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### Coronavirus – projected Impact on Economy and Social Well Being and action required

The COVID-19 outbreak is not just an unprecedented threat to health. The current pandemic, in fact, is to be considered “a bigger economic threat than the financial crisis of 2008-9” as written recently on the Financial Times by [Chief Economics Commentator](#), Martin Wolf. Also according to IMF Chief Economist [Gita Gopinath](#), the World is sliding towards a “recession worse than the 2008 financial crisis”.

The Parliamentary Assembly of the Mediterranean (PAM) salutes the exceptional and brave efforts of health workers and the scientific community to combat this virus and, at the same time, urges all leaders, at national and international level, also to focus on livelihood of “people – families, low-wage workers, small and medium enterprises and the informal sector”, as called for by the UN Secretary General, [Antonio Gutierrez](#).

For many years, PAM has worked at addressing and softening the financial constraints encountered by Micro, Small and Medium Size enterprises (SMEs) and Start-Ups in accessing credit in the Euro-Mediterranean regions. SMEs generate more than 90% of new jobs in the Mediterranean, represent 99% of businesses and employ two third of the active working population in Europe and MENA regions.

A few months ago, PAM launched a dedicated digital platform, the “[Start-up Market Project](#)” enabling entrepreneurs, start-uppers and investors to meet and identify options. In the wake of the pandemic, more voices have now piled up, asking to bailout such enterprises, before any other sector, as many SMEs, without appropriate economic support, will not be able to stay in business until the end of the summer, due to the cash crunch. This is also more frightful in light of ILO Director General, [Guy Rider](#)’s alert, launched last week, that up to 24.7 million jobs could be lost globally, and that “sustaining business operations will be particularly difficult for SMEs”.

According to the OECD specialized report “[Covid-19: SME Policy Responses](#)”, SMEs will be affected both on the demand side, with a dramatic and sudden loss of revenue and cash flow, but also on the supply side. This because supply chains will be disrupted or interrupted and a reduction of supply of labour will likely take a high toll on the enterprises.

In the last few days, [UNCTAD](#) has also updated its estimates of COVID-19’s economic impact and revisions of earnings of the largest multinational enterprises (MNEs), which now suggest



that the downward pressure on Foreign Direct Investment flows could range from -30% to -40% during 2020 and 2021.

The Parliamentary Assembly of the Mediterranean considers essential to listen to the severe warning of former ECB President, [Mario Draghi](#), that “the cost of hesitation may be irreversible”. Parliamentarians play a fundamental role in spurring their governments to provide, in such exceptional circumstances, transition capital to suffering businesses and to lose regulations standing in the way. More than [40-high profile economists](#), advocate using fiscal firepower for a Draghi’s inspired “whatever it takes” economic response to the COVID-19 crisis.

Professional economic forecast is becoming daily out of date. [Goldman Sachs](#) has predicted a GDP slump ranging between -8% and -15%. On 23 March, IMF Managing Director, [Kristalina Georgieva](#), raised hopes saying that the Monetary Fund “expects global recovery in 2021”, but predicting that ‘many emerging markets and low-income countries face significant challenges’. Along these lines, PAM, member of the IMF-WB Parliamentary Network, supports the joint call for action issued by the [World Bank and the IMF](#) to the G20 requesting the adoption of debt relief measures for the poorest countries and will endorse such proposal during the next meeting.

On 25 March, the UN Secretariat, supported by WFP, WHO, IOM, UNDP, UNFPA, UN-Habitat, UNHCR, UNICEF and OCHA, launched a \$2 billion project, the [COVID-19 Global Humanitarian Response Plan](#), that calls to raise funding to fight the virus in the world’s poorest countries, and to address the needs of the most vulnerable people, especially women and children. IOM alone needs 63 million to assist migrants stranded in the MENA region.

PAM calls on its Member States to encourage their governments to contribute to the Global Humanitarian Response Plan, and to put in place the necessary national and regional measures to protect countries of the Euro-Mediterranean and Gulf regions against the serious impact on economic growth, reduction of industrial and tertiary services production, but also the negative effects on domestic consumptions, supply chains, international trade and balance of payments brought by the virus. In particular, PAM recalls the necessity to secure the continuity of the supply chain for all essential commodities and services such as food, time-critical productive and agriculture inputs.

Furthermore, PAM calls for solidarity to support those war-torn member countries in North Africa and the Middle East, all facing very harsh impact on their health systems, as much on the economic and social well-being of their people.

Never have so many world leaders and experts announced “We are at war” so bluntly as today. Extraordinary measures are requested. PAM fully shares the UNSG remarks to ‘welcome infusions of liquidity and social and economic support in developed countries’, but also to ‘wave those sanctions that can undermine countries’ capacity to respond to the pandemic’.

