



Dr. Vera Danilina is Associated Member in Aix-Marseille School of Economics, Faculté d'Economie et Gestion, Aix-Marseille Université, where she obtained her Ph.D. in Economics. Her main fields of expertise are International Economics, Environmental Economics, Environmental Policy, Trade and Environment.

Dr. Danilina is particularly interested in the Mediterranean region economic and environmental development. She has been conducting her research in France, Russia, the USA, the UK, and the Netherlands. She also has a vast experience in teaching a range of disciplines in Economics in France and Russia.

Email: danilina.vera@gmail.com

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Policy Responses to the Environmental Challenges of COVID-19 in the Southern Mediterranean Region in a Short- and Medium-run Perspective

by Vera Danilina

1. Summary

*The COVID-19 pandemic has caused an unprecedented shock in all areas of human activity. Although the pandemic is not over and a wide range of its impacts has not yet unfolded, governments are required to act promptly to diminish its negative consequences. This brief discloses several keystones of the short- and medium-run policy strategy to let the governments of the Southern Mediterranean countries^[1] **build back better** (WRI, OECD, 2020) after the coronavirus crisis, keeping current environmental challenges in sight.*

2. Introduction

The first confirmed COVID-19 case in the Southern Mediterranean countries was reported on February, 14th, 2020, by Egypt. Since then, the region that represents 3.2% of the world population has registered 911,875 cases accounting for 2.19% of total cases and 16,574 deaths accounting for 1.46% of total deaths from coronavirus in the world. Israel has been facing the most severe situation recording the highest deaths per 1 million of inhabitants ratio (249), that is 1.7 higher as the world average (145.9). Meanwhile, Egypt, the most populated country in the region (41%), has registered the highest number of deaths (37% in the region)^[2]. The data shows that, in general, the majority of governments have responded to the pandemic risk in a timely fashion (starting March 2020). Moreover, in the majority of cases, government response was relatively strict: according to the Oxford COVID-19 Government Response Tracker (OxCGRT), the average anti-epidemic policy stringency level in the region reaches 88.94 out of 100 varying from 81.48 in Israel to 100 in Jordan^[3]. Nonetheless, COVID-19 has triggered a range of heterogeneous processes that bring **both positive and negative environmental outcomes**.

Positive Outcomes. The immediate and the most obvious positive effect is the decrease of emissions, particularly, one can observe changes in the carbon dioxide CO₂ (a greenhouse gas) and nitrogen dioxide NO₂ (a gas produced when fossil fuels such as oil, gas, or diesel are burned) concentrations. Thus, the reduction of CO₂ in the atmosphere reached up to 40% at the peak of the confinement in individual countries. The world on average experienced the maximum global CO₂ decrease of 17.4% on April, 7th^[4]. In the Southern Mediterranean region the maximum fall in daily fossil emissions of CO₂ was attained starting the end of March until the end of

May depending on the country. The peak decrease reached -30% in Morocco, -29% in Israel, -27% in Algeria, -26% in Egypt^[5]. This decline was generally caused by the ceasing of surface transport activity (including cars, light vehicles, buses and trucks, national and international shipping). In Algeria, Egypt, and Morocco, an decrease in daily fossil CO₂ emissions coming from the residential sector (which mostly represents residential buildings) was observed (Le Quéré et al., 2020). Other positive environmental consequences are related, for example, to reduction in noise and waste due to traffic and migration decline.

Negative Outcomes. Economic slowdown and the subsequent recession are the most salient middle- and long-term negative effects of COVID-19 that could have environmental impact. The World Bank forecasts a 5.2% fall of the global economy in 2020, the deepest recession since the Second World War; while the Southern Mediterranean countries are expected to register a decline ranging from -3.5% in Jordan, -4% in Morocco and Tunisia up to -6.4% in Algeria and -10.9% in Lebanon. Egypt is an exception where a 3% growth is forecasted^[6]. According to the IMF World Economic Outlook (October 2020), world real GDP will decline up to -4.4%. Within the region the deepest fall is expected in Libya (-66.7%), Lebanon (-25%), and the Occupied Palestinian Territories (-12%). Morocco and Tunisia are forecasted to reach the -7% fall of the real GDP, Israel -5.9%, Algeria -5.5%, Jordan -5%, and only Egypt is expected to grow at 3.5%. The European Bank for Reconstruction and Development (EBRD) forecasts the contraction of the output in the Southern and Eastern Mediterranean region by 1.3% in 2020 as a result of containment measures, a drop in tourism, falling external demand and a slowdown in foreign direct investment inflows (EBRD, 2020).

The heterogeneity of socio-economic development in the region highlights sharp differences in the severity of COVID-19 consequences across countries. Thus, the IMF points out Libya and Lebanon as the major victims of the pandemic. Lebanon is likely to contract even more sharply due to the economic and political consequences of the explosion in Beirut in August 2020. At the same time, Egypt is expected to escape the recession thanks to large public construction projects and the telecommunication sector growth. Economic recession also brings about income decline, that, in its turn diminishes the tax payments and deepens public deficit that has already increased due to immediate anti-pandemic spendings. Moreover, according to the United Nations Economic and Social Commission for Western Asia (ESCWA), COVID-19 will push a further 8.3 million people in the Arab region into poverty. That, in its turn, could raise the number of undernourished people by 2 million. The pandemic also affects international integration bringing about the threat of deglobalisation. Thus, WTO reports a 2.7% decline in the merchandise trade volume in the first quarter of 2020. In some Southern Mediterranean countries the drop in international trade is unprecedentedly high: for example, in the first quarter of 2020 Morocco and Israel lost 14% of the total merchandise exports volume. Meanwhile, the trade volume of Egypt has increased by 12%. In the second quarter world merchandise trade fell 14% in volume and 21% in value (WTO, 2020).

3. Approaches and Results

In order to analyse the current position and to propose a policy strategy for the Southern Mediterranean countries in the face of the coronavirus and environmental challenges, the research founding this Brief applies SWOT/TOWS approaches. First, it discloses the main economic and environmental characteristics of the region (its Strengths and Weaknesses), and then Opportunities and Threats for economic and environmental development generated by the COVID-19 pandemic. The second stage analyses the four following matches. The first match is related to the strengths of the region that can be reinforced by the opportunities of the pandemic. The second match shows the importance of the strengths of the region that can help the countries to fight the pandemic in the most efficient way. The third match focuses on the region weaknesses that prevent the governments to benefit from the opportunities of the pandemic. Finally, the fourth match covers the most dangerous cases when the region is exposed the most to the pandemic threats due to the

weaknesses of its development. Finally, the analysis allows to clear up the design of the most appropriate short- and middle-run policy instruments.

• Key Strengths of the region

– After the decline of 2017, the GDP has started to recover reaching the annual growth of 5.6% in Egypt, 3.5% in Israel, and 2% in Jordan (World Bank, 2020). Accordingly, one can observe the economic potential of some countries of the region to grow.

– Before the pandemic crisis, such countries of the region as Algeria, Egypt, Israel, Lebanon reported an increase or a stable inflow path of FDI compared to 2017 (UNCTAD, 2020). Even taking into account political instability and low quality institutions, the region is capable of attracting international investments.

– Despite its heterogeneity, the region in general makes significant steps towards sustainable development. Thus, the International Trade Center (ITC) reports a sufficient number of applied sustainability standards and national eco-labelling programmes (for example, Green Star Hotel in Egypt, Green Label: Israel, and Tunisia Eco-label). Also, in Tunisia green public procurement systems are strongly encouraged.

• Key Weaknesses of the region

– Salient ecological threats: the ecological footprint of the region exceeds its biocapacity on average by 2.3 times with the maximum of 16.3 times in Israel and the minimum of 0.9 in Algeria^[7]. Moreover, the Mediterranean basin is one of the 36 world biodiversity hotspots, a biogeographic region that is irreplaceable due to many endemic plants that are threatened by human activity^[8]. Such threats as land degradation, desertification, and biodiversity loss should be taken into account.

– Lack of access to safe WASH - safe drinking-water, sanitation and hygiene - that results in relatively high mortality rate attributed to exposure to unsafe WASH services per 100 000 population: from 0.2 in Israel to 3.7 in Syria (World Health Organisation, 2016).

– Moderate environmental concerns: only 37.4% of respondents in the region consider environmental growth as more important in comparison with economic growth (54.6%)^[9].

– Social-economic heterogeneity of the region: the data shows economic decline in Algeria (GDP growth has dropped from 1.4% in 2018 to 0.8% in 2019), Libya (15.1% in 2018 to 2.5% in 2019), Lebanon (-1.9% in 2018 to -5.6% in 2019), Morocco (3.0 in 2018 to 2.3 in 2019), Tunisia (from 2.7% in 2018 to 1.0% in 2019)^[10]. The importance of such issues as poverty, women empowerment, opportunities for youth, health system underdevelopment as well as social and political instability should also be taken into account.

– Environmental policy heterogeneity of the region: according to the Environmental Performance Index (EPI), Southern Mediterranean countries reach at maximum rank 29 (Israel) and at minimum - rank 100 (out of 180) (Morocco)^[11].

• Key Opportunities of the COVID-19 pandemic

– Sudden reduction in some types of negative environmental impacts such as local air pollution and greenhouse emissions.

– Economic crisis can be seen as a facilitator of the less efficient technologies decline opening the way for innovations.

– Growing role of the government in confronting the sanitary crises and restarting economic engines.

– Changes in consumers eco-mentality. First of all, the pandemic has disclosed the vulnerability of the society that is increasing with environmental degradation and the importance of environmental health^[12]. Moreover, the period of confinement corresponds to local temporary air quality improvement that might change the ecological requirements of consumers. Finally, the restrictions which demanded people to stay at home might increase the needs for higher environmental quality of life.

• Key Threats of the COVID-19 pandemic

– Sudden reduction in economic activities that leads to economic recession and income decline.

– Public debt growth and increasing pressure on public resources due to socio-economic problems sharpening.

- Growing role of the government that can strengthen the authoritarianism, corruption and lobbying power of state-owned firms increase in the vulnerable societies.
- Deglobalisation that implies international trade slowdown, lower migration, and FDI decline. It is also related to the redesign of the global value chains (GVC).

Mapping the internally- and externally-related characteristics

• Strengths/Opportunities

The pre-pandemic positive economic trends can get reinforced under the corresponding government regulation who can use the opportunities of the crisis to introduce new and more efficient technologies. One of the key elements is the existing sustainable development background and the possibility of growth in the eco-preferences of consumers, that could foster an environmentally-friendly technologies implementation. Following the path towards international economic openness, the region can maintain access to the green technologies of its trade partners that can be implemented 'in-house' to accelerate the way towards sustainable development goals.

• Strengths/Threats

The key confrontation lies in the relative power of after-pandemic deglobalisation and previous initiatives of FDI increase and economic growth. Threats are challenging: possible inefficiency of public policy, growing public debt, and economic recession can be powerful enough to take over, thus, the appropriate public policy is of key importance. Moreover, lower incomes can demotivate consumers to "go green" when the eco-friendly options are more expensive or less available. Thus, the policy should also target micro-decisions to build a solid support for a national-wide sustainable development. It is necessary to mention that deglobalisation, despite its negative outcomes related to the underuse of national comparative advantages, might also bring some middle-term boosting effect to local production and regional integration. Meanwhile, "going local" policies should be conducted carefully to avoid the encouragement of inefficient or/and eco-unfriendly local production processes. Moreover, in a long-term perspective, the recovery of the open globalised world is of key importance for the future development of all economies.

• Weaknesses/Opportunities

The key fight is between modest eco-concerns, on one hand, and salient ecological threats combined with eco-mentality change, on the other. If the latter wins, COVID-19 can become a unique opportunity to boost the eco-concerns in the society to support the sustainable transformation of the whole economic system. Meanwhile, the heterogeneity of the region development and the importance of social and socio-economic problems together with political instability may be a refraining obstacle.

• Weaknesses/Threats

The most pessimistic scenario corresponds to the case when the economic crisis takes over strengthening corruption and aggravating existing socio-economic problems. Lack of resources can cease any environmental activities, worsening the ecological situation, and diminishing eco-concerns in the society. Moreover, a range of existing ecological problems such as lack of access to safe WASH - safe drinking-water, sanitation and hygiene - could create a corresponding vicious circle: they have accentuated the impact of the pandemic, while the pandemic in its turn has aggravate their importance. This scenario is related to the most undesirable future when the countries could stagnate and approach an ecological disaster.

4. Conclusion

Current research is based on the well-developed SWOT/TOWS analysis techniques that allow to shed some light on the environmental policy strategy of the Southern Mediterranean countries facing the COVID-19 crisis. The analysis shows that, along with the enormous damage to socio-economic development, the pandemic

opens some opportunities for environmental strategy improvements. Meanwhile, to put this strategy into action, corresponding public policy steps are required. At the same time, they can also trigger further changes in the strategies of firms and consumers, amplifying the positive outcomes of the initial government efforts.

Let us narrow these general policy recommendations for the Southern Mediterranean region, disclosing the most appropriate environmental policy instruments in times of pandemic and in a post-pandemic short- and middle-run period.

5. Implications and Recommendations

The current analysis reveals the necessity for appropriate public policy to overcome the negative consequences of the pandemic and to meet the challenges of the post-coronavirus world. An efficient national strategy could be based on the four following pillars:

1. First of all, **support towards successful exporting companies and long-term investments should be provided**. This support should be well targeted so as to keep the scarce resources available for a large spectrum of socio-economic programmes. The priority should be given to industries where the country has a revealed comparative advantage and to the greenfield investors whose production process is based on modern environmentally-friendly technologies.

2. The second pillar is related to **sound environmentally-friendly public policy**. The origins and the consequences of the sanitary crisis can bring countries to a much higher level of eco-concerns that, in their turn, will support green technologies and green products on the market. Among a range of possible instruments, such means as **green public procurement and tax exemptions for green companies can be introduced**. These instruments allow channeling public resources to the environmentally-friendly industries allowing them to develop and to get ready for the post-pandemic economic boom.

3. The third pillar corresponds to the **SMEs and local value chains development**. The recovery of the economic system should be done with a wide support towards national entrepreneurship. The worldwide lockdown has led to lower market competition that can be an opportunity for national investors. Meanwhile, government support should be directed predominantly to sustainable technologies in order to help small- and medium enterprises who have suffered the most from the economic lockdown.

4. Finally, despite growing public deficits and socio-economic problems, countries should not cease current **environmentally-friendly programmes that follow the path to sustainable development goals**.

One could mention the following examples.

- In Algeria the government has demanded at least 50% of the staff of each institution and public administration to be placed on exceptional paid leave. Meanwhile, personnel coming from the phytosanitary authority as well as the staff assigned to hygiene and cleaning missions has been excluded from this measure to guarantee the continuity of vital public services.

- The government in Morocco has provided liquidity support to SMEs and micro-enterprises continuing to operate during the epidemic. Moreover, the national recovery plan "Le Pacte pour la relance économique et l'emploi" signed in August 2020 provides enterprises (with a special focus on VSEs) with optimal financing conditions to restart or strengthen their development. The programme is specially targeted to a range of industries including Green economy. Particularly, it enforces the transition to renewable energy and the development of the environmentally-friendly water policy, accelerates the digitalisation of the economy, adapts the tourism sector to make it grow and follow the path of sustainable land use and preserving biodiversity.

- The national plan in Israel ensures grants for the self-employed and for SMEs. Among the environ-

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mentally friendly measures, the government focuses on greening the building sector, increasing solar energy production and energy storage, digitalisation of the economy, developing mass public transportation in order to reduce the use of private vehicles, expansion of waste management and circular economy approaches. On the other hand, the Ministry of Environmental Protection in Israel has deferred a range of necessary environmental reports and financial deposits.

The core of public policy should rely on the concept of intergenerational justice: ceasing the fight against climate change in order to overcome the COVID-19 crisis faster would bring the region to a low-level development path that would hurt future generations, forcing them to deal with ecological damages some of which might be too late to heal. This is of crucial importance for the Southern Mediterranean region where 31% of the population is composed of children and teenagers (0-14 y.o.) (World Bank, 2020).

Notes

[1] The countries considered in the this study are Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Libya, Syria, the Occupied Palestinian Territory, and Tunisia.

[2] All the indicators are based on the data retrieved from <https://www.worldometers.info/> 22.10.2020.

[3] See the Coronavirus Government Response Tracker by Blavatnik School of Government at the University of Oxford <https://www.bsg.ox.ac.uk/research/research-projects/coronavirus-government-response-tracker>.

[4] The data is retrieved from <https://www.globalcarbonproject.org/>, 25.06.2020.

[5] The data on individual countries has been retrieved from <https://mattwjones.co.uk/> 26.06.2020.

[6] The data is retrieved from the World Bank Global Economic Prospects database <https://databank.worldbank.org/source/global-economic-prospects>, 22.10.2020.

[7] Data for 2016 retrieved from <https://www.footprintnetwork.org/> 22.10.2020.

[8] Conservation International <https://www.conservation.org/priorities/biodiversity-hotspots>.

[9] Calculations are based on the data retrieved from <http://www.worldvaluessurvey.org/> 22.10.2020.

[10] The World Bank Database, the data retrieved on 22.10.2020.

[11] Retrieved from <http://epi.yale.edu/> 22.10.2020.

[12] "Environmental health addresses all the physical, chemical, and biological factors external to a person, and all the related factors impacting behaviours. It encompasses the assessment and control of those environmental factors that can potentially affect health. It is targeted towards preventing disease and creating health-supportive environments". (WHO,2020)

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The recent coronavirus crisis threatens the health, economies and societies of all countries, regardless of level of development. In the South Mediterranean countries the fight against the pandemic is even more complicated. It must be done with limited health and economic resources compared to other regions. In addition, it takes place in a unique social and geopolitical context.

Cooperation and EU-Med strategies in key sectors are needed. Therefore, CMI and FEMISE have decided to join forces and launch this series of Policy Briefs to pave the way for thematic analyses and prescriptions, which will be explored throughout this series.



FEMISE

CMCI

2, rue Henri Barbusse
13241 Marseille Cedex 01
Téléphone : (33) 04 91 31 51 95
Fax : (33) 04 91 31 50 38
www.femise.org
Twitter: @femisenetwork



CENTER for MEDITERRANEAN
INTEGRATION | CENTRE pour
l'INTÉGRATION en MÉDITERRANÉE
مركز التكامل المتوسطي

Center for Mediterranean Integration (CMI)

2bis Boulevard Euromediterranée
Quai d'Arenc, 13002
Marseille
Téléphone : (33) 04 91 99 24 89
www.cmimarseille.org
Twitter: @cmimarseille

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