



EMNES VIRTUAL ANNUAL CONFERENCE 2020: WHAT PILLARS FOR RESILIENCE OF THE SOCIO-ECONOMIC MODELS POST COVID-19 PANDEMIC IN THE MEDITERRANEAN?

The Euro-Mediterranean Network for Economic Studies (EMNES) organizes its Virtual Annual Conference 2020: "what Pillars for Resilience of the Socio-Economic Models Post COVID-19 Pandemic in the Mediterranean?". The event will take place online on Zoom, on 17-18 December 2020, starting at 2:00 PM CET.

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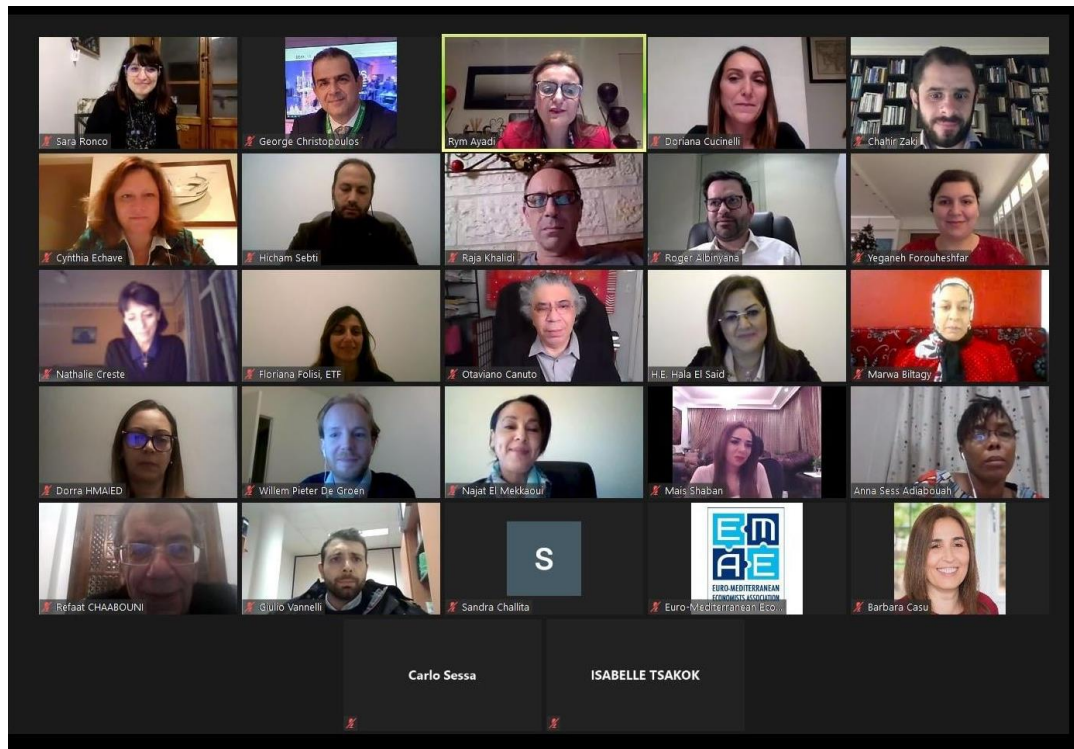


Introduction

COVID-19 pandemic has spread around the globe at a speed that caught governments unprepared in both developed and less developed countries. A global pandemic, caused by a little-known coronavirus, resulted in a major health crisis, which quickly transformed into an unprecedented economic and social crisis. Diverse and uncoordinated policy responses struggled to respond to the trade-off between saving lives and keeping economies afloat. The "Post-COVID 19" state of the world will, however, remain uncertain. The EMEA-EMNES research, published in 2020, showed that countries exhibiting socio-economic vulnerabilities prior to the pandemic had a lower capacity for mitigating the effects of the pandemic. In other words, those countries that have built a resilient system can better respond to the pandemic and rebound. Several pillars, including digitalisation, financial inclusion, social protection and safety net, regional integration via regional value chains, have been explored by EMNES research, offering policy answers on the design of recovery models post COVID-19. Against this background, the **EMNES Annual Conference 2020** aims to discuss and to disseminate the results and conclusions of the work accomplished under EMNES policy research.

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The EMNES Annual Conference 2020 includes EMNES Researchers, EMNES Fellows, Associate Committee and Advisory Committee members, international economists, policy experts and policy makers.



Day 1: Thursday 17 December 2020



The first day of conference started with the opening remarks of **Prof. Rym Ayadi**, President, Euro-Mediterranean Economists Association (EMEA), Director, Euro-Mediterranean Network for Economic Studies (EMNES). The first day of conference started with a keynote speech from Prof. Daniel Gros, Distinguished Fellow and Member of the Board, Centre for European Policy Studies. After the introductory session by Prof. Gros, the conference continued with the presentation and discussion of research papers, touching on themes of financial inclusion and digitalisation.

Introductory Session

Keynote Speech: The socio-economic impacts of COVID-19 and path to recovery in Europe.

Daniel Gros, Distinguished Fellow and Member of the Board, Centre for European Policy Studies



Prof. Gros started by underlining that the first lesson to be learnt from COVID-19 was how policy can make the difference; even if not immediately but in the long run, policies could create structures, such as in the EU's case, which proved to be resilient after a number of shocks. The resilience hadn't come from the structure itself, but from the political will to manage the shock and to "do the necessary". COVID-19 provoked a huge economic shock. At the beginning of the crisis, he said, there was a simultaneous big shock for all economic sectors and society as a whole. Most of the shocks had been repaired, even if only partially. Nevertheless, some sectors of the economy, which were still facing many difficulties (i.e., tourism, services, restaurants), would take more time to recover; we didn't yet know yet when these sectors might recover and whether the recovery would be full or only partial. He said that from its preliminary research, sectors like tourism and restaurants were prevented from recovery because of people's fear of the virus and governmental restrictions. Nevertheless, the latter reason seemed to be the more constraining factor. Some regressions they performed showed that governmental restrictions had a strong, immediate and long-lasting effect on GDP, whilst the state of the disease itself hadn't seemed to have had a very strong additional impact. He said that he expected recovery to continue for 80%-90% of the economy, depending on countries,

hoping that the recovery could also follow for leisure, tourism and all activities, barring further difficulties. He highlighted that the COVID-19 crisis was accompanied by two other crises: the financial crisis and the European political crisis. The first one was very brief, thanks to the extraordinary efforts of Central Banks. The intra-European political crisis lasted longer. The latter arose because not everybody in the EU was affected in the same way by the crisis. It took a little longer, but the political crisis was resolved with the agreement (June 2020) over a particular fund that was financed through common Europe debt issuance (credits and transfer to countries). The fund's agreement achieved solidarity, brought calm to the financial markets and was characterised by Germany jumping over two of its own "red lines": the first was accepting transfers, the second on European bonds. In his opinion, this was an example of how much countries can change their policies during a crisis. This fund would not solve all economic problems, he said. The challenges ahead were related to the proper use of the massive amount of money countries would receive (as transfers) through the fund. The fund's effects on country recoveries would depend on the MS's governments and the evolution of country-specific issues. Europe did not have the power to allow for the proper and effective use of the fund. He then listed three main vital factors for a country to be resilient and to manage and recover from the crisis. First, countries needed to have the right administration machinery, that was coordinated and working well. The second element was to have a socio-political environment, where there is clear dialogue amongst all parties (citizens' consensus and dialogue between government and opposition). The final factor was that having a low debt level helps. He concluded with some consideration of Euro-Mediterranean relations. He flagged up both negative and positive sides to the crisis for the region. The negative side was related to tourism, that it was unclear when and if it would recover. He thought that the tourism sector should be modernised through digitalisation etc. The positive aspects were related to the opportunities arising from the digital market, increasing the exchange between countries and creating new job opportunities. The Mediterranean should take this opportunity to improve the technological environment and technological skills, particularly for the younger population. He didn't see much future for the oil "old style" low wage industry.

Invited paper presentation: *"Identification of Countries Resilience Factors during COVID-19 Pandemic"*. Presented by: **Moubarack Lo**, Director General of the Bureau of Economic Prospective, Senegal. Discussant: **Racha Ramadan**, Cairo University

Session 1: Financial Inclusion

Chair: Ralph Chami, Member of EMNES Advisory Committee and EMEA Advisory Board and Assistant Director IMF

- 1) *“Financial inclusion in MENA and its effects on unemployment”* presented by **Nooh Alshyab**, EMNES Country Director, Jordan, and Yarmouk University
Discussant: **Mohamed Belkhir**, IMF
- 2) *“Financial inclusion and CAMEL-based performance in banks”* presented by **Mais Shaban**, EMEA Research Fellow
Discussant: **Moundir Lassassi**, CREAD

Session 2: Digitalisation

Chair: Maria Helena de Felipe, Advisory Board member, EMEA, President, AFAEMME

- 3) *“Digitalisation capacity of MSMEs in the Mediterranean: A new preparedness index”* presented by **Yeganeh Forouheshfar**, Researcher, EMEA
Discussant: **Serena Sandri**, German Jordanian University and EMNES
- 4) *“Lives versus Livelihoods: COVID-19 and Arab Labor Markets”*. Presented by **Shireen Alazzawi**, Research Fellow at Economic Research Forum and Lecturer in Economics, Santa Clara University
Discussant: **Rim Mouelhi**, EMNES Country Director, Tunisia, Full Professor, IHEC

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The second day of conference started with the opening remarks of **Prof. Rym Ayadi**, President, Euro-Mediterranean Economists Association (EMEA), Director, Euro-Mediterranean Network for Economic Studies (EMNES). The second day of conference started with the presentation and discussion of research papers, touching on themes of social protection and regional integration. The second part of the conference started with a policy session on Labour Markets, Future of Work and Education, post COVID-19. The two-day conference ended with a keynote speech from **Mrs. H.E. Hala El Said**, Minister of Planning and Administrative Reforms, Egypt.

Session 3: Social Protection

Chair: Raja Almarzoqi, Member of EMNES Advisory Committee and EMEA Advisory Board and Institute of Diplomatic Studies

- 1) *“Social Security in Arab Countries: A Regional Comparison of the Well-Being of Older People”*, presented by **Najat El Mekkaoui**, EMNES Researcher, Professor, University Paris Dauphine
Discussant: **Marwa Biltagy**, Cairo University

Session 4: Regional Integration

Chair: Roger Albinyana, Advisory Board member, EMEA, Director of Mediterranean Regional Policies and Human Development, IEMed

- 1) *“On the Future of Regional Integration in the Euro-Mediterranean: How COVID-19 will Affect Global Value Chains?”* presented by **Chahir Zaki**, EMNES Country Director, Egypt, Associate Professor, FEPS, Cairo University
Discussant: **Sara Ronco**, Researcher at EMEA, Barcelona
- 2) *“Global Value Chains: Participation and Development Opportunities: Hints from the Product Space”* presented by **Giulio Vannelli**, PhD Candidate, UNITN
Discussant: **Daniel Mirza**, University of Tours

EMEA Featured Session:

- 3) *“Bank Business Models in Europe, Mediterranean Africa”* presented by: **Doriana Cucinelli**, Research Fellow EMEA
Discussant: **Anis Samet**, American University of Sharjah

Policy session: Labour Markets, Future of Work and Education Post COVID-19



Moderator: Cinzia Alcidi, Director of Research, Centre for European Policy Studies. She introduced the topics that would be discussed underlining the importance of exploring digital and technological changes, accelerated by the pandemic. Then she introduced the panellists: **Ekkehard Ernst**, Chief of the Macroeconomic Policies and Jobs Unit, ILO; **Nathalie Creste**, Advisor at the Directorate-General for Employment, Social Affairs and Inclusion, European Commission; **Ottaviano Canuto**, Director at the Centre for Macroeconomics and Development and Senior Fellow at the Policy Centre for the New South; **Floriana Folisi**, Human Capital Development Expert and Country Coordinator at the European Training Foundation; **Raja Khalidi**, Director of Palestine Economic Policy Research Institute; **Hicham Sebti**, Director at the Euro-Med Business School.

Mr. Ernst started by sharing some thoughts on the research they have been carrying out at the ILO over the last months. The first thing he wanted to stress was the impossibility of having a recovery without suppressing the virus. The second point he made was to prevent large-scale business failure that would compromise the recovery and to implement measures now to support business. With many activities shut down, the ILO estimated 10% of working hours were lost in respect of the last quarter of 2019. He said that some inflation was expected for the first months of 2021, due to high rate of savings during 2020. In particular, low-income countries and low-income households would face an increase in living costs. With this in mind, he underlined that the recovery was expected to be low and uneven, leading him on to the third point: addressing inequality. Some sectors were able to continue

working despite the pandemic, but for others it was impossible (i.e., creative industry, social services). Especially in developing countries, many people who had previously relied on the informal market went into "inactivity". The massive spike in inequality in the labour market was something that needed to be addressed, he said. Furthermore, women had been much more affected by the crisis than men. The last point he made was on the medium-to-long term effects of the situation on young people. They were comprised of both early entries into the labour market and losing their jobs, as well as those who hadn't yet entered the labour market, but who couldn't find a job, or receive the education that would have been available without the crisis. Measures to address the loss of education and opportunities for the youngest members of the population were critically needed - building infrastructures, enabling the education system to support instruction during the crisis and allowing the young generation to avoid a shortage of educational opportunities. He concluded by underlining that these measures were essential to prevent a scarce labour market in the future.

Mr Nathalie Creste started by saying that, in the Mediterranean countries, the COVID-19 crisis merged with the oil crisis. COVID-19 had exacerbated existing trends in these countries, affecting labour markets within the already most vulnerable categories. She started by sharing her thoughts on resilience. The first pillar should focus on going beyond "restoring" the previous situation and adjusting what was wrong by getting prepared for future challenges. The second pillar she mentioned was building a resilient society. That meant solving imperfections and vulnerabilities through an holistic approach, integrating all challenges and reducing the causes of fragmentation of the Mediterranean region. Therefore, she stressed the need for building an inclusive society based on fairness, education and decent work opportunities. The third pillar she mentioned was the culture of dialogue, giving civil society the opportunity to participate in the decision-making process and strengthening public-private dialogue. A socially solid economy and a creative and circular economy fitted with the Mediterranean region and the objectives for recovery. Furthermore, globalisation and digitalisation trends placed education at the heart of the recovery. Training and education were essential for building a resilient society. Concluding, she said the crisis had a transformative potential that must be sustained by political will.

Mr Ottaviano Canuto started by underlining the need to reach global immunity from the virus in order to start recovery. He stressed that the effects of the crisis would also continue after the pandemic had ended; therefore, we needed to prepare. The pandemic was accelerating history, exacerbating existing problems like income inequality, particularly for women and young people, creating long-term adverse

effects. Informality was another critical issue for consideration, adapting the system, changing social protection and what hadn't worked during this crisis. Particularly in developing countries and emerging economies, a lot of effort was placed on saving livelihoods, providing new cash transfers schemes, etc. These measures were tough to put in place in countries where many people were not registered, making it difficult to target the end users who needed to perform the transfers. Mapping who should receive government resources was an issue for developed countries; in developing countries, particularly SSA where in some cases informality reached 90% of the population, it was even more difficult. He said that we didn't have to "go back to normal" but to build a better society and he stressed three points to move in the right direction. Firstly, the need to boost social protection systems. The second point he made was education, that had to be made "resilient", meaning improving internet access for all and providing children with digital skills. The third point was that high indebtedness and the need to increase social protection led to increased taxation; these increases should be targeted towards higher income levels (some forms of wealth taxation). He said that measures needed coordination at the multilateral and global level. He stressed that even after reaching immunity from the virus, the legacy of business indebtedness would remain. The businesses that survived the crisis would face bankruptcy, which was something that should be addressed and we needed to start thinking about this now. He concluded by stressing that the old normal was dead - we needed to build a new better model.

Mrs Floriana Folisi started by saying that the south-east Mediterranean's labour market faced significant challenges before the pandemic's eruption intensified the effects. In terms of human capital losses, young people were the most affected. Across the region, young people (aged between 15-19 years) represented between 22%-44% of the population. She mentioned that ETF would publish a study on both NEETs (Not Engaged in Education, Employment or Training) and young people in employment, to see whether their jobs matched their skills and if they had an adequate social protection scheme, amongst other things. Because of the pandemic, the achievements reached during recent decades in terms of human development were at risk. She stressed the importance of re-skilling new generations, to provide them with the ability to access the contemporary labour market. She defined this pandemic as a "game-changer", one that could offer some opportunities. The first opportunity she mentioned was the acceleration towards a new development model, based on socio-economic and ecological transformation, with individuals at the heart of the policy agenda. Digital and green transitions were reshaping people's lives, showing us a considerable need to shift the skills' set. Governments needed to grasp the opportunities offered by digitalisation, new jobs and emerging sectors for young

people and all populations. The new green and digitalisation transition came with fresh opportunities but also with uncertainties. Developing agile and coordinated, targetted public policies was key to building resilient societies and companies, tackling unemployment and protecting existing jobs. She concluded by stressing the importance of long-life learning skills that have to be improved with training programmes, providing the right skills for new jobs and the new economy.

Mr. Raja Khalidi started by saying that, with the pandemic, Palestine faced a triple shock in 2020: pandemic, public finance and political threats. The pandemic hit Palestinian GDP/GNI by around 11-21%, depending on estimates. The country ended the year 2020 with a deficit of around a billion dollars. The government struggled to face the needs of the health emergency because of the precarious fiscal space, the already precarious healthcare system and a challenging political environment. The current macroeconomic shock affected consumption and investments, including public assets and the external source of income dependency channels - primarily controlled by Israel. Palestine had a weak domestic productive capacity linked to high colonial dependency channels. Furthermore, the country had s high rates of informality, which was the most vulnerable sector, combined with a highly distorted and fragmented labour market. The central and local management of the crisis, the occupation and development, in general, was disconnected, linked to a lack of political representation and government accountability. Some segments of the population were not expected to recover. Certain sectors, like the service economy, as in other countries, were not recovering. Palestine was paying the price of being stuck between the Israeli and international trade system. In his opinion, moving towards the most significant opportunities for 2021 would involve starting the long process towards universal social protection coverage. The implementation of active labour policies, mainly a minimum wage, was achievable. Secondly, the country needed a gradual and careful transition towards a formal economy, which entailed well-structured social security protection and guarantees. The country needed to increase public investment in infrastructure and have less dependency on colonial control channels that were mainly related to trade with and the labour market in Israel - not respecting global labour standards. Another critical opportunity was to invest in skills which matched the work environment. He said that the pandemic showed the government's effectiveness of the State of Palestine under occupation and should re-focus its role on local, regional governance for economic development. Finally, he concluded that there was a favourable international environment for achieving some gains, translated into diplomatic terms, that Palestine deserved to have a global financial status, which would enable the country to be much more effective in the future.

Hicham Sebti started by explaining some research being implemented in Morocco's work and job situation during and post the COVID-19 crisis. The future of work was described as digitalised, more agile, flexible, horizontal etc.; the first lockdown proved to be a test for most countries. He and his team performed a series of interviews and observations in different fields of activity in Morocco. They observed that the way people felt about their work during the pandemic was not related to the kind of job or activity but, instead, to how space and the work environment were organised. They identified three groups of workers that shared some of these features. The first group was "virtual workers": high intellect professions (i.e., managers, consultants, professors). Workers in the first group had to change their way of working, socialising and collaborating. Some interviewees revealed difficulties related to the "zoom fatigue" phenomenon; people in this group often felt stressed by the high connectivity (availability) requested. The second group was the "localised-body workers". Workers in this group worked in a specific area and weren't able to do their job from home. In this group, there were both prestigious professions and underprivileged professions (i.e., doctors and cashiers). For these people, the main difficulty was living every day in their working space with the fear of getting the virus and building new ways to do their work and manage the risks. The third group was of "mobility workers" (i.e., street vendors, drivers). In this group, the main difficulty was moving from different spaces and places (reshaping their work areas from dirty to healthy ones). He then summed up some of the issues that turned out to be key for further studies related to work. The first was the relative value of workers. With the pandemic, some jobs (like social workers, teachers) that were typically undervalued became essential and should be recognised much more. Other important issues to investigate were gender inequality and research into the meaning of work (many professionals felt under-utilised during the pandemic and wanted to do more practical, impactful work). Finally, he said that when analysing working issues, it was critical to consider society, mobility and cities.

Keynote Speech: Pillars of Resilience post COVID-19 Pandemic

H.E. Hala El Said, Minister of Planning and Administrative Reforms, Egypt



H.E. Hala El Said illustrated the initiatives that Egypt has implemented during the pandemic. The recent economic reform allowed the country to implement swift and effective measures to support the economy and ease the financial burden on those sectors most affected by the restriction measures. The first objective of the government was to balance the precautionary measures whilst sustaining the economy. Egypt hadn't gone through a full lockdown. She said that the government implemented various measures supporting the most affected sectors and workers whilst monitoring the economy. The first measure undertaken had been easing the burden on some sectors that suffered from lockdown (i.e., tourism, aviation) using monetary and fiscal policies, and suspending taxes and duties. On the other hand, the government had increased investment in some sectors considered to be the most resilient (i.e., agriculture, telecommunications, healthcare, education). She stressed the country was engaged in targeting and providing essential services to the most vulnerable people in rural areas during recent years. Thanks to the increase of fiscal space derived from the economic reform, Egypt was able to sustain its labour market (pensions and unemployment). This increased consumer spending helped the economy to keep moving during the pandemic. The result was that Egypt reached a positive growth rate by June 2020 (around 3%). Furthermore, the government implemented some measures for irregular workers. She noticed that all countries were changing their priorities after the pandemic. Egypt decided to localise

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its most important industries and services, developing guidelines for sustainability (both for national and private enterprises). Finally, the country was engaged in a big structural reform, with the aim of diversifying the economy more towards the green economy and flexibility of the labour market.