

The economic aftermath of the COVID-19 By Union For Mediterrean

Devising actions for recovery

Paris, Rabat, 03.04.2020, 03:16 Time

USPA NEWS - The economic impact of the COVID-19 Pandemic on the world economy could be even worse than that of the 2008 recession according to leading think tanks and experts, with expectations of a deceleration of global growth, which will be hit by a projected loss of over 1 trillion dollars in the year 2020. The OECD estimates that for each month of containment, there will be a loss of 2 percentage points in annual GDP growth. The tourism sector alone faces an output decrease as high as 70%.

This global recession will not be spread evenly across the globe, and the UfM region in particular is expected to be among the regions most affected. Countries severely affected by the pandemic in the Northern Mediterranean, as well as countries in the Southern shore with high external debt or heavy reliance on oil exports or tourism, will experience the socio-economic repercussions more intensely than others.

The ensuing market volatility, credit crunch, rising unemployment and debt distress are among the expected facets of the crisis, together with a deepening of economic inequalities within the region.

Both regionally and globally, the response to slow the pandemic's spread and blunt its economic and societal effect is emerging. The International Monetary Fund is providing \$50 bn to mitigate the effects of the crisis; the World Bank Group is fast-tracking a \$14 bn package of immediate support for the public health sector, with the possibility of deploying more over the coming 15 months.-----

In the UfM region, and at the EU level, the European Commission adopted a temporary framework to enable Member States to use the full flexibility foreseen under state aid rules to support the economy in the context of the COVID-19 outbreak. More specifically, the EU and its Member States are taking action to minimise the fallout on the economy via:

“€ €37 billion from the EU budget to be allocated to the Coronavirus Response Investment Initiative to support the most exposed sectors such as healthcare systems, small and medium-sized enterprises (SMEs) and labour markets.

“€ up to €28 billion of structural funds from 2014-2020 national envelopes not yet allocated to projects, to become eligible for crisis response.

“€ up to €800 million from the EU Solidarity Fund, to be directed at countries hardest hit, thanks to an extension of the scope of the fund to public health crises.

“€ up to €40 billion to bridge short-term financing needs of SMEs via the European Investment Bank.

OTHER MEASURES ARE TO BE DEPLOYED IN THE COMING DAYS-----

In the Middle East and North Africa region, the impact is not yet fully unfolded, but several countries have already approved a package of economic measures to navigate the effects -actual and foreseen- of the pandemic. In its dedicated “COVID-19 policy hub,” set to serve as a single point of entry concerning the data, analyses and policy advice developed, the OECD included a series of “key sector policy briefs, country notes, including from the Middle East and North Africa, to showcase policy efforts and share successful experiences in the battle against the pandemic. The UfM Secretariat is closely monitoring the developments and assessing the repercussion. It is determined to support governments in developing effective cooperation and coordination in any sector necessary to tackle the aftermath and the hoped-for recovery as well as work together with its partners and other multilateral organisations on building resilient societies, economies and environments. “ In this spirit, several activities are already envisaged with the aim of promoting social economy, supporting micro, small and medium-sized enterprises, fully unleashing the potential of digitalisation, research and innovation, revitalising the blue economy sector, accelerating gender equality and addressing the challenges associated with informal employment. Source : UfM

Article online:

<https://www.uspa24.com/bericht-16752/the-economic-aftermath-of-the-covid-19-by-union-for-mediterrean.html>

Editorial office and responsibility:

V.i.S.d.P. & Sect. 6 MDSStV (German Interstate Media Services Agreement): Jedi Foster P/O Rahma Sophia Rachdi

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Official Federal Reg. No. 7442619