



COVID-19 policy response assessment and path towards sustainable recovery in the Mediterranean and Africa

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The panel was moderated by **Prof. Rym Ayadi**, EMEA President, and Cinzia Alcidi, Senior Research Fellow and Head of Economic Policy Unit, Centre for European Policy Studies (CEPS) and Member of EMEA Executive Board. The speakers were: **Yacine Belarbi**, EMNES Member, Senior Researcher, Centre de Recherche en Economie Appliquée pour le Développement, CREAD, Algeria; **Chahir Zaki**, EMNES Director, Egypt, Member Expert Panel EMEA, Associate Professor, Cairo University, Egypt; **Serena Sandri**, EMNES Member, Member Expert Panel EMEA, and **Nooh Alshyab**, EMNES Director, Jordan, Member Expert Panel, EMEA and Associate Professor, Yarmouk University, Jordan; **Kwame Sarpong Barnieh**, Member Expert Panel EMEA and Partner KPMG, Ghana; **Sandra Challita**, Research Fellow, Euro-Mediterranean Economists Association (EMEA), Lebanon; **Samir Abdullah Ali**, EMNES Member, Member Expert Panel, EMEA, and Senior Research Fellow, Palestine Economic Policy Research Institute, MAS, Palestine; **Rim Mouelhi**, Member Expert Panel, EMEA and EMNES Director, Tunisia; **Najat El-Mekkaoui**, Member Expert Panel, EMEA and Professor Paris Dauphine; **Carlos Conde**, Head of Division Middle East and Africa Global Relations at OECD; **Mohammed Elrazzaz**, Business Development and Employment division at UfM.

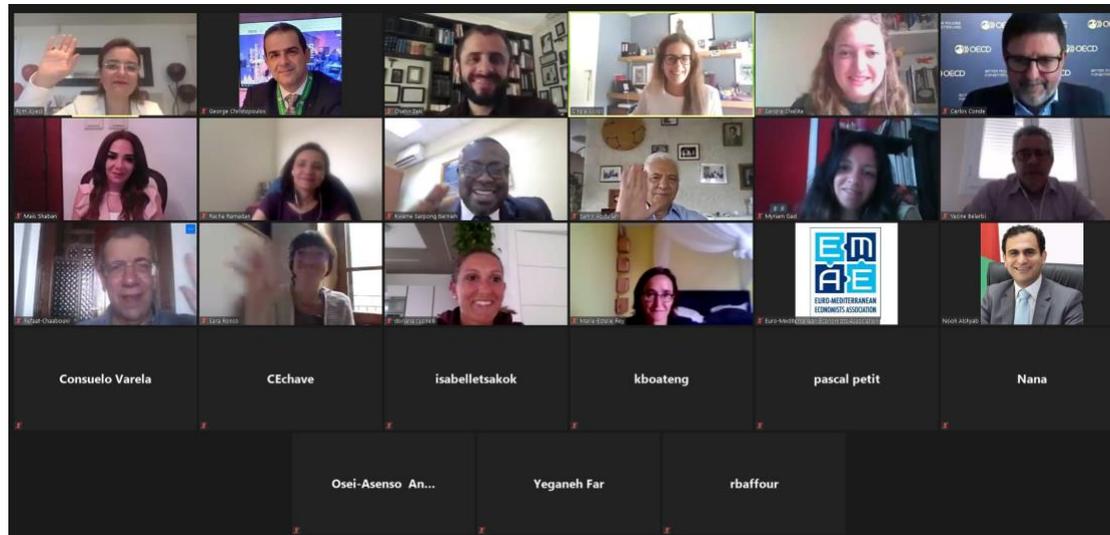
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Introduction:

EMEA launched a [regional policy research initiative on COVID-19](#) on 18 March 2020. EMEA and EMNES experts and researchers collaborated to collectively identify and assess policy measures taken by their respective governments, with a special focus on the socio-economic challenges linked to the pandemic. The main objective of this initiative is to facilitate the shaping of future policy actions towards enhancing our socio-economic resilience in Europe, the Mediterranean and Africa. Under this research initiative, an [EMEA Study](#) was published on 22 April and an [EMEA Monitor](#) was launched at the beginning of May to track the policy performance of countries in the three regions.

The purpose of the webinar was to present the main results of the EMEA policy monitor and to discuss the latest policy developments taken by the countries in Europe, Mediterranean and Africa towards a sustainable recovery path.

Panelist Presentations:



Cinzia Alcidi: When looking at the spread of the pandemic outside China, Europe has been the main centre of the disease. Italy was the first country to be hit and the intensity of the contagion was particularly high in Spain and France, whilst in Germany it was controlled. Despite the evolution in technology, the world used ancient measures to fight the disease. We rediscovered that, when facing a virus without a cure or vaccine, the counter measures implemented were no different to those used in “Medieval” times when unknown viruses were discovered (i.e.

COVID-19 policy response assessment and path towards sustainable recovery in the Mediterranean and Africa

quarantine and social distancing). The result of the lockdown on economies has been major. The drop in real GDP is extremely high in every scenario that has been projected and, whether economies will be able to recover or the gap remains for long time, will depend on policy measures. Responses were similar across countries with certain differences depending mainly on fiscal manoeuvrability relating to the specific national needs. Various fiscal discretionary measures have been implemented to contain the fallout at a national level. Budget support for healthcare systems was key. As for monetary policy response in Europe, the ECB engaged in injecting liquidity provisions to banks and started the Pandemic Emergency Purchase Programme (PEPP), a temporary asset purchase programme of private and public sector securities. The common European response moved towards two different important dimensions: the suspension of fiscal rules and state-aid rules for member states and support for healthcare systems via enhancing research and through information campaigns.

Finally, she mentioned The European proposal “Next Generation”, the main tool for the recovery that has been put in place (the first time we have a common EU borrowing). The plan aims at restarting economic growth, based on two main pillars: digital and green.

Rim Mouelhi: In Tunisia the contagion is under control. The sanitary strategy was implemented early and was effective. After almost three months of Covid-19, Tunisia counted around 1086 cases; 49 deaths and 955 recoveries. Lockdown has been gradually lifted from 4th of May because the economy was going into recession. The country has taken several economic social measures since the end of March (i.e. social transfers to families, fiscal support enterprises). The BCT allowed banks to provide companies with exceptional financing on their operating cycle, to ensure sustainability and avoid firm closure. From the outset, the government mobilised a financial package of about 1.8% of GDP, a small amount if compared to other countries. She stated that recovery will be more difficult and slower in North Mediterranean countries than in European countries. Deeper inequality within countries is already pushing people into poverty, especially in certain sectors. In Tunisia, there were problems in the implementation of measures, delays and cumbersome procedures, errors in targeting beneficiaries, unsuitable aid distribution channels etc. The economic impact will result in a severe drop in exports, a significant increase in inflation due to market shortages, anticipated high unemployment and a fall in tourism and remittances. Ending on a positive note, she said that despite the negative issues, the pandemic could present an opportunity to

COVID-19 policy response assessment and path towards sustainable recovery in the Mediterranean and Africa

foster creativity, a switch to telework and e-learning, online bill payments, online mobile payments and reliable digital aid for a pool of people. Finally, she stressed that governments should move towards this direction, taking advantage of improving technology and efficiency.

Samir Abdullah

In Palestine, containment was successful in reducing the spread of the virus. Containment was lifted from May 25, excluding high risk activities such as education and tourism. The impact on the economic environment is critical, with the WB estimating a huge reduction in GDP, of between 7.7% and 11%. The total deficit is expected to reach 2.7 billion, which is almost 90% higher than in 2019. Part of the deficit should be financed by receiving aid and partly by borrowing from local banks, leaving part of the total without any defined financing. PA's revenues are expected to drop in 2020 and, in addition to the fund allocated to the PA emergency medical plan, the WB recommends an increased budget to employ Cash for Work (C4W) schemes, providing employment opportunities for young people and wage subsidies for suffering businesses, amongst other initiatives. The Prime Minister decided to reallocate a proportion of public employee salaries, whilst protecting those that earn US\$ 571 per month or less, which could represent a lifeline for the neediest families.

Nooh Alshyab

Jordan was successful in responding to Covid-19 from a health perspective. Confinement measures started in March, with a strict lockdown combined with a night and weekend curfew since the 25th of the month. De-confinement measures started by the end of April, with gradual reopening under certain specific conditions for each sector. Nevertheless, de-confinement doesn't include the reopening of airports. The government established the Coronavirus Relief Fund for collective donations. He illustrated the issuances of Defence Orders on fiscal policy responses, through measures regulating state revenues, government expenditures and the labour market. CBJ announced monetary measures such as reducing the official interest rate and injecting liquidity. Jordan's economic projections are not optimistic, with a possible contraction in GDP of -3.5% and an expected increase in unemployment of up to 30%. He concluded by mentioning various policy responses for the recovery, such as ODA, foreign investment or a further reduction in the

COVID-19 policy response assessment and path towards sustainable recovery in the Mediterranean and Africa

interest rate. Nevertheless, he underlined that the realization of these measures is weakened by different constraints.

Kwame Sarpong Barnieh

Ghana implemented policies to deal swiftly with the pandemic. At the outset of the virus spread, the government restricted public events and closed the education system, then introduced a partial full lockdown, imposing travel restrictions and partially reducing economic activities. The country then started to lift containment measures along an exit strategy path and a partial lifting of restrictions has already begun. The pandemic in Ghana caused different socio-economic challenges, the major ones are: difficulties in the hospitality industry, which is dependent on international travel; dangerous pressure on the healthcare sector, that was already struggling to address other diseases such as malaria; industrial crisis, particularly in manufacturing, because of the shortage of trade; worsening of financial conditions and domestic commodity prices. The projection for GDP growth is a decline from 6.8% to 2.6% for 2020. Ghana has been proactively implementing a fusion of measures to mitigate the impact of Covid-19 on the economy, namely: economic measures (i.e. the Coronavirus Alleviation Programme to facilitate economic recovery); fiscal policies (i.e. syndicated loan facilities to support industry), monetary measures (i.e. reduction in bank interest rates); and financial measures (i.e. 6 month moratoria on principal repayment)

Yacine Belarbi

Algeria was hit by a dual shock: Covid-19 and the decline in oil prices. Therefore, the government had to deal with measures to cope with the imbalance of macroeconomic aggregates and a vulnerable and fragile social situation. The Algerian economy is highly dependent on hydrocarbon resources and the IMF expects a sharp decrease in growth and an increase in unemployment. Furthermore, contraction in oil tax revenues involves a decrease in production, domestic demand and international trade, and the government decided to reduce current spending by 50%, apart from wages and subventions. The more disadvantaged groups will be day labourers and workers in the informal sector and SMEs. In order to protect jobs, the government has committed US\$545 Million to cope with the negative effects of Covid-19, deployed to support the health sector, for needy people and the professional categories that have been affected. Furthermore, the government relaxed deadlines, suspended late penalties and postponed tax reporting for certain

COVID-19 policy response assessment and path towards sustainable recovery in the Mediterranean and Africa

categories. The CBA instructed banks and financial companies to reschedule their terms of debt payment, amongst other initiatives.

Sandra Challita

Lebanon has been dealing with different crises which started before the Covid-19 arrived (refugee crisis, continuing political crisis and economic contraction). Social unrest started in October 2019, which worsened with the banking and currency crisis in November 2019 and with the debt crisis and the default in March 2020. Covid-19 started spreading across the country during a period of critical economic contraction and containment measures have been very swiftly adopted. Since the end of April, the government started lifting the lockdown whilst supporting the healthcare system and increasing testing. Socio-economic challenges are numerous, she underlined. The unemployment rate was already starting to grow in October, deteriorating with Covid-19. The country is experiencing currency devaluation and hyperinflation, with almost non-existent social safety nets and the beginning of a critical food crisis. When lockdown was lifted, street protests restarted, increasing the probability of a fresh increase in the spread of the virus. Remittances are decreasing and the brain drain is increasing. As for recovery, she said that the government is engaged in an economic and recovery plan for which a request for an IMF loan is under way. The plan has been widely criticised because of the fear of new austerity worsening the current situation. There is an attempt to control food prices and to support basic products. Both civil society and the international community are engaged with funding and in a programme to help the population. She ended on a positive note by suggesting that the crisis can be an opportunity for the country to rebuild a new sustainability from the ground up.

Najat El Mekkaoui

Morocco is still under lockdown. The state of emergency was set very quickly, a few days after the first cases were detected. The recovery in the country has been good, and the strict containment and the proactive policies, in terms of healthcare, made it possible to contain the outbreak. Lockdown is impacting the economy, with shocks to both the demand and supply sides, impacting both domestic and foreign demands. The most affected sectors are tourism, air transport and the export sectors. She then explained the social economic and security measures which have been implemented. A national committee and a special fund were established to monitor the evolution of the pandemic and to adopt the right answers. Different

COVID-19 policy response assessment and path towards sustainable recovery in the Mediterranean and Africa

monetary, financial and fiscal measures were implemented and rapidly (i.e. tax relaxations, cut in interest rate, financial support to informal workers, financing health facilities, financial support for small businesses producing anti-coronavirus equipment). Nevertheless, the socio-economic impact, particularly for the most vulnerable, remains uncertain.

Chahir Zaki

In Egypt Covid-19 cases are still showing an upward trend with a high number of deaths. Comparing Egyptian healthcare capacity with neighbouring countries, the number of physicians and hospital beds are amongst the lowest in the region, whilst the government's health spending is very low. Consequently, out-of-pocket spending has gone up, increasing the vulnerability of households to any shocks. As for containment, the country adopted a partial lockdown with a curfew, allowing for fines for those not wearing masks on public transport and in public spaces. Policy measures implemented were very similar to other countries (i.e. lowering the interest rate, postponement of loan repayments, support for families in difficulty). The Ministry of Manpower distributed payments of UD\$32 through post offices to informal workers (1.3 million workers, equating to around 10% of informal workers). The IMF has provided US\$ 2.77 billion in pandemic aid to Egypt (Rapid Financial Instrument). The government imposed some price limits on private hospitals, so that they can provide services at lower prices

Mohammed Elrazzaz

Since day 1 of the Covid-19 crisis, the UfM Secretariat intensified consultations with strategic partners, stakeholders and all member states. Furthermore, the UfM has built a dedicated section on the website showcasing relative initiatives done by collaborators (i.e. EMEA, OECD).

On the 26th of June, there will be an event on the role of the social economy in boosting pandemic recovery. This will be followed by another one on general civil protection, smart urban resilient cities, etc. He said that the Mediterranean region is one of the hardest hit by the pandemic and one of the least economically integrated in the world. Nevertheless, he stressed the fact that this crisis could be an opportunity for economies to increase digitalisation, reconfiguration of supply chain models and value chains, and to progress towards the green transition.

Carlos Conde - OECD

The OECD has been very active since the outset of the pandemic, collecting data, observing what countries were doing and providing recommendations. He underlined that governments in the region have reacted very well; measures taken by them have been effective in containing the pandemic. The OECD had consultations with investment agencies, women's councils and different types of other institutions, resulting in a good assessment of the situation throughout the region, with a high capacity for delivering. He stressed how the consultations and coordination were an essential capacity in managing the crisis and should also be used also in "normal" situations. Nevertheless, there were also shortcomings and gaps. For instance, it has been evident that there is a need to be more prepared in a digital capacity and the OECD evidences incentives going further in this direction. Talking with the private sector, they found that governments often engaged in consultations to design policies, which is important for improving governance in the region.

Furthermore, there was evidence that showed a private sector had been very damaged by the crisis, but was also very important in the response, not only in providing resources but also for the equilibrium within societies, he said. The same could be said for NGO and civil society. Nevertheless, not all the countries are open towards civil society and NGO. For the recovery, he stressed that the engagement of different actors in consultations with governments will be key. He agreed on the fact that the new economic model should be greener and more sustainable. The need to enforce welfare policies (i.e. healthcare) came out as a key priority for the future. To make this possible, it would need fiscal sustainability and stronger economies. He thought that to build a more competitive economy two factors will be key:

One is investment and linkages between the MENA and the international economy. It will be important to build a more resilient model that is more capable of generating the very large number of jobs that was needed in the region. The second element is the economic empowerment of women and the incorporation of women into the labour market. Women were particularly affected by lockdown: the majority relied on informal employment or occasional work and there was an increase in domestic violence. In recent years, a lot of measures to support women have been implemented and women's organizations have been involved in defining policy, but

COVID-19 policy response assessment and path towards sustainable recovery in the Mediterranean and Africa

this was insufficient, since a lot of the measures implemented were not gender balanced. Open and democratic governance at the centre, with female empowerment and EMEA integration in the global context are, in his opinion, are vital factors for the recovery.

Main issues discussed

- a) Countries in the region managed the pandemic well, limiting the spreading of the virus in the majority of cases.
- b) Containment policies and the Covid-19 crisis in general produced economic and societal shocks. Socio-economic policy measures are similar in all countries of the region, but implemented at different levels of intensity, depending on particular preconditions in each case.
- c) International and regional cooperation is fundamental. Therefore, regional integration should be fostered. Private sector and civil societies have also played a crucial role in the management of the crisis and governments should improve consultations with a multivariate of actors.
- d) Covid-19 is an unprecedented crisis, but also offers an unprecedented opportunity to create a more sustainable and inclusive economic model, through the transition to a more digital and green economy.