



UNITED NATIONS  
Saudi Arabia



# Socio-Economic impact of COVID-19 in the Kingdom of Saudi Arabia and how to Build Back Better

Diagnostics paper

UN in KSA, November 2020



## Preface

This report was prepared under the overall direction and guidance of the UN Resident Coordinator in the Kingdom of Saudi Arabia, Ms. Nathalie Fustier, and UNDP Resident Representative, Dr. Adam Charles Bouloukos.

It includes inputs and is a joint effort of the United Nations Country Team in the KSA. Dr. Mohammed Mudawi, Deputy Resident Representative of UNDP, and Dr. Aljaz Kuncic, Economist with RCO, were technically and organizationally co-leading the UNCT COVID-19 Taskforce and partnering up with Prince Sultan University (PSU) to support these efforts. The findings, interpretations, conclusions and policy recommendations expressed herein are those of the authors and do not necessarily reflect the views or official positions of the United Nations, its officials or Member States.

The team would like to express its appreciation for the valuable contributions of the Center for Financial Studies (CFS) at Prince Sultan University, Mr. Ayman El-Hefnawi (UN-HABITAT), Ms. Sara Bin Ayyaf and Dr. Mohammed Mudawi (both UNDP), Ms. Naseem Awl (UNICEF), Mr. Sharif Ahmed Mohamed, Ms. Kristina Mejo, and Ms. Hind Kinani (all IOM), Mr. Khaled Alhmoud (WB), Mr. Sahir Mohyudin (UNHCR), Mr. Saeed Shami (FAO), Mr. Nada Khaled (WHO), Mr. Tariq Haq, Mr. Ahmed Moustafa, and Ms. Aya Jaafar (all ILO), Ms. Shaima Saly (UNFPA), Ms. Ansam Alabayechi (UNOHCHR), Dr. Hatem Aly (UNODC), Mr. David Joy, Mr. Ibrahim Alhelali, Mr. Austin G. Hamilton, and Dr. Aljaz Kuncic (all RCO).



# UN in KSA

## UN in the KSA

- The United Nations has been actively working with the Kingdom of Saudi Arabia since 1952.
- The UN Country Team (UNCT) comprises all UN entities working in or with the Kingdom of Saudi Arabia. The UNCT is led by the UN Resident Coordinator, Nathalie Fustier, and has been in country since 01 November 2018.
- **20 in total. Twelve** agencies, funds and Programme present in country, out of which **two are** principally in support of operations in Yemen. **Eight** operate through regional offices and (or) HQs.

### In Country Presence:

- UNICEF, UNDP, FAO, IFAD, WHO, UN-Habitat, OHCHR, UNHCR, ICAO, The World Bank Group
- OCHA and WFP (functionally in support of Yemen);

### Operating through Regional Offices (or) HQ:

- UNESCO, IOM, UNEP, UNFPA, ILO, ESCWA, UN Women and UNODC



## Foreword

The COVID-19 pandemic coincided with a significant drop in the global prices of crude oil which more than halved in its market value from the start of the year. In the Kingdom of Saudi Arabia, the oil and gas sector accounts for about 50 percent of the gross domestic product (GDP), and about 70 percent of all export earnings. Individual incomes connected to the energy sector have experienced massive drops in the KSA. Low oil prices compound the negative demand and supply shock of COVID-19, and has resulted in a double-digit expected fall of nominal GDP, and forecasts of over 5% fall in real GDP, with both oil and non-oil sectors reporting contractions after the first half of 2020.

The Government of KSA demonstrated commendable efforts to contain the spread of COVID-19 through a range of timely and well-developed measures to mitigate the impact. The government invested more than 7% of GDP to alleviate the impact of COVID-19 on the economy, the labour market, and individuals. Despite the good efforts of the Government, however, the scale of the COVID-19 pandemic is generating socio-economic disruptions in the country and beyond, affecting every sector of the economy and every aspect of life, with some groups such as temporary contractual workers in KSA being particularly affected, and the effects of lower remittances affecting their home countries considerably as well.

Most mitigating measures already in place are supporting businesses or Saudi national public and private sector employees, with the exception of the General Authority of Awqaf community fund and Ramadan Aid, directly aimed at the most vulnerable segments of the society. This is in addition to the distribution of food aid packages by the Saudi Food Bank, including through the UN-Network on Migration in KSA.

The most at risk who include poorer segments of Saudi society as well as non-Saudi citizens, predominantly working in the private (and some of them, informal) sectors, are disproportionately negatively affected by the recent VAT increase and the reduction in salaries (or in the case of working in the informal sector, complete loss of incomes). These vulnerable populations are at the very center of this impact analysis which aims to identify measures to support the Government's efforts.

The United Nations in KSA has been working on two key documents to articulate how the United Nations can continue to support the Kingdom in its COVID-19 response and guide our collective discussion with the Government and other partners. The UN COVID-19 Capacity Brief, submitted to the Government at the end of June 2020, contained a collation of 67 ongoing activities and projects which could be enhanced or accelerated to support the Government's COVID-19 response, as well as new activities aimed at COVID-19 mitigation. The present United Nations Diagnostics Paper on Socio-Economic impact of COVID-19 in the Kingdom of Saudi Arabia summarizes the economic and social landscape of KSA with a focus on the potential impact of COVID-19 and the oil price crisis, utilizing the leave no one behind (LNOB) lens, and further enlarges the non-exhaustive set of possible UN support and policy recommendations, including the ones already included in the UN COVID-19 Capacity Brief.

The UN in KSA is looking forward to discussing how the findings and recommendations of both the UN COVID-19 Capacity Brief and the UN Diagnostics paper on the Socio-Economic impact of COVID-19 in the Kingdom of Saudi Arabia can further support the Government of KSA while contributing to the Vision 2030, as well as the United Nations 2030 Agenda and Sustainable Development Goals.

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## Executive Summary

The COVID-19 Pandemic has spread rapidly across countries in the world. It has disrupted the lives and livelihoods of all communities and is causing major challenges to vulnerable people. It also has a far-reaching and negative impact on the economy and the well-being of the population.

This paper is a diagnostic paper on the socio-economic impact of COVID-19 on the Kingdom of Saudi Arabia (KSA, Kingdom or Saudi Arabia). It assesses the socio-economic impact of the COVID-19 pandemic on the Kingdom through the analysis of the situation before and after the pandemic. This assessment with a particular focus on the most vulnerable groups, in line with no one left behind approach, is based on the five development pillars highlighted in the "A UN Framework for Immediate Socio-economic response to COVID-19" which sets out the framework for the United Nations' urgent socio-economic support to countries and societies in the face of COVID-19, putting in practice the UN Secretary-General's Shared Responsibility, Global Solidarity report on the same thematic.

The United Nation Country Team (UNCT) in Saudi Arabia, coordinated through the Resident Coordinator Office (RCO), worked on this report to identify the most at risk and vulnerable categories of population including those who fall outside of government support systems such as foreigners who are irregularly staying in the Kingdom. This report also provides an overview of the response and recovery measures put in place by the government and showcases key areas of intervention for UN agencies to bring value added and contribute to strengthening the response provided by the government to the short and long-term socio-economic consequences of the COVID-19 pandemic.

The UNCT is coordinating this research to design detailed assessments of the COVID-19 pandemic in guidance with the UN framework of the immediate socio-economic response. The UNDP, as the Technical Leader for this joint socio-economic response, is considering this research to be a base for further specialized research, policy advice, recommendations, and initiatives. This Research would also assist UNDP and other UN agencies in drafting and designing its specific programmatic responses to this pandemic in the Kingdom by identifying the gaps in which the government would need their support. In this regard, this report attempts to provide policy makers with an overview of the economic strengths of Saudi Arabia highlighting key social areas such as health, education, poverty, gender equality, and social protection programs.

The report is divided into **three separate parts** and a brief of each is as follow:

**Part I: "The Starting Point"** Establishes the pre-crisis profile of KSA, providing a baseline on the macroeconomic and social structure. The section mainly deals with, economic and social analysis of the Kingdom before the pandemic. Areas covered in this section include country's situation, before the pandemic, related to food security and nutrition, health, education, gender, development, poverty, inequality, vulnerable and at-risk population. Moreover, structure of GDP (C, G, I, NX) as well as structure of the budget, external sector - remittances, portfolio flows, monetary policy and labour markets are covered.

In 2019, KSA GDP grew by a meager 0.3%, driven by growth in non-oil segment, up 3.3% while the oil segment showed a decline of 3.6%. Long-term data highlight two clear phases of economic growth; (i) a strong growth trend seen over post Great Financial Crisis of 2009 leading up to 2015 (average growth of 5.2%), and (ii) a consolidation phase over 2016-2019 (average growth of merely 0.9%). Under the Vision 2030, KSA has smoothly executed a slew of economic reforms aimed at reducing KSA dependence on oil for economic activity and revenues, increasing the role of private sector in the economy and improve the overall socioeconomic wellbeing of citizens (health, education, housing, employment, poverty & inequality). The data shows encouraging results on major yardstick on key macro aspect set under the vision.



Consequently, it has been running a relatively higher fiscal deficit (FD) where the average FD in the past five years has clocked in at 9.7%. Public Debt climbed upwards by 3.8 percentage points to close at 22.8% of GDP in 2019 given high fiscal deficit in 2019. However, government's commitment towards fiscal consolidation can be highlighted by the fact that FD in 2019 clocked in at 4.5% vs 5.9% in 2018 despite lower oil revenue. The current account surplus dipped to 5.4% of GDP, owing to lower oil earnings (9.0% in 2018). Also, a key milestone was the inclusion of Saudi Stock Exchange (Tadawul) as part of MSCI emerging markets stock indices, thereby boosting Portfolio Investment flows.

**Part II: "Size of the shock"** The aim of this part is to quantify the size of shock to economy and key social and economic factors, stemming from dual impact of low oil prices and COVID-19 pandemic. It has a similar structure to Part I, with Economic Analysis consisting of quantifying the GDP and Fiscal and Monetary shock followed by Socio-Economic shock.

The dual shock from COVID-19 pandemic and volatility in oil prices due to indiscipline production amid weak growth backdrop has profound economic implications for KSA. The unique shock threatens to roll back recent progress on economic and socio-economic areas and poses further risk to economic stability (dollar peg, inflation) in absence of timely and effective policy response.

Many of the economic sectors face stress emanating from dual shock, particularly labour intensive sectors of construction, wholesale and retail, hospitality and food & restaurants retail sectors. Construction activities have decelerated considerably as shown by the enormous decline in cement off-take during April-May 2020 (25% YoY). Point of Sales transaction (POS) is generally a barometer of the health of the retail segment, which fell sharply in April by 33% while falling another 16% YoY in May. The Labour Market is also expected to face headwinds of the economic downturn, with one of the news items suggesting up to ~1.2mn foreign workers leaving Saudi workforce in 2020. Similarly, the United Nations Economic and Social Commission for Western Asia (ESCWA) has projected upto 1.7mn job losses in the Arab world, with most of the job losses occurring in the service sector.<sup>1</sup>

The following table tracks changes in forecasts of major economic indicators before and after the COVID-19 pandemic and provides a useful snapshot of shock to economy associated with dual impact of low oil prices and COVID-19 pandemic.

Table 0-1

Key Economic Variables forecasts (Real GDP based on June 2020 estimate)						
	Jun 2020		Oct 2020		Difference	
	2020	2021	2020	2021	2020	2021
IMF						
GDP growth	-6.8%	3.1%	-5.4%	3.1%	1.4%	0.0%
Fiscal Deficit	-11.4%	-5.6%	N/A	N/A	N/A	N/A
Current Account	-3.1%	-3.4%	-2.5%	-1.6%	0.6%	1.8%
Inflation	0.9%	2.0%	3.6%	3.7%	2.7%	1.7%

Source: IMF

The pandemic also poses significant socio-economic challenges with the healthcare sector directly impacted. As of 30<sup>th</sup> September, 2020 there were ~334,000 confirmed cases and 4,739 deaths in Saudi Arabia. However, the Kingdom is well prepared to tackle the pandemic, having dedicated facilities including 80,000 beds and 8,000 ICU beds to deal with the pandemic. On the testing front, it has established 20 laboratories for PCR tests with daily capacity of conducting over ~14,000 tests. On the education front, educational institutes have been shut down, severely impacting students due to home quarantine measures enforced by KSA, similar to governments around the world.

**Part III: "Response and Recovery"** This part is structured around the five Developmental Pillars stated in the UN 2020 framework for COVID-19 socio-economic response; namely (i) **Health First**, (ii) **Protecting**

<sup>1</sup> <https://www.unescwa.org/publications/socioeconomic-impact-covid-19-policy-briefs>

**People, (iii) Economic Recovery, (iv) Macroeconomic Response, and (v) Social Cohesion and Community Resilience.** Three pillars pertain to socio-economic responses, and the other two pillars focus on economic responses and recovery. Each pillar has two sub-sections. The first sub-section, **“Tackling the Immediate Emergency:** deals with describing the major initiatives and response taken by the KSA government to tackle the crisis; the second sub-section **“Recovering Better:** includes identified areas to be improved (gaps) and policy recommendations which if implemented will help the Kingdom become more resilient for possible future similar shocks

Based on the analysis of available initiatives of the government and the discussion of pre and post COVID-19 situation in part 1 and part 2 respectively, we have identified various gaps and potential for improvements around the five developmental pillars as laid down by the UN Framework. The identified gaps concerning each pillar are classified in several groups. The following discussion will list some of the identified gaps pertaining to each pillar.

**Pillar I (Ensuring that essential health services are still available and protecting health systems):** The government has come up with a comprehensive and timely response on COVID-19 health crisis. Some of the prominent steps taken by the government include development of dedicated health facilities to deal with COVID-19, additional financing resources, bold decision on suspension of Umrah and significantly limitation of Hajj pilgrimages, provision of adequate and surplus personal protection equipment to healthcare workers and the overall population, and running regular media campaigns to provide regular updates and information about the crisis.

Based on the framework for gap identification and assessment, several areas for improvement (gaps) have been identified concerning this pillar which are related to vulnerable and marginalized groups, issues with healthcare structure and issues which warrant further focus by the government. Summary of some of these gaps are: Upgrading Saudi Center for Disease Prevention and Control -SCDPC (**SDG3<sup>2</sup>, GCM<sup>3</sup> Objectives 15, 16**), limited health infrastructure capacity (**SDG3, GCM Objectives 15, 16**), Lack room for increasing the number of Medical Research Centers (**SDG3, GCM Objectives 15, 16**), Inadequate capacity of treating psychological illnesses (**SDG3, GCM Objectives 15, 16**), Low Saudization of Domestic health workforce as the issue assumes added importance during pandemic given the risk of mass exodus and subsequent shortage of workers (**SDG5, SDG8, GCM Objectives 15, 16**), high cost of testing in private hospitals (**SDG3, GCM Objectives 15, 16**), and, disproportionate impact of COVID-19 on Women (**SDG5 & SDG10, GCM Objectives 15, 16**).

**Pillar II (Helping people cope with adversity through social protection and basic services):** The government has come up with various initiatives on education (launch of online education, continued funding for student on scholarship etc), housing (exemption from VAT, provision of housing as per planned), child-care, IT and Telecom (particularly message service on COVID-19 updates, availability of internet service) and provision of food supplies (increased efforts). However, there are numbers of areas related to this pillar where the government can strengthen its response which include; IT infrastructure access to students in rural areas (**SDG4, SDG9, GCM Objectives 15, 16, 18, 19**), A comprehensive education strategy (**SDG4, GCM Objectives 15, 16, 18, 19**), Distance learning portals (**SDG4, GCM Objectives 15, 16, 18, 19**), Detention centers as potential hotspots (**SDG10, SDG11, GCM Objective 13, 21**), Dependency for food (**SDG2, GCM Objectives 19, 23**), and Protection of at-risk groups for exploitation (**SDG1, SDG5, GCM Objectives 3, 6, 7, 9, 10, 11**).

**Pillar III (Protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programs):** Protecting jobs, and SMEs and productive actors is essential to protecting labour market, minimize social cost of pandemic and sustaining capacity for

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<sup>2</sup> Sustainable Development Goals; Transforming our world: the 2030 Agenda for Sustainable Development. United Nations General Assembly A/RES/70/1

<sup>3</sup> Global compact for safe, orderly and regular migration, United Nations General Assembly A/RES/73/195

accelerated economic recovery, particularly in the context of existing labour market dynamics in KSA. **Government Key initiatives supporting this pillar encompass;** monetary and financial support to private sector and SMEs, providing Saudis with unemployment insurance in private sector and introducing supportive labour market regulations targeting private sector, particularly non-Saudi workers. Key areas of improvement or gap under this development pillar relate to protection of Saudi & non-Saudi employment, protection of women employment, and domestic and irregular workers. Some of the specific areas for improvement (gaps) are as follows: Protection of Non-Saudi workers (**SDG8, SDG10, GCM Objectives 15, 16, 19**), Protection for women (**SDG5, GCM Objectives 15, 16, 19**), Need of minimum wages (**SDG8, SDG10, GCM Objectives 15, 16, 19**), **Relaxing of visa**, Employment conditions for migrant workers (**SDG8, GCM Objectives 5, 11, 21**), need for effective policies for fair and due legal process to manage foreign worker's complaints against their sponsors (**SDG8, GCM Objectives 6, 7, 10, 12, 14, 15**) and availability of data on irregular migrants (**SDG8**), and Protecting irregular migrants (**SDG8, SDG11, GCM Objectives 5, 7, 9, 10, 11, 13**).

**Pillar IV (Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses):** The government has announced several important fiscal and monetary measures to support the economy. Overall, KSA has provided fiscal support to the tune of USD61bn to minimize the impact of Covid-19. On the monetary front, Saudi Arabian Monetary Authority (SAMA) reduced its policy rate twice, lowering the repo rate to 1.0%. While these measures have been timely and generous, the government can improve in several areas in its macro-economic management which may help the government in accelerating the recovery and make progress on targets set under Vision 2030. Some of our recommendations are as follow; Alignment of the fiscal and external adjustment (**SDG8**), Pro cyclical fiscal spending (**SDG8, SDG12**), Diversification of economy (**SDG8, SDG9**), Strengthening Debt Management and sustainability (**SDG8**), Budget credibility & transparency (**SDG8**), Efficiency of fiscal expenditures and realignment of priorities (**SDG8, SDG12**), Enhance revenue mobilization (**SDG8**), and Support for SMEs (**SDG8, SDG9**), promoting faster, safer and cheaper transfer of remittances and fostering the financial inclusion of Temporary Contractual Workers (**SDG 10, GCM Objectives 20, 23**).

**Pillar V (Promoting social cohesion and investing in community-led resilience and response systems):** Key initiatives under this development pillar include; the Ministry of Municipalities & Rural has raised social awareness through social media campaigns, closing markets and all commercial activities, continuously providing cleaning and sterilizing services. Some of the key areas of improvement are as follow; Financial and Social protection of Temporary Contractual Workers (**SDG1, SDG8, GCM Objectives 15, 16, 17, 19, 20**), Assistance to Stranded migrants (**SDG8, SDG16, GCM Objectives 13, 21**), Gender-Based Violence (GBV) (**SDG5, GCM Objectives 10, 15, 16**), Women's health (**SDG3, SDG5 GCM Objectives 10, 15, 16**), Knowledge of human and labour rights among domestic workers and low-paid Temporary Contractual Workers (**SDG8, SDG16, GCM objectives 3, 7**), Workers Housing improvement as well as unplanned settlements upgrading (**SDG11**), and Financial and social protection of women working in handicrafts and traditional industries (**SDG5, GCM Objectives 6, 10, 22**).

It is concluded that notwithstanding the considerable efforts made by the government in order to respond to this rapidly spreading virus, the unprecedented nature of this crisis requires the full engagement of relevant stakeholders to be able to provide the most comprehensive and targeted response to leave no one behind. The proposed strengthened UN support will lead to higher performance and efficiency of the government, with measures that can provide guidance to the government for it to be even more adaptive and pro-active to possible future shocks. The UN and private sector can play an important role in supporting the government in drafting future action plans.

## Introduction

The COVID-19 pandemic has unleashed a global crisis of a magnitude as never seen before, be it economic or social. Strict social distancing protocols have been enforced around the globe to stem the spread of the virus, which has thus far engulfed close to ~1.0mn lives and infected over ~33.0mn people all over the world as of 30<sup>th</sup> September 2020. As a result of lockdowns, the economic costs have already surpassed the last financial crisis of 2008. On the socio-economic front, the current crisis has hit hard on key indicators: loss of income from rapid unemployment and businesses scaling down their operations considerably, access to healthcare has been impeded as the bulk of the human and other resources have been diverted towards handling COVID-19, and education, especially primary education where internet access is very limited and online mode of teaching is hardly any substitute.

With this in the background, the UN Diagnostics paper on Socio-Economic impact of COVID-19 in Saudi Arabia (KSA) is an analytical document underpinning the suggested activities of UNCT in the United Nations COVID-19 Capacity Brief (CB)<sup>4</sup> issued end of June 2020, and which serves as a framework for identification of current and future developmental challenges in the KSA. It has been prepared to contextualize the current economic and social landscape of the KSA, highlighting major areas of reform and initiatives that have taken place over the past years while identifying gaps in measures implemented so far on economic and socioeconomic challenges in the backdrop of COVID-19, framing possible future government action plan and the areas where the government and the UN can work closely for better response to COVID-19 challenge. In this regard, the following report attempts to provide policymakers a snapshot of the economic strength of Saudi Arabia and also highlights the state of key social areas such as health, education, poverty, gender equality, and social protection programmes.

### Basic principles of the study

In addition to the United Nations and its associated agencies' reports and literature, certain basic principles have been adopted as a reference to govern the study process, starting with the selection of approach, data sources, methods for data gathering and analysis, report writing, and presentation. The key principles underlying the study include: Identification and mapping of those most at risk of being left behind are critical. Under this basic principle, the following aspects are given special attention:

**Personal situation and status:** Some groups are more affected than others by the pandemic. Often, these groups tend to be marginalized and excluded, depend heavily on the informal economy for earnings, and occupy areas prone to shocks. These groups include: women, older persons, adolescents, children, and youth, especially girls and young women, persons with disabilities, persons with mental health conditions, migrants, especially irregular persons with disabilities, migrants, refugees, stateless and internally displaced persons, conflict-affected populations, minorities, persons in detention, or institutionalized settings (e.g., persons in psychiatric care, drug rehabilitation centres, and nursing homes).

**Occupation:** Frontline health workers, the majority of whom are women, and temporary contractual workers, and those providing essential life-saving services are more exposed to the virus, and their safety and livelihoods may not be sufficiently protected in the government responses.

**Location:** The crisis will exacerbate inequalities, especially in vulnerable settings such as camps and camp-like settings, peri-urban and urban settlements, rural areas, indigenous communities, prisons and immigration detention centres, drug treatment and rehabilitation centres, and fragile locations, such as informal settlements and slums, which are already underserved by social services.

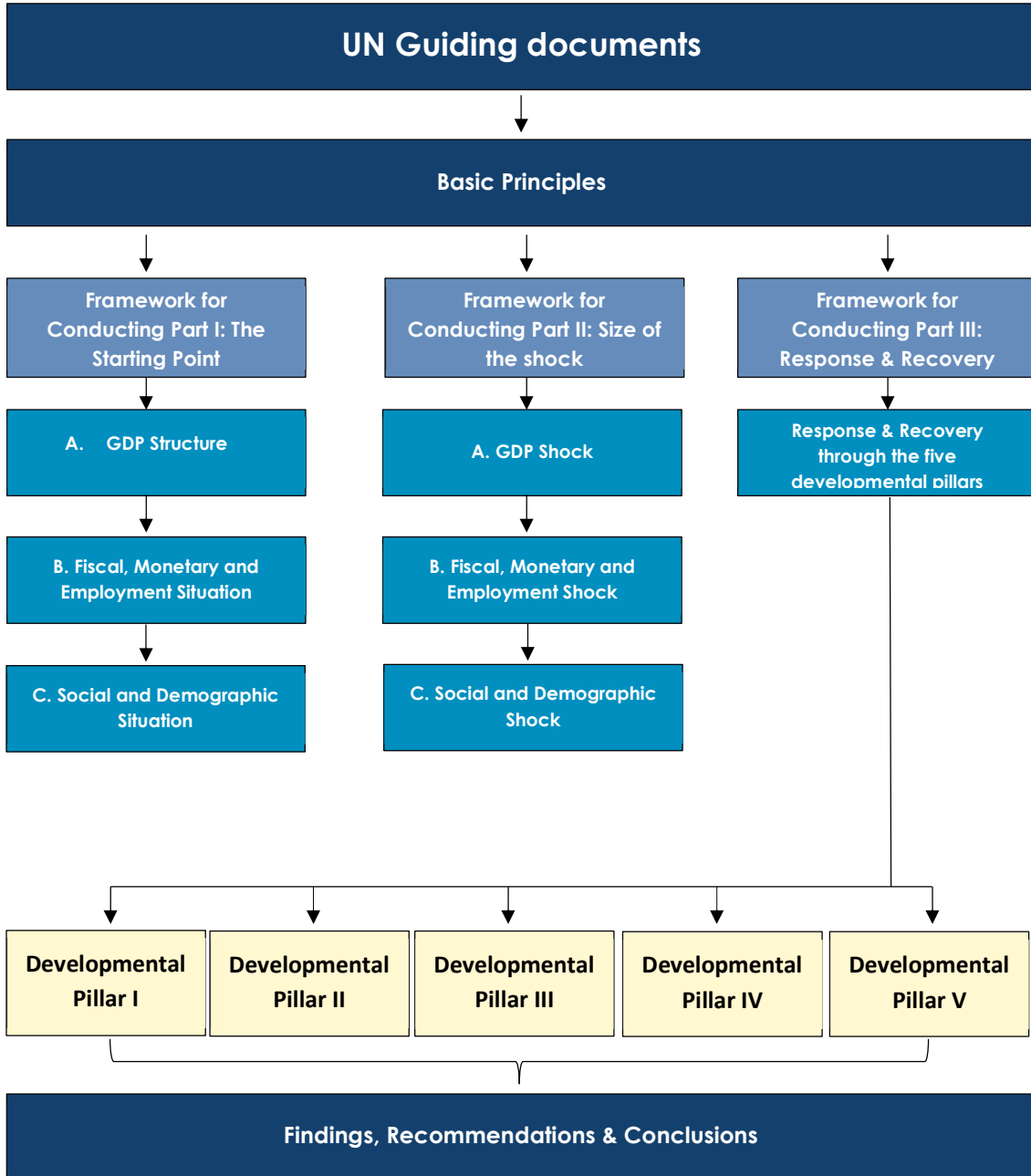
**Legal status:** In the UN's effort to leave no one behind, the situation of those forced to flee their homes, stateless people who are undocumented and on irregular status, and people living in camps and camp-like settings, slums, or in the margins of society must be considered.

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<sup>4</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

Figure 0-1

The overall conceptual framework to conduct the study



Source: PSU, UN

At the start, the United Nations and its associated agencies' reports and literature are chronologically reviewed below, with two essential documents shaping the focus and framework. The two most fundamental documents forming the UN's response and analysis are the **Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19**, and **A UN framework for the immediate socio-economic response to COVID-19**.

In March, there were three documents<sup>5</sup> generated by the UN Conference on Trade and Development (UNCTAD) that focus primarily on the general macroeconomic situation and potential stimulus options to lessen the impact of COVID-19. These documents identify areas of the economy being most affected by the pandemic, some of which are the energy and airline sectors, experiencing the most substantial negative consequences, and countries' with the most significant impact by China's initial imposed lockdown, which subsequently slowed China's economy and had a contagion effect. The UNCTAD: Global Trade Impact of the coronavirus (COVID-19) report examines the impact of China's slowdown on the global value chain; their findings were that highly developed countries like those in the European Union, Japan, and the United States experience this the strongest.

Moreover, during March, the United Nations Sustainable Development Group released the first integral document framing the UN response, which is further discussed below.

### **Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19**

The UN Secretary General's Shared Responsibility, Global Solidarity document sets the stage for how the COVID-19 pandemic is unlike any global health and economic crisis faced in the 75-year history of the United Nations. Due to the widespread impact of the pandemic, virtually every country is experiencing a health or economic shock due to COVID-19. The document argues that for a crisis of this nature, the only way forward is through a "large-scale, coordinated and comprehensive multilateral response amounting to at least 10% of global GDP." Shared Responsibility, Global Solidarity focused on five categories: **1. Suppress transmission to stop the pandemic and save lives; 2. Social, economic, and multidimensional impacts; 3. Sustainable solutions to cope with the impacts; 4. Partnerships to accelerate the global response to COVID-19; and 5. We will overcome this human crisis and recover better.**

**The first category;** suppress transmission to stop the pandemic and save lives, focuses on: i) Act decisively and early to prevent the further spread or quickly suppress the transmission of COVID-19 and save lives; ii) Urgently strengthen the resilience of health systems; iii) Provide urgent support to developing countries with weaker health systems; iv) Remove obstacles and allow free and immediate access to research results and ensure that vaccines and medicines are accessible to all; v) Businesses and Corporations step up to the challenge; and Philanthropies join this fight. **The second category;** social, economic and multidimensional impacts, focus on: The effects on people and on the formal and informal economy are devastating; The impacts are complex and affect us all; Implications for the 2030 Agenda and the Paris Agreement; Had we been investing – MDGs and SDGs – we would have a better foundation for withstanding shocks; and Political leadership and cooperation to combat COVID-19. **The third category;** sustainable solutions to cope with the impacts, focuses on: Global measures to match the magnitude of the crisis; Regional mobilization; and National solidarity is crucial to leave no one behind. **The fourth category;** partnerships to accelerate the global response to COVID-19, focuses on: Local and National Authorities; Global research and innovation; and Civil society and community-based organizations. **The fifth category;** We will overcome this human crisis and recover better, argues the current pandemic can be a zeitgeist. The situation more broadly representing the need for global solidarity to address the issues plaguing our world. Today's and tomorrow's problems will be more easily alleviated by continued solidarity. The section calls that this global solidarity is not lost after this pandemic.

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<sup>5</sup> UNCTAD: Trade and Development Report Update (the coronavirus shock), UNCTAD: Impact of the Coronavirus Outbreak on Global FDI, and UNCTAD: Global Trade Impact of the coronavirus (COVID-19)

### A UN framework for the immediate socio-economic response to COVID-19

From the UN Secretary General's Shared Responsibility, Global Solidarity document in March, the United Nations Sustainable Development Group retooled the general theme and focus of their March paper in April into the UN framework for the immediate socio-economic response to COVID-19. This document establishes the five pillars that frame the UN's response across the globe. The five pillars are: (i) Ensuring that essential health services are still available and protecting health systems; (ii) Helping people cope with adversity through social protection and basic services; (iii) Protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programmes; (iv) Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses; and (v) Promoting social cohesion and investing in community-led resilience and response systems.

The linchpin of the five pillars and the focus of the UN's response to the pandemic is who is being most affected. They advise that the people most negatively affected or vulnerable are: women; older persons; adolescents, children, and youth, especially girls and young women; migrants, refugees, stateless and internally displaced persons, conflicted-affected populations minorities persons with disabilities, persons with mental conditions; persons in detention or in institutionalized settings<sup>6</sup> (e.g. persons in psychiatric care, drug rehabilitation centres, and old age homes); slum dwellers, people in informal settlements, homeless persons; people living with HIV/AIDS and others with pre-existing medical conditions; small farmers, fishers, pastoralists, rural workers in informal and formal markets, and other people living in remote rural areas as well as urban informal sector and self-employed who depend on market for food; the food insecure, particularly in countries affected by prolonged conflict and crisis; people in extreme poverty or facing insecure informal work and income; groups that are particularly vulnerable and marginalized because laws, policies and practices do not protect them from discrimination and exclusion.

Other relevant documents that are closest to having the widespread implication, like the two previously mentioned, focus on: **COVID-19 and Human Rights - We are all in this together; 2020 Human Development Perspectives - COVID-19 and Human Development: Assessing the Crisis, Envisioning the Recovery; CCSA: How COVID-19 is changing the world: a statistical perspective;** and **United Nations Comprehensive Response to COVID-19: Saving Lives, Protecting Societies, Recovering Better**. These four documents are highly relevant and span all or almost all five of the developmental pillars.

**The COVID-19 and Human Rights - We are all in this together** report places the topic of human rights as the focal point to providing lasting and meaningful assistance during the pandemic. A lack of attention or reform to human rights practices will exacerbate and have exacerbated the harm caused by COVID-19. **The 2020 Human Development Perspectives** looks at the core elements of human development: income, health, and education. All three of which are being impacted by COVID-19 and could be causing substantial degeneration in achievements like out-of-school rates. The report paints a stark picture of an immediate need to combat long-term impacts on human development. **The CCSA: How COVID-19 is changing the world: a statistical perspective** is a call for the best quality, and full availability of data, so optimal collaboration can occur between national and international statistical communities to best inform decision makers. The need for an expansion in the area of data and statistics transcends our current pandemic but can improve awareness and targeting of development across the world. **The United Nations Comprehensive Response to COVID-19: Saving Lives, Protecting Societies, Recovering Better** outlines the best practices and policies to alleviate the pandemic. **The UN Comprehensive**

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<sup>6</sup> For more see UNODC position paper on COVID-19 preparedness and responses in prisons: [https://www.unodc.org/documents/justice-and-prison-reform/UNODC\\_Position\\_paper\\_COVID-19\\_in\\_prisons.pdf](https://www.unodc.org/documents/justice-and-prison-reform/UNODC_Position_paper_COVID-19_in_prisons.pdf); Thematic Brief on gender-based violence against women and girls: [https://www.unodc.org/documents/Advocacy-Section/GBVAW\\_and\\_UNODC\\_in\\_COVID19\\_final\\_7Apr2020.pdf](https://www.unodc.org/documents/Advocacy-Section/GBVAW_and_UNODC_in_COVID19_final_7Apr2020.pdf); Protecting children deprived of liberty during the COVID-19 outbreak: [https://www.unodc.org/documents/Advocacy-Section/MoS\\_Children\\_in\\_detention\\_COVID-19.pdf](https://www.unodc.org/documents/Advocacy-Section/MoS_Children_in_detention_COVID-19.pdf); and suggestions about treatment, care and rehabilitation of people with drug use disorder in the context of the COVID-19 pandemic: [https://www.unodc.org/documents/drug-prevention-and-treatment/Drug\\_treatment\\_and\\_care\\_services\\_and\\_COVID19.pdf](https://www.unodc.org/documents/drug-prevention-and-treatment/Drug_treatment_and_care_services_and_COVID19.pdf)

**Response to COVID-19** report is best characterized as an update to the Shared Responsibility, Global Solidarity document, adding months of experience and knowledge.

### **Post: A UN framework for the immediate socio-economic response to COVID-19 & Shared Responsibility, Global Solidarity**

Many of the documents listed in Table 0-2 below, follow the UN framework for the immediate socio-economic response to COVID-19. Many of these documents take up the framework set about by the five developmental pillars and focus on a topic or segment of the populations and how to build back better. The reports examine how the pandemic is affecting a topic or a particular group and what policies may assist in remedying the underlying issue. The appended Table identifies which of the five developmental pillars are discussed in each document. The classification is not exhaustive, and pillars like Social Cohesion, which need substantial adaption, have associated more general sections of material. The table graphs the frequency of each developmental pillar across the 34 reviewed documents.

### **Regional Reports:**

Of the documents reviewed, three reports are examining the Arab region and the Kingdom of Saudi Arabia individually: **i) B20 Saudi Arabia 2020, G20 Transforming for Inclusive Growth – Jump Starting the Global Economy in a Post COVID-19 Phase, ii) Sustainable Development Report 2020 – Goals and COVID-19, and iii) Policy Brief: The Impact of COVID-19 on the Arab Region, An Opportunity to Build Back Better.** The **B20 Saudi Arabia 2020** document was released in March; therefore, it is sparse on details relating to how COVID-19 is specifically affecting the KSA. The document is primarily a call to recommend and implement policies to alleviate common problems concerning COVID-19. **The Sustainable Development Report 2020** was released in June and is mainly a benchmark examining the 17 SDGs in the KSA. Lastly, the **Policy Brief: The Impact of COVID-19 on the Arab Region An Opportunity to Build Back Better** is the most recent pertaining specifically to the KSA, released in July. **The Policy Brief** takes the general concerns laid out in the UN framework for the immediate socio-economic response to COVID-19 & Shared Responsibility, Global Solidarity, and provides some more contextualization to the Arab region.

### **Reflections & Gaps**

The United Nations and its associated agencies' reports and literature chronologically reviewed show a need for more country-specific adaptation to the frameworks and evaluations relating to COVID-19. Linking to this issue is the need to contextualize material for pillars three and five primarily: Protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programmes; and Promoting social cohesion and investing in community-led resilience and response systems. The first developmental pillar, relating to health systems, needs substantial contextualization; however, of the five pillars, this pillar receives the most attention due to the crisis initially being caused by a virus. Pillars three and five need more specific assessments and policies addressing their associated areas. By design, pillar five it is not surprisingly an area needing more attention because community-led initiatives need to be specially adapted for the context.

This Diagnostic paper is aspiring to fill the gaps left by the previous documents and contextualize the evaluations and policies for the Kingdom of Saudi Arabia. A complimenting document to the Diagnostic paper is the United Nations COVID-19 Capacity Brief for the KSA. The Capacity Brief collates a list of policy recommendations in relation to the five developmental pillars, the 17 Sustainable Development Goals (SDGs) and the 23 objectives of the Global Compact on Safe, regular and orderly Migration (GCM) for the Kingdom. The tool provides a reference to policymakers and a way to measure how adequately each developmental pillar, SDGs and GCM Objectives are being addressed. These sources are not only tackling issues caused by the COVID-19 pandemic, but also, for many, addressing root causes that predated our current crisis. The KSA must prioritize building back better. To lessen future crises and not delay the achievement of the Vision 2030.



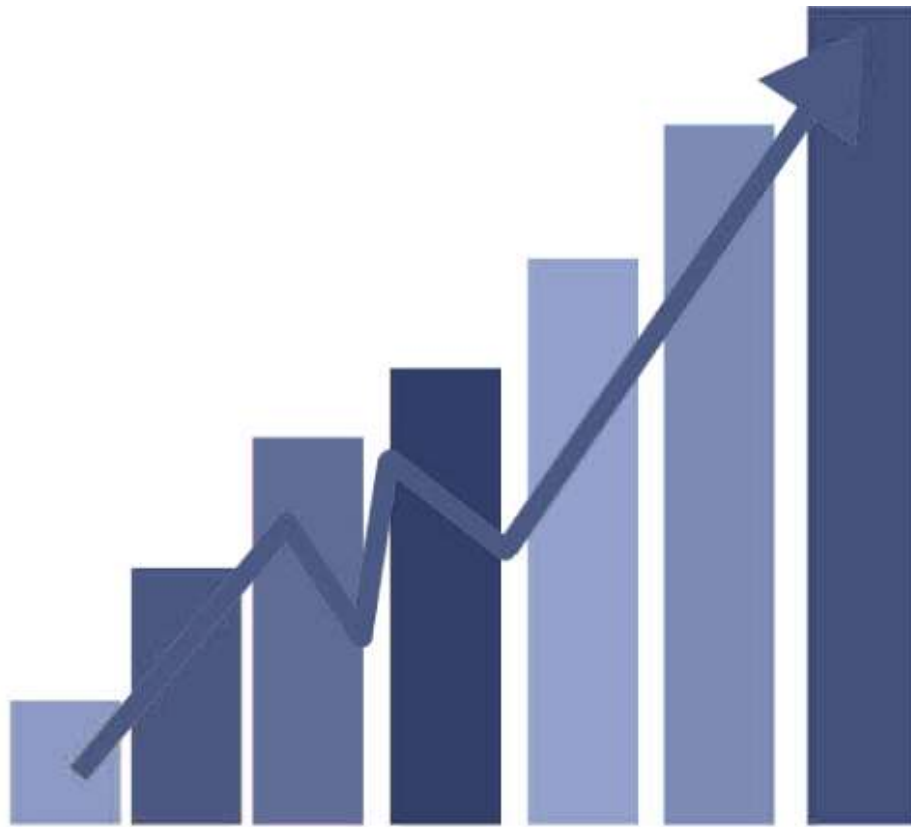
Table 0-2

**List of Documents**

Document:	Publisher:	Date:	Pillar 1	Pillar 2	Pillar 3	Pillar 4	Pillar 5
Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19	United Nations Sustainable Development Group	Mar-20	X	X	X	X	
SG letter to the Presidency of the G20 (23 <sup>rd</sup> Mar. 2020)	Secretary-General	Mar-20	X	X	X	X	
UNCTAD: Trade and Development Report Update (the coronavirus shock)	UN Conference on Trade and Development	Mar-20				X	
UNCTAD: Impact of the Coronavirus Outbreak on Global FDI	UN Conference on Trade and Development	Mar-20				X	
UNCTAD: Global Trade Impact of the coronavirus (COVID-19)	UN Conference on Trade and Development	Mar-20				X	
B20 Saudi Arabia 2020: G20 TRANSFORMING FOR INCLUSIVE GROWTH -- JUMP-STARTING THE GLOBAL ECONOMY IN A POST COVID-19 PHASE	B20 Saudi Arabia	Mar-20	X	X	X	X	
A UN framework for the immediate socio-economic response to COVID-19	United Nations Sustainable Development Group	Apr-20	X	X	X	X	X
Policy Brief: The Impact of COVID-19 on Women	United Nations Sustainable Development Group	Apr-20	X	X	X	X	X
2020 HUMAN DEVELOPMENT PERSPECTIVES: COVID-19 AND HUMAN DEVELOPMENT: Assessing the Crisis, Envisioning the Recovery	United Nations Sustainable Development Group	Apr-20	X	X		X	X
Policy Brief: The Impact of COVID-19 on children	United Nations Sustainable Development Group	Apr-20	X	X			X
Financing for Sustainable Development Report (Chapter 1)	Inter-agency Task Force on Financing for Development	Apr-20			X	X	
DESA: Policy Brief - Impact on Commodity Exporters	Department of Economic and Social Affairs	Apr-20				X	
CCSA: How COVID-19 is changing the world: a statistical perspective	Committee for the Coordination of Statistical Activities	Apr-20	X	X	X	X	X
UNESCO: Disinfodemic - Deciphering COVID-19 disinformation	UN Educational, Scientific and Cultural Organization	Apr-20		X			X
UNODC: Accountability and the prevention of corruption	UN Office on Drugs and Crime	Apr-20		X			X
Policy Brief: COVID-19 and the Need for Action on Mental Health	United Nations Sustainable Development Group	May-20	X	X			X
Working with the Environment to Protect People – UNEP's COVID-19 Response	UN Environment Programme	May-20	X	X	X		X
Policy Brief: The Impact of COVID-19 on older persons	United Nations Sustainable Development Group	May-20	X	X			X
Policy Brief: A Disability-Inclusive Response to COVID-19	United Nations Sustainable Development Group	May-20	X	X			X
World Economic Situation and Prospects as of mid-2020	Department of Economic and Social Affairs	May-20	X		X	X	
UNDP: COVID-19 and Human Development	UN Development Programme	May-20	X	X		X	X
ILO Monitor: COVID-19 and the world of work (4 <sup>th</sup> edition)	International Labour Organization	May-20	X	X	X	X	

ILO: Policy Framework to Respond to the COVID-19 crisis	International Labour Organization	May-20	X	X	X		X
UNESCO: Issue Brief - Journalism, press freedom and COVID-19	UN Educational, Scientific and Cultural Organization	May-20		X			
United Nations Comprehensive Response to COVID-19: Saving Lives, Protecting Societies, Recovering Better	United Nations Sustainable Development Group	Jun-20	X	X		X	
Policy Brief: COVID-19 and People on the Move	United Nations Sustainable Development Group	Jun-20	X	X			X
Policy Brief: The Impact of COVID-19 on Food Security and Nutrition	United Nations Sustainable Development Group	Jun-20	X	X	X		X
Policy Brief: The World of Work and COVID-19	United Nations Sustainable Development Group	Jun-20			X		
ITC: SME Competitiveness Outlook 2020 - COVID-19: the Great Lockdown and its Impact on Small Business	International Trade Centre	Jun-20			X		
UNESCO: Global Education Monitoring Report "Inclusion and Education: All means all"	UN Educational, Scientific and Cultural Organization	Jun-20		X		X	
Sustainable Development Report 2020 – Goals and COVID-19	Sustainable Development Solutions Network and Bertelsmann Stiftung	Jun-20	X	X	X	X	X
PREVENTING THE NEXT PANDEMIC Zoonotic diseases and how to break the chain of transmission	UN Environment Programme	Jul-20	X	X	X		X
ILO: Sectoral impact -- responses and recommendations	International Labour Organization	Apr to Jul-20	X	X	X	X	X
Policy Brief: The Impact of COVID-19 on the Arab Region an Opportunity to Build Back Better	United Nations Sustainable Development Group	Jul-20	X	X	X	X	X
COVID-19 Impact on stranded Migrants	International Organization for Migration	Sept-20	X	X			X
Why migration matters for "Recovering better" from COVID-19	International Organization for Migration	June-20	X	X			X

Source: UN



## Part I

# The Starting Point



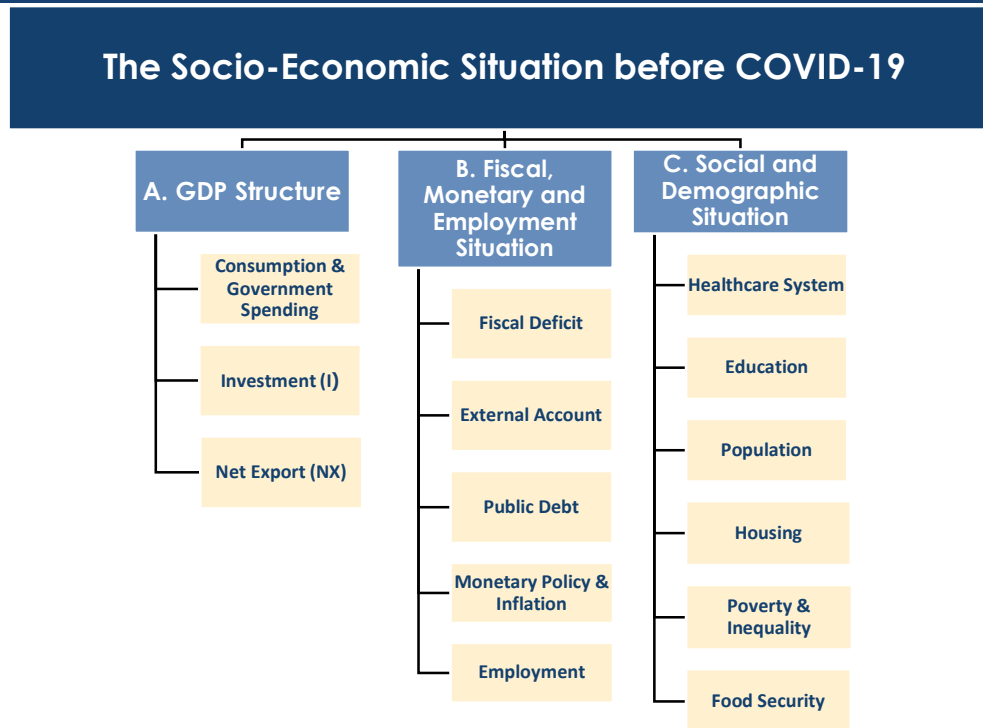
# Part I-The Starting Point

## Overview

**Part I** is devoted to systematically establishing the pre-crisis profile of the KSA economy and social landscape. This part is subdivided into three parts which include, (I) GDP structure, (II) Fiscal, Monetary and Employment Situation, and (III) Social and Demographic Situation, emphasizing the most vulnerable and at-risk population.

Figure 1-1

Framework for conducting part I: The Socio-Economic Situation before COVID-19



Source: PSU, UN

From economic and social perspectives, the Kingdom of Saudi Arabia (KSA or Kingdom) appears to have entered the COVID-19 pandemic from a position of strength. Significant progress on targets and goals set out under Vision 2030 has allowed the Kingdom to improve its standing on important economic (GDP diversification, fiscal & external account positions, foreign exchange (FX) reserves) and social (Human Development Index (HDI), unemployment, woman participation, gender equality) indicators. In an encouraging development, the KSA was ranked as a top reformer in the World Bank's Woman, Business & the Law 2020 report with a solid performance in four major areas of reforms (women's mobility, workplace, entrepreneurship, and pension)<sup>7</sup>.

In the midst of the high-profile G-20 presidency in 2020, the Kingdom continued delivering on its Vision 2030 commitments and measures in several areas: financial sector development, human capital strengthening, public financial management, energy sector diversification, and many others. However, the most notable reforms during 2019 have been in the business environment, where Saudi Arabia was one of the top ten global improvers in the Ease of Doing Business 2020 report<sup>8</sup>. Labour market reforms aim to increase the share of nationals in the private sector workforce. Employment of nationals, including

<sup>7</sup> <https://openknowledge.worldbank.org>

<sup>8</sup> <https://www.doingbusiness.org/content/dam/doingBusiness/country/s/saudi-arabia/SAU.pdf>

women, has increased; however, impacts on private sector growth and productivity are not immediately apparent.

## Economic Analysis: Major milestones achieved despite certain hiccups

**Gross Domestic Products (GDP):** The expenditure approach of aggregate demand (GDP) is used to analyze the economic profile of the KSA and the relative importance of sources of demand. The aggregate demand can be broken into four major components which are; (i) consumption (C), (ii) government spending (G), (iii) business investment (I), and (iv) net exports (NX).

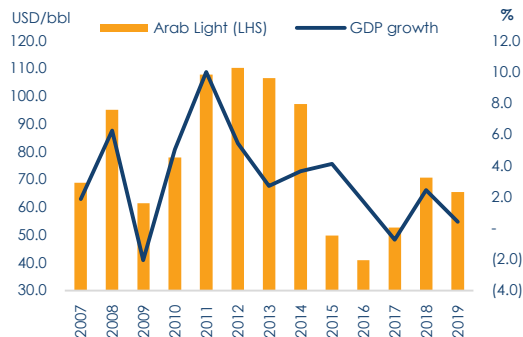
**GDP Trend:** Overall, the KSA achieved major milestones on the economic front in 2019 despite a modest real economic growth of 0.3% in 2019. The oil sector showed a drop of 3.6% YoY, which was more than compensated by growth in the non-oil segment of 3.3%. The drop in the hydrocarbon sector, which accounts for 40% of total economic activity, is due to fall in average crude oil output by about 0.5 mb/d. Lower crude oil production led to a corresponding contraction of 3.2% in oil-refining, while other manufacturing activity shrank by 0.9%; this includes the crucial petrochemical sector, which has been negatively affected by weak global demand, especially from China due to the US-China trade war.

Importantly, momentum on economic reforms picked up pace with the introduction of major reforms aimed at further diversification of economic activity and lowering of economic dependence on oil revenue. In a landmark development for the global markets in general and the KSA in particular, the authorities launched the Initial Public Offering (IPO) of the Saudi Arabian Oil Company (Aramco), the world's largest company by profitability and market cap, at the Saudi Stock Exchange (Tadawul). The 1.5% IPO of the company netted more than USD25bn, making the Aramco's valuation at over 1.7 trillion USD. Another major milestone for the capital market was the inclusion of Tadawul in the emerging market benchmarks (FTSE and MSCI).

In the last ten years, the KSA's economic growth profile can be bifurcated into two phases; (i) a phase of strong growth post-Great Financial Crisis of 2009 leading up to 2015 with the average GDP growth of 5.2% as oil prices remained supportive of growth and (ii) this follows a more modest growth period leading up to 2019 with an average growth of merely 0.9% (see figures below). A volatile oil price environment amid new production arrangements among OPEC and non-OPEC countries on oil production set the stage for unstable growth of the oil segment, but it was mitigated by growth in the non-oil segment to some extent.

Figure 1-2

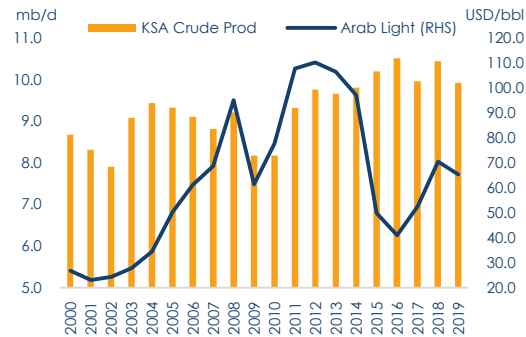
GDP growth dip as oil prices decline



Source: Bloomberg, World Bank

Figure 1-3

KSA crude oil production & Arab light



Source: Bloomberg

## A. The Structure of GDP

The KSA GDP profile (2019) by expenditure shows a sizeable contribution from both investment (23%) and export (18%) in the overall GDP while Private and Govt. consumption together account for 55% of total expenditure.

### Consumption and Government Spending (C+G)

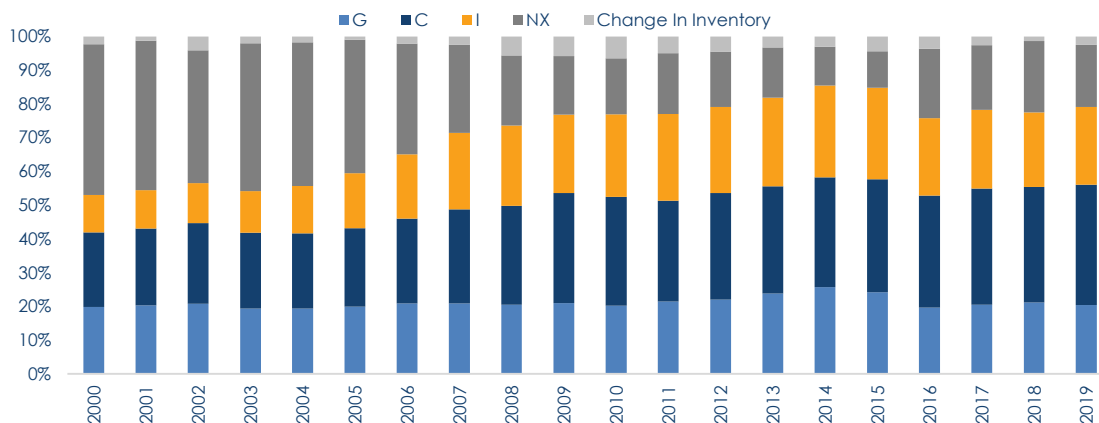
The overall consumption has been the key driver for economic growth in the KSA for at least in the last 15 years, growing at a CAGR of 6.5%, compared to overall gross output expansion of 3.2% only. While the Private consumption forms the largest part of the overall consumption profile, one of the key drivers for consumption remains overall government spending vis-a-vis large public sector workforce. Historically, higher oil revenues have allowed the government the fiscal space to keep overall spending levels elevated, which have resultantly led to increased consumption levels in the country.

### Investment (I)

The past data shows a steady rise in overall Gross Fixed Capital Formation (GFCF), concurrent to rising oil prices and oil revenue over the period of 2009 to 2015, whereby investment increased from SAR414bn in 2009 to over SAR732bn (+77% jump in six years). The hectic growth phase in GFCF followed by a steep drop of 14% in 2016 and succeeded by a relatively stable period. The GFCF has hovered in a new normal range of SAR600-650bn over 2016-2019. The headline GFCF numbers, however, belies the underlying positive trend of relative stability in Non-oil private sector investment. The private sector investment in the non-oil segment has particularly been strong and accounts for 58% of total Net Investment in 2018. Strong private sector investment in non-oil sectors complements the government push for diversification of economic activity and lays the foundation for an increased role of the private sector in overall economic activity. Overall, machinery and equipment (33%) and residential and non-residential building construction (42%) are two major drivers of Net Investment.

Figure 1-4

KSA GDP profile by Expenditure (Constant Price: 2010)



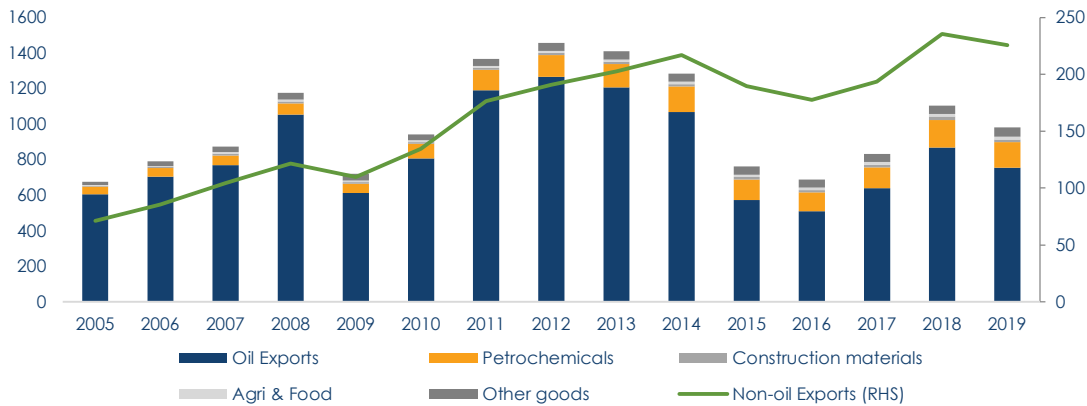
Source: The General Authority for Statistics (GaStat)

### Net Export (NX)

The KSA's export profile is heavily tilted towards hydrocarbons and petrochemical products, with the latter supporting the KSA's push into value added-segment. Over the period of 2015 to 2019, the KSA's total non-oil export has grown at a CAGR of 5% in value. Chemical (down 7.8% in 2019), plastic (down 8.5% in 2019), and transport equipment are the three major non-oil sources of exports in 2019 with an overall share of 7%, 7%, and 2%, respectively.

Figure 1-5

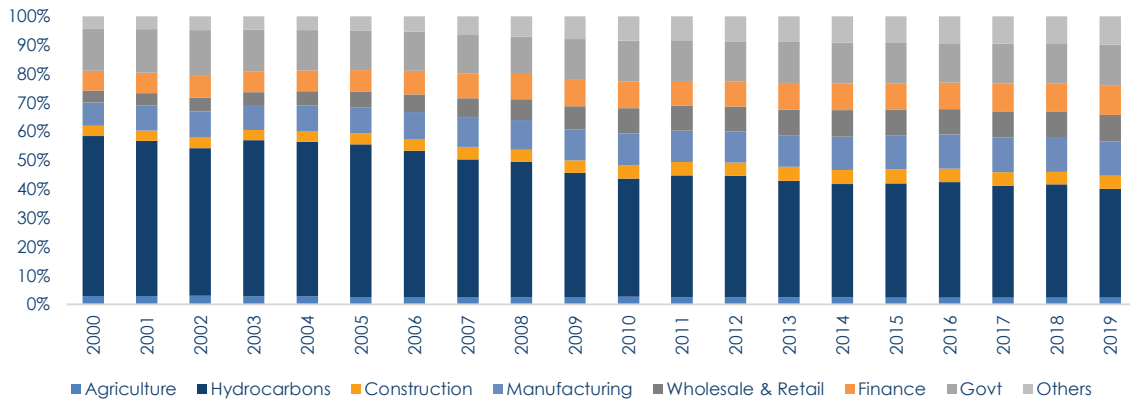
KSA GDP Profile by Economic Activity (2018)



Source: GaStat

Figure 1-6

KSA GDP Profile by Economic Activity (2019)



Source: GaStat

The KSA's GDP profile by Institutional Sector highlights the strong performance of non-oil real GDP growth of 3.3% in 2019, up from 2.2% in 2018<sup>9</sup>. The private sector within the non-oil sector was a primary driver of growth in the segment given the strong pick-up in activity in construction, trade, restaurants, hotels, and financial services. Overall, private-sector activity expanded by 3.8% YoY in 2019, implying that the government's drive to diversify the economy under the Vision 2030 plan has continued to deliver results. The long-term data also points to the same encouraging trend. The contribution of the non-oil private sector in overall GDP has risen from 36% in 2009 to 41% in 2019 or at par with the contribution of oil in the GDP. Nonetheless, government services remain the second largest contributor to GDP despite increasing the manufacturing base (5% CAGR since 2009 in non-petrochemical manufacturing sector) and growth in service sector (4% CAGR over 2009-2019). Non-oil growth reflects a tendency on increasing state spending in tandem with a medium-term commitment to budgetary balance.

<sup>9</sup> [http://www.sama.gov.sa/en-US/EconomicReports/Financial%20Stability%20Report/FSR\\_EN\\_V8.pdf](http://www.sama.gov.sa/en-US/EconomicReports/Financial%20Stability%20Report/FSR_EN_V8.pdf)

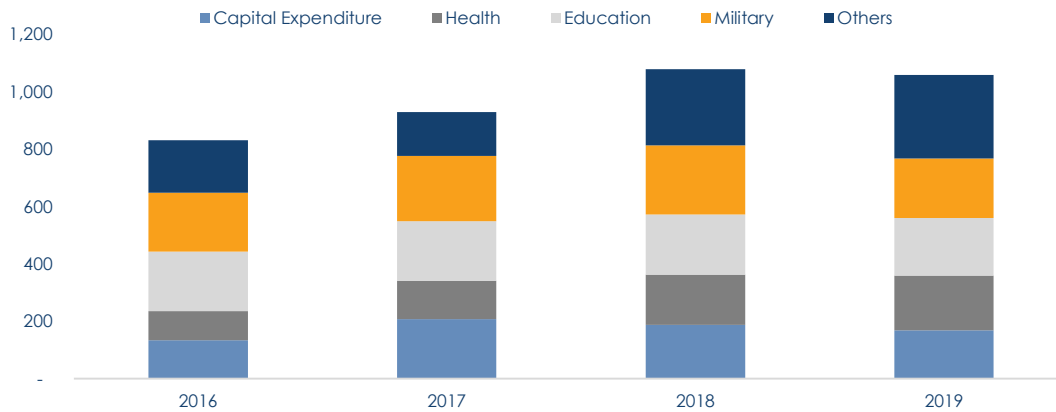
## B. Fiscal, Monetary and Employment Situation

### Budget Structure

Since 2010, the government expenditure has continued on a rising trend, increasing by over 78% from SAR596bn in 2009 to SAR1,059bn in 2019. The trends in total expenditure and revenue collection provide yet another reflection of the government's push for diversification of activity, emphasis on private sector role, and the Kingdom's focus on the welfare of citizens. Since 2016, total expenditure has increased by 26% up to 2019 to SAR1,059bn, driven primarily by health & social development, capital expenditure, and defense sectors. Overall, education, military expenditure, and health & social development account for 19.3%, 18.8%, and 16.6%, respectively, of the total expenditure in 2019. Supported by the recovery in oil prices and new economic reforms in the non-oil sector, the government's total revenue has increased by 76.5% over the same period, with oil revenue growing by 80% and non-oil revenue jumping by 60%. As of 2019, non-oil revenue contributes 36% in total revenues, almost at the same level as in 2014 of 35.7%. Three major reforms in the non-oil sector which have contributed to the increase in government's non-oil tax revenue are: (i) the government's reduction in VAT registration threshold, (ii) increase in the number of products under VAT and Excise Duty regimes, and (iii) increase in ex-pat levy fee. The change in revenue mix is positive and will allow the KSA to better absorb any shock to oil revenues due to the drop in oil prices.

Figure 1-7

Structure of Budget (SARbn)

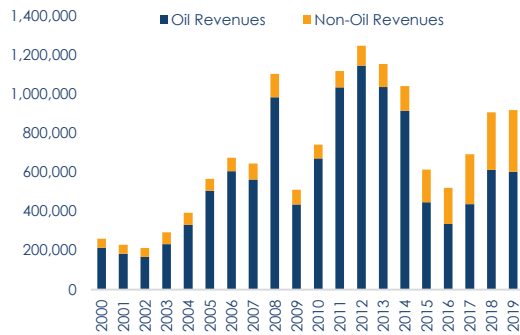


Source: SAMA Annual Statistics 2019, Ministry of Finance



**Figure 1-8**

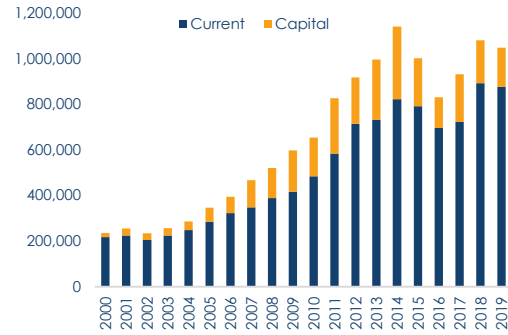
**Non-Oil Revenue rise (SAR bn)**



Source: SAMA Annual Statistics 2019, Budget Statement 2020

**Figure 1-9**

**Expenditure increased by 26% since 2016 (SAR bn)**



Source: SAMA Annual Statistics 2019, Budget Statement 2020

**Fiscal Deficit**

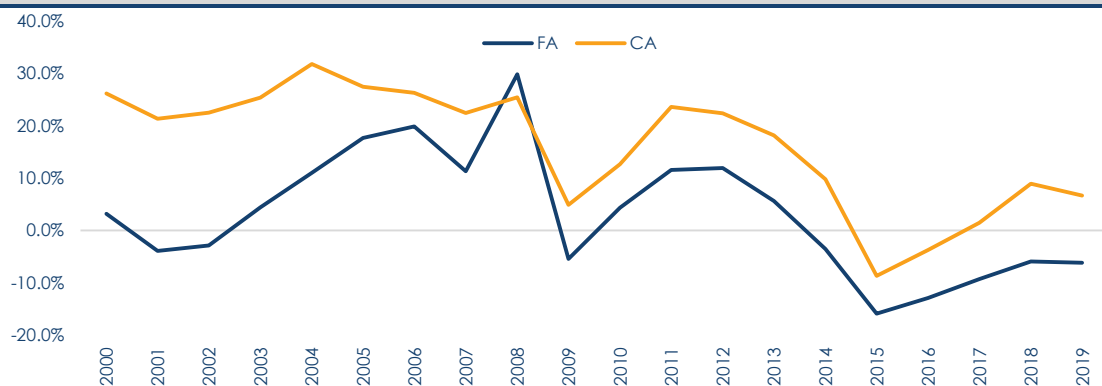
The KSA has been running a relatively higher fiscal deficit in the past few years, given its heightened focus on infrastructure, health, and education coupled with the need for increased defense spending. The average Fiscal Deficit (FD) in the past five has been 9.7% of GDP. In 2019 FD clocked in at 4.5% vs. 5.9% in 2018 despite lower oil revenue. This highlights authorities' pre-COVID-19 commitment to return to fiscal consolidation and achieve a neutral budget by 2019. Total spending decreased with capital spending bearing the brunt of these cuts. The deficit was financed by a combination of government withdrawals from deposits, dropping from 19.1% to 17.8% of GDP in 2018 and 2019, respectively, and debt issuances, with debt to GDP rising from 19.0% to 23.1% in 2018 and 2019, respectively.

**External Account**

The current account surplus narrowed on lower oil export earnings, which is estimated at 5.4% of GDP in 2019 compared to 9.0% in 2018. The current transfers balance reported slight improvement amidst lower remittances outflow, which contributed to fueling private consumption. Net foreign investment flows increased slightly during 2019 but continues to be much lower than their pre-2014 levels – a major concern for policymakers given the ambition of Vision 2030. Portfolio investment inflows increased significantly (19% YoY in 2019) as the Saudi Stock Exchange (Tadawul) became part of the Emerging Markets Stock Indices. The central bank net foreign reserves stood at USD494bn in 2019 compared to USD490bn in 2018.

**Figure 1-10**

**KSA fiscal balance (FA) improved in 2019 while Current Account (CA) remained in positive territory**



Source: SAMA Annual Statistics 2019, Ministry of Finance

## Public Debt

COVID-19 related additional health cost and economic support package coupled with soft oil prices have proved to be a double whammy for the KSA's public finance and accelerates the trend of debt pile-up. In 2019, the Kingdom closed the year with total public debt/GDP of 22.8%, given the high fiscal deficit in 2019 and the associated need for fiscal financing. Overall exchange reserves shrunk from USD500bn in 2019 to USD449bn by May 2020. The drop in exchange reserves also incorporates the impact of authorities' initiatives on diversification and acquisition of foreign strategic assets.

## Monetary Policy and Inflation

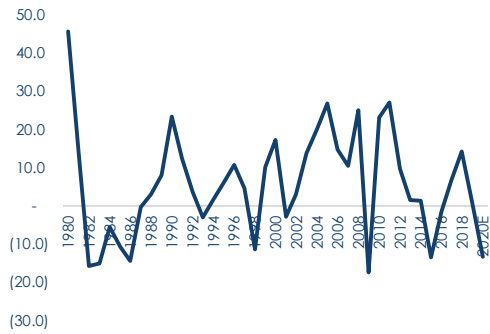
SAMA, the country's central bank, is solely responsible for Monetary Policy formulation and implementation. The monetary policy tool has its limitations in the KSA, as it is tied to the exchange rate policy. Prior to mid-1981, Saudi Riyal was loosely pegged to either SDR or USD dollar. SAMA formally suspended the SDR link in May 1981 and since then had maintained a link to the dollar, with the last devaluation of the riyal occurring in June 1986 when its exchange rate against the dollar was adjusted from 3.65 to 3.75. But since then, it has been tightly pegged to USD at SAR 3.75. Saudi Arabia is unique in the sense that it is a resource-based economy with foreign exchange and receipts predominantly being in USD. Hence, fiscal policy plays a more dominant role in influencing the economic policy than monetary policy.

Inflation in Saudi Arabia is measured based on the growth rate of the Consumer Price Index (CPIs), released by the General Authority for Statistics (GaStat) on a monthly basis. The CPI basket is composed of 12 segments and 470 items. In 2018, GaStat revised the base year, changing it to 2013 from 2007. The majority proportion of CPI is composed of two segments, namely, (i) Housing, water, electricity, gas & other fuel, and (ii) food & beverages segment, which make 44.1% of CPI.

Saudi Arabia has experienced periods of low inflation in the 80s and 90s, not exceeding 1%. By the start of the 2000s, the rate started to increase gradually, reaching its peak in 2008. The rise in inflation was due to a number of reasons, including the oil price boom and decline in the value of the US dollar, which led to growth in domestic demand and an increase in food and rental prices. In recent years, inflation declined to -0.9% in 2017 while it bounced back in 2018. The uptick in inflation can be associated to the introduction of VAT and reduction in fuel subsidies.

**Figure 1-11**

**Nominal GDP Growth (%)**



Source: SAMA Annual Statistics 2019, Fitch Ratings

**Figure 1-12**

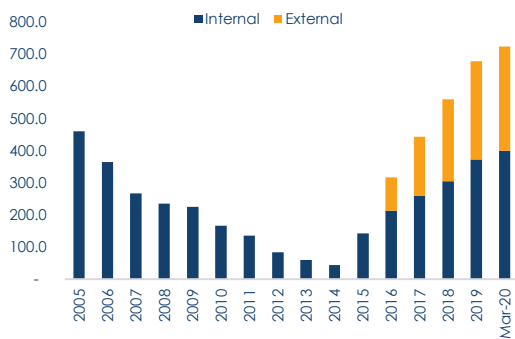
**Inflation Trend (%)**



Source: SAMA Annual Statistics 2019, Fitch Ratings

**Figure 1-13**

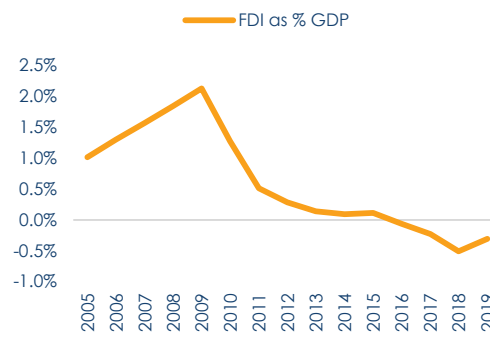
**Public Debt break-up (SARmn)**



Source: SAMA Annual Statistics 2019, Budget Statement 2020

**Figure 1-14**

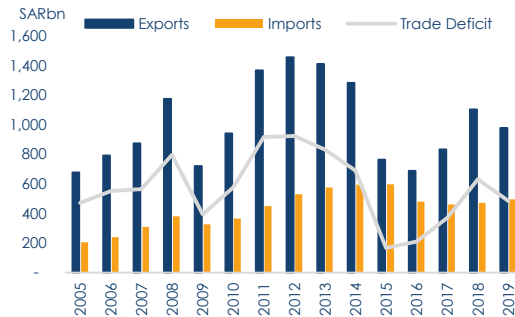
**Net FDI as % of GDP**



Source: SAMA Annual Statistics 2019, Budget Statement 2020

**Figure 1-15**

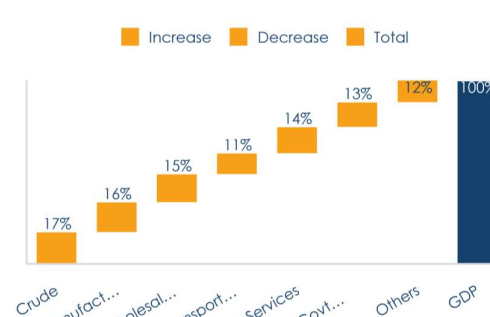
**Trade Balance**



Source: SAMA Annual Statistics 2019

**Figure 1-16**

**Contribution in GDP by sector (over 2000 to 2019)**



Source: SAMA Annual Statistics 2019

## Employment

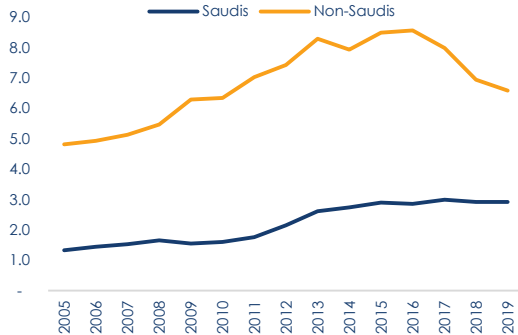
Saudi labour market is comprised of 9.5 mn employees as of 2019. The labour market is largely comprised of Temporary Contractual Workers, making up 69% of the total jobs in 2019 which translates into 6.6 mn jobs while the rest of 2.9 mn jobs were held by Saudi nationals.

Overall, total jobs have grown at a 14-year CAGR of 3%. However, since 2015, a shift in trend has been witnessed as total jobs have come down significantly since the peak of 2015 due to an important flow of return migration as a result of low oil prices and Saudization of the labour market. To put things into perspective, since 2015, foreign workers have lost 1.9mn jobs (↓ 22%) while jobs to citizens have remained more or less at the same level of 2.9mn

Saudi Arabia employed 1.3 mn people in the government sector at the end of 2019, with Saudi's representing 96.0% of total employees<sup>6</sup>. In the private sector, the total number of employees stood at 8.2 mn in 2019 representing a decline of 4% YoY. Non-Saudi's made up the majority of the private sector workforce representing 79% of the total private workforce. Employment for non-Saudi's receded by 5% YoY in the private sector while remained stable for Saudi nationals.

Figure 1-17

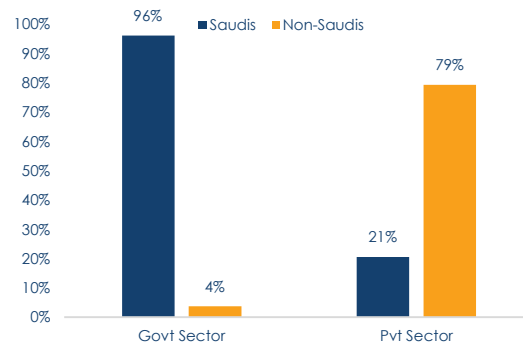
Saudi vs Expat employment trend (mns)



Source: Ministry of HR, General Org, for Social Ins.

Figure 1-18

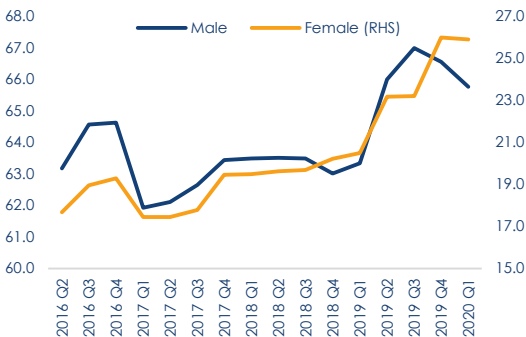
Saudis dominate govt. jobs; expats rule the pvt sector



Source: Ministry of HR, General Org, for Social Ins.

Figure 1-19

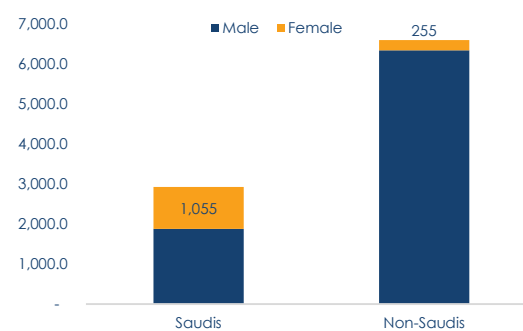
Saudi Labour Force Participation Rates (%)



Source: Labour Force Survey - GaStat

Figure 1-20

Females make up only 13.8% of total Employment (000s)



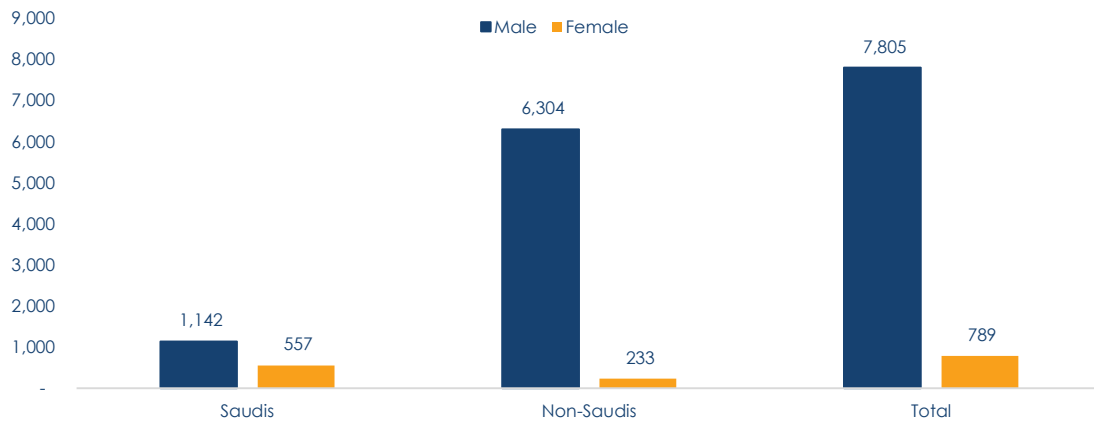
Source: Ministry of HR, General Org, for Social Ins.

Overall, Saudi women's labour force participation rate in the Kingdom of 25.9% in 1Q2019 is comparable to levels seen in other countries of the region. However, this represents a decent increase of 8.2 percentage points since 2Q2016 driven by the government's efforts to improve the employment opportunities for women under Vision 2030 and Saudization drive. Women make up only 13.8% of the KSA's labour force as of 2019, according to SAMA. However, as a result of the government's efforts (Vision 2030), female employment in the government sector remains relatively high at 41%, as of 2019.

The private sector is still lagging when it comes to hiring women. Only 9.6% of women work in the private sector, which is significantly lower when compared to the governmental sector, indicating nonetheless that 90.4% of the workforce are all male employees. Further bifurcating, amongst the total Saudis working in the private sector (1.7mn employees) the Saudi female presence stood at a significant 32.8% (0.6mn employees). On the other hand, amongst the total non-Saudis working in the private sector (6.3mn employees) non-Saudi female jobs were only a mere 3.6% (0.2mn employees). The majority of these migrant women work in the healthcare sector, and this minority group stands most affected and vulnerable to the pandemic. In the government sector, females have much better representation making 40.9% of all the government jobs while males make up 59.1% of the government jobs.

Figure 1-21

**Female Expat employment in private sector is significantly low – 2019 (000s)**

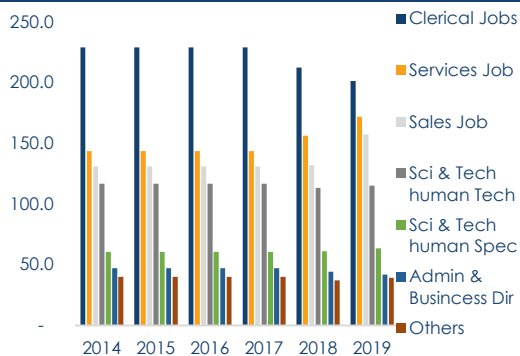


Source: General Organisation for Social Insurance

In the private sector, women are mainly working in clerical jobs, representing 25.5% of the women workforce, followed by services and sales job share of 21.7% and 19.9%, respectively. Female presence in services and sales jobs has increased in recent years at a 5-year CAGR of 4% while clerical jobs have witnessed a decline of 3% during the same period.

Figure 1-22

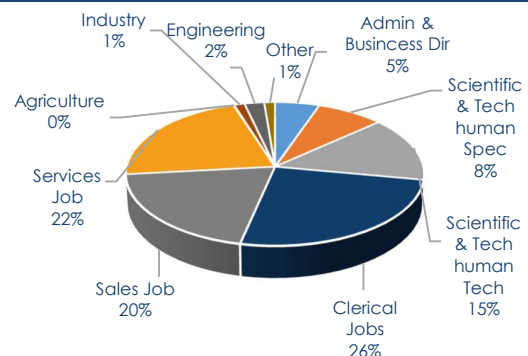
**Female employment by profession - Pvt Sector (000s, 2019)**



Source: General Organisation for Social Insurance

Figure 1-23

**Distribution of female employment by occupation (% , 2019)**



Source: General Organisation for Social Insurance

Saudization<sup>10</sup> or Saudi Nationalization Scheme/Nitaqat is a policy implemented by the Ministry of Human Resources and Social Development, previously known as Ministry of Labour and Social Development, whereby Saudi companies are required to hire Saudi nationals as per a quota. The policy is in place since 1985; however, in the last five years, significant progress has been made in helping Saudi nationals

<sup>10</sup> <https://www.robertwalters.ae/career-advice/understanding-saudization.html>

integrate to the job market. The authorities have reserved a total of 72 professions exclusively for Saudi Nationals, and the majority are junior positions. The list does include HR roles, jobs associated with labour affairs, certain sales specialists, and some finance roles. The shortage of skills for Saudi workers is seen to be in more technical roles reserved for engineers, architects, IT specialists, and healthcare practitioners. Hence, the Saudi government has implemented new eligibility requirements on its scholarship programmes for young Saudis who want to study for university degrees abroad.

The 12 work areas banned for foreign migrant workers are: watch shops, optical stores, medical equipment stores, electrical and electronics shops, outlets selling car spare parts, building material shops, outlets selling all types of carpets, automobile, and mobile phone shops, shops selling home furniture and ready-made office material, sales outlets of ready-made garments, children clothes, and men's supplies, household utensils shops and pastry shops. The government is trying to create jobs for Saudis in the basic retail segment and will look to eventually open-up more areas for nationals once they have gained the skill set as well as relevant experience. Overall, Saudization has helped Saudi nationals; specifically, women to help acquire jobs in junior roles across various industries.

Diving a bit deeper into employment break-up by economic activity, it is observed that construction & building constitutes the majority of jobs, i.e., 43% (~4.9mn jobs), of which a majority are Temporary Contractual Workers (87%) in the private sector. Wholesale & retail trade has the second highest number of jobs at 3.1mn jobs or 18% of total jobs. Here again, a similar trend is witnessed where Temporary Contractual Workers make up 77% of the private job market. In percentage terms, Saudi nationals comprise of 80% of jobs in the oil sector, followed by 50% in financial jobs. Females have significantly less participation in the job market as compared to their male counterparts in nearly all sectors, but in absolute terms, they are largely employed in Community/Social work (0.3mn), construction & building (0.2mn), and wholesale & retail (0.2mn).

Table 1-1

Employment break-down by major economic activity in 2017							
000s	Saudis	Non-Saudis	Total	%	GDP/Emp	Male	Female
Construction & building	621.0	4,249.1	4,870.1	43%	24,077	4,644.7	225.4
Wholesale & retail trade	480.2	1,612.8	2,092.9	18%	109,598	1,894.2	198.8
Community, social, & personal	267.0	848.2	1,115.2	10%	45,125	814.9	300.3
Manufacturing Industry	192.9	640.0	832.8	7%	374,618	781.6	51.2
Agri., forest and fishing	18.3	556.6	574.9	5%	105,100	567.8	7.1
Transport, storage & comm.	84.2	262.4	346.7	3%	437,813	332.4	14.3
Finance, insurance, and real est.	110.7	112.8	223.5	2%	1,117,645	198.1	25.5
Mines, oil, natural gas and quarrying	81.4	20.3	101.7	1%	9,932,191	98.6	3.1
Electricity, gas and water	43.4	10.0	53.4	0%	639,177	52.9	0.5
Other activities	-	0.0	0.0	0%	NA	0.0	0.0
<b>Total Pvt. Sector</b>	<b>1,898.9</b>	<b>8,312.3</b>	<b>10,211.2</b>	<b>89%</b>	<b>214,884</b>	<b>9,385.0</b>	<b>826.2</b>
Govt. Sector	1,188.6	51.0	1,239.6	11%	286,867	728.0	500.5
<b>Total Employment</b>	<b>3,087.5</b>	<b>8,363.3</b>	<b>11,450.8</b>	<b>100%</b>	<b>222,676</b>	<b>10,113.1</b>	<b>1,326.7</b>

Source: Saudi Ministry of Labour & Social Development

**Youth Employment:** As per World Health Organization (WHO), 'Youth' is defined as the 15-24 year age group while 'Young People' covers the age range 10-24 years<sup>11</sup>. Overall, 0.64 mn young people are working as of 1Q2020 of which 84.6% are male and 15.4% are female. Saudi nationals make 0.36 mn of total youth employment i.e. 55.9% while the remaining jobs are occupied by foreign youth workers. Youth

11 <https://www.who.int/southeastasia/health-topics/adolescent-health>

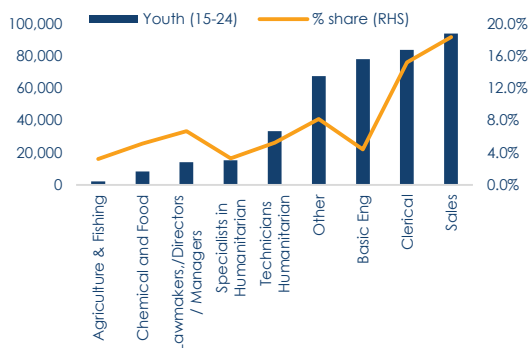
employment representation in the overall workforce is 6.4% of which 5.4% are males while 1.0% are females.

The total unemployment rate for age bracket 15-19 stood at 22.2% in 1Q2020, while it was 20.9% and 27.4% respectively for males and females within the age bracket. For the age group 20-24, the unemployment rate stood at 23.8%, while it was 14.8% for males and 51.8% for females. The above-mentioned age brackets of 15-19 and 20-24, made up 1.8% and 26.3% respectively of total unemployed people in the Kingdom

The KSA youth is mostly hired in sales service, representing 18.4% of the total sales workforce, followed by clerical jobs and basic engineering, having a share of 15.2% and 4.4%, respectively. When looking at employment by economic activity, youths are mostly hired in construction, wholesale & retail, and administration jobs, having a market share of 7.3%, 7.7%, and 7.7%, respectively, of the total workforce in the particular economic activity.

Figure 1-24

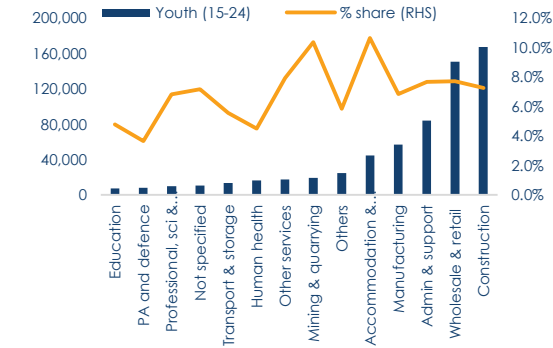
Youth employment by occupation (2019)



Source: Labour Force Survey - GaStat

Figure 1-25

Youth employment by economic activity (2019)



Source: Labour Force Survey - GaStat

**Major initiatives for employment<sup>12</sup>:** Major initiatives aimed at enhancing employment, particularly among woman, include;

- **NITAQAT:** Stricter enforcement of Saudization quota or mandatory hiring of Saudi citizens in the private sector. The NITAQAT program mandates businesses operating in private sectors to employ minimum number of Saudi Citizen based on two criteria, (i) industry the business is operating in, and (ii) the size of the business. The level of compliance of the program allows businesses to avail incentives for hiring citizens.
- **TAWAFOQ:** A programme launched by the Human Resource Development Fund for the employment of Persons with Disabilities. As per the 2017 disability survey, 13% of the Saudi population had some sort of disability, i.e., ~2.6mn of the population. Amongst the total disability cases, 65% were mild, 25% were severe, and 11% were extreme.
- **HAFEZ:** a programme for new job seeker which provide financial support during the period of job search, and equip them with necessary skills for the job market.
- Support for **Free-lance Job Seeker** via social security for two years.
- **Incubators and Accelerators:** promoting entrepreneurship and innovation via a slew of measures under the Small & Medium Enterprise Authority (SMEA).

<sup>12</sup> <https://www.my.gov.sa>

- **Encouraging women participation:** via the establishment of facilitation center, changes in laws, thereby opening up opportunities for women in areas previously considered suitable only for man, financial support for child care.
- **L20 Summit in Riyadh:** Labour 20 or L20, is a group that comprises of trade unions of G20 countries and is convened by the International Trade Union Confederation (ITUC) and Trade Union Committee (TUAC) to the OECD. L20 looks after the interest of workers at the G20 level. This year, for the first time, the G20 summit was hosted by an Arab country i.e. Saudi Arabia. The Saudi National Committee of Workers Committee (SNC) hosted the L20 Summit in Riyadh. The employment taskforce within L20 is responsible for focusing on the role of technical & vocational training. Progress on past recommendations, judicial services & labour rights, and dynamic labour reforms. More importantly, the task force prioritizes the role of public policy in creating jobs in public services, infrastructure, and other economic activities.



Table 1-2

<b>Economic Snapshot</b>										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>National Account (SARbn)</b>										
Nominal GDP	1,981	2,517	2,760	2,800	2,836	2,454	2,419	2,582	2,949	2,974
Growth (YoY)	23%	27%	10%	1%	1%	-13%	-1%	7%	14%	1%
Real GDP	1,981	2,179	2,297	2,359	2,445	2,545	2,588	2,569	2,631	2,640
Growth (YoY)	5%	10%	5%	3%	4%	4%	2%	-1%	2%	0%
Share of Real GDP-Oil	45%	45%	45%	43%	43%	43%	44%	43%	43%	42%
Share of Real GDP-Non-Oil	55%	55%	55%	57%	57%	57%	56%	57%	57%	58%
GDP/Capitia (SAR '000)	72	89	95	95	95	79	76	79	88	87
*GDP/Capitia (PPP, Real, USD)	44	47	48	48	48	49	49	47	47	47
<b>Inflation (%)</b>										
CPI	3.8%	3.8%	2.9%	3.5%	2.2%	1.2%	2.1%	-0.8%	2.5%	-2.1%
-Food	3.7%	5.2%	4.4%	5.8%	1.4%	0.6%	-1.3%	-0.8%	6.5%	2.1%
-Housing, Water & Utilities	7.6%	11.4%	3.2%	3.5%	4.9%	2.4%	4.8%	-0.7%	-1.2%	-8.6%
-Transport	1.5%	3.6%	4.9%	2.5%	1.4%	1.0%	7.5%	-2.1%	10.7%	-1.4%
<b>Fiscal Account (SARbn)</b>										
Revenues	741	1,118	1,247	1,153	1,040	613	519	692	906	927
-Oil	90%	92%	92%	90%	88%	73%	64%	63%	67%	64%
-Non-Oil	10%	7%	8%	10%	12%	27%	36%	37%	32%	36%
Expenditure	654	827	917	995	1,141	1,001	831	930	1,079	1,059
-Military							25%	25%	22%	20%
-Education							25%	22%	19%	19%
-Health							12%	14%	16%	18%
Capital Expenditure	26%	29%	22%	26%	28%	21%	16%	22%	17%	16%
Fiscal Balance	87	291	329	158	(100)	(389)	(311)	(238)	(174)	(133)
-% of GDP	4.4%	11.6%	11.9%	5.6%	-3.5%	-15.8%	-12.9%	-9.2%	-5.9%	-4.5%
Gross Public Debt	167	135	84	60	44	142	317	443	560	678
-% of GDP	8.4%	5.4%	3.0%	2.1%	1.6%	5.8%	13.1%	17.2%	19.0%	22.8%
-Domestic Debt	8.4%	5.4%	3.0%	2.1%	1.6%	5.8%	8.8%	10.0%	10.3%	12.5%
-Foreign Debt							4.3%	7.1%	8.6%	10.3%
<b>External Account (SARbn)</b>										
Export	982	1,411	1,498	1,454	1,331	818	753	900	1,181	1,072
Import	-653	-742	-807	-862	-971	-927	-743	-757	-786	-787
Trade Balance	329	668	691	592	360	-110	10	143	395	284
Remittances	-98	-103	-107	-128	-135	-142	-139	-133	-124	-114
Current Balance	-250	-595	-618	-508	-277	213	89	-39	-270	-176
Capital Balance	0	0	-1	-1	-1	-4	-3	-7	-9	-6
Financial Account	-121	-425	-446	-474	-240	274	343	-28	-258	-161
Int'l Reserves Assets	445	544	657	726	732	617	536	497	497	499
<b>Population (mn)</b>										
Total population	27.6	28.4	29.2	29.4	30.0	30.9	31.8	32.6	33.4	34.2
Citizens	19.0	19.4	19.8	19.2	19.3	19.7	20.1	20.4	20.8	21.1
Residents	8.6	9.0	9.4	10.2	10.7	11.2	11.7	12.2	12.6	13.1

Source: SAMA Annual Statistics 2019, \*World Bank

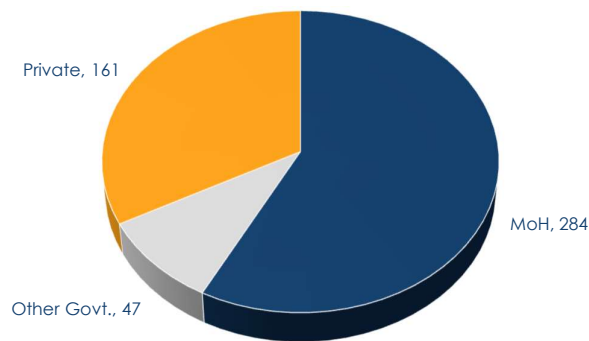
## C. Social and Demographic Situation

### Healthcare System

**Overview of the Healthcare System:** The Ministry of Health (MoH) is the major provider of health services and is in charge of the governance of the sector in the KSA. The private sector and other public entities also play an important role in the provision of health care. Several entities play specific roles in governance and regulation, such as licensing of medical facilities (Health Facilities Licensing General Department, MoH), accreditation of medical facilities (Central Board for Accreditation of Healthcare Institutions), pharmaceuticals (Saudi Food and Drug Authority), health insurance (Council for Cooperative Health Insurance) and health care workers (Saudi Commission for Health Specialties).

Figure 1-26

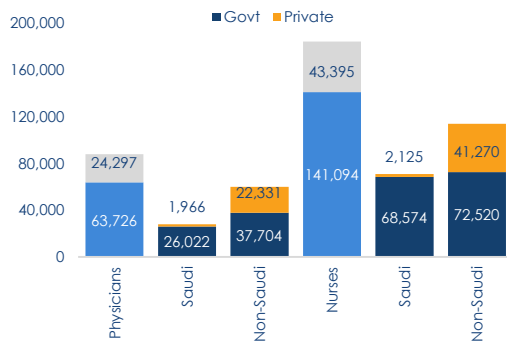
67% hospitals in the KSA are operated directly under government control



Source: Ministry of Health

Figure 1-27

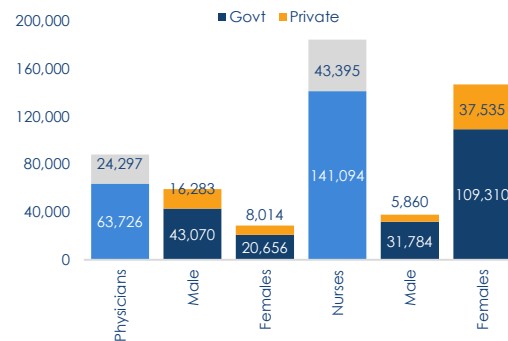
Private sector is dominated by expats



Source: GaStat

Figure 1-28

Major female workforce is concentrated in Nurses



Source: GaStat

The MoH runs approximately 2,500 Primary Health Care (PHC) centres and 284 hospitals, in addition to 350 other facilities and centres across the country. Specialized treatment facilities are mostly located in major urban centres<sup>13</sup>.

The workforce in the healthcare sector is composed of Saudi nationals and Temporary Contractual Workers. The government-run hospitals under MOH employ the most Saudis as physicians and other paramedical staff, while the private sector has a considerable workforce involving Temporary Contractual Workers. With regards to sex disaggregation, high paying jobs such as physicians are mainly filled by males while females often occupy positions the lower salaries in the healthcare industry. In the

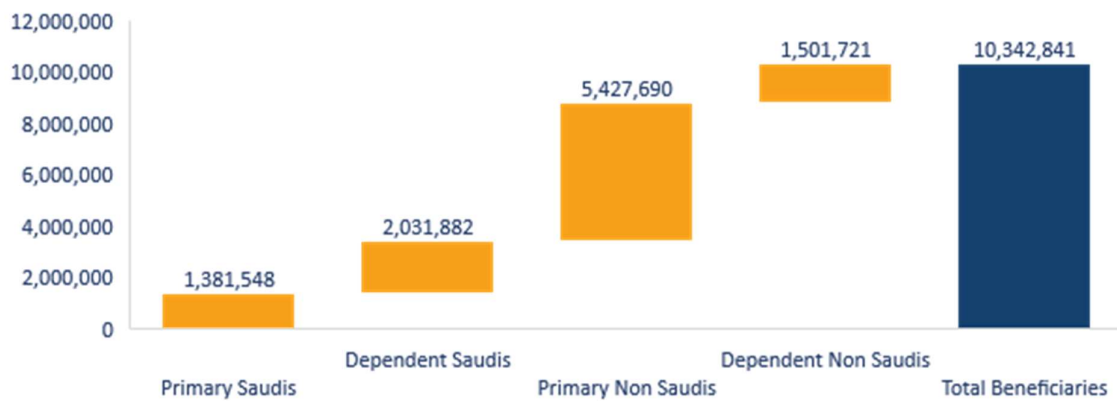
<sup>13</sup> The first section (Health System) is extracted from "Country Cooperation Strategy – Saudi Arabia 2018 – 2021"

Private healthcare sector, 44.3% of human capital is women, while 12.3% of all the women force is employed in the health sector.

All Saudi citizens and non-Saudi employees of the government have free access to government-financed public health facilities. Saudi nationals working for the ministries of defense, interior, and national guard and their dependents have additional access to facilities run by their respective ministries. The same applies to ARAMCO, which is a public company, and the Royal Commission of Jubail & Yanbu. Temporary Contractual Workers employed in other private sector companies have access to services through mandatory employment-based health insurance coverage. The Council for Cooperative Health Insurance was established in 1999 to regulate private health insurance. However, this has not been fully enforced on some segments of the population, such as irregular migrants, or Temporary Contractual Workers who lost jobs and are no longer covered by their employment contracts, domestic workers and other low skilled workers.

Figure 1-29

**Commencement of mandatory health insurance in 2017 has increased insurance beneficiaries to ~10mn**

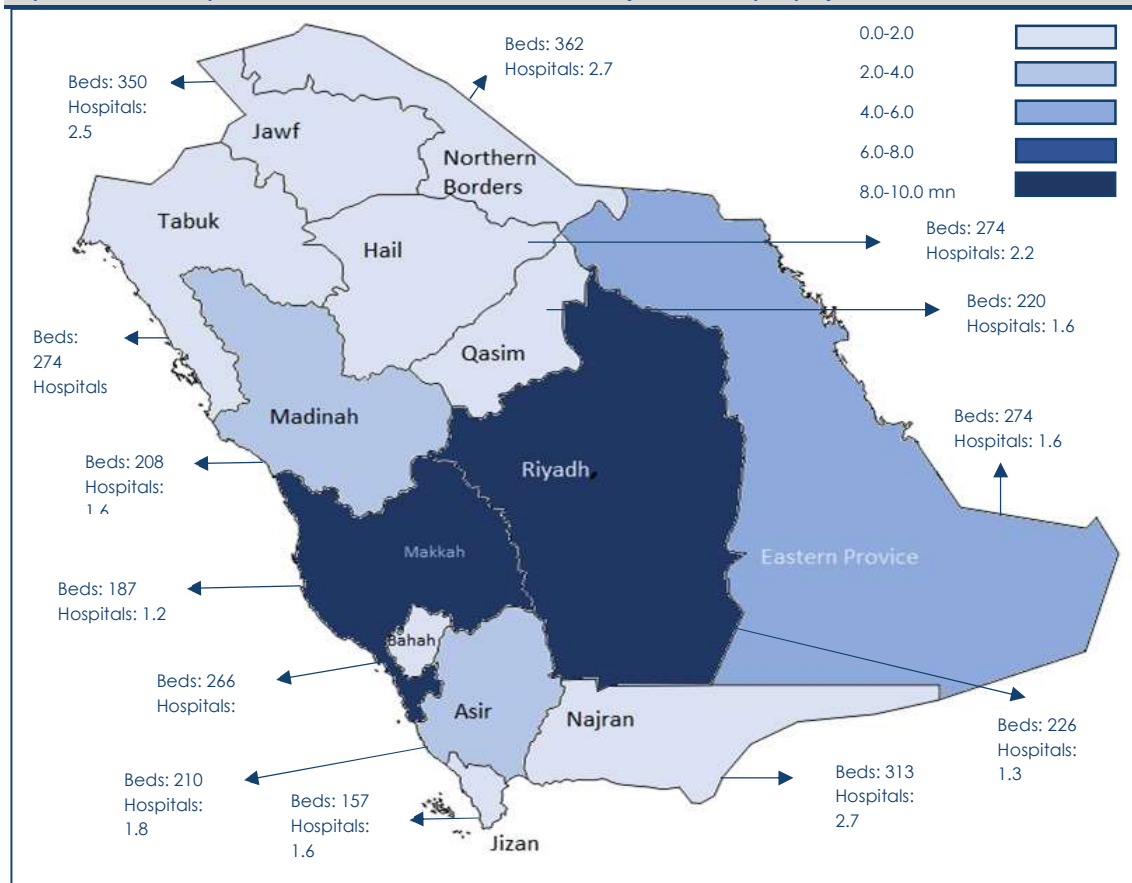


Source: Council of Cooperative Health Insurance

With respect to the geographic distribution of health care facilities (see infograph1-30), provinces that have less population like Qasim and Tabuk regions are much better equipped with respect to hospital bed capacities and hospitals while there is still room to beef up healthcare facilities in more populous provinces like Riyadh and Makkah given the increased urbanization and higher foreign worker population increase over the years.

Figure 1-30

Population heat map with distribution of healthcare facilities (Per 100,000 people)



Source: Ministry of Health, GaStat

**Healthcare quality in the KSA:** Saudi Arabia has invested heavily in the healthcare system by establishing infrastructure to provide quality healthcare services to its citizens. The sector has been given top priority by the government as it has consistently been the top recipient (3<sup>rd</sup> highest fiscal outlay for 2020) of government expenditures. All this concentrated effort has made Saudi Arabia's healthcare system to emerge as one of the best, with WHO ranking it at 26<sup>th</sup> in the world, ahead of many developed nations such as Canada (30<sup>th</sup>), Australia (32<sup>nd</sup>), and the US (37<sup>th</sup>).

Table 1-3

Selected Health Indicators – (2017 or latest available data)

	Infant mortality rate (1,000 live birth)	General death rate	Life expectancy (years)
KSA	6.3	2.9	74.9
Bahrain	6.5	1.9	77.0
UAE	7.8	1.6	77.4
UK	3.9	9.2	81.1
Germany	3.4	11.7	80.8
OECD	6.6	8.4	79.0

Source: MOH, Bahrain Information and e-Government Authority, UK office for National Statistics, WB, OECD

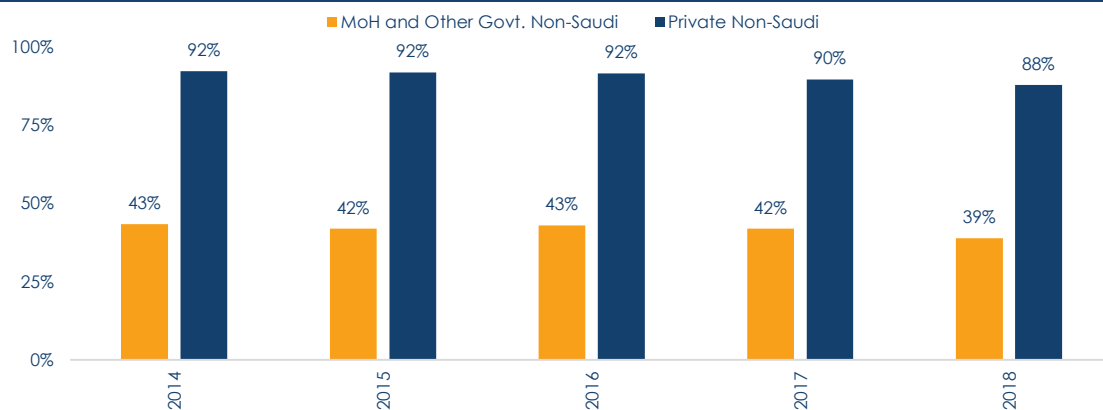
While the overall healthcare sector in the Kingdom has gone through rapid upgrading and transformation in the past decade or so, nonetheless, some key challenges still exist that include:

- 1. Low Saudization (or localization) of the healthcare workforce:** The government of the KSA is the single largest employer of health care workers and is heavily dependent on Temporary

Contractual Workers who account for over half (~53%) of the entire workforce. The major concentration of Temporary Contractual Workers is in the private sector, with approximately 88% of the total workforce, while the government sector accounts for a considerable ~39%. This high concentration leads to considerable turnover in the workforce resulting in continuity problems, which in turn affects healthcare services as patients and healthcare centres divert resources to look for a replacement. Nonetheless, recent trends show an overall increase in Saudi physicians, driven mainly by an important flow of return migration of Temporary Contractual Workers working in the medical field coupled with a concerted effort on the part of the government to nationalize the healthcare workforce.

Figure 1-31

Expatriate workforce in healthcare sector (Public and private)



Source: Ministry of Health

- Inefficiencies at public hospitals are owing to a centralized system of management, leading to longer wait times:** The current healthcare system is publicly owned and financed. Funds flow from the Ministry of Finance (MoF) to the MoH, which provides the health services in its facilities. The huge burden on the government budget, the limited fiscal space, and inefficiencies have prompted the reform of the healthcare system. The National Health System Transformation Plan envisions the establishment of a new national health insurance scheme in order to improve the quality and financial sustainability of the sector. The plan calls for a separation of health functions among different organizations. The MoH will continue to be in charge of setting the overall strategy, standards, and governance of the system. It will be in charge of public health functions through the Center for Disease Prevention and Control. Healthcare Providers will be corporatized into 15 – 20 clusters, where each cluster provides all levels of care in a specific geographic location. A new “purchaser” organization will be created, which will be in charge of pooling funds and strategically purchasing services.<sup>14</sup> Following preparatory work over the past few years, piloting of the National Health System Transformation Plan has already started. Piloting is ongoing in Riyadh, Jeddah, and the Eastern Province.

<sup>14</sup> <https://www.moh.gov.sa/en/Ministry/vro/Documents/Healthcare-Transformation-Strategy.pdf>

Table 1-4

Diabetes and Obesity rates			
	Median Age (2017)	Diabetes in Adults (2017)	Obesity in Adults (2016)
KSA	28	19%	35%
Bahrain	32	16%	30%
UAEs	30	16%	32%
UK	41	7%	28%
Germany	47	12%	22%
OECD	37	7%	20%

Source: World Development Indicators, WHO, International Diabetes Federation, OECD

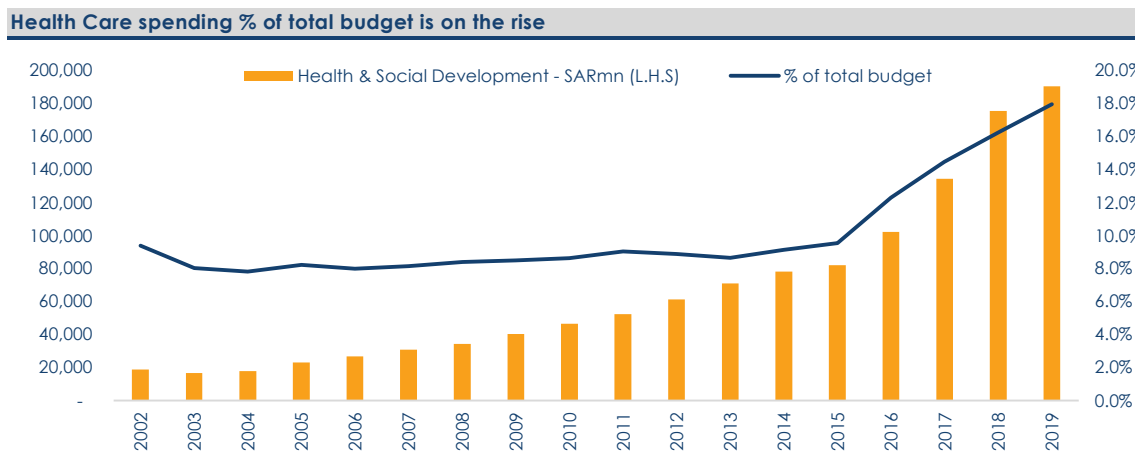
Table 1-5

Mortality Rates (% of total deaths) - 2016	
Cardiovascular diseases	37%
Other non-communicable diseases	20%
Injuries	16%
Communicable diseases	11%
Cancer	10%
Others (e.g., respiratory diseases, diabetes)	6%

Source: World Development Indicators, WHO, OECD

**Increasing importance of healthcare within the backdrop of Vision 2030:** Healthcare has emerged as one of the top priority for the Saudi Arabian government in recent times, with the sector retaining its position as the third-largest area of spending in the 2019 fiscal budget and saw its share of total budget spend trending higher over the past few years. The government budgeted 15.6% of 2019 expenditures on the healthcare and social development sector, as against 15.4% in 2018 and 14.4% in 2017.

Figure 1-32



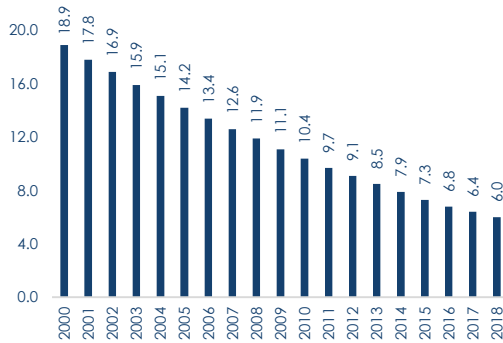
Source: Ministry of Finance

The same importance is highlighted in the Kingdom's ambitious Vision 2030 and National Transformation Programme (NTP), where the healthcare sector has been identified as one of the key pillars. While the focus on improving healthcare infrastructure is clearly visible, the strategy to achieve Vision 2030 goals is to enhance the involvement of the private sector for greater efficiencies. Under NTP, the government aims to increase private sector contribution in total healthcare spending to 35%. In this regard, the Ministry of Health is planning to embark on a series of Public-Private Partnership (PPP) projects. Saudi Arabia's high-quality healthcare system is likely to be both resilient and responsive to the COVID-19 pandemic. The Saudi government views healthcare as the sector with the best privatization potential, targeting the

privatization of 290 hospitals and 2,300 primary health centres by 2030<sup>15</sup>. In this regard, the Ministry of Health has set up first-ever PPP project. The project itself will be focused on the development of medical imaging services and comprising radiology across various hospitals situated in the Greater Riyadh area, targeting seven hospitals to be involved in this project. Saudi Arabia's Ministry of Health has estimated the project value at more than USD 66.7 million over the next decade. According to Saudi Arabia's Ministry of Health, this project will employ around 500 medical staff members, ranging from clinical, technical, as well as nursing staff. Once finished, the project is expected to serve one million Saudi residents in the Riyadh area.

Figure 1-33

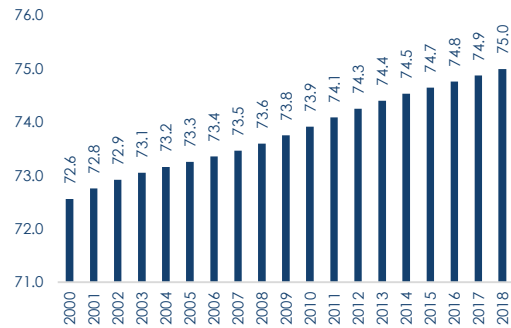
Infant Mortality rate (per 1,000 live births) has fallen



Source: World Bank, WHO

Figure 1-34

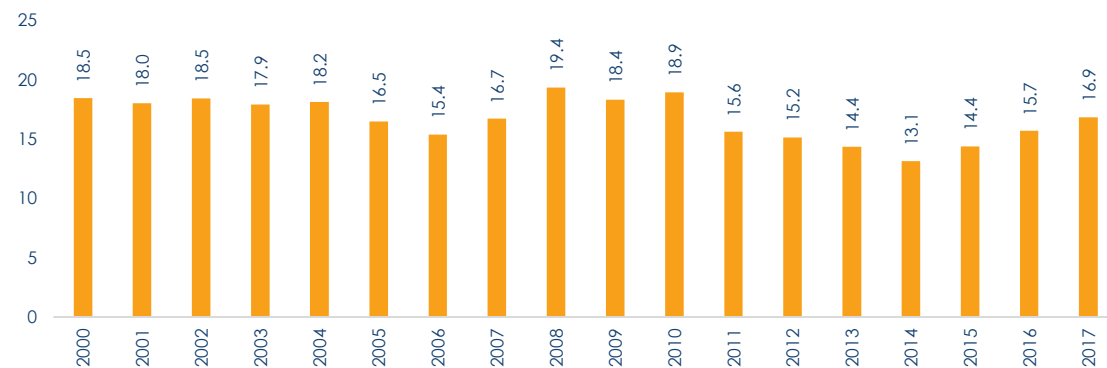
Life Expectancy has gradually improved



Source: World Bank, WHO

Figure 1-35

Out of Pocket Expenditure (as % of current health expenditure) has fluctuated over the years



Source: World Bank, WHO

According to the latest figures from the MoH, there were a total of 104,775 medical physicians and dentists in the country as of 2018. There were 184,565 nurses, or 5.5 nurses per 1000 inhabitants, whereas the ratio for doctor's hovers at around 2.8 per 1000 inhabitants. This places the country's doctor-to-patient ratio in line with the GCC average and on par with other countries such as the US (2.6) and the UK (2.9)<sup>16</sup>. Furthermore, the infant mortality rate (per 1,000 live births) has steeply fallen over the past two decades to 6.0 deaths, while overall life expectancy has increased to 75.0 years.

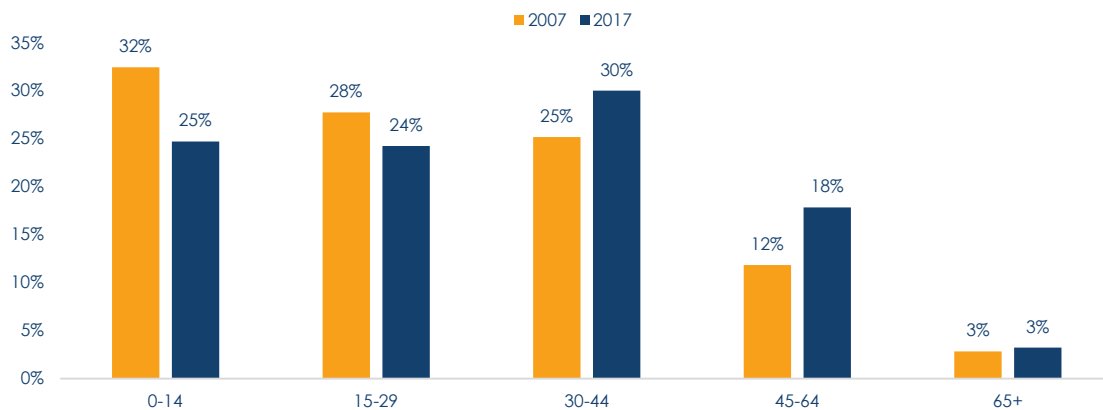
<sup>15</sup> <https://insights.omnia-health.com/>

<sup>16</sup> The Report 2020 – Oxford Business Group

**Changing demographics of the KSA to put pressure on the healthcare sector:** While the demographic profile of the Kingdom is generally perceived to be young, however gradual aging of the population is already underway where the proportion of the population under 30 have gone down by 11pp during 2007-2017. This structural shift in the demographic of the country is expected to further intensify in the coming decade owing to continued & improving access to healthcare and a gradual increase in life expectancies with advancements in the medical field. This will drive demand for healthcare services, and the nature of services, spending per patient, duration of care, and the type of specializations will significantly change. Going forward, two key trends are expected to drive the healthcare infrastructure in the Kingdom, which are i) wellness concept of nutrition management, active lifestyle, healthy living, and ii) long term medical care and rehabilitation as demographics continue to skew towards old age.

Figure 1-36

**Changing demographics**



Source: GaStat

**Major initiatives for the Healthcare Sector<sup>17</sup>:**

- **Mandatory Health insurance<sup>18</sup>:** The KSA began implementing the mandatory unified health insurance scheme in July 2016, with the system fully in place in 2017.
- In 2019, **New Medical Care (NMC) Health** (private health care provider) finalized a joint venture agreement with Saudi Arabia's General Organization for Social Insurance that includes up to SAR6 bn of investments in the Kingdom over a five-year period. The joint venture will acquire and develop facilities with a capacity of up to 3,000 beds and employ up to 10,000 full-time and part-time employees.
- **MOH provides free and integrated health services to pilgrims** during Hajj and various seasons through a network of hospitals and health centres that have been established for this purpose, in addition to hospitals and centres operating throughout the year.
- **Hajj Visiting Manpower Participation Service:** This service enables medical and technical staff specialized in some delicate specialties to apply for participation as part of MOH's hajj visiting manpower. This service targets health practitioners required from inside and outside the Kingdom to benefit from them during hajj season for operating MOH's health facilities.
- **The Unified Portal of Health Services:** It aims to bring together all e-services and programmes used by MOH Hospitals, health centres, or other facilities and sectors under a reliable, unified, and an official e-portal.

<sup>17</sup> <https://www.moh.gov.sa>

<sup>18</sup> 2019 Saudi Arabia Healthcare Industry Overview



- **Referral System (Ehalty):** The programme enables hospitals to refer patients to other hospitals and follow up referred cases.
- **Birth Registration and Vaccination Reminder Service:** The project aims at registering and exchanging birth-related information with the Civil Affairs Agency through the National Information Center. More than 250 hospitals have been linked.
- **Bed Management Programme:** The programme enables the responsible and authorized person to enter accurate information around the clock about bed status, one-day surgeries, and the ordinary operations in MOH's hospitals.
- **Staff Transfer System:** This system aims at automating staff transfer (both internally and externally). Automation is carried out by submitting transfer requests electronically, without need to attend in person.
- **Establishing the Drug Safety Programme:** through which training is provided for a specialist pharmacist at each hospital to follow up how the drug safety guide is applied.
- **Introducing the Australian Medical Coding System:** (ICO-10) to the MOH's medical records to simplify registration and coding of diseases.
- Establishing the **Medical Records Improving Programme**, which aims at gathering the medical forms from all hospitals and transforming them into electronic ones
- Establishing a **productivity improvement programme in the hospital's** operation rooms which has been applied so far in 20 MOH hospitals and contributed to increasing the productivity in the operation rooms in these hospitals by 25%.
- **Establishing Medical Performance Improvement Programme** in the neonatal intensive care units in collaboration with Minnesota University in the US.
- Establishing a **performance improvement programme in the Pediatric Intensive Care Unit (PICU)**. Preparations now are underway to apply for the programme in the Kingdom's other hospitals.
- Establishing a performance improvement programme in the emergency units of 12 hospitals.
- **Establishing a patient relations programme**, currently staffing more than 1200 employees, sparing no effort to ensure comfort for patients.

**The major achievements of 2019 for the Ministry of Health have been the following:**

- The Ministry of Health has launched four centers for cardiac catheterization services, seven Oncology centers, three obesity centers, and 5 Centers for growth and behavior disorders
- Launching four surgical robots across the Kingdom, most of them for general surgery and urology
- Establishing and operating an artificial intelligence and emerging technologies laboratory that aims to develop a global laboratory for health technology research
- Mobile clinics project to provide ten vehicles to provide primary health care services to reach the peripheral areas where no health services are available, with a coverage rate of 84%.
- Launching 200 portable dental clinics distributed over the Kingdom's regions, in coordination with the Ministry of Education. The number of beneficiaries is estimated at more than 150,000 students during the academic year.
- Operating 65 new ambulance centers. Launching the Modern Healthcare Model Programme to upgrade health care services through six systems of care.

- Implementing the Wasfaty "My Prescription" system in 600 health centers with the aim of raising the level of health services and ensuring the provision of medicines.

**The most prominent targets of the Ministry of Health for the year 2020:**

- Institutional transformation of health care facilities by separating the provision of health services from the ministry and transforming them into government-owned companies that compete on the basis of quality and efficiency.
- Establishing the Health Surveys Department to track risk factors causing communicable and non-communicable diseases in the Kingdom.
- The launch of the National Center for Health Research
- Establishing, equipping, and operating three laboratory centers for examining pesticide residues in vegetables and fruits.

## Education

**Structure & Oversight:** The education sector is regulated by the Ministry of Education (MoE), and it is the Kingdom's largest employer with a workforce of 800k<sup>19</sup>, including teachers, management, and administrative personnel. Post-Secondary education and secondary education are regulated by the Technical & Vocational Training Corporation, College of Excellence, and Saudi Skills Standards. There is another apex body that oversees the entire education system in the KSA known as Education Evaluation Commission (see below).

Figure 1-37

Age	Saudi System	KSA key regulators		
18+	Post-Secondary	Ministry of Education <i>merged with Ministry of Higher Education MoHE</i>	Technical & Vocational Training Corporation	Education Evaluation Commission <i>Includes:</i>  Public Evaluation Commission  National Commission for Accreditation & Assessment  National Center for Assessment in Higher Education  TVTC (Awards & Evaluation Dept.)
17	Secondary (10-12)		College of Excellence	
16		Saudi Skill Standards		
15				
14	Intermediate (7-9)	Ministry of Education		
13				
12				
11	Elementary (1-6)			
10				
9				
8				
7				
6				
5	Kindergarten			
4				
3				

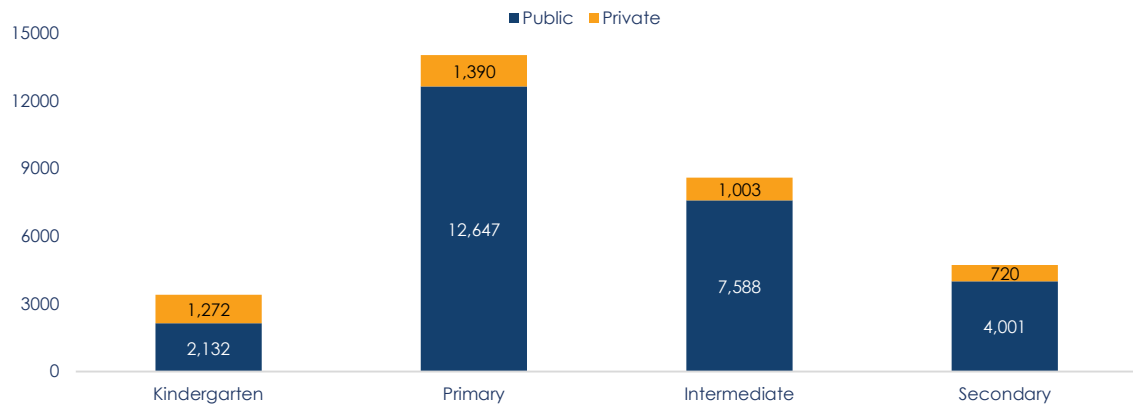
Source: PWC

Saudi Arabia's education system is divided into four levels: pre-primary (ages 3 to 5), primary (ages 6 to 11), secondary (ages 12 to 17), and tertiary (ages 18 to 22). Compulsory education lasts nine years, from the ages of 6 to 14.

**Primary & Secondary Education:** The education sector is predominantly run by the government as the total number of primary and secondary level students in the KSA amounted to 6.2mn students, of which 11% were in private schools. Similarly, public schools accounted for 85% of the total schools.

Figure 1-38

**Public & Private school's composition**



Source: GaStat

The public school enrollment, which includes primary and secondary enrollment rates, has grown at an eight-year CAGR of 1.7/0.5%, respectively. With an average of 13 pupils per teacher at the primary level and 11 at the secondary level, Saudi Arabia compares favorably to other countries such as the US and the UK, which had around 14 and 15 pupils per teacher, respectively, at primary schools, and 15 and 17 at secondary schools.

Figure 1-39

**Primary Education students and pupil to teacher ratio (RHS)**



Source: SAMA Annual Statistics 2019

Figure 1-40

**Secondary Education students and pupil to teacher ratio (RHS)**



Source: SAMA Annual Statistics 2019

Table 1-6

**Key Education Statistics 2019 (or latest available data)**

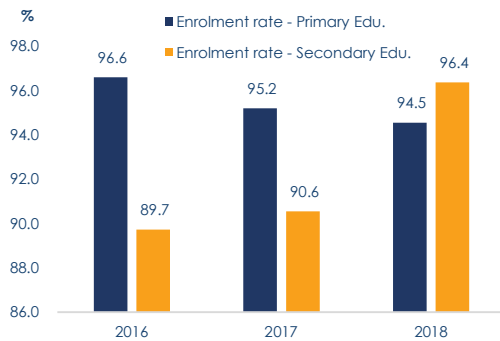
Total Students – Primary & Secondary (mn)	6.2
Higher Education students (mn)	1.6
Number of schools (000's)	35.7
Total New graduates (000's)	254.1
Faculty at Higher Education (000's)	76.1
Student to Faculty Ratio	21.0

Source: SAMA Annual Report 2018

While net enrollment ratios have been quite high and in excess of ~95%, the standard and quality of education as determined by PISA (Programme for International Student Assessment) scores is much less and need significant improvement when compared to the average scores of OECD (Organization for Economic Cooperation and Development) countries.

**Figure 1-41**

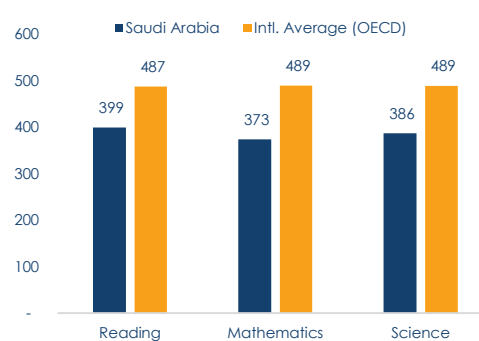
**Enrolment rates – Primary vs Secondary**



Source: World Bank

**Figure 1-42**

**PISA scores comparison with OECD (2018)**



Source: World Bank

TIMSS or Trend in International Mathematics and Science Study provides important information that can be used to improve teaching and learning methods in Science and Mathematics. Singapore tops the charts in TIMSS average score for 2015 (latest available data, update due in Dec'2020), while USA stands at 546 for grade four students. Saudi Arabia clearly lags behind on TIMSS score on both global and regional comparison having scores of 390 and 396 for grade four and eight respectively. Only Kuwait scored lower than KSA in the region with a score of 337 for grade four students.

**Table 1-7**

**TIMSS 2015 average scores show KSA lagging behind**

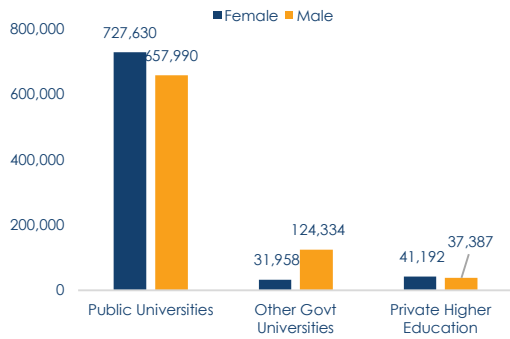
Countries	Grade 4 students	Grade 8 students
Singapore	590	597
United States	546	530
Bahrain	459	466
United Arab Emirates	451	477
Qatar	436	457
Oman	431	455
<b>Saudi Arabia</b>	<b>390</b>	<b>396</b>
Kuwait	337	411

Source: TIMSS 2015 Encyclopedia

**Tertiary Education:** Within the education sector, the focus has been on higher education, given a more direct link to employment. During the 2017/18 academic cycle, 27% of total students (~6.2m) belonged to higher education while new graduates at all levels were at ~254k and a student to faculty ratio of ~21. As with primary and secondary education, tertiary education too is primarily run by the government with total public university students amounting to 1.5mn, representing 95% of the total student.

Figure 1-43

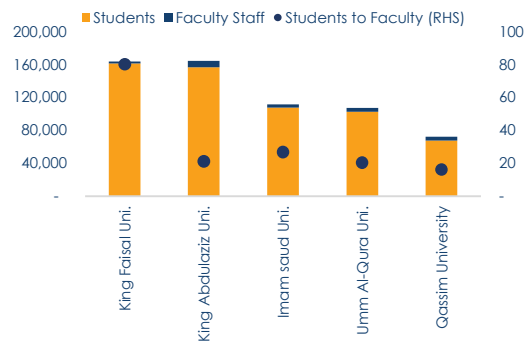
Total Public university students amount to 1.5mn



Source: SAMA Annual Statistics 2019

Figure 1-44

Key stats of Top 5 Universities



Source: SAMA Annual Statistics 2019

The overall numbers for students attaining Bachelor's and Master's degree have grown at a ten-year CAGR of 4.0/3.1% respectively; however, the government's focus has in recent times turned towards academic research and fellowships as the number of Ph.D.'s have risen the most by 9.1% (10-year CAGR) followed by other degrees (diplomas and fellowships) by 7.4%.

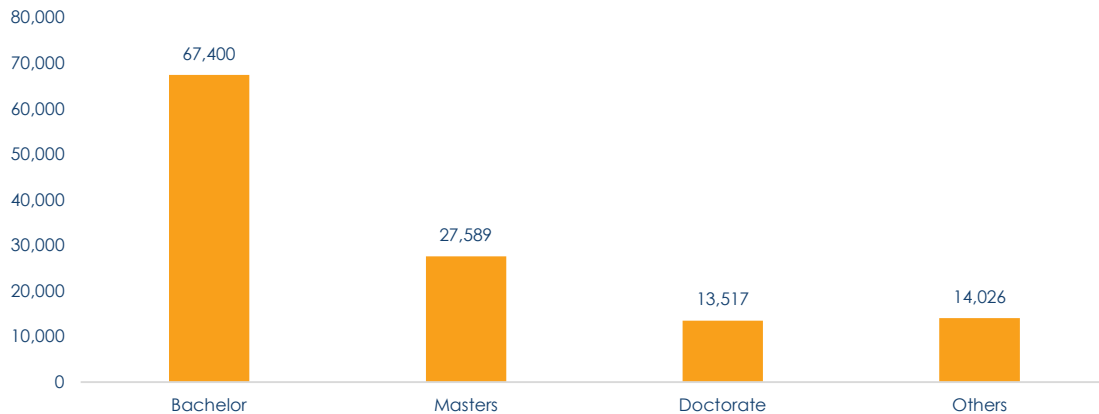
The government of Saudi Arabia also provides generous scholarship opportunities to talented and meritorious Saudi students for pursuing higher education abroad. Its flagship and the largest programme, known as King Abdullah Scholarship Programme (KASP), was started in 2005 by the late King Abdullah. The KASP had three phases of five years each. The third and current stage of the KASP has the motto 'first your job and then your scholarship'. The programme draws a direct link between jobs and scholarships given to the students. The third stage of the programme is based on the development of partnerships with government institutions to assess their needs of human resources, disciplines, and academic levels. Overseas scholarships are given accordingly; beneficiaries are given job guarantees for which they receive the scholarships.

Under KASP's Elite Programme, eligibility criteria for students include i) maximum age of 30/35/45 for Bachelors/Masters/Ph.D. degrees respectively, ii) the specialization is an extension of the previous degree or a related specialization, iii) previous academic degree should not exceed more than ten years old, and iv) final and unconditional acceptance letter from the 20 eligible universities (which includes the likes of top-class universities such as Harvard University, Oxford University, National University of Singapore and others) as classified by the Ministry of Education (MoE).

At present, approximately 81% of the total Saudis pursuing higher education abroad at various graduate levels are on scholarships.

Figure 1-45

**Total Graduates on scholarship abroad**

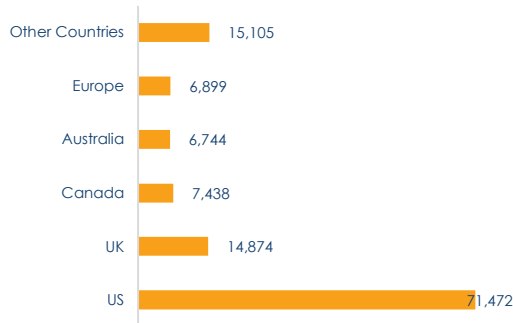


Source: SAMA 2018 Report

The United States is the country of choice for these aspiring young Saudi students, while Engineering and Business are the most prevalent field of studies.

Figure 1-46

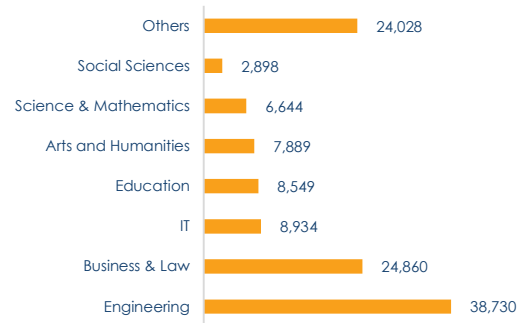
**US tops the list as the preferred choice for Saudi Students**



Source: SAMA Annual Statistics 2019

Figure 1-47

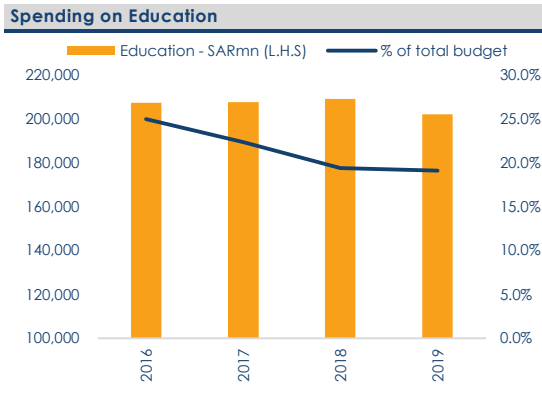
**Saudi students studying abroad by field of study**



Source: SAMA Annual Statistics 2019

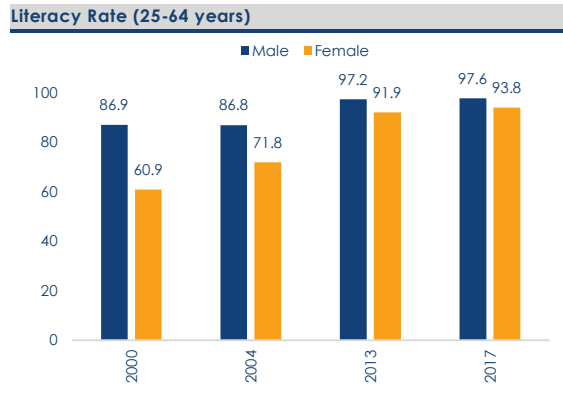
**Education at the center of Vision 2030:** With one of the key employment targets of including more Saudi nationals into the workforce, the education sector has gained prominence in policy circles and is at the center of the Vision 2030 programme. For this, the government of Saudi Arabia has significantly increased its spending on the sector to minimize the skills gap among Saudi nationals and to improve their employability. The government allocated 19% of its 2020 budgeted expenditures on the Education sector, at par with defense and higher than the healthcare sector. Under Vision 2030, the government aims to have at least five Saudi institutions ranked among the top-100 universities in the world. It has already made significant headway in achieving this goal. In the 2020 QS World University Rankings, two Saudi Arabian universities – King Abdulaziz University and King Fahd University of Petroleum and Minerals – featured in the top 200, at 186<sup>th</sup> and 200<sup>th</sup> place, respectively. King Saud University in Riyadh ranked 281<sup>st</sup>.

Figure 1-48



Source: World Bank

Figure 1-49



Source: World Bank

#### Major initiatives for the Education Sector<sup>20</sup>:

- **National Education Platform:** The platform provides several services, including a comprehensive student profile that keeps track of student health information, professional counseling, digital knowledge libraries, and smart school and ministry services. Parents and teachers are connected through this platform.
- **Overseas Scholarships:** The Overseas Scholarship Agency in the Ministry of Education prepares Saudi human resources by sending students abroad to gain exposure and also sponsors Saudi universities in the governmental and private sectors. The programme started in 2005 during the period of King Abdullah has continued with interruption since then.
- **Learning for life initiative "Istidamah"<sup>21</sup>:** A development initiative providing people with the necessary life skills and lifelong learning values.
- **University exchange:** Promotes international cooperation in the field of higher education, to develop capacities, gain knowledge and benefit from international relations between universities.
- **"Saifi" programme:** The programme is aimed at those over the age of 17 years of students, in order to provide them with the basic skills to enable them to invest their free time during summer vacation.
- **Saudi Digital Library:** A large and sophisticated digital library that includes various disciplines that support the educational process and meet the needs of beneficiaries in higher education institutions in the Kingdom of Saudi Arabia, contains more than 680,000 books in various electronic fields.
- **Research centres:** Most universities have established scientific and technical research centres in sectors of interest to the Kingdom. It should be noted that there are large scientific institutions in the Kingdom, such as King Abdulaziz City for Science and Technology, King Abdullah City for Atomic and Renewable Energy, and other Saudi research institutions.
- **Inmate education programmes:** Article 18 of the Prison and Detention System stipulates that the Ministry of the Interior shall, in agreement with the competent authorities responsible, foster education and awareness of the inmates.

#### The major achievements of the Ministry of Education for the year 2019 have been the following:

- More than 71 thousand students have benefited from special programmes for gifted students.

<sup>20</sup>Ministry of Education (MOE)

<sup>21</sup><https://www.my.gov.sa/>



- Implementing training programmes for teachers and school leaders in order to develop their scientific, practical, and personal skills that qualify them to deal with students and their mastery of effective teaching methods.
- Registration of more than 17,000 published refereed papers issued by Saudi educational institutions, and the registration of 159 patents.
- Opening of 32 STEM centres in 32 schools in all regions of the Kingdom, which will contribute to the development of students' abilities, attitudes, and tendencies.
- The total enrollment rate in kindergarten programmes is about 18% of the total births in the Kingdom.
- The percentage of students benefiting from the services of the neighborhood clubs was about 13% of the general education students.
- The launch of the electronic platform "Safeer 2" to serve students on scholarships and those wishing to study abroad.
- Achievement of 65 participations in international and regional competitions.
- The achievement of 38 medals and honors by male and female students in general education (middle and high school).

**The most prominent targets for 2020:**

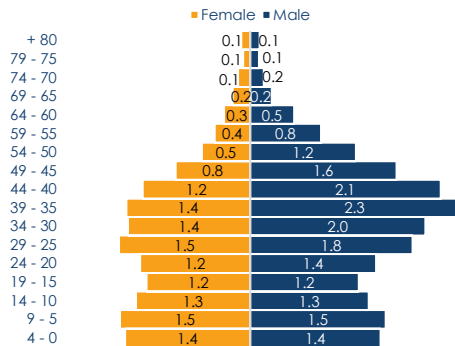
- Increasing the number of published refereed research papers issued by Saudi educational institutions to reach more than 19 thousand research papers.
- Increase enrollment opportunities in early childhood education to include children in all regions of the Kingdom to reach an enrollment rate of 22%.
- Shifting towards digital education through the use of interactive and contemporary educational methods and methodologies.
- Launching of 77 school centres devoted to disseminating science development methodology, Technology, Engineering, and Mathematics (STEM) through global best practices and solutions.
- Developing the Sports Federation of Saudi Universities and developing the national strategy for university sports through the development of sports facilities.
- Development of women's sports.

## Population

The KSA's population stood at 34.2mn in 2019, with migrants making up a large share 38.3% (13.1mn) of the total population. 58% of the total population is male, while amongst the migrants, the ratio of males is significantly higher at 69%. Amongst the Saudis, the ratio of males/females to total population stands at 51/49%, respectively. More than 50% of the population is below the age of 34, and more than 65% is below the age of 39 years. The largest population, i.e., 3.7mn people, are of the age bracket 35-39 years. The same is also true for the male population (2.3mn males between 35-39 age); however, the largest age cohort of the female population (1.5mn) is between 25 and 29 years old.

Figure 1-50

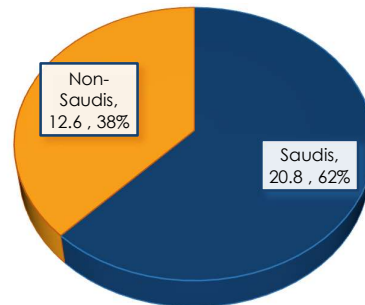
Age gender pyramid 2019 (in mn)



Source: Demographic Survey - GaStat

Figure 1-51

Immigrants made 38% of the population in 2019 (in mn)

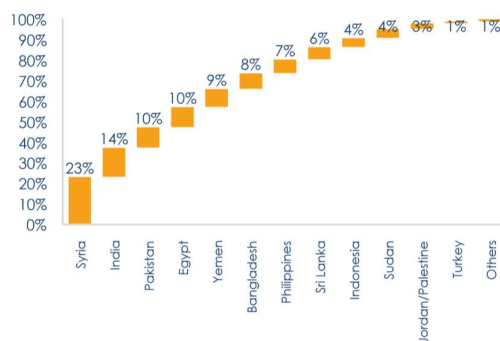


Source: Demographic Research Bulletin - GaStat

The Kingdom of Saudi Arabia is one of the largest hosts of foreign migrant workers in the world. Countries of the Indian subcontinent, namely India, Pakistan, and Bangladesh, are the origin of the largest communities of Temporary Contractual Workers in the KSA. Important numbers of Temporary Contractual Workers also come from Egypt and Syria. Since 2007, the migrant population has nearly doubled, adding 5.8mn Temporary Contractual Workers, taking the total tally to 13.1mn in 2019, representing a 12-year CAGR of 5.2%. Saudi population growth has been steady, adding 0.27mn since 2007 to stand at 21.1mn in 2019 (CAGR of 1.5%).<sup>22</sup>

Figure 1-52

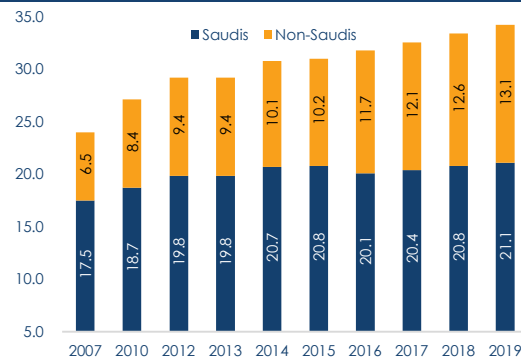
Private sector is dominated by expats



Source: Global Media Insight

Figure 1-53

Total population grew at a 12-year CAGR of 2.7% since 2007



Source: Demographic Research Bulletin - GaStat

The KSA was the third largest host of migrants in the world in 2019. The size of the migratory flows in the country was only surpassed by those destined to the United States of America and Germany. The country has a long tradition of welcoming migrants, with the Hajj and Umrah pilgrimages constituting a center for trade, commercial and cultural exchanges in the region, and attracting visitors and worshipers since

ancient times. Following the development of the oil industry, stirring economic diversification and infrastructure-building, the Kingdom has seen a rapid increase in the numbers of Temporary Contractual Workers coming in the past two decades to seek better sources of income. These Temporary Contractual Workers have significantly participated in bolstering both their host country's economic growth and contributing to the development of their countries of origin.

Men constituted the bulk of the migrant population in the KSA, with 73% of them aged between 25 and 55 years old in 2019<sup>23</sup>. The majority of migrant women were also of working age, with almost a third of them under 18 years old, which points to a significant pattern of migration through family reunification<sup>24</sup>.

In the KSA, Temporary Contractual Workers have been holding various positions from highly skilled to lower-skilled jobs in all sectors. The total number of employed non-Saudi amounts to more than 9 million people, which represents about 70% of the total employed population in the country<sup>25</sup>. These Temporary Contractual Workers are mainly employed in the private sector, providing engineering, scientific and technical support or engaged in the services industry<sup>26</sup>. Large numbers of Temporary Contractual Workers are also performing household occupations such as drivers, domestic workers, and cleaners<sup>27</sup>.

The countries of origin of the migrant workers have largely benefitted from remittances incomes from Temporary Contractual Workers working in the KSA, making up significant portions of their GDP and constituting important sources of external financing. Studies<sup>28</sup> also show that remittances sent by Temporary Contractual Workers positively contribute to alleviating poverty in countries of origin, improving nutritional outcomes and are associated with higher spending on education and reduced child labour in disadvantaged households<sup>29</sup>. Nonetheless, due to the high expenses incurred sometimes by Temporary Contractual Workers to travel to the KSA, with little adherence to the Employer Pays Principle on the cost of recruitment, they remain vulnerable to falling into heavy debt traps, which may absorb a substantial part of their earnings.

Annual remittance from the KSA has shown a decline of 19.9% from its peak in 2015 and is consistent with the drop in jobs held by Temporary Contractual Workers. Secondly, quarterly remittance was robust until March 2020. Quarter 2 portrayed a decline in remittances in line with COVID-induced job losses among Temporary Contractual Workers and salary reduction/delays in the private sector.

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23 United Nations Department of Economic and Social Affairs (2019), Population Division, International Migrant Stock. Available online: <https://www.un.org/en/development/desa/population/migration/data/estimates2/estimates19.asp>

24 Op. Cit.

25 General Authority for Statistics (GASat), Labour force (2019). Available online: <https://www.stats.gov.sa/en/814>

26 Gulf Labour Markets and Migration (2016), Saudi Arabia work permits issues by occupation category. Available online: <https://gulfmigration.org/saudi-arabia-work-permits-issued-by-occupation-category-private-sector-2005-2016/>

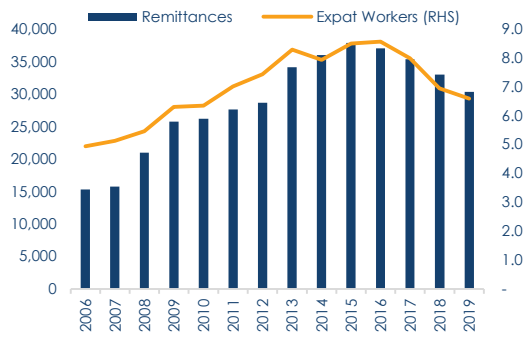
27 Gulf Labour Markets and Migration (GLMM), Non-Saudi workers by sex and main group of household occupations (2018). Available online: <https://gulfmigration.org/saudi-arabia-non-saudi-domestic-workers-by-sex-and-main-group-of-household-occupations-q2-2018/>

28 [http://documents1.worldbank.org/curated/en/507301468142196936/841401968\\_200510319014701/additional/343200GEP02006.pdf](http://documents1.worldbank.org/curated/en/507301468142196936/841401968_200510319014701/additional/343200GEP02006.pdf)

29 International Labour Organization (2016) The cost of migration: What low-skilled migrant workers from Pakistan pay to work in Saudi Arabia and the United Arab Emirates. Available online: [https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/publication/wcms\\_514127.pdf](https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---ilo-kathmandu/documents/publication/wcms_514127.pdf)

Figure 1-54

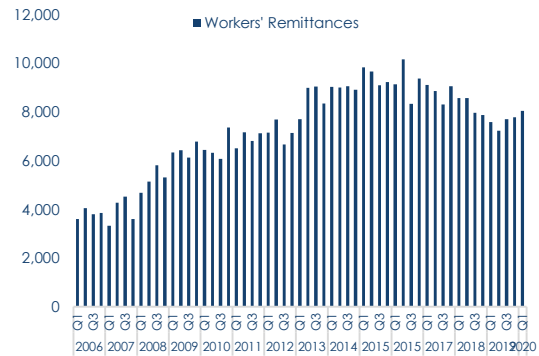
Remittances decline from peak (SARmn)



Source: SAMA Annual Statistics 2019

Figure 1-55

Quarterly trend; 2Q2020 will reveal a clearer picture (SARmn)



Source: SAMA Annual Statistics 2019

The government of Saudi Arabia has introduced a number of legislative actions aiming to improve Temporary Contractual Workers' protection. This legislative change was initiated back in 2005<sup>30</sup>, with the introduction of rules and regulations prohibiting, for example, sponsors from retaining the passports of Temporary Contractual Workers or members of their families. These efforts were supplemented with the adoption of the 2009 Anti-Trafficking Law prohibiting all forms of human trafficking and prescribing heavy punishments for offenders<sup>31</sup>. In addition, some degree of mobility between jobs was made possible for Temporary Contractual Workers, who can also change their sponsors under certain conditions<sup>32</sup>. Moreover, limits on working hours, restrictions on salary deductions, rest days, and mechanisms for resolving labour disputes were also introduced. Further amendments were adopted in 2013 with the launch of the Wage Protection System (WPS) to ensure employers fulfill their contractual obligations towards Temporary Contractual Workers. These efforts have culminated in an important Labour reform enacted in 2020 which aims to significantly reduce the vulnerability of Temporary Contractual Workers to exploitation and abuse as well as enhance their living and working conditions in Saudi Arabia. Notwithstanding all the efforts deployed, it has been difficult to put an end to exploitative practices, and reports of abuses still occur in the country.

Many Temporary Contractual Workers face significant challenges, whether in the recruitment stage in the country of origin, the journey across borders, transit, or living and working in the KSA. Lack of information and awareness in addition to language barriers, particularly in the case of low-skilled Temporary Contractual Workers with low levels of education, make them an easy target for malicious individuals and organizations. The daunting conditions and prospects in their home countries may also push some Temporary Contractual Workers to submit to exploitative practices and to tolerate challenging living and working conditions to remain in the KSA. These vulnerabilities heighten when combined with the irregularity of status. Irregular migrants may fear reprisal when resorting to state authorities for basic services such as health and medical care. They may also refrain from using state dispute resolution mechanisms when facing poor working conditions, health risks, racial discrimination and xenophobia, and other forms of abuse.

30 Gulf Labour Market and Migration (2019) The Legal Framework of the Sponsorship Systems of the Gulf Cooperation Council Countries: A Comparative Examination. Available online: [http://gulfmigration.org/media/pubs/exno/GLMM\\_EN\\_2019\\_04.pdf](http://gulfmigration.org/media/pubs/exno/GLMM_EN_2019_04.pdf)

31 Gulf Labour Market and Migration (2018) Saudi Arabia's Legal Framework of Migration. Available online: [https://gulfmigration.org/media/pubs/exno/GLMM\\_EN\\_2018\\_03.pdf](https://gulfmigration.org/media/pubs/exno/GLMM_EN_2018_03.pdf)

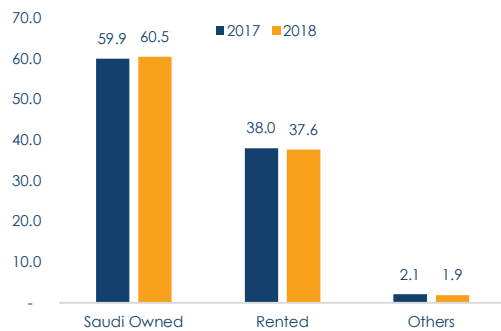
32 Gulf Labour Market and Migration (2018) Demography, Migration and Labour Market in Saudi Arabia. Available online: [http://gulfmigration.org/media/pubs/exno/GLMM\\_EN\\_2018\\_05.pdf](http://gulfmigration.org/media/pubs/exno/GLMM_EN_2018_05.pdf)

## Housing

General Real Estate Authority (GREA) oversees the housing sector, whereas the Ministry of Housing (MoH) serves to stimulate real estate supply through its planning, organizing, and facilitating role<sup>33</sup>. According to the General Authority for Statistics (GaStat), the real estate sector contributed SAR210bn (USD 56bn) to the economy in 2019, representing 7.1% of total GDP and 9.4% of non-oil GDP at current prices, while in real terms, the sector grew by 3.4%. In 2018, the total number of household units occupied by Saudi households stood at 3.6mn units, representing a growth of 2.5% YoY. Similar growth was also witnessed in 2017, where units stood at 3.5mn. 60.5% of the household units in 2018 were Saudi owned and occupied while 37.6% were rented as against 59.9% Saudi owned and 38.0% rented in 2017. Moreover, the majority are apartments, representing 43.8%, followed by villas and old houses constituting 29.45 and 18.3% of the total units, respectively. Region-wise, Makkah has 25.0% of the houses, followed by Riyadh and the Eastern region having a share of 23.7% and 14.3%, respectively.

Figure 1-56

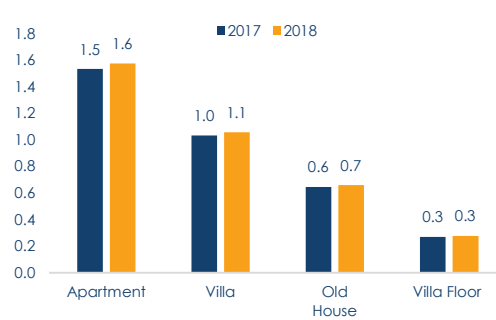
Saudi Houses by type of holding (%)



Source: Ministry of Housing - 2018

Figure 1-57

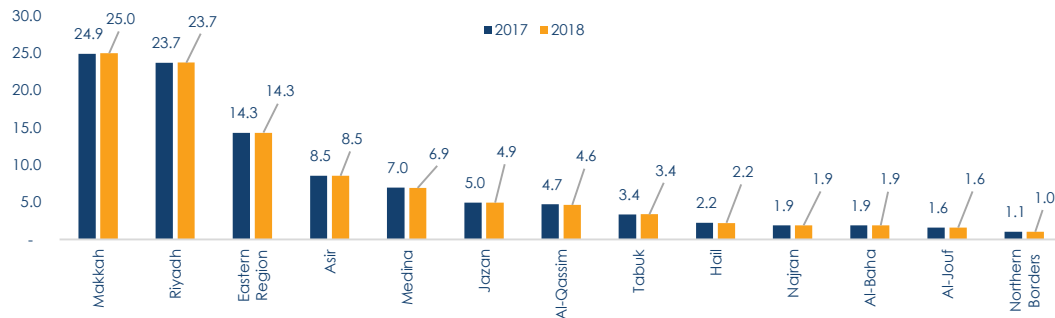
Apartments make majority of Saudi owned houses (mn)



Source: Ministry of Housing - 2018

Figure 1-58

Saudi housing unit's region wise (mn)



Source: Ministry of Housing - 2018

**Mortgages:** According to data from the Saudi Arabian Monetary Authority (SAMA), 179,217 residential mortgages were offered to individuals in 2019 worth (excluding interest) SAR 79bn (USD21.1bn). 95% of these mortgages were provided by banks and 5% by financing companies. This is a massive increase from 2018, which witnessed 50,496 mortgages worth SAR 29.5bn (USD 7.9bn). Furthermore, 80.6% of funding went towards villas in 2019, 12.4% to apartments, and 7% to residential lands. Commercial mortgages witnessed a similar trend, increasing from SAR 255bn (USD 68bn) in 2018 to SAR 317bn (USD 84.5bn) in 2019. This included SAR 215bn (USD 57.3bn) in retail mortgages and SAR 102bn (USD 27.2bn) in

33 The Report 2020 – Oxford Business Group

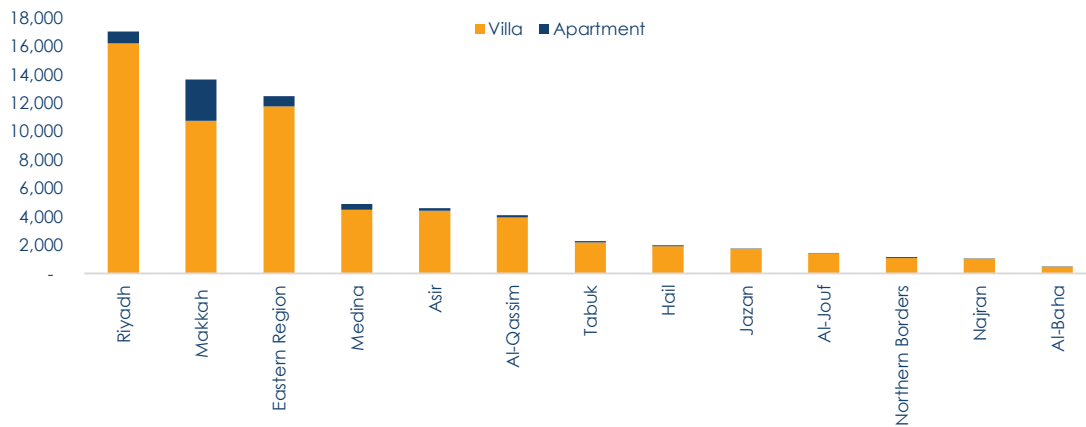
corporate mortgages. 93.7% of commercial mortgages were provided by banks and 6.3% by financing companies.

In recent times, SAMA has teamed up with the Ministry of Housing to create subsidized housing finance programmes. The Vision 2030 goals aim at raising the ratio of house ownership to 60% by 2020 (from 50% in 2016) and 70% by 2030 through developing the housing finance sector and increasing its contribution to GDP while enabling financiers to offer more diversified financing solutions to a larger number of citizens. SAMA has also decided to raise the maximum loan-to-value (LTV) ratio, set forth in Article 12 of the Implementing Regulation of the Real Estate Finance Law, from 85% to 90% for citizens' first residential units and that the ratio does not exceed 70% for citizens' second residential units. Total mortgages are targeted to increase to SAR 502bn by 2020, end from SAR 290bn in 2017<sup>34</sup>. Moreover, the Kingdom targets to increase affordability by setting an ambitious housing unit price to average annual income per capita ratio of 5.0x as against 9.9x in 2015.

In 2018, the total number of beneficiaries of the subsidized housing contract reached 67,070. The majority of these contracts, i.e., 92% were for villas. Region-wise, Riyadh leads with a share of 25%, followed by Makkah and the eastern region has a share of 20 and 19%, respectively.

Figure 1-59

Subsidized housing contract in 2018



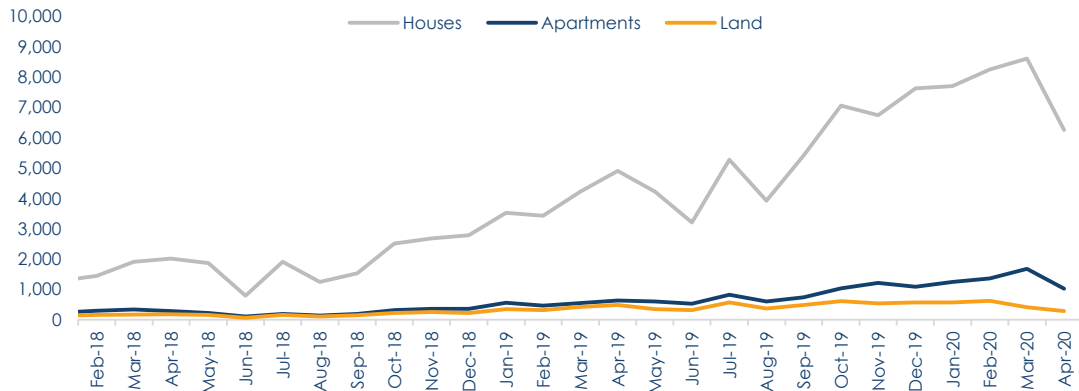
Source: Ministry of Housing - 2018

The number of ready-made housing units amounted to 16,000 in 2018, with Riyadh accounting for 21.6%, followed by the Eastern Region with 20.4%, and Makkah region with 13.4%<sup>35</sup>. In 2018, the total number of off-plan housing units amounted to 104,500; 80,000 residential land; and 100,000 housing units secured through subsidized housing finance, with a total value of SAR 20.0bn.

34 2020 Housing Program  
35 SAMA Annual Report 2018

Figure 1-60

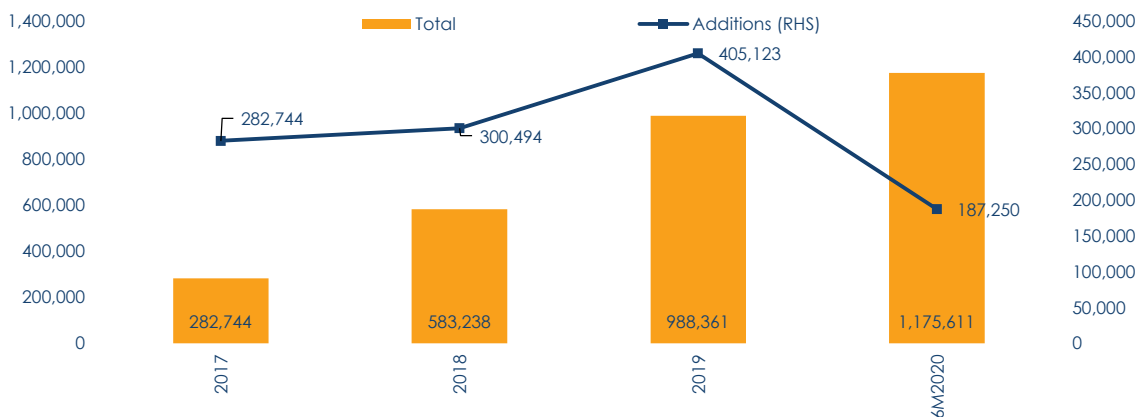
**New mortgages witness a slowdown due to COVID-19 (mns)**



Source: SAMA monthly bulletin

Figure 1-61

**Housing Programme – Total number of beneficiaries**



Source: Ministry of Housing

The second type of housing in Saudi Arabia is informal housing. The informal settlements are generally characterized by dense substandard development typically formed as concentrations of temporarily built housing, reflecting a lack of affordable housing for migrants from rural areas or other countries who come to cities to seek job opportunities. Due to rapid urbanization, housing provision has not kept up with rising housing needs, which also results in increasing housing prices and rentals. As a consequence, migrants, particularly those who are deprived, sometimes build temporary accommodation with poor materials, shaping informal settlements and slums in combination. Given that these settlements are informally built without official approval, urban infrastructure and services are usually not adequately installed. Illegal access to electricity and water is often arranged, but other services such as sewerage and storm-water drainage are rarely available. The informal settlements are mostly located in the two holy cities of Makkah and Madinah, as well as the adjacent cities of Jeddah and Taif.

**Major initiatives for the Housing Sector<sup>36</sup>:**

- **Sakani:** A programme developed by MoH and Real Estate Development Fund (REDF) to allocate residential products to beneficiaries. In 2017, it allocated 280,000 residential products.

36 <https://www.housing.gov.sa>

- In 2017 the **REDF** launched a mortgage guarantee programme for citizens on the country's housing waitlist. Those on the list can nominate a relative who meets lending conditions to act as a guarantor of the mortgage.
- **Mullak:** Aims to develop a relationship between landlords and joint-ownership housing unit's occupants through the establishment of regulations, control mechanisms, and property and facilities management services.
- **Etmam:** Developers Services Center (ETMAM) aims at facilitating the launching of the real estate sector in the Kingdom through partnership and cooperation agreements. The central authorities act as nexus through which the real estate developer can follow up their transactions during the various phases of project development
- **Ejar:** The leasing services network is one of the most important solutions designed to organize the relationship between the parties through an integrated e-service network.
- **Idle Lands:** This programme looks to provide residential plots at affordable prices. An annual fee is charged at a rate of 2.5% of land value for non-governmental white lands, which is then used to develop the housing projects further.
- **Developmental Housing:** An initiative that integrates the non-profit sector, as per the vision of 2030, to increase the contribution of the non-profit sector in non-oil industry GDP from less than 1% to 5%.
- **Sustainable Building:** Aims to raise the quality of residential housing projects and look to minimize maintenance costs by inspecting the quality of work.
- **Saudi Real Estate Institute:** Looks to disseminate best global practices in the real estate sector by providing training and qualification for practicing professionals in the Saudi real estate sector.
- **Building Technology Stimulus:** Looks to explore innovative technological options to provide affordable housing.
- **Value Added Tax (VAT):** To reduce the cost of owning a house, MoH will bear the cost of VAT for the first residence.
- **Shrakat:** Looks to develop partnerships between MoH and the private sector to develop affordable houses.

**The major achievements of the Ministry of Housing for the year 2019 have been the following:**

- One thousand Saudi families had benefited from the programmes of the Ministry of Housing.
- Signed 84,000 subsidized financing contracts for the beneficiaries of the Real Estate Development Fund and the Ministry of Housing.
- Executed 33 infrastructure development projects to serve 51,000 plots of land
- Started construction of 96,000 housing units with the off-plan sale system.
- Launched the House Builders Platform to facilitate the journey of the beneficiaries in building homes, as it covers the entire construction process starting from design.
- Launched a sustainability platform "Estidama" through which a set of mechanisms are applied to audit the quality of construction work.
- Launched the Good Housing platform "Jood" to support the provision of housing units.



### The most prominent targets for the year 2020:

- Continuing to provide financial support to the beneficiaries of the Ministry of Housing and the Real Estate Development Fund to support financing profits in the amount of 500,000 riyals as a maximum limit for eligible citizens.
- Providing financial support to those wishing to purchase a ready-made housing unit.
- Creating, implementing, and offering housing units for the off-plan sale products to the beneficiaries of the Ministry of Housing.
- Developing the lands of the Ministry of Housing to provide housing products to those who deserve housing support through the partnership programme with the private sector and housing development.
- Providing incentive programmes to develop the infrastructure of undeveloped lands subject to fees by offering refundable financial incentives.
- Signing contracts worth SAR11bn to develop housing units for families benefiting from social security in various regions of the Kingdom.

### Poverty & Inequality

While the official data on poverty and inequality is scarce, the authorities remain committed to the elimination of incidence of poverty and reduce income inequality via a comprehensive range of programmes. Besides universal coverage of health care and free education (the two heads account for ~36% of total budget expenditure in 2019)<sup>37</sup>, the authorities have come up with numerous initiatives and direct income support programmes for lower-income groups to lessen the impact of economic reforms. As per the IMF Staff report on Article IV Consultation<sup>38</sup>, the Social Assistance Programme run by the KSA amounts to 2.9% of GDP in 2018 (see table below for details). Major programmes include:

Table 1-8

Social Assistance Spending	
Programme	Spending % of GDP (2018)
Income Guarantee Programme	0.80%
Cost of Living allowance	0.10%
Social Care Programmes	0.20%
School Programmes	0.20%
Citizen Accounts	1%
Support for Charities	NA
Other Programmes	0.60%
<b>Total</b>	<b>2.90%</b>

Source: IMF

### Major initiatives for Poverty and Inequality<sup>39</sup>:

- **Standard social safety net programmes:** These programmes are non-contributory and provide cash transfers` or in-kind benefits. They include: (i) the Income Guarantee Programme, a financial assistance programme funded through Zakat collections (60%) and by the government (40%) for impoverished households, people with disabilities, and unsupported families; (ii) social

<sup>37</sup> Budget 2020

<sup>34</sup> <https://www.imf.org>

<sup>39</sup> <https://www.housing.gov.sa/en/initiatives>

care programmes for orphans and people with disabilities; and (iii) the national school programme (Takaful).

- **Citizens' Account Programme:** This targeted cash transfer system to compensate Saudi households for the cost of higher energy prices, and VAT was introduced in December 2017. The size of the monthly allowance depends on income, household size, and a number of dependents above or below 18-year of age. On a monthly average, around ~2.0 million households (covering ~12.2 million individuals) in 2020 are receiving monthly payments. As per the latest numbers, SAR1.7bn (USD453mn) was deposited into citizen account with average monthly support for each family of SAR930 (USD248) for the month of July 2020. Furthermore, female heads of the family only accounted for 8% of total family numbers while the number of female independents in a family stood at 30%. Recently, there has been an amendment in the Citizen Account programme for independent individuals to add proof of the independence of housing for everyone aged 18 years or older as a pre-requisite to ensure continuity of support. The following table provides a summary of potential maximum monthly support for an average family size of six (four kids below the age of 18 years and a wife).

Table 1-9

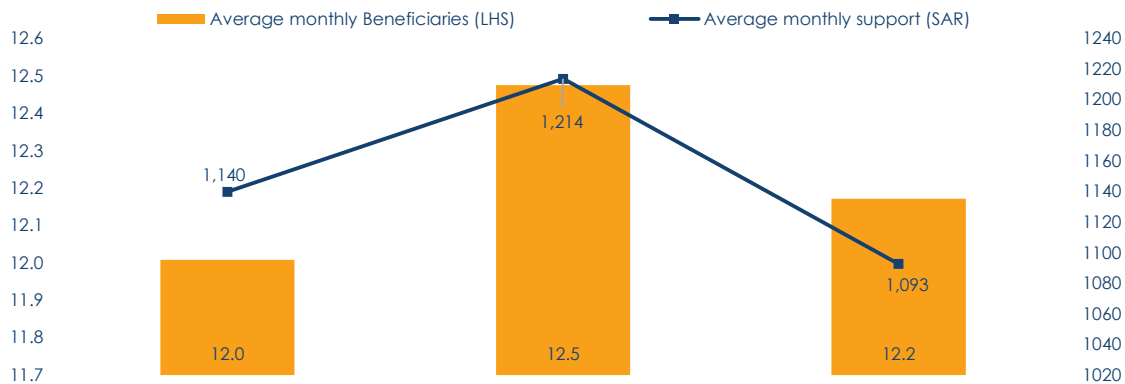
Calculation of maximum support for a family of six (SAR)			
Household income	5,000	10,000	15,000
Maximum Support	980	980	451
Cut-off for exemption for decrease in support*	11,637	11,637	11,637
Maximum Cut-off salary for eligibility	18,511	18,511	18,511

Source: Ministry of Labour and Social Development

\*For every SAR10 above the cut-off, the support will decrease by SAR16

Figure 1-62

Average monthly disbursement under Citizen Account and the average monthly number of beneficiaries



Source: [www.ca.gov.sa](http://www.ca.gov.sa)

- **Support for charities:** The Ministry of Labour and Social Development supervises nearly 650 charitable associations with a focus on family affairs and services for disabled people.
- **Development housing programme:** A new Development housing programme was introduced in 2018 to boost homeownership by Saudis that are in need (level of assistance based on household income and size), including those receiving assistance through the Income Guarantee Programme.

- The King had announced a new “**cost of living**” allowance in January 2018. This monthly allowance for public sector workers, retirees, students, and those on social benefits was extended to mid-2020<sup>40</sup>.

### Food Security

The agricultural sector in the KSA, including crops, livestock, fisheries, and ancillary activities such as beekeeping (supporting more than 14000 low-income rural families), is an important pillar of the national economy. Agriculture and food commodities producers in the Kingdom include small farmer, medium, and large agri-businesses. While small farmers represent more than 70% of producers, they practice farming over less than 7% of the land under agriculture, but their contribution to daily food needs is significant. Medium and large agribusiness producers together with small producers, contribute about 30% of the food economy in the KSA. The agriculture sector also employs around 6% of the country's labour force.

Food security of the KSA, with around 30% locally produced commodities and 70% from other countries, is largely import-dependent. Therefore, the sustainability of its food security relies on stable availability and access to local and global food systems. Food and feed commodities imports are key to sustained food security. Saudi Arabia's food security strategy has identified eight food commodities as strategic commodities, wheat, rice, poultry, milk, dates, sugar, edible oils, and combined feed (Maize, soybean, barley, and Alfalfa). Besides, some more items are also of strategic importance, particularly in an emergency. In all these items, the self-sufficiency of the KSA is abysmally low, and in some cases, it is nil. Total agricultural commodity imports of Saudi Arabia during 2017 were USD18.7bn, which was about 14% of the total import of the Kingdom.

Therefore, the sustainability of the country's food security relies to a significant extent on stable availability and accessibility in the global food system, and to a lesser extent on the local food systems. While imported commodities include wheat, rice, edible oil, live animal, processed meat and fish, locally produced commodities include self-sufficient commodities such as poultry products, dairy products, and some fresh fish products. The local commodities also include live animal meat, vegetables, and fruits. Table 9 below gives the status of domestic production of these commodities corresponding to consumption requirements.

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40 <https://saudigazette.com.sa/article/592949/SAUDI-ARABIA/Saudi-Arabia-hikes-VAT-to-15-halts-cost-of-living-allowances>

Table 1-10

Level of self-sufficiency in food commodity in the KSA			
Strategic commodities	Domestic production in KSA (Ktons)	Human consumption (Ktons)	% Self sufficiency
<b>Commodities with very low food self-sufficiency</b>			
Cereals (Total)	872	5,096	17.1
Wheat	621	2,962	21.0
Rice	Nil	1,192	0.0
Maize	15	688	2.2
Sugar/sugarcane	Nil	1,027	0.0
Potato	476	769	61.9
Dry Onion	71	427	16.6
<b>Commodities with better self-sufficiency</b>			
Dates	1,224	1,137	107.7
Vegetables other than potato onion	1,392	3,061	45.5
Milk	2,446	2,769	88.33
Egg	2,830	2,769	102.2
Poultry meat	541	1,623	33.3
Other meat	161	430	37.4

Source: General Statistics Authority, KSA, computed from FAO Food Balance Sheet: supply availability absorbed taken as consumption demand. Includes products also.

Attaining sustainable and stable food security is amongst the top development priorities of the Kingdom of Saudi Arabia. Accordingly, the Strategic Objective 5.4.1 of the Saudi Vision 2030 is specifically focused on ensuring development and food security. Therefore, smooth food and feed commodities imports are key to sustained food security. Within this framework, the Strategic Food Reserves managed and operated by the Saudi Grains Organization (SAGO) are considered a key pillar to food security.

The KSA has maintained stable food security over the years but is not insulated from exceptional disruptions in the food system caused by COVID-19. Having high dependence on global food systems due to imports, it is therefore considered imperative to take note of possible implications on its food security in the emerging situation, and if necessary, trigger the state of preparedness for the sustainability of its food security and nutrition.

Besides supporting the food security and nutrition, the KSA's vibrant agriculture sector with the traditional and cultural heritage of cultivation that provides for rural people improved livelihoods for more than 300,000 small scale farming families in the country. Some traditional farming is market-oriented with niche products like honey, coffee, aromatic plants, fruits, and vegetables. The disruption of the supply chain for inputs, labour, and market linkages can have a serious impact on the livelihood of these farmers, especially small farmers.

This sensitivity of implications of COVID-19 on the farm sector and food security was echoed in the recently held G 20 Agriculture Ministers teleconference with the KSA in the chair: "We reaffirm the importance of working to ensure the continued flow of food, products, and inputs essential for agricultural and food production across borders in line with our Leaders' Statement on COVID-19 of March 26<sup>th</sup>, 2020. We acknowledge the challenges of minimizing the risk of COVID-19 while keeping food supply chains functioning. We will continue to work to ensure the health, safety, welfare, and mobility of workers in agriculture and throughout the food supply chain."<sup>41</sup>

41 G-20 Agriculture Ministers Meeting on COVID-19 implications Joint Statement April 2020



## Part II

# Size of the shock



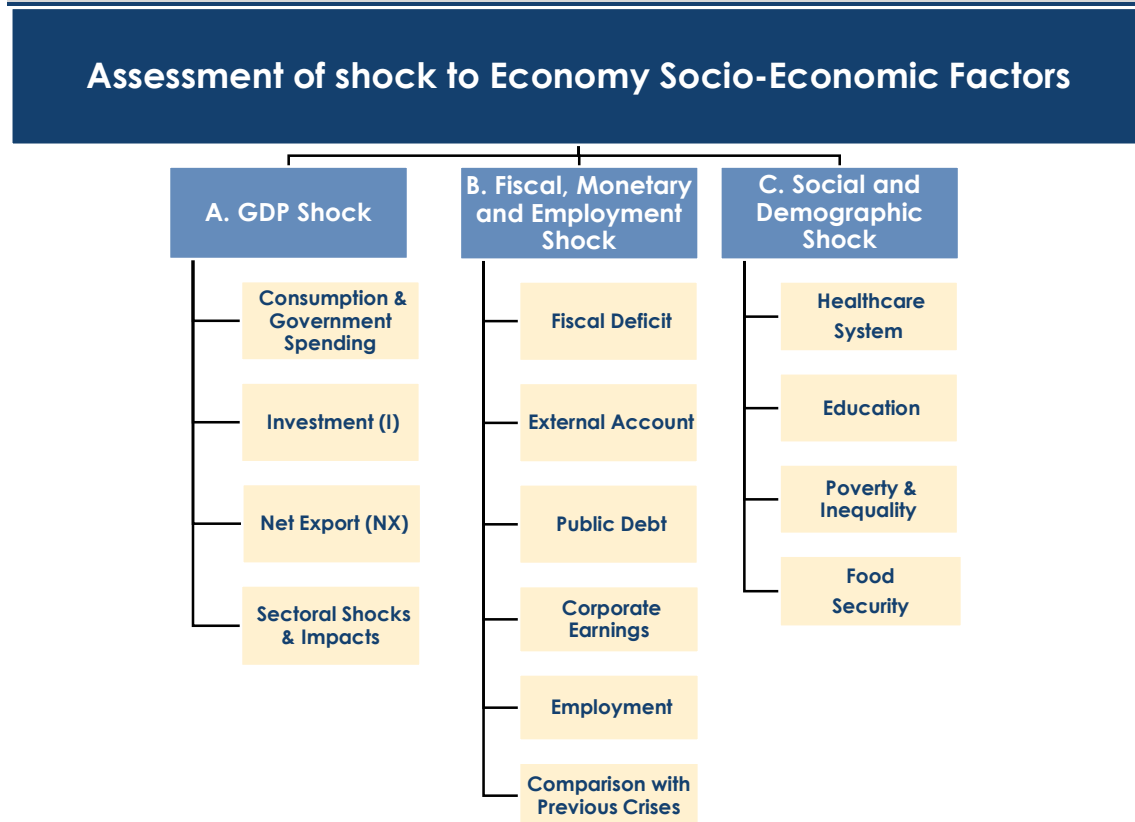
## Part II - Size of the Shock

### Overview

The aim of this part is to quantify the size of the shock to the economy and key social and economic factors, stemming from the dual impact of low oil prices and the COVID-19 pandemic. This part is subdivided into three parts which include, (I) GDP shock, (II) Fiscal, Monetary and Employment Shock, and (III) Social and Demographic Shock.

Table 2-1

Framework for conducting analysis on Size of the Shock



Source: PSU, UN

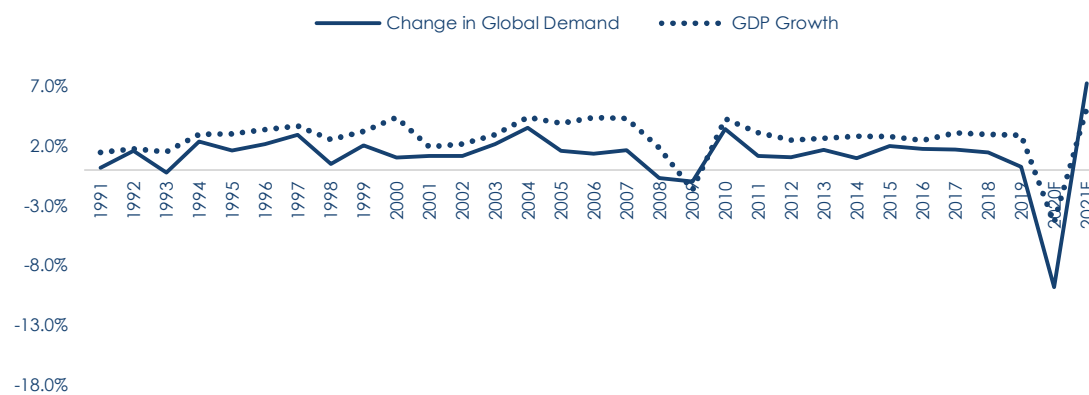
COVID-19 is a highly contagious virus that could spread quickly through human interaction and travelers from affected countries. The outbreak of the novel coronavirus in China, the world's second-largest economy, in December 2019, and the unprecedented containment measures being taken worldwide will adversely affect the global economy. The negative effect on growth will come via demand and supply channels alike. On the one hand, quarantine measures, illness, and negative consumer and business sentiment will suppress demand, on the other hand, closure of some factories and disruption to supply chains will create supply bottlenecks. The impact on global trade will be particularly severe during this year, and forecasts suggest a rebound only in 2021; however, risks are tilted to the downside. Similarly, all key socioeconomic factors are directly or indirectly impacted by the COVID-19 challenge and resulted in extreme stress on the healthcare system, disruption in education service, increased incidence of poverty, and risk of choking of food supply logistics.

## Economic Analysis

**Overview of the shock:** Hit by the twin impact of the coronavirus and weakening global demand for oil, the Saudi economy is set to contract this year. Overall, contraction in GDP is anticipated to reach around 5.7%, with both oil and non-oil sectors reporting contractions<sup>42</sup>. Just like other economies, the COVID-19 pandemic will impact Saudi Arabia through the following four main channels: direct, related to infection cases and outbreaks; and indirect channels related to oil prices, value chains, and transport and tourism. The reduced global demand for oil due to the global economic slowdown resulting from the COVID-19 pandemic will compound the effects of the already falling oil prices, leading to profound economic implications for Saudi Arabia, one of which is a slowdown in fiscal consolidation efforts. Since the discovery of the new virus and several cases of infection in China at the beginning of 2020, oil prices have declined sharply. Brent oil price dropped from USD68.9 per barrel on January 1<sup>st</sup> to hover around USD30 level in mid-May. Several other factors also contributed to this drop especially the OPEC+ failure to limit production. Other factors have contributed to this drop (especially the OPEC+ failure to limit production), but COVID-19 was the most important factor in the recent decline. This is because China's contribution to overall global demand has increased significantly compared to levels seen in previous global shocks. According to the International Energy Agency (IEA)'s Oil Market Report for February 2020, China's oil demand accounts for 14% of the global total oil demand and contributes to more than three quarters (3/4) of global oil demand growth (International Energy Agency, 2020). In addition, with an increasingly important role in the global economy, the Chinese economy had significant negative spillovers to the global economy, reducing demand for oil.<sup>43</sup> However, since then, the Chinese economy has made a quicker and earlier than expected economic recovery and oil prices have stabilized.

Figure 2-1

### GDP growth and oil consumption to shrink in 2020



Source: Bloomberg, OPEC OMR October, IMF October outlook

The introduction of economic reforms in 2017 in the KSA to diversify its economy and the introduction of new taxation measures have lowered the Kingdom's reliance on oil. Non-oil revenue jumped 70% over 2016 to 2019 vis-a-vis 80% jump in oil revenue. Interestingly, the share of non-oil revenue remained steady despite a 60% appreciation in average oil prices over 2016-2019<sup>44</sup>. Similarly, the contribution from non-oil GDP, too has remained steady at 43%.

<sup>42</sup> WB estimates

<sup>43</sup> <https://www.scmp.com/economy/china-economy/article/3093371/china-gdp-economy-avoids-recession-second-quarter-growth-32>

<sup>44</sup> Bloomberg

## A. GDP shock

The dual effect will likely impact Saudi Arabia simultaneously and adversely throughout 2020. It is difficult to quantify how each of the channels would affect GDP components individually; however, as per World Bank estimates, significant contraction is expected across the economy with exports to be impacted the most. The table below provides a general comparison among various global financial institutions for their recent change in economic variable forecasts as the scale and magnitude of the COVID-19 pandemic unfolds. They are presented here for illustration purposes to show the direction of the impact of COVID-19 on GDP components and should not be taken as precise calculations due to the changing environment.

A brief overview and analysis of each component of the GDP are presented below:

Table 2-2

Key Economic Variables forecasts						
	Oct 2019		Jun 2020*		Difference	
	2020	2021	2020	2021	2020	2021
<b>World Bank</b>						
Real GDP*	1.6%	2.2%	-5.7%	0.3%	-7.3%	1.9%
Private Consumption	2.4%	2.2%	-1.2%	1.4%	-3.6%	-0.8%
Government Consumption	1.2%	1.2%	-2.3%	1.0%	-3.5%	-0.2%
Gross Investments	5.6%	6.2%	-1.3%	1.8%	-6.9%	-4.4%
Exports	0.8%	1.8%	-6.9%	4.0%	-7.7%	2.2%
Imports	4.3%	4.1%	-1.9%	1.3%	-6.2%	-2.8%

Source: WB

\*Real GDP based on June 2020 estimate, rest are on April 2020 report

Key Economic Variables forecasts						
	Jun 2020		Oct 2020		Difference	
	2020	2021	2020	2021	2020	2021
<b>IMF</b>						
GDP growth	-6.8%	3.1%	-5.4%	3.1%	1.4%	0.0%
Fiscal Deficit	-11.4%	-5.6%	N/A	N/A	N/A	N/A
Current Account	-3.1%	-3.4%	-2.5%	-1.6%	0.6%	1.8%
Inflation	0.9%	2.0%	3.6%	3.7%	2.7%	1.7%

Source: IMF

Key Economic Variables forecasts						
	Apr 2020		May 2020		Difference	
	2020	2021	2020	2021	2020	2021
<b>Fitch</b>						
GDP growth	4.9%	4.7%	-6.0%	5.4%	-10.9%	0.7%
Fiscal Deficit	-11.8%	-7.3%	-15.3%	-10.1%	-3.5%	-2.8%
Govt. Debt	33.4%	36.2%	38.0%	41.0%	4.6%	4.8%

Source: Fitch Ratings

Key Economic Variables forecasts						
	Apr 2020		May 2020		Difference	
	2020	2021	2020	2021	2020	2021
<b>Moody's</b>						
GDP growth	1.5%	0.5%	-3.8%	2.5%	-5.3%	2.0%
Current Account	-1.6%	2.0%	-6.1%	-1.0%	-4.5%	-3.0%
Fiscal Deficit	-8.7%	-6.3%	-12.3%	-8.4%	-3.6%	-2.1%
Govt. Debt	29.3%	31.3%	34.7%	37.8%	5.4%	6.5%

Source: Moody's Investors Service



## Consumption and Government spending (C+G)

As per consumption theory, private consumption is generally the most resilient in the overall GDP profile as the household's endeavor to smoothen their spending over the life-cycle. According to World Bank projections, private consumption is expected to decline by 1.2% in 2020 (previous estimate of Oct-19 was 2.4%), only slightly behind the decline in government consumption of 3.5%. While the overall economic slowdown will understandably impact consumption patterns negatively, the recent fiscal measure of tripling value-added tax (VAT) to 15% will further hurt consumption levels.

With overall oil revenues under pressure given the major weakness in international oil prices, the overall government expenditure is expected to fall during 2020. While the economic growth is projected to decline by ~6% according to recent WB/IMF estimates, the overall decline in government expenditure levels will be lower owing to the government's expansionary fiscal policy to keep expenditure levels close to at par to last year at the expense of higher fiscal deficit. Having said that, some fiscal measures have been made to cushion the steep fall in oil-revenues like increasing VAT, shaving education and defense budget by 4-8%, curtailing capital expenditures, pushing back timelines of some of the projects under Vision 2030, and tapping debt markets to fund the budget shortfall.

## Investment (I)

All three major heads of Gross Fixed Capital Formation (GFCF) - Oil, non-oil private sector investment, and government investment- are likely to trend down in 2020 due to the dual shock of lower oil prices and slow-down in economic activity induced by the pandemic. World Bank estimates a drop in investment of 1.3% in 2020 vs. growth of 1.8% in 2019. Saudi Arabian Oil Company (ARAMCO) recently guided for up to 25-36% cut in the budgeted CapEx (Capital Expenditure) for 2020. Oil contributes 16-17% in the overall GFCF, out of which ARAMCO is believed to contribute a large chunk. An extended lock-down period and subsequent precautionary measures will likely either delay or push back capital expenditure in the non-oil private sector as well (55-58% contribution in GFCF). Similarly, the authorities have already announced either cut back or delay in projects associated with Vision 2030 (estimated CapEx impact of SAR30bn in 2020) due to the need to reallocate higher expenditure on health. All in all, anecdotal evidences suggest the existing estimates on investment in 2020 face downside risk due to the dual shock of oil prices and pandemic related economic slow-down.

## Net Exports (NX)

Given the significant dent to world oil demand from COVID-19 pandemic led lockdowns and curfews, oil prices have fallen sharply in 2020. While lately, prices have recovered to some extent (+133% from its lows), the year to date average oil price is still down by 35% YoY. This, coupled with production cuts by OPEC+ to ease off supply glut and to bring the oil market into equilibrium, overall oil production in the KSA is expected to decline by ~8 percentage points to ~9.0mn bbl. All this is expected to have a severe impact on the KSA's exports, given the high concentration of oil in the overall export mix. Lower oil prices will also have an adverse impact on the KSA's petrochemical exports, which form the second-largest exports after oil, as petrochemical margins move in tandem with oil prices. Cumulatively, oil and petrochemical exports comprise 77% of total exports for the KSA. Given such a concentration of exports, the World Bank expects the KSA's exports to fall by the most 7.7% in 2020.

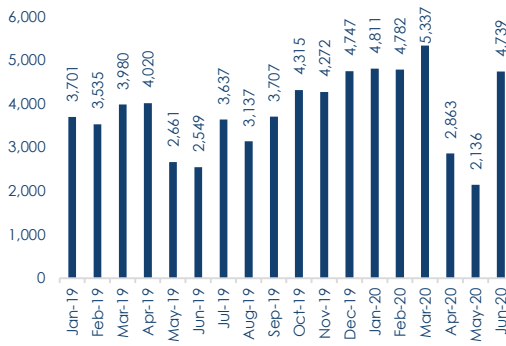
On the import front, given the expected lower consumption levels in the economy driven in part by overall lower economic activity and higher taxation, overall imports are expected to shrink by 6.2% in 2020 as per World Bank estimates. With generally lower consumer demand and sentiment, major import segments that directly satiate this consumer demand like Telecom, Vehicles, and Textiles are expected to take a hit. Furthermore, with overall lower construction activity and government scaling back capital expenditure to balance revenue shortfall, construction and industrial machinery imports are expected to contract significantly. Though the drop in exports is likely to exceed the drop in imports, the country is expected to maintain a positive trade balance.

## Sectoral shock and impact

- i. Construction & Building:** With overall construction activity likely to take a backseat as the authorities enforce strict lockdown measures to curb the spread of the COVID-19 virus, demand for cement and allied products will likely remain subdued. Overall cement demand, a key gauge for the overall construction activity in the Kingdom, fell by a massive 25% YoY during April-May 2020 before recovering in June (+86%) to post a second-quarter growth run rate of 5.5%, much lower than the first-quarter growth of 33.1%. Furthermore, Saudi Arabia's Purchasing Manager Index (PMI), which indicates the overall health of an economy, has recovered in the last two months following a steep decline in March but still remains in the contractionary phase.

Figure 2-2

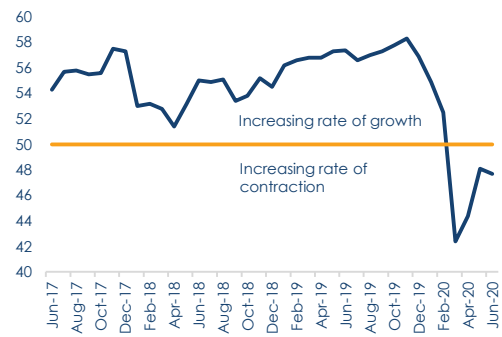
Cement sales (000s) in April 2020 have fallen by 29% YoY



Source: Argam

Figure 2-3

KSA's PMI remain in contractionary phase in June



Source: Bloomberg, HIS Markit

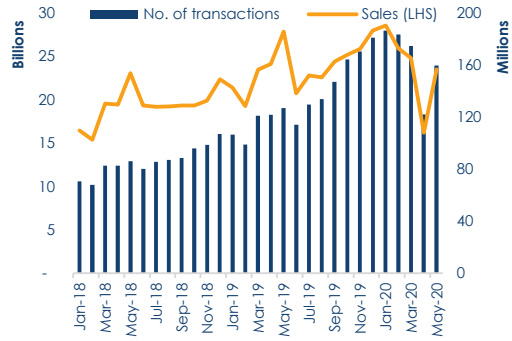
- ii. Wholesale and Retail Trade:** In a world of lockdowns, social distancing, and self-quarantine, retail chain business volumes are likely to feel the heat. Businesses that will be able to best adapt to the new business landscape are likely the ones that will mitigate their losses. Companies that have a strong online presence, diversified product portfolio, and strong balance sheet are most likely to handle the current crises better. Point of Sale Transaction (POS) value fell sharply in April by 33% while falling another 16% YoY in May, whereas the total number of POS transactions bounced back slightly to 26% YoY in May compared to a flat rate in April and in stark contrast to trailing 12-month average run rate increase of 57% YoY. While sector-wise POS transactions during the month of May 2020 shows only five sectors reporting positive momentum with Food & Beverages topping, +157% YoY. Higher food-related transactions are attributable to people stocking up on food items in anticipation of lockdowns and curfews in the Kingdom. Furthermore, as per the Community Mobility Report by Google as of 7<sup>th</sup> July 2020, mobility trends for places like restaurants, cafes, shopping centres show a 21% drop in activity compared to baseline.

**Consumer Discretionary:** More people staying at home naturally means that the demand for consumer discretionary has gone down. In addition to this, unemployment and reduction in salaries will likely reduce consumer spending.

**Consumer Staple:** Consumer staples is also likely to be affected by the pandemic as reduced consumption and supply chain disruption pose significant challenges. However, the spike in in-house consumption is likely to provide food and beverage companies a much-needed relief. Moreover, in post COVID-19 era, these companies are likely to transform their supply chains in order to keep up with changing consumer trend, i.e., increase in in-house consumption.

Figure 2-4

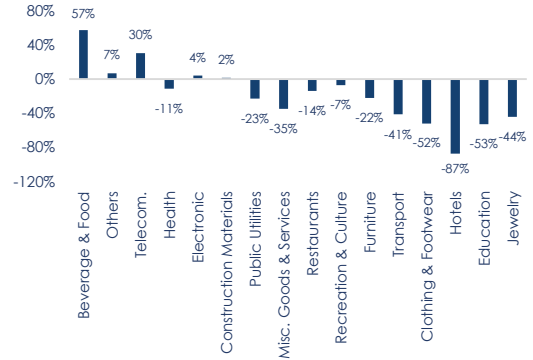
Total value and no. of transactions have recovered in May



Source: SAMA Annual Statistics 2019

Figure 2-5

POS transaction by sector in May 2020 – YoY change



Source: SAMA Annual Statistics 2019

Figure 2-6

Google activity report as of 7<sup>th</sup> July 2020

Retail & recreation

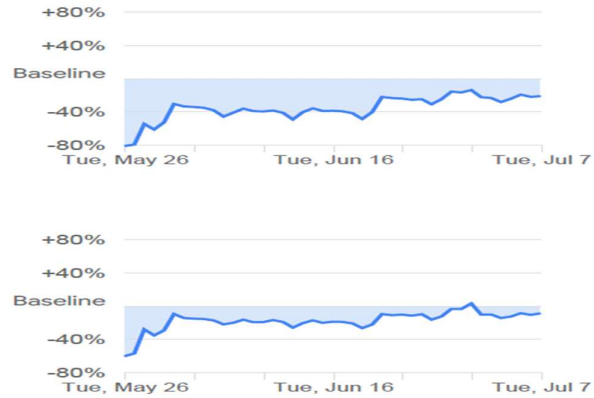
**-21%**

compared to baseline

Grocery & pharmacy

**-9%**

compared to baseline

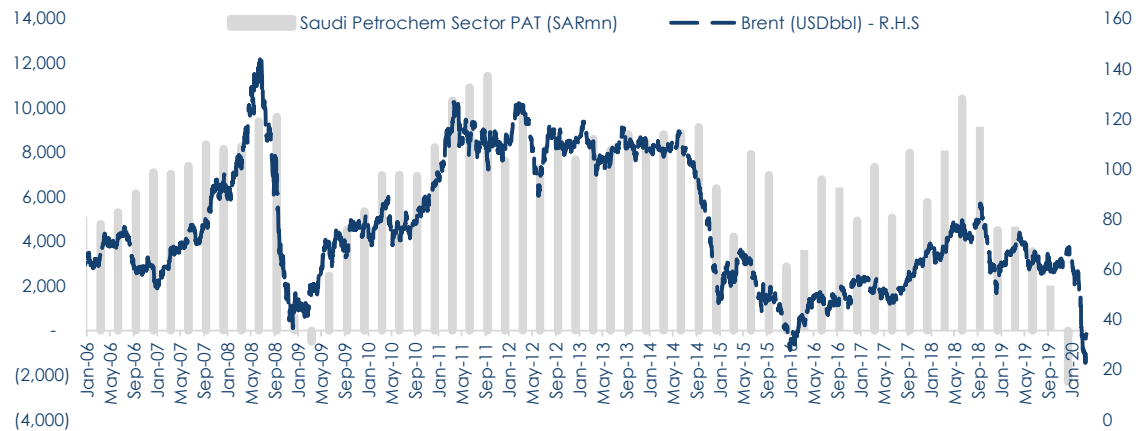


Source: Google

- iii. **Manufacturing/Petrochem:** The petrochemical sector is expected to bear the dual shock from low oil prices and steep contraction in global demand, both of which are expected to significantly erode key delta margins across a range of petrochemical products.

Figure 2-7

**Petrochemical sector profits closely follow international oil prices**



Source: Bloomberg

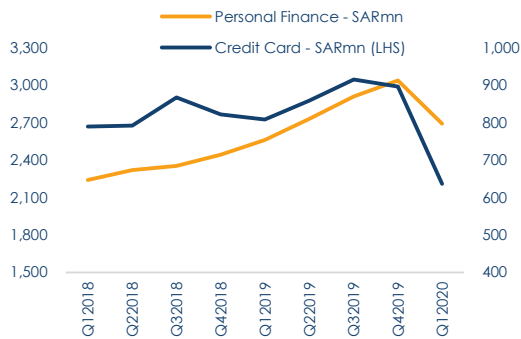
**iv. Services Sector**

**Banks:** While net interest margins of banks are under pressure from the recent deeper interest rate cuts by the central bank, continued lockdown will further add to their misery. Credit card utilization is expected to take a major hit with the retail and tourism sector being virtually shut down while overall car lease volumes are also expected to take a hit as consumers are probably going to defer purchase decisions. Deterioration in real estate prices amid demand contraction will impact mortgage financing while overall economic uncertainties on both global and domestic levels along with low oil prices will significantly impact corporate credit demand as businesses curtail CapEx and new investment decisions.

Some respite to the banking sector will likely stem from pandemic related additional push to promote cashless transactions and branchless banking to reduce human interactions further. In this regard, the central bank (Saudi Arabia Monetary Authority – SAMA) has issued a series of measures and guidelines for financial institutions to ease financial transactions and improve payment solutions. SAMA has increased purchasing limits on Atheer enabled cards (which support near-field communication technology or NFC) from SAR100 to SAR300 without the need to enter a PIN code. Furthermore, it has also informed licensed Payment Services Providers (PSPs) to raise the allowed top-up of the monthly ceiling limit for e-wallets up to SAR20,000.

Figure 2-8

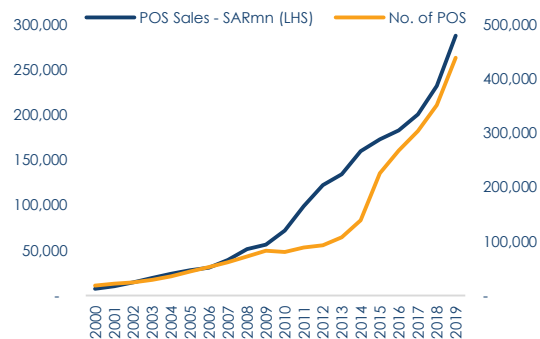
Personal Credit loans and Credit card loan have dipped



Source: SAMA Annual Statistics 2019

Figure 2-9

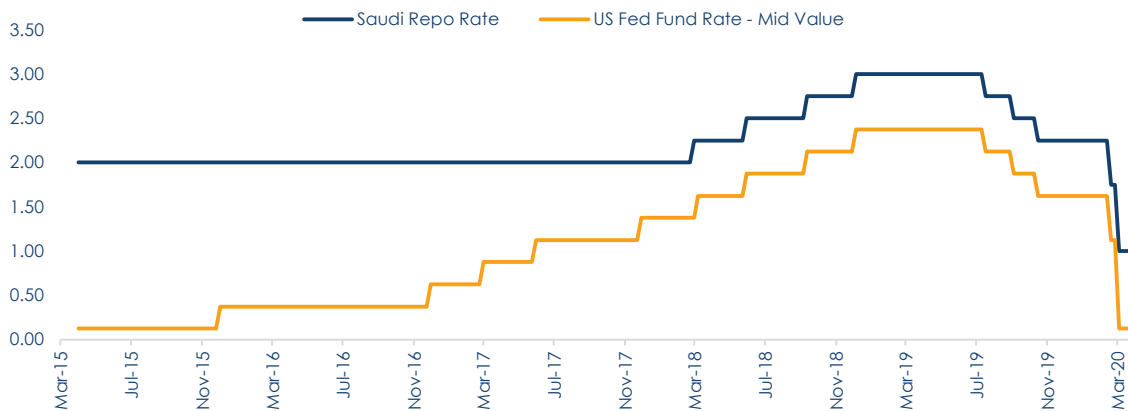
Continuous rise in cashless transactions



Source: SAMA Annual Statistics 2019

Figure 2-10

SAMA has lowered interest rates in tandem with US FED



Source: Bloomberg

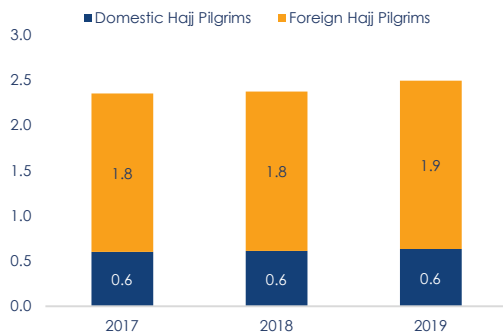
- v. Travel:** Religious tourism, which is prominent in Saudi Arabia, will be significantly affected, as the Kingdom has already announced a temporary suspension of Umrah visitors to Mecca. The Hajj and Umrah pilgrimages account for 7% of Saudi Arabia's GDP<sup>45</sup>. The government has also forced a freeze on tourist visas and barred citizens and residents from traveling to and from countries with high spread of the virus. It is estimated that revenues generated by airlines in the Saudi market will fall by USD7.2bn in 2020, 35% below 2019 levels<sup>46</sup>.

45 Oxford Business Group – "Saudi Arabia aims to increase pilgrim numbers and non-religious tourism"

46 Arab News – "How Saudi Arabia's air transport sector can overcome the coronavirus setback Previous"

Figure 2-11

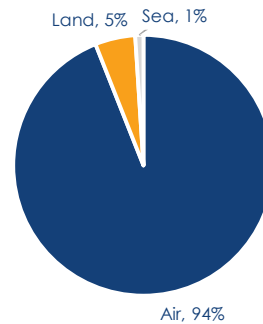
Majority of Hajj Pilgrims are foreigners (mn)



Source: SAMA Annual Statistics 2019

Figure 2-12

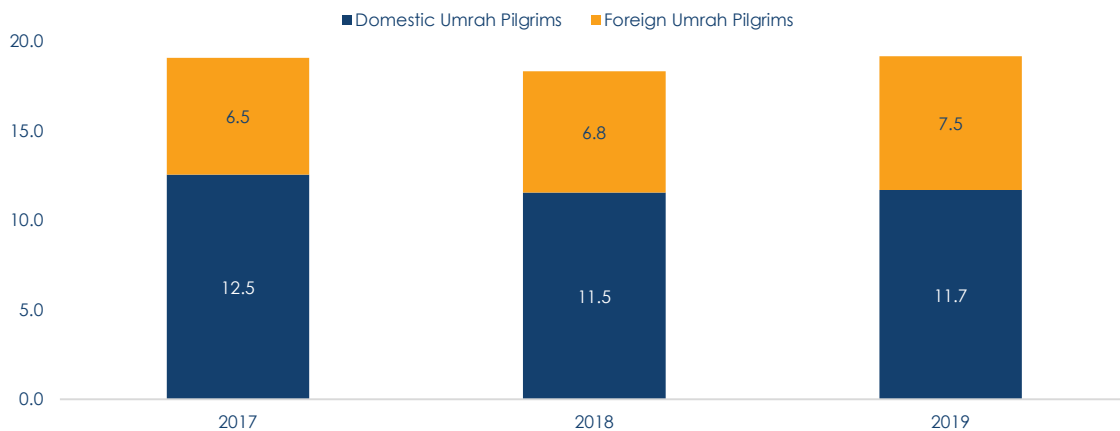
Vast majority of the pilgrims travelling by air to reach KSA



Source: SAMA Annual Statistics 2019

Figure 2-13

Foreign Umrah pilgrims rose to 39% of total pilgrims in 2019 from 34% in 2017 (mn)



Source: GaStat

**vi. Real Estate Developers and REITs:** Both developmental and regular REITs (Real Estate Investment Trusts) are expected to fare worse in the current environment of lockdowns and curfews. While the former will face increased risks on the viability of under-development projects, the latter, involving mainly rental yields, will face increased cash flow risks from lower occupancy levels amidst a drop in foreign worker's population, considerably overall lower tourism & footfall in malls and shopping centres. Furthermore, REITs that are based in Makkah and Madinah and which have business models designed around pilgrimage activities will be the worst hit as Umrah and Hajj activities (up to ~21 mn visitors per annum<sup>47</sup>) will considerably decline this season.

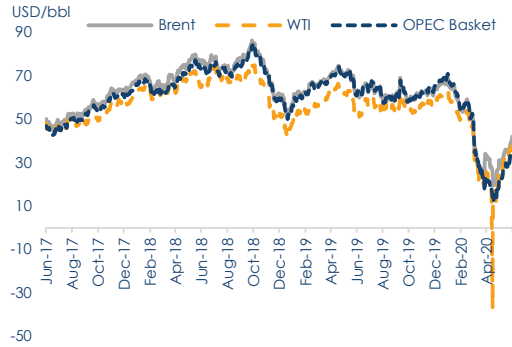
**vii. Mining & Quarrying/Energy:** The energy sector is likely to face the blowout from low oil prices directly. The world's largest oil exporter ARAMCO saw a massive 57% YoY dip in its revenue in 2Q2020 due to the enforced production cuts coupled with subdued oil prices. However, recent supply cuts among OPEC producers are expected to rationalize the deep supply glut in the oil market while the gradual easing of lockdown restrictions around the world by governments is expected to spur demand for oil, both of which has resulted in a somewhat recovery in international oil prices.

47 GASTAT, Umrah Statistics Bulletin and Hajj Statistics

The downstream oil sector is also likely to suffer as a lack of economic activity has obliterated demand for crude products. Hence, oil marketing companies are likely to witness a tough 2020 due to a severe drop in petroleum product volumes.

**Figure 2-14**

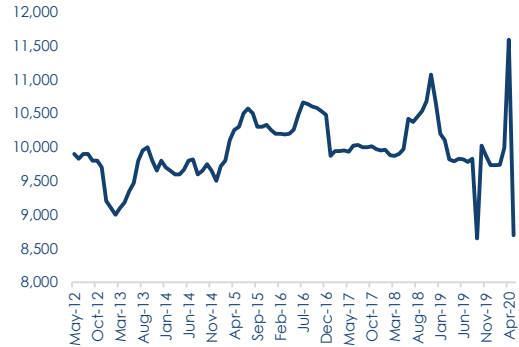
**Oil price have started recovering from their lows in April-20**



Source: Bloomberg, OPEC

**Figure 2-15**

**Monthly crude oil production of Saudi Arabia (000s)**



Source: Bloomberg, OPEC

## B. Fiscal, Monetary and Employment shock

### Fiscal Deficit

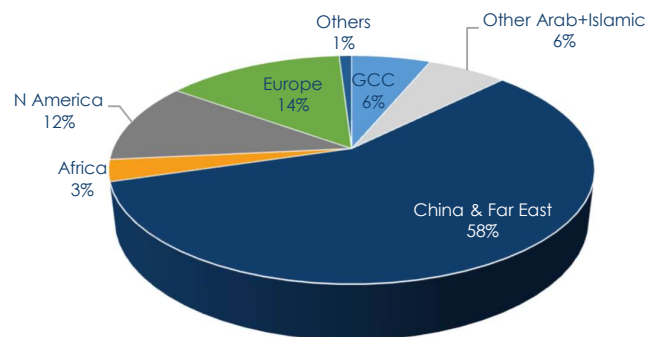
Fiscal deficit, as per Bloomberg, is projected at 11.4% in 2020 (vs. 4.6% in 2019 and government's start of the year target of 6.4%) due to the cost of fiscal stimulus, stress on oil and non-oil revenues, and higher health expenditure on containing COVID-19. The latest data on fiscal account in 1Q2020 portrayed a relatively resilient picture with fiscal deficit clocking in at 1.1% in the period. Oil revenues shrunk 24% YoY, while non-oil revenues fell 17% YoY, leading to an overall drop in revenues of 22%. 1Q2020 actual revenues collection accounts for 23% of the total budgeted revenues collection target in 2020. Total Expenditure in 1Q2020 rose 4% YoY, driven by the higher military (+6% YoY) and general (17% YoY) expenditure. Interestingly, expenditure under Health & Social Development dropped 13% YoY in 1Q2020. Total Expenditure in 1Q2020 accounts for 22% of budgeted Total Expenditure in 2020. Fiscal deficit in 2Q2020 is expected to pick up pace due to a combination of: (i) soft crude prices and drop in oil production in response to significant slow-down in global economic activity due to the COVID-19 pandemic, and (ii) stickiness in expenditure where the government's efforts to rationalize expenditure on development (delaying some ambitious projects given low oil prices) and other heads are expected to be offset by increased expenditure on health & social development (additional funds of ~SAR54bn allocated under this head to tackle COVID-19 pandemic) and cost of the economic support package. 2H2020 will likely, however, show an improved picture due to the recovery in oil prices already witnessed in late 2Q and the government's new fiscal reforms, which includes raising VAT to 15%.

### External Account:

The volatility in oil & petrochemical prices is set to make a bigger impression on the KSA's external account. While it has limited participation in global value chains overall, lower demand from Chinese manufacturers, alongside general slow-down in overall global economic activity, will hurt the petrochemical sector, which is the largest non-oil export earner. Despite weak linkages and macroeconomic impacts for KSA through this channel, it is important to highlight that disruptions to the global supply chain might further depress oil prices above and beyond the direct negative impact from China's weakening demand. This would indirectly impact KSA's balances through intensifying the oil price shock (77% of total exports in 2019). Consensus forecasts on Bloomberg suggest a Current Account Deficit of -1.1/0.0% in 2020/21 vs. CA surplus of 4.4% in FY19. Below we show the KSA's oil exports region wise:

Figure 2-16

KSA's 2018 petroleum exports country wise



Source: GaStat

The impact of oil price is expected to be the most significant dent in financial terms for KSA given its exposure to oil and gas exports. Several Gulf economies, led by Saudi Arabia, mentioned the reduction of oil output below their April-agreed OPEC+ quotas for June 2020 to support oil prices. With global economic activity only rebounding slowly, these countries may have to keep output low for a few more

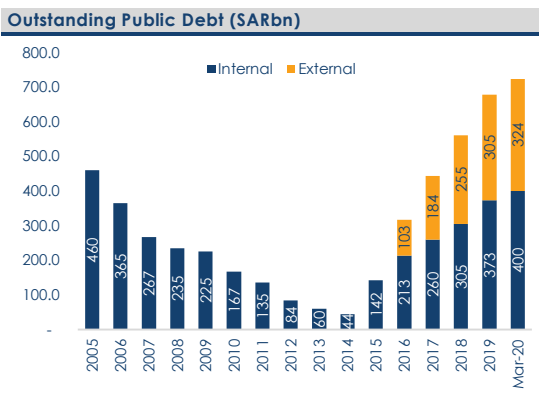


months. Lower GCC oil production volumes will weigh on activity in the oil sector and result in an even larger economic downturn with ramifications on fiscal and external balances. Overall, OPEC forecasts oil demand to shrink by 9.8% in 2020, while IMF estimates suggest a drop in global GDP of -4.4%.

### Public Debt and Sovereign Credit Rating

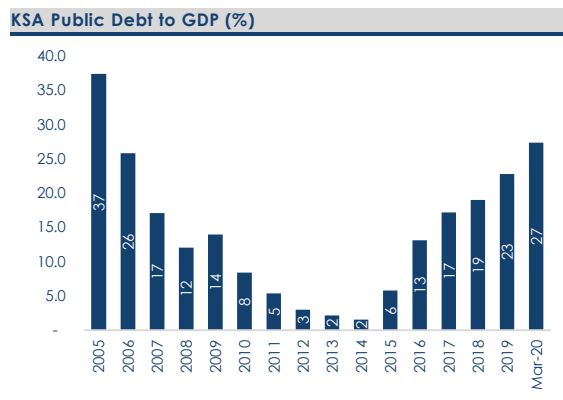
In 1Q2020, the KSA recorded a fiscal deficit of 1.3% and a total increase in public debt by 6.7% QoQ. The authorities' response to soft oil prices marks a significant diversion in the strategy adopted during the soft oil patch in 2013-2014 when the impact of soft oil prices on revenues was offset with the draw-down in reserves. However, a relatively heavy reliance on domestic and foreign sources of debt is clearly visible in 2020, in-line with stated official policy guidelines. The change in strategy allows authorities to cushion the decline in foreign exchange reserves and preserve the firepower in case of future need. Concurrently, this also implies acceleration in public debt in 2020 despite a slew of fiscal measures by authorities to contain the fiscal deficit. Overall, public debt/GDP is expected to increase to 34-38% (the estimates include the impact of the drop in nominal GDP) by the end 2020, with foreign loans making up a large portion of the addition of debt. Though an increase in Public Debt is concerning, the overall debt/GDP ratio is still significantly low compared to levels last seen in other emerging markets. The Kingdom issued a sovereign international bond in April 2020, at a yield of 4.55% having 40-year maturity (in 2060). However, since then the yield has come down to 3.22% as oil prices made a strong recovery from lows seen in April 2020 and drop in yields on bonds of developed countries. Similarly, Credit Default Swap (CDS), an indicator of market's perception of default risk, shows a similar trajectory during Dec'19 to Oct'20 period whereby CDS initially jumped from 56bps to 108.68bps in end-Jun20 before settling at 69bps in Oct'20.

Figure 2-17



Source: Ministry of Finance, GaStat

Figure 2-18



Source: Ministry of Finance, GaStat

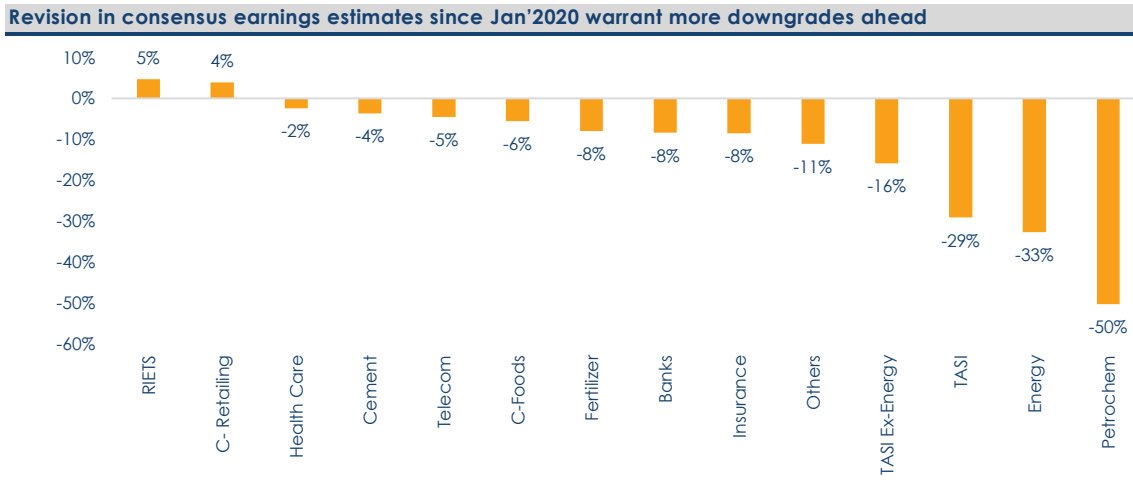
Moody's Investor Service (Moody's) changed the rating outlook on the government of Saudi Arabia's sovereign rating from Stable to Negative, citing a drop in the government's revenues stemming from low oil price environment. The rating has though affirmed the country's A1 rating. The last credit revision for the KSA came in 1Q2016 when Moody's downgraded the country's rating from Aa3 to A1, quoting low oil prices for the downgrade. Since the change in rating outlook in May 2020, oil prices have recovered to levels close to Moody's estimates of USD35/bbl and USD45/bbl for 2020 and 2021, respectively, making a further change in the KSA's rating unlikely. Interestingly, S&P and Fitch rating agencies have respectively maintained the KSA's rating/outlook at A-/Stable and A/Stable.

### Corporate earnings

COVID-19 and the subdued oil prices have hit the business dynamics of both public and private sector companies. To better understand the slowdown in business activity, we can use the earnings estimates of listed companies on Tadawul as a proxy. As per Bloomberg, the overall consensus estimate has been

cut by a significant 29% (15% ex-ARAMCO) with Petrochem, Energy, & Insurance undergoing a major revision.

Figure 2-19



Source: Bloomberg

The recent cut in interest rate by SAMA in the chaotic month of March 2020 and the unveiling of the economic stimulus package are clearly supportive of market performance in the medium-term, in our view, and will come into play once market attention starts diverting from overhang due to COVID-19 related news flow to economic recovery and underlying fundamentals. The upward trend in oil prices, although still well below pre-COVID levels, following an agreement on the continuation of supply cuts remains a major positive as it may improve the outlook on the KSA's twin account and may add to the flexibility of the government to pursue development projects.

## Employment

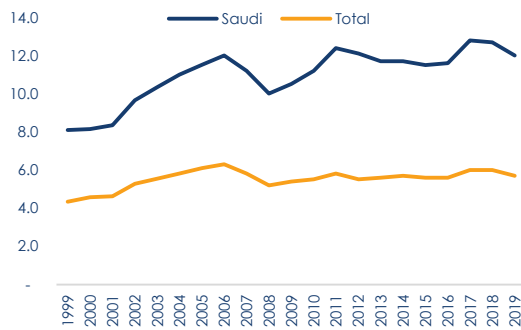
It is pertinent to mention here that employment levels in 2Q2020 were the most impacted from COVID-19, as it fully bears the brunt of unprecedented lockdowns in order to curtail the pandemic. Consequently, Saudi unemployment rate increased to 15.4% in 2Q2020, representing an increase of 3.1 pp from same quarter last year. The total unemployment rate (Saudis and Non-Saudis) increased to 9.0%, up 3.4 pp from same quarter last year. The unemployment ratio among Saudi women currently stands at 31.4% in 2Q2020 (28.2% in Q12020). Similarly, for male Saudi's, the ratio has increase by 2.5 pp to 8.1%

In the previous quarter (1Q2020), the overall unemployment rate had clocked in at 5.7%, unchanged when compared to the same quarter last year (SQLY). Saudis unemployment rate had dropped to 11.8% vs. 12.5% in SQLY. On the other hand, non-Saudi's unemployment rate dropped to 0.5% as against 0.6% in SQLY.

Long term unemployment rate for the Saudi Nationals has averaged around 11.0% since 1999, while the overall unemployment rate is at an average of 5.5%. The disconnect between Saudi and non-Saudi national's unemployment rate is primarily due to the fact that Temporary Contractual Workers are only invited for jobs depending on employment opportunity with many facing the risk of returning to country of origin in case of layoff. In line with Vision 2030, the Kingdom aims to reduce the number of unemployed Saudi nationals, especially females. Saudization has had a positive impact as unemployment for Saudi women has decreased in recent years. However, the wage gap remains significant primarily because many women have just entered the job market and are on starting level positions. In 2019, the wage gap in the private sector amongst Saudi nationals stood at ~36%, which is expected to improve gradually as women begin to progress in their respective fields.

Figure 2-20

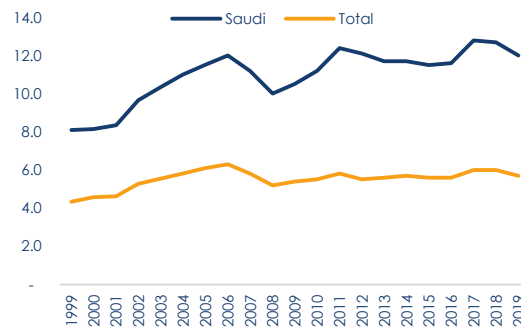
Long term Saudi Unemployment vs overall (%)



Source: Labour Force Survey - GaStat

Figure 2-21

Saudi Women unemployment rate significantly higher (%)



Source: Labour Force Survey - GaStat

As Temporary Contractual Workers constitute the majority of the workforce, concerns remain that they might be the first ones to bear the brunt of low oil prices and the slowdown in the economy due to COVID-19. As per the news reports, up to a total of 1.2mn people can lose their jobs in Saudi Arabia in 2020<sup>48</sup>. More specifically, business uncertainty, disrupted supply chains, and lockdowns/curfews have had a significant negative impact on economic activity in the private sector, which will have a knock-on effect on employment. Hence, it is expected that the unemployment rate will witness an upward trend in 2Q. However, some measures, like the issuance of a royal decree by King Salman giving government the authorization to cover 60% of the salaries of Saudi nationals in the private sector through unemployment insurance (SANED), are likely to cushion the overall negative impact of unemployment.

Migrants are disproportionately affected by this economic downturn. Furthermore, migrants in irregular status are more likely to be employed in short-term or informal occupations and/or precarious work, which translates into loss of jobs and income, non-payment or delays in the payment of wages, and deficits in occupational safety and health. Temporary Contractual Workers are often the first to be dismissed from their employment, vulnerable to becoming in irregular status or forcibly returned, and not directly included in the rescue/ economic stimulus packages put in place to respond to the crisis. This is particularly true for migrants in the informal sector, who rarely have access to benefits and safety nets to help cope with these challenges, such as health and unemployment insurance, or paid sick leave even prior to the pandemic. This leaves them acutely vulnerable and even unable to meet their basic needs, such as purchase of food and payment of rent. Furthermore, movement restrictions are also increasing the difficulties faced in sending remittances, spreading economic and social vulnerabilities beyond borders. Therefore, the burden of job losses is falling onto them due also to the heavy labour dependence on migrant populations in industries most vulnerable to the impact of COVID19 restrictions, including travel and tourism, hotels and restaurants, and real estate and logistics<sup>49</sup>. In addition, some of the individuals holding the self-sponsorship residency have faced difficulties securing job opportunities in the country to self-sustain their families' needs.

### Comparison with Previous Crises

Past economic crises in the KSA have largely been a function of a collapse in global oil prices, given its apparent economic dependence on oil. While oil prices have had its up and downs, the two last major price crashes were in 2008 following the global financial crisis and in 2015-16. The former was a result of an exogenous factor in that the demand for global oil plummeted as global economic activity

48 <https://arablocal.com/news/1200000-million-expats-expected-to-exit-saudi-labour-market-in-2020-study>

49 Oxford Economics (May 2020)

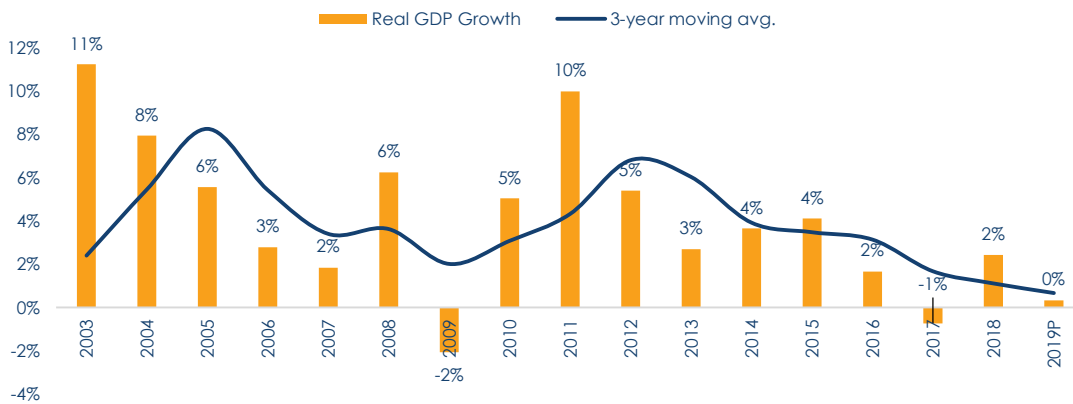
Research Briefing | Africa and Middle East GCC expat exodus – from a trickle to a deluge

nosedived while the latter was, to a great extent, home-driven as the Kingdom opened up its oil taps to flush the crude oil market in order to arrest and slow down shale oil production in the US.

**Relatively immune to GFC (Great Financial Crisis of 2008):** The Saudi economy proved quite resilient to GFC as significant buffers were built in the lead up to the financial crisis, as higher oil prices in the 2000s led to significant improvement in key economic indicators with fiscal surpluses, rising forex reserves and upwards trending economic growth. While the overall economic growth of the Kingdom declined to -2.1% in 2009 from average growth of 5.9% during 2003-2008, the bounce-back was swift, led by a recovery in oil prices.

Figure 2-22

**Economic recovery (GDP growth) post-2009 Financial crisis was swift**

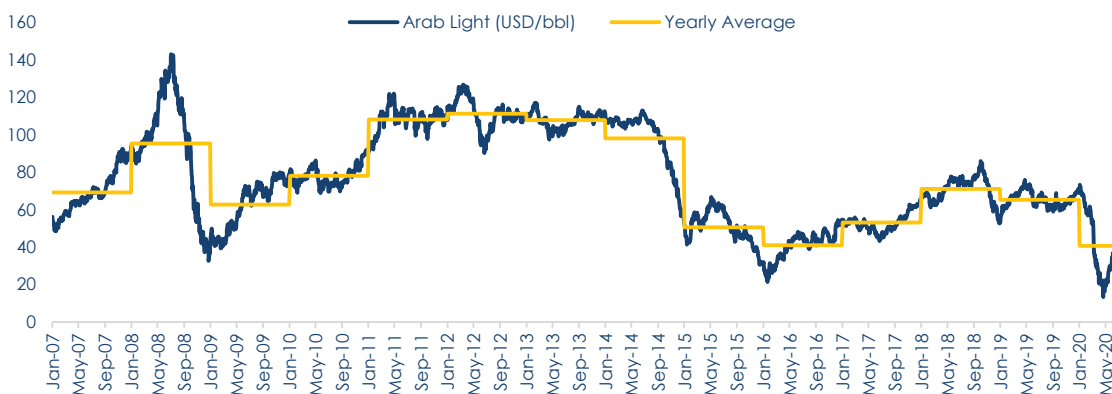


Source: SAMA Annual Statistics 2019, \*P-Provisional

**2015-16 oil price crash:** Persistently high supply of oil price and an all-out competition among members of OPEC meant that international oil prices plummeted during the period with Arab Light (the benchmark for GCC oil-exporting countries) reaching a low of USD 21/bbl in January 2016 with overall average oil price settling in at ~USD 46/bbl during the period compared to that of ~USD 94/bbl in 2009-2014. The overall GDP growth trended downwards, with both oil and non-oil sectors slowing down. The government posted consecutive fiscal deficits during 2015 & 2016 to support the economy. The financing of the deficits was a combination of debt issues and drawdown of reserves.

Figure 2-23

**Oil prices crash owing to disagreement in OPEC+ over production targets**



Source: Bloomberg

**The severity of the current crisis is unprecedented:** While the previous crises had their genesis solely on lower oil prices, the current economic downturn, in addition to lower oil prices, has been further

exacerbated by the COVID-19 virus, a global pandemic, that has significantly hurt business activities all over the world. The current crisis appears to be much severe and is expected to last much longer as global demand is likely expected to follow a U-shaped and protracted path to recovery given vaccine development to COVID-19, despite a global effort to develop one, is expected to take time. This, in turn, will continue to keep demand for oil subdued in the medium term and any oil price recovery to pre-COVID-19 levels appears highly unlikely.

## C. Social and Demographic Shock

### Healthcare System

Hospitals and health systems face catastrophic financial challenges in light of the COVID-19 pandemic. By extending the considerations to other aspects of the economic and social costs of the crisis, the government of Saudi Arabia will be able to overcome some of the challenges rising from COVID-19 locally and globally. Some of these challenges include postponing and cancelation of surgeries and doctor visits, shortages, and price violations of protective equipment<sup>50</sup>, which led at some point to increase the prices of masks, gloves, etc. Due to the lack of locally accessible data, it is hard to have an estimate of the volume of the cancelled doctor visits and operations in Saudi Arabia. However, since Saudi Arabia has an advanced and good healthcare system, it is feasible to benchmark other regional and international advanced healthcare systems for the impact of COVID-19 on the healthcare sector.

It is apparent that many countries have learned from previous pandemics. Nevertheless, the experience learned by Saudi Arabia from dealing with several emerging infectious diseases, including H1N1, and MERS-COV, has enabled it to better respond to the current COVID-19 pandemic<sup>51</sup>. Those pandemics had a higher Case Fatality Rate (CFR) than COVID-19, which has less than 1%.<sup>52</sup> The world has suffered from the many historical pandemics starting from the Spanish flu in 1918 to the current COVID-19 pandemic. These viruses vary in terms of the number of cases and CFRs. However, countries that have been affected by those viruses have learned how to improve their response to future pandemics.

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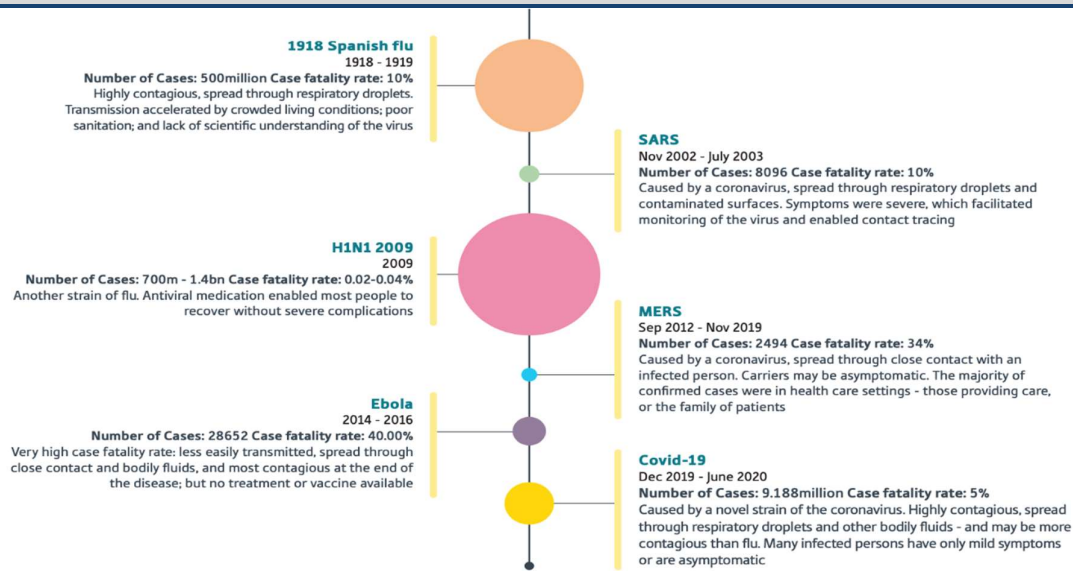
50 Ministry of Commerce Saudi Arabia

51 World Health Organization (WHO). Middle East respiratory syndrome coronavirus (MERS-CoV), MERS situation Update November 2019. WHO; 2020.

52 World Health Organization

Figure 2-24

**Major Pandemics the world had faced**



Source: CRR Riyadh Bank

On the other hand, between 2010-2016, Saudi Arabia had confirmed 17,094 cases of H1N1 and 607 deaths with CFR of 3.6%.

Table 2-3

**H1N1 Cases in Saudi Arabia**

Year	0-4 years		05-14 years		15-29 years		30-59 years		≥60 years		Suspected	Total		
	Cases	CFR (%)	Cases	CFR (%)	Cases	CFR (%)	Cases	CFR (%)	Cases	CFR (%)		Confirmed cases	Deaths	CFR (%)
2010	618	NA	458	NA	795	NA	881	NA	329	NA	37551	3081	176	5.7
2011	35	2.9	17	0.0	48	6.3	63	9.5	35	17.1	12903	198	16	8.1
2012	49	2.0	29	10.3	50	2.0	118	6.8	22	0.0	2743	268	12	4.9
2013	14	7.1	11	0.0	14	7.1	57	10.5	20	15.0	1545	116	11	9.5
2014	51	3.9	31	3.2	157	3.2	338	6.5	142	13.4	5398	719	49	6.8
2015	1270	1.6	938	1.1	1698	0.8	3733	2.6	1623	5.7	27097	9262	232	2.5
2016	388	1.0	285	0.4	634	1.1	1251	3.6	892	6.1	26265	3450	111	3.2
<b>Total</b>	<b>2425</b>	<b>1.2%</b>	<b>1769</b>	<b>0.8</b>	<b>3396</b>	<b>0.9</b>	<b>6441</b>	<b>2.8</b>	<b>3063</b>	<b>5.7</b>	<b>113502</b>	<b>17094</b>	<b>607</b>	<b>3.6</b>

Source: WHO

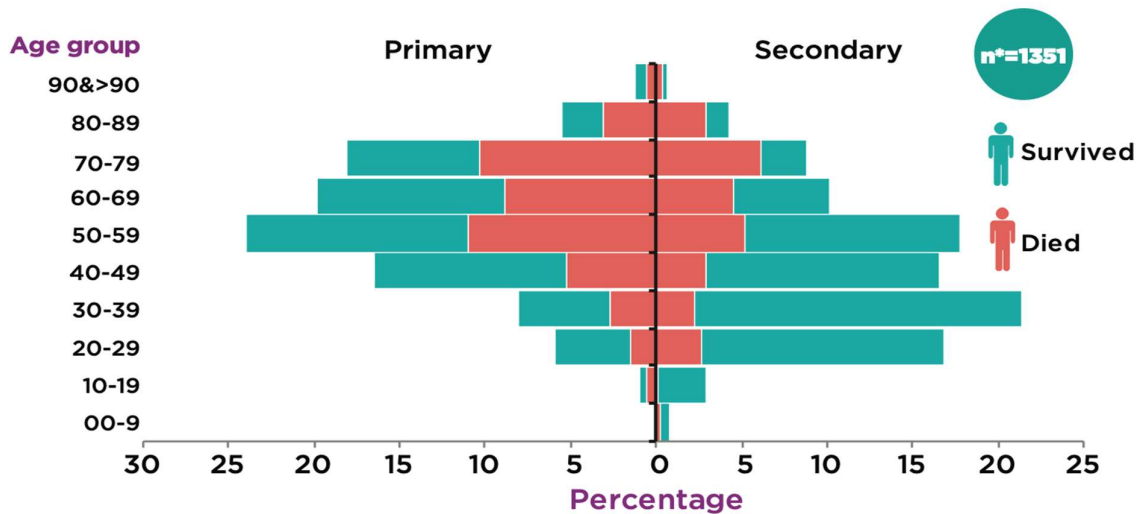
As of January 2020, the World Health Organization (WHO) has been notified of 2,494 laboratory-confirmed cases with 858 mortalities for MERS-COV. With the majority of cases reported from the KSA, which at the time of this writing has a total of 2,131 laboratory-confirmed cases with 827 deaths, making the case fatality rate (CFR) 39%.<sup>53</sup> Surprisingly, in June 2020, the government of Saudi Arabia reported nine new cases of MERS.<sup>54</sup>

53 Ministry of Health (MOH)

54 WHO

Figure 2-25

Age & fatality distribution of Primary and Secondary cases of MERS reported from KSA 2012-2019

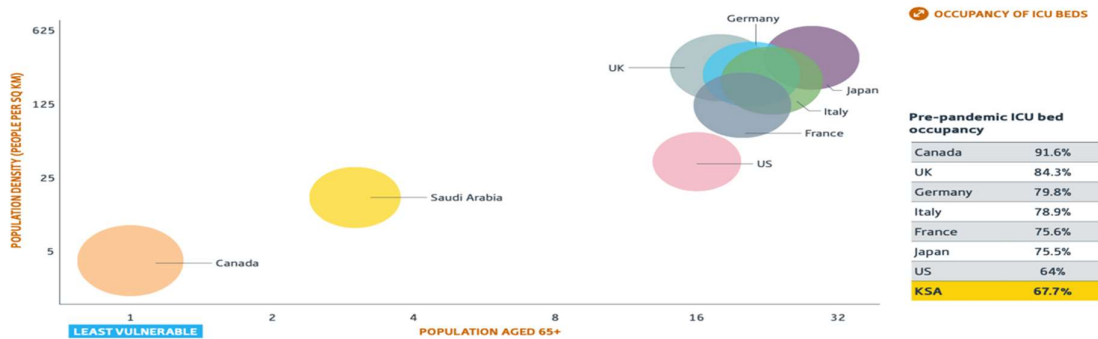


Source: WHO

Since the last pandemic Saudi Arabia faced in 2012, the government has been working for several years under the umbrella of the Vision 2030, which aims at a long-term path to sustainable growth through value addition across all sectors, including healthcare. The government work consists of many initiatives including: 22.5 beds per 10,000 people as of 2018,<sup>55</sup> 11,200 new hospital beds in the investment pipeline as of September 2019<sup>56</sup>, 21.1% CAGR of the healthcare budget in 2010-2019, 16.4% of 2020 budget allocated to healthcare<sup>57</sup>, and 37 new hospitals and medical cities under construction as of September 2019<sup>58</sup>. Therefore, Saudi Arabia was in a better position comparing to many other countries to withstand the challenges created by the COVID-19 pandemic. Especially with 67.7% of pre-pandemic ICU bed occupancy comparing to many other countries with very advanced healthcare systems.

Figure 2-26

Investment in health infrastructure & favourable demographic aided the KSA's preparedness



Source: CRR Riyadh Bank

Even though Saudi Arabia was well prepared for the COVID-19 Pandemic, the country and its healthcare system had to go through some challenges that even the most advanced healthcare systems have been through due to COVID-19. This includes lockdowns/curfew orders and other COVID-19 precautions that

55 KSA Ministry of Health Yearbook 2018

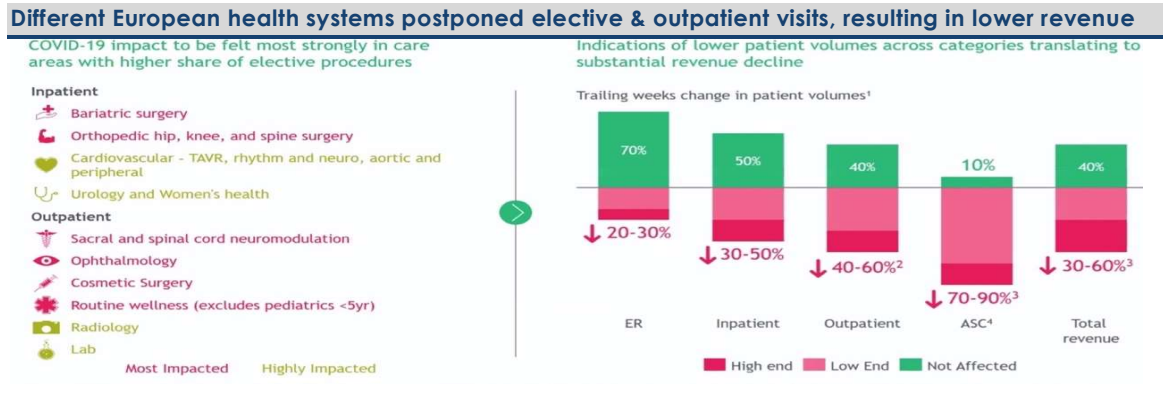
56 OECD Health Statistics 2019

57 OBG The Report: Saudi Arabia 2020

58 OECD Health Statistics 2019

have had a negative impact on both inpatient and outpatient visits.<sup>59</sup> Many health systems have postponed elective and outpatient visits and procedures to prepare for the influx of COVID-19 patients, resulting in lower revenue.<sup>60</sup> This will lead to declines in hospital and outpatient visits, which can be attributed to the cancellation of elective procedures. According to JPMorgan, in a study that focused on the impact of postponing elective and outpatient visits, the Emergency Room will result in 30% declines in revenue, 30-50% decline inpatient and outpatient visits, 70-90% decline in ambulatory surgical centres, and a total of 30-60% decline in total revenues.

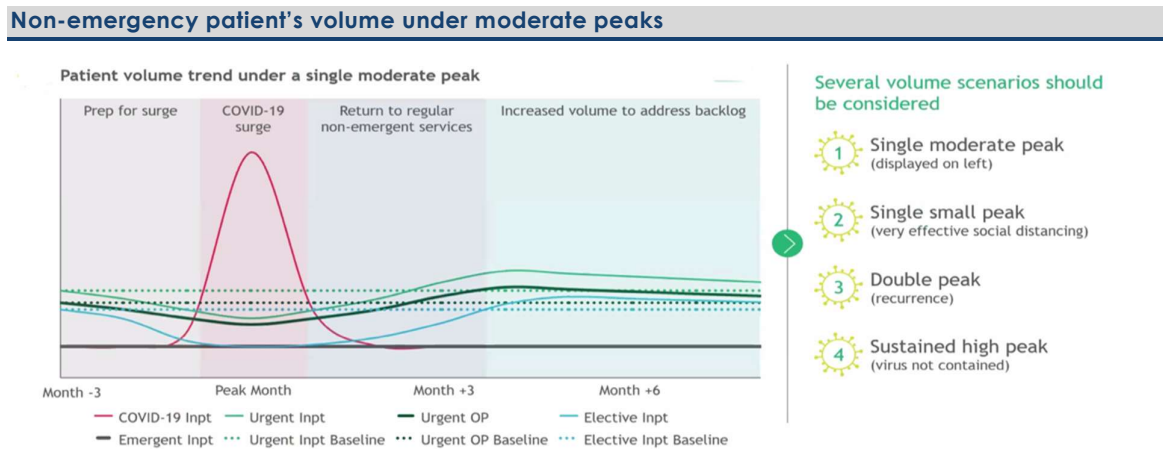
Figure 2-27



Source: JPMorgan, Leering, BCG analysis

Nevertheless, for many of these advanced European and international healthcare systems, Non-Emergency patients' volumes are expected to be depressed due to COVID-19 and take months to recover; the shape of the curve could follow several scenarios as shown below:

Figure 2-28



Source: JPMorgan, Leering, BCG analysis, and New England Journal of Medicine.

Hospitals are expected to generate somewhat higher utilization primarily due to an increase in COVID-19 patients and also an increase in pent-up demand. The rise in COVID-19 patients may completely nullify the decline in the number of visits for conventional treatments; wherein the total cases reached ~334k with ~16k active cases in the Kingdom as of 30<sup>th</sup> Sep 2020. Due to this, there is a rise in demand for ICU beds, which is now being taken care of by private hospitals as public hospitals ICU beds are expected to be mostly occupied<sup>61</sup>. A report from the Pediatric Oncology East and Mediterranean (POEM) Group

59 The Commonwealth Fund

60 JP Morgan: Eye on the Market

61 Alrajhi Capital



that studied the impact of COVID-19 on oncology care among 34 centres from 19 countries, including Saudi Arabia, indicated that Restriction of off-treatment visits was implemented in 31 centres (91%) on treatment visits were restricted to the absolutely essential in 17 centres (50%), delays in chemotherapy visits occurred in 10 centres (29%), delays in tumour surgery or radiation therapy visits occurred in 15 centres (44%), and restrictions on acceptance of new paediatric oncology patients were implemented in 8 centres (24%).<sup>62</sup> Reports of patient-driven factors affecting pediatric oncology treatment and related to the COVID-19 pandemic and its associated response are summarized in Figure 0-29. These included patient cancellations of off-therapy visits in 22 centres (65%), with an additional eight centres reaffirming that visits were already canceled by the hospital (24%) (Fig. 0-30). Patients who refused to show up for essential visits, including chemotherapy, surgery, or radiation therapy, for fear of contracting COVID-19 were reported as many by two centres (6%) and few by 14 centres (41%). Patients who were unable to keep essential appointments because of restrictions on travel or public transport were reported as many by six centres (18%) and few by 17 centres (50%). Patients who were unable to keep appointed visits because of the economic impact of the pandemic and its associated response were many in 3 centres (9%) and few in 16 centres (47%) (Fig. 8C).<sup>63</sup>

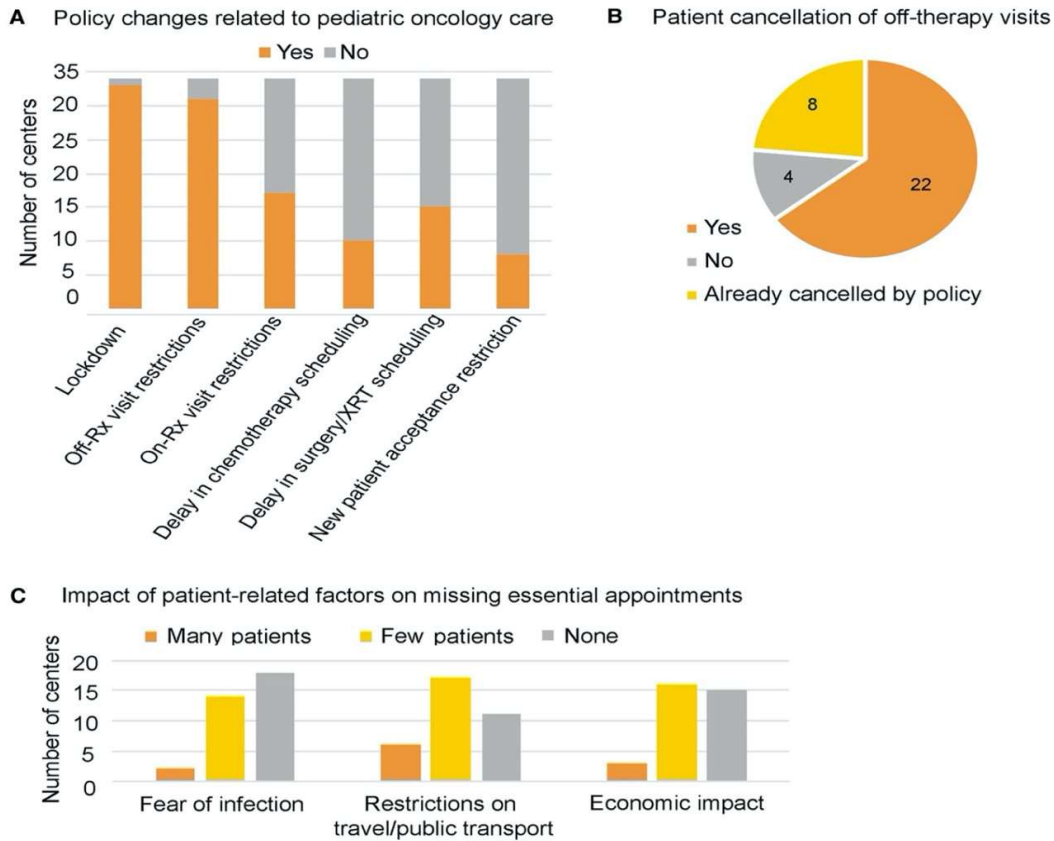
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<sup>62</sup> American Cancer society

<sup>63</sup> American Cancer society

Figure 2-29

**Implemented changes by Hospital Administration**



Source: American Cancer Society: A) The number of centres reporting specific changes in national and hospital policies affecting paediatric oncology care, as detailed; B) the number of patient cancellations of surveillance (off-treatment) follow-up visits; and C) the effect of fear, restrictions in transportation, and economic duress in patient-driven cancellations of essential treatment visits are illustrated. On-Rx indicates on medication; XRT, radiation therapy.

Another significant aspect to consider is the impact of COVID-19 on healthcare workers. By 8<sup>th</sup> June 2020, The International Council of Nurses reported, based on data from 30 countries, that 6% among all confirmed cases of COVID-19 are healthcare workers<sup>64</sup>. However, many countries do not have adequate reporting mechanisms when it comes to the number of healthcare workers infected, but rather include all sourced of infection.

The COVID-19 pandemic has put the healthcare workers in an exceptionally demanding situation. As a result, many of them are facing heavy additional workloads, struggling with an increasing number of cases requiring hospitalization, along with the fear of contracting the disease and spreading it to their family and friends. Thus, the overall atmosphere of anxiety among the general population is affecting healthcare workers and their mental health.<sup>65</sup>

Thus far, the economic crisis driven by the COVID-19 pandemic led to the dilemma of "Economy vs. Health," especially for Temporary Contractual Workers during the government's shutdown. This was very challenging, given the fact that many workers living in cramped labour camps, where they share bunk

64 ICN: ICN calls for data on healthcare worker infection rates and deaths

65 Public Services International: "French health workers face rapid escalation of cases"

beds in tightly packed rooms. This played a major role in the spread of the disease among migrant communities.<sup>66</sup>

In addition, Temporary Contractual Workers, especially low-skilled and low-income, as well as migrants in an irregular situation or those without valid documentation, often reside in suboptimal conditions and informal settings exposed to overcrowded living conditions with limited access to health and other essential services and inadequate water, sanitation, and hygiene facilities. This situation heightens pre-existing health, social and economic vulnerabilities. Furthermore, many migrants may not have the luxury of choosing not to go to work in order to protect themselves and their families. Migrants may work in more crowded, high risk situations and are more reliant on their income and cannot be absent from work, thus putting them at more risk of contracting the virus. Such conditions are not conducive to disease containment. This subsequently leads them to be some of the most vulnerable and excluded populations, who experience cultural, linguistic and legal barriers that further impede their access to health, disease prevention, treatment and continuum of care, despite obligations under international human rights law, commitments made in the 2030 Agenda for Sustainable Development, the Global Compact on Migration, the Salalah Declaration on Universal Health Coverage 2018, among other frameworks<sup>67</sup>.

Furthermore, migrants in irregular status may have limited access to public health and other basic services and might be reluctant to access such services for fear of having to pay for costs of treatment, arrest, detention and deportation. The challenges in access to services may be compounded by lock-down, mobility restrictions, and reduced access to identity documents and associated consular services for non-nationals, as well as some government and transport services. Undocumented or insufficiently documented migrants could disproportionately and unknowingly contribute to the spread of COVID19 if they are excluded from the national response to the pandemic because of their legal status, their lack of proof of identity or their inability to pay for medical services.

As of 30<sup>th</sup> Sep, 2020 there were 334,187 confirmed cases and 4,739 deaths in Saudi Arabia<sup>68</sup>. The ability to contain the virus depends on the strength of the countries' public health systems. World Health Organization's (WHO) ranking of countries' health system shows that GCC countries perform relatively better. As part of its presidency in the G-20, KSA chaired a virtual summit for G-20 leaders to discuss ways of coordinating an international response and support funding of WHO, while domestically, the government is covering the costs of treatment for all citizens and residents suffering from the virus.

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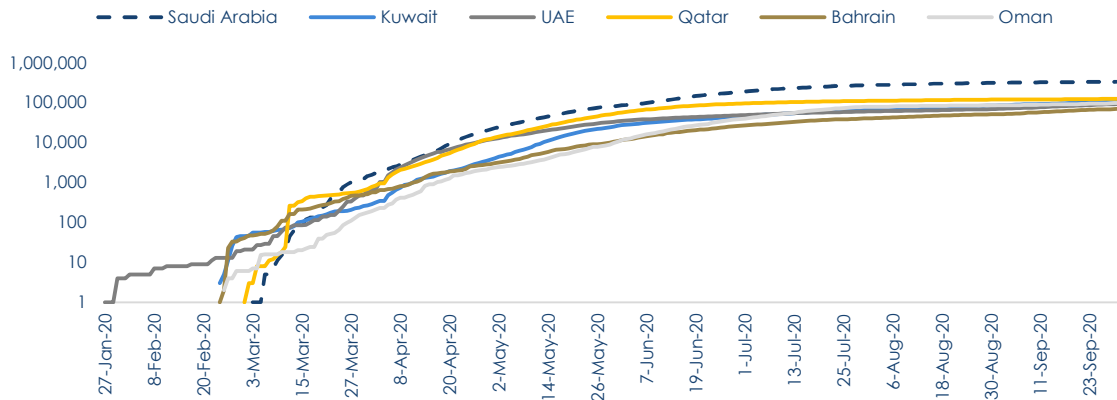
<sup>66</sup> NPR: National Public Radio

<sup>67</sup> Salalah Declaration on Universal Health Coverage 2018 [http://www.emro.who.int/images/stories/health-topics/uhc/salalah\\_uhc\\_declaration\\_-\\_final.pdf?ua=1](http://www.emro.who.int/images/stories/health-topics/uhc/salalah_uhc_declaration_-_final.pdf?ua=1)

<sup>68</sup> <https://www.worldometers.info/coronavirus/#countries>

Figure 2-30

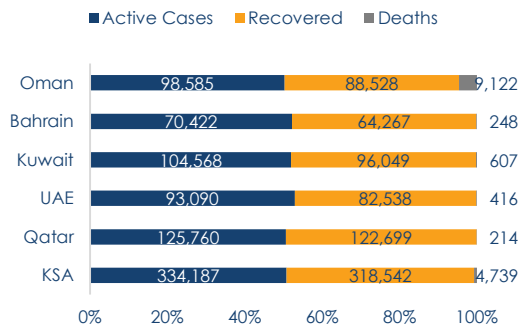
Trend of confirmed cases of COVID-19 in GCC



Source: <http://ourworldindata.org/>

Figure 2-31

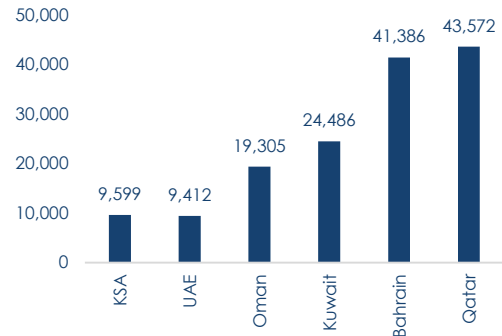
Status of confirmed cases in GCC (as of 30th Sep 2020)



Source: <http://ourworldindata.org/>

Figure 2-32

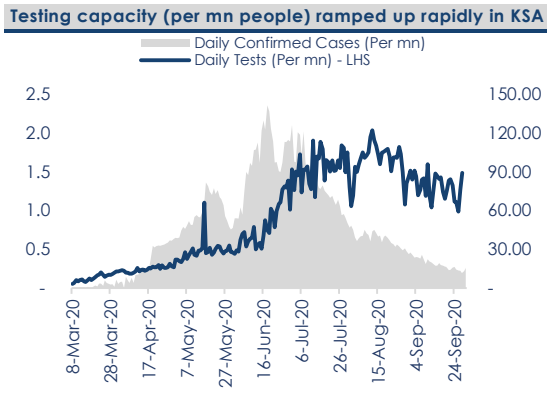
Cases Per Million – GCC (as of 30th Sep 2020)



Source: <http://ourworldindata.org/>

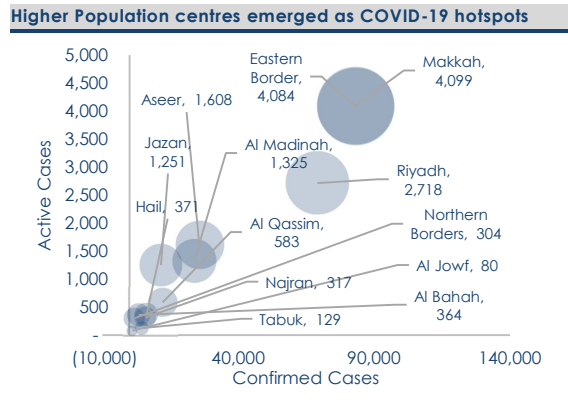
**Adequate capacity and supplies for COVID-19:** Saudi Arabia has adequate healthcare capacity to treat COVID-19 patients where the government has established more than 80,000 beds and 8,000 ICU's dedicated to deal with the pandemic. The ICU capacity has been further enhanced by 30% over the past few months to further beef up medical resources. Furthermore, recent bed occupancy levels in major areas of the Kingdom are 64% in Riyadh, 68% in Makkah and 75% in Jeddah. On the testing front, the Kingdom has established 20 laboratories for PCR tests with daily capacity of conducting over ~14,000 tests. With regards to sterilization measures and providing ample sanitizers and masks, there are currently 35 factories producing ~1.4mn liters of sterilizers a week while 8 factories have a weekly mask production rate of ~3.5mn.

Figure 2-33



Source: <http://ourworldindata.org/>

Figure 2-34



Source: <http://ourworldindata.org/>

## Education

**Robust ICT infrastructure in the KSA to complement distance learning:** The ICT (Information and Communication Technologies) infrastructure in the Kingdom has been upgraded tremendously over the past few years, with 91% of the population covered by mobile broadband 4G. The country was ranked 105<sup>th</sup> in 2017 in internet speed before this quantum leap to 10<sup>th</sup> position just recently. While the Kingdom has invested heavily in digital infrastructure and digital government platforms, the main thrust came about around 2016 with the development and articulation of Saudi Vision 2030 under which a wide-ranging economic diversification and innovation strategy was pursued. According to Oxford Business Group, Saudi Arabia has the 2<sup>nd</sup> highest spectrum allocation among G20 countries and 3<sup>rd</sup> global ranking in 5G deployment. With all this massive infrastructure investment in digital technologies, the Kingdom was able to adequately and efficiently handle the increased internet traffic during the COVID-19, maintaining a relatively high speed at ~59 Mbps.

As schools closed, Saudi Arabia quickly rolled out online distance learning platforms for all education levels, but there will be a need to ensure that poorer children or those with special education needs are supported. Internet usage in Saudi Arabia, as mentioned above, is very high (93%), and even in disadvantaged schools, more than 90% of students reported being able to access the internet in 2018. Hence, the distance learning programs were a decent success during the lockdowns<sup>69</sup>. There are, however, larger differences between students from disadvantaged and advantaged schools in access to a strong internet supply and to a computer to use for schoolwork.

## Poverty & Inequality

The pandemic is likely to exacerbate poverty and worsen already high rates of youth unemployment. Social protection spending was very low in 2012 but is likely to have increased subsequently with the introduction of a large-scale social protection fund (the Citizens Account programme) in 2017 to offset the adverse impact of subsidy reforms and the introduction of VAT on the poor. The VAT rate of 5% was implemented in Jan 2018 (OECD average 19%), which has recently been increased to 15% effective from July 2020.

The programme uses a single registry, with over 50% of the population already registered, new potential beneficiaries can register online, and payments are made directly into bank accounts. This makes the programme an effective mechanism that could be used to make additional social benefits available to vulnerable households during the COVID-19 pandemic or to make payments more frequent during this period (payments are currently quarterly). Other smaller non-contributory social protection schemes provide more targeted support for particularly vulnerable groups and could also be harnessed.

<sup>69</sup> <https://www.arabnews.com/node/1745731/saudi-arabia>

No official information is available on poverty, but there have been gains in an administrative capacity to identify and support low-income households like the launch of Citizen accounts program where people can register online. As in other GCC countries, the bulk of low-income residents are Temporary Contractual Workers, but as the citizen population crosses the 20 million mark, there will inevitably be issues of ensuring secure livelihoods and well-being for nationals. Vision 2030 set ambitious goals to protect citizens, including modernizing the social welfare system, redirecting price subsidies toward those in need, preparing and training those unable to find employment, and providing tailored care and support to the most vulnerable citizens. Accordingly, the Citizens Account was introduced to compensate Saudi households for the cost of higher energy prices and other economic reforms. Close coordination with other cash transfer programmes is warranted to assure the overall effectiveness of social assistance.

Migrants and Refugees in the KSA<sup>70</sup>: Saudi Arabia has a large population of low-income migrant workers, refugees and asylum seekers as well as other displaced populations This also includes individuals who came to the Kingdom from countries producing refugees mainly from Syria, Yemen, Myanmar (Rohingya Muslim), Palestine and other from different nationalities and are likely to be particularly affected by the COVID-19 pandemic. Temporary Contractual Workers account for more than 30% of Saudi Arabia's population and 80% of its private-sector workforce, but they are often not covered by government support. Low-income, and irregular migrant workers are particularly vulnerable to losing their jobs or to having to accept salary cuts or unpaid leave to avoid unemployment. This is particularly true for women. Evidence suggests high rates of infection amongst Temporary Contractual Workers, who often live in overcrowded accommodation. While testing and treatment for COVID-19 are available free of charge to foreign nationals, they are not covered by non-contributory social protection schemes nor by the wage benefit support that the government is offering the private sector. In addition, irregular migrant workers are more vulnerable to medical risks as they have difficulty to ask for health care due to their illegal status.

The slowdown of the economic growth, with falling revenues from exports, expanding budget deficits, and shrinking current accounts, will likely constraint the state's capacity to put in place stimulus packages and extend social safety nets and social protection to a potentially larger vulnerable population. In the case of a regional economic downturn, the already vulnerable population will be hit even harder. This includes vulnerable and marginalized groups, which includes notably the case of Temporary Contractual Workers. They are less likely to have access to paid sick leave, unemployment benefits, or access to the state-led rescue and stimulus packages. The efforts to limit the economic impact on the labour market are also mostly geared towards maintaining the nationalization of the employment opportunities, particularly in the high-skilled categories of employment. The Saudi General Organization for Social Insurance (GOSI) is offering, for example, compensation to cover for parts of the salaries of Saudi nationals working in the private sector<sup>71</sup>. These measures have also been complemented with the implementation of various exemptions and delays in the private sector particularly targeting SMEs. The available support still remains limited, particularly for Temporary Contractual Workers employed in the service industry, in the retail or the hospitality industries. This support may also leave behind large segments of workers in the construction industry or those engaged in domestic work. As a result, many Temporary Contractual Workers are stranded in vulnerable situations with limited support available and limited options to return home, a lack of quarantine facilities in South Asian countries, causing further delays in

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70 <https://data.ksrelief.org/Visitors/NS->

<https://refugees.ksrelief.org/Pages/NewsDetails/c9001c44-ada1-46d9-a08b-863cba3baacd#>

71 World Bank MENA Brief (14/04/2020), Coping with a Dual Shock: COVID-19 and Oil Prices. Available online:

<https://www.worldbank.org/en/region/mena/brief/coping-with-a-dual-shock-coronavirus-covid-19-and-oil-prices>

repatriation operations<sup>72</sup>. This might further trap a number of workers in vicious circles of debt while their families at home heavily dependent on their incomes and the remittances they send. Reports of large repatriations occurring in the region signal the beginning of a shift in the local labour markets<sup>73</sup>. While some countries of the region are threatening to reevaluate Bilateral Labour Agreements and impose future quotas or employment clauses for workers from countries that have refused to repatriate their citizens during the coronavirus outbreak<sup>74</sup>.

The impact of this pandemic is expected to be even more severe for irregular (undocumented) low-skilled foreign migrant workers who engaged in the informal sector and women who work often in informal settings in the KSA. The country has been very active in recent years to improve its migration governance with the adoption of a number of new policies aiming to protect Temporary Contractual Workers from abuse and exploitation and to ease their access to public services and justice mechanisms. Nonetheless, they often still have very poor conditions of work and substantial occupational safety and health deficits that make them very vulnerable. Furthermore, the lack of decent housing and accommodation, shared facilities and amenities, difficulty in implementing protective measures, such as social distancing, could further trigger the spread of the virus. In Qatar, Kuwait, the UAE, and Bahrain, official figures suggest that nearly all cases have been among foreigners<sup>75</sup>, many of whom live in labour camps. While free medical treatment for COVID-19 is made available, even in some instances to undocumented migrants<sup>76</sup>, they might still fear retaliation or deportation in case they resort to the public healthcare system and other state institutions. The spread of the virus amongst migrant communities has also reportedly caused increased stigma against Temporary Contractual Workers and reinforced anti-migrant sentiment and xenophobic reactions<sup>77</sup>.

## Food Security

**Population concentration in urban areas majorly:** The COVID-19 pandemic is likely to have repercussions differently for vulnerable rural and urban populations. The population of the KSA is not evenly distributed and is concentrated in certain regions, and urban settlements and nearly 82% of the population lives in urban areas. However, the rate of urbanization is not evenly spread; for example, some regions like Aseer, Al Baha, and Jazan have a high rural population rate of 50% or more. The urban and rural households could be differentially affected by a decline in purchasing power, while at the same time facing surging prices for some food items, unavailability of products due to supply chain disruptions, and containment policies that could limit access to markets. Such impacts would significantly affect the lives and livelihoods of already vulnerable households dependent on food production and livestock rearing in particular<sup>78</sup>.

The impact of COVID-19 on the KSA food security, nutrition, and livelihoods; therefore, is to be seen from the perspective of any disruption that may occur in the global and local food system. This is not only from the point of aggregate food availability but also from the smooth movement of food commodities in the

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72 Gulf News (11/04/2020), Coronavirus: 'India protecting health of expats and their families by not evacuating them now' Indian Ambassador to UAE. Available online : <https://gulfnews.com/uae/coronavirus-india-protecting-health-of-expats-and-their-families-by-not-evacuating-them-now-1.70930747>

73 France 24 (13/04/2020), Saudi deportations of Ethiopians could fuel COVID-19 spread: UN. Available online: <https://www.france24.com/en/20200413-saudi-deportations-of-ethiopians-could-fuel-covid-19-spread-un>

74 The National (14/04/2020), UAE weighs quotas on workers from countries refusing to accept their citizens. Available online: <https://www.thenational.ae/uae/government/uae-weighs-quotas-on-workers-from-countries-refusing-to-accept-their-citizens-1.1004984>

75 The Guardian (19/04/2020), Foreign workers bear brunt of coronavirus pandemic in Gulf. Available online:

<https://www.theguardian.com/world/2020/apr/19/migrant-workers-bear-brunt-of-coronavirus-pandemic-in-gulf>

76 The Daily Mail (14/04/2020), Gulf foreign workers left stranded struggling coronavirus outbreak. Available online :

<https://www.dailymail.co.uk/news/article-8217581/Gulfs-migrant-workers-left-stranded-struggling-coronavirus-outbreak.html>

77 RT World (17/04/2020), Gulf coronavirus racism scandals shine light on conditions for migrants. Available online:

<https://www.rtrworld.com/magazine/gulf-coronavirus-racism-scandals-shine-light-on-conditions-for-migrants-35494>

78 FAO: Early Warning Early Action (EWEA) report on food security and agriculture: April 2020

trade channels and from production areas in the KSA country sites to consumption locations as well as from the service and supports the agriculture sector provides, including employment and business opportunities.

**Multiple dimensions of COVID-19:** In this background, the COVID-19 impact on food security and rural livelihood is expected in multiple dimensions. The segment of food security dependent on imports will be impacted in the relation of the global food system, while domestic agriculture may experience disruptions in inputs and labour supply as well as logistic curbs affecting its market linkages, besides post-harvest losses of perishables. The cross-section of these dimensions of COVID-19 impacts are given below:

- a. dependence of availability and accessibility on global food systems through imports and smooth commodity flow,
- b. dependence of key domestic sub-sector on imports of inputs, and
- c. disruption of factors of production in the domestic food system and rural economy and its value and supply chain such as labour and logistics.
- d. Any noticeable change in demand for food items expected in the medium and short term.

**Major dependency on imports for food supply:** Out of eight strategic commodities in the food security strategy of the KSA, namely wheat, rice, poultry, milk, dates, sugar, edible oils, and combined feed, with the exception of dates, assured supply, and availability of all other commodities is, directly and indirectly, dependent on imports. Wheat, rice, sugar, and edible oils are crucial food items with near-total import dependency. Though milk and poultry apparently have better self-sufficiency in domestic production, these sub-sectors are very heavily dependent on the import of animal feed and fodder. Saudi Arabia is amongst the largest importers of fodder in the world.

Each of the import-dependent strategic commodities has respective distinctness in their supply chain and logistics, receiving differentiated COVID-19 impact. Only wheat is covered in strategic food reserve, and institutional procurement is done by Saudi Grain Organization. All other strategic food commodities are traded through non-governmental market interventions. Hence, the exposure of these commodities to any market interruption is high.

**Key challenges to local production from COVID-19:** Agriculture and food commodities producers in the Kingdom include small farmer, medium, and large agri-businesses.

Some key vulnerabilities in the local food agrarian economy in the COVID-19 situation are mentioned below:

1. The agricultural inputs such as machinery and tools, spare parts, fertilizers, chemicals (pesticides, insecticides) and others become inadequate and or short in supply in the market.
2. Imported livestock fodder and feed, increase in prices of food commodities and inputs in local markets, and cost of agriculture inputs increase for small producers; examples, agriculture equipment and material of COVID-19 hit origins might disappear in the local market resulting in cost increase.
3. Farm labour may not be available as many are worried about the disease.
4. Linkages of small producers with market/ local market may get disturbed.
5. The local market and commodity flow may also get affected due to national measures to combat COVID-19.
6. Loss of commodities due to limited transportation, storage, food management, and preparedness of people on COVID-19 issue may impact purchasing power.



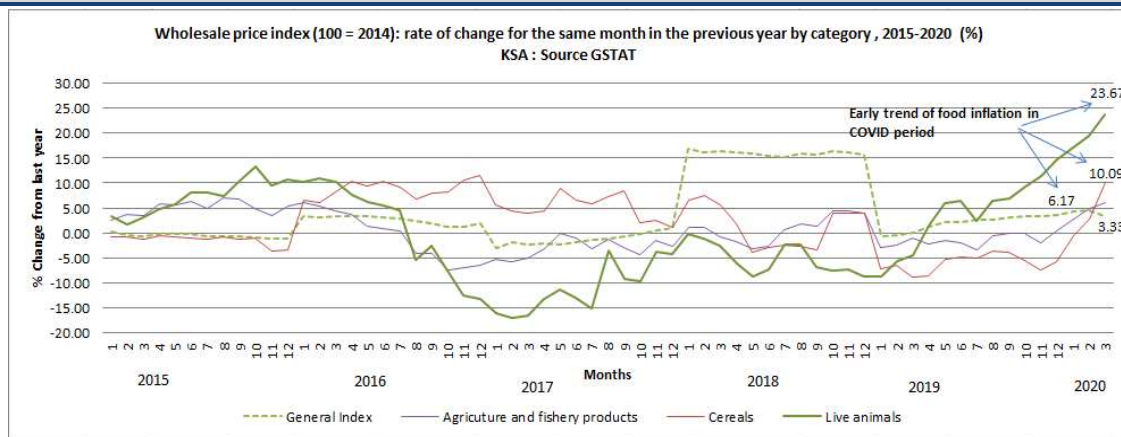
7. Demand for locally produced vegetables, fruits, and cereals goes down during the COVID-19 outbreak.
8. Local transportation of locally produced farm commodities turns out to be inadequate, and exportable commodities may suffer due to disturbed ports of destination.

**Cereals are the major source of nutrition in the KSA:** In nutrition terms, with 3,255 kcal/ capita per day dietary energy availability<sup>79</sup> in the KSA is well above the global average of 2,884 kcal/ capita per day. But 43% of this energy availability is derived from cereals, and the KSA's import dependency of cereals is almost as high as 90%.

**Inflationary trends in food prices:** Though it is too early to gauge volatility in the domestic food market, but some early inflationary trends are seen in the volatility of the wholesale price index<sup>80</sup> (WPI) in the KSA. The index for agricultural food items in March 2020 has shown an annual increase of 6.2% as against corresponding overall inflation of 3.3%. For cereals, the annual index has increased by 10.1%. The commodity amongst the maximum volatility in the index basket was live animals. Its price index registered a steep annual hike of 23%. Nine percentage points of this price hike have taken place in the past two months. (See chart below)

Figure 2-35

Trend of whole sale price index



Source: FAO

79 Food Balance Sheet FAOSTAT 2013

80 Wholesale Price Index March 2020 General Authority for Statistics KSA



## Part III: Response & Recovery

### Overview

COVID-19 has left no one unaffected, with over 50 million confirmed cases and over 1.3 million deaths worldwide as of the end of November. Every UN agency has devoted considerable time and resources combatting this pandemic and its widespread direct and indirect effects on the people of the world. This section summarizes the most relevant and recent (as of Mid-July) policy material developed by the UN<sup>81</sup> and contextualizes it for the Kingdom of Saudi Arabia in the five Development Pillars framework.

The structure of Part III has been framed in the context of the five Developmental Pillars, established by the UN Secretary General's report: A UN framework for the immediate socio-economic response to COVID-19. Throughout this part, the primary focus through these pillars has been on those who are being disproportionately affected by the virus, utilizing the LNOB lens.

The five pillars are as follows:

- **Developmental Pillar I:** Ensuring that essential health services are available and protecting health systems
- **Developmental Pillar II:** Helping people cope with adversity, through social protection and basic services
- **Developmental Pillar III:** Protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programmes
- **Developmental Pillar IV:** Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses
- **Developmental Pillar V:** Promoting social cohesion and investing in community-led resilience and response systems

For each of the above five pillars, analysis is divided into two parts:

- a) **Tackling the Immediate Emergency: Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens**
- b) **Recovering Better: Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens**

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81 United Nations Comprehensive Response to COVID-19: Saving Lives, Protecting Societies, Recovering Better, Policy Brief: COVID-19 and the Need for Action on Mental Health, A UN framework for the immediate socio-economic response to COVID-19, PREVENTING THE NEXT PANDEMIC Zoonotic diseases and how to break the chain of transmission, Working with the Environment to Protect People – UNEP's COVID-19 Response, Shared Responsibility, Global Solidarity: Responding to the socio-economic impacts of COVID-19, Policy Brief: COVID-19 and People on the Move, Policy Brief: The Impact of COVID-19 on Food Security and Nutrition, Policy Brief: The Impact of COVID-19 on older persons, Policy Brief: A Disability-Inclusive Response to COVID-19, COVID-19 and Human Rights We are all in this together, Policy Brief: The Impact of COVID-19 on children, World Economic Situation and Prospects as of mid-2020, UNDP: COVID-19 and Human Development, Financing for Sustainable Development Report (Chapter 1), DESA: Policy Brief - Impact on Commodity Exporters, SG letter to the Presidency of the G20 (23 Mar 2020), CCSA: How COVID-19 is changing the world: a statistical perspective, ILO Monitor: COVID-19 and the world of work (4th edition), ILO: Policy Framework to Respond to the COVID-19 crisis, ILO: Sectoral impact – responses and recommendations, ITC: SME Competitiveness Outlook 2020 - COVID-19: the Great Lockdown and its Impact on Small Business, UNCTAD: Trade and Development Report Update (the coronavirus shock), UNCTAD: Impact of the Coronavirus Outbreak on Global FDI, UNCTAD: Global Trade Impact of the coronavirus (COVID-19), UNESCO: Global Education Monitoring Report "Inclusion and Education: All means all", UNESCO: Issue Brief - Journalism, press freedom and COVID-19, UNESCO: Disinformation - Deciphering COVID-19 disinformation, UNODC: Accountability and the prevention of corruption, B20 Saudi Arabia 2020: G20 TRANSFORMING FOR INCLUSIVE GROWTH – JUMP-STARTING THE GLOBAL ECONOMY IN A POST COVID-19 PHASE, ESCWA Policy Brief: The Impact of COVID-19 on the Arab Region An Opportunity to Build Back Better, and Sustainable Development Report 2020 – Goals and COVID-19

Specifically, the section separates material into two parts: Tackling the Immediate Emergency and Recovering Better. The first addresses the immediate concerns related to the pandemic, and the following addresses long-term concerns with an aspiration to address preexisting areas of improvement that were worsened by COVID-19. The virus does not discriminate; however, the virus does affect people disproportionately. Therefore, the focus of this section is primarily on those being disproportionately affected by COVID-19. By no means is this an exhaustive summary, and some contributions are omitted for brevity.

The five Developmental Pillars are not isolated silos, but all five are interrelated. Thus, solutions and policies need to be designed in a way that addresses the issues from a systemic perspective and not a sector-by-sector sequential approach to provide the most comprehensive and prudent solutions brought about by the most recent pandemic. In most of the supporting material for this section, it is frequently emphasized the need for policies that are not myopic, but perceptive to the Kingdom's needs today and tomorrow as to prevent future epidemics and to remedy any inequalities that could be further exacerbated by our current situation.

## Developmental Pillar I: Health First

### Ensuring that essential health services are still available and protecting health systems

Concerning Pillar I, "the UNDS provides assistance to every Government in the world in the health field, from specialized technical advice and early warning to large scale service delivery operations in fragile settings. In responding to the COVID-19 pandemic, the UNDS will prioritize support to countries to maintain essential health services and the systems that support them"<sup>82</sup>. Health systems around the world have already been going through a strain and were overburdened from continued surge in demand for diagnostics and treatment with healthcare service providers facing unprecedented demand for health services. Within this backdrop, the outbreak of COVID-19 pandemic has further significantly overwhelmed health systems as governments and stakeholders navigate treacherous waters of allocating limited personnel, equipment, financial and other resources to maintaining essential life-saving health services while simultaneously also continuing with striving to provide regular healthcare services. Significant demand spikes from epidemics and pandemics such as the ongoing COVID-19 have the potential of collapsing national healthcare systems leading to fatalities from the outbreak to be rapidly exceeded from treatable and preventable diseases. Thus any healthcare system strategy would need to balance the demands of responding directly to COVID-19 against delivery of essential health services.

### A. Tackling the Immediate Emergency

#### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) Lens

Pillar I focuses on protecting health services and systems during the crisis where Saudi Arabia was among the first countries to implement early and unprecedented precautionary measures to prevent COVID-19 or mitigate its impact when it arrives. Those measures were implemented prior to the reporting of the first case in the country on the 2<sup>nd</sup> of March 2020.

A theme of this section is "Tackling the Immediate Emergency," will cover the key initiatives taken by the government and the UNCT concerning Pillar I. The first subsection below presents Key government initiatives in the areas of good health and well-being, inequality, and particular considerations for groups most at risk while the second subsection below describes the Key UNCT initiatives for the same areas.

#### A.1 Key Government Initiatives on Pillar I

The following section covers the resources available for the KSA government during the pandemic and actions that were taken to protect health services and systems during the crisis. These resources and actions are classified into different categories as follows:

**Coordination and communication:** The formation of a high level committee with multisector engagement (the Ministry of Health, Ministry of Education, FDA, Ministry of Interior, and other government entities) in early Jan'2020 set the stage for the Kingdom's effective and comprehensive response to COVID-19 pandemic, taking into account physical, financial and medical and socio-economic aspects. The authorities set up Command Center to better coordinate the available resources and patient management. All available options –conventional, social media, government website etc-were used to make an effective communication with the community. Two important considerations, community engagement and focus on marginalized sections of the society (campaign on media used 15 languages), were at the center of government's communication strategy. The free 937 hot-line and Mawid application, and providing services for free for everyone, including those with irregular residency status. Services are provided for everyone, even without the need for having Iqama. The use of technology in the form of Mobile apps, toll-free numbers, remote consultation, scheduling, and testing, allowed the authorities to minimize the impact of COVID-19 and ensuring availability of health services for non-COVID patients.

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<sup>82</sup> A UN framework for the immediate socio-economic response to COVID-19, APRIL 2020

Over the past few years, the Kingdom and the WHO have collaborated to promote health in the KSA as well as in other countries. This relation continues as well in the current pandemic, with several activities taking place. Seven Saudi hospitals have participated in an international study supported by WHO (the Unity Study) to identify the most effective treatment to COVID-19. The Kingdom has also supported the COVID-19 response regionally and globally, donating initially USD10mn for the global response. This was followed by a sizeable donation from KSA of USD100mn for the international response plan of the UN on COVID-19.<sup>83</sup>

**Tough Measures unveiled:** The decisive and timely decisions aimed at minimizing the risk of spread of virus shaped up the Kingdom's response. The measures adequately demonstrated authorities' ability to undertake tough political measures with due consideration of wellbeing of both citizens and resident. Suspension of Umra Visa since the 27th of February; stoppage of citizens and residents from performing Umrah or visiting Madinah starting 4th of March; closure of schools, beginning in Qatif, then at the national level since 9th of March; stoppage of all sports activities and mass gatherings; closure of malls 15th of March; all public employees (except health, police, and military) were asked to stay home on the 16th of March, followed by private sector on the 17th of March; stopping of prayer in mosques on the 17th evening; stopping all economic activities other than essential ones; imposition of the curfew on the 23rd of March; and conducting Haj with a minimal number of resident and citizens only after putting in place all precautionary measures (zero COVID-19 cases reported among 10,000 pilgrimages) are some of the crucial measures. Early lockdown resulted in improved hospital capacity and an internationally low mortality rate of 0.9%. To avoid the spread of infection from countries, the authorities announced quarantine for incoming travelers for 14 days which was followed by denying access to travelers from countries with known COVID-19 outbreak, and then later stoppage of all international travel (on 14th of March). This helped in limiting the importation of cases.

**Resource Mobilization:** Beyond tough precautionary measures, authorities ensured adequate availability of physical infrastructure, trained staff and laboratory services for both COVID-19 and non-COVID patients. The Ministry of Health initially designated 25 hospitals, 80,000 hospital beds, including 8,000 Intensive Care Units (ICUs) beds for the treatment of COVID-19 cases. More facilities were added, for example, building a 100-bed field hospital in Makkah and another 100-bed field hospital in Madinah. Enough facilities were designated for isolation of suspected/quarantined cases, and facilities have gradually increased, including using hotels for quarantine of Saudis returning through the repatriation program. The ICU capacity has been further enhanced by 30% over the new few months to further beef up medical resources. Furthermore, bed occupancy levels in major areas of the Kingdom were recorded at 64% in Riyadh, 68% in Makkah, and 75% in Jeddah. On the testing front, the Kingdom has established 20 laboratories for PCR tests with a daily capacity of conducting over ~14,000 tests. With regards to sterilization measures and providing ample sanitizers and masks, there are currently 35 factories producing ~1.4mn liters of sterilizers a week while eight factories have a weekly mask production rate of ~3.5mn.

The laboratory testing facilities using accurate testing methods (PCR testing) was freely made available in public sector hospitals and clinics for everyone without any discrimination (Citizen or Resident, regular or irregular). This is available through the National Health Laboratory in Riyadh and regional laboratories. Private laboratories were also allowed to participate in COVID-19 testing; however, they need to be certified for this particular service, after making sure that they have all the required equipment and capabilities.

The existence of a well-established surveillance system and the availability of all the components necessary for proper case identification and contact tracing helped authorities in better formulation of COVID-19 strategy. This was further supported by well-trained teams, strong laboratory services, and

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<sup>83</sup> [https://www.arabnews.jp/en/saudi-arabia/article\\_26987/](https://www.arabnews.jp/en/saudi-arabia/article_26987/)

clear protocols and guidelines. The continuous follow-up and responsive decision making have allowed surveillance and case identification activities to be focused on the areas where new cases may be present. This is clear from the active screening by 150 teams across the country that started on the 17<sup>th</sup> of April and resulted in the early identification of cases. Moreover, despite significantly constrained fiscal space, additional financing resources were made available to counter the pandemic (additional funding: SAR7bn, followed by SAR47bn).

**Proactive Management & Community Outreach:** Crowded workers' accommodation and temporarily detention centers have been identified as a risk factor for the spread of COVID-19, prompting several actions. The government came up with a multi-prong strategy to minimize the risk of COVID-19 infection among workers which consist of (i) to ensure implementation of precautionary measures, the authorities relocated workers from overcrowded facilities to new government building. Ministry of Education handed over 3,445 educational buildings to municipalities to accommodate workers (announced 16<sup>th</sup> of April), building new facilities such as in Madinah; moving to new facilities, e.g., residences belonging to the Saudi Authority for Industrial Cities and Technology Zones (MODON), have been made available and can accommodate 29,000 workers. Furthermore, a number of precautionary measures were introduced for labour housing, which includes (i) restricting the number of people living in a house/room, adherence to measures on sanitization, limiting interaction, and building internal control, (ii) mobilization of resources to conduct numerous rounds of community testing, particularly in labour housing or areas where proactive tracing identified spread of virus.

## A.2 Key UNCT initiatives Standing Capacity Brief initiatives on Pillar I

On the other hand, several UN agencies in KSA help the authorities in tackling the health crisis by introducing various key initiatives that are currently being implemented. In this regard UN has helped in building up capacities of the government stakeholders in addressing the psychological needs of the frontline health and social workers along with providing medical services to Persons of Concern. Furthermore, as schools remain shut, physical and mental well-being of children at home has been supported by relevant UN agencies working in the Kingdom. It has also continuously advocated for safeguarding of women against domestic abuse, particularly during COVID-19.<sup>84</sup> Finally, capacity building for emergency preparedness and response interventions is critical for tackling any future health emergencies and UN stands ready to provide technical and field support to relevant and related government organizations.

## B. Recovering Better

### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens

Proactive and effective government responses to COVID-19 have laid down a robust foundation for containing the spread of the virus and limiting its negative consequence. Key statistics on COVID-19 infection, as highlighted in Part II (infection/million population, death rate, recovery rate, etc.), compare favorably with some of the most advanced healthcare systems in the world, and point to the efficacy of government's response. The government response and actions plan placed Saudi Arabia at the top of the list of public judgments by country about the response of their governments to the COVID-19 pandemic.<sup>85</sup> The response has been a well prepared and well-coordinated All-of-government response. It is characterized by high-level political support, evident in the difficult decisions taken, and the plentiful resources made available. The increased funding was made despite reduced oil and non-oil government revenue and increased social obligations. High-quality treatment facilities and treatment protocols and well-trained healthcare personnel contributed to a high recovery rate (out of all confirmed

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<sup>84</sup> See UNODC Thematic Brief on gender-based violence against women and girls: [https://www.unodc.org/documents/Advocacy-Section/GBVAW\\_and\\_UNODC\\_in\\_COVID19\\_final\\_7Apr2020.pdf](https://www.unodc.org/documents/Advocacy-Section/GBVAW_and_UNODC_in_COVID19_final_7Apr2020.pdf)

<sup>85</sup> Daila Research

cases, mortality is ~0.97 %, which is roughly one-tenth of the case fatality rate observed in some of the most advanced healthcare systems in the world).

The government of KSA has certainly taken proactive measures to protect people and society from social as well as economic repercussions of the pandemic. Nonetheless, the following section, utilizing the same equity lens from before and keeping in view the 2030 UN Sustainable Developmental Goals (SDGs), will identify possible rooms for improvement and additional gaps that might still exist in the KSA response to the pandemic and require government's immediate attention. The UNSDG ranges from focusing on poverty, health, gender equality to protecting jobs and reducing inequality. Some of the gaps identified below require further study before any concrete measure can be taken.

A theme of this section is "Recovering Better," this idea does not just entail alleviating issues created by the COVID-19 pandemic but look at systemic concerns that predated the most recent crisis. The first subsection below presents identified challenges still to be overcome and some recommendations concerning these challenges in the areas of good health and well-being, inequality, and particular considerations for groups most at risk. The second subsection below describes the direct support of the UNDS to support these policies, including suggested activities from the UN Capacity Brief<sup>86</sup>.

## B.1 Gaps and policy recommendations

The gaps and policy recommendation will be divided into several groups as follows:

### i. Good health and well-being (SDG3, GCM Objectives 15, 16)

- **Upgrading SCDPC (SDG3, GCM Objectives 15, 16):** The current Saudi Center for Disease Prevention and Control (SCDPC) was not fully prepared and equipped to handle the COVID-19 pandemic and did not take the lead in managing and handling the crisis. On the contrary, a high level committee with multisector engagement (the Ministry of Health, Ministry of Education, FDA, Ministry of Interior, and other government entities) formed in early Jan'2020 set the stage for the Kingdom's effective and comprehensive response to COVID-19 pandemic. The government needs to upgrade and enhance the capabilities and functions of SCDPC to make it more pro-active in the event of any future epidemics and pandemic emergencies.
- **Room for improvement in health infrastructure capacity (SDG3, GCM Objectives 15, 16):** The existing health infrastructure capacity such as hospitals and hospital beds per capita, appears to be lagging when compared to other OECD countries. Low health infrastructure resources will impede the government's ability to tackle health crises in the future as there will be a limited surplus of extra resources in times of medical emergencies. However, it could be managed through some activities such as; enhancing public healthcare capabilities and collaboration with the private healthcare sector, engage the private sector, which can play a role in contributing to the fight of COVID-19 pandemic in the healthcare sector. In some countries, individual enterprises have taken initiatives to temporarily change the business model during the crisis, helping to ensure the production of medical supplies, such as sanitizer products.<sup>87</sup> Finally, utilizing the undergraduate, qualified professionals who are not registered with relevant Saudi authorities, and volunteerism among existing professional may go a long way in bridging any future gap.
- **Room for increasing the number of Medical Research Centers (SDG3, GCM Objectives 15, 16):** There is a shortage of medical research centres in the KSA that can provide and help with combatting potential epidemics and pandemics by developing vaccines and disseminating accurate information regarding these medical emergencies. The government could look at the establishment of medical research

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<sup>86</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

<sup>87</sup> According to various media reports in journals, television, and radio



centres, possibly in collaboration with SCDPC and other leading world research centres that can carry out the latest research on vaccines and immunization and other critical medical research.

- **Expensive testing in private hospitals (SDG3, GCM Objectives 15, 16):** Lack of private sector contribution in tackling the COVID-19 pandemic as testing costs charged by private hospitals were quite exorbitant. The government should standardize testing costs across hospitals. In this regard, it should actively intervene to ensure that virus testing and other basic medical needs are provided at the most affordable costs.
- **Inadequate capacity to treating psychological illnesses (SDG3, GCM Objectives 15, 16):** The need for psychological support to various population groups and segments such as medical staff, elderly, children, refugees, migrants, people with special needs, and low-income bracket people, especially in times of national and global crises, cannot be emphasized enough. Drawing a conclusion from low physicians per 1,000 people (~2.8), KSA significantly lacks the capacity for providing psychological support and treating mental illnesses owing to a very limited number of psychiatrists and mental health institutes. The policies to remedy that would aim to actively promote education for psychological health among students along with building up quality educational institutes to produce the desired number of mental health professionals, and furthermore, to develop awareness programmes to highlight the importance of mental health and to reduce the stigma associated with mental diseases.
- **Long term and detailed medical emergency policy framework (SDG3, GCM Objectives 15, 16):** A comprehensive and long-term policy is needed that can provide guidelines as to what steps must be taken immediately after such a medical emergency is detected. Establishing a detailed policy guideline for these emergencies, where instructions and modus operandi for various government institutions are listed down, will help in tackling any future crisis with greater expediency and effectiveness owing to the auto triggering of such protocols during these times.
- **Trust issue among irregular migrants on government's policy for free COVID-19 treatment (SDG3 GCM Objectives 3, 15, 16):** The government's policy of COVID-19 treatment for all the residents irrespective of their status in the country is hampered by considerable trust issues among the irregular migrants in the country. The fallout from this trust gap is that the government health agencies responsible for testing, tracing, and isolating virus-infected people will be negatively impacted as these migrants often will not test for the virus for fear of facing legal action. The government can significantly reduce the trust deficit by running frequent and targeted media campaigns involving the use of multi-languages and disseminating it on various media channels, guaranteeing people on the firewall of information that they will not be discriminated against based on their legal status.<sup>88</sup> This can be complemented by establishing a mechanism that can bypass the need for migrants to show any identification document at the time of treatment.
- **COVID-19 related pollution endangering health (SDG1 and SDG14, GCM Objectives 15, 16):** Due to COVID-19, there is a huge increase in the use of plastic gloves and masks, contributing to the problem of pollution of the environment. It is estimated that up to 13 million metric tons of plastic end up in the ocean each year which is a health hazard to people, and life threatening to the life under water. This estimated number will increase with the amount of gloves and masks have been used. As a direct consequence of pollution of the oceans, toxins from plastics and other discarded material have entered the food chain, threatening human health.<sup>89</sup> Proper disposal and an increased use of recyclable materials is needed to mediate this danger to human and animal life.

<sup>88</sup> Can be supported by UNODC's ongoing project with HRC/ NCCHT focusing on the improvement of the National Referral Mechanism for the prevention of trafficking in persons and protection of potential victims of trafficking.

<sup>89</sup> <https://www.google.com/amp/s/www.pewtrusts.org/en/research-and-analysis/articles/2018/09/24/plastic-pollution-affects-sea-life-throughout-the-ocean%3famp=1>

## ii. Inequality (SDG10)

- **Risk of disruption in medical services during epidemic/pandemic due to low Saudization of healthcare workforce (SDG5, SDG8, GCM Objectives 15, 16):** The current healthcare workforce majorly consists of non-Saudi's, and the situation is much worse when it comes to nursing staff. The government needs to address the shortage of domestic medical workers by enhancing and upgrading medical, educational institutes, including vocational training institutes for nurses to reduce its dependency on the non-Saudi healthcare workforce.
- **Sustainable cities and communities (SDG11, GCM Objectives 15, 16):** Urban areas are typically most equipped for pandemics and are also most susceptible to a virus of this kind because of population density. However, there might be noticeable variance across the country in remote areas or in slums of cities that could become hotspots or incubators for COVID-19. Some groups may not be receiving adequate health services, like some nationalities, stayed in Makkah long time ago after performing Haj. This people group may be integral in preventing the transmission of COVID-19 across borders<sup>90</sup>.

## iii. Groups particularly at risk (SDG10)

- **Migrants, People "On the Move" & Socio-Economically Marginalized (SDG10, GCM Objectives 6, 7, 8, 9, 10, 15, 16, 17):** The Kingdom has one of the highest rates of Temporary Contractual Workers in the world. If the country wishes to continue its trajectory, it must put migrant's rights and socio-economic well-being at the core. Saudi Arabia also needs to continue its efforts to promote and fund sustainable development initiatives in countries of origin of migrants. Saudi Arabia should target some of the usual generous support that it is providing neighboring countries to support health care system in these countries. Otherwise, the KSA healthcare system may be harmfully affected. This all the more relevant with the high probability of a second wave of COVID-19 hitting the region and future health shocks like that of MERS in 2012 targeting the region<sup>91</sup>.
- **Women are the Largest Group Disproportionately Affected by COVID-19 (SDG5 & SDG10, GCM Objectives 10, 15, 16):** Globally, women make up more than 70% of the Healthcare workforce.<sup>92</sup> Almost half of their contribution is, in fact, underpaid and unrecognized. Moreover, women worldwide faced raising risks of violence during COVID-19 lockdowns, which impacted their overall health. In Saudi Arabia, the majority of healthcare front liners nurses are females, which puts them at a high risk of being affected by COVID-19.
- **Child & Elderly Care (SDG10, GCM Objectives 15, 16):** Nutrition is being extensively affected by the pandemic. Globally, the UN is estimating that 2 to 3 years of progress in infant mortality will be reversed by the effects of the virus on the healthcare system<sup>93</sup>. It is feared that nutrition will decline because of infrastructure failures and quarantine practices for many children relying on school meals as a primary source of caloric intake<sup>94</sup>. Evaluation of the nutritional needs of children needs to be examined in the KSA, and policy action needs to be taken to reach those who are being affected. Another concern is the composition of diets since the pandemic began. Analysis of buying habits has identified a pattern of unhealthier dietary options during the quarantine phase. There needs to be social marketing and policies to combat this shift in habits. Obesity has profound effects on a person's physical and mental health that are not necessarily easily reversible. These dietary trends could place an excess burden on the KSA's healthcare system going forward.
- **Declining Vaccination rates to impact children:** In some countries, one of the indirect effect of the pandemic and quarantine phase has been a decline in vaccination rates, particularly for children<sup>95</sup>. If

90 UNESCO: Global Education Monitoring Report "Inclusion and Education: All means all"

91 World Economic Situation and Prospects as of mid-2020

92 ILO: ILO Monitor, 2nd edition: COVID-19 and the world of work

93 Policy Brief: The Impact of COVID-19 on children

94 Policy Brief: The Impact of COVID-19 on Food Security and Nutrition

95 UNDP: COVID-19 and Human Development

not quickly remedied, we may see an increase in preventable diseases after the pandemic. In case of KSA, an assessment needs to be made regarding the effect of lockdown and other preventive measures on existing vaccination and other services. The government will need to adapt their current vaccination practices to decrease the chance of transmitting the virus and improve remote vaccination methods to avoid proximity and density issues. Children of foreign migrant workers with irregular status need to have access to required standard vaccination. Relating to vaccinations are reproductive and sexual health services, particularly for women. Virus containment efforts typically divert resources from routine health services, like pre-or post-natal care, and COVID-19 is no exception<sup>96</sup>. There needs to be an adequate adaptation to previous methods of service to make sure this population is still receiving the necessary care.

- **Focusing on Mental Health:** Finally, even though it is very important in general, but specifically for both elderly and children, it is important to make sure that mental health is part of universal health coverage, for example, by including care for mental, neurological, and substance use disorders in health care benefit packages and insurance schemes. Other ways could be through actively promoting education for psychological health among students, along with building up quality educational institutes to produce the desired number of mental health professionals. Furthermore, develop awareness programs to highlight the importance of mental health and to reduce the stigma associated with mental diseases

## B.2 How the UN can support the government directly

UNDS strongly encourages the KSA government that throughout the response to COVID-19, the guiding reference must remain the 2030 Agenda for Sustainable Development Goals and its central promise to 'leave no one behind.' That said, UNDS stands ready to support the government with the aim of strengthening community hygiene, particularly in informal urban areas and settlements. Such areas are often inhabited by vulnerable migrant populations. Provide technical support to local authority and community efforts to improve access to clean, safe water, sanitation, and waste management, and to promote good hygiene measures should be supported.

It is also time to accelerate the application of public-private partnerships, in which the private sector provides not only financing support but also professional expertise to infrastructure development to ensure delivering more and better public services. The UNDS will work with government and private sector partners to secure affordable healthy food options for children, women, and families, as well as vulnerable populations. This will encompass an array of options, including food-support, cash-support, and vouchers. The UNDS will support national authorities, civil society, and women's organizations in ensuring that basic essential services are maintained, including maternal health care, sexual reproductive health programmes, and services for survivors of GBV (Gender-Based Violence), and those new methods are rolled out as part of the response.

The following discusses some of the key suggested UNCT Capacity Brief initiatives; a detailed analysis and explanation of the various initiatives proposed by UNCT is provided in the appendix.

The UN strongly believes in providing affordable access to vulnerable segments of the populations such as temporary contractual workers while also collaborating with relevant governmental organizations in helping to assess and monitor the impact of the pandemic on vulnerable groups or specific population segments on continuous basis. The UN can leverage its global health expertise in controlling epidemics and pandemics and provide technical guidance to Ministry of Health on reinforcing control measures within health facilities particularly for pregnant women, infants and elderly. Adopting innovative technological solutions to combat COVID-19 is the need of the hour along with supporting digital services

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<sup>96</sup> ESCWA Policy Brief: The Impact of COVID-19 on the Arab Region an Opportunity to Build Back Better

for more widespread use of e-platforms as this will greatly enhance efficiencies and reduce costs in the service delivery.

## Developmental Pillar II: Protecting People

### Helping people cope with adversity through social protection and basic services

The focus of this pillar is to ensure that population everywhere continues to have access to social services and social protection. As we experienced during the Ebola outbreak, more people died from the interruption of social services than from the virus itself. Hence, it is of utmost importance to ensure that access to social services and social protection is available to everyone during the pandemic. The UNDS has extensive expertise and experience in supporting governments in developing social protection systems, including social protection floors and delivery of quality social protection services and to support such services across humanitarian and development contexts.<sup>97</sup>

Social protection in essence refers to a set of policies to help women, men and children reach or maintain an adequate standard of living and good health throughout their lives.<sup>98</sup> These include cash transfers, food assistance programs, social insurance programs, child benefit support, among others. In crises, such as the current one, the government agencies divert financial and other resources towards tackling the problem at hand. This exposes vulnerable segments of the society such as women, children, elderly, contractual workers and people living on at and around the poverty line, to malnutrition, inaccessibility to education and basic health services, sanitation woes among other things.<sup>99</sup> Hence, the sustainability and continuity of social protection and basic programs is of paramount importance.

### A. Tackling the Immediate Emergency

#### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) Lens

Social protection and basic services must be grounded in human rights, humanitarianism, refugee law, and focus on the equity of all people. All social protection and basic service policies must be assessed through an equity lens. To ensure economic response and recovery programs meet the needs of the people of the KSA, the ILO advocates a four-pillar framework which include; (i) Stimulating the economy and employment, (ii) Supporting enterprises, jobs and incomes, (iii) Protecting workers in the workplace, and (iv) Relying on social dialogue for solutions.<sup>100</sup> The two subsections below examine existing key government and UN initiatives contributing to the mediation of COVID-19 on the population at large as well as on the most vulnerable.

#### A.1 Key government initiatives on Pillar II

The following section lists the current initiatives and responses that are being implemented by the KSA government to ensure people have access to social services and social protection. Those responses are classified by sectors as follows:

**Education:** The Ministry of Education has enabled the students to learn remotely through the Simultaneous virtual school platform as an alternative to completing educational needs, and through the asynchronous "Ain" channel. A total of 20 channels were launched to cater to the increased requirements. Preparation for distance learning program is underway—a timeline issued for the reopening of schools. MOE ensured un-interrupted distribution of funds for students under the Saudi Scholar program for living allowance, medical insurance, and treatment, including for those students who had to extend their stay due to COVID-19 post completion of the program. Moreover, Ministry of Communication & IT took the initiative on distributing devices for low-income students to complete their distance education in partnership with the private sector. Under the Ministry's programs, more than 25 thousand laptops and tablets for students were provided. On the other hand, MOE contributed to the efforts of authorities in overcoming the infection by handing over of 3,445 educational buildings in support of the efforts of the

<sup>97</sup> A UN framework for the immediate socio-economic response to COVID-19, April 2020

<sup>98</sup> United Nations Economic and Social Commission for Asia and the Pacific

<sup>99</sup> A UN framework for the immediate socio-economic response to COVID-19

<sup>100</sup> [https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS\\_739047/lang-en/index.htm](https://www.ilo.org/global/topics/coronavirus/impacts-and-responses/WCMS_739047/lang-en/index.htm)

Ministry of Municipal Affairs. As the KSA restricted that no more than 20 individuals may reside in collective housing in Saudi Arabia unless health regulations are strictly adhered to, most of the school buildings were used to accommodate labour/workers from overcrowded camps/housing facilities.

**Taking Care of Children:** Child-focused entities within the government have coordinated with the Ministry of Health to provide timely and relevant information to families during the pandemic. Entities such as the Family Affairs Council and the National Family Safety Programme have held national webinars with a range of actors. The idea behind these webinars is to remind the public of existing services to provides on tips, optimal nutrition and health services, and methods of seeking assistance on a specific social issue (like domestic violence). Moreover, the government, on the occasion of Ramadan, announced the Social Observation Home under the Ministry of Human Resource and Social Development, releasing 18 juveniles, in accordance with a royal order, who had met conditions of Amnesty. Assessing the numbers of children who may be in detention and prevention of new detentions would be an area for on-going monitoring.<sup>101</sup>

**Food Programme:** Saudi food bank FEED is a non-profit food organization, the objective is to ensure home deliveries of food rations to the needy groups, especially the elderly, disabled, and low-income families who benefit or not benefit from social security. The "interactive map" service: through which the beneficiary can locate close services and can order online through available applications for delivery through the BALADI portal. Moreover, the government managed to overcome supply chain disruptions in the food chain. The Minister of Agriculture accredited this success to timely implementation of food security strategy in collaboration with the private sector. The agriculture development fund increased loans to SAR1.9 bn in 23019, which helped KSA reach self-sufficiency in various products including dates exceeding 125%, 60% in vegetables and poultry, 116% in eggs, 109 in fresh milk and 55% in fish.<sup>102</sup>

**Housing:** In order to sustain progress on increasing homeownership among citizens as per targets set in the Vision 2030 programme, the authorities have exempted first home buyers from payment of Value Added Tax (15%) on house purchases. The initiative shielded citizens from the fallout of fiscal measures introduced in the aftermath of drop in oil prices. The continuous delivery of several housing units to deserving families according to the pre-established schedule, in different cities and governorates of the Kingdom, amid complete commitment to recommended preventive measures aimed at curbing the Novel Coronavirus outbreak.

**IT, Telecom, & Logistics:** Five billion awareness messages (SMS) were sent to mobile subscribers in cooperation with telecom companies since the beginning of COVID-19. The number of Saudis working in the delivery service has increased by a massive 434% given the increased demand for delivery as the number of delivery applications registered with the authority reached up to 26. For Internet Speed, despite a significant jump in data requirement during and after the lockdown period, the availability of internet speed remained satisfactory on average.

## A.2 Key UNCT Standing Capacity Brief initiatives on Pillar II<sup>103</sup>

Some of the initiatives that the UNCT has taken and with the collaboration of the government in KSA involve providing support and technical advisory on various aspects pertaining to social protection programs and basic services. In this regard, UNCT has provided advisory services on enhancing distance learning and digital platforms and other educational delivery mechanism to ensure continuity in educational services for children out of school. Furthermore, building capacities of government stakeholders to address the psychological needs of the frontline health and social workers and beefing up protection systems for survivors of gender based violence.

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<sup>101</sup> UNICEF UNCT KSA Diagnostics paper on COVID-19 structure with guiding questions for inputs-UNHCR\_ILO AM\_UNICEF

<sup>102</sup> <https://www.mewa.gov.sa/en/MediaCenter/News/Pages/News2362020.aspx>

<sup>103</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

Given the increased demand for water during the pandemic, UNDP is working with the Ministry of Environment, Water and Agriculture on capacity development and integrated sustainable development which aims to complement the efforts for Saudi Vision 2030 on water management, sanitation and waste management.

Cash assistance programs has proved to be critical and flexible with vulnerable Persons of Concern (POC) receiving cash grants several months upfront. UNHCR in consultation with the government is providing essential and life-saving assistance and a service to POC's which include migrants from Syria, Yemen, and other countries. Given the unprecedented scale of the current crisis, UNHCR continues to adapt and sustain its existing programs, and to step up support to Governments to meet emerging challenges.

## B. Recovering Better

### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) Lens

The following section, utilizing the same equity lens from before, will identify areas of possible improvement and additional gaps that might still exist in the KSA. A theme of this section is "Recovering Better," this idea not only entails alleviating issues created by the COVID-19 pandemic but also looks at the systemic concerns that predated the most recent crisis. The first section below presents identified challenges still to be overcome in the areas of education, import food dependency, peace, inequality, and particular considerations for groups most at risk. The second subsection below describes the direct support of the UNDS to support these policies, including suggested activities from the UN Capacity Brief<sup>104</sup>.

### B.1 Gaps and policy recommendations

The government of KSA has certainly taken proactive measures to protect people and society from social as well as economic repercussions of the pandemic. However, keeping in view the 2030 UN Sustainable Developmental Goals, a few gaps that require government's immediate attention have also been identified. The UN's SDGs ranges from focusing on poverty, health, gender equality to protecting jobs and reducing inequality. Some of the gaps identified below require further study before any concrete measure can be taken. The gaps and policy recommendation will be divided into several groups as follows:

#### i. Education (SDG4, GCM Objectives 15, 16, 18)

A substantial benefit to public education is its equalizing effect—helping break the intergenerational transmission of inequality and inegalitarianism<sup>105</sup>. By disrupting school, there could be persistent effects on intergenerational inequality. Some point to the KSA's widespread access to computers and the internet to alleviate any concern on inequality. Conversely, without access to the internet, it is estimated that human development would be 2.5 times worse<sup>105</sup>, which could result in an out-of-school regression back decades. The following bullets will list relevant suggested policies to education:

**Low policy visibility (SDG4 & SDG17, GCM Objective 3):** The government needs to develop a comprehensive policy guideline on the eventual reopening of educational institutes with proper and adequate communication to all the stakeholders, including students, teachers, and parents. Furthermore, it should include the basic necessary steps that educational institutes need to take to ensure social distancing is practiced once educational institutes open.

**Lack of IT infrastructure access to students in rural areas (SDG4, SDG9, SDG10, SDG17, GCM Objectives 15, 16, 18):** An important question is if there is an adequate number of computers and internet access so that the students will have ample time to study and learn, while still meeting the needs of other household members. To combat this problem, as mentioned in the previous section, the Ministry of Communication

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<sup>104</sup> <https://unsdg.un.org/resources/United-nations-covid-19-capacity-brief-saudi-arabia>

<sup>105</sup> Sustainable Development Report 2020 – Goals and COVID-19

& IT has distributed over 25,000 laptops and tablets to low-income students. On average, bandwidth in the KSA appears to be faring well with the increased demand due to COVID-19 mitigation strategies. Still, careful evaluation of internet quality and computer access needs to be conducted to verify if homes have sufficient internet bandwidth to stream educational video while others are also using the internet and if all students have an adequate amount of computer access to complete their assignments. Students in rural and far-flung areas and with special education needs may not have the necessary access in quantity or quality to internet-enabled computers. The KSA's average family size is approximately 6, and assuming there are three to four children, a dedicated computer system for each child might not be available in low-income households. The government needs to assess the situation on the ground by conducting fieldwork thoroughly, research and surveys across the country, and especially in villages and outskirts and low population density centres to determine the magnitude of the gap. Once an overall assessment is completed, a policy framework to plug the gap can be formulated to achieve the desired result. Another concern relating to education is the gender disparity for women in the KSA. The KSA gender disparity in education has been declining; however, transitioning to remote education could worsen the divide. Experts are concerned that family and culture norms could prioritize females lower on internet-enabled computers, hence aggravating gender disparity in education.

**Need for a comprehensive education strategy (SDG4, GCM Objectives 15, 16, 18):** Teachers (more than 500,000 teachers at present, most of them in primary and secondary educational systems), students, and the administration staff of the educational institutes are generally not trained or well versed with online pedagogy. Teacher training is essential and should be a long-term strategy. The government needs to draw up a comprehensive teacher training programme, possibly in a joint effort with multilateral agencies of the UN, to chart out an extensive plan to equip teachers with digital learning tools and upgradation and creation of online educational content.

**Inadequate distance learning portals (SDG4 & SDG9, GCM Objectives 15, 16, 18):** Current online educational portal and distance learning platforms could be insufficient in terms of educational content and its scope. The government can partner with private and upcoming or promising start-ups in the field of online and distance learning education that have proven and effective technology to developing a unified, comprehensive, and modern distance learning platforms.

**Child Protection Online (SDG4 & 16, GCM Objectives 15, 16, 18):** Computer and internet access comes with its profusion of benefits, but also its concerns. With an increase in computer and internet access, children are becoming more susceptible to online predators and inappropriate content<sup>106</sup>. Judicious social marketing could be implemented to educate parents on what to look out for and what software they could employ to abate these risks.<sup>107</sup>

## ii. Import dependency on food (SDG2)

The KSA is import-dependent mainly when it comes to food, posing a significant risk of food security in times of crises like COVID-19 when international borders have been closed, and food industries are hindered globally. Food policy needs to be a long-term priority, which will help the KSA not only at times of crises but also enable them to lower their import bill related to food items. This area involves close coordination between government entities responsible for importing and maintaining storage of foods and the private sector on key issues which include, among others, the number of products, storage requirements, entity/entities responsible for maintaining storage, and the financial aspect of building storage facilities, bearing the cash outflow of first-fill and maintenance expenses. The government needs to bring in experts from different countries that have similar climate, develop programmes where existing farmers learn new techniques on modern farming that will not only help preserve water but improve yields

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<sup>106</sup> ILO Sectoral Brief -- Forest Sector

<sup>107</sup> See UNODC's briefing note on Cybercrime and COVID-19: Risks and Responses.



and grow more diverse types of crops. The KSA can benefit from positive experience of its neighbours, UAE, which is establishing vertical hydroponic farming involving controlled-environment agriculture.

### iii. Inequality (SDG10)

After the Black Death in Europe, income and wealth inequality sharply declined in cities that prioritized broad social protection and basic services<sup>105</sup>. Conversely, in cities that did not, disparities persisted for centuries. Like with previous health shocks, if these protections and services are not designed appropriately, this could lead to socio-economic tensions for years to come. The KSA should prioritize social programmes that promote the equality of all people.

### iv. Groups particularly at risk (SDG10)

Groups at particular risk of poverty (scarce data on levels of poverty) and exploitation include female heads of households, unaccompanied and separated children, and elderly persons, particularly in elderly care homes and hospitals. These groups might have existed even before the pandemic and the impact of COVID-19 is likely to have a skewed effect on these groups. Hence they require special attention by the government even more than before. This is an area which requires careful study though the government has come up with numerous programme to provide monetary and non-monetary support to vulnerable groups over the past few years, particularly women and the elderly. The following points will recommend policies to help various groups most at risk:

**Migrants, People "On the Move" & Socio-Economically Marginalized (SDG8 & SDG10, GCM Objectives 15, 16, 19, 20, 21):** People "on the move" are typically migrants in irregular situations, Temporary Contractual Workers with precarious livelihoods, or working in the informal economy, victims of trafficking in persons as well as people fleeing their homes because of persecution, war, violence, human rights violations or disaster<sup>108</sup>. It is essential those groups are receiving adequate health services if they contract COVID-19, which the KSA has graciously extended COVID-19 treatment to everyone, not just citizens, in public health facilities. Aspiration is that this will nudge the KSA to extend universal healthcare to all people in the Kingdom indefinitely. Also, such a policy would encourage migrant workers to choose KSA as a destination, especially highly-skilled migrant workers. Some scholars in economics have pointed out that few migrants would repeat traveling abroad for work<sup>107</sup>, and this policy might marginally change that; thus, decreasing the costs associated with recruitment of Temporary Contractual Workers and migration. Many migrants are in the informal economy in the KSA, which means they are frequently irregular or do not receive the same benefits as if they had formal work. It is also important to ensure that Temporary Contractual Workers have adequate and safe work and living conditions. The government might also consider providing Temporary Contractual Workers and their families access to social protection, including social security and assistance, given job losses and wage cuts in such a crisis. The KSA may review the cost associated with remittance to make sure it is in line with the cost of similar transaction in other countries (SDG 10.c target). Lastly, the KSA may look to the possibility of helping financially Temporary Contractual Workers return to their home countries in a safe and dignified manner during this pandemic.

**People in temporarily detention centres (SDG10 & SDG16, GCM objective 13):** Detainees might be facing substandard living conditions, which can lead to becoming a potential COVID-19 hotspot. The government needs to ensure that people staying in detention centres have enough room, basic COVID-19 precautions have been implemented (social distancing, face masks, sanitizers, etc. are available), proper sanitation, and food facilities are being provided. Irregular migrants detained because of their status, especially those who fear persecution in their country of origin should be considered for a review of their status and alternative measures should be considered to ensure their access to essential services, without prejudice to residence rules. This can be further researched and studied. The UN can help make a standardized framework to ensure similar standard facilities are provided to detainees as in leading

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<sup>108</sup> Policy Brief: COVID-19 and People on the Move

economies. The Kingdom should ensure that those released from immigration detention have access to adequate housing, food, and basic services during the lock-down till the time repatriation flights are arranged.

**Women are the Largest Group Disproportionately Affected by COVID-19 (SDG5 & SDG10, GCM objectives 10, 15, 16, 18, 19):** Worldwide, many countries closed schools; hence, children are home and require more attention, which is further expanding the duties of those tasked with housework, traditionally females. This is placing added stress on the families financially and emotionally, intensifying situations of domestic abuse. The UN is encouraging an expansion of identification methods, hotlines, shelters, and reporting centres. In the case of reporting centres, it would be beneficial to locate them in places like groceries and pharmacies, so that it would be easier to report instances of abuse without alerting perpetrators. Similarly, expanding online services and reporting within the KSA might be useful as well since, in some cases, victims are not permitted to leave their residents, and internet access is extremely high in the KSA. In addition, the pandemic creates an opportunity to invest in women and increase their contribution to the society. Disparities that might be needed to be addressed are education, protection, employment, political, and public participation.

**Child & Elderly Care (SDG10, GCM Objectives 15, 16):** One area that would alleviate some pressures on the household financially and psychologically is the expansion of child and elderly care. Since students are back to school but using virtual learning instead of in-person classes, parents have to provide additional childcare and have a more involved role in their education both of which are extremely taxing on parents. If the KSA expands these services in the form of public childcare or voucher system, the burden currently placed on families would be drastically lessened, leading to less mental health issues. A policy like this needs to be expedited for those working on the frontline so that they can sustainably attend to the pandemic. An expansion of childcare services could also incorporate policy for elderly care as well. A policy financing elderly care could improve the monitoring and care of the elderly. And improve morbidity and quality of life for the elderly overall.

## B.2 How the UN can support the Government directly

The UNDS will continue advocacy work for the authorities to consider that refugees and Temporary Contractual Workers to be progressively integrated into the existing local and national health structures and to remove any barriers based on migration status identified, which create inequality between host populations and refugees and migrants, for effective COVID-19 response efforts. UNDS is ready to provide technical and legal support to the authorities to better manage Temporary Contractual Workers fear return to their country of origin. Moreover, the UNDS will also reach out to CSOs (Civil Society Organizations) and the private sector for increased engagement in the recovery efforts both in terms of stopping the spread of the virus as well as supporting the socio-economic well-being of the most vulnerable. UNDS is looking to provide support to the Saudi government to assess possible impacts of COVID-19 on food security & strategic storage and propose possible actions to mitigate these impact. UNDS will advocate for refugees and migrants' health not to be separated from the health of the general population and to be included in the COVID-19 programs, national health systems, policies, and planning to ensure essential services. Epidemiological information should be collected and used to conduct risk assessments and guide preparedness and response measures in COVID-19 outbreaks in refugee and migrant settings.

The following discusses some of the key suggested UNCT Capacity Brief initiatives on Pillar II<sup>109</sup>; a detailed analysis and explanation of the various initiatives proposed by UNCT is provided in the appendix.

While reforms of the social protection system in the Kingdom are ongoing, UN's ILO (International Labour Organization) can provide technical advisory services to ensure increased inclusion and devise a

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<sup>109</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

comprehensive social protection program that leaves no one behind (LNOB lens). Furthermore, relevant UN agencies has the capacity to provide support in terms of collecting data on social protection allowing to measure poverty and identify the vulnerable groups and analysis about the impact of the current pandemic on vulnerable groups that can be shared, discussed with the government agencies to implement tailor-based solutions.

Recognizing the critical role played by Temporary Contractual Workers for the Saudi economy, in collaboration with WHO, IOM can support the government to facilitate access to emergency health care for workers in an irregular status, including identifying temporary legal solutions for access to medical care.

One of the major effects of COVID-19 has been a sharp increase in digital services. Hence introduction of new and, upgrading of existing e-platforms will be critical in ensuring seamless service deliveries. In this regard, Ministry of Communication is seeking UNDP support on e-Government which could be broadened to encourage more widespread use of e-platforms. The timeframe for the project would be within 12 – 18 months.

Ensuring food security is aligned with one of Vision 2030 National Transformation Program goals, which is to ensure the sustainability of vital resources through ensuring self-sustainability, development, and food security. UNDP will work with FAO to better understand the issues and to see if support is needed. In addition, UNDP could help in upscaling or building more labs to test masks and gels across regions using the project's experiences and personnel.

UN has the capacity, for example through the UNODC, to provide technical assistance in relation to strengthening criminal justice responses to violence against women and girls (GBVAWG), during and in the aftermath of the Covid-19 pandemic, taking into consideration the fact that the risk and consequences of GBVAWG may be exacerbated by lockdown policies, disruption of economic, social and protective networks, sudden changes in family functioning, stress, increased substance use and decreased access to services. Furthermore, UN can also facilitate and advance gender response dialogue and women's leadership in relevant dialogues between policy makers, private business and economic and social actors, civil society organizations, and international institutions on socio-economic options and choices from a gender perspective.

While Saudi Arabia has developed a well- functional waste management system, UNEP is ready to provide technical support for further improvement of the waste management system, which is resilient to pandemics. Additionally, the UN can undertake a study on Human Settlements Resilience and Water which can provide a thorough analysis and assessment of the water situation in urban cities, approaches, best practices and challenges to water resources management and planning in urban design. This will help in building more resilient water systems in case of crisis (such as pandemics and extreme weather events due to climate change) but also to respond to challenges with regard to the expansion of urban areas and establishment of new human settlement areas.

## Developmental Pillar III: Economic Recovery

### Economic response and recovery: Protecting jobs, small and medium sized enterprises and vulnerable workers in the informal economy

The global pandemic has brought economies to a standstill creating an economic crises of unprecedented magnitude and recovering from it is an uphill task for even the most stable global economies. Contracting global economies have resulted in massive job losses, threatening SDG progress significantly. The economic and social impact of COVID-19 is skewed towards the most vulnerable people and businesses in the society, including small and medium-sized enterprises, self-employed, farmers and daily wage earners. These are mostly associated with the informal sector and continue to be hit the hardest as they have limited access to social protection nor do they have the economic security to cope with lockdowns or in case treatment is needed for COVID-19. Moreover, due to pre-existing gender-based inequalities, women are at a particularly heightened risk of joblessness and inactivity. The policy responses should entail protecting jobs, workers, productive assets and networks during the crises.

Economic response and recovery programs must be grounded in human rights, humanitarianism, refugee law, and focused on the equity of all people. All economic response and recovery programs must be assessed through an equity lens. The primary focus of this section is on those who are being disproportionately affected by the virus. The UN's 2030 Agenda for Sustainable Development and its central promise is to 'leave no one behind' has identified many most affected groups, discussed further below.

The first section is examining what the measures tackling the immediate emergency are, and the second section examines policy recommendations.

#### A. Tackling the Immediate Emergency

##### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens

The Saudi economy is facing a dual shock from the COVID-19 pandemic and the collapse in oil prices. While the two crises are distinct, they remain intertwined. Containment measures have disrupted economic activity in Saudi Arabia, leading to an overall shrinking of production and changes in demand and supply patterns. The labour market consequences of these crises are significant but differ from sector to sector: while some workers can effectively continue to work through work-from-home-modalities, other workers, particularly in hospitality, service, construction, retail, and transports are severely hit. Businesses are striving to avoid bankruptcies, risking further impact on workers' incomes and livelihoods. Wage cuts (up to 50% in some cases) among Temporary Contractual Workers were reported.

To ensure economic response and recovery programs meet the needs of the people of the KSA, the UN advocates for three steps: first, active fiscal and monetary policies to stimulate the economy and employment overall; second, providing immediate financial support for SMEs, self-employed, and other informally employed, at a much greater scale; third and lastly, protecting vulnerable workers.

The two subsections below examine existing key government and UN initiatives and economic responses to ease the effect of COVID-19 on the businesses as well as on the most vulnerable.

#### A.1 Key government initiatives on Pillar III

To mitigate the impact of COVID-19 on workers and businesses, the Saudi government has been instituting several measures over the past few months to support the private sector's continuity and employment retention<sup>110</sup>. These include, amongst others:

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<sup>110</sup> A more comprehensive list of economic and labour market related measure could be found at the ILO COVID-19 portal focused on country policy responses: <https://www.ilo.org/global/topics/coronavirus/country-responses/lang--en/index.htm>

**Supporting SMEs and protecting jobs:** SAMA's monetary policy and financial support to the private sector and SMEs in particular is obvious. Other measures include the decision (No. 142906) of the Ministry of Human Resources and Social Development (MHRSD) issued on April 6<sup>th</sup>, 2020, and aimed at regulating the contractual relationship between employees and employers, whereby employers are authorized to agree with their employees to reduce their wages in proportion to the number of working hours; grant them paid annual leave from their accumulated yearly unused leave days; or grant them an exceptional leave. This is in addition to the Royal Order that was issued on April 3<sup>rd</sup>, 2020, approving exceptions to the Unemployment Insurance Law, and whereby employers can apply to the General Organization for Social Insurance (GOSI) to request it to support up to 60% of its Saudi national employees' wage for three months.

The Human Resource Development Fund (HRDF) has also provided a SAR5.3bn financial support, centered around four basic pillars: supporting employment with some SAR2bn; supporting training with SAR800mn; supporting 100,000 new job-seekers with SAR1.5bn; and subsidizing wages of Saudis employed in the private sector since July 1<sup>st</sup>, 2019, through a SAR1bn' Employment Support'.

**Providing relief to the private sector:** Extensions and regulatory flexibility offered by the General Authority of Tax and Zakat to relieve the private sector, including through postponements related to VAT and selective goods tax for three months, as well as the delay of Zakat reports submissions and respective payments. The Saudi government continues its pre-COVID-19 efforts to support and empower the private sector, given the critical role that this sector plays in boosting economic growth and ensuring a successful shift towards a healthy and diversified economy.

The above mentioned measures largely contribute to SDG8 & SDG9 on "Promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all" through supporting employment retention and wages of workers as well as business continuity. These also contribute to SDG1 on "Ending poverty in all its forms everywhere," the latter being partly achieved through income support, protection of individuals, and ensuring access of the disadvantaged to financial services and other resources, amongst others. Moreover, given the focus of these policies on disadvantaged groups of workers and businesses, who mostly operate in crisis-affected sectors and are thus at greater risk, the government seems to be also exerting efforts to reduce inequalities as per SDG10 on "reduced inequalities."

In spite of a large number of initiatives and response measures introduced by the government to support employee retention and occupational safety and health, a large number of vulnerable groups remain left behind, including migrants in particular. While the Kingdom has taken measures to ensure free access to coronavirus treatment for all individuals residing in the Kingdom, irrespective of their nationality or legal status, not all other socio-economic response measures are also inclusive of these less advantaged groups.

## **A.2 Key UNCT Standing Capacity Brief initiatives on Pillar III**

Several key initiatives are being implemented by UNCT with the help of government in KSA to help tackle the economic impact of pandemic on general population. This includes promoting tripartite social dialogue in the KSA involving the government, employers, and worker's organizations on core issues. In order to support the foreign temporary contractual workers, the UN is providing analytical brief on the measures taken by the government of Saudi Arabia. Moreover, the UN is ensuring continuity of support and care services for victims of trafficking in persons in the context of the COVID-19 pandemic. Health agencies are being provided with projections and impact analysis of the crises helping them in decision-making to better combat COVID-19. Furthermore, the international organizations such as the UN are also guiding KSA's COVID-19 response through the G20 meetings. In addition to this, the UN is conducting

study on labour inspectorates' preparedness and responses to COVID-19 in the Arab region and also studying the socio-economic impact on Temporary Contractual Workers and host communities.

## **B. Recovering Better:**

### **Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens**

In spite of the initiatives and economic responses by the government and the UNCT to protect jobs, small and medium-sized businesses and vulnerable workers in the informal economy, some areas for improvement and gaps are needed to be considered for similar situation in the future. Hence, the following discussion will be divided into two subsections. The first subsection presents the identified gaps and policy recommendations that still exist after considering all the government initiatives while the second subsection describes the direct support of the UNDS to these policies, including suggested activities from the UN Capacity Brief.

### **B.1 Gaps and policy recommendations**

Due to the finite amount of money that can be allocated to alleviating the socio-economic harms of SMEs and their workers, and the uneven sectorial damage, it is ideal for the KSA to target sectors with a proportional amount of policy and financial assistance in regards to how severely they were affected by COVID-19. For better results, such SME stimulus packages should pay particular attention to workers' incomes and employment needs. Furthermore, and as mentioned earlier in this report, daily workers and migrant workers are amongst the most affected groups and need to be targeted by the government policies and measures. Based on the above analysis of currently implemented policies and programs as well as the potential impact of the dual crisis faced by the Kingdom, below are several policy recommendations that could help the government reach out to all those in need and mitigate the impact of the crises. In particular, more efforts could improve conditions in the areas of labour market and regulation, SMEs, and for groups particularly at risk is further discussed below.

#### **i. Labour market, Decent Work and Regulation (SDG8, GCM Objectives 18, 19, 20)**

**Supporting Saudis workers (SDG8, SDG10, GCM objective 16, 19):** Government has rolled out effective programs for Saudis, including SANED, whereby the government covered 60% of salaries for Saudis in the private sector. For Saudi workers, SANED is a useful initiative that allows the private sector to cut costs to deal with the slowdown in the economy and, at the same time, shield Saudis from salary cuts. The initiative should not be abruptly ended and should be gradually phased out. The government should ensure the scheme lasts for sectors most affected by the pandemic.

**Need for minimum wages (SDG8, SDG10, GCM objectives 19):** The absence of minimum wages can lead to exploitation of the most vulnerable workers in the society, especially at times when jobs are scarce. The government should rethink its wage policy and introduce a universal minimum wage that applies to all individuals working in the Kingdom. The level of the minimum wage should be based on detailed assessment of the situation in the country, taking into account the needs of workers and their families, the cost of living and other economic and social factors.

**Employment conditions of Temporary Contractual Workers, need for fair and impartial due legal process to manage foreign migrant worker's complaints against their sponsors and availability of data on irregular migrants (SDG8, GCM Objectives 5, 11, 21):** Due to COVID-19, a large number of Temporary Contractual Workers will lose their jobs and will be left with no option but to go back to their home countries, in case alternative legal employment opportunities are not secured. Improving the working conditions of Temporary Contractual Workers, through reviewing a number of policies such as hiring processes and conditions attached with the employment, labour mobility and foreign recruitment policies may provide much-needed flexibility to migrants in finding alternative employment opportunities. Over and above, it remains to re-iterate that levelling the playing field through the recovery process is important for the Saudi economy as well as Saudi and non-Saudi workers.

KSA has taken a step in the right direction when it comes to labour dispute settlement with the introduction of labour courts effective from January 2018 under the jurisdiction of the Ministry of Justice. The new mechanism requires labour disputes to be settled within twenty-one days in labour offices across the Kingdom. If no settlement can be reached then the cases will be submitted electronically by labour office to labour courts. The labour courts are aiming to settle these disputes within 30 days of the claim being received so that the Temporary Contractual Workers have to spend less time without a job in the Kingdom. Under old labour laws, labour dispute could continue for 12-18 months before being settled. Having said that, effective monitoring and strict enforcement of the aforementioned mechanism is essential to deliver justice promptly. Saudi National Committee of Workers Committee (SNCWC) should be relaxed once the situation improves, and all possible means should be adopted to facilitate and ease the integration of migrant workers back into the Saudi, play an active role in ensuring implementation of labour policy and expediting the labour cases.

Finally, it is a fact that there is a large number of irregular migrants residing and working in the Kingdom, and there is an overall lack of availability of data and information on these workers. Initiatives need to be implemented to collect and analyze data on irregular workers in the KSA particularly with regards to their needs and challenges they face to provide a targeted and inclusive response.

**Lack of effective policies for swift action against sponsors (SDG8, GCM Objectives 6, 7, 10, 12, 14, 15):**

Complaints against sponsor takes a long time to be processed and takes several months, if not years, to reach a solution. Policies should be defined whereby swift justice is provided to expats complaining against their sponsor. The government should set a maximum timeline for the hearing of a case and its decision. A three-month timeline can be suggested as labourers cannot survive without a salary for more than the mentioned period.

**Private Sector contribution to recovery response (SDG8, GCM Objective 23):** The labour-intensive sectors of the KSA economy are hard hit due to the dual impact of lock-down and deterioration in growth backdrop, leading to job losses and redundancies in both Small & Medium Enterprise (SME) and large companies. Continuous support to affected private sector enterprises to prevent supply shocks from turning into labour demand shocks is crucial to avoid further risk to recovery and growth. The government is already providing support to private sector establishment and SMEs in particular but this should be expanded to cover all affected sectors and regions. A proportion of this support should also be earmarked to help SMEs and others continue to support Temporary Contractual Workers and pay their wages. The private sector also needs to step forward and ensure timely and complete discharge of monetary and other obligations set out in the contractual agreement between the employer and employees, particularly for those Temporary Contractual Workers who are facing redundancy. Secondly, to the extent possible, the government needs to design policy measures which facilitates the private sector to come forward and facilitate the migrant worker who has lost the source of earnings to stay in labour housing and camp till the time Temporary Contractual Workers are repatriated to their home country or find another job in case of transferable visa.

**ii. SMEs (SDG8 & SDG9)**

**Supporting SMEs (SDG8, SDG9):** The UNDS advises fiscal and monetary policies to stimulate the economy and employment overall<sup>111</sup>. Also, immediate financial support to SMEs, self-employed, and other informally employed. Some possible tools are grants, loans, tax relief, and an extension of debt moratoria relating to utilities, rent, interest waivers, and bridge loans. Furthermore, other policies include employee retention schemes, cash transfers, in-kind transfers, to name a few. Policy review on the following matter can be conducted enabling to come up with better support responses. A plan should be implemented to encourage micro-enterprises and women-owned and operated SMEs. Micro-enterprises are

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111 A UN framework for the immediate socio-economic response to COVID-19

sometimes the most harmed category of businesses and are frequently overlooked because of their size and sheer number.

**SMEs & digitization (SDG8, SDG9, & SDG10):** Firms that have online retail platforms, digital communication, and streaming services have weathered the pandemic better than their counterparts<sup>112</sup>. These trends will likely persist beyond the pandemic. So ample policy needs to help and incentivize SMEs transition to utilizing technology best. However, this transition to online has had unequal effects across the income distribution. Workers who make higher wages are more likely able to work from home with little impact on their earnings or capacities<sup>113</sup>. Conversely, workers on the lower distribution of wages are more likely to be considered an essential worker, thus increasing the chance of them getting the virus. The concern teleworking and its correlation to wages need to be addressed going forward. Social distancing and isolation, in general, are far more difficult for low-income earners working in occupation that require their physical presence. For example, even after the quarantine phase was implemented in the United States, there was little change to low-income earners' movement and travel patterns due to the nature of their work<sup>113</sup>. Careful policy action needs to be considered to remedy the unequal effects of digitization across all job classes.

### iii. Structural transformation in response to COVID-19 (SDG9)

**The green economy (SDG8, SDG9):** The KSA will have to undertake a painful transition to greener technology in the near future to fulfill its Vision 2030 goals. This transition could be expedited by not targeting the natural resource industry to where it was, but by reallocating assets and helping workers transition to greener sectors. The KSA may target SMEs that are promoting the advancement and transformation of greener technologies. A possible strategy is by implementing technical and vocational education and training in these sectors with a focus on greener and more forward-looking industries.

**Logistics Networks (SDG8, SDG9):** A component of all SMEs is a robust and reliable international postal supply chain. Since the pandemic, the global postal supply chain has observed significant disruption. Globally, a one in two international mail item has been stranded, and customs clearance times have increased by a factor of 32<sup>114</sup>. The KSA must ensure the postal supply chain is functioning correctly. Another related sector to the postal supply chain is road transport. In many countries' drivers are typically self-employed and such fall outside the scope of many employment protection programs<sup>115</sup>. There have been global labour shortages in this sector, which is having pervasive supply chain effects. Transport workers have an unusual workplace; they tend to spend a substantial amount of their time in a truck cabin. Thus, rest and welfare facilities are crucial to these workers. The closure of commercial vehicle rest areas facilities, like restaurants and repair shops, are negatively affecting the well-being of these workers. Careful attention should be given to this sector and its workers to avoid catastrophic supply chain disruptions.

**Food & Grocery Industry (SDG8, SDG9):** The food sector has had to undertake a dramatic transformation, as well. They are overhauling their food and grocery delivery platforms and procedures. Notably, in the grocery industry, there has been a spike in demand for essential goods due to an irrational fear of shortage<sup>116</sup>. However, this excess demand for essential products has induced shortages. Many companies have had to implement restrictions on the number of essential goods a person can purchase. These food and grocery workers are a new category of frontline workers<sup>116</sup>, they are being exposed more frequently to the virus, and these workers are usually less financially affluent to weather disruption in income. So careful monitoring of these workers needs to be undertaken to ensure their adequate care.

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112 SG letter to the Presidency of the G20 (23 Mar 2020)

113 Sustainable Development Report 2020 – Goals and COVID-19

114 CCSA: How COVID-19 is changing the world: a statistical perspective

115 ILO Sectoral Brief -- Road Transport

116 ILO Sectoral Brief -- Food Retail



To minimize the risk to these new frontline workers, the KSA should encourage and incentivize the expansion of food and grocery delivery if not already implemented.

**Agriculture Industry (SDG3, SDG9, SDG12, & SDG13):** A sector relating to the previous section is the food system. The Arab region is heavily dependent on food imports, particularly grains, making the KSA potentially very susceptible to food shortages. One focus of empowering SMEs and strengthening the Kingdom's food system is by encouraging and incentivizing domestic food production. Additionally, to prevent future pandemics, there needs to be a regular assessment and reform in the Kingdom's food system. Many zoonotic diseases and coronavirus come from domesticated animals. Commercial livestock practices are increasing the risks of infection, such as decreasing biodiversity or raising livestock in significant quantities; thus, minimizing the dilution effect. There is research suggesting that it is optimal to have smaller diversified farming operations to leverage the dilution effect in animals. It is optimal to decrease the exposure people have to livestock to minimize the chance of disease spreading<sup>117</sup>. The KSA should implement policies to encourage smaller diversified farms and reduce interactions with livestock. A holistic approach to the food chain should be made a priority to ensure future vibrancy and health of the KSA's population.

#### **iv. Groups particularly at risk (SDG10, GCM Objectives 15, 16, 19)**

**Young Adults and Underemployment (SDG8, SDG9, GCM Objectives 15, 16, 19):** A frequent perturbation is the matching of young people to their educational or training and jobs. Since the pandemic young people are failing to find work or a job that compliments their background, a trend like this could have harmful effects on those young workers who become content in their mismatched job and the overall economy. Policy action should be taken to combat this trend and discourage mismatch.

**Non-Saudi workers (SDG8, SDG10, GCM Objectives 15, 16, 19, 22):** Government has rolled out effective programs for Saudis, but non-Saudis are not protected in the same way. Under the LNOB lens, Temporary Contractual Workers employed in the private sector should also be protected and included in the government SANED programme. Furthermore, extending employment and unemployment benefits to migrants, including those irregularly residing in the country, should be considered to reduce vulnerability and poverty. Non-Saudi workers should also be covered by the social protection system in the Kingdom. Building a social protection floor that leaves no one behind is key to provide minimum level of protection and support to all, including migrants and other vulnerable groups.

**Absence of mandatory medical insurance for domestic workers (SDG3, SDG8, Objectives 15, 16, 19):** Currently, domestic workers working in resident houses are not provided medical insurance. However, Saudi family can take them to the government hospital since they are treated as members of the family. The government should make medical insurance compulsory for domestic workers.

**Protecting Irregular Migrants (SDG8, SDG11, Objectives 15, 16, 19):** A large numbers of irregular workers residing in the Kingdom are likely to be hardly hit by the crisis, as most of the policies target registered workers and businesses. As such, unregistered, unprotected, and informal workers become increasingly vulnerable to poverty, unemployment, and abuse. A proper system should be developed to protect irregular migrants and facilitate their access to the Saudi labour market and other basic services. Programs should be developed whereby the overall process is eased to allow for the integration of irregular migrants to the formal economy without the fear of backlash to reduce the number of irregular and informal workers. The government can ensure costs are reduced for Iqama fees, insurance, penalties waived off, and jail time reduced, helping irregular migrants to become part of the formal economy and ensure that all workers, including Temporary Contractual Workers and employers are fully aware of their rights and responsibilities during the COVID-19 crisis, have access to justice mechanisms, basic services

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<sup>117</sup> PREVENTING THE NEXT PANDEMIC Zoonotic diseases and how to break the chain of transmission

and are able to return home in a safe and dignified manner. Clear instructions, preferably in multiple languages, should be made available to all, with easily accessible complaint mechanisms in place.

**Protection for women (SDG5, Objectives 15, 16, 19):** Saudi women are primarily employed in retail, health, and education sectors, and are thus either on the front line of the fight against COVID-19, facing a double burden of long shifts at work and additional care work at home; or have lost their jobs either temporarily or permanently. Support measures need to be devised to take into account the needs of those women, especially with the closure of daycares centres, schools, and other institutions operating in the care economy.

## B.2 How the UN can support the government directly

The UNDS will continue to support and encourage the Saudi government to conduct additional targeted rapid assessments to examine the impact of the COVID-19 crisis on its labour market. This would enable the design of evidence-based and well-targeted policies and programmes, more effective in addressing the repercussions of the crisis. The design of adaptive and more comprehensive labour market and employment-related policies would also require strengthening capacities of policymakers and staff of the Labour Policies Agency at the MHRSD. Such capacity building should be seen as a continuous process to ensure skills are upgraded and relevant to the changing needs of the labour market.

The UNDS stands by the government to support its efforts of moving towards a more diversified economy that relies more on high-productivity and high wage sectors, including increasing investment in the IT infrastructure and increase accessibility in all regions of the Kingdom. Further reforms on economic diversification should be considered to help the Kingdom become more resilient for possible future similar shocks. A particular area of improvement already noted above is to improve the working conditions of Temporary Contractual Workers through reviewing several policies such as labour mobility, and foreign recruitment policies. There is a need to accelerate some of the labour policy reforms, particularly those related to relaxing restrictions on labour mobility, to allow for quicker labour market adjustments and enhance workers' access to employment opportunities, including also investing in the care economy to help women remain in the workforce, even in times of crisis.

Some of the key suggested UNCT Capacity Brief initiatives<sup>118</sup> are mentioned below; a detailed analysis and explanation of the various initiatives proposed by UNCT is provided in the appendix. It is also looking to advise on Social Protection Systems, Technical Advisory Services and Enterprise-level survey implementation. Moreover, social responsibility campaigns can be organized with the help of UN to create further awareness and to reach out to the marginalized population. Additionally, the UN can support in capacity building for improved and adaptive labour market-related policy development, assessment of labour accommodation and monitoring application of standard operating procedures during the pandemic. In health services, the UN may provide provision of medical care and accommodation to immigration detainees and ensure access to emergency health care for temporary contractual workers.

The UN, using its global network, can impart crisis management enhancement training, suggest innovative technological solutions to combat the COVID-19 spread and offer digital services support for more widespread use of e-platforms. Furthermore, it can also help in developing information, education, and communication (IEC) material to promote community cohesion. Also, assistance can be provided to the Kingdom to rebuild the next generation of social, ecological, and productive infrastructure. Lastly, UN is likely to assist KSA in regard to policy advice on easing COVID-19 restrictions in a phase-wise manner.

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<sup>118</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

## Developmental Pillar IV: Macroeconomic Response

### Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses

The COVID-19 pandemic and associated precautionary measures have set the stage for a synchronous shock in both demand and supply. The resulting damage to economic activity due to COVID-19 can be compared only with the Great Depression of 1929. The crisis of this magnitude entails both near-term and long-term implication for vulnerable groups and overall economic growth. A UN document on COVID-19, A UN Framework for the immediate socio-economic response to COVID-19, has suggested an unprecedented measure for the unprecedented crisis, advocating massive counter cyclical fiscal and financial efforts. The UN Secretary General has called for comprehensive multilateral response, amounting to the equivalent of 10% of global GDP<sup>119</sup>. This pillar attempts to assess economic response of a nation to COVID-19 crisis from point of view of three important considerations<sup>120</sup>, (i) assessment of economic damage (some sectors of economy stand to be impacted more, particularly in sector where human interface is involved), (ii) the optimal fiscal space and monetary stance which balances the near-term need for the monetary & fiscal stimulus, minimize the impact on economic activity and overall labour market with important consideration of near-term revenue generation and long-term policy considerations, and (iii) assessment of priority areas and existing policies.

When it comes to KSA, key additional considerations of dollar-pegging and limited room for interest rate maneuvering for the central bank have assumed added importance given current crisis acts as a doubled-edged sword for the Kingdom as the KSA has to deal with low oil revenues besides general slow-down in domestic and global demand. The Saudi Arabian Monetary Authority (SAMA) has to keep a watchful eye on commodity prices since the KSA is heavily dependent on oil. If prices remain low, it will affect the countries' fiscal revenue, which could worsen trade positions and put pressure on the SAR. Moreover, SAMA will need to keep an open dialogue with other major central banks to continue coordination efforts. The KSA's TASI index saw a similar decline in March of this year compared to the United States S&P 500 index. Both the TASI and S&P 500 rebounded and appeared to be stable, but TASI remains under its January high.

### A. Tackling the Immediate Emergency:

#### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens

Since the COVID-19 outbreak, and to limit its spread, the KSA implemented several measures to control social interaction and gatherings. These measures include: staying at home curfews; domestic and international travel bans; closing down schools, universities, shopping malls, and mosques; suspending going to workplaces for public and private employees; and increasing testing (in late April, authorities signed a deal with China to import 9 million tests to expand testing). The government also suspended tourist visas and put a freeze on all religious tourism – Umrah and Hajj pilgrims. Authorities also placed strict foreign worker's accommodation guidelines to control the outbreak and facilitate the return of Temporary Contractual Workers to their home countries by initiating an online platform (Awdah or Return) specifically for that purpose. Since late April, authorities had been relaxing curfews in all regions and malls, and shopping stores have been allowed to reopen gradually.

The two subsections below examine existing key government and UN initiatives taken to ease the effect of the COVID-19 on people, businesses and the most vulnerable<sup>121</sup>.

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119 A UN Framework for the immediate socio-economic response to COVID-19 (April 2020)

120 A UN Framework for the immediate socio-economic response to COVID-19 (April 2020)

121 Saudi Arabia's Ministry of Finance and Saudi Arabia Monetary Authority (SAMA)

## A.1 Key government initiatives on Pillar IV

The following section lists the current initiatives and policies being implemented by the government of KSA;

**Fiscal Measures:** Key consideration for fiscal policy post COVID-19 pandemic broadly covers four important areas, (i) the well-being of citizens and residents remains supreme for the authorities and when it comes to COVID-19, authorities have been quick to make immediate and adequate allocation to meet the needs of health ministry, (ii) fiscal prudence and re-prioritizing capital expenditure, (iii) dealing with the double whammy of low economic activity and lower revenue collection via a set of targeted fiscal measures, and (iv) reviewing the subsidy program. Altogether, the KSA authorities have launched a USD61bn fiscal package to minimize the impact of COVID-19 on businesses and consumers and ensure stability in the labour market and early recovery in economic growth. The table below compares support packages unveiled by major economics wherein the KSA fare favorably. Key fiscal measures relating to the four major areas mentioned above include;

- On March 20<sup>th</sup>, 2020, the Saudi government launched a financial stimulus package for the private sector, reaching more than SAR70bn, and consisting mainly of exemptions and postponement of some government's tax payments, fees, and other dues. The aim is to provide liquidity to private sector businesses and enable them to manage the continuity of their economic activities.
- As of April 2020, the volume of support for the health sector reached SAR47bn. The authorities have announced spending cuts in non-priority areas amounting to SAR50bn to accommodate the urgent spending initiatives within the budget envelope.
- On April 3<sup>rd</sup>, the government authorized the use of the unemployment insurance fund (SANED) to provide support for wage benefits, within certain limits, to private sector companies retaining Saudi staff (SAR9bn). Also, eased restrictions on foreign worker's mobility and their contractual arrangements.
- On April 15<sup>th</sup>, additional measures to mitigate the impact on the private sector were announced, including temporary electricity subsidies to commercial, industrial, and agricultural sectors (SAR0.9bn).
- On May 11<sup>th</sup>, authorities announced raising VAT from 5% to 15% effective July 1<sup>st</sup> and suspending cost of living allowance as of June 1<sup>st</sup>. The government also approved the cancelation and postponement of numerous spending initiatives, including some related to Vision 2030. To improve spending efficiency, a ministerial committee has been formed to study all financial benefits paid to public sector employees and contractors, to submit recommendations within 30 days.

Table 3-1

**Record Fiscal stimulus by G20 countries to limit the economic shock of the pandemic**

Countries	Fiscal Aid (USDbn)	As % of GDP
Argentina	21	4.8
Australia	139	10.1
Brazil	159	8.6
Canada	164	9.5
China	881	6.2
Germany	958	24.8
France	272	10.0
India	154	5.2
Indonesia	54	4.9
Italy	290	14.6
Japan	938	18.2
Mexico	13	1.0
Russian Federation	40	2.5
*Saudi Arabia	61	7.9
South Korea	146	9.0
Turkey	32	4.3
United Kingdom	384	14.0
United States	2,907	13.6
South Africa	25	6.9

Source: Centre for Strategic &amp; International Studies, PSU

**Monetary Measures:** In March 2020, the Saudi Arabian Monetary Authority (SAMA) reduced its policy rates twice, lowering the Repo rate by 75 basis points from 1.75% to 1.00 % and the Reverse Repo rate by 75 basis points from 1.25% to 0.50%. The reduction in repo rates is for preserving monetary stability, given evolving global developments. The governor of SAMA had also expressed the central bank's readiness to intervene should the Kingdom's liquidity situation become too tight or credit becomes effected. Besides rate cut, SAMA also introduced the Private Sector Financing Support Programme in March 2020. With a total value of SAR50bn, the programme aims at supporting SMEs, specifically by reducing the burden of cash flow fluctuations, supporting working capital, enabling the sector to grow and contributing to supporting economic growth, and maintaining employment.

**Measures for Financial Sectors:** Besides the above monetary measures, SAMA also came up with a slew of measures to ensure economic stability at a time of un-precedent economic and health crisis. Technology remained the center of SAMA's response to COVID-19 in order to provide convenience to public, ensure smooth financial operations and minimize disruption in economic activity.

**Stability of financial sector & labour market:** A key risk of COVID-19 and low oil price stems from credit worthiness of both Small and big companies and its associated impact on labour market and overall economic stability. To avoid this risk, SAMA instructed the banks and financing parties to restructure current financing contracts with the companies to improve liquidity and avert bankruptcy. Similarly, SAMA announced details of a separate programme for loan guarantees for micro, small and medium enterprises to increase the creditworthiness of small enterprises and to reduce the cost of financing. In a related measure, SAMA deposited SAR30bn in bank and financing companies in the current account for six months as part of the compensation for deferment in interest/principal collection of loans extended to small and medium enterprises. The zero-cost deposit has allowed financial institutions to earn returns

by investing in the government and private sector instruments. Similarly, SAR13.2bn was deposited with banks for soft financing for the SME sector.

**Operational Continuity:** SAMA instructed the banks to ensure the availability of the necessary operational support to ensure the continuity of payment systems and financial inclusion by making all channels available to customers.

**Convenience for public:** SAMA raised the transfer limit for digital wallets to SAR20,000 from SAR10,000 to facilitate the online transaction. Review and re-evaluate interest rates and other fees on credit cards, in line with the current low-interest rates, and rationally recalculate the interest rate.

**Key measures in insurance sector:** SAMA obligated companies operating in the insurance sector to provide all electronic channels to serve customers' needs from issuing and renewing insurance documents, receiving and settling claims electronically, and receiving various requests and inquiries from customers. SAMA instructed insurance companies to extend the coverage period for vehicle insurance by three months without additional cost to compensate for the lock-down period and ensure fair treatment.

## A.2 Key UNCT Standing Capacity Brief initiatives on Pillar IV<sup>122</sup>

The local authorities and the UNCT have closely coordinated on a number of areas deemed important for lessening the impact of COVID-19 on overall economic well-being of masses, with a particular focus on groups at risk. The UNCT coordinated with the authorities on G20 response to COVID-19 pandemic and the monetary support from the G20 platform. The UNCT provided technical support to the authorities on measures undertaken by the government for foreign temporary contractual workers and youth employability. In an important area of energy, UNDP has extended technical support for the review of energy models.

## B. Recovering Better

### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens

The pandemic may have permanent changes in the people's lifestyles; thus, resulting in potentially permanent shifts in demand for certain goods and services. The KSA may see a shift in the demand for restaurant meals, sporting events, movie theatres, live entertainment, and tourism<sup>123</sup>. While existing and new online services will likely expand. Careful balance may need to be taken when trying to encourage the resurgence of the negatively affected industries and if demand will ever fully return.

The increased spending needs are first to target areas such as healthcare and social protection to achieve the dual goal of combating the pandemic and helping the economy return to its pre-pandemic levels, all of this without losing sight of helping the most vulnerable populations in the KSA. Another area of spending should be expanding e-learning capacities for underprivileged communities and school systems. This could entail infrastructure spending on broadband capacity across the country. The area of school facility improvements could be another area of stimulus spending with substantial long-term impacts.

The first subsection below discusses the areas that needed to be improved (gaps) in spite of all the measures implemented by the government concerning the fiscal and monetary policy, diversification of the economy, SMEs and the private sector, and particular considerations for groups most at risk. The second subsection describes the UNDS support to these policies, including suggested activities from the UN Capacity Brief.

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<sup>122</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

<sup>123</sup> SG letter to the Presidency of the G20 (23 Mar 2020)

## B.1 Gaps and policy recommendations

The authorities in Saudi Arabia have made great strides towards addressing the challenges created by the COVID-19 outbreak. The UN has also extended its support in formulation of government's response to the crisis, particularly for groups under risk. However, the following initiatives and recommendations provide a broader macro-fiscal framework that could further strengthen the country's economic response and the road to recovery. The relevant Sustainable Development Goals (SDG) is also noted against the initiatives/ recommendation. Some of the gaps identified below may need further consideration in the form of dedicated study, survey or field work in order to come up with better assessment of the impact and the relative priority of the area for the policy makers and the overall national objectives.

### i. Fiscal and monetary measures (SDG8)

**Alignment of the fiscal and external adjustment (SDG8):** The oil price decline is huge in terms of trade shock. Thus, its effects goes beyond the budget and fundamentally poses a risk to external account sustainability given it raises possibilities of accelerated draw-down in external reserves, leading to reduced confidence on the stability of the long-held dollar peg. A change in the composition of taxes, as the government has done, towards VAT and away from payroll taxes and fees would merit strong consideration to achieve a "fiscal devaluation" in the context of maintenance of the dollar peg.

**Pro-cyclical fiscal spending (SDG8, SDG12):** The overall fiscal policy employed by the KSA appears to be pro-cyclical in recent times as the government has increased taxes and maintained overall spending levels despite undergoing one of the steepest economic recessions. The government needs to adopt a more balanced fiscal and monetary policy that smoothens out fiscal spending over the cycle and ensures stable economic growth, while promoting the creation of sustainable and decent employment. Rebuilding cushion on the fiscal and external accounts has assumed added importance in light of the global slowdown in economic activity and pick-up in public debt in the past few years.

**Strengthening Debt Management and Sustainability (SDG8):** Policymakers will need to be able to assess the impact of various debt accumulation and asset draw-down strategies on the overall cost of funds. These are critical ingredients of a potential fiscal adjustment. The adjustment will need to be situated in "stock" (assets, debt) as well as flow variables (deficit). Policymakers will need to set a target of addition in debt and reduction in assets that is consistent with a sustainable fiscal adjustment. The asset perspective is very important in the Saudi Arabian context, where financing from funds could be a sizable part of the overall financing (as opposed to market-based financing). Furthermore, as Saudi Arabia embarks on issuing debt to finance deficits; it is important for the government to have an updated medium-term strategy which identifies optimal borrowing plan from alternative strategies (currency mix, maturity, domestic vs. external, conventional vs. Sukuk, etc.).

**Budget credibility & transparency (SDG8):** The KSA made significant progress in budget preparation and formulation over the past couple of years. This includes introducing a fiscal framework, published in the Fiscal Balance Programme, and establishing a macro-fiscal unit in charge of orienting fiscal policy to achieve macroeconomic gains. However, areas of improvement remain, which can further enhance the credibility of the budget-making process and adds to the transparency of fiscal spending. Few important recommendations are; (i) transition to a rules-based fiscal framework and guide policy over the medium-to-longer term, support macro-stabilization, (ii) establish multi-year sectoral ceilings would enhance the overall credibility of the aggregate expenditure ceiling captured in the medium-term fiscal framework, backing up aggregate figures with a more detailed set of projections. (iii) devolving budget execution responsibilities to agencies, (iv) minimizing in-year budget adjustments that are captured in a yearly supplementary budget, (v) gradual introduction of performance-informed budgets, (vi) improving the management of end-of-year carryovers, (vii) more comprehensive integration of existing core IT systems (IFMISs, URGP, NTMS, and Etimad).

**Efficiency of fiscal expenditures and realignment of priorities (SDG8, SDG12):** Public expenditures have roughly doubled over the past decade, driven by difficult-to-reverse current expenditures that also tend to act as a drag on long-term growth in Saudi Arabia. Current expenditures have contributed to almost 80% of the growth in central government spending over this period, led by rising wages, procurement spending, and social expenditures. Progress in reorienting key public expenditures to support long term growth and Vision 2030 goals is apparent, albeit slow. In two key expenditure items – public investment and the public sector wage bill – current trends may work against Vision 2030 objectives. Another area of opportunity could be infrastructure spending that would stimulate employment, and potential growth for the KSA would be highway and road projects. The KSA can improve road and rail interconnectivity in places where transportation is suboptimal with long-term impacts on the economic viability of those areas.

In other key sectors, notably health and education, outcomes do not match the extremely high spending levels. However, a significant realignment is occurring within social expenditures and subsidies. With a high fiscal deficit, the importance of bringing efficiency in expenditure and realignment of priorities has further increased to minimize the impact of constrained fiscal space on spending on social sectors and targets set in Vision 2030. The government needs to adopt a multi-prong strategy which may include: (i) redefine priorities in light of the new economic environment and social & health spending requirement, (ii) identify areas with a maximum effect based on the dual criteria above, and (iii) expedite its programme of Public-Private partnership in these two areas.

**Enhance revenue mobilization (SDG8):** To reduce vulnerability to oil price volatility, it will be imperative to continue mobilizing additional revenues from the non-oil sector, possibly through the introduction of additional taxes. The latter may not be possible in the short term, and it should be considered over the long term. Unlike other countries, Saudi Arabia does not have a legacy of a complex tax system and has the opportunity to innovate with tax systems that could be friendly to business and private investment; in addition, after investing heavily to build up the private sector (and through fiscally expensive privatizations of SOEs), the country may not wish to lose the associated revenue upside. At the municipal level, to be able to provide the quality of services needed in an increasingly sophisticated economy, municipal agencies will need to raise additional own-source revenues. This will likely require a reform of current systems of revenue mobilization (e.g., license fees and asset management sales, which are distortionary) and possibly the allocation of some fiscal powers to levy local taxes

**Inflation concerns (SDG8):** Another critical concern for the KSA is its inflation rate during the recovery phase of COVID-19. During the 2008 recession, the KSA experienced an inflation rate of 9.87%, which is substantially high compared to rates seen in developed countries. The SAMA will need to prudently control the inflation rate going forward to avoid inducing extreme poverty and hunger with a combination of high inflation and low growth during the recovery<sup>123</sup>. The KSA has implemented price controls on essential goods<sup>124</sup>. However, this could be a costly strategy if the goods are imported and can have unintended consequences on the demand and supply sides of the economy. If price controls are implemented, market makers are less likely to take the necessary risk involved in bringing goods to market, where the local market may be experiencing a shortage. On the demand side, if prices are restricted from increasing, there might be excess demand resulting in a shortage stimulated by impulsive overstocking of essential goods and result in the inequitable allocation of essential products.

## ii. Diversification of the economy (SDG9)

**Diversification of economy (SDG8, SDG9):** The overall economic structure, despite recent efforts at diversification, still is concentrated around the oil commodity, which makes the KSA's fiscal, monetary and external account policies and, in a way the entire economy vulnerable to oil price shocks. The government needs to double down on its effort and commitment towards economic diversification to

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<sup>124</sup> UNESCO: Global Education Monitoring Report "Inclusion and Education: All means all"



high productivity sectors like tourism, information technology, and service sectors by ensuring the desired investment and developing robust policies in building the necessary infrastructure and an enabling environment.

**Greening the economy (SDG8, SDG9):** The pandemic has created an opportunity to increase spending on the transition to greener industry to preserve the people and economy of the KSA. Instead of focusing on returning employment in environmentally harmful industries to their pre-pandemic level, the focus could be on transitioning a portion of those lost jobs to industries prioritizing clean energy and sustainability. Another way of promoting the transition to greener and less extractive practices could be by eliminating fossil fuel subsidies and only subsidizing renewable energy.

### iii. Inequality (SDG10)

In recent years income inequality has become a heated topic, and the Arab region has not been absent from inequality concerns with the region observing some of the highest wealth inequality worldwide. The Arab region's Gini coefficient is estimated at 73.6 as against 73.1 in other countries globally<sup>125</sup>. The most common proposed remedy to wealth inequality is through tax reform. Implementing a wealth tax and expanding the income tax base from high-income earners could help alleviate these pressures. However, policymakers must be careful during this downturn to not place the stimulus financing on the lower and middle classes. If the stimulus financing were imposed without an equity lens, it could worsen the already present wealth inequality through either income, excise, or sales taxes. For lower- and middle-income households usually consume different bundles of goods than high-income households. Another proposed tool is a solidarity fund for the KSA and the region that is rooted in the well-established Zakat practice. There may also need to be evaluation and reform of income filling and collection procedures to avoid evasion and timely tax payments.

### iv. SMEs and the private sector (SDG8)

**Support for SME (SDG8, SDG9):** The Small and Medium Enterprises (SMEs) generally do not have abundant capital and resources, and their access to these is limited and quite expensive. Owing to their relatively small scale and bargaining power, their vulnerability to economic shocks are relatively high. The Saudi Monetary Agency (SAMA) needs to regularly reassess its recently launched SAR50bn Financing Support Programme to help SMEs weather the economic downturn given its protracted nature and where required, should allocate additional funds as and when the need arises. In addition, a robust mechanism that ensures that the capital disbursement is targeted to the most vulnerable businesses needs to be developed and enforced.

**Supporting R&D (SDG8, SDG9):** Assistance to the private sector could, in part, be conditioned on a substantial portion of the money being spent on research and development or other investments supporting growth. The KSA has below average expenditure on research and development. The area is an excellent opportunity to advance the agenda of the Vision 2030 and many SDGs. The KSA has made huge human development investments into its citizens and should capitalize on these investments by drastically expanding research and development in the Kingdom.

**Private Sector contribution to recovery response (SDG8, SDG17):** While the government heavily influences the economic structure of the KSA with most of the large scale businesses run by government entities, nonetheless, the role of the private sector cannot be downplayed given its central and increasing importance in economic and social literature worldwide in alleviating poverty and inducing sustainable economic growth rates. Also, with profit maximization, one of the key driving forces behind a private enterprise, the sector invariably adds efficiency into an economy by efficiently allocating capital resources to its best and most value accretive use. One of the key roles that the private sector can play in the overall macroeconomic framework of the KSA is investments into the abundant domestic human

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<sup>125</sup> Working with the Environment to Protect People – UNEP's COVID-19 Response; Wealth Inequality and Closing the Poverty Gap in Arab Countries - ESCWA

resource potential where specialized training, skills upgradation, and providing an enabling environment for employees to perform their true potential is expected to improve worker productivity significantly. This can be further complemented by developing strong linkages with academia to leverage the KSA's well-funded educational system in providing the necessary research output and human resource. Lastly, the private sector should actively provide policy inputs to government institutions in budget preparations and improving existing macro-economic policy framework to promote sustained economic development.

#### **v. Groups particularly at risk (SDG10, Objectives 15, 16, 19)**

**Migrants, People "On the Move" & Socio-Economically Marginalized:** Some Temporary Contractual Workers have found themselves stranded without access to social protection and little money for food or accommodation. Even those with jobs may be taking reduced wages and living in cramped worksite residences where social distancing is impossible, putting them at greater risk of contracting the virus. The Saudi government has rolled out effective programmes for Saudis, including SANED, whereby the government covered 60% of salaries for Saudis in the private sector. Non-Saudis in the private sector are not protected in similar ways. The government should consider taking more steps toward job security for Temporary Contractual Workers.

**Women are the Largest Group Disproportionately Affected by COVID-19:** Many of the Saudi women own small businesses working from home especially those who make homemade food and accessories. They do not have abundant capital and resources, and their access to these is limited and quite expensive. While the pandemic risks exacerbating existing gender economic gaps, the Saudi government has a unique opportunity to seize this moment to put in place sensible, innovative policies and strategies to close these gaps; it is high time that the public and private sectors mobilize together to support women and accelerate economic gender parity in the long term. Thus, the government and the private sector should ensure women are well-positioned in growth sectors.

**Child & Elderly Care:** Working remotely and using modern technology as head to job insecurity, particularly for the elderly working population. Also, self-isolation brings even more difficulties for the elderly living in rural and mountainous areas, where services are lacking or are not always adapted to the needs of older people. On the other hand, it is very important to understand the effects of economic stress on children. Parents who are worried about money are likely to have hyperactive and anxious kids, and this can affect children's development. The economic insecurity gets worse if affected children in single-parent families more than children in families with married parents, where parents under economic stress spent less time interacting with their children (praising, laughing, or playing games, for example). However, the effect of economic stress does not stop here, especially among families with young children. The government can extend cash transfer programmes to reach every child, invest in family-friendly policies, such as paid leave and accessible, affordable childcare, and expand access to healthcare and other services.

## **B.2 How the UN can support the government directly**

There are a number of areas where the UNCT can extend support to the Kingdom to improve the government economic response to COVID-19 crisis. The UN support encompasses a three-step approach<sup>126</sup> for fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses. The UN believe that combatting the pandemic and restarting the economy are not competing priorities. On the contrary, they must go together. Returning to work does not mean giving up on protecting the health of workers or forgoing hard-won gains to suppress the spread of the virus. And protecting health does not mean keeping

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<sup>126</sup> A UN framework for the immediate socio-economic response to COVID-19

enterprises and economic activity locked down. Policies should ensure that both happens at the same time. A holistic view will be needed as key decisions are taken<sup>127</sup>.

The UN COVID-19 capacity brief is a UN common socio-economic document, which includes already planned programmatic activities (projects or technical support) that can be emphasized and strengthened in the COVID-19 response, and non-programmatic activities that are possible as an additional response in the coming months. The UNCT has identified a total of seven initiatives which relates to this pillar and promises to guide the authorities in better framing the macro-economic response, particularly for the most vulnerable and support government program for a sustainable and inclusive growth. The UNCT has proposed initiatives which support the Kingdom to rebuild better social, ecological and productive infrastructure as the Kingdom redirect its efforts from combating COVID-19 to stimulating growth<sup>128</sup>. These initiatives also highlight the importance and usefulness of wider use of e-platforms and how the policy can benefit from the latest innovation in technology in delivering solutions for most vulnerable sections of the society. Lastly, the UNCT can work together with the government on a shared goal of increasing social awareness of COVID-19 and its socio economic effects on the society.

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127 ILO Sectoral Brief -- Public Service

128 <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

## Developmental Pillar V: Social Cohesion

### Promoting social cohesion and investing in community-led resilience and response systems:

While the concept and definition of social cohesion is elusive and multi-varied, at its basic can be referred to as the extent of trust in government and within society and the willingness to participate collectively toward a shared vision of sustainable peace and common development goals.<sup>129</sup> The need for social cohesion among communities and societies cannot be over-emphasized much, particularly during current crisis when communities hold the key to flatten the curve. The COVID-19 pandemic is expected to place considerable strains on social cohesion, magnifying existing tensions and fault lines and at the same time creating new one. Its impact on urban communities and specially on vulnerable and marginalized populations living in densely populated informal urban areas is expected to be severe. Some communities are expected to face compounded crises, such as surge in COVID-19 infections along with regional conflicts and climate disasters such as hurricane and floods. Thus the risk of social upheaval as the magnitude of COVID-19 crisis is fully felt are massive.

Promoting social cohesion and investing in community-led resilience and response systems must be grounded in human rights, humanitarianism, refugee law, and focused on the equity of all people. All social protection and basic service policies must be assessed through an equity lens. The primary focus of this section is on those who are being disproportionately affected by the virus. The UN's 2030 Agenda for Sustainable Development and its central promise is to 'leave no one behind' has identified many most affected groups, discussed further below. The first section is examining what the measures tackling the immediate emergency are, and the second section examines policy recommendations.

### A. Tackling the Immediate Emergency

#### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens

To ensure Promoting social cohesion and investing in community-led resilience and response systems meet the needs of the people of the KSA, the UN advocates first, for inclusive social dialogue, advocacy, and political engagement; second, empowering community resilience, participation, and equitable service delivery; and third and lastly, support to governance, fundamental freedoms and the rule of law. The subsections below examine existing key government and UN initiatives contributing to the mediation of COVID-19 on the population at large as well as on the most vulnerable:

#### A.1 Key government initiatives on Pillar V

The following section lists the current initiatives being implemented by the KSA by sector

**Initiatives by the Ministry of Municipalities & Rural affairs:** Ministry of Municipalities and Rural Affairs (MOMRA) responded to the crisis through many measures undertaken such as:

**Social awareness:** The ministry launched a well-targeted social and electronic media campaign to increase community awareness about COVID-19 and improve understanding of the danger posed by disease. The campaign also highlighted mandatory precautionary measures to avoid spread of the virus within and outside the family and actions to avoid negative effects of lockdown.

**Precautionary measures:** MOMRA closely coordinated with other ministries on the evolving situation on COVID-19 and the need for introduction of new and stricter precautionary measures which mitigate the health risk posed by the disease while at the same time minimizing the negative effect on economic and social well-being of citizens and residents. The MOMRA initially introduced partial lockdown in select cities/areas which was gradually extended to almost country-wide lockdown of all social and

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<sup>129</sup> UN strengthening SOCIAL COHESION, Conceptual framing and programming implication.

commercial activities at the peak of infection. The restrictions were subsequently eased off as number of cases dropped.

**Digital municipal services:** Utilizing the "Baladi" service for commercial licenses, sorted the planned lands to ensure social distance.

**Urban maintenance:** Even during the pandemic, the MOMRA ensured smooth and uninterrupted cleaning and sterilization of the main streets and public places while ensuring precautionary measures for the staff tasked to carry out the work.

**Temporary contractual workers:** Launched a technical guideline for health conditions of workers housing as a precautionary measure to combat COVID-19. In order to avoid spread of virus among Temporary Contractual Workers, MOMRA, along with the Ministry of Education (MOE) and Ministry of Human Resources & Social Development played a crucial role in temporary reallocation of Temporary Contractual Workers from overcrowded camps and housing to designated facilities of MOE where adequate arrangements have already been made.

**Housing volunteers:** In cooperation with charities; food, medicines, and basic needs are distributed to families benefiting from development housing programmes around the Kingdom.

## A.2 Key UNCT Standing Capacity Brief initiatives on Pillar V<sup>130</sup>

Various key initiatives are currently being implemented by UN agencies in KSA in building up capacity and programs to enhance social cohesion and beef up community resilience. One of the initiatives has been to enhance civil society engagement with international human rights system and in this regard, the proposal by UN involves equipping youth future leaders (around 25) with knowledge and skills needed to promote concepts of human rights and values, carry out initiatives to promote tolerance and combat hatred & discrimination. As women and children are an integral part to any community building, safeguarding mechanisms against domestic abuse are necessary and critical. UNDP is supporting The Family Affairs Council (FAC) in updating its guidelines for prevention to be used by civil society organizations (CSOs) and NGOs dealing with affected and/or abused women and children. UNDP is also currently helping King Abdul Aziz center for national dialogue to develop a national cohesion index in Saudi Arabia

## B. Recovering Better

### Focusing on the Social Impact and Economic Response through the Leave No One Behind (LNOB) lens

The following section, utilizing the same equity lens from before, will identify opportunities and additional gaps that still exist in the KSA. A theme of this section is "Recovering Better," this idea does not just entail alleviating issues created by the COVID-19 pandemic but look at systemic concerns that predated the most recent crisis. The first section below presents firstly identified challenges still to be overcome in the areas community-led recovery, and particular considerations for groups most at risk. The second subsection below describes the direct support of the UNDS to support these policies, including suggested activities from the UN Capacity Brief<sup>131</sup>.

### B.1 Gaps and policy recommendations

The gaps and policy recommendation will be discussed in the following categories:

#### i. Community-Led Recovery (SDG11 & SDG16, Objectives 15, 16, 19)

- **Local communication (SDG11, SDG16, Objectives 17, 19):** The government needs to develop and initiate social awareness programmes, educating the population about the steps it has taken to tackle the current crisis along with providing a short to the medium-term roadmap towards gradual

<sup>130</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

<sup>131</sup> <https://unsdg.un.org/resources/united-nations-covid-19-capacity-brief-saudi-arabia>

normalization of social life to pre-COVID-19 levels. Furthermore, the efficacy of the awareness programme can be enhanced substantially by localizing the overall message. This involves engaging various leaders and influencers of different communities for disseminating and communicating the general messages and media campaigns in local languages so that communication to these communities is reached timely and effectively.

- **Increased psychological toll on the populace from pandemic related uncertainty (SDG3, SDG16):** Given the nature of the current economic induced crisis from the pandemic where strict lockdown and social distancing measures have been enforced, the psychological toll on the general population is expected to be significant given job losses, wage and salary reductions heightened anxiety relating to the spread of the virus and the overall uncertain environment. Community leaders and local governments should evaluate these concerns and implement relevant policies to address the psychological impact on their communities via customized psychosocial support programs.
- **Need for the evaluation for a decentralized fiscal regime to support local policies (SDG8):** Preparedness in cities and other urban settlements is critical for an effective national, regional, and global response to COVID-19, however, one of the main concerns in Saudi Arabia is weak financial decentralization. In Fiscal Year (FY) 2015-2016, the Ministry of Finance points out that, on average, the percentage of own-source revenue in Saudi cities was only 20% of the budgets. The only considerably higher case was Jeddah, where its source revenue achieved 36% of the local budget. The current system operates under a highly centralized system of public finance and continues to be heavily dependent on intergovernmental transfers to fund local activities and projects.
- A crisis like COVID-19 requires rapid actions across different government levels. The centralized reaction may limit the immediate coordination of actions among actors, affecting the beneficial effects of financial resources channeled from higher government bodies to support the crisis. This is also stressed in the recommendations of the guidance for local authority from the World Health Organization (2020)<sup>132</sup>. This weakness calls for more concerns towards achieving SDG11, which is, in this case, concerned about prosperous cities and communities with a focus on combating informal settlements, inclusive housing proposals for all as well as support to local government to localize the actions towards mitigating COVID-19. To support Saudi local government terms, local finance and governance are vital subjects. Local finance will require package measures to be adopted during the crisis. This implies that it is urgent to evaluate the cost of the crisis on local government and Amanah budgets, including the impact on the assets (e.g., properties and land) and implications of recovery measures targeted at businesses and households level. This evaluation of fiscal and spending measures should consider several factors and local context features.
- **Agriculture safety & sustainability (SDG8, SDG16):** Other ways communities and their leaders can prevent the spread of future infections is discouraging the interaction with wild animal and livestock. 60% of human diseases are estimated to have animal origins, and some 75% of infections jump species to humans<sup>133</sup>. Locally, people can encourage the preservation of natural habitats to provide an adequate buffer zone to distance people from animals. Also, the conservation of habitats could promote wildlife diversity; thus, increasing the dilution effect. Lastly, the local leadership can encourage more diversified livestock operations to amplify the dilution effect in the food system. COVID-19 is not a chance occurrence, but a disease that has been strengthened by our unsustainable and harmful food system and environmental practices. Infections like COVID-19 and MERS will continue to be an issue if our food system and environmental practices are not holistically reformed<sup>133</sup>.

<sup>132</sup> <https://www.who.int/publications-detail/strengthening-preparedness-for-covid-19-in-cities-and-urban-settings>  
<sup>133</sup> PREVENTING THE NEXT PANDEMIC Zoonotic diseases and how to break the chain of transmission

- **Informal housing & settlements (SDG10, SDG11, Objectives 15):** Cities can prepare themselves through city-city learning approach to identify solutions and innovative strategies to deal with the arising problems. Another area that might need support to social cohesion and community resilience is the focus on foreign and domestic workers' housing, including women and those living with employers. This will provide the Saudi government with the technical knowledge and considerations in the site selection, construction options, communal services, and sanitation as well as health and safety measures as well as other issues. To improve availability and accessibility, a digital tool (e.g., GIS map) can assist the users, especially the vulnerable people in either city peripherals or heavily populated areas (unplanned settlements), providing both information of location and public health information, this may help local government to plan these services, providing technical advocacy. Local leaders and local governments should target interventions to protect vulnerable groups with Temporary Contractual Workers, including low-income men and women workers, domestic workers, men and women refugees, and Temporary Contractual Workers in irregular situations and victims of violence, abuse, exploitation, including potential victims of trafficking as well as sexual and gender-based violence.
- **Encouraging the involvement of the private sector (SDG9, SDG17, GCM Objectives 23):** Current trends around corporate and business management are increasingly emphasizing private businesses to move away from the sole focus of increasing shareholders' wealth. Instead, they are arguing that growth sustainability for companies in the long term is a function of making a positive contribution to every stakeholder in the society, including customers, suppliers, and the well-being of the overall society. This has led to an exponential size of investors filtering out businesses based on ESG (Environmental, Social, and Governance) standards and criteria for their investment. Thus the need for private companies to be socially conscious has never been this important. Private sector can contribute to social cohesion by investing in social capital and advancing public good. With this in perspective, the private sector in the KSA has many opportunities for filling social gaps under their CSR (Corporate Social Responsibility) drives, namely; identifying fundamental social issues in rural and impoverished areas such as access to quality education & health, providing proper nutrition and diet, access to clean drinking water and sanitation solutions among other things. While traditional ways of providing these basic needs are apparent and known, the private sector can leverage its generally sophisticated human resource and excess capital in finding innovative solutions that are self-sustainable and has a multiplier effect on the local economy.

## ii. Groups particularly at risk (SDG10)

- **Financial and Social impact on Temporary Contractual Workers (SDG1, SDG8, GCM Objectives 15, 16, 19, 20, 21):** The COVID-19 pandemic may have a severe economic impact on expat workers in the country, in particular daily workers with low-income in the formal or informal economy. The temporary closure of non-essential businesses has significantly affected those for whom working from home modalities is not possible. The resulting business slowdown or stagnation has led some employers to reduce and stop or delay payment of wages. This could lead to difficulties in covering daily and monthly expenses (rent, utilities, food), particularly for many lower-income workers. The government should devise mechanisms to extend social protection to informal economy workers, such as social protection programmes financed through government revenue, disability benefits, child benefits, employment guarantee schemes, and social protection schemes, especially for women.
- **Stranded migrants (SDG8, SDG16, GCM objective 13):** Due to strict social distancing measures, large numbers of migrants are stranded in labour camps or other living situations where they might congregate in numbers in small areas. This puts them at particular risk of contracting the virus. Migrants engaged in household occupations might face excessive working hours and no weekly rest day, with increasing workload as more people are working from home. The government, the UN, and

respective embassies can coordinate to come up with an adequate response on the issue. Three key considerations here are sizing the vulnerable Temporary Contractual Workers, assessing their specific needs, and mechanism for the delivery location. The government needs to devise rapid solutions to the issues of stranded Temporary Contractual Workers, particularly irregular migrants, who wish to return home in coordination with the government of their home countries and with the support of UN agencies.

- **Lack of knowledge of rights among domestic workers and low-skilled Temporary Contractual Workers (SDG8, SDG16, GCM Objectives 3, 15):** Due to lack of education and barrier of language, many domestic workers and low-skilled Temporary Contractual Workers are exposed to potential exploitation by sponsors due to a lack of understanding of rights granted under the labour law. This aspect becomes particularly essential in the context of the lockdown situation and loss of jobs. The government and the UN have to work together through ensuring continued access to tailored information and resources, fulfilling different informational needs. This includes all relevant medical information, hotlines, and resources being accessible and available in all relevant languages (in addition to Arabic and English). The material can be tailored to the information needs of different groups, such as employers and workers, taking into account varying levels of literacy, and disseminated in suitable communication outlets that are accessed by different vulnerable groups.
- **Women's health (SDG3, SDG5, GCM Objectives 15, 16):** Efforts to contain outbreaks often divert resources from routine health services, including pre and post-natal health care and contraceptives, and often exacerbate already limited access to reproductive health services, especially with the fear of women to get the infection. In addition to that, as UNFPA warned, access to birth spacing methods also might be another impact, and accordingly, uncountable unplanned pregnancies might be the result of these lockdown measures. Special attention in policy formulation needs to be placed to have this challenge in mind.
- **Gender-based violence (GBV) during the pandemic (SDG5, GCM Objectives 10, 15, 16):** According to the "Status of Arab women report 2017, Violence against Women: What is at stake"- developed by ESCWA, the majority of Arab countries, including Saudi Arabia, have developed national strategies specifically focused on violence against women. In 2017, Saudi Arabia issued a law on violence against women. The government should continue improving the law with more innovation. Innovative measures are therefore needed, and health care professionals have to be equipped to detect and link or refer cases to the required specialized services. A system must be in place, which helps women feel safe and report domestic abuse without fearing the consequences. Once the abuse has been reported, it must be the government's responsibility to ensure women's safety. A simple solution could be to develop an app that will help the abused party to report their complaint, maintain their anonymity, and help ensure action is taken. Moreover, swift legal action needs to be provided. This will encourage more and more women to be vocal about any domestic abuse.

All over the world, quarantine and isolation policies, coupled with financial stress on families, individuals, and communities, will exacerbate the conditions for women already vulnerable to domestic violence, estimated to be at least one-third of all women. This is while they face difficulties in accessing available GBV services as many of the GBV services are disrupted due to the restrictions in movements. Furthermore, women in situations of lockdowns or curfews can be isolated by their perpetrator and thereby prevent them from having any social interaction, including interaction with family and friends, which can make it practically impossible for women to access services, including calling hotlines, as the risk of being caught is high.

In addition, countries all over the world should conduct a GBV costs analysis. Having a rapid GBV cost analysis might help in showing violence against women is morally unacceptable and economically pernicious; understanding how it drains resources from other sectors (private



businesses/agencies, government, community groups, individuals), especially at this time when the countries need to divert resources to address the adverse impacts of the pandemic on the economic and social structure, demonstrating how continued violence limits development objectives, such as reducing poverty, enhancing human capability and realizing the highest possible standard of wellbeing. Having such costing analysis will also raise awareness of the effects of violence through the pandemic on various segments of society and the absence of gender equality in the private and public spheres; reduce the social acceptability of violence, and increase social responsibility towards addressing it. The rapid GBV cost analysis will also inform policy spending priorities by providing an estimate of the cost of violence and its effect on the economy; and advocate for holistic legislation to address violence against women.

- **Impact on women working in handicrafts and traditional industries (SDG5, GCM Objectives 6, 10, 15):** Saudi women were able to overcome the cultural traditions and have been working in handicrafts and traditional industries. Thanks to the recent transformations of the KSA, the Saudi vision 2030, and the economic diversification plans, the income of the women working in this sector has increased dramatically through the last year given the promotion of the KSA as a tourist destination and the investments made in this sector. The severe disruption in people's mobility due to lockdown has drastically reduced both domestic and international tourism in the country. It will have negative fallout for Saudi women engaged in handicraft and traditional industries. Specific measures to provide support to women associated with handicraft and traditional industries are lacking. This requires targeted policies, which must incorporate a gender perspective to address these gender gaps, examples of which include programmes for job retention through wage subsidies and social security and other fiscal payment reliefs, income support schemes such as unemployment benefits for artisan women in both formal and informal sector, and direct income support and cash transfers to overcome the loss of income-generating activities for own-account artisans, a category that includes many women in the country.
- **Non-Saudi low-income groups reliant on donations (SDG1, SDG8, GCM Objectives 15, 16, 19):** Many of the non-Saudi people (Most Saudis have extensive social safety nets) living below or near the poverty line are to a large extent reliant on various non-profit charities and donations to fulfill their basic needs. With a significant slowdown in economic activity, contributions from wealthy individuals and corporations to these charities are expected to decline as they go into retrenchment. This will negatively impact the ability of these non-profit charitable institutions to serve the needs of the segment of the population most vulnerable and at the same time when they need it the most. The government should first identify these non-profit charitable institutes that have proper disbursement procedures protocols and have a broader scope and breadth of welfare activities. Secondly, the government should try to bridge the shortfall in expected donations by making financial transfers as transparent as possible with clear and laid out guidelines as to how they can be spent. Another more effective way of tackling the decline in donations is based on the principles mentioned in Pillar 2, Low policy visibility (SDG4, GCM Objective 3), where the government can coordinate with local communities, which are generally more aware of the needs of their people, in disbursing financial and other aids rather than engaging with multiple charity organizations.
- **Gender-sensitive and non-discrimination measures (SDG1, SDG8, GCM Objective 15, 16, 17, 19):** The government should encourage the design of gender-sensitive and non-discrimination measures to mitigate the impact of the outbreak on workers and economic units in the informal economy, ranging from soft urban actions for local containment or mitigation strategies (e.g., number of entry points, physical barriers), to preventive measures like sanitary infrastructure in market places to allow workers and consumers to wash their hands regularly and provide health kit to fight COVID-19 outbreak.

- **Xenophobia & misinformation (SDG10, SDG11, & SDG16, GCM Objective 17):** The pandemic could be an opportunity to promote cultural tolerance, mutual respect, and peaceful co-existence. Communities will need to work together using integrated solutions to care for all its members, including migrants if they wish to grow stronger, going forward.
- **Image Campaign (SDG5, SDG8, & SDG16, GCM Objective 17):** An information campaign that emphasizes the positive and essential contributions of migrants would be beneficial, including women migrants (care and other work women do is often lost) in the society, particularly the role of Temporary Contractual Workers who are key in the response to COVID-19, including TCWs who work as nurses, doctors, back end women staff in care and medical services, cleaners, delivery drivers, etc., and those working in the food production sector. This will support efforts to fight social stigma and xenophobia.
- **Promoting social cohesion especially in times of crises (SDG8, SDG11 & SDG16):** The rapid socio economic changes in the past few years have given an impetus to resurgence of tribal identity in the Kingdom, a phenomenon which may undermine the unity among people, impede socioeconomic progress and may produce many undesirable results, especially in times of crisis like a major pandemic. One of the major upshots of the Vision 2030 is it rallies the various group of people towards achieving mutual beneficial goals and hence acts as an inherent unification drive. The authorities may further step up efforts on promoting nationalism among youth. Promotion of different culture and arts which cuts through various tribal identity, promotion of system of meritocracy, sports and focused efforts on nationalism programs (e.g. National Day, Riyadh Season) may substantiate the government efforts in suppressing the trend.
- **Adequate housing and promoting alternative policy solutions with focus on workers' housing in Saudi cities (SDG11):** Despite the fact that the government has revised health regulations of the workers housing in April 2020, this important initiative might still additional work on the other dimensions that are important to include. Leaving no one behind require ensuring that the workers housing projects are located within the existing city boundaries and reviewing their access to communal services and facilities needed to be included as well. It is important to do assessment of the current practice, to study the different spatial, , their access to services and facilities , socio-economic dimensions that might be needed to complement the health issues.

## B.2 How the UN can support the government directly

The UN is in the process of discussing with relevant stakeholders to explore ways in which to address the socio-economic aspect of the pandemic as needed through: (i) Data collection, analysis, and visualization of data to support the government and provide more targeted support based on the disaggregated data; (ii) Service delivery efforts to provide essential food to the migrant and host communities; and (iii) Proactive public messaging to tackle stigma against migrants and highlight positive stories on their contributions as well as to support important messaging on health and other administrative issues in the native language of the migrants, in coordination with their respective embassies and the country offices in origin for effective communications. Impacts on specific segments of vulnerable communities, as highlighted above, are especially crucial, including promoting targeted interventions to protect vulnerable groups with Temporary Contractual Workers, including low-income men and women workers, domestic workers, men and women refugees, and migrant workers in irregular situations and victims of violence, abuse, exploitation including potential victims of trafficking as well as sexual and gender-based violence.

The following discusses some of the key suggested UNCT Capacity Brief initiatives; a detailed analysis and explanation of the various initiatives proposed by UNCT is provided in the appendix.

Food security among local populace is essential to maintaining social order in a country and with KSA being largely dependent on imports to fulfill its domestic food requirements, UN can help the Saudi government in assessing possible impacts of COVID-19 on food system and security to gauge the possible implications during the emerging situation of COVID-19. Such assessment by FAO is in line with Saudi Arabia food security strategy as it addresses both the steady and emergency states of food security. The focus of the emergency state is to quickly and reliably ensure affordable, safe, and vital commodities for all in Saudi Arabia during times of crisis.

Furthermore, UN can provide support in sustainable infrastructure planning, to ensure the next wave of infrastructure lending and investment is COVID-19 proof and includes ecological and social/health as well as productive infrastructure. At the same time, UNEP can support sustainable finance recovery packages, through fiscal reform, use of green bonds, and other public-private lending initiatives, with special focus on food systems and infrastructure.

Housing needs of less privileged segments of the societies will only magnify during the pandemic and as such the UN can support the KSA to review and assess the housing options of temporary contractual workers by reviewing current local policies that include construction options as well as communal services sanitation as well as health and safety standards using different international standards as benchmarks.

Mapping and spatial analysis of hotspot areas related to COVID-19 to provide a more detailed understanding of the spatial dimension associated with the transmission of COVID-19 is needed. UN-Habitat can assist with mapping and smart technologies applications to support the analysis and shape a localized response: re-organizing urban transport hubs, changing some of the current land uses in the city.

Criminal Justice institutions are among the services that have been heavily burdened during the COVID-19 pandemic. UNODC and UNDS at large can assist KSA Government not only in assessing the effects of the COVID-19 on the criminal justice sector but also in advising on responding to challenges or topics related to gender-based violence and violence against children, continuity of support and care services for victims of trafficking in persons in the context of the COVID-19 pandemic, COVID-19 preparedness and responses in prison settings, continuity of treatment, care and rehabilitation of people with drug use disorders in the context of the COVID-19 pandemic, COVID-19 preparedness and responses among migrants, criminal justice responses to gender-based violence against women and girls during and in the aftermath of the pandemic, accountability and the prevention of corruption, and law enforcement responses to emerging and evolving criminal threats in the context and aftermath of the COVID-19 pandemic.

## Conclusion

The COVID-19 pandemic can be used as an opportunity to refocus the Kingdom's economy and society on issues through a socio-economic framework. Many of the previously mentioned policies in Part III related to the five pillars complement the objectives outlined in the KSA's Vision 2030. Let us not lose the opportunity to advance the agendas of both the 17 Sustainable Development Goals and KSA's Vision 2030. A vibrant society, a thriving economy, and an ambitious nation—that draws on the country's intrinsic strengths to help the Kingdom's citizens realize their aspirations will be delayed or impeded without carefully and holistic policy reform at a time of such crisis.

For each one of the pillar presented in Part III, the UN in Saudi Arabia has worked to assess the impacts of the crisis in order to understand what is needed to simultaneously address immediate, medium-term, and long-term needs. The analysis has also helped on reflecting what added value the UN can bring to the wider efforts of reaching Sustainable Development Goals (SDGs) and KSA's Vision 2030, in spite of the impact of the crisis. The UN in Saudi Arabia has always stressed the importance of making sure not to lose sight of the central pledge of the 2030 Agenda to 'Leave No One Behind' (LNOB).

Several areas of concern transcend across many if not all, the Developmental Pillars; a few examples are migration, women empowerment and security, and data. The five Pillars are not isolated silos, but all five together ascribe to an aspiration of a whole and vibrant society. Thus, solutions and policies need to be designed in a way that addresses the issues from a systemic perspective and not a sector-by-sector sequential approach to provide the most comprehensive and prudent solutions brought about by the most recent pandemic. Like with the previously mentioned areas of concern, all three preceded COVID-19 but have been exacerbated by the pandemic. This highlights the need to combat cornerstone issues in the KSA. The KSA should be proactively championing these types of issues and providing as a beacon for issues that are systemic to the region, leading other countries to follow suit. The Kingdom needs to continue being a champion and frontrunner for surmounting these systemic concerns if it wishes to recover better and embolden other nations in the region to emulate.

The UN's 2030 Agenda consists of 17 Sustainable Development Goals (SDGs), and 169 targets to be achieved by the year 2030. The following paragraph will compare the policy recommendations by Developmental Pillar to the 17 SDGs.

Pillar 1, ensuring that essential health services are still available and protecting health systems, policy recommendations primarily focus on SDG3, good health, and well-being. This result makes the most sense due to the nature of the crisis being caused by a health shock, and Pillar 1 focuses on healthcare and services, but it also touches upon SDG14, life below water. In Pillar 2, helping people cope with adversity, through social protection and basic services, policy recommendations primarily focus on SDG4, quality education, SDG10, reducing inequality, and SDG16, peace, and strong institutions. In Pillar 3, protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programmes, policy recommendations primarily focus on SDG8, decent work and economic growth, SDG9, industry, innovation, and infrastructure, and SDG10. In Pillar 4, guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses, policy recommendations primarily focus on SDG8, SDG9, and SDG12, responsible consumption, and production. Finally, in Pillar 5, policy recommendations primarily focus on SDG5, gender equality, SDG8, SDG10, SDG11, sustainable cities and communities, and SDG16. SDGs not already mentioned are SDG2, zero hunger, SDG6, clean water and sanitation, SDG7, affordable and clean energy, SDG13, climate change, SDG14, life below water, SDG15, life on land, and SDG17, partnership for the goals, and are featured across the pillar indirectly. Namely, policies relating to SDG2 were discussed in Pillar 2, policies relating to SDG6 were in Pillar 1, policies relating to SDG7 and SDG13 in Pillars 3 and 4, policies relating to SDG15 in Pillars 1, 3, and 5, and last but not least, policies relating to SDG17 were also discussed in Pillar 5.

Finally, The United Nations through the approach of Leaving No One Behind (LNOB), and through the socio-economic framework will continue to support the government operationalizing the commitment to LNOB at the country level. This requires a comprehensive approach and a series of steps. However, working together with the Saudi government and its citizens will eradicate discrimination and exclusion, reduce vulnerabilities and inequalities, and enhance the potential of individuals and of society as a whole.

The Vision 2030's mission statement explicitly focuses on the KSA's citizens. For the citizens to thrive, all the residents must thrive. Decisions made now and in the coming months will be some of the most important ones made in generations. They will affect people not just in KSA, but around the world for years to come.

# Appendix

## United Nations COVID-19 Capacity Brief

UN in KSA, June 2020

KSA is simultaneously facing two of the largest crises in several decades: a historic drop and volatility in oil prices, and the global COVID-19 pandemic, both compounding the total effect on the society and economy in KSA. The UN COVID-19 capacity brief is a UN common socio-economic document, which includes already planned programmatic activities (projects or technical support) that can be emphasized and strengthened in the COVID-19 response, and non-programmatic activities that are possible as an additional response in the coming months. It presents a menu of options that the KSA government can choose from, providing a detailed overview of the activities and programs put forward by the UN Country Team (UNCT) in Saudi Arabia to support efforts led by the government in the Kingdom.

The Government of KSA has demonstrated an exemplary way of containing the spread of COVID-19 through a range of timely and well-developed measures and will be preparing itself for the recovery phase from the pandemic in the months to come. Despite the commendable Government response, the scale of the COVID-19 pandemic is generating socio-economic disruptions in the country and beyond. It is affecting every sector of the economy and every aspect of people's everyday lives, with some groups such as temporary contractual workers in KSA being particularly affected.

The overall objective of this United Nations COVID-19 Capacity Brief (CB) is to propose to the Government of KSA a set of actions complementing Government efforts. Joining forces in the fight against the global COVID-19 pandemic in the Kingdom, the actions proposed are activities in which the UN can support, build capacity, and facilitate, together with the national authorities. They are rapid, relevant, and consistent actions, informed by UN expertise and best practices, and to take place during the pandemic response.

This list of already ongoing or suggested new UN activities in this Capacity Brief is not final, nor is it exhaustive. It is, in a sense, a living document that can firstly serve as a list of identified avenues the UN can assist and facilitate in, and secondly it can accelerate the already existing partnership between the Government of KSA and the UN, with a focus on immediate and effective assistance to battle to consequences of COVID-19, and a Leaving no One Behind Lens (LNOB). The United Nations in the Kingdom of Saudi Arabia reaffirms the commitment to support the Government and the people of KSA in their efforts to mitigate the effects of the ongoing crisis, during as well as beyond the pandemic.

Some of the proposed activities are already underway in its current form, some are proposals to reorient existing cooperation between the UN and Government of KSA for strengthening the COVID-19 mitigation effect, and some are newly proposed activities that can be started quickly. All of them have been marked with SDG tags, clearly indicating acceleration towards which SDGs they are contributing to, and with substantive Developmental pillars tags, which are further explained below. Both of which allow the Government of KSA to easily focus on the chosen developmental area or SDG, and pursue activities most contributing to that effort.

Our shared goal is to minimize the impact of COVID-19 on the whole population and to share relevant information and expertise with the Government and other partners in KSA for an efficient response to the outbreak. In the context of these extraordinary circumstances, UN in KSA worked together to prepare this Capacity Brief, and we stand ready as a coordinated United Nations, to respond to any request for support by the Government.

## 1. Context and elaboration of the One UN offer

The 'UN Framework for the Immediate Socio-Economic Response to COVID-19' was launched by United Nations Secretary-General António Guterres, on 27 April.<sup>134</sup> The guidance provides a framework for United Nations Country Teams to engage with partners in government, private sector and civil society to explore how the United Nations can support the COVID-19 response of each country based on their context and requirements.

Drawing on the UN Development System (UNDS) Socio-Economic Response Framework from the paper above, the following Capacity Brief shows UNCT COVID-19 related activities and is structured both around the SDGs and around the five Developmental pillars that form that framework:

- Developmental Pillar 1: Ensuring that essential health services are still available and protecting health systems;
- Developmental Pillar 2: Helping people cope with adversity, through social protection and basic services;
- Developmental Pillar 3: Protecting jobs, supporting small and medium-sized enterprises, and informal sector workers through economic response and recovery programmes;
- Developmental Pillar 4: Guiding the necessary surge in fiscal and financial stimulus to make macroeconomic policies work for the most vulnerable and strengthening multilateral and regional responses; and
- Developmental Pillar 5: Promoting social cohesion and investing in community-led resilience and response systems.

As the global community remains focused on the rapid developments around the COVID-19 pandemic, the UN Development System has been largely concerned with providing urgent and sustainable socio-economic support. The IMF's World Economic Outlook Update from October 2020 predicts a global downturn with growth sinking to -4.4% this year, and an alarming forecast for KSA at -5.4%, which makes this current time the worst socio-economic crisis since the Great Depression. Under the guidance of the UN Secretary General and the leadership of the RC, the UN in Saudi Arabia is determined to help mitigate suffering by emphasizing the interconnectivity between health, environmental, social and economic issues, in particular for the vulnerable groups, such as women, children Temporary Contractual Workers, and others, who are likely to face the harshest implications of COVID-19 as well as those working in the informal market with no provisions of social or unemployment welfare.

Table below identifies a total of 67 COVID-19 related activities from the UN in KSA, which are further elaborated and summarized in Annex 1.

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<sup>134</sup> <https://unsdg.un.org/resources/un-framework-immediate-socio-economic-response-covid-19>

**Table: Activities to Mitigate the COVID-19 Effect in KSA**
**Legend:**

Already ongoing and/or could benefit from strengthening the COVID-19 mitigation dimension activity
Suggested new COVID-19 mitigation activity

No.	Activity	Developmental pillars	SDGs
1	Support Saudi government to assess possible impacts of COVID 19 on food security and propose possible actions to mitigate these impacts	3, 5	2, 6, 14, 15
2	Promoting Tripartite Social Dialogue in KSA (involving the Government, Employers and Workers Organizations)	2, 3	1, 8, 10
3	Analytical Brief on the Measures Taken by the Government of Saudi Arabia for foreign temporary contractual workers	2, 3, 4	1, 8, 10
4	Social Protection Systems: Technical Advisory Services	2, 3	1, 8, 10, 16
5	Enterprise-level survey implementation	3, 4	8, 10
6	Capacity Building for improved and adaptive labour market-related policy development	2, 3, 4	8, 10, 16
7	Study on Labour inspectorates' preparedness and responses to COVID-19 in the Arab region	1, 2, 3	8, 10
8	Occupational Safety and Health tools	1, 2, 3	8, 10
9	Labour Inspection and Occupational Safety and Health technical support	1, 2, 3	8, 10
10	Analysis of the Socioeconomic impact of COVID-19 on Temporary Contractual Workers and Host Communities	1, 2, 3	8, 10
11	Provision of Medical Care and Accommodation to Immigration Detainees	1, 2, 3	3, 8, 10
12	Policy Advice on Easing COVID-19 Restrictions	1, 2, 3	10
13	Access to Emergency Health Care for Temporary Contractual Workers	1, 2, 3	3, 10
14	Information, Education and Communication (IEC) material to promote community cohesion	2, 3	3, 8, 10
15	Assessment of labour Accommodation and Application of Standard Operating Procedures	1, 2, 3	3, 8, 10
16	Support State's respect of its treaty and human rights obligations	2	3, 5, 16
17	Enhance civil society engagement with international human rights system and promote values of international solidarity	2, 5	16
18	Technical support to operationalize the national database for tracking human rights recommendations.	2	16
19	Support the kingdom to rebuild the next generation of social, ecological and productive infrastructure	3, 4, 5	11, 12
20	Link recovery efforts with the clean energy transition, nature-based solutions and the Paris Agreement	3, 4, 5	12, 13
21	"Greening" stimulus	3, 4	13
22	Promoting active learning on policy measures and practices in informal settlements/Areas for Saudi Cities	2, 5	1, 8, 10, 11, 17



23	Adequate housing and promoting alternative policy solutions with focus on workers' housing in Saudi cities	2, 5	1, 8, 10, 11, 17
24	Mapping and spatial analysis of hotspot areas related to COVID-19 to inform decision-making	2, 5	1, 8, 10, 11, 17
25	Innovative Technological Solutions to combat the COVID-19 spread	1, 2, 3	3, 9, 17
26	Crisis Management Enhancement Training	2, 3, 5	5, 8, 9, 16, 17
27	Digital Services Support for more widespread use of e-platforms	2, 3, 4	3, 8, 12
28	Food Security and Food Strategic Storage	1, 2, 3, 5	2, 3, 7, 9, 11, 12, 17
29	Quality of Life in Saudi Arabia: A Different Perspective	2, 3	3, 8, 11
30	Review Energy Models	2, 3, 4	7, 8, 11, 13
31	Social Responsibility Campaign	3, 4, 5	8, 11
32	COVID-19 Response through the G20	3, 4	17
33	Advancing Gender Focused Analysis and Responses	2, 5	5, 8, 10
34	Support Education for Children and Youth Distance Education	2	4
35	Support the Government on digital technologies and their promotion	5	16
36	Assistance in Census 2020	1, 2, 5	3, 4, 5
37	Building capacities of government stakeholders to address psychological needs of the frontline health and social workers	2	3
38	Provide technical guidance to Ministry of Health on reinforcing infection control measures within facilities, particularly for pregnant women and infants	1	3
39	Youth Employability	3, 4	4, 8
40	Provide Multipurpose Cash Assistance to the most vulnerable people of concern (POCs)	2	1, 2, 3
41	Providing Medical Services to Persons of Concern	1, 2	3
42	Emergency Preparedness and Response Interventions	1, 2, 5	3
43	Disseminating informative resources to Persons of Concern (POCs)	1, 2	3
44	Preventing and responding to Violence against Children	2, 5	5, 10, 16, 17
45	Supporting the Physical and Mental well-being of children at home and in the return to school	1, 2	3, 4, 5, 16
46	Child-responsive social policy	2, 5	1, 3, 10
47	Continuity of support and care services for victims of trafficking in persons in the context of the Covid-19 pandemic	1, 2, 3	3, 5, 8, 16
48	Covid-19 preparedness and responses in prison settings	1, 2	3, 16
49	Continuity of treatment, care and rehabilitation of people with drug use disorders in the context of the Covid-19 pandemic	1, 2	3, 16
50	Covid-19 preparedness and responses among migrants	1, 2	3, 16
51	Criminal justice responses to gender-based violence against women and girls during and in the aftermath of the Covid-19 crisis	1, 2	3, 5, 16
52	Law enforcement responses to emerging and evolving criminal threats during the Covid-19 crisis	1, 2	16
53	Accountability and the prevention of corruption in the context and aftermath of the COVID-19 pandemic	1, 2	16



54	Public advocacy and policy support in relation to the rights of vulnerable groups	2	3, 5, 8, 16
55	Assessment and monitoring about the impact of the current pandemic on vulnerable groups or on specific entities	2	3, 5, 8, 16
56	Comprehensive research plan to study COVID-19 response outcome	1, 2, 5	3, 10
57	Promoting physical and mental health in children and youth	1, 5	3, 4, 5
58	SME Support Activities on how to cope and recover from COVID-19 outbreak	1	3
59	Support to Health Agencies on projections and impact analysis of COVID-19	3	5, 8, 10
60	Integrated Sustainable Development and Management of Water	1, 2	6, 13, 17
61	Decision-making in combating Covid19	3, 4	1, 2, 3, 5, 8, 10
62	Safeguarding against domestic abuse during Covid19	2, 5	3, 5, 10, 16, 17
63	Provide Advisory and support services for waste management in post COVID-19 KSA	2, 5	12
64	Science-policy-technology interface forum	4, 5	6, 8, 12, 14, 15, 17
65	Strengthening Saudi Arabia's Biosecurity System	1, 5	15
66	Inclusive and innovative participation in cultural life	4	11
67	Outlook on Human settlements resilience and water	2	6, 11