

**Impact of the COVID-19 pandemic
on poverty in MENA countries:
Focus on child poverty**

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As date of May 7, 2020 , the Covid-19 pandemic has spread to 187 countries, infected about 3.8 million people and resulted in 267,233 deaths.¹ Ferguson et al. (2020) place Covid-19 as the most serious episode since the Spanish flu pandemic of 1918. Despite aggressive and suppression strategies, the authors estimate, that Worldwide, Covid-19 could be the second most devastating event of the past 100 years.

In words of OECD (2020a), "the Covid-19 pandemic struck the world with exceptional speed, severity and breadth." As modern economies are highly inter-connected and globalized, the virus rapidly and easily spread to all corners of the world including the MENA countries. Significant numbers of confirmed cases have been reported in these countries and continue to rise as the pandemic is still unfolding.

In response to the rapid growth of confirmed cases, MENA Governments like many others implemented different measures to contain the spread of Covid-19. The most common include increased media coverage for public awareness , home-quarantine measures and general lockdowns, social distancing, avoiding large gatherings, travels bans, cancelling mass events, closing schools and universities, public spaces, churches, mosques and synagogues, restaurants, shops, theatres and libraries. While some of these containment measures may seem stringent, the healthcare rational behind is well demonstrated (OECD, 2020b).

These stringent polices such as restrictions on business and lockdowns would however induce economic harms. Unquestionably, we face the potential trade-off between stringent policies to protect human lives and socio-economic losses. In words of Gourinchas (2020) "flattening the Covid-19 infection curve inevitably steepens the macroeconomic recession curve, [. . .] and the appropriate public health policy plunges the economy into a sudden stop." According to Correia et al. (2020), this trade-off is much more ambiguous as the recession could have been deeper without the containment measures. The existence of this trade-off demonstrates the need to address the health crisis created by Covid-19 by adopting less sweeping containment policies that do not strangle the economy (Cochrane, 2020; Dewatripont et al., 2020; Ichino et al. , 2020 ; Monras , 2020). This will imply a rigorous assessment of the costs and benefits of each containment policy.

¹ <https://coronavirus.jhu.edu/map.html>; accessed on May 7, 2020

The harms caused by the Covid-19 pandemic appears far beyond immediate impact on health outcomes. The pandemic and related containment measures engender also socio-economic impacts. McKibbin and Fernando (2020) identified five principal shocks induced by the Covid-19 pandemic independently of the country: shock on labor supply (ILO (2020) anticipates 200 million workers could be thrown into unemployment) ; shock on equity risk premium of economic sectors; shock on production costs; shock on consumption demand due to precautionary savings and shock on government expenditures. These above-mentioned shocks would surely lead to sharp declines of GDP. Many GDP projections have already been revised downward due to the pandemic (McKibbin and Fernando (2020) ; Barro et al., 2020a; OECD, 2020c).

It is primordial to note that in the context of globalization, this economic loss can easily be transmitted from one country to another with no exception for MENA countries. Four major channels of transmission are identified : the disruption of global trade and prices due to factory shutdowns ; the decline of foreign financial flows in particular remittances ; the contraction of tourism, major revenue stream for many MENA countries and the atrophy of domestic capital as factories and people are inactive.

In MENA, the economic environment is further degraded with current collapse of oil prices. The region faces dual impacts from the Covid-19 pandemic and oil collapse. The oil price collapse exacerbates the impact of Covid-19 and brings severe negative income shocks to many MENA economies. Oil exporters are affected negatively by a massive direct negative income effect. As the economic fortunes of MENA's oil importers and exporters are connected, oil importers are likely to also suffer a negative impact in form of reduced foreign direct investment, remittances, and grants from the region's high-income exporters (Arezki, Rabah et al., 2020). According to the World Bank (2020), remittances to the MENA region are projected to fall by about 20 percent in 2020 due to the dual impacts of the Covid-19 pandemic and oil collapse. Morocco and Tunisia appear particularly affected with respectively projected declines of 17% and 18%. In terms of GDP, Arezki, Rabah et al. (2020) gives a tentative estimation of growth downgrade of 3.7 percentage points which is most likely to change over the course of the year as new information comes to light.

As we can expect, decline in GDP due to the Covid-19 pandemic will inevitably translates to increasing poverty. Based on poverty line of \$1.9 per day, Vos and Laborde (2020) estimate a potential increase of global poverty of between 14 and 22 million under a scenario of a global GDP slowdown of 1 percentage point. They also found under three different scenarios, an augmentation between 2.4 and 6.53 extreme poor people (\$1.9 PPP per day) in MENA. Under a very extreme scenario (20 per cent income or consumption contradiction), Sumner and Ortiz-Juarez (2020) estimate a potential

increase in global poverty of about 434 million people (poverty line of \$1.9) with about 36 million from MENA. Focusing on working population and based on a higher poverty line of \$3.2, ILO (2020) suggests that there will be between 9 and 35 million new working poor. While estimations from Vos, and Laborde (2020b) and ILO (2020) are based on general equilibrium (CGE) models, estimations from Sumner and Ortiz-Juarez (2020) mainly rely on micro- simulations. Based on either CGE or micro-simulations, international organizations provide analysis on poverty impacts of the Covid-19 pandemic. Among them are the World bank ², Save the Children ³, the UN ⁴.

Even if the overall impact of the Covid-19 pandemic appears global sparing no one, certain segment of segment of the population are resenting disproportionate impact. The poor and vulnerable populations are likely to bear a greater burden aggravating inequality (Ataguba, 2020). Among these vulnerable populations are children, main interest of our study. According to the UN (2020a), there are three main channels through which children are affected by the Covid-19 pandemic: infection with the virus itself; immediate socioeconomic impacts of measures to contain the pandemic; and the potential longer-term effects of delayed implementation of the Sustainable Development Goals.

Economic hardship experienced by families as a result of the global economic downturn would increase child poverty. The UN (2020a) estimate that an additional 42-66 million children would fall into extreme poverty as a result of the Covid-19 pandemic based on a CGE model. African countries would figure as one of the most affected. Based this time on microsimulation, Save the Children (2020) suggests that COVID-19 could push 30 million African children into poverty. So far, these poverty impact estimations focus solely on monetary poverty. Expanding these analyses to other measurements of child poverty particularly to those accounting for the multidimensional nature of poverty is welcomed (Save the Children, 2020).

The economic harm caused by the Covid-19 pandemic to families could also increase child vulnerability. It is documented in the literature that domestic abuse incidents intensify when households face financial hardships or unemployment (Anderberg et al., 2016, Ataguba, 2020). We have media reports that domestic abuse has surged during the Covid-19 lockdown in the UK for instance⁵.

The impacts of the Covid-19 on children appear numerous. The measures to prevent the spread of the virus would likely engender disruptions in schooling, routine vaccinations/immunizations

² <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest> ; accessed on May 7, 2020

³ <https://www.savethechildren.net/blog/coronavirus-could-push-over-40-million-children-globally-poverty> accessed on May 7, 2020

⁴ Policy Brief: The Impact of COVID-19 on children

⁵ <https://www.theguardian.com/society/2020/mar/26/warning-over-rise-in-uk-domestic-abuse-cases-linked-to-coronavirus> ; accessed on May 7, 2020

of children, nutrition programs, maternal and newborn care, sexual and reproductive health services, alternative care facilities, community-based child protection, case management for children. Particularly, closure of schools and care centers will lead to the disruption of children-oriented nutritious programs delivered via school meals. View the importance of such programs in developing countries, this disruption will likely increase among children food insecurity, malnutrition and stunting.⁶ Note that, child vulnerability to morbidity increases with food insecurity and malnourishment.

This vulnerability to morbidity and consequently mortality among children may be aggravated if immunizations services are highly disrupted due to the containment measures to fight the Covid-19 pandemic. Any disruption of immunization services, even for short periods, will definitely impact children and increase the likelihood of vaccine-preventable diseases outbreaks. It is relieving to note that in MENA, most countries continue with routine vaccination of children.⁷

Another great hit on children is the effect of a disrupted schooling. Disruption in schooling for the generation currently at school appears inevitable even with the introduction of distance learning platform. While urban private schools may be able to continue to deliver education services online, this option will not be available in most public and rural schools. The viability of online education services is further compromised in most developing countries due to high rates of digital exclusion. For the poor and vulnerable in most countries, this disruption in schooling would probably translate to school-dropouts as documents the school-dropouts literature.

In sum, the combined effect of all these disruptions (in schooling, vaccination, nutrition programs) is very detrimental for children in terms of human capital. Self-isolation and lockdown may also affect mental and physical health significantly because social isolation is adversely related to health (Leigh-Hunt et al, 2017). And this would be particularly true for children. OECD (2020d) provides a detailed analysis pertaining to the impact of the Covid-19 pandemic on children.

The important socio-economic costs of the Covid-19 pandemic appears no longer to be demonstrated and calls for exceptional policy response. There is a broad consensus among leading Economists that the pandemic will engender a major recession (Vaitilingam, 2020). We may head to a recession bigger than that caused by the global financial crisis in 2008 if no relief policy interventions are undertaken to keep the economy running.

Conscious of this, the current agenda of most Governments including those of MENA is to relieve the economy through income support policies and pose the basis for quick recovery after the

⁶ In many developing countries, schools serve not only as infrastructures for educational services but also host essential programs such as nutrition programs (school meals), child health programs (deworming, vaccination). It is the case of Rwanda, Mozambique and Honduras for instance

⁷ <https://www.unicef.org/mena/press-releases/despite-covid-19-routine-vaccination-children-continues-middle-east-north-africa>; Accessed on May 7, 2020

complete containment of the pandemic. Ozil (2020) and Calderon et al (2020) provide an exhaustive list of these income support policies which includes targeted cash transfers to vulnerable households.

International organizations are also at the “rendez-vous” to help economies better absorb the Covid-19 pandemic impact. The World Bank for instance has increased its response and commitment to assist many countries. Together with the IMF, they have called on all official bilateral creditors to suspend debt payments. An emergency financing plan with zero interest loan has also be adopted to help different countries.⁸ Focusing particularly in Africa, the African Development Bank has raised an exceptional USD 3 billion in three-year bonds to help alleviate the economic damages.⁹

The safety programs implemented by countries and international organization need to be well designed and oriented for effectiveness. A focus should be placed on vulnerable segments of population highly disadvantaged and affected by the Covid-19 pandemic such as children and informal workers. Indeed, these safety programs are less likely to reach children and informal workers if they are not well-designed. In the implementation of these safety programs, governments should demonstrate enough effort to assure reachability and perfect inclusion of the most vulnerable.

⁸ <https://www.worldbank.org/en/news/press-release/2020/04/17/world-bank-group-and-imf-mobilize-partners-in-the-fight-against-covid-19-in-africa>, accessed on May 7, 2020

⁹ <https://www.afdb.org/en/news-and-events/press-releases/african-development-bank-launches-record-breaking-3-billion-fight-covid-19-social-bond-34982>

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