

# MENA-OECD BUSINESS ADVISORY BOARD

14 May 2020

COVID-19 Pandemic Crisis Response Webinar

## Public-Private Dialogue to tackle the crisis

The **MENA-OECD Business Advisory Board (BAB)** hosted a webinar on May 14, 2020 to address the impact of the COVID-19 pandemic on the business community in the Middle East and North Africa (MENA) region. The webinar was jointly organised by the OECD and the co-chairs of the BAB, the Tunisian Confederation of Industry, Trade and Handicrafts (**UTICA**) and the Confederation of Employers and Industries of Spain (**CEOE**).

The webinar gathered **50 participants** from the public and private sector representing **8 MENA economies** (Algeria, Egypt, Jordan,

Lebanon, Libya, Morocco, Palestinian Authority, and Tunisia) and **4 OECD countries** (Germany, Spain, France and Portugal). Regional and international institutions also participated in the discussions (BusinessMed, CIPE and BIAC).

Discussions covered three thematic priorities: strategic responses to the crisis and the role of public-private dialogue, innovative responses by businesses to the COVID-19 crisis, and the role of companies to further social cohesion involving social dialogue.

## Key Messages



### MENA businesses are heavily affected by the COVID-19 pandemic

- At the time of the webinar, most MENA economies were still under a partial or complete lockdown, leading to the closure of non-essential businesses.. As some governments in the region are starting to lift restrictions, it is important to start to assess the impact.
- **Participants highlighted the following impacts of the COVID-19 pandemic on MENA businesses:**

- **Massive decline or shut down of business activity.** Two thirds of MENA companies estimate that the pandemic will significantly impact their business operations in the coming months<sup>1</sup>. Due to severe disruptions of global supply chains, companies face a massive decline in demand and report difficulties to receive input material to uphold their production.
- **Severe liquidity shortages and financial impacts.** The vast majority of MENA companies expect a decrease in revenues and profits. One in five MENA businesses estimates that revenues will decrease by at least 50 percent in 2020.
- **Deferral of investments and cost containment.** MENA businesses will need to make cuts to current expenditures and defer investments in non-essential business operations. Almost half of MENA businesses consider reducing costs related to their employees, including the temporary or permanent suspension of employment.
- **Re-orientation and organisation of supply chains.** Logistical and transport problems reduce storing, retail and trade capabilities, limiting access to domestic and international markets. Half of MENA businesses expect changes in supply chains regarding vendors, facilities and markets.
- **The pandemic has an asymmetric impact on different sectors.** While the pharmaceutical, food supply, healthcare, and certain logistics sectors are experiencing an uptick in demand, the vast majority of MENA businesses are dealing with an acute slowdown in operations. The tourism sector and ancillary industries including retail, leisure and restaurants are particularly affected. Export-oriented industries are likewise experiencing a knock-on effect on their activities. These sectors are “the first ones affected by the crisis and the last ones to get out of it”, as CEOE’s Marta Blanco affirms.



### The business community will be an indispensable partner for economic recovery

- The MENA business community has important experience in crisis management and recovery. During the COVID-19 pandemic, **companies in the region have implemented innovative solutions to tackle negative impacts on their activities**, complementing government actions.
  - For instance, BAB members urged those companies suffering from the crisis to ensure and anticipate sufficient liquidity supply. Where lending is not an option, mergers and acquisitions may reduce fixed costs, facilitating business activities in the short term. This can include joint ventures with expatriates or other foreign investors.
  - Innovation and diversification of business activities is key to weather the crisis, many start-ups in the region have developed business solutions to tackle the COVID-19 pandemic.
- E-services and the digital economy are particularly important in the context of the pandemic. Where possible, companies throughout the region have adapted their production to online activities. Other businesses have adapted existing online services to support the crisis response. The digital economy offers valuable solutions where physical access to international markets is difficult or impossible. **MENA governments should support companies in their use of or transition to e-services with a reliable digital infrastructure.**

<sup>1</sup> These results stem from a survey conducted by Price Waterhouse Coopers (PWC) with over 130 Chief Financial Officers in MENA countries between 4 and 6 May 2020. For more information, please refer to: <https://www.pwc.com/m1/en/publications/covid-19/pwc-middle-east-covid-19-cfo-pulse-survey.html>

- Many companies in the MENA region have **adapted their business models** to sustain their activity during the COVID-19 pandemic and beyond. This diversification of business activities is a sign of resilience and should be supported with specific policies for training and reskilling.
- **Businesses have taken on more social responsibility to support government action to overcome the negative impact of the COVID-19 pandemic on the economy**, in particular the loss of jobs. Many companies in the region are continuing salary payments and social security contributions for their employees. Almost 40 percent of MENA companies report an increase in support to their communities through contributions to non-profits or pro bono goods and services to assist vulnerable groups. For instance, the Federation of Egyptian Industries has collected donations among members to repair and replace medical ventilators. Lebanese companies have teamed up to cater specific support to the health sector, including investments in testing facilities.



### A new private sector driven economic model: more dynamic and competitive

- **The economic recovery in the MENA region will be an opportunity to implement a new economic development model, based on green, inclusive and digital growth.** Participants agreed that crisis response measures should be taken quickly, but they warned against the negative effects of hasty decision making.
- **Crisis response measures need to include strategic development goals**, with a view to long-term objectives such as sustainability and inclusive growth:
  - Managing risks linked to corruption, integrity and ethics will be essential in the recovery packages,
  - The crisis also represents an opportunity to re-orient global value chains by reinforcing regional economic integration in the MENA region,
  - The need for fiscal stability must be balanced with the sustainability of business activities.
- **The COVID-19 pandemic highlights the important complementarity of government and business responses**, underlining the need for efficient Public-Private and Social Dialogue:
  - Participants in the webinar agreed that open and constructive dialogue between the public and private sector is key to align responses with the needs and concerns of society, to coordinate measures that ensure complementarity, coherence and efficiency and to stimulate new forms of social partnership.
  - Countries where PPD and coordination is stronger tend to perform better in reacting efficiently to the COVID-19 pandemic. Many governments have implemented measures in close co-operation with the private sector. For instance, the Moroccan government created the Economic Watch Committee, including public and private actors, to anticipate and mitigate impacts of the crisis on the national economy. In Tunisia, strong business associations lead co-operation with the government on the design and implementation of measures. The Federation of Egyptian Industries holds a permanent dialogue with the Egyptian government to inform and coordinate crisis measures.

## Next steps

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Governments throughout the MENA region will need to formulate coordinated and coherent policy responses to tackle the negative effects of the COVID-19 pandemic on the economy. The private sector is an indispensable partner in the crisis response and needs to be associated to the policy making process.

Building on its whole-of-OECD response to the COVID-19 crisis, the OECD helps to bridge the gap between public policies and private sector actions in the MENA region. The BAB is a platform that brings the MENA and OECD business community together for a strategic dialogue, focused on reform initiatives that are critical to enhancing competitiveness, including building an effective economic recovery:

1. The BAB will support its members and MENA governments with cutting-edge **assessment and analysis to inform decision-making in the context of the COVID-19 pandemic**. This work will be guided by continual communications between the BAB Secretariat, its members and relevant stakeholders. A comprehensive crisis **assessment survey** will inform policy analysis and recommendations. The results of this assessment will provide the basis for an **OECD note on Private Sector Development in the MENA region in the context of the COVID-19 pandemic**.
2. The BAB will develop **analytical work** in the priority areas identified by BAB members to enhance knowledge-sharing. This will include a report to assess the state of Public-Private Dialogue (PPD) in the MENA region, entailing case studies and practical examples. The report will also provide some guidance on the most effective methods to establish PPD that deliver solid outcomes.
3. Start-ups and young entrepreneurs are particularly affected by the COVID-19 pandemic and economic crisis. The **MENA-OECD Youth Business Associations platform** will work with governments and businesses to promote specific initiatives to further the potential of youth business associations and young entrepreneurs in the region. These will include innovative formats, such as hackathons, entrepreneur boot camps and network meetings in co-operation with partners of the BAB.

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Learn more about our work on Public Private Dialogue in the MENA region:

<http://oe.cd/BAB>

