

COMPOUNDING CRISES

Will **COVID-19** and **Lower Oil Prices** Lead to a New Development Paradigm in the Arab Region?





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List of Acronyms

Eora IO	Eora Input-Output
ESCWA	Economic and Social Commission for Western Asia
FCCs	Fragile and crisis countries
GCC	Gulf Cooperation Council
GVC	Global Value Chain
IDPs	Internally displaced persons
ILO	International Labour Organization
IMF	International Monetary Fund
LDCs	Least developed countries
MENA	Middle East and North Africa
MICs	(Non-crisis) Middle-income countries
NOAA	National Oceanic and Atmospheric Administration
OECs	(Non-crisis) Oil-exporting countries
OIMICs	(Non-crisis) Oil-importing middle-income countries
SDGs	Sustainable Development Goals
UNDESA	United Nations Department of Economic and Social Affairs
UNWTO	United Nations World Tourism Organization
WEF	World Economic Forum
WTTC	World Travel and Tourism Council

Country Group Breakdown

Oil-exporting countries (OECs)

Algeria
Bahrain
Kuwait
Saudi Arabia
Oman
Qatar
United Arab Emirates

Oil-importing middle-income countries (OIMICs)

Djibouti
Egypt
Jordan
Morocco
Tunisia

Fragile and crisis countries (FCCs)

Iraq
Lebanon
Libya
State of Palestine
Somalia
Sudan
Syria
Yemen

Foreword

The present report offers a comprehensive overview of the observed and potential impacts of COVID-19 and lower oil prices on sustainable development in the Arab States region. Bringing together qualitative and quantitative analysis on a broad range of sectors, it demonstrates the interconnected scope and scale of the first wave of repercussions on societies across the region. It also proposes frameworks for integrated policy action to mitigate the fallout of the crisis on the most vulnerable while pursuing responses which are inclusive, effective and aimed at leaving no one behind and the achievement of the Sustainable Development Goals (SDGs).

The report makes clear that before the pandemic, the Arab States region was beset by deep development challenges and was not on track to achieve the SDGs by 2030. Now, due to COVID-19, an unprecedented health, economic and social crisis continues to threaten lives and livelihoods, making the achievement of the Goals even more challenging.

What is clear is that more than creating new challenges, the COVID-19 crisis has significantly exposed existing fragilities and exacerbated inequalities at every level. While the crisis has impacted everyone, it has not impacted everyone the same. The most vulnerable are the most affected, including those employed in the informal economy, older people, children and youth, persons with disabilities, marginalized groups, migrants, refugees, and women and girls.

Yet the report also argues that the current pandemic has also moved the frontier of what is possible in the realm of policy. In the face of crisis, countries across the Arab States region have an opportunity to make bold choices to rapidly expand social protection, invest in a green economy, close the digital divide and deliver on gender equality as means to build forward better. In this sense, the crisis offers a once-in-a-lifetime opportunity to transform policies to address long-standing development challenges at a time when it is needed more than ever, with an overarching message emphasizing the need for a renewed social contract between states and populations. Crucially, the impacts of COVID-19 also lay bare the urgent need for peace and for sustained recovery from conflict and crisis.

This report is offered as a reference for policymakers, practitioners and the engaged public seeking to lead or support responses to the current crisis which are informed by data and factual analysis, and have the achievement of the SDGs as the overarching aim. In this sense, the report stands as a

contribution within the context of the UNDP role as technical lead of the United Nations Socio-Economic Response to COVID-19, and is offered as a complement to analytical work by United Nations agencies active across the region, as well as the United Nations Economic and Social Council for Western Asia, and international financial institutions such as the World Bank and the International Monetary Fund.

At the same time, it is a modest report. The crisis is still unfolding around the world and the region, and the extent and nature of its impacts continue to be revealed and unpacked. The fullest impacts of the current crisis will only be known with time.

The stock-taking nature of this report also enables it to serve as an opening reference for a series of focused policy papers the UNDP Regional Bureau for Arab States is to launch in the next future. Within an overall framework of integrated policy responses, these papers will drill down on specific themes and offer evolving policy insights to support the detailed implementation of policies aimed at building forward better and pivoting to a sustainable and inclusive future of development.

Coming at the end of the first year of the Decade of Action for the achievement of the SDGs, and as the world celebrates the 75th anniversary of the founding of the United Nations, this report also echoes the call of the United Nations Secretary-General for renewed ambition, mobilization, leadership and collective action, not just to beat COVID-19 but to recover better, and together.

As the Regional Bureau for Arab States of the UNDP, we are committed to supporting our partners across the region to rise to the challenge and to create more inclusive and equitable societies for everyone.

Sarah Poole

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Regional Bureau for Arab States (RBAS)
United Nations Development Programme

Acknowledgements

This report was coordinated by Vito Intini under the close guidance of Khaled Abdel-Shafi and Sarah Poole. The lead authors of the chapters of this report were the following: Elfatih Abdelraheem (chapter 1); Vito Intini (chapter 2); Farah Choucair and Paola Pagliani (chapter 3); Devika Iyer and Rawhi Afaghani (chapter 4); Nathalie Bouché (chapter 5); Fekadu Terefe (chapter 6 and 7); Frances Guy (chapter 8); Nathalie Bouché and Devika Iyer (chapter 9); Kishan Khoday (chapter 10); Gonzalo Pizarro and Vito Intini (chapter 11).

Anthony Fakhoury, Ellen Hsu, Françoise De Bel-Air, Giorgia Giovannetti, Hassan Krayem, Leanne McKay, Nadine Abdelraouf, Quang Le, Rania Tarazi, Shireen Al-Azzawi, Stephanie Boustany, Stephen Liston, and Walid Merouani provided substantive inputs and research support. We are grateful to Pedro Conceicao (UNDP), Daniel Lederman (World Bank) and Ishac Diwan for kindly agreeing to peer review the report. The report also benefited from a presentation and discussion that took place at the UNDP Economic Advisory Group. Ellen Hsu, Theodore Murphy and Noeman Alsayyad provided editorial support. Susanne Dam-Hansen and Huda Khattab provided administrative and logistical coordination.

Executive Summary

The Arab region has been severely affected by a compound crisis triggered by the simultaneous occurrence of COVID-19 and a significant drop in oil prices. As this report is being finalized,¹ the virus is still spreading with increasing speed across the region's largest economies. Initial signs of deceleration, albeit limited, are only found in some of the region's smaller economies that implemented drastic social distancing measures in a timely manner after the pandemic was declared by the World Health Organization (WHO).

Despite many governments' efforts to put in place policies to contain and mitigate the spread of the virus and subsequent economic crises, as well as the many attempts by international organizations, consultancies and think-tanks to assess its socioeconomic impact, that impact is still largely unknown and unmeasurable. This is because of the atypical nature of the shock, its unique interrelations with global and regional economic transmission channels and, above all, the region's underlying social, economic, institutional, and political characteristics and fragilities. Socioeconomic assessments prepared by UNDP's Country Offices together with other UN and development partners indicate that the crisis has affected every aspect of the Arab economies and the lives of people in the region, including entire economic sectors, investment, trade, remittances, labour markets, and health and education systems; the welfare of households, communities and individuals – and in particular women and students; and the many personal dimensions of people's lives.

Moreover, this dual shock presented by the coronavirus and low oil prices has exacerbated the region's existing challenges, such as historically persistent anaemic per-capita growth, high investment volatility, low productivity, fragile political transitions, entrenched economic rentier systems, insufficient opportunities for economic and political participation by women and youth, and

worsening environmental challenges. Indeed, even before the dual shock, structural challenges implied that the region was not on track to achieve the SDGs², which now are going to be further away.

The shock reiterates the fact – as if there was any need – that these challenges have strong regional dimensions and consequently require regional solutions. Thus far, however, the Arab countries have exclusively chosen national policies over regional responses and recovery strategies.

This report aims to provide a clear and comprehensive examination of major, direct and indirect socioeconomic impacts of COVID-19 and lower oil prices in the region at the macro, meso and micro levels, as well as related policy responses. These impacts and responses are consistently analysed across three principal sub-regional groupings comprising countries with broadly similar development challenges in the current crisis: oil-exporting countries (OECs); oil-importing middle-income countries (OIMICs); and fragile and crisis countries (FCCs). As with any such categorization, these groups cannot be considered exhaustive or exempt from overlaps in certain aspects, but are useful in the context of this paper. Special attention is dedicated to conflict-affected countries (Syria, Yemen, Libya, Somalia) and countries undergoing political and economic transitions (Algeria, Iraq, Lebanon, Sudan and Tunisia), where weak health systems and strained institutional capacities often overlap with political fissures in ways that compound underlying socioeconomic fragilities.

Each chapter provides an overview of the challenges and policy responses implemented thus far – which are critical, as they may either improve the situation or make things worse if not properly designed and implemented. The chapters also propose additional policy actions intended to mitigate the impacts of the crisis and support progress towards inclusive and sustainable development in the short and medium terms.

¹ The report has been drafted in summer 2020.

² Arab Development Portal (<https://data.arabdevelopmentportal.com/Sustainable-Development-Goals/>).

01

The pandemic: Challenges in the Arab region

Chapter one reveals how many of the region's healthcare systems were ill-prepared for facing the COVID-19 pandemic, according to a range of commonly used health sector indicators. The chapter demonstrates how socioeconomic challenges risk compounding pre-existing health-related challenges in many countries in the region, creating a vicious circle that over time will be increasingly difficult to disentangle.

02

Macroeconomic aspects

Chapter two illustrates major macroeconomic transmission channels and discusses why a rapid, so-called 'V-shaped' economic recovery in the region is unlikely; rather, the recovery will probably involve a longer period of diminished growth than initially expected by analysts. The pandemic has caused a drop in domestic, regional and global demand; disrupted production, trade and supply chain patterns; and led to a fall in consumer and business confidence, as well as a sudden, parallel tightening of financial conditions. Travel and movement restrictions have severely undermined the region's labour-intensive service sector, resulting in rising unemployment and falling productivity, wages and remittances. Regional financial markets have witnessed increasing asset price volatility, resulting in growing risk aversion among investors. This will likely lead to higher demand for dollar-denominated liquid assets, a significant slowdown of FDI inflows and rising risk premiums in international financial markets. Such tightening financial conditions are likely to result in less favourable refinancing conditions for the region's maturing external sovereign debt over the course of 2020 and beyond. Therefore, government budgets are expected to be affected at least in three ways: i) through a significant increase in public expenditures to deal with the urgency of the crisis and its immediate health and socio-economic effects; ii) by a drop in tax revenue resulting from decreasing economic activity; and iii) by the difficulties governments will face in mobilizing financial resources in international capital markets. While the pandemic's economic impact is expected to be sizeable across the region, it will be felt differently in different countries based on factors including their underlying economic structures, fiscal conditions, and capacity to promptly respond to the crisis.

03

Sector-based transmission channels: Tourism and construction

Chapter three explores two hard-hit economic sectors that are particularly important to the region's economy: tourism and construction. The tourism sector makes up a significant share of Arab countries' overall exports and an important source of foreign currency earnings. The halt in international tourism will increase unemployment mostly among youth – and especially young women – and migrants in many countries. Measures to support the tourism industry and protect its already-vulnerable workforce will prove critical. The construction sector also plays a considerable, albeit variable, role in Arab economies and labour markets. In many countries, the contribution of construction to GDP and employment has expanded as a result of notable flows of oil revenue and remittances, drawn to a sector traditionally considered relatively stable and profitable. Most construction taking place in the region is not energy-efficient and is not conducive to adaptation to climate change. COVID-19 has had a direct impact on the construction sector in Arab countries and the impact will also be considerable on the workforce engaged in construction due to the disproportionately high presence of informal workers and those employed in small- and medium-sized building companies – who risk losing their income in the absence of unemployment benefit schemes or other social protection measures. Some of the stimulus measures put in place might help reduce the negative consequences of the pandemic and the fall in oil prices on this sector, but a more ambitious overhaul of the construction sector in the region might take into consideration additional green measures, which could be included as a requirement for companies seeking access to stimulus measures.

04

Impacts on migrants and remittances

Chapter four assesses one of the critical international transmission channels of the shock – migrants and remittances. With more than 15 percent of the global total in 2019, the Arab States host a sizeable number of migrants, primarily in the countries of the GCC, Jordan and Lebanon. The region hosts irregular and regular migrants, asylum seekers and refugees fleeing conflict and persecution, and people seeking better lives and opportunities. Certain categories of migrants face a host of challenges, including poor labour and living conditions, limited access to clean water and hygienic sanitation, inadequate access to health services, and limited legal protections and access to justice. The dual crises have further exacerbated the vulnerabilities of these migrants

and put them at particular risk. The impact of COVID-19 and the sharp decline in oil prices have led many business enterprises to lay-off migrant workers and cut wages. The crisis is also expected to impact the flow of remittances – a critical source of funds for countries that are among the largest recipients of remittances as a percentage of GDP in the world, as well as a key source of income for millions of households in the region. Current estimates indicate that remittances to the region are projected to fall by about 20 percent in 2020 but in some countries the drop is likely to be higher. Mobility restrictions during lockdowns, as well as high remittance costs, are among the key constraints that impede the flow of remittances and their critical countercyclical role in times of crisis. Some governments in the region have introduced limited measures to address the immediate challenges faced by migrant workers impacted by the dual crises, which mostly relate to residency or visa renewals and testing and treatment for COVID-19. However, greater efforts must be taken by countries to address the severe impacts of these crises on migrants. Among the key immediate priorities for governments in the region should be to ensure gender-sensitive access to healthcare, effective service delivery, adequate work and living conditions, and social protection; and to recognize remittance service providers and their agents as essential, extending fiscal support to remittance service providers accordingly as a means of supporting their continued flow. Looking at migration from a longer term perspective, the outlook is no longer favourable, hence governments should focus on improving the ability of their economies to export goods and services rather than their youth.

05

Impacts on labour markets

Chapter five analyses the potential impact on the labour market, with a particular focus on the informal labour market and vulnerable workers, including refugee and migrant workers who do not have access to social protection measures and are therefore particularly vulnerable in the event of shocks. Given that almost one third of total regional employment comprises work in activities that are at high risk of being hard-hit by the economic disruptions created by COVID-19, the policy response should be tailored to support the most vulnerable sectors in order to achieve an appreciable impact on employment. The policy response must also contend with the challenges emanating from the complex heterogeneity of the labour force of the region – which notably includes sectors that are highly protected at the expense of others. In the medium-term, a coherent menu of public sector, social insurance, social assistance and active labour market reforms is required, with a focus on young people and women.

06

Impacts on MSMEs

Chapter six reviews the preliminary results available from MSME micro surveys conducted in the region. MSMEs, which account for 97 percent of all businesses and represent a major source of new job creation in the region, stand to lose the most from the dual crises. This is in large part a consequence of the lower levels of assets and limited cash reserves they have on hand to cushion against liquidity shortages. In addition, MSMEs and most workers are typically employed in sectors that are particularly exposed to the pandemic's effects, such as tourism, transportation and retail. In those countries for which some evidence of the impact is available, the crisis has resulted in business closures, declines in production, declines in sales, loss of profits, loss of jobs and the emergence of liquidity constraints, with the combined effect of growing threats of enterprise failure. While some enterprises have been able to adapt to the crises and remain operational, for example through intensified use of ICT, not all have been able to do so. The main types of support targeting MSMEs relate to easing liquidity challenges faced by enterprises, allowing for deferrals of tax and fee payments, rolling out employment protection and retention schemes, and lowering (through subsidies) the prices of recurring household fees such as rents or utilities. Disparity in the scope and depth of the response between fragile and crisis countries and others is noticeable, mainly due to the differing fiscal space and institutional capacities of country groups. Moving forward, countries must ensure the continuation of ongoing interventions, with increasing scale and impact. In the medium- to long-term, countries should look at systems or strategies to broaden and ensure the sustainability of their fiscal space, address gaps in the business environment for MSMEs, expand access to social protection for employees of MSMEs, and expand access to digital opportunities to support business continuity. More fundamentally, governments need to reduce the so-called "dualism" in their economies by allowing SMEs to grow – noting that a key characteristic of the private sector in most countries is a huge "missing middle", largely related to the unfair competition that mid-sized firms face from large (and often politically connected, but inefficient) firms and SOEs.

07

Impacts on poverty and food security

Chapter seven uses various assessments, including micro surveys that have been conducted in the region so far, to give an idea of the

welfare impact on households through a poverty and food security lens. While results are preliminary, the impact is clearly sizeable. It is estimated that up to 14.3 million people in the region could fall into poverty in 2020 due to the crisis, if no urgent mitigation measures are taken. This would bring the estimated total number of people living in poverty in the region up to 115 million. There are also serious negative implications of the crisis for multidimensional poverty, because of the impact of the pandemic on access to education and unequal access to technology. The region is especially vulnerable to food insecurity, being the largest per capita importer of grain in the world. During 2020, an additional 1.9 million people are also likely to become undernourished, or food insecure, as a result of the pandemic. The effect is aggravated primarily by weakened purchasing power caused by job losses and increases in food prices, observed particularly in fragile and crisis countries, where about 74 percent of the region's undernourished people live. Countries have implemented extensive policy measures to prevent declines in consumption and prevent people from falling into poverty and food insecurity. These measures include reducing taxes on consumer items, a wide range of social protection measures, income support, market interventions such as price controls, easing of liquidity constraints, enhancing access to credit, trade measures such as import subsidies and export bans, institutional measures, and increased agricultural spending and macroeconomic policy measures. Measures taken so far have certainly prevented even greater increases in poverty and food insecurity, but an extended period of crisis could test the financing capacity of countries to continue implementing such measures. Additional measures may also include addressing economic and social inequalities, enhancing economic diversification initiatives, and ensuring the financial sustainability of existing policy interventions.

08

Gendered impacts and responses

Chapter eight completes the analysis of the potential impact on girls and women provided in the previous thematic chapters and identifies the compounding risks emanating from the COVID-19 crisis and their potential medium-term implications for women and girls. These include increased exposure to risks due to disproportional female representation in the healthcare sector in the region, increased unpaid care work, decreased job opportunities, digital exclusion and school dropout rates, among others. Women are also suffering from the shadow pandemic of domestic violence. So far, governments in the region have not included women in decision making about the policy response nor tailored enough their policy responses to meet the needs of women. The sobering conclusion is that, should the status quo continue, it will be impossible for countries to put themselves on a long-needed gender-inclusive development trajectory.

09

The social protection response

Chapter nine focuses on social protection and, hence, is entirely policy oriented. This is an area where more policy debate and engagement across the region is critical, as social security schemes (e.g. health insurance, pensions, paid leave/sick leave, maternity and unemployment benefits) remain predominantly tied to formal employment. While Arab countries have adopted numerous emergency policy measures to expand social protection coverage, these measures remain temporary, and ad hoc, and in their current format are not sustainable in the long-term. In addition, many important vulnerable groups – such as the elderly, people with disabilities and refugees – remain for the most part excluded by these measures. Sustained investment in social protection will be critical for a sustainable and inclusive recovery and to strengthen the resilience of Arab economies and societies to future shocks.

10

Climate change, sustainable energy and the environment

Chapter ten seeks to put the preceding analyses into a long-term perspective and calls upon policymakers to place the environment and climate action at the centre of recovery efforts. The Arab region is the world's most water scarce and food-import-dependent region and has emerged as a global climate hotspot with temperatures rising faster than the world average. In addition to challenging policymakers to make recovery efforts resilient, the crisis can also serve as an opportunity to rethink the role of the environment and climate action in development policies and paradigms. This chapter reviews three key aspects of this challenge: i) converging risks from climate change, particularly for the poor, and ways climate action can generate co-benefits for community resilience and recovery efforts; ii) implications of the crisis for the region's goal of becoming a sustainable energy economy and ways solar solutions can be harnessed to achieve economic recovery and energy security for poor and other severely affected communities; and iii) risks from a lack of capacities in water, waste and ecosystem management and ways that the more sustainable use of natural assets can reduce future risks and build resilience. The vision of a new balance between people and planet at the heart of the 2030 Agenda and the SDGs seeks to remedy this. The crisis has highlighted the multi-dimensional nature of risks in the region and the need for integrated solutions.

11

A new development paradigm: What would it take to achieve a greener, more inclusive and resilient region?

Finally, chapter eleven puts together all the threads of analysis contained in the previous chapters to delineate a forward-looking agenda. It explores broader, long-term development challenges posed by this dual shock and proposes ambitious policy options and key aspects of a revised underlying development model that could better address future risks and shocks in the region in a more effective, sustainable and equitable manner.

One of the key messages of the report is that the dual shock has laid bare the region's well-known and long-lived fragilities that have resulted in widespread economic informality, a preponderance of micro and small enterprises, inadequate financial markets, widespread youth unemployment, inadequate health systems, low levels of public transparency and accountability, and underarticulated social protection systems, to name just a few.

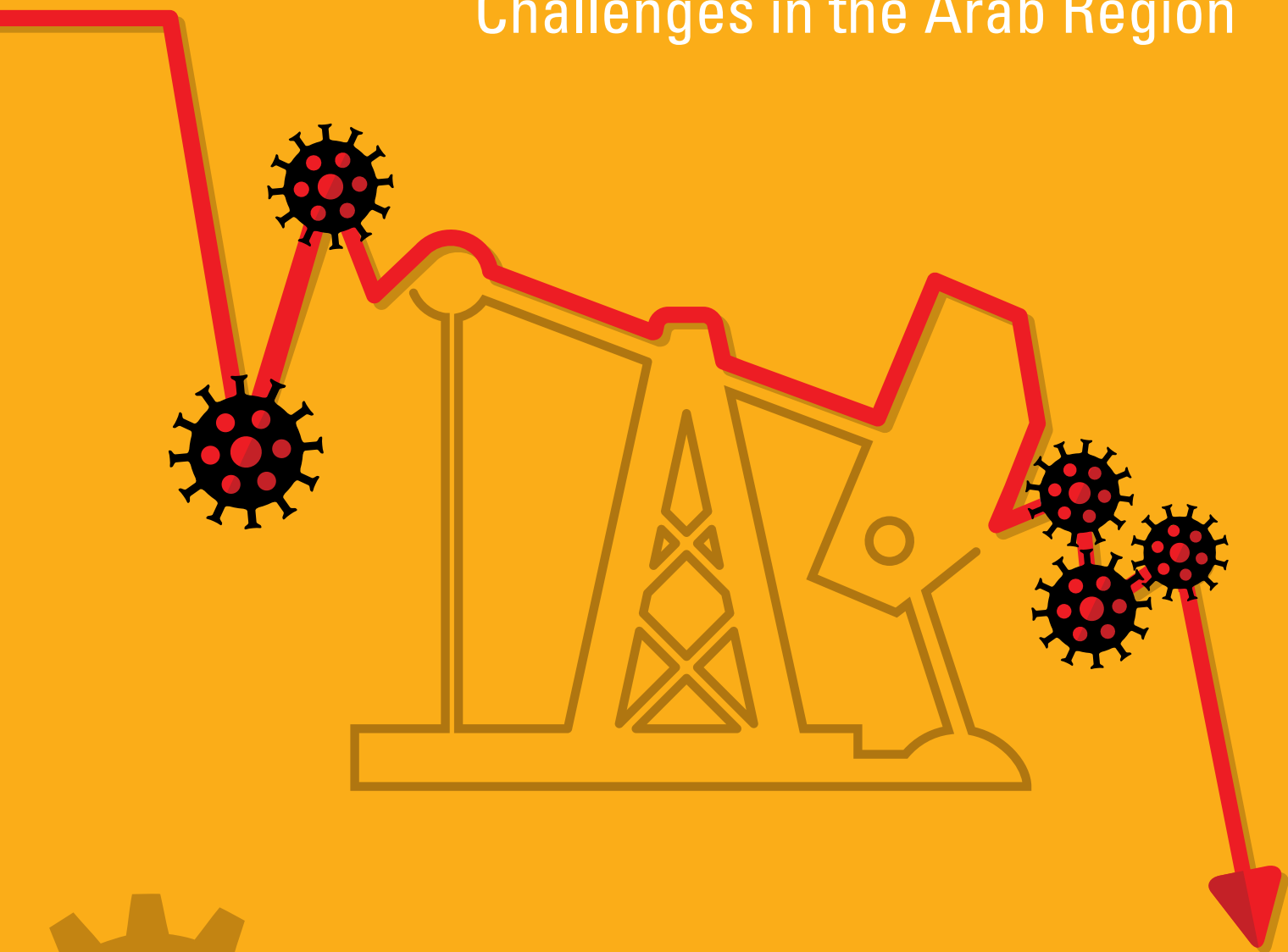
Another key message of the report is that institutions, economies and societies in the Arab region will need to be increasingly resilient in the face of aggregate risks and unpredictable shocks, even after this twin crisis subsides.

All these structural fragilities, combined with a new matrix of risks and shocks, point to the need for Arab political and economic elites and societies to initiate a candid debate on the kind of state and market that are required in the region to cope with an increasingly complex web of risks and shocks. Ultimately, these will need to be capable of protecting the region's citizens when shocks hit and allow them to actively contribute to their economy and innovate in normal times. This means reconsidering the key shapes and roles of the state and of the market as they have been historically realized. This task is made all the more difficult in a region heavily tilted towards economic rentierism that has been caught unprepared by the crisis. As such, it will struggle to provide enduring solutions in terms of inclusive and green recovery, sustainable development plans that are actually implemented, economic and digital transformations that can benefit everybody, efficient and affordable health and education systems, or the means to keep in check worrying early signals of heightening poverty and inequality.

This will require a new development model, founded on a new social contract, and we hope that this report will serve to initiate the necessary, candid and long-needed debate to launch such a process.

01

The Pandemic: Challenges in the Arab Region



01

The Pandemic: Challenges in the Arab Region

Before COVID-19: The regional status quo ante

Health inequality was widespread in the Arab region before the onset of COVID-19 and closely mirrored disparities in income, which are highly pronounced in this region in light of its diversity of development profiles. Inequalities in life expectancy and health outcomes are clear and persistent, both between and within the countries of the region, not least given the fact that eight of the 36 most fragile and crisis countries in the world are in the region.¹

A closer look at the health sector in the Arab region reveals significant variations in the levels of health emergency preparedness (Table 1.1). Differences in this regard can be tracked by country groupings: 1) oil-exporting countries lead the region in terms of health infrastructure and human resources for health (HRH) – according to the latest available data, Kuwait has the highest ratio of medical doctors² in this group with 26.5 – and 74.2 nurses and midwifery personnel³ – per 10,000 population, while Bahrain has the lowest ratio of medical doctors with 9.3 and Algeria the lowest ratio of nurses with 15.5 per 10,000; 2) oil-importing, middle-income countries have lower levels of preparedness and infrastructure, with availability of medical doctors ranging between 2.2 (Djibouti) and 23.2 (Jordan) and nurses from 7.3 (Djibouti) to 28.2

(Jordan), and; 3) fragile and crisis-affected countries (FCCs), which have very weak health systems with availability of medical doctors ranging between 0.2 (Somalia) and 21 (Lebanon) and nurses from 1.1 (Somalia) to 65.3 (Libya).

The crisis has exposed fundamental shortcomings in preparedness for the pandemic, as Table 1.1 shows; health expenditure as percentage of GDP, hospital beds per 10,000 people and the availability of fixed broadband connections are low across the region as a whole.

Connectivity is a key determinant for the adaptive capacity of a country in responding to COVID-19. The technological landscape in the Arab region is characterized by wide, structural, digital disparities. The mobile-cellular subscription in half of FCCs does not exceed 75 percent compared to 208.5 in the UAE and 171.6 in Kuwait. Furthermore, while the percentage of individuals using the Internet reaches almost 100 percent in Qatar and Kuwait (both around 99.6 percent), in several FCCs it does not exceed 35 percent (Libya, Syria and Yemen).⁴

The decades before COVID-19 witnessed significant improvement in overall health indicators in the region; nevertheless, progress was not even within and among

1 The World Bank, *Life expectancy at birth, total (years) - Middle East & North Africa*, World Bank data (<https://data.worldbank.org/indicator/SP.DYN.LE00.IN?locations=ZQ>).

2 World Health Organization (WHO), *Medical Doctors*, Global Health Observatory data repository (https://apps.who.int/gho/data/node.main.HWFGRP_0020?lang=en, latest available data).

3 WHO, *Nursing and midwifery personnel*, Global Health Observatory data repository (https://apps.who.int/gho/data/node.main.HWFGRP_0040?lang=en, latest available data).

4 International Telecommunication Union (ITU), *Country ICT Data (until 2018)*, (<https://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx>).

5 Adapted from UNDP, *Human Development Index*, 2020.

Table 1.1 Arab States preparedness for COVID-19⁵

	Human Development Index (HDI)	Inequality-adjusted HDI (IHDI)	Inequality in HDI	Hospital beds (per 10,000 population)	Current health expenditure (CHE) as percentage of gross domestic product (GDP) (%)	Medical doctors (per 10,000 population)	Nurses and midwives (per 10,000 population)	Mobile phone subscription (per 100 people)	Fixed broadband subscriptions (per 100 people)	
OECs	Bahrain	0.838		17.4	4.7%	9.3	24.9	133.3	11.8	
	Saudi Arabia	0.857		22.4	5.2%	26.1	54.8	122.6	20.2	
	Kuwait	0.808		20.4	5.3%	26.5	74.2	171.6	2.5	
	UAE	0.866		13.8	3.3%	25.3	57.3	208.5	31.4	
	Oman	0.834	0.732	12.2	14.7	3.8%	20.0	42.0	133.4	8.7
	Qatar	0.848			12.5	2.6%	24.9	72.6	141.9	9.6
	Algeria	0.759	0.604	20.4	19	6.4%	17.2	15.5	111.7	7.3
OIMICs	Egypt	0.700	0.492	29.7	14.3	5.3%	4.5	19.3	95.3	6.7
	Jordan	0.723	0.617	14.7	14.7	8.1%	23.2	28.2	87.6	4.0
	Tunisia	0.739	0.585	20.8	21.8	7.2%	13.0	25.1	127.7	8.8
	Morocco	0.676			10	5.2%	7.3	13.9	124.2	4.3
	Djibouti	0.495			14	3.3%	2.2	7.3	41.2	2.7
FCCs	Lebanon	0.730			27.3	8.2%	21.0	16.7	64.5	0.1
	Libya	0.708			32	6.1%	20.9	65.3	91.5	4.8
	Syrian Arab Republic	0.549			14	3.6%	12.9	15.4	101.1	7.8
	Yemen	0.463	0.316	31.8	7.1	4.2%	5.3	7.9	53.7	1.4
	Iraq	0.689	0.552	19.8	13.2	4.2%	7.1	20.5	95.0	11.7
	State of Palestine	0.690	0.597	13.5					90.0	7.5
	Sudan	0.507	0.332	34.6	7.4	6.3%	2.6	7.0	72.0	0.1
Somalia				8.7		0.2	1.1	51.0	0.7	
Arab region	0.703	0.531	24.5	16	5.2%	14.2	29.9	105.9	7.6	
World	0.731	0.596	18.6	28	6.3%	15.6	37.6	104.0	14.1	

Sources: United Nations Development Programme (UNDP), Human Development Report Office; World Health Organization (WHO), Global Health Observatory data repository; International Telecommunication Union (ITU), Country ICT.

Note: latest data reported refer to different years.

Higher than world average

Lower than world average

countries.⁶ As with the disparities in economic growth in the region, there are significant variations between countries in terms of their current health expenditures, as shown in Table 1.1 (and Figure 1.1). Overall, the region exhibits low public spending on health, as reported in the table, and in the Regional Atlas of Health Financing, 2018.⁷ The report indicated that “The share of out-of-pocket (OOP) payment

in the region oscillated at around 40 percent of total current health expenditure between 2000 and 2015, compared to a global average of 32 percent in 2015”.⁸ In sum, countries would need to increase their investments in universal health coverage (UHC) before real progress could be made.

The 2019 Global Health Security Index⁹ provides a complementary perspective on relative national

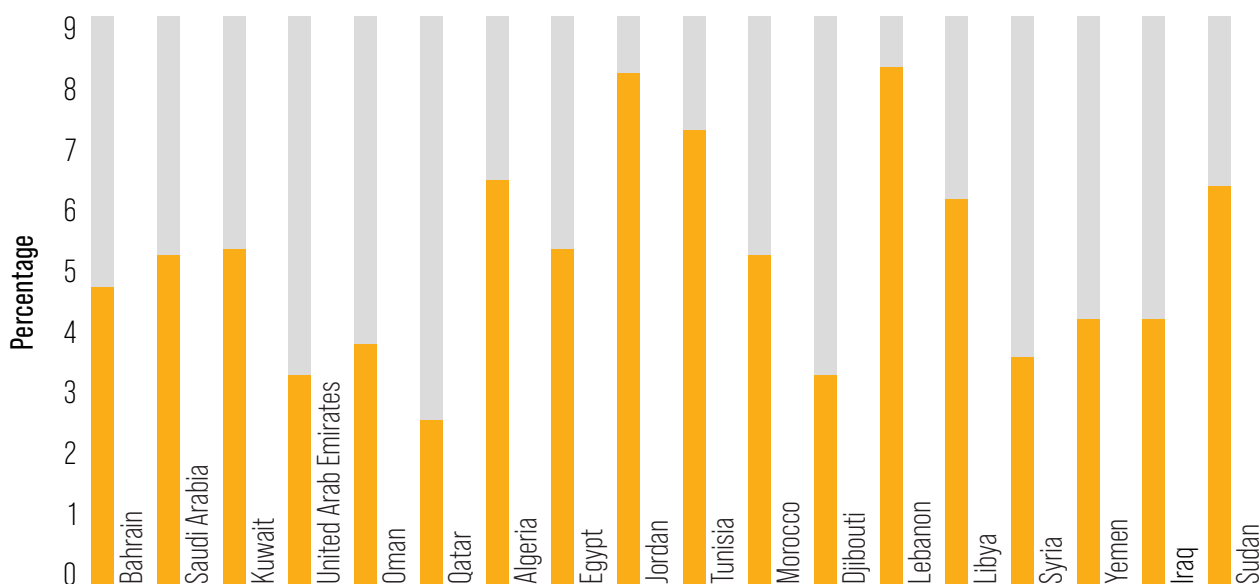
6 Horton, R., ‘Health in the Arab World: A renewed opportunity’, *The Lancet*, Volume 383, Issue 9914, pp. 283–4, 25 January 2014 ([https://doi.org/10.1016/S0140-6736\(13\)62703-8](https://doi.org/10.1016/S0140-6736(13)62703-8)).

7 WHO, *Strengthening health financing systems in the Eastern Mediterranean Region towards Universal health coverage: Health financing atlas 2018*, 2019 (https://applications.emro.who.int/docs/EMROPUB_2019_EN_22347.pdf).

8 Ibid.

9 Nuclear Threat Initiative (NTI) and Johns Hopkins Center for Health Security (JHU), *Global Health Security Index: Building Collective Action and Accountability*, October 2019 (<https://www.ghsindex.org/wp-content/uploads/2019/10/2019-Global-Health-Security-Index.pdf>).

Figure 1.1 Current health expenditure (CHE) (percentage of GDP)



Source: WHO, Global Health Observatory data repository.

health sector capabilities in a ranking that assesses 195 countries around the world. This includes three categories of countries in terms of their health security; none of the Arab countries ranks among the “most prepared” countries. Oil-exporting countries in the region, with the exception of Algeria, rank among the “more prepared” countries, while FCCs are ranked within the “more prepared” and “least prepared” categories.¹⁰ In terms of political commitment, UHC is agreed upon by all countries in the region as part of Sustainable Development Goal 3 (target 3.8). Moreover, the role of government in health care is supported by the constitutions¹¹ of

several countries in the region. In 2018, all the countries of the region signed the UHC 2030 Global Compact,¹² and endorsed the Salalah Declaration,¹³ demonstrating a high degree of political commitment to UHC. Yet the 2019 UHC Global Monitoring Report¹⁴ tells a different story; although the UHC Index of service coverage¹⁵ increased globally, to a global average of 66,¹⁶ the average remains around 57¹⁷ in the region.¹⁸ Furthermore, in 2018, 13.5 percent of the region’s population faced financial hardship and so-called “catastrophic health expenditure” – i.e. spending more than 10 percent of their income on health, which is used as an international benchmark.¹⁹

10 The GHS Index is the first comprehensive assessment and benchmarking of health security and related capabilities across the 195 countries that make up the States Parties to the International Health Regulations (IHR [2005]).

11 The right to health is recognized in the UN Convention on Economic, Social and Cultural Rights (<https://www.refworld.org/pdfid/4538838d0.pdf>); “International human rights law guarantees everyone the right to the highest attainable standard of health and obligates governments to take steps to prevent threats to public health and to provide medical care to those who need it.” (https://www.hrw.org/news/2020/03/19/human-rights-dimensions-covid-19-response#_Toc35446586).

12 UHC2030, *Global compact for progress towards universal health coverage*, International Health Partnership, n.d. (https://www.uhc2030.org/fileadmin/uploads/uhc2030/Documents/About_UHC2030/mgt_arrangemts_docs/UHC2030_Official_documents/UHC2030_Global_Compact_WEB.pdf).

13 WHO, *Salalah Declaration signals countries’ firm commitment to universal health coverage*, Regional Office for the Mediterranean, 6 September 2018 (<http://www.emro.who.int/media/news/salalah-declaration-signals-countries-firm-commitment-to-universal-health-coverage.html>).

14 WHO, *UHC Global Monitoring Report 2019* (https://www.who.int/healthinfo/universal_health_coverage/report/uhc_report_2019.pdf?ua=1), accessed 31 May 2020.

15 UHC service coverage index combines 16 tracer indicators of service coverage into a single summary measure.

16 See: WHO, *Index of service coverage data by WHO region*, Global Health Observatory data repository (<https://apps.who.int/gho/data/view.main.INDEXOFESSENTIALSERVICECOVERAGEREGV?lang=en>).

17 Ibid.

18 WHO East Mediterranean Region includes Pakistan, Iran and Afghanistan and excludes Algeria.

The report also indicates significant variations between countries, as Algeria scores the highest on the Universal Health Coverage Index with 78,

followed by Bahrain (77), Jordan, Kuwait and the UAE (76), and with Somalia and Yemen scoring the lowest (25 and 42 respectively).²⁰

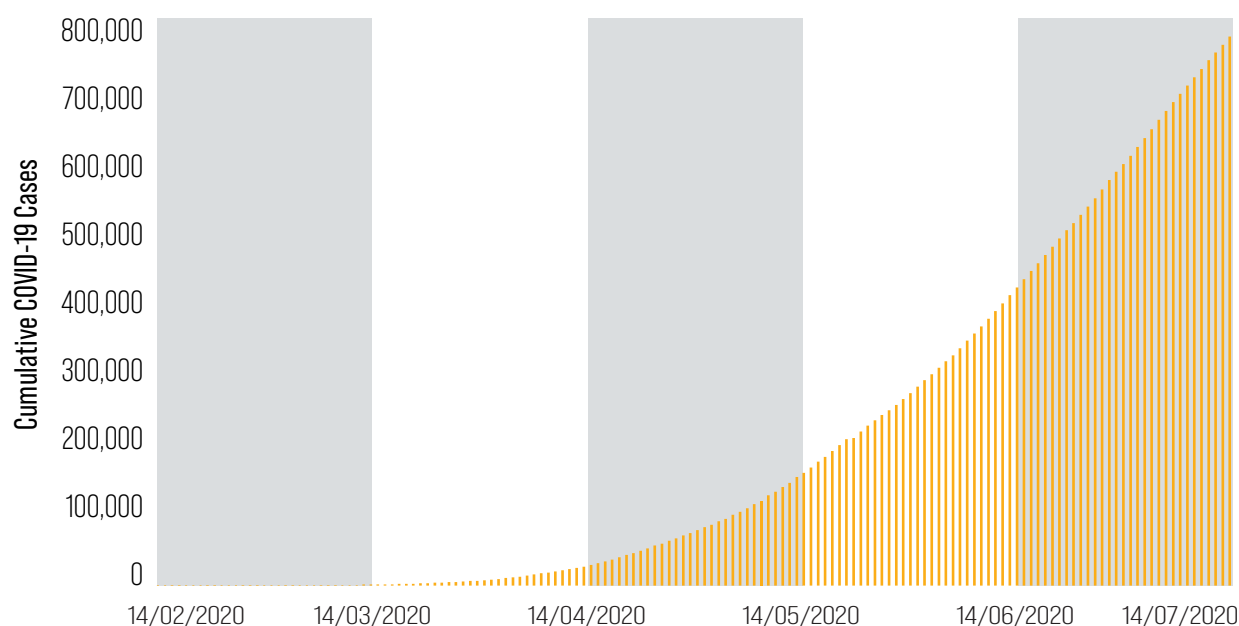
COVID-19: Status and policy responses in the region

Based on the COVID-19 situation reports published by the WHO, the first case of the virus in the Arab States was reported in the United Arab Emirates on 29 January 2020. Reports of the disease then spread from east to west, with Egypt becoming the first country on the African continent to report a positive case, on 15 February, followed by the remaining countries in the region, all of which reported cases over the next 15 days (with the exception of countries in conflict, which, due to their diminished institutional capacity, reported cases beginning only in mid-March, with Yemen being the last to report a positive case on

11 April). After experiencing an acceleration in the spread of the pandemic, since June the region has reported over 80,000 officially confirmed new cases on average each week.²¹

Unlike Europe and the United States, Arab countries have benefited from the relative youth of their populations, as COVID-19 symptoms among young people have generally been found to be less severe and their mortality rates remain low.²² Based on the latest population estimates, 7.4 percent of the population in the Arab States is above the age of 60. This could explain the comparably low

■ **Figure 1.2 Cumulative trend in officially confirmed cases in the Arab region**



Source: WHO data.

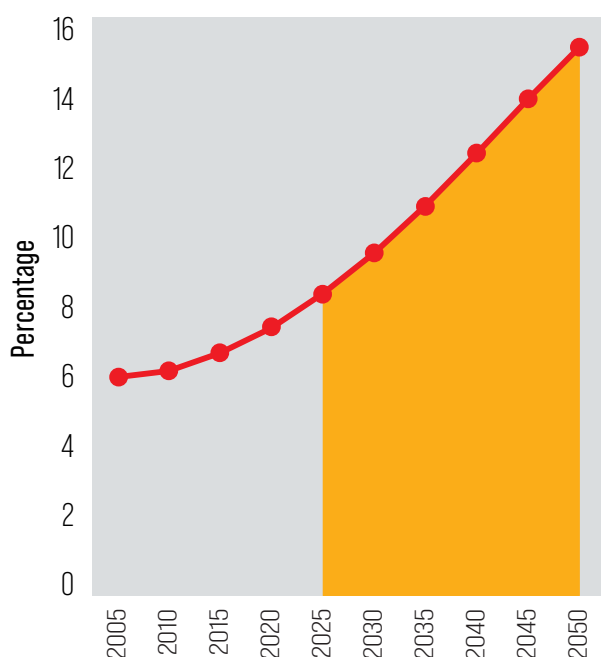
19 Li, Y., et al., "Factors affecting catastrophic health expenditure and impoverishment from medical expenses in China: policy implications of universal health insurance", *Bulletin of the World Health Organization*, 13 June 2012 (<https://www.who.int/bulletin/volumes/90/9/12-102178/en/#:~:text=Catastrophic%20health%20expenditure%20is%20defined,suffer%20the%20burden%20of%20disease>).

20 WHO, *Index of service coverage data by WHO region*, op. cit.

21 Time frame is 1 June to 29 September 2020. COVID-19 cases sourced from: <https://www.ecdc.europa.eu/en/publications-data/download-todays-data-geographic-distribution-covid-19-cases-worldwide>.

22 Scientific studies have shown that the mortality rate of Covid-19 is between 10% and 27% for people aged >84; between 3% and 11% for people aged 65–84; and less than 1% for those aged 20–54 years. See: Centers for Disease Control and Prevention (CDC), *Severe Outcomes Among Patients with Coronavirus Disease 2019 (COVID-19)*—United States, February 12–March 16, 2020 (https://www.cdc.gov/mmwr/volumes/69/wr/mm6912e2.htm?s_cid=mm6912e2_w).

Figure 1.3 Population aged 60 years and above (percent of total population) current and forecast for Arab States region



Source: UNDESA, World Population Prospects 2019.

numbers of deaths and acute health complications due to COVID-19. The latest updates by the WHO revealed that the “crude clinical case fatality is currently over 3 percent, increasing with age and rising to approximately 15 percent or higher in patients over 80 years of age”.²³

While the Arab countries are not alone, globally, in struggling to grasp the scope of the pandemic domestically, it is to be noted that relative lack of testing capacity can be seen as a proxy for the overall preparedness and capacity of the public health sector. Differentials in testing capacities closely track regional economic disparities. Based on the

latest available data (up to 30 June 2020), among the high-income and oil-exporting countries, Bahrain has the highest reported testing rate (320,569 per million) followed by UAE, (317,098 per million), Qatar (125,600), Kuwait (89,656), Saudi Arabia (45,710) and Oman (37,496).²⁴ The testing rates for middle-income oil-importing countries show sizeable differences, ranging from 1,319 (Egypt) to 46,673 (Djibouti), a differentiation which may be partially explained by the particular challenges facing middle-income countries with relatively large populations. As for fragile countries, no testing data is available for Somalia and Syria, with the testing rates per million in Lebanon and Iraq being 18,998 and 13,233, respectively.

The relatively low levels of testing seen in many countries in the region pose tremendous analytical challenges, and limit considerably the scope for evidence-based policy making tailored to national and local circumstances. In this regard, therefore, the improvement of testing practices should be a fundamental priority across the region.

In non-health-related fields, lack of data is a serious impediment to understanding the severity of the crisis. Satellite data, social media and remote sensing data constitute excellent options for obtaining quantitative and reliable information in real-time – hence tech giants like Google and Apple have released daily data on mobility to actively contribute to combatting Covid-19.^{25, 26} The use of mobility data from the likes of Google and Apple could be considered as a benchmark to evaluate the effectiveness of the actions implemented by governments.

Each Arab country for which data is available has adopted a series of containment and control measures according to the pandemic development and transmission within their borders. Lebanon²⁷ and Qatar²⁸ enforced lockdown measures between 13 and 15 March, followed by Jordan²⁹ and Morocco³⁰ between

23 WHO, *COVID19 Strategy Update*, April 2020 (https://www.who.int/docs/default-source/coronaviruse/covid-strategy-update-14april2020.pdf?sfvrsn=29da3ba0_19&download=true).

24 Worldometer, *Reported Cases and Deaths by Country, Territory, or Conveyance*, Worldometer.com (<https://www.worldometers.info/coronavirus/#countries>).

25 Apple, *Mobility Trends: Change in routing requests since 13 January 2020* (<https://www.apple.com/covid19/mobility>).

26 Google, *See how your community is moving around differently due to COVID-19*, COVID-19 Community Mobility Reports (<https://www.google.com/covid19/mobility/>).

27 Houssari, N., “Lebanon extends virus lockdown by two weeks”, *Arab News*, 5 May 2020 (<https://www.arabnews.com/node/1670016/middle-east>).

28 Government Communications Office (Qatar), *Government Communications Office statement regarding measures taken by the State of Qatar to combat Coronavirus (COVID-19)*, 12 March 2020 (<https://www.gco.gov.qa/en/2020/03/12/government-communications-office-statement-regarding-measures-taken-by-the-state-of-qatar-to-combat-coronavirus-covid-19/>).

29 The Royal Hashemite Court (Jordan), *Royal Decree approves Cabinet decision to proclaim Defence Law*, 17 March 2020 (<https://rhc.jo/en/media/news/royal-decree-approves-cabinet-decision-proclaim-defence-law>).

30 Kingdom of Morocco, *Covid-19: “State of Health Emergency” Declared in Morocco As of Friday at 6:00 p.m. Until Further Notice*, Interior Ministry, Maroc.ma, 19 March 2020 (<http://www.maroc.ma/en/news/covid-19-state-health-emergency-declared-morocco-friday-600-pm-until-further-notice-interior>).

18 and 19 March. Between 22 and 24 March, Egypt³¹, Syria³², the United Arab Emirates³³ and Libya³⁴ adopted curfew measures while Tunisia³⁵ chose to enforce a total lockdown. Regardless of the type of measure imposed, the effects on people's movement were remarkable; relying on mobility data released by Google and Apple, it is possible to detect a net and substantial decrease in daily commuting after the announcement of restrictions on social movements compared to the baseline period³⁶ (see table 1.2). As of early June, in the countries where data is available, decreasing trends in movement were recorded across all categories (retail & recreation; grocery and pharmacy; parks; transit stations; and workplaces) without distinction. Categories for which movement was classed as 'necessary' – such as grocery & pharmacy, and workplaces – dropped drastically (-12.6 to -41.4 percent and -25.9 to -59.3 percent respectively) as did non-essential movements like park visits (-20.2 to -68.8 percent). As a consequence, movement through transit nodes also decreased dramatically (-41.7 to -86.9 percent).³⁷

According to the Oxford COVID-19 Government Response Tracker (OxCGRT) Government Response Stringency Index (as of 30 May 2020),³⁸ the country groupings can be listed according to their scoring as follows:

Oil-exporting countries: similar measures were taken by these countries with very small variations in scoring – Kuwait was the strictest with 100 and UAE was the least strict with a score of 72.2.

Middle-income oil-importing countries: Morocco scored highest on the Index with 93.5, which demonstrates the fact that policy measures are not necessarily linked to economic capabilities – although, again, population size should be borne in mind. The second strictest country was Egypt, which scored 84.3, which was followed by Tunisia with 79.6. Djibouti was the lowest-scoring country with 50.9, driven by the lack of measures to close public transportation, restrictions on internal movement and stay-at-home orders.

Table 1.2 Mobility trends

	Country	Restrictive Measure	Retail & Recreation	Grocery & Pharmacy	Parks	Transit Station	Workplaces
OIMICs	Egypt	Curfew	-56.0	-12.6	-42.8	-51.1	-32.8
	Jordan	Lockdown	-63.3	-41.4	-53.9	-86.9	-59.3
OECs	Qatar	Lockdown	-52.7	-25.1	-41.5	-52.7	-32.3
	United Arab Emirates	Lockdown	-58.6	-28.2	-68.8	-71.0	-46.0
FCCs	Lebanon	Lockdown	-57.5	-28.4	-34.2	-71.7	-49.0
	Libya	Curfew	-37.8	-14.1	-20.2	-41.7	-25.9

Source: Elaboration from Google and Apple data.

31 State Information Service (Egypt), *Egypt declares partial curfew for 15 days starting Wednesday, 24 March 2020* (<https://www.sis.gov.eg/Story/144199/Egypt-declares-partial-curfew-for-15-days-starting-Wednesday?lang=en-us>).

32 UNFPA, *Syria Country Office COVID-19 Humanitarian Response Flash Update No. 2 | 9th - 22nd April 2020, 22 April 2020*, accessed via reliefweb.int (<https://reliefweb.int/paper/syrian-arab-republic/syria-country-office-covid-19-humanitarian-response-flash-update-no-2>).

33 Emirates News Agency (WAM), (UAE), *Local Press: UAE takes tough measures to beat coronavirus, 24 March 2020* (<http://wam.ae/en/details/1395302832583>).

34 Al Arabiya, *Libya's GNA imposes curfew to combat coronavirus*, AlArabiya.com 22 March 2020, <https://english.alarabiya.net/en/News/north-africa/2020/03/22/Libya-s-GNA-imposes-curfew-to-combat-coronavirus->

35 Guetat, M., *Tunisia and Coronavirus: The Reality of a Poor Governance*, Italian Institute for International Political Affairs, 9 April 2020 (<https://www.ispionline.it/en/publicazione/tunisia-and-coronavirus-reality-poor-governance-25671>)

36 Google baseline: mean value for the period 3 January and 6 February 2020; Apple baseline: 13 January 2020.

37 Apple data have been standardized in order to be comparable with Google trend data; this is due to the fact that Apple mobility trend data cumulates all the categories of movements, including residential displacements into two different groups, namely driving and walking movements. These have experienced a marked decrease of 82% and 85% respectively. The fluctuation of negative peaks refers to weekdays and holidays or to other extreme events (i.e. 12 March in Egypt all the main activities were closed due to inclement weather; see: Al Arabiya, *Five killed as heavy rain, strong winds batter Egypt, 13 March 2020*, <https://english.alarabiya.net/en/News/middle-east/2020/03/13/Five-killed-as-heavy-rain-strong-winds-batter-Egypt>).

38 All countries in the region, with the exception of Oman and Iraq, showed either a decrease or no change in the Stringency Index between 30 May and 1 July. For the same period, Tunisia, Jordan, Somalia and Morocco displayed a decrease of more than 30 percent in the index.

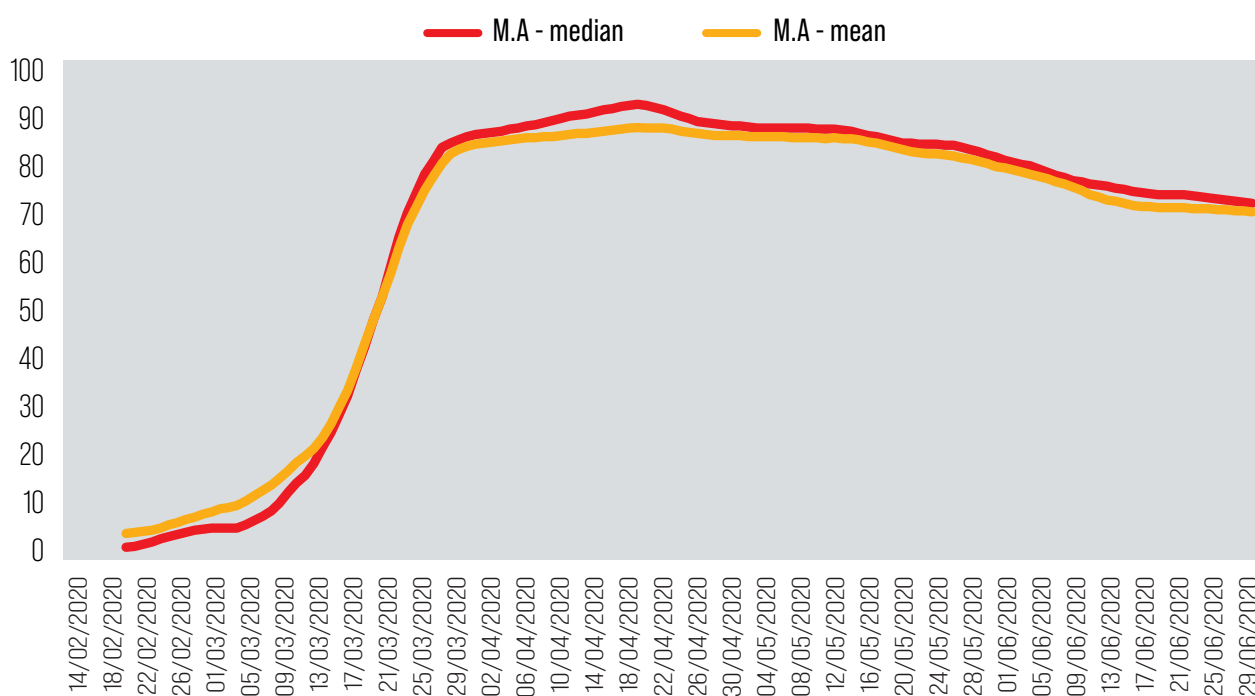
Fragile and crisis-affected countries: the strictest country was Libya with 93.5, followed by Iraq with 92.6. Somalia was the least strict with only 48.1 followed by Yemen (58.3).^{39,40}

A regionally aggregated trend in the index is reported in Figure 1.4 and shows how the acceleration of lockdown and social distancing measures swiftly accelerated in March and have been slowly relaxed over the second quarter of the year. A more detailed view of restrictive measures over time and by country grouping is available in Annex I of this report.

Moreover, we can visualize other important indicators, such as recent trends (in the last 6 months) in the median

Internet (mobile and fixed) speed in the countries in the region, which can be a useful in gauging the ability of governments and economies to cope with the social distancing measures that have been put in place, and of their ability to continue providing services. One can observe that Algeria, together with all FCCs and some middle-income countries have lower speeds than the world average. In addition, some countries have recorded a generalized reduction in speed in March, during the tightening of lockdown measures (see Annex II).

Figure 1.4 Regionally aggregated OxCGRT Government Response Stringency Index



Source: authors' calculations using OxCGRT data based on weekly moving averages.

39 Oxford COVID-19 Government Response Tracker, *Stringency Map* (<https://covidtracker.bsg.ox.ac.uk/stringency-map>).

40 Oxford COVID-19 Government Response Tracker (<https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>).

01

Policy Recommendations

Short term (considerations for relaxation of restrictions)

Governments worldwide have to balance their policy response to COVID-19 taking into consideration health, social, and economic impacts. The experiences of those countries around the world that have begun to remove restrictions indicate a corresponding rise in COVID-19 cases, leading to increased need for advanced medical treatment and a rise in infections among health care workers. The WHO recommends that countries should take into consideration a mixture of indicators before – and during – the easing of restrictions. These indicators include the following considerations:⁴¹

Is the epidemic under control?

This is manifested by a continuous decline in the number of new confirmed cases (decline in the effective reproduction/'R' number) in addition to a reduction in deaths due to COVID-19 and in the need for hospitalization and ICU.

Health system:

it is important for countries to understand that strong health systems are essential for health security and in coping with resurgences of cases while resuming other essential health services (each country should design its country-specific list of essential services based on the indicators and disease

burden in consultation with the WHO and United Nations Country Teams).

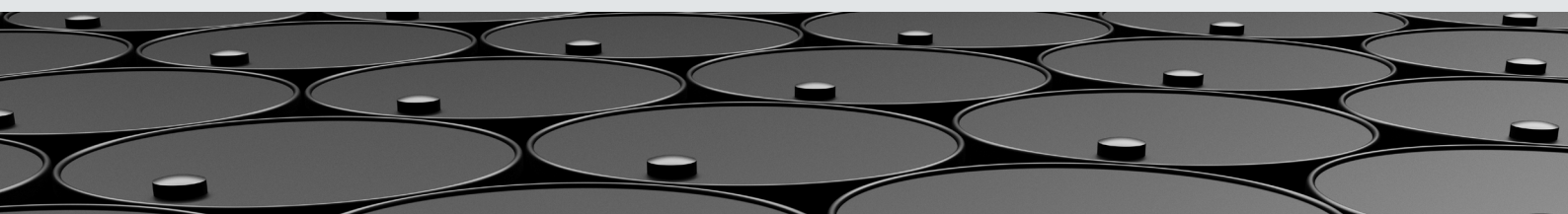
Digitalization:

digitized health system components, especially those related to the health supply chain management and the health information management system, can provide added efficiency in facing a resurgence of cases.

Surveillance:

are surveillance systems able to detect resurgences of cases and provide contact tracing? Countries are advised to strengthen their surveillance systems and integrate digital, real time data surveillance systems.

⁴¹ WHO, *Public health criteria to adjust public health and social measures in the context of COVID-19; Annex to Considerations in adjusting public health and social measures in the context of COVID-19*, 12 May 2020 (<https://www.who.int/publications-detail/public-health-criteria-to-adjust-public-health-and-social-measures-in-the-context-of-covid-19>).



Ongoing and long-term

Non-discrimination:

efforts to contain COVID-19 have been challenged in many countries by the high level of stigma inappropriately associated with the infection. The lessons learnt from decades fighting HIV and AIDS clearly indicates that stigma and discrimination reduce the effectiveness of efforts to contain an epidemic and mitigate its impacts. It is important, therefore, for countries to ensure strong anti-discrimination legislation.

Gender elements:

UNFPA figures⁴² suggest that, as with Ebola and other pandemics, there has already been an adverse effect on access to sexual and reproductive health facilities in the poorest countries of the region, where there are already very high rates of maternal mortality. Additionally, there is a gendered dynamic to the

provision of basic health care in the region – with the vast majority of nurses being women in public health services in Egypt, for example – and an overwhelming gender bias in looking after the sick at a household level. Health care workers on the frontlines have, understandably, been more exposed to COVID-19 infections than the rest of the population.

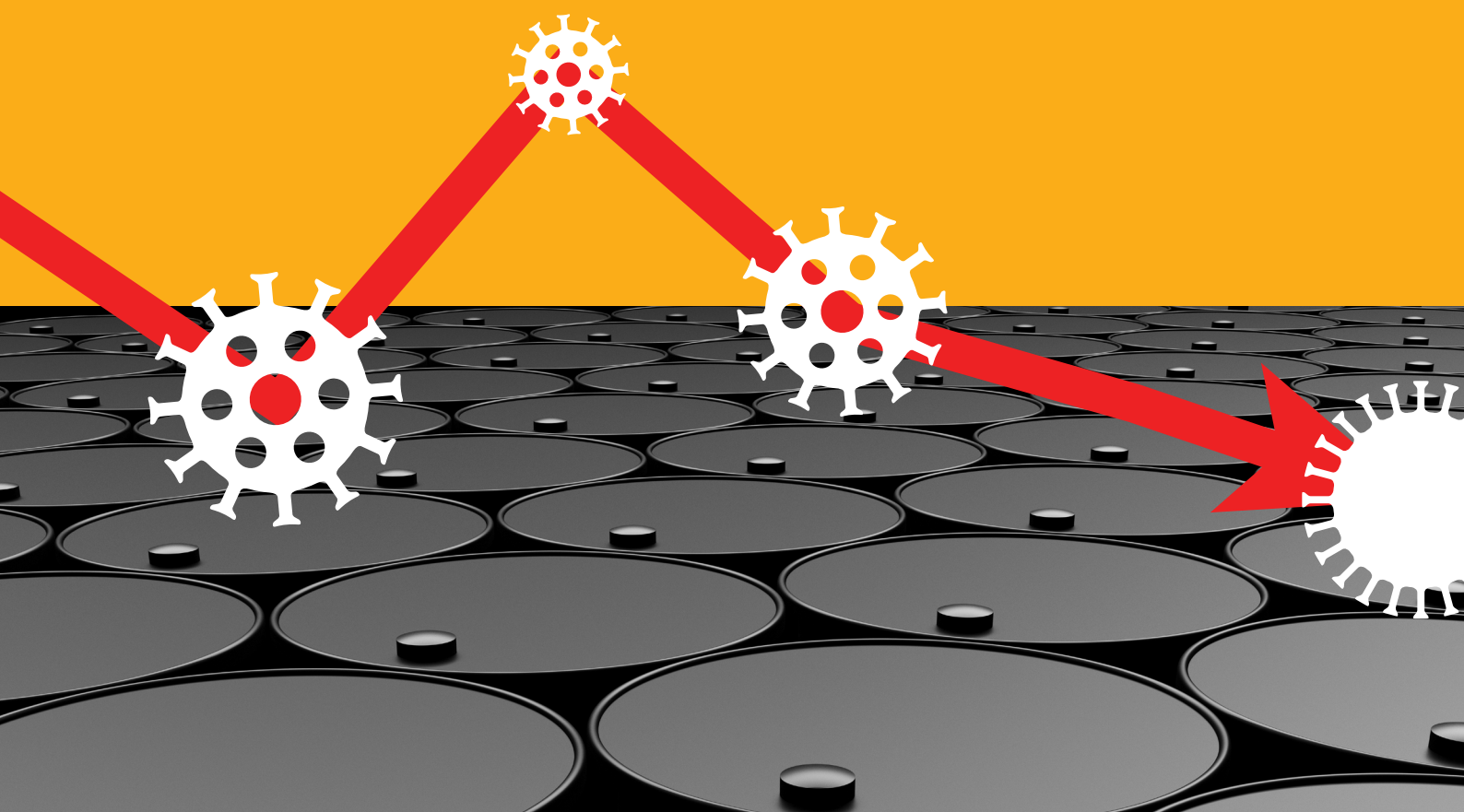
Inclusive social protection to 'leave no one behind':

many population categories were already deprived of health care services before the emergence of COVID-19. These include people living with HIV and AIDS, people with disabilities, sexual minorities, migrant workers, asylum seekers and others. It is important to consider policy options that ensure inclusion of these vulnerable groups in health, socioeconomic and other packages of support.

Looking to the longer term, as the Arab population ages – the percentage of elderly people is expected to increase to 9.49 percent in 2030 and reach 15.18 percent by 2050 (Figure 1.3) – the region will become more vulnerable to new emerging diseases and individuals will be at a higher risk of being exposed to serious complications. Therefore, efforts to protect older people should not be overlooked by governments while developing their response strategies.

42 UNFPA, *Impact of Public Health Emergencies on Sexual and Reproductive Health and Reproductive Rights in the Arab Region: The Covid - 19 Case*, Arab States Office, n.d. (<https://drive.google.com/file/d/1H68RVeMjbU1kEnN0YH3u6PvhdDEJoyG6/view>).

Macroeconomic Aspects



02

Macroeconomic Aspects

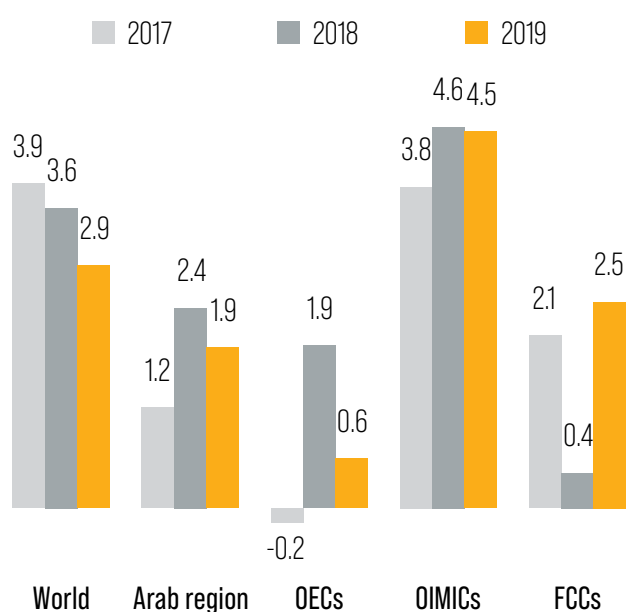
Regional macroeconomic trends before the twin shock

The largest economies in the world have been hit hard by COVID-19 and the effects of subsequent containment measures. Being at the heart of global value chains, their woes have triggered a process of ‘supply-chain contagion’¹ affecting countries around the world – including in the Arab region, which has been doubly hit by COVID-19 and a simultaneous drop in oil prices.

This double shock occurred within a regional macroeconomic framework that was already in decline.

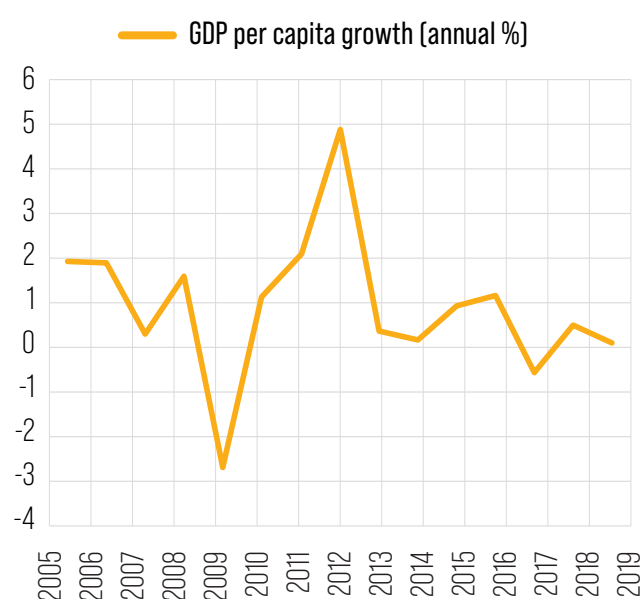
Indeed, in the period 2017–2019, the average global real GDP growth of over 3 percent was outperformed only by the developing oil-importing countries, while oil-exporting and fragile countries’ real GDP grew well below the world average (see Figure 2.1). When growth is estimated in per-capita terms, the picture is even bleaker (see Figure 2.2). This suggests that the economic impact of the twin shock could cause lingering effects that may be far larger than those experienced in the recent past.

Figure 2.1 Real GDP growth rate (2017–2019) (percentage)



Source: authors’ elaboration based on data from the IMF’s WEO, April 2020.

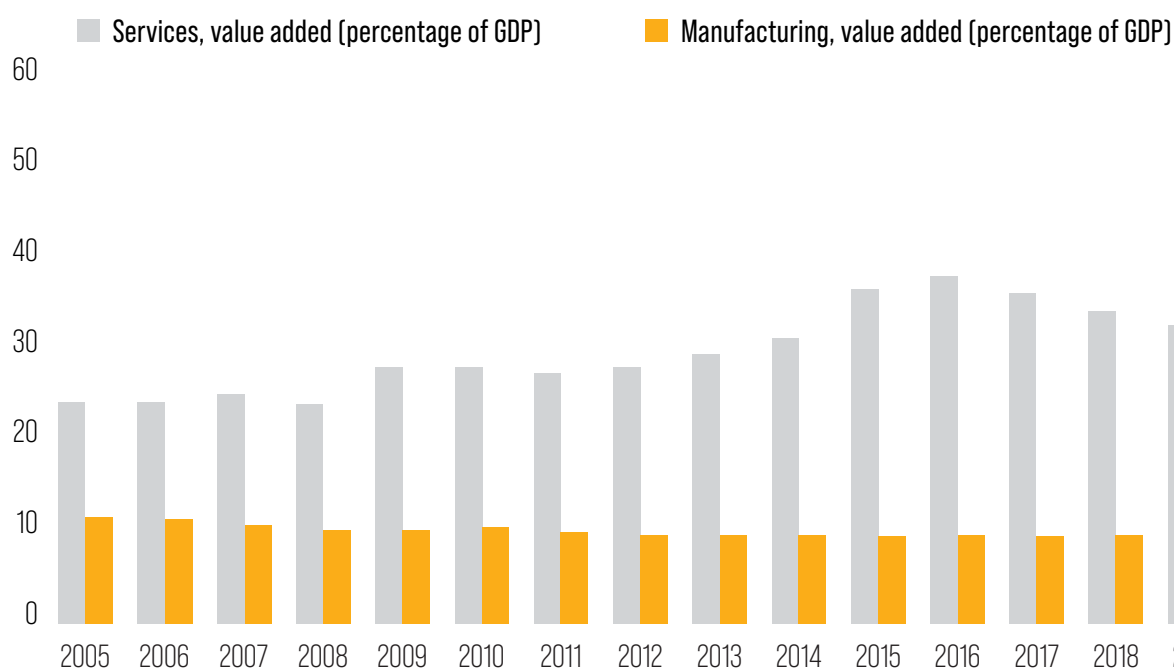
Figure 2.2 Regional real GDP per capita growth rates



Source: The World Bank, World Development Indicators (WDI) database.

1 Baldwin and Mauro (eds.), *Economics in the Time of COVID-19* (CEPR Press, 2020).

Figure 2.3 Value-added shares in the Arab region: services vs. manufacturing sectors



Source: The World Bank, World Development Indicators (WDI) database.

The sectoral composition of regional GDP has historically seen a steady share of manufacturing at just above 10 percent, while the extractive industry has experienced significant volatility as a consequence of fluctuating prices for hydrocarbons and other commodities (see Figure 2.3). The regional economy heavily relies on services, very often basic services, which, on average, contribute to about half of the GDP while contributing to more than half of employment. As we will see later, in times of a pandemic, this may represent a vulnerable point.

Over the past decade, both GDP and fiscal revenues have shown larger swings relative to other regions in the world. Clearly, these swings are mainly influenced by fluctuations in the 'oil-rich' economies as well as by FCCs' volatile performances. Indeed, fiscal revenues were around 28 percent of GDP in 2017, dropping from nearly 42 percent in 2012² – a drop aggravated by the 2014 plunge in oil prices.

In terms of foreign direct investment (FDI), it is widely understood that FDI into the countries of the Gulf Cooperation Council (GCC) – the largest regional recipient – has been mainly concentrated in the oil sector. However, FDI inflows were already falling before the pandemic, from a peak of over \$94.8 billion in 2008 to \$34.6 billion in 2018; as a percentage of GDP, average net FDI fell from 2.9 percent in 2008 to -0.5 percent in 2018. As a consequence of these two factors, only limited FDI has reached the non-oil tradable sectors in the past decade. Moreover, since most FDI has been going to capital-intensive sectors, it has had a limited effect on employment.

The region's trade with Asia accounted for over half of the total trading value in 2018. Exports to the European Union accounted for 15.5 percent, while exports to the United States of America accounted for 5.5 percent. Arab intra-regional exports accounted for less than 10 percent of total Arab exports³ (see Figure 2.4).

The economic shock: Key transmission channels

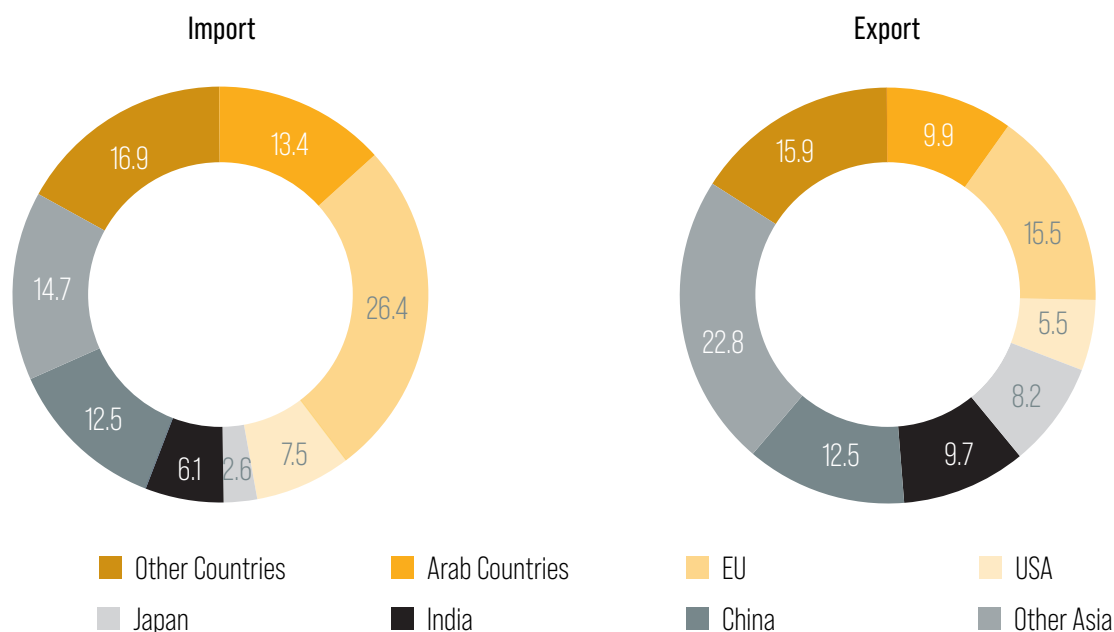
In the context of the structural macroeconomic weaknesses discussed, the region has been hard hit by an unprecedented, globally synchronized

dual shock on both the supply and demand sides, as well as at both the macro and micro levels and across sectors.

2 UN Economic and Social Commission for Western Asia (ESCWA), *Fiscal Policy Review of Arab States 2019* (<https://www.unescwa.org/publications/fiscal-policy-review-arab-states-2019>).

3 Arab Monetary Fund (AMF), *Joint Economic Report 2019* (<https://www.amf.org.ae/sites/default/files/econ/joint%20reports/The%20Joint%20Arab%20Economic%20Report%202019%20%28Overview%20%26%20Statistical%20Annexes%29.pdf>).

Figure 2.4 Direction of Arab commodities trade (percentage), 2018



Source: Arab Monetary Fund, Joint Economic Report, 2019.

What makes this situation particularly difficult to assess is that, unlike natural disasters, for example, its magnitude and impact cannot be estimated in the hours or days immediately following its occurrence. It will take months before the socioeconomic implications of this shock can be properly assessed. Indeed, forecasts made over the last few months have, at best, been quickly proven to only represent half of the story, and at worst, have been wildly inaccurate. Moreover, the propagation of this shock is not declining in its intensity as it continues to radiate from its epicentre – as is most often the case for natural disasters. Complex networks of propagation, rather than concentric circles, are a more appropriate representation of the spread of both the current health and socioeconomic shocks. Moreover, since pandemics involve human behaviour – influenced, as it is, by fear, lack of information and uncertainty – they are even harder to assess.⁴

On the supply side, the economic fallout has included a reduction in the allocation of factors of production – labour and capital – and of intermediate inputs due to disruptions in production and transport resulting from social distancing and lockdown measures, with a consequent second-round effect of a drop in labour

productivity that may endure long after the shock has subsided. In the period February–April 2020, the Markit PMI index – a closely watched measure of business conditions⁵ – has recorded its lowest levels ever across the largest world economies.

On the demand side, ‘first-round’ demand shocks resulting from sudden drops in household income are likely to propagate to the rest of the economy through Keynesian multipliers. Unlike recent epidemic shocks that tended to be short and sharp, today, the duration is less clear.⁶ This is likely to generate considerable uncertainty regarding the spread of the virus and the capacities of governments to manage the situation. Combined, these uncertainties will put further downward pressure on aggregate demand that is likely to hurt domestic investments and consumption. Indeed, the Keynesian multiplier effects are likely to be smaller if uncertainty and risk-aversion prevail across the population and the business community. The negative impacts of COVID-19 on domestic demand for non-tradable services is also likely to become substantial if it takes a long time to contain the infection.

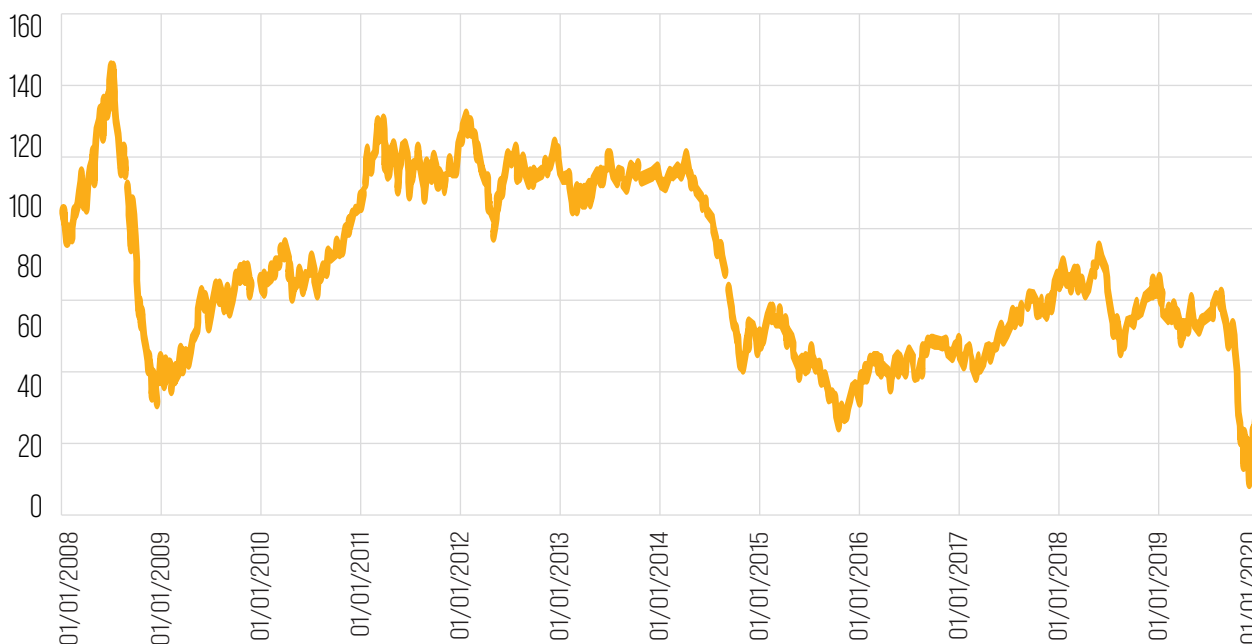
Following a collapse in global demand, oil prices have fallen sharply in 2020. Despite a slight correction in price, the recovery is expected to be slow (see Figure 2.5).

⁴ Baldwin and Mauro (eds.), 2020, op. cit.

⁵ The purchasing managers’ index™ (PMI®) is derived from individual diffusion indices which measure changes in output, new orders, employment, suppliers’ delivery times and stocks of purchased goods. Scores above 50 signal an improvement in business conditions on the previous month, while scores below 50 show a deterioration.

⁶ Baldwin and Mauro (eds.), 2020, op. cit.

Figure 2.5 Crude oil prices – Brent/Europe



Source: US Energy Information Administration (EIA), Crude Oil Prices: Brent - Europe, retrieved from Federal Reserve Bank of St. Louis, 14 June 2020 (<https://fred.stlouisfed.org/series/DCOILBRETEU>).

Hence, the region's economies should be prepared for a prolonged low oil price environment. Combining this with the labour market dynamics in the region, it is expected domestic output could be subdued for some time, with the shock continuing to impact the labour market in the medium and long term.

Looking at some of the main transmission channels of the economic shock in the region, capital outflows have witnessed major increases since the onset of the pandemic, with emerging markets as a whole losing \$83 billion in March, before recovering somewhat in April and May. It is projected that capital flows to the region will be significantly lower over the year 2020 compared to the relatively high levels of 2019. According to the Institute of International Finance (IIF), the largest drop is expected to be in portfolio investments, with equity investment inflows falling by as much as sixty percent and debt by about one third. FDI is also expected to drop by about one quarter compared to 2019.

Another important transmission channel in the region is represented by the tourism and hospitality industry. Plummeting international demand and an ongoing patchwork of international travel restrictions have led to significant decreases in revenue for countries such as, Bahrain, Egypt, Jordan, Saudi Arabia, Lebanon, Qatar,

Tunisia, and the UAE, in which tourism constitutes an important economic sector. Recent estimates of GDP losses due to falling international tourism show that Morocco could lose 7 percent of its GDP, Egypt could lose 6 percent and the GCC could lose 3 percent, all in the intermediate scenario (assuming a fall in inbound tourism expenditure of two thirds for each country).⁷

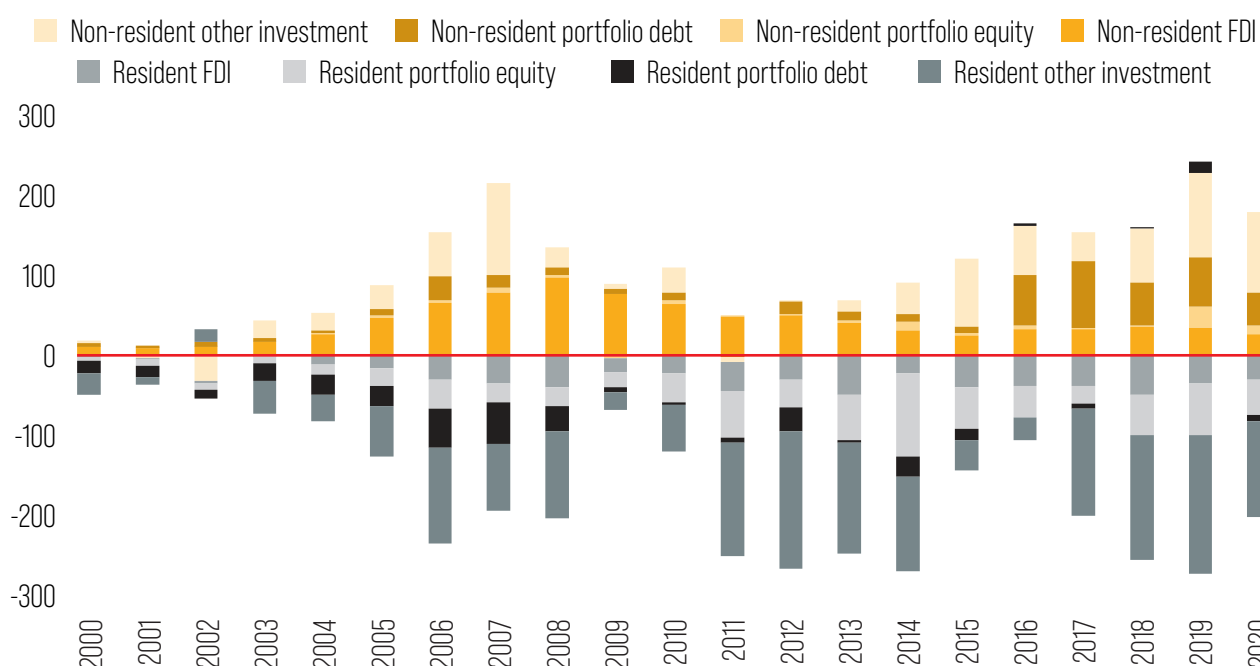
Looking at overall trade trends, it is expected that global trade could fall by between 13 and 32 percent compared to 2019 volumes,⁸ although COVID-19 is likely to reinvigorate online activities in the retail, health and education sectors. Moreover, besides oil, other important commodities' export receipts to the region are likely to fall, including crude potash, crude phosphate and fertilizer exports. In addition, as noted in the previous section, the prospects for export earnings rebounding after 2020 will largely depend on demand patterns emerging from the main trade partners of the region – i.e., the EU, China and the US.

To make things worse, shrinking OECD economies will inevitably lead to ODA decreases in absolute terms, even if donors reaffirm their ODA/GNI ratio commitments, and even after a full recovery is achieved, changes made to aid policies could outlast the current crisis and affect development funding for years to come.

7 UN Conference on Trade and Development (UNCTAD), *Covid-19 and Tourism: Assessing the Economic Consequences, 2020* (https://unctad.org/en/PublicationsLibrary/ditcinf2020d3_en.pdf).

8 World Trade Organization (WTO), *Trade set to plunge as COVID-19 pandemic upends global economy*, 8 April 2020 (https://www.wto.org/english/news_e/pres20_e/pr855_e.htm).

Figure 2.6 Capital flows to and from the Arab region (USD billion)



Source: Authors' calculations from IIF data (retrieved June 17, 2020). Note: (+ = inflow of capital, - = outflow of capital).

In sum, the expected economic impacts on the region so far could be transmitted through the following channels:

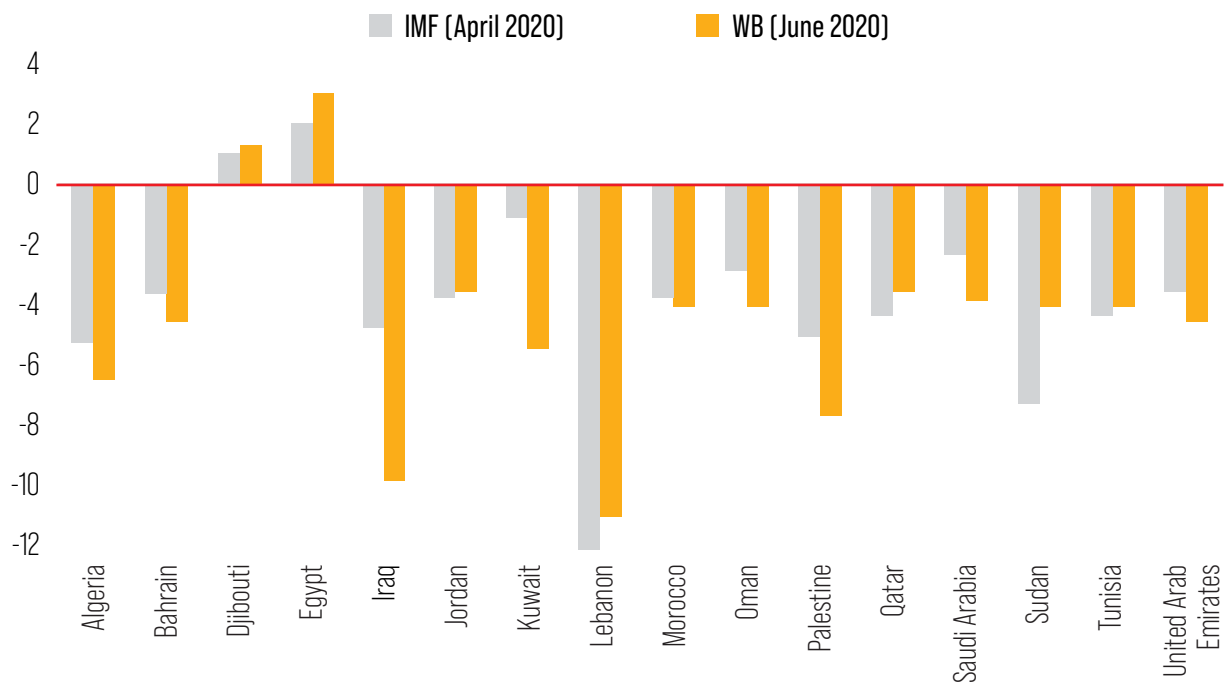
- containment measures reducing labour mobility;
- rising costs of doing business, and disruption of production networks and supply chains;
- reductions in consumption and simultaneous shifts in consumer preferences, partly generated by changes in income and prices;
- widening current account deficits and increasing external debt;
- a freeze in domestic and foreign investment decisions;
- reductions of remittance inflows;
- a drop in ODA inflows;
- a rise in the equity risk premiums of large companies;
- increases in country risk premiums based on sudden exposure to vulnerabilities resulting from changing macroeconomic conditions; and
- the inability of governments to maintain/increase expenditure and support key sectors.

As a result of the above – and with all the mentioned caveats – the IMF's World Economic Outlook provides a useful first attempt at quantifying the macroeconomic effects of the lockdowns and falling oil prices. According to April's revised IMF forecasts, (unweighted) economic growth in the Arab region is projected to fall from 1.8 percent in 2019 to -6.6 percent in 2020⁹ – corresponding to a weighted average growth of -2.7 percent in 2020 – which would be worse than the recession during the 2008 global financial crisis and the 2014 oil price drop, with all countries in the region hovering in the negative quadrant this year (the only exceptions being Djibouti and Egypt, for the time being). When growth is estimated in per capita terms, the picture looks even bleaker, placing all countries in the negative quadrant.

However, the difficulty of performing economic forecasting in the present circumstances becomes apparent when we compare the IMF forecasts for the years 2020 and 2021 performed in April 2020, with the latest forecasts from the World Bank, performed in June 2020 – which are quite different from the former as reported in the graphs below, particularly in the case of Iraq, Kuwait, State of Palestine and Sudan.

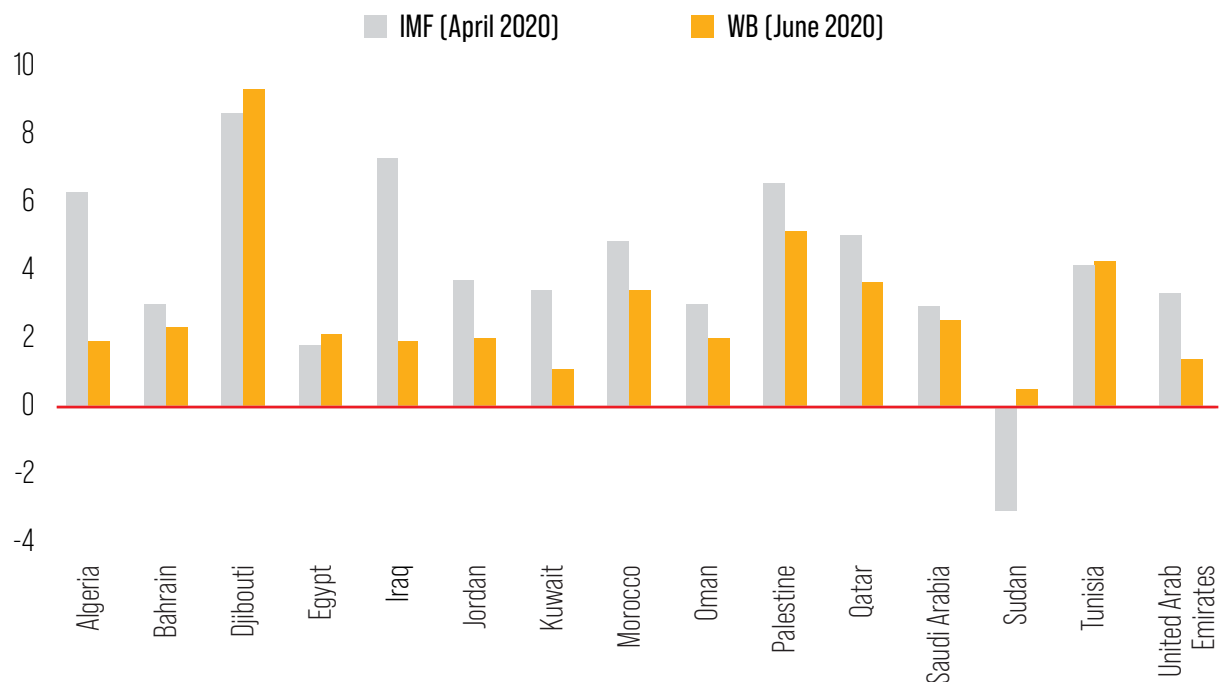
⁹ The estimated weighted average regional growth for 2021 is 4.5%. Calculations do not include Lebanon (2021), Palestine and Syria (both years). The estimated weighted average regional growth rates are -2.7 percent and 4.5 percent for 2020 and 2021, respectively. Calculations do not include Lebanon (2021), Palestine and Syria (both years).

Figure 2.7 IMF and World Bank real GDP growth forecasts for 2020



Source: Elaboration from IMF and World Bank data.

Figure 2.8 IMF and World Bank real GDP growth forecasts for 2021



Source: Elaboration from IMF and World Bank data.

More worryingly, although it is very difficult to foresee future economic dynamics from within this unique crisis, the economic recovery is unlikely to be V-shaped, with the region's economies bouncing back in 2021; rather, for many economies in the region the recovery is likely to be U-shaped and in some cases –

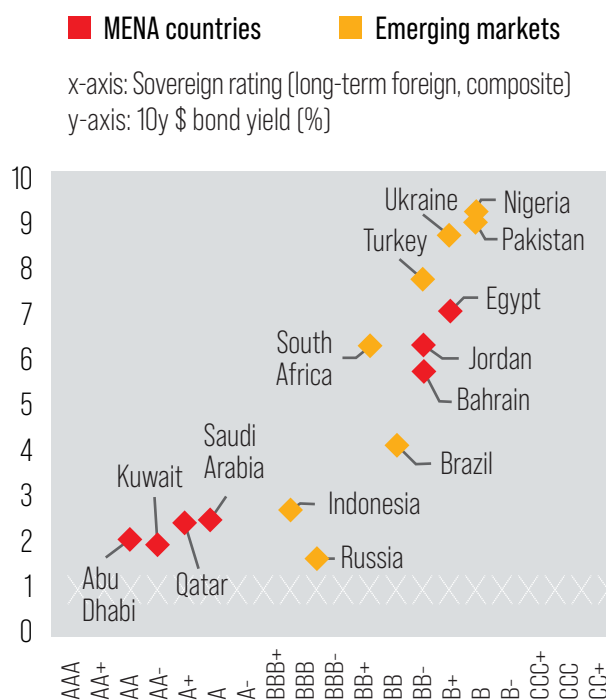
most notably oil-based and service-based economies – W-shaped or even L-shaped. This is because, on the one hand, nobody knows if there will be resurgent waves of infection, and if so, how long they will last before a vaccine is produced and is accessible to the whole population; while on the other hand, current

projections suggest that oil price may recover slowly—gradually converging to \$45 per barrel through 2022.¹⁰

Almost all countries in the region will undergo fiscal and current account deficits in 2020, and over half of deficits will run to double digits, particularly in oil exporting and fragile countries. An important component driving down current accounts in some countries – particularly the lower-middle-income economies – will be the sizeable drop in remittance inflows predicted in chapter 4 of this report.

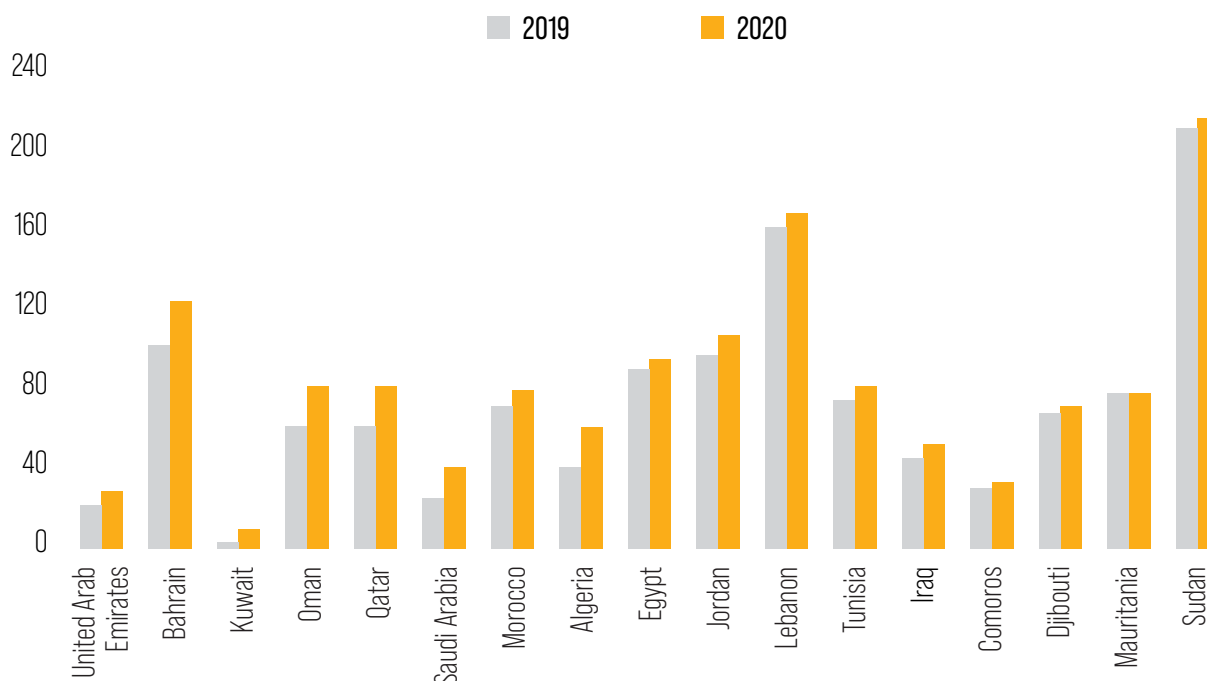
External borrowing costs have started rising across the region, posing major challenges for countries with financing needs, including those below investment grade (see Figure 2.9). According to the UN Secretary-General’s report, the region’s fiscal revenue is forecasted to record a loss of about \$5 billion in import tariffs and about \$15 billion in other indirect taxes, including value added tax and consumption taxes.¹¹ This means that responding to the crisis will increase fiscal deficits that in many cases will exceed 10 percent and are likely to be financed by increased borrowing and a higher debt burden for many countries in the region, particularly those lacking a prime sovereign rating. Many of these countries already have a substantial debt burden (see Figure 2.10), including external debt.

Figure 2.9 USD bond yields and credit ratings



Source: Iradian, G. & LaRussa, S. “Capital Flows to MENA: High Quality Assets Still Calling Investors” May 21, 2020, IIF.

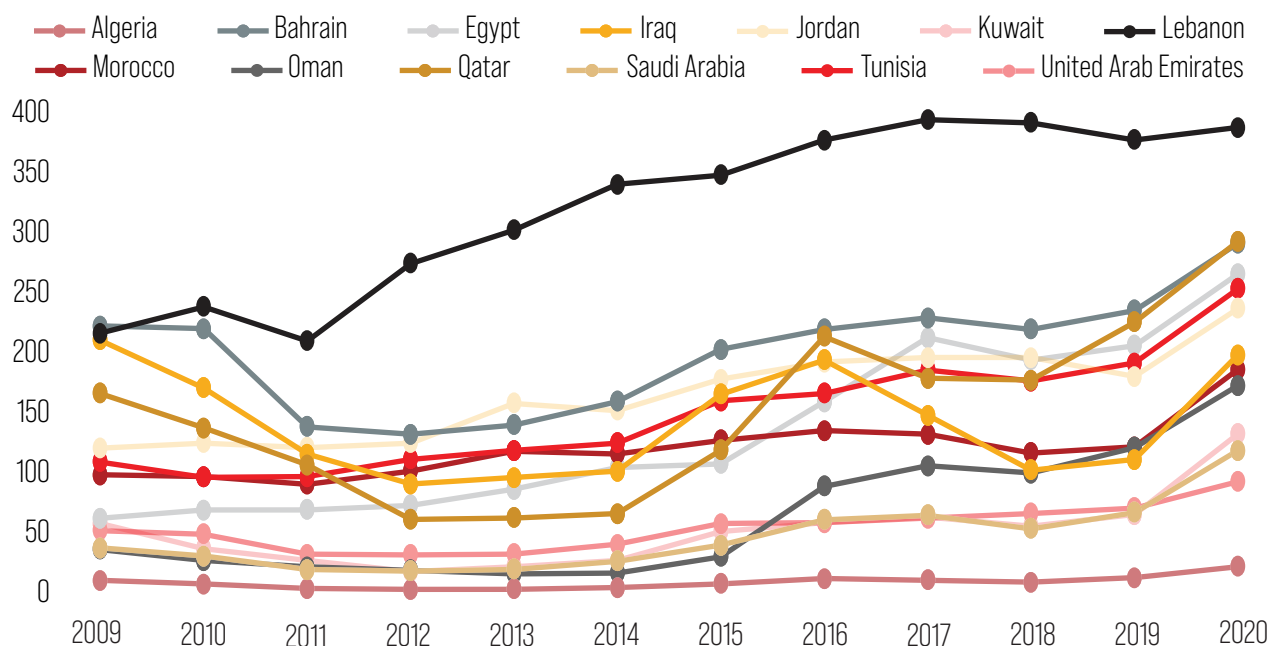
Figure 2.10 Public debt as a share of GDP



Source: ESCWA, based on WEFM forecasts.

10 According to the April edition of the World Bank’s *Commodity Markets Outlook* report, oil is expected to average \$35 per barrel in 2020. The International Monetary Fund expects the global demand for oil to decrease by 29 million barrels per day (mbpd) in 2020.
 11 United Nations (UN), *Policy Brief: The Impact of COVID-19 on the Arab Region An Opportunity to Build Back Better*, July 2020 (https://www.un.org/sites/un2.un.org/files/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf).

Figure 2.11 Total external debt (percentage of exports)



Source: The Institute of International Finance (IIF) Economic Database. Sudan's external debt as a share of exports of goods, services and income, has exceeded 800% since 2012 and is expected to reach 1,200% in 2020. It was eliminated from the graph to make the other countries' data easier to read.

More worrisome is that external debt as a share of the sum of merchandise exports, services and income receipts has exceeded 150 percent in the majority of the countries of the region since 2016 and – according to IIF projections – will rise further in 2020 (see Figure 2.11).

Indeed, an important transmission channel to monitor closely in the region will be the financial sector. As businesses and households borrow to finance the purchase of their durables or to invest, they count on

incoming revenue to service their debt. If this double shock leads to a sudden halt to, or major reduction in, revenues, this could result in liquidity problems which may become solvency problems for many households and businesses, depending on the duration and depth of the shock as well as on the ability of the region's economies to recover. Non-performing loans, however, will not show up immediately; rather, they will presumably emerge towards the end of the year as well as in 2021.

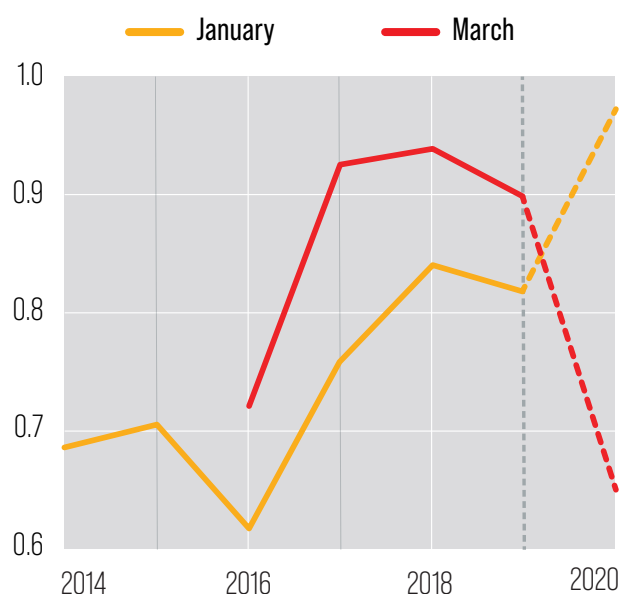
Estimates of GDP loss using night-time light satellite imagery¹²

In the last two decades, data from outer space have been increasingly employed to produce alternative measures of GDP, as well as to assess the accuracy of official projections and facilitate evaluations of other multifaceted phenomena. Such tools have allowed economists to construct various proxies for macroeconomic indicators that cover periods and regions for which GDP data may not be available or reliable (due to natural disasters, conflict, etc.). The main advantages of these new techniques concern their potential to overcome problems of accessibility and reliance on near-real-time information.

The inversion in mean night-time light (NTL) between January and March of 2020 is evident in Figure 2.12, which refers to Egypt. Indeed, historical luminosity over the period 2014–2019 shows that the mean NTL in March is consistently higher than in January, while for the selected 2020 dates (i.e., pre- and post-COVID-19 outbreak), the opposite is true. While this is expected, the result may be driven by the choice of specific date range and must therefore be interpreted with caution. Furthermore, 2020 data is not yet available in a monthly format and is thus not perfectly comparable to 2014–2019 observations. Nonetheless, it is highly unlikely

¹² This section is drawn from a forthcoming UNDP paper.

Figure 2.12 NTL trends for Egypt 2014–2020



that the results are purely driven by data availability issues, since the day-to-day variability of NTL data is not sufficient to justify a drop of this significance.

This section is an early attempt to use alternative methods to provide new estimates of the macroeconomic impact of COVID-19 and the restrictive measures that have ensued. Following the econometric procedure retrieved from Giovannetti and Perra (2020)¹³ and proposed by Henderson et al. (2012),¹⁴ the adopted empirical strategy estimates the coefficients which measure the responsiveness of GDP variation to change in night-time light (NTL) satellite imagery on a selected pool of countries from the region.¹⁵ The coefficients of the elasticities have been obtained from the following regression:

$$GDP_{it} = \alpha + \beta_1 \text{NightLights}_{it} + \beta_2 X_{it} + \lambda_t + \delta_i + \epsilon_{it}$$

where: GDP_{it} is the natural logarithm of the GDP per capita for each country i in year t ; nightlights_{it} is the natural logarithm of the average digital number, extracted from NOAA (2013)¹⁶, for country i in year t ;

Table 2.1 Dependent variable: GDP

	OLS			Linear panel		
	(1)	(2)	(3)	(4)	(5)	(6)
Night lights	0.305*** (0.037)	0.215* (0.128)	0.296*** (0.097)			
Squared NTL			0.068* (0.039)			
Night lights per capita				0.404*** (0.133)		0.459*** (0.162)
Electricity consumption per capita					0.255 (0.236)	-0.11 (0.162)
Constant	9.337*** (0.056)					
Observations	333	333	333	333	312	312
R-squared	0.171	0.037	0.109	0.300	0.081	0.312
Adjusted R-squared	0.169	-0.088	-0.009	0.210	-0.039	0.219
F statistic	68.462*** (df = 1; 331)	11.227*** (df = 1; 294)	17.973*** (df = 2; 293)	126.141*** (df = 1; 294)	24.393*** (df = 1; 275)	62.070*** (df = 2; 274)

Note: *p<0.1; **p<0.05; ***p<0.01.

13 Giovannetti, Giorgia and Perra, Elena (2020). "Syria in the Dark: Estimating the Economic Consequences of the Civil War through Satellite-Derived Night Lights".

14 Henderson, J. Vernon, Storeygard, Adam, and Weil, David N. (2012). "Measuring Economic Growth from Outer Space". In: American Economic Review 102.2, pp. 994–1028. doi: HYPERLINK "https://doi.org/10.1257/aer.102.2.994"10.1257/aer.102.2.994.

15 We use a panel composed of the World Bank MENA region without Israel and Malta.

16 National Oceanic and Atmospheric Administration (NOAA), Department of National Centers for Environmental Information, 2013, Version 4 DMSP-OLS Nighttime Lights Time Series. Image and data processing by NOAA's National Geophysical Data Center. DMSP data collected by US Air Force Weather Agency. Available at <https://ngdc.noaa.gov/eog/dmsp/downloadV4composites.html> (visited on 08/23/2020).

Table 2.2 Alternative estimates of the economic impact of COVID-19 using NTL data in 2020

	Country	Estimates of GDP drop using calibrated elasticities			Range	Official estimates of GDP drop		
		Scenario 1	Scenario 2	Scenario 3	(annual %)	IMF (annual %)	World Bank (annual %)	AfDB (annual %)
Middle income countries	Jordan	-2.1 (-0.3)	-2 (-0.29)	-2.8 (-0.4)	-2.8/-2	-3.7	-3.5	na
	Morocco	-1.92 (-0.305)	-1.87 (-0.297)	-2.6 (-0.405)	-2.6/-1.9	-3.7	-4.0	-5.4
	Tunisia	-2.54 (-0.41)	-2.48 (-0.4)	-3.41 (-0.55)	-3.4/-2.5	-4.3	-4.0	-4.0
Gulf countries	Qatar	-1.14 (-0.17)	-1.13 (-0.16)	-1.54 (-0.23)	-1.5/-1.1	-4.3	-3.5	na
	UAE	-1.53 (-0.26)	-1.48 (-0.24)	-2.04 (-0.34)	-2/-1.5	-3.5	-3.8	na
FCCs	Lebanon	-10.28 (-1.46)	-9.99 (-1.42)	-13.6 (-1.93)	-13.6/-10	-12	-10.9	na
	Syria	-6.65 (-1.09)	-6.47 (-1.06)	-8.84 (-1.459)	-8.8/-6.5	na	na	na
	Libya	-2.2 (-0.32)	-2.1 (-0.31)	-2.92 (-0.43)	-2.9/-2	-58.7	na	-43.7

Source: Authors' calculations based on satellite imagery from NASA Worldview (<https://go.nasa.gov/3anYhwR>). Note: The projections for the whole of 2020 have been calculated following this proportion: $GDP_{drop} = \text{datarange}_{lockdown} \times x:366$ (e.g. the dates chosen for Morocco are: 28/01/2020 and 26/03/2020, which means $366/58 = 6.3$). Thus, by inspecting Scenario 1: $-0.305 \times 6.3 = -1.92$.

X_{it} is a vector of covariates, namely population density and electricity consumption per capita¹⁷, for country i in year t , λ_t are year-specific fixed effects; δ_i are country-specific fixed effects (FE); and ϵ_{it} is a stochastic error term. The fixed effects regression has been employed to account for time-invariant unobserved heterogeneity, which could alter the estimated elasticities; in parallel, FE allows us to deal with potential measurement problems, due to the variation over time of the sensibility of satellite sensor settings, which may alter the comparisons of raw digital number of pixel luminosity.¹⁸ The elasticities that have been utilized in the analysis are those estimated below for the period 1992–2013.

The estimated elasticities of GDP to NTL have been employed to calculate observational estimates of GDP loss. Thus, the estimated GDP decrease has been extrapolated by multiplying the estimated elasticities, of GDP to NTL, in each different specification, by the registered drop in NTL, as in Henderson et al. (2012):

$$GDP_{Loss} = \epsilon^* NTL_{RAW}$$

This procedure allows these simulations to compare the estimated decrease in GDP with official projections provided by the IMF, the World Bank and the AfDB. These alternative estimates may be considered as a new testing tool to link spatial information with economic parameters, offering a different perspective on each country's economic outlook and the geographical distribution of the impact of a shock throughout the countries' territories.

Three different scenarios have been calculated depending on the regressions employed for the econometric estimation of the elasticities of GDP to NTL (see Table 2.2).¹⁹ These scenarios provide the estimated GDP loss for the whole of 2020, by assuming that the January–March decrease would be constant for the entire year. The observational GDP decrease for the two months under investigation is reported in brackets, while the column labelled Range reports the GDP decrease interval from the three scenarios under consideration.²⁰ The assumption of constant trends is extremely strong and to some extent optimistic, thus the results must be interpreted with

17 World Bank data, *Electricity production from renewable sources, excluding hydroelectric (kWh)* (<https://data.worldbank.org/indicator/EG.ELC.RNWV.KH>).

18 Henderson et al., 2012 Op. cit..

19 Scenario 1 corresponds to an OLS regression; Scenario 2 and Scenario 3 are FE regressions regressed on NTL per capita and electricity consumption per capita, respectively.

20 The estimates have been calculated focusing only on those regions that have experienced a drop in luminosity for the time range of the analysis.

a degree of caution. Indeed, compared to the official estimates of the IMF, WB and AfDB, the upper and lower bound of the estimated projections of the Range column appear to be slightly less negative, although consistent. This may be due to the fact that the time span of the analysis is too short to take into consideration the domino effect generated by the lockdown measures on the economy as a whole. In particular, they are not able to consider the economic repercussions of the slowdown in the global values chain, a global recession and the rise in debt levels experienced by these already fiscally constrained economies. Moreover, another reason for the less pessimistic estimates of GDP may stem from the fact that NTL properly reflects investments in physical capital and infrastructure, whereas they are less able to capture the value added generated by other types

of industries – e.g. the service sector – that have been equally hit by the imposition of lockdown restrictions.

However, the range of the estimates of GDP drop appear to be in line with the official forecasts for most of the countries. The only exceptions seem to be Libya and Egypt. For Libya these discrepancies do not alter confidence in the results, since its situation of protracted crisis is a crucial confounding driver of the economic and social crisis. Therefore, the estimated GDP drop calculated using this procedure may have only captured a small fraction of the devastating effects of the conflict. For Egypt, this could be due to the fact that the estimation of GDP using NTL may be driven by the results of specific areas that have experienced a strong decrease in emitted luminosity during the lockdown period.

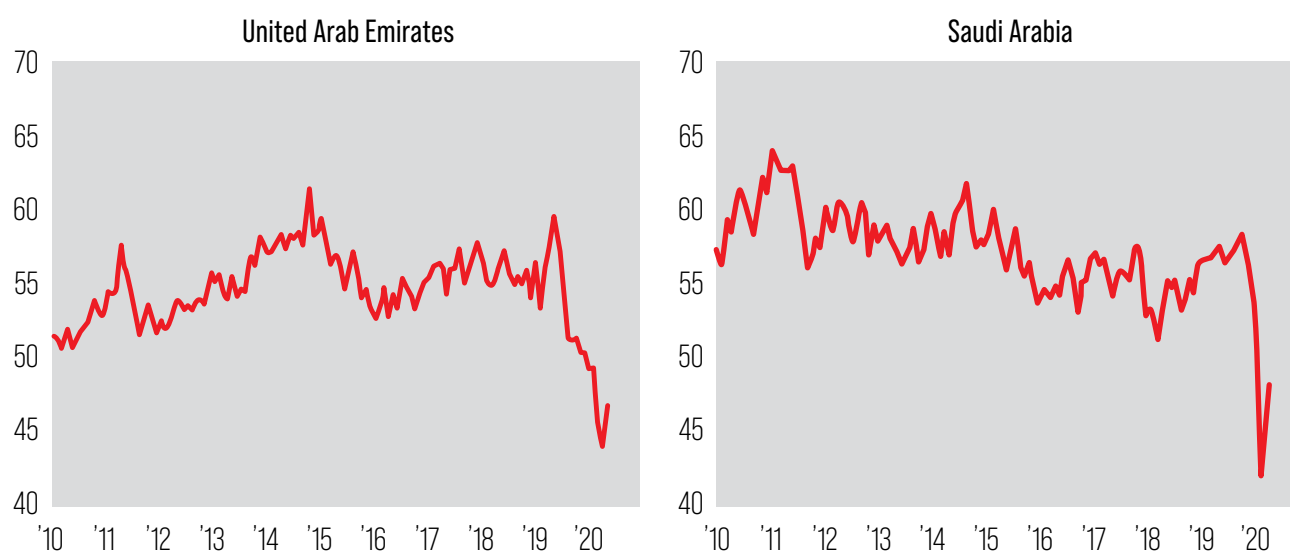
More specific impacts in the three sub-regions

Oil-exporting countries

According to analysts, the oil-exporting countries are set to experience their worst recession in history. The most recent IMF forecasts suggest that this entire group of countries is set to be in negative territory,

ranging from about -1 to about -5 percent. According to the Institute for International Finance (IIF), real GDP in the GCC subregion is estimated to contract by 4.4 percent in 2020 with oil GDP projected to contract by 5.3 percent and non-oil GDP by 3.8 percent.²¹ However, growth forecasts are expected

Figure 2.13 United Arab Emirates and Saudi Arabia PMIs

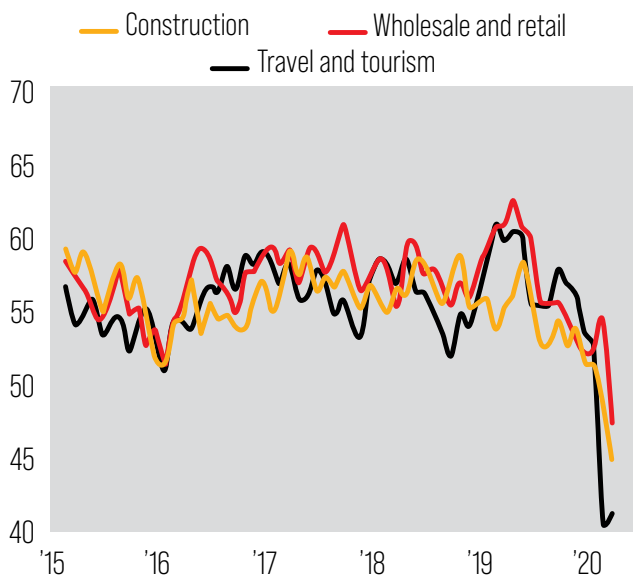


Source: Markit, 3 June 2020.

21 Using a simple 'back of the envelope' calculation to estimate the size of the income effect of an oil price drop – i.e. multiplying net oil exports as a share of GDP by the percentage point drop in the oil price – and based on last May's average price, it is easy to see how the majority of oil-exporting countries in the region could experience a decline in GDP of over 10% in the first part of the year compared to 2019.

22 For example, in the June 2020 update, the IMF revised the growth forecast for KSA downward from -2.3% to -6.8%.

Figure 2.14 Dubai sector PMIs



Source: Markit, 11 May 2020.

to be revised downward.²² This negative outlook has been supported by high-frequency data such as headline purchasing managers' indices (PMIs) in Saudi Arabia, the UAE and Qatar, which declined to less than 45 in April, the lowest level since the surveys began in 2009 (see Figure 2.13).

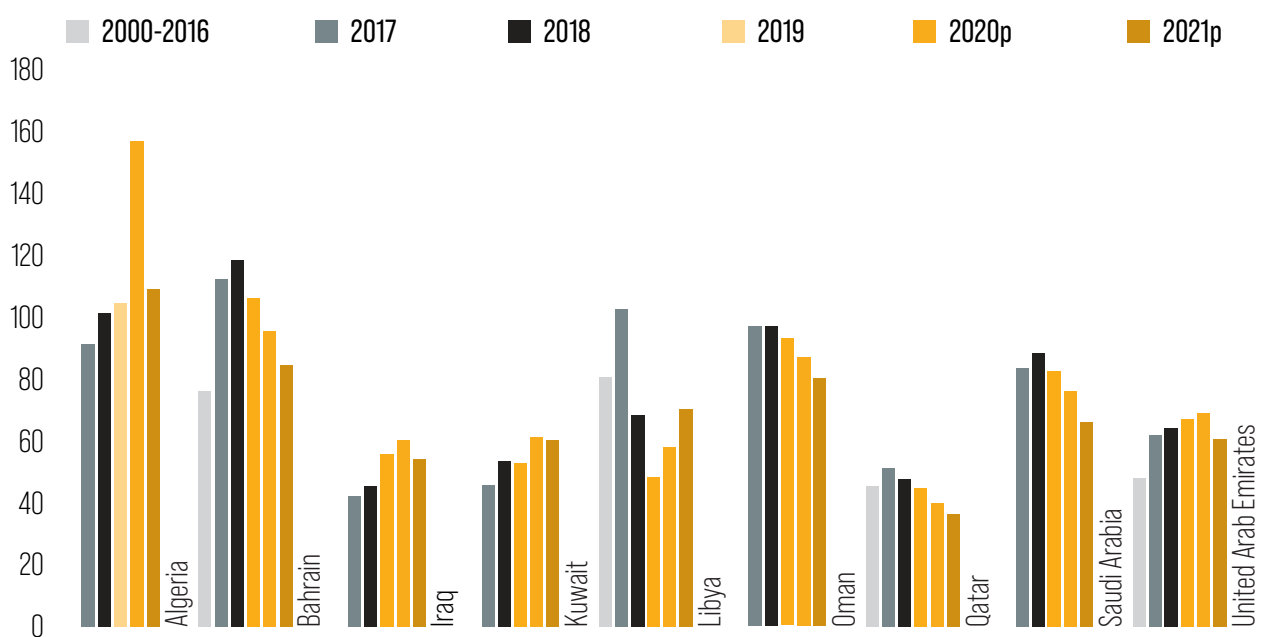
Sector-based PMIs confirm that the shock will be felt

particularly in the service sectors, including the tourist and construction sectors, among others (see figure 2.14).

For all countries in the sub-region, significant current account pressure is expected, which, according to the latest IMF forecasts, is predicted to be particularly severe in Algeria (-18.3 percent) and Oman (-14.2 percent) as well as in Kuwait and the UAE which are set below -10 percent.

The IIF also forecasts a decline in hydrocarbon revenue in the sub-region from \$326 billion in 2019 to \$200 billion in 2020 and expects the aggregated fiscal deficit to widen drastically from 2.5 percent of GDP in 2019 to 10.3 percent in 2020, assuming an average oil price of \$40 per barrel. For Algeria, Bahrain and Oman, the new oil price drop came while the countries were still grappling with the effects of the 2014 oil price shock, since which point each of these states has been running significant deficits. Moreover, countries such as Algeria, Kuwait and Oman spend a significant portion of their government budget on public wage bills, which for political-economy reasons can be difficult to reduce. In Bahrain, expenditure has increasingly shifted towards interest payments as the country struggles with mounting public debt. Debt as a share of GDP is projected to steadily increase in Bahrain and Oman. Conversely, Saudi Arabia, Kuwait, Qatar and the UAE, with large foreign assets, are better placed to accommodate large deficits.

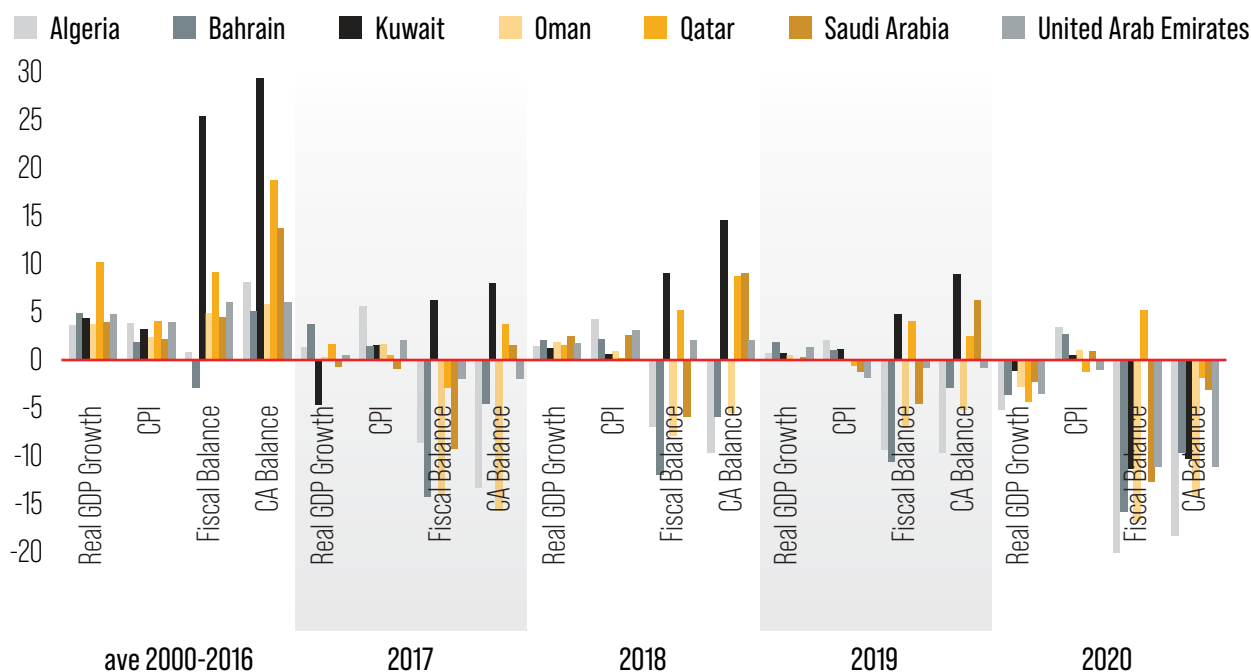
Figure 2.15 Fiscal breakeven oil price (past and projections) (in USD/barrel)



Source: Elaboration based on IMF data.

Note: Although Iraq and Libya are reported in the FCC category, for the purposes of comparison they are also included in this chart.

Figure 2.16 Summary of oil-exporting countries macroeconomic data (percentage)



Source: elaboration from IMF April 2020 forecasts.

Also, as a result of fiscal consolidation and new VAT receipts, lower fiscal breakeven oil prices²³ are estimated for Saudi Arabia and Qatar in 2020 compared to 2019. Yet, at the same time, Algeria is expected to record an historical spike in breakeven price (see Figure 2.15).

According to IIF projections, oil exporting countries will witness the largest capital flights from the region in 2020, largely due to a sharp decline in foreign portfolio investments. Saudi Arabia tops the list at \$17 billion, mostly in equity. Bahrain, the UAE, Qatar and Oman are also projected to lose foreign capital in the order of \$5–6 billion each, mostly due to declines in foreign debt portfolio investments. FDI will not be affected as much, however, as flows are expected to remain relatively stable compared to 2019 – except for the UAE and Oman.

Oil-importing middle-income countries

In these countries, the economic impact of the shock is likely to be propagated mainly across their service sector and through some financial transmission channels including lower remittances, ODA and FDI flows, both extra- and intra-regional.

These economies are heavily reliant on services, including tourism; therefore, the impact of the twin shock may be particularly long-lasting, as so many people have been unable or unwilling to use services such as restaurants and cinemas, or to travel, and are

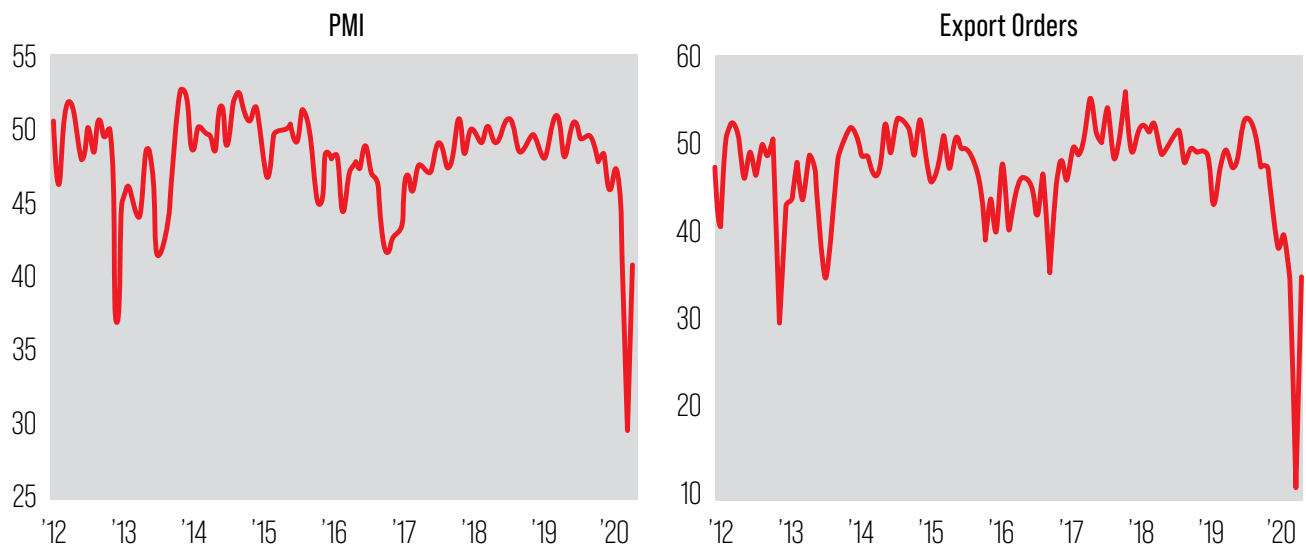
unlikely to “make-up” that demand once the situation returns to relative normality.

The more open, developing oil-importing economies are seeing a reduction in the export of goods and services upon which they depend to a relatively large degree. Significant current account pressure is expected through lower non-commodity exports, including particularly Moroccan and Tunisian exports to the EU, which will add to the contraction of domestic demand. Secondly, many other commodity prices have also dropped in response to lower global economic growth, which is likely to impact the exports of Jordan and Morocco, for example, because they are major phosphate and potash exporters – both commodities that have dropped in price.

Moreover, while these countries benefit from lower import payments for oil and gas products, they will also see a lower inflow of remittances from oil-exporting countries, which are a main source of foreign exchange receipts. Therefore, according to the IMF, countries such as Morocco and Tunisia are expected to run significant current account deficits this year, hovering around 7.8 and 7.5 percent of GDP, respectively. Countries with a flexible exchange rate such as Egypt might be able to absorb part of the current shock by devaluing. However, these countries may also need to be better equipped against the risk of a dry-out of hard currencies exposing depreciation of their national currencies.

23 The oil price at which the fiscal balance is zero.

Figure 2.17 Egypt PMI and export orders



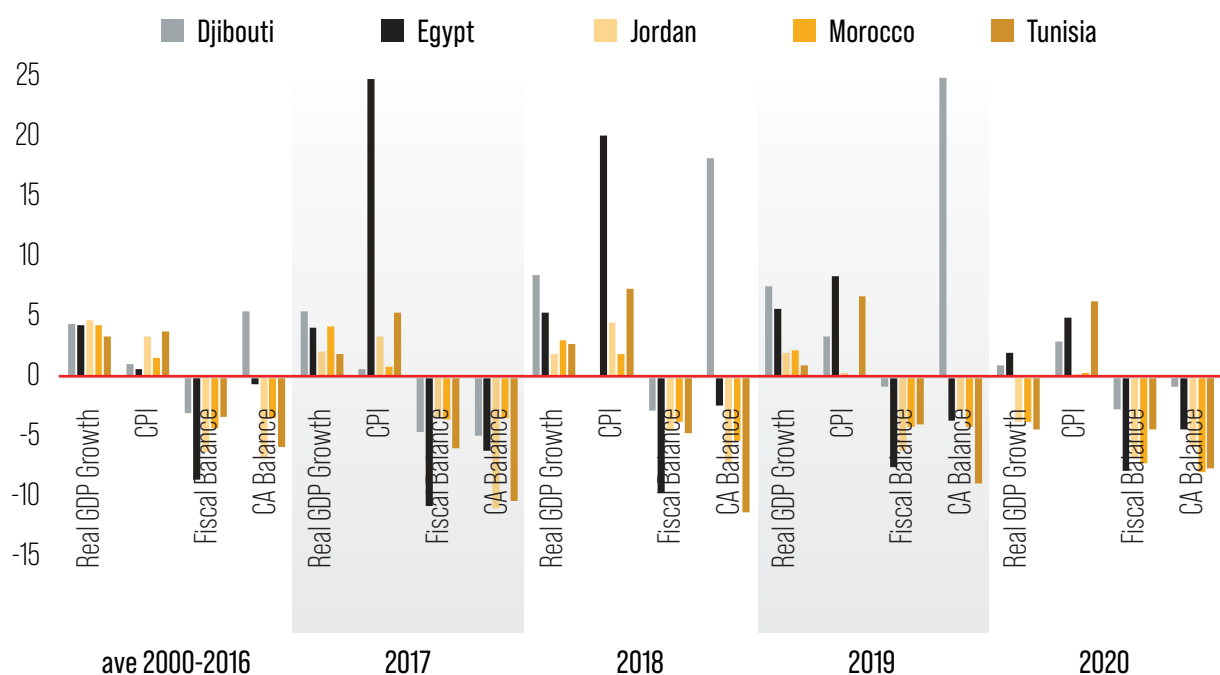
Source: Markit, 3 June 2020.

Finally, as these economies have historically run significant deficits – which will be aggravated in 2020 – and are also forecasted to shrink, debt-to-GDP ratios are likely to rise significantly as of this year. This will happen most notably in Egypt, Morocco and Tunisia – where the debt-to-GDP ratio is expected to rise and approach 80 percent – while in Jordan it is projected to be over the psychological threshold of 100 percent. Presumably, the relief provided by the lower oil price on the fiscal

balance of these economies is expected to be limited, given that they have already taken concrete steps to reduce energy subsidies in the recent past.

External borrowing to fund the larger government deficits is expected to be increasingly difficult for countries in this sub-regional category, which are facing large outflows of portfolio investments. Egypt is projected to witness the largest capital outflow in this group, with a decline in its foreign debt portfolio

Figure 2.18 Summary of oil-importing countries macroeconomic data (%)



Source: elaboration from IMF April 2020 forecasts.

investment of over \$9.5 billion in 2020 according to IIF projections.

As a result, some of these countries may face higher interest rates or other difficulties accessing the international financial market.

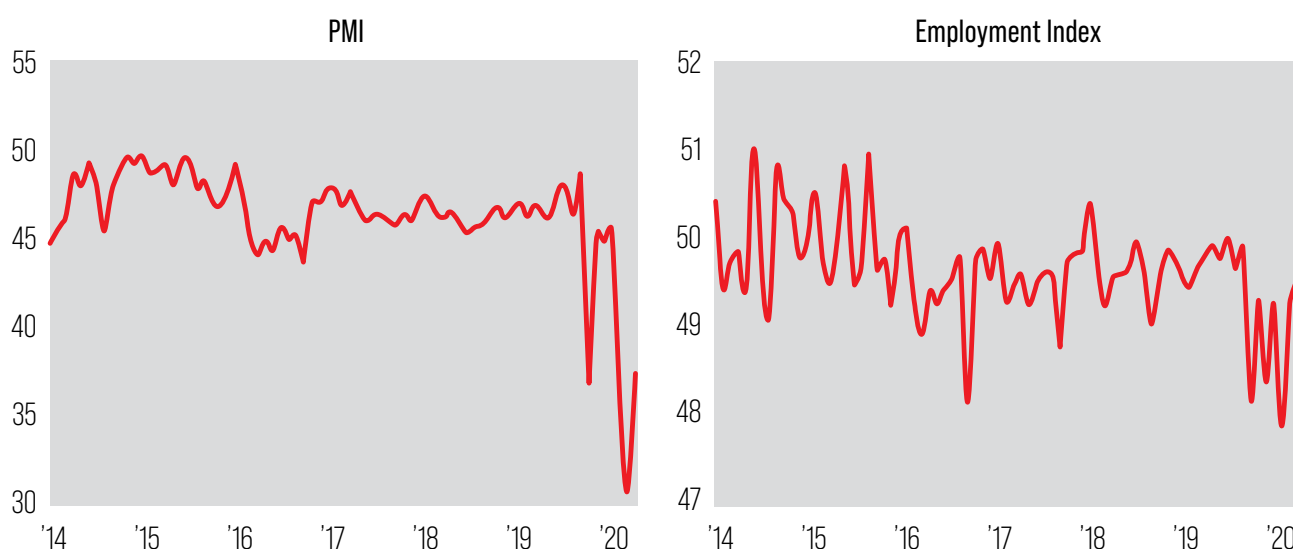
Fragile and crisis-affected countries

These countries tend to have a relatively high demand-side exposure to shocks, with consumption being

the main transmission channel of the twin shock, rather than supply. This is the group for which the macroeconomic impact is set to be disproportionately higher through its growth, fiscal and current account declinations, among other aspects. Moreover, while these are the countries in which the most investment will be needed to cope with the twin shock, they are also the ones with the least financial resources.

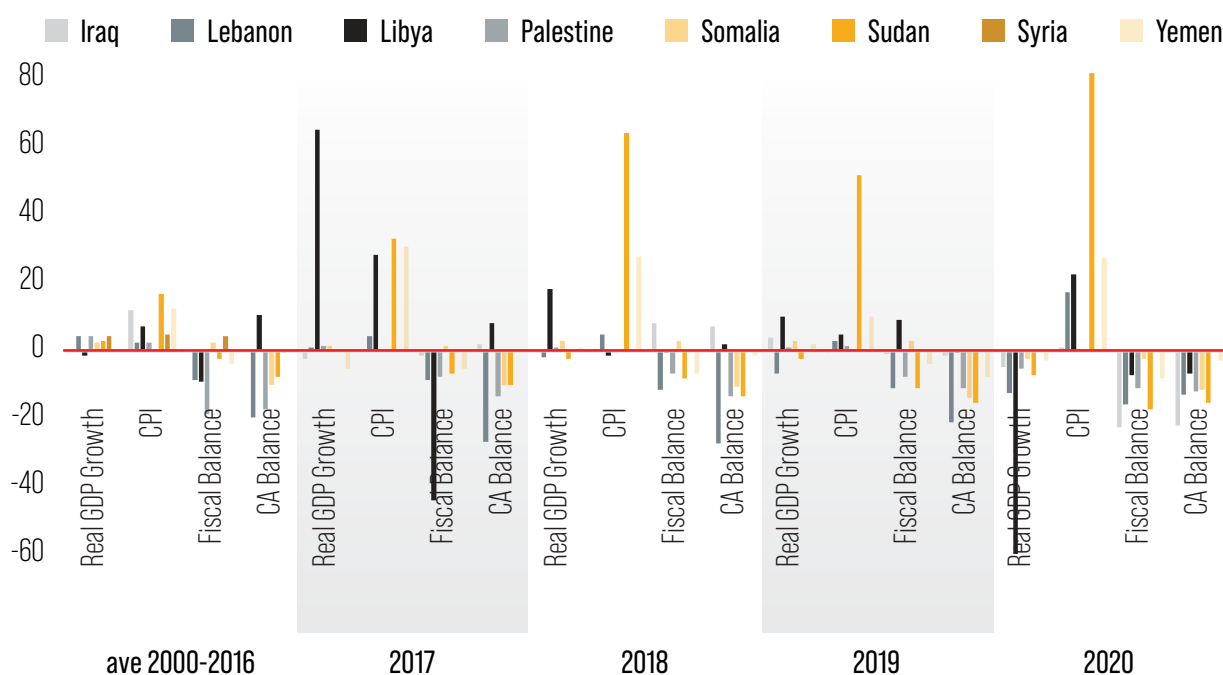
By way of an example, even the wealthiest of countries in this group – Lebanon – recorded another

Figure 2.19 Lebanon PMI (left) and employment index (right)



Source: Markit, 3 June 2020.

Figure 2.20 Summary of FCCs macroeconomic data (%)



Source: elaboration from IMF April 2020 forecasts.

sizeable deterioration of its business conditions during May; the latest Lebanon PMI reported a score of 37.2 (although up from an historical low of 30.9 in April) driven by a further marked reduction in new business opportunities, with businesses hesitant to place orders amid uncertainty during the COVID-19 outbreak and the developing currency crisis (see Figure 2.19).

According to the IMF, in 2020, double-digit inflation is expected in some fragile countries, such as Sudan, Lebanon and Libya, where there is early evidence that purchase prices are increasing fast. In Sudan for instance, the prices of various staple foods have increased to record highs in March following a further

devaluation of the country's currency (FAO, 2020).²⁴ Food prices have been skyrocketing in Syria as well.

Inflation is also likely to be driven by currency devaluation in some of these countries due to a sudden drop in their supply of hard currencies provided through remittances. In Lebanon, for example, in June, the Lebanese pound precipitously depreciated against the US dollar in the parallel market, crossing the 9,000 LP mark on the black market.²⁵

Moreover, public debt-to-GDP ratio risks reaching unsustainably high levels, such as in the cases of Lebanon and Sudan with 151 and 212 percent of GDP, respectively. Both Lebanon and Sudan also have sizable external debts.

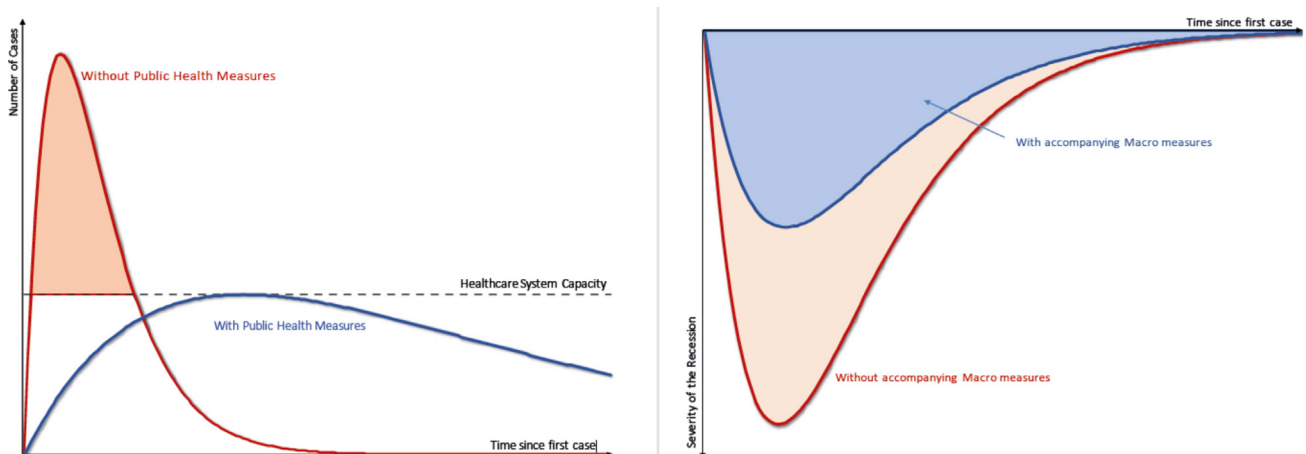
Policy review in the three subregions

Government responses

The historical challenge facing governments is dual and specular: on the one hand, they aim to flatten the infection curve domestically by imposing social distancing and investing in the healthcare system (see Figure 2.21). However, flattening the curve may steepen the economic recession curve, unless tailored economic policies are put in place and implemented well. Therefore, in the economic realm too, the challenge will be to flatten the recession curve.

This multi-faceted crisis will require carefully coordinated monetary, fiscal, social, health and other sector policy responses. Governments in the region, like many other governments around the world, have tried to adopt immediate support measures to help the population and the business sector to cope with the crisis. Monetary policy interventions have often been complemented by fiscal stimulus packages. In most cases, fiscal policies have sought to enhance the capacities of national health systems to tackle the pandemic, but they have also

Figure 2.21 The infection and economic recession: Potential trade-off



Source: Images taken from Gourinchas, P.-O., Flattening the pandemic and recession curves, VOXEU CEPR, 3 June 2020 (<https://voxeu.org/article/flattening-pandemic-and-recession-curves>).

24 FAO GIEWS Country Brief, April 2020, available at <http://www.fao.org/giews/countrybrief/country.jsp?code=SDN>.

25 The official rate is at 1500 LP/USD.

covered support measures to mitigate income losses for various vulnerable segments of society and to sustain businesses. Deferred tax and loan payments and concessional loans – in some cases, interest-free – have been among the major policy measures implemented to support businesses and particularly SMEs.²⁶ In some Arab countries, however, the effectiveness of monetary and fiscal policies may be limited due to weaker financial markets, sizeable informal economies, limited fiscal space and capacity to provide targeted support.

To summarize, the most common measures adopted so far include:

Fiscal response

Support to the population:

- a. Pay bonus for health care workers.
- b. Cash pay-out to some population groups, particularly those considered vulnerable.
- c. Suspension of payments for utility bills.
- d. Tax deductions, freeze, reductions

Support to businesses:

- a. Subsidized short-term employment schemes.
- b. Sector-specific financial support for tourism, accommodation and aviation.
- c. Broad-based financial help for businesses, including absentee payroll.
- d. Financial support for workers.
- e. Reduction in profit tax and low interest loans for SMEs.
- f. Targeted bank liquidity provision conditioned on bank lending to SMEs.
- g. Liquidity support to banks.
- h. Suspension of employers' payments of social security.
- i. Tax deductions, freeze, reductions.
- j. Supply chain diversification.

Monetary and macro-financial responses

- a. Cut interest policy rates (which were not close to zero, unlike in many western countries).

- b. Relaxed capital provisioning and reserve requirements for the banking sector.

- c. Quantitative easing.

Some countries – such as Iraq, Jordan, Lebanon and Morocco – introduced new charity relief mechanisms to support vulnerable groups by encouraging solidarity in society.

Central banks across the region continue to provide liquidity to the banking sector, which remains the key component of the financial system in the region and the most probable source of their exposure during the crisis. This is likely to translate into increased contingent liabilities for relevant government budgets in the medium-term.

Overall, the extents of the stimulus packages launched by governments have been heterogeneous across the region, with some GCC countries putting in place unprecedented packages amounting to more than 10 percent of GDP, while many LDCs and FCCs have been unable to fund packages in excess of a few decimal points of GDP. Many countries have stepped up transfers and subsidies to households and SMEs. However, several governments were caught unprepared given their limited capacity to target the neediest, which is likely to trigger further frustration and resentment across their populations.

Currency depreciation and some form of capital control can be expected in some countries in the near future.

In Table 2.3 below, we report the main categories of economic policy support, including their average size at the regional and global levels. One can easily see that the region has put in place smaller fiscal stimuli and used relatively fewer policy instruments but has had more room to reduce interest rates compared to the rest of the world.²⁷

When it comes to trade, inconsistent measures have been adopted in the region. Indeed, while on the one hand, export and tariff barriers have been widely adopted, on the other hand, trade facilitation measures have also been enacted. Overall, in the past few months, Arab governments have adopted 58 trade-related measures in merchandise trade – including those dealing with market access; reduction of tariffs; sanitary and phyto-sanitary measures; technical barriers to trade measures; bans on exportation of medical supplies; and restrictions of exports of foodstuffs – and three measures in trade in services (see Figure 2.22).

²⁶ For a more detailed review of the policy measures see Annex III.

²⁷ Elgin, C., Basbug, G., Yalaman, A. (2020). Economic Policy Responses to a Pandemic: Developing the COVID-19 Economic Stimulus Index. Covid Economics: Vetted and Real Time Papers, 3, 40-54.

Table 2.3 Policy measures adopted in the Arab region and in the rest of the world

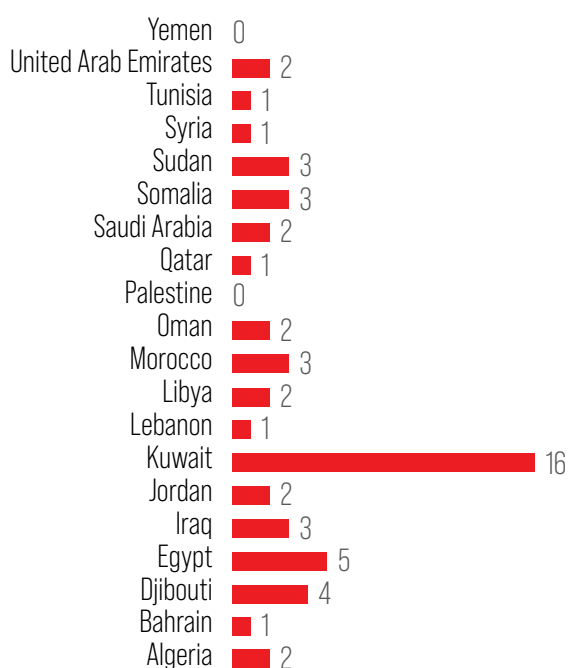
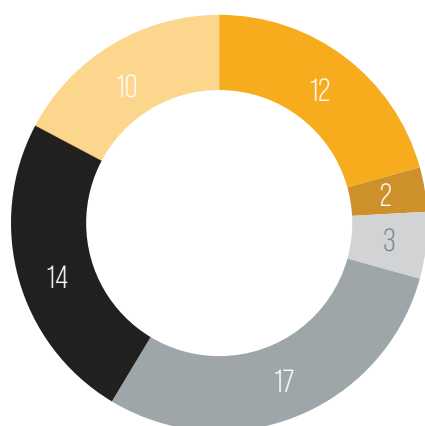
	Fiscal policy stimulus (%)	Interest rate cut (%)	Reserve requirements (% cut)	Macro-financial package (% of GDP)	Other monetary measures	BoP measure
ARAB REGION AVERAGE	2.0	25.1	14.2	4.1	78%	17%
REST OF THE WORLD AVERAGE*	4.8	19.9	20.1	3.6	95%	28%

Source: dataset from Elgin et al. (2020), updated 6 June 2020.

Note: *average calculated without the Arab countries.

Figure 2.22 Trade-related measures adopted by Arab countries by type (top) and number (bottom)

■ Export ban ■ Export restrictions ■ SPS
■ TBT ■ Trade facilitation ■ Market access



Source: UNDP elaboration based on notifications to the WTO and COMESA Secretariat.

Regardless of the economic policies adopted, clear, well-thought-out and transparent government communication about the measures being implemented would help a great deal in their effectiveness and economic impact, particularly in a prolonged extension of the pandemic.

Oil-exporting countries' responses

The response of these countries has been quite articulate, with a range of fiscal and macro financial policy initiatives, coupled with plans to cut or delay non-essential spending. For example, Oman announced that it will reduce spending in the 2020 budget by 10 percent (about 5 percent of GDP); Saudi Arabia intends to reduce spending in non-priority areas by about 2 percent of GDP, and Algeria has announced its intention to lower current spending by 30 percent and cut the import bill by at least 6 percent of GDP.

Using the database prepared and regularly updated by Elgin et al. (2020), one can see that these countries have used interest rate cuts and macro-financial measures, in particular, to tackle the twin crises. On top of these measures, Qatar has also put in place an expansionary fiscal stimulus package (see Table 2.4).

Oil-importing middle-income countries' responses

As is well known, developing oil-importers have few resources, poor infrastructure and high underemployment and unemployment. Yet the savings afforded to governments from the fall in oil prices and drop in demand for heavily state-subsidized fuel could help to widen social safety nets during this crucial time.

As is to be expected, the adoption of various policy measures has been more limited compared to the oil-exporters and the rest of the world (see Table 2.5).

In an attempt to alleviate some of these pressures in the short term, Egypt, Jordan and Tunisia, upon their

Table 2.4 Policy measures adopted in the OEC sub-region

Country	Fiscal policy stimulus (%)	Interest rate cut (%)	Reserve requirements (% cut)	Macro-financial package (% of GDP)	Other monetary measures dummy	BoP measure (dummy)
Algeria	-2.2**	14.3	40.0	0.0	1	1
Bahrain	5.5	52.3	40.0	28.0	1	0
Kuwait	1.4	45.5	19.2	0.0	1	0
Oman	-5.0**	60.0	50.0	26.2	1	0
Qatar	13.0	43.7	0.0	1.5	1	0
Saudi Arabia	-2.8**	63.5	0.0	4.0	1	0
United Arab Emirates	2.0	62.5	50.0	7.8	1	0
SUB-REGION AVERAGE	1.7	48.8	28.5	9.6	100%	14%
REST OF THE WORLD AVERAGE*	4.8	19.9	20.1	3.6	95%	28%

Source: dataset from Elgin et al. (2020), updated 6 June 2020.

Notes: **fiscal policy stimulus to GDP ratios for Algeria and Saudi Arabia encompass the increase in spending on health and other areas, as well as the announced reduction of spending on non-priority areas. For Oman, the ratio refers to the reduction of spending by 10% in the 2020 budget; *average calculated without the Arab countries.

Table 2.5 Policy measures adopted in the OIMIC sub-region

Country	Fiscal policy stimulus (%)	Interest rate cut (%)	Reserve requirements (% cut)	Macro-financial package (% of GDP)	Other monetary measures dummy	BoP measure (dummy)
Djibouti	2.4	0.0	0.0	0.0	1	0
Egypt	1.8	23.5	0.0	2.2	1	0
Jordan	0.5	37.5	28.6	1.7	1	0
Morocco	2.7	11.1	0.0	0.0	1	1
Tunisia	1.8	12.9	0.0	1.0	1	0
SUB-REGION AVERAGE	1.8	17.0	5.7	1.0	100%	20%
REST OF THE WORLD AVERAGE*	4.8	19.9	20.1	3.6	95%	28%

Source: dataset from Elgin et al. (2020), updated 6 June 2020.

Note: *average calculated without the Arab countries.

Table 2.6 Policy measures adopted in the FCC sub-region

Country	Fiscal policy stimulus (%)	Interest rate cut (%)	Reserve requirements (% cut)	Macro-financial package (% of GDP)	Other monetary measures dummy	BoP measure (dummy)
Iraq	0.1	0.0	0.0	1.0	0	0
Lebanon	1.9	0.0	0.0	0.0	1	0
Libya	1.0	0.0	0.0	0.0	0	0
Sudan	7.2	0.0	0.0	0.0	1	0
Yemen	0.0	0.0	0.0	0.0	0	1
SUB-REGION AVERAGE	2.4	0.0	0.0	0.2	33%	17%
REST OF THE WORLD AVERAGE*	4.8	19.9	20.1	3.6	95%	28%

Source: dataset from Elgin et al. (2020), updated 6 June 2020.

Note: *average calculated without the Arab countries.

request, received financial assistance from the IMF under the Rapid Financing Instrument (RDFI) scheme. Other Arab countries such as Djibouti received other assistance including debt service relief.

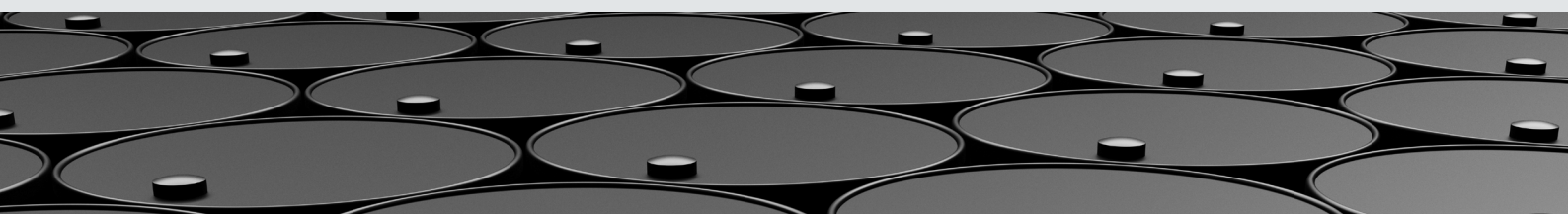
Fragile and crisis-affected countries' responses

This country group has adopted heterogeneous policy measures; Sudan, with the help of the donor community, has adopted a sizeable fiscal stimulus package, while other countries put in place very limited measures, if at all, as in the case of Yemen (see Table 2.6).

02

Policy Recommendations

- Fiscal policy has a wide spectrum and while an excessive dispersion of its measures could dilute the impact, a high concentration of these measures may risk missing important segments of the business community and the population. Important trade-offs are at play in a context of limited fiscal space and the careful design and implementation of fiscal interventions is of the utmost importance.
- Additional government spending should be first directed at the health sector to prevent and contain the propagation of virus and treat patients.
- With regard to fiscal policy, options include providing households with temporary support to shield them from income losses caused by work shutdowns and layoffs.
- A reallocation of governments' budgets will be most likely needed in many countries, including the rationalisation of current expenditures through a thorough review and re-purposing of existing public sector spending.
- Expanding temporary liquidity buffers for firms can also be helpful to avoid debt accumulation. This should be conducted while monitoring market dynamics across the different sectors to avoid excessive liquidity that might pose inflationary pressures.
- Reducing temporarily fixed charges and taxes would also ease the pressure on firms and households most affected by the shock.
- In case of emergency, an injection of hard currencies could be created by using swap agreements in close coordination with central banks.
- As we will see in the final part of this report, the twin crises can also present an opportunity to pursue reinvigorated national discussions and development plans that promote the investment of scarce budgetary resources in high-growth areas that would allow to diversify the economies in the region.
- The present crisis can also provide an opportunity to enhance regional integration. On the economic policy front, if countries announced coordinated policy support, confidence effects across the region would compound the effect of these policies.



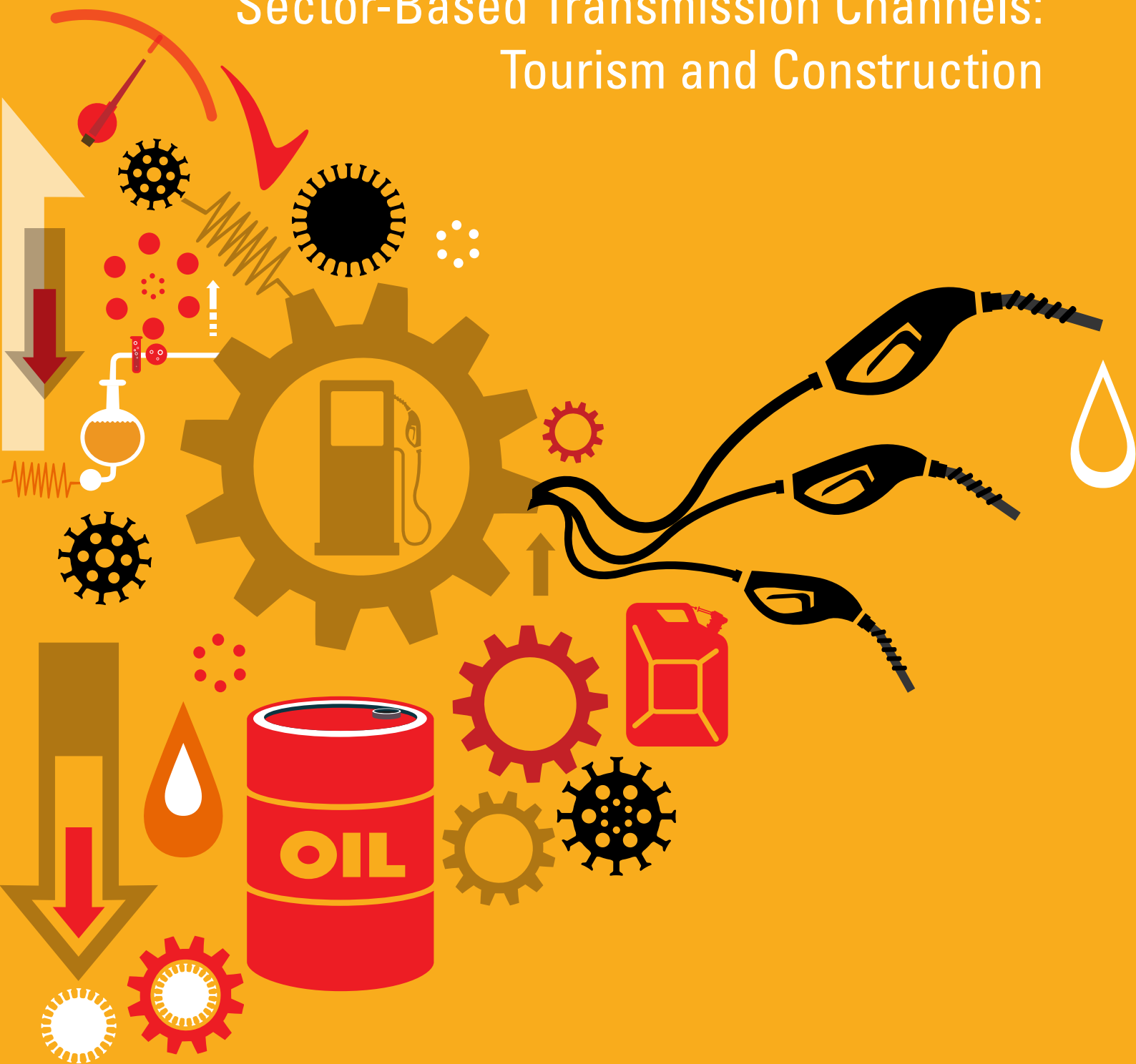


With regard to trade-related measures:

- a. Adoption of practical measures to minimize the impact of disruption of the supply chain among Arab countries is a necessity, taking into account the composition of merchandise trade and the economic structure of their economies. The integrity and viability of the supply chain is essential to secure populations' access to necessary medicines, medical supplies, personal protection equipment, foods and other necessities.
- b. Responding to uncertainty in the global market, Arab countries must diversify their international supply chains instead of relying exclusively on one large supply chain. In this regard, fostering the development of Free Zones into regional hubs could promote the establishment of regional supply chains, closer to the distribution of manufactured goods and merchandise.
- c. Arab countries must act collectively and adopt common policies to deepen regional integration. In this regard, the removal of unnecessary non-tariff measures and acceleration of facilitation of trade and investment is imperative. This should be accompanied by a new governance framework of regional cooperation in economic development and trade.

It is also recommended that regional programmes in trade facilitation, and the adoption of digitalization in the provision of public services, both be accelerated. Capitalizing on the potential of new technologies, attention should also be given to the supply of services through digital means.

Sector-Based Transmission Channels: Tourism and Construction



03

Sector-Based Transmission Channels: Tourism and Construction

Many countries in the Arab region have identified economic diversification as a critical factor in expanding prosperity and achieving the Sustainable Development Goals (SDGs). Each of the 17 Voluntary National Reviews from the region presented to the High-

Level Political Forum since the adoption of Agenda 2030 specifically mentions economic diversification and/or restructuring as priorities. Construction is described as a relevant sector in all 17 reviews, and tourism is mentioned in 15.¹

Tourism

Tourism has become one of the fastest growing economic sectors in the world in recent years and is recognized as a potentially integral contributor to job and wealth creation, economic growth, environmental protection and poverty alleviation.² It also plays a vital role in the promotion of cultural heritage and diversity. Given its growing importance and multiplier effect, tourism is emphasized in the 2030 Agenda for Sustainable Development, as reflected in SDGs 8, 12 and 14, which refer to tourism-specific targets.

In the Arab region, while tourism has picked up in some countries in recent years, it has slowed in others. The region's share of international tourist arrivals has averaged six percent of the world total since 2015 (Table 3.1), dropping from 7.8 percent in 2010. Following a drop of 6.1 percent in 2016, the year-on-year increase in the region's number of international tourist arrivals was 14.8 percent in 2017 and 5.9 percent in 2018. However, this regional increase and the static regional

share (as a percentage of global tourist arrivals) conceal changes across the region; while tourism maintained a constant regional share in countries like Lebanon, Jordan and Algeria, the countries of the Gulf Cooperation Council (GCC) managed to increase their collective regional share of tourist arrivals from 30 percent in 2010 up to 48 percent in 2018. The UAE's share doubled from 10 percent in 2010 to 19 percent in 2018. At the same time, Saudi Arabia also witnessed a significant increase from 15 percent in 2010 to 19 percent in 2018. Bahrain has also attracted more tourists, with its share increasing from one percent in 2010 to five percent in 2018. Conversely, Egypt's share dropped from 20 percent in 2010 to 14 percent in 2018. Recent data on conflict-affected countries like Syria, Yemen, Somalia and Iraq is missing, but in 2011, arrivals to Syria dropped by 40 percent from 2010, and the share of tourism (out of total exports) dropped from 31 percent in 2010 to 13 percent in 2011.³

1 Economic diversification and/or restructuring appears in the Voluntary National Reviews (VNRs) of Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, the State of Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia and the United Arab Emirates. The Jordan VNR does not mention economic diversification but economic reforms as a priority, while Djibouti, Somalia, Syria and Yemen have not submitted VNRs. Iraq and Sudan include no mention of tourism among the key sectors, and in the Iraq and Libya VNRs, construction is in the context of post-conflict reconstruction.

2 ILO "Tourism and Employment Factsheet", 2018; and ILO Sectoral Brief: The Impact of COVID-19 on the Tourism Sector. https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/briefingnote/wcms_741468.pdf.

3 Own calculations based on UN World Tourism Organization (UNWTO) Tourism Data Dashboard, 2020, <https://www.unwto.org/unwto-tourism-dashboard>, accessed on 1 July 2020.

Table 3.1 International tourist arrivals

	(million)				
	2010	2015	2016	2017	2018
World	955.7	1,202.4	1,243.6	1,333.2	1,408.8
Arab countries	75.0	71.7	67.3	77.3	81.9
Algeria	2.1	1.7	2	2.5	2.7
Bahrain	1	4	4	4.4	4.4
Djibouti	0.1	NA	NA	NA	NA
Egypt	14.7	9.3	5.4	8.3	11.3
Iraq	1.5	NA	NA	NA	NA
Jordan	4.2	3.8	3.6	3.8	4.2
Kuwait	0.2	0.2	0.2	0.2	NA
Lebanon	2.2	1.5	1.7	1.9	2
Morocco	9.3	10.2	10.3	11.3	12.3
Oman	1.4	1.9	2.3	2.3	2.3
State of Palestine	0.5	0.4	0.4	0.5	0.6
Qatar	1.7	NA	NA	2.3	1.8
Saudi Arabia	10.9	18	18	16.1	15.3
Sudan	0.5	0.7	0.8	0.8	0.8
Syria¹	8.5	NA	NA	NA	NA
Tunisia	7.8	5.4	5.7	7.1	8.3
UAE	7.4	14.2	14.9	15.8	15.9
Yemen	1	0.4	NA	NA	NA

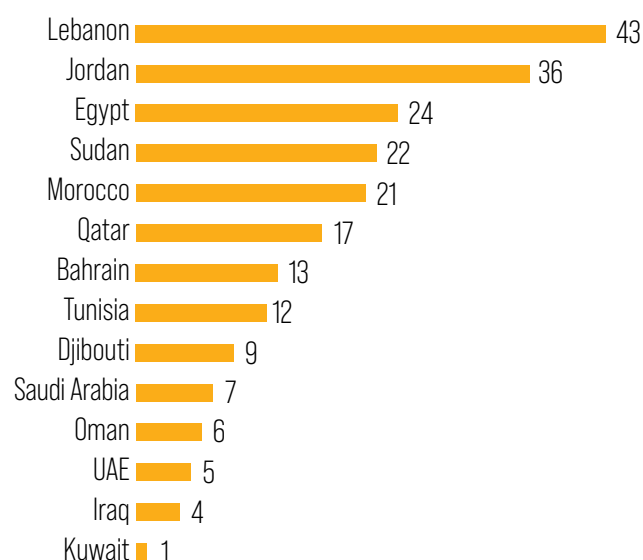
Source: UNWTO Tourism Data Dashboard, 2020 (data as of 1 July 2020).

Notes: 1 arrivals to Syria dropped to 5.1 million in 2011; data for Libya and Somalia do not exist; countries in grey have scored higher than the world's compound annual growth rate over the period 2015–2018.

In the region's oil-importing MICs, the tourism sector makes up a significant share of the countries' overall exports of goods and services and an important source of foreign currency earnings. In 2019, tourism receipts made up 43, 36 and 24 percent of total exports in Lebanon, Jordan and Egypt, respectively (Figure 3.1). It also makes up slightly more than one-fifth of total exports for Morocco and Sudan. In the case of Lebanon and Sudan, many of the tourists are expatriates returning to their home countries for vacations. For Saudi Arabia, religious tourism (Hajj and Umrah) make up substantive revenues, with the number of pilgrims from outside the country reaching 1.9 million in 2019⁴ (see Figure 3.2).

Travel and tourism data for 2019 (WTTC, Table 3.3) show that this sector plays a very important role in employment both at the world and regional

Figure 3.1 Share of tourism in total exports (Percentage), 2019



Source: UNWTO Tourism Data Dashboard, latest data available as of 4 July 2020.

Notes: data for Tunisia, Oman, Kuwait, UAE and Djibouti refer to the year 2018 rather than 2019; export revenues from international tourism are composed of "travel" and "passenger transport" receipts.

4 General Authority for Statistics of Saudi Arabia, "Hajj Statistics 2019 (1440 Hijri)", https://www.stats.gov.sa/sites/default/files/haj_40_en.pdf, accessed on 4 July 2020.

levels. In Arab countries, this sector's contribution to employment exceeded the world average of 10 percent in eight countries, and its contribution to GDP exceeded the world's average in six countries. According to the WEF Travel and Tourism Competitive Index (TTCI),⁵ the scores of 10 out of the 13 Arab countries that are covered by the report

improved over the period 2017–2019, with the largest improvement in Egypt (seven percent), Oman (5.1 percent), Kuwait (2.7 percent), Algeria (2.5 percent) and Tunisia (2.4 percent), while noting that UAE is the highest scoring economy in the region on this Index and that four out of the top five scoring economies are from the GCC, with the fifth being Egypt⁶ (see Table 3.4).

Table 3.2 International tourism receipts¹

	USD billion				
	2010	2015	2016	2017	2018
World	979.2	1,222.9	1,250.1	1,347.2	1,457.1
Arab	62	66.5	67.9	77.9	84.8
Algeria	0.2	0.3	0.2	0.1	NA
Bahrain	1.4	2.7	3.8	4.2	3.7
Djibouti	0	0	0	0	0.1
Egypt	12.5	6.1	2.6	7.8	11.6
Iraq	1.7	2.8	3.1	3.0	2.0
Jordan	3.6	4.1	4.0	4.2	5.2
Kuwait	0.3	0.5	0.6	0.3	0.5
Lebanon	8.0	6.9	7.0	7.6	8.4
Libya	0.1	NA	NA	NA	NA
Morocco	6.7	6.3	6.5	7.4	7.8
Oman	0.8	1.5	1.6	1.7	1.8
Palestine	0.7	0.3	0.2	0.2	0.2
Qatar	0.6	5.0	5.4	6.0	5.6
KSA	6.7	10.1	11.1	12.1	13.8
Sudan	0.1	0.9	1.0	1.0	1.0
Syria²	6.2	NA	NA	NA	NA
Tunisia	2.6	1.4	1.2	1.3	1.7
UAE	8.6	17.5	19.5	21.0	21.4
Yemen	1.2	0.1	0.1	NA	NA

Notes: /NA = data not available; data for Somalia not available.

²Syria's receipts dropped to US \$1.8 bn in 2011.

Countries in grey have scored higher than the world's compound annual growth rate over the period 2015–2018.

Source: UNWTO Tourism Data Dashboard, 2020 (latest available as of 1 July 2020).

Table 3.3 Travel and Tourism contribution to the economy in 2019

	Contribution to GDP	Contribution to employment
World	10.3	10.0
Algeria	5.7	6
Bahrain	13.3	15
Egypt	9.3	9.7
Iraq	6.4	6.8
Jordan	15.8	17.7
Kuwait	5.3	6
Lebanon	18	19.2
Libya	3.1	3.3
Morocco	12	12.4
Oman	7.5	8.1
Qatar	9.1	11.8
KSA	9.5	11.2
Sudan	6.1	6.2
Syria	8.6	8.8
Tunisia	13.9	10.8
UAE	11.9	11.1
Yemen	5.8	6

Source: World Travel and Tourism Council (2019 data as reported in March 2020, data extracted from country briefs). Countries in grey have scored above world average in the contribution to GDP.

5 The Travel and Tourism Competitiveness Index measures the set of factors and policies that enable the sustainable development of the travel & tourism (T&T) sector, which in turn contributes to the development and competitiveness of a country. It comprises four sub-indexes (enabling environment; T&T policy and enabling conditions; infrastructure; and natural and cultural resources; 14 pillars and 90 individual indicators, distributed among different pillars). For more information, see: World Economic Forum (WEF), *The Travel and Tourism Competitiveness Report 2019: Travel and Tourism at a Tipping Point*, http://www3.weforum.org/docs/WEF_TTCR_2019.pdf.

6 Egypt achieved the highest performance improvement among the Arab countries in three out of fourteen sub-indices that make up the TTCI; namely "safety and security"; "ground and port infrastructure"; and "natural resources". Egypt also scored the highest in three other sub-indices: "price competitiveness"; "environmental sustainability"; and "cultural resources and business travel". Oman achieved the greatest improvement in the "human resources and labour market" sub-index. In the "tourist service infrastructure" sub-index, which is a pillar that measures the availability and quality of key tourism services such as quality accommodation and car rentals, Saudi Arabia recorded the highest improvement of 10.3 percent between 2017 and 2019, while Yemen recorded a deterioration of 15 percent, Algeria 10.8 percent and Lebanon 7.6 percent; noting that Lebanon and Yemen were the only countries which showed no remarkable improvement in the "price competitiveness" pillar. On the natural resources and international openness sub-indices, the score of 11 Arab countries (out of the 13 Arab countries included in the Index) were within the bottom 50 percent, which means that the region is still behind when it comes to ecotourism and visa requirements – except for Qatar, which is the region's top scorer, the most improved on the "international openness" sub-index, and ranked 64th globally after waiving entry visa requirements for citizens of 80 countries in 2017. Jordan ranks 68th on this sub-index (see Table 3.4).

Table 3.4 WEF Travel and Tourism Competitiveness Index 2019 – global rank (left) and sub-indices highest scoring (right)

Global Rank 2019	Economy	Score 2019	Difference (of 2019 Index) from 2017 (score growth %)	Highest scoring country (score)		
33	UAE	4.4	-1.3%	Enabling environment	Business environment	Qatar and UAE (5.6)
51	Qatar	4.1	1.5%		Safety and security	Oman (6.5)
58	Oman	4	5.1%		Health and hygiene	Saudi Arabia (5.7)
64	Bahrain	3.9	0.4%		Human resources and labour market	UAE (5.1)
65	Egypt	3.9	7.0%		ICT readiness	UAE (6.4)
66	Morocco	3.9	2.2%	T&T policy and enabling conditions	Prioritization of travel and tourism	Morocco (5.2)
69	Saudi Arabia	3.9	1.4%		International openness	Qatar (3.5)
84	Jordan	3.6	-1.2%		Price competitiveness	Egypt (6.5)
85	Tunisia	3.6	2.4%		Environmental sustainability	Egypt (4.7)
96	Kuwait	3.4	2.7%	Infrastructure	Air transport infrastructure	UAE (5.7)
100	Lebanon	3.4	0.3%		Ground and port infrastructure	Bahrain (5.2)
116	Algeria	3.1	2.5%		Tourist service infrastructure	UAE (5.6)
140	Yemen	2.4	-0.9%	Natural and cultural resources	Natural resources	Morocco (3.1)
					Cultural resources and business travel	Egypt (3.3)

Bottom 20%  Top 20%

Impact of COVID-19

The tourism industry has been hit hard by the COVID-19 lockdown and containment measures, and recent studies show that it could contract at an unprecedented pace (by between 45 and 70 percent),⁷ causing major disruption in the airline industry and taking a heavy toll on tourism-related sectors such as transportation, hospitality and entertainment (including food).

Globally, the majority of workers in the tourism sector are under 35 years of age, and half of them are 25 or under. Women represent between 60 and 70 percent of the global tourism workforce,⁸ even though they are often over-represented in lower-skilled and lower-paid occupations. The sector is also an important source of employment for migrant workers. We have no reason

to assume that the basic profile differs in the Arab region, meaning that young people and women will be disproportionately affected by the slowdown.

In a region where young people (aged 15–24) make up 17 percent of the population,⁹ and where youth unemployment is among the highest in the world, it is likely that the hiatus in international tourism will increase unemployment largely among young people and especially young women. Moreover, in the GCC countries, tourism contributes to an average of 10.5 percent of employment (Table 3.3) and jobs in this sector are largely occupied by migrant workers. For example, the share of non-Saudi employees in the trade, accommodation and food industry amounted to 79.6 percent according to the 2017 Saudi Employment and Wages Survey.¹⁰ This is also the

7 International Labour Organization (ILO), *Sectoral Policies Department Factsheet*, 2017, https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/publication/wcms_544196.pdf.

8 Ibid.

9 Source: UN DESA, *World Population Prospects 2019* (2020 estimates), <https://population.un.org/wpp/>, accessed in 16 June 2020.

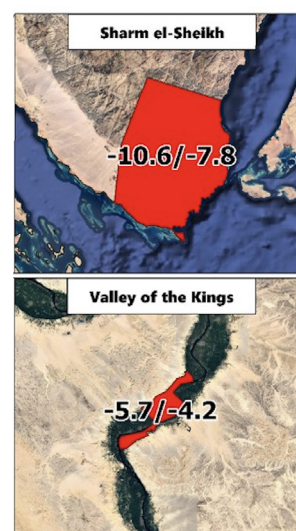
10 General Authority for Statistics, Kingdom of Saudi Arabia, *Employment and Wages Survey 2017*, https://www.stats.gov.sa/sites/default/files/employment_and_wages_survey_2017_en.pdf.

case for the UAE, where this sector represents 11.1 percent of employment,¹¹ but where 90 percent of those employed in the private sector are migrants.¹²

The full impact on tourism is difficult to estimate but year-on-year changes monitored by the United Nations World Tourism Organization (UNWTO) project devastating losses in the immediate term and suggest that tourism activity will not reach pre-crisis levels until 2022 at the earliest. International tourist arrivals had dropped by 40 percent in the Middle East¹³ compared to 44 percent worldwide by the end of April 2020.¹⁴ Tunisia alone witnessed a drop of 54 percent (April 2020–April 2019). Statements by Tunisian officials indicate that the tourism sector could lose approximately 400,000 jobs due to COVID-19.¹⁵ In Egypt, official statements indicate that tourism revenue has declined during the pandemic by 80 percent in 2020 compared to the same period in 2019.¹⁶ In Saudi Arabia, the tourism industry could decline by 45 percent compared to last year according to officials.¹⁷ In Morocco, a study published by the National Tourism Confederation (CNT) in April 2020 estimated that this year 39 percent fewer tourists will arrive than in 2019 and that losses in the tourism sector will amount to \$13.9 billion between 2020 and 2022.¹⁸

For countries undergoing complex political crises, where the tourism industry relies primarily on nationals living abroad who spend holidays in their home countries, it is difficult to estimate the impact of COVID-19 on tourism. In Lebanon, which has been suffering from protracted financial and economic crises and political instability since October 2019, tourism employs almost one-fifth of total employment, the highest in the Arab region (Table 3.3). It is concerning that COVID-19 has prevented Lebanese expatriates from visiting the country and injecting much-needed hard foreign currency.

Figure 3.2 Estimated economic drop at selected tourist places in Egypt



Source: authors' calculations based on satellite imagery from NASA Worldview <https://go.nasa.gov/3anYhwR>.

Using night-time light satellite imagery to estimate the economic impact on tourism¹⁹

An early and quick attempt to estimate the impact of the dual shock on the tourism sector could be provided by the NTL satellite imagery methodology (Henderson et al., 2012).²⁰ Indeed, in the Egyptian case, the areas that have suffered most according to the drop in NTL were associated with tourism. Figure 3.2 reports two examples of tourist areas that were significantly affected by the lockdown measures, as shown by the GDP decrease reported in the map. Using these two areas to exemplify the results, it is clear how Sharm el-Sheikh is estimated to suffer a more dramatic decrease in GDP in the course of 2020 with respect to the still severe reduction observed in the Valley of the Kings. This appears plausible since

11 World Travel and Tourism Council (WTTTC), 2020, "United Arab Emirates Country Profile" in 2020 Annual Research: Key Highlights.

12 International Labour Organization (ILO), "United Arab Emirates", https://www.ilo.org/beirut/countries/united-arab-emirates/WCMS_533531/lang--en/index.htm.

13 The UNWTO Middle East category includes 14 Arab countries: Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Oman, Palestine, Qatar, Saudi Arabia, Syria, UAE and Yemen.

14 UNWTO, International Tourism and COVID-19 Dashboard, <https://www.unwto.org/international-tourism-and-covid-19>, accessed on 4 July 2020.

15 Globaldata Travel and Tourism, "Tunisia must use government funds effectively to bounce back from Covid-19", [Airporttechnology.com](https://www.airport-technology.com/comment/tunisia-government-funds-covid-19/), <https://www.airport-technology.com/comment/tunisia-government-funds-covid-19/>.

16 Statement by Minister of International Cooperation, Rania Al-Mashat, during a webinar organized by the American Chamber of Commerce and the Egyptian–American Joint Business Council today titled "The COVID-19 pandemic: Coronavirus is an imminent opportunity for multilateralism", <https://www.egypttoday.com/Article/3/85232/5-factors-to-affect-Egyptian-economy-due-to-COVID-19>.

17 *Arabian Business*, "Saudi's tourism industry could take 45% hit due to Covid-19", April 26, 2020, <https://www.arabianbusiness.com/travel-hospitality/445714-saudis-tourism-industry-could-take-45-hit-due-to-covid-19>.

18 Hatim, Y., "Morocco Could Lose \$13.85 Billion in Tourism Revenue Due to COVID-19", [Morocoworldnews.com](https://www.morocoworldnews.com/2020/04/300361/morocco-could-lose-13-85-billion-in-tourism-revenue-due-to-covid-19/), <https://www.morocoworldnews.com/2020/04/300361/morocco-could-lose-13-85-billion-in-tourism-revenue-due-to-covid-19/>.

19 This section reports the early findings from a forthcoming UNDP paper.

20 Henderson, J. Vernon, Storeygard, Adam, and Weil, David N. 2012. "Measuring Economic Growth from Outer Space". In: *American Economic Review* 102.2, pp. 994–1028. doi: HYPERLINK "<https://doi.org/10.1257/aer.102.2.994>" 10.1257/aer.102.2.994.

the area of Sharm el-Sheikh relies on seaside tourism with multiple overnight stays, as opposed to the day-to-day tourism of the Valley of the Kings. Similarly to Egypt, Tunisia, Jordan and Morocco have experienced a GDP decrease at tourist sites.

Using value chain analysis to estimate the vulnerability of the tourism sector²¹

In this section we investigate countries' integration into the international production network by using inter-country input–output (ICIO) tables. Due to country coverage, the entire analysis is conducted using EORA IO Tables for 2016 – being the last available update – disaggregated in 26 sectors. These instruments provide information on flows between country-sectors, yielding a matrix of input origins and output destinations for the production of each country-sector; this allows, in turn, for identification of value-added (VA) flows. Given the characteristics of the current crisis, understanding both the origin of VA absorbed, and the destination of VA produced, by each country, is crucial to identify the actual vulnerability to the pandemic. These two aggregates provide a representation of the supply and demand capabilities of country-sectors, being the economic aggregates actually impacted by the pandemic. Such a change of perspective focuses where VA is generated rather than exchanged and allows – even though bypassing the intermediate transactions between origin and destination of VA – to implicitly track the whole structure of the chain. In a nutshell, if countries are individual links in a chain, our analysis allows for the identification of the largest upstream (VA origin) and downstream (VA destination) links, relative to the selected countries. Conversely, usual global value chain studies tend to focus on relative position and order, rather than on size, along the value chain. Given that the shock is expected to induce a recession impacting supply and demand capabilities, we are of the opinion that focusing on link size could provide a more significant identification of countries' exposure.

In light of the relevance of the tourism sector in the region, we perform the analysis relying on EORA sectoral classification, which we proxy by using the hotels & restaurants (H&R) and transport accounts. The H&R sector appears to have a lower international exposure than transport, while no particular differences are apparent concerning international partners.

Looking at individual countries, the UAE can be considered the most “vulnerable” country in our sample: in addition to a high level of exposure in the

percentage share of foreign absorbed/originated VA, the UAE presents a very low level of partner diversification, with Japan and India constituting by far the main partners of, respectively, foreign absorbed and originated VA for both the sectors. Conversely, Egypt, given its almost entirely internal VA absorption/origin, could be the most resilient to the shock. However, possible areas for concern are its very high share in GVC-related trade, as well as its international network that exposes Egypt to large partners' economic contractions. Jordan and Lebanon, on the other hand, have similar figures regarding the share of VA absorbed and originated abroad, as well as a similar network for VA destination and origin.

Looking at country aggregates by VA destination, Egypt's main absorber is Europe, followed by Asia and the Arab region. Different patterns emerge for the other countries: about 80 percent of the UAE's VA absorbed abroad is from Asia (around the 50 percent) and the region (around 30 percent); the opposite is found for Lebanon and Jordan. The origin of VA provides a completely different picture. Europe is the most important region for Egypt, Jordan and Lebanon, and accounts for more than 30 percent for UAE. The main source of VA for the UAE is Asia, which stands as second largest origin for the whole group. Looking at the region as a whole, this has a much lower relevance than for VA destination; only Jordan sources more than the 10 percent from this region, with values more or less equal to North America.

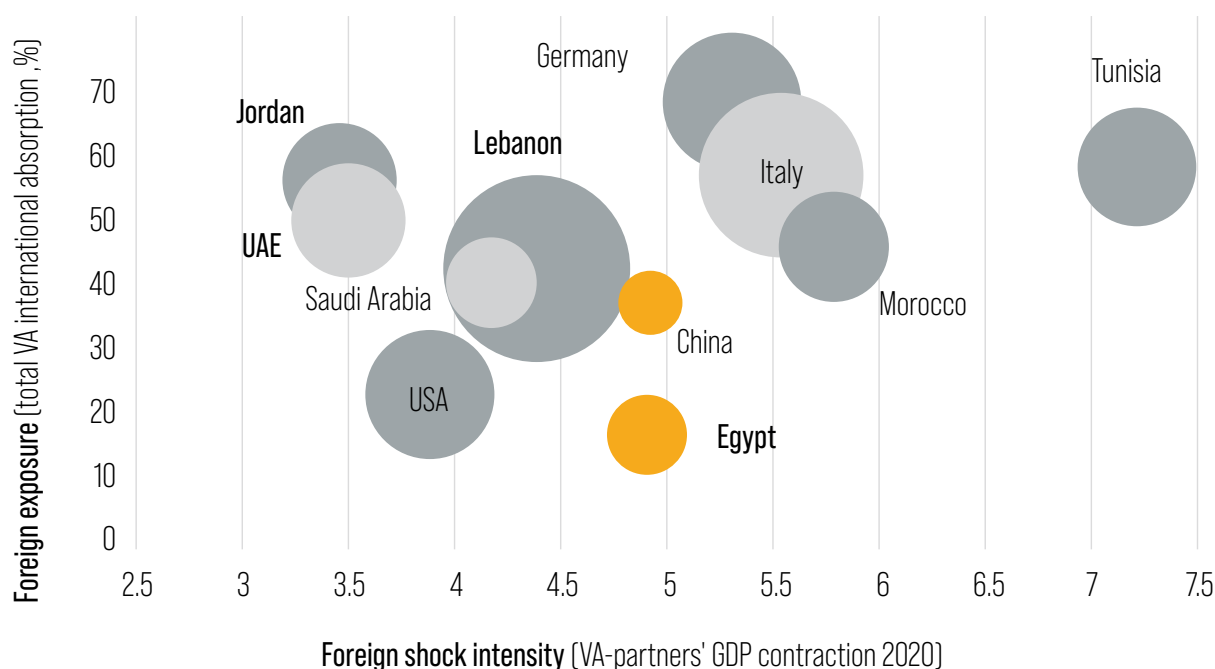
Looking at main partners, we find a high degree of homogeneity: the USA, China, Germany and Italy are the most important partners, with India being the leading country for the UAE, UK and France in the top 10 for the entire group.

We consider the exposure to economic shocks by combining the extent of GVC-related exposure to foreign demand and supply of VA, and the intensity of the economic shock in each country's partners. The former represents a measure of how exposed countries are to foreign shocks; the latter quantifies the intensity of such shocks. This information is displayed in the scatter graph below (see Figure 3.3).

Two main groups of countries emerge. In the top right, we find the most exposed countries: Germany, Italy, Morocco and Tunisia. The latter is by far the most threatened country in both dimensions. These countries are highly connected with the rest of the world – and thus highly exposed to shock – and their partners have been hit hard by the COVID-19-induced economic shock.

21 Preliminary findings from UNDP (forthcoming). In terms of country coverage, this work has been conducted on Egypt, Jordan, Lebanon and the UAE.

Figure 3.3 Countries' COVID-19 international exposure



Source: Authors' estimates.

Notes: Bubble size denotes own GDP contraction. Bubble colour denotes GDP change based on IMF April 2020 forecasts: red denotes GDP growth; blue denotes GDP contraction. The x axis (horizontal) expresses average partners' GDP contraction for origin and destination. The y axis expresses the sum of the share of VA used and produced, respectively, originated and absorbed abroad.

In the bottom left one finds less-exposed countries but different types of exposure emerge. Egypt's partners suffered major GDP contractions, but the low foreign VA exposure may act as a shield to the transmission of economic shocks. Conversely, the main threat for Jordan and the UAE comes from their large foreign VA exposures, while their partners have been hit relatively less by the COVID-19 economic crisis. Saudi Arabia and Lebanon occupy a similar position and are more exposed than the UAE in both dimensions; however, Lebanon is expected to suffer much more in economic terms. This highlights the conclusion that, while international links play a non-negligible role in the transmission of shocks, national policies remain of primary importance.

Policy review and recommendations

Measures to support the tourism industry will prove critical, including as means to protect its already vulnerable workforce – comprising, to a great extent, young people, women and migrants. Some countries are adopting targeted tourism stimulus packages.

GCC countries have adopted measures such as waivers of fees and municipal taxes to ease the financial

burden on private employers, including owners of tourist and leisure facilities. Saudi Arabia is providing concessional finance for small- and medium-sized enterprises (SMEs) by granting loans from banks and credit line facilities to support business continuity and maintain employment levels in these enterprises, in addition to postponing the payment of some government and municipal fees payable by the private sector for a period of three months. This was made possible by the fact that the Saudi Arabian Monetary Authority (SAMA) launched a SAR 50 billion (\$13.3 billion/two percent of GDP) package to support SMEs, extending credit lines to banks to allow them to offer grace periods on loan repayments and increase lending to businesses.²² The UAE has suspended tourist taxes and municipal fees for tourism and entertainment sectors for the remainder of 2020. Oman announced that restaurants are exempt from tourist and municipal tax until the end of August 2020. Bahrain decided it will waive the value of electricity and water bills for all individual and corporate accounts for a period of three months, including for migrant workers, and also introduced an exemption from the expat levy for those whose Iqama (residency permit) expires by 30 June 2020, extending their residency for a period of three months without

²² International Monetary Fund (IMF), "IMF Policy Tracker", <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#S>, accessed on 26 June 2020.

charge to make it easier for migrant workers. Similarly, the Supreme Committee of Qatar decided to exempt the tourism and retail sectors from electricity and water bills for a period of six months. Kuwait adopted similar measures and also gave MSMEs and individuals a six-month grace period for the repayment of loans with no penalties or interest.²³

Egypt has recently adopted a series of measures to kick-start tourism. Its Ministry of Tourism and Antiquities has been distributing “hygiene safety” certificates to hotels after fulfilling the regulations issued by the Ministry and approved by the cabinet in accordance with the standards of the World Health Organization (WHO).²⁴ In parallel, the government has waived tourist visas for visitors to Egypt’s tourism-centric governorates until 31 October 2020.²⁵ At the same time, the Ministry of Petroleum and Mineral Resources has offered a discount on the price of fuel for aviation, and the Ministry of Civil Aviation is offering companies a 50 percent discount on landing and parking fees.²⁶

Overall, taking into consideration the macro-fiscal outlook of the countries and existing social security and service delivery networks, it is important for the government to explore a combination of the below:

- offering temporary unemployment benefits while designing programmes to redirect the tourism workforce into other promising areas;
- stimulating domestic tourism as a long-term viable option, with a focus on ecotourism (if applicable) in line with the UNWTO “Global Guidelines to Restart Tourism” (May 2020) which had called for incentivizing and facilitating domestic tourism to ensure a partial recovery of this sector;²⁷ and
- offering a wide range of stimulus and financial support packages to employers to help sustain their business. Packages can include such measures as waiving of fees, grace periods for loan repayments, and tax exemptions.

At the regional level, there is a need to revive the efforts of developing an intra-Arab tourism strategy, initiated by the Arab ministers of tourism in 2015 during a forum organized by UNWTO and the Arabian Travel Market (ATM).²⁸ Unfortunately, many of the challenges that were identified at that time are still quite relevant – such as visa processes, land border crossings and the lack of air-lift and open skies policies, which makes air travel within the region relatively expensive.

Construction

The construction sector plays a considerable – albeit variable – role in Arab economies and labour markets. Related regional trends include a still-expanding population, now estimated at 430 million and expected to exceed 660 million in 2050, and a fast pace of urbanization, with 60 percent of the population living in urban areas compared to 31 percent in the 1960s, and ranging from 90 percent in the Gulf Cooperation Countries (GCC) to less than 50 percent in Egypt, Somalia, Sudan and Yemen.²⁹ But beyond those common trends, the construction sector presents different contextual characteristics

by country and country grouping (see Figures 3.4 and 3.5).

In **oil-exporting countries**, the construction sector’s contribution to GDP and employment has expanded since the beginning of the 21st century – a phenomenon largely dependent on the notable flows of oil revenues, drawn to a sector considered relatively stable and profitable. In past decades, the sector attracted domestic and foreign investments, as well as generous credit lines, while public investment in infrastructure still plays a

23 Economic and Social Commission for Western Asia (ESCWA), “COVID-19 Stimulus Tracker”, <http://covdata.unescwa.org/>, accessed on 22 June 2020.

24 Ministry of Tourism and Antiquities (Government of Egypt), Newsletter, Issue 5, May 2020, http://www.egyptologyforum.org/MOA/MoTA_Newsletter_5_English.pdf, accessed on 4 July 2020.

25 Ministry of Tourism and Antiquities (Government of Egypt), “New Discounts Offered to Encourage Tourism”, n.d., <https://egymonuments.gov.eg/en/news/new-discounts-offered-to-encourage-major-tour-operators-to-organised-trips-to-egypt-s-touristic-governorates>.

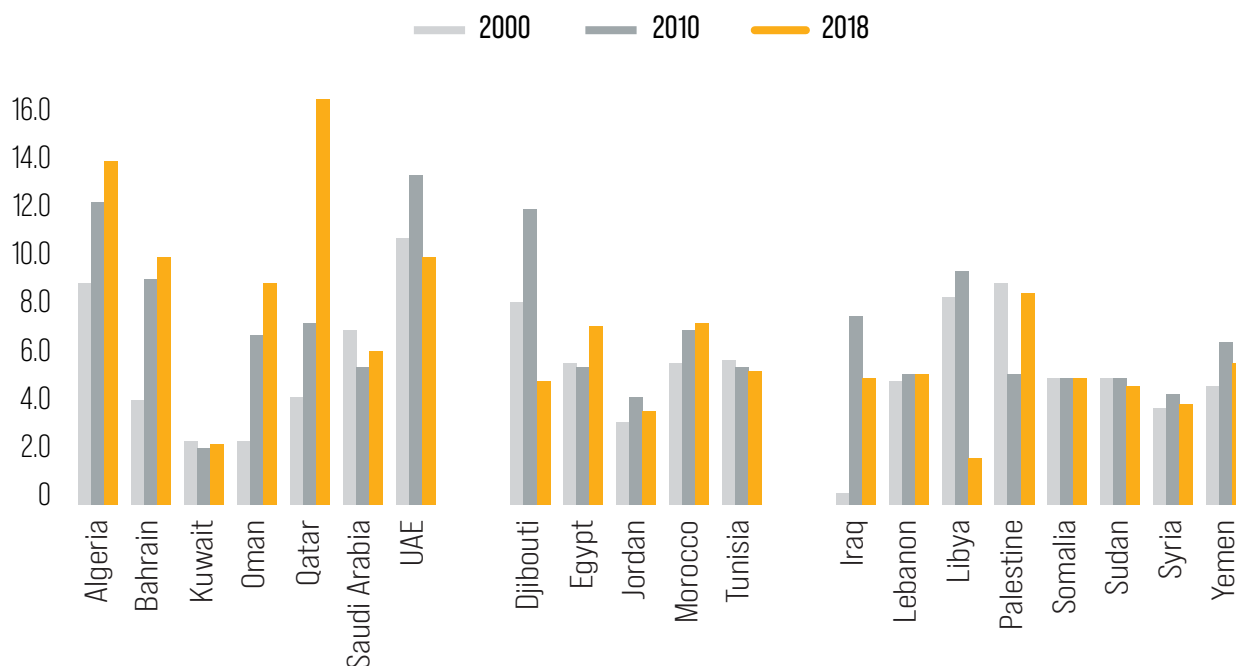
26 Official Facebook Page of Egypt’s Ministry of Tourism, <https://www.facebook.com/moantiquities/>.

27 UN World Tourism Organization (UNWTO), “Global Guidelines to Restart Tourism”, 28 May 2020, <https://webunwto.s3.eu-west-1.amazonaws.com/s3fs-public/2020-05/UNWTO-Global-Guidelines-to-Restart-Tourism.pdf>, accessed on 26 June 2020.

28 UNWTO, “UNWTO and ATM Ministerial Forum Address Intra-Arab Tourism”, 11 May 2015, <https://www.unwto.org/archive/middle-east/press-release/2015-05-11/unwto-and-atm-ministerial-forum-address-intra-arab-tourism>.

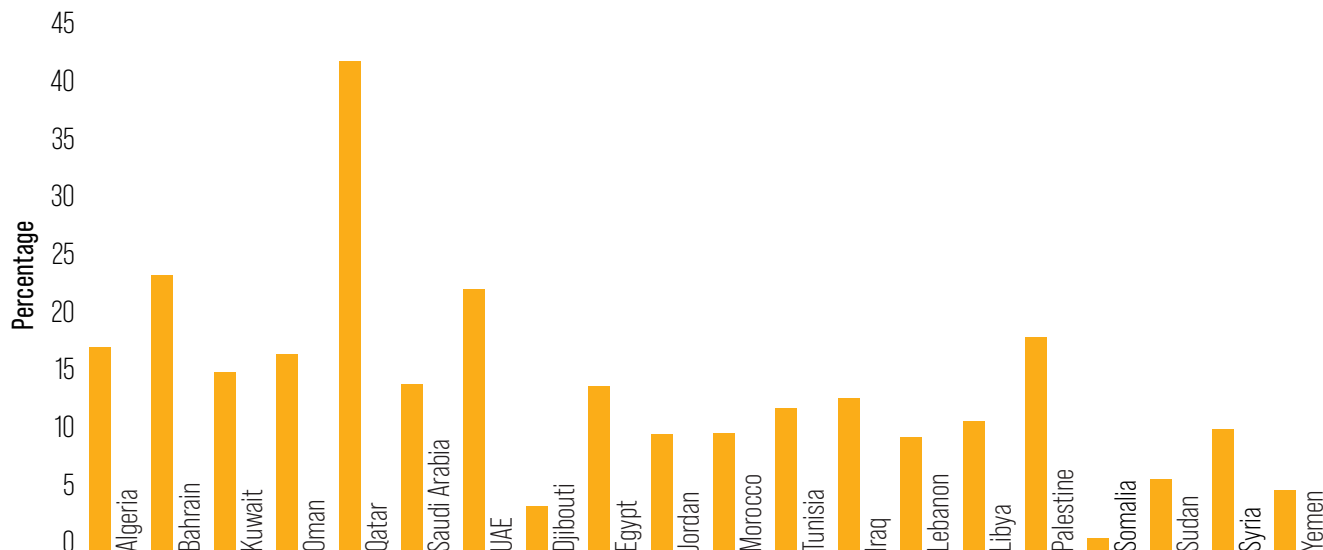
29 Data source: author’s calculation from UNDESA World Population Prospects 2019.

Figure 3.4 Construction – percentage share of GDP/value-added at current prices



Source: UN DESA Statistical Division National Accounts.

Figure 3.5 Percentage of employment in the construction sector



Source: ILOSTAT 2020.

considerable role. In 2019, however, construction was sluggish due to the volatility of oil prices,³⁰ including in Qatar, where a construction boom in previous years had resulted in exceptionally high value-added to GDP (about 14 percent in 2017 and 2018) and share of overall employment (above 40

percent). Another feature specific to construction in the GCC is the prevalence of the migrant low-skilled workforce, which is often characterized by opaque recruitment processes, late payment of wages, dangerous working and living conditions, and limited access to effective dispute resolution.³¹

³⁰ Globaldata, *Global Construction Outlook to 2023 – Q3 2019 Update*, extracted by World Cement in October 2019.

³¹ Wells, J., *Exploratory study of good policies in the protection of Construction Workers in the Middle East*, ILO Regional Office for Arab States, 2018.

In **oil-importing middle-income countries**, private investment in construction has relied on the mobilization of internal resources, especially since foreign direct investment (FDI) has plummeted by 50 percent over the past ten years, first due to the 2008 global recession and then to the 2011 uprisings.³² In these countries, public investment in infrastructure plays a pivotal role. For example, in Djibouti, port expansion and related infrastructure and urban projects were behind the 10 percent contribution of the construction sector to GDP in 2010 – a value which has been reduced to four percent today, partly due to the lack of a reliable local supply of building materials and workforce, and various administrative delays.³³

In Egypt, construction activities benefit from the availability of semi-skilled and unskilled labour at low cost, as well as locally available raw materials and industries to transform them, that were activated for public megaprojects that boosted economic growth in 2016/17.^{34, 35} In Morocco, the “Villes sans bidonvilles” (cities without slums) programme is a rare case of integrated public interventions addressing both housing and social issues related to rapid urbanization.³⁶ As middle-income countries in the region have high unemployment rates – especially among young people – the construction sector has been identified as part of the solution. Yet, most construction jobs are for unskilled workers, while data available for Egypt and Tunisia shows that a majority of the unemployed have completed intermediate, if not advanced education.³⁷ Furthermore, in countries where women’s participation in the labour market is particularly lacking, the construction sector does not seem to offer much opportunity, as 98 percent of those employed therein are male,³⁸ owing in part to high entry barriers for women, including legal obstacles, represented in most

countries of the region by laws prohibiting women from undertaking arduous jobs.³⁹

Fragile and crisis-affected countries (FCCs) have the potential to benefit more from employment opportunities in infrastructure and construction, as their unemployed workforces have a higher incidence of people with basic or less than basic education. But instability, weak public finance and the inability to attract private financing present insurmountable obstacles. In war-torn countries, reconstruction efforts absorb a considerable amount of available financing, including official development assistance.⁴⁰ In Lebanon, post-conflict reconstruction has been intertwined with public debt and fiscal instability,⁴¹ circumstances that affect not only the Lebanese population, but also Syrian refugees, for whom construction is one of only three sectors in which they are permitted to work.⁴² In Palestine, construction challenges typical of developing countries are exacerbated, including by a substantial amount of informal construction, the need to import most materials, and a lack of urban planning and infrastructure.⁴³ Yet, Palestinian banks prefer to provide credit to real estate rather than productive sectors, since the latter are exposed to severe and unpredictable economic restrictions imposed by Israel.⁴⁴

Some characteristics of the construction sector in the Arab countries do not follow the sub-regional division used above. For example, while the ease of obtaining construction permits is predictably high in some oil-exporting countries and non-existent in some conflict-affected countries, most oil-importing middle-income countries – and even Iraq – present less administrative burdens than Algeria (see Table 3.5).

A common feature is the disregard for environmental sustainability in construction, which, coupled with

32 IMF, Balance of Payments and International Investment database, <https://data.imf.org/BOP>.

33 Oxford Business Group, *Major logistics infrastructure, a new free trade zone and industrial parks fuel economic expansion in Djibouti*, n.d., <https://oxfordbusinessgroup.com/overview/laying-groundwork-major-logistics-infrastructure-and-new-free-trade-zone-fuel-continued-economic>.

34 ILO, “Employment Impact of Infrastructure Investments in Egypt”, 2016 https://www.ilo.org/employment/Whatwedo/Publications/research-briefs/WCMS_575881/lang--en/index.htm.

35 Africa Development Bank Group, *African Economic Outlook 2018*.

36 World Bank, *Maroc Villes Sans Bidonvilles. Rapport Final Analyse d’Impact Social et Sur la Pauvreté, 2014*.

37 Estache, A., E. Ianchovichina, R. Bacon and I. Salamon, *Infrastructure and Employment Creation in the Middle East and North Africa*, The World Bank, Washington DC, 2013.

38 ILOSTAT.

39 UNDP et al., *Gender Justice & Equality before the law: Analysis of Progress and Challenges in the Arab States Region*, 2019.

40 Mardirosian, R.C., *Infrastructure Development in the Shadow of Conflict: Aligning Incentives and Attracting Investment*, 2010.

41 Harvie, C., and A.S. Saleh, “Lebanon’s economic reconstruction after the war: A bridge too far?”, *Journal of Policy Modeling*, Vol. 30, Issue 5, 2008. 42 The other sectors are agriculture and cleaning, as per the Ministry of Labour Decision 1/41 of 31 January 2017.

43 Middle East Business, “Main Challenges faced by the Palestinian construction sector”, 2014, <https://middleeast-business.com/main-challenges-faced-by-the-palestinian-construction-sector/>.

44 UN Conference on Trade and Development (UNCTAD), *Developments in the Economy of the Occupied Palestinian Territory*, 2017.

Table 3.5 Doing business: Dealing with construction permits

Oil-exporting countries			Oil-importing middle-income countries			Fragile and crisis-affected countries		
Country	Rank (out of 190 countries)	Score	Country	Rank (out of 190 countries)	Score	Country	Rank (out of 190 countries)	Score
UAE	3	89.8	Morocco	16	83.2	Iraq	103	67.7
Qatar	13	84.2	Tunisia	32	77.4	Sudan	124	64.2
Bahrain	17	83.1	Egypt	74	71.2	Lebanon	164	53.7
Saudi Arabia	28	78.3	Djibouti	87	69.4	Palestine	148	58.2
Oman	47	75.2	Jordan	138	60.3	Libya	186	0
Kuwait	68	71.9				Somalia	186	0
Algeria	121	65.3				Syria	186	0
						Yemen	186	0

Source: World Bank, Doing Business 2020.

population growth, urbanization and rising living standards, has resulted in inefficient energy consumption levels that are growing at a faster rate than GDP. Most construction taking place in the region is not energy-efficient and it is not conducive to adaptation to climate change and its concomitant increases in water scarcity and rising temperatures, which in several countries are already unbearable in the hot season.⁴⁵

The impacts of COVID-19 and lower oil prices

COVID-19 has had a direct impact on the construction sector in the Arab countries through the global economic downturn, which has translated at the national level into a reduction in available finance and remittances, as well as lockdowns and restrictions of movement, which have brought to a temporary halt construction activities in most countries. The severity of lockdown measures varies across Arab countries,⁴⁶

although some measures have been adopted across these countries, given the common regional profile of dense cities that make social distancing difficult. Moreover, the abrupt drop in oil prices has drastically reduced liquidity for the financing of construction projects in oil-exporting countries.

Therefore, the actual impact of the pandemic on the sector will depend on the extent of the overall economic recession, oil price dynamics, a possible second wave of the infection in the Autumn, and the effectiveness of stimulus measures implemented.

The impact will also be considerable on the workforce engaged in construction. As we will see in Chapter 9, informal workers and those employed in small- and medium-sized building companies risk losing their income in the absence of unemployment benefit schemes or other social protection measures. Employees in bigger companies are also negatively

⁴⁵ ESCWA, *Addressing energy sustainability issues in the buildings sector in the Arab region*, 2018.

⁴⁶ IMF, "Policy responses to COVID-19: Tracker," https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19?utm_medium=email&utm_source=govdelivery#1.

affected, especially migrant workers in GCC countries who, besides the lack of security in the workplace, often live in crowded housing and have been disproportionately exposed to the effects of COVID-19.⁴⁷

Policy implications: The imperative to improve construction regulations in Arab countries

Several countries have adopted stimulus policies to counter the effects of lockdowns that can benefit the construction sector, ranging from tax postponement, facilitated loan repayment, or – occasionally – direct subsidies to the construction sector, such as for building temporary homes for 25,000 expatriate labourers in Kuwait.⁴⁸ However, the construction sector in the Arab region also suffered pre-existing conditions, which have been exacerbated by the COVID-19 pandemic, exposing its vulnerability in terms of investment and workforce. Some of the stimulus measures put in place might help reduce the negative consequences of the pandemic and the fall in oil prices, but they are insufficient to prevent the impact of similar events in the future, or to address other challenges. A more ambitious overhaul of the construction sector in the region might take into

consideration additional measures, which could be included as conditional for large businesses as well as SMEs to access stimulus measures, such as:

- The immediate lessons learned from COVID-19:
 - Regulations in the construction sector could demand a different design of public places, including offices, schools, hospitals, shopping malls, etc. to facilitate physical distancing.
 - In the least developed countries and FCCs in the region, public and donor investments in infrastructure should prioritize the building of hospitals and other medical facilities to cope with the current pandemic and ensure improved access to health care in the longer term, as mentioned in Chapter 1.
- Ensure construction workers' safety nets: put in place payment protection systems for construction workers and sub-contractors, safety measures in the workplace and other labour entitlements that apply to both domestic and migrant workers.⁴⁹
- Boost climate-smart construction and infrastructure that is energy efficient and responds to the requirements of adaptation to climate change.⁵⁰

47 Gulf Monitor, "COVID-19 Highlights vulnerability of gulf migrant workers", 5 May, 2020, COVID-19 Highlights vulnerability of gulf migrant workers.

48 ESCWA COVID-19 Stimulus Tracker, op. cit.

49 Wells, J., op. cit.

50 International Monetary Fund (IMF) Regional Economic Outlook: *Middle East and East Asia*, April 2020, <https://www.imf.org/en/Publications/REO/MECA/Issues/2020/04/15/regional-economic-outlook-middle-east-central-asia-report>; Accessed 25/05/2020.

Impacts on Migrants
and Remittances



04

Impacts on Migrants and Remittances

Regional background and impacts of the shock

Migration and displacement remain defining issues for the Arab States, caused by a multitude of social, political, economic, environmental and conflict-related issues that have considerable impacts on people's livelihoods and wellbeing.¹ The region has witnessed major outflows of migrants, but also continues to host sizable numbers of international migrants, mainly in the countries of the Gulf Cooperation Council (GCC), Jordan and Lebanon.

In recent years, the movement of irregular and mixed migrants² within the region has increased. Nearly 32 million people from the Arab region were living outside their countries of origin in 2019, accounting for 12 percent of the total international migration stock.³ The number of migrants to the Arab region and within the region in 2019 reached more than 40.2 million (15 percent of total international migrants), up from 35.1 million in 2015⁴ (see Figure 4.1).

The context in the Arab region is one of mixed migration, comprising asylum seekers and refugees

fleeing conflict and persecution, irregular and regular migrants, victims of human trafficking, and people seeking better lives and opportunities. The six GCC countries alone hosted 30 million international migrants in 2019 (75 percent of the total in the region), out of which 6.3 million migrants are from the Arab region.⁵ Although less pronounced than during the 2000s, trends in the region continue to show an increase in labour migration, predominantly of migrant workers concentrated in the GCC countries, which are now estimated to represent 11 percent of the total migrants in the world.⁶

In addition, protracted conflicts (such as in Libya, Syria and Yemen) and climate change across the region are still major drivers of forced migration and displacement. It is estimated that in 2019 the number of refugees and asylum seekers in the region increased to 9.3 million (33 percent of the total number of refugees worldwide) compared to 8.3 million people in 2015.^{7, 8} The region still also accounts

1 Displaced people include internally displaced people, as a result of crisis or disasters, and refugees who leave their countries fearing prosecution, war or violence.

2 According to IOM, irregular migration is a movement of persons that takes place outside the laws, regulations, or international agreements governing the entry into or exit from the State of origin, transit or destination. Hence an irregular migrant is a person who enters, transits or stays in a country - of which he or she is neither a national nor a permanent resident - without fulfilling relevant legal requirements. Mixed migration is 'complex population movements including refugees, asylum seekers, economic migrants and other migrants.' Unaccompanied minors, environmental migrants, smuggled persons, victims of trafficking and stranded migrants, among others, may also form part of a mixed flow.

3 International migrant stock 2019, UN Department of Economic and Social Affairs (UNDESA), "Immigrant Migrant Stock 2019", Population Division, <https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp>, accessed June 2020.

4 Ibid.

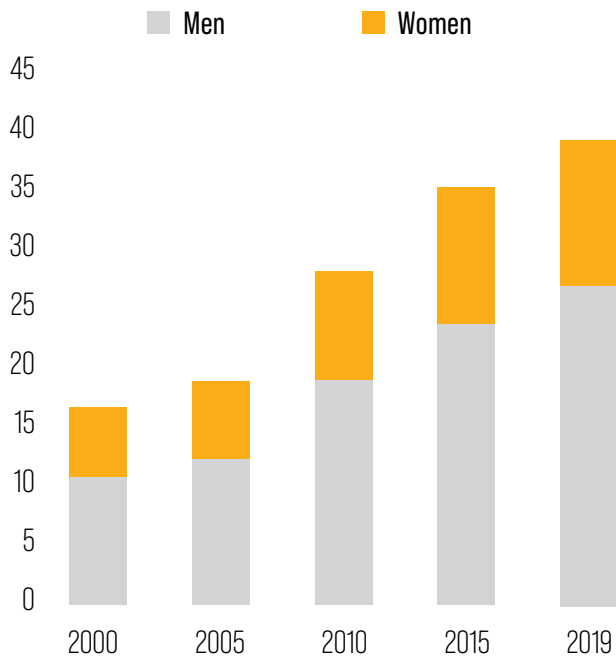
5 Ibid.

6 Ibid.

7 Ibid.

8 Numbers of migrants in the Arab Region include UNRWA-registered Palestinian refugees, including those born in their current country of residence outside of State of Palestine (i.e. Jordan, Syria and Lebanon).

Figure 4.1 Migrants at mid-year by gender 2000–2019 (millions)



Source: UNDP calculations based on UNDESA, “Immigrant Migrant Stock 2019”.

for a high number of internally displaced people (IDPs), reaching 17.5 million in 2019 as a result of conflicts, violence and disasters.⁹

Migrants to and from the Arab region have been able to avail of job opportunities in several sectors, such as the oil and gas industry, agriculture, transportation and hospitality, and have contributed to the economies of host countries. Nonetheless, certain categories of migrant workers¹⁰ in the region continue to suffer from poor working conditions; abusive, fraudulent and costly recruitment practices; and substantial deficits in terms of occupational safety, health, legal protection and access to justice.¹¹ Systems such as “kafala” – the requirement

for migrants to secure sponsorship to enter the country, obtain a work permit, renew residency or exit the country – provide examples of the increased vulnerability of migrant workers in terms of their freedom of movement.¹²

Vulnerable migrants across the region, including female domestic workers, suffer exploitation and potential lack of access to healthcare. In 2019, it is estimated that women comprised 13.3 million (33 percent) of the total migrant population in the region, with 63 percent in the GCC countries (see Figure 4.1). Strict lockdowns and curfews in the region have serious implications for female migrant domestic workers in terms of health and safety, but also their exposure to sexual and gender-based violence at work and in their communities.¹³ Women who lose their livelihoods or are threatened with eviction from their homes are disempowered and further exposed to food insecurity, violence and trafficking – especially among informal migrants and poor refugee households.

COVID-19 and low oil prices have only exacerbated the challenges of migrants and displaced people in the region. Overcrowded refugee and displaced persons camps, migrant detention facilities, as well as “labour camps” in the GCC countries, with limited access to clean water and hygienic sanitation, have put migrants, refugees and IDPs at particular risk. Weak or broken public health systems across the region are struggling to respond to the pandemic and ensure the most vulnerable – including migrants, refugees and IDPs – receive equitable access to health information and services.¹⁴

The fall in oil prices and the economic depression caused by the COVID-19 outbreak have strained the finances of many businesses in the region, leading to job losses and pay cuts among migrant workers.¹⁵ Initial estimates show that the region may lose around USD 42 billion in income

9 International Displacement Monitoring Centre (IDMC), “2019 internal displacement figures by country,” accessed June 2020, <https://www.internal-displacement.org/database/displacement-data>.

10 Migrants in poor conditions and low-paid jobs are mainly low-skilled migrant workers, employed in construction or domestic services (originating from South Asia) are the most vulnerable, compared to highly skilled migrant workers including migrants from the Arab region to the GCC countries.

11 International Labour Organization (ILO), “Labour Migration in the Arab States”, https://www.ilo.org/beirut/areasofwork/labour-migration/WCMS_514910/lang--en/index.htm.

12 According to the ILO, kafala is a sponsorship system, mainly used in the GCC countries as well as in Jordan and Lebanon, under which migrant workers’ immigration status is legally bound to an individual employer or sponsor (*kafeel*) for their contract period. ILO, *Reform of the kafala (sponsorship) system*, Policy Brief No. 2, n.d., <https://www.ilo.org/dyn/migpractice/docs/132/PB2.pdf>.

13 CARE International, *Global Rapid Gender Analysis for COVID-19*, April 2020, https://insights.careinternational.org.uk/media/k2/attachments/CARE-IRC_Global-RGA-COVID-19_April-2020.pdf.

14 As businesses close due COVID-19 restrictions, vulnerable migrant workers are already being dismissed, forced to take unpaid leave or are merely being denied their wages. Reports confirm that COVID-19 cases are the highest among the populations of migrant workers in the Gulf countries due to their poor living conditions. Geneva Solutions, “Covid-19 puts Gulf migrant workers ‘in dangerous situation’,” [heidi.news](https://www.heidi.news/geneva-solutions/covid-19-puts-gulf-migrant-workers-in-dangerous-situation), 4 May 2020, <https://www.heidi.news/geneva-solutions/covid-19-puts-gulf-migrant-workers-in-dangerous-situation>.

15 As reported in Chapter 5, the UNDP Lebanon Survey of vulnerable workers shows, for example, that Syrian refugees are more likely to be employed in informal jobs and are more likely to lose their jobs because of COVID-19.

and at least 1.7 million jobs in 2020.¹⁶ About 100,000 Jordanian migrants – notably in the GCC countries – are expected to lose their jobs.¹⁷ Governments across the region, and particularly in GCC countries, will likely speed up programs to replace migrant workers with nationals, but such efforts could delay jump-starting economic growth in the region. Migrant job losses and wage cuts also severely damage the already fragile economic situation in migrants' countries of origin in the region – which are amongst some of the largest recipients of remittances as a percentage of GDP, including the State of Palestine, Lebanon, Yemen, Jordan and Egypt. While some countries have committed to measures to limit overcrowding, mitigate financial risks and offer free health care services to all migrant workers regardless of their legal status (such as Qatar, Saudi Arabia and Bahrain),¹⁸ it is unclear to what extent those measures are being implemented.

Migrants and displaced people are also disproportionately vulnerable to exclusion, stigma and discrimination. Such vulnerabilities only increase in the COVID-19 environment. Although statistical data is scant to demonstrate the scale of discrimination against migrants, reports of abuse and discrimination are abundant across the region.¹⁹

Irregular migration patterns have also greatly changed since the start of the pandemic. For example, migrants crossing the Gulf of Aden to reach Yemen have dropped significantly (by the end of March, barely any crossing was reported from Djibouti and movements from Somalia had decreased by 25 percent).²⁰ While tightened security measures are reducing irregular migration and smuggling in the short term, they are also posing serious risks to migrant protection and human rights.

Remittances

Remittances are an important source of foreign exchange earnings in the countries of origin of migrant workers and serve as a vital source of income for millions of households in the region. In countries with limited social protection, remittances often serve as a lifeline, even during conflict and crises. Remittances are known to play a key role in sustainable development and poverty reduction. In Yemen, for instance, World Bank estimates show that one in ten people wholly rely on remittances to meet their basic needs.²¹ In Morocco, remittance inflows are closely associated with children's school attainment in rural areas – particularly among secondary school-age children.²² In Tunisia,

households expend 18 percent of remittances on productive enterprise or investment.²³

In 2018, remittance outflows from the six GCC countries totalled over USD 117 billion (Figure 4.2). The United Arab Emirates and Saudi Arabia ranked second and third globally in terms of remittance outflows (after the United States), and Kuwait and Qatar ranked ninth and thirteenth, respectively.²⁴ Remittance outflows from Jordan and Lebanon – two of the non-GCC countries with the highest numbers of migrants in the region – totalled around USD 5.5 billion.²⁵

Remittances represent an essential contribution to the GDP of many middle-income oil-importing countries

16 UN Economic and Social Commission for Western Asia (ESCWA), *Covid-19, Economic Cost in the Arab Region*, September 2020, <https://www.unescwa.org/sites/www.unescwa.org/files/escwa-covid-19-economic-cost-arab-region-en.pdf>.

17 "Jordan Chamber of Commerce online jobs platform to help returning Jordanians", *The Jordan Times*, 17 May 2020, <http://www.jordantimes.com/news/local/jcc-online-jobs-platform-help-returning-jordanians>.

18 Amnesty International, "COVID-19 makes Gulf countries' abuse of migrant workers impossible to ignore", 30 April 2020, <https://www.amnesty.org/en/latest/campaigns/2020/04/covid19-makes-gulf-countries-abuse-of-migrant-workers-impossible-to-ignore/>.

19 United Nations, *Situation Report on International Migration 2019: The Global Compact for Safe, Orderly and Regular Migration in the Context of the Arab Region*. 2020. <https://www.unescwa.org/publications/situation-report-international-migration-2019>

20 International Organization for Migration (IOM), "Migration from Africa to Arabian Gulf Decreases, Risks Facing Migrants Increase as Countries Grapple with COVID-19", 23 April 2020, <https://www.iom.int/news/migration-africa-arabian-gulf-decreases-risks-facing-migrants-increase-countries-grapple-covid>.

21 Oxfam, "Remittances to Yemen plummet as needs surge amid war and coronavirus", 1 June 2020, <https://www.oxfam.org/en/press-releases/remittances-yemen-plummet-needs-surge-amid-war-and-coronavirus>.

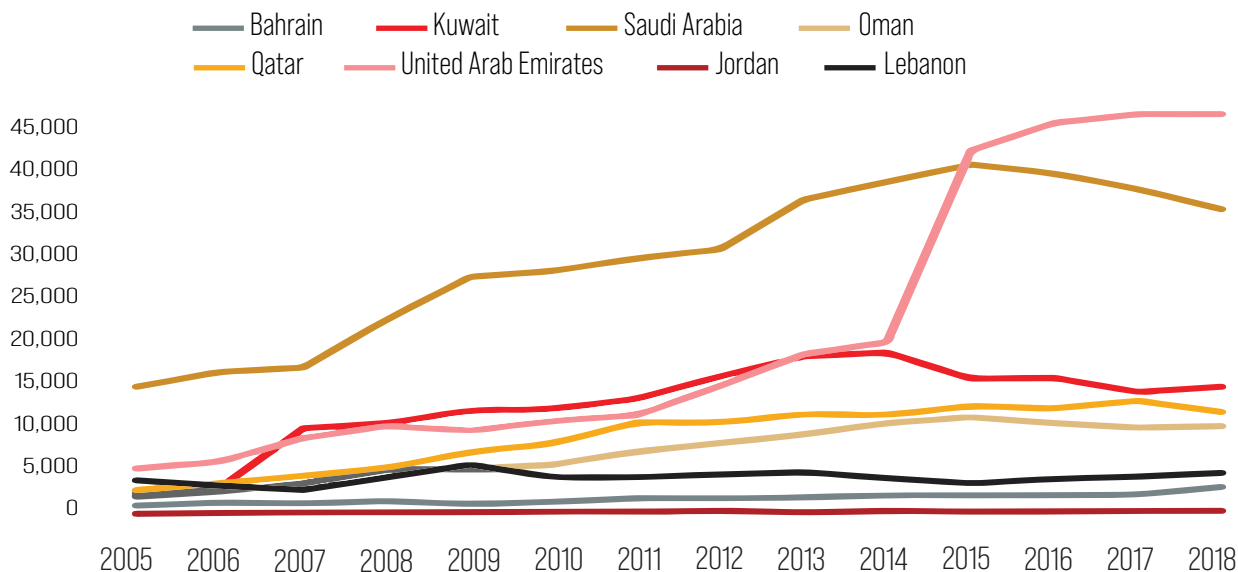
22 Bouoiyour, J., and A. Miftah, "Migration, Remittances and Educational Levels of Household Members Left Behind: Evidence from Rural Morocco", *The European Journal of Comparative Economics* Volume 12, Issue 1, 2015, pp. 21–40.

23 IOM and League of Arab States, *A Study on the Dynamics of Arab Expatriate Communities: Promoting Positive Contributions to Socioeconomic Development and Political Transitions in their Homelands*, 2012, <https://publications.iom.int/books/study-dynamics-arab-expatriate-communities-promoting-positive-contributions-socioeconomic>.

24 The World Bank, *Migration and Remittances Data*, accessed June 2020.

25 Ibid.

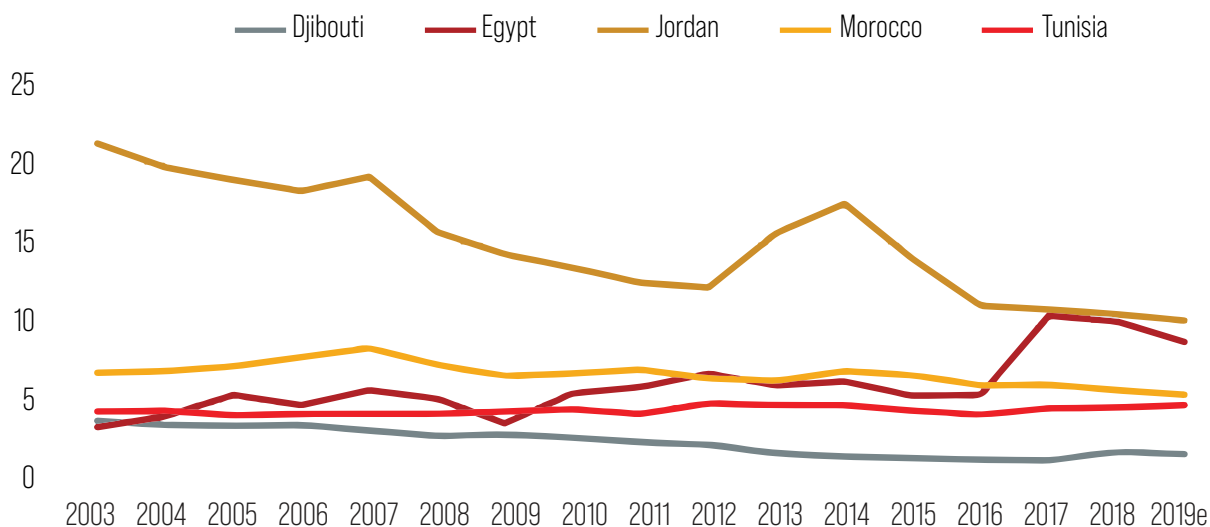
Figure 4.2 Annual remittance outflows (USD million)



Source: The World Bank, Migration and Remittances Data.

Note: The remittance data reported by the World Bank cover only officially recorded remittances and, therefore, do not include remittances sent through informal channels.

Figure 4.3 Annual remittance inflows as a percentage of GDP – middle-income oil-importing countries



Source: The World Bank, Migration and Remittances Data.

Note: e stands for estimates.

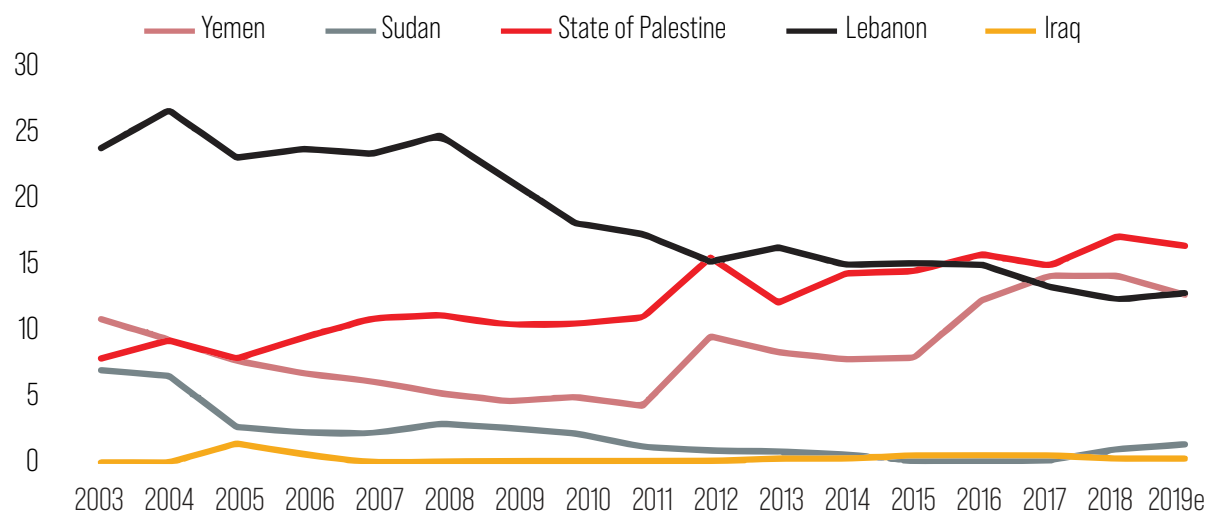
and fragile and crisis-affected countries (FCCs) in the region. Estimated remittance inflows to seven countries (Tunisia, Morocco, Egypt, Jordan, Yemen, Lebanon and the State of Palestine) ranged from nearly five percent to 17 percent of their GDP in 2019 (Figure 4.3 and 4.4).²⁶

High remittance costs are a key constraint to maximizing the contribution of remittances to sustainable development. Remittance costs for migrants to send money to their countries of origin

in the region remain high, with fees surpassing 7.1 percent, on average, to transfer USD 200. This is significantly higher than the three percent (or less) remittance-cost-target included in the SDGs, although there is variation across cost corridors. The five highest cost corridors through which to send USD 200 from the OECD countries to the Arab States averaged 12.4 percent as of Q1 2020 (Figure 4.5). The five highest cost corridors within the region averaged 8.9 percent as of Q1 2020, with the Jordan-to-Syria corridor averaging 16.3 percent (Figure 4.6).

²⁶ The World Bank, Migration and Remittances Data, accessed June 2020.

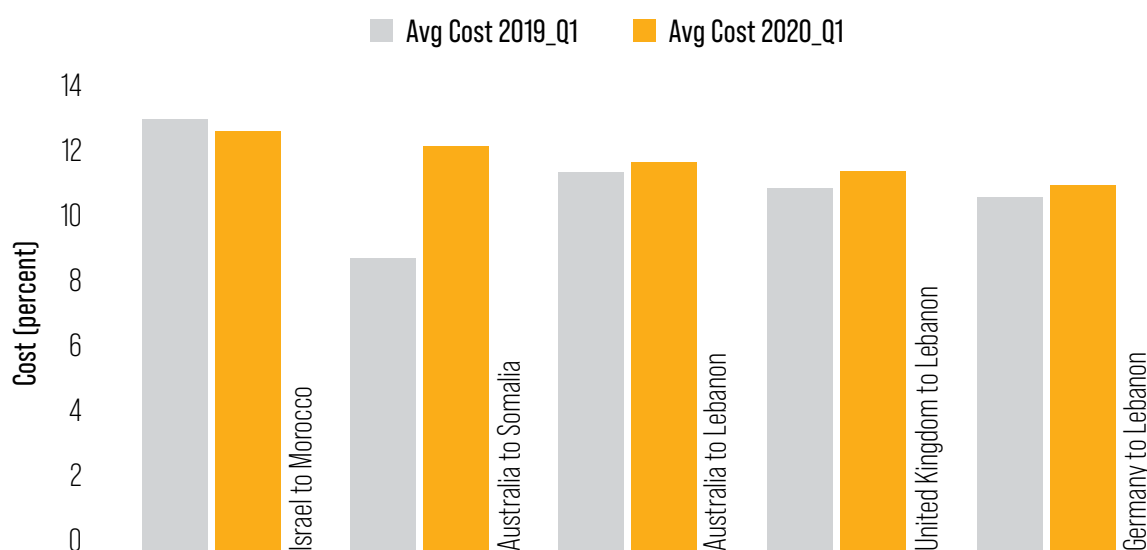
Figure 4.4 Annual remittance inflows as a percentage of GDP – fragile and crisis-affected countries



Source: The World Bank, Migration and Remittances Data.

Note: Recent data on annual remittance inflows to Libya, Somalia and Syria are unavailable. e stands for estimates.

Figure 4.5 Five highest-cost remittance corridors – OECD countries to the Arab States



Source: UNDP calculations based on data from: The World Bank, Remittance Prices Worldwide database.

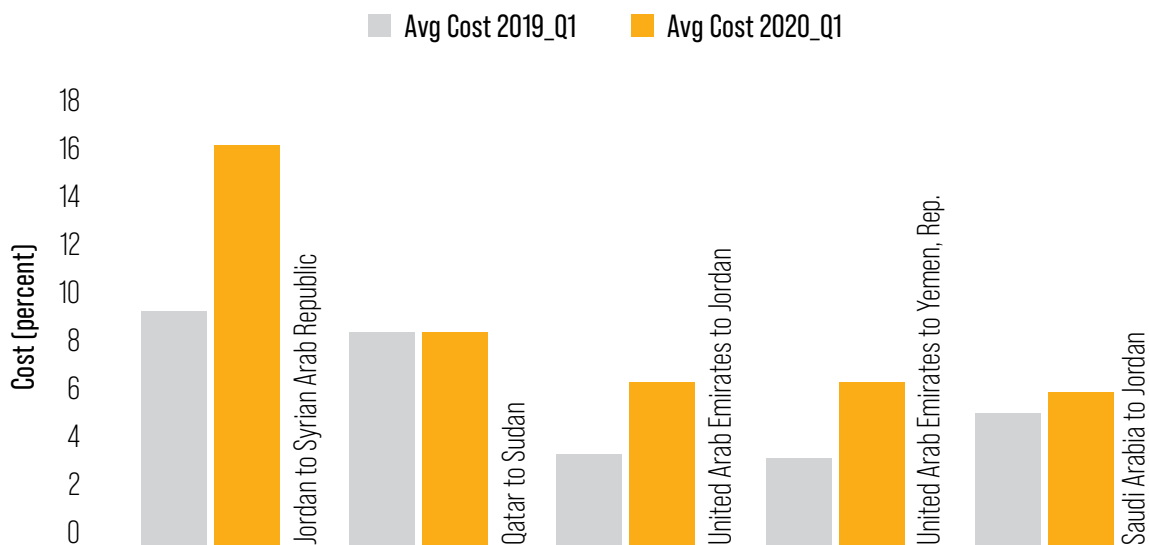
The average cost of sending USD 200 from high-income OECD countries to FCCs and middle-income oil-importing countries in the region as of Q1 2020 was 9.6 percent and 6.9 percent, respectively. For migrants sending USD 200 from oil-exporting countries – particularly from the six GCC countries – to FCCs in the region, the average remittance cost stood at 5.2 percent. The average cost was lower for remittance flows from the GCC countries to middle-income oil-importing countries, at 4.6 percent. The average

remittance cost to send USD 200 from Jordan to Palestine and Syria stood at six percent and 16.3 percent, respectively. The average cost was much lower for remittance transfers from Jordan to Egypt, which stood at three percent – in line with the SDG target.²⁷

Apart from official channels to transfer remittances, many households in the region use informal channels, such as the hawala system, that operate outside the

27 SDG target 10.c: by 2030, to reduce to less than three percent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than five percent.

Figure 4.6 Five highest-cost remittance corridors within the Arab States



Source: UNDP calculations based on data from: The World Bank, Remittance Prices Worldwide database.

traditional banking system.²⁸ Households use informal channels for several reasons, including lower costs and ease of access – particularly for those without a bank account. In Jordan, for example, almost a third of households send remittances through informal channels while only 27 percent send their transfers through the banking system.²⁹ The use of informal channels for remittance transfers has negative fiscal implications for both source and destination countries. Remittance transfers through informal channels are not subject to taxes on income or services. The use of these channels can also entail a loss of earnings for the formal financial sector and hence in potential government income.

The impact of COVID-19 and low oil prices

Coupled with record low oil prices, the COVID-19 crisis is expected to impact the flow of remittances to countries in the region. World Bank estimates indicate that remittances to the region may fall by 19.6 percent

in 2020.³⁰ The anticipated decline could have major ripple effects across the economies of remittance-receiving countries, as investment and consumption spending decrease. Countries that are among the largest recipients of remittances as a percentage of GDP are expected to take a greater hit.³¹ Yemen, with an estimated annual remittance inflow of 12.6 percent of GDP in 2019, has seen the number of remittances drop by as much as 80 percent between January and April of this year, as reported in six governorates.³² In Syria, remittance inflows from the GCC countries alone are estimated to have dropped by more than 50 percent reaching USD 2 million per day (around USD 730 million a year), down from USD 4.4 million per day in 2017 (USD 1.6 billion a year).³³ Projections from Egypt estimate that remittances will decline by 13.6 percent under a moderate scenario for FY 2020/2021.³⁴ The pre-COVID economic slowdown in Europe and the depreciation of the euro against the US dollar are expected to place additional strain on remittance flows from Europe to

28 According to the IMF, the hawala system is an informal channel for transferring funds from one location to another through service providers. 'Hawala' means "transfer" or "wire" in Arabic.

29 Assaad, R. (ed.), *The Jordanian Labor Market in the New Millennium* (Oxford University Press, 2014).

30 The World Bank, *Covid-19 Crisis Through a Migration Lens, Migration and Development Brief 32, World Bank Group, 2020*. Note: The World Bank estimate for the decline in remittances for the region includes Iran.

31 The countries with estimated remittance inflows that ranged from five percent to 17 percent in 2019 include: Egypt, Jordan, Lebanon, Morocco, the State of Palestine, Tunisia and Yemen.

32 Oxfam, 2020, op. cit.

33 UN OCHA. Briefing to the Security Council on the humanitarian situation in Syria. 29 July 2020. <https://reliefweb.int/sites/reliefweb.int/files/resources/20200729%20USG%20Statement%20to%20Security%20Council%20on%20Syria.pdf>

34 Egyptian Center for Economic Studies, *Views on Crisis: Remittances from Egyptian Workers Abroad, 2020*. Under a moderate scenario, there is a demand shock (decline in external demand for labour through layoffs from receiving countries and/or the non-reception of new workers) and a slight supply shock (potential increase in Egyptians returning from abroad to the domestic labour market). American Chamber of Commerce in Egypt, *Impacts of COVID-19 Pandemic on Egypt's Economy*, March 2020.

the region.³⁵ Morocco and Tunisia will be particularly affected, with projected remittance declines of between 17 and 18 percent.³⁶

For countries that are highly reliant on remittances to finance internal consumption, the drop in remittances in 2020 will amplify the highly negative effect on growth of the coronavirus outbreak. For instance, according to Moody's, a 20 percent drop in remittance inflows would directly lower GDP by about 2.5 percent in Lebanon and about two percent in Egypt and in Jordan, before taking into account any second-round effects. By lowering incomes and consumption, the fall in remittances will also weigh on investment.³⁷

The projected decline in remittances for migrants' source countries could also have devastating implications for households that depend on it to cover basic needs and services such as food, housing, education and health care – particularly in countries with weak social protection systems. In Egypt, for example, rural poor households are expected to lose between 11.5 and 14.4 percent of their average income given the expected decline in remittances.³⁸ Urban poor households are expected to see their average incomes decline by between 9.7 and 11.5 percent.³⁹ Sharp reductions in remittances are also expected to hurt small businesses

that serve the poor, and ultimately the broader local economy, as the poor reduce their consumption.

Mobility restrictions placed on remittance service providers and their agents during lockdown have hurt the ability of migrants to use their services to send money. This is a particular problem in countries that do not offer online remittance services or where migrants do not have access to digital services. Furthermore, some migrants do not have access to a bank account, legal identification, and/or other basic requirements for using digital services, thus impeding their ability to use or access these services. A key challenge that remittance service providers and their agents have faced is managing their liquidity, as volatile exchange rates and cashflow disruptions have impeded the rebalancing of their accounts.

When comparing the remittance costs from Q4 2019 to Q1 2020, it is observed that the average cost of remitting USD 200 from the oil-exporting countries (specifically the GCC countries) to FCCs decreased from 6.4 percent to 5.2 percent (Table 4.1). However, the average cost of remittances from Jordan to FCCs increased from 8.5 percent to 11.2 percent. This may be attributed to challenges faced by remittance service providers, including mobility issues related to lockdown, foreign exchange and access to cash.

Table 4.1 Average remittance cost of sending USD 200 (%)

Q4 2019			
Source income group	Destination income group		
	FCCs	OIMICs	OECs
High income: OECD	9.60	6.74	10.14
OIMICs (Arab States)	8.54	3.25	
OECs (Arab States)	6.42	4.91	
Q1 2020			
Source income group	Destination income group		
	FCCs	OIMICs	OECs
High income: OECD	9.61	6.88	10.03
OIMICs (Arab States)	11.19	3.03	
OECs (Arab States)	5.20	4.63	

Source: UNDP calculations based on data from *The World Bank, Remittance Prices Worldwide database*.

35 The World Bank, *Covid-19 Crisis Through a Migration Lens*, 2020, op. cit.

36 Ibid.

37 Moody's, "Lower remittances after coronavirus to hurt consumption, raise external risks in major recipient countries", 27 July 2020.

38 International Food Policy Research Institute (IFPRI), *Covid-19 and the Egyptian Economy: Estimating the impacts of expected reductions in tourism, Suez Canal revenues and remittances*, 2020.

39 Ibid.

Policy review

Labour market policies and social protection systems in most countries in the region exclude migrants, refugees and IDPs, leaving them highly vulnerable to external shocks. As the current situation shows, the dual crises have exacerbated the challenges that migrants and refugees face. To mitigate the immediate challenges faced by migrant workers, governments in the region – mainly in GCC countries – have introduced some immediate measures. The policy review reveals that eight countries (five GCC, two middle-income oil-importing, and one FCC) have introduced measures that mainly focus on easing residency/visa renewals for migrant workers and providing access to free healthcare – particularly testing and treatment for COVID-19 (Table 4.2). To ease the flow of remittances, only one country has taken early action. Jordan’s Central Bank permitted a major remittance service provider to offer its service online for the first time, thus enabling migrants – even

those without a bank account – to send money to their home countries.⁴⁰

Countries with high refugee populations (such as Jordan and Lebanon) have taken some measures to include refugees in their response plans. For example, the government of Jordan has launched an initiative to ensure that refugees have continued access to national health services, including referring cases to quarantine sites and facilitating treatment. In Lebanon, the Ministry of Social Affairs unveiled a plan to prevent the spread of the virus in areas hosting refugees, including through awareness campaigns.⁴¹ While refugees can access national health services in some countries, they are largely absent from national social protection systems. The policy review reveals that humanitarian actors have provided social protection support to refugees through cash transfers and in-kind assistance to mitigate the immediate impacts of the crises.

Table 4.2 Migrant policy responses implemented in the region

Measures	OECs	OIMICs	FCCs
Employment protection/ retention schemes	Qatar		
Access to healthcare (COVID-19 testing and treatment)	Bahrain, Oman, Saudi Arabia, United Arab Emirates	Jordan	Somalia
Utility waivers	Bahrain, Saudi Arabia		
Social assistance, including in-kind transfers	Kuwait, Oman	Jordan	
Waiver of fines for migrant workers with expired work permits and waiver of fees for visa renewals	Bahrain, Kuwait, Qatar, Saudi Arabia	Jordan, Tunisia	
Unemployment insurance		Jordan	
Enable the unbanked to transfer remittances through formal channels		Jordan	

Source: Data from R-UNSDG Social Protection Mapping, IMF and Reuters.⁴²

⁴⁰ Win, T.L., and B. Barkawi, “‘Emergency’ for millions as coronavirus severs remittance lifeline”, Reuters, 1 May 2020.

⁴¹ OECD, *OECD Policy Responses to Coronavirus (COVID-19); COVID-19 crisis response in MENA countries*, updated 9 June 2020, <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#p-d1e1239>.

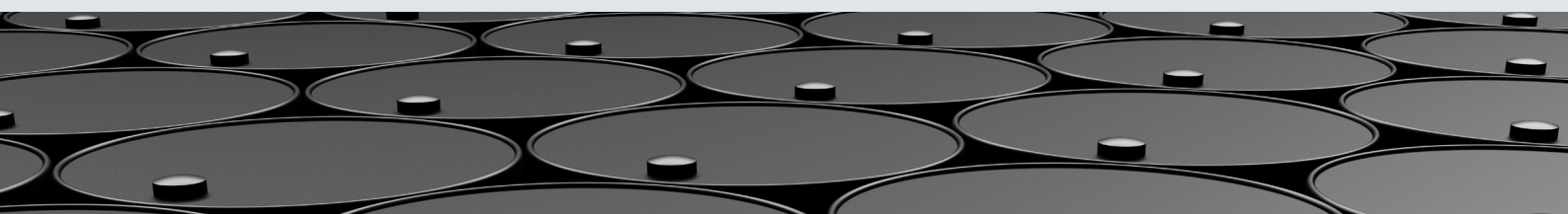
04

Policy Recommendations

While some countries in the region have taken immediate but limited measures to mitigate the social and economic impacts of Covid-19 and the oil crisis on migrants, much remains to be done to ensure medium- to long-term recovery. The following are recommendations for policy improvements to enhance government and stakeholder effectiveness and accelerate efforts to respond to the challenges faced by migrants and their families in the region.

Immediate term:

- Governments have the responsibility to provide access to health care services to migrants and displaced people without discrimination. Regulations, policies and administrative practices should ensure migrants and displaced people have timely and gender-sensitive access to health facilities, goods and services. These efforts should be backed by vigorous outreach campaigns aimed at disseminating information to migrants and displaced people.
- The pandemic crisis and its impact on oil prices has provided an opportunity for change to protect the rights of migrant workers. Across the region, COVID-19 is underlining the dangers of the unsanitary and overcrowded conditions endured by many migrant workers. Governments, the private sector and civil society should ensure that migrant workers have adequate and safe working and living conditions.
- Migrant workers and their families should be provided access to social protection, including social security and assistance, given the job losses and wage cuts arising from the dual crises. Social welfare schemes in remittance recipient countries must also be expanded to cover poor segments of the population who depend on remittances for their sustenance.
- Governments should provide monetary support to businesses (both formal and informal) in host countries that employ migrants to ensure that they are kept on the payroll.
- Remittance source and recipient countries could make provisions that recognize remittance service providers and their agents as essential



services, thus allowing them to operate in the face of lockdowns. Source countries of migrant remittances should make efforts to support remittance service providers with appropriate instruments to effectively manage their credit and liquidity risks and mitigate shocks to remittance flows.

- To keep the remittances industry afloat, remittance source and recipient countries should consider extending fiscal support to remittance service providers.
- The roles of local government and civil society should be enhanced by providing technical and financial support to municipalities and local authorities to ensure effective service delivery to migrants and displaced people.
- Conflicts in the region will further exacerbate the social and economic impacts of the pandemic, which will worsen the conditions of the most vulnerable migrants, IDPs and refugees. Regional stakeholders and the international community should renew their efforts to restore peace in the region and support the Secretary-General's appeal for an immediate ceasefire in all corners of the world "to focus together on the true fight of our lives".

Medium term:

- Countries with high remittance costs should aim to reduce the cost of remittance transfers to three percent or less by 2030 and eliminate remittance corridors with costs of higher than five percent, in keeping with the SDG 10.c target.
- Remittance source and recipient countries should expand the access of migrants and recipients to formal bank accounts at affordable costs to facilitate the use of formal channels for remittance transfers.
- Remittance source and recipient countries should enable remittance service providers, migrants, and recipients to leverage digital payment instruments for remittances and address any regulatory and infrastructure barriers. Mobile technologies, for instance, are known to significantly reduce the costs of remittance transfers. Source and recipient countries should also take steps to build the digital financial literacy of migrants in order to familiarize them with the use of digital financial services.
- To improve migrant access to digital remittance channels, remittance source and recipient countries should simplify customer due diligence for lower-risk accounts, allow remote account opening and enable access to appropriate identity documents.
- Banks in remittance source countries should ensure that remittance service providers have adequate anti-money-laundering and counter-financing-of-terrorism (AML/CFT) checks and processes in place to address these risks.

Impacts on Labour Markets



05

Impacts on Labour Markets

The COVID-19 crisis and the accompanying sharp decline in oil prices have hit the Arab region hard, at a time in which Arab labour markets are already in a dire state, and particularly in oil-importing middle-income countries and fragile and crisis-affected countries (FCCs). According to ILO modelling estimates¹ for 2019, the unemployment rate (for those aged 15+) in the region as a whole was 10.4 percent in 2019 (twice the world average), reaching 10.9 percent in oil-importing middle-income countries and 13.6 percent, on average, in FCCs² (see Figure 5.1 (a)).

For decades, youth unemployment rates in the region have been the highest in the world. In 2019, the unemployment rate among young people was estimated at 26.6 percent³ (against a world average of 13.6 percent) and was projected to increase further. It is estimated to be close to 30 percent, on average, in oil-importing middle-income countries (see Figure 5.1 (b)) and is only lower than the world average in four GCC countries.⁴ Among FCCs, youth unemployment has reached alarming rates in the State of Palestine (almost 42 percent) and Libya (50.5 percent).

Major drivers of persistent, high levels of youth unemployment throughout the region include: low

economic growth rates; the rapid growth of the young population; skills mismatches; rigidities in labour markets; oversized public sectors and the lack of enabling environments for the private sector to thrive and create productive jobs; lack of suitable policy and institutional frameworks to promote social inclusion of young people and promote their independence, creativity and motivation. Tackling these structural and interrelated challenges requires holistic, integrated, forward-looking policy responses that have yet to materialize.

Despite the progress achieved, labour market outcomes for women also remain poor. Protracted gender inequalities and gendered social norms continue to restrict female participation in labour markets to very low levels; the participation rate of men in 2019 (73 percent) is estimated to be 3.5 times that of women (20.7 percent).⁵ Unemployment among women has also remained very high, at 20.1 percent (against 7.8 percent for men) and disproportionately affects young women (38.9 percent) (see Figure 5.1 (b)).

Moreover, the gradual contraction in public employment⁶ has adversely affected women's overall employment

1 For methodological details see: ILO, "ILO modelled estimates – methodological overview", n.d., <https://www.ilo.org/ilostat-files/Documents/TEM.pdf>.

2 Authors' calculations based on ILO Modelled Estimates, ILOSTAT, November 2019, <https://www.ilo.org/ilostat>. The unemployment rate is estimated to be as high as 18.6 percent in Libya and 26.2 percent in Palestine. In the case of Syria, ILO estimates post a rate of 8.16 percent in 2019. However, in 2017, the World Bank estimated that the unemployment rate increased from 8.6 percent in 2010 to 52.9 percent in 2015, as a result of the conflict. See: The World Bank, *The Toll of War: The Economic and Social Consequences of the Conflict in Syria* (Washington, DC: World Bank, 2017).

3 Worth noting here also – and this is quite unique to the region – is the fact that university graduates are far more likely to be unemployed than are workers with only a basic education.

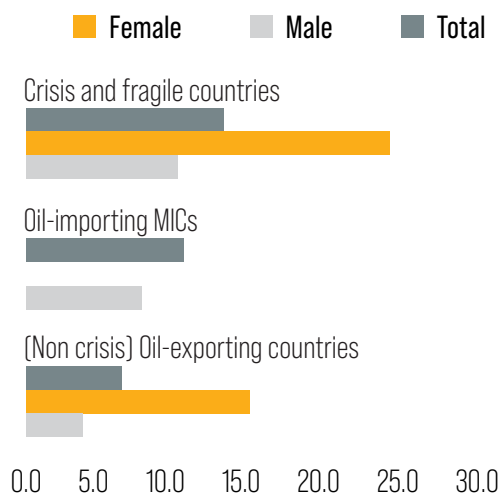
4 Namely Bahrain, the United Arab Emirates, Oman and Qatar.

5 Own calculations based on ILO Modelled Estimates, 2019, op. cit. In Yemen, the participation rate of men is more than 12 times that of women.

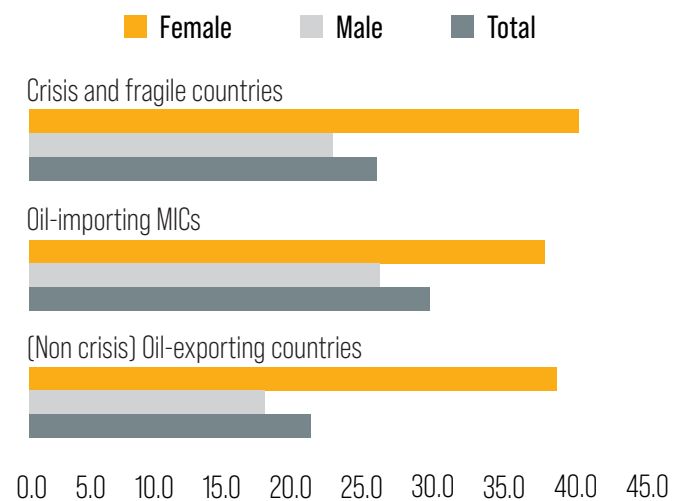
6 The share of employment in the public sector has declined over the years, but it remains high in some countries (particularly in oil-exporting countries, as well as in Jordan. In the GCC (excluding UAE), (national) employment in the public sector is on average 65 percent. Elsewhere in the GCC, national employment in the public sector is also high: Kuwait (86 percent); Qatar (87 percent) and Saudi Arabia (72 percent) see: Carvalho, A., J. Youssef and N. Dunais, "Maximizing employment of nationals in the GCC: Benefits

Figure 5.1

(a) Unemployment rate (15+), by sex (percentage)



(b) Youth Unemployment rate (Youth aged 15-24), by sex (percentage)



Source: Authors' own calculations based on data extracted from the International Labour Organization (ILO), ILOSTAT, ILO Modelled Estimates, November 2019, available at: <https://www.ilo.org/ilostat>

opportunities (although the public workforce has also become more feminized⁷) and resulted in an overall lack of jobs offering decent working conditions.

Informal employment is a prominent and persistent feature of labour markets in the Arab region. Informal workers usually do not enjoy employment benefits, social insurance/security or workers' representation and therefore face high risks of impoverishment in the event of shocks. Whilst comprehensive, comparable

and accurate evidence on the extent of informality in the region remains scarce, estimates from the ILO for 2018⁸ suggest that informal employment affects 35 to 80 percent of workers in oil-importing middle-income countries and FCCs (see Table 5.1). Informality is pervasive in agriculture, where women are also relatively disproportionately represented, but also in the industrial sector, where (except in Egypt, Palestine and Yemen) informality disproportionately affects men.⁹

and limits of labour policy instruments", Oliver Wyman, 2018, <https://www.oliverwyman.com/content/dam/oliver-wyman/v2/publications/2018/october/maximizing-employment-of-nationals-in-the-gcc.pdf>.

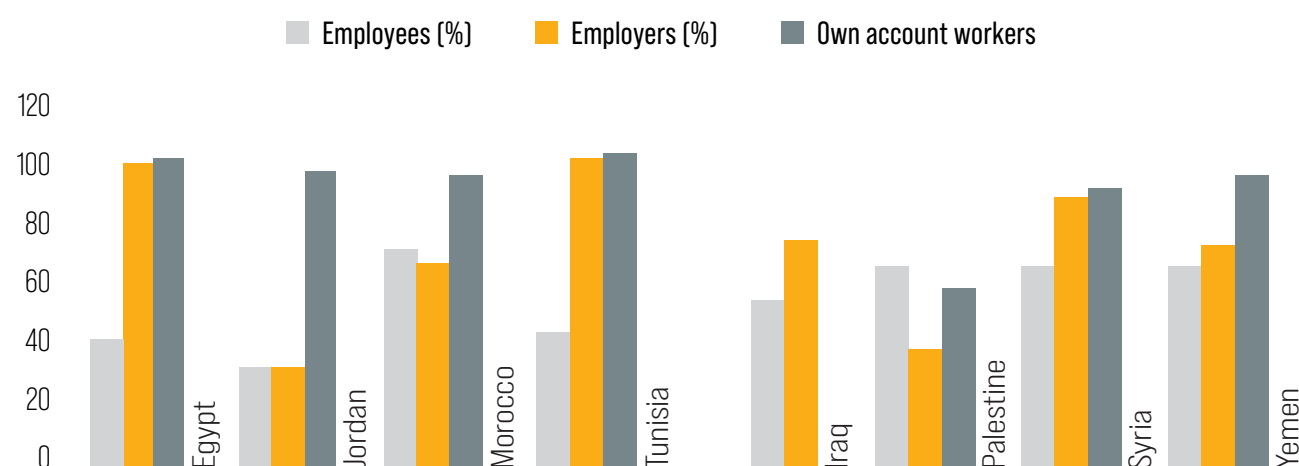
- 7 Assaad, R., and G. Barsoum, "Public employment in the Middle East and North Africa: Does a changing public sector workforce in the MENA region provide an opportunity for efficient restructuring?" IZA World of Labor, August 2019, <https://wol.iza.org/articles/public-employment-in-the-middle-east-and-north-africa/long>.
- 8 ILO, *Women and men in the informal economy: A statistical picture*, 3rd ed. (Geneva: ILO, 30 April 2018), https://www.ilo.org/global/publications/books/WCMS_626831/lang-en/index.htm; and https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf. The report provides comparable estimates of the prevalence of informal employment, which covers employers and own-account workers operating informal enterprises, as well as employees (including in the formal sector), and family workers not subject to national labour legislation, income taxation, and/or not benefiting from social protection or entitlement to certain employment benefits. It should be noted that in the region, there is a scarcity of up-to-date and comprehensive data on informal employment and informality at large.
- 9 Authors' calculations based on data for Egypt from the LMPS 2018 and Jordan with data from the LMPS 2016 suggest a slightly higher rate of informality in Egypt in 2018 (65.5 percent) compared to ILO estimates for 2013, and a slightly lower rate in Jordan in 2016 (35.5 percent) compared to ILO estimates for 2010, as reported in Table 5.1. However, these estimates are not strictly comparable because data on formality of enterprises – a criteria used for the self-employed and employers in ILO estimates – is not consistent in the LMPS. Additional authors' calculations for Algeria using the LFS LFS 2014, the rate of informal jobs (not covered by social security) reaches 83.4 percent in agriculture (83.2% for males and 86.7% for females), 75 percent in the construction sector (75.5% for males and 43.6% for females), and 44.8 percent in the manufacturing industry (31.9% for males and 77.2% for females).
- 9 Authors' calculations based on data for Egypt from the LMPS 2018 and Jordan with data from the LMPS 2016 suggest a slightly higher rate of informality in Egypt in 2018 (65.5 percent) compared to ILO estimates for 2013, and a slightly lower rate in Jordan in 2016 (35.5 percent) compared to ILO estimates for 2010, as reported in Table 5.1. However, these estimates are not strictly comparable because data on formality of enterprises – a criteria used for the self-employed and employers in ILO estimates – is not consistent in the LMPS. Additional authors' calculations for Algeria using the LFS LFS 2014, the rate of informal jobs (not covered by social security) reaches 83.4 percent in agriculture (83.2% for males and 86.7% for females), 75 percent in the construction sector (75.5% for males and 43.6% for females), and 44.8 percent in the manufacturing industry (31.9% for males and 77.2% for females).

Table 5.1 Share of informal employment, by sector and sex

		Share of informal employment (incl. Agriculture) in total employment %									
		Agriculture (%)	Men (%)	Women (%)	Industry (%)	Men (%)	Women (%)	Services (%)	Men (%)	Women (%)	
Oil Importing MICs	Egypt (2018)	65.6	96.6	96.2	65.6	61.6	60.6	69.8	65.6	68.5	52.3
	Jordan (2016)	35.5	89.9	89.1	100	45.1	47.2	31.9	34.5	39	16.7
	Morocco (2010)	79.9	90.9	90.6	92.6	80.3	81.4	73	72.5	74.3	65
	Tunisia (2014)	58.8	88.1	85.7	95.5	60.7	65.2	41.1	50.1	50.5	49.1
Fragile/crisis countries	Iraq (2012)	66.9	86	83.9	95.6	78.2	79.8	31.6	63.1	66.1	49.2
	Palestine (2014)	64.3	97.3	95.9	99.5	85.9	85.4	92.1	46.4	44.3	53.7
	Syria (2003)	70.1	97.3	96.1	99.6	83.4	84.2	65.5	48.8	54.7	18
	Yemen (2014)	77.8	99.3	99.1	100	91.5	91	99.2	63.2	63.7	52.1

Source: authors' calculations based on ILO (2018)¹⁰ Statistical Appendix (no data were available for GCC/oil exporting countries or for Djibouti, Sudan, Lebanon, Somalia); for Egypt and Jordan: authors' calculations from Egypt Labour Market Panel Survey¹¹ and Jordan Labour Market Panel Survey¹², respectively, defining 'informal' as either having no contract or no social security. Years of surveys indicated in brackets.

Figure 5.2 Share of informal employment by employment status (%)



Source: authors, based on ILO (2018) Statistical Appendix (no data were available for GCC/oil exporting countries,¹³ Djibouti, Sudan, Lebanon, Somalia).

The relatively lower shares of informal employment in the service sector in some countries should be gauged against the fact that – as noted earlier – this sector is the major employment provider in most countries and one of the sectors that has been hit hardest by the economic impacts of COVID-19. Meanwhile, the share of informal employment among women working in the sector is quite

significant in Egypt, Morocco and Tunisia, as well as in Palestine (higher than for men), Iraq and Yemen.

Reflective of the high prevalence of informal micro- and small businesses in many of these countries, informality levels are especially high among employers and/or own-account workers (see Figure 5.2).

10 ILO, Women and men in the informal economy: A statistical picture, 3rd ed. (Geneva: ILO, 30 April 2018), https://www.ilo.org/global/publications/books/WCMS_626831/lang-en/index.htm; and https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf.

11 Economic Research Forum and Central Agency For Public Mobilization & Statistics (CAPMAS), Egypt Labor Market Panel Survey, ELMPS (2018), Version 2.0 of the Licensed data files (October, 2019), provided by the Economic Research Forum. <http://www.erfdataportal.com/index.php/catalog>.

12 OAMDI, 2018. Labor Market Panel Surveys (LMPS), <http://erf.org.eg/data-portal/>. Version 1.1 of Licensed Data Files; JLMPS 2016. Egypt: Economic Research Forum (ERF).

13 According to national data for Algeria (LFS, 2016), informality affects 76 percent of own-account workers, 30 percent of employees and 27 percent of employers.

Furthermore, increasing flows of migrant workers and large-scale protracted refugee situations (see Chapter 4) as a result of conflicts have also affected labour market dynamics and outcomes.

The combined effects of COVID-19 and low oil prices, including through their impacts on production and growth, are likely to worsen employment outcomes across the region, with far reaching implications for poverty, inequality, social exclusion and social stability. However, these impacts will not be uniform across countries, sectors (economic, public–private, formal–informal) and, critically, across the various segments of the labour force, which highlights the need for tailored policy responses. Based on a

review of available evidence and recent analyses, the chapter attempts to shed light on the differentiated short-term impacts of the crises on labour market outcomes for oil-importing middle-income countries, FCCs and oil-exporting countries in the region. Special attention is paid to informal and other vulnerable workers, including migrant workers, IDPs, refugees and – in a cross-cutting manner – women and young people, who are most likely to be disproportionately impacted. As the ultimate impacts of the dual crises will also depend on countries' response capacities, the chapter also briefly reviews the measures taken to date and discusses some policy implications in the context of recovery efforts.

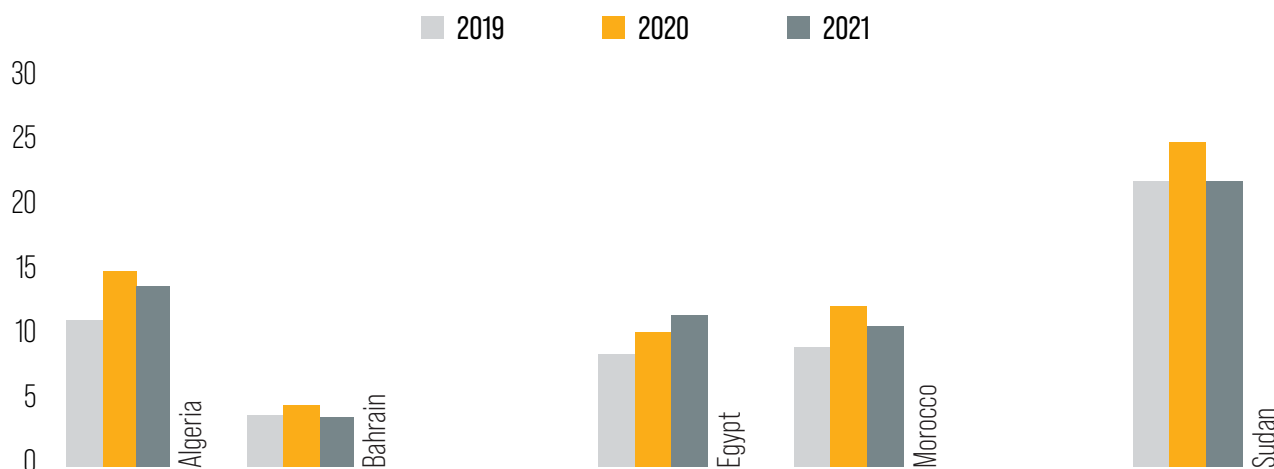
Impacts on labour market outcomes: What does the early evidence tell us?

The main assumptions underpinning the below analysis are that the scope and severity of these impacts will be largely shaped by (and, in turn, exacerbate) pre-existing vulnerabilities, inequalities and structural weaknesses, such as very high levels of informality, particularly in oil-importing middle-income countries and FCCs, and compounded by the high dependency on oil, public employment and migrant workers, particularly in the GCC countries.¹⁴

At the macro-level, the oil price shock is likely to dampen growth and employment prospects in oil-

exporting countries, whilst the expected benefits of low oil prices for oil-importing middle-income countries might be offset by lower external demand and its spill-over effects on domestic economies through a decline in exports, remittances, travel and foreign investments. Moreover, in some labour-exporting countries, such as Jordan or Egypt, expected returns of migrants from GCC countries as a result of the twin shock are likely to add additional pressures on labour markets. It should also be noted that whilst the effects of low oil prices are likely to be protracted, in the context of COVID-19, these will

Figure 5.3 Unemployment rate projections (percentage)



Source: IMF, World Economic Outlook database, April 2020.

14 See note 6; dependence on the public sector is also widespread in countries like Jordan or Palestine. See: Assad and Barsoum, *op. cit.*

very much depend on the duration of the containment measures put in place by the governments in the region and beyond, as much as on the effectiveness of countries' policy responses to protect employment and support economic recovery.

According to the most recent estimates by the ILO (2020)¹⁵, the COVID-19 crisis and related containment measures would have already led to a reduction in the number of working hours by 2.5 percent in Northern African Countries and by 3.1 percent in other Arab countries¹⁶ in the first quarter of 2020, compared to the fourth quarter of 2019. A sharper decline of 15.5 percent in North African countries and of 13.2 percent in other Arab countries is expected in the second quarter – equivalent to 17 million full time jobs (assuming a 48-hour work week). As regards unemployment outcomes, early assessments by UNESCWA suggest that the COVID-19 crisis could add at least 1.7 million unemployed,¹⁷ including 700,000 women.¹⁸

The IMF¹⁹ projects an increase in unemployment in 2020 of more than three percentage points in Algeria and Morocco (see Figure 5.3). A recent assessment of the impact of COVID-19 in Tunisia²⁰ suggests that the unemployment rate could increase from 15 percent in 2019 to 21 percent in 2020. In Sudan, the unemployment rate is expected to reach 25 percent.

Sectoral perspectives

Generally, the crisis is expected to be particularly damaging for the services sector, which accounts for 55.2 percent of total employment in the region.²¹

Based on the latest 2020 estimates by the ILO, 55.9 million individuals in the region (almost 45 percent of those employed) work in activities that are at high/medium high risk of being hard hit by the economic disruptions created by COVID-19 (accommodation and food services, manufacturing, real estate and business activities, wholesale and retail trade, but also transport, storage and communication and other services²²). Men are generally overrepresented in those sectors, but it is worth noting that a significant share of women are employed in the 'other services' category (see Table 5.2).

Comparable and detailed country-level data on the sectoral composition of employment is scant, making it difficult to gauge the extent of 'unemployment risks' across countries. However, available evidence indicates that in oil-importing middle-income countries and fragile and crisis-affected countries, the COVID-19 crisis is likely to result in significant job losses in sectors with higher risks. In Jordan, for instance, it was reported that up to 40,000 jobs could be lost in the hospitality sector and related services²³, while 30 percent of staff employed in the garment industry (with the majority being women and migrant workers) were expected to lose their jobs in May and June 2020.²⁴

Also in Jordan, a recent survey by the ILO found that 27 percent of the respondents working in the manufacturing sector had been temporarily laid off, whilst another nine percent had lost their jobs permanently, as a result of lockdowns.²⁵ In Tunisia, the World Tourism Organization (UNWTO) estimates

15 ILO, "ILO Monitor: COVID-19 and the World of Work", 5th ed., Briefing note, 30 June 2020, https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_749399/lang--en/index.htm.

16 According to ILO country groupings 'Arab States' does not include Arab African countries.

17 UN Economic and Social Commission for Western Asia (ESCWA), "New ESCWA brief: 8.3 million people will fall into poverty in the Arab region due to COVID-19", 1 April 2020, <https://www.unescwa.org/news/new-escwa-brief-83-million-people-will-fall-poverty-arab-region-due-covid-19>.

18 ESCWA, "The Impact of COVID-19 on Gender Equality in the Arab Region", Policy Brief 4, 2020, https://www.unescwa.org/sites/www.unescwa.org/files/20-00131_gp_id_pb_eng_apr5.pdf.

19 International Monetary Fund (IMF), World Economic Outlook, April 2020: The Great Lockdown (Washington, DC: IMF, 2020), <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020>.

20 United Nations Development Programme (UNDP), "Impact économique du COVID-19 en Tunisie", June 2020, <https://www.arabstates.undp.org/content/rbas/en/home/library/crisis-response0/economic-impact-of-covid-19-in-tunisia-.html>.

21 Authors' calculations based on ILO, ILOSTAT Database.

22 These include arts, entertainment and recreation; other service activities; activities of households as employers; undifferentiated goods- and services-producing activities of households for own use; and activities of extraterritorial organizations and bodies.

23 Estimates by Chairman of Jordan Inbound Tour Operators Association (JITOA), as reported in Box 1 Effects of travel and import restrictions on tourism and manufacturing enterprises, p. 28 of ILO, Fafo, UNDP, 2020 "Impact of the COVID-19 pandemic on enterprises in Jordan", <https://www.jo.undp.org/content/jordan/en/home/library/jordan-enterprise-report.html>.

24 Estimates by the Jordan Garments, Textiles and Accessories Exporters Association (JGATE) as reported in Box 1 Effects of travel and import restrictions on tourism and manufacturing enterprises, p. 28 of ILO, Fafo, UNDP, 2020 "Impact of the COVID-19 pandemic on enterprises in Jordan", <https://www.jo.undp.org/content/jordan/en/home/library/jordan-enterprise-report.html>.

25 Kebede, T.A., S.E. Stave and M. Kattaa, "Facing Double Crises: Rapid assessment of the impact of COVID-19 on vulnerable

Table 5.2 Distribution of employment in the Arab region, according to COVID—19 ‘sectoral risks’

Economic activity	Employment			Sectoral share of employment (%)
	Employment (thousands)	Women (%)	Men (%)	
High risk	39,432	12.3%	87.7%	31.5%
Accommodation and food service activities	3,707	10.2%	89.8%	3.0%
Real estate; business and administrative activities	4,764	14.1%	85.9%	3.8%
Manufacturing	12,286	15.0%	85.0%	9.8%
Wholesale and retail trade; repair of motor vehicles and motorcycles	18,675	10.5%	89.5%	14.9%
Medium high risk	16,439	19.3%	80.7%	13.1%
Other services	7,454	37.2%	62.8%	5.9%
Transport; storage and communication	8,985	4.4%	95.6%	7.2%
Medium and Low-medium risk	43,579	16.1%	83.9%	34.8%
Construction	16,483	1.0%	99.0%	13.1%
Financial and insurance activities	1,172	22.0%	78.0%	0.9%
Mining and quarrying	1,361	5.3%	94.7%	1.1%
Agriculture; forestry and fishing	24,563	26.5%	73.5%	19.6%
Low risk	25,903	31.0%	69.0%	20.7%
Education	9,204	48.9%	51.1%	7.3%
Human health and social work activities	3,794	47.8%	52.2%	3.0%
Public administration and defence; compulsory social security	11,686	13.9%	86.1%	9.3%
Utilities	1,219	6.4%	93.6%	1.0%
Total	125,353	18.4%	81.6%	100%

Source: Author's calculations based on ILO, ILOSTAT Database and the classifications in ILO, "COVID-19: Labour Market Impact and Policy Response in the Arab States", Briefing Note with FAQs, May 2020.

that tourism activities will decrease by 30–40 percent in 2020 and will not resume until 2022, impacting a sector which accounts for 10.8 percent of total employment, as reported in Table 3.3 in Chapter 3. The industrial sector, which employs approximately

527,000 workers is also under stress. In March 2020, 80 percent of private sector employees in the sector were reportedly already out of work.²⁶ An assessment of the impact of COVID-19²⁷ on vulnerable workers in Lebanon²⁸ shows that during lockdowns,

workers in Jordan", ILO and Fafo Institute, 1 May 2020, https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_743391.pdf; the survey includes 1,580 respondents, of which 46 percent are female.

26 Dridi, M., "Coronavirus and Tunisia's Regional Economic Inequalities", Carnegie Endowment for Middle East Peace, Sada Middle East analysis, 29 April 2020, <https://carnegieendowment.org/sada/81686>.

27 It should however be noted that it is difficult to disentangle the labour market impact of the lockdowns from the socioeconomic effects of the other severe economic and financial crises confronting Lebanon.

28 Kebede, T.A., S.E. Stave and M. Kattaa, "Facing Double Crises: Rapid assessment of the impact of COVID-19 on vulnerable workers in Lebanon", ILO and Fafo Institute, 20 May 2020, https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_747070.pdf; the survey conducted in April 2020 covered a sample of 1,987 Lebanese and Syrians (52 percent men and 48 percent women) and representatives of 363 small-scale enterprises; see also ILO and Fafo Institute, 2020, "Evidence Brief for Policy: Impact of COVID-19 on Syrian refugees and host communities in Jordan and Lebanon"; https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/briefingnote/wcms_749356.pdf.

Table 5.3 Work-from-home potential and the digital divide (%)

Country	Latest available data year	Share of jobs that can be done from home	Share of workers with access to home internet and computer
Jordan	2016	29	10
Palestine	2016	22	15–50*
Egypt	2018	20	7
Tunisia	2014	17	7

Source: forthcoming UNDP study on based on data from ELMPS (2018), JLMPS (2016) and TLMPS (2014)³¹, as well as Palestine Labour Force Survey (2016)³².

Note: The share of workers with access to home internet and computer out of workers whose WFHP index was above the median WFHP index in each country. *no micro level data on the share of workers with both a computer and internet were available: 15% of households (not just workers) have a computer while 50% have an internet connection according to PCBS.

39 percent of surveyed Lebanese workers²⁹ were permanently laid-off and 38 percent temporarily laid-off, with 50 percent of the permanently laid-off being workers in the construction sector.

Work-from-home potential and the digital divide

Whilst working from home is an important way to mitigate the labour market impacts of COVID-19 containment measures, the potential for working from home varies significantly across countries in the region, as a result of differences in occupational structures, but also in the ICT/digital infrastructure available to support remote working arrangements. Using survey data on the daily activities of workers in various occupations, preliminary results from a forthcoming UNDP study on the number and types of jobs that can be performed from home in the region confirms that very few occupations can be performed from home and that this number varies significantly between countries. Work-from-home potential (WFHP)³⁰ ranges from 17 to 29 percent in selected countries, as shown in Table 5.3. This low WFHP is exacerbated by the existing digital divide: even if a job may be performed from home, this does not

mean that it will be in practice. Using micro level data on workers detailed occupation categories, the study found that even for workers whose jobs can potentially be performed from home (those whose WFHP was greater than the median in each country), only a small fraction of these workers actually has the necessary tools – such as a computer and internet connection – to successfully do so. Furthermore, this share varies significantly by industry and country, as shown in Table 5.4. In Tunisia, for example, two industries with very low work-from-home potential – agriculture and construction – account for over 50 percent of all employment.

The special situation of the GCC states

Evidence on the impact of the ‘dual COVID-19 and oil price shock’ on labour markets in oil-exporting countries, and in particular the GCC states, remains scant. Some reports suggest that employment across the GCC could fall by around 13 percent, with job losses of some 900,000 in the UAE and 1.7 million in Saudi Arabia.³³ Yet, important distinctions need to be made between public and private workers as well as between nationals and migrant workers. In the GCC, employment of nationals

29 Most of the surveyed employed Lebanese worked in retail trade/ repair industry/ other services (28 percent), while 12 and 11 percent work in agriculture and construction respectively.

30 The WFHP index in these preliminary results is constructed using the US’s Occupational Information Network (O*NET) surveys of daily activities of workers in each occupation, following the work of Dingel and Nieman (2020) (see Dingel, J., & Nieman, B. (2020). How Many Jobs Can be Done at Home? Centre for Economic Policy Research. Retrieved from https://cepr.org/active/publications/discussion_papers/dp.php?dpno=14584). Work is currently underway to also develop a region-specific version based on questions in the Labor Market Panel Surveys for Egypt, Jordan and Tunisia, that ask about daily activities at work. A job cannot be performed from home if the respondents answered yes to questions such as “Does your job require you to lift heavy items at work”, “Does your job require you to operate heavy machinery”, among others. The share of jobs that can be performed from home is then calculated for the economy overall and can also be calculated for various groups. For Table 5.4 each two-digit occupation’s WFHP classification is then merged with occupation distribution data at the industry level, and weighted by employment shares.

31 OAMDI, 2016. Labor Market Panel Surveys (LMPS), <http://erf.org.eg/data-portal/>. Version 2.0 of Licensed Data Files; TLMPS 2014. Egypt: Economic Research Forum (ERF).

32 OAMDI, 2019. Harmonized Labor Force Surveys (HLFS), <http://erf.org.eg/data-portal/>. Version 1.0 of Licensed Data Files; LFS 2016-Palestinian Central Bureau of Statistics (PCBS). Egypt: Economic Research Forum (ERF).

33 Mathew, S., “Oxford Economics Sees Exodus of Expat Workers From Across Gulf”, BloombergQuint, 22 May 2020, <https://www.bloombergquint.com/onweb/oxford-economics-sees-exodus-of-expat-workers-from-across-gcc>.

Table 5.4 Work-from-home potential by industry

Industry	Jordan		Palestine		Tunisia	
	WFHP Index	Share of employment (%)	WFHP Index	Share of employment (%)	WFHP Index	Share of employment (%)
Agriculture, forestry and fishing	0.05	6	0.03	10	0.04	40
Mining and quarrying	0.18	1	0.15	1	0.14	1
Manufacturing	0.18	9	0.07	13	0.09	11
Electricity	0.53	0	0.22	1	0.31	0
Construction	0.08	6	0.06	17	0.03	14
Wholesale and retail	0.21	14	0.12	19	0.11	9
Transportation	0.15	5	0.04	6	0.03	4
Accommodation & food services	0.20	2	0.07	3	0.11	3
Information & communication	0.76	1	0.66	1	0.48	0
Financial & insurance	0.78	1	0.63	1	0.46	0
Real estate activities	0.67	0	0.51	2	0.29	0
Professional & scientific	0.65	2	---	---	1.00	0
Public administration	0.25	28	0.42	9	0.23	7
Education	0.80	12	0.83	11	0.73	6
Human health & social work	0.22	5	0.23	4	0.20	2

Source: Forthcoming UNDP study on based on data from JLMPS (2016), TLMPS (2014), as well as Palestine Labour Force Survey (2016).

Note: WFHP index varies between 0 and 1, with higher numbers implying a larger share of jobs in that industry can potentially be performed from home.

is highly concentrated in 'low-risk', mainly public sector activities, suggesting that the impacts of COVID-19 might be less pronounced for nationals, at least in the short term.³⁴ In the longer run, however, the fiscal pressures generated by persisting low oil prices (which make up the bulk of government revenues in these countries) will unavoidably reduce governments' fiscal space to maintain public employment, including social security and other benefits, at similar levels.³⁵ Conversely, the effects of the crisis on other (private) segments of GCC labour markets, which are dominated by foreigners/migrants, are likely to be drastic. It is anticipated that the exodus of foreign workers (as visas depend on employment and because of the lack of social security) could be massive and possibly result in a decline in the population by four percent in Saudi Arabia and Oman and around 10 percent in the UAE and Qatar, which could

lead to severe labour shortages and undermine recovery prospects in some key sectors, including hospitality.³⁶

A disproportionate impact on informal workers, particularly in oil-importing middle-income countries and FCCs

There is growing evidence that informal workers are disproportionately impacted by the COVID-19 crisis. In Tunisia, for instance, it is estimated that around one million informal workers, primarily residing in already impoverished rural western and southern regions, are vulnerable to job losses.³⁷ In Egypt, it is estimated that as a result of containment measures, around 1.6 million people in the informal sector could lose their jobs by the third quarter of 2020.³⁸ In Jordan, a recent country-wide survey conducted

34 In Kuwait, for instance, 68.2 percent of Kuwaiti men work in public administration and defence, followed by six percent in education. Female work is primarily in public administration (47.3 percent), followed by education (35.6 percent) and then human health and social work activities (6.3 percent). See: ILO, "Decent Work Country Programme for Kuwait, 2018–2020", https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/genericdocument/wcms_656564.pdf.

35 Youssef and Dunais, 2018, op. cit.

36 Mathew, 2020, op. cit.

37 Dridi, 2020, op. cit. (estimates by the Tunisian Center for Economic and Social Research).

38 Egyptian Center for Economic Studies, "Views on the Crisis: The Informal Sector", Issue 7, 9 April 2020, [http://www.eces.org.eg/cms/NewsUploads/Pdf/2020_4_9-13_8_27informal%20sector-%20final%20-%20English%20%20\(ebrahim\).pdf](http://www.eces.org.eg/cms/NewsUploads/Pdf/2020_4_9-13_8_27informal%20sector-%20final%20-%20English%20%20(ebrahim).pdf); and OECD, "The COVID-19 Crisis in Egypt", 20 April 2020, <https://www.oecd.org/mena/competitiveness/The-Covid-19-Crisis-in-Egypt.pdf>.

by UNDP (2020)³⁹ found that 78 percent of respondents did not have access to social security benefits and 93 percent had no access to social protection programs, whilst more than 36 percent were working as day-labourers. Almost half the sample (43.2 percent) indicated that they had lost all their work due to lockdowns, with a further 6.1 percent reporting that their salary had been reduced, and only 6.2 percent reporting they were on unpaid leave. Findings of the ILO and Fafo's rapid assessment of COVID-19 impacts on workers and small enterprises in Lebanon are even more worrisome, with 50 percent and 33 percent of informal workers with no contract or just verbal work agreements, respectively, reporting that they were permanently laid-off from their jobs, compared to only 24 percent of Lebanese formal workers.⁴⁰

It is important to note that the analysis of the impacts of COVID-19 on labour market outcomes cannot be disconnected from the tremendous impact the crisis is having more generally on micro, small and medium-sized enterprises (MSMEs), particularly in oil-importing middle-income countries and FCCs.⁴¹ As a result of containment measures and the downscaling of economic activities, many of these businesses, particularly those operating in the informal economy, are losing their cash flows, making it harder for them to sustain their businesses, or pay salaries, which can result in the laying-off of many workers. As evidenced in the next chapter, these effects are already at play.

Gender and youth perspectives

Whilst in aggregate, women represent a lower share of informal employment in the region (62 percent against

69 percent for men),⁴² women are more often found in the most vulnerable situations, working as agricultural workers; domestic, home-based workers; or contributing family workers. A rapid assessment by UN Women in Jordan shows, for instance, that 99 percent of women employed in the informal sector reported losing their job.⁴³ In Somalia, where women account for 70 percent of household income as a result of conflict, a study focusing on women-led businesses⁴⁴ revealed that all 42 street traders surveyed in the Somali capital had lost their income as result of COVID-19, while none of them received any alternative support and all of them had to rely on other family members to survive. The impact on female informal agricultural workers, many of whom are heads of households, varies in the region; some have continued to work with minimal or no protection, while elsewhere daily female agricultural wage workers have reportedly lost their income due to the lockdown and are unable to meet their basic needs.⁴⁵

Another important dimension of the gendered impact of the crisis on employment outcomes is the sharp rise in women's workload and unpaid care burden.⁴⁶ While education and health are considered 'low-risk' sectors from the viewpoint of COVID-19 economic impacts (see above), women's workload in these sectors has increased significantly. In Jordan, the weekly combined paid and unpaid workload for female health workers is now estimated at over 90 hours per week.⁴⁷ Even for women whose jobs allowed the possibility of working from home, the closure of schools and daycares made this more difficult. Many women with young children and no alternative day-care solutions will find themselves taking on even more childcare and

39 UNDP, 2020, COVID-19 Impact on Households in Jordan: A Rapid Assessment, May; <https://www.jo.undp.org/content/jordan/en/home/library/impact-of-covid-19-on-households-general.html>; the survey, conducted in end April/early May covered 12,084 individuals.

40 Kebede, et al., 2020, op. cit.

41 It is estimated that MSMEs account for 97 percent of all businesses in the region. In many FCCs (Iraq, Lebanon, Sudan, and Yemen), MSMEs account for over 50 percent of private sector employment. See: IMF, Enhancing the Role of SMEs in the Arab World: Some Key Considerations. Policy Paper No. 19/040, 2019, <https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/12/13/Enhancing-the-Role-of-SMEs-in-the-Arab-World-Some-Key-Considerations-48873>.

42 ILO and WIEGO, "Women and Men in the Informal Economy: A Statistical Brief", 2019.

43 UN Women, "Rapid assessment of the impact of COVID-19 on vulnerable women in Jordan", 2020, <https://jordan.unwomen.org/en/digital-library/publications/rapid-assessment-of-the-impact-of-covid19-on-vulnerable-women-in-jordan>.

44 Ministry of Women and Human Rights in Somalia, *Rapid Assessment on the Impacts of COVID-19 on Somali Women Leading Small-scale Businesses*. May 2020. <http://www.mwhrd.gov.so/en/wp-content/uploads/2020/05/Rapid-Assessment-on-the-impacts-of-COVID-19-on-Somali-women-leading-small-scale-businesses-1.8.pdf>.

45 Arab Trade Union Confederation, <https://arabtradeunion.org/ar>.

46 The ILO estimated that women in Arab states spend a daily average of 329 minutes (5 hours, 29 minutes) on unpaid care work and 36 minutes on paid work, while men spend 70 min and 222 minutes, respectively; Chbaro, A., "The Gendered Impact of COVID-19 in Lebanon", Daraj, 26 March 2020, <https://daraj.com/en/42550/>.

47 See: UN Women, Covid-19 and Women's economic empowerment: policy recommendations for strengthening Jordan's recovery, Policy Brief, May 2020. <https://www2.unwomen.org/-/media/field%20office%20jordan/images/news-events/2020/july/covid19%20and%20wee%20policy%20recommendations%20for%20jordan%20may%202020%20%206%20page%20brief.pdf?la=en&vs=4054>.

household responsibilities than before, making their labour force participation even harder than it already was.⁴⁸ This will ultimately have long term implications for the pay and occupational gap between men and women in the labour market.

The already high unemployment and under-employment rates among young people are likely to worsen, particularly for the many young people working in precarious forms of employment such as daily laborers, underpaid informal workers and migrant workers, as well as in non-standard forms of employment (the 'gig economy'). According to the ILO, informality affects 87.5 percent of the working youth in Northern Africa and 85.1 percent in other Arab states.⁴⁹ Labour market prospects for young men and women are likely to be further undermined by the impact of COVID-19 and protracted lockdowns on learning opportunities and outcomes, particularly for the most vulnerable and underprivileged, including youth living in FCCs.⁵⁰

A heavy toll on migrants and refugee workers

Migrant workers in the Arab region make up 15 percent (nearly 24 million) of all migrant workers globally; almost all of them (22.7 million) live in GCC countries⁵¹ as well as in Lebanon and to a lesser extent Jordan, where they play a key role in many of the hardest hit sectors, such as hospitality services, construction, agriculture and food production, as well as in the domestic work and care economy.⁵² Whilst evidence is still scarce, there are signs that these workers, particularly low-skilled migrant and domestic workers, as well as those

with irregular status, are likely to be disproportionately hit by job losses or wage reductions. In the GCC states, these risks may be compounded by the fact that, in recent years, governments have also sought to reduce their dependency on foreign labour. Combined, the GCC, Jordan and Lebanon host approximately 1.6 million domestic women workers who are vulnerable either to instant dismissal, or to extra work (and potential abuse) during lockdowns.⁵³ According to some reports, up to one third of migrant domestic workers in Jordan have lost their incomes, and in some cases their jobs.⁵⁴

The situation of refugees, who are predominantly engaged in seasonal, temporary and irregular employment, is extremely worrisome. The findings of the early rapid assessments conducted by ILO/Fafo on the impacts of lockdowns in the major refugee hosting countries in the region – namely Jordan and Lebanon⁵⁵ – show that refugee workers are irregular or informal and have been disproportionately impacted. In Jordan, only 30 percent of the Syrians surveyed had work permits and 24 percent were covered by social security. Of those employed before the crisis, 35 percent reported they had lost their jobs permanently (vs. 17 percent for Jordanians).⁵⁶ In Lebanon, the situation was even worse: 95 percent of surveyed employed Syrian refugees had no work permit and only two percent had access to social security. Sixty percent of Syrian refugee workers were permanently laid-off (vs. 39 percent for Lebanese) and 31 percent were temporarily laid-off since the beginning of the crisis.⁵⁷

48 Hinchcliffe, E., "14% of women considered quitting their jobs because of the coronavirus pandemic", *Fortune*, 23 April 2020, <https://fortune.com/2020/04/23/coronavirus-women-should-i-quit-my-job-covid-19-childcare/>.

49 ILO, *Global Employment Trends for Youth 2020: Technology and the future of jobs* (Geneva: ILO, 2020), https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_737648.pdf/.

50 UN ESCWA, "Impact of COVID-19 on Young People in the Arab Region", Policy Brief No. 9, 2020, <https://www.unescwa.org/sites/www.unescwa.org/files/uploads/impact-covid-19-young-people-arab-region-english.pdf/>.

51 UN ESCWA, "Situation Report on International Migration 2019: The Global Compact for Safe, Orderly and Regular Migration in the Context of the Arab Region", 2019, <https://www.unescwa.org/publications/situation-report-international-migration-2019/>.

52 ILO, "COVID-19: Labour Market Impact and Policy Response in the Arab States", 2020, op. cit.

53 Kebede, et al., 2020, op. cit.

54 Connell, T., "Migrant Workers Essential Workers not only in COVID-19", Solidarity Center, 13 April 2020, <https://www.solidaritycenter.org/migranst-workers-essential-workers-not-only-in-covid-19/>.

55 Lebanon hosts 1.5 million Syrian refugees, as well 18,500 refugees from Ethiopia, Iraq, Sudan and other countries, as well as more than 200,000 Palestinian refugees; see: UN Refugee Agency (UNHCR), "Lebanon: Global Focus", <http://reporting.unhcr.org/node/2520/>.

56 ILO and Fafo, *Impact of COVID-19 on workers in Jordan: A rapid assessment*", <https://reliefweb.int/sites/reliefweb.int/files/resources/75961.pdf>; the survey covered a (non-nationally representative) sample of 3,000 individuals comprising 56 percent Syrians and 44 percent Jordanians.); ILO employment intensive investment programmes (EIIP);

57 Kebede, et al., 2020, op. cit. The survey covers a sample of 1,987 Lebanese nationals and Syrians refugees (of whom 70 percent are Syrian refugees and 48 percent are women).

Labour market policy responses and recommendations

Many governments in the region have taken action to mitigate the immediate impacts of the crisis on labour markets through various stimulus and support packages. This has involved direct relief to enterprises, particularly SMEs (e.g. liquidity facilities, tax and fee payment deferrals, wage subsidies) as well as more direct measures to protect workers (e.g. paid leave, unemployment benefits, cash

transfers). As reported in Chapter 4, a number of countries, mostly in the GCC, have lifted/suspended restrictive measures for migrants (e.g. fee waivers for work permit and visa renewals). Expectedly, given differences in fiscal and institutional capacities, the response has been more 'intense' in oil-exporting countries, and oil-importing middle-income countries compared to FCCs.

Table 5.5 Labour market policy responses implemented in the region

Type of measures	Oil exporting countries	Oil importing countries	Fragile countries
Financing/liquidity related support	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Egypt, Jordan, Morocco, Tunisia	Somalia, Lebanon, Palestine
Tax and fee payment deferrals	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Palestine, Yemen
Employment protection/ retention schemes	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Sudan
Lowering (subsidizing) prices of utilities, including electric bills and rents, or waiving/deferring payment	Bahrain, Qatar, Saudi Arabia	Djibouti, Egypt	Lebanon, Yemen
Modifying social security contribution payments and adjusting existing social security benefits	Algeria, Kuwait, Oman	Morocco, Tunisia	Lebanon
Social assistance	Bahrain, Kuwait	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Palestine, Syria
Waiver of fines for migrant workers with expired work permits, and waiver of fees for visa renewals	Bahrain, Kuwait, Qatar, Saudi Arabia	Jordan, Tunisia	

Author (s): combining data from ILO website (as reported in the chapter on MSMEs) and data from R-UNDSOG Social Protection Mapping (see section on Social Protection Response) as of June 2020.

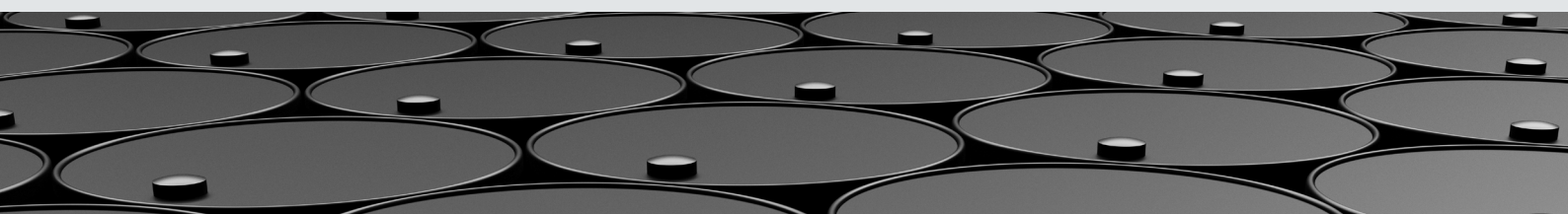
05

Looking ahead: The need for tailored, inclusive and 'forward-looking' responses

Labour markets are the primary channels through which the economic impacts of COVID-19 affect people, particularly the most vulnerable. In the short- to medium-term, as long as the economic impacts of the crisis continue to unfold, minimizing job losses and protecting workers clearly remain top priorities. Whilst the crisis per se does not spare any enterprise and any worker, government support to minimize risks of business closures and lay-offs (as described above) should place a strong emphasis on SMEs and other labour-intensive enterprises in sectors that are hard hit by the economic impact of COVID-19. To the extent possible, priority should be given to those enterprises that employ larger proportions of women and youth. Because such support does not guarantee that jobs will be preserved, the introduction of special conditions on job retention and payroll support may also be considered, where feasible, alongside effective monitoring mechanisms.

However, such an approach may be challenging to implement in many oil-importing countries and FCCs where the informal economy is widespread, and where 'standard packages' are mostly likely to reach only the upper end of the enterprise sector. Alternative solutions need to be found to reduce hardships facing micro and small (largely) informal businesses, including agricultural businesses, and in particular those led by youth, women and the self-employed.⁵⁸ Addressing the needs of both informal businesses and workers in an informed manner notably underscores the importance of rapid and regular impact assessments to identify their specific needs and vulnerabilities. A more tractable policy option, already explored by some countries (e.g. Egypt, Jordan, Morocco, and Tunisia) is to provide direct

⁵⁸ These may include, as and where feasible, waivers or deferred payments for electricity, water, rent, reduced rates for mobile calls, internet, targeted government grants, leveraging microfinance and support from business associations, and facilitating the use of digital payments; see: ILO, "COVID-19 crisis and the informal economy: Immediate responses and policy challenges", ILO Brief, May 2020, https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/briefingnote/wcms_743623.pdf/. See also: The World Bank, "Assessing the impact and policy responses in support of private-sector firms in the context of the COVID-19 pandemic", 26 March 2020, <http://pubdocs.worldbank.org/en/879461586478617078/COVID-19-Outbreak-Support-to-Firms.pdf/>.



social assistance (in particular cash assistance) to informal/poor workers. As discussed in the chapter on social protection, bringing such support at scale, however, requires substantial efforts to improve registration and delivery mechanisms, including through the use of digital technologies, while every possible (domestic, foreign) financing option will need to be explored, given the scale of needs and potential costs, in a context of increased fiscal pressures. Special attention needs also to be paid to the specific needs of young and women workers across all segments of informal labour markets. Among the most vulnerable segments, poor migrants, domestic workers and refugees deserve increased attention both from governments and the international community.

The above policy options could also be complemented by other more active youth and gender responsive labour market policy measures (e.g. including digital skills training and retraining schemes, cash for work schemes, job search and matching platforms – including digital platforms) to help those who were already unemployed prior to COVID-19 and those who have been left unemployed by the crisis (including migrant workers) to re-engage in labour markets and support broader recovery efforts. Generally, labour market responses in the short- to medium term should – to the extent possible – lay the foundation for a more inclusive recovery and long-term development. Given the importance of effective and impactful labour market responses for building trust in governments, all measures should be clearly communicated and made transparent to all stakeholders.

In the medium to long term, labour market policies will need to be revisited to ensure decent working conditions, including social protection, for all those working in the informal economy, as well as migrants. Notably, efforts are required to include migrant workers in national recovery plans. These reforms should be part of broader efforts to diversify economies, and support private sector development and employment, including addressing skills gaps and asymmetries through major investments in market-relevant education, and to facilitate transitions from informal to formal employment and entrepreneurship. Critically, the crisis has also set the stage for expanding opportunities into the new ‘world of work’, including leveraging the potential of digitalization to build the resilience of businesses and workers. Young men and women, obviously, should be placed at the heart of these transformations.



06

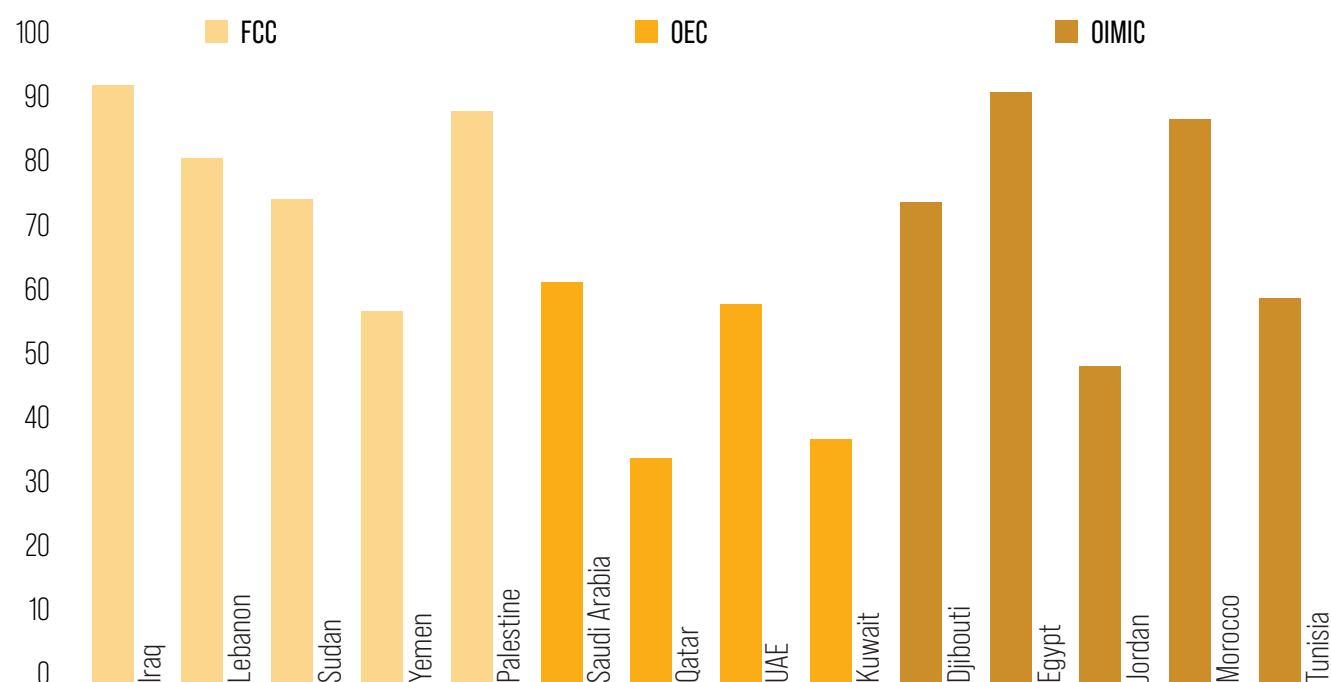
Impacts on MSMEs

Background

The contribution of micro, small and medium enterprises (MSMEs)¹ to economic growth, the creation of decent jobs, and the provision of goods and services, as well as to poverty alleviation and reduced inequality,

is well acknowledged. It is estimated that SMEs contribute as much as 40 percent of the GDP of Arab countries.² MSMEs and SMEs are estimated to account for 97 percent and over 90 percent, respectively, of all

Figure 6.1 MSMEs contribution to private sector employment (%)



Source: enterprise data (Lebanon, Yemen, Sudan, Palestine, Djibouti); national sources (Iraq, Jordan, Kuwait, Saudi Arabia, UAE); MSME-EI data [recent available data].

- 1 There is no standard definition of MSMEs that applies to all countries in the region and therefore comparison across countries is difficult. For example, in Egypt enterprises employing more than 99 persons are considered large, while in Saudi Arabia, Oman and Tunisia enterprises are considered 'large' if they employ 200+ people. In Iraq, large enterprises are those enterprises with more than 29 employees. SME Finance Forum, "MSME Economic Indicators", n.d., <https://www.smefinanceforum.org/data-sites/msme-country-indicators/>.
- 2 Stepanyan, V., G. Abajyan, A. Ndoye and M. Alnasaa, "Enhancing the Role of SMEs in the Arab World—Some Key Considerations", IMF Policy Papers, 13 December 2019, <https://www.imf.org/en/Publications/Policy-Papers/Issues/2019/12/13/Enhancing-the-Role-of-SMEs-in-the-Arab-World-Some-Key-Considerations-48873/>.

businesses in the Arab countries and provide a major source of new job creation in the region.³ This number could be higher when the estimated contributions of MSMEs operating in the informal sector are taken into consideration. The contribution of MSMEs to private sector employment in some countries of the region is indicated in Figure 6.1.⁴ While all enterprises are affected by COVID-19, MSMEs are particularly

vulnerable due to their fewer assets and limited cash reserves, which make it difficult for them to cushion against liquidity shortages induced by social distancing measures introduced as a means to combat the pandemic. The effect of the pandemic on the Arab economies would be significant if countries fail to protect MSMEs, given their substantial role in terms of employment as well as their contribution to GDP.

Impact of COVID-19 and low oil prices

Channels of transmission

COVID-19 can affect SMEs in two main ways.⁵ First, it reduces the supply of labour, mainly due to restriction of movement and quarantines, which lead to a drop in capacity utilization and the inability of firms that rely on supply chains to obtain raw materials. Such disruptions contribute to a rise in business costs and constitute a negative productivity shock, reducing economic activity. Second, due to loss of income, fear of disease transmission and heightened uncertainty, people tend to spend less. This leads to further job losses. Some sectors – such as tourism, which constitutes a significant share of GDP in some countries in the Arab region (as discussed in Chapter 3) – are affected more than others. In addition to the sectoral effects, worsening consumer and business sentiment can lead firms to reduce their spending and investment, which, in turn, can lead to business closures and job losses. This may result in financial vulnerabilities, as business fail to pay back loans, also leading to unemployment and loss of income.⁶

Not all enterprises are affected equally by, or suffer from, the consequences of demand and supply side constraints. The extent of the effects varies, among other things, by the sector in which the enterprises operate, the flexibility with which enterprises can telecommute, and the pre-existing conditions of the enterprises

(especially the existing financial standing of enterprises). Enterprises that can conduct their businesses online, for example, may not have to suffer from supply side shocks due to reductions in the supply of labour. A case in point is e-commerce enterprises. For such enterprises, demand issues are more important than supply issues. The effects on enterprises, jobs and incomes will be more severe in FCCs, given that workers in these countries have limited access to social protection and the majority of businesses in these countries are within the informal economy.⁷

Regional impacts

The COVID-19 outbreak is severely impacting the private sector across the region, with some sectors such as tourism, logistics, and retail suffering the most.⁸ Given that about 97 percent of private businesses in the region are MSMEs, such enterprises stand to lose the most. MSMEs and most workers in Arab countries are typically employed in the sectors that are particularly exposed to the effects of the pandemic, such as tourism, transportation and retail trade. Enterprises working in accommodation and food service activities; manufacturing; real estate, business and administrative activities; wholesale and retail trade; and repair of motor vehicles and motorcycles, are at risk of high disruption due to the COVID-19 Crisis.⁹ In Arab countries, these

3 Ibid.

4 Data indicated in the figure should not be compared, as it comes from different sources and there is no standard definition of MSMEs across all countries. It should be interpreted within the given national context.

5 Gopinath, G., "Limiting the Economic Fallout of the Coronavirus with Large Targeted Policies", IMF, 9 March 2020, https://blogs.imf.org/2020/03/09/limiting-the-economic-fallout-of-the-coronavirus-with-large-targeted-policies/?utm_medium=email&utm_source=govdelivery/.

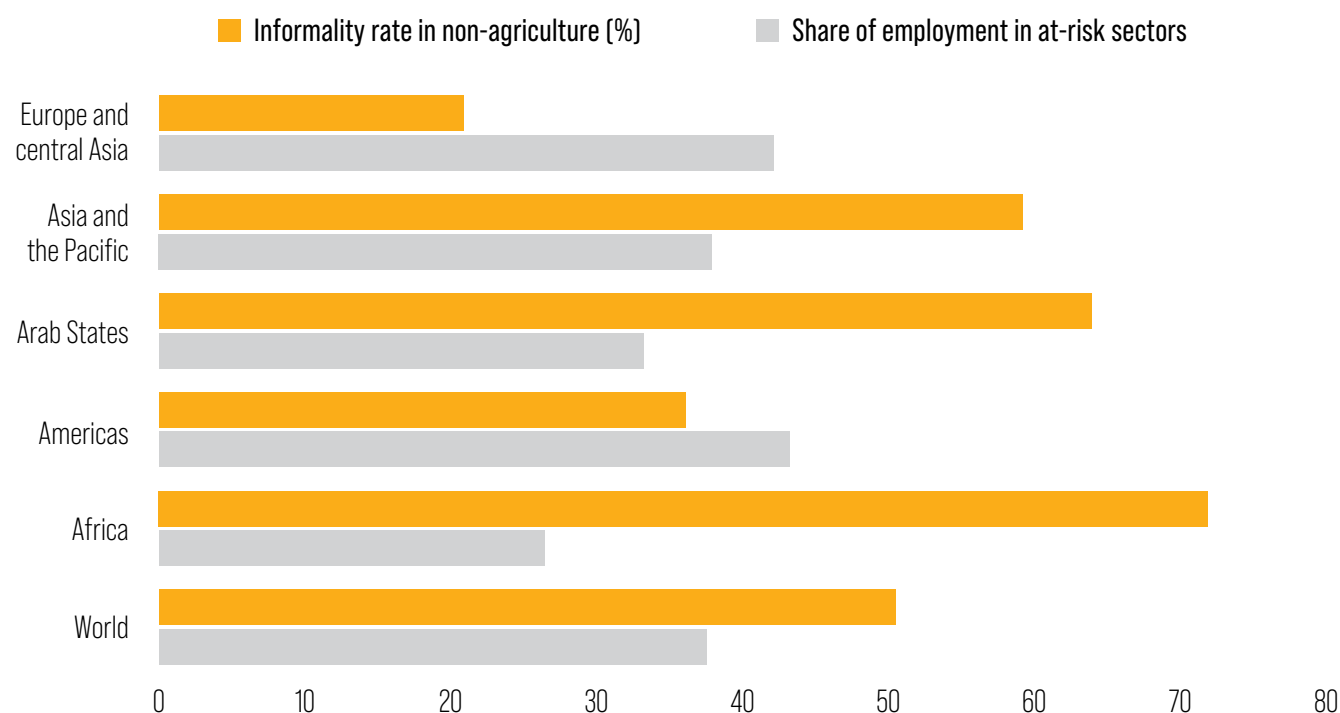
6 ILO, "What we know about how economies react to (health) crisis, what this means for MSMEs and what comes after?" 26 May 2020, https://www.ilo.org/empent/units/boosting-employment-through-small-enterprise-development/resilience/WCMS_745912/lang-en/index.htm/.

7 ILO, "A policy framework for responding to the COVID-19 crisis", 18 May 2020, https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_739047/lang-en/index.htm/.

8 IFC (2020). COVID-19 Economic Impact: Middle East and North Africa. 29 May 2020. Available at https://www.ifc.org/wps/wcm/connect/publications_ext_content/ifc_external_publication_site/publications_listing_page/covid-19-response-brief-mena; Accessed 02 June 2020.

9 ILO, "ILO Monitor: COVID-19 and the world of work. Second edition Updated estimates and analysis", 7 April 2020, https://www.ilo.org/global/about-the-ilo/WCMS_740877/lang-it/index.htm/.

Figure 6.2 Workers at risk of informality (%)



Source: based on “ILO Monitor: COVID-19 and the world of work. Second edition Updated estimates and analysis”, 7 April 2020, https://www.ilo.org/global/about-the-ilo/WCMS_740877/lang--it/index.htm/.

Note: the Arab countries reported here do not include countries in Africa but only the following: Bahrain, Iraq, Jordan, KSA, Kuwait, Lebanon, Oman, State of Palestine, Qatar, Syria, UAE and Yemen.

high-risk sectors (which face a severe decline in output and a high risk of workforce displacement) constitute almost one third of employment. About two thirds of employment in high-risk, non-agricultural sectors in the region work in the informal sector (second highest informality rate in the world)¹⁰ (See Figure 6.2).

Even during normal times, MSMEs face various challenges leading to lower utilization of capacity — challenges that can only worsen during times of crisis. The challenges that are expected, in a protracted lockdown scenario, relate to liquidity constraints (including inability to honour debt obligations) and lack of access to affordable financial products and services; disruption in supply chains leading to inability to meet production deadlines; delays in customs processing of export goods and restrictions on import and export transactions; lack of access to social protection for employees; and inability to meet tax payment deadlines.

Although it may not be representative, the preliminary results of a survey of 247 start-ups in the MENA regarding “the impact of COVID-19 outbreak on the entrepreneurship ecosystem”, undertaken during 16

April 2020–3 May 2020, show the crisis has had negative impacts “on 71 percent of the start-ups, of which 22 percent have suspended operations and 21 percent are witnessing a high decrease in demand resulting in significant losses”.¹¹ The report also shows that in the UAE, Saudi Arabia and Egypt, 67.5 percent, 66.7 percent and 83.9 percent of respondents, respectively, reported that the crisis had negative impacts on start-ups. The same report also shows almost half of the start-ups surveyed in the region stated that they are likely to run out of cash in less than six months and, without adequate financial support, are at risk of shrinking further over the coming months. In response to the crisis, at the time of the survey, 58.8 percent of the respondents were working remotely, 32.2 percent had postponed expansion plans, 25.7 percent had reduced prices/introduced offers, and 18.4 percent had reduced salaries. Not all were negatively affected, however. The report also shows that some start-ups, like online groceries (e-groceries) and food tech start-ups, experienced an increase in demand and revenues.

In oil-exporting countries, declines in oil prices during a crisis such as COVID-19 will have serious

¹⁰ Ibid.

¹¹ WAMDA and Arabnet, *The Impact of the COVID-19 Outbreak on the Entrepreneurship Ecosystem*, 2020, p. 8.

consequences, as the measures taken by governments to reduce expenditure and increase revenue will likely affect the operation of MSMEs. Examples of government actions in similar periods of oil price decline include: increasing charges on services (for example renewal of business licenses, fees to add new business activities, etc.); increasing interest rates and charges on services delivered by banks and financial institutions; declines in the availability of financing for MSMEs as government projects are prioritized; delayed payment for existing government contracts with MSMEs, which affects the liquidity of these enterprises; cancellation of government projects, which affects the demand for MSME products; and increases in work visa fees for expatriates. Such actions affect the level of employment among both expatriates and citizens. Experience, however, shows that governments have not embarked on such measures, and in fact they have instituted fiscal and monetary policy measures that are more favourable to MSMEs than the actions they might have taken in a business-as-usual scenario. Whether or not these countries would take measures such as spending reductions and fee increases that affect MSMEs during the recovery is yet to be seen. The main challenge associated with continued oil price declines in the face of a prolonged COVID-19 crisis would be the decline in the fiscal capacities of the oil-exporting countries, which would affect MSMEs negatively through reduced stimulus packages.

In oil-importing countries, all other things be equal, declines in oil prices could have advantages for MSMEs – especially those engaged in exporting. To the extent that global oil price declines translate into lower local fuel prices, low oil prices could also result in declines in the cost of energy, potentially enabling MSMEs to become more competitive. However, due to COVID-19, enterprises would not be able to take advantage of such a situation, as businesses are not fully operational due to social distancing measures.

Country-level impacts

A comprehensive and comparable study on the impact of the twin crises on MSMEs at country level is not yet available. Though they may not be statistically representative, a few brief surveys that have been undertaken in countries focusing on the impact of the pandemic show that MSMEs have been hit hard by the crisis, resulting in reductions in both production and sales, liquidity constraints, reductions in working

hours, shortages and increased cost of raw materials, as well as reductions both in the number of employees and in salaries. The following examples from Jordan, Egypt, Iraq, Yemen, Lebanon, the State of Palestine and Kuwait highlight the magnitude of the effects on MSMEs. While comparisons between the results from different countries is difficult owing to their differing definitions of what constitute MSMEs, they all report significant reductions in production and sales, as well as significant challenges ensuring uninterrupted access to raw materials.

In Jordan, the findings from a joint ILO–UNDP rapid assessment of 1,190 enterprises (including home-based businesses as well as larger enterprises) across Jordan during the lockdown show that:

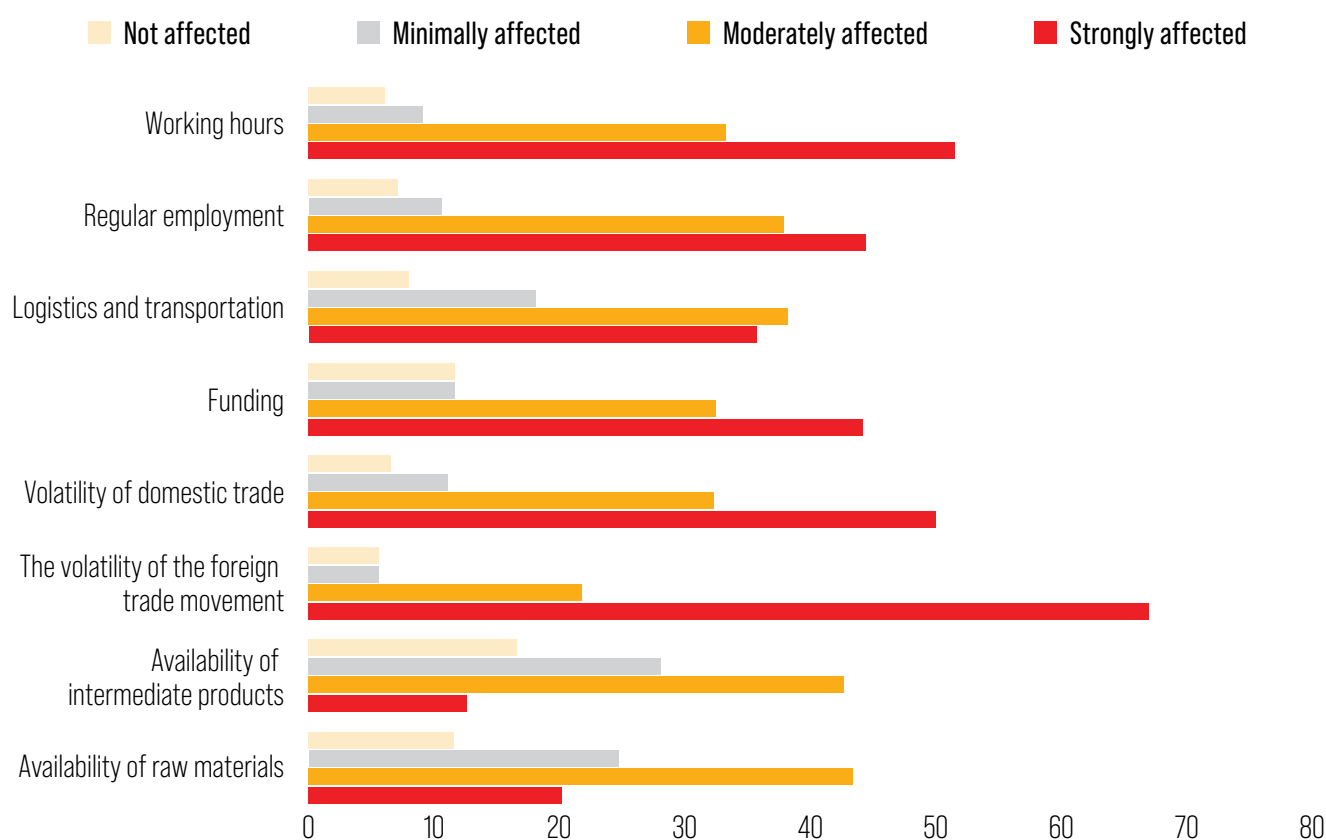
All surveyed enterprises reported challenges in terms of cash flow, reduced demand and supply, and disruption in the value chains as a result of measures responding to COVID-19 ... only 7 percent of the enterprises surveyed reported regular operations; 42 percent indicated the ability to continue paying salaries to all workers for less than one month, while another 42 percent would be able to pay for less than three months ... 30 percent of enterprises indicated that they would remain operational for 1–3 months if the condition at the time of the survey prevails, while 26 percent indicated that they could stay operational for up to a month ... 52 percent of the respondents expressed confidence that they could weather the crisis and resume profitability, while 20 percent were not so confident. 67 percent indicated that they were unaware of any support packages or measures available to help them to help mitigate the impact of the crisis ... 53 percent of businesses considered direct financial support as essential to cope with the situation ... and 42 percent suggested wage subsidies, rising to 68 percent amongst companies of more than 100 workers, are essential to cope with the situation.¹²

In Egypt, 94.9 percent of 139 SMEs and 57 large enterprises surveyed by the Industrial Modernization Center (IMC) of the Ministry of Trade and Industry of Egypt regarding the effect of COVID-19 on production and exports in the industrial sector reported that their operation had been affected by the current crisis or the accompanying containment measures. While the survey may not be representative, the preliminary findings also show that 90.8¹³ percent of respondents indicated that

¹² ILO, Fafo and UNDP, *Impact of the COVID-19 pandemic on enterprises in Jordan*, 2020, pp. ii–iii, https://www.ilo.org/beirut/publications/WCMS_749136/lang--en/index.htm/.

¹³ Authors' calculations, based on Industrial Modernization Center (survey results).

Figure 6.3 Proportion of enterprises reporting constraints to continued operation of their businesses (Egypt)



Source: authors' calculation based on data from Ministry of Trade and Industry of Egypt, Industrial Modernization Center (survey results).

they had encountered disruption in production process due to one or more of the following: disruptions in supply of raw materials or intermediate products; volatile external and internal trade; funding constraints; logistics and transportation; regular employment and decreases in working hours (see Figure 6.3).

Although it might not be statistically representative, another survey from Egypt undertaken by the EBRD (European Bank for Reconstruction and Development)¹⁴ in April 2020 among 110 SMEs engaged in various sectors and drawn mainly from Cairo and Alexandria, shows that 23.1 percent of respondents have stopped operation entirely, 66.7 percent were partially operational, while the remaining were unaffected (business as usual). About 77.8 percent indicated no change in number of employees, while 22.2 percent had decreased the number of employees. In response to the crisis, 71.8 percent put in place health and safety standards, 67.3 percent applied remote working

arrangements, 51.8 percent opted for online solutions, 33.6 percent sought financial/credit solutions, and 30.9 percent implemented crisis management protocols. In terms of new opportunities from which businesses might benefit during the ongoing crisis, the respondents identified: developing digital channels (55.5 percent); collaboration with others (51.8 percent); developing new products (50.9 percent); and digitizing business processes (44.5 percent).

In FCCs such as Yemen, MSMEs have faced difficult situations for years, operating at low profit margins, mainly due to the ongoing conflict. They are not able to withstand the current shock posed by COVID-19. Social distancing measures are likely to have far-reaching impacts on what are mainly informal enterprises. Given the limited access to credit by MSMEs and poor liquidity, "business owners with no financial cushion such as savings or credit lines may be forced to use their business capital for consumption",¹⁵ which may

14 European Bank for Reconstruction and Development (EBRD), "Egypt Crisis Response Survey: Response Analysis" (not published), Advice for Small Businesses, n.d.

15 UNDP (2020). A Synthesis Report on Micro, Small and Medium Enterprises in Yemen with Potential COVID -19 Impact Analysis. Supporting Resilient Livelihoods and Food Security in Yemen: A Joint Programme. Available at: <https://www.ye.undp.org/content/yemen/en/home/library/a-synthesis-report-on-micro--small-and-medium-enterprises-in-yem.html>; Accessed 06/06/2020.

ultimately lead to closure of the businesses, especially informal businesses. “This will lead to loss of jobs and incomes for both owners and employees, with decreased consumption and demand having spiralling effects on production decline, shortages, price increases, further loss of income, lasting damage to the economic fabric and deepening poverty, in a vicious circle”.¹⁶

In Palestine, the findings from an online survey conducted by UN Women on the impact of COVID-19 on women-led MSMEs employing up to 95 employees, tells a similar story. Twenty-seven percent of the enterprises reported closure of their business, 95 percent reported that their businesses are being negatively impacted by the pandemic, 73 percent of them reported that they could only sustain their businesses during the current situation from one to four months, 53 percent of women reported that they are considering laying off their employees, and 42 percent of the respondents reported a decrease in demand.¹⁷

Similarly, in Iraq, the results from a survey undertaken by IOM in April 2020 on the impact of COVID-19 on SMEs operating in construction and manufacturing, food and agriculture, retail and wholesale and service sectors, show that the pandemic is having a significant negative impact on the operations of these enterprises. Effects on sales and production among firms have been the most acute.¹⁸ According to the report, “Ninety-four percent reported the crisis has affected sales ... 18 percent reported expiry (loss) of inventory, stocks or raw materials ... only 37 percent reported having employees working consistently ... and 51 percent reported that they would not be in a position to cover rental cost for the month during which data was collected, which is 24 March to 21 April”.¹⁹ The report also states that, during the period under investigation, the affected businesses have experienced, on average, a 52 percent reduction in level of production; a 71 percent reduction in sales (of those SMEs that reported sales and production have been affected), a 40 percent reduction in employment, and a 36 percent reduction in salaries of employees. Sixty-two percent of the surveyed enterprises see financial support as an essential intervention for their

survival during the crisis, while 59 percent said it was essential to ensure their future recovery.

In Lebanon, a report from a survey of 363 small-scale enterprises conducted in April 2020 shows that 51 percent have stopped production temporarily, 40 percent have reduced working hours, 36 percent have reduced employees (permanently as well as temporarily), 40 percent reported liquidity constraints, 28 percent reported increased production costs and 59 percent reported stopping hiring new workers.²⁰ Lebanon was already undergoing serious financial and economic crises before COVID-19 and it is likely that the pandemic will exacerbate the already deteriorating conditions caused by the financial and economic crises.

In Kuwait – although not specifically targeted to MSMEs²¹ – in a survey of 498 enterprises²² with at least one year of operation and which had recorded a profit in 2019, conducted between April 24 and April 28, 45 percent of respondents reported suspending or shutting down their businesses, with almost all of the remaining (53 percent) reporting that their revenue had dropped. Reported drops in revenue ranged from five percent to 80 percent. Twenty-six percent of the respondents indicated that their revenue had dropped by 80 percent. Similar to what has been observed elsewhere, impacts vary by sector of operation. Of the total which suspended or shut down operations: 27 percent were engaged in retail; 18 percent in construction, contracting and architecture; and 15 percent were engaged in professional services. The main reasons for closure of the enterprises were: inability to deliver due to the lockdown (32 percent), disruption of supply-side logistics (19 percent), upstream/downstream chain disruption (16 percent) and lack of access to personal protective equipment (9 percent). The survey was conducted during the partial curfew period before the full lockdown came into effect. As a result, the impact could be worse than indicated above. For example, 43 percent of respondents indicated that they would exit the market if the lockdown policies continue for another six months. With the conditions prevailing during the time of the survey, 80 percent of the enterprises indicated that they would not be able to cover more than six months’ worth of fixed costs.

16 Ibid; p20.

17 UN Women, “Impact of COVID-19 on women-led MSME’s in Palestine”, 2020, <https://arabstates.unwomen.org/en/digital-library/publications/2020/04/impact-of-covid-19-on-women-led-msmes-in-palestine/>.

18 International Organization for Migration (IOM), “Impact of COVID-19 on Small and Medium-sized Enterprises in Iraq”, June 2020 <https://iraq.iom.int/publications/impact-covid-19-smes-iraq/>.

19 Ibid. pp 7–8.

20 ILO and Fafo, “Facing Multiple Crises: Rapid assessment of the impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon”, May 2020, https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_747070.pdf/.

21 In Kuwait, 90 percent of enterprises are believed to be MSMEs.

22 Bensirri Public Relations, “COVID-19 Kuwait Business Impact Survey”, <https://www.prnewswire.com/news-releases/kuwait-covid-19-business-impact-survey-finds-45-of-businesses-have-shut-down-since-february-301060491.html>

Policy review

Countries in the region have implemented fiscal and monetary policy measures to combat the spread of the disease, while addressing the social and economic effects of measures taken to contain the disease (Table 6.1). MSMEs, in particular, received heightened attention due to the large number of people they employ. Such measures are important to avoid or limit massive job losses and the collapse of enterprises, and to prevent lasting damage to economies. The main type of support targeting MSMEs and other enterprises in the Arab region is related to easing challenges related to the liquidity (financial needs) of enterprises, followed by tax/fee payment deferrals and employment protection schemes.

The disparity in the scope and depth of response between FCCs on the one hand, and the other groups

of countries on the other is noticeable. While both oil-exporting and oil-importing middle-income countries have put in place mechanisms that directly support MSMEs to save enterprises from closure and protect jobs, a look at some of the measures taken by FCCs²³ shows that they have largely focused on saving jobs through regulatory means (e.g., by making it illegal to reduce employment) or by providing relief support to those affected, instead of direct support to enterprises – such as maintaining liquidity, tax deferrals, and providing subsidies on recurring expenses such as rent, electricity, salaries and raw materials – which were mostly implemented in oil-exporting countries. This could obviously be attributed to the weak fiscal space of FCCs, but ensuring the survival of the enterprises during the crisis will require support related to recurring expenditures.

Table 6.1 Policy responses implemented in the region to support enterprises

Response measures taken	OECs (7 countries)	OIMICs (5 countries)	FCCs (8 countries)
Financing/liquidity related support	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Egypt, Jordan, Morocco, Tunisia	Somalia, Lebanon, Palestine,
Tax and fee payment deferrals	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE	Egypt, Jordan, Morocco, Tunisia	Lebanon, Palestine, Yemen
Employment protection/retention schemes	Bahrain, Qatar, Saudi Arabia, UAE	Egypt, Jordan, Morocco, Tunisia	Sudan, Iraq
Lowering (subsidizing) prices of utilities (such as electricity bills) and rents	Qatar, Saudi Arabia, Bahrain	Egypt, Djibouti	Lebanon, Yemen

Source: Based on information obtained from: ILO, “COVID-19 and the World of Work: Country policy responses”, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#UN/>; and OECD, “COVID-19 crisis response in MENA countries”, updated 9 June 2020, <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#back-endnotea0z26/>.

23 For detailed policy responses by governments, see: ILO, “COVID-19 and the World of Work: Country policy responses”, <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#UN/>; and OECD, “COVID-19 crisis response in MENA countries”, updated 9 June 2020, <http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#back-endnotea0z26/>.

06

Policy recommendations

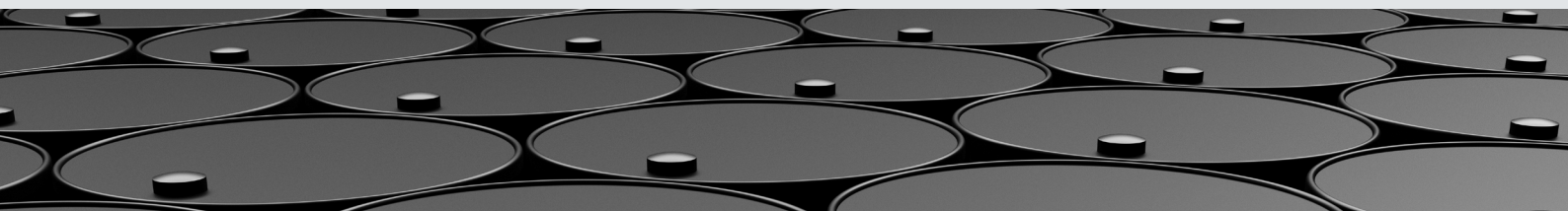
If the crisis continues, MSMEs face the risk of significant decline in revenues and job losses. Under the prevailing situation of uncertainty, “enterprises in general are likely to delay investments, purchases of goods and services, and hiring of workers”,²⁴ which may lead to downsizing and closure of enterprises. A recent ILO Score Global COVID-19 Enterprise Survey shows that measures such as deferring payments of utilities, social security contributions, loans or taxes; access to cash/short-term finance; expanding access to social protection for workers; business development services; and controlling prices of critical goods, are some of the interventions that are prioritized by the MSMEs for implementation by government.²⁵ Such measures are also often recommended to mitigate the impact of COVID-19 on SMEs and have been implemented extensively both in the Arab region and beyond.²⁶ As seen in Table 6.1, however, there are disparities among countries. While the oil-exporting countries and oil-importing middle-income countries have put in place such measures – with varying depth and scope – these are areas where FCCs have not done much so far, and where urgent interventions are needed.

In the short-term, as long as the health crisis continues and businesses operations remain affected due to social distancing measures, MSMEs will continue to rely on government support to prevent the collapse of enterprises. This will require a continuation of current interventions, yet with a significantly increased scale of implementation. Given that these enterprises are varied in their type and size, and since there is no one-

24 COVID-19: Opportunities to Improve Jordan’s Terms of Trade – Jordan Strategy Forum 2020 Report; page 3

25 ILO, “ILO SCORE Global Covid-19 Enterprise Survey: How are enterprises affected and how can we support them?”. 15 May 2020, https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/presentation/wcms_745097.pdf/.

26 ILO, “ILO Enterprise Brief: Interventions to support enterprises during the COVID-19 pandemic and recovery”, 16 April 2020, <https://www.ilo.org/empent/areas/covid-19/lang-en/index.htm>; IMF (2020). Regional Economic Outlook: Middle East and East Asia. April, 2020. Available at <https://www.imf.org/en/Publications/REO/MECA/Issues/2020/04/15/regional-economic-outlook-middle-east-central-asia-report>; Accessed 25/05/2020; OECD, “Coronavirus (COVID-19): SME Policy Responses”, 15 July 2020, https://read.oecd-ilibrary.org/view/?ref=119_119680-di6h3qgi4x&title=Covid-19_SME_Policy_Responses/.



size-fits-all solution, the measures should be tailored to their needs and priorities as much as is possible. Weaknesses observed – such as lack of awareness about government support programmes in some countries – need to be addressed.

In the medium to long term, actions could include:

- a. Looking for systems or strategies to broaden the fiscal space of FCCs. Unless governments have adequate financial capacity, they will not be able to put in place – let alone maintain – large-scale fiscal stimulus measures that can protect jobs and enterprises from falling for an extended period.
- b. More than ever before, countries require holistic policy approaches that address the gaps in enabling business environments for the establishment and operation of MSMEs, and upgrades to human capital and infrastructure. MSMEs require support from governments in expanding market opportunities; for example, by providing information, facilitating standardization and the provision of technical assistance
- c. This is an opportunity to re-examine not only the specific challenges posed by the twin crises themselves, but also to address key constraints in the enabling environment and enhance the resilience of these enterprises to shocks. It is the ideal time to look at factors constraining the development and expansion of not only MSMEs but the private sector in general.
- d. Existing weaknesses identified in the sector should be addressed, such as the need to expand access to social protection to the employees of MSMEs.
- e. Even under normal circumstances, MSMEs face challenges in accessing finance—a problem which will worsen due to COVID-19. Their recovery will strongly benefit from services such as continued access to affordable finance to ensure liquidity; business development services; and support in terms of facilitating market linkages and product distributions channels. Access to finance is key to the survival of enterprises. Financial aid, whether in the form of investment, loans or bill waivers, are necessary to support the recovery and development of enterprises.
- f. MSMEs need to develop the capacity to harness digital opportunities, making them more agile and responsive. Online marketing provides an opportunity for many to reach out to clients during periods of crisis such as the present COVID-19 pandemic. Major interventions in telecommunication can support marketing strategies and provide opportunities in the recovery stage.
- g. More fundamentally, governments need to reduce the so-called “dualism” in these economies, by allowing SMEs to grow, noting that a key characteristic of the private sectors in most countries is their “missing middle”, which is largely related to the unfair competition that mid-size firms face from large – and often politically connected (but inefficient) – firms and SOEs.

Impacts on Poverty and Food Security



07

Impacts on Poverty and Food Security

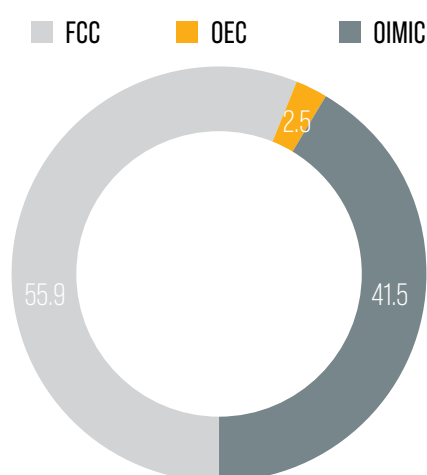
Income poverty levels

The Arab region comprises both countries with high levels of poverty and others in which extreme poverty is thought to have been eradicated. Using national definitions, about 56 percent of the region's poor live in fragile and crisis affected countries (FCCs), while around 42 percent live in oil-importing middle-income countries. Three countries – Iraq, Sudan and Yemen – are home to about 46 percent of those categorized as poor according to national poverty lines.

Roughly 75 percent of those living under extreme poverty (below the international poverty line of US\$1.9/day in PPP) are from FCCs, while 23.4 percent live in middle-income oil-importing countries. Using the lower middle-income country poverty line of \$3.2/day PPP, 39.4 percent of the region's poor live in middle-income oil-importing countries, showing the extent of vulnerability in these countries (see Figures 7.1a and 1b).

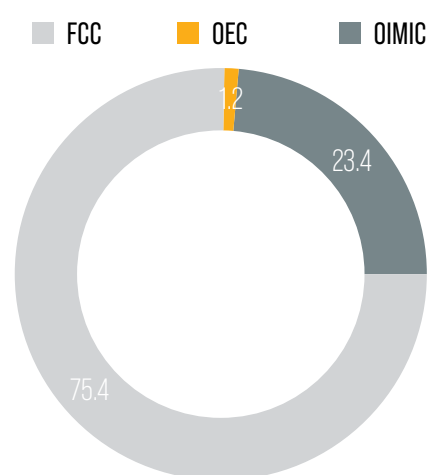
Figure 7.1

(a) Contribution to regional poverty (national poverty line)



Source: authors' calculation based on World Bank, World Development Indicators (latest available data).

(b) Contribution to regional poverty (\$1.9 poverty line)



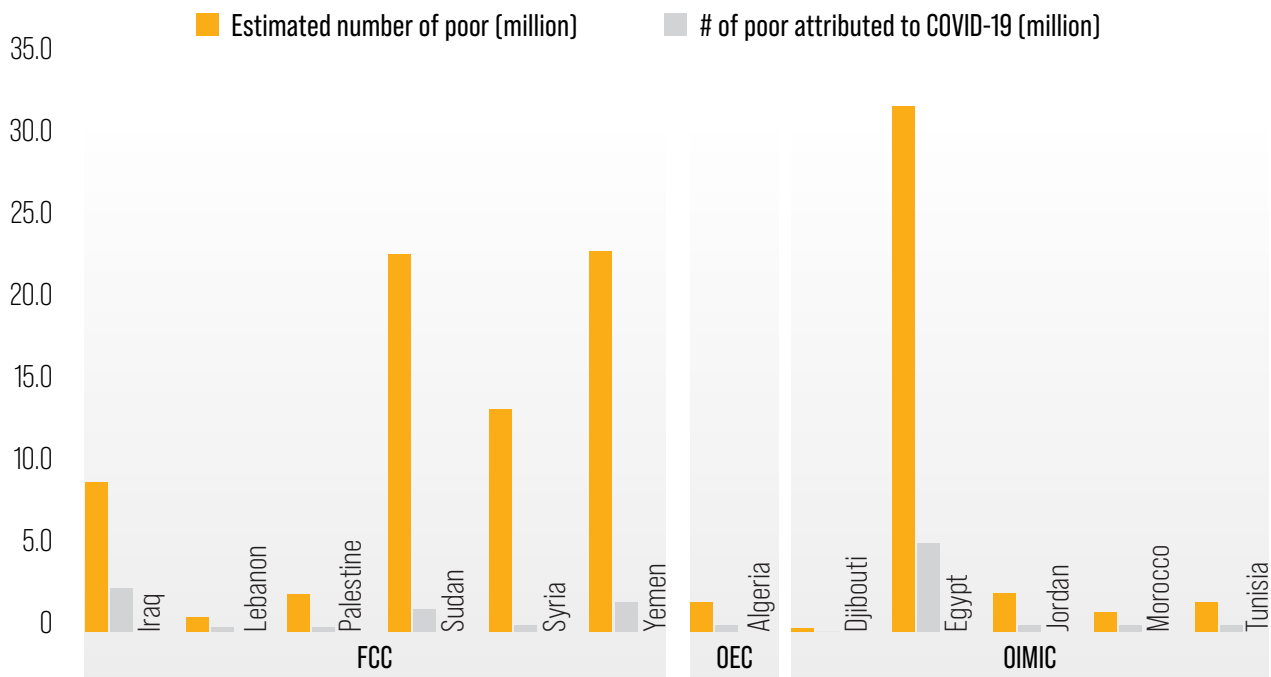
Source: authors' calculation based on World Bank, PovcalNet database (latest available data).

Impact of COVID-19 and the oil price crisis on poverty in the region

At the macro level, the risk of increased poverty due to COVID-19 and the decline in oil prices in oil-exporting

FCCs emanates from a decline in per capita GDP growth due to the twin crises and the high level of

Figure 7.2 Effect on the number of poor in the region (million) (2020)



Source: Based on Abu-Ismaïl (2020)

existing inequality in the region.¹ According to the IMF², the 2020 per capita income of all countries in the region is forecasted to decline from its 2019 level by a value ranging from 0.34 percent in Egypt to almost 60 percent in Libya. At the micro level, the crisis contributes to an increase in the level of poverty through its effect on lowering labour earnings due to factors including the decline in economic activities; reduction in remittances; decline in social assistance benefits and public cash transfers due to decreasing government revenue³; and potential increase in prices due to disruption in supply chains, reducing people's purchasing power.⁴ In countries with lower social protection coverage and lower fiscal space to respond to the crisis, the number of poor people is likely to rise.

Estimates vary regarding the additional number of people who will fall into poverty as a consequence of the current crises. However, they all show that the number of poor in the region will increase due to the dual crisis affecting the region (indeed, for some it is a 'triple' crisis, owing to conflicts in Iraq and Libya, and natural disasters like the desert locust swarms in East Africa that continue to threaten crops in Somalia and to a lesser extent, Sudan and Yemen⁵). Evidence indicates that the estimated increase in the number of people who fall into poverty in the MENA region due to these crises range from 2.8 million⁶ to 14.3 million people.⁷ This would bring the estimated total number of people in the region living in poverty to about 115 million. According to another study by Sumner et al.⁸, the number of the

1 According to the World Inequality Lab, the Middle East "... appears to be one of the most unequal regions in the world, with the share of income accruing to the top 10 and 1% exceeding 60% and 25% of total regional income 2016"; World Inequality Lab, *World Inequality Report 2018*, p.131, <https://wir2018.wid.world/>.

2 IMF, "World Economic Outlook, April 2020: The Great Lockdown", April 2020, <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020/>.

3 While there is a possibility that social assistance could increase in the short term in response to the crisis, in the medium to long term, there is a possibility of more negative effects of declining government revenues on social protection coverage.

4 World Bank, *Iraq Economic Monitor: Navigating the Perfect Storm*, 2020, <http://documents.worldbank.org/curated/en/446201588465646751/pdf/Iraq-Economic-Monitor-Navigating-the-Perfect-Storm-Redux.pdf/>.

5 UN Food and Agriculture Organization (FAO), "Desert locust crisis", n.d., <http://www.fao.org/emergencies/crisis/desertlocust/intro/en/>.

6 Estimated based on poverty line of \$1.9/day (PPP); Mahler, et al., *The impact of COVID-19 (Coronavirus) on global poverty: Why Sub-Saharan Africa might be the region hardest hit*, April 20, 2020, <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest/>.

7 Estimate refers to poverty according to national definition. The estimates are based on data from the following countries: Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Morocco, the State of Palestine, Sudan, Syria, Tunisia, Yemen, Mauritania and Comoros. Abu-Ismaïl, K. *Impact of COVID-19 on Money Metric Poverty in Arab Countries*, UNESCWA, 2020.

8 Sumner et al., *Estimates of the impact of COVID-19 on global poverty*, 2020, <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-43.pdf/>.

new poor residing in the MENA region will range from 3.3 million⁹ (3.9 percent of global poverty) to 9.9 million¹⁰ (eight percent of global poverty), depending on the poverty lines used. These estimates (except that of Abu-Ismaïl [2020]) assume no change in the level of inequality in the region. However, the estimated number of poor could increase if inequality increases due to the twin shock, which is likely to be the case.

Which countries are most affected?

The decline in economic activity caused by measures to contain COVID-19 have resulted in lower demand for oil. Combined with production increases by some major producers – such as Russia, Saudi Arabia and the UAE – after the breakdown of the OPEC+ agreement in March, the low demand for oil has resulted in significant price declines. This has direct and indirect effects on levels of poverty, depending on whether a country is an oil importer or exporter. Given the generally low level of energy consumption by the poor, the direct impact of falling oil prices on poverty are likely to be limited. However, the indirect effects through economic growth and falling food prices may be substantial and largely beneficial.¹¹ About 90 percent of the region's poor live in oil-importing countries, where low global oil prices could support growth and real incomes.¹² There is, however, little optimism regarding the translation of the beneficial effects of low oil prices on poverty reduction, even in oil-importing countries, owing to the decline in economic activity caused by COVID-19, which has constrained the realization of the benefits that could be derived from energy-intensive activities in terms of growth and poverty reduction. In oil-exporting countries, tightening fiscal policy could weaken prospects for those who rely on social assistance programmes.¹³

FCCs will be the most affected by the twin crises, due to their poor and volatile past economic performance as well as their extra vulnerability and dependence on external humanitarian support. Countries in this group that rely on oil exports as their principal source of

revenue (like Iraq and Libya) will be seriously affected. For example, using various scenarios, the World Bank estimates that poverty in Iraq could increase by 14.4 to 18.7 percentage points.¹⁴

While the crisis affects all members of society, women are particularly vulnerable to the unintended effects of interventions put in place to contain the disease. According to the UN, “women’s economic and productive lives will be affected disproportionately and differently from men due to COVID-19”.¹⁵ In the Arab region, this is partly because women are disproportionately employed in the informal sector or are unpaid workers in family businesses. Migrant workers (including female domestic workers) who lose jobs and are unable to return to their country of origin, risk falling into poverty rapidly (more work is needed to determine the numbers likely to be affected). Rural women across the region are already amongst the poorest group and may be adversely affected if food prices rise (see below).

Multi-dimensional poverty implications

For the purposes of cross-country comparison, income-based definitions of poverty help highlight the most vulnerable. In the Arab states, however, many of those who are multi-dimensionally poor (see ESCWA paper of 2017¹⁶) live in middle-income countries. COVID-19 is likely to affect both those who are income poor and those who are multi-dimensionally poor, and responses should be created accordingly. ESCWA¹⁷, based on analysis of data from Jordan, Tunisia, Algeria, Egypt, Morocco, Iraq, Sudan and Yemen, in addition to Comoros and Mauritania, determined that education (or the lack of access to it) was the biggest contributor to non-income poverty in the region, with some evidence that living conditions (including access to cooking fuel) in the poorest countries of the region was also a significant contributor. There were also sharp rural/urban divides and in the poorest countries there is also a significant gendered

9 At poverty line of \$1.9/per day (PPP); estimated contraction of per capita income/consumption by 5 percent per annum.

10 At poverty line of \$5.5/per day (PPP); estimated contraction of per capita income/consumption by 5 percent per annum.

11 Baffes, J., et al., *The Great Plunge in Oil Prices: Causes, Consequences, and Policy Responses*, 2015, <https://www.banqueducanada.ca/wp-content/uploads/2016/05/great-plunge-oil-prices.pdf/>.

12 Own calculation based on data from Abu-Ismaïl and Hlasny (2020).

13 World Bank, *Global Economic Prospects*, June 2020, <https://openknowledge.worldbank.org/handle/10986/33748/>.

14 World Bank, *Iraq Economic Monitor*, 2020, op. cit.

15 UN, *UN Secretary-General's policy brief: The impact of COVID-19 on women*, 2020, p.4, <https://www.unwomen.org/en/digital-library/publications/2020/04/policy-brief-the-impact-of-covid-19-on-women/>.

16 UN ESCWA, *Arab Multidimensional Poverty Report*, 2017, <https://www.unescwa.org/publications/multidimensional-arab-poverty-report/>.

17 Ibid.

difference in educational attainment, especially at secondary school level.¹⁸ With the closure of schools, these gaps are likely to grow in both the poorest and middle-income countries alike. The impact of access to education on multi-dimensional poverty is underlined in UNDP's recent report on human development and COVID-19.¹⁹ This report also notes the impact on inequality of the digital divide – particularly in terms of access to education, but also in the context of the transition to more online working. As indicated in Chapter 8, the global digital divide is gendered in nature, which is the case across the Arab region except for in the Gulf countries.²⁰ Even where connectivity is available, within families, girls are unlikely to be given priority in terms of access to online education. For the poorest countries in the region, the impact will be more immediate: evidence from the Ebola outbreak shows that during and after the pandemic, girls were more likely to drop out of school and never return.²¹ The increased investment in education across the region that is required to counter existing poverty may also become a victim of tightened budgets. It is also worth noting that levels

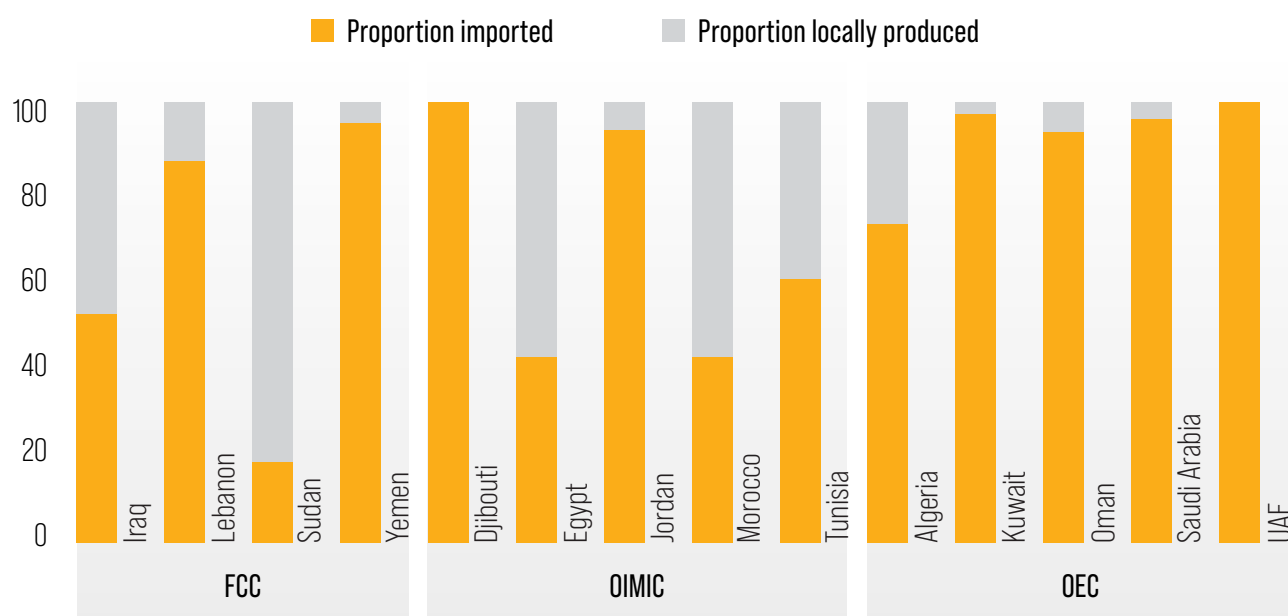
of child poverty are high across the region, with three quarters of children living in acute poverty in Sudan, almost half in Yemen and almost a quarter in Morocco, according to UNICEF.²² Child poverty is likely to be exacerbated by the COVID-19 pandemic.

Food security

Achieving food security is one of the SDGs that countries have committed to achieve by 2030. Crises such as COVID-19 pose significant hurdles in this regard. The projected increase in poverty in the region also means that a greater number of people will become food insecure. The effect of the twin crises on food security is manifested in three key dimensions: availability of food; access to food; and utilization of food.

Availability of food: the MENA region as a whole, including the Arab States, is especially vulnerable to food insecurity, being the largest per capita importer of grain in the world (see Figure 7.3). Figure 7.3 shows the proportion of cereals imported out of the total cereals consumed. In addition, Arab countries in East Africa – and especially Somalia – are likely

Figure 7.3 Cereal import dependency ratio (Percentage), three-year average (2011–2013)



Source: Based on FAOSTAT (latest available years), accessed 24/05/2020

18 UNESCO, *Reducing global poverty through universal primary and secondary education*, June 2017, <http://uis.unesco.org/sites/default/files/documents/reducing-global-poverty-through-universal-primary-secondary-education.pdf>.

19 UNDP, *COVID-19 and Human Development: Assessing the Crisis, Envisioning the Recovery*, 2020, http://hdr.undp.org/sites/default/files/covid-19_and_human_development_0.pdf.

20 UNESCO, 2017, op. cit.

21 UNESCO, "COVID-19 school closures around the world will hit girls hardest", 31 March 2020, <https://en.unesco.org/news/covid-19-school-closures-around-world-will-hit-girls-hardest/>.

22 UNICEF, *Child Poverty in the Arab States: Analytical Overview*, 2018, <https://www.unicef.org/mena/sites/unicef.org.mena/files/2018-03/Summary%20Report%20Child%20Poverty%20E.PDF>.

to suffer severe reductions in harvests as a result of locust swarms. The latest predictions by the Food and Agriculture Organization (FAO) suggest that "... the impact of this desert locust outbreak in Somalia could, by September 2020, increase the number of Somalis facing **food insecurity** or severe hunger by half a million".²³

As indicated in Figure 7.3, while some of the smaller countries in the region are more dependent on food imports, in terms of numbers of poor who can be directly affected by fluctuations in world grain prices and/or supply shocks, Egypt and Morocco are particularly vulnerable. For 2020, FAO foresees no immediate threat of disruption in global markets and predicts a good harvest in Egypt, but Morocco is predicted to suffer a 25 percent reduction in harvest in 2020, which will signal a need to increase imports and, potentially, prices.²⁴ Sudan is likely to suffer a combination of reduced grain production and falling exchange rates, potentially leading to a 50 percent increase in wheat prices.²⁵

The decline in oil prices has (potential) direct and indirect food security benefits for agricultural production, especially in oil-importing countries that produce a sizeable proportion of their food needs locally (given the use of oil products in agriculture, be it in the form of fuel for agricultural machinery or transportation of agricultural inputs and outputs).²⁶ Lower oil prices could potentially mean lower prices for fertilizer, fuel and shipping (transportation), and production of food commodities. However, in the short term, potential gains from oil price declines will not be realized, as such gains are constrained by the decline in economic activity induced by COVID-19.

Access to food: of the three dimensions of food security, the most pronounced impact of COVID-19 is likely to be on access to food, despite the potential

positive effect of a decline in oil prices. The effect of COVID-19 and decline in oil prices on access to food are manifested through the following:

- a. **Stability of global food supply and prices:** disruptions in global and local supply chains could cause food shortages. "There may be problems with food availability (and price spikes) at the local level due to supply chain disruptions and border closures in response to containment strategies, that may restrict food flows or movement of labor".²⁷ Past experience shows a positive relationship between oil price and agricultural commodity prices. A study by Baffes et al. show that a 45 percent decline in global oil prices could reduce agricultural commodity prices by about 10 percent.²⁸ However, following the COVID-19 crisis, the global price of one of the crops commonly imported into the region (rice) seem to have moved in the opposite direction to oil. Although the FAO states that global grain supplies are adequate for 2020²⁹, by April the price of rice had increased by 26.7 percent since the beginning of the year.³⁰ The price of rice in May had decreased by 8.1 percent from April, but remained 16.4 percent above its level in January.³¹ The increase in price – irrespective of the abundance in global supply – could be due to recent announcements of trade restrictions by major exporters, as well as unusually large purchases by some importers including the Philippines, Egypt and Saudi Arabia³², and export bans introduced by some countries – including Algeria, Bahrain, Oman and Syria – in response to the COVID-19 crisis. If such actions become widespread, it may result in hoarding and increases in global prices of food.³³ The effects would mainly harm OIMICs and FCCs, where,

23 FAO, "UN continues support to fight desert locust in Somalia amid COVID-19 response", 1 May 2020, <http://www.fao.org/emergencies/fao-in-action/stories/stories-detail/en/c/1277562/>.

24 FAO, "Country Briefs: Morocco", <http://www.fao.org/giews/countrybrief/country.jsp?code=MAR>; "Country Briefs: Egypt", <http://www.fao.org/giews/countrybrief/country.jsp?code=EGY/>.

25 Famine Early Warning Systems Network (FEWS NET), "Very high staple food prices to continue driving large assistance needs through lean season", n.d., <https://fewsn.net/fr/east-africa/sudan/food-security-outlook/march-2020/>.

26 Post Carbon, "How Oil Prices Affect the Price of Food", oilprice.com, 21 December 2011, <https://oilprice.com/Energy/Oil-Prices/How-Oil-Prices-Affect-The-Price-Of-Food.html#:~:text=Modern%20agriculture%20uses%20oil%20products,aspects%20of%20commercial%20food%20systems.>

27 World Bank, *Commodity Markets Outlook*, April 2020, p. 2, <https://openknowledge.worldbank.org/bitstream/handle/10986/33624/CMO-April-2020.pdf?sequence=9&isAllowed=y/>.

28 Baffes et al., op. cit.

29 FAO, "World Food Situation", 2 July 2020, <http://www.fao.org/worldfoodsituation/csdb/en/>.

30 Source: authors' calculation based on data from IMF commodity price system.

31 The price of wheat, the other cereal heavily imported in the region, remained stable, increasing slightly by 0.8 percent in April but declining by 2.2 percent in May from its level in January 2020.

32 World Bank, *Global Economic Prospects*, 2020, op. cit.

33 Ibid.

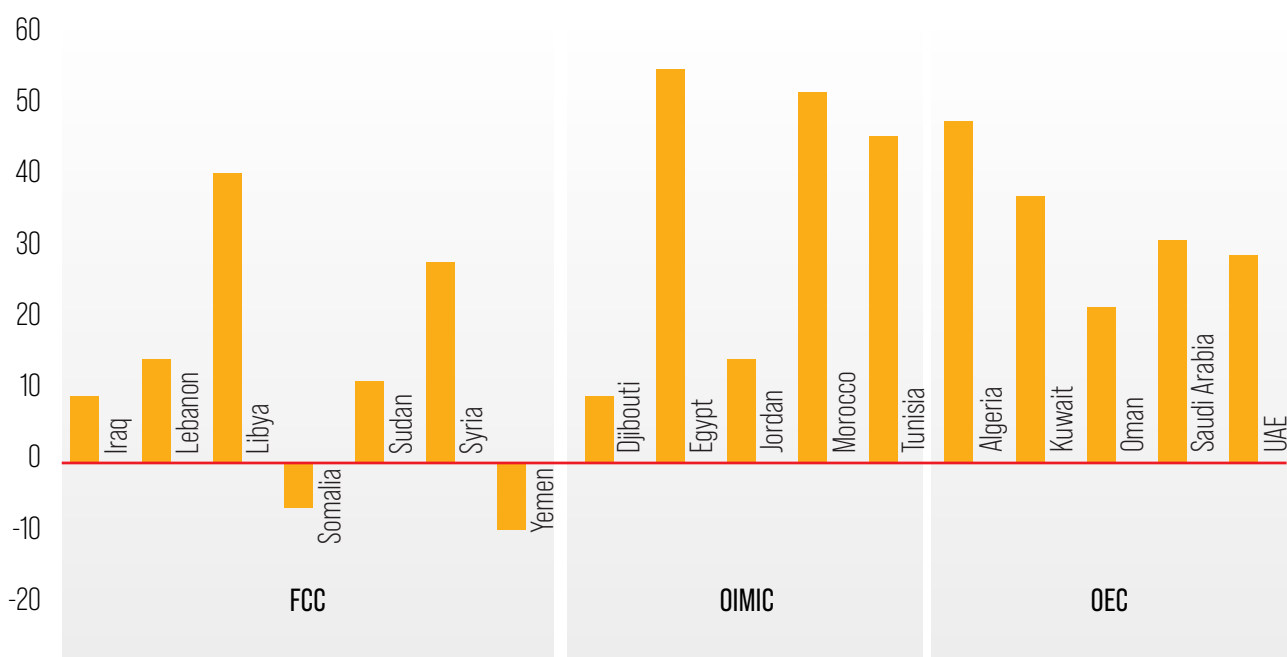
as indicated under 'Income poverty levels', over 75.4 percent and 23.4 percent, respectively, of the extreme poor in the Arab region reside.

- b. **Loss or reduction of income**, due to unemployment instigated by social distancing measures, negatively affects access to food.³⁴ The ILO estimates that during the second quarter of 2020, the Arab States are likely to see large reductions in terms of working hours (see Chapter 5).³⁵ According to the report, many of these workers will face loss of income and risk falling deeper into poverty. In times of job losses, people who lack access to social protection measures will be affected the most, as they lose their purchasing power. The effect could be more pronounced in countries such as Egypt, Jordan, Lebanon, the State of Palestine and Yemen, where personal remittances (received) as a percentage of GDP are the highest (see Chapter 4).
- c. **Increase in local food prices**: increases in prices, coupled with loss of income, contributes

to declining purchasing power and negatively affects poverty reduction and food security. According to the World Food Programme's Market Monitor, severe increases (≥ 10 percent) in the cost of major food baskets were observed during the first quarter of 2020, compared with the last quarter of 2019, mainly in FCCs such as Lebanon, Libya, Sudan and Syria.³⁶ Moderate increases (0–5 percent) were observed in Djibouti, Jordan, Yemen and Iraq, while a major increase (5–10 percent) was observed in Somalia. There was no significant increase in other countries. Four FCCs (Lebanon, Libya, Sudan and Yemen) are likely to experience consumer price inflation of 17 percent, 22.3 percent, 81.3 percent and 26.7 percent³⁷, respectively, further taxing the poor and pushing them deeper into poverty and food insecurity.

In terms of **utilization of food** – as represented by average dietary energy supply adequacy (percent) (3-year average) as a measure of adequacy of food consumption (indicator of level of food insecurity) – all

Figure 7.4 Difference in actual and required (=100) dietary energy supply 2016–2018 (Percentage)



Source: authors' calculations based on data from FAOSTAT (latest available years), accessed 24 May 2020.

34 FAO, IFAD, the World Bank and WFP, "Joint Statement on COVID-19 Impacts on Food Security and Nutrition", 21 April 2020, <http://www.fao.org/news/story/en/item/1272058/icode/>.

35 ILO, "ILO SCORE Global Covid-19 Enterprise Survey: How are enterprises affected and how can we support them?" 15 May 2020, https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/presentation/wcms_745097.pdf/.

36 For Sudan, data is available starting from 2010–2012.

37 For Sudan, data is available starting from 2010–2012.

countries in the region, except Somalia and Yemen, have, on average, more dietary energy supply than the average dietary energy requirement, which means on average countries have been able to meet more than 100 percent of their daily calorie requirement (see figure 7.4). However, despite adequate calorie intake, the overall trend between 2007/2009 and 2016/2018 shows that some countries have recorded declines in levels of dietary adequacy. During the period, average dietary energy supply has declined by 13.6 percent in Lebanon; 4.5 percent in Syria; 9.9 percent in Yemen; 7.3 percent in Jordan; 4.9 percent in Kuwait; and 0.8 percent in Oman. In the remaining countries, the level of dietary supply has, on average, increased over the same period.³⁸ An extended COVID-19 crisis could imply further deterioration of calorie intake.

The averages, however, hide the details. It is estimated that about 44.2 million undernourished people live in the Arab region, residing mainly in the rural areas.³⁹ From data on the prevalence of undernourishment across countries, it is observed that 74.3 percent of undernourished persons live in FCCs, while 17.6 percent and 8.1 percent live in OIMICs and OECs, respectively.⁴⁰ UNESCWA (2020) recently estimated that 1.9 million people will become food insecure (undernourished) due to COVID-19. People living in FCCs are being hit especially hard.⁴¹ UNESCWA estimates that 55 million people in need of humanitarian aid in the Arab region are threatened by the pandemic.⁴² According to the report, around 26 million of those in need of humanitarian aid have been forcibly displaced, and 16 million of those displaced are moderately to severely food insecure.

Food security also has gender implications. For example, in a study of drought, displacement and livelihoods in Somalia, a consortium of NGOs demonstrated

the gendered impact of coping mechanisms; when families do not have sufficient food, women will often be the last to eat.⁴³ Food insecurity and an inability to afford bread, in particular, was arguably a significant contributing factor in the uprisings of late 2010 and 2011. It is therefore important to pay attention to the impact of food insecurity on political stability.

Measures taken to address poverty and food insecurity

Countries have undertaken extensive measures to prevent declines in consumption due to disruptions in economic activities. The principal beneficiaries of such measures are enterprises and individuals. The measures include reductions in taxes on consumer items; social protection; income support; access to finance; market management; easing liquidity constraints; import subsidies; export bans; and institutional measures. The following table might not be exhaustive, but it provides a range of policy responses undertaken by countries to mitigate the impact of COVID-19 on food security.

As is indicated in Table 7.1, OECs have instituted a much broader variety of measures when compared with other groups of countries. While OECs were in a position to provide extensive support due to their fiscal strength, in the medium to long-term, continued declines in oil prices could threaten their capacity to continue implementing such measures. In the medium to long term, oil-exporting countries could face a situation where declining oil revenues could undermine their ability to purchase enough food on international markets. In OIMICs and FCCs, declines in oil prices could contribute to reduced production costs, improving their competitiveness and aiding the process of speedy economic recovery.

38 For Sudan, data is available starting from 2010–2012.

39 Excluding Bahrain, Libya, Palestine, Qatar, Somalia and Syria, for which data is not available. Authors' calculation based on data from: Emirates Diplomatic Academy, *SDG Index and Dashboards Report 2019: Arab Region*, November 2019, https://s3.amazonaws.com/sustainabledevelopment.report/2019/2019_arab_region_index_and_dashboards.pdf.

40 Own calculation based on FAOSTAT.

41 FAO, "Joint Statement of FAO, IFAD, the World Bank and WFP on COVID-19 Impacts on Food Security and Nutrition", 21 April 2020, <http://www.fao.org/news/story/en/item/1272058/icode/>.

42 UNESCWA, 2020, *Mitigating the Impact of COVID-19 on Poverty and Food Insecurity in the Arab region*. E/ESCWA/CL3.SEP/2020/Policy Brief.2 Available at: https://www.unescwa.org/sites/www.unescwa.org/files/en_20-00119_covid-19_poverty.pdf

43 Oxfam et al., *Drought, Displacement and Livelihoods in Somalia/Somaliland: Time for gender-sensitive and protection-focused approaches*, June 2018, https://cng-cdn.oxfam.org/heca.oxfam.org/s3fs-public/file_attachments/Drought_displacement_livelihoods_in_Somalia_Somaliland.pdf.

Table 7.1 Food-security-related policy responses

Policy measures	OECs	OIMICs	FCCs
Reduction/ withdrawal of taxes	Oman, Saudi Arabia		Lebanon
Social protection (conditional and unconditional cash transfers, food assistance, unemployment compensation, subsidies)	Oman, Saudi Arabia, Bahrain, Algeria, United Arab Emirates	Egypt, Jordan, Morocco, Tunisia	Lebanon, Iraq, Sudan
Market (price control, strengthening food reserve, etc.)	Algeria, Bahrain, Oman, Saudi Arabia, United Arab Emirates	Egypt, Jordan, Morocco	Iraq, Libya, Sudan
Income support (to enhance disposable income)	Algeria, Bahrain, Oman, Qatar, Saudi Arabia	Morocco, Tunisia	
Nutrition	Bahrain, Qatar		Sudan, Iraq
Production support (access to credit, financial/liquidity support, etc.)	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Jordan, Morocco, Tunisia, Djibouti	Iraq
Market management (transport regulation and infrastructure)	Algeria, Bahrain, Oman, Saudi Arabia	Jordan, Morocco	Iraq
Institutional measures		Morocco	Iraq
Import/export (removal of tariffs, export bans), other trade related measures	Qatar, Saudi Arabia, Algeria, Bahrain, Oman, United Arab Emirates	Morocco	Iraq, Syria
Increased agricultural spending and macroeconomic policy measures	Kuwait, Saudi Arabia, Oman, Qatar		

Source: Based on information obtained from FAO, "Fapda: Food And Agriculture Policy Decision Analysis Tool" <http://www.fao.org/in-action/fapda/tool/index.html#main.html> ^{44, 45}

44 The tool does not provide information for the State of Palestine. The Site is updated regularly.

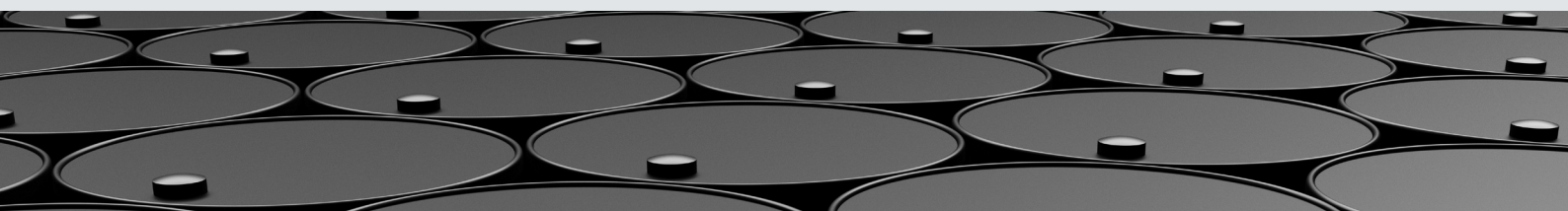
45 The FAO Policy Decision Analysis Tool is updated regularly.

07

Policy recommendations

Averting poverty and food insecurity in the face of multiple crises in the region requires a combination of several policy measures; those taken so far have certainly prevented increases in the level of poverty and food insecurity in the region, but an extended period of crisis could test the financial capacity of countries to continue implementing such measures. Therefore, looking at measures to be implemented in the short, medium and long term is important. In this regard, the following measures are suggested:

- a. In the short term, the continued provision of assistance to those who have lost their sources of livelihood is important in order to ensure minimum levels of consumption. This has been the response that countries have prioritized, but in a protracted crisis, countries may fail to continue to do so in the face of financial shortfalls. FCCs are particularly at risk of failing to sustainably provide these assistances, due to their narrow fiscal space. This requires effective partnerships between NGOs, governments and other development partners.
- b. Countries in the region are likely to continue to rely on food imports for the foreseeable future. Ensuring stable access to food through expanding access to social protection, especially for those who are poor and vulnerable and whose income is affected, is important – it is critical to save lives and livelihoods, and to avoid further spread of poverty and hunger.
- c. Some countries have the potential to increase agricultural production but are unable to do as a result of protracted conflicts. The negative socio-economic impacts of COVID-19 in fragile and crisis-affected areas, such as poverty (including multidimensional poverty) and food insecurity, can prove fertile ground for armed groups to penetrate, re-emerge into or recruit in, vulnerable communities, further fuelling conflicts and destabilizing countries, and ultimately pushing millions deeper into poverty. Ensuring peace and security is therefore an essential element of any strategy to address poverty and ensure food security through, inter alia,



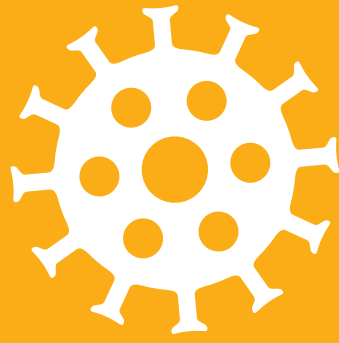
increasing local production of food, minimizing dependence on food imports and ensuring adequate levels of micro-nutrients.⁴⁶

- d. Economic growth will have little impact on poverty if inequality is worsening. While more research is required on the dynamics of inequality, persistent inequality in the region, coupled with declining economic growth, leads to increases in poverty in those countries that already have large numbers of poor people who lack adequate social protection coverage. If poverty is to be addressed, growth may not be enough; it must be inclusive.
- e. States must ensure stable growth that generates more jobs. In OECs – except the UAE and Algeria – oil revenues as a percent of total revenues between 2015 and 2017 are estimated to range from 70 to 80 percent.⁴⁷ However, this provides only a limited source of direct employment.⁴⁸ In FCCs such as Iraq, oil contributes to more than 90 percent of central government revenue in 2015 but produces only one percent of employment (World Bank, 2017). Such reliance on single commodity would continue to expose those countries to external risks and affect financial sustainability of measures that they have put in place to protect the wellbeing of their citizens. Enhancing diversification initiatives would be important to minimize dependence on single commodity, expand fiscal space and ensure the financial sustainability of social protection measures that these countries have put in place.

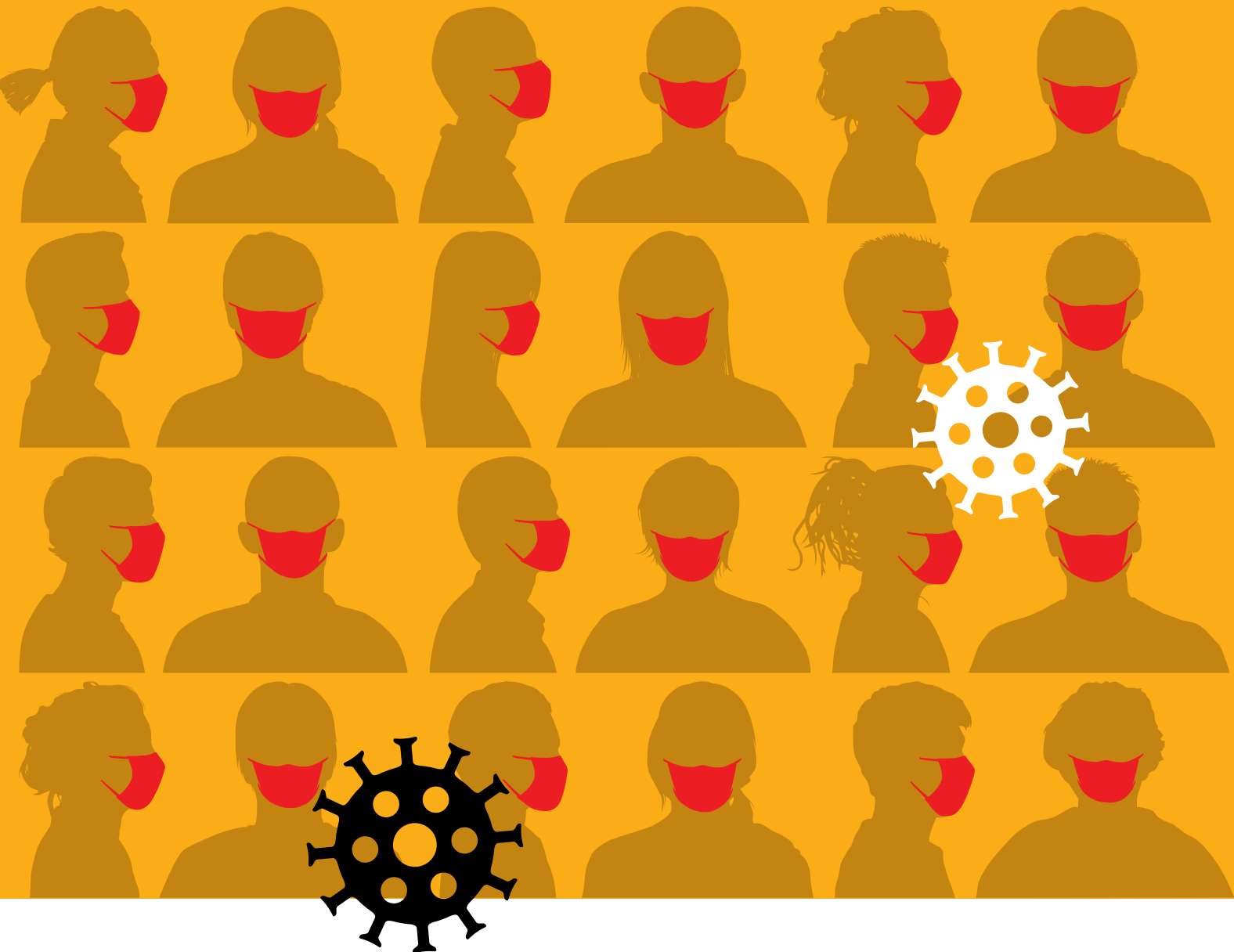
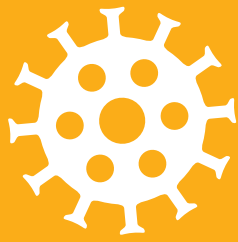
46 Woertz, E., “Agriculture and Development in the Wake of the Arab Spring”, *International Development Policy*, July 2020, <https://journals.openedition.org/poldev/2274?lang=en/>.

47 Khan, S., et al., “Staying the Course on Reforms – In Focus: Water for Prosperity and Development (English)”, *Gulf Economic Monitor*, no. 3, 2018.

48 IMF, “Economic Diversification in Oil-Exporting Arab Countries”, Annual Meeting of Arab Ministers of Finance, April 2016, <https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Economic-Diversification-in-Oil-Exporting-Arab-Countries-PP5038#:~:text=The%20non%2Doil%20private%20sector,oil%20and%20gas%20industry%20dwinds/>.



Gendered Impacts and Responses



08

Gendered Impacts and Responses

Whilst many of the gendered impacts of COVID-19 and the slump in oil prices have been covered within this report, this chapter focuses on key areas that have not been covered elsewhere, and in particular those relating to political decision making, domestic violence, unpaid care work and the digital divide. By way of an overall caveat, it is worth noting the continued lack of gender

disaggregated data in the region and beyond; on 18 June, an Executive Director of the World Health Organization (WHO) noted that, globally, only 40 percent of the data being shared on the COVID-19 response is disaggregated by sex.¹ Until there is a systematic improvement in the collection of disaggregated data, real analysis of the gendered impact of COVID-19 will remain limited.

Overview: Pre-COVID-19 realities

Twelve of the bottom 22 countries in the latest World Economic Forum Global Gender Gap Index are in the Arab region.² Yemen has been at the bottom of the Index for the last 13 years³ and is among the worst countries in the world in which to be a girl.⁴ Other countries in crisis perform poorly, but the rich countries of the region also have high gender equality gaps. Gender inequality is pervasive across the region, which has the lowest level of participation of women in the labour force in the world and poor – if improving – numbers of women in political positions. Levels of employment are generally low across the region, but higher in the GCC countries, where over 40 percent of women are employed.⁵

Women's per capita income is about two-thirds lower than men's.⁶ Across the region women are

disproportionately engaged in the informal rather than the formal economy, including in family businesses where their contribution often goes unaccounted for. Beyond employment, the richer countries of the Gulf have high scores on gender parity in terms of access to health and education, and particularly high scores on female access to higher education. The poorest countries of the region score poorly on both, with low figures on secondary school completion for girls in Iraq, Somalia, Sudan and Syria.⁷

Significant gender gaps are also evident when it comes to access to finance. One indicator is account ownership whereby the proportion of women owning an account is 26 percent, or 22 percentage points below men (48 percent). Despite remarkable progress in some countries, on average, the region

1 Nata Menabde, Executive Director, WHO to a meeting of CSW-NGOs on 18 June 2020.

2 World Economic Forum (WEF), *Global Gender Gap Report 2020*, New York, 2019, http://www3.weforum.org/docs/WEF_GGGR_2020.pdf/.

3 Ibid.

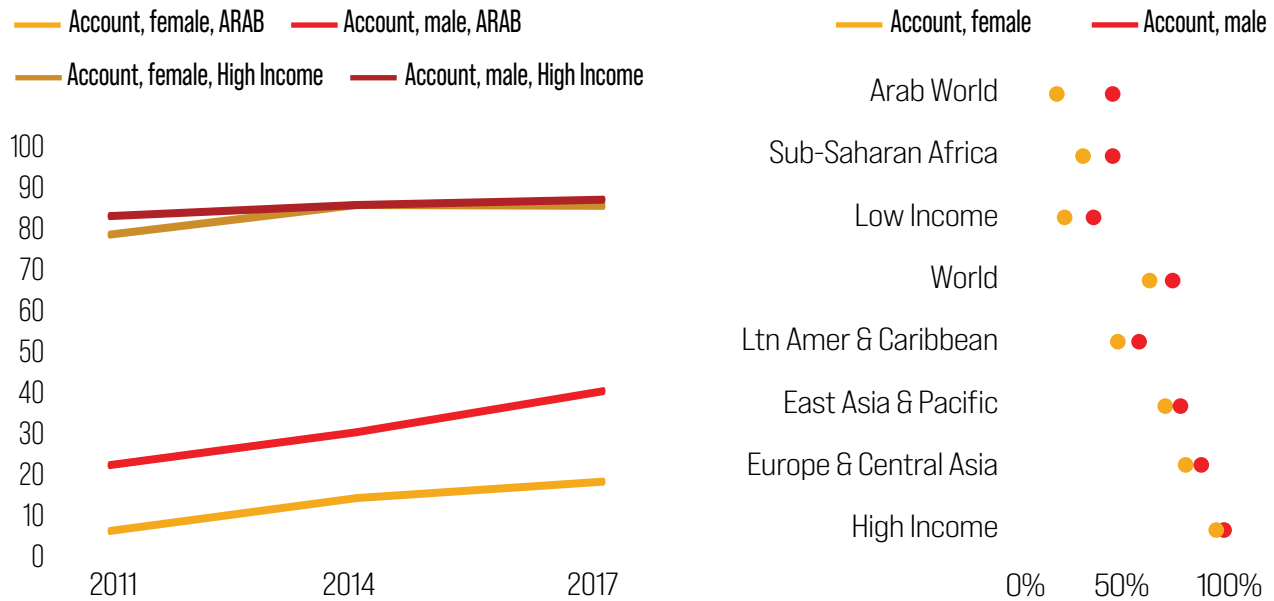
4 Moyer, J.D. et al., *Assessing the Impact of War on Development in Yemen*, UNDP, 2019, <https://yemen.un.org/sites/default/files/2019-09/Assessing%20the%20Impact%20of%20War%20on%20Development%20in%20Yemen.pdf/>.

5 The World Bank, "Gender Data Portal", <http://datatopics.worldbank.org/gender/country/middle-east-&-north-africa/>; and WEF, *Global Gender Gap Report 2020*, op. cit.

6 UNDP, "Table 4: Gender Development Index", 2019, <http://hdr.undp.org/en/content/table-4-gender-development-index/>.

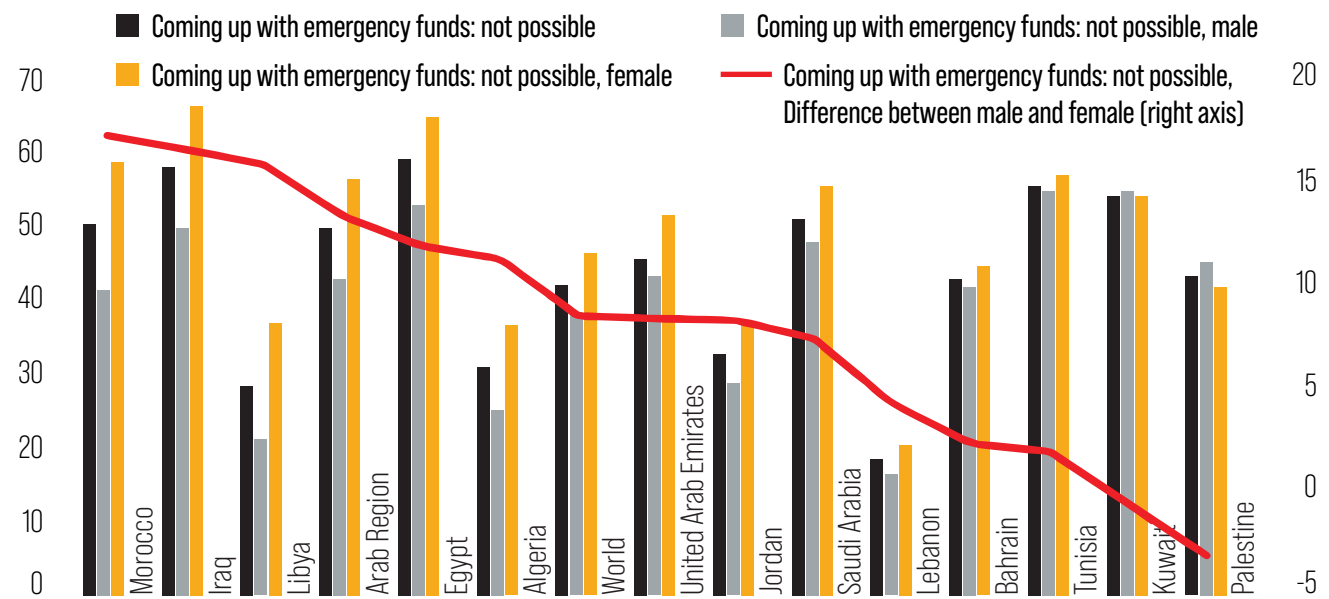
7 The World Bank, data, <https://data.worldbank.org/indicator/SE.ENR.PRIM.FM.ZS?display=graph--%3E&locations=1A/>; and <https://data.worldbank.org/indicator/SE.ENR.SECO.FM.ZS?display=graph--%3E&locations=1A/>.

Figure 8.1 Gender gaps in bank account ownership (percentage)



Source: Elaboration from Findex 2017 data.

Figure 8.2 Access to emergency funding by gender (percentage)



Source: elaboration from Findex 2017 data.

has the widest gender finance gap in the world which continues to hinder women from being empowered to effectively control their financial lives (see Figure 8.1).

Access to emergency funding is particularly important in facing crises; this type of funding can be sourced from several different channels: sale of assets; loans from a bank; from private lenders, family or friends; or from savings. For the poorest in the Arab world, the main access to emergency funding is through family and friends. There

is also a gender gap in the region in accessing emergency funding. The world average has an eight percentage point gap between men and women, with 46 percent of women unable to access emergency funds (see Figure 8.2). Across the Arab States the gap is 13 percentage points, with 57 percent of women unable to access emergency funds. There is also a marked gap among the poorest people in the Arab States, with 63 percent finding it not possible to come up with emergency funds.

Likely post-COVID-19 impacts

As indicated elsewhere in this report, the impacts of declining oil prices and the economic shutdowns are disproportionately affecting the informal sector and the most vulnerable – including women. This is particularly the case in both oil-importing middle-income countries and FCCs in the region, where female-headed households depend on the informal economy. Almost 62 percent of women who are working in the region are informally employed in jobs that generally lack basic social or legal protection and employment benefits.⁸ Women in the region are relatively disproportionately represented in the two most vulnerable categories of informal employment: the agriculture sector and the domestic workforce. As one OECD report points out: “Most female refugees and migrants also work informally when they have access to work. These women are facing an increasingly precarious situation as confinement measures jeopardising their ability to work may reduce them to impoverishment, with especially high risks for female-headed households”.⁹

The COVID-19 pandemic risks setting back the already slow progress that the region has made to close the gender gap, with real implications for the achievement of the SDGs, especially the 54 targets with a specific gender dimension.

Gender equality in political decision making

As noted above, one of the key areas of inequality in the region is the very low figure of women involved in political decision making. This is particularly important in the COVID-19 crisis because evidence demonstrates that including more women in government can lead to improved health outcomes.¹⁰ Across the Arab region, women make up 17.5 percent of legislators¹¹ and – with the exception of Egypt, Lebanon, Somalia and Sudan – an even lower proportion of women in government.¹² Women have generally not been in a position to

influence the levels or priorities of health spending.

As in many other parts of the world, Arab governments have put in place a range of emergency committees to deal with the response to COVID-19. Few of these committees feature more than one or two women, and some – as in Iraq, and despite quotas in parliament – have no women in key decision-making positions. This matters, because inclusive decision making not only tends to be more effective, it has also been found to be quicker¹³; and, in fighting the pandemic, speed of decision making has been important. In some countries of the region – e.g. Lebanon and Djibouti – female doctors have been engaged in technical committees advising governments on the pandemic response. It is to be hoped that such inclusion prevents the diversion of resources from maternal health and sexual and reproductive services which has been seen during other pandemics, and which initial indicators from UNFPA suggest is happening in the poorest Arab countries with already high maternal mortality rates.¹⁴

Importance of active Ministries of Women and the presence of women in key positions in the public service

While women ministers have not always been included in key decision-making bodies, some active ministers of women – and their equivalent counterparts across the region – have made public recommendations on responses; we see evidence of this in Jordan, Tunisia, Somalia and Egypt. Indeed, the combination of an active National Council of Women in Egypt with women ministers of health and social affairs has led to a series of measures that have sought to minimize the impact of COVID-19.¹⁵ Also, as the OECD points out: “In Egypt, the corporate social responsibility (CSR) Department of the Central Bank, which is headed by a woman, has launched a joint initiative with the Federation of

8 OECD, *COVID-19 crisis in the MENA region: Impact on gender equality and policy responses*, 10 June 2020, https://read.oecd-ilibrary.org/view/?ref=134_134470-w95kmv8khl&title=COVID-19-crisis-in-the-MENA-region-impact-on-gender-equality-and-policy-responses/.

9 Ibid.

10 Muntaner, C., and E. Ng, “Here’s why having more women in government is good for your health”, WEF, 16 January 2019, <https://www.weforum.org/agenda/2019/01/the-more-women-in-government-the-healthier-a-population/>.

11 Inter-parliamentary Union, “Women in National Parliaments: Situation as of 1 October 2019”, <http://archive.ipu.org/wmn-e/world.htm/>.

12 According to the IPU data, the regional average is 13.5%.

13 Larson, E., “New Research: Diversity + Inclusion = Better Decision Making At Work”, Bloomberg, 21 September 2017, <https://www.bloomberg.com/company/stories/new-research-diversity-inclusion-better-decision-making-work/>.

14 UNFPA, *COVID-19 Situation Report No. 3 for UNFPA Arab States*, 13 May 2020, <https://www.unfpa.org/resources/covid-19-situation-report-no-3-unfpa-arab-states/>.

15 For example, amongst other measures to protect SMEs, the Ministry of Social Solidarity announced an increase in the monthly income for rural women leaders from EGP 300 to EGP 900 per month.

Egyptian Banks to support the government in funding monthly cash transfers for irregular workers.”¹⁶

The role of civil society

Women’s NGOs have also been active across the region, from awareness raising at all levels from Somalia to Iraq to Morocco, to the provision of hotlines and support for victims of domestic violence, to the transformation of small businesses to produce masks and other protective clothing (PPE). This practical experience could be important for ensuring the needs of women and girls are included in future responses.

Domestic violence

Globally, preliminary figures suggest an average increase of at least 20 percent in domestic violence as a result of lockdown measures.¹⁷ Precise figures in the Arab world are difficult to find. Initial reports from the Ministry of Women in Palestine in early May suggested a threefold increase in appeals for help from female victims, including a significant increase in suicide attempts.¹⁸ The Women’s Centre for Legal Aid and Counselling in Palestine has separately reported a 69 percent increase in gender-based violence (GBV) related consultations, with a specific emphasis on psychological harassment.¹⁹ A report by UN Women, UNHCR and a number of NGOs in Lebanon found that 54 percent of survey respondents reported an increase in levels of harassment and abuse, with just over 43 percent of women unable to get support or unaware of how to obtain it during lockdown.²⁰ Women’s NGOs across the region have moved support services online and have actively worked with authorities where possible to maintain access to shelters, encourage police to visit during curfew hours, and set up alternate support services via cooperating pharmacies.

In a region where levels of domestic violence are under-reported, it is striking that surveys in some countries indicate that more than 50 percent of women have suffered from domestic violence.²¹ The impact of COVID 19 is likely to induce a sharp increase in these figures – posing a challenge to policymakers to include moves to end legal discrimination and to end the impunity of perpetrators. Not all countries in the region have laws that criminalise domestic violence.²² It is therefore important that governments accelerate efforts to pass new legislation, especially where draft laws exist.

As activities such as education have moved online, there is also anecdotal evidence in Jordan and Palestine and elsewhere of an increase in online harassment of women and girls. In this regard, the Jordanian National Council for Women (JNCW) has sought to monitor cases and alert legal authorities to close down offending sites.

Access to justice

Although the closure of courts across the region has an impact on everyone seeking justice, there are a number of specific, particular gendered impacts, notably concerning the lack of access to Sharia courts and the inability of women to obtain alimony payments or rights to access children, increasing hardship amongst some of the most vulnerable. In addition, the rights of victims of GBV, including access to protection orders, have been particularly affected.²³ Some systems in the region have successfully moved to online systems for certain cases (e.g. in Bahrain and Morocco). Differences in approach and a willingness to open courts during lock-downs – including virtually – seem to depend on individual decisions at the country level rather than any specific pattern related to socio-economic status.

16 OECD, *COVID-19 crisis in the MENA region*, 2020, op. cit.

17 UNFPA, *Impact of the COVID-19 Pandemic on Family Planning and Ending Gender-based Violence, Female Genital Mutilation and Child Marriage*, 27 April 2020, <https://www.unfpa.org/resources/impact-covid-19-pandemic-family-planning-and-ending-gender-based-violence-female-genital/>.

18 Minister of women during a consultative meeting.

19 UN Office for the Coordination of Humanitarian Affairs (OCHA), *A crisis within a crisis: fighting Gender-Based Violence (GBV) during COVID-19*, 2 June 2020, <https://reliefweb.int/report/occupied-palestinian-territory/crisis-within-crisis-fighting-gender-based-violence-gbv-during/>.

20 UN Women, *Impact of COVID-19 on the SGBV situation in Lebanon*, 2020, https://www2.unwomen.org/-/media/field%20office%20arab%20states/attachments/publications/2020/05/impact%20of%20covid%2019%20on%20sgbv_final.pdf?la=en&vs=5723/.

21 La Rédaction, “Plus d’une Marocaine sur deux affirme avoir été victime de violences”, TELQUEL, 15 May 2019, https://telquel.ma/2019/05/15/plus-dune-marocaine-sur-deux-affirme-avoir-ete-victime-de-violences_1638479/.

22 For a full assessment of discriminatory laws see the gender justice and the law report: UNDP, *Gender Justice & Equality before the law*, 10 December 2019, https://www.arabstates.undp.org/content/rbas/en/home/library/Dem_Gov/gender-justice---equality-before-the-law.html/.

23 Arab Renaissance for Democracy & Development, “The Impact of the COVID-19 Pandemic on Women’s Access to Justice in Jordan”, 19 April 2020, <https://www.ardd-jo.org/Publications/the-impact-of-the-covid-19-pandemic-on-womens-access/>.

Unpaid care and undervalued care work²⁴

According to the ILO, before COVID-19, women in the region did on average five times more unpaid childcare work than men²⁵, with figures increasing to eight times as much in countries of North Africa.²⁶ While lockdowns have seen an increase in the amount of time men are spending on household chores, the gender gap has generally increased, with women disproportionately taking on the extra tasks of distance education, care for the sick and elderly and extra household chores brought on by lockdowns.

Whilst figures are not specifically available, except in a few countries of the region (see below), it is likely that with the exception of some of the wealthy countries of the Gulf – where many tasks are carried out by migrant domestic workers – such gender differences apply across all countries of the region.

Increasing unpaid care work increases the likelihood that women will not be able to take on income earning activities outside the home and that adolescent girls will drop out of school – particularly in FCCs, due to the deterioration of health and social support systems.²⁷

By way of an illustration, a UN Women report from Jordan that includes time-use survey data suggests that women are now carrying out 22 times as much unpaid care work in the household (including support for child education, washing and cleaning and caring for the young and elderly) as men, compared to 17.1 times²⁸, as per 2016 data, even though both sexes claim an increase in time spent on domestic work during lockdowns.

Low-paid domestic work

Care work is not only mostly unpaid – when it is paid, it is poorly paid and undervalued, as evidenced by its general exclusion from labour laws and partial coverage by separate legislation across the region.²⁹ About a third of migrant workers in the region (i.e. GCC countries plus Jordan and Lebanon) are women.³⁰ According to 2015 figures, 1.6 million female migrant workers in the region were working as domestic workers.³¹ The impact on these workers of the COVID-19 epidemic is poorly documented but under lockdowns some will have had increases in their duties and work, whilst others have been summarily dismissed – leaving them with no salaries, nowhere to live, no means to return to their countries of origin³² and no recourse. In other countries of the region, such domestic work is carried out by national workers and is equally underpaid and undervalued. It is necessary to recognize and fully protect domestic workers by including them in national labour laws and by providing access to social protection and justice.

Gender digital divide and access to education

There are broad differences across the countries of the region in terms of access to the internet, with almost total gender parity and over 90 percent internet use across populations in the Gulf³³ and reduced access and an increasing gender gap in line with differing income levels across the rest of the region – with the exception of Somalia, where penetration rates are equally poor for men and women (see Figure 8.3).³⁴ Further variations

24 See also: Traboulsi, Y., and L. Abu Habib, "Social Reproduction and Care Work in Crisis: The Dice are Loaded Against Women", June 18, 2020, <https://daraj.com/en/48750/?fbclid=IwAR3eddFNooNSFZMNCbWLiMTKoYqjIFZR6bAPHhDM9wR8nouDdVW2fVMXNU> for a feminist view of the dynamics of care work during COVID-19.

25 ILO, "Care Work and Care Jobs for the Future of Decent Work", Executive Summary, n.d., https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_633166.pdf.

26 Charmes, J., *The Unpaid Care Work and the Labour Market. An analysis of time use data based on the latest World Compilation of Time-use Surveys*, ILO, 2019, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---gender/documents/publication/wcms_732791.pdf.

27 Reliefweb, "Policy Brief: The Impact of COVID-19 on Women", 9 April 2020, <https://reliefweb.int/report/world/policy-brief-impact-covid-19-women/>; and UN Women, *The Priorities for Gender Equality in Yemen's COVID-19 Response*, 2020, <https://arabstates.unwomen.org/en/digital-library/publications/2020/05/brief-priorities-for-gender-equality-in-yemen-covid19-response/>.

28 UN Women, *COVID-19 and Women's Economic Empowerment: Policy Recommendations for Strengthening Jordan's Recovery*, UN Women Jordan, May 2020, <https://www2.unwomen.org/-/media/field%20office%20jordan/images/publications/2020/may/covid-19%20and%20womens%20economic%20empowerment-%20policy%20recommendations%20for%20strengthening%20jordans%20recovery.pdf?la=en&vs=4619/>.

29 Kagan, S., *Domestic Workers and Employers in the Arab States: Promising practices and innovative models for a productive working relationship*, ILO White Paper, ILO, 2017, https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_619661.pdf.

30 ILO, "Labour Migration", n.d., <https://www.ilo.org/beirut/areasofwork/labour-migration/lang--en/index.htm>.

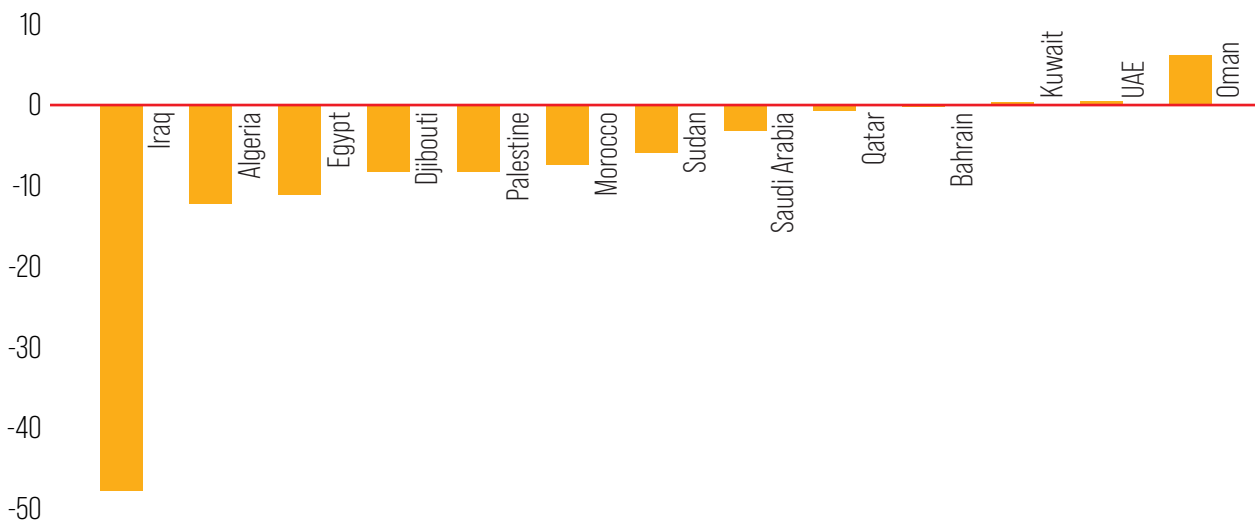
31 https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_619661.pdf.

32 Aoun, R., "COVID-19 Impact on Female Migrant Domestic Workers in the Middle East", Social Development Direct, n.d., http://www.sddirect.org.uk/media/1953/covid-19-and-impact-on-vulnerable-female-migrant-domestic-workers_english.pdf.

33 International Telecommunications Union (ITU), ITU World Telecommunication/ICT Indicators database.

34 Internet World Stats, "Africa", <https://www.internetworldstats.com/africa.htm>.

Figure 8.3 Gender gap in Internet use (percentage points difference)



Source: authors' calculations based on ITU data.

within the region can be expected between rural and urban areas, and for informal and refugee settlements. With attempts to move business and education online, this adds to the burden of those already disadvantaged. Even where mobile phone penetration is high, gender gaps exist, especially in Sudan and Djibouti but also in Algeria, Egypt, Oman, Qatar and Saudi Arabia. In addition, the cost of access to the Internet via mobile phones is prohibitive for many segments of the population.³⁵

The COVID-19 crisis has triggered school closures in the Arab region affecting 110 million students.³⁶ Alternatives to in-school education have included online platforms in several countries as well as TV-based learning, radio-based learning and home-based instruction.³⁷ Inequalities in access to technology (electricity, internet, tablets, computers and other devices) and resources; capacity of school teachers³⁸ and quality of infrastructure all threaten to further marginalize male and female students in disadvantaged situations, including people living in

underserved areas, people suffering from poverty, refugees, the internally displaced and children with disabilities.³⁹ Initial evidence suggests that access to education during COVID-19 has been poor amongst the most vulnerable communities and that girls are left carrying out a significant proportion of household chores. Anecdotal evidence also shows that girls in conservative families may not be allowed to access certain platforms, such as WhatsApp in Yemen.⁴⁰ Additionally, as revealed in Jordan, safety of online access is an issue with risks of sexual harassment, exploitation, being lured into criminal behaviour or cyber-bullying by peers, all of which can be more harmful to girls than boys and to children with disabilities.⁴¹ Evidence from the Ebola experience suggests that significant numbers of adolescent girls in the poorest countries of the region will never return to school unless policies are specifically targeted to prevent this.⁴² It is important that governments recognize these risks and disparities and introduce targeted policies to help correct them.

35 Faek, R., and T.A. El-Galil, "The Shift to Online Education in the Arab World Is Intensifying Inequality", Al-Fanar Media, 30 April, 2020, <https://www.al-fanarmedia.org/2020/04/the-shift-to-online-education-in-the-arab-world-is-intensifying-inequality/>.

36 OECD, *COVID-19 crisis in the MENA region*, 2020, op. cit.

37 UNESCO, *Alternative Solutions to School Closure in Arab Countries to Ensuring that Learning Never Stops: COVID-19 Education Response*, Beirut office, n.d., https://en.unesco.org/sites/default/files/alternative_solutions_to_school_closure_in_arab_countries_-_final.pdf.

38 Ibid.

39 According to Handicap International, in the households they surveyed, 42% children with disabilities in Jordan did not use the online education platform during quarantine.

40 Faek and El-Galil, 2020, op. cit.

41 UNICEF, "Guidance for ISPs and schools for children's safety online" May 2020, [https://www.unicef.org/jordan/media/2526/file/Safeguarding_Guidance%20to%20Keep%20Children%20Safe%20Online%20Eng%20\(002\).pdf](https://www.unicef.org/jordan/media/2526/file/Safeguarding_Guidance%20to%20Keep%20Children%20Safe%20Online%20Eng%20(002).pdf).

42 Giannini, S., "Covid-19 school closures around the world will hit girls hardest", UNESCO, 31 March 2020, <https://en.unesco.org/news/covid-19-school-closures-around-world-will-hit-girls-hardest?fbclid=IwAR2dLaRVzAF5t3MNY9hNvguKz3H5ivUfkG-6DfGW-F4mAU8b18buqkikzo8/>.

Policy review

As the OECD noted in its paper of 10 June on COVID-19 and its impact on gender equality, “only a few public policy actions to date have focused specifically on supporting women in dealing with the **economic repercussions** of the crisis”.⁴³ Some of these responses have already been noted in this section, others – such as the provision of hotline support for domestic violence – are not policies, per se, but government actions in response to the unintended consequences of policies

taken without prior consultation with women’s groups and other members of civil society. Other policies, like the provision of paid or unpaid leave for women to take care of children, have gendered implications.⁴⁴ As reported in other chapters, some governments have provided support to the informal sector, which will help some women, but generally there is more that could have been done and that can be done to mitigate the gendered impacts of the crisis and ensure that countries build forward differently.

⁴³ OECD, *COVID-19 crisis in the MENA region*, 2020, op. cit.

⁴⁴ The Tunisian government changed a proposed provision to force women to stay at home to look after children after protests by women’s groups in April. Provisions by other governments in the region, including the Egyptian government, offer special leave to women only.

08

Policy recommendations

Ensure women and marginalized groups' voices are represented in the COVID-19 response by:

- Having at least 30 percent representation by women on all decision-making bodies.
- Setting up consultative mechanisms for future policy responses that include civil society representatives, including women's NGOs, labour associations and representatives of the most marginalized groups.

Tackle increasing levels of domestic violence by:

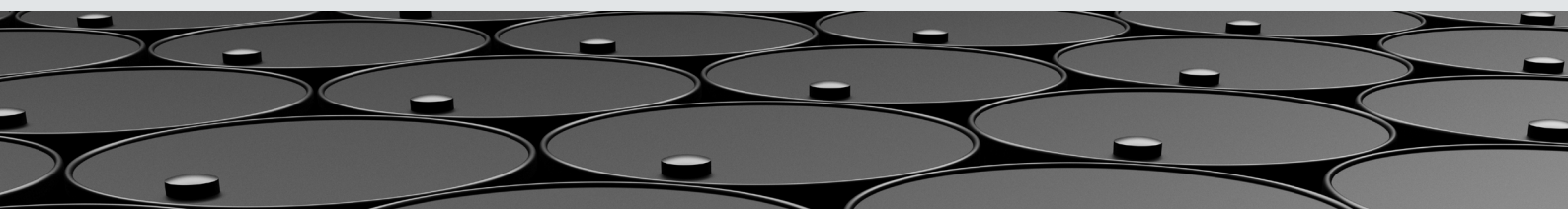
- Fast tracking access to justice for GBV cases.
- Passing legislation on domestic violence, where it does not exist
- Increasing budgets for awareness campaigns aimed at changing behaviour as well as for shelters and other support for survivors.

Help women in the informal sector by:

- Including all workers, including migrant domestic workers in social protection measures.
- Considering special measures for women owned businesses.
- Ensuring measures designed to support the economy include all those in the informal sector, including women engaged in family businesses, without pay.
- Offering incentives to family businesses that register family members in the work force.

Introduce new measures to target the burden of unpaid care such as:

- Special care allowances for both care of children and the elderly.
- Focused awareness raising campaigns about sharing household chores.
- End Kafala legal systems for domestic workers and introduce clear laws on hours and conditions for domestic care work.



Minimize the digital gender gap and encourage girls back to school by:

- Investing in equal access to technology, with both infrastructure and programmes challenging cultural norms to ensure online safety and accessibility.
- Considering specific programmes to support adolescent girls returning to school, including young mothers.

The Social Protection Response



09

The Social Protection Response

Setting the scene

As we have already seen, according to early assessments¹, the COVID-19 crisis alone could add at least 1.7 million people, including 700 000 women, to the unemployed.² Up to 14.3³ million people could fall into poverty.⁴ Within this context, a powerful and comprehensive social protection response is clearly paramount.

In the Arab region, however, this is not without its challenges. As reported in the first chapter, financial accessibility to affordable healthcare is still an issue in many countries, as evidenced by the significant share of out-of-pocket (OOP) health expenditure.⁵ In recent years, many countries have sought to reform and expand the coverage of their social insurance/security and social assistance programs.⁶ However, social protection systems remain fragmented and continue to leave behind many of the vulnerable segments of the population.

Social security schemes (i.e. health insurance, old age pension, paid leave/sick leave, maternity benefits,

unemployment benefits, etc.) remain predominantly tied to formal employment in public and private sectors and benefits are quite limited in range. Of particular significance in the context of COVID-19, not all countries offer unemployment and sickness benefits (see Table 9.1).

Accurate data on social security coverage are scant and vary across sources and in terms of country coverage. According to the ILO⁷, for instance, 38.4 percent of workers are estimated to be legally covered by unemployment benefits in North Africa, and about 60.4 percent in other Arab countries.⁸

In the realm of social assistance, it is important to note that over the past decade, many countries have been gradually phasing out universal fuel and food subsidies – particularly countries that were facing high fiscal pressures (e.g. Egypt, Jordan, Morocco, Saudi Arabia and Tunisia). As a mitigation mechanism, targeted social assistance programs – particularly in the form of

1 UN Economic and Social Council for Western Asia (ESCWA), “New ESCWA brief: 8.3 million people will fall into poverty in the Arab region due to COVID-19”, 1 April 2020, <https://www.unescwa.org/news/new-escwa-brief-83-million-people-will-fall-poverty-arab-region-due-covid-19/>.

2 UNESCWA, The Impact of COVID-19 on Gender Equality in the Arab Region, ESCWA Policy Brief 4, 2020, https://www.unescwa.org/sites/www.unescwa.org/files/20-00131_gpid_pb_eng_apr5.pdf/.

3 Abu-Ismaïl, K., and V. Hlasny, *Wealth Inequality and Poverty Eradication in Arab Countries: The Case for a Solidarity Wealth Tax* (2020); poverty is estimated according to national poverty lines; includes estimates for Comoros and Mauritania.

4 Excludes Somalia.

5 See: The World Bank data, <https://data.worldbank.org/indicator/SH.XPD.OOPC.CH.ZS>; the share of out-of-pocket expenditure, as a percentage of current health expenditure (2017), was estimated at 38.3% in the Arab world – ranging from a low of 6.69% in Oman to 80.96% in Yemen.

6 For more details, see: ESCWA, *Social Protection Reform in Arab Countries*, 2019, <https://www.unescwa.org/publications/social-protection-reforms-arab-countries-2019/>.

7 ILO, *World Social Protection Report: Universal Social Protection to achieve the Sustainable Development Goals, 2017–19*, Geneva, 2017, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_604882.pdf/.

8 North Africa: Algeria, Egypt, Libya, Morocco, Sudan and Tunisia; other Arab countries: Bahrain, Iraq, Jordan, Kuwait, Lebanon, Oman, State of Palestine, Qatar, Saudi Arabia, Syria, UAE, Yemen.

Table 9.1.a Availability of social security schemes by country/country group

		Child and family	Maternity	Sickness	Unemployment	Employment injury	Old Age
Oil-Exporting Countries	Bahrain	N	Y*	Y*	Y	Y	Y
	Saudi Arabia	N	Y*	Y*	Y	Y	Y
	Kuwait	N	Y*	Y*	Y	Y	Y
	UAE	NA	Y*	NA	Y*	NA	NA
	Oman	N	Y*	N	N	Y	Y
	Qatar	N	Y*	Y*	N	Y	Y
	Algeria	Y	Y	Y	Y	Y	Y
Oil-Importing MICS	Egypt	N	Y	Y	Y	Y	Y
	Jordan	N	Y	Y*	Y	Y	Y
	Tunisia	Y	Y	Y	Y	Y	Y
	Morocco	Y	Y	Y	Y	Y	Y
	Djibouti	Y	Y	Y	N	Y	Y
Fragile and Crisis-affected Countries	Lebanon	Y	Y**	Y**	N	Y	Y
	Libya	Y	Y	Y	Y*	Y	Y
	Syria	N	Y*	Y***	Y*	Y	Y
	Yemen	N	Y*	Y***	Y*	Y	Y
	Iraq	Y	Y	Y	Y*	Y	Y
	Palestine	NA	Y*	NA	NA	NA	NA
	Sudan	N	Y*	Y*	Y*	Y	Y
Somalia	N	Y*	NA	N	NA	NA	

N = No program available; Y = At least one program available; Y* = Program available with limited provision; Y = legislation are not yet entered into force; Y*** = in-kind benefits only; NA = data not available**

Source: Table 1a – authors, based on data from the Appendix of ILO, World Social Protection Report, 2017–19¹⁰, Table B2, availability relates to the existence of at least one statutory program;

cash transfers – have been introduced and expanded to protect the most vulnerable.⁹

There is no recent comprehensive evidence on coverage of social assistance programs in the region. Available data suggest that coverage varies from less than 10 percent of the population in Djibouti and Sudan, to 75.77 percent in Iraq (see Figure 9.1). However, coverage levels might have increased in some countries, as a result of the expansion of cash transfer programs.

A major challenge in the context of COVID-19 relates to the protection of the millions of Arab men, women and youth, who earn their livelihoods in the informal economy¹¹ and/or from other precarious forms of employment. These workers include temporary or casual workers, agricultural workers, domestic and unpaid care workers, and low-skilled migrant workers. Not having social insurance, and too poor to

access private insurance, they may not be considered ‘poor or vulnerable enough’ to qualify for existing social assistance – and therefore represent a ‘missing middle’ that requires urgent attention. Another major issue relates to the increased protection needs of the millions of refugees living in the region¹², who are usually not covered by national systems and whose lives and livelihoods primarily depend on humanitarian assistance. This chapter first sheds light on the scope and main features of the social protection (SP) response in oil-exporting countries, oil-importing middle-income countries and crisis-affected countries. The response is also assessed from an inclusion (‘leaving no one behind’) and gender perspective. Some key policy considerations related to the establishment of towards more inclusive, gender-sensitive and shock-responsive protection systems, central for a sustainable recovery, are also discussed.

9 These are based on (income) poverty targeting or categorical targeting (i.e. universal benefits for groups with specific needs such as children; the elderly; and persons with disabilities (PWDs). In Egypt, this includes, for instance, the *Takaful* program, which targets poor families with children, and the *Karama*, focusing on elderly people. Reportedly, these programs together reached more than two million families in 2019. In Morocco, the number of beneficiaries of the *Tayssir* program (a conditional cash-transfer program focused on enhancing school enrolment among children) increased from 45,052 people in 2008/09 to 1.3 million in 2018/19. For more information, see: ESCWA, *Social Protection Reform in Arab Countries 2019*, https://www.un.org/unispal/wp-content/uploads/2019/10/E.ESCWA_ADD_2019.1.pdf.

10 ILO, *World Social Protection Report: Universal Social Protection to achieve the Sustainable Development Goals*, 2017–19, Geneva, 2017, https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_604882.pdf.

11 For data on the extent of informal work, see Chapter 5 on labour markets.

12 It is assumed that Internally Displaced Populations are covered by mainstream SP government interventions.

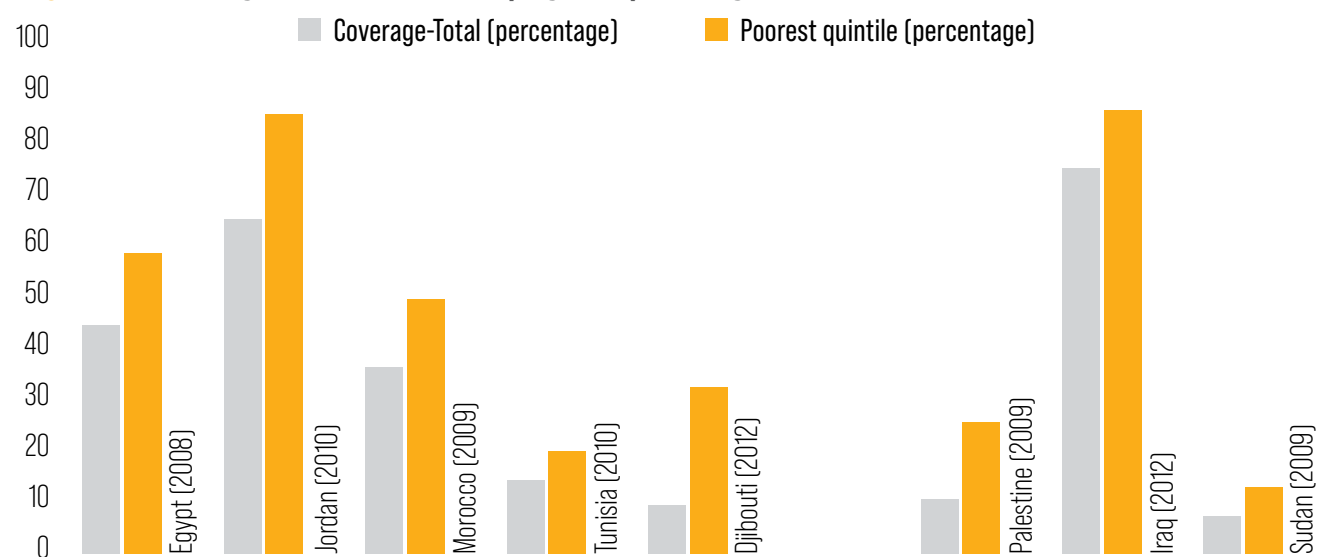
Table 9.1.b Availability of social assistance schemes by country/country group

		Cash transfers	Cash for work	In-kind transfers	Subsidies	(Social) Housing	School feeding programs	Education fee waivers	(Non contributory) Health insurance	Health care benefits
(non crisis) Oil exporting countries	Bahrain	Y	N	N	Y	Y	N	N	N	N
	Saudi Arabia	Y*	N	N	Y	N	N	N	N	N
	Kuwait	Y*	N	Y	Y	Y	Y	Y	N	N
	UAE	Y	N	Y	Y	Y	N	Y	N	N
	Oman	Y*	N	Y	Y	Y	N	N	N	N
	Qatar	Y*	N	Y	Y	Y	Y	N	N	N
	Algeria	Y*	Y	Y**	Y	Y	Y	Y	Y	N
Oil Importing MICs	Egypt	Y*	Y	N	Y	Y	Y	N	Y	N
	Jordan	Y*	N	Y	Y	Y	Y	Y	Y	Y
	Tunisia	Y*	N	N	Y	N	Y	N	N	Y
	Morocco	Y*	Y	Y**	Y	N	Y	N	Y	Y
	Djibouti	Y*	Y	Y	Y	N	Y	Y	N	Y
Fragile and Crisis-affected Countries	Lebanon	Y	N	Y	Y	N	N	Y	N	Y
	Libya	Y	N	Y	Y	Y	N	N	N	Y
	Syria	Y	N	N	N	N	N	N	N	N
	Yemen	Y*	Y	Y	N	N	N	Y	N	Y
	Iraq	Y	N	Y	Y	N	N	N	N	N
	Palestine	Y	N	Y	N	N	N	Y	N	Y
	Sudan	Y*	N	Y	N	Y	Y	Y	Y	N
	Somalia	NA	NA	NA	NA	NA	NA	NA	NA	NA

N= No program available Y = program (s) available; For cash and in-kind transfers: Y = unconditional transfer only; Y* = both unconditional and conditional transfers ; Y** = conditional transfer only; NA = Data not available

Source: Table 1.b – based on data provided in IPC-IG, 2018.¹³

Figure 9.1 Coverage of social assistance programs (percentage)



Source: authors, based on data from World Bank Group, The Atlas of Social Protection: Indicators of Resilience and Equity (ASPIRE), as reported in Appendix F (Table F2) of World Bank, State of Social Safety Nets report (2018).¹⁴

13 World Bank Group, The State of Social Safety Nets 2018, <https://openknowledge.worldbank.org/bitstream/handle/10986/29115/9781464812545.pdf?sequence=5&isAllowed=y/>.

14 Machado, A.C., B. Charlotte, F. Veras Soares and R.G. Osorio, *Overview of Non-contributory Social Protection Programmes in the Middle East and North Africa (MENA) Region Through a Child and Equity Lens*, International Policy Centre for Inclusive Growth (IPC-IG), 2018, https://ipcig.org/pub/eng/JP18_Overview_of_Non_contributory_Social_Protection_Programmers_in_MENA.pdf; the data are based on a mapping of 155 social transfer programs across the region (excludes Somalia); see report, Table 9.1, p.23.

The social protection response

It should be noted that the scope and depth of the response in the region is driven by a wide range of country-specific parameters, including the extent of the impacts of COVID-19; the strength and coverage of existing SP systems; economic and labour market structures; fiscal space and spending capacities; and, not least, political economies and fragilities, which only an in-depth (country-level) analysis could fully consider.

The main working assumptions are that: (i) the COVID-19 crisis, compounded by the drop in oil prices, has generated significant vulnerabilities in oil exporting countries – in particular for the millions of migrant workers they rely upon across all sectors of their economies.¹⁵ While confronting increased fiscal pressures due to low oil prices, these countries might still be in a better position than others to address immediate protection needs in a comprehensive manner; (ii) although less immediately and directly affected by the oil price drop, many oil-importing MICs were facing significant fiscal pressures prior to COVID-19¹⁶; yet, a strong SP response is still needed to prevent a deepening of vulnerability, inequality and poverty, and to preserve social cohesion;¹⁷ (iii) despite acute needs, the room to expand SP in poor and/or fragile and crisis-affected countries is extremely limited and requires scaled-up support by the international community and other actors.

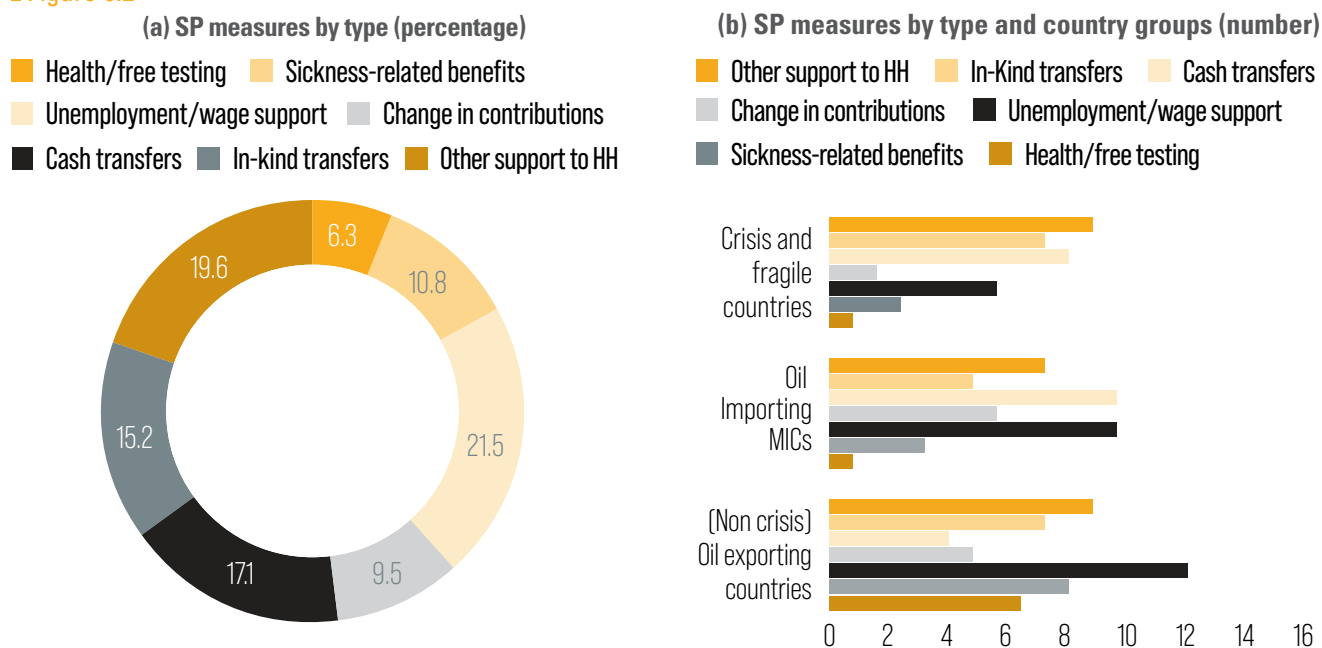
The following analysis draws upon a recent mapping and review of SP measures implemented in the MENA/Arab States conducted by the UN Issue-Based Coalition on Social Protection (IBC-SP), with support of the International Policy Centre for Inclusive Growth (IPC-IG).¹⁸ A total of 158 SP measures implemented by governments in the region as of mid-June 2020 could be identified from this mapping¹⁹ and were clustered around three broad categories: (I) financial support to access COVID-19 healthcare (e.g. free access to testing, free access to treatment, broadening of health insurance); (II) social insurance and labour market measures (sick-leave/leave policies, unemployment and wage protection²⁰; adjustments to employers and/or employees' social security contributions); and (III) social assistance (cash transfers, in-kind transfers, other measures to support household income, e.g. price, housing subsidies, fee exemptions, zero/low-interest loans).²¹

Intensity and scope

As in other countries around the globe,²² the crisis has triggered important dynamics in the social response in the Arab region – however, with significant variations across countries/country-groups. When using the average number of measures per country as a rough proxy of the intensity of the SP response, it appears that oil-importing MICs have been the most responsive

- 15 Foreign workers represent 90 percent of the population in the UAE, two-thirds in Kuwait, half in Oman and Bahrain, and one third in Saudi Arabia. see: Young, K., "How COVID-19 will change GCC labor markets", *Al-Monitor*, 3 April 2020, <https://www.al-monitor.com/pulse/originals/2020/04/gulf-covid19-coronavirus-change-gcc-labor-markets-crisis.html/>.
- 16 Fiscal pressures also likely to be exacerbated as a result of reduced remittances, investment and capital flows from oil exporting countries. It should be noted that hundreds of thousands of returning migrants have reportedly lost their jobs in GCC countries as a result of COVID-19 and the oil price drop. Jordan alone is experiencing the return of a half a million migrants due to job losses as a result of the dual crises. IMF, *Regional Economic Outlook: Middle East and Central Asia; Confronting the COVID-19 Pandemic in the Middle East and Central Asia*, April 2020, <https://www.imf.org/en/Publications/REO/MECA/Issues/2020/04/15/regional-economic-outlook-middle-east-central-asia-report/>.
- 17 Most countries in this group (Egypt, Jordan, Tunisia, Morocco) have faced waves of social unrest, as well as political and security challenges in the recent period.
- 18 UN Issue-Based Coalition on Social Protection (IBC-SP) and International Policy Center for Inclusive Growth (IPC-IG), 2020, "Social protection responses to the COVID-19 crisis in the MENA/ Arab States region", <https://socialprotection.org/discover/publications/social-protection-responses-covid-19-crisis-mena-arab-states-region; Country responses and policy considerations>"; The data on SP measures were compiled as of mid-June from various sources, including: ESCWA database (<http://covdata.unescwa.org/RPT/RPTDSH1.aspx>); the weekly Living paper. "Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures" (<http://www.ugogentilini.net/>); the weekly newsletter, "Social Protection in times of #COVID19", socialprotection.org (<https://socialprotection.org/connect/communities/social-protection-responses-covid-19-task-force/3-clipping-social-protection>); ILO "COVID-19 and the world of work: Country policy responses", <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm>); ISSA "Covid-19: Coronavirus country measures", <https://www1.issa.int/coronavirus/country-measures>; and reports from partner organizations.
- 19 It is important to note that the regional IBC-SP mapping covers SP measures implemented by both government and UN agencies, including in Mauritania and Iran. These two countries are not considered in this report, while only SP measures implemented by governments are considered in the analysis. To note also, no SP measures were recorded for Somalia.
- 20 We also included in this category the measures related to work, visa and residency permits, and wage support for migrants.
- 21 An additional 23 government measures put in place to facilitate the delivery of SP services were also identified.
- 22 Between 1 February and 22 June 2020, 200 countries and territories announced at least 1 179 social protection measures in response to the COVID-19 crisis; see: ILO, "Social Protection Monitor", <https://www.social-protection.org/gimi/RessourcePDF.action?id=56047/>.

Figure 9.2



Source: authors, based on data compiled by R-UNSDG Working Group on Social Protection and additional sources, as of mid-June 2020.

(with an average of 10 measures per country), closely followed by oil-exporting countries (nine measures). Expectedly, the response has been much more limited (six measures on average) in FCCs.²³

As shown in Figure 9.2 (a), above, specific measures have been taken to ease financial access to COVID-19 testing and related healthcare, which represent six percent of the overall SP response in the region. These measures were taken mostly in GCC/oil-exporting countries for those without insurance coverage, including migrants in some cases (see below).²⁴ This is worrisome, considering the overall high level of out-of-pocket health expenditure in other parts of the region and the criticality of such measures to limit the spread of infection.

In aggregate (see Figure 9.2 (a)), the expansion of social assistance has been the most widely used approach across the region (52 percent of measures), followed by other social insurance and labour market interventions (42 percent). Social insurance measures aimed at unemployment and wage protection dominate the SP response (21.5 percent). However, these measures are not equally distributed across countries. For instance, among oil-importing MICs, Jordan accounts for 50 percent of the measures announced in this

area. Conversely, all oil-importing MICs (among which some have relatively strong social security institutions, e.g. Tunisia, Morocco, Jordan) have eased payments of social security contributions by both (formal) employers and employees. Arab countries also took a number of emergency measures to fill protection gaps related to sickness benefits for public and/or private sector workers²⁵, including those affected by the virus, quarantined or “at risk”, and those who have to take care of (sick) dependents or children.

The social assistance response of governments in the region as a whole has been dominated by the use of various types of household income/welfare support (38 percent of all social assistance measures). These are most extensively used by oil-exporting countries (44 percent of all social assistance measures), followed by crisis-affected and fragile countries (37 percent). Emergency and other cash transfers targeting poor/vulnerable groups account for 33 percent of social assistance measures and were most extensively used in oil-importing MICs (44 percent of social assistance measures, and 24 percent of all SP measures). In crisis and fragile countries, cash and in-kind transfers and other measures to support households altogether make up 70 percent of SP measures (see Figure 9.2 (b)).

23 No data were available for Somalia.

24 In Lebanon, the decision was made to cap testing costs, whilst Morocco renewed health insurance for people who were made redundant as a result of the crisis.

25 Some measures were specifically targeting public employees (Algeria, Djibouti, Iraq, Jordan, Kuwait, UAE) but employers were also required to pay leave for workers in the private sector in Algeria, Djibouti, Jordan, Oman, Qatar and Saudi Arabia.

Interestingly, and in contrast with the global trend in responses, the expansion of cash transfer programs most commonly involved introducing new temporary schemes (this was the case in all oil-importing MICs as well as in the State of Palestine, Iraq and Syria), rather than bringing more vulnerable people under existing ones.²⁶ Generally, this reflects the limited capacity of existing programs to quickly and swiftly respond to shocks.

Inclusiveness

Efforts have been made to address social protection needs of informal workers and other highly vulnerable and marginalized groups, including the elderly, people with disabilities and migrants. Notable efforts have been made in oil-importing MICs (Djibouti, Egypt, Jordan, Morocco and Tunisia) to support informal workers.²⁷ In Egypt, for instance, this involved one-off transfers to informal workers registered²⁸ in the database of the Ministry of Manpower through post offices. In Jordan, informal workers have been included in formal social registries by extending benefits to businesses that were previously unregistered. In Djibouti, authorities have also sought to scale up food and cash assistance to day-labourers. Among crisis-affected countries, Palestine and Syria also expanded cash assistance support for daily/seasonal workers.

In the case of migrant workers, the inclusiveness of the response should be gauged against the fact that these workers, particularly low-skilled migrant workers, are often excluded or restricted from coverage by national social security systems in destination countries.²⁹ In GCC countries in particular, incentives to protect migrant ('foreign workers') might also be limited, as labour market policies have recently shifted towards a greater nationalization of the workforce – a trend that the dual shock is likely to reinforce. The review of the policy responses, reported in Table 4.2 in Chapter 4, shows that protection measures for migrant workers have been put in place in GCC countries as well as Jordan and Tunisia. The response, however,

mostly revolved around easing residency visa, work permit renewals and providing access to free testing and health care. In a few countries, migrants have also been covered by additional cash or in-kind social assistance measures (Jordan, Kuwait, Oman).

The vulnerabilities facing people with disabilities and the family members they depend on are likely to be exacerbated by a shock like the COVID-19 pandemic. Higher health/care needs and potentially catastrophic health expenditures are a major concern. As of May 2020, out of the 181 countries that have adopted social protection measures, 60 countries around the globe had specifically referred to persons with disabilities while announcing relief measures.³⁰ In the region, a few countries have also done so. Measures mostly took the form of cash transfers (Egypt, Morocco, Syria, Tunisia) or food assistance (State of Palestine, Saudi Arabia). In the realm of social insurance, Algeria temporarily suspended the obligation to contribute to national social protection funds for employees with disabilities, whilst Egypt extended paid leave to the mothers of persons with disabilities. The specific needs of the elderly, including pensioners, were also acknowledged to some extent, with support provided primarily in the form of cash transfers (e.g. Egypt, Kuwait, Syria, Tunisia) and food assistance (e.g. Jordan, State of Palestine, Saudi Arabia). Only Egypt increased pensions to support the elderly.

The special case of refugees

About 55 million people are in need of humanitarian aid in the region, of which 26 million are forcibly displaced (refugees and internally displaced persons) due to armed conflicts and occupation.³¹ There is growing evidence that refugees have been disproportionately affected by job and income losses as a result of lockdowns.³² While national health and education services for refugees are generally provided through national systems, this is not the case for social protection. As a result, social protection support to refugees is largely delivered through humanitarian

26 With a few exceptions, including Jordan, Egypt and the State of Palestine.

27 Food vouchers have also been introduced in Sudan, whilst Saudi Arabia expanded health coverage ("Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures", https://www.ugogentilini.net/wp-content/uploads/2020/05/Country-SP-COVID-responses_May22.pdf).

28 Registration has already included around one million individuals working in construction, agriculture, fishing and plumbing.

29 This is the case in Bahrain, Kuwait, Oman, Saudi Arabia, and the United Arab Emirates. In Jordan, however, migrant workers are covered.

30 ILO, "Social Protection Monitor", op. cit.

31 ESCWA, "Regional Emergency Response to Mitigate the Impact of COVID-19", 8 April 2020, https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/20-00116_rer_mitigatingimpact_covid-19_eng_april8.pdf/.

32 See Chapter 5 on labour markets.

social assistance.³³ While significant efforts have been made by humanitarian and other actors to scale up programs and to adapt delivery modalities to the new context – including through the use of remote technologies – important gaps remain given the scale of vulnerabilities and needs among refugees.

Gender sensitivity

Gender considerations have not been at the forefront of the response and this is not surprising. Given the low participation of women in formal labour markets, women are unlikely to be targeted by social protection schemes that cover the formal workforce.³⁴ Conversely, social protection measures across the region typically exclude informal workers – including in the agriculture and domestic care sectors, where women are overly represented. The few gender-sensitive social insurance measures taken by governments have mainly revolved around providing

special paid leave to women working in ‘non-essential public services’ and/or looking after children and/or who are pregnant (e.g. in Algeria, Egypt, UAE, Saudi Arabia). In some countries (e.g. Algeria and Saudi Arabia³⁵), these measures also apply to women working in the private sector. In Jordan, it is noted that the government decreed that 50 percent of the revenues of the 2020 Maternity Insurance Scheme, which benefits women in the private sector, will be repurposed to help support vulnerable groups – mainly the elderly and the sick. From a gender perspective this is somewhat problematic, in that it suggests funding of maternity benefits is fungible, whilst possibly, other critical needs, such as childcare services could be overlooked. Conversely, targeted social assistance programs, particularly in FCCs, are generally more sensitive to the needs of women, with special efforts being made to target the most vulnerable women – particularly widows, divorced women and female heads of households.³⁶

33 The UNSDG working group study (referred to above) reports a total of 38 social assistance measures taken by various UN agencies in support of refugees (and/or IDPs); for details on social protection of refugees in Syria’s neighboring countries, see: UN, “Advancing Inclusive and Sustainable Social Protection in the Response to the Syrian Crisis”, April 2018, <https://unsdg.un.org/resources/advancing-inclusive-and-sustainable-social-protection-response-syrian-crisis>.

34 See Chapter 5 on labour markets.

35 In Saudi Arabia, private sector employers were also required to provide two weeks’ compulsory sick leave for pregnant women.

36 In Egypt, for instance, the *Karama* and *Takaful* conditional cash transfer programs have been expanded – now households headed by a single mother make up more than 80% of recipients. Increased payments are also envisioned for women leaders in rural areas; in Palestine, financial aid of \$100 for three months was planned to be distributed to female workers in nurseries and creches that have stopped working (and whose salaries have been cut off); cash assistance was also provided to vulnerable women in Iraq, Kuwait and Saudi Arabia.

09

Towards inclusive, gender-sensitive and shock-responsive social protection systems: Policy recommendations

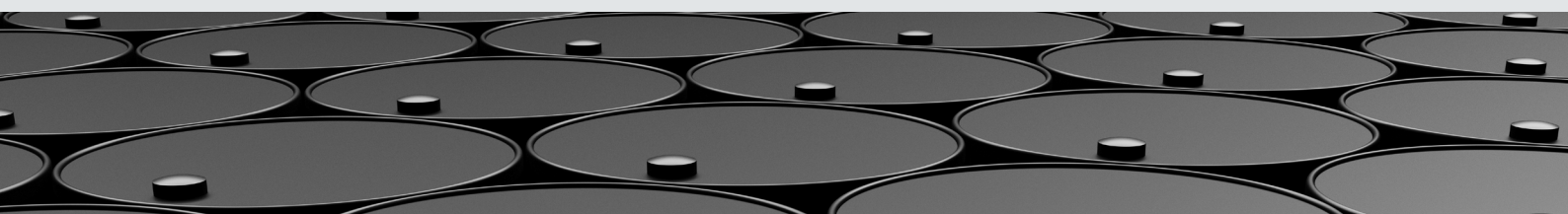
Whilst COVID-19 has exposed the vulnerabilities caused by historically low levels of investments in SP in the Arab region,³⁷ the crisis has also served as a strong, unprecedented ‘wake-up call’ for Arab countries, and the SP response has been quite significant – though more (and expectedly) so in richer oil-exporting countries and oil-importing MICs than in the many FCCs.

Sustained investments in social protection, including easing financial access to health care (beyond COVID-19 health care) will be critical for a sustainable and inclusive recovery and to strengthen Arab economies’ and societies’ resilience to future shocks. Given the extreme diversity of country contexts, including in financial response capacities (see text box), it is, however, fair to say that there will be no ‘one-size fits all’ approach.

In the short/medium term, needless to say that every effort should be made to remove financial barriers to healthcare for all, including migrant workers, to protect those who have lost their jobs (e.g. through the expansion of unemployment benefits, where they exist) and critically also to ‘retain jobs’ – for instance, through wage support and other measures for impacted businesses, and particularly MSMEs, given their contribution to employment and greater vulnerability.³⁸

37 Public spending on SP (excluding health) estimated at about 7.6 per cent of GDP in North Africa and 2.5 per cent of GDP in other Arab States; ILO, *World Social Protection Report, 2017–2019*, https://www.ilo.org/global/publications/books/WCMS_604882/lang--en/index.htm/.

38 As recommended by ILO, “COVID-19: Labour Market Impact and Policy Response in the Arab States; Briefing Note with FAQs”, 15 May 2020, https://www.ilo.org/beirut/information-resources/factsheets/WCMS_744832/lang--en/index.htm/.



Box 9.1

Towards inclusive social protection – financing challenges

The SP financing challenge should be gauged against the fact that, in the context of a systemic shock like COVID-19 – where vulnerabilities and risks of impoverishment are widespread, dynamic, and stretch well beyond the ‘neediest’ and those typically considered as ‘poor or most vulnerable’ – too narrowly targeted approaches to the provision of social assistance could prove administratively difficult to implement and would risk excluding many vulnerable people.³⁹

Because fiscal pressures are likely to increase tremendously as a result of the crisis and the responses to it,⁴⁰ creating fiscal space will be key to sustaining the social protection response in a context where efforts to expand social protection are likely to compete with many other priorities. Whilst considering various options **in the short/medium term**, it should be noted that while some countries have some leeway (e.g. the debt ratio in Saudi Arabia was estimated at 23.2 percent of GDP in 2019⁴¹), support from the donor community and international financial institutions is likely to be critical for the many financially strained and crisis-affected countries of the region.⁴² While ODA is not a sustainable solution to create fiscal space, it should be noted that Egypt, Iraq, Jordan, Lebanon, State of Palestine, Sudan, Syria and Yemen have used ODA to establish national

non-contributory social protection initiatives in the past.⁴³

In the medium/long term, however, efforts to increase tax revenues should be actively pursued. With income and wealth taxes comprising a negligible share of total tax revenues in the region, tax reforms will be needed to finance social spending. This requires enhancing the progressivity of personal income taxes, enforcing property taxes, improving tax administration and rationalizing exemptions. Subsidy (particularly fuel subsidies) reforms can also free-up resources for expanding targeted social assistance – these, however, need to be carefully planned. Other financing options include the use of sovereign wealth funds. Although not a stable source to finance social protection, given their vulnerability to oil price changes, these could be used to ensure that social expenditures remain constant if the macroeconomic situation deteriorates. Finally, it should be noted that in the region, Zakat funds, as well as charities and faith-based organizations, also play an important role in the delivery of social assistance to the most vulnerable. As part of efforts to create fiscal space, the integration of these funding streams into formal social protection systems could also be further explored and supported.⁴⁴

39 Hence the emerging debate around ‘Universal Basic Income’ (UNI), including in the region; see: Vizoso, J.C., *A Slice of Knafeh for Everyone? A Critical Introduction to Universal Basic Income in MENA*, 12 June 2020, <https://www.arab-reform.net/publication/a-slice-of-knafeh-for-everyone-a-critical-introduction-to-universal-basic-income-in-mena/>; Barsoum, G., “COVID-19 and Social Policies in the MENA Region: A new test to overly-stressed systems”, *The Cairo Review of Global Affairs*, 5 June 2020, <https://www.thecaireview.com/covid-19-global-crisis/covid-19-and-social-policies-in-the-mena-region/>.

40 Although the savings afforded by low oil prices to governments of oil-importing countries could help free-up resources for social protection.

41 International Monetary Fund (IMF), “World Economic Outlook Database”, October 2019.

42 For more details see Chapter 2 on macroeconomic impacts.

43 Bloch, C., et al., *Fiscal space for child-sensitive social protection in the MENA region*, International Policy Centre for Inclusive Growth (IPC-IG), 2019, https://www.unicef.org/mena/media/4991/file/RR36_Fiscal_space_for_child_sensitive_social_protection_in_the_MENA_region.pdf.pdf/.

44 For an analysis of options to create fiscal space for social protection in the region see: Bloch, C., et al., 2019, op. cit.

This should be complemented by commensurate efforts to scale-up and sustain social assistance for the most vulnerable (including migrants and refugees). Efforts to expand coverage to all informal workers should be considered of the utmost priority, especially in oil-importing MICs and FCCs, where informality is widespread.

As noted in Box 9.1, the widespread vulnerabilities generated by the crisis generally warrant more universal approaches to the provision of emergency social assistance. Unconditional emergency cash transfers could mitigate the acutest immediate effects of the shock on the poor and vulnerable groups that often do not have access to social protection in the region. A temporary basic income (TBI) could provide a minimum income above the poverty line and, in most cases, this seems to be fiscally affordable (see Annex IV for simulations on the potential fiscal implications).

In the medium/longer term, it seems important to explore the possibility of embedding the (quite ad-hoc) support provided to informal workers in many oil-importing MICs into more permanent programs and structures. However, this should go hand-in-hand with reforms to address the root causes of informality in labour markets, including expanding the access of men, women and particularly young people, to both decent job opportunities and well-functioning (both contributory and non-contributory) social security systems (see, also, Chapter 5 on labour markets). The current crisis and the spectrum of future shocks would also invite SP policy makers and practitioners to consider the possibility of gradually establishing minimum social security levels for all ('social protection floors') – and particularly the most vulnerable.⁴⁵

Integrated approaches to social protection will be key to supporting recovery and building resilience in the region, and the response should pay special attention to the following:

Responsiveness to the specific needs of women and youth: efforts to make the SP response more gender-responsive will be critical to avoid the worsening of gender inequalities. As recommended by UNICEF⁴⁶ and others, both governments and businesses should strive to expand paid leave, flexible working policies, as well as child or family benefits, whilst protecting essential childcare services for workers. Expanding women's access to healthcare via fee waivers or automatic health insurance enrolment will be vital to preserve access to critical maternal and child health and reproductive

45 The ILO estimated that the cost of a social protection floor package (covering children, maternity, disability and old age) would amount to about 4.2 percent of GDP in North Africa, and 3.6 percent in other Arab States, with financing gaps of 3.2 percent of GDP and 2.8 percent of GDP. See: Durán Valverde, F., et al., *Social protection; Measuring financing gaps in social protection for achieving SDG target 1.3: Global estimates and strategies for developing countries*, ILO, 25 November 2019, https://www.ilo.org/secsoc/information-resources/publications-and-tools/Workingpapers/WCMS_729111/lang--en/index.htm/.

46 On the need for gender responsive responses, see: UNICEF, "Gender-Responsive Social Protection during COVID19; Technical note", 23 April 2020, <https://www.unicef.org/media/68631/file/Gender-responsive-social-protection-during-covid-19-ENG.pdf>; and Hidrobo, M., et al., "Why Gender-Sensitive Social Protection Is Critical To The COVID-19 Response In Low- And Middle-Income Countries", IFPRI Blog, 28 April 2020, <https://www.ifpri.org/blog/why-gender-sensitive-social-protection-critical-covid-19-response-low-and-middle-income/>.

health services – particularly for the most vulnerable. The expansion of cash transfer programs, including through humanitarian assistance, should also seek to ensure that they do not create additional burdens for women and children and take into account the risks of gender-based violence – particularly where they target women. Care subsidies could notably be used to acknowledge that the care burden includes the care of the sick and elderly as well as the young. To the extent possible, gender equality messaging should be embedded in program design and delivery. Likewise, and because youth will be key to recovery efforts, their specific needs should be carefully and more systematically assessed and mainstreamed in the response.

Linking social protection and green recovery: to the extent possible, efforts should be made to strengthen linkages between social protection, particularly cash assistance and livelihoods; access to essential services, including healthcare; disaster risk management; and safeguarding the environment. For instance, social protection instruments, such as cash-for-work and labour-intensive works programs, could be scaled-up and made more supportive of people’s accessibility to social services and the sustainable management of the environment.

Harnessing digitalization for inclusive and enhanced delivery: the SP response to COVID-19 featured an increased use of digital delivery modalities. This involved using existing/newly established online platforms (Egypt, Jordan, Morocco) and mobile applications (Saudi Arabia); facilitating registration or payments of social security contributions (Algeria, Jordan, Tunisia); and using e-wallets for cash transfers (Jordan, Tunisia, Morocco). The digitalization of SP delivery systems could be considered an important area for further investment to improve the shock-responsiveness of social protection systems, while also helping to advance financial inclusion in the region, particularly among women. This should go along with commensurate efforts to reduce the digital divide and improve digital literacy.

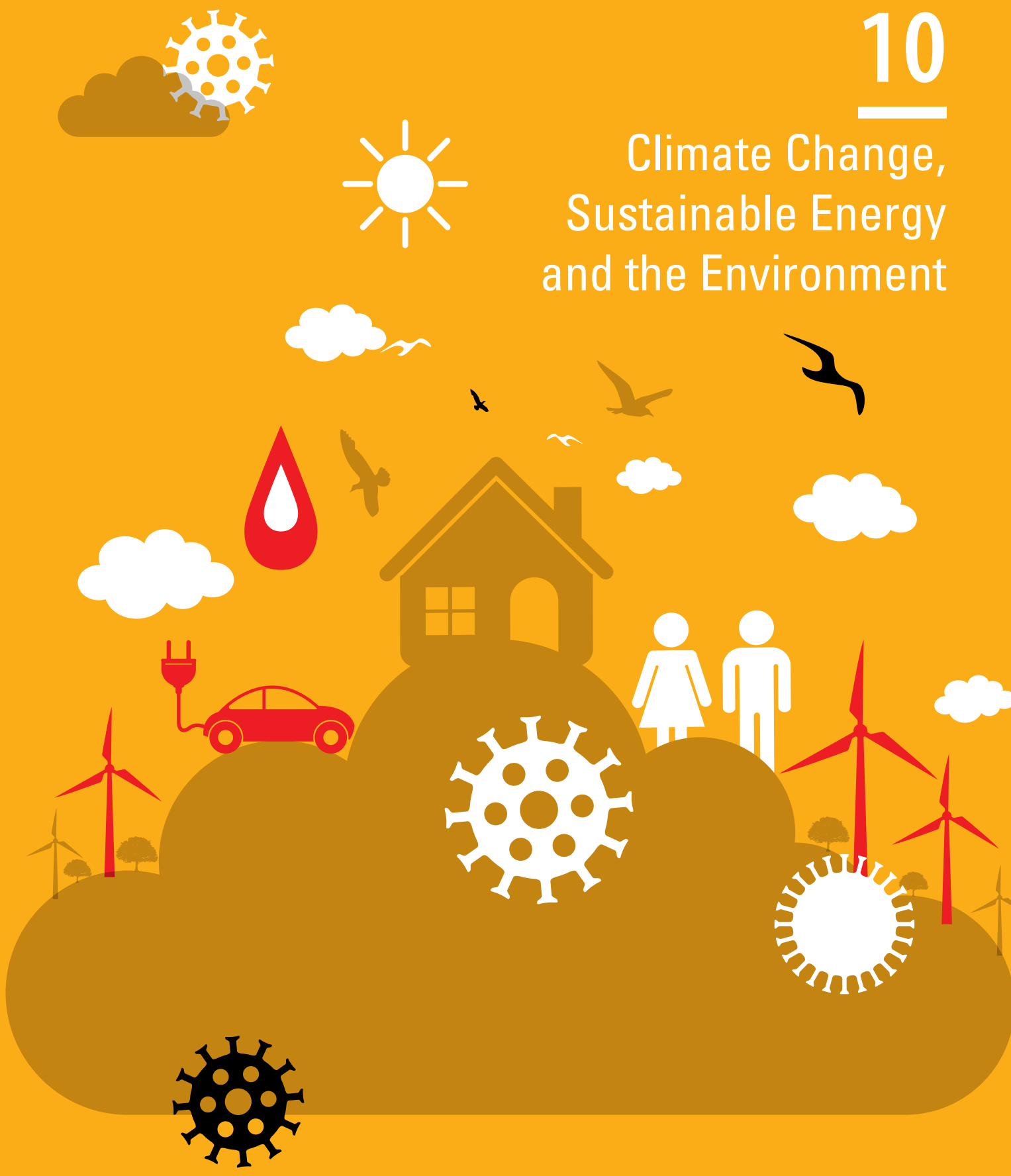
Strengthening linkages between humanitarian social assistance and national social protection systems:⁴⁷ in crisis-affected countries, where humanitarian aid is of high relevance to the social protection response, efforts should be made to better align humanitarian and national cash transfer systems with national systems. Promising approaches have already emerged – for instance, in the response to the Syrian refugee crisis – such as the use of common systems, tools and platforms to improve coverage and harmonize targeting across refugee populations and host communities – a vital measure for safeguarding social cohesion.⁴⁸

47 This is in line with the World Humanitarian Summit (2016) and the New York Declaration on Refugees and Migrants (2016), which specifically call on governments, humanitarian and development actors to “invest in the development of social assistance delivery mechanisms while strengthening capacity at national and sub-national levels”.

48 UN, “Advancing Inclusive and Sustainable Social Protection in the Response to the Syrian Crisis”, 2018, op. cit.

10

Climate Change,
Sustainable Energy
and the Environment



10

Climate Change, Sustainable Energy and the Environment

Converging with the socio-economic impacts of COVID-19 are the existing threats posed by climate change and ecological fragility – a crisis that also represents a growing source of social vulnerability. The Arab region is the world's most water-scarce and food-import-dependent, and has emerged as a global climate hotspot with temperatures rising faster than the world average. These trends compound the social vulnerability of communities created as a result of the present economic crisis.

An increasingly hostile climate, rapidly declining levels of water security, growing challenges in energy access and reduced capacities for waste management all pose serious risks to the most important aspects of recovery noted in earlier chapters of this report. These convergent crises call for integrated solutions that may serve to de-risk recovery efforts. Integrating environmental solutions into national crisis response plans and investments will help manage risks, build resilience in crisis-affected communities and advance equally resilient forms of recovery.¹ This can build on the successes achieved by countries across the region in mainstreaming environmental sustainability into recovery from conflict and displacement over the past decade, as well as on the progress achieved under SDG 6 on water, 7 on energy, 12 on sustainable consumption and production, 13 on climate change and 15 on land and biodiversity.²

In addition to making recovery efforts resilient, the crisis can also serve as an opportunity to rethink the role of the environment in development policies and paradigms, with an orientation towards risk-informed development pathways. The unsustainable use of the environment is among the root causes of the current crisis globally. Recent years have seen a surge of zoonotic outbreaks from animals to humans, with the former being pushed into closer contact with humanity as habitat destruction accelerates.³ COVID-19, Severe Acute Respiratory Syndrome (SARS) and Middle East Respiratory Syndrome (MERS) all hold important lessons on ways that ecosystem decline has led to more frequent and severe pandemic outbreaks.

Below, we review three key aspects of this challenge: (i) converging risks from climate change – particularly for the poor – and ways climate action can generate co-benefits for community resilience and recovery efforts; (ii) implications of the crisis for the region's goal of becoming a sustainable energy economy and ways solar solutions can be harnessed to achieve economic recovery and energy security for poor and affected communities; and (iii) risks from a lack of capacities in water, waste and ecosystem management and ways that more sustainable use of natural assets can reduce future risks and build resilience.

1 United Nations Development Programme (UNDP), *Global Institutions Unite Around Key Actions for Green and Fair COVID Recovery*, 5 June 2020 (<https://www.undp.org/content/undp/en/home/news-centre/news/2020/global-institutions-unite-around-key-actions-for-green-and-fair-.html>); Organization for Economic Cooperation and Development (OECD), *Building Back Better: A Sustainable, Resilient Recovery after COVID-19*, OECD, Paris, 2020.

2 UNDP, *Transformation towards Sustainable and Resilient Societies – Ecosystem Resilience for SDG Achievement and Human Security in the Arab Region*, UNDP Regional Hub for Arab States, 2018. See also: UNDP, *SDG Achievement in Crisis Contexts: Climate Change, Energy and Nature-Based Solutions for Conflict Affected Communities in the Arab Region*, UNDP Regional Hub for Arab States, 2019.

3 United Nations Environment Programme (UNEP), *Zoonotic Diseases*, UNEP Factsheet, Nairobi, 2020.

Climate change

Climate change poses one of the greatest threats to development in the Arab region and will undermine the process of achieving economic recovery in the wake of COVID-19.⁴ Social distancing has led to reduced levels of mobility and travel, and therefore to an expected eight percent reduction in carbon emissions globally in 2020. This will be six times larger than the emission reductions seen in 2009 after the last major global economic crisis.⁵ However, this emissions reduction is expected to be temporary, with only a modest impact on future climate risks. This is because the years leading up to the pandemic have seen an acceleration of emissions, with record levels recorded in 2018 and 2019.⁶ The atmosphere now holds more carbon than at any time in the past three million years.⁷ Thus, in spite of a temporary drop in emissions, climate risks and impacts are expected to accelerate, with 2020 likely to be one of the warmest years in recorded history.⁸

This holds special importance for the Arab region, which is already a global climate risk hotspot. Temperatures in the region are rising faster than the world average, threatening to further reduce renewable water resources by 20 percent by 2030,⁹ with millions at further risk from climate-induced displacement.¹⁰ Temperatures in the region are expected to increase by up to 5°C by 2100.¹¹ While climate change will continue to accelerate, it has already had devastating

consequences across the region. The 2008–2009 economic crisis, for example, converged with accelerating climate impacts and resource insecurity, occurring during one of the worst drought cycles experienced in the Arab region in almost a thousand years.¹² This combination of economic and climate crises generated unprecedented levels of social vulnerability and exacerbated the various sources of instability that emerged in subsequent years.¹³

As impacts and risks converge, special challenges exist for poor and displaced communities in MICs, LDCs and crisis contexts, for whom the economic and climate crises pose an existential threat to lives and livelihoods. Already in 2020, many communities face mounting economic pressures alongside the emergence of climate disasters and the unprecedented spread of locusts – itself driven in part by climate change.¹⁴ In crisis contexts, communities suffer displacement from both climate and conflict, leading to a growing awareness in the region of climate change as a threat to peace and security.¹⁵ The current pandemic and consequent economic crisis must not, therefore, serve to distract decision-makers from these converging threats. The coming years will continue to test the capacity of communities to cope with these convergent threats, with a growing need to address multi-dimensional risk within the process of socio-economic recovery from the pandemic.¹⁶

- 4 Carly Phillips Astrid Caldas, Rachel Cleetus, et al., *Compound Climate Risks in the COVID-19 Pandemic*, Nature Climate Change, 2020 (<https://doi.org/10.1038/s41558-020-0804-2>).
- 5 International Energy Agency (IEA), *Global Energy Review 2020*, IEA, Paris, 2020.
- 6 See: Pierre Friedlingstein, et al., *Global Carbon Budget 2019*, Earth Systems Science Data, Volume 11, Issue 4, 2019, pp. 1783–1838. See also: United Nations Environment Programme (UNEP), *Emissions Gap Report 2019*, UNEP, Nairobi, 2019.
- 7 Yale Environment 360, *CO2 Levels Hit Highest Level in 3 Million Years*, E360 Digest, 14 May 2019, Yale University, New Haven, CT (<https://e360.yale.edu/digest/co2-concentrations-hit-highest-levels-in-3-million-years>).
- 8 United Nations, *May confirmed as warmest on record, CO2 levels hit new record despite COVID economic slowdown*, 5 June 2020, UN, New York (<https://news.un.org/en/story/2020/06/1065732>). See also: Thomas Frank, 2020 on Track to Rank in the Top 5 Hottest Years on Record, Scientific American, E&E News, 18 April 2020 (<https://www.scientificamerican.com/article/2020-on-track-to-rank-in-the-top-5-hottest-years-on-record/>).
- 9 Economic and Social Commission for West Asia (ESCWA), *Arab Sustainable Development Report*, ESCWA, Beirut, 2020, p. 168.
- 10 UNDP, *Climate Change Adaptation in Arab States: Best Practices and Lessons Learned*, UNDP, New York, 2018.
- 11 ESCWA, *Arab Sustainable Development Report*, ESCWA, Beirut, 2020, p. 171. See also ESCWA, *Arab Climate Change Assessment Report*, ESCWA, Beirut, 2017.
- 12 Benjamin Cooke, et al., *Spatiotemporal drought variability in the Mediterranean over the last 900 years*, JGR Atmospheres, Volume 121, Issue 5, 2016, pp. 2060–2074, Wiley Publishers.
- 13 Kishan Khoday, *Sustainable Development as Freedom: Climate Change, Environment and the Arab Uprisings*, Background Paper for the Arab Development Challenges Report, UNDP Regional Center for Arab States, Cairo, 2013.
- 14 Nelson Mandelo Ogema and Fiona Broom, *Famine risk for millions in second locust wave*, 28 May 2020, SciDev.net (<https://phys.org/news/2020-05-famine-millions-locust.html>).
- 15 Jamal Saghir, *Climate Change and Conflicts in the Middle East and North Africa*, Working Paper, American University in Beirut, 2020; Dan Smith and Florian Krampe, “Climate Related Security Risks in the Middle East”, in *Routledge Handbook on Middle East Security*, Routledge, UK, 2019. Dan Smith, Malin Mobjörk, Florian Krampe and Karolina Eklöv, *Climate Security*, Clingendael Institute, Hague. See also Kishan Khoday, *Climate Change, Peace and Security*, 31 October, 2019, UNDP New York (<https://medium.com/@UNDPArabStates/climate-change-peace-and-security-f5a290b6d28c>).
- 16 See: Mara Bieler, Sanya Bischoff and Oliver Melches, *COVID-19: How to Integrate Crisis Management with Transformative Climate and Sustainability Action*, GIZ, Bonn, 2020.

In this regard, a number of policy responses are emerging across the region that should be reviewed from the perspective of ensuring climate resilience. At the forefront are the packages of fiscal stimulus measures being developed and put in place by national governments,¹⁷ which for the most part are being formulated without consideration of long-term climate risks, despite the fact that these sectors are the most vulnerable to climate change and related disasters. Key tools used within these stimulus packages – such as preferential loans, public grants and tax discounts to companies – can be mobilized to address both economic and climate crises in an integrated manner.

Policy recommendations

An opportunity exists to integrate climate adaptation into the recovery of key economic sectors as a means of building back better and ensuring results are able to withstand future climate shocks – especially with more frequent and severe droughts, floods and storms expected in coming years.¹⁸ Climate solutions should be mainstreamed into new capital injection and fiscal stimulus measures to support the recovery of MSMEs and key climate-vulnerable sectors at the centre of economic recovery goals such as agriculture, tourism and infrastructure. For example, measures such as preferential loans and tax discounts can be directed to support stronger performance on climate adaptation in vulnerable sectors, while new capital injections into banks can be conditioned on expansion of climate-resilient lending practices. Innovative solutions can also be applied to the challenge of mounting debt, with ‘debt-for-climate swap’ models standing as a means to offset debt repayments with domestic investments into climate resilient economic recovery. Unless climate adaption is integrated from the outset, climate change will jeopardize long-term results under these recovery investments.

At the institutional level, an opportunity exists during the recovery process to advance new institutional mechanisms to better manage multi-dimensional risk

across economic, climate and other forms of crisis in the region. Important efforts can be made in this regard to link crisis response mechanisms with new policies and financial instruments affiliated to the Paris Agreement.¹⁹ Nationally Determined Contributions (NDCs) under the Paris Agreement serve as national climate plans, setting a vision for scaled-up investments to achieve both global climate goals and fulfil local social and economic needs.²⁰ A need exists to connect crisis response mechanisms with climate policy coordination and decision-making processes as platforms to align foreign investment and private climate investments with socio-economic recovery goals.²¹

As countries explore ways to mainstream climate resilience into recovery efforts, there are important lessons to be extrapolated and built on from the region. Recent years have seen a rapid expansion of UN technical assistance to communities to build the adaptive capacities of those most at risk in in MICs, LDCs and crisis contexts.²² An opportunity now exists to review these climate solutions and explore ways they can support the goals of enhancing institutional responses to converging crises, integrating climate solutions into pandemic recovery plans and climate-proofing stimulus measures, as follows:²³

- Integrate climate adaptation and disaster risk reduction measures into national recovery policies, plans and investments from the outset as a way of ensuring that agricultural livelihoods, MSMEs, tourism, infrastructure and other sectors can withstand more frequent and severe climatic disasters in the future.
- In MICs, LDCs and conflict-affected contexts, target recovery policies towards climate and disaster resilient livelihoods for poor and displaced communities – for whom stability and restoration of livelihoods, micro-enterprises, household needs and health services are increasingly affected by climate change – including use of adaptive social protection tools such as climate insurance as a means of building resilience.

17 OECD, *COVID-19 Crisis Response in MENA Countries*, OECD, Paris, 2020.

18 Joaquim Levy, Carter Brandon, and Rogerio Studart, *Designing the COVID-19 Recovery for a Safe and More Resilient World*, WRI, Washington, DC, 2020.

19 UNDP, *UNDP COVID-19 Response – Climate Offer*, UNDP, New York, 2020.

20 UNDP and Secretariat of the United Nations Framework Convention on Climate Change, *NDC Global Outlook Report 2019: The Heat is On*, UNDP, New York, 2019.

21 Stanley Center and E3G, *Global Financial Crisis and Climate Change – A Playbook for Action*, Stanley Center for Peace and Security and E3G, Washington, DC, 2019.

22 UNDP, *Climate Change Adaptation in Arab States: Best Practices and Lessons Learned*, UNDP, New York, 2018.

23 See: Climate Action Tracker, *A Government Roadmap for Addressing the Climate and post COVID-19 Economic Crises*, Climate Analytics and New Climate Institute, Berlin, 2020.

- Integrate climate priorities into new fiscal stimulus programmes through preferential loans and tax discounts as a means of integrating climate resilience into vulnerable sectors like agriculture, MSME's, tourism and infrastructure, and incentivizing enhanced climate performance so they can build back better.
- Design capital injection measures for the banking sector in a way that advances the role of banks as providers of climate financing and sustainable economic recovery.
- Explore the use of debt-for-climate swap mechanisms – particularly in fragile MICs, LDCs and crisis contexts – to convert foreign debt repayment obligations into domestic action on climate adaptation.
- Integrate climate change and disaster risk reduction into crisis management institutions and processes to enhance crisis response, employing climate impact analysis and post-disaster needs assessment tools and building early warning systems to manage multi-dimensional risk.
- Mobilize climate policies and innovative financing around the Paris Agreement and NDC processes to crowd-in public and private investments for a climate resilient economic recovery.
- Mainstream climate risks into new efforts to strengthen national and local health systems, as a means of building preparedness for the evolving role of climate change as a catalyst for health crises.

Sustainable energy

Renewable energy and energy efficiency have emerged as important elements of crisis recovery in the Arab region in recent years. Solar and wind power capacities increased more than ten-fold in the decade since the 2008–2009 global crisis, from a combined 0.5 GW in 2008 to about 7.2 GW by 2018.²⁴ This includes a doubling of capacity in just two years, from 2016 to 2018. This unprecedented surge represents a major advance toward meeting the region's aspirations to develop a new high-tech knowledge-based economy, enhancing energy security in import-dependent countries and building the socio-economic resilience of poor and vulnerable communities within MICs, LDCs and crisis contexts. Even in the oil exporting economies of the region, renewable energy and energy efficiency measures have accelerated in recent years, reducing reliance on oil for local electricity generation and resulting in hundreds of billions of dollars' worth of oil for future exports.²⁵

Despite these trends, this new economic crisis brings risks, with reductions in oil prices, foreign investment, public budgets and private finance. While the renewable energy sector will be impacted by this economic downturn, there are signs it may be more resilient than other energy sectors like oil and gas.

Indeed, renewable energy is now expected to be the only energy sector to witness positive growth in 2020, given its lower costs and its long-term strategic value in an increasingly carbon-constrained world.²⁶ With the right set of policies and partnerships, actions can be taken to ensure that the economic crisis does not derail the region's important progress on developing a new sustainable energy economy.

An important foundation for this are the National Renewable Energy Action Plans and National Energy Efficiency Action Plans enacted by countries across the region in recent years to expand the share of sustainable energy solutions in their overall power mixes. Ambitious targets and innovative policies exist across the region to attract private investment, enhance energy subsidies, establish renewable energy institutions and establish renewable energy development zones.²⁷ Countries in the region have set a cumulative target to reach 190 GW of renewable energy capacity by 2035, which will account for as much as 30 percent of overall global growth opportunities in the renewable energy sector.²⁸

Meanwhile, a number of parallel policy factors are emerging as part of the economic recovery process in the region that are important to consider in terms of

24 UNDP and RCREEE, *Arab Future Energy Index (AFEX) Report*, RCREEE, Cairo, 2019.

25 Ibid. See also: Kishan Khoday and Stephen Gitonga, *Decarbonizing Development in the Middle East*, UNDP, 3 December 2018 (<https://www.arabstates.undp.org/content/rbas/en/home/ourperspective/ourperspectivearticles/2018/decarbonizing-development-in-the-middle-east.html>).

26 IEA, *World Energy Investment 2020*, IEA, Paris, 2020.

27 Achim Steiner and Francesco La Camera, *Turning the Page on the Age of Oil*, Euractiv, 14 May 2020 (<https://www.euractiv.com/section/development-policy/opinion/turning-the-page-on-the-age-of-oil/>).

28 UNDP and RCREEE, *Arab Future Energy Index (AFEX) Report*, RCREEE, Cairo, 2019.

the region's continued shift to a clean energy economy. For example, a number of governments plan to reduce electricity bills for household and corporate energy users as part of their economic recovery policies – the intent being to provide greater fiscal space for consumers.²⁹ This, however, could serve to derail the energy conservation efforts countries have advanced in recent years and, combined with the cheaper price of oil and gas, could disincentivize further commitments to sustainable energy solutions. Another key trend is the review of health policies in the region with a focus on prevention.³⁰ Air pollution is one of the greatest sources of chronic respiratory disease in the region, thus the nexus of health policy and energy policy will be key for reducing vulnerability to health crises.

Furthermore, new capital injections are being planned as part of fiscal stimulus measures to stabilize the energy sector, with the risk that these are geared more towards the oil and gas industry rather than the newly emerging renewable energy market. High levels of fiscal stimulus are also planned for sectors like heavy industry, transport and construction, which are among the most energy-intensive sectors. Emerging packages of preferential loans, public grants and tax discounts can therefore be important tools to promote sustainable energy solutions by integrating renewable energy and energy efficiency measures into capital injection programmes.

Policy recommendations

Dedicated policy measures are needed to retain the momentum of pre-existing solar investment plans in the region, so that countries' hard-won successes in recent years are not lost as a result of the economic crisis. Promoting solar solutions within economic recovery investments and stimulus packages would ensure that renewable energy continues its rise to prominence as a high tech, knowledge-based sector in the region and a source of green jobs for young engineers, solar SMEs and clean energy providers. In addition to the systemic benefits of sustainable energy for economic resilience, an opportunity also exists in this process to mobilize solar solutions to empower community livelihoods and energy access. Solar solutions can bring benefits that

address the chronic energy gaps faced by poor and vulnerable communities in MICs and LDCs, as well as for restoring energy access to communities displaced by conflict where power supply infrastructure has been decimated by war. Solar solutions can help stabilize and empower local health facilities, reduce energy costs for the agriculture sector, and serve as a decentralized cost-effective means of regenerating MSMEs as well as tourism and manufacturing sectors.

The region has seen a number of solar initiatives in recent years, supported by the United Nations and other partners, to address the socio-economic needs of communities in the contexts of fragility and conflict.³¹ These successful models can also now be expanded upon to empower communities within socio-economic recovery efforts after the pandemic.³² Furthermore, in addition to supporting economic resilience, low carbon solutions can also contribute to a reduction of air pollution – a key source of underlying respiratory conditions for those affected by COVID-19 or other diseases.³³ Sustainable energy solutions can thus also help reduce the vulnerability of the poor to disease and particularly the urban poor in MICs, LDCs and crisis contexts who suffer the most from chronic air pollution and respiratory disease. In summary, the following policy measures will serve to ensure sustainable, low-carbon energy remains a feature of recovery and development efforts:

- Integrate solar solutions and energy efficiency measures into national recovery policies, plans and investments from the outset as a means to reduce energy costs and build the economic resilience of agricultural livelihoods, MSMEs, tourism, manufacturing and other key sectors in economic recovery.
- In MICs, LDCs and crisis contexts, target recovery policies toward the expansion of decentralized solar solutions for poor and displaced communities – those most impacted by the economic crisis and for whom solar solutions can help address chronic energy gaps for livelihoods – MSMEs and household needs, and social services such as health facilities, schools, shelters and orphanages.

29 International Monetary Fund (IMF), *COVID-19 Policy Tracker*, IMF, Paris, June 2020 (<https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19#J>).

30 OECD, *COVID-19 Crisis Response in MENA Countries*, Paris, 2020.

31 UNDP, *Energy for Crisis Recovery: Solar Solutions for Crisis-Affected Communities in the Arab Region*, UNDP Regional Hub for Arab States, Amman, 2018.

32 See UNDP, *COVID-19 Response – Energy Offer*, New York, 2020.

33 Arvind Kumar, Jane Burston and Josh Karliner, *The Deadly Link between COVID-19 and Air Pollution*, 15 April 2020, WEF, Geneva (<https://www.weforum.org/agenda/2020/04/the-deadly-link-between-covid-19-and-air-pollution/>).

- Utilize fiscal policies such as incentives, tax discounts, subsidies and other tools to de-risk renewable energy investments and scale up energy efficiency measures; and mobilize new sources of public and private finance as a means of reducing the risk of a downturn in the region's nascent renewable energy market.
- Integrate renewable energy priorities into fiscal stimulus as a means of bolstering the resilience of the solar and wind sectors as new employment-generating components of the region's economy; and explore the integration of energy efficiency measures as part of the stimulus being provided to energy intensive sectors like heavy industry, transport and construction, so they can build back better.
- Harness the roles of renewable energy and energy efficiency investments in support of improved public health outcomes as a means of reducing the exposure of the urban poor to air pollution in MICs, LDCs and crisis contexts and thus their susceptibility to future pandemic outbreaks.

Environment

A strong connection exists between socio-economic recovery and the health of the region's ecosystems. As pressures mount on natural habitats, animals are pushed closer to human communities, increasing the risk of disease transmission. Recent years have seen a global surge in zoonotic outbreaks between animals and humans. More than ever, our ability to prevent outbreaks depends on our ability to maintain healthy ecosystems and avoid the blurring of ecological boundaries.

Ecosystems across the Arab region are under mounting pressure, with over one thousand threatened species in the region – most of which are classed as 'critically endangered'.³⁴ There is a large gap between ecological footprints (demand on natural assets) and carrying capacities (ability of nature to supply ecosystem goods and services) in the region.³⁵ As pressures mount on ecosystems, consequences accrue for human health and livelihoods.³⁶ One such consequence is that wildlife is forced into closer contact with livestock and human communities, increasing the risk of disease transmission. Before COVID-19, the last major outbreak of global concern was the Middle East Respiratory Syndrome (MERS) – a zoonotic disease passed from animal to human within the region.³⁷ Action to enhance the sustainable use and management of ecosystems and wildlife is therefore critical and an important means of reducing the risk of future zoonotic outbreaks.

A second issue facing communities – and the poor in particular – is access to basic environmental services. COVID-19 has come to represent a wakeup call in the region as to the centrality of water for public health. The pandemic has resulted in a five percent increase in household water demand for more frequent washing and related purposes, with rising demand adding pressures on already scarce resources and community infrastructure.³⁸

Meeting rising water demand has been a challenge for many communities. The average person in the region received one-eighth the renewable water of the global average individual, while 18 of the 22 Arab countries face water scarcity, with renewable freshwater scarcity below 1,000 cubic meters per capita per year.³⁹ Over 70 million people in the region across ten MICs and LDCs suffer from lack of regular household water, in addition to over 26 million refugees and IDPs in or from conflict-affected countries.⁴⁰ Lack of water access limits the ability to increase hygiene and cleaning practices while also constraining the ability of health facilities to provide emergency services.

In addition to the important role of water in pandemic response, the region's water insecurity challenges also serve as a barrier to effective economic recovery, with water representing a key input for MSMEs and the agriculture and manufacturing sectors. Water demand across the region has been on the rise in recent years, with the deficit expected to increase to 75.4 billion

34 ESCWA, *Arab Sustainable Development Report*, ESCWA, Beirut, 2016, p. 117.

35 Saab N., (ed), *Arab Environment 5 Survival Options: Ecological Footprint of Arab countries*, Arab Forum for Environment and Development, Beirut, 2012.

36 Abbas El-Zein, Samer Jabbour, Belgin Tekce, et al., "Health and ecological sustainability in the Arab world: A matter of survival", *The Lancet*, 383, 2014, pp. 458–476.

37 UNEP, *Zoonotic Diseases*, Nairobi, 2020.

38 ESCWA, *The Impact of COVID-19 on the Water Scarce Arab Region*, ESCWA, 2020/Policy Brief 5, Beirut, 2020.

39 ESCWA, *Arab Sustainable Development Report*, ESCWA, Beirut, 2020, p. 86. See also: UNDP, *Water Governance in the Arab Region*, UNDP, New York, 2013.

40 ESCWA, *The Impact of COVID-19 on the Water Scarce Arab Region*, ESCWA, 2020/Policy Brief 5, Beirut, 2020, pp. 2, 5.

cubic meters (bcm) by 2030 from just 28.3 bcm in 2000.⁴¹ Water demand will increase still further during the recovery phase and into the future as cleaning and disinfection practices expand. To reduce the risks of water scarcity undermining economic recovery, water conservation measures should be mainstreamed into new recovery investments, while water governance and public–private partnerships should be enhanced, and water treatment and reuse capacities expanded.

Waste management services have also come into stark focus during the pandemic. The need to safely dispose of medical waste has increased dramatically⁴² alongside the use of plastic and other disposable personal protection equipment.⁴³ Billions of masks and gloves will be consumed and disposed of across the region, with a clear corresponding risk of increased disposal into the region's rivers and seas.⁴⁴ Prior to the pandemic, solid waste had been growing at a rate of more than three percent per year in the region, with major gaps in local governance, public–private financing, and recycling, reuse and reduction capacities.⁴⁵ The situation is the most severe in conflict-affected countries, where decimated waste disposal services have led to local health crises such as outbreaks of cholera and other diseases that continue to have impact alongside COVID-19.

The unsustainable use of ecosystems, combined with chronic deficits in key services such as water and waste management, put many communities at greater risk of pandemic impacts while also generating barriers to socio-economic recovery.⁴⁶ This is particularly important for poor and vulnerable communities in MICs and LDCs where health and livelihoods are severely impacted by the decline of ecosystem services, and for communities displaced by conflict for whom resumption of development pathways is dependent on access to water and other natural assets.

As countries proceed with measures to address the economic crisis, there are a number of policy responses emerging in the region that bring implications for ecosystems, water and waste. As countries seek to stabilize and recover from the crisis, a risk exists that measures will be enacted to restart economic growth at the expense of the environment. Globally, new deregulatory trends are emerging, with some large economies in the G20 side lining environmental measures to reduce compliance burdens on industry, including, for example, waivers of environmental impact reviews and public consultation processes.⁴⁷ This is ultimately a short-sighted solution to the challenge of regenerating growth. In the Arab region, pre-existing environmental impact assessment regulations are critical in this regard, as a means to ensure that industrial impacts on ecosystems, water and waste are prevented and mitigation measures put in place. In a region that is already the world's most water scarce and ecologically fragile, these policy measures are vital to ensure that recovery measures do not exacerbate existing environmental risks.

Policy recommendations

As countries move ahead with recovery plans and investments, a focus on improving ecosystem management, water access and waste management can help build community resilience while mitigating risks to the sustainability of the results of economic recovery. The following measures, therefore, should be considered in this context:

- Utilize fiscal policies, such as incentives, tax discounts and other tools, to scale up investments in water and waste management capacities, mobilize new public and private finance as a means of reducing risks to economic recovery, and integrate nature-based solutions into stimulus

41 ESCWA, *Developing the Capacity of Member Countries to Address the Water and Energy Nexus for Achieving the SDGs*, Regional Policy Toolkit, ESCWA, Beirut, 2016.

42 World Health Organization (WHO), *Overview of technologies for the treatment of infectious and sharp waste from health care facilities*, Geneva, 2019. UNDP, *Guidelines for Sustainable Procurement of Healthcare Commodities and Services*, New York, 2020.

43 UNEP, *COVID-19 Waste Management Factsheet*, Nairobi, 2020.

44 See: Kristin Hughes, *Protector or polluter? The impact of COVID-19 on the movement to end plastic wastes*, WEF, 6 May 2020 (<https://www.weforum.org/agenda/2020/05/plastic-pollution-waste-pandemic-covid19-coronavirus-recycling-sustainability/>); and Lillo Montalto Monella, *Will plastic pollution get worse after the COVID-19 pandemic?* Euronews, 13 May 2020 (<https://www.euronews.com/2020/05/12/will-plastic-pollution-get-worse-after-the-covid-19-pandemic/>).

45 UNEP, *Global Environment Outlook: West Asia*, Nairobi, 2016, p. 92.

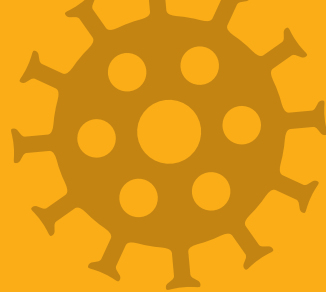
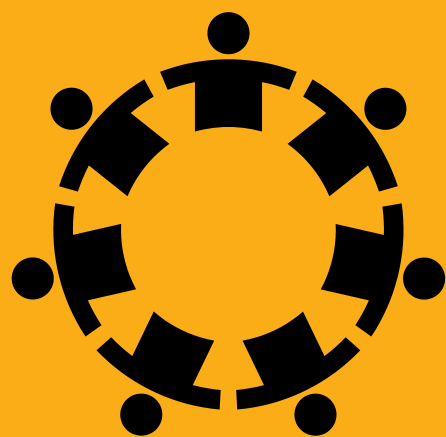
46 UNDP, *COVID-19 Response: Nature Offer*, New York, 2020.

47 Fermin Koop, *Let's Use the Pandemic to Dismantle Environmental Regulations*, 25 May 2020 (<https://www.zmescience.com/science/lets-use-the-epidemic-to-dismantle-environmental-regulations-brazilian-environment-minister-says/>); Hans Nicholas Jong, *Activists Challenge Indonesia Deregulation Bill that Threatens Environment*, 8 May 2020 (<https://news.mongabay.com/2020/05/indonesia-deregulation-omnibus-environment/>). Bloomberg, *China Drops Key Environmental Target as Coronavirus Hits Growth*, 25 May 2020 (<https://www.jwnenergy.com/article/2020/5/china-drops-key-environmental-target-coronavirus-hits-growth/>).

packages for MSMEs, agriculture, tourism and manufacturing to enable them to build back better.

- Explore the use of debt-for-climate and debt-for-nature swaps to offset the need for new debt commitments with the investment of domestic resources into measures that scale up the sustainable use and conservation of biodiversity, ecosystems and water security.
 - Use strategic environmental assessment tools as part of socio-economic assessment processes and integrate water access, waste management and nature-based solutions into national recovery plans and investments to stabilize and regenerate livelihoods, MSMEs, manufacturing and infrastructure.
 - Advance nature-based solutions and sustainable uses of biodiversity to restore and regenerate ecosystems as a means of maintaining community livelihoods, eco-tourism and social resilience, and to reduce the risk of future disease outbreaks.
- In MICs, LDCs and conflict-affected contexts, mainstream decentralized water solutions and improved water conservation measures into recovery plans and investments to address water access needs for regenerating livelihoods and social services such as health facilities, schools, shelters and orphanages.
 - Enhance local governance concerning the safe management and disposal of medical and plastic waste, and mobilize water and waste management investments to improve public health, including for the expansion of water access in medical facilities and households to reduce exposure to health risks.

A New Development Paradigm:
What Would It Take to Achieve
a More Inclusive, Greener and
Resilient Region?



11

A New Development Paradigm: What Would It Take to Achieve a More Inclusive, Greener and Resilient Region?

COVID-19 and the Sustainable Development Goals

People, governments and businesses have struggled to address the compound crisis posed by COVID-19 and the recent drop in oil prices, which has led to sudden disruptions to income, workforce and essential supplies. They have had to balance health security imperatives against the socioeconomic fallout of social distancing measures while having to rely on digital technology and infrastructure in an abrupt way.

Households and MSMEs in most of the countries of the region often lack the financial buffers to deal with shocks and for many households this dual shock means falling into poverty or resorting to negative coping strategies such as depleting limited assets. For many MSMEs the only option left in terms of coping strategy is to increase their precautionary savings – where possible – and continue to put off buying durable goods such as new cars or the modern equipment they need for their business activity until they are confident that they can go back to “normal”.

But the old “normal” will likely not re-emerge. Indeed, given the way in which this shock has unfolded across the globe, countries will not be able to turn to exports to quickly recover for quite some time. Socioeconomic shock absorbers such as the informal economy, remittances and ODA do not provide answers either, as they are also likely to be hit hard for quite some time.

In a region with high labour market segmentation and where most workers find jobs through informal relational networks, losing a job can turn into long-term unemployment or underemployment, resulting

in an overall loss of aggregated productivity for the region’s economies.

Therefore, the crisis is also expected to fuel further poverty and income inequality, as other pandemics have in the past, further lowering the share of incomes for the unskilled workforce.¹ Meanwhile, governments are under pressure to achieve national self-sufficiency in the provision of essential goods, such as food and medical equipment, which threatens to translate into higher costs and higher final prices.

In this context of lack of liquidity, precautionary savings, weak investment and lower productivity, fiscal stimuli are likely to be needed for an extended period – beyond a few months – even though there will be a temptation to turn off the fiscal tap as soon as possible given the limited fiscal space in most Arab countries. In short, the “old normal” is no longer tenable.

COVID-19 is also having impacts on many different groups beyond those that are traditionally vulnerable. For example, the middle class is increasingly showing emerging traits of vulnerability. Indeed, the concept of vulnerability itself has taken new forms and pervaded new and larger segments of Arab societies and economies.

In times of a crisis such as these, people usually turn to their leaders for comfort and reassurance; but the role of the state has been decreasing as a result of enduring global and regional tendencies, decreasing resources, increasing fragility and conflict, and the limited social protection provided to the neediest segments of society.

¹ Furceri, Davide, Prakash Loungani and Jonathan D. Ostry, How Pandemics Leave the Poor Even Farther Behind, IMFBlog, 11 May 2020 (https://blogs.imf.org/2020/05/11/how-pandemics-leave-the-poor-even-farther-behind/?utm_medium=email&utm_source=govdelivery).

COVID-19 has hit the region in a time of crisis and political and social polarization in which there is a persistent trend of decreasing trust in state institutions.²



Several countries in the region lack the requisite institutional capacity to deal with such extreme events. This leaves governments with limited policy options. The absence of appropriate tools for managing external and domestic risks exacerbates the costs of some of the adopted measures. Indeed, the latest data on government effectiveness³ – among other critical governance dimensions – across the Arab region could be used to provide a proxy indicator of countries' administrative capacity to respond to the impact of COVID-19 and low oil prices on their health systems and economies. As expected, fragile and crisis-affected countries (Iraq, Libya, Palestine, Somalia, Sudan, Syria and Yemen) rank low in government effectiveness (in the 25th percentile compared to worldwide scoring). These countries are likely to have insufficient capacity to handle the consequences of the COVID-19 outbreak due to their lack of medical facilities, necessary equipment and limited information dissemination to citizens.

Countries with higher ranking government effectiveness (Algeria, Egypt, Lebanon, Morocco and Tunisia) between the 25th and 50th percentiles are likely

to have the ability to organize more effective short-term/immediate responses to the public health threat and immediate economic issues through emergency allowances for those most vulnerable, special funds to manage the pandemic and financial relief to formal and informal workers. Jordan and members of the GCC countries, with the highest rankings in the region (50th percentile and above) are more likely to be able to reduce the impact of the virus on public health and support economic recovery if at the same time they manage to heighten their social policies including health, education and social assistance.

Even before the impact of the COVID-19 and oil price crises, existing structural challenges implied that the region was not on track to achieve the SDGs.⁴ To illustrate this, Annex V shows the SDG progress in the Arab States pre-COVID 19. The short-term transmission pathways of the dual crisis imply the risk of reversals in SDG progress, as summarized in the Table 11.1. In the long-term, the dual crisis may produce some long-lasting reversals of the development gains seen in the region and is likely to have profound and negative effects on sustainable development efforts unless explicit measures are taken to build back better and achieve long term resilience, as embedded in the Agenda 2030.






Table 11.1 SDGs directly affected by the double shock in the region

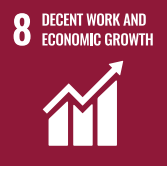




SDG	Impact			
	Whole region	Fragile and crisis-affected countries (FCC)	Oil-importing MICs	Oil exporters
 1 NO POVERTY	Estimates of the increase in income poverty range from 2.8 million to 14.3 million people.	FCCs are most affected due to poor and/or volatile economic performance in recent years, as well as their extra vulnerability and dependence on external humanitarian support.	Informal workers just above the poverty line are likely to fall below as a result of the crisis.	Some migrant workers who have lost their jobs may fall into poverty.
	COVID-19 is likely to affect both those who are income poor and those who are multi-dimensionally poor.	School closures will likely lead to a growth in multidimensional poverty gaps in both poor and middle-income countries.		
 2 ZERO HUNGER	1.9 million additional people become undernourished, mainly in FCCs.	People living in FCCs are hit especially hard by food-driven inflation.	Suspension of schools and universities results in limited access to food assistance programs among the many children who depend on them.	




2 Arab Barometer.

3 World Bank Group, Worldwide Governance Indicators, 2018 (<https://info.worldbank.org/governance/wgi/Home/Reports>). The government effectiveness indicator captures "perceptions of the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies".

4 <https://data.arabdevelopmentportal.com/Sustainable-Development-Goals/>.

 <p>3 GOOD HEALTH AND WELL-BEING</p>	<ul style="list-style-type: none"> • Over 500,000 reported cases and more than 10,000 deaths (as of June 22). • 5.2% of GDP health expenditure; 16 hospital beds per 10,000 people available in the region. • 29.9 nurses and midwives per 10,000 people available in the region. 	<ul style="list-style-type: none"> • Increased risk of contagion in FCCs due to limited access to handwashing facilities • Inadequate capacities of health system to respond to crisis. 	<ul style="list-style-type: none"> • Overwhelming of health systems resulting in increased non-COVID related deaths. • Secondary health impacts due to limited access to health facilities and closure of SRH facilities for women. • Disruptions in routine child immunization. 	<p>Migrant workers are disproportionately impacted due to their living and working conditions.</p>
 <p>4 QUALITY EDUCATION</p>	<p>Suspension of schools and universities has disrupted learning for the year.</p>	<p>E-learning, used to mitigate school closures, is not accessible to many middle class and poor children or to those living in refugee camps and ITS.</p>		
 <p>5 GENDER EQUALITY</p>	<ul style="list-style-type: none"> • Increase in disproportionate unpaid care burden. • Increase in domestic violence. • Already limited labour force participation further reduced. • Limited participation in key decision making. • Limited access to reproductive health care. 	<ul style="list-style-type: none"> • Palestine has reported a 69% increase in reports of GBV cases with emphasis on psychological harassment. • Data from Lebanon points to a 54% increase in levels of harassment and abuse. • Anecdotal reports of increases in child marriage and female genital mutilation. • Girls disproportionately affected by failure to access education. • Informal workers left without any support. 	<ul style="list-style-type: none"> • In Jordan women are now carrying out 22 times as much unpaid care work in the household than men, compared to 17.1 times in 2016. • Reduction in income as a result of hit on informal economy 	<ul style="list-style-type: none"> • concerns of impact on female migrant domestic workers. • As elsewhere, reports of increased levels of domestic violence but very limited support mechanisms.
 <p>6 CLEAN WATER AND SANITATION</p>	<ul style="list-style-type: none"> • 74 million people at risk of COVID-19 due to lack of basic handwashing facilities. • Increased water demand stresses infrastructure, leads to temporary disruptions and increases water scarcity. 	<p>Increased risk of contagion due to limited access to handwashing facilities.</p>	<p>COVID -19 impacts limit capacity to repair water infrastructure disruptions, which are under increasing stress due to public cleaning and handwashing requirements.</p>	
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<ul style="list-style-type: none"> • Reduced oil prices pose risk to sustained solar transition. • Greater understanding of the role of chronic air pollution from energy use in generating underlying respiratory disease. 	<p>Reduced fiscal space to expand energy access for poor and crisis-affected communities, with particular risks to MSMEs, health facilities and social services dependent on energy access.</p>	<p>Economic crisis threatens to slow down the recent trend of accelerating foreign investments into low carbon solar economy.</p>	<p>Reduced oil price leads to increased consumption, reducing incentives for energy efficiency measures.</p>

 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<ul style="list-style-type: none"> • Due to slowing of economic activity in the region, 17 million lost working hours. • COVID-19 has increased exclusion of refugees from formal employment. Women are doubly excluded as they are particularly vulnerable to discrimination, exploitation, violence and abuse. • Loss in real GDP of US \$80 billion. • Loss of 23% in Arab stock markets. 	<p>Drastic increase of unemployment rate (Sudan: unemployment rate is expected to reach 25%).</p>	<ul style="list-style-type: none"> • Drastic increase of unemployment rate (in Tunisia the unemployment rate increased from 15 % in 2019 to 21% in 2020). • In Jordan and Egypt, a large share of SMEs reported halting operations, shortages of liquidity and the need to fire employees. • UNDP Jordan Survey of Households: 58% said they have lost their income from employment. 	<p>Increased job losses among migrant workers.</p> <p>In UAE and Algeria, 3% unemployment rate increase in 2020.</p>
 <p>10 REDUCED INEQUALITIES</p>	<p>Existing structural inequalities are being exacerbated.</p>	<p>Further deterioration in access to basic services likely to increase medium term inequalities.</p>		<ul style="list-style-type: none"> • To reduce the impact of school closures e-learning has been used, impacting children from lower middle class and among the poor who have limited access to computers and internet connections. • School closures also deprive vulnerable and poor children from school feeding programs.
 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	<p>People in slums at high risk of contagion due to high population density and lack of proper water or sanitation.</p>	<p>FCCs have double the regional average living in slums, ranging from 47 to over 90% (most recent data, 2014, WDI).</p>	<p>Crowding in highly dense refugee camps and prisons increases the risk of contagion for these communities.</p>	<p>Crowding in migrant worker camps and prisons increases risk of contagion for these communities.</p>
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	<ul style="list-style-type: none"> • Rapid escalation of medical waste and plastic pollution. 	<p>Already destroyed or damaged waste management facilities result in very limited capacity to manage medical and plastic waste.</p>	<p>Already strained waste management systems come under greater pressure.</p>	
 <p>13 CLIMATE ACTION</p>	<ul style="list-style-type: none"> • Risk of reduced commitment to climate action and NDCs. • Reduced economic activity and transport has led to temporary reduction of CO2 emissions, which are expected to rise quickly upon economic recovery. • Region experiencing one of the hottest years on record. 	<p>Convergence of COVID-19 with onset of climatic events such as droughts and flooding generate greater fragility of pandemic-impacted communities.</p>		

 <p>15 LIFE ON LAND</p>	<ul style="list-style-type: none"> Greater understanding of the nature of zoonotic outbreaks and the important nexus between ecosystem health and human health 	<p>Convergence of COVID-19 with locust outbreaks – with serious multi-dimensional risks in terms of food security and ecosystem stability.</p>
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<ul style="list-style-type: none"> Access to justice limited due to restrictions in movement and service provision. Increased levels of domestic violence. Limitation of liberties and increased emergency powers. High levels of corruption hinder effectiveness of COVID-19 response. 	<p>Conflict-affected countries are at higher risk of a devastating outbreak, due to conflict preventing effective measures to combat COVID 19.</p> <ul style="list-style-type: none"> Increased instability and delayed/hindered political and economic reforms. Threats to social cohesion and rising social unrest; and eventually the risk that violent extremism will rise.
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<ul style="list-style-type: none"> Remittances to the region are projected to fall by 19.6 percent in 2020. ODA expected to fall. 	<ul style="list-style-type: none"> International support required by conflict-affected countries to respond to the crisis, given their limited existing capabilities. Yemen, with an estimated annual remittance inflow of 12.6 percent of GDP in 2019, has seen the number of remittances drop by as much as 80 percent between January and April of 2020. Egypt estimates a remittance decline of 13.5 percent. Morocco and Tunisia have projected remittance declines of 17–18 percent.

A new development paradigm

In the preamble to the 2030 Agenda for Sustainable Development, Member States expressed their determination “to take the bold and transformative steps which are urgently needed to shift the world onto a sustainable and resilient path”. Responding to fast-moving trends in the 21st century, the 2030 Agenda pursues the fundamental goals of securing ‘decent work, ‘quality education’ and ‘effective, accountable and inclusive institutions’ by 2030.

COVID-19 has brought a new sense of urgency to this push for transformational change on a systems level. The shock of the pandemic has made even more evident the complexity and interconnectedness of development issues and the need to address them through integrated solutions. It has illustrated both the volatility and uncertainty of the policy implementation environment and the need to be resilient and adaptive;

and the changing nature of the relationship between citizens and state and the demand for more citizen involvement. The crisis has accelerated previously slow-moving change on a number of issues, therefore, presenting an opportunity to rethink and reimagine our lives and actions before settling into a ‘new normal’.

The crisis has not only highlighted the systemic nature of existing risks, but also provides the first indications of various new, lasting social, economic, environmental and technological risks and opportunities. These extant and emerging risks linked to the repercussions of the pandemic include:⁵

- Another global outbreak of COVID-19 or different infectious diseases.
- Prolonged global and regional recessions leading to:
 - a surge in bankruptcies (big firms and SMEs) and a wave of industry consolidation;

5 World Economic Forum (WEF), COVID-19 Risks Outlook: A Preliminary Mapping and Its Implications, 2020.

- the failure of industries or sectors in certain countries to properly recover; and
- the weakening of fiscal positions and ballooning public debt.
- Increasing inequalities, such as:
 - uneven internet access that exacerbates digital divides, which in turn entrenches long-term inequality of opportunity; and
 - fragile progress towards gender equality.
- High levels of structural unemployment (especially among women and youth) and underemployment.
- Tighter restrictions on the cross-border movement of people and goods.
- Protracted disruption of global supply chains and their potential regionalization.
- Increased risk of political suppression due to extended emergency powers.
- Increased risk of polarization and sectarianism due to lack of appropriate government responses for vulnerable populations.
- The role of ecosystem disruption in generating zoonotic outbreaks and pandemics.
- Converging threats from the climate crisis, with those communities most impacted by the economic crisis also facing more frequent and severe climate impacts.
- Systemic implications of chronic air and water pollution, generating underlying risks for human health and social vulnerability.

Any understanding of the decline in the region's progress towards achieving sustainable development and the SDGs must be informed both by the structural weaknesses shown in the previous chapters of this report as well as the risks reported above.

New models have emerged showcasing different scenarios for 'recovery' and a 'return to normal' from policy analysts. A common theme across all these models is that they contain trade-offs between effectiveness of health responses on the one hand, and the effectiveness of economic responses on the other. In the responses to the 2008 financial and 2011 Eurozone crises, countries did not build back better, even though a long-lasting depression was averted in both cases, as critical indicators such as inequality, indebtedness, environmental degradation and measures of citizen happiness, all continued to deteriorate. Therefore, the philosophical challenge today

concerns the critical variables we choose for the axes charting the Arab region's future.

At the heart of putting the region on track to achieving the SDGs is the need for a renewed and more balanced state–market relationship that boosts productivity, economic transformation and competitiveness to benefit all its people, ensuring no one is left behind. To this end, countries in the region will need to strengthen the role and capacities of the state to achieve:

- greater regional integration;
- more state capacities in critical areas providing public services (health, education, water, sanitation, energy, waste management, urban planning, etc.) and as COVID-19 has shown, affordable access to the internet;
- more appropriate skills to enable the population to participate in the digital, sharing and circular economies;
- improved risk management;
- increased local capacities to deliver services;
- better provision of social protection and health services; and
- statistical capacity to identify and target vulnerable groups.

Meanwhile, countries must strengthen the role of the market to achieve:

- better market efficiency with an improved level playing-field, more competition; and
- a better business environment.

The report proposes an example of framework for policy implications to address structural and emerging challenges in the medium-term, which vary with respect to the stage of economic development and could be summarized as belonging to one of three types of policies, as illustrated in Table 11.2. Policies focused on the pre-market stage aim to shape the endowments that prepare people to enter the workforce, such as education, health and basic services that eventually affect people's capabilities. Policies focused on the market stage help determine incentives in hiring, investment and innovation decisions in line with the relative prices of factors of production and the required inputs. They may also affect bargaining power based on market and development potential rather than on rentier positions. Examples of such policies could be minimum

wages, investment, trade agreements, R&D and other types of industrial policies. Finally, policies that focus on the post-market stage aim to redistribute income and wealth by utilizing progressive income taxation, wealth taxation, income support policies, VAT, among others.

A second dimension of the proposed policies focuses on income distribution to address inequality. In this case, policies that target the bottom end of income distribution are typically poverty reduction policies, including those favouring basic income support. Policies that attempt to lift incomes in the middle level of the distribution may target better service provision and more effective social support. Finally, some may focus on redistributing incomes at the top to the benefit of the groups in the lower end of the distribution.

The proposed approach could form the core of a broader policy framework to mitigate the economic impact of the dual crisis, as well as future shocks, which will need to include a complex menu of health, fiscal, monetary, financial, industrial, ICT, trade, environmental and social protection policies, paying special attention to their sequencing and potential medium-term trade-offs.

Public investment in the care economy; education; digital services⁷ such as remote working and learning, telemedicine and other critical services; and low-carbon infrastructure, can form the backbone of stimuli that reduce inequality. ICT will be increasingly critical in sustaining societies and economies beyond the lockdown phases (see Box 11.1). In this way, the COVID-19 pandemic offers the possibility of investing in more cohesive, inclusive and sustainable societies.

Stimuli to sustain livelihoods can be implemented via the removal of perverse subsidies and by resisting the temptation to initiate mega projects that often overstate the role of construction in development. Green stimulus programmes have the potential to fundamentally change the way economies and industries operate. Economic diversification, including digitalization, presents the region with the potential for a new era of innovation, growth and e-governance in the service of societal and environmental goals.

In addition, in the Arab States, building back better requires addressing long-standing structural development

Table 11.2 Example of taxonomy of potential medium-term policies supporting a more sustainable, resilient and fair society

		Market stage in which policies may intervene		
		Pre-market	Market	Post-market
Socio-economic groups that policies may intend to address ¹	Bottom	Asset-based (human capital) policies including early childhood development, quality services (e.g. universal WASH, healthcare and education); nutrition; infrastructure and ICT	Decent labour conditions and protection, formal work; active labour market policies; basic and digital infrastructures; green economy and social works; trade, business environment; financial inclusion	Well-targeted social transfers (e.g., universal pension, disability benefits); lower VAT rates for essential goods and services; financial inclusion; healthcare and social care services
	Middle	Asset-based (human capital) policies including quality vocational and higher education as well as specialized healthcare; ICT	Participatory industrial relations; comprehensive labour laws; active labour market policies; business environment; digital infrastructures; regional trade integration; innovation and R&D policies; green economy; financial inclusion	Social insurance and pension, disability benefits; income tax credit; policies in support of sustainable consumption (subsidy reforms); financial inclusion; healthcare and social care services
	Top	Inheritance taxes; specialized higher education and healthcare	Financial and market regulations, antitrust laws; progressive income taxation; incentives for green innovation and R&D; digital infrastructures	Wealth and capital gains taxes, environmental taxes; philanthropy incentives

Source: Elaboration from UNDP HDR (2019) and Blanchard and Rodrik (2020).

Note: ¹specific group definitions are context dependent and could include vulnerable categories such as migrants, minorities, etc. based on countries' specificities and priorities.

⁷ During the pandemic, telecom operators have moved quickly to make ICT services more affordable. While connectivity in remote and rural areas remains a critical issue, it has been supported using various technological options such as 3G and 4G, high-altitude balloons and satellites. Governments in the region have also made available resources to facilitate access, such as the purchase of SIM cards and tablets in Egypt and Saudi Arabia, financial assistance to help retail ISPs support their customers, and price relief for access to the national broadband network.

challenges, organized according to the UNDP's four focus areas presented in the Corporate Offer 2.0,⁸ such as:

Governance

- De-escalation of conflicts in FCCs and restoration of peace.
- Effectively incorporating the private sector, civil society and citizens in the development process.
- Developing the capacities of governments to be flexible in their policies and budget allocations to allow for quick responses to emerging risks.
- Promoting democratic governance as a fundamental base for development, including fighting corruption, increasing transparency and accountability, ensuring peaceful and regular rotation of power, and applying the rule of law while defending human rights, and fighting repression and exclusion.
- Increasing popular participation to enhance political legitimacy.
- Enhancing the capacity of governments to deliver common goods, such as health and education at the central and local levels.
- Carrying out a long needed public sector reform for efficiency and effective distribution of services, including by developing public sector capacities to collaborate across siloes and sectors, engaging and partnering with a variety of stakeholders and disciplines.
- Strengthening local government to play a significant role in providing more efficient services and effective participation in development.
- Increasing transparency and accountability, including by explicitly linking strategic planning to budget allocations, and monitoring and evaluation of the achievement of targets.
- Empowering women and increasing their participation in economic activities as well as in all decision-making processes.

Social protection

- Strengthening social protection policies to manage existing problems such as poverty, marginalization of groups, food security and unemployment.
- Addressing structural inequalities to promote social mobility and reduce vulnerabilities. The informal sector bears the biggest burden of the shock in the private sector (some SMEs, daily wage earners and

some migrant workers). As a result, they often fall through social safety nets. Hence, there is a need to redesign social protection so that it includes informal workers. This should be accompanied by the development of digital, mobile or other forms of payment delivery to the unbanked.

Green economy

- Rethinking conventional development policies to reset the balance between humans and nature and reset growth towards green, low carbon, climate resilient pathways, closing the region's gap in green finance, innovation and technology.
- Reversing the loss of biodiversity and reducing pressures on critical ecosystems to prevent future zoonotic outbreaks in the region and achieve the post-2020 Global Biodiversity Framework.
- Enhancing local environmental governance and regulatory frameworks to reduce levels of air pollution in cities and the prevalence of respiratory disease, particularly among the poor.
- Closing the water access gap in the region through new fiscal policies and regulatory measures that incentivize water conservation and wastewater reuse, and build capacities for integrated water management to expand water access for poor and crisis-affected communities.
- Initiating a new green fiscal policy capable of addressing the deficits and debt increase in OIMICs in order to restore economic growth towards goals of inclusivity and sustainability, and to manage social crises.
- Increasing collaborative policies integrating green industrial development, innovation, digital transformation, human capital and education policies linked with increasing job opportunities, especially for young people.
- Introducing qualitative improvements in agricultural production and decrease food import dependency.
- Economic transformation to reduce dependence on oil and other commodities.
- Sharing risk between the private and the public sectors.

Digital disruption

- Digital transformation to diversify the economy and reduce dependency on oil and other commodities.
- Establishing digital infrastructure that reaches the most vulnerable, reducing inequalities and enhancing financial inclusion and digitalization in

8 <https://www.undp.org/content/undp/en/home/librarypage/hiv-aids/beyond-recovery--towards-2030.html>.

the provision of public services, as well as access to technologies.

A renewed social contract should be informed by mutual trust, a common “vision” – or at least a shared understanding of the acceptance of basic rules – and mutual recognition of reciprocal duties and responsibilities. To achieve all of this, an open debate on the most appropriate objectives and roles of the state and the market in the region is needed, based on which, markets should strive to reward merit whilst the state should strive to protect citizens from risks and be a fair custodian of the rules of the game, ensuring a ‘level playing field’ and maintaining a healthy and dynamic tension between the two. This calls for a deeper reform of the fundamental institutions that should result from a renewed social contract where citizens’ energies are promoted while their social and economic rights are protected. This could be the right moment for such a discussion, as crises are defining moments for the relationship between the state and its citizens, especially because people look at governments for information, direction and protection.⁹

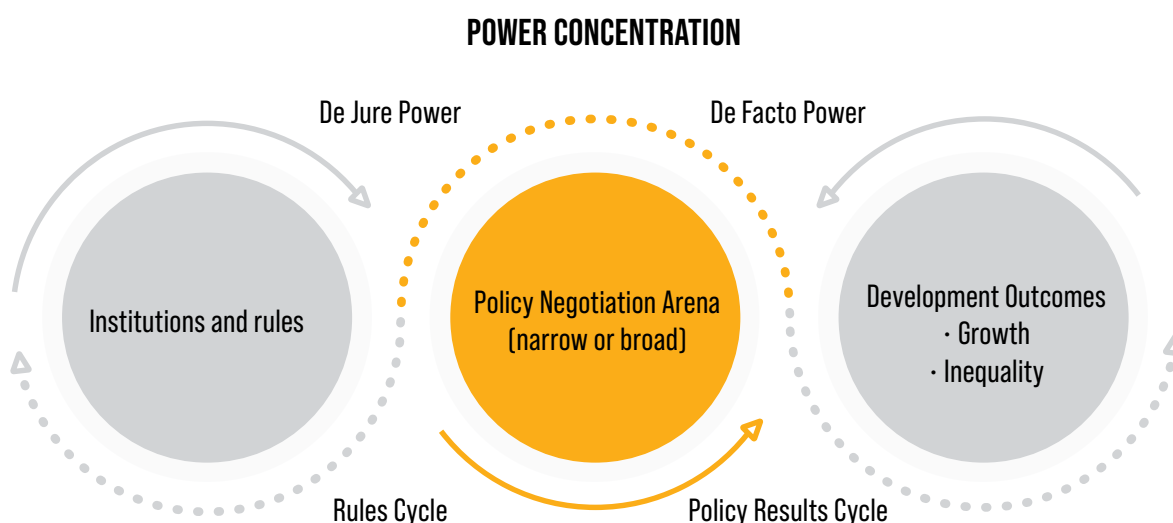
In the region, this issue is associated with the continuous use of the state by the ruling elites as means of political mobilization and to keep the status quo in the national political and economic power structure. Such practices decrease the capacity of the state as a supplier of public goods and increase its rentier functions (see Figure 11.1). This disincentivizes market

competition, reduced innovation, diversification, and long-term productivity, and the ability of these firms to compete globally. Most importantly, this has generated a crisis of legitimacy and deepened inequality leading to instability and increased conflict. Indeed, the Fifth Wave of the Arab Barometer Survey, in 2018 and 2019, found that trust in government in most Arab countries had decreased over the previous decade.

Conversely, a new development model in the Arab region requires states, business and citizens to confront the existing system of patronage and influence that weaken institutions, provide inadequate public services to the most vulnerable, distort markets and suppress job creation. For decades, rentierism, and then crony capitalism, have maintained the political and economic status quo in the region. As a result, the Arab countries have failed to match the performance of South East Asian countries, which have grown at a speed above three percent over the last half century. The policies implemented by the latter have fostered macroeconomic stability, strong education systems, sizeable investment plans, reformed legal and regulatory frameworks, and the creation of a cadre of qualified technocrats in public administration. Unlike many Arab states, the Southeast Asian economies have gradually moved toward manufacture-based exports, regional economic integration and free trade.

The dual shock, combined with structural trends such as growing populations and urbanization have shown this model to be unsustainable. Economic diversification

■ Figure 11.1 The inequality and rentier state loop



Source: UNDP.

9 UNDP, *Leaving No One Behind: Towards Inclusive Citizenship in Arab Countries*, Arab Human Development Report Research Paper, 2019.

has been a catchphrase of Arab policy makers and economists for many decades, particularly during oil price bust cycles such as this. But these ideas have never translated into coherently implemented medium-term policy reform programs.

Patron–client networks can only be unwound through a new relationship between governments, businesses and citizens. The long-term demand for these reforms will depend on the mobilization of a new constituency to support them. To this effect, almost two decades on from the 2002 Arab Human Development Report, two groups remain particularly important: young people and women. Together, they account for the vast majority of Arab populations. Yet, as the Report noted, they do

not have significant economic and political influence in their societies.

As a result of these underlying regional patterns combined with the dual shock, the region is also set to witness increasing inequality within middle- and high-income countries as low-wage and more vulnerable workers lose out and middle-class incomes stagnate, building on the 2008–9 financial crisis and the 2014 oil shock. Another crisis in twelve years is difficult to bear unless the institutional fundamentals – before the economic – are set right. Otherwise, the region is likely to witness increased social unrest that will compound the many existing conflicts and crises. In short, this is not about how bad the virus is, but rather how

■ Box 11.1

Are there lessons we can learn from other countries?

There are two dimensions to consider with regard to global experiences in addressing the COVID-19 crisis. On the health side, there are good examples of countries minimizing the number of deaths, preventing their health systems from being overwhelmed and reducing the time to relaxing strict containment measures. On the economic side, countries that are providing economic stimulus have focused on building forward better.

Countries such as Costa Rica, New Zealand, South Korea, Uruguay and Vietnam seem to have managed to control the spread of the virus and minimize deaths. All these countries have in common the early adoption of containment measures, including border closures, social distancing, aggressive testing and contact tracing, clear official communication and affordable test kits. Noticeably, these are countries with higher levels of trust in their governments' actions.

South Korea and Vietnam learned from recent viral outbreaks such as SARS and MERS, and developed systems, procedures and capacities to face new viral outbreaks. These included capacities to quickly develop tests and make protective equipment locally, which helped the rapid response. The lockdown in Vietnam lasted barely a month.

Uruguay is the country with the lowest levels of inequality in Latin America and

the Caribbean, and the highest levels of trust in government in the region. It did not impose mandatory lockdowns, but asked the population to follow social distancing rules and remain inside their houses unless travel was absolutely necessary. Despite being sandwiched between two giants – Brazil, with the largest outbreak in the region, and Argentina – Uruguay's economic slowdown has been the smallest in the region.

Regarding minimizing the impact on livelihoods, Germany announced a €130 billion coronavirus recovery package, which includes:

- A temporary VAT cut from 19 percent to 16 percent, from 1 July until 31 December.
- A €300 one-off payment for every child in the country.
- A €50 billion fund to address climate change, innovation and digital technology.
- A €25 billion loan support programme for small firms that have seen their sales drop by more than 60 percent for June to August.
- €10 billion for municipalities struggling with lower tax receipts, with public spending on infrastructure and housing.
- A state financial incentive to buy an electric car has been doubled to €6,000.

fragile and unprepared the underlying economies and institutions in the region are to cope with an increasing number and types of risks and manage shocks.

The transformative route will depend on achieving a deep understanding of the complex challenges that COVID-19 has brought into stark relief, as well as designing system-level responses that enable governments to not only react or respond to shocks but also to begin shaping their societies' futures. Delivering single-point solutions that act on small aspects of socio-economic challenges will not suffice (if, indeed, they ever have done); for transformational change on a systems level, national partners must strengthen their capabilities to explore, identify and analyse a full range of policy options in face of increasing complexity.

This institutional transformation and the new social contract that it entails will also imply changes in the fiscal relationship between businesses, citizens and the state. People should be made increasingly aware that a fair taxation plays an important role in this current stage of the crisis in helping to sustain universal access to basic goods and services. Moreover, countries are likely to see a significant decline in their tax collection – this may have lasting implications as it normally takes many years for public revenues to recover after an economic crisis. Finally, tax avoidance and evasion by large taxpayers

will become even more intolerable to public opinion in times of economic crisis. This increases the importance of international tax cooperation. Aside from affecting equality, the policy response to the crisis will be a good moment to also “green” our tax systems. In short, taxes will play a key role in shaping the “new normal” in the region.

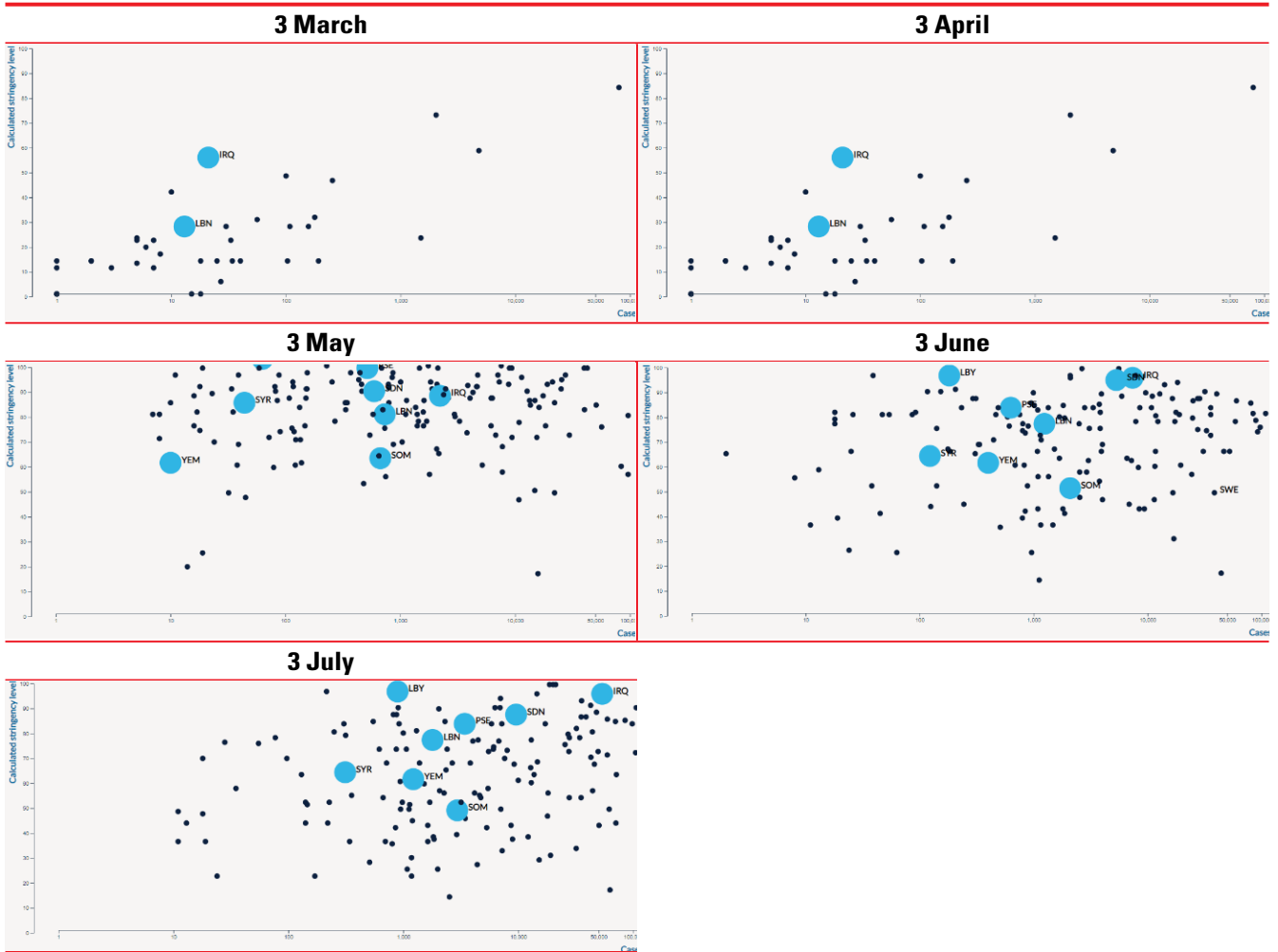
In the end, the alternatives boil down to two scenarios: either countries start a long process of institutional transformation that puts the 2030 Agenda at the centre, together with the ensuing roles for the state and the market; or business-as-usual will accelerate the social, economic, environmental and political vulnerabilities in the region making it even more exposed to prolonged stagnation on the socioeconomic front, and instability and conflict on the political front.

Finally, it is time for a renewed model of international cooperation in the region whereby short-term donors' interests are replaced by long-term regional interests. With interest rates as low as they are now, it is hard to imagine a more opportune moment in which to make such a commitment to the region. The current crisis is a global challenge that requires a global response, but it is also a regional challenge that will require a coordinated response in the Arab region.

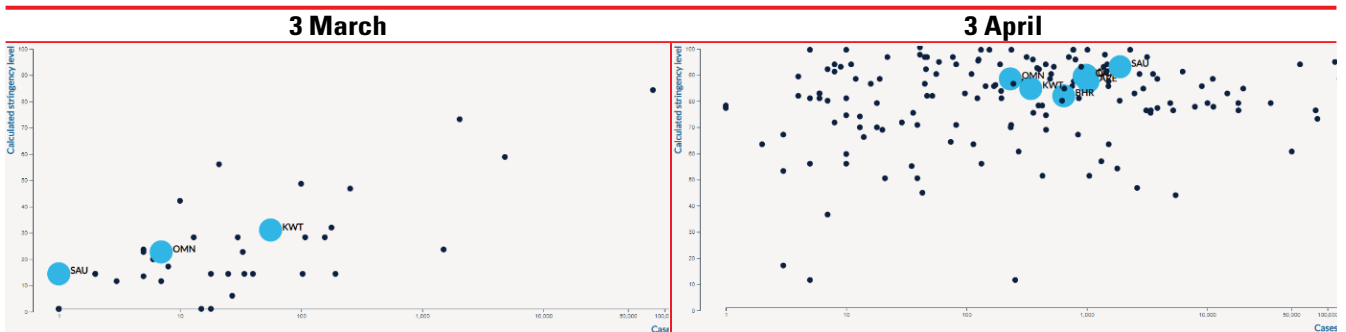
Annexes

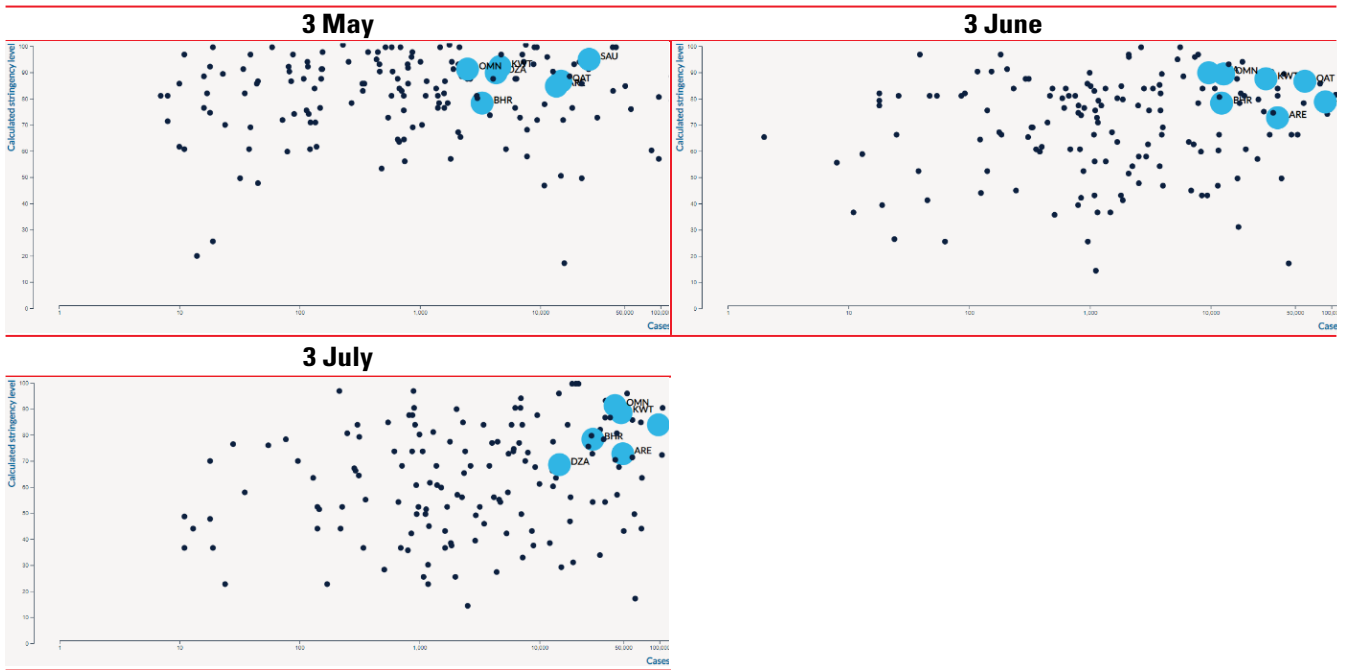
Stringency index by country over time

Fragile and Crisis Countries

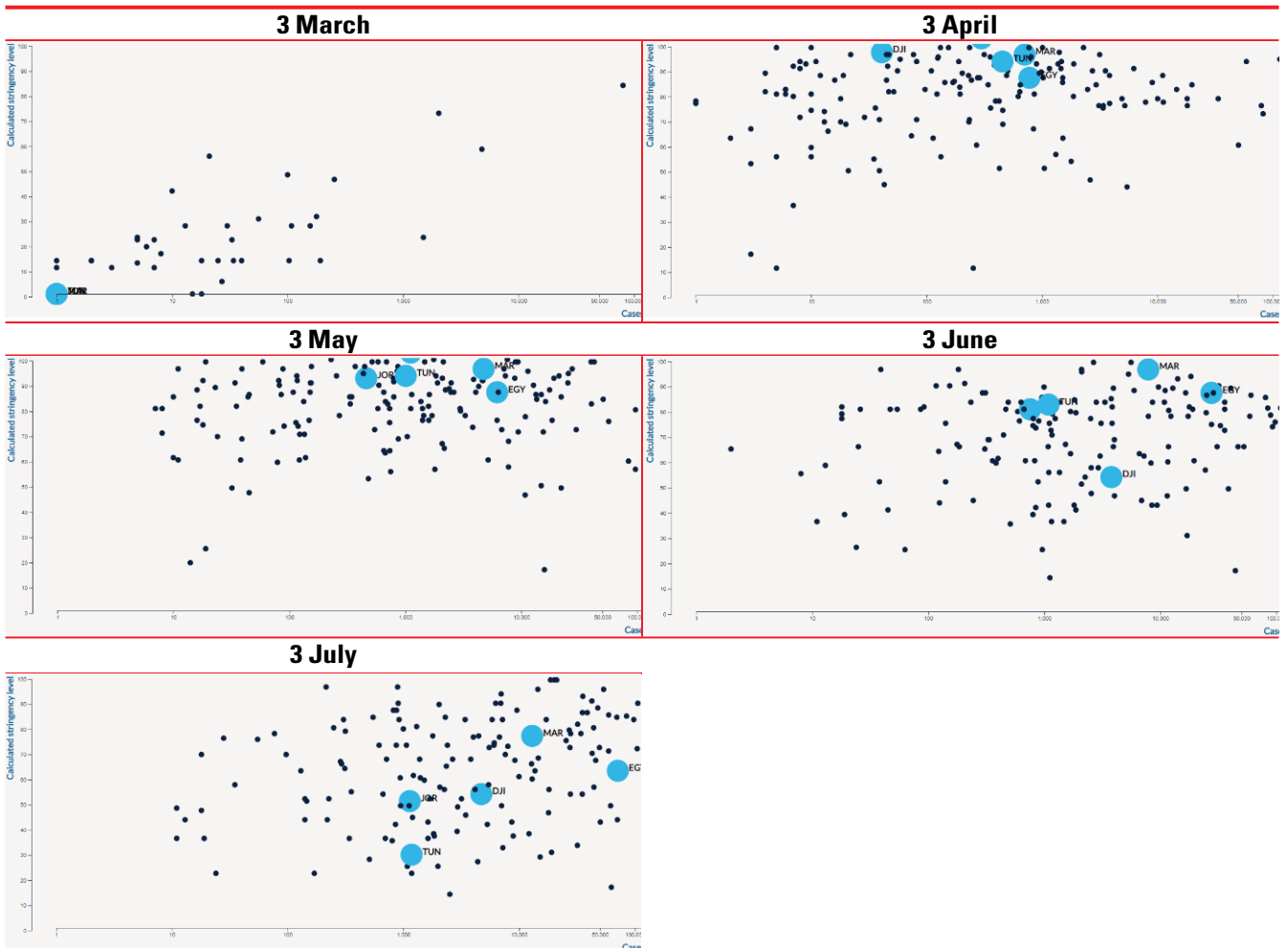


Oil Exporting Countries





Oil-importing Middle-income Countries

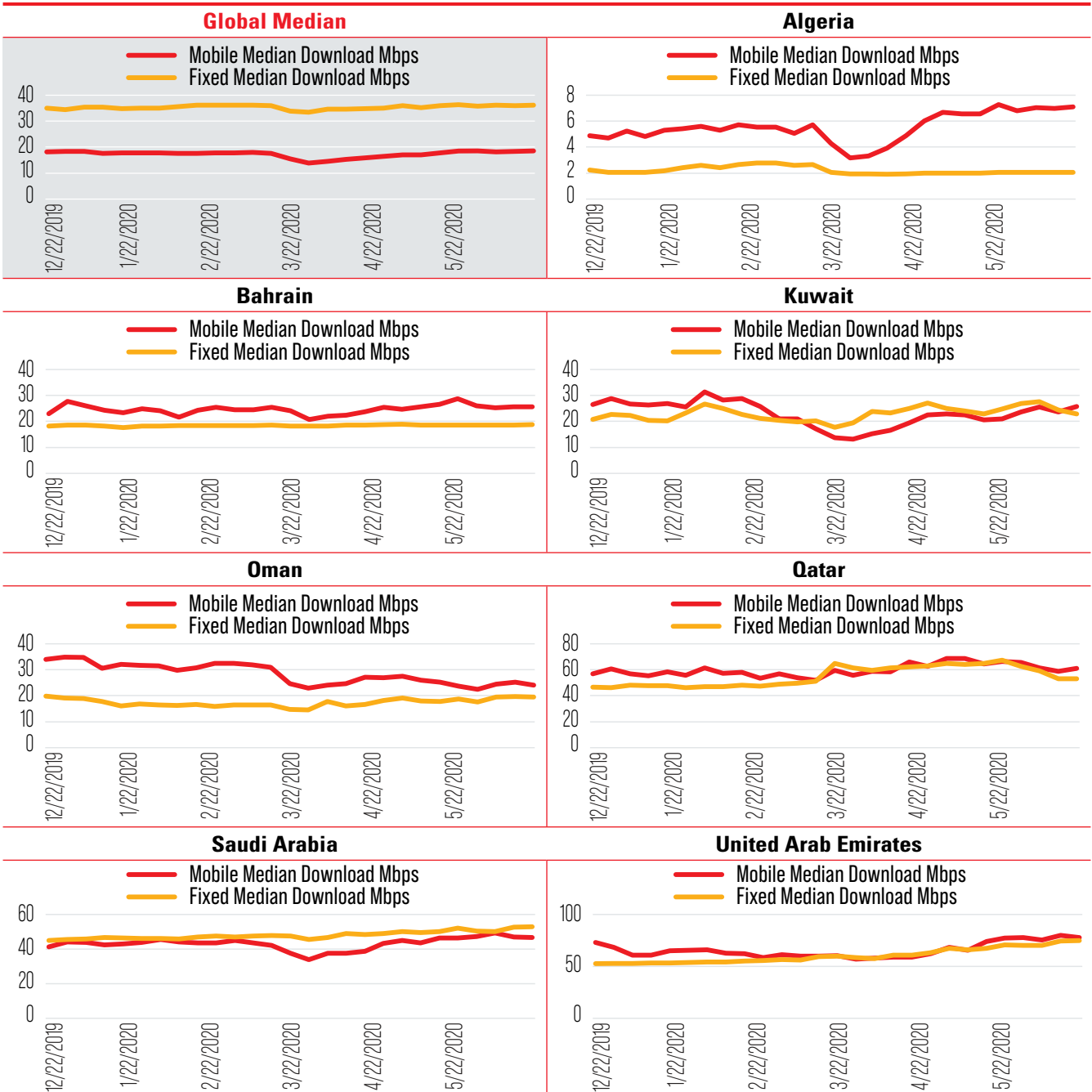


Source: <https://covidtracker.bsg.ox.ac.uk/stringency-scatter>

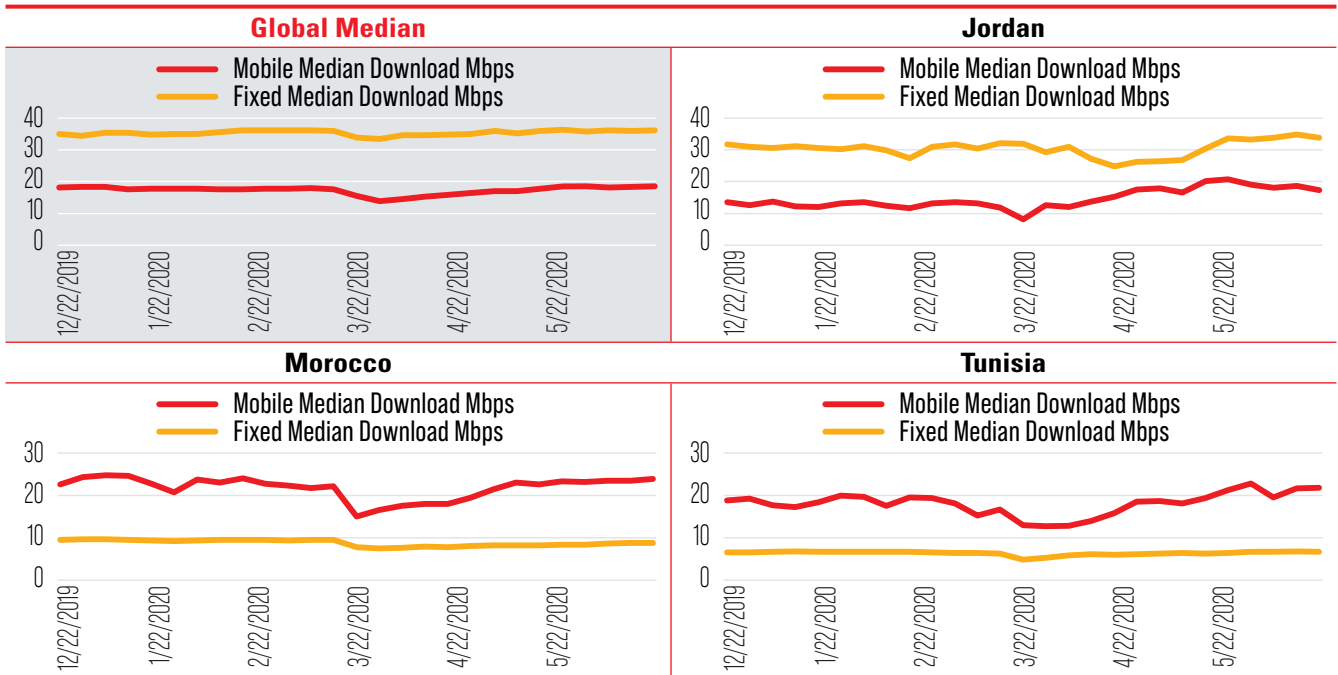


Internet connection speed in the region compared to the global average

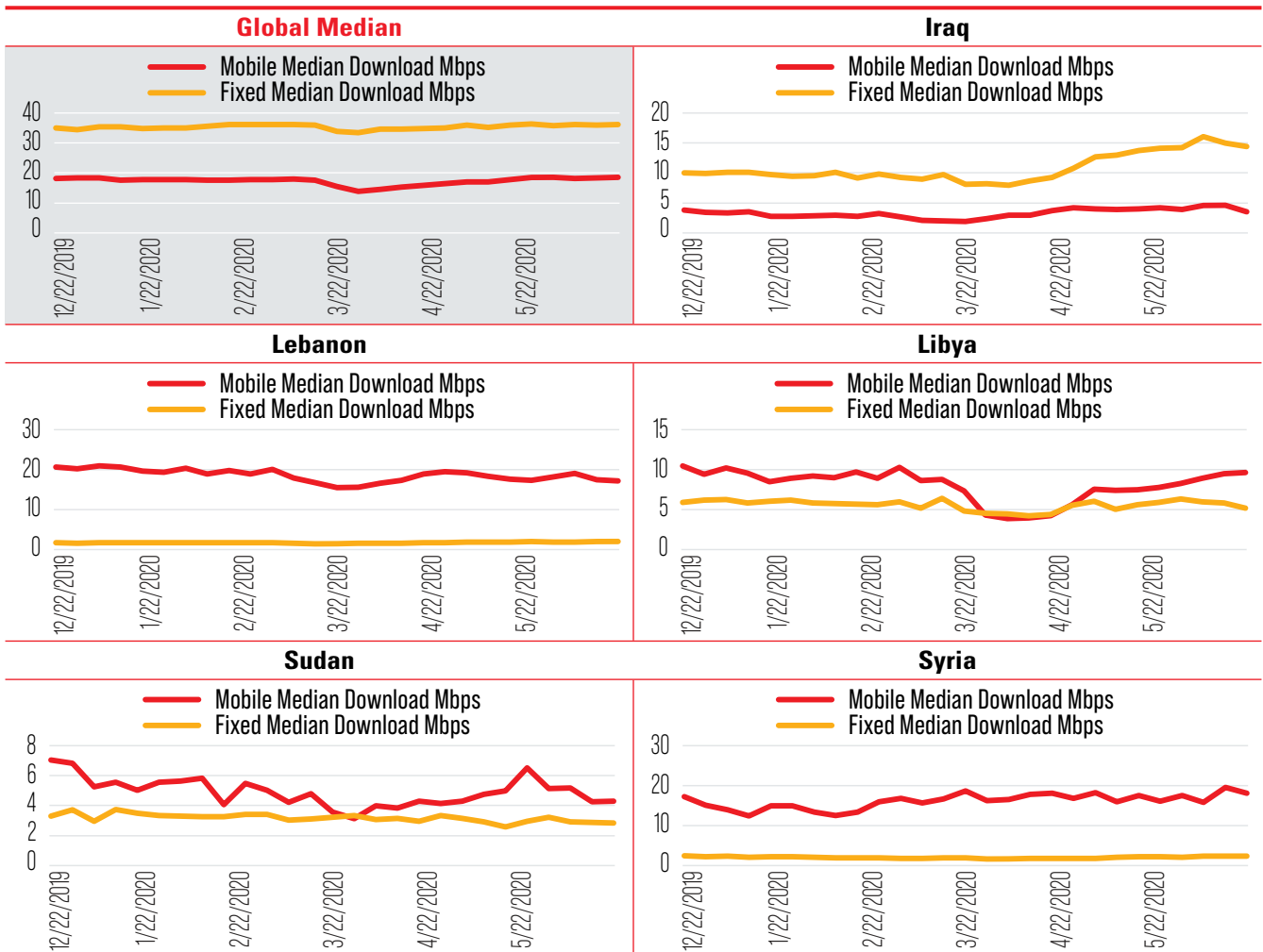
Oil Exporting Countries



Oil-importing Middle-income Countries



Fragile and Crisis Countries



Source: <https://ookla.d.pr/EX95W7>.



Macroeconomic Policy Review

Oil Exporting Countries

	Fiscal	Monetary and Macroeconomic	Exchange rate and BoP
Algeria	<ul style="list-style-type: none"> New provisions amounting to 70bn dinars to mitigate the health and economic impacts of the COVID-19 crisis - 20bn for allowances to the unemployed, and 11.5bn for transfers to poor households. Reduction in current and capital spending by 5.7% (2.2% of 2019 GDP) compared to the initial 2020 budget law. Declaration and payments of income taxes for individuals and enterprises postponed, except for large enterprises. Contractual deadlines relaxed. 	<ul style="list-style-type: none"> The Bank of Algeria lowered the reserve requirement ratio and policy rate. Easing solvency, liquidity and NPLs ratios for banks. Banks are also allowed to extend payments of some loans without provision against them. 	<ul style="list-style-type: none"> The authorities announced measures to cut the import bill by at least USD 10 bn (6% of GDP). Temporary exports bans of 1,219 product lines, including food, medical and hygiene items. Speeding up clearance of critical importing goods.
Bahrain	<ul style="list-style-type: none"> A BD 560 million (\$1.5 billion or 4.2% of GDP) stimulus package was announced, effective for a period of three months from April, comprises seven initiatives: (i) payment of salaries for Bahrainis working in the private sector; (ii) payment of electricity and water bills for Bahraini individuals and companies; (iii) exemption of commercial entities from municipalities' fees; (iv) exemption of tourist facilities from tourism fees; (v) exemption of industrial and commercial entities from paying rent to the government; (vi) doubling of the size of the liquidity fund to support SMEs; (vii) and redirection of Tamkeen (a semi-autonomous government agency that provides loans and assistance to businesses) programs to support companies. Ministry of Finance and National Economy authorized to withdraw from the general account up to BD 177 million or 1.3 percent of GDP. On April 8, 2020 a further BD 5.5 million enhancement to social benefits for lower income families was announced. On April 20 the authorities announced reduction of non-priority government agencies expenditure by up to 30 percent and delay some capital expenditure. 	<ul style="list-style-type: none"> The Central Bank of Bahrain (CBB) expanded its lending facilities to banks by up to BHD 3.7 billion (\$10 billion or 28% of GDP) to facilitate deferred debt payments and extension of additional credit. The CBB has followed the Fed's interest rate cuts: the one-week deposit facility rate, the overnight deposit rate, and the overnight lending rate. Other key measures include: (i) reducing the cash reserve ratio for retail banks from 5% to 3%; (ii) relaxing loan-to-value ratios for new residential mortgages; (iii) capping fees on debit cards; and (iv) requesting banks to offer a six-month deferral of repayments without interest or penalty and to refrain from blocking customers' accounts if a customer has lost his or her employment. 	<ul style="list-style-type: none"> Ban to exports of all types of protective face masks, without prior permission for 3 months.

<p>Saudi Arabia</p>	<ul style="list-style-type: none"> • A SAR 70 billion (\$18.7 billion or 2.8% of GDP) private sector support package was approved including the suspension of government tax payments, fees, and other dues to provide liquidity to the private sector and an increase in available financing through the National Development Fund. • The government has made budgetary reallocations (SAR 47 billion) to increase the resources available to the Ministry of Health to fight the virus. The authorities announced spending cuts in non-priority areas amounting to SAR 50 billion (2% of GDP). • The government authorized the use of the unemployment insurance fund (SANED) to provide support for wage benefits to private sector companies who retain their Saudi staff (SAR 9 billion, 0.4% of GDP) and eased restrictions on expatriate labour mobility and their contractual arrangements. • Temporary electricity subsidies to commercial, industrial, and agricultural sectors (SAR 0.9 billion). • On May 10, the Ministry of Finance announced new fiscal measures to raise more non-oil revenues, rationalize spending and maintain the budget envelope consisting of additional cuts and delays in capital spending, removal of cost-of-living allowances for public sector workers effective June 1, and increasing the VAT from 5% to 15% as of July 1. 	<ul style="list-style-type: none"> • The Saudi Arabian Monetary Authority (SAMA) reduced its policy rates, reverse repo and repo rates. • On March 14, SAMA announced a SAR 50 billion (\$13.3 billion, 2 percent of GDP) package to support the private sector, particularly SMEs, by providing funding to banks to allow them to defer payments on existing loans and increase lending to businesses. The central bank will also cover fees for private sector stores and entities for point-of-sale and e-commerce transactions for 3 months. SAMA has also instructed banks to delay payments of loans extended to all Saudi employees by three months without extra fees, to provide financing needed by customers who lose their jobs and to exempt customers from various banking fees. • On June 1st, SAMA announced the injection of SAR 50 billion into the banking sector through deposit placements to support banking liquidity and private sector credit. 	<ul style="list-style-type: none"> • Increase of custom duties for around 3000 imported items, effective June 10 2020. • Postponing the collection of Customs duties on all imports for a period of 30 days (May 2020). • Exports ban for personal protection equipment, medical supplies, and pharmaceutical products
<p>Kuwait</p>	<ul style="list-style-type: none"> • The government allocated KD 500 million (\$1.6 billion or 1.4% of GDP) additional funds to support efforts including: (i) postpone social security contributions for 6 months for private sector companies; (ii) remove government fees on selected sectors provided that savings are passed on to customers; (iii) continue providing full unemployment benefits to nationals; (iv) provide concessional, long-term loans to SMEs through joint financing from the SME fund and banks. 	<ul style="list-style-type: none"> • The Central Bank of Kuwait (CBK) implemented the following measures: (i) provide liquidity if needed; (ii) Reduced interest rates on all monetary policy instruments; (iii) Instructed banks to delay loan payments from companies affected by the shock for six months; (iv) Instructed banks to provide SMEs affected by the shock with financing at maximum of 2.5% interest rate; (v) Decreased the risk weights for SMEs in calculation of risk-weighted assets for determining capital adequacy; (vi) Reduced banks' capital adequacy requirements; (vii) Reduced the regulatory Net Stable Funding Ratio and Liquidity Core Ratio and the Liquidity Ratio; (viii) Increased the Loan-to-Value limits for land purchase for residential projects. 	<ul style="list-style-type: none"> • Implementation of more stringent technical standards for personal protection equipment and medical devices. • Exports ban for foodstuffs, medicines, medical supplies and equipment.

<p>Oman</p>	<ul style="list-style-type: none"> • The authorities have announced that they will reduce spending in the 2020 budget by 10% (about 5% of GDP). • The government announced the suspension of municipal taxes and some government fees and rent payments for companies in industrial zones (for the next three months), reduction of port and air freight charges, as well as postponement of loan servicing for borrowers of Oman Development Bank and SME support fund for six months. • The Tax Authority announced a package of measures that include the waiving of fines and penalties for late disclosures, allowing the paying of taxes in instalments, and the deduction of donations made to combat the coronavirus. 	<ul style="list-style-type: none"> • The Central Bank of Oman (CBO) announced a set of policy measures in terms of additional liquidity at OR 8 billion (US\$ 20.8 billion) including: i) reduction in the interest rate on repo operations and extension of the period of repo operations to three months; ii) reductions in the interest rates for other money market instruments; iii) reduction in the capital conservation buffer; iv) increase in the lending ratio; v) deferment of loan installment payments for the next six months without adverse impact on risk classification of such loans; vi) deferring the risk classification of loans related to government projects for six months. 	<ul style="list-style-type: none"> • Exports ban applicable to face masks. • Temporary permission for imports of food stuffs, goods and health materials without explanatory data in Arabic.
<p>Qatar</p>	<ul style="list-style-type: none"> • Migrant workers who are in quarantine or undergoing treatment will receive full salaries. 	<ul style="list-style-type: none"> • The Qatar Central Bank (QCB) has lowered its policy rates to maintain the currency peg. • The QCB will also provide additional liquidity to banks through a special repo window at zero interest rate for postponing loan instalments or granting new loans. • QCB encourages banks to postpone loan instalments and obligations of the private sector with a grace period of six months. • The Qatar Development Bank will postpone instalments of all borrowers for six months and will also administer the National Guarantee Program by government guarantees for a period of 12 months to local banks for loans to companies to help them meet wage and rental fees. • Qatar Islamic Bank is providing interest free loans to private companies under this program. • The Qatar Financial Center has cut the rate on late tax payments to zero until September 1, 2020. • Deadlines for filing taxes and audited financial statements have been extended. • Government funds have been directed to increase investments in the stock market by QAR 10 billion (\$2.75 billion). 	<ul style="list-style-type: none"> • 905 Food and medical goods are exempt from customs duties for six months.

United Arab Emirates	<ul style="list-style-type: none"> The authorities announced about AED 26.5 billion (\$ 7.2 billion or 2 percent of GDP) in various fiscal measures including: (i) support to the private sector by reducing various government fees and accelerating existing infrastructure projects; (ii) reduce government fees, provide additional water and electricity subsidies, and simplify business procedures; (iii) credit guarantees and liquidity support to SMEs. The government of Abu Dhabi has announced a reduction or suspension of government fees and penalties, as well as a rebate on commercial lease payments in the tourism and hospitality sectors. 	<ul style="list-style-type: none"> The Central Bank of the UAE (CBUAE) has reduced its policy interest rate. CBUAE has announced an AED256 billion (\$70 billion or 20% of GDP) package of measures comprising: i) halving of banks' required reserve requirements; ii) zero-interest rate collateralized loans to banks (AED 50 billion); iii) allowing the use of banks' excess capital buffers (AED 50 billion); iv) reduction in provisioning for SME loans; v) increase of loan-to-value ratio for first-time home buyers; vi) limiting bank fees for SMEs; vii) waiver of all payment service fees charged by CBUAE for six months; viii) raising the limit on banks' exposure to the real estate sector from to 30% of risk-weighted assets, subject to adequate provisioning; ix) allowing banks to defer loan repayments till end-2020. 	<ul style="list-style-type: none"> Applied measures on the standards and documents required for animal, agricultural and food consignments in response to the corona pandemic.
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Oil-importing Middle-income Countries

	Fiscal	Monetary and Macrofinancial	Exchange rate and BoP
Djibouti	<ul style="list-style-type: none"> The government has announced a package of measures amounting to 2.4 percent of GDP, including increases in health and emergency spending in support of households and firms. Support to vulnerable households through food vouchers. 	<ul style="list-style-type: none"> Stepped up its financial sector surveillance. 	<ul style="list-style-type: none"> Trade facilitation and port fee reduction.
Egypt	<ul style="list-style-type: none"> The government has announced stimulus policies in the USD 6.13 billion package (EGP 100 billion, 1.8 percent of GDP) including: i) Rise of pensions by 14%; ii) expansion of the targeted cash transfer social programs, Takaful and Karama. A targeted support initiative for irregular will entail EGP 500 in monthly grants for 3 months. EGP 8 billion has been allocated, targeted at providing urgent and necessary medical supplies, and disbursing bonuses for medical staff working in quarantine hospitals and labs. A 75 percent allowance over the wages of medical professionals has been announced. 	<ul style="list-style-type: none"> The central bank has reduced the policy rate. A government guarantee of EGP 3 billion on low-interest loans by the central bank has been announced for the tourism industry soft loans. The central bank has also approved an EGP 100 billion guarantee to cover lending at preferential rates to the manufacturing, agriculture and contracting loans. Loans with a two-year grace period will be made available to aviation sector firms. The ceiling for electronic payments via mobile phones has been raised. 	<ul style="list-style-type: none"> Large capital outflows have resulted in a drawdown of reserves to avoid excessive exchange rate volatility. Temporary export ban on critical foodstuff and personal protection equipment. Trade facilitation and postponement of import tax and customs duty.

	<ul style="list-style-type: none"> • Energy costs have been lowered for the entire industrial sector; real estate tax relief has been provided for industrial and tourism sectors; and subsidy pay-out for exporters has been stepped up, discount on fuel price has been announced for the aviation sector As part of the EGP 100 billion stimulus, EGP 50 billion has been announced for the tourism sector. The moratorium on the tax law on agricultural land has been extended for 2 years. The stamp duty on transactions and tax on dividends have been reduced. Capital gains tax has been postponed until further notice. 	<ul style="list-style-type: none"> • Waiver of marginal interest on debt under EGP 1 million if customers make a 50 percent payment. • The regulations issued last year requiring banks to obtain detailed information of borrowers relaxed. • Suspension of credit score blacklists for irregular clients and waiver of court cases for defaulted customers announced. • The central bank launched an EGP 20 billion stock-purchase program A temporary daily limit has been introduced for deposits and cash withdrawals for individuals and companies. 	
Jordan	<ul style="list-style-type: none"> • Measures included: (i) postponement, until end year of the collection of sales tax on all domestic sectors; (ii) allocation of 50 percent of maternity insurance revenues (JD 16 million – about USD 23 million) to material assistance for the elderly and the sick; (iii) introduction of price ceilings on essential products; (iv) reduction of social security contributions from private sector. • The government established a coronavirus relief fund “Himmat Watan”, to which local and foreign donations will be deposited. • The government allocated additional spending (JD 50 million – about USD 71 million) for purchases of health equipment and supplies, rental of hotels for quarantines, and additional security costs. • Instituted a temporary cash transfer program for the unemployed and self-employed (JD 81 million – about USD 114 million). 	<ul style="list-style-type: none"> • The Central Bank of Jordan (CBJ) reduced most policy rates • CBJ announced: (i) allowing banks to postpone loan repayments; (ii) injecting additional liquidity of JD 550 million (USD 776 million) by reducing the compulsory reserve ratio on deposits and JD 500 million (USD705 million) by redeeming its CDs held by banks; (iii) expanded the sectoral coverage and reduced interest rates on its refinancing program, while increasing loan tenure and volume limits; (iv) reduced the cost and expanded the coverage of guarantees provided by the Jordan Loan Guarantee Corporation on SME loans. • Trading on Amman Stock exchange was suspended from March 16, 2020 to May 10 2020. 	<ul style="list-style-type: none"> • Temporary export bans for selected foodstuff. • Postponement of import tax and custom duties related to health, and the supply of medicines.
Morocco	<ul style="list-style-type: none"> • Special fund dedicated to the management of the pandemic, of about 2.7 percent of GDP financed by the government and by voluntary contributions which will be tax deductible. • Businesses with less than 500 employees experiencing a reduction in turnover of more than 50% can defer social contribution payments until June 30. Their employees who become temporarily unemployed and are registered with the pension fund will receive 2,000 dirhams a month and can put off debt payments until June 30. 	<ul style="list-style-type: none"> • The central bank reduced the policy rate. • Loan payments are suspended for small and medium-sized businesses and self-employed people until June 30. • Capital Market Authority decided to revise downwards the maximum variation thresholds applicable to financial instruments listed in Casablanca Stock Exchange. 	<ul style="list-style-type: none"> • Broadened the dirham’s fluctuation band. • The Moroccan authorities purchased about US\$ 3 billion or 240 percent of quota and about 3 percent of GDP under the Precautionary and Liquidity Line (PLL) arrangement to maintain adequate level of official reserves.

- Companies with annual turnover lower than 20 million dirhams can also defer tax payments.
- PA accelerated payment to its suppliers.
- Households' benefiting from the non-contributory health insurance (RAMED) will receive a mobile payment of DRH 800-1200 (USD 80-120) in April, depending on households' composition. Other households which do not benefit from RAMED will be able to claim cash support by registering online.
- Deadline for personal income tax filing postponed from end-April to end-June 2020 and tax exemption provided for additional compensation paid by firms to employees up to a limit of 50 percent of the average monthly net salary.
- External borrowing beyond the ceiling approved in the 2020 Budget Act.
- Bank al-Maghrib increased liquidity provision to the banking sector by: (i) expanding the range of collateral accepted for repos and credit guarantees to include public and private debt instruments (including mortgages), (ii) increasing and lengthening central bank refinancing operations to support banking credit to SMEs, (iii) providing FX swaps to domestic banks.
- The central bank decided that: (i) Banks are authorized to go below the 100 percent liquidity coverage ratio (LCR) until end-June 2020; (ii) Provisioning requirements are suspended for loans' benefiting from a temporary payment moratorium until end-June 2020; (iii) The capital conservation buffer (CCB) is reduced for one year.
- The central bank has call on banks to suspend dividend payments for FY2019.
- The Moroccan insurance supervisor relaxed some provisioning requirements of the insurance sector.
- A funding for lending facility (Damane Oxygene) established which provides loans to SMEs at subsidized interest rates with a guarantee
- The government will provide interest-free loan of up to dirham 15,000 to self-employed, with a repayment period of three years and a grace period of one year.
- The government also cancelled capitalized interests on mortgages (up to DRH 3000 per month) and consumer loans (up to DRH 1500 per month) accrued from March to June 2020 for households.
- The government announced a post crisis facility to support businesses that will provide financing to cover working capital needs at subsidized interest rate. A sovereign guarantee of 95 percent will be provided to SMEs, for an equivalent of up to ten percent of annual turnover. Larger firms will benefit from a sovereign guarantee of 80 to 90 percent of the outstanding loan, which will be capped at one month of turnover. Firms will have 7 years to repay with a 2-year grace period.
- The government will guarantee state-owned enterprises' loan to repay their suppliers.
- Tariff exemption for some foodstuff.
- Temporary export license for PPE and medical supply.

Tunisia	<ul style="list-style-type: none"> • 2.5 billion TND emergency plan (\$0.71 billion or 1.8 percent of GDP) was announced on March 21, including postponement of CIT payments, other taxes and social contributions, VAT exemptions, VAT refund procedures and reimbursement acceleration, rescheduling taxes and custom arrears, in order to provide liquidity to the private sector. The plan also includes an expansion of the budget allocation for health expenses and for public hospitals. It also includes cash transfers for low income households, disabled and homeless people (450 TND million for three months) as well as support for the temporary unemployed (300 TND million). 	<ul style="list-style-type: none"> • CBT reduced its policy rate • CBT asked banks to defer payments on existing loans and suspend any fees for electronic payments and withdrawals. • CBT asked banks to postpone credit reimbursement by employees for a period of 3 or 6 months. • The government announced a set of financial measures including the creation of investment funds (600 million TND), a state guarantee for new credits (500 million TND), the activation of a mechanism for the state to cover the difference between the policy rate and the effective interest rate on investment loans. 	<ul style="list-style-type: none"> • Implemented measures of trade facilitation
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Fragile and Crisis Countries

	Fiscal	Monetary and Macrofinancial	Exchange rate and BoP
Iraq	<ul style="list-style-type: none"> • The Central Bank of Iraq has established a fund to collect donations. • Additional budgetary allocations to the Ministry of Health. • The Supreme Committee for Health and National Safety is introducing a cash transfer scheme, targeting workers in the private sector that do not receive salaries or benefits from the government. 	<ul style="list-style-type: none"> • The Central Bank announced a moratorium on interest and principal payments by SMEs through its directed lending initiative and encouraged banks to extend maturities of all loans. • The Central Bank encouraged the use of electronic payments to contain the transmission of the virus, and instructed vendors to eliminate commissions on such payments for the next six months. 	<ul style="list-style-type: none"> • Additional import duties on foodstuff.
Lebanon	<ul style="list-style-type: none"> • Additional allocation from budget 2020 worth LL1200 billion for Social Safety Nets. • The government established a national solidarity fund accepting in-kind and monetary donations. • Extension of all deadlines related to payment of taxes and fees. • The ministry of social affairs started the implementation of a plan to distribute cash assistance to families in need. 	<ul style="list-style-type: none"> • The Banque Du Liban (BDL) allows banks and financial institutions to extend exceptional five-year zero percent interest rate loans to customers that already have credit facilities but are unable to meet their obligations, operating expenses, or pay the salaries of their employees during March, April and May. BDL will in turn provide banks and financial institutions five-year zero percent interest rate credit lines equivalent to the value of loans granted. 	<ul style="list-style-type: none"> • Exports ban of PPE and medical devices.
Libya	<ul style="list-style-type: none"> • The Government of National Accord (GNA) announced a package of LD 500 million (about 1 percent of GDP) in emergency COVID-19 related spending aimed at supporting the health system in expanding testing and response. • The GNA announced a 20 percent pay cut for civil servants. 	<ul style="list-style-type: none"> • No measures. 	<ul style="list-style-type: none"> • Exports ban of PPE.

Palestine	<ul style="list-style-type: none"> • The Palestinian Authority (PA) is planning to spend NIS 410 million (0.7 percent of GDP) to recruit medical specialists and to purchase testing toolkits, quarantine facilities, respirators, masks, medicines, and disinfectants. • The authorities plan to spend NIS 20 million (0.1 percent of GDP) to support workers and for unemployment benefits. • The PA is cancelling penalties for late submission of tax returns, extending the tax filing deadline to June, and the period of quittance issued by the value added tax. • Distributed some 98,000 food baskets and paid financial assistance to about 125,000 households. • Started the disbursement of aid to 40,202 labourers in eligible sectors (e.g., construction, tourism, services, transport) to receive NIS 700. 	<ul style="list-style-type: none"> • The Palestine Monetary Authority postponed monthly/periodic loan repayments to all borrowers for the next four months, and for the tourism and hotel sectors for the next six months. • PMA prohibited the collection of fees, commissions or additional interest on deferred payments. • PMA launched an SME fund of USD 300 million to provide soft loans to SMEs. 	<ul style="list-style-type: none"> • No measures.
Somalia	<ul style="list-style-type: none"> • The authorities introduced a three-month tax holiday on some specific basic commodities, reduced consumption tax on some additional basic goods by 50 percent. • Additional transfers to federal member states. 	<ul style="list-style-type: none"> • The Central Bank is releasing funding-for-lending support for SMEs through commercial banks. 	<ul style="list-style-type: none"> • Exemption of tariffs on all imported foodstuffs ahead of the month of Ramadan • Customs duty and tax exemption on PPE and medical supplies.
Sudan	<ul style="list-style-type: none"> • The authorities prepared a Plan guided by the WHO. The financing needs to cope with COVID-19 related health care is about \$150 million. • The government is considering increasing direct cash transfer, providing unemployment benefits and delivering basic food baskets to poor families. • The government announced significant increase in the salaries of public sector employees. • 30 billion SDG have been allocated to the Sudanese health system, while 8.5 billion SDG will be spent to support the informal sector and families in Khartoum. • SDG 4.5 billion have been allocated for unemployment benefits for employees in the informal sector. 	<ul style="list-style-type: none"> • The government announced freeze of loan repayment and services for three months from the private sector. 	<ul style="list-style-type: none"> • Temporary export ban of foodstuff. • Trade facilitation measures to facilitate movement at Port Sudan and Askeit.
Syria			<ul style="list-style-type: none"> • Temporary export ban of foodstuff.
Yemen	<ul style="list-style-type: none"> • The Government allocated some limited budget resources to respond to the COVID-19 crisis. 	<ul style="list-style-type: none"> • No measures. 	<ul style="list-style-type: none"> • No measures.

Source: <https://www.imf.org/en/Topics/imf-and-covid19/Policy-Responses-to-COVID-19> accessed on 6 June, 2020 and UNDP elaboration based on notifications to the WTO, ECA, and COMESA Secretariat and websites of national authorities.

IV

A recent UNDP paper¹ provided some initial simulations on the cost of three types of Temporary Basic Income (TBI) based on the following three policy options:

1. Top-ups on average income shortfalls based on a threshold identifying vulnerable socioeconomic groups
2. Lump-sum transfers based on the median per-capita income or consumption
3. Uniform lump-sum transfers of US\$5.50 per day across the countries.

The table below summarizes the results for the Arab region for the first two options.

	Population (million)	Beneficiaries (million)	Overall cost per month (% of GDP)		Monthly cost per beneficiary (US\$)	
			(1)	(2)	(1)	(2)
Algeria	42.2	9.1	0.05	0.17	35.4	120.6
Djibouti	1.0	0.7	0.88	0.69	76.0	59.5
Egypt	98.4	69.5	0.31	0.34	58.7	63.8
Iraq	38.4	21.3	0.17	0.25	52.2	78.3
Jordan	10.0	2.3	0.09	0.30	37.1	120.0
Lebanon	6.8	0.1	0.00	0.04	22.6	28.6
Morocco	36.0	9.5	0.14	0.36	44.9	120.9
Palestine	4.6	1.1			45.3	129.2
Sudan	41.8	18.3	0.30	0.60	28.7	57.8
Syria	16.9	15.6			99.4	57.8
Tunisia	11.6	1.9	0.05	0.19	40.1	143.3
Yemen	28.5	26.8	4.08	2.23	105.7	57.8
Regional Average			0.61	0.52	53.8	86.5

¹ <https://www.undp.org/content/undp/en/home/librarypage/transitions-series/temporary-basic-income--tbi--for-developing-countries.html>

V

Pre-COVID-19 SDG Progress

SDG Trend Dashboard for the Arab Region

	NO POVERTY	ZERO HUNGER	GOOD HEALTH AND WELL-BEING	QUALITY EDUCATION	GENDER EQUALITY	CLEAN WATER AND SANITATION	AFFORDABLE AND CLEAN ENERGY	DECENT WORK AND ECONOMIC GROWTH	INDUSTRY, INNOVATION AND INFRASTRUCTURE	REDUCED INEQUALITIES	SUSTAINABLE CITIES AND COMMUNITIES	RESPONSIBLE CONSUMPTION AND PRODUCTION	CLIMATE ACTION	LIFE BELOW WATER	LIFE ON LAND	PEACE, JUSTICE AND STRONG INSTITUTIONS	PARTNERSHIPS FOR THE GOALS
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Algeria	↗	→	↗	↗	↗	↗	↗	→	↗	••	↗	••	→	→	↗	↗	↗
Bahrain	••	••	↗	↗	→	↑	↗	↗	→	••	→	••	↑	↗	↓	→	••
Comoros	→	→	→	↓	→	↓	↗	↗	→	••	→	••	↑	↓	↓	↗	↓
Djibouti	↑	→	→	→	↗	→	→	→	↑	••	↓	••	↑	↓	↓	→	↑
Egypt	↗	↗	↗	↗	→	↗	↗	↗	↗	••	→	••	↑	→	↗	→	↑
Iraq	↗	→	→	••	→	↗	↗	→	→	••	→	••	→	→	↓	→	↓
Jordan	→	→	↗	↓	→	↑	↗	→	↗	••	↗	••	↑	→	↑	↗	→
Kuwait	••	↗	↗	→	→	↑	→	↗	↗	••	↓	••	↗	↓	→	→	••
Lebanon	↑	→	↗	↗	→	↑	↗	→	↗	••	↓	••	↑	→	↗	→	↓
Libya	••	↓	→	••	→	↗	↗	→	→	••	↓	••	↗	→	↗	↓	↗
Mauritania	↑	↓	→	→	→	↗	↗	→	→	••	↓	••	↑	→	↗	→	↓
Morocco	↗	→	↗	→	↗	↑	↗	→	↗	••	→	••	↑	→	↓	↗	↓
Oman	••	→	↑	↗	→	↑	↗	↗	↗	••	↓	••	↗	→	↓	↗	••
Qatar	••	••	↗	↗	↗	↑	↗	↗	↗	••	↓	••	↓	→	↓	↗	••
Saudi Arabia	••	→	↗	↗	↓	↑	↗	↗	↑	••	→	••	↓	→	↗	↓	••
Somalia	→	→	→	••	↗	↓	→	↗	→	••	↓	••	↑	→	↓	→	↗
Palestine	→	••	↗	↗	→	→	↗	→	••	••	••	••	••	••	••	••	↓
Sudan	↓	↗	↗	→	→	→	↗	↗	↗	••	↓	••	↑	↗	↑	↗	↑
Syrian Arab Republic	••	↓	↗	↓	↓	→	→	↗	→	••	↓	••	↓	→	↗	→	↓
Tunisia	↗	↗	↗	→	→	↑	↗	→	→	••	↓	••	↑	→	↗	↗	↓
United Arab Emirates	••	↗	↗	↗	→	↑	↗	↑	↑	••	→	••	↓	↗	→	↗	••
Yemen	••	↓	→	→	→	↑	→	→	↗	••	↗	••	↑	→	↓	↓	↓

↑ On track or maintaining
SDG achievement

↗ Moderately Increasing

→ Stagnating

↓ Decreasing

•• Data not available

Source: 2019 Arab Region SDG Index and Dashboards Report, EDA and UNSDSN, 2019.

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