

# Policy Implications to Mitigate Economic Impact of Covid-19 and Enhance Healthcare Services during Pandemic in Saudi Arabia

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## Abstract

In this recent time COVID-19 effect is becoming as a serious challenge for all human beings across the world. Saudi Arabia has secured 26<sup>th</sup> rank as health care service provider among all the nations globally. This study has included policy implications to improve health care services and economic activities in Saudi Arabia amid COVID-19 pandemic situation. Along with this, various effective initiatives taken by the government also has been mentioned in this study to identify its effectiveness. The effect of COVID-19 pandemic on the economic condition and the healthcare systems of Saudi Arabia is described briefly. Saudi government has invested USD 31.9 billion stimulus package to mitigate economic challenges amid the pandemic situation. Suitable investments are also made to incorporate digital tools in health care services. SAR 2 billion has been allocated to support 1000 small and medium health sectors, SAR 120 billion has been allocated to overcome financial crisis and SAR 9 billion is allocated to protect employment in private sector units.

*Keywords: Stimulus package, financial crisis, Covid-19, health, policy implications, budget, medical infrastructure, E-commerce, Saudi Arabia*

## 1. Introduction

### 1.1 Rationale

In Saudi Arabia, the government provides several free of cost health services through various government health department agencies. Especially in this recent pandemic situation of COVID-19 the risk of being healthy has increased a lot more than previous. The new wave of COVID-19 has created a serious challenge for the entire capability of the healthcare system. There are rules issued by the government that has restrictions regarding gatherings, though people still do crowd as their wish. In addition, many people neglect to wear masks that is one of the main requirements at the moment, which eventually leads to an increase in the number of covid cases leading to a high pressure on the healthcare system. Beside this, the government has suspended the direct flights between America and China. On 24<sup>th</sup> of March in 2020 an effective nationwide curfew was organized between 7 pm to 6 am to restrict the infected citizens. Since Saudi Arabia is a Muslim pilgrimage site, it is crowded so mitigating this fact the government has shut down many places there was a possibility of gathering.

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It is evident that the Saudi government has announced adequate economic packages for improving medical infrastructure amid the pandemic situation. Moreover, suitable stimulus packages have also been announced to rejuvenate financial condition of the private sector across the Kingdom. Apart from that, the Saudi government has also implemented suitable strategies to slow down the spread of this severely contagious disease by means of lockdown and facilitating residents to practice work from home. Health practitioners are also found to make suitable dietary changes for Covid-19 patients' along with providing mental support to them (Alfawaz *et al.* 2021). It is also found that health workers across the Kingdom have also faced considerable mental and physical stress to provide care for patients affected from Covid-19. Thus, the government has also made economic packages to provide improved economic benefits for healthcare workers.

The outbreak of Covid-19 pandemic has resulted in declining economic activities along with increasing rate of severity regarding spreading of infection and death cases. The spread of COVID-19 across the globe was combined with a significant decrease in the prices of crude oil dropping to halve its value from the start of the year. Since the oil and gas industry accounts for approximately 50 percent of the Kingdom's Gross Domestic Product (GDP) and approximately 70 percent of all export earnings, the low oil prices accompanied with the negative supply and demand shocks of the pandemic has resulted in over 5% fall in real GDP after the first half of 2020 (UN in KSA, 2020).

Saudi Ministry of National Guard Health Affairs (MNG-HA) has provided adequate healthcare services to the members of National Guard Services in Central, Eastern and Western regions (Abolfotouh *et al.* 2020). In this regard the health department has also followed the WHO instructions regarding preparedness of healthcare institutions for developing comprehensive plan regarding medical and public responses amid the pandemic. In addition to healthcare packages, economic policies have also been announced to postpone tax payments for SMEs across Kingdom of Saudi Arabia (KSA). **Loan guarantee programs** are made in this regard by depositing 6 billion riyals to reduce the cost of lending for MSMEs (Kingdom of Saudi Arabia, 2021). Suitable monetary policies have also been conducted to extend working capital finance for addressing short term liquidity requirements for MSMEs. This research is aimed to identify major changes implemented by the Saudi government in its economic framework and healthcare services to support the degrading situation amid Covid-19 pandemic. Main research problems identified by the researchers are as below:

- Focussing on government policies implemented to mitigate problems faced by healthcare workers and medical practitioners across KSA amid Covid-19 pandemic.
- Discussing economic packages provided by the Saudi government to both public and private sector for preventing financial losses amid the pandemic.
- Efforts made by the Saudi government to deal with the severe impact of Covid-19 in recent period.

## 2. Literature Review

### 2.1 Impacts on Healthcare system due to Covid-19

The constant rising pandemic situation is considered a universal health crisis that occurs from direct contact with affected people and breathing droplet infections. Despite having such a good health service operating system in Saudi Arabia, people cannot avoid this terrible disease. As per the view of Abu Hammad *et al.* (2020), the effect of COVID-19 has put its pressure on the healthcare system across the world. The ongoing unstable spread of COVID-19 virus across the world constitutes a critical challenge for the entire healthcare system. In Saudi Arabia, the number of hospital beds is 2.7 per thousand with a Saudi life expectancy of 75.13 years old (University of Oxford, 2020).

### 2.2 Impacts of COVID-19 on health care professionals

The health care professionals are going through mostly physical and mental stresses, due to the constant rise in the covid cases. Across the world it also can be seen in the test report that this excessive stress leads the professionals towards suicide (AFP, 2020; NBC New York, 2020). In other cases, healthcare workers lose their lives due to overstress and exhaustion (Wang, 2020; Tempco, 2020; Independent, 2020). In addition, many doctors have been affected by the disease while treating the patient. According to Abolfotouh *et al.* (2017) healthcare professionals have a negative attitude toward COVID infections as most of the respondents in this study felt that work environments pose a high risk of getting infected and using the standard infection-control measures is not safe. Additionally, the low attitude of healthcare professional facing COVID could be due to their lack of experience in facing such outbreaks. However, Saudi Arabia was amongst the leading countries around the world for its response in battling the potential rapid spread of the disease and in hospital preparedness.

All the healthcare service providers have devoted their entire time to treating the patients to recover the catastrophic situation from the world. As per the view of Wasson *et al.* (2020), the daily number of cases of Covid positive has increased day by day. As soon as the first case was spotted, Saudi Arabia's government began inspection at their borders to prevent any infected people from entering their city. Gradually, the Covid tests were conducted on 20 October 2020, it was seen that 342,583 cases were positive among a total of 7,403,020 tests. As opposed by Moll and Cajander (2020), this virus spread all over the world and created a pandemic situation. In Saudi Arabia the first Covid positive patient was a Saudi citizen returned from Iran on 2nd March 2020. After this incident on 16th June the report was cases of 136,315 infected, recoveries number was 89,540 and 1,052 deaths (Saudi Center for Disease Prevention and Control, 2021).

Among those affected people 1,910 cases were critical and required to be admitted at ICU with serious consideration (Ministry of Health, 2020). The number of deaths rose to 5201 that was negative news for the citizens of Saudi Arabia. Meanwhile, surprisingly it can be seen that the cases of recovery have been rising steadily. At a time on October 30, 2020, 339,409 cases were found of recovered cases out of 346,880 and that resulted in a 96%

recovery rate (Saudi Center for Disease Prevention and Control, 2021). The tireless work and hard work of the doctors as well as other supportive health workers are the main reason behind this prosperity among health issues in Saudi Arabia. Apart from several private and government health service provider sectors, many services are provided by the government and the health ministry of Saudi Arabia. In the words of Ameli *et al.* (2020), several government initiatives are considered as the most supportive activity to save the affected people.

The Department of Oral Diagnostic Sciences has organized various effective campaigns to serve proper treatment for the affected people. Covid test was implemented by the intention of the College of Applied Medical Sciences. At first the disease was unknown, so doctors were unable to treat it properly but gradually over the time the doctors identified the tradition of the virus, and the process of treatment has been much better since then. Along with this, a constant education program provided by the community of Saudi Arabia also helped the doctors to increase their knowledge regarding this dangerous virus.

### 2.3 Fatalities

From the first positive case of Covid in Saudi Arabia there was a fear in the minds of the people about this pandemic effect. Till the date of 19th June 2021, the total Covid positive cases in Saudi Arabia is 473,114 and the number of deaths is 7,763. Contrast to this, the cases of recovery patients are 454,404 (Figure 1), that detect the diligent effort of the doctors and the other health workers (Saudi Center for Disease Prevention and Control, 2021). The total number of vaccinations till today is 16,735,649 (Ministry of Health, 2021). This pandemic situation suffers not only the Saudi Arabian people but across the world. As opposed by El Sayed *et al.* (2020), according to the health service, recently Saudi Arabia ranked as the world's first place in government's management of the Corona pandemic (Okaz.com.sa, 2021). Saudi Arabia is considered as having a positive power to prevent the spread of the virus and to provide health treatment. Though new cases are constantly growing till the date, the health care professionals were trying their best to treat people.

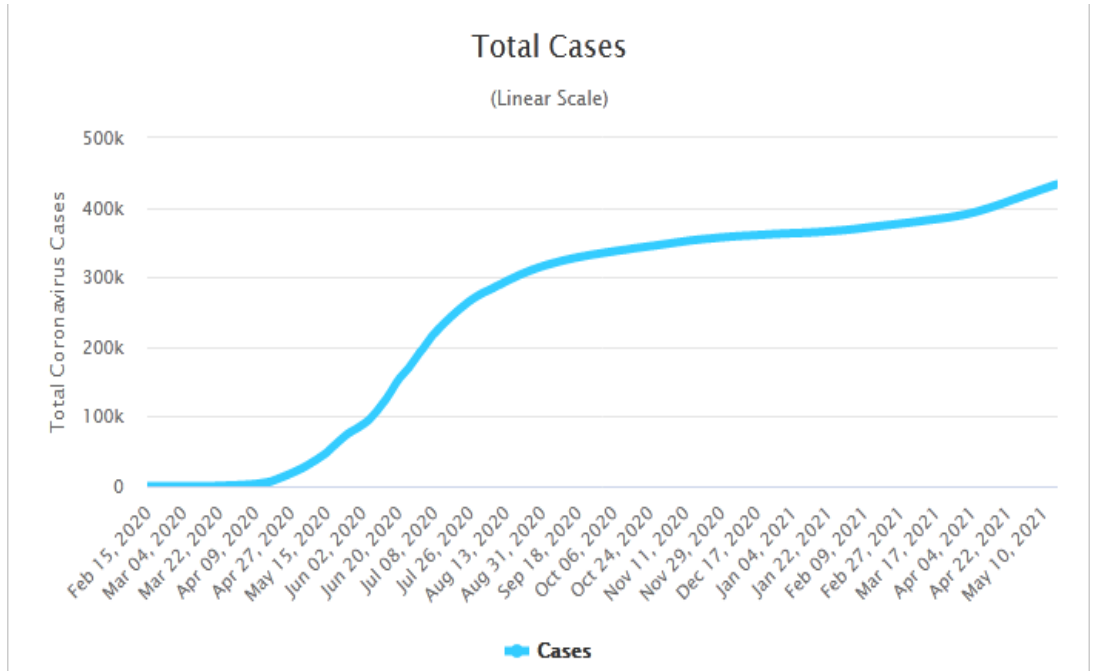


Figure 1: Total Covid cases in Saudi Arabia

## 2.4 Financial condition

COVID-19 has impacted all the countries in the world, not only the health of people but also the economic condition of the countries are affected badly by the COVID-19 pandemic. Therefore, the impact of COVID-19 pandemic has changed the values of the life of the people of Saudi Arabia and nearly **68%** of the whole population of the Saudi Arabia admired this statement (Arabnews, 2021a). The pandemic has poorly affected the GDP the Saudi Arabia in the year 2020. According to the estimates of the General Authority for Statistics, GDP of Saudi Arabia recorded a negative real growth rate of 4.1% in 2020 compared to 2019, as depicted in the figure 2. This negative growth rate resulted mainly from the contraction in oil sector by 6.7% (GASTAT, 2020). In addition, the non-oil sector shrunk by 2.3% and the private sector shrunk by 3.1%, while the government sector had a negative growth rate of 0.5%.

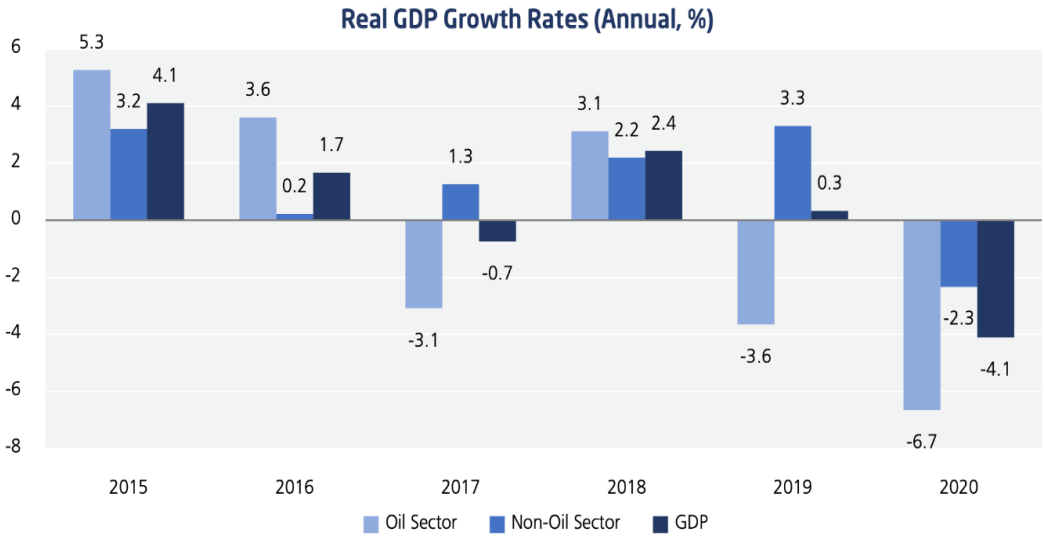


Figure 2. GDP Growth rate of Saudi Arabia (2015 to 2020)  
 Source: General Authority for Statistics, Kingdom of Saudi Arabia

The GDP per capita (figure 4), amounted to \$19,936 in 2020, decreasing by 14.0% from the previous year (GASTAT, 2021)

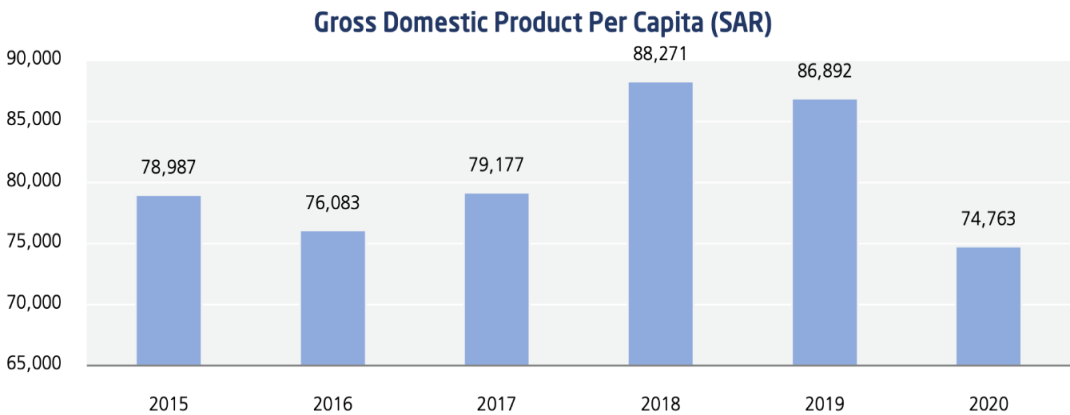


Figure 4. GDP per capita, Saudi Arabia  
 Source: General Authority for Statistics, Kingdom of Saudi Arabia

The Covid-19 crises had caused the non-oil sector, such as tourism, to contract by 14%. Travel restrictions has caused a limitation of annual Hajj that decreases the number of tourists drastically (Market Research Saudi Arabia, 2020). Despite this unfavourable condition, the IMF predicted that Saudi Arabia’s economy would grow at 2.9% in 2021 instead of the 2.6% projected earlier this year (International Monetary Fund, 2021).

Along with the GDP, the COVID-19 pandemic has impacted the Foreign Direct Investment (FDI) inflows to the country Saudi Arabia but not negatively. In 2019, GDP of Saudi Arabia accounted for \$793 billion, with foreign trade representing 67% of the total GDP (Market Research Saudi Arabia, 2020). The country's economic condition in 2020 was worse than that of 2019.

The pandemic has a positive impact on the FDI inflows (figure 5), of the Saudi Arabia inflow of the country has increased by 4% in the year 2020 (Argaam, 2021). The FDI inflow of Saudi Arabia was \$ 4.7 billion in the year 2020 while it was \$ 4.56 billion in the year 2019 and the difference of increment can be noticed (Argaam, 2021). Therefore, it can be said that the COVID-19 has changed the financial condition of the Saudi Arabia positively.

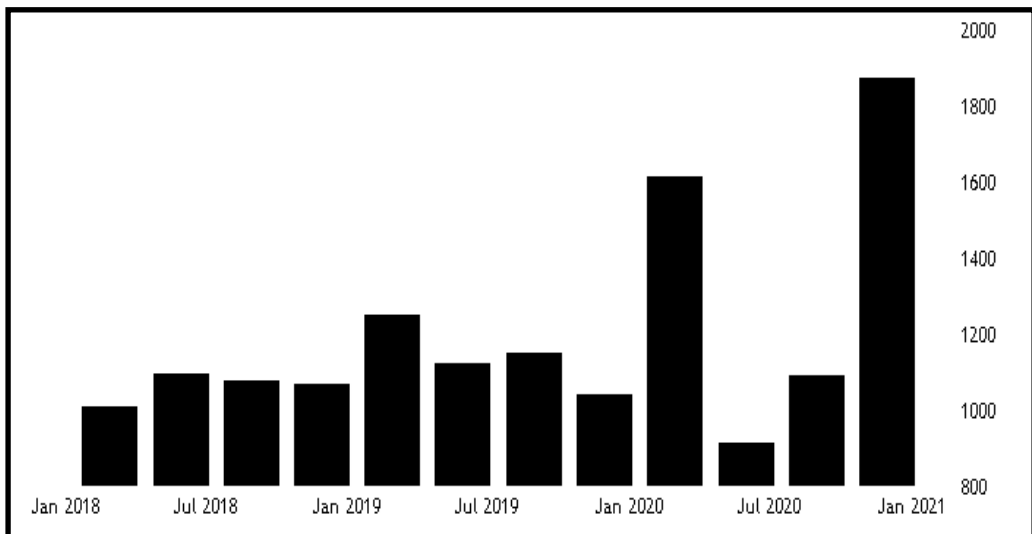


Figure 5: FDI inflows of Saudi Arabia  
(Source: Argaam, 2021)

On the other hand, the economy of the country Saudi Arabia is based on the international businesses of the country. During the COVID-19 pandemic situation all the companies and global organizations were closed for a certain time and that affected the economy of the Saudi Arabia drastically (Yezli, 2020). Along with the international organizations all the supply chains were disconnected due to the COVID-19 pandemic and that is one of the largest reasons for the GDP fall in Saudi Arabia. Therefore, some people of Saudi Arabia have considered that the experiences of COVID-19 pandemic were good and helpful to understand the importance of saving money.

There is a growth in the economic condition of the country and that is currently 2.9% in the year 2021 and it was 2.1% in the previous year (International Monetary Fund Saudi Arabia, 2021). Apart from that, the financial condition of the country during the COVID-19 pandemic has impacted the labour market of the country as well. The unemployment

rate of the country Saudi Arabia has increased in the year 2020 due to the COVID-19 pandemic. Thus, all the organizations, small businesses were closed for a long time to stop spreading the Coronavirus and that drastically affected the labour market of the country. According to estimates by the General Authority for Statistics (GASTAT) based on the Labor Force Survey the unemployment rate of total population, (Saudis and non-Saudis 15 years and above) increased to 7.4% in the fourth quarter of 2020, compared to 5.7% in the first quarter of the same year.

The unemployment rate of total Saudis (males and females 15 years and above) increased during the period of COVID-19 outbreak as the unemployment rate was 11.8% in the first quarter of 2020 peaking to 15.4% in the second quarter of the same year. The unemployment rate of total Saudis however decreased to 12.6% in the fourth quarter of 2020, compared to 15.4% in the second quarter of the same year (GASTAT, 2021). Hence, it can be said that the COVID-19 pandemic has impacted the country positively and negatively as there was a financial growth at some point and along with that the GDP fall of the country can be noticed. In adoption, the government has provided \$13.3 billion to the banks to support the economical factor. As many employees lost their jobs due to Covid effects, the government has decided to give 60% salary to the employees from private sectors (cdc.gov, 2021).

A stimulus package that accounts almost \$61 billion has been announced by the Saudi government to support private industries (Kingdom of Saudi Arabia, 2021). The packages include exemptions and the postponement of some government dues (\$18.6 billion), a \$13.3 billion allocation to ensure that government dues to the private sector are paid in a timely manner. SAMA has further announced injecting \$13.3 billion into the banking sector to enhance banking liquidity and enable banks to continue providing credit facilities for the private sector (KPMG, 2020).

## 2.5 Steps taken by the Government.

Noticing the constant development of Covid positive cases, the government has declared on 27th February 2020 a temporary suspension of about 2.5 million international pilgrims to entry in Makkah for hajj to protect the people during the Hajj season. Along with these precautionary measures were taken by the health ministry of Saudi Arabia to provide more safety by sanitizing the Great Mosque at daily basis to prevent the Covid effect. As opined by AlHumaid *et al.* (2020), government initiatives are always present as the most effective way to take any effectual action. In this scenario, the government of Saudi Arabia has stopped the practice of daily prayers. On 20th March 2020, the entry of outsiders in Saudi Arabia was closed indefinitely.

## 2.6 Theoretical underpinnings

There are so many theories to analyse the topic of this research article. Among all those theories the authors have used *the health belief model* and the *neoclassical*



*theory* to analyse the concept of the healthcare system of the Saudi Arabia and the concept of economic condition of the country.

### ● The Health Belief Model

The health belief model is a theory that guides the disease prevention programs and is one of the most used models for understanding the health behaviours. The health belief model helps to identify the issues in a healthcare system and explains the needed changes in the health behaviours and healthcare systems (Jose *et al.* 2021). Thereafter, there are some limitations and that are the disadvantages or weaknesses of the health belief model such as it does not support the decision-making process of acceptance of a recommended action. The strength of this health belief model is that it is very easy to implement, apply and test and that makes the model simpler (Aldohaian *et al.* 2019). Therefore, this was helpful for the researcher to analyse the concept of healthcare systems and health behaviour in this research article.

### Neoclassical Theory

Neoclassical economic theory is used for the development of the economy of a country and this theory explains the needed changes in the economic system of a country to develop the financial condition. Usually, the neoclassical economic theory is based or focused on the demands, supply, producing and pricing of the goods and services (Jorgenson, 2017). Here, in this research article the authors have used this theory to understand the economic condition of the Saudi Arabia due to the impact of COVID-19 pandemic. There are some limitations or disadvantages of this theory that it does not give any importance to the role of the government. Moreover, according to this theory the development of the economy is not a continuous process and that is a limitation of this theory (Ubalde, 2020).

## 2.7 Literature gap

Previous researchers have not been able to accurately analyse the reason why the death cases in Saudi Arabia are rising day by day. Along with this, past researchers did not pay attention to whether the government's prosecution was being conducted properly or not (Gupta *et al.* 2021). They also did not maintain a proper data analysis method for that their efforts remain incomplete.

## 3. Methodology

### 3.1 Research hypothesis

Based on the research objectives, the following hypotheses are required to be tested for addressing the research questions and reach an outcome regarding policy implications made by the Saudi government to mitigate health issues and economic challenges in the Covid-19 pandemic:

H1: Recent outbreak of Covid-19 has imparted severe impact on the economic activities across the Kingdom of Saudi Arabia.

H2: Saudi government has implemented suitable policies to deliver effective health care services to its citizens.

H3: Innovative policies are made by the Saudi government to enhance economic practices across the Kingdom in post pandemic situation.

### 3.2 Research philosophy

In this research article the researcher has used the ***positivism research philosophy*** to analyse the research topic. The positivism philosophy supports the genuine knowledge that is gained by some real-life experiences. There are some advantages, and some disadvantages of the usage of the positivist philosophy. Advantages includes that the positivism philosophy shows patterns and trends that are very important for a researcher (Ryan, 2018). The data gained by the positivism philosophy are reliable and generable that is immensely helpful for the researcher to analyse the proper data about the healthcare system and health behaviour of Saudi Arabia paper. On the other hand, the disadvantage of this research philosophy is that the validity of the data is low. Meaning that, the accuracy of it is measuring what it is intended to measure is low. Nevertheless, the positivism philosophy was helpful for the authors to gain genuine and proper knowledge about the health care system and economic condition of Saudi Arabia.

### 3.3 Research strategy & Design

Among all the research strategies the researcher has used the ***quantitative research strategy*** for this research article. The quantitative research strategy helped the researchers to test the hypothesis by gathering and analysing the proper data about the topic (Brannen, 2017). Among all the research designs the authors have used the ***descriptive research design*** for this research as it was helpful to gain knowledge about the population of the Saudi Arabia and the economic system of the country (Siedlecki, 2020).

### 3.4 Data collection method

In this research the ***secondary data collection method*** is used. This method supports the data that are already researched or collected by a primary user (Johnston, 2017). These resources are books, newspapers, journals, several types of documents, government records, social media and other digital platforms. The secondary data collection method was helpful for the authors to collect more proper information about the healthcare system of Saudi Arabia and the economic condition of the country.

## 4. Data analysis

### 4.1 Quantitative data

It is found that a total of 1,070,748 cases are found on a daily basis across the Kingdom as per the recent record (Covid19.moh.gov.sa, 2021). However, the rate of recovery is also satisfactory due to the increased level of recovered cases of 1,031,388.

Consequently, the present situation has disrupted normal economic activities across the Kingdom. However, effective strategic measures implemented by the Saudi government have resulted in mitigation of ill effects of Covid-19 on the business sector.

***Policy implications to provide effective healthcare services in Saudi Arabia.***

It is evident that the Ministry of health in Saudi Arabia launched a suitable education campaign to make the citizen aware about maintaining hygienic guidelines to prevent the spread of coronavirus. The government also started delivering face masks, sanitizers, and hand gloves to the common people at the initial stage of pandemic (Algahtani *et al.* 2021). However, the pandemic has also affected both psychological and physical health of the common people severely. As mentioned by Ferrinho *et al.* (2020), certain principles are followed by the health institutions and associated authorities to make suitable decisions regarding public health management during the pandemic. For instance, the Saudi government implemented technology-based services to make health information easily accessible to the common citizen (Tawakalna Application).

Recent pandemic situation has also disrupted the normal education system globally (Al-Taweel *et al.* 2020). The Saudi government has also tackled this situation by facilitating students to conduct their education through online medium amid the pandemic. Moreover, these online portals are also utilised to provide health related guidelines and information to students to maintain good hygiene parameters during the pandemic. Also, an online portal was developed to address the demand for basic pharmacy related queries of the citizens.

The Saudi government has also taken care of the cases of comorbidity across the Kingdom. As stated by Atif and Malik (2020), Covid-19 patients with chronic diseases such as diabetes, hypertension, cardio-vascular disease, cancer, HIV and others have suffered the most across the globe. Therefore, government authorities have implemented suitable strategies to mitigate such issues. An innovative technique of telemedicine has been developed in Saudi Arabia to provide adequate advice and medication through the teleportal to patients (Tourkmani, *et al.* 2021). Due to the lockdown period in-person visit for individual patients was not possible, therefore implication of telemedicine resulted in delivering optimum healthcare services to patients with additional diseases along with Covid-19.

Covid-19 has also imparted severe psychological impact on the health workers associated with the public health system in Saudi Arabia (Al Sulais *et al.* 2020). The mental health department of WHO declared several strategies to mitigate such mental distress by practicing physical activities, consuming a healthy diet, and taking adequate rest. Apart from that several challenges are also faced by the health institutions to tackle sudden outburst of the pandemic at an extensive level. In accordance with Da'ar *et al.* (2020), inadequacies in the medical infrastructure to sustain the pandemic conditions resulted in the huge level of disastrous situation in countries of middle east.

Additionally, normal healthcare services are also taken care of by the health ministry in the Kingdom through an appropriate management system. As mentioned by Yahia (2020), Saudi government has also implemented suitable policies to provide adequate supply of blood in medical institutions to meet the demand even amid the pandemic situation. It resulted in overcoming the challenges of scarcity of blood for the needy patients across the Kingdom. Saudi government has also started vaccination for the health workers along with the common people to protect the citizens from this contagious disease (Qattan *et al.* 2021). Such an approach is the best suitable measure in the present situation to save the population from the severe contagiousness of coronavirus in a significant manner.

**Impact of Covid-19 on total revenue in Saudi Arabia**

The outbreak of Covid-19 pandemic has resulted in declining economic activities along with increasing rate of severity regarding spreading of infection and death cases. It is evident that the transportation system and other industrial activities have been disrupted severely due to the lockdown condition. Therefore, it has affected the demand of oil in the global market and in turn affected the overall economic activities in Saudi Arabia. As shown in figure 6, the total revenue of SAR 770 billion was earned by the Saudi Government in 2020 that is 7.6% less than the estimated budget (Saudi Arabia Budget Report, 2021). It is also evident that 53.5% of the total revenue earned by the Saudi government represented oil revenues in 2020. However, the amount is less than estimated and the revenue of 64% earned in the fiscal year of 2019; due to the severe consequences of Covid-19 pandemic on the global oil industry.

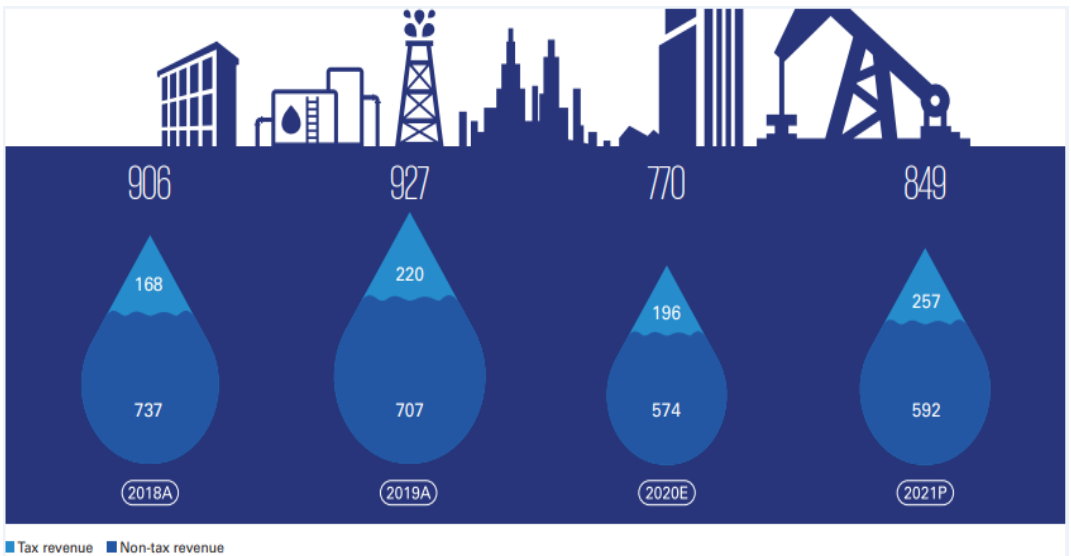


Figure 6: Revenue earned by the Saudi Government in 2020 (Source: Saudi Arabia Budget Report, 2021)

Therefore, the Saudi government has emphasized on revenue earning from non-tax resources and implemented suitable measures in this regard. In the economic budget

of 2021, the Saudi government is aimed to increase the amount of total revenue by 10.3% by achieving the target of SAR 849 billion (Saudi Arabia Budget Report, 2021). It would include several reformative steps such as reforming energy prices, increasing the revenue from non-oil sectors and the overall economic recovery by VAT receipts.

### ***Increase in expenditure amid the Covid-19 pandemic.***

Saudi government has also experienced an increasing rate of expenditure due to the pandemic situation in the last fiscal year. As shown in figure 7, SAR 1068 billion has been spent by the government due to providing funds for the private sector and the health care units amid the pandemic (Saudi Arabia Budget Report, 2021). Major reason for increasing the rate of expenditure is the cancellation, extension, and deferral of several capital expenditure assets. However, expenditure was mainly increased due to 1.4% increased spending in the education sector. Due to the diversion of fund in health sector, expenditure regarding health services has been counted within the estimated budget by the Saudi government.

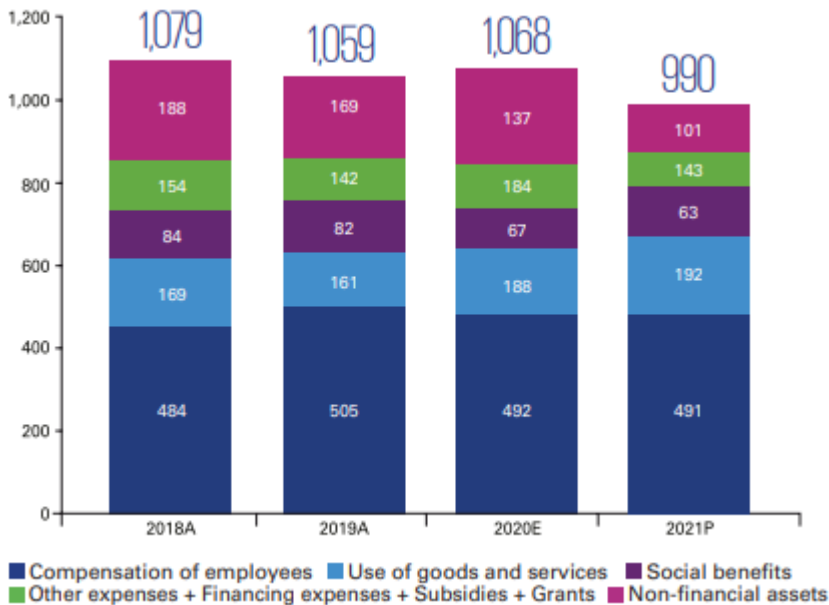


Figure 7: Expenditure report of Saudi government amid Covid-19 pandemic  
(Source: Saudi Arabia Budget Report, 2021)

### ***Expenditure regarding health services amid the pandemic.***

An emergency health service was required to be provided to citizens of the Kingdom amid Covid-19 pandemic. Therefore, the government has implemented suitable policies and allocated adequate funds to support the distressed people across the country and even for citizens residing in foreign countries (Saudi Arabia Budget Report, 2021). Moreover, the government also focused on providing health services to the visitors and

the people residing in an undocumented way along with the permanent residents across the Kingdom, increasing the budget, as depicted in table 1. However, a decline of 8.5% in the actual spending was also recorded by the associated healthcare system.

**Table 1: Increasing budget for healthcare and social development.**

Year	Increasing budget for healthcare and social development (SAR billion)
2020	167.0
2021	175.0

(Source: developed based on Saudi Arabia Budget Report, 2021)

The allocated budget was utilised to provide emergency services to the Covid-19 patients. The government has decided for a 4.6% increment in the healthcare fund to SAR 175 billion in 2021 as compared to SAR 167 billion in 2020, (Saudi Arabia Budget Report, 2021). Moreover, the PPP model<sup>1</sup> is also implemented by the government to lower the amount of infrastructural expenses in future.

#### ***Budget for infrastructure improvement amid the pandemic.***

Recent pandemic situation has made the government reforming infrastructure spending plans to overcome the economic losses experienced during the pandemic. Several policies were implemented to extend the period of tax payment along with facilitating the taxpayers to make payments without any penalty during the delayed period. The government also aimed to reduce the expense related to Capital Expenditure (CAPEX) to SAR 101 billion in 2021 that is 26.3% less than the amount made in 2020 (Saudi Arabia Budget Report, 2021). In Addition, the government is also focused on making necessary stimulus measures for accomplishing its Vision 2030.

#### ***Budget deficit during the pandemic.***

The Saudi Government has experienced a significant amount of budget deficit in 2020 due to the pandemic situation. Both the reasons for reduction of revenues and the declining GDP growth have resulted in budget deficit in the last financial year. The deficit has been increased to SAR 298 billion in 2020 as compared to SAR 133 billion in 2019 (Saudi Arabia Budget Report, 2021). This amount has also surpassed the estimated budget deficit of SAR 187 billion that is 6.4% of the GDP.

**Table 2:** Data regarding Budget deficit

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<sup>1</sup> Public-private partnership (PPP) is a funding model for a public infrastructure project. It involves collaboration between a government agency and a private-sector company that can be used to finance, build, and operate projects, such as public transportation.

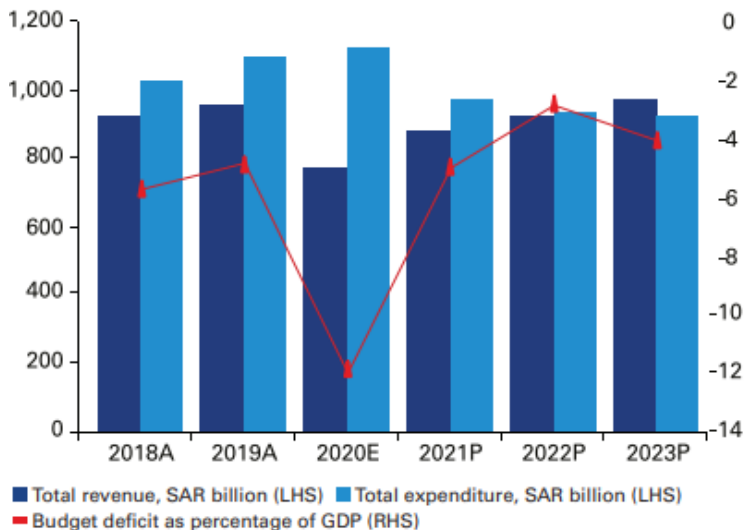
	Year	Budget Deficit (% of GDP)
1	2019	4.5
2	2020	12

(Source: developed based on Saudi Arabia Budget Report, 2021)

As mentioned in the above table 2, the budget deficit has been counted as 12% of the GDP by the Saudi government in 2020. However, the government is expected to have a recovery in respect of revenue earning by riding the amount of nominal GDP. It is expected to lower the budget deficit up to SAR 141 billion that would account for 4.5% of the GDP in 2021 (Saudi Arabia Budget Report, 2021). As a result, the government would attain fiscal sustainability in the present fiscal year by recovering financial losses during the pandemic situation last year.

### ***Fiscal position of Saudi Arabia***

Increased rate of budget deficit and contraction in GDP growth has resulted in increasing the public debt stock in a substantial manner, as seen below in figure 8. It is found that the amount of public debt has been increased to SAR 854 billion in 2020 as compared to SAR 678 billion in 2019 (Saudi Arabia Budget Report, 2021). However, the government is expected to lower the ratio between public debt to GDP to 32.7% in 2021.



**Figure 8: Fiscal position of Saudi Arabia**

(Source: Saudi Arabia Budget Report, 2021)

### ***Government strategies to mitigate economic decline experienced during the pandemic.***

Saudi government has made suitable policies to provide financial support to the SME sector for helping those units to overcome financial losses experienced during the pandemic situation. USD 31.9 billion stimulus package has been declared by the Saudi government to overcome economic decline during the pandemic (Corporate and M&A, 2021). The Saudi Central Bank (SAMA) has made a programme to deposit SAR 6 billion for banks and insurance companies (Annual report, 2020). This program has been started to alleviate SMEs from Kafala and ensure reduction of financial costs during the pandemic situation. SAMA has also started a programme to support private sector units with an amount of SAR 50 billion. Moreover, SAMA has given licenses to 11 financial technology (FINTECH) companies in 2020.

E-commerce activities are also supported by SAMA to ensure customers' protection along with smooth business transactions amid the pandemic situation. Other innovative measures to stimulate the economic decline are as follows:

- 25% reduction in expat levy for operational factories.
- SAR 13 billion has been issued by the Social Development Bank to support residents and small business units amid the pandemic.
- 30% discount on utility bills up to a period of two months in commercial, industrial, and agricultural sectors.
- Postponement of commercial registrations for over 116,000 commercial units.

SAMA has made decisions to invest SAR 50 billion for enhancing banking liquidity along with providing e-banking facilities to private sectors for free of cost. As a result, 600% year on year increment is experienced by the secondary debt market in 2020 as compared to 2019 (Annual report, 2020). Additionally, investors have also benefited from the ZAKAT rebate as a result of the program of repurchasing local government bonds by issuing sukuk of more than SAR 34 billion.

## **4.2 Discussion**

### ***Tax development measures implemented by the Saudi government.***

The government has taken suitable decisions to recover economic losses through facilitating business entities by easing the tax payment process. The Ministry of Finance made decisions to extend the date of tax payment up-to 31st of the month December 2020 (KPMG, 2021). It was announced for providing adequate time to the business owners to manage all the losses and pay taxes to the government. Along with that, no penalties have been made for the suspended tax payments during the delayed period. Another facility for refunding of payments has also been announced to be expedited. Excise tax on the imported goods has also been postponed during that period on a condition of submitting temporary returns to GAZT (General Authority of Zakat & Tax) monthly.

Although, new taxation measures have also been announced by the Ministry of Finance to recover the economic losses. As per report, the standard rate of VAT was announced to be increased from 5% to 15% with effect from 1st July of 2020. Apart from that another



tax reform was introduced in respect of real estate transactions. Royal Decree A84 was issued on 1st October 2020 that introduced a new Real Estate Transaction Tax (RETT). The rate of tax was introduced as 5% on the value of real estate transactions. All the real estate transactions conducted after 4th October 2020 were included in RETT despite VAT.

### ***Implications for health sectors.***

Saudi government decided to upgrade the health services amid the pandemic situation by means of technological advancements. The health care ministry has utilised informatics tool to provide detailed information to the public. Innovative programme of health scheduling mobile apps has been launched to facilitate the common public to check symptoms of Covid-19 (Hassounah *et al.* 2020). Apart from those facilities of digital consultation, digital prescription, GPS enabled emergency services and other digitalized services are also provided by the Saudi government. The government has also made a financial aid of SAR 2 billion to support 1000 small and medium health sectors (Hazeem and Associates, 2020). Additional financial investment has been made to develop the Health Electronic Surveillance Network (HESN) for monitoring all the Covid-19 related tests conducted at laboratories across the Kingdom. It has also benefited to promote health benefit campaigns and mass testing amid the pandemic.

### ***Additional measures to mitigate economic decline amid the pandemic.***

Saudi government has taken responsibility to make payments for the employees associated with private sector units. SAR 9 billion has been allocated for paying 60% of the salary to private sector employees through the Sanad system (Ministry of Finance, 2020a). Moreover, SAR 50 billion has been invested to expedite dues made by the private sector units. Along with that a minimum amount of salary is also provided to self-employed personnel. SMEs are given more priority under the Council of Ministers Resolution No. (649) to ensure economic mobility in the local market by increasing demand for local products and services.

Saudi G20 presidency has also made strong multilateral corporations to mitigate economic challenges due to Covid-19 pandemic. Over \$5 trillion has been invested by G20 countries to mitigate the economic challenges across the globe in a post pandemic situation. The government has allocated SAR 120 billion for improving the financial crisis (Ministry of Finance, 2020b). Moreover, the government has also taken adequate steps to collaborate with WHO and other international organisations for attaining fiscal sustainability along with maintaining appropriate health measures across the Kingdom.

## **5. Recommendations and Conclusion**

### **5.1 Conclusion**

In conclusion, it can be said that COVID-19 pandemic has impacted the economy of the Saudi Arabia positively and negatively and the impacts are briefly described in this research. Apart from this, the pandemic has impacted the labour market of the country Saudi Arabia and that has in return impacted the economic condition of the country. The

steps taken by the government of the Saudi Arabia are accurately described in this paper. Saudi government has made adequate financial support for recovering financial crisis, protecting employment, and enhancing local business activities along with providing suitable health services to the common public. Along with that, there are some recommendations for recovering the financial condition of the country and recovering healthcare systems are described significantly by the authors.

## 5.2 Recommendation

There are some recommendations for Saudi Arabia to develop their healthcare systems and economy of the country. Firstly, the country should use other **effective and efficient strategies** for the development of the economy. Therefore, the country can use several digital platforms for starting up their international businesses as the usage of **modern technology** helps to do global businesses (Saud, 2019). The usage of modern technology in their business and organizations will help the country to enhance the employment rate of the country that has decreased due to the pandemic. Using the modern technology will help in the communication process of the businesses and organizations which is very important for any organization. Therefore, Saudi Arabia can use more **efficient and effective healthcare theories** for finding the needed changes in their healthcare system to improve their implications (Xu *et al.* 2018).

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