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## COLONIAL LEGACIES

Outdated attitudes  
still mark international  
relations

## COVID-19

On behalf of WHO, global  
pandemic response has  
been evaluated

## MACROECONOMICS

Central banks are paying  
increasing attention to  
climate risks



# Middle-class prosperity

## Magazine

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## Focus: Middle-class prosperity



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## FOCUS

# Middle-class prosperity

## Development opportunities

An unprecedented large share of the world population belongs to the middle class today. Covid-19 has had a detrimental impact, but Homi Kharas of the Washington-based Brookings institution told D+C/E+Z in an interview that he expects a fast recovery. He also explained why the growth of the middle class goes along with considerable development opportunities. **PAGE 18**

## Myths and reality

Africa needs good jobs, a fair income distribution and social safety nets for a strong middle class to evolve. That is the assessment of Ndongo Samba Sylla who works in the Dakar office of the Rosa Luxemburg foundation. Henning Melber, a German-Namibian scholar, agrees, emphasising that the term middle-class is rather nebulous. The full truth is that, in some places, members of the middle class are thinking about immigration. Nigeria is an example, as journalist Ben Ezeamalu reports from Lagos. **PAGES 21, 23, 25.**

## Unfulfilled promises

Growth in itself does not create middle classes. As Oxfam's Duncan Green elaborated in a D+C/E+Z interview, institutions matter very much, and prudent development strategies must take that into account. He compares free-market orthodoxy, which did not deliver the formal-sector jobs that its proponents promised with industrial policies that did foster development. **PAGE 26**

## Unsustainable patterns

Western societies are geared to maximising consumption. The focus is on the gratification of spontaneous desires, not the fulfilment of fundamental needs. As purchasing power increases around the world, the unsustainable western model is copied in many places. Mahwish Gul, a Nairobi-based development consultant, warns that planetary boundaries must be respected. In Benin, middle-class prosperity has often proved unsustainable in business terms too, as journalism teacher Karim Okanla reports. **PAGES 28, 30**

## Stalled progress in Nepal

Covid-19 and economic slump have darkened people's prospect in Nepal. The deeply entrenched caste system is another obstacle to development. Rukamanee Maharjan of Kathmandu's Tirbhuvan University assesses matters. **PAGE 31**



# Foundations of broad-based prosperity

Large middle classes mark advanced economies. The people concerned are wealthy enough not to worry much about what may happen tomorrow, but not rich enough to maintain their livelihoods without income-generating work. They feel able to shape their fate because, in the course of their lives, they have many options (education, profession, where to live).

Middle classes are pillars of national social-protection systems, and their lifestyles are secure due to these systems. National health services and pension schemes ensure that needy relatives do not overburden a family financially. Government-run schools and universities make good education affordable. Public infrastructure matters very much – from water and power supply to transport and telecommunication networks through to cultural services like public libraries. Public housing projects, moreover, contributed very much to solving urban slum problems.

None of this would have happened without economic growth, but more was needed to create the broad-based prosperity evident today in Europe and North America. Middle classes expanded because policymakers solved potentially explosive social problems. In the late 19<sup>th</sup> century, for example, Germany's Chancellor Otto von Bismarck pioneered protection schemes. Reforms eventually turned what started as a revolutionary labour movement into a well-represented interest group, the organisations of which became crucial supporters of the constitutional order. Things are not much different in other prosperous nations.

In past decades, the number of people who are no longer threatened by hunger and thus absorbed by immediate needs has grown dramatically around the globe. In the early 1970s, about one third of the world population was poor in that sense. Today, their share is about 10%, while the number of human beings doubled from about 3 billion to not quite 8 billion today.

Increasing purchasing power has changed lifestyles in many countries, and especially so in urban areas. Among some experts, the growth of middle classes inspires hope. They expect their members to do two things: Aspiring people will be eager to increase their wealth and their industriousness will create opportunities for others. At the same time, upwardly mobile people will demand a say in public life, promoting and entrenching democratic attitudes.

What looks plausible in theory, often turns out to be more complex in real life. Two things need to be considered:

- Middle-class lifestyles depend not only on purchasing power, but just as much on institutions. Even when wages rise, the informal sector does not generate broad-based prosperity after all.
- While some members of the middle class may fight selflessly for democratic change, adaptation to an existing order is more common, especially when one's family is doing well.

In view of the global environmental crisis, moreover, it has become increasingly clear that the western model cannot be copied everywhere. Sustainable consumption patterns that would facilitate the global eradication of poverty must yet be developed. The implication is that serious changes are needed in advanced nations. Otherwise, the international community cannot achieve the Sustainable Development Goals (SDGs).

► You'll find all contributions of our focus section plus related ones on our website – they'll be compiled in next month's briefing section.



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## Magazine



### Profit plus staff welfare

Coliba is a young private-sector company that specialises in plastic waste recycling in Abidjan, the capital of Côte d'Ivoire. Co-founder Genesis Ehimegbe elaborated the business model in a D+C interview. The triple goal is profitability, environmental protection and staff welfare. **PAGE 4**

### Overburdened system

Coronavirus has overwhelmed public health care in Brazil, even though this social-protection system had proved its worth 10 years ago in its response to the H1N1 pandemic (swine flu). Rio de Janeiro-based journalist Thuany Rodrigues writes about why things are not working out that well this time. **PAGE 9**

## Debate



### Partners for net-zero strategies

Central banks are increasingly paying attention to climate risks. They must ensure that capital flows to companies with sustainable business models. At the same time, the private sector needs predictability in order to bear the burdens of the inevitable environmental transformation. José Siaba Serrate, an economist at the University of Buenos Aires, assesses matters. **PAGE 13**



Workers at the recycling facility.

PLASTIC

## Profits plus staff welfare

**Coliba is a young formal-sector company that specialises in the recycling of plastic waste in Abidjan. One of its co-founders elaborates the business model.**

**Genesis Ehimegbe interviewed by Ron Ssegujja Ssekandi**

**In what sense is plastic waste a problem in your country?**

Côte d'Ivoire only recycles about three percent of the plastic used here. The Abidjan agglomeration with more than 5 million people accounts for 290 tons of plastic waste daily, which almost entirely ends up in the environment. Plastic waste is everywhere, including in the ocean. Our country still does not have a systematic approach to tackling the problem. African governments grapple with many problems, but environmental awareness is slowly growing. So, we see this problem as an opportunity to create decent jobs for people living in disadvantaged communities.

**What does your company do?**

We've developed a mobile application that connects households and small businesses with our formal waste collectors. In exchange of plastic waste, households receive

points that can be converted into basic food stuff, while the informal collectors get paid. Our actual collection capacity is 1,500 tons per year. We have a recycling plant where all the PET we collect are being transformed into high-quality flakes that serve as input in plastic manufacturing. In Africa, the market is still tiny, so we sell our flakes to clients in European countries. Apart from helping to protect Abidjan's environment, we are creating jobs. Currently, we have 35 full-time employees, including the management team and the recycling-plant staff. Seventy-five percent of our staff are women. Additionally, we provide work to more than 100 waste collectors, mostly women. Waste collection is an informal livelihood in our country. We believe that a company must look after its workers, so we do our best to balance profitability and staff welfare.

**Have you broken even yet? And where do you see your company five years from now?**

We expect to break even by 2023. Our total revenue is currently less than 1 million euros per year. Right now, we are investing massively in waste collection infrastructures and in a new recycling plant to enable us to recycle 15,000 tons by 2025. Huge volume of plastic is needed to make a recycling

business profitable. In 2025, we hope to employ 350 permanent staff and 6,000 informal waste collectors. Moreover, we plan to expand our operations to other West African countries like Senegal or Nigeria.

**Plastic recycling is difficult. The quality tends to deteriorate over time due to the mixing of different types of plastics. What implications does that have?**

Yes, the quality of recycled plastic depends mostly on the quality of its sorting. Which is the reason why we focused on collecting directly from the source. We also train informal collectors on how to better sort their waste. With the coming of our optical sorting machines, we would be able to solve a major part of this issue. We focus on PET, HDPE, PP and PE plastics. These chemicals are recyclable and less toxic.

**How does Coliba protect its staff and waste collectors from exposure to toxins and unhygienic spaces where garbage is collected?**

The safety of our staff and employees matters very much. We recognise the risks. We provide protective gear like gloves and masks as well as soap. That is standard operating procedure (SOP) at our recycling plant, and we make these things available to the garbage collectors as well. That has become especially important in the Covid-19 pandemic, of course. We could not afford to shut down, because that would have been financially devastating. Moreover, waste collection and recycling cannot be done from home. Only 10 of our staff can work remotely – and we insist that they do that. Nonetheless, our operations slowed down during the pandemic. Many businesses like restaurants and hotels that produce plastic waste closed after all. At the same time, waste collection from homes and private businesses also declined. People became hesitant to let outsiders into their private spaces.



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Pursuing geostrategic interests, western powers are still involved in former colonies' politics: Emmanuel Macron arriving in Nouakchott, the Mauritanian capital, in June 2020 to attend a meeting of the regional organisation G5 Sahel.

## INTERNATIONAL RELATIONS

## Postcolonial perspectives

**Power relations that were shaped by colonial powers still mark international cooperation. This has been criticised again and again, but only to little effect. For matters to improve, institutions must not only reckon with the past, but mainstream such reckoning in their operations.**

By Myriell Fußer, Adrian Schlegel, Tanja Matheis, Julia Fritzsche and Florian Vitello

Criticism of development cooperation from postcolonial and post-development perspectives has been expressed for decades, but it has not made much of a difference. If you compare the analyses included in „The Development Dictionary“, a book published in 1992, with those in its sequel of 2019, you

will get the impression that power relations that are marked by colonialism have hardly changed.

Those who criticise imbalances in cooperation are often told that they certainly have a point, but that their reasoning is too abstract and too far removed from day-to-day operations. Attempts to bridge those divides have been made for many years. Legitimate criticism from postcolonial and post-development perspectives must be taken seriously.

An important goal of development cooperation is to reduce inequalities and fight marginalisation. Accordingly, elements of discrimination in cooperation are not acceptable. We are convinced that it is indeed necessary to move beyond ideas of develop-

ment that are rooted in colonial times. Aram Ziai and Julia Schöneberg have recently raised this demand in D+C/E+Z (Focus section of e-Paper 2020/09). In our eyes, they are right. At the same time, we acknowledge that a strong global network, which can facilitate solidarity and the sharing of knowledge, is needed for an equitable and environmentally sustainable future.

### PERMANENT CRITICAL DISCOURSE

Inequality marks both the structures and the procedures of global cooperation. It must be reduced. For that to happen, historically grown power relations must be deconstructed in critical discourse. As postcolonial studies have shown, colonial thinking still facilitates economic exploitation. It also enables geo-strategically motivated interventions in conflicts and leads to the suppression of non-Eurocentric knowledge.

To drive change, organisations must therefore engage in recurring reassessments

of these matters. It is crucially important that this must happen in global networks in which voices from the global south are not only present, but indeed heard. The newly forged networks of the Global Tapestry of Alternatives, the Global Partnership Network or the EU COST Action Decolonising Development may provide good examples in the next few years.

Institutional racism is a core element of unequal power relations. It must be tackled head on. Reoccurring anti-racism training makes sense, for example. In Germany, the Akademie für Internationale Zusammenarbeit (academy for international cooperation), the independent association *glokal* and other organisations run voluntary workshops.

### EXCHANGE AND COOPERATION IN PARTNERSHIP

Critically assessing global power relations is not enough. It must lead to structural change. The motto „think globally, act locally“ deserves more attention in development cooperation. Sending white experts to places of which they have a poorer understanding of cultural, social and political dynamics than local people is often problematic. Instead, a system should be established that is geared to cooperate on projects organised by the people concerned themselves. Such projects could benefit from the knowledge and the aspirations of activists from grassroots organisations.

Approaches of this kind are being taken in civilian conflict transformation, for example. Peace Brigades International is a civil-society organisation that promotes peace and human rights. It supports human-rights defenders in crisis regions, ensuring international attention, whilst also respecting the principle of non-interference. This international organisation only becomes involved in a project when local partners ask it to do so. Moreover, that project must fit Peace Brigades' own guidelines.

All too often, international cooperation takes place in a murky context in which neither the legal framework nor the precise jurisdiction of agencies is spelled out clearly. Transparency and accountability must be prioritised more. For practical purposes, this means that an information infrastructure is needed that gives people easy access to data pertaining to a project. Moreover,

accountability mechanisms should ensure justice across borders. The World Bank Inspection Panel is a good example. Though it has been accused of not being entirely barrier free, it has certainly heard the voices of people concerned and contributed to more sensitive project designs and project operations.

### LIVING WELL WITHIN PLANETARY BOUNDARIES

In our time of climate crisis, postcolonial perspectives tell us that the world economy must be transformed in an equitable and sustainable way. It does not make sense to continue assessing the success of a country or a region by relying on indicators that do not take into account earth's limited resources. Further growth based on resource extraction is not acceptable. We should take the „planetary boundaries“ by the Stockholm Resilience Center as a reference point. Its research shows that the international community has already begun to breach critical limits, especially with regard to biodiversity and biochemical cycles.

Generally speaking, the global north has exceeded its resource budget due to centuries of colonialism and industrialisation. Concepts for an equitable global economy are needed in view of the concentration of wealth in the hands of the few and the dramatic imbalances between the global north and the global south.

Good practices for transcending economies built on excess and focusing on social welfare and environmental health exist all over the world. One example is the *Buen Vivir* principle, a pluralistic notion of a good life shared in diversity (see Philipp Altmann in Focus section of D+C/E+Z e-Paper 2020/09). *Buen Vivir* is based on the values, experiences and practices of indigenous communities in Latin America, especially in Ecuador and Bolivia. Both countries have enshrined it in their constitutions, which spell out rights for nature as well as a fundamental right to water, for example. The dogma of economic growth must be challenged. We need models of economic activity and living together that fit local contexts. Establishing alternative economic models should be a priority of development cooperation too.

In sum, it is high time to institutionalise a critical discourse reflecting one's

own mode of operation. That kind of discourse will ultimately allow us to make use of the insights from postcolonial and post-development studies for practical purposes.

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#### LINKS

**Global Tapestry of Alternatives:**

<https://globaltapestryofalternatives.org/>

**Global Partnership Network:**

<https://www.uni-kassel.de/forschung/global-partnership-network/about-us>

**EU COST Action Decolonising Development:**

<https://decolonise.eu/>

**Kornprobst, T., et al., 2020: Postcolonialism & post-development. Practical perspectives for development cooperation. FES Scholarly Working Group on Global Development and Postcolonial Issues.**

[https://www.researchgate.net/publication/343583342\\_Postcolonialism\\_Post-Development\\_Practical\\_Perspectives\\_for\\_Development\\_Cooperation](https://www.researchgate.net/publication/343583342_Postcolonialism_Post-Development_Practical_Perspectives_for_Development_Cooperation)

[https://www.researchgate.net/publication/343583342\\_Postcolonialism\\_Post-Development\\_Practical\\_Perspectives\\_for\\_Development\\_Cooperation](https://www.researchgate.net/publication/343583342_Postcolonialism_Post-Development_Practical_Perspectives_for_Development_Cooperation)



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A social-media troll army has helped Venezuelan President Nicolás Maduro cling to power.

## CYBER WARFARE

## Strong clout in digital space

The rapid growth of digital technology has a bearing on global power relations. However, cyber capability is still often ignored. Governments can use cyber power to manipulate public opinion as well as to inflict severe humanitarian and financial damage. Espionage, digital propaganda and targeted disinformation matter very much. An essay published by Konrad Adenauer Foundation (KAS) assesses the matter.

By Rishikesh Thapa

Cyber space offers various opportunities for causing harm, including temporary shutdown of services via distributed denial of service (DDOS), swatting (hoax calls to police, fire services and emergency doctors) and assault on infrastructure through malware. In the future, cyber destruction can prove catastrophic and may seriously affect civilian entities as well as military units, write Jason Chumtong and Christina Stolte in their essay in the most recent edition of the KAS' International Reports (Auslandsinformationen).

The two authors warn that some countries are building particularly strong cyber capacities. They warn that western govern-

ments must prepare for action accordingly, especially as not all of the countries concerned are strong powers in a conventional sense. The essay points out that some comparatively small states are operating cyber capabilities. The two essayists use the examples of Venezuela, Iran and Russia to elaborate their points:

- Venezuela is a determined player in cyber space, write Chumtong and Stolte. Though the country is torn by political divisions and humanitarian crises (including food shortages, hyperinflation and poverty), it is surprisingly strong in terms of digital subversion. A leaked document from the Venezuelan interior ministry showed the government preparing for cyber warfare. The title was "Project to create a troll army of the Bolivarian revolution". According to the KAS authors, Venezuela's military-style cyber army is active in social networks, promoting the propaganda of Venezuela's regime, disrupting the democratic opposition and massively spreading fake news. It is operating thousands of social media accounts. During the protests against President Nicolas Maduro in 2019, 80% of pro regime social-media traffic was generated by automated programmes called "bots"

(short for robots). Venezuela was sanctioned by various countries, and in response, they were targeted by Venezuelan disinformation campaigns.

- The two authors state that the Islamic Republic of Iran began its cyber capabilities at an early stage with an establishment of Supreme Council for Cyber Space in 2012. After becoming a victim of a cyber attack itself, Iran built capacities in the virtual world. In 2013, a group of hackers close to Iran caused considerable damage by hacking the Twitter account of the news agency Associated Press and spreading disinformation about the White House. As a result, the co-authors report, the Dow Jones Stock Market Index dropped by 150 points.

- According to Chumtong and Stolte, Russia has been surprisingly active in cyber space since the outset. The essayists cite several examples, including cyber attacks on Estonian government bodies in 2007 or Germany's Bundestag (the federal parliament) in 2015. Energy infrastructure in Ukraine was targeted too, and so were US government institutions. Russian intelligence services pulled the strings, the KAS authors state, and a hackers group known as Fancy Bear carried out the measures. Moreover, Russian social-media campaigns interfered in the Britain's Brexit referendum in 2016, the US presidential elections in 2016 and the Catalan independence referendum in 2017.

According to the authors, it is difficult and time consuming to track an attacker's location. Moreover, accusations often lead to denial and controversy. Chumtong and Stolte add that the general public is mostly unaware of cyber activities, though they have become relevant in shaping opinion at national and international levels. They recommend building capacities to counter cyber warfare.

### REFERENCE

Chumtong, J., and Stolte, C., 2021: *Cyber capabilities as a new resource of power*. <https://www.kas.de/en/web/auslandsinformationen/artikel/detail/-/content/cyber-capabilities-as-a-new-resource-of-power>



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## MULTILATERAL COOPERATION

# Opportunities missed

**On behalf of the World Health Organization (WHO), an expert panel has recently made proposals for speeding up vaccination campaigns now and better preparing the international community for future pandemics.**

By Hans Dembowski

COVAX, the international initiative to ensure vaccine supply in disadvantaged nations, had received 70 million doses at the end of May according to the WHO. That was enough for only 0.5% of the people living in the countries concerned. Several proposals made by the Independent Panel for Pandemic Preparedness and Response could improve matters. They include:

- High-income countries should commit to increasing the vaccine-doses they provide to COVAX. The goal should be 1 billion additional doses by 1 September 2021 and more than 2 billion doses by mid-2022.
- In line with their ability to pay, G7 countries should cover at least 60% of the \$19 billion needed for international efforts to ensure the availability of vaccines, diagnostics, therapeutics and better health care in general.
- An international agreement on voluntary licensing and technology transfer regarding Covid-19 vaccines should be concluded.

## INTELLECTUAL PROPERTY

If action is not taken accordingly by the end of July, the Independent Panel wants the World Trade Organization (WTO) to waive intellectual property rights. The Panel was set up last year to assess what went wrong in the pandemic and spelled out these and other demands in a recent report.

According to the Panel, some of the worst implications of Covid-19 by the end of April were:

- 3 million dead, including 17,000 health workers,
- lost economic output worth \$10 trillion by the end of 2021 and
- 115 to 125 million more people living in extreme poverty.

Things did not have to turn out this bad, but both national and multilateral institutions were fast overburdened, as the authors write. In spite of recent experience with SARS or Ebola, pandemic preparedness was inadequate. A particularly consequential failure was that national governments did not react immediately when the WHO declared a Public Health Emergency of International Concern (PHEIC) at the end of January 2020.

A PHEIC is “the loudest alarm” the WHO can sound. Nonetheless, “most countries did not seem to get that message”, according to the Panel. Only a minority set in motion coordinated protection measures. Most governments neither sufficiently understood the threat nor knew what action to take. Most adopted a “wait and see approach”, so February 2020 became “a month of lost opportunity”, the Panel argues. It was co-chaired by Helen Clark, the former Prime Minister of New Zealand, and Ellen Johnson Sirleaf, the former president of Liberia.

As coronavirus spread internationally, national health systems came under

enormous stress, and lockdowns severely affected economies. According to the Panel, prudent government action proved more important than a country’s prosperity: “The countries with the poorest results in addressing Covid-19 had uncoordinated approaches that devalued science, denied the potential impact of the pandemic, delayed comprehensive action, and allow distrust to undermine efforts.” Problems were compounded by long-standing issues of fragmentation, underfunding and poorly paid staff. Far too many countries, moreover, did not even have plans for handling a deadly epidemic.

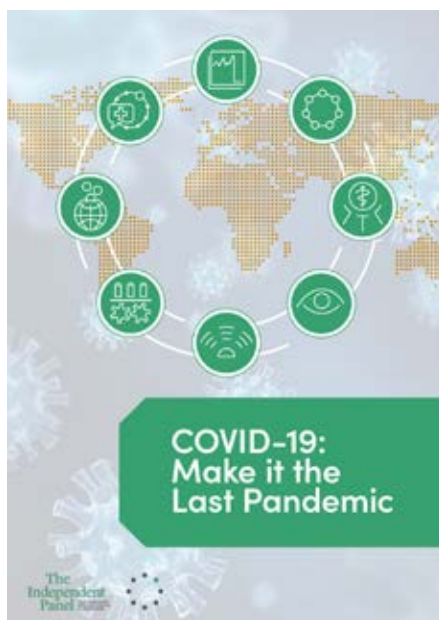
On the upside, the Panel appreciates that research and development set in fast and that vaccines became available within only a few months. Moreover, the multilateral system managed to establish new bodies such as COVAX. The authors regret, however, that not all of them are operating as intended. In particular, the Covid-19 Technology Access Pool (C-TAP) did not receive any contributions. It was set up for the voluntary sharing of knowledge, intellectual property and data. Voluntary pooling of this kind has proved valuable in the fight against HIV/AIDS, Hepatitis C and Tuberculosis (TB).

## HOW TO STRENGTHEN THE GLOBAL SYSTEM

According to the Independent Panel, the international system must be redesigned in order to become better prepared for future pandemics. Proposals include:

- stronger leadership and better coordination at national, regional and international levels,
- investments before the next crisis hits,
- a better surveillance and alert system,
- a pre-negotiated platform able to produce vaccines, diagnostics, therapeutics and supplies and
- adequate funding.

In particular, the Panel is in favour of establishing a global health-threats council and concluding a pandemic framework convention.



Available in English, Arabic, Chinese, French, Russian and Spanish at <https://theindependentpanel.org/mainreport/>



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## HEALTH CARE

## An over-stretched system

**Brazil's unified health-care system has shown in the past that it can roll out a comprehensive national vaccination programme. But the slow and uneven roll-out of the Covid-19 vaccine is showing the health-care system's limits.**

By Thuany Rodrigues

Only about 10 years ago, Brazil was a world leader in immunising residents against a deadly virus. At the height of the H1N1 (swine flu) pandemic in 2010, Brazil vaccinated more than 100 million people, including 80 million within just three months. Brazil immunised more people than any other country, according to *Brasil de Fato* (“Brazil in fact”), a left-leaning newspaper.

What a difference a decade makes. Today, Brazil – like many other low and middle income countries – is an immunisation laggard, with a slow and uneven Covid-19 vaccination programme. President Jair Bolsonaro’s well-known scepticism about the virus has contributed to the country’s low rate of vaccination.

Meanwhile, Brazil has had 11.2 million coronavirus cases since the pandemic began and recorded more than 280,000 coronavirus deaths, according to Giuliano Russo of Queen Mary University of London and Mário Scheffer of the University of São Paulo, in an article published in late March by the Queen Mary Global Policy Institute.

Yet Brazil still has all the resources that made it a world-leader in the H1N1 immunisation effort. Its Unified Health System (Sistema Único de Saúde – SUS) reaches all corners of the country and is free for patients. The SUS’s immunisation arm, the National Programme for Immunisation (Programa Nacional de Imunizações) has experience with comprehensive nationwide vaccination campaigns. And the country’s scientists and laboratories can develop and produce vaccines in large quantities.

In view of these advantages, “Brazil should be different” from other middle-income countries in the Covid-19 vaccine roll-out, say Russo and Scheffer. Instead,

“new, more infectious Covid-19 variants are now established in 17 of the 27 Brazilian states [including one federal division], threatening particularly Brazil’s most vulnerable indigenous states, and bringing its national health-care services to the brink of collapse.”

funding for the centres in August 2020, although only 196 centres are large enough to have qualified for the bonus.

Some favela pressure groups want the Health Ministry to do more. In February, several community groups in Rio de Janeiro launched the “Vacina Pra Favela, Já!” (“Vaccines for favelas, now!”) publicity campaign, urging health authorities to give favela residents priority for vaccination.

For many favela residents, though, the problem is not lack of vaccines but rather poor living and working conditions. Many continue to work despite exposure to the risk



Temporary Covid-19 hospital in São Paulo.

The Covid-19 vaccine rollout is one of the few areas in which Brazil’s national health system is failing to bring needed drugs or vaccines to its citizens. For the most part, the SUS oversees distribution of a long list of medicines through its massive network. That network reaches most parts of Brazil, although it is weakest in urban slums and indigenous communities – where it is most needed.

In an effort to boost Covid-19 vaccination rates, the Health Ministry has established Community Centres in or near slum neighbourhoods known as favelas. These centres are key to the system’s effort to reach vulnerable populations. The SUS added

of infection. “Every day I wake up at 5 am and I don’t have clean water for washing,” says favela resident Dona Maria de Lourdes, a domestic worker. “I get on a crowded bus, and there is no social distancing anywhere. But what can I do? Either I continue working and die from this disease, or I starve to death.”

### A VAST NETWORK

While the SUS is in overall charge of supplying medicines and vaccines, it is not directly responsible for determining who has priority access. Drugs purchased centrally by the Health Ministry are distributed to the states,

which – together with municipalities – are responsible for delivery to individuals.

Moreover, the SUS is responsible for all aspects of citizens' health beyond Covid-19. It operates the world's largest government-run health-care system – by number of beneficiaries, by land area and by size of the affiliate network. It provides more than 2.8 billion consultations each year, with services ranging from simple outpatient procedures to complex organ transplants.

In an operation this large, there are bound to be inconsistencies in service delivery. Impoverished populations and indigenous groups have poorer access than average – as illustrated by the current pattern of bottlenecks involving Covid-19 vaccination.

To deal with such inconsistencies, the SUS is focusing on improving service delivery in disadvantaged areas. For example, up to 15% of the funds transferred to states and municipalities can be used to adapt SUS facilities for use as distribution and vaccination centres in under-served areas.

The SUS also funds distribution of medications to combat other high-profile diseases in disadvantaged areas. For example, a special programme provides HIV/AIDS and viral hepatitis patients with free medications at all service points of the health system. This programme is supported by a special allocation of the equivalent of €34 million and features a guaranteed schedule of drug deliveries.

At the same time, the SUS covers a range of treatments for diseases that are common in favelas. These include diarrhoea, cholera, hepatitis A and typhoid fever (a bacterial disease transmitted by contaminated food and water). Together these illnesses caused 87% of hospitalisations in Brazil between 2007 and 2015, says TabNet, the SUS's data analysis division. A rising case load of chronic, non-communicable diseases is also being treated (see box below).

To critics of the SUS, these efforts do not go far enough. They accuse the SUS of corruption and poor administration. Some

of these complaints go back in time; the government of former President Michel Miguel Elias Temer Lulia froze health spending because of such charges. In January 2019, Brazil's Congress reduced the national health-care budget substantially, foreshadowing further cuts in public health programmes.

To its supporters, however, the SUS – despite some gaps in service – is a beacon of hope for people who otherwise would not be able to afford even basic health care. The SUS is there for everyone, free of charge, notes Kely Alexandra, who worked for three decades as a nurse: "Every Brazilian speaks badly about the SUS, but everyone needs it. People are being vaccinated against a lot of diseases because of the SUS. The system takes care of Brazilians and Brazilians should fight for it."



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## Brazil's health-care challenges

Brazil faces rising demand for all types of medicines, particularly those related to chronic diseases. At the same time it is fighting misinformation that reduces demand for necessary vaccines.

The slow start of the Covid-19 vaccination programme has diverted attention from other big challenges facing Brazil's health-care system, known as the SUS (Sistema Único de Saúde). For example, chronic illnesses such as cancer, heart disease, diabetes and respiratory difficulties are on the rise among Brazil's 212 million people. Together, such non-communicable diseases accounted for 72% of deaths in 2013, according to the country's National Health Survey.

The wave of non-communicable diseases makes Bra-

zil one of the world's biggest consumers of medications. In addition to drugs meant specifically to combat chronic diseases, such as blood-pressure medications, the bestsellers include anti-inflammatories,

painkillers, tranquilisers and nasal decongestants, according to Brazil's Federal Pharmacy Council.

Brazil's embrace of medications has traditionally included acceptance of vaccinations – although this support is weakening in the case of Covid-19 vaccines, particularly in view of the Covid-19 stance of

President Jair Bolsonaro. Much of the scepticism is due to false information circulating in media, says Adriana Teixeira, a PhD student in Communications at the Pontifical Catholic University of São Paulo. For example, some indigenous groups wrongly believe that Covid-19 vaccines alter DNA, she says, adding, "we have good reasons to fight such messaging."

Yet vaccine hesitancy is spreading, and not only in the case of coronavirus. The last year in which Brazil reached its vaccination target (95%) against polio was in 2015. Since then, the number of children vaccinated against polio has fallen below 90%, according to the Brazilian Immunisation Society, a professional group. The causes are not only vaccine hesitancy, but also problems in the way vaccination campaigns have been organised and communicated, the group says. TR



**Vaccine hesitancy is spreading, but many people are proud of getting their jab.**

## ADULT LITERACY

# Getting back on track

**Tanzania has launched a multi-faceted programme to boost its literacy rate. The education ministry, which will coordinate funding and implementation, says a literate population is a precondition for economic development.**

By Lawrence Kilimwiko

Tanzania, plagued with a 22.4% illiteracy rate among residents over 15 years of age, has set its sights on achieving 100% literacy. The government has set a blueprint for achieving this goal in a wide-ranging “National Adult Literacy and Mass Education Rolling Strategy 2020/21 to 2024/25”.

Among other measures, the plan supports literacy courses across the country, sets up a monitoring database to track progress and funds creation of learning materials. It also pays for teacher training and research on best practices.

Tanzania’s current illiteracy rate puts it well behind schedule for achieving Sustainable Development Goal 4.6, which calls for 100% literacy among youths and adults by 2030. The government says its high rate of illiteracy is due to budget shortfalls and reductions in donor funding.

In particular, scarce resources have resulted in poorly trained teachers, staffing shortages, overcrowded classrooms, as well as insufficient teaching and learning materials. In some cases, classrooms designed for 45 pupils accommodate 100. A high dropout rate in primary and secondary schools, traceable in large measure to these poor conditions, also means that illiteracy has stayed quite common.

Tanzania’s illiteracy problem is all the more depressing because it represents a reversal of initial progress. When the country attained independence in 1961, its first leader, Julius Nyerere, made literacy a top priority for adults as well as children. Within three decades, illiteracy fell from an estimated 70% to 14.5% of the population. UNESCO recognised Tanzania for its successful literacy drive.

Since the early 1990s, however, Tanzania has gone backwards. Today’s rate of

illiteracy of 22.4% means that 5.5 million residents over 15 cannot read or write.

## MULTIPLE DIVIDENDS

Boosting the country’s literacy rate – as well as offering continuing education to adults who are literate but wish to develop their skills – will pay multiple dividends, says James Mdoe of the education ministry. Developing skills in reading and writing as well as in a wide range of other areas will build Tanzanians’ capacity to “identify, interpret and take appropriate action to address challenges in the environment,” he says.

A youth or adult who cannot read, write or do simple calculations is disadvantaged economically and is being deprived of a fundamental right, the government officer adds. Being able to read and write also enables citizens to perform more complex tasks, take on more responsibility, understand problems better and develop solutions. In short, “a literate and informed society is the basis for sustainable development,” Mdoe says.

But achieving that goal will be costly. The education sector accounts for 15% of Tanzania’s national budget and 3.9% of Gross Domestic Product. The government says that this time, unlike in the past, literacy programmes will be funded mainly by the national government rather than by foreign donors.

Beyond funding, the project will require “joint efforts by stakeholders at all levels,” Mdoe says. Experts will be needed to organise recruitment and training of teachers, to direct research on adult-literacy methods and to promote innovation in continuing education. Other project officials will look into bringing multimedia technologies into classrooms, targeting educational outreach to young women and improving the design of tests that measure progress.

Some components of boosting literacy, on the other hand, are relatively simple and direct. These include initiatives such as distributing radios in rural areas to support lifelong learning and handing out reading materials including rural newspapers to reinforce reading habits.



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Too many people cannot read: newspaper vendor in Dar es Salaam in March 2021.



## Reality check

A group of Libyan journalists has banded together to fight Covid-19 misinformation on social media. In a project initiated by the Libyan Organization for Independent Media and its founder Reda Fhelboom, the group publishes articles refuting “fake news” concerning Covid-19. Its platform is a Facebook page called Sabr. It was developed with support from the American Bar Association.

The word “Sabr” means “probe” or “exploration” in Arabic. It carries articles, often accompanied by graphic designs, identifying specific cases of falsehoods on social media concerning Covid-19 and setting the record straight.

The group consists of 12 Libyan journalists, including five women. Before launching the project they participated in a week-long workshop focusing on Covid-19 facts, techniques and tools for fact-checking, and spotting hate speech contained in Covid-19 misinformation. They honed their skills in checking sources, interviewing experts and writing fact-checking reports.

The project took shape as social media become increasingly important news sources for Libyans. “Facebook has a strong influence on public opinion,” says journalist Kholoud Alfalah. “Fake

accounts have 70 % of the viewers and news agencies have only 30 %.”

“We launched the site because there is no Libyan platform observing fake news about Covid-19 on Facebook” says Reda Fhelboom, a journalist and human-rights activist who serves as the site’s managing editor. Sabr currently has over 14,000 followers.

The journalists have plenty to do; Covid-19 misinformation appears nearly daily on social media. “We first look at how far a posting might influence public opinion, and then we start to check the information with reliable sources,” says Amel Sabri, a Sabr fact-checker.

Fact-checking reports appear on the Sabr site in different categories relating to the original information. These range from “misleading and missing important information” and “partly false” to “completely fake” and finally “containing hate speech and promoting discrimination”.

For example, a Facebook page calling itself Old City of Tripoli recently included a post quoting a University of California study as predicting the coronavirus will disappear on its own within two months, as new mutations kill the virus off. The original post generated hundreds of comments.

Sabr journalist Amjed Dabob checked with the University of California and with the World Health Organization, both of which denied the report. He then wrote an article correcting the record and labelling the original posting as “completely fake”.

In addition to written reports and graphic designs, Sabr journalists prepare podcasts to promote awareness of the facts. “We design awareness materials on such topics as the importance of wearing masks or the danger of using certain verbal expressions which spread hate speech and promote discrimination,” says Sabr fact-checker Fida Yahya.

### LINK

Sabr: <https://www.facebook.com/SabrPlatform>



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Amid drought and high temperatures, wildfires raged in Argentina in October last year.

## FINANCIAL SECTOR

# Allies for net-zero strategies

**For good reason, central banks are increasingly paying attention to climate risks.**

By José Siaba Serrate

In 2008, the default of the investment bank Lehman Brothers destroyed trust within the financial sector and triggered the global “great recession”. If humankind fails to stop global heating, a climate default will cause harm that is several orders of magnitude greater. Expansionary monetary and fiscal policies can repair financial damage, but severe climate change would be irreversible. We are already witnessing droughts, floods, storms and heatwaves, and the macro-economic consequences can become devastating.

For example, natural disasters might cause the default of systemically relevant corporations, causing chain reactions as happened with Lehman Brothers. Moreover, rising food prices after failed harvests could trigger inflation. Another worry is that formerly valuable assets may become obsolete. For example, investments in coal mines or oil fields might prove worthless if demand for fossil fuels drops dramatically.

Because of these and other risks, the climate crisis is set to hurt balance sheets, reduce economic output, shatter confidence and undermine financial stability. The good news is that central banks are increasingly

aware of the risks. Their leaders know, moreover, that the risks will keep getting worse unless there is a global transformation to zero emissions. That must be achieved by 2050 at the latest if global heating is not to exceed 1.5 degrees Celsius above preindustrial levels.

Obviously, central banks have a role to play in making the promises of the Paris Climate Agreement come true. In December 2017, a group of eight central banks and financial-regulation authorities therefore established the Network for Greening the Financial System (NGFS). It has grown fast. In April 2021, it included 90 central banks and financial supervisors plus 13 observing institution.

Central banks have mandates: usually, preventing inflation and keeping full employment. Now they understand that climate issues belong within their mandates. The challenge is to ensure that the financial system channels capital to environmentally sustainable businesses. In this setting, central banks and financial regulators should:

- insist on the disclosure of climate-relevant data,
- develop data standards and metrics and
- start running climate stress tests.

Moreover, they should adjust their credit operations, collateral utilisation and asset purchases.

Private-sector firms too are increasingly becoming aware of climate issues. Larry Fink, the chief executive of the asset-managing company Black Rock, prominently stated in early 2020 that higher market valuations will be the reward for companies that are “seen to embrace the climate transition and the opportunities it brings”. Indeed, sustainability-oriented funds outperformed market benchmarks last year.

In April this year, a new global platform was launched that unites over 160 leading financial-sector companies which together are responsible for assets worth more than \$70 trillion. Insurance and reinsurance companies are expected to join soon. The platform is called the Glasgow Financial Alliance for Net Zero (GFANZ). Its mission is to commit the entire financial system to the net-zero goal. That will require:

- well-defined environmental standards,
- robust transition plans,
- interim targets,
- new analytical tools and
- transparent monitoring (see Kathrin Berensmann in Focus section of D+C/E+Z e-Paper 2020/10).

Moreover, GFANZ is supposed to campaign for climate-friendly public policies. Indeed, governments must create the right policy environment. In order to bear much of the burden of the transition to sustainability, the private sector needs predictability. Governments must set the right incentives, for example by making polluters pay an appropriate price for carbon emissions.

In the Paris Agreement, all UN members have committed to related action at the national level. For the goals to be achieved, however, they will have to ramp up their pledges at the Glasgow climate summit in November (see Focus section on climate action in D+C/E+Z e-Paper 2021/05). If that happens, financial-sector institutions should prove allies for net-zero strategies.



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## BIODIVERSITY

# Mutually reinforcing crises

**Fragile mountain habitats are becoming increasingly precarious. Humankind needs to fill knowledge gaps concerning how to protect biodiversity and what impacts climate change has. In the Hindu Kush Himalaya (HKH) region, ICIMOD, a unique intergovernmental organisation, is rising to the challenges.**

By Lily Shrestha and Bandana Shakya

Awareness of how important biodiversity is has been growing fast in recent years. Among other things, the global community has learned that the combined impacts of climate change and the loss of biodiversity are making the emergence of new infectious diseases more likely. We also know that global heating and the erosion of species are consequences of human action, and the two trends are mutually reinforcing to a considerable extent. If humankind wants to preserve natural habitats and ecosystem services, mitigation of climate change is definitely a top priority.

According to scientists' assessments, the scenario is dramatic. In 2019, the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) warned that around 1 million animal and plant species are threatened with extinction. The IPBES is the equivalent of the IPCC (Intergovernmental Panel on Climate Change). Both entities regularly publish global assessments based on surveys of scientific publications.

According to the Montreal-based secretariat of the UN Convention on Biological Diversity, biological resources account for at least 40% of the world economy. Moreover, their share of covering the needs of the poor amounts to 80%. No doubt, the loss of biodiversity is undermining human welfare. Most recently, Partha Dasgupta of Cambridge University published a global report on the economic relevance of biodiversity (see Katja Dombrowski in the Monitor section of D+C/E+Z e-Paper 2021/04).

Lack of knowledge is one reason we are not adequately protecting biodiversity.

On the one hand, mass media are not paying much attention, so the public in general is largely uninformed. On the other hand, even expert knowledge is quite limited. We are losing some species that have never



**Endangered species: Himalayan snow leopard.**

been studied properly. Moreover, the international community lacks easily accessible databases.

To protect species, we must understand their distribution, occurrence and status. Otherwise, it is impossible to address issues such as extinction and habitat destruction. It is high time to raise more public awareness and to ensure informed decision-making at all levels.

The knowledge gaps are huge, as the IPBES has acknowledged these problems. They must be tackled fast.

In the Hindu Kush Himalaya (HKH) region, the International Centre for Integrated Mountain Development (ICIMOD) is rising

to the challenges. We compile and publish datasets, including on medicinal plants. As an associate member, we have joined the Global Biodiversity Information Facility (GBIF), the global initiative to make biodiversity data freely accessible. Of course, we are cooperating with various other partners internationally as well.

ICIMOD is a unique intergovernmental organisation in the HKH region. Our eight member countries are Afghanistan, Bangladesh, Bhutan, China, India, Myanmar, Nepal and Pakistan. We work to improve the lives and livelihoods of men, women and children of our region with an eye to protecting mountain environments and cultures. The knowledge we create and share helps people to become more resilient, make the most of new opportunities and prepare for change.

Global heating is changing our mountain environment. Glaciers are dwindling, flash floods are becoming more frequent and water availability is increasingly erratic (see Syed Muhammad Abubakar in the Focus section of D+C/E+Z e-Paper 2020/06). One implication is that habitats are becoming more precarious. As a result, farming and the keeping of livestock are becoming more difficult. Wildlife is increasingly under pressure. Keeping habitats viable, moreover, will help to stem environmental change, reducing landslide risks for example.

We are doing our best to understand what is going on, find viable solutions and make pertinent information available. ICIMOD is thus helping to make sure that future generations will have a liveable environment. We know, however, that all efforts will prove futile if the international community allows the climate crisis to spin out of control.



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EAST AFRICA

## Give peace a chance

**Rwanda and Burundi – two small neighbouring countries in east-central Africa – have eyed each other with mistrust since 2015. That year, Burundian dissidents tried to remove the president – the late Pierre Nkurunziza – from office. The dissidents failed, and many fled the country. Nkurunziza then accused Rwanda, his neighbour to the north, of backing the failed coup and harbouring the dissidents.**

By Mireille Kanyange

Along with the dissidents, tens of thousands of other Burundians fled to neighbouring countries at that time to escape violence and unrest. Many went to Rwanda, but some are now returning home. Under a deal between Burundi and Rwanda brokered by the United Nations, over 7,000 Burundian refugees returned home from Rwanda by the end of 2020, and over 11,000 others registered for repatriation.

Both countries' presidents now say they want good relations. Burundi's Évariste Ndayishimiye points out that "we speak the same language". Rwanda's Paul Kagame says: "We want to live peacefully with Burundians." The current regimes in both countries, however, have a history of suppressing dissidents. Tensions within either country tend to be worse than between them, and the recent spats reflected domestic problems.

In May, a Rwandan delegation participated in a meeting of the United Nations Standing Advisory Committee on Security Questions in Central Africa, known as UNSAC, which was held in Bujumbura – further marking improved relations.

But progress has not been linear; occasional disagreements still arise, including disputes over the location of sections of the border. On the night of 23 May 2021, two people were killed in Rwanda – leading to an argument over who they were. Rwanda said they were Burundians in military uniform and were carrying medicines, guns and other military gear. Burundi's military spokesman Colonel Floribert Biyereke de-

nied that any Burundians had trespassed on Rwandan soil, and noted that patrols guard the border to prevent such incidents.

However, the nearly six years of hostilities between the two countries have been an anomaly, considering their long, peaceful history together and their demographic similarities. The two countries' political relations can be traced back to the 15<sup>th</sup> century, when the Kingdom of Rwanda was founded.

Their languages are similar, as is their ethnic makeup. Both countries are direct territorial continuations of African states that existed before the colonial era. Geographically, both countries are approximately the same size. Today, many marriages take place between Burundians and Rwandans. Cross-border trade has thrived – albeit marred by occasional accusations of smuggling goods into Rwanda.

Beyond that, the two countries are linked in a web of bilateral and regional agreements. The governors of both countries' border provinces meet regularly. Both

nations belong to the Economic Community of the Great Lakes Countries, the East African Community, the Common Market for Eastern and Southern Africa, and the Economic Community of Central African States. The two are also members of the African Union and the United Nations, which provide extensive channels for resolving disputes. Considering the more conciliatory stance taken by Burundi's president Ndayishimiye compared to his predecessor, future disputes will probably be resolved without causing renewed hostilities.

A deeper issue is the continued presence of armed groups in the wider region surrounding East Africa's Great Lakes – Burundi, Rwanda, the Democratic Republic of the Congo, Kenya, Malawi, Tanzania and Uganda. These troublesome militias are a destabilising force. Joint security arrangements – such as those under the International Conference on the Great Lakes Region – are key to calming the region and avoiding the kind of flare-up that marred Burundi-Rwanda relations for nearly six years.



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## GLOBAL AFFAIRS

# Tiny steps

**To claim world leadership, the G7 must do more than their heads of state and government agreed at the summit in Carbis Bay.**

**By Hans Dembowski**

The most pressing global issue is the Covid-19 pandemic. In late May, the International Monetary Fund (IMF) made a proposal that the G7 could – and should – have adopted. According to IMF, it would cost \$50 billion to launch a programme that would vaccinate 40% of the population of every country by the end of this year and another 20% until July 2022 (see Chimezie Anajama in Focus section of D+C/E+Z e-Paper 2021/06). The efforts would have included more than only vaccinating people.

The IMF proposal also took into account issues like testing, treatment of patients and the general strengthening of health care. It thus heeded the advice of the Independent Panel which has evaluated the global pandemic response on behalf of the World Health Organization (WHO) (see our coverage on page 8 of this e-Paper).

However, the G7 only pledged to make available 1 billion vaccine doses by the end of this year, and then reduced the number to 870 million. That is only a tiny step in the right direction. Experts reckon that 10 to 11 billion doses would be needed to vaccinate 70% of the world population by the time the G7 meet again in Germany next year.

To launch the kind of programme the IMF proposed, the G7 quite obviously would have to involve various multilateral institutions, especially UN organisations. However, none of them nor any major government would likely have stood in the way. The IMF wanted the G7 to bear 70% of the costs, but of those \$35 billion, \$22 billion were already pledged. These sums are very small in comparison with the trillions worth of domestic programmes implemented to keep national economies growing.

If the G7 wants to lead the international community, it must state how global problems are to be solved and then do its part. The domestic TV audience is not all

that matters. In fact, people around the world are watching prosperous nations opening up fast thanks to progressing vaccination campaigns, while Covid-19 remains a huge threat in other parts of the world. G7 nations' donation of surplus vaccines is plainly not enough.

In other fields of policymaking, the G7 announcements fell short too. Developing countries want to know how and when the G7 will live up to rich nation's long-standing pledge to mobilise an annual \$100 billion in climate finance, including private-sector investments (see Saleemul Huq in the Focus section of D+C/E+Z e-Paper 2021/05). That sum was supposed to flow last year, but experts estimate that only \$70 billion to \$80 billion were actually made available. G7 members will hear many related questions at the climate summit in Scotland in November. Spelling out answers now would have created goodwill. Merely reiterating the as-yet unfulfilled pledge was definitely not good enough.

To lead convincingly, one must not only keep promises, but also show ambition. The announcement of a date by when the G7

will stop using coal-fuelled power plants would have been welcome in Cornwall, but the G7 only declared that its member countries' international support for coal-based projects without carbon-capture and storage schemes will end this year.

In regard to international infrastructure development, the G7 intends to counter China's Belt and Road Initiative. That is not a bad idea, especially if the G7 pays more attention to issues like environmental sustainability, social impacts and good governance. So far, however, the G7 only agreed to establish a working group on the matter.

Criticism of Chinese human rights abuses makes sense. But nice rhetoric about democracy offering more and better perspectives than authoritarian rule is insufficient for convincing the global public. The world needs solutions for pressing problems. The G7 should have adopted the multilateral strategy that was proposed by the IMF and would have implemented the WHO panel's advice. The strategy, by the way, had been endorsed by the top leaders of the WHO, the World Bank and the World Trade Organization (WTO) before the summit.

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Activists demand more consequential Covid-19 action from G7 in Cornwall.



## Middle-class prosperity

Extreme poverty is still far from being eradicated, with 10% of the world population being affected. A positive implication, however, is that the share of those who can afford to plan beyond tomorrow is now much larger than it historically used to be. For good reason, some development experts expect the growth of middle classes to improve opportunities further. Purchasing power, however, is not all that matters. Middle-income prosperity depends on institutions too – and that is something policymakers must take it into account.



This focus section directly relates to the UN's first Sustainable Development Goal (SDG): No poverty. It also has a bearing on many other SDGs.



Street in Kampala.





More people have more choices: shoppers in Dhaka.

GROWING PROSPERITY

## Ten dollars per person and day

**For the first time in history, more than half of the world's population belongs to the middle class, says Homi Kharas of the Washington-based Brookings Institution. He assessed developmental impacts in an interview.**

Homi Kharas interviewed by Aviva Freudmann

**What defines the middle class? Is this mainly an economic grouping, or is the definition broader than that?**

We need to differentiate between a definition and a measurement. The middle class is defined as a group of people which, while diverse, shares common features. Middle-class people share values of hard work, thrift meritocracy and individual responsibility. They are far enough away from the poverty line to be able to make choices to maximise their satisfaction and prospects. Unlike poor people who face day-to-day subsistence and have few options and unlike rich people who can generally buy whatever they want, middle-class people make economically based choices. They aim not just

for material consumption, but also for enjoying life, appreciating leisure and art and beauty. While this definition is fairly loose, if we want to talk about the evolution of this group we need some kind of measurement. The most common measurement metric is an expenditure range. We use expenditure rather than income because expenditure is a more accurate measure of standard of living. Think of college students: they earn little or no money, yet they are independent, certainly not poor, and can borrow money and spend it. Expenditure is a much better measure of their material wellbeing than income. We originally chose an expenditure range of \$10 to \$100 per person per day, using 2005 purchasing power parity (PPP) dollars, to measure the middle class. The metric later shifted to \$11 to \$110 per person per day using 2011 PPP dollars, but it is the same in terms of purchasing power. You want a metric that is constant, so that you can compare expenditures across countries and across time.

**Where does this specific range come from?**

The basic idea of this range is to set the lower end at the level where people have money left over for discretionary spending and are not in danger of falling into poverty. The upper end is set where people no longer have to give much thought to trade-offs in their spending. This particular range has historical origins. But interestingly, the same range – or its equivalent in local currencies – appears at different points in history and at different places in the world. The earliest middle-class group consisted of clerks in Victorian England who were hired by banks to facilitate factory owners' purchases of machinery during the industrial revolution. They earned the equivalent of about \$10 per person per day in 2005 PPP dollars. Similarly, when the UK first introduced an income tax, the authorities wanted to tax only people with middle-class living standards and above. They set the minimum income level at which the tax was levied at the equivalent of \$10 per person per day in 2005 PPP dollars. Again, in Latin America policymakers looked into the income or expenditure level at which a person would have a reasonable chance of not falling into poverty over a three year period. That turned out to be the equivalent of \$10 per person per day in 2005 PPP dollars. The poverty line in the US was also set at around that range. In India, too, a national commission established a benchmark for the middle class. It turned out to



**Middle classes appreciate education: returning to high school after lockdown in East London, South Africa.**

be the equivalent of \$10 per person per day. The lower end is the number that says, “you are not considered poor if you have at least this amount.” Having a range also permits us to make comparisons across geography and across time. We are able to trace the development of the middle class from the 19<sup>th</sup> century to today.

**The composition of what people buy was totally different in the 19<sup>th</sup> century compared to today. And price levels differ widely among countries today. How do statisticians account for these differences when making comparisons?**

The amount of money needed for material wellbeing has stayed the same, once one takes currency differences into account. Of course the basket of consumption items differs from country to country. But essentially, all people buy food, clothes, housing and transport. Once they reach middle class, they also consider buying vacations and entertainment. The basics of what people need have remained the same. As for price differences across countries, there are global studies that compare the prices of goods and services. The International Comparison Programme collects prices for a selection of essential goods and services, and these data are used to create an index that enables comparisons.

**In 2017 you forecasted that by 2022, 170 million people would join the middle class**

**every year. Is that still your expectation, despite the pandemic?**

Well, what has changed temporarily is the rate of growth of the middle class. After a slowdown due to Covid-19, I think the growth trend will pick up again and will hold over time. Covid-19 has probably set back the growth of the middle class by two to three years. Nonetheless, we still have more than half of the people on earth in the middle class or richer.

**According to the World Bank, about 50% of the world population have a purchasing power of \$ 5,50 or more, not \$ 10.**

Yes, but its numbers do not reflect full per capita spending in each country. For example, in India, the Bank relies on household surveys that only capture one-third of total spending in the national accounts. My methodology is, I believe, better because it makes an adjustment for such gaps. The important point is that, in 1820 the middle class was only about one percent of the world’s population, and now, 200 years later, it represents the majority of the world’s population. That is an extraordinary development, which at its root has been caused by technology, and technological development continues apace. So today you still have hundreds of millions of people joining the middle class every year, mostly in Asia. You see big advances in education and life expectancy for these people. They work hard and have the ability to make a better life for themselves and their fami-

lies. Covid-19 will probably actually shrink the middle class in 2020. We expect about 120 million people to fall out of the middle class in 2020 compared to 2019. Also, we expect that about 170 million fewer people will have joined the middle class in 2020 compared to what might have been the case without Corona. So in all, Covid-19 might be responsible for something close to 300 million people not being in the middle class in 2020 compared to what might have been without Covid-19. However, that effect will disappear fairly quickly. Hopefully by 2021 or 2022 the middle class will be back on the same growth trajectory as before. This group has been squeezed, but it will bounce back.

**What are the political implications of the global growth of the middle class?**

Generally, middle-class people try to ensure that their government delivers for them. They tend to strive for independence, so they favour private property, saving for the future and maximising personal choices. The middle class also favours government provision of health and education. It aims for economic safety and therefore pushes for social protections such as pensions and labour rights. The middle class champions women’s rights; the earliest suffragettes were from the middle class. The middle class also usually favours free trade, which broadens consumers’ choices. The first political victory for the middle class was the repeal of the Corn Laws in 19<sup>th</sup> century England. Those laws imposed tariffs on imported grain which kept prices high, thereby favouring landowners at the expense of consumers. The middle class fought hard to get those laws repealed.

**What differences are emerging within the middle class?**

Today we are seeing a bit of a fracturing of the middle class. The Covid-19 pandemic highlighted the division between the part of the middle class which is college educated and able to work remotely, and the part that is blue collar and cannot work from home. The interests of these two segments are starting to diverge. Certainly they are having different lived experiences. For example in the United States, the blue-collar segment has seen a higher incidence of alcohol and drug poisoning and suicides, the so-called deaths of despair. Among this small group we also see increases in illness, reported



physical pain, mental ill health and reduced life expectancy.

**Is this divergence within the middle class starting to cast doubt on using the term “middle class” to describe everyone falling within in a broad range of expenditure?**

It could be that the interests of those with college educations and those without are quite different. So some now argue that education level should become a metric for measuring the middle class. I would prefer to keep the broader definition but come up with a different way to describe the lifestyles of different segments of the middle class. The divergence in lived experience may turn out to be temporary. It could be that right now some people have opportunities in the digital economy that others don't have, but that in 10 or 15 years everyone will have these opportunities. This is a technology phenomenon. A new technology tends to benefit certain people first, before the benefits are spread throughout society. Consider the introduction of electricity: at first it was only for the wealthy, and now it is part of the middle-class lifestyle.

**The middle classes are growing faster in poor countries than in rich ones. Is that disparity fuelling resentment among some parts of the middle class in advanced countries?**

There is a level of saturation of the middle classes in developed countries, which helps to explain why the growth of the middle classes there is slower than the growth in low-income countries. The growth of the middle class in one place has been associated historically with more opportunities for the middle class in other places. The Marshall Plan in Europe helped the middle class in Europe, but also in the United States. As markets grow, everyone benefits. This is one of the great features of economics as opposed to politics. In economics, when your neighbour is better off, then you are better off. In politics, when your neighbour is better off, you might not be better off. Politics is more a zero-sum game than economics. The great hope is that this will be recognised. So for example, if you are in a developed country and your pension fund holds stock in Apple, you have to understand that when Apple profits from its

sales in China and India that this also benefits you as an indirect shareholder. All the big brands are big brands because they can sell to billions of people in the global middle class. I could easily argue that a great part of the expansion of housing, higher education, health care, finance, insurance and many other services in the developed world is linked to the ability to build on the prosperity that has taken place because of trade with developing countries. Certainly with trade and with technological development there are transition costs. It is hard to say how long a transition will take and how politics will evolve. This points to the central fact that paying more attention to transition costs, including adapting to new technologies, is vital in a rapidly changing world.



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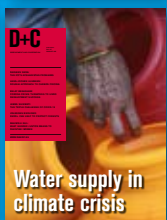
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## INCOME INEQUALITY

# Africa's elusive middle class

**The widespread narrative of a 'rising Africa' with a robust and growing middle class is misleading. A strong middle class cannot emerge while African countries still lack a solid foundation of decent jobs, an equitable distribution of incomes and universal social-safety nets.**

By Ndongo Samba Sylla

As people who are “neither poor nor rich”, members of the middle classes have been seen for centuries as pillars of political stability. They tend to follow society’s rules, not covet each other’s property and nurture leaders from their ranks. From the perspective of economists, a growing middle class is an indicator of social progress, market dynamism and structural transformation.

However, defining and measuring the middle class is problematic. Especially in Africa, this effort is hampered by data quality issues. Debates continue on what benchmarks best define “middle class”.

International development agencies have defined households earning less than \$1.90 per person per day as poor, those earning spending \$11 to \$110 per person per day as middle class and those in between as “vulnerable”. (Dollar figures are in 2011 purchasing power parity terms.) However, the worldwide poverty line of \$1.90 is far too low. Moreover, the threshold used for a “middle class” income discriminates against people of the global south, who tend to cluster at the bottom of the range and lack social safety nets that exist elsewhere.

Yet these benchmarks continue to be used, resulting in an distorted picture of both the size and the growth of African middle classes.

For example, a landmark 2011 study by the African Development Bank, titled “The middle of the pyramid”, concluded: “Strong economic growth in the past two decades has helped reduce poverty in Africa and increased the size of the middle class.” The study says the African middle class grew from 126 million to 350 million – or from 27% to 34% of the population – between

1980 and 2010. The study defines the middle class to include households with per capita income between \$2 and \$20 per day.

Such figures are difficult to believe. It is unlikely that the African middle class grew so robustly during and after decades of structural adjustment programmes, which reduced real per capita incomes in many African countries.

poor category,” the report says. “They are in a vulnerable position and face the constant possibility of dropping back into the poor category in the event of any exogenous shocks.”

## AFRICA IS NOT ‘RISING’

Until the pandemic, the narrative of an emerging African middle class persisted, as part of a broader “Africa rising” scenario. In this optimistic view, improved governance and high commodity prices will continue to bring sustained economic growth in the mid to high single digits, rising incomes and a growing middle class. This narrative



Small-scale fishing still provides livelihoods in Dakar.

The apparent strong growth in the middle class is most likely driven by households at the low end of the chosen benchmark income – namely, households with per capita incomes of \$2 to \$4 per day. If this category of economically vulnerable people is excluded from the definition of middle class, then the size of the middle class shrinks to 13.4% of the population.

In its study, the African Development Bank acknowledges the precarious nature of Africa’s so-called middle class. “About 60% of Africa’s middle class, approximately 180 million people, remain barely out of the

is essentially a public relations campaign designed to give Africa a glowing image. The reality is that Africa currently lacks the social and economic basis to sustain a large and growing middle class.

In the East and in Southeast Asia, the middle classes grew against a backdrop of progress in industrialisation, widespread stable employment and increasing social protections. In Africa, most countries – including those with high economic growth rates – have not yet seen that kind of change. “Transformation doesn’t happen overnight but is a long-term process,” states the Afri-

can Center for Economic Transformation in its 2014 report 'Growth with depth'. "It requires constructive relationships between the state and the private sector."

In particular, Africa's disappointing record on providing decent mass employment and social protection is at odds with the rosy scenario of a rising middle class. The continent is still in the grip of precarious employment patterns and very limited social protection. This became clear when the Covid-19 outbreak began. For the majority of Africans, critical challenges include attaining the living conditions and income security that allow people to cope with lockdowns with some degree of safety or comfort.

To assess to what extent African countries are prepared for a lockdown, the UN's World Institute for Development Economics Research built a lockdown readiness index based on five indicators:

- access to safe drinking water,

- basic sanitation,
- reliable access to energy,
- a means of information or communication and
- employment that provides sufficient income on a sustained basis.

Based on 2019 data, the index showed that, for 30 African countries, only 6.8% of households overall and 12.2% in urban areas met all conditions for a prolonged lockdown.

A survey done by the Partnership for Evidence-Based Response to Covid-19 (PERC) survey in February 2021 revealed a similar pattern. In 19 African countries covered, more than three-quarters of households had lost some or all of their income because of the pandemic. In Uganda, the share was even 93%. In the absence of social protections, such income losses threaten the food security of many households.

Why then do so many African households nonetheless show up as "middle class"

in official statistics? One major reason is remittances from relatives who go abroad to work. These transfers boost consumption by people who remain at home and work in the informal sector. In Senegal, for example, remittances represent 10% of GDP. This money reduces poverty, but not necessarily economic inequality.

In sum, rather than an emerging middle class, Africa has a pattern of skewed economic growth that mainly benefits the upper classes (see box below). African countries need a development model that generates employment in the formal sector and provides a measure of income security to all. A genuinely strong middle class can only emerge once these conditions are in place.



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## A tale of rich and poor

Wealthy 'Afrocapitalists' may grab headlines, but for most Africans even a middle-class lifestyle is out of reach.

In recent decades, most new jobs created in Africa have been in the informal sector, where incomes are low and precarious. In 2016, informal jobs accounted for 86% of total employment and 72% of non-agricultural employment in Africa, according to the International Labour Organization (ILO). The informal sector does offer workers only limited or more often no social protection.

Yet some African lifestyles are far beyond this daily grind. In recent years, Africa has seen a jump in the number of "high net-worth individuals" (HNWIs). These are persons with at least \$1 million in investable assets, according to the consultancy Gagemini which

publishes the World Wealth Report. Its data show that the number of African HNWIs grew from 95,000 in 2008 to 177,000 in 2019. The "Afrocapitalists" enjoy lifestyles comparable to

those of the rich in the Global North.

Just below the HNWIs in the income hierarchy is a relatively thin layer of technical and managerial experts who have benefited from education and profited from a sharp rise in foreign direct investment. FDI into Africa quadrupled between

1990 and 2017, creating a demand for expertise in a range of areas. An influx of funds from international private-capital organisations and official development-aid programmes has added to that demand for local expertise. The resulting jobs and incomes have supported growth of an African managerial elite and swelled the ranks of the upper middle classes.

Yet both categories – the super-rich and the well-to-do – are minorities. The lifestyles of US-dollar billionaires such as Nigerian industrialist Aliko Dangote and prosperous technical and business managers should not be taken as evidence of a rise of a broad-based middle classes. The relatively few success stories still stand in sharp contrast to the reality lived by the mass of Africans in the informal sector. NSS



Super-rich philanthropists are a tiny minority everywhere: Aliko Dangote, Mo Ibrahim and Bill Gates at an event in New York City in 2019.

**LINK**  
Capgemini: World Wealth Report.  
<https://worldwealthreport.com/>



In Ethiopia, greater purchasing power has not led to a strengthening of democracy: salesman in Addis Ababa.

## SOCIAL STRATIFICATION

## Myth and reality

For more than a decade, there has been much talk of middle classes in the global south – including in development studies regarding Africa. But who exactly is middle class? As the term is used currently, it should certainly not be confused with Marxist ideas of class. It merely refers to a status somewhere between the highest and lowest echelons of society. What constitutes middle class remains all too nebulous.

By Henning Melber

The middle classes of the global south became a focus of attention mainly because of the changes economic growth brought about in the social structure of developing countries. In East and Southeast Asia (especially in China), progressing industrialisation rapidly lifted ever more people out of poverty. However, a precarious minimum income was all it took to be considered middle class. The fact that groups in the lower rungs of this broadly defined middle class live in anything but stable circumstances is often ignored. Raphael Kaplinsky of the British Open University dryly remarked in

2014 that the middle class now seemed to include anyone not suffering hunger.

The broadly defined middle class became a beacon of hope in development debate. Some experts, including Martin Ravallion, then chief economist at the World Bank, and Nancy Birdsall of the Centre for Global Development, considered it to be a driver of economic, social and political development at the nation-state level. Voices were raised in many quarters – for example at the Washington-based think tank Brookings Institution – calling for the growing middle classes to be strengthened. The “Perspectives on Global Development 2012”, published by the Organisation for Economic Co-operation and Development (OECD), was emblematic in this regard. The African Development Bank (AfDB) and the UN Economic Commission for Africa were similarly enthusiastic.

### WISHFUL THINKING

However, the soaring expectations turned out to be wishful thinking. They emphasised the upside of certain social develop-

ments, but tended to neglect the overall context. The reality is a far cry from the myth of a large, cohesive and progressive middle class:

- The population groups termed middle class are often smaller than assumed. In late 2015, for example, the London-based magazine *The Economist* stated that Africans were predominantly either rich or poor, but not part of a middle class. Moreover, the middle classes are no longer growing as vigorously as they once did – and not only because of the Covid-19 pandemic. Various studies suggest that it is not the middle sections of African societies that are growing fastest. The gap between lower and upper groups is widening – with both getting bigger.
- Contrary to popular belief, middle classes do not necessarily contribute to African societies’ economic development. They pursue their own, immediate interests, of course, but there is no evidence that they spur economic growth beyond that.
- Sadly, there is also no evidence that growing purchasing power for some sections of African populations has led to stronger democracies. That is evident in a few countries like Ghana, for example. However, the opposite is happening as well (in Ethiopia or Tanzania, for instance). Experience shows that middle classes are loyal to the state when they benefit from government policy – regardless of how democratic or authori-



tarian it may be. Indeed, an Afrobarometer survey conducted in 2012 in numerous African countries found that members of the middle classes did not trust the less educated to vote responsibly in elections. The higher the respondents' level of education, the more they tended to be against universal suffrage. At best, such an exclusive idea of participation in public affairs amounts to an elite-only democracy.

So, what are the key characteristics of a middle class? The term is not clearly defined. Playing statistical games with income data is all too simplistic. Other important issues need to be considered – including occupation, education, social status, lifestyle and cultural norms. All have a bearing on political orientation and a person's influence in society.

### MIDDLE CLASSES DIFFER FROM COUNTRY TO COUNTRY

Research in various countries (Ghana, Kenya, Mozambique and South Africa) has shown that it makes no sense to generalise and speak of an "African middle class". Identity certainly does shape behaviour, but it does not simply result from income or hierarchical status. Kinship (extended families are still often at least partially intact), urban networks, religion, regional background, language and ethnicity all matter very much. Gender is another important category – especially given the number of households headed by women. Indeed, the composition of households does not coincide with western ideas of nuclear families.

It is not an exclusive trait of western consumer societies that personal opinions cannot be automatically deduced from a person's occupation, income or social standing. The views of people in Africa are similarly shaped by widely differing factors.

What also deserves consideration is the significance of the informal economy and clientelist relationships. The truth is that many people who are broadly considered to belong to the middle class have not achieved any kind of stable prosperity. Apart from the support extended families offer, there is a general lack of social protection. Extended families, however, are under intense pressure – not least due to urban-rural and inter-generational divides.

Development sociologist Dieter Neubert (2019) of Bayreuth University suggests

that local structures in societies matter, so the concept of "micromilieus" should be used to analyse politics in greater detail – and not only in Africa. Approaches like this enable us to take account of sociocultural factors with a strong impact on political preferences and positions.

### THREE CRUCIAL POINTS ANALYSIS

In summary, the following points need to be noted:

- Anyone seeking to analyse middle classes in Africa or anywhere else should consider more than different levels of income. Researchers must also take into account the sociocultural dimensions mentioned above.
- Despite the widespread criticism that middle class is mostly defined only on the basis of economic data, we currently lack a better definition that would be more useful for assessing inequality, social stratification and differentiation in society.
- The assertion that middle classes tend to be progressive and pro-democracy suggests a conceptual clarity that does not concur with reality. Much more detailed analysis is needed.

Regardless of many valid objections, it makes sense to pay attention to Africa's

middle classes. Their actual size and substance need to be examined more closely from both an economic and political angle. For doing so, inspiration could indeed be usefully drawn from Marxian class theory. Its focus is on who owns the means of production – and that determines who depends on whom economically. Tackling this matter would help demythologise the concept of middle class.

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In Ghana democracy has deepened: voters at a polling station in December 2020, when elections were held in spite of the pandemic.

## PERSONAL PROSPECTS

# Greener pastures abroad

**Nigeria's big issue is worsening poverty – and many members of the middle class want to leave the country.**

By Ben Ezeamalu

Today, sub-Saharan Africa is the world region most affected by extreme poverty. Extreme poverty means that persons cannot meet their immediate needs. In 2015, half of the world's 736 million extremely poor people lived in (in descending order) India, Nigeria, the DR Congo, Ethiopia and Bangladesh, according to the World Bank. While the poverty rates were falling fast in South Asia, they were hardly changing in Africa. Nigeria actually had a greater number of poor than India for a few years, but that has changed again due to India's disastrous Covid-19 slump.

The World Bank considers poor anyone with less than a purchasing power of \$1.90 a day. In 2019, a staggering 83 million Nigerians – 40% of the total population – were in this category, as the National Bureau of Statistics (NBS) stated in its Poverty and Inequality in Nigeria report. The share of the poor used to be much smaller. At independence in 1960, only 15% were considered poor according to then valid, similar criteria.

Nigeria's oil and gas revenues amounted to nearly \$300 billion from 1999 to 2011, the World Bank has reported. On the other hand, the population is growing fast and is expected to almost double from currently 211 million to 401 million by the end of 2050. Masses of people feel angry and deprived – and their number is set to grow.

Successive presidents launched initiatives to lift people from poverty. The results were meagre. Unfortunately, that was true of:

- the Poverty Alleviation Programme started by Sani Abacha, the military dictator in 1996,
- the National Poverty Eradication Programme his democratically elected successor Olusegun Obasanjo adopted shortly after taking office in 1999 and
- Goodluck Jonathan's Transformation Agenda.

It remains to be seen whether the National Council on Poverty Reduction will fare better. President Muhammadu Buhari established it in February last year.

Most people feel that government action still tends to be unserious, corrupt and negligent. Political unrest in various regions is compounding problems. Nigeria is a land of paradox. In the first decade of this mil-

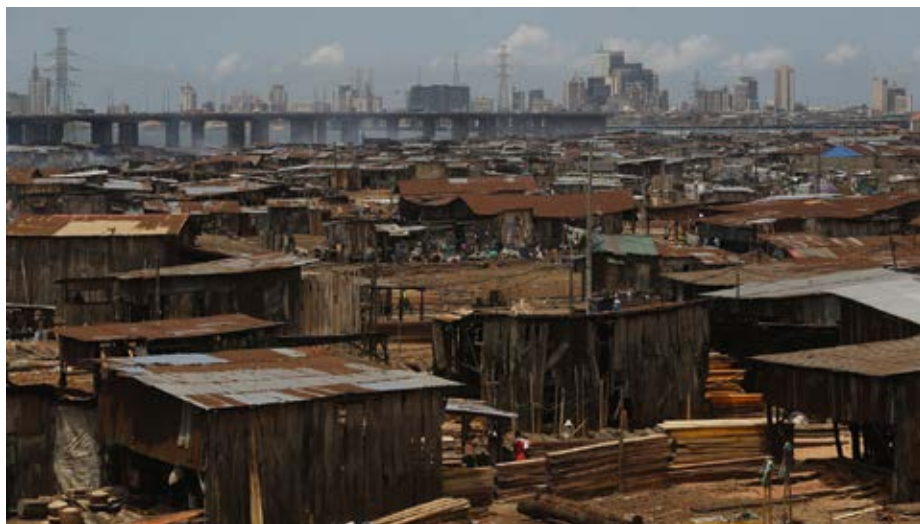
lennium, the economy grew by an average of seven percent per year. Nonetheless, the number of people living below the poverty line increased from 69 million in 2004 to 112 million in 2010. In the same period, the number of billionaires increased by 44%. In 2016, according to Oxfam, the total wealth of the five richest Nigerians was not quite \$30 billion – while \$24 billion would have sufficed to eradicate poverty among those Nigerians who lived on less than \$1.90 per day and head.

Buhari's declared aspiration is to lift at least 100 million Nigerians out of poverty by 2030. However, the Covid-19 pandemic triggered the second recession in only four years. The economy shrank 1.9% last year, according to Bloomberg, and economic growth has lagged behind population growth every year since 2015. Per-capita income has therefore been in decline.

While many poor rural people move to the cities in the hope of better livelihoods, masses of Nigerians – especially from the country's middle class – seek greener pastures abroad. A 2017 poll by Afrobarometer showed that one in three Nigerians have considered emigrating to other countries. They said that they hoped to find work (35%), to escape economic hardship/poverty (31%) and to pursue better business prospects (10%).

Increasingly, people are so desperate to emigrate that they are prepared to break laws. The number of Nigerians suspected of overstaying visas in the USA more than quadrupled from 2015 to last year, according to the US Department of Homeland Security, with the rate of Nigerian students concerned soaring from four percent to 22%, for example. The US administration has begun to hand out visas more restrictively.

The EU has warned Nigeria's government that it could do so too, if Nigeria does not cooperate on readmitting nationals deported from EU member countries. In 2019, Nigeria had more pending asylum claims (10,782) than India (10,354). Nigerians, moreover, had made a stunning 37% of all African asylum applications in the EU.



Saw mill in a Lagos slum.



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“A pair of flip-flops does not amount to any kind of lasting prosperity”: construction workers on the outskirts of Dhaka.

## SOCIAL STRATIFICATION

## “The promise of well-paid, secure jobs did not come true”

Oxfam strategist Duncan Green assesses why the international economic paradigm seems to be shifting in favour of a stronger role of the state in the economy. Free-market orthodoxy did not lead to the development results that its proponents predicted. Lasting middle-class prosperity remains elusive – for instance, in the huge informal sectors of Africa and South Asia. To reduce poverty sustainably, Green argues, action is needed at nation-state and multilateral levels.

Duncan Green interviewed by Hans Dembowski

For decades, market-orthodox ideology dominated international financial institutions. Has prosperity trickled down?

There has not been much trickle down, but plenty of trickle up, and it went along with

growing inequality and devastating environmental impacts. The free-market ideology basically led to financialisation in rich nations. The financial sector used to be at the service of the rest of the economy, but today the real economy is at the service of the financial sector, and that applies to the export sectors of developing countries and emerging markets too. A small oligarchy has become richer; the poor are worse off, and their number has grown.

But things are different in developing countries and emerging markets, aren't they? The purchasing power of poor people has grown, for example in Bangladesh. When I was in Dhaka four years ago, my hosts made me aware of nobody going barefoot anymore. By contrast, I remember seeing the occasional naked adult there 30 years

ago – someone too poor to wear clothes even in public.

Yes, some crumbs have been falling off the table – but only very few. If a country has the growth rates of Bangladesh, there will always be more economic activity, and the poor will benefit to some extent. That is the case in India and various other countries too. A pair of flip-flops, however, does not add up to any kind of lasting prosperity. In far too many places, people still depend on the informal sector – not only, but especially in South Asia and Africa. The promise that economic growth would lead to formal jobs with regular wages, labour rights and social protection has not come true for masses of people.

**So there was no real progress in the fight against poverty?**

Well, things are actually better in some East Asian countries which followed another economic orthodoxy. It is market-driven too, by the way, but they did not simply minimise the role of the state by deregulating markets. They adopted industrial policies to make specific sectors competitive internationally, gradually industrialising their economies. South Korea and Taiwan are early examples, but China or Vietnam later made similar



strategic choices. The progress they made in reducing poverty looks more sustainable.

### **Under what conditions does that happen?**

That is very hard to say. There is no magic formula. What we know is that the state must have some autonomy; it must not be captured by vested interests. Private enterprise is important too. Where societies are very unequal, however, state capture is highly likely, with the plutocratic elite simply buying the government decisions they want.

### **What exactly is the “middle-class”, and what role does it play in development?**

In development discourse, it basically means that people are well-off enough to look beyond their immediate needs because they do not have to worry about whether they will eat tomorrow or not. The conventional political theory is that they become politically assertive and demand a say in public affairs. But that is not a given. We have been waiting for some kind of middle-class counterrevolution in China for decades, but it is not happening. On the other hand, South Korea and Taiwan did indeed eventually become democracies. India, however, is a disaster, with very many middle-class people supporting an increasingly authoritarian government. There clearly is no automatism by which economic growth would lead to the emergence of a progressive middle-class. The fundamental issue is who the middle class builds coalitions with. In Brazil, the Workers’ Party (PT) used to be an alliance of the poor with the middle classes, and it was quite powerful for some time. Perhaps it will come back in next year’s elections.

### **What allows people to escape poverty?**

It takes a combination of safety nets and jobs. One lesson of the Covid-19 pandemic is that responding to the disease was easier where some kind of social-protection system was in place and could be scaled up. Perhaps governments will now ratchet up social protection long term. That would be a welcome consequence of this terrible disaster.

### **What does lasting middle-class prosperity require?**

Political stability and the rule of law are very important, and so are various kinds of infra-

structure. For example, one should not have to pay bribes to get electric power. Access to education and health care are essential too. The very rich can send their children to Harvard or the London School of Economics, and they will travel to richer countries for medical attention – or merely for shopping. Middle classes cannot afford to do so. They depend on what is available at the local level. Accordingly, they certainly have a potential for assuming a progressive role in national politics. However, they do not always do so.

### **Do we need action at the national or the multilateral level to eradicate poverty?**

We need both. The biggest drivers to reduce poverty are national, and effective governments are essential. At the same time, we need multilateral policies to provide and safeguard global public goods. By themselves, for example, nation states cannot protect the climate. Diseases require a global response. In regard to taxes, the race to the bottom must stop. The list goes on ...

### **The International Monetary Fund (IMF) has been deviating from free-market orthodoxy for some time. It is now in favour of a strong state and massive government spending. Has it really changed?**

Well, if you look at what it is doing at the nation-state level, it has not changed much. It is still telling governments to stay within their means et cetera. But at the multilateral level, it has indeed changed, and I think that this reflects the ongoing professional debate among economists. After all, the failure of free-market orthodoxy has become obvious. Massive state spending and budget deficits were supposed to cause inflation, but that didn’t happen after the financial crisis of 2008, nor is it happening now. And as I just said, the big numbers of well-paid and secure jobs never materialised as promised. A few weeks ago, the London-based magazine *The Economist* argued that the international economic paradigm is changing after 40 years in favour of a stronger role for the state. The way President Joe Biden wants to massively expand US government spending shows that something is indeed happening.

### **In the past, the IMF largely endorsed White House rhetoric, but this time, it changed its stance before Biden became president.**

Well, the geometry of international politics is varying. In the past, non-governmental

organisations thought they knew who the good guys and the bad guys were. Today, things are more confusing. Different kinds of coalitions keep arising. In climate affairs, sometimes cities may take the lead, or insurance companies do, or other big investors. Central banks and law courts have begun to take interest in the climate. To build clever alliances, we have to understand persons with completely different backgrounds rather than simply teaming up with like-minded “good guys”.

### **How do right wing populists fit into the picture? Their approach is bewildering. They agitate against globalisation, telling people who feel left behind that they are being cheated. But when they rise to power, they typically do not use the powers of the nation state to improve the lives of those who voted for them. They are more likely to serve the interests of a rich oligarchy that neither wants to pay taxes nor accept any social or environmental standards. Right-wing populists deny climate change, are not especially good at delivering social services and show more interest in polarising society than solving problems. Multilateral institutions, by contrast, are trying to tackle those problems. In a way, anti-state oligarchs are cleverly using nationalistic rhetoric to rally a frustrated base against a “globalist elite”, which is really more an educated, professional middle class.**

Yes, the picture is very confusing. There is indeed an international trend of poor, uneducated people voting right wing, whereas highly educated, prosperous people are increasingly voting for centre-left parties. Marxists have a very hard time explaining that. I don’t agree with you about plutocrats being anti-state, however. They are opportunists. They love the state when they need a bail-out in a crisis, but they do not want to accept any limitations in good times. They do not oppose government per se. They want to capture the state and control it.



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E-waste piled up for disassembling on a scrap yard in Ghana in 2019.

#### PLANETARY BOUNDARIES

## Unsustainable consumerism

**Societies of western nations are geared to consuming goods and services. The emphasis is laid on gratifying spontaneous desires rather than fulfilling basic needs. As purchasing power increases in developing countries and emerging markets, consumerism is spreading there too. The western model, however, is not sustainable – and especially not when copied globally.**

By Mahwish Gul

According to Peter N. Stearns (2006), a society is consumerist if “many people formulate their goals in life partly through acquiring goods that they clearly do not need for subsistence or for traditional display”. Shopping then becomes very important and, to a large extent, people base their sense of identity on an endless procession of new items they buy. Stearns argues that 20<sup>th</sup> century capitalism turned persons into consumers.

The consumerist way of life is marked by constantly buying things, using them and throwing away what is no longer needed. As Stearns points out, demand for goods is mostly artificial in the sense of not corre-

sponding to fundamental needs. Advertising, peer pressure and the sheer availability of consumer items trigger an unquenchable thirst for more stuff. In North America and Europe in the 20<sup>th</sup> century, according to Stearns, private-sector companies managed to boost their production and distribution capacities to an extent that the big challenge they face is creating additional consumer demand to make full use of those capacities.

The big problem with consumerism is that it is not environmentally sustainable. Our planet’s resources are limited and over-exploited. Nonetheless, an ever-increasing number of shopping malls is mushrooming in the urban areas of developing countries and emerging markets. A recent publication (UNEP 2021a) highlights the case in point. Humanity is consuming 1.6 planet’s worth of resources each year.

Depleting nature at this pace implies not only that our planet is unable to regenerate its resources. It also means that conservation alone cannot prevent the collapse of ecosystems and biodiversity. Things are expected to get even worse. At current trends, humanity will need the equivalent of two earths by 2030 to support consump-

tion patterns. The independent Global Footprint Network reckons that, if the average earthling consumed as much as the average German does, our species would even need three planets.

### TRIPLE CRISIS

Indeed, the international community is facing a triple environmental crisis. Climate change, the loss of biodiversity and pollution are making our planet unlivable. That is the message of another recent report (UNEP 2021b). All three trends are dangerous – and they are mutually reinforcing.

- The climate commitments governments have made so far are not anywhere close to what is needed to keep the average temperature increase below 1.5° Celsius. Scientists warn that problems will spin out of control if that limit is exceeded. To date, temperatures have risen by about 1° Celsius and it is undeniable that ecosystems are suffering.
- Humanity is witnessing a great extinction. Of about 8 million plant and animal species, 1 million are likely to be lost in coming years. Reduced diversity is weakening the resilience of ecosystems, which means they will be affected worse by climate change and contribute less to keeping it in check.
- Pollution is compounding the trends. Climate gases are not the only problem. A particular challenge is pollution with various other chemicals (see Focus section in D+C/E+Z e-Paper 2021/03).

Unsustainable consumerism is the root cause of this triple global crisis. Garment production is a good example. The fashion industry accounts for up to 10% of global carbon emissions. It plays a part in more than 150 million trees getting logged each year. It consumes 93 billion cubic meters of water, equivalent to roughly four percent of the annual global use of freshwater. The dyeing and treatment of clothes contributes to 20% of industrial water pollution worldwide (see Olga Speranskaya in Focus section of D+C/E+Z e-Paper 2021/03). More than one-third of the world’s ocean microplastics comes from the laundering of synthetic fibers.

The fashion industry is thus one of the largest contributors to environmental degradation. Its culture is one of overproduction and mass consumption, which is

especially true of “fast fashion”. These items are only designed for rather few uses, so more than half are discarded within a year. According to the Ellen McArthur Foundation, which networks private-sector giants, humanity incinerates or otherwise disposes of so many clothes every second as would fit on a garbage truck. That a quarter of all textiles is wasted in the manufacturing process is another sign of excessive resource use.

Garment consumption has doubled in the past 15 years according to the independent World Resources Institute. Demand per head is particularly strong in advanced nations, but middle classes in Asia, Africa and Latin America are gradually catching up.

Food is another sector in which consumerism has a huge impact. As more people have extra money to spend, the demand for protein-rich food like meat, fish and milk has increased multifold. Meat consumption worldwide is currently increasing by about 1.4% per year, according to industry experts. To produce these goods, more and more land, water, fertiliser, pesticides and antibiotics are needed. One of the destructive impacts is that forests are destroyed to make place for pastures which, of course, neither store carbon nor serve as a habitat for many species.

On the other hand, growing world population will require 60% more food by 2050 than we currently produce. It needs to be emphasised that plant-based diets

require less input. If farm produce was no longer used as animal feed, 4 billion more people could get enough food, as researchers from the University of Minnesota have calculated. On the other hand, roughly 30% of the food produced is lost. It rots before it is consumed – and that either happens in the supply chain or after marketing.

### ENERGY AND DIGITAL TECHNOLOGY

The demand for energy will continue to increase between 50% to 70% by 2050 with fossil fuels accounting for around 80% of total primary energy use. Much of this increase is attributed to consumption expected in developing economies that currently depend largely on fossil-based energy sources. Technology is causing problems too. Today, masses of people use electronic goods and digital devices – TV sets, mobile phones, computers et cetera. The production of these gadgets requires energy and commodities. The recycling of electronic waste is underdeveloped, and an unacceptably large share is done by informal workers in developing countries under hazardous conditions.

According to UN supported Global E-Waste Monitor 2020 a record 53.6 million metric tonnes of electronic waste was generated worldwide in 2019 – almost a quarter more than five years earlier. The total

e-waste now amounts to 7.3 kilogramme for every person on earth. Less than 20% is collected and recycled. By 2035, it is expected that e-waste will double. E-waste is not just an environmental concern but also a health hazard.

Simply put, our consumption habits are at odds with resources that nature provides. Human activity has indeed significantly altered three quarters of earth’s land and over half of the oceans, according to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). The main drivers are intensive agriculture, overfishing, energy production and the extraction of raw materials. The IPBES is the equivalent of the Intergovernmental Panel on Climate Change (IPCC), which also provides the international community with up-to-date science.

Our economic models geared to infinite growth are therefore incompatible with finite resources our planet has. Partha Dasgupta was the lead author of a recent report on how to include nature in economic modelling (see Katja Dombrowski in Monitor section of D+C/E+Z e-Paper 2021/04). We urgently need to align economic thinking to planetary boundaries. Otherwise, we will keep destroying the very foundation – nature – on which human existence rests. Nature does not need us; we need nature. She will bounce back somehow, but humanity will be unable to bear the costs. We must start living in harmony with nature, and we have no time to lose.



Shoppers in downtown Frankfurt.

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Unless otherwise indicated, this essay relies on UN and especially UNEP information. The most important UNEP documents are included in the reference list. [mahwish.gul@gmail.com](mailto:mahwish.gul@gmail.com)



## RECESSION

# Huge losses for the middle class

**Many residents of Porto-Novo and Cotonou, who were until recently members of Benin's middle class, have been hit hard – and not only by Covid-19 and the economic slump the pandemic has caused. The authorities hope that a good harvest will restart the economy.**

By Karim Okanla

Signs of the economic downturn are everywhere. For example, hundreds of rusty long-haul vehicles are parked along the 35-kilometre long Cotonou–Porto-Novo expressway. Moreover, many cars are put on sale. Their owners cannot afford them anymore, and many need cash urgently.

Indeed, some sprawling warehouses have been shut down for almost two years. The crisis set in when neighbouring Nigeria decided to close the land borders (see my contribution in Focus section of D+C/E+Z e-Paper 2020/05). The reasons, according to Nigeria's federal government, were smuggling and security concerns.

The border closure hurt many businesses that had specialised in importing foreign-made goods to Benin and then exporting them to Nigeria. Those goods included rice, wheat flour, cooking oil and tomato paste for example.

Members of the business community represent a big chunk of Benin's middle classes. According to anecdotal evidence, many have defaulted on bank loans. In any case, formerly prospering people are now facing deprivation.

Apart from owners, top managers of businesses and high-ranking government officials also belong to the middle class. The former tend to be affected by the ongoing crisis, while the latter have been losing perks and privileges in the course of state-sector reforms. To some extent, their scope for generating black income by demanding bribes has been reduced too. Lysiane Gnanounou, who has a good job in the financial sector, says that many have been forced to scale down their lifestyles and consumption patterns.

To belong to Benin's upper middle class actually means to be quite rich. Its members own – and live in – multi-storey houses in peaceful, clean and relatively secure neighbourhoods of Porto-Novo and Cotonou, the two main cities. They often have expensive Italian furniture and household appliance made in Japan, China or South Korea. Status symbols also include fully air-conditioned Toyota Land Cruisers or flashy Mercedes Benz four-wheel drives.

The coronavirus pandemic has had an impact, of course. The typical big weekend parties have become quite rare. Before coronavirus, prosperous people liked to spend heavily to celebrate weddings, naming ceremonies or birthday parties. Funerals and voodoo rituals were often quite expensive too.

The middle class generally has an international outlook. Those who can afford it, travel to Morocco or South Africa for medical attention, while those at lower echelons opt for Côte d'Ivoire or Senegal. Holiday trips abroad are appreciated as well, with the most affluent spending vacations in France, Italy or Spain.

Well-to-do families send their children to private schools and colleges, where costs sometimes amount to the equivalent of more than €1,500 per year and child. Not

all who are considered middle class can afford to do so, of course.

A few years ago, the African Development Bank (AfDB) published a report in partnership with the Organisation for Economic Co-operation and Development (OECD) and the UN Development Programme (UNDP). One message was that, in Africa, people with an annual income equivalent of about €4000 could be categorised as middle class. The average monthly income in Benin, by contrast, was only about €62 before the pandemic started.

The economic downturn that started with Nigeria's border closure has been made worse by the pandemic, of course. As consumer demand went down, the formal sector cut employment. The share of Beninois who entirely depend on the informal sector, where incomes are low and social protections do not exist, has grown.

The authorities in Benin are now pinning their hopes on good cotton and cashew nuts harvests in 2021. That might start a recovery. The Economist Intelligence Unit stated in April that, after Benin's contraction last year, it expects 2.4% growth in 2021 and even 4.5% in 2022. The London-based analysts warned, however, that a lack of vaccine supplies was slowing down the West African country's recovery.



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A good cotton harvest might help.



Many middle-class families earn their incomes with a small shop.

## SOCIAL MOBILITY

## Up from poverty

Nepal's middle class has been growing in recent years. While this upward mobility is good news, it is threatened by the economy's Covid-19 slowdown. The ingrained caste system is an obstacle too.

By Rukamane Maharjan

Nepal is improving its living standards. Considering the country's long history of poverty, its decades-long struggle for democracy and its difficult recovery from the devastating 2015 earthquake, this trend of recent years was welcome.

The World Bank reported that Nepal's per-capita income was \$1,090 in 2019, so Nepal is now a lower-middle income country. According to this definition, countries with per-capita income below \$1,030 are low-income countries.

A decade ago, the Asian Development Bank defined the middle class as those who have the purchasing power equivalent to \$2 to \$20 per person. It indicated that the middle class was growing in Nepal. The Living Standard Survey of Nepal and World Bank came to similar conclusions in 2016.

The increase in the size of the middle class reflects several significant trends:

- a population shift from rural to urban areas,
- increased education levels,
- a move from blue-collar and service jobs to white-collar occupations, and
- a surge in remittances from Nepalis working abroad.

The remittances alone accounted for 27% of the poverty reduction in the years under review. Higher wages in higher value-added occupations accounted for another 52% of the poverty reduction.

Nonetheless, Nepal remains one of the poorest countries in Asia with comparatively slow growth, according to a 2017 World Bank report titled "Climbing higher: Toward a middle-income Nepal". Nepal's per-capita income is falling behind that of other economies in the region, casting some doubt on continued prosperity. Covid-19 has hit the economy, which was already showing signs of stagnation, hard.

At the household level, declining GDP growth translates broadly into reduced opportunities and greater risks of falling back-

ward into poverty. There are some signs that this risk is present. The government's multidimensional poverty index – which looks at deficiencies in health, nutrition, educational opportunities and living standards alongside purely income figures – showed a poverty rate of 28.6% in 2018.

### SPOTTING THE MIDDLE CLASS

Researchers have not studied Nepal's middle class, and there is a lack of reliable income statistics. Anecdotal evidence therefore matters quite a bit. The Nepalese middle class is most easily defined by what it is not. It is wealthier than the population of subsistence peasants and landless labourers. And it is poorer than the upper class, which tends to hold inherited wealth and is typically linked to the ruling classes of the past.

The middle class is also identifiable by its pattern of spending. Middle-class Nepalis typically have a stable, adequate income from a salaried job or a small business. While they generally cannot pay for the pricey, English-speaking private schools attended by the children of the upper class, they can afford good educations for their children elsewhere.

Two subgroups are observable within the middle class. The first consists of merchants, entrepreneurs and administrators with family roots in the educated gentry.

The second consists of people from more modest backgrounds who became technical and managerial experts through higher education.

The middle class can also be subdivided along other dimensions. One relates to its mode of transport. Lower-middle class people tend to rely on two-wheeled transport such as bicycles or scooters, while upper-middle class members are more likely to use four-wheeled vehicles such as automobiles.

Similarly, membership in the middle class is associated with ownership of a small home and other assets such as jewellery. Some middle-class families own land. Middle-class status is also associated with extensive use of consumer goods such as fancy smartphones. A certain amount of conspicuous consumption is involved, reflecting a need to “show off” one’s status.

Although middle-class members tend to embrace consumer-based lifestyles, they also retain certain traditional practices. Some of these can be more backward-looking than modern. For example, in celebrating the traditional Hartalika Teej festival – a Hindu observance marking the day when Lord Shiva accepted Goddess Parvati’s decla-



ration of love – married women traditionally wash their husbands’ feet and drink some of the foot-bath water. Arguably, middle-class families contribute to preserving many conservative traditions, including, for example, the discrimination against widows.

The bigger picture, though, is that the middle class drives Nepal’s economy by creating businesses. Moreover, their outlook as English speakers tends to be more international than is typical of low-income people who only speak vernaculars.

Members of the middle class have been the key players in Nepal’s emergence from poverty and dictatorship. They have promoted industrialisation, urbanisation and modernisation across the economy.

Among other achievements, middle-class Nepalis established thousands of civil-society organisations after democracy was restored in the 1990s, helping to create a more fair and equitable society. Their activities promote government accountability and encourage social development.

Today, a walk in most Nepali cities is a feast for the eyes, and this is largely thanks to the efforts of the middle class. Restaurants with brightly coloured signs line the streets, and the variety of boutiques and commercial enterprises grows steadily. These businesses have transformed the landscape of the capital Kathmandu and other major cities – not just in terms of their physical appearance but also in terms of their residents’ aspirations.

There is still a lot of poverty in Nepal, but the country’s growing and active middle class shows that upward mobility is nonetheless possible (see box).



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## Nepal’s caste system reduces social mobility

In Nepal as elsewhere, socio-economic class and caste are interconnected in complex ways. Members of upper castes such as the Brahmins, the Chhetris and the Newars have both higher incomes and higher social status than everyone else. They also tend to have the most opportunities in education, business and employment, which increases and perpetuates their wealth. Members of lower castes and religious minorities, in contrast, have lower incomes as well as poorer living standards and meagre opportunities.

The upper castes form a decisive majority of the

economic upper class and a significant portion of the middle class. Paradoxically, the upper tiers of society tend to benefit most from reforms meant to increase social equality. They also tend to have the readiest access to new economy jobs.

The interaction of caste and class is a complex matter. Intersectionality describes the interconnected nature of income and other categories such as race, class and gender. The interconnectedness of these various identities creates overlapping systems of privilege and advantage, on the one

hand, or of discrimination and disadvantage on the other. The analysis of these mutually reinforcing privilege systems has become a watchword among government officials tasked with promoting equality of opportunity in Nepal.

The upper middle class naturally believes that its elevated status is based on individual merit. But caste – which is acquired by birth and not by individual achievement – is traditionally closely correlated with high income and leadership positions. Upper-caste Nepalese who are scions of generations of administrators, governors and military elites insist that merit should govern selection of senior officials. Some also say that focusing on intersectionality can undermine the principle of making

job appointments based solely on merit.

The fact remains that joining the upper class is a difficult task. One reason is inherited privilege, another is that the taxation system makes it difficult for middle-class people to accumulate wealth.

At the same time, inadequate public services make it harder for poor people to break into the ranks of the middle class. Deficiencies mark public health services. That is true of government-run schools as well (see Abhishek Thapa in Focus section of D+C/E+Z e-Paper 2021/04). All this blocks social mobility. It is possible to move up the income ladder in Nepal, but movement among income classes could be more free and clear of obstacles than it is today. RM





**Artist honouring  
frontline workers in  
Nepal.**

The pandemic has thus hit the economic prosperity of high-income people too.

Absolute poverty remains a huge global issue. At the end of last year, nearly 690 million people were suffering from chronic hunger and 135 million people were experiencing acute food insecurity, according to the most recent edition of the Global Hunger Index (GHI). It is compiled every year by the two civil-society organisations Welthungerhilfe (Germany) and Concern Worldwide (Ireland).

Oxfam, the international non-governmental agency, tells a similar story. Its report titled “The inequality virus” assesses the impact of the Covid-19 pandemic, concluding that, although there was progress in poverty reduction over the past two decades, levels of inequality were high even before the pandemic, according to Oxfam, but coronavirus has most likely exacerbated the matter. It notes that the wealth of the top 1000 billionaires has recovered to pre-pandemic levels within nine months. Between March and December 2020, billionaires’ wealth even grew by \$3.9 trillion.

According to the World Bank, about half of the world population live on less than \$5.50 per day. The Oxfam study reckons that the number of people who are poor in this sense may well have increased by between 200 and 500 million in 2020.

#### RELEVANT READING

## Progress undone by pandemic

**International reports show that Covid-19 has interrupted the growth of the middle classes and exacerbated poverty.**

**By Maren van Treel and Rishikesh Thapa**

The Covid-19 pandemic has stalled the growth of middle classes internationally and sharply increased poverty. This is the key finding of an analysis published by the Pew Research Center recently. It is based on World Bank data.

From 2019 to 2020, the global middle class remained nearly unchanged in size, amounting to around 1.32 billion people in 2020 (compared to 1.34 billion in 2019). From 2011 to 2019, however, it had kept growing by an annual 54 million people on average. Similar growth had been expected for 2020, the Pew authors write, but that did not happen due to the pandemic. The data analysts reckon that the middle class now makes up 17.1% of the global population, not the expected 17.8%. In this context, middle-class members are defined to have a purchasing power of between \$10 and \$50 per person and day.

Of the world regions where the middle class decreased, it did so most significantly in South Asia as well as East Asia and the Pacific. In both regions, it was comparatively

smaller than in Europe and North America. On the other hand, one third of the global middle class lives in China, which did not suffer a severe economic contraction because of coronavirus.

Poverty, on the other hand, increased substantially in 2020, amounting to 803 million and thus 131 million people more than expected before the pandemic. According to the Pew study, they now make up about 10% of the world population. Two dollars purchasing power per head and day is the poverty line.

Before the pandemic, the share of people concerned was predicted to sink from nine percent to a record low of 8.7%. Covid-19 has thus undone progress made in the fight against poverty. It is now back almost at the level of 2017, according to Pew. From 2011 to 2019, on average, 49 million people escaped poverty every year. The sharp increase in poverty is centred on South Asia (plus 78 million people) as well as sub-Saharan Africa (plus 40 million people).

The number of people living on \$50 per day or more has decreased, amounting to an estimated 531 million worldwide – 62 million below the pre-pandemic projection. Between 2011 and 2019, this tier had been growing by an average of 15 million per year.

#### LINKS

**Oxfam International, 2021: The inequality virus.**

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