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Working Paper

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Suggested Citation: Fridhi, Bechir (2020) : Coronavirus (COVID-19) Crisis: What's the Economic Alternative in Tunisia?, ZBW - Leibniz Information Centre for Economics, Kiel, Hamburg

This Version is available at:

<https://hdl.handle.net/10419/225249>

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CORONAVIRUS (COVID-19) CRISIS: WHAT'S THE ECONOMIC ALTERNATIVE IN TUNISIA?

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ABSTRACT

Our article introduces a coronavirus (COVID-19) pandemic impact on the economy from a variety of dimensions such as economic outlook, growth shock, the role of regulators and proposed long term strategies.

This paper also analyzes the impact of the coronavirus (COVID-19) pandemic on the growth of the economy and the Imperative to Establishing a New Global Economic Order. Also, this study used the secondary published data from International financial institutions such as World Bank (WB) and International Monetary Fund (IMF) as to describe the current growth and also predict the post-COVID economic growth of Tunisia.

How did a health crisis translate to an economic crisis? Why did the spread of the coronavirus bring the global economy to its knees? The answer lies in two methods by which coronavirus stifled economic activities. First, the spread of the virus encouraged social distancing which led to the shutdown of financial markets, corporate offices, businesses and events. Second, the exponential rate at which the virus was spreading, and the heightened uncertainty about how bad the situation could get, led to flight to safety in consumption and investment among consumers, investors and international trade partners. We focus on the period from the start of 2020 through June, when the coronavirus began spreading into other countries and markets. We draw on real-world observations in assessing the restrictive measures, monetary policy measures, fiscal policy measures and the public health measures that were adopted during the period.

Keywords: Coronavirus (COVID-19), Economic Shock, Financial crisis, Governance, Global Recession.

JEL classification: G21, G28, I11, I18

INTRODUCTION

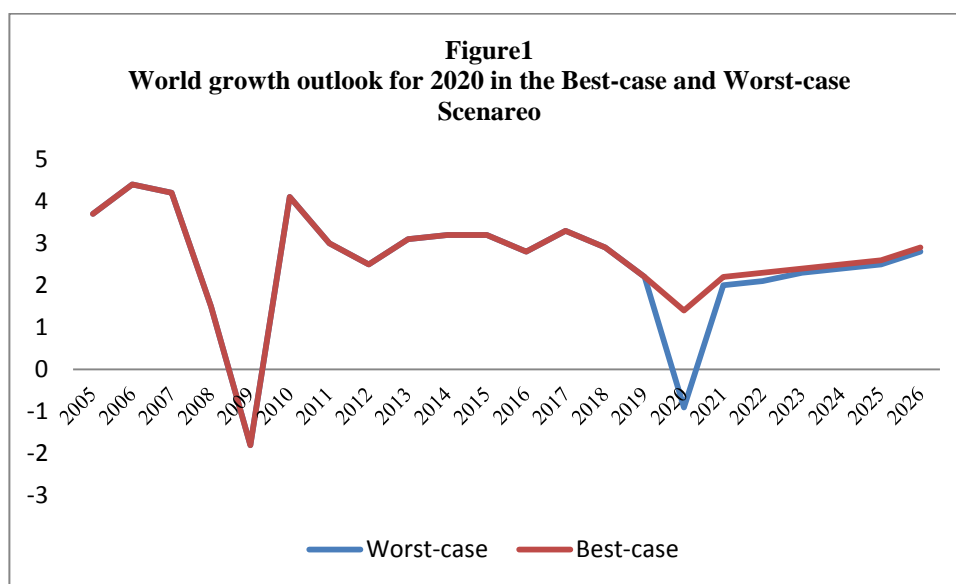
The coronavirus pandemic is the most significant negative shock since the global financial crisis and is causing severe damage to global activity. Early estimates predicted that, should the virus become a global pandemic, most major economies will lose at least 2.4 percent of the value their gross domestic product (GDP) over 2020, leading economists to already reduce their 2020 forecasts of global economic growth down from around 3.0 percent to 2.4 percent. To put this number in perspective, global GDP was estimated at around 86.6 trillion U.S. dollars in 2019 meaning that just a 0.4 percent drop in economic growth amounts to almost 3.5 trillion U.S. dollars in lost economic output (World Bank, 2020). However, these predictions were made before COVID-19 becoming a global pandemic and before the implementation of widespread restrictions on social contact to stop the spread of the virus (African Development Bank (ADB), 2020).

For this reason, strong and coordinated efforts are needed to contain the COVID-19 pandemic and minimize its economic impact, especially on the most vulnerable. (ADB, 2020 April Report) While there is no way to tell exactly what the economic damage from the global COVID-19 novel coronavirus pandemic will be, there is widespread agreement among economists that it will have severe negative impacts on the global economy.

A raging pandemic unleashed by a highly contagious COVID-19 virus has triggered unprecedented restrictions not only on the movement of people but also on a range of economic activities (Coulbaly, S.B & Madden, P., 2020). The pandemic is disrupting global supply chains and international trade. With nearly 100 countries closing national borders during the past month, the movement of people and tourism flows has come to a

screaming halt. Millions of workers in these countries are facing the bleak prospect of losing their jobs (I.M.F, 2020). Governments are considering and rolling out large stimulus packages to avert a sharp downturn of their economies which could potentially plunge the global economy into a deep recession.

In the worst-case scenario, the world economy could contract by 0.9 percent in 2020 (Figure1). The coronavirus outbreak has dealt a massive blow to global activity, and the associated costs and spillovers will significantly erode the global outlook (ADB, 2020). The pandemic also compounds other downside risks, such as further disruptions to trade relations, spillovers from sharp downturns in major economies, and disorderly commodity and financial market developments. Against this backdrop, many economies are not adequately prepared to confront the negative shocks related to the materialization of these risks (World Bank, 2020).



Source: World Bank

LITERATURE REVIEW

Since the beginning of 2020, the world has witnessed an earthquake that turned all concepts upside down and led to a radical review of all forms of thinking and practice (Ozili, P. K, 2019). It is assumed that for all exceptional situations, an exceptional approach and exceptional and bold answers must be given, due to the seriousness of the economic and social crisis resulting from the COVID-19 pandemic, which threatens all countries of the world (Larry Elliot, L. 2020). The beginning was a health crisis that quickly turned into a global economic and social crisis to take the form of a crisis for the world economic system. Indeed, today the world is facing a deep crisis in the global capitalist system (Bedford, J., Enria, D., Giesecke, J., Heymann, D.L., Ihekweazu, C., Kobinger, G., & Ungchusak, K, 2020).

The COVID-19 crisis has ruled the world economy by entering into a deep impasse, announcing the beginning of the collapse of neoliberalism and the retreat of the market economy (ADHIKARI.U.R, 2020). The serious repercussions of this crisis have not been witnessed before in the world before, and it surely exceeded in terms of its repercussions the global financial crisis that erupted in 2008 and the crises that preceded it since 1929, so that the division of world economic history into two parts: before the COVID-19 and beyond COVID-19.

THE NEOLIBERAL PREDICAMENT AND THE IMPERATIVE OF ESTABLISHING A NEW GLOBAL ECONOMIC ORDER

Today the world is heading towards a dark future, because the available liberal visions and policies do not allow the economic and social impacts of the epidemic to be overcome (Larry Elliot, L. 2020). These visions and policies are nothing but the set of structural reforms and economic recovery programs that the International Monetary Fund has been imposing on them and which can, in the end, only lead to more unemployment, poverty and marginalization for countries and peoples (MKHDEM.M, 2020).

What must be emphasized is that COVID-19 was not the direct cause of the crisis of neoliberal globalization. Rather, it played the role of detonator and fanatic of this crisis. Neoliberal globalization has dominated since the 1980s by relying on the dominant role of multinationals and the group of environmental dumping (lack of commitment to environmental protection), social (lack of respect for the work journal), taxation (tax evasion), and democracy (the possibility of having repercussions against the state that takes measures that challenge From multinationals), (Carlsson,S.P., Reeves,M., & Swartz,P., 2020). Despite this absolute domination, neoliberal globalization has been plagued by many internal contradictions that have deepened and exacerbated the crisis of the COVID-19. The transformations that the world is experiencing today represent a clear demise of neoliberal globalization and a blatant manifestation of its ugliness. The most important of these transformations are :

- The health crisis confirmed the inability of the neoliberal vein to anticipate and resist the crisis, and this deficit finds its roots in this vein, which they have no interest but to make profit in the short term (Coulbaly,S.B & Madden,P, 2020). Neoliberalism is based on investment in the most lucrative sectors such as the arms industries, the real estate sector, and the financial sector, rather than in social services and more essential sectors such as health and education (Ozili, P. K, 2019). It has given all attention to economic growth and the achievement of material profits, which has led to systematic destruction of the environment and climate change, which can be considered one of the causes of the spread of epidemics in the world. This explains why the seriousness of the epidemic was not given due importance, which led to the slowdown and hesitation in dealing with the COVID-19 as a result of profit and loss calculations that control the world and behind which liberal interests fear exposure to quarantine losses, the closure of institutions, and the disruption of public life. It is not a coincidence that it was the least neoliberal countries that overtaken the legacy of the epidemic at the lowest cost compared to other countries such as the United States, Italy, Spain, France and Britain. It must also be pointed out that the economic crisis has increased and that poverty, marginalization and unemployment have increased in cities and rural areas due to the imposition of quarantine, and important parts of the economic fabric have stopped working (Carlsson,S.P., Reeves,M., & Swartz,P., 2020).
- It has become clear that the liberal approach is not able to address the catastrophic repercussions of the COVID-19 epidemic and that all attempts to create capitalism are futile and futile because capitalism by its nature has no morals and human values such as solidarity, cooperation, and synergy do not concern them, thus embodying in their performance the principle of "profits before lives" Because it moves according to the logic of the market economy that is dominated by the laws of competition and profit, according to which drug companies prefer manufacturing cosmetics to finding a vaccine or a cure for the epidemic (Ozili, P. K, 2019). Pain The lack of preparedness of health systems, the lack of sanitary facilities and poor services in hospitals compels doctors in Italy to make a painful choice between who will benefit from artificial respiration machines and thus will remain alive and who will die because these machines are not available in sufficient numbers. Moreover, the major drug-making institutions in the world invest little in prevention and pay close attention to treatment, that is, to discover and manufacture medicines because the cost-effectiveness of treatment far exceeds the cost-effectiveness of prevention. The more diseases multiply and the wider their spread, the profits of these institutions will increase (Carlsson,S.P., Reeves,M., & Swartz,P., 2020).
- The state has regained its role as a social state, a citizen protector, and a patron of the national economy in times of crisis. Thus, the state returned strongly as a major actor on all levels, especially economic and social ones, and no longer satisfied with an amending role or the duties of a firefighter. The increase in public expenditures, the provision of assistance to the poor and destitute, the provision of unemployment compensation and the support of economic institutions is a dedication to this shift in the concept of the state and an end to the austerity policies that were previously practiced and which have severely affected the economy and society.

In parallel with its restoration of its role, it reinforces the importance of states in maintaining their political and economic sovereignty, which has been neglected in the interest of global financial interests and multinational companies (Larry Elliot, L. 2020). The health crisis has led countries to find out the risks they are lying with as a result of their loss of this sovereignty and their dependence on other countries regarding their strategic needs such as medicine and medical equipment (80 percent of the drugs are manufactured in China and India), which made them realize the importance of defending their national sovereignty and independence. There is, then, the beginning of awareness among countries of the

importance of developing an independent economic policy in order to secure all the strategic products they need in the fields of food, health and prevention.

- The increasing presence of an autonomous social policy. Neoliberalism, which is governed by greed and the search for material profit, is a source of marginalization for all that is social in public policies and economic choices, and it does not pay any attention to issues such as health, education, culture, unemployment, poverty, and marginalization. It is not of its nature to support the values of cooperation, solidarity and synergy. One of the results of COVID-19 was that the social equation imposed itself on the scene and became given the importance it deserved (Carlsson,S.P., Reeves,M., & Swartz,P., 2020). The economic and social cannot collide; rather they must be complementary, as there can be no economic development without social development and vice versa.
- The COVID-19 crisis has led to transformations in the production system at the global level. This is the disintegration of the universal value chains and their fragility, so that it is sufficient for production to cease in a country so that, the whole chain stops. The world is also witnessing the dilemma of the international division of labor based on the principle of differential advantages, which is reflected in new developments represented in shrinking the transfer of production operations abroad and the beginning of resettlement of investments. These are indicators that could lead to a reconsideration of the international division of labor imposed by and supported by multinationals.
- It has become clear that the COVID-19 crisis will contribute to the decline of the noble liberal globalization and the regression of the dominant economic system. However, what must be emphasized is that the proposed alternatives can be identified in two directions:
 - The first trend is to "let the storm pass", which includes continuing to resort to previous policies and options for previous public expenditures related to public expenditures, budget, money, trade and exchange, in the hope of addressing the repercussions of the crisis and the restoration of what can be repaired and return to work with market economy mechanisms (Larry Elliot, L. 2020). The weakness of this trend lies mainly in his methodology of confronting an exceptional crisis with traditional neoliberal policies that have proven successful over the past four decades, in addition to the high cost of such policies, which will be mainly victims of weak economies and fragile social groups.
 - The second trend is to consider the health crisis as a starting point for working to develop a new global economic, financial and social pattern that depends not on hegemony, competition, transgression, greed, and selfishness, but rather on cooperation, solidarity, social protection and environmental preservation. In this field, it is necessary to refer to the dynamism that the health crisis has entered among civil societies, to campaigns of solidarity and cooperation that are in the process of achievement within many regions of the world, and to mini-models that have begun to crystallize and pertain to various activities such as production, consumption, finance, partnership, cooperation and governance, which are Models could be the first building blocks for building a new, more humane, more solid and more just global economic order.

CORONAVIRUS (COVID-19): THE ECONOMIC OUTLOOK, IMPACT, AUTHORITIES AND LONG TERM STRATEGIES OF TUNISIA

Studies and research have continued on a frequent basis about the post- COVID-19 crisis and the lessons and lessons that can be learned and the interrogation procedures and measures to overcome the remnants of this crisis as soon as possible and at the lowest costs. The discussions were also not free of research in various ways and means to take advantage in the future of the opportunities that the health crisis can provide at the national and global levels (MKHDEM.M, 2020).

In spite of the importance of these studies and research, most of them did not mention the urgent and fundamental issue of the necessity of leaving the policies of patching, restoration and escape forward, which proved their failure during the past ten years, and the development of a real economic and social alternative that takes into account the new reality produced by the global health crisis and responds to the requirements The next phase (Carlsson,S.P., Reeves,M., & Swartz,P., 2020). What is required today is to define the features of a new development pattern because the prevailing neoliberal approach today is no longer valid for the post- COVID-19

stage because it failed to provide the most basic health and social services, as it failed to achieve growth and led to catastrophic economic conditions that can only lead to more poverty, unemployment and marginalization.

While awaiting the consolidation of this mode and in light of the changes taking place in Tunisia and the world, it is important that dealing with the issues and problems raised according to new visions and concepts and within the framework of a clear program aimed at activating the various development mechanisms and achieving economic efficacy and social justice and relying on the social role of the state for the benefit of groups and entities Marginalization and ensuring the viability of the market economy and eliminating speculation, corruption, monopoly and the black market. It has become certain to think of approaches that depend on:

Re-consideration of the state and the public sector

Since the 1980s, neoliberal philosophy has maintained that the state no longer forms the solution, but rather becomes the problem. Therefore, all policies pursued since that period have weakened the state and dismantled the public sector. With the COVID-19 crisis, all eyes turned to the state and the public sector, due to the failure of neoliberalism to face the suffocating crisis that Tunisia has experienced since 2011, especially in solving the problems caused by the COVID-19 epidemic, including health and education problems (Carlsson,S.P., Reeves,M., & Swartz,P., 2020). The state has regained its role because in the face of this crisis, neither the market mechanisms nor the private sector that is particularly concerned with the increase in its profits can be relied on and, in most cases, the crises take advantage of favorable opportunities for monopolization, speculation and price increases. Also, the state did not allocate a few funds for health and scientific research, and therefore the countries were not prepared to resist the epidemic.

What is proposed today in the light of the COVID-19 crisis is to ensure that the state and the market are in a participatory relationship and without any collision between them, which assumes reconciliation between the country with a strategic and social role and the market that is supposed to devote competitiveness and transparency (Larry Elliot, L. 2020). Only thus can build an economy in which a minority cannot seize the fruits of its growth, but the majority will benefit from this growth. This means that this economy becomes, at the same time, economically and socially beneficial. The economic and social cannot collide; rather they must be complementary, as there can be no economic development without social development and vice versa. Achieving a balance between the state and the market requires reformulating the role of the state in order to carry out tasks:

- Protect vulnerable groups,
- developing social services, especially in health and education,
- Adjusting the market through laws enacted and put into practice by the state,
- Putting all possibilities in the hands of the public sector to advance development in the internal regions.
- Provide all incentives for private national capital to invest in marginalized areas,
- Infrastructure financing,
- Promoting scientific and technological research.

As for the market, it represents the dominant adjustment mechanism in liberal economies and is the only alternative to all forms of state intervention in terms of driving economic growth. The question that is constantly asked is whether market mechanisms are capable of achieving development?

It is evident that these mechanisms or the so-called "invisible hand" took place in order to create wealth, and how the latter was distributed was not a concern of these mechanisms. The exacerbation of poverty in liberal economies is an affirmation of the absence of the relationship between wealth creation and distribution, so that every growth in wealth is accompanied by an unfair distribution of it. This would confirm that the functioning of the market economy for its basic functions requires the existence of a strong revisionist authority that can only be undertaken by the state capable of ensuring an equitable distribution of the productive wealth (Carlsson,S.P., Reeves,M., & Swartz,P., 2020). The state must be a complement to the market and an alternative to it if necessary and also ensure that the liberal logic does not dominate the social logic and that economic returns are not achieved at the expense of social justice. Without the state, there can be no social justice or a meaningful fight for unemployment, poverty and exclusion (Georgieva, K , 2020).

Protection of the national economy

The absolute priority is to support the productive fabric through a protectionist policy that includes a review of the policy of free trade and trade relations with abroad. This means the necessity of limiting random imports. This would revive Tunisian industrial production and exempt the country from debt in hard currency to cover imports

from abroad. In January 2020, according to importance, Tunisia's trade deficit with China reached 506.3 million dinars, with Turkey 194.7 million dinars, and with Algeria 158.2 million dinars.

In this regard, it must be noted that the state has not activated Law 12 of the World Trade Organization and Chapters 8 and 14 of the Fundamental Law of the International Monetary Fund and Chapter 35 of the Partnership Agreement with the European Union, which all provide for the right of any country to protect upon supply when imbalances arise in Balance of payments. It is not excluded that, the reason for this failure is the strong opposition of the supply orders.

In order for these protectionist measures to be meaningful, they must be accompanied by a policy that includes reorienting the local industry towards fields of vital importance such as health and medicines. That protecting the national economy also requires working to achieve agricultural sovereignty, which has become an urgent necessity and that can only be done by meeting the nutritional needs of Tunisians. Tunisia suffers an abhorrent dependency on the outside in the food field, and the resort is to supply a large part of the food consumed. The goal of each agricultural policy is to achieve food security, that is, to ensure that the nutritional needs of the population are met, which requires that export priorities linked to external markets are not given priority and work to meet the needs of domestic demand. Only thus will the restoration of national sovereignty take place in the agricultural field, as in other sectors (Larry Elliot, L. 2020).

Giving priority to social development

The increased attention to the social issue is attributed to poverty, fragility and unemployment, which have been aggravated by the crisis of the COVID-19, so that social differences have deepened and the poor have become poorer and the rich get richer (Georgieva, K , 2020). As a logical result of these conditions, the social ladder is threatened, which forces decision-makers to take the social issue seriously and give it the utmost importance in all the approaches and policies followed.

The measures that will be taken, as stated in the draft state budget for the year 2021, confirm the government's intention to engage in austerity policies according to which the mass of wages will be reduced by freezing wages and assignments, not compensating vacancies, delaying promotions, controlling production grants, and reducing additional hours. The various recommendations will lead directly to the deterioration of the purchasing power of citizens and the increase in unemployment rates, which will result in stagnant economic activity and a decline in internal demand (consumption and investment), which has been and remains the most important driver of growth.

Reconsidering the constraints of budget and monetary balances

The state has practiced, for several years, the austerity policy that was represented in the increase in taxes, the freezing of wages and assignments, the reduction of support expenditures, the increase in interest rates and the pressure on consumer loans, which resulted in the increase in the deterioration of purchasing power and hitting consumption and internal demand at the time that the government should have Pressure on prices, monitoring distribution routes, providing production and protecting the dinar in order to control prices without hitting purchasing power and internal demand.

The COVID-19 crisis has led to the state becoming increasingly involved in economic activity by increasing budget expenditures and providing adequate liquidity to the economy. The desired objectives of this intervention is to support the offer through public investments and loans at weak interest rates as well as support the internal demand by resorting to the policy of social assistance for the benefit of low-income owners by activating the so-called "cash helicopter" which is only a means of direct distribution of financial aid to benefit these poor And the marginalized (Georgieva. K. , 2020).

And in order for the state to fulfill this role, it has become a requirement not to abide solely by achieving balances in relation to budget and monetary policy. In this regard, the principle of independence of the central bank on which neo-liberalism is based must be reconsidered. The central bank is an institution that is supposed to be in the service of the economy and therefore cannot, in the name of independence, impose a monetary policy that is not in line with the state's direction (Larry Elliot, L. 2020). Today the myth of the total independence of the Central Bank, which has become a requirement to grant loans directly to the state and to institutions similar to what is being done in the United States, Britain and Europe, where the central banks finance the budget deficit and the general expenditures of the state directly, has dissipated today (Horowitz, J., 2020). This means that every budget deficit must be funded through loans provided by the central bank for the benefit of the state and without commitment to the requirements of the principle of independence of the central bank.

But what must be emphasized is that the budget deficit must be programmed and not subject to it, as it does not mean merely an increase in expenditures, but rather requires a review of directing financial resources towards meeting the needs of the vast majority of citizens, i.e. health, education, employment and agriculture.

It has also become imperative that the overall monetary policy not be subject to the sole objective of monetary stability and a weak inflation. This led the Central Bank to adopt a strict monetary policy that included, in particular, the increase in the interest rate of the administration with the resulting negative repercussions on investment, consumption and economic growth.

Mobilizing financial resources by recovering the looted funds and fighting corruption bombings

Financial resources are an essential issue for the state, because without it, the state cannot have an effective role in dealing with COVID-19 waste. Therefore, it is necessary to resort to radical solutions that are broken with the policies of patching and restoration. These solutions are:

- Improving the performance of the tax system: State resources usually come from taxation. However, it is no longer possible to increase in taxes and fiscal pressure, especially on the measure, because this has become socially unacceptable and has negative repercussions on the economy. What can be done in this regard is to take serious and resolute measures to combat tax evasion, which will undoubtedly provide huge funds for the state treasury (Horowitz, J., 2020).
- If it is difficult to obtain external loans today, there is the possibility to demand a renegotiation of the payment of external public and private debt within the framework of an international campaign that is being organized and through which pressure is placed on the donors in order to get them to accept the postponement of the debt repayment. The success of this endeavor requires vigorous and proven economic diplomacy (Larry Elliot, L. 2020).
- Liquidation of the internal debt of the state that is, transferring it to financial resources. This process is carried out by the Central Bank of Tunisia, which purchases the theoretical treasury plots that are owned by the banks, and thus the liquidity of these banks is available with its positive repercussions on granting loans and financing investment. It is also possible for the central bank to provide liquidity for the benefit of the state treasury by purchasing treasury plots directly. However, this latest measure requires changing Chapter 10 of the Basic Law of the Central Bank of Tunisia issued on April 25, 2016 related to the independence of the Central Bank.
- Such measures are not a novelty, as several countries have resorted to it. The US federal bank purchased all US public debt, and the Bank of England abandoned its independence and provided cash liquidity directly to the state treasury without interest rate (Georgieva, K , 2020).
- Re-consideration of the tax on wealth derived from inheritance, gift or sale. This tax does not represent in Tunisia but 1.1 percent (2014) of the total income of the Tunisian state, while this percentage represents 6.7 percent in Morocco, 8.2 percent in France, 8.9 percent in the United States and 12.3 percent in Britain with ensure that the target of this tax is people, not institutions.
- Act boldly to recover stolen and smuggled money. This requires taking firm and effective policies to confront the mafias of corruption, smuggling, tax evasion and parallel market barons.
- Imposing high taxes on the money circulating in the parallel market and working to limit the combative circulation of money outside the organized sector.

Supporting the partnership between the public sector, the private sector and the solidarity social sector

The COVID-19 crisis has confirmed the limitations of both the public and private sectors. The public sector suffers from a breakdown of public budgets and its shallow financial resources, in addition to the consequences of corruption and misconduct that do not allow it to contribute effectively to overcoming the legacy of the crisis. Also, the private sector, which consists in its overwhelming majority of micro and small enterprises, complains of fragility and indebtedness and remains threatened with extinction due to the COVID-19 crisis (Georgieva, K , 2020). Therefore, the solution lies in the social and solidarity sector of the economy, which can support the public and private sectors in order to support the partnership between them. It possesses the ability to reconcile economic activity with the social aspect and to reduce the dominance of the economic dimension over the social dimension. It is based on a group of cooperatives, societies and cooperatives that provide the services needed by vulnerable social groups and marginalized regions without being bound to achieve material profits as a condition for carrying out their activities. The aim of creating a social and solidarity economy is to create jobs and create a network of small and medium enterprises, which makes this economy a factor of social stability (Horowitz, J., 2020).

It cannot be a substitute for the public and private sectors, but rather a complement to them in order to prevent market deviations and reduce the negative repercussions of the crisis of COVID-19 and brutal neoliberalism, given its practices, behaviors and values such as solidarity, participation, responsibility, citizenship, sustainable development and respect for the environment. It is also useful to emphasize that the three sectors are required not only to coexist with one another but rather to integrate in order to serve a new development model that can meet the major challenges facing our country (Larry Elliot, L. 2020).

As a summary of the foregoing, it can be said that if it is necessary to "benefit" from the current health crisis, it is important that it be a starting point for adopting new economic and social choices through which to review the priorities and eliminate many taboos that shackle the economic, monetary and fiscal areas and in which the state plays An essential role in reviving the economy and supporting employment, through extensive investment in promising sectors such as health, agriculture and the environment.

CONCLUSION

The COVID-19 pandemic will not only suppress economic growth, it will also adversely impact sustainable development in the short run. In Africa, an outbreak of the virus is of extreme concern because of the fragility of countries' healthcare systems and because many of these economies already face significant public health challenges, particularly malaria, measles, HIV, and tuberculosis. During the 2014–2016 Ebola outbreaks, many of the deaths were due to resources being diverted away from other diseases. In Western Asia, the pandemic is likely to impact humanitarian action of the international community in Iraq, Syria and Yemen, where ongoing conflict still requires timely responses. The pandemic is also likely to undermine poverty eradication efforts. A pandemic-stricken economy that grinds to a halt puts the employment of many people at risk either in the form of lower income, less paid working hours, or outright unemployment. Without prompt government support, households could quickly fall into poverty, reversing past gains. The pandemic will have differentiated employment and income effects, even in most developed economies. Evidence suggests that those at the lower end of the income distribution will suffer the most. Lower income workers tend to enjoy less labor market protection a considerable share of them work in informal sectors where protection is minimal; and even for those in the formal sectors, many are paid by the hour, with typically little or no paid sick leave. Furthermore, a high share of lower-income workers is employed in industries that are most affected by the pandemic, such as retail sales and food service industries, which require close physical proximity to others.

Lessons from previous infectious disease outbreaks, as well as the experiences of the countries that were hit early by COVID-19, clearly show that severe containment measures, such as social distancing requirements, shutdowns of nonessential businesses and entertainment, and school closures, are important measures in saving lives by "flattening the curve" of infections and preventing health care systems from being overwhelmed. Policy makers face difficult trade-offs between the health benefits of these policies and their economic costs, however, since the more successful the containment policies are, and the flatter the infection curve is, the deeper the economic recession becomes. The immediate policy priorities are bolstering health care systems to save lives, strengthening safety nets to provide relief to households, and providing support to the private sector to cushion the downturn and preserve jobs. To the extent fiscal space is available, broad-based fiscal stimulus can also help lift aggregate demand, but it will probably be more effective after the immediate crisis has passed and business operations begin to normalize. Monetary policy can also play an important role. Central banks should be ready to provide ample liquidity to banks and nonbank financial institutions, particularly to small and medium-size enterprises, which are prone to suffer more from the sharp disruption. Broader monetary stimulus, such as policy rate cuts or asset purchases, can lift confidence and support financial markets to offset the risk of a sizable tightening in financial conditions, given the volatility in markets. International coordination in monetary easing could further alleviate the volatility.

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