



**PARLIAMENTARY ASSEMBLY OF THE MEDITERRANEAN
ASSEMBLEE PARLEMENTAIRE DE LA MEDITERRANEE**

برلمان البحر الأبيض المتوسط

2nd Standing Committee on Economic, Social and Environmental Cooperation

“Economic impact of Covid-19 in the Euro-Mediterranean and Gulf regions in 2020: the policy response for an effective recovery”

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Report

Executive Summary

This report represents PAM's first systemwide analysis of the Covid-19 economic impact in the Euro-Mediterranean and Gulf regions. The study gathers information and trends from different scientific sources, and it evaluates effective policy responses to bolster a sustainable, forward-looking, regional recovery.

The evidence confirms the exceptional economic fallout generated by the pandemic. By analyzing the unequal impacts of the Covid-19 pandemic on national economies, this review calls for a coordinated and concerted response among countries across the broader Mediterranean. With new lockdown measures expanding financing gaps for many business entities, policymakers are called to design fiscal support schemes targeting the economic segments that have been hit hardest by the crisis, such as SMEs and the tourism industry. In parallel, Parliaments will have to devise recovery strategies that incentivize private sector investments and public-private partnerships, while bolstering income support schemes to manage demand shortages in the region.

Through this report, the Parliamentary Assembly of the Mediterranean (PAM) urges the digital and green transition of economies to be placed on top of the agenda for recovery in Euro-Mediterranean and Gulf countries. Toward this aim, interparliamentary cooperation will play a crucial role in promoting green innovation and filling technological gaps across the Mediterranean region.

I. Introduction

1. The Euro-Mediterranean and Gulf regions are facing a generational socio-economic crisis due to the COVID-19 pandemic. At present, the task for policymakers is substantial: develop effective solutions for ameliorating the economic costs of the pandemic, while addressing the health challenges posed by consecutive waves.
2. As resources are deployed to deal with the immediate economic consequences of the recession, relief prescriptions must also be forward-looking. Fundamental to this endeavor is recognizing the vital position of Small and Medium Enterprises (SMEs) in providing the majority of employment opportunities in the broader Mediterranean. Barriers to financing and bureaucratic

regulations threaten the viability of SMEs given the current economic environment. A failure to protect these entities from bankruptcy would have lasting consequences for domestic economies and the general prosperity of the region.

3. Central to the development of an effective recovery will also be the protection of the service industry, which has been disproportionately impacted by social distancing measures. Tourism, which represents an important share of regional GDP of the PAM countries, has been hit particularly hard due to travel restrictions and quarantine guidelines. Only targeted financial policies and strong coordination between governments can guarantee the revival of this sector.
4. The diversity of Member States comprising PAM shows that “building back better” cannot be a uniform process. Successfully navigating the economic challenges associated with the COVID-19 pandemic will require policies based upon the needs of domestic populations. However, an approach that encompasses targeted measures, while also encouraging cooperation between countries across the broader Mediterranean, will prove to be the most suitable for delivering a sustainable and inclusive recovery.
5. The extent and rapidity of a successful economic recovery will necessarily depend on available funding. Only a limited number of countries within the PAM region have access to structured recovery packages, such as the Next Generation EU Recovery Plan (NGEU), while others must rely on national recovery efforts, Official Development Assistance (ODA), or other forms of international support. This discrepancy risks creating wide divergencies in the speed, scope, and efficacy of recovery plans across the region. While the international community has mobilized emergency support from international financial institutions, many Member States who already suffered from pre-pandemic high-debt levels are seeing their fiscal and external financing position deteriorate even further.
6. This report explores the most significant ways the pandemic-induced recession has impacted the Euro-Mediterranean and Gulf regions, providing insights on the key domains to be addressed by policymakers. This analysis is aimed at outlining recommendations on the core legislative actions to be taken by parliamentarians for utilizing resources in a way that ensures a resilient recovery and a prosperous future in PAM Member States.

II. The impacts of the Pandemic on the Euro-Mediterranean and Gulf Regions

7. By the second quarter of 2020, a majority of countries had responded to the evolving COVID-19 pandemic by implementing policies that closed borders, curbed commercial activity, and placed restrictions on trade flows. This provoked a historical contraction in the global economy. The most recent projections by the International Monetary Fund (IMF) place global growth at -4.4% for 2020.¹ The countervailing forces of soft lockdowns and keeping businesses operational, will continue to impact global GDP also in 2021.
8. The strength and duration of subsequent waves will inform the pace at which national economies will be able to fully reopen and discontinue social distancing restrictions. While

¹ International Monetary Fund, *World Economic Outlook A Long and Difficult Assent*, October 2020. ISBN 978-1-51355-605-5 <https://www.imf.org/en/Publications/WEO/Issues/2020/09/30/world-economic-outlook-october-2020>

targeted, long-run fiscal measures will be critical in determining the pace of the recovery, emergency relief measures, which respond to immediate needs, will be equally influential. To this effect, variations in short and long-term responses will contribute to an uneven recovery process among geographic regions and levels of economic development.

9. The advanced economies of Europe are expected to experience an economic contraction of 8.1% for the year 2020; France, Italy, Portugal, and San Marino are set to fall closer to 10%.² Forecasts show a different portrait for the MENA region, where GDP for oil-exporting countries, such as Algeria, Qatar, and the UAE, is expected to decline by 4.2%, while a stronger reduction, of about 7%, is expected for oil-importers, such as Morocco, Tunisia, and Jordan.³ In North Africa, specifically, the African Development Bank predicts a -6.7% growth rate. However, this number hides a wide variance, with Egypt expected to end 2020 with a modest 0.8% increase in GDP, while the Libyan GDP is expected to contract by 43.7%.⁴
10. Border closures have not only restricted the movement of people but have also strained supply chains. Protectionist mechanisms applied to exports and hampered commerce have tested trade routes that are cost-effective but lack the required resilience under sudden pressure. The pandemic has highlighted the value of reinforcing interdependence through regional agreements that benefit from cooperation among neighboring states. Unequal state support schemes contribute to business insolvencies that affect varying aspects of current supply chains. An effective economic recovery plan should include modes for strengthening multilateral trade agreements that consider geographic proximity.
11. The economic recession induced by the COVID-19 pandemic presents distinct challenges that differ significantly from previous economic crises. The effects, and subsequent consequences for individuals and firms, are unique given the epidemiological basis of the current situation. Unemployment data for the second and third quarter of 2020 highlights this reality. In contrast to past recessions, which largely originated in the financial sector, distancing measures, both legal and psychological, associated with the coronavirus have severely impacted the labor market.
12. The International Labor Organization (ILO) recently reported that disruptions in the labor market due to the Covid-19 pandemic are more critical than initially anticipated. In the second quarter of 2020, the decline in total workhours was 17.3%, being 3.3% higher than initially projected.⁵ The number of working hours lost globally was the equivalent of 495 million full-time jobs.⁶
13. The continued fluctuation in policy initiatives, induced by the evolving nature of the health crisis, has burdened businesses with additional costs. Even during periods of relatively low

² International Monetary Fund, *Regional Economic Outlook. Europe: whatever it takes: Europe's response to COVID-19*, October 2020. ISBN 9781513558233 <https://www.imf.org/en/Publications/REO/Issues/2020/10/21/Regional-Economic-Outlook-October-2020-Europe-Whatever-It-Takes-Europes-Response-to-COVID-19-49795>

³ International Monetary Fund, Middle East and Central Asia Department, *Middle East and North Africa Regional Economic Outlook*, 27 April 2020. <https://www.imf.org/-/media/Files/Publications/REO/MCD-CCA/2020/April/English/menap-ppt-042020.ashx>

⁴ African Development Bank, *North Africa Economic Outlook 2020: Coping with the COVID-19 Pandemic*, 14 July 2020. ISBN 978-9973-9847-2-2 <https://www.afdb.org/en/documents/north-africa-economic-outlook-2020-coping-covid-19-pandemic>

⁵ International Labour Organization, *ILO Monitor: COVID-19 and the world of work – Sixth Edition*, 23 September 2020. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/briefingnote/wcms_755910.pdf

⁶ Ibid

infection rates, as experienced in many countries during the summer months, fears over contracting the virus have curbed consumption patterns. In contrast to past recessions, the service sector, which relies largely on person-to-person contact, has been severely affected.

14. Tourism has been impacted very hard by the pandemic, with depressed levels of travel continuing through the whole of 2020. Data from the World Tourism Organization recorded a 70% decline in international travel in the first eight months of the year.⁷ This is of particular concern in the Euro-Mediterranean and Gulf regions, where the tourism industry has steadily grown in the past years, recently reaching 11.3% of total GDP and 11.5% of employment.⁸ Especially in the MENA region, several countries are critically dependent on the sector. For instance, tourism accounts for approximately 25% and 20% of total exports for Egypt and Morocco respectively.⁹
15. The vulnerability of tourism is compounded by its structural characteristics. Indeed, in the Mediterranean, 75% of the industry is comprised of small and micro enterprises, which do not enjoy the same access to financial services as large-scale businesses. With lockdown measures and travel restrictions continuing to suppress tourism, the sector faces an uncertain future.
16. For this reason, the PAM is working in close partnership with the World Tourism Organization (UNWTO) and the World Travel and Tourism Council (WTTC), to ensure that parliamentarians receive timely information related to developing trends in regional tourism and on the actions they can undertake to support the sector. In addition, the Assembly continues to provide information to its Member States in support of a post-pandemic recovery of the sector based on more sustainable, innovative, and resilient models.

III. Social protection schemes at the center of policy response

17. The Governments of Euro-Mediterranean and Gulf countries have deployed an array of fiscal measures to mitigate the economic and employment disruptions caused by the pandemic. The extensive impact of containment measures has required policymakers to develop support schemes that can effectively address sector-specific challenges. The most adopted policies in the region include tax and debt deferral, wage subsidies, easing of regulatory guidelines, and cash transfers to the most vulnerable populations.
18. Women, youth, and those employed in the informal sector have experienced a disproportionate share of employment disruption and declines in income. Particularly in the MENA region, women face structural challenges linked to un-adapted social programs addressing agriculture and domestic work, being the sectors in which they represent a significant percentage of the labor force.¹⁰

⁷ United Nations World Tourism Organization, *International Tourism Down 70% as Travel Restrictions Impact All Regions*, 27 October 2020. <https://www.unwto.org/news/international-tourism-down-70-as-travel-restrictions-impact-all-regions>

⁸ Association of the Mediterranean Chambers of Commerce and Industry, *The Mediterranean Tourism Forum – MEDITOUR 2019*, 13 May 2019. <http://www.ascame.org/en/mediterranean-tourism-forum-meditour-2019>

⁹ African Development Bank, *North Africa Economic Outlook 2020: Coping with the COVID-19 Pandemic*, 14 July 2020. ISBN 978-9973-9847-2-2 <https://www.afdb.org/en/documents/north-africa-economic-outlook-2020-coping-covid-19-pandemic>

¹⁰ Organization for Economic Cooperation and Development, *COVID-19 crisis in the MENA region: impact on gender equality and policy responses*, 10 June 2020. <https://www.oecd.org/coronavirus/policy-responses/covid-19-crisis-in-the-mena-region-impact-on-gender-equality-and-policy-responses-ee4cd4f4/>

19. Recognizing these fragilities, PAM Member States have worked to enforce policies that alleviate the burdens associated with employment loss. As an example, in Egypt, an additional 60,000 households have benefited from an expansion of the Takaful and Karama social programs, which provide financial support to the country's most vulnerable populations. The Egyptian government has also more than doubled payments to rural communities in which women hold leadership roles.¹¹ Similarly, Morocco and Tunisia, have worked to increase coordination between ministries in order to ensure that financial assistance could reach women and other vulnerable groups.¹²
20. Expanding social protection schemes to those employed informally is a difficult yet critical aspect of effective fiscal policies. Among MENA countries, around 65% of individuals are informally employed; this represents approximately 296 million people.¹³ A recent analysis from ILO reveals that across the Euro-Mediterranean and Gulf regions, youth and older persons face more difficulties in finding employment opportunities in the formal sector.¹⁴ Limited access to formal institutions is a serious challenge for ensuring that informal workers are included in social protection schemes.
21. To these efforts, policymakers of PAM Member States have adopted measures meant to encourage the formal hiring of youth and older persons. As another illustrative example, Romania has implemented a hiring scheme, which encourages the employment of citizens over the age of 50 or below the age of 30, by providing employers with a monthly allowance equivalent to 50% of the gross salary.¹⁵ In Serbia, the government has established a new program to connect recent high school and university graduates with employment opportunities while also increasing the number of training programs.¹⁶
22. In account of the importance of social inclusion for the realization of an effective recovery, PAM has been supporting the parliamentarians of its Member States in the implementation of extraordinary legislative reforms to tackle social protection and employment levels. In particular, the Assembly serves to policymakers as a platform to discuss with international experts about the best practices to address the preservation of the economic fabric in both formal and informal sectors.

IV. The role of SMEs in a full economic recovery

23. The decision by most policymakers to prioritize containment measures has required fiscal strategies that are both sufficient and specific to the industries most impacted. Small and Medium Enterprises are particularly susceptible to policy gaps, as traditional measures rather benefit larger firms, granting them easier access to resources provided by financial institutions.

¹¹ Organization for Economic Cooperation and Development, *Country Policy Tracker*, 2020. <https://www.oecd.org/coronavirus/country-policy-tracker/>

¹² Organization for Economic Cooperation and Development, *Country Policy Tracker*, 2020

¹³ World Bank, *COVID-19 (coronavirus): Ensuring continuity of health services in the Middle East and North Africa*, 13 May 2020. <https://blogs.worldbank.org/health/covid-19-coronavirus-ensuring-continuity-health-services-middle-east-and-north-africa>

¹⁴ International Labor Organization, *Women and men in the informal economy: a statistical picture (third edition)*, 2018. ISBN 978-92-2-131580-3. https://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_626831.pdf

¹⁵ Organization for Economic Cooperation and Development, *Country Policy Tracker*, 2020

¹⁶ Ibid

24. Despite the recurrent financial marginalization, SMEs represent the heart of the domestic economies in Mediterranean countries. According to the most recent estimates of IMF, SMEs within the European Union account for 65% of private sector employment and 54% of private sector gross output.¹⁷ Among countries in the MENA region, economic output attributable to SMEs ranges from 4% - 55% of GDP, with Tunisia, Lebanon, and Egypt placed above the regional average for emerging market and developing economies.¹⁸ Moreover, SMEs serve as a primary employment provider for women, youth, and groups at risk of marginalization in the Mediterranean.
25. The prolonged and repeated closure of many businesses during the pandemic has disproportionately hit SMEs, straining their traditional methods to manage liquidity shortages. Indeed, business cycles can usually be managed with short-term loans, but this becomes unfeasible when lockdown measures suspend business operations for months at a time. In this framework, SMEs in the Mediterranean, having limited or no access to formal lines of credit or working capital, rely exclusively on policymakers to develop liquidity injection measures.
26. For this reason, the primary pillars to effectively support these businesses are adequate liquidity measures and streamlined bureaucratic processes. Those Mediterranean countries, which do not prioritize fiscal packages targeting SMEs, will, most possibly, experience a rise in permanent closures and layoffs. The IMF forecasts that, without appropriate government support, throughout the pandemic the failure rate among SMEs will increase by 9% compared to normal times.¹⁹
27. A majority of PAM Member States have enacted support mechanisms designed specifically for mitigating liquidity shortages faced by SMEs. North Macedonia has issued interest free loans and commercial loan guarantees for startups, micro and small businesses, increasing the lending capacity of financial institutions for these entities.²⁰ Croatia's Small Business Agency has developed loans specific to the working capital needs of SMEs, benefitting more than 900 businesses. Additionally, the Turkish government has expanded credit access to SMEs by almost \$4 billion, allowing for an additional 850,000 credit applications.²¹
28. A positive long-term outlook on economic recovery requires these essential entities to be supported for the duration of the pandemic. Towards this aim, the PAM has launched a number of initiatives to facilitate connections among entrepreneurs, investors, and decision-makers from the region. By doing so, PAM aims at promoting financial cooperation and joint projects that can sustain local SMEs and foster inclusivity and innovation within the recovery strategies of Member States.

¹⁷Kalemil-Ozcan et al., International Monetary Fund Working Paper, *COVID-19 and SME Failures*, 25 September 2020.

<https://www.imf.org/en/Publications/WP/Issues/2020/09/25/COVID-19-and-SME-Failures-49753>

¹⁸Stepanyan et al., International Monetary Fund, *Enhancing the Role of SMEs in the Arab World – Some Key Considerations*, 13 December 2019. ISBN 9781513522760/2663-3493 <https://www.imf.org/~media/Files/Publications/PP/2019/PPEA2019040.ashx>

¹⁹Kalemil-Ozcan et al., 2020

²⁰Organization for Economic Cooperation and Development, *Country Policy Tracker*, 2020

²¹Ibid

29. On 8 July 2020, PAM organized a high-level webinar dedicated to the support to SMEs, Fintech, Venture Capital, and Startups amid the economic crisis generated by COVID-19. The event represented an occasion for actors from the public and private sector to discuss the most effective legislative measures to foster business synergies in the Euro-Mediterranean and Gulf regions amid the pandemic.
30. In parallel, the Assembly, in collaboration with Hon. Centemero and Borsa Italiana, is implementing a project to improve the access of SMEs to capital markets and financial services. The initiative, named “Start-Up Market Project”, aims at developing a digital platform that enables entrepreneurs, start-uppers, and investors to meet and generate structured collaborations. By reducing information asymmetries and reinforcing business relationships, PAM intends to facilitate the design and implementation of those market infrastructures that can foster capital flows, job creation, and economic and technological development in the Euro-Mediterranean and Gulf regions.

V. Building sustainability and resilience through digital integration

31. The economic outlook and speed of recovery for Euro-Mediterranean and Gulf countries in 2021 is highly dependent on the duration of the pandemic and the efficacy of strategies for controlling the virus at both the domestic and international levels. As observed at the end of 2020, few governments have been able to successfully manage the second wave of the coronavirus without reverting to many of the extreme measures that were applied during the first wave.
32. At present, policymakers in the broader Euro-Mediterranean region must begin to shift their attention from immediate relief measures, such as job support schemes and liquidity injections, to long-run strategies. The subsequent waves of the pandemic have replaced the prospects of a temporary freeze in economic activity with the reality that national economies will require varying degrees of reconstruction. Governments will have to adopt measures that support a recovery of the sectors hardest hit and contribute towards the development of resilience.
33. Resilient policies are vital for adapting to the interconnected character of economies and societies. As demonstrated during the pandemic, investing in IT infrastructure to expand digital capabilities can drive substantive increase of employment opportunities and cross-border economic cooperation, mitigating potential disruptions of future shocks. These types of investments include digital infrastructure and financial services, together with digital skills and entrepreneurship.²²
34. According to the World Economic Forum, the frequent lockdown measures to counteract the spread of COVID-19 have expanded the application of digitally-based technologies. A greater reliance on online services and a need for traditional industries to digitize are trends that are set to increase even after the conclusion of the health emergency²³. Accommodating this

²² Melhem et al., World Bank, *Enhancing digital capabilities in a post-COVID-19 world*, 12 June 2020. <https://blogs.worldbank.org/digital-development/enhancing-digital-capabilities-post-covid-19-world>

²³ Gadhi, Sridhar, World Economic Forum, *How digital infrastructure can help us through the COVID-19 crisis*, 01 April 2020. <https://www.weforum.org/agenda/2020/04/digital-infrastructure-public-health-crisis-covid-19/>

growing demand will require policymakers to combine available resources and technical expertise in order to increase the number of digital services and their accessibility.²⁴

35. A central focus must be boosting investment in domestic IT infrastructure by encouraging collaboration between local and international entities. It will also be imperative to facilitate knowledge sharing between the public and private sector, a core necessity for investment in the technologies that are most needed. Additionally, policies will have to ensure quality standards and the adoption of IT norms for seamless cross-boundary activities.
36. In expanding the application of digital services, it is critical to promote access to technology and information sharing. While the pandemic has increased dependence on IT services, it has also demonstrated structural inequalities between the digital resources of developed and developing economies. In 2018, the differences in internet usage among northern and southern Mediterranean countries were sharp: while 82.4% of individuals within the European Union accessed the internet, the share in the MENA region was only 59.64%.²⁵
37. Additional analysis conducted by the International Telecommunication Union (ITU) demonstrated a significant gap in access to internet services between men and women as well as between urban and rural communities. In particular, Arab countries appear to have the second greatest gender gap in internet usage, after Sub-Saharan Africa. Among disparities in internet access between urban and rural areas, Morocco recorded the highest gap, with a 35% difference in available services.²⁶ Therefore, the development of truly resilient economic systems will require countries to mitigate inequalities through broader cooperation and sharing of critical technologies.
38. PAM Member States are working to incorporate an expansion of digital services into economic recovery packages. In the UAE, the National Election Committee delivered 1,191 computers to the Ministry of Education to promote access to online learning services. Furthermore, through the Dubai Future Foundation, the country is promoting a competition, known as the “One Million Arab Coders” COVID-19 Hackathon, to promote the development of critical digital skills among Arab coders.²⁷
39. To build resilience into economic systems, this push towards digitalization must be accompanied by an acceleration towards sustainability. A resilient recovery in the broader Mediterranean region can only occur if policymakers will be capable to apply solutions from the current disruption in a broader context.
40. Unlike the economic interruption caused by the coronavirus, the effects of climate change on economic systems are likely to be more protracted and unpredictable. As delineated in the thematic report on Environment presented by Hon. Perea at the 15th PAM Plenary Session, the Mediterranean Basin is acutely susceptible to extreme weather events caused by climate

²⁴ Ibid

²⁵ El Kadid, Tin Hinane, European Institute of the Mediterranean, *Uneven Disruption: COVID-19 and the Digital Divide in the Euro-Mediterranean Region*, 2020. https://www.iemed.org/observatori/arees-danalisi/arxiu-adjunts/anyari/med.2020/Digital_Divide_Euro-Mediterranean_Covid-19_Tin_Hinane_El-Kadi_IEMed_YearBook2020_.pdf

²⁶ Ibid

²⁷ Organization for Economic Cooperation and Development, *Country Policy Tracker*, 2020

change. The region's designation as a climate "hot spot" highlights the importance of addressing the current environmental and climate change trends.

41. Across the Euro-Mediterranean and Gulf countries, decision-makers are working to identify and implement policies that support goals delineated in multilateral agreements, such as the UN Sustainable Development Goals, Paris Climate Agreement, and Barcelona Convention. Parliamentarians of PAM Member States have dedicated significant efforts in combining economic relief packages with sustainability objectives. As part of the Next Generation EU plan, European countries will be able to utilize the Recovery and Resilient Facility, a recovery mechanism funded by €560 billion, to support investment in green and digital initiatives which improve economic resilience.
42. Through the financial assistance of multi-lateral development banks, countries in the MENA region are also receiving the necessary support to further economic recovery goals that are both comprehensive and inclusive. The \$3.6 billion in financial commitments made by PAM Member States over the last fiscal year include important projects towards this direction. In Morocco, the "First Financial and Digital Inclusion Development Policy Financing" project received a \$500 million loan to facilitate reforms that increase access to financial instruments and promote advancements in digital infrastructure. In Egypt, multilateral banks invested \$400 million in the country's Universal Health Insurance System, which aims to bridge the gap in health care access between socioeconomic classes.²⁸
43. Critical to the realization of an inclusive and sustainable recovery, is a commitment to support mechanisms which target the industries and individuals most in need. Addressing both the immediate economic consequences of the pandemic does not need to come at the expense of sustainability initiatives when governments expand collaborative efforts with the private sector. Often, high debt-to-GDP ratios inhibit greater public sector investment in green and renewable projects, and the unprecedented measures deployed in response to COVID-19 are likely to worsen these numbers. As a result, policymakers can attract investment in climate mitigation initiatives by improving investment conditions for institutional investors.

VI. Recommendations

44. In a report released in October 2020, the IMF stressed the importance of "keeping economic ties alive" by limiting the number of bankruptcies and limiting the number of workers leaving the labor force.²⁹ The subsequent waves of the pandemic are making this increasingly difficult as companies, specifically SMEs, begin to face solvency issues. With new lockdown measures expanding financing gaps for many business entities, policymakers will need to shift attention towards targeted rather than blanket fiscal support schemes.

²⁸ World Bank, *Extending Exceptional World Bank Support to the MENA Region Amid Dual Economic Shocks*, 20 July 2020. <https://www.worldbank.org/en/news/press-release/2020/07/20/extending-exceptional-world-bank-support-to-the-mena-region-amid-dual-economic-shocks>

²⁹ International Monetary Fund, *Regional Economic Outlook. Europe: whatever it takes: Europe's response to COVID-19*, October 2020. ISBN 9781513558233 <https://www.imf.org/en/Publications/REO/Issues/2020/10/21/Regional-Economic-Outlook-October-2020-Europe-Whatever-It-Takes-Europes-Response-to-COVID-19-49795>

45. Social distancing measures are likely to be loosened or entirely removed only with a comprehensive distribution of a vaccine, which will likely start to occur from the first quarter of 2021. As the health crisis attenuates, policies will have to shift towards revenue generating schemes such as curbing opportunities for tax avoidance and even raising taxes where applicable; more efficient spending will also be critical.³⁰
46. The international scope of the pandemic means disruptions to the labor market will not be confined to domestic economic conditions. A bankruptcy in one segment of a supply chain could have negative consequences across sectors and countries. Successfully minimizing these disruptions will require the implementation of effective income support schemes and government expenditure to manage demand shortages, incentivize private sector investment, and maintain steady economic activity.³¹
47. A sustainable and inclusive recovery requires targeted support mechanisms and attention to marginalized groups. More specifically, a recovery that shrinks inequalities, rather than perpetuates them, will focus efforts on key industries, business entities, and individuals. Realizing these objectives requires parliamentarians to align legislative action and economic instruments with green initiatives and sustainable development goals. In the context of international climate objectives, as delineated in the Paris Agreement and Barcelona Convention, substantive progresses require legal frameworks that ensure the full implementation of, and compliance with, National Determined Contributions. Furthermore, markets must reflect the true cost of economic development. This can be achieved by eliminating subsidies for non-renewable energies and through the establishment of carbon markets.
48. As the economic fabric of national economies in PAM Member States, SMEs will be instrumental for a sustainable and inclusive recovery. Failure to provide sufficient capital assistance to these entities will result in widespread bankruptcies and persistently high unemployment figures. Support for marginalized groups, such as youth and women, requires a commitment to protecting the businesses which provide primary employment opportunities. Fortunately, policymakers can improve the survival odds of SMEs by easing restrictions on access to capital markets and by making financial instruments more accessible.
49. In parallel support to SMEs, the tourism industry will require substantial assistance from national governments. While the distribution of a vaccine will be necessary to reestablish confidence in travel, there are several ways policymakers can support the tourism sector in the meantime. Wage subsidies and other job retention schemes are already being deployed to ensure that jobs are not permanently lost. In addition, legislators should aim to improve transboundary collaboration on establishing safe and practical guidelines for encouraging travel once lockdown measures are loosened.
50. Committing to a digital transformation will improve internet access, decrease business costs, and expand the scope of sustainability initiatives. Investment in IT infrastructure will vastly

³⁰ International Monetary Fund, *Regional and economic outlook. Middle East and Central Asia*, October 2020. ISBN 9781513558165
<https://www.imf.org/en/Publications/REO/MECA/Issues/2020/10/14/regional-economic-outlook-menap-cca>

³¹ International Labor Organization, *Women and men in the informal economy: a statistical picture (third edition)*, 2018

improve the capacities of governments to handle disruptions vis à vis future epidemiological or environmental causes. The Fourth Industrial Revolution will be instrumental in reducing digital and development gaps across the Mediterranean region. Realizing this transformation will require greater public/private sector cooperation and transnational collaboration on infrastructure and technology sharing.

VII. The role of PAM delegates

51. PAM employs its distinct position between parliamentarians and multilateral organizations to provide an avenue for information sharing and fruitful dialogue. Over the course of 2020, PAM delegates have participated in a series of webinars, from the World Bank and IMF Global Parliamentary Meeting to the Arab Forum for Environment and Development. These conferences have offered a valuable opportunity for parliamentarians and policy experts to discuss mutual challenges and solutions to emerge from the pandemic-induced recession. Going forward, the Assembly will continue to contribute and organize high-level conferences to ensure venues for the reinforcement of the regional parliamentary dialogue over effective recovery strategies.
52. Simultaneously, strategic partnerships with UN Agencies and top international organisations have enabled PAM to share real-time developments and projections with parliamentarians across the Euro-Mediterranean and Gulf regions. Acting as a conduit between experts from all over the world and national legislators, the Assembly contributes to the adaptation of policymakers to the volatile dynamics of the pandemic. The privileged relationship that PAM holds with the WHO ensures that Member States receive the latest information regarding vaccine research and the most accredited recommendations for joining the COVAX facility.
53. As mentioned, the support of PAM for the “Start-Up Market” project will facilitate a meaningful contribution to the efforts of entrepreneurship in the MENA region. As parliamentarians face the immediate challenges of the pandemic, promoting financial inclusivity for small and emerging businesses represents the key for medium and long-term resilience of the domestic economic fabric. Business entities become more adaptable and resilient to disruptions when they can access basic financial tools, such as lines of credit. Supporting the financial stability of these businesses is the essential precondition to boost the digital revolution that is required in the region. Through the Panel on Trade and Investment, PAM has a unique opportunity to build regional capacities that serve the needs of SMEs, start-ups, and those employed by them.
54. The pandemic has revealed an overdependency on global supply chains and has accelerated the development of regional trade arrangements around the world. In an effort to strengthen the diplomatic and economic collaboration of Member States, PAM will advocate for the relaunching of talks aimed at formalizing the Arab Maghreb Trade Union and the Euro-Mediterranean Free Trade Area. Prioritizing the development of trade networks within the Maghreb and the Euro-Mediterranean region would lessen reliance on global supply chains while fostering a resilient economic development.

55. Acknowledging the very different standings of Member States in regard to accessing recovery funding, PAM promotes sharing of experiences and practices to identify sufficient financial resources for the full socio-economic recovery of the countries across the Euro-Mediterranean and Gulf regions. In coordination with the World Bank, the IMF, and relevant UN Agencies, the Assembly promotes stronger debt relief policies, the reallocation of Special Drawing Rights (SDRs), and the extension of the Debt Service Suspension Initiative. In addition, PAM offers opportunities for Member Countries to build solid partnerships with international financing institutions, and supports their access to funds through alternative and innovative financing systems, such as Public Private Partnerships (PPPs), Alternative Capital Markets, Islamic Finance, and Islamic Philanthropy. A homogeneous economic recovery within the region would benefit all PAM Member States, as it would allow for a synchronized framework of investments in key policy areas for the region.
56. In the Euro-Mediterranean region, the environment and economy are interdependent. Bolder steps towards climate action create benefits for health systems and sustainable economic development. In 2021, PAM will continue to utilize a comprehensive approach for supporting parliamentarians through the next stages of the post-pandemic recovery. To improve the sustainability of economic systems, PAM is urging its Member States to adopt ambitious Nationally Determined Contributions and align national policies to the goals of Agenda 2030. As part of this path, PAM has strengthened collaboration with the United Nations Framework Convention on Climate Change (UNFCCC) and the UN Environment Programme/Mediterranean Action Plan (UNEP/MAP) to support the development of effective science-policy interface mechanisms for a green renaissance in the Mediterranean. In December 2020, on the heels of the Climate Ambition Summit co-hosted by the United Nations, the UK, and France, PAM organized together with UNEP/MAP a high-level webinar dedicated to strengthening synergies and collaboration between parliamentarians and scientists in addressing climate change and environmental degradation in the region. The event inaugurated a series of initiatives that the Assembly will carry out throughout the whole of 2021 to build momentum towards the forthcoming Italian Presidency of the G20, the 26th session of the Conference of the Parties (COP26), and the 22nd Meeting of the Contracting Parties to the Barcelona Convention.