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Economic and Social Commission for Western Asia

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

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# Outline

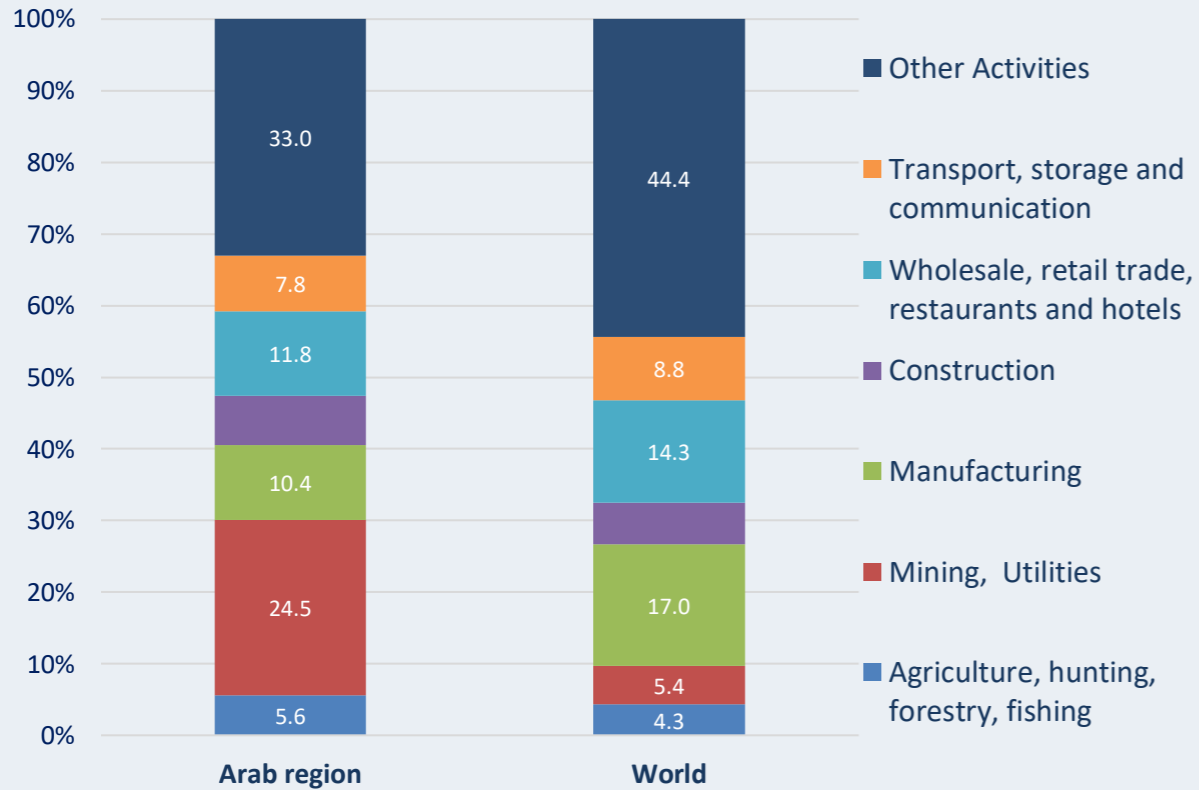
- Snapshot of economic challenges of the Arab region in the context of COVID-19
- Policy responses toward mitigating the impact of COVID-19 in the Arab States
- ESCWA's call for policy interventions toward building forward better

# Structure of economies in the Arab region vs. the world

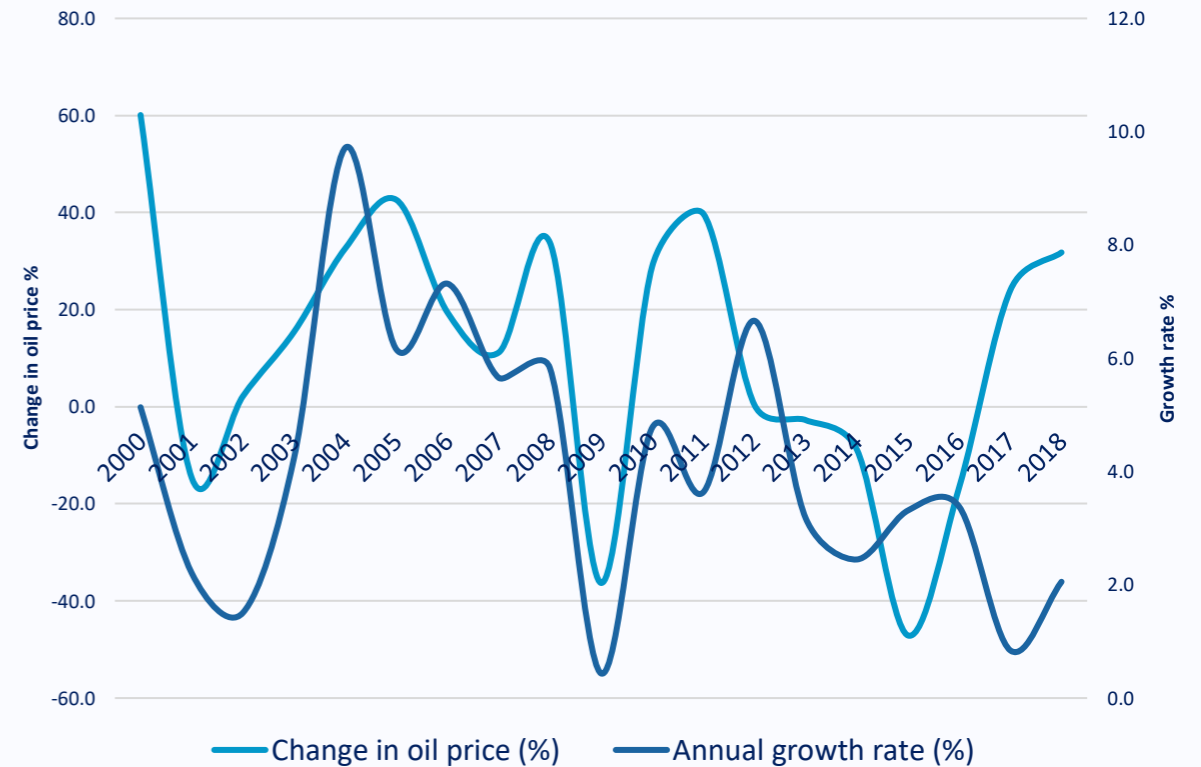
Clearly, the region has a high concentration of output in the mining and utility sector, which is largely oil and gas

## Sectoral share of total output (%)

Arab region vs World

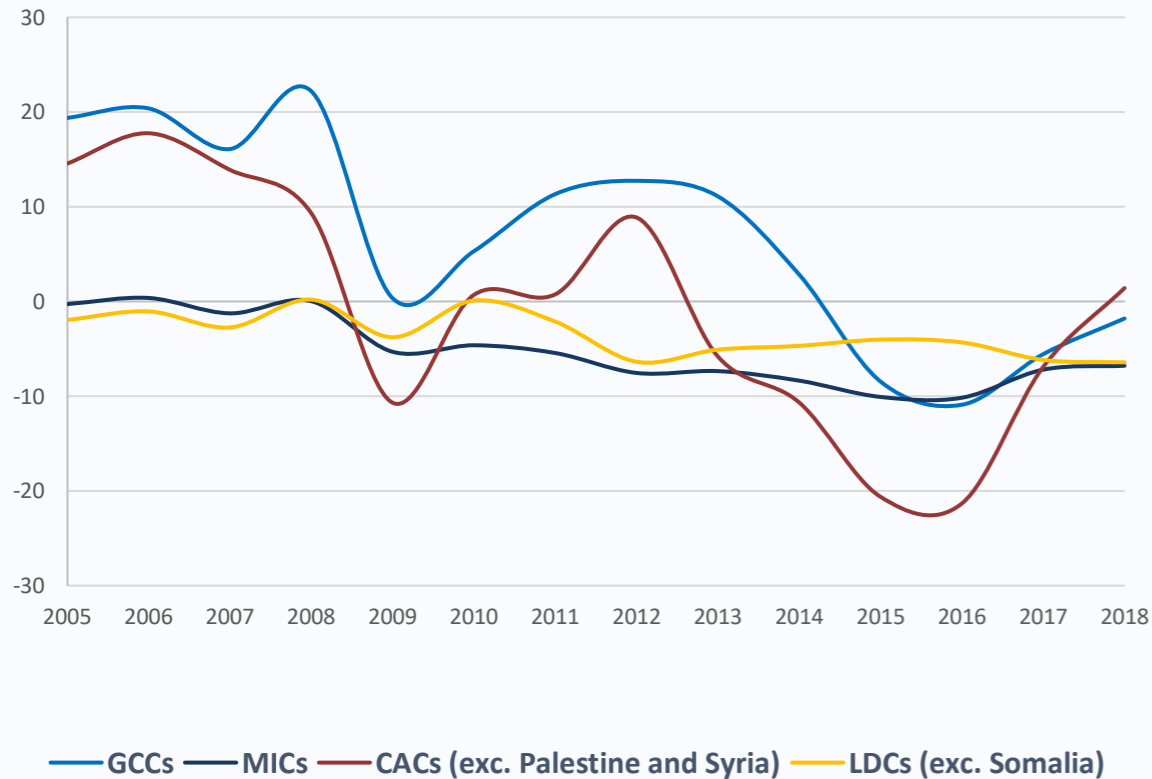


## Arab region's economic growth tracks closely to changes in oil price

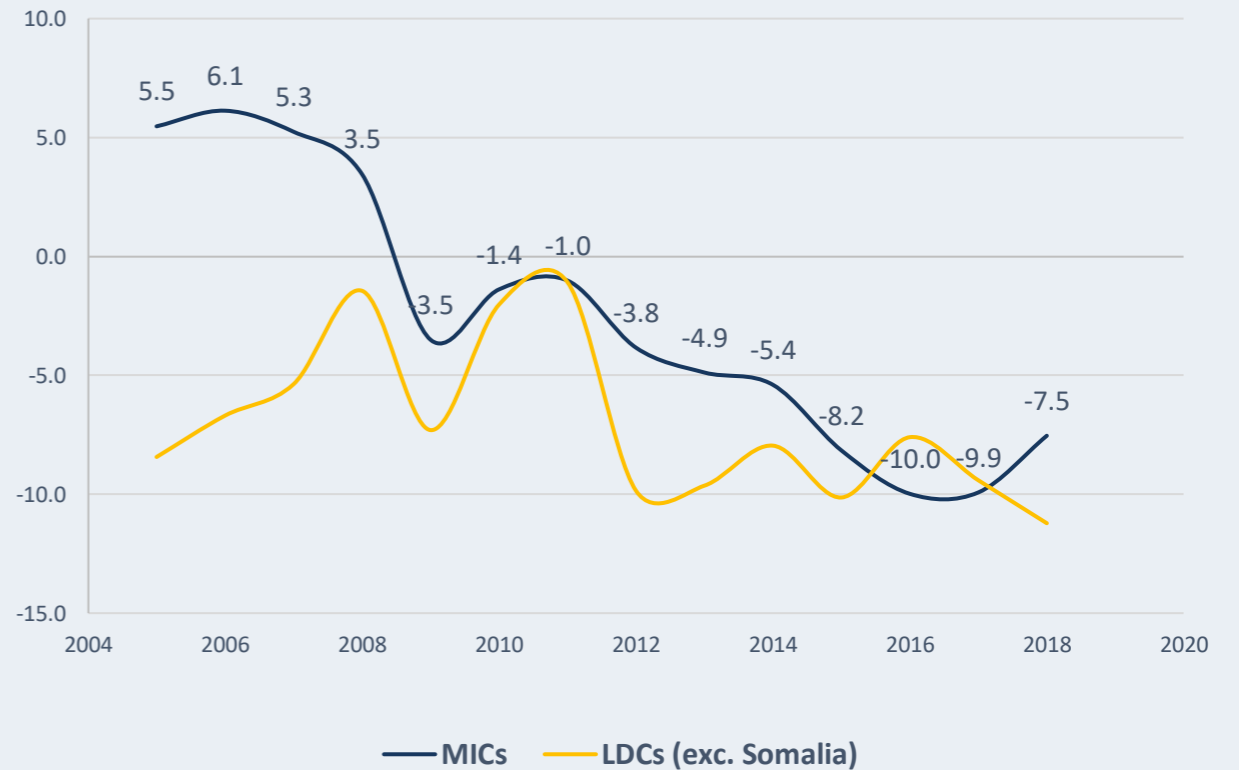


**Introduction:** Public finance and external liquidity has been under pressure across the region, especially hard for the MICs and LDCs

**Fiscal balance (% GDP)**



**Current account balances (% GDP)**



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This COVID-19 pandemic is spreading through the Arab region at a time when economies are already battered by conflict and mounting fiscal pressures.



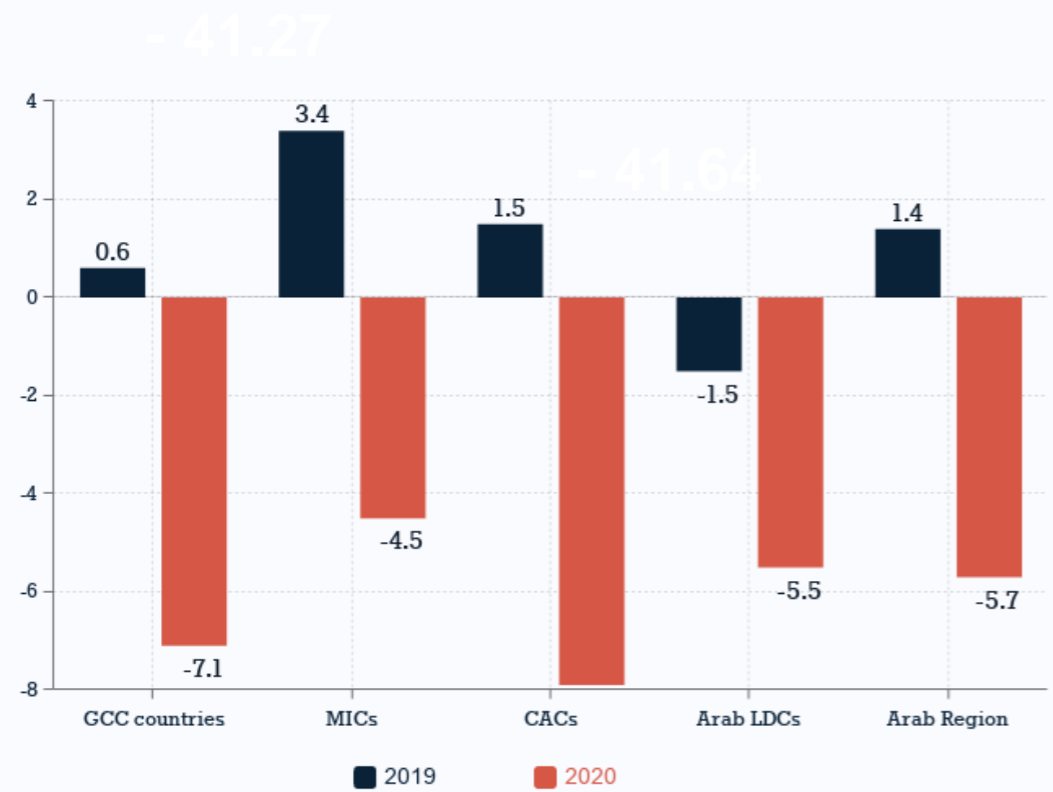
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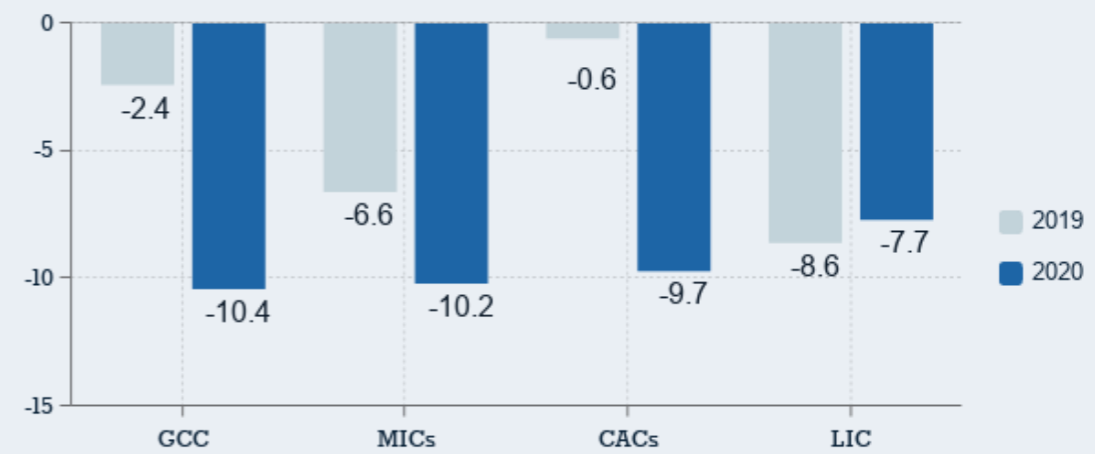
# Economic Costs of the COVID-19 Are Significant

- The region is in a recession, much like the World economy:

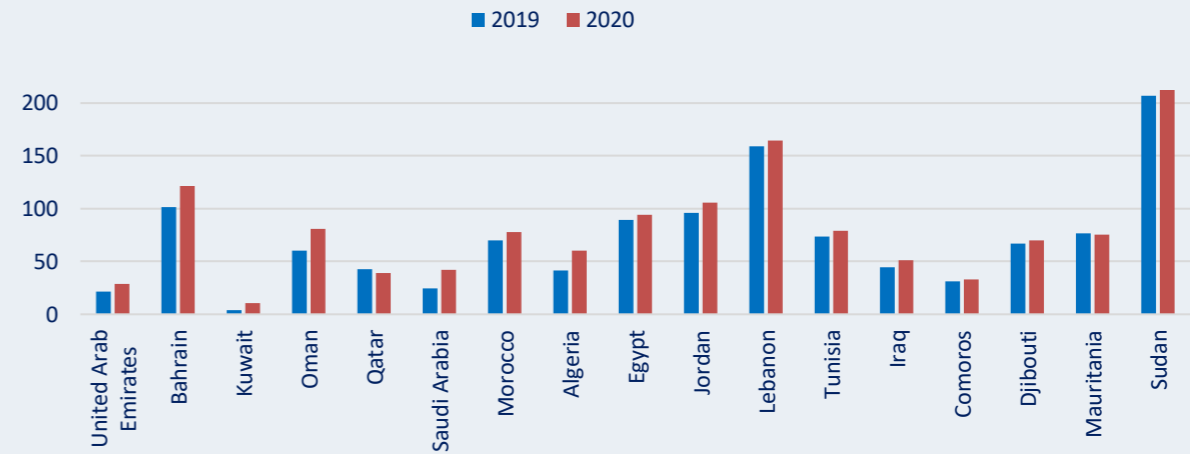
A negative growth rate of around 5.5 per cent between 2019 and 2020, which means regional loss of nearly \$150 billion real output from 2019 level.



- Increasing fiscal deficits (% GDP)



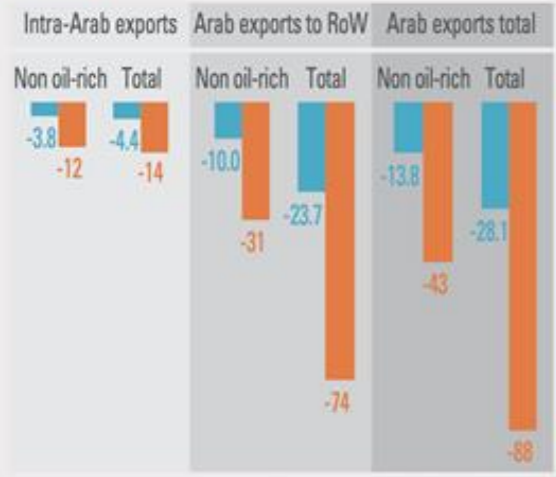
- Increasing debts and debt service limit fiscal space for meeting essential expenditure needs



# COVID-19 Impacts on Trade: Major Foreign Currency Earning Sectors such as mining, chemical industries and tourism sectors are worst hit

- The Arab region's total exports are expected to decline by **\$88 billion** owing to the adverse impact of COVID-19, under the worsening scenario (figure 1)
- Mining and chemical industries are the major losers, comprising **71 per cent** of the total drop in exports owing to the impact of COVID-19 (figure 2)
- The Arab region's total imports are expected to decline by **\$111 billion** owing to the adverse impact of COVID-19 on consumption and exports under the worsening scenario (figure 3)

Figure 1. Impact of COVID-19: Decline in exports (\$ billion)



■ Moderate scenario (global growth @ 1.5%)  
 ■ Worsening scenario (global growth @ -3%)

Figure 2. Sectoral composition of decline in exports owing to COVID-19

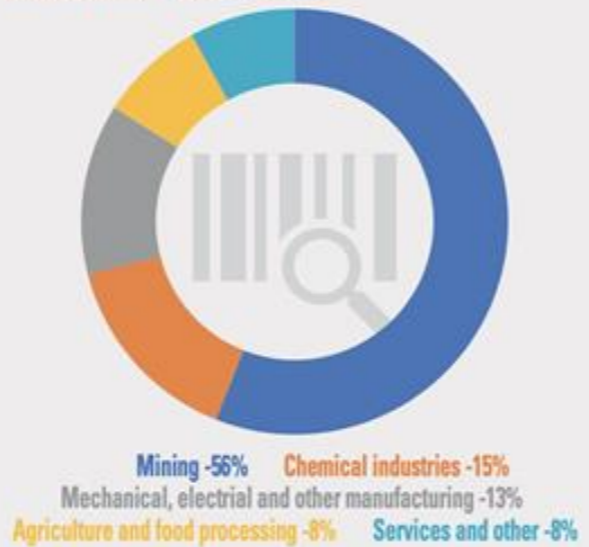
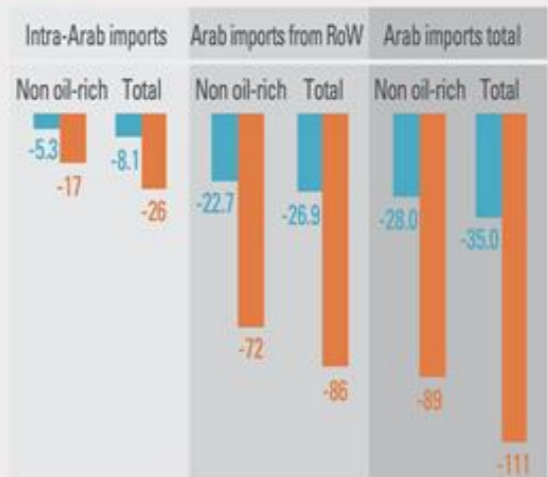


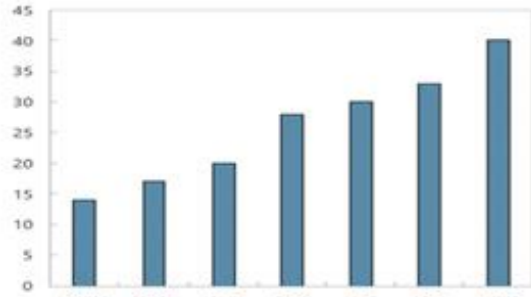
Figure 3. Impact of COVID-19: Decline in imports (\$ billion)



■ Moderate scenario (global growth @ 1.5%)  
 ■ Worsening scenario (global growth @ -3%)

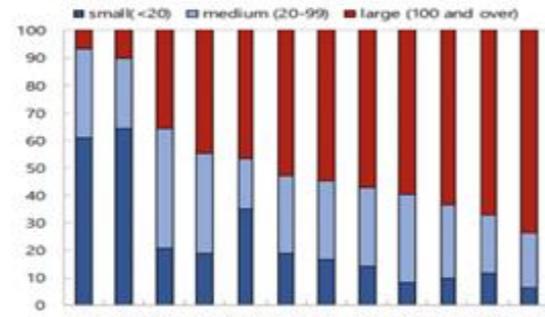
# Adverse impact on the SMEs have deep impact on jobs and incomes in the Arab World

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.

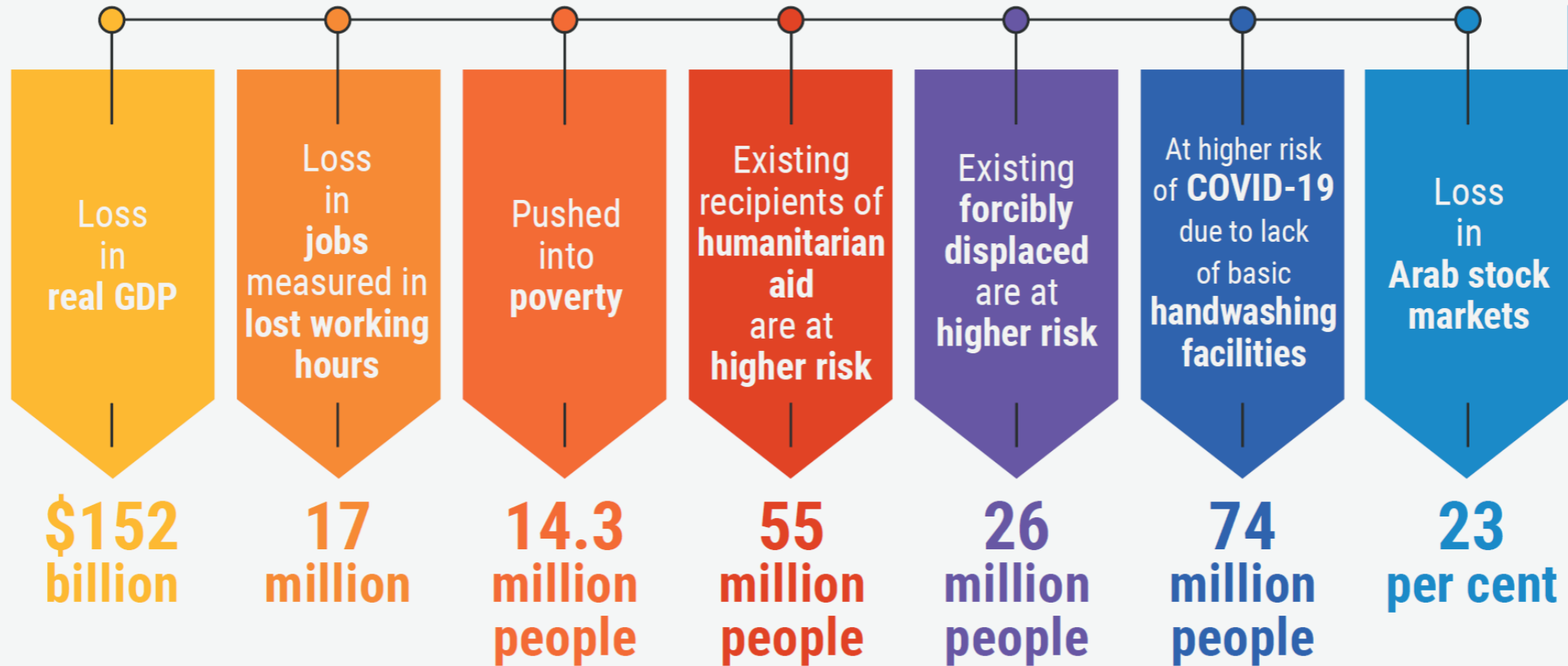
Source: IMF, 2019

- In the Arab region, most formal MSMEs were found in the **trade and services sectors** that are highly impacted.
- SMEs' contribution to GDP in Arab economies ranges **between 4 and 40 percent**. The micro, small and medium enterprises (MSMEs) account for **80–90 percent of businesses in the MENA region** and around **97 percent 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 impacted jobs and incomes adversely: Workers in small-scale enterprises experience lack of payments, lay-offs, and worsening working conditions:
  - For example, Out of 363 surveyed enterprises by ILO in Lebanon, sixty-four per cent of the workers who were unable to go to work due to the lockdown did not receive any payment from their employers. Twenty per cent received a portion of their normal wage, while 16 per cent received full payment.



## Snapshot of estimated impact of the COVID-19 on the Arab Region: Increasing poverty, shrinking middle-class, rising unemployment

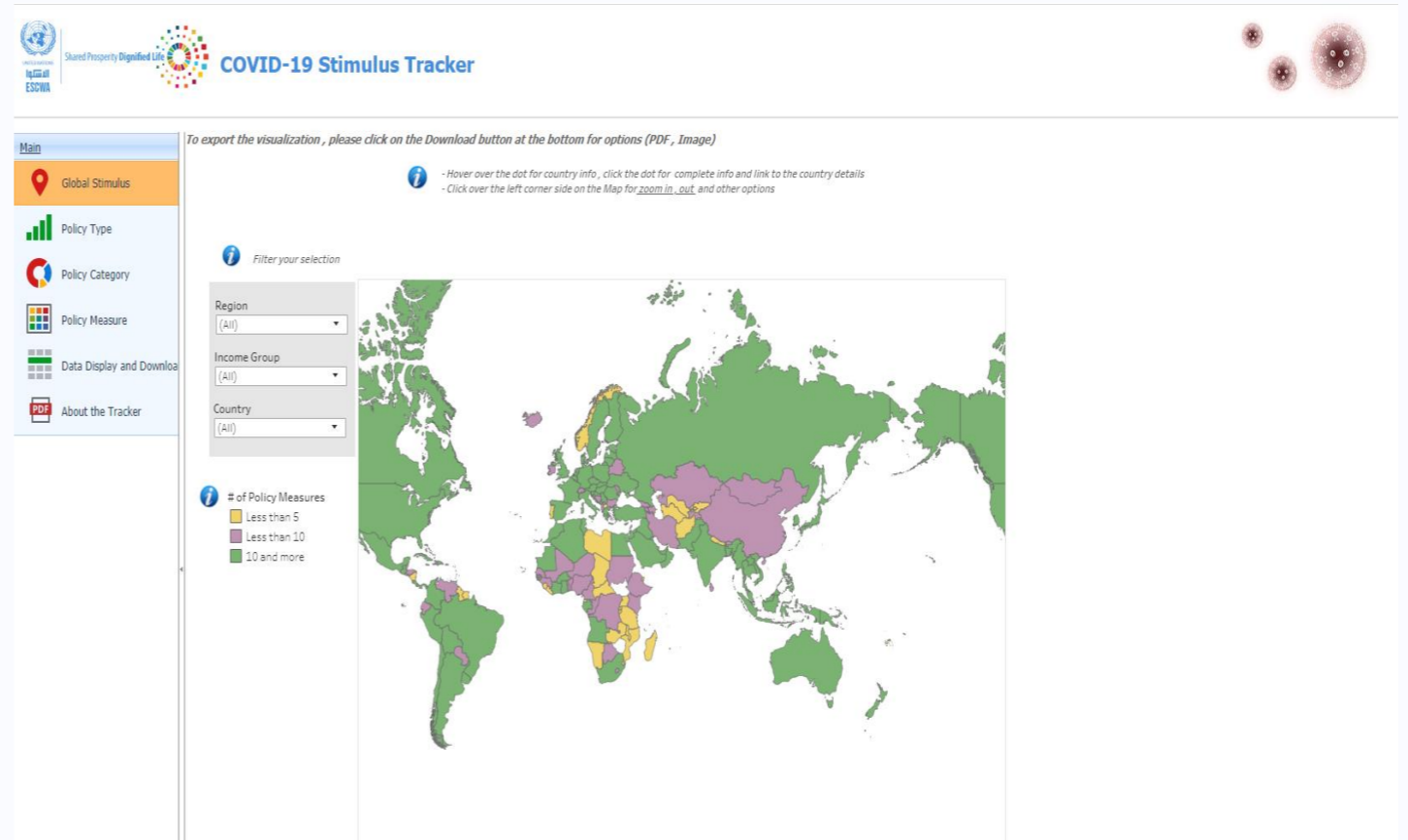


Source: ESCWA calculations and estimates (all figures are of July 2020 and are likely to increase as the pandemic evolves).

# COVID-19 Policy Responses

## The Seven categories of policies

- Social Assistance
- Loan and tax benefit
- Social Insurance
- Labour Markets
- Health related support
- Financial policy support



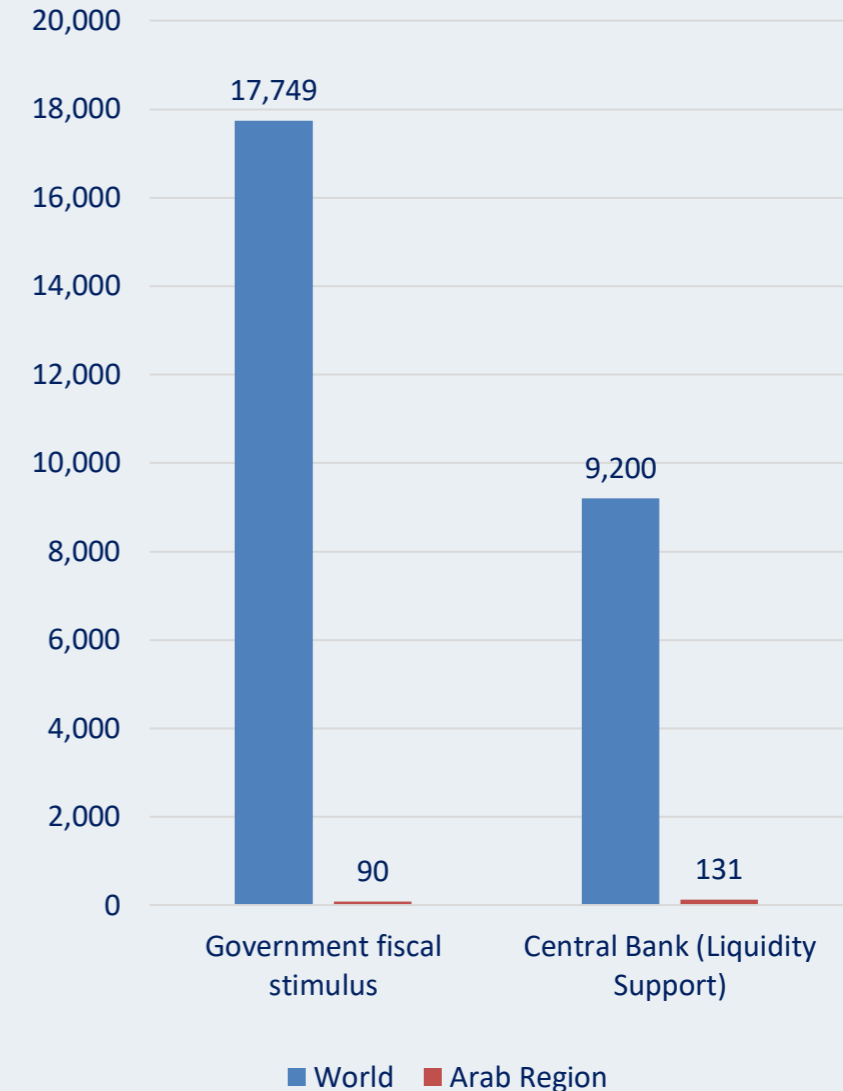
# COVID-19 Policy Responses

- In the Arab region, government fiscal stimulus taken together is about \$90 billion (about 4% of GDP), while the global fiscal stimulus is about 18 trillion (22% 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 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](#)

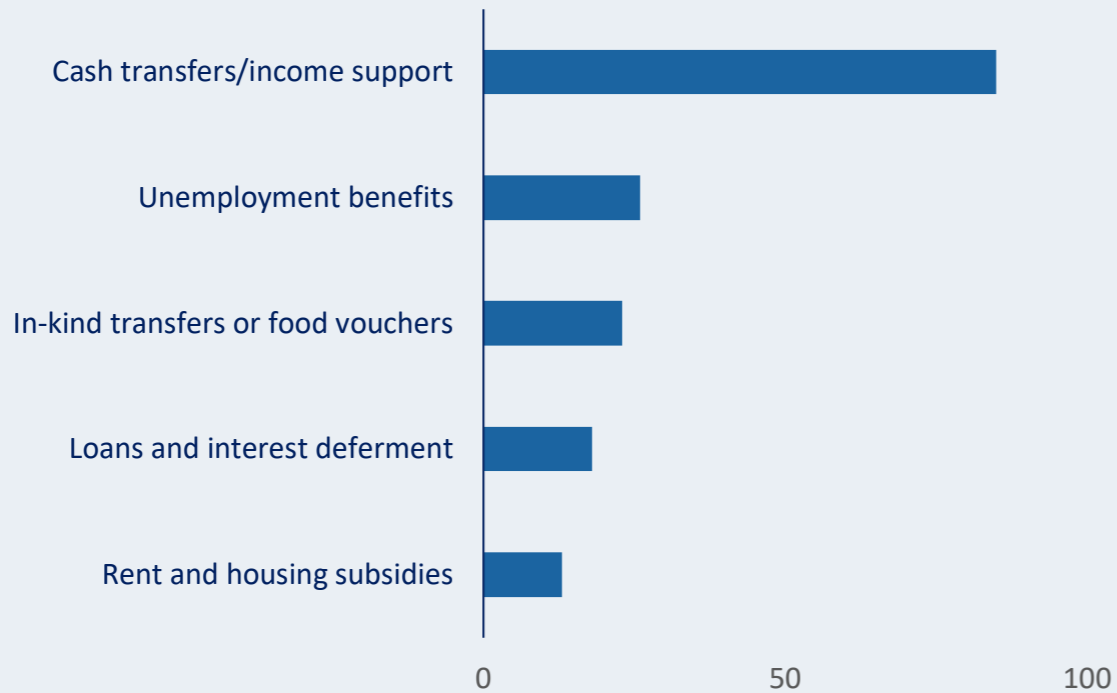
## World Vs. Arab Region

Fiscal Stimulus to Mitigate the Impact of COVID-19  
(BILLION USD)

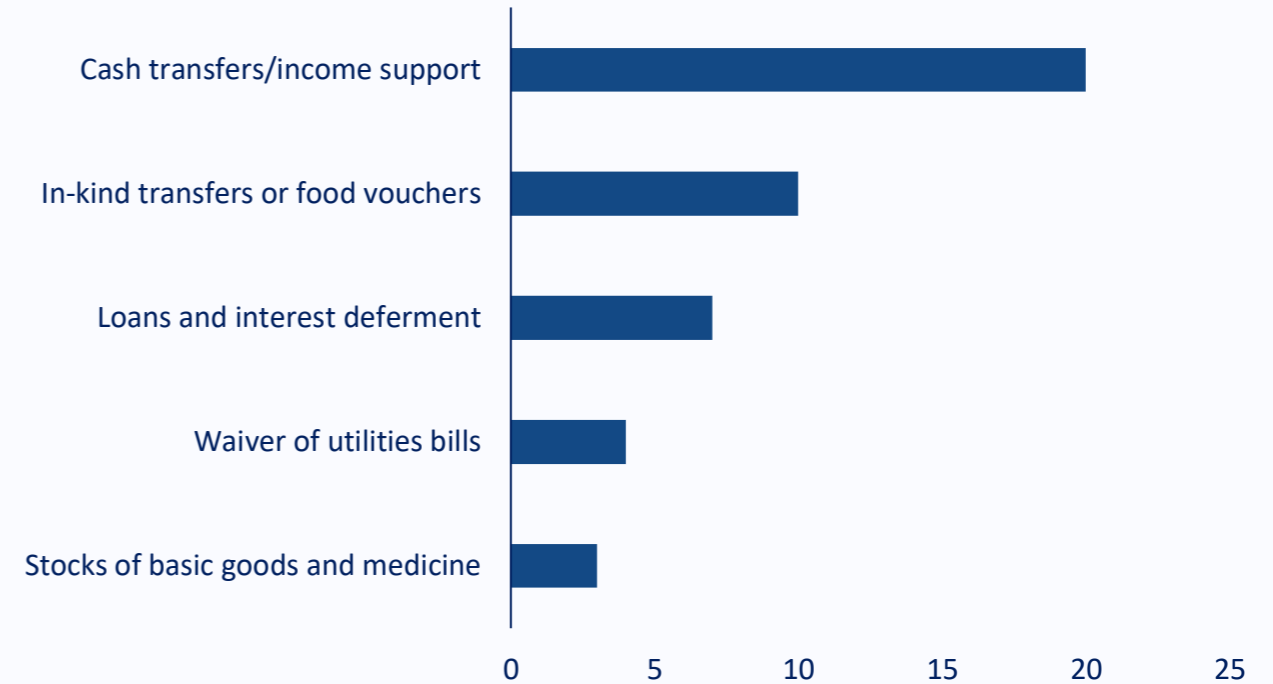


# Common Top Five Social Protection Policy Measures

## Common Top Five Social Protection Policy Measures in the World



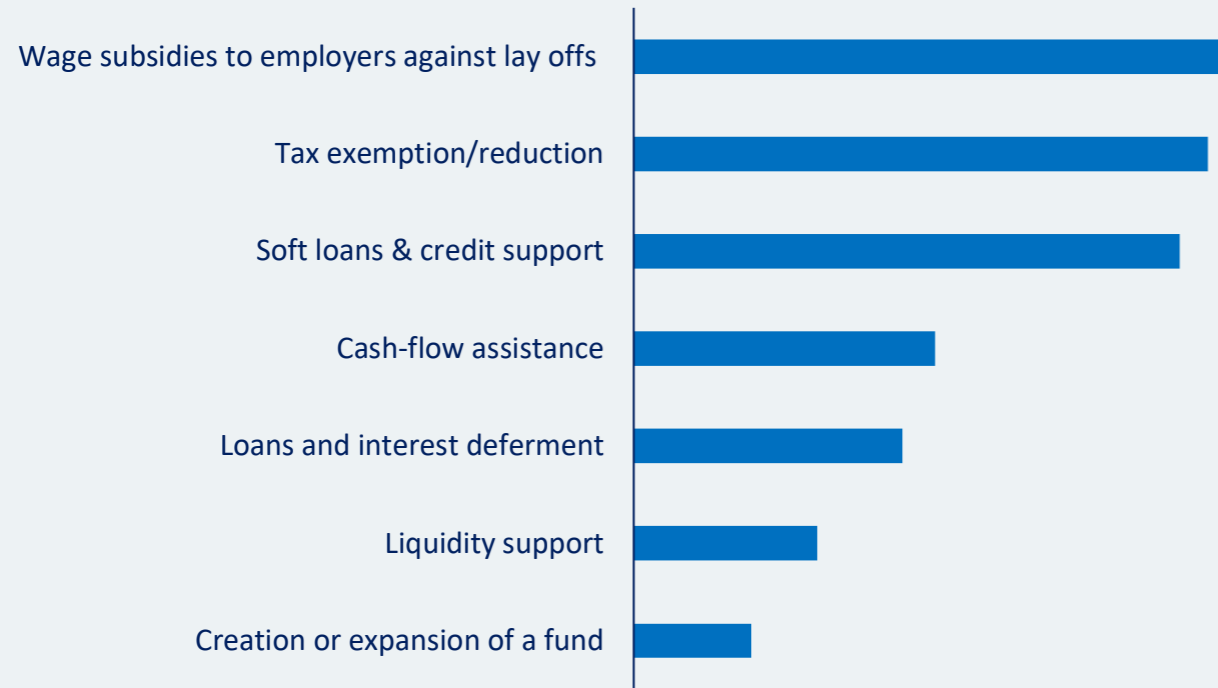
## Common Top Five Social Protection Policy Measures in the Arab Region



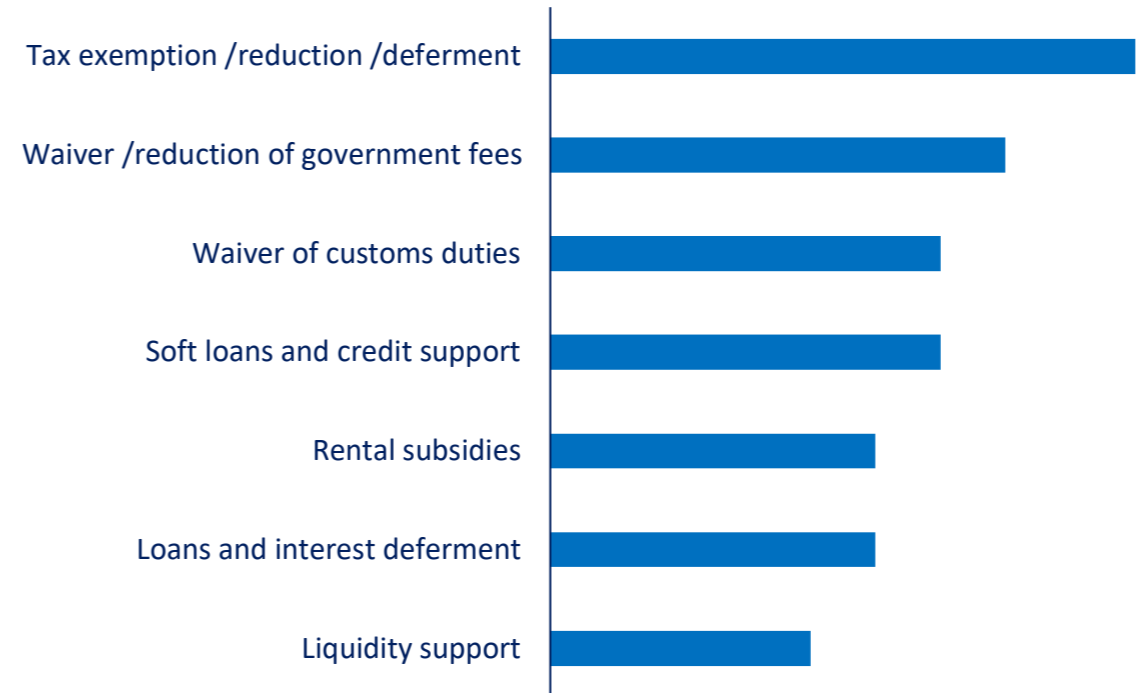
Note: These measures exclude the combined measures under multiple policy measures.

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

## Measures by Governments: World



## Measures by Governments: Arab Region



Source: ESCWA- COVID-19 Stimulus Tracker (2020)







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## ESCWA' s 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





## ESCWA' s call for international policy support toward building forward better

- Extend debt relief measures to release fiscal space for essential expenditures:
  - LDCs*
    - Extend the period of G20 DSSI to end 2021
    - Include multilateral debt in the DSSI, which is currently limited to bilateral debt
    - Access to debt relief under the HIPC initiative to benefit countries such as Sudan
  - MICs*
    - Broaden the scope of DSSI to include MICs and vulnerable countries
    - Enhance private sector participation
    - Improve access to concessional loans
    - Debt restructuring and debt swap on case by case basis
- Global commitment to the delivery of official development assistance (ODA) is important to avert possible shortfalls in health spending in the Arab region.
- Solidarity from the wealthiest countries can contribute to creating a strong "regional social solidarity fund."





# ESCWA resources on COVID-19

## A. Policy Briefs in Arabic and English

Link to policy briefs: <https://www.unescwa.org/publications/socioeconomic-impact-covid-19-policy-briefs>

1. REGIONAL EMERGENCY RESPONSE to Mitigate the Impact of COVID-19
2. COVID-19 Economic Cost to the Arab Region
3. Mitigating the impact of COVID-19 Poverty and food insecurity in the Arab region
4. The impact of COVID-19 on Gender Equality in the Arab region
5. The impact of COVID-19 on the water-scarce arab region
6. The impact of COVID-19 on arab economies: trade and foreign direct investment
7. Effect of COVID-19 on price and expenditure statistics
8. The impact of COVID-19 on arab financial systems
9. impact of COVID-19 on young people in the arab region
10. A solidarity tax to address the impact of covid-19 on poverty in the arab region
11. COVID-19 and persons with disabilities: mapping of accessible protection tools produced by Arab Governments (in Arabic only):
12. Limited fiscal space puts Arab region recovery from COVID-19 pandemic at risk . E/ESCWA/2020/POLICY BRIEF.13

## A. Tools produced:

1. COVID-19 Stimulus Tracker: <http://covdata.unescwa.org/RPT/RPTDSH1.aspx>
2. Prevalence of COVID-19 in the Arab region (updated daily): <https://www.unescwa.org/covid-19-prevalence-arab-countries>

# Thank You

UN ESCWA

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