



COVID-19 crisis response in MENA countries

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Key takeaways:

Governments in the MENA region have rapidly reacted to contain the Coronavirus (COVID-19), by developing massive policy and institutional plans to support households and firms. Strict containment measures helped to limit the first wave and were gradually lifted from June onwards. But since then, the situation appears to be diverging: while the Gulf countries seem to have flattened the infection curve so far, the sanitary situation appears much more fragile elsewhere in the region. The crisis will be a critical test for the region's fragile resilience, and could erode dramatically its prosperity and challenge its political stability if risks materialize, for MENA economies and societies alike. Countries may want to capitalize on their innovative policy efforts to improve inclusiveness, sustain welfare provisions, and promote a structural reform agenda for more open and private sector-led economies, aligned with the Sustainable Development Goals. This update includes the latest analysis on the economic and social consequences of the crisis, including new sections on the fiscal and educational challenges, as well as insights on the resilience of the healthcare system.



Executive Summary

More than 2.2 million COVID-19 infections have been registered in the MENA region (including Iran, where more than 26,000 people have already died and infection rates continue to surge). Among Arab economies, Iraq has the most confirmed cases, followed by Saudi Arabia and Morocco¹.

Despite varying levels of health system preparedness across the region, MENA countries' overall health management strategies – characterised by strict containment measures implemented in the very early stages of the outbreak – have proven **efficient in limiting human losses and the spread of the pandemic in the region**. Following a prudent de-confinement process engaged from May to August, mainly easing restrictions on movement, re-opening of borders and economic activities, new infections have been flattened in the Gulf countries. Unfortunately, an emerging second wave is currently affecting the Maghreb and the most fragile countries in North Africa and the Levant, some of which have re-established stricter measures (local lockdowns, school closures) to contain the virus from spreading too rapidly again. The situation is particularly worrying in Lebanon, which has recorded a continuous increase in cases since the blast that hit the port of Beirut on 4 August, while economic pressures are affecting compliance with lockdown measures.

The pandemic is challenging MENA **medical systems**, some of which are particularly weak and overcrowded. The situation is, obviously, not the same for the richer Gulf countries, the developing economies in the Levant or North-Africa, or in fragile and conflict-affected countries such as Iran, Syria, Iraq, the Palestinian Authority, Yemen and Libya, where the lack of hospital beds and testing capacities is a cause of concern. The first wave has left public hospitals and their personnel exhausted in Lebanon, Morocco or Tunisia, and has **severely impacted public trust on the credibility of official figures and the overall management of the crisis**. On the other hand, some countries have adopted **rapid, decisive and/or innovative measures to contain the virus**, such as the smooth crisis management developed by Jordan, virtual doctors and sanitising robots in the UAE, or ramping up domestic masks and test production in Morocco. Healthcare co-operation and innovation was also considerably boosted, in particular in the area of vaccine research. This highlights the significant differences in between countries in terms of their capacity to react on the healthcare side.

The crisis is also testing the public sector, forcing governments to make quick decisions, manage crisis co-ordination and implement drastic measures to protect communities at risk. **Many administrations have demonstrated strong capacity to mobilise** and implement prevention measures, while preparing for stimulus packages to support households and firms. This crisis emphasises the importance of underlying structural issues, such as transparency and the fight against corruption, effective public procurement, the maturity of digitalisation and open government approaches, as well as a strengthened role for civil society. Governments' willingness to collaborate with civil society has been key for effective crisis response in many countries. Public governance measures should be used to ensure the continuity of response and essential services by public institutions, while enhancing public sector resilience and adaptability and restoring the **population's trust in public institutions**. The crisis has underscored the need to accelerate public administration reform to create a more professional, efficient, effective, transparent and user-oriented public sector.

Despite the large fiscal packages announced in most countries, the pandemic is already causing a **dramatic economic cost**, with both a negative demand/supply shock and a shock from the collapse of oil

¹ As of mid-October 2020



prices.² As countries have taken a series of containment measures limiting transportation and economic activity, these are strongly weighing on the ability of people to go to work and on businesses to continue contributing to the economy. At the same time, the region suffers from a drop in demand at the regional and at global levels, while most supply chains are disrupted. The effects of containment measures on the services sector, which employs a large number of people in the region (in particular in the tourism industry), will cause wide reverberations if unemployment rises and wages and remittances fall. Further, **bottoming crude oil prices** have put additional strain on even the region's wealthiest countries, through reduced investments from Gulf countries, which are the largest investor in the region, as well as substantial lower remittances from Gulf countries and work opportunities in the richer GCC region for nationals of other MENA countries. Overall, the region could lose about USD 42 billion of GDP this year³.

It will be critical to monitor the **social consequences of the crisis, especially for the most vulnerable (women, youth, elderly, informal workers, refugees)**. While welfare provisions and social safety nets were often considerably expanded, the United Nations Economic and Social Commission for West Asia (UNESCWA) estimates that the economic slowdown caused by the pandemic will cause an additional **8.3 million people to fall into poverty**⁴. The pandemic might dramatically increase inequalities. School closures risk weighing on the future development of MENA societies. In light of their demographic weight in the region, ensuring that all young people have the opportunity to succeed at school and develop the knowledge, skills, attitudes and values that will allow them to contribute to society should stand high on the recovery agendas.

The impact of the COVID-19 is testing the **region's fragile resilience**. It may **further exacerbate regional competition and political instability** as well as fragility in some cases. The outbreak of the virus has indeed impacted political developments within MENA economies, and their capacity to restore and support their social contracts is being increasingly questioned. Demonstrations in Algeria and Lebanon have been put to a halt due to the sanitary crisis. Hit by a cataclysmic blast at Beirut' main port and daily spikes in COVID-19 cases, Lebanon is crippled by the impact of multiple shocks which have exhausted its economy and caused an unprecedented poverty increase, where more than 55% of the country's population is now trapped in poverty and struggling for bare necessities, as per UNESCWA. In fragile and conflict-affected countries, economic reconstruction plans will need to materialize to provide for minimum levels of stability.

Like for OECD countries, the crisis could, still, offer an opportunity to **engage in a comprehensive reform agenda addressing some of the region's underlying structural issues** (decentralisation, private sector development, social protection) and supporting a more inclusive growth model (economic diversification, health and education spending, industrial innovation and participation in regional value chains), building on all segments of the society. Success stories at the national level should be recognised and made widely known. The pandemic is a call to renew the commitment to the **Sustainable Development Goals**. Looking ahead, in a region with very heterogeneous situations for the capacity of the **civil society** to operate with autonomy, it will be important to monitor the impact of the pandemic on the rule of law and governance frameworks. Indeed, new laws and controls put in place to contain the pandemic may have long-term negative effects on the space in which the civil society operates. In a moment where the contribution of all to face the unprecedented economic and social challenges is more necessary than ever, empowering people remains critical.

² See "[Coping with a Dual Shock: COVID-19 and Oil Prices](#)", World Bank, April 2020

³ <https://www.unescwa.org/sites/www.unescwa.org/files/escwa-covid-19-economic-cost-arab-region-en.pdf>

⁴ <https://news.un.org/en/story/2020/04/1060822>



COVID-19 in MENA countries and measures to contain the pandemic

Outbreak and management of the health crisis

The MENA economies made important efforts to address the COVID-19 health crisis early on. Following the outbreak of the pandemic, most countries declared a **state of national emergency**, closed their borders to foreigners and imposed **strict containment measures** including mandatory self-isolation, restricted movement for citizens and curfews. Notably, many countries did not wait to have confirmed cases to start imposing movement restrictions and social distancing measures. Saudi Arabia, for instance, suspended pilgrimages to Mecca and Medina and barred access to religious sites in the two cities as early as February. In Tunisia, thermal cameras for fever screening were installed in airports and at border crossings with neighbouring countries as early as January 20th (while first confirmed cases were only in March).

Annex 1 provides a general overview of the main containment measures taken by MENA economies during the pandemic.

Quarantine and curfew measures were often accompanied by severe **penalties for non-compliance**, ranging from heavy fines to prison sentencing, such as in Jordan, Saudi Arabia and the UAE. Similar strategies were adopted during the de-confinement phase. Exit strategies were coupled with strict precautionary rules to ensure physical distancing and other barrier gestures continue to be enforced as much as possible. Face masks have been made mandatory in all public settings in most MENA countries, with violators facing heavy penalties including up to three months of jail in Morocco.

Moreover, the pandemic led MENA economies to make **considerable investments in the healthcare sector**, which has not traditionally been considered a priority sector in the region. Some countries managed to upscale their health systems to respond to the outbreak, which contributed to the relatively low rates of COVID-19 related deaths in Arab countries in the first few months of the pandemic, far below those experienced in some European and Asian countries. Governments have also **scaled up their testing capacity** by opening new sites and establishing drive-through testing stations. This has enabled countries to facilitate detection, tracing and isolation of cases.

The revival in COVID-19 cases that followed the gradual easing of restrictions and reopening of the economy in several MENA countries, similarly to elsewhere in the world, is putting to the test the capacity of healthcare systems throughout the region to deal with a second wave of the pandemic. Two main trends are emerging, with on the one hand, a number of countries where precautionary measures and enforcement seem to have succeeded in flattening the curve, and, on the other hand, countries where limited capacity to enforce physical distancing and overstressed healthcare systems are making it increasingly challenging for governments to control the situation.

Challenges to health systems and health sector resilience

MENA countries' containment efforts have proved particularly important in light of the region's varying levels of health system preparedness. The COVID-19 pandemic has highlighted the extent of the healthcare sector's resilience across MENA economies.

Gulf Co-operation Council (GCC) countries and Jordan

- GCC economies have undertaken substantial investments in healthcare infrastructure, alongside efforts to increase the number of doctors and nursing personnel. While the GCC remains behind the global average in healthcare expenditure, budget allocations have been increasing significantly. This has considerably improved the quality of healthcare services in the region. In an [assessment](#) of COVID-19 preparedness published mid-March by the WHO,



which ranked countries on a scale of 1 (no capacity) to 5 (sustainable capacity), all GCC countries except Qatar scored either 4 or 5. Despite accounting for close to half of the COVID-19 regional cases, GCC governments have succeeded in bringing the outbreak under control in their countries, displaying recovery rates significantly higher than the global average⁵. This results from a strategy based on prevention, strict control measures adopted and effectively enforced early on, and important means allocated to case detection and tracking. The UAE and Bahrain are among global leaders in terms of testing, ranking respectively first and third for the number of new tests per 1,000 people as of late September.⁶ Countries have also made available significant financial and material resources for COVID-19 treatment to avoid overwhelming health services, including by building dedicated treatment facilities, such as in the UAE.

- Jordan, which has an overall weaker health system and lower level of COVID-19 preparedness, managed to adopt a strategy similar to that of GCC countries. This has so far proved to be effective, although at high economic and societal cost. As a result of a swift government reaction and effective implementation of lockdown measures enabled by the state's high enforcement capacity, COVID-19 infection and mortality rates in Jordan have remained consistently low. The government has also significantly [scaled up](#) its testing capacity to reach 70,000 tests per 1 million inhabitants in August, more than three times the test ratio recommended by the WHO. As of October 14, cases are on the rise again and curfews are being re-introduced.

Developing MENA economies (Maghreb, Egypt)

Developing MENA economies have been suffering from low health expenditures, human resource shortages in the health care sector and lack of medical equipment. Total health expenditure per capita in most MENA countries is significantly below averages for countries in similar income categories. Furthermore, the number of physicians per 1,000 inhabitants in the region is much below the WHO recommended threshold of 4.45 doctors, nurses, and midwives per 1,000 population, and as low as 0.72 and 0.79 in Morocco and Egypt respectively.⁷ The limited capacity of health systems to handle a large-scale outbreak prompted governments to adopt strict containment measures. However, while these measures contributed to limit the number of COVID-19 infections and related deaths in the first few months following the outbreak, the progressive de-confinement was accompanied by a rapid rise in cases, further straining countries' health systems. In most countries, this is largely due to large religious gatherings, wedding celebrations and other social events where control measures were not sufficiently applied.⁸

Loosening compliance with preventive measures and difficulty to enforce physical distancing in large, densely populated cities (e.g. Cairo) have raised concerns over the evolution of the situation. As of October, international and social media, as well as NGOs reported that hospitals were struggling to manage the growing influx of COVID-19 patients, with some reaching full capacity, while healthcare professionals have pointed out to the lack of necessary medical equipment, doctors, medical personnel and ICU beds to deal with a second wave of such magnitude. This also challenging the massive testing strategy, as testing sites are becoming increasingly saturated. In some countries, observers have pointed

⁵ The average recovery rate for GCC was 81.4% as of September 2020, compared to a global average of 57%. <https://www.arabnews.com/node/1733941/middle-east>

⁶ [Our World in Data, Coronavirus Pandemic data, "Daily Covid-19 tests per thousand people", 28 September 2020](#)

⁷ [World Health Organisation, Global Health Observatory data, "Density of physicians \(total number per 1000 population, latest available year\)"](#)

⁸ [World Health Organisation EMRO, "Statement by WHO's Regional Director on an upsurge in the number of COVID-19 cases in the Eastern Mediterranean Region", 3/09/2020](#)



to an ill-managed re-opening of international borders, while emerging social movements within the medical personnel risks adding pressure to an already tense health sector.

Fragile and conflict-affected countries

- Lebanon had initially managed to contain the first COVID-19 wave by adopting strong containment measures early on with high levels of compliance from the population. However, following the explosion in the port of Beirut on 4 August, which destroyed half of the city's medical centres and left three of its hospitals "non-functional" according to the WHO, the health situation has gotten largely out of control. Reported numbers of COVID-19 cases and related deaths have been rising at unprecedented speed, sparking worries regarding the capacity of ICU and dedicated facilities to absorb the second wave, as many are already at capacity treating those wounded in the blast. In the current emergency setting, with adherence to public health measures being compromised, the rise in cases shows no sign of slowing down. At the same time, possibilities for re-implementing strict containment measures are constrained by the economic crisis. Indeed, the two-week lockdown which had been announced after the explosion was eased prematurely due to economic pressures.
- In other fragile and conflict-affected countries, the COVID-19 outbreak poses a major challenge given damages to health systems.⁹ In emergency settings, where availability of water, sanitation and hygiene (WASH) services is scarce, applying preventive measures to limit the spread of the disease has proved difficult. Countries where healthcare facilities have been partially destroyed during the war and governance remains extremely fragile and uncoordinated in certain areas, and lack the necessary capacity to respond to the crisis in terms of medical facilities, equipment and personnel. In Syria, the WHO¹⁰ estimates that 70% of health care workers have left the country as migrants or refugees, while only 64% of hospitals and 52% of primary health care centres remain fully operational. One possible explanation for the low number of COVID-19 cases reported in these countries at the beginning of the pandemic is the fact that, due to lack of bed capacity or difficulty to reach hospitals, people often die at home.¹¹ In addition, the lack of testing capacity has resulted in months of under-reporting, in particular in Syria and Yemen. The situation has worsened over the summer, with numbers of COVID-19 cases and related deaths rapidly growing. At the same time, enforcement of containment measures has proved difficult in the context of already fragile economic situations, which cannot afford the necessary restrictions to limit the spread of the virus.

Developments in the MENA health systems and health policies

In some MENA countries, COVID-19 vaccine developments are likely to rapidly boost the supply and infrastructure of the healthcare industry. For example, the United Arab Emirates, Saudi Arabia and Morocco have partnered with foreign countries (notably China and Israel) and private companies alike to support vaccine research, and have engaged into advanced trial phases. Phase III trials started in the UAE

⁹ See also : https://read.oecd-ilibrary.org/view/?ref=131_131938-b9ys3suiav&title=COVID-19-Crises-and-Fragility

¹⁰ <http://www.euro.who.int/en/publications/html/report-on-the-health-of-refugees-and-migrants-in-the-who-european-region-no-public-health-without-refugee-and-migrant-health-2018/en/index.html>

¹¹ https://read.oecd-ilibrary.org/view/?ref=131_131938-b9ys3suiav&title=COVID-19-Crises-and-Fragility



in July¹² and in Saudi Arabia in August for vaccines developed by two Chinese companies, respectively Sinopharm and CanSino Biologics. Egypt has also engaged in a partnership with China for the development and distribution of two COVID-19 vaccines developed by Sinopharm. This could lead to a reinforced China-MENA collaboration in this field¹³.

With more investment (both public and private) in healthcare provision, opportunities for the private sector to support the development of health systems will increase¹⁴. In the Gulf, the surge in demand – driven by ageing populations, mandatory health insurance and high levels of lifestyle-related diseases such as diabetes – along with new government strategies and regulatory reforms are propelling private investment in the healthcare industry. In particular, a recent report produced by Mashreq and Frost & Sullivan found that the COVID-19 crisis had considerably boosted investments in digitisation and telehealth. The research estimates annual investment in digital infrastructure in the GCC to grow by 10% to 20% over the next two years, while teleconsultations are expected to be multiplied by four by Q4 2020.¹⁵ In Morocco, a HealthTech startup of the research and development centre MAScIR is now capable of producing 1 million RT-PCR tests per month, and a public-private partnership between the Ministry of Industry and various private sector actors has allowed to develop a locally produced ICU bed, massively cheaper than those imported from abroad.

The crisis has also boosted humanitarian outreach and medical diplomacy of MENA countries. The UAE rapidly positioned itself as a major provider of medical assistance, delivering aid supplies as early as March¹⁶. Other Gulf economies such as Qatar and Kuwait followed the same approach. Morocco was particularly active, using its national airline to dispatch gloves, sanitary equipment and medical supplies mostly to its African continent neighbours.

Governments' strategic responses

Following the confirmation of the first cases of COVID-19 in the MENA region, national governments quickly adopted measures to strengthen institutional coordination, by creating **inter-ministerial structures**.

Other measures include the creation of technical and scientific committees in charge of monitoring and evaluating the progress of the situation, and anticipating the direct and indirect repercussions of COVID-19. For example, the Tunisian government has created a National COVID-19 Monitoring Authority, gathering senior officials from all ministries, with the aim of “imposing full compliance with measures to fight the virus”. The Monitoring Authority will also ensure the coordination between the National Committee against the coronavirus, headed by the Presidency of the Government, and the regional committees against natural catastrophes. It will also be in charge of “monitoring the regularity of the supply of basic products, the distribution of social assistance to poor families or families without income, as well as the referral of recommendations to the national committee to combat COVID-19 to adopt the necessary measures to contain the virus”.

¹²<https://www.thenationalnews.com/uae/health/coronavirus-uae-and-china-to-join-forces-in-new-vaccine-trial-1.1038163>

¹³ <https://pomeps.org/china-and-covid-19-in-mena>

¹⁴ “Healthcare: Growth behind the mask”, Arabia Monitor, September 2020

¹⁵<https://mea-biz.com/mashreq-and-frost-sullivan-research-projects-revenue-gcc-healthcare-industry-to-remain-resilient-with-some-subsectors-still-expected-to-show-growth-in-2020/>

¹⁶ See UAE Policy Tracker: <https://www.oecd.org/coronavirus/country-policy-tracker/>



It is worth noting that the approach – in several countries – was very much centralised, which is sensible in a crisis and shows the important role that Centres of Government have played in tackling the crisis¹⁷. But the local level is similarly crucial in providing tailored and operational solutions. This has created some tension between central and decentralised levels, among others also in Tunisia.¹⁸

Many governments also adopted measures to ensure the **continuity of public services** in countries where confinement measures were imposed. Teleworking arrangements and online tools have been developed to facilitate the ongoing functioning of public administration. Jordan¹⁹ and Morocco²⁰ developed practical manuals on teleworking, outlining key advice and tips to facilitate its use. Despite efforts, teleworking in public administration proved to be difficult, because of inadequate skills of civil servants, the maturity level of digitalisation of services and often paper based work processes. Morocco also created a series of new digital delivery services that aim to reduce the exchange of paper documents, thus limiting the risk of COVID-19 transmission via paper. In Tunisia, the first payment of disbursements was done via Post offices, resulting in long queues, therefore a digital wallet was created.²¹

Several countries also implemented **public communication** measures such as campaigns on TV, radio and social media to raise awareness among citizens about hygiene rules and preventive measures to take to curb the spread of COVID-19. In Jordan, the Ministry of Culture enlisted a number of Jordanian actors and influencers in a bid to launch an awareness campaign video in lieu of combatting coronavirus. In the videos, the influencers and actors also showcased tips and ways to help children use their spare time at home efficiently under the indoor quarantine²². Governments also developed websites encompassing all information related to the COVID-19 situation in their respective country. The websites aim to provide citizens with answers to the most frequently asked questions, avoid misinformation, and provide tips that will keep people safe and help prevent the spread of this pandemic.

Finally, the **public procurement** systems of MENA countries adapted to the crisis by implementing measures to facilitate the timely procuring of critical and sanitary goods in keeping with the fast-evolving needs. For example, the Tunisian National Authority for Public Procurement (HAICOP) has published a circular to remind public buyers of the necessity to respect the established provisions for cases of force majeure and loosen public procurement procedures. Similarly, efforts are under way to build up the resilience of critical infrastructures, such as healthcare facilities and essential suppliers, to absorb the impact of the crisis in the short-term and encourage their durability and resistance to future crises in the longer term, where public governance responses will be essential in creating the conditions for economic and social recovery. They will be key in building a strong public sector that is coordinated, responsive, reliable, open, inclusive, transparent and accountable, and therefore able to constantly anticipate and efficiently respond to evolving needs and challenges that could arise from potential shocks in the future.

¹⁷<http://www.oecd.org/coronavirus/policy-responses/building-resilience-to-the-covid-19-pandemic-the-role-of-centres-of-government-883d2961/>

¹⁸<http://nawaat.org/portail/2020/05/06/covid-19-in-tunisia-tensions-arise-between-municipalities-and-central-government/>

¹⁹<https://www.facebook.com/CSBGOV/photos/pcb.1262103807540150/1262140957536435/?type=3&theater>

²⁰<https://drive.google.com/file/d/1CQ4oWqTrHJzGYZxPoEsWfhdzSSnwrHn/view?fbclid=IwAR1d0NnBadsisFmbMd1v-pB5thM1TZrM70fIDGZD1JJZ2CozEfUGEOfB98c>

²¹ <https://en.africanmanager.com/mobile-payment-new-digital-wallet-launched/>

²² <https://bit.ly/2xhyDfc>



Economic and fiscal impacts on the MENA region

The pandemic is causing massive economic turmoil in the region through simultaneous shocks, including a drop in domestic and external demand, low oil prices, disrupted trade and global value chains, a fall in consumer and investor confidence, and tightening of financial conditions. Due to a depressed global demand, commodity prices and volumes have lowered. With widening statistical inequalities and incipient financial fragilities (in particular regarding insolvencies, non-performing loans and access to credit), crisis vulnerability has increased dramatically for developing economies. As a result, **GDP growth will be severely affected in 2020**. Taking into account the strong containment measures implemented by MENA economies, together with the disruption in global supply chains and the structural characteristics of individual economies, the IMF forecasts all MENA economies, with the exception of Egypt, to contract in 2020, at an average of -4.1%. Latest estimates indicate that growth in the MENA region might fall to -6.6% for oil exporting countries and -1% for oil importing countries in 2020.²³ The two most hard-hit countries that are expected to experience the steepest decline in GDP growth are Libya and Lebanon with -66.6% of GDP and -25% respectively.

Fragile and conflict-affected countries are expected to experience a sharp decrease in GDP per capita, raising important challenges in terms of poverty. In Lebanon, which hosts a significant number of refugees principally coming from Syria, the dramatic explosion at Beirut's main port caused, according to preliminary estimates²⁴, between USD 3.8 and USD 4.6 billion in damage to physical stock, while losses including changes in economic flows as a result of the decline in the output of the economic sectors are estimated to be in the range of USD 2.9 and USD 3.5 billion. **Concrete financing and economic reconstruction plans will therefore need to effectively materialize** to avoid a full social and economic collapse. Even before the explosion, the estimated headcount poverty rate in Lebanon had increased from 28% in 2019 to 55% in May 2020.²⁵ The situation is expected to be exacerbated in light of the impacts of the blast on incomes as well as on availability and prices of food and basic commodities.

However, it is important to underline the **unprecedented fiscal effort** that many MENA countries have undertaken to mitigate the consequences of the crisis in support of households and firms. For example, the United Arab Emirates announced a USD 27 billion stimulus plan, including subsidies to water and electricity for citizens and industrial activities, while Egypt developed a USD 6 billion economic relief plan, and Qatar and Saudi Arabia committed to support package of respectively USD 23 billion and USD 13 billion, particularly aimed at their SMEs and private sectors. While the rebound should not be mistaken with a proper economic recovery, the IMF predicts a V-shaped recovery for the region, with nearly all MENA countries expected to recover in 2021²⁶.

²³ IMF, *Regional Economic Outlook - Middle East and Central Asia*, October 2020.

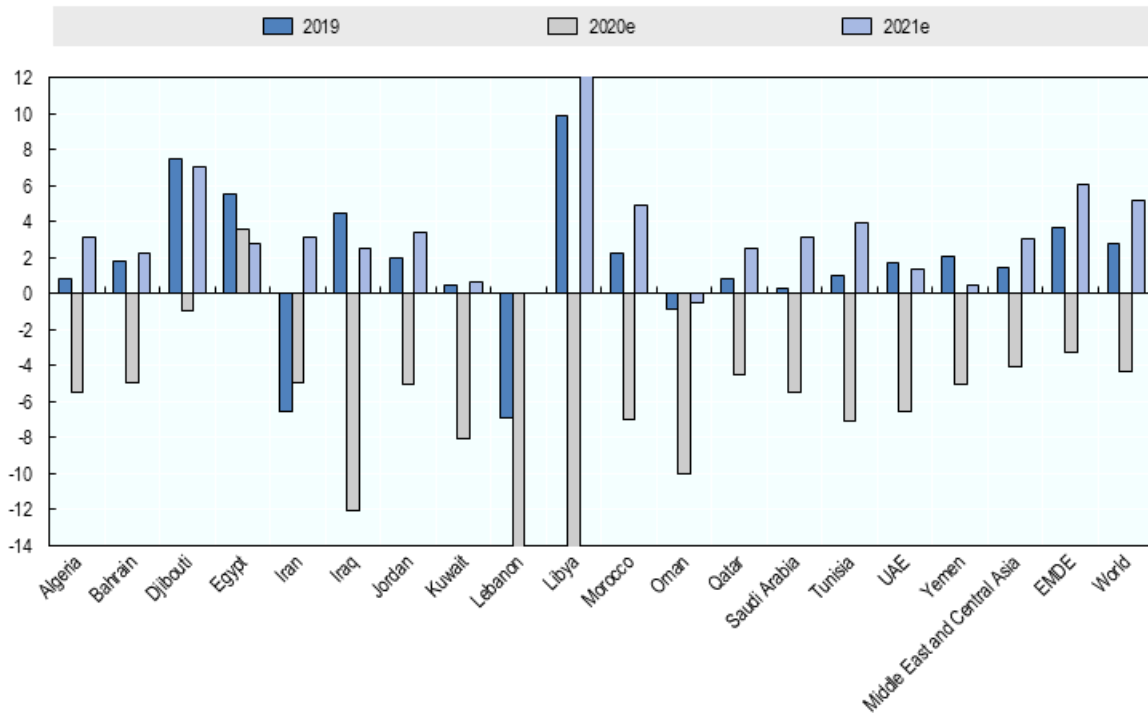
²⁴<https://www.worldbank.org/en/news/press-release/2020/08/30/beirut-explosion-decisive-action-and-change-needed-to-reform-and-rebuild-a-better-lebanon>

²⁵ ESCWA (2020), "Poverty in Lebanon: Solidarity is vital to address the impact of multiple overlapping shocks", *Policy Brief 15*, https://www.unescwa.org/sites/www.unescwa.org/files/20-00268_pb15_beirut-explosion-rising-poverty-en.pdf

²⁶<https://www.imf.org/en/Publications/REO/MECA/Issues/2020/04/15/regional-economic-outlook-middle-east-central-asia-report>



Figure 1. Gross domestic product in selected MENA economies (y-o-y percent change)



Note: e=estimates. EMDE= Emerging Markets and Developing Economies.

Source: International Monetary Fund, World Economic Outlook Database, October 2020.

MENA countries have responded rapidly to mitigate the economic consequences of the crisis on the private sectors and households and keep the financial market functioning. On average, 2.7% of GDP was allocated to fiscal measures, while 3.4% of GDP (over USD 47 billion) in liquidity injection was activated by Central Banks across the region during the first weeks of the crisis. For a more complete **overview of the economic measures implemented by MENA economies**, refer to Annex 2.

However, such measures also pose challenges in terms of **macro-economic stability**, in particular in countries with high levels of debt, as the debt of Arab governments raised considerably to fund crisis-related measures, while the cost of borrowing rose significantly. Increasing pressure linked to crisis-related spending will put an important strain on the region's fiscal deficit, which is projected to increase from 3.3% of GDP in 2019 to 10.8% of GDP in 2020.²⁷ These risks are particularly acute for countries with limited fiscal buffers, such as Algeria, Bahrain, Iraq, Iran, and Oman. This raises concerns in terms of the sustainability of the countries' economic response, in the context of the recovery. The IMF projects debt-to-GDP levels to reach 95% of GDP on average by the end of 2020 among MENA oil-importing countries.

Fiscal challenges

Governments have allocated additional resources to the health care sector, but also, as was the case in OECD countries, to support certain sectors of the economy as well as most vulnerable households. Budget deficits are projected to be significantly larger in 2020 than in 2019 (Figure 2) and will increase the public debt (Figure 3). For certain countries, this additional spending, although unavoidable, is therefore increasing pre-existing fiscal imbalances (e.g. Bahrain) or threatening previous consolidation efforts (e.g.

²⁷ IMF, Regional Economic Outlook - Middle East and Central Asia, October 2020

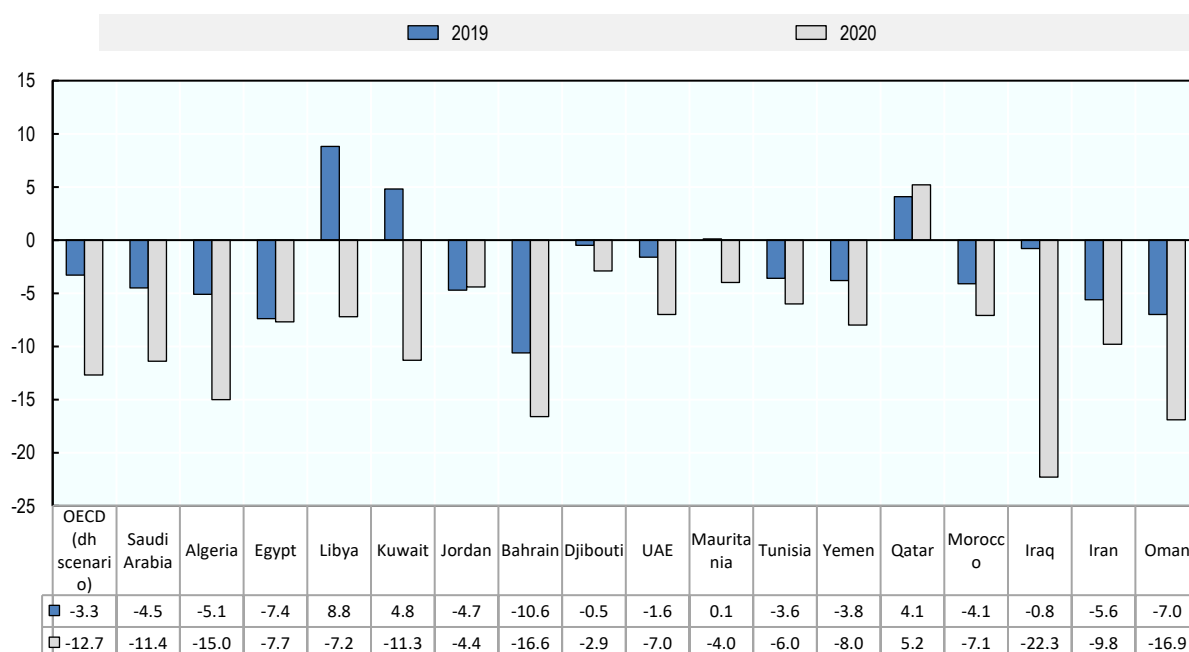


Egypt), and consequently generating further fiscal sustainability challenges. Fiscal impacts of the crisis are however less significant for those countries (e.g. Qatar) that were able to tap into their fiscal reserves such as sovereign wealth funds as part of their response to the crisis.

Further fiscal stimulus is likely to be done in virtually all countries of the region in 2021, as the effects of the pandemic will continue unfolding. MENA countries will therefore be faced with similar challenges than those of other countries across the world – that is identifying where spending can be cut and allocating resources to high-priority policies to support the economy and households. In addition, budgeting systems will need to adapt and improve, based on the lessons learned to cope with demands and pressures brought about by COVID-19 crisis. During the pandemic, few MENA countries, for example, published or laid out supplementary budget laws before their legislature and relied on other mechanisms to deliver the spending packages, such as extra-budgetary funds or executive decrees, which sometimes had the effect of limiting the time and scope for public oversight and government accountability on their fiscal policy decisions.

Figure 2. Fiscal deficit, General Government, 2019 and 2020

Overall fiscal balance in MENA countries (% of GDP)

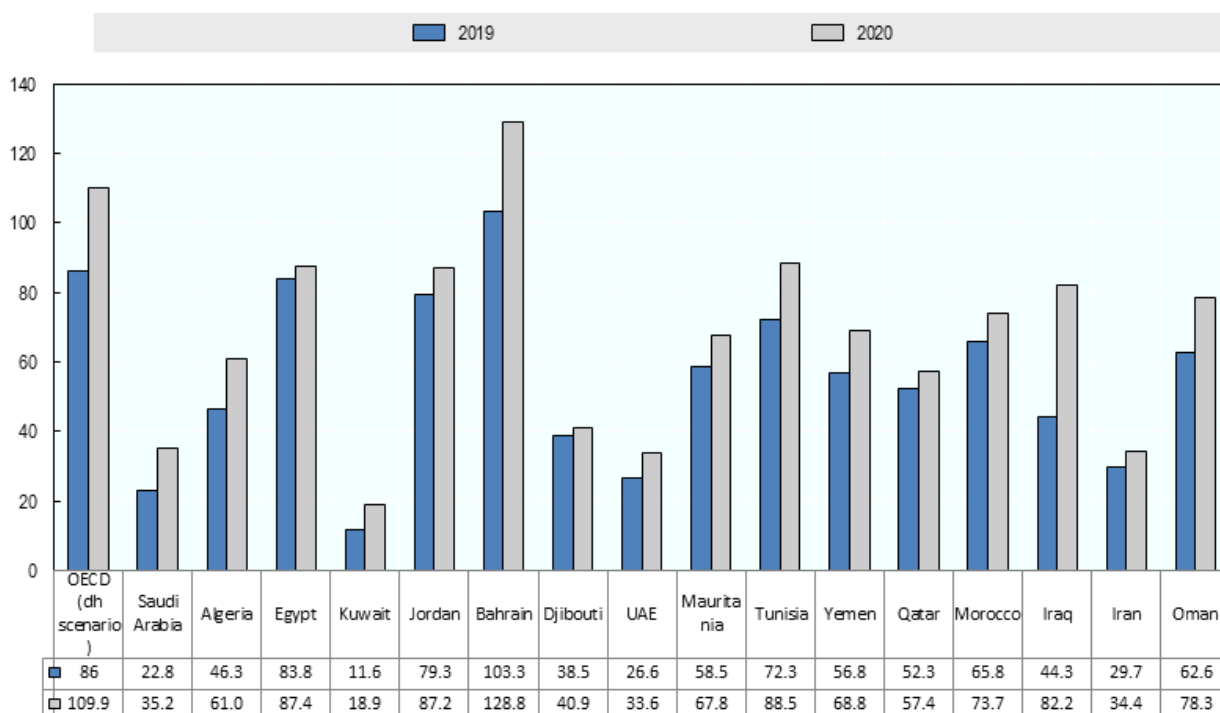


Source: IMF staff estimates and projections published in April 2020. Lebanon is not reported, due to the deterioration of the country's fiscal situation in August 2020. Data unavailable for Libya.



Figure 3. Public debt, General Government, 2019 and 2020

Gross debt in MENA countries (% of GDP)



Note: IMF staff estimates and projections published in April 2020. Lebanon is not reported, due to the deterioration of the country's fiscal situation in August 2020. Data unavailable for Libya.

The following sections focus on some concrete economic consequences specific to the region, including the impact on trade and investment, oil prices, private sector development, remittances and tourism.

Impact on investment and trade

The OECD expects a drop in global FDI flows by at least 30% in 2020 (most optimistic scenario) compared to 2019 before returning to pre-crisis levels by the end of 2021²⁸. The resulting demand and supply shocks, coupled with the drop in oil prices and lower confidence of investors, are expected to lead to even more significant decline of FDI in MENA²⁹. The UN's Economic Commission for West Asia estimates that the Arab region is likely to lose 45% of its FDI inflows in 2020.^{30 31}

In 2019, global FDI increased by 12% to USD 1 426 billion but was still struggling when COVID-19 hit, remaining below the levels recorded between 2010 and 2017 (see OECD FDI in Figures, 2020). During the same year, FDI inflows in MENA³² amounted to USD 17.2 billion, a 10% increase compared to 2017,

²⁸ See [OECD note on foreign direct investment flows in the time of COVID-19](#)

²⁹ See [OECD note on investment in the MENA region in the time of COVID-19](#)

³⁰ https://www.unescwa.org/sites/www.unescwa.org/files/20-00153-en_impact-covid-19-trade-investment.pdf

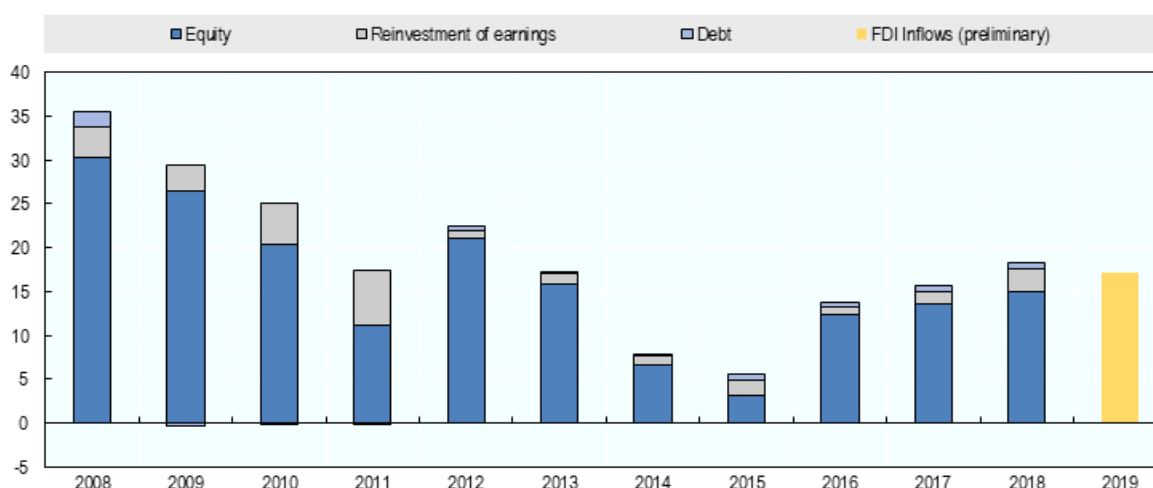
³¹ For example, the IMF estimates that Tunisia will experience a sharp decline in FDI of 82.3% in 2020, from USD 798 million to USD 141 million. <https://www.imf.org/en/Publications/CR/Issues/2020/04/14/Tunisia-Request-for-Purchase-Under-the-Rapid-Financing-Instrument-Press-Release-Staff-Report-49327?cid=em-COM-123-41407>

³² Data excludes FDI flows in Qatar, Saudi Arabia and the United Arab Emirates. See more details on the country coverage in the note to Figure 2.



but still less than half of the level recorded in 2008, which was a peak year for FDI inflows in the region (Figure 2). There will be an immediate impact on FDI globally and in MENA from a reduction in equity investments, as investors will put greenfield investments and mergers and acquisitions (M&A) on hold. Preliminary estimates suggest that the value of M&A deals already decreased by 71% in the first four months of 2020, from USD 89.6 billion to USD 26.2 billion compared to the same period in 2019³³. Greenfield investments represent more than 80% of total FDI projects in most oil-importing MENA economies³⁴, while M&A mostly take place in GCC countries.³⁵

Figure 4. FDI inflows in the MENA region by instrument, 2008-2019



Note: FDI data includes Algeria, Bahrain (until 2011), Djibouti, Egypt, Iraq, Jordan (from 2009), Kuwait, Lebanon, Libya, Mauritania (from 2012), Morocco, Oman, Syria (until 2010), Tunisia, Yemen (until 2016), and the Palestinian Authority. FDI flows by instruments details are not available for Qatar, Saudi Arabia and the United Arab Emirates, therefore the aggregated bars do not correspond to total FDI flows for the MENA region as a whole. For selected countries, the coverage of instruments in particular reinvestment of earnings may be limited, and some of the instruments may be combined. Given that FDI flows by instruments details were not available for a sufficient number of countries at the time of writing, the overall line for 2019 represents preliminary FDI inflows.

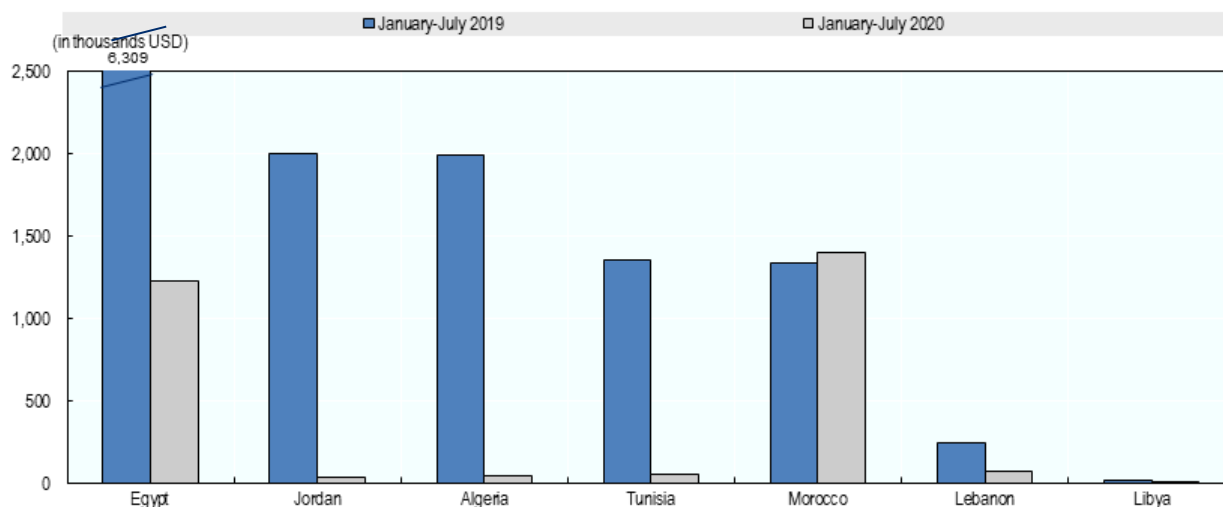
Source: OECD calculations based on IMF

³³<https://www.byblosbank.com/Library/Assets/Gallery/Publications/CountryRiskWeeklyBulletin/Country%20Risk%20Weekly%20Bulletin%20628.pdf>

³⁴https://www.iemed.org/observatori/arees-danalisi/arxiu-adjunts/anuari/med.2018/FDI_MENA_region_Carri_Milgram_Paniagua_Medyearbook2018.pdf

³⁵<https://www.gfmag.com/magazine/february-2020/wave-m-megadeals-mena>



Figure 5. Greenfield FDI in selected MENA economies

Source: The Financial Times' fDi Markets database

Most MENA economies took immediate investment policy responses to address the crisis. They provided specific sectoral support and encouraged shifting production, notably in free zones, introduced fiscal and financial measures to release pressure on some industries and support contracted economic activities, expanded access to their local market to foreign investors (e.g. in Tunisia and Egypt). Investment promotion agencies (IPAs) are taking emergency actions to sustain and retain existing investment. They set up crisis units to inform and communicate with investors, to respond to their queries and to follow on production disruptions. They are refocusing, redesigning and reinforcing their aftercare services aiming at investment retention, in particular in strategic and essential sectors (e.g. aftercare now represents 70% of the activities of the Foreign Investment Promotion Agency of Tunisia which is solving punctual investors' problems and encouraging redirection of production lines toward demanded products and services).

The disruptions caused by the pandemic may also affect multinational enterprises (MNE) decisions to reorganise the geographical and sectoral spread of their production activities. MENA countries are starting reflection on how to take into account the implications of such considerations and respond to the new possible configuration of value chains. Tunisia is in the process of positioning itself as a destination for investors, especially manufacturers of automobile components looking to delocalise from US and China into the Southern Mediterranean. There are also plans to revise the current Investment Law to focus on priority sectors, improve the regulatory and institutional structure, and explore better synergies between agencies in charge of investment promotion and facilitation.³⁶

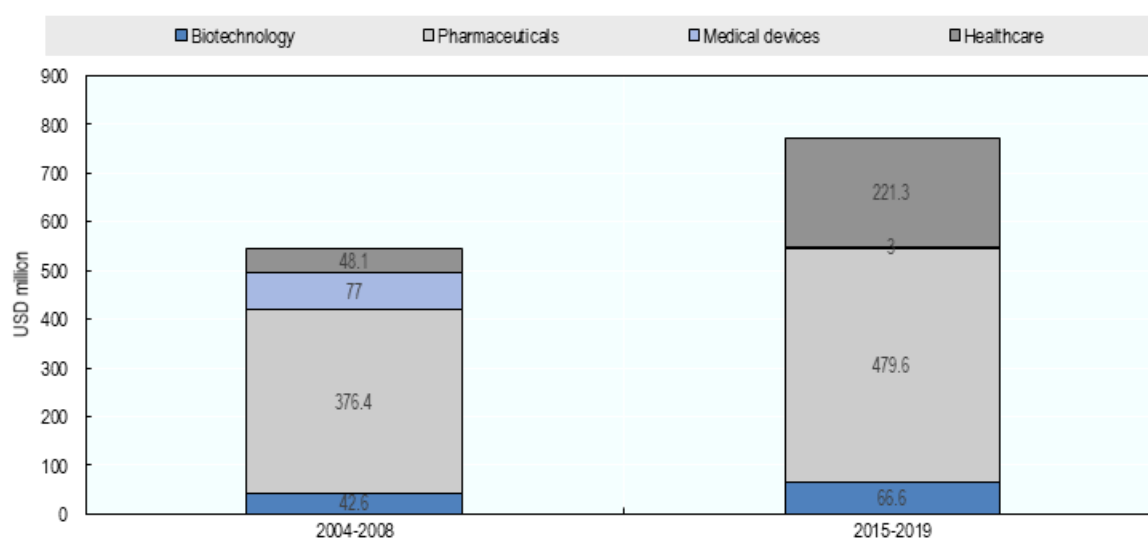
The implications of supply considerations are also important for investments into pharmaceuticals, medical supplies and equipment, and increasingly healthcare provision, which depend much more than in the past on global value chains (see [OECD note on the face mask global value chain in the COVID-19 outbreak: evidence and policy lessons](#)). In the MENA region, announced greenfield investments in these sectors have increased by 42% to USD 771 million during 2015-2019, up from USD 544 million during 2004-2008. In the region, ensuring sufficient supply needed to fight the pandemic has become the immediate priority for policymakers in the area of trade and investment. For instance, the Egyptian Ministry of Industry and

³⁶<http://www.oecd.org/coronavirus/policy-responses/investment-in-the-mena-region-in-the-time-of-covid-19-da23e4c9/>



Trade banned for a period of three months the export of infection prevention supplies, including face masks and alcohol as well as its derivatives.³⁷

Figure 6. Greenfield FDI into health-related industries



Note: Data is available for Algeria, Egypt, Jordan, Lebanon, Libya, Morocco, Palestinian Authority and Tunisia
Source: OECD based on fDi Markets (2020)

Strategic options and reflections on recovery also concern renewed investment promotion frameworks, strategies and working methods, enhanced investment facilitation through digitalisation, and investment climate reforms towards stronger opening up (e.g. legal amendments to repeal of the 49/51 rule except in strategic sectors in Algeria, and to allow 100% foreign ownership in many sectors in the UAE and Qatar). The challenge is to build an ambitious trade and investment reform agenda, tackling opportunities to build regional value chains and to attract quality investments that promote a diversified, fair, greener and resilient recovery.

Impact on remittances

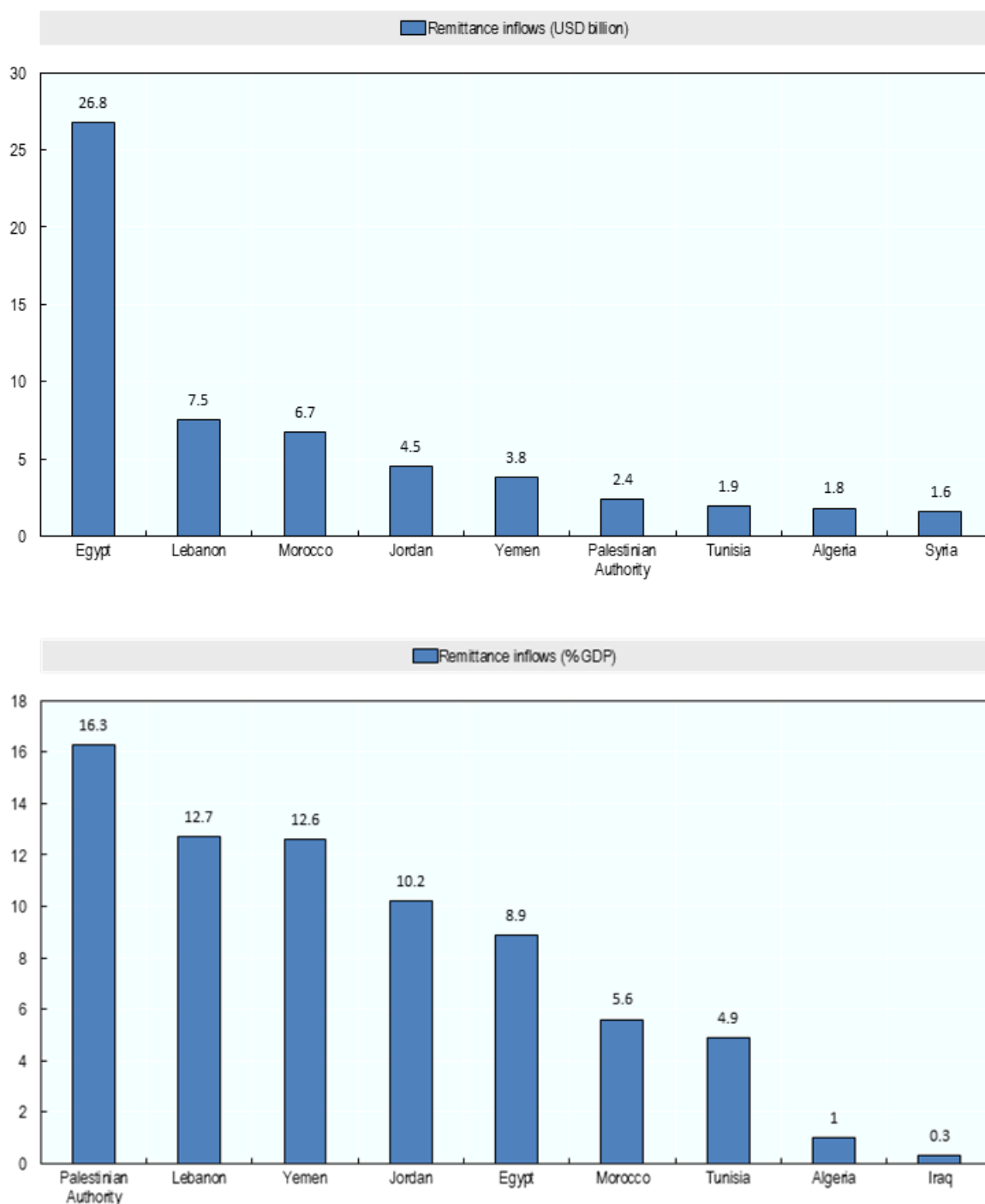
The global disruptions caused by COVID-19 will have a weigh on remittances into the MENA region, particularly from Europe and Gulf countries. The main reason for this impact is that sending countries experience unprecedented economic shocks which translate into lower incomes of individuals transferring remittances. In 2018, the region received remittances totalling USD 62 billion, representing an increase of 9% compared to the previous year. As a result of the crisis, the World Bank estimates that remittances to the MENA region will fall by 19.6% to USD 47 billion in 2020.³⁸

³⁷<http://www.mti.gov.eg/English/MediaCenter/News/Pages/MTI-imposes-3-month-ban-on-export-of-anti-infection-supplies-1.aspx>

³⁸<https://openknowledge.worldbank.org/bitstream/handle/10986/33634/COVID-19-Crisis-Through-a-Migration-Lens.pdf?sequence=1&isAllowed=y>.



Figure 7. Remittance inflows to MENA countries, 2019



Source: World Bank

Among the economies in the region most affected by the decline in remittances caused by COVID-19 are Egypt and Lebanon, but other countries are also expected to experience a decline. Egypt is the fifth-largest recipient of remittances in the world, reaching USD 26.8 billion in 2019 and nearly 10% of GDP. While the value of remittances during January-March was around the usual average of USD 6 billion, a decrease by



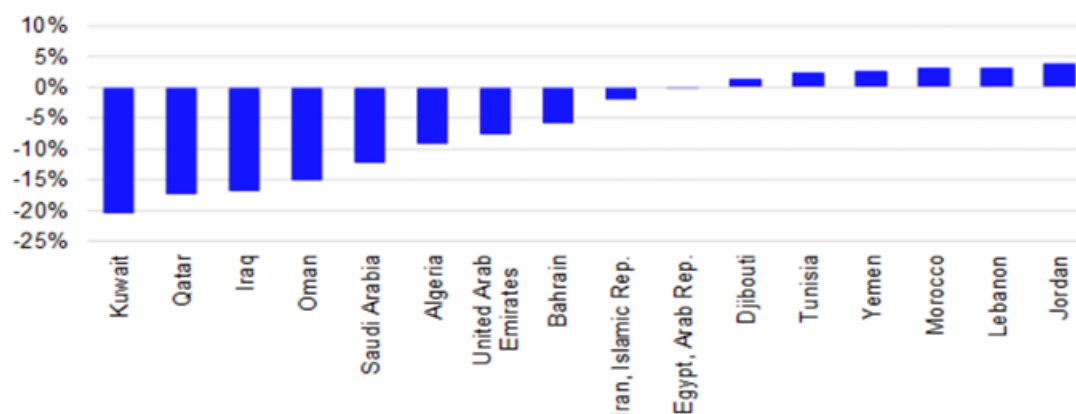
USD 2.3 billion is expected during April-June 2020. In Lebanon, remittances accounted for USD 7.3 billion (or 12.5% of GDP) in 2019. Migrants' jobs are at risk in oil-dependent sending countries because of the oil-price drop and this is expected to lead to even less remittances.

According to the IMF, remittances in Tunisia are also expected to decline by 12%, from 5.5% of GDP in 2019 to 4.4% of GDP in 2020. Moving forward, the recovery of remittances will depend on, inter alia, the success of the economic stimulus plans of developed economies but also on the evolution of global migration and labour market dynamics, as many labour-intensive industrial sectors have been particularly hit by the pandemic. Official development finance can also contribute to further **reducing transfer costs of remittances**. The World Bank foresees remittances to the MENA region to recover in 2021, although at a slow pace of around 1.6%³⁹.

Impact on oil prices

The COVID-19 pandemic and related confinement measures caused an unprecedented global contraction in economic activity and a collapse in demand for oil products worldwide. In 2020, global oil demand is expected to contract for the first time since the global recession of 2009. At the same time, the decision by some key producers to increase their production in early March compounded the impact on an already oversupplied market, amplifying the imbalances. The result was one of the biggest price shocks in the energy market in history. In April, Brent oil prices dipped below USD 20 a barrel, losing nearly 70% in value and, as storage capacity began approaching its limits, prices for West Texas Intermediate contracts due in May fell into negative territory for the first time⁴⁰.

Figure 8. Estimating the direct impact of the oil price collapse in the countries' real income (% of GDP change)



This estimation is based on the hypothetical assumption that oil prices will stay 48% below the 2019 level

Source: Graph extracted from the World Bank: [Coping with a Dual Shock: COVID-19 and Oil Prices](#)

The demand shock caused by the pandemic presented an opportunity for lower-cost producers to regain market share at the expense of a price collapse.

³⁹ World Bank, « COVID-19 crisis through a migration lens », *Migration and Development Brief 32*, April 2020, <https://openknowledge.worldbank.org/bitstream/handle/10986/33634/COVID-19-Crisis-Through-a-Migration-Lens.pdf?sequence=1&isAllowed=y>.

⁴⁰ <https://oilprice.com/Energy/Crude-Oil/OPEC-Deal-Wont-Solve-The-Oil-Storage-Crisis.html>



Reacting to the rapidly deteriorating fundamentals on Thursday 9 April, OPEC, Russia and other producers tentatively agreed to the biggest oil production cuts in history. They decided to withdraw 10 million barrels per day or 10% of global production from the market for the months of May and June. This was strengthened further by the G20 extraordinary ministerial meeting on 10 April, bringing together some of the world's biggest producers, including the United States, Canada, Brazil and others to discuss concerted action to address the oil market overhang. The strength of the demand destruction, which reached an estimated 25.2 mb/d in April, has rendered any supply side action insufficient to rebalance the market immediately. However, due to lower supply and recovering demand (brought on by the gradual relaxation of the COVID shutdowns), the market would turn from historically high levels of stock build to withdrawal.

For producer economies in the Middle East and North Africa, the lower oil prices have had an immediate impact on economic fortunes. For some, it has once again exposed the fragilities of an economy too dependent on revenues from oil and gas. Oil and gas income in producer economies such as Iraq, Algeria or Oman could fall by as much as 80% in 2020⁴¹. In Saudi Arabia, for example, oil revenue fell by 24% year-on-year in Q1. The fall in non-oil revenue was of similar scale, reaching around 17% in Q1. The government has responded to the revenue decline by instructing government ministries to cut their expenditure by 20-30%, but this did not happen quick enough to offset the revenue decline, and the quarterly budget fell into deficit amounting to around USD 9 billion. The country also experienced its largest fall in foreign assets in 20 years, and around 50% more than the steepest decline faced after the 2014 price crash.

Short-term measures are strongly reducing economic activity and government spending. In Saudi Arabia but also across the Gulf, the slowdown in economic activity is expected to hit expatriate labour hard, resulting in estimated population declines of between 4% and 10% across the region this year. In Iraq, one of the Middle East's most oil dependent economies, the situation is grave. In April, oil export revenues fell to USD 1.4 billion (down from USD 6.1 billion in January), leaving a gap of around USD 4.1 billion to meet obligations for essential spending for salaries, pensions and the running of government offices.

Such reductions would reinforce the importance of economic diversification, but also undercut the means to support it. The energy sector has played a vital role in supporting the delivery of healthcare, remote working and many other needs⁴². Recovery plans should be aligned with long-term national and global objectives on energy resilience and sustainable development, and it is essential that they focus on clean energy transitions if those are to be met. By putting clean energy transitions at the heart of recovery, governments can help to bring about the structural changes needed to ensure that economic recovery is not associated with an unsustainable rebound in CO₂ emissions and local air pollution.

Integrating environmental considerations in the economic recovery

Environmental health considerations related to the COVID-19 pandemic are particularly relevant for MENA countries⁴³. Water scarcity and lack of access to clean water and sanitation as well as poor waste management (including on hazardous waste e.g. bio-medical and health-care waste) in MENA countries and especially in their less well-off segments of society, in conflict-affected territories and the refugee camps can accentuate the impact of pandemics. Furthermore, confinement measures can result in increased exposure to indoor air pollution, particularly for people relying on polluting fuels for cooking and heating in poorer MENA countries and for buildings lacking, or with poor, ventilation systems. A healthy

⁴¹ IEA (2020), Sustainable Recovery, IEA, Paris <https://www.iea.org/reports/sustainable-recovery>

⁴² IEA (2020), Sustainable Recovery, IEA, Paris <https://www.iea.org/reports/sustainable-recovery>

⁴³ See also OECD Digital Hub: "From containment to recovery: Environmental responses to COVID-19" and "Environmental health and strengthening resilience to pandemics".



environment not only reduces the vulnerability of communities to pandemics, but has the potential to boost economic activity, create jobs and reduce inequalities.

While the current focus is rightly on addressing the immediate health crisis and the economic recovery measures caused by COVID-19, the MENA governments should not undermine the action needed to **limit the threats from climate change, water scarcity, water and air pollution, soil degradation, desertification and biodiversity loss**. These threats are on a different time scale, but could also **seriously destabilise MENA societies and economies**.

As the crisis evolves around the world, MENA governments should ensure that their stimulus measures and policy responses are aligned with ambitious climate change and wider environmental protection goals. They should systematically evaluate possible unintended negative environmental impacts of new short-term recovery measures (e.g. fiscal and tax provisions), ensure policy coherence and avoid creating perverse and unintended environmental consequences that might damage the future resilience and environmental health of societies.

Many countries around the world are making green measures a central part of stimulus packages in the wake of COVID-19. Stimulus measures could be an opportunity in MENA to **invest in the real economic transformations and technological innovations** (avoiding greenwashing), such as boosting technologies for solar and wind energy, for smart green cities as well as for seawater desalination projects (powered by renewable energy sources) and developing and greening public transport systems. This could help the Gulf Cooperation Council countries reduce their carbon footprint and energy demand as well as diversify their economy from fossil fuels. Public and private support should be enhanced also for the investments in water and waste infrastructure development and modernisation, especially in poorer MENA countries. Enhanced levels of environmental health will strengthen the resilience of societies to pandemics and other emergencies.

MENA governments should make **sector-specific financial support measures conditional on environmental improvements** where possible. The use of financial support measures such as preferential loans, loan guarantees and tax abatements could be directed towards supporting stronger environmental commitments and performance in pollution-intensive sectors that may be particularly affected by the crisis. Communication campaigns that underscore the benefits to well-being and prosperity from more resilient societies can strengthen public support for measures aimed at enhancing environmental health.

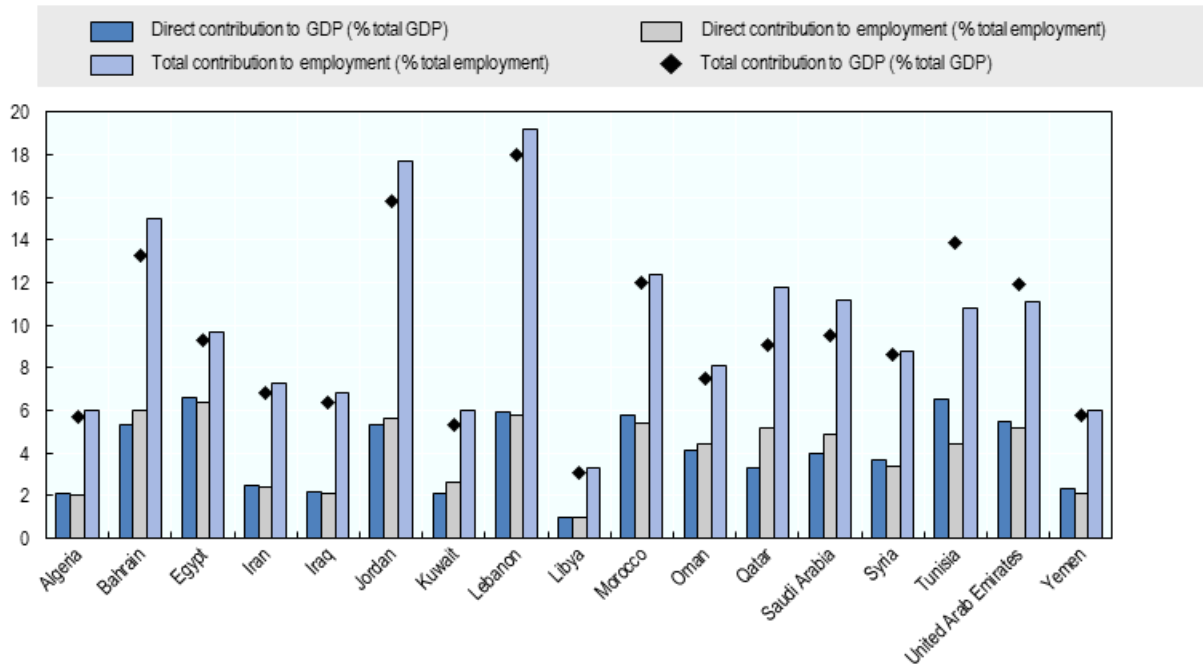
Impact on tourism

Tourism is one of the worst-affected sectors of the economy during the COVID-19 crisis. The shock to the global tourism sector could amount to 45-70% of output depending on the severity of the pandemic. Globally, OECD estimates anticipate a 60% to 80% decline in international tourism, while the World Tourism Organization (UNWTO) [forecasts](#) a decline in international tourist arrivals by 58% to 78% in 2020, amounting to a loss of USD 910 to 1170 billion in international tourism receipts.



Figure 9. The weight of tourism in MENA economies

Direct and total contribution of the travel and tourism sector to GDP and employment in MENA economies, 2019



Note: Total contribution to GDP refers to the share of GDP generated directly by the Travel and Tourism sector, plus its indirect and induced impacts. Total contribution to employment refers to the share of jobs generated directly by the Travel and Tourism sector, plus the indirect and induced contributions.

Source: World Travel and Tourism Council, 2019.

Tourism represents a major economic pillar for MENA economies and a key component of economic diversification for oil-exporting countries. In 2019, the travel and tourism sector accounted for 5.3% of GDP growth and 6.7 million jobs across the MENA region, according to the World Travel and Tourism Council (WTTC). The containment measures and the hit on economic growth in the United States, the European Union and China, the major international source markets for tourism to the region, have considerably reduced arrivals to the MENA countries. In the first half of 2020, UNWTO reports that the Middle East and North Africa experienced a decline of respectively 57% and 62% in tourist arrivals, close to the global average of 65%⁴⁴. Preliminary evidence suggests that the situation has worsened over the course of the summer, with STR reporting a 42% drop in occupancy rates in Middle Eastern hotels in July, representing the lowest absolute occupancy level for any July.⁴⁵

Such decline in tourism activity is expected to have a significant impact in many countries in the region, especially those relying heavily on tourism as a source of income, notably Morocco, Tunisia, Lebanon and Egypt. In Egypt, the International Food Policy Research Institute (IFPRI) estimates that losses in tourism revenues will account for two thirds of total losses in GDP caused by the crisis. According to UNCTAD, Egypt and Morocco are among the countries worldwide that are most affected by GDP losses incurred by

⁴⁴ UNWTO (2020), *World Tourism Barometer. August/September 2020*, vol. 18, no. 5, <https://doi.org/10.18111/wtobarometereng>

⁴⁵ UNWTO (2020), *World Tourism Barometer. August/September 2020*, vol. 18, no. 5, <https://doi.org/10.18111/wtobarometereng>



the decline in tourism.⁴⁶ Moreover, the cancellation of major events in the region, including Dubai's EXPO 2020 and the annual haj pilgrimage in Saudi Arabia, which were expected to attract respectively **25 million visitors** and **2 million religious tourists**, will put a strain on the countries' economy. In GCC countries, PwC **estimates** that up to 400,000 tourism-related jobs could be lost as a result of the crisis. The WTTC's baseline scenario for recovery issued in June predict an overall loss of 3.4 million jobs in the travel and tourism sector in the MENA region.⁴⁷

In order to address these challenges, many MENA governments⁴⁸ have taken initiatives to support the tourism industry in their countries. Measures include specific credit lines for tourism enterprises, as introduced by the **Central Bank of Egypt**, exemptions from tourism levies and other fees, as implemented in Bahrain and the United Arab Emirates, and debt rescheduling such as in Tunisia.

Particular attention has also been given to the tourism sector in countries' deconfinement strategies. In Egypt, hotels have been **authorised** to reopen for domestic tourists at 50% capacity from June onwards, provided they comply with a number of safety measures including testing workers, installing disinfection equipment, assigning a dedicated floor or building as a quarantine area for suspected or positive cases, and implementing social distancing measures.

As the main international source markets for the region are likely to remain constrained for some time, intra-regional and domestic tourism will be crucial for the sector's recovery. Countries have taken steps to promote domestic tourism, as reflected, for instance, in the "Saudi Summer" campaign launched by the Saudi Tourism Authority in June to encourage residents to travel in the country instead of abroad.

Impact on private sector and SMEs

Micro, small and medium-sized enterprises (SMEs), entrepreneurs and self-employed people play a fundamental role in MENA economies. They constitute the majority of business units and account for significant shares of jobs. In the MENA region the self-employed (formal and informal) and micro enterprises (of 2-9 persons employed) account for 70% of total employment, just behind South Asia and Sub-Saharan Africa (80% in both). All MENA countries undertake efforts (to varying degrees) to encourage and support entrepreneurship as an essential means to create quality jobs and develop a more dynamic and productive economy⁴⁹.

The current health and economic crisis has put into the spotlight and confirmed the importance of SMEs, entrepreneurs and the own-account workers (i.e. the self-employed who do not employ other people), which have been greatly affected by disrupted economic activity, uncertain recovery prospects and by the containment measures taken by governments. Although evidence is scattered and surveys are rarely statistically representative of the enterprise population, some facts point to the impact of the crisis on private sector ecosystem.

For example, a survey of 42 large and 61 small businesses affiliated with the American Chamber of Commerce of Egypt, performed in April 2020 indicates that 85% of surveyed businesses expect revenues to decline in 2020, and 50% expect revenue losses of above 20%. The impact is particularly acute for small firms, all of which foresee revenue losses and 68% expect a decrease of at least 20% of their usual returns.

⁴⁶ <https://unctad.org/webflyer/covid-19-and-tourism-assessing-economic-consequences>

⁴⁷ WTTC (June 2020), *Middle East Recovery Scenarios and Economic Impact from Covid-19*, <https://wttc.org/Research/Economic-Impact/Recovery-Scenarios-2020-Economic-Impact-from-COVID-19/moduleId/1459/itemId/101/controller/DownloadRequest/action/QuickDownload>

⁴⁸ See also: [Tourism Policy Responses to COVID-19](#)

⁴⁹ [SME Policy Index: The Mediterranean Middle East and North Africa, OECD/EU/ETF, 2018](#)



Particularly affected sectors include hospitality and tourism, construction and real estate, manufacturing, oil and gas and marketing. Furthermore, 50% of small firms and 45% of medium-sized ones already reported a financial impact.⁵⁰

In Jordan, a poll of 290 SMEs in different sectors shows that 98% of businesses report a decline in revenues, with 91% of them experiencing a complete loss of revenue during the lockdown. In turn, 85% of surveyed firms see the current crisis as a high threat to their operations, especially those firms in the south of the country and those operating in the tourism and hospitality sector.⁵¹ In Tunisia, a survey of 600 SMEs in different sectors reveals that 67% of businesses report having been confronted to financial difficulties in the previous month. In addition, a majority of micro-enterprises (57%) and small enterprises (79%) surveyed foresee a decline in revenues in the next three months, with an average expected decline of 24%.⁵² Another survey of 467 Tunisian SMEs indicates that 81% of businesses experienced a decline in revenues due to the crisis, including 58% reporting a decline by more than 50%.⁵³

The combination of the lower oil prices and the pandemic might accelerate consolidation across sectors where many family business operate. Businesses which are less capitalized have been sometimes forced to sell minority stakes or even the whole company. Firms facing a lasting loss of revenue and liquidity issues **risk becoming insolvent and eventually going out of business**, but few surveys have until now focused on firms facing solvency and bankruptcy.

As part of its response to the coronavirus crisis, the OECD evaluated the risk of a widespread liquidity crisis using a cross-sector sample of almost one million European firms.⁵⁴ The report finds that without policy support (such as tax deferrals, financial support for debt repayment and temporary support for wage payments), 20% of firms would run out of liquidity after one month, 30% after two months and 38% after three months. In a scenario where confinement and social distancing measures would last for seven months, more than 50% of firms would face liquidity shortfalls. It is therefore important for authorities to implement support schemes that help viable but vulnerable enterprises and entrepreneurs to face the turbulence and avoid the loss of businesses that would have otherwise continued should they have not faced cash flow problems derived from the crisis.

Surveys of enterprises in the MENA region also offer a glimpse on one of the potentially most damaging effects of the crisis, which is the **loss of employment, working hours and wages of employees in many small businesses** (as mentioned above, knowing that some those surveys cover only a small portion of the enterprise population, caution should apply in reading their results). In Egypt the survey of businesses affiliated with the American Chamber of Commerce finds that while more than 60% of businesses reported negative impacts on employee efficiency, nearly 80% was expecting to maintain their staff. However, the sectors most affected by the crisis, such as hospitality and tourism, construction and real estate, and oil and gas reported high layoff possibilities.

The survey in Jordan notes that the second top concern of surveyed firms is paying salaries (47% of firms), just after paying rent (70%) and before the inability to work remotely (43%). The survey also notes that

⁵⁰ American Chamber of Commerce of Egypt (2020), *COVID-19 Response: Impact on Business Activity Survey Findings from AmCham Egypt Members*, April.

⁵¹ Ipsos (2020), "Assessment of the impact of the COVID-19 crisis on SMEs: Identifying measures to ensure business continuity," *C19 Impact Series – SMEs Edition*, May 2020.

⁵² IACE, Tunisia (2020), *Mesure d'impact de la propagation de la pandémie (Covid-19) sur l'emploi*, April.

⁵³ Ministry of Industry and SMEs, Tunisia (2020), *Résultat de l'enquête – Impact du Covid-19*, April.

⁵⁴ OECD (2020), *Corporate sector vulnerabilities during the Covid-19 outbreak: assessment and policy responses*. Series Tackling Coronavirus (COVID-19): Contributing to a Global Effort. https://read.oecd-ilibrary.org/view/?ref=132_132712-uidv1yagnx&title=Corporate-sector-vulnerabilities-during-the-Covid-19-outbreak-assessment-and-policy-responses



14% of SMEs had already cut staff salaries whereas another 16% was planning to do so. In Tunisia the survey of 600 firms (92.7% of them micro and 5.6% small) undertaken in April by the IACE indicates that 42% of firms expected to reduce their number of employees over the next three months, with 46% of micro firms and 37% of small and medium-sized enterprises expecting to do so. Among firms under full closure at the time of the survey, this figure reaches 57%, with an average expected decrease in employment by 35%. Furthermore, 27% of surveyed businesses reported not being able to pay their employees' wages for April, and 19% could only pay them partially. Among firms under full closure at the time of the survey, only 34% reported they would be able to pay their employees' full wages for April.

A significant loss of formal employment in SMEs would be particularly worrisome in the MENA region, characterised by high structural unemployment (10% on average), **especially among young people** (over 25% on average). It would also be a source of concern given the role played by SMEs in *formal employment in the private sector* in Egypt (around 33%), Iraq (almost 90%), Jordan (around 43%), Lebanon (55%), Morocco (nearly 30%), the West Bank and Gaza (over 90%) and Tunisia (nearly 40%).⁵⁵ Indeed, although significant, the levels of formal employment in SMEs in the MENA region are low compared to OECD countries and other emerging economies. Over the past two decades, SME and entrepreneurship policy has been a tool to address major economic and development challenges such as reducing unemployment, increasing innovation and productivity, and diversifying the economy away from the heavy role of the state and, in some cases, the high reliance on hydrocarbons. A loss of jobs in SMEs would therefore represent an important setback to those efforts and would lead to negative social consequences such as a larger informal economy, even higher unemployment, higher levels of poverty and overall a reversal to development efforts.

Finally, by applying different strategies in response to Covid-19, the private sector can **capitalize on the changing economic environment**. A perception survey conducted among business associations and chambers of commerce in the OECD area during the summer of 2020 found that 77% of respondents are re-evaluating or taking steps to change their digital transformation and speed of automation initiatives. Around 93% of respondents declared making changes to their global supply chain, building local or regional supply chains to create digital networks that are data-driven in order to react to crisis and bring reforms.

The crisis is triggering a number of specific social challenges

Governments across the region have made an **unprecedented institutional and policy effort to support households and businesses throughout the crisis**. Exceptional measures have been taken to ensure that the response also targets groups which usually fall outside of social safety nets, such as informal and seasonal workers, and joint initiatives have been initiated with the private sector and civil society organisations to reach the most vulnerable populations. Bold policies were activated rapidly to mitigate the crisis. In a region traditionally characterised by low levels of social protection expenditure (2.5% and 7.6% of GDP on average respectively in the Mashreq and North Africa⁵⁶), most governments have shown high levels of adaptability to cope with the social aspects of the crisis. Overall, social protection policy responses in the region have taken six main forms: financial protection in access to healthcare, leave policies, unemployment protection, cash transfers, in-kind support, and price subsidies or fee waivers. Cash

⁵⁵ IMF (2019), *Enhancing the Role of SMEs in the Arab World – Some key considerations*, Policy Paper No. 19/040, Washington DC, with data from the World Bank Enterprise Surveys.

⁵⁶ Latest available data, based on [ILO \(2017\), World Social Protection Report 2017-2019. Universal sustainable protection to achieve the Sustainable Development Goals.](#)



transfers have been the most common measure adopted across the region, implemented either through the adaptation of existing schemes or the introduction of new ones.⁵⁷

Pre-existing vulnerabilities in the region are likely to amplify the impact of the outbreak on businesses and households. Currently, the top 10% richest of the population owns 64% of the wealth, making the MENA region among the most unequal globally.⁵⁸ Such inequalities are at risk of being exacerbated by the sanitary crisis, as vulnerable groups are disproportionately exposed to the pandemic and its socioeconomic impacts. A recent study conducted in Morocco on the economic situation of households during the confinement found that revenue losses had affected 74% of workers among the 20% most disadvantaged households, compared to 44% of those belonging to the 20% most well-off.⁵⁹ Exposure and coping ability and mechanisms are directly affected by income levels of both households and regions. Governments have made considerable efforts in their policy response to address these income and social protection gaps by reaching out to the most vulnerable households. Several countries have either topped up or expanded coverage of their social assistance programmes. For example, the Tunisian Ministry of Social Affairs collated its different programs of previous poverty programmes and further made a call for people to come forward to register for financial help. The final tally of people that qualified for help came up to almost 900,000 families. With an average of 2.23 children per family, the number of people concerned with this measure represents roughly one third of the Tunisian population, which is double the amount of the official figures of 15%.⁶⁰ Informal or unsanitary housing, refugee camps and besieged areas have a significantly lower capacity to contain the spread of the virus and access health services. The exceptional measures disproportionately affect not only the informal workforce but also those who cannot work such as disabled persons, the elderly, children, refugees and migrants (the latter due to legal and other types of obstacles such as lack of documentation etc.), as they do not benefit from coping arrangements such as remote work or paid leave. This represents a lasting pressure on previously existing inequality patterns. Strong gender imbalances in the region also risk being exacerbated as a result of the crisis.

Informality

MENA economies are characterised by a sharp dichotomy between a formal labour market and a precarious informal economy. Formal private employment is limited and accounts on average for less than a fifth of employment⁶¹. Informal employment reaches up to 74% in Yemen, 71% in Lebanon, and 63% in Morocco⁶² and represents on average 68% of employment in the region⁶³. Informality is generally associated with limited or lack of social protection coverage and low and unstable revenues, making informal workers particularly vulnerable in the face of a crisis. In MENA economies, informal workers are concentrated in low-productivity jobs requiring physical presence, with no possibility to work remotely. In

⁵⁷ [United Nations \(2020\), *Social protection responses to the Covid-19 crisis in the MENA/Arab States region*](#)

⁵⁸ [World Inequality Database, "Measuring Inequality in the Middle East 1990-2016: The World's Most Unequal Region?", *Working Paper Series n°2017/15*](#)

⁵⁹ [Haut Commissariat au Plan \(2020\), *Répercussions de la pandémie de Covid-19 sur la situation économique des ménages / 2^{ème} panel sur l'impact du coronavirus sur la situation économique, sociale et psychologique des ménages*](#)

⁶⁰ <http://www.ins.tn/en/themes/pauvret%C3%A9>

⁶¹ World Bank (2013). *Jobs for shared prosperity: time for action in the Middle East and North Africa* (Vol. 4).

⁶² World Bank (2013). *Jobs for shared prosperity: time for action in the Middle East and North Africa* (Vol. 4).

⁶³ https://www.ilo.org/wcmsp5/groups/public/---ed_protect/---protrav/---travail/documents/publication/wcms_711798.pdf



the context of the COVID-19 crisis, the restrictions and confinement measures have thus put an even bigger strain on informal workers' activity. Many of them **face a dilemma between complying with the health measures and maintaining a source of income** to pay for their food and other basic expenses.

Migrants represent an important share of informal workers in a number of MENA countries, in particular in the GCC⁶⁴. As a crucial part of the workforce, they supported the functioning of the healthcare, nursing, transport, agriculture or industrial sector, in particular the oil industry, throughout the crisis. The International Organization for Migration (IOM) and International Chamber of Commerce (ICC) released a special employer guidance⁶⁵ in August, to advise businesses in addressing the distinctive challenges faced by migrant workers.

At the same time, informal workers are not necessarily beneficiaries of support schemes put in place under this crisis, such as state support for wages. In the short run, countries with large informal sectors could develop ways to support the informal sector through, for example, direct cash transfers or other types of specific support. This has been done in Egypt, where a monthly cash transfer was disbursed for three months to informal workers facing income loss as a result of the crisis. It would also be important to ensure that labour mobility schemes incorporate an inclusion agenda offering migrant workers inclusion into national social security systems from the outset. In the longer run, countries will need to address the root causes of informal activity, which include the lack of employment opportunities, fragile social security systems and weak enforcement. This is particularly important since the COVID-19 pandemic may unsettle or challenge the functioning of social safety nets. For example, in Egypt, the government has expanded coverage under its social assistance programmes Takaful and Karama, which enabled more than 1.5 million vulnerable families to benefit from direct cash transfers during the pandemic. Morocco implemented a transfer programme for informal workers using mobile phones, and has identified the integration of the informal sector in the economy as a strategic pillar of its post-crisis recovery strategy⁶⁶.

Gender equality and women's empowerment

All around the globe the socio-economic consequences of the Covid-19 pandemic have disproportionately hurt disadvantaged groups, with women facing sizeable consequences. In developing and emerging economies, structural weaknesses such as poor competitive environments, corruption, high rates of vulnerable or informal employment, as well as discriminatory legal frameworks and restrictive social norms, have exposed women to additional hardships in terms of job and income loss, mounting care burdens and escalating gender-based violence, among others.

Due to regional-specific barriers related to unequal economic opportunities, access to financial services and markets, occupational and sectoral segregation in the labour market and perceptions regarding women's role in the society, women's job and income security is more exposed than men's to the economic fallout from the crisis. **The situation is even more dramatic for women working in the informal sector.** Statistics show that 92% of women participating in the labour force in developing countries and 64% in emerging countries are informally employed.⁶⁷

Large shares of women in MENA economies are employed in sectors that have been particularly hard hit by the pandemic, such as manufacturing, tourism, and business travel services, and have subsequently lost their jobs. Most women are employed in **micro and small enterprises**, which are less resilient in times of crises and more likely to resort to temporary suspension or termination of contracts to face the economic

⁶⁴ <https://www.oecd.org/migration/building-human-capital.pdf>

⁶⁵ https://iris.iom.int/sites/default/files/IOM-COVID%2019_Employer_Guidance_V2_Final%20%28English%29.pdf

⁶⁶ <https://www.moroccoworldnews.com/2020/03/297447/covid-19-morocco-to-compensate-informal-sector-workers/>

⁶⁷ [ILO 2019 Women and Men in the Informal Economy : A Statistical Brief](#)



downturn. Women are also over-represented in part-time employment (up to 50% of employed women in Morocco and the Palestinian Authority hold part-time jobs), which makes them easier to lay-off. Overall, UN Women [estimates](#) that women in the Arab world will lose approximately 700,000 jobs as a result of the outbreak. **The effects of restrictive social norms have been magnified during the crisis, contributing to women's greater economic fragility and a heavier care burden.** In the MENA region, data show that there is a widespread belief that men should have greater access to jobs than women when work opportunities are scarce.⁶⁸

Self-isolation measures and movement restrictions in place in most MENA economies also exacerbated women's exposure to **domestic violence**. While this trend has been observed globally, it may be particularly acute in the MENA region due to region-specific drivers for gender inequality, such as gender roles that see men as heads of household and responsible for the family income. With the crisis preventing men from upholding this role due to income or job loss, resulting frustrations fuelled domestic violence. Across the MENA region, NGOs and governments have noted an [increase](#) in calls through hotlines for reporting violence as well as in the number of cases reported.

The pandemic has had severe consequences for refugees and internally displaced populations, with significant gender impacts. Developing countries host 85% of the world's refugees, of which 52% are women. The MENA region is currently home to the largest community of forced displaced people at the global level⁶⁹. Most female refugees have been facing increased hardships in terms of access to essential services, gender-based violence, and economic deprivation. Moreover, refugee girls have been exposed to additional risks of school dropout, female genital mutilations (FGM) and early marriages. These harmful practices are not only major human rights violations, but also obstacles to women's empowerment, as they undermine girls' opportunity to receive an education and improve their skills. According to the UN, 13 million girls could be married off and two million more could undergo FGM in the next decade, as the pandemic is disrupting global efforts to end both practices⁷⁰.

Several MENA countries have taken steps to integrate the specific needs of women in the COVID-19 response. In Algeria and Tunisia, the Ministry of Women's Affairs is actively involved, alongside other Ministries, in the committees in charge of elaborating the crisis response. In Egypt, the National Council for Women (NCW) monitors from a gender perspective all policy measures that have been undertaken by the government and has recently released the third edition of its women policy tracker on responsive policies and programmes amid the Covid-19 pandemic. However, **women in MENA are still lacking leadership roles in crisis response and recovery strategies for post-COVID**. While women globally make up over 70% of workers in the health sector worldwide, they are often absent in top government positions. At the regional level, with the exception of Bahrain and Qatar, all ministers of health are men. In Jordan, the private sector-led committee set up by the government to coordinate the response to the crisis does not include women and therefore the needs of women are not taken into account.

To date, only a few public policy actions have focused specifically on supporting women in facing the economic repercussions of the crisis. These include targeted cash transfers to women (Egypt) and exceptional paid leave for women employees (Palestinian Authority, Iraq). Governments have also been providing assistance to women entrepreneurs, with the support of international organisations, often in the form of online training programmes.

Most of governments' targeted efforts have focused on **addressing the surge in gender-based violence**. In particular, national domestic violence helplines have extended their operating hours to better support victims and additional phone services have been launched to provide legal and/or psychological

⁶⁸ <https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2017/images-mena-multi-country-report-en.pdf?la=en&vs=3602>.

⁶⁹ [UNHCR 2019 Global Trends Report](#)

⁷⁰ [Coronavirus puts millions more at risk of child marriage and FGM - UN](#)



assistance. Governments have also taken action to raise awareness on domestic violence issues and improve access to information for victims, in cooperation with civil society and international organisations.

The COVID-19 pandemic represents an opportunity to change prevailing gender norms in the region. Indeed, the crisis has contributed to reveal the major role and potential of women in MENA societies. **Women not only represent the majority of front-line emergency responders in the health, social, teaching and care sectors, they have also been very active in setting up initiatives and businesses to support the response to the crisis**⁷¹. The transition out of the crisis provides a new opportunity to further the agenda for resilient, inclusive and sustainable economies.

Youth empowerment

While young people tend to face lower risks in terms of physical health impact than other age groups, they are significantly affected by the socio-economic impacts of the COVID-19 crisis⁷². A recent OECD policy paper on Youth and COVID-19⁷³ highlights that surveyed youth organisations based in MENA countries expressed strongest concerns about the impact of COVID-19 on mental health, education and employment as well as limitations of personal freedoms.⁷⁴

Snapshot data from April collected for the same paper also shows that, on aggregate, trust in government had increased since the outbreak of COVID-19 for 43% of the youth organisations surveyed worldwide. Nevertheless, concerns are now shifting towards the capacity of governments to ensure a strong recovery. Recovery measures, and the considerable resources they will involve, will have long-term economic, social and environmental consequences that young people and future generations will have to live with, bringing questions of intergenerational justice to the forefront.

Young people are particularly at risk of mental health concerns that can be triggered or aggravated by social distancing measures implemented to different extents in national contexts. The mental toll on youth is confirmed by a number of studies^{75 76} that show that young adults have experienced higher levels of loneliness and distress during the pandemic compared to other age groups. In the MENA region, more

⁷¹ <http://www.oecd.org/coronavirus/policy-responses/women-at-the-core-of-the-fight-against-covid-19-crisis-553a8269/>

⁷² Mindful of the de-standardisation of life trajectories, and the constant evolution and re-interpretation of particular stages of life, the paper defines "youth" as a period towards adulthood which is characterised by various transitions in one person's life (e.g. from education to higher education and employment; from the parental home to renting an own apartment, etc.). Where possible, for statistical consistency, the paper employs the United Nations' classification of "youth" as individuals aged 15-24.

⁷³ OECD (2020), Youth and COVID-19: Response, Recovery and Resilience, https://read.oecd-ilibrary.org/view/?ref=134_134356-ud5kox3q26&title=Youth-and-COVID-19-Response-Recovery-and-Resilience

⁷⁴ The analysis builds on the responses to an online survey of 90 youth-led organisations from 48 countries, including Jordan, Lebanon, Morocco, and Tunisia.

⁷⁵ Etheridge B., Spanting L. (2020), The Gender Gap in Mental Well-Being During the Covid-19 Outbreak: Evidence from the UK, <https://www.iser.essex.ac.uk/research/publications/working-papers/iser/2020-08.pdf>

⁷⁶ McGinty EE et al. (2020), Psychological Distress and Loneliness Reported by US Adults in 2018 and April 2020, <http://doi:10.1001/jama.2020.9740>



than 110 million school-aged students⁷⁷ have experienced limited access to education (formal and non-formal) due to closure of school and university facilities, youth centres and other public spaces.

The economic slowdown resulting from the crisis is further exacerbating youth's vulnerability within the labour market. The MENA region has the highest rate of youth unemployment in the world (exceeding 27% on average) and youth are five times more likely to be unemployed than their adult counterparts⁷⁸. Moreover, it is estimated that 80% of youth in the region work in the informal sector of national economies⁷⁹, which generally offer fewer or no benefits or protections and limited possibilities to work remotely. Young people are also more likely to be under temporary contract modalities, often in sectors that have been severely hit by the crisis (such as the tourism sector). In light of that, young people are likely to experience higher unemployment levels and a significant loss of income.

Moreover, the **spread of disinformation and fake news** is a major concern, as 50% of youth in the region use social media as their primary source of information. However, according to a recent study⁸⁰, social media account for 88% of the misinformation related to the pandemic. This increases the likelihood of young people to be exposed to disinformation, while also raising fears and undermining trust. The MENA region hosts about 14 million displaced persons⁸¹, many of which are young people, more prone to suffer disproportionately both from the crisis and its aftermath, for reasons such as limited availability of water, sanitation, hygiene and hospital facilities as well as restricted movement, lack of employment opportunities or higher risk of exclusion in the society.

At the same time, young people have been playing an active role in mitigating the crisis and preparing for recovery. Many young people and youth organisations are running awareness campaigns, volunteer to support the elderly and vulnerable populations, offer online trainings, share data and engage as researchers or entrepreneurs to contribute innovative ideas to the regional and global response to the COVID-19 crisis⁸². For instance, in Lebanon, Masar Association⁸³ has organised online trainings for youth on mental health, distributed board games to families, and filmed and disseminated videos with youth on how to spend time in lockdown. In Morocco, Impact for Development has provided a platform to share and disseminate initiatives and data on the current context and how to tackle it.⁸⁴ In Jordan, youth-led initiatives launched a variety of social media campaigns to encourage young people to stay at home, telework and share information from trusted sources to fight rumours and misinformation. Most recently, youth organisations have given an essential contribution to crisis response in Lebanon following the disastrous explosion in the port of Beirut. Policy responses should take into consideration the potential of young people and other vulnerable groups in mitigating the crisis and building resilience of the MENA societies in the face of future shocks.

⁷⁷https://www.unicef.org/mena/media/8061/file/MENA%20SitRep_COVID%2019%20#1_31%20March%202020.pdf

⁷⁸ <https://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=ZQ>

⁷⁹ Kabbani, N. (2017), "Revisiting the MENA Youth Employment Challenge". Evidence Symposium on Youth and Adolescents. Amman: 21 November 2017.

⁸⁰ Brennen, J. (2020), Types, sources, and claims of COVID-19 misinformation, <https://reutersinstitute.politics.ox.ac.uk/types-sources-and-claims-covid-19-misinformation>

⁸¹ UNDP (2016), "Human Development Report", United Nations Development Program, New York.

⁸² Data retrieved from the OECD Youth Organisations Survey: <http://www.oecd.org/gov/what-steps-are-youth-organisations-taking-to-mitigate-the-covid-19-crisis.htm>

⁸³ <http://masarlb.org/>

⁸⁴ <http://initiatives.ma/index.php?lang=en>



In 2018, only 32% of young people expressed trust in their government across 12 MENA countries compared to 46% across OECD countries.⁸⁵ Governments have now the opportunity to rebuild trust and “build back better” from the crisis by ensuring that recovery plans address the underlying structural issues and integrate the concerns of all generations. To this end, governments can engage youth in finding solutions to the crisis and promote age-diversity in state institutions. Furthermore, effective responses to the crisis need to build on reliable age-disaggregated evidence in order to address the various layers of inequalities among youth from different socio-economic backgrounds, ethnicities and gender. In addition, new investments into youth policy and services across the MENA region should be complemented by efforts to strengthen co-ordination across government and with civil society, to better monitor and evaluate measures and policies, and to engage youth on an equal footing.

Education

As a response to the crisis, many countries around the world closed schools to halt the spread of the virus. According to data from UNESCO, the peak in school closures was registered at the beginning of April 2020, when around 1.6 billion learners were affected across 194 countries, accounting for more than 90% of total enrolled learners (UNESCO, 2020). Education policy makers, school principals and teachers had to find alternatives to face-to-face instruction in order to guarantee children’s right to education⁸⁶ An OECD-Harvard Graduate School of Education Survey⁸⁷ found that half of learners in primary and secondary schools faced school closures equivalent to at least 2 months of instruction. Schools in some MENA countries are yet to re-open. During this time, distance-learning solutions such as online classrooms, TV and radio broadcasts (such as in Morocco), and computer-assisted learning were implemented to an unprecedented scale to connect teachers and learners. In Egypt, the Ministry of Education and Technical Education launched in March a new study portal (<https://study.ekb.eg/>), an offshoot of the existing Egyptian Knowledge Bank (EKB), that would provide all students from K-12 access to all their lessons via interactive videos, games and presentations. Some countries and schools prioritised core curriculum essential for learner progression and examinations over cognitive, social and emotional competencies during this time.

The precise impact of school closures on students’ learning (“learning loss”) is yet to be assessed and will differ by subject, age and other factors, but it will be worst for learners from disadvantaged backgrounds. Recent estimates⁸⁸ suggest large learning losses and economic impacts associated with the current crisis, considering that a **typical learner could have lost one-third of a school year of learning during the crisis**. They estimated that this would reduce learners’ lifetime incomes by about 3%, and lower a typical country’s GDP by an average of 1.5% over the remainder of the century.

Countries need to prepare school systems for re-opening, while expanding and improving delivery systems for remote and blended learning. This can prepare systems for potential “second waves” and strengthen performance and resilience for the long run. Several steps can be taken to manage the risks and trade-offs of re-opening schools, including **physical distancing measures, establishing hygiene protocols, revising personnel and attendance policies, and investing in staff training on appropriate measures to cope with the virus**. Drawing on lessons learnt from remote learning in the first half of 2020, education systems should not only aim to ensure access to remote resources for disadvantaged learners, but

⁸⁵ Arab Barometer data

⁸⁶ “Strengthening online learning when schools are closed: the role of families and teachers in supporting students during the COVID-19 crisis”, OECD, forthcoming

⁸⁷ Reimers and Schleicher, 2020

⁸⁸ Hanushek and Woessmann, 2020; McKinsey, 2020



strengthen engagement between schools and parents in order to improve information and guidance to parents on effective practices for supporting their children's learning. Investing in the continued development of young learners' digital citizenship skills – competences, attributes and behaviours to participate safely, effectively, critically and responsibly in the digital world – remains essential to the success of online learning⁸⁹.

Targeting **support to disadvantaged learners will be essential**, to help them recover lost learning and remain engaged in learning for the long term. Governments will need to understand and address the effects of disrupted learning across different age groups, subjects and, most importantly, different groups of learners (especially disadvantaged learners with little or no access to technology, with special needs, from low socio-economic status households, and/or with limited language skills such as migrants, asylum seekers and refugees). Perhaps more importantly, policy should focus on keeping disadvantaged learners engaged and motivated, and minimising drop-outs. The impact of COVID-19 on youth's education has likely exacerbated educational inequalities as the adjustment to e-learning opportunities has been particularly difficult for youth without easy access to internet, without a personal computer, or without a quiet space at home.

Countries will likely need to sustain and deepen teacher professional development to underpin support for disadvantaged learners and online and blended learning. Teachers need support to incorporate technology effectively into their teaching practices and methods. Supporting teachers' training about the use of digital resources for pedagogical practice and promoting teaching practices adapted to this context is key to ensure that ICT is leveraged effectively.

Fragility and refugees

With the spread of the COVID-19 pandemic, humanitarian and conflict-affected areas are at particular risk. The MENA region has experienced a **dramatic flow of refugees and internally displaced persons** over the last decade, with Jordan and Lebanon hosting among the highest number of refugees per capita worldwide. Jordan is home to 750,000 UNHCR-registered refugees, predominantly from Syria, while Lebanon hosts approximately 1.7 million refugees, including 1.5 million from Syria (as of November 2019). The situation for refugees is different in Jordan and Lebanon in terms of access to health and possibilities to obtain work permits. Many refugees live in **densely populated camps or poorer urban areas** with poorer health, water, sanitation and hygiene facilities. Preventive measures in these locations, such as washing hands regularly, social distancing and self-quarantine, are of paramount importance but difficult to implement. In **conflict-affected areas**, where health systems are already fragile and medical resources are scarce, refugees lack adequate access to both **detection mechanisms and medical care, making it difficult to assess the prevalence of the pandemic**.

Finding ways to integrate migrants and refugees, regardless of their formal status, in national plans for tackling the virus and in social safety nets programmes is key to prevent the pandemic from spreading in refugee camps and in refugee hosting areas, and ensure that the consequences of the pandemic are mitigated. This would also have positive implications to prepare for future crises. Country practices include:

- The Lebanese Ministry for Social Affairs unveiled early March a preventive plan elaborated in coordination with representatives from NGOs and international organisations to prevent the spread of the virus in areas hosting refugees. The plan involves awareness campaigns targeted at refugees and provision of disinfection equipment in camps.
- In Jordan, the government, in coordination with UNHCR, has put in place measures to ensure continued access to national health services for refugees, including the referral of suspected cases

⁸⁹ Council of Europe, 2020



to quarantine sites, and the provision of requisite treatment. Temperature screening has been implemented at the entrance of two major refugee camps, electricity provision has been enhanced and the supermarkets are running extended hours to facilitate social distancing. In-kind aid distributions are offered through JHCO (Jordanian Hashemite Charity Organisation), including to refugees.

- International organisations have also mobilised to help the most fragile countries in the region in strengthening their capacity to respond to the crisis. In particular, the World Bank announced a USD 26.9 million grant to support Yemen's efforts to contain the outbreak, the bulk of which will finance the procurement of medical equipment, rehabilitation of health facilities and emergency medical staff training, and a USD 100 million project to support the Government of Jordan's efforts in addressing education challenges resulting from the pandemic. In addition, the EU has approved close to 240 million EUR to strengthen resilience in neighbouring countries hosting Syrian refugees in light of the coronavirus pandemic.

Despite these efforts, a number of challenges remain, both from the health and socio-economic perspectives. While to this day no major outbreaks have been reported in refugee camps across the region, the lack of or limited testing capacity in areas with a high concentration of refugees has raised concerns regarding the **possibility of hidden COVID-19 outbreaks**. In Syria, Human Rights Watch estimated that official figures do not match the reality of cases on the ground, while UN Resident Coordinator and Humanitarian Coordinator in Syria Imran Riza said that more than 200 United Nations staff members have been infected as of early September. In the meantime, the contamination rate in Libya is the highest of all North African countries. This risk is compounded by the limited capacity of health systems in the region, which may lead to refugees being deprioritised in the health response. However, it is critical that national health systems take into account the testing and treatment of refugees.

The outbreak is putting a severe strain on **refugees' economic security**. The vast majority of refugees, in particular women, work in the informal sector, and more specifically in jobs where they earn their income on a daily basis. Severe restrictions preventing refugees from working raise important concerns as to their ability to continue providing for their basic needs, whereas refugees working in certain sectors particularly exposed, such as farming, might be even more at risk. Prolonged confinement measures risk exacerbating poverty among refugees. This poses significant challenges in countries such as Lebanon, where the World Bank estimates that approximately one third of refugees lived in poverty prior to the outbreak.

On the other hand, the outbreak of the pandemic may also severely impact the process of refugee relocation, which is part of the asylum-seeking process. **Border closures and travel restrictions are affecting the right to asylum** as all resettlement procedures are currently suspended and forcing people to return to situations where they fear persecution or torture, violating the principle of non-refoulement. UN High Commissioner for Refugees recently voiced this concern, stating that while governments may put in place measures such as testing people seeking international protection upon entry and/or putting them in quarantine, such measures may not result in denying them an effective opportunity to seek asylum or result in refoulement.

Moreover, in a region where currently some 50 million people are undernourished, governments will need to ensure a swift response to limit a further increase in **food insecurity** in the region that could result from the economic consequences of the COVID-19 pandemic. This risk will be exacerbated if disruptions in global food supplies due to the pandemic lead to food shortages and price hikes in MENA countries which are highly dependent on food imports.



Annex 1. Overview of the health system responses and extent of containment measures in MENA countries

	Curfews / Lockdowns / Movement restrictions	Social distancing measures	Barrier gestures	Health screening / Tracking / Quarantine
Algeria	Full lockdown in Blida wilaya (March-April) Partial lockdown (curfew) in all other wilayas	Prohibition of all public gatherings	Masks mandatory in all public venues and outdoor public spaces	
Bahrain	Night-time curfew (March-May)	Prohibition of gatherings of more than 5 people in public spaces	Masks mandatory in all public venues and public transportation	Screening of all incoming passengers Mandatory quarantine for positive patients
Egypt	Night-time curfew (March-June) Restrictions on opening hours of public venues		Masks mandatory in all public venues and public and private transportation	Mandatory Covid-19 test for incoming passengers Mandatory quarantine for positive patients
Iran	Partial lockdown (March-April) Localised, short-term full lockdowns in certain areas Restrictions on travel in and out of certain provinces/cities		Masks mandatory in all enclosed public spaces	Screening of all incoming passengers
Iraq	Night-time curfew		Masks mandatory in all public venues and public transportation	Mandatory Covid-19 test for incoming passengers Mandatory quarantine for positive patients
Jordan	Full lockdown (March) Night-time curfew Restrictions on opening hours of public venues	Public gatherings restricted to 20 people	Masks and gloves mandatory in all public venues and public transportation	Mandatory Covid-19 test for incoming passengers Health tracking app mandatory Mandatory quarantine for all incoming passengers
Kuwait	Partial lockdown (March-May) Full lockdown (May) Night-time curfew		Masks mandatory in all public venues and public transportation	Random testing of population Mandatory Covid-19 test for incoming passengers Mandatory quarantine for all incoming passengers
Libya	Partial lockdown (curfew on weekdays, full lockdown on weekends) Restrictions on re-opening of certain public venues		Masks mandatory in all public venues	Mandatory Covid-19 test for incoming passengers Mandatory quarantine for all incoming passengers
Lebanon	Full lockdown (March, May) Night-time curfew		Masks mandatory in all public venues and public transportation	Mandatory Covid-19 test for incoming passengers
Morocco	Night-time curfew Restrictions on opening hours of public venue Movement restrictions on certain cities/areas	Public gatherings restricted to 50 people	Masks mandatory in all public venues, public transportation and in the workplace	Mandatory Covid-19 test (PCR and serology) for incoming passengers



Oman	Night-time curfew (ended August 15)	Prohibition of all public gatherings	Masks mandatory in all public venues and public transportation	Screening of all incoming passengers Mandatory quarantine for incoming passengers
Palestinian Authority	Localised night-time curfew Restrictions on re-opening of certain public venues	Prohibition of all public gatherings	Masks and gloves mandatory in public transportation.	
Qatar		Gatherings limited to 15 people indoors / 30 people outdoors	Masks mandatory in all public venues and public transportation	Health tracking app mandatory Thermal screening in all public venues
Saudi Arabia	Full lockdown or night-time curfew depending on areas (ended end of June)	Umrah pilgrimage suspended Public gatherings limited to 50 people	Masks mandatory in all public venues and public transportation	Mandatory Covid-19 test for incoming passengers Mandatory quarantine (2 days) for incoming passengers Health tracking app available
Syria	Partial curfew Restrictions on re-opening of certain public venues	Prohibition of large public gatherings		
Tunisia	Full lockdown (March-May) Night-time curfew (May-June)		Masks mandatory in all public venues Thermal cameras for fever screening in airports and at border crossings with neighboring countries	Mandatory Covid-19 test for incoming passengers Strict quarantine programme for 18.000 repatriated Tunisians Mandatory self-quarantine for incoming passengers from medium- to high-risk countries
United Arab Emirates	Night-time curfew (March-July) 2-week full lockdown (April) Travel restrictions in and out of Abu Dhabi	Social gatherings limited to 10 people	Masks mandatory in all public venues and public transportation	Health tracking app mandatory Mandatory Covid-19 test for incoming passengers Mandatory self-quarantine & mandatory GPS tracking bracelet for incoming travellers to Abu Dhabi
Yemen	Night-time curfew (April-July) Localised, short-term full lockdowns in certain areas Travel restrictions between provinces			

Sources & notes: This table has been prepared based on official sources, the OECD's Country Policy Tracker, and media reporting. Given the rapid developments of events and measures, the information in the table may not be comprehensive or fully up to date. It will be updated periodically.



Annex 2. Overview of economic and social measures implemented by countries to support households and firms during the crisis

Maghreb

Algeria

The Bank of Algeria lowered its main interest rate from 3.25% to 3% and reduced banks' minimum reserve ratio from 8% to 6% alongside easing solvency and liquidity ratios. Banks were given the possibility to postpone loan repayments, reschedule debts and grant additional loans to customers even when existing loans had been deferred or rescheduled. Deadlines for corporate, consumption and individual tax payments have been extended (except for large companies), and the newly introduced tax on retained earnings was suspended. The recovery plan unveiled in August includes USD 20 billion in allowances for Algerians who lost their jobs due to the crisis, USD 11.5 billion in transfers to poor households and USD 16.5 billion in bonus payments for healthcare workers.

Morocco

The Bank of Morocco lowered its main policy rate to 1.5%, suspended loan repayments for SMEs and the self-employed, and called banking establishments to [withhold payment of dividends](#) for the year 2019, in order to retain sufficient funds to face the financial impact of the crisis. In addition, zero-interest loans were granted to the self-employed as well as sovereign guarantees on loans to businesses. To support businesses and households impacted by the pandemic, a special fund was created, valued at about 3% of GDP, financed by the government and voluntary contributions from both the public sector, companies and private individuals. Measures include deferrals in social contribution and income tax payments, a monthly allowance for workers affiliated to the national social security system who became temporarily unemployed during the crisis, and targeted cash transfers for households in the informal sector. The Central Banks foresees -6,3% GDP growth in 2020.

Morocco was the first country to draw on all resources available under the current Precautionary and Liquidity Line (PLL) arrangement from the IMF in the amount of USD 3 billion or about 3% of GDP. End of August, the European Investment Bank released EUR 100 million in emergency funding to support the Moroccan government's response plan, the first payment out of a total financing package of EUR 200 million.

Tunisia

The Central Bank of Tunisia lowered its main policy rate and instructed banks to defer all loan repayments. The government also announced the creation of investment funds and sovereign guarantees on new credits. Tunisia's TND 2.5 billion (around 2.2% of GDP) emergency plan includes deferrals in social contribution and certain tax payments, cash transfers and free supply of electricity and running water for two months for low-income and vulnerable households (including disabled and homeless people, retirees receiving a pension below a certain threshold, and the unemployed), housing for homeless people, the creation of a support fund of TND 300 million (USD 103 million) for SMEs and a set of liquidity easing measures for companies to limit lay-offs.



The economic recovery plan unveiled in July provides for the continuity of a number of these measures, namely regarding technical unemployment and state-guaranteed loans, as well as the creation of a fund to support business reconversion. A monitoring and support unit was created to follow-up companies severely affected by the coronavirus crisis. This unit works to preserve jobs and safeguard employee rights. It also has the task of monitoring the implementation of measures taken, and is composed of representatives of the ministries of finance and social affairs, the Central Bank of Tunisia, UTICA (employers' organization), UGTT (Workers union), the professional association of banks and financial institutions, and UTAP (Union of Farmers and Fishermen). It remains open to other government departments and organizations if needed.

Tunisia also benefited from an EU donation of TND 800 million (USD 276.5 million) to fight the crisis and its socio-economic consequences. Italy also provided a EUR 50 million loan to the BCT to support Tunisian companies and cushion the socio-economic impact of the crisis.

Middle East

Egypt

Egypt's Central Bank reduced the policy rate to historic lows, and implemented a number of preferential and low-interest lending initiatives and loan guarantees targeting the most affected sectors. EGP 3 billion were also unlocked for state-guaranteed loans for the tourism industry.

A stimulus package amounting to 1.2% of GDP was implemented, including important measures to support the most vulnerable households. Pensions have been increased by 14%, social assistance programmes extended to an additional 60,000 households, and targeted cash transfers provided to close to 1.6 million informal workers. In addition, the Labour Emergency Fund is disbursing [emergency subsidies](#) to workers in the tourism sector. Measures have also been taken to support companies in key sectors, including lowering energy costs and tax reliefs. In particular, EGP 50 billion of the EGP 100 billion stimulus package has been allocated to the tourism sector.

Under a new financial package, the IMF approved in May a USD 5.2 billion emergency financing to support the Egyptian government's efforts to counter the economic impacts of the crisis.

Iran

The Central Bank of Iran instructed commercial banks to postpone repayment of loans. Iranian authorities also postponed health insurance, tax and utility payments for a period of three months, to ease the economic strain on households. The government also provided cash payments to the three million poorest Iranians, and subsidised low-interest loans for four million households. This was in part funded by Iran's biggest initial public offering in which the government sold its residual shares in 18 companies.

The World Bank announced a USD 50 million support, while the Islamic Development Bank announced a EUR 130 million loan.

Iraq

The Central Bank of Iraq reduced its reserve requirements and announced a moratorium on repayment of interests by SMEs. In addition, a cash transfer programme was implemented for a total cost of IQD 300 billion (USD 254 million) targeting families of private sector employees that did not receive salaries or benefits from the government during the pandemic.



Jordan

The Central Bank of Jordan injected USD 705 million into the economy by reducing commercial banks' compulsory reserves, allowed banks to postpone loan repayments in impacted sectors and expanded the coverage of guarantees on SME loans, including new credit facilities for the tourism sector.

The government also implemented a number of tax and social contribution relief measures, as well as social measures targeting the most vulnerable households. In particular, old-age insurance coverage was expanded, in-kind and material assistance provided to the elderly and sick, and a temporary cash transfer programme was set up for the unemployed and self-employed. Specific measures were implemented in June to support the tourism sector.

The IMF also approved in May an emergency financial assistance of USD 400 million under the Rapid Financing Instrument to support Jordan's efforts in fighting the pandemic.

Lebanon

The severe economic crisis the country was experiencing prior to the outbreak, reflected in the default on USD 1.2 billion in foreign currency debts announced in March, has significantly burdened its room for new fiscal and monetary solutions. Due to the liquidity crisis, banks have largely limited access to cash by depositors. In this context, the Central Bank of Lebanon allowed banking establishments to provide exceptional five-year zero interest loans.

The government nonetheless announced a set of measures to support businesses and households, including suspending filing and payment of all taxes, the launch of a USD 797 million stimulus [package](#) aimed at supporting daily workers in the public sector, health care employees and farmers and subsidised loans for SMEs. The different Ministries have also been implementing a plan to distribute cash assistance to the poorest families. An [economic rescue plan](#) was officially approved by the Parliament in April and used to apply for a USD 10 billion aid from the IMF, which has yet to be approved.

Palestinian Authority

The Palestinian Monetary Authority (PMA) instructed banks to postpone loan payments for 4 months (6 months for the tourism and hospitality sector) for all businesses and individuals. In addition, the PMA launched a USD 300 million SME fund to provide soft loans to SMEs impacted by the crisis.

The Minister of Finance also announced extension of filing deadlines for corporate income tax, postponement of tax audits and suspension of late filing penalties concerning monthly VAT returns. One-off payments have also been disbursed to approximately 40,000 labourers affected by the pandemic in hardly hit sectors (construction, tourism, services, transport), and 125,000 vulnerable households have benefitted from financial assistance from the government.

GCC

Saudi Arabia

The Saudi Arabian Monetary Authority (SAMA) announced a set of measures and guidelines for banks to limit the negative impact of the crisis, including instructing banks to defer loan payments until December 2020, increase lending to the private sector, and restructure loans without charges to support businesses and individuals affected by the crisis. This was supported by an overall package of SAR 100 billion.

The Saudi government also unveiled a SAR 70 billion (USD 18.7 billion) economic package to support the private sector, especially SMEs and sectors most affected by the crisis. This consists of exemptions and



deferrals of various government dues, including tax payments, temporary electricity subsidies to companies in key sectors, and measures to facilitate the settlement of private sector dues. Additional initiatives to support industrial companies, as well as a new tourism development fund, were announced in June.

In addition, SAR 9 billion (USD 2.4 billion) were unlocked to cover part of private sector salaries in heavily impacted sectors. The government committed to compensate 60% of salaries for a period of three months, to prevent companies from laying off employees, under a scheme covering up to 70% of Saudi workers in the most affected companies, and 50% of those in least affected companies. As of July, over 90,000 firms and 480,000 Saudi citizens had [benefited](#) from financial support.

United Arab Emirates

The Central Bank of the UAE lowered its main policy rate twice since the outset of the crisis, and disclosed an AED 256 billion (USD 27.2 billion) stimulus package to facilitate banks' lending to the economy. This includes allowing loan repayment deferrals, lowering banks' reserve requirements and providing zero-interest rate collateralised loans to banks to support SMEs.

The UAE government has announced an overall AED 26.5 billion in various fiscal measures to mitigate the effects of the crisis and support business continuity. The measures aim at lowering the cost of doing businesses, namely by cutting labour charges and other fees of the Ministry of Economy, suspending collection of administrative fines, extending the deadline for tax payments and reducing work permit and other services fees for companies.

At the local level, governments of several emirates have introduced [financial assistance measures](#), which have generally taken the form of reduced or cancelled customs fees, municipality fees and utility bills.

Bahrain

The Central Bank of Bahrain [increased](#) its loan facilities to BHD 3.7 billion (USD 9.8 billion), reduced its key policy interest rates to 1.7% and lowered cash reserve ratios for commercial banks to 3%.

The Bahraini government unveiled a BHD 560 million (4.2% of the GDP) stimulus package including several initiatives targeted at both households and companies: payment of wages, payment of utility bills, exemption of various fees (municipal, work permit, rental, etc.) for affected companies (with specific measures targeting the tourism sector), doubling the liquidity support fund for SMEs, and redirecting loan assistance programmes to support companies severely impacted by the crisis. In addition, BHD 5.5 million enhancement was announced in social benefits for low-income families.

Kuwait

The Central Bank of Kuwait has taken a number of [measures](#) to mitigate the impact of the outbreak on the country's economic growth, including cutting the main policy rates, instructing commercial banks to postpone loan repayments to clients impacted by the crisis. A stimulus package to support SMEs and vital sectors was also unveiled, involving a cut in capital adequacy requirements and KWD 5 billion (USD 16.5 billion) made available for [additional lending](#) from local banks.

The government KWD 500 million package to mitigate the economic implications of the crisis, including deferring social contribution payments, cancelling government fees on certain sectors, providing full unemployment benefits to Kuwaiti citizens and providing long-term loans to SMEs.



Qatar

The Central Bank of Qatar reduced its main policy rates, while the Qatar Development Bank announced it would postpone loan repayments for a period of 6 months.

The government announced an economic stimulus package of QAR 75 billion (USD 20.6 billion) aimed at supporting the private sector in facing the crisis. Key measures include exemptions on utility bills as well as custom duties for food and medical goods for six months for sectors severely affected by the crisis. The Ministry of Administrative Development, Labour and Social Affairs has ensured that all quarantined employees, including expatriates and migrant workers, receive their full salaries. A QAR 3 billion (USD 820 million) has been assigned to support companies pay their employees, under a programme administered by the Qatar Development Bank.

Oman

The Central Bank of Oman unveiled a comprehensive [package](#) of OMR 8 billion (USD 20.78 billion) in the form of additional liquidity for banks to facilitate lending to sectors severely hit by the economic fallout, including lowering capital conservation buffers by 50%, increasing the lending/financing ratio by 5% and reducing its main policy rates.

The government also implemented a number of [tax relief measures for businesses](#), including a 3-months deferral in tax payments, introduction of flexible tax payment mechanisms, and exemption from several taxes and fees for companies in the most affected sectors. Additional [relief measures implemented for private sector firms](#) involve the possibility for firms to negotiate wage reductions in exchange for reduced working hours, secondment of employees, and authorisation to terminate contracts of expatriate workers (conditional on their repatriation). Social measures have also been introduced to provide cash and in-kind support to the most vulnerable households. The Public Authority for Consumer Protection (PACP) launched an [initiative](#) aimed at providing low-income households affected by the closure of stores with a weekly grocery kit with essential commodities.

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