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UNDP Africa Policy Note on the Economic Impact of Ebola in Guinea, Liberia and Sierra Leone

Context

1. West Africa is experiencing the worst ever outbreak of Ebola Virus Disease (EVD) globally. What looked like a confined outbreak in a remote community in Guinea in March 2014, in less than five months, has become a complex development challenge, in Guinea, Liberia and Sierra Leone and a threat to economic activities and public health in DRC, Nigeria, and Senegal. The total number of confirmed cases and death stood at 5,800 and 2,800 on Monday September 22 2014¹ - Liberia being the worst hit with 1,698 cases and 871 deaths; Sierra Leone (1,216 and 476) and Guinea (771 and 498). The average fatality ranged from 39.14% in Sierra Leone to 64.59% in Guinea. The EVD fatality in less than eight months surpassed the cumulative sum in 32 years (1976-2008).
2. The outbreak and inability to contain it is a reflection of weak institutional and infrastructural capacities. These include weak human development outcomes, weak health systems, free migratory patterns; persistence of fragility characterized by weak social infrastructure; socio-cultural practices (e.g. the traditional funerals practices), etc. Efforts are still on to mobilize experts and resources towards taming this outbreak from the UN, NGOs, the United States' Center for Disease Control and Prevention and others.
3. The loss of lives, morbidity, restrictions, panics, and aversion behaviours of investors have serious economic impact. What are these impacts?

Economic Impacts

4. The nature of the outbreak imposes serious impacts on the economy. The restrictions on the movement of goods and people have threatened the food chains from production to market access and commerce. Most countries bordering Guinea, Liberia and Sierra Leone have closed their borders – with thousands not having access to their livelihoods and sources of income-including farmers not being able to harvest

¹ See World Health Organization's database on Ebola.

their produce. Even banks in Sierra Leone closed at 1.00 pm thereby restricting access to financial resources for investment and consumption activities. The limited supply of goods and services has started having tolls on prices: the prices of oil, rice and potatoes doubled in Liberia and the price of rice was marked up by at least 30 percent in Sierra Leone. In April alone, inflation rose from 6.39 per cent to 7.8 percent in Sierra Leone². The fact that July and August period is a planting season in the region makes food crisis imminent in early 2015 and beyond in these countries.

5. Substantial resources meant for development work are now diverted to addressing public health implications of the outbreak. For instance, most UN development resources in these countries have been reprogrammed to address this emergency. The World Bank is also reprogramming along this line.
6. Aversion behaviour of trade, business and tourism partners could exacerbate aversion behavior that could result in short and medium term economic impact. British Airways, Emirates, Kenyan Airways and Air Cote d'Ivoire have already halted flights to some affected countries. As tourists cancel their bookings and movements within countries, local hotels and restaurants suffer from a slump in their business resulting in employment lay-offs and slowdown in economic activities of other sectors that depend on hospitality sector. The popular Lumley Beach in Sierra Leone, known for expatriates' patronage, is now completely deserted.
7. Some mining companies, the main source of formal employment and revenues to government, have closed down part of their operations. The China Union³, a firm that ships iron ore in Liberia; Dangote Cement company in Liberia; Vale, the world's largest iron ore producer, operating in Guinea⁴; and Marampa iron-ore mine in Sierra Leone all sent their workers home⁵. Sime Darby, the world's largest palm oil producer, also reduced output in Liberia, and Sifca Group, an Ivory Coast agribusiness, halted rubber production in Liberia.
8. The close down or lull in business operations is not in terms of job losses and profits to companies but also in terms of limited fiscal space for governments. The fiscal impact is quite large for Liberia - \$93.00 million (4.7% of GDP), \$79.00 million for Sierra Leone (1.8% of GDP) and \$120.00 million for Guinea (1.8% of GDP). This could worsen if the EVD is not contained quickly.⁶
9. The potential loss in production and short and medium-term productivity due to slackened economic activities induced by the EVD has telling effects on the countries' GDPs. Bloomberg has projected the combined losses in the gross domestic product of Guinea, Liberia and Sierra Leone to be about \$13 billion⁷. The estimates from the World Bank shows that the fall in GDP in 2014 could range from 2.1percentage points (Guinea) to 3.3 percentage points (Sierra Leone) and 3.4 percentage points (Liberia). If the outbreak is not effectively contained, the effects could be devastating by 2015: ranging

² See the Briefing note to RC/RR on economic and social impacts of Ebola in Sierra Leone, 17/08/2014.

³ See the 16 August Economist 2014.

⁴ See <http://www.bbc.com/news/business-28865434>

⁵<http://www.businessweek.com/articles/2014-08-21/ebola-outbreak-west-african-economies-face-devastation>

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⁷<http://www.businessweek.com/articles/2014-08-21/ebola-outbreak-west-african-economies-face-devastation>

from 2.3 percentage points (Guinea) and 8.9 percentage points (Sierra Leone) and 11.7 percentage points in (Liberia). This could turn Liberia from its net growth of 6.8 per cent to -4.9 percent in 2015.

Key Conclusions

- 10.** The economic impact of the outbreak is high – ranging from job losses and low revenue to low productivity and low growth. These could reverse the gains achieved on the MDGs, especially poverty, food security, child and maternal health. Greater community engagement in the preparedness and response is imperative. Enhanced and coordinated international community's support is critical, with about \$1 billion estimated as resource requirement over the next few months. To this end, the UN has set up the United Nations Mission for Ebola Emergency Response (UNMEER), which is aimed at stopping the outbreak, treating the infected, ensuring essential services, preserving stability and preventing further outbreaks and has also established the Ebola Multi-Partner Trust Fund to ensure a coherent UN system contribution to the overall response. The support should not be restricted to only humanitarian response. It should also include fiscal support, infrastructure support including withdrawal of seemingly virtual economic blockage, and strengthening the surveillance, detection and treatment capacity of the health system.