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Impacts on Poverty and Food Security



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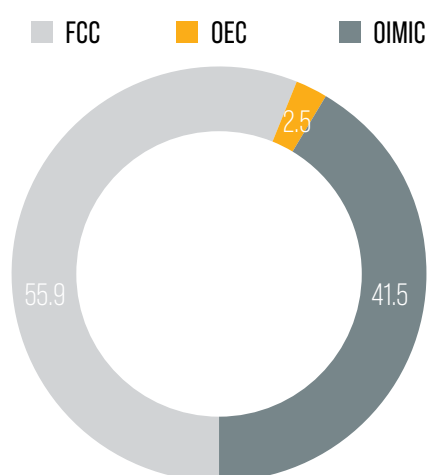
Income poverty levels

The Arab region comprises both countries with high levels of poverty and others in which extreme poverty is thought to have been eradicated. Using national definitions, about 56 percent of the region's poor live in fragile and crisis affected countries (FCCs), while around 42 percent live in oil-importing middle-income countries. Three countries – Iraq, Sudan and Yemen – are home to about 46 percent of those categorized as poor according to national poverty lines.

Roughly 75 percent of those living under extreme poverty (below the international poverty line of US\$1.9/day in PPP) are from FCCs, while 23.4 percent live in middle-income oil-importing countries. Using the lower middle-income country poverty line of \$3.2/day PPP, 39.4 percent of the region's poor live in middle-income oil-importing countries, showing the extent of vulnerability in these countries (see Figures 7.1a and 1b).

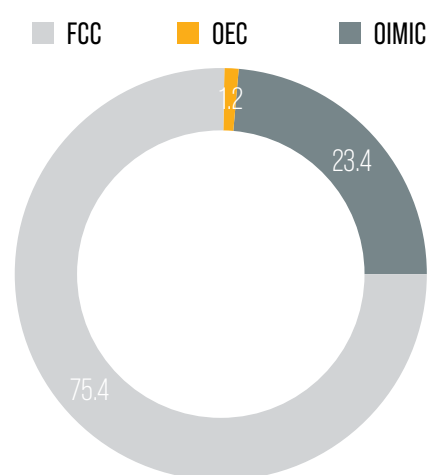
Figure 7.1

(a) Contribution to regional poverty (national poverty line)



Source: authors' calculation based on World Bank, World Development Indicators (latest available data).

(b) Contribution to regional poverty (\$1.9 poverty line)



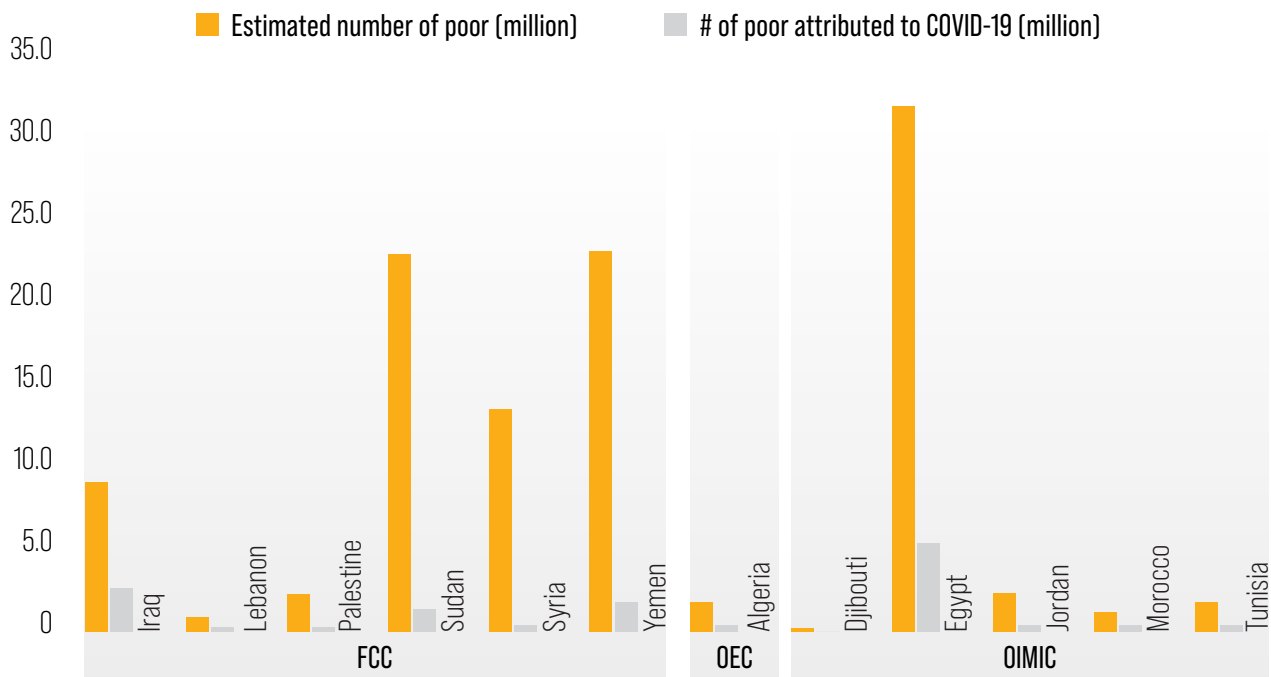
Source: authors' calculation based on World Bank, PovcalNet database (latest available data).

Impact of COVID-19 and the oil price crisis on poverty in the region

At the macro level, the risk of increased poverty due to COVID-19 and the decline in oil prices in oil-exporting

FCCs emanates from a decline in per capita GDP growth due to the twin crises and the high level of

Figure 7.2 Effect on the number of poor in the region (million) (2020)



Source: Based on Abu-Ismaïl (2020)

existing inequality in the region.¹ According to the IMF², the 2020 per capita income of all countries in the region is forecasted to decline from its 2019 level by a value ranging from 0.34 percent in Egypt to almost 60 percent in Libya. At the micro level, the crisis contributes to an increase in the level of poverty through its effect on lowering labour earnings due to factors including the decline in economic activities; reduction in remittances; decline in social assistance benefits and public cash transfers due to decreasing government revenue³; and potential increase in prices due to disruption in supply chains, reducing people's purchasing power.⁴ In countries with lower social protection coverage and lower fiscal space to respond to the crisis, the number of poor people is likely to rise.

Estimates vary regarding the additional number of people who will fall into poverty as a consequence of the current crises. However, they all show that the number of poor in the region will increase due to the dual crisis affecting the region (indeed, for some it is a 'triple' crisis, owing to conflicts in Iraq and Libya, and natural disasters like the desert locust swarms in East Africa that continue to threaten crops in Somalia and to a lesser extent, Sudan and Yemen⁵). Evidence indicates that the estimated increase in the number of people who fall into poverty in the MENA region due to these crises range from 2.8 million⁶ to 14.3 million people.⁷ This would bring the estimated total number of people in the region living in poverty to about 115 million. According to another study by Sumner et al.⁸, the number of the

- 1 According to the World Inequality Lab, the Middle East "... appears to be one of the most unequal regions in the world, with the share of income accruing to the top 10 and 1% exceeding 60% and 25% of total regional income 2016"; World Inequality Lab, *World Inequality Report 2018*, p.131, <https://wir2018.wid.world/>.
- 2 IMF, "World Economic Outlook, April 2020: The Great Lockdown", April 2020, <https://www.imf.org/en/Publications/WEO/Issues/2020/04/14/weo-april-2020/>.
- 3 While there is a possibility that social assistance could increase in the short term in response to the crisis, in the medium to long term, there is a possibility of more negative effects of declining government revenues on social protection coverage.
- 4 World Bank, *Iraq Economic Monitor: Navigating the Perfect Storm*, 2020, <http://documents.worldbank.org/curated/en/446201588465646751/pdf/Iraq-Economic-Monitor-Navigating-the-Perfect-Storm-Redux.pdf/>.
- 5 UN Food and Agriculture Organization (FAO), "Desert locust crisis", n.d., <http://www.fao.org/emergencies/crisis/desertlocust/intro/en/>.
- 6 Estimated based on poverty line of \$1.9/day (PPP); Mahler, et al., *The impact of COVID-19 (Coronavirus) on global poverty: Why Sub-Saharan Africa might be the region hardest hit*, April 20, 2020, <https://blogs.worldbank.org/opendata/impact-covid-19-coronavirus-global-poverty-why-sub-saharan-africa-might-be-region-hardest/>.
- 7 Estimate refers to poverty according to national definition. The estimates are based on data from the following countries: Algeria, Djibouti, Egypt, Iraq, Jordan, Lebanon, Morocco, the State of Palestine, Sudan, Syria, Tunisia, Yemen, Mauritania and Comoros. Abu-Ismaïl, K. *Impact of COVID-19 on Money Metric Poverty in Arab Countries*, UNESCWA, 2020.
- 8 Sumner et al., *Estimates of the impact of COVID-19 on global poverty*, 2020, <https://www.wider.unu.edu/sites/default/files/Publications/Working-paper/PDF/wp2020-43.pdf/>.

new poor residing in the MENA region will range from 3.3 million⁹ (3.9 percent of global poverty) to 9.9 million¹⁰ (eight percent of global poverty), depending on the poverty lines used. These estimates (except that of Abu-Ismaïl [2020]) assume no change in the level of inequality in the region. However, the estimated number of poor could increase if inequality increases due to the twin shock, which is likely to be the case.

Which countries are most affected?

The decline in economic activity caused by measures to contain COVID-19 have resulted in lower demand for oil. Combined with production increases by some major producers – such as Russia, Saudi Arabia and the UAE – after the breakdown of the OPEC+ agreement in March, the low demand for oil has resulted in significant price declines. This has direct and indirect effects on levels of poverty, depending on whether a country is an oil importer or exporter. Given the generally low level of energy consumption by the poor, the direct impact of falling oil prices on poverty are likely to be limited. However, the indirect effects through economic growth and falling food prices may be substantial and largely beneficial.¹¹ About 90 percent of the region's poor live in oil-importing countries, where low global oil prices could support growth and real incomes.¹² There is, however, little optimism regarding the translation of the beneficial effects of low oil prices on poverty reduction, even in oil-importing countries, owing to the decline in economic activity caused by COVID-19, which has constrained the realization of the benefits that could be derived from energy-intensive activities in terms of growth and poverty reduction. In oil-exporting countries, tightening fiscal policy could weaken prospects for those who rely on social assistance programmes.¹³

FCCs will be the most affected by the twin crises, due to their poor and volatile past economic performance as well as their extra vulnerability and dependence on external humanitarian support. Countries in this group that rely on oil exports as their principal source of

revenue (like Iraq and Libya) will be seriously affected. For example, using various scenarios, the World Bank estimates that poverty in Iraq could increase by 14.4 to 18.7 percentage points.¹⁴

While the crisis affects all members of society, women are particularly vulnerable to the unintended effects of interventions put in place to contain the disease. According to the UN, “women’s economic and productive lives will be affected disproportionately and differently from men due to COVID-19”.¹⁵ In the Arab region, this is partly because women are disproportionately employed in the informal sector or are unpaid workers in family businesses. Migrant workers (including female domestic workers) who lose jobs and are unable to return to their country of origin, risk falling into poverty rapidly (more work is needed to determine the numbers likely to be affected). Rural women across the region are already amongst the poorest group and may be adversely affected if food prices rise (see below).

Multi-dimensional poverty implications

For the purposes of cross-country comparison, income-based definitions of poverty help highlight the most vulnerable. In the Arab states, however, many of those who are multi-dimensionally poor (see ESCWA paper of 2017¹⁶) live in middle-income countries. COVID-19 is likely to affect both those who are income poor and those who are multi-dimensionally poor, and responses should be created accordingly. ESCWA¹⁷, based on analysis of data from Jordan, Tunisia, Algeria, Egypt, Morocco, Iraq, Sudan and Yemen, in addition to Comoros and Mauritania, determined that education (or the lack of access to it) was the biggest contributor to non-income poverty in the region, with some evidence that living conditions (including access to cooking fuel) in the poorest countries of the region was also a significant contributor. There were also sharp rural/urban divides and in the poorest countries there is also a significant gendered

9 At poverty line of \$1.9/per day (PPP); estimated contraction of per capita income/consumption by 5 percent per annum.

10 At poverty line of \$5.5/per day (PPP); estimated contraction of per capita income/consumption by 5 percent per annum.

11 Baffes, J., et al., *The Great Plunge in Oil Prices: Causes, Consequences, and Policy Responses*, 2015, <https://www.banqueducanada.ca/wp-content/uploads/2016/05/great-plunge-oil-prices.pdf/>.

12 Own calculation based on data from Abu-Ismaïl and Hlasny (2020).

13 World Bank, *Global Economic Prospects*, June 2020, <https://openknowledge.worldbank.org/handle/10986/33748/>.

14 World Bank, *Iraq Economic Monitor*, 2020, op. cit.

15 UN, *UN Secretary-General's policy brief: The impact of COVID-19 on women*, 2020, p.4, <https://www.unwomen.org/en/digital-library/publications/2020/04/policy-brief-the-impact-of-covid-19-on-women/>.

16 UN ESCWA, *Arab Multidimensional Poverty Report*, 2017, <https://www.unescwa.org/publications/multidimensional-arab-poverty-report/>.

17 Ibid.

difference in educational attainment, especially at secondary school level.¹⁸ With the closure of schools, these gaps are likely to grow in both the poorest and middle-income countries alike. The impact of access to education on multi-dimensional poverty is underlined in UNDP's recent report on human development and COVID-19.¹⁹ This report also notes the impact on inequality of the digital divide – particularly in terms of access to education, but also in the context of the transition to more online working. As indicated in Chapter 8, the global digital divide is gendered in nature, which is the case across the Arab region except for in the Gulf countries.²⁰ Even where connectivity is available, within families, girls are unlikely to be given priority in terms of access to online education. For the poorest countries in the region, the impact will be more immediate: evidence from the Ebola outbreak shows that during and after the pandemic, girls were more likely to drop out of school and never return.²¹ The increased investment in education across the region that is required to counter existing poverty may also become a victim of tightened budgets. It is also worth noting that levels

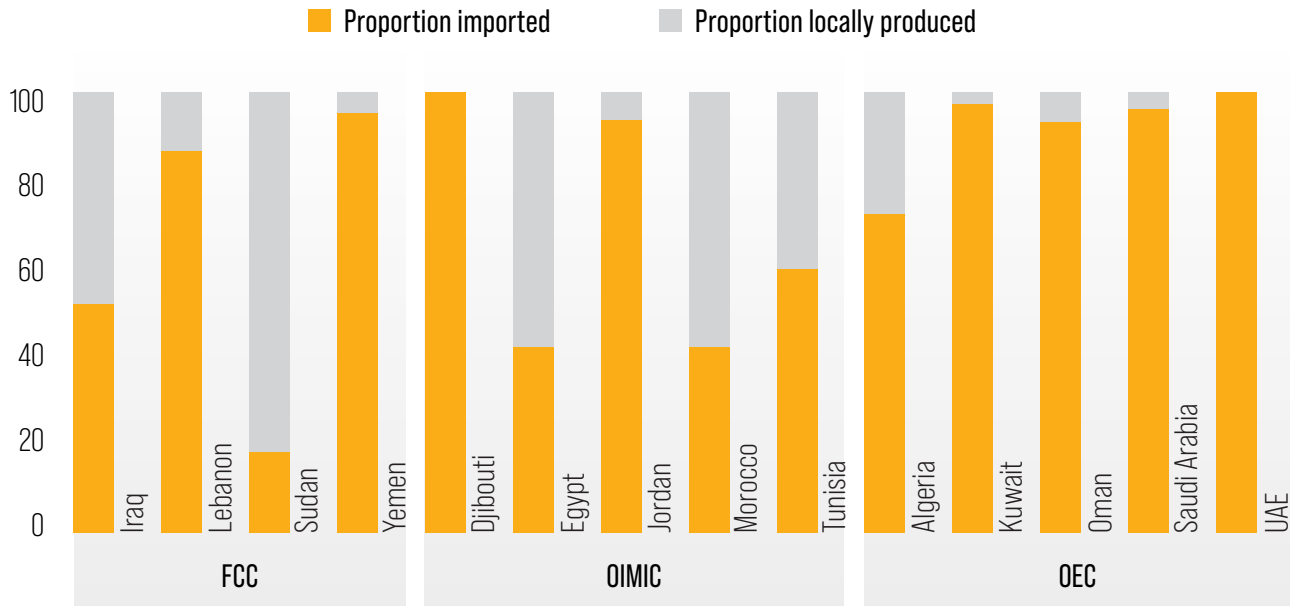
of child poverty are high across the region, with three quarters of children living in acute poverty in Sudan, almost half in Yemen and almost a quarter in Morocco, according to UNICEF.²² Child poverty is likely to be exacerbated by the COVID-19 pandemic.

Food security

Achieving food security is one of the SDGs that countries have committed to achieve by 2030. Crises such as COVID-19 pose significant hurdles in this regard. The projected increase in poverty in the region also means that a greater number of people will become food insecure. The effect of the twin crises on food security is manifested in three key dimensions: availability of food; access to food; and utilization of food.

Availability of food: the MENA region as a whole, including the Arab States, is especially vulnerable to food insecurity, being the largest per capita importer of grain in the world (see Figure 7.3). Figure 7.3 shows the proportion of cereals imported out of the total cereals consumed. In addition, Arab countries in East Africa – and especially Somalia – are likely

Figure 7.3 Cereal import dependency ratio (Percentage), three-year average (2011–2013)



Source: Based on FAOSTAT (latest available years), accessed 24/05/2020

18 UNESCO, *Reducing global poverty through universal primary and secondary education*, June 2017, <http://uis.unesco.org/sites/default/files/documents/reducing-global-poverty-through-universal-primary-secondary-education.pdf>.

19 UNDP, *COVID-19 and Human Development: Assessing the Crisis, Envisioning the Recovery*, 2020, http://hdr.undp.org/sites/default/files/covid-19_and_human_development_0.pdf.

20 UNESCO, 2017, op. cit.

21 UNESCO, "COVID-19 school closures around the world will hit girls hardest", 31 March 2020, <https://en.unesco.org/news/covid-19-school-closures-around-world-will-hit-girls-hardest/>.

22 UNICEF, *Child Poverty in the Arab States: Analytical Overview*, 2018, <https://www.unicef.org/mena/sites/unicef.org/mena/files/2018-03/Summary%20Report%20Child%20Poverty%20E.PDF>.

to suffer severe reductions in harvests as a result of locust swarms. The latest predictions by the Food and Agriculture Organization (FAO) suggest that "... the impact of this desert locust outbreak in Somalia could, by September 2020, increase the number of Somalis facing **food insecurity** or severe hunger by half a million".²³

As indicated in Figure 7.3, while some of the smaller countries in the region are more dependent on food imports, in terms of numbers of poor who can be directly affected by fluctuations in world grain prices and/or supply shocks, Egypt and Morocco are particularly vulnerable. For 2020, FAO foresees no immediate threat of disruption in global markets and predicts a good harvest in Egypt, but Morocco is predicted to suffer a 25 percent reduction in harvest in 2020, which will signal a need to increase imports and, potentially, prices.²⁴ Sudan is likely to suffer a combination of reduced grain production and falling exchange rates, potentially leading to a 50 percent increase in wheat prices.²⁵

The decline in oil prices has (potential) direct and indirect food security benefits for agricultural production, especially in oil-importing countries that produce a sizeable proportion of their food needs locally (given the use of oil products in agriculture, be it in the form of fuel for agricultural machinery or transportation of agricultural inputs and outputs).²⁶ Lower oil prices could potentially mean lower prices for fertilizer, fuel and shipping (transportation), and production of food commodities. However, in the short term, potential gains from oil price declines will not be realized, as such gains are constrained by the decline in economic activity induced by COVID-19.

Access to food: of the three dimensions of food security, the most pronounced impact of COVID-19 is likely to be on access to food, despite the potential

positive effect of a decline in oil prices. The effect of COVID-19 and decline in oil prices on access to food are manifested through the following:

- a. **Stability of global food supply and prices:** disruptions in global and local supply chains could cause food shortages. "There may be problems with food availability (and price spikes) at the local level due to supply chain disruptions and border closures in response to containment strategies, that may restrict food flows or movement of labor".²⁷ Past experience shows a positive relationship between oil price and agricultural commodity prices. A study by Baffes et al. show that a 45 percent decline in global oil prices could reduce agricultural commodity prices by about 10 percent.²⁸ However, following the COVID-19 crisis, the global price of one of the crops commonly imported into the region (rice) seem to have moved in the opposite direction to oil. Although the FAO states that global grain supplies are adequate for 2020²⁹, by April the price of rice had increased by 26.7 percent since the beginning of the year.³⁰ The price of rice in May had decreased by 8.1 percent from April, but remained 16.4 percent above its level in January.³¹ The increase in price – irrespective of the abundance in global supply – could be due to recent announcements of trade restrictions by major exporters, as well as unusually large purchases by some importers including the Philippines, Egypt and Saudi Arabia³², and export bans introduced by some countries – including Algeria, Bahrain, Oman and Syria – in response to the COVID-19 crisis. If such actions become widespread, it may result in hoarding and increases in global prices of food.³³ The effects would mainly harm OIMICs and FCCs, where,

23 FAO, "UN continues support to fight desert locust in Somalia amid COVID-19 response", 1 May 2020, <http://www.fao.org/emergencies/fao-in-action/stories/stories-detail/en/c/1277562/>.

24 FAO, "Country Briefs: Morocco", <http://www.fao.org/giews/countrybrief/country.jsp?code=MAR>; "Country Briefs: Egypt", <http://www.fao.org/giews/countrybrief/country.jsp?code=EGY>.

25 Famine Early Warning Systems Network (FEWS NET), "Very high staple food prices to continue driving large assistance needs through lean season", n.d., <https://fewsn.net/fr/east-africa/sudan/food-security-outlook/march-2020/>.

26 Post Carbon, "How Oil Prices Affect the Price of Food", oilprice.com, 21 December 2011, <https://oilprice.com/Energy/Oil-Prices/How-Oil-Prices-Affect-The-Price-Of-Food.html#:~:text=Modern%20agriculture%20uses%20oil%20products,aspects%20of%20commercial%20food%20systems>.

27 World Bank, *Commodity Markets Outlook*, April 2020, p. 2, <https://openknowledge.worldbank.org/bitstream/handle/10986/33624/CMO-April-2020.pdf?sequence=9&isAllowed=y>.

28 Baffes et al., op. cit.

29 FAO, "World Food Situation", 2 July 2020, <http://www.fao.org/worldfoodsituation/csdb/en/>.

30 Source: authors' calculation based on data from IMF commodity price system.

31 The price of wheat, the other cereal heavily imported in the region, remained stable, increasing slightly by 0.8 percent in April but declining by 2.2 percent in May from its level in January 2020.

32 World Bank, *Global Economic Prospects*, 2020, op. cit.

33 Ibid.

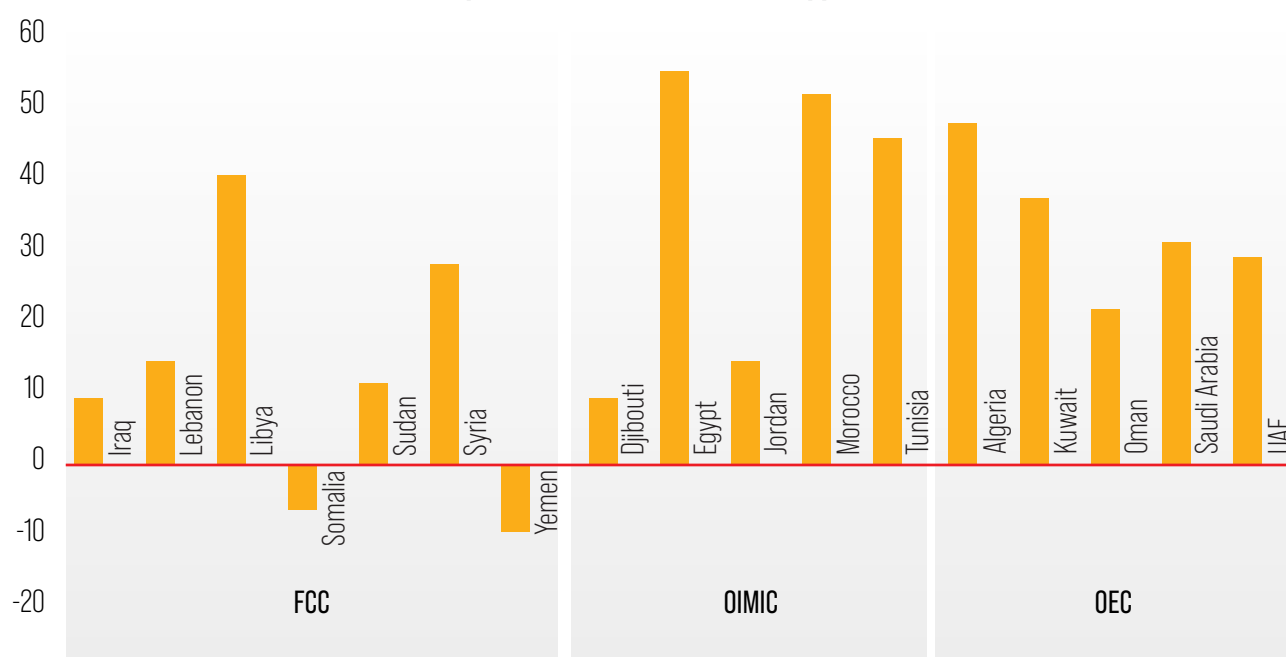
as indicated under 'Income poverty levels', over 75.4 percent and 23.4 percent, respectively, of the extreme poor in the Arab region reside.

- b. **Loss or reduction of income**, due to unemployment instigated by social distancing measures, negatively affects access to food.³⁴ The ILO estimates that during the second quarter of 2020, the Arab States are likely to see large reductions in terms of working hours (see Chapter 5).³⁵ According to the report, many of these workers will face loss of income and risk falling deeper into poverty. In times of job losses, people who lack access to social protection measures will be affected the most, as they lose their purchasing power. The effect could be more pronounced in countries such as Egypt, Jordan, Lebanon, the State of Palestine and Yemen, where personal remittances (received) as a percentage of GDP are the highest (see Chapter 4).
- c. **Increase in local food prices**: increases in prices, coupled with loss of income, contributes

to declining purchasing power and negatively affects poverty reduction and food security. According to the World Food Programme's Market Monitor, severe increases (≥ 10 percent) in the cost of major food baskets were observed during the first quarter of 2020, compared with the last quarter of 2019, mainly in FCCs such as Lebanon, Libya, Sudan and Syria.³⁶ Moderate increases (0–5 percent) were observed in Djibouti, Jordan, Yemen and Iraq, while a major increase (5–10 percent) was observed in Somalia. There was no significant increase in other countries. Four FCCs (Lebanon, Libya, Sudan and Yemen) are likely to experience consumer price inflation of 17 percent, 22.3 percent, 81.3 percent and 26.7 percent³⁷, respectively, further taxing the poor and pushing them deeper into poverty and food insecurity.

In terms of **utilization of food** – as represented by average dietary energy supply adequacy (percent) (3-year average) as a measure of adequacy of food consumption (indicator of level of food insecurity) – all

Figure 7.4 Difference in actual and required (=100) dietary energy supply 2016–2018 (Percentage)



Source: authors' calculations based on data from FAOSTAT (latest available years), accessed 24 May 2020.

34 FAO, IFAD, the World Bank and WFP, "Joint Statement on COVID-19 Impacts on Food Security and Nutrition", 21 April 2020, <http://www.fao.org/news/story/en/item/1272058/icode/>.

35 ILO, "ILO SCORE Global Covid-19 Enterprise Survey: How are enterprises affected and how can we support them?" 15 May 2020, https://www.ilo.org/wcmsp5/groups/public/@ed_emp/@emp_ent/documents/presentation/wcms_745097.pdf/.

36 For Sudan, data is available starting from 2010–2012.

37 For Sudan, data is available starting from 2010–2012.

countries in the region, except Somalia and Yemen, have, on average, more dietary energy supply than the average dietary energy requirement, which means on average countries have been able to meet more than 100 percent of their daily calorie requirement (see figure 7.4). However, despite adequate calorie intake, the overall trend between 2007/2009 and 2016/2018 shows that some countries have recorded declines in levels of dietary adequacy. During the period, average dietary energy supply has declined by 13.6 percent in Lebanon; 4.5 percent in Syria; 9.9 percent in Yemen; 7.3 percent in Jordan; 4.9 percent in Kuwait; and 0.8 percent in Oman. In the remaining countries, the level of dietary supply has, on average, increased over the same period.³⁸ An extended COVID-19 crisis could imply further deterioration of calorie intake.

The averages, however, hide the details. It is estimated that about 44.2 million undernourished people live in the Arab region, residing mainly in the rural areas.³⁹ From data on the prevalence of undernourishment across countries, it is observed that 74.3 percent of undernourished persons live in FCCs, while 17.6 percent and 8.1 percent live in OIMICs and OECs, respectively.⁴⁰ UNESCWA (2020) recently estimated that 1.9 million people will become food insecure (undernourished) due to COVID-19. People living in FCCs are being hit especially hard.⁴¹ UNESCWA estimates that 55 million people in need of humanitarian aid in the Arab region are threatened by the pandemic.⁴² According to the report, around 26 million of those in need of humanitarian aid have been forcibly displaced, and 16 million of those displaced are moderately to severely food insecure.

Food security also has gender implications. For example, in a study of drought, displacement and livelihoods in Somalia, a consortium of NGOs demonstrated

the gendered impact of coping mechanisms; when families do not have sufficient food, women will often be the last to eat.⁴³ Food insecurity and an inability to afford bread, in particular, was arguably a significant contributing factor in the uprisings of late 2010 and 2011. It is therefore important to pay attention to the impact of food insecurity on political stability.

Measures taken to address poverty and food insecurity

Countries have undertaken extensive measures to prevent declines in consumption due to disruptions in economic activities. The principal beneficiaries of such measures are enterprises and individuals. The measures include reductions in taxes on consumer items; social protection; income support; access to finance; market management; easing liquidity constraints; import subsidies; export bans; and institutional measures. The following table might not be exhaustive, but it provides a range of policy responses undertaken by countries to mitigate the impact of COVID-19 on food security.

As is indicated in Table 7.1, OECs have instituted a much broader variety of measures when compared with other groups of countries. While OECs were in a position to provide extensive support due to their fiscal strength, in the medium to long-term, continued declines in oil prices could threaten their capacity to continue implementing such measures. In the medium to long term, oil-exporting countries could face a situation where declining oil revenues could undermine their ability to purchase enough food on international markets. In OIMICs and FCCs, declines in oil prices could contribute to reduced production costs, improving their competitiveness and aiding the process of speedy economic recovery.

38 For Sudan, data is available starting from 2010–2012.

39 Excluding Bahrain, Libya, Palestine, Qatar, Somalia and Syria, for which data is not available. Authors' calculation based on data from: Emirates Diplomatic Academy, *SDG Index and Dashboards Report 2019: Arab Region*, November 2019, https://s3.amazonaws.com/sustainabledevelopment.report/2019/2019_arab_region_index_and_dashboards.pdf/.

40 Own calculation based on FAOSTAT.

41 FAO, "Joint Statement of FAO, IFAD, the World Bank and WFP on COVID-19 Impacts on Food Security and Nutrition", 21 April 2020, <http://www.fao.org/news/story/en/item/1272058/icode/>.

42 UNESCWA, 2020, *Mitigating the Impact of COVID-19 on Poverty and Food Insecurity in the Arab region*. E/ESCWA/CL3.SEP/2020/Policy Brief.2 Available at: https://www.unescwa.org/sites/www.unescwa.org/files/en_20-00119_covid-19_poverty.pdf

43 Oxfam et al., *Drought, Displacement and Livelihoods in Somalia/Somaliland: Time for gender-sensitive and protection-focused approaches*, June 2018, https://cng-cdn.oxfam.org/heca.oxfam.org/s3fs-public/file_attachments/Drought_displacement_livelihoods_in_Somalia_Somaliland.pdf/.

Table 7.1 Food-security-related policy responses

Policy measures	OECs	OIMICs	FCCs
Reduction/ withdrawal of taxes	Oman, Saudi Arabia		Lebanon
Social protection (conditional and unconditional cash transfers, food assistance, unemployment compensation, subsidies)	Oman, Saudi Arabia, Bahrain, Algeria, United Arab Emirates	Egypt, Jordan, Morocco, Tunisia	Lebanon, Iraq, Sudan
Market (price control, strengthening food reserve, etc.)	Algeria, Bahrain, Oman, Saudi Arabia, United Arab Emirates	Egypt, Jordan, Morocco	Iraq, Libya, Sudan
Income support (to enhance disposable income)	Algeria, Bahrain, Oman, Qatar, Saudi Arabia	Morocco, Tunisia	
Nutrition	Bahrain, Qatar		Sudan, Iraq
Production support (access to credit, financial/liquidity support, etc.)	Algeria, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates	Jordan, Morocco, Tunisia, Djibouti	Iraq
Market management (transport regulation and infrastructure)	Algeria, Bahrain, Oman, Saudi Arabia	Jordan, Morocco	Iraq
Institutional measures		Morocco	Iraq
Import/export (removal of tariffs, export bans), other trade related measures	Qatar, Saudi Arabia, Algeria, Bahrain, Oman, United Arab Emirates	Morocco	Iraq, Syria
Increased agricultural spending and macroeconomic policy measures	Kuwait, Saudi Arabia, Oman, Qatar		

Source: Based on information obtained from FAO, "Fapda: Food And Agriculture Policy Decision Analysis Tool" <http://www.fao.org/in-action/fapda/tool/index.html#main.html> ^{44, 45}

44 The tool does not provide information for the State of Palestine. The Site is updated regularly.

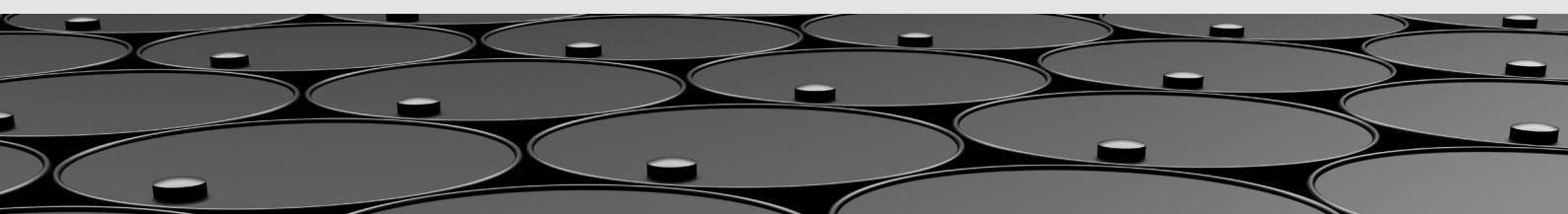
45 The FAO Policy Decision Analysis Tool is updated regularly.

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Policy recommendations

Averting poverty and food insecurity in the face of multiple crises in the region requires a combination of several policy measures; those taken so far have certainly prevented increases in the level of poverty and food insecurity in the region, but an extended period of crisis could test the financial capacity of countries to continue implementing such measures. Therefore, looking at measures to be implemented in the short, medium and long term is important. In this regard, the following measures are suggested:

- a. In the short term, the continued provision of assistance to those who have lost their sources of livelihood is important in order to ensure minimum levels of consumption. This has been the response that countries have prioritized, but in a protracted crisis, countries may fail to continue to do so in the face of financial shortfalls. FCCs are particularly at risk of failing to sustainably provide these assistances, due to their narrow fiscal space. This requires effective partnerships between NGOs, governments and other development partners.
- b. Countries in the region are likely to continue to rely on food imports for the foreseeable future. Ensuring stable access to food through expanding access to social protection, especially for those who are poor and vulnerable and whose income is affected, is important – it is critical to save lives and livelihoods, and to avoid further spread of poverty and hunger.
- c. Some countries have the potential to increase agricultural production but are unable to do as a result of protracted conflicts. The negative socio-economic impacts of COVID-19 in fragile and crisis-affected areas, such as poverty (including multidimensional poverty) and food insecurity, can prove fertile ground for armed groups to penetrate, re-emerge into or recruit in, vulnerable communities, further fuelling conflicts and destabilizing countries, and ultimately pushing millions deeper into poverty. Ensuring peace and security is therefore an essential element of any strategy to address poverty and ensure food security through, inter alia,



increasing local production of food, minimizing dependence on food imports and ensuring adequate levels of micro-nutrients.⁴⁶

- d. Economic growth will have little impact on poverty if inequality is worsening. While more research is required on the dynamics of inequality, persistent inequality in the region, coupled with declining economic growth, leads to increases in poverty in those countries that already have large numbers of poor people who lack adequate social protection coverage. If poverty is to be addressed, growth may not be enough; it must be inclusive.
- e. States must ensure stable growth that generates more jobs. In OECs – except the UAE and Algeria – oil revenues as a percent of total revenues between 2015 and 2017 are estimated to range from 70 to 80 percent.⁴⁷ However, this provides only a limited source of direct employment.⁴⁸ In FCCs such as Iraq, oil contributes to more than 90 percent of central government revenue in 2015 but produces only one percent of employment (World Bank, 2017). Such reliance on single commodity would continue to expose those countries to external risks and affect financial sustainability of measures that they have put in place to protect the wellbeing of their citizens. Enhancing diversification initiatives would be important to minimize dependence on single commodity, expand fiscal space and ensure the financial sustainability of social protection measures that these countries have put in place.

46 Woertz, E., “Agriculture and Development in the Wake of the Arab Spring”, *International Development Policy*, July 2020, <https://journals.openedition.org/poldev/2274?lang=en/>.

47 Khan, S., et al., “Staying the Course on Reforms – In Focus: Water for Prosperity and Development (English)”, *Gulf Economic Monitor*, no. 3, 2018.

48 IMF, “Economic Diversification in Oil-Exporting Arab Countries”, Annual Meeting of Arab Ministers of Finance, April 2016, <https://www.imf.org/en/Publications/Policy-Papers/Issues/2016/12/31/Economic-Diversification-in-Oil-Exporting-Arab-Countries-PP5038#:~:text=The%20non%2Doil%20private%20sector,oil%20and%20gas%20industry%20dwindles/>.