Building Urban Economic Resilience during and after COVID-19
#urbaneconomicresilience

Policy advocacy for building urban economic resilience during and after COVID-19 in the Arab region

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Policy advocacy for building urban economic resilience during and after COVID-19 in the Arab region

UNITED NATIONS
Beirut

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Key messages

Building urban economic resilience necessitates achieving the resilience of the local business environment, the labour market conditions, the financial environment, economic governance, and infrastcruture.

Conflict and the need to rebuild Arab cities are at the forefront of the **challenges** facing **urban development.**

The availability of reliable and comparable urban data is central for evidence-based decision making leading to achieving sustainable urban development and the ability to **anticipate and recover from shocks.**

Addressing the **lack of decentralized municipal financing** for building, maintaining, and modernizing infrastructure in a smart and orderly manner, coupled with the insufficient capacity of local governments **is central to implementing urban development policies and building urban economic resilience.**

Diversifying the **local economy** and **building investment hubs** within municipalities to identify business and investment opportunities within the city **is key to improving the resilience of the local business environment** and **achieving urban economic resilience.**

Building resilience of the local labour market necessitates ensuring **diversity**, **enhancing female labour** participation and **designing strategies for educational and training reforms.**

Strengthening the capacities of local governments and **establishing institutional mechanisms aimed at** attracting funding **addressing local development initiatives including financing small and medium enterprises** as they represent an important source of job creation and economic diversification.

Encouraging the inclusion of local development relevant **stakeholders** in local economic governance processes **leading to development of inclusive local economic and social policies.**

Arab countries are seeking digital transformation to increasing their ability to withstand future shocks and **challenges** at varying pace. According to the Arab Digital Economy Index , out of the Arab Countries:

23% can **adapt quickly** and are **extremely resilient** in moving forward towards modern applications.

32% have **sufficient infrastructure and knowledge** to move forward in the medium term, within a period ranging **from two to four years.**

45% **need access to Internet services and cyber security** and must develop strategic plans for transformation and the digital economy to complete the basic communication infrastructure needed for building urban economic resilience.

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Abbreviations

COVID-19	coronavirus disease
DPT	diagnostic and planning tool
ESCWA	Economic and Social Commission for Western Asia
GCC	Gulf Cooperation Council
GDP	gross domestic product
SDGs	Sustainable Development Goals
SMEs	small and medium-sized enterprises
UNCDF	United Nations Capital Development Fund
UN-Habitat	United Nations Human Settlements Programme

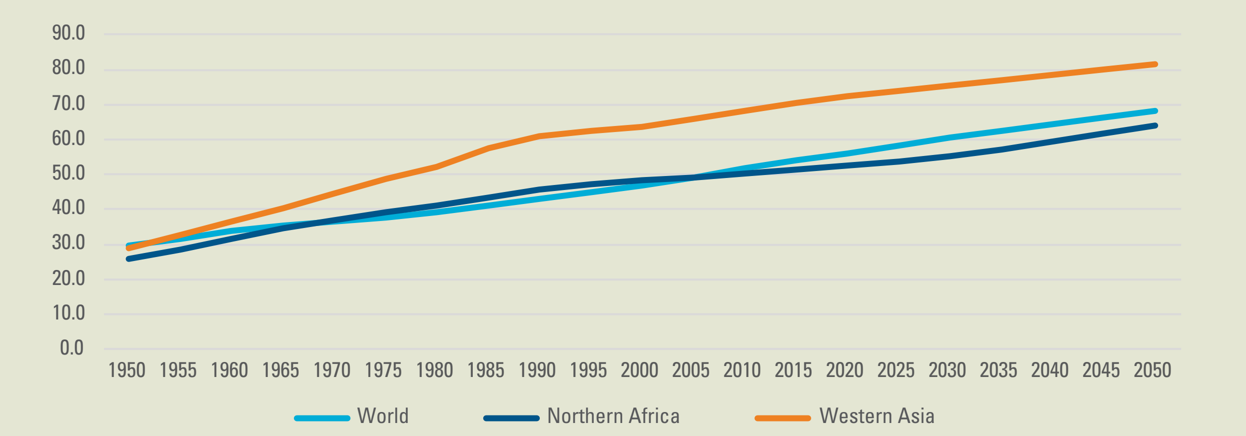
Introduction

In 2019, over half of the population in the Arab region and in the world lived in cities, and that percentage is expected to increase to over 68 per cent by 2050.[1] Attention must therefore be devoted to sustainability and resilience. Urban resilience emerged as a paradigm that responds to the shocks and stresses resulting from rapid social, economic, environmental, technological and demographic changes affecting one or multiple urban systems at a time. City systems include urban transport, food networks, health-care services, air quality, energy grids and government services, among others.[2] Cities require a resilient, sustainable operating model that can meet the needs of urban residents. Solutions should be economically viable, socially inclusive, environmentally resilient and sustainable. In other words, they should be financially self-sustaining, protect current resources for future generations and ensure that access to benefits and services is equitable across population segments without discrimination. Recognizing the central role of resilience in achieving sustainable development, the 2030 Agenda for Sustainable Development focuses on resilience in various targets of the Sustainable Development Goals (SDGs), including Goal 11 to make cities and human settlements inclusive, safe, resilient, and sustainable, which also aligns with the Sendai Framework for Disaster Risk Reduction 2015-2030. Furthermore, the New Urban Agenda places resilience at the centre of urban development.

Urban resilience is "the measurable ability of any urban system, with its inhabitants, to maintain continuity through all shocks and stresses, while positively adapting and transforming toward sustainability".[3] It has become essential to achieving sustainable development, given the increasing urbanization rate around the world and in the Arab region in particular. In fact, the latter has witnessed accelerated urbanization in recent decades, which has increased the vulnerability of the development ecosystem (figure 1).

The coronavirus disease (COVID-19) pandemic further worsened this situation by reversing numerous socioeconomic development achievements in the region. The United Nations raised the alarm about the shocking socioeconomic impact of the COVID-19 pandemic around the world, including in the Arab region.

Figure 1. Urbanization trends in the Arab region, 1950-2050



Source: United Nations Department of Economic and Social Affairs (2022). UNDESA databases. Available at www.un.org/en/desa/products/un-desa-databases. Accessed on 15 June 2021.

It noted that smart investments in economic, societal and climate resilience constitute the sole means by which the global economy can recover sustainably, thereby preventing lasting repercussions from the pandemic.

In 2019, at a high-level conference on preparedness for public health emergencies in urban settings convened by the World Health Organization, Member States recognized the critical role of local governments, which are at the forefront of multisectoral coordination in emergency preparedness and response, and committed to advancing multi-scale and multisectoral collaboration at the local, national, regional and international levels to mitigate public health risks in an increasingly urban world. In the 2015 Addis Ababa Action Agenda of the Third International Conference on Financing for Development, States emphasized sustainable urbanization and recognized the important role of cities and local authorities in implementing resilient and environmentally sound infrastructure. They committed to supporting local governments in their efforts to mobilize revenues and to strengthening financial management and municipal bond markets in order to assist subnational authorities in financing necessary investments. Indeed, the COVID-19 crisis showed that local governments remain at the forefront of response and recovery efforts for any emergency, including public health emergencies. Given their proximity to their constituencies, local authorities are well positioned to lead responses to some immediate issues and, in doing so, have a better understanding of the needs and necessary measures. Such an approach also improves transparency and accountability. Furthermore, local authorities are better able to respond to local needs, including in coordination with community-based structures. Nevertheless, COVID-19 responses at the regional and international levels have failed to give sufficient consideration to the unique circumstances of urban areas and rarely integrate local authorities as primary responders. Lastly, Arab States are characterized by high degrees of centralization of power, which weakens local government.

As stated in A UN framework for the immediate socio-economic response to COVID-19: "Quarantines, travel restrictions and lockdown of cities have resulted in a significant reduction in aggregate demand … [and] disrupted labour markets and supply chains … resulting in increased layoffs and unemployment."[4] It is therefore necessary to build economic resilience. Economic resilience has generally been defined as countries' ability to recover from the effects of shocks or stresses, while vulnerability refers to an economy's exposure to those shocks.[5] The COVID-19 pandemic has exposed high levels of vulnerability and low levels of resilience in urban areas and among local governments in the face of crises. In the context of this paper, urban economic resilience is defined as "the capacity and related capabilities of urban communities to plan for and anticipate negative shocks, including long-term stresses, to their economies; allocate, reallocate and mobilize resources to withstand those shocks; recover from the shocks; and rebuild better, while placing their economies on the path to sustainable economic growth and simultaneously strengthening their capacity to deal with any future shocks".[6] This definition is introduced in Guiding Principles and Practices for Urban Economic Recovery and Resilience, developed as part of the Development Account global project "Building urban economic resilience during and after COVID-19".

This paper explores urban economic resilience and provides policy recommendations on building resilience during and after COVID-19 in the Arab region. Section 2 provides an overview of the global project "Building urban economic resilience during and after COVID-19", to which this paper belongs. Section 3 addresses economic and financial resilience in the Arab region in the context of the business environment, labour market conditions, the financial environment, economic governance and infrastructure and sheds light on related trends. Section 4 explores pathways to urban economic and financial resilience, with a focus on related challenges in the Arab region and resilience plans, and provides policy recommendations to address relevant gaps.

1. Project presentation

Project presentation

The remarkable economic and financial impacts of the COVID-19 pandemic on cities required an immediate response to withstand its effects on economies. Although trillions of dollars were spent to cope with the pandemic, 53 per cent of the world's population (4.1 billion people) has no income security, and only 47 per cent of people are covered effectively by at least one social protection benefit.[7] COVID-19 has revealed the extreme economic and financial vulnerability of cities and local governments around the world, without exception, although resilience varies across and within countries and regions. Accordingly, and in line with A UN framework for the immediate socio-economic response to COVID-19, ESCWA designed the project "Building urban economic resilience during and after COVID-19" together with the Economic Commissions for Europe, Africa, Latin America and the Caribbean, and Asia and the Pacific, as well as with the technical expertise of UN-Habitat and the United Nations Capital Development Fund (UNCDF).

The project began in July 2020 and will be completed by the first quarter of 2022. It is being implemented to strengthen local government capacities in 16 cities around the world, selected using a demand-driven approach, with a view to designing, implementing and monitoring sustainable, resilient and inclusive COVID-19 economic and financial responses, recovery and rebuilding plans. The cities participating in the project are Accra (Ghana), Alexandria (Egypt), Beirut (Lebanon), Bishkek (Kyrgyzstan), Guayaquil (Ecuador), Harare (Zimbabwe), Hoi An (Viet Nam), Kharkiv (Ukraine), Kuwait City (Kuwait), Lima (Peru), Pune (India), Santo Domingo (Dominican Republic), Subang Jaya (Malaysia), Suva (Fiji), Tirana (Albania) and Yaoundé (Cameroon). Among these cities, three are in the Arab region.

The project directly supports the implementation of the 2030 Agenda. By addressing urban economic and financial recovery and resilience-building in the context of COVID-19, this project will contribute directly to the achievement of Goals 1, 3, 5, 8, 10, 11 and 17. It is aligned with three of the five pillars of the United Nations approach to building back better, as defined in A UN framework for the immediate socio-economic response to COVID-19 (i.e. social cohesion and community resilience, protecting jobs and economic recovery, and macroeconomic response and multilateral cooperation). The project focuses on strengthening economic and financial capacities to mitigate impacts and recover from shocks and stresses while adapting and moving towards sustainability.

The project is guided by the concept of "leaving no one behind", which is the central transformative promise of the 2030 Agenda. This rights-based framework represents the unequivocal commitment of all States Members of the United Nations to eradicate poverty in all its forms, end discrimination and exclusion, and reduce inequalities and vulnerabilities, including with regard to the impacts of climate change and environmental degradation.[8] It is also guided by the human rights-based approach to development, which is a conceptual framework for sustainable development that is normatively based on international human rights standards and principles and operationally directed to promoting and protecting human rights.[9] This approach ensures that the use of data and statistics is consistent with international human rights norms and principles, including for participation, self-identification, transparency, privacy and accountability.

The project explores the cities' key challenges in relation to the impacts of the COVID-19 pandemic using assessment and capacity-building activities.

Kuwait City, Kuwait.

It is implemented using an inclusive approach that engages all relevant stakeholders in its activities, including data collection, analysis, validation and visioning for building urban economic resilience. The project acts as a forum to support cities in economic resilience planning, which includes support for developing inclusive economic and financial recovery and resilience plans at the city level and for identifying local economic stakeholders. It increases learning and knowledge-sharing on the topic at the local, national, regional and international levels by providing education opportunities and encouraging the exchange of good practices.

To achieve its objectives, the project seeks a series of key outcomes. The first is an increased understanding among local and national governments, the private sector, academia and civil society of the impacts of COVID-19 and the strategies and opportunities for urban economic recovery and resilience. This has been achieved by the development of an urban economic recovery and resilience diagnostic and planning tool (DPT) and an online training programme. In collaboration with UNCDF, each United Nations regional commission has delivered training workshops on the DPT in each of the project cities located in their region. Using the tool, each regional commission has collected and analysed data to produce an urban economic recovery and resilience diagnostic report for each project city. These city-specific reports have been individually validated through local workshops.

The second key outcome of the project is expanded participation in the economic resilience-building process by relevant local and national stakeholders in partner cities and countries, as well as strengthened technical capacity for local and national governments, the private sector, academia and civil society to participate in urban economic recovery and resilience planning. To achieve this outcome, the regional commissions have drafted economic recovery and resilience strategies for each project city. These strategies are then used to design economic and financial recovery and rebuilding plans in which actions, responsibilities and resources for improving resilience are adjusted to local needs and specificities. The regional commissions are also conducting local stakeholder visioning and scenario-planning workshops in each project city alongside local workshops on implementing these plans and building technical capacity.

The third key project outcome focuses on increased capacity regarding potential sources of finance for partner cities to implement economic recovery and resilience-building strategies. In that connection, information packages on sources of financial support are disseminated to each project city at a series of local workshops.

UNCDF is also delivering city financing packages designed as both a financing blueprint and as a tool for raising additional finance for critical investments in city recovery and resilience-building plans.

The fourth key project outcome is increased knowledge among local governments beyond the project cities of successful local economic recovery and resilience-building. To that end, a Global Compendium of Practices on Local Economic and Financial Recovery has been published by UN-Habitat in collaboration with ESCWA, all United Nations regional commissions and UNCDF. Each of the five regional commission is also publishing a regional policy briefs on urban economic recovery and resilience. In addition, UN-Habitat is delivering a global policy dialogue and paper on urban economic recovery and resilience. An e-learning course on urban economic and financial recovery and rebuilding is also being developed. By achieving these four key project outcomes, the overall objective of the project "Building urban economic resilience during and after COVID-19" will be realized.

2. Urban economic and financial resilience in the Arab region

Urban economic and financial resilience in the Arab region

The COVID-19 pandemic is not only a health crisis. It is a socioeconomic crisis that exposed serious vulnerabilities and fault lines in institutions, societies and economies around the globe, including in the Arab region. The pandemic's impact on development in the region is multidimensional. Broad lockdowns exerted extensive pressure on local, national, regional and international economies. In 2020, the world economy shrank by 4.3 per cent, and the regional economy by 4.8 per cent. In 2021, the global recovery was expected to be modest and estimated at approximately 4.7 per cent; however, a slower recovery pace was projected in the Arab region, at 3.8 per cent. The regional economic recovery will hinge on global factors, including energy demand, tourism and the recovery of domestic demand and fiscal support measures.[10]

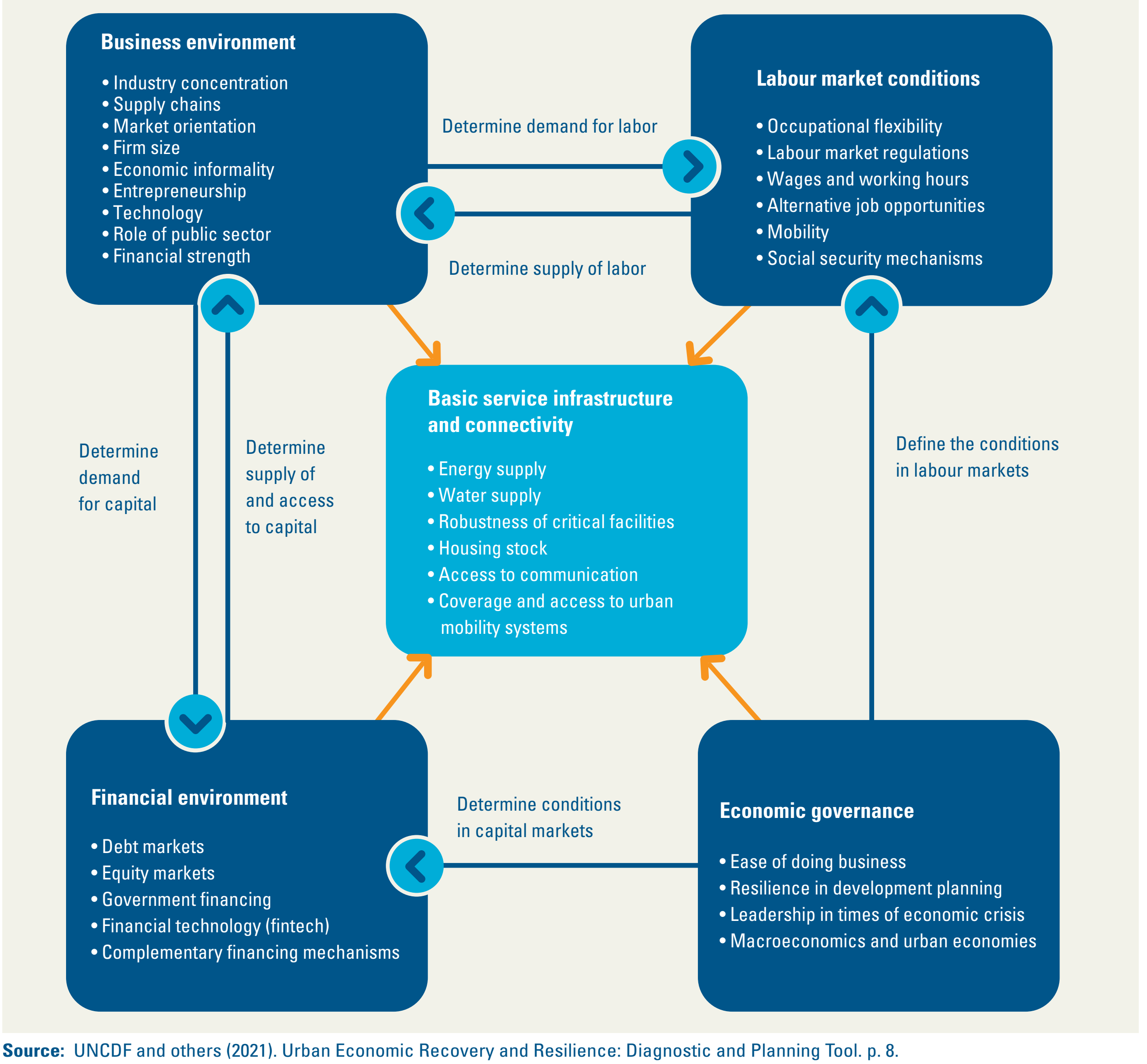
Measures established during the pandemic have affected the economic and financial status of Arab countries and resulted in a massive drop in their real gross domestic product (GDP). Between January and mid-March 2020, businesses in the Arab region lost $420 billion in market capital and nearly $11 billion in net oil revenues.[11] The International Monetary Fund databank indicates that all Arab countries, excluding Egypt, suffered from an excessive drop in real GDP growth in 2020, compared to 2019, owing to the impacts of the ongoing COVID-19 pandemic. The countries most affected are Iraq, Libya, Oman and the State of Palestine, in which GDP fell by 12.1 per cent, 66.7 per cent, 10 per cent and 12 per cent in 2020, respectively, compared to their 2019 growth rates of 4.4 per cent, 9.9 per cent, 0.8 per cent and 0.9 per cent, respectively.[12] In addition to this drop in real GDP and the existing challenges from unsustainable debt levels and low tax revenue, the pandemic has negatively affected the financial environment of countries in the region and further complicated economic and social investments. Indeed, the pandemic has clearly highlighted the need for economic resilience, particularly urban economic resilience, since cities are major centres of economic activity.

To assess cities' performance with respect to urban economic resilience and assist them in identifying related strengths and weaknesses and developing an evidence-based recovery plan, the project provides guiding principles and a conceptual definition. It captures urban economic resilience through five main dimensions: the business environment, economic governance, labour market conditions, the financial environment and basic infrastructure and connectivity. The business environment and economic governance refer to urban systems and describe the conditions for business operations (both public and private), the structure of local economies and the rules and regulations that govern business activities. Labour market conditions and the financial environment refer to factor markets (labour and capital, respectively). Basic infrastructure and connectivity lie at the centre of the project, as city systems cannot function without having some basic infrastructure in place. Figure 2 provides more details on these dimensions.

In the context of the project, the DPT was developed to help cities understand the strengths and weaknesses of their institutional and operating arrangements in terms of economic recovery and resilience-building. It also assesses the structure and functioning of city economies in order to provide a clear understanding of the economic performance and standing of each city and how this defines vulnerability and resilience.[13] The tool is also intended to define a process for the design and implementation of recovery plans and strategies to address identified gaps, accelerate recovery and improve longer-term resilience. The DPT examines the challenge facing resilience-building from the perspective of economic shocks that are triggered by global developments beyond the control of city governments and even national Governments. In the current situation, these shocks are characterized by falling business activities and investment, rising unemployment, diminished household incomes and shrinking consumer demand against a backdrop of disrupted global and regional supply chains. The structure and key products of the DTP are explained in figure 3.

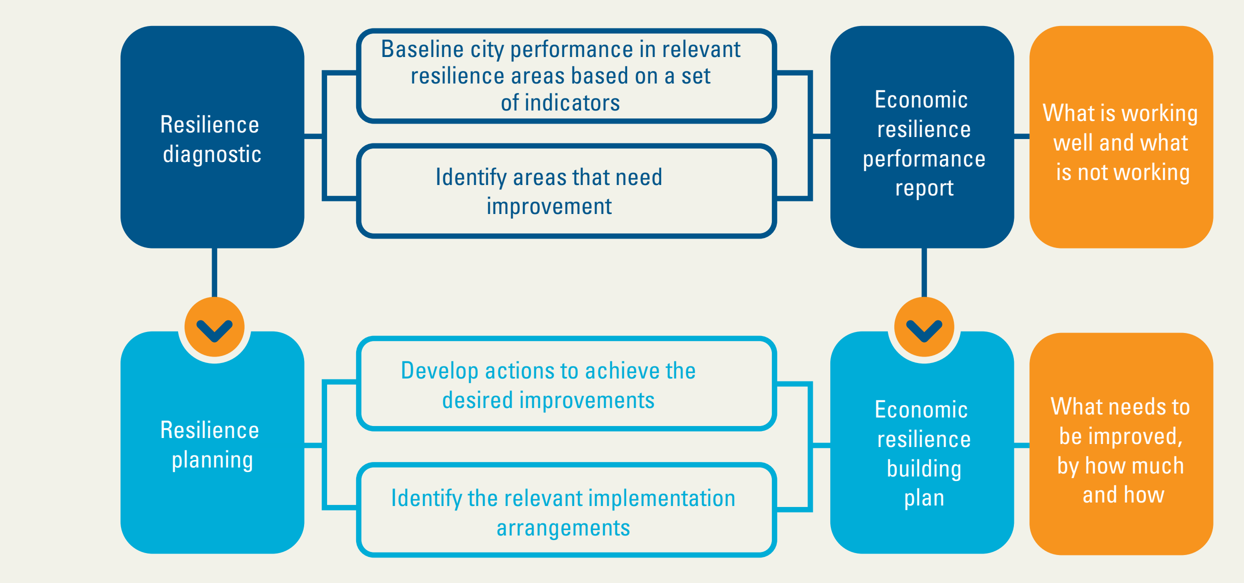
The DPT consists of 5 resilience areas and 17 resilience performance indicators designed to measure performance and suggest areas for improvement. It is envisaged as a developing and living instrument that can be adapted and adjusted to local conditions. City governments can use this self-assessment tool to inform and facilitate planning for recovery and longer-term resilience-building. The DPT uses a system of qualitative and quantitative indicators (including composite indicators and indices, where necessary) divided into several resilience performance indicators and constituent dimensions under each resilience area. The objective is to assist partner cities

Figure 2. Conceptual framework of urban economic resilience



Source: UNCDF and others (2021). Urban Economic Recovery and Resilience: Diagnostic and Planning Tool. p. 8.

Figure 3. Structure and products of the diagnostic and planning tool for building urban economic recovery and resilience



Source: UNCDF and others (2021). Urban Economic Recovery and Resilience: Diagnostic and Planning Tool. p. 3.

in forming a holistic picture of their resilience challenges. Performance under each indicator, whether quantitative or qualitative, is graded from A to F (maximum contribution to no contribution to resilience). More information on the tool's design is presented in the annex.

This paper captures the results of the project's implementation in three cities in the Arab region, particularly the cities' performance in terms of urban economic resilience as measured by the DPT. While each city implementing the project received a detailed performance report, this policy paper expands that analysis to the regional level, explores challenges and gaps and proposes related policy recommendations and actions for urban economic resilience planning in the Arab region.

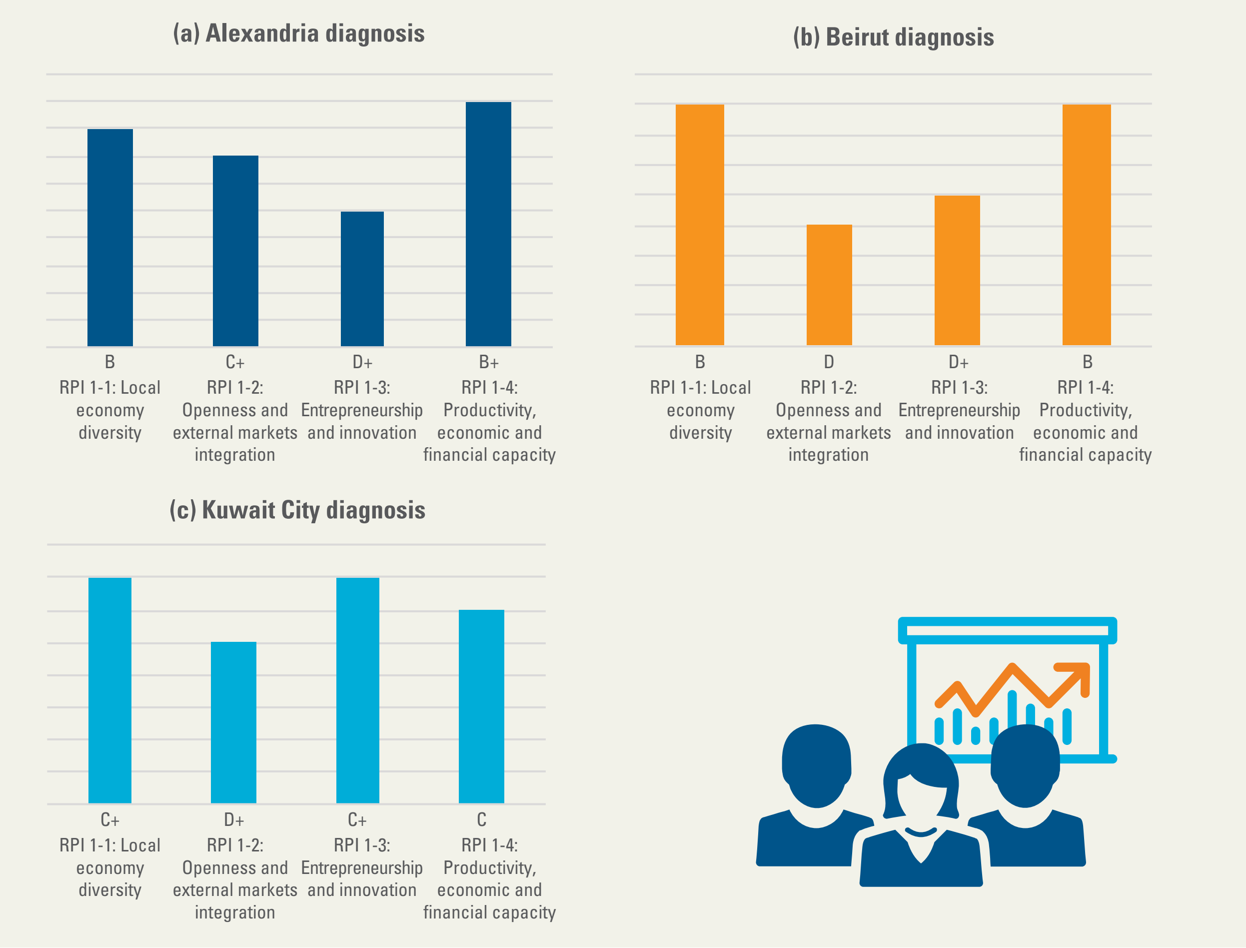
A. Business environment

A country's ability to attract, sustain and raise investments is determined by its business environment and investment climate. Some Arab countries rank among the top 100 countries according to the Doing Business indicators, which include starting a business, securing credit and protecting investors.[14] The United Arab Emirates has the most conducive business environment, ranked eleventh worldwide in 2019. Seventeen Arab countries were ranked sixtieth or below. Iraq, Libya, Somalia, the Syrian Arab Republic and Yemen are among the most difficult countries in which to do business.[15] To improve this situation, regulatory bodies responsible for the business environment should promote foreign and domestic investment; develop supportive investment policies; and support the provision of accessible, standardized and developed services for investors in an environment that is well suited for business.

The Arab region suffers from two significant gaps affecting its business environment, namely a gap in access to credit and a gender gap in terms of access to formal financial services. The gap in access to credit is particularly challenging for small and medium-sized enterprises (SMEs). They constitute around 96 per cent of registered companies and provide approximately half of the employment opportunities but account for only 7 per cent of total bank lending. Nearly 70 per cent of adults on average do not have a bank account. This figure exceeds 80 per cent in the region's developing countries, thereby constituting the largest area of exclusion from formal financial services in the world. Similarly, access to formal credit is less than half the global average.[16] Certain countries in the region have made progress in this regard, owing to targeted policies supported by central banks. For example, the proportion of small-scale industries with a loan or line of credit is 48 per cent in Morocco, 40 per cent in Tunisia and 38 per cent in Lebanon.[17] Despite this progress, access to financial services such as equity and financial technology (fintech) remains limited. Although venture capital in the Arab region is growing, it continues to exclude financing for SMEs. Furthermore, ongoing conflicts are likely to affect business confidence and the inflow of foreign direct investments.

The resilience of the local business environment in both the public and private sectors (resilience area 1 in the DTP) is defined as the capacity to adjust economic activities and business models in response to changing supply and demand. According to the DPT (see the annex), this capacity depends on three primary factors: local economy

Figure 4. Resilience of the business environment



Source: Author.
Abbreviation: RPI, resilience performance indicator.


Alexandria, Egypt.

diversity, openness and external markets integration outside the region (both national and international) and its capacity for entrepreneurship and innovation. The results of the DPT for Alexandria, Beirut and Kuwait City are depicted in figure 4.

According to the results, Alexandria's urban economy is characterized by a high degree of diversification, reflecting the broad base of economic activities led primarily by the manufacturing sector. The public sector is large to medium and plays a slightly important role. The city's economy is structured similarly to the national economy and is not significantly dependent on external markets for its economic activities. In addition, the impact of COVID-19 varied among sectors, but the effect was concentrated in three or four sectors.

In terms of entrepreneurship and innovation, data collected through the DPT showed that new business creation as a share of existing businesses is low and decelerating. The assessment showed a relatively weak mobile network infrastructure and low internet access. There is a small ecosystem for innovation support with very few financial and technical facilities operational for supporting innovations at some stages of the life cycle. In terms of productivity economic and financial capacity, Alexandria enjoys slightly higher productivity than the national average. Its businesses have access to electricity, and commercial credit is available to SMEs, with a spread between the average commercial lending rate and the SME lending rate. The COVID-19 pandemic caused businesses to shut down temporarily, but most resumed operations after the partial lockdown ended.

The performance diagnosis in Beirut showed that the city has a moderate-to-weak performance on the various indicators for business environment resilience. The city has strong-to-moderate local economy diversity and weak openness and external markets integration, based on the 2019 export-to-import ratio.[18] In other words, Beirut is significantly dependant on external markets for its economic activities. It is also characterized by weak entrepreneurship and innovation and moderate productivity, economic and financial capacity. Beirut has a low sector concentration, a relatively low level of informality in its economy and a medium-to-small public sector.

On the issue of entrepreneurship and innovation, according to the Groupe Speciale Mobile Association mobile connectivity index, Internet access in Beirut is medium to low and the mobile network coverage is patchy, not fast enough and not very reliable.[19] In addition, the city has a small ecosystem for innovation support with very few financial and technical facilities operational for supporting innovations at some stages of the life cycle.

In terms of productivity, economic and financial capacity, the performance assessment showed that business productivity in Beirut is at the same level as national productivity. During the period of data collection, which ended in the first quarter of 2021, businesses had universal access to electricity via a combination of access to the public electric grid and privately operated backup generators; however, auxiliary access to electric power from backup generators has been strained recently as a result of the energy crisis currently affecting diesel and gasoline imports to Lebanon.[20]

The performance diagnosis in Kuwait City showed that the city has predominantly moderate performances in various business environment indicators. It has a moderate level of local economy diversity; weak openness and external markets integration; moderate entrepreneurship and innovation; and moderate productivity, economic and financial capacity. The performance diagnosis reveals that Kuwait has a very high sector concentration. The informal economy makes up a small portion of the total economy, and the public sector is very large in relation to the total economy.

In addition, the impact of COVID-19 varied among sectors. Kuwait City's economy is structured similarly to the national economy. As a result, local industrial and employment quotients should be very similar to city and national levels. The diagnosis also noted a very significant dependence on external markets for economic activities.

On the issue of entrepreneurship and innovation, data collected through the DPT showed that the ratio of new business creations as a share of existing businesses is medium to low and unstable during the crisis. The number of fintech and e-commerce companies is relatively small. The city enjoys a high level of Internet access and nearly universal mobile network coverage. There is a medium-sized ecosystem for innovation support with some financial and technical facilities operational for supporting innovations at different stages of the life cycle. In terms of productivity, economic and financial capacity, there are no significant differences between the State economy and that of Kuwait City. Businesses have universal access to electricity via the grid connection and affordable finance; however, commercial credit to SMEs is not readily available and the spread is small. The COVID-19 pandemic affected over 30 per cent of the business environment.

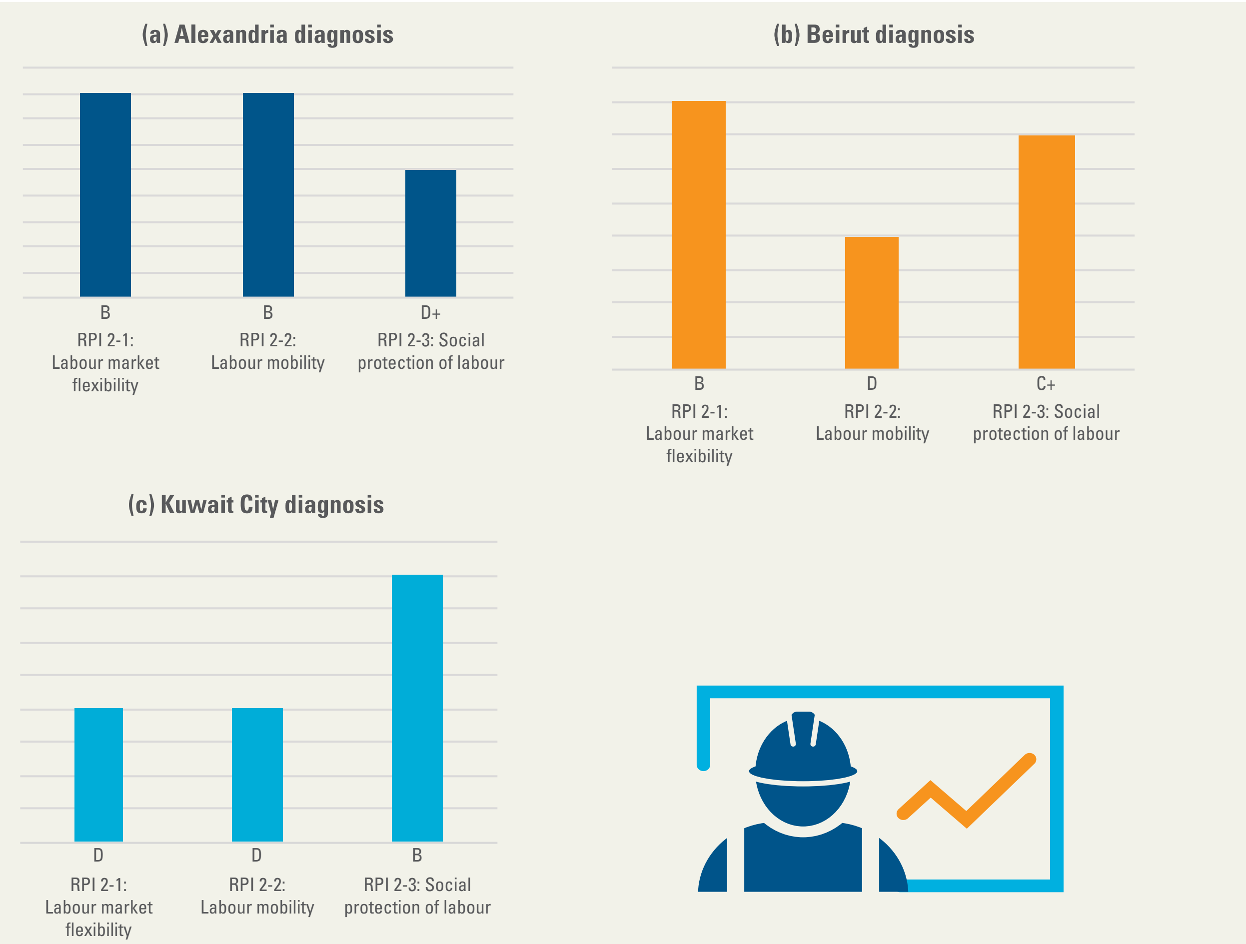
B. Labour market conditions

The COVID-19 pandemic induced a labour market crisis. As governments began imposing social distancing and lockdown measures and instructed non-essential businesses to close to contain the spread of the pandemic, significant uncertainty about the effects of these measures on lives and livelihoods began to surface. While demand increased for products and services in sectors such as food and beverage, health and telecommunications, demand decreased tremendously for services other sectors such as air transport and tourism. In parallel, many sectors began to experience issues on the supply side.

The public health measures, including quarantine and lockdown, therefore induced both supply and demand shocks.

As defined by the Arab Labour Organization, a supply shock is the increase in the supply of various kinds of labour when a group of institutions operating within the labour market in various economic activities dispenses with workers.[21] A demand shock refers to the sharp decline in demand for labour in specific or multiple fields because of a severe economic crisis, according to the movement of economic activities in the labour market. These supply and demand shocks were notable in the Arab region during the pandemic. Many workers were laid off, and the productive sectors were severely affected as COVID-19 began to emerge. Nevertheless, the dependence of several economic activities on external supplies, including supplies from China, within the global supply chain strongly contributed to the total or partial closure of economic institutions, layoffs and reduced wages. In 2021, unemployment in the Arab region accounted for approximately two thirds of the global unemployment rate. Women and youth are two of the most vulnerable groups affected by extremely high unemployment rates in the region.[22] The economic fallout of the pandemic is affecting women more than men owing to their presence in the most affected sectors. Moreover, informal sector constitutes the largest share of the labour market and requires consideration. It is estimated that 68.6 per cent of all employment in Arab countries is informal and 67.3 per cent of informal workers are located in North Africa.[23] Studies and statistics show that the informal sector has been particularly impacted by the COVID-19 pandemic. Furthermore, Arab women's economic participation is the lowest in the world, at 25 per cent, and over 39 per cent of young women in the Arab region are unemployed. Women make up 62 per cent of the informal labour force working in agriculture and other sectors, with no job security or health insurance.[24] In addition, 85 per cent of Arab youth of working age are employed in the informal sector with little or no basic services.[25]

Figure 5. Resilience of the labour market



Source: Author.

On average, young people and low-skilled workers have been severely impacted in advanced and emerging markets and developing economies. Women in emerging markets and developing economies have seen a slightly higher rise in unemployment and a larger drop in participation than men, while there is little difference in average unemployment across genders in advanced economies.[26]

Wages are a core indicator of labour market conditions. Wages in Arab cities differ according to the nature of the profession, the sector or the worker's gender. Wage discrepancy does not depend solely on differences in legislative systems, but also on differences in the quality of economic activity between and within commodity production and service activities. In many Arab countries, for example, wages in extractive industry sectors are generally high, and wages in the construction and electricity sectors are higher than in many other commodity sectors.[27] Similarly, wages in sectors generating foreign exchange are often notably higher than those in other service sectors, such as information and communications technology. The disparity in wages also occurs according to geographical location, between rural and urban areas and among regions. Urban areas have struggled in this regard. They include a large segment of the female labour force and represent most of the workers in sectors most impacted by the pandemic, such as the health and manufacturing sectors. These workers also face an increased risk of infection from the virus. The closure of factories and the relative halt in production, along with the suspension of international trade, led to a decrease in wages, especially for low-skilled labour groups.

The resilience of the labour market (resilience area 2) is understood as "the capacity of the labour market to reallocate resources and adjust employment patterns and behaviours in response to internal and external shocks".[28] The results of the DPT with regard to these factors are depicted in figure 5 for Alexandria, Beirut and Kuwait City.

The results showed that Alexandria has a high degree of employment diversity and a lower employment-to-population ratio than the national average. Data indicated that COVID-19-induced unemployment was low to moderate. On the availability of worker retraining programmes, the diagnosis highlighted many training and occupational retraining programmes offered through the Ministry of Manpower and the Ministry of Trade and Industry. The city's commuter rate is high, with an average time of 30 minutes, and public transport is available and affordable. The city has a high unemployment rate, well above the national rate, as well as a high informal employment rate. In addition, no unemployment benefit scheme is provided by either the central Government or the city.

Beirut performs moderately with regard to resilience area 2, mainly owing to a deficiency in women's participation in the labour force. It has strong-to-moderate labour market flexibility. The city has a low labour concentration by sector, and the employment-to-population ratio is low and above the national average. Beirut has weak labour mobility and moderate social protections for labour, assessed at various levels. In fact, the diagnosis showed that Beirut has training and retraining programmes with a medium capacity in various sectors. It also has a very high average rental housing expense. Prior to the ongoing economic crisis in Lebanon, and during the period of data collection, Beirut had an average unemployment rate and individuals did not receive any unemployment benefits. This is coupled with a low informal employment rate, calculated as a proportion of city employment. Following the onset of the COVID-19 pandemic, these trends have been aggravated and have led to sharp increases in monetary and multidimensional poverty.

The assessment of Kuwait City reveals that the economy has a high labour concentration by sector. The expatriate labour force is concentrated in private sector activities, while nationals prefer to work in the more appealing public sector. There is no significant availability of worker retraining programmes, especially for the expatriate segment of the labour force. The city enjoys a low commuter rate, workers generally commute for medium-to-long distances and transport is partly available and affordable.

C. Financial environment

The 2008 global financial crisis severely impacted the economy in the Arab region. This was followed by a significant drop in oil prices in 2014, which further increased their vulnerability. The impact of this price drop and the continued low demand for oil are causing further socioeconomic repercussions on development and complicating recovery efforts. The pandemic occurred at a time when Arab economies were already vulnerable. As a result, many issues surfaced that demonstrate the high vulnerability of the financial environment and the low levels of resilience.

According to ESCWA, the Arab region faces two possible economic scenarios for 2021. The optimistic scenario projects a growth rate of 3.5 per cent. The less optimistic scenario limits growth prospects to 2.8 per cent. The actual growth rate will affect the region's ability to mitigate the pandemic's repercussions, which have caused approximately $140 billion of losses in the region and an estimated 3 per cent contraction in growth in 2020.[29]

The impact of the oil price and COVID-19 crises will vary between 2020 and 2021. Oil exporters in the Arab region, such as Kuwait, suffered from the drop in the global oil price, while oil-importing countries like Lebanon benefited from it. The opposite scenario is expected to occur in 2021 as the world oil price rises again during the post-pandemic recovery. Prior to delving into the loss in revenues, it is important to note that Qatar was the only country in the Arab region to increase oil production between May 2019 and May 2020. Other countries cut production by 14-19 per cent. The decline in Egypt and Iraq was smaller, approximately 8 per cent and 10 per cent, respectively.[30]

The region's fiscal revenue is crucial to COVID-19 mitigation efforts. Gross oil export revenues in 2020 are estimated to be 44 per cent of the 2019 income. The countries of the Gulf Cooperation Council (GCC) were the most affected. They lost approximately 54 per cent of their revenues, and GDP is estimated to have contracted by 3.1 per cent in the optimistic scenario and 7.1 per cent in the less optimistic one. The pandemic also strongly affected Arab middle-income countries, the economies of which were estimated to contract by 3.4 per cent or 4.5 per cent, according to the respective scenario. In 2020, the economies of conflict-affected and least developed countries contracted by an estimated 4.3 and 3 per cent, respectively, under the optimistic scenario, or by 7.9 per cent and 5.5 per cent following the less optimistic scenario. It is important to note that these countries had limited fiscal capacity to address lockdowns and to mitigate the socioeconomic consequences of the COVID-19 crisis, which worsened the impact of the pandemic-related recession. In 2021, GDP growth in Arab conflict-affected countries is expected to reach 3.9 per cent or 3.1 per cent, according to respective scenario.[31]

The growth estimates for countries in the region show that Arab least developed countries rely significantly on external support to address their socioeconomic challenges, particularly balance of payment constraints and debt sustainability; therefore, their recovery is conditioned on the successful recovery of developed economies. Since the economic damages caused by the pandemic will be more persistent in least developed countries, their growth figures for 2021 are expected to be mediocre, at 0.5 per cent or 0.4 per cent, depending on the scenario. From the perspective of debt evolution and its relationship to fiscal policy behaviour, the ESCWA analysis shows that primary deficits have persisted in Arab least developed and middle-income countries. At an average of 91 per cent in 2018, the public debt-to-GDP ratio is already high for most Arab middle-income countries and reached the unsustainable levels of 151 per cent and 212 per cent in Lebanon and the Sudan, respectively. Additional borrowing will need to integrate sustainability measures negotiated with creditors. The analysis of the fiscal sustainability gap in the region shows that the primary balance needed for several countries surpasses the existing primary balance.

It is therefore necessary to make adjustments, dependent on setting a debt-to-GDP target. It should be noted that current measures will lead to an increase in the total public debt-to-GDP ratio in the coming years.

Many Arab countries have taken efforts to mobilize financing in order to limit the effects of the pandemic, including Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, the State of Palestine and the United Arab Emirates. The central banks in these countries decreased interest rates and increased the liquidity coverage ratio by reducing the reserve ratio imposed on banks, with a view to increasing the funds allocated to lending and thereby increasing liquidity and reviving the economy. The central banks also benefited from their monetary tools, as some resorted to quantitative encouragement programmes by employing open market operations.[32] This led to purchasing government bonds from commercial banks and the private sector, in addition to reducing the legal cash reserve ratio to allow them to increase the volume of financing.

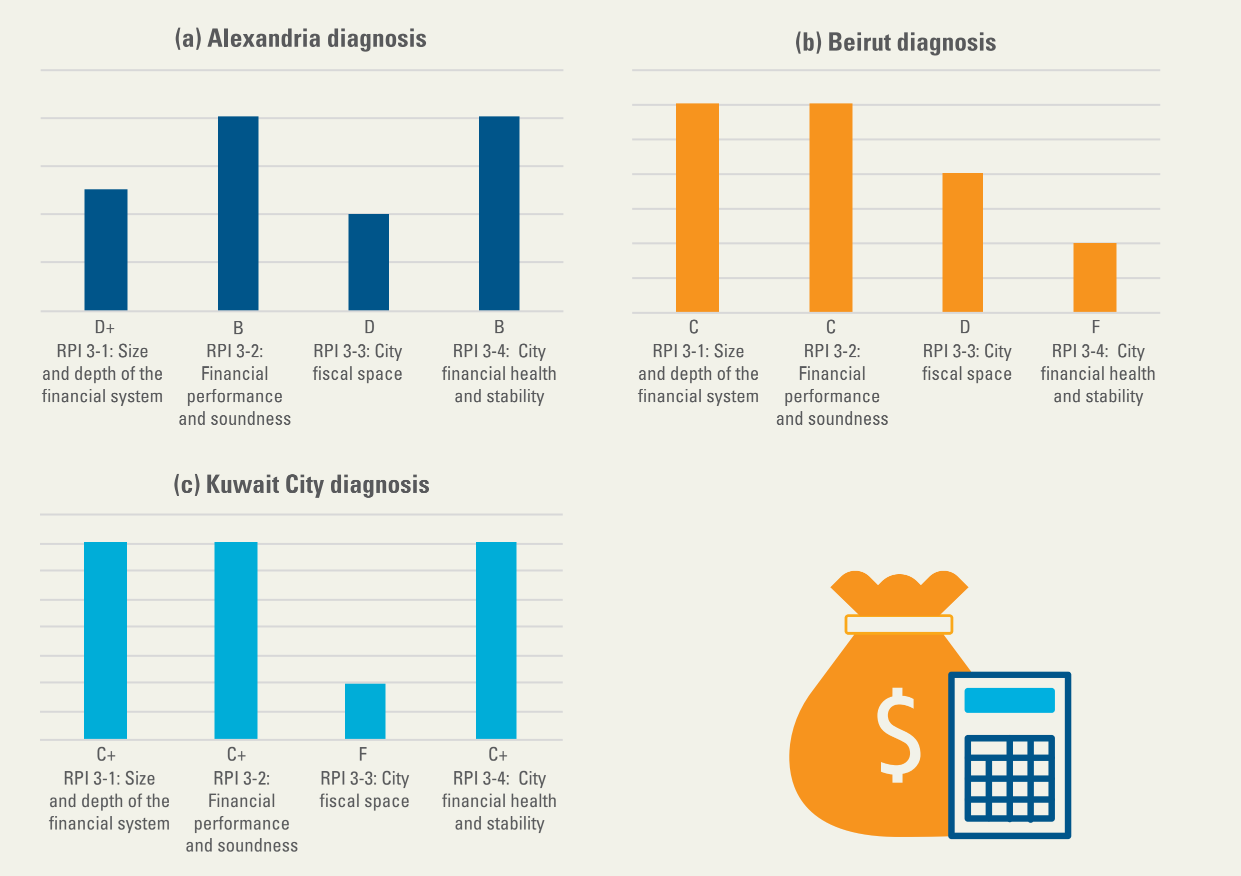
The resilience of the financial system (resilience area 3) is conceptualized as the capacity of the local financial system (i.e. banks and non-bank institutions, equity companies and other financiers) to expeditiously redistribute its investments between different economic sectors and expand credit to companies and individuals to withstand the worst time of a crisis and support a quick recovery. The resilience of the local financial system is dependent on four factors: the size and depth of the financial system (its overall coverage), its financial performance and soundness, the city's fiscal space and the overall health of public finances, which gain additional importance in times of crisis as a cushion against economic shocks. The DTP captured the performance of Alexandria, Beirut and Kuwait City according to these factors, the results of which can be seen in figure 6.

The results showed that access to financial institutions per 100,000 inhabitants in Alexandria is slightly higher than the national average, and the city has a low level of financial inclusion. There is a medium-sized market share of financial institutions and other financiers offering affordable finance for start-ups and innovative businesses. Alexandria has an undiversified revenue space with a very high dependency on external finance from the central Government. It also has a very low share of income inelastic revenues, a very low degree of financial flexibility and very weak fiscal capacity.

The Beirut diagnosis revealed that the city has a moderate-to-weak performance. Specifically, the ratio of financial institutions per 100,000 inhabitants is higher than the national average, the proportion of the population with a bank account is average and there is a small market share for financial institutions that offer affordable finance. The city has weak fiscal capacity, with the legal capacity to set the rates for only a small number of taxes and fees within the city. In fact, as per the quantitative and qualitative data collected, Beirut has low-to-medium interest rate spreads and a medium-to-high non-performing loans rate, which has increased significantly during the pandemic. The city does not have a share of the local financial market and has received more than one adverse opinion in annual audit reports.

In Kuwait City, the performance diagnosis showed that access to financial institutions per 100,000 inhabitants and the proportion of the population with a bank account at the city level is approximately the same as the nation average. The city's market share is very small, with few investors and limited finance for start-ups and innovative businesses. In terms of financial performance, the city's interest rate spreads and non-performing loans rate are medium to high, and the loans portfolio is concentrated in certain sectors. In terms of fiscal space, the city has an undiversified revenue space with a high dependency on external finance, a very low share of income inelastic revenues, a very low degree of financial flexibility and very weak fiscal capacity. The city's share of the local financial market is relatively high, and it has a high credit rating. Total city revenues under COVID-19 decreased significantly in 2020 owing to sharp declines in oil revenues.

Figure 6. Resilience of the financial environment



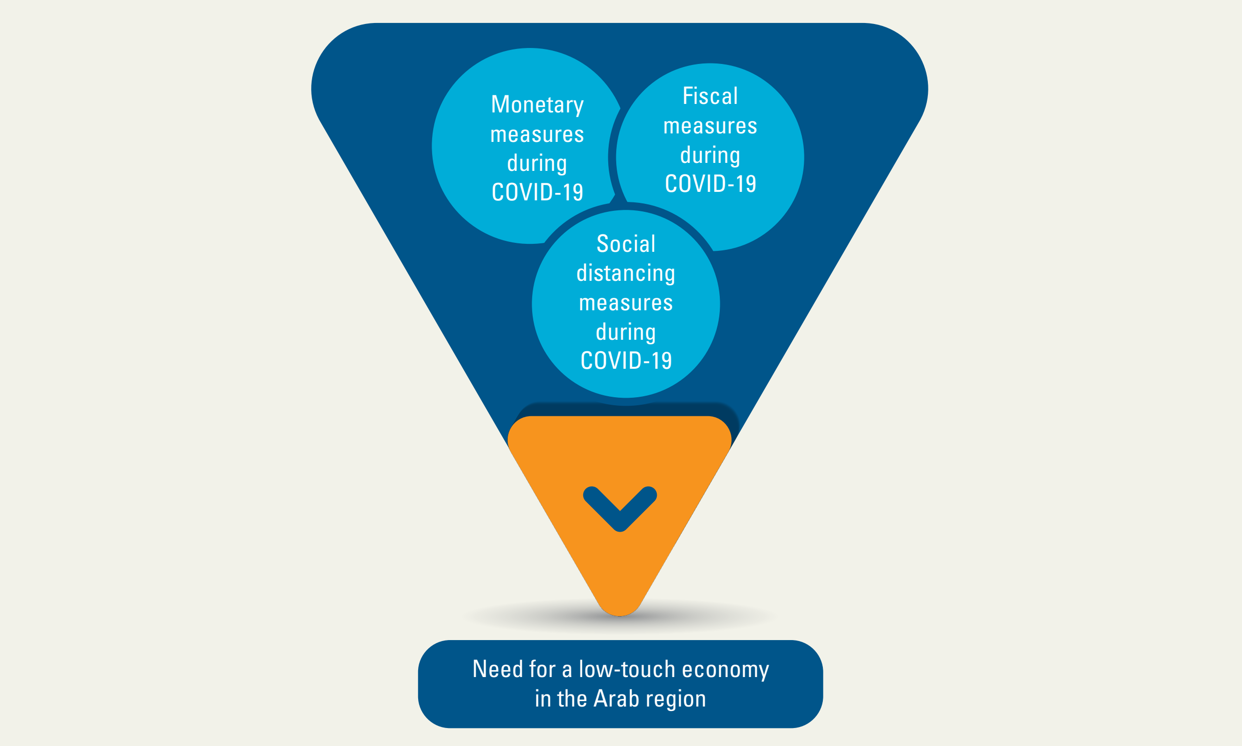
Source: Author.

D. Economic governance

Openness, transparency, accountability and strength are among the main factors necessary for institutions to ensure that citizens enjoy human rights, both in normal times and in times of crisis. Trust in government has proven to be essential in handling the COVID-19 pandemic. Unfortunately, most governance indicators in the Arab region have declined over the past decade.[33] The fact that the Arab region is highly affected by conflict worsened this situation and further weakened institutions, which were unprepared to address the pandemic in an inclusive manner. The pandemic highlighted weak local governance and the importance of empowering and encouraging the active participation of local governments. Local governance structures, such as municipalities and local councils, require financial and technical support to be able to assist their constituencies, particularly vulnerable groups.

The Arab region suffers from political instability and conflict that affects governance arrangements in general, and economic governance in particular. Countries include Iraq, Lebanon, the State of Palestine, the Syrian Arab Republic and Yemen. In fact, almost one in five people in the region are exposed to conflict.[34] This situation exacerbated the widespread State fragility, and continuing hostilities have further exposed the region to humanitarian crises, thereby increasing its vulnerability and decreasing resilience. These are issues of dire importance for policy interventions at both the local and national levels.

Figure 7. COVID-19 measures and the low-touch economy



Source: Author.

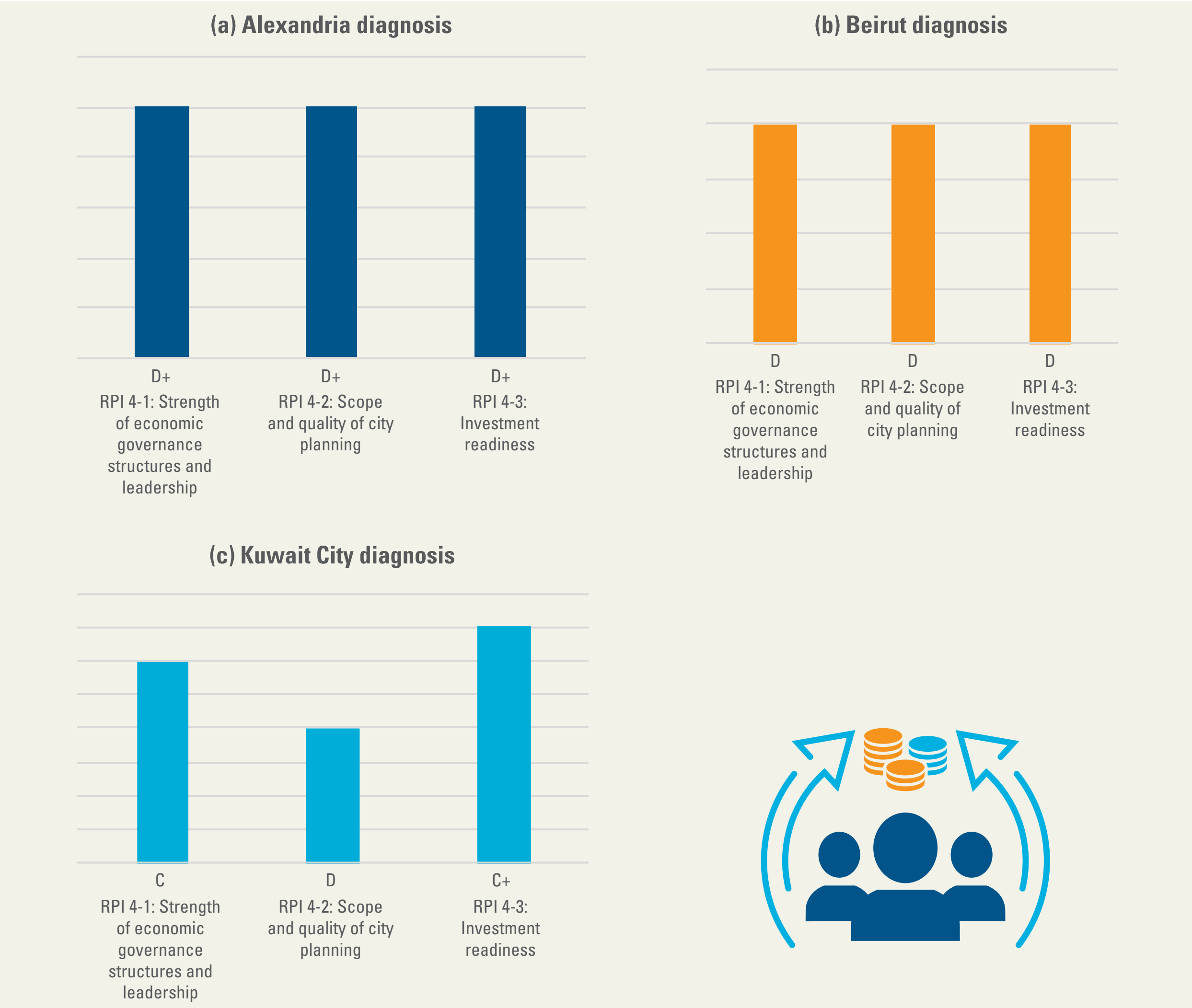
Many Arab countries provided financial support and introduced stimulus packages, directing funds to affected sectors, which directly impacted the ability of economic establishments to maintain their workforce. These efforts were also meant to ensure the stability of the financial system; however, the decrease in oil prices worsened the situation in oil-rich countries, which faced limitations in their capacity to provide proper stimulus and recovery packages. The notable decline in revenues from tourism, remittances, trade and other economic activities limited middle-income countries' potential to offer stimulus packages.[35] The cumulative regional fiscal stimulus amounted to only $102 billion, equivalent to nearly 4 per cent of the region's GDP, significantly lower than the global average of 11 per cent. When loan guarantees and credit support are excluded, the value of the fiscal stimulus packages is only about $95 billion, of which a major share was extended by the GCC Governments.[36]

Arab Governments have implemented multiple measures to counter the pandemic's effects on their economies. These measures fell under monetary and fiscal policy tools, among others. Monetary measures included actions that targeted interest rates, the foreign reserve ratio imposed on banks and the exchange rate. In addition, central banks adopted flexible measures to provide liquidity and other solutions.[37] The fiscal measures taken focused on suspending and/or reducing tax payments and postponing payment of dues and financial contributions, such as insurance, licence fees and others. They also aimed to preserve the workforce with rapid interventions to provide the credit limits necessary to finance working capital for salaries, to follow up with the sectors most affected by the spread of the virus and to adopt procedures for disbursing financial grants for irregular workers. When added to the lockdown and social distancing, these measures shed light on the need to implement a low-touch economy (figure 7), in which transactional services between businesses and customers occur without any contact. Currently, 37 per cent of jobs in the Arab region can feasibly be performed from home.[38]

The resilience of economic governance (resilience area 4) is understood as the "preparedness of the relevant city mechanisms and systems to exercise uninterrupted governance of economic affairs under adverse conditions in an effective and inclusive manner".[39] Building resilience for economic governance contributes to achieving urban economic resilience. Applying the DPT to the cities of Alexandria, Beirut and Kuwait to measure their performance according to these factors confirmed regional observations (figure 8).

Alexandria has a hypothetical dual system for local administration that comprises appointed executive officials who manage the city's affairs and supposed elected representatives from the community who approve local development and public investment plans and monitor the performance of executive units. Elected councils have been suspended since 2011, and executive bodies dominate the decision-making process, for which there is low public involvement. City authorities involve parliamentary representatives in major economic

Figure 8. Resilience of economic governance



Source: Author.

plans and decisions as a substitute for elected city councils. This denotes weak economic governance and leadership at the local level. The diagnosis highlighted challenges in terms of the scope and quality of city planning. The city lacked comprehensive planning and crisivs management provisions in planning and budgeting. In addition, there was limited access to and application of digital technologies. With regard to investment readiness, very few investment projects are derived from an approved medium-term development plan. In addition, the city has limited autonomy over the use of land resources and an average intensity of business regulation. Furthermore, registration requires effort to make it fast and practical.

Beirut has a weak performance in relation to economic governance, with no non-government representatives in its economic governance structures. The city also has a low degree of public involvement, and public feedback is rarely sought or incorporated. The scope and quality of city planning are weak, and there are no holistic plans. Crises management provisions address a few issues and are not properly mainstreamed in respective plans. There is no coherent vulnerability assessment methodology, and assessments take place rarely. In addition, the Internet of Things and big data are underdeveloped and used on a pilot basis by one or two services on a very limited scale. Investment readiness is also weak. Investment projects are not derived from an approved medium-term development plan, and there is no provision for external finance. Project profiles, if they exist, do not address resilience issues. The city has limited autonomy over the use and allocation of land resources and has a high intensity of business regulation.

The economic governance structures of Kuwait City are moderately strong. There are few (or no) non-government representatives limited to one sector only. Participation is sporadic or ad hoc and is therefore not inclusive. Nevertheless, there is average public participation. As for the scope and quality of city planning, Kuwait City has plans on at least two levels (strategic or medium-term and annual) that demonstrate a degree of interconnectedness. The city's crises management provisions address few issues and are not properly mainstreamed in respective plans. No coherent vulnerability assessment methodology exists; assessments take place rarely, if at all; and relevant actions are rarely incorporated in plans at all levels. Concerning the city's investment readiness, most investment projects are derived from the approved medium-term development plan, make provisions for external finance when appropriate and have project profiles that generally address resilience issues. The intensity of business regulation is high, and registration is lengthy and requires significant efforts.

E. Infrastructure

Located in one of the most rapidly urbanizing regions in the world, Arab cities are increasingly vulnerable to a series of challenges related to growth, competitiveness, performance and residents' livelihoods, including possible pressure on the cities' services and infrastructure. There is a direct link between infrastructure development and the achievement of SDG 11 and the implementation of the New Urban Agenda.

Infrastructure is core to the development and functioning of cities and economic prosperity in urban areas. It increases Arab cities' competitiveness and enhances productivity and employment opportunities. Building infrastructure meets two urgent and long-term needs in the Arab region. The first is focused on decentralized municipal financing for building, maintaining and modernizing infrastructure in a smart and orderly manner. This is considered one of the most realistic and feasible measures by which governments and municipalities can strengthen infrastructure. The second is focused on planning and implementing infrastructure in a way that enhances peacebuilding, stability, legitimacy and inclusiveness. Infrastructure plays a vital role in urban sustainability and resilience-building. It has a dual impact. If properly addressed, infrastructure drives political and social inclusion; otherwise, it furthers political and social exclusion. Indeed, positive social changes can be made with the adoption of an inclusive approach to urban infrastructure planning and provision, coupled with efficient institutions and suitable financial resources.

A review of projects related to infrastructure development in the region revealed the need for more compact, connected, people-centred and low-carbon infrastructure in Arab cities. Future projects such as airports, highways, new cities and mega-developments should be blended with a systemic and integrated approach to infrastructure planning, with a view to managing the interdependencies and linkages among the various sectors and addressing immediate and long-term needs. Of particular note is the slow transition of Arab cities towards smart infrastructure; this is not the case for many local and national governments in other parts of the world. While there are some small-scale efforts, these do not rise to the level of the large-scale, integrated vision of a smart sustainable city. Arab cities in GCC countries remain at the top of those implementing smart systems. In this connection, three issues must be addressed holistically in the Arab region, namely the implementation of smart mobility systems that respect human rights, a strategy for developing local digital capabilities, and institutional and regulatory reforms to engage private finance.[40]

Many countries in the Arab region are now seeking digital transformation and resorting to the use of enterprise resource planning systems

Table 1. Classification of Arab countries according to infrastructure quality and digital transformation

	Group 1	Group 2	Group 3
Country rank	1. United Arab Emirates 2. Saudi Arabia 3. Bahrain 4. Oman 5. Qatar	6. Kuwait 7. Egypt 8. Jordan 9. Lebanon 10. Morocco 11. Tunisia 12. Algeria	13. Iraq 14. Syrian Arab Republic 15. Mauritania 16. Yemen 17. Sudan 18. Djibouti 19. State of Palestine 20. Comoros 21. Libya 22. Somalia
Group characteristics	These countries are able to adapt quickly and are extremely resilient in moving towards modern applications. They can easily achieve digital and financial comprehensiveness, automation and links among all government services.	These countries have sufficient infrastructure and knowledge to move forward in the medium term, within a period ranging from two to four years.	To complete the basic communication infrastructure, these countries need access to Internet services and cyber security and must develop strategic plans for transformation and the digital economy.

Source: Arab Federation for Digital Economy and Council of Arab Economic Unity of the League of Arab States (2020). Arab Digital Economy Index 2020: COVID-19 and the Need for Transformation to the Digital Economy. United Arab Emirates. p. 54.

to enhance their strategies and address their technical deficiencies, thus leading to higher productivity and increasing their ability to withstand future shocks and challenges. Under this digital transformation, also referred to as digitization, businesses transition to the use of digital technologies, products and services. This helps to build a strong economy, which is a cornerstone of urban economic resilience. It builds the resilience of the business environment alongside the resilience of the basic service infrastructure and connectivity. Nevertheless, this digital transformation varies within the region. According to the Arab Digital Economy Index, Arab countries can be divided into three groups.[41] Group 1 includes countries that are attractive to international investment; their results can be compared with those of developed countries. Group 2 includes countries that have made reasonable progress in digitization and can be considered among the countries that attract investment. Group 3 includes countries that require digital activation and must make more investments to maximize the capabilities of their digital infrastructure. Table 1 provides an overview of the status of Arab countries in terms of their digital readiness (ranked from 1 to 22), which in turn affects the ability of Arab cities to implement smart systems in favour of their built infrastructure.

It should be noted that the use of advanced technologies depends on the economic level, available financial resources and the readiness of the existing digital infrastructure of each Arab country. These smart digital solutions help to maintain social distancing (e.g. in public areas, workplaces and banks), isolate and track infected people, monitor streets during lockdowns, identify possible new COVID-19 cases, share awareness-raising messages (e.g. text, voice and video messages), facilitate the use of digital payments and contribute to developing relevant mobile phone applications (e.g. for tracing infected persons and supporting virtual health-care systems). Accordingly, Arab Governments must work closely with local Internet providers to manage and maintain bandwidth for consumers and businesses. This requires new, urgent policies to tackle the challenge of high Internet consumption during lockdowns and even to reduce the cost for citizens and vulnerable groups in order to facilitate access to Internet-based services. In parallel, it is essential to close the digital divide, including in terms of gender, and safeguard digital rights.

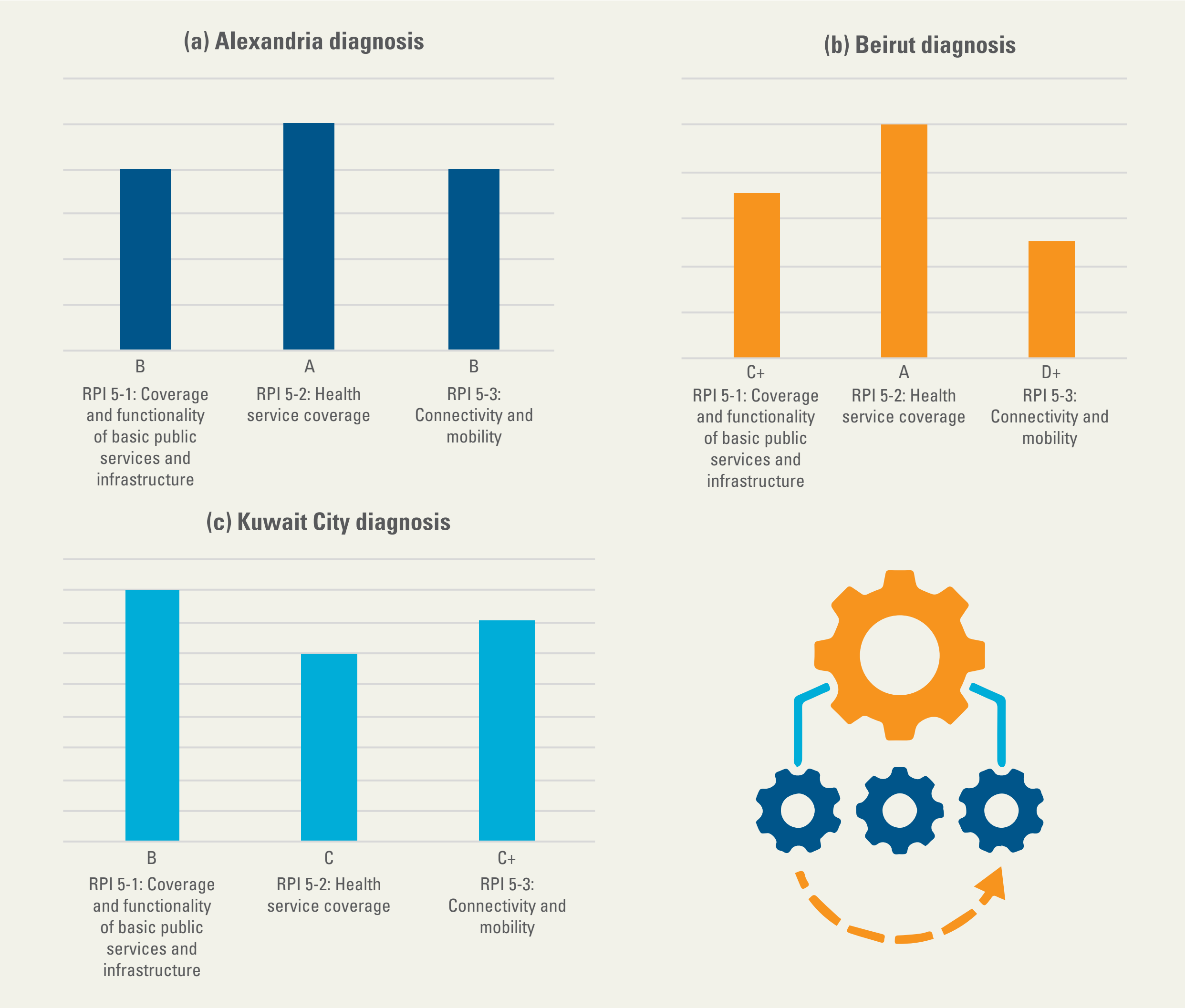
The resilience of the local business environment, the financial environment, economic governance and the labour market cannot be achieved without the resilience of established basic infrastructure and adequate connectivity to ensure that these services operate efficiently. Given the overall context of the DPT and its connection to global or regional epidemiological health emergencies, an indicator was added to measure health service coverage and its capacity to assist city economies in withstanding the shock of such health emergencies. The resilience of basic service infrastructure and urban connectivity (resilience area 5) is captured through the coverage and functionality of basic public services and infrastructure, health service coverage, connectivity and mobility. Applying the DPT to the cities of Alexandria, Beirut and Kuwait to measure their performance according to these factors confirmed regional observations (figure 9).

The results showed that the performance of Alexandria is relatively average, except for health services. The city significantly outperformed national performance with regard to the number of health-care workers and hospital beds per 10,000 inhabitants.

Beirut has a high-to-moderate performance on various aspects of this indicator. The city's basic public services function moderately well. It had a strong performance in health service coverage and a weak performance in terms of connectivity and mobility at the time data were collected in 2020.

With respect to Kuwait City, the city's coverage and functionality of basic public services and infrastructure is moderate-to-high. The electricity

Figure 9. Resilience of infrastructure



Source: Author.

network has very rare interruptions for short periods of time. On health service coverage, the number of health-care workers and hospital beds in the city is approximately the same as the national average. It has a moderate-to-high performance in connectivity and mobility.

F. Synthesis of major trends and emerging issues in cities in the Arab region

Some of the persistent and emerging trends that shape cities in the Arab region include urban sprawl, inadequate infrastructure and services, increased poverty and social exclusion, wealth disparities, youth unemployment, gender inequality, unequal access to land and property, limited access to public services, traffic safety and congestion, and unsustainable patterns of water and energy consumption. These challenges are aggravated by conflicts and the resulting large-scale damage and displacement in some subregions and countries. The COVID-19 pandemic created further complications. To confronting the new challenges posed by the pandemic, policymakers and actors must work innovatively, especially during periods of uncertainty, to implement the new set of urgent requirements and procedures that have emerged to address many of the weaknesses revealed by the pandemic.

Poverty in Arab countries was on the rise even before COVID-19, but the pandemic has exposed and further accentuated existing structural deficiencies, leading to a substantial rise in monetary deprivation and plunging millions of Arabs into poverty.[42] National poverty gaps are high but can be feasibly closed using resources available in the region, such as the mass of wealth concentrated among the richest individuals.

Prior to discussing the major trends and issues to be addressed during and after COVID-19, it should be noted that cities around the world have designed the most effective responses to the pandemic and have demonstrated a notable capacity for crisis management. While no one solution or response serves as a panacea, several common factors drove the pandemic responses of cities and regions.

According to the analysis presented in this paper and the application of the DPT for urban recovery and resilience, a clear commitment to enforcing public health protection measures is essential. Most cities around the world and in the Arab region attempted to balance lockdown measures with reopening and a return to some level of normality. The impact of the COVID-19 pandemic was clearly multidimensional. In the Arab region, it not only affected the health ecosystem but also interrupted livelihoods and halted education. As a result, Arab Governments developed broad-ranging programmes to provide economic protections for low-income and marginalized communities and enacted multidimensional strategies to address various complications, particularly those facing the most vulnerable groups. One common trend in the region is the lack of community-based engagement and learning. Although it is important to have central resources and a comprehensible national strategy to coordinate efforts, the role of the community and local support is essential. Cities demonstrated moderate-to-weak strength in economic governance structures and leadership, which should be addressed to achieve resilience.

COVID-19 also affected the energy sector, which contributes to the region's growth and government revenues in oil-exporting countries. The sector suffered from notable shrinkages as major oil exporters significantly reduced crude oil production. The pandemic also had a significant impact on the region's high-performing tourism sector, which substantially weakened hospitality, retail trade, transport and other services. The highest job losses occurred in sectors such as hospitality and food services, manufacturing, retail, and business and administrative activities, in which 18.2 million individuals are employed.[43] Since the Arab region has the largest human development gender gap in the world as well as structural barriers related to unequal economic opportunities, women are likely to suffer more from the pandemic's consequences. Women's jobs, businesses and incomes are more exposed to the economic fallout from the crisis, owing to their presence in the sectors most affected. Moreover, 61.8 per cent of active Arab women work in the informal sector, which has been particularly affected by the COVID-19 pandemic.[44]

Domestic demand is expected to recover if the pandemic is controlled rapidly; however, problems will persist for aggregate demand, which is estimated to remain below pre-crisis levels if no additional fiscal support is provided. High-income countries are likely to depend on debt financing given the minute predictions for increased public revenue in 2021 and 2022. On the other hand, middle- and low-income countries will be forced to roll back fiscal support measures, thereby impeding economic recovery.

The pandemic shed light on a number of challenging economic trends related to urbanization. For example, the limited diversification of local economies leaves them vulnerable to global market fluctuations, job shortages and small-scale credit scarcity, among other problems, and causes informal economic sectors to grow. Young Arabs risk plunging deeper into poverty; 85 per cent of young working-age Arabs work in the informal sector with limited or no access to basic services, social protection or unemployment insurance.[45] Furthermore, the Arab region hosts the highest youth unemployment rate in the world.[46]

Beirut, Lebanon.

3. Pathways to enhancing urban economic and financial resilience in the Arab region

Pathways to enhancing urban economic and financial resilience in the Arab region

A. Challenges facing current urban policies in the Arab region

Governments face numerous challenges in building urban economic and financial resilience; however, the region is far from being uniform. Countries and cities vary in terms of socioeconomic development status, financial capabilities and capacities, infrastructure, connectivity and other aspects. These factors surely affect the way in which countries are urbanizing and, thus, the pathways to follow for building resilience.

Table 2. Examples of obstacles to urban policies and proposed solutions

Obstacle category	Examples	Proposed solutions
Financial	Weak government spending and permanent and increasing budget deficits	• Rationalize spending by identifying spending and investment priorities. • Increase revenue by expanding the tax revenue base.
	Increasing domestic and foreign public debt	• Reduce dependence on public debt, especially foreign debt, and rely on local sources of financing, especially projects, economic agencies and taxes.
	Increasing foreign loans and their debt service burdens	• Reduce dependence on foreign loans because of their burdens on the public budget and the tendency to establish joint projects with the private sector.
	Weak private sector financing and reluctance to invest in an environment that does not encourage investment	• Encourage the private sector by providing various facilities to attract investment, such as tax exemptions. In order to support private projects, provide land grants and raw materials at reduced prices and provide technical assistance, such as feasibility studies and engineering and economic consultations.
	Weak local funding through the local community and non-governmental organizations	• Encourage the local community to set up projects by offering loans at low interest rates, especially for small and medium-sized enterprises.
	Non-optimal use of monetary policy tools such as interest rates and open market operations	• Implement monetary policy tools, such as reducing interest rates for investors. • Lower the reserve ratio, thereby encouraging banks to lend more to investors.
	Non-optimal use of fiscal policy tools such as taxes	• Implement fiscal policy tools, such as expanding the tax revenue base by introducing fair taxes like the progressive tax.
	Exchange rate volatility	• Implement an independent monetary policy through independent central banks.

Legal and structural	Multiple bodies granting licences for investment projects	• Assign a single official agency to deal with local and foreign investors.
	Laws that are inconsistent with international laws, especially with regard to property rights, progressive taxes and foreign investment	• Periodically review investment laws, especially for foreign investors, to align them with international laws, especially with regard to workers' rights.
	Lack of fair and comprehensive laws that protect local and foreign workers	• Introduce a comprehensive law on local and foreign workers that includes all details related to wages, insurance and bonuses.
	Absence of a law on the informal economy or informal employment	• Introduce a law on informal employment or the informal economy that includes strategies to legalize informal activities and provide facilities that encourage transforming informal activities and employment into formal activities and employment with financial and insurance rights.
Political	Failure to achieve good governance	• Promote democratic governance, institutional work, parliamentary oversight and information transparency. • Achieve sustainable development goals in a balanced manner.
	Adopting the socialist rather than the capitalist system	• Allow the private sector to participate in and implement projects with financing.
	Policy of closure and not opening the door for foreign direct investment	• Open doors for foreign investment by enacting new investment laws that provide facilities for foreign investors.
	Corruption and wasted resources	• Establish regulatory authorities that report directly to the Council of Ministers. • Allow for parliamentary oversight over government performance and accountability mechanisms.

Source: Author.

As a result of conflicts in the region, Arab cities in crisis suffer from damaged infrastructure and a lack of access to public services, which affects citizens' well-being. Conflict and the need to rebuild cities are at the forefront of the challenges facing urban development and the implementation of related strategies, policies, programmes and action plans. It should be noted that urban infrastructure was already under pressure prior to the outbreak of conflicts. Indeed, infrastructure recovery faces diverse obstacles, namely the availability of funds, the destruction of urban property and the loss of skilled human capacities in governmental entities, primarily due to war and migration.

Another issue of core importance that limits policy implementation in the region is the lack of effective and reliable national and local data. There is a striking lack of integrated and centralized national databases providing disaggregated data by geographic location. The lack of such databases hinders the assessment of national development targets. It also affects the ability to enact evidence-based urban development policies and attract investments that address priority needs. The availability of reliable and comparable data for urban decision makers and relevant stakeholders is central to sustainable urban development and the ability to anticipate and recover from shocks.

Significant efforts must still be made before green urbanism is adopted in the Arab region. Most cities follow an urban model that relies on cars, neglecting the provision of decent, safe public transport and urban spaces for public use. This deficiency directly impacts the implementation of urban development policies.

Another core challenge to the implementation of urban development policies is the lack of decentralized municipal financing for building, maintaining and modernizing infrastructure in a smart and orderly manner, coupled with the insufficient capacity of local governments to manage financial resources. The lack of clearly defined responsibilities among local, subnational and national governments is an additional barrier to improving the impact of local development efforts and impedes the implementation of urban policies. In general, challenges facing the implementation of urban policies in the Arab region could be categorized as financial, legal, structural and political obstacles. Table 2 provides examples.

B. Planning for urban resilience in the Arab region

The economic performance of the Arab States is diverse, and Arab Governments recognize the importance of cities as hubs for economic activity and job creation and as drivers of sustainable development. The essential role cities play in achieving sustainable development was highlighted in SDG 11 on sustainable cities and communities. It was further concretized in 2016 in the New Urban Agenda, which provides a set of principles and goals that aim to guide stakeholders engaged in urbanization and to take advantage of the transformative potential that cities can provide. The Agenda seeks to mainstream urbanization in global development agendas through 2036, bringing about a paradigm shift that recognizes the correlation between urbanization and sustainable development. It does this by setting out standards and principles on many fronts, including for local economies and municipal finance. In guiding plans to build urban economic resilience in the Arab region, Governments should adhere to the urban resilience principles developed by UN-Habitat. These include the dynamic nature of urban resilience, a systemic approach to cities, participation in planning and governance, multi-stakeholder engagement and efforts to achieve development goals.

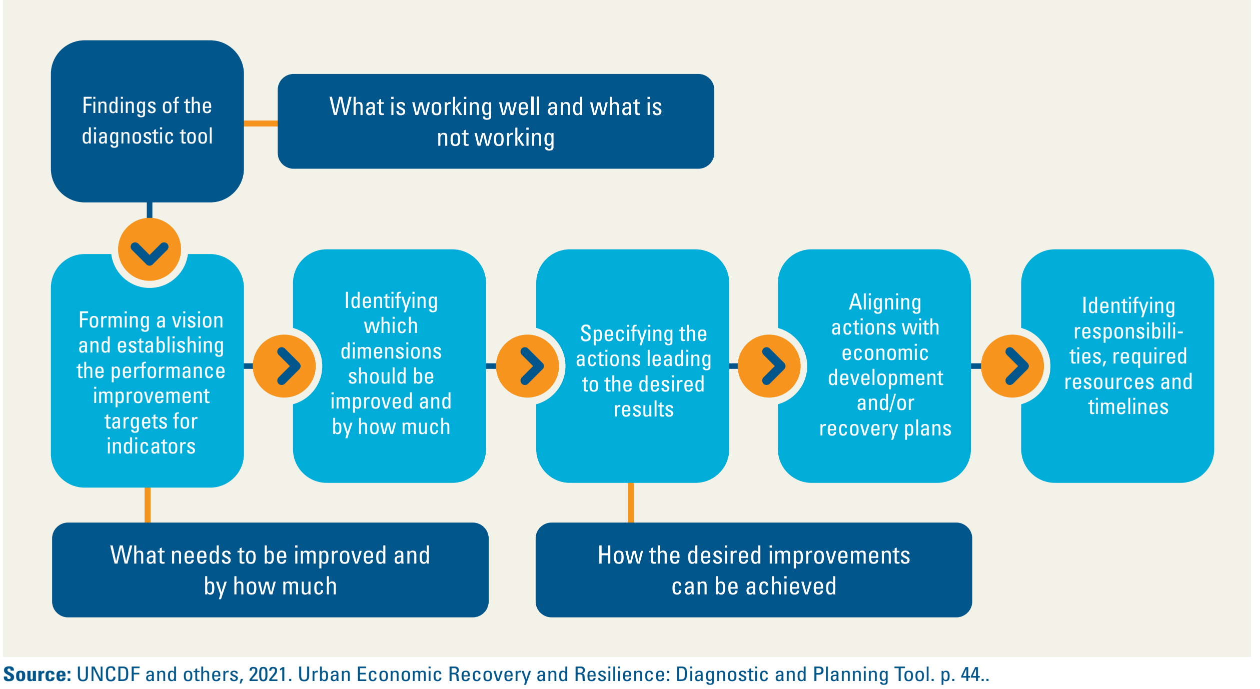
Resilience is not a condition but a state that cannot be sustained unless the system evolves, transforms and adapts to current and future circumstances and changes. Building resilience therefore requires the implementation of flexible, context-specific plans and actions that can be adjusted to the dynamic nature of risk and resilience. Furthermore, it is important to recognize that cities are comprised of systems interconnected through complex networks and that changes in one area have the potential to propagate throughout the entire network. The process of building resilience therefore requires a holistic approach with considerations for interdependencies, particularly in times of disturbances. Planning for resilience and recovery also requires participation and governance. A resilient system preserves life, limits injury and enhances the prosperity of the population by promoting inclusiveness and fostering comprehensive and meaningful participation for all– particularly those in vulnerable situations–in planning and governance processes. Such an approach can create a sense of ownership, which leads to the successful implementation of plans and actions. Building resilience in the Arab region also requires multi-stakeholder engagement. Indeed, a resilient system should ensure the continuity of governance, economy, commerce and other functions and flows upon which its inhabitants rely. This requires cities to promote open communication and facilitate integrated collaboration among a broad array of stakeholders ranging from public entities, the private sector, civil society and academia to all city inhabitants. Such planning also strives to meet development goals. The approaches that are adopted in the region to achieve resilience should ensure that efforts to reduce risk and alleviate certain vulnerabilities do not generate or increase others. They must guarantee that human rights are fulfilled, respected and protected under all circumstances.

In addition to these principles, UNCDF developed more specific principles for managing the COVID-19 economic response and recovery, which should also be kept in mind when planning for recovery and resilience. These include learning lessons from the crisis, financing recovery and reconstruction, leaving no one behind, mainstreaming resilience in sustainable urbanization and promoting sustainable urbanization and entrepreneurial government.

The above principles constitute the guiding framework for resilience planning in the Arab region. The DPT revealed resilience areas in which performance is low. These results should guide cities in formulating a vision for economic resilience that highlights the desired improvements in areas with the worst performance. Cities should then decide on the degree of improvement that is achievable over the planning horizon (i.e. 3-5 years). Although the desired improvements may cover a larger scope in principle, they should align with achievements that are possible during the planning period. Figure 10 summarizes the planning process that Arab cities should follow.

Planning for resilience in the Arab region is a complex and multidimensional activity. Envisioning and establishing performance targets for improvement requires broad-based consensus on important and strategic issues. Cities should conduct city-level participatory events to discuss the key findings of the economic resilience performance diagnosis and decide which areas need improvement, while also developing a vision for city economic resilience. In addition, these inclusive and participatory events will identify the extent of improvements across specific indicators. This is the process to be followed in the pilot cities of Alexandria, Beirut and Kuwait City to develop their resilience and recovery plans according to the results of the DPT.

Figure 10. Key steps in planning for economic resilience-building in cities



Source: UNCDF and others, 2021. Urban Economic Recovery and Resilience: Diagnostic and Planning Tool. p. 44..

C. Proposed urban policy recommendations and priorities for the Arab region

This section provides policy recommendations that aim to accelerate efforts for sustainable urban development. It is worth noting that these recommendations do not provide a one-size-fits-all solution; rather, they provide a detailed look at the main challenges facing Arab cities in terms of building resilience and propose select transformative actions that urban decision makers and policymakers should consider alongside the contextual specificities of their cities, which vary in capacities and mandates. Accordingly, the following policy recommendations tend to be general and can be used as a guideline to be adapted to each city's specific requirements and challenges. The recommendations are categorized by the five areas identified in this paper.

Improving the resilience of the local business environment:

- Focus on diversifying the local economy by re-evaluating the city's unique strengths and successes and exploring sectors that may be unutilized (depending on the context of the city), such as tourism, information and communications technology, research and development, health or education.
- Improve the conditions for attracting foreign and private sector investment in economic growth and overall development.
- Enact strategies to foster the development of SMEs, through partnerships with international actors, and promote innovation-led sustainable development.
- Generate market competition by encouraging innovation and creativity. This can be done by supporting the restructuring of the entrepreneurial ecosystem, encouraging local financial institutions and the business community to help increase the number of start-ups and providing financial and technical assistance to young entrepreneurs. In addition, implement initiatives to foster entrepreneurship in municipalities and corporations, establishing business incubators and subsidies such as rent exemption, tax relief and other means of support.
- Build investment hubs within municipalities that are responsible for identifying business and investment opportunities within the city. These should promote opportunities to investors, work with all relevant stakeholders from government departments as well as the private sector in the design and implementation of investment opportunities, host all data and information on investment opportunities in one place and remove administrative barriers to investments (e.g. multiple approvals and permits).

Improving the resilience of the local labour market:

- Ensure diversity and enhance women's labour participation. Vocational training programmes should cater to specific requirements for women, and business owners should provide nurseries and day care.
- Design strategies for educational and training reforms to improve the skills and productivity of the labour force. Vocational and on-the-job training programmes should be expanded to ensure that workers have continuous learning opportunities and can cope with industrial transitions and technological change. Provide incentives to the private sector to adopt rigorous professional training programmes within companies.
- Mobilize financial and technical resources to ensure a high degree of social protection for labour. This could be done in coordination with the local business community as well as non-governmental organizations.
- Devote additional attention to improving expatriate labour regulations in select GCC countries to align with legal and human rights in terms of labour mobility and safe and secure working environments. Improve dispute prevention and resolution mechanisms and access to legal procedures.

- Enhance labour mobility across sectors by establishing a pool of resources and expertise from Ministries of Labour, the International Labour Organization and academia. This pool should also highlight the experience and qualifications of women to encourage their contributions to the local economy.
- Coordinate training programmes according to local economic development strategies and the availability of the workforce in the city. This will ensure that skills meets the needs of the local labour market and will maintain labour productivity at the city level.
- Reform labour market structures, particularly with respect to establishing the right incentives for creating a dynamic and skilled workforce, while addressing the problems associated with the segmentation of the labour market between expatriates and locals according to the specific situation in the city.
- Reduce informality in labour employment by providing financial incentives to employers who hire formal workers on the labour market.

Improving the resilience of the local financial environment*:*

- Promote decentralization in budgets and revenues to enable cities to have their own sources of revenue, such as revenues from licences, taxes, traffic fines and parking spaces.
- Create relevant frameworks to enable cities to access a diverse source of finance (e.g. through public-private partnerships, land- and asset-based financing and municipal bonds) in order to mobilize private capital to bridge funding gaps and contribute to the overall need for resources. In addition, municipalities can establish special units responsible for communicating with international agencies and donors to present their requirements and attract funding.
- Build the capacities of the city financial management staff to be able to structure, implement and monitor the required financial arrangements to finance the city's urban plans.
- Create additional funding channels to finance SMEs, as they represent an important source of job creation and economic diversification. In this regard, financial products and services should reflect the changing financial needs of SMEs throughout their life cycle. Central banks can require commercial banks to provide funding to SMEs in return for incentives for those banks.
- Enact legislation for microfinance institutions, which have been proven to spur economic growth and employment in many developing countries.
- Rationalize and harmonize public expenditure with best practices for international financial management to guarantee effective expenditures and the optimum use of financial resources. Align public expenditure programmes with local development priorities.
- Implement economic and fiscal reform programmes, in select GCC cities, to reduce the dependency on oil revenue and increase non-oil government revenue.
- Strengthen central bank supervision of banking systems by improving the supervisory review and evaluation processes that set bank-by-bank capital requirement targets based on their risk profile and systemic importance.
- Foster greater competition in the financial system, possibly through alternative financial instruments and players and/or financiers, such as fintech.

Improving the resilience of the local economic governance structure:

- Provide cities with more responsibilities and authority for their economic development, planning and service delivery. This implies building the institutional and human technical capacities required for economic development planning and public financial management. Governments should also provide cities with access to land and financing to be able to execute their development plans.
- Strengthen the participation of civil society and the public and private sectors in economic governance processes and the development of economic and social policies. This might require

legal reviews to guarantee citizen representation and public participation in the city's decision-making processes. It will also require modernizing and streamlining internal work procedures to accommodate a more participatory approach, integrating the local community's needs in future urban planning frameworks.

- Provide a one-stop business shop for investors dealing with local and central governments that utilizes a data portal at the municipal level and aggregates data from the municipality and the central Government in a user-friendly format with periodic updating.
- Work on linking the city's urban plans with their impact on economic resilience objectives and apply disaster risk assessment and reduction plans. This will require establishing the necessary set-up within the municipality for managing disasters.
- Maintain high-quality public services by utilizing technology and digital tools. Digital transformation in government services will provide a deeper understanding of local needs through interaction with various authorities over electronic platforms.
- Apply the concept of the circular economy within all city operations, which will lead to a sustainable practice.
- Improve the coordination between ministries and the municipality in planning for the provision of services to citizens and business owners in order to avoid obstacles and time-consuming processes.
- Create a continuously responsive economic decision-making mechanism to provide local authorities with up-to-date economic studies and assessments to prioritize public investment decisions, taking into consideration people, business priorities and feedback in both planning and implementation.
- Promote private-sector-led growth and job creation at the city level and create a competitive business environment that encourages innovation. In addition, conduct on-going research for global and local trends in order to update economic policies according to developments.

Improving the resilience of the local basic infrastructure and connectivity:

- Consider innovative solutions to tackle infrastructure financing needs through partnerships with the private sector and by developing the investment portfolio of municipalities and strengthening their ability to generate revenue. Focus strategically on improving city resilience and sustainability and adopting the concepts of the green economy.
- Address the main issues related to the city's infrastructure requirements to ensure that solutions offer business continuity and can also provide revenue to the city. Examples include investments in solar systems to generate electricity. Legal reviews must also be conducted to ensure that cities have the relevant mandate and authority.
- Invest in medium- and long-term strategies for public transport and mass transit solutions to solve traffic and congestion issues. Also, consider innovative solutions to tackle immediate needs. For example, limit entry to the city for passenger cars and provide parking facilities with bus shuttles for commuters entering the city. This can solve congestion issues resulting from a concentration of businesses and labour around a city centre.
- Pursue infrastructure investment programmes to build new hospitals to boost the number of hospital beds per 10,000 inhabitants, particularly as the COVID-19 pandemic has revealed that the public health infrastructure is insufficient to handle the demand for hospital beds in most Arab cities.
- Enhance Internet service quality and penetration rates, which are the primary enablers of business and investment.
- Concentrate on the city's appearance and cleanliness to attract businesses and tourists and drive economic development.

Annex

Design and key components of the urban economic recovery and resilience diagnostic and planning tool

Resilience area	Resilience performance indicator	
RA1: Resilience of local business environment Analysis of the capacity of local businesses (including the public sector) to sustain growth and respond to demographic, technological and market conditions	**RPI 1-1: Local economy diversity**	City product diversity (quantitative)
		Informality (quantitative)
		Public economy strength (quantitative)
		COVID-19 impact concentration (quantitative)
	RPI 1-2: Openness and external markets integration	Local industrial-employment quotient (quantitative)
		Local economy openness (quantitative)
	RPI 1-3: Entrepreneurship and innovation	New business creation (quantitative)
		Business digitization rate (quantitative)
		Digital access (quantitative)
		State of ecosystem for innovation support (qualitative)
	RPI 1-4: Productivity, economic and financial capacity	Business productivity (quantitative)
		Business access to electricity (quantitative)
		Access to affordable finance (quantitative)
		COVID-19-induced business failure rate (quantitative)
RA2: Resilience of the local labour market Analysis of the capacity of the local labour market to adjust to changes in economic activities and reallocate labour while minimizing unemployment	**RPI 2-1: Labour market flexibility**	Employment diversity (quantitative)
		Population-employment ratio (quantitative)
		COVID-19-induced unemployment (quantitative)
	RPI 2-2: Labour mobility	Occupational labour mobility (quantitative)
		Availability of worker (re) training programmes at the city level (qualitative)
		Geographic labour mobility (qualitative)
		Proportion of a household's budget spent on rental housing (quantitative)
	RPI 2-3: Social protection of labour	Unemployment rate (quantitative)
		Unemployed receiving unemployment benefits (quantitative)
		Informal employment rate (quantitative)
		City expenditure on social protection (quantitative)

RA3: Resilience of local financial system Analysis of the capacity of the local financial system to maintain an adequate and continuous supply of finance to economic activities with appropriate instruments	**RPI 3-1: Size and depth of the financial system**	City quotient of financial institutions per 100,000 inhabitants (quantitative)
		Proportion of the population with a bank account (quantitative)
		Percentage of adult population with a registered Digital Finance account (quantitative)
		Market share of financial institutions offering affordable finance (qualitative)
	RPI 3-2: Financial performance and soundness	Interest rate spreads (quantitative)
		Nonperforming loans rate (quantitative)
		Sectoral distribution of loans (quantitative)
		Nonperforming loans rate and loans restructured as a result of COVID-19 (qualitative)
	RPI 3-3: City fiscal space	City revenue diversity (quantitative)
		Share of income inelastic as a percentage of own-source revenues (quantitative)
		Financial flexibility (quantitative)
		Fiscal flexibility (quantitative)
	RPI 3-4: City financial health and stability	Share of the local financial market (quantitative)
		City credit rating (quantitative)
		City audit performance (quantitative)
		Change in total city revenues as a result of COVID-19 (quantitative)

RA4: Resilience of economic governance Analysis of the capacity of local economic governance to plan, allocate and mobilize resources and coordinate public and private economic activities	**RPI 4-1: Strength of economic governance structures and leadership**	Inclusiveness of economic governance (qualitative)
		Public participation in economic governance (qualitative)
		Access to public information on economic issues (qualitative)
	RPI 4-2: Scope and quality of city planning	Comprehensiveness of city planning systems (quantitative)
		Integration of crisis management provisions in city planning and budgeting (qualitative)
		Application of vulnerability assessment methodology (quantitative)
		Extent of access to and application of digital technologies (quantitative)
	RPI 4-3: Investment readiness	Strategic planning and resilience-proofing of investment projects (qualitative)
		Access to public land (quantitative)
		Intensity of regulation/administrative burden (quantitative)
		Quality of investment-enabling environment (quantitative)

RA5: Resilience of basic infrastructure and connectivity Analysis of the capacity of basic service infrastructure and connectivity systems to enable and facilitate the continued operation of the other four components of the urban economy under stressful conditions	**RPI 5-1: Coverage and functionality of basic public services and infrastructure**	Public open space per 1,000 inhabitants (quantitative)
		Average number and length of interruptions per customer per year in the electricity network (quantitative)
		Percentage of population with access to water and sanitation services (quantitative)
		Percentage of population with regular municipal solid waste collection (quantitative)
	RPI 5-2: Health service coverage	City quotient for health workers per 10,000 population (quantitative)
		City quotient for hospital beds per 10,000 population (quantitative)
		Percentage of city expenditure on health (quantitative)
	RPI 5-3: Connectivity and mobility	Continuity of telephone and Internet operations (quantitative)
		Average commuting travel time disaggregated for the key modes of transport (quantitative)
		Total coverage of all superior modes of public transport (quantitative)
		Walkability and cyclability (quantitative)

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This regional technical paper is a main output of the United Nations Development project on "Building urban economic resilience during and after COVID-19" implemented in 16 cities around the world, including 3 cities in the Arab region, namely Alexandria (Egypt), Beirut (Lebanon) and Kuwait City (Kuwait). The project falls under the framework of the work of the Economic and Social Commission for Western Asia (ESCWA) on sustainable urban development, particularly on smart, safe and resilient cities in the Arab region.

This paper overviews the global project on "Building urban economic resilience during and after COVID-19" and provides policy recommendations on building urban resilience during and after COVID-19 in the Arab region. It addresses economic and financial resilience in the Arab region in the context of labour market conditions, economic governance, the business environment, financial arrangements and infrastructure, and sheds light on related trends. The paper also explores pathways to urban economic and financial resilience, with a focus on related challenges in the Arab region, and provides policy recommendations to address relevant gaps. Lastly, it explores planning for resilience in the region, with a focus on potential actions to be taken.

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