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Coping with a Dual Shock: Perspective from the Middle East and North Africa

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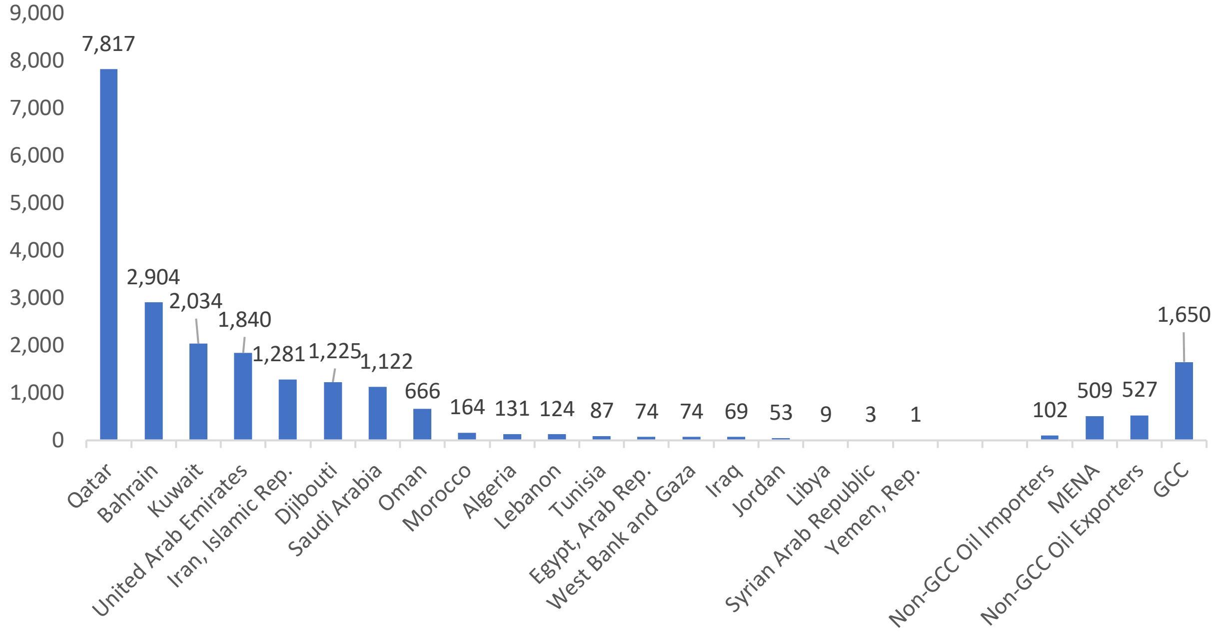
Countries in the Middle East and North Africa (MENA) face a dual shock from the Covid-19 pandemic and a collapse in oil prices. The dual shock has severely affected the economies of the region and threatens livelihoods, especially those of informal workers. To deal with the dual shock, governments should focus first on responding to the health emergency and the associated risk of economic depression—which includes supporting the private sector and vulnerable households. While efforts to actively reduce leakages should start now to ensure the relief and stimulus funds reach the right target, fiscal consolidation should be postponed until the recovery from the pandemic is well underway.

I. Dual shock

Countries in the Middle East and North Africa (MENA) face both a Covid-19 pandemic and a collapse in oil prices. The novel coronavirus that causes Covid-19 has spread globally. The virus has infected many millions of and caused hundreds of thousands of deaths.

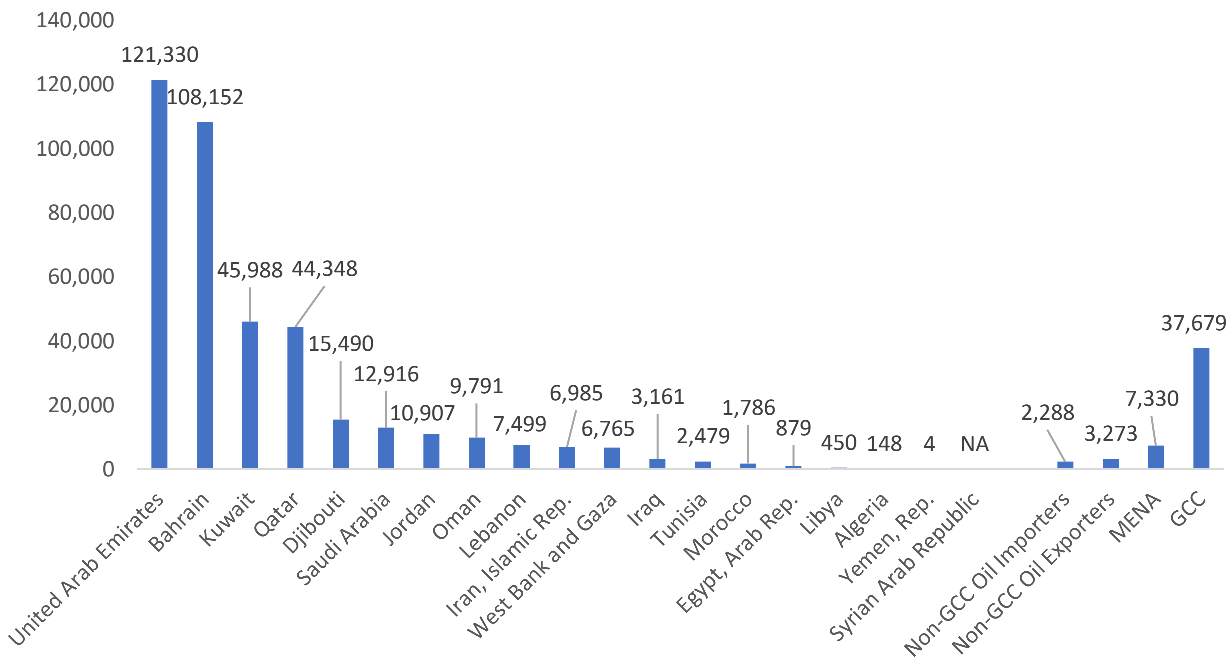
The virus first spread severely to Iran and then to other countries in MENA (see Figure 1, as of May 10 2020). Although the number of cases per capita in Qatar and Bahrain appear higher than the rest of the region, that may be because they have done more testing than most other countries in the region (see Figure 2). The measures of infection are limited because they are contingent on testing capability. The low level of infections in fragile countries—such as Libya, Syria and Yemen—is almost certainly misleading, the result of a lack of testing capability that results in severe underreporting of the spread of the virus.

Figure 1: Total Covid-19 Cases per Million People



Source: *Worldometer*. Data are as of May 10, 2020.

Figure 2: Covid-19 Tests per Million People



Source: *Worldometer*. Data are as of May 10, 2020.

The ability to contain the virus depends in part on the strength of public health systems—including testing and contact-tracing capabilities—which tend to be relatively weak in MENA countries. Indeed, countries in the region fare poorly in the Global Health Security (GHS) Index that measure preparedness for epidemics and pandemics.[1] MENA ranks last among the world's regions in two components of the index that are critical to fighting the pandemic: "epidemiology workforce" and "emergency preparedness and response planning." But there is substantial quality and preparedness among some MENA health systems, with those in the Gulf Cooperation Council, or GCC (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates) better prepared than others. Under these circumstances, the need for transparency and freer information flow is pervasive and the region risks dramatic consequences if it does not expeditiously address both during this health crisis.[2]

The virus not only claims lives. Its spread confronts MENA countries with both a negative supply shock and a negative demand shock (Baldwin and Weder di Mauro, 2020). The negative supply shock comes first from a reduction in labor—directly because workers get sick with Covid-19 and indirectly from travel restrictions, quarantine efforts, and workers staying home to take care of sick family members or children. Supply is also affected by a reduction in materials, capital, and intermediate inputs due to disruptions in transport and businesses in MENA countries. The negative demand shock is both global and regional. Economic difficulties around the world and the disruption of global value chains reduce demand for the region's goods and services—most notably oil and tourism. Regional demand also declines as a result of the abrupt reduction in regional business activity and concerns about infection—both of which reduce travel. In addition, *uncertainty* about the spread of the virus and the level of aggregate demand hurt the region's investment and consumption. Collapsing oil prices further depress demand in MENA, where oil and gas is the most important sector in many economies. Finally, financial market volatility could further disrupt aggregate demand.

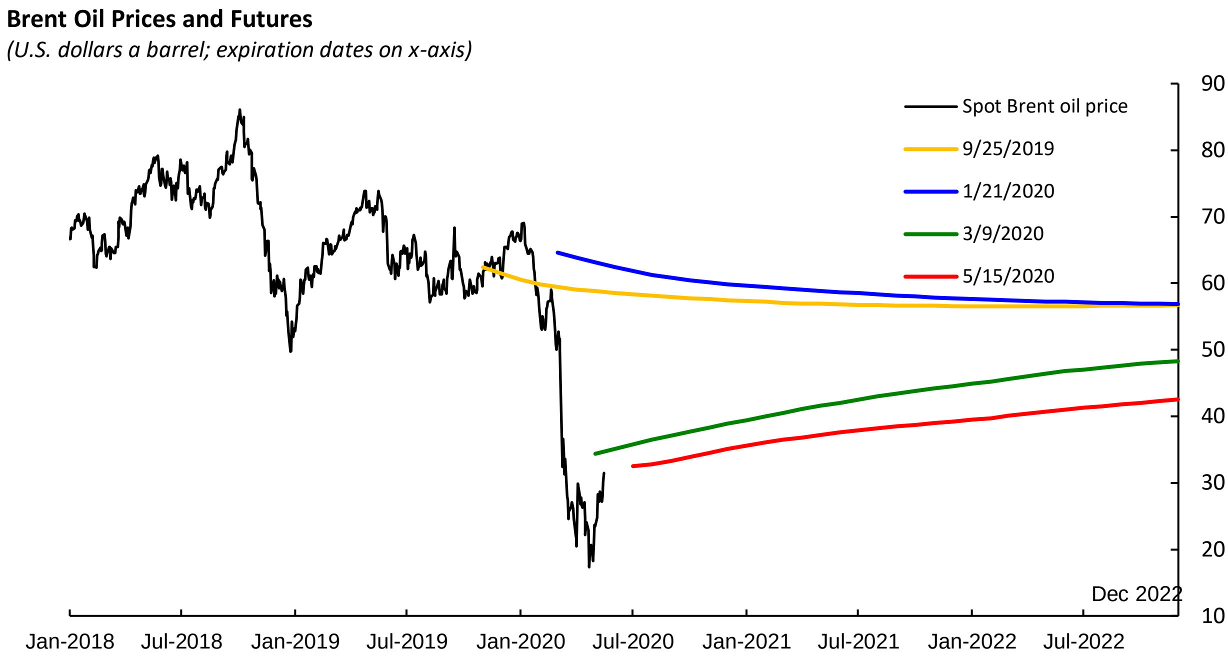
Because of their exposure to oil and gas exports, a collapse in the prices of petroleum-related products is likely the most significant channel through which effects of the Covid-19 are felt in MENA countries. Oil prices have declined sharply, reflecting a drop in global oil demand. This drop in turn is caused by the global supply and demand collapse associated with social distancing measures. Oil demand is not expected to rebound soon.[3] In May 2020, the International Energy Agency (IEA) said it expects global oil demand in 2020 to contract by 8.6 million barrels-per-day (mb/d) compared with 2019, or 9 percent (IEA, 2020). The futures curve suggests that the market expects oil prices to remain low—not reaching $40 per barrel until the end of 2022 (see Figure 3).

[1] The index was jointly developed by the Nuclear Threat Initiative, the Johns Hopkins Center for Health Security, and the Economist Intelligence Unit. Data were released in 2019. The index consists of six categories: prevention; detection and reporting; rapid response; health system; compliance with international norms; and risk environment.

[2] See Arezki et al. (2020b) for a documentation of the lack of transparency and data disclosure and its economic and social impact in the MENA region.

[3] International Air Transport Association expects passenger traffic to remain below pre-crisis levels until at least 2023 (CNBC News)

Figure 3: Spot and Forecasts of the Price of Brent Oil



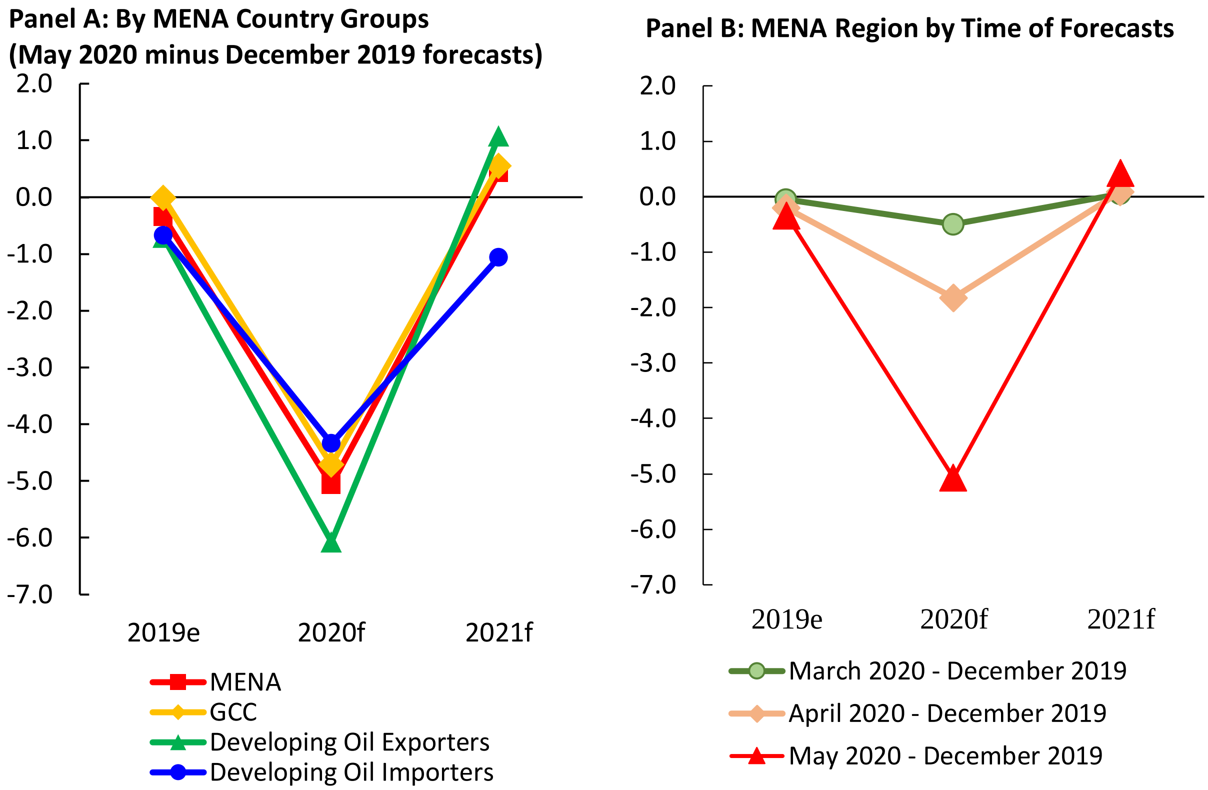
Source: Bloomberg, L.P.
Note: The black line indicates the spot price of Brent crude oil. The colored lines illustrate the futures prices of Brent crude oil on September 25, 2019, when the October 2019 MENA Economic Update was produced; January 21, 2020, when the first case of coronavirus was reported in the United States; March 9, 2020 after the disintegration of the OPEC+ alliance; and the closing on May 15, 2020.

II. Economic consequences

II.1 Output loss

The macroeconomic impact of the dual shock has hit MENA countries hard. The macroeconomic costs of Covid-19 and the oil price collapse in terms of growth can be gauged using changes in consensus growth forecasts compiled by Focus Economics. The May 12, 2020 consensus growth forecasts for the MENA region were on average 5.1 percentage points lower than those released in December 2019 (see Panel A of Figure 4). The most significant downgrade was for developing oil exporting countries, 6.1 percentage points, followed by the GCC (–4.7 percentage points) and developing oil importing countries (–4.3 percentage points). These downgrades can be interpreted as the growth costs of the Covid-19 pandemic and the collapse in oil prices.

Figure 4: Changes in Consensus Growth Forecasts (percentage of GDP)

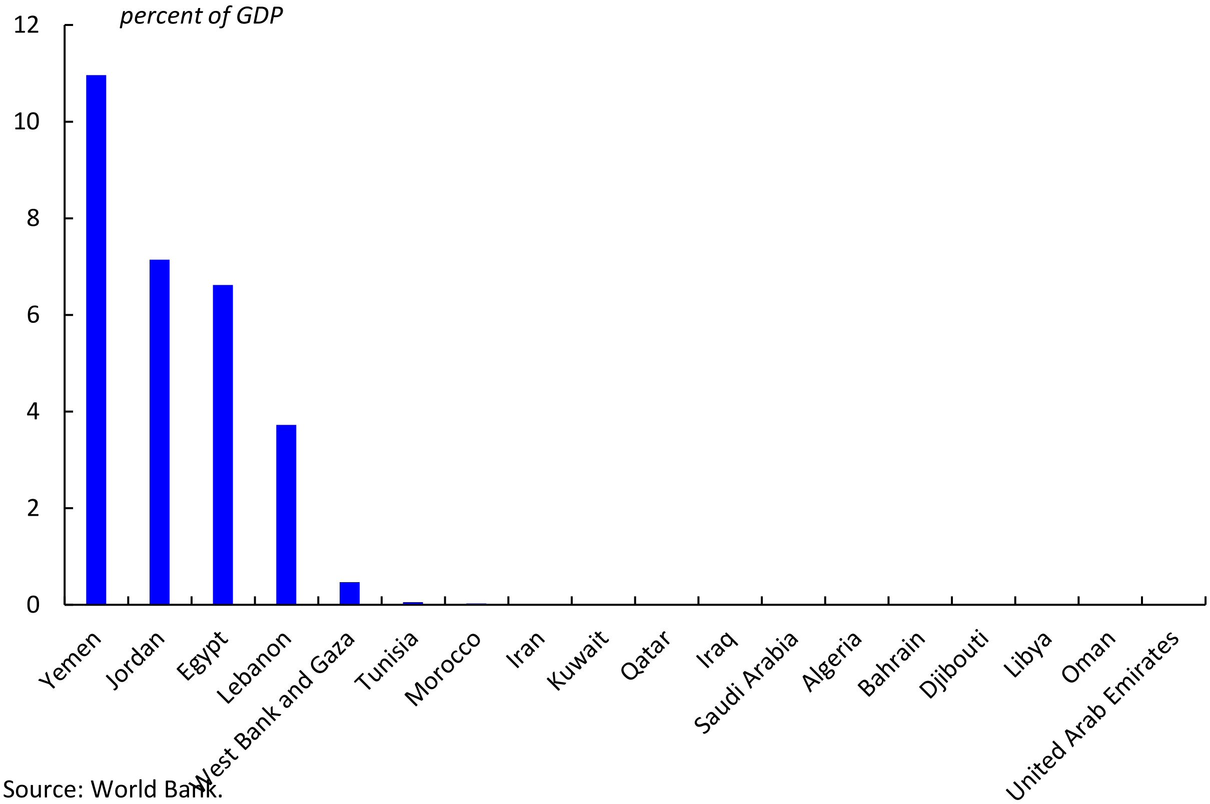


Source: Focus Economics, 2020.
Notes: "*MENA*" includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE, Algeria, Iran, Iraq, Yemen, Egypt, Jordan, Lebanon, Morocco, and Tunisia. "*GCC*" includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and UAE. "*Developing Oil Exporters*" includes Algeria, Iran, Iraq and Yemen. "*Developing Oil Importers*" includes Egypt, Jordan, Lebanon, Morocco and Tunisia.

The growth costs for 2020 have grown larger as more information has become available. The 2020 growth downgrade for MENA, using December 2019 forecasts as the baseline, was 0.5 percentage points in March 2020, 1.8 percentage points in April 2020, and 5.1 percentage points in May 2020 (see Panel B, Figure 4). These intensifying downgrades reflect an increasingly pessimistic private-sector view of the cost of the crisis.

Lower prices are generally good for oil-importing countries and bad for oil exporters. But in the MENA region it is likely that lower oil prices will hurt both importers and exporters—exporters directly and importers indirectly from reduced foreign direct investment, remittances, tourism, and official assistance from the exporters. Remittances from the GCC have been substantial in many MENA countries (see Figure 5). In addition, official development assistance (ODA) from the GCC is critical for many developing MENA countries (see Figure 6). Lower oil prices could threaten the sustainability of remittances, investment, and aid flows from the GCC. As Panel A of Figure 4 shows, the economies of developing oil importers are expected to suffer heavily in 2020.

Figure 5: Remittances from GCC to developing MENA in 2019



Source: World Bank.

Notes: Blue bars indicate total remittances received from GCC countries in 2019, as a share of receiving country's GDP of the same year. Algeria, Bahrain, Djibouti, Libya, Oman and United Arab Emirates didn't receive remittances from GCC countries in that year.

Figure 6: Official Development Assistance (ODA) Flows from GCC to Developing MENA

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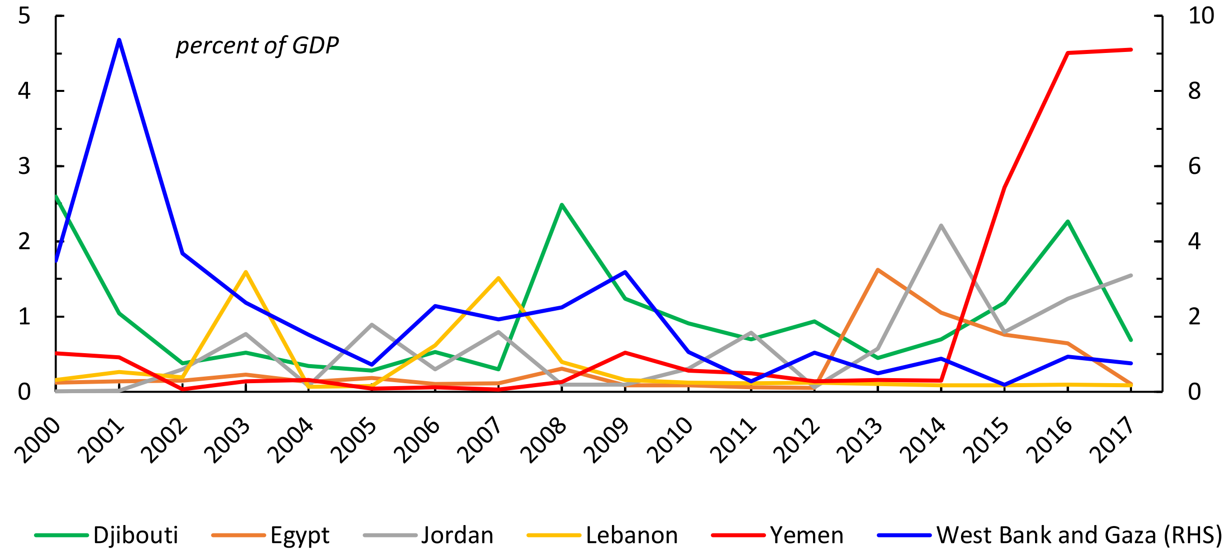
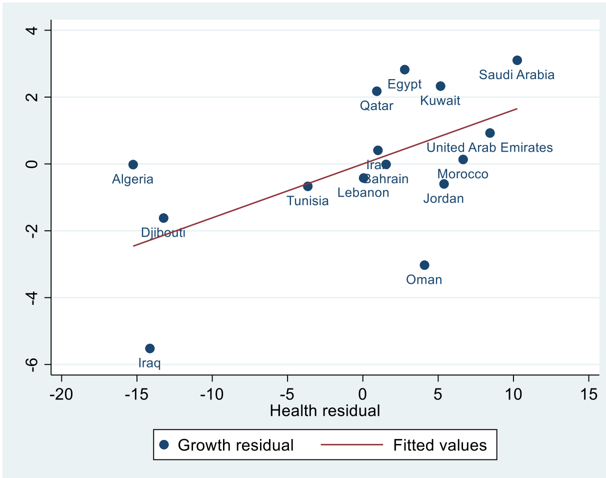


Sources: OECD Stat, World Bank World *Development Indicators*, and World Bank staff calculations. ODA flows are for the GCC countries that report data--Kuwait, Saudi Arabia, and the United Arab Emirates.

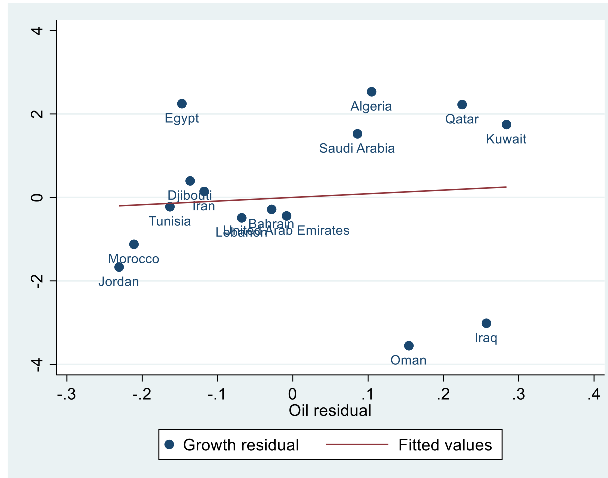
Among MENA countries, growth downgrades are not correlated with exposure to oil exports, supporting the notion that oil importers in MENA can suffer from the decline in oil prices because of their connection to MENA oil exports through remittances, investment and capital flows. Growth downgrades for 2020 are positively correlated with the GHS Index. This suggests that for countries with a stronger capability to prevent and mitigate pandemics, economic growth will fall relatively less than for countries not so well situated (see the partial correlation scatterplots in Figure 7).

Figure 7: Growth Downgrades, Oil Export Exposure and Health Security

Panel A: Growth Downgrades and GHS



Panel B: Growth Downgrades and Oil Export Exposure



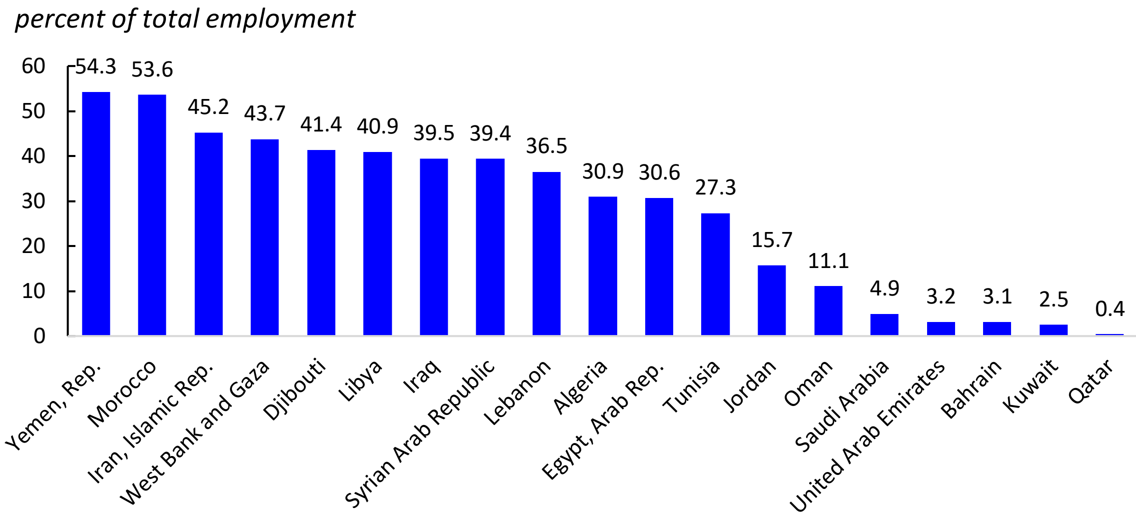
Source: Arezki and others (2020b).

II.2 Poverty and social consequences

Most MENA countries have dual labor markets. One is an *oversized public sector* that encompasses such employers as public administration and state-owned enterprises. The public sector accounts for a large fraction of total employment. This is a part of a long-standing, implicit social contract in which politically significant groups—such as the educated middle class, and members of key sects and ethnic groups— receive guaranteed employment and subsidies in exchange for tolerating cronyism, corruption by elites and little to no government accountability or citizen voice. The other labor market is a *large informal sector* with little job security and virtually non-existent social protections (World Bank 2019). Figures 8 and 9 show that self-employment and other informal employment are widespread in many MENA economies.

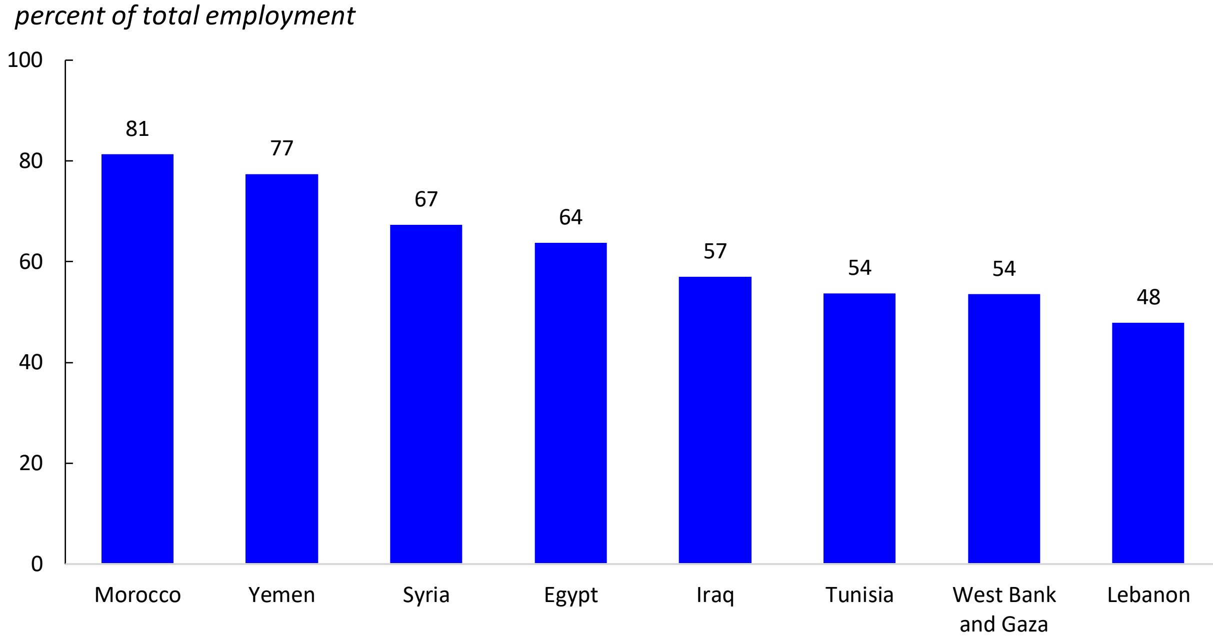
Covid-19 could further deepen inequality in MENA. Workers in the formal economy, who typically enjoy social protections and a predictable stream of income, are likely to fare better during lockdowns. For the self-employed and informal workers, lockdowns are difficult to sustain. Hand-to-mouth informal workers have little access to social protection and no income if they do not work. In other words, lockdowns might exacerbate inequality and further raise tensions in a region already low on social harmony.

Figure 8: Self Employment in MENA



Source: International Labor Organization.
Note: Bars indicate self-employment as a percentage of total employment in 2018, modeled ILO estimate. Self-employed workers are, according to International Labor Organization, those workers who, working on their own account or with one or a few partners or in cooperative, hold the type of jobs defined as a "self-employment jobs." i.e. jobs where the remuneration is directly dependent upon the profits derived from the goods and services produced. Self-employed workers include four sub-categories of employers, own-account workers, members of producers' cooperatives, and contributing family workers.

Figure 9: Informal Employment in MENA



Source: International Labor Organization; and World Bank I2D2 dataset.
Note: Bars indicate informal employment as a percentage of total employment based on the most recent available data: Egypt, 2017; Iraq 2012; Lebanon, 2011; Morocco, 2009; Syria, 2003; Tunisia, 2010; West Bank and Gaza, 2018; Yemen, 2014.

The economic shock of the Covid-19 crisis could increase poverty across the region. Those most at risk of falling into poverty are the self-employed and informal-sector workers, who lack any form of social protection, and those working in vulnerable sectors directly hit by Covid-19—such as tourism, retail, textile, and garment industries, particularly in Lebanon, Tunisia, Morocco, and Egypt. People living in conflict zones, refugees in camps and those living in informal settlements are particularly vulnerable to the disease because of living conditions that are often congested and lacking in reliable access to quality health services. Migrant workers–many of whom are in GCC countries—are excluded from safety nets available to citizens and are at outsized risk as well.

The impact of the dual shocks on poverty can be assessed by applying the poverty rate-to-growth elasticity for each MENA country to the changes in GDP growth forecasts by Focus Economics. Poverty-to-growth elasticities for eight developing MENA countries were estimated by Mahler and others (2020). Table 1 reports the poverty rates for the seven countries in 2019. Table 2 reports the expected increases in poverty rates from the dual shock as a percentage of the population at different poverty thresholds.

Table 1: Poverty rates in 2019

Country	Poverty Rate in 2019 (% of population)		
	International poverty rate ($1.9 in 2011 PPP)	Lower middle-income poverty rate ($3.2 in 2011 PPP)	Upper middle-income poverty rate ($5.5 in 2011 PPP)
	2019	2019	2019
Algeria	0.3	2.4	22.1
Egypt	2.8	24.2	68.9
Iran	0.4	3.5	15.2
Iraq	1.9	16.0	54.6
Jordan	0.2	2.9	23.4
Morocco	0.6	5.6	25.6
Tunisia	0.2	2.8	16.4

Source: Mahler, Lakner, Aguilar and Wu (2020).

Table 2: Projected Changes in Poverty Rates due to the Dual Shock

Country	Poverty Rate Changes due to the Dual Shock (% of population)					
	International poverty rate ($1.9 in 2011 PPP)		Lower middle-income poverty rate ($3.2 in 2011 PPP)		Upper middle-income poverty rate ($5.5 in 2011 PPP)	
	2020	2021	2020	2021	2020	2021
Algeria	0.1	0.1	0.6	0.4	3.5	2.4
Egypt	0.9	1.1	1.8	2.7	2.7	4.2
Iran	0.2	0.1	0.6	0.4	1.7	1.2
Iraq	0.8	0.7	3.5	3.1	5.3	4.8
Jordan	0.0	0.0	0.4	0.4	3.1	2.9
Morocco	0.1	0.1	0.9	0.8	2.6	2.3
Tunisia	0.0	0.0	0.4	0.4	2.0	1.8

Source: Authors' calculations, based on country-specific poverty rate to growth elasticities by Daniel Mahler, and growth forecasts for 2020 and 2021, issued by Focus Economics, comparing between December 2019 edition and May 2020 edition.

Note: First, expected poverty rates for the hypothetical *non-dual-shock* scenario using Focus Economics' 2020 and 2021 consensus growth forecasts are calculated, based on December 2019 edition. Then expected poverty rates for the *dual-shock* scenario using Focus Economics' revised 2020 and 2021 consensus growth forecasts are calculated, based on May 2020 edition. The differences in poverty rates between the two scenarios are reported in this Table. Measured in poverty rate changes in percentage of population.

III. Policy response

MENA countries reacted quickly to the dual shocks, putting in place health-related steps such as social distancing and taking a range of fiscal and monetary measures. Because they have sizeable buffers, the GCC governments were able to implement large fiscal and monetary policies to help soften the impact of the two shocks on the public and formal private sectors—mainly through eased lending and wage support (see Table A1). Developing MENA countries, some with international help, also have taken many fiscal and monetary measures (see Table A2). Egypt and Tunisia received loans from the International Monetary Fund to cope with their large and urgent financial needs. Many countries have postponed taxes, enhanced unemployment benefits, and transferred cash to vulnerable households. Jordan and Iraq supported small- and medium-sized enterprises through a moratorium on interest payments or postponement of customs duties.

Because the dual shock will have a persistent effect, it is important to look beyond Covid-19 and reflect on the sustainability and efficacy of policies. Following is a framework to guide the policy response:

- **Tailoring policy responses:** Authorities should postpone fiscal consolidation associated with the persistent drop in oil price and its spillovers until the recovery from the pandemic is well underway. Instead, the focus should be on reallocating spending to deal with the immediate crisis and spending more efficiently. Authorities should boost spending on health—including to produce or acquire test kits and contact tracing technology, to mobilize and pay health workers, to add health infrastructure, and to prepare for vaccination campaigns. Scaling- up testing and contact tracing for Covid-19 is especially important to determine the dimensions of the infection and to detect and isolate cases—which will be a factor in deciding whether and how to reopen the economy without causing a second wave of infections.
- **Supporting the private sector:** A combination of bailouts, eased credit conditions and monitoring is needed to support the private sector, including small- and medium-sized enterprises. Many MENA countries are implementing different measures to support the private sector (see Tables A1 and A2). The support, with relevant conditions, will help firms survive the income crunch and prevent mass layoffs. Governments must prioritize strategic sectors—importantly network industries and such services as transport, logistics, distribution and finance—to protect production capacity and support a future recovery. Governments should focus on elements of business environment regulation, especially bankruptcy work-outs and bankruptcy reforms (see Bosio and others 2020a) to resolve corporate difficulties and associated corporate debt restructurings. Sovereign wealth funds, money printing where inflation is low, and international borrowing can all be utilized to support the private sector and soften corporate distress. Taking advantage of low interest rates, Qatar and UAE raised US$10 billion each by mid-May, 2020 to bolster finances and address liquidity issues. Bailout measures of strategic firms and sectors also could be considered, while ensuring bailouts do not have a lasting impact on market the ability of firms to enter and leave markets (contestability).
- **Supporting vulnerable households, including expatriate workers in the GCC.** Cash transfers to vulnerable households would help protect them and support consumption. This includes the large expatriate labor force in the GCC countries. As important, supporting the expatriate labor force, especially the low-skilled, would speed up economic recovery and retard further spread of Covid-19 when the workers return to their home countries or when they come back to work in the GCC. Because many developing countries in the

MENA region have both a large labor share and borrowing constraints, targeted assistance is vital and should be larger relative to the size of the economy than similar efforts in advanced economies. Some MENA countries—such as Tunisia, Iran and Iraq—support poor households through cash transfers and other financial assistance (see Table A2).

- **Reducing leakages**. The first step in reducing leakage is to set and design targeted policies that identify clearly the intended beneficiaries with appropriate incentive schemes—for instance, ensuring that banks do not offer easier credit conditions exclusively to their existing customers. Widespread informality makes identifying recipients more difficult, which impedes targeting. Leakages can also occur because of insufficient control of corruption and/or inadequate limits on the degree of monopolization of the economy—both of which can result in a diversion of the relief and stimulus funds. Without control of corruption, there is a high risk of appropriation of funds by individuals in charge of implementing relief programs or by providers of goods and services.

  Freeing information flows, increasing transparency, and data disclosure to reduce leakages are crucial elements in in target cash transfers—which themselves will be essential to ensuring a flattening of the spread of the virus, hastening the economic recovery, and limiting the rise in poverty. Successful models of quickly deploying technology, including digital, to fight Covid-19 and target assistance should be analyzed and replicated.

- **Supporting regional and global effort to contain the crisis.** Halting the spread of the novel coronavirus and its economic and social consequences will be made more difficult by empty government coffers. Many MENA countries have large balance of payments and fiscal deficits. Many also carry high sovereign-risk premiums. For those countries, additional foreign borrowing on private markets will be difficult. Moreover, countries with fixed exchange rates will find it difficult to use helicopter money because of the tension between money printing and maintenance of the peg. The region will need international support to navigate this difficult period.

  The GCC, a major source of bilateral aid, has an important role to play in furthering the initiative to limit the ballooning of future costs and the risk that delays in response to the Covid-19 epidemic could result in failed states. The G20, presided over by Saudi Arabia in 2020, has agreed to debt relief for low-income countries to free up funds to fight the pandemic. More can be done. The agreement can be extended in two ways. First, the effort can be expanded to include middle-income countries, many of which also face severe strain and need help. Second, private-creditor participation, now voluntary, should be required. Otherwise some of the money countries save from official debt relief might be used to repay private creditors rather than as intended, to fight the pandemic (Bolton et al, 2020).

- **In the medium-run, reforming the role of the state and promoting fair competition.** The shock has demonstrated the inequality of the dual labor market and, more broadly, of the old social contract. To move to more equal societies, countries must simplify and promote a universal social protection system to replace the fragmented systems that benefit the few and exclude most. The replacement of the old, inequitable social contract should be accompanied by public service reforms that retain talented workers, remove unfair protections for—or shut down—state-owned and crony enterprises, improve public procurement (Bosio and others 2020b), while providing everyone a basic income and health care. Basic income and health services can be funded by both a levy on wealth levy and an enlarged tax base, as informal workers and enterprises enter the formal sector. In addition, the large reduction in corporate subsidies and increased tax revenues that will occur when the state-owned and crony companies operate in a more transparent manner will provide new revenue sources.

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Table A1: Fiscal and Monetary Policy Responses in the GCC Countries

Countries	Monetary and fiscal measures
Bahrain	(i) $740 million awarded for contracts in essential/vulnerable sectors (ii) Delay of bank loan instalments (iii) Waiver on electricity and water bills (iv) Unemployment fund to sustain wages of 100k workers. (v)Cumulative policy rate cut of 125 bps.
Oman	(i) Measures amounting to $20 bn; (ii) reduction in capital conservation buffer to 1.25% from 2.5% (iii) raising loan to financing ratio to 92.5% from 87.5%, (iv) deferment of loan instalments (iv) lowering interest rates.
Kuwait	(i) Government measures amount to $1.6 billion (ii) $30.3 million for an emergency response program (iii) CBK cut capital adequacy requirements by 2.5% and eased the risk weighting for SMEs to 25% from 75%. (iv) raising maximum lending limit and maximum financing limit (v) CBK stimulus package of $16.5 billion for additional bank lending. (vi) cumulative policy rate cut of 125 bps.
Qatar	(i) $22.6bn stimulus package. (ii) The response includes customs, utility bill exemptions and loan payments suspension; (iii) $2.7 billion announced for stock purchases (iv) cumulative policy rate cut of 100 bps.
Saudi Arabia	(i) A SAR 70 billion ($18.7 billion or 2.8 percent of GDP) private sector support package was announced on March 20. The package includes the suspension of government tax payments, fees, and other dues to provide liquidity to the private sector and an increase in available financing through the National Development Fund. (ii) A SAR 50 billion ($13.3 billion, 2.0 percent of GDP) package to support the private sector, particularly SMEs, by providing funding to banks to allow them to defer payments on existing loans and increase lending to businesses. (iii) A SAR 9 billion ($2.4 billion) to compensate citizens working in facilities affected by repercussions of the pandemic; a monthly compensation of 60 percent of the registered wage in social insurance for three months with a maximum of SR 9,000 monthly. (iv) SAR 50 billion to expedite payment of the private sector dues, offering facilities to commercial, industrial and agricultural sectors, postponing payment of electricity bills and paying salaries of those engaged in passenger transport activities. (v) SAR 47 billion in order to raise the health sector's readiness.
United Arab Emirates	(i) Raised LTV ratio for first time mortgages by 5 percentage points. (ii) Banking sector exposure limit for real estate raised to 30% (iii) $13bn in collateralized lending at 0% (iv) Lower capital requirement on SME loans (v) Banks allowed to tap capital buffers. (vi) cumulative policy rate cut of 125 bps.

Sources: International Monetary Fund, Nasser Saidi & Associates, JP Morgan and Kingdom of Saudi Arabia Authorities. Data are as of May 17, 2020.

Table A2: Fiscal and Monetary Policy Responses in Developing MENA Countries

Country	Fiscal and Monetary Measures
Algeria	(i) government to lower current spending by 50 percent (ii) tax postpones (iii) allowance and cash transfers to vulnerable households (iv) reserve requirement ratio lowered to 6 percent (v) main policy rate lowered by 25.25 basis points to 3.00 percent (vi) several measures to cut the import bill by at least USD 10 bn (6 percent of GDP)
Djibouti	(i) Increased in health and emergency spending in support of households and firms affected by the pandemic (ii) The Central Bank of Djibouti has stepped up financial sector surveillance.
Egypt	(i) Received $2.8 billion in emergency financing from the IMF (ii) urgent financial allocations of EGP 12.5bn to state-run bodies in March - April (iii) government spending of EGP 36bn in FY 2020/2021 on health, high school education, and social solidarity sectors (iv) large cut of the fuel subsidy (v) gas and electricity price reduction for industrial use (vi) tax reduction/exemptions on stamp taxes, capital gains, dividends, real estate, etc. (vii) Central Bank of Egypt to cancel EGP 9.9 bn of loans and to provide EGP 20bn to support stock market.
Iran	(i) Moratorium on tax payments due to the government for 3 months; (ii) subsidized loans for affected businesses and vulnerable households (iii) extra funding for the health sector (iv) cash transfers to vulnerable households and (v) support to the unemployment insurance fund. The Central Bank of Iran has (i) announced funds to import medicine (ii) agreed with commercial banks that they postpone loan repayments; (iii) offered temporary penalty waivers for customers with non-performing loans
Iraq	The Central Bank of Iraq has (i) collected donations from financial institutions (ii) announced a moratorium on interest and principal payments by SMEs through its directed lending initiative and (iii) encouraged banks to extend loan maturities. The authorities have (i) reduced spending in non-essential areas and set budgetary allocations to the Ministry of Health; (ii) introduced a cash transfer scheme, targeting workers in the private sector that do not receive salaries or benefits from the government.
Jordan	(i) postponed tax (ii) allocated 50 percent of the maternity insurance revenues (JD 16 million) to material assistance for the elderly and the sick; (iii) introduced price ceilings on essential products; (iv) postponed of 70 percent of customs duty value for selected companies and the reduced social security contributions from private sector establishments (from 21.75 to 5.25 percent); (v) Central Bank of Jordan reduced most policy rates by 150 basis points (vi) announced $704.5 million soft financing program for SMEs
Lebanon	Central Bank of Lebanon to provide banks and financial institutions five-year zero percent interest rate credit lines in dollars equivalent to the value of exceptional loans that are granted to their customers.
Libya	(i) Announced a package of LD 500 million in emergency COVID-19 related spending, believed to support the health system in expanding testing and responding to a possible surge in infections (ii) announced a 20 percent pay cut for civil servants.
Morocco	(i) Unemployment benefits (ii) Tax deferrals (iii) The central bank reduced the policy rate by 25 bps to 2.0 percent (iv) financial support to SMEs and self-employed
Tunisia	(i) Tax debt delay (ii) Postponed taxes on SMEs (iii) Delayed repayment of low-income employee loans (iv) Provide financial assistance to poor families.
West Bank and Gaza	(i) distributed some 98,000 food baskets and paid financial assistance to about 125,000 households.(ii) plans to spend 0.7% of GDP to cover short-term critical gaps related to COVID-19 (iii) recruiting medical specialists and planning to purchase testing toolkits and other medical equipment (iv) planning to 0.1% of GDP to support workers and for unemployment benefits (v) cancelling penalties for late submission of tax returns, extending the tax filing deadline. The Palestine Monetary Authority has (i) postponed monthly/periodic loan repayments to all borrowers (ii) prohibited the collection of fees, commissions or additional interest on deferred payments (iii) considering establishing a fund to provide soft loans to SMEs impacted by the crisis.

Sources: International Monetary Fund, Nasser Saidi & Associates, JP Morgan. Data are as of May 17, 2020.