Economic and Social Commission for Western Asia

Poverty Impact of COVID-19 and the Oil-Shock in Arab Countries
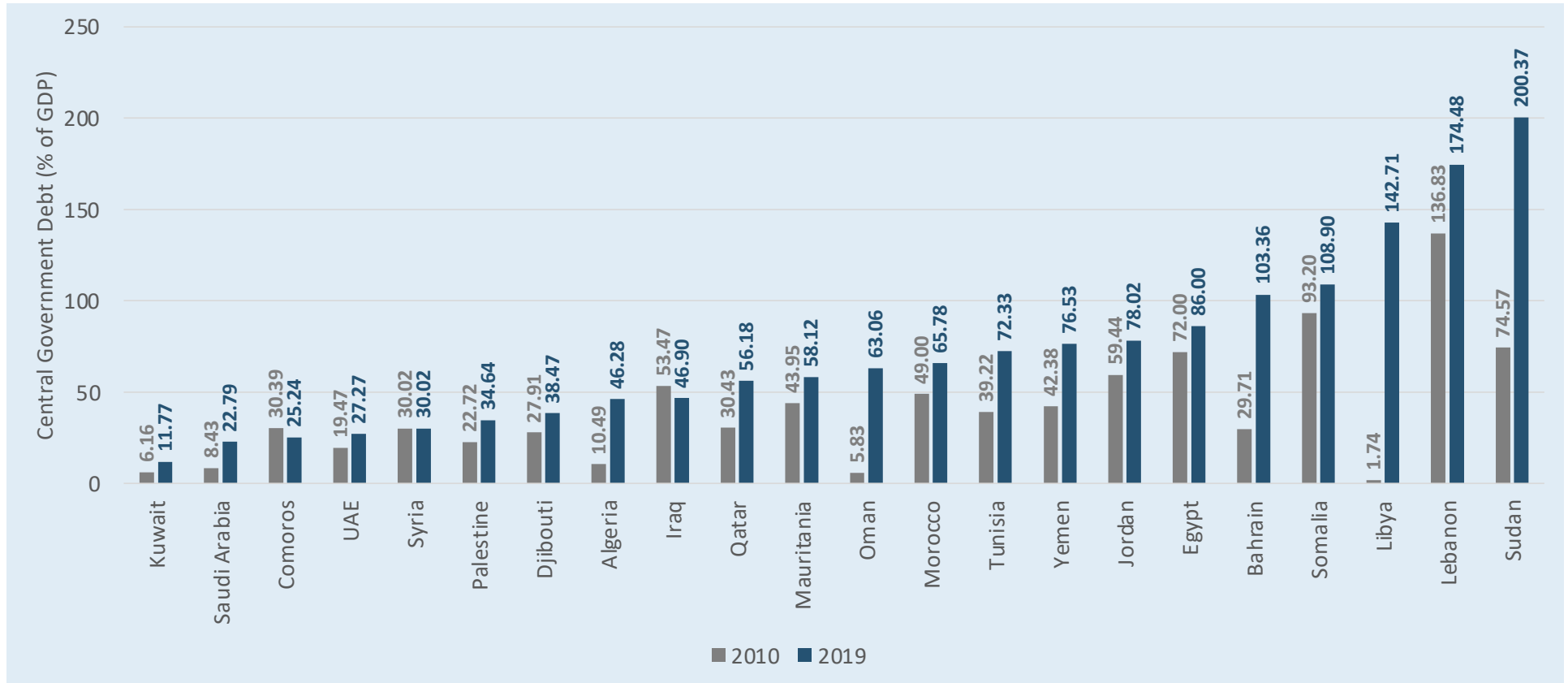
1. The triple Shock

The Oil Shock:

Crude Oil (petroleum), Price index, 2016 = 100, simple average of three spot prices; Dated Brent, West Texas Intermediate, and the Dubai Fateh
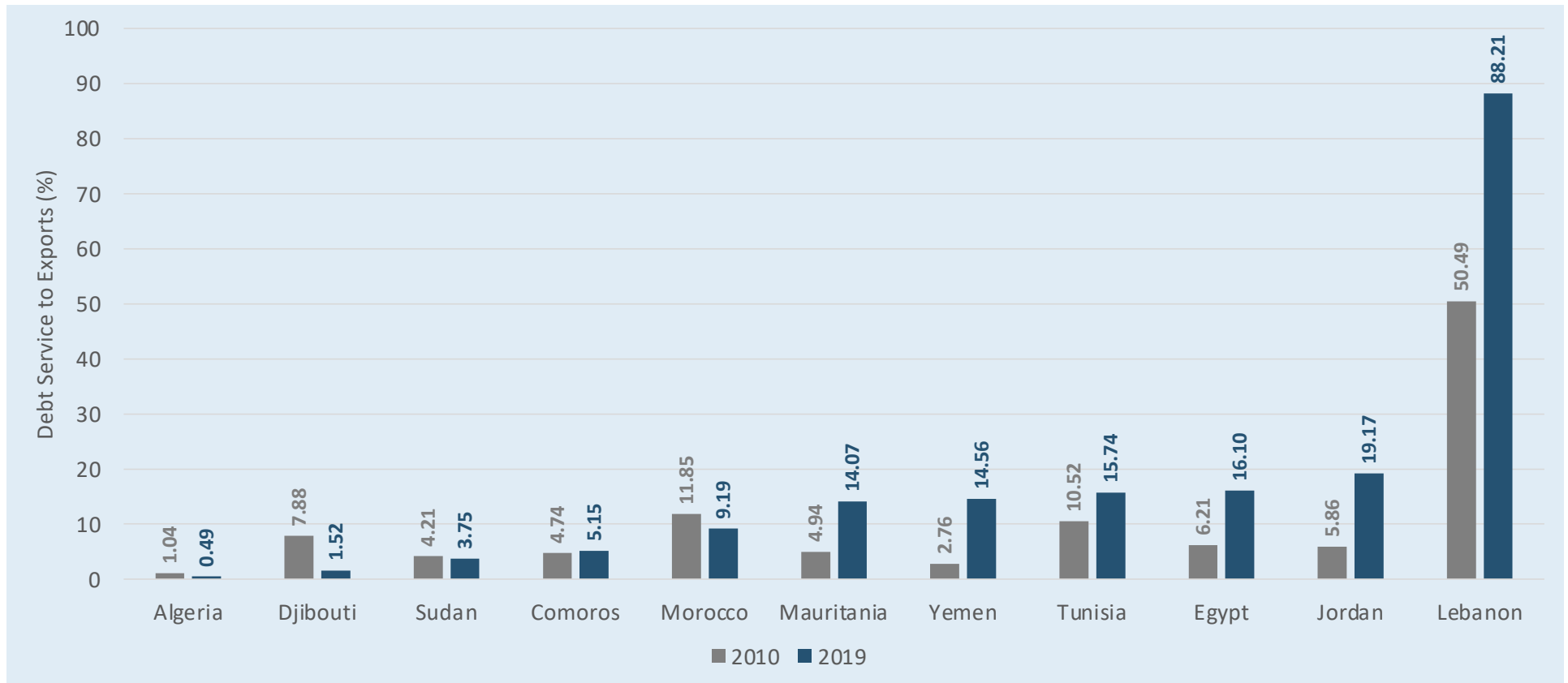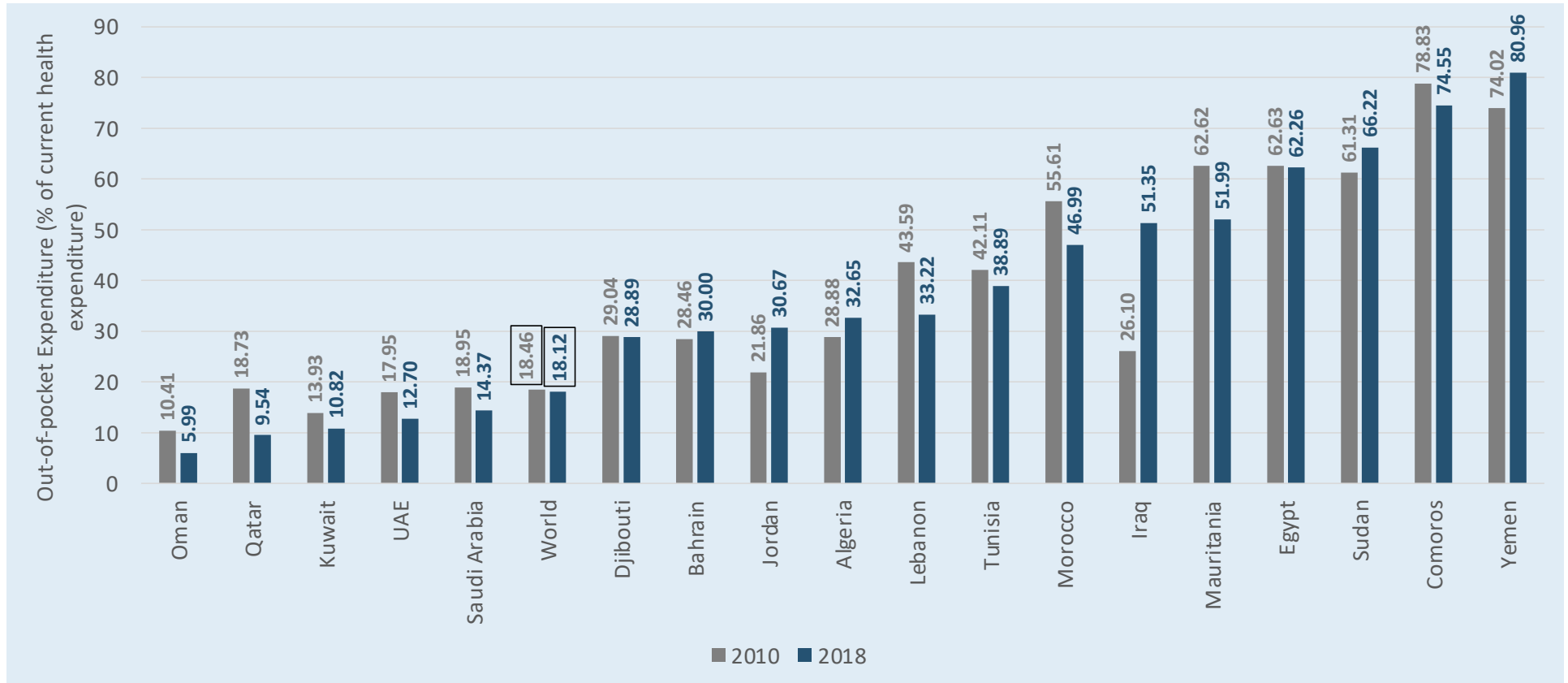
Central Government Debt: 2010 versus 2019

Central Government Debt (% of GDP)

Country	2010	2019
Kuwait	6.16	11.77
Saudi Arabia	8.43	22.79
Comoros	30.39	25.24
UAE	19.47	27.27
Syria	30.02	30.02
Palestine	22.72	34.64
Djibouti	27.91	38.47
Algeria	10.49	46.28
Iraq	53.47	46.90
Qatar	30.43	56.18
Mauritania	43.95	58.12
Oman	5.83	63.06
Morocco	49.00	65.78
Tunisia	39.22	72.33
Yemen	42.38	76.53
Jordan	59.44	78.02
Egypt	72.00	86.00
Bahrain	29.71	103.36
Somalia	93.20	108.90
Libya	1.74	142.71
Lebanon	136.83	174.48
Sudan	74.57	200.37

Source: World Bank and IMF data

Debt Service: 2010 versus 2019

Source: IMF data

Out-of-pocket Health Expenditure: 2010 versus 2018

Out-of-pocket Expenditure (% of current health expenditure)

	2010	2018
Oman	10.41	5.99
Qatar	18.73	9.54
Kuwait	13.93	10.82
UAE	17.95	12.70
Saudi Arabia	18.95	14.37
World	18.46	18.12
Djibouti	29.04	28.89
Bahrain	28.46	30.00
Jordan	21.86	30.67
Algeria	28.88	32.65
Lebanon	43.59	33.22
Tunisia	42.11	38.89
Morocco	55.61	46.99
Iraq	26.10	51.35
Mauritania	62.62	51.99
Egypt	62.63	62.26
Sudan	61.31	66.22
Comoros	78.83	74.55
Yemen	74.02	80.96

■ 2010 ■ 2018

Source: World Bank Data

Fiscal break-even cost (2018, 2019, 2020)

Source: National authorities, and IMF staff estimates and projections (p)

The COVID Shock

- **Nearly one third of the employed population in the region is facing high risks of layoff or reduction of wages and/or hours of work**. Working hours in the Arab region declined by 10.6 per cent of the hours worked in the second quarter (that is equivalent to nearly 12 million full-time jobs). This is on top of the 14.3 million unemployed individuals in the region in 2019.

- **COVID-19 will negatively impact growth and** employment in the internal trade/tourism sector which more labor-intensive and affects women more.

Result Per capita growth forecasts significantly below projected scenarios (which was already low due to a conflict shock)

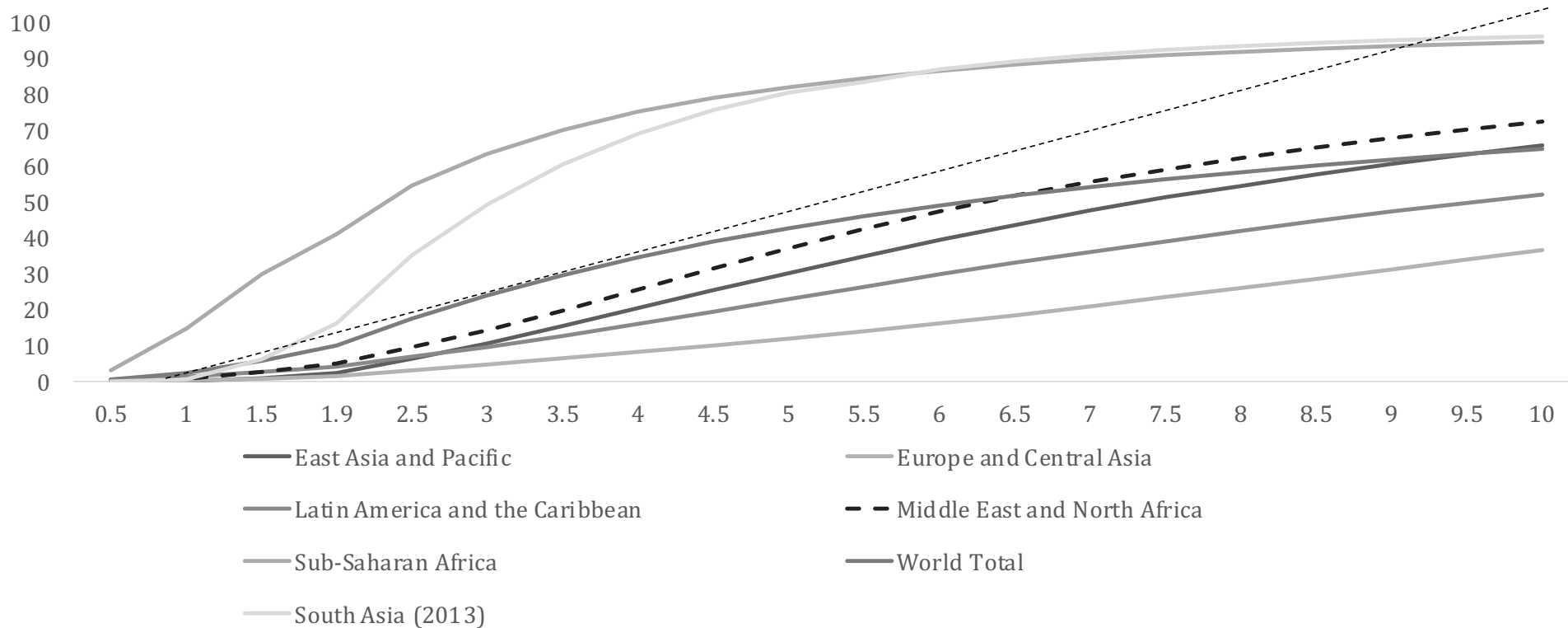| Country	GDP per capita growth (%)				
	2019	2020 PS	2021 PS	2020 RS	2021 RS
Mauritania	2.2	-4.3	0.4	1.9	2.0
Comoros	0.0	-2.9	-0.1	1.0	1.4
Djibouti	5.3	0.0	4.5	4.6	4.9
Algeria	-0.7	-4.6	0.4	0.4	0.8
Egypt	3.9	-3.4	4.2	3.8	3.1
Iraq	0.9	-8.4	1.8	2.5	3.4
Jordan	-0.7	-5.7	2.7	1.2	1.4
Lebanon	-1.2	-12.8	2.3	0.8	2.2
Morocco	1.5	-3.9	1.6	1.8	2.6
St. Palestine	-1.1	-9.8	0.6	0.0	0.0
Sudan	-4.9	-6.7	-2.4	-2.9	-1.9
Syria	4.9	-5.4	-2.8	1.2	-1.1
Tunisia	0.3	-6.0	2.1	0.9	2.0
Yemen	-1.6	-10.3	-2.5	1.3	2.1
Average	0.8	-5.7	1.2	1.5	1.7

Source: UNESCWA projections of private consumption expenditure and UN DESA GDP forecasts (April 2020).
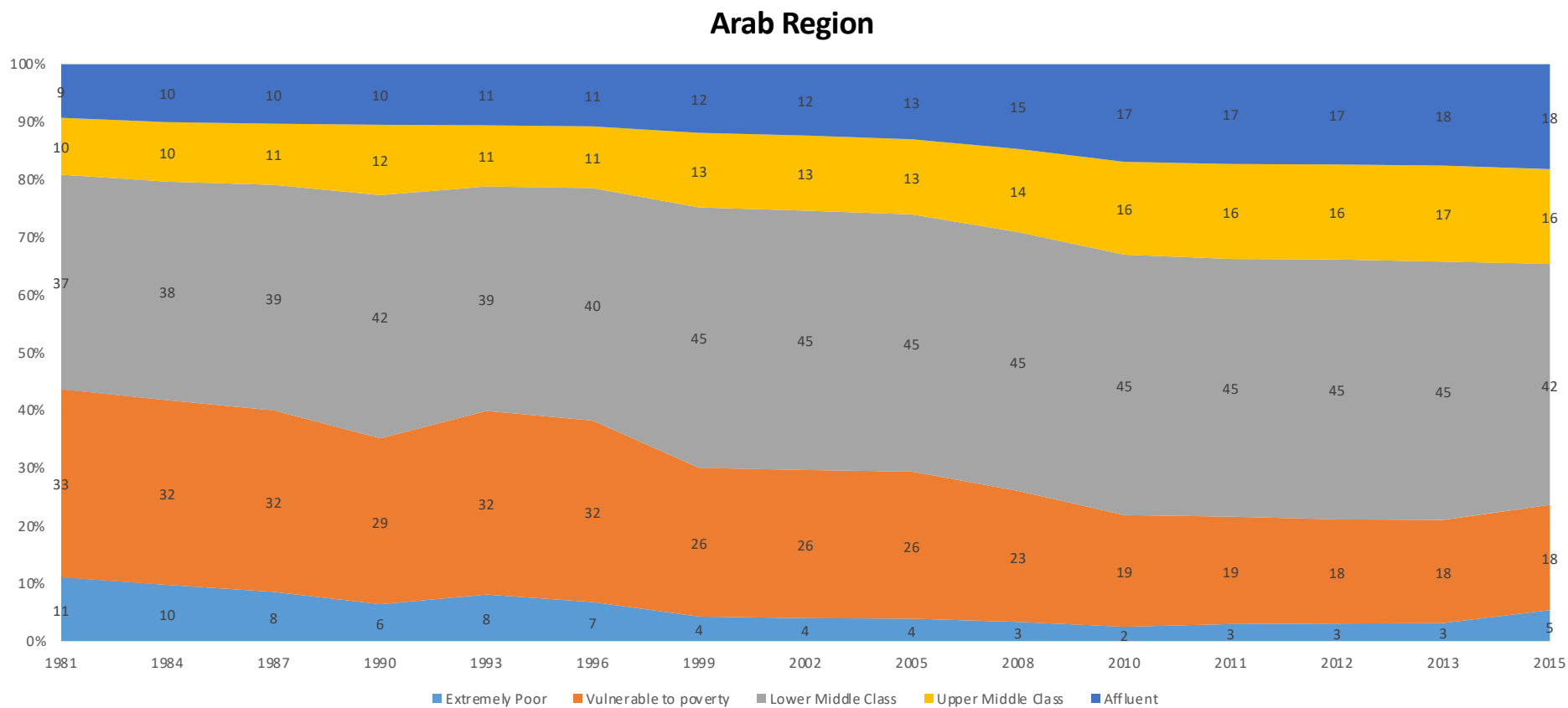
2. Income Poverty Impact

Fact 1: Vulnerability to poverty is high in Arab countries

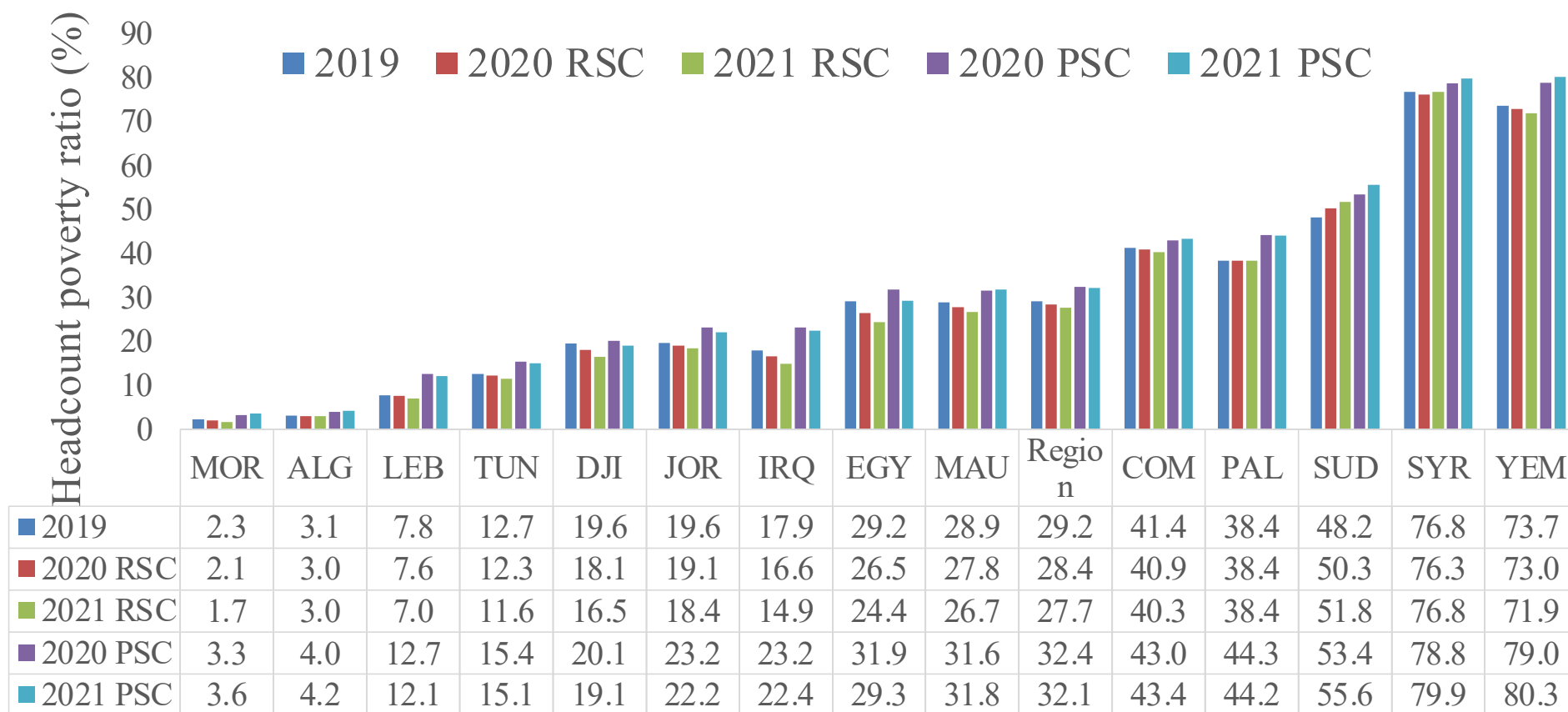**Poverty headcount ratio (Percent) by region, $0.5-$10 poverty lines, 2015**

East Asia and Pacific

Europe and Central Asia

Latin America and the Caribbean

Middle East and North Africa

Sub-Saharan Africa

World Total

South Asia (2013)

Fact 2: Money-metric poverty and vulnerability was already on the rise 2013-2018
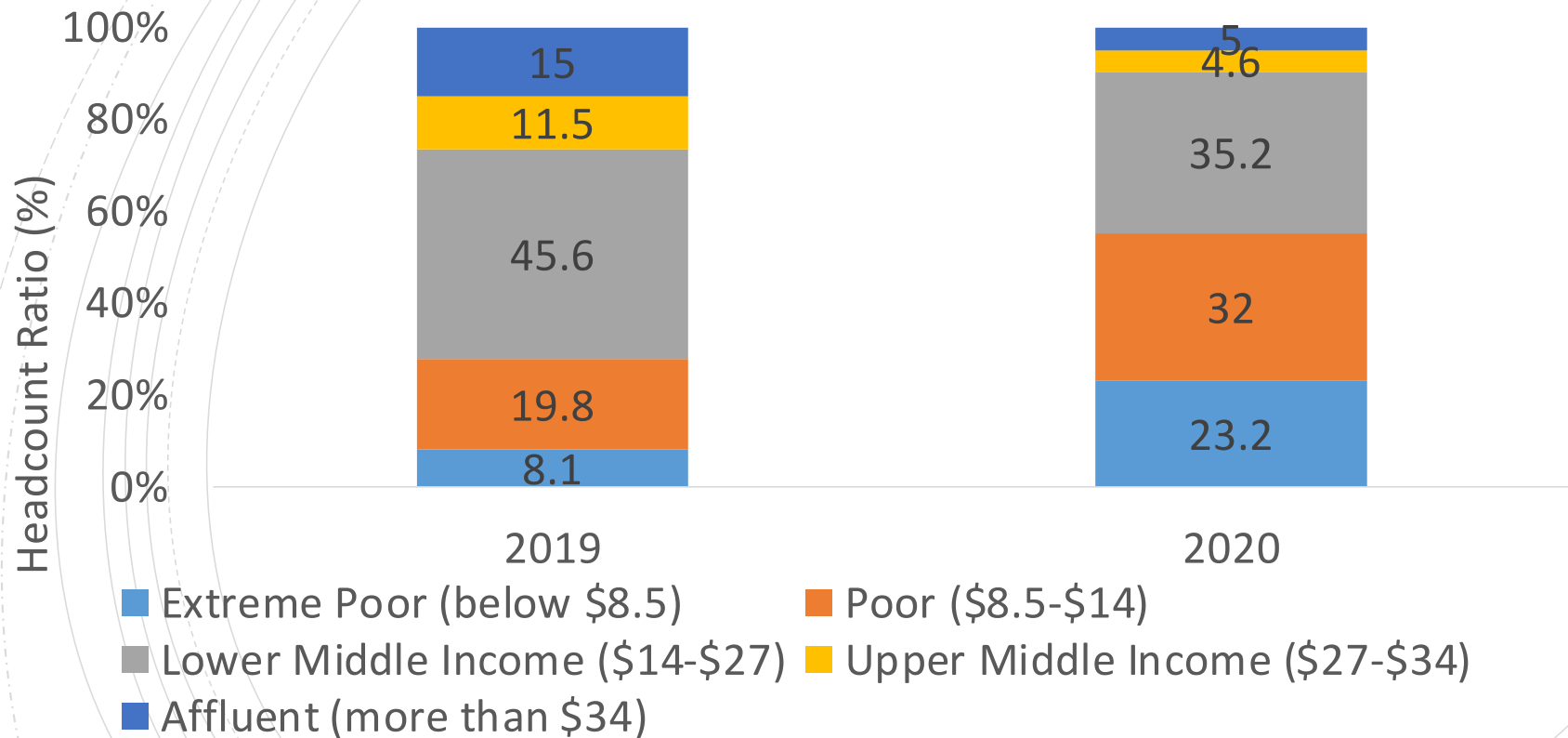
Arab Region

Extreme poverty = below $1.9, Vulnerable = $1.9-3.5, Lower MC = $3.5-7, Upper MC = $7-10, Affluent is above $10

Impact on poverty: 16 million more poor and 9 million more extreme poor by 2021

	MOR	ALG	LEB	TUN	DJI	JOR	IRQ	EGY	MAU	Region	COM	PAL	SUD	SYR	YEM
■ 2019	2.3	3.1	7.8	12.7	19.6	19.6	17.9	29.2	28.9	29.2	41.4	38.4	48.2	76.8	73.7
■ 2020 RSC	2.1	3.0	7.6	12.3	18.1	19.1	16.6	26.5	27.8	28.4	40.9	38.4	50.3	76.3	73.0
■ 2021 RSC	1.7	3.0	7.0	11.6	16.5	18.4	14.9	24.4	26.7	27.7	40.3	38.4	51.8	76.8	71.9
■ 2020 PSC	3.3	4.0	12.7	15.4	20.1	23.2	23.2	31.9	31.6	32.4	43.0	44.3	53.4	78.8	79.0
■ 2021 PSC	3.6	4.2	12.1	15.1	19.1	22.2	22.4	29.3	31.8	32.1	43.4	44.2	55.6	79.9	80.3

Source: Authors estimates based on grouped household expenditure data using PovcalNet and PPP value of the most recent national poverty lines.

Also not all countries equally affected:
Lebanon after April 2020

Take away on poverty:

Arab region only region where income poverty was on the rise regardless of how it is measured. The triple Covid-19/oil/conflict shock does not cause this trend, it only exacerbates it
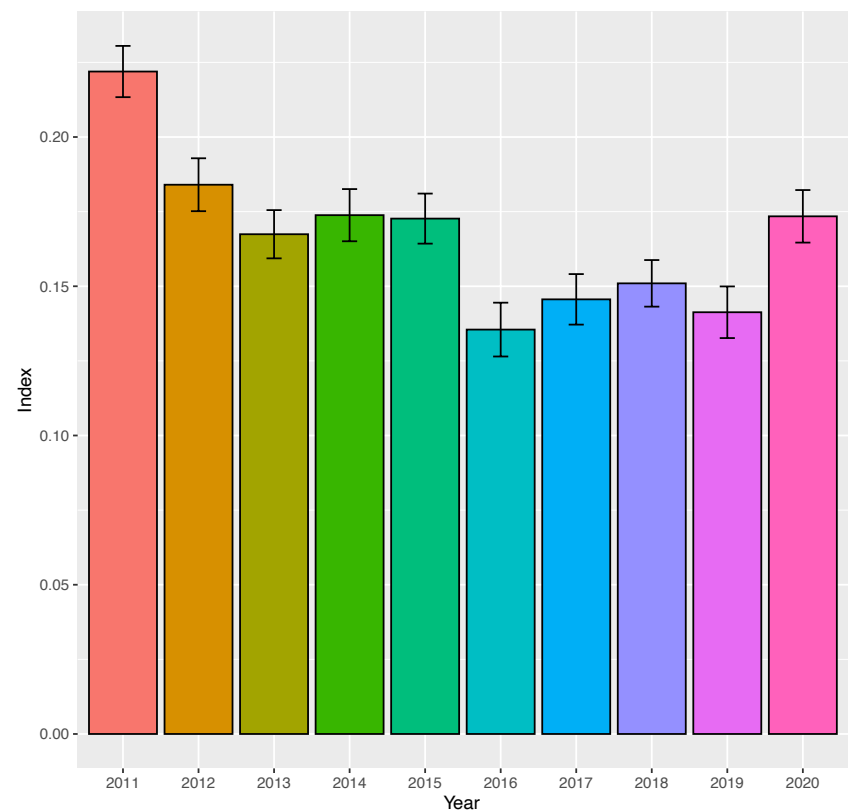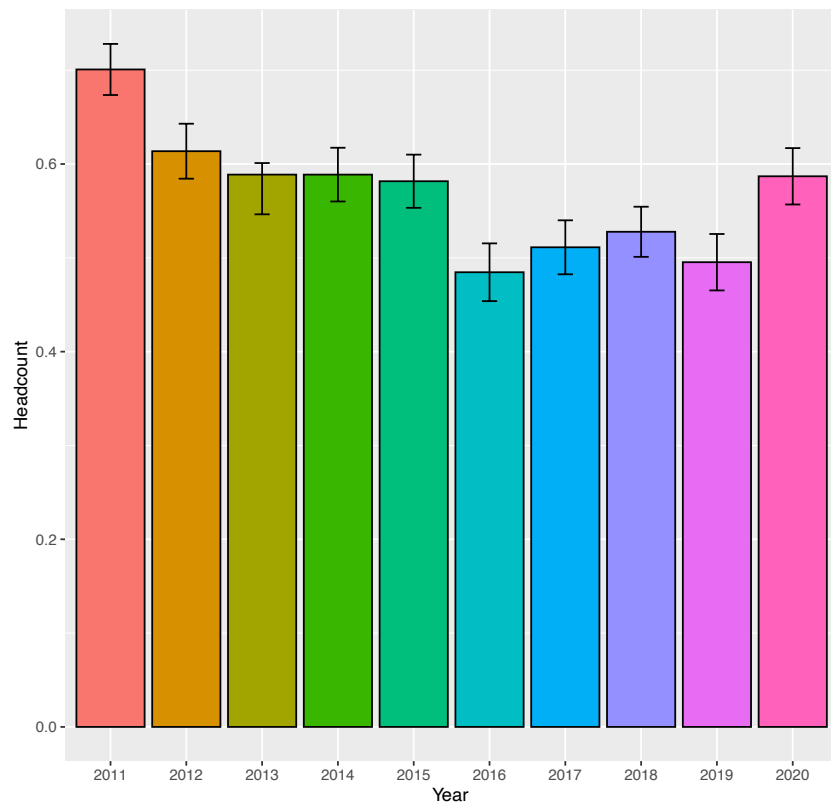
3. MP Impact (Case of Iraq)

Nowcasting and projecting multidimensional poverty in developing countries amid COVID-19

- Dimensions of a multidimensional poverty index (*MPI*) should be modeled separately, with differentiated impacts & trends

- Dimensions are linked by a function (*copula*) reflecting complementarities

- The aim is to produce a realistic profile of development amid shocks

- To apply the method, use:
  - Revised regional Arab MPI framework (ESCWA 2020)
  - pair of harmonized surveys: Iraq 2011 & 2018 Multiple Indicator Cluster Surveys (*MICS*)

- The model reproduces the MPI values accurately in both years – despite the 7-year window
- COVID-19 pandemic has set human development in Iraq back by some 7 years.

- The method can help states forecast multidimensional poverty under various scenarios for developmental setbacks & policy responses
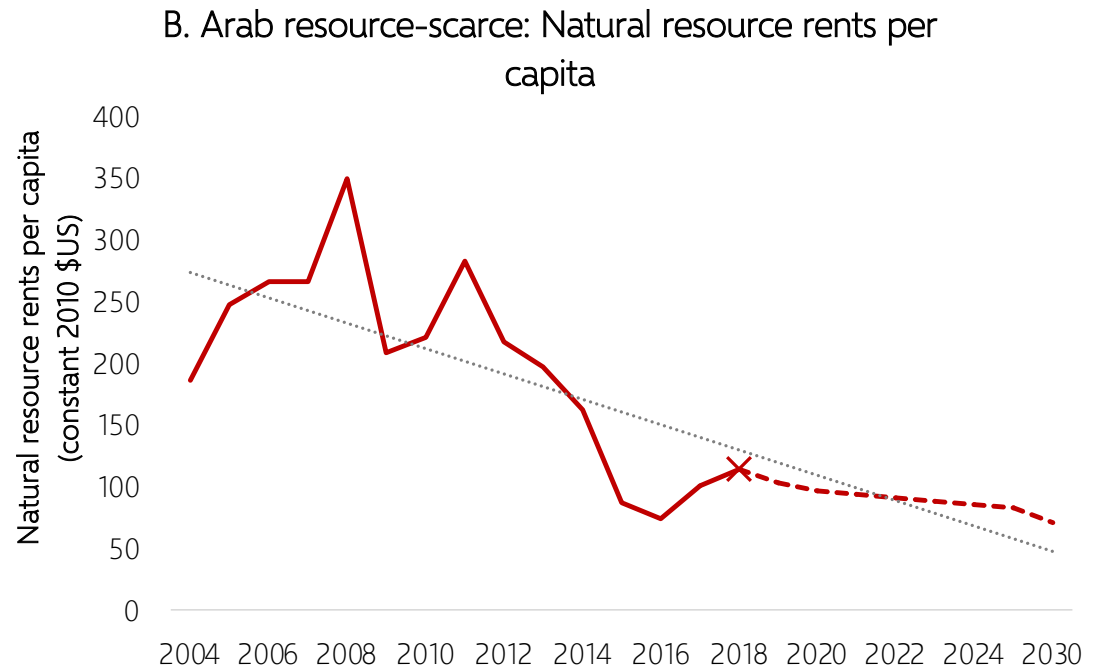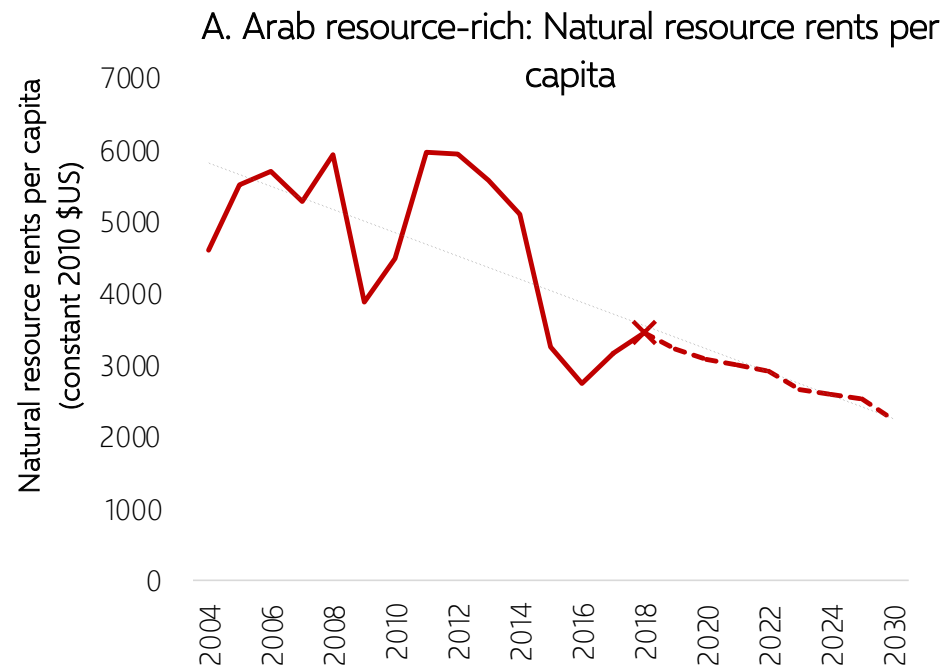- & help them formulate measures addressing the projected gaps

Projected Arab multidimensional poverty headcount & score, Iraq 2011-2020

What to do?

A simple projection but it conveys a lot

A. Arab resource-rich: Natural resource rents per capita

B. Arab resource-scarce: Natural resource rents per capita

Source: Authors' calculations based on WDI and UN DESA population data.
Arab oil exporters include: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Iraq and Algeria. Arab oil non-exporters include: Comoros, Egypt, Jordan, Lebanon, Mauritania, Morocco, Tunisia, Yemen and Sudan. For 2018, projections are estimates, while for 2019 onwards, figures are forecasts based on the World Bank forecasted commodity prices published in April 2019.

Right now, there is more than enough regional income and wealth to get millions out of poverty

Example: How much does it cost to close the poverty gap post-Covid?

Countries' cost of closing the poverty gap and wealth of the richest decile

Country	Mean wealth of top national decile, 2019 (2019$)	Adults in the top national decile, 2019 ('000)	Top decile wealth in 2019 (2019 $million)	Top decile wealth in 2020 (current $million)	Cost of poverty gap in 2019 (current $million)	Cost of poverty gap in 2020 (current $million)	Wealth tax on top decile needed to cover poverty gap, 2019	Wealth tax on top decile needed to cover poverty gap, 2020
Algeria	60,342	2,698	162,821	149,795	362	468	0.2%	0.3%
Egypt	99,771	5,831	581,755	535,214	8,952	10,075	1.5%	1.9%
Iraq	93,705	1,979	185,423	170,590	1,735	2,431	0.9%	1.4%
Jordan	163,214	551	89,964	82,766	816	1,031	0.9%	1.2%
Lebanon	360,069	421	151,409	139,296	381	643	0.3%	0.5%
Morocco	84,181	2,361	198,777	182,874	120	180	0.1%	0.1%
Tunisia	86,227	811	69,939	64,344	584	752	0.8%	1.2%
MICs	98,285	14,652	1,440,087	1,324,880	12,950	15,580	0.9%	1.2%
Comoros	33,734	42	1,427	1,313	211	226	14.8%	17.2%
Djibouti	18,685	58	1,089	1,002	49	50	4.5%	5.0%
Mauritania	14,521	231	3,354	3,086	529	609	15.8%	19.7%
Sudan	3,258	2,047	6,670	6,137	8,559	10,197	128.3%	166.2%
Syria	13,477	966	13,024	11,982	7,365	8,015	56.5%	66.9%
Yemen	32,270	1,458	47,050	43,286	8,951	10,391	19.0%	24.0%
LDCs	15,117	4,803	72,615	66,806	25,665	29,489	35.3%	44.1%
Total	77,752	19,456	1,512,702	1,391,686	38,615	45,069	2.6%	3.2%

2. Beyond the fire-fighting

We need better planning based on both P0 and MPI (there are ways to design plans based on MPI)

Both move with human development (quality) and knowledge based economic transformation

But finally, you need the peace and stability, institutional strength and government effectiveness that delivers