

REGIONAL EMERGENCY RESPONSE to Mitigate the Impact of COVID-19



Shared Prosperity Dignified Life



Introduction

A decade marked for accelerated action and delivery towards sustainable development has been disrupted by a global health threat that has severely impacted the Arab region. The focus now is on urgent action to save lives and repair livelihoods. This crisis is a stark reminder of why an efficient and effective public sector is the first line of defence in addressing systemic risks. This perilous pandemic is spreading through the Arab region at a time when economies are already battered by conflict and mounting fiscal pressures. To mitigate the mounting threat of COVID-19, people across the region must work together to limit transmissions and fatalities by thinking of and protecting others, especially the most vulnerable. The virus knows no borders, and has severely affected the lives and livelihoods of people from all social and economic backgrounds. This regional emergency response is not about bailing out countries, industries or financial institutions – it is about saving thousands of lives. Human welfare and social solidarity must be at the core of any recovery initiative to eradicate this contagion, and allow Governments to resume their efforts towards a secure, just and prosperous world for all.



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Impact assessment

- Initial estimates of the impact of the Coronavirus pandemic** show that the Arab region may lose around \$42 billion in income in 2020. Losses are likely to increase further as the virus continues to spread through Europe, the United States of America and other major economies, compounded by a significant drop in oil prices.
- The impact of the Corona pandemic has led to a continuous decline in oil prices that, coupled with an oil price war, has caused the Arab region to lose nearly \$11 billion in net oil revenues between January and mid-March 2020.** At current oil prices, the region is losing nearly \$550 million daily. The gains of oil importers within the region are negligible compared with the losses of oil exporters.
- Exports from the Arab region are expected to decline by \$28 billion owing to the global slowdown,** threatening the survival of export businesses and industries. Arab Governments are projected to lose tariff revenues amounting to \$1.8 billion. The fiscal impact could be particularly significant for countries that rely on customs tariffs as a significant source of government revenue.
- Between January and mid-March 2020, businesses in the Arab region lost a massive \$420 billion in market capital.** The consequent loss of wealth is equivalent to 8 per cent of total regional wealth.
- The Arab region may lose 1.7 million jobs in 2020,** thus increasing the unemployment rate by 1.2 percentage points. Unlike the global financial crisis of 2008, the COVID-19 pandemic is severely damaging employment across all sectors because of social distancing policies, especially the services sector. Globally, service sector activities have decreased by 50 per cent. Given that the service sector is the main employer in the Arab region, the adverse impact on its activities will result in significant job losses.
- The Arab region may witness further shrinking of the middle-income class, pushing 8.3 million people into poverty.** The economic slowdown caused by COVID-19 is expected to negatively impact wages and the flow of remittances. The consequences of this crisis could be particularly severe on vulnerable groups, especially women and young adults, and those working in the informal sector who have no access to social protection and unemployment insurance. The challenge is further compounded by a lack of social protection floors in some Arab countries. Increased poverty could lead to an additional 1.9 million people becoming undernourished.

Figure 1. Expected loss of gross domestic product (GDP) in the Arab region, 2020, \$ billion

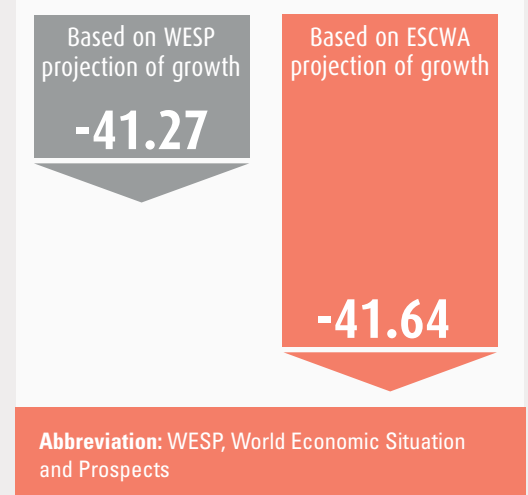


Figure 2. Loss of oil revenues for the Arab region (estimates for January to mid-March 2020, \$ billion) - Scenarios

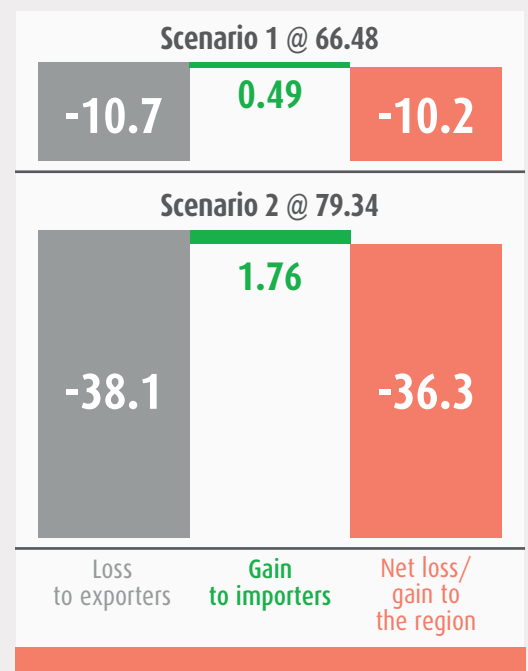
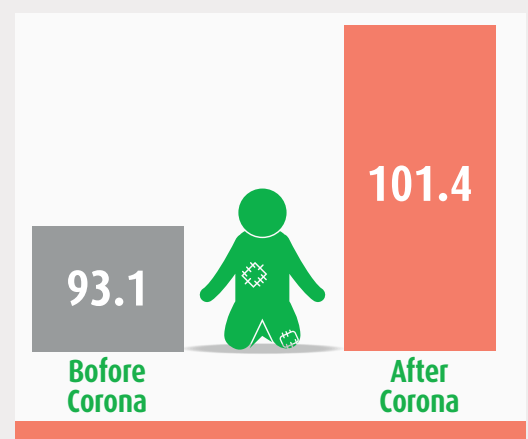


Figure 3. Projected increase in poverty: 8.3 million more



- 7. The Arab region may witness food shortages if the Corona pandemic continues for several months.** A protracted worldwide pandemic would negatively impact global supply chains, production, transportation and distribution of food products, resulting in lower food exports by food-producing countries. This would impact food security in many Arab countries because of their high dependence on food imports, especially of staple and protein-rich foods. The region imports 65 per cent of the wheat it consumes, and spends around \$110 billion on food imports.
- 8. The Corona pandemic threatens 55 million people in need of humanitarian aid in the Arab region.** Around 26 million of those are forcibly displaced (refugees and internally displaced persons). COVID-19 is threatening humanitarian aid, whether in terms of food, water and sanitation, medical supplies or health services. Disruption to humanitarian programmes will have detrimental consequences on millions of people. In addition, countries in conflict cannot mitigate the impact of a COVID-19 outbreak owing to the devastation of health infrastructure and the displacement or migration of many health-care workers.
- 9. Women in the Arab region face further vulnerabilities due to the COVID-19 pandemic.** In Arab countries, most health-care workers, particularly nurses, midwives and support staff, are women. This places them at a higher risk of exposure to the virus. Vulnerability to domestic violence, currently experienced by 37 per cent of women in Arab countries, is projected to increase, and existing recourse and protection mechanisms will not be able to absorb the surge in cases due to the social isolation imposed by the pandemic. Women and girls in refugee communities and those displaced within their own countries already face multiple health risks and often lack access to adequate health services and proper sanitation facilities, further hindering their resilience to the impact of this wide-spread disease.



Emergency National Policy Response

With increased social and economic distress and an impending health crisis, policy actions by Arab Governments must ensure a swift response to mitigate the impact of the pandemic, using a comprehensive and inclusive approach that leaves no one behind.

Fiscal measures must aim to support people in need and sustain the economy by ensuring the following:

1. Enhancing social protection by extending the coverage of existing schemes, including cash transfers, food aid, unemployment benefits, and paid sick leave protection;
2. Deferring individual loans and mortgages, temporarily suspending government fees, and providing tax relief to those in need;
3. Supporting impacted businesses to reduce job layoffs and stimulate the economy by postponing social contribution payments for employees, extending tax exemptions, providing wage subsidies to maintain workers on payroll, and temporarily suspending loan repayments during the COVID-19 crisis;
4. Extending credit support and providing interest free loans to small and medium enterprises (SMEs) and the self-employed;
5. Boosting demand and job creation through increased government spending on labour-intensive projects and procurement, especially expenditure on health-care programmes and emergency response systems.

Social solidarity measures must target the poor and vulnerable by ensuring the following:

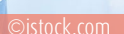
1. Implementing measures to ensure uninterrupted access to affordable food staples and basic necessities for vulnerable consumers, and prevent hoarding and price gouging;
2. Identifying and putting in place a targeted system for older persons and persons with disabilities who have limited or no social protection. The pandemic will cause these individuals to be more isolated and financially vulnerable, especially those who rely on their families to meet their daily needs. Innovative and creative solutions should be put in place to provide targeted financial assistance and mobile health services, including physical and psychological support;

Several Arab countries have provided stimulus packages to support citizens and strengthen businesses in the fight against COVID-19. For example, the United Arab Emirates announced a \$27 billion stimulus plan to boost the economy, including water and electricity subsidies for citizens and commercial and industrial activities. Egypt unveiled a comprehensive plan costing \$6 billion to combat the fast-spreading virus and support economic growth. Qatar announced a \$23 billion stimulus package to buoy the economy, and support and provide financial and economic incentives to the private sector. Saudi Arabia announced a \$13 billion stimulus package to support businesses and extend finance to small and medium enterprises. Oman announced a \$20bn incentive package for financial institutions to combat the impact of COVID-19 on the local economy.

1. Targeting inclusive economic stimulus towards low-emission, energy efficient and climate-resilient development pathways to advance national and sectoral climate adaptation and mitigation targets so as to protect future generations and reduce costs;
2. Considering sustainable energy options when establishing decentralized COVID-19 testing and treatment facilities, such as encouraging the use of solar panels for electricity and water heating rather than diesel generators, which in turn could strengthen local production of these panels by SMEs;
3. Ensuring continued and expanded agricultural production to address potential national food

4. Supporting small food producers with in-kind assets and production inputs such as seeds, compost, irrigation systems and pesticides, to farm livestock and poultry and produce short-cycle seasonal crops.

1. Empowering local governance actors through financial and technical support to municipalities and local councils, and enhancing partnerships with civil society to ensure effective service delivery and outreach to vulnerable groups, such as displaced and humanitarian-aid dependent populations, daily wage earners, the unemployed and the newly poor;
2. Reducing communication tariffs and fees for households and individuals, strengthening broadband Internet capacity, and providing free software to enable telemedicine, remote working, learning from home and social interaction;
3. Improving data to enable decision makers to make swift decisions built on evidence; enhancing and using available information, primarily administrative registers and records and private sources; working with local universities and research centres to harness open data and big data for medical purposes, social distancing, food supply and other actions to mitigate the impact of COVID-19.



Private sector partnership and support need to strengthen solidarity by ensuring the following:

1. Establishing a dedicated Emergency Fund sponsored by the private sector and high net worth individuals to support government actions in mitigating the impact of the COVID-19 crisis, including the use of corporate social responsibility resources in solidarity with local communities;
2. Encouraging large corporations to limit layoffs and integrate SMEs in their value chains, including favouring them in procurement and subcontracting, and offering them rent suspensions or waivers during the crisis;
3. Urging multinational corporations to hold back on shifting primary incomes to avert further vulnerabilities to the balance of payments and financial accounts;
4. Recommending private banks to provide relief from interest payments during the crisis, and temporarily suspend collection of principals from SMEs and the self-employed;
5. Urging private hospitals and health-care providers to offer all residents free consultations, tests and treatment for COVID-19.

Regional Emergency Response

Regional action must support national efforts and mobilize resources and expertise to mitigate the impact of the pandemic. Regional development and financial institutions, intergovernmental organizations and United Nations agencies need to develop a regional emergency response that emphasizes the principle of leaving no one behind, reflected in efforts to reach the most marginalized groups by undertaking the following:

1. A strong appeal for peace in the region. Conflicts will further exacerbate the pandemic and its socioeconomic repercussions in Arab countries, including Libya, the Syrian Arab Republic and Yemen. All regional stakeholders and the global community must renew their efforts to restore peace and declare an immediate humanitarian truce, so as to allow the establishment of humanitarian corridors to make health and humanitarian aid accessible to civilians. Sanctions on several countries and the blockade of the Gaza Strip should be lifted, with no restrictions imposed on the material necessary to fight the pandemic and protect livelihoods;
2. Arab Governments are called upon to establish a regional social solidarity fund that supports vulnerable countries, including the Arab least developed countries. The fund should target the poor and vulnerable, ensure a rapid response, and provide relief during food shortages or health emergencies. For example, Arab Governments could declare the religious tithe (zakat) this year, both for Eid and for personal savings (zakat al-mal) payable to this fund;
3. Regional development financial institutions, and multilateral financial institutions, must consider debt deferral and debt reduction mechanisms to enhance the fiscal space for middle- and low-income Arab countries to address the impact of COVID-19. Multilateral organizations and international financial institutions should consider increasing grants and technical support to vulnerable countries that are confronted with fiscal pressures, including the least developed countries;
4. Despite the crisis in donor countries, sustaining official development assistance, at least by maintaining current levels, is important to avert possible shortfalls in health spending in the Arab region;
5. Official creditors are called upon to institute an emergency debt service moratorium on sovereign debt to free up foreign currency reserves in Arab developing countries previously tied to debt service, and direct these resources to critical imports on health and medical supplies in line with guidance on response plans issued by the World Health Organization. Official creditors should consider debt swaps to enhance social investments and address the impact of COVID-19, as was the case for debt swaps to support the fight against AIDS, tuberculosis and malaria;
6. Existing regional funds need to channel investments to the health sector and to SMEs. They can support

government concessional loans or soft loans to fund additional expenditure in the health sector in each country, and the disbursement of a subsistence allowance to those who have lost their jobs. They should also support member States in constituting their strategic stocks of food and medications;

7. Arab central banks must enhance liquidity and ease key financial stressors in economies to improve greater access to finance for SMEs, and encourage lending and investment. The Union of Arab Banks is called upon to swiftly adopt the necessary measures to hold off interest repayments from SMEs and households facing short-term cash crises, and extend existing credit/loan facilities without penalties. Governments are urged to adopt credit guarantees to cover commercial loans for SMEs and establish a temporary business relief package;
8. Arab Governments must ensure that migrants in host countries are able to remit funds to their families using low-cost corridors. Arab finance ministers and Arab central bankers supported by the Union of Arab Banks and money transfer operators should urgently declare a dramatic reduction in the transfer fees of remittances, which could free up \$4 billion worth of additional remittances for 32 million migrants from the region to support their families;
9. Regional specialized Arab funds should encourage quick and significant financial support under aid-for-trade initiatives by designing and financing appropriate programmes to support Arab exporters and importers;
10. Coordinated actions by Arab Governments are needed to remove all barriers on imports and exports, mainly on food, medical products and inputs for industries producing essential goods. Arab Governments should consider removing all remaining barriers to the Pan Arab Free Trade Agreement (PAFTA) to boost intraregional trade. They also need to develop a strategy to rapidly diversify supply chains to reduce vulnerabilities to such crises.
11. Humanitarian actors and donors in the region are called upon to review food aid modalities to address newly developed market and logistical dynamics.
12. The World Trade Organization is requested to issue a swift ministerial decision that would allow parallel imports of medication and vaccines to address the COVID-19 crisis in developing countries. Intergovernmental bodies at the regional level, such as the League of Arab States, are called upon to invoke compulsory licensing for non-

commercial usages once a COVID-19 vaccine has been found.

13. A regional platform on efforts in the Arab region to combat violence, along with awareness raising campaigns, should be launched to share experiences of victims and specific measures to reduce domestic violence. Owing to home confinement, stress may cause increases in domestic violence, particularly against women and children. Experiences of non-governmental organizations and Governments in combating violence against women, children, older persons, persons with disabilities and other vulnerable groups should be made available in Arabic video messages for viewers in the Arab region;
14. A regional cooperative framework should be established to identify and disseminate best practices for the safe and sustainable management and disposal of bleaches and disinfectants and medical and hazardous waste, to prevent a waste management crisis that risks impacting public health, ground water and coastal areas given that sanitary landfills, incineration capacity and wastewater treatment are limited in the Arab region.

For example, the Islamic Development Bank is setting up a special Strategic Preparedness and Response Facility of \$730 million to mitigate the negative health and socioeconomic impact of the COVID -19 pandemic for Islamic countries. The International Islamic Trade Finance Corporation provides shariah-compliant trade financing for member States of the Organization of Islamic Cooperation (OIC), with a particular focus on financing intra-trade between member countries. It provides direct financing or cooperates with other fund providers to support OIC trade and intra-trade. The Arab Investment and Export Credit Guarantee Corporation (DHAMAN) runs the Arab Export Credit Insurance Scheme designed to support and encourage Arab exporters' efforts to enhance their exports to Arab and non-Arab markets, thus increasing inter-Arab trade and exports worldwide.



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VISION: ESCWA, an innovative catalyst for a stable, just and flourishing Arab region

MISSION: Committed to the 2030 Agenda, ESCWA's passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice. Together, we work for a sustainable future for all.

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