MALCOLM H. KERR
CARNEGIE MIDDLE EAST CENTER

WORKING PAPER

JANUARY 2024

Misfortune to Marginalization: The Geopolitical Impact of Structural Economic Failings in Egypt, Tunisia, and Lebanon

Nur Arafeh and Hamza Meddeb

Misfortune to Marginalization: The Geopolitical Impact of Structural Economic Failings in Egypt, Tunisia, and Lebanon

Nur Arafeh and Hamza Meddeb

This publication was made possible with the generous support of the Asfari Foundation.

Carnegie Endowment for International Peace
Publications Department
1779 Massachusetts Avenue NW
Washington, DC 20036
P: + 1 202 483 7600
F: + 1 202 483 1840
CarnegieEndowment.org

Malcolm H. Kerr Carnegie Middle East Center
Emir Bechir Street, Lazarieh Tower
Bldg. No. 2026 1210, 5th flr.
Downtown Beirut, P.O.Box 11-1061
Riad El Solh, Lebanon
P: + 961 1 99 15 91
F: + 961 1 99 15 91
Carnegie-MEC.org

This publication can be downloaded at no cost at Carnegie-MEC.org.

Contents

Introduction 1

The Structural Weaknesses of Arab LMICs 2

The Impact of the Crises
on the Domestic and Geopolitical Levels 21

Conclusion 28

About the Author 31

Notes 33

Malcolm H. Kerr Carnegie Middle East Center 43

Introduction

Low- and middle-income countries (LMICs) in the Middle East and North Africa (MENA) have faced a series of interrelated crises in recent years relating to food, energy, and debt. The war in Ukraine has brought to light disparities in the region, underlining that the situation among Arab countries differs. While rising energy prices because of the conflict have resulted in a hydrocarbons windfall for oil-exporting countries, energy importers such as Egypt, Tunisia, and Lebanon have faced higher energy bills, budget constraints, and social pressures. The increase in energy prices has coincided with a food crisis in the region, which, again, the Ukraine war brought to the forefront by leading to a surge in international commodity and food prices. This has accelerated inflation and caused food shortages, fueling social tensions and political instability in several MENA countries. Meanwhile, the capacity of regional LMICs to address the situation has been severely constrained by the soaring levels of debt they have accumulated, along with rising inflation and currency devaluations.

Three of the MENA region's LMICs—Egypt, Tunisia, and Lebanon—stand out in this regard. All face structural economic weaknesses, are highly indebted, are greatly dependent on imports of food and energy, and either have negotiated agreements with the International Monetary Fund (IMF) or are in need of one. While the political situation may vary among the three countries, politics has been a central problem in each. Egypt is experiencing illusory stability, Tunisia is being buffeted by the inconsistent decisions of a populist regime, and Lebanon is suffering from a destructive stalemate imposed by a political elite that regards reform as a threat to its power. Leaders in all three countries have engaged in damaging short-termism when addressing the imperatives of reform, with a focus on perpetuating their political survival. In contrast, while other regional LMICs, such as

Morocco and Jordan, are facing many of the same problems as Egypt, Tunisia, and Lebanon, they have engaged in a more voluntarist approach toward reform, showing greater resilience to regional food and energy shocks.

The food and debt crises in the LMICs of the MENA region, compounded by the impact of energy shocks, have been thrust into the spotlight because of major events that have exacerbated them, notably the coronavirus pandemic and the Ukraine conflict. However, all these crises are primarily structural in nature and are tied to inherent weaknesses in the economies of the LMICs. For instance, although the food crisis in the MENA region has been commonly associated with the reduction in the supply of certain foods because of the war in Ukraine, it actually derives from a prolonged, enduring predicament that has engulfed the region's food systems. Similarly, the debt crises that countries such as Egypt, Tunisia, and Lebanon are facing are rooted in the political economy and model of economic development that each of these three countries has pursued.

Because the food, energy, and debt crises are structural, they are profoundly reshaping domestic orders as well as the regional political and economic balance of power. In Egypt, Tunisia, and Lebanon, as well as other energy-importing countries, these crises have exacerbated financial tensions that are pushing incumbents into policy choice dilemmas. Regimes are reluctant to implement reforms, as these will impose social and political costs, threatening their constituencies. At the same time, refraining from carrying out reforms and structural readjustments will only aggravate these countries' dire financial circumstances, creating unsustainable conditions. Presented with such alternatives, leaders in many countries tend to favor the status quo while seeking to dilute reforms.

From a regional geopolitical perspective, these crises have imposed economic and geopolitical realignments that are bolstering hydrocarbon exporters, while increasingly marginalizing energy-poor states. The dependency of energy-importing LMICs on hydrocarbon-exporting countries for aid has undermined their foreign policy autonomy because of the need to toe the line for their funders, or at least satisfy their demands.

The Structural Weaknesses of Arab LMICs

The economies of LMICs in the Middle East and North Africa, especially those of Egypt, Tunisia, and Lebanon, suffer from a series of structural deficiencies. That explains why the food, energy, and debt crises these countries have been facing cannot be attributed simply to the repercussions of the Ukraine conflict or the coronavirus pandemic. It is only by addressing these deficiencies that each of these countries can overcome its difficulties. However, throughout the region, the hard choices imposed on leaders have instead led to situations of deadlock, which will only exacerbate the financial and economic conditions in these countries down the road.

Four Interconnected Reasons for the Food Crisis in LMICs

High food prices, food shortages, and (in some cases) long queues for bread have been the norm in several countries in the MENA region in the past year. This was especially true after the outbreak of the Ukraine war, which led to supply chain disruptions, rising food prices, and restricted access to food. Yet the conflict has been only part of the story, and its impact on food has been uneven among countries in the region. The LMICs have been hit harder than the Gulf states, which expanded their storage capacity and investment in international supply chains after the global food crisis of 2007–2008.[1] The current food crisis in the LMICs has been the result of four interlinked problems afflicting the region's food system: food insecurity; the shift to import dependency, and a related decline in food production for local consumption; the unequal treatment of rural areas and agricultural workers; and a water and environmental crisis.

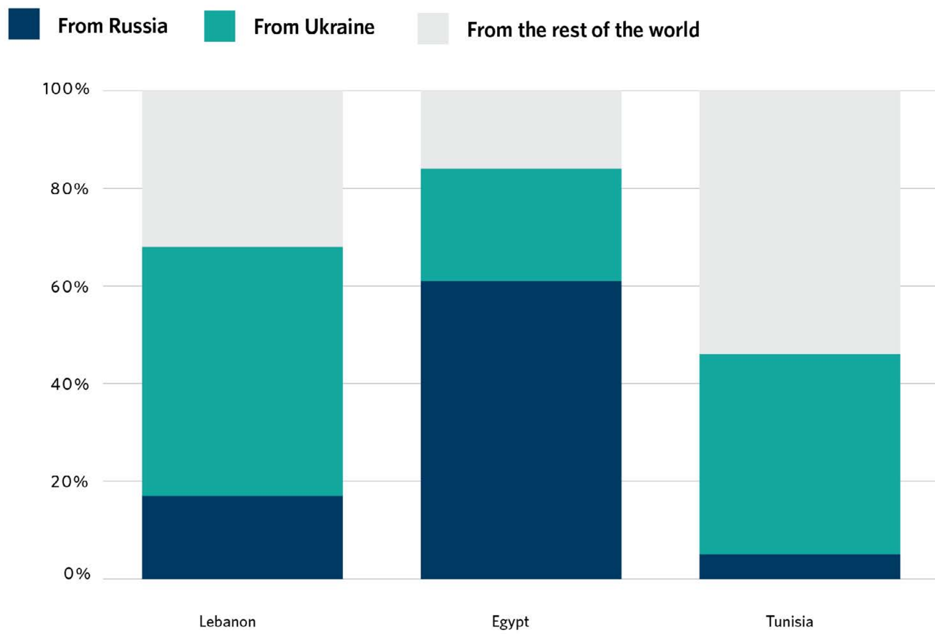
The Problem of Food Insecurity

The first major problem afflicting food systems in the LMICs of the MENA region is food insecurity—the lack of physical and economic access to enough safe, nourishing food to ensure normal growth and healthy development. This problem has grown in the past decade. In 2021, around 154.3 million people in the region were affected by food insecurity—an increase of 11.6 million people from the preceding year.[2] More than a third of the MENA region's population was moderately or severely food insecure, with no regular access to food.[3]

The coronavirus pandemic beginning in 2020, and the ensuing supply-chain disruptions, led to rising food insecurity, a situation that was further exacerbated by the start of the conflict in Ukraine in February 2022, which coincided with the economic and financial crises hitting several MENA countries. Ukraine and Russia are major exporters of grain and agricultural products. Prior to the conflict, the two countries were significant suppliers of wheat and maize, contributing 20 and 30 percent of global exports respectively. [4] They were also producers of nearly 80 percent of international exports of sunflower seed products.[5]

The Ukraine conflict has, therefore, caused significant disruptions in the global food trade and has had a notable impact on food security in the MENA region, given the high levels of food import dependency by MENA countries. The region is the world's largest grain importer, and half of its imports of wheat—a major ingredient in the food baskets of Arab countries—came from Russia and Ukraine before the war.[6] Levels of wheat import dependency are especially high in Egypt and Lebanon, where reliance on both Ukraine and Russia for wheat imports stood in 2020 at 84 percent and 68 percent, respectively (See figure 1 below).[7] As a result, LMICs in the region have been acutely vulnerable to the war's consequences, which disrupted food supplies and pushed up food, fertilizer, and energy prices that increased import bills and negatively affected their trade balances and foreign exchange situation. This strained MENA economies that had already been ailing economically and financially.

Figure 1. Percentage of Wheat Imports in 2020



Source: "Data," Resourcetrade.earth, Chatham House, accessed October 17, 2023, https://resourcetrade.earth/?-year=2020&importer=818&category=52&units=value&autozoom=1.

Food price inflation in turn, along with the depreciation of local currencies, has led to a decline in consumer purchasing power, particularly in Egypt, Tunisia, and Lebanon. The situation has strained access to food, with the poor and vulnerable, including refugees, at the greatest disadvantage. According to a survey conducted in 2021–2022 in nine of the ten MENA countries, over 50 percent of the population expressed worries about depleting their food supply before having the opportunity to replenish it.[8]

For example, in Egypt, food prices tripled between 2016 and 2019 following the economic reforms the government had undertaken, in which the Egyptian pound lost 50 percent of its value.[9] The rise in international commodity prices after the beginning of the war in Ukraine, as well as currency devaluations in March and October 2022, led to a further increase in food prices.[10] In November 2022, Egypt's food inflation rate was estimated at 30.9 percent, the highest level recorded since November 2017.[11]

Inflation has also been on the rise in Tunisia. In December 2022, food prices were 14.6 percent higher than in December 2021.[12] This increase resulted in shortages of essential food items such as milk, coffee, sugar, and subsidized vegetable oil. Food shortages are still a reality in Tunisia, mainly because of the critical condition of the country's public finances and debt crisis, which has limited its ability to import essential food products.[13]

Food price inflation remains highest in Lebanon, however, where the upsurge in international food prices came on top of a severe economic and financial crisis that hit the country starting in late 2019. This led to a currency devaluation, in which the Lebanese pound has lost more than 98 percent of its value, and hyperinflation, with a 500 percent increase in prices between December 2018 and October 2021.[14] Lebanon ranks among the top ten countries in the world hardest hit by food price inflation—between January 2023 and April 2023, Lebanon's food price inflation was the highest globally in both nominal and real terms.[15]

Import Dependency and the Decline in Food Production for Local Consumption

Another important structural deficiency that explains the current food crisis is the shift in food regimes to import dependency, and the ensuing problem of domestic agricultural production, especially the decline in production to meet local demand. This largely began during the 1980s, when production of and access to food became increasingly internationalized.[16] More specifically, the system of commercial capitalism, along with the economic liberalization policies adopted since the 1970s by MENA countries and the incorporation of local agricultural systems into the global economy, motivated states to push for export-oriented, capital-intensive agricultural products that could bring in hard currency.[17] Export agriculture has therefore been favored in many countries over the development of agriculture for local food consumption, as the focus of MENA countries has been on optimizing their competitive advantages. States have therefore allowed the international market to determine domestic agricultural policy, with agricultural sectors mainly focused on the large-scale cultivation of cash crops rather than on subsistence farming or local consumption.

This orientation toward producing cash crops has adversely affected domestic food supplies and production, undermining the ability of countries that have become agricultural exporters, such as Egypt, to feed their own population.[18] It has also led to distorted incentives and inefficiencies in agricultural production in some countries, with a continuous change in planted cash crops based on market demand.[19] For example, in Lebanon, trees are frequently uprooted and replaced to accommodate fluctuating market needs. During the current crisis, for instance, farmers have replaced apple trees, which require expensive fertilizers purchased in scarce U.S. dollars, with apricot trees, which are more cost-effective to cultivate.[20]

The promotion of export agriculture has coincided with increasing levels of dependency on food imports. Indeed, Arab nations rank among the largest importers of food globally. On average, over 50 percent of the region's calorie consumption comes from imported food, and this proportion is projected to increase to 64 percent by 2030.[21] In Jordan, Kuwait, Lebanon,[22] Saudi Arabia, the United Arab Emirates,[23] and Yemen, more than 80 percent of the food consumed is imported. Cereal import dependency is estimated to be over 90 percent in Jordan, Kuwait, Lebanon, Libya, Oman, Saudi Arabia, and the UAE.[24] Overall, while the MENA region comprises only 5 percent of the global population, it imports over a quarter of the milk and wheat available in international markets, and spends 4 percent of its GDP on food imports annually.[25]

This heavy reliance on food imports has contributed directly to food insecurity and the food crisis in the MENA region. It has increased countries' vulnerability to domestic shocks (such as currency devaluations or economic collapses), as well as to external shocks, such as the war in Ukraine, supply-chain disruptions, and price fluctuations. Dependency on food imports has also represented a "geopolitical liability" to countries, and may undermine their political autonomy.[26] Indeed, the global food trade has often been leveraged by powers to advance foreign policy objectives, such as during the two world wars [27] or when the United States considered imposing grain embargoes against the Arab world in response to the Arab oil boycott during the October 1973 Arab-Israeli war.[28]

The Inequality That Rural Areas and Small Farmers Face

The deficiency of food production in the MENA region is largely tied to another key problem afflicting the food system, this one related to government policies with regard to rural areas and agricultural workers. The urban bias of most policymakers[29] and their neglect of the agricultural sector and rural areas have heavily affected domestic agricultural production throughout the region and contributed to food insecurity.[30] Low investment in agriculture and increasing urbanization have also led to the loss of agricultural land, which has further undermined production,[31] while conflicts in some countries, such as Iraq, Syria, and Yemen, have made access to land very difficult.

The bias against rural areas has gone hand in hand with the displacement and devaluation of agricultural labor, another important structural dimension that helps to explain the food crisis in the region. For example, in Tunisia, starting in the 1970s, the government began neglecting rural areas while increasing its support for coastal cities and the services and light industry sectors.[32] These policies prompted hundreds of thousands of Tunisians to migrate from rural areas to cities, prompting a decline in the availability of agricultural laborers, especially among young people, and the abandonment of large tracts of land.[33] As a result, more than 45 percent of agricultural laborers were aged over sixty in 2022, and no more than 10 percent of them were younger than thirty-five.[34] Indeed, one of the main obstacles Tunisian agricultural laborers have faced since the 1980s is limited access to land and credit, [35] which has resulted from the inadequacy of funding mechanisms from both public and private sources.[36] Moreover, while large farmers are spared from paying irrigation and water taxes, the government does impose such taxes on small farmers,[37] only accelerating their growing impoverishment.[38] An increasing number of small farmers have been compelled to abandon farming because of the lack of support they receive.[39]

Similarly, in Lebanon, the civil war of 1975–1990, state policies, and modes of land ownership and land distribution have led to massive displacement from rural areas to urban centers.[40] This has brought on labor shortages in the agricultural sector and a loss of indigenous knowledge of sustainable food production practices. And while the decline in agricultural labor has been offset by hiring migrants and refugees, the increasing dependency on migrant workers has only further devalued agricultural labor and increased labor exploitation, including that of children, as most farmers are seasonal workers and employed informally.[41] Moreover, since the category of "farmer" does not have a legal status in Lebanon, agricultural workers do not enjoy decent working conditions or social protection, and face discrimination in terms of remuneration and treatment.[42] These circumstances, along with the neglect of rural areas, have led to a lack of investment in technological innovation when it comes to food production, contributing to low productivity and an environmental crisis.

Another key problem that agricultural laborers must deal with relates to the marginalization, exclusion, and inequality they experience as a result of the economic systems in each of these three countries. The promotion of capital-intensive, export-oriented agriculture in Egypt, Tunisia, and Lebanon has meant that activities revolve around capital accumulation patterns that benefit national and foreign investors involved in large-scale farming, while devaluing and excluding small-scale farmers.[43] For example, in Egypt, the emphasis on promoting large-scale agriculture intended for export, which has been consistent throughout the presidencies of Hosni Mubarak and Abdel Fattah el-Sisi, has entailed favoring major Egyptian and foreign investors, particularly Gulf investors, by granting them easy and privileged access to resources.[44] This is largely reflected in the ongoing expansion of Gulf investments in Egyptian agriculture (a trend dating back to the Mubarak years) and the distribution of large plots of land to Gulf investors, while the needs of small-scale farmers have been largely neglected.[45]

The neglect of small farmers is also evident in their exclusion from the formulation of agricultural projects and policies. For example, since the presidency of Anwar Sadat, rural areas in Egypt have been disregarded in government strategies to promote food production.[46] Moreover, despite the proliferation of agricultural projects under the Sisi regime, small farmers and agricultural workers remain marginalized and absent from these projects. Rather, the projects have been dominated by the president, military-owned companies, and major national and foreign investors, further reducing the input of small farmers in important decisions affecting the agricultural sector.[47]

In Lebanon,[48] Tunisia,[49] and Egypt,[50] a small number of big investors and landlords control large swaths of land, while small-scale farmers, who make up a majority of farmers, have access only to small, fragmented landholdings. This has entrenched inequalities and the marginalization of small farmers by empowering larger landholders and merchants,[51] while further concentrating wealth and power in the hands of a few.[52]

For example, changes in land tenancy in Egypt followed the implementation of Law 96 of 1992, which nullified legislation established by former president Gamal Abdel Nasser granting long-term leasing rights to small farmers.[53] This led to the displacement of over 1 million tenants and an over 400 percent increase in rents, causing great disruptions in productivity.[54] Such legal changes to land ownership, in conjunction with economic liberalization, exacerbated land concentration. For instance, between 1990 and 2000 the proportion of farms smaller than 1 feddan (4,200 square meters) increased from 36.7

percent to 48.5 percent of all land. A majority of Egyptian farmers, around 93 percent, work on plots of land smaller than 5 feddans (21,000 square meters), whereas a mere 3 percent of landowners possess nearly 35 percent of all agricultural land, with an average holding of 10 feddans (42,000 square meters) each.[55] This disparity in land distribution has exacerbated inequalities between small farmers and large capitalists, contributing to the overall impoverishment of farmers, who cannot guarantee their own food security. This disparity has also affected local production, since large capitalists are export-oriented while small farmers focus largely on meeting the demands of the local market.

Disparities in land ownership have also prevailed in Tunisia, where access to land for small-scale farmers has deteriorated since the country won its independence from France in 1956.[56] In the 1970s, especially after the adoption of structural adjustment policies, state lands were no longer granted to farmers' cooperatives as they had been previously. Instead, they were given to private investment companies and large farmers.[57] This coincided in the 1980s with a shift toward crops relying on large-scale mechanized irrigation, which required fewer agricultural workers.[58] Under president Zine el-Abidine Ben Ali (1987–2011), patronage and corruption prevailed as those closest to the regime were given access to the most fertile lands and were granted monopolies over the export of agricultural products, exacerbating inequalities.[59] For instance, in 2004–2005 (the years for which the latest figures are available), 88 percent of Tunisian farmers cultivated 39 percent of agricultural land, while 1 percent cultivated almost a quarter of the land.[60] This marginalization of small farmers and food producers had important consequences as it has led to a loss of traditional sustainable farming practices, exacerbating the current environmental crisis in the region.

An Environmental and Water Crisis

Throughout the region, the promotion of agriculture for export and the capital-intensive nature of production have led to an environmental crisis because of unsustainable food production practices. The heavy use of agrochemicals,[61] such as synthetic fertilizers and pesticides, to maximize crop yields and profits has undermined land productivity, caused soil salinization, and led to environmental damage as chemicals have leached into and contaminated soil, negatively affecting agricultural productivity.[62]

Environmental problems have also arisen because of the growing dependency on monoculture farming.[63] This is a practice of large-scale commercial farming that involves planting only one crop in a large area of land, which depletes the soil of essential nutrients and contributes to the loss of biodiversity. This raises the risk of crop failure, reduces agricultural productivity, causes land degradation, and increases the likelihood of food shortages.[64] Land degradation has also been caused by major hydrological projects to accommodate capital-intensive, large-scale farming.[65] As a result, between 1961 and 2013, per capita arable land in the Arab world decreased by 70 percent.[66]

The crisis of environmental sustainability is most clearly reflected in the growing deficit and contamination of water resources in the region. For example, in Lebanon, the use of agrochemicals, excessive groundwater extraction, and the release of untreated sewage, industrial effluents, and agricultural runoff have led to water pollution.[67] One estimate is that over half of the country's water resources are contaminated.[68] Water pollution not only affects drinking water quality,[69] but also adversely impacts agricultural production and food safety, since the contaminated water is largely used for irrigation—without being treated, which causes the bacterial contamination of irrigated plants.[70]

The problem of water contamination has been exacerbated by water shortages throughout the MENA region as a result of inefficient irrigation systems, poor water management structures, and overexploitation of groundwater resources, which collectively have led to groundwater and aquifer depletion.[71] The region has the lowest availability of freshwater resources per person in the world. At present, it has per capita water availability of 1,100 cubic meters annually, whereas the global annual average stands at 8,900 cubic meters.[72] However, forecasts suggest that this may decline to 550 cubic meters by the year 2050.[73]

For instance, in the past four decades Lebanon has seen a decrease in surface water resources of more than 55 percent, and a decline in discharge from the Litani, Damour, and Kabir rivers of 40 percent.[74] Similarly, in Egypt, projects geared toward growing agricultural products for export, such as the New Valley, or Toshka, irrigation project or the Sharq al-Owaynat land reclamation project, are depleting water resources and jeopardizing their long-term viability, especially given the substantial reduction in the Nile's waters and in non-renewable groundwater in various regions.[75]

The crisis of environmental sustainability in the MENA region is being further exacerbated by climate change, as aridity and periodic droughts have become endemic features of the region. According to projections, the Middle East and North Africa will face the most severe impacts of climate change as a result of reduced precipitation and rising temperatures, which will have major consequences for existing agricultural systems and further strain limited resources. For example, because of dryness in the winter of 2021–2022, wheat yields were below average in central Tunisia, Morocco, Syria, and Iraq.[76] In Tunisia, which received only half its usual average rainfall after September 2022, the dam filling rate stood at just 30.3 percent in 2023, in contrast with an average of 53.1 percent in the previous three years.[77] The impact on cereal production has been acute, with expectations of a drop from 7.5 million quintals in 2022 to a mere 2.5 million in 2023.[78]

Countries that rely heavily on rural economies and dryland agriculture will be particularly vulnerable to climate change, as they are highly sensitive to shifts in seasonal weather patterns. This means that the rural poor, who depend heavily on agriculture and have a limited capacity to adapt, will be disproportionately affected by these changes in weather. Overall, projections suggest that agricultural production could decrease by 21 percent by 2080, with potential losses reaching up to 40 percent in Morocco and Algeria.[79]

Structural Vulnerabilities and Energy Shocks in Arab LMICs

The energy shock caused by the war in Ukraine revealed significant structural vulnerabilities already present among hydrocarbon-importing LMICs of the MENA region. These weaknesses primarily revolved around two main challenges. First, they highlighted pressure that higher oil and gas prices placed on costly energy subsidy regimes in the region. And second, they showed the limited progress that Middle Eastern and North African countries have made in transitioning to renewable energy sources and diversifying their energy mix, resulting in a continuing high level of dependency on hydrocarbons.[80]

During the six months that followed the outbreak of the Ukraine war, oil and gas prices surged noticeably. Oil prices fluctuated between $80 and $122 per barrel—significantly higher than prices during the period from 2014 to 2021, after prices had decreased over the previous decade.[81] Natural gas prices, in turn, tripled during the six months after the Russian invasion, before returning to pre-war levels in 2023.[82] However, the energy shock not only impacted prices, but also exacerbated energy security risks, bringing uncertainty to global energy markets and the investment landscape because of the sanctions imposed on Russia, a major energy producer.[83] This means that the long-term effects of the energy shock on political economies in the MENA region are likely to persist.

The energy shock had another major regional impact in widening the economic divide between net energy exporters and importers. It strengthened major hydrocarbon exporters, among them the Gulf Cooperation Council (GCC) states, and helped stabilize large oil-rich countries such as Algeria, Iraq, and Libya. In parallel, it exacerbated preexisting structural deficiencies in energy-importing countries, namely Egypt, Tunisia, and Lebanon. While major exporters took advantage of this windfall economically and politically, energy-importing countries had to turn to the International Monetary Fund (IMF) for assistance because of their deteriorating fiscal situations. Hydrocarbon exporters also benefited from the effort of European countries to substitute the Russian oil and gas they had consumed with oil and gas from MENA exporting countries, notably Algeria,[84] Libya,[85] Qatar,[86] and the UAE.[87] This led to the signing of new energy deals and investments to boost European hydrocarbon supplies from the MENA region.

According to the IMF, Middle Eastern countries—especially the Gulf states—will continue to benefit from high oil and gas prices and opportunities to ramp up their market shares. Oil revenues are expected to reach $1.3 trillion over the next four years.[88] In the case of Algeria, which is resource-rich and labor-abundant, rising export earnings allowed the country in 2022 to achieve its first current account surplus since 2013.[89] As a result, the country's parliament approved in 2023 the largest budget in Algerian history, with a 25 percent increase from 2022 levels and measures to consolidate short-term social stability—higher salaries, unemployment compensation, and expanded social safety nets.[90]

In Iraq, after several months of domestic tensions in 2022, the oil windfall permitted the country to enjoy a level of stability not seen in the past two decades.[91] This could be attributed to a collective desire among various political factions, particularly within the Shiite community, to restore and maintain civil peace. In June 2023, Mohammed Shia al-Sudani's government passed the largest budget in Iraq's history through the parliament, which was intended to finance the expansion of essential services, including electricity and water provision, massive public-sector hiring, and the construction of new infrastructure and housing in major cities. In the short term, this ambitious budget will contribute to consolidating a fragile political settlement through rent distribution. However, the high level of spending could be destabilizing in the future.[92]

In sharp contrast, energy importers in the MENA region have faced significant misfortune since 2022 due to the surge in energy prices.[93] Among them, Egypt and Tunisia were particularly hard hit as they were still struggling with the aftermath of the coronavirus pandemic and a decade of weak economic growth. Egypt's energy import bill exploded, rising from $8.5 billion in 2021 to $13.5 billion in 2022; it is estimated that it will stabilize at $14 billion in 2023.[94] The energy subsidy budget increased from 0.3 percent of GDP in 2021 to 0.8 percent in 2022, and to 1 percent in 2023. Similarly, in Tunisia, rising energy and commodity prices led to a sharp deterioration in the country's external accounts and public finances situation. The current account deficit widened from 6 percent of GDP in 2021 to 8.5 percent in 2022 because of the rising import bill.[95]

In both countries, the constrained fiscal space limited the ability of their governments to engage in public-sector hiring, which has historically played a major role in stabilizing their social contracts. Consequently, unemployment in Egypt and Tunisia remains high, especially as Gulf countries, in favoring hiring their own nationals for their labor markets in the past decade, have had a limited capacity to absorb surplus labor from LMICs. This, coupled with declining investments from Gulf countries in LMICs—especially after oil prices fell in the second half of 2014—has further tested social contracts there.[96]

The war in Ukraine has also had dramatic consequences in Lebanon, as the country had already been grappling with hyperinflation since it defaulted on its foreign debt in March–June 2020. As a result, the population's purchasing power deteriorated precipitously. In 2021, Lebanon witnessed severe shortages due to distributors holding back stock while awaiting an official rise in prices as subsidies were gradually lifted. Smuggling of fuel to Syria, where prices were higher, further compounded the fuel crisis, which negatively affected the state's ability to provide essential services, such as healthcare, to the population. The fuel and electricity shortages also forced Lebanon's largest hospitals to reduce their activities and people had to wait in lines for hours to fill their cars with gasoline out of fear of rising prices after the lifting of subsidies in summer 2021.[97] This crisis also severely undermined the government's capacity to provide electricity, increasing the public's reliance on private neighborhood generators. Not surprisingly, thousands of businesses had to close down because of the energy crisis.[98]

The energy shock exposed significant structural weaknesses in energy-importing countries. First, energy subsidy reform has proven to be challenging for many of them. The sharp rise in energy prices brought to light the complexities and resistance associated with reducing or eliminating energy subsidies. These subsidies often strain government budgets, discourage efficient energy use, and are politically sensitive because of concerns that removing them may lead to public unrest and social instability. Second, the MENA region's slower progress in transitioning to sustainable energy sources has left it heavily reliant on hydrocarbons. Despite increasing global awareness of the need for cleaner energy solutions, the region's dependency on fossil fuels has hindered its ability to diversify energy resources and potentially adjust the supply side to address increasing energy demand. This dependency on hydrocarbons not only impacts energy security but also makes the region vulnerable to fluctuations in global oil and gas prices.

Throughout the MENA region, the subsidization of energy has been a prevalent practice for decades.[99] Energy importers have adopted this approach, offering electricity, natural gas, and gasoline to households and businesses at prices significantly below the global market average. Energy subsidies have become a cornerstone of political stability and a defining aspect of the social contract of many energy-importing LMICs. While the intentions behind these subsidies—such as fostering industrial growth and reducing social inequalities—are legitimate, they have also had negative consequences. Subsidies lead to excessive hydrocarbon consumption and encourage businesses to focus on rent-seeking energy-intensive activities.[100] They also strain government finances, diverting funds away from crucial public goods such as expanding infrastructure, healthcare, and education.[101]

However, despite this, energy subsidies have been difficult to reform. In both Tunisia and Egypt, the partial adjustments to subsidy regimes that have occurred since 2011 were carried out under great fiscal pressure. In Egypt's case, despite a series of reforms between 2014 and 2019, the authorities have been unable to phase out energy subsidies. In July 2014, the reform of fuel subsidies provoked a 78 percent surge in gasoline prices when compared to 2013, and a 64 percent increase in diesel prices. This impacted most consumers, especially low-income households.[102] The Sisi administration implemented subsidy reductions for several energy-intensive industries such as cement, fertilizer, glass production, and ceramics. The decision was driven by the fact that fuel subsidies alone accounted for over a fifth of the 2013 budget. The reforms were aimed at addressing the budget deficit and creating fiscal space to tackle rising unemployment and slow economic growth.

In late 2016, in response to IMF conditions, the government engaged in another round of price increases for electricity and fuel, leading to an agreement over Egypt's IMF program. During that period, the government implemented a targeted energy subsidy regime instead of the old universal one, and implemented price hikes of 30–50 percent for bottled gas and electricity supplies, with relatively lower increases for the business sector.[103] However, the shift in the subsidy regime did not improve living conditions for the poor, who were supposed to be the main beneficiaries. Indeed, while the reduction of energy subsidies resulted in savings equivalent to approximately 5.4 percent of GDP, there was a minimal increase in social pensions, including cash transfer programs, to the poor. In 2021, social pensions only rose by 0.07 percent of GDP, and by 2023 they had only increased to 0.3 percent of GDP.[104] This is significantly below the average of 0.9 percent for countries in the lower middle-income category (to which Egypt belongs). It also falls far short of the already low average for the MENA region, which is 0.42 percent of GDP.[105]

Despite the substantial reduction in Egypt's energy subsidy budget, which declined from 5.72 percent of GDP in 2013 to 0.3 percent of GDP in 2021, the efforts to phase out subsidies continued.[106] However, the impact of the Ukraine war on oil and natural gas prices led the government to extend the period for subsidizing electricity, though it had previously planned to cease doing so by the end of 2022.[107]

In Tunisia, the issue of energy subsidy reform has always been highly political. Over the past decade of democratization, protests and public pressure have consistently thwarted attempts by successive governments to implement reforms. As a result, the energy subsidy budget increased annually by around 15 percent between 2010 and 2020, as short-lived governments abandoned reform efforts when confronted with social discontent.[108] In 2014, the IMF recognized the significant implications of removing energy subsidies, including the potential rise in price levels, the impact on the competitiveness of local energy-consuming industries, and the vulnerability to global market price fluctuations.[109] Consequently, the organization recommended introducing an automatic price adjustment mechanism to gradually align domestic prices with international ones. However, its implementation has been inconsistent, with governments opting for discretionary applications because of their fear of further social dissatisfaction.

The price shock triggered by the war in Ukraine led to a 129 percent increase in Tunisia's energy subsidy budget between 2021 and 2022, compelling the government to take action. In 2022, fuel prices were increased five times, leading to a cumulative 20.4 percent rise during the year.[110] Additionally, electricity prices rose by 12 percent and natural gas by 16.6 percent.[111] However, the government refrained from implementing further automatic price adjustments because of concerns surrounding the referendum on a new constitution following President Kais Saied's seizure of power in July 2021 and the legislative elections of December 2022. The regime's popularity and legitimacy deficit contributed to the decision to freeze price adjustments. Since the start of 2023, there have been no further fuel price increases, as authorities fear that such actions will disrupt social stability. Despite a drop in international oil prices, the average price of one liter of gasoline at the pump in Tunisia remained close to 55 percent of the international price in May 2023. Consequently, the budgetary cost of the subsidy has notably increased in the past two years, reaching nearly 10 percent of GDP.[112] The complexity and volatility of Tunisia's political landscape have hindered effective energy subsidy reform in the country.

Since the financial collapse in 2019, Lebanon's economy has continued its descent into the ashes. The central bank, Banque du Liban, had subsidized fuel, wheat, and medicine by keeping these products at the country's pegged currency rate, which was 1,507 Lebanese pounds to the U.S. dollar until January 2023, and was devalued to 15,000 Lebanese pounds to the U.S. dollar in February 2023.[113] However, given the dwindling supply of foreign currency, the central bank announced in summer 2021 that it would gradually lift fuel subsidies, and in September 2022 it lifted all remaining fuel subsidies. This decision led to higher fuel prices and increased pressure on the local currency, which continued to lose value as the economic crisis became entrenched. As a consequence of this, gas station owners started pricing gasoline and other fuel products at the country's "parallel market rate," leading to a further deterioration of the population's standard of living.[114]

By the end of 2022, Lebanon's crippling economic and financial crisis had plunged 60 percent of its population into poverty.[115] As the country's finances worsened, its subsidy system crashed. Currently, more than 145,000 Lebanese households living in dire poverty receive monthly cash assistance through direct electronic transfers.[116] However, there remains a substantial gap in addressing the needs of the 220,000 households that are enduring extreme poverty.[117] To bridge this gap, it is imperative not only to extend the reach of the social safety net, but also to augment public expenditures on social assistance, which would encompass cash transfers and social support services.[118]

Contrary to the official narrative, in Egypt and Tunisia, as in Lebanon, the hesitancy to reform energy subsidies goes beyond concerns about public unrest. There are also significant vested interests involved, with certain categories of society profiting from the subsidization of energy, specifically politically connected businessmen in Tunisia and the armed forces in Egypt. These groups have emerged as influential lobbies opposing substantial reform because they hold considerable sway in sectors that benefit directly from energy subsidies.[119] Moreover, the existing subsidy regimes heavily influence their investment choices. The fact that the process of phasing out energy subsidies has encountered resistance over the course of a decade underscores the formidable veto powers wielded by politically connected actors. These vested interests have played a pivotal role in shaping the outcomes of subsidy-related policies, highlighting the challenges of implementing substantial energy-sector reform.[120]

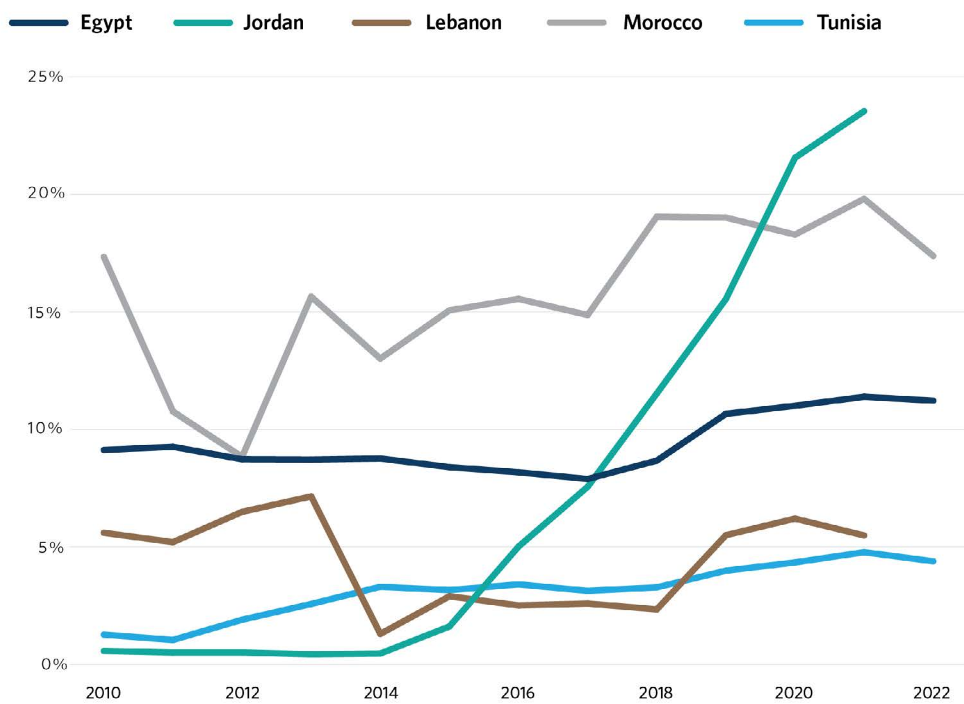
Many companies, especially those in energy-intensive industries, are unable to adapt easily to reform measures, which leaves them with limited options. This can include accepting lower profit margins, substituting energy products, and becoming more resource efficient, all of which are difficult and costly to achieve. Or it can involve increasing prices, which might feed an inflationary trend. Transitioning toward a fairer social contract that replaces subsidies with income support mechanisms also poses major challenges. Not only do politically connected interest groups resist such changes, the state's weak capacity to establish an efficient infrastructure of social safety nets and cash transfer mechanisms also hinders progress. This is typically the case in Tunisia.

The challenges involved in reforming subsidy regimes often lead governments to favor short-term solutions. This is especially true given the significant reliance of key economic sectors on hydrocarbons, along with the limited progress in energy transition. The transportation sector is a good example. In Egypt, transportation is the largest consumer of oil products, at 57 percent of total consumption, followed by construction at 14 percent, industry at 13 percent, and the power sector at 11 percent.[121] Similarly, in Tunisia, transportation accounted for 51 percent of energy consumption in 2021, followed by industry at 23 percent, and households at 21 percent.[122]

Across these countries, the fact that transportation sectors have the highest energy consumption makes subsidy reform more difficult to implement. The reason for this is that the cost of transportation has a direct impact on inflation, industry expenses, and the overall cost of living. Additionally, reforming energy subsidies requires a far-reaching overhaul of public policies relating to transportation, which can be complex and requires an approach that is both strategic and comprehensive. Addressing high energy consumption in transportation sectors is critical for promoting sustainable and efficient energy use. This involves not only subsidy reform but also investment in connectivity, urban mobility, and alternative energy sources for improving and expanding public transportation in order to reduce reliance on energy-intensive modes of transportation.

A second structural weakness highlighted by the energy shock is the limited success of LMICs to significantly diversify their energy mix. Among LMICs in the MENA region, only Jordan and Morocco have made substantial progress in this regard, surpassing Egypt, Tunisia and Lebanon (see figure 2). In Jordan, the Renewable Energy Law of 2012 set a target of securing 10 percent of the country's energy mix from renewables by 2020, primarily from wind and solar power sources.[123] Remarkably, this goal was reached and surpassed, with solar and wind power accounting for 20 percent of the mix. This has strengthened the country's resilience to energy shocks. Jordan aims to further expand the share of renewables to 30 percent by 2030, demonstrating its commitment to renewable energy development. Similarly, Morocco has made strides in diversifying its energy production. The share of renewables in energy generation rose from 10 percent in 2012 to nearly 20 percent by 2021, before the outbreak of the Ukraine war.[124]

Figure 2. Share of Electricity Production From Renewables



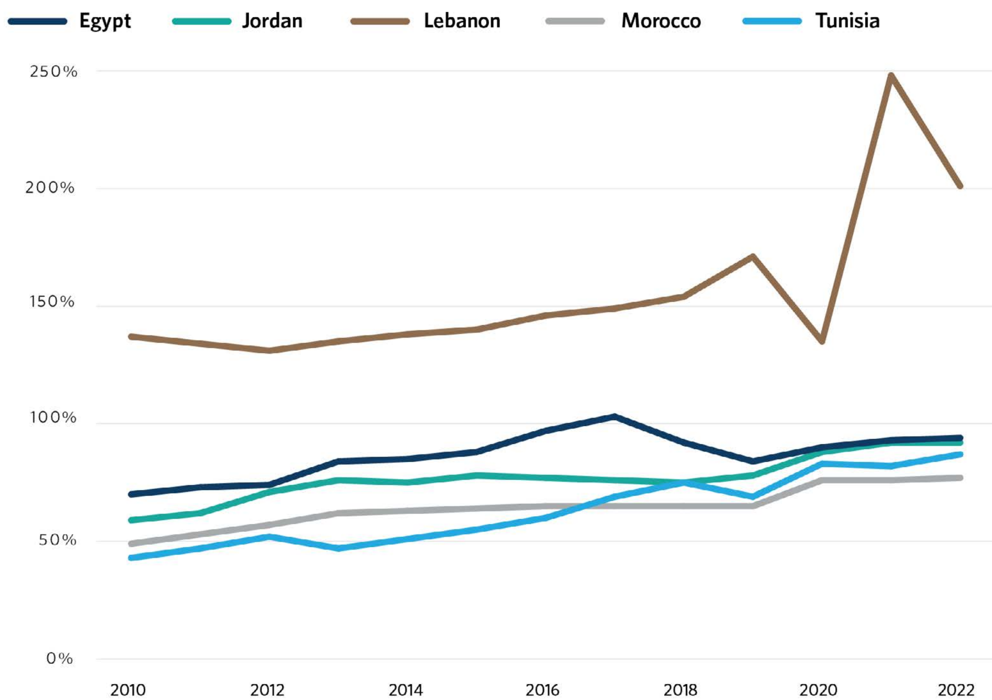
Source: “Share of Electricity That Comes From Renewables,” Our World in Data, December 12, 2023, https://ourworldindata.org/grapher/share-electricity-renewables?tab=chart&time=2010..latest&country=TUN~MAR~JOR~LBN~EGY.

In contrast, Egypt, Tunisia, and Lebanon have lagged behind in transitioning to renewables. In the past decade, Egypt’s share of renewables in the electricity production increased from 9.36 percent in 2011 to only 12 percent in 2022.[125] Tunisia is also facing significant challenges, with renewables representing a mere 4 percent of electricity production in 2021.[126] Lebanon moved from 5 percent of its electricity coming from renewables in 2011 to 9.38 percent in 2021.[127] This positive evolution was important as the country’s economic and financial crises forced many people to invest in solar power because of the prohibitive cost of fossil fuels. However, the shift to solar power has been largely haphazard, with limited supervision or regulation by state institutions, which is important to avoid future environmental problems.[128] For Egypt, Tunisia, and Lebanon, closing the gap in renewables is crucial so that they can improve their energy security, reduce their dependency on fossil fuels, and mitigate the impact of energy price shocks.

A Debt Crisis That Was Predictable

The current debt crisis in Egypt, Tunisia, and Lebanon has been long in the making. Regionally, debt ratios, or the percentage of public debt to GDP, began increasing in MENA countries after the 2008 global financial crisis (see figure 3), and this trend accelerated further after the Arab uprisings of 2010–2011. The rise in debt ratios was driven largely by expansionary fiscal policies adopted by Arab regimes and a decline in economic growth rates during that period. In 2019, public debt to GDP ratios exceeded 65 percent in Egypt, Tunisia, and Lebanon—a level regarded as substantially risky for developing countries.[129] These high debt ratios made the MENA countries especially vulnerable to the external shocks that hit global markets in the years that followed.

Figure 3. Gross Public Debt/GDP



Source: World Economic Outlook Database (for Egypt, Jordan, Lebanon, Morocco, and Tunisia; October 2023), International Monetary Fund, https://www.imf.org/en/Publications/WEO/weo-database/2023/October/weo-report?c=469,439,446,686,744,&s=GGXWDG_NGDP,&sy=2010&ey=2022&ssm=0&scsm=1&scc=0&ssd=1&ssc=0&sic=0&sort=country&ds=.&br=1.

When the coronavirus pandemic struck in 2020, for instance, it caused a severe region-wide economic downturn, prompting MENA governments to intervene to assist businesses and households. This increased state expenditures, but it also coincided with reduced government revenues, leading to wider fiscal deficits. The situation became worse following the outbreak of the Ukraine war, when high levels of import dependency on food and fuel raised the import bills of LMICs, adding to their deficits and debt. At first, countries increased subsidies to ease the impact on households. By then, Egypt, Tunisia, and Lebanon had debt ratios surpassing 80 percent. Moreover, as of February 2022, in an attempt to reduce their trade deficit, increase their foreign currency reserves, and curb the soaring inflation rates driven by energy and food prices, a number of MENA countries devalued their currency and increased domestic interest rates.[130] With interest rates surpassing economic growth, and fiscal deficits very high, the countries' debt dynamics quickly deteriorated.[131] This situation exacerbated Lebanon's financial turmoil, as the country had already defaulted on its foreign debt in 2020, and it created greater uncertainty about Tunisia's and Egypt's debt sustainability.

As with the food crisis, the debt crisis that MENA countries face is structural and is mainly a consequence of the model of economic development that countries such as Egypt, Tunisia, and Lebanon have adopted. This model is characterized largely by underinvestment in productive sectors, the excessive growth of services, the promotion of speculative investments (particularly in real estate) largely funded by debt financing, and the channeling of rent streams from society to a small group of well-connected elites.

For example, the current debt crisis in Egypt, where the debt ratio is more than 88 percent of GDP,[132] is rooted in the new version of Egyptian state capitalism spearheaded by the Sisi administration, as well as in the nature of Egypt's political economy. Specifically, after Sisi came to power in 2013, Egypt's political economy was characterized by a reconfigured ruling coalition that consisted predominantly of a limited group of coercive state entities.[133] The strength of this coalition revolved around creating an economy that benefited select privileged groups, largely through the development of a civilian-military economy. To secure the military's political loyalty, Sisi's strategy has been to give it control over projects for the development of desert areas involving construction, real estate, and infrastructure.[134] This has also entailed granting a more central role to the armed forces in the Egyptian economy[135] that encompasses a wide range of sectors, including gas stations, agriculture, construction, hospitality, transportation, and more. At the same time, private-sector businesses have been gradually crowded out of the economy.[136]

A main driver of Egypt's debt crisis has been the unrestrained spending by the military on nonproductive megaprojects in the real estate sector that are led by military-owned firms, as well as expenditures on weapons. The most notable of these megaprojects are the construction of the new Suez Canal, with an $8 billion price tag,[137] and the $59 billion New Administrative Capital.[138] The military has also allocated significant funds to importing arms, amounting to $12.72 billion between 2013 and 2022, according to the Stockholm International Peace Research Institute arms transfers database.[139] In 2013–2017, there was an increase of more than 200 percent in arms imports compared to 2008–2012.[140] By 2020, Egypt ranked as the third-largest arms importer globally.[141]

The main problem with these large-scale projects is that since the Egyptian economy does not generate enough added value to offset the enormous capital investments it has made, the country's megaprojects are mainly funded through debt financing, both domestic and foreign. This, coupled with the state's overreliance on short-term debt to finance its budget, has made the Egyptian economy increasingly vulnerable to external shocks, among them the global rise in interest rates. Since Egypt is the world's largest wheat importer, the increase in commodity prices triggered by the Ukraine war meant a substantial rise in Egypt's import bill and a decline in the country's foreign reserves. As investors began worrying about Egypt's ability to manage its exchange rate, they withdrew around $22 billion from Egypt's local debt market between January and September 2022, leading to a further decrease in the country's reserves.[142] Egypt's debt crisis thus grew more severe because of the exchange rate devaluation and the significant rise in debt servicing costs.

Another key factor behind Egypt's debt crisis and recurring financial imbalances is the structure of the country's economy—specifically the lack of investment in productive and tradable sectors, such as manufacturing and agriculture.[143] This has not only led to weak productivity in the economy; it has also meant Egypt has been unable to diversify its position in the global market and the international division of labor by advancing toward the production of more high value–added goods and services. In fact, the economic sectors that have been growing since 2016 are non-tradable, non-productive sectors. Their growth has not ameliorated Egypt's balance of payments situation through an increase in exports or a decrease in import dependency. That is why Egypt has continued to face the same financial problems time and again.[144]

Similarly, in Lebanon, the debt crisis is structural and rooted in the nature of Lebanon's political economy, especially during the post–civil war period. After 1993, the country followed an economic model centered on increasing its public debt. The state issued Lebanese pound–dominated treasury bonds as well as Eurobonds (denominated in U.S. dollars). By 2020, the public debt totaled around $90 billion, 37 percent of which was made up of Eurobonds.[145] Lebanon thus had the highest debt-to-GDP ratio in the MENA region, equivalent to around 150 percent in 2020,[146] and the third-highest debt-to-GDP ratio in the world after Greece and Japan. The country's debt-to-GDP ratio is expected to reach 185 percent by 2024,[147] largely because of the dramatic decline in GDP rates and the stock of debt the country has carried over from the pre-2019 period.

One of the main factors behind the crisis in Lebanon is the inability of the Lebanese government to fulfill its obligations to repay the Eurobonds issued in the past, with the government first defaulting on its debt in the period March–June 2020. Another important aspect of Lebanon's public debt is that a significant portion of its treasury bonds and Eurobonds were held by domestic banks and represented a substantial share of their assets.[148] These banks invested a small portion of people's deposits in government-issued bonds, while around two-thirds of deposits were invested with the central bank—either as reserves or as loans from the domestic banks to the central bank. The central bank then used the money to acquire treasury bonds and Eurobonds. This meant that a majority of bank deposits were invested in government debt and that banks were heavily exposed to this debt. Hence, when the state failed to repay its debt, the central bank couldn't pay back domestic banks, which in turn couldn't pay depositors, leading to the current crisis.[149]

There were two main reasons behind the state's inability to repay its debt. The first was related to the corruption that has been endemic in the Lebanese sectarian system and the government's mismanagement of the budget allocated for infrastructure investment.[150] The second reason lay in the structure of the public debt, especially the fact that the rate of return offered to investors for investing in the debt was remarkably high—at times exceeding 35 percent.[151] This meant that debt-servicing costs were also exceedingly high—amounting to approximately half of total government income and over a third of total government expenditures annually. This could not be covered by any of the government's infrastructure investment projects, making a crisis inevitable.

The fact that the rates of return on the public debt were significant could be attributed to the nature of Lebanon's political economy, especially the presence of crony capitalism and a strong network of interests that has existed between the political class and the banking sector. In fact, the creditors of the government who benefited from the exorbitant interest rates were primarily the political elite, who had access to increasing rents, while the state was left with limited resources to meet basic public needs.[152] It is this system, which rested on the channeling of rents from society to well-connected elites through an inflated public debt, that laid the groundwork for the Lebanese collapse.

Lebanon's substantial annual funding requirements therefore left it extremely vulnerable to external shocks. The decline in capital inflows, which had started in 2011, first pushed the central bank into adopting risky financial engineering mechanisms. Then, starting from 2016, Lebanese banks started offering remarkably high interest rates to attract new deposits in U.S. dollars.[153] However, this system was unsustainable and led to a banking, fiscal, and currency crisis in 2019 and a default in 2020.[154] Since then, the country has grappled with hyperinflation, a major devaluation of its currency, a rise in import bills, high poverty rates, and a sharp decline in living standards, not to mention a drastic reduction in its GDP by about half.[155]

In Tunisia, the circumstances differed somewhat from Egypt and Lebanon. Following the popular uprising of 2010–2011, the country benefited from significant capital inflows from various sources, including low-interest loans, deposits in Tunisia's central bank, U.S.-backed loans, and macro-financial assistance from the European Union (EU), among others.[156] This "democratic rent"—financial support from international partners motivated by Tunisia's democratization process—provided a lifeline to the country as it grappled with a steep drop in foreign direct investment[157] and the collapse of the tourism sector after a series of terrorist attacks in 2015 and 2016.[158]

However, because of a sense of confidence among Tunisian decisionmakers that international partners would continue supporting the country's democratic transition regardless of whether the government undertook the necessary reforms to alleviate the mounting debt burden, no reforms were implemented.[159] Instead, the political class relied on these financial inflows to buy time. Their failure to reconcile conflicting economic and sectoral interests hindered reform efforts and exacerbated the public debt crisis.

Tunisia has especially faced the consequences of delayed reforms following the outbreak of the coronavirus pandemic. The economic fallout led to a significant 8.6 percent contraction in real GDP in 2020, the most substantial decline since the country gained independence in 1956.[160] While Tunisia attempted to recover, the outbreak of the war in Ukraine in February 2022 further exacerbated its fiscal imbalances. The public debt surged from 42.5 percent of GDP in 2011 to 80 percent in 2022.[161] The proportion of short-term debt in Tunisia's external debt also rose from 21.7 percent in 2011 to 32.4 percent in 2021,[162] and the share of short-term debt in relation to total reserves surged from 51 percent in 2011 to 152.5 percent in 2021.[163] These trends highlighted the country's vulnerability to external financing and the sharp decline in long-term sources of hard currency—investment, tourism, and revenues from Tunisia's exports of phosphate. Similar to Egypt and Lebanon, Tunisia's heightened dependence on energy and food imports, as well as rising global interest rates, only compounded its need for foreign currency. The situation deteriorated significantly after 2019, when Tunisia lost access to international financial markets because of periodic downgrades by major rating agencies.[164]

Confronted with this worsening situation, Tunisia sought a new program with the IMF. In October 2022, the two sides concluded a technical agreement, pending approval by the IMF board. Saied's reluctance to embrace reforms prompted the IMF to continue demanding measures that would show the president's commitment to a challenging four-year reform program (2023–2027).[165] However, in April 2023 Saied rejected the IMF conditions, describing them as "diktats," which caused Tunisian bonds to further depreciate in international markets.[166] This aggravated the decline in the country's credit rating and posed a threat to Tunisia's debt sustainability.[167]

Tunisia's inability to meet its spending requirements and secure substantial international financial support began to affect its ability to procure essential imports. Since 2022, products such as sugar, vegetable oil, rice, coffee, and milk have become scarce in supermarkets. Escalating tensions linked to periodic shortages have accelerated emigration and jeopardized social stability in Tunisia. Consequently, in August 2022, the EU, through the European Bank for Reconstruction and Development, signed a sovereign-guaranteed loan agreement worth €150 million euros (approximately $158,000 at current rates) with Tunisia's state cereals office to bolster grain imports.[168] The deteriorating financial situation and the government's inability to secure a bailout worsened the financial predicament of state-owned enterprises, which were estimated to carry debt equivalent to 15 percent of GDP in 2022.[169] As a result, the debt crisis had a cascading impact on the subsidy system and food supply.

The Impact of the Crises on the Domestic and Geopolitical Levels

The interconnected food, energy, and debt crises are fundamentally reshaping the political and economic landscapes of Egypt, Tunisia, and Lebanon, with far-reaching implications for power dynamics across the MENA region. At the domestic level, these crises are intensifying the pressures faced by ruling elites, who now have to resolve critical policy dilemmas. A failure to address these mounting challenges will only exacerbate the worsening situations in these countries. From a geopolitical perspective, in turn, these crises have triggered region-wide economic realignments that are bolstering hydrocarbon-exporting nations while weakening energy-poor states.

Conflicting Interests and Policy Dilemmas in Egypt, Tunisia, and Lebanon

The food, energy, and debt crises have posed complex challenges for leaders in Egypt, Tunisia, and Lebanon. All three countries are lacking crucial external financial support, with Egypt losing the geopolitical rent that had been provided by the Gulf states in the aftermath of the 2013 coup d'état and Tunisia losing its "democratic rent" from Western partners and institutions.[170] Lebanon, in turn, has not implemented the reform package necessary to unlock financial assistance from the IMF. As a result, the countries are struggling to find a way out of their crisis, not to mention tackle their structural deficiencies. The dilemma of their regimes is that the reforms needed to secure financial assistance to help with addressing their crisis will create conflicting interests between different power centers in their societies, which will have a destabilizing effect on ruling coalitions, and may indeed reshape them.

Political elites in Egypt, Tunisia, and Lebanon, struggling with numerous problems, are reluctant to consider a transformation of their economic models. Instead, they have tended to preserve the status quo, often through an escalating recourse to violence, despite the shortcomings of such an approach. They perceive the existing state of affairs as preferable to the uncertainties that would accompany reform. Consequently, political, military, security, and economic elites—the main interest groups in Egypt, Tunisia, and Lebanon—have managed to impose stalemate, engaging in effective wars of attrition to avoid surrendering what is vital to them, even as economic conditions deteriorate.[171]

The Egyptian authorities, for example, are today faced with the imperative of generating foreign currency inflows to help pay off $28 billion in maturing debt and interest and fund the current-account deficit by the end of 2023, in addition to another $20 billion in 2024.[172] As a result of this, they find themselves entangled in a series of conflicting imperatives that epitomize the profound dilemmas they face. Since Sisi's rise to power in 2013, the Egyptian regime has given priority to military-owned enterprises in infrastructure projects and has expanded their dominance over sectors of the economy to the detriment of private businesses, even those that were previously connected to the late president Hosni Mubarak. The country's current financial constraints are forcing the regime to engage in a delicate balancing act as it navigates among different factions within the armed forces while also attempting to respond to IMF demands.[173] The challenge lies in implementing reforms while avoiding measures that could trigger domestic resistance, destabilize the military, and compromise the relationship of dependency that exists between Sisi and Egypt's generals. As the government seeks to minimize the potential backlash from the ruling elites and segments of society, its temptation to dilute IMF reforms will only increase.

After the beginning of the war in Ukraine, and given the increasing costs of debt servicing, the government had little choice but to sell off public assets. The Egyptian authorities unveiled a plan to reevaluate the state's involvement in the economy, seeking to revitalize the private sector's contribution. In June 2022, the government announced a State Ownership Policy, outlining its intention to exit from certain economic sectors, reduce its participation in others, and increase its involvement in select areas.[174] The timing was intentional and sought to influence loan negotiations with the IMF. The IMF had insisted on structural reforms that would level the playing field for the private sector.

In late 2022, Egypt reached an agreement with the IMF for a $3 billion loan under a forty-six-month Extended Fund Facility arrangement. In early February 2023, the government announced that it would sell shares in thirty-two state-owned enterprises by March 2024.[175] Among these enterprises, two military-run companies were proposed for partial sale during what was purported to be an initial privatization round.[176] The decision to reform the state ownership framework and make shares of military-owned companies available to private investors was influenced by the IMF's evaluation of public sector enterprises, released in July 2021.[177] The IMF's objective was to reduce the government's and the military's involvement in the economy while creating an environment conducive to foreign investment. It recommended that the government centralize state ownership within a single entity and initiate the transfer of military-owned companies to what it termed the "public business sector."[178] This would bring the companies under the government's regulations for procurement, financial reporting, and revenue submission. It was evident that, if applied, the policy would impact the operating environment of military companies and power arrangements in Egypt. As a result, the IMF agreement faced resistance.[179]

In fact, the government has failed to open military companies to private investors. The authorities have continually postponed the privatization process, citing technical reasons and policy complexities regarding financial transparency, profitability, and legal constraints.[180] Its hesitancy on the matter, despite the potential interest shown by international private investors in acquiring shares in military companies, reflects the government's dilemmas. Indeed, the military's influential political position is expected to ensure that once private investors invest in military enterprises, these will have a steady stream of sizable public contracts and exclusive access to production resources, such as land and foreign currency, at favorable exchange rates. Private-sector investment could secure assured dividends, even for underperforming companies. Furthermore, the capitalization of military enterprises through private investors could potentially inject additional revenues into state coffers.[181] Yet the government seems to lack the political will to curtail the military's involvement in the economy. It even seems unable to slow the military's expansion and acquisition of businesses, a trend that has been on the rise since Sisi took office. In early 2023, the president actually allocated new lands to the army, undermining the government's credibility on introducing reforms.[182]

Sisi's reluctance should be understood in light of the military's substantial veto power. In fact, on multiple occasions the military has disrupted major investments from the UAE (one of the president's closest political allies) and has resisted efforts to open its companies up to private investors.[183] This status quo suggests that both Sisi and the Egyptian military are unwilling to reevaluate the military's role in the economy. The attitude of the IMF and international partners, in turn, has created an anomalous situation. Rather than pressing Egypt on reform, they have shown a repeated willingness to inject funds into the country. This has allowed the regime to buy time, in the hope that the IMF will lose interest and wager on a hypothetical improvement of the economy. However, the IMF's delay in conducting the initial program review seemed to put serious pressure on the regime.[184] The success of these reviews is essential for the disbursement of the loan tranches. The IMF decided to postpone the first review because it would have revealed the government's poor execution of the reform program, which would have damaged the IMF's reputation as an international lender. [185] In the absence of control over the military, Egypt could be heading into severe economic headwinds that would lead to a dramatic social crisis.

In Tunisia, financial tensions are also creating acute policy dilemmas. For Saied to accept IMF conditionalities risks eroding his base of support. Yet rejecting an agreement with the organization risks triggering a systemic crisis given the exposure of state-owned banks. Securing IMF funding has become an intricate challenge for Tunisia, as Saied has sought to balance between negotiating with the organization and rejecting a fiscal adjustment program.[186]

In October 2022, Tunis and the IMF agreed to a $1.9 billion, forty-eight-month reform package that outlined crucial measures, including cutting the public-sector wage bill, reducing subsidies, reforming state-owned enterprises, and promoting competition.[187] Despite the initial understanding, Saied refused to endorse the IMF measures. The authorities were expected to gradually increase fuel prices and enact a law on state-owned enterprises, but the president refused to implement these measures.[188] Saied believes the IMF is undermining Tunisia's sovereignty.[189] His populist style has ended up placing him in open conflict with the Tunisian General Labor Union, the business elites, and the central bank.[190] Saied's unpredictability has only reinforced the deadlock in the negotiation process with the IMF, isolating Tunisia further.[191]

In the absence of reforms and an IMF deal, in 2022 the Tunisian government began cutting imports and reorganizing the supply of markets.[192] Shortages of basic foods, electricity, and hydrocarbons became frequent, putting pressure not only on the segment of the middle class that is dependent on the state, but also on vulnerable social groups in urban and rural areas.[193] Tunisia's inability to cover its spending needs and secure substantial international financial support has begun causing problems in the purchase of essential imports.[194] Frequent shortages and the economy's deterioration are threatening to spark a social crisis, while the absence of an IMF bailout is increasing the risks of a destabilizing debt default.[195]

The fact that the Gulf and European countries will not assist Tunisia either, added to the worsening relations with multilateral institutions and the inability to access international capital markets, is seriously aggravating the country's debt vulnerabilities. Political turmoil or potential shocks from rising energy prices could push Tunisia into a desperate situation. The country's isolation from donors, investors, and partners, as well as slow growth prospects, high unemployment, and soaring inflation, will only aggravate political and socioeconomic risks. For now, Saied is buying time by focusing his efforts on fighting purported internal enemies, while using the migration crisis in Europe as leverage with his European neighbors.[196] Saied's rejection of an EU financial aid package in October 2023 underscored Tunisia's worsening relationship with the EU and its growing reliance on illegal migration as form of blackmail to help sustain the country financially.[197]

Lebanon, in its turn, is facing an unprecedented economic, social, and political collapse.[198] To tackle its crisis, it is essential to begin by acknowledging the responsibility of the country's elites for the dire state of affairs and establish, in the short term, a clear framework for distributing losses, with a significant share of the burden assigned to the banking sector. However, because of the politics involved, this has been extremely hard. These losses, which are immense and surpass the country's GDP several times over, have in no way prompted a reform of the financial system. This has eroded any hope of recovery and pushed at least 60 percent of the population below the poverty line.[199]

The resistance to reform in Lebanon can be attributed to several underlying factors. First, the persistent struggle for power among sectarian elites in the country mirrors the deeply entrenched clientelist system of governance. The delay in implementing reforms cannot simply be attributed to the allocation of losses. It represents a battle for supremacy within a deeply factional system in which making compromises on sharing the burdens of reform could be perceived as political capitulation. In this zero-sum game, concessions made to facilitate reform may benefit political rivals, making all politicians reluctant to do anything that might shift the power balance to their disadvantage.

Second, rather than obstructing reforms, Lebanon's failure to implement the staff-level agreement with the IMF, signed in April 2022, has inadvertently hastened the unraveling of social safety nets and a radical decline in social benefits. At the same time, economic realities have de facto imposed certain reform measures on the state. This was evident in the way Lebanon was forced to dismantle its subsidy system in 2021–2022 because of its dwindling foreign currency reserves, which had to be preserved to finance imports. However, this was done without any negotiated consensus nationally about how the burdens should be shared among different social groups. Not surprisingly, the state's policies ended up disproportionately affecting the most vulnerable social categories, which only augmented societal fragility.[200] The main beneficiaries of the situation were influential social groups that possessed the means to safeguard their interests. A notable example is Lebanon's influential banking lobby, which has vehemently opposed reforms, fearing that banks may be saddled with the lion's share of the country's financial losses.[201]

In Egypt, Tunisia, and Lebanon, economic reform would require curbing the influence of veto players and reshaping ruling coalitions. This means reconsidering the military's involvement in the economy in Egypt, restructuring the economy in Tunisia, and curbing the influence of the financial sector and opportunistic sectarian elites in Lebanon. These reforms are politically sensitive and may adversely affect ruling coalitions and the state-dependent middle classes, and could lead to an increase in the number of people living in poverty. Balancing the need for economic reform with the preservation of social stability has become a delicate task in such circumstances. That is why elites in power have often fallen back on preserving the status quo, even if such situations are impossible to sustain indefinitely. The impact of this unmanageable balancing act—engaging in the appearance of change so that very little effectively changes—is not only having negative repercussions inside Egypt, Tunisia, and Lebanon; it is also affecting the three countries' regional standing.

The Geopolitical Reconfiguration of the Middle East and North Africa

While the politics of financial assistance have revealed the political and economic dilemmas of LMICs and their struggle for stability, it has also brought to light growing regional imbalances. In particular, Egypt's, Tunisia's, and Lebanon's economic problems have increased their financial needs and therefore their geopolitical dependency on regional funders. The three countries have sought assistance from the IMF and other states, but the outcomes of their negotiations have differed significantly.

Egypt initially attempted to secure financial support from its GCC partners, but is finding this increasingly difficult today because the conditions imposed are onerous. In Tunisia's case, stalled negotiations with the IMF and Saied's erratic attitude in refusing to endorse reform have effectively distanced the country from its historical financial partners, namely the G7 countries and the IMF.[202] Similarly, Lebanon has been left hanging by many of its Western and GCC partners, who feel that there is no impetus in the country to implement IMF reforms amid political stalemate.[203]

In seeking financial assistance, Egypt and Tunisia have had to reorient their foreign policies. They have aligned themselves with the political interests of their funders, or have paid a price for refusing to do so. In Egypt's case, political and security considerations were the funders' primary concern after the 2013 coup d'état. This compelled Egypt to side with the leading Gulf countries, such as Saudi Arabia and the UAE, in their conflict with Qatar.[204] Egypt even went as far as to declare that it would hand over the two Egyptian Red Sea islands of Tiran and Sanafir to Saudi Arabia, which provoked protests at home, though administrative control of the islands has yet to actually change hands.

However, in the past year, the attitude of the GCC countries has changed. They are now seeking higher returns on investment and are keen to secure control over Egyptian state assets, some of which hold strategic value, such as seaports and public utilities.[205] This shift in focus comes as concerns grow about Egypt's economic stability, driven by the country's requiring more frequent and larger financial bailouts. As a result, Gulf governments have developed a keen interest in Egypt's macroeconomic policies.[206] The Gulf countries, in line with IMF conditions, are putting pressure on Egypt to reduce the military's involvement in the economy and increase the financial transparency of state-owned enterprises.[207] These demands have created tensions with Cairo, particularly over the valuation of certain assets, revealing underlying geopolitical tensions that were previously concealed.[208] This was also reflected in the delayed handover of Tiran and Sanafir to the Saudis.

Tunisia has faced a similar situation. The country was at a critical juncture following Saied's power grab in July 2021, after a decade of financial assistance and access to low-interest loans. The president's actions isolated Tunisia without a clear backup plan, and despite initial expectations that Saudi Arabia, Kuwait, and the UAE would step in to help, the responsibility has fallen on European countries.[209] The government's failure to secure funding underlined its serious lack of financial resources available for consolidating the regime and managing social tensions. This forced Tunisia to rely solely on financial support from Algeria, resulting in loans, deposits, and preferentially-priced natural gas supplies amounting to $800 million since Saied seized power.[210]

However, this financial reliance came with a price tag: Tunisia's increasing alignment with Algeria in its conflict with Morocco.[211] Historically, Tunisia had maintained neutrality between the two rival countries, but its financial dependency on Algiers altered that.[212] Saied's official reception of leaders from the Polisario Front in Tunis in September 2022 demonstrated that Tunisia was leaning toward the Algerian position on the Western Sahara conflict. This led to a diplomatic crisis between Tunis and Rabat as both governments recalled their ambassadors in August 2022.[213]

Because of its inherently sectarian character, Lebanon finds itself torn apart internally, a division that further hinders its relationships with regional nations. This internal discord has transformed the country into a microcosm of Middle Eastern rivalries, effectively preventing it from receiving substantial assistance. Despite Lebanon's relatively modest regional influence, its precarious financial standing is significantly affected by the absence of a unified stance toward the country in the region. This, in part, stems from the absence of a consensus within Lebanon regarding its own regional role and affiliations.

What these episodes show is how financial necessity can ultimately impose damaging geopolitical outcomes and undermine political autonomy. Egypt's initial dependency on, and alignment with, the GCC states illustrated how the former Arab powerhouse could no longer lay claim to such a status. Today, this image has changed little as the GCC states seek to impose more economic conditions on Egypt, showing how far the county's once dominant regional standing has receded. Similarly, Tunisia's financial vulnerabilities and strained relationship with international financial institutions, added to its lack of support from Gulf countries and European doubts about Saied's commitment to reform, have exacerbated the country's debt problems. The challenges faced by Egypt and Tunisia have only underlined a process of regional marginalization in which both countries have lost their previous vanguard roles in postcolonial Arab history, making them increasingly irrelevant in a changing regional and global geopolitical environment.

As for Lebanon, the country has always been a playing field for regional rivalries, while holding an important geographical position given that it borders Israel. However, it also remains weak and has been unable to set the regional political agenda. After its devastating civil war (1975–1990), Lebanon had the potential to evolve into a financially significant regional hub. However, the county was again transformed into a battleground for regional opponents seeking influence. Unfortunately, renewed divisions among regional players, which were reflected in intra-Lebanese divisions, fractured Lebanon after 2005, the year the Syrian army withdrew from the country after a twenty-nine-year presence. This entangled the country even further in a web of regional conflicts and rivalries.

Conclusion

Middle East and North African governments are facing daunting prospects for long-term stability and development. The risks are higher for LMICs that are reeling from a lost decade because of economic stagnation and a heavy reliance on energy and food imports. This is especially true of Egypt, Tunisia, and Lebanon, countries in a situation of debt distress. While Egypt and Tunisia might yet escape politically destabilizing debt defaults, they are still lacking any credible vision for long-term development and economic transformations that might overcome the structural weaknesses of their economies.

In the coming years, these countries will face a crucial challenge in trying to achieve inclusive development. Answering this challenge won't be easy; it implies forcibly restructuring their polities and curbing the influence of strong interest groups—the military in Egypt, rentier economic elites in Tunisia, and political and financial elites in Lebanon. So far, these elites have been trying to deflect socioeconomic pressure by resorting to populist and authoritarian strategies in the cases of Tunisia and Egypt, or by preserving a detrimental political stalemate in Lebanon. These strategies have failed to address the structural causes at the origins of the food, energy, and debt crises in each of the three countries. Both the governments of the three countries, with their short-termism, and the IMF, with its apolitical programmatic approach that does not prioritize the root causes hampering economic development, have been unable to implement structural change.

Addressing the food crisis requires revisiting food systems that predominate in the MENA region and working toward ones that are more equitable and sustainable. This involves linking food security to social justice and social and economic equity. Such a step would necessitate, first and foremost, rethinking the prevalent mode of large-scale food production by revaluing subsistence farming and small-scale agricultural production for local consumption. This would go hand in hand with supporting small-scale farmers, giving them more agency and control over resources, and addressing key issues of inequality, access, marginalization, and the unequal patterns of land ownership to which they have been subjected. The process would be important to ensure a diversified food supply and reduce vulnerability to external shocks, such as price fluctuations and supply-chain disruptions. It would also provide more food security to, and improve the living conditions of, rural communities, while contributing to environmental sustainability. Indeed, small-scale farmers are known to employ more sustainable farming practices than large ones. Sustainable techniques are important to promote biodiversity and decrease the harmful effects of large-scale and monoculture farming on the environment.

Similarly, to mitigate the impact of energy price shocks on LMICs in the MENA region and improve their energy security, countries need to implement subsidy reforms while simultaneously accelerating transitions to renewable energies. Uncertainty in the energy market may incentivize and hasten the adoption of low-carbon solutions. However, the shift to a low-carbon future relies heavily on a country's ability to finance existing energy deficits as well as projects that facilitate an energy transition. While this challenge is particularly pronounced in Egypt, Tunisia, and Lebanon, given their fiscal constraints and the burdens they are facing because of their existing debts, governments can and should create more fiscal space by implementing tax reforms that broaden the tax base, eliminate loopholes, and enhance tax compliance across all categories of taxpayers. This reform would encompass the introduction of direct, well-targeted, and progressive tax measures, while reevaluating exemption policies that predominantly benefit affluent individuals and organizations.

To address the debt crisis and escape the recurrent financial problems they have been facing, the three countries also need to revisit the model of economic development that has prevailed in the MENA region. This has largely been defined by clientelism and crony capitalism, insufficient investment in productive sectors, disproportionate growth of the services industries, and a predominance of speculative investments, particularly in the real estate sector. Indeed, Egypt, Tunisia, and Lebanon face a critical challenge that they have failed to address: the unsustainability of their economic systems, political settlements, and current structures of power relations. The militarization of Egypt's economy is stifling the private sector and undermining development prospects for the shrinking middle classes. In Tunisia, reform will involve negotiating the state's relations with capital and labor representatives to reach a deal that can spur political dynamism by dismantling the rent-based economy and creating jobs to preserve Tunisians' purchasing power. In Lebanon, the war of attrition between elites and their unwillingness to make systemic changes has led to the country's collapse, one of whose potential outcomes is that it may facilitate greater civil conflict.

Current political arrangements in the three countries are especially unstable and fragile given the widespread sense of despair and disenchantment among citizens. Political parties are weak, civic spaces are shrinking, inequality is growing, the rural-urban divide is deepening, the societies are increasingly fractured, and the old social contract rooted in the exchange of material benefits for political loyalty is unsustainable. And as levels of repression and surveillance soar and socioeconomic suffering intensifies, anger is building up and hope is vanishing. The likelihood that new protests will erupt looms ever closer on the horizon. It is thus vital for these countries to embark on a path toward agreeing on new political settlements, based on new social contracts and new governance mechanisms that are grounded in the rule of law and inclusive political and economic development.

While key structural changes should be decided and adopted domestically, international financial institutions could play an important role in encouraging and helping countries to adapt to challenges related to food security, climate change, and energy transition. However, these institutions should adapt their approaches to the complex and specific realities that each of these countries is facing while accounting for the political context in these countries and working to prioritize the root causes that are hampering development. For example, the IMF should seriously rethink the design and management of its programs and their conditionalities and adapt them to the new types of development challenges, such as climate change, food insecurity, the energy transition, and the digital transformation. Their programs should also be socially acceptable and be based on inclusive social and economic dialogues to ensure that countries are able to achieve long-term transformation and inclusive development.

About the Author

Nur Arafeh is a fellow at the Malcolm H. Kerr Carnegie Middle East Center. Her work focuses on the political economy of the Middle East and North Africa, business-state relations, peacebuilding strategies, the development-security nexus, and Palestinian-Israeli affairs.

Hamza Meddeb is a fellow and the director of the Political Economy Program at the Malcolm H. Kerr Carnegie Middle East Center in Beirut. His research focuses on the political economy of Tunisia and North Africa, the politics of illicit transnational flows, governance, and corruption, and the development-security nexus.

Acknowledgments

The authors are grateful for the intellectual contributions of Amr Adly, Mayssoun Sukarieh, and Ishac Diwan in three articles they coauthored that informed this paper, all written for the Malcolm H. Kerr Carnegie Middle East Center. Amr Adly coauthored with Hamza Meddeb an article titled "How Rising Debt Has Increased Egypt's and Tunisia's Geopolitical Peripheralization." Mayssoun Sukarieh coauthored an article with Nur Arafeh titled "Breaking the Cycle: Toward a New Imaginary of the Food System in Lebanon." The section in this paper on the food crisis in the Middle East draws on the conceptual framework developed by Sukarieh in the latter article. And Ishac Diwan authored an article titled "The New Debt Crisis of the Middle East: Political Economy to the Rescue?" The authors would also like to thank all participants who attended a workshop in Beirut held by the Political Economy Program of the Malcolm H. Kerr Carnegie Middle East Center on May 8–9, 2023, to discuss issues covered in this paper.

Notes

1 Eckart Woertz, "The Russian War Against Ukraine: Middle East Food Security at Risk," German Institute for Global and Area Studies (GIGA), 2022, https://doi.org/10.57671/gfme-22022.

2 "Near East and North Africa: Regional Overview of Food Security and Nutrition: Trade as an Enabler for Food Security and Nutrition," Food and Agriculture Organization of the United Nations (FAO), International Fund for Agricultural Development (IFAD), UNICEF, World Food Programme (WFP), World Health Organization (WHO) and United Nations Economic and Social Commission for Western Asia (UNESCWA), 2023, https://www.fao.org/3/cc4773en/cc4773en.pdf.

3 FAO, IFAD, UNICEF, WFP, WHO, and UNESCWA, "Trade as an Enabler."

4 "Food Policy Monitoring in the Near East and North Africa Region," FAO, 2022 (fourth quarter), https://www.fao.org/3/cc3210en/cc3210en.pdf.

5 FAO, "Food Policy Monitoring."

6 Woertz, "The Russian War Against Ukraine."

7 Authors' calculation based on trade data. See "Data," Resourcetrade earth, Chatham House, accessed October 17, 2023, https://resourcetrade.earth/?year=2020&importer=818&category=52&units=value&autozoom=1.

8 Salma Al-Shami, "Food Security and its Discontents in the Middle East and North Africa," Arab Barometer, September 2022, https://www.arabbarometer.org/wp-content/uploads/ABVII_Food_Insecurity_Report-ENG.pdf.

9 Saker El Nour, "Agricultural and Food Policies in Egypt Between 2014 and 2021: What Changed and What Didn't," Arab Reform Initiative, January 5, 2023, https://s3.eu-central-1.amazonaws.com/storage.arab-reform.net/ari/2023/01/05152104/2023-01-05-EN-Agricultural-and-Food-Policies-in-Egypt-between-2014-and-2021-What-Changed-and-What-didnt.pdf.

10 "Food Security Update," World Bank, January 12, 2023, https://thedocs.worldbank.org/en/doc/40ebbf-38f5a6b68bfc11e5273e1405d4-0090012022/related/Food-Security-Update-LXXVI-January-12-2023.pdf.

11 World Bank, "Food Security Update," January 12, 2023.

12 Food Security Update," World Bank, Feb 23, 2023, https://thedocs.worldbank.org/en/doc/40ebbf-38f5a6b68bfc11e5273e1405d4-0090012022/related/Food-Security-Update-LXXIX-February-23-2023.pdf.

13 "Food Security Update," World Bank, June 1, 2023, https://thedocs.worldbank.org/en/doc/40ebbf-38f5a6b68bfc11e5273e1405d4-0090012022/related/Food-Security-Update-LXXXVI-June-1-2023.pdf.

14 "Inflation in Figures," Central Administration of Statistics, Lebanon, accessed May 5, 2023, http://www.cas.gov.lb/images/PDFs/CPI/2021/Inflation%20in%20figures.pdf.

15 "Food Security Update," World Bank, May 4, 2023, https://thedocs.worldbank.org/en/doc/40ebbf-38f5a6b68bfc11e5273e1405d4-0090012022/related/Food-Security-Update-LXXXIV-May-4-2023.pdf.

16 Mehran Kamrava and Zahra Babar, "Food Security and Food Sovereignty in the Middle East," in *Food Security in the Middle East*, ed. Zahra Babar and Suzi Mirgani (Oxford: Oxford University Press, 2014), 1–18.

17 Kamrava and Babar, "Food Security and Food Sovereignty."

18 Habib Ayeb and Ray Bush, *Food Insecurity and Revolution in the Middle East and North Africa: Agrarian Questions in Egypt and Tunisia* (London: Anthem Press, 2019), 127.

19 Nur Arafeh and Mayssoun Sukarieh, "Breaking the Cycle: Toward a New Imaginary of the Food System in Lebanon," Malcolm H. Kerr Carnegie Middle East Center, July 3, 2023, https://carnegie-mec.org/2023/07/03/breaking-cycle-toward-new-imaginary-of-food-system-in-lebanon-pub-90110.

20 Arafeh and Sukarieh, "Breaking the Cycle."

21 "Arab Food Security: Vulnerabilities and Pathways," UNESCWA, 2022, accessed April 14, 2023, https://www.unescwa.org/publications/arab-food-security-vulnerabilities-pathways.

22 "Food Systems Profile-Lebanon: Catalysing the Sustainable and Inclusive Transformation of Food Systems," FAO, European Union and CIRAD, 2022, https://doi.org/10.4060/cb9543en.

23 FAO, IFAD, UNICEF, WFP, WHO, and UNESCWA, "Trade as an Enabler."

24 FAO, IFAD, UNICEF, WFP, WHO, and UNESCWA, "Trade as an Enabler."

25 UNESCWA, "Arab Food Security."

26 Eckart Woertz, "Historic Food Regimes and the Middle East," in *Food Security in the Middle East*, ed. Zahra Babar and Suzi Mirgani (Oxford: Oxford University Press, 2014), 19–38.

27 Woertz, "Historic Food Regimes."

28 Eckart Woertz, "The Food Weapon: Geopolitics in the Middle East," in *Oil for Food: The Global Food Crisis and the Middle East* (Oxford: Oxford University Press, 2013), 107–139.

29 Kamrava and Babar, "Food Security and Food Sovereignty."

30 UNESCWA, "Arab Food Security."

31 Kamrava and Babar, "Food Security and Food Sovereignty."

32 Mohamed Rami Abdelmoula, "Agriculture in Tunisia in the Twenty-First Century: Challenges and Risks," *Assafir Al-Arabi*, September 10, 2022, https://assafirarabi.com/en/47396/2022/09/10/agriculture-in-tunisia-in-the-twenty-first-century-challenges-and-risks/.

33 Abdelmoula, "Agriculture in Tunisia."

34 Abdelmoula, "Agriculture in Tunisia."

35 Mustapha Jouili, "Tunisian Agriculture: Are Small Farms Doomed to Disappear?" (seminar: "Small Farms: Decline or Persistence," European Association of Agricultural Economists, Canterbury, United Kingdom, June 2009), https://hal.science/hal-01180353/document.

36 Abdelmoula, "Agriculture in Tunisia."

37 Ezzaddean El Safi, "Tunisia's Negligence of Small Farmers Is Creating a Food Crisis," Open Society Foundation, https://www.opensocietyfoundations.org/voices/tunisia-s-negligence-small-farmers-creating-food-crisis.

38 Habib Ayeb and Ray Bush, "Farmers and Farming: Tunisia," in *Food Insecurity and Revolution in the Middle East and North Africa: Agrarian Questions in Egypt and Tunisia*, (London: Anthem Press, 2019), 93–121.

39 Malak Altaeb and Achref Chibani, "Local Roots: Indigenous Seeds and Tunisian Food Security," Tahrir Institute for Middle East Policy, June 28, 2023, https://timep.org/2023/06/28/local-roots-indigenous-seeds-and-tunisian-food-security/.

40 Arafeh and Sukarieh, "Breaking the Cycle."

41 FAO, European Union, and CIRAD, "Food Systems Profile-Lebanon."

42 Arafeh and Sukarieh, "Breaking the Cycle."

43 Habib Ayeb and Ray Bush, "Food Security in Egypt and Tunisia," in *Food Insecurity and Revolution in the Middle East and North Africa: Agrarian Questions in Egypt and Tunisia* (London: Anthem Press, 2019), 77–92.

44 El Nour, "Agricultural and Food Policies in Egypt."

45 El Nour, "Agricultural and Food Policies in Egypt."

46 El Nour, "Agricultural and Food Policies in Egypt."

47 El Nour, "Agricultural and Food Policies in Egypt."

48 FAO, European Union, and CIRAD, "Food Systems Profile-Lebanon."

49 Ayeb and Bush, "Farmers and Farming: Tunisia," 93–122.

50 Ayeb and Bush, "Farmers and Farming: Tunisia," 123–148.

51 Kamrava and Babar, "Food Security and Food Sovereignty."

52 El Nour, "Agricultural and Food Policies in Egypt."

53 Habib Ayeb and Ray Bush, "War, Economic Reform and Environmental Crisis," in *Food Insecurity and Revolution in the Middle East and North Africa: Agrarian Questions in Egypt and Tunisia* (London: Anthem Press, 2019), 27–48.

54 Ayeb and Bush, "War, Economic Reform and Environmental Crisis."

55 Ayeb and Bush, "War, Economic Reform and Environmental Crisis."

56 Ayeb and Bush, "Farmers and Farming: Tunisia."

57 Abdelmoula, "Agriculture in Tunisia."

58 Altaeb and Chibani, "Local Roots."

59 Altaeb and Chibani, "Local Roots."

60 Ayeb and Bush, "Farmers and Farming: Tunisia."

61 Marie Therese Abi Saab and Talal Darwish, "Prospects for Improving Food Availability Through Increased Agricultural Production and Productivity," Background Paper, UNESCWA, https://archive.unescwa.org/sites/www.unescwa.org/files/uploads/background-paper-5.pdf.

62 "Arab Horizon 2030: Prospects for Enhancing Food Security in the Arab Region," UNESCWA and FAO, January 2017, https://www.unescwa.org/publications/arab-horizon-2030-prospects-enhancing-food-security-arab-region.

63 Abi Saab and Darwish, "Prospects for Improving Food Availability."

64 Arafeh and Sukarieh, "Breaking the Cycle."

65 Julia Choucair Vizoso, ed., "Environmental Politics in the Middle East and North Africa: Proceedings from First Inaugural Conference," Arab Reform Initiative, September 2021, https://s3.eu-central-1.amazonaws.com/storage.arab-reform.net/ari/2021/09/23173205/ENGLISH-Environmental-politics-in-the-Middle-East-and-North-Africa-Proceedings-from-First-Inaugural-Conference-final.pdf.

66 Abi Saab and Darwish, "Prospects for Improving Food Availability."

67 Jalal Halwani, "Assessment of the Water Situation in Lebanon," Third International Conference on Water Resources and Arid Environments and the First Arab Water Forum, 2008, https://icwrae-psipw.org/papers/2008/Water/3.pdf.

68 Amin Shaban, *Water Resources of Lebanon* (Cham, Switzerland: Springer Cham, 2020), 179, https://link.springer.com/book/10.1007/978-3-030-48717-1.

69 Darine Geara-Matta et al., "State of Art About Water Uses and Wastewater Management in Lebanon" (Paper, World Wide Workshop for Young Environmental Scientists, Arcueil, France, May 2010), https://hal.science/hal-00521446/document.

70 Amale Mcheik et al., "Effect of Irrigation Water Quality on the Microbial Contamination of Fresh Vegetables in the Bekaa Valley, Lebanon," *American Journal of Agriculture and Forestry* 6 (November 2018): 191–197.

71 Eckart Woertz, "Environment, Food Security and Conflict Narratives in the Middle East," *Global Environment* 7, no. 2 (Oct. 2014), https://www.ingentaconnect.com/content/whp/ge/2014/00000007/00000002/art00009;jsessionid=pi4m46vju0ge.x-ic-live-03.

72 FAO, IFAD, UNICEF, WFP, WHO, and UNESCWA, "Trade as an Enabler."

73 Mahmoud Solh, "The Outlook for Food Security in the Middle East and North Africa," in *Managing Water in the 21st Century: Challenges and Opportunities, Proceedings of the 8th Rosenberg International Forum on Water Policy*, ed. Alberto Garrido and Ayman Rabi (Oakland: University of California, 2016), 95–119.

74 Shaban, *Water Resources of Lebanon*.

75 El Nour, "Agricultural and Food Policies in Egypt."

76 FAO, "Food Policy Monitoring."

77 "Food Security Update," World Bank, June 1, 2023.

78 "Food Security Update," World Bank, June 1, 2023.

79 Ayeb and Bush, "War, Economic Reform and Environmental Crisis."

80 Lorenzo Fruganti, "How the Ukraine War Has Disrupted the MENA Region, One Year On," Italian Institute for Political Studies, February 24, 2023, https://www.ispionline.it/en/publication/how-the-ukraine-war-has-disrupted-the-mena-region-one-year-on-117984.

81 Riccardo Fabiani, "The Ukraine War's Economic Impact on North Africa: Winners, Losers, and a Dangerous Lack of Long-Term Vision," Italian Institute for Political Studies, June 14, 2023, https://www.ispionline.it/en/publication/the-ukraine-wars-economic-impact-on-north-africa-winners-losers-and-a-dangerous-lack-of-long-term-vision-132037.

82 Fabiani, "The Ukraine War's Economic Impact on North Africa."

83 Valeria Talbot, ed., "Energy Politics in the MENA Region: From Hydrocarbons to Renewables?," Italian Institute for International Political Studies, November 25, 2022, https://www.ispionline.it/en/publication/energy-politics-mena-region-hydrocarbons-renewables-36797.

84 In January 2023, despite ongoing divisions, Libya managed to secure a substantial $8 billion deal with the Italian oil company ENI to boost hydrocarbon investments. Alessandro Speciale and Chiara Albanese, "Meloni Heads to Algeria as Italy Seeks to Bolster Gas Security," Bloomberg, January 20, 2023, https://www.bloomberg.com/news/articles/2023-01-20/meloni-heads-to-algeria-as-italy-seeks-to-bolster-gas-security#xj4y7vzkg.

85 Gavin Jones, "Italy's Eni Signs $8 billion Libya Gas Deal as PM Meloni Visits Tripoli," Reuters, January 29, 2023, https://www.reuters.com/world/italys-meloni-expected-sign-major-gas-deal-she-starts-libya-visit-2023-01-28/.

86 Nikolaus J. Kurmayer, "Germany Goes on a Mission to Secure Supplies of Qatari Gas," Euractiv, March 21, 2022, https://www.euractiv.com/section/energy/news/germany-goes-on-a-mission-to-secure-supplies-of-qatari-gas/.

87 "Germany to Sign LNG contracts in UAE, German Economy Minister Says," Reuters, September 19, 2022, https://www.reuters.com/markets/europe/germany-sign-lng-contracts-uae-german-economy-minister-2022-09-19/.

88 Andrew England, "Middle East States Set for $1.3tn Oil Windfall, Says IMF," *Financial Times*, August 19, 2022, https://www.ft.com/content/94825404-e0a2-4a18-ab8d-2bc61fc7c1ab.

89 "Algeria: 2022 Article IV Consultation-Press Release; and Staff Report," International Monetary Fund, February 2, 2023, https://www.imf.org/en/Publications/CR/Issues/2023/02/02/Algeria-2022-Article-IV-Consultation-Press-Release-and-Staff-Report-529078.

90 Zine Labidine Ghebouli, "Algeria's 2023 Budget: President Tebboune's Make-Or-Break First-Term Project," Middle East Institute, March 8, 2023, https://www.mei.edu/publications/algerias-2023-budget-president-tebbounes-make-or-break-first-term-project.

91 Karaman Palani and Khogir W. Mohammed, "Windfall Oil Revenue Is Buying Illusory Stability in Iraq," Al Jazeera, July 8, 2023, https://www.aljazeera.com/opinions/2023/7/8/windfall-oil-revenue-is-buying-illusory-stability-in-iraq.

92 Hamzeh Hadad, "Analysis: Iraq's New Budget May Hamper More Than It Helps," Al Jazeera, June 26, 2023, https://www.aljazeera.com/news/2023/6/26/analysis-iraqs-new-budget-may-hamper-more-than-it-helps.

93 Miguel Gil Tertre, Ignacio Martinez, Manuel Rivas Rábago, "Reasons Behind the 2022 Energy Price Increases and Prospects for Next Year," Center for Economic and Policy Research, July 20, 2023, https://cepr.org/voxeu/columns/reasons-behind-2022-energy-price-increases-and-prospects-next-year.

94 "Arab Republic of Egypt: Request for Extended Arrangement Under the Extended Fund Facility-Press Release; and Staff Report," International Monetary Fund (IMF), January 10, 2023, https://www.imf.org/en/Publications/CR/Issues/2023/01/06/Arab-Republic-of-Egypt-Request-for-Extended-Arrangement-Under-the-Extended-Fund-Facility-527849.

95 "Perspectives Economiques en Tunisie [Economic Prospects in Tunisia]," African Development Bank, May 24, 2023, https://www.afdb.org/fr/documents/perspectives-economiques-en-afrique-2023.

96 Michele Dunne, "Egypt: Looking Elsewhere to Meet Bottomless Needs," in *As Gulf Donors Shift Priorities, Arab States Search for Aid*, ed. Michele Dunne, Carnegie Endowment for International Peace, June 9, 2020, https://carnegieendowment.org/2020/06/09/egypt-looking-elsewhere-to-meet-bottomless-needs-pub-82010.

97 "The War on Ukraine is Another Crisis Burdening the Lebanese People," Middle East Monitor, March 10, 2022, https://www.middleeastmonitor.com/20220310-the-war-on-ukraine-is-another-crisis-burdening-the-lebanese-people/.

98 Anadolu Agency, "The War on Ukraine is Another Crisis Burdening the Lebanese People," *Middle East Monitor*, March 10, 2022, https://www.middleeastmonitor.com/20220310-the-war-on-ukraine-is-another-crisis-burdening-the-lebanese-people/.

99 Martin Beck and Thomas Richter, eds., *Oil and the Political Economy in the Middle East: Post-2014 Adjustment Policies of the Arab Gulf and Beyond* (Manchester: Manchester University Press, 2021), 245.

100 Ferdinand Eibl, "The Political Economy of Energy Subsidies in Egypt and Tunisia: The Untold Story," Oxford Institute for Energy Studies, *Oxford Energy Forum* 108 (March 2017): 5–9, https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/04/OEF-108.pdf.

101 Steffen Hertog, "Subsidies and the Political Economy of Wealth-Sharing in the MENA," Oxford Institute for Energy Studies, *Oxford Energy Forum* 108 (March 2017): 5–9, https://www.oxfordenergy.org/wpcms/wp-content/uploads/2017/04/OEF-108.pdf.

102 "Egypt: Transitioning Away From Subsidizing Fossil Fuels," World Resources Institute, April 1, 2021, https://www.wri.org/update/egypt-transitioning-away-subsidizing-fossil-fuels.

103 Eibl, "The Political Economy of Energy Subsidies in Egypt and Tunisia."

104 Oussama Diab, "Egypt, the IMF and Three Subsidy Approaches: The Universal, the Self-Targeted, and the Targeted," Friedrich-Ebert-Stiftung, 2023, https://library.fes.de/pdf-files/bueros/tunesien/20432.pdf.

105 Diab, "Egypt, the IMF, and Three Subsidy Approaches."

106 "Energy Subsidies: Tracking the Impact of Fossil-Fuel Subsidies," International Energy Agency, 2021, https://www.iea.org/topics/energy-subsidies.

107 “Fossil Fuels Consumption Subsidies 2022,” International Energy Agency, February 2023, https://www.iea.org/reports/fossil-fuels-consumption-subsidies-2022.

108 Alice Pesavento, “Budget 2023: et s’il n’y avait que 100 DT dans les caisses de l’état [Budget 2003: What If There Is Only 100 DT Left in the State Treasury],” Inkyfada, March 30, 2023, https://inkyfada.com/fr/2023/03/30/budget-2023-100-dinars-caisses-etat-tunisie/.

109 “Energy Subsidies in the Middle East and North Africa: Lessons for Reforms,” IMF, March 2014, https://www.imf.org/external/np/fad/subsidies/pdf/menanote.pdf.

110 “Bulletin Trimestriel de Conjuncture Économique et Monétaire [Quarterly Report on the Economic and Monetary Situation],” BIAT Banque, June 2023, https://www.biat.com.tn/sites/default/files/2023-06/20230622-bulletin-de-conjoncture-n--4-vdef.pdf.

111 BIAT Banque, “Bulletin Trimestriel.”

112 BIAT Banque, “Bulletin Trimestriel.”

113 Lebanese Central Bank Devalues Official Exchange Rate: 15,000 Liras for One Dollar,” *Arab American News*, April 22, 2023, https://arabamericannews.com/2023/02/04/lebanese-central-bank-devalues-official-exchange-rate-15000-liras-for-one-dollar/.

114 “Lebanon Central Bank Stops Fuel Subsidies, Prices Set to Rise,” Al Jazeera, September 12, 2022, https://www.aljazeera.com/news/2022/9/12/lebanon-central-bank-stops-providing-dollars-for-gasoline-imports.

115 Paul Makdissi, Walid Marrouch, and Myra Yazbeck, “Measuring Poverty in Lebanon in the Time of Economic Collapse,” Economic Research Forum, March 28, 2023, https://theforum.erf.org.eg/2023/03/28/measuring-poverty-in-lebanon-in-the-time-of-economic-collapse/.

116 Haneen Sayed, “How Better Social Protection Can Strengthen Lebanon’s Social Contract,” Malcolm H. Kerr Carnegie Middle East Center, June 14, 2023, https://carnegie-mec.org/2023/06/14/how-better-social-protection-can-strengthen-lebanon-s-social-contract-pub-89967.

117 Sayed, “Better Social Protection.”

118 Sayed, “Better Social Protection.”

119 Eibl, “The Political Economy of Energy Subsidies in Egypt and Tunisia.”

120 Eibl, “The Political Economy of Energy Subsidies in Egypt and Tunisia.”

121 Enerdata, “Egypt Energy Information,” accessed August 5, 2023, https://www.enerdata.net/estore/energy-market/egypt/.

122 Enerdata, “Tunisia Energy Information,” accessed August 5, 2023, https://www.enerdata.net/estore/energy-market/tunisia/.

123 Enerdata, “Jordan Energy Information,” accessed August 5, 2023, https://www.enerdata.net/estore/energy-market/jordan/.

124 Enerdata, “Morocco Energy Information,” accessed August 5, 2023, https://www.enerdata.net/estore/energy-market/morocco/.

125 Enerdata, “Egypt Energy Information.”

126 Enerdata, “Tunisia Energy Information.”

127 Enerdata, “Lebanon Energy Information,” accessed August 5, 2023, https://www.enerdata.net/estore/energy-market/lebanon/.

128 Maha Yahya and Issam Kayssi, “Lebanon: Can a Green Economy Pave the Way Out of Economic Collapse?” in *Climate Change and Vulnerability in the Middle East*, ed. Frederic Wehrey, Carnegie Endowment for International Peace, July 6, 2023, https://carnegieendowment.org/2023/07/06/climate-change-and-vulnerability-in-middle-east-pub-90089#lebanon.

129 MENA Commission on Stabilization and Growth, “Embarking on a Path of Renewal,” Economic Research Forum and Finance for Development Lab, October 12, 2022, https://findevlab.org/embarking-on-a-path-of-renewal/.

130 MENA Commission on Stabilization and Growth, “Embarking on a Path of Renewal.”

131 MENA Commission on Stabilization and Growth, "Embarking on a Path of Renewal."

132 "Government Debt: Country Rankings," Global Economy, accessed July 24, 2023, https://www.theglobaleconomy.com/rankings/government_debt/MENA.

133 Amr Adly, "Unwarranted Suffering: The IMF and Egypt's Illusory Economic Recovery," in *The Impact and Influence of International Financial Institutions on the Middle East and North Africa*, ed. Tarek Radwan (Tunisia: Friedrich Ebert Stiftung, 2020), 12–25.

134 Adly, "Unwarranted Suffering."

135 Yezid Sayigh, "Egypt's Military Now Controls Much of Its Economy. Is This Wise?," Malcolm H. Kerr Carnegie Middle East Center, November 25, 2019, https://carnegie-mec.org/2019/11/25/egypt-s-military-now-controls-much-of-its-economy.-is-this-wise-pub-80281.

136 "Egypt's Deepening Economic Crisis," *Financial Times*, January 17, 2023, https://www.ft.com/content/d06a05e7-9e00-4a61-a24a-76e9a621f6a9.

137 Ahmed Feteha, "Egypt Shows Off $8 Billion Suez Canal Expansion That the World May Not Need," Bloomberg, August 4, 2015, https://www.bloomberg.com/news/articles/2015-08-04/egypt-shows-off-8-billion-suez-canal-gift-world-may-not-need#xj4y7vzkg.

138 Declan Walsh and Vivian Yee, "A New Capital Worthy of the Pharaohs Rises in Egypt, but At What Price?" *New York Times*, June 21, 2023, https://www.nytimes.com/2022/10/08/world/middleeast/egypt-new-administrative-capital.html.

139 "Importer/Exporter TIV Tables," Stockholm International Peace Research Institute Arms Transfer Database, accessed September 2023, https://armstrade.sipri.org/armstrade/page/values.php.

140 Pieter D. Wezeman et al., "Trends in International Arms Transfers, 2017," Stockholm International Peace Research Institute, March 2018, https://www.sipri.org/sites/default/files/2018-03/fssipri_at2017_0.pdf.

141 Pieter D. Wezeman et al., "Trends in International Arms Transfers, 2020," Stockholm International Peace Research Institute, March 2021, https://sipri.org/sites/default/files/2021-03/fs_2103_at_2020.pdf.

142 "Egypt In the Balance?," International Crisis Group, May 31, 2023, https://www.crisisgroup.org/middle-east-north-africa/north-africa/egypt/eygpt-in-the-balance.

143 Adly, "Unwarranted Suffering."

144 Adly, "Unwarranted Suffering."

145 Joan Chaker, "The Lebanese Economic Crisis 101 (Part 1)," *Jadaliyya*, March 23, 2020, https://www.jadaliyya.com/Details/40855/The-Lebanese-Economic-Crisis-101-Part-1.

146 "Lebanon Government Debt to GDP," Trading Economics, accessed August 7, 2023, https://tradingeconomics.com/lebanon/government-debt-to-gdp.

147 Trading Economics, "Lebanon Government Debt to GDP."

148 Trading Economics, "Lebanon Government Debt to GDP."

149 Trading Economics, "Lebanon Government Debt to GDP."

150 Firas Abi Nassif et al., "Lebanon's Economic Crisis: A Ten Point Action Plan for Avoiding a Lost Decade," Malcolm H. Kerr Carnegie Middle East Center, January 6, 2020, https://carnegie-mec.org/2020/01/06/lebanon-s-economic-crisis-ten-point-action-plan-for-avoiding-lost-decade-pub-80704.

151 Chaker, "Lebanese Economic Crisis 101."

152 Chaker, "Lebanese Economic Crisis 101."

153 Edmund Blair, "Explainer: Lebanon's Financial Crisis and How It Happened," Reuters, January 23, 2022, https://www.reuters.com/markets/rates-bonds/lebanons-financial-crisis-how-it-happened-2022-01-23/.

154 Abi Nassif et al., "Lebanon's Economic Crisis."

155 MENA Commission on Stabilization and Growth, "Embarking on a Path of Renewal."

156 Riccardo Fabiani, "Tunisia and the International Community Since 2011: Rentierism, Patronage and Moral Hazard," *Jadaliyya*, January 29, 2018, https://www.jadaliyya.com/Details/35142.

157 Hamza Meddeb, "Tunisia's Achilles' Heel," *Diwan* (blog), Malcolm H. Kerr Carnegie Middle East Center, July 1, 2019, https://carnegie-mec.org/diwan/79404.

158 Chris Stephen, "Tourists Desert Tunisia After June Terrorist Attack," *Guardian*, February 25, 2015, https://www.theguardian.com/world/2015/sep/25/tourists-tunisia-june-terror-attack-economy-beach-hotel-sousse.

159 Hamza Meddeb, "Tunisia Democratic Backsliding: The Revenge of the Economy," in *Global Lessons on Tunisia's Stalled Transition*, ed. Sarah Yerkes, Carnegie Endowment for International Peace, July 21, 2022, https://carnegieendowment.org/2022/07/21/global-lessons-for-tunisia-s-stalled-transition-pub-87541#economy.

160 "Tunisia–GDP Growth (Annual Percentage)," World Bank Data, 2022, https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=TN.

161 "Tunisia Government Debt to GDP," Trading Economics, accessed September 6, 2023, https://tradingeconomics.com/tunisia/government-debt-to-gdp.

162 "Tunisia–Short-Term Debt (Percentage of Total External Debt)," World Bank Data, https://data.worldbank.org/indicator/DT.DOD.DSTC.ZS?end=2021&locations=TN&start=2000.

163 "Tunisia–Short-Term Debt (Percentage of Total Reserves)," World Bank Data, https://data.worldbank.org/indicator/DT.DOD.DSTC.IR.ZS?end=2021&locations=TN&start=2000.

164 Fareed Rahman, "Moody's Downgrades Tunisia's Credit Ratings Amid Funding Crunch," *National*, January 28, 2023, https://www.thenationalnews.com/business/economy/2023/01/28/moodys-downgrades-tunisias-credit-ratings-amid-funding-crunch/.

165 Angus McDowall, "Analysis: Fate of Tunisia's Stalled IMF Loan Lies in Hands of Unwilling President," Reuters, March 9, 2023, https://www.reuters.com/world/africa/fate-tunisias-stalled-imf-loan-lies-hands-unwilling-president-2023-03-09/.

166 Tarek Amara, "Tunisia President Rejects IMF 'Diktats,' Casting Doubt on Bailout," Reuters, April 6, 2023, https://www.reuters.com/world/africa/tunisian-president-rejects-imf-dictats-says-public-peace-not-game-2023-04-06/.

167 Souhail Karam, "Tunisian Bonds Plunge After Leader Rejects IMF's 'Diktats,'" Bloomberg, April 6, 2023, https://www.bloomberg.com/news/articles/2023-04-06/tunisia-leader-rejects-imf-s-diktats-preaches-self-reliance.

168 "EBRD to Lend Tunisia 150 million Euros for Grain Imports," Reuters, August 24, 2022, https://www.reuters.com/markets/commodities/ebrd-lend-tunisia-150-mln-euros-grain-imports-2022-08-24/.

169 "Tunisia: 2021 Article IV Consultation—Press Release," IMF (Middle East and Central Asia Department), February 26, 2021, https://www.elibrary.imf.org/view/journals/002/2021/044/article-A002-en.xml.

170 Amr Adly and Hamza Meddeb, "How Rising Debt Has Increased Egypt's and Tunisia's Geopolitical Peripheralization," Malcolm H. Kerr Carnegie Middle East Center, May 2023, https://carnegie-mec.org/2023/05/17/how-rising-debt-has-increased-egypt-s-and-tunisia-s-geopolitical-peripheralization-pub-89781.

171 Marwan Muasher, "Reform or Recklessness? Which Path for The Arab Region," Malcolm H. Kerr Carnegie Middle East Center, August 30, 2023, https://carnegie-mec.org/2023/08/30/reform-or-recklessness-which-path-for-arab-region-pub-90459.

172 Netty Idayu Ismail, "Egypt's Bondholders Show Skepticism Post-IMF in Lesson for EM," Bloomberg, November 6, 2022, https://www.bloomberg.com/news/articles/2022-11-06/egypt-s-post-imf-pain-is-lesson-for-debt-laden-emerging-markets?leadSource=uverify%20wall&sref=QmOxnLFz#xj4y7vzkg.

173 Yezid Sayigh, "Egypt's State Ownership Policy and the Military Economy: An Irreconcilable Gap?" Malcolm H. Kerr Carnegie Middle East Center, May 8, 2023, https://carnegie-mec.org/2023/05/08/egypt-s-state-ownership-policy-and-military-economy-irreconcilable-gap-pub-89642.

174 Yezid Sayigh, "Assessing Egypt's State Ownership Policy: Challenges and Requirements," Malcolm H. Kerr Carnegie Middle East Center, May 8, 2023, https://carnegie-mec.org/2023/05/08/assessing-egypt-s-state-ownership-policy-challenges-and-requirements-pub-89637.

175 “Egypt to Sell State Stakes in 32 Firms Over Next Year,” Reuters, February 8, 2023, https://www.reuters.com/markets/deals/egypt-sell-state-stakes-32-firms-over-next-year-2023-02-08/.

176 Sayigh, “Assessing Egypt’s State Ownership Policy.”

177 “Arab Republic of Egypt: 2021 Article IV Consultation,” IMF (Middle East and Central Asia Department), July 22, 2021, https://www.imf.org/en/Publications/CR/Issues/2021/07/22/Arab-Republic-of-Egypt-2021-Article-IV-Consultation-Second-Review-Under-the-Stand-By-462545.

178 Michael Young and Yezid Sayigh, “Still in Business,” *Diwan* (blog), Malcolm H. Kerr Carnegie Middle East Center, November 9, 2022, https://carnegie-mec.org/diwan/88355.

179 Yezid Sayigh, “Egypt Is Missing its IMF Loan Program Targets,” *Diwan* (blog), Malcolm H. Kerr Carnegie Middle East Center, July 6, 2023, https://carnegie-mec.org/diwan/90134.

180 Young and Sayigh, “Still in Business.”

181 Sayigh, “Assessing Egypt’s State Ownership Policy.”

182 Stephanie al-Hakim, “Egypt: Land Allocation to Military Contradicts IMF Terms, Critics Say,” *Africa Report*, February 6, 2023, https://www.theafricareport.com/281275/egypt-land-allocation-to-military-contradicts-imf-terms-critics-say/.

183 Hélène Sallon, “Egypt›s Military Tries to Hang on to its Economic Empire,” *Le Monde*, March 16, 2023, https://www.lemonde.fr/en/le-monde-africa/article/2023/03/16/egypt-s-military-economic-empire-under-threat_6019536_124.html.

184 Mirette Magdy, “Egypt Clears One Hurdle for IMF Review, Faces Other on Currency,” Bloomberg, September 26, 2023, https://www.bloomberg.com/news/articles/2023-09-26/egypt-s-election-race-adds-to-drama-around-imf-deal-devaluation#xj4y7vzkg.

185 Mohamed Ezz, “Egypt and the IMF’s Economic Dilemma: To Review, or Not to Review, That Is the Question,” MadaMasr, October 5, 2023, https://www.madamasr.com/en/2023/10/05/feature/economy/egypt-and-the-imfs-economic-dilemma-to-review-or-not-to-review-that-is-the-question/.

186 Karam, “Tunisian Bonds Plunge.”

187 “IMF Staff Reaches Staff-Level Agreement on an Extended Fund Facility with Tunisia,” Press Release No. 22/353, IMF, October 15, 2023, https://www.imf.org/en/News/Articles/2022/10/15/pr22353-tunisia-imf-staff-reaches-staff-level-agreement-on-an-extended-fund-facility-with-tunisia.

188 Maher Latif, “Tunisia: Caught Between the IMF and International Isolation,” *Fikra Forum*, Washington Institute, December 12, 2022, https://www.washingtoninstitute.org/policy-analysis/tunisia-caught-between-imf-and-international-isolation.

189 “Tax the Wealthiest to Avoid IMF, Says Tunisia’s President,” Al Jazeera, June 2, 2023, https://www.aljazeera.com/news/2023/6/2/tax-the-wealthiest-to-avoid-imf-says-tunisias-president.

190 Tarek Amara, “Tunisia’s President Wants Central Bank to be Able to Finance Budget Directly,” Reuters, September 8, 2023, https://www.reuters.com/business/finance/tunisias-president-wants-central-bank-be-able-finance-budget-directly-2023-09-08/.

191 Thomas Hill and Sarah Yerkes, “Tunisian Foreign Policy Under Kais Saied,” Carnegie Endowment for International Peace, January 11, 2023, https://carnegieendowment.org/2023/01/11/tunisian-foreign-policy-under-kais-saied-pub-88770.

192 Lilia Blaise, “Tunisia Struggles With Recurrent Food Shortages,” *Le Monde*, September 17, 2022, https://www.lemonde.fr/en/le-monde-africa/article/2022/09/17/tunisia-struggles-with-recurrent-food-shortages_5997263_124.html.

193 Elizia Volkmann, “As Elections Approach, Tunisian Market Shelves Are Still Bare,” Al Jazeera, December 14, 2022, https://www.aljazeera.com/news/2022/12/14/as-elections-approach-tunisian-market-shelves-are-still-bare.

194 “Unaffordable Food and Shortages Risk Instability in the Birthplace of the Arab Spring,” NPR, October 11, 2022, https://www.npr.org/2022/10/11/1127961255/unaffordable-food-and-shortages-risk-instability-in-the-birthplace-of-the-arab-s.

195 “Fitch Downgrades Tunisia’s Rating: There Is a Risk of Bankruptcy,” Agenzia Nova, June 10, 2023, https://www.agenzianova.com/en/news/fitch-declassa-il-rating-della-tunisia-sussiste-il-rischio-di-fallimento/.

196 Simon Speakman Cordall, “Europe Frets Over Migration; Tunisia Moves Refugees to Departure Points,” Al Jazeera, September 12, 2023, https://www.aljazeera.com/news/2023/9/19/europe-frets-over-migration-tunisia-moves-refugees-to-departure-points.

197 Bouazza Ben Bouazza and Sam Metz, “Tunisia Rejects European Funds and Says They Fall Short of a Deal for Migration and Financial Aid,” AP News, October 3, 2023, https://apnews.com/article/tunisia-europe-migration-851cf35271d2c52aea067287066ef247.

198 Ishac Diwan, “How Things Fall Apart,” Issam Fares Institute for Public Policy and International Affairs, American University of Beirut, September 4, 2021, https://www.ifipolicyblog.com/blog/how-things-fall-apart.

199 Makdissi, Marrouch and Yazbeck, “Measuring Poverty in Lebanon.”

200 Sayed, “Better Social Protection.”

201 Ishac Diwan, “The New Debt Crisis of the Middle East: Political Economy to the Rescue?” Malcolm H. Kerr Carnegie Middle East Center, June 13, 2023, https://carnegie-mec.org/2023/06/13/new-debt-crisis-of-middle-east-political-economy-to-rescue-pub-89952.

202 Adly and Meddeb, “How Rising Debt Has Increased Egypt’s and Tunisia’s Geopolitical Peripheralization.”

203 Ishac Diwan, “The New Debt Crisis of the Middle East.”

204 Imad K. Harb, “An Economic Explanation for Egypt’s Alignment in the GCC Crisis,” Arab Center Washington DC, August 9, 2017, https://arabcenterdc.org/resource/an-economic-explanation-for-egypts-alignment-in-the-gcc-crisis/.

205 Summer Said and Chao Deng, “Saudi Arabia, Gulf Countries Want Better Returns for Bailing Out Egypt,” *Wall Street Journal*, April 7, 2023, https://www.wsj.com/articles/saudi-arabia-gulf-countries-want-better-returns-for-bailing-out-egypt-e6e8b047.

206 Vivian Nereim and Vivian Yee, “No More Blank Checks: Saudi Arabia Clamps Down on Regional Aid,” *New York Times*, April 2, 2023, https://www.nytimes.com/2023/04/02/world/middleeast/no-more-blank-checks-saudi-arabia-clamps-down-on-regional-aid.html.

207 Yezid Sayigh, “To Receive an IMF Loan, Egypt Pledges to End the Unique Status of Its Military Companies,” *Diwan* (blog), Malcolm H. Kerr Carnegie Middle East Center, January 12, 2023, https://carnegie-mec.org/diwan/88785.

208 Andrew England, Samer Al-Atrush, and Simeon Kerr, “Egypt Struggles to Lure Gulf Buyers in State Asset Sell-Off,” *Financial Times*, April 28, 2023, https://www.ft.com/content/4875b0b6-3a75-47fc-879e-36c0046fe952.

209 Sebastian Sons, “The Gulf and Tunisia: Low-Cost Engagement in Times of Regional Reconciliation,” Italian Institute for International Political Studies, July 22, 2022, https://www.ispionline.it/en/publication/gulf-and-tunisia-low-cost-engagement-times-regional-reconciliation-35863.

210 Abdessalam Sakia, “Algeria Lends Tunisia $200M, Grants it $100M,” Echourouk Online, December 27, 2022, https://www.echoroukonline.com/algeria-lends-tunisia-200m-grants-it-100m.

211 Lilia Blaise, “Morocco and Tunisia Feud After Self-Proclaimed Western Sahara Leader Visits Tunis,” *Le Monde*, January 3, 2023, https://www.lemonde.fr/en/le-monde-africa/article/2022/09/01/the-diplomatic-crisis-between-tunis-and-rabat-over-western-sahara-is-showing-no-signs-of-abating_5995479_124.html.

212 Abdelkader Cheref, “Kais in Point: Why Algeria’s Regime Is Cheering Tunisia’s Proto-Dictatorship,” *New Arab*, March 1, 2023, https://www.newarab.com/opinion/why-algerias-regime-cheering-saeids-proto-dictatorship.

213 Tarek Amara, “Morocco Recalls Tunisia Ambassador Over Western Sahara,” Reuters, August 27, 2022, https://www.reuters.com/world/africa/morocco-recalls-tunisia-ambassador-over-western-sahara-2022-08-26/.

Malcolm H. Kerr Carnegie Middle East Center

Founded in 2006, the Malcolm H. Kerr Carnegie Middle East Center, based in Beirut, Lebanon, draws on top regional experts to provide in-depth analysis of political, socio-economic, and security issues in the Middle East and North Africa. The center seeks to cultivate a deeper understanding of the region by offering insights into the challenges faced by states and citizens and by addressing long-term trends. As freedom of expression has been increasingly curbed, the center has served as a space for individuals to express their views on the region and reflect on solutions.

Carnegie Endowment for International Peace

The Carnegie Endowment for International Peace is a unique global network of policy research centers around the world. Our mission, dating back more than a century, is to advance peace through analysis and development of fresh policy ideas and direct engagement and collaboration with decisionmakers in government, business, and civil society. Working together, our centers bring the inestimable benefit of multiple national viewpoints to bilateral, regional, and global issues.

MALCOLM H. KERR
CARNEGIE MIDDLE EAST CENTER

Carnegie-MEC.org