ECONOMIC TOLL OF COVID-19 IN THE MIDDLE EAST

Preliminary analysis and recommendations

Jordan, Lebanon, Iraq, Syria, and Libya are at different stages of the Covid-19 pandemic, and the negative impact it had on their economies is being felt, particularly, by vulnerable families and displacement affected communities. Government response efforts are currently underway in each country. Organizations and donors across the region are shifting funding and adapting existing activities to respond with a focus on supporting public health systems and the ability of the most vulnerable in the community to meet their basic needs. The government of Jordan executed a particularly effective response to contain the virus reducing the spread of the infection. These steps taken by governments, donors, and humanitarian actors are critical and will save lives, but they only address the short-term issues. Because the poorest and most vulnerable will likely be hit hardest, it is critical that the economic shock is addressed from the start of the response.

In this briefing note, the Norwegian Refugee Council (NRC), the International Rescue Committee (IRC) and the Danish Refugee Council (DRC) identify the critical impacts expected, and pandemic recovery activities that can be undertaken in the immediate- and medium-term. There is a window of opportunity to use humanitarian interventions to build and support resilience in communities by protecting the poor and vulnerable, supporting business, and bolstering economic recovery.

Immediate economic impacts of Covid-19 in the region

Labour markets hit hard: A recent DRC survey of 1,221 beneficiaries across seven governorates in Iraq shows that unemployment is increasing across the country, with 85% of households reporting at least one member being unable to work due to Covid-19 restrictions. Low wage workers – usually the most vulnerable – are the most affected with 93% of them reporting loss of employment. In Jordan, a DRC rapid needs assessment showed that out of 425 Syrian families interviewed living in non-camp settings and who were working before coronavirus, currently only 4% have been able to continue to work. The same study found that 75% of vulnerable Jordan families interviewed were currently not working, up from 34% of Jordanians before the pandemic. Although the strong measures imposed by the government to protect workers from dismissal will minimize lay-offs, vulnerable populations are still being affected by the negative economic impact. In Lebanon, a recent NRC survey with beneficiaries from its Occupancy Free of Charge (OFC) shelter programme confirms the impact of Covid-19 and related containment measures on people’s ability to move around and generate income; 63.2% of the surveyed households reported having lost their livelihood, while 33% mentioned a shortage of basic commodities. In Syria, already going through a serious economic downturn, Covid-19 is further stressing the job market with a particularly severe impact on unskilled labor, office jobs, trade and supply chain workers. Pressures on the labour market will be compounded by the expected bankruptcy of small and medium businesses in the medium term. Although Syrian labour law is generally protective of workers, high poverty levels and lack of livelihood opportunities present a heightened risk of exploitation. In Libya, evidence shows that refugee and displacement affected populations are facing increased challenges to access work

3 Findings based on 285 phone surveys conducted between March 18 and April 1st 2020.
and, in fact, many have lost their income; in a survey carried out in April 2020, 65% of respondents mentioned they lost their job. These are important indications of how Covid-19 containment measures have had a negative impact on income and livelihoods across the board with women and youth being at particular risk of permanent dropout from the labour force.

Even after the lifting of country lockdowns, the economic impacts both globally and domestically will be significant as businesses either close permanently or have to significantly reduce production. As a result, unemployment will likely increase dramatically, in particular for refugee households working in the informal sector. The economic impact on businesses and competition for those jobs remaining, can lead to an increased level of work rights violations, unsafe labour and exploitation. It is expected that regional GDP will fall by $42 billion and 1.7 million jobs will be lost. In a region where youth unemployment stood at 31.1% in 2017, and the economies needed to create around 51 million jobs by 2020 to meet demand for employment, the Covid-19 pandemic is likely to be an economic catastrophe, especially, for young people.

**Businesses under stress:** Measures taken to prevent the spread of Covid-19 has had a profound impact in the operations of micro, small, and medium enterprises (MSME). Closures of businesses deemed not essential forced firms to stop operations leading to steep declines in revenues compromising MSMEs’ ability to finance operations. For example, a Labor Market Monitoring survey carried out by NRC in Jordan shows that between April 6 and April 19, all businesses surveyed reported a significant fall in revenue in relation to the previous two-week period, and, as a result, 21% failed to repay loans. MSMEs have faced challenges as well adapting their operations to maintain market access and ensure business continuity. In Syria, during the days when the strictest measures were in place, displacement-affected populations faced difficulties reaching essential businesses to procure basic items; to compound the negative impact, MSMEs were slow to reorganize business practices leading to disruptions in supply chains. In Syria, the closure of non-essential businesses and the reduced operating hours for shops are also affecting trade and employment. In fact, a DRC study inside Syria of 367 micro-businesses previously supported by DRC, showed that 96% had been affected by Covid-19 with 71% having had to stop all activities. 24.72% business owners had to let staff go due to the closure of their business as they were unable to cover payroll because of the lack of revenue. In Lebanon, nearly 90% of all businesses have reportedly shut down due to lockdown measures. This situation will exacerbate employee lay-offs that started in October 2019 as a result of the economic crisis.

**Liquidity supply reduced:** With banks operating partially in Lebanon and Iraq, and with the closure and limitations of informal hawala networks in Iraq, North East, and North West Syria, there are concerns about liquidity in the system. Restricted liquidity will limit the ability of local businesses

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9 Ibid.
to operate and generate revenue reducing the availability of goods and services that displacement affected families rely on to meet basic needs. In Syria the lack of liquidity will compound previous problems to access cash including high inflation and limited availability of foreign currency eroding displacement-affected population-s purchasing power. Limited liquidity will also put additional downward pressures on the value of currencies such as the Lebanese pound as people hoard dollars making imports of food and other critical items more expensive. The Lebanese pound has lost about half of its value since October 2019 and forecasted inflation estimates for 2020 currently stand at 25%. The absence of hard currency inflows in Lebanon is exacerbating the devaluation of the currency in informal exchange markets, which are those commonly accessed by vulnerable populations.

**Critical value chains broken:** As businesses fail, significant elements of value chains across the region will be damaged, reducing supply, and increasing costs. Supporting infrastructure and commercial linkages between producers and sellers will be impacted, leading to reduced economic resilience and ability to recover from the Covid-19 shock. Libya is a clear illustration of how rapidly value chains can be impacted where the closure of borders to prevent the spread of COVID-19 is leading to food shortages and increased prices.

**Increased Negative Coping Mechanisms:** Widespread movement restrictions put in place to contain the virus are having an immediate and severe impact on livelihoods; many people are unable to work, families are losing access to income and displacement affected households are increasingly relying on negative coping strategies to survive. In Iraq, a basic needs assessment carried out by DRC found that only 45% of households reported having enough food items for the next two weeks, after which 96.4% expected to incur debt. A Labor Market Monitoring Survey carried out by NRC shows that Jordanian and Syrian households have changed their diet, reduced the number of meals, and decreased their consumption of basic household items as a means to offset income loss. In Lebanon, an IRC assessment found that 87% of households surveyed noted a lack of food as their primary need and 61% reported that a key impact of the current crisis was difficulty in covering rental payments. Households changed their spending patterns in a variety of ways to compensate for the shock, mainly related to debt, borrowing money and spending less. In Syria, the increase in food prices due to Covid-19-related factors – including a worsening informal exchange rate, panic buying, disrupted supply routes, slow replenishment of stocks, reduced shop opening hours and movement restrictions – is likely to increase vulnerabilities, as will diminished employment opportunities. In Libya refugees and migrants are unable to afford basic goods due to food shortages, and food price spikes. As the impact of Covid-19 continues, a substantial number of households are likely to become more vulnerable to food insecurity. With lost jobs and limited savings to cover the loss of income, there is a real concern that vulnerable households will start selling productive assets to cover basic needs, or engage in other coping strategies that could expose them to acute protection risks.

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18 International Rescue Committee (2020), Protection Monitoring Reports: Protection Context Update COVID-19, Week 30 March - 03 April 2020,
Women’s economic wellbeing and safety particularly impacted: Women’s access to and control of resources and decision-making at the household level, already limited before the pandemic, may be further strained based on increased demand in their unpaid workloads in the home, loss of casual income, and even more limited access to markets. NRC’s Labor Market Monitoring survey shows that within a week of the onset of the Covid-19 crisis in Jordan, women were dedicating less time for job search activities due to increased care-taking duties. It is expected that in the medium term, Covid-19 is likely to further reduce female labour force participation rates. Women’s departure from the labor force will exacerbate existing vulnerabilities that result from ingrained gender inequalities. Women across the region will be further marginalized economically as losing earnings will compound the impact of having limited property rights.

Recommendations

The immediate needs related to this global pandemic need to be met to save lives and alleviate suffering. Although there are variances in the measures that each country took to mitigate the spread and impact of Covid-19, it is undeniable that the pandemic will have significant consequences on employment, businesses, and displacement-affected population’s ability to meet basic needs. The degree to which local markets recover will be proportional to the protections afforded by local governments to workers, and previous local dynamics. In one hand, there is the Jordan government who through the Defense laws prevented the mass lay-offs of employees including refugees. In the other hand, there is the Lebanon where preventive measures to stop Covid-19 compounded the severity of an already existing economic crisis. In spite of country to country variations, present and foreseeable economic consequences of this crisis must be addressed as soon as possible. It is critical that humanitarian actors, donors, local governments, and the private sector work together to ensure that the negative impact this crisis will have on displaced populations’ self-reliance and future prospects is contained.

Humanitarian Actors should:

- Work Together to Share Real-Time Data: UN/INGO and National actors need to work together to collect evidence about what is happening in labour and economic markets to assess the impacts it will have on the vulnerability levels and refugees, IDPs, and host communities’ livelihoods. Key actors should continue to prioritize up-to-date market monitoring and, where necessary, remote market monitoring. Continuous monitoring and sharing of real-time data will support timely and market-informed interventions, particularly for those most in need.

- Increase market-based programming: UN/INGO and National actors must work with local markets and strengthen key-value chains to maintain supply capacity. This action will protect employment and local economies, and ensure that markets remain functional and able to supply refugees, IDPs, and host communities with critical goods and services needed for survival.

- Support and work with the private sector: Implementing agencies should ensure market-based programming leverages the existing private sector stakeholders in emergency response as well as in longer term economic programming. In the immediate term, hawalas and cash agents should be supported to ensure access for efficient cash delivery during this critical time.

- Coordinated efforts on do no harm and conflict analysis: When engaging in new types of activities due to the changed context, UN and INGO actors should work together to share...
and coordinate analysis of the do-no-harm aspects and potential unintended consequences of such activities.

- Include women and women’s groups in programme design: The pandemic and the containment measures have a disproportionate impact on women by increasing the burden of unpaid care work, forcing women to leave the labor force and increasing the risk of gender-based violence for women forced to stay at home.

### Donors should:

- Support populations who have lost their source of income: Cash transfers will prevent families and individuals from resorting to negative coping mechanisms to survive. They will also enable displaced populations to meet their basic needs, protect their livelihoods now and for the future, and prevent overall vulnerability from rising. Particular focus needs to be given to mitigate risks of economic and food insecurity to women and girls, as well as to help women earn income during and after the crisis.

- Provide support to Micro and Small Business at risk of failure due to a lack of cash flow. Possible interventions include supporting business continuity contingency planning by assessing critical operations and risks, enhance productivity through workplace cooperation and diversifying business activities, advance on digital transformation, and promote HR management practices in times of crisis through workplace dialogue and stabilization strategies.

- Support government initiatives that protect employment of displaced people: Actions that prevent the mass closure of the companies that employ refugees, IDPs, returnees, and host communities will contribute to maintaining social and economic stability.

- Adapt and scale up existing bilateral and multilateral aid arrangements and commitments to ensure refugees and displaced are included in national Covid-19 response and recovery plans.

- Provide governments with fiscal space to scale up national mechanisms to protect workers and support businesses. This includes, but it is not limited to, restructuring and/or canceling foreign debt.

### Governments in the region should:

- Prevent displacement-affected populations from resorting to negative coping strategies to cope with increased vulnerability by ensuring that ongoing cash distributions and livelihoods programs are allowed to adapt and scale up. NGOs and governments can work together to continue providing life-saving support in the form of cash and other livelihood interventions.

- Expand Access to Labor Markets and Safety Nets even if temporarily, to all displacement affected populations without concern for their status. This action will enable individuals and families to meet basic needs while investing in their future, promote social cohesion and stability.

### Private Sector & Micro Finance Institutions should:

- Banks and Micro-Finance Institutions should increase access to credit and other financial services to Micro, Small, and Medium Enterprises. Terms for lines of credit and financial support should be eased to enable MSMEs finance operations during times of hardship as means to prevent failures and mass lay-offs.

- Private sector must increase investments in the development of technology innovations that help MSMEs cope with restrictions aimed at protecting public health. This includes...
expansion of digital payments, and facilitate access to internet and telecommunications so MSMEs can remain in contact with suppliers and customers.

- Private sector companies who employ large number of displacement-affected populations, particularly women, should prevent mass-layoffs by adapting their operations including scheduling their labor force in rotations to protect their safety.
- Private sector companies must incorporate occupational, safety, and health best practices into their daily operations to protect workers while minimizing the risk of contagion.