

**Policy Advocacy for Building Urban  
Economic Resilience  
during and after COVID-19 in the  
Arab Region**

**November 2021**

## **Acknowledgements**

This technical regional paper is a main output of the UN Development Account Project on “Building Urban Economic Resilience During and After COVID-19” implemented in 16 cities around the globe including three cities in the Arab region, namely Alexandria (Egypt), Beirut (Lebanon) and Kuwait city (Kuwait). The project falls under the framework of the Economic and Social Commission for Western Asia (ESCWA) on Sustainable Urban Development, particularly on Smart, Safe and Resilient Cities in the Arab region.

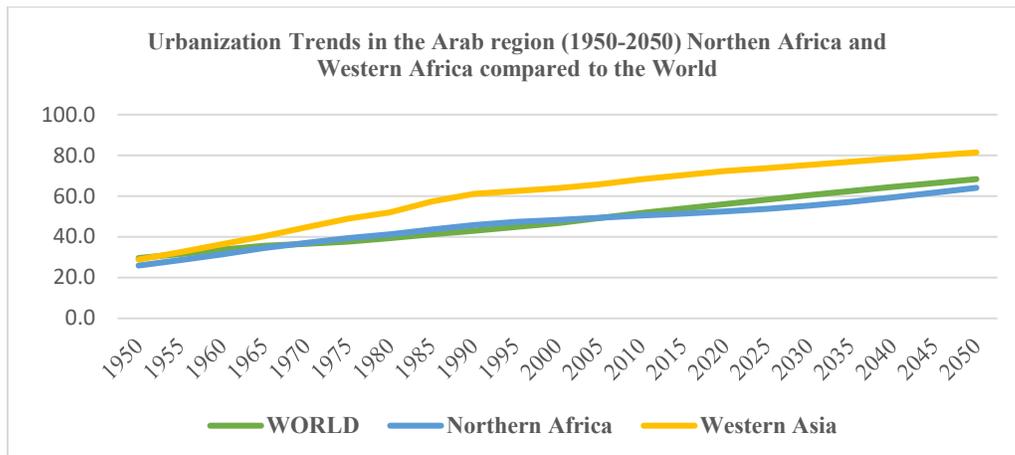
This paper was developed by Ms. Sukaina Al-Nasrawi, lead of ESCWA’s Sustainable Development Portfolio under the overall guidance of Ms. Mehrinaz El-Awady, Director and lead of Cluster on Gender Justice, Population, and Inclusive Development. It benefited from background research undertaken by Mr. Adnan Hassoun, Researcher at ESCWA and Mr. Mohammed Mahmoud Youssif, Professor at the Faculty of Regional and Urban Planning, Cairo University. It also benefited from the valuable comments of Ms. Nisreen Al Araj, ESCWA Regional Consultant on Urban Development; Mr. Moataz Yeken, Economic Development Expert and ESCWA consultant for the implementation of the project in Alexandria, Egypt; Mr. Walid Marrouch, Associate Professor of Economics at the Lebanese American University and ESCWA consultant for the implementation of the project in Beirut, Lebanon; and Mr. Faisal Al-Matrouk, Economic Advisor and ESCWA consultant for the implementation of the project in Kuwait city, Kuwait.

The paper is the result of a joint effort of ESCWA and the United Nations Human Settlement Programme (UN Habitat). It benefited from the constructive review of the UN Habitat Regional Office for the Arab States, and the reviews of the of UNHabitat country programmes in Egypt, Kuwait, and Lebanon.

## 1. Introduction

Cities were home to more than half of the world population and the Arab population<sup>1</sup> in 2019 and the percentage of people living in cities is expected to increase to more than 68% by 2050<sup>2</sup> which necessitates attributing attention to sustainability and resilience. Urban resilience emerged as a paradigm that responds to shocks and stresses resulting from the rapid social, economic, environmental, technological, and demographic changes affecting one or multiple urban systems at once. The systems of the city include urban transportation, food networks, healthcare services, air quality, energy grids, government services, among others<sup>3</sup>. Cities need a resilient, sustainable operating paradigm able to provide the solutions responding to the needs of urban residents. These solutions should be economically viable, socially inclusive, and environmentally resilient and sustainable. In other words, these solutions should be financially self-sustaining, ensure the protection of current resources for future generations and ensure access to benefits/services is equitable across population segments without any discrimination. Given the centrality of the concept of resilience to achieving sustainable development, the 2030 Agenda focused on it through various targets of the Sustainable Development Goals (SDGs) including Goal 11 on sustainable cities and communities and which explicitly called for “making cities and human settlements inclusive, safe, resilient, and sustainable”<sup>4</sup> which also aligns with the Sendai Framework for Disaster Risk Reduction 2015-2030. Also, the New Urban Agenda (NUA) placed resilience at the centre of urban development.

Urban resilience is “the measurable ability of any urban system, with its inhabitants, to maintain continuity through all shocks and stresses, while positively adapting and transforming toward sustainability”.<sup>5</sup> Ensuring urban resilience has become core to achieving sustainable development given the increasing urbanization rate globally and in the Arab region in specific. In fact, the Arab region has been witnessing in the last few decades an accelerated urbanization leading to increased vulnerability of the development eco-system (Figure 1).



Source: UNDESA Database accessed on June 2021

Figure 1: Urbanization Trends in the Arab region 1950-2050

1 The World Bank data accessed on Feb 2021. <https://data.worldbank.org/indicator/SP.URB.TOTL.IN.ZS>.

2 United Nations, Department of Economic and Social Affairs, 2018. <https://www.un.org/development/desa/en/news/population/2018-revision-of-world-urbanization-prospects.html>.

3 ICLEI (2019). Resilient cities, thriving cities: The evolution of urban resilience. Local Governments for Sustainability (ICLEI). Bonn: Germany.

4 <https://sdgs.un.org/2030agenda>

5 Information on UN-Habitat City Resilience Global Programme’s approach to urban resilience can be found in the Urban Resilience Hub: [www.urbanresiliencehub.org/what-is-urban-resilience](http://www.urbanresiliencehub.org/what-is-urban-resilience).

The COVID-19 pandemic further worsened the situation by reverting numerous socio-economic development achievements in the region. The United Nations alarmed the world, the Arab region included, of the shocking socio-economic impact of the COVID-19 pandemic. It noted that smart investments in economic, societal and climate resilience constitute the sole mean to sustainable recovery of the global economy and ensure resilience; thereby avoiding the repercussions of the pandemic to last for years to come.

In 2019, through a high-level conference on Preparedness for Public Health Emergencies in urban settings, convened by the World Health Organization, Member States recognized the critical role of local governments who are at the frontline of multisectoral coordination in emergency preparedness and response and committed to advance multi-scale and multi-sectoral collaboration at local, national, regional and international levels to mitigate public health risks in an increasingly urban world. The 2015 Addis Ababa Action Agenda (AAAA) recognizes the important role of cities and local authorities in implementing resilient and environmentally sound infrastructure and stresses on sustainable urbanization and commits to supporting local governments in their efforts to mobilize revenues and to strengthening financial management and municipal bond markets, to help subnational authorities to finance necessary investments. Indeed, the COVID-19 crisis showed that the local governments remain at the front line of response and recovery efforts from any emergency including public health emergencies. Given the proximity to their constituencies, local authorities are well positioned to and already do lead responses to some of the immediate effects, and in doing so have a better understanding of needs and necessary measures and enable higher transparency of accountability. They are also better able to respond to local needs including in coordination with community-based structures. Yet, COVID-19 responses at global and regional levels have insufficiently considered the unique circumstances of urban areas and rarely integrated local authorities as primary responders noting that Arab states are characterized by high degrees of centralization of power, a great source of fragility that makes local government weak<sup>6</sup>.

As stated in the UN Socio-Economic Framework for Immediate COVID-19 Responses, “.... *quarantines, travel restrictions and lockdown of cities have resulted in a significant reduction in aggregate demand .... disrupted labour markets and supply chains .... resulting in increased layoffs and unemployment*”.<sup>7</sup> This highlights the need for building economic resilience. In fact, economic resilience has been generally defined as the ability of countries to recovery from the effects of shocks or stresses, while vulnerability refers to the exposure of an economy to those shocks.<sup>8</sup> COVID-19 has exposed high levels of vulnerability and low levels of resilience in urban areas and among local governments in face of crises. In the context of this paper urban economic resilience, defined as “*the capacity and related capabilities of urban communities to plan for, anticipate negative shocks, including long-term stresses, to their economies, reallocate and mobilize resources to withstand those shocks, recover from the shocks, and rebuild at least to pre-crisis levels, while placing their economies on the path to sustainable economic growth and simultaneously strengthening their capacity to deal with any future shocks.*”<sup>9</sup> This definition is introduced through the “*Guiding principles and practices for urban economic recovery and*

---

6 <https://documents1.worldbank.org/curated/en/534401468340175192/pdf/WPS6138.pdf>

7 A UN framework for the immediate socio-economic response to COVID-19. April 2019. At <https://unsdg.un.org/sites/default/files/2020-04/UN-framework-for-the-immediate-socio-economic-response-to-COVID-19.pdf>

8 <https://www.wider.unu.edu/sites/default/files/rp2008-55.pdf>

9 [https://www.uncdf.org/article/6196/guiding-principles-and-practices-for-urban-economic-recovery-and-resilience#.X5\\_C7WGkn-c.twitter](https://www.uncdf.org/article/6196/guiding-principles-and-practices-for-urban-economic-recovery-and-resilience#.X5_C7WGkn-c.twitter)

*resilience*<sup>10</sup> developed as part of the Development Account global project (DA13) on “*Building Urban Economic Resilience during and after COVID-19*”<sup>11</sup>.

This paper explores the topic of urban economic resilience and provides policy recommendations on how to build it during and after COVID-19 in the Arab region. Section 2 overviews the global project on building urban economic resilience during and after COVID-19 to which this paper belongs. Section 3 addresses economic and financial resilience in the Arab region from the aspects of labour market conditions, economic governance arrangements, business environment, financial arrangements and infrastructure and sheds light on main related trends in the region. Section 4 explores pathways to urban economic and financial resilience with particular focus on related challenges in the Arab region and proposed policy recommendations to address these gaps. Section 5 explores planning for resilience in the region with particular focus and related possible actions.

## **2. Presentation of DA13 Project**

Despite the remarkable economic and financial impacts of the COVID-19 pandemic on cities, there has been comparatively less focus on these effects in the immediate response to the pandemic. Limited attention was attributed to the economic impacts related to job, productivity and revenues, and the consequential limitations on the abilities of cities to plan, finance and develop much-needed infrastructure and provide basic services. COVID-19 has revealed the extreme economic and financial vulnerability of cities and local governments globally without exception, though resilience varies across and within different countries and regions.

Accordingly, and in-line with the UN framework for the immediate socio-economic response to COVID-19, the United Nations Economic and Social Commission for Western Asia (UNESCWA) together with the Economic Commission for Europe (ECE), the Economic Commission for Africa (ECA), Economic Commission for Latin America and the Caribbean (ECLAC), and the Economic and Social Commission for Asia Pacific (ESCAP) designed with the technical expertise of UN-Habitat and the United Nations Capital Development Fund (UNCDF) a project on “Building Urban Economic Resilience during and after COVID-19 (DA13 project)”.

The project started in July 2020 and will be completed on 31 December 2021. It is being implemented to strengthen local government capacities in 16 cities globally selected on a demand-driven approach to design, implement, and monitor sustainable, resilient, and inclusive COVID-19 economic and financial responses, recovery and rebuilding plans. Accra (Ghana), Alexandria (Egypt), Beirut (Lebanon), Bishkek (Kyrgyzstan), Guayaquil (Ecuador), Harare (Zimbabwe), Hoi An (Viet Nam), Kharkiv (Ukraine), Kuwait City (Kuwait), Lima (Peru), Pune (India), Santo Domingo (Dominican Republic), Subang Jaya (Malaysia), Suva (Fiji), Tirana (Albania), and Yaoundé (Cameroon) are all participating in the project. Among these 16 cities, three cities are in the Arab region, namely, Alexandria (Egypt), Beirut (Lebanon) and Kuwait City (Kuwait). It directly supports the implementation of the 2030 Agenda for Sustainable Development. By tackling urban economic and financial recovery and resilience building in the context of COVID-19, this project will directly contribute to the achievement of SDGs 1, 3, 5, 8, 10, 11 and 17. It aligns to 3 out of the 5 pillars of the United Nations’ approach to building back better as defined in its socioeconomic framework for Immediate COVID-19 Response (Social Cohesion and Community Resilience, Protecting Jobs and Economic Recoveries, and Macroeconomic Response and Multi-lateral Cooperation) while focusing on strengthening “the economic and financial capacity to mitigate impacts and recover from shocks and stresses while positive adapting and transforming towards sustainability”. The project is guided by “Leaving no one behind”<sup>12</sup>, which is the central

---

10 [https://www.uncdf.org/article/6196/guiding-principles-and-practices-for-urban-economic-recovery-and-resilience#.X5\\_C7WGkn-c.twitter](https://www.uncdf.org/article/6196/guiding-principles-and-practices-for-urban-economic-recovery-and-resilience#.X5_C7WGkn-c.twitter)

11 <https://urbanresiliencehub.org/economicresilience/>

12 [https://sustainabledevelopment.un.org/content/documents/2754713\\_July\\_PM\\_2\\_Leaving\\_no\\_one\\_behind\\_Summary\\_from\\_UN\\_Committee\\_for\\_Development\\_Policy.pdf](https://sustainabledevelopment.un.org/content/documents/2754713_July_PM_2_Leaving_no_one_behind_Summary_from_UN_Committee_for_Development_Policy.pdf)

transformative promise of the 2030 Agenda, a rights-based framework that represents the unequivocal commitment of all United Nations Member States to eradicate poverty in all its forms, end discrimination and exclusion, and reduce inequalities and vulnerabilities including to the impacts of climate change and environmental degradation. The project is also guided by “The Human Rights-Based Approach to Development”<sup>13</sup>, which is a conceptual framework for the process of sustainable development that is normatively based on international human rights standards and principles and operationally directed to promoting and protecting human rights. In fact, The human rights-based approach to data ensures that the use of data and statistics is consistent with international human rights norms and principles, including: participation, self-identification, transparency, privacy and accountability.<sup>14</sup>

The project explores the key challenges of the cities in relation to impacts of COVID-19 pandemic through assessment and capacity building activities. It follows an inclusive approach in its implementation by engaging all relevant stakeholders in its activities including data collection, analysis, validation, and visioning for building urban economic resilience. The project acts as forum for support for cities in relation to economic resilience planning, including supporting them in planning for inclusive economic and financial recovery and resilience at city level and identifying the local economic stakeholders. It increases learning and knowledge sharing on the topic at the local, national, regional, and global levels through learning and exchange of good practices.

To achieve its objectives, the project seeks a series of key outcomes. The first key outcome related to increased understanding amongst local governments, national governments, the private sector, academia, and civil society on COVID-19 impacts, strategies of urban economic recovery and resilience, and opportunities for building economic resilience. This has been achieved by the development of an urban economic recovery and resilience diagnostics and planning tool led by UNCDF, and the delivery of an online training program on the subject led by UN-Habitat. In collaboration with UNCDF, each UN regional commission has delivered training workshops on the diagnostics and planning tool in each of the project cities located in their region. Using the tool, each regional commission has collected and analysed data to enable the delivery of an urban economic recovery and resilience diagnostic report for each project city. These city-specific reports have been individually validated at workshops held in each project city.

The second key outcome of the project is the expanded participation in the economic resilience building process by relevant local and national stakeholders in partner cities and countries and strengthened technical capacity of local governments, national governments, the private sector, academia, and civil society to participate in urban economic recovery and resilience planning. To achieve this outcome, economic recovery and resilience strategies have been drafted for each project city by the UN regional commissions, who are using these strategies to design economic and financial recovery and rebuilding plans for each project city. These plans will specify actions, responsibilities, and resources for improving urban economic and financial resilience in each project city, adjusted to local needs and specificities. Local stakeholder visioning and scenario planning workshops are also being conducted in each project city by the UN regional commissions, as are local economic recovery and resilience implementation and city technical capacity building workshops.

---

<sup>13</sup>[https://unsdg.un.org/sites/default/files/The\\_Human\\_Rights\\_Based\\_Approach\\_to\\_Development\\_Cooperation\\_Towards\\_a\\_Common\\_Understanding\\_a\\_mong\\_UN.pdf](https://unsdg.un.org/sites/default/files/The_Human_Rights_Based_Approach_to_Development_Cooperation_Towards_a_Common_Understanding_a_mong_UN.pdf)

<sup>14</sup> <https://unsdg.un.org/2030-agenda/universal-values/leave-no-one-behind>

The third key project outcome focuses on the increased capacity on potential sources of finance to implement economic recovery and resilience building strategies by partner cities. To ensure this, UNCDF is developing information packages on sources of financial support to cities, for dissemination to each project city at a series of local workshops. UNCDF is also delivering city financing packages designed as both a financing blueprint and as a tool for raising additional finance for critical investments in city recovery and resilience building plans. As a fourth key project outcome, there will be increased knowledge amongst local governments beyond the project cities of successful local economic recovery and resilience building. To enable this, a Global Compendium of Practices on Local Economic and Financial Recovery has been published by UN-Habitat in collaboration with UN regional commissions and UNCDF. Five regional policy briefs (one for each region) on urban economic recovery and resilience are being published by the UN regional commissions. UN-Habitat is delivering a global policy dialogue and global policy paper on urban economic recovery and resilience, along with an e-learning course on urban economic and financial recovery and rebuilding. Through achieving the 4 key project outcomes, the realisation of the overall objective of the DA13 project will be ensured.

### **3. Economic and Financial Resilience in the Arab region**

The COVID-19 pandemic is not only a health crisis. It is a socio-economic crisis which exposed serious vulnerabilities and fault lines in institutions, societies, and economies all around the globe, the Arab region included. The impact of COVID-19 pandemic on development in the region is multi-dimensional. It resulted in broad lockdowns that exerted extensive pressure on the global, regional, national, and local economies. In 2020, the world economy shrank by 4.3% globally and by 4.8 % in the region. In 2021, the global recovery is expected to be modest and estimated around 4.7 % however a slower recovery pace is projected in the region with a growth of 3.8 % in 2021. This regional economic recovery will hinge on global factors, including energy demand, tourism, and the extent of the recovery of domestic demand and fiscal support measures<sup>15</sup>.

The measures put in place during the pandemic have affected the economic and financial status of countries in the region and resulted in a massive drop in the real GDP of Arab countries. The businesses in the Arab region lost \$420 billion in market capital between January and mid-March 2020 and lost nearly \$11 billion in net oil revenues for the same period<sup>16</sup>. The International Monetary Fund (IMF) Databank indicates that all Arab countries, Egypt excluded, have suffered from excessive drop in the Real GDP growth in 2020 compared to 2019 due to the impacts of the ongoing COVID-19 pandemic. The highly affected countries in the region are Libya, Iraq, Palestine and Oman with drops in their GDP growth to -66.7%, -12.1%, -12% and -10% in 2020 respectively compared to the 2019 growth rates of 9.9%, 4.4%, 0.9% and 0.8% respectively<sup>17</sup>. In addition to this drop in real GDP and the existing challenges of unsustainable level of debts and low tax revenue, the pandemic has negatively affected the financial environment of countries in the region and increased the difficulty of economic and social investments. Indeed, the pandemic has clearly noted the need for economic resilience, particularly urban economic resilience noting that cities are major centers of economic activities.

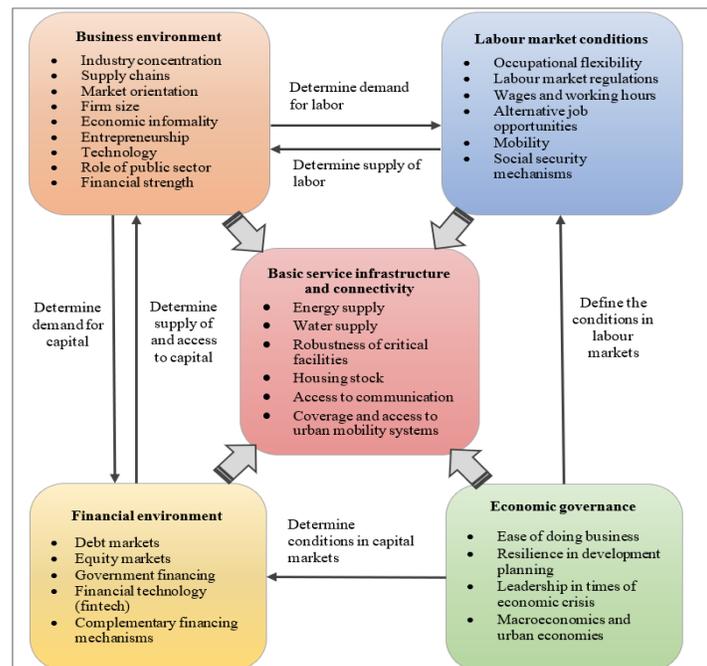
---

15 World Economic Situation and Prospects. <https://www.un.org/development/desa/dpad/publication/world-economic-situation-and-prospects-2021/>

16 UN-ESCWA (2020b). Regional Emergency Response to Mitigate the Impact of COVID-19. The United Nations Economic and Social Commission for Western Asia (UN-ESCWA). Beirut: Lebanon.

17 IMF Databank, March 2021. [https://www.imf.org/external/datamapper/NGDP\\_RPCH@WEO/SAU?year=2020](https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/SAU?year=2020).

To assess the performance of cities with respect to their urban economic resilience and assist them in identifying the related strengths and weaknesses and develop an evidence-based recovery plan, the project provides guiding principles for building urban economic resilience and recovery and a conceptual definition. It captures urban economic resilience through 5 main dimensions namely, business environment, economic governance, labour market conditions, financial environment and basic infrastructure and connectivity. The business environment and economic governance refer to urban systems and describe, respectively, conditions for business operations (both public and private), the structure of local economies, as well as rules and regulations that govern the activities of businesses. Labour market conditions and financial environment refer to factor markets (labour and capital, respectively). The basic infrastructure and connectivity lie at the centre as the city systems cannot function without some basic infrastructure in place. Figure 2 provides more details on these dimensions.

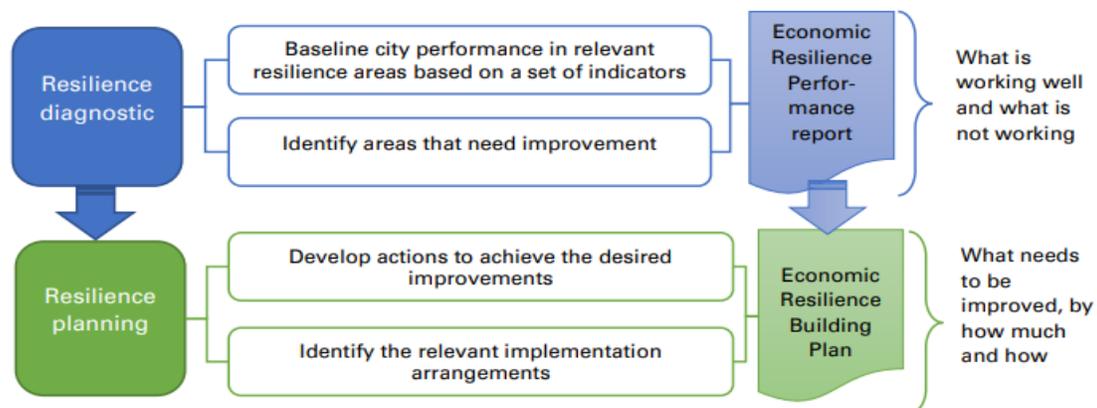


**Figure 2: Conceptual Framework of Urban Economic Resilience**

In the context of the project, a Diagnostic and Planning Tool (DPT)<sup>18</sup> is developed<sup>(1)</sup> to help cities understand the strengths and weaknesses of their institutional and operating arrangements from the perspective of economic recovery and resilience building as well as to assess the structure and functioning of city economies to get a clear understanding of the economic performance/standing of each city and how this defines vulnerability and resilience; and (2) to define a process for the design and implementation of recovery plans/strategies to address the identified gaps, accelerate better recovery and improve longer-term resilience. The DPT looks at the challenge of resilience building from the perspective of economic shocks triggered by global developments beyond the control of not only city governments but also national governments and characterized, as indeed is the case in the current situation, by a combined effect of falling business activities and investment as well as rising unemployment, diminished household incomes, and

<sup>18</sup> <https://urbanresiliencehub.org/wp-content/uploads/2021/03/Resilience-Diagnostic-Planning-Tool-Feb2021.pdf>

shrinking consumer demand against the backdrop of disrupted global and regional supply chains. The structure and key products of the DTP are explained in Figure 3.



**Figure 3: Structure and Product of the Diagnostic and Planning Tool for Building Urban Economic Recovery and Resilience**

The DPT consists of 5 resilience areas and 16 resilience performance indicators designed to measure the city performance and suggest areas for improvement. The DPT is envisaged as a developing and living instrument that may be adapted and adjusted to the local conditions. It may be used by city governments for their self-assessment to inform and facilitate their planning for recovery and longer-term resilience building. The DPT uses a system of qualitative and quantitative indicators (including composite indicators, indices, where necessary) divided into a number of resilience performance indicators (RPI) and constituent dimensions in each resilience area. The objective is to help partner cities form a bigger picture of their resilience challenges in a holistic way. The indicators, whether quantitative or qualitative, is translated into performance measures graded from A (maximum contribution to resilience) through F (no contribution to resilience at all). More information on the design of the diagnostic tool is presented in Annex 1.

This paper captures the results of the implementation of the project in three cities in the Arab region particularly on the diagnostic of the performance of the cities in relation to urban economic resilience based on the DPT for building urban economic recovery and resilience developed for this project<sup>19</sup>. On this, it is to be mentioned that each city implementing the project has a detailed performance diagnosis report and this policy paper expands the analysis in the three reports to the regional level, explores challenges and gaps and proposes related policy recommendations and actions for planning for urban economic resilience in the Arab region.

### 3.1 Business Environment

A country's ability to attract, sustain and raise investments is determined by its business environment and investment climate. In the Arab region, some countries rank among the first 100 countries in the "Doing Business" indicators, including starting a business, securing credit, and protecting investors<sup>20</sup>. The United Arab Emirates is considered to have the most conducive

<sup>19</sup> <https://urbanresiliencehub.org/wp-content/uploads/2021/03/Resilience-Diagnostic-Planning-Tool-Feb2021.pdf>

<sup>20</sup> <https://www.unescwa.org/sites/www.unescwa.org/files/publications/files/economic-governance-series-2015.pdf>

environment for doing business, ranking eleventh globally in 2019. Seventeen Arab countries are ranked 60<sup>th</sup> or below. Iraq, Libya, Somalia, Syria, and Yemen are among the most difficult countries globally for doing business<sup>21</sup>. To enhance this situation, regulatory bodies responsible for the business environment should promote foreign and domestic investment; support the provision of accessible, standardized and developed services for investors in an environment well suited for business; and develop supportive policies for investment.

The Arab region suffers from two largest gaps in the world affecting its business environment, namely access to credit and gender gap in access to formal financial services<sup>22</sup>. The gap in access to credit is particularly challenging to Small and Medium Enterprises (SMEs) as they constitute around 96% of registered companies and provide around half of the employment opportunities but they only account for 7% of total bank lending. In the region, nearly 70% of adults on average do not have a bank account. This figure exceeds 80% in the developing countries of the region constituting the largest area of exclusion from formal financial services in the world. Similarly, access to formal credit is less than half the global average.<sup>23</sup> Selected countries in the region have progressed at this level due to targeted policies supported by central banks. For instance, the proportion of small-scale industries with a loan or line of credit stood at 48% in Morocco, 40% in Tunisia and 38% in Lebanon.<sup>24</sup> Despite this progress, it is to be noted that access to financial services such as equity and fintech remains limited.<sup>25</sup> Venture capital in the Arab region is growing but still leaving out financing for SMEs. It is to be noted that the Arab region suffers from ongoing conflicts. This is likely to negatively affect business confidence and the inflow of foreign direct investments.<sup>26</sup>

Resilience of the local business environment (both in the public and private sector) referred to as RA 1 is defined as the capacity to adjust its economic activities and business models in response to the changing supply and demand. According to the designed DPT (Annex 1), this capacity depends on three primary factors: local economy diversity; its openness and external market integration outside the region (national and international); and its capacity for entrepreneurship and innovation.<sup>27</sup> In order to capture the performance of cities according to these factors, the DPT listed quantitative and qualitative indicators. The results of applying the tool in the cities of Alexandria, Beirut and Kuwait are depicted in (Figure 4).

The implementation of the tool shows that the city of Alexandria has an urban economy characterized by a high degree of diversification reflecting the broad based of economic activities mainly led by the manufacturing sector.

The Public sector is large to medium and plays a slightly important role. It also showed that Alexandria's economy is structured similarly to the national economy and that it is not significantly dependent on external markets for its economic activities and that the impact of COVID-19 varied from one sector to another, but the effect was concentrated in three or four sectors at its maximum. (Refer to Annex 1)

On the issue of entrepreneurship and innovation, data collected through the DPT showed that new business creation as a share of the existing business is low and decelerating. The assessment showed a relatively weak mobile network infrastructure and low internet access with a small

---

21 <https://asdr.unescwa.org/>

22 "The State of Financing Development in the Arab Region". Beirut. [www.unescwa.org/publications/state-financing-development-arabregion](http://www.unescwa.org/publications/state-financing-development-arabregion).

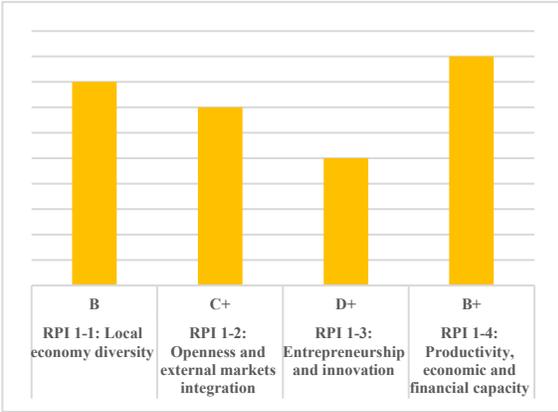
23 "The State of Financing Development in the Arab Region". Beirut. [www.unescwa.org/publications/state-financing-development-arabregion](http://www.unescwa.org/publications/state-financing-development-arabregion).

24 <https://asdr.unescwa.org/>

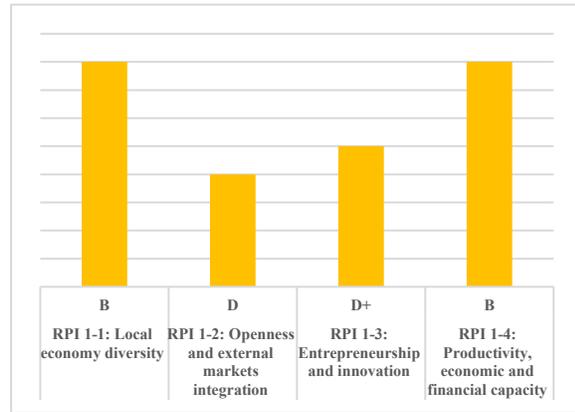
25 "The State of Financing Development in the Arab Region". Beirut. [www.unescwa.org/publications/state-financing-development-arabregion](http://www.unescwa.org/publications/state-financing-development-arabregion).

26 <https://publications.unescwa.org/projects/escwa-survey/sdgs/pdf/en/ESCWA-Economic-Social-Survey-2019-2020-En.pdf>

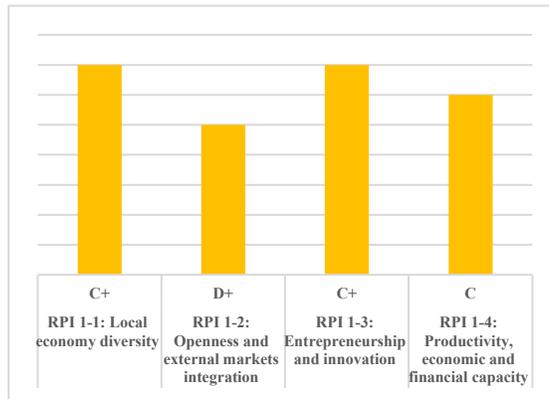
27 <https://urbanresiliencehub.org/wp-content/uploads/2021/03/Resilience-Diagnostic-Planning-Tool-Feb2021.pdf>



**Figure 4a: Alexandria Diagnosis -Resilience of Business Environment**



**Figure 4b: Beirut Diagnosis -Resilience of Business Environment**



**Figure 4c: Kuwait Diagnosis -Resilience of Business Environment**

**Figure 4: Resilience of Business Environment**

ecosystem for innovation support with very few financial and technical facilities operational for supporting innovations at some stages of lifecycle. On the productivity, economic and financial capacity, the performance assessment showed that Alexandria enjoys a productivity that is slightly higher than the national average. Its businesses have access to electricity and commercial credit to SMEs with spread between the average commercial lending rate and SME lending rate. The COVID-19 pandemic affected the business environment causing businesses to shut down temporarily, but most businesses resumed operations after the partial lockdown ended.

The performance diagnosis in Beirut shows that the city has a moderate to weak performance in different business environment resilience performance indicators. The city has a strong to moderate local economy diversity, a weak openness and external market integration based on the ratio of exports to imports in 2019<sup>28</sup> (i.e. the city of Beirut is significantly dependant on external markets for its economic activities). It is also characterized by a weak entrepreneurship and innovation, and moderate productivity, economic, and financial capacity. The performance diagnosis reveals that Beirut has a low sector concentration, a relatively low informality in its economy, and a medium to small employment in the public sector.

<sup>28</sup> <https://brite.blominvestbank.com/>

On the issue of entrepreneurship and innovation, and according to the GSMA mobile connectivity index<sup>29</sup>, Internet access in Beirut is medium to low and the mobile network coverage is patchy, not fast enough and not very reliable. In addition, the city, according to the DPT indicators, has a small ecosystem for innovation support with very few financial and technical facilities operational for supporting innovations at some stages of innovations' lifecycle.

On the productivity, economic and financial capacity, the performance assessment showed that Beirut has a business productivity that is at the same level of the national productivity. In addition, businesses have a universal access to electricity via a combination of access to the public electric grid and to privately-operated backup generators up to the time of the data collection process which ended in the first quarter of 2021. However, the auxiliary access to electric power from backup generators has been recently coming under strain due to the energy crisis currently affecting the import of diesel and gasoline to Lebanon.<sup>30</sup> The performance diagnosis in Kuwait shows that the City has predominantly moderate performances in different business environment indicators. It has a moderate local economy diversity, a weak openness and external market integration, a moderate entrepreneurship and innovation, and a moderate productivity, economic, and financial capacity. The performance diagnosis reveals that Kuwait has a very high sector concentration, a low informality as a proportion of the total economy, the public sector is very large in relation to the total economy. It also showed that the impact of COVID-19 varied from one sector to another. It showed that that Kuwait City's economy is structured similarly to the national economy. Therefore, the local industrial/employment quotients and the city and the national levels should be very similar. It also noted a very significant dependence of the economy on external markets for its economic activities. On the issue of entrepreneurship and innovation, data collection through the DPT showed that the ratio of new business creations to existing businesses has been medium to low, and somehow unstable during the crisis. The number of fintech and ecommerce companies is found to be relatively small. It also shows that the city enjoys a high internet access and near universality of the coverage of the mobile network with medium-sized ecosystem for innovation support with some financial and technical facilities operational for supporting innovations different stages of lifecycle. On the productivity, economic and financial capacity, the performance assessment showed that there are no significant differences between the economy of the State of Kuwait and that of Kuwait City. It shows also that businesses have universal access to electricity via the grid connection with affordable finance but commercial credit to SMEs is not readily available and the spread is low. The COVID-19 pandemic affected the business environment at a rate higher than 30%.

### **3.2 Labour Market Conditions**

The COVID-19 pandemic induced a labour market crisis<sup>31</sup>. As governments started forcing social distancing and lockdown measures and instructed non-essential businesses to close to contain the spread of the pandemic, a significant uncertainty about the effect of these measures on lives and livelihoods started to surface. While demand for products and services in specific sectors such as groceries, health and telecommunication increased, other sectors such as air transportation and tourism have seen tremendous decrease in demand for their services. In parallel, many sectors started experiencing issues on the supply side. Accordingly, the public health measures including confinement and lockdown measures induced both supply and demand shocks.

---

<sup>29</sup> The index is available at <https://www.mobileconnectivityindex.com/#year=2019>.

<sup>30</sup> <https://apnews.com/article/beirut-middle-east-lebanon-business-4dbb84e6f2b43e0e1e1f090b592c0c04>

<sup>31</sup> International Labour Organization (2020), COVID-19: Labour Market Impact and Policy Response in the Arab States. Briefing Note with FAQs, May 2020, p5

As defined by the Arab Labour Organization<sup>32</sup>, the Supply shock is the increase in supply of manpower of various kinds, because of being dispensed with from a group of institutions operating within the labour market in various economic activities. The Demand shock refers to the sharp decline in the demand for manpower in specific or multiple fields because of a severe economic crisis, according to the movement economic activities in the labour market. These supply and demand shocks were notable in times of the pandemic in the Arab region. Many workers were laid off and the productive sectors were severely affected, with the beginning of the emergence of COVID-19. The dependence of a number of Arab economic activities on external supplies, including supplies from China, within the global supply chains severely led to the total or partial closures of economic institutions, layoffs of workers or to reduced wages.<sup>33</sup> It is expected that after the pandemic, the shock to the job supply will increase and the unemployment rate in the Arab region will rise to 12.5% in 2021<sup>34</sup> and youth unemployment will increase to about 27% considering the shrinking global economy as a result of the closures related to Covid-19<sup>35</sup>. This economic fallout is hitting women more than men in the region due to their presence in the most hit sectors<sup>36</sup>. Moreover, in the Arab region, the informal sector requires consideration as it constitutes the largest share of the labour market. It is estimated that 68.6% of all employment in Arab countries is informal and 67.3% of them are in North Africa.<sup>37</sup> Studies and statistics show that the informal sector has been particularly hit by the COVID-19 pandemic<sup>38,39</sup>. On this issue, it is to be noted that Arab women's economic participation is the lowest in the world at 25%, and over 39% of young women in the Arab region are unemployed women. Arab women make up 62% of the informal labour force working in agriculture and other sectors with no job security or health insurance<sup>40</sup> and 85% of Arab youth of working age are employed in the informal sector with little or no basic services.<sup>41</sup>

Youth and the lower-skilled have been severely hit in the average in advanced and emerging markets and developing economies. Women in emerging market and developing economies have seen a slightly higher rise in unemployment and larger drop in participation than men, on average, while in advanced economies there is little difference in average unemployment across genders<sup>42</sup>.

Wages constitute a core indicator of the labour market conditions. There is a difference in the level of wages in Arab cities according to the nature of the profession, sector, or gender. Wage discrepancy does not depend on the difference in the legislative systems only, but also on the difference in the quality of economic activity, between commodity production activities and services activities, and within each of them. In many Arab countries, for example, the high level of wages in general in the extractive industries sectors. The level of wages in the construction and electricity sectors is higher than in many other commodity sectors.<sup>43</sup> Likewise, it is noticeable in

---

32 Arab Labour Organization (2020), Study on: "The Effects of the Corona Crisis "COVID-19" on Employment Issues and Arab Labour Markets (in Arabic) , October 2020,P15.

33 Arab Labour Organization (2020), Study on: "The Effects of the Corona Crisis "COVID-19" on Employment Issues and Arab Labour Markets (in Arabic) , October 2020,P16.

34 Arab Labour Organization (2020), Study on: "The Effects of the Corona Crisis "COVID-19" on Employment Issues and Arab Labour Markets (in Arabic) , October 2020, p 18.

35 <https://publications.unescwa.org/projects/escwa-survey/sdgs/pdf/ar/ESCWA-Economic-Social-Survey-2019-2020-AR.pdf>  
(<https://news.un.org/ar/story/2020/12/1068322>)

36 <https://www.unescwa.org/news/least-17-million-jobs-will-be-lost-arab-region-due-coronavirus-pandemic>

37 <https://publications.unescwa.org/projects/escwa-survey/sdgs/pdf/ar/ESCWA-Economic-Social-Survey-2019-2020-AR.pdf>  
(<https://news.un.org/ar/story/2020/12/1068322>)

38 Arab Labour Organization (2020), Study on: "The Effects of the Corona Crisis "COVID-19" on Employment Issues and Arab Labour Markets (in Arabic) , October 2020, p 18..

39 <https://www.unescwa.org/news/new-escwa-brief-83-million-people-will-fall-poverty-arab-region-due-covid-19>

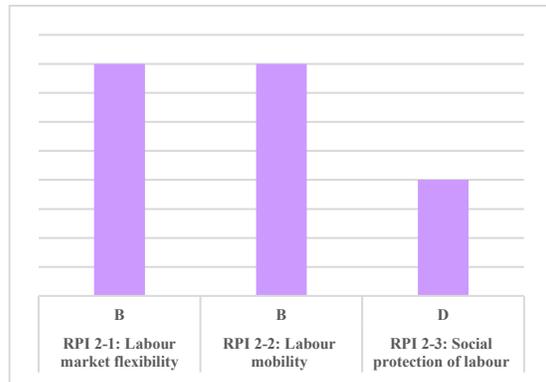
40 ESCWA and the United Nations Entity for Gender Equality and the Empowerment of Women.

41 <https://publications.unescwa.org/projects/afsd/sdgs/pdf/covid-19/en/10-impact-covid-19-young-people-arab-region-english.pdf>

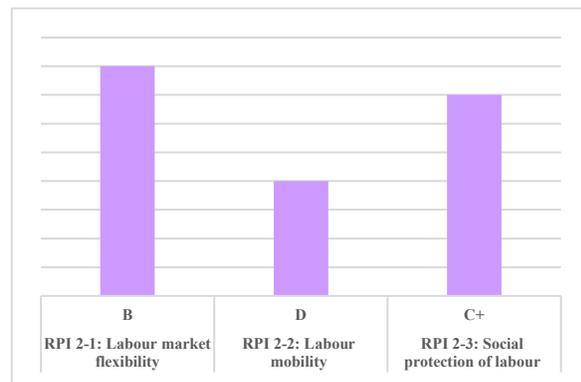
42 INTERNATIONAL MONETARY FUND (2021), WORLD ECONOMIC OUTLOOK. Managing Divergent Recoveries, April 2021, P63.

43 Arab Labour Organization (2020), Study on: "The Effects of the Corona Crisis "COVID-19" on Employment Issues and Arab Labour Markets (in Arabic) , October 2020 ,P. 13

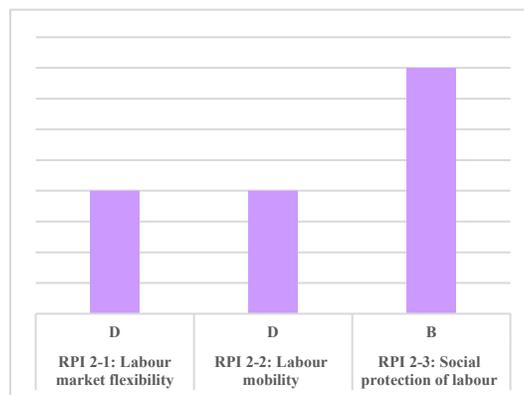
several cases that wages in sectors generating foreign exchange are higher than those in other service sectors such as Information and Communication Technology (ICT). The disparity in wage levels also occurs according to different geographical locations, between rural and urban, and between regions<sup>44</sup>. Urban areas, which include a large segment of women labour force, have struggled given that they represent the majority of workers in the sectors most affected by the



**Figure 5a: Alexandria Diagnosis -Resilience of Labour Market Conditions**



**Figure 5b: Beirut Diagnosis -Resilience of Labour Market Conditions**



**Figure 5c: Kuwait Diagnosis -Resilience of Labour Market Conditions**

**Figure 5: Resilience of Labour Market**

repercussions of the pandemic, such as the health sector and the manufacturing sector as well as their increased risk of infection with the virus. The closure of factories and a relative halt in production, along with the suspension of international trade, led to a decrease in wage levels, especially for low-skilled labour groups.<sup>45</sup>

Resilience of the labour market is referred to as RAI 2 and understood as “the capacity of the labour market to reallocate resources and adjust employment patterns and behaviors in response to internal and external shocks”<sup>46</sup>. To capture the performance of cities according to these factors, the DPT listed quantitative and qualitative indicators. The results of applying the tool in the cities of Alexandria, Beirut and Kuwait are depicted in (Figure 5).

44 Arab Labour Organization (2020), Study on: “The Effects of the Corona Crisis “COVID-19” on Employment Issues and Arab Labour Markets (in Arabic) , October 2020 ,P. 13

45 Arab Labour Organization (2020), Study on: “The Effects of the Corona Crisis “COVID-19” on Employment Issues and Arab Labour Markets (in Arabic) , October 2020 ,P. 17

46 <https://urbanresiliencehub.org/wp-content/uploads/2021/03/Resilience-Diagnostic-Planning-Tool-Feb2021.pdf>

The implementation of the tool shows that the city of Alexandria has a high degree of employment diversity and a lower level of employment in the city in comparison with the national average. Data collection indicated that the increase in unemployment (terminal layoffs of employees) due to the crisis was low to moderate. On the availability of workers retraining programs, the diagnosis highlighted many training and occupational retraining programs which are offered through the ministry of manpower and ministry of trade and industry. Empirical studies show that the commuter rate is high in Alexandria with an average time of 30 minutes, public transportation is available and affordable. The city showed high unemployment rate and well above the national rate; high informal employment rate and no unemployment benefit schemes for the unemployed in Alexandria city neither from the central government resources nor from the city resources are available.

The city of Beirut performs in a moderate way with regards to area RPI-2, mainly due to deficient women participation in the labour force. It has a strong to moderate labour market flexibility. Data collected through the DPT reveals that Beirut has a low labour concentration by sector, and the population to employment ratio is low and above the population to employment ratio in Lebanon. The city has a weak opportunity for labour mobility and a moderate social protection of labour, assessed at different levels. In fact, the diagnosis shows that Beirut has (re)training programmes with medium capacity in different sectors. Also, Beirut has a very high average rental housing expense. Prior to the on-going economic crisis in Lebanon, and up to the time of the DPT data collection, Beirut showed an average unemployment rate where unemployed individuals do not receive any unemployment benefits. This is coupled with a low informal employment rate as a proportion of city employment.

The assessment of the city of Kuwait reveals that the economy has a high labour concentration by sector noting that the expat labour force is concentrated in all private sector activities, while nationals prefer working in the more appealing public sector. There is no significant availability of worker re-training programs, especially for the expats segment of the labour force. The diagnosis showed that the city of Kuwait enjoys a Low commuter rate and workers generally commute for medium to long distances and/or transport is partly available and affordable.

### **3.3 Financial Environment**

The 2008 global financial crisis harshly hit the economy in the Arab region. This was followed by a tremendous drop in oil prices in 2014 making Arab economies highly vulnerable. The impact of this drop and the continuous low demand for oil are further complicating the socio-economic repercussions on development and recovery efforts. The pandemic hit the world, the region included, at a time when the Arab economies were already vulnerable thus surfacing many issues showing the high vulnerability of the financial environment versus low levels of resilience.

The Arab region, as estimated by UNESCWA, faces two possible economic scenarios for 2021 affecting its financial environment. The optimistic scenario projects a growth rate of 3.5%. The less optimistic scenario limits growth prospects to 2.8%. The actual direction followed affects the ability of the region to mitigate the repercussions of the COVID-19 pandemic, which has caused around \$140 billion of losses for the region, leading to an estimated -3% growth contraction in 2020.<sup>47</sup>

The impact of the COVID-19 and oil price crises will vary between 2020 and 2021. Oil exporters in the Arab region suffered from the drop in the global oil price, while oil importing countries benefited from it. It is expected that 2021 will witness the opposite scenario. Prior to dwelling into the loss in revenues, it is important to note on the issue of oil crisis that, in the Arab

---

<sup>47</sup> <https://publications.unescwa.org/projects/escwa-survey/sdgs/pdf/en/ESCWA-Economic-Social-Survey-2019-2020-En.pdf>

region, Qatar was the only country to increase production between May 2019 and May 2020. Other countries cut production by 14-19%, while the decline in Egypt and Iraq was smaller at around 8% and 10%, respectively<sup>48</sup>. It is worth noting that

Oil exporters, such as Kuwait, suffered from the drop in the global oil price, while oil importing countries like Lebanon benefited. This was the 2020 scenario. In 2021, it's the opposite as the world oil price is rising again due to the post pandemic worldwide recovery.

The region's fiscal revenue is crucial to COVID-19 mitigation efforts. The gross oil exports revenues in 2020 are estimated at 44% of 2019 income. The most affected in the region were the countries of the Gulf Cooperation Council (GCC). They lost around 54% of their revenues and the GDP is estimated to have contracted by 3.1% in the optimistic scenario, and by 7.1% in the less optimistic one. The pandemic also strongly affected Arab middle-income countries whose economies were estimated to contract by 3.4% and 4.5% following the optimistic and less optimistic scenarios respectively. The economies of conflict-affected and least developed countries contracted by an estimated 4.3 and 3%, respectively, in 2020 in the optimistic scenario. They contracted by 7.9% and 5.5% following the less optimistic scenario. It is important to note that these countries in the region had limited fiscal capacity to deal with lockdowns and to mitigate the socioeconomic consequences of the COVID-19 crisis. This worsened the impact of the pandemic-related recession. In 2021, GDP growth in Arab conflict-affected countries is expected to reach 3.9% and 3.1% according to the optimistic and less optimistic scenarios respectively.<sup>49</sup>

The growth estimations of countries in the region shows that Arab LDCs rely significantly on external support to address their socioeconomic challenges, particularly balance of payment constraints and debt sustainability, so their recovery is conditioned on the successful recovery of developed economies. Since the economic damages caused by the pandemic will be more persistent in LDCs, their growth figures for 2021 are expected to be mediocre at 0.4 % in the pessimistic scenario, and 0.5 % in the baseline scenario. From the perspective of debt evolution and its relationship to fiscal policy behaviour, ESCWA analysis shows that the primary deficits have persisted in Arab least developed and middle-income countries. At an average of 91 % in 2018, public debt-to-GDP ratio is already high for most Arab middle-income countries, reaching unsustainable levels of 151% and 212% % of GDP in Lebanon and the Sudan, respectively. Additional borrowing will need to integrate sustainability measures negotiated with creditors<sup>50</sup>. The analysis of the fiscal sustainability gap in the region shows that the needed primary balance for several countries surpasses the existing (actual) primary balance, thus the necessity for primary balance adjustment, dependent on setting a debt-to-GDP target<sup>51</sup> noting that the current measures will lead to an increase in the total public debt as a percentage of GDP in the coming years.<sup>52</sup>

Many Arab countries have taken measures to mobilize financing to limit the effects of the COVID-19 pandemic, including, for example, the central bank in Saudi Arabia, the United Arab Emirates, Oman, Bahrain, Kuwait, Qatar, Jordan, Egypt, Lebanon and Palestine. These countries decreased the interest rates and increased the ratio of liquidity at banks by reducing the reserve ratio imposed on banks. This aimed at increasing the funds allocated to lending thereby increasing liquidity and reviving the economy. The Central banks also benefited from their monetary tools<sup>53</sup> as some resorted to quantitative encouragement programs by employing open market operations.

<sup>48</sup> Organization of the Petroleum Exporting Countries, 2020.

<sup>49</sup> <https://publications.unescwa.org/projects/escwa-survey/sdgs/pdf/en/ESCWA-Economic-Social-Survey-2019-2020-En.pdf>

<sup>50</sup> [https://unsdg.un.org/sites/default/files/2020-07/sg\\_policy\\_brief\\_covid-19\\_and\\_arab\\_states\\_english\\_version\\_july\\_2020.pdf](https://unsdg.un.org/sites/default/files/2020-07/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf)

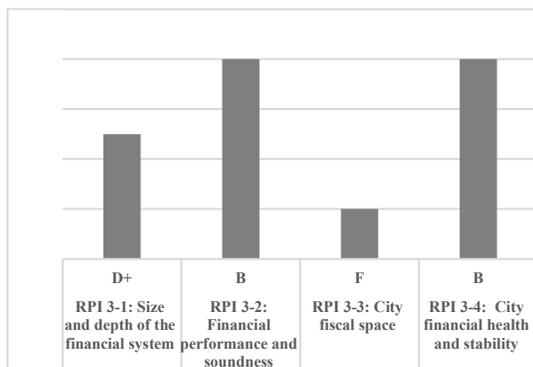
<sup>51</sup> <https://publications.unescwa.org/projects/escwa-survey/sdgs/pdf/en/ESCWA-Economic-Social-Survey-2019-2020-En.pdf>

<sup>52</sup> Talha (2020), the economic repercussions of the new Corona virus on Arab countries ( in Arabic), Arab Monetary Fund, April 2020, P. 30, P. 23

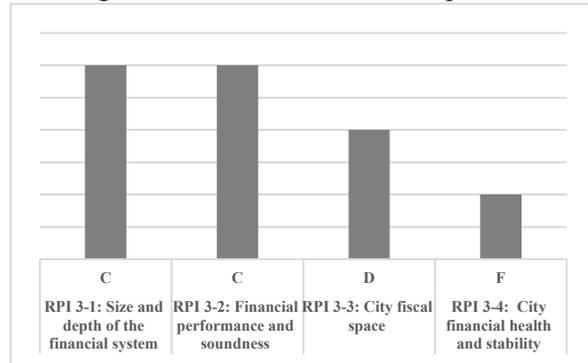
<sup>53</sup> Talha (2020), the economic repercussions of the new Corona virus on Arab countries ( in Arabic), Arab Monetary Fund, April 2020, P. 36.

This led to purchasing government bonds from commercial banks and the private sector, in addition to reducing the legal cash reserve ratio to enhance their ability to increase the volume of financing.

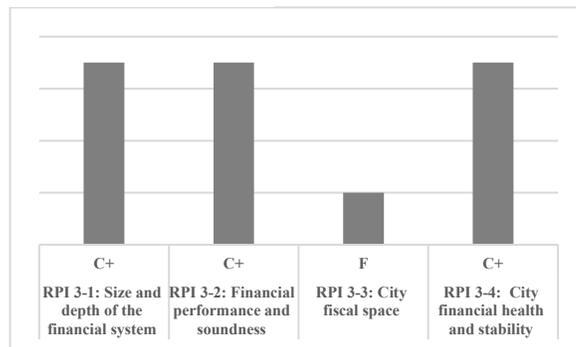
The tremendous economic impacts of COVID 19, along with the historic low of interest rates and the social costs of austerity, have led to governments making unprecedented economic interventions with the aim of rebuilding better and achieving green, environmentally friendly recovery in response to the Paris Agreement and the Agenda for Sustainable Development 2030,



**Figure 6a: Alexandria Diagnosis -Resilience of Financial Environment**



**Figure 6b: Beirut Diagnosis -Resilience of Financial Environment**



**Figure 6c: Kuwait Diagnosis -Resilience of Financial Environment**

**Figure 6: Resilience of Financial Environment**

and to achieve this requires The next wave of financial support is to be more precise and "conditional" than previous support. It also obligates companies in all sectors and of all sizes to ensure sustainability, as it is a key pillar of recovery.<sup>54</sup>

Resilience of the financial system is conceptualized as the capacity of the local financial system (banks and non-bank institutions, equity companies and other financiers) to expeditiously redistribute its investments between different economic sectors and expand credit to companies and individuals to withstand the worst time of a crisis and support a quick recovery. Resilience of the local financial system is considered dependent on four factors: the size and depth of the financial system (its overall coverage), its financial performance and soundness, the city fiscal space, and

<sup>54</sup> World Economic Forum (2021), The Global Risks Report 2021, 16th Edition,P68

the overall health of public finances, which gain additional importance at the time of crisis as a cushion against economic shocks .<sup>55</sup> To capture the performance of cities according to these factors, the DPT listed quantitative and qualitative indicators(Annex 1) applying the tool in the cities of Alexandria, Beirut and Kuwait. (Figure 6).

The implementation of the tool shows that the city of Alexandria's access to financial institutions reflects a slight increase of the number of bank facilities per 100,000 inhabitants in comparison with the national average, with a low level of financial inclusion. It also shows that the city has a medium sized market share where startups and innovative business have a sound opportunity of getting relevant financial service. It is to be noted that the city of Alexandria has an undiversified revenue space with very high dependency on external finance from the central government. It has a very low share of income inelastic revenues, very low degree of financial flexibility and very weak fiscal capacity.

The city of Beirut diagnosis on resilience of local financial system reveals that the city has a moderate to weak performance. Specifically, it shows that Beirut has financial institutions per 100,000 inhabitants at a level higher than the national level, an average population with a bank account, and a small market share of financial institutions which offer affordable finance. The city has a weak fiscal capacity where it has the legal capacity to set the rates only for a small number of taxes and fees within the city. In fact, as per the quantitative and qualitative data collected, Beirut has a low to medium interest rate spreads, a medium to high nonperforming loans rate, and the nonperforming loans rates have increased significantly during the pandemic. Beirut does not have a share of the local financial market and it has more than one adverse opinion

In the city of Kuwait, the performance diagnosis shows that access to financial institutions per 100,000 at the city level is approximately the same as nation-wise and that the proportion of the population with a bank account is same as the national level. It also showed that the market share of the city is very small with few investors and limited finance for startups and innovative businesses. On the financial performance, the city's interest rate spreads are medium to high and same for the nonperforming loans rate. The loan portfolio is concentrated in selected sectors. On the city fiscal space, the city has an undiversified revenue space with high dependency on external finance, very low share of income inelastic revenues, very low degree of financial flexibility and very weak fiscal capacity. The diagnosis also noted that the city's share of the local financial market is relatively high with high credit rating. The total in city revenues under COVID-19 significantly decreased in 2020 because of sharp declines in oil revenues.

### **3.4 Economic Governance**

Openness, transparency, accountability, and strength are among the main factors for institutions to be able to ensure citizens enjoy human rights in normal times and in times of crisis<sup>56</sup>. Trust in government has proved to be core in handling the COVID-19 pandemic but unfortunately, the majority of governance indicators in the Arab region have declined over the last decade<sup>57</sup>. The fact that the Arab region is highly affected by conflict worsened the situation and led to additional crumbling of institutions which were unprepared to address the COVID-19 pandemic in an inclusive manner. The pandemic even highlighted the weak local governance<sup>58</sup> and the importance of the empowerment and the active participation of local government. Local governance structures,

---

<sup>55</sup> <https://urbanresiliencehub.org/wp-content/uploads/2021/03/Resilience-Diagnostic-Planning-Tool-Feb2021.pdf>

<sup>56</sup> United Nations (2020), Policy Brief: The Impact of COVID-19 on the Arab Region An Opportunity to Build Back Better, JULY 2020, P19

<sup>57</sup> United Nations (2020), Policy Brief: The Impact of COVID-19 on the Arab Region An Opportunity to Build Back Better, JULY 2020, P19

<sup>58</sup> [https://unhabitat.org/sites/default/files/2020/07/sg\\_policy\\_brief\\_covid\\_urban\\_world\\_july\\_2020\\_final.pdf](https://unhabitat.org/sites/default/files/2020/07/sg_policy_brief_covid_urban_world_july_2020_final.pdf), p3

such as municipalities and local councils, need financial and technical support to be able to assist their constituencies and resident vulnerable groups.

The Arab region suffers from political instability and conflict affecting its governance arrangements in general and its economic governance arrangements in specific. This includes Iraq, Lebanon, the Syrian Arab Republic, Yemen, and the State of Palestine. In fact, almost one in five people in the region are exposed to conflict<sup>59</sup>. This rate of population living in conflict areas added to the widespread state fragility and the continuing hostilities has further exposed the region to humanitarian crises, thereby increasing its vulnerability and decreasing resilience. These are issues of dire importance for policy interventions not only at national but also at local level.

Many Arab countries provided financial support and stimulus packages and directed them to the affected sectors, which are directly reflected in the ability of economic establishments to maintain their workforce, and at the same time to ensure the stability of the financial system. On this issue, it is to be noted that the decrease in oil prices worsened the situation as oil rich countries faced limitations on their capacity to provide proper stimulus and recovery packages. The notable decline in the revenues from tourism, remittances, trade, and other economic activities limited the potential of the middle-income countries in offering stimulus packages.<sup>60</sup> The cumulative regional fiscal stimulus in the Arab region amounted to only \$102 billion, equivalent to nearly 4% of the Arab region's GDP, significantly lower than the global average of 11%. When loan guarantees and credit support are excluded, the value of the fiscal stimulus packages is only about \$95 billion, of which a major share has been extended by the GCC Governments.<sup>61</sup>

Considering COVID-19, Arab governments have taken multiple measures to counter the effects caused by the pandemic on their economies. These measures fell, among others, under monetary and fiscal policy tools. The monetary measures included actions at the level of lowering interest rate, the foreign reserve ratio imposed on banks and the exchange rate in addition to central banks adopting flexible measures to provide liquidity<sup>62</sup> among others. The fiscal measures taken were at the level of suspending and/or reducing tax payments and postponing payment of dues and financial contributions, such as insurance, licenses, and others. The measures also aimed at preserving the work force through rapid interventions by providing the necessary credit limits to finance working capital to pay the salaries of company employees, following up on the sectors most affected by the spread of the virus and adopting procedures for disbursing financial grants for irregular workers<sup>63</sup>. These measures added to the lockdown and social distancing shed light on the need to implement a "low touch economy."<sup>64</sup> (figure 7) This economy represents a transactional service between businesses and customers without any contact noting that currently 37% of jobs in the Arab region can be feasibly performed from home.<sup>65</sup>

---

59 Mohiuddin (2020), The Arab Region Post-COVID and Conflicts: Investing in Human Capital, Resilience and Sustainability, CCCPA, December 2020, P1.

60 United Nations. 2020. Policy Brief: COVID-19 in an Urban World. [https://unsdg.un.org/sites/default/files/20-07/sg\\_policy\\_brief\\_covid\\_urban\\_world.pdf](https://unsdg.un.org/sites/default/files/20-07/sg_policy_brief_covid_urban_world.pdf)

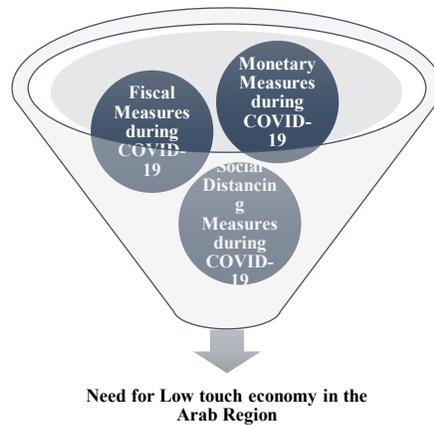
61 ESCWA stimulus tracker, available at <http://covdata.unescwa.org/RPT/RPTDSH1.aspx>.

62 Arab Labour Organization (2020), Study on: "The Effects of the Corona Crisis "COVID-19" on Employment Issues and Arab Labour Markets (in Arabic) , October 2020,P25.

63 Arab Labour Organization (2020), Study on: "The Effects of the Corona Crisis "COVID-19" on Employment Issues and Arab Labour Markets (in Arabic) , October 2020,P26.

64Mahmoud (2021), Low touch economy, Future Prospects (in Arabic), First Issue , Information and Decision Support Center, Cabinet, Egypt. January 2021, P. 81

65 Brodeur(2020), A Literature Review of the Economics of COVID-19., DISCUSSION PAPER SERIES, , IZA – Institute of Labour Economics, Bonn, Germany, JUNE 2020, P 30.

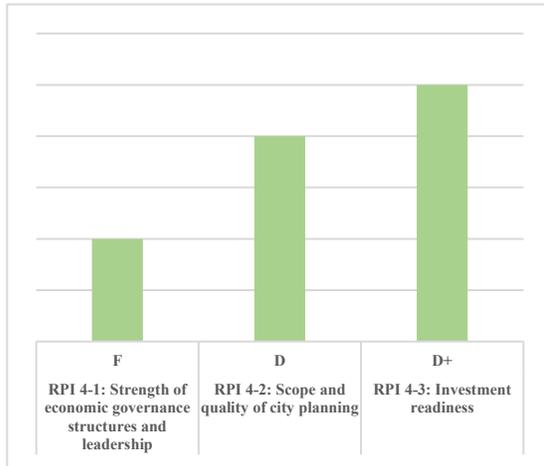


**Figure 7: COVID-19 Measures and the low touch economy**

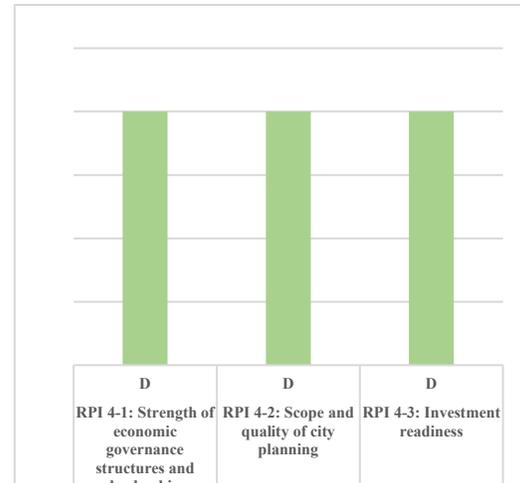
Resilience of economic governance is understood as “the preparedness of the relevant city mechanisms and systems to exercise uninterrupted governance of economic affairs under adverse conditions in an effective and inclusive manner”<sup>66</sup>. Building resilience of economic governance contributes to achieving urban economic resilience. To capture the performance of cities according to these factors, the DPT listed quantitative and qualitative indicators (Annex 1). Applying the tool in the cities of Alexandria, Beirut and Kuwait confirmed the regional observations (Figure 8).

The implementation of the tool shows that although the city of Alexandria has a hypothetical dual system for local administration that comprises appointed executive officials for implementation and management of the city economic and other affairs and supposedly elected representatives from the community to be in charge of approving local development and public investment plans as well as monitoring the performance of executive units, the fact is that the participation of those elected representatives is not effective and there is a dominance from the executive bodies on the decision making process with very low degree of public involvement. The latter denotes weak economic governance and leadership at the local level. The diagnosis highlighted challenges at the level of scope and quality of city planning. The city lacked comprehensive planning, integration of crisis management provisions in planning and budgeting added to limited access and application of digital technologies. At the level of investment readiness, data collection based on the DPT showed that very few investment projects are derived from an approved medium-term development plan. It also showed that the city has a limited autonomy to decide on the use of land resources, average intensity of business regulation and registration requires efforts to make it fast and practical.

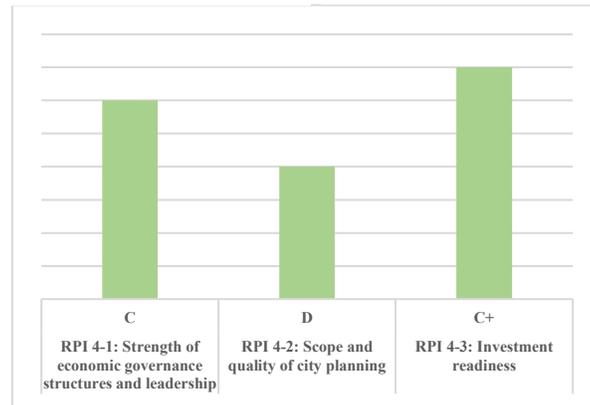
<sup>66</sup> <https://urbanresiliencehub.org/wp-content/uploads/2021/03/Resilience-Diagnostic-Planning-Tool-Feb2021.pdf>



**Figure 8a: Alexandria Diagnosis -Resilience of Economic Governance**



**Figure 8b: Beirut Diagnosis -Resilience of Economic Governance**



**Figure 8c: Kuwait Diagnosis -Resilience of Economic Governance**

**Figure 8: Resilience of Economic Governance**

The city of Beirut has a weak performance in relation to economic governance. It has a weak structure in its economic governance. It has no non-government representatives in its economic governance structures. The city also has a low degree of public involvement, where public feedback is rarely sought and incorporated. The city has a weak scope and quality of city planning. Beirut has no holistic plans or plans are only at the annual level and unconnected to any other level of planning. Crises management provisions address a few issues and are not properly mainstreamed in respective plans. There is an absence of a coherent vulnerability assessment methodology where assessments take place rarely, and Internet of Things and big data are underdeveloped and used on a pilot basis by one or two services on a very limited scale. The investment readiness of Beirut is weak. It has investment projects that are not derived from an approved medium-term development plan with no provision for external finance. Project profiles, if they exist, do not address resilience issues. The city has limited autonomy to decide over the use and (re)allocation of land resources and has high intensity of business regulation.

The city of Kuwait's economic governance structures has a few or no nongovernment representatives limited to one sector only; participation is sporadic or ad-hoc, thus it is not inclusive.

The public participation is average leading to an average strength of economic governance structures and leadership. As for the scope and quality of city planning, Kuwait, as per the performance diagnosis related data collection, has plans on at least two levels (strategic or medium-term and annual) exist and demonstrate a degree of interconnectedness. The city's crises management provisions address few issues and not properly mainstreamed in respective plans. There no coherent vulnerability assessment methodology exists; assessments take place rarely, if at all; relevant actions rarely incorporated in plans at all levels. As for the city's investment readiness, it is to be noted that most investment projects are derived from the approved medium-term development plan to make provision for external finance when appropriate and have project profiles that in general address resilience issues. The intensity of business regulation is high, and registration takes a long time and requires significant efforts.

### **3.5 Infrastructure**

Being one of the most rapidly urbanizing regions in the World, Arab cities are becoming more vulnerable to experiencing a series of challenges related to growth, competitiveness, performance, and residents' livelihoods, including the possible pressure on cities' services and their infrastructure. A direct link between the development of infrastructure and fostering the implementation of Goal 11 of the SDGs and the NUA exists.

Infrastructure is core to the development and functioning of cities and citizens and surely for urban areas' economic prosperity. It increases Arab cities' competitiveness and leads to enhanced productivity and employment opportunities. Building the infrastructure in the Arab region meets two urgent and long-term needs. The first is focused on the decentralized municipal financing for building, maintaining, and modernizing infrastructure in an orderly and smart manner. This is considered as one of the most realistic and feasible measures for governments and municipalities to strengthen infrastructure. The second is focused on the planning and the implementation of infrastructure in a way that enhances the building of peace, stability, legitimacy, and inclusiveness.<sup>67</sup> Infrastructure plays a vital role in achieving urban sustainability and in building resilience. It is an element that has a dual impact. If properly addressed, infrastructure would be a driver for fostering political and social inclusion; otherwise, it would further the political and social exclusion. Indeed, adopting an inclusive approach to urban infrastructure planning and provision coupled with efficient institutions and suitable financial resources, will lead to positive societal changes.

A review of the infrastructure development related projects in the region shows the need for more compact, connected, people-centered and low-carbon infrastructure in Arab cities. Future projects such as airports, highways, new cities, and mega-developments should be blended with a systemic and integrated approach in infrastructure planning, to manage the interdependencies and linkages between the various sectors and address the immediate, as well as the long-term needs. One issue to particularly note is the slow transition of Arab cities towards the adoption of smart infrastructure which is not the case of many local and national governments globally. There are small-scale efforts, but these do not rise to the largescale and integrated vision of a Smart Sustainable City (SSC). The countries of the Gulf Corporation Council (GCC) remain at the top of the Arab cities implementing smart systems. In specific, in the Arab region, three sectors need to be addressed holistically, namely, implementation of smart mobility systems respecting notions of

---

<sup>67</sup> United Nations (2020), The State of Arab Cities 2020. Financing Sustainable Urbanization in the Arab Region, Executive Summary, p5.

human rights; and a strategy for developing local digital capabilities along with institutional and regulatory reforms to engage private finance.<sup>68</sup>

Many countries in the Arab region are now seeking digital transformation and resorting to the use of “Enterprise resource planning systems (ERP)” to enhance their strategies and address their technical deficiencies, thus leading to higher productivity and increasing the ability to withstand future shocks and challenges.<sup>69</sup> Of course, this digital transformation, also referred to as the digitization,<sup>70</sup> denotes the transition of businesses through the use of digital technologies, products and services, which helps build a strong economy that is a corner stone and an important component of urban economic resilience, namely, building resilience of the business environment while at the same time building resilience of basic service infrastructure and connectivity. However, this digital transformation varies within the region. According to the Arab Digital Index, Arab countries can be divided into three groups<sup>71</sup>. The first group (referred to as Group 1) includes countries that are attractive to international investment, and their results can be compared with the developed countries. The second group (referred to as Group 2) include the countries that have gone a reasonable way in the path of digital transformation and can be considered among the countries that attract investment. The third group (referred to as Group 3) include the countries that need digital activation and need to make more investments to maximize the capabilities of their digital infrastructure. Table 3 overviews the status of Arab countries in terms of their digital readiness (ranked from 1 to 22) which in turn affects the ability of Arab cities in implementing smart systems in favor of their built infrastructure.

We note through the reported characteristics of each group of countries classifying Arab countries according to the digital index that the link between the use of digital technologies and the

**Table 3: Classification of Arab countries according to infrastructure and digital transformation**

	<b>Group 1</b>	<b>Group 2</b>	<b>Group 3</b>
<b>Rank of Countries</b>	1. United Arab Emirates 2. Saudi Arabia 3. Bahrain 4. Oman 5. Qatar	6. Kuwait 7. Egypt 8. Jordan 9. Lebanon 10. Morocco 11. Tunisia 12. Algeria	13. Iraq 14. Syria 15. Mauritania 16. Yemen 17. Sudan 18. Djibouti 19. Palestine 20. Comoros 21. Libya 22. Somalia
<b>Group Characteristics</b>	The ability to adapt quickly and have great resilience in the speed of transformation towards modern applications and the ease of achieving digital and financial comprehensiveness, automating, and linking all government services.	These countries are characterized by having sufficient infrastructure and knowledge to move forward, and within a medium period ranging between two and four years	These countries need, to complete the basic communication infrastructure, access to Internet services and cyber security, as well as clearly need strategic plans for transformation and the digital economy

<sup>68</sup> United Nations (2020), The State of Arab Cities 2020. Financing Sustainable Urbanization in the Arab Region, Executive Summary.

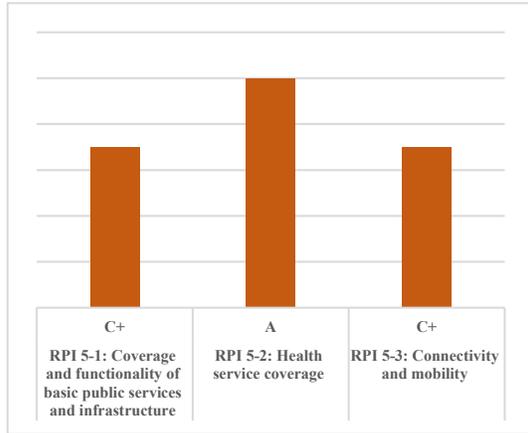
<sup>69</sup> Information and Decision Support Center, (2021). -Presentation of the report: Technology trends in 2021 Future Prospects, First Issue, , Cabinet, Egypt, January 2021 P. 223.

<sup>70</sup> United Nations (2019), Digital Economy Report 2019. value creation and capture: implications for developing countries, UNCTAD, P:4

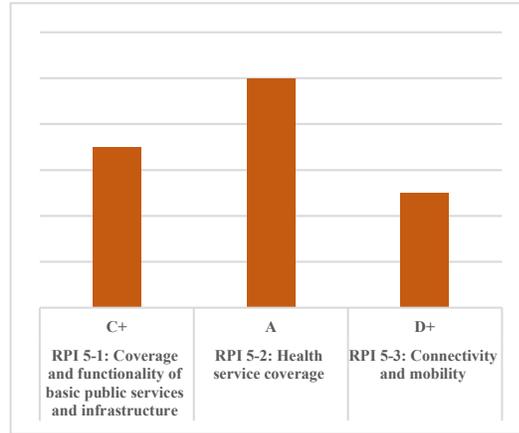
<sup>71</sup> the League of Arab States(2020), Arab Digital Economy Index 2020 ,COVID-19 and the necessity of the transition to the digital economy ,The Arab Union or the Digital Economy and the Council of Arab Economic Unity of the League of Arab States, UAE, First Edition 2020, P. 54

transformation towards the digital economy is direct. At the same time, it is to be noted that the use of advanced technologies depends on the economic level, available financial resources, and the readiness level of existing digital infrastructure of each Arab country. These smart digital solutions help in maintaining social distancing (e.g. in public areas, workplaces and banks), isolating and tracking infected people, monitoring streets during lockdowns, identifying possible new COVID-19 cases, sharing awareness messages (i.e. text, voice and video messages), facilitating the use of digital payments and contributing towards developing related mobile phone applications (e.g. for tracing infected persons and providing virtual healthcare systems). Accordingly, Arab governments need to work closely with local internet providers as well to manage and maintain bandwidth for consumers and businesses. This requires new, urgent policies to tackle the challenge of the high internet consumption during lockdowns and even to reduce the internet cost for citizens and vulnerable groups to facilitate access of internet-based services. In parallel, closing the digital divide, including the digital gender divide, and ensuring the application of digital rights in the region is core.

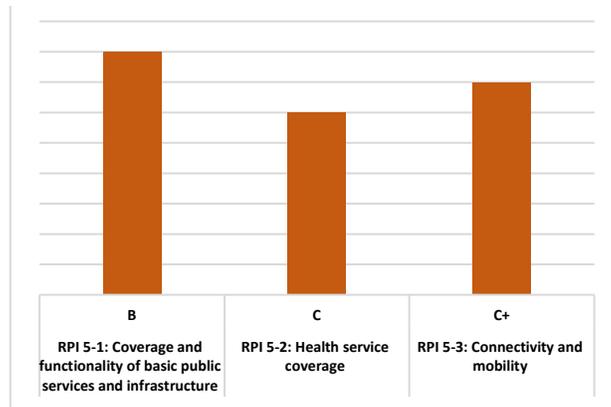
Resilience of the local business environment, financial environment, economic governance, and labour market cannot be achieved without the resilience of some basic infrastructure put in place and adequate connectivity for the efficient operation of these services. Given the overall context of the DPT and in particular its embeddedness in situations of global or regional epidemiological health emergencies, an indicator is added to measure the health service coverage and its relative capacity to help the four components of the city economy to withstand the shock of such a health emergency. Therefore, the resilience of basic service infrastructure (including healthcare) and urban connectivity is captured through coverage and functionality of basic public services and infrastructure, health service coverage and connectivity and mobility. To capture the performance of cities according to these factors, the DPT listed quantitative and qualitative indicators. Applying the tool in the cities of Alexandria, Beirut and Kuwait confirmed the regional



**Figure 9a: Alexandria Diagnosis -Resilience of Infrastructure**



**Figure 9b: Beirut Diagnosis -Resilience of Infrastructure**



**Figure 9c: Kuwait Diagnosis -Resilience of Infrastructure**

**Figure 9: Resilience of Infrastructure**

observations (Figure 9).The implementation of the tool shows that the performance of Alexandria with regard to resilience of the basic infrastructure and connectivity is relatively weak except for the health services as the city significantly outperformed the national performance with regard to the numbers of healthcare workers and hospital beds per 10,000 inhabitants.

The performance diagnosis at the level of Beirut has a high to moderate performance on the different levels of this indicator. The city has a moderate functionality in its basic public services, a strong performance in health service coverage and a weak performance on connectivity and mobility up until the data was collected in 2020.

With respect to the city of Kuwait, data collected showed that the city’s coverage and functionality of basic public services and infrastructure is moderate to high. It faces very rare interruptions for short periods in terms of electricity network. On health service coverage, the number of city health workers is approximately the same as nation-wise and the number of hospital beds at the city level is approximately the same as nation-wise. The city shows a moderate to high performance in connectivity and mobility.

### 3.6 Synthesis of Major trends and emerging issues in Arab region

Some of the persistent and emerging trends that shape cities in the Arab region include urban sprawl, inadequate infrastructure and services, increased poverty and social exclusion, wealth

disparities, youth unemployment, gender inequality, unequal access to land and property, limited access to public services, traffic safety and congestion, unsustainable patterns of water and energy consumption, beside many other problems. These challenges are aggravated by conflicts and resulting large scale damage and massive displacement in some sub-regions and countries. The COVID-19 pandemic further complicated the situation. Confronting the new challenges posed by the pandemic requires that policymakers and actors work innovatively, especially in a period of uncertainty,<sup>72</sup> as a new set of urgent requirements and procedures have emerged to address many of the weaknesses that the pandemic has shown.

Prior to emerging into the major trends and main issues to address during and after COVID-19, it should be noted that cities around the globe have designed the most effective responses to the pandemic. They have shown a notable capacity for crisis management. While no one solution or response fits all, different factors generally described the responses of cities and regions to the pandemic<sup>73</sup>.

Through the above analysis and the application of the DPT for urban recovery and resilience, a clear commitment to enforcing public health protection measures was a must. In most cities, globally and in the Arab region, the attempt was to balance between lockdown measures and reopening the cities and the country as a whole and returning to a certain level of normality. The impact of the COVID-19 pandemic was clearly multidimensional. In the Arab region, it did not only affect the health eco-system; it interrupted livelihoods of people at large, citizens included and halted the educational system. Accordingly, Arab Governments developed broad ranging programmes aimed at providing economic protections for low-income and marginalized communities and enacted multidimensional strategies addressing the various aspects of the pandemic, particularly for the most vulnerable groups. One common trend in the region is the lack of community-based engagement and learning. Although it is important to have central resources and a comprehensible national strategy to for coordination of efforts, the role of the community and its support led at the local level is core. Cities in the region showed a moderate to weak strength in economic governance structures and leadership, a point of weakness to address for achieving resilience.

COVID-19 affected the energy sector which contributes to the region's growth and government revenues in oil exporting countries. It suffered from notable shrinkages as the major oil exporters significantly reduced crude oil production in the region. The pandemic has also highly affected the high-performing tourism sector in the region leading to substantial weakening of hospitality, retail trade services, transport, and others. The highest job losses in the region are witnessed in sectors such as hospitality and food services, manufacturing, retail and business and administrative activities, where 18.2 million individuals are employed<sup>74</sup>. On this issue, with the largest gender gap in human development in the world and the structural barriers related to unequal economic opportunities, it is to be noted that women in the Arab region are likely to suffer more from significant consequences of the pandemic. Women's jobs, businesses, and incomes are more exposed to the economic fallout from the crisis than those of men due to their presence in the most hit sectors. Moreover, 61.8 % of active Arab women work in the informal sector and projections indicate that the informal sector has been particularly hit by the COVID-19 pandemic<sup>75</sup>.

---

72 United Nations (2021), REGIONAL TRENDS REPORT.. Shaping a Sustainable Energy Future in Asia and the Pacific.. A GREENER, MORE RESILIENT AND INCLUSIVE ENERGY SYSTEM, ESCAP, P:xix

73 [https://unhabitat.org/sites/default/files/2020/06/sacr\\_2020\\_executive\\_summary\\_en.pdf](https://unhabitat.org/sites/default/files/2020/06/sacr_2020_executive_summary_en.pdf)

74 [https://www.un.org/sites/un2.un.org/files/sg\\_policy\\_brief\\_covid-19\\_and\\_arab\\_states\\_english\\_version\\_july\\_2020.pdf](https://www.un.org/sites/un2.un.org/files/sg_policy_brief_covid-19_and_arab_states_english_version_july_2020.pdf)

75 [https://www.unescwa.org/sites/www.unescwa.org/files/20-00131\\_gpuid\\_pb\\_eng\\_apr5.pdf](https://www.unescwa.org/sites/www.unescwa.org/files/20-00131_gpuid_pb_eng_apr5.pdf)

With respect to domestic demand, it is estimated to recover in case the pandemic is controlled rapidly but the problem remains in aggregate demand. This is estimated to stay below its level prior to the crisis in case no additional fiscal support is provided noting that the high-income countries are likely to depend on debt financing given the minute predictions for enhancement in public revenue during 2021 and 2022. On the other hand, middle- and low-income countries will be forced to roll back fiscal support measures, thus impeding economic recovery<sup>76</sup>.

The pandemic shed light on a set of challenging economic trends related to urbanization. This includes the limited diversification of local economies leaving them vulnerable to global market fluctuations, shortage of jobs, scarcity of small-scale credits among others leading to the growth of major informal economic sectors in the region. On the informal sector, young Arabs are risking plunging deeper into poverty noting that 85% of young working-age Arabs are in the informal sector<sup>77</sup>, with limited or no access to basic services, social protection, and unemployment insurance in the region<sup>78</sup>. This is added to the fact that the Arab region hosts the highest youth unemployment rate in the World.<sup>79</sup>

## **4. Pathways to urban economic and financial resilience in Arab region**

### **4.1 Challenges of current policies in Arab region**

Building urban economic and financial resilience in the Arab region faces numerous challenges. In fact, the Arab region is very far from being uniform. It constitutes of countries and cities that vary in terms of socio-economic development status, financial capabilities and capacities, infrastructure and connectivity and others. These factors surely affect the way these countries are urbanizing and thus the pathways to follow for building resilience.

The Arab region suffers from conflicts leading to Arab cities in crisis suffering from damaged infrastructure, lack of access to public services thereby affecting the well-being of citizens. Conflicts and rebuilding cities stand at the forefront of the challenges facing urban development in the Arab region and the implementation of the related strategies, policies, programmes and action plans. It is to be noted that the urban infrastructure was under pressure and conflicts had worsened the situation. Indeed, the recovery of infrastructure faces diverse obstacles, namely, the availability of funds, loss of urban properties due to destruction, and the loss of skilled human capacities in governmental entities mainly because of war and migration.

Another issue of core importance limiting the implementation of policies in the region is the lack of effective and reliable national and local data. There exists a striking lack of integrated and centralized national databases providing disaggregated data specifically by geographic location. The lack of these databases makes it hard to assess national development targets. It also affects the ability of enacting evidence based urban development policies on one hand and the ability of enacted policies to attract investments addressing the priority needs in the Arab region. The availability of reliable and comparable data for urban decision makers and relevant stakeholders is central to ensuring sustainable urban development and being able to anticipate shocks and recover from them. Green urbanism in the Arab region still requires lots of efforts to be adopted. Most cities in the Arab region follow an urban paradigm that is car-focused, neglecting the provision of decent

---

<sup>76</sup> [https://www.unescwa.org/sites/www.unescwa.org/files/20-00131\\_gpid\\_pb\\_eng\\_apr5.pdf](https://www.unescwa.org/sites/www.unescwa.org/files/20-00131_gpid_pb_eng_apr5.pdf)

<sup>77</sup> <https://www.unescwa.org/sites/www.unescwa.org/files/uploads/impact-covid-19-young-people-arab-region-english.pdf>

<sup>78</sup> [https://www.unescwa.org/sites/www.unescwa.org/files/en\\_20-00119\\_covid-19\\_poverty.pdf](https://www.unescwa.org/sites/www.unescwa.org/files/en_20-00119_covid-19_poverty.pdf)

<sup>79</sup> <https://www.ilo.org/global/statistics-and-databases/research-and-databases/kilm/lang--en/index.htm>

and safe public transportation and the provision of urban spaces for public use. This deficiency has a direct impact on the implementation of urban development policies in the region.

Also, another core challenge facing the implementation of policies related to urban development is the lack of decentralized municipal financing for building, maintaining, and modernizing infrastructure in an orderly and smart manner coupled with the insufficient capacity of local government in managing financial resources. The lack of clarity of responsibilities between national, sub-national and local governments constitutes additional barriers to improving municipal impact on development efforts and challenges the implementation of urban related policies. Generally, challenges facing the implementation of urban related policies in the Arab region could be categorized into financial, legal, ethical, and political obstacles. Table 4 provides examples of these obstacles' categories.

**Table 4: Obstacles, Examples and Means to Overcome them in the Arab region**

<b>Obstacles Category</b>	<b>Examples of Obstacles</b>	<b>Proposed Means to address the Obstacles</b>
<b>Financial</b>	Weak government spending; permanent and increasing budget deficits	<ul style="list-style-type: none"> <li>• Rationalize spending by identifying spending priorities and investment project priorities</li> <li>• Increase revenue by expanding the tax revenue base</li> </ul>
	Increasing domestic and foreign public debt	<ul style="list-style-type: none"> <li>• Reduce dependence on public debt, especially foreign, and reliance on local sources of financing, especially projects, economic agencies, and taxes.</li> </ul>
	Increasing foreign loans and their debt service burdens	<ul style="list-style-type: none"> <li>• Reduce dependence on foreign loans because of the burdens they represent on the public budget and the tendency to establish joint projects with the private sector.</li> </ul>
	Weak private sector financing and reluctance to invest in an environment that does not encourage investment	<ul style="list-style-type: none"> <li>• Encourage the private sector and providing various facilities to attract investment, such as tax exemptions,- granting land at reduced prices to establish its projects and provide raw materials at reduced prices and supporting it by providing technical assistance such as feasibility studies and engineering and economic consultations.</li> </ul>
	Weak local funding through the local community and NGOs	<ul style="list-style-type: none"> <li>• Encourage the local community to set up projects by offering loans at low interest rates, especially in the field of small and medium enterprises</li> </ul>
	Lack of optimal use of monetary policy tools such as interest rate and open market operations	<ul style="list-style-type: none"> <li>• Activate monetary policy tools, such as the interest rate by reducing interest to investors,</li> <li>• Lower the reserve ratio by the central banks. This means encouraging banks to lend more to investors.</li> </ul>
	Lack of optimal use of fiscal policy tools such as taxes	<ul style="list-style-type: none"> <li>• Activate fiscal policy tools such as taxes by expanding the tax revenue base by introducing fair types of taxes such as progressive tax.</li> </ul>
	Exchange rate volatility	<ul style="list-style-type: none"> <li>• Implement an independent monetary policy by independent central banks</li> </ul>
<b>Legal and Structural</b>	Multiple bodies granting licenses for investment projects	<ul style="list-style-type: none"> <li>• Determine a single official agency for dealing with the local and foreign investor "one window"</li> </ul>
	Laws are inconsistent with international laws, especially with regard to property rights, progressive taxes, and foreign investment.	<ul style="list-style-type: none"> <li>• Review periodically investment laws, especially foreign ones, and work on their consistency with international laws, especially with regard to workers' rights</li> </ul>
	The lack of fair and comprehensive laws that protect local and foreign workers	<ul style="list-style-type: none"> <li>• Introduce a comprehensive law on local and foreign workers that includes all the details related to wages, insurance and bonuses.</li> </ul>

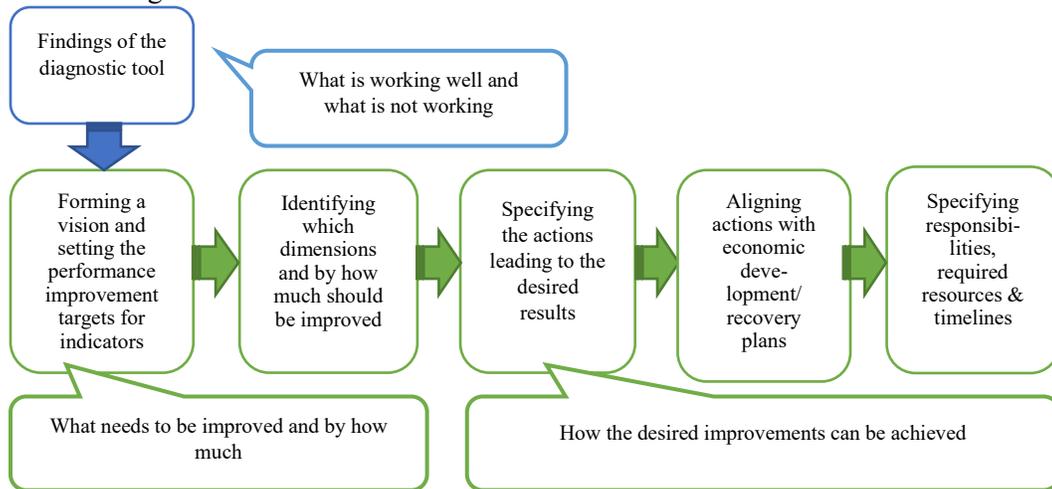
	The absence of a law on the informal economy or informal employment	<ul style="list-style-type: none"> <li>• Introduce a law on informal employment or the informal economy that includes ways to legalize informal activities and provide facilities that encourage the transformation of informal activities and employment into formal activities and employment with financial and insurance rights.</li> </ul>
<b>Political</b>	Failure to achieve good governance	<ul style="list-style-type: none"> <li>• Democratic governance</li> <li>• Institutional work</li> <li>• Parliamentary oversight</li> <li>• Information transparency</li> <li>• Achieving sustainable development goals in a balanced manner</li> </ul>
	Adopting the socialist instead of the capitalist system	<ul style="list-style-type: none"> <li>• Allow the private sector to participate in projects with financing and implementation.</li> </ul>
	The policy of closure and not opening the doors for foreign direct investment	<ul style="list-style-type: none"> <li>• Open doors for foreign investment through enacting new investment laws that provide facilities for the foreign investor.</li> </ul>
	Corruption and waste of resources	<ul style="list-style-type: none"> <li>• Establish regulatory authorities that directly report to the Council of Ministers</li> <li>• Activate parliamentary oversight over government performance and accountability mechanisms</li> </ul>

## 4.2 Planning for resilience in Arab region

The economic performance of the Arab states is generally diverse and Arab Governments realize the importance of cities as hubs for economic activity, job creation and as the wheel towards achieving sustainable development. This core role of cities in achieving sustainable development was highlighted through Goal 11 on sustainable cities and communities in the SDGs of the 2030 Agenda for Sustainable Development. It was further concretized, in 2016, through the NUA. The NUA provides a set of principles and goals that aim to guide the different stakeholders engaged in the urbanization process to deal with the challenges confronting cities and at the same time to take advantage of the transformative potential that cities can provide. It seeks to mainstream urbanization into the global development agendas up to 2036 constituting a paradigm shift by recognizing a new correlation between urbanization and sustainable development. It does this by setting out standards and principles at many fronts including local economy and municipal finance. To guide the planning of building urban economic resilience in the Arab region, different urban resilience principles developed by UN-Habitat should be adhered to. These include the dynamic nature of urban resilience, systemic approach to cities, participation in planning and governance, multi-stakeholder engagement and the strive towards development goals.

To start with, resilience is not a condition but a state that cannot be sustained unless the system evolves, transforms, and adapts to current and future circumstances and changes. Therefore, building resilience in the Arab region requires the implementation of context-specific and flexible plans and actions that can be adjusted to the dynamic nature of risk and resilience. Also, recognizing that cities are comprised of systems interconnected through complex networks and that changes in one part have the potential to propagate through the whole network, requires that the building resilience process takes a holistic approach with considerations of interdependencies especially in times of disturbances. Planning for resilience and recovery needs participation and governance. In fact, a resilient system ensures the preservation of life, limitation of injury, and enhancement of the ‘prosperity’ of its inhabitants by promoting inclusiveness and fostering comprehensive and meaningful participation of all, particularly those in vulnerable situations, in planning and various

governance processes. Such an approach can ensure sense of ownership, thus achieving successful implementation of plans and actions. Building resilience in the Arab region requires a multi-stakeholder engagement. Indeed, a resilient system should ensure the continuity of governance, economy, commerce, and other functions and flows upon which its inhabitants rely. This necessitates promoting open communication and facilitating integrative collaborations between a broad array of stakeholders ranging from public entities, private sector, civil society, and academia to all city's inhabitants. This planning also strives towards development goals. The approaches adopted in the region to achieve resilience should ensure that efforts to reduce risk and alleviate



**Figure 10: Key planning steps for city economic resilience building**

certain vulnerabilities does not generate or increase others. It must guarantee that human rights are fulfilled, respected, and protected of under any circumstances.

In addition to these principles that are more specific principles for managing COVID-19 economic response and recovery developed by UNCDF that should also be kept in mind when planning for recovery and resilience in the Arab region. This includes learning lessons from the crisis, financing recovery and reconstruction, leaving no one behind, mainstreaming resilience into sustainable urbanization, promoting sustainable urbanization and entrepreneurial government.

The above principles constitute the guiding framework for planning for resilience in the Arab region. The performance diagnostic tool reveals the resilience areas where the performance is low. This should guide the city in formulating a vision for economic resilience that would summarize the future state of Arab city resilience highlighting the desired improvement in the least performing areas. Then the city should decide on the degree of improvement that is achievable over the planning horizon (3-5 years). Whereas the desired improvements may be greater in principle, it should be aligned to what is possible to achieve during the planning period. Figure 10 summarizes the planning process to be ultimately followed for planning for resilience of Arab cities.

Planning for resilience in the Arab region is a complex and multidimensional activity. Visioning and setting the performance targets for improvement imply broad-based consensus around important and strategic issues. For this, a city should conduct a city-level participatory events to discuss the key findings of the Economic Resilience Performance diagnosis and decide which areas need improvement while also developing a vision for city economic resilience. In addition, these inclusive and participatory events will identify the extent of improvement across specific indicators. This is the process to be followed in Alexandria, Beirut, and Kuwait to develop

their resilience and recovery plans as pilot cities implementing the Diagnostic and Planning Tool on urban economic recovery and resilience in the Arab region.

### **4.3 Proposed Policy Recommendations and Priorities for the Arab region**

This section provides policy recommendations that aims at accelerating the efforts towards sustainable urban development. It is worth noting here that these recommendations do not provide a “one-fits-all” solution; they rather provide a detailed look at the main challenges facing Arab cities for building resilience and propose selected transformative actions that should be considered by urban decision and policy makers together with the contextual specificities of their cities, which vary in capacities and mandate.. Accordingly, the following policy recommendations tend to be general and can be used as a guiding reference for cities according to their specific requirements and challenges. The recommendations are categorized per the five resilience areas identified for urban economic resilience.

#### **Improving the resilience of local business environment:**

- Focus on the diversification of local economy through re-evaluating the unique strengths and successes for cities and exploring other sectors which may be unutilized (depending on the context of the city) such as tourism, information and communications technology, research and development, health, or education.
- Improve the conditions for attracting foreign investment and private sector in economic growth and overall development.
- Enact strategies for fostering the development of SMEs, through partnerships with international players, and promoting innovation-led sustainable development.
- Generate market competition through encouraging innovation and creativity. This can be done by supporting the re-structuring of the entrepreneurship ecosystem; by encouraging local financial institutions and business community to help increase the number of startups and providing financial and technical assistance to young entrepreneurs. Also, implementing initiatives to foster entrepreneurship from municipalities and other corporations, establishing business incubators and subsidies like rent exemption and tax relief and other means of support.
- Build investment hubs within the municipalities that are responsible for the identification of business and investment opportunities within the cities, promoting opportunities to investors, working with all relevant stakeholders from government departments as well as the private sector in the design and implementation of investment opportunities , hosting all data and information on investment opportunities in one place and removing administrative barriers that are the main obstacle to investments (e.g., multiple approvals and permits).

#### **Improving the resilience of local labour market:**

- Ensure diversity and enhance female labour participation, vocational training programs should cater for specific female requirements, and business owners should provide nurseries and day care for female workers.
- Design strategies for educational and training reforms to improve skills and productivity of labour force, vocational training and on-the-job training programs should be expanded to ensure continuous learning of workers and ability to cope with the industrial transitions and technological change. Providing incentives to the private sector to adopt rigorous programs of professional training within companies.

- Mobilize financial and technical resources to ensure a high degree of social protection for labour, this could be done in coordination with local business community as well as NGOs.
- Attribute additional attention to improving, in selected GCC countries, expatriate labour regulations to ensure compliance with justice and human rights about mobility of labour and the promotion of safe and secure working environments. Also, through enhanced dispute prevention and resolution mechanisms and access to justice procedures.
- Enhance labour mobility across sector through establishing a pool of resources and expertise from the ministries of labour, the International Labour Organization and academia. This pool should also highlight female experience and qualification to encourage women contribution to the local economy.
- Coordinate training programs with local economic development strategies and with the availability of work force in the city. This will ensure that skills provision meets the needs of the local labour market and maintain the labour productivity at the city level.
- Reform the labour market structures, particularly with respect to establishing the right incentives for creating a dynamic and skilled workforce, while addressing the problems associated with the segmentation of the labour market between expatriates and locals according to the specific situation in the city.
- Reduce the informality in labour employment by providing financial incentives to employers who hire formally on the labour market.

#### **Improving the resilience of local financial environment:**

- Promote the decentralization in budgets and revenues to enable cities to have their own sources of revenue, such as revenues from licenses, taxes, traffic penalties, parking spaces, and others.
- Create relevant frameworks to enable cities to have access to a diverse source of finance (for example through PPP, land and asset based financing, and municipal bonds), to mobilize private capital to bridge funding gaps and contribute to the overall resource needs. Also, municipalities can establish special units responsible for communicating with international agencies and donors to present their requirements and attract funding.
- Build the capacities of the city financial management staff as to be able to structure, implement and monitor the required financial arrangements to finance the city urban plans.
- Create additional funding channels to finance of SMEs, as SMEs represent an important source of job creation and economic diversification. In this regard, financial products and services should reflect SMEs changing financial needs throughout their life cycle. Central banks can put requirements on commercial banks to be obliged to provide funding to SMEs in return of incentives to those banks.
- Enact legislations for micro finance institutions, which have been proven to spur economic growth and employment in many developing countries.
- Rationalize and harmonize public expenditure with best international financial management practices to ensure the effectiveness of expenditures and optimum utilization of financial resources and align public expenditures programs with local development priorities.
- Implement economic and fiscal reform programs, in selected GCC cities, to reduce the dependency on oil revenues and increase non-oil government revenue.
- Strengthen the central Banks supervision of the banking systems by improving the supervisory review and evaluation processes aiming at setting bank-by-bank capital requirement targets, based on their risk profile and systemic importance.

- Foster greater competition in the financial system, possibly through creating alternative financial instruments and players/financiers, such as fintech

**Improving the resilience of local economic governance structure:**

- Provide cities with more responsibilities and authorities for the economic development, planning and service delivery within their cities. This implies building institutional and human technical capacities required for economic development planning and public financial management. Also, governments should provide cities with access to land and to finance to be able to execute their development plans.
- Strengthen the extent of civil society organization, private sector, and public participations in economic governance processes and the development of economic and social policies. This might require legal reviews to ensure citizen representation and public participation in the decision-making process of the city. This will also require modernization and streamlining of internal work procedures to accommodate for a more participatory approach, integrating the local community needs in future urban planning frameworks.
- Provide a one-stop business shop for investors dealing with the local and central government that utilizes a data portal at the municipal level, and aggregates data from the municipality and the central government in a user-friendly format with periodic updating.
- Work on linking the urban plans of the city with their impact on economic resilience objectives and apply disaster risk assessment and reduction plans in the city. This will require establishing the needed set up within the municipality for managing disaster.
- Maintain high quality public services by utilizing technology and digital tools. Digital transformation in government services will ensure a deeper understanding of local needs through interaction with different authorities over different electronic platforms.
- Apply the concepts of the “circular economy” within all the city operations, which will lead to a sustainable practice.
- Improve the extent of coordination between ministries and the municipality in planning for service provisions to the citizens and business owners to avoid obstacles and time-consuming processes.
- Create a continuously responsive economic decision-making mechanism to provide the local authorities with up-to-date economic studies and assessments for the priorities of public investment decisions, taking into consideration people and business priorities and feedback in both planning and implementation.
- Promote private-sector-led growth and job creation on the city level and the creation of a competitive business environment that encourages innovation, in addition to on-going research for global and local trends to be able to always update the economic policies according to developments.

**Improving the resilience of local basic infrastructure and connectivity:**

- Consider innovative solutions to tackle infrastructure needs of financing through partnerships with private sector and through developing the investment portfolio of the municipalities and their abilities to generate revenues, and strategically focusing on becoming more resilient and sustainable cities and adopting the concepts of green economy.
- Tackle the main issues related to the infrastructure requirement of the city to ensure that solutions offer business continuity and can also provide revenues to the city. Examples can

be cities investing in solar systems to generate electricity. This requires legal reviews also to ensure that cities have the mandate and authority to do so.

- Invest on the medium- and long-term strategies in public transport and mass transit solutions to solve traffic and congestion issues. Also consider innovative solutions to tackle immediate needs, for example, limit passenger car entry inside the city and provide instead parking facilities with bus shuttles for the commuters entering the city. This can solve congestion issues resulted from concentration of businesses and labour around one city center.
- Pursue infrastructure investment programs to build new hospitals to boost the number of hospital beds per 10,000 inhabitants, particularly as the COVID-19 pandemic has revealed that the public health infrastructure was insufficient to handle the demand for hospital beds in most of the Arab cities.
- Enhance internet service quality and penetration rates as main enablers for business and investment.
- Concentrate on the appearance and cleanliness of the city as main attractions for business and tourists and will drive economic development in the city.

Annex

Annex 1: Design and key components of the Diagnostic Tool

Urban Economic Resilience	Indicator	
<p><b>RA1: Resilience of local business environment</b></p> <p>(Analysis of the capacity of local businesses (including the public sector) to sustain growth and respond to demographic, technological and market conditions)</p>	<p><i>RPI 1-1: Local economy diversity</i></p>	City product diversity (Quantitative)
		Informality (Quantitative)
		Public economy strength (Quantitative)
		COVID-19 impact concentration (Quantitative)
	<p><i>RPI 1-2: Openness and external markets integration</i></p>	Local industrial/employment quotient (Quantitative)
		Local economy openness (Quantitative)
	<p><i>RPI 1-3: Entrepreneurship and innovation</i></p>	New business creation (Quantitative)
		Business digitization rate (Quantitative)
		Digital access (Quantitative)
		State of ecosystem for innovation support (Qualitative)
	<p><i>RPI 1-4: Productivity, economic and financial capacity</i></p>	Business productivity (Quantitative)
		Business access to electricity (Quantitative)
		Access to affordable finance (Quantitative)
COVID-19 induced business failure rate (Quantitative)		
<p><b>RA2: Resilience of local labour market</b></p> <p>Analysis of the capacity of the local labour market to adjust to changes in economic activities and reallocate labour while minimizing unemployment</p>	<p><i>RPI 2-1: Labour market flexibility</i></p>	Employment diversity (Quantitative)
		Population/Employment Ratio (Quantitative)
		COVID-19 induced unemployment (Quantitative)
	<p><i>RPI 2-2: Labour mobility</i></p>	Occupational labour mobility (Quantitative)
		Availability of worker (re)training programmes at the city level (Qualitative)
		Geographic labour mobility (Qualitative)
		Proportion of a household's budget spent on rental housing (Quantitative)
	<p><i>RPI 2-3: Social protection of labour</i></p>	Unemployment rate (Quantitative)
		Unemployed receiving unemployment benefits (Quantitative)
		Informal employment rate (Quantitative)
		City expenditure on social protection (Quantitative)

<p><b>RA3: Resilience of local financial system</b></p> <p>Analysis of the capacity of the local financial system to maintain adequate and continuous supply of finance to economic activities with appropriate instruments</p>	<p><i>RPI 3-1: Size and depth of the financial system</i></p>	City quotient of financial system (Quantitative)	
		Proportion of the population with a bank account (Quantitative)	
		Percentage of adult population with a registered Digital Finance account (Quantitative)	
		Market share of financial institutions offering affordable finance (Qualitative)	
	<p><i>RPI 3-2: Financial performance and soundness</i></p>	Interest rate spreads (Quantitative)	
		Nonperforming loans rate (Quantitative)	
		Sectoral distribution of loans (Quantitative)	
		Nonperforming loans rate and loans restructured under COVID-19 (Qualitative)	
	<p><i>RPI 3-3: City fiscal space</i></p>	City revenue diversity (Quantitative)	
		Share of income inelastic own source revenues (Quantitative)	
		Financial flexibility (Quantitative)	
	<p><i>RPI 3-4: City financial health and stability</i></p>	Fiscal flexibility (Quantitative)	
		Share of the local financial market (Quantitative)	
City credit rating (Quantitative)			
City audit performance (Quantitative)			
<p><b>RA4: Resilience of economic governance</b></p> <p>Analysis of the capacity of local economic governance to plan, allocate and mobilize resources and coordinate public and private economic activities</p>	<p><i>RPI 4-1: Strength of economic governance structures and leadership</i></p>	Change in total city revenues under COVID-19 (Quantitative)	
		Inclusiveness of economic governance (Qualitative)	
		Public participation in economic governance (Qualitative)	
	<p><i>RPI 4-2: Scope and quality of city planning</i></p>	Access to public information on economic issues (Qualitative)	
		Comprehensiveness of city planning systems (Quantitative)	
		Integration of crisis management provisions in city planning and budgeting (Qualitative)	
		Application of vulnerability assessment methodology (Quantitative)	
	<p><i>RPI 4-3: Investment readiness</i></p>	Extent of access and application of digital technologies (Quantitative)	
		Strategic planning and resilience proofing of investment projects (Qualitative)	
		Access to public land (Quantitative)	
		Intensity of regulation/administrative burden (Quantitative)	
	<p><b>RA5: Resilience of basic infrastructure and connectivity</b></p> <p>Analysis of the capacity of basic service infrastructure and connectivity systems to enable and facilitate continued operation of the other four components of urban economy under stressful conditions</p>	<p><i>RPI 5-1: Coverage and functionality of basic public services and infrastructure</i></p>	Quality of investment-enabling environment (Quantitative)
			Public open space per 1,000 inhabitants (Quantitative)
Average number and length of interruptions per customer per year in the electricity network (Quantitative)			
Percentage of population with access to water and sanitation services (Quantitative)			
<p><i>RPI 5-2: Health service coverage</i></p>		Percentage of population with regular municipal solid waste collection (Quantitative)	
		City quotient for health workers per 10,000 population (Quantitative)	
		City quotient or hospital beds per 10,000 population (Quantitative)	
<p><i>RPI 5-3: Connectivity and mobility</i></p>		City expenditure on health (Quantitative)	
		Continuity of telephone and Internet operations (Quantitative)	
		Average commuting travel time disaggregated for the key modes of transportation. (Quantitative)	
		Total coverage of all superior modes of public transport (Quantitative)	
		Walkability and cyclability (Quantitative)	