



# The Impact of the Covid-19 Pandemic on the Bahrain Private Sector: Proceedings from a Roundtable Discussion

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## Abstract

In early November 2020, as part of the Derasat-UNDP Bahrain Covid-19 socioeconomic impact assessment, Derasat and UNDP convened a small group of private sector representatives and other experts to discuss the impact of Covid-19 on Bahrain's private sector. This report presents the major issues discussed during the roundtable, and presents a series of recommendations targeting businesses and policymakers.

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## Executive Summary

In early November 2020, as part of the Derasat-UNDP Bahrain Covid-19 socioeconomic impact assessment study, Derasat and UNDP Bahrain convened a small group of private sector representatives from Bahrain's most prominent industries to discuss the impact of Covid-19 on Bahrain's private sector. The main findings were as follows:

1. Small and medium-sized enterprises (SMEs) have been affected acutely by the pandemic, though certain sectors have benefited.
2. The fiscal stimulus was hugely beneficial to the private sector.
3. SMEs are highly apprehensive about the future due to the existence of sustained, systemic weaknesses in the private sector.
4. Monetary policy ensured the avoidance of a credit crunch for both consumers and businesses, and was instrumental in avoiding a sharper economic downturn.
5. Remote work has offered SMEs a way of economizing on long-term costs and increasing productivity.
6. This is an opportunity to explore innovative sharing economy models.
7. Remote work has conferred both advantages and disadvantages upon members of marginalized groups.
8. There appears to be a permanent shift towards remote work, which raises important questions regarding labor market regulations.
9. Companies have been adapting to the new digital world, but this process has been uneven and haphazard in many cases.
10. Remote work creates cybersecurity threats.
11. The Central Bank of Bahrain (CBB) has been active in elevating cybersecurity in the financial sector.
12. The air transport sector is facing massive commercial challenges.
13. Government support has been uneven globally, and may not be sufficient in the long run.
14. Airlines are trying to make investments to help them adjust, but the uncertainty makes the process very difficult.

15. The government should seize the opportunity to rebalance the local labor market in favor of nationals.
16. There is an opportunity for green growth.
17. Universal basic income might be a way of promoting socioeconomic stability, while also increasing the production of art and culture as a positive corollary.
18. Covid-19 also offers new, green ways of restructuring sovereign debt.
19. Mental health is a serious concern during the pandemic, and reflects an underemphasized aspect of sustainability.
20. Environment, social, and governance risks are rapidly rising as a priority in relation to business continuity as we approach the new normal.

Based on these findings, the discussion resulted in the following recommendations for businesses and policymakers.

1. The private sector needs to develop strategies for effective digital transformation, rather than relying on reactionary and haphazard digitization processes.
2. The private sector must allocate significant resources to cybersecurity, as digital transformation exposes organizations to a wide variety of new risks, many of which are existential.
3. The private sector needs to start planning strategically for life after the pandemic, including recognizing the risk of climate change and introducing green growth strategies to curb these risks.
4. The private sector should consider sharing economy models as a way of enhancing sustainability by economizing on operating costs, and of improving productivity. An Environment, Social and Governance (ESG) risk framework should be incorporated within an organization's core strategy towards sustainability.
5. Policymakers should create a strategic plan that rebalances Bahraini society away from consumption and towards manufacturing, with an emphasis on giving SMEs a larger role in the emerging economy.

# 1. Introduction

By the start of November 2020, almost 50 million people in the world had contracted Covid-19, resulting in over 1.2 million deaths. The direct health consequences of the pandemic have been compounded by the economic fallout, with the IMF forecasting a 4.2% contraction in the global economy during 2020. Were it not for unprecedented fiscal stimulus measures and monetary policy interventions, the economic damage would have been considerably worse.

The Kingdom of Bahrain reported its first case in February 2020. By early November 2020, over 80,000 cases and 300 deaths had been recorded. While a full lockdown was never implemented, tight restrictions on movement, including the closure of schools and a wide range of non-essential businesses, were applied throughout the period of March - September 2020. By November 2020, average daily cases had fallen from September's peak of 720 down to 230, and daily deaths per million had fallen below the global average.

As a result of Covid-19, Bahrain's GDP declined by 8.9% during the second quarter of 2020, and the government introduced a wide range of fiscal and monetary measures to protect jobs and sustain the economy for the duration of the pandemic. The Bahrain Chamber of Commerce and Industry (BCCI) conducted a series of surveys to complement the data emerging from the official national accounts, and they indicated high levels of distress among many businesses in Bahrain, especially in the small and medium-sized enterprises component.

In June 2020, backed by a grant from the global headquarters of UNDP, Derasat and UNDP Bahrain initiated a Covid-19 socioeconomic impact assessment study, with the aim of evaluating a broad range of the pandemic's effects on Bahraini society. The project involved a series of surveys, interviews, roundtable discussions, and secondary data gathering exercises. This report is a summary of the study's first roundtable discussion held with representatives of the Bahrain private sector. It includes the points discussed during the two-hour event, as well as a synthesis of the recommendations made by the participants targeting both businesses and policymakers.

## 2. Roundtable Format

The Derasat-UNDP Bahrain partnership to study the socioeconomic impact of the Covid-19 pandemic contains a diverse array of primary, secondary, quantitative, and qualitative data. The project sought to convene stakeholders for a discussion to supplement the insights gained from conventional economic data. In light of the BCCI's methodical efforts at quantitatively evaluating the impact of the pandemic on the private sector using surveys periodically delivered to businesses, the Derasat-UNDP Bahrain team favored a roundtable format with an emphasis on qualitative insights.

Due to the health challenges posed by the pandemic, the discussion was conducted remotely via video conferencing software on the morning of Sunday, November 1<sup>st</sup>. After some brief opening remarks by the organizers, the roundtable was an open discussion chaired by one of the organizers.

To strike a balance between the breadth and diversity of views solicited on the one hand, and on the level of engagement from each participant on the other hand, a total of seven external participants were invited to take part, in addition to a representative from each of Derasat and UNDP Bahrain, meaning a total of nine participants. Chatham House Rules were adopted to allow participants to speak more freely.

### Participants

**Dr. Abdulhasan Al Dairi**

**Chairman, Bahrain SMEs Society**



Dr. Abdulhasan Al-Dairi is the Chairman of Bahrain SMEs Society since 2006, and a founding member and shareholder of various companies. With a PhD in Entrepreneurship and MBA in Marketing Management, Dr. Al-Dairi enjoys a wealth of experience in private and public sectors as well as accumulated teaching and training best practices in banking, vocational, and academic higher institutions. He is also the Founder of the Annual SMEs Day Forum since 2010, Board Member of Bahrain

Management Society (BMS), as well as the Founding Board Member and Treasurer of Ebtikar (Innovation) Bahrain Association. Dr. Al-Dairi currently serves as the Manager of Stakeholder Relations at the Bahrain Polytechnic, which he joined in 2010 after his previous post at the Government of Bahrain as the Director of Community Centres at the Ministry of Social Development.

### **Ms. Leena Al Olaimy**

#### **Co-founder and Executive Chairperson, 3BL Associates**



Leena Al Olaimy is an author, Muslim Dalai Lama Fellow, Fulbright Scholarship recipient, and a *Wall Street Journal* "Woman of Note". She is a co-founder of 3BL Associates, an award-winning people+planet strategy consultancy working on issues of peace, climate change, and inclusive economic growth. Through 3BL's think-do-tank she has co-founded Public-Planet Partnerships, Nonviolent Resilience, and Diversity On Board. Al Olaimy also serves on the Chatham House steering committee for the Future Dynamics in the Gulf project. She holds a BS in Culture and Interpersonal Communications from New York University and an MA in Globalization Studies from Dartmouth College, and is an alumna of both the THINK School for Creative Leadership in Amsterdam and Singularity University.

### **Dr. Abdulla Al-Sada**

#### **Deputy Chief Executive, Bahrain Chamber of Commerce and Industry**



Dr. Abdulla Al-Sada is a Deputy CEO at Bahrain Chamber of Commerce and Industry (BCCI). Prior to joining BCCI, Dr. Abdulla Al-Sada headed the Centre for Leadership and Management at Bahrain Institute of Banking and Finance. Previously, he was responsible for Government Affairs and Relations at Tamkeen Bahrain. He also headed the Project Design and Development Department directing a number of strategic

projects focused on improving the productivity of the private sector and making nationals the preferred option for employment. Prior to working in Tamkeen, he held a Senior Consultant post for Performance Management and Business Process Reengineering projects and was a Reform Advisor for the National Education Reforms in the office of the Minister of Education of Bahrain. Dr. Abdulla holds a DBA in Management Science, MBA in Change Management, PgC in Research Methods and MSc in Engineering from the University of Strathclyde.

### **Dr. Omar Al-Ubaydli**

#### **Director of Research, Derasat**



Dr. Omar Al-Ubaydli is the Director of Research at Derasat, Bahrain, an affiliated associate professor of economics at George Mason University, and an affiliated senior research fellow at the Mercatus Center. His research interests include political economy, experimental economics, and the economics of the GCC countries. Al-Ubaydli previously served as a member of the Commonwealth of Virginia's Joint Advisory Board of Economists and a Visiting Professor of Economics at the University of Chicago. He regularly publishes his research in international peer-reviewed academic journals, and his mainstream media articles appear in Arabic and English-language newspapers and blogs such as AlHayat, The National, Forbes Opinion, and US News. Al-Ubaydli earned his BA in economics from the University of Cambridge, and his MA and PhD in economics from the University of Chicago.



## **Ms. Zeeba Askar**

### **Head of Banking and Finance, Bahrain Institute of Banking and Finance**



Zeeba Askar is the Head of Banking and Finance at the Bahrain Institute of Banking and Finance. She also serves as the Deputy Chair of the Sustainable Development Committee for the Bahrain Association of Banks. Askar has over 20 years of experience spanning asset management, private equity, corporate finance and financial control, with sectoral expertise in banking and real estate. Previously, she worked as a Director of Strategic Investments at Ithmaar Bank. Askar

holds an MBA in Management and is a certified CFA. She is also an active member of the CFA Society Bahrain.

## **Ms. Dana Hamzah**

### **Head of Economic Research, Central Bank of Bahrain**



Dana Hamzah is an experienced economist and financial sector specialist with a demonstrated history of working in the financial services industry. She is the holder of an MSc in Finance and Economic Policy and a BA in Industrial Economics with Insurance. She is skilled in Business Strategy, Economic Research with a focus on Sustainable Development, Risk Management and Cyber Security, Islamic Banking, Business Planning Macroeconomics, and International Relations. She

has professional experience at the IMF in DC, Michigan Department of Treasury as part of the Hubert Humphrey Fellowship Program.

## **Mr. Stefano Pettinato**

### **Resident Representative, UNDP Bahrain**



Stefano Pettinato is the Resident Representative of the United Nations Development Programme (UNDP), and currently also serving as the United Nations Resident Coordinator in the Kingdom of Bahrain. Before that, he served as UNDP Deputy Resident Representative in Bahrain in 2017 and 2018. His career at UNDP included assignments as Deputy Resident Representative for El Salvador and Belize, Regional Policy Adviser on Social Policy and Human Development at UNDP's Regional

Centre in Panama and the Regional Bureau for Latin America and the Caribbean in New York, and Policy Adviser in UNDP's Human Development Report Office. He co-authored the 2003 and 2004 editions of the Global Human Development Report. Pettinato graduated summa cum laude in Development and Public Economics from the University of Florence and obtained a second Master's Degree in International Economics from the Johns Hopkins University.

## **Mr. Kalyan Krishnan Subramanian**

### **Head of Markets, KPMG Bahrain**



Kalyan Krishnan Subramanian is the Head of Markets at KPMG Bahrain. He has vast experience as an HR professional having worked in both operational and strategic HR roles. Prior to his current role, Krishnan has been an Associate Director for the advisory function of KPMG in Bahrain, managing client needs in the space of sustainability services, ESG, CSR strategy development and impact measurement, and People and Change transformation with a specific focus on People

Engagement, Psychometric Testing, and Learning & Development. Kalyan holds an MSc in Personnel Management with IT from Heriot-Watt University.

## Mr. Ayman Zainal

### Chief Commercial Officer, Bahrain Airport Company



Ayman Zainal is responsible for all commercial operations and overall airport revenue at the Bahrain Airport Company. As Chief Commercial Officer his role also involves business development as well as mergers and acquisitions. As a Master in Business Administration and Bachelor in Computer Science, Zainal enjoys working in a dynamic organization that lets him fully utilize his managerial experience, financial skills and analytical background to fulfill core business objectives. An expert of developing and utilizing business valuation models, he has years of experience in project management.

## 3. Proceedings

### 3.1. The Impact of COVID-19 on SMEs in Bahrain

**Remark 1.1:** Small and medium-sized enterprises have been affected acutely by the pandemic, though certain sectors have benefited.

In Bahrain, there are over 80,000 commercially registered businesses – a large number compared to the country’s population. The majority of these commercially registered businesses are SMEs, defined as having an annual turnover of less than BD3 million and/or fewer than 100 employees, and they constitute around 98% of enterprises in Bahrain. These SMEs operate in almost every sector in the economy, from manufacturing to consumer services.

Participants agreed that the majority of SMEs operating in most sectors have been negatively hit by the Covid-19 pandemic, with the tourism sector being especially badly hit. Many of the SMEs operating in this sector depend on tourists from neighboring countries, which fell significantly due to severe restrictions on international travel. SMEs operating in the training sector have also been negatively affected as their operations have been suspended for several months. Enterprises operating in the retail

sector as well as transportation logistics are also among the badly hit . Companies operating in the health sector were also negatively affected as patients reduced their hospital visits; dermatology and dentistry were the most affected.

On the other hand, the Covid-19 pandemic has also had a positive effect on some sectors. One such example is the higher education sector, as students have chosen to pursue higher education in Bahrain rather than studying abroad. Additionally, due to social distancing measures and the transition towards working from home, e-services and e-transactions boomed. In fact, companies operating in the ICT sector reported that they are not able to meet the demand for their services. The pharmaceuticals sector has also benefited from the pandemic.

**Remark 1.2:** The fiscal stimulus was hugely beneficial to the private sector.

To help support SMEs, the BCCI has worked closely with all sectors of the economy. The BCCI compiled a list of issues faced by the different sectors and delivered a paper to the government highlighting these issues. The issues identified were payment of loans, cashflows, staff salaries, and overheads such as rents of land, malls, shops and offices. The government responded by implementing a fiscal stimulus whose value equaled 30% of GDP to support the economy during the pandemic. Bahraini enterprises found this support to be critical, and the business sustainability efforts ensured that expatriates also benefited substantively from the stimulus.

**Remark 1.3:** SMEs are highly apprehensive about the future due to the existence of sustained, systemic weaknesses in the private sector.

Participants emphasized that companies need to look beyond the pandemic, specifically at the investment opportunities available in Bahrain and how businesses can contribute to them. Participants were also apprehensive about the future as some believe that the full repercussions of the economic crisis resulting from the pandemic are yet to materialize and will unfold immediately once the pandemic ends. The results of the economic tremors within international markets post-pandemic will eventually ripple to the local economy.

Generally, in an economic downturn, SMEs experience a visible and immediate impact and business closures are common even with stimulus packages. On the other hand, they can also pivot quickly due to their flexibility in comparison to their larger counterparts. By extending its support to SMEs, the government helps these businesses pivot rather than fail while simultaneously increasing future SME job creation opportunities.

As per the International Labor Organization's (ILO's) data, 1.5 billion jobs, of which one-sixth belong to youth, are threatened globally due to the pandemic. SMEs play a critical part in filling this labor market gap. In Bahrain, the initial steps exercised by the government of Bahrain through its labor fund Tamkeen and the BCCI have been helpful, yet systemic issues still persist. Specifically, although accounting for over 90% of local enterprises, SME sector productivity does not surpass 30% of the Bahraini economy even with schemes such as ensuring 20% of annual government purchases and 10% of government services are granted to SMEs through the Tender Board.

Currently, SMEs are concentrated in the services sector. To balance out this trend, a shift from a consumer-based society to a manufacturing society is needed for local SMEs. This is attained by fostering universities' roles, growing their numbers, and increasing vocational and technical training. Bahraini SME productivity needs to increase in order for further self-reliance (e.g. issues of food security) to levels comparable with other GCC countries with the aid of the Bahraini government, the BCCI, research institutions, and multilateral development organizations, among others.

### 3.2. Credit and Liquidity in Bahrain During the Pandemic

**Remark 2:** Monetary policy ensured the avoidance of a credit crunch for both consumers and businesses, and was instrumental in avoiding a sharper economic downturn.

Participants agreed that during Covid-19, businesses were able to receive the credit they need/want. This is reflected in the fact that the Covid-19 crisis led to an expansion of credit in Bahrain: there has been an overall 4% increase in credit from September 2019 to September 2020. The business sector has seen a 3% increase in credit in the same period.

Realizing the financial hardships that businesses are going through during the Covid-19 crisis, the government has addressed the issue of credit and liquidity from the very beginning with the immediate measure of postponing loans for a period of 6 months. To look deeper at liquidity status, the positions of different depositors need to be understood. Individuals have the privilege of postponed loans. For corporates and businesses, it depends on their situation before the pandemic - if they were previously in a healthy situation, then they were more resilient in confronting the crisis. If they were under pressure, the government liquidity fund served as a savior.

In its role as a depositor, the government was adversely affected because of its large outlays in the form of the stimulus package, and due to the large decline in revenues caused by the drop in oil prices. Yet, the monetary interventions were important as with the absence of loan exemptions, capital adequacy would have been highly impacted. Loan exemptions made depositors happy. Despite the loss of interest income, bankers were also relatively happy as they now had a valid reason to avoid having to classify these loans as non-performing, which would have created major problems for their balance sheets. The CBB has been working very closely with banks to monitor their liquidity situation.

### 3.3. Shifting to a Remote Work Model

#### 3.3.1. Opportunities and challenges of shifting towards remote work

**Remark 3.1.1:** Remote work has offered SMEs a way of economizing on long-term costs, and of increasing productivity.

Participants agreed that the government decision that was forced onto companies to have employees, particularly women, work remotely has positively impacted SMEs in terms of real estate expense, especially their operational leverage due to a decline in rental costs and spaces. It allowed companies to relocate and experience further savings while increasing flexibility for remote work. Furthermore, it created pressure on companies to invest in digital infrastructure. These investments have increased the productivity of employees both at home and in the workplace.

Behavioral changes for all employees are also visible. Some employees are now finding it difficult to go back to set working hours due to experiencing higher levels of productivity when working remotely. Consequently, companies are seriously examining if they can shift to smaller office spaces.

**Remark 3.1.2:** This is an opportunity to explore innovative sharing economy models.

This economic moment provides an opportunity to explore innovative sharing economy models, for the benefit of SMEs and the private sector, and for jobs and employees. Based on firsthand knowledge, some marketing, PR, and branding agencies were only able to survive due to government subsidies. A halt in salary subsidies would mean employees no longer had jobs, and a 50% subsidy would equate to a 50% pay cut. There isn't enough work currently for a lot of companies to retain employees fully. Still, there is an opportunity to innovate by having a cost-sharing scheme between two or three smaller companies that collectively contribute to the employee's salary.

### 3.3.2. The Impact of Remote Work on Disadvantaged Groups

**Remark 3.2:** Remote work has conferred both advantages and disadvantages upon members of marginalized groups.

Crises often reinforce the disadvantages certain groups in society face. Meanwhile, remote work opens up opportunities for disadvantaged groups such as individuals with disabilities to join the workforce. Participants agreed that the effect of the pandemic on disadvantaged groups is complex. On the one hand, the pandemic has widened existing inequalities. On the other hand, implementing a remote work culture has increased productivity, but visible differences are present in the context of the pandemic.

Specifically, mothers working from home face difficulties as they need to multitask due to increased homeschooling and caring responsibilities. Since the whole family unit is also at home, remote employees face increasing levels of distractions. Therefore, it is unclear if remote work makes job prospects easier; it might, but there are other implications at play.

### 3.3.3 Remote Work and the Future of Employment

**Remark 3.3:** There appears to be a permanent shift towards remote work, and this raises important questions regarding labor market regulations.

The pandemic will significantly impact the future of the workplace. Traditionally, there was a trust issue with remote work. Whether or not employees could be trusted to do their work remotely and maintain productivity levels was questioned. Within the last eight to ten months, managers' faith in employees who work remotely has increased due to visible results. Participants agreed that the possibility of working from home might become a permanent feature after the end of the pandemic.

Due to the positive experience, in the future remote workers can be based in Bahrain, regionally or even internationally in their own jurisdictions given IT connectivity requirements are satisfied. Having outsourced centers to perform daily operational tasks while maintaining a skeleton crew on the ground also becomes a viable option. As a result, regulating labor markets will become much more difficult, as it becomes unclear who has jurisdiction over global remote workers.

A lot of decisions are being made on an emotional basis in reaction to the crisis. However, strategic decisions at the leadership level are being executed from the perspective that this is a long-term crisis where the full impacts will be felt post-pandemic. The future of the workplace might change in terms of its distribution, or it might continue as is; it all depends on if the behavioral changes that are required are realized.

## 3.4. Covid-19 and Digital Transformation Readiness Gaps

### 3.4.1. Out-of-Date Systems and Business Processes

**Remark 4.1:** Companies have been adapting to the new digital world, but this process has been uneven and haphazard in many cases.



Participants pointed to the importance of ensuring effective and secure digital transformation in businesses and work organizations during and after the crisis. Adoption of technology in the country is an important pursuit as many businesses are not up-to-date with their use of technology. Bahrain needs to assess how it can be technologically competitive like other developed countries.

From a market perspective, there has been an impact in all sectors, but the size of the impact differs. The pandemic visibly started out as a health crisis and has slowly emerged as a full-blown economic crisis. A lot of transformation has also taken place in an accelerated manner - most of it has been emotionally rather than strategically driven. Many companies talk about digitalization (temporary) and digital transformation (permanent) as synonyms without acknowledging their difference.

There is significant community impact as schools, healthcare facilities etc. have moved onto a digital platform, seeing it as a commercial advantage but also soon realizing its vulnerabilities. In addition, there are currently significant issues, particularly in the ICT sector where competition is high and protecting the industry is crucial to supporting businesses. As a result, the government needs to build relationships with other countries, especially with neighboring ones, in order to loosen protections.

### 3.4.2. Cybersecurity Threats

**Remark 4.2.1:** Remote work creates cybersecurity threats.

Participants emphasized the importance of security due to remote work, as employees now have access to all corporate files offsite, increasing cybersecurity challenges and concerns such as fraud, phishing, and hacking.

**Remark 4.2.2:** The CBB has been active in elevating cybersecurity in the financial sector.

Also, the Covid-19 crisis has increased online vulnerabilities and added challenges to the banking services sector, and so strengthening cybersecurity systems, efforts and culture is essential to banks. For this, the CBB conducted a cybersecurity survey to assess the impact of Covid-19 within financial institutions, specifically in terms of pre-pandemic cybersecurity investments and whether they were more resilient to the risks, such as IT security and cyber incidents, posed by the appearance of the

pandemic. The survey also investigated the types of cyber incidents since February 2020, the predicted change in types of incidents within the upcoming six months, and in which areas cybersecurity investments should be made in the future. It aided the CBB to assess the current position of cybersecurity threats, the preparedness of financial institutions, and how the pandemic catalyzed changes to systems as financial institutions highlight the importance and need for C-suite executives to fully understand and openly discuss cybersecurity threats with their IT security officers.

### 3.5. Economic Impact of Covid-19 – Air Transport Sector

#### 3.5.1. Government Support Needed to Address Systemic Issues in Air Transport

**Remark 5.1.1:** The air transport sector is facing massive commercial challenges.

Participants stated that more government support measures are needed to find solutions to the systemic issues in the air transport sector and to prevent additional risks from the crisis. The pandemic hit the airline industry badly, and the worst is yet to be seen. In March, all flights came to a standstill within a period of two to three days. Today, airlines are operating at 10% of pre-pandemic historical flight traffic trends, and flights to many destinations are halted.

The airline business model is also heavily dependent on leasing, in what can be stated as a "cash-in-cash-out" approach. As per the findings of an International Air Transport Association (IATA) study, most airlines have two months' worth of cash available, which have been largely depleted.

**Remark 5.1.2:** Government support has been uneven globally, and may not be sufficient in the long run.

Governments must aid airlines, as the aviation industry stands at high risk. Resilient airlines such as Emirates, which announced that they would be almost fully operational by 2022, are backed by governments. Yet, not all airlines have the privilege of government support. Bahrain's stimulus package helped the economy significantly by subsidizing wages which gave businesses a false sense of security. When the aid is halted, unresolved systemic issues pertaining to the pandemic will still be present. Local airlines currently rely heavily on an expatriate workforce and face difficulties with repatriation flight

operations. Until this sectoral imbalance is normalized, airlines will continue facing a repeat scenario of adverse outcomes.

### 3.5.2. High Uncertainty Regarding the Effectiveness of Investments in Covid-19 Health and Safety Measures

**Remark 5.2:** Airlines are trying to make investments to help them adjust, but the uncertainty makes the process very difficult.

Participants view that due to high future uncertainty, such as with vaccine availability, the aviation industry is currently weighing the options as to whether to continue waiting on or to start its investment initiatives. High levels of costs have already been incurred for social distancing protections, including the procurement of touchless screens and equipment to implement health and safety measures for Covid-19. Despite all the information supplied by the World Health Organization (WHO), there are still uncertainties regarding the nature of the coronavirus itself, such as modes of transmission. Therefore, the question arises as to whether Covid-19 health and safety investments are appropriate and effective countermeasures. As per IATA's findings, aviation traffic will normalize in 2023. These findings have received mixed reactions, but the certainty of lowered airline survival rates with current air traffic trends and expected normalization by 2023 is inevitable. Without government intervention to salvage the sector, no one will survive.

## 3.6. Jobs and Corporate Social Responsibility During Covid-19

### 3.6.1. Government Support to SMEs could Create Future Job Opportunities

**Remark 6.1:** The government should seize the opportunity to rebalance the local labor market in favor of nationals.

Participants believe that extending government support to SMEs during the crisis would help in creating future job opportunities. Migrant workers are currently a large majority of the Bahrain workforce.

Bahrain is welcoming of the expatriate community, but some participants noted the need to create more jobs for Bahraini youth. Replacing even 25,000 expatriate jobs with Bahrainis will help in resolving the unemployment issue. The success of any government is partially determined by its ability to create jobs for citizens.

SMEs are also vital in finding a solution to unemployment, mainly as governments and large enterprises began shrinking even before the presence of the pandemic's economic crisis. However, exceptions are present for specific investment projects such as the new airport and Alba's line 6.

### 3.6.2. Channeling Covid-19 Recovery Investments to Green Growth Areas.

**Remark 6.2.1:** There is an opportunity for green growth.

Participants see that governments can seize the opportunities to develop plans that promote a green recovery. Everything that we're experiencing with the pandemic is a dress rehearsal for climate change, and climate change is a pandemic risk multiplier. There is a fear that we might miss the opportunity for green growth through renewable energy, green jobs, circular business models, and waste reduction to curb these risks.

**Remark 6.2.2:** Universal basic income might be a way of promoting socioeconomic stability, while also increasing the production of art and culture as a positive corollary.

Covid19 has been an accelerator of many things, including digitization, remote working, and online education. Therefore, given the impact of both the pandemic and technological advancements on mass unemployment, and the consequent risks of socioeconomic instability, this is an ideal time for governments to accelerate experimentation with universal basic income. Moreover, as a positive corollary, beneficiaries of universal basic income who do not secure regular employment can be asked to make societal contributions to culture and the arts or community service. Alternatively, due to accelerated technological advancements, people might not need to work in the future and can choose to focus on pursuing more creative endeavors.

**Remark 6.2.3:** Covid-19 also offers new, green ways of restructuring sovereign debt.

Countries are also starting to look at debt-for-climate swaps as a debt payment alternative. Countries with large debt amounts that were reliant on foreign exchange rates and tourism for repayments can now pay back debt by reducing carbon emissions, for example. People do not yet understand the gravity and implications of climate change – it is not in the business or political consciousness of Bahrain.

### 3.6.3. Covid-19 Pandemic Increased the Investments in Mental Health

**Remark 6.3.1:** Mental health is a serious concern during the pandemic, and reflects an underemphasized aspect of sustainability.

A concern is that the pandemic has increased social isolation and rising inequalities, which in turn provoke acts of violent extremism. Sustainability includes diversity and inclusion and mental health as well. Businesses have started to invest in people more though as the pandemic has started to take a toll on their mental health. Health and safety has become a big priority even for small businesses. Many are forced to apply the health and safety standards of large businesses, even the human aspect of it, which possibly will stay even once the pandemic is over.

**Remark 6.3.2:** Environment, social, and governance risks are rapidly rising as a priority in relation to business continuity as we approach the new normal.

COVID-19 appears to be prompting improvements in the governance of environment, social, and governance (ESG) within organizations providing leaders with a fresh understanding of the importance of their organization's role in, and impact on, society. While environmental issues remain a key focus, social issues like people's safety, physical and mental health, loneliness and social inclusion have become a new priority. The crisis has catalyzed a new level of co-operation between governments and business as both understand the risks if they fail to respond to the needs of society at a potentially volatile time in our history. ESG will remain a critical component of future strategies with a focus on what organizations can do to support and protect their workforces and communities.

## 4. Final Recommendations

The discussion yielded the following recommendations aimed at both businesses and policymakers.

**Recommendation 1:** The private sector needs to develop strategies for effective digital transformation, rather than relying on reactionary and haphazard digitization processes.

**Recommendation 2:** The private sector must allocate significant resources to cybersecurity, as digital transformation exposes organizations to a wide variety of new risks, many of which are existential.

**Recommendation 3:** The private sector needs to start planning strategically for life after the pandemic, including recognizing the risk of climate change and introducing green growth strategies to curb these risks.

**Recommendation 4:** The private sector should consider sharing economy models as a way of enhancing sustainability by economizing on operating costs, and of improving productivity. An Environment, Social and Governance (ESG) risk framework should be incorporated within an organization's core strategy towards sustainability.

**Recommendation 5:** Policymakers should create a strategic plan that rebalances Bahraini society away from consumption toward manufacturing, with an emphasis on giving SMEs a larger role in the emerging economy.