COVID-19 crisis response in MENA countries

Updated 09 June 2020

Key takeaways:
Governments in the MENA region have rapidly reacted to contain the Coronavirus (COVID-19). With all necessary caution at this stage of pandemic, contagion seems limited so far, and the public health consequences less severe than expected. However, the pandemic is already causing dramatic economic (drop in oil revenues, remittances, FDIs and tourism) and social consequences, in particular for the most vulnerable (youth, women, informal workers). A regional agenda of reform could help address the region' structural imbalances and support the design of a new inclusive growth model.

Executive Summary

Governments from the MENA region have rapidly taken decisive measures to slow the increase of COVID-19 contagion by **limiting the movements of hundreds of millions of people**. There are over 320,000 confirmed cases across the MENA region, just under half (46%) of them in Iran. Among Arab economies, Saudi Arabia has the most confirmed cases, followed by Qatar and the United Arab Emirates.

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 proved **efficient in limiting the spread of the pandemic in the region**. As of May, countries are progressively and carefully starting to ease restrictions on movement and economic activities and prepare their **strategy towards de-confinement**.

The pandemic is challenging MENA economies' ability to cope as the **virus strains 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 Syria, Iraq, the Gaza Strip, Yemen and Libya, where the lack of hospital beds and testing capacities is a cause of concern. On the other hand, some countries have adopted **rapid, decisive and/or innovative measures to contain the virus**, such as virtual doctors and sanitising robots in the UAE, or ramping up domestic masks production in Morocco. This highlights significant differences 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 and implement drastic measures to protect communities at risk. **Many administrations have shown a good capacity to mobilise** and implement prevention measures, while preparing for stimulus packages. This crisis emphasizes the importance of underlying structural issues, such as the importance of transparency and the fight against corruption, effective public procurement, digitalisation and open government approaches, in addition to a strengthened role for civil society. Public governance measures should be used to ensure the continuity of response and essential services by public institutions but it should also enhance public sector resilience and adaptability while restoring the population's trust in public institutions. It also sheds light on the need to build public sector capacity to withstand crisis and respond appropriately, which requires investment in capacities for coordination, prioritisation and agility.

The pandemic is already causing a **dramatic economic cost**, with both a negative demand/supply shock and a shock from the collapse of oil prices.[1] 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, will cause wide reverberations if unemployment rises and wages and remittances fall. The United Nations Economic and Social Commission for West Asia estimates that the economic slowdown caused by the pandemic will cause an additional **8.3 million people to fall into poverty**[2]. Further, **bottoming crude oil prices** have put additional strain on even the region's wealthiest countries. The drop in prices may give MENA oil importers leeway to allocate additional funding to those sectors most affected by the crisis. However, also oil importing countries are negatively affected by the decline in oil prices, 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.

The impact of the COVID-19 outbreak may **further exacerbate those regional differences and structural imbalances**, in addition to continued political instability as well as fragility in some cases. The outbreak of the virus has indeed impacted political developments within MENA economies. In particular, demonstrations in Algeria and Lebanon, which had been ongoing since February and October 2019

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

[2] https://news.un.org/en/story/2020/04/1060822

respectively, have been put to a halt due to the sanitary crisis. On 8 April, Saudi Arabia announced a two-week ceasefire in the offensive on Yemen in light of the humanitarian crisis.

The crisis could, still, offer an opportunity to **engage in a comprehensive reform agenda and address some of the region's underlying structural issues** (decentralisation, private sector development, social protection), design a new growth model (economic diversification, health and education spending, industrial innovation and participation in regional value chains), building on all segments of the society. 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 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 a critical need.

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

Outbreak and management of the health crisis

Containment measures

The MENA economies reported their first COVID-19 cases in late January/early February 2020, firstly in the United Arab Emirates. In line with the global trend, the reported numbers increased sharply in the first few weeks of the outbreak. However, infection and mortality rates as of May seem to indicate that **the pandemic has not hit the region as hard as expected**. Indeed, the number of COVID-19 related deaths in Arab countries, relatively to the population, remain far below the rates experienced in some European and Asian countries.

This can be explained by MENA economies' swift and early response. Following the outbreak of the pandemic, they introduced **strict containment measures** starting in the first half of March already. 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 26.

Most countries started by closing schools and nurseries, and prohibiting large public gatherings, including religious ones. Given the pandemic risk, several countries declared a **state of national emergency** and imposed stricter containment measures including mandatory self-isolation and curfews. All countries have banned entry to foreigners until further notice and air traffic has been put on hold or significantly reduced. Borders remain open for transport of goods and medical equipment. Quarantine rules 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.

As of May, several MENA countries have begun to **gradually relax lockdown measures and plan their exit strategies**. Deconfinement plans disclosed so far are either progressive, such as Lebanon's five-step reopening plan which started on 27 April, or rely on a geographical breakdown between low-risk and high-risk regions, as it is the case in Iran, which has been divided into white, yellow and red areas based on numbers of confirmed cases and deaths. Algeria, Bahrain, Iraq, Jordan, Lebanon, Saudi Arabia and the UAE have all authorised businesses and commercial outlets to resume activity, at least partially.

MENA economies seem to be building on the factors that contributed to the success of their containment strategies to approach the deconfinement phase. In all countries, **the gradual easing of restrictions has been coupled with permanent strict preventive measures**. Physical distancing continues to be enforced in most countries, with businesses required to comply with precautionary measures in order to be allowed to re-open. Face masks have also been made mandatory in public settings in Bahrain, Morocco, Qatar and the UAE, with violators facing heavy penalties including up to three months of jail in Morocco.

Challenges to health systems and health sector responses

MENA countries' containment efforts have proved particularly important in light of the region's varying levels of health system preparedness.

- Over the past 25 years, **Gulf Co-operation Council (GCC)** countries have undertaken substantial investments in healthcare infrastructure, alongside efforts to increase the number of doctors and nursing personnel. This has significantly improved the quality of healthcare services in the region. In an assessment of COVID-19 preparedness published mid-March by the WHO, where countries were ranked on a scale of 1 to 5, with 1 meaning no capacity to respond and 5 meaning sustainable capacity, all GCC countries except Qatar scored either 4 or 5. However, GCC health systems face several challenges, including important risk factors related to lifestyle diseases such as diabetes, obesity and cardiovascular diseases. In particular, diabetes prevalence rates in the region are among the highest worldwide, as high as 22% in Kuwait and 18.3% in Saudi Arabia.[3] As diabetes and obesity have been reported to be a risk factor for hospitalisation and mortality of the COVID-19 infection, this may put an additional strain on GCC health systems' capacity to respond to the sanitary crisis. Another concern is GCC's heavy reliance on an expatriate medical workforce and imported medical equipment and supplies, which may be impacted by travel and transport restrictions.
- **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 significantly 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.[4]
- For countries suffering **fragility and conflict**, the COVID-19 outbreak poses a major challenge given damages to health systems. In emergency settings, where availability of water, sanitation and hygiene (WASH) services is scarce, applying preventive measures to limit the spread of the disease may prove difficult. Countries where health care facilities have been partially destroyed during the war and governance remain 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 WHO[5] 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.

To prevent their health systems from being overwhelmed and reduce the rapid spread of COVID-19, MENA governments introduced measures and dedicated specific funds to support their medical staff and protect the population. In particular, **several countries have increased the number of intensive care units** and hospital beds available for COVID-19 patients, including by building dedicated treatment facilities as in the UAE, which performs more than 40,000 tests per day. Governments have also **scaled up their testing**

3 International Diabetes Federation, IDF Diabetes Atlas – Ninth edition 2019, https://www.diabetesatlas.org/upload/resources/material/20200302_133351_IDFATLAS9e-final-web.pdf

4 World Health Organisation, Global Health Observatory data, "Density of physicians (total number per 1000 population, latest available year)"

5 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

capacity by opening new sites and establishing drive-through testing stations. This has enabled countries to thus facilitating detection, tracing and isolation of cases.

For a more complete overview of the health policy measures established by MENA economies, please refer to Annex 1A.

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 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".

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. Jordan[6] and Morocco[7] developed practical manuals on teleworking, outlining key advice and tips to facilitate its use. 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.

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 quarantine[8]. 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

[6] https://www.facebook.com/CSBGOV/photos/pcb.1262103807540150/1262140957536435/?type=3&theater

[7] https://drive.google.com/file/d/1CQ4oWoqTrHJzGYZxPoEsWfhdzSSnwrHn/view?fbclid=IwAR1d0NnBadsisFmbMd1v-pB5thM1TZrM70flDGZD1JJZ2CozEfUGEOfB98c

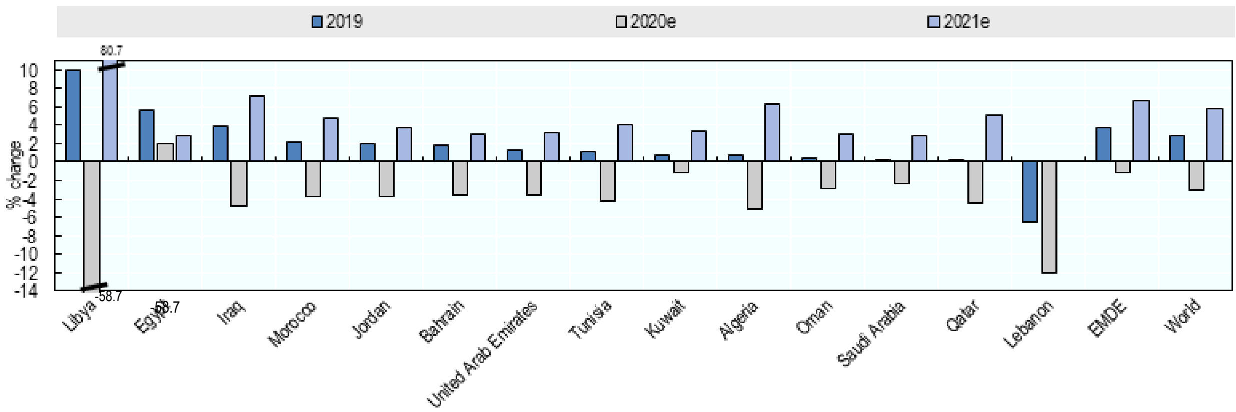
[8] https://bit.ly/2xhyDfc

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.

Economic impact 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, a drop in oil prices, a reduction in trade, the disruption of production, a fall in consumer and investor confidence, and tightening of financial conditions. **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. Growth in the MENA region might fall to -4.2% for oil exporting countries and -0.7% for oil importing countries in 2020.[9] The two most hard-hit countries that are expected to experience the steepest decline in GDP growth are Libya and Lebanon with -58.1% of GDP and -12% respectively. While the IMF predicts a V-shaped recovery for the region, with nearly all MENA countries expected to recover in 2021[10], this note will 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.

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



Note: e=estimates
Source: International Monetary Fund, World Economic Outlook Database, April 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

9 IMF, Regional Economic Outlook - Middle East and Central Asia, April 2020.

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

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 1B.

However, such measures also pose challenges in terms of macro-economic stability, in particular in countries with high levels of debt. Increasing pressured linked to crisis-related spending will put an important strain on the region's fiscal deficit, which is projected to increase from 2.8% of GDP in 2019 to 10% of GDP in 2020.[11] These risks are particularly acute for countries with limited fiscal buffers, such as Algeria, Bahrain, Iraq, Iran, and Oman. This raises the question of the sustainability of the countries' economic response, in the context of the preparation of the recovery.

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 2021[12]. 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 MENA[13]. The UN's Economic Commission for West Asia estimates that the Arab region is likely to lose 45% of its FDI inflows in 2020.[14] [15]

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 MENA[16] amounted to USD 17.2 billion, a 10% increase compared to 2017, 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 2019[17]. Greenfield investments represent more than 80% of total FDI projects in most oil-importing MENA economies[18], while M&A mostly take place in the countries of the Gulf Cooperation Council (GCC).[19]

11 IMF, Regional Economic Outlook - Middle East and Central Asia, April 2020

12 See OECD note on foreign direct investment flows in the time of COVID-19

13 See upcoming OECD note on investment in the MENA region in the time of COVID-19

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

15 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

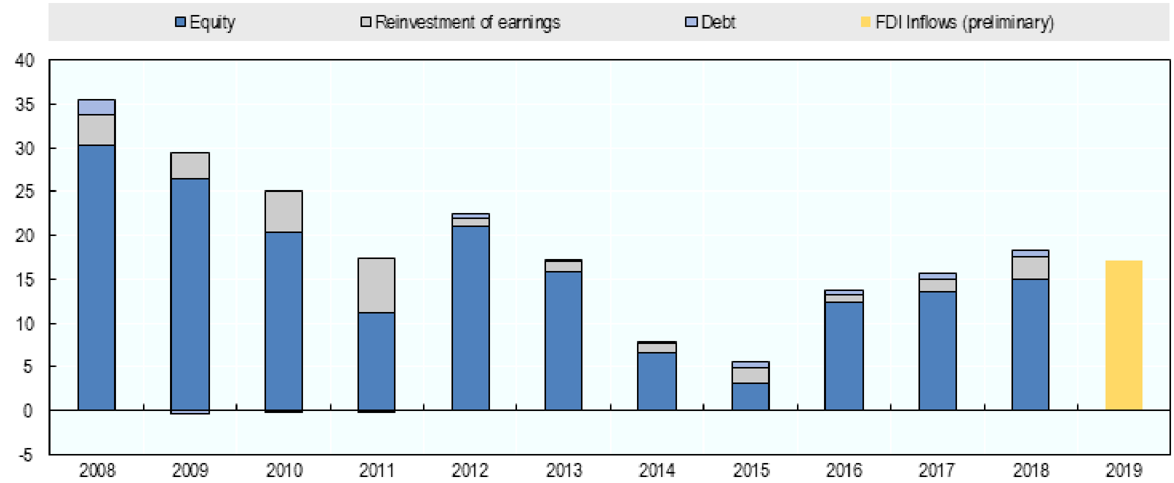
16 Data excludes FDI flows in Qatar, Saudi Arabia and the United Arab Emirates. See more details on the country coverage in the note to Figure 2.

17 Byblos Bank (2020), Country Risk Weekly Bulletin, Issue 628. https://www.byblosbank.com/Library/Assets/Gallery/Publications/CountryRiskWeeklyBulletin/Country%20Risk%20Weekly%20Bulletin%20628.pdf

18 https://www.iemed.org/observatori/arees-danalisi/arxius-adjunts/anuari/med.2018/FDI_MENA_region_Carril_Milgram_Paniagua_Medyearbook2018.pdf

19 https://www.gfmag.com/magazine/february-2020/wave-m-megadeals-mena

Figure 2. 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.

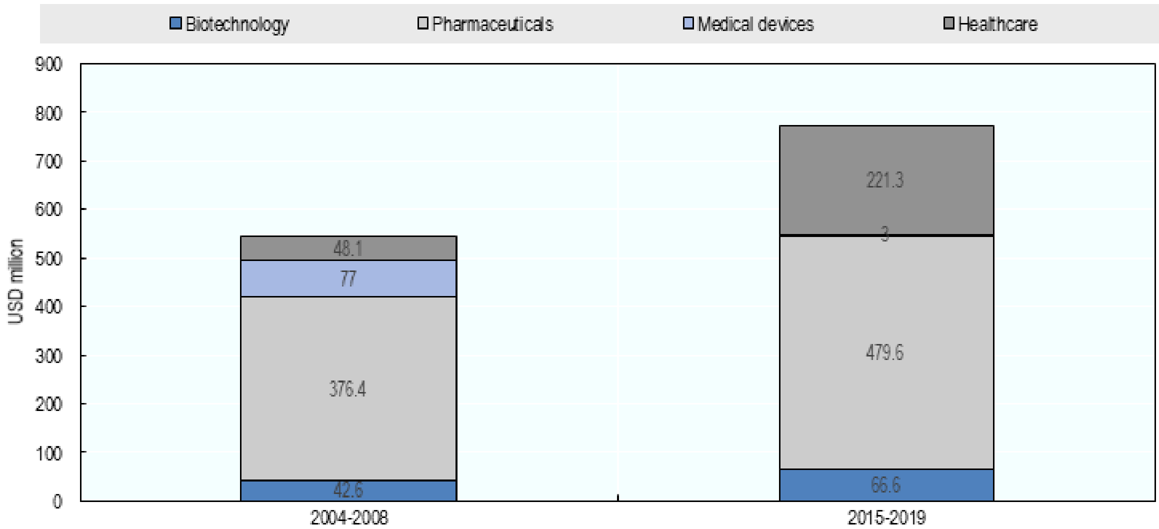
Most MENA economies took immediate investment policy responses to address the crisis. They provided specific sectoral support and encouraged shifting production, notably in free zones, introduced fiscal and financial measures to release pressure on some industries and support contracted economic activities, 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).

Trade has also been hit hard by the outbreak due to factory closures, disrupted supply chains and lower demand. The MENA region depends primarily on China and the EU for trade, with around 60% of North Africa's trade with the EU28. The top four economies in the region that are particularly exposed to a disruption of China's exports of intermediate inputs are: Morocco and Tunisia (in particular for electrical machinery), Saudi Arabia (chemicals), and the UAE (metal and metal products). Most MENA economies are experiencing wide decreases in imports and apply exports bans, in particular on food, medical and hygiene items.

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. For example, Tunisia is already working on its investment strategy for 2021. The strategy would focus on foreign investors re-shoring and near-shoring strategies to attract investors that are considering to relocate their production lines in order to shorten their supply chains (see upcoming OECD note on investment in the MENA region in the time of COVID-19).

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. Ensuring sufficient supply needed to fight the pandemic has become the immediate priority for trade and investment policymakers in the region. For instance, the Egyptian Ministry of Industry and Trade banned for a period of three months the export of infection prevention supplies, including face masks and alcohol as well as its derivatives.[20]

Figure 3. 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.

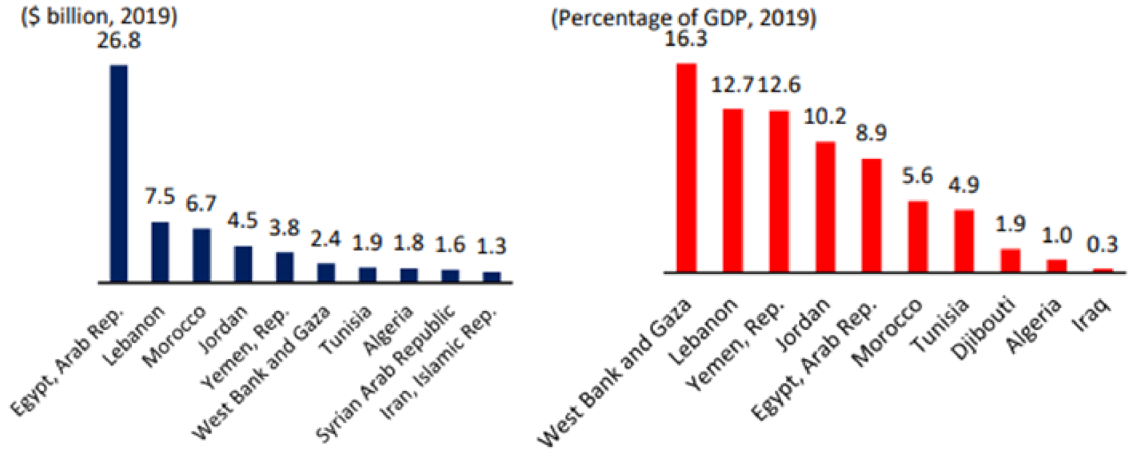
Impact on remittances

The global disruptions caused by COVID-19 will have a weigh on remittances into the MENA region, particularly from Europe and Gulf countries. 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 42 billion in 2020.[21]

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

21 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.

Figure 4. 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; given that nearly half of these payments are from the Gulf countries, the decline in oil prices is expected to lead to less remittances into the economy.

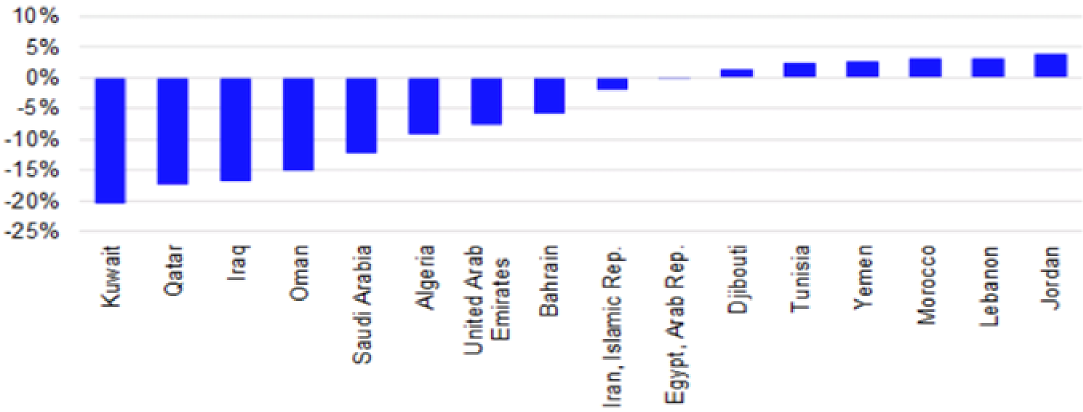
According to the IMF, remittances in Tunisia are also expected to decline by 12%, from 5.5% of GDP in 2019 to 4.4% of GDP in 2020. Moving forward, the recovery of remittances will depend on, inter alia, the success of the economic stimulus plans of developed economies but also on the evolution of global migration and labour market dynamics, as many labour-intensive industrial sectors have been particularly hit by the pandemic.

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. 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. At its nadir in April, Brent oil prices dipped below USD 20 a barrel, losing nearly 70% in value. As storage capacity began approaching its limits prices for West Texas Intermediate contracts due in May fell into negative territory for the first time[22].

[22] https://oilprice.com/Energy/Crude-Oil/OPEC-Deal-Wont-Solve-The-Oil-Storage-Crisis.html

Figure 5. 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.

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, as OPEC+ cuts came into force at the start of May, and clarity started to form over the market-based responses to lower prices in the United States in particular, there is expectation that due to lower supply and recovering demand (brought on by the relaxation of the COVID shutdowns), the market will turn from historically high levels of stock build to withdrawal. The voluntary nature of the agreement coupled with discounted Saudi crude to Asian markets (Reuters) did not deliver the reassurance the market needed to overcome this rout.

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 frailties of an economy too dependent on revenues from oil and gas. In Saudi Arabia, for example, oil revenue fell by 24% year-on-year in Q1. When one considers that the oil price was relatively resilient, and hovered above USD 50/b until around 5 March and that exports were elevated in March, going forward this initial decline augurs for a much steeper fall this quarter. 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's net foreign assets fell by USD 26.8 billion last month to reach USD 465.1 billion a nine-year low, likely reflecting the government's need to use deposits to meet its payment obligations due to declining oil revenues and because the government has injected liquidity into the banking sector. This was the largest fall in foreign assets in 20 years, and around 50% more than the steepest decline faced after the 2014 price crash.

The decline in government spending may compound the economic malaise. 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 $1.4 billion (down from $6.1 billion in January), leaving a gap of around $4.1 billion to meet obligations for essential spending for salaries, pensions and the running of government offices. To compound the issue, without a significant increase in prices, revenues will likely fall even lower in May, as Iraq's contribution of a 1 mb/d cut to output as part of the OPEC+ deal comes into force. The declining revenues have already caused visible strains, and has forced the new government to tap into its foreign reserves (estimated at around $67 billion) in order to meet its monthly salary obligation for May.

Integrating environmental considerations in the economic recovery

Environmental health considerations related to the COVID-19 pandemic are particularly relevant for MENA countries[23]. 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.

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**. While these threats are on a different time scale, they 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.

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 desalinisation 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.

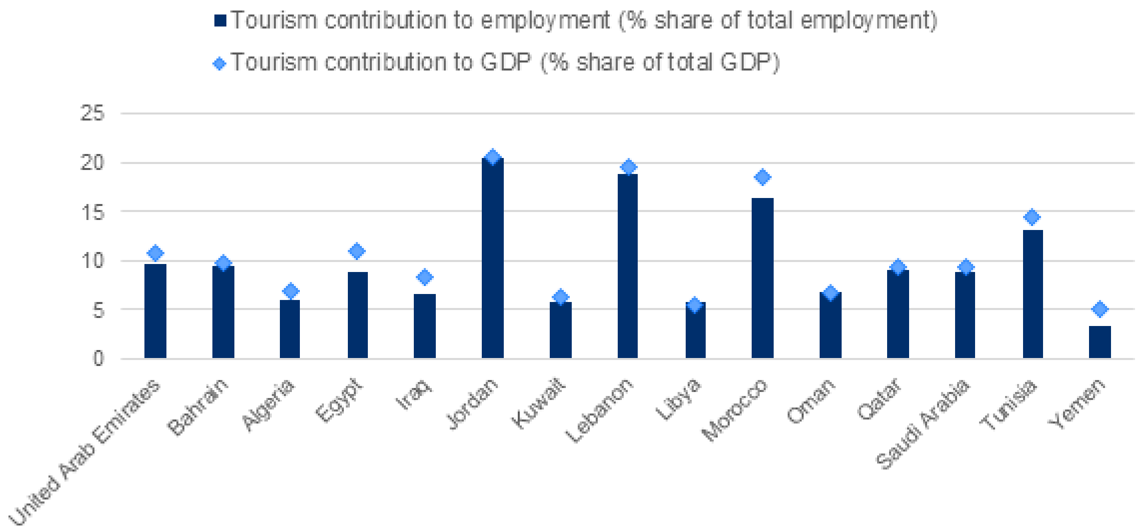
MENA governments should make sector-**specific financial support measures conditional on environmental improvements** where possible. The use of financial support measures such as preferential loans, loan guarantees and tax abatements could be directed towards supporting stronger environmental commitments 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.

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

Impact on tourism

Tourism is one of the worst-affected sectors of the economy during the crisis. The shock to the global tourism industry could amount to 45-70% of output depending on the severity of the pandemic. Globally, the World Tourism Organisation forecasts a decline in international tourist arrivals by 58% to 78%, amounting to a loss of USD 910 to 1170 billion in international tourism receipts.

Figure 6. The weight of tourism in MENA economies, 2019



Source: World Travel and Tourism Council.

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. The containment measures and the hit on economic growth in the United States, the European Union and China will lead to fewer tourist arrivals to the Middle East. 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, where the tourism sector contributes close to 12%[24] of GDP, 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. 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.

In order to address these challenges, many MENA governments 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.

24 Understood as direct and indirect contributions

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 25% capacity until end of May and 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.

Impact on private sector

Private sector development is an important priority for the MENA region in order to enhance sustainable growth. Traditionally, most MENA countries are based on a predominance of the public sector. Nevertheless, small and medium sized enterprises (SMEs) account for an important share of private sector employment, with figures ranging from 10% to 40% of all employment in MENA[25].

The **impact of COVID-19 on small businesses has been dramatic worldwide.** In response, countries have deployed a series of measures[26], including **support to labour force**, **deferrals of payments** (e.g. taxes, utility payments, rent, social security contributions, etc.), **financial support** (e.g. credit guarantees, direct loans and others), and **structural measures** (e.g. helping SMEs to adopt digital technologies, access new markets, etc.). MENA governments have joined the global trend and have activated various **concrete tools**, notably:

1. Deferrals of tax and other payments: Algeria (except for large firms); Egypt (for industrial and tourism sectors); Jordan; Lebanon; Morocco (excl. large firms); Palestinian Authority; Saudi Arabia (plus fast track on government dues); Tunisia (plus fast repayment of tax credits); UAE (reduction in government fees and fines; 20% refund on custom fees, etc.).
2. Deferral of payment of loans by banks: Algeria; Egypt; Iraq; Jordan; Palestinian Authority; Saudi Arabia; Tunisia; UAE.
3. New loans for firms in affected sectors: Egypt (manufacturing and tourism); Morocco; Saudi Arabia; Tunisia.
4. Other measures, including reducing utility bills (Egypt; Saudi Arabia); direct support to pay wages (Saudi Arabia – 60% for three months); and compensation for firms losing business (Algeria).

Business associations and chambers of commerce in the region report the critical role and **social responsibility of the private sector** which has shown good capacity to provide innovative solutions.

1. Companies have adjusted their production to increase the supply of protective clothing, face masks or hydro-alcoholic gels.[27]
2. Private sector has proven effective in providing specific support to the health sector helping governments significantly, including by using digital infrastructure and new technologies. For example, in Egypt, a health-tech startup offers free medical phone consultations and runs awareness campaigns on social media to promote hygiene and social distancing.[28] In co-operation with the Ministry of Health, a Libyan startup is currently developing an online platform

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[25] https://www.meii.org/small-medium-enterprises

[26] See the document COVID-19: SME Policy Responses

27 https://www.aljazeera.com/news/2020/03/covid-19-lebanon-businesses-overwhelmed-hospitals-200329164810809.html

28 https://www.vezeeta.com/ar/tele-health/%D8%A8%D8%A7%D8%B7%D9%86%D8%A9/%D9%85%D8%B5%D8%B1

where doctors in diaspora can treat patients in the country.[29] Similarly, a startup in Gaza has developed an online medical consultation service to provide treatments to COVID-19 patients and to create awareness for social distancing measures.[30] This startup currently offers its services free of charge for residents of Gaza and the West Bank.

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. Countries have been able to react rapidly and activate policies to mitigate the crisis, showing high levels of adaptability to cope with the social aspects of the crisis. Most have expanded social assistance programmes, by extending cash transfers to households and, in some cases, to informal workers, or by waiving social security contributions.

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.[31] 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. Exposure and coping ability and mechanisms are directly affected by income levels of both households and regions. 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. Poor households – a significant share of the MENA population - migrant workers and refugee populations face a stronger strain on their source of income, 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 employment[32]. Informal employment reaches up to 74% in Yemen, 71% in Lebanon, and 63% in Morocco[33] and represents on average 68% of employment in the region[34]. 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

29 https://thestartupscene.me/MenaEcosystems/Supporting-A-Crippled-Health-System-Meet-the-Entrepreneur-Behind-Libya-s-COVID-19-Response

30 https://thestartupscene.me/INVESTMENTS/The-Gaza-Startup-Helping-Contain-A-COVID-19-Outbreak

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

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

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

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

concentrated in low-productivity jobs requiring physical presence, with no possibility to work remotely. In the context of the COVID-19 crisis, the movement restrictions and confinement measures will 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.

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. 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, Morocco implemented a transfer program for informal workers using mobile phones, and other countries could develop similar assistance programs[35].

Gender equality and women's empowerment

Although current data show that COVID-19 is less deadly for women than for men, **women in MENA economies will most likely disproportionately feel the social and economic impacts of the pandemic**.

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 likely to be more exposed than men's to the economic fallout from the crisis. These risks are particularly acute for certain categories of informal workers who lack job and income security, including domestic workers, agricultural workers, and refugees, among which women are over-represented.

Several factors point to sharper effects on women than men. A large proportion of women in MENA countries work in the **manufacturing sector**, which is expected to be among the most severely hit by the crisis. 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 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. This situation is compounded by the prevalence of **patriarchal social norms** in the region supporting the belief that men should have greater access to jobs than women when work opportunities are scarce.[36]

Self-isolation measures and movement restrictions in place in most MENA economies also exacerbate women's exposure to **domestic violence**. While this trend has been observed globally, it may be particularly acute in the MENA region due to restrictive social norms that see men as heads of household and responsible for the family income. If the crisis prevents men from upholding this role due to income or job loss, resulting frustrations may be outed in the form of 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. This vulnerability is reinforced by the fact that prevention and response services for victims of gender-based violence are likely to be disrupted and difficult to access during the crisis.

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

36 UN Women/Promundo (2017), Understanding Masculinities. Results From the International Men and Gender Equality Study (IMAGES) - Middle East and North Africa, https://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2017/images-mena-multi-country-report-en.pdf?la=en&vs=3602.

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) has been working closely with the government to mainstream a gender equality perspective in the health, social protection and economic measures adopted to mitigate the impacts of the crisis. The NCW also launched a policy tracker to monitor the policy measures taken by the government to respond to women's needs in the context of the outbreak.

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 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.

While the crisis has prompted some countries to integrate gender considerations into their response and/or adopt targeted measures to address the specific challenges faced by women, these initiatives should become more systematic and make the argument that **women are key contributors to the economy** and a major asset in the path towards economic recovery.

The COVID-19 pandemic could also represent 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**. This situation could support a positive change in the perception of women's contribution to the economy post-crisis.

Youth

While young people tend to face lower risks in terms of health impact than other age groups, they are significantly affected by the socio-economic impacts of the COVID-19 crisis. In the MENA region, more than 110 million school-aged students[37] have limited access to education (formal and non-formal) due to closure of school and university facilities, youth centres and other public spaces. Young people are also 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 economic slowdown resulting from the crisis will further exacerbate 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 counterparts[38]. Moreover, it is estimated that 80% of youth

37 UNICEF (2020) Middle East & North Africa Region COVID-19 – Situation Report No.1 https://www.unicef.org/mena/media/8061/file/MENA%20SitRep_COVID%2019%20#1_31%20March%202020.pdf%20.pdf

38 ILO (2017), "ILOSTAT Database", https://data.worldbank.org/indicator/SL.UEM.1524.ZS?locations=ZQ

in the region work in the informal sector of national economies[39], which generally offer fewer or no benefits or protections. 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 concern, in particular via social media, which is used by 50% of youth in the region as their primary source of information. The MENA region hosts about 14 million displaced persons[40], many of which are young people are more prone to suffer disproportionately both from the crisis and its aftermath, for reasons such as restricted movement, lack of employment opportunities or higher risk of exclusion in the society.

At the same time, young people are often 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 crisis[41]. For instance, the national platform for volunteering and youth engagement in Jordan, Nahno[42], is offering online engagement and volunteering opportunities for Jordanian citizens to allow them to contribute and have some positive impact on their community in the lockdown. 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.

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 is key to prevent the pandemic from spreading in refugee camps, such as:

- 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 to quarantine sites, and the provision of requisite treatment. Temperature screening has been

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

[40] UNDP (2016), "Human Development Report", United Nations Development Program, New York.

[41] 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

[42] www.nahno.orgwww.nahno.org

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. Discussions are ongoing to assess ways to directly ensure cash transfers to Syrian refugees in camps. 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**. 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 will also put 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 have a severe impact on 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.A. Overview of the health systems in MENA countries and extent of containment measures

Maghreb

Algeria

Hospital capacity is being increased, and awareness campaigns are being prolonged. 1 550 000 face masks are currently available and 54 million additional masks have been ordered. The Ministry of Health's existing special surveillance committee will be reinforced with additional scientific experts. The lockdown has been renewed until 14 May (full lockdown in Blida, from 3pm to 7am in 9 wilayas including Algiers, and from 7pm to 7am in the rest of the country).

Morocco

The state of sanitary emergency state has been extended until 10 June. The number of intensive care beds has been raised to 3000. The country has three screening centres, with screening also extended to University Hospitals and health establishments. Wearing medical masks in public spaces and in the workplace is mandatory starting Tuesday, April 7. The price of masks has been regulated by decree and a first local production capacity of 2.5 million units per day has been set up thanks to voluntary readjustment of several industrial units.

Libya

As of March 16, all land, sea, and air borders into Libya were closed to foreigners for a period of three weeks. Containment measures include the banning of all large social and cultural gatherings, the closing of all educational institutions, and the closing of restaurants and cafes, as well as the release of prisoners. On 16 April, the Government of National Accord (GNA) announced a 10-day curfew across the country, under which pedestrians will be allowed to go out only between 8 am and 2 pm, provided they are wearing masks.

A total of 305 isolation rooms and 542 quarantine and stabilisation rooms have been identified across the country. However, the Libyan health system was already over-stretched, under-resourced and unlikely to be able to respond to the pandemic, which makes it a high-risk country for COVID-19 as per the World Health Organization. The Government of National Accord allocated a LYD 500 million (USD 354 million) package in emergency spending to increase the country's capacity to respond to the crisis. Several countries, including Turkey, have also delivered medical supplies to Libya.

Tunisia

On March 26, the Ministry of Health announced that it would make 2,000 ICU beds available to cope with the COVID-19 crisis. Previously, the Central Bank of Tunisia (BCT) authorised a TND 50 million loan (EUR 15.5 million) to the Ministry of Health to buy medical equipment to fight the COVID-19 crisis. A TND 100 million special fund was created to purchase equipment for public health establishments, and drug distributing companies are now exempted from VAT. A partial easing of the lockdown restrictions began on 4 May, with reopening of public administrations, public transportation and construct projects authorised to resume. The Ministry has announced that masks will be mandatory.

On 1 May, the World Bank approved a USD 20 million scheme to support the country's healthcare system.

Middle East

Egypt

According to the WHO, Egypt allocated 2,000 beds for COVID-19 treatment, half of which are in intensive care units and 600 with ventilators. Around 400,000 test kits have also been delivered. The government has closed all schools and universities, monuments, in-dining restaurants, churches, mosques and their attachments, cancelled cultural events and touristic trips, and banned religious prayers in public gatherings as well as other large public gatherings. With the start of Ramadan, malls and shops have been allowed to open and the night-time curfew was reduced from 9pm to 6am.

The government recently announced 1 billion EGP (USD 63.5 million) in extra funding for its health services and has applied various measures to increase the country's capacity to absorb the sudden increase of critical patients that the outbreak might bring. The Ministry of Industry and Trade issued two decrees banning for a period of three months the export of infection prevention supplies, including face masks and alcohol as well as its derivatives. The World Bank also allocated USD 7.9 million to fund emergency response activities related to the COVID-19 outbreak in Egypt under the "Transforming Egypt's Healthcare System Project".

On 22 April, the Egyptian parliament approved amendments to the emergency law, granting extended powers to the Presidency and the military. Among the prerogatives is the capacity to convert private hospitals, schools and other companies into field hospitals. On 4 May, the Ministry of Health announced that the country's isolation hospitals for COVID-19 patients were at maximum capacity and that plans were underway to convert more universities and commercial facilities into quarantine sites.

Iraq

According to the WHO, there are 14 hospital beds in Iraq for every 10,000 people. A ministerial High Committee for National Health and Safety has been established to help contain the outbreak of COVID-19. Federal authorities have implemented curfews and movement restrictions, effective until 22 May. As of 20 April, businesses and factories, with the exception of restaurants, have been allowed to reopen provided they respect precautionary health and physical distancing measures. Travel between provinces is forbidden, and all government bodies have been directed to support health services. The Iraqi Red Crescent Society has undertaken a nationwide disinfection campaign to sterilize markets, shops, residential areas, hospitals, health institutions, prisons, mosques and shrines.

Iran

According to the Iranian Ministry of Health, the country has a capacity of 8,212 intensive care unit (ICU) beds, about half of which are in the Teheran province. This figure is much lower than the number of active cases in the country, and, in some provinces such as Qom, there are five times more patients requiring intensive care than ICU beds available. Since the beginning of the crisis, the WHO has delivered seven shipments of medical supplies to the country. To increase the country's capacity, the military have set up an emergency medical facility including three units and several isolation wards, which will be used for patients recovering from the virus.

All educational institutions in the country have been closed since 5 March and religious, cultural and sporting events have been cancelled. A partial lockdown is in place since 25 March, with all non-essential businesses required to close and travel suspended between provinces in the country. However, due to the economic difficulties caused by the lockdown, the government announced on 8 April that two thirds of “low risk” activities resumed as of 20 April. 100.000 prisoners benefit from a temporary liberation from their jails, until 20 May.

On 27 April, the government disclosed its deconfinement strategy. The plan divides the country into white, yellow and red regions, based on the number of confirmed cases and deaths. In white regions, religious gatherings have been allowed to resume, and the government announced on 3 May that schools and mosques would also reopen.

Jordan

The state of emergency has been in place since 17 March, with a lockdown enforced since 19 March. Land and sea border crossings with Syria, Iraq, Egypt and Israel are closed. All incoming and outgoing flights. Only cargo flights and commercial overland shipments are allowed in and out of the country. The Cabinet announced the closure of all government agencies except hospitals from Wednesday and ordered private firms to also close their offices and send employees home. All shops in malls are shut apart from those selling food and medicine. Gatherings of more than ten people are banned.

As of mid April, distancing measures in regions not affected by the virus have been relaxed, such as in Karak, Maan, Tafilah and Aqaba – while maintaining a travel ban in and out of the provinces. While restrictions on economic activities have been progressively eased as of the last week of April, the night curfew is set to remain in place until at least the end of Ramadan. Educational and religious institutions, as well as leisure venues, are to remain closed.

On 28 April, the World Bank approved a USD 20 million package to support the country’s health response.

Lebanon

The World Bank approved on 12 March the re-allocation of US$40 million under the current Health Resilience Project (US$120 million) to strengthen the Ministry of Public Health’s capacity to respond to the crisis, by equipping governmental hospitals and increasing their ability to test and treat suspected cases. An objective of 2500 tests per day as been set by the Ministry of Health. Non-essential businesses are closed, and a curfew has been imposed between 8pm and 5am. As of early May, the government has started lifting restrictions on economic activities as part of its 5-phase deconfinement plan, allowing construction sites, certain businesses and restaurants to reopen at limited capacity. However, a surge in the number of new cases was observed following the ease of the lockdown, sparking fears of a second wave. On 10 May, Lebanese authorities extended a night curfew from 7pm to 5am.

Palestinian Authority

The state of emergency was established in the West Bank on 5 March. 70 intensive care beds are available in Gaza, for a population nearing 2 million people. On 18 March, a USD 1 million of urgent joint financial support dedicated to health aid and technical support was granted by the UN to help dealing with the outbreak.

Strict confinement measures are in place since 22 March. Prime Minister Shtayyeh announced that health authorities were able to conduct 1000 tests daily, and is awaiting a test kit and respiratory devices shipment from China. The WHO has delivered COVID-19 testing kits (enabling an estimated 5,760 tests), protective equipment and hand sanitizers to protect an estimated 2,000 health workers, infrastructure supplies for isolation facilities in Jericho as well as over 100,000 educational brochures for the general public. Additionally, Saudi Arabia is co-ordinating with the Palestinian Authority’s Ministry of Health to ensure the provision of medical supplies to cope with coronavirus.

The Ministry of Health has implemented a series of containment measures. In the West Bank, quarantine and treatment facilities were established in several governorates and public laboratory capacities were increased in Ramallah. A central operation coordination has been established at Prime Minister's office and laboratory capacities of the MoH in Ramallah have been scaled up. In Gaza, gaps remain to be addressed. Travels are prohibited in all governorates from 7.30 pm to 10am, to avoid family groupings during Ramadan.

Syria

The Syrian healthcare system has been decimated by the protracted conflict, notably as hospitals have been directly targeted. 64% of hospitals and 52% of primary care centres that existed prior to 2011 are operational, with 200 ICU beds available. In the province of Idlib, counting around a million internally displaced refugees, 153 ventilators are available, with no space for quarantine.

Due to fragmented territorial control, different containment measures have been applied in the country. The Syrian government ordered the closing of schools, parks, and restaurants, and has banned transportations between some cities. The Autonomous Administration of North and East Syria closed its borders and implemented a region-wide curfew starting 23 March. It also banned gatherings and closed schools and universities.

Businesses have been authorised to reopen as of 29 April, operating on reduced hours. The nationwide night curfew, however, has been extended. On 7 May, the government announced the postponement of the legislative elections set to be held on 20 May, as a further preventive measure.

GCC and Yemen

Saudi Arabia

The Saudi government has taken drastic containment measures, notably the closure of schools, universities and all commercial outlets at the exception of pharmacies and grocery stores, prohibition of public gatherings, including for religious purposes, and suspension of operations in many government agencies. Complete lockdowns have been imposed on major cities, while other regions are subject to a 7 PM to 6 AM curfew, until further notice. Travel between provinces of Saudi Arabia is prohibited and all international and domestic flights have been suspended, as well as inter-urban public transportation.

The Ministry of Health has designated 25 hospitals, with an overall capacity of 80,000 hospital beds and 8,000 intensive care unit (ICU) beds, for the treatment of COVID-19 cases. 2,200 beds have also been made available for quarantine cases. Finally, the King Salman Humanitarian Aid & Relief Centre signed an agreement with the World Health Organisation (WHO) to support it in combatting the coronavirus with a contribution of USD 10 million.

The country has also taken step to track and monitor potential cases. On 8 April, the Ministry of Health launched an application to monitor the condition of suspected COVID-19 cases. As of April 20, the Jeddah municipality has installed thermal cameras to monitor workers and customers across shopping centres. Thermal cameras and self-sanitisation gates have also been installed at the entrance of the Grand Mosque in Mecca.

United Arab Emirates

Emirati authorities have closed all schools and universities as early as 8 March. Additional measures implemented on 25 March include closure of all commercial centres, malls and open markets and prohibition of public gatherings until further notice. A nationwide curfew is in place between 8 PM and 6 AM, with public transportation suspended during these hours, and strict travel restrictions have been imposed including suspension of entry for all foreign national holding valid resident permits. As of early May, commercial establishments have been authorised to reopen at 30% capacity and operating on restricted hours. Strict precautionary measures must be applied, and customers are required to wear face masks and gloves.

In parallel, the UAE is conducting general disinfection campaigns and has scaled up its testing capacity to reach one of the highest per-capita testing rates worldwide. The municipality of Abu Dhabi launched several drive-through testing centres, free of charge for highly vulnerable people such as pregnant women and the elderly. Following announced plans, two COVID-19 facilities have been opened for industrial areas workers, operated by Abu Dhabi Clinics.

Bahrain

Bahrain closed all schools and nurseries as of 28 February, and all public venues as of 15 March. While no nation-wide lockdown has been imposed, authorities have started using electronic tracker wristbands to ensure that people under mandatory quarantine comply. Violators save severe penalties including fines ranging between BHD 1,000 – 10,000 (USD 2,650 – 26,500) and a minimum of three months of imprisonment. The country also imposed travel restrictions including suspending issuance of visas upon arrival, mandatory testing and quarantine for all arriving passengers, and closure of the causeway connecting Bahrain to Saudi Arabia to all non-commercial traffic. As of 6 May, commercial and industrial businesses have been authorised to resume operations, provided they comply with health precautionary measures including wearing masks, implementing physical distancing and regularly disinfecting the premises.

Current isolation and treatment centres have a capacity of 1,667 beds, alongside 2,504 beds available in quarantine centres. The Ministry of Health has confirmed that current medical capacity continues to exceed occupancy rates. Almost 80.000 people have been tested. Drive-through testing has been launched at the International Convention and Exhibition Centre. Bahrain has also heavily invested in medical testing laboratories, and is the first country to participate in the World Health Organisation’s “Solidarity Trial” to test the first COVID-19 treatment.

Kuwait

Kuwaiti authorities have closed all public schools and universities until the beginning of August. All non-vital stores and public venues have also been closed and public transportation suspended until further notice. A nation-wide curfew is in place from 4 PM to 8 AM, while certain areas have been put under complete lockdown for two weeks as of 6 April. A national holiday has been declared until 28 May. The airport has been closed to all commercial flights, except for arriving Kuwaiti citizens and residents, who are put under institutional quarantine upon arrival. Electronic tags have been put in place to ensure quarantine confinements are duly respected. On 10 May, following a surge in cases, the government imposed a full curfew for 20 days.

Emergency wards have been established in four hospitals in the country and quarantine facilities have been constructed, in particular for migrant workers living in densely populated areas.

Qatar

Qatari authorities have closed all public and private educational institutions and most public venues, including parks and beaches, alongside suspending public transportation and cancelling all public and social events. In addition to these measures, the government has imposed mandatory teleworking for 80% of private sector employees and in priority vulnerable groups (elderly, pregnant women and people suffering from chronic illnesses) and reduced working hours. All international passenger flights have been suspended, except for returning Qatar citizens who are subjected to a mandatory quarantine. As of 8 April, all non-essential commercial activities have been banned on weekends, with a few exceptions including restaurant deliveries, gas stations and construction contracting firms.

Moreover, routine medical appointments in public health facilities and non-emergency services at private health facilities have been suspended as of respectively 15 and 30 March to prioritise resources for the treatment of COVID-19 cases.

Oman

Oman closed all schools and most shops and public venues during the week of 15 March, alongside banning public gatherings. Authorities have also reduced staffing in government offices to 30% and encouraged private companies to limit employee attendance to a strict minimum. On 10 April, the government called for the closure of all industrial and commercial activities operating in the country’s light industrial areas. Social distancing measures have been enforced, with checkpoints established on roads connecting the different governorates to restrict travel between regions to emergency personnel and transport of necessities. On 1 April, the municipality of Muttrah was placed under full locked down following cases of social transmission of the virus in the area. Muscat has been put under lockdown and isolated from other governorates until 28 May.

As of 28 April, some businesses have been allowed to resume operations, including vehicle repair and money exchange stores. Religious gatherings and prayers inside mosques continue to be forbidden throughout the month of Ramadan.

All commercial flights to and from Oman have been suspended as of 29 March, with the exception of 16 flights from China loaded with medical supplies.

Yemen

The ongoing war in Yemen has severely affected the country’s health care facilities. According to the UN, only 51% of the country’s health centres remain functional. Availability of medical and protection equipment is also limited, and there are only two testing sites. Yemeni authorities have taken steps to limit the spread of the virus, including halting flights to and from the country, closing the Al-Wadia border crossing with Saudi Arabia, and closing schools. On 11 April, following the report of the first COVID-19 case in the province of Hadramout, the government imposed a curfew (6pm – 6am) on all cities of the province.

As of 10 April, the World Health Organisation had provided 500 testing kits and dedicated 37 healthcare facilities across the country as isolation units. The International Initiative on COVID-19 in Yemen (IICY), involving multinational private companies working in close cooperation with the UN, donated testing kits and medical equipment, including 225 ventilators and over 500,000 masks.

Annex 1.B. Overview of economic and social measures implemented by countries to support households and firms during the crisis

Maghreb

Algeria

The Bank of Algeria has lowered its main interest rate from 3.25% to 3% and reduced banks' minimum reserve ratio from 8% to 6%. It also announced that banks and financial institutions can now postpone repayments of loan instalments or reschedule the debts of customers who have been impacted by the economic challenges resulting from COVID-19. They may also grant additional loans to customers even if their existing loans have been deferred or rescheduled, through a reduced minimum liquidity coverage that banks must have. The deadline for corporate, consumption and individual tax payments has been extended to 20 May, and the newly introduced tax on retained earnings is suspended. Flexible payment plans have been introduced for companies, and the deadlines to file annual income statements and to pay income taxes have been extended. Agriculture-related activities remain authorised, and companies can benefit from an extension of the deadline to deliver the yearly social accounts until 30 September.

Morocco

The country has announced the creation of a special fund to manage the pandemic, valued at more than 32.7 billion dirhams (approximately USD 3 billion) as of 28 March. This fund builds on the solidarity and contributions from both the public sector, companies and private individuals who committed to support financially this facility. It is dedicated to upgrading the health infrastructure and acquiring the necessary medical equipment, and will also be used to manage the health repercussions of the epidemic and mitigate its economic and social impact. An Economic Watch Committee (CVE) was created to discuss and take the necessary measures to mitigate the economic and social impacts of the pandemic. It is chaired by the Minister of Economy, Finance and Administrative Reform, and includes representatives from the public and private sectors. Morocco is also 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 SDR 2.15 billion (about US$3 billion or about 3 percent of GDP). This purchase will help the authorities limit the social and economic impact of the COVID-19 pandemic and allow Morocco to maintain an adequate level of official reserves to mitigate pressures on the balance of payments. As of 27 April, entrepreneurs will be eligible for a new credit of up to MAD 15,000.

As of 30 April, 5.1 million households have benefitted from the financial support measures implemented as part of the COVID-19 special fund, including 800,000 workers affiliated to the national social security system who have seen their activity interrupted due to the crisis, 2.3 million households registered under the RAMED medical assistance scheme, and over 2 million households who do not normally benefit from RAMED.

On 11 May, the Central Bank of Morocco issued an official call to all 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.

As of 23 April, 57% of SMEs have suspended their activities[43].

Tunisia

On March 22, the government announced a series of economic and fiscal measures amounting to an estimated TND 2,500 million (around 2.2% of GDP). The measures, aimed at supporting business continuity, include the creation of a support fund of TND 300 million (USD 103 million) for SMEs, the implementation of exceptional management credit procedures for companies in the tourism and hospitality sector, and rescheduling of tax debts for the most affected firms. On March 25, Italy provided a EUR 50 million loan to the BCT to support Tunisian companies and cushion the socio-economic impact of the crisis. On 28 March, the EU announced a donation of TND 800 million (USD 276.5 million) to fight the crisis and its socio-economic consequences.

The Central Bank of Tunisia (CBT) instructed banks to grant a 3-months extension in the repayment of all loans due between 1 April and 31 June. This measure, initially restricted to individuals with a monthly revenue below TND 1,000 (USD 343), was extended to all individuals on 1 April.

Furthermore, the government announced exceptional social assistance measures targeting the most vulnerable households. Beneficiaries, including households responsible for foster children, elderly persons or disabled persons, as well as households registered in the needy families benefits programme and workers concerned by technical unemployment, will receive a cash transfer of TND 200 (USD 70). Retired persons receiving an old-age pension below TND 180 will also benefit from an additional cash transfer of TND 100 (USD 35) per month.

Residence permits for foreigners valid on 1 March will be extended, if necessary, until the end of the crisis. This concerns both tourists and residents.

Early May, the Finance Ministry announced that 12 Tunisian banks had lent the government TND 1.2 billion (USD 410 million) in foreign currency to support its efforts to tackle the effects of the crisis. Details of how the funds will be used have not yet been disclosed.

Middle East

Egypt

On March 17, the government announced a cut in natural gas and electricity prices for the industry sector. To support the financial sector, authorities reduced the stamp tax on equities investments, and cut the dividend tax rate by half for listed companies, bringing it to 5%. Egypt's Central Bank cut the interest rate to historic lows, reducing the overnight deposit rate by 300 basis points to 9.25% and the lending rate to 10.25%. It also gave a six months delay for all consumer and small business loans.

Egypt has also taken important measures to support the most vulnerable households, including extending its Takaful and Karama social assistance programmes to an additional 60,000 households. In addition, a compensation of EGP 500 (approximately USD 32) will be provided to informal workers registered in the Ministry of Manpower database, through post offices throughout the country. This measure is expected to target approximately one million Egyptians working informally in construction, agriculture, fishing and plumbing. The government also increased payments to women community leaders in rural areas from EGP 350 to EGP 900 to ensure gender equity. In addition, the Labour Emergency Fund is disbursing emergency subsidies to workers in the tourism sector, for a sum ranging from EGP 600 to EGP 1765 and equivalent to the original salary registered under the Social Insurance system. An estimated 7,500 employees in 70

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firms have already benefitted from the subsidies, and an additional 3525 firms are currently under consideration.

The Egyptian government is currently under discussion with the IMF regarding a request for a new financial package to support its efforts to counter the economic impacts of the crisis. The request was set to be considered on 11 May.

Iran

Iranian authorities postponed health insurance, tax and utility payments for a period of three months, to ease the economic strain on households. They also announced cash payments to the three million poorest Iranians, and low-interest loans for four million households, partly subsidised by the government. Iran has requested a USD 5 billion emergency loan from the IMF, which would be its first in over half a century, to continue fighting the virus. The World Bank announced a 50 million USD support, while the Islamic Development Bank announced a 130 million EUR loan.

As of mid-April, shops have progressively resumed their activity, after authorities called for their reopening to minimise economic losses in the country.

Jordan

The Central Bank of Jordan injected USD 705 million into the economy by reducing commercial banks' compulsory reserves from 7% to 5%.Increased loan facilities have been granted to the Central Banks to allow debt instalments to be deferred and extra credit to be extended. Commercial banks were asked to delay payments of loan instalments by companies and reschedule retail loans.

The government has also announced tax relief measures, such as postponing the collection of sales tax until the date goods are sold (as opposed to the date on which the contract is signed / the sale is concluded).

Social measures have been implemented by the Jordanian Social Security Department including suspension of old age insurance contributions for the private sector until 31 May, extension of old age insurance coverage to people previously excluded, and allocation of 50% of maternity insurance revenues for the year 2020 to provide in-kind and material assistance to the elderly and sick. Employees on unpaid leave in the tourism, transport and trade sectors are also given the possibility to apply for disbursement of employment benefits.

An IMF package which includes a USD 1.3 billion loan negotiated prior to the pandemic was adjusted to help mitigate the spread of the virus.

Lebanon

On 1 April, the cabinet announced plans to distribute LBP 400,000 (USD 150), to the poorest families. While trade unions are increasingly putting pressure on the government to adopt compensatory measures, the default on USD 1.2 billion in foreign currency debts announced on 7 March, reflecting the severe economic crisis the country was experiencing prior to the outbreak, will significantly burden its room for new fiscal and monetary solutions. Due to the liquidity crisis, banks have largely limited access to cash by depositors. The Minister of Finance announced a suspension of the filing and payment of all taxes. On 17 April, Lebanese Prime Minister Hassan Diab launched a LBP 1,200 billion (USD 797 million) stimulus package aimed at supporting daily workers in the public sector, health care employees and farmers, and subsidising loans for SMEs. On 30 April, the Parliament officially approved an economic rescue plan, which will be used to apply for an IMF support programme.

Palestinian Authority

The National COVID-19 Response Plan, released by Palestinian authorities on 26 March, specifies a requirement of USD 120 million over 90 days for containment measures in a number of key sectors, including health, economy and social protection. On 27 March, the humanitarian clusters under the leadership of Humanitarian Coordinator released a COVID-19 response plan specifying USD 34 million for a period of 90 days.

On 17 March, Israel Minister of Defence announced that West Bank residents working in vital sectors in Israel were allowed to stay in Israel.

The Palestinian Minister of Finance announced extension of filing deadlines for corporate income tax, postponement of tax audits and suspension of late filing penalties concerning monthly VAT returns. The Central Bank of Palestine has also instructed banks to postpone loan payments for 4 months (6 months for the tourism and hospitality sector) for all businesses and individuals. The Ministry of Economy has committed to take measures to ease private sector activities and is considering opening an emergency fund for SMEs, although details of this fund have not been disclosed. Under certain conditions, economic activity is starting again in export-related companies.

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. On 14 March, SAMA unveiled a SAR 50 billion (USD 13.3 billion) package to allow banks to defer loan payments for six months and increase lending to the private sector. On 29 March, SAMA instructed commercial banks to support businesses and individuals affected by the crisis through restructuring loans without charges and reviewing different fees to adjust to the drop in interest rates.

The Saudi government also announced on 20 March 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, to provide additional liquidity to the private sector to support business continuity.

On 3 April, a royal decree was issued unlocking an additional SAR 9 billion (USD 2.4 billion) to cover part of private sector salaries in heavily impacted sectors. To prevent companies from laying off employees, the decree provides that the government will compensate 60% of those salaries for a period of three months. More than 1.2 million citizens are expected to benefit from this measure. An additional SAR 50 billion (USD 13.3 billion) stimulus package was approved on 15 April to fast-track the payment of government dues to the private sector and cover a 30% discount on electricity bills for the commercial, industrial and agriculture sectors for two months.

As of 2 May, over 80,000 firms and 400,000 Saudi citizens, representing 23% of citizens working in the private sector and registered under the national social insurance system, have benefited from financial support.

Early May, further measures were announced to support the industrial and mining sector, including deferral of loan payments and reduction in utility bills for private companies, measures to facilitate the settlement of private sector dues, and the development of new products to support working capital.

United Arab Emirates

The Central Bank of the UAE announced on 15 March an AED 100 billion (USD 27.2 billion) stimulus package allowing banks to grant temporary relief on retail and business loans. This package was increased on 5 April to AED 256 billion (USD 69.7 billion), with deferral of loan payments extended to the end of 2020. Other measures announced include cutting reserve requirements for banks from 14% to 7% and unlocking AED 50 billion (USD 13.6 billion) in zero interest loans for banks to support SMEs.

On 24 March, the UAE government announced a comprehensive economic package of AED 16 billion (USD 4.36 billion) 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, reducing work permit fees for companies with up to six registered employees, and granting businesses a 50% rebate on bank guarantees submitted for their employees. This reduction in fees was extended to 94 services on 12 April, with reduction of rates reaching 98% for some services. On 14 April, the Federal Tax Agency extended by a month the deadline for submitting VAT tax returns and paying taxes.

At the local level, governments of several emirates have introduced financial assistance measures. Measures taken by the government of Dubai include a refund of 20% of customs fees imposed on imported goods, cuts in municipality fees imposed on sales at hotels, and a 10% reduction in water and electricity bills. In addition, the government of Abu Dhabi has reduced or suspended various government fees and penalties and granted substantial rebates to lease payments for companies in the tourism, hospitality and entertainment sectors.

Bahrain

The Central Bank of Bahrain (CBB) increased its loan facilities to BHD 3.7 billion (USD 9.8 billion) to facilitate deferment of debt instalments and extension of extra credit. Key policy interest rates have been reduced from 2.45% to 1.7% and cash reserve ratios for commercial banks have been lowered to 3%. Merchant fees on debit card transactions have also been capped at 0.8%.

The Bahraini government announced on 18 March a BHD 4.3 billion (USD 11.4 billion) stimulus package targeted at both households and companies. The package involves doubling the liquidity support fund, paying water and utility bills and exempting all individuals and businesses from municipal fees for three months starting April 2020. Businesses are also exempt from industrial land rental fees and tourism levies for companies operating in the tourism sector. On 29 April, the Prime Minister announced further rent exemptions for three months for tenants and beneficiaries of leased shops and lands registered with the Supreme Council for Environment. In addition, Tamkeen, the government agency providing loans and assistance to businesses, has announced it would redirect all its programmes to support companies severely affected by the crisis.

On 8 April, the Ministry of Labour and Social Development announced it would cover the salaries of 100,000 citizens working in the private sector from April to June, for an estimated cost of BHD 215 million (USD 568 million).

On 6 May, the Bahraini Parliament approved six urgent proposals aimed at mitigating the economic effects of the pandemic, including setting lower fuel prices, providing support to travel agencies and tour operators, fast-tracking unemployment benefits and taking action against companies disrespecting rights of workers.

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. This includes cutting the discount rate, interest rate, repo rates and all monetary policy instruments by 1% to reduce the cost of borrowing and increase liquidity between banking and non-banking sectors. CBK also announced on 2 April a stimulus package to support SMEs and vital sectors in dealing with the crisis, including a cut in capital adequacy requirements by 2.5%, KWD 5 billion (USD 16.5 billion) made available for additional lending from local banks, and postponing loan repayments by three months. On 19 April, CBK ordered local banks to postpone to September the repayment of loans granted to clients affected by the virus, without penalties.

Qatar

The Central Bank of Qatar (QCB) introduced measures to ease lending conditions for banks, including reducing its deposit rates to 1%, lending rates to 2.5% and repo rates to 1.5%. The Qatar Development Bank announced it would postpone loan repayments for a period of 6 months. In addition, the government has increased its investments in the Qatar stock market by QAR 10 billion (USD 2.75 billion).

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 an exemption of customs duties for food and medical goods for six months for sectors severely affected by the crisis including hospitality and tourism, retail and SMEs. Industries operating in these sectors are also exempted from paying water and electricity bills.

The Ministry of Administrative Development, Labour and Social Affairs announced on 31 March that all quarantined employees, including expatriates and migrant workers, would 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 announced on 18 March 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 municipality tax for restaurants and commercial establishments as well as from tourist tax for restaurants. Factories located in industrial zones who have had to suspend their activity have also been exempted from rent payment for a period of three months.

On 15 April, the Omani Supreme Committee announced additional relief measures for private sector firms. Firms will have the possibility to negotiate reductions in wages in exchange of reductions in working hours and advance employees' annual paid leave in case of definitive shut down of activities, as well as make arrangements with other firms for secondment of employees. Companies will also be authorised to terminate contract of expatriate workers and repatriate them. Termination of contracts of Omani citizens is, however, prohibited.

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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