



# **FOR A DECADE OF HOPE NOT AUSTERITY IN THE MIDDLE EAST AND NORTH AFRICA**

Towards a fair and inclusive recovery to fight inequality

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Even before the coronavirus crisis struck, people in the Middle East and North Africa were protesting against the injustice and inequality wrought by a decade of austerity. The pandemic and the lockdown measures taken by governments have paralysed economies and threaten to tip millions of people into poverty, with women, refugees, migrant workers and those working in the informal economy among the worst affected. A huge increase in inequality is very likely. More austerity following this crisis will mean more uprisings, more inequality, and more conflict. If another decade of pain is to be averted, governments need to take immediate action to reduce inequality through providing public services to protect ordinary people by taxing the richest and guaranteeing decent work.

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For further information on the issues raised in this paper please email [advocacy@oxfaminternational.org](mailto:advocacy@oxfaminternational.org)

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Cover photo: Fatima's parents' apartment in Beirut has fallen apart. 'I'm afraid of the ground floor,' she says. 'The smallest movement and it might collapse.'  
(August 2020) Photo: Tamara Saadé/Oxfam

# SUMMARY

## A REGIONAL ECONOMIC RESCUE PLAN IS NEEDED FOR MENA IN THE WAKE OF THE CORONAVIRUS PANDEMIC

A decade of austerity has created conditions in which the economic fallout from the coronavirus pandemic threatens to be devastating for people living in the Middle East and North Africa (MENA) region. While the pandemic is not the sole cause of this economic crisis, it has supercharged the symptoms of economic and social collapse that had already been brewing across the region.

While an economic crisis has gripped the vast majority of people living in the region, its billionaires remain untouched. While so many people have lost some or all of their income during the pandemic, and 1.7 million jobs are expected to be lost,<sup>1</sup> the wealth of billionaires in MENA increased by at least \$9.8bn between March and August 2020,<sup>2</sup> more than twice the total IMF emergency financing that the region received to help it weather this global crisis. MENA has staggering rates of inequality, among the highest in the world. A melting pot of inequality, vulnerability and authoritarianism has been a catalyst for revolutions and social change over the past decade. Even before the coronavirus hit, the basic functions of many states were lacking at best or had simply been dismantled. Now the pandemic has brought a triple shock to the region of damaged supply chains, contracting economies and falling oil prices.

The region is already facing some of the world's most protracted crises and biggest humanitarian responses, as well as the largest mass displacement of people globally, and the economic and social fallout will be far-reaching, putting pressure on health systems, infrastructure and households.

It will be the middle and working classes who are already vulnerable who will suffer the biggest hit. Oxfam estimates that economic contractions caused by the measures put in place to prevent the spread of the virus will push an additional 45 million people into poverty across the region. This will intensify the already huge inequalities found in MENA, where the richest 10% of the population control 76% of all income,<sup>3</sup> and 37 individual billionaires own as much wealth as the poorest half of the whole adult population.

The coronavirus pandemic has exposed the lack of protection for the most vulnerable people in MENA, and will result in these people being even more vulnerable than they are already.

The impacts of the pandemic are expected to create a deep economic hole, out of which countries will have to climb. A fiscal deficit of 11.1% in regional GDP is expected, compared with 3.2% in 2019. Remittances, which constitute 5.7% of GDP, are expected to fall by almost 20%. Foreign investment is projected to drop by 45% and an astonishing 1.7 million jobs are expected to be lost, 700,000 of them jobs held by women, with an estimated total loss of income of US\$42bn. It is thought that more than 10% of working hours in the region were wiped out in the second quarter of 2020, equivalent to at least 8 million full-time jobs.

Even before the pandemic, levels of social spending were woefully low, with almost all countries in MENA spending less than 1.2% of GDP on social protection. Even then, much of what was spent did not reach the poorest people, with only 40% of them able to access coverage. Adding to that, privatization has rapidly burdened households with increasing out-of-pocket spending on health.

Flawed targeting mechanisms also exclude women. For example, in Jordan only 1.2% of households headed by women are receiving assistance through aid funds, compared with 5.9% of male-headed households. Yet women are on the frontline of this crisis and are disproportionately affected by it. Even before national lockdowns, the burden of unpaid care work done by women was the heaviest in the world, with women doing 4.7 times more such work than men. This burden has increased even further during the pandemic. Meanwhile the incidence of gender-based violence (GBV) has skyrocketed, and because survivors are trapped at home with the perpetrators, reporting has plummeted.

This weak platform of already fragile social services has weakened countries' response to the pandemic, and the measures taken to deal with it have been inadequate and have done little to soften the blow of lost income or the increased burden of care work. According to the UN Economic and Social Commission for Western Asia (ESCWA), Egypt and Jordan's coronavirus response allocated \$4.8bn for social assistance and insurance schemes compared with \$15.8bn in terms of financial policy. Governments have attempted to shore up financial, economic and social protections but, after a decade of austerity promoted through IMF loan conditions and policy advice, their social protection systems are under-funded and are now under-equipped and unprepared to adequately respond to the crisis.

The social protection schemes that have been implemented have not been sufficient. For instance, cash aid extended to unemployed workers in the informal sector has been much lower than the minimum wage. In Morocco, for example, unemployment benefits range between MAD 800 (around US\$86) and MAD 2,000 (around US\$217) a month, compared with the average minimum wage of MAD 2,700 (around US\$293); in Egypt, benefits have been a one-off EGP 500 (around US\$34) compared with the minimum wage of EGP 2,000 (around US\$138). However, a 5% solidarity net wealth tax in Egypt would generate enough revenue to render this cash transfer monthly to cover 10 million poor families and informal workers for a year. Alternatively, these revenues would enable the government to provide 3 million informal workers with US\$138 (equivalent to the minimum wage) each month for a year.<sup>4</sup>

The region has a highly informalized labour force, with 56.3% of employment in North Africa being informal and 63.9% in the Middle East, and this has led to a fundamental failure to protect most workers effectively. Millions of people have lost a significant part of their incomes, with little or no social protection.

Of the estimated 16 million informal workers in the Middle East, 89% will be severely impacted and have no social protection. The effects of the pandemic seen globally, with its huge impacts on the retail sector, hotels and hospitality and real estate, are further magnified in MENA. Economic losses will push thousands of middle and working class households into poverty, at levels not seen since the 1990s.

Refugees and migrant workers are also severely affected. The region hosts almost 14% of the world's migrant workers, and lockdown measures have cost them and their families the most. Migrants and refugees had almost no labour protection even before

the crisis and are now left completely exposed, and current systems do not provide labour and social protection for the most vulnerable.

Public services have been neglected in many countries of the region, with IMF financing conditional on fiscal consolidation rather than on the provision of quality, affordable and accessible basic services. The most recent injection of emergency loan funding has made this even more apparent. The IMF has pumped \$3.9bn in emergency loans into MENA in response to the pandemic, but with strong guidance to prioritize the resumption of fiscal consolidation once the crisis abates. This focus on fiscal consolidation rather than on people is a worrying indicator that continuing, or even deeper austerity will be the status quo across the region once the health crisis begins to subside.

With an additional 45 million people pushed into poverty across the region, the effects the pandemic will be felt throughout the middle classes as well as by the poorest workers, and a fiscal policy of 'business as usual' cannot be the way forward. More austerity will mean more uprisings, more inequality, and more conflict. The region's response to the pandemic and its aftermath requires a new paradigm. As things stand, the past decade of austerity will be followed by 10 more years of the same unless fair and equitable policies are put in place for the region to move forward. Policy making has been stalled for far too long, and without change it is inevitable that the most vulnerable people will again be forced to shoulder the burden.

The coronavirus pandemic has brought with it a wider reckoning. At present, monthly incomes and social security protections are a privilege only for the few, and returning to the status quo will not lead countries down the road of recovery. The actions required include harnessing the excess wealth that has been generated by the region's richest people during the pandemic. If Jordan, Lebanon, Egypt and Morocco had implemented net wealth taxes of just 2% from 2010, this would have generated a total of around \$42bn, more than all IMF lending to Egypt, Morocco, Jordan and Tunisia between 2012 and 2019.<sup>5</sup> Austerity could have been avoided. This alternative scenario could have given MENA countries more flexibility on spending policies and seen the region enter the coronavirus crisis with less inequality and importantly, less debt servicing.

The catastrophic blast in Beirut in August 2020 further exposed the frailty of the economy and will only exacerbate existing inequalities. For too long, profit was prioritized at the expense of the public good and safety, and the result of this could not be starker in the aftermath of the explosion. The rising infection rates pre-blast can only be expected to rise further now that the healthcare system has been damaged, as major Beirut hospitals have been reduced to low capacity. The economic and public health challenges are combining to create the perfect storm for Lebanon.

While for the most part MENA has been spared the high rates of infection so far seen elsewhere around the globe, the economic fallout of the pandemic will have huge ramifications. The region's pre-existing and entrenched vulnerabilities mean that it is now facing an uphill battle to recover.

This means that a new paradigm is required for economic policies. This crisis must be followed by long-awaited and desperately needed reforms to ensure that a fairer and more equitable region emerges from the economic doldrums.

This policy brief outlines how crucial policy change by governments is needed, in two phases:

## **Immediate actions to raise revenues and protect vulnerable people**

Starting with a one-off solidarity tax of 5% on net wealth, and accountability and active citizenship at the heart of all coronavirus response and recovery policies; and

## **Laying the foundations for fairer and more equitable societies**

- Establish a basis for fiscal justice by restoring progressive taxation and introducing a permanent 2% tax on net wealth;
- Provide universal public services, including universal social protection;
- Ensure dignified work for all, with freedom of association and the right to organize at its heart;
- Support SMEs and alternative business models.

The task ahead is not without challenges, but the aim is to create policies that move the region away from the status quo, reduce inequalities and address the grievances that had already seen hundreds of thousands of people take to the streets in protest even before the pandemic began.



# 1 INTRODUCTION

The Middle East and North Africa (MENA) region began registering its first cases of COVID-19 at the end of January and the beginning of February 2020, just as a number of social movements in the region appeared to be gaining traction. As the pandemic hit the region, it significantly slowed the momentum of these popular uprisings, either because of people's own fears of infection or because of very restrictive government measures, which have included the declaration of national emergencies and the deployment of the military to enforce lockdowns. As of August 17 2020, MENA has registered 1,059,899 confirmed cases of coronavirus and 19,603 deaths.

The pandemic has presented additional challenges for fragile states in the region,<sup>6</sup> including those already struggling with protracted conflicts. Such states were already unable to meet the basic needs of their citizens and, where governments are involved in internal conflicts, are facing challenges of legitimacy and are unable to finance basic functioning of the state, let alone contain and respond to the pandemic itself. In addition to the pandemic and the economic and financial meltdown, Lebanon is now facing an additional crisis as a result of the significant losses caused by the massive explosion in the port of Beirut on 4 August 2020. This was caused by 2,750 tons of ammonium nitrate stored unsafely in a warehouse. To date, at least 200 have been reported dead, more than 60 missing, with over 5,000 wounded. The death toll could rise, especially since the Lebanese Armed Forces announced the suspension of the search and rescue efforts at the site of the explosion. Moreover, more than 300,000 residents are estimated to have been left homeless. More than 8,000 buildings were affected in the city. Added to that, hospitals were damaged and overwhelmed, which contributed to an alarming spike in coronavirus infections. Between 26 July and 17 August, reported cases increased from 3,582 to 8,881, that is, by 150%.<sup>7</sup>

Several countries in the region have adopted very strict security approaches in order to contain the outbreak, coupled with a myriad of economic measures to try and weather the storm or, as described by the International Monetary Fund (IMF), the triple shock of the pandemic: the impacts of disrupted global supply chains, the lockdown and shuttering of economies and the continuing crisis of falling oil prices, on which much of the region is reliant.<sup>8</sup>

Governments have responded with a mix of economic, financial and social protection measures. The most prominent social assistance policies have been the reinforcing of existing social protection schemes and increased support for vulnerable households by means of one-off cash transfers. In addition, in most countries, central banks have provided monetary support by reducing interest rates and introducing new loan schemes with reduced interest rates for economic sectors affected by the pandemic, as well as suspending loan repayments. In this regard, it is noticeable that in most countries in the region the lion's share of public support in the coronavirus response has not gone to social spending. According to the UN Economic and Social Commission for Western Asia (ESCWA) stimulus tracker, in Egypt social assistance and insurance interventions have amounted to \$4.7bn, while interventions in support of financial policy<sup>9</sup> have accounted for at least \$11bn. The same can be seen in Tunisia and also in Jordan, where social assistance and insurance support is estimated at \$0.08bn, compared with around \$1.48bn of support for financial policy.<sup>10</sup>

In sum, it is estimated that only 11% of stimulus packages in the region targeted people through social protection and health measures.<sup>11</sup>

These trends indicate that relatively little has been done in the region to shore up social spending compared with other types of intervention, even though several countries have benefited from IMF emergency financing instruments to support their responses. To date, the region has received more than \$3.9bn in emergency loans from the IMF, with funds going to Egypt, Jordan and Tunisia. While these loans are intended to support social spending in the short term, the IMF has stressed a priority of 'resuming fiscal consolidation as the crisis abates'.<sup>12</sup> This indicates a return to 'business as usual' and to continued austerity in the region, especially as negotiations are under way with several countries, including Tunisia and Lebanon, for longer-term programmes, and following the approval in June 2020 of a standby agreement with Egypt worth \$5.2bn.

The pandemic and its aftermath are likely only to intensify inequalities in a region that is already the worst in the world in terms of inequality and the distribution of income and wealth. The IMF projects that income inequality will increase as a result of the pandemic, based on patterns observed after five previous major pandemics.<sup>13</sup> While no specific data are yet available for the region, some initial indicators can be observed. Notably, while many people have lost some or all of their income during the pandemic, publicly available figures show that the wealth of billionaires in MENA increased by at least \$9.8bn between March and 16 August 2020;<sup>14</sup> more than twice the total IMF emergency financing that the region has received.



## 2 STRUCTURAL INEQUALITIES IN MENA: A COVID-19 INCUBATOR

Most countries in MENA appear to have avoided the worst during the first wave of the coronavirus pandemic, at least in terms of human lives lost. However, the region is still being battered by the pandemic and the impacts seen so far, along with the serious structural inequalities, indicate that the crisis is far from over, especially as a second wave of infections has already begun to appear in hotspots globally. This is noticeably the case in Egypt, which has seen its hospitals overwhelmed with coronavirus patients and a wave of infections among medical staff.<sup>15</sup> Lebanon has also seen signs of a second wave, with an increasing number of infections among medical staff and, in July, the first reported death of a doctor treating coronavirus patients.<sup>16</sup>

Nevertheless, national lockdowns are gradually being eased in several countries in the region and the focus is moving towards policies to aid recovery, while maintaining measures to control the pace of new infections.

Countries in the region have historical vulnerabilities that pose real challenges in responding to an expected increase in outbreaks and for social and economic recovery, which is likely to take years, unlike some optimistic predictions of a V-shaped recovery. As things stand right now, the decade of austerity that began after the Arab Spring revolutions is likely to be followed by another 10 years of the same across the region unless an equitable and fair recovery is ensured.

The MENA region has some of the most staggering levels of inequality in the world, and a combination of inequality, vulnerability and authoritarianism has made it a hub for revolutions and social change over the past decade. The Middle East is considered to be the most unequal region in the world, with the richest 1% and richest 10% of the population controlling, respectively, 30% and 64% of income, while the bottom 50% of the population control only 9.4%.<sup>17</sup> In the region as a whole, 37 individual billionaires own as much wealth as the bottom half of the entire adult population.<sup>18</sup> Furthermore, between 2010 and 2019 the number of high net wealth individuals with assets of \$5m or more in Egypt, Jordan, Lebanon and Morocco increased by 24%, and their combined wealth increased by 13.27%, from \$195.5bn to \$221.5bn.<sup>19</sup>

These inequalities have increased since 2010, the start of the 'Arab Spring', and they are expected to increase further as a result of the coronavirus pandemic, as has been the case with previous pandemics.<sup>20</sup> It was predicted at the beginning of the current crisis that the coronavirus pandemic would push 45 million people in the region into poverty and would result in massive losses in terms of jobs and incomes.<sup>21</sup> And these losses are expected to have a disproportionate impact on women workers: in the Middle East in 2018, women accounted for almost one-third of unemployed workers, despite making up only 16% of the regional workforce.<sup>22</sup> These inequalities translate not only into different short-term impacts of the pandemic, economically and from a health perspective, but are also likely to dictate who suffers the greatest impacts of the aftershock. Although the IMF and other international financial institutions (IFIs) have instructed countries to spend now to save lives, they are also warning these same countries that fiscal consolidation should resume when the pandemic begins to subside, as indicated in the IMF statements of emergency loan approvals for Tunisia,<sup>23</sup> Egypt<sup>24</sup> and Jordan.<sup>25</sup> Coronavirus responses that benefit the middle

classes and the most vulnerable people in these countries have been modest, but the pain of balancing the books when things calm down is likely to fall on their shoulders.

The pandemic constitutes a generalized crisis. Nevertheless, it cannot be treated as an external shock to the economies and societies of the MENA region as it has only accelerated an outcome that seemed inevitable in the absence of any genuine changes in policy, despite the recurrent revolutions and uprisings that have taken place since 2010. Policies that for decades have given primacy to economic growth at all costs have now reached a reckoning point. Such policies have led to a prevalence of informal work and precarious employment, while regular monthly incomes and social security protection have become a privilege only for the few.

According to the International Labour Organization (ILO), 56.3% of all non-agricultural employment in North Africa is informal, and 63.9% in the Middle East.<sup>26</sup> With high levels of informality, precarious employment is common across the region. This is due mainly to an increase in informal wage labour due to 'flexibilization' of the labour force and work arrangements in both the private and public sectors, as part of cost-cutting strategies. Indeed, it would be no exaggeration to say that informalization in MENA has been a deliberate policy choice.<sup>27</sup> In the Middle East over 90% of economic units are informal, and 77% of all units are involved in informal own-account work.<sup>28</sup> These figures are staggering and are symptomatic of the prevalence of low-added-value and subsistence activities in the region. In 2018 working poverty rates (moderate and extreme) reached 42% in the Middle East and 25% in North Africa.<sup>29</sup> These trends of high levels of informality and own-account work have resulted in a very skewed functional distribution of income in favour of capital, with the share of labour income in the region as a proportion of gross domestic product (GDP) being only 30% in 2012, one of the lowest in the world.<sup>30</sup> The coronavirus pandemic and the lockdowns, and the subsequent contraction in economic activities, are likely to drive the labour share of income down even further.

For decades, governments in the region have relied on the informal sector to adapt, especially in times of crisis. Social policy, social infrastructure and basic labour rights have not been extended to the informal economy, yet it has been encouraged to thrive as people were left to adapt and while austerity became more entrenched. The informal economy has been hit just as hard by the pandemic as the formal one, if not harder. Sectors and informal jobs that rely on direct contact between people and activities that take place in crowded spaces have been severely affected or halted altogether by the lockdowns and by the cessation of activity in the formal economy, on which many informal jobs depend. Job losses and lockdowns in the informal economy have had a double impact on women's economic welfare: first, women workers in the region rely more on informal work than their male counterparts, which has meant a severe reduction in income, especially for female-headed households; and second, spouses and male relatives losing their jobs has increased the burden of unpaid care for women.

The almost complete absence of automatic economic stabilizers, like unemployment insurance and welfare, as progressivity in tax systems has been severely undermined and universal social protection has been replaced by ad hoc safety nets, coupled with the inability of the informal economy to adapt any further, has left the region and its peoples extremely exposed to the impacts of the pandemic. The framework of austerity that for years has dominated MENA has left little room for governments to act, while the structure of economies in the region makes it very difficult to protect those who are unprotected in this time of crisis.

### 3 ENDING THE AUSTERITY PARADIGM

In recent years, especially since 2010, most economies in the region have been subjected to strict austerity policies that have affected their revenues but have also affected social spending in the most crucial sectors, such as health, education and social protection. This is likely to reflect the increased involvement of the IMF in the region over the past decade. Since 2011, the IMF has backed reform programmes in Tunisia, Egypt and Jordan, and negotiations were ongoing with Lebanon and then put on hold at the time of finalizing this publication. The Fund's involvement has been centred on fiscal consolidation, restricting public wage bills and reforming subsidies, one of the last remaining types of universal benefit. These policies have contributed to an increase in women's unpaid care work<sup>31</sup> and the impact of austerity is now being felt as governments find themselves very constrained in responding to the crisis. In Egypt, for example, a doctors' union has accused the government of neglect and failure to protect healthcare practitioners; at least 19 doctors had died from the virus by May 2020, and 350 had been infected. The union has attributed these infections to a lack of personal protective equipment (PPE) and beds for medical staff and has warned of the possible collapse of the healthcare sector.<sup>32</sup> In Lebanon, the main hospital treating cases of coronavirus has been forced to close operating theatres due to power cuts caused by a lack of fuel for generators.<sup>33</sup>

In responding to coronavirus, government policies have relied largely on social safety nets, which are limited in their coverage and impact, and on financial measures implemented by central banks. Lessons from the popular uprisings in the region have not been translated into concrete outcomes for most people. The almost total lack of fiscal space available to respond to the pandemic results largely from the failure to make tax systems progressive and fair. The ratio of tax revenues to GDP increased slightly from 2005 to 2014 but it remains low, hovering at around 15%.<sup>34</sup> This has been accompanied by an increasing shift in tax bases towards indirect taxation and lightening the burden on corporations and the richest people. For instance, in Egypt between 2014 and 2018 the share of total taxes on goods and services increased from 42.8% to 48%, while the share of corporate income tax (CIT) decreased from 35.9% to 24%.<sup>35</sup> A similar trend can be seen in Tunisia, where the contribution of corporations to total tax revenues fell by 37% between 2010 and 2018, while that of households increased by 10% over the same period.<sup>36</sup>

Meanwhile, the debt burden has increased significantly, from 66% of GDP in 2008 to 93% in 2016 for oil-importing countries in the region.<sup>37</sup> Shifting tax bases and the increase in public debt indicate that households are financing debt and austerity while at the same time witnessing a deterioration in terms of social services. This could have been avoided if countries had introduced more taxes on the rich. In Egypt, for instance, if a tax on net wealth had been in force since 2010 at a rate of only 2%, it would have generated \$20bn in revenues, equivalent to all IMF loans the country has received in the same period. In Jordan, such a tax would have generated \$3.65bn, or 1.34 times the amount of all IMF loans to the between 2012 and 2019, before coronavirus.<sup>38</sup> There has always been an alternative to austerity, one that potentially would have allowed these countries to tackle the coronavirus crisis with lower levels of inequality, less social distress and more fiscal space.

Over the past decade, households in the region have seen their expenditure on health rise, both relatively and in absolute terms: average out-of-pocket per capita expenditure increased from \$87 in 2011 to \$110 in 2017, and the out-of-pocket share of total health expenditure increased from 30.8% to 38%. This share is much higher in countries such as Egypt (60%), Iraq (58%) and Morocco (54%).<sup>39</sup> This is largely due to the underfunding of public health systems and the limited coverage of social security, which is tied to formal employment. Such an outcome was not inevitable, however: in Morocco, a 2% tax on net wealth would have raised almost \$6.17bn between 2010 and 2019, a sum that could have been used to extend mandatory health insurance to 7.5 million more people, doubling the population covered.<sup>40</sup>

In many countries, particularly those with an IMF programme in place, this paradigm of austerity has also involved the dismantling of subsidy systems. Electricity and fuel subsidies can be environmentally harmful and may benefit the rich disproportionately, but they still are of major benefit to poor people's incomes and it is mostly the vulnerable who will feel the negative impact of their removal. However, the IMF programmes have targeted these subsidies, while avoiding those related to bread and other basic foodstuffs, having seen the very direct impacts that such actions have on people and the consequent social unrest they caused during the structural adjustment programmes of the 1980s and 1990s. In countries such as Egypt, Jordan and Tunisia, fuel subsidies have been slashed.<sup>41</sup> For instance, in Jordan, government spending on subsidies constituted approximately 4% of GDP in 2012, but now it constitutes only 0.2%.<sup>42</sup>

Furthermore, the money saved by these drastic reductions in government subsidies has not been reallocated to build universal social protection systems, starting with social protection floors; instead, a portion of the savings has been used to increase financing for social safety net programmes that are based on flawed poverty targeting, including conditional cash transfers. Nor has the increase in spending on social protection corresponded exactly to the cuts in subsidies. According to the IMF, most MENA countries spend less than 1.2% of their GDP on social safety nets and these fail to target the poorest people, of whom only 40% are covered.<sup>43</sup> Poor targeting mechanisms can exclude women: in Jordan, just 1.27% of female-headed households are receiving assistance from the National Aid Fund, compared with 5.93% of households headed by men.<sup>44</sup> Furthermore, social spending in the region represents only 11% of GDP, compared with 19% in emerging European economies and 14% in Latin America.<sup>45</sup>

Weak fiscal revenues and underfunded social services have undermined national responses to coronavirus in the region. This is evidenced by an ongoing trend of privatization: between 2014 and 2017, governments' share of total expenditures on health decreased from 61.5% to 55%, while the share of the private sector grew from 37.8% to 44% over the same period.<sup>46</sup> Although some governments have introduced temporary cash transfer programmes or unemployment benefits for informal workers, such payments are much lower than the minimum wage. For instance, Morocco has introduced a temporary monthly unemployment benefit of MAD 2,000 (around US\$217) for formal workers and cash transfers for households of MAD 800–1,200 per month (around US\$86 – 130), while the minimum wage is around MAD 2,700 (US\$293). However, if a solidarity net wealth tax was adopted at 5%, revenues generated (on 2019 data) could have been enough to almost double Morocco's spending on the coronavirus response. The Egyptian government has made one-off cash transfers of EGP 500 (US\$34) to around 300,000 poor families and informal workers,<sup>47</sup> while the official minimum wage is EGP 2,000 (around US\$138). However,

a 5% solidarity net wealth tax in Egypt would generate enough revenue to render this cash transfer on a monthly basis to cover 10 million poor families and informal workers for a year. Alternatively, these revenues would enable the government to provide 3 million informal workers with US\$138 (equivalent to the minimum wage) each month for a year.<sup>48</sup>

Worse, measures taken by some governments have actually tapped workers' funds. In Jordan companies have been given the option of stopping their contributions to the social security corporation's pension scheme for three months, while employees have had the option of voluntarily making these up. As a result, companies' social security contributions have decreased from 21.75% to 5.25% of the salary. Measures such as these result in permanent losses to workers' funds in the name of supporting employment by cutting costs for companies, rather than introducing wage guarantees for workers. There is serious concern that such actions could be used to justify significant cuts in social security contributions in the future, given that they have been a target of austerity policies for years.

In addition, the Jordanian government decided to use half of its maternity insurance contributions for 2020 to support vulnerable groups through cash transfers and in-kind assistance. This represents a clear redistributive measure from the middle classes to the poor, but does not touch on the income and wealth of the rich. A similarly regressive redistributive measure has been introduced in Egypt, where the government has imposed a coronavirus tax of 1% on all public and private sector salaries and 0.5% on state pensions. The revenues raised by this tax are meant to support sectors and small and medium-sized enterprises (SMEs) most affected by the pandemic. However, at the same time the government postponed the implementation of a much-needed capital gains tax that would have raised significant revenues.

Such measures epitomize the fiscal reforms that have been taking place for years, with progressive taxation introduced for low- and middle-income earners while the burden on high-income categories is lightened. Opting to introduce such measures during the pandemic is a clear sign that past policies have failed, and underlines the need for a fundamental overhaul of fiscal and social policies across the region. Governments could have chosen instead to introduce a solidarity tax on net wealth. If the Egyptian government had chosen to introduce such a tax at a rate of 5%, it would have raised enough revenue to cover 95% of the IMF Stand-By Arrangement for the country approved on 26 June 2020. Similarly, Jordan would have generated revenues equivalent to double the amount of the IMF emergency loan of US\$396 million that Jordan has received to respond to the pandemic.<sup>49</sup>

All this tells us that people across the region are paying the price for unjust policy choices that are now being harshly exposed during the coronavirus pandemic. More of the same choices will not suffice in the period to come, especially as a significant depression is looming.<sup>50</sup> There is an increasing need for a universal approach to social protection, rather than simply insisting on enhancing and expanding existing minimal safety nets. These have been one of the few instruments available to governments to respond to the crisis, but with gloomy forecasts of growing poverty and sharp falls in employment, along with sectors vital to the region such as tourism and services being badly affected for years to come, a different set of policy choices is needed. The fact that more than half of the workforce in most countries is in informal employment, and that many workers have already lost their jobs and income, should pave the way for social protection and security to be delinked from formal wage employment. This particularly affects women workers and female-headed households,

as most women are not engaged in paid employment, let alone in formal work. Furthermore, no minimal social safety net will be able to protect the expected additional 45 million people who will join the ranks of the poor, and who will see their livelihoods threatened for years to come. Universal social protection and universal basic services, such as health and education, are needed now more than ever.

The fall forecast in public revenues represents a challenge to any governments making bold social policy aimed at reducing inequality. Fiscal deficits are expected to reach at least 8.3% of GDP compared with 6.7% in 2019, with Lebanon (15.3%), Morocco (7.1%) and Egypt (7.7%) hit the hardest.<sup>51</sup> However, this fall in revenues should be seen as an opportunity to enact, in the medium and long terms, much needed fiscal reforms aimed at restoring progressivity to the region's tax systems and implementing overdue taxes on wealth, and to introduce immediately solidarity taxes on extreme wealth and excessive profits that have been made during the pandemic. Such an opportunity should not be missed again.

This is particularly relevant to Lebanon, which is dealing with a serious debt crisis resulting from unjust fiscal policies. If it had in 2010 introduced a tax on net wealth at a rate of just 2%, by now it would have raised USD 12.8bn more than enough to cover the loans pledged at the CEDRE funding conference in Paris in 2018 (but not yet disbursed), or the equivalent of 82% of its total foreign debt service payments since 2011. Instead, Lebanon is facing a crisis of diminishing foreign reserves, with \$3bn leaving the country in the first 9 months of 2019 and defaulted on its Eurobond repayments in the midst of the pandemic. Adding to that, the Beirut port explosion massively exposed the country's frail physical and social infrastructure resulting from decades of neoliberal economic policies and corruption that made it unprepared to adequately respond to such a crisis. Indeed, decades-long deregulation, privatization and low taxation have weakened the country's ability to restrain ventures that seek profit at the expense of safety and the public good.<sup>52</sup> In this regard, the International Transport Workers' Federation (ITF) has declared Lebanon a 'flag of convenience country'. According to the ITF 'a flag of convenience ship is one that flies the flag of a country other than the country of ownership. By "flagging out", ship owners can take advantage of minimal regulation, cheap registration fees, low or no taxes and freedom to employ cheap labour from the global labour market'.<sup>53</sup> This contributes to attracting ships like the one transporting ammonium nitrate, jeopardizing public safety.

While the Beirut blast impacted both affluent and poorer neighborhoods, it has severely affected working class areas in Beirut, where many vulnerable migrant and Lebanese families live with little infrastructure or public services and are already in a very vulnerable position. These areas witness a high concentration of informality in terms of employment and housing, with a high concentration of migrants and refugees. While an accurate damage assessment is not available at the time of finalizing this report, rapid assessments indicate that at least 60% of shops in these neighborhoods were badly damaged, and without assistance most of them are likely to close.<sup>54</sup> Added to that, many families, especially migrants and refugees, are facing eviction after their homes were damaged or destroyed. The calamity of the explosion has much to do with the decades-long policies of privatizing the social infrastructure in the country. Lebanon lacks a comprehensive social protection system that could cushion the victims of the explosion, especially those who lost their income and shelter. Indeed, 45% of the population are not covered by any type of insurance.<sup>55</sup> The staggering inequalities in Lebanon are very entrenched; the wealth of the country's billionaires remains unaffected by both the pandemic and the explosion.<sup>56</sup>

The port explosion and the massive destruction it caused could be followed by a similar scenario to the post-civil war reconstruction of Beirut's central district, which was re-built by a private company and led to the eviction of most residents and shop owners in downtown Beirut. The shock caused by the explosion could pave the way for further privatizations of vital public assets, such as the port itself, and to further evictions and restructuring of the city to benefit the most wealthy and future real estate speculations. This has been already witnessed as people have reported that realtors visited them to buy their demolished houses.<sup>57</sup> Reconstructing Beirut and supporting its people should not be a repetition of the past, but a model for the future, where the rich pay their equitable share through a model of reconstruction through redistribution. Indeed, if a solidarity net wealth tax had been introduced at a rate of 5%, the revenues generated (using 2019 data) could cover 37%<sup>58</sup> of the estimated cost of damage to the 40,000 affected buildings estimated at US\$5bn.<sup>59</sup> Alternatively, these potential revenues would enable the government to provide the 300,000 families who were made homeless with US\$1,000 monthly for a year to rebuild their lives; or 1 million families could have been provided with US\$310 monthly for a year in response to the pandemic.<sup>60</sup> There is an alternative to austerity and to the continuing financial crisis: tax the wealthiest in society.



## 4 WORKERS SHOULD NOT PAY THE PRICE OF RESPONSE AND RECOVERY

During the current crisis, those who have been most protected have been civil servants, who have not seen their incomes fall or disappear and who have continued to have access to healthcare. Public sector employment has been one of the favourite targets of austerity policies, yet it has provided the steadiest and most secure protection during the pandemic. Those who have been most affected have been the same people who were already paying the price of austerity, vulnerable and informal workers across the region most of whom are women.

Many of the impacts of the COVID-19 crisis and the subsequent economic shock, and government decisions in response to this, have fallen disproportionately on vulnerable workers globally, and especially so in MENA. Unemployment in the region is expected to increase by 1.2% in the immediate future, amounting to a total loss of 1.7 million jobs, about 700,000 of which will be jobs done by women.<sup>61</sup> The ILO estimates that on average there will be a reduction in working hours of 13.2% in the Middle East and 15.5% in North Africa<sup>62</sup> as a result of coronavirus and related government responses. This will ultimately result in a loss of income amounting to \$42bn across the Middle East.<sup>63</sup>

These challenges are further compounded by the prevalence of informal work throughout the region, in the form of own-account work, exclusion from workers' social protection schemes and the informalization of work contracts. In the Middle East, an estimated 89% of the region's 16 million informal workers have been severely affected by measures introduced in response to the coronavirus crisis.<sup>64</sup> Informal workers have borne the brunt of job losses resulting from government lockdowns, as they lack legal representation and access to complaint mechanisms if they lose their jobs and they depend on daily wage work for their incomes.

The sectors most at risk globally are those that have a prevalence of informal workers, including the retail trade, accommodation and food services, and real estate as identified by the ILO.<sup>65</sup> There will be disproportionate impacts on the first two of these sectors in middle-income MENA countries, as many of them are service economies that depend on them for economic activity and job creation. With global travel restrictions in place and people afraid of contracting the virus, tourism, an essential generator of low-skilled jobs, is also under threat in the region. Tourism is especially essential in countries such as Morocco, Lebanon and Egypt; in Egypt it contributes 12% of total GDP. In Morocco, the tourism sector is expected to decline by 25% and this will have a severe impact, as tourism contributes 500,000 jobs directly and 2.5 million indirectly to the economy.<sup>66</sup> Governments across the region have responded with stimulus packages to support some of these sectors, in the form of grants, soft loans and salary support. However, recovering from the crisis will still be extremely difficult, especially for informal workers. In the coming months, economic contractions and job losses will see thousands of lower-middle-class households slip into poverty, with some observers estimating that these contractions will push poverty in the region to levels last seen in the early 1990s.<sup>67</sup>

There have been reports across the region of workers being dismissed, late or partial payment of wages and violations of health and safety protocols. Some response measures have also been at the expense of workers, such as in Jordan, where the government has allowed companies in the worst-affected sectors to deduct 30% of workers' salaries if they agree and other companies to deduct 50% of annual leave entitlement for employees working remotely, among other measures.<sup>68</sup> Labour protection laws across the region are inconsistent in their capacity to protect workers and are largely exclusionary; in 2019, Egypt and Saudi Arabia were both listed among the worst countries in the world for working people.

While in some countries labour laws allow freedom of association to some extent, in practice the process of establishing a trade union is restricted. In Lebanon, for instance, workers have the right to set up unions on condition that they obtain a permit beforehand from the Ministry of Labour, but public sector employees, domestic workers and agricultural workers do not have the right to unionize. All MENA countries have legal restrictions of varying degree on the ability of workers to establish or join unions and engage in collective action, and in several countries, workers have been arrested for exercising their right to strike, including in Egypt.<sup>69</sup>

Moreover, women have limited representation in trade unions and associations across the region: in Egypt, women hold fewer than 1% of top leadership positions in unions.<sup>70</sup> In Jordan, there are no female members in 40% of the sectors that make up the General Federation of Jordanian Trade Unions, and women account for just 14% of members of its main decision-making body.<sup>71</sup> This further limits women's ability to engage in collective bargaining on wages and redundancies during the recovery period and reinforces the broad trend of women's needs being excluded from social protection measures and responses.

#### **Box 1: Women workers on the front line**

Women are on the front line of the coronavirus response and are heavily represented in a number of essential sectors, including healthcare, education and agriculture. Across the MENA region, agriculture accounts for an estimated 25.5% of women's employment, education for 19.8% and health and social work for 8.5%, while for men agriculture makes up 16.4% of employment, education 4.5% and health and social work 1.9%.<sup>72</sup> In some areas, this disparity is more apparent: in Egypt's healthcare sector, for instance, women outnumber men by 10 to one, which means that women have been much more exposed in dealing with the virus;<sup>73</sup> in Lebanon, women make up 80% of nursing staff.<sup>74</sup> Agriculture is also an essential sector in many countries, and farmers across the region have continued to operate through full and partial lockdowns. There are a significant number of migrant women workers in the agriculture sector, where conditions are poor and largely unregulated. This indicates that women have been bearing a disproportionately high burden to continue providing essential goods and services over this period.

In the Middle East, migrant and refugee workers are excluded from labour protections in different ways: for instance, only 73% of countries in the sub-region have laws mandating a minimum wage, and these laws are usually only partial in their coverage.<sup>75</sup> In Saudi Arabia, migrant workers are excluded from labour laws altogether, meaning that 90% of workers in the country are unable to access or demand labour rights.<sup>76</sup> In Kuwait, full lockdowns in areas mostly inhabited by foreign workers have blocked their access to income, particularly those dependent on freelance and daily wage work. There have been similar reports from Qatar, which has one of the highest per capita infection rates globally. The vast majority of those

infected are migrant workers, many of whom have been left unemployed by the outbreak.<sup>77</sup> This has forced workers to use up their savings though, as for many others in the region, these have not lasted long, and there appears to be little government support to make up for this loss of income.<sup>78</sup>

Workers having to rely on savings and on borrowing to survive demonstrates the weakness inherent in depending solely on the private sector to provide livelihoods for vulnerable groups, and highlights the need for interventions such as wage guarantees, which would support incomes for those who have lost their jobs or are unable to access work opportunities. The limited availability of such measures is partly the result of a longstanding trend of IFIs supporting 'flexibility' in workers' rights in exchange for reducing costs to businesses, and governments are now seeing especially negative impacts, with lockdowns highlighting the failures of systems that deprioritize workers' rights in favour of cutting costs. The lack of protection for vulnerable and migrant workers prior to the crisis, and the disproportionate impacts that they have suffered as a result, highlight the need for improvement in the treatment of migrant labour. Currently systems are failing to guarantee basic labour and social protection rights for the majority of residents in the region, and the crisis has shown up their weakness and inability to secure livelihoods, particularly for the most vulnerable.

This is particularly concerning in a region where social protection measures are already failing to reach those most in need. Only about a quarter of people in the lowest income quintile receive social assistance benefits, lower than the global average of 30%.<sup>79</sup> The increase in poverty predicted due to unemployment and cuts in wages will mean an increase in the number of people in the lowest wealth bracket. Poor targeting mechanisms and limited social protection measures will only strain these systems further. The impact is also exacerbated by a broad regional reliance on contributory social security schemes. These are mostly linked to formal employment which, in the private sector, accounts for fewer than 20% of workers across the region. This affects young workers the most, as 71.2% of them are engaged in informal employment.<sup>80</sup> Social protection mechanisms are also often biased towards wealthier groups rather than the poorest and most vulnerable populations.<sup>81</sup>

Those who benefit most from contributory social security schemes are those in the urban formal private or public sectors, such as civil servants and army veterans. Low-income urban and rural workers are usually unable to access such schemes due to their informal work status and their inability to make formal contributions. Furthermore, following recent measures to 'balance the books' across the region, an expected surge in austerity measures is likely to see further reductions in public sector employment. While there is a need to move away from overdependency on public sector employment, economic sectors with low returns, especially in middle-income countries, often do not provide enough opportunities, much less dignified work, to cover all particularly marginalized groups. The shrinking public sector across the region means that, in time, even fewer workers will have access to contributory social protection schemes, and this will lead to increasing levels of informality. And as the public sector is an important employer of women, they are likely to be more affected by this trend.

The impacts suffered by informal daily wage workers are compounded when assessed in relation to migration status, and this is especially noticeable in a region that hosts 13.9% of the world's migrant workers.<sup>82</sup> The broad impacts of coronavirus responses on workers across the region, especially those in marginalized groups,

reflect weaknesses in the systems governing social protection measures for workers. The failure prior to the crisis to guarantee that workers could claim their rights, and their limited ability to assemble, form associations or protect one another, have paved the way for violations of workers' rights during lockdown.

### **Box 2: Impacts on workers in selected countries**

In Lebanon, a rapid assessment of the impact of the pandemic on vulnerable workers conducted by the ILO and research institute Fafo found that 84% of respondents had been permanently or temporarily laid off, with twice as many Syrian workers laid off as in Lebanon. Moreover, 60% of Syrian workers had lost their jobs permanently. Overall, only 2% of workers surveyed were on paid leave during the lockdown.<sup>83</sup>

In Tunisia, the National Institute of Statistics conducted an impact assessment in May and found that 41% of people who used to work before the lockdown had not resumed work once restrictions began to ease, and 73% of surveyed workers in the service sector were not working and were receiving no remuneration.<sup>84</sup>

In Egypt, the central agency for public mobilization and statistics (CAPMAS) found that 73.5% of respondents reported that their income had decreased. Fewer university graduates reported a reduction in income: 48.6%, compared with 87.3% of workers without a university degree. The survey also found that 29.9% of women workers had lost their jobs, compared with 26.2% of men. In addition, 50.3% of households had had to resort to credit to cover their needs and 17.3% had resorted to charitable help, while only 5.4% had benefited from government cash transfers to informal workers.<sup>85</sup>

Economic structures across the region tend to incentivize informality and, by proxy, limit wide access to social security schemes. This has had a particular impact on young workers, 85% of whom are estimated to be in the informal sector, which has been severely affected by lockdowns. Youth unemployment is already very high, reaching 23% in 2020, and the rate is almost twice as high for young women, at 42.1%.<sup>86</sup> Years of recession and a further decade of austerity will disproportionately affect youth, who risk becoming a lost generation if the necessary interventions are not made. It will be essential to put decent and dignified work for young people at the heart of government policies in the coming period. Although the pandemic poses multiple threats to jobs, the right policy designs and set of interventions – such as ensuring universal social protection and empowering them with the right skills – could create opportunities for young people to step up and be an integral part of the response.

For years, the informal sector has been overlooked and informality in labour practices has become normalized. Across the Gulf, for instance, migrants have no guarantee of social security protection or pensions, especially blue-collar workers. In Jordan and Lebanon, domestic work does not require social security contributions from employers. With informality the norm across many MENA economies, workers are excluded from social protection systems that mostly prioritize nationals and those in formal work set-ups. There is a severe deficit in social protection, especially for vulnerable and marginalized people, against a backdrop of slowed economic growth and recession that is likely to have long-lasting effects over the coming years, particularly as the region is likely to witness further waves of coronavirus and subsequently lockdown measures that will affect informal workers and their families. MENA spends considerably less on social protection than other developing regions: for instance, while states in Latin America and the Caribbean spend 1.5% of GDP on social safety nets, the MENA region overall spends less than 1% of total GDP on such

measures.<sup>87</sup> Consequently, universality of social protection and the expansion of existing schemes are needed to better ensure the welfare of all residents in the region. The expansion of social safety nets in recent months has been remarkable, albeit temporary and exclusionary, but this only highlights the need for wider reforms in social protection mechanisms across MENA.

## 5 WOMEN AT THE HEART OF RESPONSE

Economic participation rates for women across the region stand at 21% and are consistently the lowest globally. Yet of the jobs that are expected to be lost in the coming period, 41% are estimated to be jobs done by women.<sup>88</sup> Furthermore, the low rate of participation by women in the labour force, compounded by the fact that 62% of women who are employed work in the informal sector,<sup>89</sup> means the further exclusion of women from contributory social security schemes. Relying on such schemes as the main means of social protection largely favours men, who are more likely to be in stable, formal employment, as opposed to women who are more likely to be in insecure and low-paid work. For instance, in Egypt 11.4% of women over the age of 20 were subscribed to contributory social insurance schemes in 2012, compared with 34.5% of men over 20.<sup>90</sup> This poses particular risks for households headed by women, who are more likely to fall into poverty as a result of the crisis.

With further budget cuts and austerity measures expected in the coming months, women will be more seriously affected. Austerity measures backed by IFIs, including reductions in subsidies and the imposition of value-added tax (VAT) on basic goods, have also had a disproportionate impact on women, who consistently earn less than their male counterparts. In Jordan, female-headed households earn 15% less than those headed by males, which means that they suffer a greater impact from reductions in subsidies. Where targeting has failed to reach the most vulnerable households, universal measures such as subsidies are still essential, but these have been consistently targeted by IMF loan conditions. The increasing disparities that this causes are likely to be amplified by the pandemic, which has seen women hurt disproportionately by the loss of jobs and income.

Many of the lockdown measures have only been made possible by the unpaid and underpaid work done by women across the region. Prior to the lockdown, the unpaid care workload of women in MENA was the highest globally, 4.7 times higher than that of men, and this burden is expected to have increased due to the pandemic.<sup>91</sup> In Jordan, 95% of vulnerable women (Jordanians and Syrian refugees) reported spending more time on unpaid care responsibilities during lockdown.<sup>92</sup> The closing of schools, moves to e-learning and the dependency of elderly people on their adult children, along with women's usual care responsibilities, have seen their burden increase considerably. And while the private sector has slowly begun to reopen in a number of MENA countries, this has not been accompanied by initiatives to restart school classes or to reopen day-care facilities. This has a double-edged effect on working mothers, teachers and childminders in these fields.

The incidence of gender-based violence (GBV) during the crisis is also thought to have increased significantly. Lockdown measures have exacerbated tensions within families, and rapid assessments carried out by a number of agencies across the region have found worrying trends of violence being worsened by tensions related to financial difficulties and debt. In 2019, agencies supporting GBV programmes in Jordan reported that 88% of the cases they handled involved women who reported their husbands as perpetrators of GBV. Following the lockdown, these agencies reported a reduction of 68% in cases reported to their hotlines, suggesting that

women were trapped in close confinement with their aggressors and were unable to seek assistance.<sup>93</sup> A study by UN Women in Egypt on women during the lockdown revealed that 11% of married women had been exposed to verbal or physical violence from their husbands in the week prior to the survey; more than half of these women reported that they had not been abused in this way before the crisis.<sup>94</sup> Failure to take into account both the prevalence of domestic violence before the lockdown and the increase in levels since, combined with a lack of any comprehensive government response to address the issue, indicates a weak ability to consider gender as an integral part of the response, despite the increased burden on women over this period.

Women domestic workers are also subject to increased workloads and care demands, including cooking and cleaning, as their employers' family members are at home all day. This is particularly relevant in the Middle East, which hosts an estimated 3.16 million migrant domestic workers, the most of any region.<sup>95</sup> Like other migrant workers, domestic workers in eight countries in the Middle East, namely the six GCC states, Jordan and Lebanon, are bound by Kafala sponsorship systems. This arrangement ties workers to sponsorship by their employers, limits their mobility and their capacity to claim rights and report violations, and infringes on their basic labour rights. Household confinement and increased restrictions on mobility, together with unlimited working hours, mean that migrant domestic workers have been subject to even greater exploitation during this period, and pre-existing limitations on workers' ability to report violations of their labour rights have been exacerbated.

Furthermore, domestic workers are likely to face additional care responsibilities for sick or elderly members of their employers' families, putting them at risk in situations where they are unlikely to be given appropriate protective equipment or trained to take proper precautions. Governments in the region have not taken measures to ensure the safety of domestic workers during lockdown or communicated with employers on this issue, despite a widespread recognition of the increased burden of care work and incidence of domestic violence. If employers are facing economic hardship, it risks delays in the payment of wages; this has already been happening in Lebanon, due to the financial crisis that began prior to the coronavirus pandemic.<sup>96</sup>

Globally, the high risk of a severe contraction in certain sectors over the coming months will have a particularly severe impact on informal workers, most of whom are women. These sectors (such as wholesale and retail, manufacturing, accommodation and food services) employ about 42% of female workers, and 34% of male workers.<sup>97</sup> In the MENA region, the service sector employs 62% of women workers.<sup>98</sup> Despite the private sector reopening, workers in shops and restaurants will continue to be severely affected by the crisis due to social distancing measures, which reduce public contact and limit available employment opportunities; globally, this is expected to result in a 50% decline in service sector output.<sup>99</sup> Dependency in the MENA region on the service sector will have broad implications for women's ability to access income opportunities, as it is the biggest generator of employment opportunities across the region and a major employer of women.

Contraction in the service sector is likely to be accompanied by a move towards digital and online working, and this process will also exclude women. The World Bank has already called for a boost to the region's digital economy in an effort to retain jobs, as part of a general call to prioritize jobs in the recovery period.<sup>100</sup> The lockdown has prompted rapid digitalization in a number of spaces including schools and workplaces, but continued reliance on online working risks leaving women behind, for a number of



reasons.<sup>101</sup> Across the region, women are less likely to have access to the Internet: in Iraq, for instance, only 51.2% of women have access, compared with 98.3% of men;<sup>102</sup> in Morocco only 54% of women have access to the Internet,<sup>103</sup> lower than the national household average of 68.5%.<sup>104</sup>

The disproportionate impact of the crisis on women in the region, in terms of the increased burden of unpaid and underpaid care work, reflects the reliance of response measures on unpaid work done by women, even while government responses don't take women into consideration. If this reality is not recognized, the crisis will continue to have severe impacts on women, who are expected to bear the brunt of these responsibilities in a period of economic uncertainty. Future government responses, both to COVID-19 and in other areas, need to take gender dynamics more fully into account, especially when the measures they introduce are dependent on work done by women.

# 6 TOWARDS A FAIR RECOVERY FROM CORONAVIRUS IN MENA

The coronavirus pandemic has come at a time when a number of countries in the region were already witnessing unprecedented popular mobilizations against inequality, corruption and authoritarianism. The protests have been called by some a second wave of the Arab Spring, and they have had spillover effects in several other countries. Therefore, recovery policies in the region need to consider this context, where people in different countries have been taking to the streets to protest against unjust economic, social and political systems. For this reason, policies aimed at recovery should strive to change the status quo, reduce inequalities and address the grievances that people had even before the pandemic.

This is a challenging task, however, considering current predictions. It is expected that the fiscal deficit in the region will reach 11.1% of GDP in 2020, compared with 3.2% in 2019.<sup>105</sup> Remittances to the region are expected to fall by almost 20% this year;<sup>106</sup> this is serious, given that remittances constituted 5.7% of GDP for the region's low- and middle-income countries in 2018. In addition, foreign direct investment into the region is expected to decline by 45% in 2020.<sup>107</sup> This is not to mention the hit that pillar industries and sectors like tourism will suffer, which is likely to require a restructuring of the region's economies to cope with the new reality. For all these reasons, Oxfam urges national governments to enact crucial policy measures to secure a fair recovery for the MENA region; this needs to be done in two phases.

## PHASE 1: IMMEDIATE ACTIONS TO RAISE REVENUES AND PROTECT VULNERABLE PEOPLE

- Impose a temporary one-off solidarity tax of 5% on net wealth to generate immediate revenues to compensate for fiscal losses and to finance the coronavirus response.
- Introduce a temporary tax on excessive and exceptional profits made by corporations during the pandemic. In addition, impose exceptionally hefty consumption taxes on high-end consumption goods.
- Reprioritize spending to mobilize resources to fund wage guarantee policies, social protection and health. For example, it is estimated that military spending in the region accounts for a 5.6% share of GDP and constitutes a huge 17.6% of budget expenditure, while in 2017 public expenditure on health amounted to only 2.8% of GDP.<sup>108</sup> Domestic security spending also consumes a large part of national budgets. Shifting spending from security towards social services would free up significant resources for a fair coronavirus response.
- Request immediate debt relief, particularly for external debt, to secure crucial funds that in many countries are eating into public expenditures. To date, middle-income countries in the region have not benefited from any form of debt relief from the G20, multilateral institutions or private creditors. To achieve this, regional solidarity and a unified voice are of crucial importance.
- Reverse all response measures that impose a disproportionate burden on households and workers, such as wage cuts or the suspension of social security

contributions.

- Ramp up cash transfers and income support for the most vulnerable in society, including migrants and refugees, to at least cover the statutory minimum wage in every country.
- Use savings from lower oil prices to support social protection programmes and reallocate funds towards social spending.

Furthermore, accountability and active citizenship must be put at the heart of any coronavirus response and recovery policies, and to this end Oxfam calls on governments to:

- Increase measures of accountability and transparency in the use of their COVID-19 response funds;
- Establish monitoring mechanisms to ensure that funds intended for COVID-19 interventions are accounted for and used judiciously;
- Improve the space for citizens to participate in interventions by requiring transparency and accountability in the health sector in order to reduce inequalities in services;
- Include civil society actors in COVID-19 working groups at all levels to strengthen transparency, accountability and diversity in the process of formulating responses.

## PHASE 2: LAYING THE FOUNDATIONS FOR FAIRER AND MORE EQUITABLE SOCIETIES

The coronavirus pandemic presents an opportunity to rethink prevailing economic systems in the region, which are heavily based on informalized labour markets, precarious employment, rentier activities, low-added value service sectors and seeking to attract investments through a race to the bottom, especially with regards to taxation and workers' rights.

### **Establish the basis for fiscal justice**

- Impose permanent progressive taxes on property and wealth, with at least a permanent 2% tax on net wealth.
- Reinstate progressivity in corporate income tax laws and enhance it in personal income tax regimes.
- Eliminate preferential tax regimes, especially for special and qualified zones, and reconsider current tax incentives and exemptions through the lenses of equity and tax justice.
- Overhaul existing tax systems to ensure fairness and the redistribution of wealth and income and to finance universal and transformative public care and social protection systems. Also, redirect resources to lay foundations for productive, inclusive and greener economies through appropriate systems of incentives and disincentives, in order to restructure economies away from an over-reliance on tourism, rentier and low-end services.
- Establish tax transparency and accountability by making tax data available, especially for personal and corporate income taxes.

### **Universal public services**

- Ensure that everyone – nationals, migrants and refugees – has access to free and

high-quality public services, especially education and health.

- Increase public investments in water and electricity, as well as safe transportation systems; this would reduce the amount of unpaid care work done by women and benefit vulnerable and marginalized communities.
- Ensure that high-quality childcare is universally available, and that it is accessible to vulnerable communities. Policies should also go beyond childcare and be based on the principle of co-responsibility: this includes care for the elderly, people with disabilities or illnesses and any other person in need of care, especially those in the poorest socio-economic groups.

### **Dignified work for all**

- Lift all restrictions on union organization, freedom of association and collective bargaining, including for all migrant workers and especially migrant domestic workers, including those who are undocumented. The ratification of relevant ILO conventions, particularly C087 on the right to freedom of association and the right to organize, C189 on domestic workers and C190 on violence and harassment, is a necessary step.
- Make sure that independent and genuine workers' organizations and civil society organizations, including women's rights organizations, are included when designing and discussing economic and social policies for recovery and beyond.
- Design appropriate policy measures to formalize informal workers through sector-specific interventions which ensure that the needs and voices of workers shape such policies.
- Commit to ensuring and enforcing equal pay for work of equal value, especially in sectors that predominantly employ women, such as healthcare and education.
- Abolish the Kafala system and ensure equal treatment for migrant and local workers, especially in terms of labour protections, minimum wage standards and occupational health and safety.
- Implement fair and mandatory maternal and parental leave which offers at least the same rights and standards mandated by international labour conventions, notably ILO C183 on maternity protection.
- Introduce the necessary legal and institutional amendments and infrastructure, as well as the needed financial instruments, to support a social solidarity economy through the establishment and growth of cooperatives, notably workers' and producers' cooperatives, as well as banking and housing.

### **Supporting SMEs and alternative business models**

- Reduce bureaucracy and red tape to facilitate the establishment of SMEs, especially those led by youth, without compromising decent working conditions.
- Facilitate and increase access to finance through technical assistance to help young people gain soft skills, as well as establishing special financing facilities for youth and women entrepreneurs.
- Establish innovation facilities to facilitate access to resources, including business development support, expert advice and finance, including small grants (seed money) for innovation.

## NOTES

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