



Empowered lives.
Resilient nations.

UNDP Africa Policy Note

Vol. 1, No. 2, 10 Oct. 2014

Ebola Virus Disease (EVD) imposes substantial loss in household incomes in Guinea, Liberia and Sierra Leone

Context

1. Ebola has become one of the most complex development challenges in Guinea, Liberia and Sierra Leone. As at 22 September 2014, the total number of confirmed cases and death stood at 5,800 and 2,800, respectively,¹ and the trend is rising. Liberia is the worst hit (1,698 cases and 871 deaths) followed by Sierra Leone (1,216 and 476) and Guinea (771 and 498). The average fatality ranged from 39.14 percent in Sierra Leone to 64.59 percent in Guinea, and health personnel are also affected. The EVD fatality in less than eight months surpassed the cumulative sum in 32 years (1976-2008). Overall fatalities were over 54 percent of the confirmed cases in these three countries; interdependence across countries makes containment challenging. EVD is not only confined to these three countries, but has also spread to the Democratic Republic of the Congo, Nigeria, Senegal, Europe and America.
2. The outbreak and inability to contain it are a reflection of weak institutional and infrastructural capacities, including weak health systems, free migratory patterns, the persistence of fragility characterized by weak social infrastructure, and socio-cultural practices. Although national and global efforts to tame the disease have increased, EVD is yet to be contained. And it has continued to threaten economic activities, productivity, livelihoods and employment in the three epicentre countries. The loss of lives, morbidity, restrictions, panic, and aversion behaviour of households, market agents and investors have serious effects on households' incomes.

Loss in households' incomes

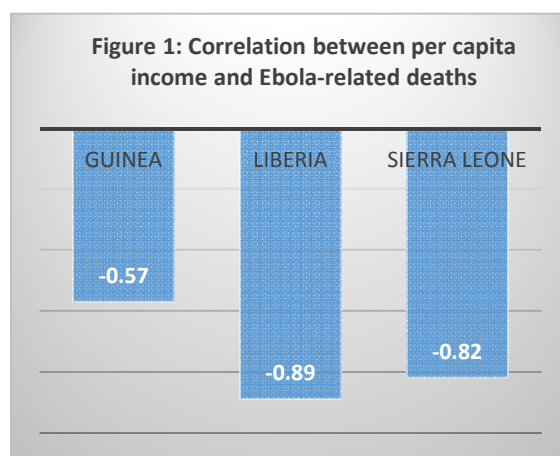
3. The outbreak, if not effectively contained and managed, could reverse much of the economic and social gains achieved (including the Millennium development Goals, or MDGs) over the past decade. The annual growth in these three countries, between 2000 and 2013, averaged 2.79 percent (Guinea), 8.21 percent (Sierra Leone) and 10.18 percent (Liberia). They have started to feel the deleterious impact of EVD on economic growth. The short-term impact on gross domestic output

¹ See the World Health Organization's database on Ebola [<http://www.who.int/csr/disease/ebola/en/>]

has been estimated at 2.1 percentage points in Guinea (reducing growth from 4.5 to 2.4 percent); 3.4 percentage points in Liberia (reducing growth from 5.9 to 2.5 percent); and 3.3 percentage points in Sierra Leone (reducing growth from 11.3 to 8 percent). This forgone output corresponds to US\$359 million in 2014 prices. However, if EVD is not contained, these estimates could rise to US\$809 million in the three countries alone. In Liberia, the hardest hit country, the impact of a high Ebola scenario could reduce output by 11.7 percentage points in 2015 (reducing growth from 6.8 percent to -4.9 percent).²

4. The potential loss in production and short- and medium-term productivity due to slackened economic activities induced by the EVD has telling effects on households’ livelihoods, jobs and income. This could pose some negative impact on their health, children’s and wards’ education attendance and performance as well as the overall poverty and MDG situation. Morbidity and mortality could also pose serious threats to households’ incomes, especially when the ‘bread winner’ or head of household dies or is seriously sick. This not only leads to loss of productivity, but also breeds a high dependency ratio. This increases the level of vulnerability and could increase the number of people falling below the poverty line. Some indirect effects further compound this reality. Stigmatization in these three countries creates discrimination against households and communities with Ebola: neighbours, drivers and traders avoid them. In turn, to a large extent, this reduces their access to food and basic services.

5. The strength and direction of the linear relationship between household incomes (using per capita income), and mortality and morbidity associated with EVD is strong across the three countries.³ The direction of relation in the countries is negative and it is strongest in Liberia; followed by Sierra Leone (Figure 1). High incidence of EVD is associated with a substantial reduction in household incomes. For instance, Lofa Country, one of the heavily affected areas in Liberia, is self-sufficient in rice and produces 20 percent of rice in the country.⁴ With the



² See www.worldbank.org/en/news/press-release/2014/09/17/ebola-economic-impact-serious-catastrophic-swift-response-countries-international-community-world-bank

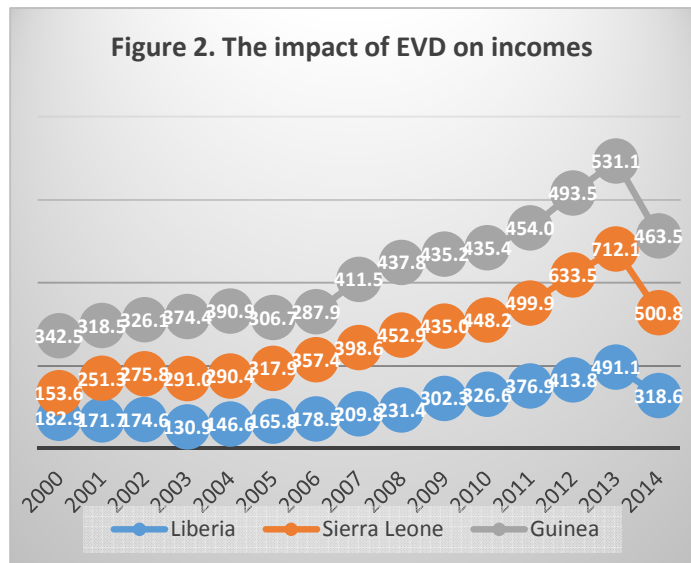
³ The strength of the correlation index is measured between 0 and 1; the close it is to 1, the greater the strength. The sign (+ or -) shows the direction of relation.

⁴Patrick Hettinger, “Beyond the health crisis, Ebola hits Liberia’s economy hard”; www.afdb.org/en/blogs/measuring-the-pulse-of-economic-transformation-in-west-africa/post/beyond-the-health-crisis-ebola-hits-liberias-economy-hard-13431/

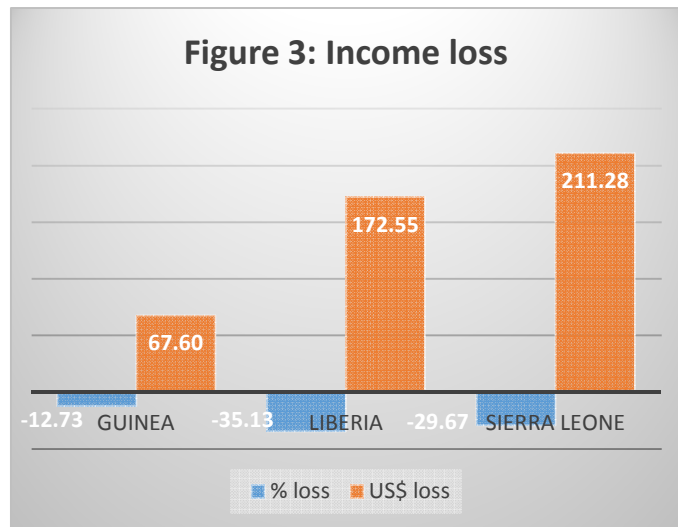


high rate of morbidity, mortality and restrictions of movement, most farmers could not harvest their produce. This cuts the farmers off from their livelihoods and incomes.

- The gains in household income over the past one and a half decades are being destroyed by EVD (Figure 2). Guinea, Liberia and Sierra Leone have consistently experienced an improved level of per capita income since 2001, averaging an annual growth rate of 4.33 percent in Guinea, 8.74 percent in Liberia and 13.50 percent in Sierra Leone. The outbreak of EVD, in just six months, has led to severe loss in household incomes – 35.13 percent (Liberia), -29.67 percent (Sierra Leone) and -12.73 percent (Guinea) (Figure 3).



- The shocks to income could make people more vulnerable and could reverse the gains made in poverty reduction in some of these countries. For instance, the reduction in poverty from 92.61 percent in 1991 to 43.31 percent in 2007 in Guinea could be reversed. A similar trend is also observed for Sierra Leone. The impact of loss in per capita income varies from one income group to another; the most severe burden is on people in the lowest quintile. Using the absolute poverty line of US\$1.25 as a benchmark, the ‘day equivalent’ of loss in per capita income in the three countries is more revealing. For people already living at the margin of absolute poverty line (\$1.25 per day), this results in not having income for the basics for 54 days (Guinea), 138 days (Liberia) and 169 days (Sierra Leone).



- The loss of farm harvest to farmers, reduced passengers for transport operators, temporary and occasional closure of markets, partial operations of banks, total restrictions of movements to artisans, closure of government offices and laying off of workers in mines and other companies all contributed into substantial loss in households’ incomes. The rising trend in price movements in these countries also has some telling effects on households’ real income arising from weak purchasing power.



Key Conclusions

9. The income effects of EVD is high and could undermine the achievements made on the MDGs over the past decade, especially in poverty, food security, education, child and maternal health. A sharp drop in income, ranging from around 12.00 to 35.00 percent, is a recipe to restiveness, which could further reverse the progress made in peace building, national building and stability in Guinea, Liberia and Sierra Leone. This calls for urgent actions to stop the outbreak and address the serious hardship it is imposing on communities and people, including loss of income, livelihoods and jobs. Livelihood regeneration, income support and safety net programmes must be institutionalized in seriously affected communities. Government needs to identify direct and indirect channels through which EVD affects household incomes (including stigmatization) and should institute proactive awareness-raising programmes to educate and re-orientate communities and investors on these issues. This must be complemented with enhanced capacity to treat affected people, provide essential services, and prevent the spread of EVD to other areas.

