

# COMPOUNDING CRISES

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



## Abstract





# COMPOUNDING CRISES

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

## Abstract



# Abstract

**The Arab region has been profoundly impacted by a compound crisis triggered by the simultaneous occurrence of the COVID-19 pandemic and a significant drop in oil prices.** Government policies to contain and mitigate the spread of COVID-19 and flatten the contagion curve have triggered economic crises that threaten hard-won development gains.

This ‘dual shock’ has served to exacerbate existing regional challenges such as historically anaemic per-capita growth, high investment volatility, low productivity, high levels of informality, fragile political transitions, entrenched economic rentier systems, insufficient economic and political participation by women and young people, and worsening environmental challenges. All these challenges had already created stumbling blocks to the achievement of the UN Sustainable Development Goals (SDGs) across the region way before this crisis.

**Socioeconomic assessments prepared by UNDP’s Country Offices together with other UN and development partners to date have indicated that every aspect of the Arab economies has been affected by the crisis, in addition to the lives of people throughout the region.** These include: entire economic sectors, financial markets, trade, remittances, labour markets, and health and education systems; the welfare of households, communities and individuals including, in particular, women, the poor, migrants and refugees. Overall, the transmission pathways of the dual crisis imply the risk of reversals in SDG progress unless explicit measures are taken to build forward better and achieve long term resilience, as embedded in Agenda 2030.

This abstract provides an overview of the impacts – both direct and indirect – of the dual shock on the economies of the Arab states. These impacts and the resultant policy responses are analysed across three principal sub-regional groupings: oil-exporting countries (OECs); oil-importing middle-income countries (OIMICs); and fragile and conflict-affected countries (FCCs).<sup>1</sup>

For a more in-depth review of the topics covered please see the full report.

---

<sup>1</sup> OECs: Algeria, Bahrain, Kuwait, Saudi Arabia, Oman, Qatar, UAE. OIMICs: Djibouti, Egypt, Jordan, Morocco, Tunisia. FCCs: Iraq, Lebanon, Libya, State of Palestine, Somalia, Sudan, Syria, Yemen

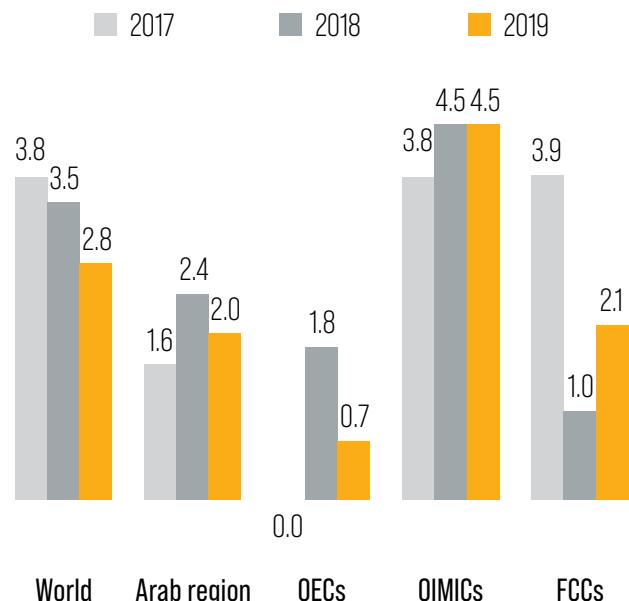
## Context

The combination of COVID-19 and low oil prices has highlighted the systemic nature of development-related risks – both new and extant – faced by the Arab states, and their interplay with structural deficiencies and inequalities. It has become clear that a raft of social, economic, environmental and technological challenges and opportunities are imminent.<sup>2</sup> The Arab states represent the world's most water scarce region, with a high dependence on food imports. The region has also emerged as a global climate hotspot with temperatures rising faster than the world average. These trends, along with social and economic inequalities, compound and further exacerbate the vulnerability of communities both before, and as a result of, the dual shock.

The dual shock has occurred in a macroeconomic environment that has been deteriorating in recent years. In the period 2017–2019, average real GDP growth in the Arab states was below the global growth rate (Figure 1); constrained by low growth in oil-exporting countries (OECs) and fragile countries (FCCs). When estimated in per-capita terms, growth is even weaker – as demographic growth in the region has often been higher than GDP growth.

The regional economic contraction is forecast to be worse than the 2008 global financial crisis or the oil price crisis of 2014. While such forecasts must be interpreted with caution during a pandemic, the economic recovery in the region is unlikely to be 'V-shaped' with economies bouncing back in 2021; rather, for many economies in the region, the recovery is likely to be U-shaped and – in

**Figure 1 Real GDP growth rate (2017–2019) (percentage)**



Source: authors' elaboration based on data from the IMF's WEO, October 2020.

some cases and most notably in oil-based and service-based economies – the recovery will likely be W-shaped or even L-shaped. This is because, on the one hand, nobody knows if there will be additional waves of the pandemic and how long they will last; and on the other, current projections suggest that oil prices may recover slowly, gradually converging towards \$50 per barrel through 2022<sup>3</sup>.

## COVID-19 in the Arab states

The first case of COVID-19 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. The remaining countries in the region proceeded to report cases over the next 15 days. Yemen was the last to report a positive case, on 11 April. Ever since, the region has been recording an accelerating number of cases and since October the officially confirmed new cases each week have been over 100 thousand.<sup>4</sup>

The health sectors in the Arab region vary significantly in terms of their health emergency preparedness, including testing capacity, with none appearing in the Global Health Security Index's "most prepared" grouping.

Governments across the region implemented measures to contain and mitigate the spread of COVID-19. Qatar and Lebanon were the first to implement a lockdown (on 13 and 15 March, respectively) followed by Jordan and Morocco. Egypt, Syria and Libya opted for curfews, while Tunisia enforced a total lockdown. Regardless of the

2 World Economic Forum (WEF), COVID-19 Risks Outlook: A Preliminary Mapping and Its Implications, 2020.

3 <https://openknowledge.worldbank.org/bitstream/handle/10986/34621/CMO-October-2020.pdf>

4 "COVID-19 Coronavirus Update" (<https://www.worldometers.info/coronavirus/>).

**Table 1 Extent of reductions in movements between 15 February and 16 May, 2020**

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

Source: Elaboration from Google and Apple data.

measures imposed, the effects on people's movement were remarkable. Mobility data for the period between

February and May released by Google and Apple reveal a substantial net decrease in daily movements.

## Impacts of the dual shock on the economy

**The implementation of government policies to contain and mitigate the spread of COVID-19 has had significant economic consequences for both demand and supply.**

On the supply side, the economic shocks have entailed 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 comprising a drop in labour productivity that may endure long after the shock. In the period February–April 2020, the Markit purchasing managers' indices (PMI) index – a closely watched measure of business conditions – 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 spread to the rest of the economy via reduced consumption, investment and demand for exports.

Unlike recent epidemic shocks that have tended to be short and sharp, the duration of the current pandemic is less clear,<sup>5</sup> generating uncertainty concerning the spread of the virus and the capacity of governments to manage it, thereby further reducing demand.

As a result, based on the most recent International Monetary Fund (IMF) estimates, the weighted average regional growth rates are expected to hover around -5 percent and 3.3 percent for 2020 and 2021, respectively<sup>6</sup>.

However, the impacts and expected consequences of the crisis vary between the three country groups:



### **Oil exporting countries are expected to experience their worst recession in history.**

According to the last October IMF forecasts, this entire group of countries' real GDP is set to contract by over 5 percent in 2020, and to expand by almost 2 percent in 2021. Furthermore, the Institute for International Finance (IIF) estimates that real GDP will contract by over 6 percent in 2020, with oil GDP projected to contract by 6.2 percent<sup>7</sup>. Headline PMIs for Saudi Arabia, the United Arab Emirates (UAE) and Qatar declined to less than 45 in April – the lowest reading since surveys began in 2009. IIF further forecasts a decline in hydrocarbon revenue in Gulf Cooperation Council (GCC) countries from \$326 billion in 2019 to about \$200 billion in 2020<sup>8</sup>, while the IMF expects the aggregated fiscal deficit for oil exporting countries to widen drastically from 2.6 percent in 2019 to almost 10 percent of GDP in 2020, assuming average oil prices of \$41.7 per barrel.



### **In oil-importing middle-income countries (OIMICs), the economic impacts of the shock are likely to be most severe in their service sectors**

and financial transmission channels, including through lower remittances (a main source of foreign exchange), Official Development Assistance (ODA) and Foreign Direct Investment (FDI) flows – both extra- and intra-regional. These economies are heavily

5 Baldwin and Mauro (eds.), (2020).

6 Calculations do not include Lebanon (2021) and Syria (both years).

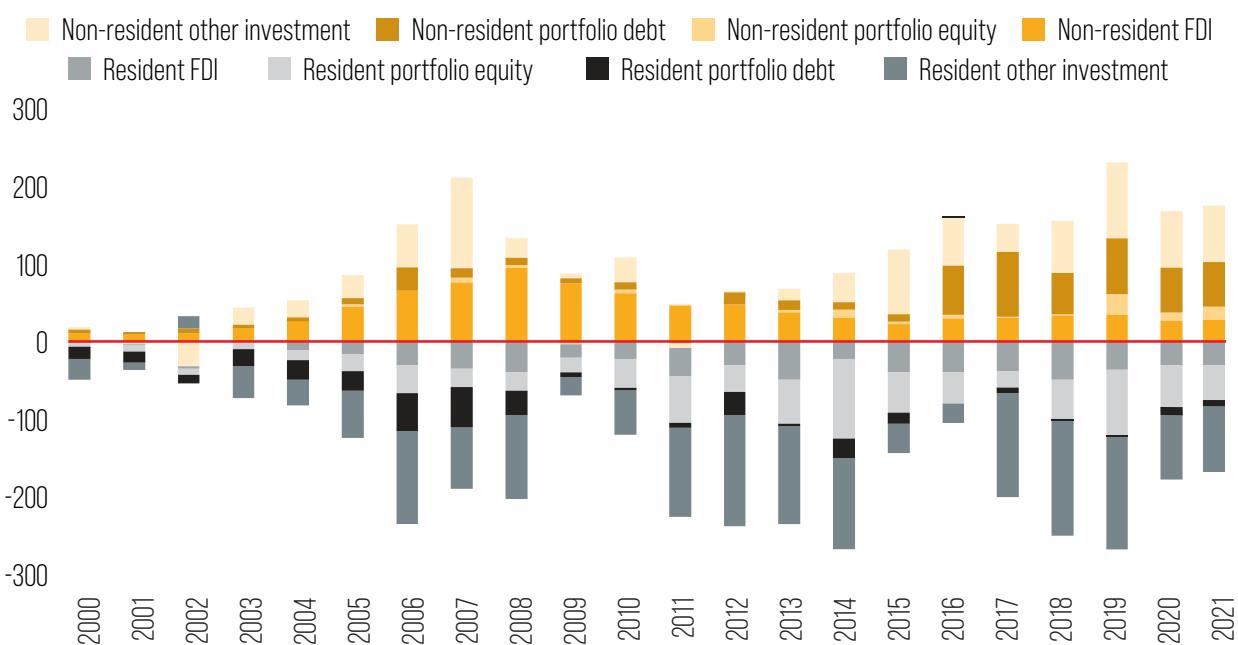
7 IIF database; accessed November 5, 2020.

8 <https://www.spglobal.com/platts/en/market-insights/latest-news/oil/060220-gulf-region-to-suffer-worst-recession-in-2020-due-to-oil-crash-coronavirus-iif>

## Capital Flows

Capital outflows witnessed a significant increase with the onset of the pandemic, driven by the flight of portfolio investments from oil exporters. It is projected that capital flows to the region will be significantly lower over 2020 compared to the relatively high levels seen in 2019. According to the IIF, the largest drop in 2020 is expected to be in portfolio investment, with equity investment inflows falling by as much as 52 percent and debt by about a quarter. FDI inflows are also expected to drop by almost one quarter compared to 2019. 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.

**Figure 2 Capital flows to and from the Arab region (USD billion)**



Source: Author's calculations from IIF data (retrieved November 5, 2020).

Note: (+ = inflow of capital, - = outflow of capital)

reliant on services, including tourism - therefore the impact of the dual shock is expected to be particularly long-lasting, as people who have been deprived of services such as restaurants, cinema outings, or travel, are unlikely to "make-up" that foregone demand once the situation returns to "normal". These economies have historically run significant deficits. External borrowing to fund larger government deficits is expected to become increasingly difficult.



**Fragile and conflict-affected countries (FCCs) tend to have a relatively high demand-side exposure to shocks**, with consumption being the main transmission channel of the

current twin shock, rather than the supply side. The macroeconomic impact is set to be disproportionately high, with declines in growth as well as increases in fiscal and current account deficits. These are the countries where financial resources are the scarcest, yet they are the most in need of investment to cope with the dual shock. Loss of remittances will put pressure on central banks to maintain foreign exchange. Inflation is likely to be driven by currency devaluations in some of these countries, reducing purchasing power and making it harder for the population to afford necessities. Public debt-to-GDP ratios risk reaching unsustainably high levels in some of these countries.

## Impacts by sector



### Labour markets

**16 million estimated full-time job losses in Q3 2020**



### MSMEs

**Significantly affected by the crisis**



### Remittances

**Estimated to fall by 8% in the region**



### Net capital outflows

**Over \$21 billion from the region**



### Tourism

**Sizeable drop of arrivals and tourism GDP**



### Impact on labour markets

**The unemployment rate in the region as a whole was 10.4 percent in 2019** (twice the world average), reaching 10.9 percent in OIMICs and 13.6 percent on average in FCCs.<sup>9</sup> The participation rate of men in 2019 (73 percent) is estimated to be 3.5 times that of women (20.7 percent).<sup>10</sup> In 2019, the unemployment rate among young people was estimated at 26.6 percent (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 OIMICs and is only lower than the world average in four GCC countries (Bahrain, the UAE, Oman and Qatar). Among FCCs, youth unemployment has reached particularly alarming rates in the State of Palestine (almost 42 percent) and Libya (50.5 percent).

The COVID-19 crisis and related containment measures has been expected to lead to a significant reduction in the number of working hours in the region. According to recent estimates by the ILO, the loss of working hours was equivalent to 16 million full time equivalent jobs in Q3 2020 with an average loss of 11.4 percent in the first three quarters of 2020.<sup>11</sup>

The dual shock is expected to be particularly damaging for the services sector, which accounts for 55.2 percent of total employment in the region.<sup>12</sup> Based on ILO estimates, 55.9 million individuals in the region (45 percent of total employment) work in activities<sup>13</sup> that are at high or medium-high risk of being hard hit by the economic disruptions created by COVID-19.

Most countries in the region have required or encouraged people to work from home. 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 **only very few occupations can be feasibly fulfilled from home**, and this number varies significantly between countries. Work from home potential (WFHP) ranges from 17 percent to 29 percent of jobs in selected countries, as shown in Table 2. This low WFHP is exacerbated by the existing digital divide. Using micro level data on workers' detailed occupation categories, the study found that even for workers whose jobs can potentially be performed from home, only a small fraction of these workers have the necessary tools – such as a computer and internet connection – to successfully do so. Furthermore, this share varies significantly by industry and country. In Tunisia, for example, two industries with very low work from home potential – agriculture and construction – account for over 50 percent of all employment.

**Informal employment is a prominent and persistent feature of labour markets in the Arab region.** Informal workers usually do not enjoy unemployment benefits, social insurance/security or workers' representation and therefore face high risks of impoverishment in the event of shocks. Informal employment accounts for between 35 and 80 percent of workers in OIMICs and FCCs.<sup>14</sup> Informality is pervasive in agriculture, where women are also relatively disproportionately represented, but also in

<sup>9</sup> Authors' calculations based on ILO modelled estimates, November 2019. For methodological details see: (<https://www.ilo.org/ilostat-files/Documents/TEM.pdf>).

<sup>10</sup> Authors' calculations based on ILO modelled estimates, November 2019. In Yemen, the participation rate of men is more than 12 times that of women.

<sup>11</sup> [https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms\\_755910.pdf](https://www.ilo.org/wcmsp5/groups/public/@dgreports/@dcomm/documents/briefingnote/wcms_755910.pdf)

<sup>12</sup> Authors' calculations based on ILO, ILOSTAT Database.

<sup>13</sup> These include accommodation and food services, manufacturing, real estate and business activities, wholesale and retail trade, but also transport, storage and communication and other services including 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.

<sup>14</sup> ILO, Women and men in the informal economy: A statistical picture, 3rd ed., 2018 ([https://www.ilo.org/global/publications/books/WCMS\\_626831/lang--en/index.htm](https://www.ilo.org/global/publications/books/WCMS_626831/lang--en/index.htm); [https://www.ilo.org/wcmsp5/groups/public/-/-dgreports/-/-dcomm/documents/publication/wcms\\_626831.pdf](https://www.ilo.org/wcmsp5/groups/public/-/-dgreports/-/-dcomm/documents/publication/wcms_626831.pdf)).

**Table 2 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
Egypt	2018	20	7
Tunisia	2014	17	7

**Source:** forthcoming UNDP study based data from ELMPS (2018), JLMPs (2016) and TLMPS (2014).

**Note:** \*The share of workers with access to home internet and computer out of workers with high WFHP (those whose WFHP index was above the median WFHP index in each country).

the industrial sector, where informality disproportionately affects men.

In Jordan, a recent country-wide survey conducted by UNDP (2020)<sup>15</sup> found that 78 percent of respondents did not have access to social security benefits and 93 percent had no access to social protection programmes, while more than 36 percent were working as day-labourers. About 43 percent indicated they had lost all their work due to lockdowns, with a further 6.1 percent reporting they have had their salaries reduced. Only 6.2 percent reported that they were on unpaid leave. The 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 of informal workers reporting that they were permanently laid-off from their jobs, compared to 24 percent of formal workers in Lebanon.<sup>16</sup>



### Impacts on micro, small- and medium-sized enterprises (MSMEs)

**MSMEs account for 97 percent of all businesses in the Arab countries and represent a major source of new job creation in the region.**<sup>17</sup> The effect of the pandemic on economies will be severe if countries fail to protect MSMEs, given their substantial role in the economy. MSMEs are particularly vulnerable due to their limited assets and cash reserves, which are needed to cushion against liquidity shortages.

**MSMEs have been severely affected by the COVID-19 crisis.** Micro surveys (in Jordan, Egypt, Iraq, Yemen, Kuwait, Lebanon and the State of Palestine) focusing on the impact of the pandemic show that most MSMEs

have been significantly affected by the crisis, resulting in closures of businesses, declines in production, inability to honour commitments, declines in sales, loss of profits, liquidity constraints and job losses, and other threats to their existence. While some enterprises have been able to adapt to the crisis and remain operational – for example by using ICT – not all of them have been able to do so. The effects on enterprises, jobs and incomes will be more severe in FCCs, given that workers in these countries have low access to social protection and the majority of businesses is dominated by the informal economy.

**The effects on MSMEs are not uniform.** Enterprises working in accommodation and food services; manufacturing; real estate, business and administrative activities; wholesale and retail trade; and motor vehicle repairs are at risk of high disruption due to COVID-19. In Arab countries, these high-risk sectors constitute almost one third of employment. Furthermore, around two thirds of employment in high-risk, non-agriculture sectors are in the informal sector.



### Impact on remittances

**The dual shock is expected to impact the flow of remittances to countries in the region.** Remittances represent an essential contribution to the GDP of many OIMICs and FCCs. Estimated remittance inflows to seven countries (Egypt, Jordan, Lebanon, Morocco, the State of Palestine, Tunisia and Yemen) ranged from nearly 5 percent to 36 percent of their GDP in 2020 (Figure 3). <sup>18</sup>In 2019, remittance outflows from five GCC countries totalled over US\$112 billion, with the United Arab Emirates and Saudi Arabia ranking

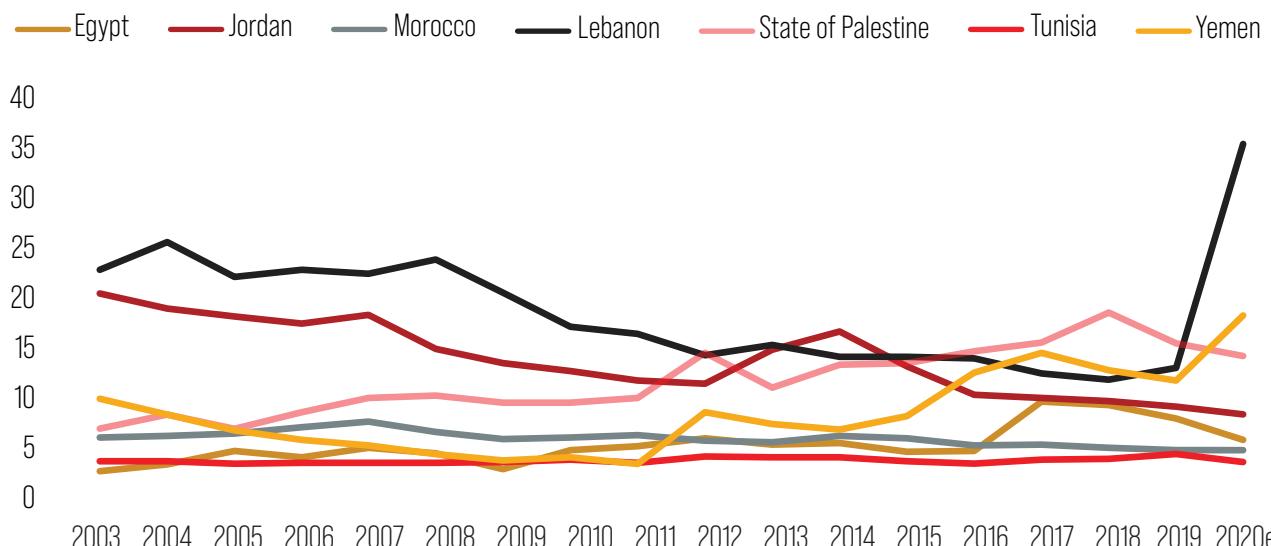
<sup>15</sup> UNDP, COVID-19 Impact on Households in Jordan: A Rapid Assessment, May 2020; the survey, conducted in late April/early May, covered 12,000 individuals.

<sup>16</sup> Kebede, T.A., S.E. Stave and M. Kattaa, Facing Multiple Crises: Rapid assessment of the impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon, ILO and Fafo, May 2020 ([https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms\\_747070.pdf](https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/publication/wcms_747070.pdf)).

<sup>17</sup> IMF (2019), Enhancing the Role of SMEs in the Arab World—Some Key Considerations.

<sup>18</sup> The World Bank, Migration and Remittances Data, accessed November 2020.

**Figure 3: Annual remittance inflows as a percent of GDP – OIMICs and FCCs**



Source: The World Bank, Migration and Remittances Data. Note: 2019 data for the State of Palestine and Yemen are World Bank estimates.

second and third in the world, respectively, in terms of remittance outflow.<sup>19</sup>

**Remittances to the region are projected to fall by about 8 percent in 2020, and a further 8 percent in 2021.<sup>20</sup>** The anticipated decline can have major ripple effects across the economies of remittance-receiving countries as investment and consumption decrease, resulting in devastating implications for households that depend on these funds to cover basic needs and services, particularly in countries with weak social protection systems. Yemen – with an estimated annual remittance inflow of 19.1 percent of GDP in 2020 and where one in ten people wholly rely on remittances to meet their basic needs –has seen the number of remittance transfers drop by as much as 80 percent between January and April of this year as reported in six governorates<sup>21</sup>. In Egypt, rural poor households are estimated to lose between 11.5 and 14.4 percent of their average income given the expected decline in remittances<sup>22</sup>.

High remittance costs are a key constraint to maximizing the contribution of remittances. When comparing the available data on remittance costs from

Q4 2019 to Q3 2020, it is observed that, for example, the average cost of remitting \$200 from Jordan to some FCCs has increased from 8.5 percent to 15.6 percent on average – significantly higher than the 3 percent (or less) remittance cost target of the SDGs<sup>23</sup>.



### Impact on the tourism and hospitality sector

The tourism industry has been gravely affected by COVID-19. Recent studies show that it could contract at an unprecedented pace of 60 to 80 percent<sup>24</sup> causing major disruption in the airline industry and tourism-related sectors such as transportation, hospitality and entertainment (including food). The full impact on tourism is difficult to estimate but year-on-year changes monitored by the United Nations World Tourism Organization project devastating losses in the short-term and suggest that tourism activity will not recover to pre-crisis levels until 2022 at the earliest. By the end of August 2020 international tourist arrivals have dropped by 69 percent in the Middle East, in line with the overall decline of 70 percent worldwide.<sup>25</sup>

19 The World Bank, Migration and Remittances Data, accessed November 2020. Note: data is not available for Bahrain.

20 The World Bank, Covid-19 Crisis Through a Migration Lens, Migration and Development Brief 33, World Bank Group, 2020.

21 Oxfam, Remittances to Yemen plummet as needs surge amid war and coronavirus, 2020.

22 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.

23 UNDP calculations based on data from The World Bank Remittance Prices Worldwide database.

24 Organization for Economic Cooperation and Development (OECD), Tourism Policy Responses to the coronavirus (COVID-19), updated 2 June 2020 ([https://read.oecd-ilibrary.org/view/?ref=124\\_124984-7uf8nm95se&title=Covid-19\\_Tourism\\_Policy\\_Responses](https://read.oecd-ilibrary.org/view/?ref=124_124984-7uf8nm95se&title=Covid-19_Tourism_Policy_Responses)).

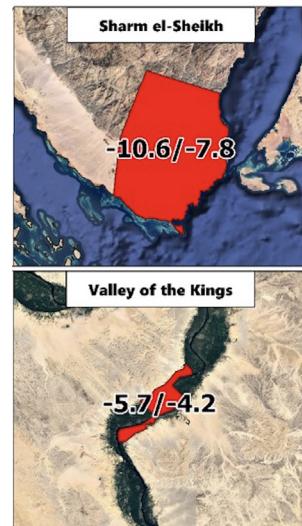
25 UN World Tourism Organization (UNWTO), International Tourism and COVID-19 Dashboard (<https://www.unwto.org/international-tourism-and-covid-19>), accessed November 2020.

Before the pandemic, tourism was one of the fastest growing economic sectors in the world and is generally recognized as an integral contributor to job and wealth creation, economic growth and poverty alleviation.<sup>26</sup> In the Arab region, since 2015, the share of international tourist arrivals reached an average of 5.7 percent of the world total.

In 2019, tourism receipts made up 43 percent, 36 percent and 24 percent of total exports in Lebanon, Jordan and Egypt, respectively. The 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. The sector is also an important source of employment for migrant workers in many countries of the region.

The use of night-time light (NTL) satellite imagery can offer insights into the possible extent of the impact of the dual shock on the tourism sector in the region.<sup>27</sup> For example, in the case of Egypt, the areas that seem to have suffered most by the drop in NTLs are those focused on tourism. Figure 4 reports two examples of tourist areas which 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 emerges that Sharm el-Sheikh is estimated to suffer

**Figure 4 Estimated economic drop at selected tourist places in Egypt**



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

a sizeable decrease in GDP in the course of 2020. This methodology will be used in an upcoming UNDP paper to better study the geographical distribution of the impacts in the region.

## Disproportionally impacted groups



**Number of poor people is expected to increase by 14.3 million in 2020**

**The poor**

**It is projected that around 14.3 million people in the Arab region will fall into poverty in 2020 due to the crisis.<sup>28</sup>** This brings the estimated total number of people living in poverty to about 115 million.<sup>29</sup> The number of poor people in the region will increase due to the dual (in some cases triple) crisis affecting the



**Gender gap likely to increase**



**Refugees and migrants disproportionately affected by job and income losses**

region — including conflicts and natural disasters. However, the estimated number of the poor could expand if inequality increases due to the dual shock, which is likely to be the case.

Using national definitions, about 56 percent of the region's poor live in FCCs, while about 42 percent live in OIMICs. Sudan, Yemen and Iraq account for about 46 percent of those categorized as poor according

26 International Labour Organization (ILO), Sectoral Brief, Revised on May 2020.

27 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: <https://doi.org/10.1257/aer.102.2.994>

28 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](https://www.un.org/sites/un2.un.org/files/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf)).

29 Based on Abu-Ismail (2020); The estimates are based on data from the following countries: Algeria, Comoros, Djibouti, Egypt, Iraq, Jordan, Lebanon, Mauritania, Morocco, the State of Palestine, Sudan, Syria, Tunisia, Yemen.

to national poverty lines.<sup>30</sup> About 75 percent of those living under extreme poverty (international poverty line of \$1.9/day in PPP) are in FCCs, with 23 percent living in OIMICs. However, using the lower middle-income country poverty line of \$3.2/day PPP, 39 percent of the region's poor live in middle-income oil importing countries, showing the extent of vulnerability in OIMICs.<sup>31</sup>

**FCCs will be the most affected** by the dual shock due to their poor and volatile economic performance in past years and extra vulnerability and dependence on external humanitarian support. Countries in this group that rely on oil exports as the principal source of revenue (like Iraq and Libya) will be seriously affected. Migrant workers who lose work and are unable to return to their country of origin risk rapidly falling into poverty.

**Multidimensional poverty is likely to increase due to the pandemic.** In the context of the Arab states – excluding the GCC countries – education shortfalls are the biggest contributor to multidimensional poverty.<sup>32</sup> Girls will be particularly affected; evidence shows that during and after pandemics, girls are more likely than boys to drop out of school and never return.<sup>33</sup>

**The projected increase in poverty in the region also suggests that a greater number of people will become food insecure.** The Arab states are especially vulnerable to food insecurity, being collectively the largest per capita importer of grain in the world. ESCWA estimates that **during 2020, an additional 1.9 million people are also likely to become undernourished (food insecure) as a result of the pandemic.**<sup>34</sup> It is estimated that 74 percent of the undernourished population live in FCCs, while 18 percent and 8 percent live in OIMICs and OECs, respectively.<sup>35</sup> In the domestic market, according to World Food Programme (WFP) reports, severe increases in the price of major food baskets were observed during the first quarter of 2020 in Lebanon, Libya, Sudan and

Syria when compared with the last quarter of 2019, thus aggravating food insecurity in those countries.

The decline in oil prices could potentially have a positive effect on the availability of and access to food in oil importing countries, especially in those countries that produce sizeable proportions of their food needs locally. Lower oil prices could potentially mean lower prices for fertilizer, fuel, shipping (transportation) and cheaper production of food commodities. However, in the short term, any potential gains from a decline in oil prices are not likely to be realized, as they will be constrained by the overall decline in economic activity.



### Girls and women

**Girls and women are particularly vulnerable to the unintended effects of interventions in response to the dual shock.**

Twelve of the lowest-scoring 22 countries in the latest World Economic Forum gender gap index are from the Arab world.<sup>36</sup> Gender inequality is pervasive across the region: it has the lowest level of female participation in formal employment in the world, and poor – albeit improving – levels of women in political positions. In addition, Iraq, Syria, Sudan and Somalia score poorly on secondary school completion among girls.<sup>37</sup>

Rural women across the region are already amongst the poorest groups and, if food prices rise, will be further adversely affected. According to the ILO, before COVID-19 women in the region did on average five times more unpaid childcare work than men<sup>38</sup>, with figures increasing to eight times as much in North African countries.<sup>39</sup> 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 related to distance education, care for the sick and elderly and extra household chores brought on by lockdowns.**

30 Authors' calculation based on World Bank World Development Indicators (latest available data).

31 Authors' calculation based on World Bank PovcalNet database (latest available data).

32 UN Economic and Social Commission for Western Asia (UNESCWA), Arab Multidimensional Poverty Report, 2017 ([https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/multidimensional-arab-poverty-report-english\\_0.pdf](https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/multidimensional-arab-poverty-report-english_0.pdf)).

33 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>.

34 UNESCWA, Regional Emergency Response to Mitigate the Impact of COVID-19, April 2020 ([https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/20-00116\\_rer\\_mitigatingimpact\\_covid-19\\_eng\\_april8.pdf](https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/20-00116_rer_mitigatingimpact_covid-19_eng_april8.pdf)).

35 Authors' calculation based on data from FAOSTAT.

36 World Economic Forum (WEF), Global Gender Gap Report 2020; [http://www3.weforum.org/docs/WEF\\_GGGR\\_2020.pdf](http://www3.weforum.org/docs/WEF_GGGR_2020.pdf)

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

38 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](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/publication/wcms_633166.pdf)).

39 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](https://www.ilo.org/wcmsp5/groups/public/---dgreports/---gender/documents/publication/wcms_732791.pdf)).

**Almost 62 percent of women active in the region's labour force are informally employed** in jobs that generally lack basic social or legal protection and employment benefits.<sup>40</sup> Women in the region are active in two among the most vulnerable categories of informal employment: the agriculture sector and the domestic workforce. Most female refugees, internally displaced persons (IDPs) and migrants also work informally when they have access to work.

In Somalia, where women account for 70 percent of household income as a result of conflict, a study focusing on women-led businesses<sup>41</sup> 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. 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.<sup>42</sup> A rapid assessment by UN Women in Jordan shows that 99 percent of women employed in the informal sector reported losing their jobs.<sup>43</sup>

Global preliminary figures indicate an average increase of at least 20 percent in domestic violence as a result of lockdown measures.<sup>44</sup> Initial reports from the **Ministry of Women in the State of Palestine in early May suggested a threefold increase in appeals for help from female victims including a significant increase in suicide attempts.**<sup>45</sup> 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.<sup>46</sup> A joint report by UN Women, UNHCR and a number of NGOs in Lebanon reported that 54 percent of 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 support during lockdown.<sup>47</sup>



## Refugees

Around 26 million people have been forcibly displaced across the region due to armed conflict and occupation.<sup>48</sup> **There is growing evidence that refugees have been disproportionately affected by job and income losses as a result of lockdowns.** While 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 social assistance.<sup>49</sup> While significant efforts have been made by humanitarian and other actors to scale up programmes and adapt delivery modalities to the new context – including through the use of remote technologies – important gaps remain, given the scale of the vulnerabilities and needs of refugees.

**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 the ILO and the Fafo Institute for Labour and Social Research on the impacts of lockdowns in the major refugee hosting countries of the region – namely Jordan and Lebanon – show that in Jordan, 30 percent of Syrians surveyed had work permits and 24 percent were covered by social security; 35 percent who were employed before the crisis reported they had lost their jobs permanently (vs. 17 percent among Jordanians).<sup>50</sup> In Lebanon, the

<sup>40</sup> 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](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)).

<sup>41</sup> 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>

<sup>42</sup> Oxfam, 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](https://cng-cdn.oxfam.org/heca.oxfam.org/s3fs-public/file_attachments/Drought_displacement_livelihoods_in_Somalia_Somaliland.pdf)).

<sup>43</sup> UN Women, Rapid assessment of the impact of covid-19 on vulnerable women in Jordan, April 2020 (<https://www2.unwomen.org/-/media/field%20office%20jordan/images/publications/2020/unwjcorapidimpactassessmentcovid19v8.pdf?la=en&vs=3456>).

<sup>44</sup> UN Population Fund (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>).

<sup>45</sup> Minister of women during a consultative meeting.

<sup>46</sup> UNFPA, 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>).

<sup>47</sup> UNHCR, et al., Impact of COVID-19 on the SGBV situation in Lebanon, n.d. ([https://www2.unwomen.org/-/media/field%20office%20arab%20states/attachments/publications/2020/05/impact%20of%20covid%20in%20lebanon%20on%20sgbv\\_final.pdf?la=en&vs=5723](https://www2.unwomen.org/-/media/field%20office%20arab%20states/attachments/publications/2020/05/impact%20of%20covid%20in%20lebanon%20on%20sgbv_final.pdf?la=en&vs=5723)).

<sup>48</sup> UNESCWA, Regional Emergency Response to Mitigate the Impact of COVID-19, April 2020 ([https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/20-00116\\_rer\\_mitigatingimpact\\_covid-19\\_eng\\_april8.pdf](https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/20-00116_rer_mitigatingimpact_covid-19_eng_april8.pdf))

<sup>49</sup> The UNSDG Regional working group study 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 neighbouring countries, see: UN, Advancing Inclusive and Sustainable Social Protection in the Response to the Syrian Crisis, April 2018 (<https://unsgd.un.org/resources/advancing-inclusive-and-sustainable-social-protection-response-syrian-crisis>).

<sup>50</sup> ILO and Fafo, Impact of Covid-19 on Workers in Jordan: A Rapid Assessment, n.d., ILO employment intensive investment programmes (EIIP), (<https://reliefweb.int/sites/reliefweb.int/files/resources/75961.pdf>; the survey covered a (non-nationally representative) sample of 3000 individuals comprising of 56 per cent Syrians and 44 per cent Jordanians).

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.<sup>51</sup>



## Migrants

**Migrants to the Arab region and within the region make up 15 percent (more than 40.2 million) of all migrants globally; almost all of them (30 million) live in GCC countries and to a lesser extent in Lebanon and Jordan, and play a key role in many of the affected sectors.<sup>52</sup>**

While evidence is still scarce, **there are signs that these migrants – particularly low-skilled workers – as well as those with irregular status, are likely to be disproportionately affected by job losses or wage reductions.** The GCC countries, Jordan and Lebanon host approximately 1.6 million domestic female workers

who are vulnerable either to instant dismissal or to extra work, and to gender based violence during lockdowns.<sup>53</sup> According to reports, up to one third of migrant domestic workers in Jordan have lost their incomes and in some cases their jobs.<sup>54</sup>

Certain categories of migrant workers<sup>55</sup> continue to suffer from poor working conditions and substantial occupational safety and health deficits, with few legal protections and little access to justice. They can also face abusive, fraudulent and costly recruitment practices and a lack of social protection.<sup>56</sup> COVID-19 and low oil prices have only exacerbated the challenges faced by migrants in the region. In the GCC countries, overcrowded conditions and lack of access to clean water and proper sanitation in migrant detention and housing facilities have put migrants at particular risk. Weak public health systems across the region are struggling to respond to the pandemic and ensure the most vulnerable – including migrants – receive equitable access to health information and services.<sup>57</sup>

## Government response

**To address the socio-economic impacts of COVID-19, countries in the region have implemented a range of fiscal and monetary policy responses,** with significant variations however, across countries and country-groups. Responses have been more “intense” in OECs and OIMICs compared to FCCs, which is to be expected given the differences in their fiscal and institutional capacities.

Specific measures have been taken to ease access to testing for COVID-19 (including in a financial sense) and related healthcare services. **The GCC OECs have extended this to cover those without insurance coverage, including migrants in some cases.** It is, however, concerning that more countries have not

followed suit, considering the overall high level of out-of-pocket health expenditure in other parts of the region and the critical nature of such measures to limit the spread of infection.

**Expansions in social assistance represent the most widely used approach across the region** (52 percent of measures), followed by other social insurance and labour market interventions (42 percent).<sup>58</sup> Among social insurance and labour market interventions, unemployment and wage support dominate the social protection response, mostly targeting employees in the formal sector. However, these measures are uneven across countries. For instance, among OIMICs, Jordan accounts for half of the measures announced in this area. Conversely,

51 ILO and Fafo, Impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon: Rapid assessment, May 2020 ([https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/briefingnote/wcms\\_747074.pdf](https://www.ilo.org/wcmsp5/groups/public/---arabstates/---ro-beirut/documents/briefingnote/wcms_747074.pdf)); ILO, Facing multiple crises: Rapid assessment of the impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon, June 2020 ([https://www.ilo.org/beirut/publications/WCMS\\_747070/lang--en/index.htm](https://www.ilo.org/beirut/publications/WCMS_747070/lang--en/index.htm)).

52 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>.

53 ILO, Facing multiple crises: Rapid assessment of the impact of COVID-19 on vulnerable workers and small-scale enterprises in Lebanon, June 2020 ([https://www.ilo.org/beirut/publications/WCMS\\_747070/lang--en/index.htm](https://www.ilo.org/beirut/publications/WCMS_747070/lang--en/index.htm)).

54 Connel, T., Migrant Workers Essential Workers not only in COVID-19, April 13, 2020 (<https://www.solidaritycenter.org/migrant-workers-essential-workers-not-only-in-covid-19/>).

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

56 ILO, Labour Migration in the Arab States ([https://www.ilo.org/beirut/areasofwork/labour-migration/WCMS\\_514910/lang--en/index.htm](https://www.ilo.org/beirut/areasofwork/labour-migration/WCMS_514910/lang--en/index.htm)), accessed 1 May 2020.

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

58 R-UNSDG Working Group on Social Protection and additional sources, as of mid-June 2020.

**Table 3 Summary of policy responses by Arab States in support of households, businesses and specific groups**

<b>Response measures</b>	<b>OECs (7 countries)</b>	<b>OIMICs (5 countries)</b>	<b>FCCs (8 countries)</b>
Access to health care (COVID-19 testing and treatment)	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Palestine, Somalia,
Financing/liquidity-related	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Egypt, Jordan, Morocco, Tunisia	Iraq, Somalia, Lebanon, Palestine
Tax and fee payment deferrals or suspension/ tax reduction	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Palestine, Syria, Yemen
Employment protection/ retention schemes	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Palestine, Sudan
Lowering (subsidizing) prices of utilities including electricity bills and rents, or waiving /deferring payment	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Djibouti, Egypt	Iraq, Lebanon, Syria, Yemen
Modifying social security contribution payments and/or adjusting existing social security benefits	Algeria, Bahrain, Kuwait, Oman, United Arab Emirates	Egypt, Jordan, Morocco, Tunisia,	Lebanon, Palestine
Social assistance	Algeria, Bahrain, Saudi Arabia, Kuwait, United Arab Emirates, Oman	Djibouti, Egypt, Jordan, Morocco, Tunisia	Iraq, Lebanon, Palestine, Sudan, Syria
Support to migrants (visa renewals or social security)	Bahrain, Kuwait, Saudi Arabia	Jordan, Tunisia	
Enabling those without bank accounts to transfer remittances through formal channels		Jordan	
Price controls on food, strengthening food reserves	Algeria, Bahrain, Oman, Saudi Arabia, United Arab Emirates	Egypt, Jordan, Morocco	Iraq, Libya, Sudan
Import/export (removal of tariffs, export ban), other trade related measures (including trade facilitation)	Qatar, Saudi Arabia, Algeria, Bahrain, Oman, United Arab Emirates, Kuwait	Djibouti, Egypt, Jordan, Morocco	Iraq, Syria, Lebanon, Libya, Somalia, Sudan

Source: UNDP elaboration as of October 2020.

all OIMICs (of which some have relatively strong social security institutions, e.g. Tunisia, Morocco and Jordan) have eased payments of social security contributions by both (formal) employers and employees.

**Arab countries have also taken a number of emergency measures to fill protection gaps related to sickness benefits for public and/or private sector workers<sup>59</sup>, including those affected by the virus, quarantined or “at risk” and those who have to take care of (sick) dependents or children.**

Measures were also designed across the region to support the private sector, and in particular MSMEs due to the large number of people they employ and their increased vulnerability to shocks. Such measures

are important to avoid or limit massive job losses or 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 focused on easing challenges related to the liquidity (financial needs) of enterprises, followed by tax/fee payment deferrals and employment protection schemes.** Some countries have also designed sector specific support programmes, for instance to support the travel and tourism sector. In addition, many governments in the region have taken action to mitigate the immediate impacts of the crisis on labour markets, including measures to protect workers (e.g. paid leave, unemployment benefits, cash transfers). However, there is a disparity in the scope and depth of responses.

<sup>59</sup> Some measures specifically target public employees (Algeria, Djibouti, Jordan, Iraq, Kuwait, UAE) but employers are also required to pay leave for workers in the private sector in Algeria, Djibouti, Saudi Arabia, Jordan, Qatar and Oman.

Some of the measures taken by FCCs<sup>60</sup> show 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 the enterprises.

**Efforts have been made to address the protection needs of informal workers with notable efforts made in OIMICs** (Djibouti, Egypt, Jordan, Morocco and Tunisia).<sup>61</sup> Labour market policies and social protection systems in most countries in the region often exclude migrants, refugees and IDPs, leaving them highly vulnerable to external shocks. A number of countries, mostly in the GCC, have lifted/suspended restrictive measures for migrants (e.g. fee waivers for work permits and visa renewals). To ease the flow of remittances, Jordan's Central Bank permitted a major remittance service provider to offer its services online for the first time, enabling migrants, even those without a bank account, to send money to their home countries.<sup>62</sup>

It is important to note that, although the above measures have provided critical relief, they were largely conceived as short-term measures and ensuring their continuity given fiscal and capacity constraints remains an increasing challenge as the pandemic goes on. Gender considerations have not been at the forefront of the response. 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. 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, the UAE and Saudi Arabia).

## Only a new development paradigm can enable building forward better

**Even before the dual shock, structural challenges ensured that the region was not on track to achieve the SDGs.**<sup>63</sup> The understanding of the decline in the region's progress towards achieving the Goals must be informed by the structural weaknesses shown in the report. A key factor for putting the region on track to achieve the SDGs would be a renewed and more balanced state–market–civil society relationship that boosts productivity, economic transformation and competitiveness to benefit all its people and the planet, and ensures that no one is left behind. In short, the "old normal" is not tenable anymore. In the Arab states, building forward better requires addressing long standing structural development challenges.

**In the short term, countries should continue to flatten the contagion curve and support national health capacity.** The experiences of countries around the world that have relaxed restrictions indicates the possibility of a surge in COVID-19 cases. Government spending should be first directed at the health sector to control, contain, respond, treat and survey the

propagation of the virus. In addition, governments have the responsibility to provide access to health care services to all without discrimination. It is integral that women and marginalized groups' voices are represented in the COVID-19 response. This includes migrants, IDPs and refugees.

**As long as businesses' operations remain affected, countries need to ensure a continuation of current interventions,** with significantly increased scale of implementation, tailored to the needs and priorities of the countries concerned. A reallocation of governments' budgets will be most likely needed in many countries, including rationalisation through a thorough review and re-purposing of existing public sector expenditures.

**Minimising job losses and protecting workers remain top priorities.** Government support to minimise the risks of business closures and lay-offs (as described above) should place strong emphasis on MSMEs and other labour-intensive enterprises in sectors that are significantly affected by the economic impact of

<sup>60</sup> For detailed policy responses from governments, see: ILO, COVID-19 and the world of work: Country policy responses, 1 June 2020 (<https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm#IQ>) and; OECD, OECD Policy Responses to Coronavirus (COVID-19): COVID-19 crisis response in MENA countries, n.d. (<http://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-response-in-mena-countries-4b366396/#back-endnotea0z26>).

<sup>61</sup> Food vouchers have also been introduced in Sudan, whilst Saudi Arabia also expanded health coverage, see: Ugo Gentilini, et al., Social Protection and Jobs Responses to COVID-19: A Real-Time Review of Country Measures, v. 10, May 22, 2020 ([https://www.ugogentilini.net/wp-content/uploads/2020/05/Country-SP-COVID-responses\\_May22.pdf](https://www.ugogentilini.net/wp-content/uploads/2020/05/Country-SP-COVID-responses_May22.pdf)).

<sup>62</sup> Emergency' for millions as coronavirus severs remittance lifeline, Reuters, May 2020.

<sup>63</sup> Arab Development Portal (<https://data.arabdevelopmentportal.com/Sustainable-Development-Goals/>).

COVID-19. An enterprise survey conducted by the ILO in May 2020 identified 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 price controls on critical goods as being interventions that are most relevant to MSMEs.<sup>64</sup>

**Priority should also be given to those enterprises that employ larger proportions of women and young people, as well as of informal workers, including migrants, to the broadest extent possible.** Special measures for female-owned businesses, women engaged in family businesses without pay and those bearing the burden of unpaid care (through special care allowances) should be included.

**Continued efforts are required to expand social protection measures. Expanding coverage to all informal workers should be considered the highest priority,** especially in OIMICs and FCCs, where informality is widespread. It is critical that social protection is more gender responsive to avoid aggravating gender inequalities. Given the job losses and wage cuts resulting from the dual crisis, migrant workers and their families require access to social protection. Social welfare schemes must also be expanded to cover poor segments of the population who depend on remittances for their sustenance. A temporary basic income (TBI) could be considered to provide a minimum income above the national poverty line and, in most cases, this seems to be fiscally affordable.<sup>65</sup> Weaknesses observed – such as lack of awareness about the government support programmes on offer in some countries – need to be addressed.

**Linking social protection and green recovery is essential.** As far as 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 environmental sustainability. For instance, social protection instruments, such as cash-for-work and labour-intensive works programmes, could be scaled-up and made more supportive of people's access to social services and sustainable environmental management.

**In the medium- to long-term, countries should consider systems and strategies to broaden and ensure the**

**sustainability** of the fiscal space. Such systems should also: reprioritize allocation of public expenditure and strengthen Public Finance Management and tax systems; address the deficiencies in the enabling business environment for the establishment and operation of MSMEs; enhance the enabling environment for private sector development in general; expand access to social protection; and expand access to digital opportunities to ensure business continuity in the future.

**A key component in building forward better is exploiting the opportunity presented by the crisis to rethink the role of the environment in development policies and paradigms, with an emphasis on risk-informed development pathways.** Such efforts should seek to integrate climate adaptation, environmental protection and the circular economy into the recovery and development of key economic sectors, as a means of building forward better and addressing the serious trends of climate change and ecological fragility affecting the region, including as a growing source of social vulnerability.

**The dual crisis also presents an opportunity to pursue reinvigorated national discussions and development plans that promote the investment of scarce resources in high-growth areas.** Countries must ensure stable and diversified growth that generates more jobs. Reliance on a single commodity, sector or trade partner will continue to expose countries to external risks and affect the financial sustainability of measures. Enhanced diversification initiatives will be important in expanding fiscal space and will ensure the financial sustainability of social protection measures that these countries have put in place.

Economic growth will have little impact on poverty if inequality is worsening. Persistent inequality in the region, coupled with declining economic growth, leads to increases in poverty in those countries that already have large populations of poor people and lack adequate social protection coverage. **If poverty is to be addressed, growth may not be sufficient. In this region, it needs to be rights-based, inclusive, sustainable and twinned with good governance and digital opportunities.**

**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

<sup>64</sup> 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](https://www.ilo.org/wcmsp5/groups/public/---ed_emp/---emp_ent/documents/presentation/wcms_745097.pdf)).

<sup>65</sup> UNDP, Temporary Basic Income, Protecting Poor and Vulnerable People in Developing Countries, 2020 (<https://www.undp.org/content/undp/en/home/librarypage/transitions-series/temporary-basic-income--tbi--for-developing-countries.html>).

**Table 4 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
<b>Socio-economic groups that policies may intend to address<sup>1</sup></b>	<b>Bottom</b>	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 labor 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
	<b>Middle</b>	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
	<b>Top</b>	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)<sup>66</sup> and Blanchard and Rodrik (2020).<sup>67</sup>

**Note:** <sup>1</sup> specific group definitions are context dependent and could include vulnerable categories such as migrants, minorities, etc. based on countries' specificities and priorities.

of policies, as illustrated in Table 4. 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.

**A pathway beyond recovery, towards 2030**, based on the four pillars of governance, social protection, green economy and digital solutions must be envisaged as the region keeps navigating the crisis.

66 UNDP, Human Development Report 2019 - Beyond income, beyond averages, beyond today: Inequalities in human development in the 21st century.

67 Blanchard, O., and D. Rodrik, "We Have the Tools to Reverse the Rise in Inequality", Reflections on the conference on Combating Inequality: Rethinking Policies to Reduce Inequality in Advanced Economies, Peterson Institute for International Economics, 17–18 October 2019.



United Nations Development Programme  
[www.undp.org](http://www.undp.org)  
© UNDP 2020