalibration of economies in favour of equitable access to social protection and social services and to active labour markets and job creation is crucial to the building of a more resilient future. The recently launched African Continental Free

[24] According to the World Bank in 2020, globally the banks levied the highest charges, at an average cost of 10.9 per cent; followed by post offices, at 8.6 per cent; money transfer operators, at 5.8 per cent; and mobile operators, at 2.8 per cent.

Trade Area, representing a single market of $3.4 trillion and 1.3 billion people, and the migration flows with Africa, which constitute over 70 per cent of migration across the world, offer opportunities that can be further leveraged for an African-led response to the call for sustainable development. This includes harnessing the continent’s youthful population and, at the same time, taking advantage of the portability of skills across national boundaries. This endeavour must be underpinned by leveraging the continental health market in pooling procurement and local production, following the example of the African Medical Supply Platform, whose pooling of COVID-19-related products has created savings of 30 per cent compared to international prices.

37. There is also a need to close gaps in the technological capabilities of countries to promote sustainable development through the use of digital technologies. It is vital to harness the efficiency gains and reduced costs garnered by the use of digital tools in providing education and health services and making remittances. National and regional efforts in that area must be complemented by North-South and South-South partnerships in research and development, innovation and policy development.