



Shared Prosperity **Dignified Life**



Economic and Social Commission for Western Asia

Economic and Social Impact of COVID-19 on the Arab region and Mitigation Measures

Niranjan Sarangi, Senior Economic Affairs Officer, Shared Economic Prosperity, ESCWA
Loyal Darwiche, Research Assistant, Shared Economic Prosperity, ESCWA



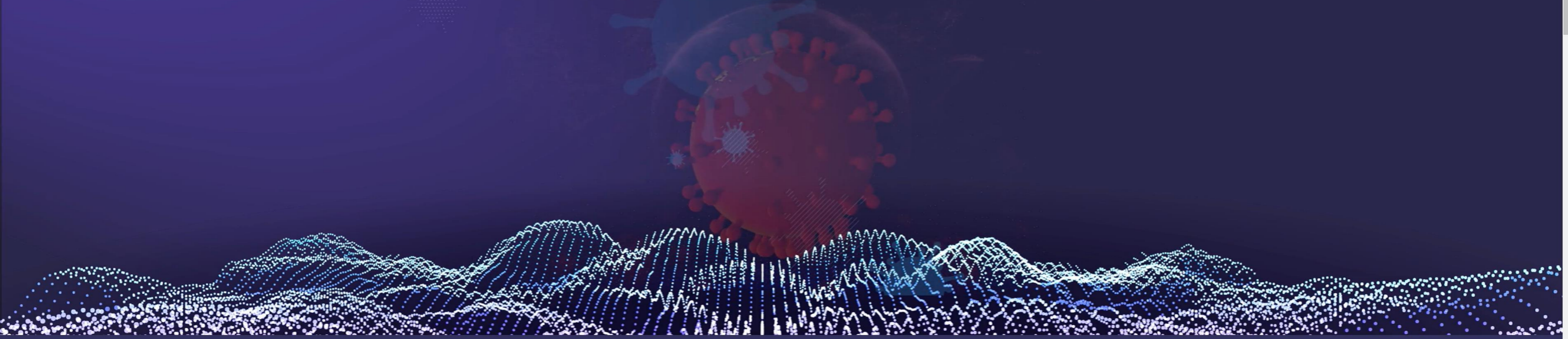


Outline

- Global Tracker on COVID-19 policy responses
- Policy responses supporting SMEs toward mitigating the impact of COVID-19
- Call for policy interventions toward building forward better

United Nations COVID-19 STIMULUS TRACKER

Global Observatory on Social Protection and Economic Policy Responses



[Global Stimulus](#) | [Financial Needs](#) | [Social Assistance](#) | [Loans & Tax Benefit](#) | [Social Insurance](#) | [Labour Markets](#) | [Health Related Support](#) | [Financial Policy Support](#) | [General Policy Support](#)

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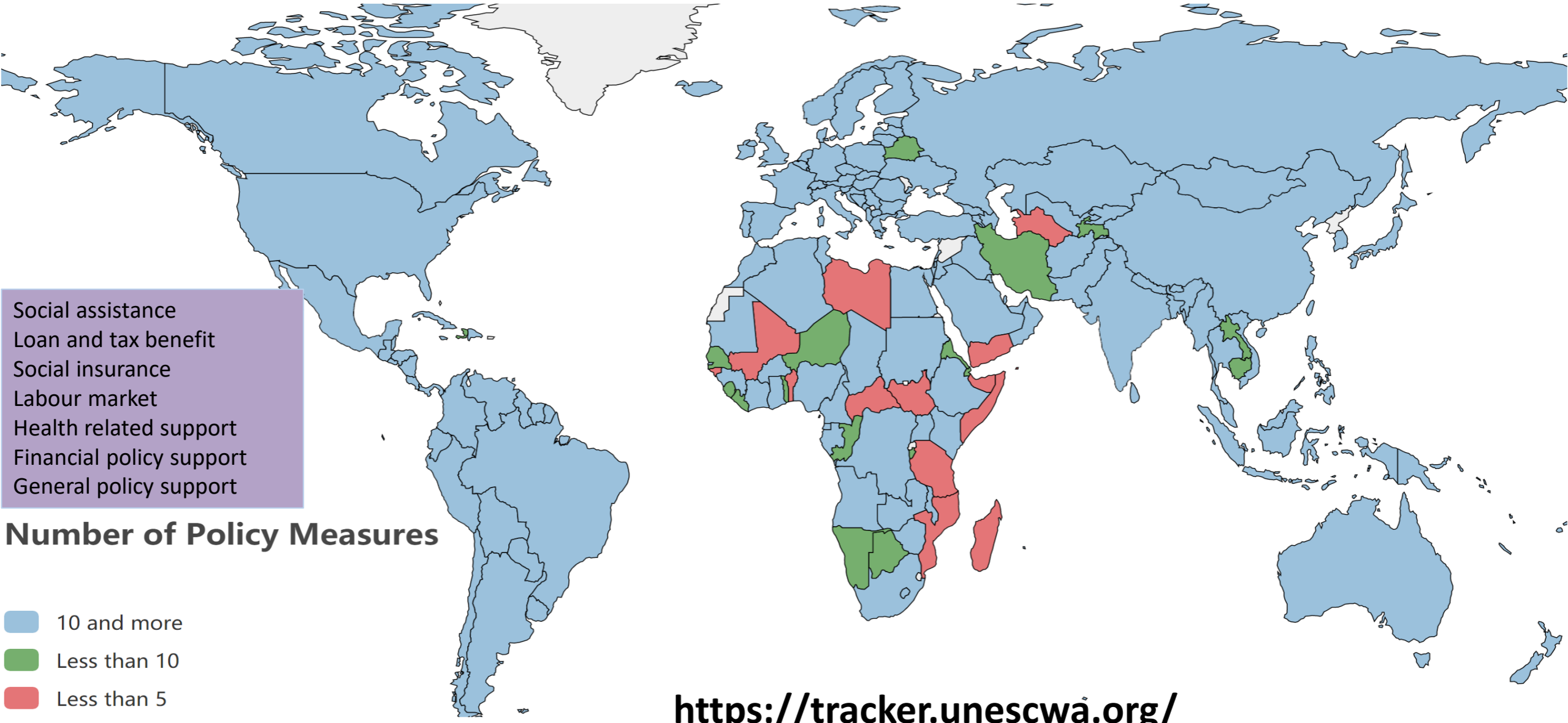
Region: -- All Regions --

Country: -- All Countries --

Income Group: -- All Income Groups --

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COVID-19 Stimulus Tracker: Global Observatory on Social Protection and Economic Policy Responses

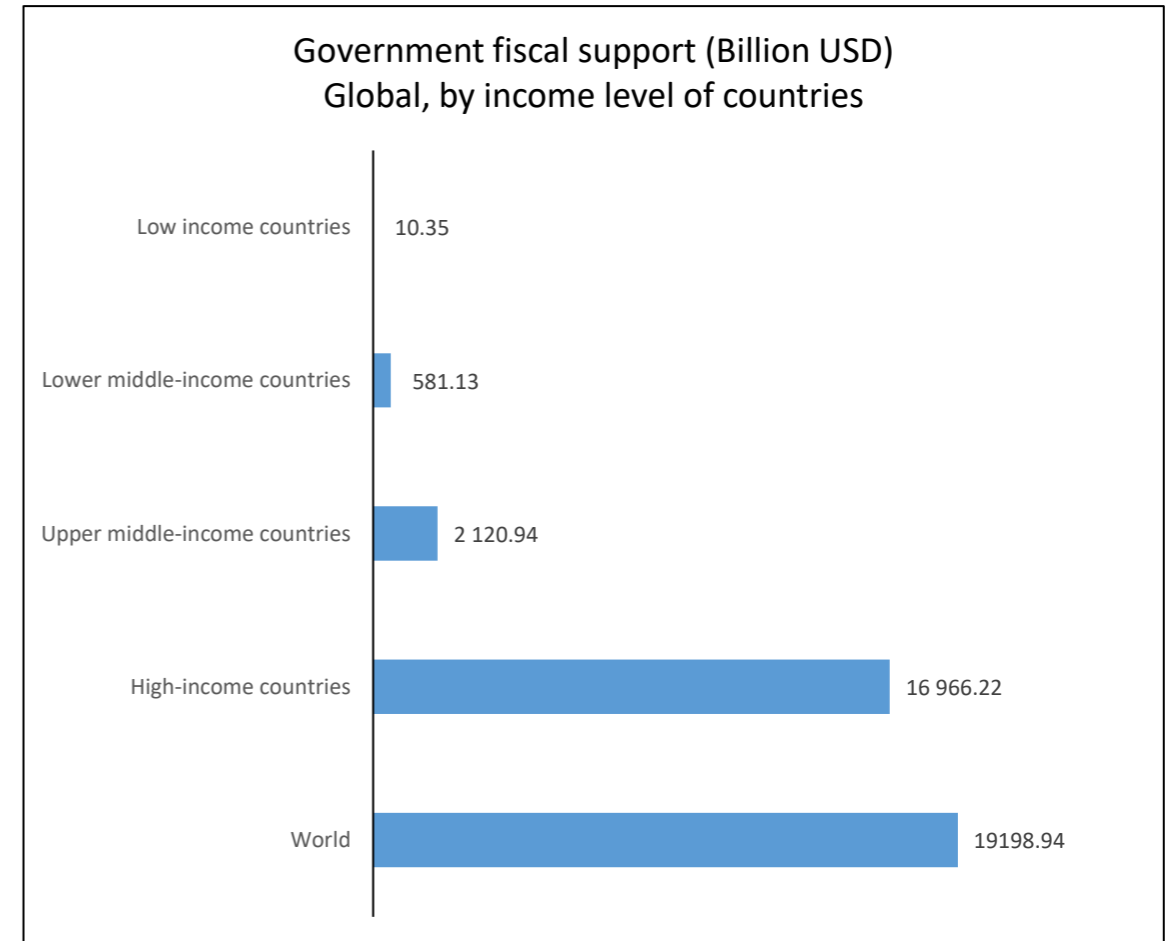


<https://tracker.unescwa.org/>

Government Fiscal Stimulus, Worldwide

➤ Global fiscal stimulus shows sharp inequality between high-, low- and middle-income countries.

- **Global LICs: ~ 2.5% of GDP (\$10.35 Bn)**
- **Global MICs: ~ 6.8% of GDP (\$2.1 Tr)**
- **Global HICs: ~ 33.3% of GDP (\$17 Tr)**
- **Global: ~ 23.3% of GDP (nearly \$19.2 Tr)**



Government Fiscal Stimulus, Worldwide

Government fiscal support

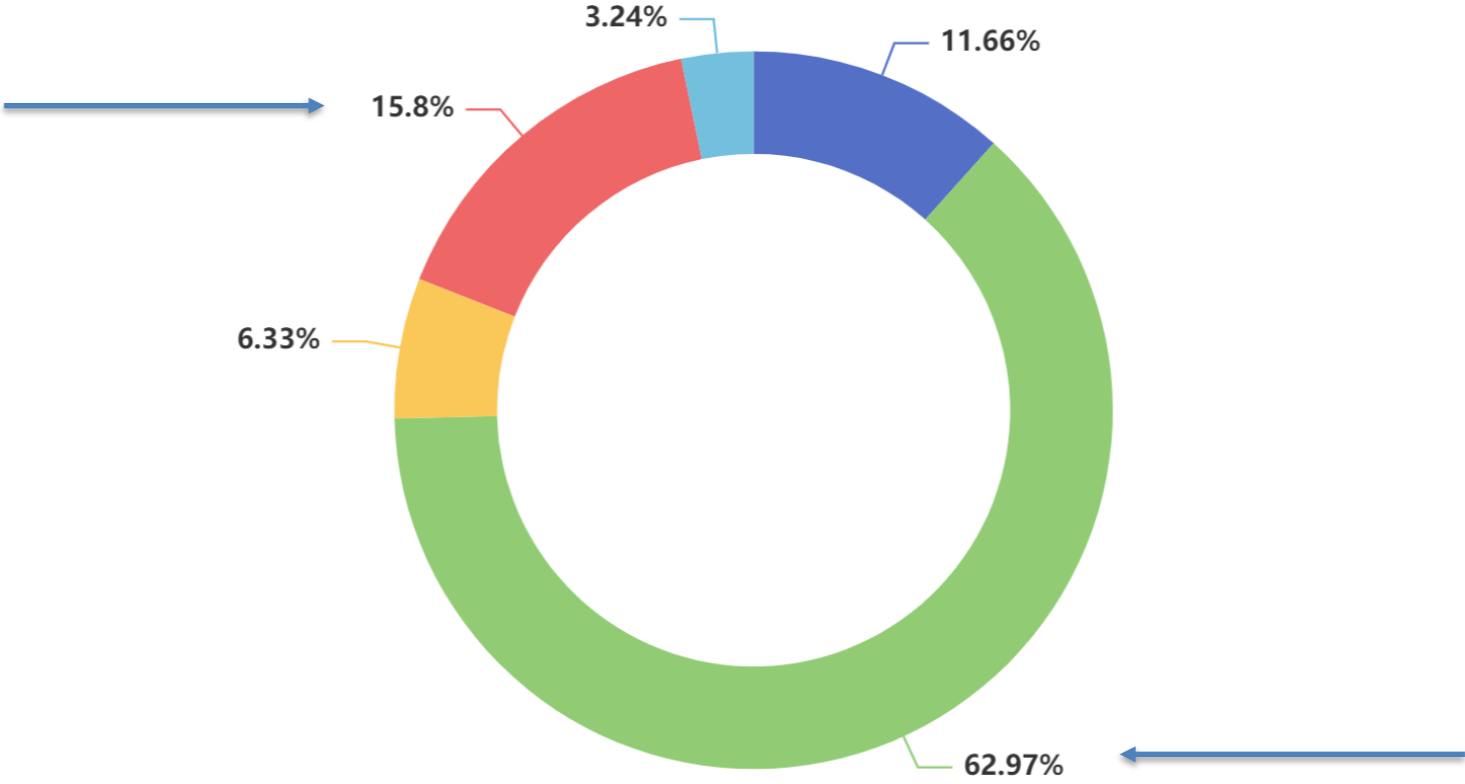
Category	Nb of Policies	Amount (Bn USD)	% of GDP
Social Assistance	1047	902.7	1.1
Loan and tax benefit	198	59.2	0.1
Social Insurance	358	403.1	0.5
Labour Markets	411	252.7	0.3
Health related support	862	1221.1	1.5
Financial policy support	1040	5734.8	7.0
General policy support	1155	5588.4	6.8
Multiple Policies	163	5034.8	6.1
Total	5234	19196.6	23.3

Central Bank liquidity support

Category	Nb of Policies	Amount (Bn USD)	% of GDP
Loan and tax benefit for individuals	75	0.0	0.0
Financial policy support	882	9033.0	11.1
General policy support	181	191.7	0.2
Multiple Policies	5	0.0	0.0
Total	1143	9224.7	11.3

Government Fiscal Support: Global (Percent Distribution of Amounts Across People, SMEs and Business)

Out of \$19.2 Tr, SMEs are getting 15.8% as direct support from the governments.

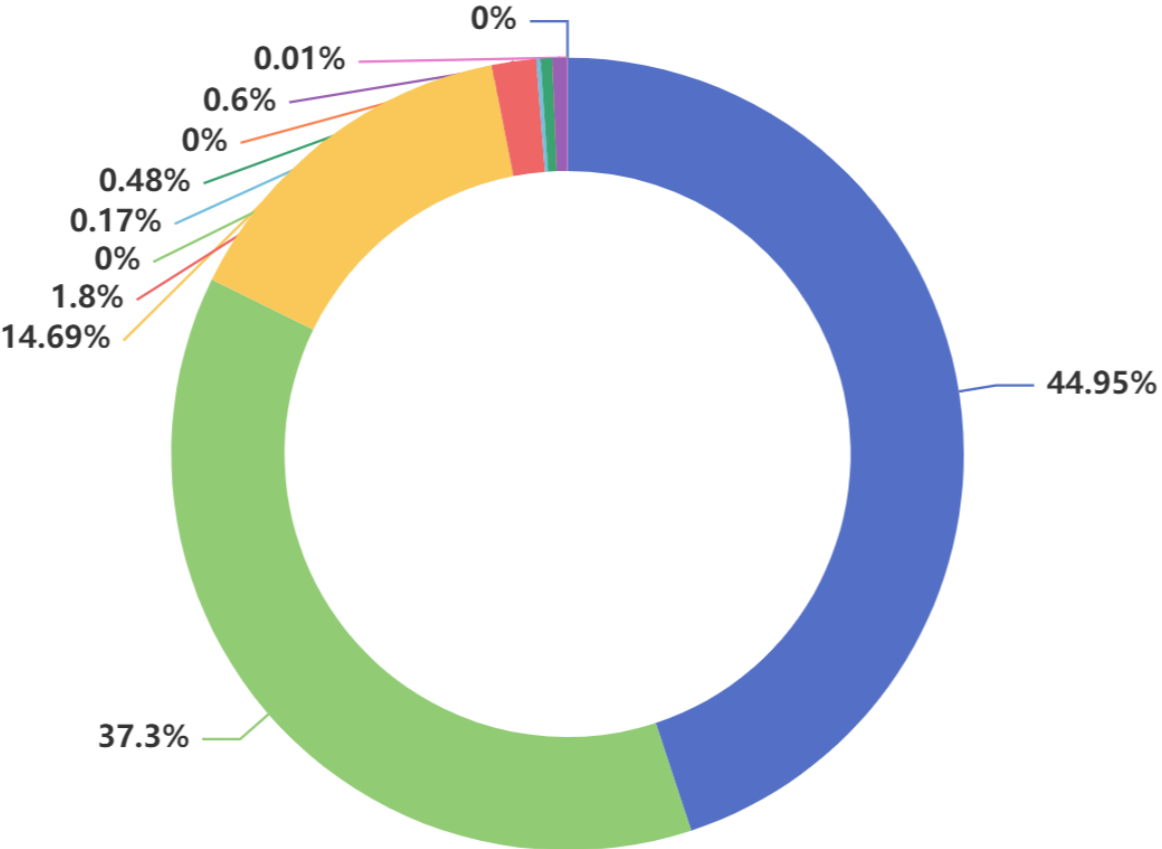


Non-disaggregated amount announced to support people and business is around 63%.

■ People ■ People/business (non-disaggregated) ■ Non-SMEs ■ SMEs ■ SMEs/Non-SMEs (non-disaggregated)

Source: [COVID-19 STIMULUS TRACKER – Global Observatory on Social Protection and Economic Policy Responses](#)

Financial Policy Support By Governments to SMEs and Others: Global

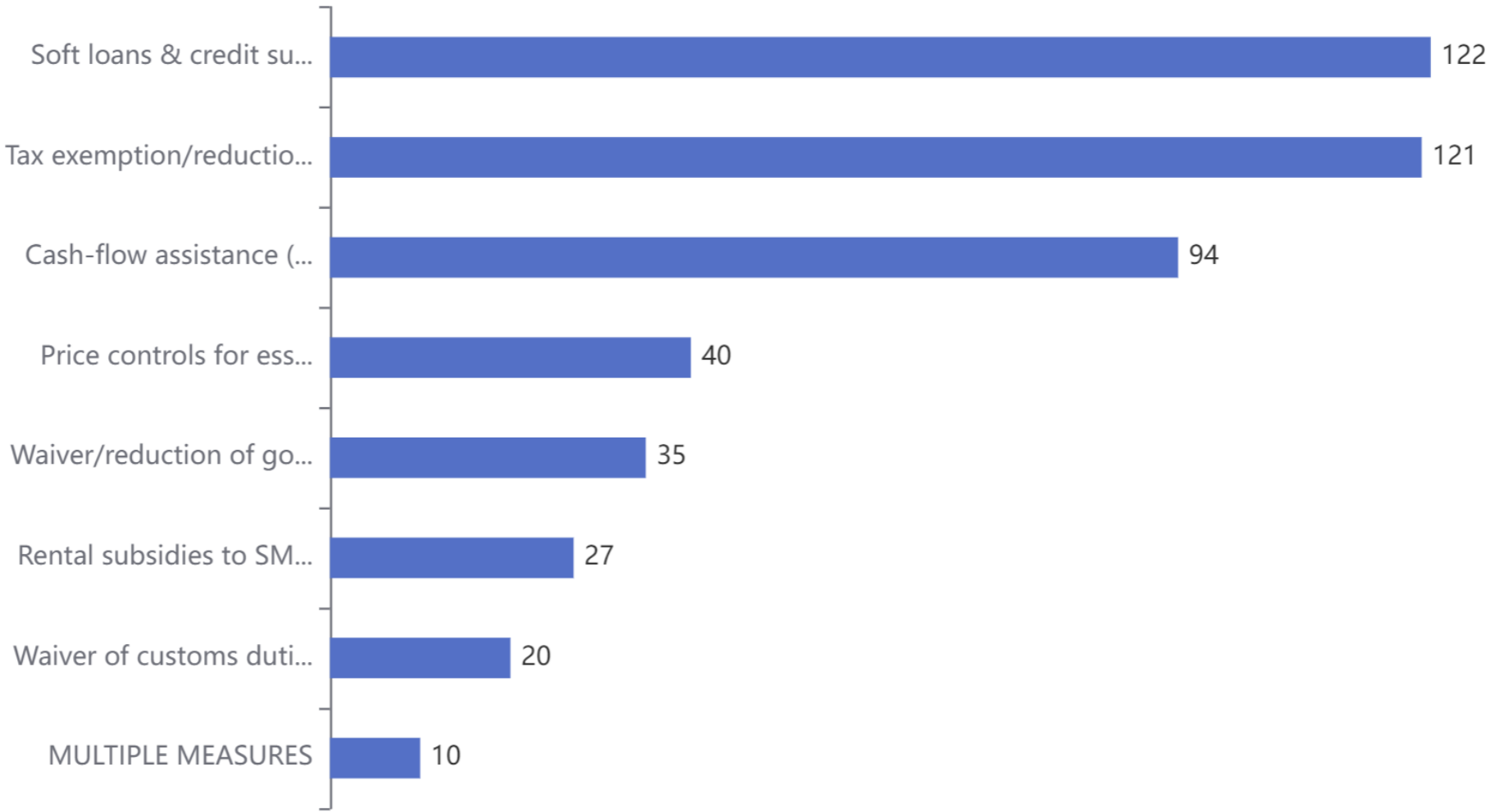


A large share of financial sector support by governments was targeted exclusively at SMEs (45% of \$5.7 Tr).

- SMEs
- Non-SMEs
- SMEs/Non-SMEs (non-disaggregated)
- People/business (non-disaggregated)
- Other Individuals and families
- Employees & Self-employed
- Women
- Specific vulnerable population
- Older people
- Unemployed
- Children

Source: [COVID-19 STIMULUS TRACKER – Global Observatory on Social Protection and Economic Policy Responses](#)

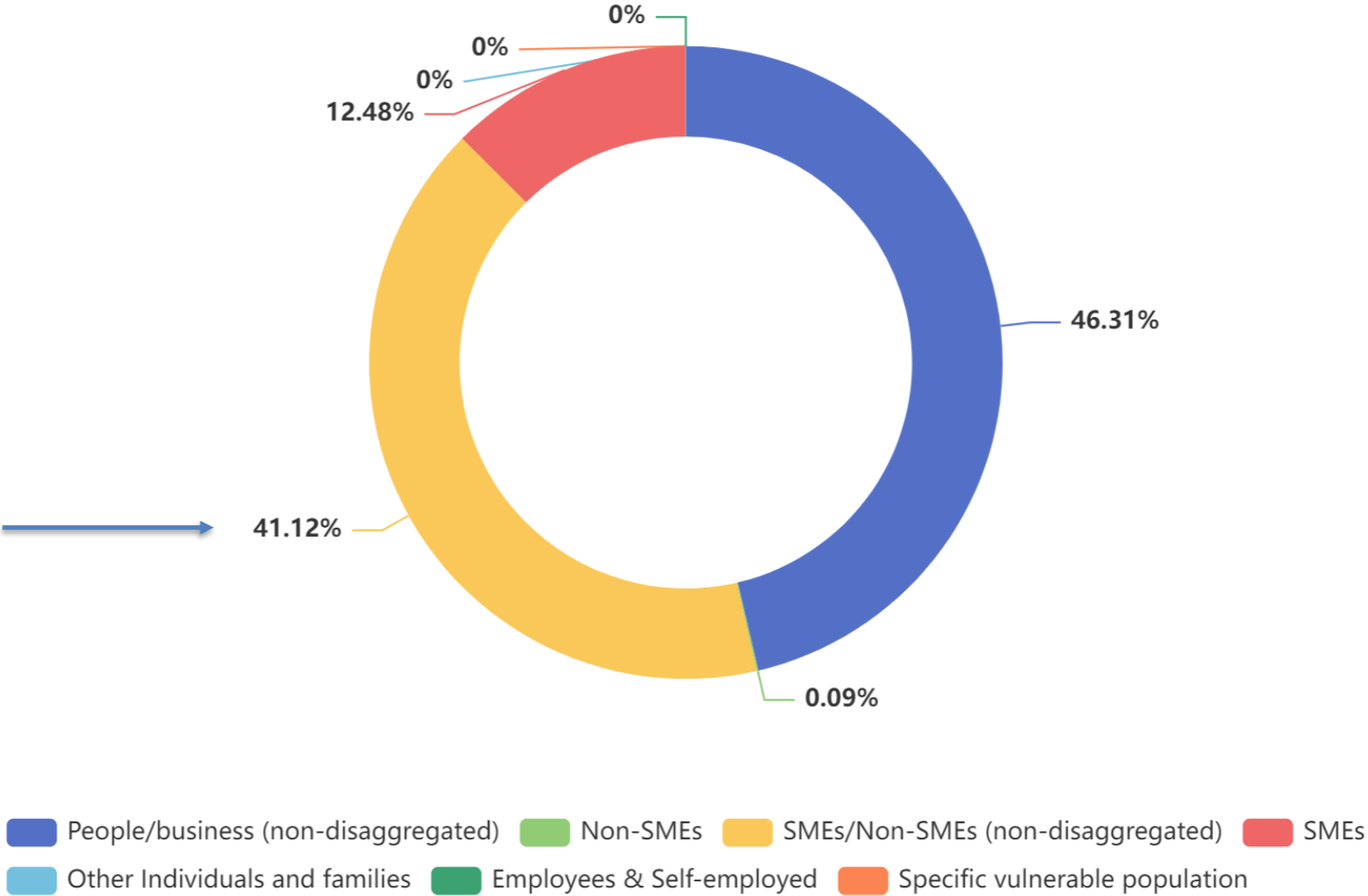
Financial Policy Support Instruments by Governments: Global



Source: [COVID-19 STIMULUS TRACKER – Global Observatory on Social Protection and Economic Policy Responses](#)

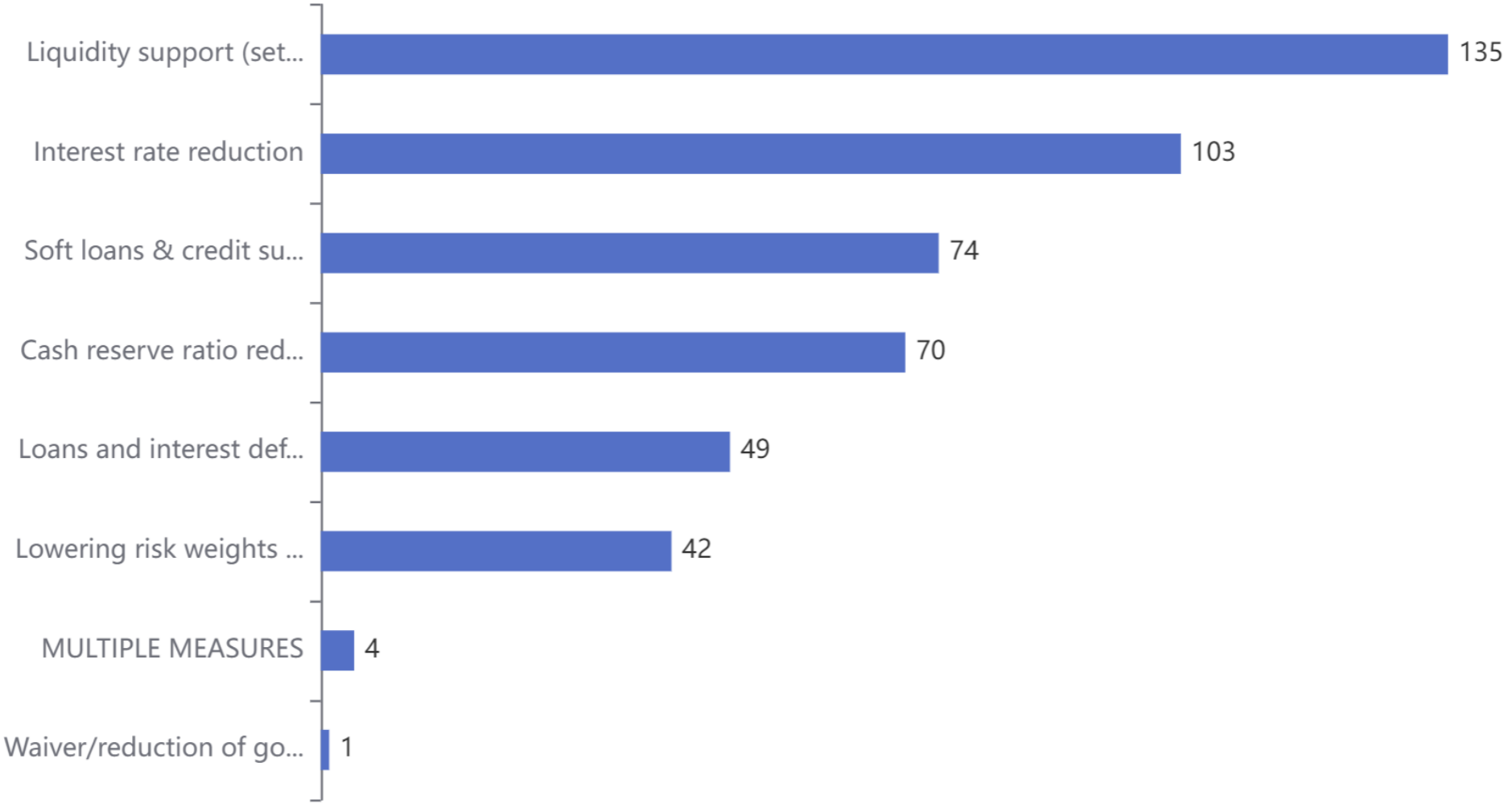
Financial Policy Support By Central Banks to SMEs and Others: Global

41% of financial policy support by Central Banks was targeted at businesses and SMEs jointly.



Source: [COVID-19 STIMULUS TRACKER – Global Observatory on Social Protection and Economic Policy Responses](#)

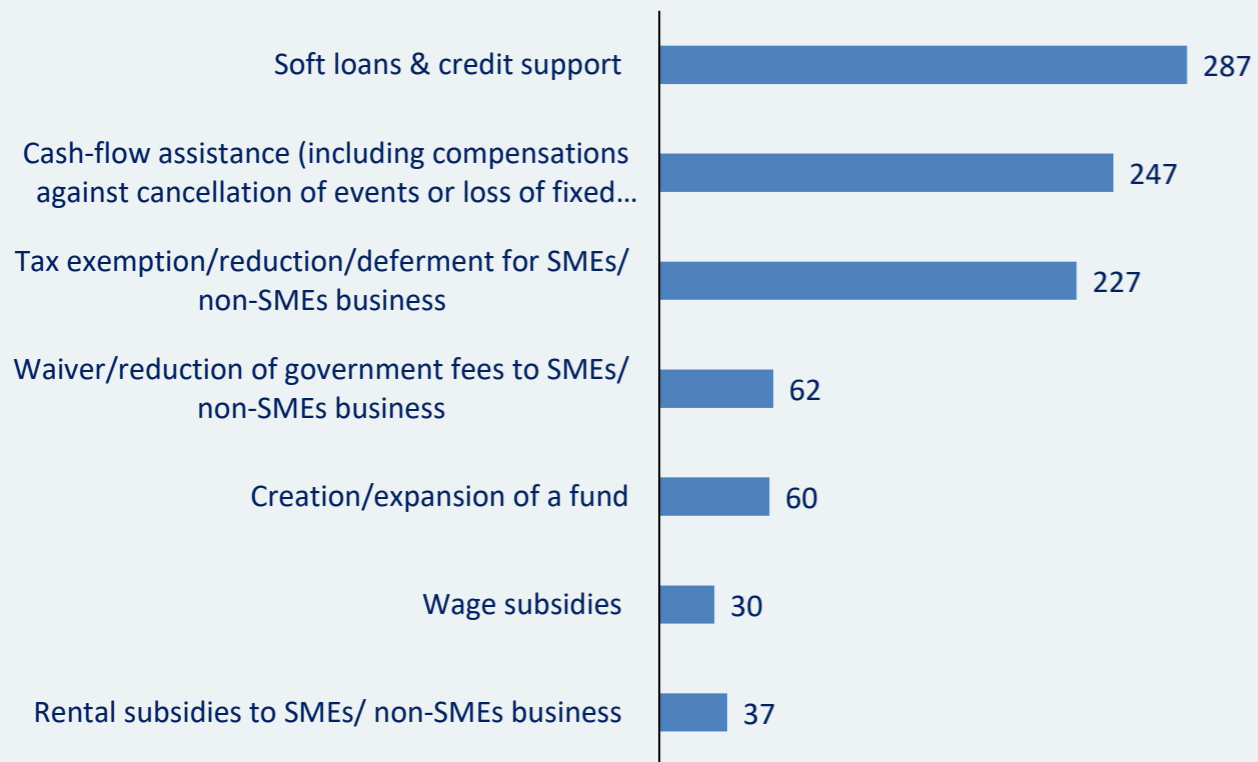
Financial Policy Support Instruments by Central Banks: Global



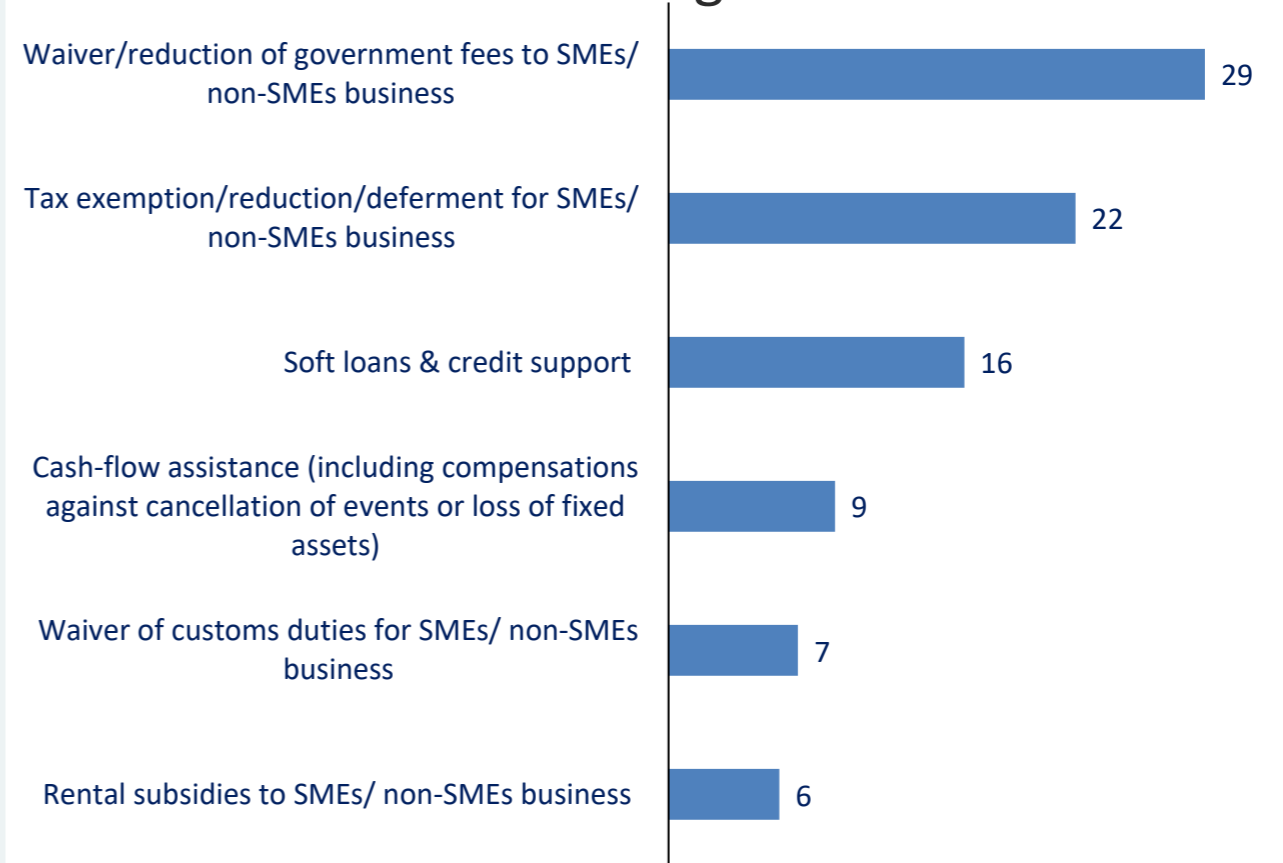
Source: [COVID-19 STIMULUS TRACKER – Global Observatory on Social Protection and Economic Policy Responses](#)

Top Policy Measures by Governments to Support SMEs and Businesses: World Vs. Arab Region

Measures by Governments: World

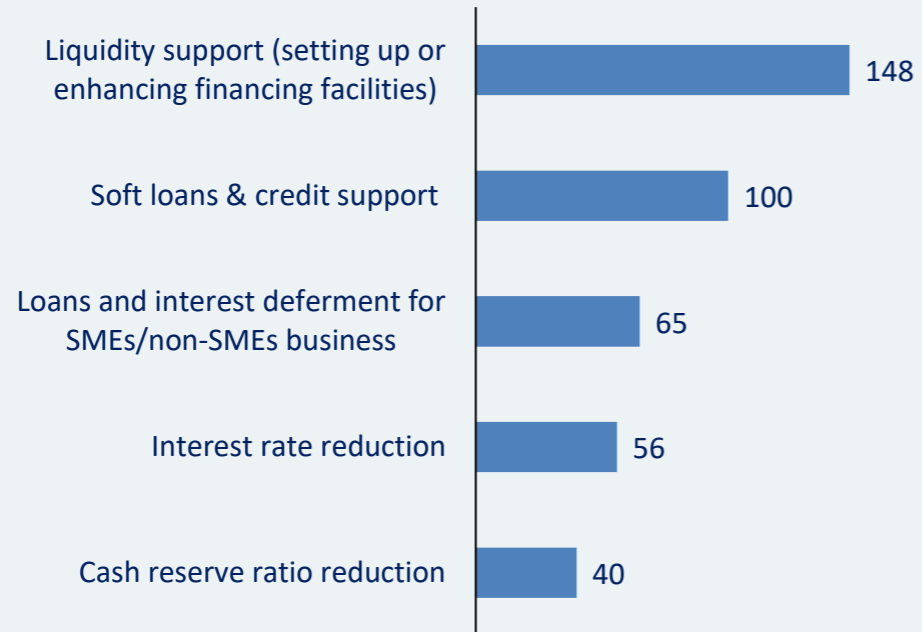


Measures by Governments: Arab Region

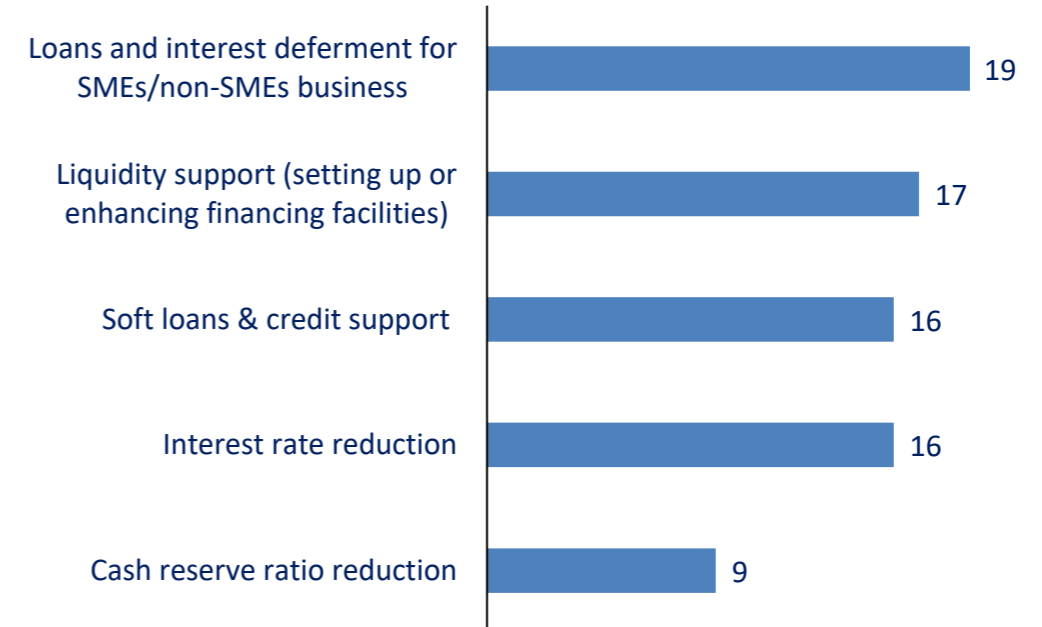


Top Policy Measures by Central Banks to Support SMEs and Businesses: World Vs. Arab Region

Measures by Central Banks: World



Measures by Central Banks: Arab Region



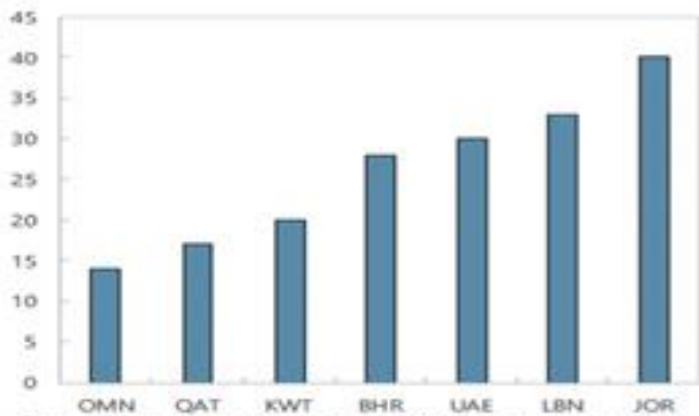
Policy Responses to Support SMEs and Business in the Arab Region

Country	Cash flow assistance	Liquidity support	Cash reserve ratio reduction	Interest rate reduction	Soft loans and credit support	Lowering risk weights of certain assets /collateral requirements	Loans and interest deferment	Tax exemption /reduction /deferment	Waiver /reduction of government fees	Waiver of customs duties	Rental subsidies
GCC											
Bahrain	✓	✓		✓				✓	✓		✓
Kuwait		✓		✓	✓		✓		✓		
Oman		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Qatar				✓	✓		✓	✓	✓	✓	✓
Saudi Arabia	✓	✓	✓	✓	✓		✓		✓	✓	✓
United Arab Emirates	✓	✓	✓	✓			✓	✓		✓	✓
MICs											
Algeria		✓	✓			✓		✓	✓	✓	
Egypt	✓	✓		✓	✓	✓	✓	✓	✓		
Iraq			✓		✓		✓	✓			
Jordan	✓	✓	✓	✓	✓	✓	✓	✓	✓		
Lebanon					✓			✓			
Libya								✓			
Morocco	✓	✓		✓		✓	✓	✓			
State of Palestine		✓			✓	✓	✓	✓			
Tunisia		✓		✓	✓		✓	✓			
LDCs											
Mauritania			✓	✓				✓		✓	
Sudan											
Yemen											
Comoros								✓			
Djibouti										✓	
Somalia					✓						

Source: [COVID-19 STIMULUS TRACKER – Global Observatory on Social Protection and Economic Policy Responses](#)

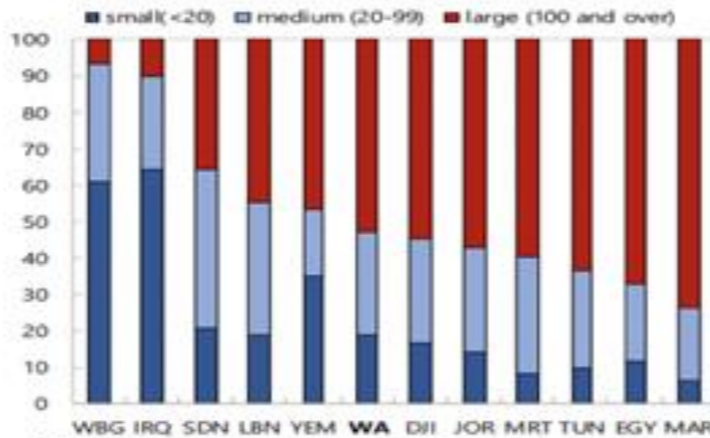
Adverse impact on the SMEs have deep impact on jobs and incomes in the Arab World

SME Contribution to GDP (Percent)



Sources: Country questionnaire, MSME Country Indicators 2014, "Not All SMEs Are Created Equal" report, and IMF staff estimates.

SME Share in Total Private Employment (Percent)



Note: WA = world average. Source: World Bank Enterprise Surveys, latest available data.

Source: IMF, 2019

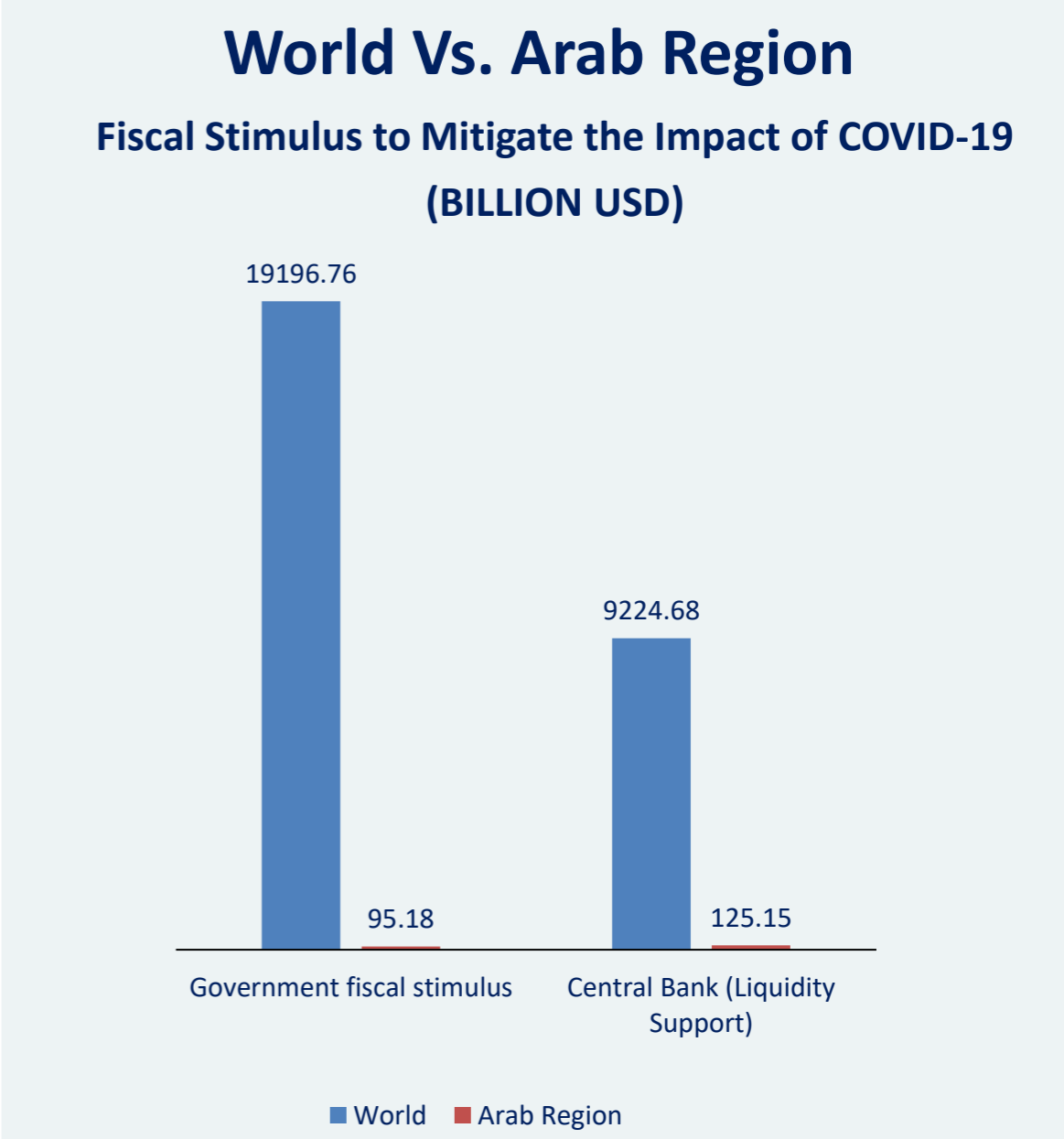
- In the Arab region, most formal MSMEs were found in the **trade and services sectors** that are highly impacted.
- The micro, small and medium enterprises (MSMEs) account for about **97 percent of businesses in the Arab World**.
- SMEs account for a **sizeable share of formal employment in several economies in the region**, including Iraq, Lebanon, Sudan, State of Palestine, and Yemen, where over 50 percent of private sector employment is in SMEs.

- COVID-19 impact: Workers in small-scale enterprises experience lack of payments, layoffs, and worsening working conditions:
 - For example: Out of 363 surveyed enterprises by ILO in Lebanon, 65% of the workers who were unable to go to work due to the lockdown did not receive any payment from their employers, and 20% received a portion of their normal wage. Only 16% received full payment.

COVID-19 Policy Responses: Arab Region Vs. World

- In the Arab region, government fiscal stimulus taken together is about \$95.2 billion (about 4% of GDP), while the global fiscal stimulus is about 19.2 trillion (23.3% of global GDP).
- **Limited fiscal space puts Arab region recovery at risk, especially in the low- and middle-income countries.**
 - The fiscal stimulus of low- and middle-income countries is significantly lower than that of the developed countries, which puts them at risk of recovering better from the global pandemic and further widens inequality among developed and developing countries.
- Additional fiscal needs for the region is at least about \$80 billion to fight the impact of the COVID-19.

Source: ESCWA Policy Brief. [Limited fiscal space puts Arab region recovery from COVID-19 pandemic at risk](#)



Call for government policy support toward building forward better

- Support people, SMEs and impacted businesses
 - Increase social protection to the poor and vulnerable, protect their jobs, support SMEs through postponing social contribution payments for employees, extending tax exemptions, providing wage subsidies to maintain workers on payroll, suspending loan repayments, improving access to finance, especially to trade and services sectors that constitute a large share of SMEs in the Arab region...
- Design fiscal policies to promote economic transformation and decent work
 - Strategize public investment to promote growth and enhance social spending, address structural weaknesses, improve absorption capacity, expand and sustain fiscal space by raising and diversifying revenues, improve overall public finance management



Call for international community to support toward building forward better

- Extend debt relief measures to release fiscal space for essential expenditures ([ESCWA Policy Brief on Liquidity Shortage and Debt](#)):
 - Official creditors are called upon to extend the period and scope of moratoriums on debt service payments under the G20 Debt Service Suspension Initiative (DSSI) till end 2022, considering the prolonged impact of COVID-19; they also need to consider broadening the scope of the DSSI to include all highly indebted developing countries, including middle-income countries with high debt burdens.
 - Multilateral development banks and international financial institutions are called upon to participate in the DSSI and create mechanisms to enhance private sector participation in the DSSI debt reprofiling, debt buy-back and debt swap mechanisms.
 - Developed countries are called upon to bridge the inequality gap in fiscal stimulus between developing and developed countries by improving official development assistance (ODA) to finance recovery from the pandemic, fulfilling the commitments to financing the SDGs and contributing to inclusive global recovery.



Thank You

UN ESCWA

Prepared By: **Niranjan Sarangi**, Senior Economic Affairs Officer, Shared Economic Prosperity, ESCWA

Layal Darwiche, Research Assistant, Shared Economic Prosperity, ESCWA



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